

Mobility for tomorrow

Quality. Technology. Innovation

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Schaeffler AG

Full Year 2014 Results Conference

March 26, 2015

Frankfurt

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Agenda

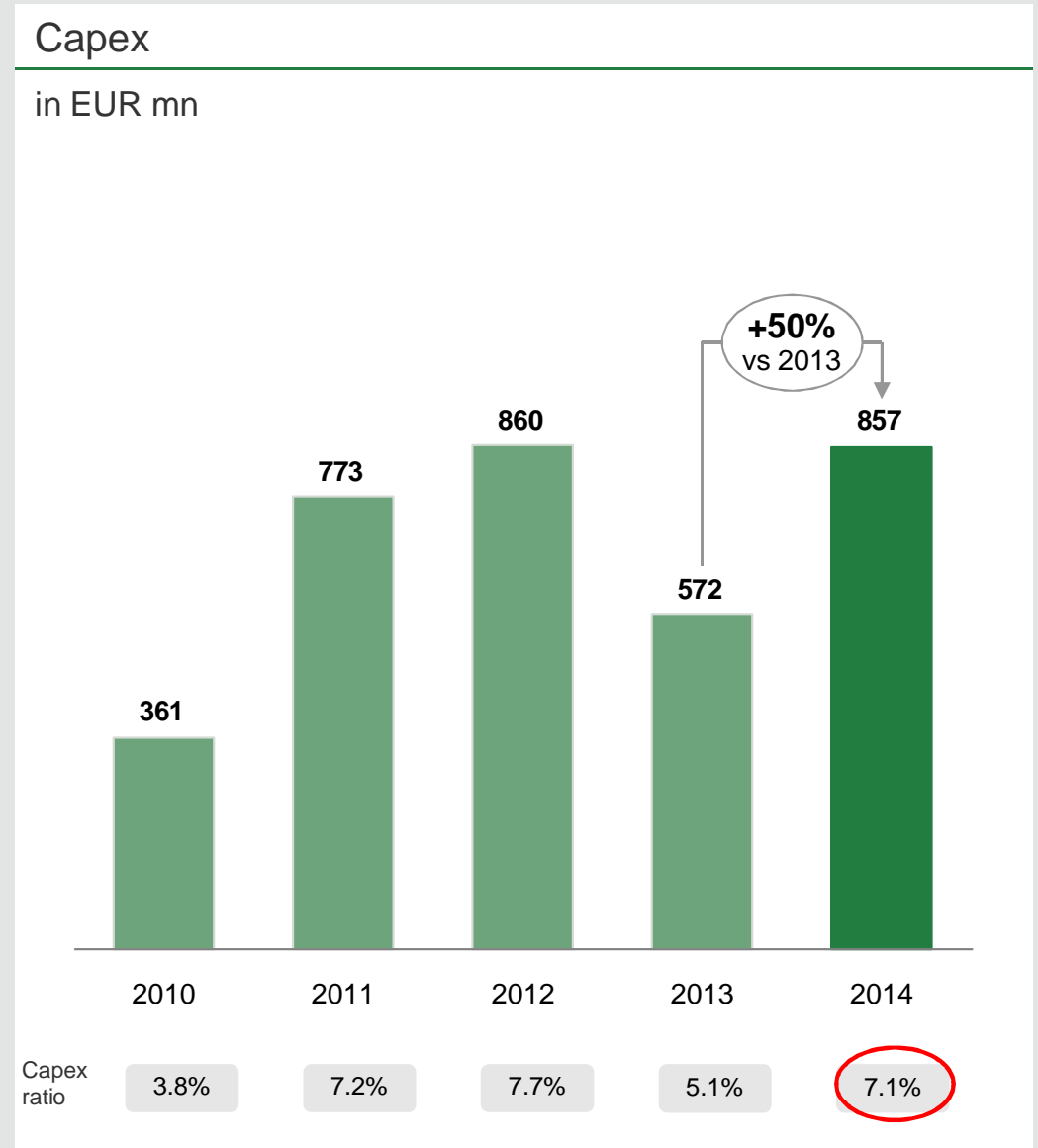
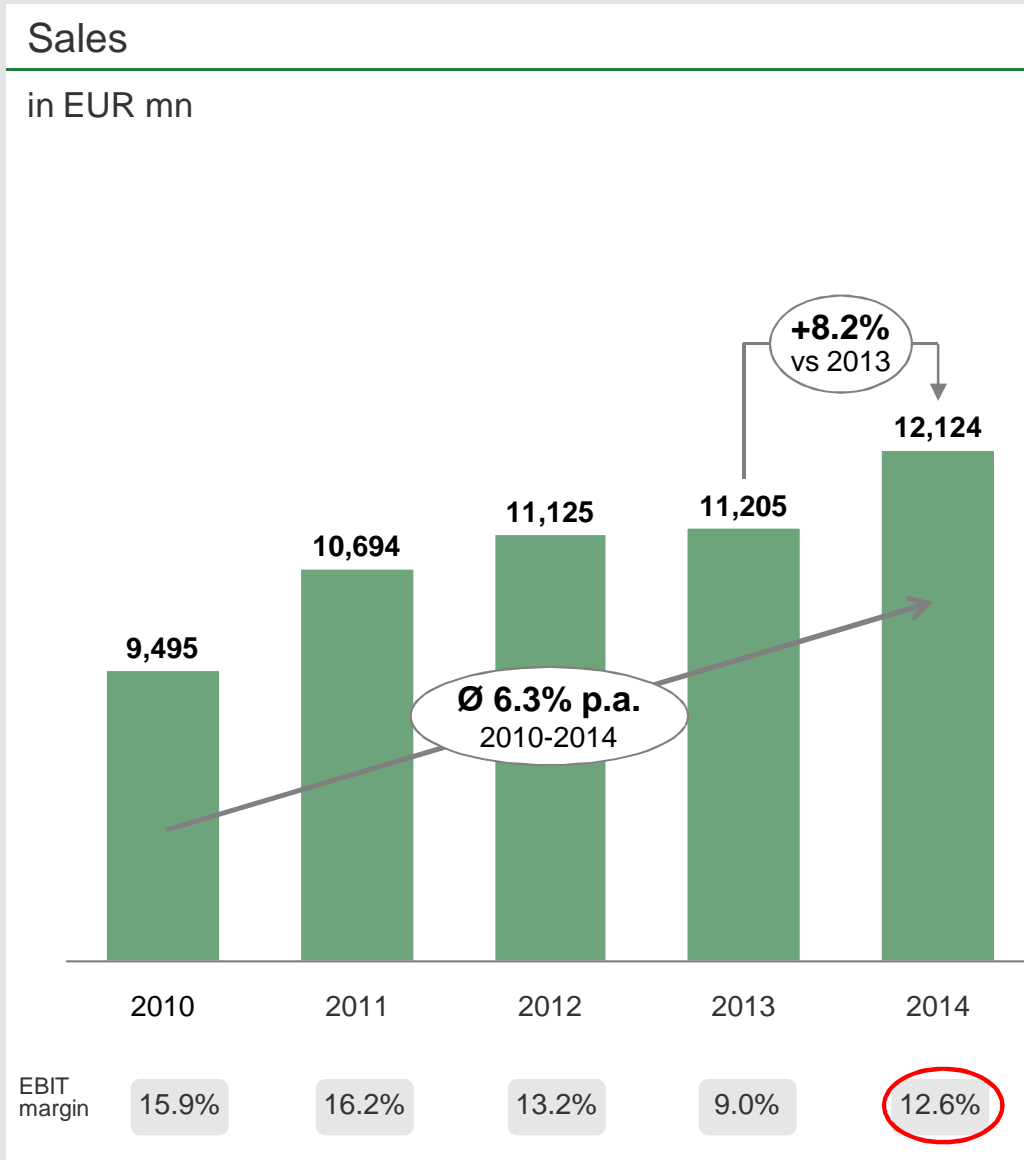
- 1 Highlights 2014
- 2 Financials 2014
- 3 Outlook

2014 – A successful year

- 1 Above average growth –
Strong operating results
- 2 Quality, Technology and Innovation –
More than 2,500 new patents
- 3 Operational success –
Both divisions contributed to growth
- 4 Global presence strengthened –
4,000 new employees
- 5 Our program "One Schaeffler" –
Nearly 50% completed
- 6 Strategic concept "Mobility for tomorrow" –
Basis for future growth

Quality
Technology
Innovation

1 Above average growth – Strong operating results



2 Quality, Technology and Innovation – More than 2,500 new patents

Quality

- More than 50 quality awards received in 2014
- General Motors recognized 24 Schaeffler plants with "Supplier Quality Excellence Award 2014"
- Murakami Seiki recognized Schaeffler China with "Excellent Quality Award" for outstanding product quality and service



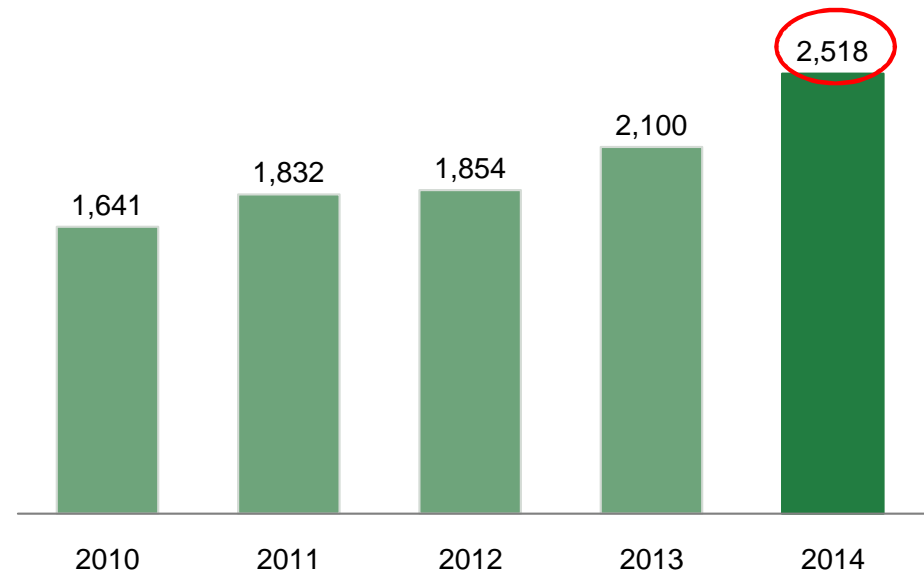
GM Supplier Excellence Award



Murakami Seiki Quality Award

Innovation

Number of new patent registrations in Germany¹⁾



Rank in Germany



1) Source: Deutsches Patent- und Markenamt (DPMA)

3 Automotive – Significant above-market growth

Highlights

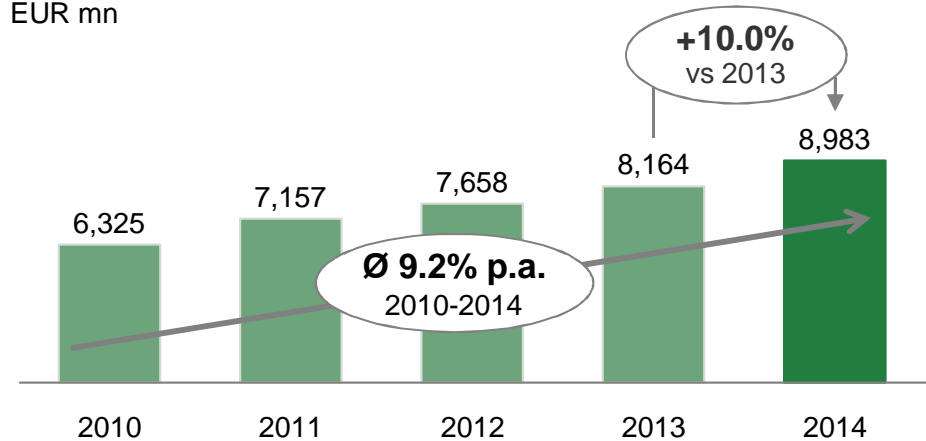
- Schaeffler Automotive with sales growth of +10%, significantly above market¹⁾
- Growth driven by innovative products and technologies focused on fuel efficiency
- Examples:
 - Engine: Variable Valve Train Components
 - Transmission: Double Clutch, Dual Mass Flywheel, Torque Converter
 - Chassis: Ball Screw Drive
- 4 new demonstration vehicles (i.e.; Efficient Future Mobility Vehicles, Schaeffler System 48V and Gasoline Technology Car)
- 4 large customers events in all regions with more than 1,000 participants

Demonstration Car 48 Volt



Sales Automotive Division

in EUR mn



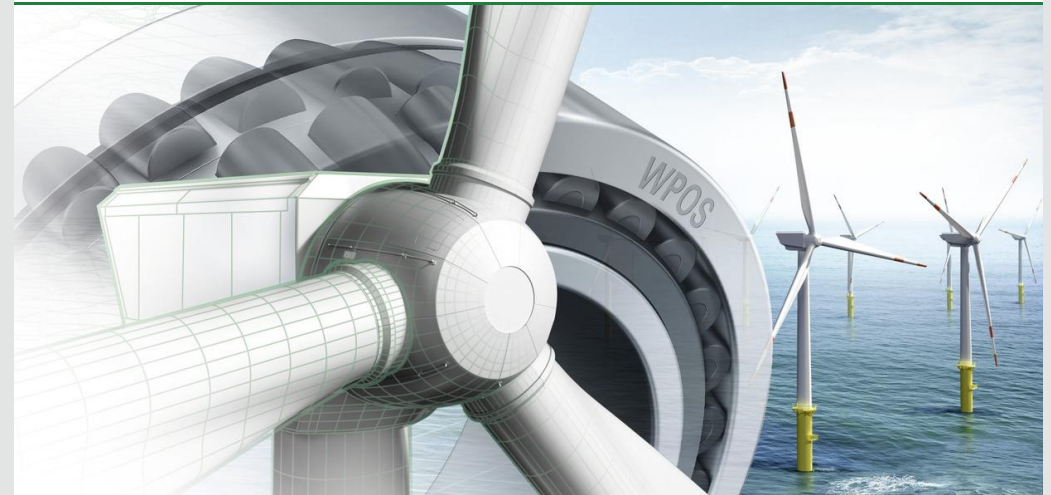
1) Global light vehicle production growth in 2014: 3%; Source: IHS Automotive

3 Industrial – Back on track

Highlights

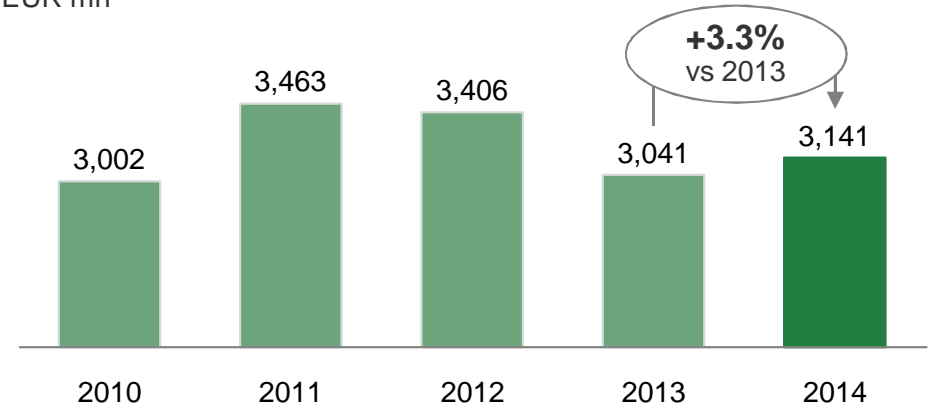
- Schaeffler Industrial with sales growth of 3.3%
- Growth driven by railway, wind power, motorcycles and aftermarket
- Examples:
 - Railway: Bearing solutions for Metro, High Speed Trains and Freight Carriers in China
 - Agricultural machinery: Cooperation project "Innovation Tractor"
 - Wind: strong development in China
- "X-life" quality standard: On the market for 10 years with around 10,000 available products
- Eurobike-Award received for the market launch of the "FAG-Velomatic" automatic bicycle gearshift system

New Wind Power Standard WPOS



Sales Industrial Division

in EUR mn



4 Global presence strengthened – 4,000 new employees

Highlights

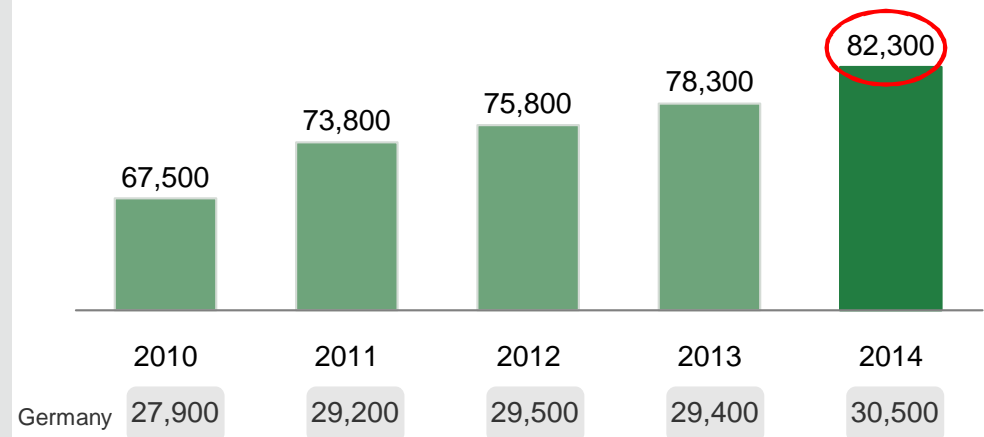
- Worldwide network of manufacturing and R&D facilities with 74 plants and 16 R&D centers
- Global presence further strengthened in 2014:
 - Opening of first plant in Uljanowsk, Russia
 - Expansion of Campus 1 in Taicang, China
 - Start of production at Campus 2 in Nanjing, China
 - Start of production in Puebla II, Mexico
- Plant expansion plan for 2015:
 - Further expansion of Eastern European plants
 - Foundation stone placed for greenfield facility in Chon Buri, Thailand (February 2015)

	Europe	Americas	Greater China	Asia/Pacific	Total
# Plants	48	14	7	5	74
# R&D Centers	9	4	1	2	16

New / expanded production facilities

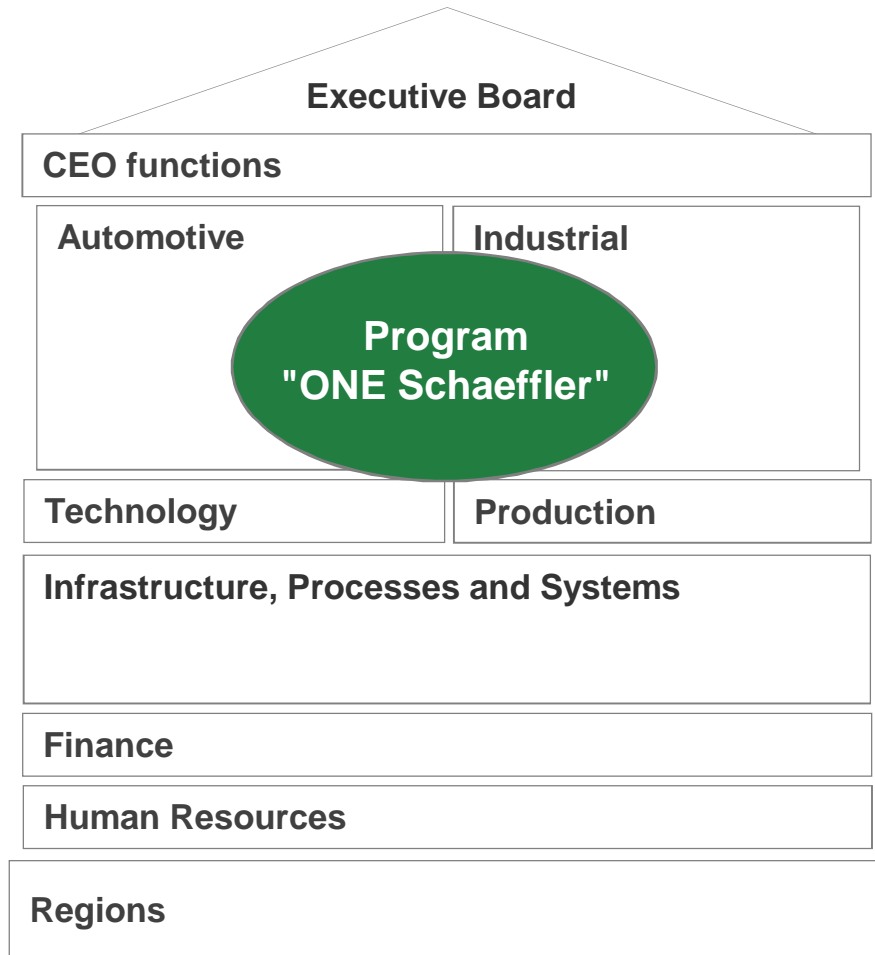


Number of employees increases worldwide



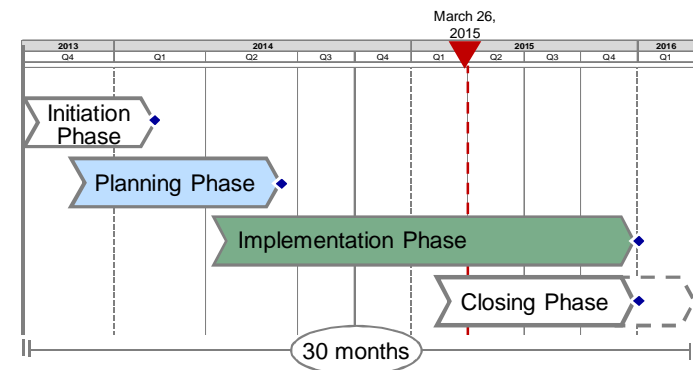
5 Our Program "One Schaeffler" – Nearly 50% completed

Program "One Schaeffler"



Key aspects

- Program "One Schaeffler" with 21 Initiatives across all divisions, regions and functions
- Harmonization of internal processes and structures, realization of additional efficiency potential as key targets
- Program "One Schaeffler" started in Q4 2013, completion ratio at 48% as per February 2015



- Program "One Schaeffler" to be completed by the end of 2015

6 Strategic concept "Mobility for tomorrow" – Basis for future growth

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 Eco-friendly drives



2 Urban mobility



3 Interurban mobility



4 Energy chain

Overview results – Strong performance in 2014

	2013 in EUR mn	2014 in EUR mn	Δ 2014 vs 2013	Q4/2013 in EUR mn	Q4/2014 in EUR mn	Δ Q4/2014 vs Q4/2013
1 Sales	11,205	12,124	+8.2%	2,780	3,100	+11.5%
EBITDA	1,660 ¹⁾	2,172	+512 mn	115 ¹⁾	469	+354 mn
EBITDA margin (in %)	14.8	17.9	+3.1%-pts.	4.1	15.1	+11.0%-pts.
2 EBIT	1,008 ¹⁾	1,523	+515 mn	-61 ¹⁾	293	+354 mn
EBIT margin (in %)	9.0	12.6	+3,6%-pts.	-2.2	9.5	+11.7%-pts.
3 Net income ²⁾	127	654	+527 mn	-269	215	+484 mn
Capex	572	857	+285 mn	229	357	+128 mn
Capex ratio (in %)	5.1	7.1	+2.0%-pts.	8.2	11.5	+3.3%-pts.
4 Free cash flow	473	48 ³⁾	-425 mn	46	135	+89 mn
Net debt	5,447	5,778	+6.1%	5,447	5,778	+6.1%
5 Leverage ratio	2.6x ⁴⁾	2.7x		2.6x ⁴⁾	2.7x	

1) Includes provision for EU antitrust investigation of EUR 380 mn

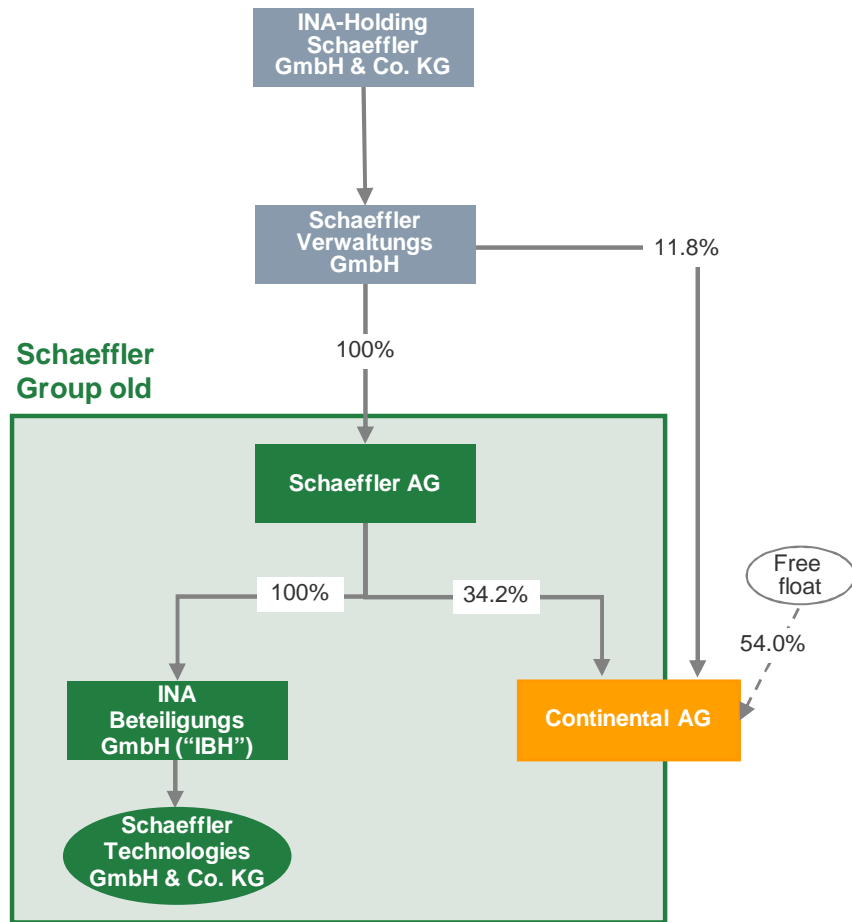
3) Includes EU antitrust fine of EUR 371 mn

2) Attributable to shareholders of the parent company

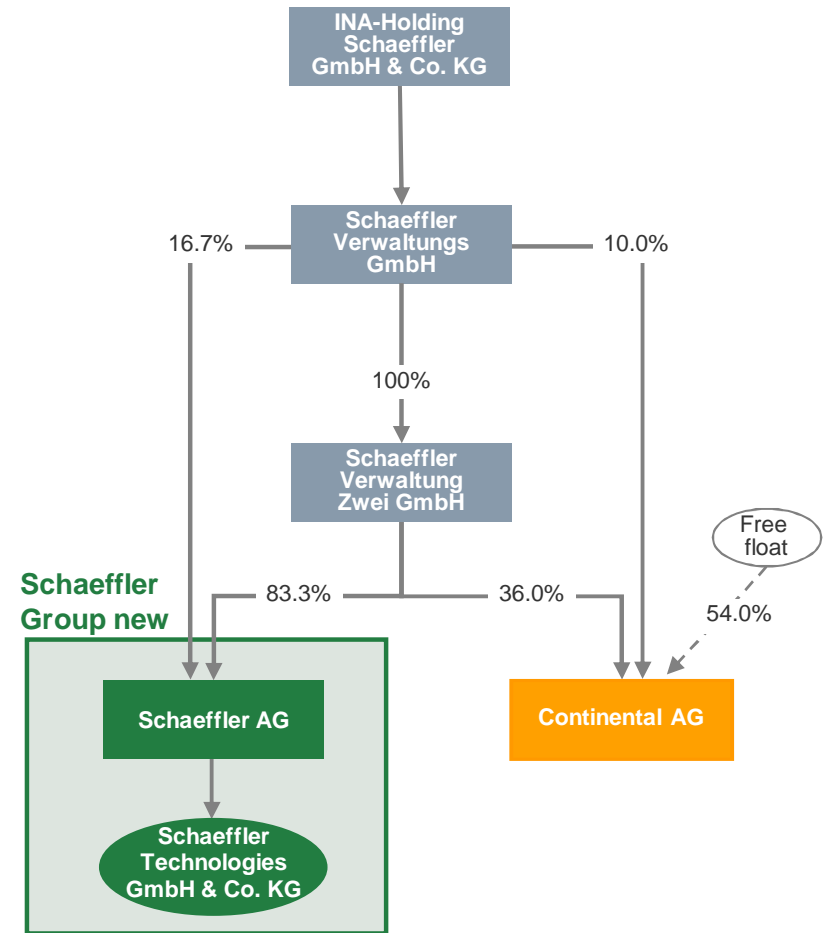
4) Based on adjusted EBITDA

Consolidated financial statements adjusted – Conti participation separated

Previous structure (until October 23, 2014)



New structure (as per December 31, 2014)



Promised and delivered – Guidance achieved in all areas

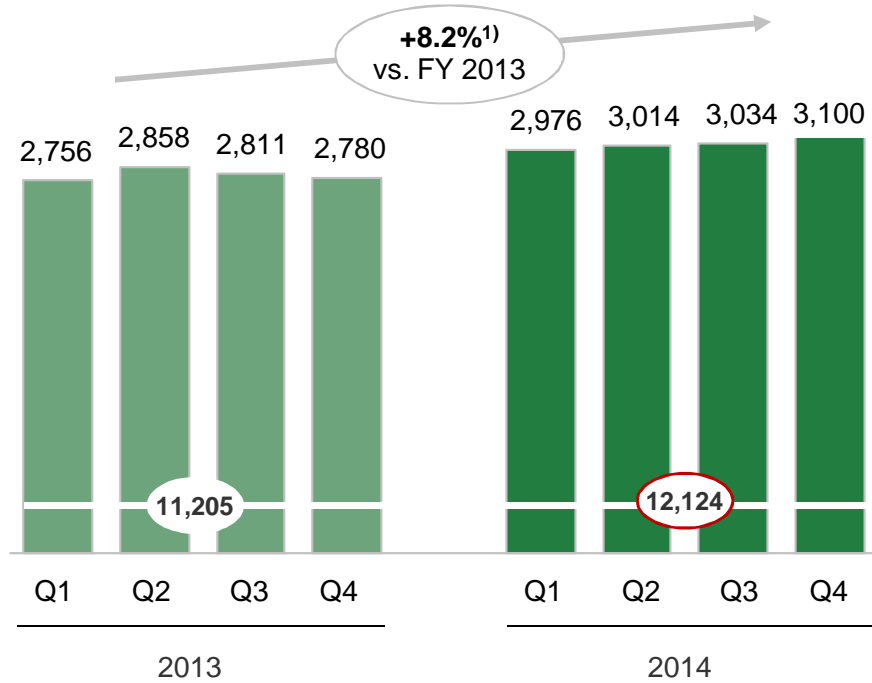
Growth			Profitability		
Sales growth ¹⁾ (FX-adjusted)	5-7%	9.0% ✓	EBIT margin	12-13 %	12.6% ✓
Capex	6-8 % of sales	7.1% of sales ✓	Free cash flow	Positive	EUR +48 mn ✓
Quality			Innovation		
Quality policy	Further improve	Numerous quality awards ✓	R&D expenses	~ 5 % of sales	5.2% of sales ✓
Employees	>3,000 new jobs	~ 4,000 new jobs ✓	Innovation	Maintain leading position in patent applications	Rank 2 in Germany ✓

1) Guidance increased to >7% in Q1 2014

1 Sales above EUR 12 bn in 2014 – Sales growth excluding FX effects +9%

Sales

in EUR mn

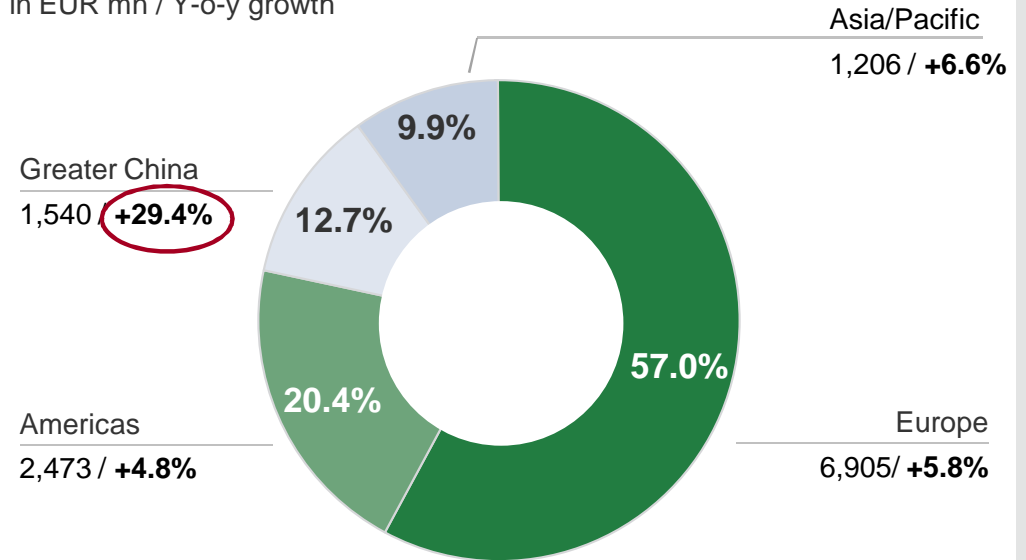


Gross profit margin in %



2014 sales by region¹⁾

in EUR mn / Y-o-y growth



1) Market view (= location of customers)

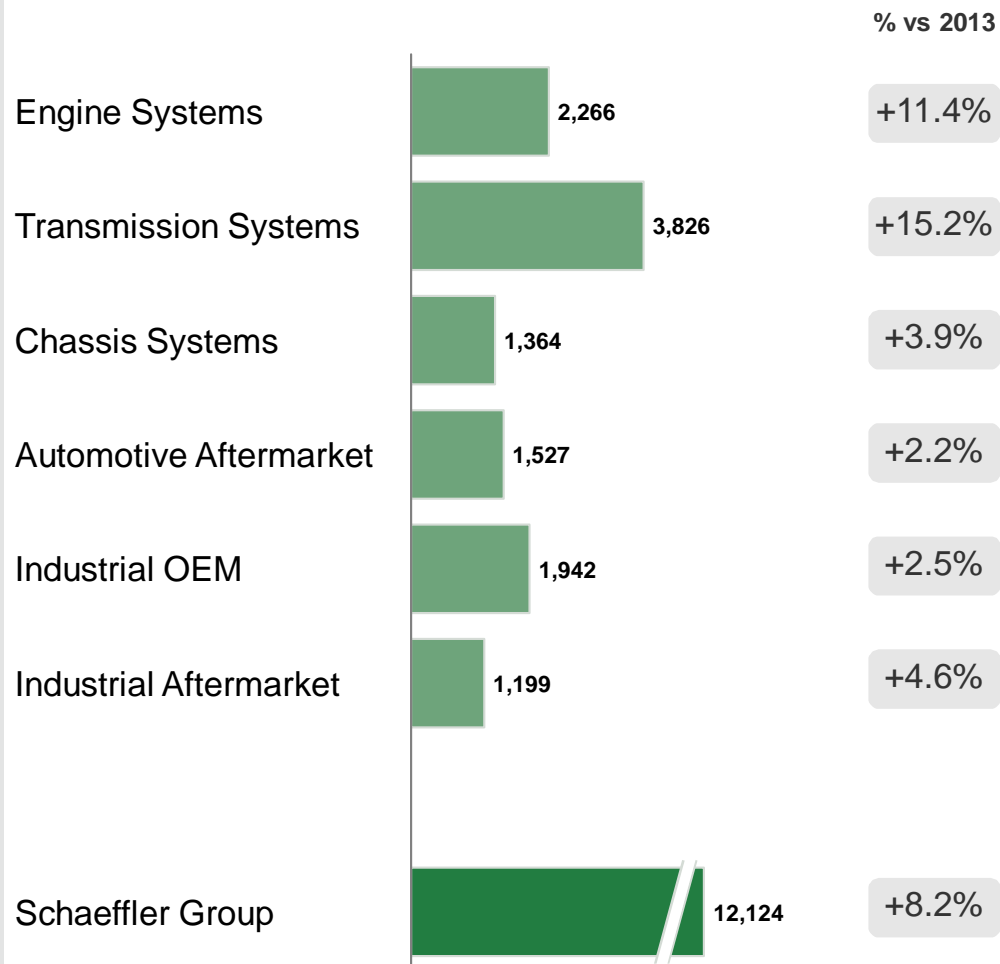
Sales by division

in EUR mn	2013	2014	Δ	Δ excl. FX effects
Automotive	8,164	8,983	+10.0%	+10.7%
Industrial	3,041	3,141	+3.3%	+4.2%
Total	11,205	12,124	+8.2%	+9.0%

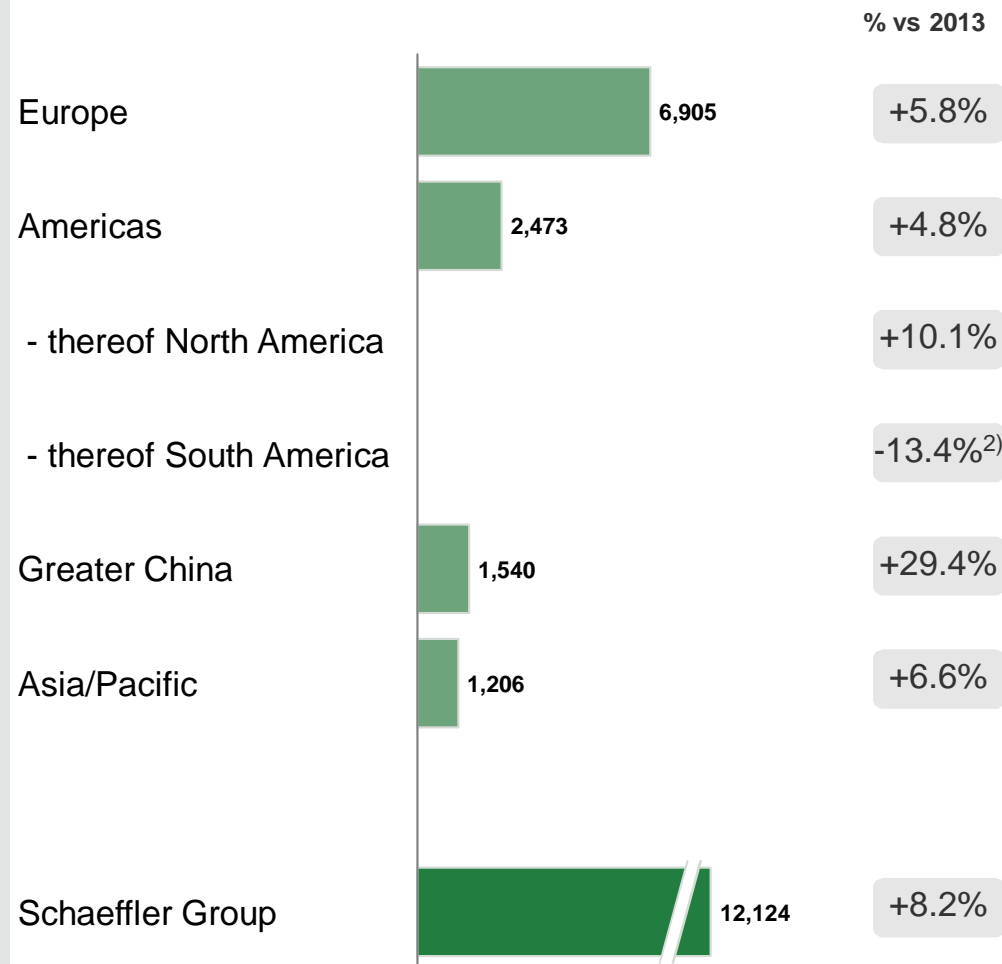
1) Includes negative FX effects of 0.8%

Balanced growth – All business divisions and regions contributed

Revenues per business division



Revenues per region¹⁾

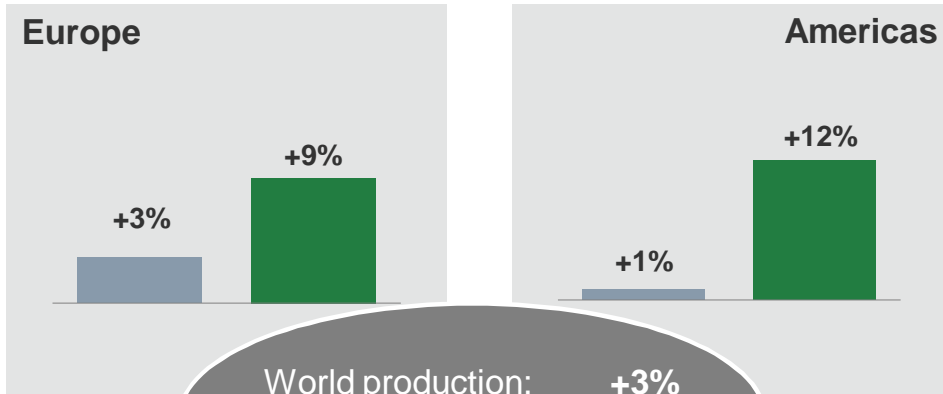


1) Market view (= location of customers)

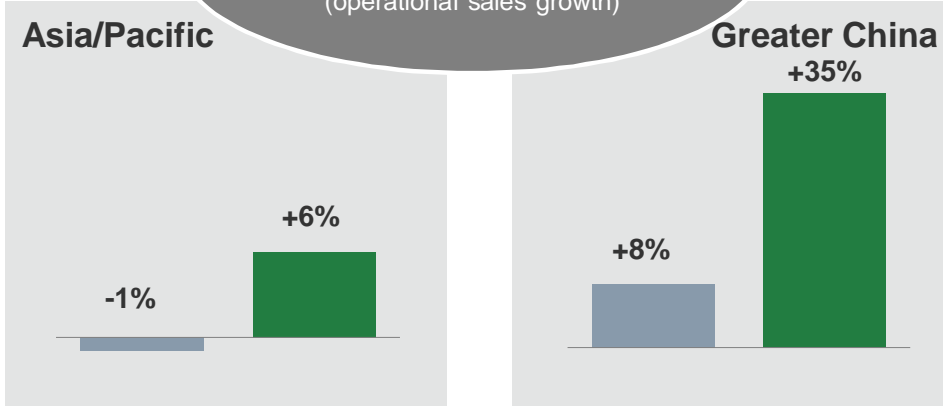
2) Includes negative FX effects of 7.1%

Automotive – Outperformance in all regions

Sales development Automotive OEM



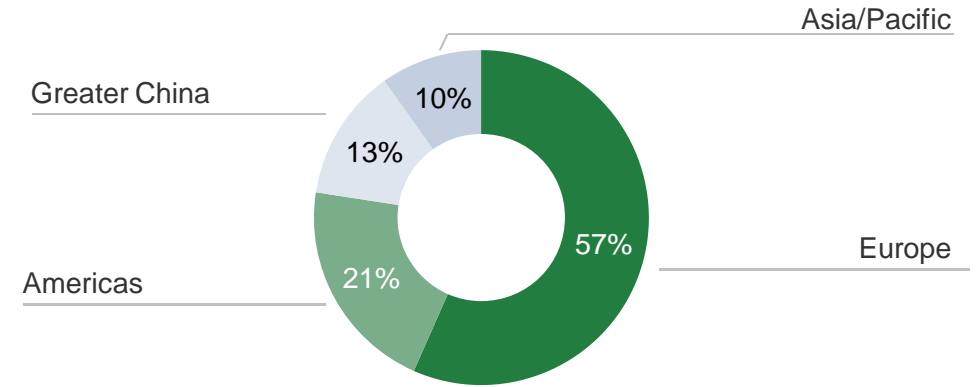
World production: +3%
 Schaeffler Automotive OEM: +12%
 (operational sales growth)



■ Production of light vehicles FY2014 vs FY2013 (IHS Automotive)

■ Operational sales growth Schaeffler Automotive (OEM) FY2014 vs FY2013

Regional distribution

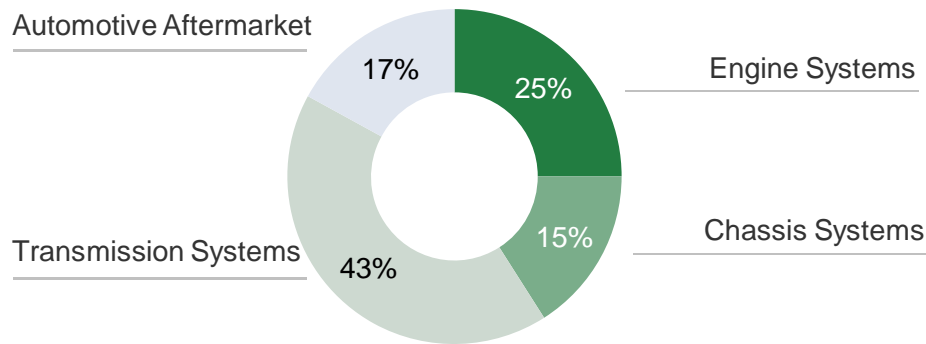


Key aspects

- Schaeffler Automotive again strongly outgrew global automotive production in FY 2014
- Strong growth in China especially in Business Division Transmission Systems (e.g. double clutch systems)
- Nearly full utilization of current production capacity in FY 2014

Automotive – Growth across all areas

Sales split



Sales 2014 vs. 2013

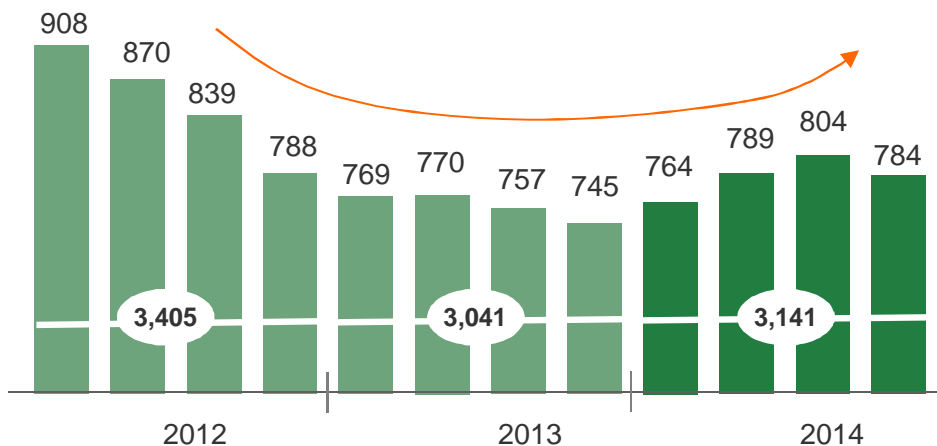
in EUR mn	2013	2014	Δ
Engine	2,035	2,266	11.4%
Transmission	3,322	3,826	15.2%
Chassis	1,313	1,364	3.9%
Aftermarket	1,494	1,527	2.2%
Total	8,164	8,983	10.0%

Key aspects

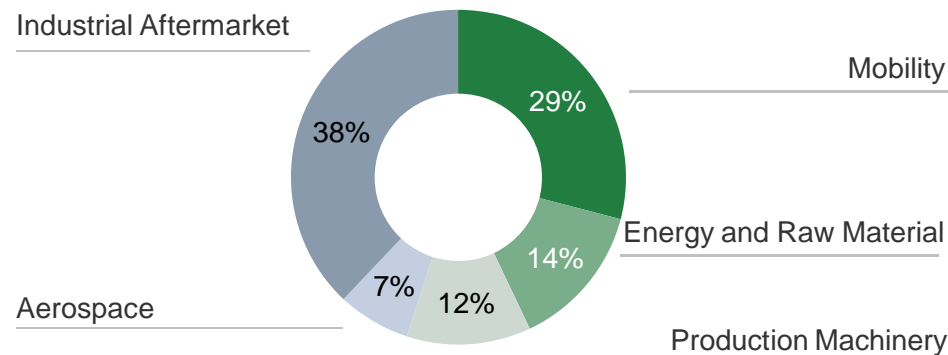
- FX-adjusted growth rate of Automotive Division +10.7%, growth rate as reported +10.0%
- *Engine Systems*: Growth driven among others by top-selling product groups camshaft phasing units and valve train components (e.g. UniAir)
- *Transmission Systems*: Growth driven by dry double clutches and top-selling product groups like variable transmission systems (CVT), tapered roller bearings and dual-mass flywheels
- *Chassis Systems*: Growth driven among others by ball screw drives used for instance in electro-mechanical power steering systems and chassis solutions (e.g. in electromechanical parking brakes)
- *Automotive Aftermarket*: Increase in sales includes higher sales of service kits for belt tensioners as well as repair solutions for dual-mass flywheels

Industrial – Back on track

Sales trend



Sales distribution



Key aspects

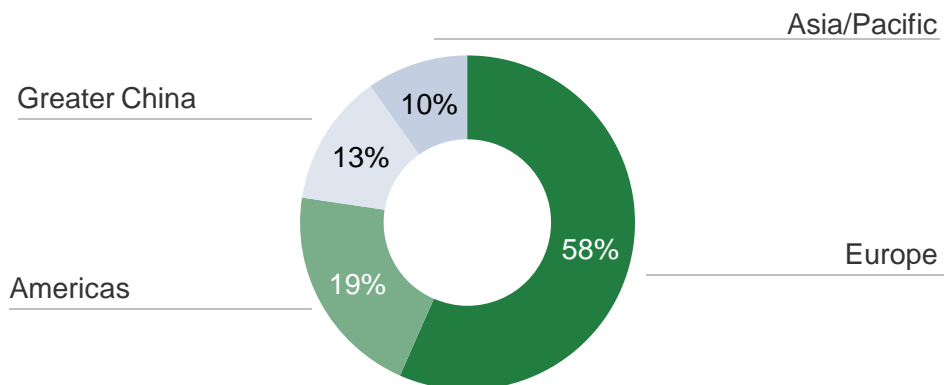
- Positive trend in Industrial division; FX-adjusted growth rate +4.2% in 2014 (as reported 3.3%)
- Order intake slightly over prior-year level in 2014
- Strong sales increase in Greater China across all sectors except Heavy Industries
- Revenues in Asia / Pacific and Europe above prior year level, revenues in the Americas region impacted by currency translation

Sales 2014 vs. 2013

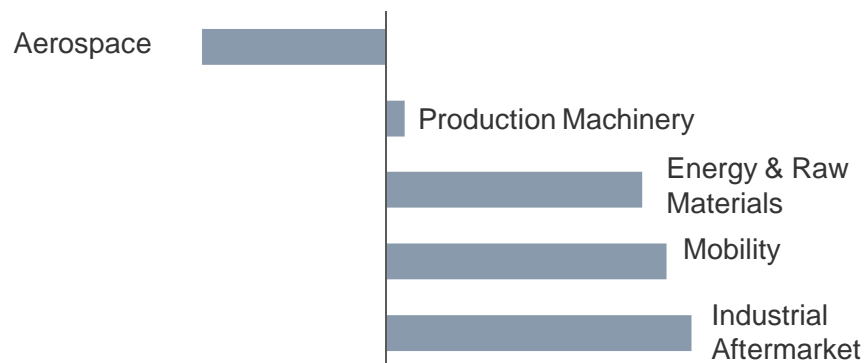
in EUR mn	2013	2014	Δ
Industrial Applications	1,895	1,942	+2.5%
Industrial Aftermarket	1,146	1,199	+4.6%
Total	3,041	3,141	+3.3%

Industrial – Positive sales trend supported by nearly all sectors

Regional split



Sales 2014 vs. 2013



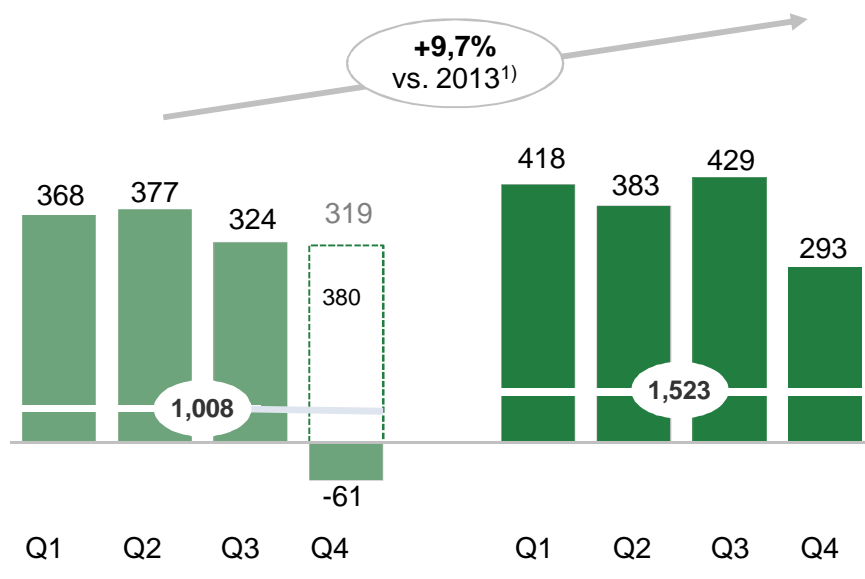
Key aspects

- Industrial OEM business with mixed development across sectors
 - *Mobility*: Slight increase in sales
 - Sales increase largely driven by expansion of Chinese railway system
 - Increase in Power Transmission sector
 - *Production Machinery*: Slight increase in sales
 - Strong increase in tooling machinery
 - Slight decrease in textile and printing machinery
 - *Energy and Raw Materials*: Flat development in sales
 - Positive development in renewable energy sector (especially wind) in Europe and Greater China
 - Heavy Industries: Decrease in steel industry in Europe and in mining industry in Americas
 - *Aerospace*: Decrease in sales
 - Negative political developments in Eastern Europe
 - Negative FX effects
- Industrial Aftermarket: Largest growth rates in Europe and Greater China; significant growth in order intake

② EBIT margin at 12.6% – Earnings quality in-line with target range

EBIT

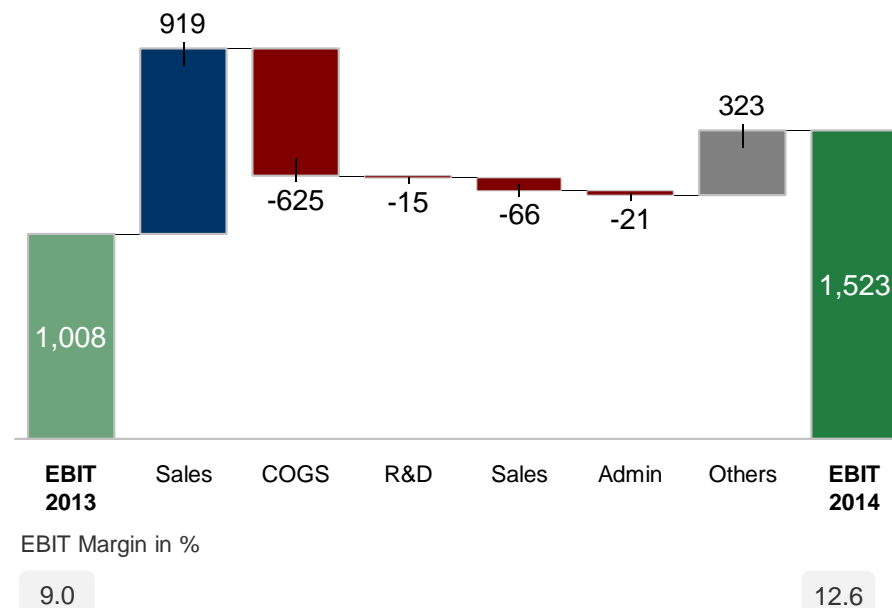
in EUR mn



2013				2014			
EBIT margin in %				EBIT margin in %			
13.4	13.2	11.5	11.5 ¹⁾	14.0	12.7	14.1	9.5
12.4 ¹⁾				12.6			

Δ EBIT

in EUR mn



EBIT per division

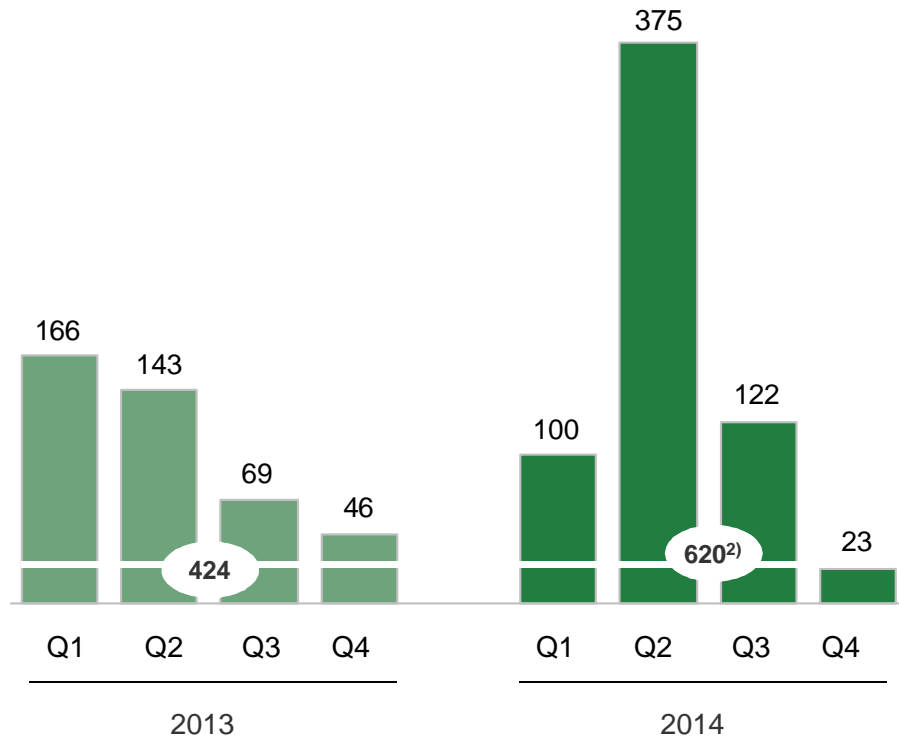
in EUR mn	2013 ¹⁾	2013 margin ¹⁾	2014	2014 margin
Automotive	1,063	13.0%	1,234 mn	13.7%
Industrial	325	10.7%	289 mn	9.2%
Total	1,388	12.4%	1,523 mn	12.6%

1) Excluding provision of EUR 380 mn for antitrust fine

Financial result – EUR 620 million

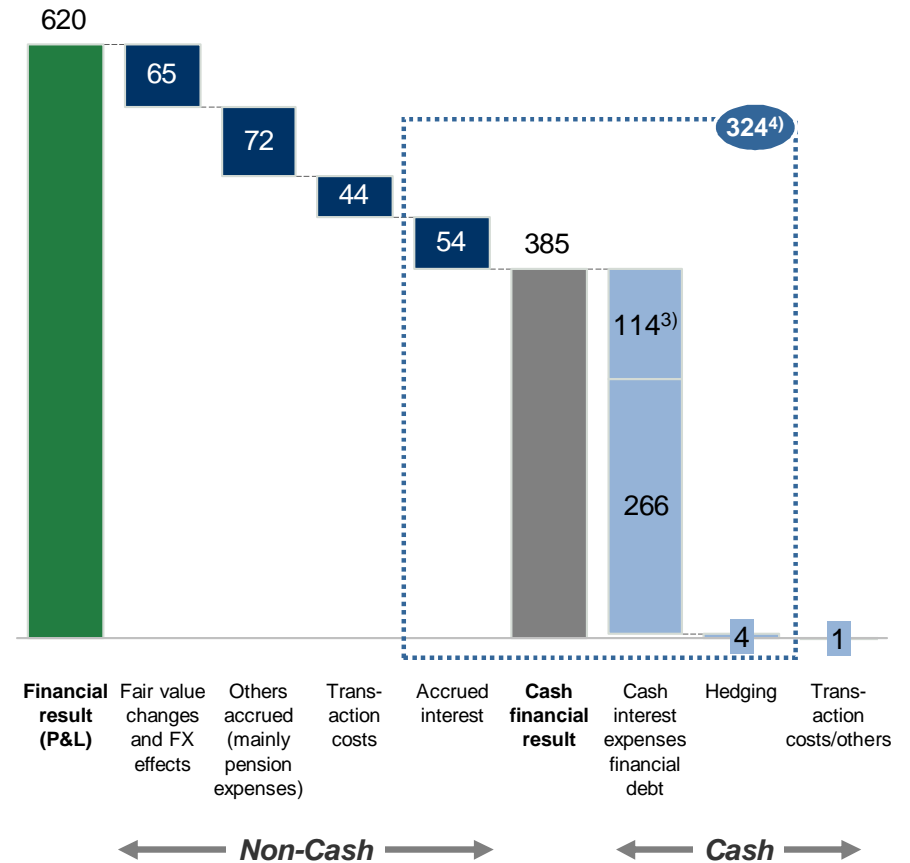
Financial result¹⁾

in EUR mn



Composition of financial result¹⁾

in EUR mn



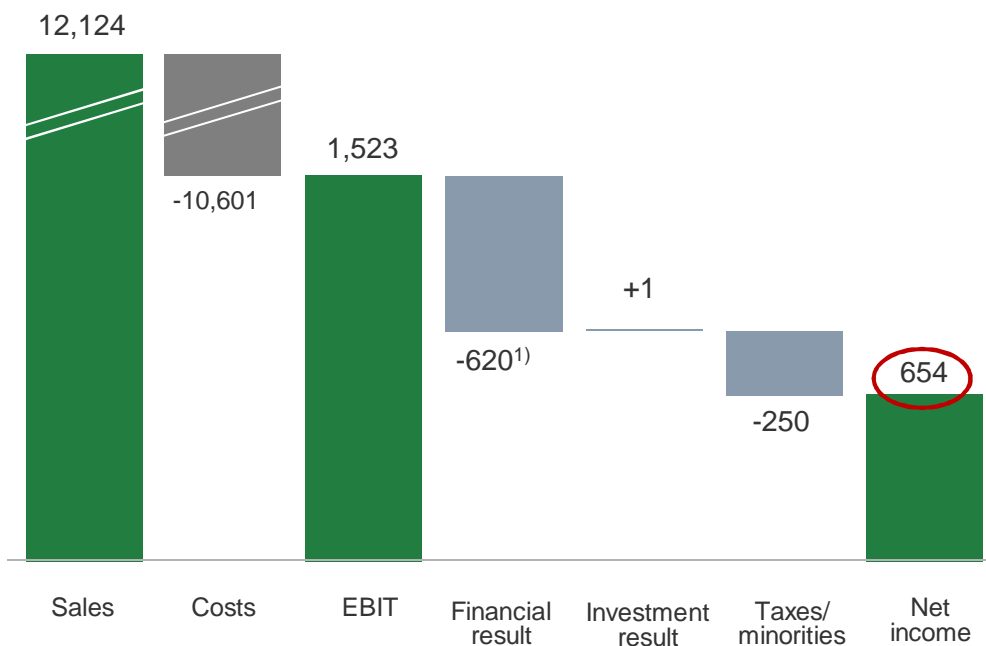
1) For presentation purposes negative results are shown as positive figures
 2) Includes one-off effects refinancing of EUR 221 mn

3) Prepayment fee of refinancing transaction in Q2 2014
 4) Excluding prepayment fee of EUR 114 mn

3 Net income increased – EUR 654 mn

Net income 2014

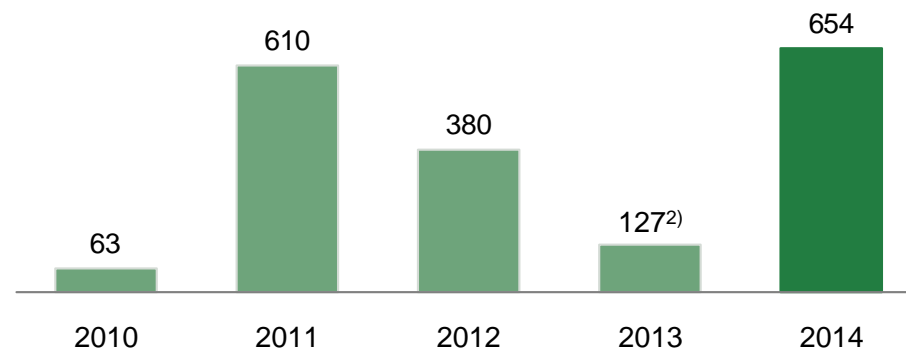
in EUR mn



1) Includes one-off effects from refinancing of EUR 221 mn

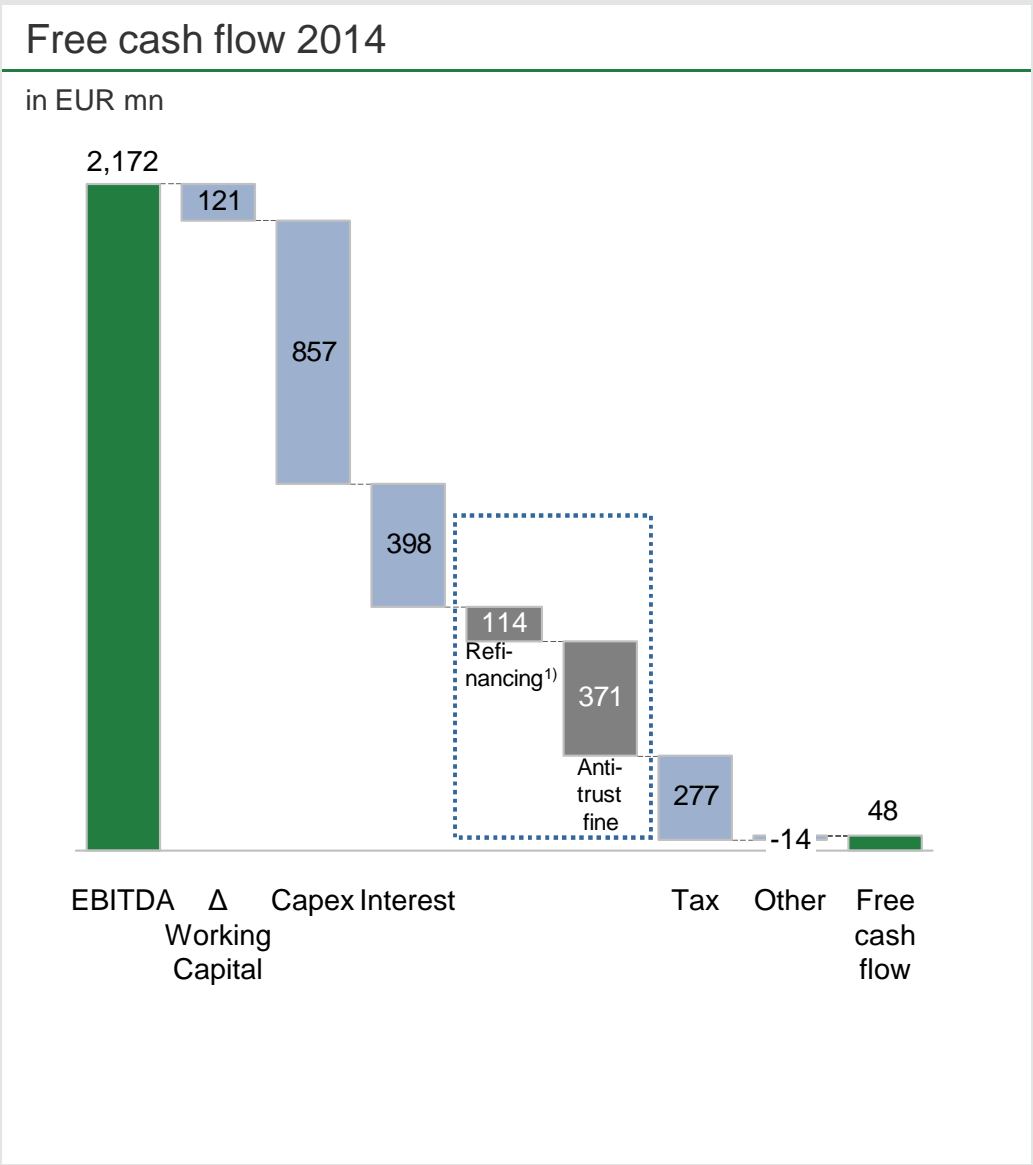
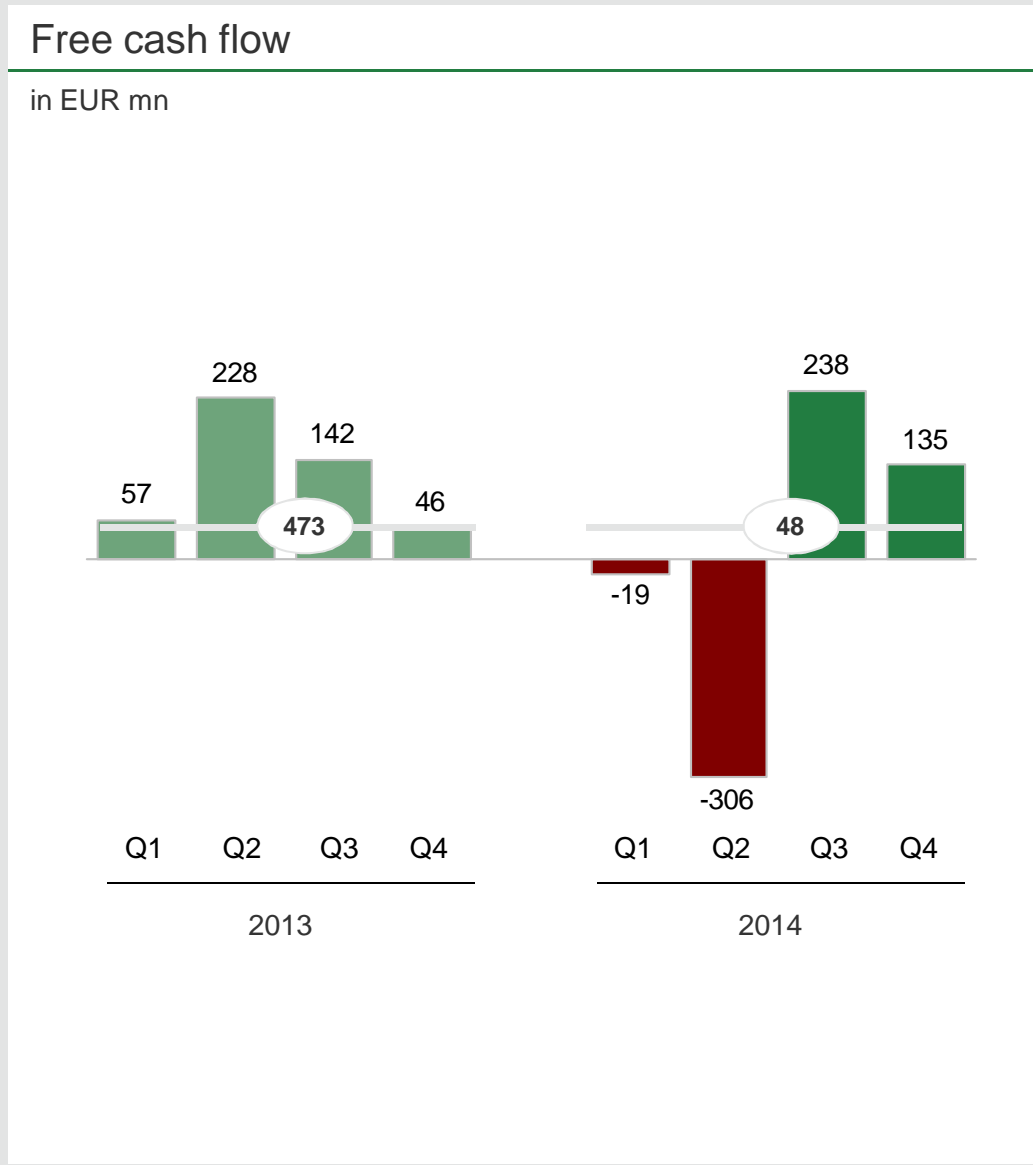
Net income

in EUR mn



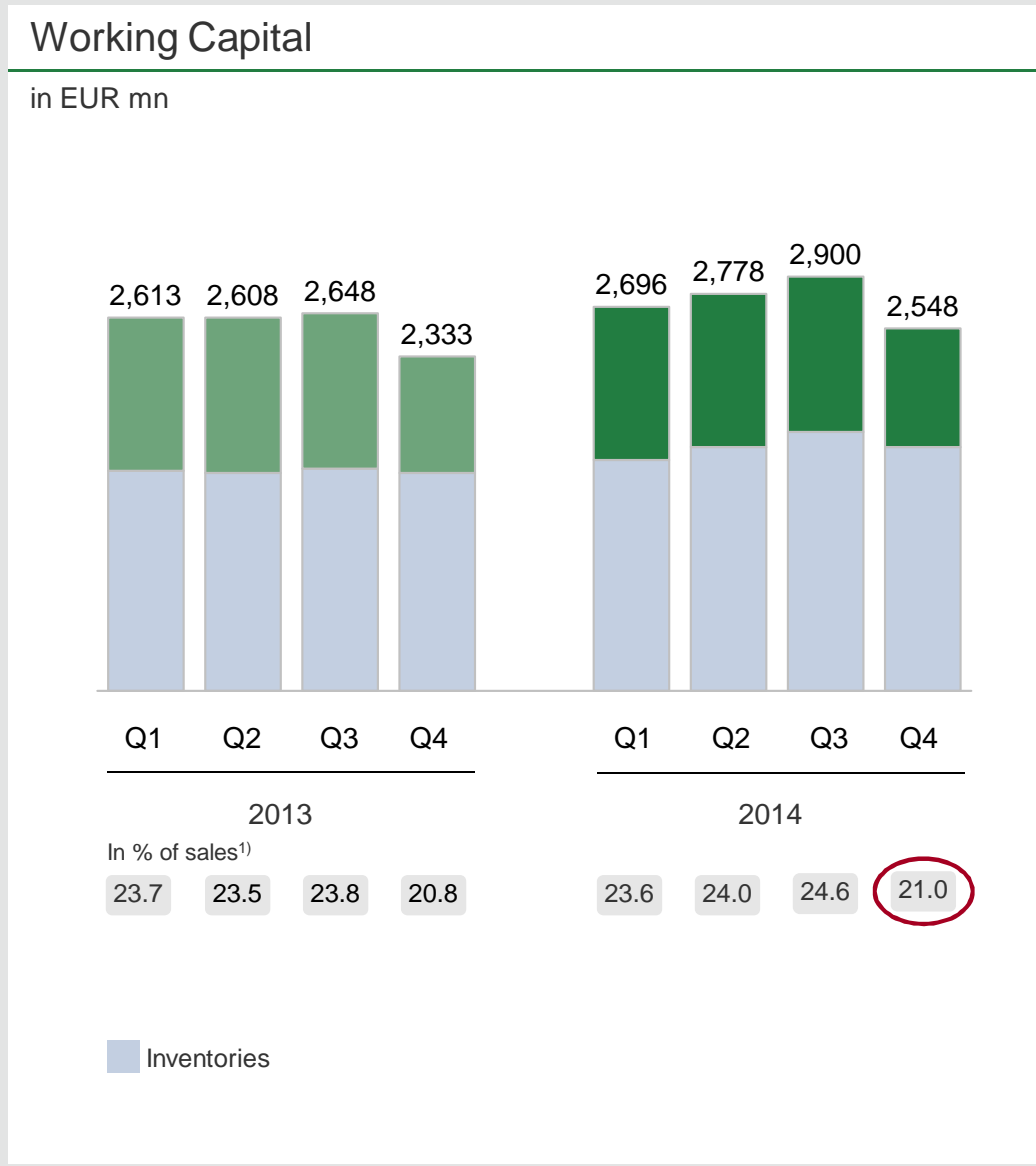
2) Includes provision of EUR 380 mn for antitrust fine (pre-tax)

4 Free cash flow 2014 of EUR 48 mn – Impacted by one-off effects

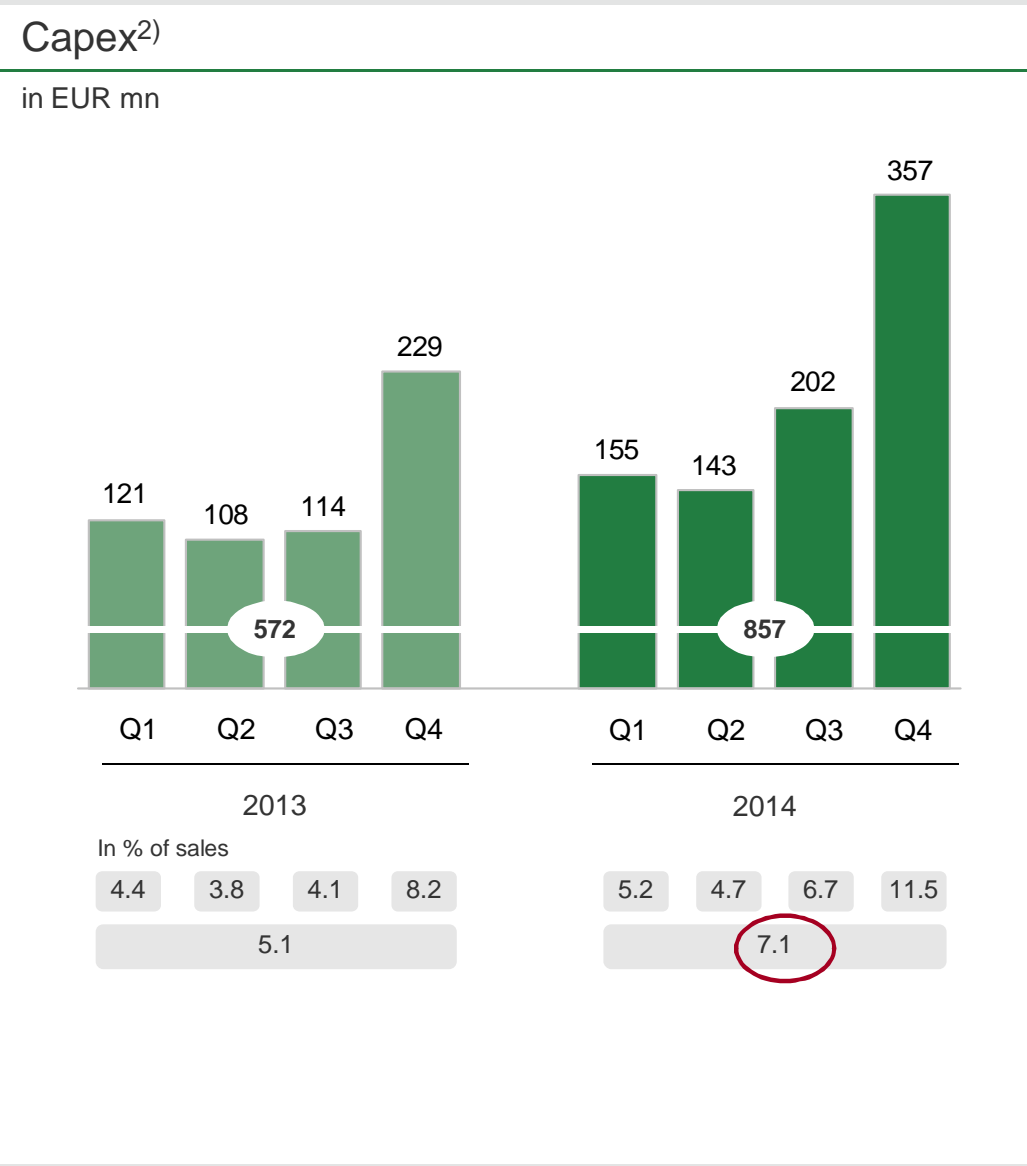


1) Prepayment fee of refinancing transaction in Q2 2014

Working Capital 21.0% of sales – Capex ratio 7.1% of sales



1) Calculation based on LTM sales

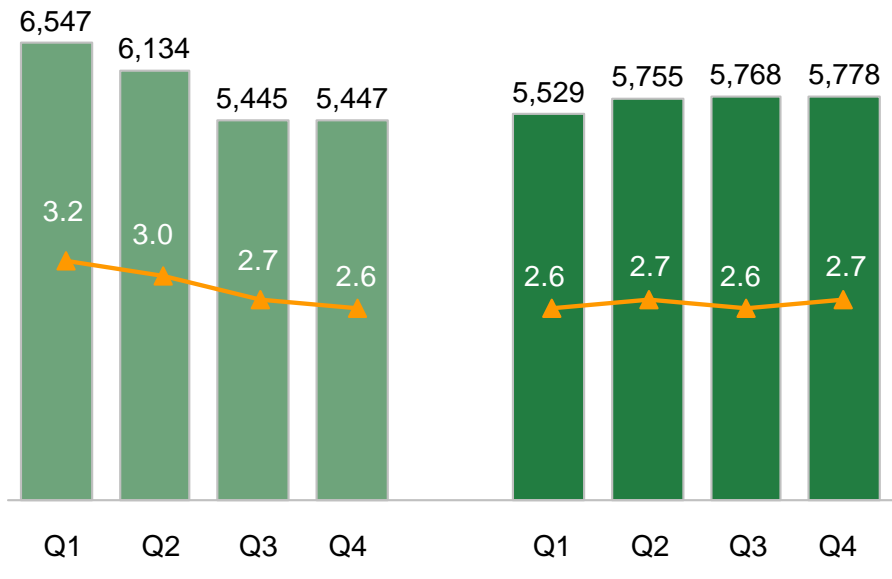


2) Cash view

5 Leverage ratio stable – Cost of debt significantly reduced

Net financial debt¹⁾

in EUR mn



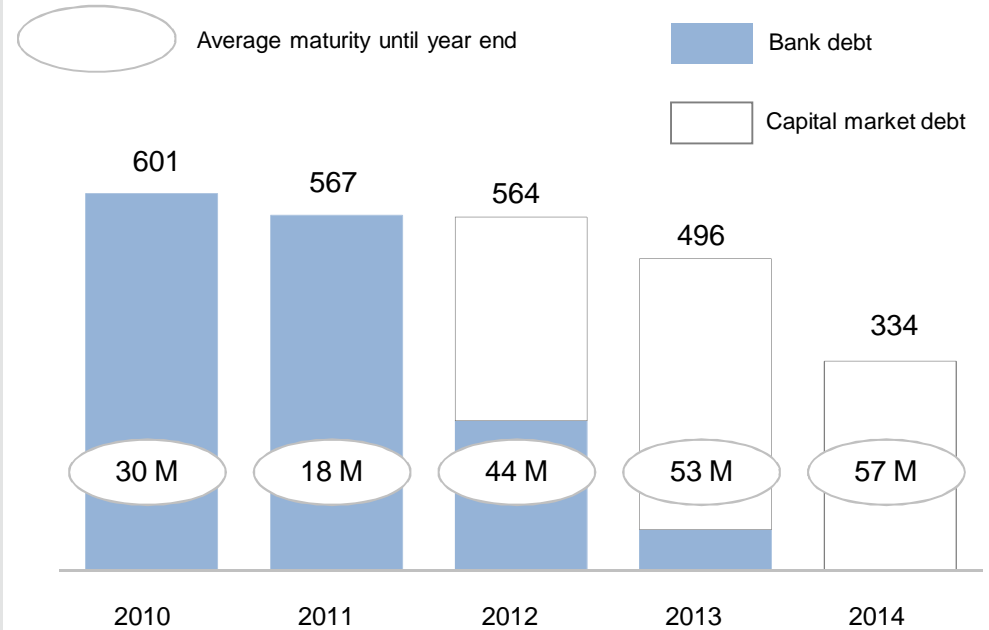
	2013				2014			
Gross debt ¹⁾	7,005	6,696	5,805	5,747	5,751	6,226	6,443	6,414
Cash position	458	562	360	300	222	471	675	636

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

1) Without shareholder loans

Cost of debt²⁾

in %

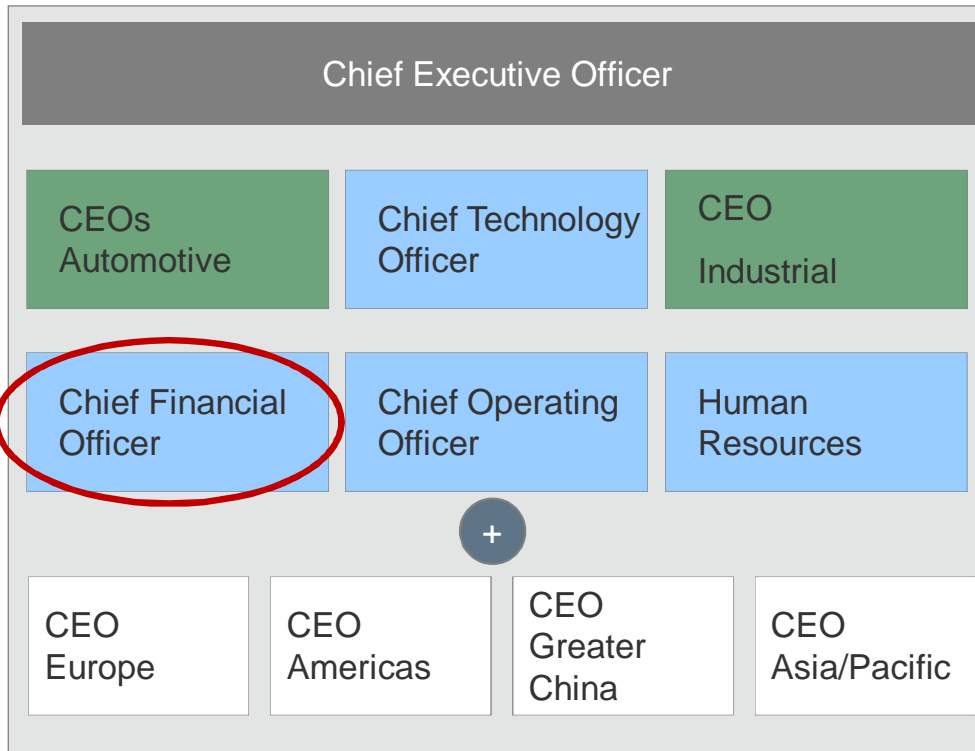


Cost of debt	9.3%	8.5%	8.1%	7.8%	5.6%
Interest paid	644	680	581	605	520

2) Before one-off effects

New CFO – Dr. Hauck starts on April 1, 2015

Executive Board



- Function
- Division
- Region

Key aspects

- Leadership structure reflects 3-dimensional matrix
- The Executive Board consists of 8 Board members and 4 Regional CEOs
- Roles and responsibilities aligned consistently worldwide
- New CFO, Dr. Hauck, starts on April 1, 2015



Ambitious targets – Further growth planned for 2015

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

"Mobility for tomorrow" – Schaeffler technology partner for Formula E series



Formula E 2015

10.01. Buenos Aires

14.03. Miami

04.04. Long Beach

09.05. Monaco

23.05. Berlin

06.06. Moskau

27./28.06. London

Schaeffler IR contact



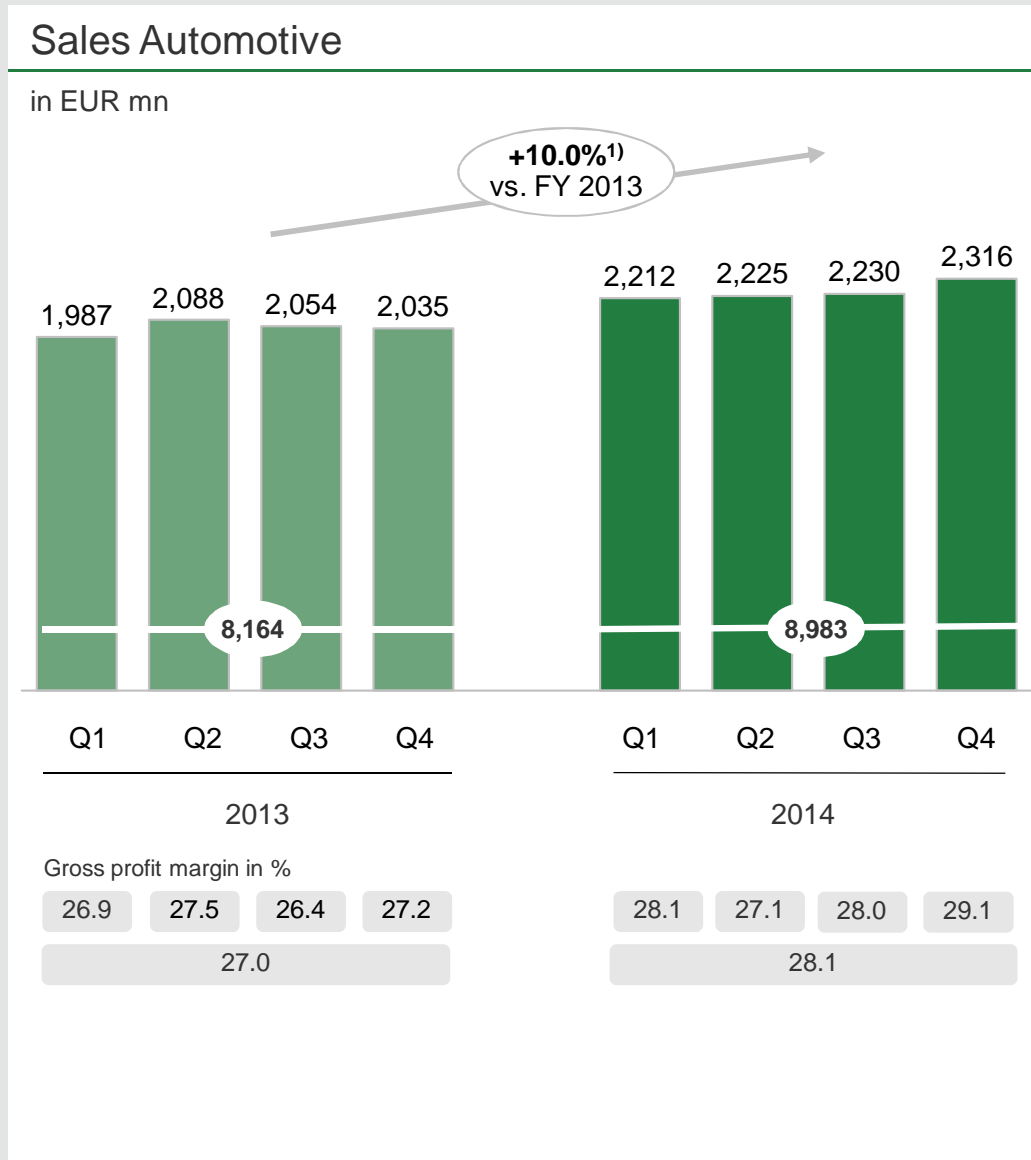
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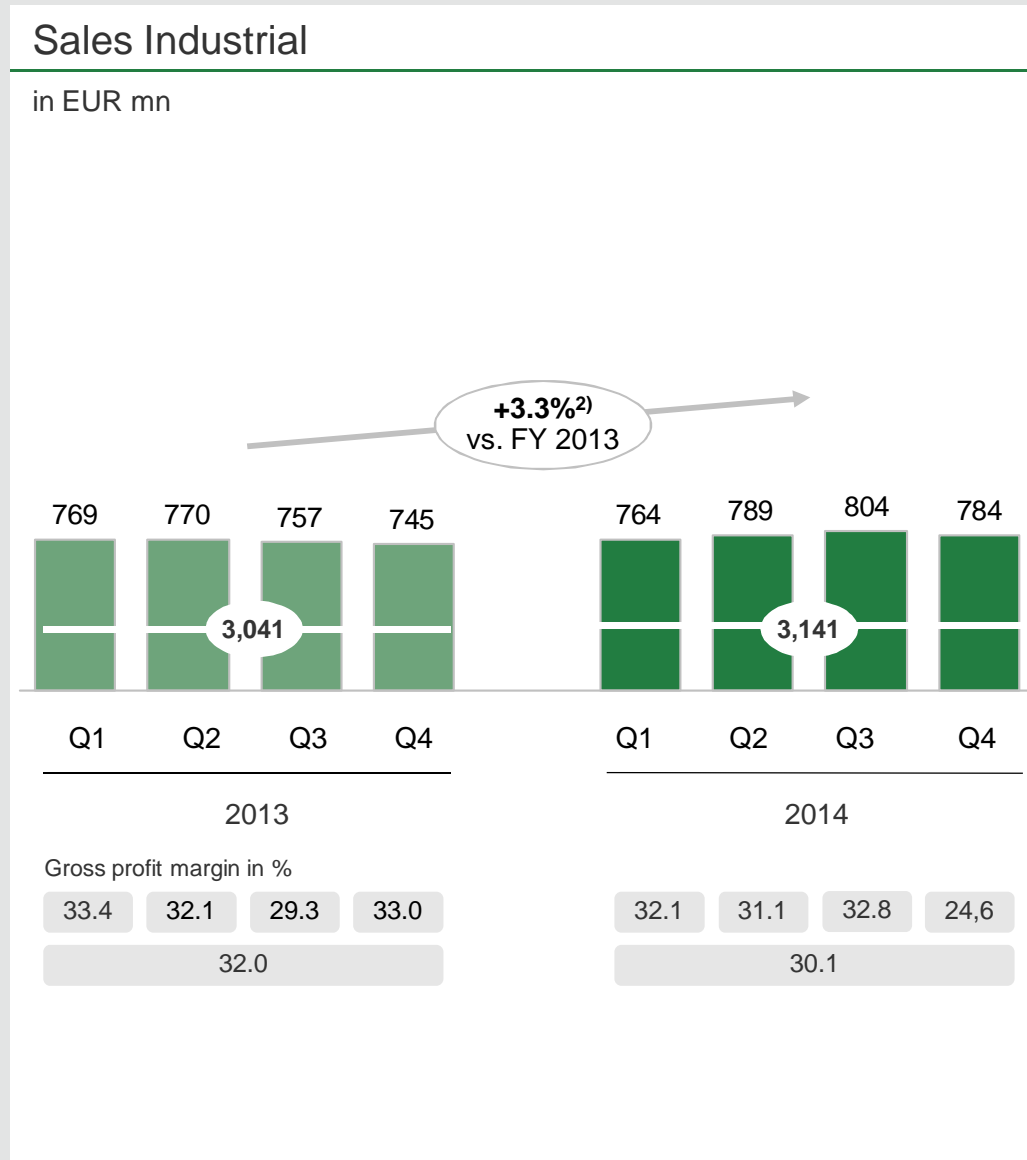
Financial calendar 2015

FY 2014 Results:	26 March 2015
Q1 2015 Results:	21 May 2015
Q2 2015 Results:	20 August 2015
Q3 2015 Results:	19 November 2015

Automotive and Industrial sales

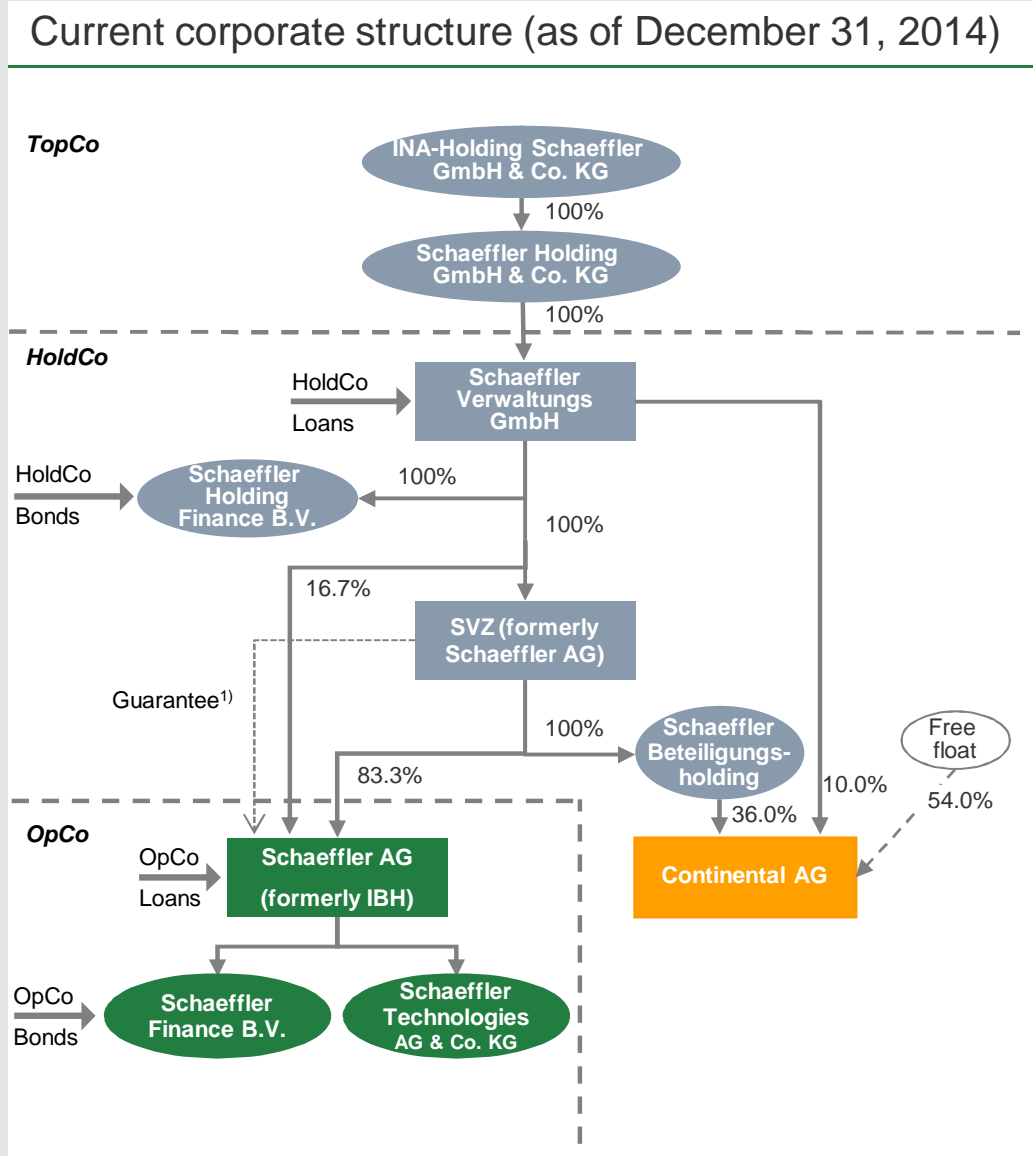


1) Includes negative FX effects of 0.7%



2) Includes negative FX effects of 0.9%

Overview of new corporate and financing structure



1) Schaeffler Beteiligungsholding guarantee and SVZ (formerly Schaeffler AG) guarantee will remain in place until fall-away conditions have been met (SVZ guarantee for benefit of OpCo debt to fall-away upon consent by or refinancing of 2017 OpCo Notes)

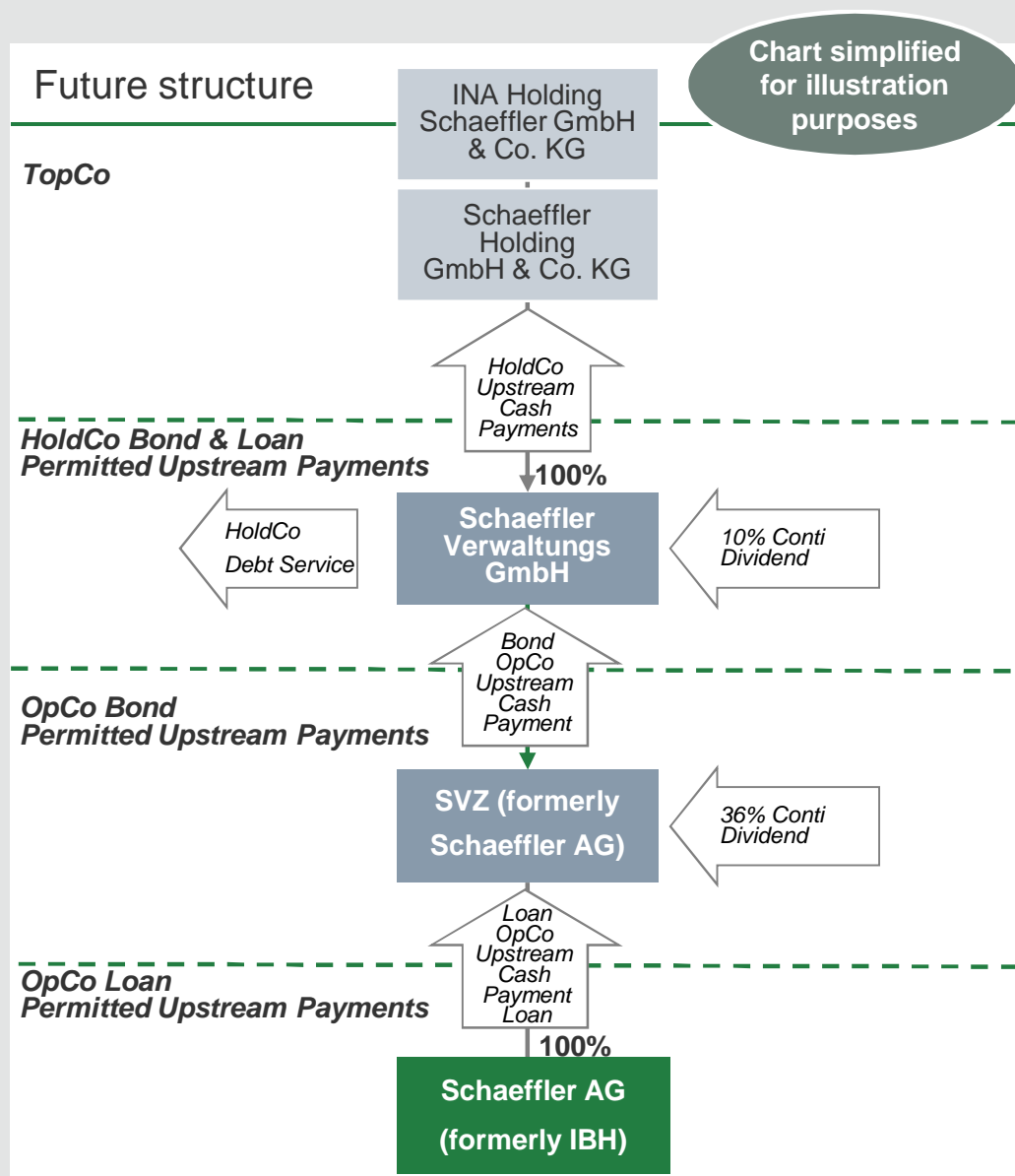
Financing structure (as of December 31, 2014)

Debt instrument	Nominal	Interest	Maturity	Rating
Schaeffler Holding				
Loans:				
HoldCo Term Loan (EUR)	500	E+4.50%	Oct-19	Not rated
HoldCo RCF (EUR 200 mn)	-	E+4.50%	Oct-19	Not rated
Bonds:				
6.875% SSNs 2018 (EUR) ²⁾	800	6.875%	Aug-18	B1 / B
6.875% SSNs 2018 (USD) ²⁾	1.000	6.875%	Aug-18	B1 / B
5.75% SSNs 2021 (EUR) ²⁾	350	5.75%	Nov-21	B1 / B
6.25% SSNs 2019 (USD) ²⁾	475	6.25%	Nov-19	B1 / B
6.75% SSNs 2022 (USD) ²⁾	675	6.75%	Nov-22	B1 / B
Schaeffler Group				
Loans:				
Senior Term Loan B (EUR)	750	E ³⁾ +3.50%	May-20	Ba2 / BB-
Senior Term Loan B (USD)	1.300	L ³⁾ +3.50%	May-20	Ba2 / BB-
Senior RCF (EUR 1,000 mn)	-	E+2.875%	Oct-19	Not rated
Bonds:				
7.75% SSNs 2017 (EUR)	800	7.75%	Feb-17	Ba2 / BB-
7.75% SSNs 2017 (USD) ³⁾	600	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⁾	850	4.75%	May-21	Ba2 / BB-
4.25% SSNs 2021 (USD) ³⁾	700	4.25%	May-21	Ba2 / BB-
3.50% SSNs 2022 (EUR)	500	3.50%	May-22	Ba2 / BB-

2) Senior Secured PIK Toggle Notes

3) Floor of 0.75 %

Sufficient cash sources available to serve HoldCo needs



Sustainable access to cash flow at HoldCo

- Permitted Upstream Payments in OpCo loan and bond documents allow OpCo cash to be upstreamed each year, providing material cash interest coverage on HoldCo level
- Different restricted groups for OpCo loans and OpCo bonds define different permitted upstream payments
- HoldCo has access to dividends from 46.0% of all Continental shares
- As per 31 December 2014, the cash balance at Schaeffler Verwaltungs GmbH was EUR 81 mn

OpCo upstream cash payments

in EUR mn	2013	2014
Free Cash Flow OpCo	629 ⁴⁾	48
Cash upstreamed to HoldCo	104	75 ^{1,2)}
Permitted upstream payments (annual) ³⁾	245	245

1) Since execution of new OpCo loan agreement on October 27, 2014.

2) OpCo bond permitted upstream payments under the definitions of the bond indentures amounted to EUR 154 mn in FY 2014.

3) According to OpCo loan agreements effective as of the respective reporting dates.

4) SVZ (formerly Schaeffler AG) figure