SCHAEFFLER

Report by the CEO
Klaus Rosenfeld

Check against delivery.

Annual General Meeting of Schaeffler AG
on May 8, 2020

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Slide 1: Start page

Dear Shareholders,
Mrs. Schaeffler-Thumann,
Mr. Schaeffler,
Members of the Supervisory Board,
Ladies and Gentlemen,

On behalf of the Executive Board, welcome to the fifth Annual General Meeting of Schaeffler AG. This Annual General Meeting, although held online rather than physically due to the corona virus, is being conducted in accordance with all legal requirements – as Mr. Schaeffler has already explained.

I am very pleased that you are attending our Annual General Meeting, despite the circumstances, and by your show of loyalty with Schaeffler AG in these challenging times. It is especially heartening to see so many current and former employees following this Annual General Meeting. Your support, always deeply appreciated, is very much treasured at this time. Thank you!

As at past Annual General Meeting, I will divide my report here today into three sections. In the first section, I will address our company's performance in the 2019 financial year and our dividend proposal. In the second section, I will cover the company's performance in the current financial year so far and outline our guidance for 2020. The third section of my report will outline our current thinking on matters of strategy and their implementation.

But before I talk about 2019 I would like to say a few words about the coronavirus crisis.

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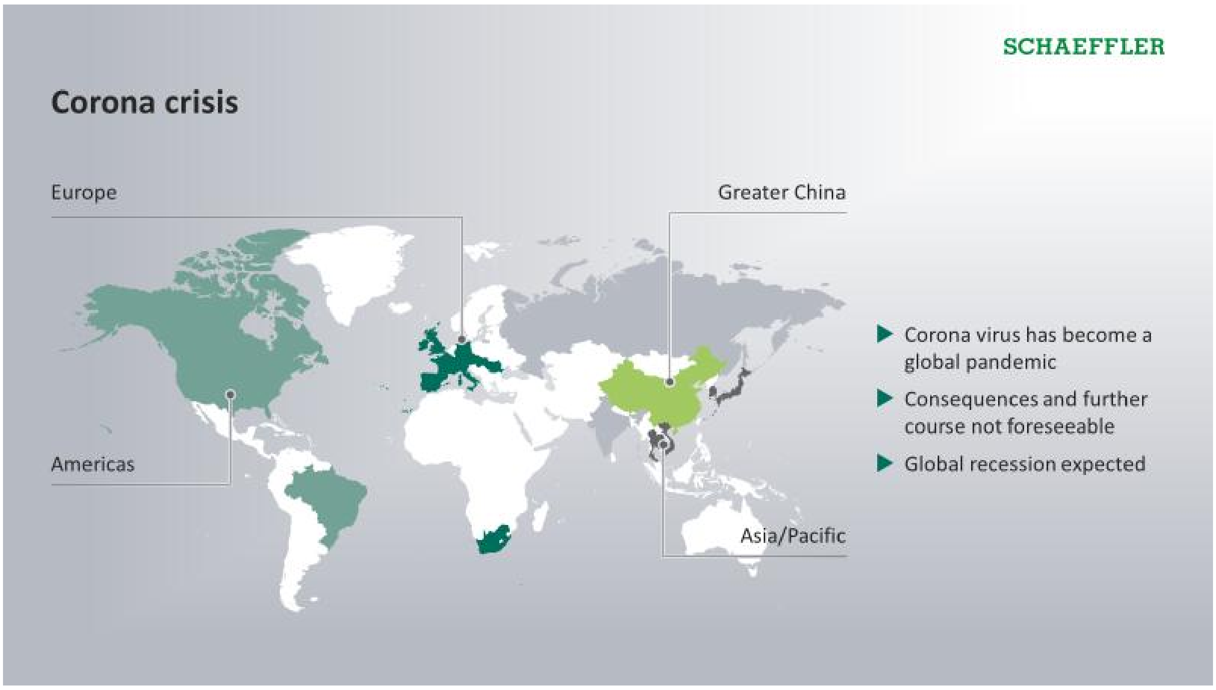

The coronavirus situation has developed into a global crisis of a scale we have never before encountered. A crisis that has become a threat to the global economy. A crisis whose extent, future trajectory and ramifications we cannot reliably predict. A crisis that is affecting everyone, including Schaeffler. Its impact on us is in fact more severe than we first thought back at the start of March.

This is especially the case for our automotive business, where all of our customers have either scaled back their production significantly or halted it altogether, and where there is no certainty around when consumers will start buying cars again. On the other hand, our industrial business has remained relatively stable over the past few weeks, particularly in the wind segment. However, we expect that it, too, will not remain untouched by the crisis. Put simply, we have to prepare for a global recession.

Slide 3:

Nonetheless, the coronavirus crisis is making it clear just how advantageous it is that we do not have all eggs in one basket; that we are both an automotive and industrial supplier. Moreover, we are a supplier who services no fewer than ten key sectors, who is positioned globally, has a highly diversified customer and product portfolio, and who possesses first-class technology.

But this is not the only reason why our starting position is different from that of many competitors. Our finances are solid. Over recent years we have systematically reduced our debt level and strengthened our core competencies. And we have done that not through big, expensive strategic acquisitions, but, first and foremost, by making continual operational improvements, through our new three-division structure and through the efficiency programs that we have established and implemented in recent years. All this has made the Schaeffler Group stronger and more resilient, an approach that is standing us in good stead right now.

Another key factor in our resilience is that our leadership team has learned over the years to succeed in the face of adversity and difficult situations. I cannot think of a single year of my tenure as CEO where we have not been put to the test as leaders. Just think of the restructuring of our industrial business, the expansion of our E-Mobility activities, the consolidation of our network of plants in Europe, the allocation of our plants to divisions, the divisionalization of our organizational structure, and the various programs we have undertaken to rightsize our capital and cost structures. These were all very testing times that we consciously faced.

I will leave it to you to decide which of these challenges we were able to meet effectively or not so effectively. But whatever score you give us; one thing is for certain: each of these tests has made our leadership team that much more cohesive and effective. In other words, our leaders have risen to the challenge of our three leadership principles: Transparency, Trust and Teamwork. We have all pulled together as one team. One team for one Schaeffler Group!

I cannot overstate how important that is, especially right now as we face the coronavirus crisis. And by leadership team I do not just mean the Board of Managing Directors. I mean the entire Executive Board with all four of our regional CEOs and all of our executives worldwide.

Slide 4:

And that brings me to another key factor in Schaeffler's resilience in the face of the crisis: we – unlike many other companies – have always attached great importance to having a strong regional structure as well as a divisional structure. This approach has not been without its critics. And understandably so: having a matrix organization comprising four strong regions is not always easy. It requires patience and, sometimes, more coordination than we would like. But it is the right structure for us, and the decision to adopt it is proving to be remarkably prescient. Overall, the benefits of our matrix organization outweigh the drawbacks, especially in the context of global competition. After all, if you want to be a global player, you have to keep tabs on what is happening locally. This works best with strong regional boards.

The coronavirus crisis is proof of that. Not without good reason we were one of the first companies in Germany to take countermeasures and stop all travel to and from China. We did that back in January. Why? Because we have a regional CEO in China who was able to give us early warning of what was unfolding. Without that local knowledge it would have taken us much longer to recognize what was coming.

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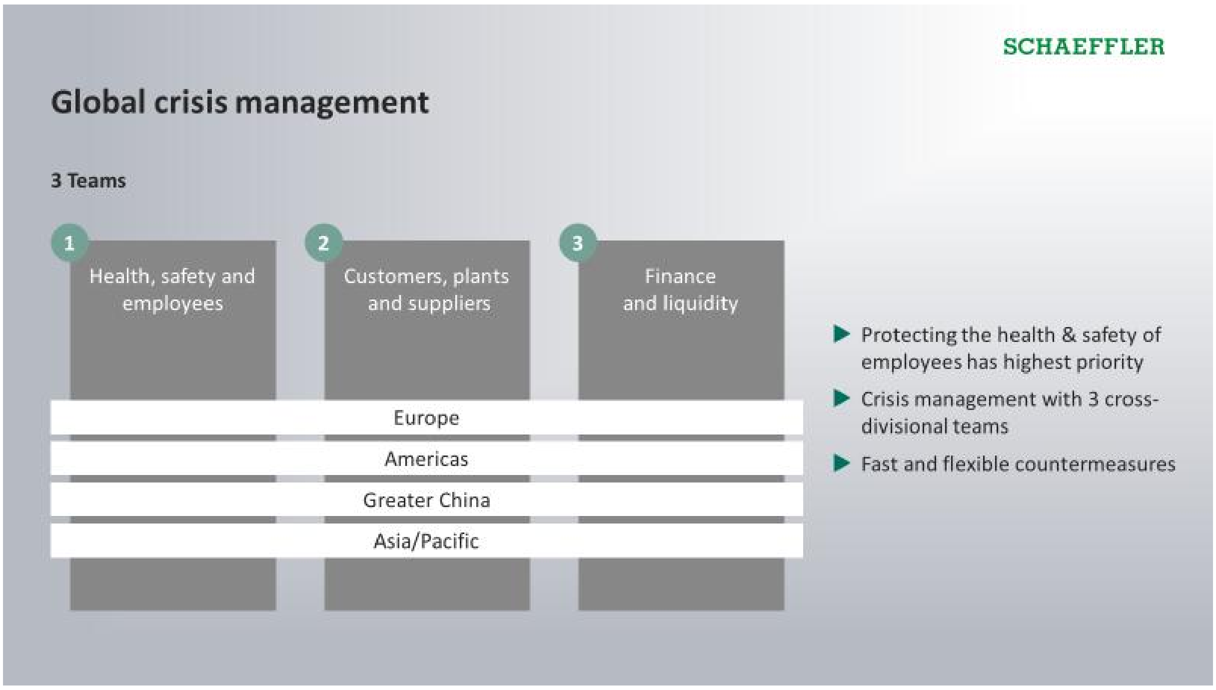

This key insight has also shaped our crisis management since then. We gave our crisis management activities a regional and cross-divisional focus right from the outset. And we did that not merely out of a desire to act in a coordinated fashion as one Schaeffler Group. Nor purely out of a wish to be agile and flexible. Nor indeed simply because the trajectory of the crisis differs from region to region.

No. We did it because, for all of us, whether we belong to a division, function or region, one thing has always had and always will have top priority: the health of our employees. As I said in my first video message to all of our employees: we cannot allow any situation in which any Schaeffler employee may become infected while at work. This is the guiding principle that has shaped our response over the past few weeks and it will continue to shape our response now as we prepare to ramp up production again.

We acted quickly and flexibly, introduced protective and hygiene measures, formulated emergency plans, shut down production and consistently implemented the experts' recommendations. Be it in production, administration or research and development. With untiring commitment and dedication our crisis management teams, our plant managers and all those responsible on site and at headquarters.

Looking back on the situation so far, we take a certain pride in the fact that we have succeeded in keeping the number of cases manageably low. As of yesterday, we had less than 15 remaining cases. That is a wonderful achievement that we owe to all of our executives and the discipline of all of our staff.

Slide 6

An even bigger point of pride for me is the exemplary solidarity shown by the Schaeffler team over the past weeks and months. It has been a truly impressive collective effort! It also shows that we are there for our customers and that we can all count on each other when the chips are down. And here I am referring both to the commitment and solidarity shown with and within the Schaeffler Group, and to the solidarity we have shown outside of our organization. As an example of the latter I would name the large donation we and our family shareholders made to the Red Cross.

I would now like to conclude my remarks on the coronavirus crisis with a note of thanks. First of all, a big, heartfelt thank-you to you, Mrs. Schaeffler-Thumann and to you Mr. Schaeffler. As our family shareholders, you have shaped the company. By virtue of your tireless personal commitment and dedication, you have ensured that our corporate culture has remained intact despite all the challenges we have faced. And where would we be without our many employees worldwide! You and your commitment, loyalty and fighting spirit are a key part of what makes the Schaeffer Group the unique company it is today. Sincere and heartfelt thanks to you all from everyone on the Executive Board!

The crisis is by no means over. It will go on for quite some time yet. We will therefore need to continue to do our very best. And by “we”, I do not mean just the Executive Board; I mean all of us. If we remain true to our values and continue to collaborate and support one another as we have done over the past few weeks; and if we remain strong and optimistic; then we will do more than merely overcome this crisis: we will emerge from it stronger. That is our aim. That is what we fight for. Together!

Ladies and Gentlemen,

That brings me to the first section of my report today: a review of the key aspects of the 2019 financial year.

I promised you at our last Annual General Meeting that we would hold the course and that we would continue to shape the Schaeffler Group’s future, proactively and with agility and courage. We have kept that promise.

2019 was another year of great challenges. The dramatic slump in the global automotive industry, which set in before the coronavirus crisis, has not been without effect on us. The transformation process currently sweeping the global automotive industry calls for continued caution and diligence. Our industrial business likewise faces challenges that we must overcome if we are to stand our ground in a globally competitive market. We are meeting these challenges head on. And we are doing everything that is needed to put the Schaeffler Group in an even stronger position for the future.

Our “Agenda 4 plus One” program that we started in 2016 is now over 80 percent implemented. We have further sharpened our focus on aligning our business with the principles of value-based management and have strengthened our organization and leadership structure. We have also significantly improved our capital and cost discipline.
And our earnings and cash flow performance, particularly in the second half of 2019, proves that we are able meet our targets even when times are tough. In fact, we can even exceed them, as our free cash flow performance shows.

Slide 7:

I will start with the areas in which 2019 was not so successful, and where we need to raise our game.

• First: We have again faced a challenging market and competitive environment. Global automobile production in unit terms fell by 5.6 percent. This is the biggest decrease since the global financial crisis. And at the same time, growth in industrial production declined to just 1.7 percent. We, like others, felt the effects of the less favorable economic situation.

• Second: Based on revenue growth of 1.3 percent in 2019, our EBIT before special items declined significantly. Our EBIT margin before special items fell to 8.1 percent. This was due in particular to negative sales price effects and changes in the product mix in the Automotive OEM division. But we also failed to align our fixed costs quickly enough with a situation of reduced revenue growth. Nevertheless, we can become more efficient in these areas.

• Third: Our use of capital and our costs remain high in spite of our more rigorous capital and cost discipline. We are seeing real impacts from the measures we have implemented in this area, but there is still room for improved efficiency.

This brings me to the positive aspects of the 2019 financial year. Here too, I will confine myself to three main points.

• First: Schaeffler remains a group in motion. Alongside our “Agenda 4 plus One” program, our three divisions have set up their own efficiency programs: RACE in the Automotive OEM division, FIT in the Industrial division, and GRIP in Automotive Aftermarket. RACE, FIT and GRIP are no mere cost-cutting programs; rather, their purpose is to better prepare us for the challenges of the future. They show that we are pro-actively shaping change, and for us, that is a long game. This is an area in which we have made clear improvements.

• Second: Despite the difficult business environment, we have met our guidance for revenue growth as revised in July, slightly exceeded our EBIT margin target, and significantly surpassed our free cash flow target. The Schaeffler Group’s earnings quality has improved. At the same time, we are continuing to invest in technologies, new products and innovation, and that carries more weight than any quarterly result.

• Third: Our diversified position as an automotive and industrial supplier is paying off. This is partly because of the greater stability that comes from having a broader base. But more than anything, it is because of the synergies resulting from cross-divisional cooperation. We intend to further consolidate this cooperation in the years ahead.

In the interests of time, my discussion of the key figures for the 2019 financial year will be brief. You will find full details in the consolidated financial statements.

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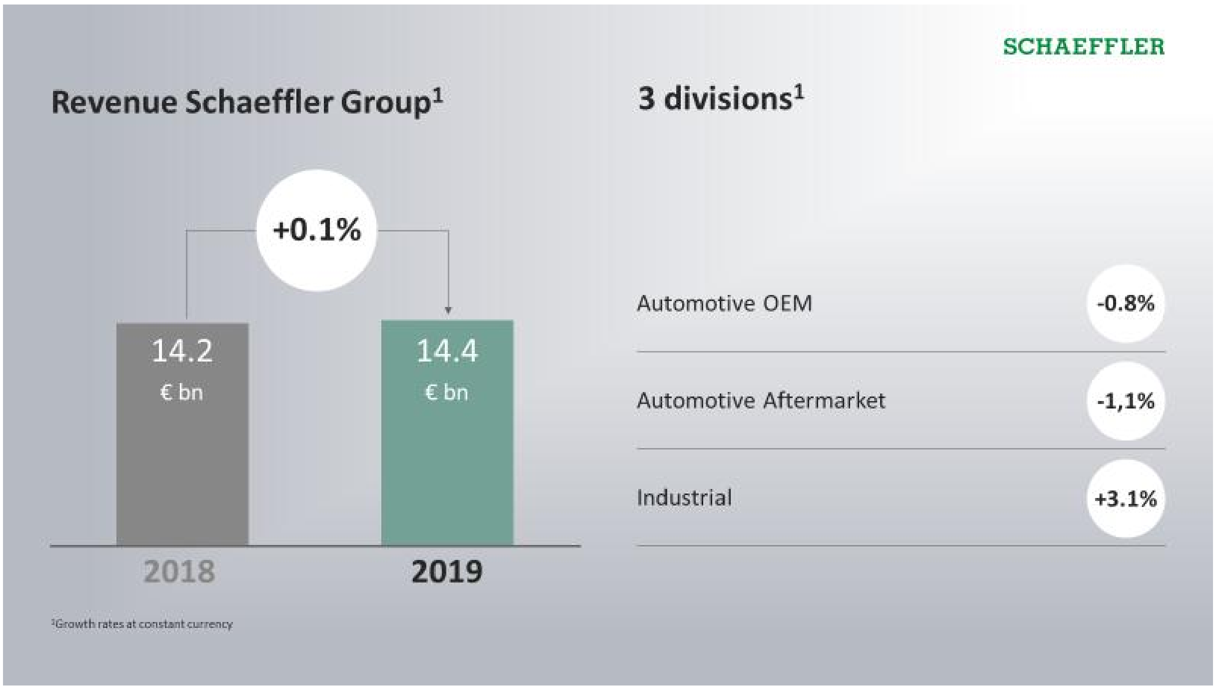

The revenue of the Schaeffler Group increased in 2019 by 1.3 percent to 14.4 billion euros. At constant currency, revenue growth amounted to 0.1 percent

The Automotive OEM division stood its ground well in a difficult market environment. Revenue in constant currency terms fell by 0.8 percent, mainly due to lower prices, but without the currency impact, there was a slight increase of 0.5 percent to a total revenue of 9 billion euros. The division therefore significantly outperformed global automobile production. For the full 2019 financial year the outperformance was 4.8 percentage points, which is a sign that we are gaining ground on our competitors.

Revenue in the Automotive Aftermarket division decreased by 1.1 percent to 1.84 billion euros, mainly as a result of lower volumes. The decrease was driven mainly by lower demand from the Europe region, as distinct from the Americas and Greater China regions, which achieved significant growth.

The Industrial division increased its revenue by 3.1 percent to 3.54 billion euros in 2019 on the back of both prices and volumes. As was the case for the two automotive divisions, the Industrial division's revenue trend was downwards in the Europe region but significantly upwards in the Americas region and, more especially, in the Greater China region. This growth is mainly attributable to a very positive trend in the wind sector in China.

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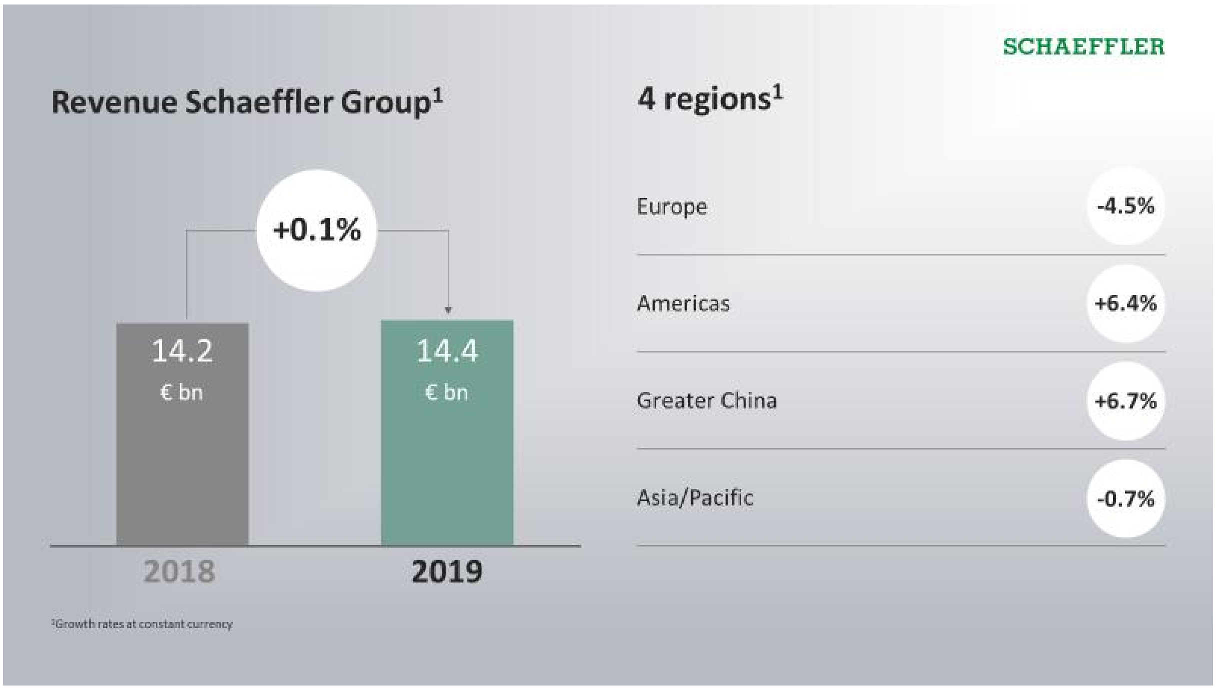

And now to the revenue development in the four <u>regions</u>:

We have suffered a 4.5 percent decline in constant currency revenue in the Europe region. This hurts because Europe is the largest of our regions, accounting for 48.5 percent of our total revenue. The Americas region recorded growth of 6.4 percent, thereby accounting for about 22 percent of group revenue. The Greater China region once again recorded the highest growth rate. With a revenue increase of 6.7 percent, China now accounts for about 19 percent of the total revenue of the Schaeffler Group. The Asia/Pacific region recorded a minor revenue decrease of 0.7 percent. Its share of group revenue was virtually unchanged, at around 10 percent. Effective January 1, 2020, the India sub-region, formerly allocated to Europe, has been allocated to the Asia/Pacific region.

I will now move on to profit and net income:

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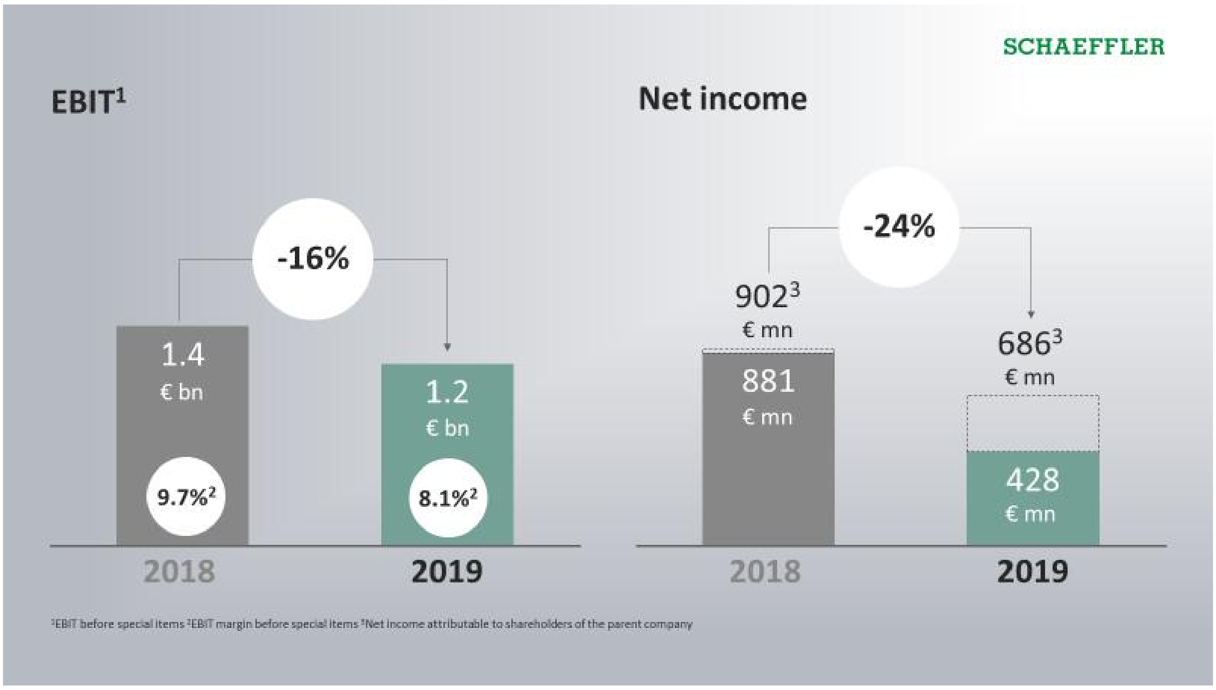


The Schaeffler Group's operating profit– that is, its EBIT before special items – was 1.16 billion euros, 15.9 percent down on the prior year. The EBIT margin before special items is therefore 8.1 percent. This decrease was driven mainly by the price and volume effects discussed earlier in my remarks on revenue. Margin performance was also impacted by other factors, such as expenditure on IT and digitalization projects.

Special items in 2019 totaled 371 million euros, which is markedly higher than the prior year figure of just 27 million euros. This increase is mainly attributable to restructuring expenditures in relation to the RACE, GRIP and FIT efficiency programs.

Automotive OEM generated an EBIT margin before special items of 5.4 percent, which is significantly below the prior year figure of 7.5 percent. This decrease mainly reflects a lower gross margin due to the price-driven drops in revenue and changes in the product mix. The Automotive Aftermarket division posted an EBIT margin before special items of 16.1 percent, which was better than originally expected. This decrease on the prior year is the result of lower sales unit volumes and higher product costs. The Industrial division recorded a slight increase in EBIT before special items, but its EBIT margin before special items of 10.5 percent was marginally below the prior year figure of 10.9 percent.

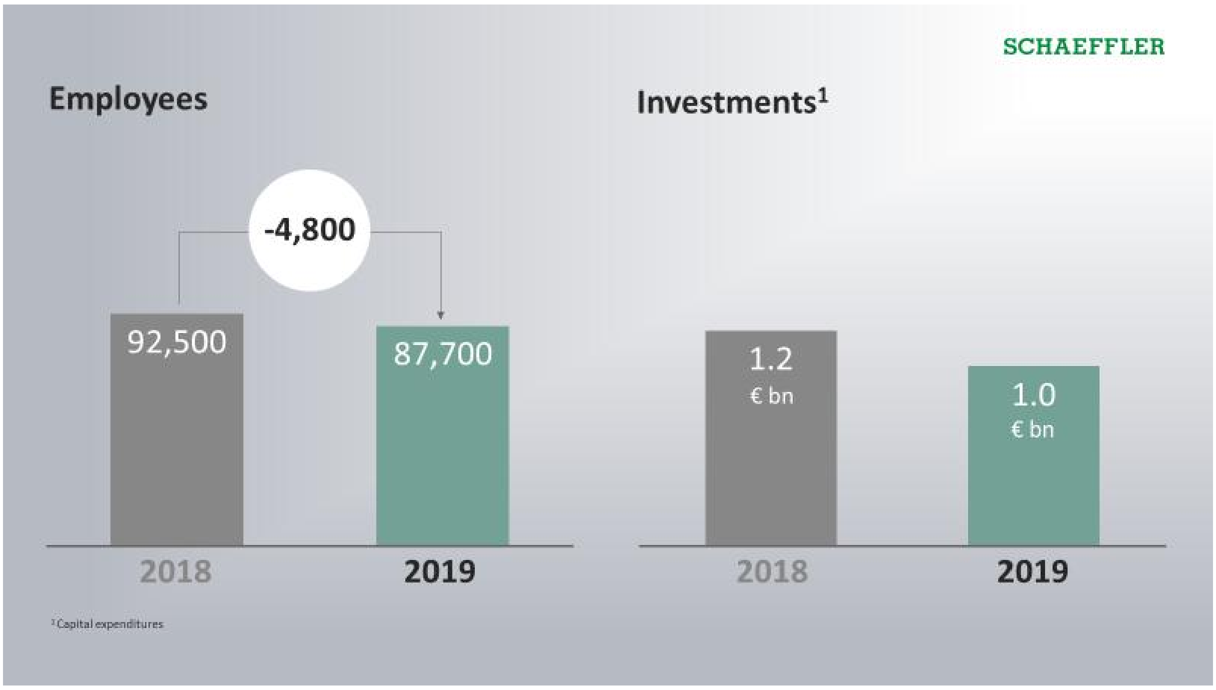
On this basis, net income fell from 881 million euros to 428 million euros. This figure was negatively impacted by special items of 257 million euros after tax. Net income before special items was 686 million euros, as compared with the prior year figure of 902 million euros. This corresponds to a decrease of 23,9 percent.

Needless to say, all of us would have preferred better figures than this. But, given the very difficult market environment in 2019, I believe we have clearly demonstrated what we are capable of. We acted swiftly and decisively, yet judiciously. Even where it was necessary to cut jobs, our aim at all times was to avoid employee layoffs and plant closures wherever possible and to find alternative – mutually agreed – solutions. And I am pleased to say we succeeded. Examples include the sale of the Hamm plant to local management and the external solutions arrived at after protracted negotiations with all parties for our locations in Unna and Kaltennordheim.

These measures were ultimately made possible by the positive cooperation and trusting relationships that we enjoy with our employee representatives and the IG Metall trade union, who have played a constructive role in the transformation process at Schaeffler for a number of years. The framework for this cooperation is provided by the Future Accord agreement that we entered with IG Metall in April 2018. Naturally we are not always of the same opinion, including on what is the best way forward. That is inevitable. But we have a positive, constructive culture, and that is based on mutual trust and a shared desire to arrive at a solution that is fair and balanced for all parties. This has been a real strength for us over the last few years. It has enabled us to reach solutions that would not be possible in other companies. On my own behalf, and that of my colleagues on the Executive Board, I therefore want to thank you, Mr. Wechsler, and you, Mr. Lenhard, representative of all employee representatives, for the constructive cooperation we have enjoyed in 2019.

This brings me to our employee headcount and capital expenditures:

Slide 10



In 2019, our employee headcount worldwide decreased for the first time in many years. At year end, this figure was 87,748, round about 4,800 down on the prior year. I want to emphasize that the restructuring of the Schaeffler Group is not primarily about cutting jobs. The aim, rather, is to set the Schaeffler Group up for a successful future, and to focus on new growth areas. Thus, while job losses may be unavoidable in some areas, there will be new appointments made in growth areas.

We have also redoubled our efforts to retrain our current employees for new roles. A good example is the successful “Fit for Mechatronics” retraining program operated by the Schaeffler Academy and the E-Mobility business division. New positions have already been found for the program’s first graduates. Other program participants are still in the transition phase. I am also pleased to report that at the end of 2019 the Schaeffler Academy was certified as an education provider. This is a major step forward in documenting the quality of our training and professional development activities in this area.

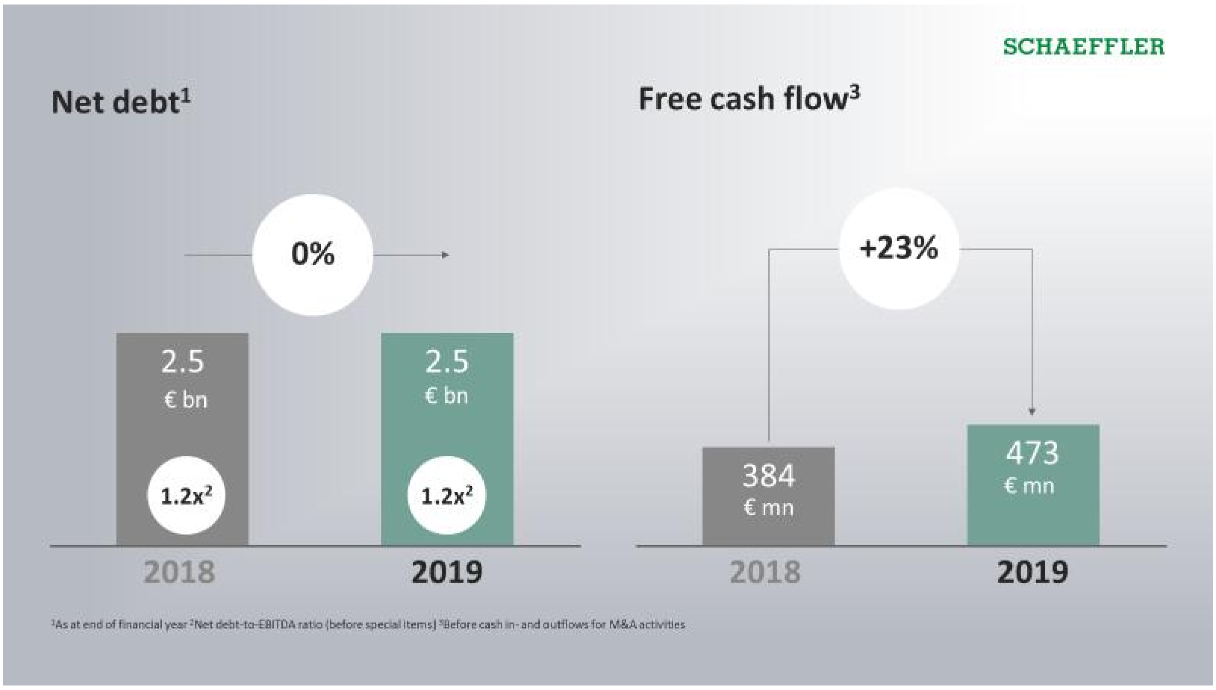
Employee headcount is another area where the transformation process is still ongoing. At the end of last year, we established a voluntary redundancy program for Germany, with the aim of cutting a further 1,300 positions in a socially responsible manner. The program was closed, as agreed, on March 31, and was then extended to include a further 400 positions in response to the coronavirus crisis. It continues to operate on a voluntary basis for both parties and provides fair conditions. To date a total of 1,700 employees have taken up the offer to exit the company with a severance payment or under an early retirement scheme.

Part of our success in avoiding the need for layoffs, as seen in other businesses, can be put down to our extensive use of measures for increased flexibility around working hours. These range from plant closure days on specific dates – such as days between public holidays and weekends, for example – using up accumulated vacation leave days and overtime hours, shortening the working week from 40 hours to the 35 hours, as provided for in collective labor agreements, and the temporary introduction of shorter working hours (short-time working). We are well aware that even these measures cause some pain and hardship for our employees. We are therefore all the more grateful for the commitment and solidarity displayed by most of our employees in exploring these avenues.

We recorded a high level of capital expenditures in 2019: a total of 1.05 billion euros. On the other hand, our capex ratio decreased from 8.7 percent in the prior year to 7.2 percent in 2019. Even in the current crisis, we remain firmly convinced that capital expenditure on our customer business is a key success factor. At the same time, we know that we need to be even more rigorous about using our available capital in the areas that will provide the maximum return in the long term. This has been helped by our special target for 2019, aimed at avoiding a hockey-stick effect at the end of the year. We achieved that objective. For that I would like to thank our leadership team and, more especially, the plant managers, who made a major contribution in the area of cash flow management, particularly in the second half of the year

Even though we were not able to achieve the same favorable results as in 2018, the quality of our balance sheet remains good.

Slide 11

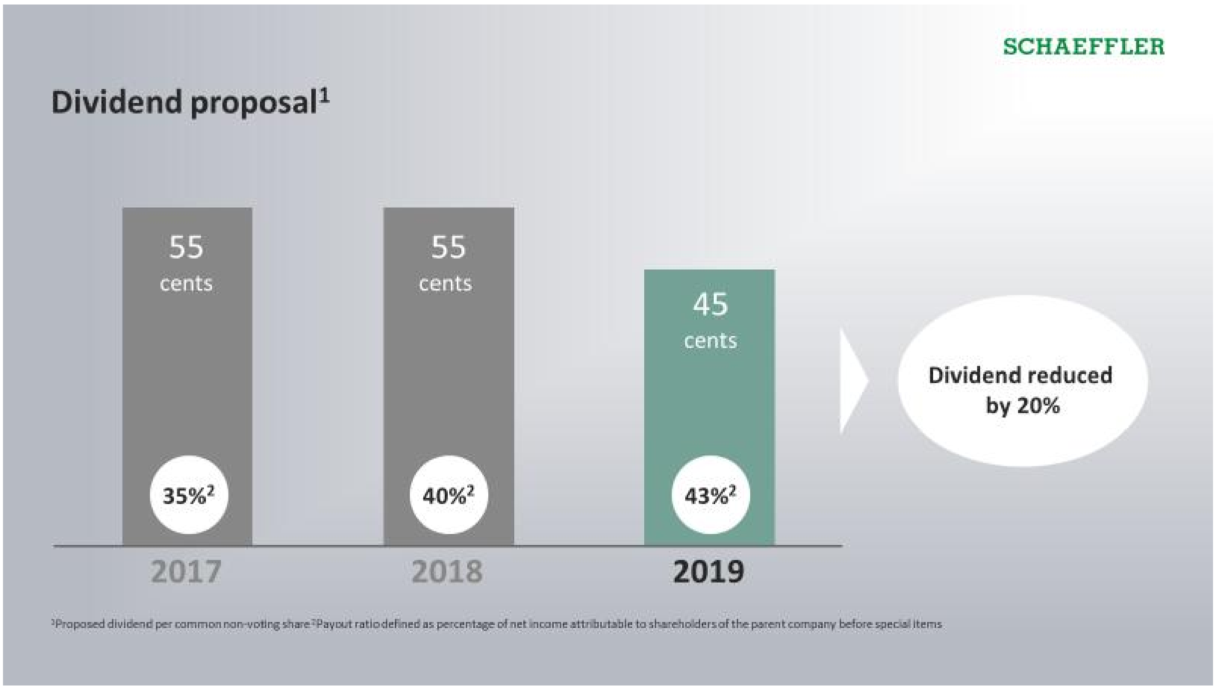


Our net financial debt to EBITDA ratio, i.e. the ratio of net financial debt to earnings before interest, tax, depreciation and amortization, was the same as in the prior year: 1.2x. Net financial debt was 2.53 billion euros, down from the prior year figure of 2.54 billion euros. The equity ratio was 22.7 percent. This solid financial base gives us sufficient financial latitude for further selective, technology-focused acquisitions within the scope of our M&A strategy.

An even more important indicator than equity is our free cash flow. The Schaeffler Group's free cash flow before cash in- and outflows for M&A activities was 473 million euros in 2019, an increase of 23 percent. In other words, we significantly exceeded the adjusted full-year guidance of around 350 to 400 million euros that we issued on July 20, 2019. This is impressive testimony to the Schaeffler Group's ability to sustainably generate positive cash flows even in difficult market conditions. Our new remuneration system, which has been submitted to the Annual General Meeting for voting today, will help us to achieve further progress along this path.

That concludes my outline of the highlights of the consolidated financial statements. Now some very brief words on the individual annual financial statements of Schaeffler AG and our dividend proposal. The surplus for the year under HGB (German Commercial Code) rules in the individual financial statements was 453 million euros, 9.2 percent down on the prior year. This originates mainly from income from equity investments and forms the basis for appropriation of earnings and the dividend proposal.

Slide 12



For the 2019 financial year, the Executive Board and Supervisory Board propose that the general meeting approve a dividend of 0.44 euros per common share, and 0.45 euros per common non-voting share. This represents a dividend payout ratio of 43.0 percent of net income attributable to shareholders before special items. The payout ratio in the prior year was 40.1 percent.

In view of the coronavirus crisis, the question arises as to whether it is still appropriate to pay dividends. Naturally we as the Executive Board thought about this long and hard. And, as you can see from the notice of meeting, we have decided to hold to our existing proposal. Why? Because our company is in a good position, because our capital base is solid, and because our liquidity situation allows the payment of a dividend at this level. Moreover, at 0.45 euros per share, the dividend is 20 percent lower than that of the previous years.

We as the Executive Board view this dividend decision as both an obligation and an incentive. This is because we want to ensure that your investment in the Schaeffler stock always yields a return, even in leaner successful years and when market factors are driving share prices down.

Slide 13

The share price of Schaeffler AG common non-voting shares performed well in 2019, ending the year at 9.63 euros, 22.5 percent up on the prior year figure. This is good news as we look back but must not obscure the reality that the coronavirus crisis has now led to a major fall in our share price. The same applies to other listed companies in our sector. In fact we did relatively well in comparison.

Forgive me if I prefer not to comment any further on the share price development at this point, except to say that we are here for the long haul, and we are committed to creating value in a sustainable way. Therefore, let me just express the following commitments on our part: as your Executive Board, we will do everything in our power to increase the value of the Schaeffler Group The new remuneration system, requiring all members of the Executive Board to invest personally in the Schaeffler stock, gives us a further mechanism for achieving this.

This brings me to the second part of my address, our business performance in the first few months of this year, and the guidance for the 2020 fiscal year.

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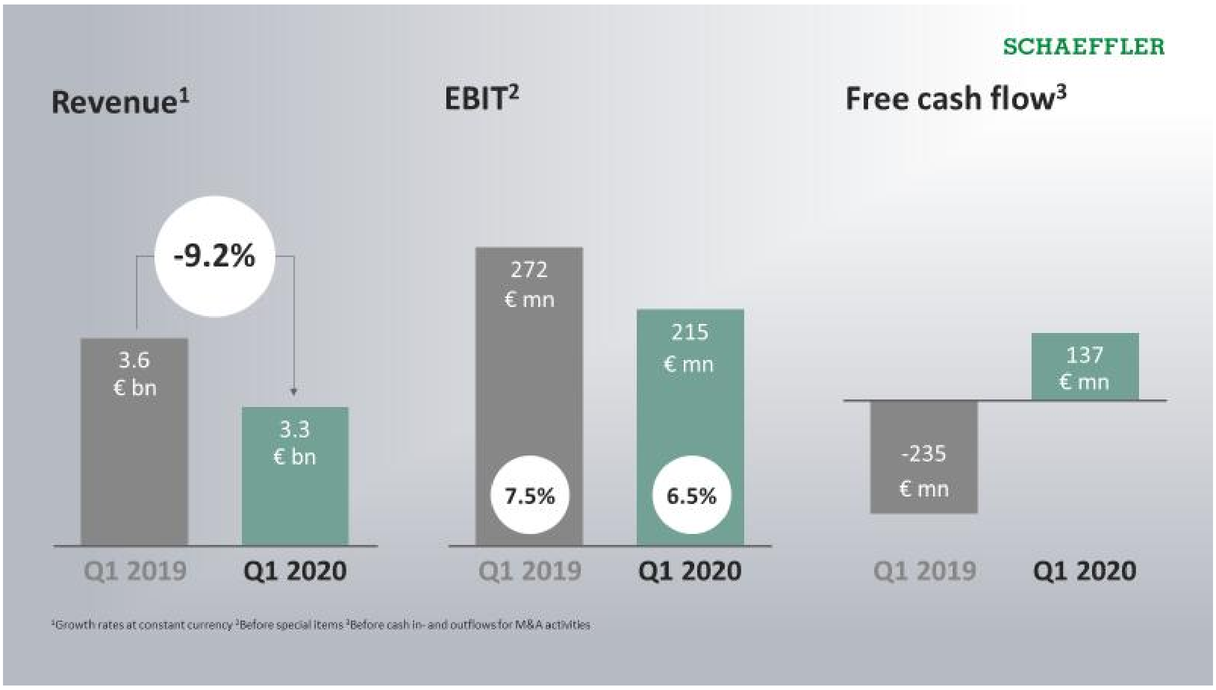


Our figures for the 1st quarter were published on May 6th. They show that in spite of the crisis, we have made a good start into the year 2020.

The Schaeffler Group's revenue for the 1st quarter was 3.28 billion euros, as compared with 3.62 billion euros in the same period in the prior year. In constant currency terms, revenue fell by 9.2 percent in this period, mainly driven by volume factors. First quarter revenue was down in all four regions. At constant currency, the revenue decrease is made up as follows: 11.2 percent in the Greater China region, 10.4 percent in the Europe region, 9.3 percent in Asia/Pacific, and 6 percent in the Americas.

EBIT before special items was 215 million euros, as compared with 272 million euros in the 1st quarter of 2019. This corresponds to an EBIT margin before special items of 6.5 percent, as compared with 7.5 percent in the prior year. The EBIT figure was however negatively impacted by special items of 302 million euros. The special effects include an impairment of 249 million euros on the goodwill allocated to the Automotive OEM division. With this deliberately cautious approach, we have reacted proactively to the increased uncertainties for the future business development of our Automotive OEM division and reduced risks. This strengthens the quality of our balance sheet. Also included in special items are expenditures of 53 million euros on strengthening our efficiency programs.

As regards the results of the divisions, I would refer you to the interim report published on May 6. The key point to note here is that, excluding special items, all three divisions achieved positive first-quarter EBIT-Margins: 2.5 percent for Automotive OEM, 17.1 percent for Automotive Aftermarket, and 10.7 percent for Industrial. These figures are further proof of the benefits of our diversified position as an automotive and industrial supplier.

Also noteworthy is our first-quarter free cash flow before cash in- and outflows for M&A activities. It amounted to 137 million euros, which is well above the figure of minus 235 million euros for the same period in the prior year. This helps us to mitigate the effects of the coronavirus crisis.

While it is pleasing to look back on a positive 1st quarter, we will not be seeing a repeat of this performance in the 2nd quarter. We must expect major headwinds.

The 2020 year promises to be difficult. At our annual press conference on March 10 we issued a deliberately conservative guidance figure, which we then withdrew on March 24 because of the coronavirus crisis. In this we are not alone: most other companies have also withdrawn their guidance statements. Even today it is still simply not possible to make any meaningful appraisal of the consequences of this crisis. We have therefore limited ourselves to saying that we will perform weaker than last year. We will issue a new guidance at a later date.

The rest of the year will be very challenging, and we are proceeding on the basis that the coronavirus crisis will lead to a global recession. Consequently, further adjustments and realignments are inevitable. We will therefore remain highly disciplined and hold to the course we set in 2019. That means: further improving capital and cost efficiency, adjusting capacity, holistic adjustment of cash flow, and forward management of liquidity with very short reaction times. We have already shown that we have the ability to do this.

And that brings me to the third and final part of my report: our updated strategy and our execution program.

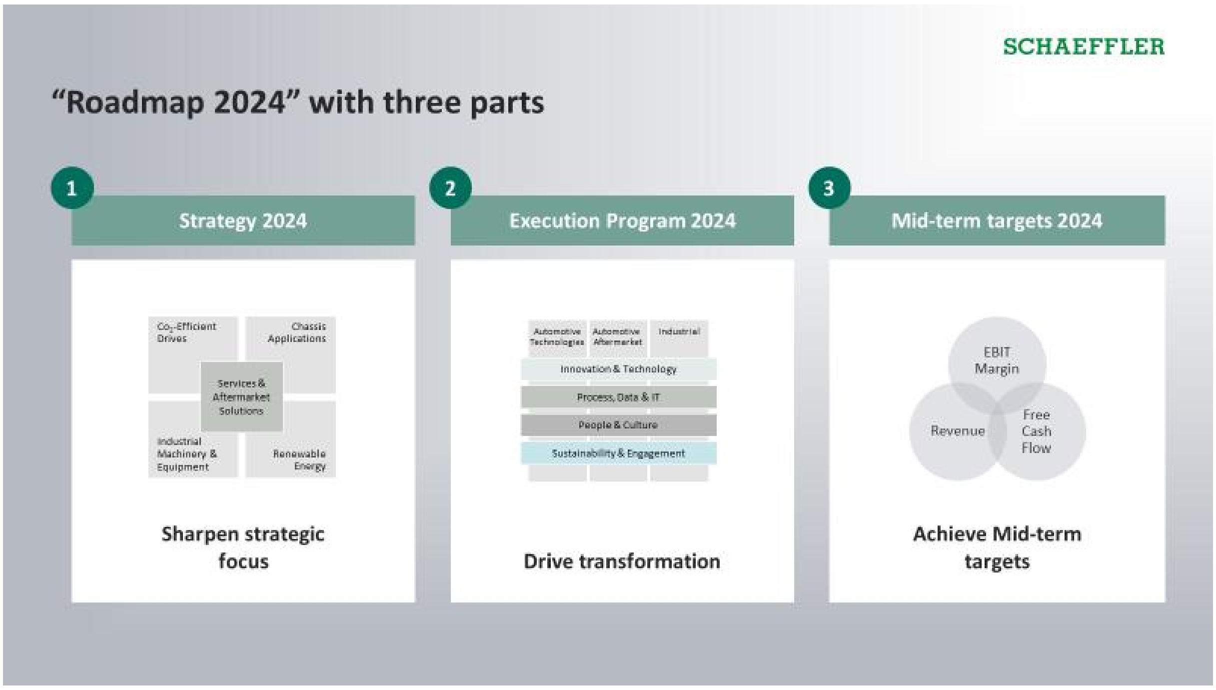
Ladies and Gentlemen,

If the year to date had been a normal one, I would be giving you a detailed report today on our new “Roadmap 2024”. In May 2019 we had commenced work on revising and updating our strategy and, based on that, developing a new strategy execution program and defining our Mid-Term Targets for 2024.

The original plan was to present the results of this process to the general public and our shareholders, employees and executives on March 24. Unfortunately, the coronavirus crisis arose, forcing us to postpone publication of our “Roadmap 2024”.

Let me give you a brief insight into what the review of our strategy has led to: We have decided to refine and update our current strategy. To be clear: we are not making any U-turns or radical changes of direction; we are improving continuity and sharpening the focus on sustainable implementation. The rationale here is that, although our existing strategy is fundamentally consistent and correct, more needs to be done in terms of convincingly communicating the idea of an integrated automotive and industrial supplier, synergizing our strengths, focusing even more strongly on sustainable competitive advantages, and pushing ahead with the execution of the strategy – both internally and externally – in a more systematic and determined way. Only in this way can we make the Schaeffler Group even stronger and more resilient and therefore better equipped to face the challenges of the future.

Slide 15:



Our "Roadmap 2024" comprises three main building blocks:

1. Our "Strategy 2024". This sets out our refined and updated strategic orientation and forms the basis for our growth initiatives, together with our new portfolio management approach and our new capital allocation model.

As part of this, we have reformulated not just our vision and the associated mission, but our strategic objectives as well. Based on the unfolding market and competitive situation in the supplier business, we have agreed on three such objectives: Innovation, Agility and Efficiency. They are predicated on the conviction that size alone is not an end in itself; and that the future belongs to those companies who are the most efficient at adapting to change.

2. Our "Execution Program 2024". Now that our "Agenda 4 plus One" program is largely complete, the announcement of our "Strategy 2024" heralds the start of a new strategy execution program. The rationale here is that a strategy is only ever as good as its execution. At the same time, we learned a great deal in the course of the "Agenda 4 plus One" program. We have, for example, identified

certain areas where there is room for improvement. Consequently, the new execution program will consist of seven sub-programs: three divisional ones and four cross-divisional ones, to be precise. With clear responsibilities and clear guidelines.

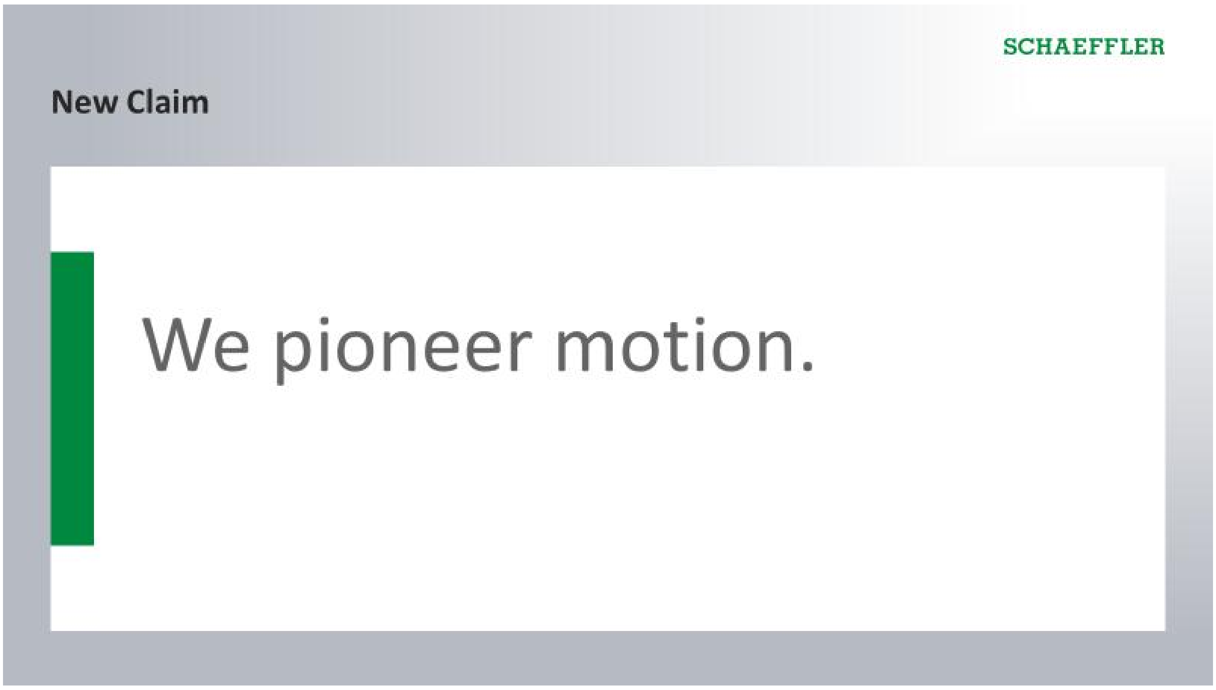
3. Our “Mid-Term Targets 2024”. Defining and announcing Mid-Term Targets is impossible in the current environment. Targets need to be bold and ambitious and yet still be realistic. And so, while the postponement of the publication of our “Roadmap 2024” because of the coronavirus crisis may be a bitter pill to swallow, it at least gives us the opportunity to re-assess and recalibrate our Mid-Term Targets.

I would now like to delve deeper in to these three items: “Strategy 2024”, “Execution Program 2024” and “Mid-Term Targets 2024”.

Let us start with Strategy 2024. The main aim here is to further sharpen our strategic focus while keeping with the approach of being an integrated automotive and industrial supplier. The logic of this approach is very compelling, as the current crisis shows, and it will be all the more compelling if we can generate even greater synergies between our three divisions. Based on that, our expectation – our Claim – for the entire Group and all its business areas remains very ambitious because our aim is to shape progress that moves the world. At the same time, we want to be the automotive and industrial supplier of choice, recognized for innovation, agility and efficiency. That is our new Vision, which is a logical extension of our new strategic objectives. We have also reformulated our Mission: “We develop and manufacture innovative and smart components, systems and services for sustainable mobility and motion.” The new Mission is much more brief, punchy and to the point than the previous version. The word “motion” here is pivotal. It much more aptly characterizes the Schaeffler Group’s activities as an automotive and industrial supplier than the term “mobility” on its own. “Motion” also lies at the heart of our new Claim.

The English version of the Claim is: "We pioneer motion. Together."

Slide 16a:



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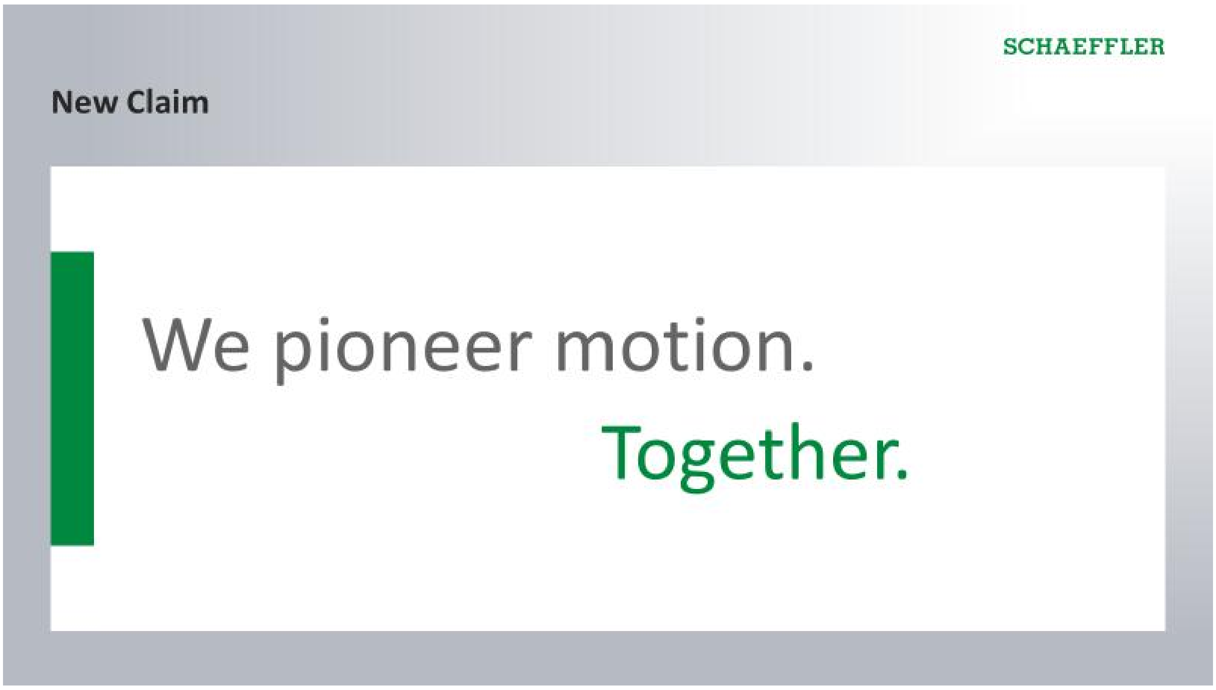
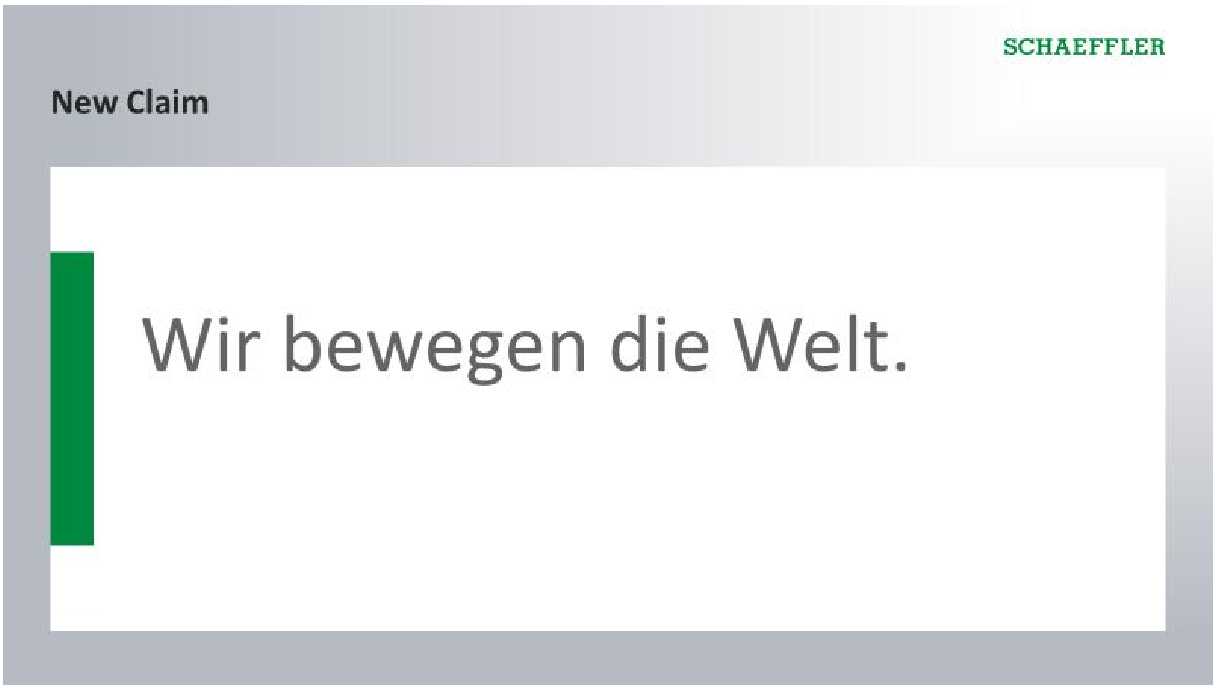


It encapsulates both the idea of movement and the pioneering spirit that defines the Schaeffler Group, and which has been instrumental to its success over many generations. The German version is “Wir bewegen die Welt. Gemeinsam.

Slide 17a:



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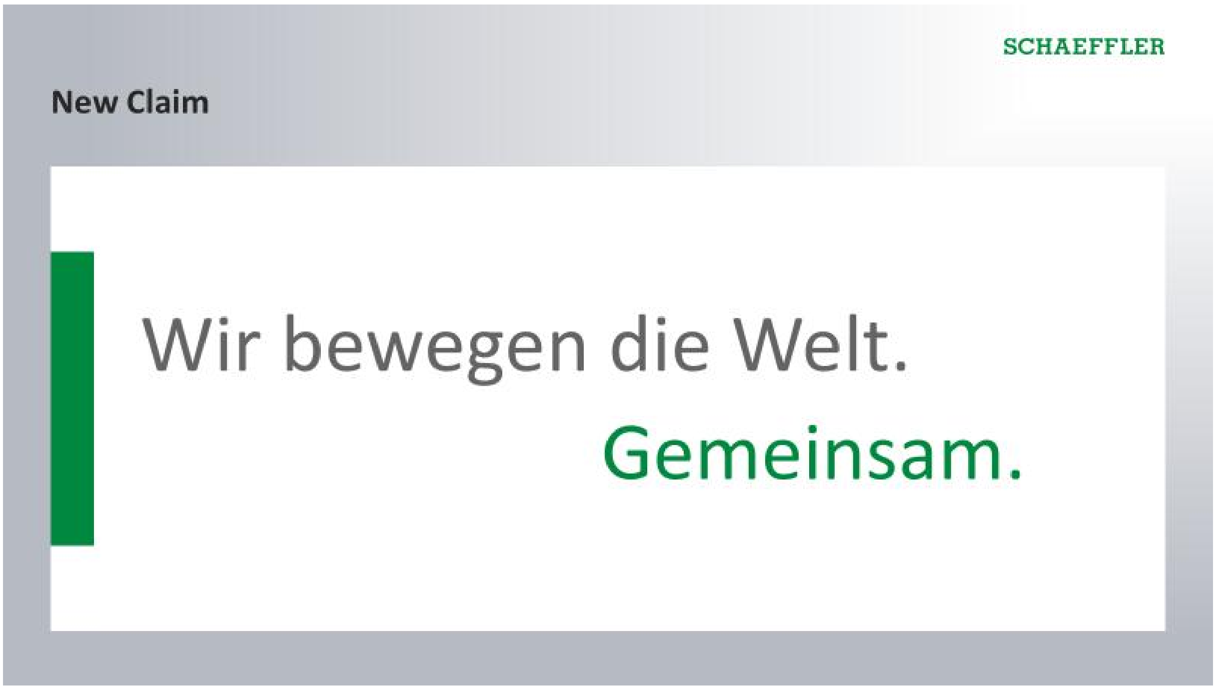


Translated this literally, means “We move the world. Together.” That is quite different from the English version, and the difference is intentional. The German version links up with the past in a spirit of continuity and respect for what our company stands for.

We have also re-formulated our focus areas. There are now five of them, each comprising concrete growth initiatives. We have also defined eight innovation clusters, which are derived from five key future trends. Together, all these things provide a solid framework for the execution of our strategy.

On the one hand, the implementation program comprises the specific programs of our three divisions Automotive OEM, Automotive Aftermarket and Industrial, which were further developed on the basis of the previous programs. There are also four cross-divisional programs. In these 4 programs, we bundle the activities that move us forward from a group and functional perspective and create value across divisions.

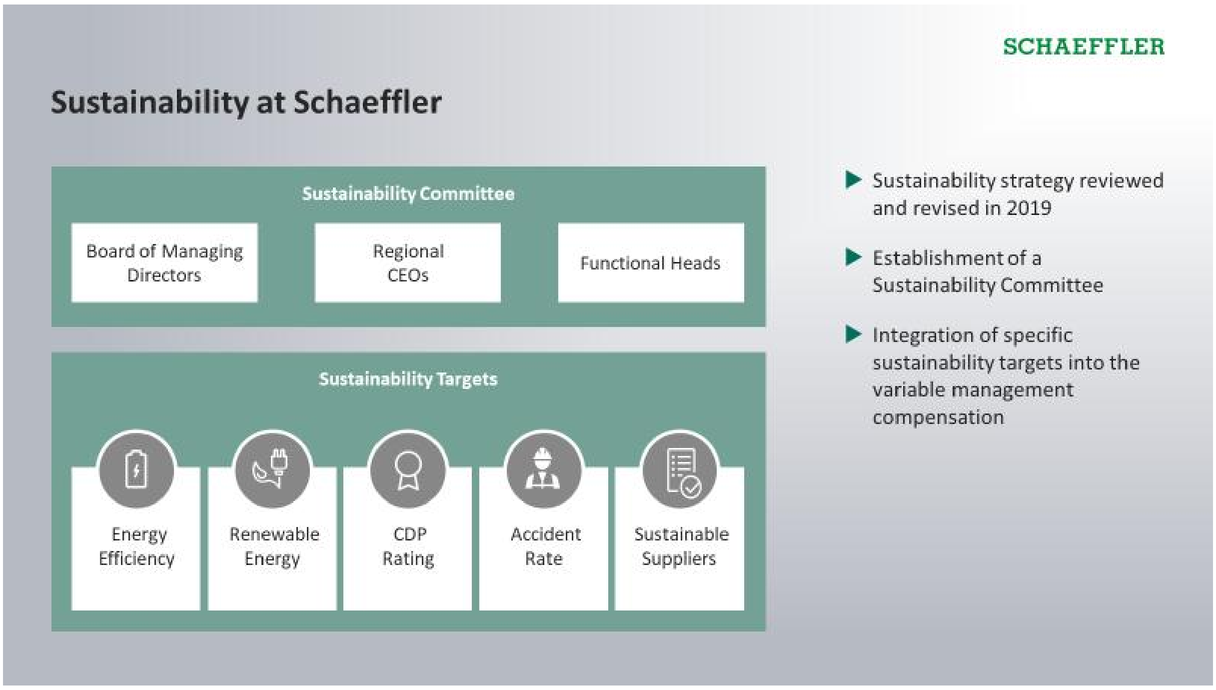
We will provide further details on all the sub-programs when we publish the abovementioned roadmap.

But first I would like to say a word or two about the third building block in our “Roadmap 2024”: our “Mid-Term Targets 2024”. It goes without saying that we remain committed to creating sustainable value. That is our primary objective, after all. Having said that, we do not think it would be prudent to make any statements about Mid-Term Targets at this point when we are in the midst of the coronavirus crisis. But rest assured, we will do so as soon as the dust has settled, and we have a clearer view of what lies ahead.

Ladies and Gentlemen,

Before I bring my report to a close, I would like to delve briefly into a matter that is very dear to my heart: sustainability.

Slide 18:



Sustainability has been firmly anchored at Schaeffler for many years. This topic will become even more important in the future. Not only for our customers, business partners and investors, but also for us as a management team. That is the key reason – although by no means the only reason – why we last year reviewed our sustainability strategy and realigned our sustainability management practices. As a starting point for this, we surveyed and analyzed the sustainability expectations of our key stakeholders.
These considerations led us to establish a Sustainability Committee, which is made up of all members of the Executive Board and representatives of the next level of senior management below that, and which meets on a regular basis.
One of the most important decisions made by the new Sustainability Committee was to realign our company's sustainability targets. As a result, we now have five sustainability management targets that we will be reporting on regularly.

1. We want to improve our CBP Climate Score to “A-” by 2021. CDP rates companies according to British school grades from "A" for "very good" to "D" for "sufficient". In the current year we are aiming to

achieve at least a “B” rating. To achieve these targets, we will increase our transparency around climate-related data and work closely with our customers and suppliers to reduce emissions in our value chain. In 2019 we achieved a major improvement in this regard: we increased our score from “D” to “B-”.
2. By 2022 we aim to be sourcing 90 percent of our production materials from suppliers who undertake sustainability self-assessments.
3. We want to grow the renewable share of our purchased electricity mix to 100 percent by 2024. We also want to increase the renewable share of our self-generated electricity mix.
4. We want to achieve an annual energy efficiency gain of 100 gigawatt-hours by 2024. To achieve this, we have developed a comprehensive energy efficiency program comprising diverse measures, including heat recovery and optimized machine cooling.
5. Sustainability also includes reducing our accident rate. Our target here is to reduce the number of accidents involving lost work time by an average of 10 percent per year by 2024.

To give sustained, long-term effect to these targets, we have integrated them into the variable component of the remuneration paid to members of the Executive Board and to our upper-level executives. This is an important step towards embedding sustainability firmly in our corporate culture and incentivizing our executives and all members of the Board of Managing Directors to make sustainability an integral part of their leadership work.

As the Executive Board of Schaeffler AG, we very much welcome the fact that there will be remuneration-relevant sustainability targets in the future. This will help to align the entire Schaeffler Group to the future and give the subject of sustainability even more space. Now more than ever.
Ladies and Gentlemen,

It is time now to bring my report to an end and summarize the main points for you.

Slide 19:

- We have done well in the difficult year 2019. It has shown us that we act quickly, flexibly and consistently when it counts. This will help us in 2020.
- Thanks to our various programs, we are on the right track in terms of improving our competitiveness. We will succeed if we remain firmly focused on implementing the necessary changes. Transformation is an ongoing task and does not end.
- We are and will remain an integrated automotive and industrial supplier. This diversified structure gives our company stability. We will further enhance this effect by fostering greater collaboration and synergy between our divisions.
- The Corona Crisis is hitting us. It is hitting us worldwide and harder than we originally thought. Nevertheless, we have reacted early, quickly and consistently. And we stand together as a strong team. We are therefore convinced that we will master this crisis.
- Our "Roadmap 2024" is the right way to shape the future. As soon as the crisis has passed, we will announce “Roadmap 2024” with all its contents and new “Mid-Term Targets”. Stay with us. And remain loyal to us and your Schaeffler Group.

We all know: The success of the Schaeffler Group is not possible without the high level of commitment, loyalty and great competence of our employees. This currently applies more than ever. On behalf of the entire Executive Board, I would therefore like to thank all of our employees once again. Above all, our thanks go to you: Our shareholders! We thank you for your support and above all for your trust. We will continue to do everything in the future so that we can continue to earn trust. In good and in bad times!

Thank you for your attention.

Slide 20: