



Results 9M 2016 Schaeffler AG

Conference Call
November 9, 2016
Herzogenaurach

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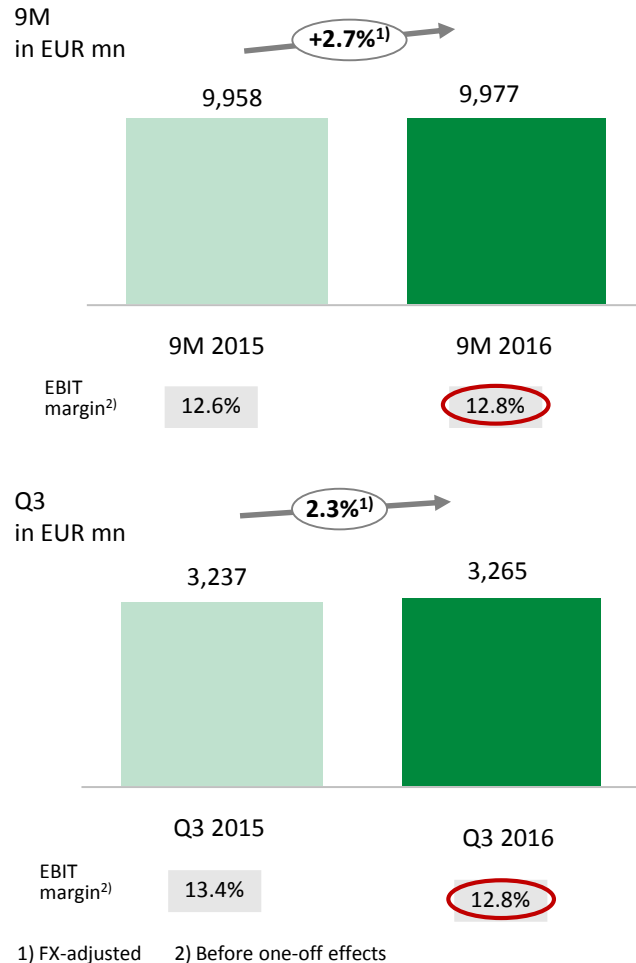
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- 1** Overview
- 2** Operational Highlights
- 3** Financial Results
- 4** Outlook

Sales and EBIT margin



Key aspects

Group sales +2.7% (FX-adjusted) – 9M EBIT margin at 12.8% (9M'15: 12.6%²⁾)

Automotive sales +5.3% (FX-adjusted) – 9M EBIT margin at 14.3% (9M'15: 13.5%²⁾)

Industrial sales -5.3% (FX-adjusted) – 9M EBIT margin at 7.6% (9M'15: 10.0%)

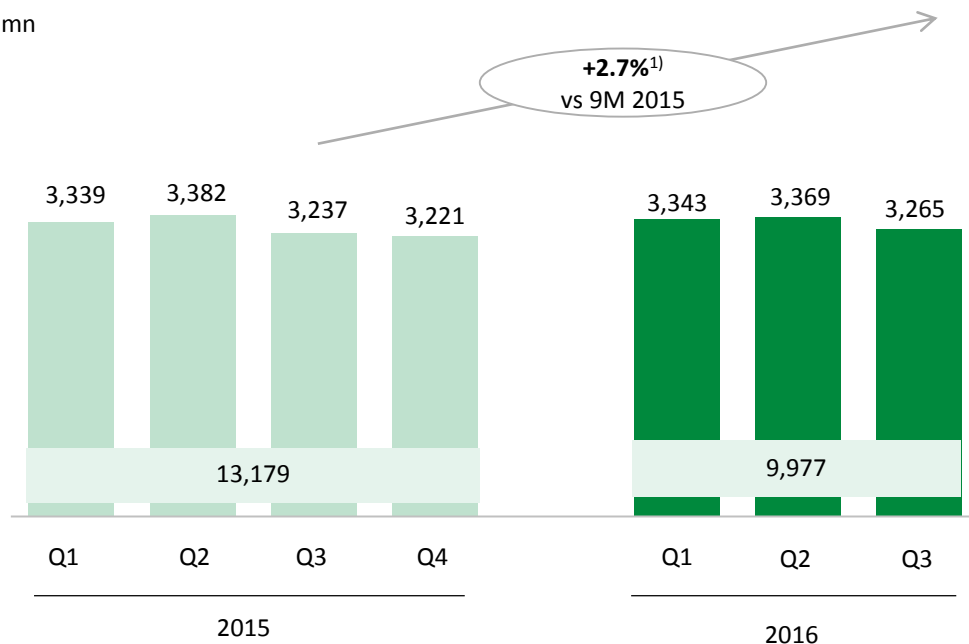
Operating Cash Flow improved to EUR 1.3 bn in 9M (9M'15: EUR 912 mn) – Strong Free Cash Flow of EUR 479 mn in 9M (9M'15: EUR 192 mn)

2016 Guidance confirmed – Revenue to grow by 3-5% (FX-adjusted), EBIT margin²⁾ 12-13%, FCF around EUR 600 mn

Sales growth 9M 2016 2.7% (FX-adjusted)

Sales

in EUR mn



FX-adjusted sales growth in %

5.3	4.5	2.9	1.3
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3.5

EBIT margin²⁾ in %

13.2	11.4	13.4	13.0
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12.3

2.4	3.3	2.3
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2.7

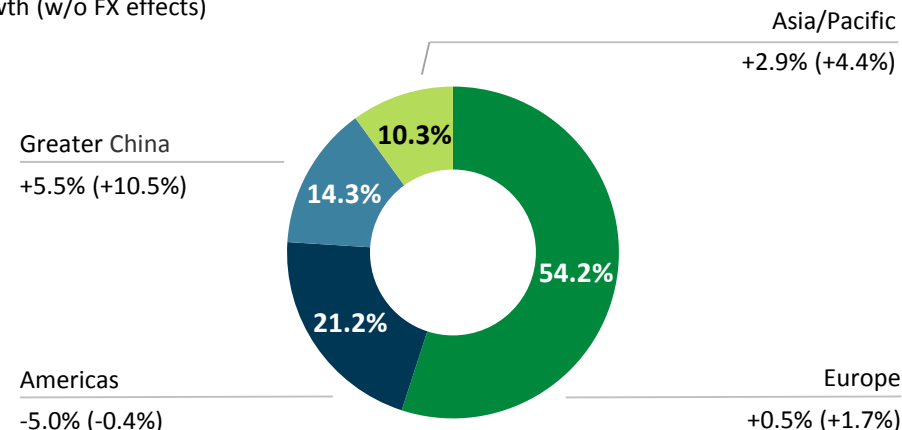
12.6	13.0	12.8
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12.8

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

Sales by region 9M 2016

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

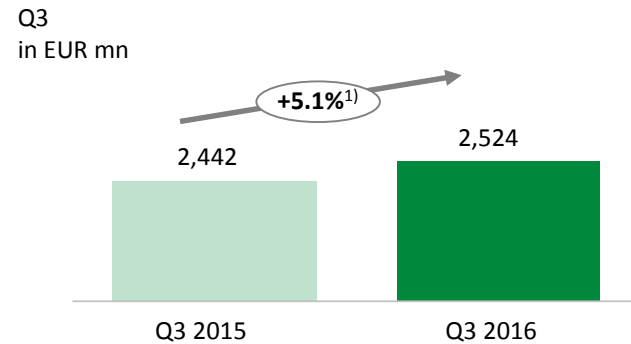
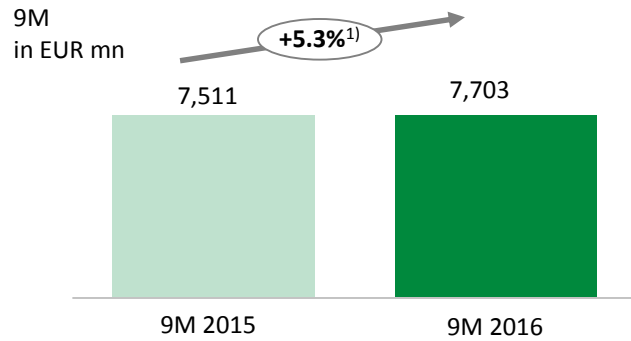


Sales by division

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

	9M15	9M 16	Δ (w/o FX effects)	Q3 15	Q3 16	Δ (w/o FX effects)
Auto-motive	7,511	7,703	+5.3%	2,442	2,524	+5.1%
Industrial	2,447	2,274	-5.3%	795	741	-6.2%
Total	9,958	9,977	+2.7%	3,237	3,265	+2.3%

Automotive sales and EBIT margin



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

Key aspects Automotive

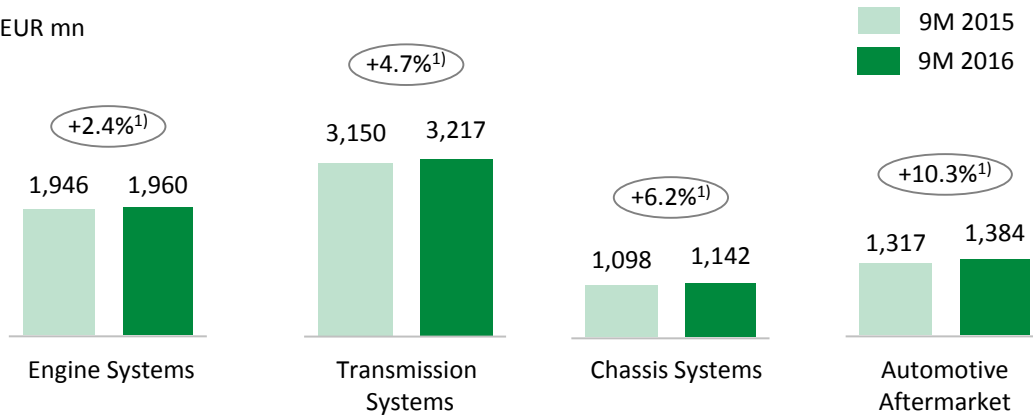
Growth in all regions and business divisions

Strong earnings quality maintained – EBIT margin at 14.4% in Q3

Strong sales growth in Automotive Aftermarket

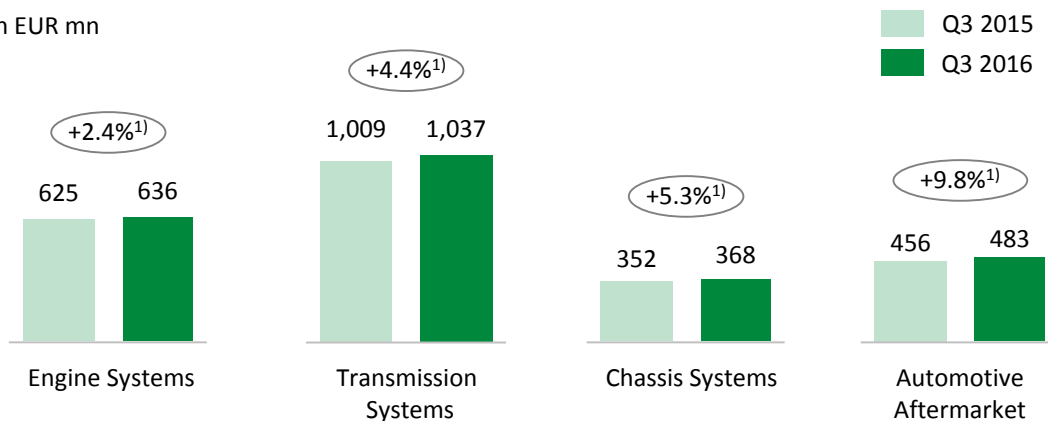
Automotive sales by division 9M

in EUR mn



Automotive sales by division Q3

in EUR mn



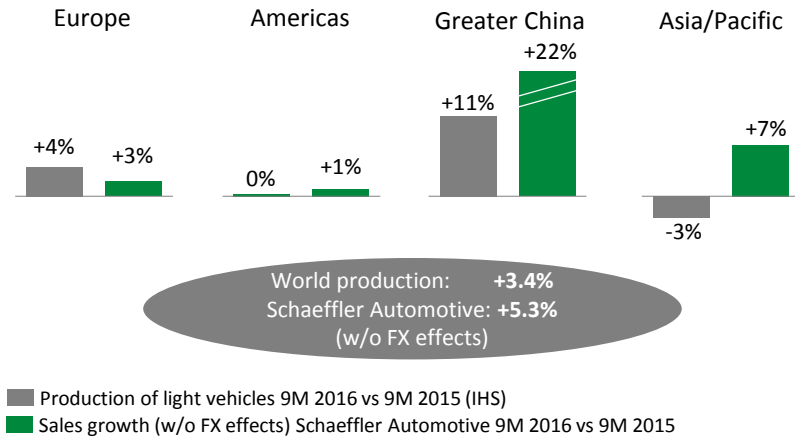
1) Growth rates FX-adjusted

Key aspects

- ▶ **Engine Systems:**
Strong volume increase for electro-mechanical phasing systems
- ▶ **Transmission Systems:**
Strong growth with dual mass flywheels and double clutches in China; two new contracts for dual mass flywheels with Japanese OEMs signed in Q3
- ▶ **Chassis Systems:**
Good growth with newest wheel bearings generation
- ▶ **Automotive Aftermarket:**
 - Increased market coverage especially in Central and Eastern Europe
 - Additional revenue in Americas due to increased demand from automobile manufacturers (OES customers)

Automotive – Strong growth in Greater China

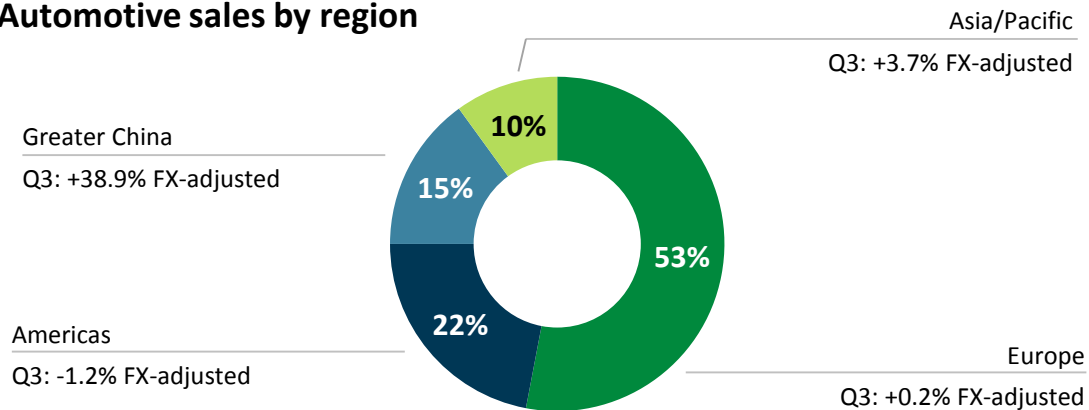
Automotive sales and market development 9M



Key aspects

- ▶ 1.9%-pts outperformance of global light vehicle production in 9M
- ▶ Strong development in Greater China:
 - Outperformance increased from 8%-pts in H1 to 11%-pts
 - Sales growth with both local and Western OEMs
 - New factory hall for 1,000 employees opened in Nanjing, China for the production of camshaft phasing units, hydraulic tappets, chains, tensioners, and other engine components
 - New production campus planned in Xiangtan (Hunan province)

Automotive sales by region



Sales 9M 2016: EUR 7,703 mn

Automotive – Strong growth in Automotive Aftermarket

Key aspects

- ▶ Top 3 market leader in all three main product groups
- ▶ Continuous profitable growth (+10% FX-adjusted in 9M 2016) driven by penetration of innovative repair solutions (e.g. RepSet for dry double clutches) and significant increase in OES sales
- ▶ Service brand REPERT supports business approach and brand awareness

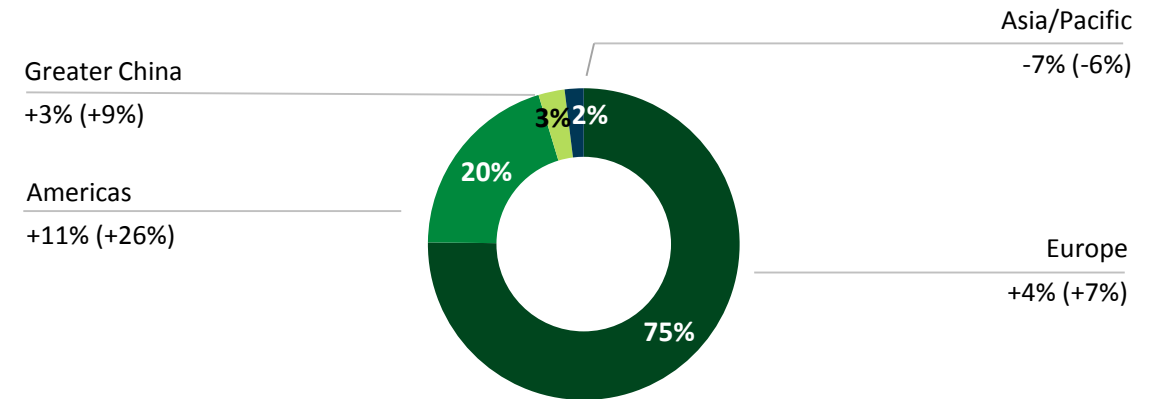
Innovative solutions

- ▶ RepSets include all required special tools and parts for maintenance and repair as well as training guidelines
- ▶ New RepSet solutions presented at the world's leading trade fair for the automotive service industry in Frankfurt in September



Automotive Aftermarket sales by region (YTD)

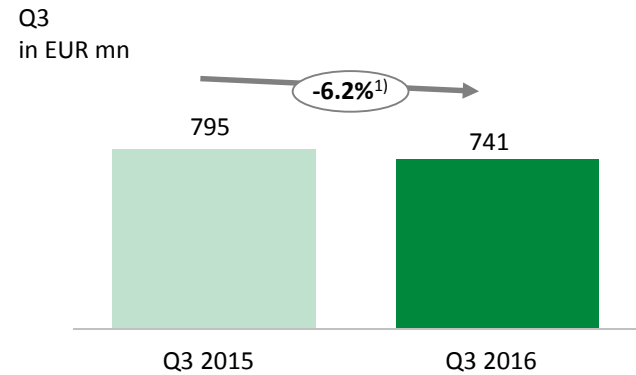
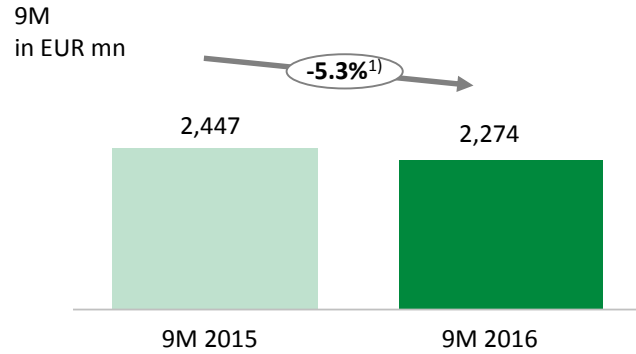
y-o-y growth (w/o FX effects)



Sales 9M 2016: EUR 1,384 mn

- ▶ Europe: Significant increase in RepSets for dual mass flywheels; trend shifts from single part replacements to repair solutions
- ▶ Americas: Significant increase in OES sales of US OEM and continuously increasing demand for RepSet dry double clutches
- ▶ Greater China & Asia/Pacific: Increasing demand for RepSets and higher demand from OES customers

Industrial sales and EBIT margin



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

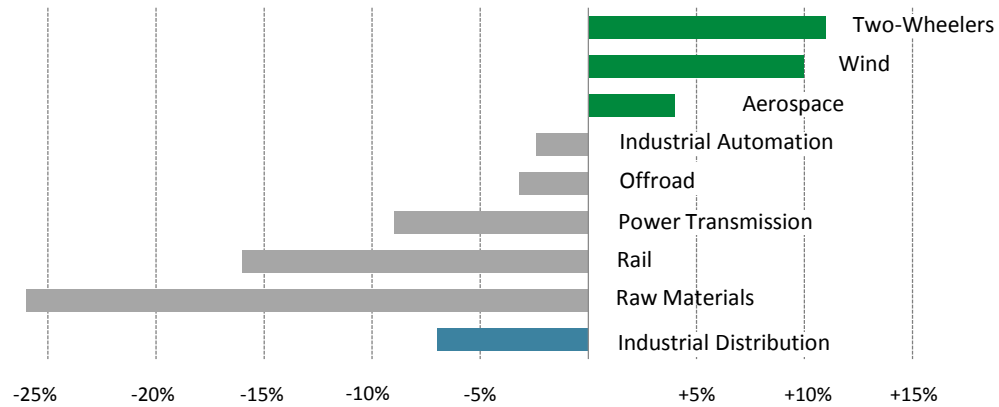
Key aspects Industrial

Market environment still challenging – Industrial sectors and distribution with mixed development

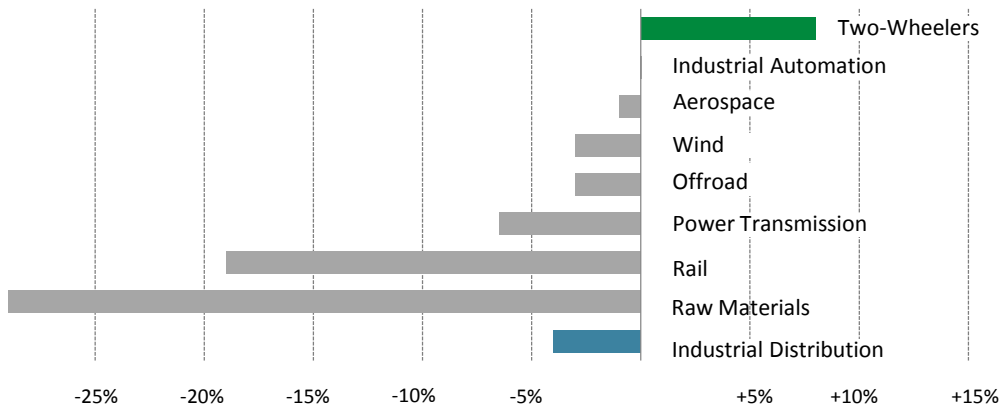
Headcount reduction on track – EBIT margin still under pressure

New contracts signed in strategic sectors

Industrial sales by sector cluster 9M¹⁾



Industrial sales by sector cluster Q3¹⁾

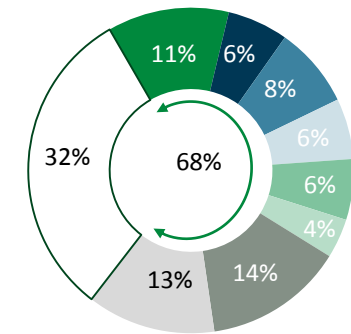
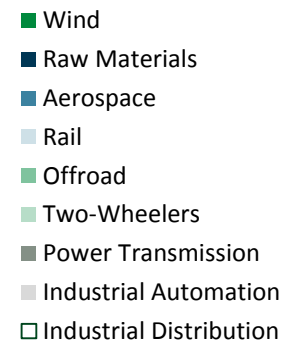


1) FX-adjusted

Key aspects

- ▶ Positive development of Two-Wheelers, Wind and Aerospace in 9M
- ▶ Low commodity prices and in particular the current oil price level still negatively affect customers' investing activities with strong impact on the sectors raw materials, rail and power transmission
- ▶ Industrial Distribution shows slight improvement in Q3 versus H1 2016

Industrial sales by sector cluster 9M 2016

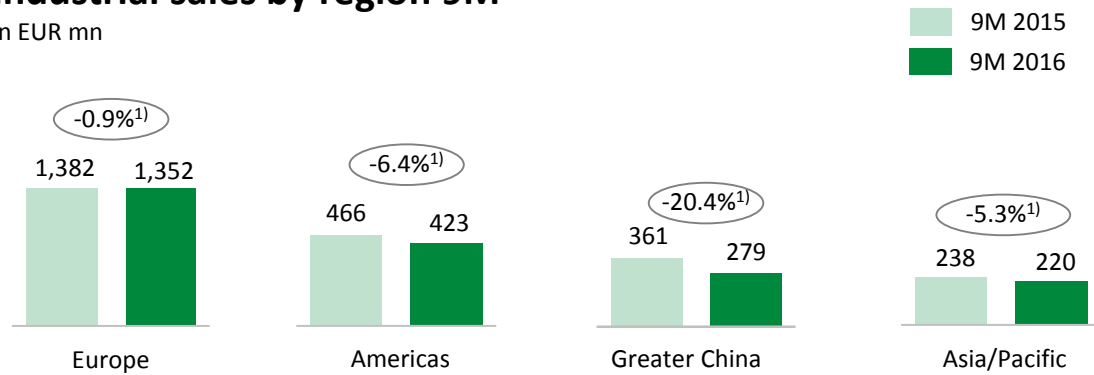


Sales 9M 2016: EUR 2,274mn

Industrial – Challenging market environment in all regions

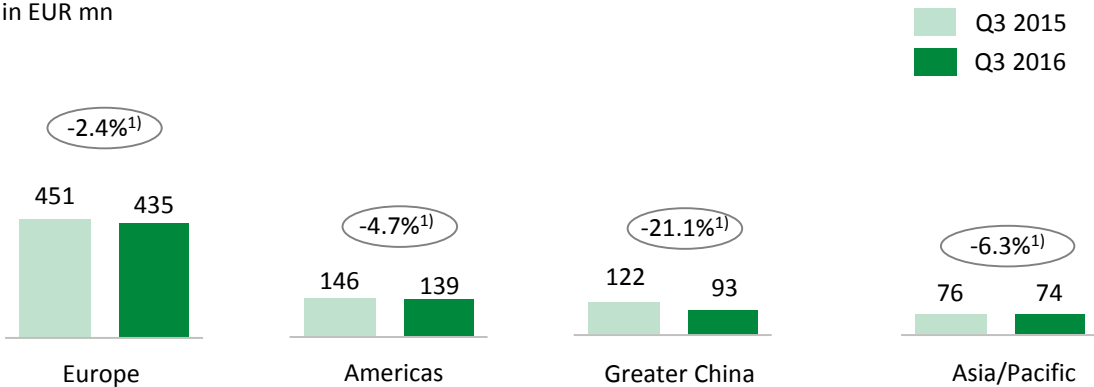
Industrial sales by region 9M

in EUR mn



Industrial sales by region Q3

in EUR mn

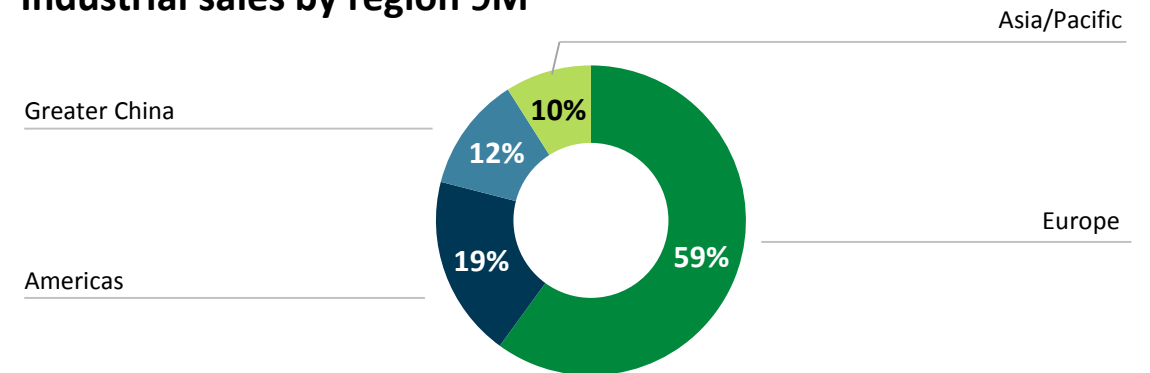


1) Growth rates FX-adjusted

Key aspects

- ▶ Europe: Strong sales increase in Wind, Aerospace and Two-Wheelers; sales decline in other sectors
- ▶ Americas: Positive development of Wind and Two-Wheelers; strong decrease in Raw Materials, Rail and Power Transmission
- ▶ Greater China: Sales decrease in all sectors
- ▶ Asia/Pacific: Sales decrease primarily attributable to Industrial Distribution and Offroad sector

Industrial sales by region 9M



Sales 9M 2016: EUR 2,274 mn

WindEnergy in Hamburg



Successful participation at leading expo for wind energy in Hamburg in September (WindEnergy)

Innotrans in Berlin



Strong customer interest at leading expo for transport technology in Berlin in September (Innotrans)

Business Highlights

- ▶ Long-term contracts signed with major wind industry players
 - Supply of large-size cylindrical and tapered roller bearings for gearboxes of wind turbines
 - Schaeffler Wind Power Standard (WPOS) as unique selling point
- ▶ Strategic collaboration agreement with leading European OEM in railway business
 - Delivery of wheel set bearings and bearings for gearboxes
- ▶ Steel converter of major steel producer in Asia/Pacific equipped with condition monitoring system – important milestone to enhance our condition monitoring and service business in Asia/Pacific

Strong Free Cash Flow generation

Free Cash Flow

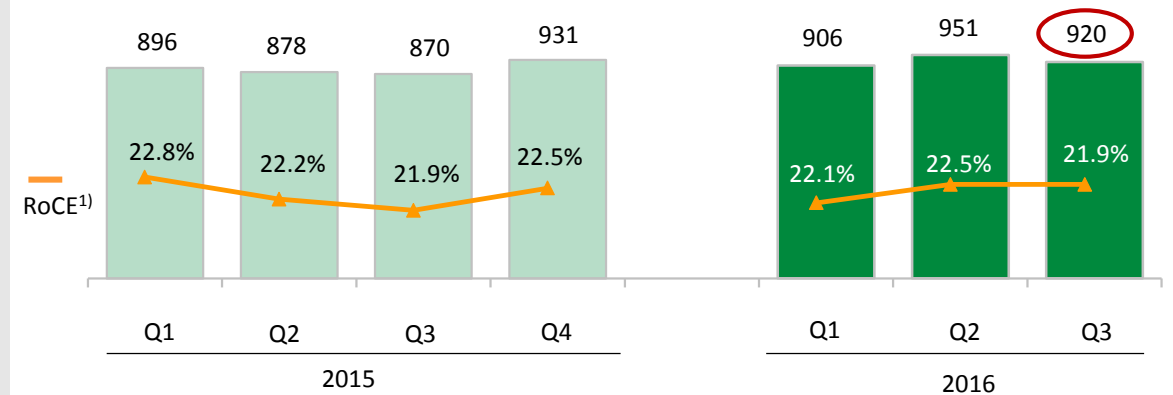
	9M 2015	9M 2016	Q3 2015	Q3 2016
EBITDA	1,765	1,817	604	600
Net interest paid	-389	-87	-50	-53
Income taxes paid	-247	-234	-89	-73
Working capital change	-273	-303	-40	-16
Others	56	112	65	70
CF from Operations	912	1,305	490	528
Capex	-743	-829	-242	-268
<i>in % of Sales</i>	7.5	8.3	7.5	8.2
Others	23	3	16	3
CF from Investments	-720	-826	-226	-265
Free Cash Flow	192	479	264	263
Cash & cash equivalents	724	2,565	724	2,565

Key aspects

- ▶ Free Cash Flow increased by EUR 287 mn to EUR 479 mn in 9M 2016
- ▶ Net interest paid dropped by EUR 302 mn in 9M 2016
- ▶ EUR 829 mn capex in 9M 2016
- ▶ Schaeffler Value Added EUR 920 mn

Schaeffler Value Added (LTM)¹⁾

in EUR mn



1) Before one-off effects

in EUR mn		9M '15	9M '16	9M '16 vs. 9M '15	Q3 '15	Q3 '16	Q3 '16 vs. Q3 '15
Sales		9,958	9,977	+0.2% +2.7% ¹⁾	3,237	3,265	+0.9% +2.3% ¹⁾
EBIT	1,258 ²⁾	1,251	1,276	+1.4% +2.0%	433	417	-3.7%
EBIT margin	12.6% ²⁾	12.6%	12.8%	+0.2%-pts. +0.2%-pts.	13.4%	12.8%	-0.6%-pts.
Net income	1	521	672	+151 mn	212	178	-34 mn
Capex	2	743	829	+86 mn	242	268	+26 mn
Free cash flow		192	479	+287 mn	264	263	-1 mn
Net financial debt³⁾	3	4,889	2,876	-2,013 mn	4,889	2,876	-2,013 mn
Leverage ratio ^{2) 3) 4)}	3	2.1	1.2	-0.9	2.1	1.2	-0.9
ROCE²⁾		21.9%	21.9%	0.0%-pts.	21.9%	21.9%	0.0%-pts.
EPS⁵⁾		1.31	1.02	-0.29	0.53	0.27	-0.26
Pro Forma EPS⁶⁾		0.88	1.02	+0.14	0.36	0.27	-0.09

1) FX-adjusted

2) Before one-off effects

3) Prior year figure as per December 31, 2015

4) Net financial debt to LTM EBITDA

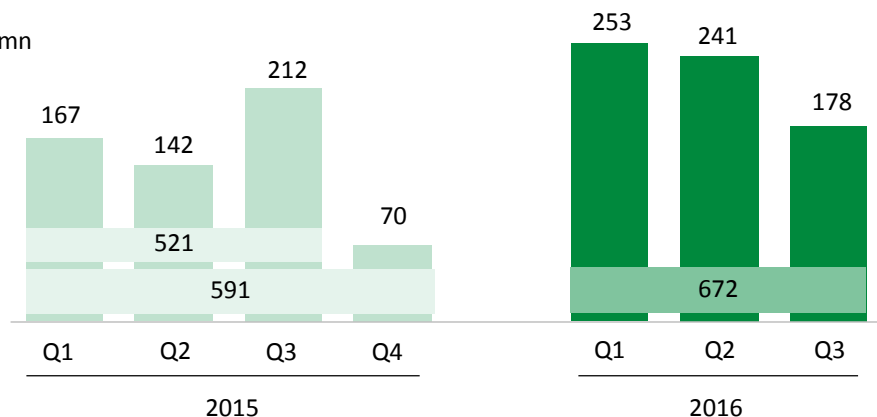
5) As reported according to IAS 33; see backup chart for further information

6) Share of net income for 66 mn non-voting shares issued through capital increase in October 2015 was calculated for each quarter on a pro-rata temporis basis; see backup chart for further information

1 Net income 9M 2016 EUR 672 mn

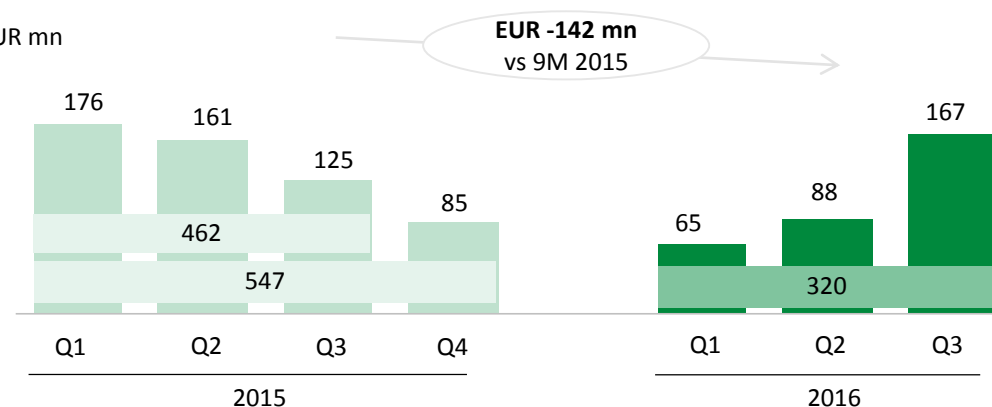
Net income¹⁾

in EUR mn



Financial result²⁾

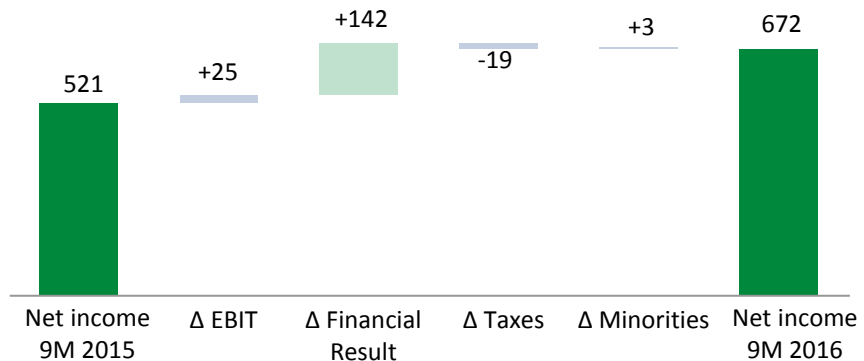
in EUR mn



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

Net income¹⁾ 9M 2016 vs. 9M 2015

in EUR mn



1) Attributable to the shareholders of the parent company

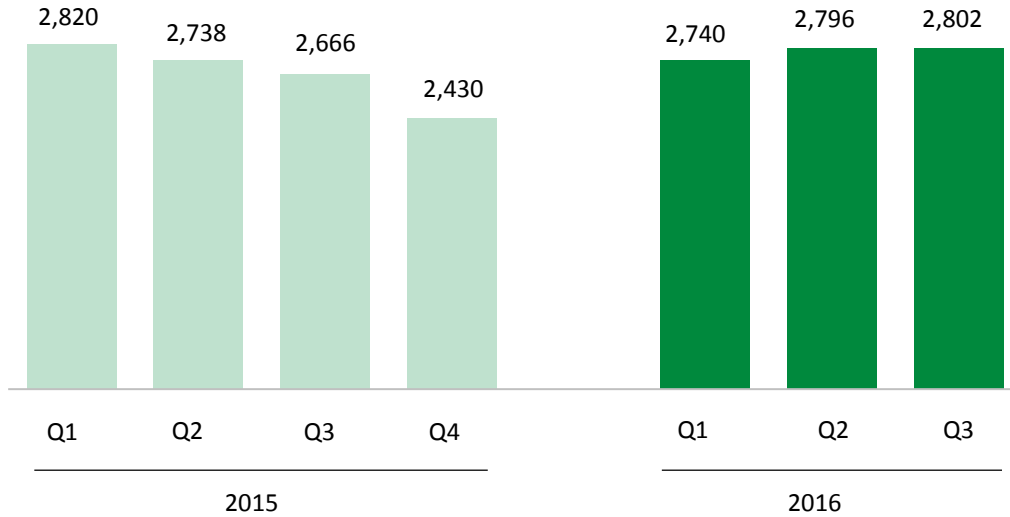
Key aspects

- ▶ Financial result 9M includes EUR 158 mn one-offs from refinancing transactions (9M'15: EUR 194 mn)
- ▶ Tax ratio 9M: 28.8% (9M'15: 32.4%)
- ▶ Increase of net income driven in particular by improved financial result

2 Working Capital ratio stable – Capex ratio 8.3%

Working capital¹⁾

in EUR mn



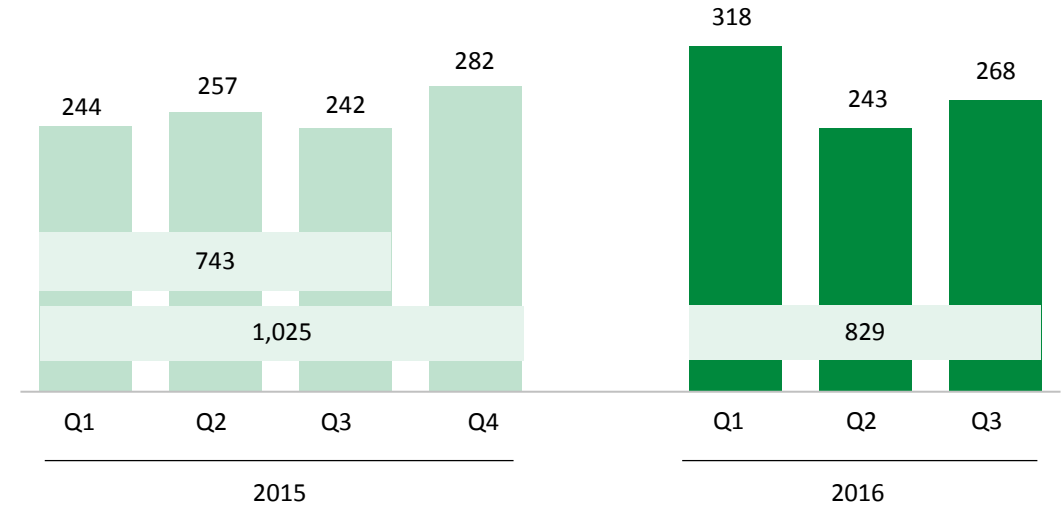
In % of sales (LTM)



1) According to balance sheet; figures as per the end of period (see backup chart for further information)

Capex²⁾

in EUR mn



In % of sales

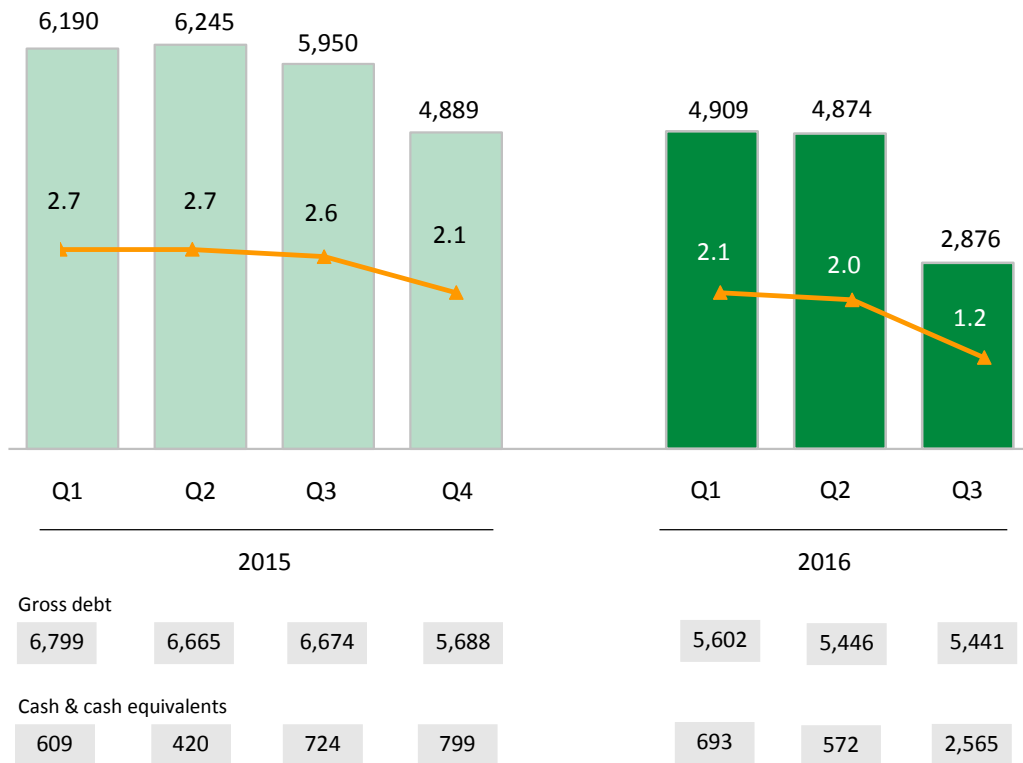


2) Cash view

3 Leverage ratio dropped to 1.2x

Net financial debt and leverage ratio

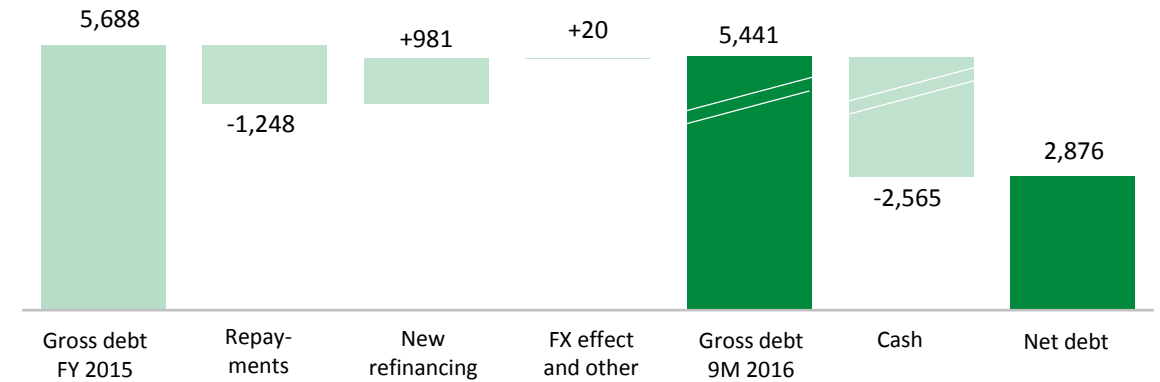
in EUR mn



Leverage ratio: Net financial debt / LTM EBITDA before one-off effects

Change in net financial debt

in EUR mn



Key aspects

- ▶ Early prepayment of IC loan in full by IHO Holding in September 2016
- ▶ Cash proceeds used to redeem three outstanding bonds in October 2016
- ▶ Moody's upgraded Schaeffler AG rating to Baa3 (Investment Grade)

Guidance 2016

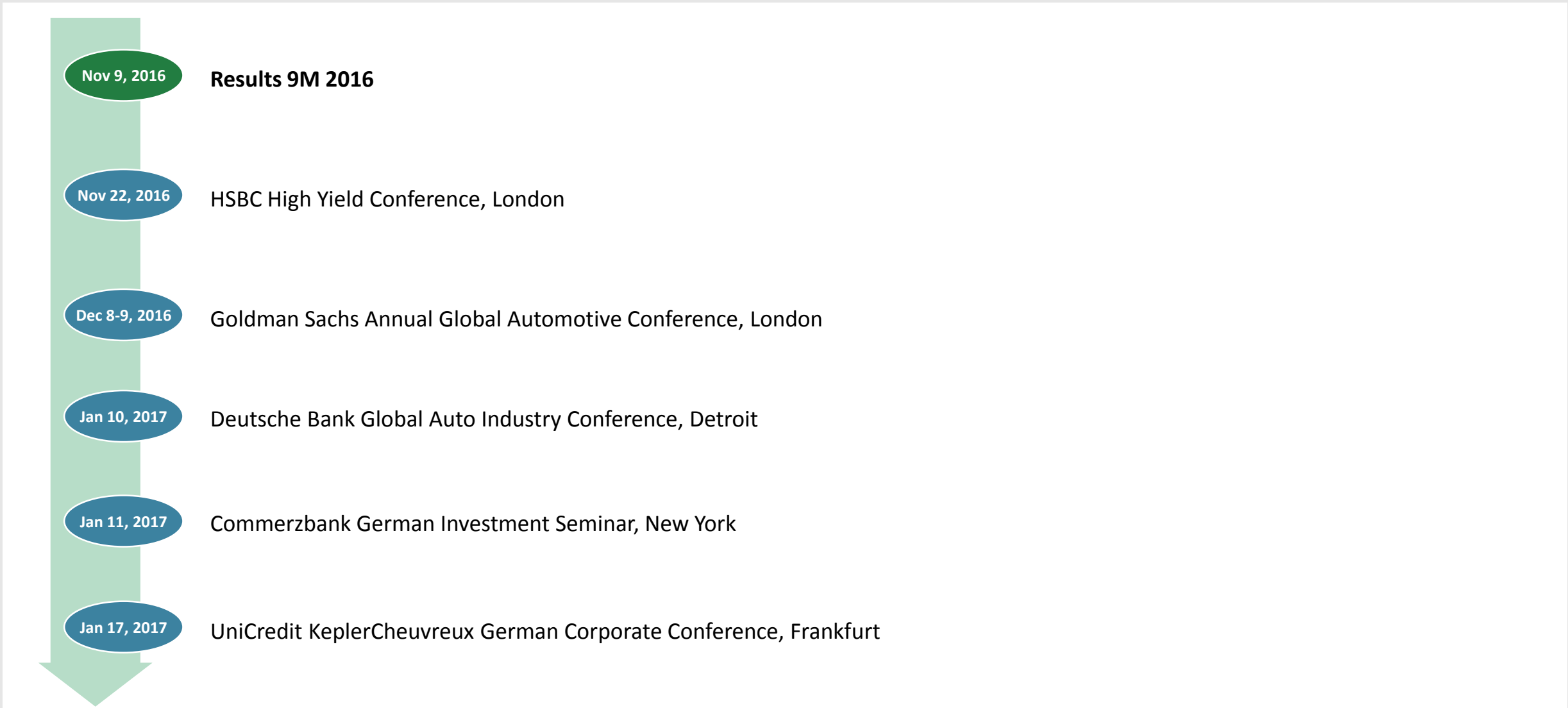
Sales growth	3-5% FX-adjusted
EBIT margin	12-13% of sales before one-off effects
Free Cash Flow	~ EUR 600 mn



**2016 Guidance
confirmed**

Market assumptions

- ▶ Automotive: Global Light Vehicle production growth of around 2.5%
- ▶ Industrial: Low single-digit growth in global Industrial production





Investor Relations

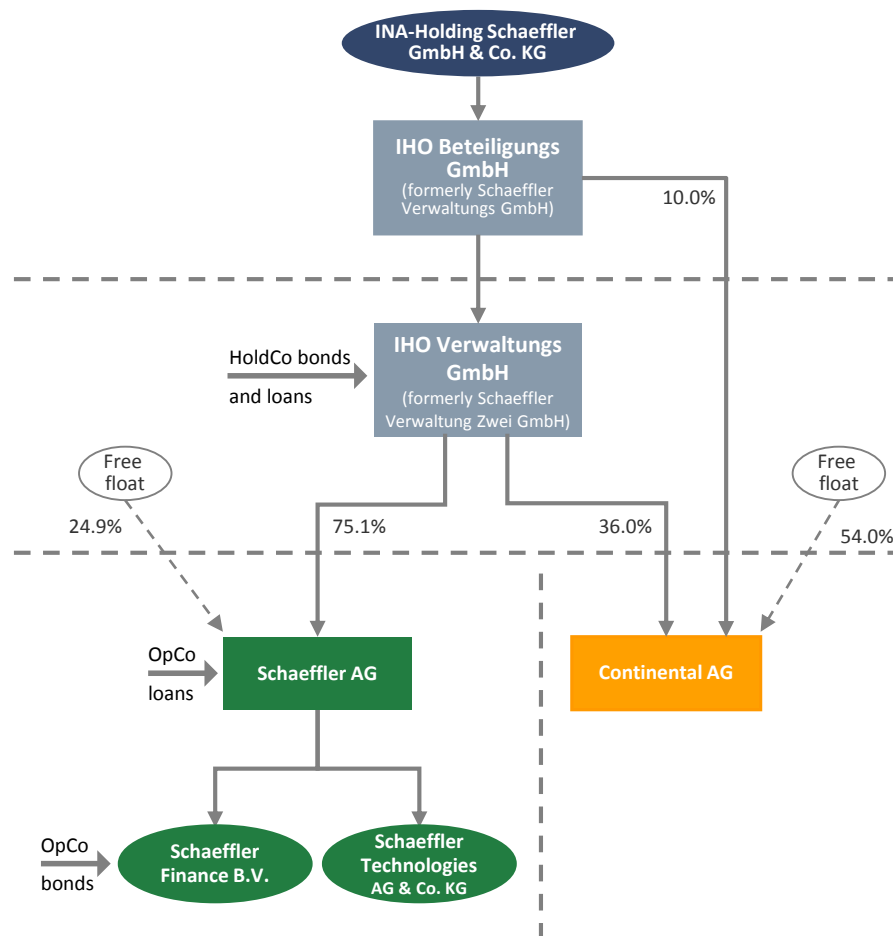
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Email: ir@schaeffler.com
Web: www.schaeffler.com/ir

Financial Calendar

FY 2016 results: March 8, 2017
Q1 2017 results: May 11, 2017

Corporate Structure (simplified)

as of October 14, 2016



Financing Structure

as of October 14, 2016

IHO Verwaltungs GmbH (HoldCo)

	Debt instrument	Nominal (USD mn)	Nominal (EUR mn)	Interest	Maturity	Rating
Loans	Term loan (EUR)	-	425 ¹⁾	E+2.75%	Sep-21	not rated
	RCF (EUR 200 mn)	-	-	E+2.75%	Sep-21	not rated
Bonds	2.75% SSNs 2021 (EUR) ²⁾	-	750	2.75%	Sep-21	Ba1/BB-
	4.125% SSNs 2021 (USD) ²⁾	500	455 ³⁾	4.125%	Sep-21	Ba1/BB-
	3.25% SSNs 2023 (EUR) ²⁾	-	750	3.25%	Sep-23	Ba1/BB-
	4.50% SSNs 2023 (USD) ²⁾	500	455 ³⁾	4.50%	Sep-23	Ba1/BB-
	3.75% SSNs 2026 (EUR) ²⁾	-	750	3.75%	Sep-26	Ba1/BB-
	4.75% SSNs 2026 (USD) ²⁾	500	455 ³⁾	4.75%	Sep-26	Ba1/BB-
Total			4,040			

Schaeffler Group (OpCo)

	Debt instrument	Nominal (USD mn)	Nominal (EUR mn)	Interest	Maturity	Rating
Loans	Term loan (EUR)	-	1,000	E+1.45%	Jul-21	not rated
	RCF (EUR 1,300 mn)	-	-	E+1.05%	Jul-21	not rated
Bonds	2.50% SSNs 2020 (EUR)	-	400	2.50%	May-20	Baa3/BB+
	4.25% SSNs 2021 (USD)	700	636 ³⁾	4.25%	May-21	Baa3/BB+
	3.50% SSNs 2022 (EUR)	-	500	3.50%	May-22	Baa3/BB+
	4.75% SSNs 2023 (USD)	600	545 ³⁾	4.75%	May-23	Baa3/BB+
	3.25% SSNs 2025 (EUR)	-	600	3.25%	May-25	Baa3/BB+
Total			3,681			

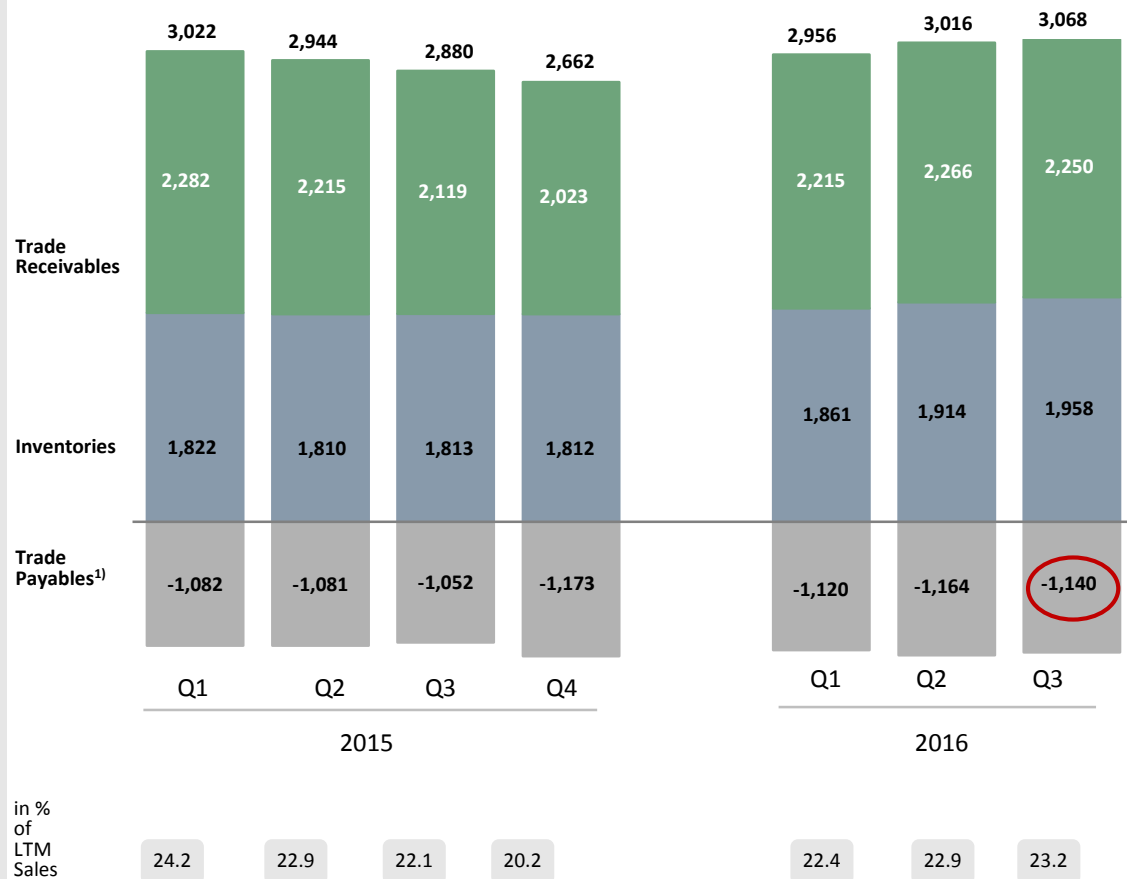
1) Up to EUR 600 mn.

2) Senior Secured PIK Toggle Notes.

3) EUR/USD = 1.10 as of October 14, 2016.

Working Capital (as previously reported)

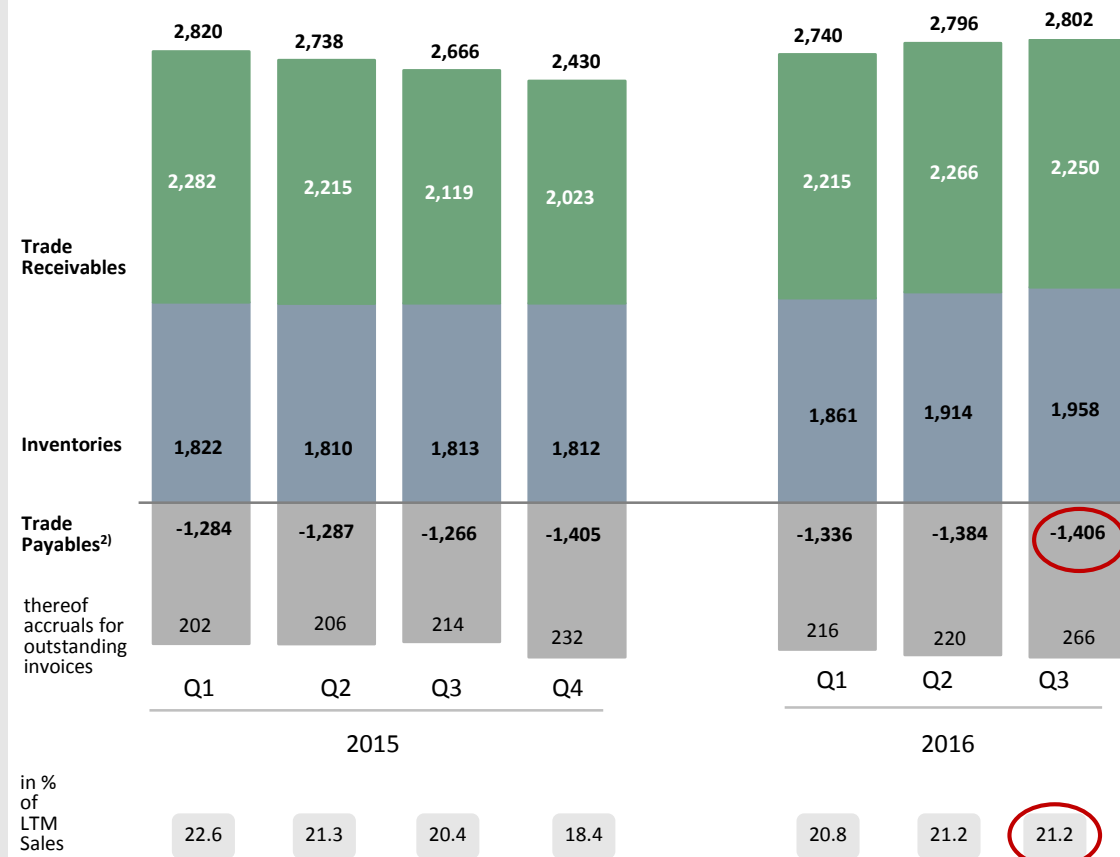
in EUR mn



1) Trade payables excluding accruals for outstanding invoices

Working Capital (as reported from H1'16 onwards)

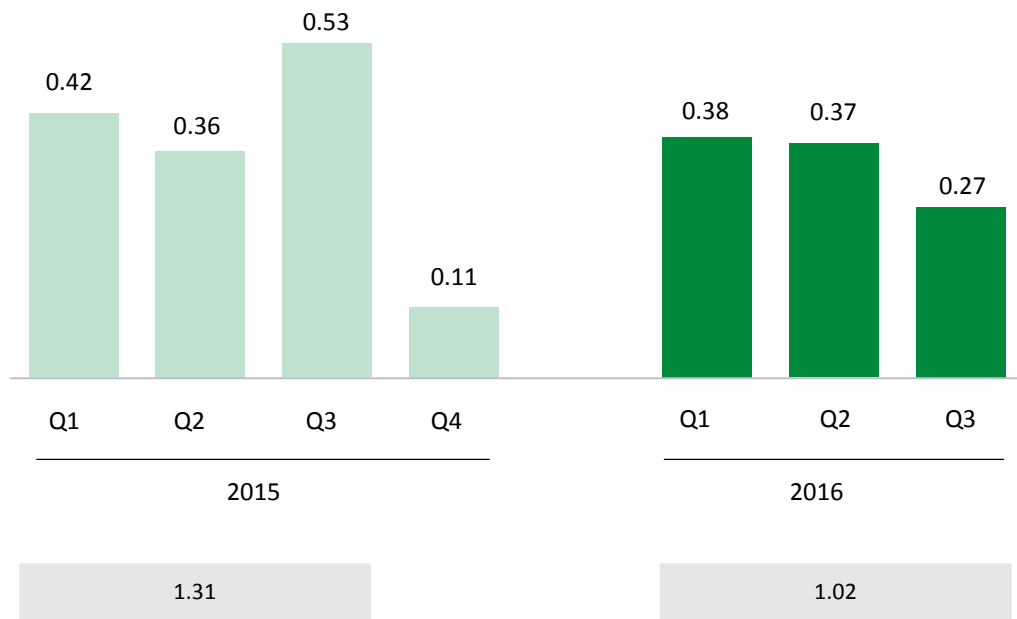
in EUR mn



2) Trade payables including accruals for outstanding invoices

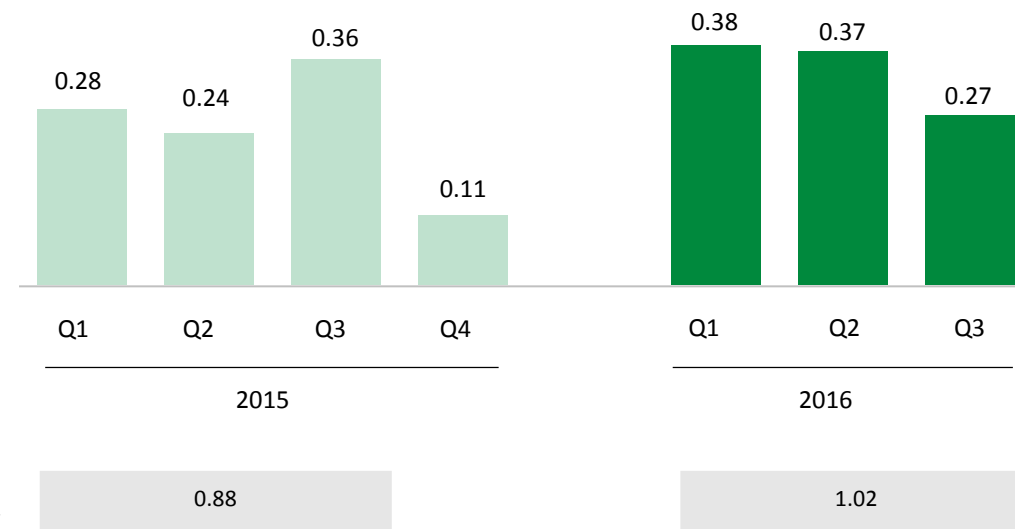
Earnings per common non-voting share (as reported)

in EUR



Earnings per common non-voting share (ProForma¹)

in EUR



1) Share of net income for 66 mn non-voting shares issued through capital increase in October 2015 was calculated for each quarter on a pro-rata temporis basis