Schaeffler Group
Welcome to the 2020 Capital Markets Day

Renata Casaro, Head of Investor Relations
Herzogenaurach, November 18th 2020
## Mid-term Targets

### Automotive Technologies

- **Outperformance**
  - 200 to 500 bps on average

- **EBIT margin before special items**
  - 4 to 6%

### Automotive Aftermarket

- **FX-adj. sales growth**
  - > GDP growth on average

- **EBIT margin before special items**
  - 13 to 15%

### Industrial

- **FX-adj. sales growth**
  - > Ind. Prod. growth on average

- **EBIT margin before special items**
  - 12 to 14%

### Schaeffler Group

- **ROCE**
  - 12 to 15%
  - based on EBIT reported

- **FCF conversion**
  - 0.3 to 0.5
  - based on EBIT reported

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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
2020 Capital Markets Day – Presenting today

Klaus Rosenfeld
CEO
Schaeffler Group

Matthias Zink
CEO Automotive Technologies Division

Michael Söding
CEO Automotive Aftermarket Division

Dr. Klaus Patzak
CFO
Schaeffler Group

Dr. Jochen Schröder
Head of E-Mobility Business Division

Dr. Stefan Spindler
CEO Industrial Division
2020 Capital Markets Day – Agenda

- **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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1 Where we stand

2 Where we play

3 How we win

4 How we create value
1 Where we stand
Schaeffler Group at a glance – We are an Automotive and Industrial supplier

3 Divisions
In % of LTM Sales 9/2020

- Automotive Technologies 62%
- Automotive Aftermarket 13%
- Industrial 25%

Schaeffler Group

- Leading position in technology and innovation
- Diversified customer base serving 10 customer sectors
- Market leading product offering from components, systems to services
- Global footprint with 75 plants and 20 R&D centers
- ~84,000 employees in more than 50 countries
- Highly experienced leadership team with focus on execution

4 Regions
In % of LTM Sales 9/2020

- Europe 43%
- Americas 21%
- Greater China 23%
- Asia/Pacific 13%

Well-diversified Automotive and Industrial supplier with global reach and synergistic businesses
# Key milestones in 2020

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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</thead>
<tbody>
<tr>
<td>Mar 10</td>
<td>FY 2019 results, Covid-19 lockdown started</td>
</tr>
<tr>
<td>Mar 24</td>
<td>Capital markets update, Guidance FY 2020 suspended</td>
</tr>
<tr>
<td>May 6</td>
<td>Q1 2020 results, countermeasures pay off</td>
</tr>
<tr>
<td>Aug 1</td>
<td>Appointment of new CFO Dr. Klaus Patzak</td>
</tr>
<tr>
<td>Aug 4</td>
<td>Q2 2020 results, countermeasures intensified</td>
</tr>
<tr>
<td>Sep 9</td>
<td>Additional structural measures announced</td>
</tr>
<tr>
<td>Sep 15</td>
<td>Financial toolbox completed, authorization approved</td>
</tr>
<tr>
<td>Oct 5</td>
<td>Successful EUR 1.5 bn bond refinancing</td>
</tr>
<tr>
<td>Nov 10</td>
<td>Q3 results, new Guidance FY 2020</td>
</tr>
<tr>
<td>Nov 18</td>
<td>Roadmap 2025 and Mid-term Targets 2025</td>
</tr>
</tbody>
</table>

# Our response in 2020

**Transitory**

**Tactical measures**

**Structural measures**

**Transformational**

**Coping with Covid-19**

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**Going beyond the Covid-19 situation - Shaping Schaeffler for future value creation**

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1 Where we stand
Our Roadmap 2025 – We pioneer motion

We pioneer motion

Our Roadmap 2025

Transform  Focus  Execute

Today  Tomorrow

Where we stand

Our Roadmap 2025
Our Roadmap 2025 – We pioneer motion

1 Where we stand

Our Roadmap 2025

Transform
Focus
Execute

Today
Where we play
How we win
How we create value

Tomorrow

We pioneer motion
1 Where we stand

Our strategic priorities – Transform, focus, execute

**Transform**
- Automotive Technologies: Accelerate portfolio shift to E-Mobility
- Automotive Aftermarket: Maintain high margin, open to 3rd party repair solutions
- Industrial division: Enter attractive new growth fields, further enhance profitability

**Focus**
- Concentrate on core competencies
- Realize synergistic benefits across Divisions
- Deliver impact in sustainability by acting on all levers

**Execute**
- Continued operational discipline and consistent implementation
- Relentless focus on Free Cash Flow generation
- Compelling capital allocation and M&A strategy

Creating long-term value and Free Cash Flow

2025 Mid-term Targets

Dedicated Capital Allocation Strategy
Where we play
2 Where we play

We are present in attractive markets, and deliver solutions to a diverse customer base – Trends reinforced by Covid-19

Key Trends
- Sustainability & Climate Change
- New Mobility & Electrified Powertrain
- Autonomous Production
- Data Economy & Digitalization
- Demographic Change

Focus Areas
1. CO₂-efficient Drives
2. Chassis Applications
3. Industrial Machinery & Equipment
4. Renewable Energy
5. Aftermarket Solutions & Services

Customer Sectors
- Cars & Light Commercial Vehicles
- Truck & Bus
- Two-wheelers
- Off-road
- Rail
- Aerospace
- Raw Materials
- Industrial Automation
- Power Transmission
- Wind

Schaeffler Divisions serve 10 joint Customer Sectors by focusing on 5 Focus Areas
We deliver value to our customers – Leveraging our technological core competencies

Key action fields

1. Push electrified powertrain and mechatronic systems
2. Open Aftermarket business for third party products, new markets and channels
3. Drive system and service solutions in Industrial applications
4. Sustain investments in renewable energies
5. Harness Hydrogen opportunity as a joint Automotive + Industrial growth initiative

Our Customer/Product Matrix

Customer Sectors

Products

1. Automotive Technologies
   - Services
   - Systems
   - Components

2. Automotive Aftermarket
   - Services
   - Systems
   - Components

3. Industrial
   - Services
   - Systems
   - Components

4. Hydrogen

5 key action fields leveraging our technological core competencies
We see hydrogen as a unique growth chance - Schaeffler manufacturing and industrialization excellence is key.

Fuel cell - Usage of hydrogen

- Bipolar plate
- Fuel cell systems

Electrolysis - Production of hydrogen

- Bipolar plate + Gas diffusion layer
- Electrolyzers

Market potential

~240,000 Fuel Cell Trucks and Buses in 2030 expected

~150 GW Globally installed power of Electrolysis in 2030 expected

Schaeffler as a key partner for best-in-class components and systems both for fuel cells and electrolyzers.
3 How we win
We focus on our core competencies – Further leveraging our best-in-class manufacturing technologies

Our manufacturing technologies

- Large forging
- Cold forming
- Heat treatment
- Machining
- Grinding
- Injection
- Coating
- Winding
- Assembly

Our key strengths

- Innovation
- Superior Quality
- Comprehensive System Understanding
- Manufacturing excellence

Combining 4 USPs to a unique strength
We leverage synergistic potential – Benefitting from scope and scale

**Scope of interdependencies**
- Same production technologies
- Equal materials and components
- Comprehensive Intellectual Property and Research & Development

**Technology transfer**
- Dedicated Innovation Clusters
- Electrification and mechatronic know-how
- System understanding and market expertise

**Economies of scale**
- Joint procurement and supply chain management
- Shared services and functions
- Complementary regional presence and global footprint

**Automotive businesses**

**We pioneer motion**

**Industrial business**
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
We go for carbon neutrality in 2030 – Integrated approach across all divisions, functions and regions

Sustainability Committee defined guidelines in 2020
- Sustainability targets are cascaded and included in Board compensation
- Structured approach with defined action fields
- Entire value chain covered – suppliers, operations and products
- All employees driving impact every day in production and along supply chain
- Delivering innovative product solutions to our customers

Sustainability goals

- **Energy efficiency:**
  100 GWh cumulated annual efficiency gains through implementation of energy efficiency measures until 2024
- **Renewable energy:**
  100% purchased power from renewable sources until 2024
- **CDP rating:**
  “A-”-rating for CDP Climate Score 2021
- **Accident rate:**
  10% average annual reduction of accident rate until 2024
- **Sustainable suppliers:**
  90% of purchasing volume of production material from suppliers with Sustainability self assessments until 2022

Carbon neutral production in 2030
Scope 1 and 2
How we create value
We reinforce operational discipline – Proactive cost and capital management

Headcount development
HCO Schaeffler Group

Key aspects

- Continuous execution of efficiency measures reducing headcount
- Stringent divisionalization initiated in 2017 and implemented in 2018
- Divisional efficiency programs – RACE GRIP FIT - gain traction together with additional structural measures announced in September 2020
- Proactive capital management logic introduced in 2018 with RiR as main KPI, trend reversed, stringent and differentiated capital allocation logic

Proven track record of implementing efficiency measures

1 Reinvestment Rate defined as Capex divided by D&A

Schaeffler Group November 2020 CMD - Group CEO
We focus on Free Cash Flow generation – Compelling use of cash remains key

Free Cash Flow development
Free cash flow (FCF) before M&A in EUR mn

<table>
<thead>
<tr>
<th>Year</th>
<th>FCF (in EUR mn)</th>
<th>FCF in % of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>515</td>
<td>34%</td>
</tr>
<tr>
<td>2018</td>
<td>384</td>
<td>28%</td>
</tr>
<tr>
<td>2019</td>
<td>473</td>
<td>60%</td>
</tr>
<tr>
<td>FY 2020E</td>
<td>500 - 600</td>
<td>&gt;100%</td>
</tr>
</tbody>
</table>

Further building on Free Cash Flow generation – One of Schaeffler Group’s intrinsic strengths

Our cash formula

Operating cash flow
Δ Working Capital
Capex
Restructuring cash-out
Free Cash Flow
Dividend
Acquisitions and divestitures
Deleveraging

1 Free Cash Flow Conversion Ratio (FCR) defined as FCF before M&A divided by EBIT reported
Key aspects

- Application of Reinvestment Rate\(^1\) on Group level remains dominant logic
- Reinvestment Rate for “Build” and “Grow” significantly above 1 to fuel growth
- “Harvest” and “Exit” business only receive the required capital to sustain cash generation
- Combining Portfolio Management with Capital Allocation drives consistent Capital Deployment

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\(^1\) Reinvestment Rate defined as Capex divided by D&A
We focus on compelling M&A – Further complementing and strengthening our business portfolio

M&A radar

Key aspects

- Clearly defined M&A Strategy with 7 search fields, focus on small and mid-sized bolt-on acquisitions
- Market likely to present increased number of opportunities within the next 24 months
- Acquisition opportunities are proactively screened in all 3 Divisions with focus on technology
- Disciplined execution process with clear guidelines

Schaeffler well positioned to capitalize on attractive external growth opportunities
4 How we create value

**We create value – 2025 Mid-term Targets rationale**

### 4 KPIs

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value Creation</td>
<td>ROCE reported</td>
<td>Automotive Technologies: Outperformance vs. LVP Growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Automotive Aftermarket: Growth above GDP</td>
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<td></td>
<td></td>
<td>Industrial: Growth above Industrial Production</td>
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<tr>
<td>Growth</td>
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<tr>
<td>Profitability</td>
<td></td>
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<tr>
<td>Cash generation</td>
<td>FCF conversion ratio on EBIT reported</td>
<td></td>
</tr>
</tbody>
</table>

**Outperformance vs. LVP Growth**

**Growth above GDP**

**Growth above Industrial Production**

**EBIT margin before special items**

**We drive divisional business performance, efficiently supported by Functions and Regions, and create value for the Group**
Automotive Technologies

Matthias Zink, CEO Automotive Technologies Division
Dr. Jochen Schröder, Head of E-Mobility Business Division
Herzogenaurach, November 18th 2020
1 Where we stand
Automotive Technologies – Driving the transition to innovative propulsion and chassis technologies

1 Where we stand

**Electric and Hybrid Propulsion**
8% of sales in 2019

**Engine Components and Systems**
31% of sales in 2019

**Europe**
42% of sales in 2019

**Greater China**
22% of sales in 2019

**Transmission Components and Systems**
44% of sales in 2019

**Chassis Applications**
17% of sales in 2019

**Americas**
24% of sales in 2019

**Asia / Pacific**
12% of sales in 2019

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**Revenue**

<table>
<thead>
<tr>
<th>Region</th>
<th>2019</th>
<th>2020E¹ ²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>EUR 9.0 bn</td>
<td>-13.0%</td>
</tr>
<tr>
<td>Greater China</td>
<td></td>
<td>-14.5%</td>
</tr>
<tr>
<td>Americas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia / Pacific</td>
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**EBIT margin bsi**

<table>
<thead>
<tr>
<th>Region</th>
<th>2019</th>
<th>2020E¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>5.5%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Asia / Pacific</td>
<td></td>
<td>1.0%</td>
</tr>
</tbody>
</table>

¹ FY 2020 Guidance ² FX-adj. growth
1 Where we stand

Automotive Technologies – Conservative market scenario

Global Light Vehicle Production in million units

There is currently a high market uncertainty

We plan conservatively with a disciplined view on costs

We maintain flexibility

1 Where we stand

Automotive Technologies – Conservative market scenario

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1 Where we stand

Automotive Technologies – Conservative market scenario

Global Light Vehicle Production in million units

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We maintain flexibility
1 Where we stand

**Vision Powertrain 2035 – Electrification is further accelerating**

- **We drive the transition to innovative propulsion systems**
- **HEV as transition technology will reach tipping point in 2030**
- **Electrification is further accelerating**

<table>
<thead>
<tr>
<th>Year</th>
<th>ICE</th>
<th>HEV</th>
<th>xEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 e</td>
<td>88%</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>2025 e</td>
<td>56%</td>
<td>32%</td>
<td>12%</td>
</tr>
<tr>
<td>2030 e</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>2035 e</td>
<td>15%</td>
<td>35%</td>
<td>50%</td>
</tr>
</tbody>
</table>
Where we play
We actively manage our Product Portfolio

### Vision Powertrain 2035
Global Light Vehicle Production

<table>
<thead>
<tr>
<th>Year</th>
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<td>32%</td>
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<tr>
<td>2030</td>
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<td>40%</td>
<td>15%</td>
</tr>
<tr>
<td>2035</td>
<td>35%</td>
<td>40%</td>
<td>50%</td>
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</tbody>
</table>

### Mature Business

<table>
<thead>
<tr>
<th>Powertrain agnostic (^1) products</th>
<th>Products for ICE and HEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICE</td>
<td>30%</td>
</tr>
<tr>
<td>HEV</td>
<td>40%</td>
</tr>
<tr>
<td>xEV</td>
<td>50%</td>
</tr>
</tbody>
</table>

### New Business

<table>
<thead>
<tr>
<th>Products for Electrified Powertrains</th>
<th>Powertrain agnostic (^1) products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rear Wheel Steering</td>
<td>30%</td>
</tr>
<tr>
<td>3in1 e-Axle</td>
<td>30%</td>
</tr>
</tbody>
</table>

**Example**

- **Ball Screw Drive for Steering**
  - Decreasing potential

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\(^1\) Independent from powertrain type

**Where we play**

- Decreasing potential
- Increasing potential
- Strongly increasing potential
We actively manage the transition by ensuring profitability in Mature Business and a strong growth in New Business.

**Mature Business**

We **HARVEST** with our Enabler-Technologies

We **EXIT/DIVEST** expiring businesses & consolidate our footprint

**New Business**

We **BUILD** Competencies in Power Electronics & Hydrogen

We **GROW** in Electrified Powertrains

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**Automotive Technologies** – Driving the transition to innovative propulsion and chassis technologies

- **Build**
- **Grow**
- **Exit/Divest**
- **Harvest**

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Schaeffler Group November 2020 CMD – Automotive Technologies Division
We actively manage the transition by ensuring profitability in Mature Business and a strong growth in New Business.

**Mature Business**

We **HARVEST** with our **Enabler-Technologies**

- Focus on profitable **Enabler-Technologies** for hybrid powertrains and optimized combustion engines
- **Safeguard margins and generate cash**

**Automotive Technologies – Driving the transition to innovative propulsion and chassis technologies**

**New Business**

- Schaeffler becomes a 3in1 E-Axle and DHT supplier
- **Strong Order Intake** with 4 bn EUR in 2019
  > 1 bn EUR in H1 2020
- Order Intake\(^1\) target of 1.5 - 2 bn EUR p.a. until 2021, thereafter 2 - 3 bn EUR on average

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\(^1\) In HEV and xEV
We actively manage the transition by ensuring profitability in Mature Business and a strong growth in New Business.

**Mature Business**
- Consolidation of plants in Europe with focus in Germany
- Reduce complexity
- Exit/Divest from expiring businesses

**New Business**

**We**

**BUILD**
Competencies in Power Electronics & Hydrogen

- Power Electronics as potential focus for partnerships
- Build own Power Electronics Capabilities
- Cross-divisional Capability Center for Hydrogen Technology in Herzogenaurach

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Automotive Technologies – *Driving the transition to innovative propulsion and chassis technologies*
We drive sustainability deep into the organization

Mature Business

Qualification Program Fit4Mechatronics

1,150 specialists\(^1\) successfully internally qualified for E-Mobility jobs from other business divisions

New Business

Sustainable Production Footprint

E-Mobility Footprint expansion started with focus on energy and resource efficient production systems

- New E-Mobility plant, Szombathely Hungary
- Ultra Efficiency Factory, Bühl Germany

\(^1\) Since 2018
3 How we win in our markets
We boost our USPs for driving the transition to innovative propulsion and chassis technologies.
We will capture further market potential with high quality components and systems

**Mature Business**

We deliver **Components and Systems** to OEMs and Tiers

**New + Mature**

**Hybrid Module with Torque Converter**

**Damper**

**CVT Chain**

**System understanding at vehicle level**

**Mechatronic and Electrical Systems**

**Mechanical Components and Systems**

**Components**

**Outstanding Production- and Process Know-how**

**Significant Content** of Mature Business Products in all Powertrain types

**We benefit from our Production- and Process Know-How**

By complexity reduction and active portfolio management we will harvest our mature business
We delivered on our promise – Schaeffler supplies Stators and Rotors for E-Motors

Nomination received by Premium OEM

Stator and rotor for E-Motors (induction and synchronous)

Order Intake for e-Motor Components >1 bn EUR

Key aspects

- Fast momentum with E-Motors since first nomination in 2019
- Outstanding Production- and Process Know-How (e.g. Stamping Technologies)
- Global Production Footprint

We will drive scalability via modularity
We delivered on our promise – Schaeffler achieved the target to become a 3in1 E-Mobility supplier.

Development of a complete 3in1 powertrain portfolio
- Fully functional, integrated system
- Best in class efficiency and outstanding power density
- Innovative 800 V Inverter and E-Motor technology

Example
- Development of a complete 3in1 powertrain portfolio
- Fully functional, integrated system
- Best in class efficiency and outstanding power density
- Innovative 800 V Inverter and E-Motor technology

With our new 3in1 E-Axle we will step forward technologically in performance application and set a new benchmark in the market.

Order Intake with 3in1-Systems
~3 bn EUR
We extend our portfolio – Innovative Wave-Winding Technology for Heavy Duty

Key aspects

- Electrification for Heavy Duty
- E-Motors with innovative Wave-Winding Technology

We achieve synergies by rolling out our E-Motor technology to Heavy Duty
3 How we win in our markets

We extend our portfolio – Fuel Cell Systems to pioneer a broad application

New Business

Fuel Cell System

Bipolar Plate

Heavy Duty Application

Key aspects

• Overarching cross-divisional cooperation to realize Synergies
• Schaeffler can provide all processes out of one hand
• High Expertise in Manufacturing of metallic Bipolar Plates

We bundle competences from manufacturing processes to whole fuel cell systems on vehicle level in cooperation with our Industry division to ensure synergies

~240,000 Fuel Cell Trucks and Buses in 2030 expected

High Synergies to Mature Business Portfolio

Manufacturing Expertise across all process steps

SCHAEFFLER
We innovate Mechatronic Systems based on our Mechanical Systems

Automated Driving requires innovative Chassis Solutions

New Mobility creates new Opportunities

Seizing opportunities arising from New Mobility and automated driving functionalities

- New partnership with Bosch Automotive Steering to expand the development of intelligent Rear Wheel Steering (iRWS) portfolio
- X-by-Wire technology for automated driving functionalities
How we create value for our customers and the Group
### How we fund our own growth and create value

**Mature Business**

<table>
<thead>
<tr>
<th>Products for ICE and HEV</th>
<th>Powertrain agnostic&lt;sup&gt;1&lt;/sup&gt; products</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Order intake</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Profitability</strong></td>
<td></td>
</tr>
<tr>
<td><strong>R&amp;D</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Capex / Reinvestment rate</strong></td>
<td>&lt; 1</td>
</tr>
<tr>
<td><strong>Footprint</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Overhead&lt;sup&gt;3&lt;/sup&gt;</strong></td>
<td></td>
</tr>
</tbody>
</table>

**New Business**

<table>
<thead>
<tr>
<th>Powertrain agnostic&lt;sup&gt;1&lt;/sup&gt; products</th>
<th>Products for Electrified Powertrains</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Order intake</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Profitability</strong></td>
<td></td>
</tr>
<tr>
<td><strong>R&amp;D</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Capex / Reinvestment rate</strong></td>
<td>&gt; 1</td>
</tr>
<tr>
<td><strong>Footprint</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Overhead&lt;sup&gt;3&lt;/sup&gt;</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Order Intake**

- **FY 2019 & H1 2020**
- **19.6 bn EUR**
- **40% HEV**
- **17% xEV**
- **43% ICE**

**Priority Margin**
- **Priority Margin < 1**

**Priority Growth**
- **Priority Growth > 1**

- **Funding our New Business**
- **Capex allocation and R&D expenses shifted to New Business**
- **Qualification Program ‘Fit4Mechatronics’**

---

<sup>1</sup> Independent from powertrain type  
<sup>2</sup> Powertrain split of Order Intake without Heavy Duty  
<sup>3</sup> Selling & Admin expenses
Automotive Technologies – Our Mid-term Targets

Automotive Technologies

Outperformance\(^1\)

200 to 500 bps
on average 2021 to 2025

Top line

Profitability

4 to 6%
EBIT margin before special items
latest in 2023

\(^1\) FX-adj. sales growth above Light Vehicle Production (IHS)
Summary and conclusion
We drive the transition to innovative propulsion and chassis technologies, to conquer leadership positions in New Business

1. We plan conservatively with a disciplined view on costs in a highly uncertain market environment

2. We aim to outperform the market thanks to our system understanding and our excellence in industrialization

3. We actively manage the transition by ensuring profitability in Mature Business and fostering strong growth in New Business

4. We implement our efficiency measures, reduce complexity and manage our portfolio to fund our own growth while securing a dependable margin range

5. We prioritize growth and aim for leadership positions in our New Business, leveraging both our organic capabilities and external growth
Automotive Aftermarket

Michael Söding, CEO Automotive Aftermarket Division
Herzogenaurach, November 18th 2020
1 Where we stand
Automotive Aftermarket – Leading supplier of Aftermarket components and systems

1 Where we stand

Revenue

Original Equipment Services (OES)
- 15% of sales in 2019
- 16.5% of sales in 2020E

Independent Aftermarket (IAM)
- 79% of sales in 2019
- 14.5% of sales in 2020E

Europe
- 73% of sales in 2019
- 15% of sales in 2020E

Greater China
- 4% of sales in 2019
- 3% of sales in 2020E

Americas
- 20% of sales in 2019
- 16.5% of sales in 2020E

Asia / Pacific
- 3% of sales in 2019
- 14.5% of sales in 2020E

EBIT margin bsi

1 FY 2020 Guidance | 2 FX-adj. growth
Global Car Parc development
Passenger Cars and Light Commercial Vehicles in mn units

<table>
<thead>
<tr>
<th>Year</th>
<th>Car parc older than 4 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>1,399</td>
</tr>
<tr>
<td>2025</td>
<td>1,558</td>
</tr>
</tbody>
</table>

Source: IHS Forecast as of May 2020
Car parc older than 4 years grows by nearly 150 mn units from 2020 to 2025 corresponding to CAGR +2.5%

Covid-19 accelerates market trends

Car parc will keep on growing and aging but driven mainly by emerging regions (mainly China)

Profit pool is (and will keep on) shrinking, consolidation and integration activities increasing

New players make Total Cost of Ownership, and thus lifecycle management, an increasingly important topic

Disrupting impact of new/emerging vehicle technologies not expected before 2029 but to be prepared for

Digital platforms and e-Commerce are changing customer journey and will impact the go-to-market approach

Tailwind Headwind Neutral
2 Where we play
We are a market leader supplying high-quality components and solutions

Transmission

More than 50 years as leading transmission expert for power transmission and vibration damping

Engine

Aftermarket's No. 1 full range provider: from single products to innovative repair solutions

Chassis

Famous for its innovative strength, leading in bearing, sealing and coating technology
We will capture new and additional growth opportunities

Growth drivers

- **Share of Wallet**: We realize untapped potential at current customer base
- **Solutions & Service Offer**: We upgrade components to solutions and value-added services
- **Way to Market**: We develop new distribution channels and business models

Growth enablers

- **Digital Competence**: We offer advanced digital services to improve customer experience
- **Operational Excellence**: We employ state-of-the-art assembly and packing centers
We focus our growth on sustainable demand and innovative service solutions

Growth drivers

- Wheel bearings for passenger cars
  - FAG
- Advanced repair solutions & services
  - Future-relevant portfolio irrespective of drive technology
  - High-performance parts
- ETC platform in China
  - One-stop-shop for high-complexity products
  - Consolidation of distribution levels

Growth enablers

- REPXPERT service offer
  - Customized repair instructions
  - Added garage services
- AKO in Europe
  - Fast and reliable delivery
  - Efficient and scalable structures
3 How we win in our markets
ETC China – Schaeffler’s new B2B2B online trading platform for the Chinese aftermarket

Expected sales growth in China will exceed market growth

Aftermarket structure in China

<table>
<thead>
<tr>
<th>Before</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturer</td>
<td>Manufacturer</td>
</tr>
<tr>
<td>Warehouse Distributor</td>
<td>Warehouse Distributor</td>
</tr>
<tr>
<td>Regional Wholesaler</td>
<td>Regional Wholesaler</td>
</tr>
<tr>
<td>Local Wholesaler</td>
<td>Local Wholesaler</td>
</tr>
<tr>
<td>Retail</td>
<td>Retail</td>
</tr>
<tr>
<td>Workshop</td>
<td>Workshop</td>
</tr>
<tr>
<td>Consumer</td>
<td>Consumer</td>
</tr>
</tbody>
</table>

- **Realignment** of the fragmented Chinese distribution landscape offers a one-stop-shop solution for retailers
- **Unique catalogue based non-open platform**, positioning itself in the 'high-complexity product' niche
- **Enabling customers** instead of bypassing them whereas the platform offers further potential to scale partnerships

Source: IHS Forecast as of May 2020

CAGR: 6%

2020: 249
2023: 290
2025: 328

Car parc development in China
AKO Europe – The industry benchmark in logistical solutions to boost delivery performance

Aftermarket Kitting Operation (AKO) Europe

60% of worldwide inventory in AKO Europe by 2023

-3 % packaging materials

-20 % CO₂ emissions in transport

100 % reusable loading equipment

Consolidation of 7 locations

30% reduction in kitting times

Sustainable distribution network

- Logistically optimized location and integrated storage, kitting and distribution reduces fixed cost
- Agile processes and advanced technology increases flexibility to volatile demand and allows scaling
- One-Piece-Flow order processing & Kit-to-Order reduces lead times and increases inventory availability and customer needs

Following the transitional period of consolidating existing warehouse structures, AKO Europe will add efficiency from 2022 onwards
How we create value for our customers and the Group
Automotive Aftermarket – Our Mid-term Targets

**Automotive Aftermarket**

**Top line**

FX-adj. sales growth

> GDP growth

on average 2021 to 2025

**Profitability**

13 to 15%

EBIT margin before special items

latest in 2023
Summary and conclusion
We capture growth opportunities in new markets and maintain a high margin level

1. The global aftermarket will keep growing while the distribution of the profit pool is changing; Covid-19 is accelerating the market transformation

2. Our growth is fueled by growing share of wallet, our solution and service offer and a new way to market, e.g. our ETC platform in China

3. Our growth is enabled by digital capabilities, as well as the leading Aftermarket Kitting Operations in the Industry

4. Automotive Aftermarket will continue to be a strong EBIT contributor to the Schaeffler Group

5. Our mid-term sales growth\(^1\) will be higher than GDP growth, while the EBIT margin\(^2\) will stabilize between 13 and 15% latest 2023

\(^1\) FX-adj. growth | \(^2\) Adjusted EBIT margin

Maintain a high margin level, expand our share of wallet and reach
Industrial

Dr. Stefan Spindler, CEO Industrial Division
Herzogenaurach, November 18th 2020
1 Where we stand
1 Where we stand

Industrial Division at Schaeffler – Leading global component and system supplier

Europe
46% of sales in 2019

Greater China
20% of sales in 2019

Americas
18% of sales in 2019

Asia / Pacific
16% of sales in 2019

Revenue

2019
EUR 3.5 bn

2020E
-9.0%
-10.0%

EBIT margin bsi

2019
10.2%

2020E
8.5%
7.5%

1 FY 2020 Guidance | 2 FX-adj. growth
Industrial Division at Schaeffler – Well diversified sector and channel portfolio

...with 8 Sector Clusters + Distribution
Sales share 2019

<table>
<thead>
<tr>
<th>Sector Clusters</th>
<th>Sales Share 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wind</td>
<td>19%</td>
</tr>
<tr>
<td>Raw Materials</td>
<td>13%</td>
</tr>
<tr>
<td>Aerospace</td>
<td>7%</td>
</tr>
<tr>
<td>Rail</td>
<td>7%</td>
</tr>
<tr>
<td>Industrial Distribution</td>
<td>31%</td>
</tr>
<tr>
<td>Industrial Automation</td>
<td>11%</td>
</tr>
<tr>
<td>Offroad</td>
<td>8%</td>
</tr>
<tr>
<td>Two-Wheelers</td>
<td>4%</td>
</tr>
<tr>
<td>Power Transmission</td>
<td>10%</td>
</tr>
<tr>
<td>Mobile Machines &amp; Equipment</td>
<td></td>
</tr>
<tr>
<td>Energy &amp; Infrastructure</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
</tr>
<tr>
<td>Industrial Automation</td>
<td></td>
</tr>
</tbody>
</table>

Direct channel
Indirect channel

1 Where we stand
Market falls by at least 8% in 2020 – Rebound to 2019 output level not before 2022

Key aspects for market growth from 2020 onwards

- Global industrial production will fall by at least 8% in 2020. Greater China is the only growing region in 2020 (based on Schaeffler regional structure)

- Speed of market recovery remains uncertain. Global market will be back to 2019 level earliest in 2022

- Greater China and Asia/Pacific are the only Schaeffler regions to show above average long-term growth (CAGR ‘19-’25)

Development of Industrial production (sector basket based on Oxford Economics) until 2025

Index, 2019 = 100

1 Source: Oxford Economics, sector basket: Mechanical engineering, transport equipment, electrical equipment
Pre-Covid (Dec 2019), Post-Covid – slow recovery (May 2020), Post-Covid – baseline (Sep 2020)
1 Where we stand

Majority of sector clusters with positive long-term market outlook despite Covid headwinds

Market outlook 2019-2025

- Internal estimate based on sector-specific external market forecasts (Jan 2020 & Sep 2020)

Key market drivers

- Wind is growing on the global trend towards sustainability and climate-friendly energy sources
- The ongoing rise of mobility and growing environmental awareness leads to high investments into sustainable transportation
- Stable mid-term development in other sectors after a recovery phase in the short-term

Wind
Raw Materials
Aerospace
Rail
Offroad
Two-Wheelers
Power Transmission
Industrial Automation

Growth of selected sub sectors: Robotics, Medical

Post-Covid  Pre-Covid

1 Internal estimate based on sector-specific external market forecasts (Jan 2020 & Sep 2020)
Schaeffler Industrial is delivering comprehensive solutions for a sustainable planet

Green energy production

Every 2\textsuperscript{nd} to 3\textsuperscript{rd} wind turbine supplied with Schaeffler products

Key components for Rail industry enabling environmentally friendly freight & passenger transportation

Climate-friendly maintenance helps to save around 95\% of CO\textsubscript{2} emissions by reconditioning of wheelset bearings compared to new production

Low friction bearing portfolio for standard and highly customized electric motors guaranteeing maximum efficiency and energy-saving driveline technologies

Condition monitoring for maximum machine efficiency and avoidance of unnecessary component replacements as a result of machine breakdowns

Resource optimization

Refillable smart lubricators to reduce waste, automated re-greasing to ensure reliable bearing operation

Schaeffler Group November 2020 CMD - Industrial Division
2 Where we play
### 2 Where we play

Balanced sector mix with strong product portfolio

#### Creating VALUE

<table>
<thead>
<tr>
<th>Energy &amp; Infrastructure</th>
<th>Transportation</th>
<th>Mobile Machines &amp; Equipment</th>
<th>Indust. Automation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wind</td>
<td>Aerospace</td>
<td>Offroad</td>
<td>Industrial Automation</td>
</tr>
<tr>
<td>Raw Materials</td>
<td>Rail</td>
<td>Two-Wheelers</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Power Transmission</td>
<td></td>
</tr>
</tbody>
</table>

#### Distribution

1. Wind large size bearings
2. Rail bearings
3. Agricultural technologies
4. Robotics solutions
5. OPTIME
6. Hydrogen

#### Where we play

- **Pushing growth in our core business**
- **Driving innovation with systems & services**
3 How we win in our markets
1 Wind large size bearings: Ensuring sustainable energy supply with highest reliability

- Wind power generation (TWh)
  - 2018: 1,269
  - 2019: 1,419
  - 2040 Stated policies: ~5,400
  - 2040 Sustainable Development Scenario: ~8,700

- Schaeffler is the global market leader for large size Wind bearings with very positive long-term prospects as wind power is one of the backbones for CO$_2$ reduction and sustainable energy generation.

- Two-digit EUR mn investments into large size bearing production capacities in China to extend localization in a key growth market.

Highly durable bearings best suited for the Wind power industry by meeting highest process and product quality requirements and a dedicated engineering.
Rail bearings: Supporting both freight and all types of passenger transport

Sustainable transportation

Bearings used in trains > 300 km/h
Bearings operate in extreme conditions up to -45°C
One new bearing leads to 8 bearings for recycling or repair (high speed)

Rail transport performance

- Contribution to a safer and smarter mobility while supporting Schaeffler’s sustainability agenda
- Very strong long-term market outlook supported by megatrends of urbanization and population growth leading to increasing transport volumes

Holistic product portfolio fulfilling highest product quality expectations for precision and reliability in extremely demanding environments

Source: SCI Rail 2020, IEA 2019
Sustainable food production

Integrated supplier: Industrial & Automotive

3 How we win in our markets

Agricultural technologies: Secure a sustainable food supply for the growing world population

- Macroeconomic tailwinds of population growth and growing living standards
- Schaeffler supports the agricultural industry in its path to increase efficiency and output of food production (incl. electrification, automation)

24/7 reliability in extreme environmental conditions like dust, heat and dirt

-20 to +100°C operating temperatures

Multiple & permanent shock loads to be supported during machine operation

Population growth (bn people)

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>6.1</td>
</tr>
<tr>
<td>2010</td>
<td>7.0</td>
</tr>
<tr>
<td>2020</td>
<td>7.8</td>
</tr>
<tr>
<td>2030</td>
<td>8.6</td>
</tr>
</tbody>
</table>

World wheat production (million metric tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>765</td>
</tr>
<tr>
<td>2025</td>
<td>808</td>
</tr>
<tr>
<td>2030</td>
<td>~840</td>
</tr>
</tbody>
</table>

Close relationships with global OEMs, ability to deliver wide product portfolio comprising bearings and mechatronic solutions
3 How we win in our markets

4 Robotics solutions: Integrated linear and rotative solution portfolio for a key future growth market

- Continuing trend towards industrial automation
- Enormous future potential with long-term growth due to cost advantages in comparison to manual work
- Innovative solution combining major cost advantages with higher reliability and precision

Holistic robotics portfolio excelling through high reliability and precision

**Cobot sales**

<table>
<thead>
<tr>
<th>Year</th>
<th>Thousand units</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>11</td>
</tr>
<tr>
<td>2018</td>
<td>16</td>
</tr>
<tr>
<td>2019</td>
<td>18</td>
</tr>
<tr>
<td>2025</td>
<td>&gt;&gt;100</td>
</tr>
</tbody>
</table>

Source: IFR for 2017-2019, Schaeffler expectation based on Markets & Markets for 2025

- Speed reducer with up to 30,000 h service life
- -20% inner friction reduction in cobot bearing solution
- +30% tilting rigidity for bearing aligned to cobot requirements

Smart manufacturing

- Inner friction reduction in cobot bearing solution: -20%
**5 OPTIME: Cost-effective wireless condition monitoring for up to 94% of machines**

**Efficient usage of resources**

**Smart manufacturing**

---

**No training required for OPTIME**

- Only **minutes** installation time with a plug & play solution
- Up to **50%** cost savings compared to handheld measurement

---

Highly scalable and cost-efficient monitoring and service solution for machine “health” management

---

Condition Monitoring in a typical pulp and paper production

- **6%**: Permanently monitored
- **94%**: Not monitored or monitored with handhelds

---

OPTIME:
- Affordable
- Easy data handling

---

Existing condition monitoring solutions (24/7 measurement)
6 Hydrogen: Carbon-neutral production of green hydrogen via electrolysis supplied by renewable energies

Sustainable energy production

$30 - 40 bn
market volume for electrolyzers in 2030

~20%
of global energy demand expected to be satisfied by H₂ in 2050

> 50% green
H₂ expected in 2050

Globally installed electrolysis power
(GW, accumulated)

<table>
<thead>
<tr>
<th>Year</th>
<th>&lt;1 GW</th>
<th>9-14 GW</th>
<th>75-225 GW</th>
<th>600-1,200 GW</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2030</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2040</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: McKinsey

- Additional demand and existing feedstock will be gradually substituted by blue or green hydrogen, green hydrogen expected to dominate the market
- Schaeffler in best position for industrializing H₂ technologies and leveraging governmental programs
- Significant market potential

Green hydrogen demand is increasing rapidly - Efficient, cost-effective electrolyzer equipment is not available at required scale:
Best fit to Schaeffler core competences in engineering and industrialization
How we create value for our customers and the Group
4 How we create value

Strong customer and technology focus supported by operational excellence & leaner structures

Strengthen technology leadership for bearings and new technologies
- Maintaining and expanding leading position for motion technologies in all major industries
- Ramp-up of new Industry 4.0 mechatronics and service solutions

FIT – Drive operational excellence program
- Holistic program across all 4 regions
- Improvement of operational performance along the entire value chain and further extension of performance culture

Reinforce customer excellence
- Launch of our next generation digital customer platform medias
- Engage more closely with our sales partners using digital solutions

Consolidate footprint & reduce overhead
- Implementation of leaner organizational structures for increased efficiency and reduced costs adapted to new market situation
- Optimization of plant landscape according to market development and customer needs
Industrial – Our Mid-term Targets

Industrial

Top line

FX-adj. sales growth

> Industrial Production growth

on average 2021 to 2025

Profitability

12 to 14%

EBIT margin before special items

latest in 2023

1 Oxford Economics
5 Summary and conclusion
We further build on our profitability track record, while entering in promising new technologies

1. Market to decline by ~8% in 2020 due to the Covid-19 pandemic, expected to recover and grow by 3% p.a. between 2021 and 2025

2. Industrial Division sales\(^1\) to grow above industrial production mid-term. Hydrogen as an opportunity beyond 2025

3. Creating value by pushing growth in our core business and driving innovation with systems and services

4. Structural measures to improve operational cost performance and increase EBIT margin\(^2\) to 12-14% latest by 2023

5. M&A and partnering strategy for dedicated areas providing further opportunities

\(^1\) FX-adj. growth | \(^2\) Before special items
Financial Framework

Dr. Klaus Patzak, Group CFO
Herzogenaurach, November 18th 2020
How we create value

How we steer Schaeffler during the transformation

Key aspects

1. Scenario-based anticipation of long-term market and technology trends
2. Mid-term Targets derived from Multi-year Plan
3. Concrete committed measures reflected in Guidance
4. Stringent execution and periodical review of trigger-points relevant for scenarios

1. Projection
2. Mid-term Targets
3. Guidance

1-year
Concrete commitments fully cascaded into the organization

2 to 5-year horizon
Multi-year Plan with directional decisions on Capital and R&D allocation, SG&A and Footprint rightsizing, etc.

+5-year horizon
- Areas of growth / scalability
- Additional profit pools
- Synergies
- Paradigm shifts
- Best owner

Focus, Prioritize, Execute, Deliver

Today 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 ...

Schaeffler Group November 2020 CMD - Group CFO
How we create value

Value creation levers are comprehensively addressed and actively steered by monthly performance reviews

+5-year horizon

- Sustainability & Climate Change
- New Mobility & Electrified Powertrain
- Autonomous Production
- Data Economy & Digitalization
- + Demographic Change

2 to 5-year horizon

Multi-year Plan

- Invest in new growth areas
- Defend and create leading market positions
- Focus mature businesses on profitability and cash
- Pro-actively adapt Capacity/Footprint
- Rightsize Overhead

1-year

Budget

- Execution on communicated efficiency measures
- 75% of CAPEX approved, 25% to be re-applied for
- Strict cost discipline, but focused investments in R&D, Sustainability and Digitalization
- Specific hurdle rate for Capex & R&D projects

Committed Mid-term Targets

Guidance
How we create value

Mid-term Targets are reflected in Schaeffler’s comprehensive Financial Framework

### Mid-term Targets

#### Automotive Technologies
- Outperformance¹
  - 200 to 500 bps on average²
- 4 to 6%
  - EBIT margin before special items³

#### Automotive Aftermarket
- FX-adj. sales growth > GDP growth on average²
- 13 to 15%
  - EBIT margin before special items⁴

#### Industrial
- FX-adj. sales growth > Ind. Prod. growth on average² ³
- 12 to 14%
  - EBIT margin before special items⁴

### Schaeffler Group

#### ROCE
- 12 to 15%
  - based on EBIT reported⁴

#### FCF conversion
- 0.3 to 0.5
  - based on EBIT reported⁴ ⁵

### Group parameters

#### Capital Structure
- 1.2x to 1.7x
  - Net debt / EBITDA before special items

#### Dividend policy
- 30 to 50%
  - of Net Income before special items

### Key aspects
- Consistent with incentive system
- Clearly defined path to target
- Focus on ROCE and Free Cashflow Conversion on Group-level
- Divisionalized Targets reflect internal commitments

### Concrete commitments fully cascaded into the organization

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
Group Targets for ROCE and FCF Conversion are built on detailed commitments

Capital structure
- Targeting investment grade in the mid-term while delivering attractive shareholder returns
  - Strong cash profile
- Leverage, M&A, Dividend policy

Profitable Growth
- Divisional growth plans combined with rigorous focus on productivity
  - Gross Profit = Health indicator; Focus on plant performance and purchasing savings

Cash generation
- Conversion of EBIT into Free Cashflow
  - Improvement of Net Working Capital efficiency

Resource Allocation
- Disciplined capital and resource allocation
  - R&D allocation
  - SG&A rightsizing
  - Guiding principles for Capex allocation

ROCE & FCF Conversion
Profitable Growth – Gross Margin to return to 2019 levels despite transformation

Gross Profit in % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Industrial</th>
<th>Auto. Aftermarket</th>
<th>Automotive Technologies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018¹</td>
<td>25.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>24.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9M 2020</td>
<td>21.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>until 2025</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Trend vs. 2019

25.9% 2018¹
24.8% 2019
21.7% 9M 2020

Roadmap to 2025

- Strong focus on productivity including purchasing savings
- Consolidation of European footprint and plant overhead reduction
- Mature business trimmed for profitability; new business focused on modularization and scalability
- Transition staff and equipment from mature business to growth areas
- Further adaptation of structures to market conditions

¹ Structure comparable to 2019
Resource Allocation – Shift of R&D spending to new technologies and future growth areas

R&D expenses in % of sales

2018\(^1\) | 2019 | 9M 2020 | until 2025
--- | --- | --- | ---
6.0% | 5.9% | 6.4% | 

Trend vs. 2019

Roadmap to 2025

- R&D roughly flat over the years
- Shift to new technologies such as E-Mobility, mechatronic Chassis applications, hydrogen, robotics and IoT
- Push for R&D localization
- More project-specific, less general R&D spending
- R&D ratio slightly lower

New business

Mature business

\(^1\) Structure comparable to 2019
### Resource Allocation – Rightsizing of SG&A

#### SG&A expenses in % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Selling expenses</th>
<th>Admin expenses</th>
<th>Total SG&amp;A</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018¹</td>
<td>10.5%</td>
<td></td>
<td>10.5%</td>
</tr>
<tr>
<td>2019</td>
<td>10.6%</td>
<td></td>
<td>10.6%</td>
</tr>
<tr>
<td>9M 2020</td>
<td>11.0%</td>
<td></td>
<td>11.0%</td>
</tr>
<tr>
<td>until 2025</td>
<td></td>
<td></td>
<td>11.0%</td>
</tr>
</tbody>
</table>

¹ Structure comparable to 2019

#### Trend vs. 2019

- **Roadmap to 2025**
  - Adaptation of overhead functions are part of communicated structural measures
  - Investments in Digitalization and IT (e.g. SAP S/4 HANA, Robotic Process Automation)
  - Extending Shared Services to Americas and Asia/Pacific
  - Complexity reduction and delayering the organization
  - Leaner HQ, further divisionalization
4 Capital Allocation – Capex spending in prior years support focused investments into the future

Capex in % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Industrial</th>
<th>Auto. Aftermarket</th>
<th>Automotive Technologies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1.5</td>
<td>1.1</td>
<td>1.5</td>
</tr>
<tr>
<td>2019</td>
<td>5.4%</td>
<td>7.2%</td>
<td></td>
</tr>
<tr>
<td>9M 2020</td>
<td>0.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>until 2025</td>
<td>~1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Roadmap to 2025

- Shift Capex from mature business to new growth areas
- Leverage adjustments in Footprint with higher level of localization
- Increasing Capex share for Greater China and Asia/Pacific
- Business and project specific hurdle rates
- Re-use existing PPE for new growth areas

1 Capex divided by D&A  
2 Structure comparable to 2019
## Cash generation – Managing Working Capital to enable further cash generation

### Net Working Capital in % of LTM sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Industrial</th>
<th>Auto. Aftermarket</th>
<th>Automotive Technologies</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018[^1]</td>
<td>15.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>17.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9M 2020</td>
<td>20.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Trend vs. 2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018[^1]</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
</tr>
<tr>
<td>9M 2020</td>
<td>20.6%</td>
</tr>
</tbody>
</table>

### Roadmap to 2025

- Industrial keeps level of 2018 and 2019 constant, better than market practice
- AKO and ETC drive improvement in Automotive Aftermarket
- Shift to E-Mobility with lower vertical integration combined with continuous working capital management in mature business in Automotive Technologies
- Ensure robustness in supply chain (delivery performance and quality)

[^1]: Net Working Capital as of end of period
[^2]: Structure comparable to 2019
Leverage and dividend policy allow for inorganic growth

**Leverage ratio**
Net financial debt to EBITDA ratio before special items

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1.2x</td>
</tr>
<tr>
<td>2019</td>
<td>1.2x</td>
</tr>
<tr>
<td>9M 2020</td>
<td>1.6x</td>
</tr>
</tbody>
</table>

**Dividend payout policy**
Dividend pay-out on prior year’s Net income\(^1\) before special items

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payout</td>
<td>35%</td>
<td>40%</td>
<td>43%</td>
</tr>
<tr>
<td>Range</td>
<td>30% - 50%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Attributable to shareholders of the parent company

- **Free Cash Flow** in 2021 and 2022 **burdened** by restructuring
- **Restricted cash** to be reduced (e.g. cross-border cash pooling in China)
- Debt already **materially re-financed** until end of 2023

- **M&A**
  - Acquisitions and Divestments are in scope
  - Clear gate process for evaluation of acquisitions and/or partnerships
  - Earnings accretive **one year** after integration
  - **ROCE > WACC** two years after integration

---

Schaeffler Group November 2020 CMD - Group CFO
Progress is tracked internally by monthly performance reviews

Key aspects

- Monthly reviews division by division, function by function
- Forward looking to counter-act potential downsides and foster potential upsides
- Focus is on Gross Profit, Overhead, Productivity, Purchasing savings, Capex and Working Capital management, plant performance and Forecast quality

How we create value
Progress is tracked externally with annual Guidance and with 2023 and 2025 Capital Markets Day

How we create value

Guidance 2021
(to come March 2021)

Achievements 2023

- Group and Divisions reached lower-end of target ranges
- Yearly benefit from structural measures (as announced Sep. 9, 2020) materially realized

Continuously on track

- Group and Divisions in target ranges and sales outperformance achieved on average
- Ready for investment grade rating
- Schaeffler benefitting from trend to new mobility, digitalization, automation and climate change

2021 2023 2025
We steer our business according to our Financial Framework

1. Scenario-based anticipation of long-term market and technology trends

2. Robust Mid-term Targets derived from Multi-year Plan and fully cascaded into the organization

3. Group Targets for ROCE and FCF Conversion are built on divisional commitments; execution is monitored by monthly performance reviews

4. Stringent Capital allocation governs organic and compelling inorganic investments

5. We will continue to adapt our structures to market conditions

Rigorous resource allocation to generate cash and improve return on capital
Schaeffler Group
Roadmap 2025

Klaus Rosenfeld, Group CEO
Herzogenaurach, November 18th 2020
Conclusion
Equity Story – Positioning Schaeffler for long-term value creation

1. Roadmap 2025 initiated – Focus on capital allocation, portfolio management and FCF generation

2. Automotive Technologies – Conquer leadership positions in New Business for electrified Powertrains and Chassis applications

3. Automotive Aftermarket – Maintain a high margin level, expand our share of wallet and reach

4. Industrial – Enter attractive growth fields, further enhance profitability

5. Financial Framework – Strict performance orientation based on Mid-term Targets

6. Sustainability – Fully committed to activate all impact levers to achieve sustainability goals

Creating long-term value and generating Free Cash Flow