Adapting our structures to a prolonged market recovery

CEO & CFO Conference Call
Sep 10, 2020 - 11.30 CEST
Herzogenaurach
Introducing additional structural measures – Current trading improved, still market headwinds persist

Schaeffler key financial news-flow in 2020

- Mar 10th: FY 2019: First results of voluntary severance scheme announced in November 2019
- Mar 24th: Capital Markets Update: Fast implementation of Covid related short-term measures
- May 6th: Q1 2020: Voluntary severance scheme expanded, reduction of balance sheet risks
- Aug 4th: H1 2020: Temporary countermeasures intensified, need for further structural measures highlighted
- Aug 20th: EGM announced to be held on Sep 15th, 2020
- Sep 10th: Announcement of additional structural measures

Current trading July and August 2020

1. Sequential improvement at Group level continued in July and August vs. H1 2020
3. Industrial Division sales still impacted by overall market slowdown
4. Capacity utilization across regions further stabilized in August, Europe lagging behind
5. Temporary measures - i.a. short time work - and Capex discipline continued in the Summer months, liquidity situation robust
Transformation journey continues – Additional structural measures will add to previous programs

Schaeffler Headcount
as per month end

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<tbody>
<tr>
<td>Value</td>
<td>92,198</td>
<td>92,478</td>
<td>90,492</td>
<td>87,748</td>
<td>84,223</td>
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<tr>
<td>Change</td>
<td>-1,986</td>
<td>-4,730</td>
<td>-8,255</td>
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-9% vs. Dec 2018

Efficiency measures implemented in recent quarters

- BCT dissolution was a key milestone of our stringent divisionalisation
- Divisional improvement programs RACE, GRIP and FIT are holistic programs including top line, efficiency and investment prioritization levers, implementation started in 2019
- The above programs resulted in selected site divestments and a voluntary severance scheme with 1,900 HCO reduction
- Starting in December 2019, broad-based cost flexing measures were implemented, both at Divisional and Corporate level. Due to Covid, these were further intensified in recent months:
  - Reduction of travel, service and logistic costs
  - Reduction of marketing and consulting costs
  - Project cancelations / adjustments (incl. R&D)
  - Cost saving measures at plant level (e.g. Purchasing savings)

The financial impact of these was already visible in the H1 2020 earnings

BCT: Bearing and Component Technologies
2 Adapting our structures

Prolonged market recovery phase requires adaptation of our structures – Footprint, Capacities, Overheads

LVP: prolonged recovery phase expected

(LVP\(^1\) in mn vehicles)

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<td>89</td>
<td>70</td>
<td>79</td>
<td>85</td>
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<td>93</td>
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Rationale and Assumptions

- LVP is not expected to reach 2019 level until 2024
- Relevant Industrial Production expected to return to 2019 output level earliest by 2022

Measures announced go in two main directions:

1. Footprint consolidation and reduction of capacity in Europe
2. Overhead reduction in Corporate and Divisions

Scope

- Europe with focus mainly on Germany
- About 4,400 headcount net reduction in Europe mainly in Germany, predominantly completed by end of 2022
- Around 14% of German workforce

\(^1\) Light vehicle production based on IHS Markit as of January (pre Covid) / August 2020

Sep 10, 2020
1Footprint consolidation and reduction of capacity in Europe – Increase competitiveness

Scope

a. Consolidating our footprint – Address our fragmented footprint and increase our localization rate – 14 sites affected, thereof 12 in Germany

b. Reducing capacity – Right-size our internal tool manufacturing and special machinery units and adjust capacity in plants

c. Improving efficiency in plants – Adapt the ratio of direct to indirect employees in remaining factories

Improve competitiveness

- Automotive OEM: Strengthen e-Mobility competence center in Bühl, focus on active portfolio management in terms of product strategies and footprint
- Aftermarket: consolidate smaller offices into headquarter in Langen
- Industrial: consolidate 4 German plants into one, expand investments in strategic growth areas into the headquarters in Schweinfurt

2 Adapting our structures

~3,200 net HCO reduction

14 sites affected

Strengthen 5 key competence centers

- Schwanthaler
- Bühl (Automotive OEM)
- Schwenfurt (Industrial)
- Höchst (Automotive OEM)
- Herzogenaurach (Global HQ)
2 Adapting our structures

Overhead reduction in Corporate and Divisions – Reduce complexity

Scope
- All Divisions and Functions
- Managerial and non-managerial positions
- Mainly in Germany

Reduce complexity
- Delayer the organization
- Further streamline our processes
- Recalibrate roles, responsibilities and tasks in our matrix structure
- Enable faster decision-making and execution

Divisions and all Corporate functions

<table>
<thead>
<tr>
<th>Automotive Technologies</th>
<th>Automotive Aftermarket</th>
<th>Industrial</th>
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<tbody>
<tr>
<td>CEO Functions</td>
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<td>Finance &amp; IT</td>
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<td>Operations</td>
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<td>R&amp;D</td>
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~1,200 net HCO reduction
**Financial impact**

**Savings:** EUR 250 - 300 mn annual benefits of which 90% will be realized already in 2023, split roughly evenly between Automotive OEM and Industrial, small impact in Aftermarket

**Transformation cost:** Around EUR 700 mn cost mainly in H2 2020, majority of cash-out in 2021 and 2022 – around 90% personnel-related including severance and 10% related to other costs including transfer

**Fiscal year 2020 impact:** provision to be booked in H2, no impact on EBIT before special items
Self-help structural measures – Reduce cost and increase competitiveness

1. Coronavirus-related uncertainty remains high – **We adapt our structures to a prolonged market recovery in a sustainable way**

2. Appropriate temporary cost flexing benefitted the Group in H1 – **short-term levers will remain in focus beyond 2020**

3. **Accelerate structural change and transformation** – Optimize our European footprint, increase localization and adapt overhead in Divisions and Corporate functions

4. **Increase competitiveness** – Create flexibility to invest in future business and technologies, continue to focus resources on employee reskilling

5. **Liquidity is robust, our Capex discipline continues** – We will continue to shape our balanced portfolio as Automotive and Industrial supplier

Sustainably reduce cost and increase competitiveness for the long term
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<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>Sep 10th</td>
<td>Today’s presentation</td>
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<tr>
<td>Nov 10th</td>
<td>9M 2020 Earnings Release</td>
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<tr>
<td>Nov 18th</td>
<td>Capital Markets Day (virtual event)</td>
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<td>Mar 4th</td>
<td>FY 2020 Earnings Release</td>
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