

**Results 9M 2014
Schaeffler Group**

Mobility for tomorrow

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

November 20, 2014

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Agenda

- 1 Overview
- 2 Results 9M 2014
- 3 Financing and corporate structure
- 4 Outlook

Schaeffler Group continues along its growth path



Demonstrator vehicle:
Schaeffler Efficient Future Mobility India



High-precision measuring and test
equipment at all major locations in the world

9M 2014 sales above EUR 9.0 bn;
FX adjusted sales increased by 9.0% (as reported 7.1%)

Automotive sales growth of 10.5% FX-adjusted (as reported 8.8%);
Industrial sales growth of 4.9% FX-adjusted (as reported 2.7%)

Earnings quality improved and above target range;
EBIT margin in 9M 2014 13.5% (prior year: 12.3%)

Free Cash Flow EUR 103 mn in 9M 2014;
Free Cash Flow EUR 632 mn without one-off effects from
EU antitrust (EUR 371 mn) and refinancing (EUR 158 mn)

Refinancing on OpCo and HoldCo level, new financing and
corporate structure in place since October

Overview results 9M 2014

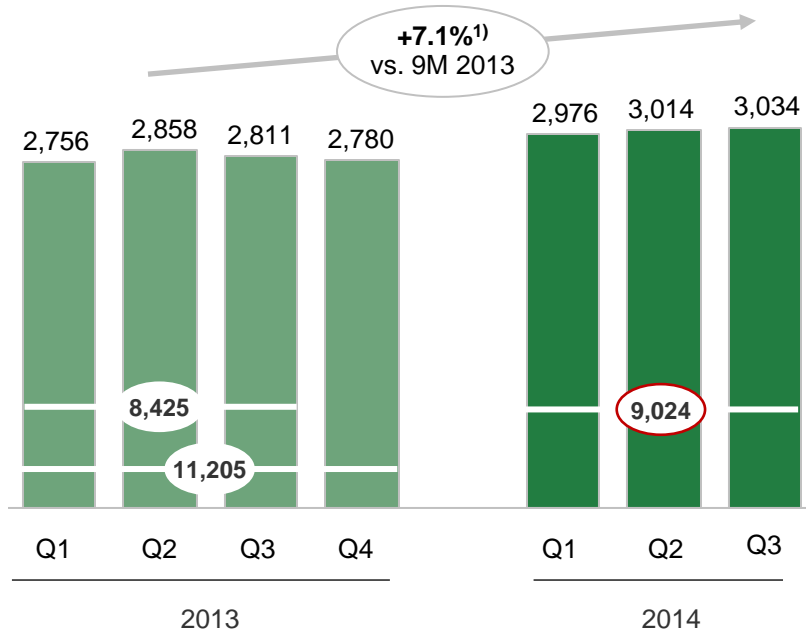
in EUR mn	9M 14	9M 13	9M 14 vs. 9M 13	Q3 14	Q3 13	Q3 14 vs. Q3 13
Sales	9,024	8,425	+7,1%	3,034	2,811	+7.9%
EBITDA	1,688	1,514	+11.5%	589	472	+24.8%
EBITDA margin	18.7	18.0	+0.7%pts.	19.4	16.8	+2.6%pts.
EBIT	1,215	1,038	+17.1%	428	314	+36.3%
EBIT margin	13.5	12.3	+1.2%pts.	14.1	11.2	+2.9%pts.
Net income	936	1,020	-84 mn	362	459	-97 mn
Working capital ¹⁾	2,906	2,343	+563 mn	2,906	2,343	+563 mn
Capex	500	343	+157 mn	202	114	+88 mn
Free cash flow ²⁾	103	589	-486 mn	282	203	+79 mn
Net debt ¹⁾	6,306	5,890	+416 mn	6,306	5,890	+416 mn
Leverage ratio ^{1) 3)}	2.6	2.6	-	2.6	2.6	-

1) Prior year figure as per December 31, 2013 2) Excluding one-off effects of EUR 529 mn, FCF is EUR 632 mn 3) Net financial debt excl. shareholder loans to adjusted EBITDA ratio

Sales above EUR 9 bn in 9M 2014

Sales

in EUR mn



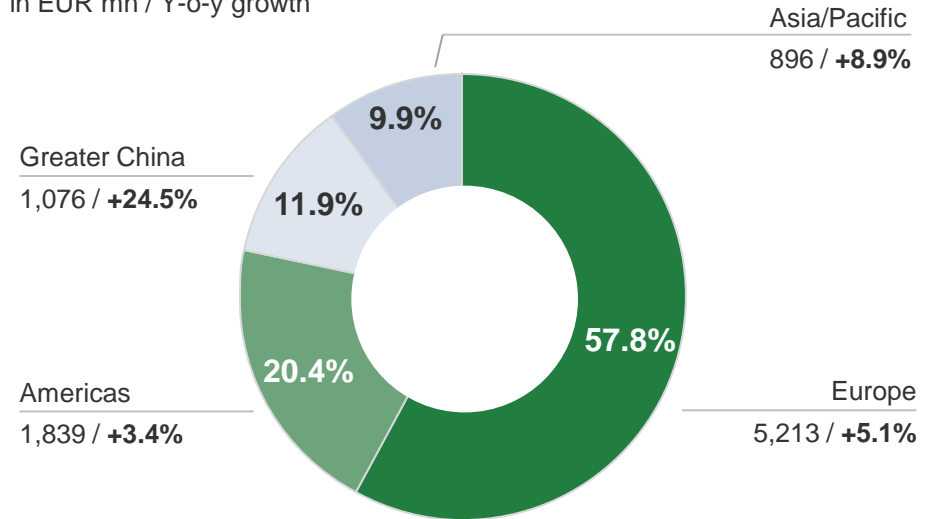
Gross profit margin in %

28.7	28.8	27.2	28.7	29.1	28.1	29.3
28.3				28.9		

1) Includes negative FX effects of 1.9%

9M 2014 sales by region¹⁾

in EUR mn / Y-o-y growth



1) Market view (= location of customers)

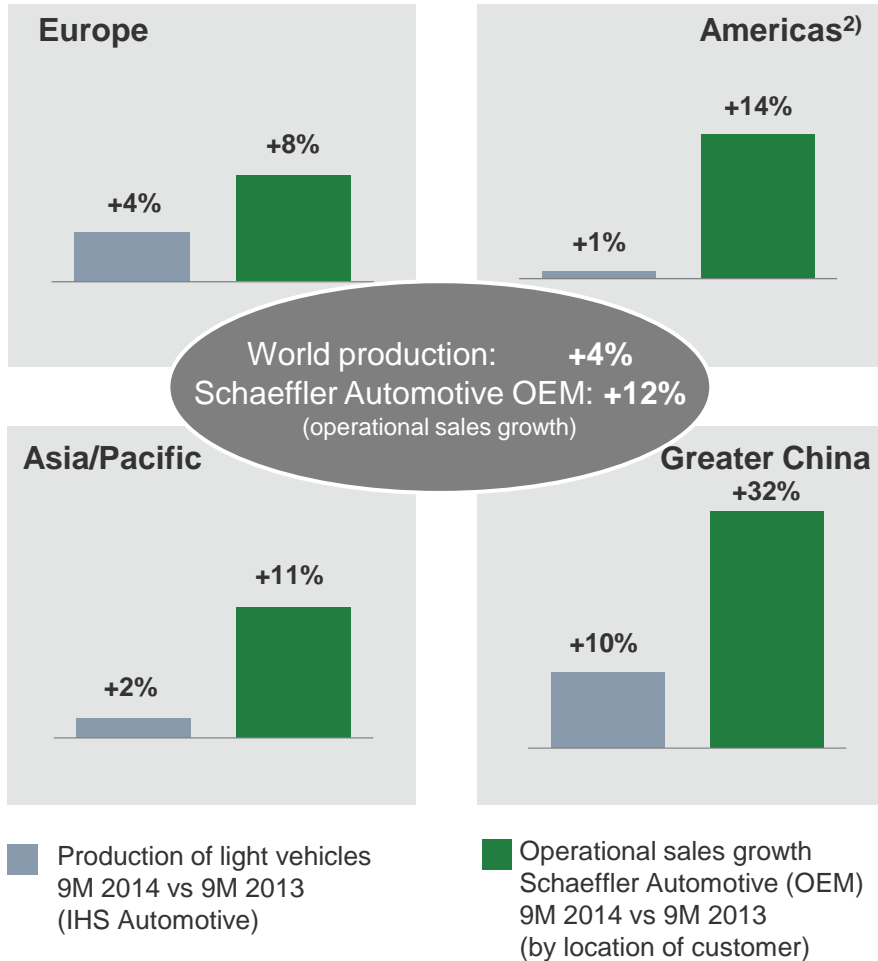
Sales by division

in EUR mn

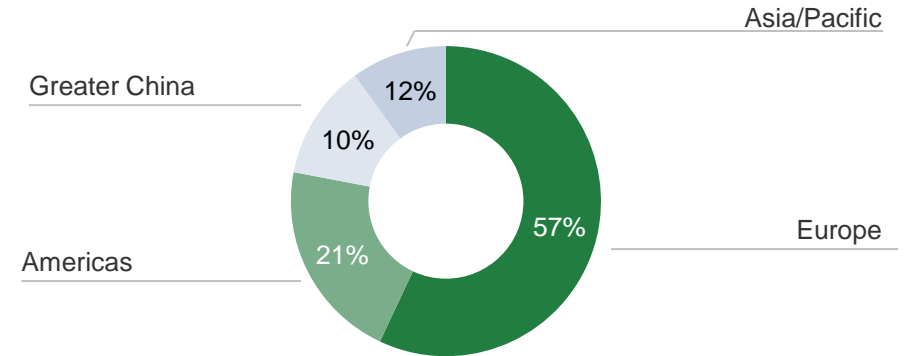
	9M 14	9M 13	Δ	Δ excl. FX effects
Automotive	6,667	6,129	+8.8%	10.5%
Industrial	2,357	2,296	+2.7%	4.9%
Total	9,024	8,425	+7.1%	9.0%

Sales Automotive – Continued growth above market

Sales development Automotive¹⁾



Regional distribution



Key aspects

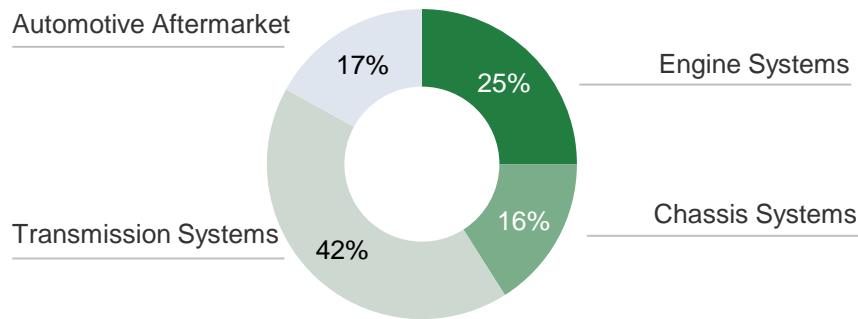
- Schaeffler Automotive again strongly outgrew global automotive production in 9M 2014
- All business divisions and all regions contributed to overall growth
- Strong growth in China especially in BD Transmission Systems (e.g. double clutch systems)
- Nearly full utilization of current production capacity in the first nine months 2014

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).

2) Operational sales growth Schaeffler Automotive (OEM) in North America +22% (light vehicles production +6%) and in South America -17% (light vehicle production -17%).

Sales Automotive – Growth across all areas

Sales split



Key aspects

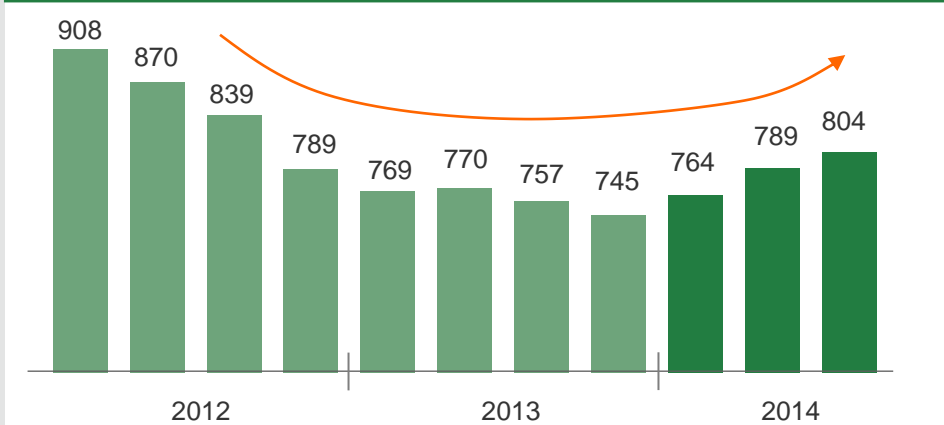
- FX-adjusted growth rate of Automotive Division +10.5%, growth rate as reported +8.8%
- *Engine Systems*: Growth driven among others by top-selling product groups camshaft phasing units and valve train components (e.g. UniAir)
- *Transmission Systems*: Growth driven by dry double clutches and top-selling 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

Sales 9M 2014 vs. 9M 2013

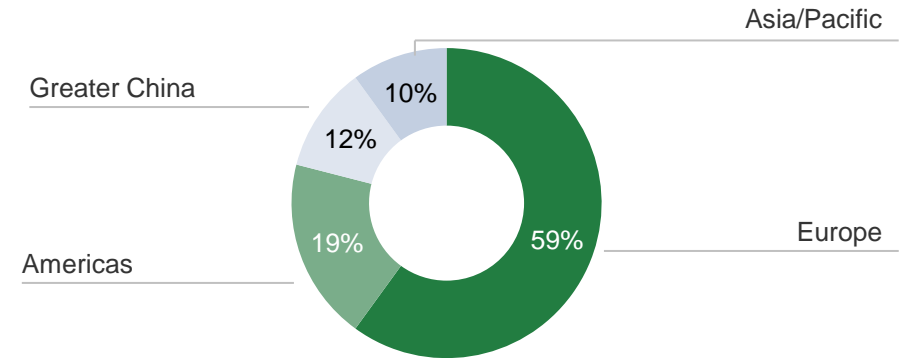
in EUR mn	9M 2014	9M 2013	Δ
Engine	1,673	1,521	10.0%
Transmission	2,815	2,476	13.7%
Chassis	1,017	986	3.1%
Aftermarket	1,162	1,146	1.4%
Total	6,667	6,129	8.8%

Sales Industrial – Positive trend continues

Sales trend



Regional distribution



Key aspects

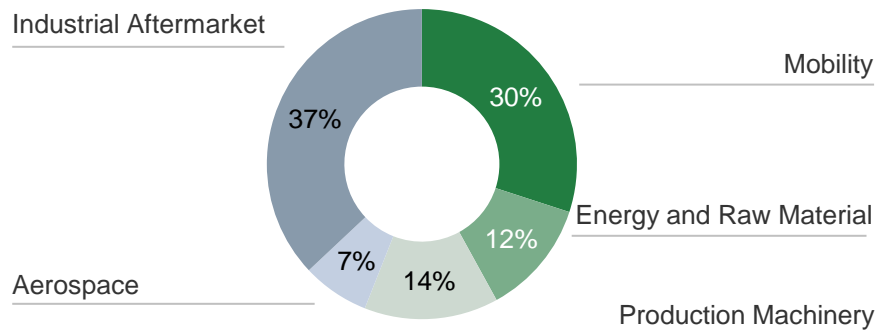
- Sales Industrial with improving trend; FX-adjusted growth rate +4.9% (as reported 2.7%)
- Order intake shows significantly positive trend, orders on hand exceed prior-year level
- Strong sales increase in Greater China across all sectors except Aerospace and Heavy Industries
- Revenues in Asia / Pacific and Europe above prior year level, revenues in the Americas region impacted by currency translation

Sales 9M 2014 vs. 9M 2013

in EUR mn	9M 2014	9M 2013	Δ
Industrial Applications	1,463	1,445	+1.2%
Industrial Aftermarket	894	851	+5.1%
Total	2,357	2,296	+2.7%

Sales Industrial – Positive revenue trend supported by nearly all sectors

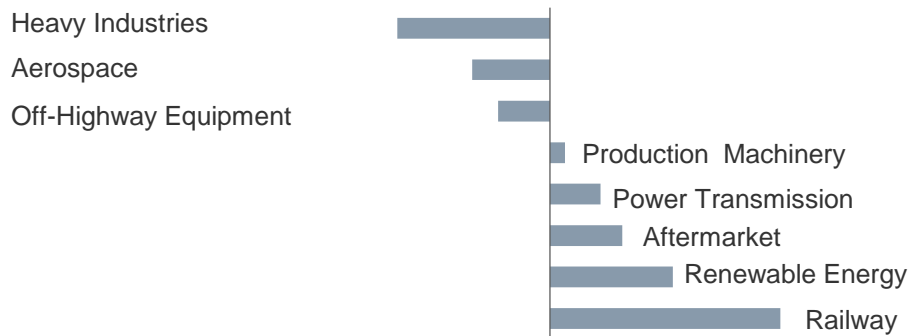
Sales split



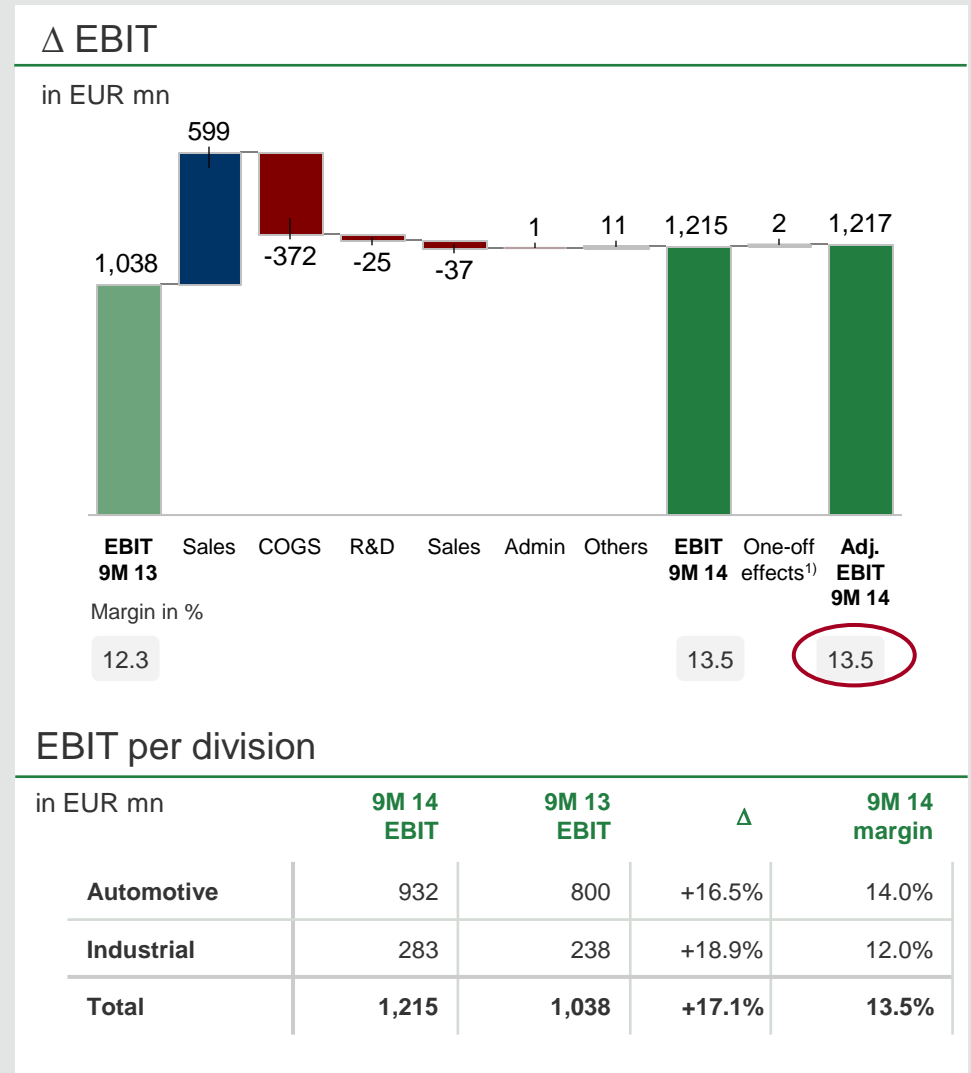
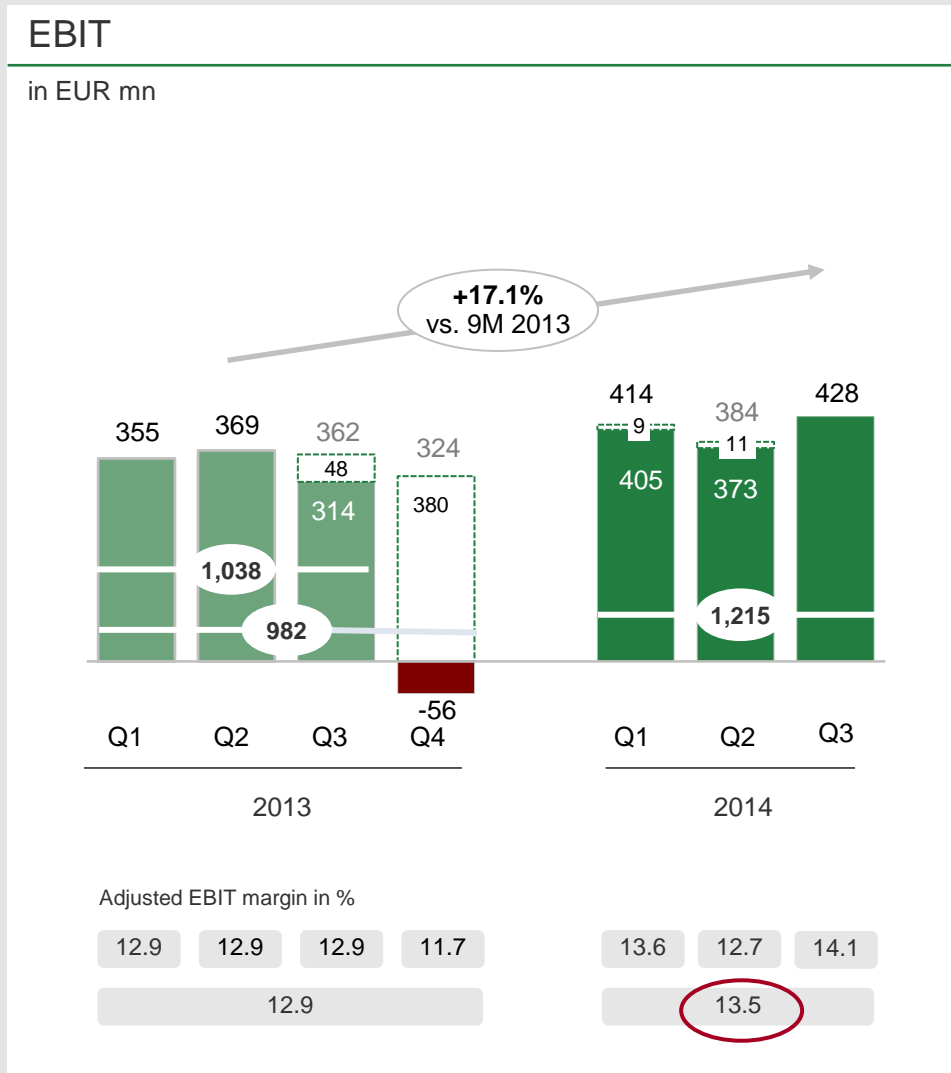
Key aspects

- 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

Sales H1 2014 vs. H1 2013



EBIT margin at 13.5% – Earnings quality above target range

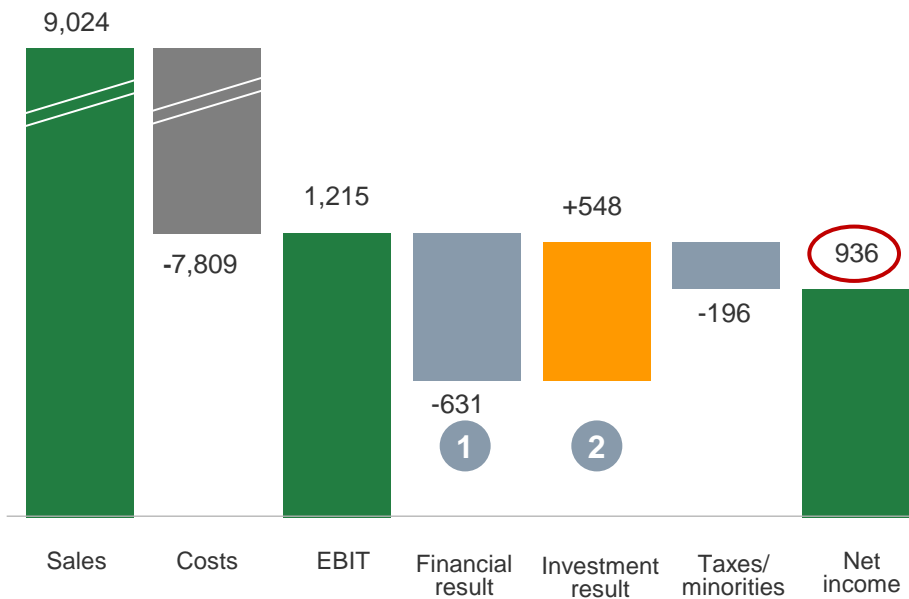


1) Positive one-off effect from the release of provision for antitrust fine in Q1 2014 (EUR 9 mn) and negative one-off effect from compensation payments in Q2 (EUR 11 mn)

Net income EUR 936 mn

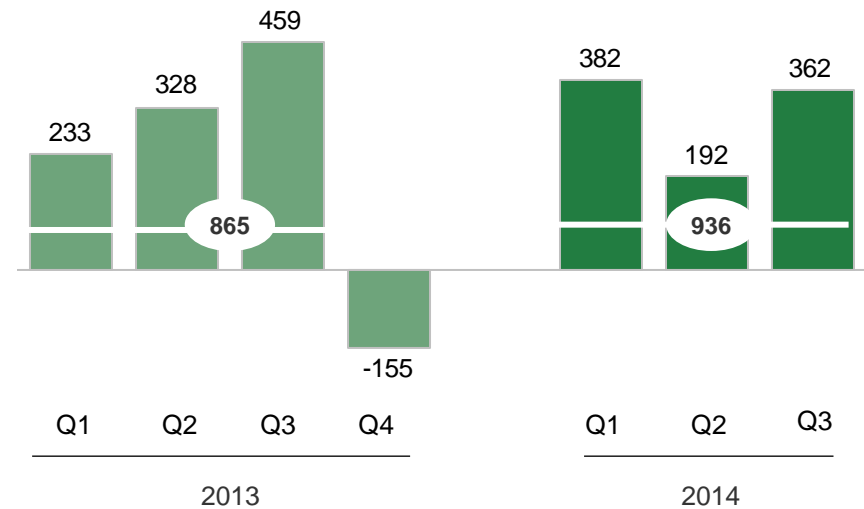
Net income 9M 2014¹⁾

in EUR mn



Net income¹⁾

in EUR mn

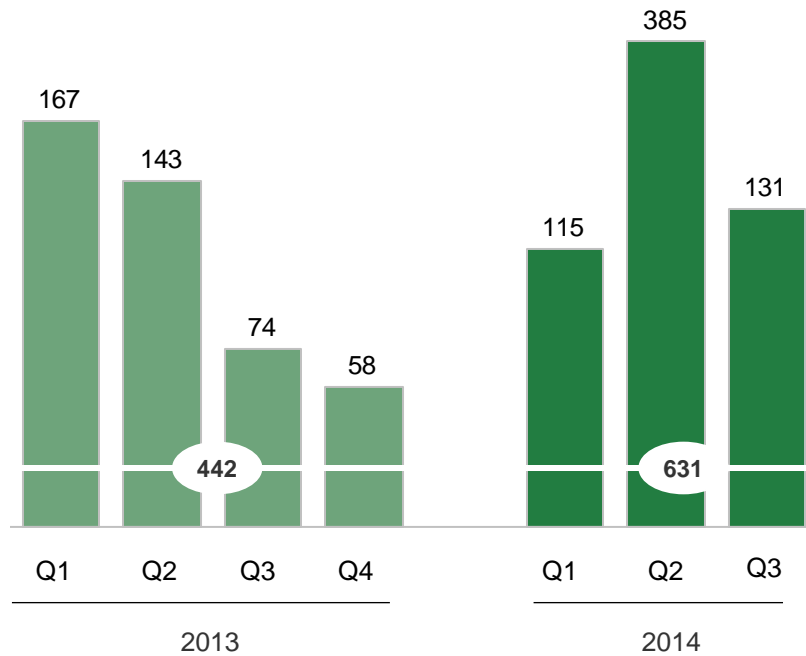


1) Net income attributable to the shareholders of the parent company

1 Financial result minus EUR 631 million

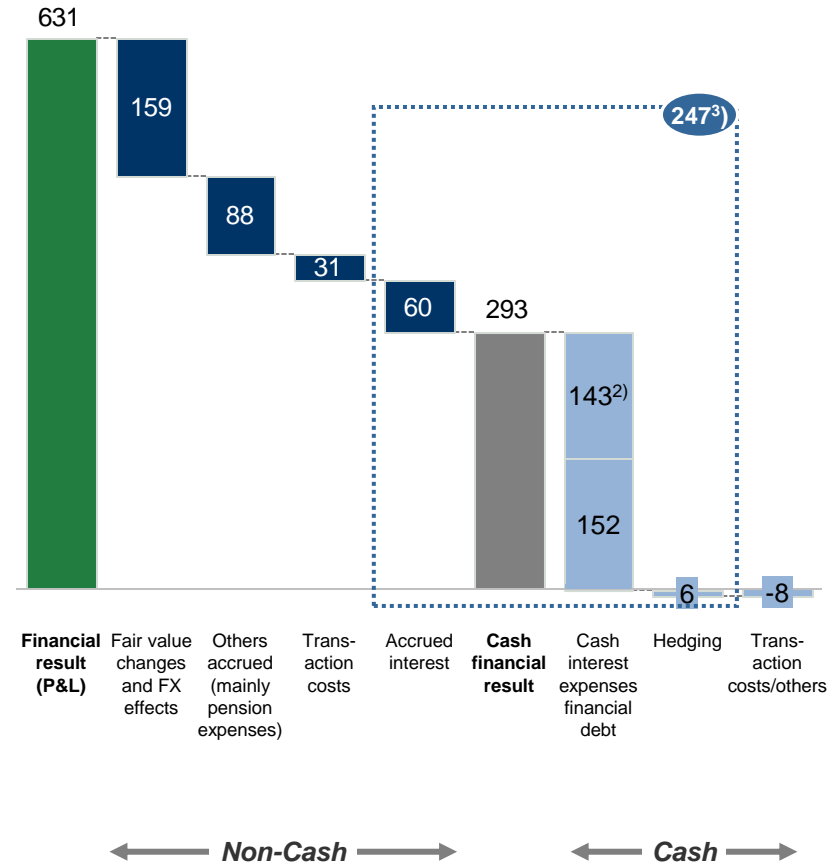
Financial result¹⁾

in EUR mn



Composition of financial result¹⁾

in EUR mn



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

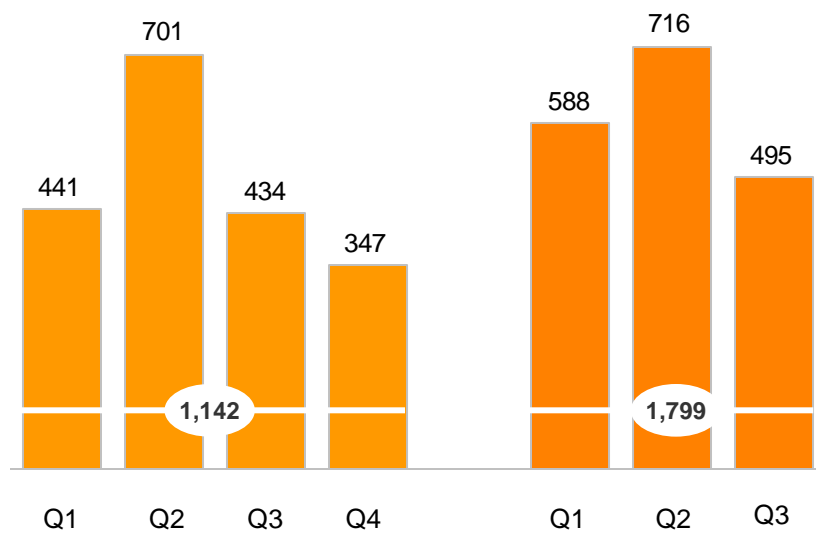
2) One-off effects refinancing in Q2 2014 (prepayment fee EUR 114 mn + accrued interest EUR 29 mn)

3) Excluding prepayment fee of EUR 114 mn

2 At equity result Continental AG EUR 548 mn

Net income Continental

in EUR mn



2013			
Sales			
8,033	8,541	8,350	8,407
33,331			
EBIT			
747	883	886	747
3,264			

2014		
Sales		
8,390	8,528	8,670
25,588		
EBIT		
903	907	638
2,448		

At equity result from Continental

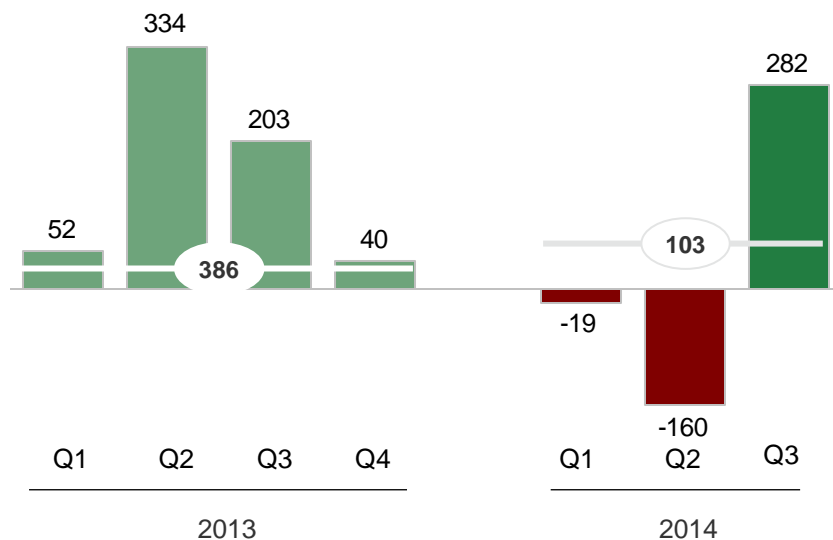
in EUR mn

	FY 2013	Q1 2014	Q2 2014	Q3 2014	9M 2014
Net Income Continental	1,923	588	716	495	1,799
Conti shares (per 30/09/2014: 34,2%)	687	201	245	169	615
PPA	-99	-22	-23	-22	-67
Other	23	1	0	0	0
At Equity Result	611	180	222	147	548

Free cash flow 9M 2014 of EUR 103 mn impacted by Q2 one-off effects

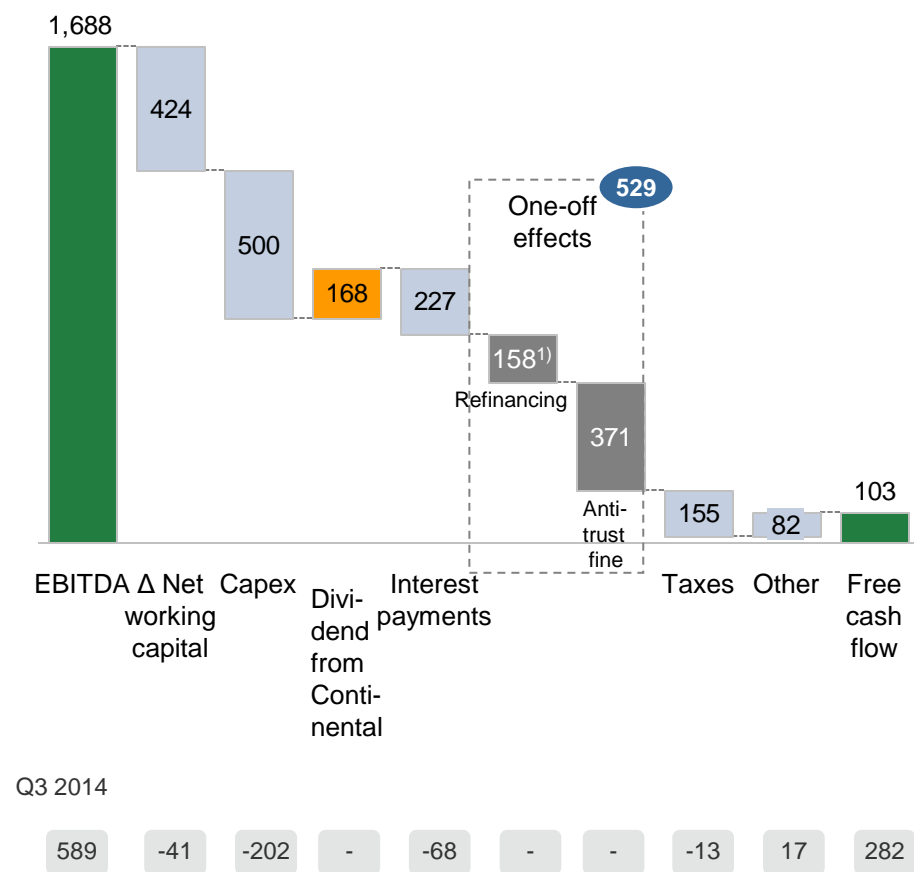
Free cash flow

in EUR mn



Free cash flow 9M 2014

in EUR mn

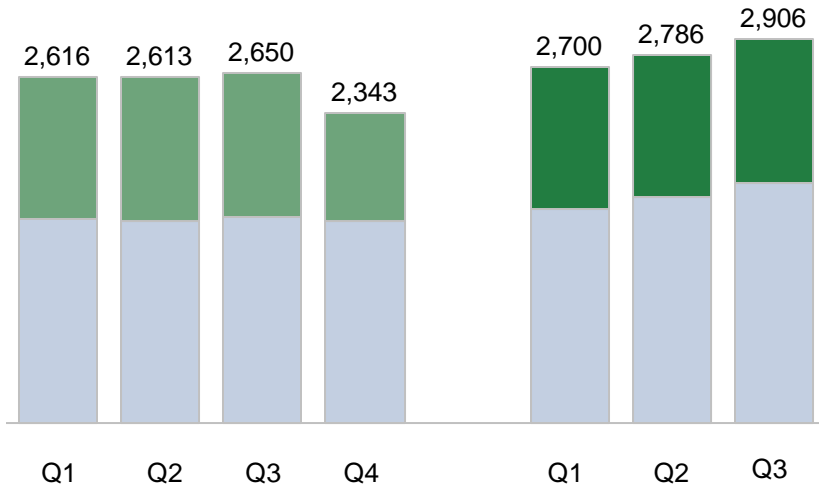


1) Q2 2014: Prepayment fee EUR 114 mn + accrued interest EUR 29 mn + transaction cost EUR 15 mn

Working Capital efficiency 24.6% of sales – Capex Ratio 5.5% of sales

Working Capital

in EUR mn



In % of sales¹⁾

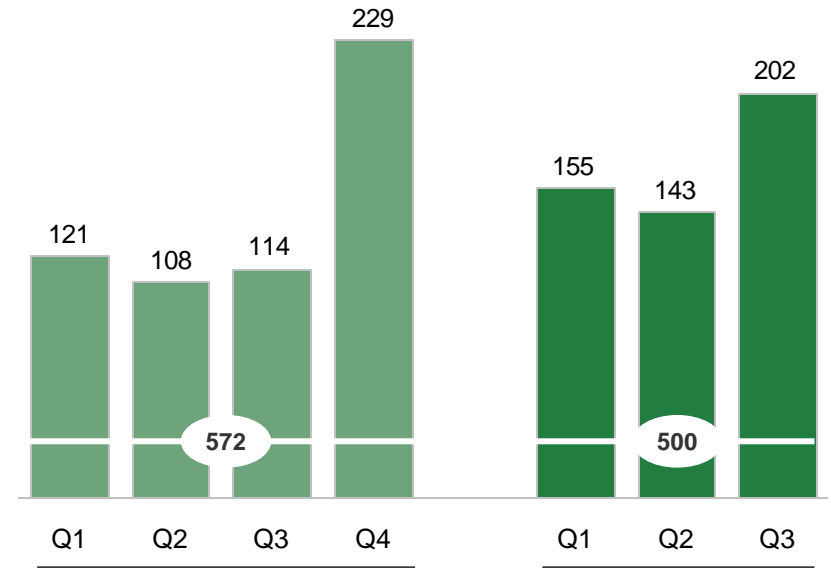
2013	2014
23.7	23.6
23.6	23.8
20.9	24.6

Inventories

1) Calculation based on LTM sales

Capex spent¹⁾

in EUR mn



In % of sales

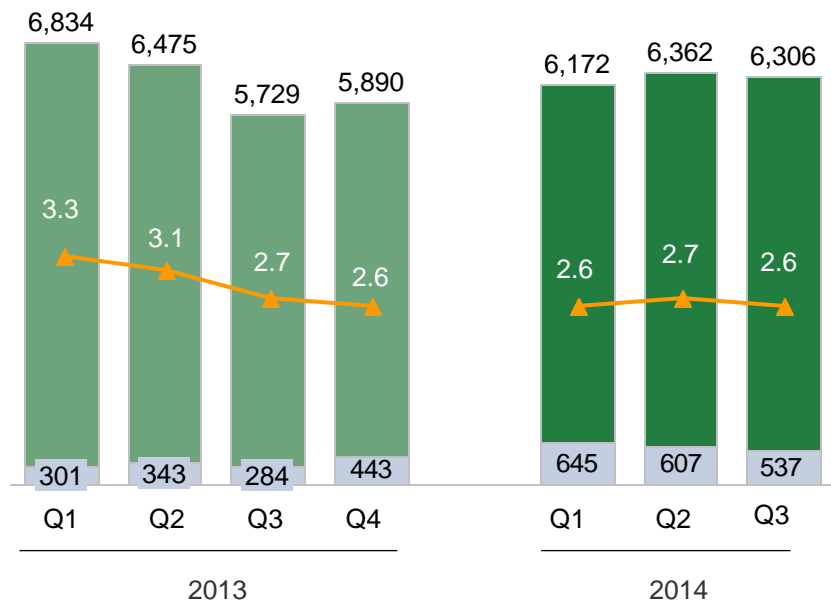
2013	2014
4.4	5.2
3.8	4.7
4.1	6.7
5.1	5.5

1) Cash view

Leverage ratio at 2.6x

Net financial debt

in EUR mn



Gross debt

7,292 7,037 6,089 6,190

Cash position

458 562 360 300

Shareholder Loans

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

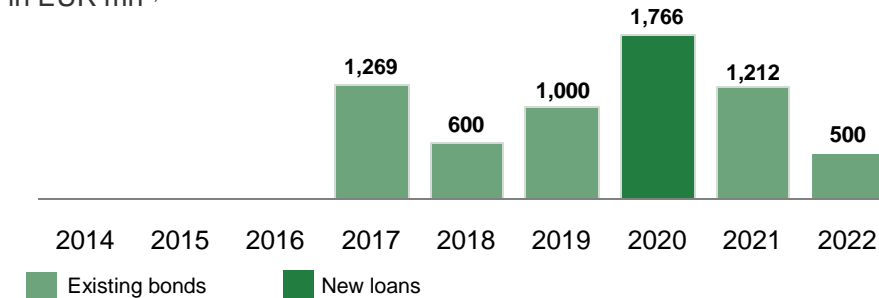
Development leverage ratio

in EUR mn

	12/31/13	09/30/14
Gross debt	6,190	6,981
- Cash	300	675
= Net financial debt	5,890	6,306
- Shareholder loans	443	537
= Net financial debt (w/o shareholder loans)	5,447	5,769
÷ LTM EBITDA adjusted	2,062	2,190
= Leverage ratio	2.6	2.6

Maturity profile (after October 2014 refinancing)

in EUR mn¹⁾



1) Assuming EUR/USD=1.28 as of October 16, 2014

Financing structure continuously improved

Key development steps

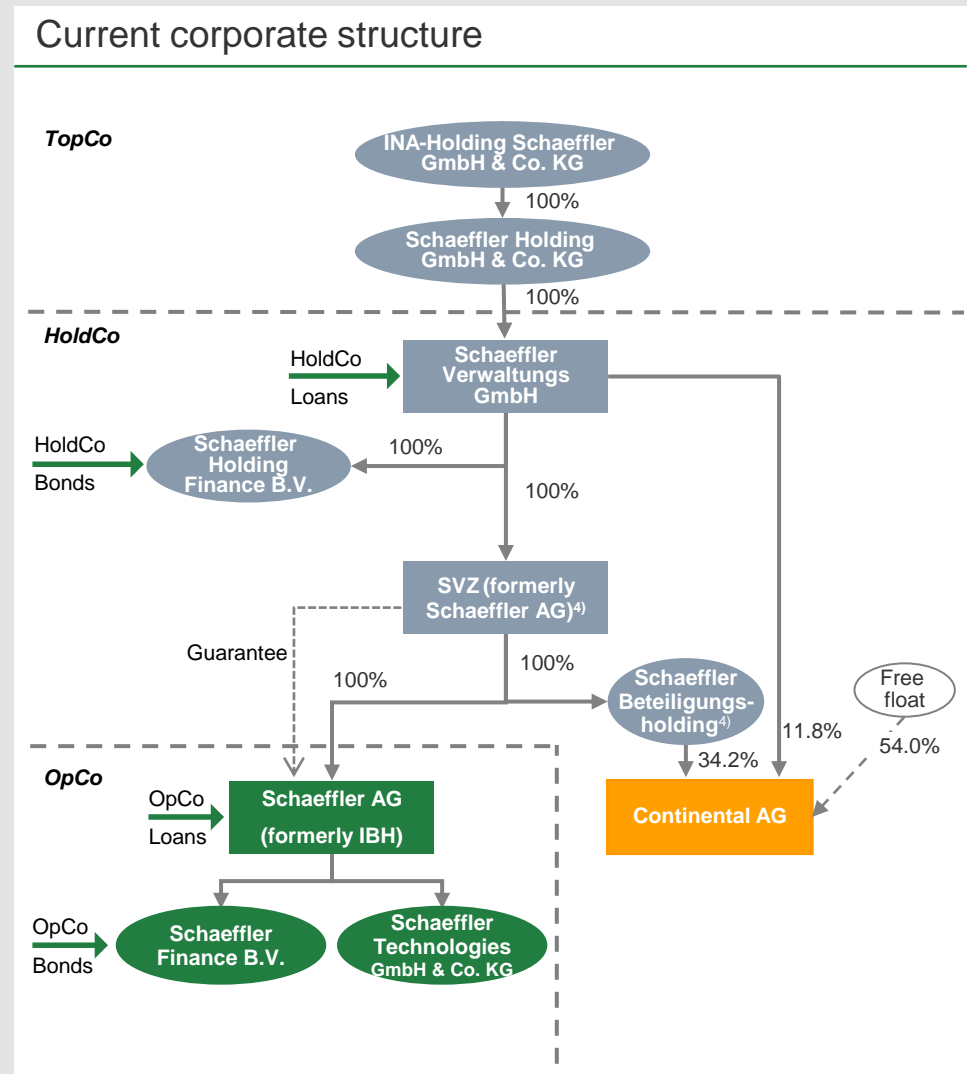
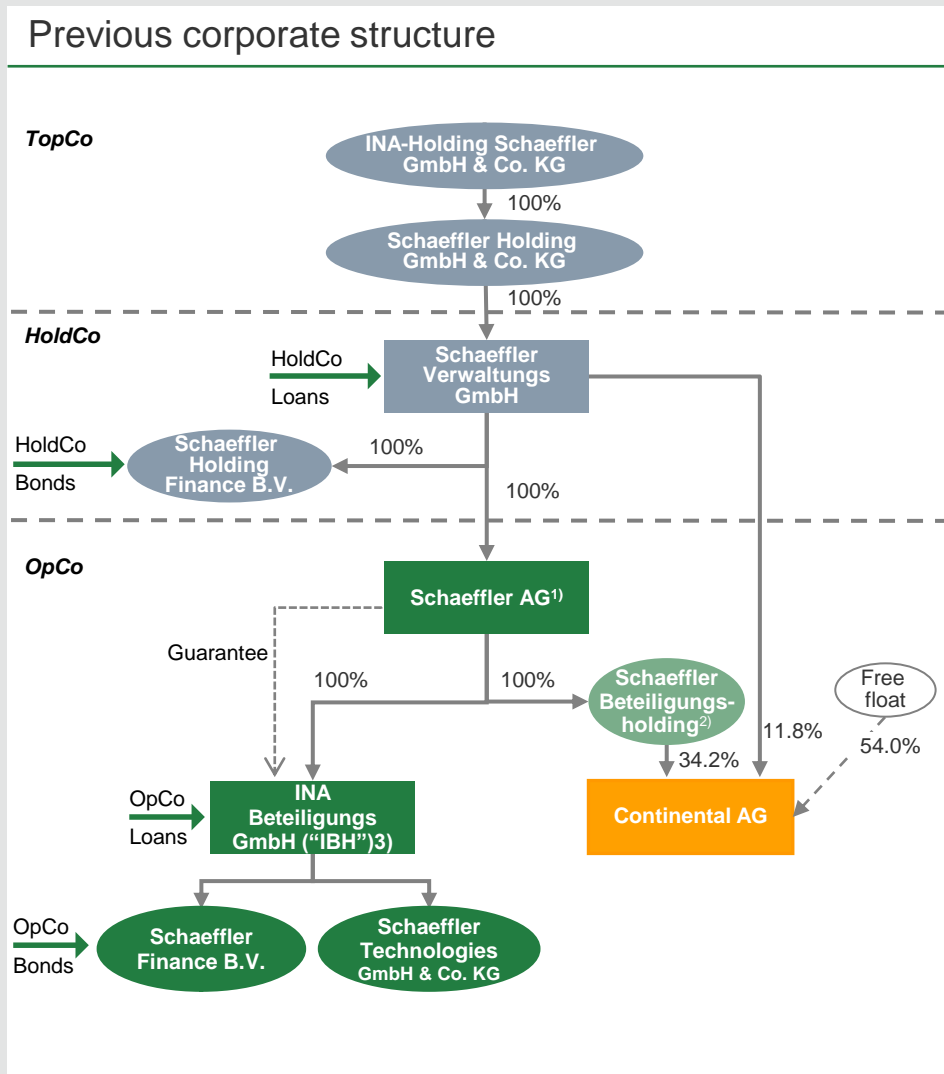
January 2012	Comprehensive refinancing of OpCo indebtedness of €8.0 bn including first-time issuance of high-yield bonds
June / July 2012	Bank consortium further enhanced, issuance of €326 mn retail bond
September 2012	Reduction of liabilities at Schaeffler Holding by €1.6 bn, shareholder structure simplified
December 2012	Refinancing of €5.6 bn OpCo facilities enhancing covenant, repayment and structural flexibility
February 2013	Repricing transaction of €1.6 bn equivalent OpCo facilities with institutional lenders
April 2013	Restructuring of OpCo facilities and additional issuance of €1.25 bn high-yield bonds
July 2013	Comprehensive refinancing of HoldCo indebtedness of €3.75 bn including issuance of PIK Toggle Notes
September 2013	Reduction of liabilities at Schaeffler Group and Schaeffler Holding by approx. €1.3 bn
May 2014	Refinancing of €3.5 bn OpCo debt by placing €2.0 bn of new secured and unsecured bonds and €1.5 bn of new institutional term loans
October 2014	€1.8 bn equivalent OpCo loan refinancing and OpCo/HoldCo bond consent process completed to align terms and conditions; €1.0 bn OpCo RCF committed
October 2014	Refinancing of €1.9 bn of HoldCo debt with €700 mn HoldCo bank loans and €1.2 bn HoldCo bonds

Financing structure OpCo/HoldCo

Continuous capital structure optimization

Corporate structure Schaeffler Group

Corporate structure before and after latest refinancing transaction



1) Schaeffler AG was converted into a GmbH and renamed Schaeffler Verwaltungen Zwei GmbH
 2) Schaeffler Beteiligungsholding has also issued a guarantee in favor of all OpCo loans/bonds
 3) IBH GmbH was converted into an AG and renamed Schaeffler AG
 Page 19

4) 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)
 Schaeffler • Results 9M 2014 • November 20, 2014



Guidance 2014 unchanged

Growth		Profitability	
Sales growth	>7% ¹⁾	EBIT margin	12-13%
Capex	6-8% of sales	Free cash flow	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

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 Q3 2014: **November 20, 2014**

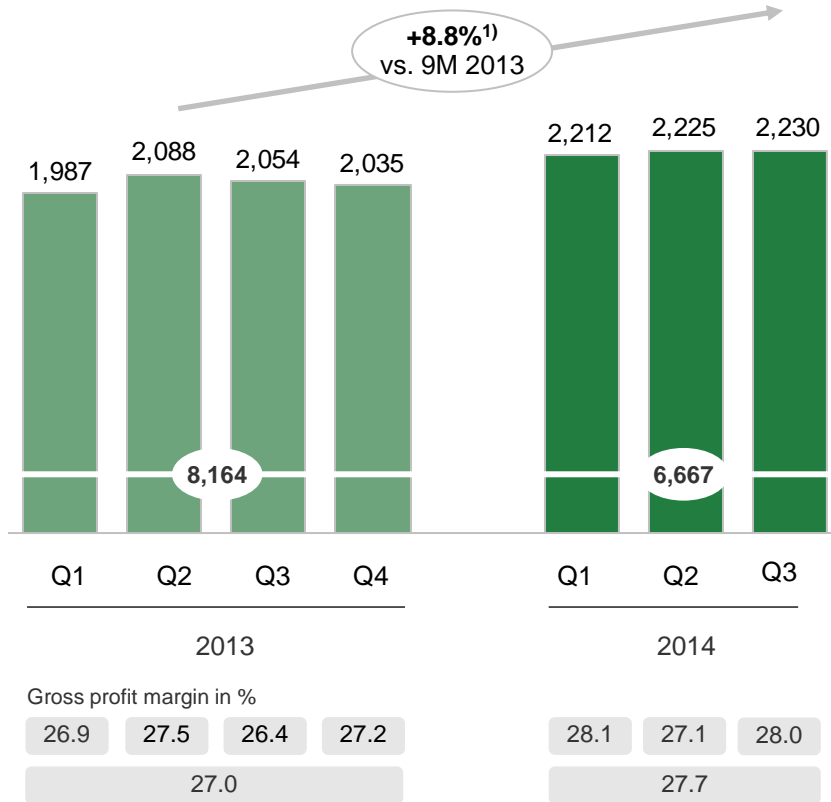
Results FY 2014: March 26, 2015

Results Q1 2015: May 21, 2015

Automotive and Industrial sales

Sales Automotive

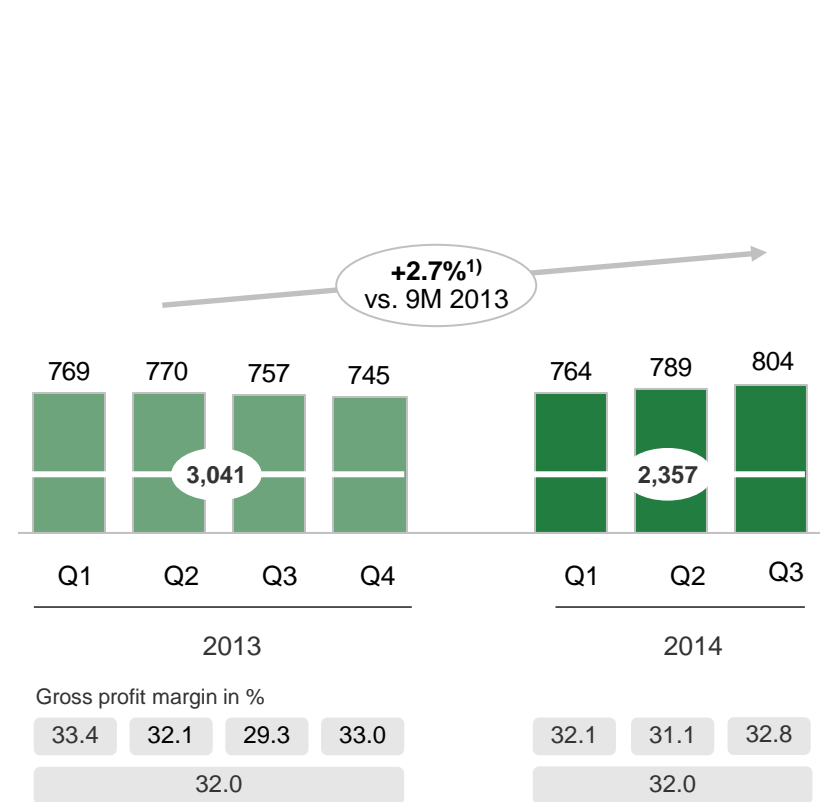
in EUR mn



1) Includes negative FX effects of 1.7%

Sales Industrial

in EUR mn

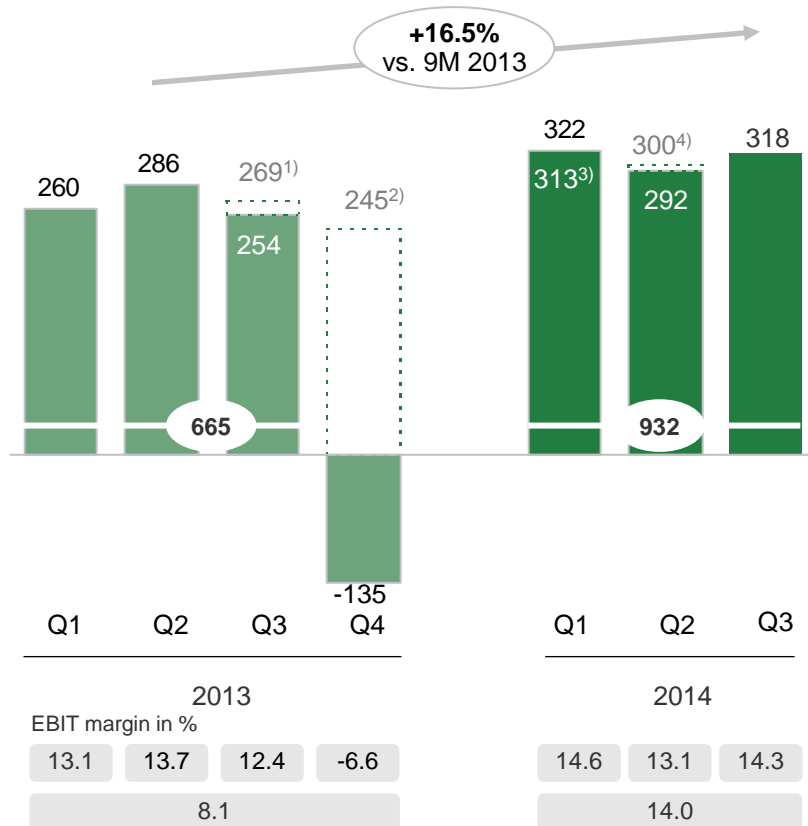


1) Includes negative FX effects of 2.2%

Automotive and Industrial EBIT

EBIT Automotive

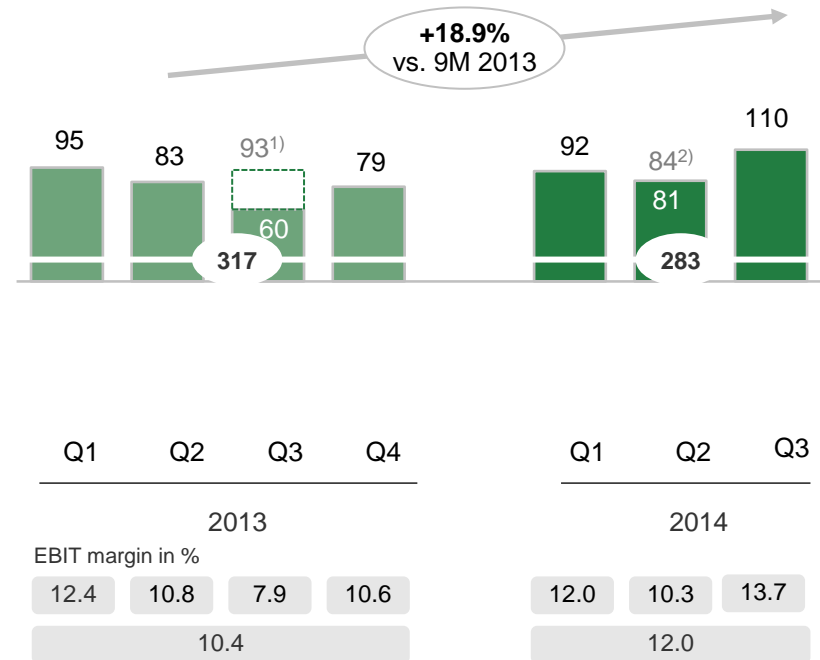
in EUR mn



- 1) Excluding special items (personnel-related structural measures of EUR -15 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 mn)
- 4) Excluding special items (compensation expenses of EUR 8 mn)

EBIT Industrial

in EUR mn

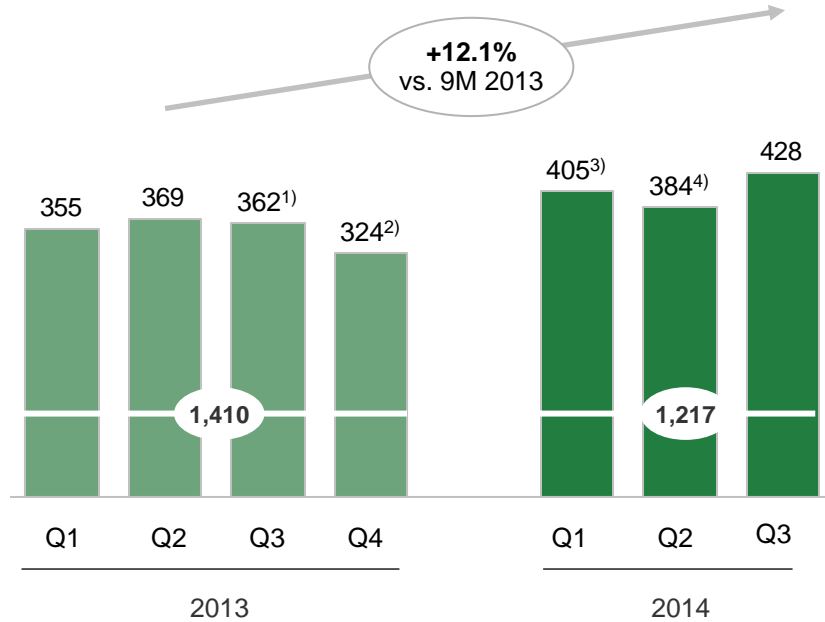


- 1) Excluding special items (one-off restructuring expense of EUR - 33 mn)
- 2) Excluding special items (compensation expenses of EUR 3 mn)

Adjusted EBIT margin at 13.5%

Adjusted EBIT

in EUR mn



Adjusted EBIT margin in %



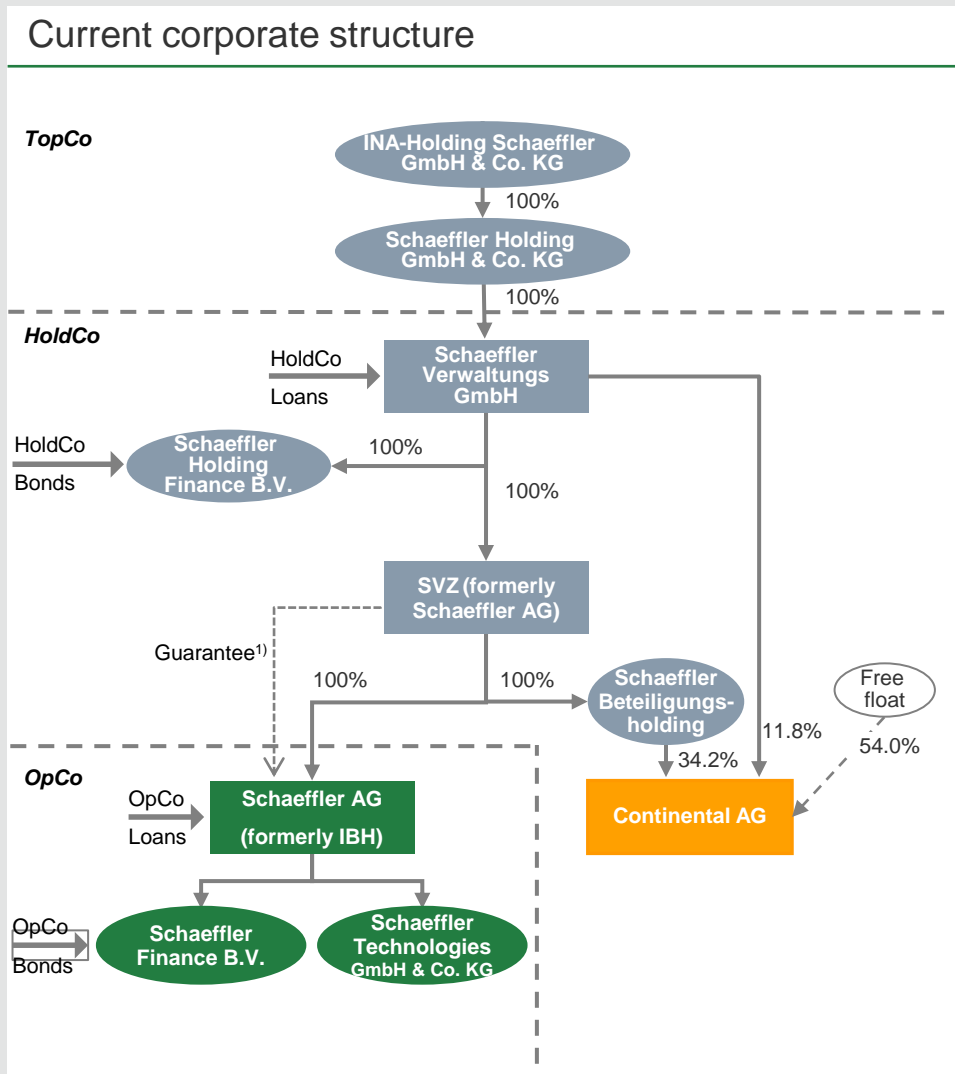
- 1) Excl. one-off effects of EUR - 48 mn
- 2) Excl. one-off effects of EUR - 380 mn
- 3) Excl. one-off effects of EUR + 9.5 mn
- 4) Excl. one-off effects of EUR -11mn

One-off effects

in EUR mn

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	FY 2014	Q1 2014	Q2 2014	Q3 2014
Reported EBIT	355	369	314	-56	982	414	373	428
Reported EBIT margin (%)	12.9	12.9	11.2	-2.0	8.8	13.9	12.4	14.1
Restructuring provision	-	-	48	-	48	-	-	-
EU investigation provision	-	-	-	380	380	-	-	-
EU investigation provision release	-	-	-	-	-	-9	-	-
Compensation expense	-	-	-	-	-	-	+11	-
Adjusted EBIT	355	369	362	324	1,410	405	384	428
Adjusted EBIT margin (%)	12.9	12.9	12.9	11.7	12.6	13.6	12.7	14.1

Overview of new corporate and financing structure



Financing structure (as of October 31, 2014)

Debt instrument	Nominal in EUR mn	Interest	Maturity	Rating
Schaeffler Holding				
HoldCo Term Loan	500	E+4.50%	Oct-19	Not rated
HoldCo RCF (EUR 200 mn)	-	E+4.50%	Oct-19	Not rated
Total Loan Facilities	500			
6.875% SSNs 2018 (EUR) ²⁾	800	6.875%	Aug-18	B1 / B
6.875% SSNs 2018 (USD) ^{2) 3)}	781	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) 3)}	371	6.25%	Nov-19	B1 / B
6.75% SSNs 2022 (USD) ^{2) 3)}	527	6.75%	Nov-22	B1 / B
Total Bond Debt	2,829			
Schaeffler Holding Debt	3,329			
Schaeffler Group				
Senior Term Loan B (EUR)	750	E ⁴⁾ +3.50%	May-20	Ba2 / BB-
Senior Term Loan B (USD) ³⁾	1,016	L ⁴⁾ +3.50%	May-20	Ba2 / BB-
Senior RCF (EUR 1,000 mn)	-	E+2.875%	Oct-19	Not rated
Total Loan Facilities	1,766			
7.75% SSNs 2017 (EUR)	800	7.75%	Feb-17	Ba2 / BB-
7.75% SSNs 2017 (USD) ³⁾	469	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⁾	664	4.75%	May-21	Ba2 / BB-
4.25% SSNs 2021 (USD) ³⁾	547	4.25%	May-21	Ba2 / BB-
3.50% SSNs 2022 (EUR)	500	3.50%	May-22	Ba2 / BB-
Total Outstanding Bonds	4,580			
Schaeffler Group Debt	6,346			
Total	Total Debt			9,675

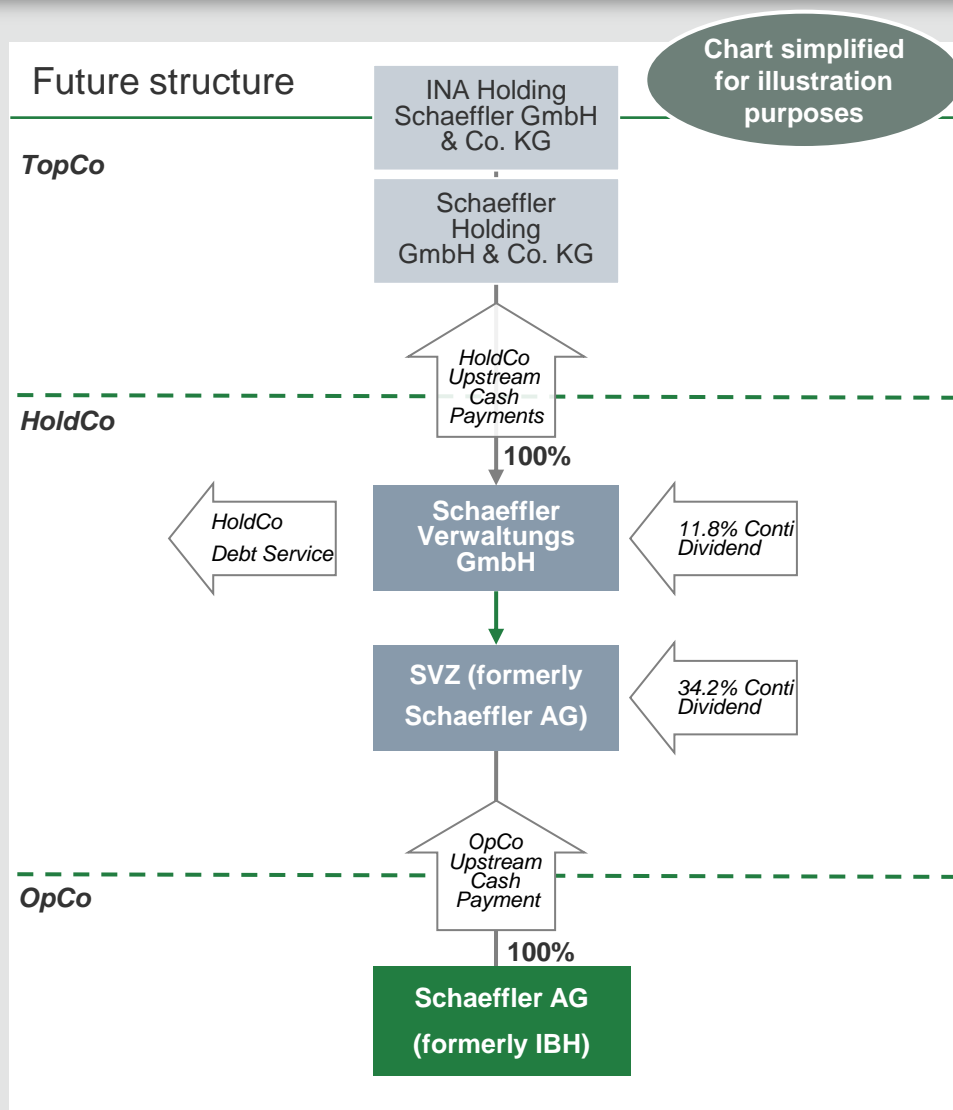
1) Schaeffler Beteiligungsholding guarantee and SVZ (formerly Schaeffler AG) guarantee will remain in place until fall-away conditions have been met (SVZ guarantee for benefit of OpCo debt to fall-away upon consent by or refinancing of 2017 OpCo Notes)

2) Senior Secured PIK Toggle Notes

3) Assuming EUR/USD = 1.28

4) Floor of 0.75 %

Sufficient cash sources available to serve HoldCo needs



Sustainable access to cash flow at HoldCo

- Permitted Upstream Payments (“PUP”) in OpCo loan and bond documents allow OpCo cash to be upstreamed each year, providing material cash interest coverage on HoldCo level
- HoldCo has access to dividends from 46.0% of all Continental shares
- As per 30 September 2014, the cash balance at Schaeffler Verwaltungs GmbH was EUR 70 mn

OpCo upstream cash payments

in EUR mn

	FY 2013	9M 2014
Free Cash Flow OpCo	629	103
Cash upstreamed to HoldCo	104	154
Permitted upstream payments (annual) ¹⁾	245	290

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