
Glossary

A

Active roll control: Newly developed mechatronic component used in passenger cars to minimize or completely eliminate the vehicle's rolling motion when taking corners and on poor roads. This significantly improves safety and comfort while also increasing the vehicle's agility.

Additive manufacturing: Process by which digital 3D design data is used to build up a component in layers by depositing material, for instance in the form of fine powder.

AfS: Abbreviation of "Available-for-sale".

Agenda 4 plus One: Excellence program of the Schaeffler Group to help execute the strategy "Mobility for tomorrow". It includes the five categories Customer focus, Operational excellence, Financial flexibility, Leadership and talent management, as well as Securing long-term competitiveness and value creation. 16 Strategic Initiatives that have significance worldwide and have been selected from a variety of initiatives are in turn assigned to these categories.

Automotive: As a reliable partner to nearly all automobile manufacturers and major suppliers, the Schaeffler Group's Automotive division offers expertise for the entire drive train: For engines, transmissions, chassis, and accessory units in passenger cars and commercial vehicles. The Automotive Aftermarket sector is represented worldwide in the spare parts business.

B

Bearing & Components Technologies (BCT): Functionally coordinated department of the Schaeffler Group that acts as an integrated internal supplier.

C

Capex: Capital expenditures on property, plant and equipment and intangible assets.

Capex ratio: Capital expenditures on property, plant and equipment and intangible assets as a percentage of revenue.

Capital employed: Working capital plus property, plant and equipment and intangible assets.

Cash flow: Net inflow of funds generated by an entity's business activities. Used to assess an entity's financial strength.

CEEMEA: Central and Eastern Europe & Middle East and Africa.

CE officer: Person responsible for the conformity assessment of the Schaeffler Group's products required for access to the European market.

Charta der Vielfalt: "Diversity charter"; Corporate initiative to promote diversity within companies and institutions. Organizations are encouraged to create a working environment free of prejudice. All employees deserve respect, irrespective of gender, nationality, ethnic background, religion, or worldview, disability, age, and sexual preference and identity.

Code of Conduct: A set of rules adopted or accepted by companies, in this case the Schaeffler Group, that defines rules for the employees and typically contains ordinances and prohibitions.

Common non-voting share: Non-voting no-par-value bearer shares carrying a preferential right to profits in the form of a preferred dividend.

Common share: Share conveying all rights laid down in the German Stock Corporations Act, for instance the right to vote at shareholder meetings, the right to dividends, etc.

Compliance: Ensuring that all rules and regulations applicable to a process are adhered to.

Compliance Fit & Proper: Schaeffler Group initiative to implement certain compliance requirements and measures as part of the One Schaeffler portfolio.

Content per Car: Proportion of product per vehicle.

CORE: Schaeffler Group's program designed to realign the operations of the Industrial division in order to return the division to lasting growth and increased profitability.

Corporate governance: Set of legal and constructive requirements for the management and supervision of companies.

Corruption Perception Index: Describes the degree of perceived corruption in a country's public sector.

COSO model: Internal control model to help document, evaluate and design internal control systems.

Cost of capital: The cost of capital is derived from the return investors require for providing capital to the entity.

Covenants: Also called "financial covenants" or "financial ratios"; used to monitor compliance with loan agreements. If the agreed upon financial ratios are not met, creditors can call the corresponding loans.

D

DAX: Abbreviation of "Deutscher Aktien Index" ("German Share Index"): Leading share index of Deutsche Börse.

Debt to EBITDA ratio: Ratio of net financial debt to EBITDA.

Declaration of conformity: Declaration by the Board of Managing Directors and the Supervisory Board in accordance with section 161 AktG regarding whether the company has complied and is complying with the German Corporate Governance Code and which recommendations were or are not applied and the reasons therefore.

Deferred taxes: Deferred tax assets and liabilities are calculated based on temporary differences between carrying amounts for financial reporting and for tax purposes. They include differences arising on consolidation, loss carryforwards, and tax credits.

Degree of localization: Relation of a region's total sales to sales volume manufactured in that region.

Derivative financial instruments: Financial products whose value is predominantly driven by the price, price changes, and expected prices of the underlying instrument (e.g. index, share or bond).

Digital Agenda: Initiative under the "Agenda 4 plus One" excellence program for coordinating, establishing and expanding the Schaeffler Group's digital activities. Starting with the customer, it reflects four central digital business scenarios (Products & services, Machines & processes, Analyses & simulation, User experience & customer value) the Schaeffler Group is focusing on.

Directors' dealings: Transactions in the Schaeffler Group's securities by members of the Schaeffler Board of Managing Directors or Supervisory Board or persons related to them.

Diversity: Diversity with respect to aspects including gender, ethnic origin, age, disability sexual orientation, religion, life style.

Dual-mass flywheel: Component of the drive train of modern vehicles (passenger cars, buses, commercial vehicles) that helps reduce torsional vibration.

E

Earnings per share: Earnings per share are calculated by dividing net income attributable to Schaeffler AG's shareholders by the weighted average number of common and common non-voting shares outstanding during the reporting period.

EBIT: Abbreviation of "earnings before interest and taxes": Earnings before financial result and income taxes.

EBIT before special items: Earnings before financial result, income taxes, and special items.

EBITDA: Abbreviation of "earnings before interest, taxes, depreciation and amortization": Earnings before financial result, income taxes, depreciation, amortization, and impairment losses.

EBITDA before special items: Earnings before financial result, income taxes, depreciation, amortization, and impairment losses before special items.

Effectiveness: The effectiveness of a hedging instrument is the degree to which changes in the fair value or the cash flows that are attributable to a hedged risk are offset by the hedging instrument.

EMAS: EU environmental audit regulation under which Schaeffler Group locations have been validated.

EnEHS: Energy, environment, health and safety.

Equity ratio: Shareholders' equity as a percentage of total capital.

Euribor: Abbreviation of "Euro Interbank Offered Rate": Interest rate that European banks charge each other on unsecured loans denominated in Euro.

EURO MTF (Multilateral Trading Facility): Trading platform similar to a stock exchange that brings together sell and buy orders for shares and other financial instruments according to a defined set of rules resulting in trades.

E-Wheel Drive: Electric wheel hub drive developed by the Schaeffler Group in which all components required for drive, deceleration, and driving safety – such as the electric motor, power electronics, controller, brake, and cooling system – are contained within the wheel rim.

F

Fair value: The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial covenants: Agreements included in the terms of loan or bond agreements or in the form of side-agreements requiring the debtor to adhere to certain limits defined in terms of financial indicators.

FLAC: Abbreviation of "Financial liability at amortized cost".

Free cash flow: Sum of cash flows from operating activities and cash flows from investing activities.

G

Gearing ratio: Ratio of net financial debt to shareholders' equity.

German Corporate Governance Code: Presents essential statutory regulations for the management and supervision of German listed companies and contains, in the form of recommendations and suggestions, internationally and nationally acknowledged standards of good and responsible corporate governance.

Goodwill: Amount by which the cost of a business combination exceeds the sum of the fair values of the individually identifiable assets and liabilities acquired.

Gross margin: Gross profit as a percentage of revenue.

Group Compliance and Risk Committee: The Schaeffler Group's centralized committee responsible for coordinating the flow of information about risks throughout the organization.

H

Hedge accounting: Using financial instruments to hedge items recognized in the statement of financial position and future cash flows. Both effectiveness and documentation of the hedging relationship are prerequisites for reflecting hedging relationships in the financial statements.

HfT: Abbreviation of "Held for trading".

House of Governance: Model summarizing the key elements of corporate governance (compliance management, risk management, internal control system and internal audit).

I

IAS: Abbreviation of "International Accounting Standards".

IASB: Abbreviation of "International Accounting Standards Board".

IATF 16949: International standard for quality management systems of companies in the automotive sector.

IFRIC: Abbreviation of "International Financial Reporting Standards Interpretation".

IFRS: Abbreviation of “International Financial Reporting Standards”.

IHO Holding: A group of holding companies held indirectly by the Schaeffler family.

Impact of currency translation: Revenue figures are adjusted for currency fluctuations by translating revenue for both the current and the prior year reporting period using the same exchange rate.

Industrial: Division of the Schaeffler Group that includes the business with customers in the mobility, production machinery, energy and raw materials, and aerospace sectors.

Invention reports: Invention reports represent the starting point for potential patent registrations. Ideas and inventions of Schaeffler Group employees are reported to the Schaeffler Group’s centralized patent department and analyzed for potential use in a patent registration.

ISO TS 16949:2009: Replaced by IATF 16949 on October 01, 2016.

ISO 9001:2015: International standard for quality management systems.

ISO 14001: Established international standard for environmental management systems.

ISO 50001: International standard for energy management systems.

iTraxx: Indicator of credit risk and the cost of credit in the European high yield market.

L

LaR: Abbreviation of “Loans and receivables”.

M

M&A: Abbreviation of Mergers & Acquisitions = mergers of companies and acquisition of companies or interests in companies.

MDAX: Abbreviation of “Mid-Cap-DAX”: comprises the shares of the 50 German companies directly below the 30 DAX companies in terms of trading volume and market capitalization.

MEA: Middle East and Africa.

Mobility for tomorrow: The Schaeffler Group’s strategy, consisting of 4 key elements: vision and mission, 8 Strategic Pillars, the excellence program “Agenda 4 plus One” comprising 16 Strategic Initiatives, and the Schaeffler Group’s Financial Ambitions 2020.

MOVE: Internal program used by Schaeffler to review processes and activities regarding their contribution to value added.

N

Net financial debt: Total of current and non-current financial debt net of cash and cash equivalents.

Net Promoter Score: Ratio measuring customer satisfaction.

NGO: Abbreviation of non-governmental organization.

Non-controlling interest: Interest in the company’s shareholders’ equity held by third parties that does not give the holder control.

O

OEM: Original equipment manufacturer = manufacturer of a branded product.

OES: Original equipment supplier = supplier manufacturing spare parts for distribution by the OEM under its own brand.

OHSAS 18001: OHSAS is the abbreviation of “Occupational Health and Safety Assessment Series”. OHSAS 18001 is a standard for occupational safety management systems.

One Schaeffler: Transformation program consisting of 21 initiatives aimed at improving the company’s structures and processes, drive forward higher-level business issues, and strengthen inter-departmental cooperation within the Schaeffler Group. The program was completed successfully on December 31, 2015.

Overrunning alternator pulley: The overrunning alternator pulley is mounted directly on the drive shaft of the generator. It transmits the drive force only in one rotational direction of the generator, ensuring a quiet and smooth belt drive.

P

Payout ratio: Percentage of the Schaeffler Group's net income before special items that is paid out to shareholders in dividends.

Pick-up sheet method: Method commonly used in the industry to coordinate the flow of goods.

Plug-in hybrid: Motor vehicle with a hybrid drive whose battery can be charged by the internal combustion engine as well as by connecting to the power grid.

Power steering pump: The power steering pump supplies hydraulic oil to the steering gear.

Predictive Maintenance 4.0: Technology that expands conventional maintenance systems and provides the customer with new options for increasing efficiency and reducing the total cost of ownership.

Production volume: Production output delivered to a finished goods or work-in-process warehouse, valued at group production cost.

R

R&D ratio: Research and development expenditures as a percentage of revenue.

Rating: Assessment of a company's creditworthiness by rating agencies.

RCOI: Abbreviation of "Reasonable Country of Origin Inquiries" = inquiries into the country of origin of raw materials or minerals to ensure that mining of these raw materials does not contribute to financing wars.

Revolving credit facility: Contractually agreed credit facility that can be utilized repeatedly.

Roadmap 2020: Strategic Initiative for operationalizing the strategic concept "Mobility for tomorrow".

ROCE (return on capital employed): Ratio of EBIT to average capital employed. Average capital employed is calculated as the sum of property, plant and equipment, intangible assets, and working capital, which in turn comprises trade receivables and inventories net of trade payables. The annual average is determined as the mathematical average of the balance at the end of each of the four quarters.

S

Schaeffler Academy: Schaeffler Academy combines all personnel development activities at Schaeffler worldwide. It supports strategic corporate objectives, promotes a culture of lifelong learning and enables employees to achieve their personal and professional goals.

Schaeffler Cloud: Digital platform used to operate all data-based services of the Schaeffler Group.

Schaeffler System 48 V: Concept car developed by Schaeffler based on an Audi TT with a 48 V electric motor mounted on the rear axle as an "electric axle", complementing the front-wheel drive internal combustion engine.

Schaeffler Value Added: Key performance indicator used in value-based management; compares earnings before interest and taxes to the cost of capital.

Scope of consolidation: Total of all companies included in the consolidated financial statements.

Sensotect: Thin-layer technology developed by the Schaeffler Group; can be used to produce multi-functional surfaces that can directly record forces or torques inside components.

SHARE: Schaeffler Hub for Advanced Research; research collaborations of the Schaeffler Group with research and teaching institutions.

SHARE at FAU: Research collaboration of the Schaeffler Group with Friedrich-Alexander-University of Erlangen-Nuremberg.

SHARE at KIT: Research collaboration of the Schaeffler Group with the Karlsruhe Institute of Technology.

SIC: Abbreviation of the former "Standing Interpretations Committee".

Special items: Special items are items whose nature, frequency, and/or size may render the financial indicators less meaningful for evaluating the sustainability of the Schaeffler Group's profitability.

STOXX Europe 600: Reflects the share trends of the 600 largest listed companies from 18 European countries.

STOXX Europe 600 Automobiles & Parts: Reflects the share price trends of the European automobile manufacturers and automotive supplier sector contained in the cross-sector STOXX Europe 600 index.

Sustainability: Sustainability means utilizing natural resources while taking economic, ecological, and social conditions into account without ignoring the interests of future generations.

T

Thermal management module: Temperature control unit for the entire drive train. It is integrated in a compact component manufactured from high-strength plastic and combines numerous functions. The thermal management module enables Schaeffler to help unlock greater potential through the optimization of internal combustion engines. This innovative module is key to reducing fuel consumption and CO₂ emissions by up to 4 %.

Three lines of defense model: Model assigning clear responsibility for dealing with risks to the company's continued existence or development and based on the principle that primary responsibility for a risk lies with its originator.

Torque converter: Hydraulic component that facilitates the transmission of force between components rotating at different speeds.

Torque vectoring: Torque vectoring offers an additional possibility for steering the wheels of an automobile by selectively distributing the drive forces to specific wheels.

Transparency International: Politically independent organization dealing with the worldwide problem of corruption.

Tribology: The science and technology of interacting surfaces in relative motion.

W

Working capital: Inventories plus trade receivables less trade payables (excluding accrued payables).