

**Results Q1 2014
Schaeffler Group**

Mobility for tomorrow

**Klaus Rosenfeld
Chief Executive Officer / Chief Financial Officer**

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Agenda

- 1 Overview
- 2 Results Q1 2014
- 3 Financing and capital structure
- 4 Outlook

Strong start into the year – Sales guidance increased



New demonstrator vehicle (48 Volt System) presented at a customer event in April



Schaeffler was awarded the 2014 PACE Award for its torque converter with centrifugal pendulum absorber

FX adjusted sales growth in Q1 2014 plus 11.2%, as reported plus 8.0%

Automotive sales grew FX-adjusted by 14.4% (as reported by 11.3%), Industrial sales FX-adjusted by 3.1% (as reported by -0.7%)

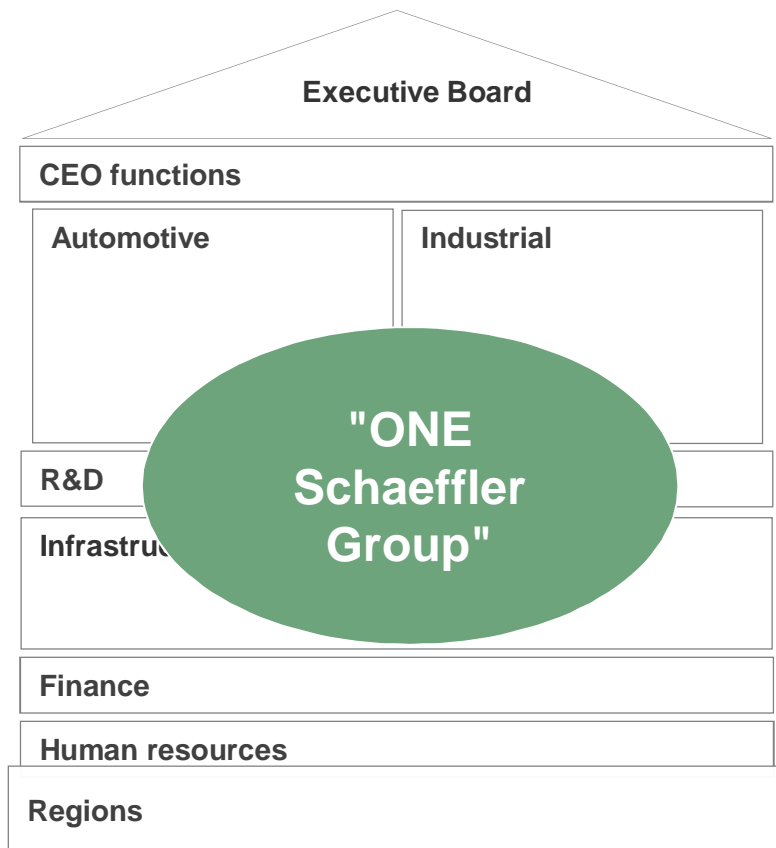
Earnings quality improved, EBIT margin in Q1 2014 after adjustment 13.6% (before adjustment 13.9%)

Net Working Capital and Capex increased, Free Cash Flow minus EUR 19 mn in Q1 2014

Interest expense for financial debt further reduced, leverage ratio maintained at 2.6x

Key achievements since October 4th, 2013

Our aspiration



Major achievements

- 1 Strategy refocused – "Mobility for tomorrow"
- 2 New organizational and leadership structure established
- 3 Program "ONE Schaeffler" with good progress
- 4 Compliance Management System strengthened
- 5 EUR 3.5 bn refinancing transaction successfully executed
- 6 Strong Q1 2014 results, sales guidance increased

1 Strategy refocused – "Mobility for tomorrow"

Key mega trends

Society trends

- Urbanization
- Population growth

Technology trends

- Increasing complexity
- Digitalization

Environmental trends

- Renewable energies
- Availability of resources

Economic trends

- Globalization
- Affordability

4 focus areas



1 Environmentally friendly drives



Urban mobility 2

"Mobility for tomorrow"



3 Interurban mobility

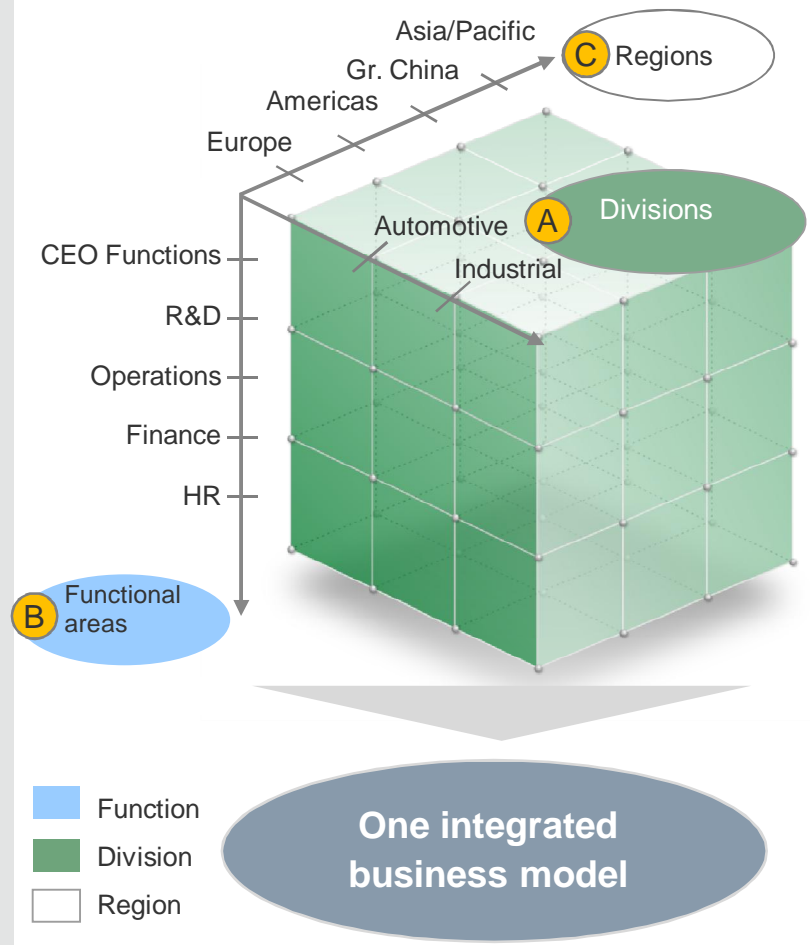


Energy chain 4

1 Overview

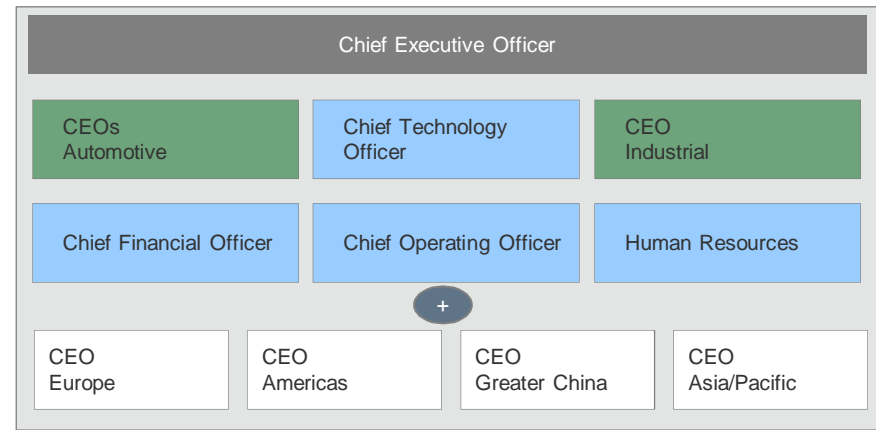
2 New organizational and leadership structure – "Structure follows strategy"

3-dimensional matrix



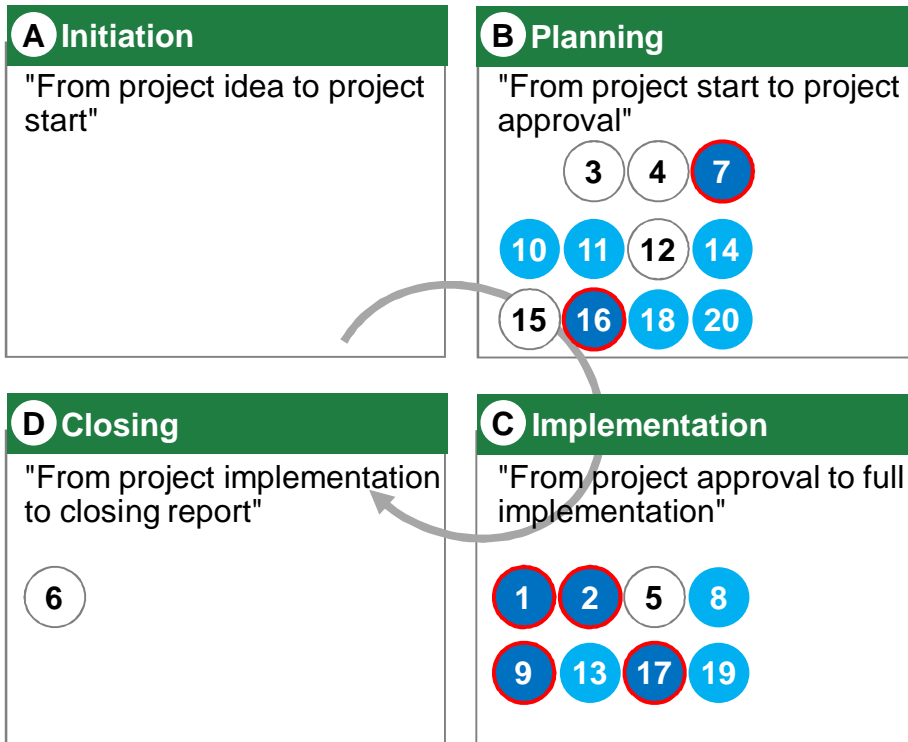
Key aspects

- To support its growth strategy and the integrated business model Schaeffler has established a group-wide consistent 3-dimensional matrix structure
- The matrix consists of 2 divisions, 5 functions and 4 regions; primary steering dimension are the divisions
- Consistent break-down of the 2 divisions into 6 business divisions and various business units
- The leadership structure has been streamlined to reflect the new organizational structure



3 Program "ONE Schaeffler" established – Good progress

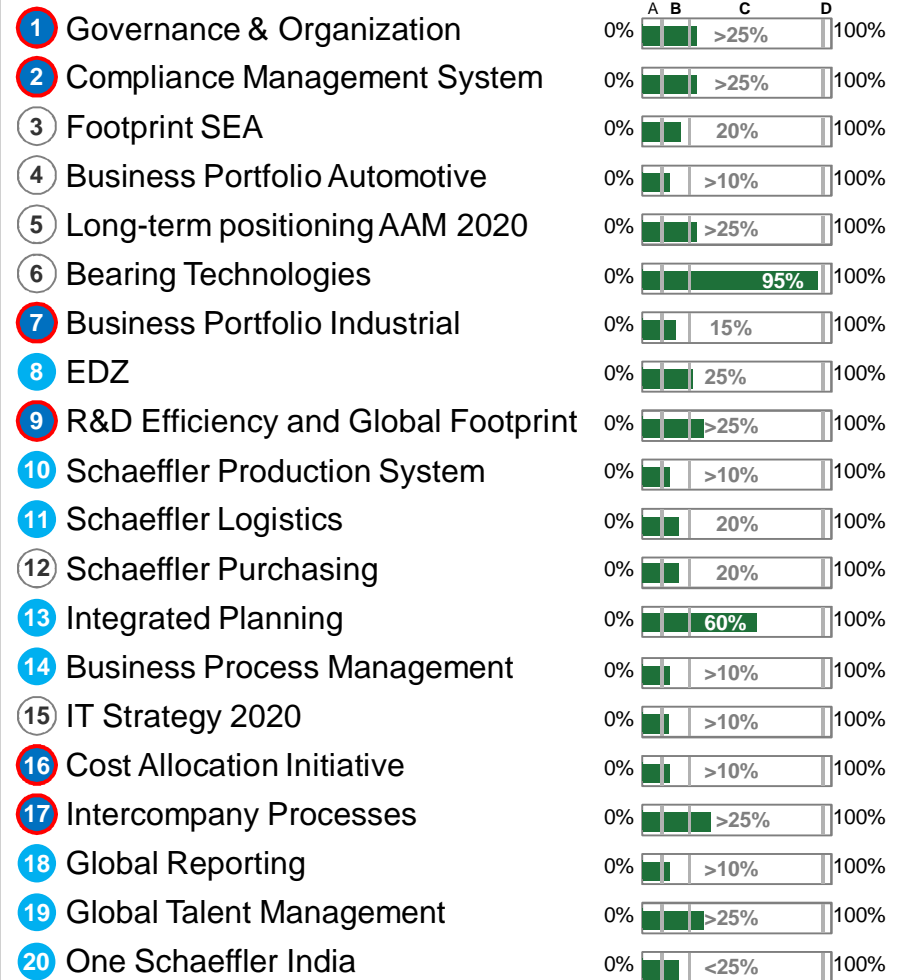
Project life cycle



Priority of Projects

● High ● Medium ○ Low

Status report initiatives



Overview results Q1 2014

in EUR mn

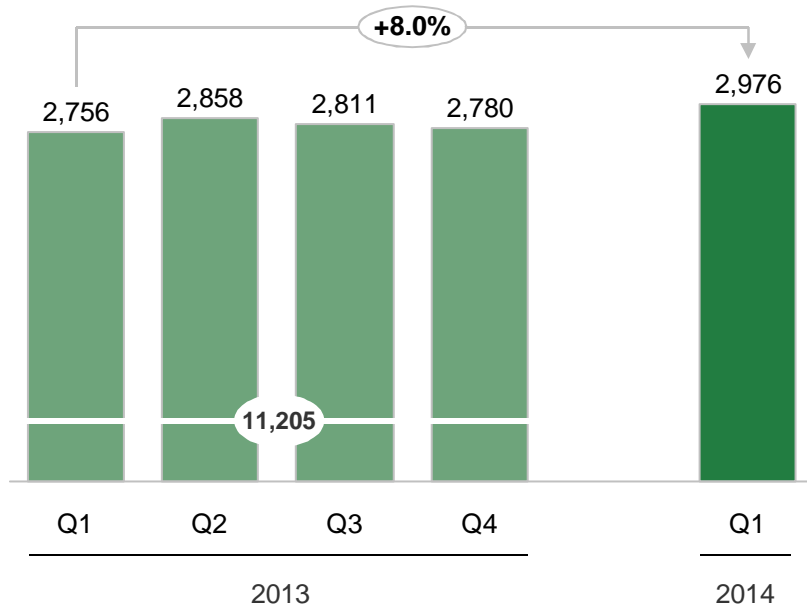
	Q1 2013	Q4 2013 ¹⁾	Q1 2014	Δ Q1 2014 adj. vs. Q1 2013
Sales	2,756	2,780	2,976	+8.0%
EBITDA/ Adjusted EBITDA ¹⁾	512	500	569 560	+9.4%
EBITDA margin/ Adjusted EBITDA margin ¹⁾	18.6%	18.0%	19.1% 18.8%	+0.2%-pts.
EBIT/ Adjusted EBIT ¹⁾	355	324	414 405	+14.1%
EBIT margin/ Adjusted EBIT margin ¹⁾	12.9%	11.7%	13.9% 13.6%	+0.7%-pts.
Net income ²⁾	233	-155	382	+149 mn
Working capital	2,616	2,343	2,700	+84 mn
Capex	121	229	155	+34 mn
Free cash flow	52	40	-19	-71 mn
Net debt	6,834	5,890	6,172	-662 mn
Leverage ratio ³⁾	3.3	2.6	2.6	-

1) Excluding one-off effects 2) Attributable to shareholders of the parent company 3) Net financial debt to adjusted EBITDA ratio; prior year figure as per December 31, 2013

Strong revenue growth – FX-adjusted plus 11.2%

Sales

in EUR mn

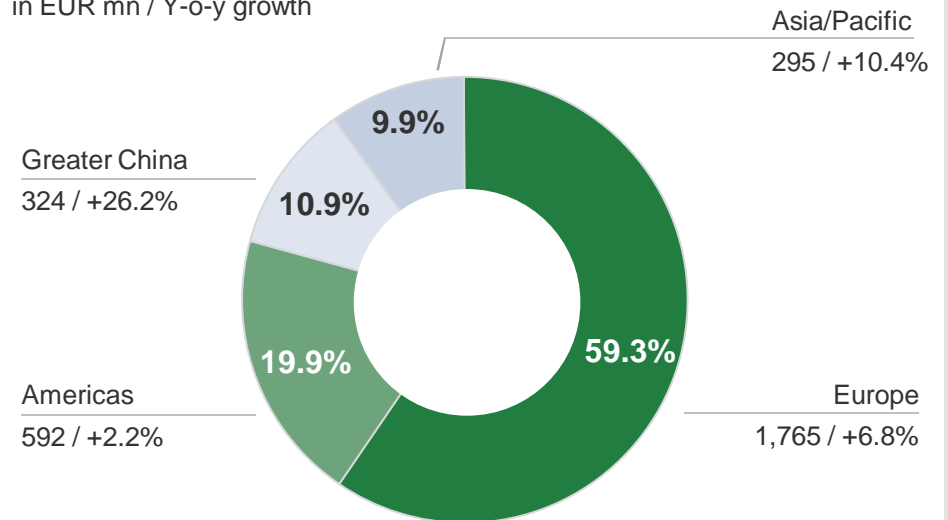


Gross profit margin in %



Q1 2014 sales by region¹⁾

in EUR mn / Y-o-y growth



Sales by division

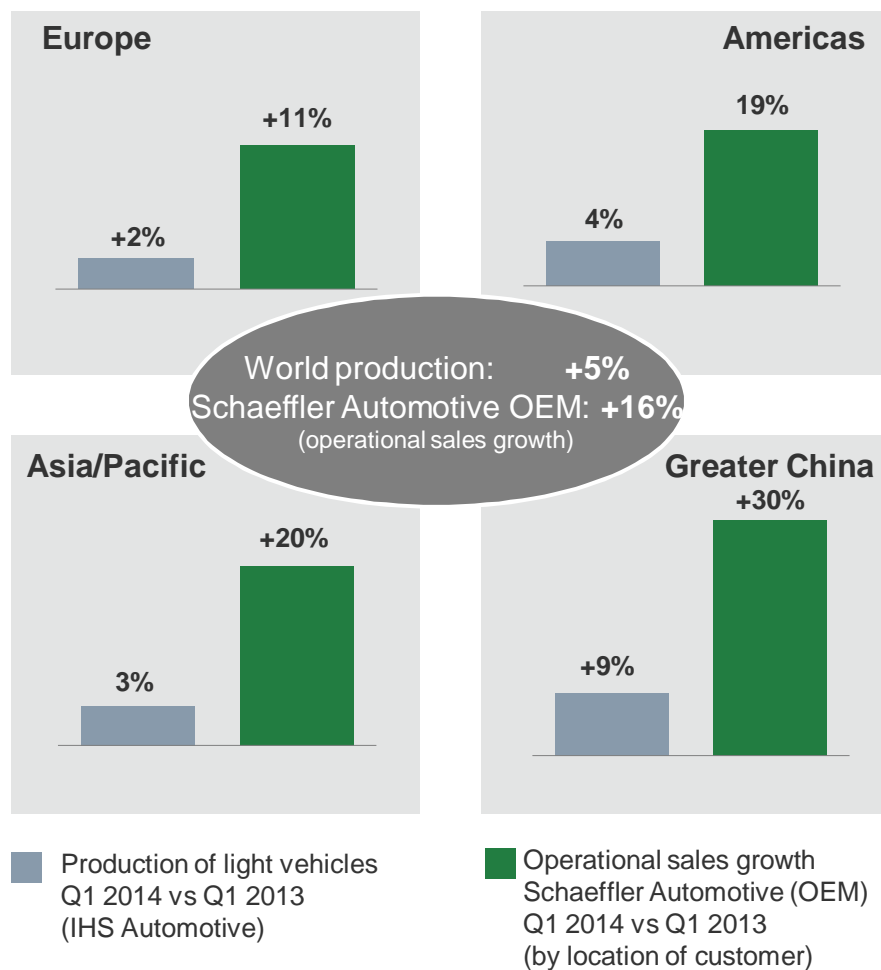
in EUR mn

	Q1 2013	Q1 2014	Δ	Δ excl. FX effects
Automotive	1,987	2,212	+11.3%	+14.4%
Industrial	769	764	-0.7%	+3.1%
Total	2,756	2,976	+8.0%	+11.2%

1) Market view (= location of customers)

Sales Automotive – Strong above market growth

Regional development Automotive¹⁾



Key aspects

- Schaeffler Automotive again strongly outgrew global automotive production in the first quarter 2014
- Sales Automotive with FX-adjusted growth rate with +14.4%, growth rate as reported +11.3%
- All business divisions and all regions contributed to overall growth

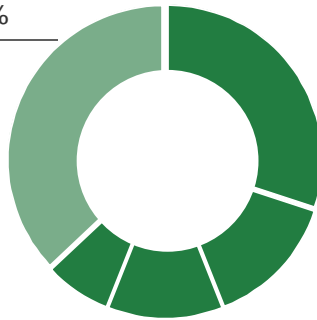
in EUR mn	Q1 2014	Δ
Engine Systems	551	+11.3%
Chassis Systems	345	+6.2%
Transmission Systems	936	+16.3%
Aftermarket	382	+6.7%
Total	2,212	+11.3%

1) Schaeffler Automotive sales growth by region is not necessarily an indication of actual end-customer demand by region (e.g. European sales include components and systems sold to customers in Europe who ultimately export the final product to customer locations in North and South America as well as in Asia/Pacific).

Sales Industrial – Positive revenue trend supported by certain sectors

Key industrial business units

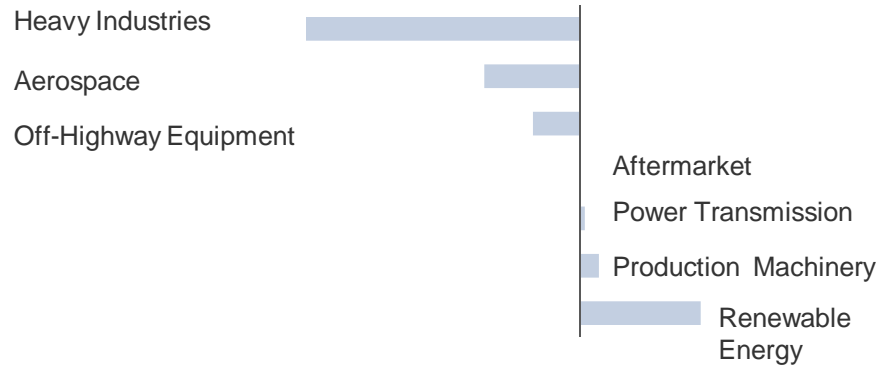
Industrial
Aftermarket ~37%



Industrial
OEM ~63%

Mobility
Energy and Raw Material
Production Machinery
Aerospace

Sales Q1 2014 vs. Q1 2013



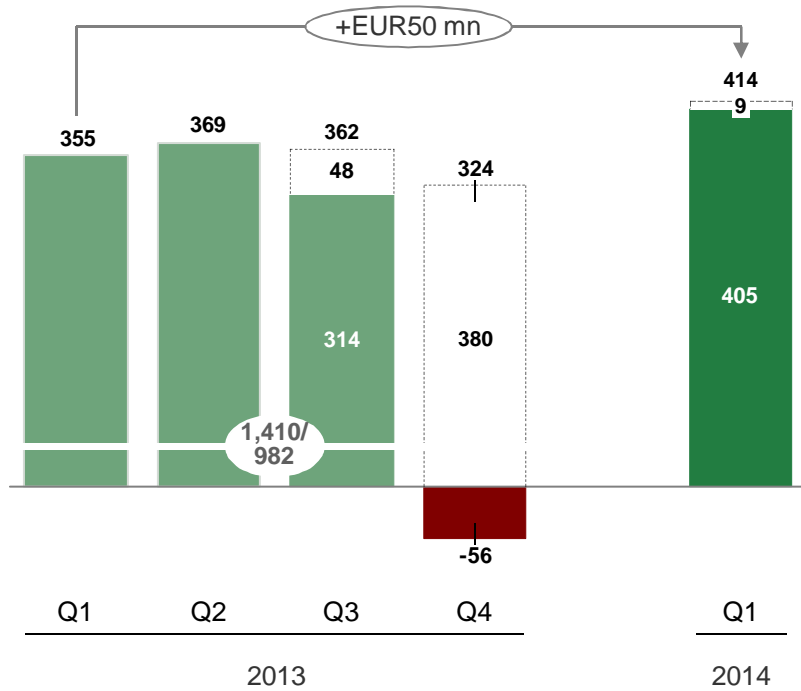
Key aspects

- Sales Industrial with improving trend; FX-adjusted growth rate +3.1% (as reported -0.7%)
- Industrial OEM business with mixed development across sectors
 - *Power Transmission*: Sales increase in Europe, sales decrease in the Americas and Asia/Pacific regions
 - *Off-Highway Equipment*: Demand for construction machinery has not yet improved
 - *Renewable Energy*: Positive development in Europe and China
 - *Heavy Industries*: Late cyclical business, high prior year level
 - *Production Machinery*: Increased demand for printing and textile machines
 - *Aerospace*: Sales impacted by negative FX effects, lower sales volume in Europe
- Industrial Aftermarket: Improvement in Europe, inventory reductions of distributors leading to sales decrease in Asia/Pacific and Greater China

Earnings quality improved – Adjusted EBIT margin 13.6%

EBIT

in EUR mn

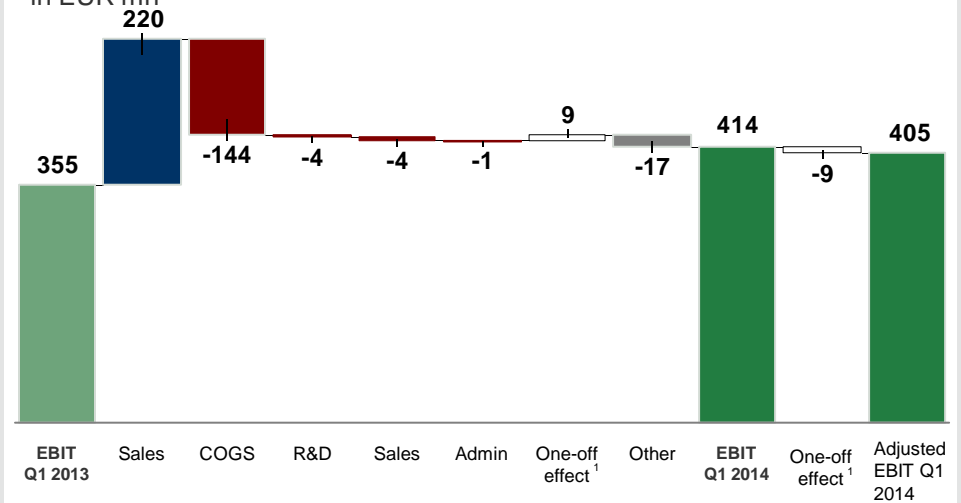


Adjusted EBIT margin in %

12.9	12.9	12.9	11.7	13.6
12.6				

Δ EBIT

in EUR mn



12.9%

13.9%

13.6%

EBIT per division

in EUR mn

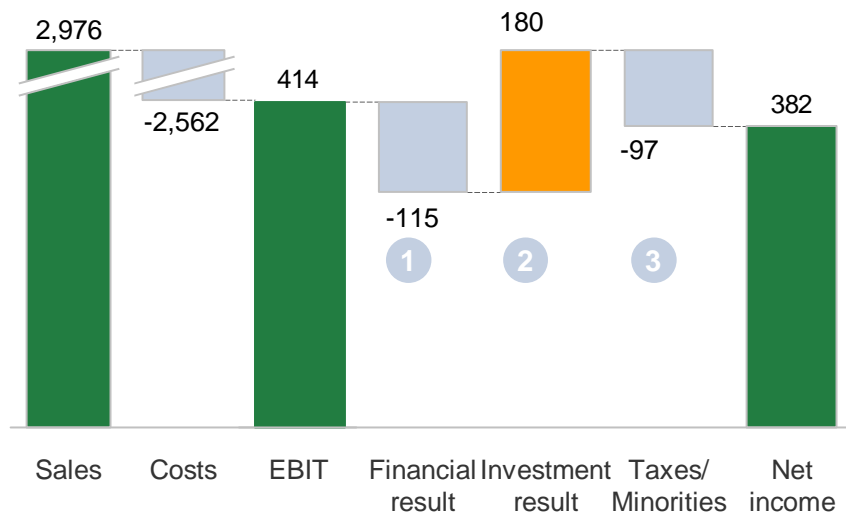
	Q1 2013 EBIT	Q1 2014 EBIT	Δ in mn	Q1 2013 margin	Q1 2014 Adjusted margin
Automotive	260	313	+53	13.1%	14.2%
Industrial	95	92	-3	12.4%	12.0%
Total	355	405	+50	12.9%	13.6%

1) Positive one-off effect from the release of provision for antitrust fine

Net income EUR 382 mn

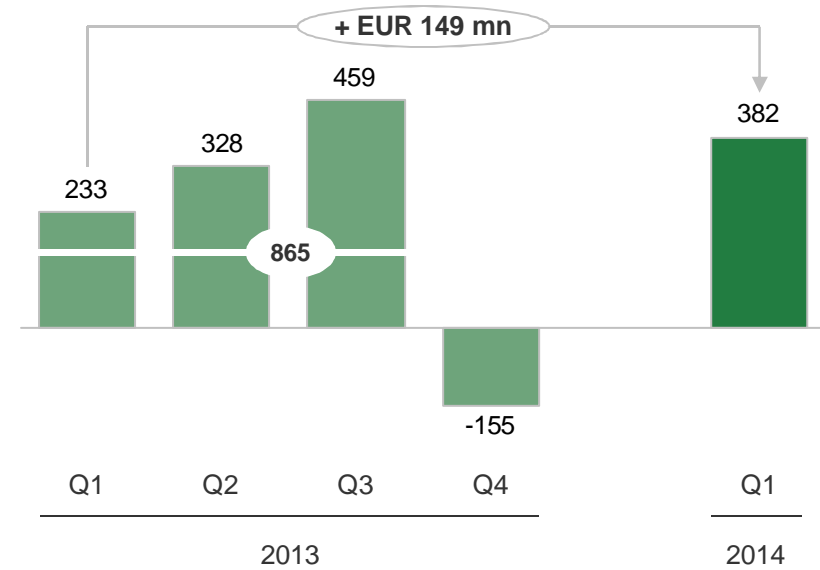
Net income Q1 2014¹⁾

in EUR mn



Net income¹⁾

in EUR mn

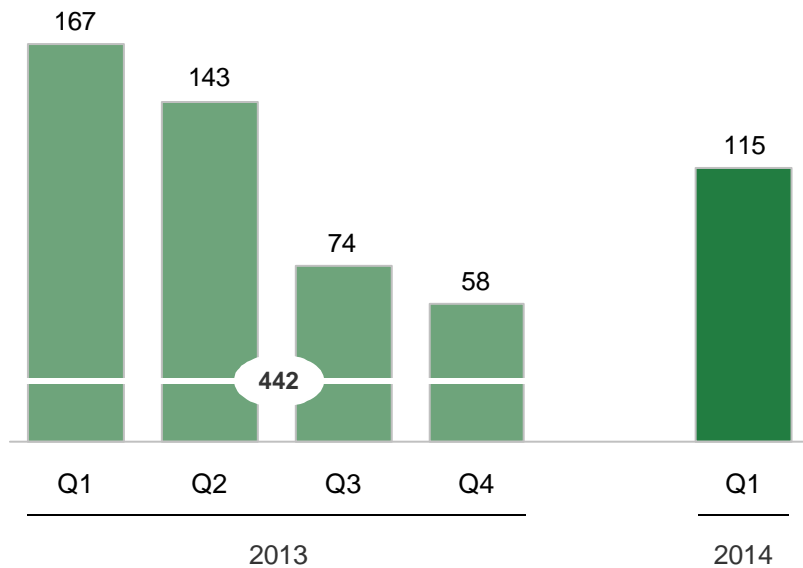


1) Net income attributable to the shareholders of the parent company

1 Financial result minus EUR 115 million

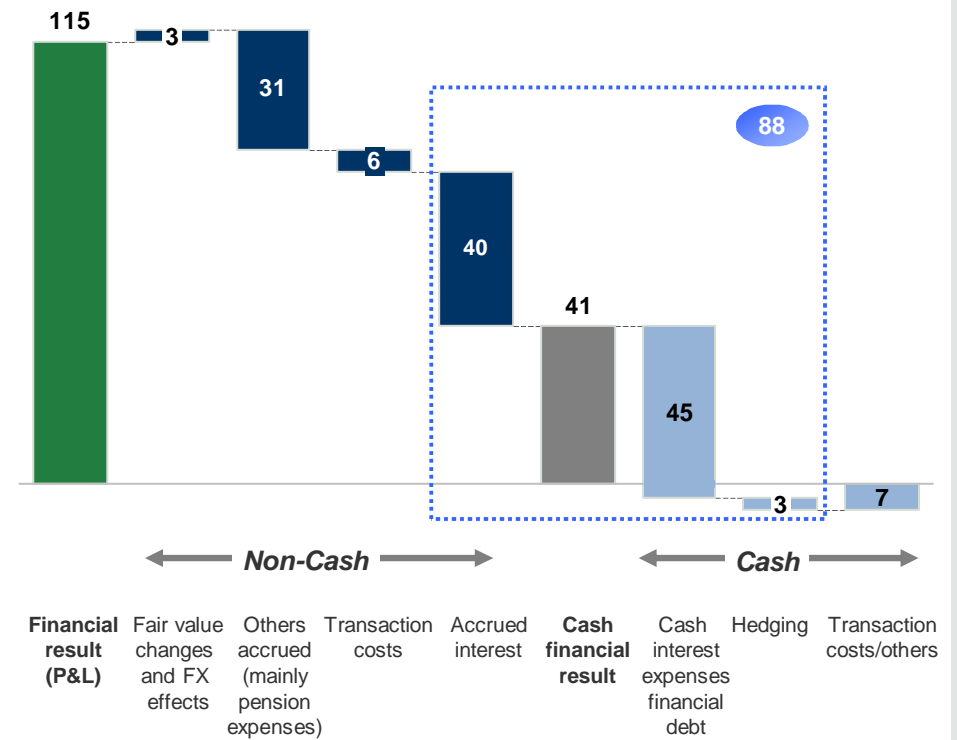
Financial result¹⁾

in EUR mn



Composition of financial result¹⁾

in EUR mn

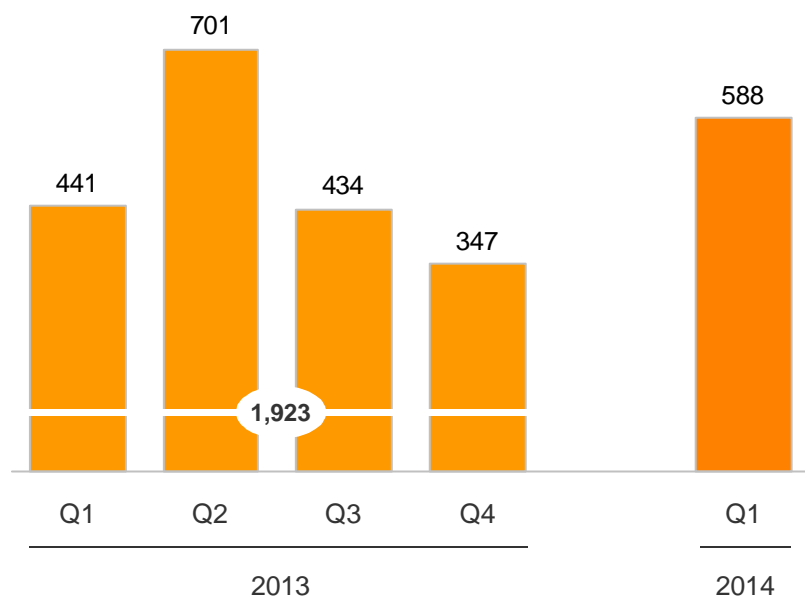


1) For presentation purposes negative results are shown as positive figures

2 At equity result Continental AG EUR 180 million

Net income Continental

in EUR mn



Sales	8,033	8,541	8,350	8,407	8,390
EBIT	747	883	886	747	903

At equity result from Continental

in EUR mn

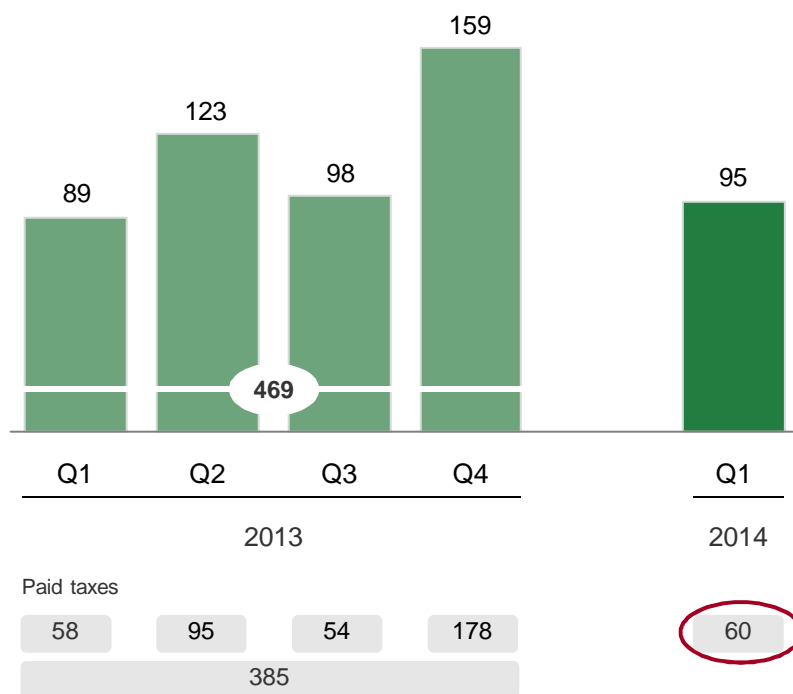
	Q1 2013	Q2 2013	Q3 2013	Q4 2013	FY 2013	Q1 2014
Net Income Continental	441	701	434	347	1,923	588
Conti shares (per 31/03/2014: 34,2%)	160	253	155	119	687	201
PPA	-25	-25	-24	-25	-99	-22
Dilution Loss/ Other	0	0	0	23	23	1
At Equity Result	135	228	131	117	611	180

3 Group tax rate normalized to 32%

Income taxes¹⁾

in EUR mn

	FY 2013	Q1 2014
EBT ²⁾	540	299
Income taxes	469	95
Group tax rate	86.9%	31.8%



Tax rate reconciliation¹⁾

in EUR mn

	2013	Q1 2014
Net income before tax	1,341	479
Expected tax expense ³⁾	376	134
Addition/reduction due to deviating local tax bases	7	2
Foreign/domestic tax rate differences	-6	0
Change in tax rate and law	-1	0
Non-recognition of deferred tax assets	38	0
Non-deductable expenses	247	13
Income (loss) from at equity-accounted investees	-224	-50
Taxes for previous years	26	-4
Other	6	0
Reported tax expense	469	95

1) For presentation purposes negative results are shown as positive figures

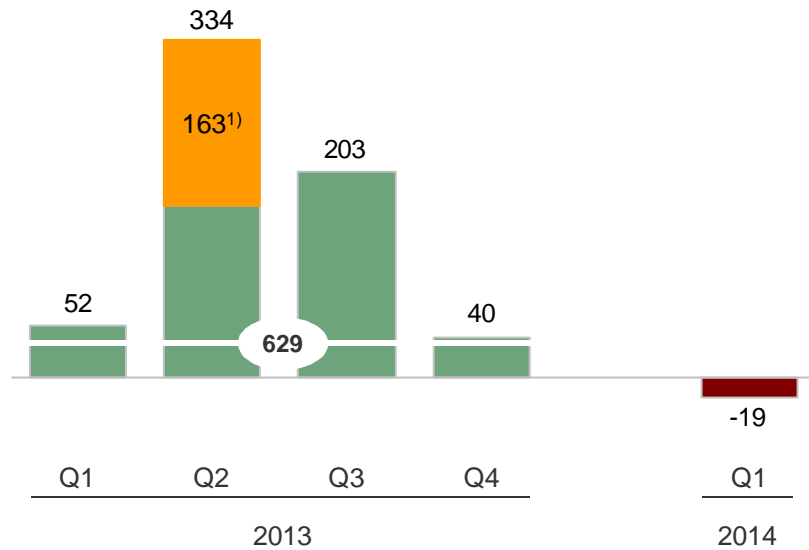
2) Excluding At-Equity result Continental

3) Expected tax rate 28.0%

Free cash flow Q1 2014 minus EUR 19 million

Free cash flow

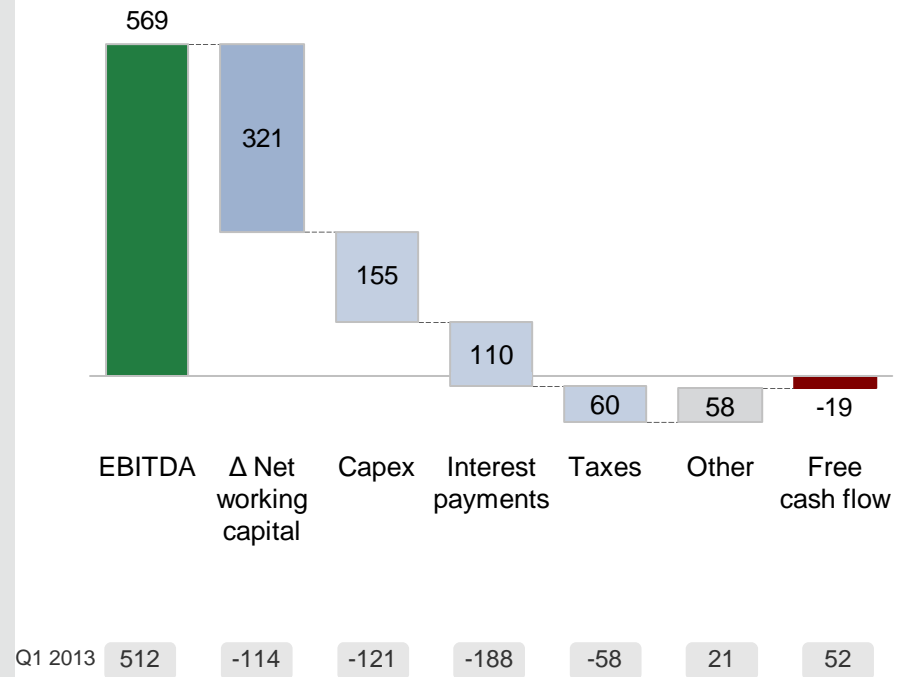
in EUR mn



1) Dividend from Continental AG

Free cash flow Q1 2014

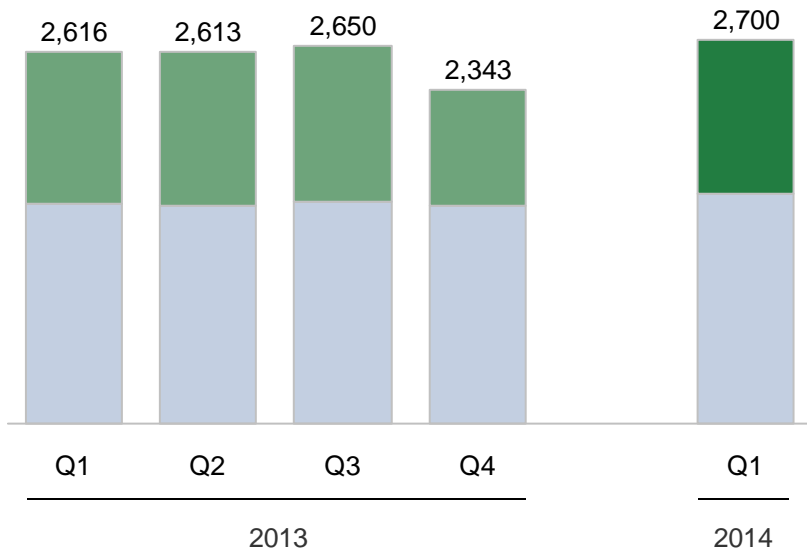
in EUR mn



Working Capital efficiency 23.6% of sales – Capex 5.2% of sales

Working Capital

in EUR mn



In % of sales¹⁾

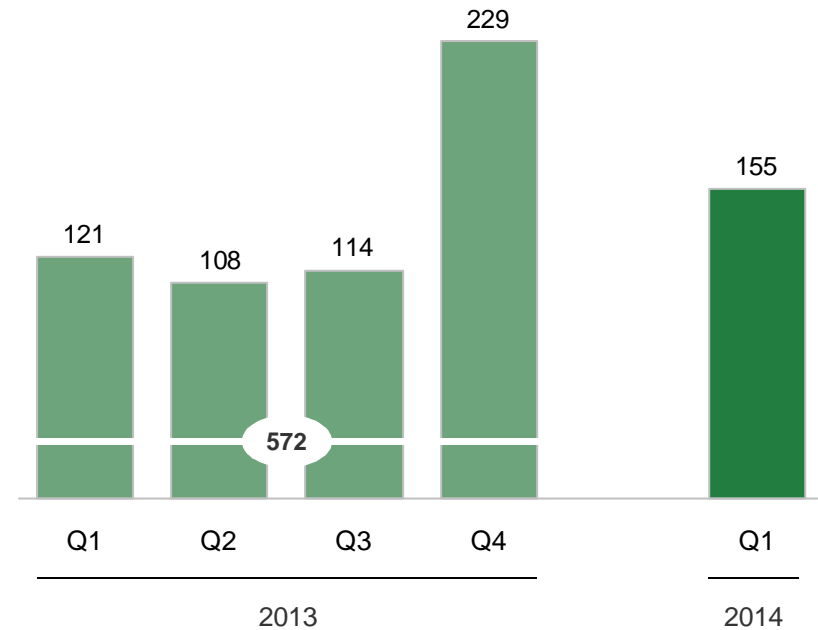


Inventories

1) Calculation based on LTM sales

Capex spent¹⁾

in EUR mn



In % of sales

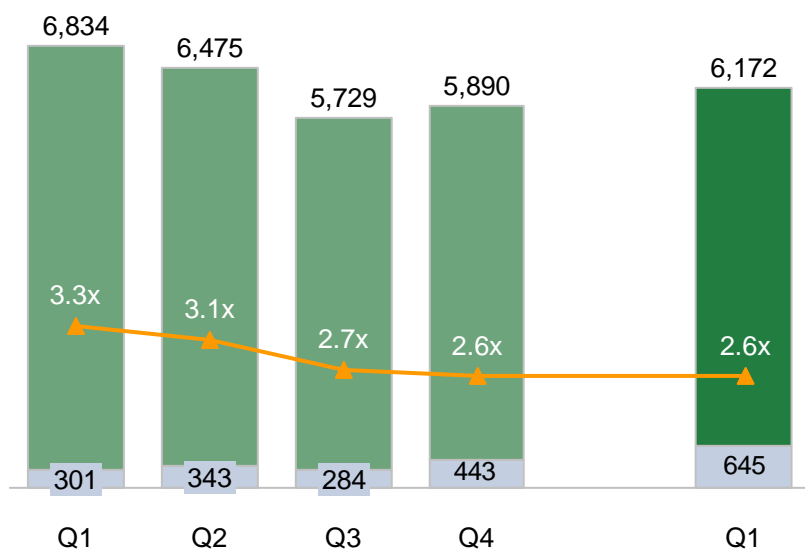


1) Cash view

Leverage ratio as of March 31st, 2014 stable at 2.6x

Net financial debt

in EUR mn



	2013				2014
Gross debt	7,292	7,037	6,089	6,190	6,395
Cash position	458	562	360	300	223

■ Shareholder Loans

—▲ Leverage ratio (Net financial debt w/o shareholder loans / LTM Adjusted EBITDA)

Development leverage ratio

in EUR mn

	12/31/13	03/31/14
Gross debt	6,190	6,395
- Cash	300	223
= Net financial debt	5,890	6,172
- Shareholder loans	443	645
= Net financial debt (w/o shareholder loans)	5,447	5,527
÷ LTM EBITDA adjusted	2,062	2,110
= Leverage ratio	2.6	2.6

Development shareholder loan

in EUR mn

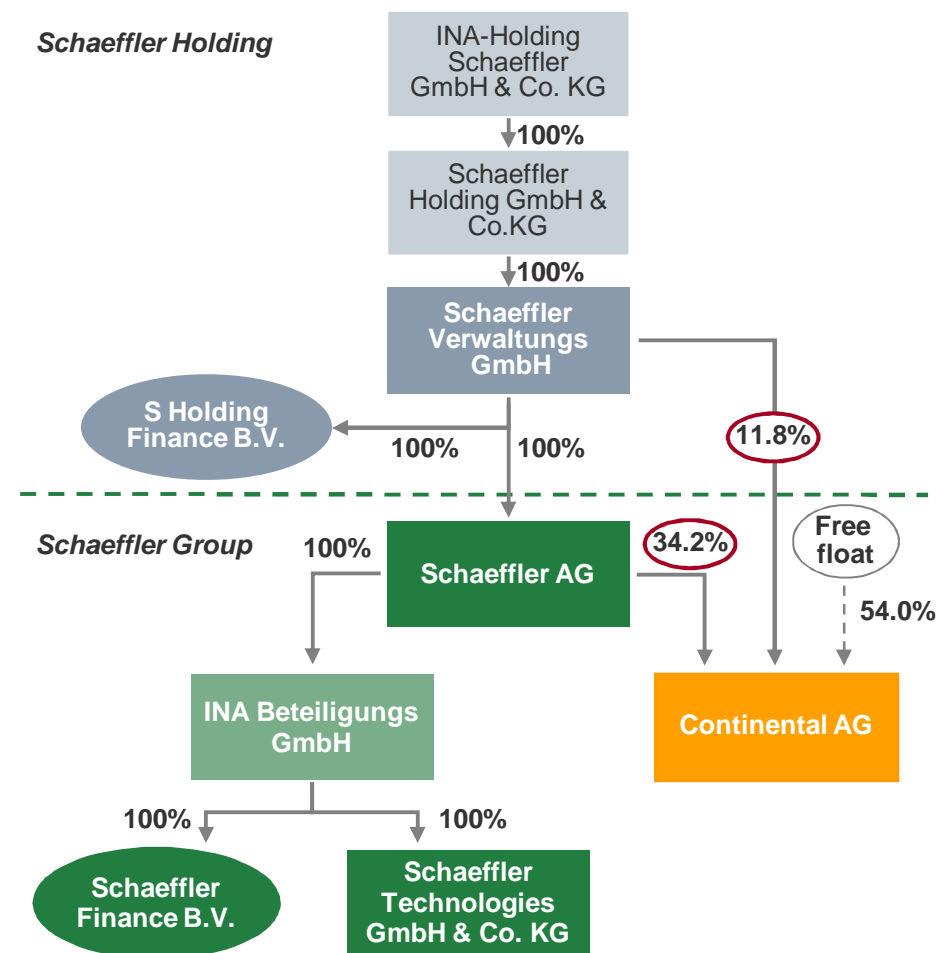
Shareholder loan as per 12/31/13	443
Dividend	+250
Upstream Payments	-48
Shareholder loan as per 03/31/14	645

3 Financing and capital structure

Overview corporate and capital structure

ProForma after latest refinancing transaction

Corporate structure



1) Senior Secured PIK Toggle Notes 2) Floor of 0.75 % 3) Assuming EUR/USD = 1.37

Capital structure (as of May 15, 2014)

	Debt instrument	Nominal in EUR mn	Interest	Maturity	Rating	
Schaeffler Holding	6.875% SSNs 2018 (EUR) ¹⁾	800	6.875%	Aug-18	B1 / B	
	6.875% SSNs 2018 (USD) ^{1) 3)}	~730	6.875%	Aug-18	B1 / B	
	Junior Term Loan B1	905	E+5.25%	Jun-17	Not rated	
	Junior Term Loan B2	354	8.50% PIK	Jun-17	Not rated	
	Junior Term Loan B3	110	E+1.25% + 5.25% PIK	Jun-17	Not rated	
	Junior Term Loan B4	286	E+5.25%	Jun-17	Not rated	
	Junior RCF (EUR 200 mn)	-	E+5.25%	Jun-17	Not rated	
Schaeffler Holding Debt		3,185				
Schaeffler Group	Senior Term Loan D	250	E+2.875%	Jul-16	Not rated	
	Senior Term Loan E (EUR)	375	E+3.00% ²⁾	May-20	Ba2 / BB-	
	Senior Term Loan E (USD) ³⁾	1,168	L+3.00% ²⁾	May-20	Ba2 / BB-	
	Senior RCF (EUR 1,000 mn)	-	E+2.875%	Jul-16	Not rated	
	Total Senior Facilities		1,793			
	7.75% SSNs 2017 (EUR)	800	7.75%	Feb-17	Ba2 / BB-	
	7.75% SSNs 2017 (USD) ³⁾	~438	7.75%	Feb-17	Ba2 / BB-	
	4.25% SSNs 2018 (EUR)	600	4.25%	May-18	Ba2 / BB-	
	2.75% SSNs 2019 (EUR)	500	2.75%	May-19	Ba2 / BB-	
	3.25% Unsec.Ns 2019 (EUR)	500	3.25%	May-19	B1 / B	
4.75% SSNs 2021 (USD) ³⁾	~620	4.75%	May-21	Ba2 / BB-		
4.25% SSNs 2021 (USD) ³⁾	~511	4.25%	May-21	Ba2 / BB-		
3.50% SSNs 2022 (EUR)	500	3.50%	May-22	Ba2 / BB-		
Total Outstanding Bonds		4,469				
Schaeffler Group Debt		6,262				
Total	Total Debt	9,447				

3 Financing and capital structure

EUR 3.5 bn refinancing transaction successfully executed

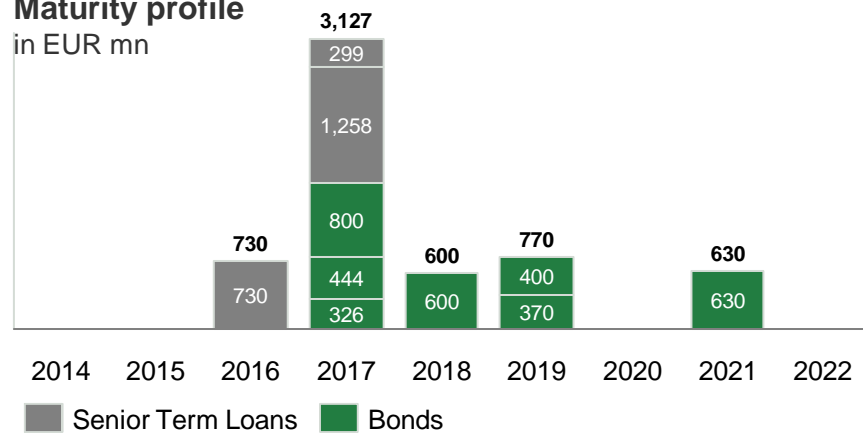
Status quo before transaction

Financing cost

- ▶ Ø Interest cost p.a. ~ 5.68%
- ▶ Interest mix ~ 39% variable, 61% fixed
- ▶ Currency mix ~ 54% Euro, 46% US-\$
- ▶ Ø Weighted maturity ~ 4 years, 1 month

Maturity profile

in EUR mn



Key terms

- ▶ Restrictive terms

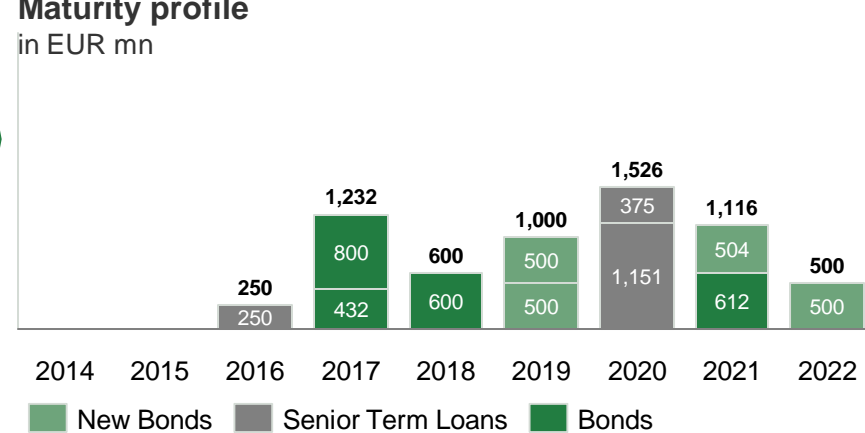
Pro forma after transaction

Financing cost

- ▶ Ø Interest cost p.a. ~ 4.58%
- ▶ Interest mix ~ 29% variable, 71% fixed
- ▶ Currency mix ~ 57% Euro, 43% US-\$
- ▶ Ø Weighted maturity ~ 5 years, 3 months

Maturity profile

in EUR mn



Key terms

- ▶ Terms improved (e.g. no Capex covenant)

4 Outlook

Sales guidance increased – new guidance > 7% p.a.

Growth		Profitability	
Sales growth	5-7% ¹⁾	EBIT margin	12-13%
Capex	6-8% of sales	Free cash flow	Positive
1) Excl. FX effects			
Quality		Innovation	
Quality policy	Further improve	R&D expenses	5% of sales
Employees	~ 3,000 new jobs	Innovation	Maintain leading position in patent applications

New Guidance
> 7%¹⁾

Schaeffler IR contact



Investor Relations

phone: + 49 9132 82 4440
fax: + 49 9132 82 4444
ir@schaeffler.com
www.schaeffler-group.com/ir

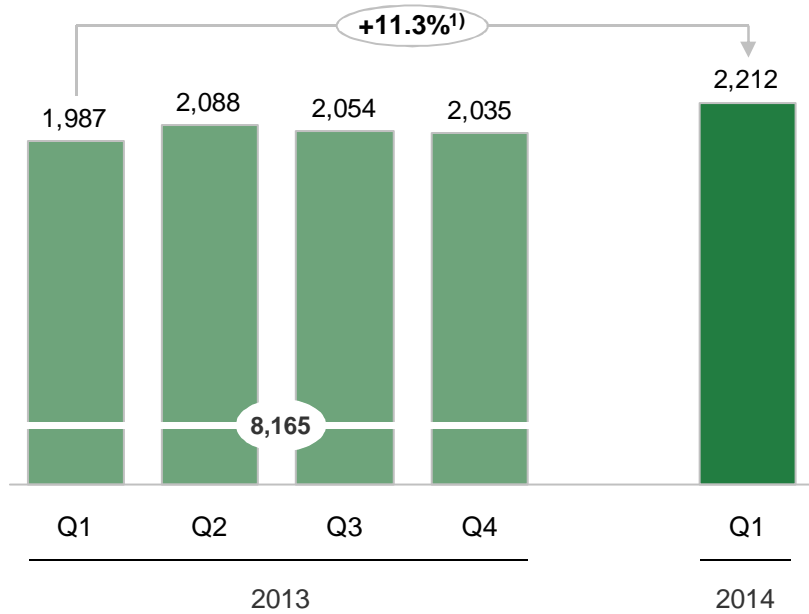
Financial calendar 2014

Results Q1 2014:	May 21, 2014
Results Q2 2014:	August 27, 2014
Results Q3 2014:	November 20, 2014

Automotive sales stronger than Industrial

Sales Automotive

in EUR mn



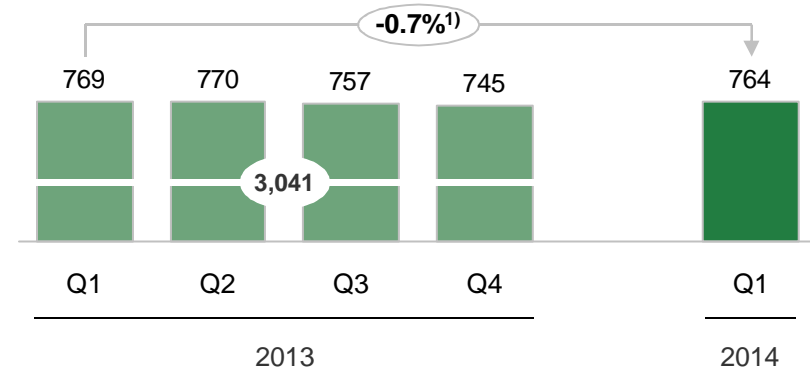
Gross profit margin in %



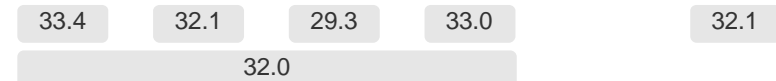
1) Includes negative FX effects of 3.1%

Sales Industrial

in EUR mn



Gross profit margin in %

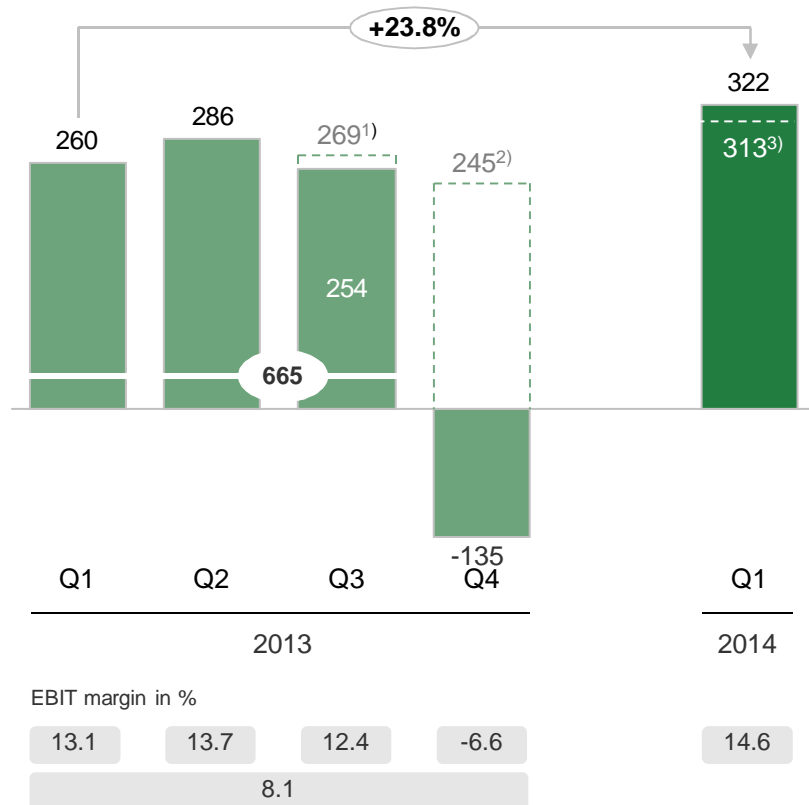


1) Includes negative FX effects of 3.8%

Automotive EBIT growth stronger than Industrial

EBIT Automotive

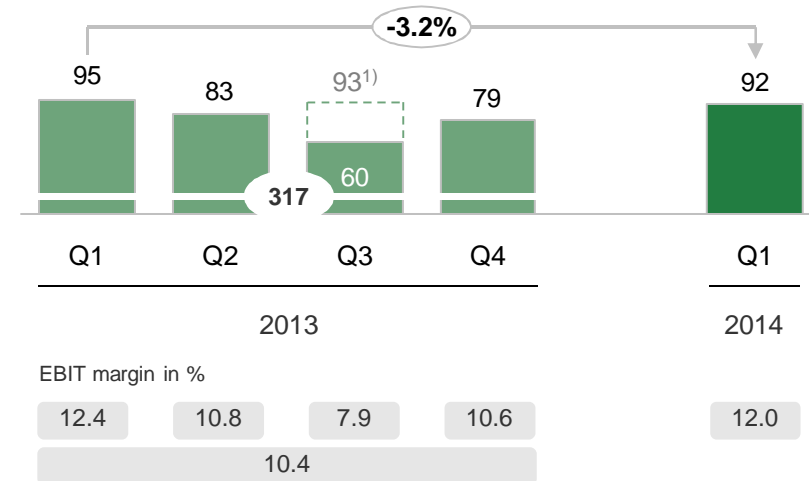
in EUR mn



- 1) Excluding special items (personnel-related structural measures of EUR - 14.7 mn)
- 2) Excluding special items (provision EU antitrust proceedings of EUR - 380 mn)
- 3) Excluding special items (provision release EU antitrust proceedings of EUR + 9.5 mn)

EBIT Industrial

in EUR mn

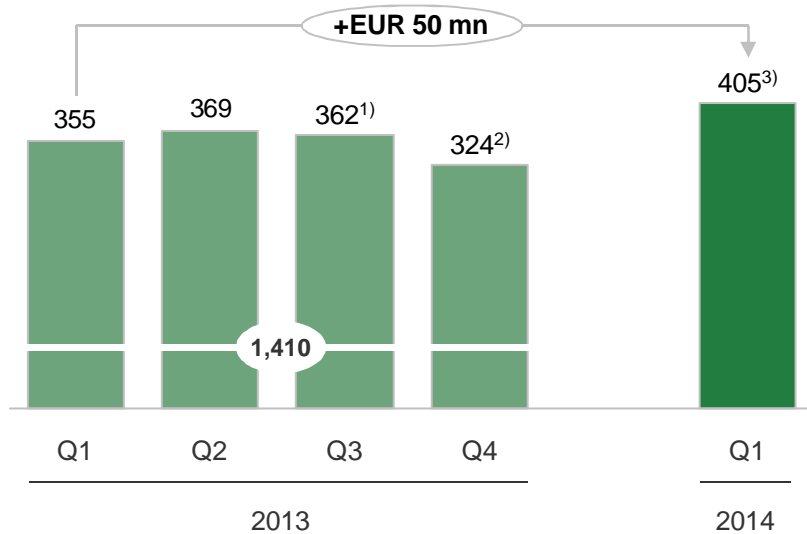


- 1) Excluding special items (one-off restructuring expense of EUR - 33 mn)

Adjusted EBIT margin at 13.6%

Adjusted EBIT

in EUR mn



- 1) Excl. one-off effects of EUR - 48 mn
- 2) Excl. one-off effects of EUR - 380 mn
- 3) Excl. one-off effects of EUR + 9.5 mn

One-off effects

in EUR mn

	Q1 13	Q2 13	Q3 13	Q4 13	FY 14	Q1 14
Reported EBIT	355	369	314	-56	982	414
Reported EBIT margin (%)	12.9	12.9	11.2	-2.0	8.8	13.9
Restructuring provision	-	-	48	-	48	-
EU investigation provision	-	-	-	380	380	-
EU investigation provision release	-	-	-	-	-	-9
Adjusted EBIT	355	369	362	324	1,410	405
Adjusted EBIT margin (%)	12.9	12.9	12.9	11.7	12.6	13.6