COMMENTED SLIDES / 2020 CAPITAL MARKETS DAY

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Dr. Klaus Patzak, CFO
Matthias Zink, CEO Automotive Technologies Division
Dr. Jochen Schröder, Head of E-Mobility Business Division
Michael Söding, CEO Automotive Aftermarket Division
Dr. Stefan Spindler, CEO Industrial Division
Renata Casaro, Head of Investor Relations

Capital Markets Day (Active) Participants

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Michael Raab, *Kepler Cheuvreux*
Horst Schneider, *Bank of America*
Christoph Laskawi, *Deutsche Bank*
Akshat Kacker, *JP Morgan Chase*
Sabrina Reeh, *UBS*

Operator

Dear ladies and gentlemen, welcome to the Schaeffler Group Conference Call. As a reminder, all participants will be in a listen-only mode. After the presentation, there will be an opportunity to ask questions.

If any participant has difficulties hearing the conference, please the star key followed by "0" on your telephone for operator assistance.

At our reserved customer's request, this conference will be recorded, and the replay will be available shortly after the call on the website.

May I now hand you over to Renata Casaro, who will lead you through this conference. Please go ahead.

Renata Casaro

Thank you, operator. Dear investors, dear analysts, good afternoon. Welcome to the Schaeffler Group 2020 Capital Markets Day. This webcast is conducted in audio mode only, with synchronized slides. The PDF of our presentations will be uploaded later on our website, around 3 p.m. CET.

Introduction

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2020 Capital Markets Day – Mid-term Targets until 2025 announced in our Ad hoc yesterday

Mid-term Targets

Automotive Technologies	Automotive Aftermarket	Industrial
Outperformance[1] **200 to 500 bps** on average[2]	FX-adj. sales growth **> GDP growth** on average[2]	FX-adj. sales growth **> Ind. Prod. growth** on average[2 3]
4 to 6% EBIT margin before special items[4]	**13 to 15%** EBIT margin before special items[4]	**12 to 14%** EBIT margin before special items[4]

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ROCE	FCF conversion
12 to 15% based on EBIT reported[4]	**0.3 to 0.5** based on EBIT reported[4 5]

[1] FX-adj. sales growth above Light Vehicle Production (IHS) | [2] from 2021 to 2025 | [3] Industrial Production (Oxford Economics) | [4] latest in 2023 | [5] before cash in- and outflows for M&A

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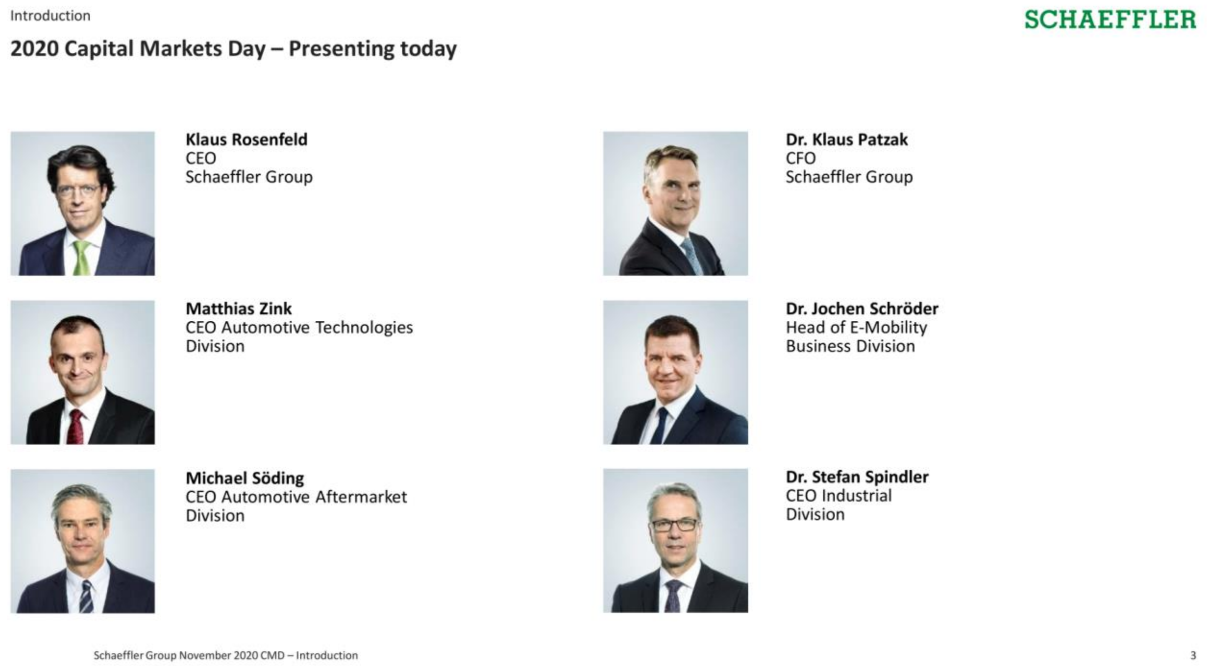
You have received last night our mid-term targets 2025 via ad-hoc communication. The CMD is dedicated to illustrate to you the strategic direction behind the targets.



With me and my Investor Relations team today, in Herzogenaurach, are our presenters: Mr. Klaus Rosenfeld, CEO Schaeffler Group, Dr. Klaus Patzak, CFO Schaeffler Group, Mr. Matthias Zink, CEO Automotive Technologies Division, Dr. Jochen Schröder, Head of E-Mobility Business Division, Mr. Michael Söding, CEO Automotive Aftermarket Division, and Dr. Stefan Spindler, CEO Industrial Division.

Introduction

2020 Capital Markets Day – Agenda

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Roadmap 2025	Klaus Rosenfeld	13:00 – 13:25 CET	25 min
Automotive Technologies	Matthias Zink & Jochen Schröder	13:25 – 13:55 CET	30 min
Automotive Aftermarket	Michael Söding	13:55 – 14:10 CET	15 min
Industrial	Stefan Spindler	14:10 – 14:30 CET	20 min
Financial Framework	Klaus Patzak	14:30 – 14:50 CET	20 min
Conclusion	Klaus Rosenfeld	14:50 – 15:00 CET	10 min
Q&A	All	15:00 – 15:30 CET	30 min

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Our agenda for today is quick and you will have time for your questions right at the end.

Introduction

Disclaimer

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This presentation contains forward-looking statements. The words “anticipate”, “assume”, “believe”, “estimate”, “expect”, “intend”, “may”, “plan”, “project”, “should” and similar expressions are used to identify forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about Schaeffler Group’s beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of Schaeffler AG. Forward-looking statements therefore speak only as of the date they are made, and Schaeffler Group undertakes no obligation to update any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. These statements are based on Schaeffler AG management’s current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, but not limited to, future global economic conditions, changed market conditions affecting the automotive industry, intense competition in the markets in which we operate and costs of compliance with applicable laws, regulations and standards, diverse political, legal, economic and other conditions affecting our markets, and other factors beyond our control).

This presentation is intended to provide a general overview of Schaeffler Group’s business and does not purport to deal with all aspects and details regarding Schaeffler Group. Accordingly, neither Schaeffler Group nor any of its directors, officers, employees or advisers nor any other person makes any representation or warranty, express or implied, as to, and accordingly no reliance should be placed on, the accuracy or completeness of the information contained in the presentation or of the views given or implied. Neither Schaeffler Group nor any of its directors, officers, employees or advisors nor any other person shall have any liability whatsoever for any errors or omissions or any loss howsoever arising, directly or indirectly, from any use of this information or its contents or otherwise arising in connection therewith.

The material contained in this presentation reflects current legislation and the business and financial affairs of Schaeffler Group which are subject to change.

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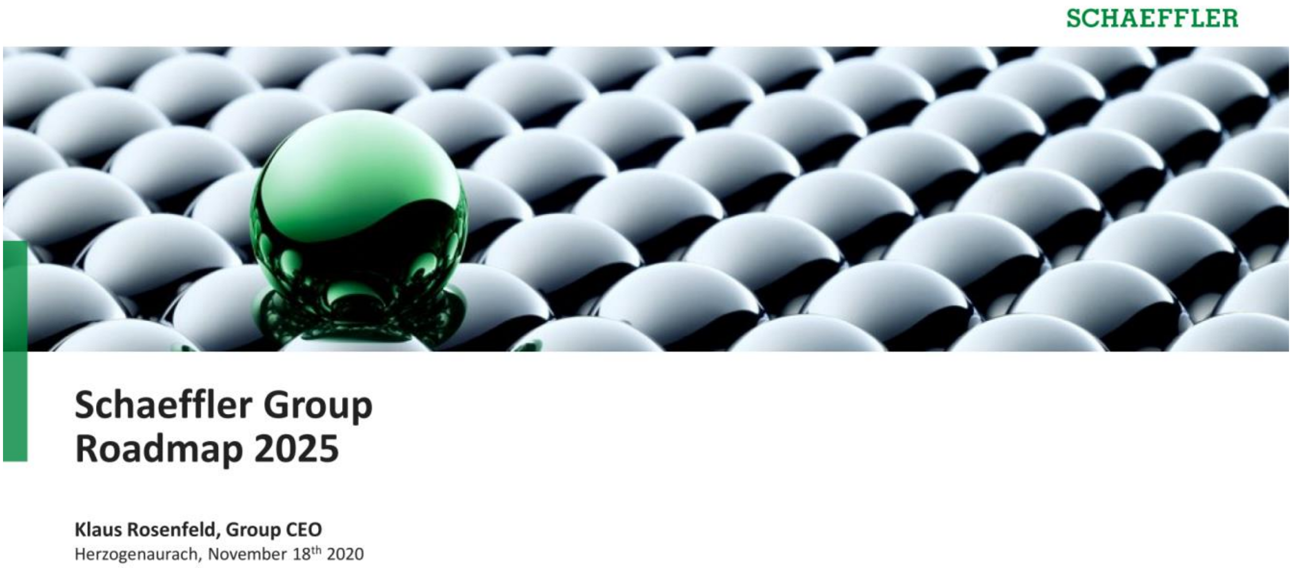
The discussion today will be conducted as usual under the disclaimer.

Without further ado, I hand over now to Mr. Klaus Rosenfeld, Schaeffler Group CEO. Klaus, the floor is yours.



Klaus Rosenfeld

Thank you, Renata. Ladies and gentlemen, welcome to our Capital Markets Day 2020 and thanks for joining this conference call.

The purpose of this Capital Markets Day 2020 is to share with you our strategic direction and take you through how we want to unlock and create sustainable long-term value for Schaeffler Group.

The basis for this is our new Roadmap 2025 that the Executive Board has finalized during the year 2020 and that is being implemented.

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1 Where we stand

2 Where we play

3 How we win

4 How we create value

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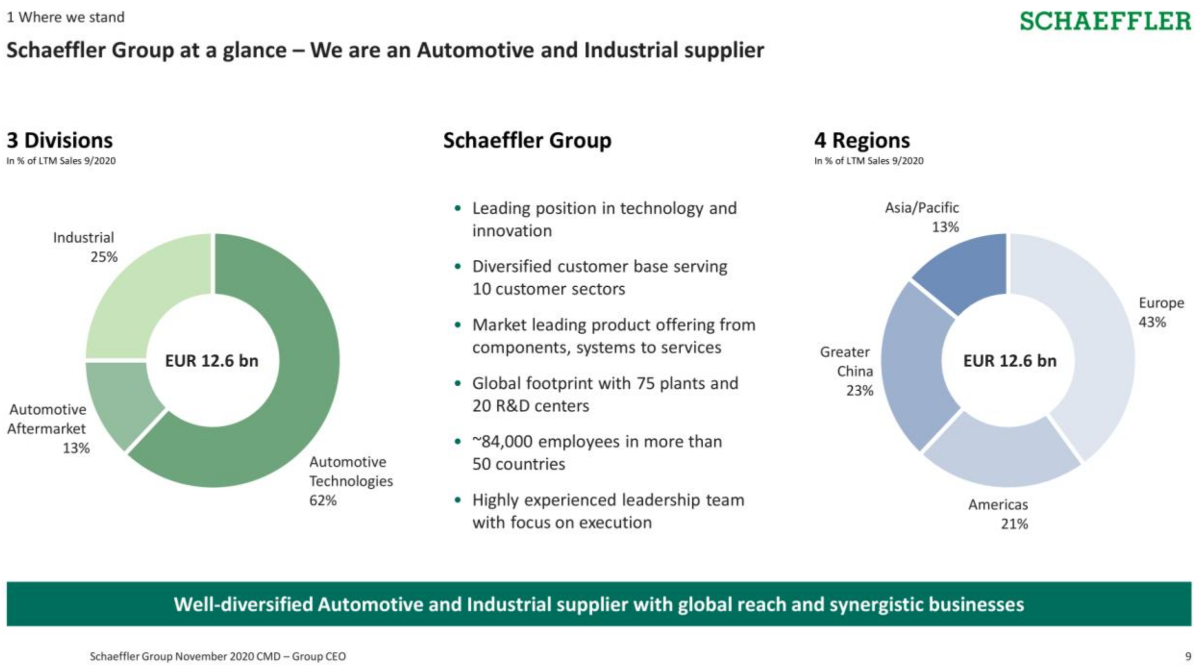
Today, we want to deliver on this task in basically four steps: where we stand, where we play, how we win, and how we create value. All my divisional colleagues will use the same logic for their presentations.

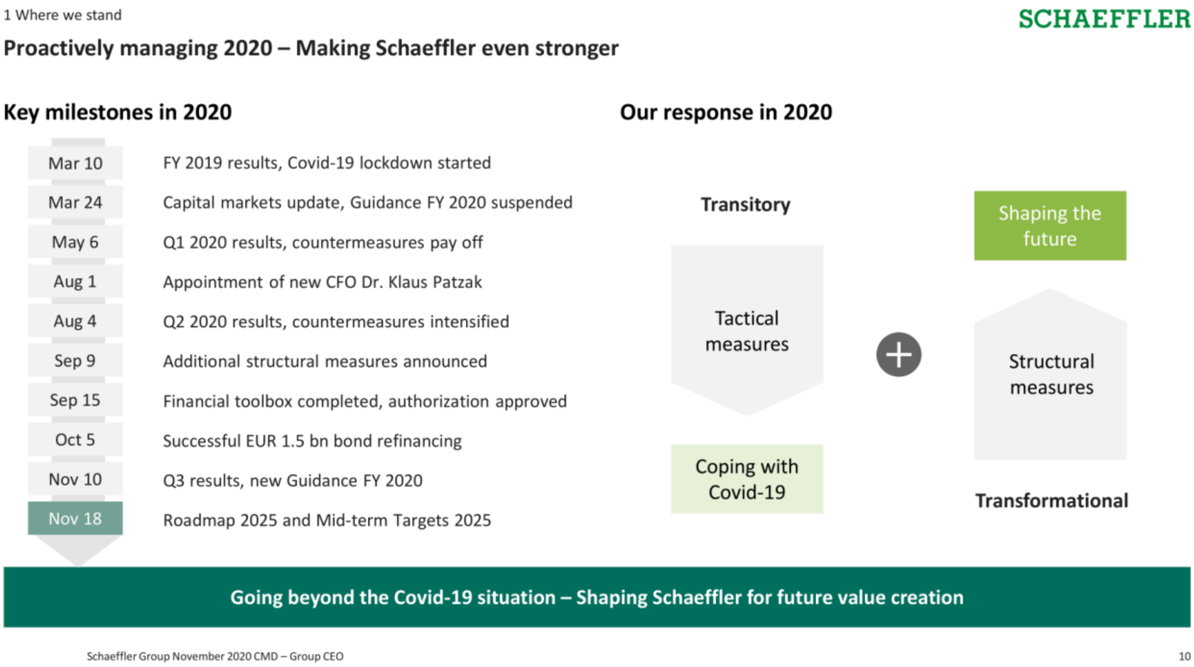
Let me start with where we stand from a Group perspective.



You all know: Schaeffler is more than just an automotive supplier. We are an automotive and industrial supplier with a strong joint core that comes from our technology and innovation.

We excel because of our best-in-class manufacturing technology. Our business is well diversified, not only from a customer point of view serving 10 customer sectors, but also from a product point of view with a wide range of components, systems and increasingly services, with our global footprint and also a strong team of people, but also from a regional point of view.

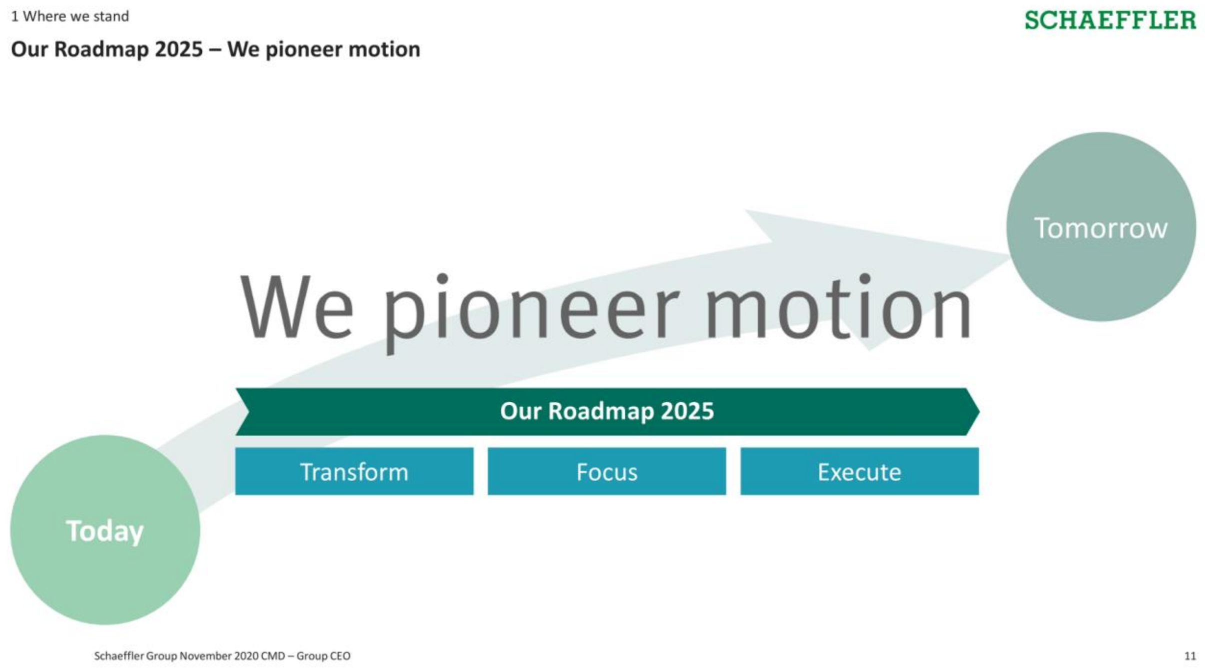
As you see from the chart, today 36% or more than one third of our business is in Asia, in our two regions Asia/Pacific and China, and with 23% of our sales coming from China, China has become the second most important region for us with the fastest growth track record, driven both by Automotive and Industrial, and we see significant potential, not only because of the just duly signed regional comprehensive economic partnership in the region Asia/Pacific.



The year 2020 was a challenging year for us. It was a stress test for any organization and also for us on all levels. I think we can say that we manage this crisis well and we are proud of what we have achieved not only regarding health and safety for our employees, business continuity, but also regarding fast-forwarding new ways of cooperating within the company and with our customers and business partners.

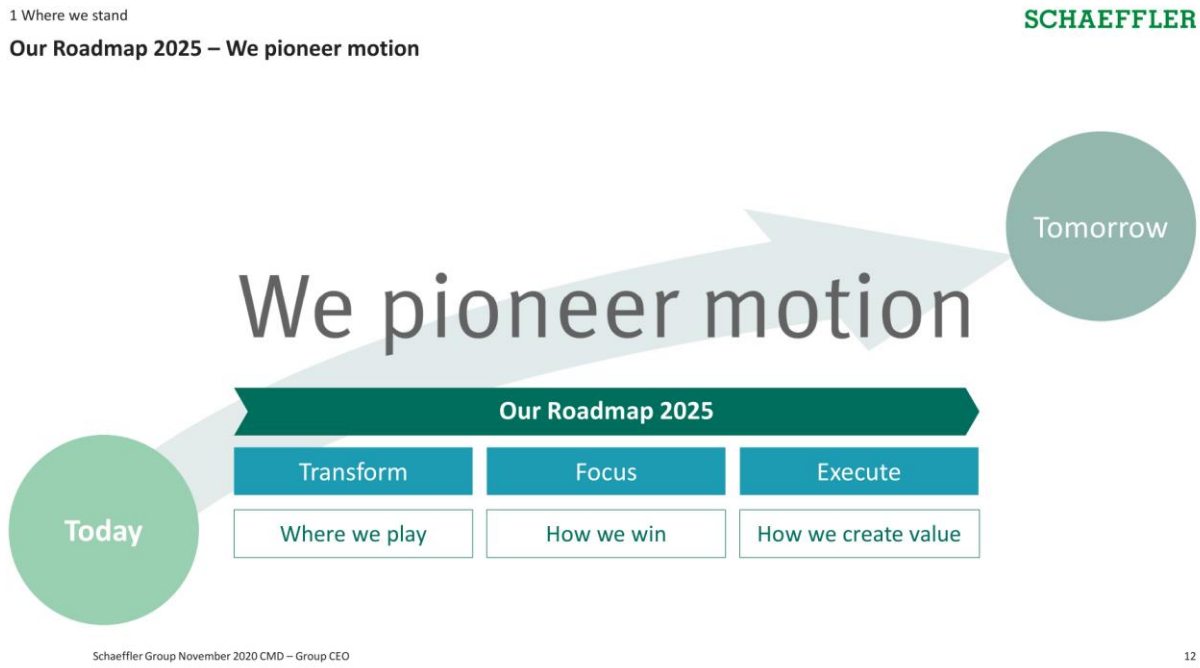
Our focus in coping with this crisis was clearly in two directions. On the one hand, as you know, we implemented a range of tactical measures, a transitory response to the crisis situation, and on the other hand we in parallel focused on the necessary structural measures, the transformation response in shaping the future of Schaeffler.

This has then led to this final Roadmap 2025. You all remember that we wanted to share the strategic direction with you all already at the beginning of this year, but we had to shift gears because of the crisis. That clearly gave us the chance to sharpen the concept and also integrate, with Dr. Klaus Patzak coming on board, the new aspects, the new risks and also the new opportunities that are part of the “new normal” that the crisis has brought to us.

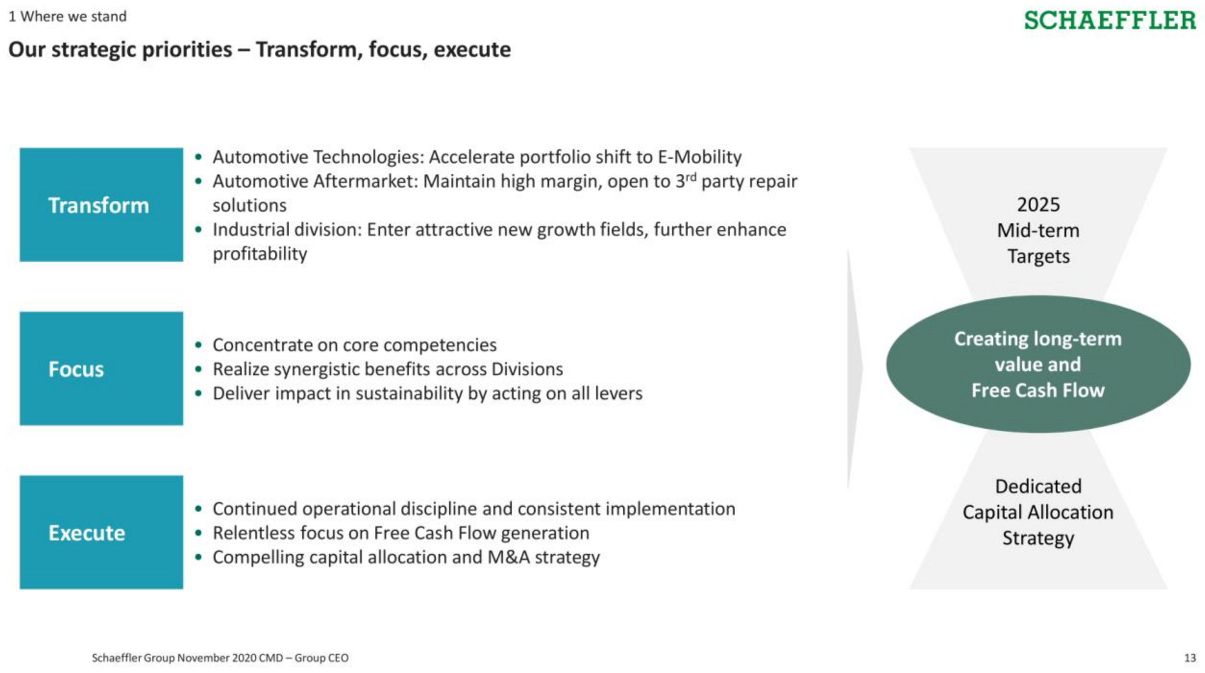


Our new claim “We pioneer motion” was already unveiled to you during our Annual General Meeting. But with hindsight, I think it is fair to say that it has now even gained more in its meaning and its intensity for us as a guiding claim into the future. And you will see from the presentations of my colleagues how we want to pioneer motion across our businesses.

The three directions of our new Roadmap 2025 are best represented by the words “Transform”, “Focus”, and “Execute”.



Or, as you see on this page, nicely represented by the structure of my presentation going forward: Where do we play? How do we win? And how do we create value?



On that basis, let me already at this point in time summarize and illustrate how we want to do this and what it means in Transform, Focus, and Execute going forward.

"Transform" clearly goes to the main key strategic priorities of our three Divisions. You know that Schaeffler is more than simply three pure plays.

In Automotive Technologies – Matthias will explain that to you – we want to accelerate and we are determined to accelerate the portfolio shift to E-Mobility. In Automotive Aftermarket – Michael will illustrate this – we want to secure and maintain our high margin and at the same time open the business for more third-party repair solutions. And in Industrial – Stefan will outline that – we see a significant opportunity to enter attractive new growth fields, but we will stay focused on further enhancing our profitability and bring it to best-practice levels.

These are the three main directions for the businesses. But once again: Schaeffler is more than just three pure plays. That has to do with our core competencies. In this environment, we will focus even more on these core competencies. We will focus on realizing the synergistic benefits that this company offers across the divisional businesses and we will deliver – very important – the impact that sustainability needs by activating all levers.

The third topic, “Execution”, clearly is something that we want to continue our operational discipline and remain consistent and forceful in our implementation. It has to do with the relentless focus on Free Cash Flow as our main differentiating factor and it has to do with a compelling capital allocation strategy as well as our M&A strategy going forward.

All of this shall lead to a long-term sustainable value creation.

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2 Where we play

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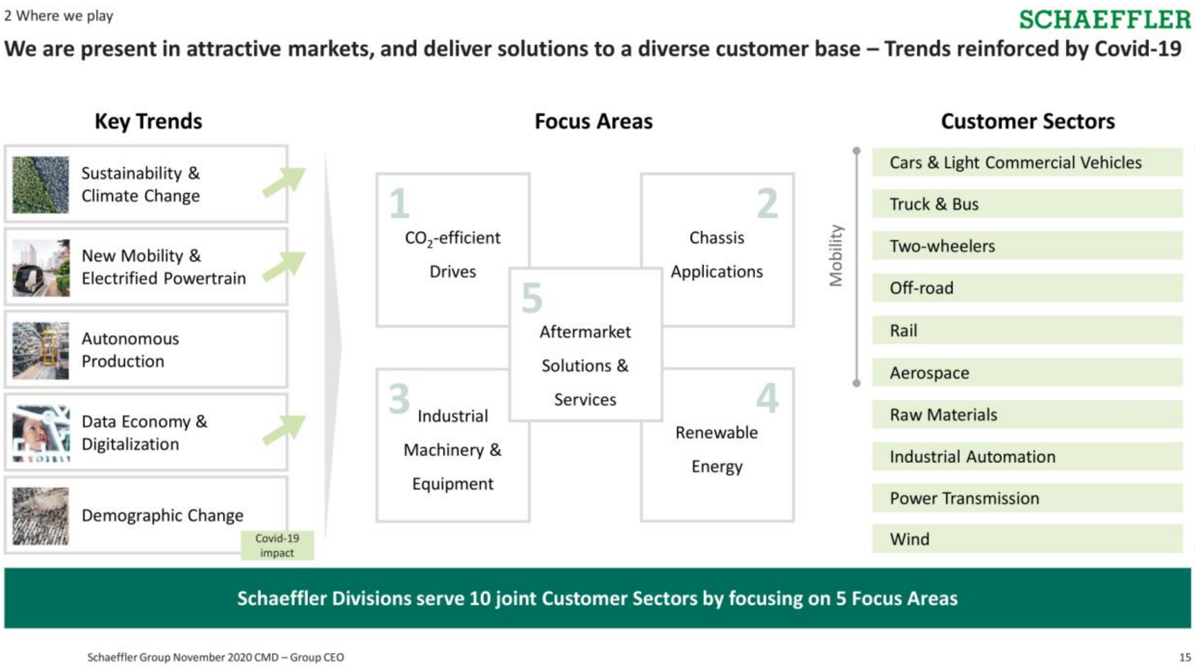
And so to the second chapter: Where do we play?



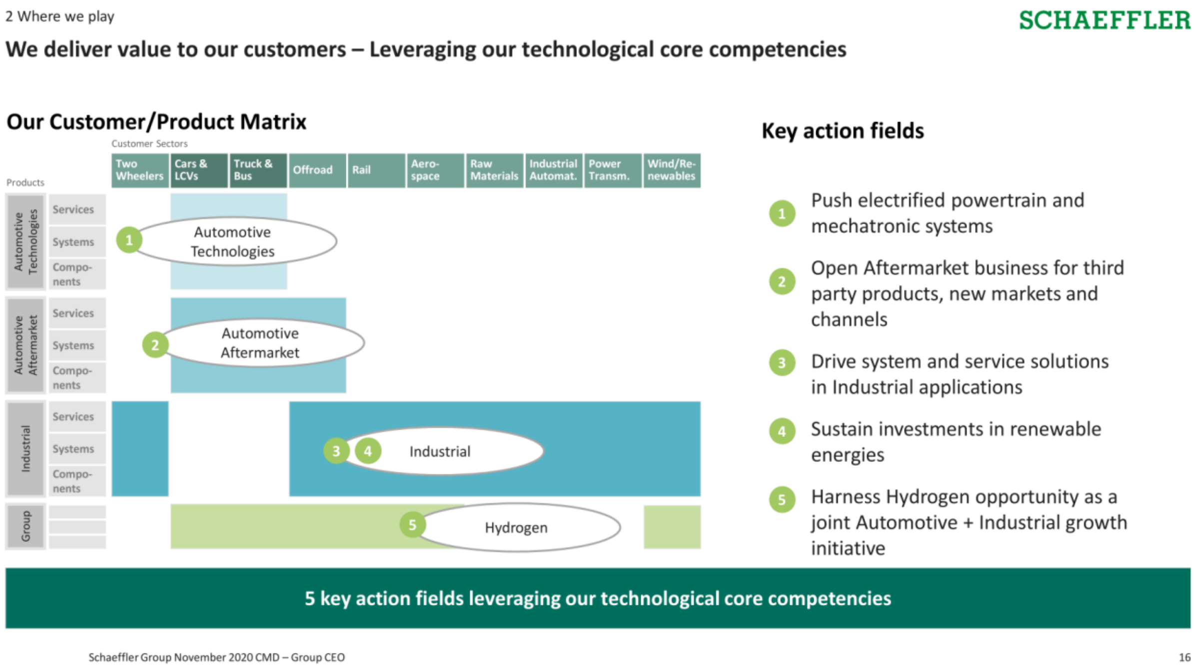
Here, I want to back up for a moment and talk about the key trends for us as Schaeffler Group: sustainability and climate change, new mobility and electrified powertrain, autonomous production, data economy and digitalization and also demographic change. I think it is fair to say that at least three of these trends have been amplified by the crisis and give us even more support going forward.

The trends then lead into focus areas. Here we have worked as part of our Roadmap quite a bit to determine the areas where we want to focus on. Don’t just take these areas as one-to-one links into the Divisions: CO_2-efficient drives is not only cars; it is also trucks and buses and it may even be extended into off-road, rail and other mobility devices.

The same holds true for Chassis. Chassis is clearly something where we want to excel in the car and light commercial vehicle area, but also rail offers chassis applications.

3 and 4 are more industrial areas: Industrial machinery & equipment is clearly driven by the autonomous production – Stefan will talk about this – and the whole area of renewable energies is not only Wind, but also other opportunities that the new environment offers. That together with Aftermarket solutions, but also the services that go again across the three Divisions explain these focus areas.

I would also like to highlight that we are not only present in attractive markets, but delivering our solutions, our value to a broader customer base is crucial. Here we think we serve ten joint customer sectors where we align across the Divisions and try to bring best value to our customers by focusing on these five focus areas.

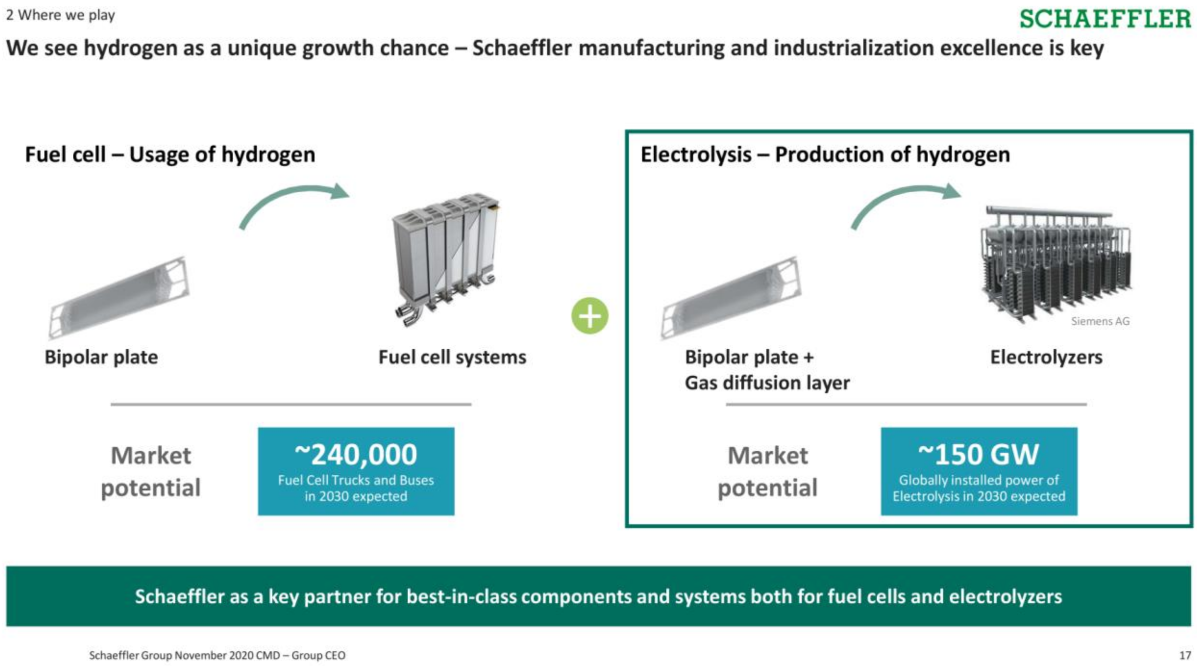


Let me take this one level further. Delivering value to our customers is a function of meeting customer requirements and this is what you see on this page with the customer/product matrix. It is all about leveraging our technological core competencies.

Here we see five key action fields, the further push into electrified powertrain and mechatronic systems, opening up the Aftermarket for third-party products, new markets and channels, driving system and service solutions in Industrial applications across the board, and further sustain investments in the whole area of renewable energies.

On top of this, there is a fifth opportunity that comes from the Hydrogen area. We want to harness this opportunity as a joint Automotive and Industrial growth initiative. My colleagues will explain this in more detail.

If you look at these five key action fields: Where else do you get an automotive supplier that is determined not only to conquer a leadership position in E-Mobility, but also offers a preeminent position in the Wind business? You all know that E-Mobility only makes sense if the energy that is needed for the electrification comes from green sources. And here you see the beautiful end-to-end perspective that Schaeffler offers both from the E-Mobility and the Wind business in Industrial.



Let me give another prominent example, coming back to Hydrogen, how we, as an integrated supplier, create value across the Divisions.

I think it is fair to say that Hydrogen offers, for Schaeffler in particular, a unique opportunity. Why is that? Because Hydrogen goes to the heart of what we do best and it goes to the heart of our best-in-class production and manufacturing technology, metal sheet forming, unique coating and surface technology and a deep understanding of different materials.

Why is that important? Because both in fuel cells – fuel cells are determined for usage of Hydrogen – and also in electrolyzers that are determined for the production of Hydrogen, the core is a bipolar plate or something similar and the bipolar plate is nothing else than a function of our core technology.

It is not only the manufacturing excellence here that counts, but also the proven excellence of Schaeffler in the industrialization of these small components. We are the ones that can deliver in quality, but also in scale at levels that others can't do. That is why we feel strongly that Schaeffler is a key partner and will be a key partner for best-in-class components and systems, both in the fuel cell, but even more so in the electrolyzer world. So Hydrogen is a perfect example to show why this company is more than just three Divisions.

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3 How we win

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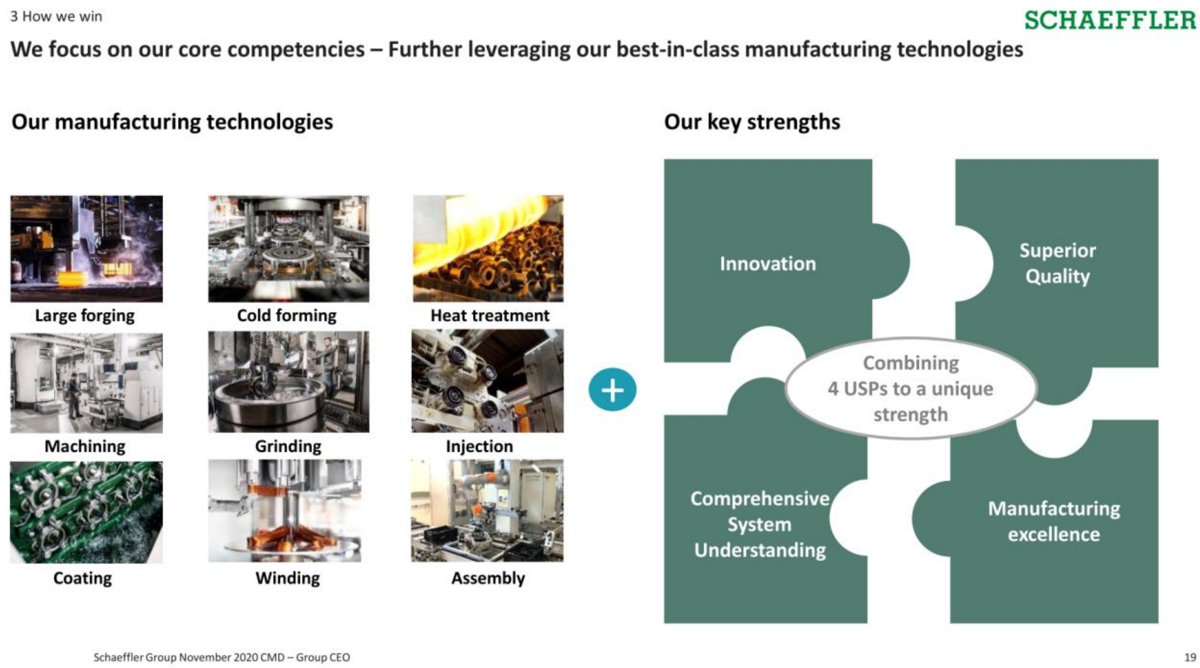
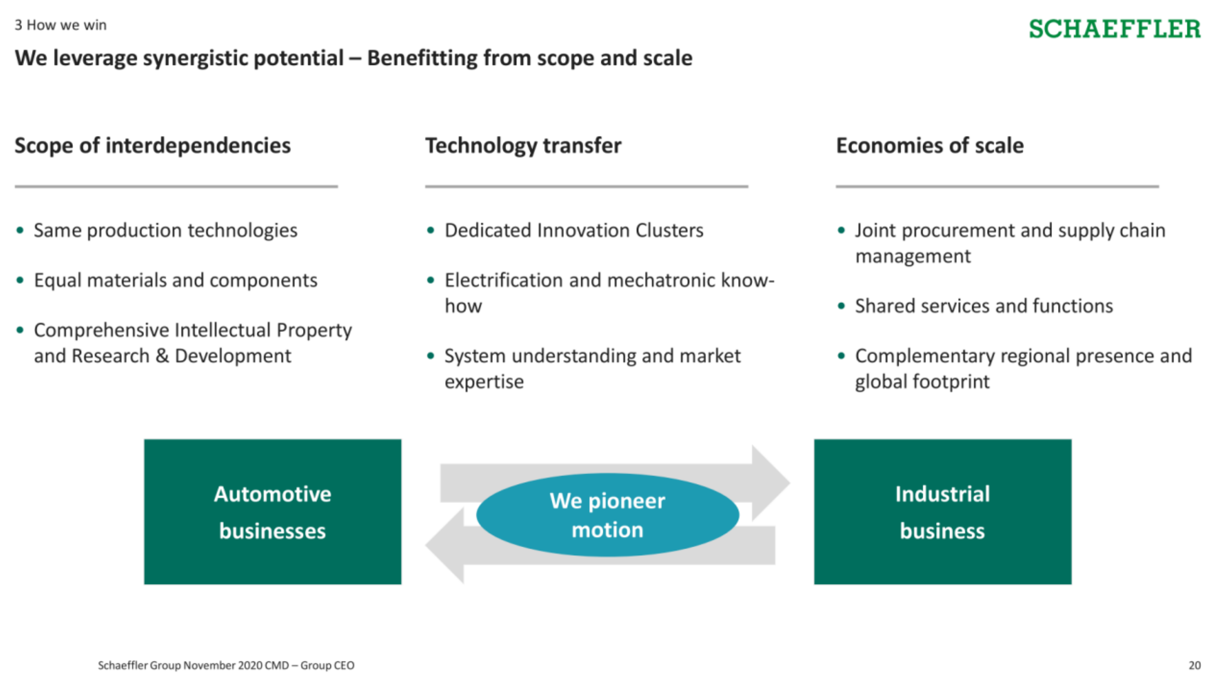
Let me go from there into how we win.



How we win is always a question of what your core competencies are. Here, once again, you see our main manufacturing technologies: from forging, cold forming, heat treatment to coating, winding and assembly.

But it is not only the manufacturing technology that counts; it is more than that. We have not only one USP. We think that four USPs are characteristic for Schaeffler. On the one hand, the strong innovation power, second, the superior quality we offer to our customers with a long, long track record, the manufacturing excellence and then, last but not least, the comprehensive system understanding both in Automotive and in Industrial, also covering the Aftermarket business.

If we combine these four USPs to one unique strength, then we are in the right place and then we will be able to even more so leverage the synergistic potential that sits in this company.



And here it starts again with the scope of the interdependencies of the different businesses. We are using the same production technologies, we have equal materials and components and we have a comprehensive intellectual property and research development that is shared among the businesses.

But it is not only the scope of the businesses, it is also the economies of scale that play an important role. This scope allows us to procure jointly and to leverage our supply chains. It allows clearly for shared services and shared functions and we enjoy since years a complementary regional presence and a global footprint that also makes us stronger together.

What then, on top of this, makes it even more interesting is the potential for technology transfer between the Divisions. We have as part of our new Roadmap defined eight dedicated innovation clusters that go across. We share the electrification and mechatronic know-how. Here, robotics is a great example where elements that were developed in the Automotive area are now used for a growth initiative in Industrial. And clearly the system understanding, our simulation capabilities, our market expertise across the sectors is a key element of why this company offers such potential.

Our new claim “We pioneer emotion” expresses this logic and it is clear that also the Schaeffler brand integrates this and should help us to push this company forward.

3 How we win

SCHAEFFLER

We foster a high-performance culture – Our people drive our success

Qualification

- One 'Schaeffler Academy' providing flexible, target-group oriented learning programs on all levels and on a global scale
- Qualification programs to re- and upskill workforce aligned with strategic business needs and supported by a digital and state-of-the-art learning environment

Diversity

- Incorporation of Diversity and Inclusion embedded in Execution Program 2025 and governed by Diversity Council
- Leveraging positive effects of diversity and inclusion by increasing visibility of D&I topics

Collaboration

- Activities to foster collaboration across Divisions and Functions are an integral part of strategy execution program in all regions
- Interdisciplinary approach uniting IT, work organization, processes and corporate culture to empower flexible teams

Qualification, Diversity and Collaboration as key success factors

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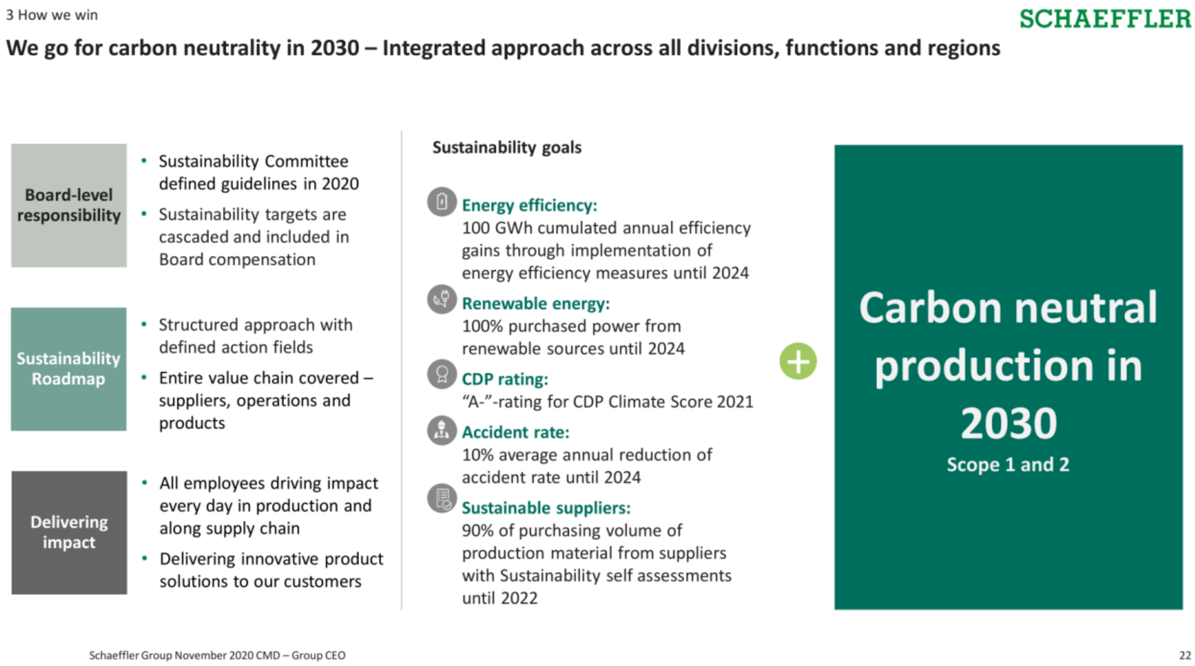
That then goes into the most important aspect of every business and that is a high-performance culture, but in particular people. We know and we are determined to share that with you: Our people drive our success. We will invest further in qualification, as we have always done. We like the aspect of diversity and inclusion and we will clearly use also the "new normal" to foster collaboration with more interdisciplinary approaches across the various Divisions. Qualification, diversity and collaboration are key success factors going forward.



Even more so is sustainability. On this page, you see our commitment, our sustainability goals. We want to make this company carbon neutral in its production in 2030. That is the committed sustainability goal, next to the five others that are listed on this page.

The Board has clearly subscribed to an integrated approach across all Divisions, functions and regions. We have set up a Sustainability Committee and accepted sustainability targets and integrated them into our Board compensation and also cascaded them down into the next levels.

We have a roadmap, a structured approach with clearly defined action fields and this approach covers the entire value chain: suppliers, operations and products. And even more so, the sustainability is not only about compliance. It is not only about all employees driving impact every day in production along the supply chain. It is very much a business opportunity for us – I mentioned that before – to deliver innovative products and innovative solutions to our customers in all our Divisions.

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4 How we create value

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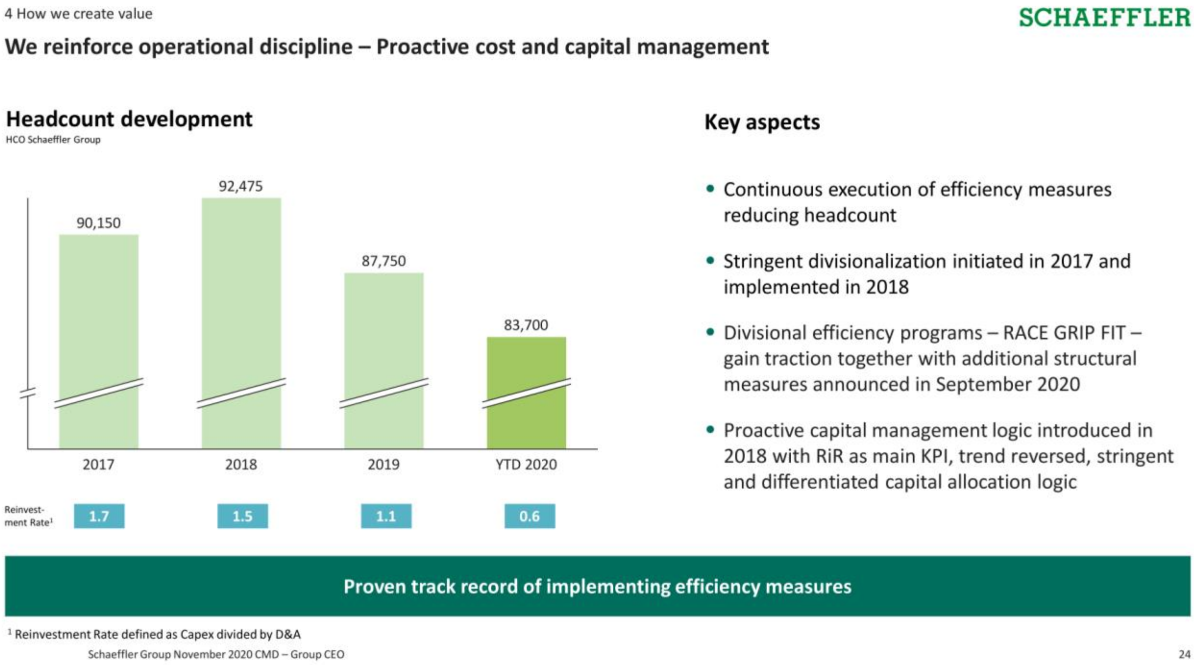
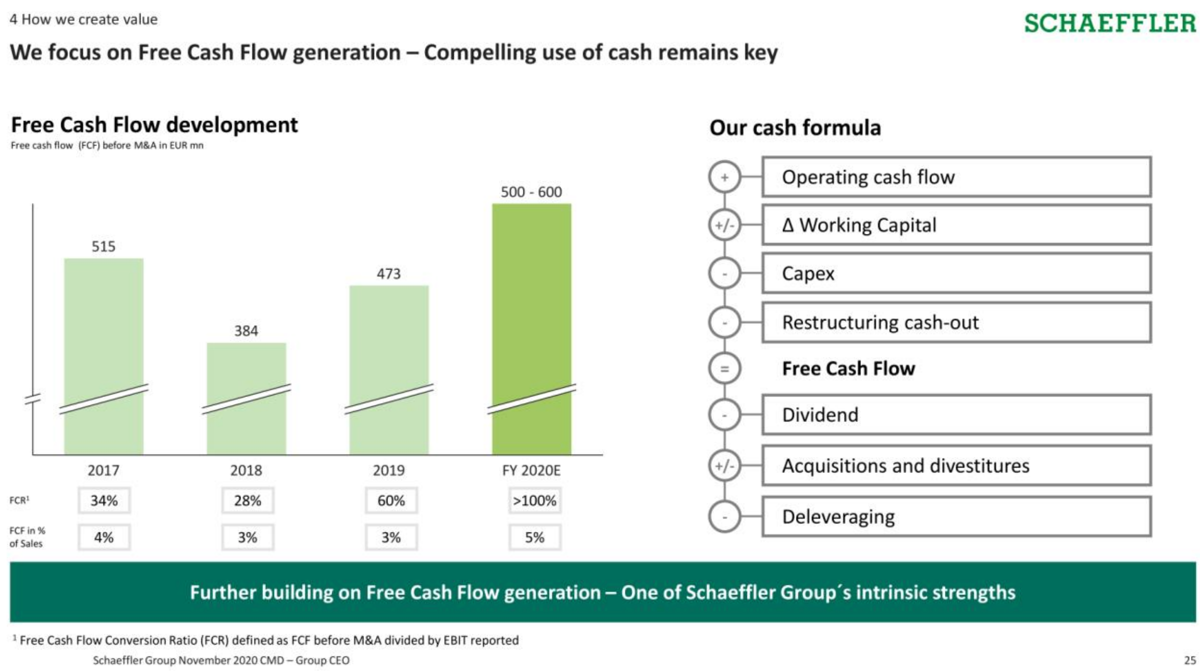
That leads me to the next chapter: How do we create value? How do we want to create even more value?



That starts with reinforcing operational discipline. We have done quite a bit in the last two years to make progress in that direction. I think you would agree with me that the execution of the various efficiency measures reducing headcount has been a continuous effort. The divisionalization has been stringently implemented in 2018 after being initiated in 2017. That now gives us a solid structure.

Also the divisional efficiency programs – RACE, GRIP and FIT – that you know gain traction together with the new comprehensive structural measures announced in September 2020.

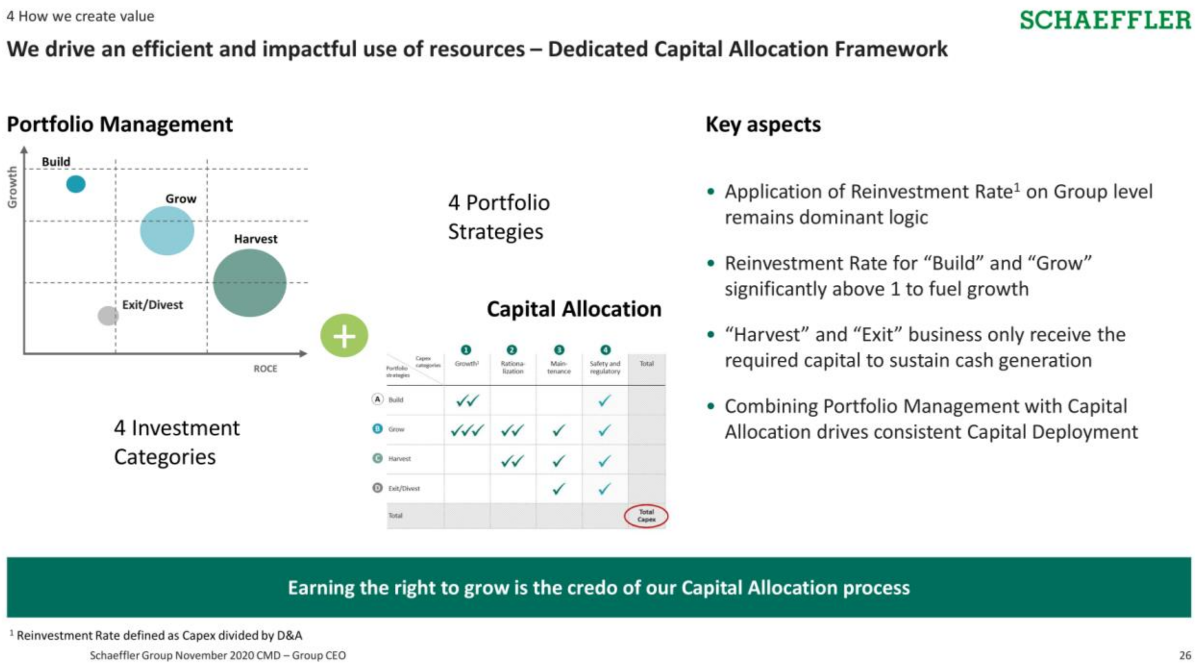
On top of this, our capital management logic that we introduced in 2018 with the reinvestment rate as the main KPI has been implemented. It shows impact. The trend from the last two years has been reversed where the reinvestment rate was significantly above 1. And we are clear and determined to further drive this capital allocation logic into the organization and into the next years. So I think we can say there is a proven track record of successfully implementing efficiency measures.



That leads me to our Free Cash Flow. Since the listing of Schaeffler, we always stressed that Free Cash Flow is the area where we want to differentiate ourselves. We focus on Free Cash Flow not only in our compensation, but as a key driver of our new financial framework. The compelling use of cash remains key to build on this strength and to generate value going forward.

You all know the cash formula and you know the drivers behind this. You also know that we have implemented and started a new comprehensive restructuring program announced in September with around 700 million of restructuring cash out; that is known to the market. With our Free Cash Flow generation, we will be able to fund this and Klaus will explain this in more detail.

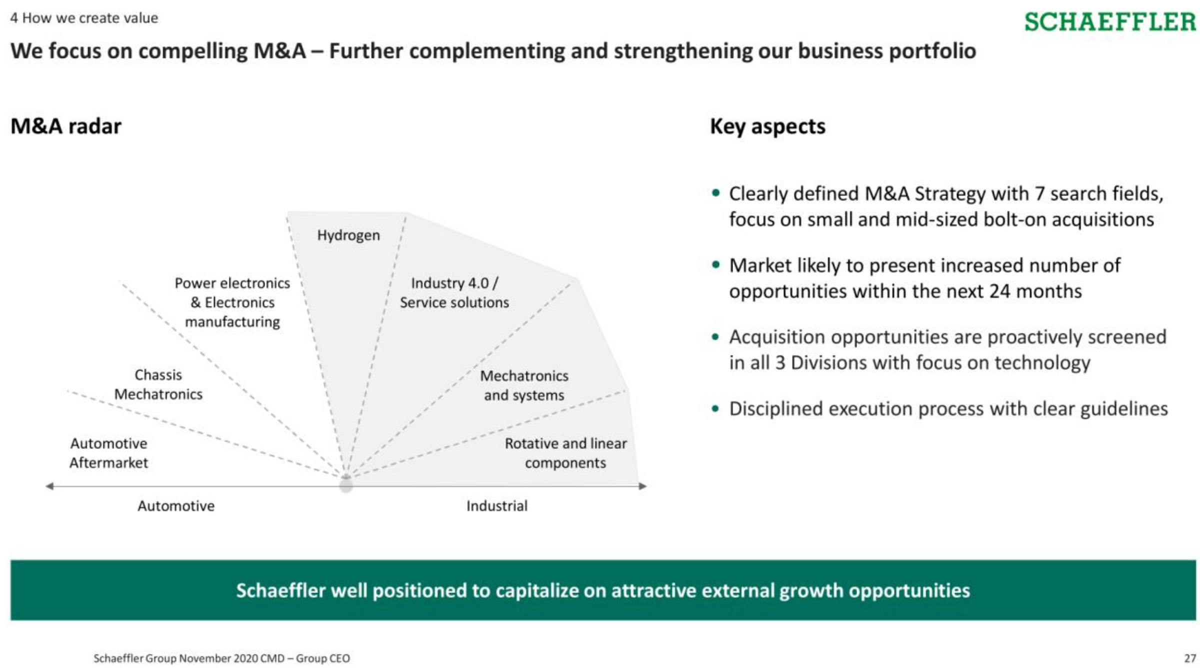
When it comes to the usage of cash, I just would like to confirm at this juncture that we are determined also going forward to pay a decent dividend out of Free Cash Flow that we generate – more to come on M&A and the other aspects of this formula. That is, if I may say so, not a rigid hierarchy, but a good formula to understand sources and uses of cash.



Let me come to the next page and that then all sums it up. At the end of the day, it is all about capital allocation. We introduced to you some time ago the portfolio management logic, but also the new capital allocation framework that links the reinvestment rate on Group level also to the portfolio elements, the different portfolio strategies.

Matthias has been very good with that and introducing that in his divisional strategy and we will continue with that strategy.

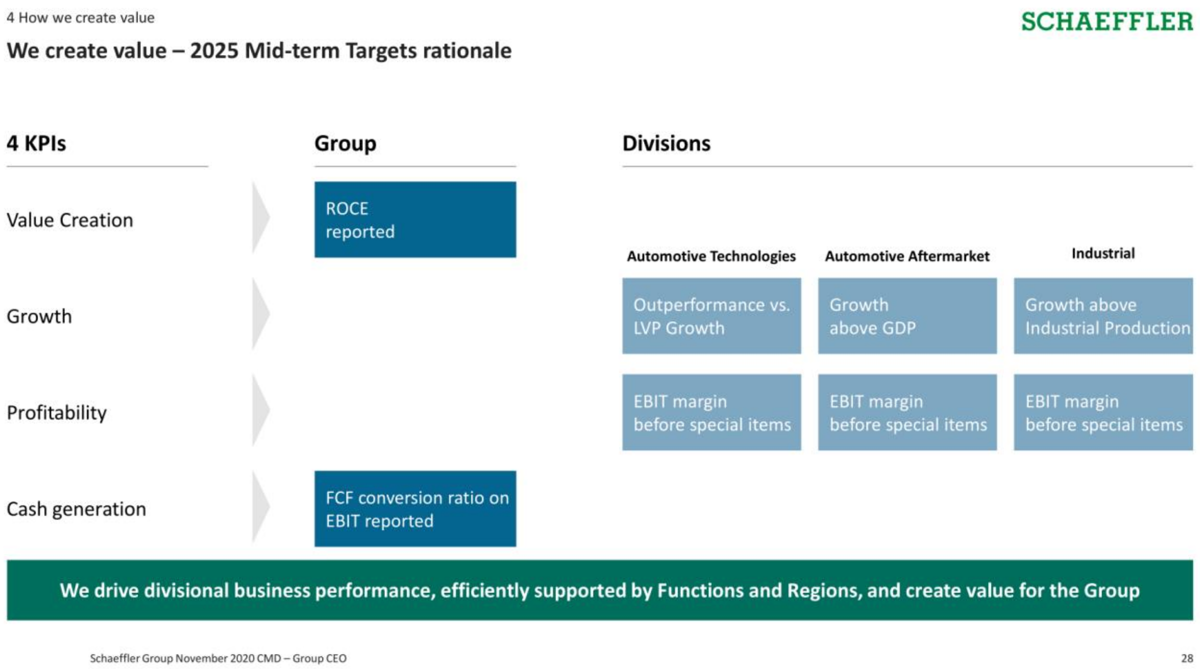
The credo of our capital allocation process remains “earning the right to grow” and that is a very good yardstick to determine where capital should go and where it should not go.



Let me, before I come to my final slide, say some words on our M&A strategy. As shown by the latest acquisitions that we did, we clearly focus on compelling M&A. We want to stay very disciplined in that respect and do M&A if it complements and strengthens our business portfolio.

We have our radar on with seven search fields. We will continue to focus on small and mid-sized bolt-on acquisitions. We believe that the market is likely to present some interesting opportunities within the next 24 months. These acquisition opportunities are proactively screened across all three Divisions and I can assure you that we will do this process as we will do the execution process: in a very disciplined manner with clear guidelines that Klaus will explain further.

So, Schaeffler is well positioned to capitalize not only on the organic growth opportunities, but also on attractive external opportunities.



Now, before I hand over to Matthias, let me come to my final slide and just briefly explain the rationale of our mid-term targets that Klaus will share with you in more detail.

Our mid-term targets are, from my point of view, comprehensive because they cover the Group and now for the first time also the three Divisions. They are bold because we give you in an uncertain environment for a five-year period a walk, a direction for each of our businesses. And they are balanced because they include Free Cash Flow at Group level and this is the main differentiating factor for Schaeffler, as well as the return on capital employed as a key measure for capital efficiency and value creation.

Let me finish by saying: I also believe that they are robust because we have given you a strong floor. We want to guarantee to you that we have a dependable floor and we are determined to also overachieve the ranges that we have given you.

With that, Matthias, I hand over to you for the second part, Automotive Technologies.

Matthias Zink
Thank you, Klaus.

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1 Where we stand

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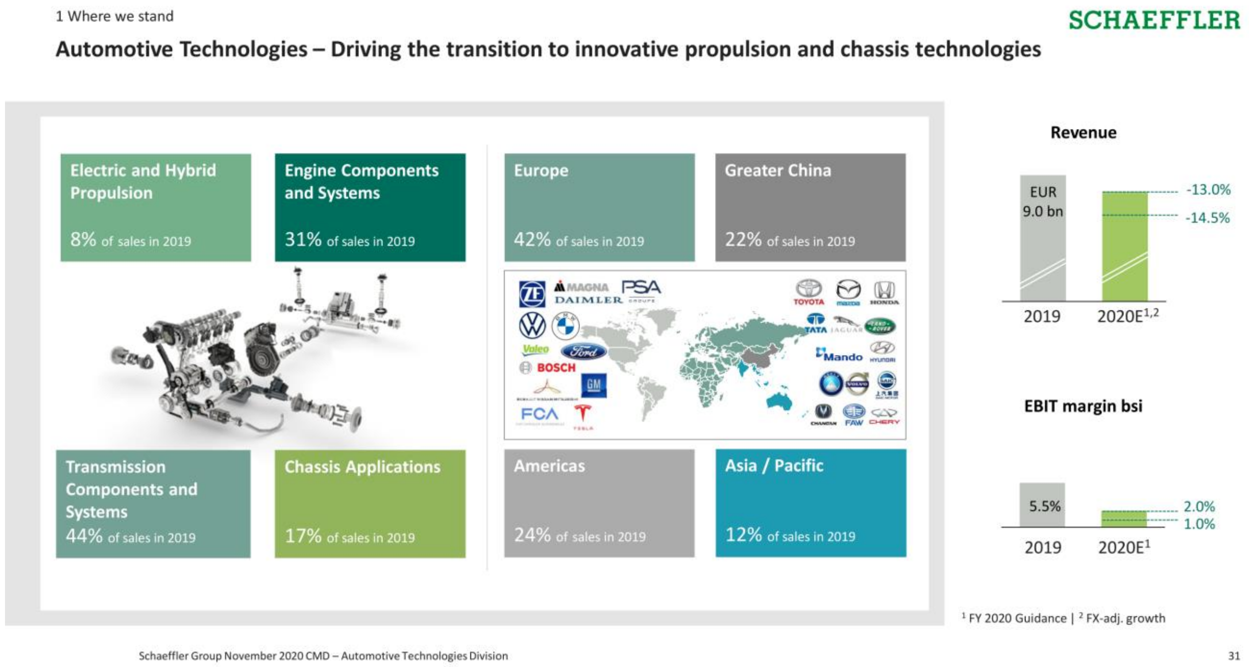
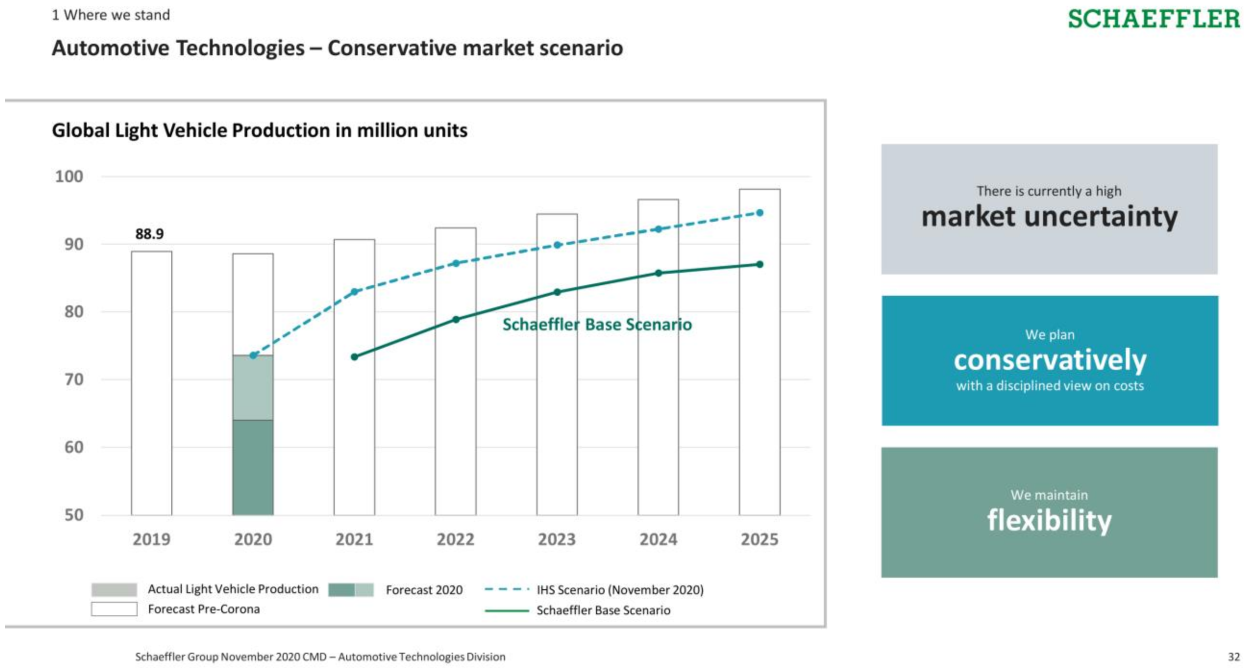
Ladies and gentlemen, where do we, Automotive Technologies, stand?

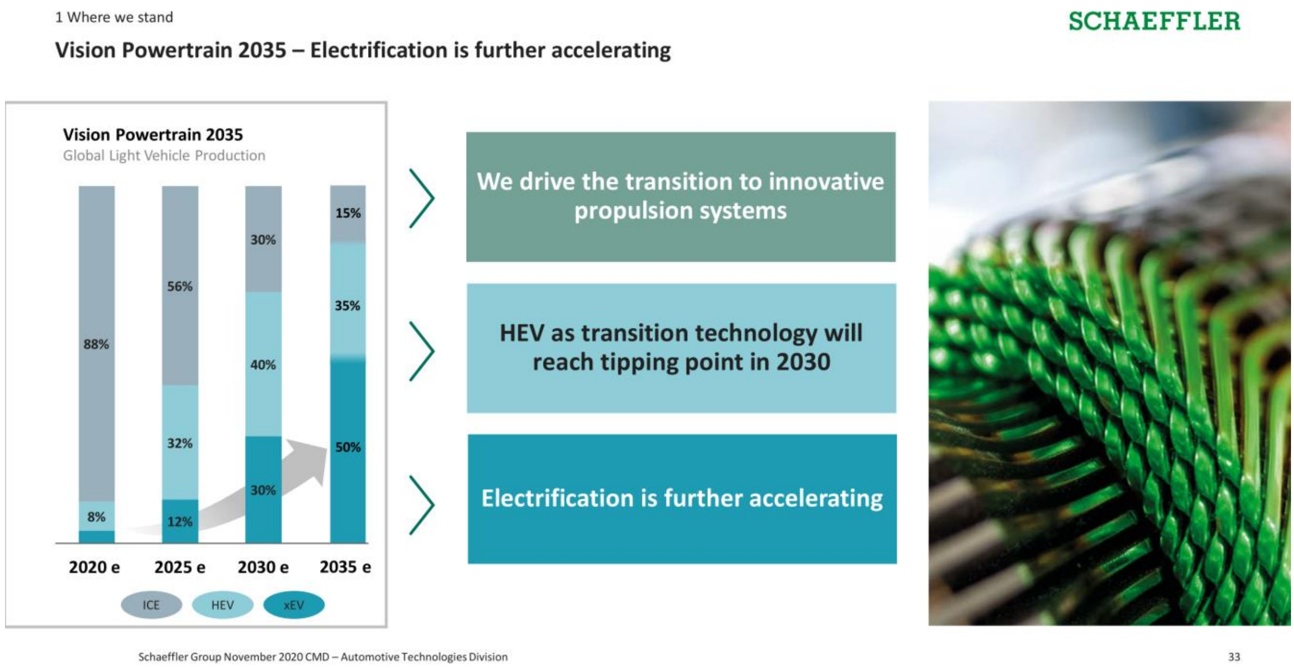


Together with established and new customers worldwide, we are proactively shaping the transition to innovative propulsion systems and to advanced chassis technologies. We are and we will continue to be both a component and systems supplier and we are well regionalized with more than 20% of our sales in Greater China and the Americas each.

Following our full year 2020 guidance, our sales will decline by 13 to 14.5% while still achieving a positive EBIT from 1 to 2%.



The market out there is still highly uncertain, as Klaus already elaborated. Therefore, we have decided to plan conservatively to secure the floor and we took here, as the Schaeffler Base Scenario, the pessimistic IHS numbers as a basis. Hence, we will be operating with maximum cost discipline, but at the same time with maximum flexibility.



As you can see here, we have extended our powertrain scenario to the year 2035. We believe that hybridization will reach its tipping point in about 2030. At the same time, we are convinced that electrification will accelerate strongly, up to 50% of the new vehicles, and that we, as Schaeffler, will play a decisive role in shaping this transformation with our USPs.

SCHAEFFLER

2 Where we play

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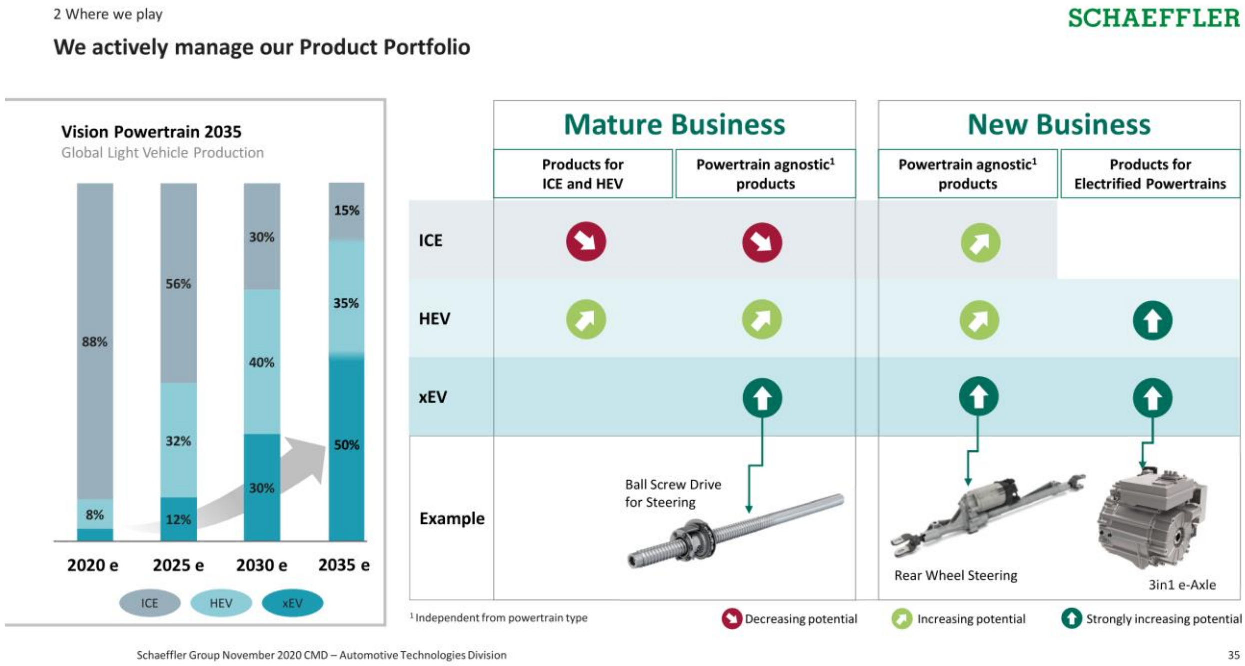
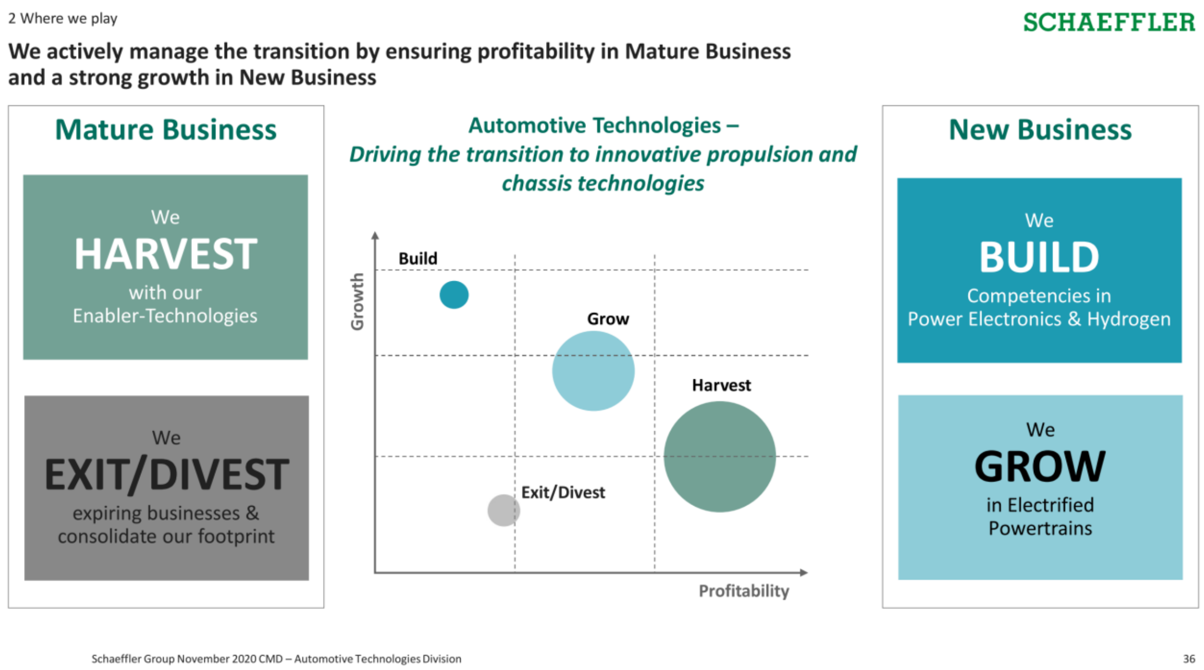
Ladies and gentlemen, where do we play?



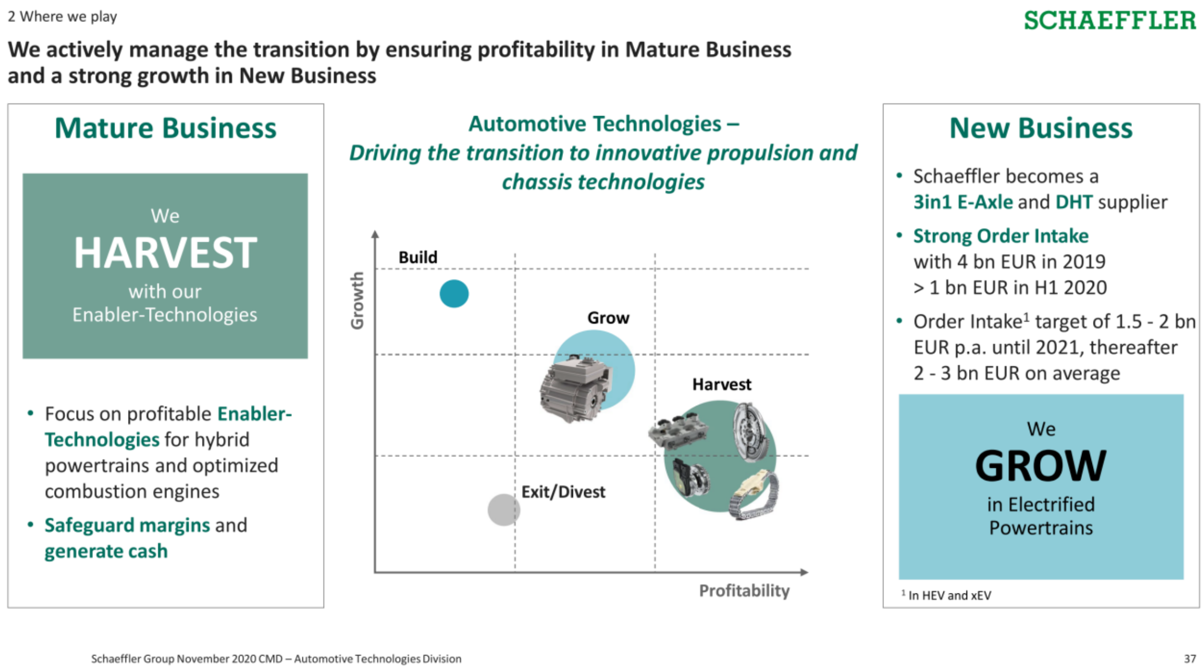
A strict and consistent management of our portfolio will be the key to making this transformation a success. Therefore, we have divided our business into two clusters: the Mature Business being the foundation and the New Business.

As you can see, we also have some business fields that are even completely unaffected by powertrain technology; we call these agnostic.



Within those two clusters, Mature on the left side and New on the right side, the businesses are further divided into the four categories shown here, namely Harvest, Exit/Divest, Build and Grow.

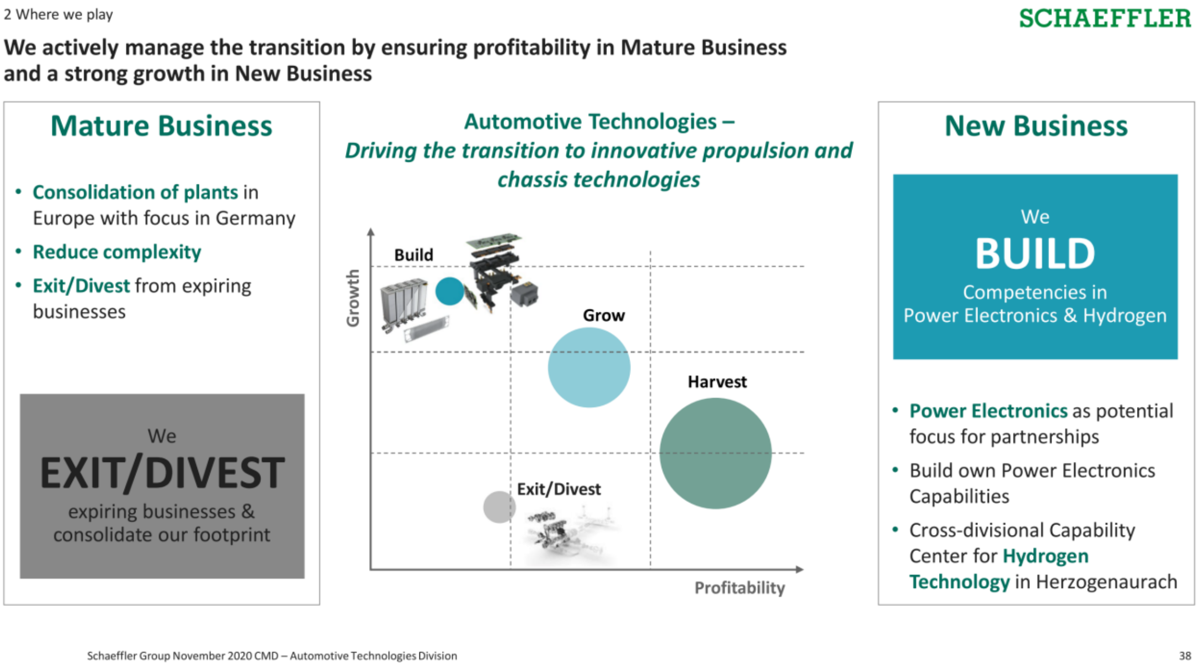
And I now gladly take you through a few of these examples.



For harvesting, we have a very strong and innovative portfolio in our Mature Business, building the foundation for the future. And we will continue to optimize this for the hybrid and as well ICE powertrains. Top priority in that field is to secure the margin and to generate cash to fund the future, but also to leverage skills and existing investments.

For the New Business on the right side in electrified powertrains, Dr. Jochen Schröder will show you the latest successes in a moment.

We delivered on our promise and I already now can conclude that we will increase our order intake target to 2 to 3 billion euros per year.



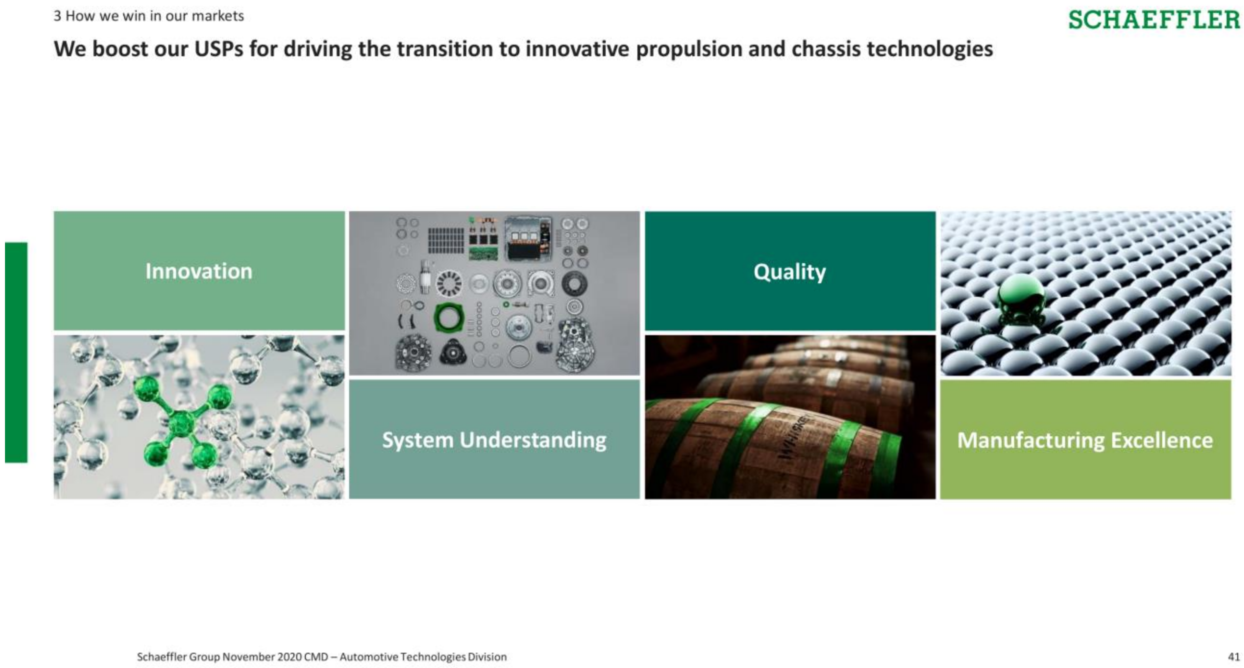
We will also intensively develop the other two key areas Exit/Divest and Build. Since 2018, we have intensively pushed ahead with a consolidation of plants in Europe with a focus on Germany. We are removing complexities in the organization and we are consistently phasing out expiring businesses.

At the very same time, we are further strengthening our capabilities in the power electronics field, but realizing our new 3in1 projects for serial production and together with our Industrial colleagues and Stefan, we have started a broad initiative on Hydrogen.

All our resources we handle in a sustainable manner. We have now trained more than 1,000 of our long-standing experienced employees from the Mature Business for the New Businesses.

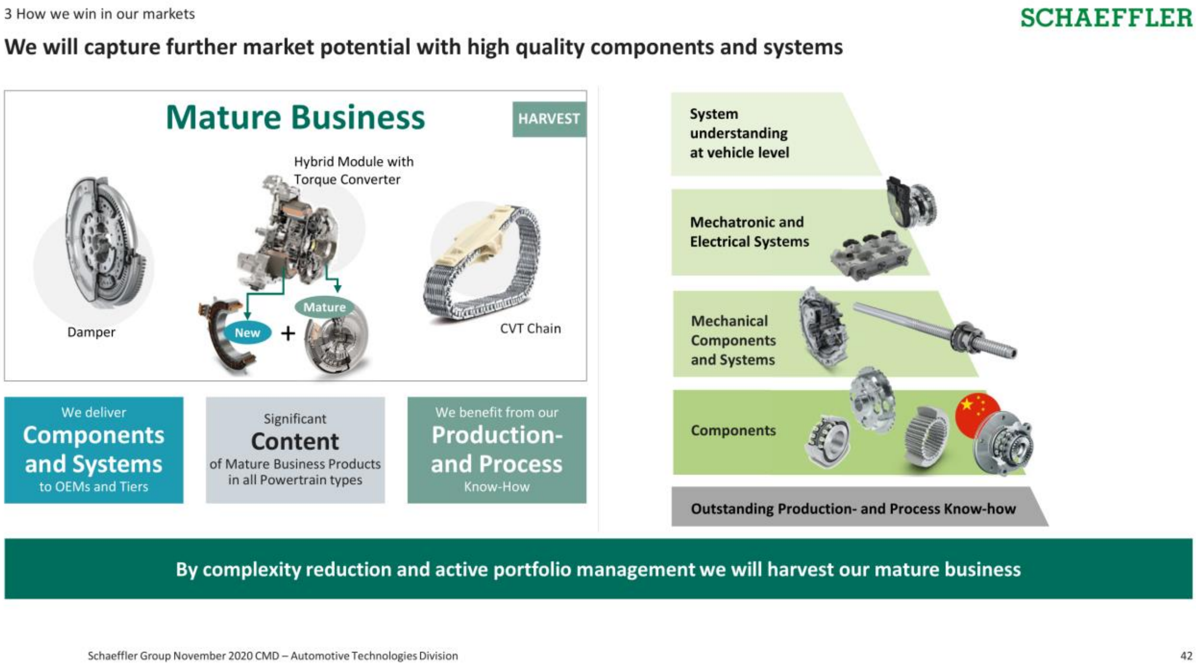
Next year, we will inaugurate our factory for electric motors in Hungary; this factory is being built as a lighthouse factory for sustainability. At the same time, we are modernizing our existing mature site in Bühl as an ultra-efficient factory for electric motors and we have our competency center for E-Mobility there under the management of Dr. Schröder.

How do we win? Or how to master or – better – how to lead this transition?



We see four core USPs at Schaeffler being key for that. We are and we will continue to be innovative with more than 2,000 patents filed per year. With our system understanding, we discuss with the automotive manufacturers at eye level and can therefore develop and deliver innovative systems and components.

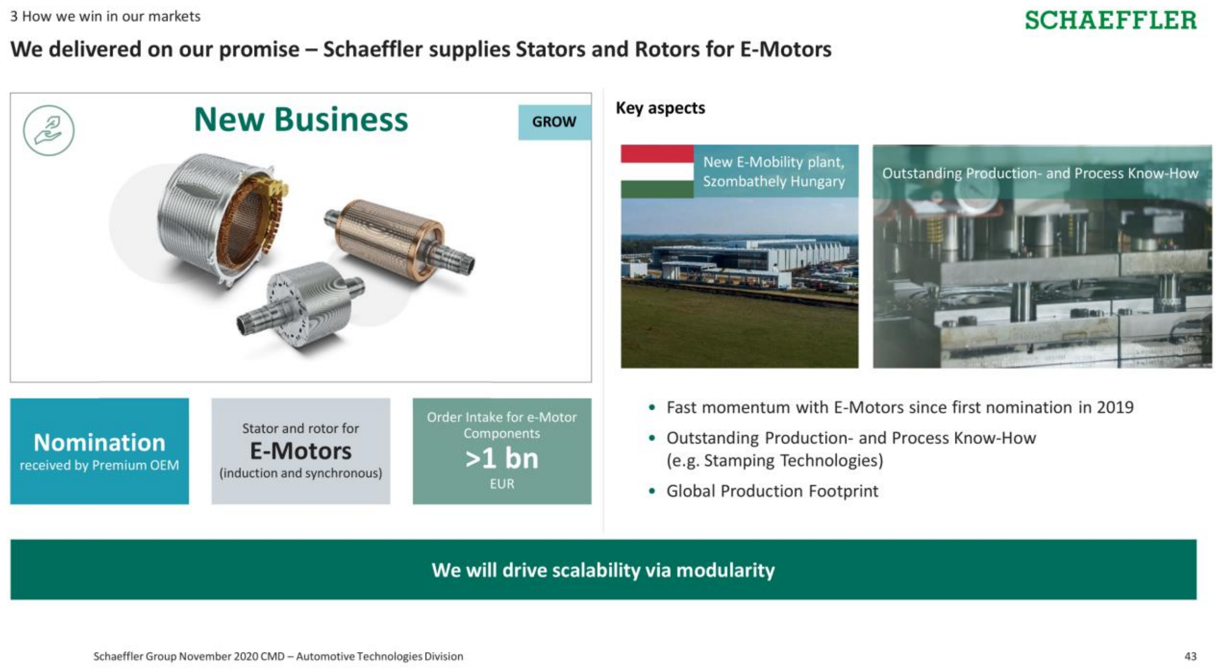
Quality is and remains a top priority in everything we do and we are in the single-digit PPM range with all car manufacturers and we receive numerous awards. And as Klaus said, our vertical integration and manufacturing excellence makes us very strong in implementation of things and products.



This slide illustrates the relevance of Mature Business as the foundation for the New Businesses.

We will continue to develop and to supply components and systems as said. We see significant content in all powertrain types and, as said, we will take advantage of our exceptional production know-how as this makes us strong in implementing products.

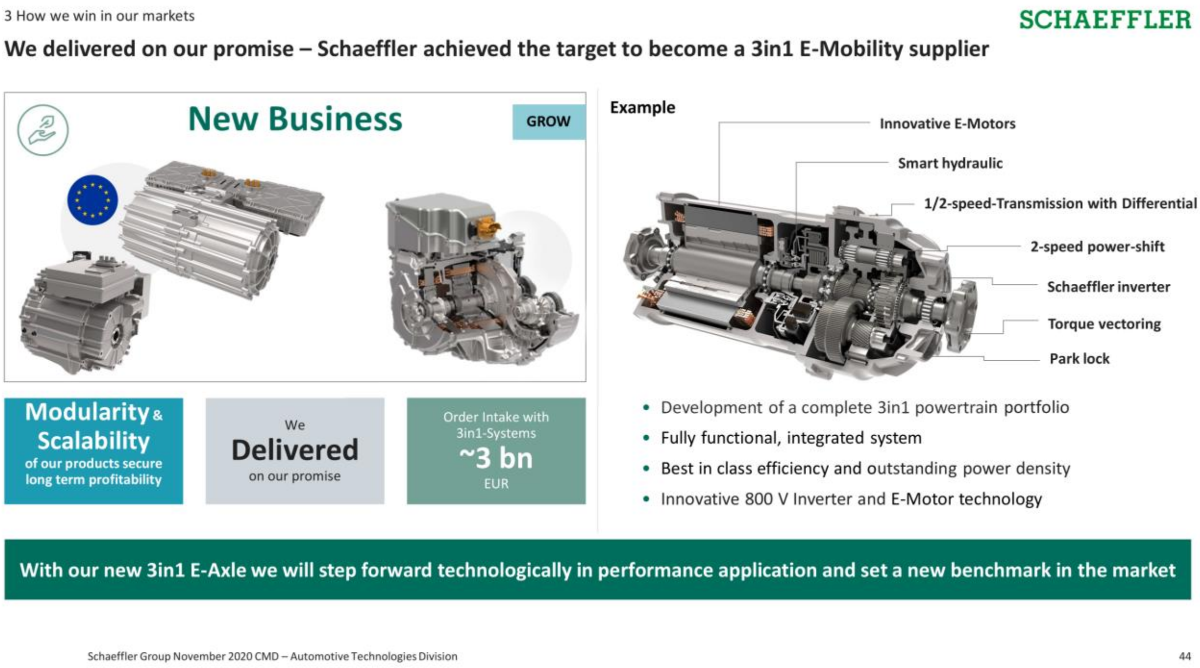
With that, I would like to hand over to Dr. Jochen Schröder.



Dr. Jochen Schröder

Thanks, Matthias, and good afternoon, ladies and gentlemen, also from my side.

It is my pleasure to now share with you the progress we are making in the transformation towards E-Mobility. Two years ago, we clearly communicated our ambition to become an E-Motor maker for electrified powertrains. This is because a) the E-Motor is the heart of every electrified drivetrain and b) because the E-Motor perfectly fits to our DNA. Schaeffler is strong in the industrialization of innovative and technologically demanding mechanical products and we are able to realize a deep vertical integration in E-Motors.



And we deliver on our strategy. Our order intake on E-Motors is exceeding 1 billion euros. We use our own E-Motor in multiple system projects and we start to deliver E-Motors in mass production to our customers end of next year.

We are building our global footprint with E-Motor production lines in China, in the USA, in Europe, like e.g. in Hungary, as Matthias explained before, with a new E-Mobility production plant that is currently under construction, and also in Bühl in our headquarters E-Mobility where we will also produce E-Motors in the future.

In our E-Motor product portfolio, we are following a modular approach strongly enabled by our vertical integration to realize scale effects.

In last year’s Capital Markets Day, I explained to you that with E-Motors we are able to deliver 2in1 systems: gearbox plus E-Motor or, in a hybrid module, E-Motors combined with torque converters or clutches for example.

However, market needs and our strategy goes beyond 2in1 to 3in1 systems, that means with power electronics, PEU and software integrated into the system.

Last year, I promised that we are ready to make this step and that we want to take it. Today, I can report: We did it. Since last year, we achieved an order intake of around

3 billion euros in 3in1 systems from multiple customers for pure electric vehicles with E-Axle and for hybrid vehicles with our Schaeffler DHT Multimode.

This is the first visible evidence that Schaeffler has managed to transform. We achieved know-how in power electronics. We are able to manage and to master electronics in the electric powertrain.

Our main model today is to specify the power electronic and to work with a partner. In software, we always have at least a share in all projects and we do the software functions relevant for the differentiation of the system in-house in Schaeffler.

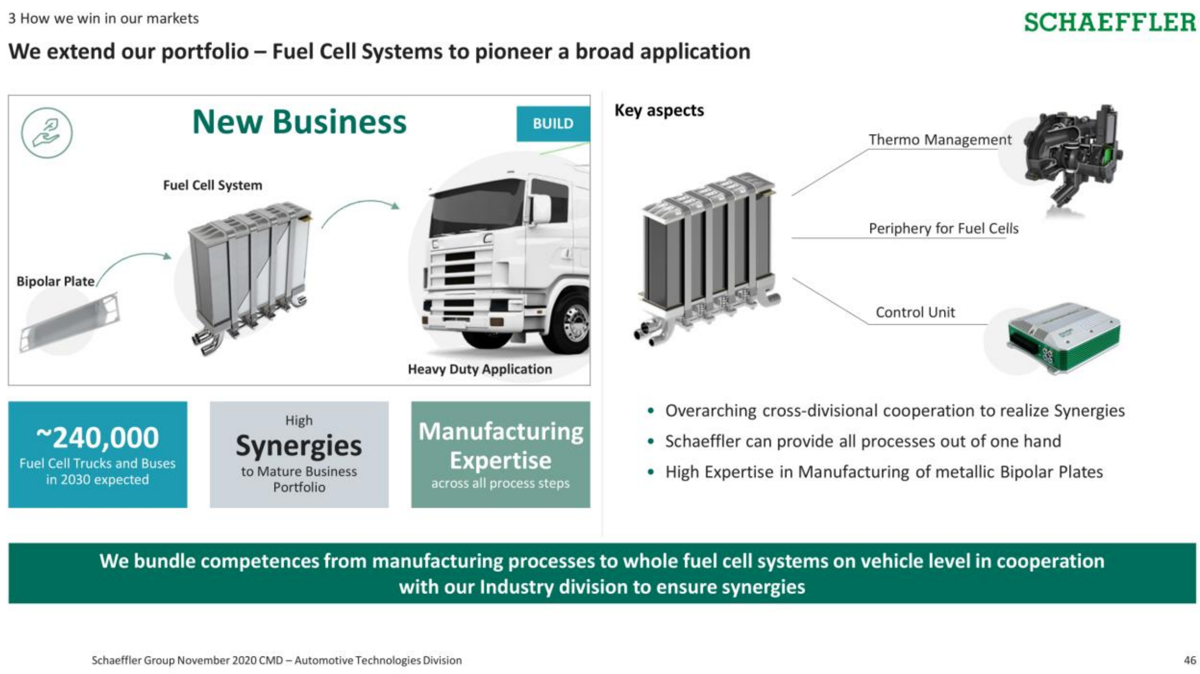
And maybe also important to note: In one of the 3in1 projects, we do not only specify the power electronics, but we will use our first in-house design power electronics and will bring this into production.

The 3in1 systems of Schaeffler are not only me-too products. We differentiate with our innovative technology. On the right-hand side of this slide, you see an example of our 3in1 E-Axle. Here we do an 800 Volt system with silicon carbide inverter technology with 2-speed seamless power-shift capabilities and highly innovative E-Motors, setting a benchmark in power density. And we do not only do one E-Axle system, but we will produce a modular kit and we are able to serve a variety of power classes in a scalable design.

Besides light vehicles, electrification in heavy duty vehicles is also gaining momentum. We decided to enter this market segment as well because of high synergies in the E-Mobility products. One example for these synergies is, again, the E-Motor.

We can use the same production machinery as for light vehicles and the same base materials. In particular, our Wave Winding technology that we developed with Elmotec Statomat also offers advantages in the truck segment because of its very high efficiency and power density, making it very attractive for heavy duty application.

I am happy to report that we already achieved the first nomination with our Wave Winding E-Motor for heavy duty in the US truck market.



In the electrification of the truck segment, pure battery electric solutions will have limits, especially for long-haul use. Here, fuel cell technologies have advantages and we believe that we will see fuel cell trucks at relevant volumes towards the second half of this decade.

Therefore, we decided to enter the truck Hydrogen fuel cell business also, but not limited to trucks, also for light vehicles and our Industrial sectors, as explained before by Klaus. But certainly, trucks will be one of the leading applications for fuel cells.

The way how we approach fuel cells is similar to how we approach the E-Motors. The core of every fuel cell are bipolar plates forming a stack of several hundred plates in a fuel cell system. A bipolar plate is basically a stamped part, like the metal sheets in the E-Motor, the surface technologies, welding technologies and other technologies brought together.

In a nutshell, all technologies needed for bipolar plates are core technologies of Schaeffler and we are well prepared to go into this field with our industrialization competencies. Fuel cell systems also offer opportunities beyond bipolar plates and stacks. We can also use for example our thermal management modules from combustion engine and adopt it to fuel cells, our system know-how and capabilities and also various other components around the fuel cell.

Last but not least, we are also looking beyond the powertrain into new growth areas around chassis systems. In particular, new mobility concepts and autonomous driving require innovative products like steer-by-wire systems or our corner modules.

In particular with our steer-by-wire technology, we are making good progress with our joint-venture partner Schaeffler Paravan. Also with our Rear Wheel Steering system, we are close to entering the market together with our partner Bosch.

The steer-by-wire technology is not only limited to passenger cars, but it is technology relevant and interesting across various sectors and applications also in industry. We are working here on several projects and see good growth opportunities for the future.

With this, I want to hand back to Matthias. Thank you.

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4 How we create value for our customers and the Group

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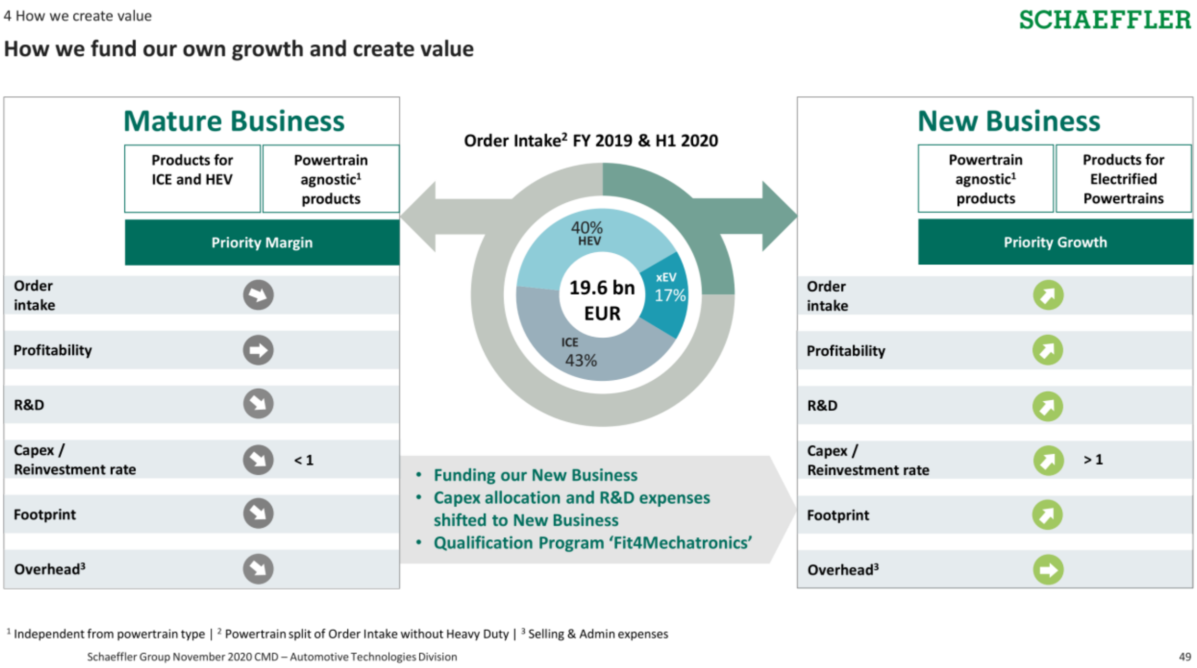
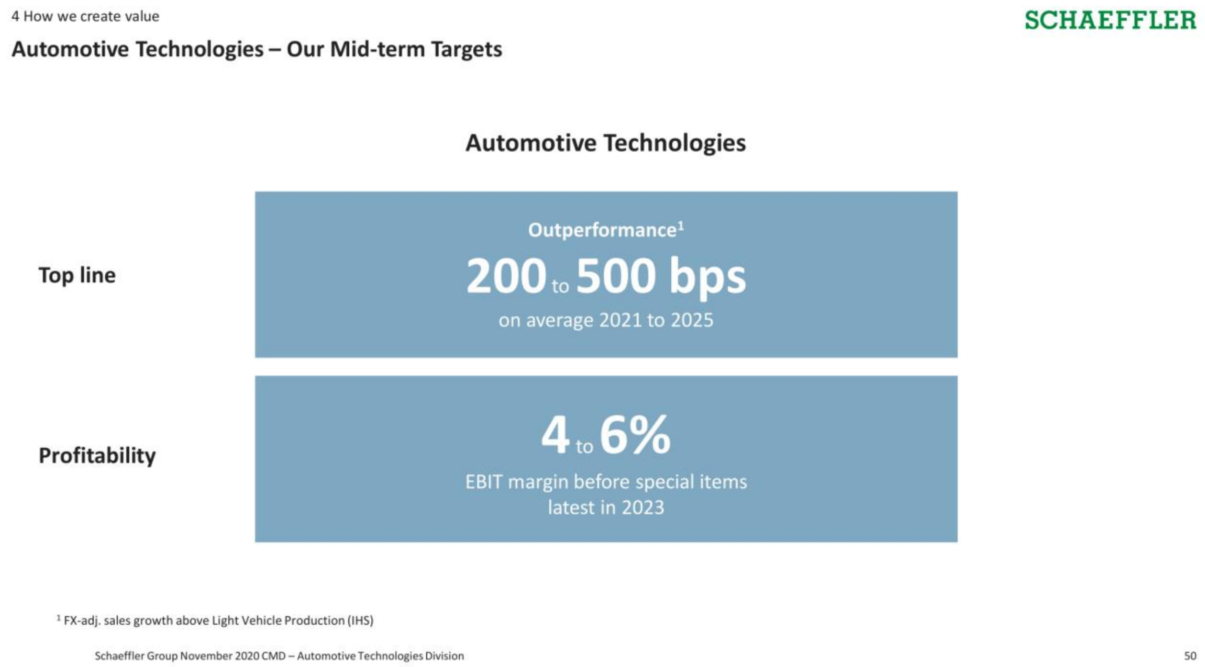
Matthias Zink

Thank you, Jochen. Ladies and gentlemen, how do we create value for our customers and for the Group?



With 19.6 billion euros, we see in the middle our order intake of the last 18 months and its structure according to ICE, HEV and xEV. With this order intake structure, we anticipate our assumed powertrain scenario.

First and foremost, we will fund our growth and the realization of this order intake from the Mature Business side and thus generate value. Therefore, we adjust the R&D quota, the Capex ratio and the overhead ratio accordingly. At the same time, we leverage skills, intensify the R&D and Capex spendings for the New Business and we commit ourselves to a higher order intake. Thus, for a while, the overall profitability will be a blended mix of both business segments.



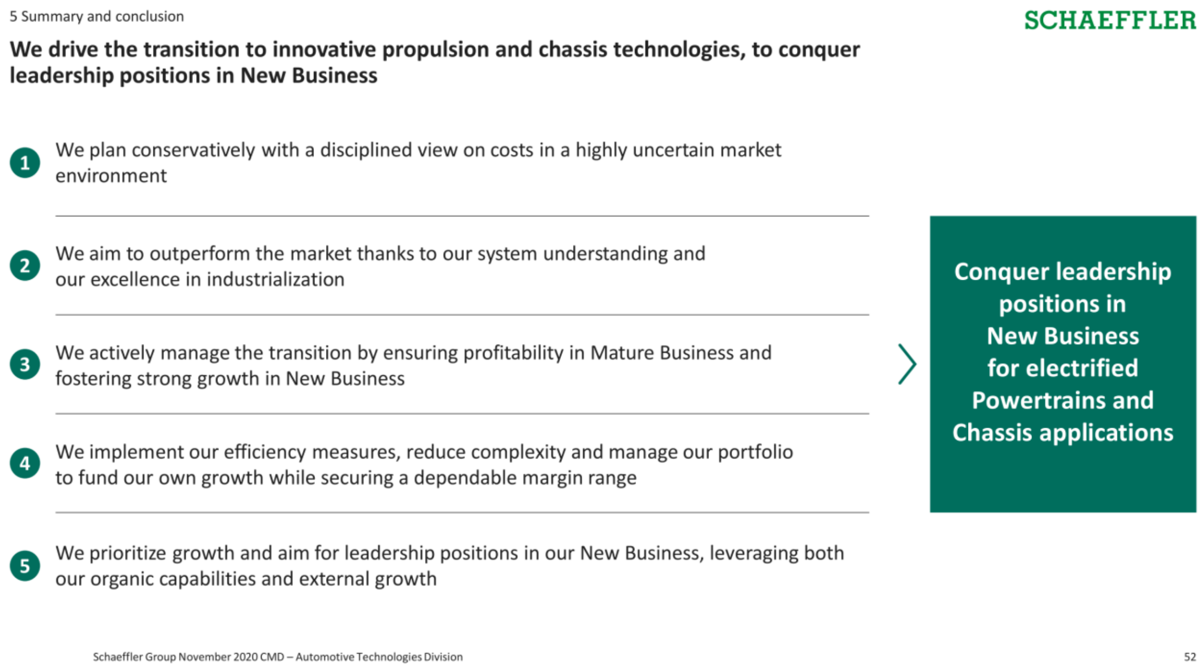
Ladies and gentlemen, my team and I commit to a continuous outperformance of 2 to 5%, as we are convinced that we will continue to deliver superior products in the future vehicles.

And at the same time, we commit, no matter what, to achieve, 4 to 6% adjusted EBIT margin latest in 2023, while actively managing the transition by ensuring profitability in Mature Business and fostering strong growth in the New Business area.

SCHAEFFLER

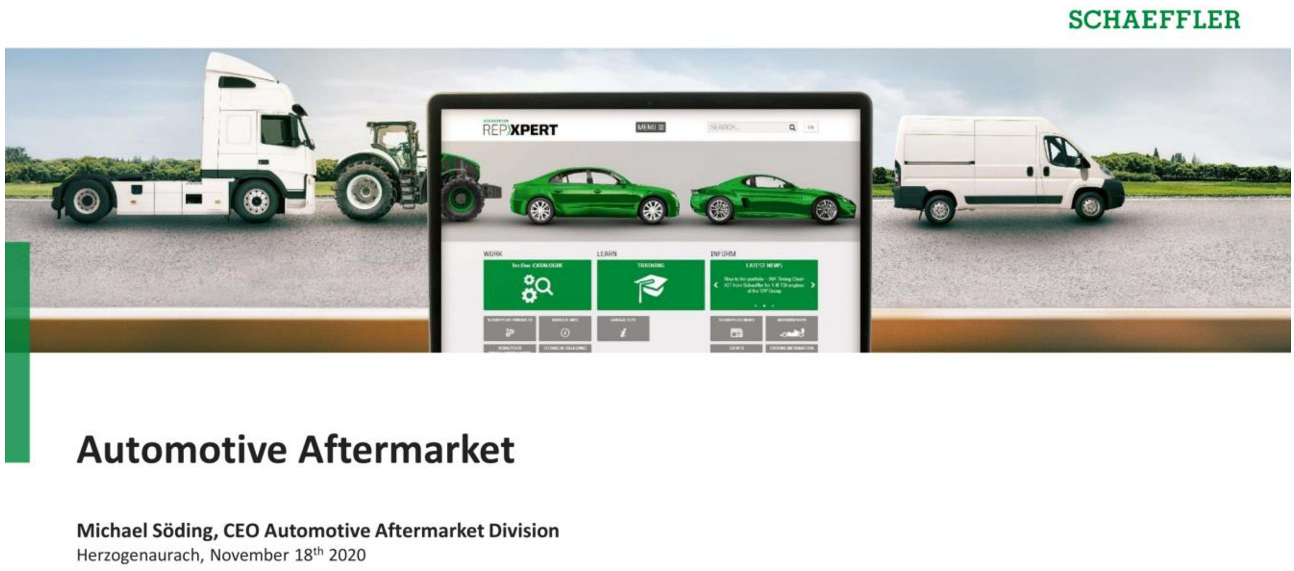
5 Summary and conclusion

Ladies and gentlemen, with that, let me conclude.



My team and I are up to conquer a leading position in New Business for electrified powertrain and advanced chassis applications.

Thank you very much. I am happy to answer your questions later.



Michael Söding

Thank you, Matthias. Please allow me now to talk in the next 15 minutes about the Automotive Aftermarket.

SCHAEFFLER

1 Where we stand

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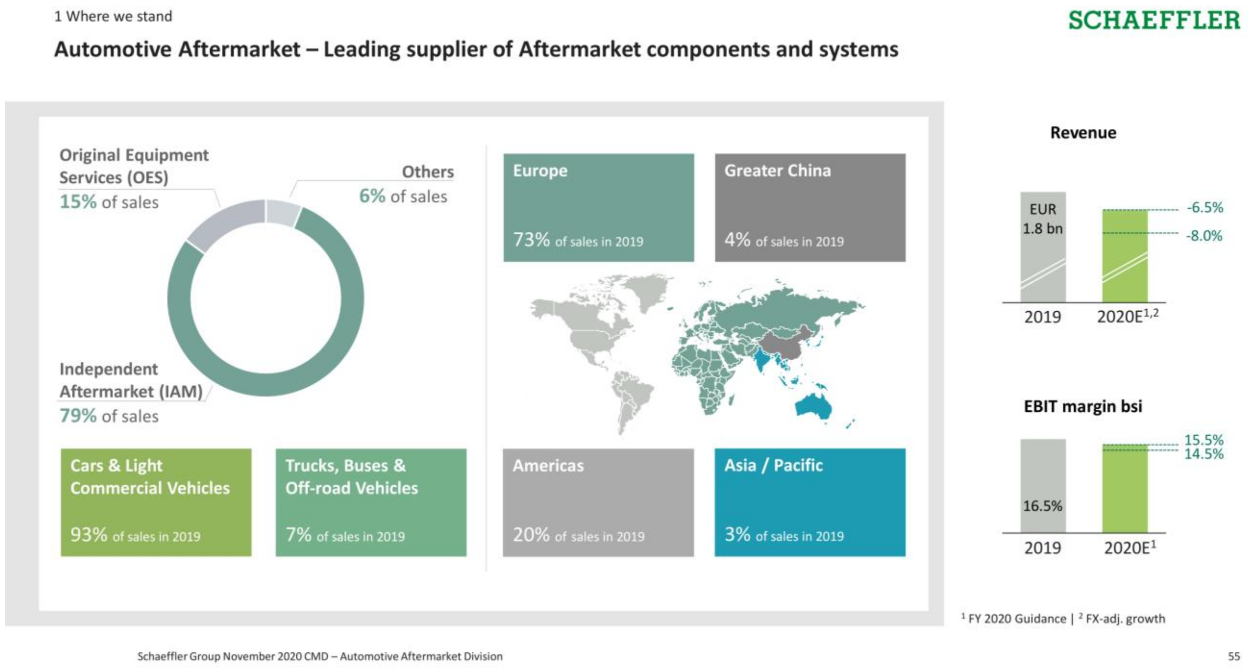
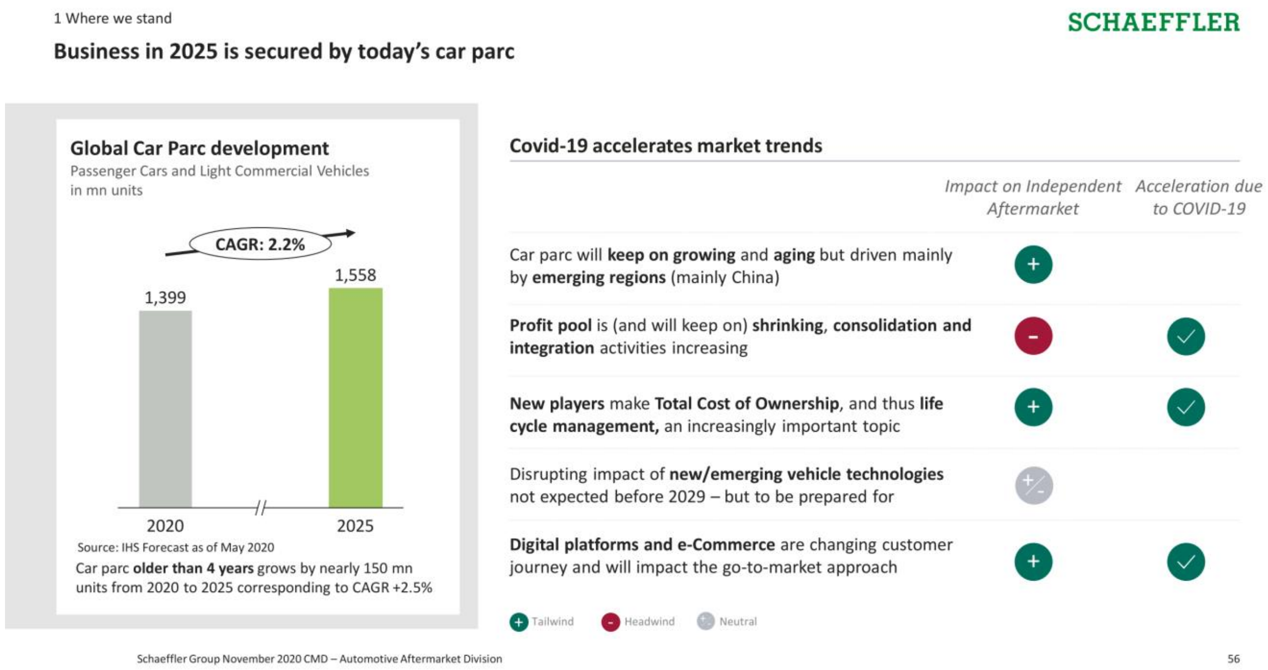
Where do we stand?



The Automotive Aftermarket is very well positioned in both major channels, the OES channel as well as the Independent Aftermarket channel. Due to the nature of our demand structure, we are predominantly represented in the independent aftermarket because the sweet spot of our business is with cars older than four years, around ten years.

The heart of our business is in Europe and the Americas with a fast growth in Greater China and Asia/Pacific as well. As these markets are growing in future, this is one of the further growth potentials that we are going to look at in a moment.

The year 2020 proves that our business is quite resilient with regard to revenue, but also EBIT streams. Therefore, Automotive Aftermarket is a good contributor to the Schaeffler success.



The fundament of our business is the global car parc and its growth. As new cars sales at present are declining, the good news is that the sweet spot of the business is even growing faster than the overall car parc.

If we look into the main trends that are describing our markets, at a first glance, what we see is: Three of these trends are supporting the Independent Aftermarket business: the car parc as such, its growth, its ageing and specifically the growth in the region China.

New players are showing up, to name Fleet as one of them. With a closer look at Total Cost of Ownership and life-cycle management – in other industries, we would call it predictive maintenance – that will give us additional tailwind going forward.

The digitalization in terms of platform and e-commerce we see as a very good trend that supports our growth.

One trend that we see and that Matthias and Jochen Schröder have elaborated on, hybridization and E-Mobility, will not reach our market significantly in the next couple of years to come, which is why we see it neutral.

Many of the trends are accelerated due to the appearance of Covid-19. This is also true for a further pressure on the profit pool due to the consolidation of the market and increasing visibility and the integration of activities. But all in all, the trends are more supportive than creating additional friction.

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2 Where we play

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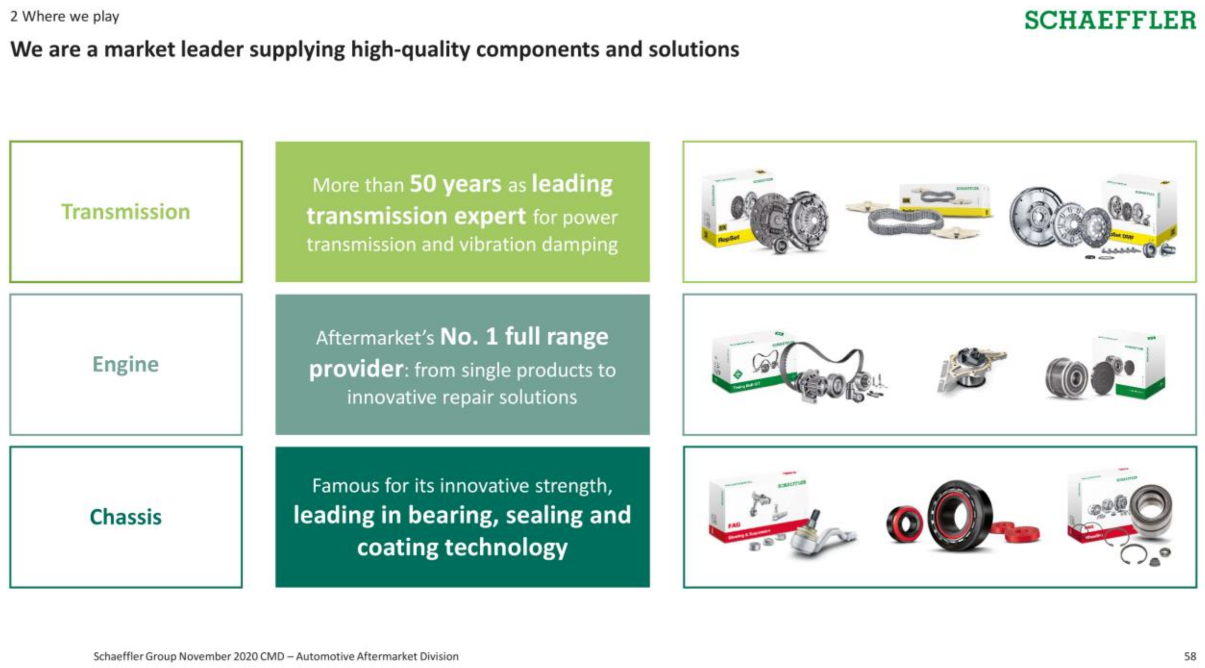
Where do we play in the Automotive Aftermarket?

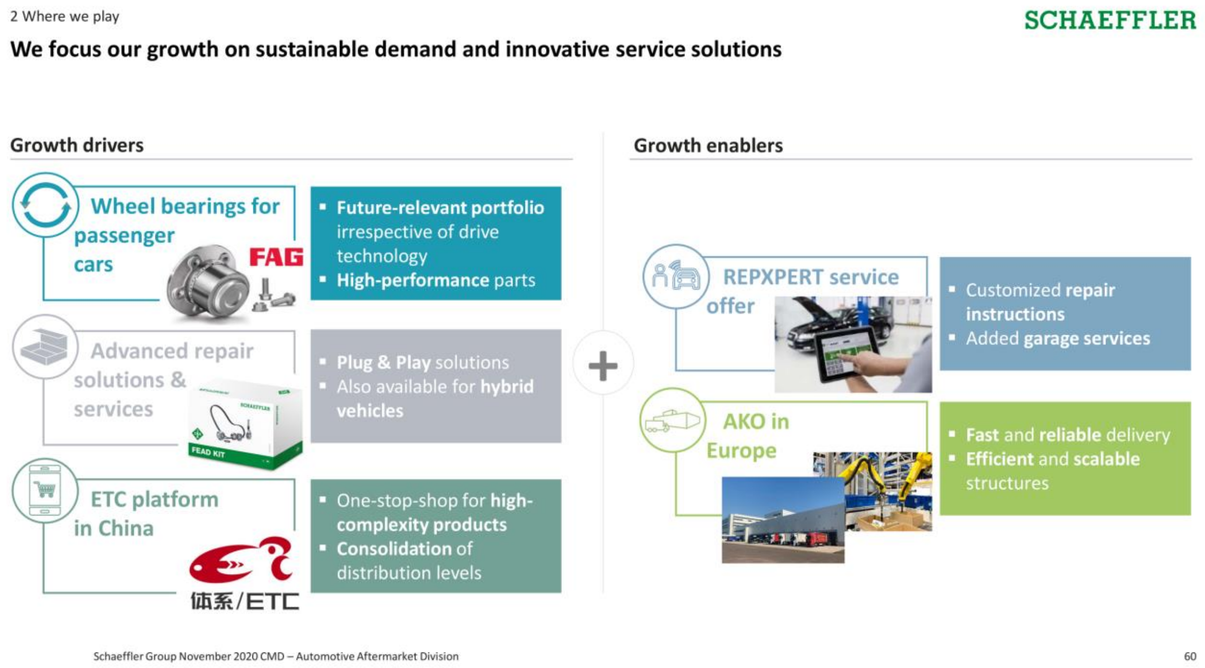


We are proud to say that we are market leader in two of the three areas, in Transmission as well as in Engine. On the Chassis side, we have to say: This is a growing market because regardless of the propulsion technology going forward, chassis applications will be needed in any type of mobility. So, that is the heart of our business.

When we come to the soul of our business, obviously, we are not just producing parts and shipping them from A to B. We have various growth drivers that we tackle and make the most out of it: the share of wallet in order to increase our business relation with the existing customer base across all the offerings that we have; the solutions and service offerings generating more turnover and value-add on the back of the existing portfolio; and the way to market next to the traditional channels in the Independent and OES sector, in new business models and e-commerce activities.

There are various drivers and fields of actions on the enablers' side, investing and benefiting from the digital competencies, as well as making the most out of our operational excellence.

All this is meant to increase customer experience and, with that, also customer satisfaction.



Please allow me to give you some examples that serve helping us in these different areas.

One of the growth drivers in the area of share of wallet – I mentioned it earlier – is the investment into wheel bearings, predominantly for passenger cars. This is not only a question of a product as such; this is a question of a future relevant portfolio with high-performance parts and also repair solutions.

The second bucket is mentioned here: advanced repair solutions and services. We are proud to say that we have already our first repair solution for hybrid vehicles. There is an example here in the area of front-end accessory drives. So we are preparing ourselves for the very moment there is a demand and need for repairs in the area of hybridization and E-Mobility.

When it comes to the way to market, we invested heavily into our ETC platform in China. Please allow me to give you more insight on that one in a minute.

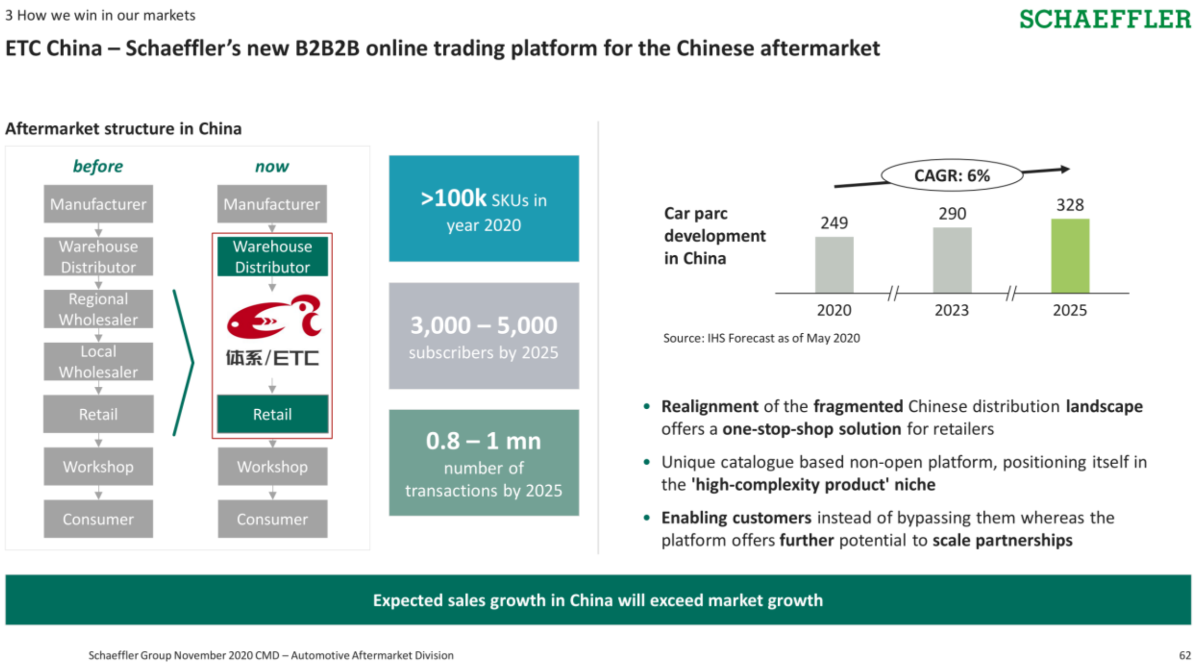
With regard to digital competencies, our REPXPERT service offering is meanwhile available in more than 50 country versions and language translations that go along with it. It helps our customers on the workshop level, on the garage level to get the information at the place of business under the hood of the car at the very moment that it is needed.

To the operational excellence, also with regard to the AKO, please allow me to give you a bit more insight with the next couple of slides.

SCHAEFFLER

3 How we win in our markets

This now brings me to the question: How do we win in our markets?

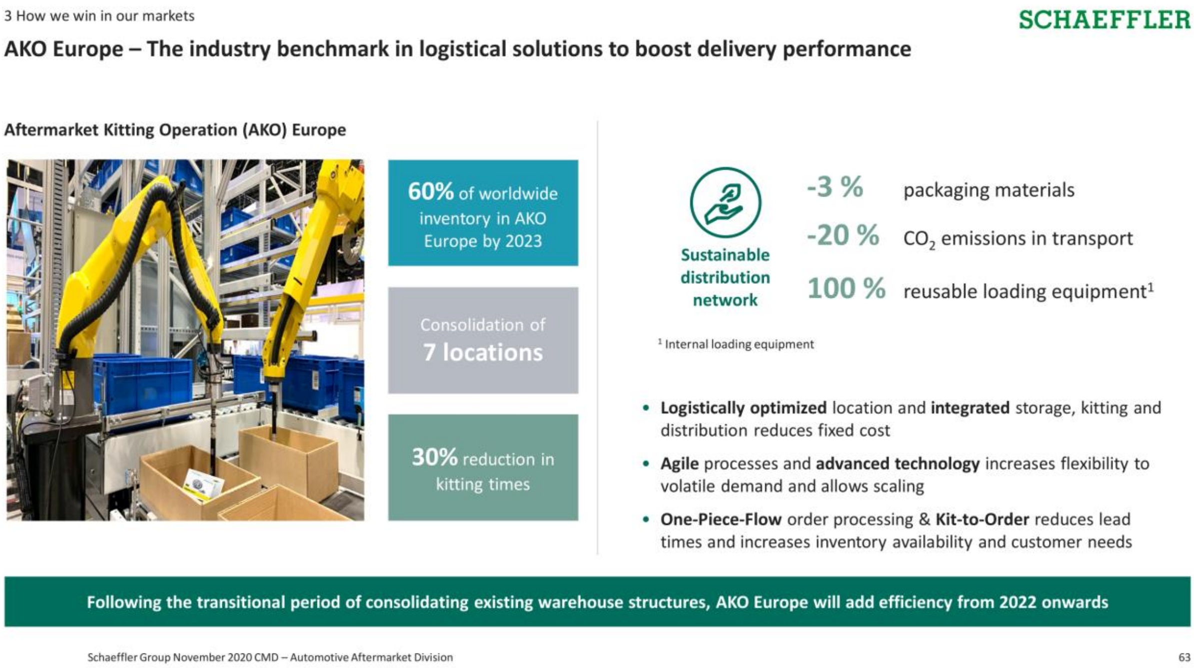


The first deep dive: ETC China. What does ETC stand for? You can translate ETC into engine, transmission and chassis, which easily explains our product offerings. But you can also translate ETC into electronic toll collect, which is the fast lane on congested motorways. That simply explains the status quo and the reachable situation that we are striving for.

In China, we find a very, very fragmented market with many different players and many different layers of distribution. ETC is offering a connection, a business-to-business trading platform, connecting all those players into one ecosystem, one language, one decision-making process and one delivery to the demand.

Why China? I already said it in the beginning: China is the fastest growing car parc that we see at present. China has, as a starting point, a very huge fragmentation, very far away from the distributor consolidation that we see in other markets. Our ETC system offers the cut-through technology in the “high-complexity product” niche.

If you look into the numbers that ETC is already offering: More than 100,000 stock-keeping units are available already on ETC while Schaeffler core business is less than 20,000. So, already today, there is an offer on that platform that is by far exceeding our own offerings. It enables our customers and is not disrupting their business in partnering up together with us to build and form the ecosystem going forward.



The other deep dive that I want to offer is related to the AKO. We reached the point to open it; that is what we disclosed already.

The AKO fulfils and supports all our activities. It addresses the logistical issues to increase delivery service level and customer satisfaction. It is future-ready to integrate end-to-end processes, connecting customers with production. It supports financial ambitions with regard to inventory, working capital and costs. And it also supports our story with regard to sustainability going forward.

In a short period from now, 60% of our worldwide inventory will be consolidated in that one place and it will help us to run the best-in-class or benchmark logistical solution in our industry.

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4 How we create value for our customers and the Group

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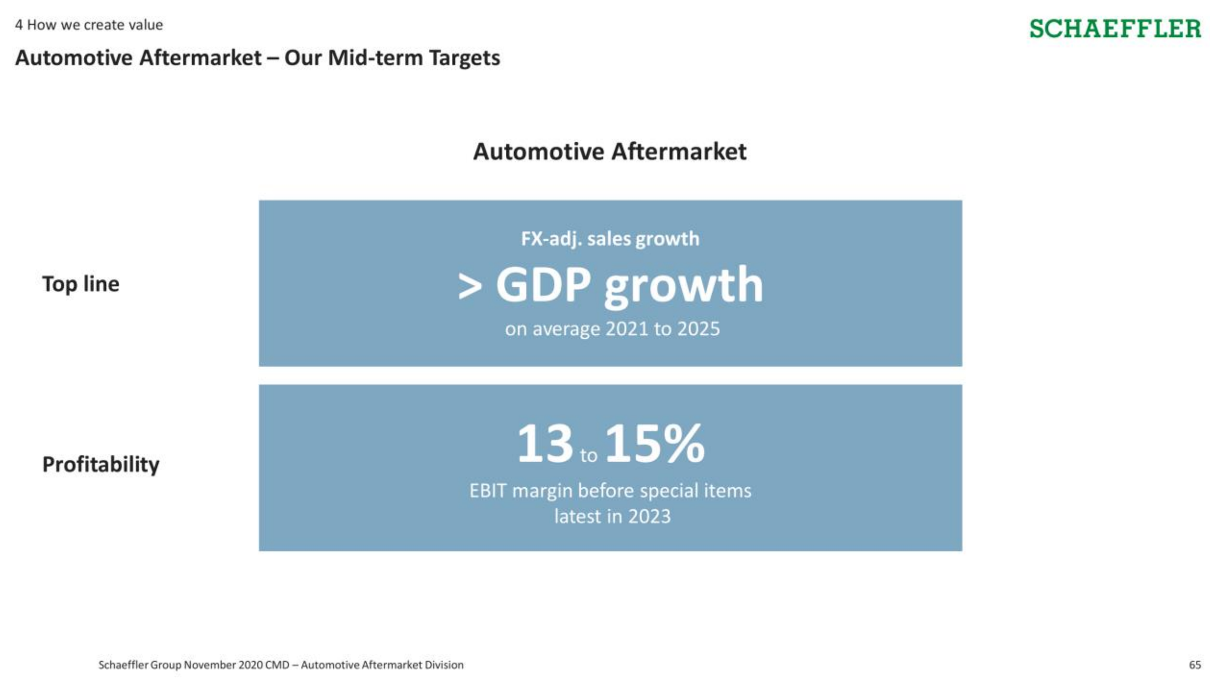
With that regard to value creation, let me cut it short.



We from the Automotive Aftermarket commit to deliver to sales higher than global GDP growth rate on the top line and we commit to deliver a profitability in the area of 13 to 15 percentage points latest in the year 2023, perhaps a year earlier already.

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5 Summary and conclusion

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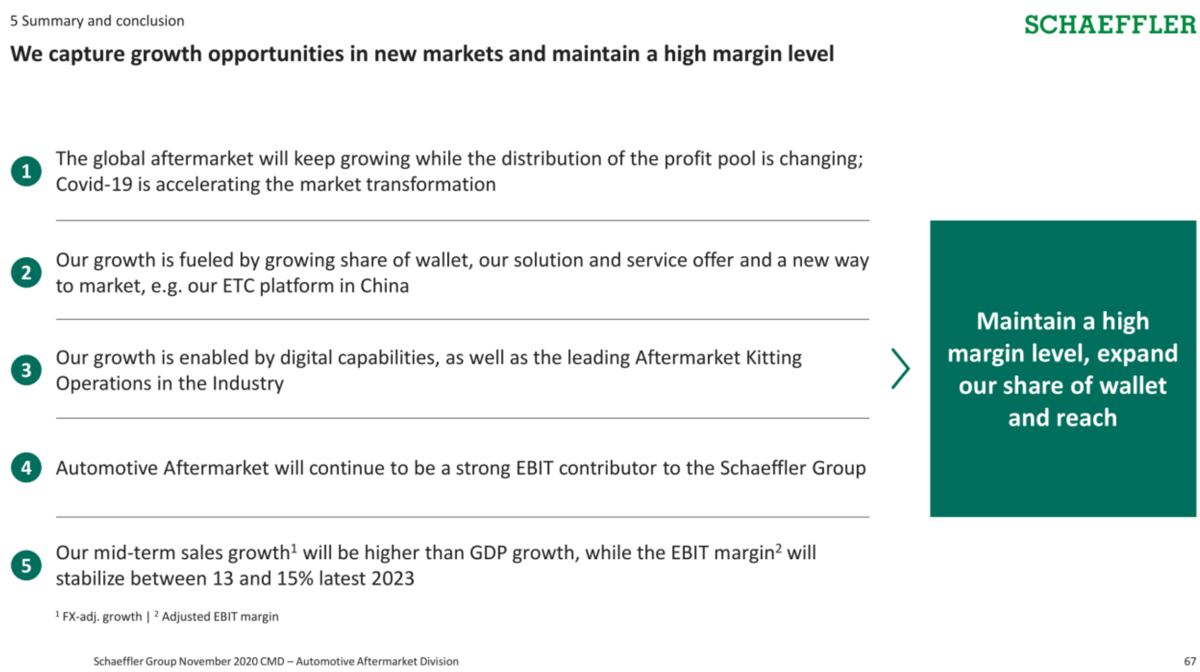
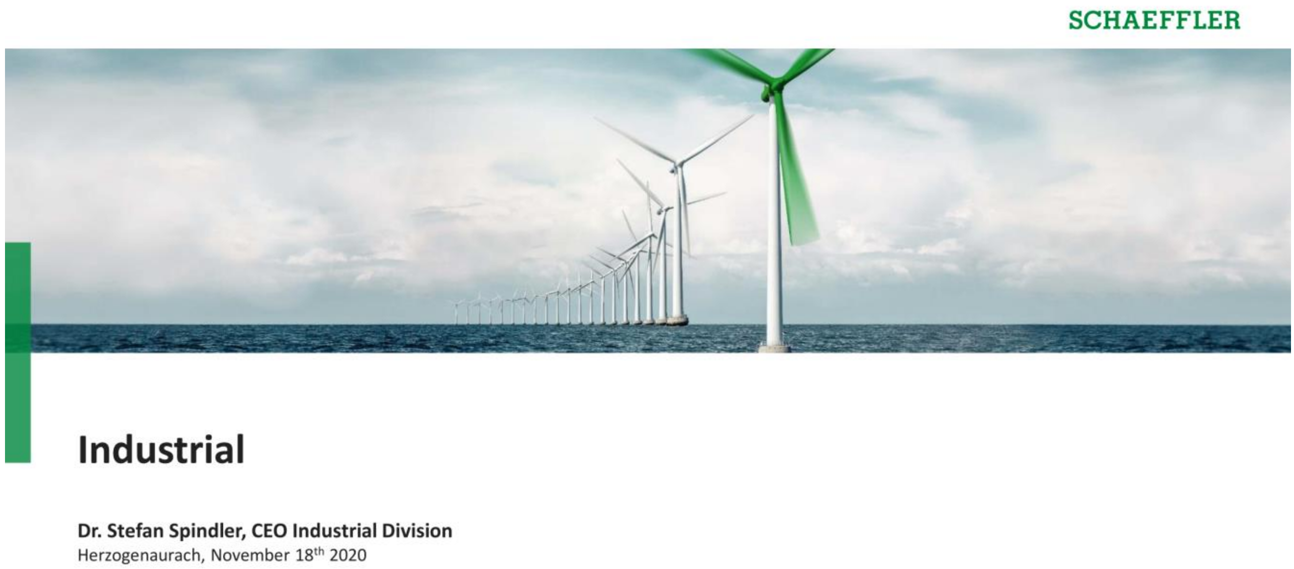
This brings me to my summary and conclusion.



My contribution to the Schaeffler value creation is to maintain a high margin level business and expand our share of wallet and expand our reach.

With that, I hand over to you, Stefan. Thank you very much.



Dr. Stefan Spindler
Michael, thanks a lot. Hello to everybody!

It is a pleasure to inform you now about where we stand and where we will go with the Industrial business.

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1 Where we stand

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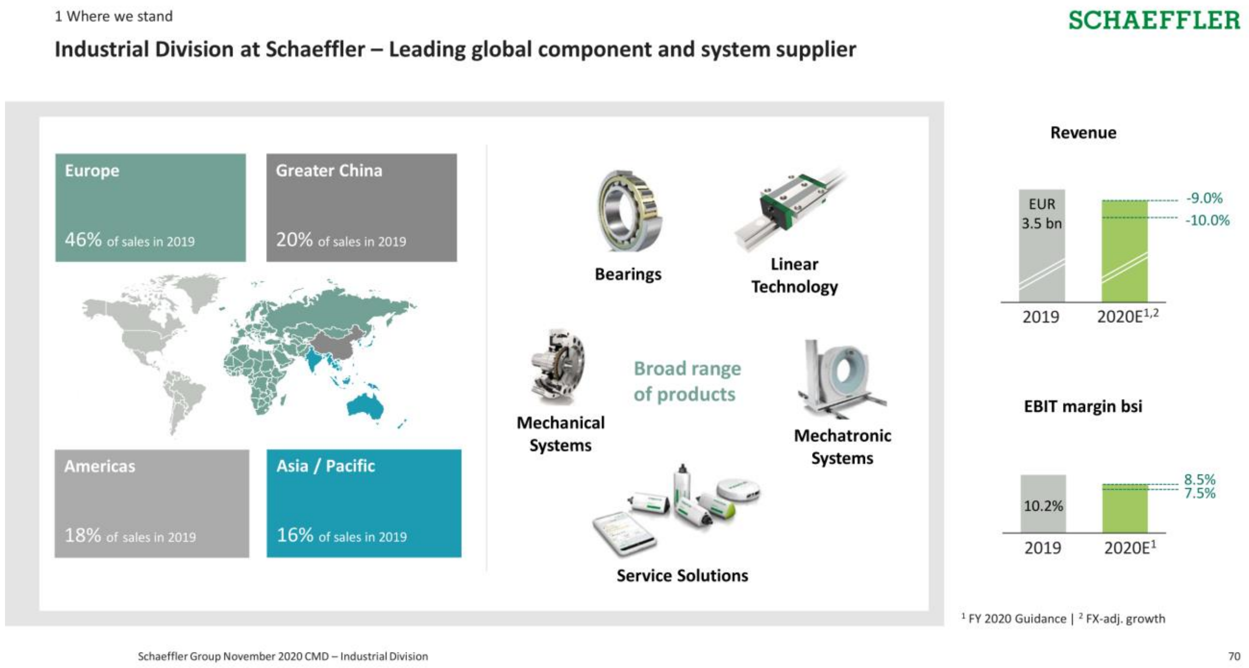
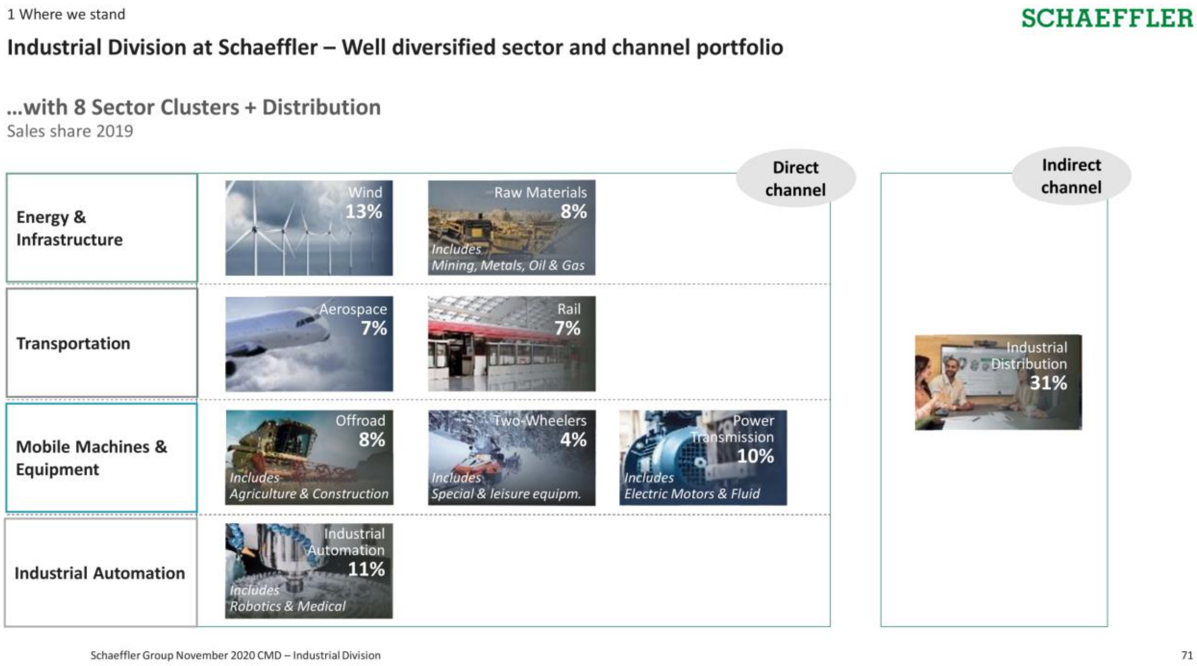
So let us start with where we stand. A key element of our current portfolio is, as you all know, a strong component business. And this arises from the key competencies which Klaus Rosenfeld has also described: a superb manufacturing know-how combined with R&D. And we are offering both. We are offering high-performance components and we are also offering very cost-attractive components, combining the product know-how with the global setup we have, also utilizing best-cost countries.



As Michael has said, components, bearings, they are a future-relevant portfolio. Wherever you have motion, both rotative and linear, you will need bearings and linear technology products. It doesn't matter if machinery is driven mechanically, hydraulically or in any other way.

So, besides the component know-how, we do have a high level of expertise in terms of designing these components into our customers' machines and we know how they operate. This leads more and more to the fact that customers ask us to offer modules and systems, e.g. also mechatronical systems and mechanical systems, but also service solutions because improving the efficiency of operations at our customers is critical.

When you look at the worldwide setup on the left-hand side of this page, you see Greater China with 20% of the business, Asia/Pacific with 16% of the business; these are the 2019 numbers. We do 36% of our sales in Asia and the trend is growing, as you probably have seen from the Q3 numbers in 2020.



Looking one level deeper. You know, we have the eight sector clusters plus distribution, distribution representing the indirect channel. The eight sector clusters, that's the business which we do with the OEM customers and also with end customers to a certain degree.

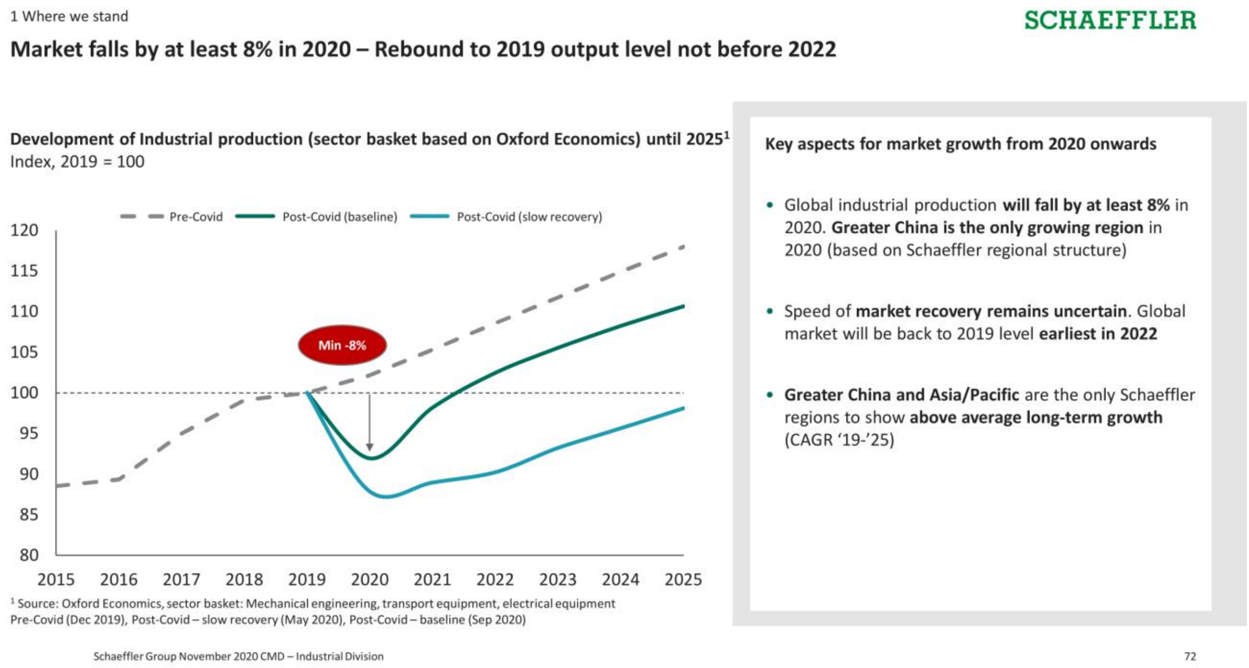
If you structure these eight sector clusters into areas, you see that we are significantly contributing to the energy and infrastructure operations, mainly with our Wind business, but also with our Raw Materials business, including Mining, Metals, Oil and Gas.

Transportation – that is transportation for people, but also for freight – contributing to the megatrend of growing population and growing transport needs, highlighting our Aerospace and our Rail business. We all know that aerospace is currently affected by Covid. But if we look into the medium to long term, that is certainly going to be a growing business again.

Mobile Machines & Equipment, Offroad being a part of that, with the focus areas of Agriculture and Construction, Two-Wheelers, which is not only motorcycles, but all kinds of special equipment, and Power Transmission, to a high degree also contributing to this machinery, E-Motors, hydraulics equipment, pneumatics. That is a good

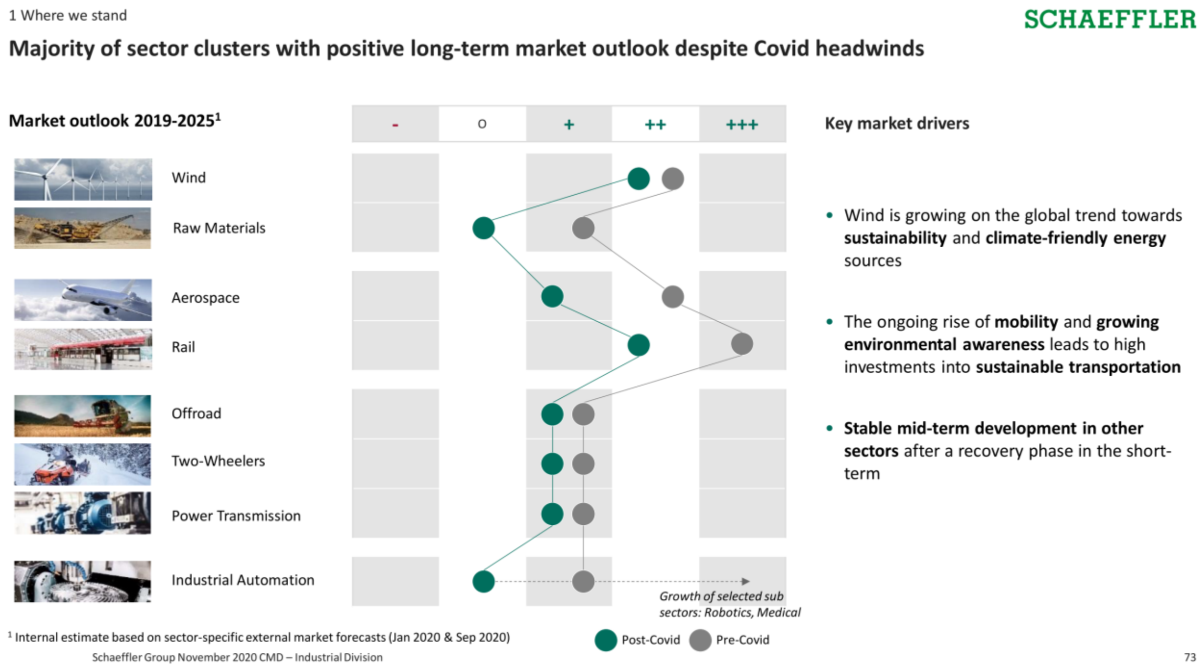
20% of our business and also significantly contributing to the growing population requirements, to the infrastructure construction requirements and to the necessity of agriculture and food for the population.

Industrial Automation. We all know that there is a classical area of this business: machine tools, textile machines, printing machines. But there are also areas which do show significant growth, like Robotics and Medical. So it is a complex area. Some of it is affected by the current crisis, but some of that definitely also has some very attractive growth potential.



If we look now at the market, the Industrial business was affected in 2019, in late 2019 already by a weakening market. Then, of course, in 2020 Corona came and you all know the impact scenarios. We believe that the post-Covid baseline will show a market decline in the industrial production of about 8%. When you translate that into the Industrial business, you know that in addition to market effects, there are de-stocking effects, there is cost-cutting in the service business of our customers.

So, we believe that we will see a decline of 9 to 10% of sales in the Industrial business in 2020. But this will pick up in 2021 again. We also see that if we look into the next five-year period, we will see a steady growth, as you see it here by the green line.



How is Covid and the current market situation reflected in the outlook for the sector clusters?

We are breaking this down here on this chart. You see the pre-Covid scenario and you see the post-Covid scenario. Of course, there is a certain impact. It is not like Covid doesn't have any impact. But on the other hand, the good news is that if we look at e.g. Wind – and that's a strong part of our business in absolute numbers, but also in terms of relative growth –, that is basically not affected. It is growing significantly also this year and it will continue to grow. I am going to show also an example on that.

Raw Materials is affected. But, then, if you look at Aerospace and also Rail, we do see growth despite the current market environment. Also at Offroad, Two-Wheelers, Power Transmission, everything around mobile machinery, we see positive signs of growth. The two pluses are, by the way, an area of 3 to 4% and the single plus is an area of 1 to 3% of growth.

Industrial automation: If you take everything on average, it is a rather flat business. But if you look at the individual sectors which are accelerated by certain trends, like Robotics and Medical, then we do see strong growth. We will show you, based on a few examples, how we want to take advantage of that.

Having talked about the regional business and the sector business, we, of course, also talk about sustainability. Besides the broad sector coverage which we have with our products, we definitely put a strong focus on this topic, on sustainability.

You know that Wind plays a strong role. If you translate that into what Schaeffler means for the Wind industry: Every second to third Wind turbine is supplied with Schaeffler products. So if we didn't have Schaeffler, the Wind business and the world-wide renewable energy setup would look quite different.

If you look into green transportation, Railway will continue to play a major role in transportation of people and freight. This is certainly to one degree a volume business; it is also a service business. But it also is a business with high requirements, especially when you go into high-speed trains. So, it is technically challenging and it is a growing business, plus it has service relevance.

Low friction is something which is technically basically part of our backbone and it is more and more required if you look at energy-saving driveline technologies.

Then, if we come to the service solutions, of course, our customers also must make sure that their operations are sustainable, for two reasons: They must operate cost-efficiently and they also don't want to have breakdowns for reasons of sustainability requirements. So, service solutions and subscription-based service models are playing a more and more important role also for us.

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2 Where we play

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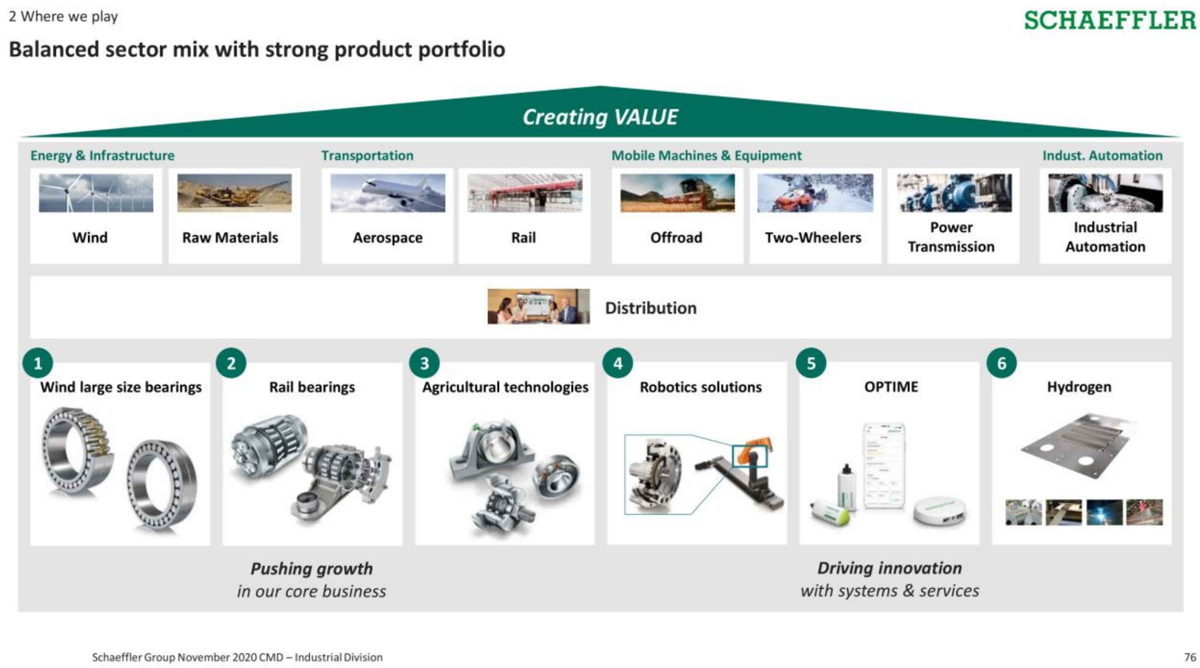
Coming to the question where we play.



With this chart, I basically want to summarize the eight sector clusters and the products and the applications in which we create value.

What you see here at the bottom part of the picture are six examples. I would like to explain these examples to you, so that you get an impression of how we push growth in our core business – those are the examples 1, 2 and 3 – and how we also drive innovation. Klaus Rosenfeld has mentioned it: There is a lot of crossover of technologies from the Group technologies and from the Automotive Technologies, which also helps us to drive innovation in the Industrial business.

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3 How we win in our markets

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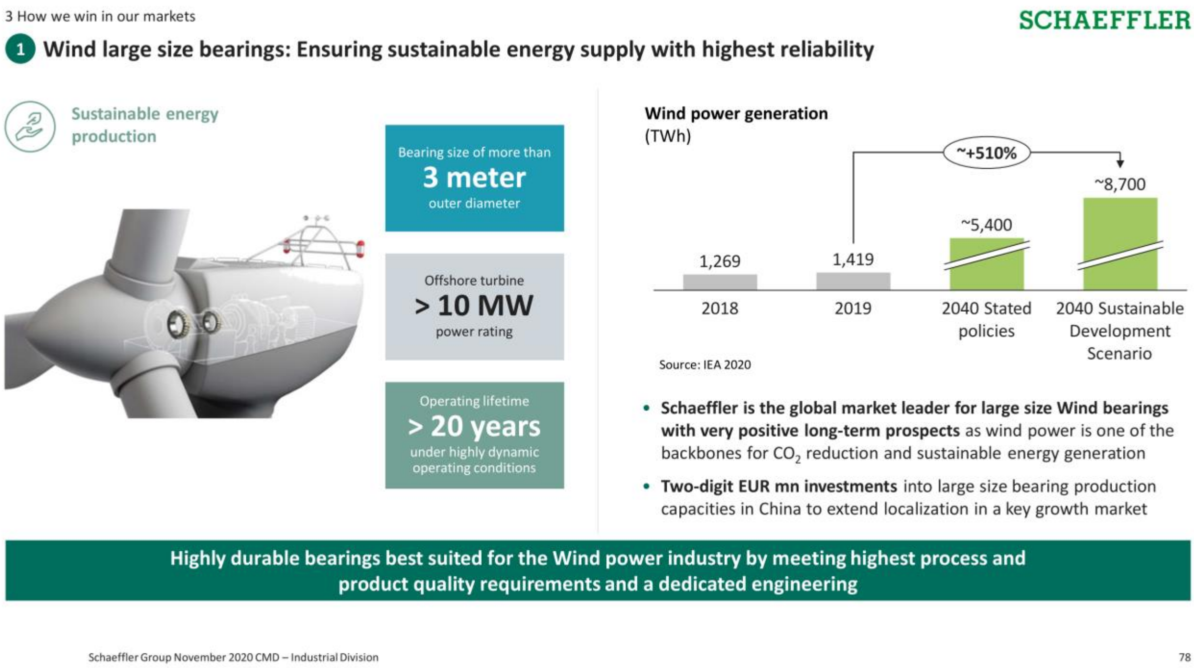
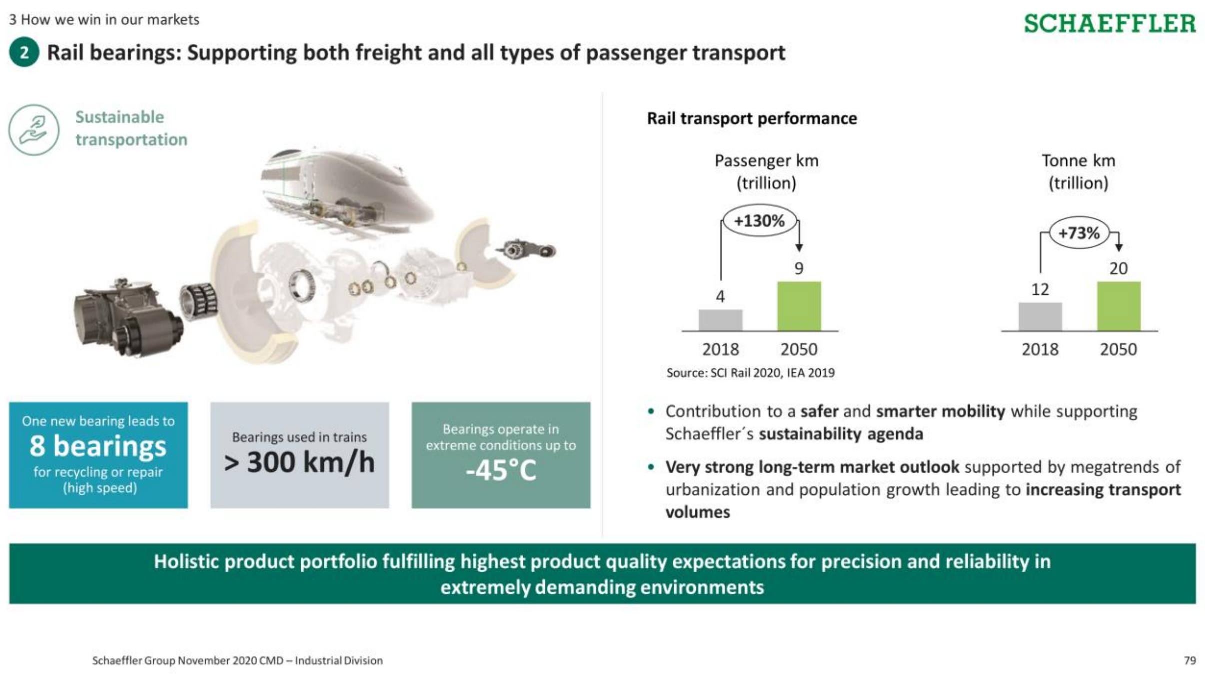
So, how do we win?



Let me come to the examples and also let me explain to you how these examples match with megatrends which we do see in the Industrial environment.

On the Wind side, you all know that climate change is a key issue. Renewable energy is a key issue. If you look at the recent announcements, China wants to be climate-neutral or CO_2-neutral by 2060. The US wants to double the capacity of renewable energy within just a few years. If you look at the forecasts which we have here – and that doesn't even include the recent announcement of China and America –, you see here: The forecast is, within 20 years the Wind power generation will develop by the factor 5.

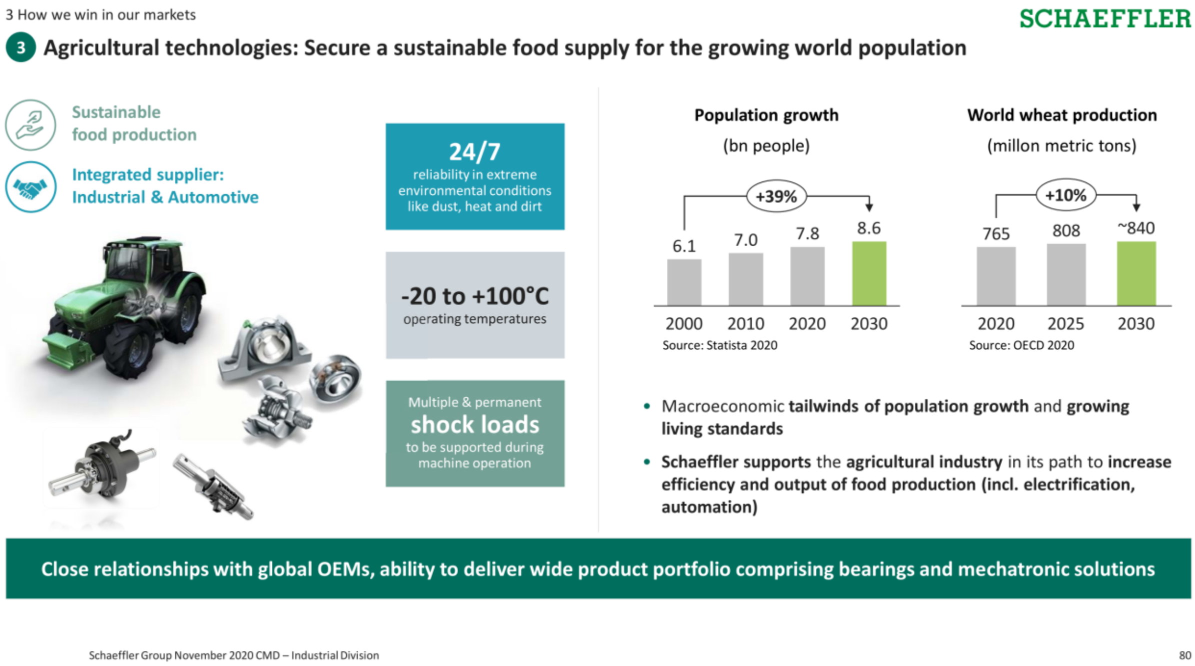
It is definitely a growing business and it is also a technically demanding business. Turbines are installed offshore. The components need to run reliably for over 20 years. We are talking high power, we are talking big sizes of machinery, bearings of more than three meters of diameter. So, durability, reliability is key here. And that means R&D competence of Schaeffler is required. We are convinced that continuing the growth strategy and continuing the investments in these areas, also based on the strong footprint which we have with our international factories, will be a growth driver for our Industrial business.



Coming to the second example, Railway bearings. It has a certain similarity with Wind, of course. The trend is a different one; the trend is the rising population and the rising demand for infrastructure and transport.

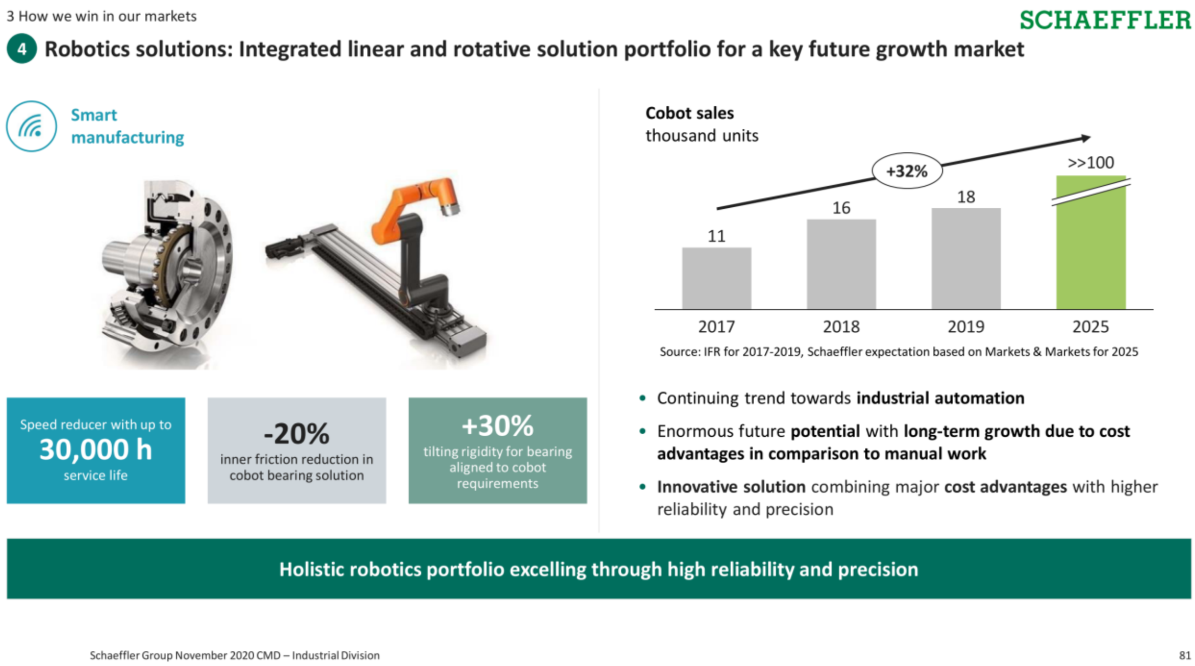
Technically, we also see here pretty harsh and stringent requirements in terms of the operation profile, in terms of the safety criticality. So, high-performance engineering is needed. We do have a lot of experience in the railways industry and we have seen very nice recent successes.

The interesting topic about railways is that it has a high service relevance, which we see here by the example: You sell one new bearing and this leads to eight bearings in service because some of them are reconditioned and some of them are replaced by spare bearings over the lifetime of the train. So, a strong long-term market outlook, a strong position of Schaeffler technically and a good megatrend for us, also a promising growth area for us as the second example, I would say, with the more conventional core products which we have.



Let me show you the third example here; that is from the Agricultural technologies. Of course, supplying food to a growing population is another megatrend. In order to supply food, you need to seed grains and in order to process the seeding in the most efficient way, you need mobile machinery and you need also sensors and mechatronics to make sure that you don't waste any seeds during the seeding process.

The combination of offering products – which, of course, are also under cost pressure; but for that, we have ramped up our factories in India and in Vietnam specifically for those products – and combining these cost-effective products with high-technology sensors and mechatronics solutions gives us a good position in this very attractive growth area.



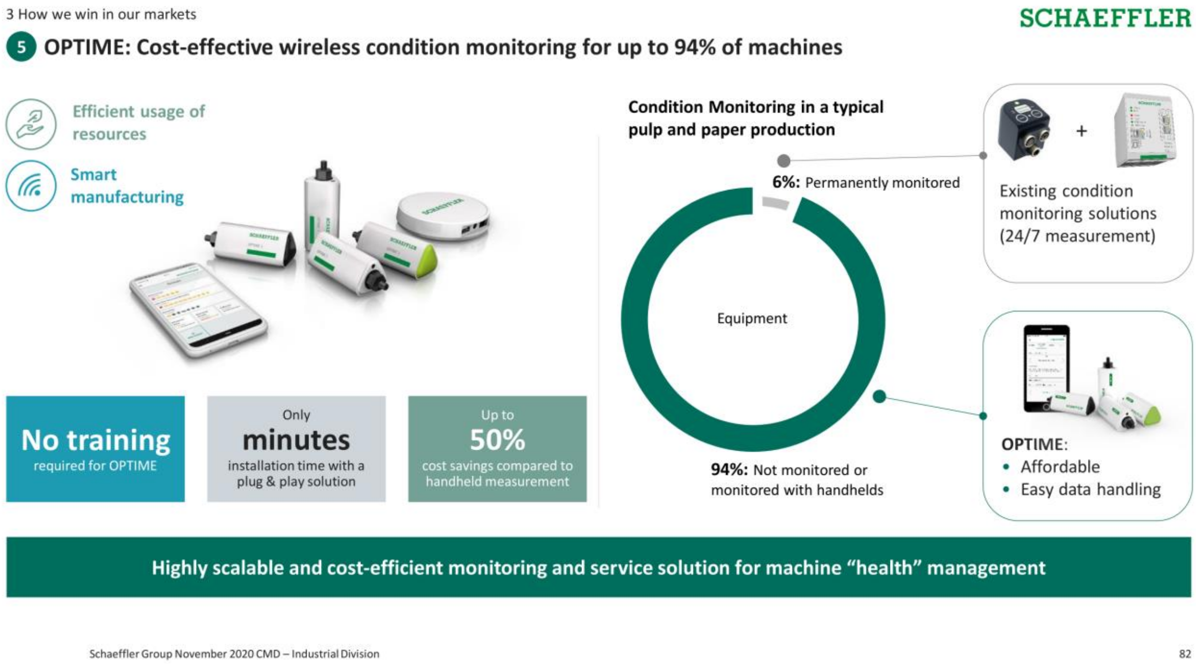
Now coming to the fourth example; that goes to Robotics. Robotics is a business which has been known for a long time, but that is mostly the classical industrial robots market for automated assembly, automated manufacturing.

What we see is that there is a growing Cobot, a collaborative robot market because, of course, manual work in some areas is seen more and more critical for various reasons: for cost reasons, for safety reasons. Collaboration with robots will play a more and more important role.

You see a pretty attractive market development here. That is the Cobot sales in thousand units, which is basically growing by the factor of 10, if you take the number between 2017 and 2025.

Actually, the strategy is that we sell components into this business. We sell also systems into this business. We are taking advantage of the gear technologies which we have in the Group and which our Automotive colleagues have developed. We are also taking advantage of the electrical drive technologies which we have in the Group. The target is to supply systems into this application.

The other side of the strategy is that we are also utilizing these Cobots more and more in our own factories, starting with pick-and-place tasks and also going into sensitive assembly jobs. If you think a little bit further, you can even look into service robots, which is not a market now, but which can be a market in the future.

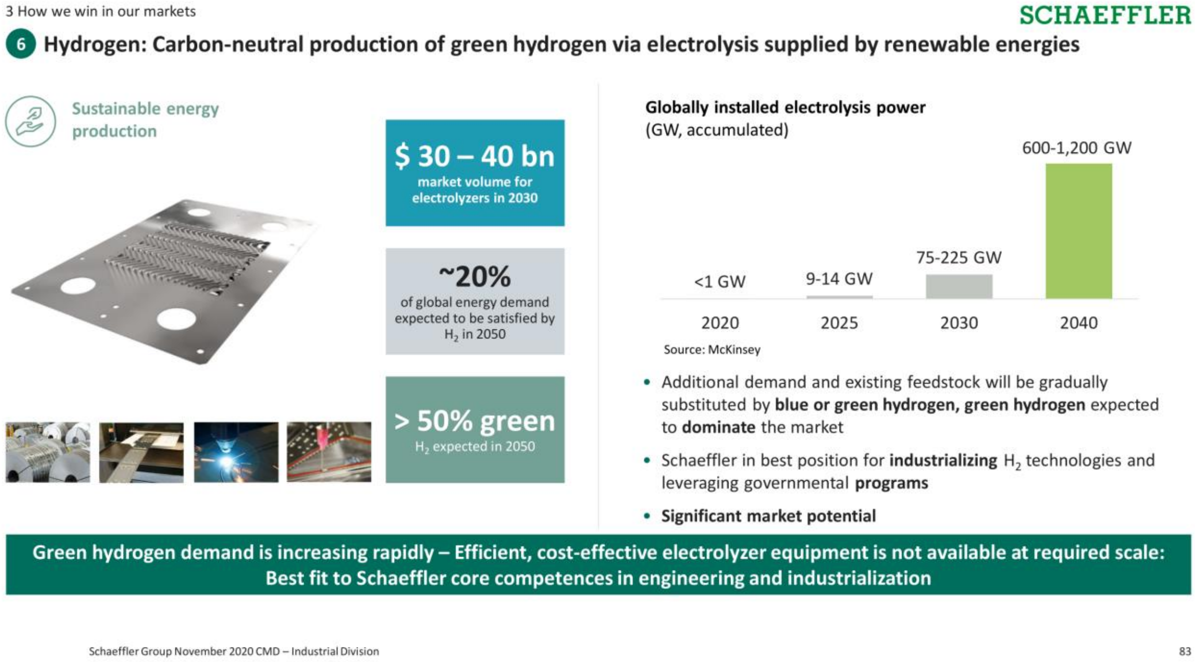


The fifth example is a product that is a service product which we have announced and launched in the middle of this year. It is a condition monitoring system, but it is more than the classical condition monitoring. It is a service solution.

Please look at the right-hand side of this slide. The whole cake shows all the machinery which is in production, in operation. Then you see: 94% of these machines are not monitored or they are manually monitored. It is not like every machine is already automatically monitored with sophisticated monitoring equipment. A lot of it is just monitored with handheld units.

The target is, for safety and for reliability reasons and also for cost reasons, to replace this manual monitoring by automatic monitoring. That requires an easy-to-install system. It requires a system without a high degree of complexity to be interlinked with the IT systems of customers. So, easy to install, cost-effective.

We have launched this system. We have a very good reception from the market and that is our entry into the subscription-based part of the service business. We are looking forward to growing that in the coming years together with our end customers.



My last example is also here the contribution to the Hydrogen strategy which is an overall Schaeffler Group strategy. Matthias and Jochen have talked about the fuel cells side of this business. The fuel cell is also relevant for Industrial markets.

In addition to the fuel cell, there is electrolysis, as Klaus has said. Basically, the nice aspect is that the technologies and the products which we are developing here are based on the same core competencies: metal forming, coating, material science, production technologies.

If you look at the market outlook, we are today at something like less than 1 gigawatt of installed electrolysis power. If you look into 2040 – that's the number on the right-hand side, the green pillar is supposed to be 2040 – it is a factor of 1,000 of installed electrolysis power within 20 years. That means we are going from, let's say, a classical workshop style of manufacturing into an industrialized high-performance series type of manufacturing.

So, it is an area which is ideally suited to what we can do. If we take our competencies from all Divisions and from our corporate technology development, we believe that we can play a very attractive role and make a very interesting step into this business.

This concludes the examples. Please, ladies and gentlemen, take it as examples. It is definitely not all that we are doing, but these were six typical examples to show you what we are doing, both on the component side, but also on the systems and service side and what we have in the pipeline also technologically. Of course, there are many more examples, but those which I have shown are pretty relevant of what we are doing in general.

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4 How we create value for our customers and the Group

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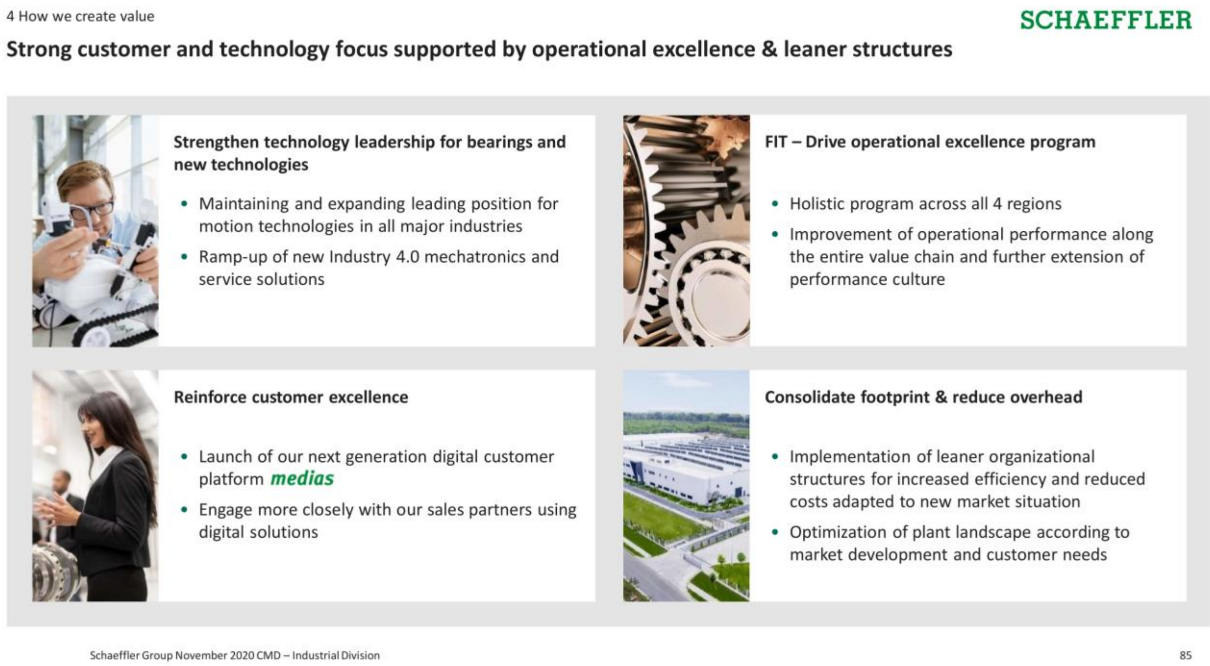
So let me please conclude and talk about how we create value for our customers and for the Group.

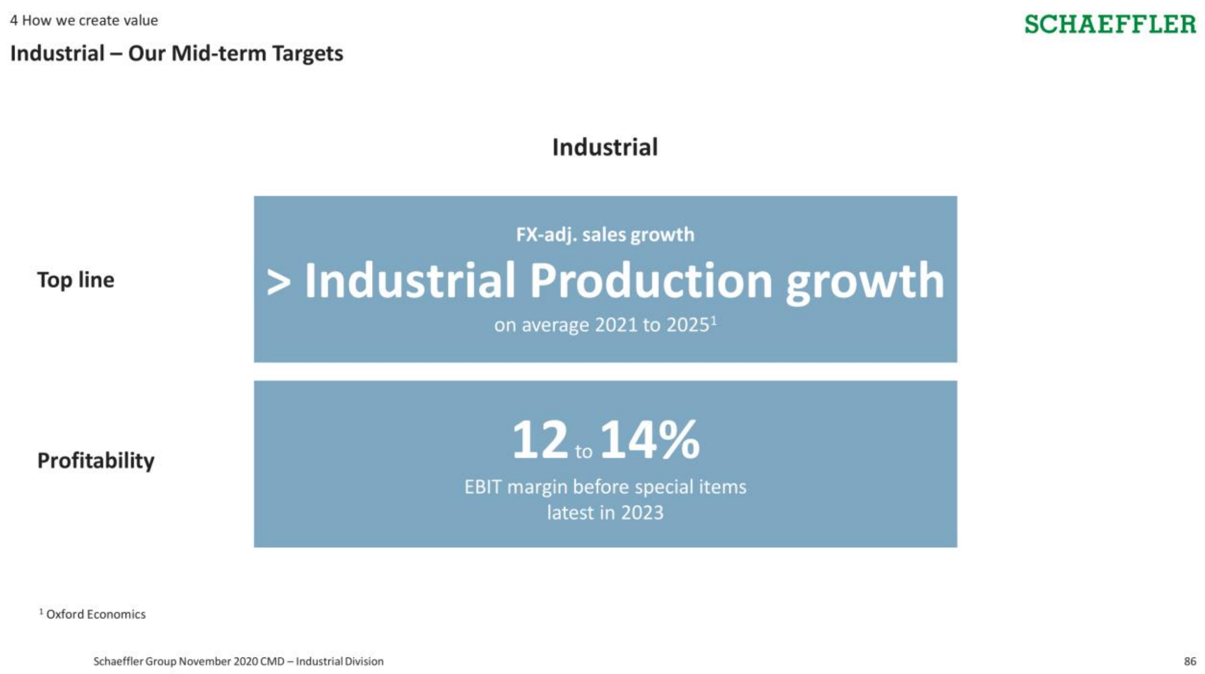


I have summarized that here in these four categories. Strengthen technology leadership for bearings and new technologies: I have explained that based on the six examples you have seen. That is a core element of the approach.

Another core element is reinforcing our customer excellence. If you look into the recent publications, you see we have launched the new digital customer platform “medias”, which is a pretty classical name for our product catalogue. We are developing on the basis of this product catalogue now a fully fledged e-commerce platform so that we make sure that, due to the diversity and the complexity of our customers, everybody has a fast access to Schaeffler, everybody gets the right explanations about our products and everybody knows where and how the customer can buy the products and how they can be ordered automatically. That is a key enabler to drive also the growth and the business.

FIT, our operational excellence program: We have talked about that in the previous sessions already. We have launched it. We are continuously executing it. It is an operational performance program and will pay a contribution to the growth and the profitability story.

Then there is something which I have not explained in detail during this session, but we have done it previously and we have also, of course, informed about it in other sessions and we have announced it publicly; that is the consolidation of the footprint and the reduction of the overhead. That is also a key element if we look at the Industrial business over the next five years. We have started several years ago and we did some first steps. We are now increasing these activities because creating value is both: it is growing, it is innovation and it is also, of course, cost optimization.



This then leads to the summary that we want to grow above the industrial production growth if we look at the average of 2021 to 2025.

We stand behind our profitability target of 12 to 14%. We have said 11 to 13% previously. We have seen a setback now due to the market and the Corona crisis. But in light of what we are doing in terms of growth initiatives, but also in terms of cost cutting due to our announced programs, we see 12 to 14% as the margin range which we will have latest in 2023.

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5 Summary and conclusion

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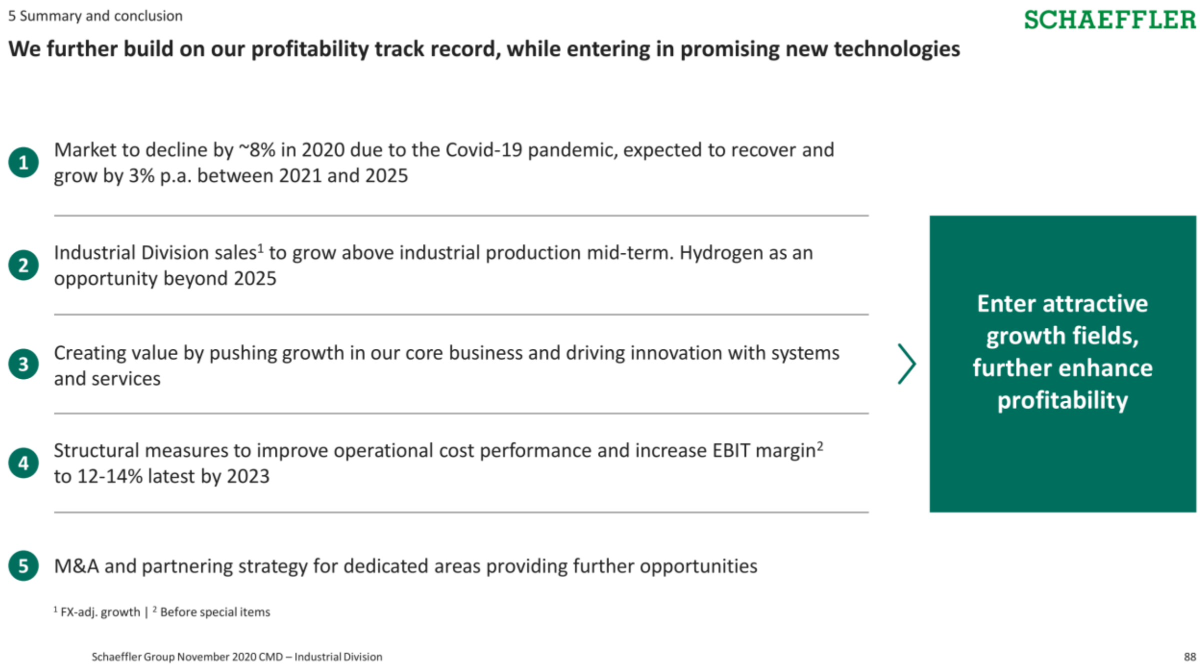
That brings me to the summary and the conclusion.



The market decline of 8% and the Covid pandemic, that's our environment. The market is expected to recover and grow by 3% per annum; that is the current forecast. You saw that by the green curve.

We want to grow above the industrial production if we look at the mid-term horizon 2021 to 2025. We see Hydrogen as an opportunity beyond 2025.

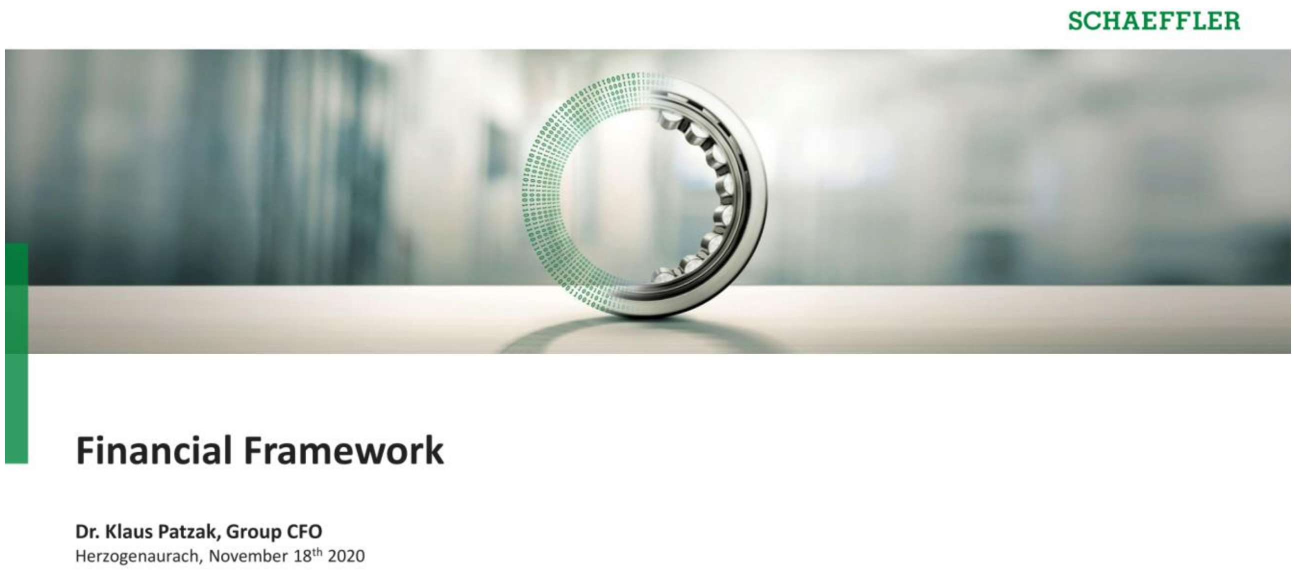
We are creating value by pushing our core business and by driving innovation with systems and services.

We will reach an EBIT margin of 12 to 14% latest by 2023 and we build on the strengths which we have created over the last couple of years.

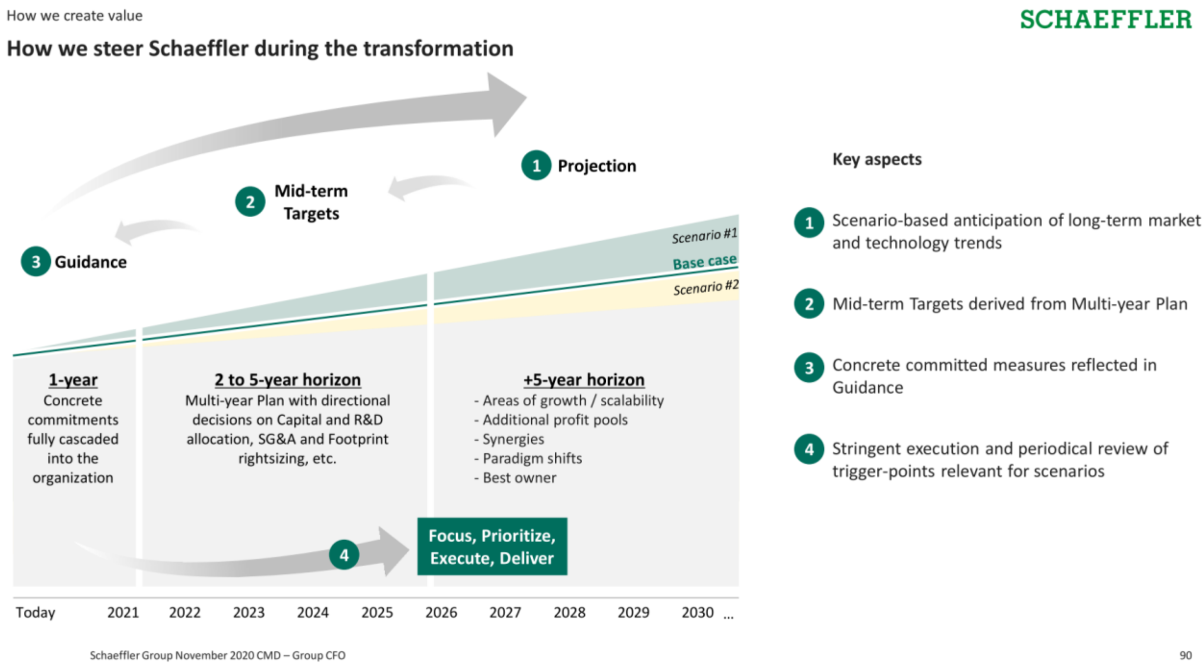
Of course, M&A and partnering for dedicated areas provide further opportunities.

So, all in all, we see very attractive growth fields and we will further enhance our profitability.

This concludes the Industrial part. Then I would like to hand over to Klaus Patzak.



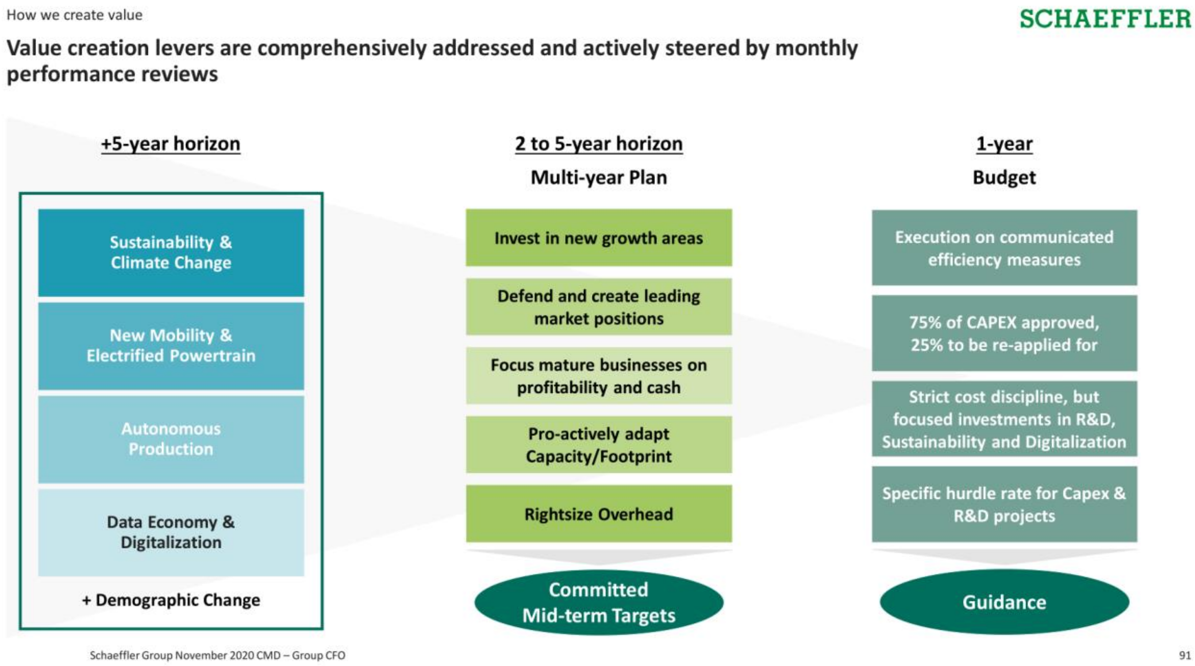
Klaus Patzak
Thank you, Stefan. Hello from my side!



On the first slide, I will lead you through a general kind of thought. For me, actually it’s the fourth transformation experience I have. While each of them was somewhat different, the general steering logic shown on this page proved to be useful.

We started out with a scenario-based anticipation of long-term market and technology trends and derived from that the multi-year plan with mid-term targets. They got underpinned by concrete committed measures reflected in the multi-year plan and more specifically in the budget.

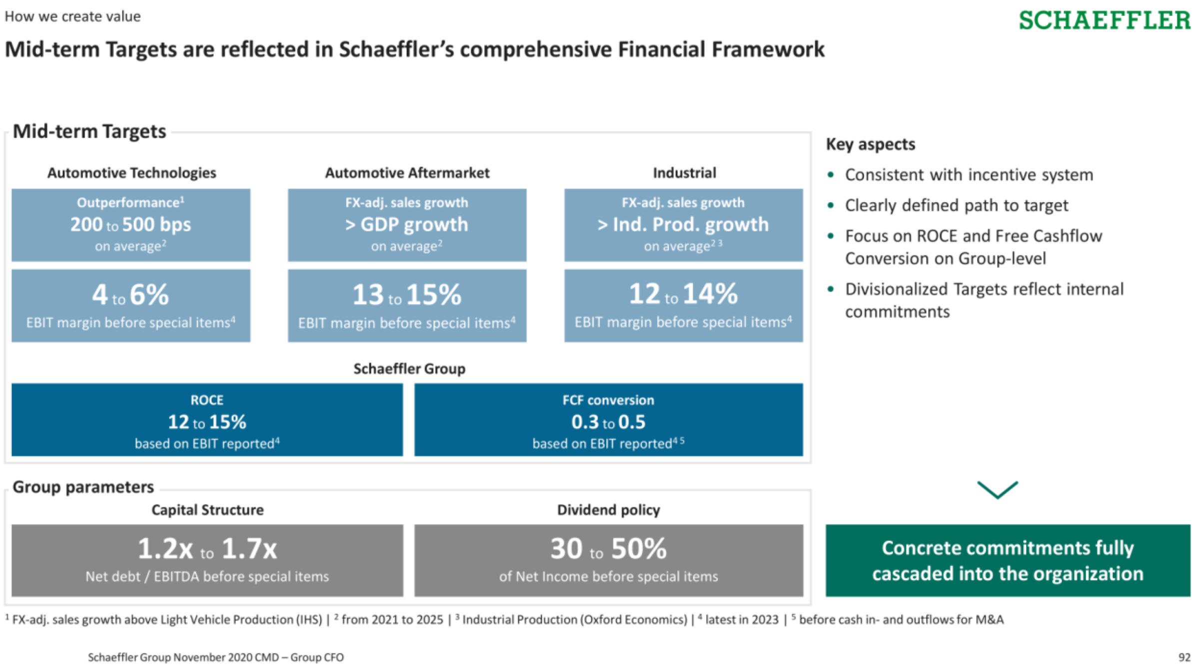
This is now followed by a stringent execution with the credo: Focus, Prioritize, Execute and Deliver.



This slide shows you the focus areas of the multi-year plan. What is important, clearly, is to focus the Mature Businesses on profitability and cash and on the other hand to improve the profitability of the New Business. You have heard that specifically in Matthias' presentation. The second one is to proactively adapt capacity and footprint. The third one is to rightsize the overhead.

With regard to the budget year 2021, we defined room for some flexibility. Specifically, we only approved 75% of the budgeted Capex; 25% need to be re-applied for and will be agreed upon during the year in light of the then current circumstances.

Every material Capex and R&D project goes through the Board and will also be measured against specific hurdle rates.



This slide is on the framework and the divisional targets. The divisional targets have been already mentioned by my colleagues. I just want to comment on Automotive Technologies again. As it was said, the commitment to outperform the IHS lightvehicle production growth by 200 to 500 basis points is one important pillar of our target system.

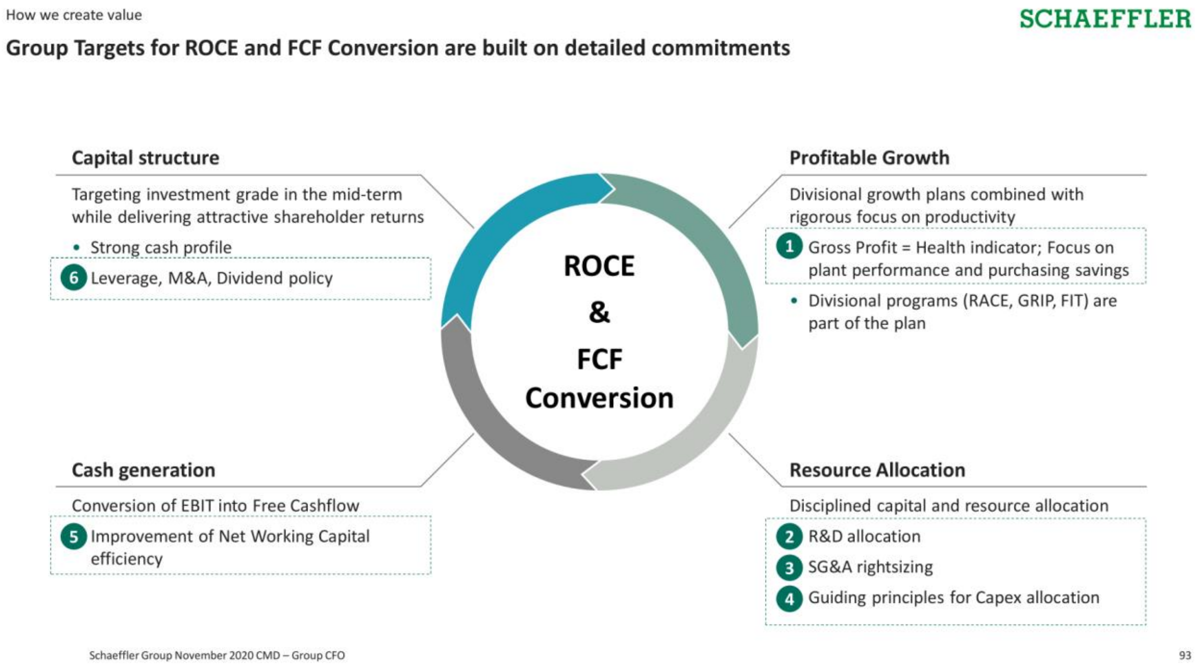
On the other hand, Matthias also pointed out on slide 32 that our multi-year plan and the margin planning which is coming from that is based on a more cautious market scenario. That means also that if lightvehicle production would grow more strongly, the outperformance percentages will hit a higher base and hence improve margin prospects.

I was lucky to hear from Michael Söding that he expects Automotive Aftermarket to reach the target band already one year earlier. I think that also is a well-based estimation.

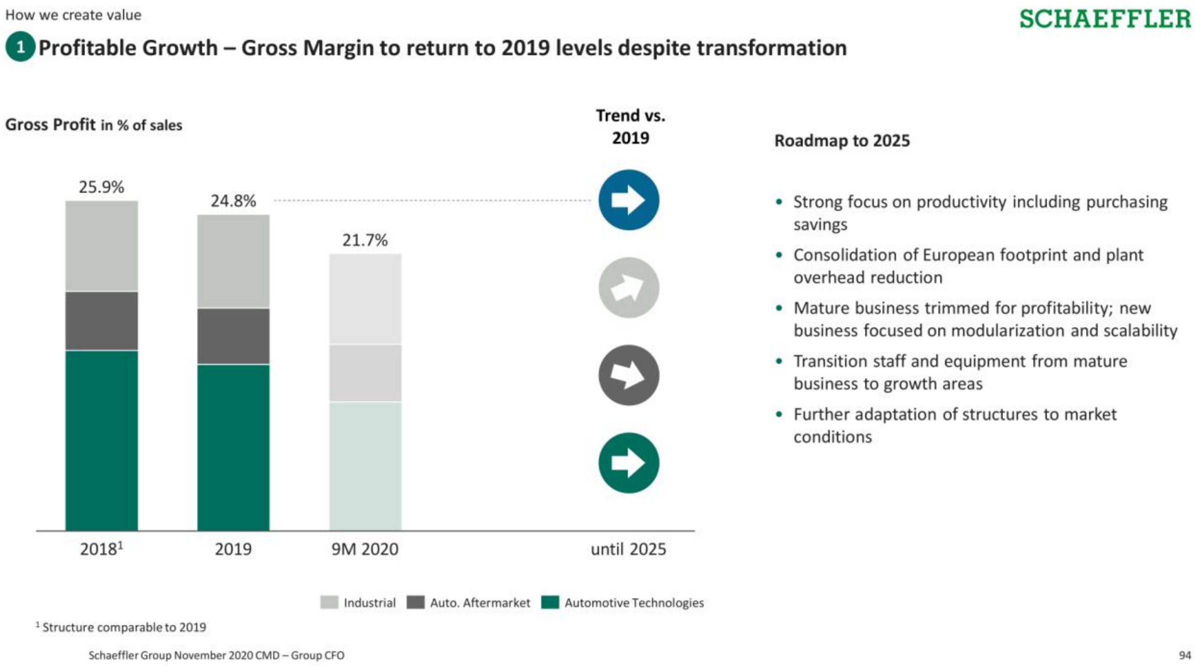
On the Group level, we have two major KPIs; one is the Return On Capital Employed, the other one is Free Cash Flow conversion. You see the target ranges for these KPIs. For both of them it is also valid that we want to enter the target margin ranges latest in 2023.

You will have noted that these targets on Group level are all-in targets. That means they include also restructuring expenses and transformation needs. This calls for a proactive, ongoing restructuring, which I believe is quicker, cheaper, less disruptive and easier to implement.

Needless to say: The KPIs we have chosen are consistent with the incentive system and the Group targets have the foundation of the internal commitments of our Divisions.



On this slide, you see the algorithm behind the mid-term targets and the multi-year plan. I will now run you through from 1 to 6.

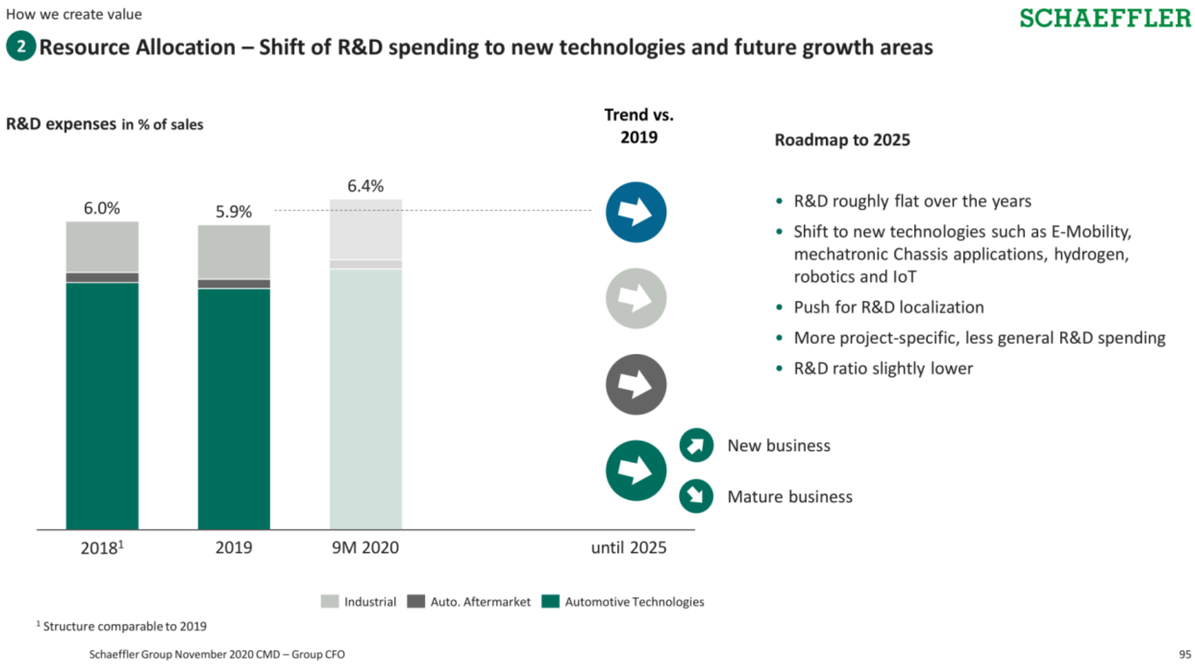


I will start with the gross margin which I regard as the health indicator of the company.

The gross margin was roughly 25% in 2019, 21.7% for the nine months of the current fiscal year. For the full year 2025, we would expect the gross margin to be roughly stable with an improvement in Industrial. Drivers for that improvement, as mentioned earlier by Stefan, are the transformational expenses which we have booked already in the current fiscal year and in part in earlier years, also the volume increase that he mentioned. That outweighs clearly a price decline.

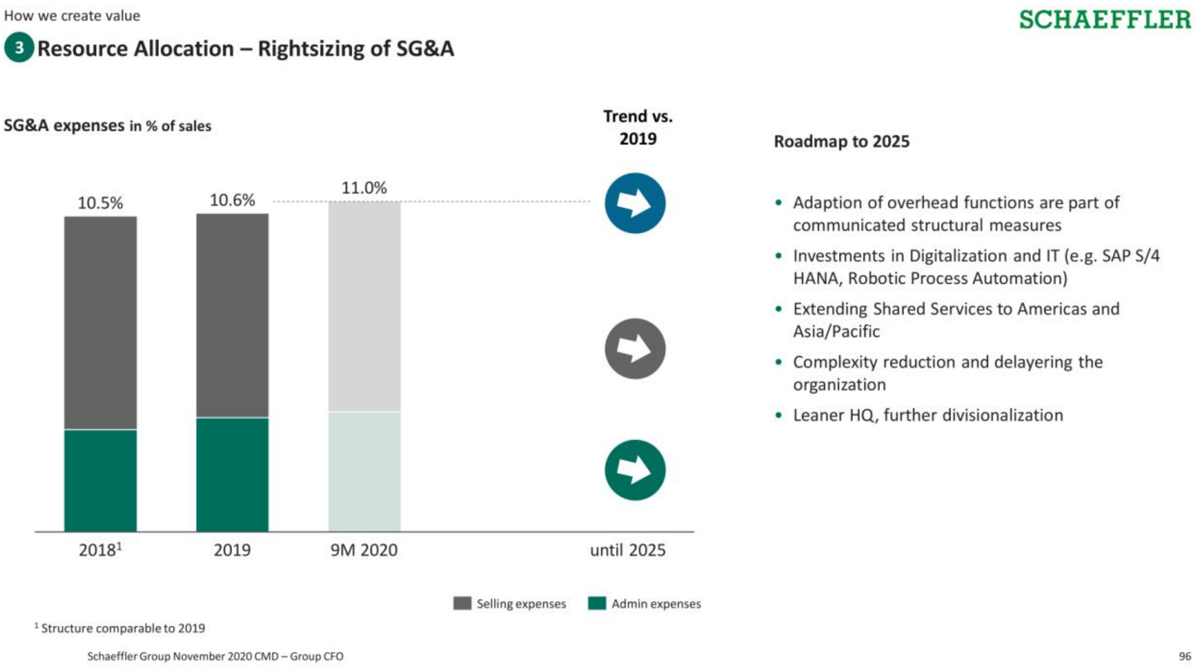
On the Automotive Aftermarket side, we expect the gross margin to come down a bit due to what has been explained: a consolidation on the customer base, but also the ramp-up of the new ETC business in China.

Then you have the arrow for the Automotive Technologies business being flat, here an increasing shift from component to system business. A price decline is largely compensated by footprint optimization, productivity measures in plants and purchasing savings.



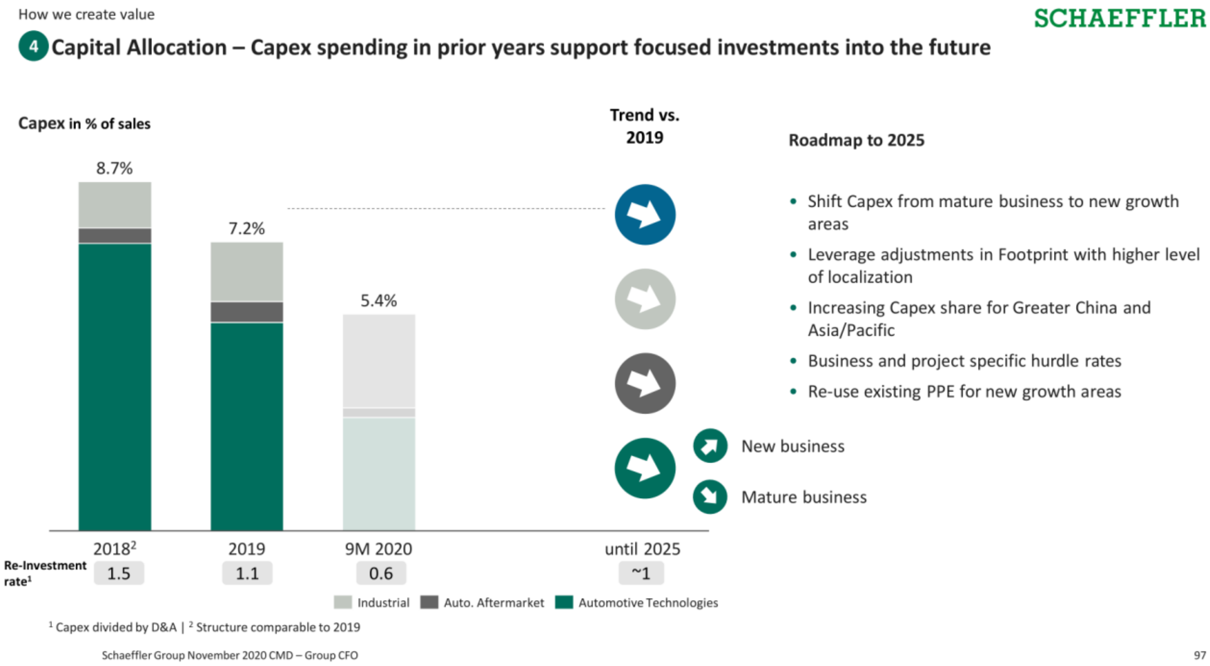
On the R&D expenses: We expect some improvement in the R&D expenses as a percentage of revenue. Historically, that was at 6%. We expect that number to come down actually in all Divisions, most materially on the Automotive Technologies side where, on the one hand, there is an increase in R&D spending and also an increased share for the new business. But that is more than compensated by a decline of investments in R&D in the Mature Business.

So overall, R&D is roughly flat in absolute terms, but, again, the ratio will be slightly lower.



This slide is on SG&A. Again, here we have a history of roughly 11%. We expect this ratio to come down somewhat, both in selling and also in general and administrative expenses.

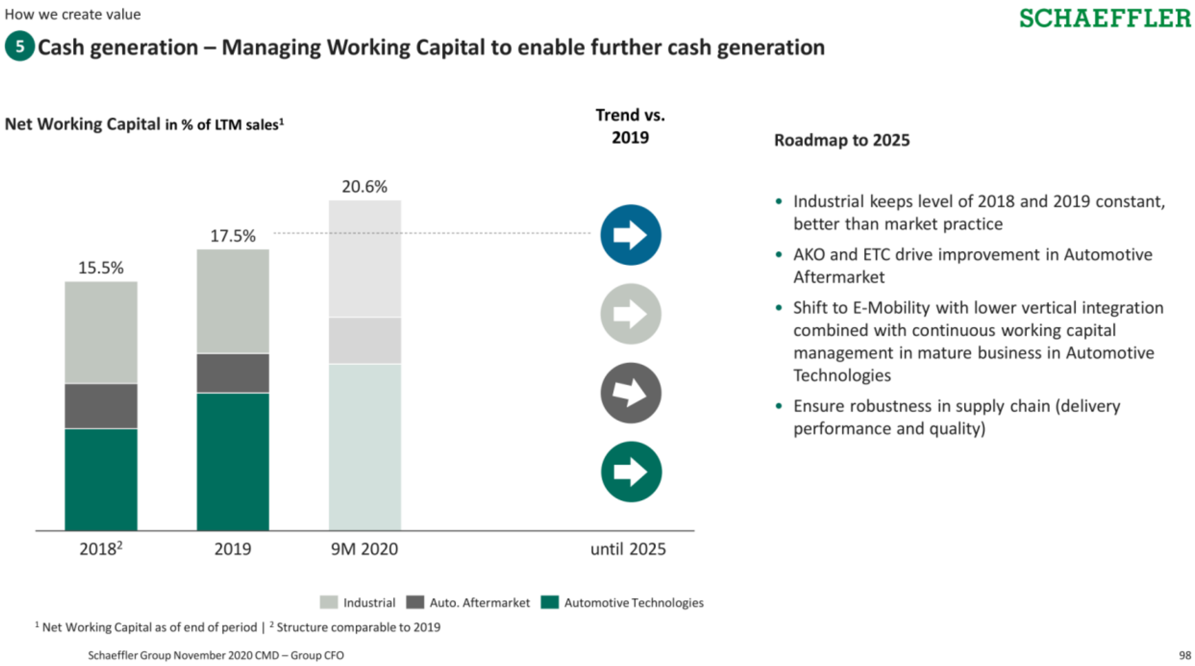
The plan includes, on the one hand, the payback of the communicated structural measures and also the benefit from the AKO investment in Aftermarket. But this is compensated by a material investment in digitalization and IT, specifically the upgrade of our IT system to SAP S/4 HANA, which leads to benefits mainly after the planning period.



This slide is on Capex. Capex was, as a percentage of revenue, 7.2% in 2019, with a reinvestment rate of 1.1. If you look back to the years 2015, 2016, 2017, 2018 and calculate an average, that would lead you to a reinvestment rate of roughly 1.5. That means there has been significant investment in the prior years and, obviously, we can benefit going forward from that.

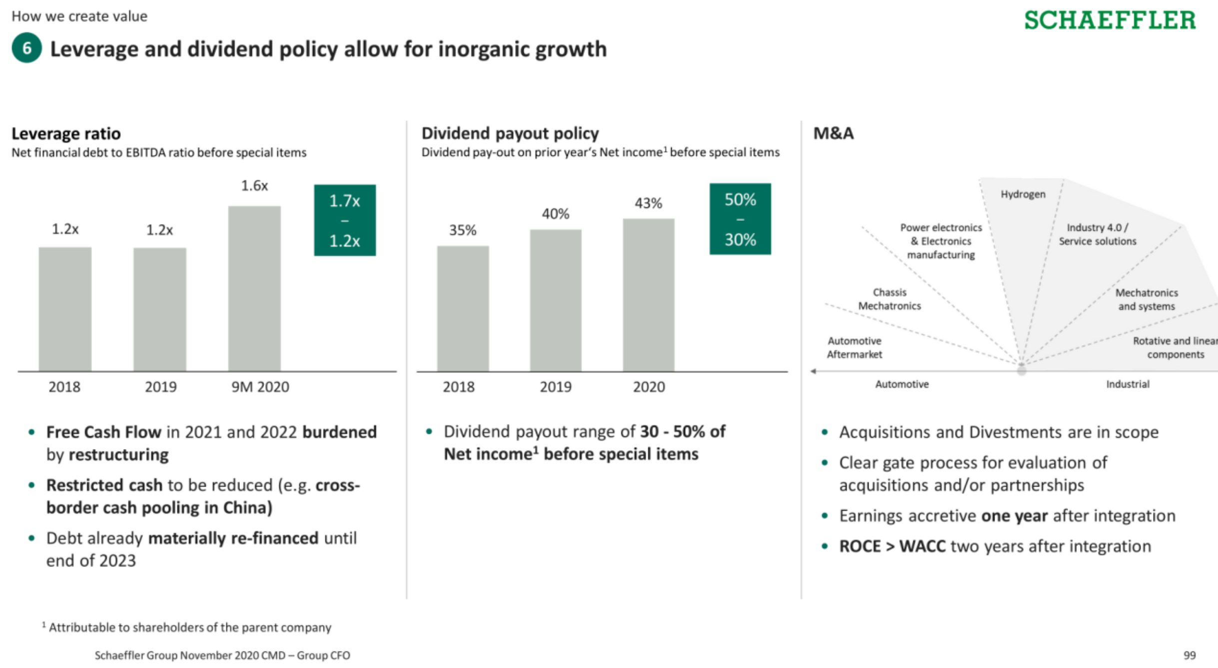
Therefore, the expectation is that the reinvestment rate will be until 2025 at roughly 1 or 1.0 and this 1 basically also speaks for the years in-between. So, the average should be close to 1.

Not only the Capex quota will be lower than in prior years, but also the absolute amount is expected to be lower, driven mainly by Automotive Technologies Mature Business.



On the working capital side, we had a percentage of net working capital to sales of 17.5 % in 2019. This is expected to be stable. On Industrial, we are already above the benchmarks we are looking at. So that, I think, is already a very good performance. Aftermarket will improve further, based on the benefits from AKO and the structural measures. The business which we had from ETC in China will also help a bit.

On Automotive Technologies, we expect the performance to be stable. On the one hand, E-Mobility has a potential for a somewhat lower net working capital. But that will be more material in later years. As a percentage, Automotive Technologies is already below the percentages you see here for 2019.

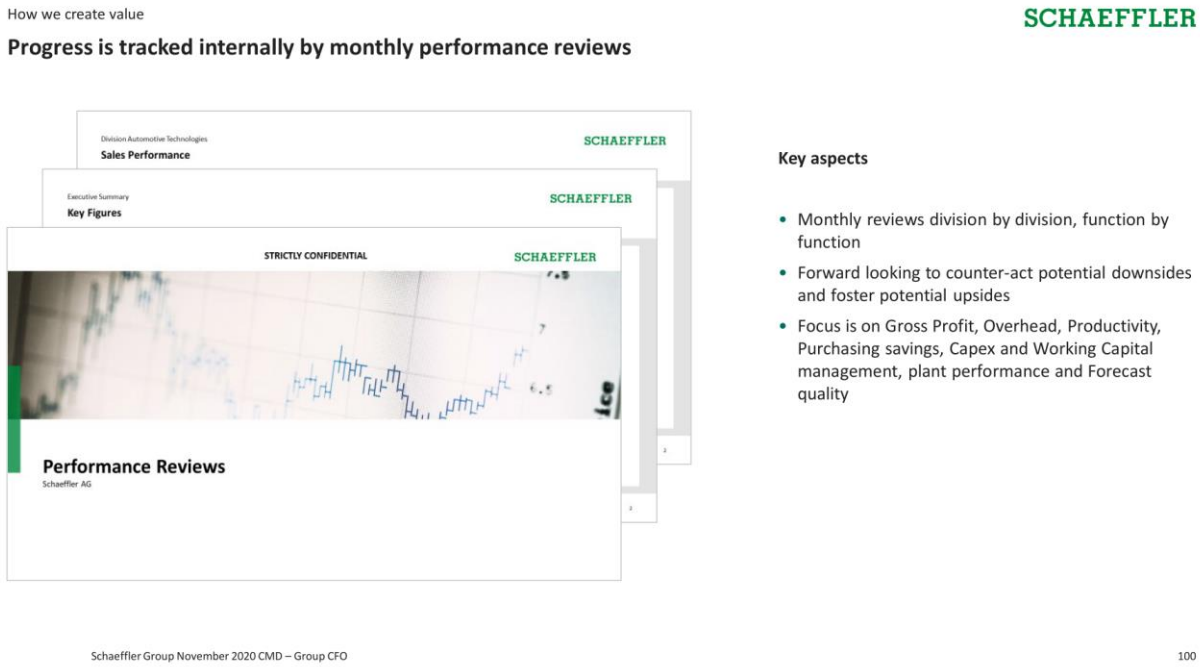


This slide is on the parameters. On the left side, you see the leverage ratio; that was in the last years at around 1.2, net financial debt to EBITDA. For the nine months, it was at 1.6; that number might come down a bit for the full year.

Obviously, if we follow through with our plan without M&A, this number would go further down over the years. But we purposely defined for this perimeter a broad band of 1.2 to 1.7, also to allow for inorganic growth, despite the fact that the multi-year plan with regard to top line, margins and other KPIs is in principle based on organic growth only.

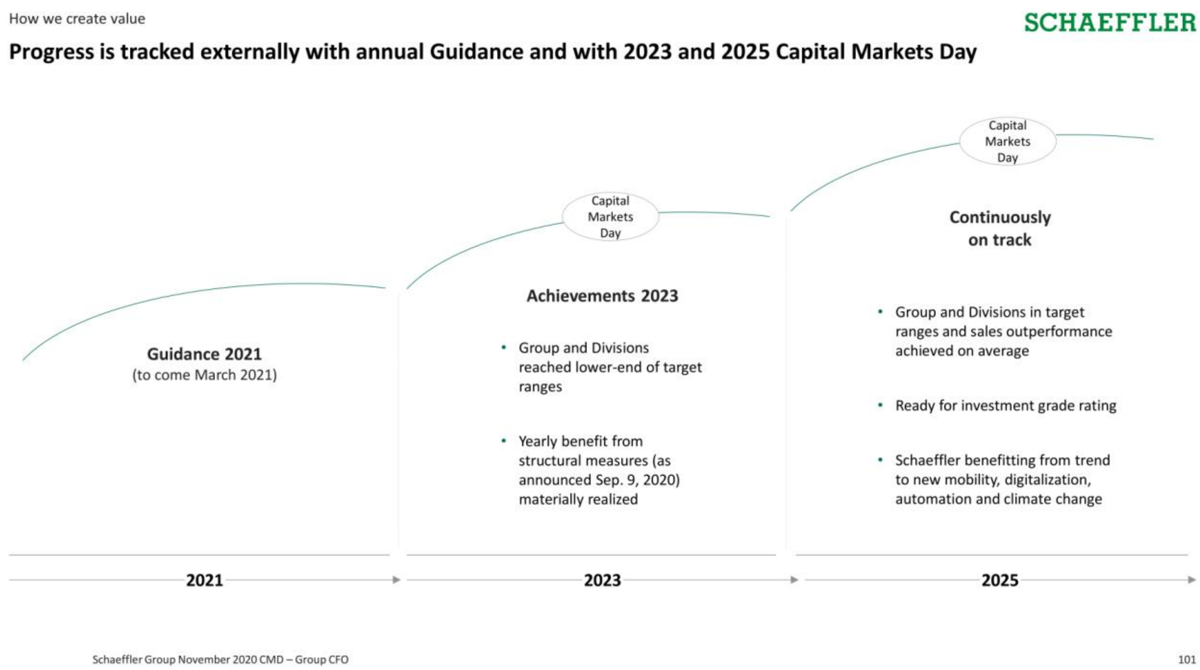
Dividend policy is unchanged. Obviously, the Managing Board and the Supervisory Board are deciding on dividend proposal on a yearly basis, looking holistically at the situation of the company after the books have been closed for the year.

And then you find on the right side a yardstick for the financial evaluation of M&A. We have defined two: 1) earnings accretive one year after integration, 2) ROCE above WACC two years after integration. Of course, if we would acquire something, we would also then inform you about the expected timeframe for the integration.



Internally, we follow the progress by monthly performance reviews. They have been newly introduced. The focus in these reviews is gross profit, overhead, productivity, purchasing savings, Capex and working capital management, plant performance and, what is most important for me, also forecast quality.

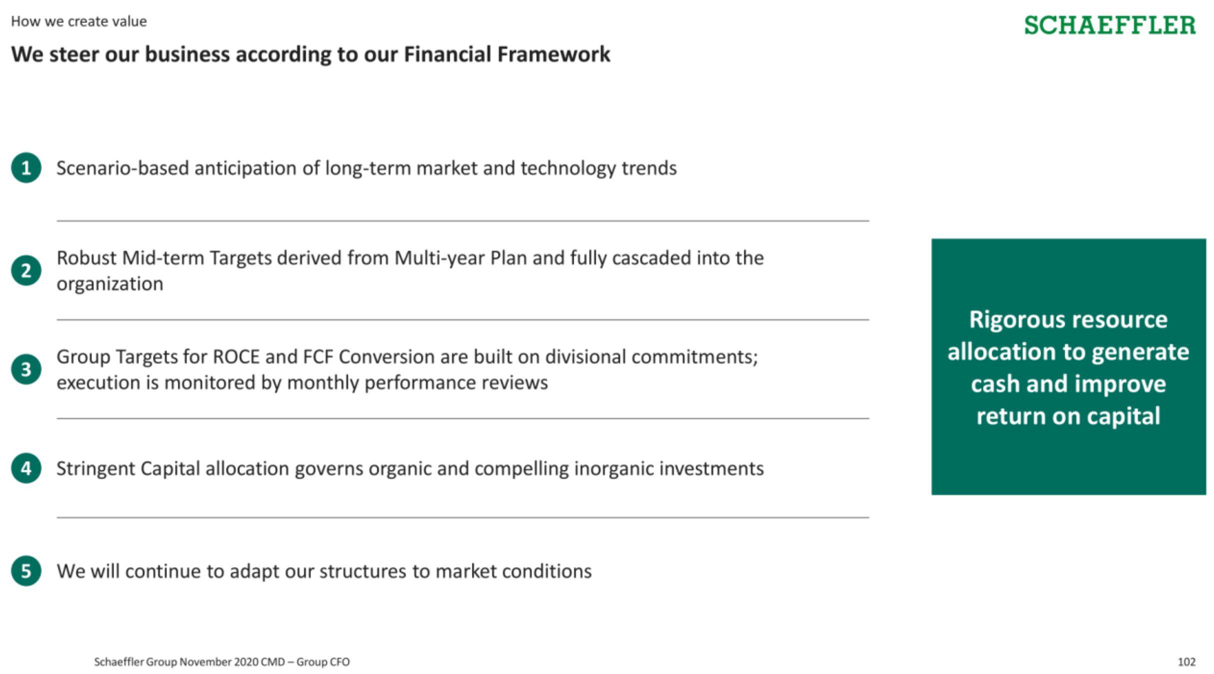
On a quarterly basis, we include also benchmarking with peers – names you probably know, including Timken, SKF, BorgWarner, Valeo and the like.



Externally, we will report to you on our progress when we close the year 2021. Obviously, we will compare that with the guidance which we will give you on March 4, 2021. The guidance format will be unchanged and only enriched by a qualitative guidance for return on capital employed.

On the Capital Markets Day at the end of 2023, we will report to you that the Group and Divisions have reached the lower end of the target ranges; that is our plan. And, obviously, in the year 2023, as communicated earlier, the yearly benefit from structural measures, as announced on September 9, 2020, will be materially realized.

Finally, at the end of 2025, we will be, according to plan, in a position to report to you that Group and Divisions are in target ranges and that also the sales outperformance has been achieved on average. At that point in time, we might also give you new targets for 2030.

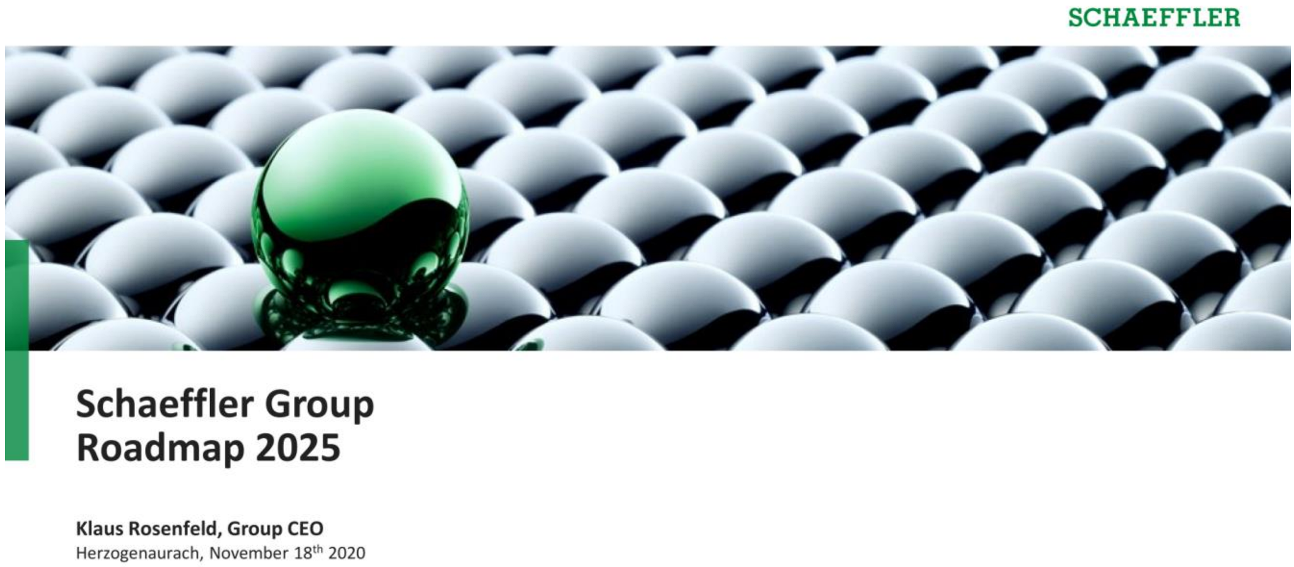


Now, to sum up, I only want to highlight three points on that slide. As mentioned, we have developed robust mid-term targets. They have been derived from a multi-year plan. They are fully cascaded into the organization.

The Group targets for ROCE and Free Cash Flow conversion are built on divisional commitments; we monitor the execution by monthly reviews.

Finally, stringent capital allocation is key and that governs both organic and compelling inorganic investments.

And with that, I would hand it back to you, Klaus.



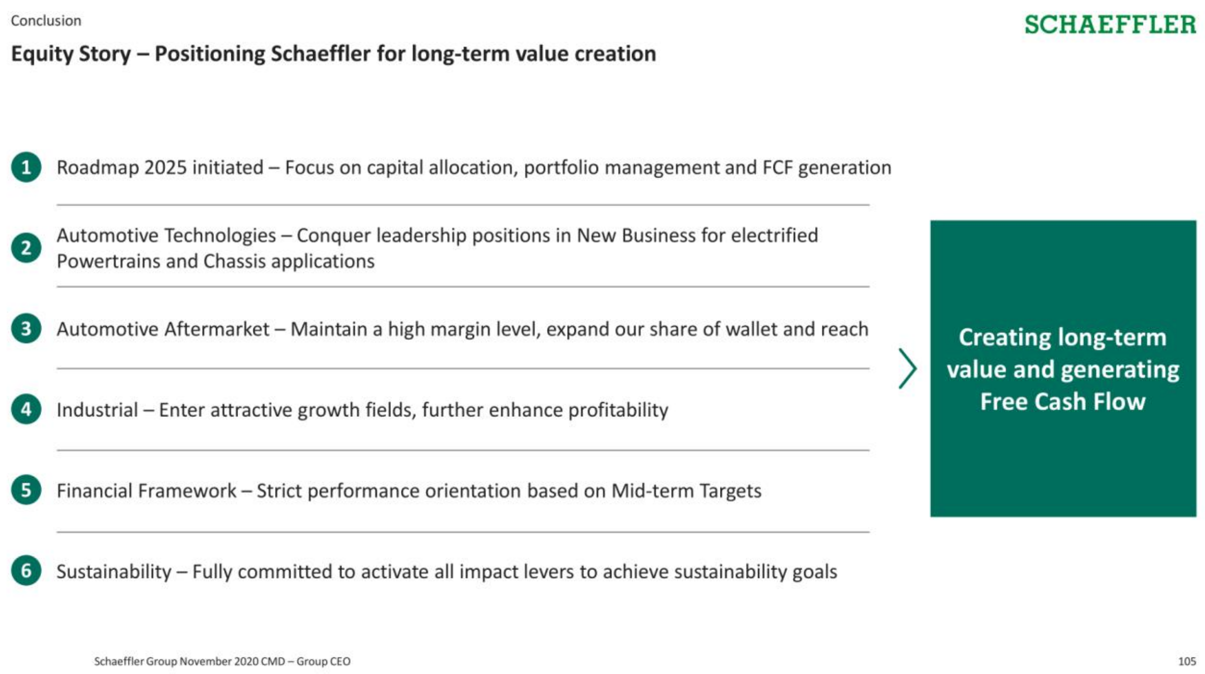
Klaus Rosenfeld
Thank you.

SCHAEFFLER

Conclusion

Schaeffler Group November 2020 CMD – Group CEO 104

Schaeffler is a high-quality company. It has a strong core, a strong technology. We are more than just three pure plays.



There is significant synergistic value to be unlocked. We are fully determined not only to pioneer motion, but also to unlock and create sustainable long-term value.

I think we have demonstrated that this Roadmap gives us the strategic direction. It is a clear direction. It integrates all our efforts into one framework with clear focus on capital allocation, portfolio management and Free Cash Flow generation.

You saw the three main directions for the three Divisions: conquer leadership positions in the New Business for electrified powertrain and chassis applications. In Michael's business: maintaining the high margin level and expanding our share of wallet and reach. In Industrial: While we are entering attractive growth fields, we will stay firm on further enhancing our profitability.

The financial framework was very well explained by Klaus and the mid-term targets clearly provide us with a rock-solid floor that we will defend whatever it takes. We are committed to do what we can to achieve, if not overachieve, these targets.

Last but not least, sustainability is intrinsic to everything we do. It gives us the unique end-to-end opportunity to grow our top line and fuel our growth, as you saw from the Hydrogen example. We are fully committed to deliver on that promise and activate all impact levers not only to achieve our mid-term targets, but also our sustainability goals.

With this, we come to an end here. I thank you for your attention and I thank my colleagues for a great delivery of this complex presentation in time and with a strong team effort. Thank you very much.

Back to Renata.

Renata Casaro
Thank you very much, Klaus. Dear operator, we can now open the Q&A session.

Dear analysts, dear investors, please limit yourself to a maximum of two questions at a time. You know that this will enable participation also to all other investors and analysts in the queue.

Dear operator, I hand over to you.

Operator
Thank you. I will now begin our question and answer session. If you have a question for our speakers, please dial "01" on your telephone keypad now to enter the queue. Once your name has been announced, you can ask a question. If you find your questions is answered before it is your turn to speak, you can dial "02" to cancel your question. If you are using speaker equipment today, first lift the handset before making your selection.

One moment, please, for the first question. – We received the first question from Henning Cosman, HSBC. Your line is now open.

Henning Cosman, HSBC

Hi, good afternoon. Thank you for taking the questions. The first is for Matthias, please. It's just really about the target margin range for the Automotive OEM Division. I'm going to frame it by saying: It may be a little bit disappointing for some people just because the 4 to 6% range compares to what we last had as a consensus of 5.7 for 2022 already. So I just really want to understand that a little bit better.

I think one way of looking at it would be that if you achieve the bottom end of the target range by 2023, as I believe you are indicating – – I think we are talking about 400 million or so Adjusted EBIT, you made 490 in 2019. Revenue is supposed to be higher. You are meant to have savings of between 100, 150 million on top. It sort of implies a negative operating leverage. If you could just help us understand the moving parts in-between a little bit.

You talked, of course, about New Business and Mature Business. Maybe you can help us understand a little bit the dynamics, margin dynamics of the two businesses respectively, if that helps, maybe regional dynamics, just really to understand that all a little bit better.

I'll just ask one other question because I appreciate that both are a little bit long. So maybe the second one for Klaus Rosenfeld: In your opening remarks, you talked about value creation. Maybe you allow me to ask you about shareholder value creation because, in my opinion, you've delivered three super-strong quarters this year, not least with best-in-class cash generation. That's, again, reflected in your outlook that you gave last night.

You've now shared the targets through for the next five years. But somehow the market doesn't really seem to be understanding and certainly not rewarding what you are trying to achieve. The share is trading at about five times earnings 2022.

So if you allow me, I'd like to ask you what you think the market doesn't get and what you think you can do to help the market understand and reward you more for what you are trying to achieve. Thank you.

Matthias Zink

Henning, first of all, thank you for the two questions. I would take the first one and then hand over to Klaus. I understood your question respectively your comment. On the other side, I tried to anticipate that a bit when elaborating on slide number, I guess, 32 – if the deck has been meanwhile distributed. We took as a market assumption for our MYP a pessimistic IHS scenario. This is not the actual IHS scenario as of October or November. By purpose we took the pessimistic one and that says the market is not going to be back before 2024 or 2025.

If you look into the volumes of 2022 or 2023, we talk about 80 million cars, if at all. We took that as a base for our sales line or for our top line we assumed there. That led us to these 4 to 6%. There rather was the idea to really secure the floor.

Answering your question or the second half of it: Yes, there is upside potential if the market is showing upside potential as well. We said we link the outperformance to the IHS, whatever IHS is saying, the 2 to 5 are committed and the 4 to 6 is related to this pessimistic IHS. What comes better comes better. But that's too early to say. I guess we should not assume a quick recovery of the market. IHS said there could be a second Covid, even a shutdown. That's why we said, let's take that one. And just take the indications we see out there: They are not that far from it. So we said, 4 to 6 is committed on this pessimistic scenario.

Now, talking about the blended mix is a little bit difficult. That's why we said, that will be kind of seamless, blended between the Mature and the New Business, because we expect even a higher order intake. It could even require a bit more time for a positive contribution of the earnings on the New Business.
But that's even a kind of luxury problem we are in. We actually have really a good track record on the order intake. And at the same time, we did all these restructuring initiatives and all this cost focusing. That's why we called it a blended 4 to 6 for this pessimistic market assumption.

With that, I would go to Klaus if the question is answered, Henning.

Klaus Rosenfeld
Okay, let me take the second question. Clearly, Henning, thanks for the opportunity here to answer that. I think you are right: We have not had the full appreciation of what we have achieved in the last 24 months. I think the reasons are: We as Schaeffler have probably not done enough to explain to the market after the rough ride also in 2019 and 2020 that this is a high-quality company.
I think we have always been reduced to an automotive supplier with a super-high combustion engine exposure, and there was always a lack of conviction that there are future opportunities.
I hope, with our presentation today, we made that clearer. We made clear that this is a high-quality company. We made clear that it has not only three distinctive businesses, but also significant synergistic value, and that there is significant growth potential and opportunities from the key trends that we described, both in Automotive, eEMobility, in Aftermarket, but also in Industrial, where we are clearly on a good track.

And that all leads me to the conclusion that we have hopefully now laid the ground, also with this financial framework that Klaus has predominantly designed for us, to unlock consistently more value for you.

Henning Cosman, HSBC
Thank you. Maybe I can just follow up quickly on Matthias. If we were to apply the actual IHS base case and the midpoint of your outperformance assumptions, then I still end up with something like a negative operating leverage if I also consider the cost savings that you are trying to achieve by 2023.
I just really would like to understand why you are modeling that. Is it really because of this large share of New Business at very, very dilutive margins, or are you just being extremely cautious and making absolutely sure that, whatever scenario basically, the 4% is a definite floor?

Klaus Rosenfeld
I think, Henning, this is exactly what you said. I stressed it also when I talked about this, in particular on Automotive. After the bumpy ride in the past and all the changes that are in front of us, the challenging market environment, we want to give you a rock-solid floor that we will be able to protect in whatever environment we will see. That's the purpose of this and that's also why we feel good about sort of pushing this out today.
But please rest assured: We are determined – Klaus spoke about the gross margin as the health indicator of the business – to overachieve this range, in particular in Automotive. I think the strong foundation that the colleagues have given you here, gives us a lot of assurance that this is clearly possible.

Henning Cosman, HSBC
Thank you very much, both of you.

Klaus Rosenfeld
You're welcome.

Victoria Anne Greer, Morgan Stanley
Good afternoon. I wanted to come firstly to your comments about the areas that you see as a built opportunity in auto technology. Power electronics is on that list there. What has been the decision to invest in power electronics when so far you have not got orders in that area? Could you talk a bit about how much you are investing and what is the decision point for getting order intake there or not? Is there a point that you would stop investing there? That's the first one on the power electronics.

Secondly, I wanted to come to the Industrial margin range, 12 to 14%. That's a level that that business hasn't done since 2012. You talked in the slides a bit about the manufacturing consolidation that you're doing in that business. Could you give us a bit more detail for how we get to the 12 to 14? Thanks.

Klaus Rosenfeld

May I suggest that Jochen takes the first question on power electronics and maybe I just say one sentence: We see power electronics as an integral part of the 3in1 offering. That's what Jochen explained. But it's not something where we want to compete now in a completely new area solely on power electronics. It's part of the integrated approach. Maybe Jochen can answer this.

And Stefan would go for the second question for the walk from today to 12 to 14%.

Jochen Schröder

I will just add on what Klaus was saying. Absolutely correct: We are focusing on powertrain systems and we see from the market side a demand for a fully integrated 3in1 system. That's the reason why we take care about the power electronics.

We are going here in parallel in two directions. The first, and that's the main direction, is that we partner with power electronics suppliers. There are strong suppliers out there. With our successes here in powertrain systems and also our very innovative design, we also see clearly that Schaeffler is getting very attractive for power electronics suppliers to cooperate with us. So that's what we are doing mainly.

At the same time, we invest ourselves into building our competence in this area. We have fully achieved the capability to manage power electronics supplies and to specify it for system integration purposes. In addition, we are now building the competencies for doing own power electronics, but not to a large extent, more as a first step to be robust also looking into the future, as part of our system business.

Victoria Anne Greer, Morgan Stanley

Any comments about the magnitude of the investment there? It sounds, I guess, relatively small. Is that a bolt-on part of the strategy?

Jochen Schröder

It's relatively small, that's correct. That's part of our R&D budget that was outlined also by Klaus.

Stefan Spindler
Victoria, the EBIT margin which we saw in 2019 was 10.2%. If we had seen growth as we had assumed initially, we would have been up to something around 8%. Taking into account the market development and also the headwinds which we have from FX, from the exchange rate, in 2020, we are seeing the setback as we have it today.
Assuming that we will get back on the 2019 sales level, plus taking into account the performance measures which we are introducing, we will be back on an 11% EBIT level.
If you remember my first slide, I said that in Europe we do 46% of our business, but we have the structural situation that we have about 70% of the production capacity in Europe. This is something we want to correct with the structural measures. That means we will build up capacities in the regions close to the customers and we will restructure our European operations. That saves us cost with transportation and with customs. That saves us labor cost. And it will increase our margin by a couple of percentage points. That brings us into the margin range of 12 to 14%.
Does that answer your question?

Victoria Anne Greer, Morgan Stanley
Yes, okay. And hence why the low end of that range is 2023, because there is that consolidation work to be done?

Stefan Spindler
Yes. Yes, exactly. Yes.

Klaus Rosenfeld
That's exactly right, Victoria. Maybe I add: The structural measures that Stefan just mentioned are part of the measures we announced in September 2020.

Sascha Gommel, Jefferies
Good afternoon. Thank you for the presentations and taking the questions. The first one would be on value generation again, a bit what Henning asked. Can you quantify the synergies of having Industrial and Auto under one roof? And given your valuation, don't you think that a separation of the two would generate more value for the shareholders? That would be the first question.

Klaus Rosenfeld
I cannot give you a number here that says, this is the number of synergies. What I can give you and what I tried to give you is the logic for the synergistic potential if you go back to the slide where I showed Auto on the left-hand side and Industrial on the

right-hand side. We can try to find the calculations and put numbers behind this. But I think there are the obvious examples that I gave. Benefiting from scale on the one hand, but also from scope on the other hand makes a lot of sense. If you then think about the technology transfer on top, with the example from Robotics, I think this is obvious.

I don't look at this as a sum-of-the-parts calculation. I rather look at the underlying fundamental technological competence and how we can drive this forward. Just think again about the sustainability opportunity we have here.

So please accept that there is no number, but there is a clear logic why this belongs together and why this is more than just three divisions.

Sascha Gommel, Jefferies

Just one follow-up on that topic: The tax situation of your major shareholder, is that a problem for your strategic development in any sense when it comes to M&A or any other development?

Klaus Rosenfeld

No. The tax situation of our shareholder happens on tax on his level. But there are holdings in-between. Again, we are a listed company. That has nothing to do with our strategic direction.

Sascha Gommel, Jefferies

My second question would be on capital efficiency. I think you talked a lot about the reinvestment rate being lower than in the past, really focusing on the right products and segments and regions. And yet, when I look at your guidance, I get roughly to a Free Cash Flow in 2023 that is not so different to the cash flow in 2020. Is that again the conservatism you put into all of the numbers, or is there anything I am missing that your cash flow shouldn't be substantially higher in 2023 than it was in 2020?

Klaus Rosenfeld

Maybe Klaus can take this, but you clearly need to incorporate in your thinking the restructuring cash-out that comes from the 700 million restructuring expenses.

But maybe, Klaus, you want to highlight the composition of the Free Cash Flow again.

Klaus Patzak

First of all, before we go to 2023, obviously 2021 and 2022 will be years where we have payouts for restructuring, quite significant payouts. So that needs to be said. Specifically in 2021, there will not only be the payout of, I would say, roughly 300

million for the measures which we communicated in September, but in addition a payout for previously announced restructuring programs of round about 120 million euros.
Having said that, obviously, in 2023 there will be an improvement in Free Cash Flow. I mentioned earlier that we expect then also the leverage ratio to come down. Whether that would reach the level of 2019 in 2023 already, still remains to be seen. We basically gave you a range for the cash conversion rate. Obviously, our plan is to be in that range – that's what I mentioned – latest in 2023. Therefore, depending on where we are in that range, obviously, it will be closer to what we delivered in 2019. This is then a consequence of, on the one hand, lower Capex, as I mentioned earlier. On the working capital side, in 2023 we should be close to the 2019 level.

Sascha Gommel, Jefferies
I appreciate the answers. Thank you very much.

Klaus Rosenfeld
You are welcome.

Michael Raab, Kepler Cheuvreux
Hi, gentlemen! First of all, I appreciate the level of detail you've given us for your mid-term strategic and financial target. But, you know, stock valuation is actually about absolute numbers and the reflection of value creation that you target is more or less the same. So as someone who's originated in accounting and controlling, I'm somewhat puzzled as to why you haven't given us sales growth and EBIT margin targets for the Group level because I presume, based on your corporate planning, you must have a bandwidth internally. That would make it much easier to reconcile your relative conversion ratio targets with the absolute numbers that are needed to do the valuation.

And then, secondly, perhaps besides explaining why you haven't created this missing link, can you please elaborate what your hurdle rate is that you benchmark your ROCE against, i.e. the after-tax WACC you're using internally to do the calculations for projects as well as capital allocation? Thank you.

Klaus Patzak
Let me answer first on the valuation topic. Obviously, I understand that for a valuation purpose in the end you need absolute numbers. But on the other hand, what you have to also understand is that there is uncertainty about the growth momentum, specifically also in Automotive Technologies. If you look at IHS numbers from May to

October, that was in five months a change of 5% for the next two years, something like that. From October to November, it went down again.
Therefore, I think it makes sense to give e.g. an outperformance number in order to give you the possibility, based on your own scenario of the market development, to calculate what kind of absolute top-line growth we would expect. That's the one topic.

When we have guided for return on capital employed, which is also based on EBIT, you see that we are making progress there. We are making progress beyond 2019 in return on capital employed. Obviously, if you make a simulation based on the EBIT margin bands or target ranges for the Group, if you calculate that, you would see that you can calculate the EBIT margin for the Group roughly, based on certain assumptions. I did this kind of calculation. I think it's possible. If we would have given just absolute numbers, I think it's up for just a change in the targets in a couple of years because you are very dependent on the cycle in which you are in then.

The other topic was on the return on capital employed hurdle rate. Indeed, we have calculated the WACC. I would say that if you look post tax, you would be at a range of roughly 7.5%. We would also adjust that on specific occasions, whether that is M&A, but also major Capex or R&D projects. We would then adjust that for specific risk; that could be country-specific risk, that could be business-specific risk. We would go also in that differentiation below the divisional level. You heard about Mature Business, you heard about New Business in Automotive Technologies. Obviously, that needs also to be reflected when you talk about hurdle rates.

Klaus Rosenfeld
Maybe, Michael, I can add one more thing on the mid-term targets. I think you have to see these mid-term targets in conjunction with the guidance, the annual guidance. I think there we gave you the template that we had at the beginning of the year for 2020 now. I'll give guidance for 2021 when the accounts are finalized for the year. And that in conjunction, I think, is something that you need to then assess.

Michael Raab, Kepler Cheuvreux
Sure. Don't get me wrong. I mean, I can do the calculations for the Group level myself. Obviously, I have to do that every day: modeling a company. What I'm trying to say, basically, is that I think it would have been very helpful transferring the overall message, which I personally think goes into the right direction. Because now with the missing link here, it looks a little bit like the free cash flow conversion ratio targets are somewhat wishful thinking.

You know, if you argue with uncertainty, my counter question would be: Why then have you issued concrete guidance for the Automotive OE business, which obviously is besieged by the highest level of uncertainty? But that's just food for thought.

Anyway, thank you very much. I appreciate it.

Horst Schneider, Bank of America

Good afternoon and thanks for taking my questions, too. Mainly they are focused on Automotive Technologies. I want to understand better your outperformance target and also your operating leverage assumptions. If we think about this range that you target, the 2 to 5%, and especially from the timeframe 2021 to 2025, given the fact that we see a significant increase in electrification and potentially we see also stricter CO_2 targets in the US, but also in Europe, is it fair to assume that the outperformance will basically decline over the years, that it will be initially stronger and will come down then? Or is there a certain pattern we should assume regarding the outperformance?

The other question that I have is regarding operating leverage. I mean, it was a pretty good year to date. I understand you also had some one-off cost savings. But what is a good general assumption on operating leverage?
In that context, maybe you could also quantify what level of extra cost savings you had this year will bounce back next year, for example in SG&A?
I just want to understand how we should model the operating leverage. Should it be rather 25%? Your guidance suggests it should be rather something like, I don't know, 10% or – Henning pointed that out – it could be even negative. Regardless of the volume assumption, can you maybe better make us understand this operating leverage factor? Thank you.

Matthias Zink

I take the first one, this outperformance. That is a mix of different trends. Definitely, that will continue. First of all, in every transmission we see automation of transmission. That increases the content per vehicle even on the Mature side. We see more mechatronics on the valve train, even on the ICE side. Plus we see the Hybrids, plus we see the E-Mobility. So the content per car definitely will increase.
On the flip side of it, we said we factor in a certain price down. We take the guts as well to give up the one or the other not profitable business. So that would be the flip side of it. But all in all, we definitely see a continuation of this outperformance and not a decline or a stagnation down the road, not in the next five years and not the

years after. That's why we say, 2 to 5 is pretty valid, but as well being a bit selective on the projects, be it the Mature ones or the New Business ones.

And the other one I would hand over to Klaus.

Klaus Rosenfeld
One addition to what Matthias just said: If you have a market that rebounds – and this is something that we expect for 2021 – then, typically, your outperformance is not as strong as in a flat market. You asked how this unfolds. That's also why we have given the 2 to 5, because there could be different situations in how we are coming out of this strange Covid situation.
I think I would like to give you that as a thought, but that's what we have at least seen in the past. When we looked at the historic analysis of what was the outperformance, Matthias, it was obvious: In markets that rebound the outperformance is typically a little bit lower than in markets when it's more stable.
And don't forget: There is also the Chinese element that plays an important role for outperformance.

I hand over for the operating leverage drop-through rate to Klaus.

Klaus Patzak
First of all, if we talk about these drop-through rates, I will refer to the drop-through rate on a gross margin level. Before I look out into the planning years, let me just say that what you have seen in the third quarter, is not something that you can extrapolate. There is a combination of factors which impacted specifically the third quarter, including that we sold out of inventory, that we currently have very cheap raw material prices and a great mix from a very, very strong China business. That is something which helped us in the last quarters, will help us probably also in the fourth quarter. Still there is short-term work benefit which will not be there.
There have been also some postponements of customer projects, for example, with regard to building prototypes and things like that, and obviously low discretionary spending, as you know, from other companies.
So, therefore, the third-quarter drop-through rate cannot be extrapolated. If I look at the plan, I would say that, in general, I would expect a drop-through rate of round about 25% on average, but that is a combination of several things, including also the mix impact, which has been explained earlier.
It's not only operating leverage in the sense that you have additional revenue and then basically you have a profit because you do not scale up immediately the fixed

cost. You also have to consider the mix impacts. And that is not only the mix impact between Mature Business and New Business, but also the regional mix effect.

Klaus Rosenfeld

Maybe I add to this, Horst: I think you have seen us restructure when we need to restructure. I think that's flexibility. Klaus talked about continuous optimization, continuous restructuring being the cheaper, more efficient version. We are clearly committed to do that.

If there is a new situation again – no one expected the Covid crisis –, whatever happens next, you can be rest assured that this management team is determined to take this upfront and proactively do the right things.

Horst Schneider, Bank of America

Can I sneak in another follow-up, just a yes/no question?

Klaus Rosenfeld

Sure.

Horst Schneider, Bank of America

If the CO_2 targets would get stricter in the US and in Europe, would that change your R&D and Capex assumptions for the next few years?

Klaus Rosenfeld

Maybe I say something upfront because we had this Chancellor summit yesterday. What you hear at the moment coming out of the European Parliament is still discussion. There is no final determination what it is going to look like.

It's, I think, absolutely clear that things need to be feasible. You can determine whatever you want. If you can't achieve it, it doesn't bring any value. Therefore, it's clearly premature now to say what happens if …

We are in a discussion situation. We are very much linked into this discussion from the various sources. Matthias is member of the steering committee at CLEPA. We follow that very carefully. But now to give you what that means, is definitely premature. What we can tell you is that we are 100% determined to conquer a leadership position in the electrified powertrain. I hope that came across strongly. With what we have been doing, what Jochen has built, we have a superb starting position here. We will do what it takes here to really harness the opportunities that our customers give us.

Horst Schneider, Bank of America

Alright, very helpful. Thank you.

Christoph Laskawi, Deutsche Bank

Hi, thank you for taking my question. I'd like to come back a bit on the auto E-margin, also in light of R&D spend. You point towards 2025, absolute R&D flat or relatively down. Do you see the investment need in the time until then actually increasing in the near term? I would guess, because of the electrification it's accelerating. Also you were targeting to enter the Hydrogen space. Others are fairly advanced in that already, also players in Germany. Do you need to shift the budget potentially that was planned further out more into the near term? And could that weigh on the margins? That's the first question.

Matthias Zink

That's what I tried to show. As Klaus Patzak said it in his presentation: We can work with a 6.x R&D quota. It's rather the question – and that's what Jochen and the team already did – how we can requalify people we already have. It's not that we go from black to white. It's really a seamless transition from products we have – we have already mechatronics and engine in transmission –, to requalify those people at the right point in time for Jochen's business. It's not about completely starting from scratch with new people and new test rigs and all that.

Like in the factories: We have so many existing capacities, capabilities as well in R&D that we really trust to make it with the 6.x%. If things would accelerate, we may see a spike for a while. But actually, we see this seamless hand-over or changeover on the R&D quota as feasible.

Klaus Rosenfeld

Maybe one addition to the Hydrogen area. The Hydrogen one is once again not only auto, it's a holistic, joint growth initiative for both Divisions. That's, I think, the core of it.

Whoever has announced joint ventures and whatsoever, this at the end of the day is about manufacturing excellence for us and industrialization competence. I think there is no better player than Schaeffler to demonstrate that industrialization competence.

Christoph Laskawi, Deutsche Bank

Thank you. The second question would be on M&A. We didn't touch on that in the Q&A so far. You said there will be smaller bolt-ons likely in the next 24 months in several fields that you have announced.

One part of the question would be: The leverage target that you've shown, I guess, includes those small bolt-ons. If an opportunity would come along for a bigger transaction, would you stick to the leverage target or would you say it's not the time currently to buy a bigger asset?
Among the pillars that you've shown is there, say, a more pressing pillar that you would want to address or are all seven essentially the same?

Klaus Rosenfeld
It's a very good question. Let me start first and then Klaus can add to this.
We have articulated this M&A strategy with the seven search fields. Is there now one priority in the bolt-on acquisition space? No, definitely not. Would we like to strengthen the power electronics, as Victoria asked for and Jochen explained? Certainly we would. Is there ample opportunity to grow our Industrial business and rebalance the portfolio a bit more? Absolutely.
But we are not here today to talk about a transaction that is not ready to be announced. So on anything that is bigger that I would not in principle exclude, it's a function of the right situation, a convincing case, clearly discipline in terms of execution. Therefore, I think you need to wait until we are ready with something like this. For the time being, we'll pursue the articulated M&A strategy.

Maybe Klaus can add on the financial part of that.

Klaus Patzak
First of all, to your question: Smaller bolt-on acquisitions would be included in the range for the leverage parameter.

In case of a sizeable M&A opportunity, we might also consider stretching the corridor in the interim, especially if we expect to get back to our defined leverage corridor in a reasonable timeframe. Obviously, that depends on the purchase price in combination with the expected profitability. And obviously, we would look at our M&A criteria which I have explained.

Akshat Kacker, JP Morgan
Thank you for taking my questions; I'll keep them to two. The first one is on the Hydrogen opportunity. I'm basically trying to understand two things. First, the capital allocation. Is it possible to quantify how much money you have already spent in the field of bipolar plates and fuel cell stacks? How do you think about capital allocation in the coming few years?

The second part of it is basically the market potential and addressable areas. You do talk about 240,000 trucks and buses by 2030. We've seen a lot of suppliers talking about the market potential on a complete system basis. But, in a lot of cases, we might end up supplying components only. What we are hearing from truck OEMs like Volvo, Daimler, Traton and Paccar is that they want to do it in-house. So I am very interested in your view on this opportunity. That's the first one.

And the second one is a quick one on Aftermarket. Is it possible to quantify the higher investments and costs that we should be mindful of, especially in ETC?
When you reach the desired case for this business, do you expect to get back to the 17 to 18% margin range for Aftermarket? Thank you.

Klaus Rosenfeld
Let me start with Hydrogen. Once again, I would like to emphasize that Hydrogen is not only fuel cell. Let's give you just an idea of what the market potential on the electrolysis is. We showed you on the page in my presentation with the two Hydrogen examples a market potential for globally installed power of electrolysis in 2030 of 150 gigawatt.
That 150 gigawatt probably equal a value or sales of 30 billion euros across all technologies. It would include alkali electrolysis and it would include also PEM electrolysis. It would also include deployment. So if we exclude the deployment, we have probably two thirds of this, 20 million. If we then say what's in it for us and we just focus on the PEM technology, that's probably 50 % of this, then the overall sales in 2030 at a gigawatt level that's in the middle of the range of what Stefan showed, is somewhere around 10 billion. I leave it to you to now determine what the market share of Schaeffler could be in this, but it would definitely be a significant opportunity and a significant addressable market. That's the electrolyzer side.

On the fuel cell: You know, don't reduce this to trucks only. There are fuel cells for other applications. There may be even fuel cells for cars. There is a single component, but up to the system. There is the ancillary business that comes with this. For example, think about certain bearing solutions, think not only about the bipolar plate, but a gas diffusion layer.
This is a broader field that is, as far as the plan is concerned, not really taking off in the planning period. It's taking off in the years thereafter. We are talking about something beyond the planning period, 2025 to 2030. It's about the future value of the company.

You rightfully ask about capital allocation. Yes, we have spent maybe a two-digit million number here. This is not only investment, it's also cost. We'll continue to do this, these smaller investments, the buildup of teams and all of this. This is definitely in the plan, but the real capital allocation will come in the planning period going forward, reaching out to 2030 when all of this is ramped up and when the industrialization really kicks in.

Does someone want to add on the fuel cell/electrolyzer side? Stefan or Jochen or Matthias? – Are you happy?

Stefan Spindler
Perfectly answered.

Klaus Rosenfeld
Okay. – Is that okay for you, Akshat?

Akshat Kacker, JP Morgan
Yes, thank you.

Klaus Rosenfeld
You are welcome. – Then Michael on Aftermarket, please.

Michael Söding
Akshat, if I understood your question correctly: ETC, obviously, is a major investment. But that not only serves for the Chinese market where we have established it. China is going to serve as a pilot to help us understand better the rationale of creating digital platforms for all the markets.
The investment has an upfront investment that has already been in the numbers of the current years. We will not increase the investment rate there. But when it comes to the question of the EBIT margin going forward, it is fair to say: There is a margin pressure in the existing business in general by the consolidation of the customer base. Ramping up a new business model – ETC is the best example there – will help us to generate margin. But we also have to understand that ETC is serving into a different business model. In that business model, we are more comparable to other trading activities, other than the manufacturing and distribution of parts as such.
With that, we do not think that we come back to the historical numbers, but the initiatives help us to defend the margin level that we offer to you.

Akshat Kacker, JP Morgan
Understood, thank you.

Sabrina Reeh, UBS
Hi, gentlemen, and thanks for taking my questions. I just have two basically follow-up ones. We spoke about the outperformance that's there already on the auto side and what that's driven by. But in the past, on slides, you've given us some idea of what you think what your content per car will be for ICE cars and also for the E-Mobility, so for the EVs and for the hybrids.
Could you maybe give us your assumptions if that is unchanged or if you have a bit of a different picture on that? That would be my first one.

And the second one: I don't know if you answered it already because I had some technical issues earlier. So if you already have, sorry for repeating the question. But could you shed some light on how much of the Capex you intend to spend for the legacy business and how much for the New Businesses? Can you give a rough split? Is it more a 60/40 split or is it more a 70/30 split? That would be helpful. Thank you.

Matthias Zink
Maybe first about the content per car: I guess purposely, Renata, we didn't talk about that today. While clustering this business here in the Mature and in the New, we said, well, on the Mature we can talk about content per car because, as the name is saying, it's a mature situation, it's a stable situation and there we trust to talk about content per car.
With the New Business, I guess, there are a lot of overpromises in the market on that content. We purposely said we don't want to participate in these. We want to focus on acquiring interesting and challenging orders. We want to build the know-how there and by that outperform the market. This is why we purposely didn't talk about the content per car. And we still think it's reasonable. On top comes that there is this seamless transition from the one to the other business.

Klaus Rosenfeld
Matthias, let's stress this point that you made together with Jochen on the order intake. I think the message here is: The 2 to 3 billion instead of a lower number in the previous years, we will go for it. That's the right way to look at this.
Order intake counts together with the corporate health indicator, gross profit margin. That's how we look at this at the moment. Any artificial content-per-vehicle calculation may be sexy in the terms of presenting it, but we said: It's not the right way. It's

the order intake, the margin in conjunction with the delivery of the business and the quality of the business.

Matthias Zink

Your second question about the Capex quota: That's difficult to answer as well because, actually, we are invested on the Mature side for about 90 million vehicles per annum and we see this year 75 or 73. So there is Capex on the Mature side available. There is Capex on the Mature side going out of depreciation mid-term. So now to give you a quota is difficult.

We will invest what we have to on the New Business. We said there is a reinvestment rate agreed with Klaus Patzak and the team of higher than 1. That's what we indicated. And it will be less than 1 on the Mature side. That's the corridor, Klaus, actually, we are talking about.

Klaus Patzak

Maybe to add on what Matthias just said: Also in this transition, in the smooth transition for the New Business in E-Mobility, we are using a lot of existing machinery that we have and that we just take from Mature to New Business. This is possible because of our vertical integration. So we can use stamping machinery or other equipment directly for new products like the E-Motor.

Therefore, it is not all about new investment. It's also about reusing things that we have already in our production plants today.

Klaus Rosenfeld

Sabrina, are you happy with these answers?

Sabrina Reeh, UBS

Yes, thank you very much.

Klaus Rosenfeld

You're welcome.

Operator

We have no further questions. So I hand back to the speakers for closing remarks.

Klaus Rosenfeld

Well, we are on time, 3:30. I would like to thank all of you for listening to us, for supporting us in this meeting with all your questions.

We have, as you know, virtual roadshows both in Germany, in the United Kingdom and in the US, together with the banks that support us.
We look forward to further explaining our Roadmap 2025 to you in these roadshows, but also IR, we all are available for further comments and questions whenever you need.
Once again, thank you very much for your interest, for your questions and for your support going forward.

Renata, do you want to say a final word?

Renata Casaro
Absolutely. Thank you, Klaus.

Thank you very much to all participants for your time today. You have the slides on the website. The replay of the entire event is scheduled for tomorrow afternoon, so in 24 hours. Next week, you will get the customary booklet where the slides are plotted against the transcript, so the famous Commented Slides.

As Klaus just mentioned, we have three roadshows scheduled with Mr. Rosenfeld and Dr. Patzak in the coming days. And for sure, the next CMD will be in November 2023 to track our progress towards all of these targets.

But in the meantime, not only in November and December, also next year there will be more roadshows, either virtual or, as we hope, in person. Until then, goodbye and stay healthy!