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Report by the CEO
Klaus Rosenfeld

Check against delivery.

Extraordinary Annual General Meeting of Schaeffler AG
On September 15, 2020

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SCHAEFFLER

Extraordinary General Meeting 2020

Klaus Rosenfeld
Chief Executive Officer

September 15, 2020
Herzogenaurach

Dear Shareholders,

Mrs. Schaeffler-Thumann,

Mr. Schaeffler,

Members of the Supervisory Board,

Ladies and Gentlemen,

On behalf of the Board of Managing Directors, represented here today by our new CFO, Dr. Patzak, and myself, welcome to this Extraordinary General Meeting of Schaeffler AG. Like our Annual General Meeting in May, today's meeting is a virtual one because of the coronavirus crisis, as Mr. Schaeffler has explained.

I am pleased to see you once again at this extraordinary general meeting, and I particularly want to welcome our current and former employees here today.

From a formal point of view, today's Extraordinary General Meeting has only one purpose: to create authorized capital for the company. Mr. Schaeffler has kindly outlined the context for this move. Many of you will have noticed that our decision to call an extraordinary general meeting has attracted attention in the media and prompted a reaction in the capital market. This makes it all the more important for me to provide some further background on the reasons for this step.

But before I do that, let me briefly review some of the significant events that have occurred since the report I submitted to you at the Annual General Meeting on May 8.

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The last few months have clearly been an eventful, even dramatic, time for us, mainly because of the coronavirus crisis. When we presented the results for the 2019 financial year at our annual press conference on March 10 this year, there were already indications that 2020 was going to be a highly unusual year, unlike any we had experienced before. In a sign of things to come, on March 11, 2020, just one day after our press conference, the WHO (World Health Organization) officially declared the COVID-19 outbreak a pandemic.

As a result, we were forced to postpone our annual general meeting until May 8, 2020. For the first time in our still brief history as a listed company, we had to hold the meeting in virtual form. Our lawmakers had moved swiftly to create the necessary legal basis for doing this.

Our figures for the first half year presented on August 4, 2020 were likewise clearly impacted by the pandemic, or rather, by the resulting deterioration in the economic environment. More on this later.

Another major development, the package of structural measures presented by the Board of Managing Directors last week, also relates in some way to the effects of the pandemic crisis. I will also have more to say about this later as well.

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But first, looking at Schaeffler AG's operating performance, I'd just like to say that your company performed relatively well in the first half of 2020 and has so far coped well with the pandemic crisis.

Like other companies, we have, of course, suffered falls in revenues, EBIT and free cash flow as a result of the crisis. Most notably, the pandemic-related fall in demand for passenger cars and the temporary plant closures by auto makers have resulted in capacity underutilization at our automotive plants. The crisis struck at a time when the automotive industry was already undergoing major technology-related structural change. With the exception of our wind business, our Industrial division has also been caught up in this negative growth trend.

The countermeasures we have taken so far have not been enough. Late last year, we announced a further voluntary exit program to reduce our workforce in Europe by 1,300. This spring, we increased the scope of the program to 1,900 jobs, including 1,700 in Germany. But by the end of the second quarter of this year, it was already clear from the downward economic trend that the Schaeffler Group would not be able to avoid additional structural realignments.

Having said that, there have been a number of positives in the first six months of the year. I'd like to highlight three of them today.

First: The merits of our diversified position as automotive and industrial supplier have perhaps never been clearer than they are now in this time of crisis. Unlike many of our competitors, who supply only to the automotive industry, we posted a positive net operating result for the first half of this year. And we owe that to the positive profit contributions of our Automotive Aftermarket and Industrial divisions.

Second: Despite the crisis, our free cash flow was higher than for the same period last year, a fact due first and foremost to our proactive management of capital and costs. Our company also has a robust liquidity position.

And third: We have seen the beginnings of a recovery in the performance of our business across all three divisions and four regions since June this year. This upward trend has continued over the past few months, although uncertainty remains high because of the ongoing pandemic.

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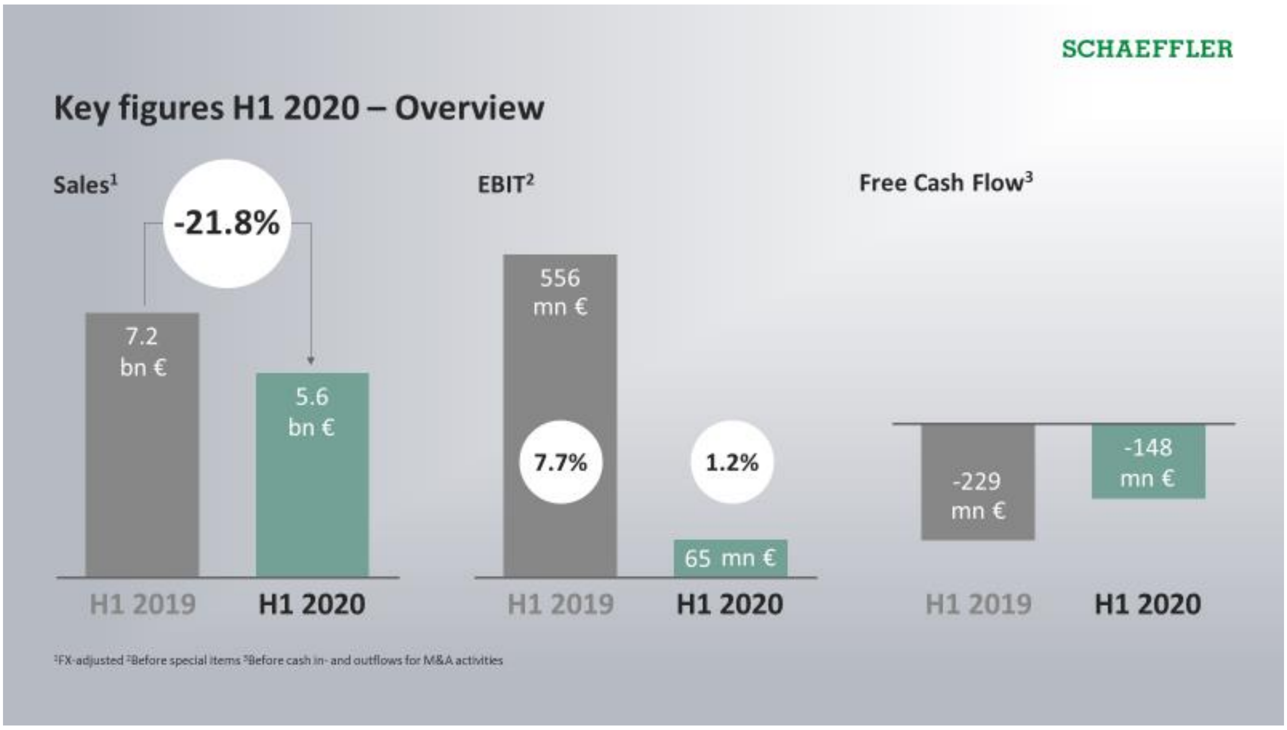

In terms of the numbers, the situation is as follows. In constant currency terms, revenues for the first six months of this year totaled 5.6 billion euros, down a sizeable 21.8 percent from 7.2 billion euros for the same period last year. Consequently, our EBIT before special items – our net operating result, in other words – was 65 million euros, which is significantly down from 556 million euros for the same period last year, but, as mentioned, still in positive territory. Our EBIT margin before special items was 1.2 percent, down from 7.7 percent for the first six months of last year. At minus 148 million euros, the Schaeffler Group's free cash flow (before cash in and outflows for M&A activities) was significantly higher than the minus 229 euros million recorded for the same period last year. These figures aren't really positive, but they do show that we initiated the right short-term countermeasures to keep the Schaeffler Group on course despite the crisis.

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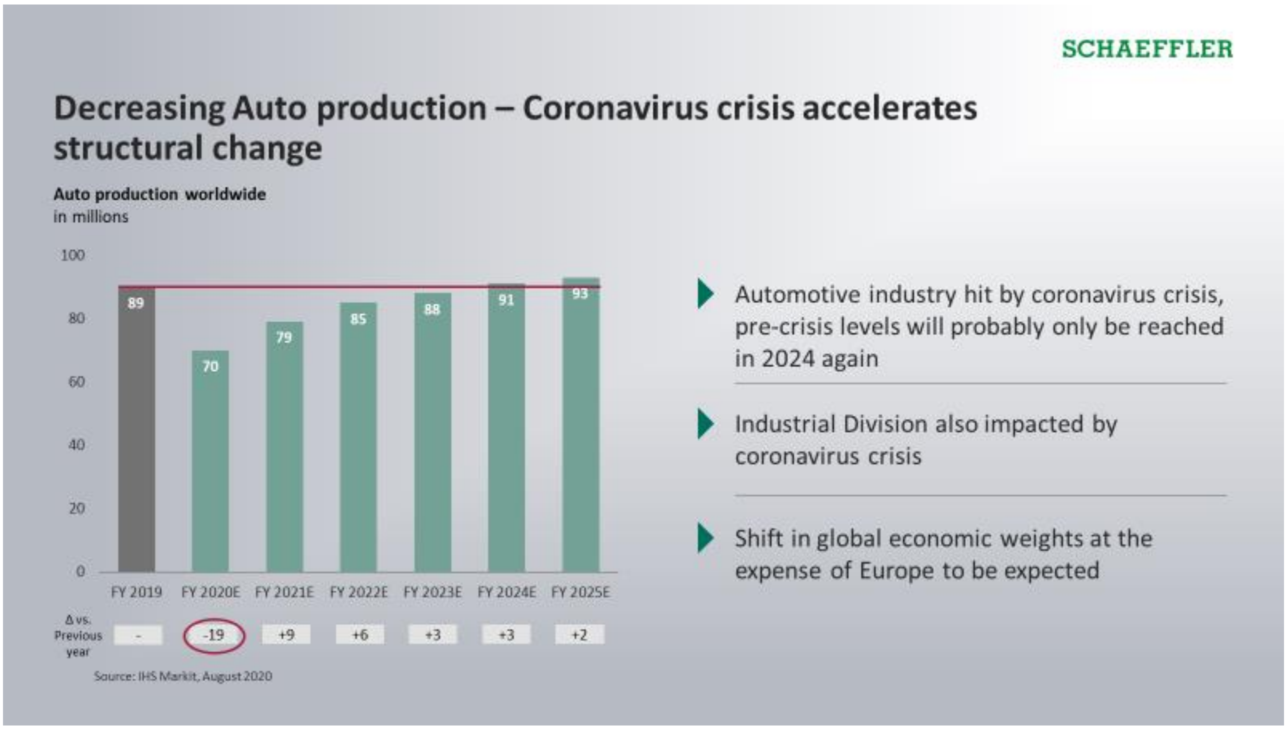

As mentioned earlier, the pandemic crisis has had a negative impact on the automotive industry in particular. Current forecasts put worldwide passenger car production for 2020 at 70 million units, which is about 20 million units fewer than in 2019. The latest projections suggest that the auto industry won't return to last year's high levels until at least 2024. In other words, the recovery will be slow and will not be V-shaped. In addition, market projections suggest that global industrial production for 2020 will be down by between 8 and 12 percent.

Here, I'd like to re-emphasize one really important point about the auto industry: it is engaged in a process of major structural transformation that began well before the pandemic crisis arose. The transformation relates mainly to the shift away from internal combustion engines and towards alternative forms of propulsion, including electrification. In other words: the pandemic crisis is not the cause of the transformation, but it is accelerating and strengthening it. A further key factor is that, over the years ahead, we need to ready ourselves for a significant shift in global economic power away from Europe. We must proceed on the basis that Europe's economic strength relative to the other major economic regions of the world – principally China and Asia, but also the USA – will decline. Or, to put it another way: we will need to do even more to localize our activities.

So, what does that mean for Schaeffler? In what ways has the Schaeffler Group responded to this structural transformation so far?

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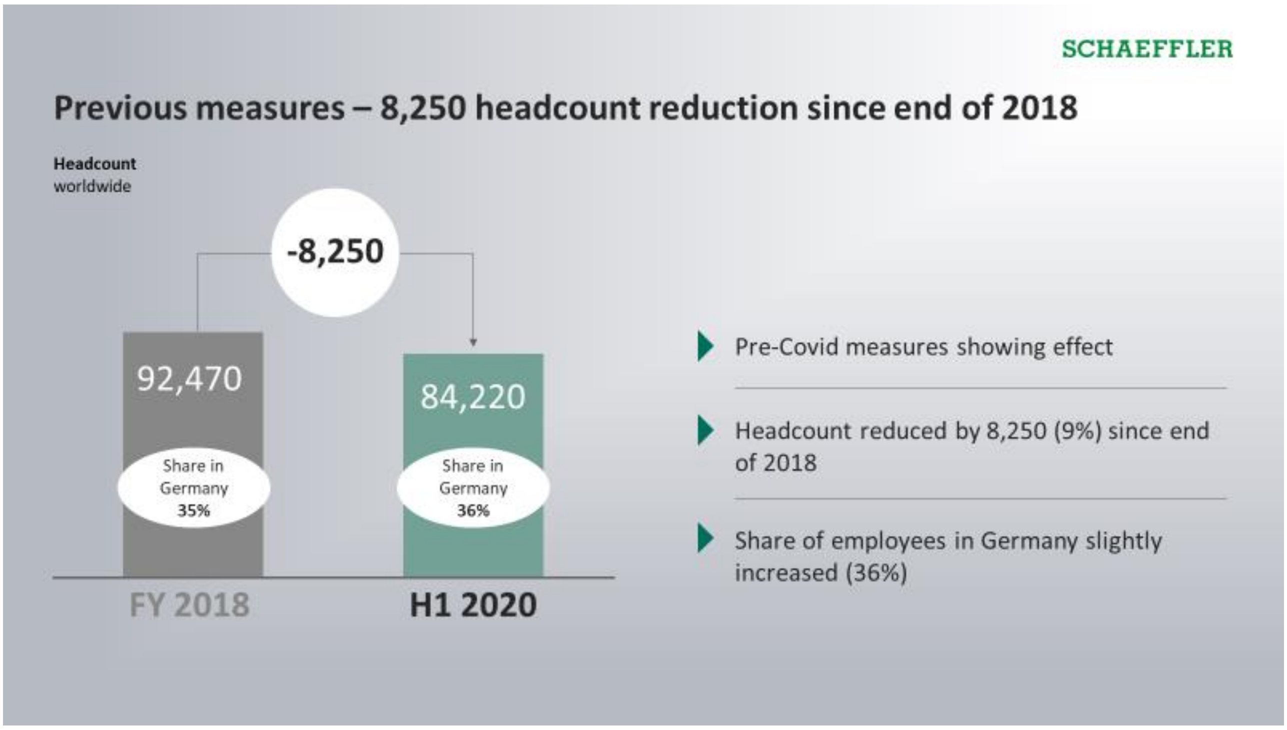

Well, we actually began positioning ourselves for this transformation a number of years ago. For example, we've been working hard to establish and grow our e-mobility business. We have also embarked on the further divisionalization of our organization and have implemented various realignment measures. Building on this, we downsized our global workforce from roughly 92,470 at the end of 2018 to roughly 84,220 at the end of June 2020, a reduction of just over 8,250, or about 9 percent.

The bulk of this downsizing happened in Schaeffler regions outside of Europe and, more especially, outside of Germany. In relative terms, our workforce in Germany has actually increased slightly – from 35 percent of the global total at the end of 2018 to 36 percent at the midway point of this year. Viewed that way, it's clear that any further structural realignments need to be focused on Europe generally and Germany in particular.

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With these facts in mind, the Board of Managing Directors of Schaeffler AG on September 9 this year outlined a comprehensive package of structural measures for Germany and Europe. In putting these measures forward, we are pursuing six overarching objectives.

First, we want to accelerate the pace of structural change and transformation at Schaeffler.

Second, we want to further consolidate and streamline our footprint in Europe.

Third, we want to reduce overheads in our corporate functions and divisions.

Fourth, we want to – because we must – further enhance the Schaeffler Group's ability to compete. That's why we will be reinvesting the capital freed up by the measures in key future areas of business and technology.

Fifth, the transformation of our company will proceed on the basis of the existing Future Accord and hence in as socially responsible a manner as possible. We are a family business, so our commitment to social responsibility isn't just about credibility; it's about doing the right thing.

The sixth and final objective of the measures is to safeguard the Schaeffler Group's ability to operate and realize future opportunities. Effective, target group-specific communication will be instrumental in achieving these objectives.

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At this point, I feel it's very important to emphasize that the package of measures chosen by the Board of Managing Directors has two main components. It's not just about workforce and capacity downsizing or consolidating our locations. It's also about clustering capabilities and strengthening

Schaeffler locations in Germany. In other words, our package has both a reactive and a proactive component.

The reactive component relates to downsizing capacity and consolidating locations. It will involve a net workforce reduction of approximately 4,400 jobs in Europe, the overwhelming majority of them in Germany.

These reactive measures will mainly affect 12 locations in Germany. Two additional European sites are currently under review. All three of the group's divisions and its corporate functions will contribute to the workforce reduction and consolidation.

The proactive component of the package is aimed at expanding local capabilities and competencies and improving competitiveness.

To this end, the capital made available by the downsizing and consolidation measures will be reinvested in key future areas of business and technology in Germany. For example, if relocating production from one German location to another nearby frees up valuable real estate that we can sell, the proceeds of that sale can be used to strengthen the Schaeffler Group's core competencies and capabilities in key areas of technology in Germany.

Specifically, our plans include the establishment of capability centers – competency centers, if you will – at several locations in Germany.

Our Herzogenaurach location will be the site of our new capability center for hydrogen technology. Hydrogen is undoubtedly a key future area of technology where we have a lot to offer in terms of applications from both our Industrial and Automotive OEM divisions.

Höchstadt will gain a tool-manufacturing capability center and will absorb Herzogenaurach's current tool-manufacturing capacity.

Bühl will be developed into a capability center for e-mobility. Its electric-motor volume-production capability will gain roughly 500 jobs that were originally planned for a site in Eastern Europe.

And finally, our site in Schweinfurt will be significantly strengthened in various key future areas of technology, including Industry 4.0 and robotics.

But the measures are not just about consolidation. Within the Schaeffler Group as a whole, we will also be intensifying our focus on upskilling and ongoing professional training for our employees. In this way, we are following through on our commitment to ongoing employee training and development, as expressed in the Future Accord and elsewhere.

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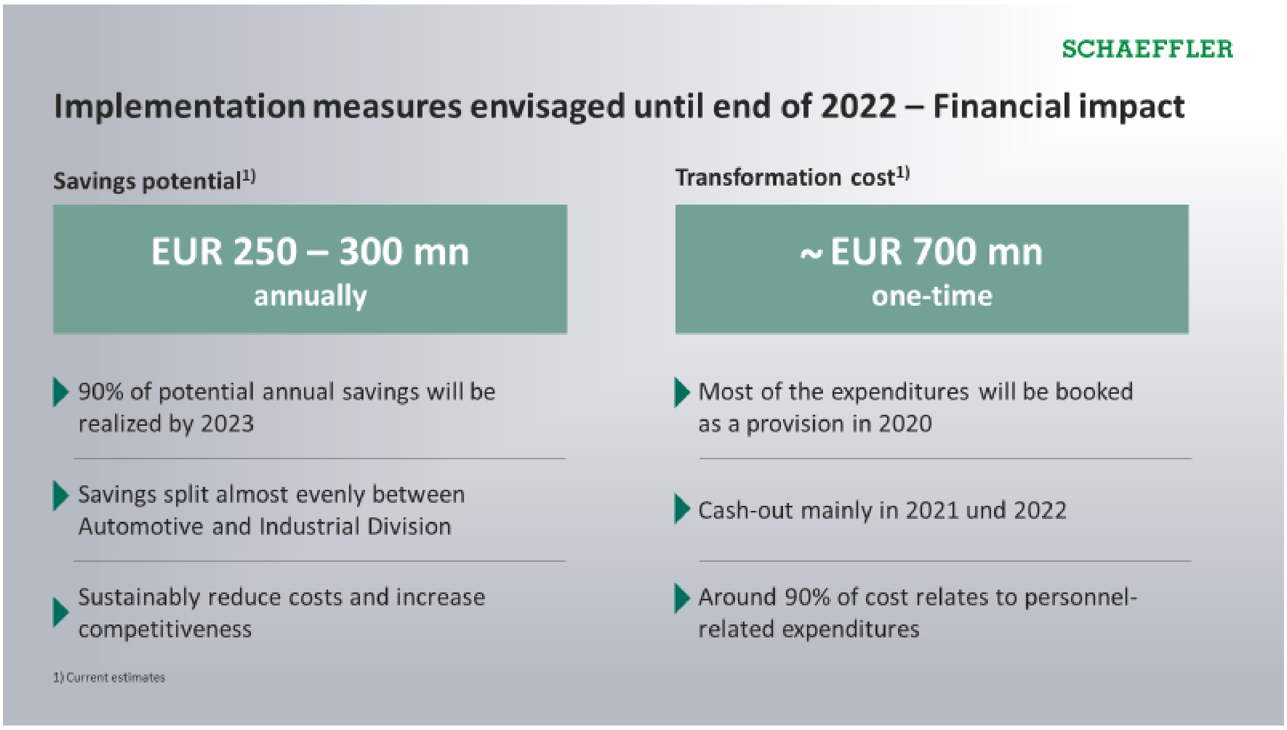

We are aiming to have the measures fully implemented by the end of 2022. It is envisaged that they will yield potential savings of between 250 and 300 million euros annually, of which 90 percent is expected to be realized by 2023. About half of these savings is expected to come from the Automotive OEM and Industrial divisions. A smaller share of the savings will relate to the Automotive Aftermarket division.

Achieving these potential savings will cost about 700 million euros in transformation expenditures, most of which is expected to be recognized as a provision in the financial statements for 2020. Approximately 90 percent of these transformation expenditures will relate to personnel expenses. The effect will be a sustained cost optimization within Schaeffler Group.

As a final note on this subject, I should mention that the announced package of structural measures is truly extensive. Nothing on this scale has even been seen before at Schaeffler. So, let me assure you, we will do everything we can to implement this package – which rightly needs to be negotiated with our works councils and employee representatives – quickly and with all due fairness and sound judgment.

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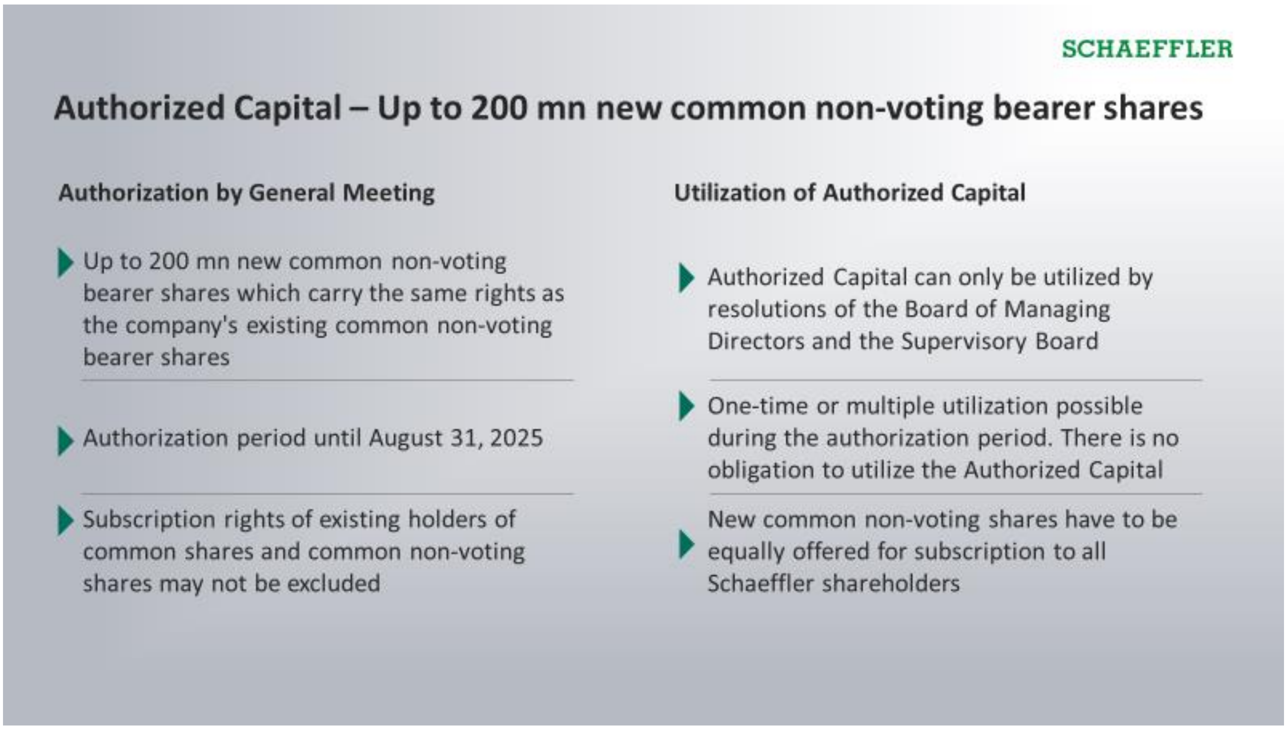

This brings me to the single item on the agenda of today's Extraordinary General Meeting, which I would now like to comment on in some detail. I'm sorry if some of the terminology I use seems rather forbidding and technical, but there are some strict formal requirements for making decisions of this kind, and we need to ensure those requirements are met.

Today we are asking the company's voting capital to agree to the creation of authorized capital. That would allow the Board of Managing Directors, with approval from the Supervisory Board, to increase Schaeffler AG's share capital, currently 666 million euros, by issuing up to 200 million of additional shares.

That authorization would only permit the issue of common non-voting shares, carrying the same rights as the existing common non-voting shares. The authorization would be valid from now until August 31, 2025, and capital up to the authorized limit could be issued, either in a single lot or multiple lots, during that time. There would be no obligation to make use of the authorization and issue the authorized capital. If the authorized capital was not issued, or not fully issued, during that period, the unissued portion would "expire" at the end of that five-year period.

If the authorized capital was issued, the new common non-voting shares would have to be offered to all existing Schaeffler shareholders for subscription within a subscription period of two weeks. The authorization would not allow any exclusion of that subscription right. Subscription rights would be granted equally to holders of common shares and holders of common non-voting shares. The decision on the subscription price, the subscription ratio and the final number of new common non-voting shares would be made jointly by the Board of Managing Directors and the Supervisory Board.

We see this authorization purely as an anticipatory resolution, to be taken up if the situation arises. It is in the interests of both the company and yourselves as shareholders. Our intention in creating this authorized capital at this time is to ensure that we can swiftly take advantage of any opportunities that may arise in these difficult times rather than having to let them pass by for lack of financial room to maneuver.

As we said in our ad hoc communication of August 20, 2020, this authorized capital will be used to strengthen the capital base of Schaeffler AG through a possible capital increase so that we can further advance the transformation of the Schaeffler Group and ensure that we are in a position to harness potential growth opportunities for the further development of your company, Schaeffler AG.

At the moment, we do not have any specific transaction in mind for potential utilization of the authorized capital. Nor can we currently predict when and to what extent the authorized capital will be utilized, nor indeed whether it will be utilized at all. At this stage it really is solely a matter of giving ourselves room to maneuver and enhancing our funding toolbox by adding a tool that most other companies already have.

If the authorized capital was utilized, a further indirect objective for such a capital increase might be to increase the free float and liquidity of the Schaeffler stock, thereby making it more attractive to investors. Having said that, we, as your Board of Managing Directors, would of course always be happy to see our family shareholders participating in such a capital increase by taking up all or part of their subscription rights.

I hope this provides sufficient explanation of the reasons for creating the authorized capital. We will be happy to provide a detailed response to any questions you may have. This brings my comments on the item on today's agenda to a close.

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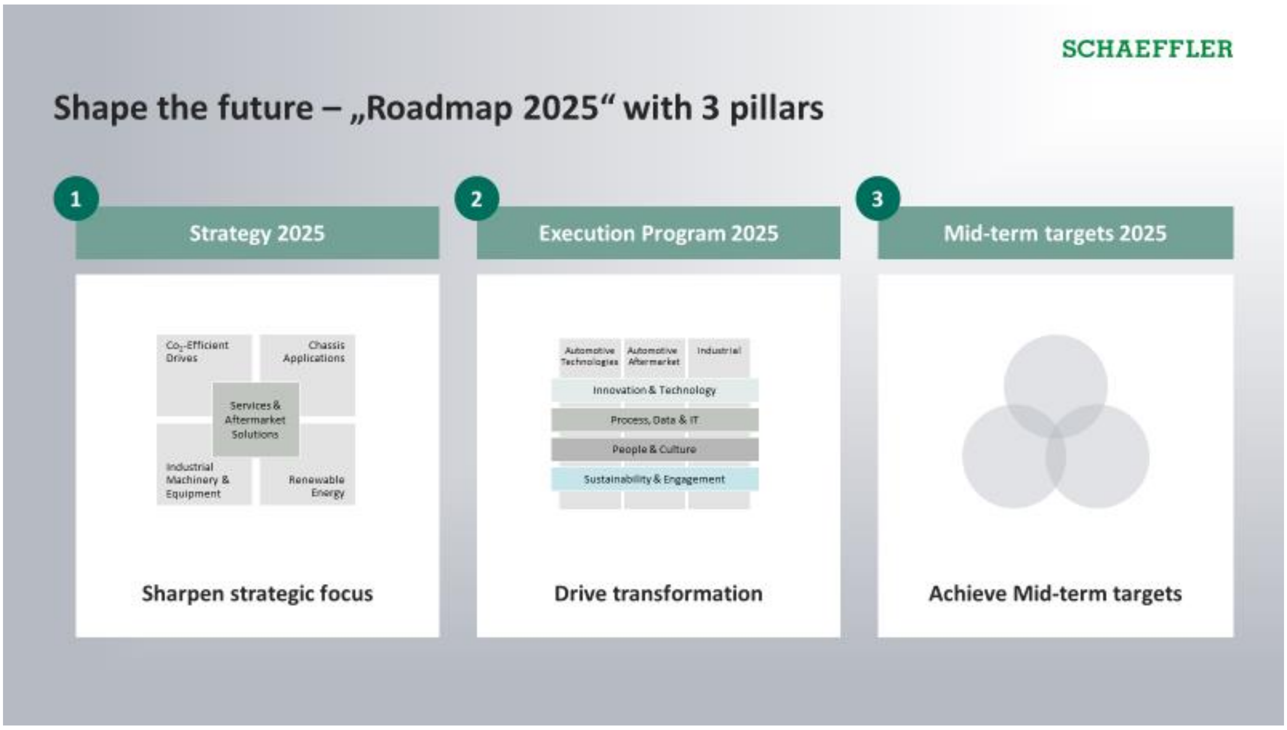

But before closing, there are two further issues I would particularly like to comment on. Why? Because we need to keep looking to the future and have the courage and determination to do everything in our power to ensure that the Schaeffler Group remains a strong and successful company. That's always important, and in the current situation, it's more important than ever. Our "Roadmap 2025" and sustainability are going to play a crucial role in achieving this.

Let me begin with our "Roadmap 2025", which we originally intended to present to you in greater detail earlier, in spring this year. The "Roadmap 2025" is built on three pillars.

The first pillar is the Schaeffler Group's new strategy, which is aimed at providing a sharper strategic focus and which defines our unique strengths and growth areas.

The second pillar is an implementation program for putting that strategy into practice, so that we can further advance the transformation of our company.

And the third pillar defines our medium-term goals through to 2025 in terms of the three financial performance indicators we will use to make our operational performance visible, measurable, and transparent for you, our shareholders.

We will present full and detailed information on the elements of “Roadmap 2025” until the end of 2020.

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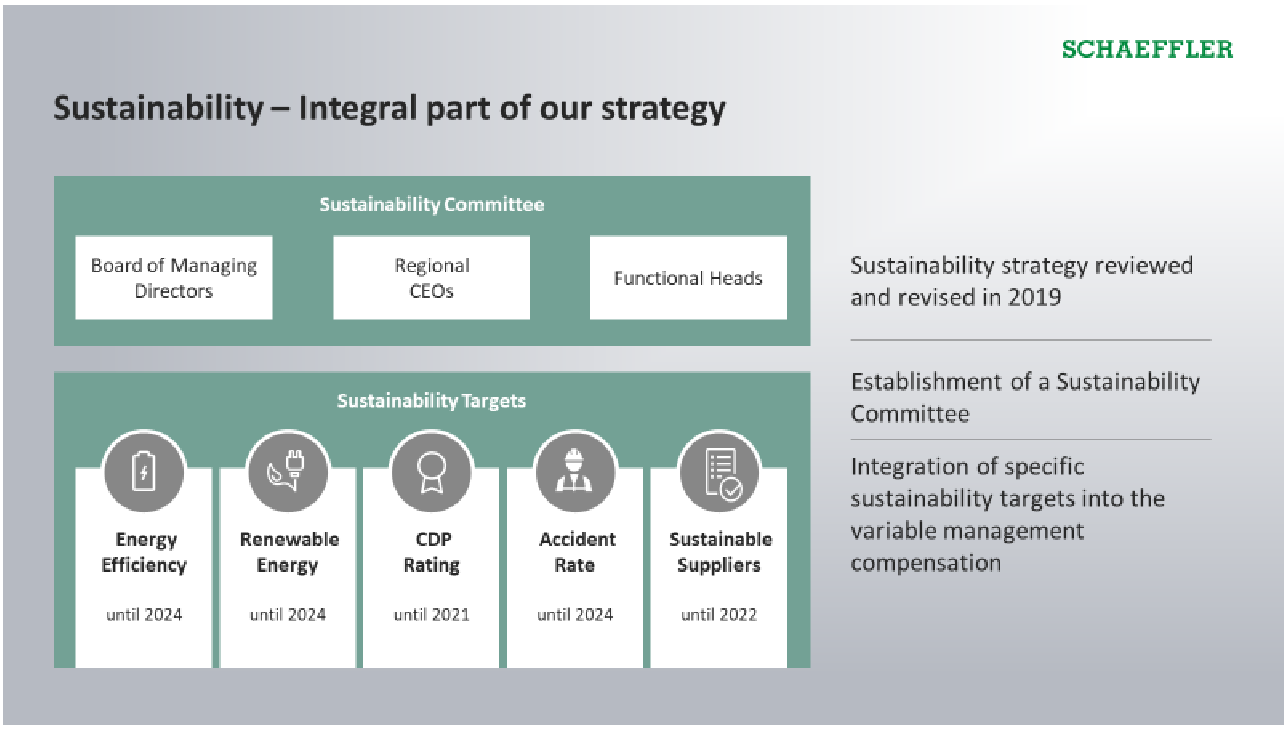

Equally important from my perspective is the issue of sustainability, which we see as a central element of our strategy. In 2019, we therefore reworked and reformulated our sustainability strategy, and established a sustainability committee, with members drawn from the Board of Managing Directors, the regional CEOs, as well as selected managers immediately below Board level.

This shows just how important sustainability is for Schaeffler. This is also reflected in our decision to link the variable component of our management remuneration to the achievement of specific sustainability targets.

Ladies and gentlemen, let me reiterate my conviction that sustainability represents both an obligation and an opportunity for Schaeffler. Sustainability is at the core of what we do, and always has been.

Moreover, we are well positioned to continue to play a leading role in this area into the future, particularly in the areas of e-mobility and renewable forms of energy, such as wind power and hydrogen technology. The Automotive Aftermarket division also has its part to play in this context, because extending the service life of motor vehicles by repairing them is the very definition of sustainability.

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My fellow members of the Board of Managing Directors are excited about the future and have a wealth of ideas on the way forward. My personal view is that we have never had such a strong team around the board table as we have now. Our collaboration is based on transparency, mutual trust and team spirit. With a strong team at the top, we are ideally positioned to build a successful future together.

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I would now like to summarize the key messages that my colleagues and I have communicated to you today.

The Schaeffler Group has so far come through the crisis well, and has achieved a respectable half-year net income result despite the difficult operating environment.

To address the increasing pace of structural transformation, we have formulated a package of measures to strengthen our competitiveness.

That package is aimed both at reducing capacity and growing core capabilities and competencies.

The requested authorized capital will make the Schaeffler Group more flexible and will enable us to realize opportunities as and when they present themselves.

At this point, I would like to put it on record that I see the support shown for these measures by our family shareholders as a strong show of trust in us. So, on behalf of the entire Board of Managing Directors, my sincerest thanks to you, Mrs. Schaeffler-Thumann, and to you, Mr. Schaeffler.

In conclusion, “Roadmap 2025” is a blueprint on how we will harness the opportunities of the future. That is in everyone’s interests, particularly yours, our valued shareholders.

As the clearest expression of our ambitions for the future, let me quote our “claim”, our answer to the question of what Schaeffler stands for:

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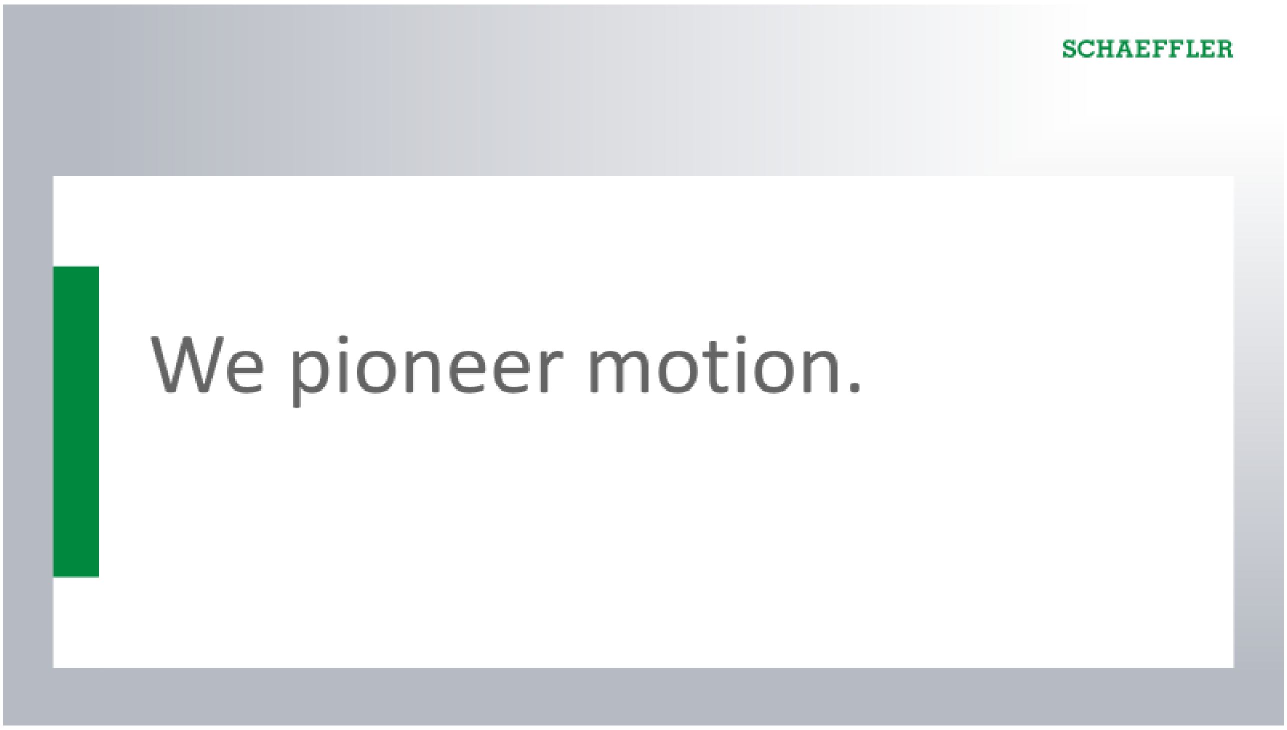

“We pioneer motion.”

And with this statement, which expresses both a claim and a commitment against which you should measure our performance, I now bring my remarks to a close and thank you for your attention.

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