SCHAEFFLER

Report by the CEO

Klaus Rosenfeld

Check against delivery.

Annual General Meeting of Schaeffler AG

on April 23, 2021

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Slide 1

Dear Shareholders,

Mrs. Schaeffler-Thumann,

Mr. Schaeffler,

Members of the Supervisory Board,

Ladies and Gentlemen,

On behalf of the Executive Board, welcome to the sixth Annual General Meeting of Schaeffler AG. This year, just as in 2020, the COVID-19 pandemic means that our Annual General Meeting is being held as a virtual event rather than in person. I would like to thank you all for demonstrating your continued loyalty to Schaeffler AG by attending our Annual General Meeting despite these challenging times. It is especially heartening to know that many current and former employees are following this Annual General Meeting via the web. Your support is always deeply appreciated.

Ladies and Gentlemen, as in previous years, I will divide my report into three parts. In the first part, I will address our company's performance in the 2020 financial year and outline our dividend proposal. In the second, I will examine our company's performance in 2021 so far and outline our guidance for the full 2021 year. The third part of my report is dedicated to our Roadmap 2025, our strategic direction, and the way ahead.

But before I talk about 2020, I would like to say a few words about the **COVID-19 crisis**, our management of the crisis, and the current situation.

Since the outbreak of the pandemic a good thirteen months ago, we have seen economic and social disruption on an unprecedented scale. You are no doubt all aware of the impacts on the global economy and beyond. Like others, the Schaeffler Group has been hit hard by the pandemic, as you can see from the result for the 2020 financial year. Looking back on our Annual General Meeting in May 2020, who at the time would have thought that the crisis would drag on for so long? Or that the crisis and all its challenges would escalate into a major test of the strategic orientation and business models of many companies, including those of the Schaeffler Group? Looking back, my Executive Board colleagues and I can now safely say that we have passed this test. And by 'we', I mean both our company as a whole and our international leadership team. I say that as a matter of pride, certainly, but mainly as an expression of extreme gratitude.

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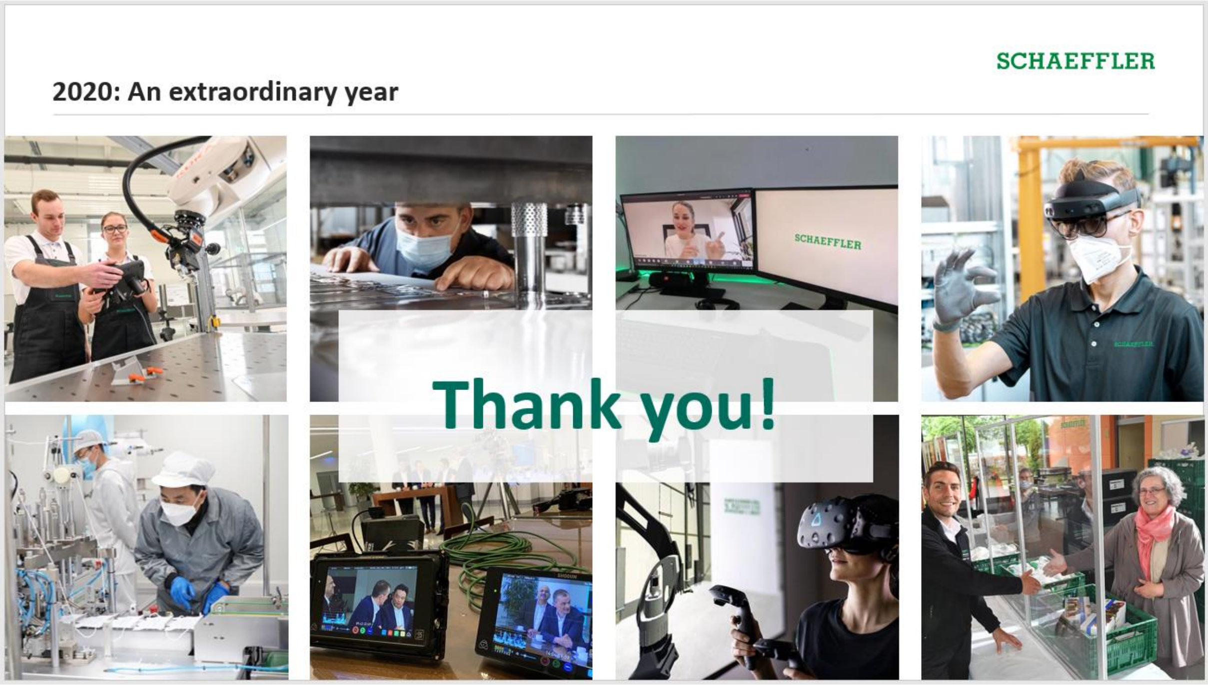

Our heartfelt thanks go to our employees and their leadership teams, wherever they are based, whether at our corporate headquarters in Herzogenaurach, at our 75 production plants worldwide, or at any of the many other Schaeffler locations. Thanks for their amazing commitment and dedication, especially their commitment and dedication to safeguarding the health and wellbeing of all employees. Our thanks also go to our customers and business partners for their loyalty and understanding: together with them we could take common measures to cope with the crisis. We would also like thank the members of our Supervisory Board who have provided help and advice. And, of course, our very special thanks go to you, Mrs. Schaeffler-Thumann and Mr. Schaeffler, and to you, our investors. Thank you all for the wonderful support you have shown us. Without your support, we would not be where we are today. You believed in us and placed your trust in us, and that speaks volumes, especially in the current climate. We value your trust, and we do not take it for granted, for we know that it is something we must constantly earn. So please be assured that we will do everything we can to do just that: earn your trust, both now and in the future. Our three core leadership principles – Transparency, Trust and Teamwork – will show us the way.

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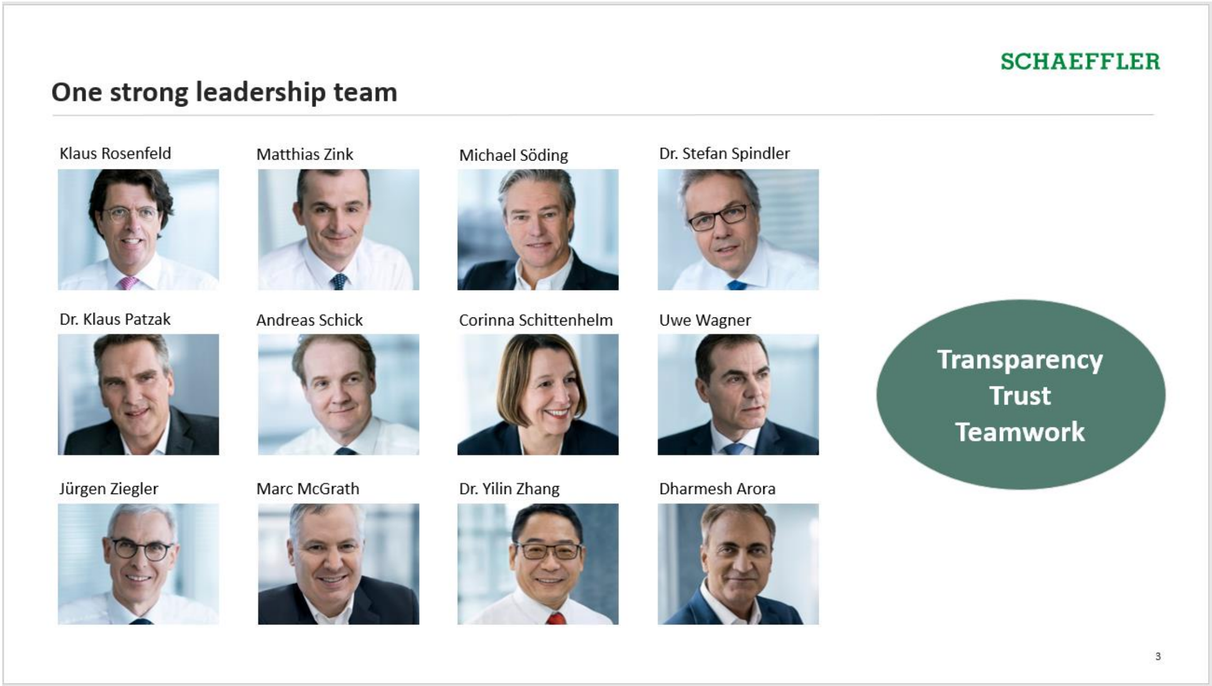

As you will all be aware from press reports, Mr. Söding will regretfully be leaving us at the end of 2021. His successor will be Mr. Jens Schüler. Dear Mr. Söding, even though you are staying with us for another eight months, I would like to use this opportunity to express my thanks for the great collaboration. Dear, Mr. Schüler welcome to the Executive Board. We look forward to seeing you next year when you will also be on the chart.

Every day we are reminded that the COVID-19 crisis is not over. The third wave is still raging. Although the outstanding work done by our crisis teams has kept the numbers of infections within our company as low as possible, we have in recent weeks experienced an increase, particularly at our locations in Eastern Europe, Brazil and India. Worse still, we have had to say farewell to 18 of our employees forever, a loss that fills us with great sadness. Our thoughts and heartfelt sympathies are with their families and loved ones and with all who have endured the worst of the COVID-19 crisis. The case numbers show that we must continue to be highly disciplined in our approach if we are to stay on top of the crisis. Over the past few weeks, we have worked extremely hard to make COVID-19 testing capacity available everywhere throughout our organization. My colleagues and I on the Executive Board believe in leading by example, and so we will get tested regularly, including before each board meeting. If testing is important, then immunization is just as important, if not more so.

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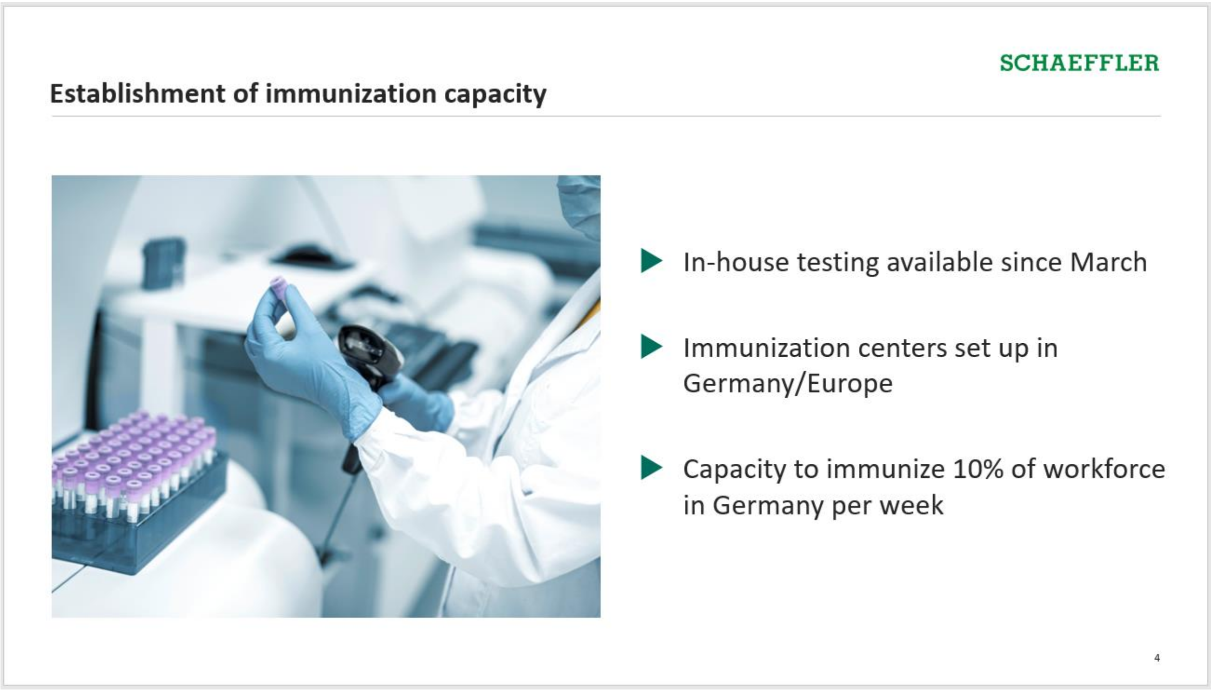

When it comes to immunization, other countries – most notably the UK and the USA – have made better progress than Germany and other EU countries. Therefore, over the last few weeks, we have been setting up our own vaccination lines at our main locations in Germany and Europe. The aim is to ensure that our entire workforce can be immunized as soon as possible once sufficient supplies of the vaccine become available. Mrs. Schaeffler-Thumann, Mr. Schaeffler: your kind approval for us to immunize not just our employees but their immediate family and dependents as well is a shining example of solidarity in action in our company. It is also a testament to the culture and values that have defined us as a family company over many decades. The crisis has highlighted the importance of always sticking together as a family company, whatever other changes we may undergo.

That's why we are working to establish our own immunization capabilities. It is our way of supporting the government and the public sector agencies concerned – our way of taking as much pressure off them as possible. It is responsibility in action. And who better to provide this kind of support than a manufacturing firm whose everyday operations hinge on optimizing cycle times, production flows, and supply chains? One final word on this subject: The current situation calls for pragmatic support, not strident criticism. The better our testing, and the faster we will be able to immunize our employees, the sooner we will be able to get back to normality. That must be our shared aim.

Ladies and Gentlemen, that brings me to the first part of my report: my review of the **2020 financial year**.

At our last Annual General Meeting, I promised you that we, the Executive Board of Schaeffler AG, would do our best to keep the Schaeffler Group on track despite the crisis and the very challenging market environment. I said we must remain true to our values, continue to collaborate and support one another and remain strong and optimistic so that we can emerge from the crisis even stronger. And I am pleased to say we have succeeded. Thanks to its position as an integrated automotive and industrial supplier, the Schaeffler Group faced 2020 with immense stamina and resilience.

Of course we were impacted by the crisis. But we responded decisively and took the right countermeasures at the right time. Overall, we can look back on a year in which we performed admirably, both by our own standards and by comparison with our competitors.

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We achieved what we did in 2020 not just by working on our defensive approach, but also by strengthening and developing our offensive approach wherever possible and advantageous. We employed tactical measures for the here and now, and strategic initiatives for the long term. We took this balanced approach because we knew full well that we must never let our management of the crisis distract us from actively shaping the future.

Our automotive business, for example, was hit very hard by the COVID-19 crisis at a time when it was also engaging intensively with the transition to electric mobility. Today there's scarcely an automobile manufacturer who hasn't declared electric mobility a strategic growth area and who isn't committed to accelerating the transformation towards alternative drive technologies. This is an area where we are getting stronger and stronger thanks to the outstanding work done by Mr. Zink and his team. Similarly, we have pushed ahead with digitalization in our aftermarket business, and the wind power business of our Industrial division continues to show strong growth year after year.

Other examples of our steadfast focus on the future include our new central laboratory facility in Herzogenaurach, where construction is just about to start, and the vitally important new center of excellence for tool manufacturing. The list goes on. They are all challenges that we successfully engaged with throughout 2020 – and will continue to engage with – in addition to attending to the daily demands of the pandemic. And that is what gives us confidence that we will emerge from the crisis even stronger.

That concludes my introductory remarks. I would now like to give a three-point summary of both the negatives and the positives of the 2020 financial year. What went well? Where did the challenges lie? Where do we need to do better?

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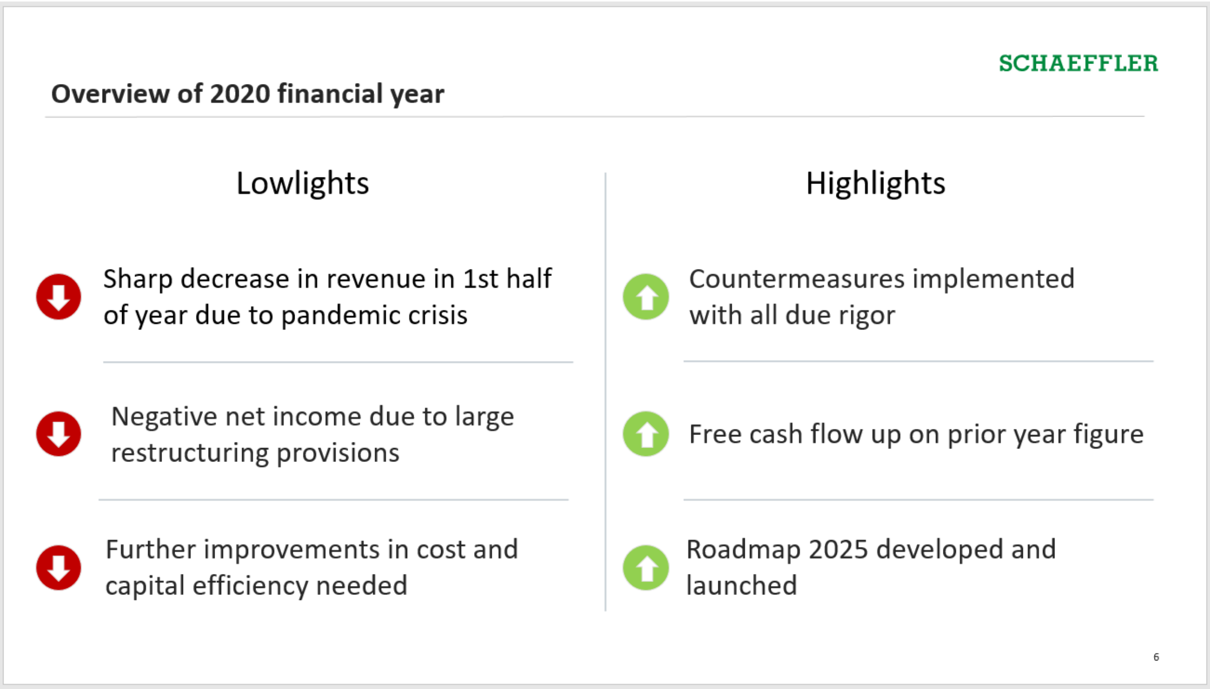

Let's start with the negatives.

<u>One</u>: In the first half of the year, the COVID-19 pandemic caused sharp revenue decreases across all divisions. The Automotive

Technologies division was affected the most. All four regions were affected by the pandemic. Europe was the worst affected.

Two: The decline in revenues was a significant burden on earnings before interest and taxes, especially in the second quarter. In addition, we created large restructuring provisions, which were a major factor in the net loss result recorded for the full year.

Three: The crisis highlighted the fact that we need to further improve our cost and capital structure and sustainably boost our competitiveness. These are not just matters of efficiency. They also call for agility and innovation.

This brings me to the positive aspects of the 2020 financial year.

One: We, as a team, took decisive action and implemented countermeasures swiftly and with all due rigor and regard for the future. These included steps to rightsize capacity and costs, avoid production cost variances and introduce additional flexibilities. On this point, I would like to make special mention of our plant managers, who did an outstanding job of implementing the adopted measures.

Two: Thanks to these countermeasures, we succeeded in achieving a full-year free cash flow that exceeded both the target for 2020 and the 2019 figure. This achievement shows that the Schaeffler Group has the resilience and high-quality operating business needed for success, even when times are tough.

Three: In 2020, despite all the challenges and the pandemic crisis, we managed to finalize our strategic orientation process. What's more, we succeeded – roughly one year later than planned – in creating a robust Roadmap 2025, which we unveiled to the capital markets at our Capital Markets Day in November that same year. More about this in the third part of my report.

In the interests of time, and in keeping with the practice of prior years, my discussion of the key figures for the 2020 financial year will be brief. You will find full details in the annual report, which this year is available in digital-only format for the very first time.

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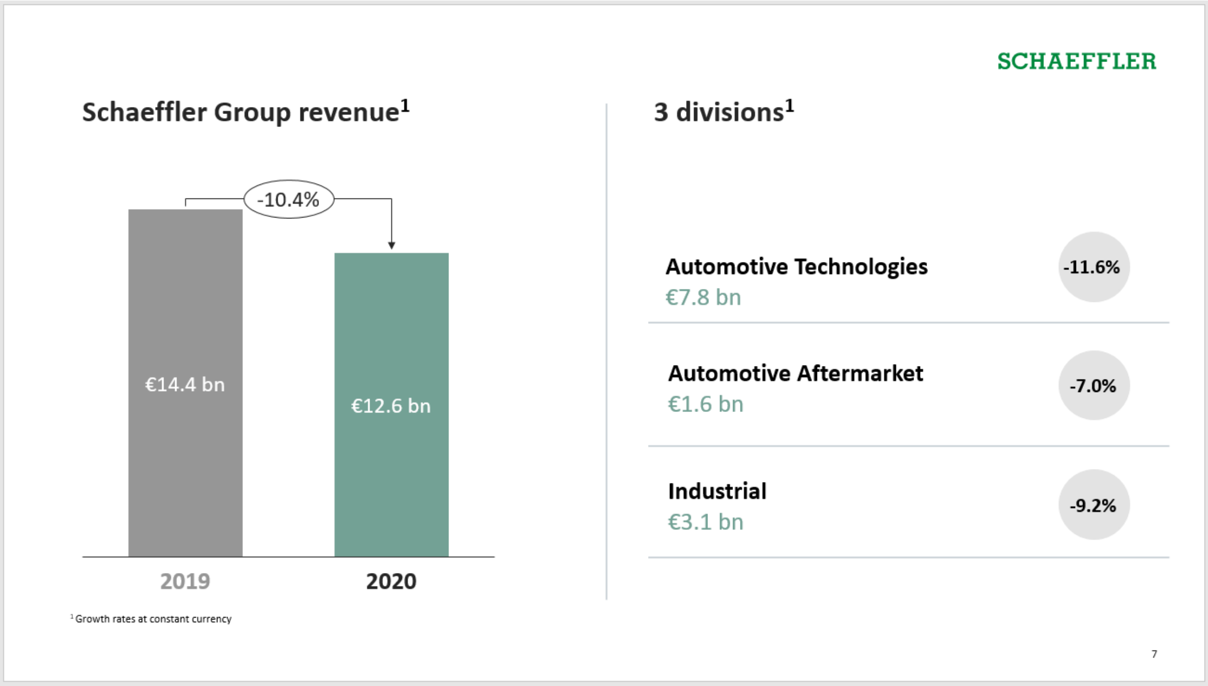

The revenue of the Schaeffler Group fell to approximately 12.6 billion euros. At constant currency, that's a revenue decrease of 10.4 percent. All divisions were impacted by this downward trend. The Automotive Technologies division posted revenue of 7.8 billion euros. This is a decrease of 11.6 percent in constant currency terms, which, given the decline of around 16 percent in global automobile production, still represents an outperformance of more than 4 percentage points. The revenue of the Automotive Aftermarket division fell to 1.6 billion euros, a decrease of 7 percent in constant currency terms. And the Industrial division recorded a decrease of 9.2 percent in constant currency terms, with revenue of 3.1 billion euros. Included in this figure is substantial revenue growth in our wind power business, particularly in the Greater China region.

Now for the revenue trend in our four regions:

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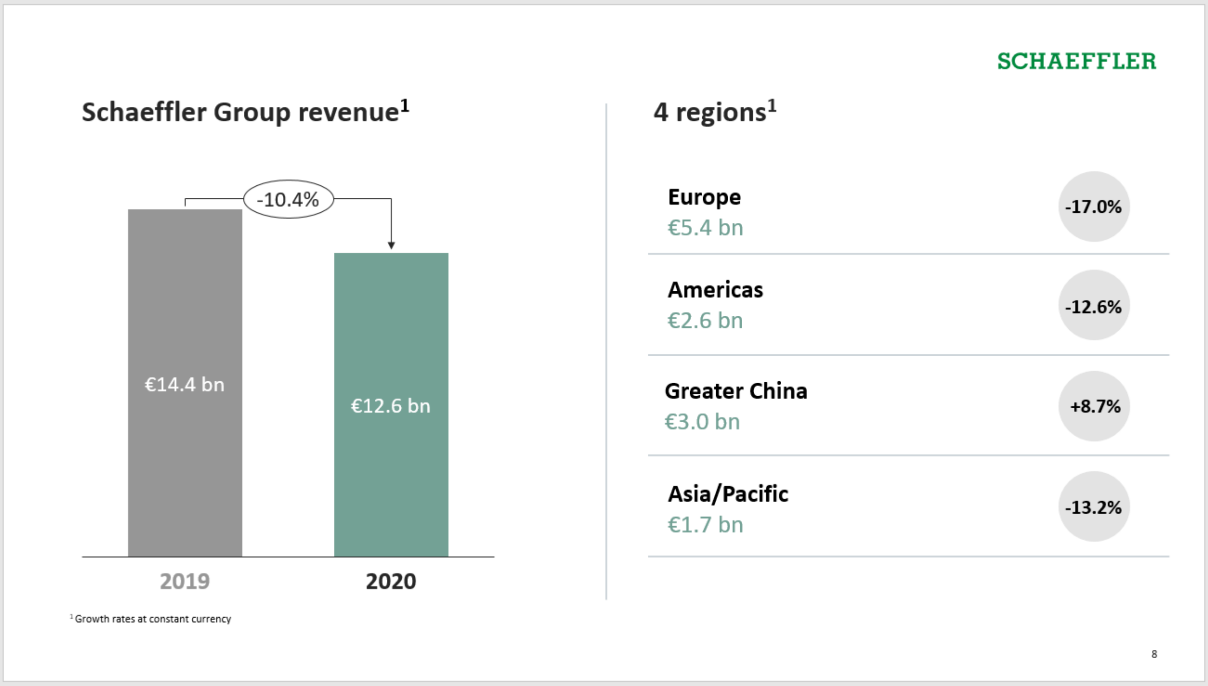

In three of our regions – Europe, the Americas and Asia/Pacific – the revenue of the Schaeffler Group fell in 2020. In the Europe region, revenue decreased by 17.0 percent in constant currency terms. The constant currency decrease in the Americas region was 12.6 percent. And in the Asia/Pacific region, revenue fell by 13.2 percent in constant currency terms. All of these three regions performed significantly better in the second half year than in the first. In contrast, in our Greater China region we posted an increase in revenue of 8.7 percent in constant currency terms across the whole of the 2020 year. Note that this was achieved in a time of unprecedented crisis. I want to thank Dr. Zhang and his entire team for this outstanding result. Greater China now accounts for 23 percent of our global revenue, making it the second-largest region in the Schaeffler Group.

Which brings us to profit and net income.

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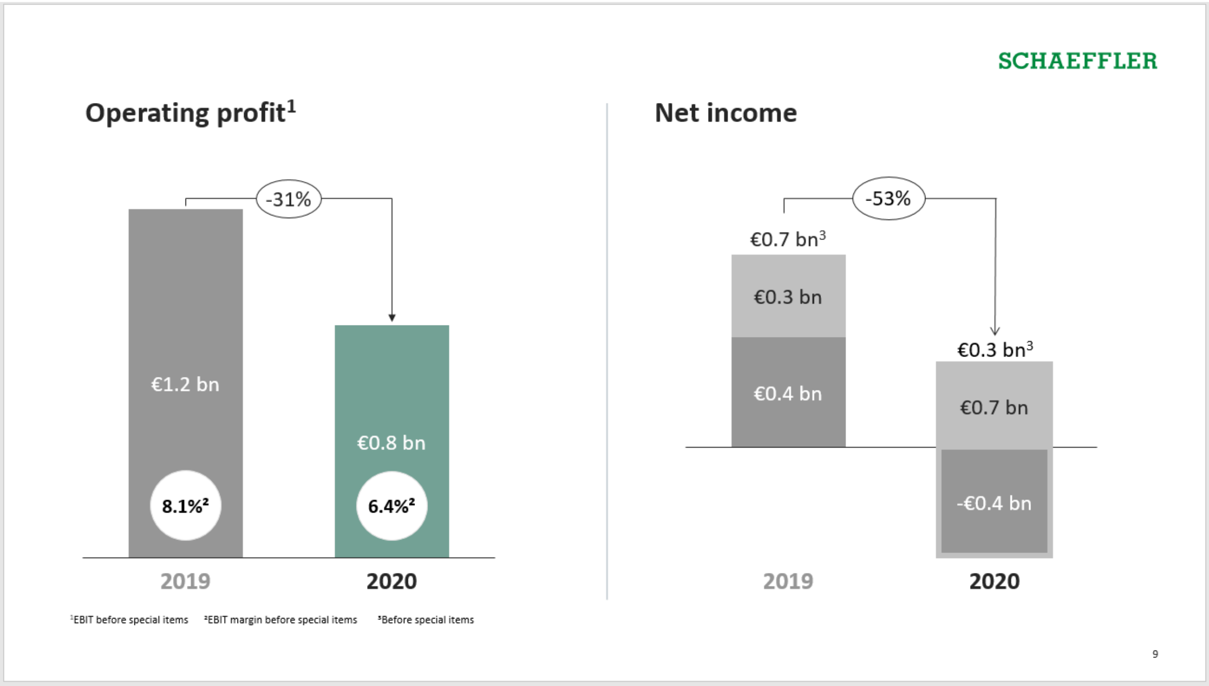

The operating profit, or <u>EBIT</u>, of the Schaeffler Group was negatively impacted by 946 million euros of special items. These special items were mainly the result of the expansion in the RACE, GRIP and FIT transformation and efficiency programs that were put in place in our divisions in 2019, along with a goodwill impairment in the Automotive Technologies division. EBIT for the 2020 year before these special items was 803 million euros, which represents an EBIT margin before special items of 6.4 percent. The Automotive Technologies division achieved an EBIT margin before special items of 3.6 percent in the 2020 financial year, as compared with 15.8 percent for the Automotive Aftermarket division and 8.5 percent for the Industrial division. This simple comparison clearly demonstrates the value of being a diversified automotive and industrial supplier with a global presence.

On this basis, <u>net income</u> attributable to parent company shareholders declined from last year's figure of plus 428 million euros to minus 424 million euros in the year under review. This net income figure includes the special items already mentioned, which totaled

749 million euros after tax. Before special items, net income was 325 million euros, as compared with 686 million euros in 2019. This is a decrease of 53 percent.

Now a few words on our global employee headcount and capital expenditures.

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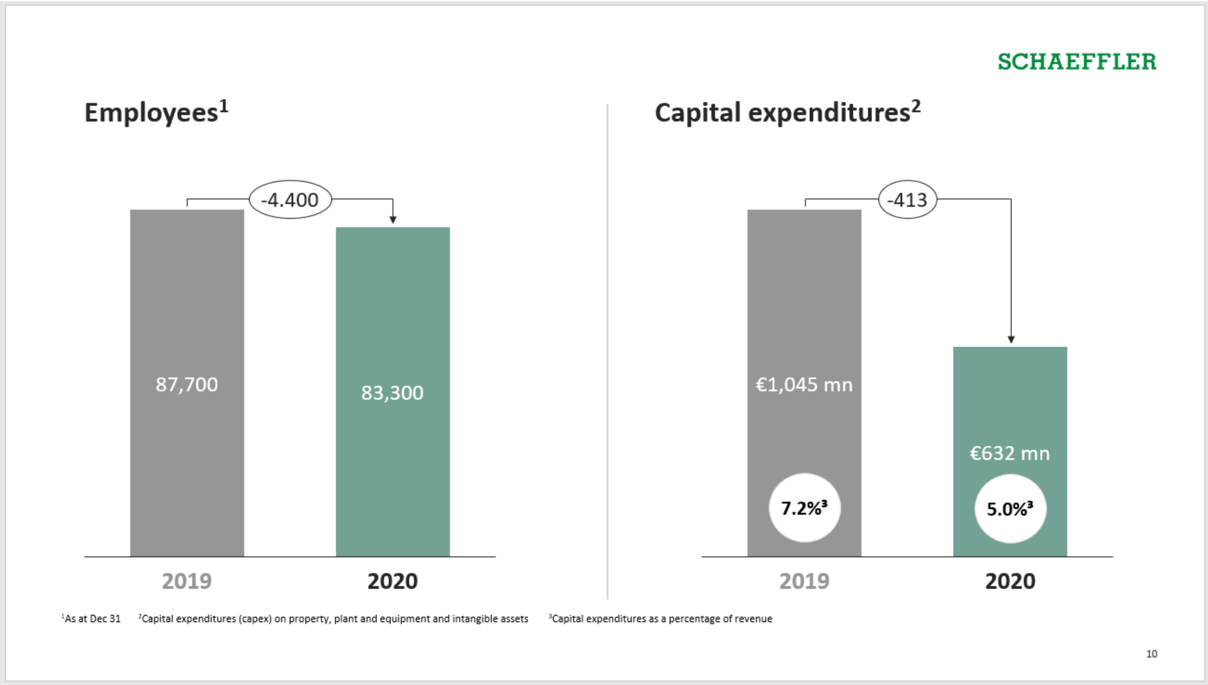

At the end of 2020, Schaeffler had a total workforce of around 83,300 employees, almost 9,200 fewer than at the end of 2018. This represents a decrease of just on 10 percent. These figures do not include the reduction of a further 4,400 jobs under our restructuring program announced in September 2020. Our capital expenditures were significantly scaled back during the year under review. The total capital expenditures of 632 million euros represent a capex ratio of 5 percent, as compared with 7.2 percent in the prior year. The reinvestment ratio was 0.67, down from 1.01 in the prior year. These figures demonstrate our success in maintaining strict discipline in the area of capital and capital expenditures. We continued to meet all commitments given to our customers, because even in this time of crisis, we believe that capital expenditures for our customers remain a key success factor.

In spite of all the pressures we had to absorb in the 2020 year, our balance sheet remains strong, and we have a very comfortable liquidity position.

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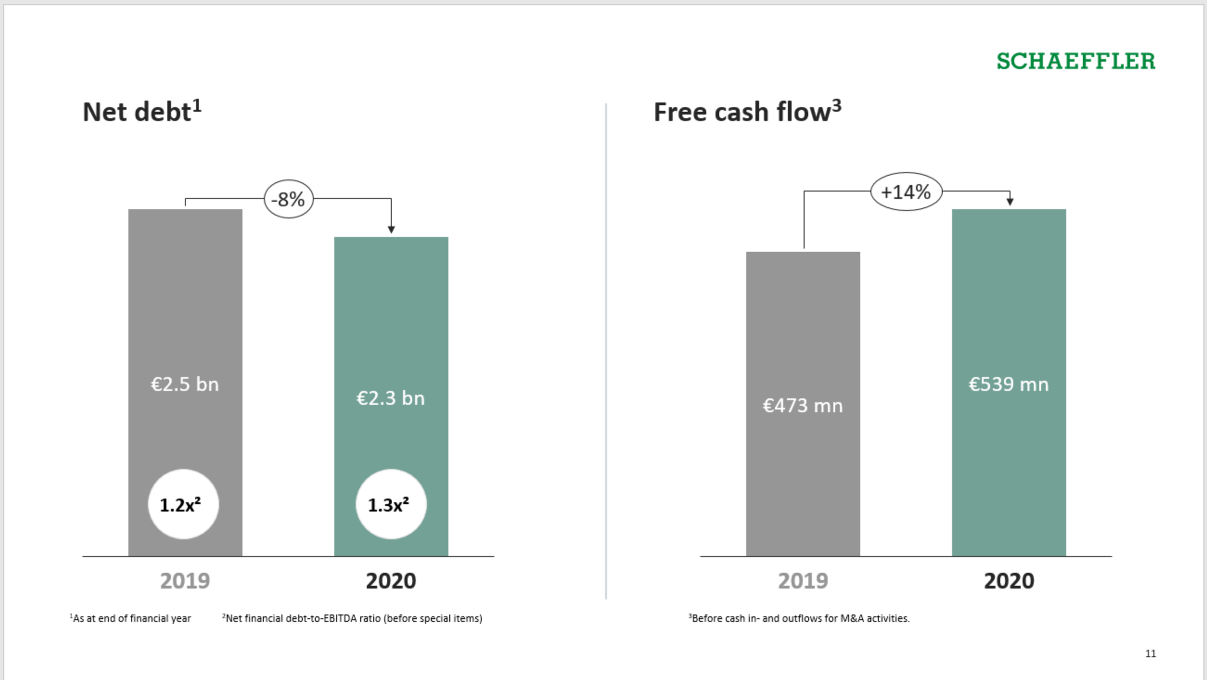

Our net debt ratio – that is, the ratio of net financial debt to earnings before interest, tax, depreciation and amortization before special items (or EBITDA before special items) – remains almost unchanged from the prior year. The ratio was 1.29x, as compared with 1.20x in the prior year. Given our net financial debt of 2.31 billion euros, as compared with 2.53 billion euros in the prior year, and a lower EBITDA of 1.12 billion euros, this almost unchanged ratio figure is mainly attributable to our success in improving free cash flow before cash in and outflows for M&A activities in comparison with the prior year. Our free cash flow increased from 473 million euros to 539 million euros. This is clear evidence of the strength of the Schaeffler Group, even in a time of crisis. It is also a sign that the actions taken by the Executive Board during the 2020 year had the desired effect. Our strength is further reflected in our excellent liquidity position: at the end of the 2020 year, the Schaeffler Group held available liquidity positions of 3.5 billion euros, as compared with 2.2 billion euros in the prior year. It is also evident from our equity ratio, which we held at 13.9 percent, in spite of the significant negative impacts we had to absorb, and which, needless to say, we intend to strengthen over the long term.

That concludes my outline of the highlights of the consolidated financial statements. Now some very brief words on the individual financial statements of Schaeffler AG. The surplus for the year under HGB (German Commercial Code) rules was 154 million euros. This originates mainly from income from equity investments and forms the basis for the appropriation of earnings and our **dividend proposal**.

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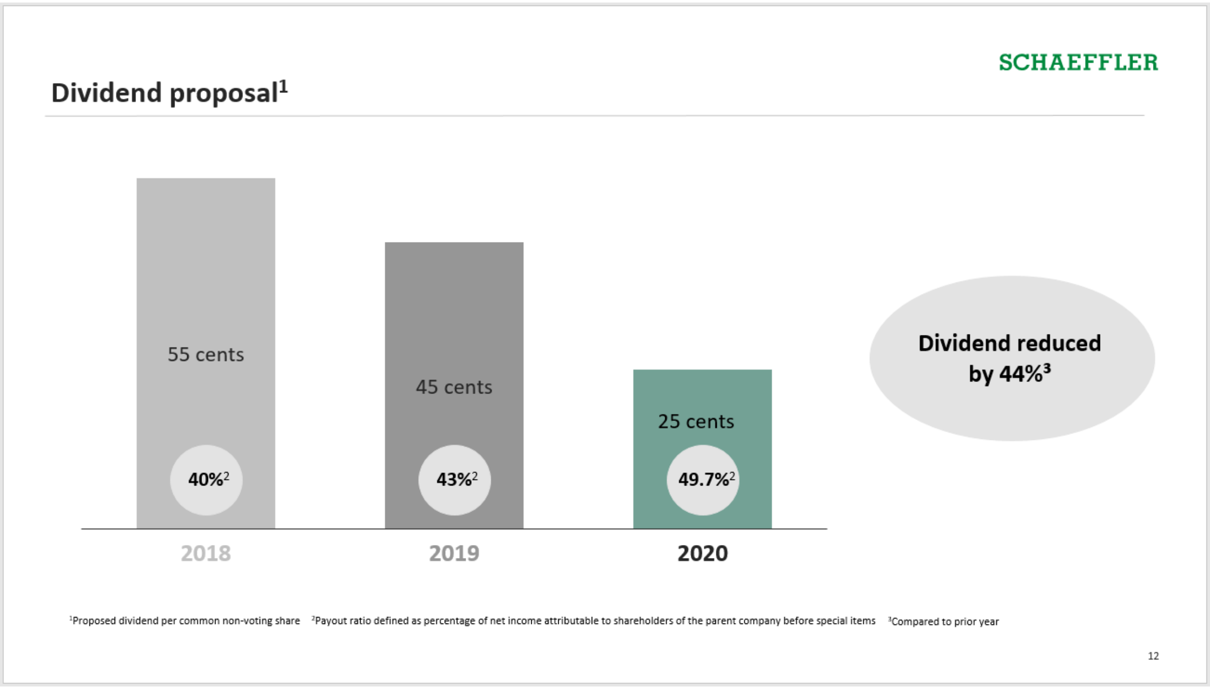

In view of the COVID-19 crisis, the question arises as to whether it is still reasonable and appropriate to pay a dividend. Following intensive discussions on this matter, the Executive Board has decided to stay with our dividend policy and pay a dividend for 2020. As you can see from the notice of meeting, the Executive Board and Supervisory Board of Schaeffler AG are proposing that the general meeting approve payment for the 2020 year of a dividend of 0.24 euros per common share, and 0.25 euros per common non-voting share. The proposed dividend is thus considerably lower than the 0.44 and 0.45 rates paid out in the prior year. In terms of net income before special items attributable to shareholders, this proposal represents a payout ratio of 49.7 percent. The corresponding ratio in the prior year was 43.0 percent. This puts us at the upper end of the payout ratio range of 30 to 50 percent according to our dividend policy. This decision signals a commitment to continuity, and allows you to share in the operating return achieved in the past financial year. It also recognizes that we are in a sufficiently strong position to afford to pay a dividend.

And finally, some brief remarks on the Schaeffler share price performance.

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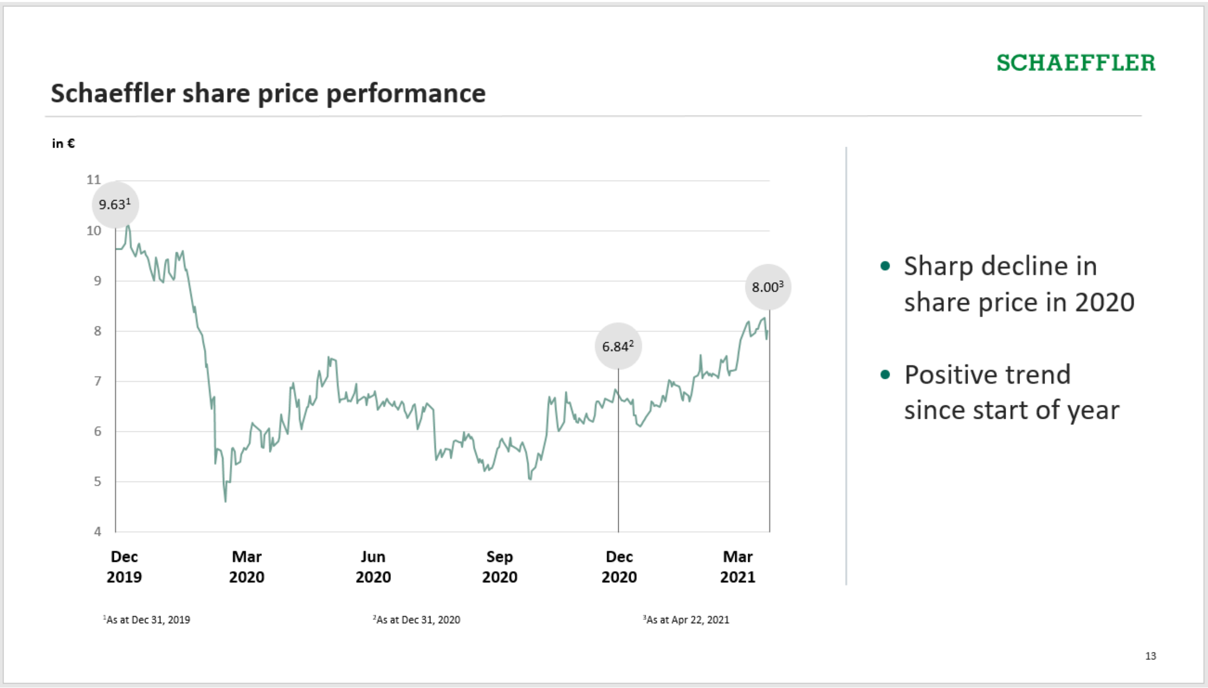

The price of Schaeffler AG common non-voting shares was significantly negatively impacted in 2020 by the COVID-19 crisis. Schaeffler common non-voting shares ended the 2020 year at 6.84 euros, 29 percent down on the prior year figure of 9.63 euros. Needless to say, this is disappointing, even if other listed companies in our sector have also experienced comparable falls in their share price. This makes it all the more pleasing to see the upward price trend of Schaeffler common non-voting shares in the first few months of 2021. The closing price on April 22 was 8.00 euros – an increase of 17 percent since the end of last year. I hope you will forgive me if I prefer not to comment any further on the share price – except to give you the following assurance: we are taking the long view and are committed to increasing the value of the Schaeffler Group in a sustainable way. That is, and will remain, our goal, while realizing that there is a lot of work to be done if we are to achieve that aim.

This brings me to the second part of my address, on our **business performance** in the first three months of this year, and the **guidance** for the **2021 financial year**.

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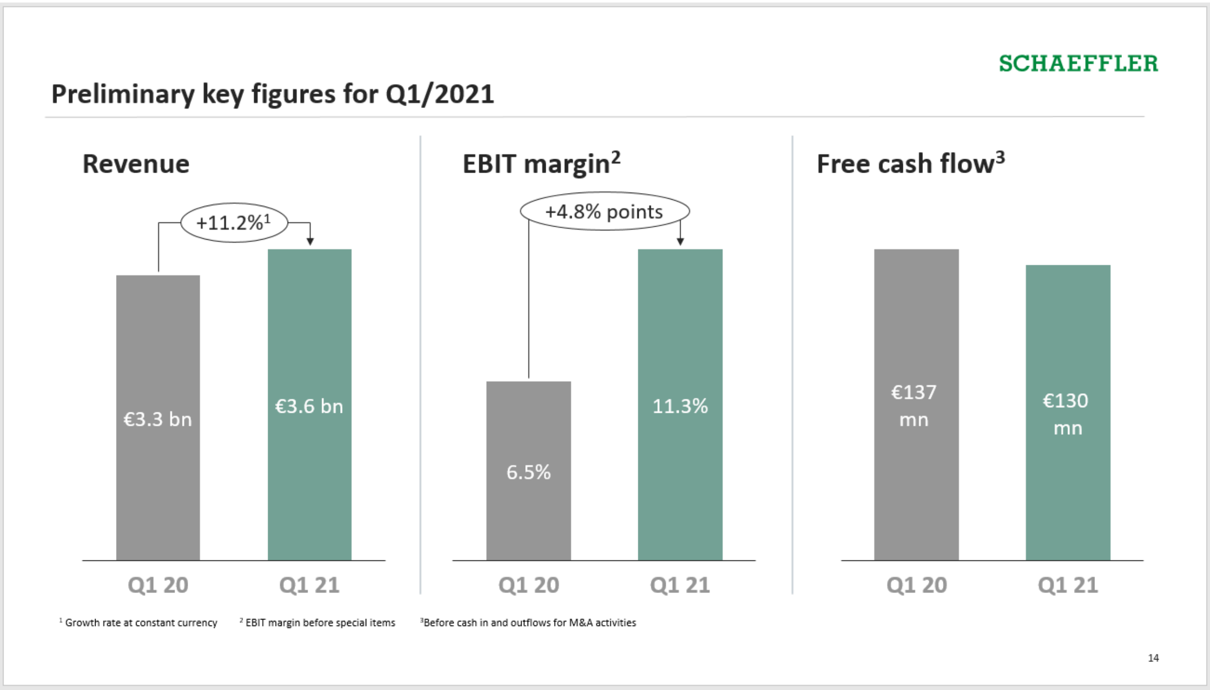

As I am sure you have seen, we published our preliminary figures for the first quarter of 2021 at the start of the week. These figures, which significantly exceed our own expectations, confirm that we have made a good start to 2021 following the strong fourth quarter of 2020 and that the recovery trends are ongoing. At 3.56 billion euros, the Schaeffler Group's revenue for the first quarter at constant currency is 11.2 percent higher than in the prior year, indicating a significant recovery. The EBIT margin before special items has reached 11.3 percent. Free cash flow before cash in and outflows for M&A activities is 130 million euros. The essential reasons for the positive development are the better-than-expected sales dynamics during the first quarter, particularly in China, and favorable mix of products. The development of earnings also shows that the cost adjustments that were initiated during the last year were effective. All three divisions showed positive development during the first quarter. This is true of our Automotive Technologies division in particular.

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In addition to our strength in our established business, development in the electric mobility sector has been particularly pleasing. This can be seen in the strong order volumes in the 2020 year, which totaled more than 2.7 billion euros and were thus well ahead of our target of 1.5 to 2 billion euros per year – for which we have Dr. Schröder and his team to thank. It is also reflected in the more than 30 percent increase in the number of enquiries and projects in 2020. The first few weeks of this year show that this positive trend is clearly continuing into 2021.

We are benefiting from what is now a strong market position in "3-in-1 systems", from our growing perception in the market as a preferred technology partner for advanced powertrain technologies, and from our sustained efforts in recent years to build and expand our in-house competencies. This relates to additions to our product range – such as our highly promising business in thermal management solutions. But it also relates to entirely new market segments, such as hybridization and electrification in the commercial vehicles sector, where we won a number of major contracts at the start of the year.

Our other two divisions, Automotive Aftermarket and Industrial, have also got off to a good start to the 2021 year. As in the Automotive Technologies division, we are seeing real benefits from our efficiency and cost saving measures in recent years, and in particular from our future-focused initiatives.

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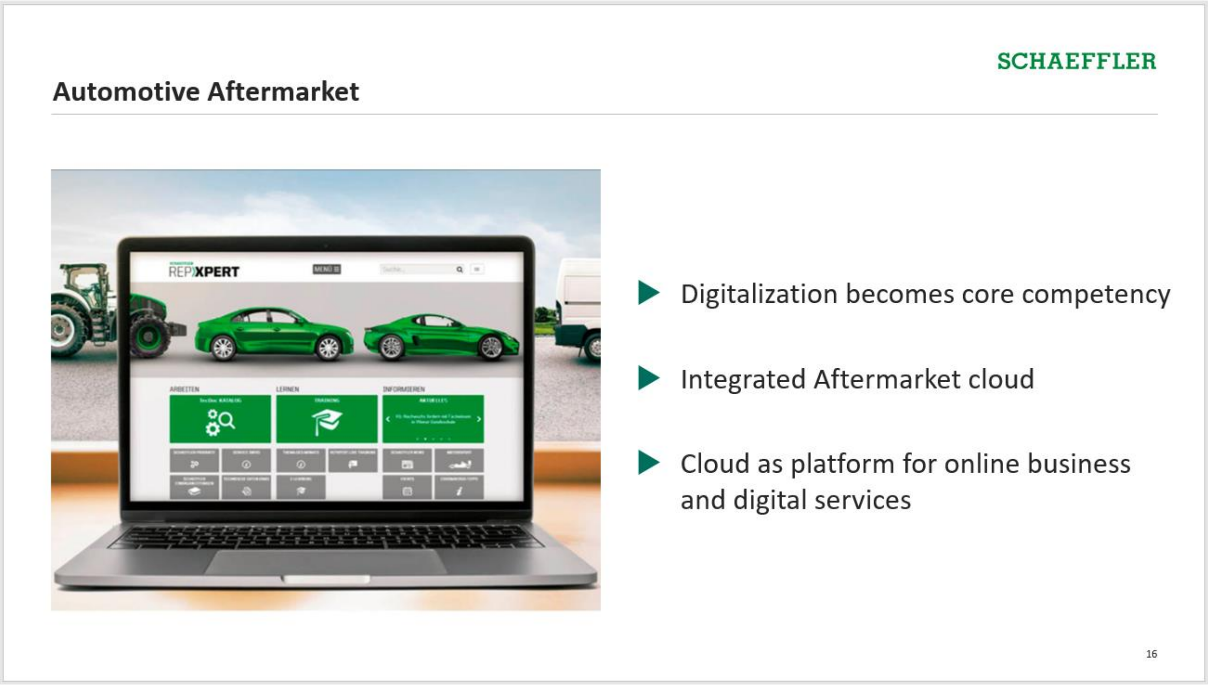

Even before the crisis, the Automotive Aftermarket division had started the process of gearing up for digital distribution channels and digital business models. These efforts are paying off now during the pandemic, which has been a catalyst for digital business. Digitalization has become a core competency for our aftermarket business, and a critical factor in successfully differentiating ourselves from competitors. A good example here is our highly integrated Aftermarket cloud, which provides a single platform for all user requirements. Demand for the online training courses offered in over 30 languages via our REPXPERT portal is increasing in leaps and bounds. And the volume of contacts generated by our websites more than doubled in the fourth quarter. These positive trends are expected to continue in 2021.

This brings me to the Industrial division, which has become even more important as a result of the strategic development of Schaeffler's business.

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As you know, our Industrial division caters for eight different sector clusters. It is broad-based and has a strong distribution business. This diversification helped it to cope successfully with the crisis during 2020. Alongside our cost-saving and efficiency programs, we progressed a number of growth initiatives in 2020 that started to pay off in the first quarter of 2021. These include innovations in key areas of future technology and, just as importantly, decisive growth initiatives in our traditional core business in components. Here too we are seeing a significant increase in new orders in the first quarter of 2021. We also see major growth opportunities flowing from innovative products in areas such as industrial automation. An increasingly important part of this is our business for the robotics industry, particularly our innovations for collaborative robots, as reported on April 13 by Dr. Spindler and myself in our recent virtual press conference during the Hannover Messe trade fair. I would also like to make special mention of the successful market launch of OPTIME, our new condition monitoring service solution, which is an outstanding example of how we, the Schaeffler Group, are providers of sustainable customer benefits in the area of digitalization, condition monitoring and the Internet of Things. We have every confidence that in the 2021 year we will see tangible benefits from the measures introduced during 2020.

Before I move on to our guidance for the full 2021 year, I would like to give a brief update on the implementation of the structural measures we announced in fall 2020.

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Structural measures

- Consolidation of locations in Germany and clustering of capabilities
- Reconciliation-of-interests agreements (“Interessenausgleiche”) finalized for almost all affected locations
- Sale negotiations underway at two locations

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The aim of these structural measures is to set the Schaeffler Group up for a successful and sustainable future. This includes clustering our competencies and strengthening our German production locations. It is also driven by the need to reduce our capacity and further align our cost structures. The structural measures build on the Future Accord concluded with IG Metall in April 2018, under which the two parties agreed to work together constructively on the required transformation process at Schaeffler, and on relationships of trust cultivated over many years with our employee representatives and works councils. The aim throughout the process is to arrive at socially responsible and consensual solutions to the maximum extent possible. This can only work if all parties are genuinely willing to have regard for the interests of all stakeholders, and to reach agreement on fair and equitable solutions.

As you will remember, in September 2020, we said that the structural measures would mainly affect 12 locations in Germany, and would largely be fully implemented by the end of 2022. Today I can tell you that following very intensive negotiations, reconciliation-of-interests agreements have been or are about to be concluded at all but three of the locations affected. This means we are now in a position to implement the vast bulk of our structural measures. The negotiations at Wuppertal are still ongoing. And at the Luckenwalde and Clausthal-Zellerfeld locations, we need more time to find potential buyers. It is already clear, however, that the results achieved in what has been a long and difficult process represent a major step forward for our company.

We on the Executive Board are well aware that constructive collaboration with our employee representatives and works council committees is not something to be taken for granted. The quality of this collaboration and the level of trust between the parties have enabled us to arrive at solutions that would not be possible in other companies. I therefore want to thank everyone involved for these highly constructive and cooperative negotiations. My thanks to our employees go to their representatives here today, Mr. Wechsler and Mr. Vicari. Thank you both for the energy and time you personally have invested in these challenging negotiations over the last few months. I would also like to express my heartfelt gratitude to Ms. Schittenhelm and Mr. Ziegler, and to all your staff. Your management of this difficult process has been truly outstanding. So, thank you very much!

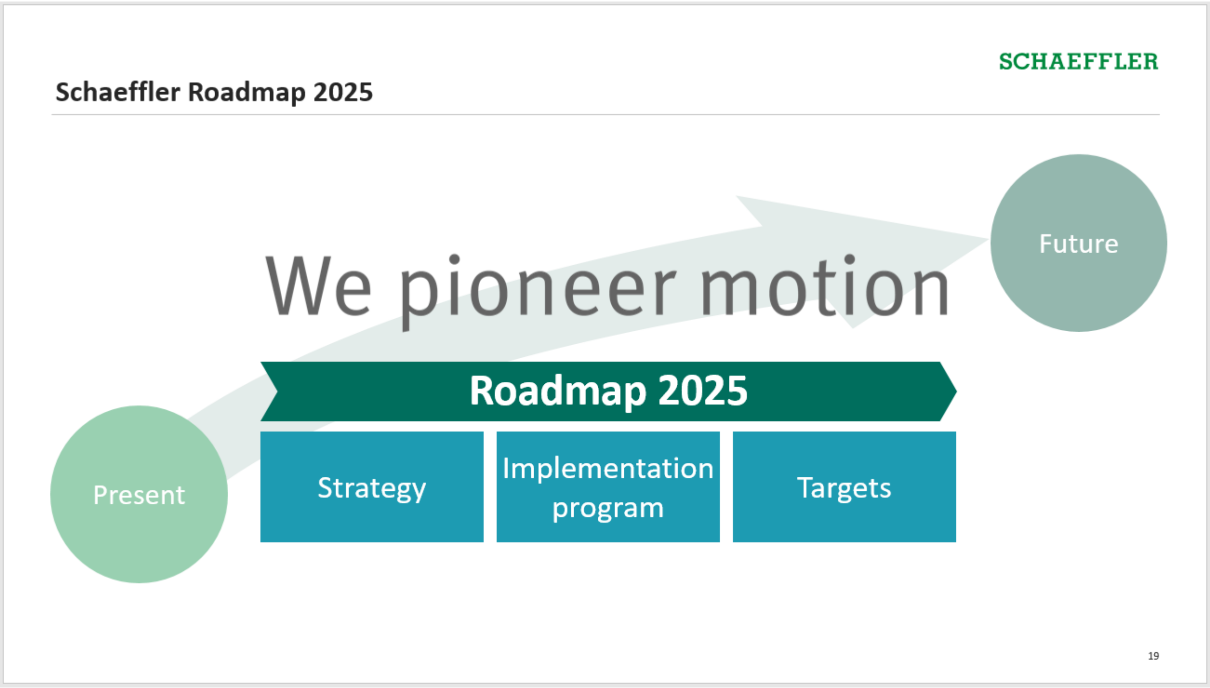
I would now like to comment briefly on our guidance for the 2021 financial year, as published in our annual report on March 4. Note that our **guidance** for the **2021** financial year is deliberately based on a conservative evaluation of the market situation. We anticipate revenue growth in constant currency terms of more than 7 percent in 2021. The lower limit here is based on a conservative estimate of the market situation in terms of global growth in the production of passenger cars and light commercial vehicles. We expect to achieve an EBIT margin before special items of 6 to 8 percent in the 2021 year. The Schaeffler Group expects to generate free cash flow before cash in and outflows for M&A activities of around 100 million euros in 2021. Guidance numbers for the three divisions can be found in our annual report. Notwithstanding the positive trends in the first quarter of 2021, we continue to operate in an environment defined by major uncertainties. Examples include the pressure on our supply chains and increasing material prices. Furthermore, the crisis is not over yet. We will see whether, and to what extent, these recovery trends are likely to continue in the longer term. The Executive Board of Schaeffler AG will closely monitor subsequent market development and decide at the appropriate time whether and to what extent adjustments to the guidance for the 2021 financial year that we published on March 4, 2021 will be required.

This concludes my remarks on the first-quarter business performance and our guidance for 2021 and brings me to the third and final part of my report: our **Roadmap 2025** and our strategic direction.

Ladies and Gentlemen,

as you may remember, I already spoke about revising and updating the strategy of the Schaeffler Group in my report at our last Annual General Meeting in May 2020. Work on reviewing and updating our strategy, and on creating a new implementation program, had begun in May 2019. The original intention was to present the results of that work to you in March 2020, and then to immediately proceed to the implementation stage. But, because of the COVID-19 crisis, that did not happen. Was that a setback for us? No, not at all! Instead, we used the crisis as an opportunity to run a stress test on our strategic ideas, to refine those ideas and align them with the ‘new normal’. This was the right thing to do. And that’s how the ‘Roadmap 2024’ became the ‘Roadmap 2025’, with the new claim ‘We pioneer motion’.

Slide 19



The roadmap consists of three parts:
- The strategy, with a new corporate purpose, new vision and new claim;
- An implementation program with seven sub-programs; and
- New mid-term targets, realigned with the current situation. This is the roadmap that was published in November 2020 on the occasion of our most recent capital markets day.

It would be beyond the scope of this AGM report to go into the detail of all the thinking behind our roadmap, especially as all the material information on the Roadmap 2025 is available on our website. So my remarks today will focus on five core concepts, to illustrate what the Roadmap 2025 is all about.

Here is the first core concept:

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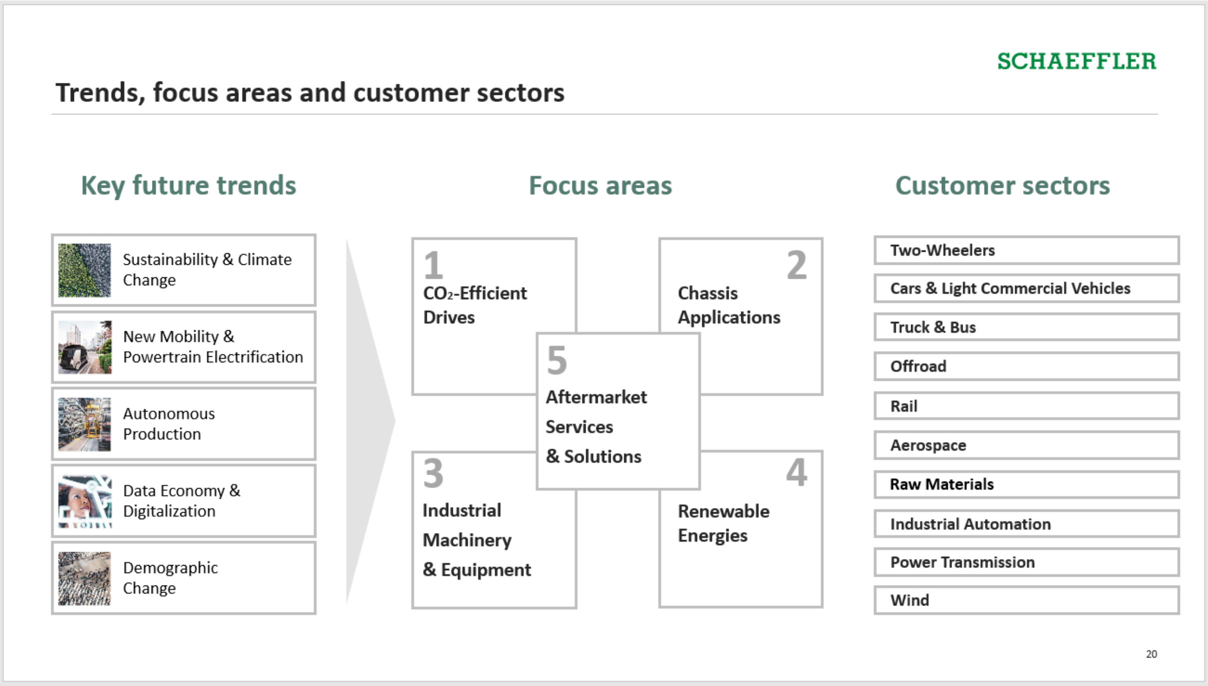


Our roadmap is based on a thorough analysis of the future trends that are relevant for us and our business. We agreed on five key future trends: Sustainability & Climate Change, New Mobility & Powertrain Electrification, Autonomous Production, Data economy & Digitalization, and Demographic Change.

As mentioned earlier, at least three of these trends – Sustainability & Climate Change, New Mobility & Powertrain Electrification, and Digitalization – have become even more important during the COVID-19 crisis. Based on these trends, we have arrived at five focus areas on which we will now concentrate our efforts.

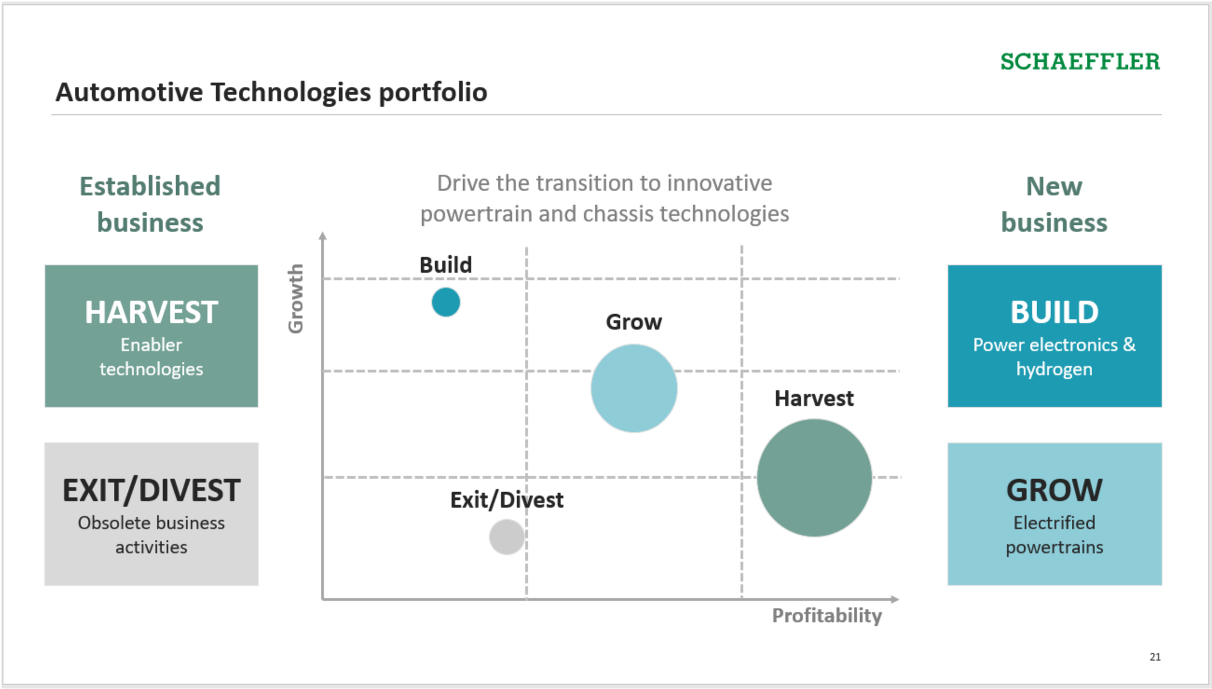
These are as follows: CO_2-efficient Drives, Chassis Applications, Industrial Machinery and Equipment, Renewable Energies, and Aftermarket Services and Solutions. These areas will now be addressed more intensively than before, with an integrated, multi-disciplinary focus on ten customer sectors, as shown in this slide.

This is because we are firmly convinced that collaboration across divisional boundaries offers additional opportunities and possibilities. For example, our thinking on CO_2-efficient drives should not be confined to passenger cars. These powertrains are also relevant for trucks and buses, and can be extended to off-road, rail and other mobility fields. The same goes for chassis applications. Here again, we will not just be thinking about passenger cars.

The second concept relates to our business portfolio. To be successful in the long term, you have to know how to deploy and distribute your resources and capital efficiently. Our new roadmap is based on a clear shared understanding of how we intend to deploy our capital and manage our business portfolio. This involves looking at a wide range of different parameters. And we know that rigorous and consistent portfolio management is the key to making the transformation of the Schaeffler Group a success.

Let me take a special example to illustrate this aspect of our plan in greater detail.

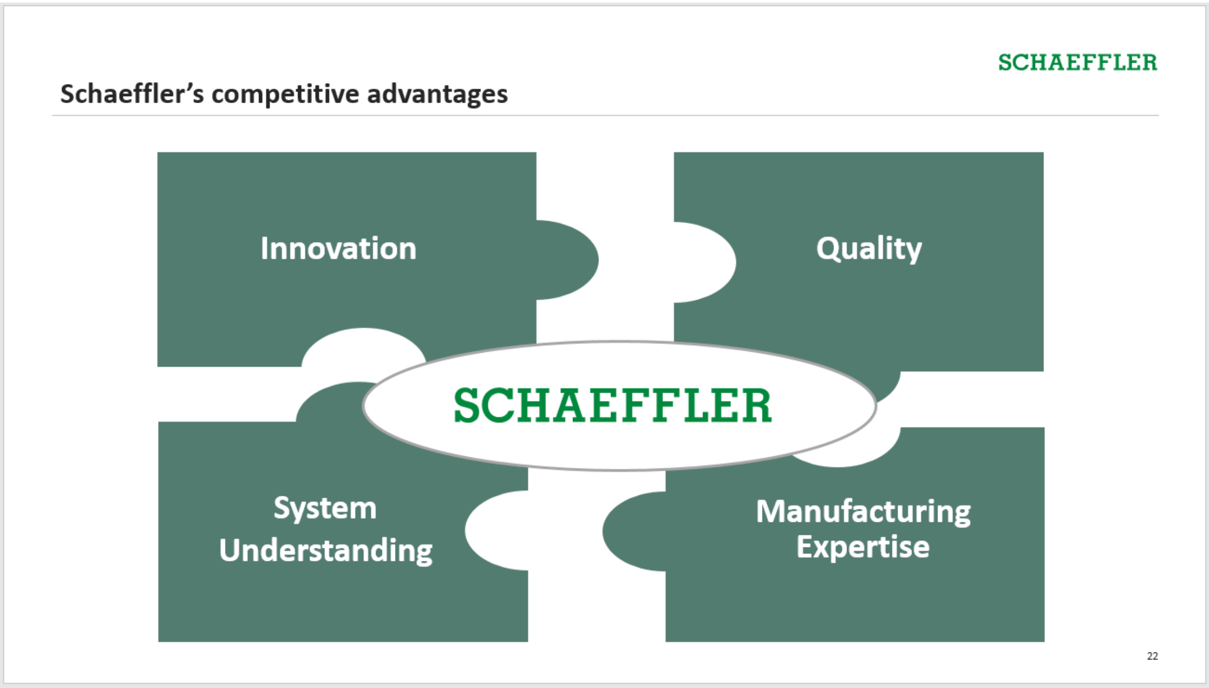
Folie 21



In view of the technology transition currently taking place in the automotive industry, we have divided the business of our Automotive Technologies division into two areas: established business and new business. The former is well-established and profitable, with high cash flows, but declining growth prospects. New business is in the growth phase. It consumes cash flow, and is not yet making a positive contribution to our earnings. These two business areas belong together, but have to be managed differently. Each of them needs the other. But that is not the only reason why both forms of business are important to us. Without our strong established business, without our longstanding competence in transmission and powertrains, and without the skills and creativity of our employees, we would not be able to make the transition towards E-mobility successfully. Indeed, it is thanks to these established strengths that we are confident that we will succeed in becoming one of the leading suppliers in the areas of hybridization and electrification. This is impressively confirmed by the ever-increasing volumes of orders that Mr. Zink and his team are now receiving.

The third concept relates to our core competencies. To succeed against the competition, you have to know what your core competencies are. You need to know what your strengths are and how you will use them to come out on top.

Folie 22

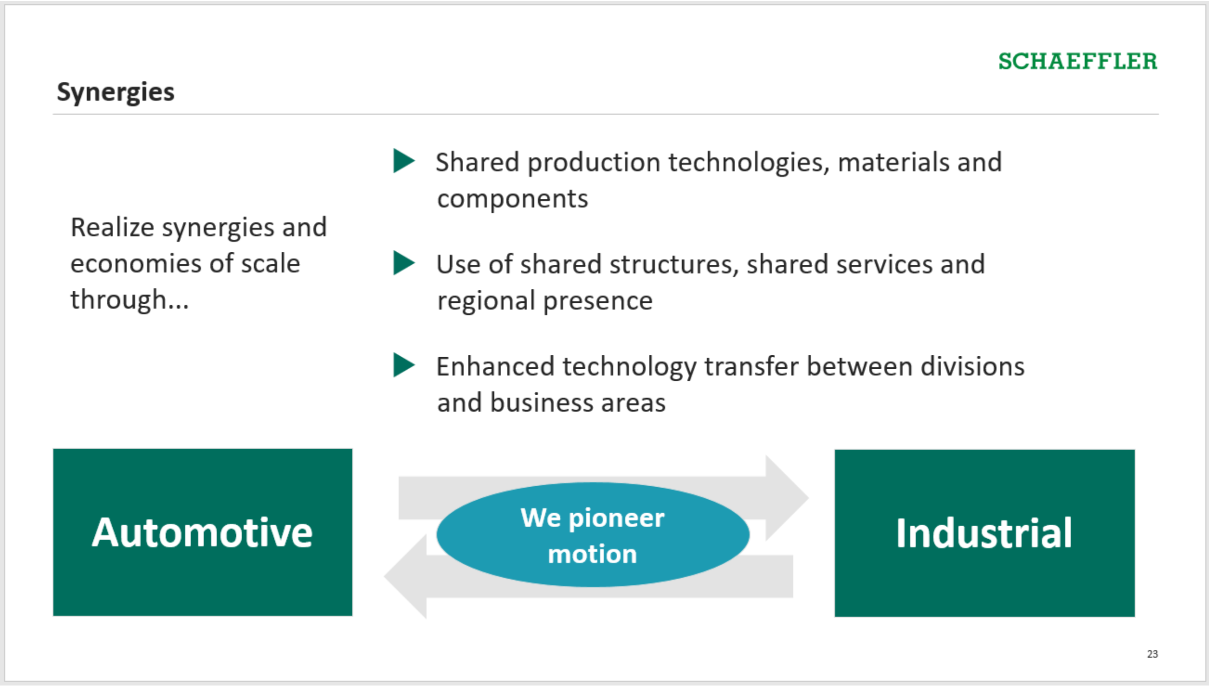


We have identified four key competitive advantages for Schaeffler – advantages that will continue to serve us well in the 'new normal.'

They are: innovation, superior quality, manufacturing excellence, and comprehensive system understanding. These four competitive advantages apply across all three of our divisions. Each of them can stand on its own. But the strength created by the combination of all four of them is truly unique. One of the slogans in our new branding campaign catches this approach neatly: "Some can do precision, others can manufacture at scale. We can do both." This perfectly encapsulates our third concept.

This brings me to the fourth concept, which relates to synergies.

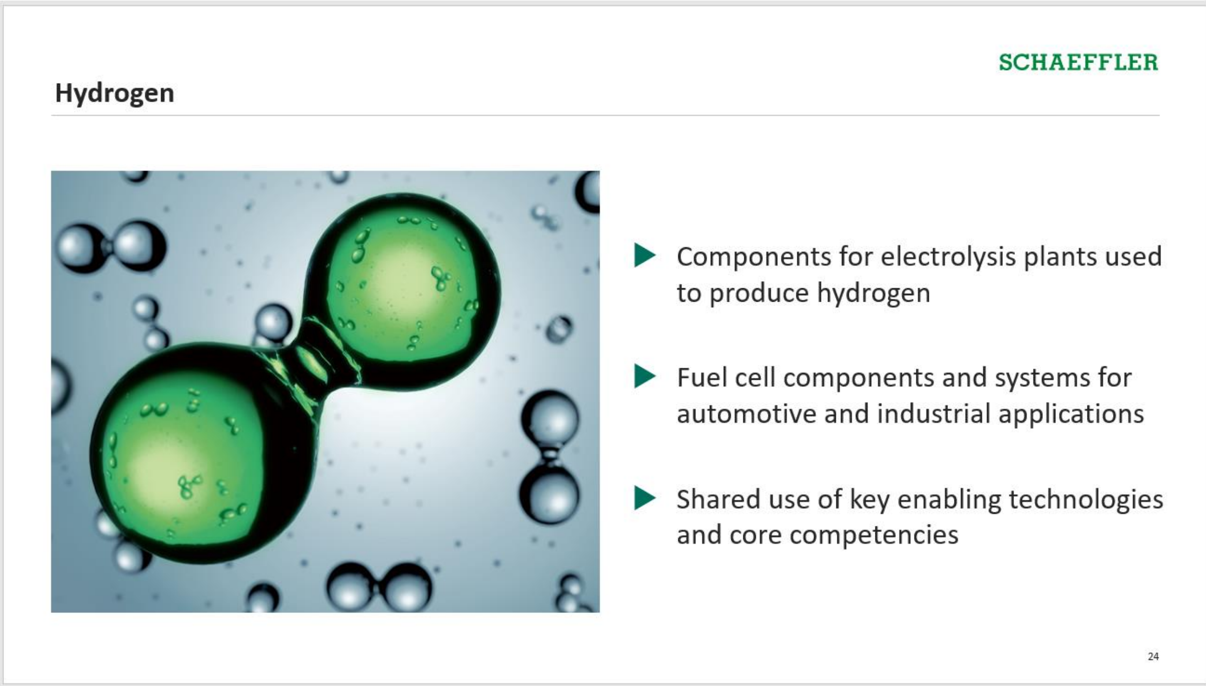
Slide 23



Over the last few years, we have worked intensively on reinforcing the divisional structure of the Schaeffler Group, with a stronger focus on autonomous business models for each division. And this was clearly the correct approach. But that does not mean that these different businesses do not go together. On the contrary, Schaeffler has always been more than the sum of its divisions, and that still holds today. Why so? Simply because our divisions all use the same manufacturing technologies – the same materials and components. Because we use the same patents and intellectual property across all our divisions. And because our R&D efforts focus on fundamental problems, generating knowledge that then helps our business managers to develop new products. Wherever it makes sense to do so, we use shared structures and services, and our complementary regional presence. All these aspects offer potential for synergies, which we now intend to harness even more effectively. This includes the potential for more technology transfer between divisions. The robotics industry is a good example of this. As you may have seen at the 2021 Hannover Messe, our Industrial division is offering our customers a new, ultra-high-performance speed reduction gear for articulated joints in lightweight robotic arms. The solution is developed on the basis of expertise from our automotive business. And this is just one example among many. It also provides the best possible confirmation of our new claim, ‘We pioneer motion.’

Another prime example of why it makes sense to operate Schaeffler as an integrated technology group is our hydrogen business.

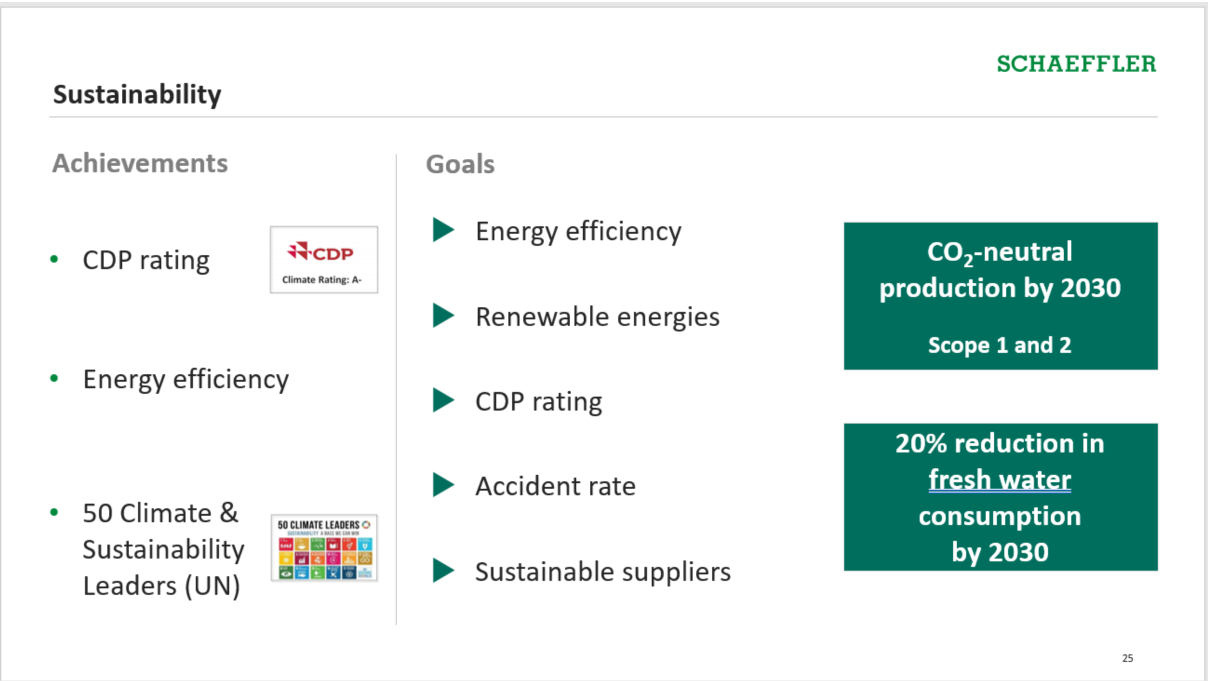
Slide 24



In the hydrogen sector, clearly a field with outstanding future potential, we are working on both the development and the production of components for hydrogen generation plants. At the same time, we are exploring opportunities for us as suppliers of fuel cell components and systems – for both automotive and industrial applications. All these activities draw on shared fundamental technologies and core competencies in the areas of materials, surface coatings and high-precision manufacturing. I see the structure of our hydrogen activities as the perfect illustration of the concept of 'everyone pulling together.'

This brings me to my fifth and last concept: sustainability. Sustainability is a fundamental consideration that affects us all. It is something we must engage with at all levels – operational, organizational and strategic.

Slide 25



Sustainability has been one of our corporate values for many years, and is part of our DNA. That is why it is one of the cornerstones of our Roadmap. Our sustainability strategy speaks for itself. As well as embedding sustainability within our own company, we are committed to offering sustainable products and solutions to our customers and business partners.

Renewable energies and our wind power business are good examples of this, as are our electrified powertrain solutions. We have achieved a great deal on the sustainability front in recent months. Take energy efficiency, for example: 100 percent of the energy we used in Germany in the 2020 year came from renewable sources. We improved our CDP rating – an important, internationally recognized metric of sustainability –from B- to A-.

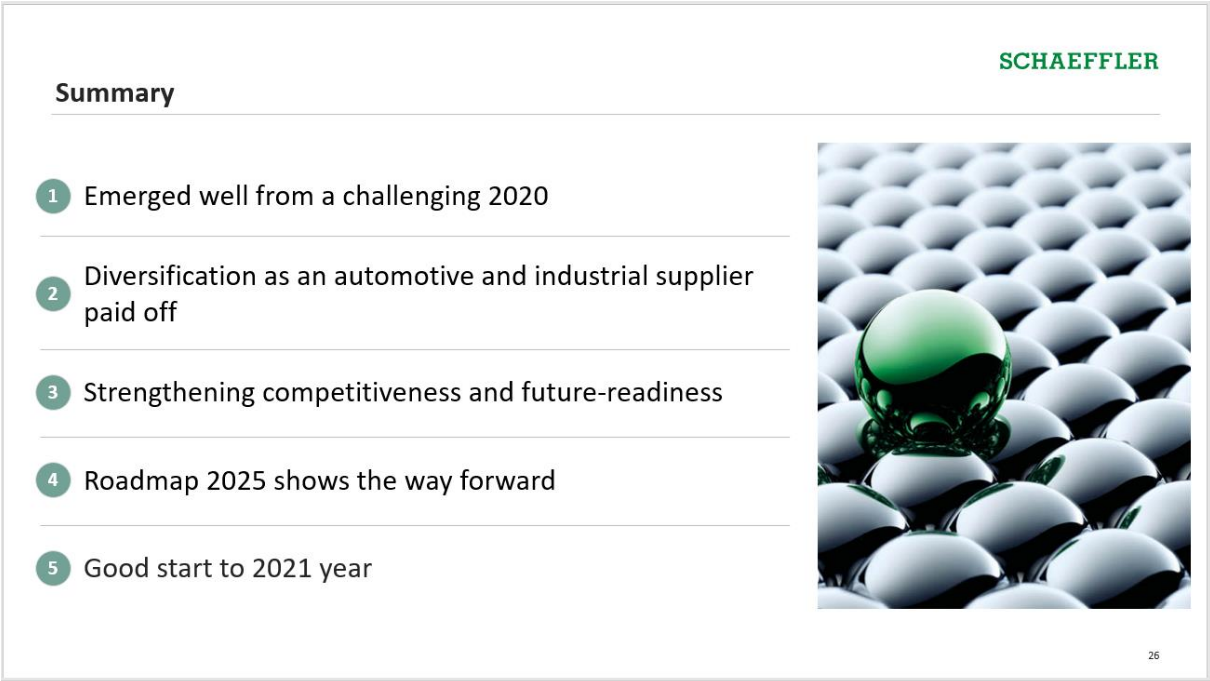
We set ourselves some tough targets – and not just in the area of energy efficiency and climate protection. We are, for example, equally committed to protecting the health and safety of our employees. Our sustainability targets are wide-ranging because sustainability always requires a holistic, company-wide approach.

In this context, we are particularly proud of a special acknowledgement that we received just last week. On the occasion of the 75th anniversary of the United Nations, Schaeffler was selected as one of the group of 50 Sustainability and Climate Leaders worldwide. For us, this wonderful accolade is both an inspiration and a commitment to make a contribution to the achievement of the 17 Sustainable Development Goals of the United Nations – and not just for our own sake, but for the sake of our customers, our employees and the world in which we live.

Ladies and Gentlemen,

It is time now to bring my report to a **close** and briefly **summarize** the main points for you:

Slide 26



- 2020 was a difficult year for the Schaeffler Group, because of the COVID-19 crisis. But we performed well, in spite of the major challenges and stressors we had to cope with.
- Our diversified position as an automotive and industrial supplier paid off. We demonstrated strength and a high level of resilience. We were assisted by our strong operating business, a diversified product portfolio and a broad regional base.
- In order to manage the crisis we implemented a number of tactical measures. We also introduced some strategic initiatives designed to sustainably enhance Schaeffler's competitiveness and ability to take advantage of future opportunities. We are resolutely moving forward with our transformation.
- During the 2020 year, we finalized our new 'Roadmap 2025,' which was released in November 2020. The 'Roadmap 2025' charts the way ahead. This Roadmap 2025 will now be vigorously implemented. In these efforts we will be guided by our new corporate purpose: 'We pioneer motion to advance how the world moves.'

- We have made a good start to the 2021 year across all three divisions. We are starting to see some tangible benefits from the measures and initiatives we have put in place. We remain cautious, however, while looking ahead with confidence and optimism.

Why is this? Because we are firmly convinced that Schaeffler is a high-class company. A company with a strong team, a strong core and a strong brand. Schaeffler is more than the sum of its three divisions. It is an integrated technology group with great potential and outstanding opportunities. Building on this foundation, we intend to shape the future of mobility and motion, and to create value sustainably over the long term – for our customers and business partners, for our employees, for the society in which we live and, naturally, for you, our shareholders.

We will continue to pursue this path, crisis or no crisis. We are a cohesive and highly motivated team, and we will stay on course. You can be sure of our commitment to this goal, and with your trust and confidence, we will surely be successful!

Thank you for your attention.

Slide 27

SCHAEFFLER

We pioneer motion

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