



# Results Q1 2016 Schaeffler AG

Conference Call  
May 12, 2016  
Herzogenaurach

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- 1 Overview
- 2 Operational Highlights
- 3 Financial Results
- 4 Outlook



1) Before one-off effects; Last twelve months

Group sales +0.1% (FX adjusted +2.4%) –  
Profitability in line with target range; EBIT margin at 12.6%

Continued outperformance in Automotive division –  
Sales +2.4% (FX-adjusted +5.0%); EBIT margin at 14.4%

Industrial division operates in challenging environment –  
Sales -6.9% (FX-adjusted -5.5%); EBIT margin at 6.4%

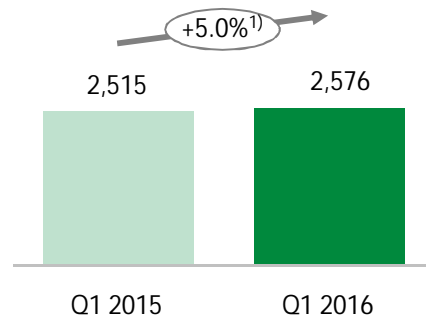
Operating cash flow increased to EUR 206 mn (Q1 2015: EUR 184 mn) – Free Cash Flow with EUR -112 mn seasonally negative

Schaeffler Value Added<sup>1)</sup> increased to EUR 906 mn (Q1 2015: EUR 896 mn) – RoCE stable at 22.1%<sup>1)</sup>

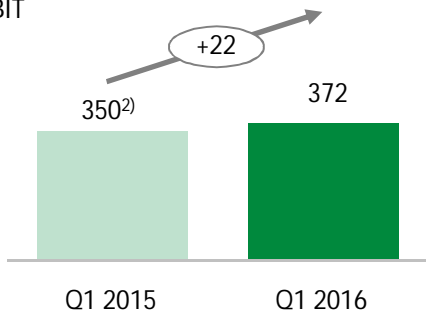
Placement of remaining non-voting shares successfully executed;  
Upgrade of Standard & Poor's rating from BB- to BB

Automotive sales and EBIT margin

Sales



EBIT



EBIT margin



1) FX-adjusted    2) Before one-off effects

Key aspects Automotive

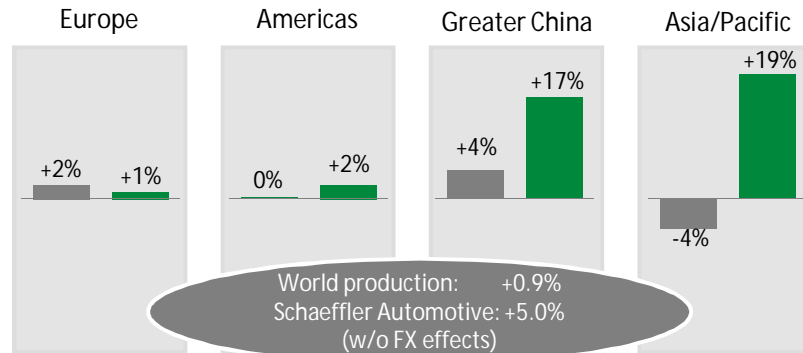
Q1 2016 Automotive sales up 2.4% (+5.0% FX adjusted); continued outperformance of global production (+0.9%)

6.3% increase in EBIT<sup>1)</sup> mainly based on high FX adjusted sales growth and positive product mix

Main sales growth drivers were torque converters, dual mass flywheels and the aftermarket business as well as strong business in Greater China and Asia/Pacific

German Innovation Award 2016 for anti-roll stabilizer;  
Green Tec Award 2016 for E-Clutch

Sales and market development Automotive



■ Production of light vehicles Q1 2016 vs Q1 2015 (IHS)  
■ Sales growth (w/o FX effects) Schaeffler Automotive Q1 2016 vs Q1 2015

Sales business divisions

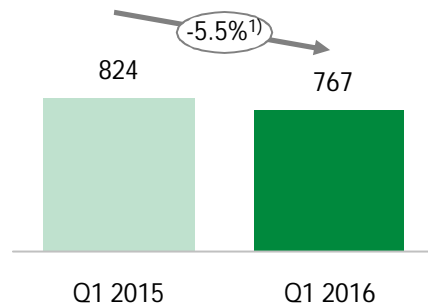
in EUR mn	Q1 2015	Q1 2016	Δ (w/o FX effects)
Engine Systems	660	653	-1.1% (+0.3%)
Transmission Systems	1,065	1,106	+3.8% (+6.2%)
Chassis Systems	377	385	+2.1% (+4.8%)
Automotive Aftermarket	413	432	+4.6% (+9.8%)
Total	2,515	2,576	+2.4% (+5.0%)

Key aspects

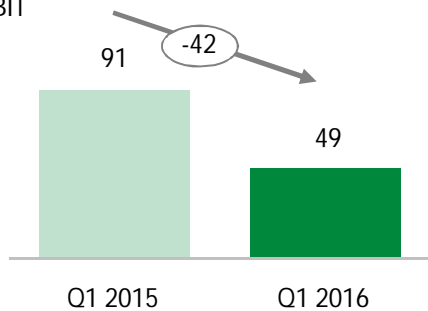
- ▶ Automotive Division (+5.0% FX adjusted) continues to outperform global light vehicle production (+0.9%)
- ▶ Outperformance mainly driven by positive development in Greater China and Asia/Pacific as well as Automotive Aftermarket business
- ▶ Greater China – High demand for dry double clutches and ramp-up of wet double clutches; increased business with local OEMs
- ▶ Asia/Pacific – Change in allocation of a Japanese customer from Europe to Asia/Pacific; High demand for wheel bearings
- ▶ Automotive Aftermarket – FX-adjusted sales growth of 9.8% mainly due to increased OES business in the US

Industrial sales and EBIT margin

Sales



EBIT



EBIT margin in %



1) FX-adjusted

Key aspects Industrial

Q1 2016 Industrial down 6.9% (-5.5% FX adjusted) due to ongoing weakness in all regions and most sector clusters

Significant decrease of EBIT margin to 6.4% (Q1 2015: 11.0%) due to lower volume and weak business mix

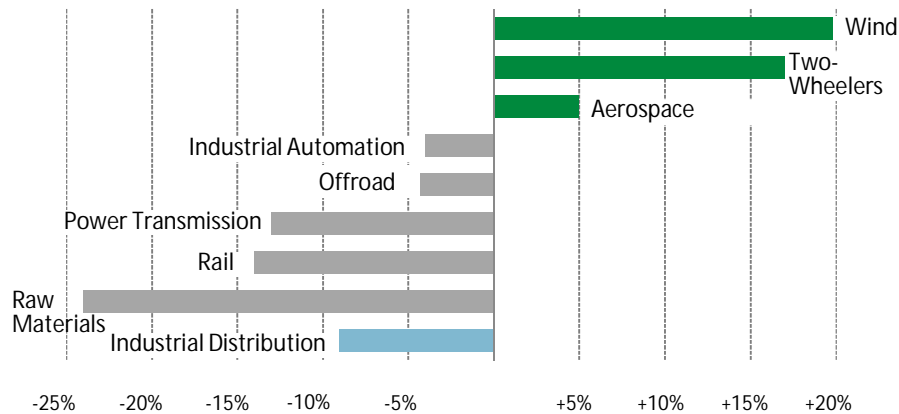
CORE program in implementation; Completion ratio at 15% (end of March 2016)

Schaeffler presents 'Drive Train 4.0' concept vehicle for industrial drives at the Hanover Fair



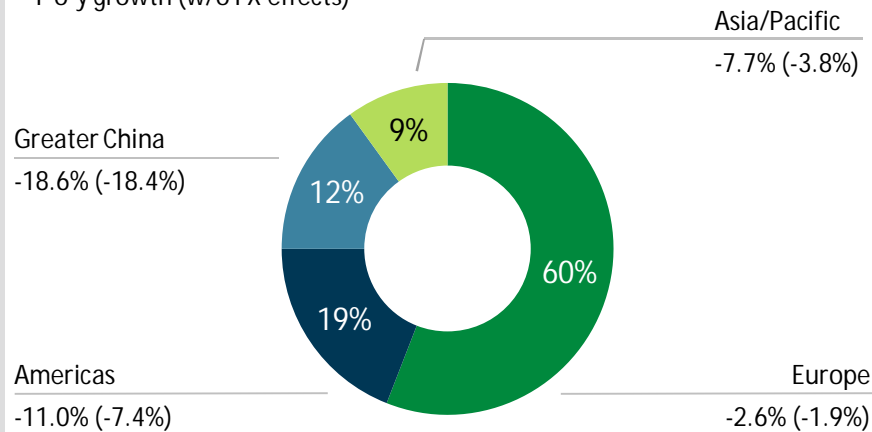
Industrial sales by sector cluster

vs. prev. year (w/o FX effects)



Q1 2015 Industrial sales by region

Y-o-y growth (w/o FX effects)



Key aspects

- ▶ Industrial sector clusters with mixed development
- ▶ Industrial Distribution suffers from de-stocking, mainly in the Americas and Greater China
- ▶ Ongoing weak market environment in all regions, especially in Greater China (all sector clusters declined apart from Wind)
- ▶ CORE program update:
  - Major contract for GenC ball bearings signed by white goods manufacturer
  - Delivery performance increased (EDC North region from 80% to 95%; EDC South region from 50% to 81%)
  - Headcount reduction on track (130<sup>1)</sup> out of 500)

1) As of March 31, 2016



Free Cash flow  
in EUR mn

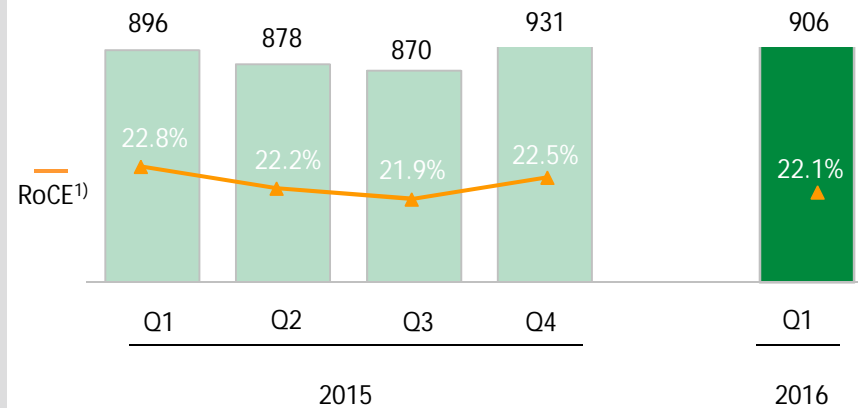
	Q1 2015	Q1 2016
EBITDA	604	598
Interest paid	(75)	(35)
Interest received	2	3
Income taxes paid	(85)	(99)
Working capital change	(246)	(250)
Others	(16)	(11)
CF from Operations	184	206
Capex	(244)	(318)
<i>in % of Sales</i>	7.3%	9.5%
Others	0	0
CF from Investments	(244)	(318)
Free Cash Flow	(60)	(112)
Cash & cash equivalents	609	693

Key aspects

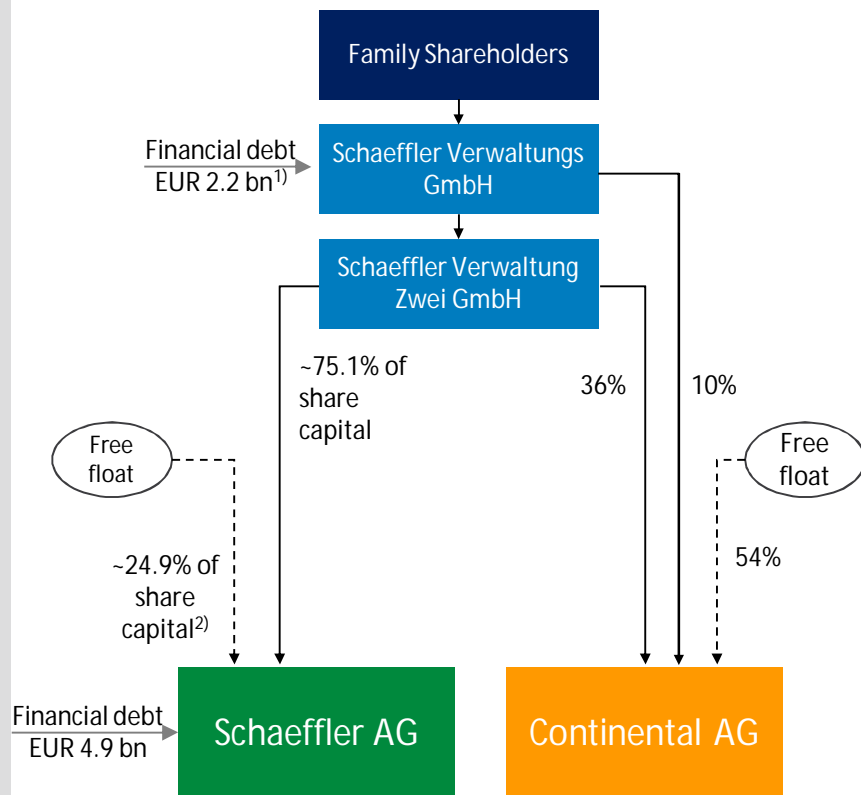
- ▶ Solid cash flow generation; cash flow from operations improved to EUR 206 mn thanks to lower interest paid
- ▶ Free Cash Flow seasonally negative at EUR -112 mn due to higher capex (capex ratio 9.5%)
- ▶ Schaeffler Value Added<sup>1)</sup> increased to EUR 906 mn

1) Before one-off effects; Last twelve months

Schaeffler Value Added<sup>1)</sup>  
in EUR mn



Corporate structure  
Simplified view



1) Pro-forma nominal debt after redemption of HoldCo bonds envisaged for May 13, 2016

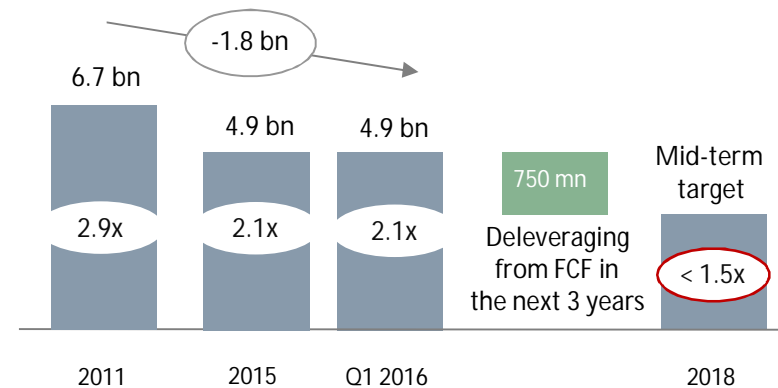
2) After placement of remaining non-voting shares on April 5, 2016

Key elements

- ▶ HoldCo debt reduction by approximately EUR 1.3 bn following the placement of remaining non-voting shares
- ▶ Net debt<sup>3)</sup> Schaeffler AG (end of Q1 2016) stable at EUR 4.9 bn; leverage ratio at 2.1x<sup>4)</sup> (Q4 2015: 2.1x); target <1.5x by 2018
- ▶ Upgrade of Standard & Poor's rating from BB- to BB

3) Net debt does not include Loan Note Receivables of EUR 1,773m (secured by share pledges over c23 mn Continental AG shares) 4) Before one-off effects

Net financial debt  
in EUR



## Overview key financials Q1 2016

**SCHAEFFLER**

in EUR mn	Q1 2015		Q1 2016		Q1 2016 vs. Q1 2015
Sales		3,339		3,343	+0.1% +2.4% <sup>1)</sup>
EBIT	434	441 <sup>2)</sup>	421	421 <sup>2)</sup>	-3.0% -4.5%
EBIT margin	13.0	13.2 <sup>2)</sup>	12.6	12.6 <sup>2)</sup>	-0.4%-pts. -0.6%-pts.
Net income		167		253	+86 mn
Capex		244		318	+74 mn
Capex ratio		7.3		9.5	+2.2%-pts.
Free cash flow		-60		-112	-52 mn
Net debt <sup>3)</sup>		4,889		4,909	+0.4%
Leverage ratio <sup>2) 3) 4)</sup>		2.1		2.1	
Schaeffler Value Added (LTM) <sup>2)</sup>		896		906	+1.1%
ROCE <sup>2)</sup>		22.8		22.1	-0.7%-pts.
EPS		0.42		0.38	-9.5%

1) FX-adjusted

2) Before one-off effects

3) Prior year figure as per December 31, 2015

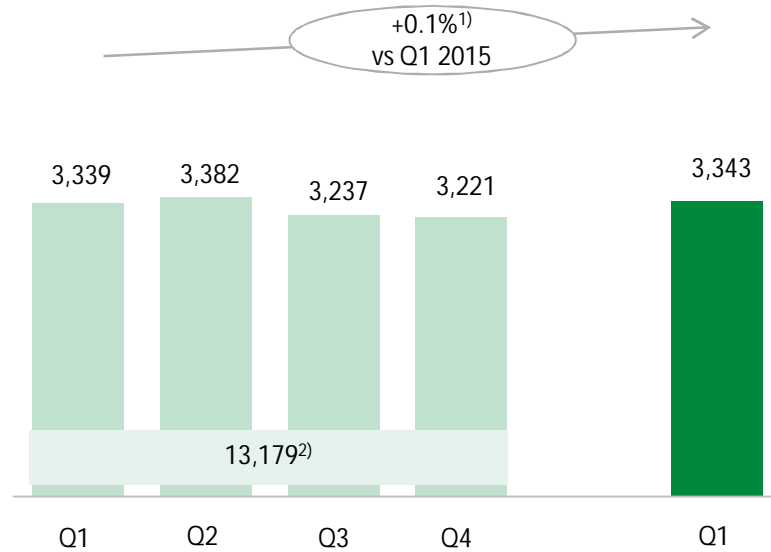
4) Net financial debt to LTM EBITDA ratio

# Organic sales growth 2.4%



## Sales

in EUR mn

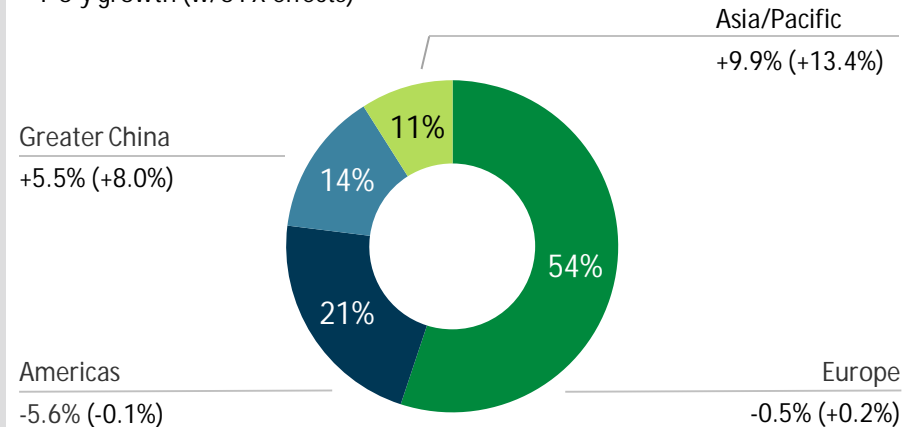


	2015				2016
Organic sales growth in %	5.3	4.5	2.9	1.3	2.4
Gross profit margin in %	28.2	27.9	28.5	28.7	28.2
	28.3				

1) Includes negative FX effects of 2.3%  
 2) Based on 2016 segment structure

## Q1 2016 sales by region

Y-o-y growth (w/o FX effects)



## Sales by division

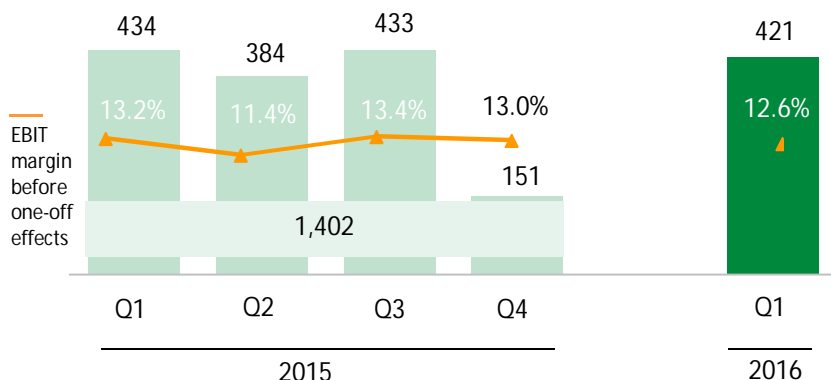
Y-o-y growth (w/o FX effects)

	Q1 2015	Q1 2016	Δ (w/o FX effects)
Automotive	2,515	2,576	2.4% (+5.0%)
Industrial	824	767	-6.9% (-5.5%)
Total	3,339	3,343	+0.1% (+2.4%)

# EBIT margin at 12.6%

## EBIT

in EUR mn



## Key aspects

- ▶ EBIT margin at 12.6%; in line with target range
- ▶ Automotive business remains highly profitable; EBIT margin at 14.4%
- ▶ Industrial margin negatively impacted by weak volumes/mix and FX effects

## EBIT<sup>1)</sup> by division

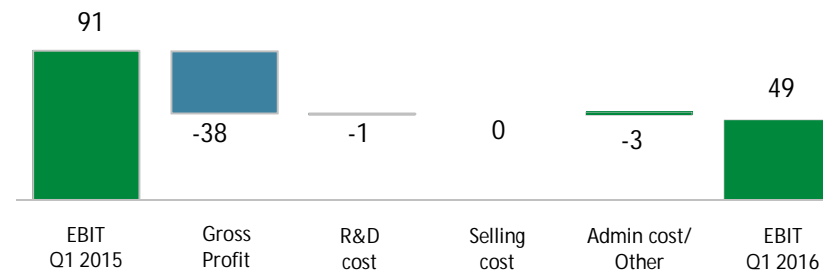
in EUR mn

	Q1 2015	Q1 2016	Δ
Automotive	350	372	6.3%
Margin	13.9%	14.4%	0.5%-pts.
Industrial	91	49	-46.2%
Margin	11.0%	6.4%	-4.6%-pts.
Total	441	421	-4.5%
Margin	13.2%	12.6%	-0.6%-pts.

1) Before one-off effects

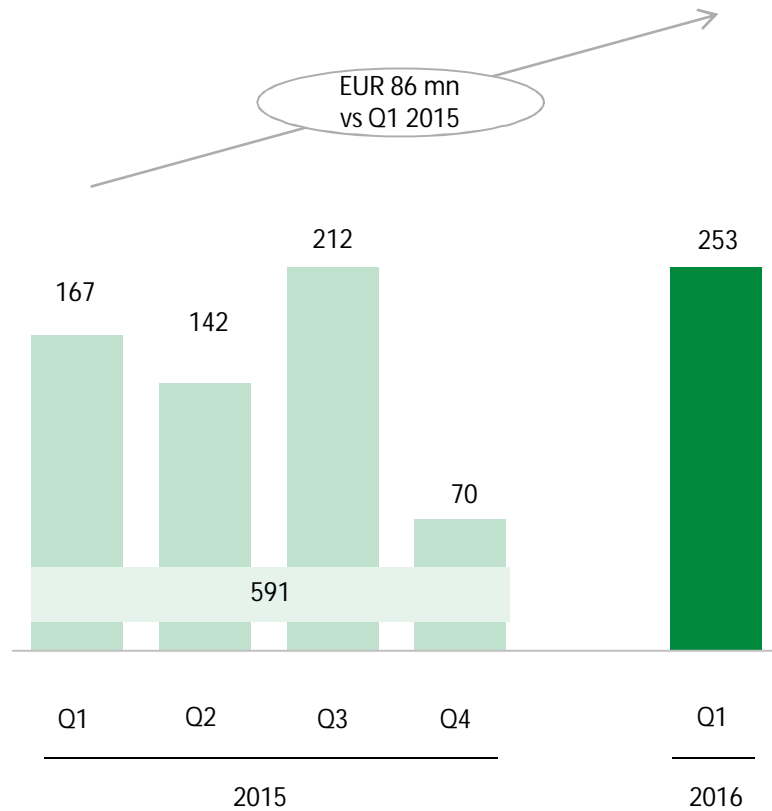
## Δ EBIT Industrial division

in EUR mn



# Net income 253 million EUR driven by lower interest expenses

Net Income<sup>1)</sup>  
in EUR mn



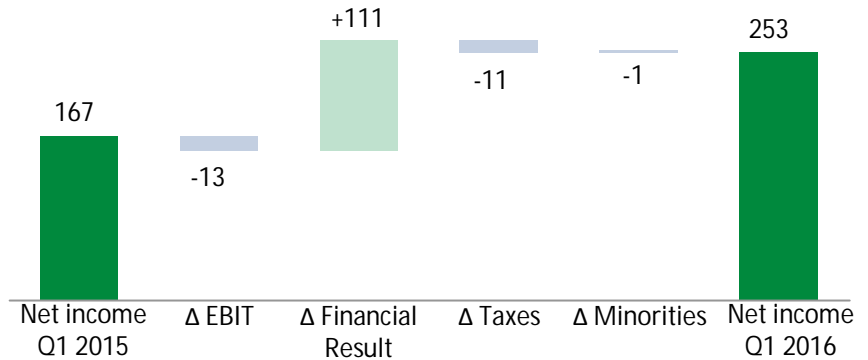
1) Attributable to the shareholders of the parent company

## Key aspects

- ▶ Financial result improved significantly by EUR 111 mn to EUR -65 mn due to lower interest expenses and one-off effect in previous year
- ▶ Net income at EUR 253 mn (Q1 2016: EUR 167 mn)
- ▶ EPS 2015 at 0.38 Euro

## Reconciliation of net income

in EUR mn

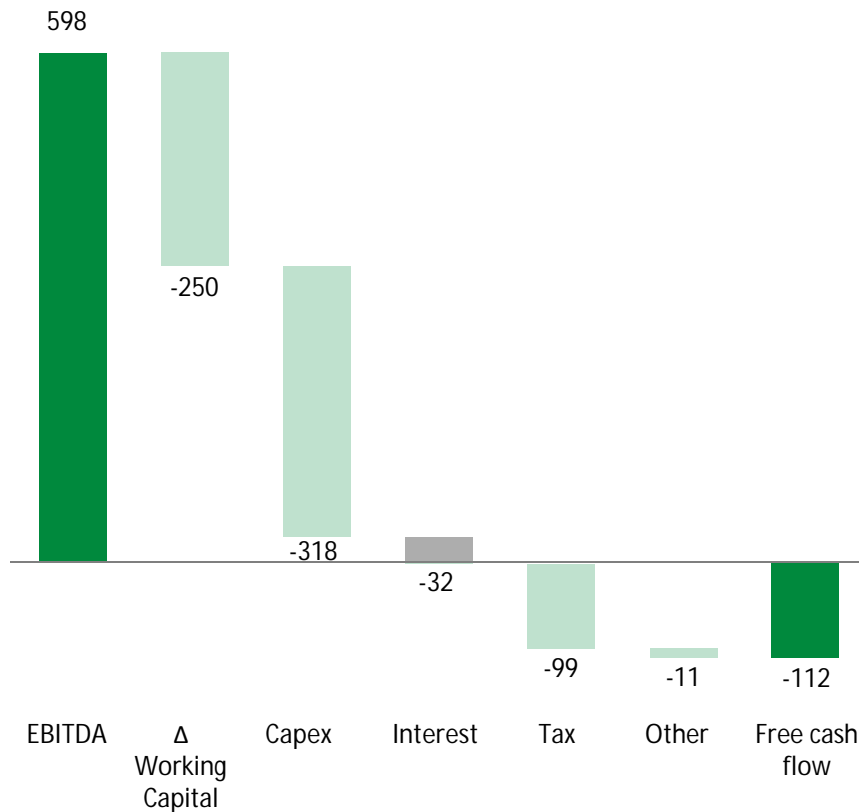


# Free cash flow -112 million EUR driven by increase in Capex



## Free cash flow Q1 2016

in EUR mn

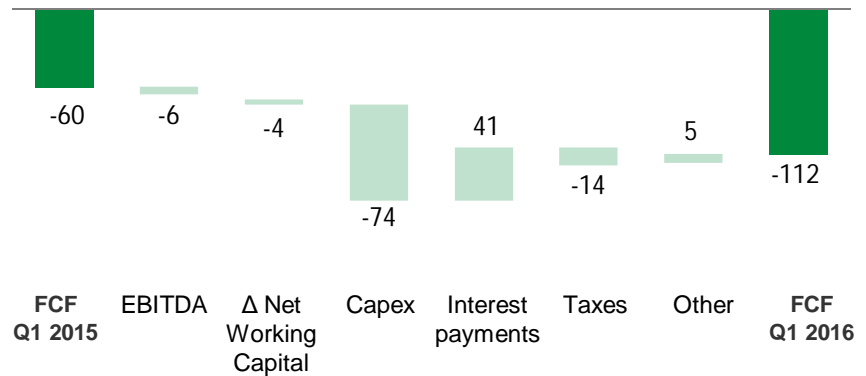


## Key aspects

- ▶ Interest payments decreased by EUR 41 mn; Operating Cash Flow improved to EUR 206 mn
- ▶ Capex increased by EUR 74 mn to EUR 318 mn
- ▶ Free Cash Flow negative due to seasonal working capital built-up

## Δ FCF Q1 2016 vs. Q1 2015

in EUR mn



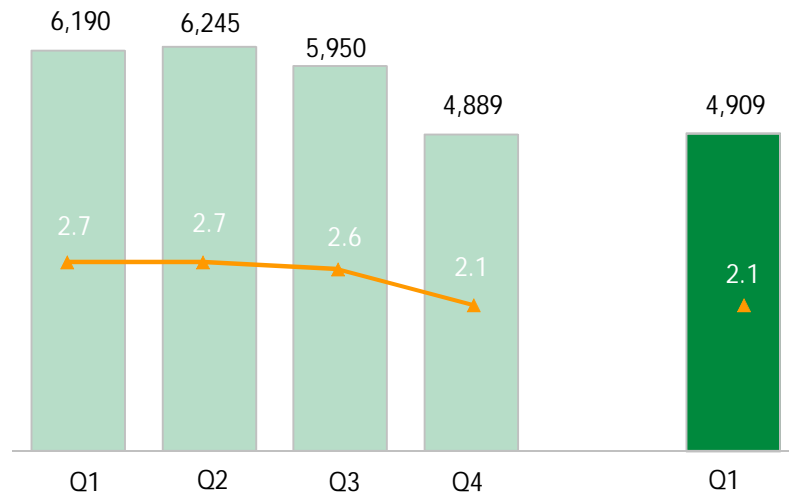




# Leverage ratio stable at 2.1x

## Net financial debt

in EUR mn



— Leverage ratio  
(Net financial debt / LTM EBITDA before special one-off effects)

Gross debt

6,799	6,665	6,674	5,688	5,602
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Cash & cash equivalents

609	420	724	799	693
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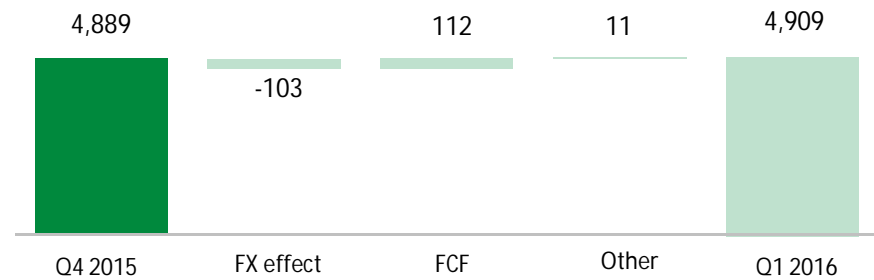
## Net financial debt calculation

in EUR mn

	31/12/2015	31/03/2016
Bonds	5,048	4,963
Credit Facilities Agreement	632	616
Other financial debt	8	23
Financial debt	5,688	5,602
Cash	799	693
Net financial debt	4,889	4,909

## Change in net financial debt

in EUR mn



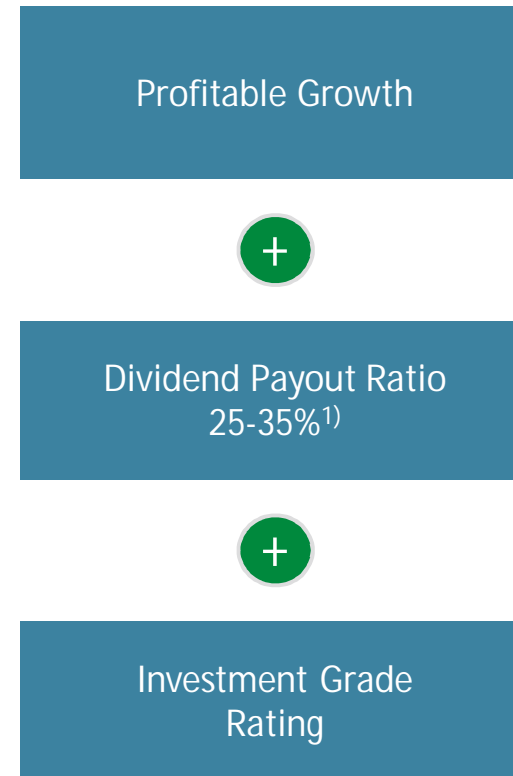
Guidance 2016

Sales growth	3-5% FX-adjusted
EBIT margin	12-13% of sales before one-off effects
Free Cash Flow	~ EUR 600 mn

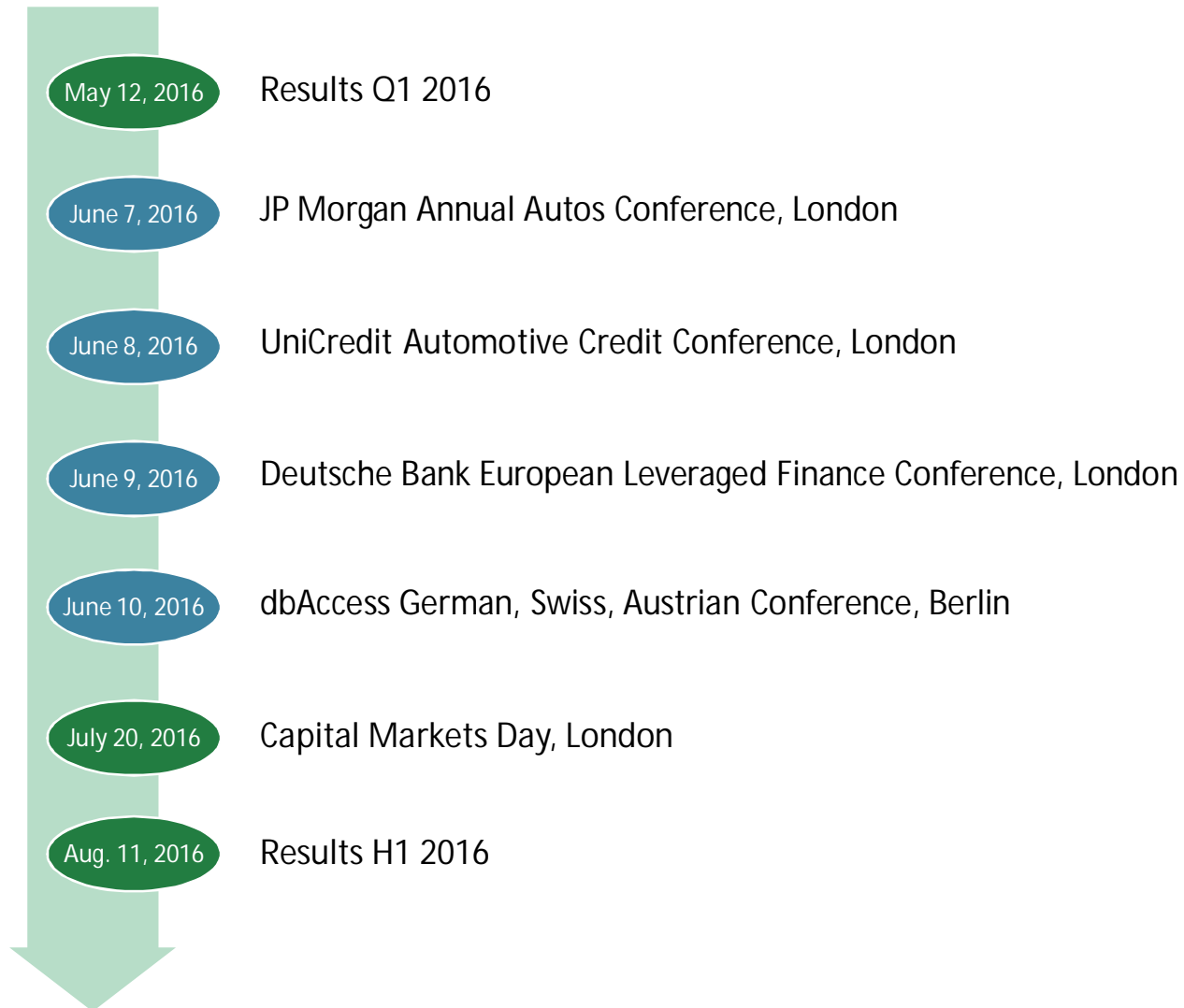
Market assumptions

- ▶ Automotive: Global Light Vehicle production growth of around 2%
- ▶ Industrial: Low single-digit growth in global Industrial production

Midterm targets



1) Of net income





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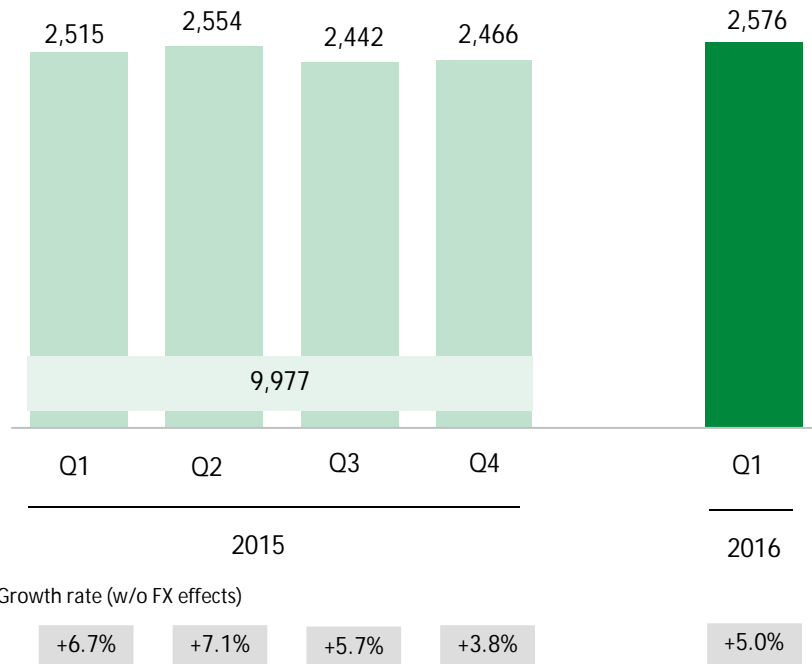
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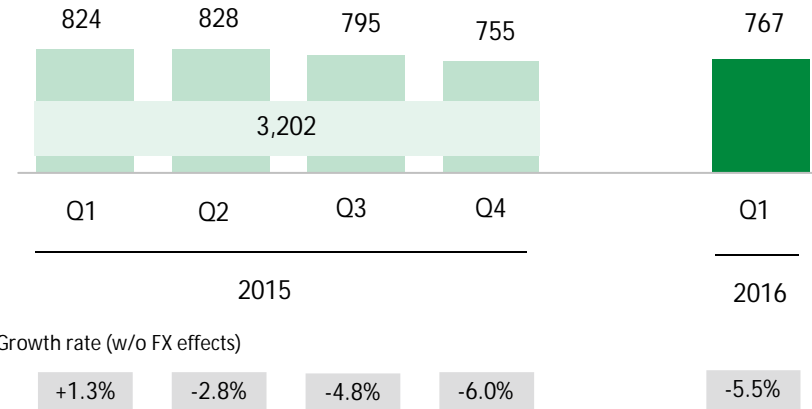
Sales Automotive

in EUR mn



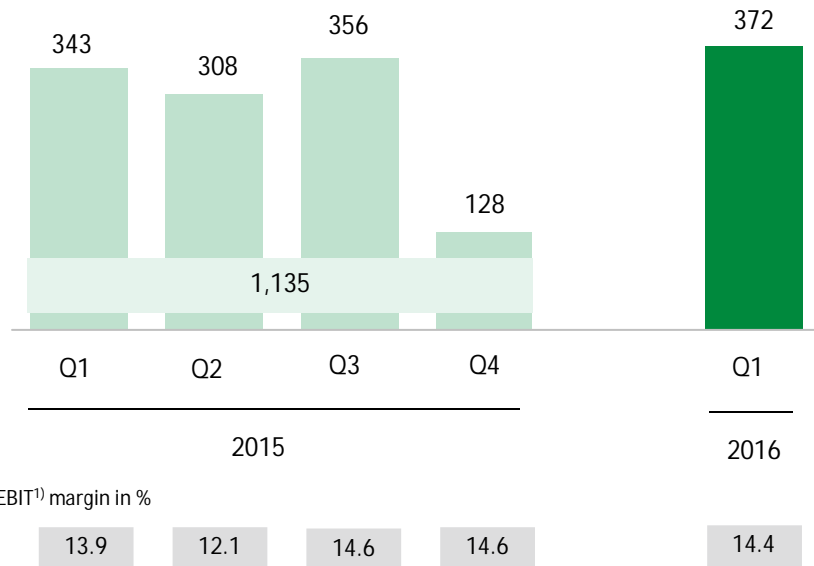
Sales Industrial

in EUR mn



EBIT Automotive

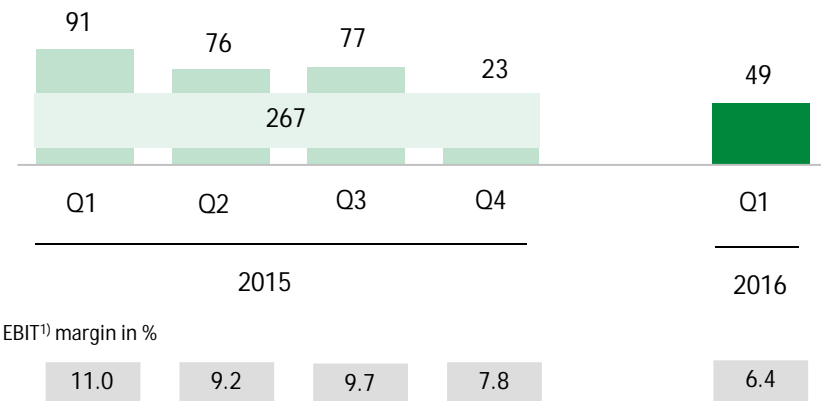
in EUR mn



1) Before one-off effects

EBIT Industrial

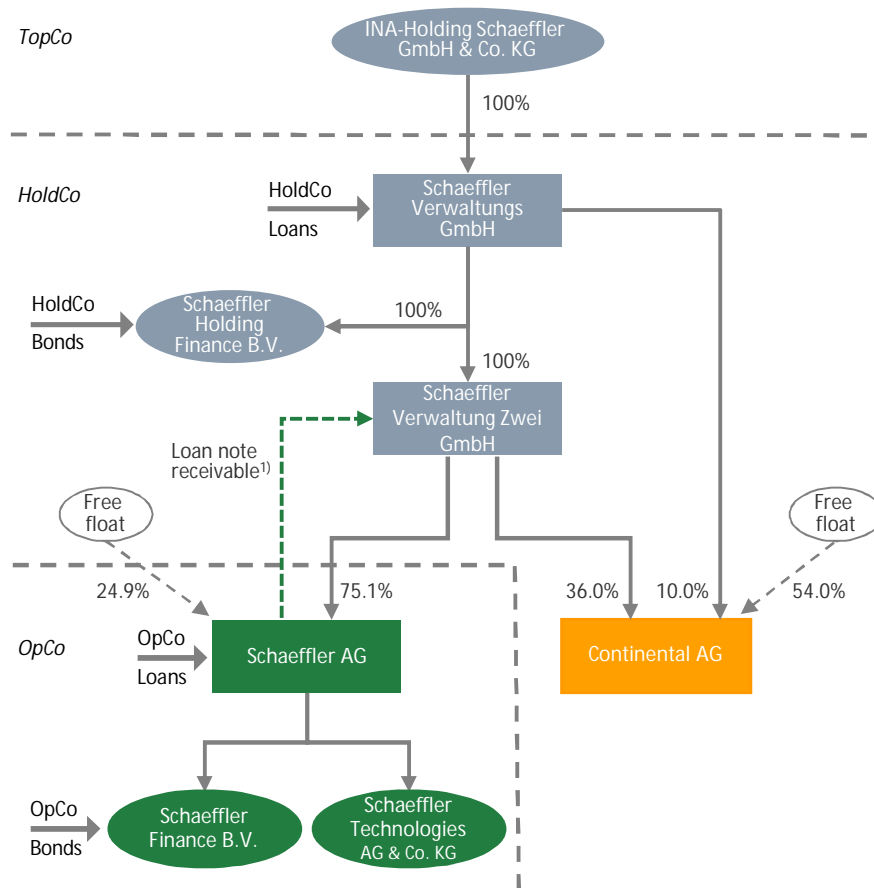
in EUR mn





## Corporate structure (simplified)

as of May 12, 2016



1) Loan note receivable of EUR 1,773mn    2) PIK Toggle Notes    3) EUR / USD = 1.1385  
 4) Floor of 0.75%

## Financing structure (post redemption)

in EUR mn

Nominal amount to be redeemed

Debt instrument	Nominal (USD mn)	Nominal (EUR mn)	Interest	Maturity	Rating	
HoldCo Term Loan (EUR)	-	600	E+3.75%	Oct-20	Not rated	
HoldCo RCF (EUR 200 mn)	-	-	E+3.75%	Oct-20	Not rated	
<b>Total HoldCo Loans</b>		<b>600</b>				
6.875% SSNs 2018 (EUR) <sup>2)</sup>	-	-500	300	6.875%	Aug-18	Ba3 / B+
6.875% SSNs 2018 (USD) <sup>2)</sup>	-600	400	351 <sup>3)</sup>	6.875%	Aug-18	Ba3 / B+
6.25% SSNs 2019 (USD) <sup>2)</sup>	0	475	417 <sup>3)</sup>	6.25%	Nov-19	Ba3 / B+
5.75% SSNs 2021 (EUR) <sup>2)</sup>	-	-140	210	5.75%	Nov-21	Ba3 / B+
6.75% SSNs 2022 (USD) <sup>2)</sup>	-270	405	356 <sup>3)</sup>	6.75%	Nov-22	Ba3 / B+
<b>Total HoldCo Bonds</b>			<b>1,634</b>			
<b>Total HoldCo</b>			<b>2,234</b>			

Debt instrument	Nominal (USD mn)	Nominal (EUR mn)	Interest	Maturity	Rating
OpCo Term Loan B (EUR)	-	250	E <sup>4)</sup> +3.50%	May-20	Ba2 / BB
OpCo Term Loan B (USD)	440	386 <sup>3)</sup>	L <sup>4)</sup> +3.50%	May-20	Ba2 / BB
OpCo RCF (EUR 1,000 mn)	-	-	E+2.6875%	Oct-19	Not rated
<b>Total OpCo Loans</b>		<b>636</b>			
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+
2.50% SSNs 2020 (EUR)	-	400	2.50%	May-20	Ba2 / BB
4.75% SSNs 2021 (USD)	850	747 <sup>3)</sup>	4.75%	May-21	Ba2 / BB
4.25% SSNs 2021 (USD)	700	615 <sup>3)</sup>	4.25%	May-21	Ba2 / BB
3.50% SSNs 2022 (EUR)	-	500	3.50%	May-22	Ba2 / BB
4.75% SSNs 2023 (USD)	600	527 <sup>3)</sup>	4.75%	May-23	Ba2 / BB
3.25% SSNs 2025 (EUR)	-	600	3.25%	May-25	Ba2 / BB
<b>Total OpCo Bonds</b>		<b>4,989</b>			
<b>Total OpCo</b>		<b>5,625</b>			