COMMENTED SLIDES / CONFERENCE CALL RESULTS FY AND Q4 2020

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FY and Q4 2020 Schaeffler AG earnings

Earnings Call
March 4, 2021
Herzogenaurach

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Victoria Greer, *Morgan Stanley*
Horst Schneider, *BofA Merrill Lynch*
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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 press the star key followed by zero on your telephone for operator assistance. At our customers 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, madam.

Renata Casaro

Thank you, operator. Dear investors, dear analysts, good afternoon. Welcome to the Schaeffler Group for fiscal year 2020 earnings release. Without further ado, I leave the floor to Mr. Rosenfeld, CEO, Schaeffler Group. Klaus, the floor is yours.

Klaus Rosenfeld

Thank you, Renata. Ladies and gentlemen, welcome to our annual analyst and investor conference, that we do as in the previous calls in a digital format.

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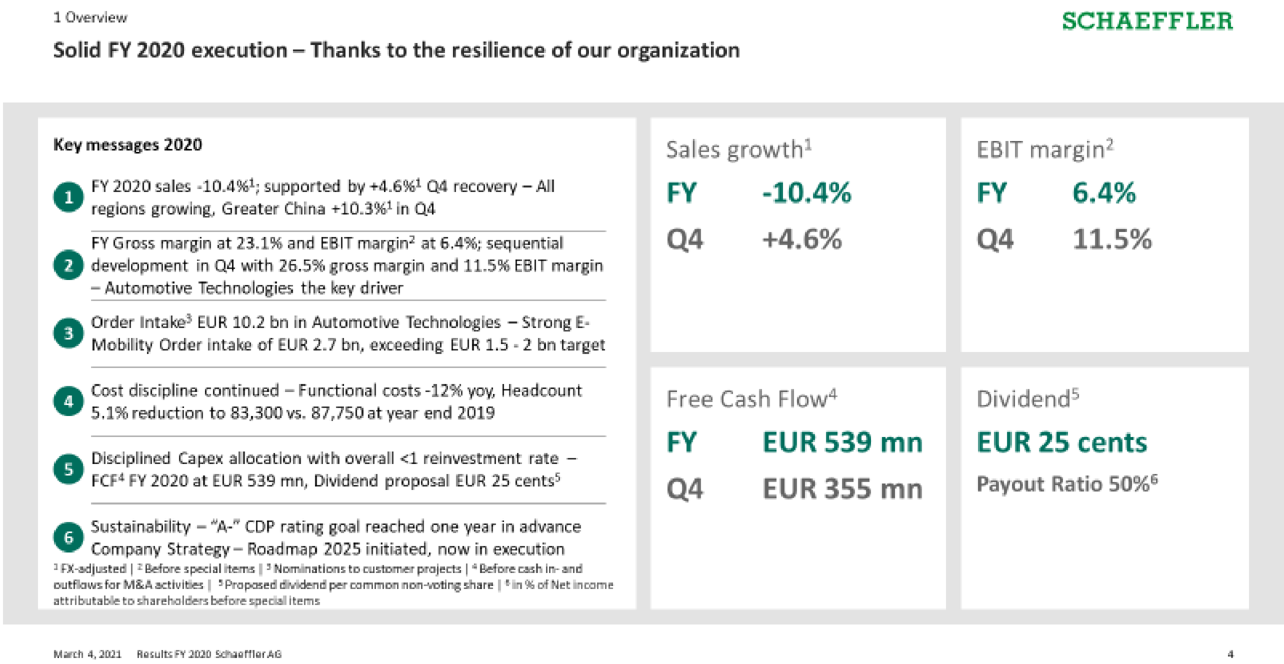
Agenda



Klaus Rosenfeld

You all have the presentation in front of you that we shared with you this morning and I will immediately go to Page number 4, where you'll have the overview with my six key messages and the key numbers that you have certainly already digested.

The year 2020 was a challenging year. It was a test for the organization to show its intrinsic strengths, that we can also operate under adverse conditions and do the right things. And I think, we have passed that test quite well. Sales were down minus 10.4% with a strong fourth quarter recovery 4.6%, driven by all regions. China, again, an outlier with 10.3% in Q4, is certainly something that helped us not only on the Automotive side, but also on the Industrial side.

Gross margin, and Klaus will give you all the detail, 23% and an EBIT margin on an adjusted basis 6.4, I think tells you that this is not a normal Automotive supplier, but that the fact that we are more diversified helped us here to print these numbers. The sequential development in Q4 points to even higher margin, but we all know that the swings during these crisis times are to some extent exceptional and should not be extrapolated. Automotive Technologies was the key driver for the strong margin print in Q4 and we can say also here that this first quarter looks like that we started into the year well.

On a more strategic point, the Order intake in Automotive Technologies was clearly below the year before with EUR 10.2 billion, but we saw strong E-Mobility Order intake of EUR 2.7 billion, exceeding our target of EUR 1.5 billion to EUR 2 billion. I think that's a positive message that shows that we are on track to gaining our fair share in this business. I can already say here, the quality of the Order intake is as strong as the momentum going forward and we clearly see that the move into E-Motors brings us a lot of positive recognition.

It's not only growth that clearly played a role in what we did 2020, and future growth, but the continued cost and capital discipline. Functional cost saw what we are now using as a term for overhead minus 12% year-on-year, Headcount reduced by 5% now 83,300 compared to end of the year '19, if you see the numbers later on, that's nearly 9,200 jobs in two years and that does not include the restructuring program we announced in September 2020, with another 4,400 jobs.

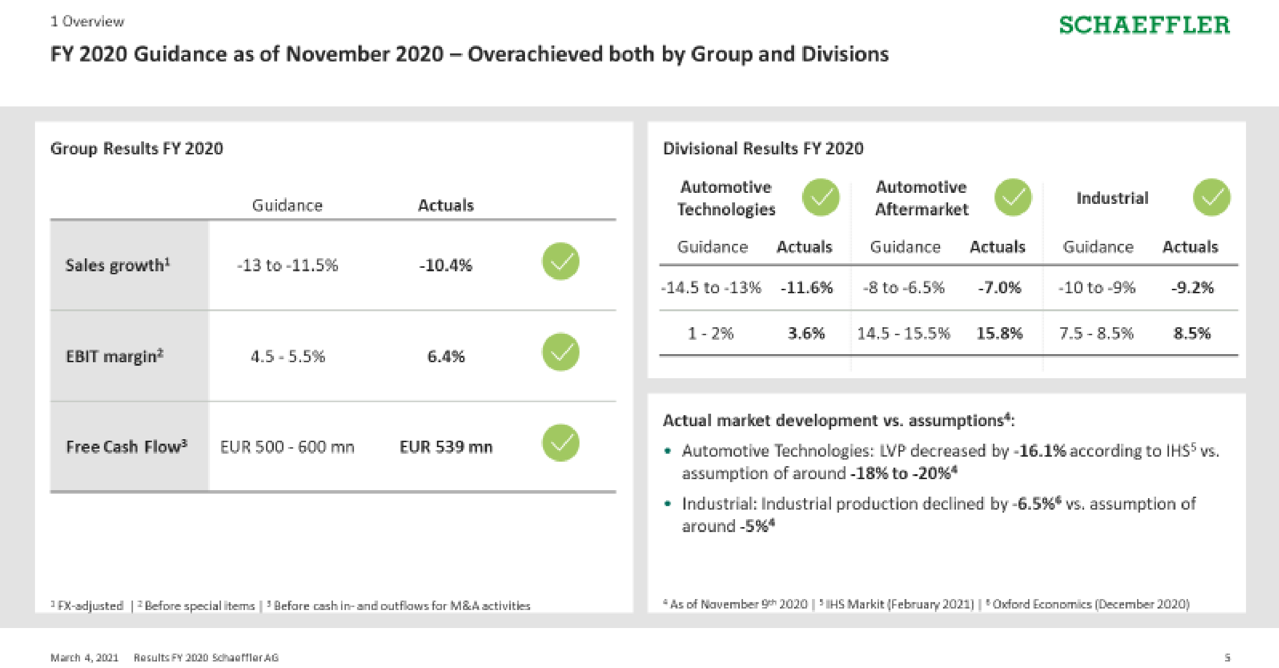
Capital allocation and Capex discipline was strong. You saw that we reduced the reinvestment rate significantly below 1 as we promised, all the measures that we started to implement in '18 and '19 started to pay off and we will share with you later on how we see the year 2021. In that respect free cash flow was EUR 539 million in the middle of the range that we shared with you when we updated the guidance in November. So that's a good outcome and clearly a point to be explained later by Klaus, how that compares to the EUR 100 million guidance.

I also want to emphasis here, already at the beginning, we will propose to our Annual General Meeting a dividend for the common non-voting shares of EUR 0.25. That is a number that is in line with our overall pay-out strategy. You remember 30% to 50 % of net income, adjusted for one-offs. And if you calculate that through, you end up exactly at this EUR 0.25 for the non-voting, common.

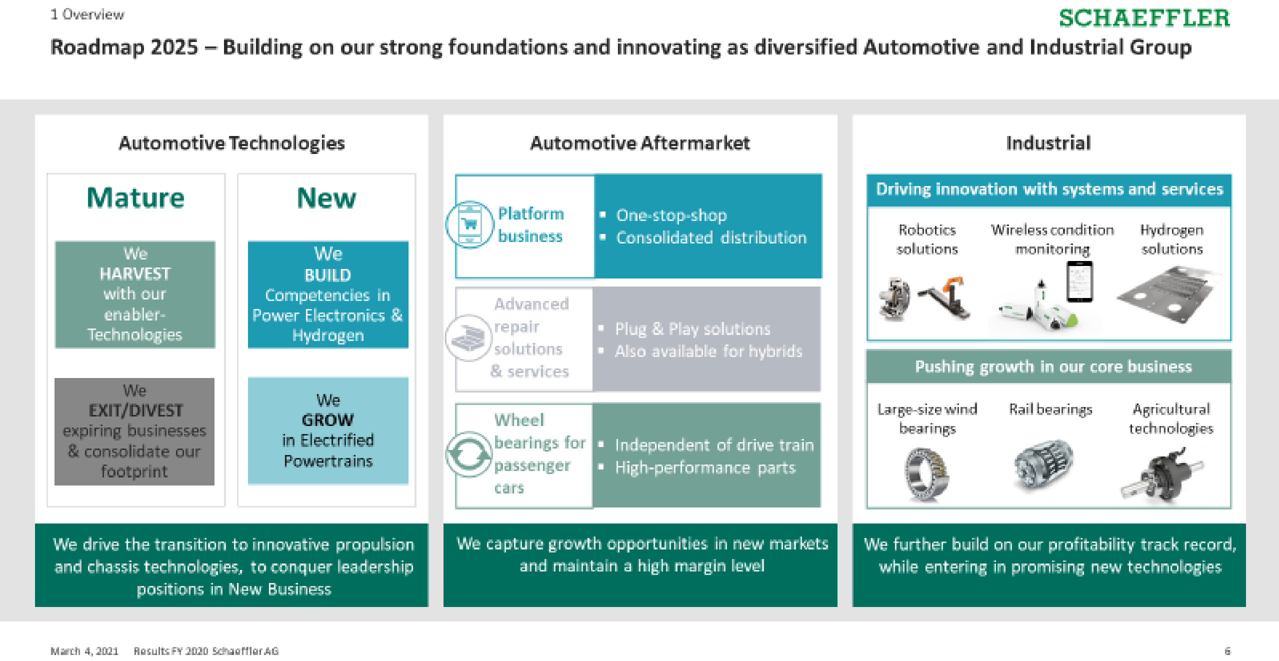
Last but not least, I don't have to mention how important sustainability gets, not only from a business opportunity point of view, but also from fulfilling the commitments and following the rules. We are quite proud to say that in two years we improved our CDP rating from a D to an A-. That clearly shows progression. And we also know at the same time how important it is to deliver when it comes to EU Taxonomy or when it comes to Scope 3, there is still a lot of work to be done. But the organization is 100%

determined to make sustainability a top, a key topic going forward. It is part of what we call the Roadmap 25. That's our plan for the next five years that has been agreed and initiated end of the last year, was the basis for our Capital Markets Day, and that is now in execution.

So, a remarkable, challenging year, but also a year where we showed that we can cope with such an environment. Next page please.

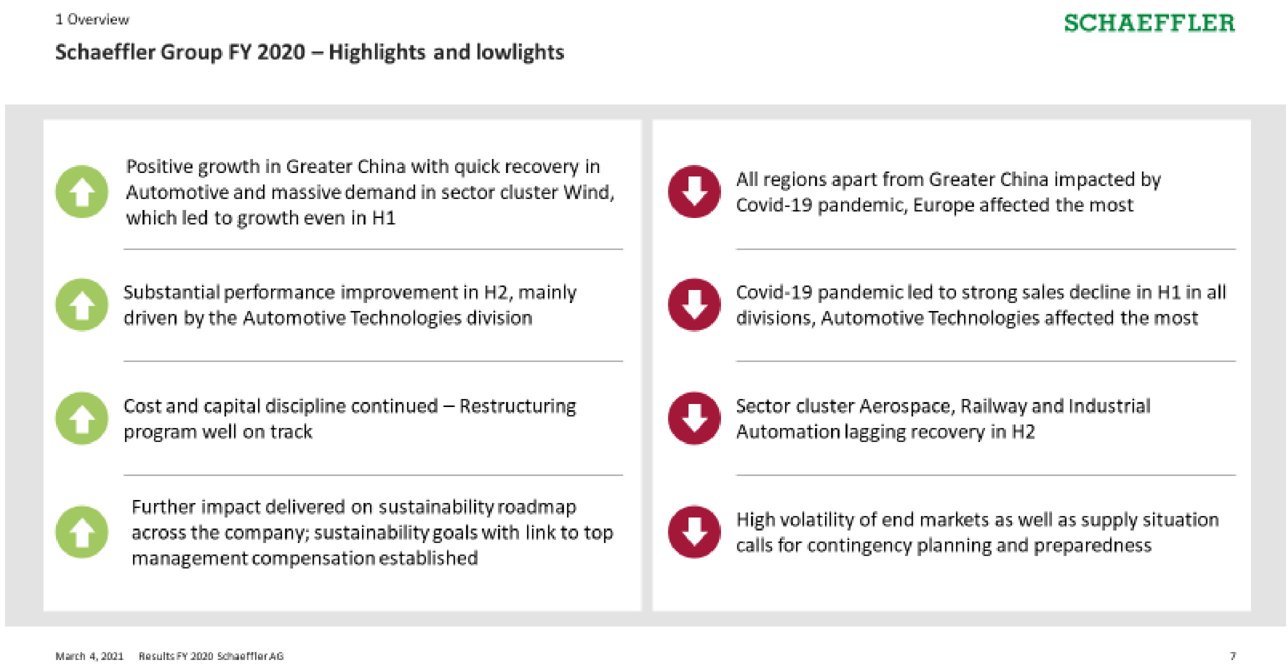


You see the guidance here. I basically already mentioned the important points. And Klaus will talk later on about the details of outperformance, Automotive Technologies down, LVP by 16% while we made only 11.3% means there is good and solid outperformance in the Automotive Technologies area. All the other points I leave for you.



Then the next page, number 6, is just a reflection of what we shared with you during the Capital Markets Day on the 18th of November. The strategy stands and the equity story has been updated. We are clearly committed to accelerate the portfolio shift in E-Mobility. In Aftermarket we want to maintain a high margin and open up the business for more third-party repair solutions. And as Stefan explained, further enhanced profitability in our Industrial business with profitable growth in the core business and entering attractive new growth fields in the Industrial business.

Well, you see three examples here. The three examples don't mean that there aren't others as well. They are just here to illustrate what I've just said. I said it several times now, also in the press: We believe that Schaeffler is more than its three divisions. We have no plans to split up the company. We rather believe in the synergistic benefits across the divisions. And we want to continue with operational discipline and relentlessly focus on free cash flow and execution.



Number 7 is the famous page with the plus and minus, with the highlights and lowlights. I also think, in the interest of time, I can cut this rather short. I have already mentioned the main important points but let me stress again: We are pleased about the substantial performance improvement in H2, mainly in our Automotive Technologies division, and about the strong discipline. Clearly, we see that there is a way to go to until the crisis clears up. There are headwinds and that has also then led to this more cautious guidance as you saw. High volatility of the end markets and the supply situation speak for themselves.

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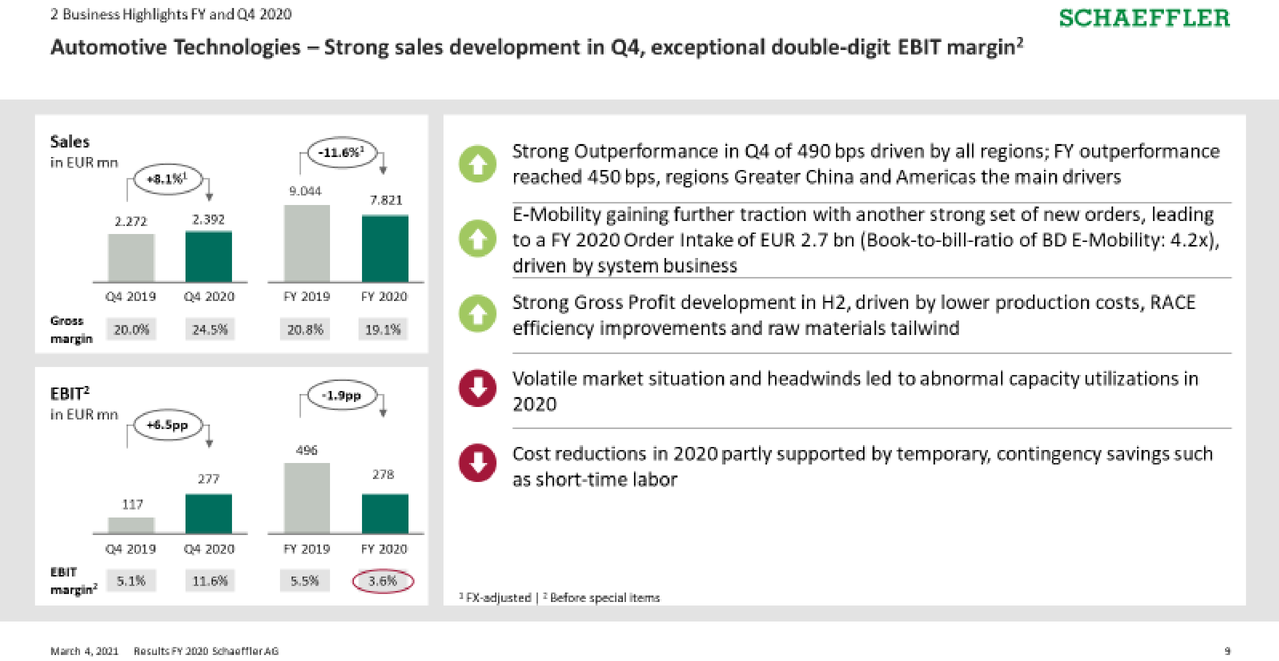
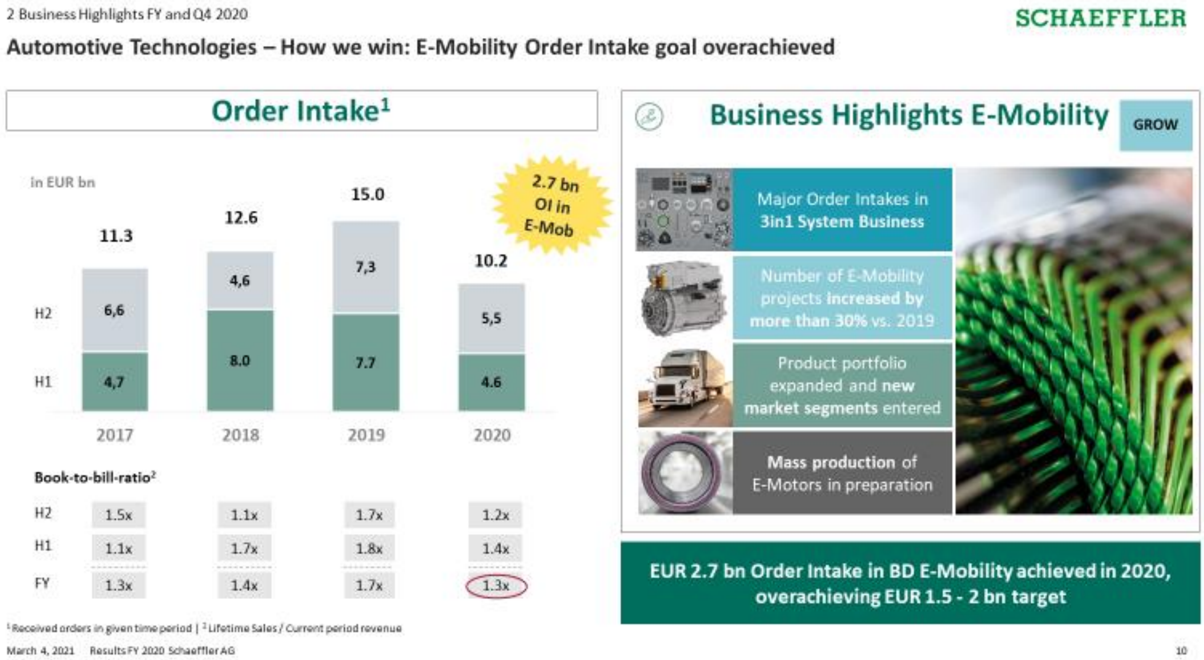
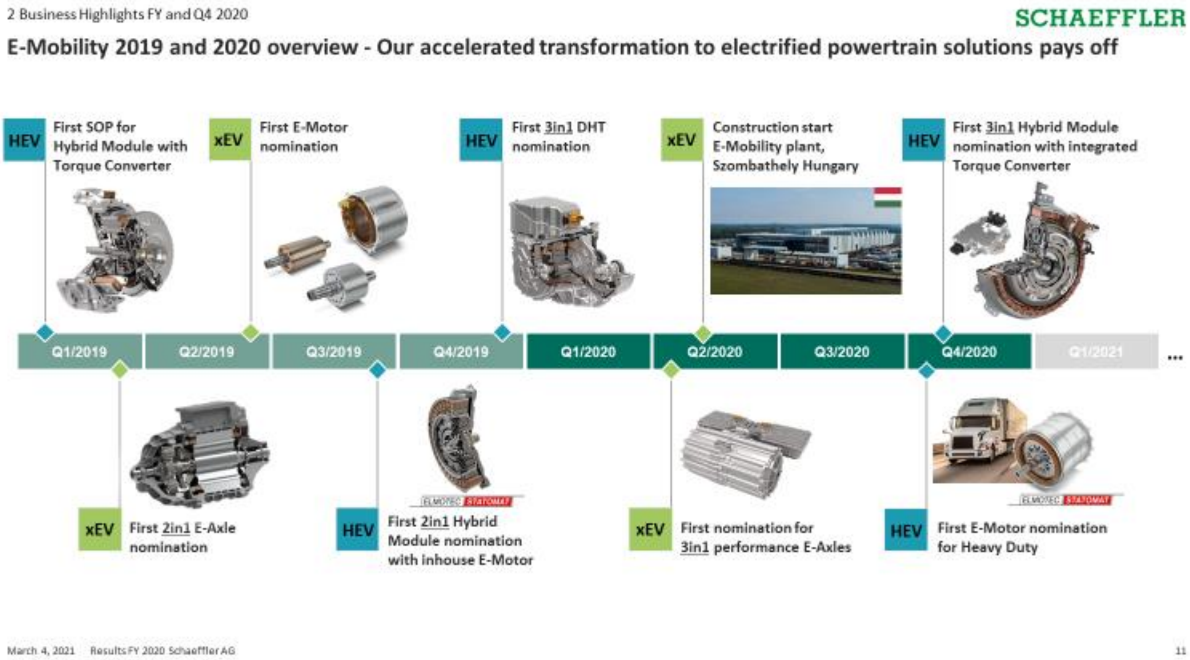
Agenda



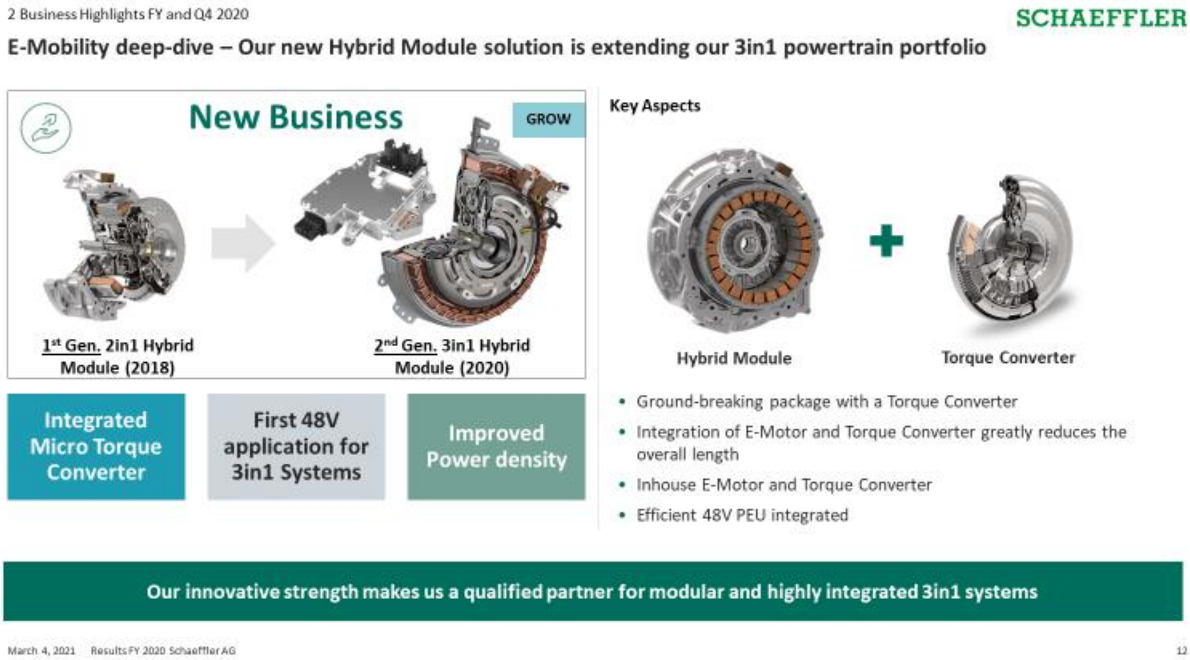
Let me go to page 9, and also here to leave enough time for the detailed numbers I would do this rather quickly. On page 9, you have the highlights and lowlights from the Automotive divisions. You see the numbers here. I think what stands out is apart from the E-Mobility Order intake, the 490 basis points outperformance in the fourth quarter across all regions. You see in the backup at page where you see all the details, that is then giving you per region the respective numbers. It's on Page 51 of the book that you have in front of you. And in Greater China, in Americas have been the main drivers here in the past.



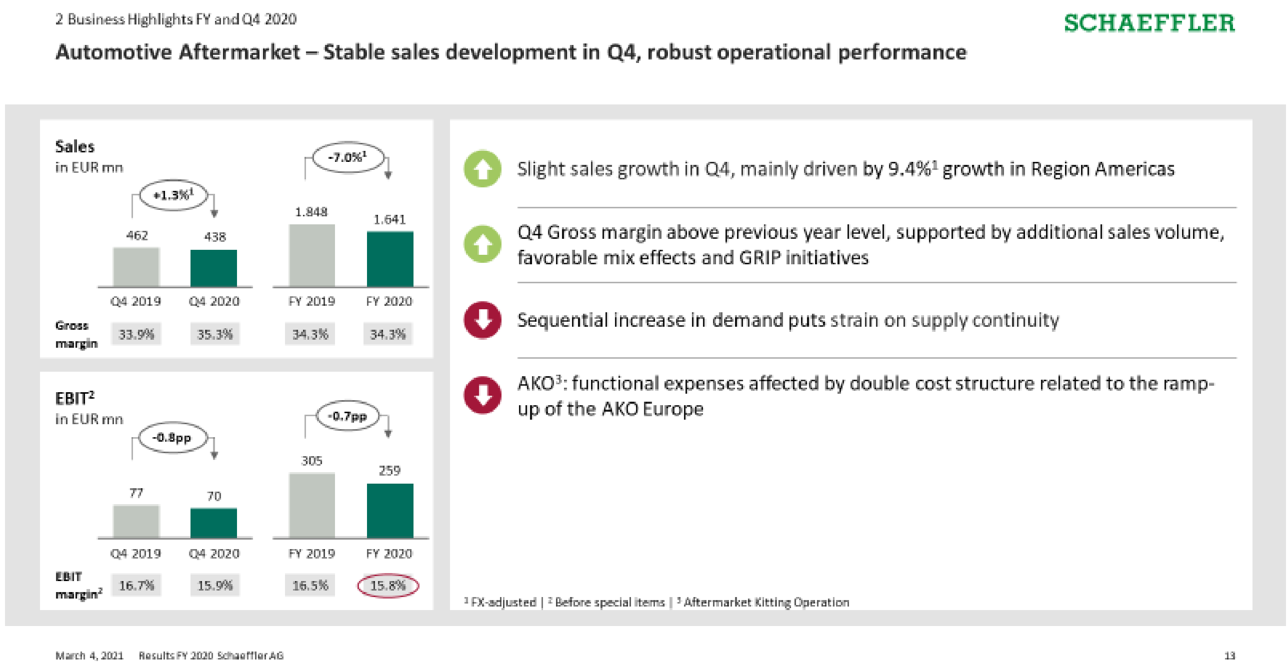
Let me go to E-Mobility, because that is for all of you clearly an important topic. And you see on page 10, what I just said, EUR 2.7 billion Order intake is above our target of EUR 1.5 - 2 billion. You know that we have raised the target going forward to EUR 2-3 billion. What drives this is a good understanding that we are well into a sustained market position in 3-in-1 systems with major Order intakes last year and good new orders being expected. The number of E-Mobility projects is rising, 30% more in 2020 over 2019 and an increasing number in 2021. The product portfolio has been expanded. And when I talk about new market segments, I am referring to the Heavy-Duty area where electrification and also hybridization will come faster than expected in the last years. We see lots of requirements from those areas and have already won an important order in that respect. And what drives all of this is the E-Motor competence where we are very shortly before starting mass production. Also, now a new plant in Hungary.



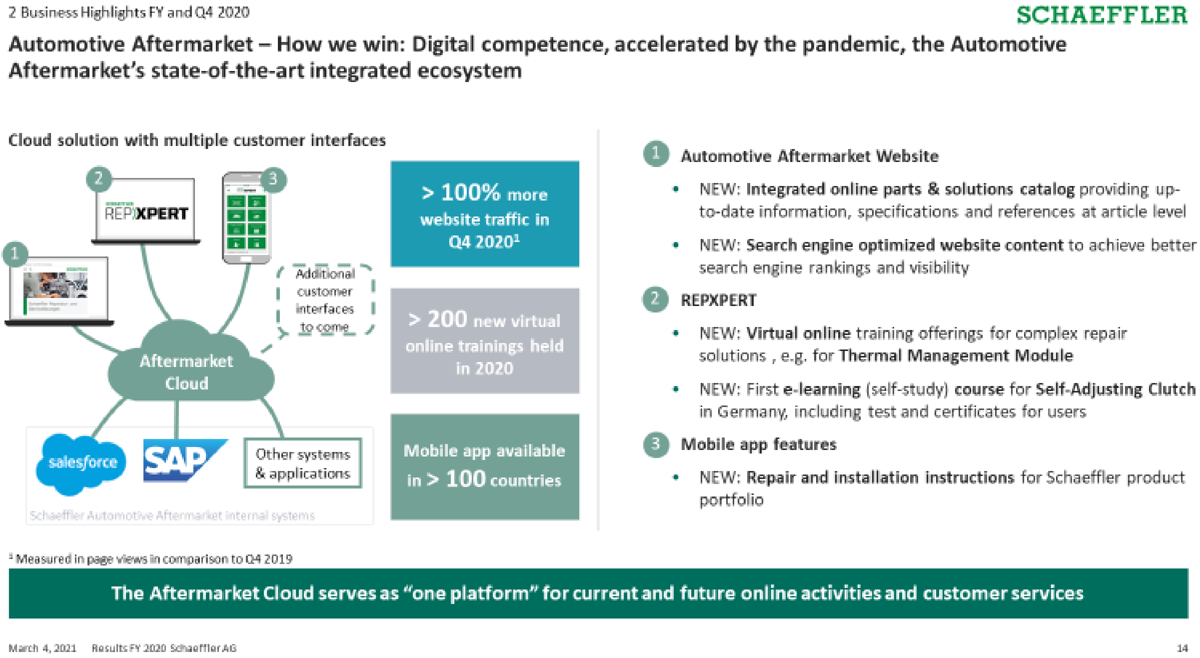
Page 11 has a chronology here. I am not going to go through all the details. But you see what I just outlined, that there are some good order wins towards the end of the year. In half our new 3-in-1 hybrid module with an integrated Torque Converter. It's a premium European customer in the high-class segment and then the Heavy-Duty nomination for an E-Motor is also a top win. But as you see from this timeline, there were also good wins on the battery electric part with the 3-in-1 E-Axle, and also nominations for other E-Motor and key elements of electrified power trains. Let me stress here the importance of thermal management. We have not made that a big point in the past. But we see that switching from ICE to E-Mobility and HEVs that this product becomes more and more important.



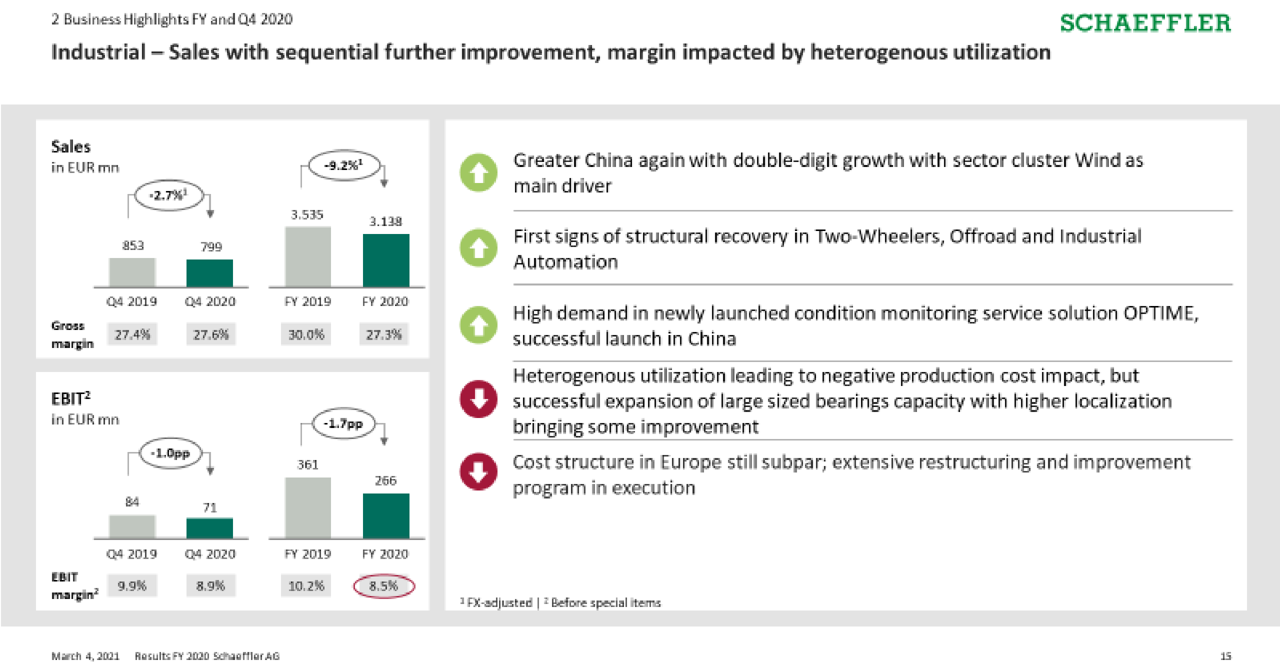
One last page on E-Mobility, number 12. That's the latest win in the E-Mobility area we are very proud of. It is a 3-in-1 integrated system with a Micro Torque Converter improved power density where we are building on what we invented in the past. And this is probably the most sophisticated model that we have done before. It will be used also to demonstrate our modular strategy, not to reinvent all the time new things, but building on what we have done in the past. And that's more efficient and also more interesting from a capital deployment point of view.



13 is Aftermarket. Stable sales development in Q4, as you saw from the numbers here, the growth margin is more or less the same. EBIT slightly down, but with 15.8% clearly a strong margin. The volatility during the year is well known to you. What I can say is we are quite proud that the initiatives that Michael put in place have paid off and helped us to also bring the business back in the second half.

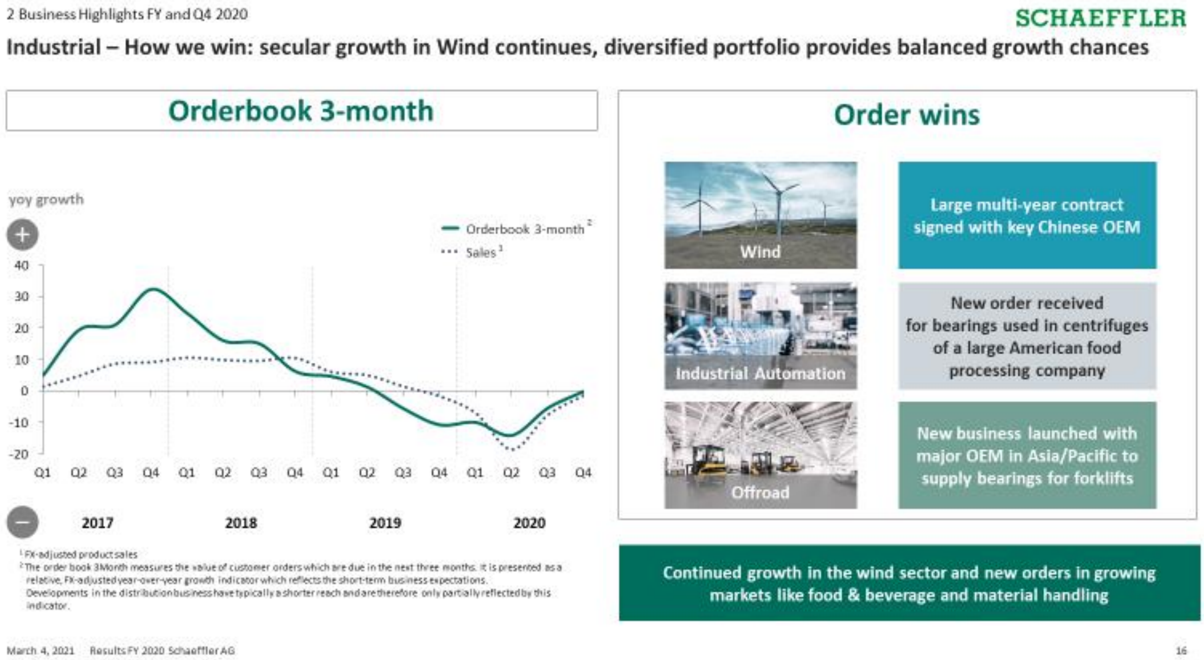


One of the key initiatives is on page 14. The Aftermarket is a special business. It's not only an Aftermarket business with replacement products, but it becomes more and more a digital business. Digital competence is the key going forward if we want to win in this. During the pandemic, all digitalization aspects got a boost, and in the Aftermarket it is clearly a driver as well. We have started to implement a state-of-the art integrated ecosystem here, centered around a separate Schaeffler Aftermarket cloud that serves as a one platform for online activities and customer services. Mobile apps play a role. What is key to us is this virtual online training. Those of you that have been in Berlin some years ago and saw how REPEXPERT works can imagine that this can make a good difference and a big difference compared to our competitors.

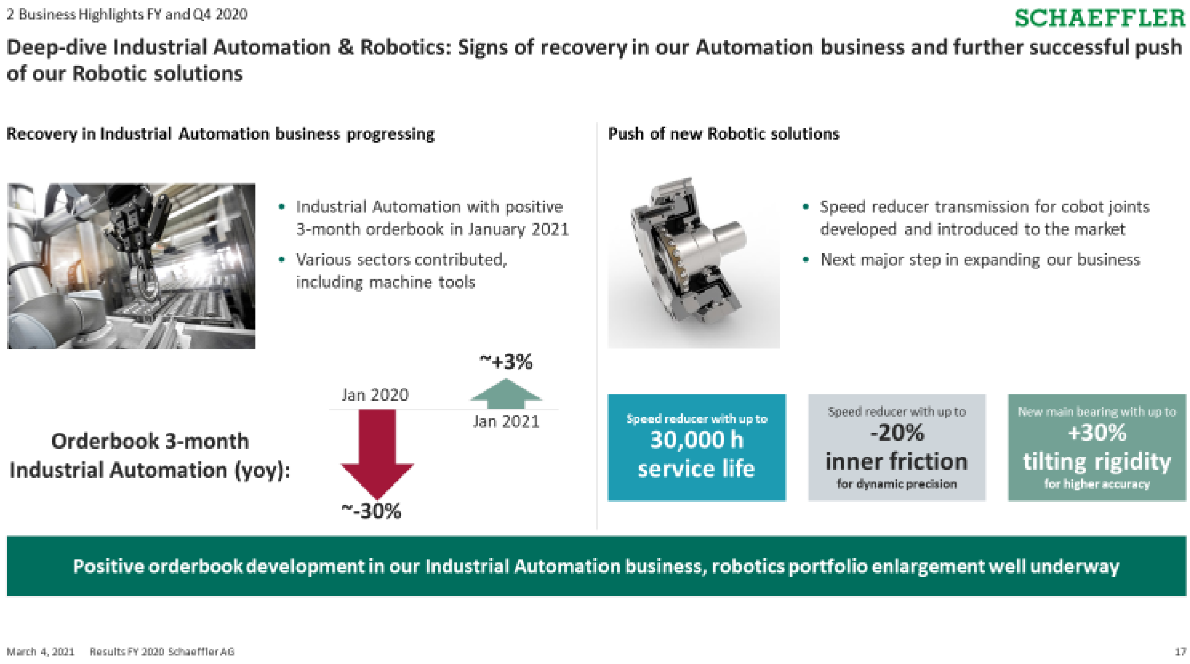


Let me go to page 15. That's Industrial. You all know the wind story. Double-digit growth in the sector cluster, was clearly a main driver. China at the forefront here, more than 30% growth in this area. It's difficult to repeat. However, we are optimistic on the Wind sector. It continues to grow and will drive our business forward. At the same time, there are first signs of recovery after a negative growth environment in 2020. In Two-Wheelers, in Offroad and in particular in Industrial Automation, that is an area where we see, apart from Wind, great opportunities going forward. Also, when it comes to synergistic potential with Auto. OPTIME, our little condition monitoring service, is very well accepted by the market. And we also launched it now in China.

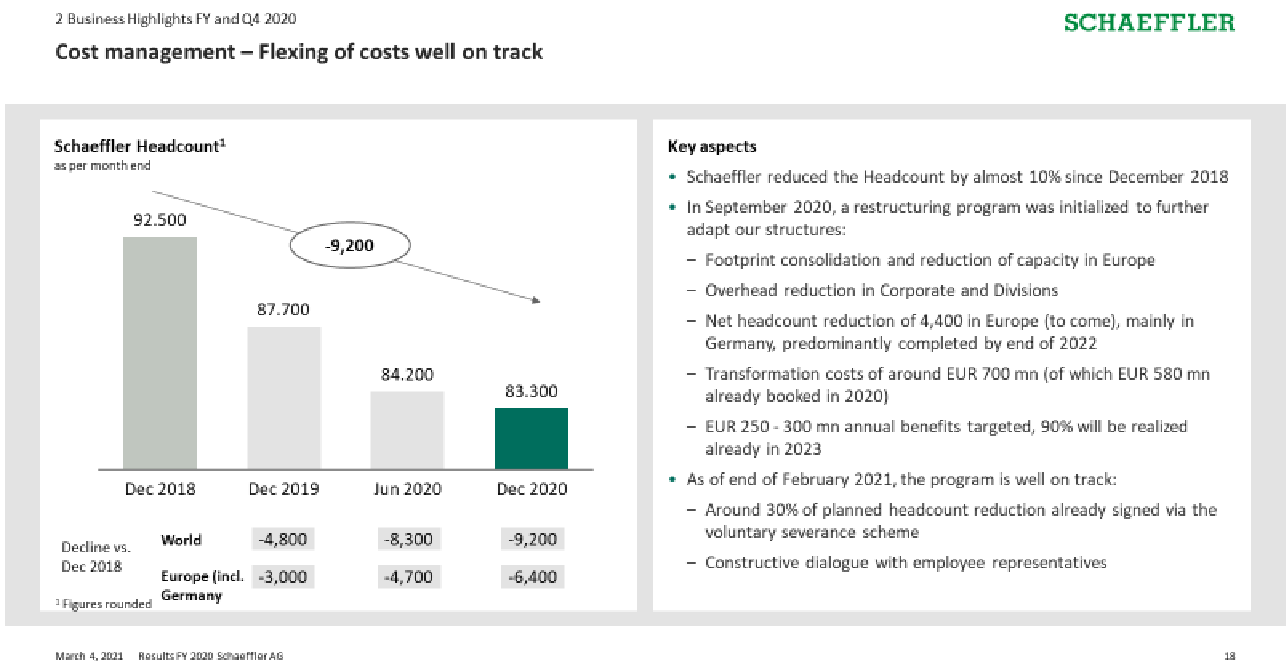
Still, the year 2020 was a year where the utilization of the plant was, let's call it heterogeneous, with negative production cost impact. And going forward, we all know that there is work to be done to catch up with our main competitors in the bearing space, Timken and SKF. So, what is very important for Automotive, for Industrial, excuse me, is that we get our restructuring and improvement program in execution. I can say already at this juncture, we are in good conversations with our workers' councils. We have announced, as you know, in September, it's now end of February beginning of March. So more or less six months behind us, after the announcement, that's not unusual for German conditions. And I do believe that in the next weeks we will close these negotiations and can start with the restructuring implementation.



Order book, page 16, recovers, clearly points to some secular growth in Wind, but also as the diversified portfolio provides for balanced growth opportunities. I already mentioned the areas, and I want to stress again the importance of Industrial Automation, in particular when we want to make use of the more digitalization environment going forward.



You see this on page 17, a little deep dive here, signs of recovery, and Robotics with this specific speed-reducer transmission for Cobot joints. That is a great opportunity for us. It's interesting to see, if you see the order book for Industrial Automation with a three months perspective, minus 30% in January 2020 and now back to plus 3. You know, one bird doesn't make the summer, but we clearly see that this is going to develop positively in the future. And I already said this is an area where we can demonstrate technological synergies that makes sense to have both Automotive and Industrial under one roof.



Page 18, it's the one on the cost management. As I said before, 9,200 people down, nearly 10%. You see here, the year-end, and also June. So, a good progression. And you all should recognize that this is a function of the restructuring programs of the past. The ones that we announced in September are not part of this. It goes across the organization. But you also see from these numbers that the predominant part is outside Germany. So, tackling that area now with the additional program is important. And I feel strongly that we are on a very good track to harvest what we planted. Transformation cost - Klaus will give you more detail on this - was EUR 700 million announced, clearly during a half a year negotiation, certain things change, but the overall direction is clear.

Now, let me use this page also to put the restructuring a little bit into context. I mean, you all know that we booked the provisions more or less in 2020 and that the payout is now expected for '21 and the years to come. You see this in the backup when we come to what is expected for '21, that's the number somewhere between 300 and 350. That also may help you and Klaus will give more details to position the Free cash flow guidance in the right manner. Just add this back and you see that, that is a very simple calculation, 100 plus, let's say, 350, it's 450. And that's a number, when you go back the years, that we always had in terms of a historical Free cash flow performance. So, while the 100 as a figure may sound low, it is definitely not comparable with the 539. In any case, you need to include and add back the restructuring payout for '21.

2 Business Highlights FY and Q4 2020

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Capital allocation – Prioritization and differentiated steering resulting in Capex ratio[2] of 5% in FY 2020

Investment[1] allocation | in EUR mn

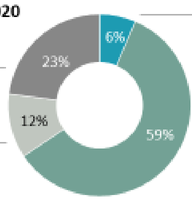
	FY 18	FY 19	Q4 19	Q4 20	FY 20
Automotive Technologies	1,049	672	124	130	370
Automotive Aftermarket	56	67	31	3	22
Industrial	170	193	46	46	246
Schaeffler Group	**1,275**	**933**	**200**	**179**	**639**
Capex	1,232	1,045	222	151	632
Capex ratio[2]	8.7%	7.2%	6.2%	4.2%	5.0%
Reinvestment Rate	1.5	1.0	0.8	0.8	0.7

[1] Additions to intangible assets and property, plant and equipment | [2] Capex in % of sales

Key aspects

- Automotive Technologies: continued prioritization drives investments; increase in E-Mobility, decrease for Transmission Systems. New site for E-motor production in Szombathely, Hungary
- Industrial: continued adaptation of footprint, with capacity expansion for large size bearings in Nanjing, China; and investment in new hall for Railway bearings in Brasov, Romania

Investments[1] by region FY 2020
in EUR mn (yoy change)



Now let me go further to page 19, Capital Allocation. I think I already mentioned the most important points, EUR 632 million Capex leads to a Capex ratio of 5%. 4.2% in the fourth quarter is clearly at the low end. But the reinvestment rate of 0.7% is what we indicated. And we see, as you also see in the backup, that the number will rise. But we will manage this very carefully. The Capex allocation also between the regions is important. And Automotive Technologies will have to demonstrate that we are investing in the right areas. The mature business is well invested and the investment intensity in E-Mobility is, as you all know, lower than in the traditional business. What is key is the footprint going forward and footprint is a continuous task for optimization. So, I do believe that we can also in next year very well operate with the EUR 800 million that is indicated.

20 is then my last page before I hand over to Klaus. On sustainability, I already said it, there is much more detail in our Sustainability Report. We are we are proud about the progress we made, but we equally accept that this is a big obligation for us and that we need to deliver on the top goal carbon-neutral production in 2030. We've added a new goal also to demonstrate that it's not only CO_2, but also other areas. 20% reduction of fresh water supply is also key. And I can once again assure you that we want to be a good example for a company with a long-term view that takes this very serious and delivers on what it has promised. With this, I hand over to Klaus for the financial results.

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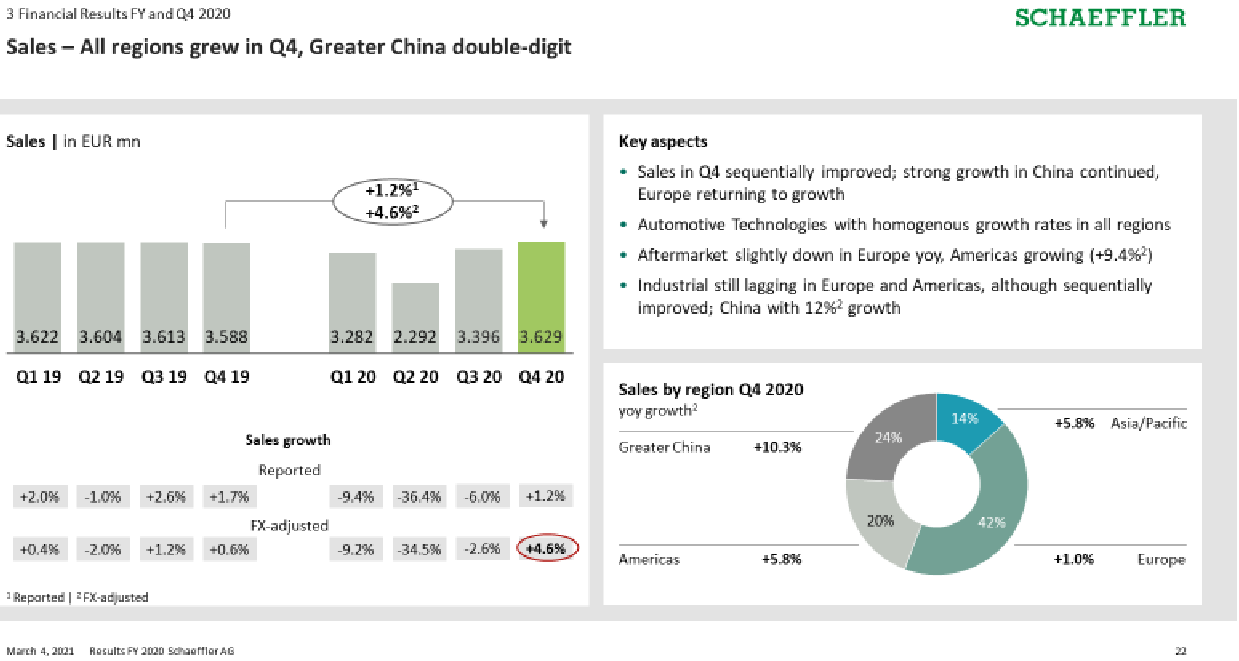
Agenda



Dr. Klaus Patzak

Yes, thank you, Klaus. And we go directly to page 22 on Revenue. I think basically, the main things have been already explained. The fourth quarter was a quarter where we have seen growth again, both nominal and also FX-adjusted. Nominal was 1.2%, FX-adjusted 4.6%. Klaus already mentioned the strong contribution of China. Actually, what you can see on the lower right-hand side is that there was growth in China, FX-adjusted, of 10.3%. Also, for the full year, it was 8.7%, and that helped to stabilize margins also in Q4, but also in the full year.

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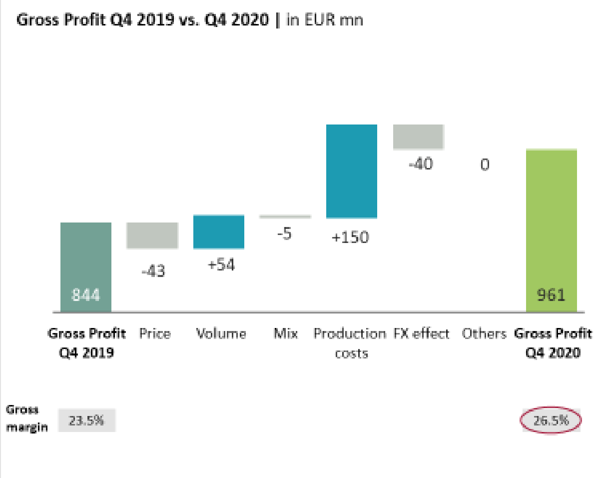
Gross Profit – Exceptional gross margin driven by both Automotive divisions



Key aspects

- Normal negative price effect in Automotive Technologies, Aftermarket and Industrial with flat price development yoy
- Lower production costs in Automotive Technologies mainly driven by operating leverage, effective cost savings in plants as well as short-time labor
- Negative FX effect is mainly driven by translational effects and overproportionally related to Automotive Aftermarket and Industrial

Gross margin

in % of sales	Q4 19	Q4 20	Q4 20 vs. Q4 19	FY 19	FY 20	FY 20 vs. FY 19
Automotive Technologies	20.0%	24.5%	+4.5pp	20.8%	19.1%	-1.7pp
Automotive Aftermarket	33.9%	35.3%	+1.4pp	34.3%	34.3%	0.0pp
Industrial	27.4%	27.6%	+0.2pp	30.0%	27.3%	-2.7pp
Group	23.5%	26.5%	+3.0pp	24.8%	23.1%	-1.7pp

Next page on Gross Profit. You see that we have delivered EUR 961 million in gross profit, which translates into a gross margin of 26.5%, 300 basis points up compared to the prior year quarter. You can see in the bridge that obviously volume helped, but helped the mix, the negative mix there was quite low. You know, that includes what I mentioned on the region. Production cost was the significant positive here with EUR 150 million benefit. And that is due to specifically the Automotive Technologies Division where we have a combination of high operating leverage and that means cost digression. We have, in addition, effective cost savings in the plans and still a bit of short-time work while that has come down compared to the third quarter and significantly to the second quarter. And also, what contributed to the margin is a significant inventory decline. That means, sale from inventories, and also still low material prices.

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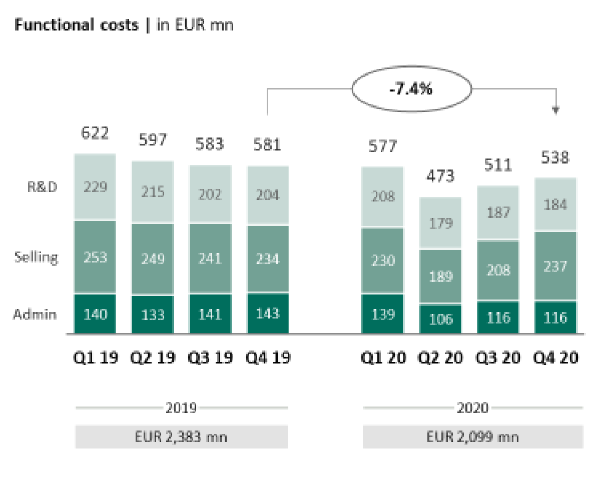
Functional costs – R&D and Admin expenses in Q4 below prior year



Key aspects

- Costs decreased by 7.4% in Q4 and 11.9% full year; in line with sales decrease
- R&D costs EUR 19 mn below Q4 2019 due to lower personnel expenses (EUR -15 mn) and external services
- Selling costs EUR 4 mn above Q4 2019; higher transportation and packaging costs not compensated by lower personnel expenses
- Admin expenses decreased by EUR 27 mn

Functional cost ratio

in % of sales	Q4 19	Q4 20	Q4 20 vs. Q4 19	FY 19	FY 20	FY 20 vs. FY 19
Automotive Technologies	14.6%	12.5%	-2.1pp	15.1%	15.3%	+0.2pp
Automotive Aftermarket	18.3%	19.5%	+1.2pp	17.9%	18.3%	+0.4pp
Industrial	19.3%	19.1%	0.1pp	19.4%	19.3%	-0.1pp
Group	16.3%	14.8%	-1.5pp	16.5%	16.7%	+0.2pp

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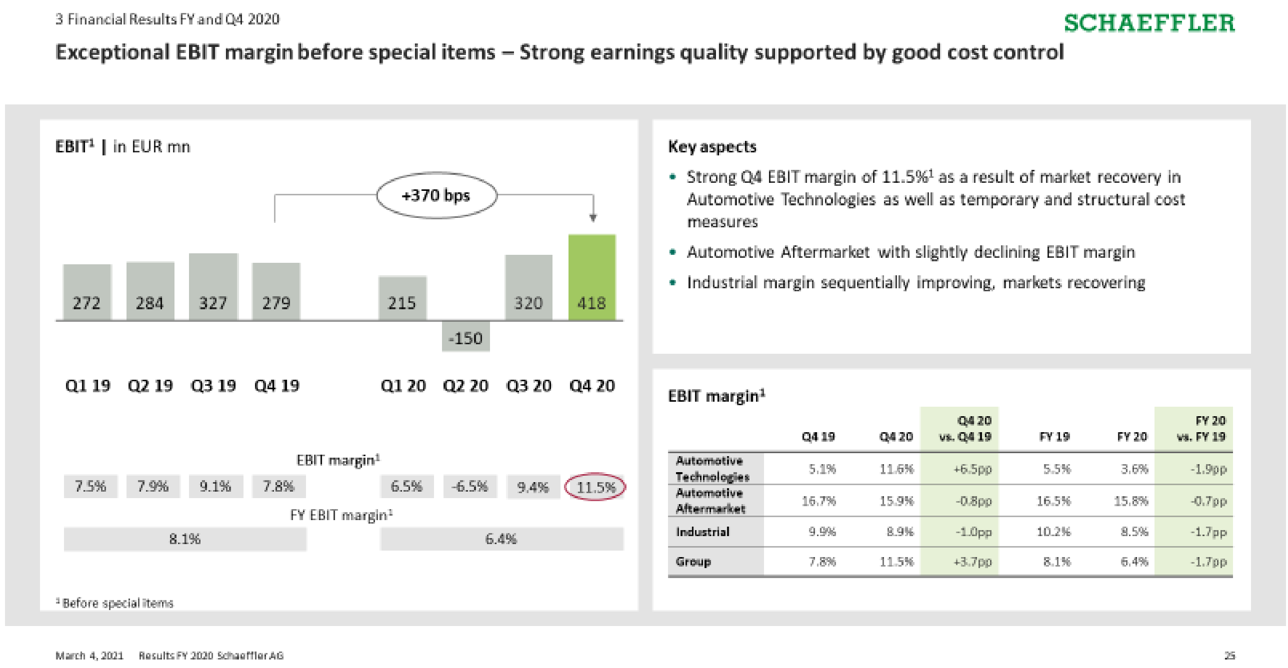
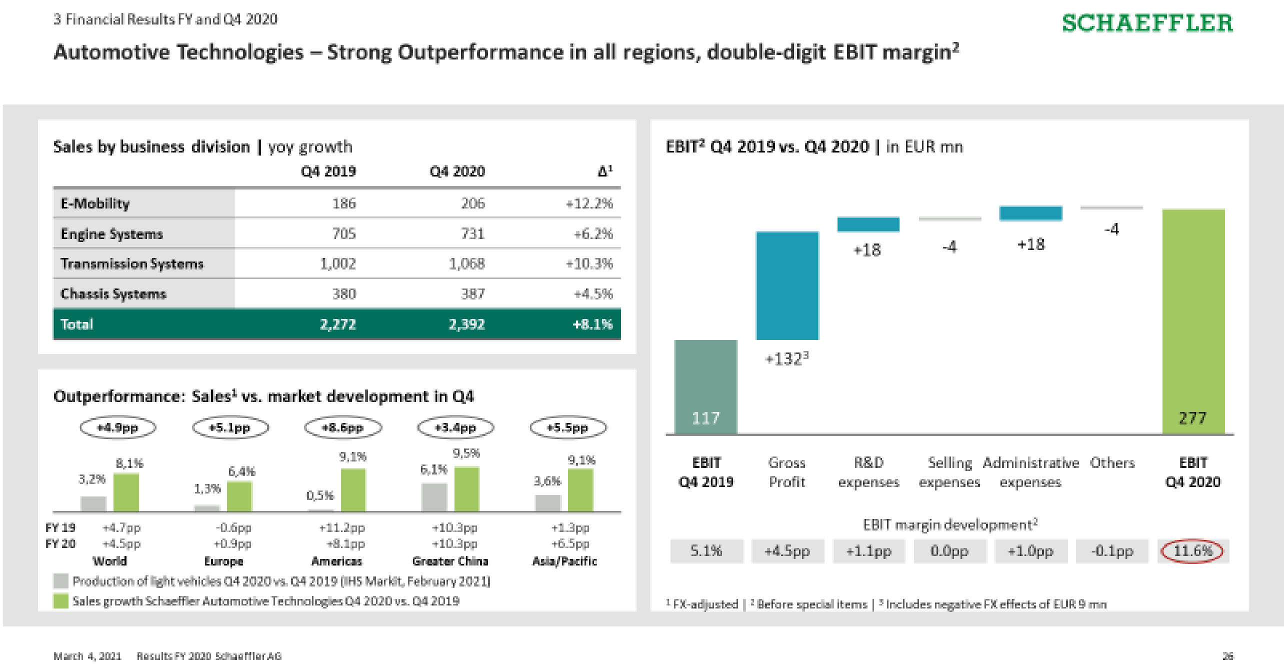
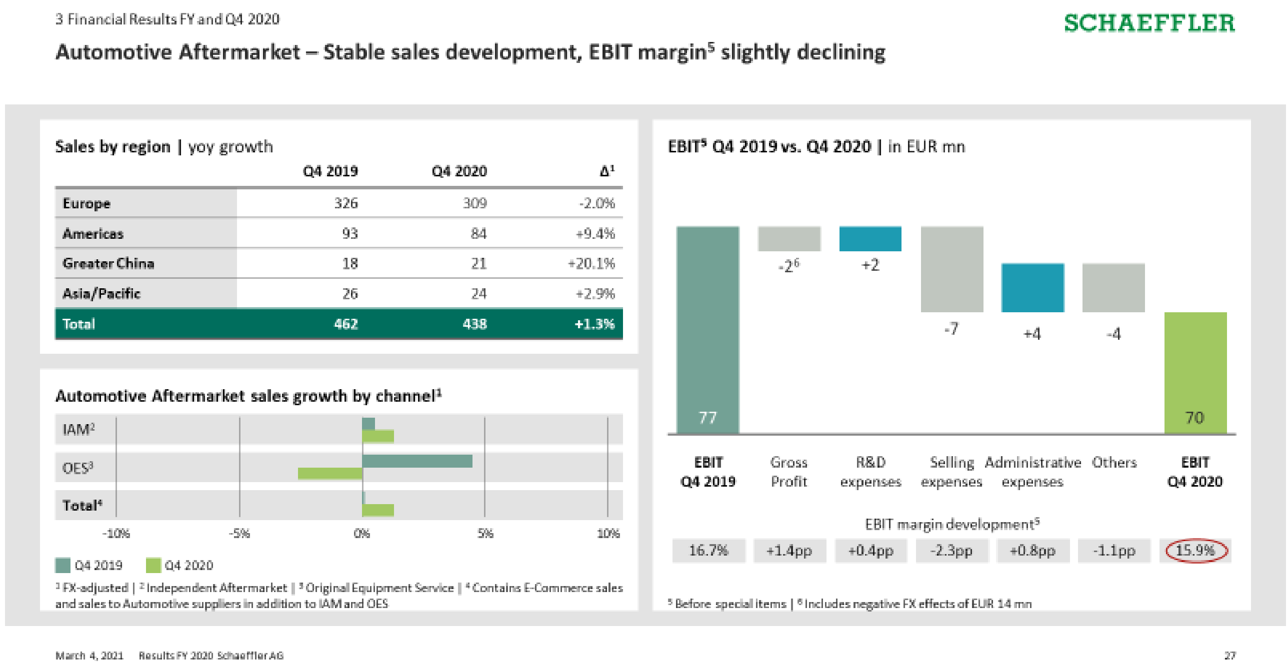
Next page on the functional cost. That means R&D and SG&A, you know, for the year down 11.9%. That means basically in line with the nominal sales decrease of roughly 12%. Also, fourth quarter down 7.4%. If you look at the different functions, you see that there has been now an increase in the selling area both year over year, but also specifically compared to the third quarter. That is a reflection of the increase in revenue, and in addition, kind of over proportional, we also have some kind of special freights in order to get the products out in time to our customers. A topic which we also see in 2021. The administration expenses decreased. Obviously that has something to do with lower personnel costs but also lower consulting or other kind of purchase costs for 2021, as mentioned also in the CMD, you know, we will have the first impact from the preparation of the S/4 HANA switchover. And that will then impact specifically here the admin line.



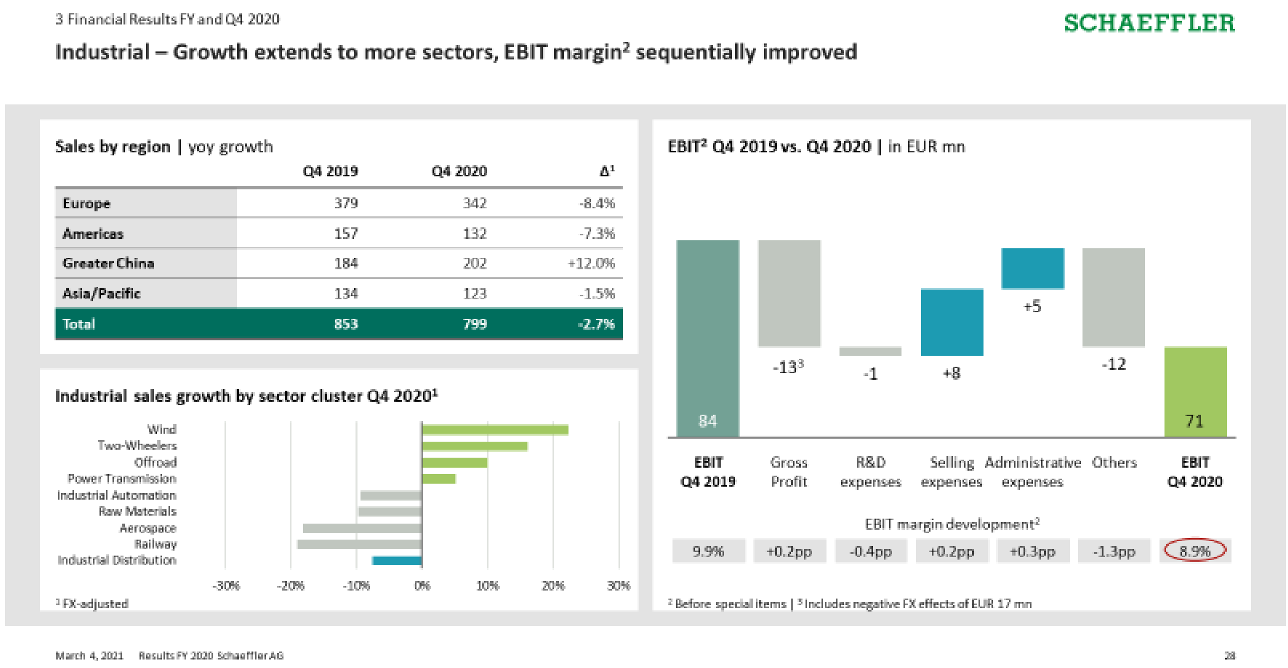
Next page on EBIT. You see on the left side the EBIT in the fourth quarter on an adjusted basis was EUR 418 million with an exceptional 11.5%. On the lower right hand-side, you see that this increase basically exclusively comes from Automotive Technologies. Automotive Aftermarket was down a bit. I'll come to that later. And Industrial was also down a bit, but sequentially up because third quarter margin was at 7%.



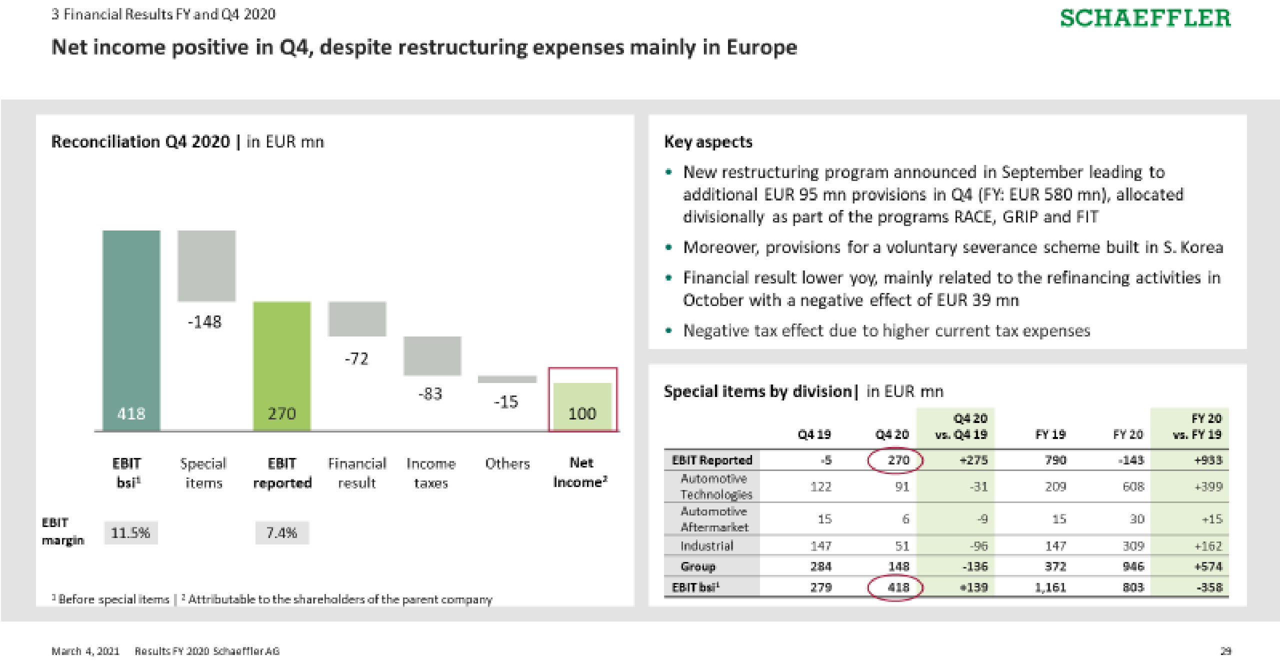
Now, if we go to the next page on Automotive Technologies, you see that E-Mobility top line-wise was quite good with 12.2 % FX-adjusted growth. Also, the Transmission business, which is a very good margin business for us, increased by 10.3%. Klaus Rosenfeld also mentioned the outperformance, which was for the quarter 4.9%. But also, and you see that on the lower left side, outperformance for the full year was 4.5%, percentage points and for 2019 in a similar range. And in both years, driven from Americas and Greater China. On the right-hand side, you see, on the EBIT bridge, you see gross profit was, you know, the main driver of the EBIT improvement. Due to the tailwinds, as mentioned before, in Automotive Technologies, there were savings in R&D and in Administrative expenses, and, on the other hand, somewhat higher Selling expenses, mainly driven from the higher logistic costs, which I mentioned earlier.



On Automotive Aftermarket, on the next page, you see the split of the 1.3% FX-adjusted growth, you know, mainly driven from the Americas was close to 10% growth. Channel-wise, the main contributor was the, from an absolute number point of view, was the Independent Aftermarket, which is, of course, much larger than the OES channel. On the right-hand side, on the EBIT bridge, you see that, that the Gross Profit was down EUR 2 million. That includes a negative FX effect of EUR 14 million. Then the R&D expenses and Administrative expenses, they were also down, including some FX effects. And then you see the Selling expenses, which have increased by EUR 7 million. And that is exclusively due to the higher, to the AKO spending, the logistic costs from our warehouse consolidation program, which had an expense in the fourth quarter of roughly EUR 8 million. The minus EUR 4 million and others is just a consequence of higher special items in the last fiscal year, in the fourth quarter.

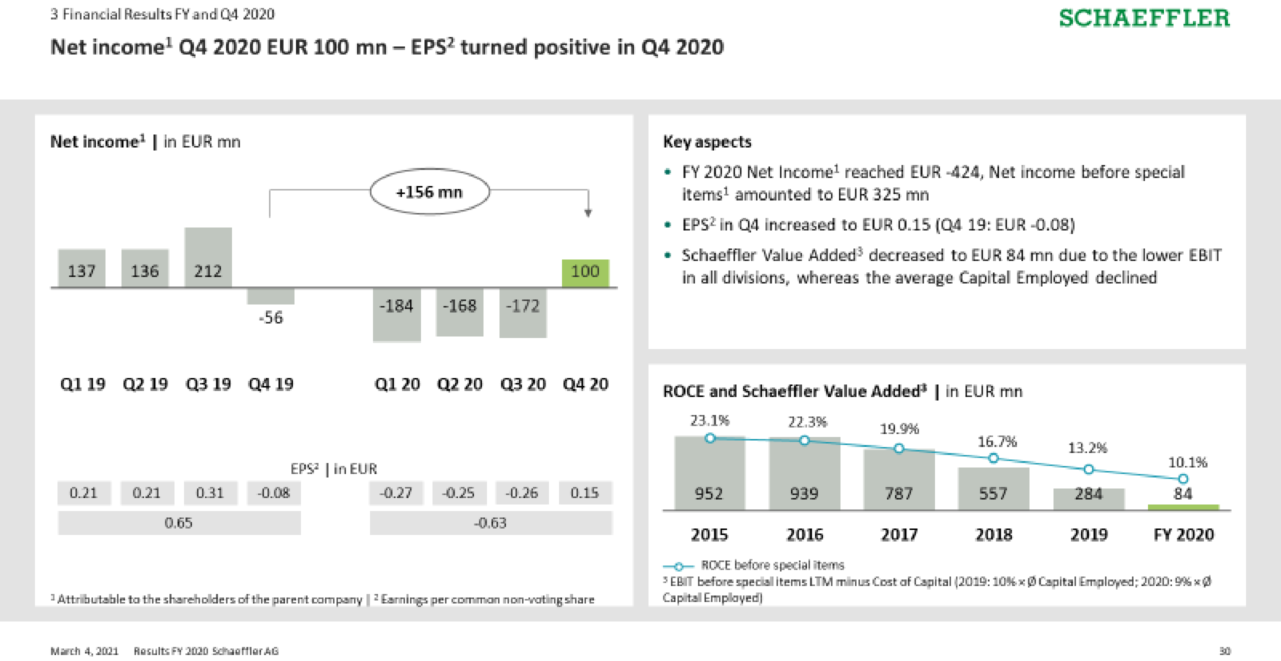


Next page, on Industrial, decline of minus 2.7% FX-adjusted. Again, despite a strong growth in Greater China with 12%. And you know, most of the sectors in the meantime in China are, have been positive or have shown positive growth in China in the fiscal year. If you look at the overall worldwide numbers, as explained earlier, Wind was growing for all the quarters, then Power Transmission in the second half and now in the fourth quarter that has been joined by Offroad and Two-Wheelers. On the EBIT side, you see that the gross profit declined somewhat. And that is driven by volume and also from FX. And on the other hand, there have been also volume-related, but also structural savings in the selling area and also savings in the Administrative area. And again, the minus 12% you see in Others, that is the consequence of higher, special items in the fourth quarter 2019, which are reversed in that column.



Next page on the Net income and on the Special items. If you look at the left-hand side, EBIT as seen on one of the prior pages, was EUR 418 million before special items. In the fourth quarter, we had special items of EUR 148 million. And that is a combination of roundabout EUR 95 million for the, from the measures which we have communicated in September. Then an additional close to EUR 40 million for another restructuring which we initiated in South Korea, which is also high cost for us. And also, another roundabout EUR 20 million for a legal matter. If we look at the, if we stay on the special items for the full year, you see that on the lower right-hand side EUR 946 million. Obviously, that includes also the goodwill impairment of the first quarter. And the yearly restructuring expenses have been EUR 680 million roughly. And out of that, you know, the big pieces have been EUR 580 million for the program we just communicated in September, and the roughly EUR 40 million for South Korea I mentioned earlier.

On the financial results, on the left side in the bridge, the EUR 72 million includes roughly EUR 40 million for the refinancing exercise. And thereof the big portion is the realization of the early redemption option of the high-yield bond. And the Income taxes basically driven from current Income taxes, negative ones, mainly from US and China, compensated by some, by deferred taxes in an area of, in a smaller double-digit number.



Next page on, again on the profitability here. It's not a lot to add, the adjusted Net Income was EUR 325 million for the full year. That has been the basis for the proposal on dividend and the respective fourth quarter number is EUR 209 million and also up from the prior year quarter.

3 Financial Results FY and Q4 2020

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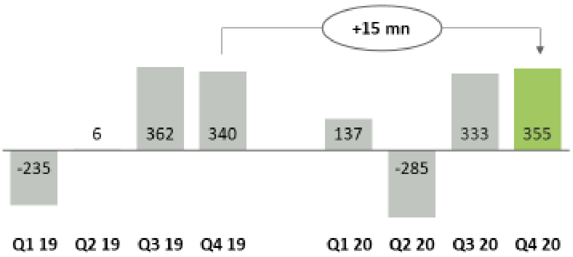
Free Cash Flow – Strong Cash Performance demonstrates stringent execution

Free Cash Flow before M&A[1] | in EUR mn



	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
FCF Conversion ratio[2]	-	0.0	1.2	> 1.0	> 1.0	-	> 1.0	1.3
Reinvestment rate	1.3	0.9	1.0	0.8	0.7	0.6	0.7	0.8
Capex ratio[3]	10.3%	6.1%	6.3%	6.2%	5.0%	5.9%	5.3%	4.2%

[1] Before cash in- and outflows for M&A activities
[2] Ratio FCF before M&A to EBIT reported | [3] Capex in % of sales

Key aspects

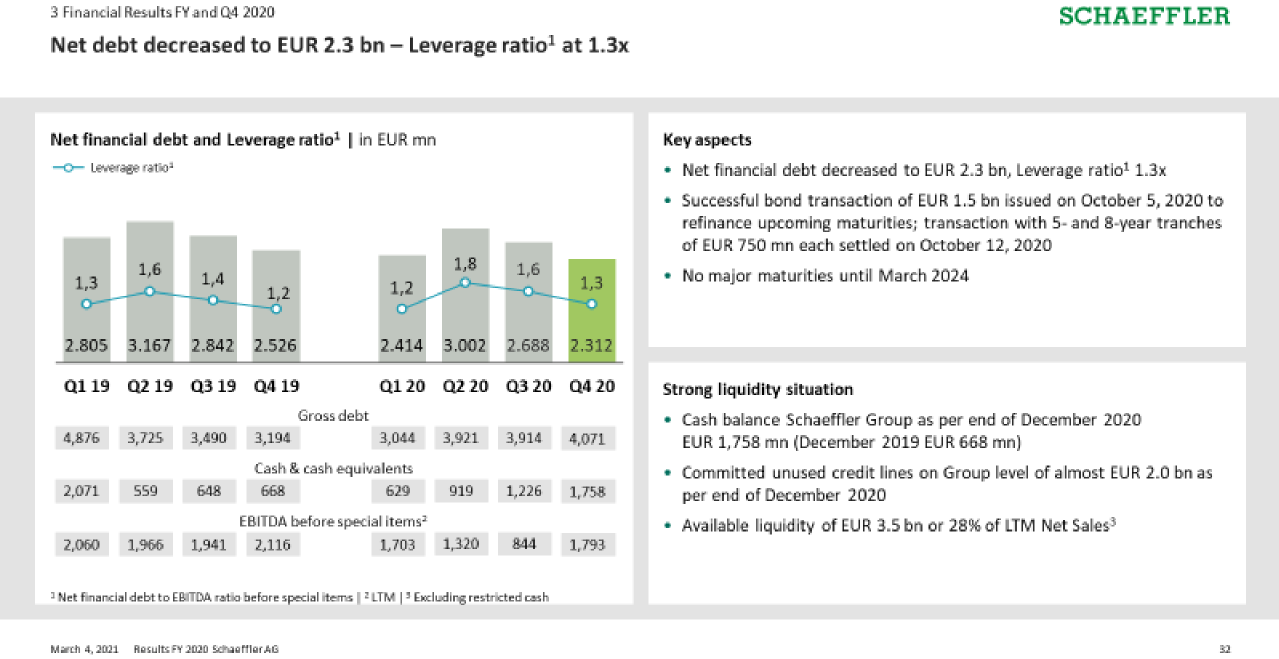
- Despite lower EBIT, FCF[1] in 2020 improved by EUR 66 mn yoy
- FCF[1] in Q4 amounted to EUR 355 mn, mainly driven by yoy EBITDA improvement and continued Capex discipline
- Strict prioritization led to reduced Capex of EUR 151 mn (Q4 19: EUR 222 mn)
- Cash-flow from Net Working Capital of EUR 180 mn especially due to lower inventories

FCF Details | in EUR mn

	Q4 2019	Q4 2020	Δ Q4 20/19	FY 2019	FY 2020	Δ FY 20/19
FCF as reported	341	367	*+27*	372	552	*+180*
M&A	-1	-12	*-12*	101	-13	*-114*
FCF before M&A	340	355	*+15*	473	539	*+66*

March 4, 2021 Results FY 2020 Schaeffler AG 31

Cash flow on page 31 was strong with EUR 355 million for the quarter and even up compared to the prior year quarter. And that is basically also driven, the EUR 355 million, from a release of Working Capital, reduction of Net Working Capital, specifically on the inventory side, to a level which is also now too low in order to secure our delivery capabilities that will now reverse going forward. For the full year, Free cash flow was EUR 539 million, up EUR 66 million compared to the prior year.



Now, on my last slide, on Net debt. There has been an improvement in the second quarter or in other words there has been a peak in Net debt and Leverage in the second quarter and then an improvement in the third quarter and also in the fourth quarter. We now are with a Leverage ratio of 1.3 already in the range of our mid-term kind of, not target, but in the range of our corridor, which we have explained. And you see also that we are, on the right-hand side, that we have no major kind of maturities which are not pre-funded until March 2024. And the liquidity situation is strong with EUR 1,758 million in cash and cash equivalents and an available liquidity of 28% of sales. And with that, Klaus, I would like to hand back to you.

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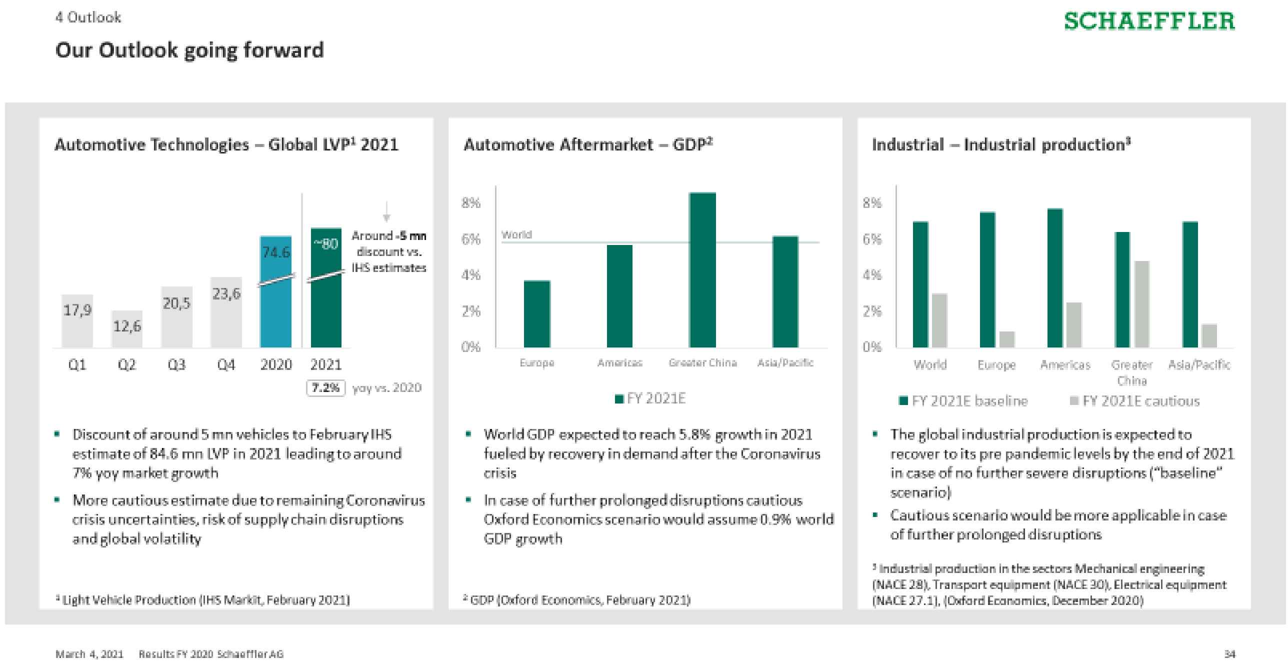
Agenda



Thank you very much, Klaus. Let me finish our presentation with the last three pages. And we have given the environment that we are experiencing - extended a little bit on our outlook going forward. That's on page 34. I think the most important part of this Triptychon is, on the left-hand side you see what we assume for Light Vehicle Production growth in 2021. We all know that the February IHS figures give us an estimate of 84.6. And we have discounted this number to come to a solid base by 5 million cars. That equals then 7% year on year market growth. That's at the moment our baseline. And clearly, this is a cautious estimate due to the remaining Corona crisis uncertainties, the risk of supply chain disruptions, but also the global volatility that we all experience. So that's our baseline. Then in Automotive Aftermarket and Industrial, you can't use such a figure. We have, as you saw from the Mid-Term Targets, used proxies here. One is the GDP number and one is the Industrial production number by way of a basket that is relevant for us. And that has given us the basis for Automotive Aftermarket and Industrial. Also, here, I think we are well advised to be rather on the cautious side.

4 Outlook

SCHAEFFLER

FY 2021 Guidance – Confident outlook, cautious approach

Group Guidance

	Guidance FY 2021
Sales growth[1]	> 7%
EBIT margin[2]	6 - 8%
Free Cash Flow[3]	Around EUR 100 mn

[1] FX-adjusted | [2] Before special items | [3] Before cash in- and outflows for M&A activities
[4] See Annual Report 2020 for more details

Divisional Guidance

Automotive Technologies Guidance FY 2021	Automotive Aftermarket Guidance FY 2021	Industrial Guidance FY 2021
Outperf. 200 - 500 bps	5 - 7%	4 - 6%
> 4.5%	> 11.5%	> 8.5%

Market assumptions 2021[4]

- Automotive Technologies: Increase of LVP of around **7%** as cautious estimate considering further possibilities of disruptions and volatility
- Automotive Aftermarket: Increase of global GDP by around **3%** (midpoint)
- Industrial: Increase of relevant industrial production of around **5%** (midpoint)

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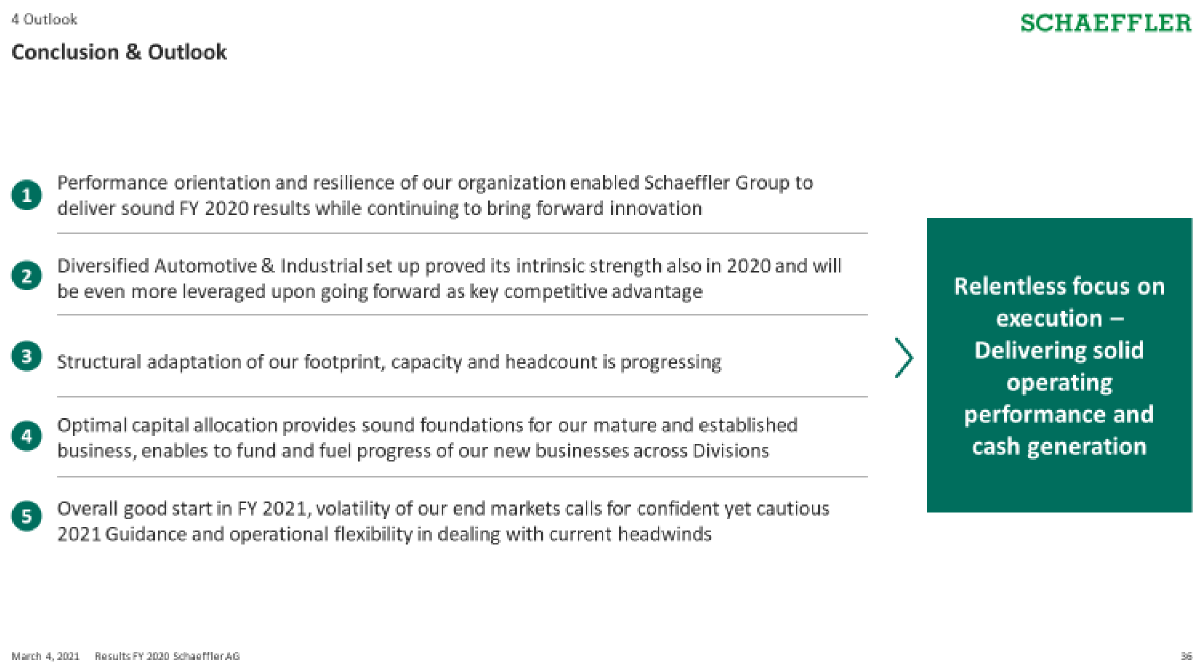
And we have used a midpoint, as you see on the next page, 35, for the two divisions. The key numbers have been absorbed, above 7% growth, sales growth is a function of the number for Auto Technologies, with an outperformance assumption of 200-500 basis points in sync with the Mid-Term Targets, 5-7 for Automotive Aftermarket and 4-6 for Industrial gives you the above 7. On the margin side, we have decided to give you floors. These floors are absolutely there to be defended whatever it takes, 4.5, 11.5 and 8.5. We all know that we can do more, and we will do our best to overachieve that. That at the moment then all together leads to a margin range for the year of 6-8. And Free cash flow, as has already been mentioned, is around 100.

So that's the guidance. Let me stress again, it's based on cautious market assumptions, but we are confident that we can overachieve these floors.



Our last page with the summary. I am not going to repeat everything that we said before. But let me stress again, our Performance orientation is clearly 100% committed. We saw that the organization is able to absorb environments like the one we saw in 2020. The intrinsic strength of the company is its management team and the ability to manage through something like this with a clear contingency, sorry, with a clear ability to manage contingency on the one hand, and on the other hand setting the course for the future. We will remain focused on execution. We know that a reliable track record counts, in particular in these days. And there is clearly value to be unlocked if we stay the course and if we focus on solid operating performance and cash generation. The Roadmap '25 is the framework for this. And we will demonstrate to you that we will be able to leverage synergies between the Automotive and Industrial divisions going forward in all these areas like clean mobility or clean energy. This is the way to go. And we now come to an end and look forward to your questions.

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2021 Capital market activities

Roadshows & Conferences – March 2021 Virtual Events

Mar 5	Roadshow – *Oddo BHF*
Mar 8	Roadshow – *Bank of America*
Mar 10	Conference – *Motor Show, Jefferies & Exane*
Mar 17	Field Trip – *Automotive, J.P. Morgan*
Mar 25	Conference – *German Corporates, Stifel*

Financial calendar

Mar 4	FY 2020 Earnings Release
Apr 23	Virtual AGM
May 12	Q1 2021 Earnings Release
Aug 4	H1 2021 Earnings Release
Nov 9	9M 2021 Earnings Release

Q&A SESSION

Akshat Kacker, JP Morgan

Thank you. Akshat from JP Morgan. Two from my side, please. The first one on your Free cash flow guidance and the low conversion ratio on EBIT of close to 10%. So, when I look at the details on your slides, you have a lower reinvestment rate of around EUR 200 million, the delta between Capex and D&A. And I understand that there are restructuring cash outflows of EUR 350 million, but that still leaves me with close to EUR 500 million in Free cash flow without any working capital outflows. So, I am just trying to understand how you are thinking about the EUR 100 million guidance in some more detail. That is the first one.

And the second one is on E-Mobility and Automotive gross margin. E-Mobility sales were somewhat lower year-on-year in FY 2020, despite close to 45% growth in electrified sales or volumes across your key markets. Can you just shed some more light on that division?

And if you have any sales target for us for the E-Mobility division in 2021 and 2022, like you used to give in 2019. And the last linked question to that is gross margin. And as you start delivering these higher E-Mobility orders in 2021 and 2022, should we expect any significant startup costs or margin dilution? Thank you.

Klaus Rosenfeld

Klaus, will you do the first one?

Dr. Klaus Patzak

Yes, of course. On the Free cash flow side, but I would look at that, and you also started, I think, on the, with the EUR 539 million Free cash flow which we have delivered in the last fiscal year, right. So obviously, we expect that we have an increase in top line. And you saw the guidance of about 7%. But please consider that there is a negative impact from FX. So that means the overall top line will be, growth will be somewhat slower. But whatever, you know, whatever it is, in the end, it will be a significant figure. And then, if you basically want to come from this additional top line, then you'll be, I would then start to use a drop-through rate of roundabout 30% to 35%, which brings you to the EBIT. And then, in the CMD we guided for a Free cash flow conversion of 0.3 to 0.5. And consider, please keep in mind that Free cash flow for us is an after-tax amount, right. So that gives you obviously as a starting point an additional Free cash flow. But then, you know, I hinted on the topic of working capital and we have a, specifically on the inventory side, we have a very low starting point.

And there needs to be some kind of refilling there, which I, which I would say should be around about EUR 100 million on top of what is already kind of calculated within this Free cash flow conversion ratio. And then there is, then I would assume - and you have all the numbers in the deck - that there is higher restructuring cash out, higher restructuring cash out than what we had in 2020. That will be a number of EUR 150 to 200 million. And then there is a Capex increase of I would say EUR 170 to 200 million. So, and if you calculate that, then you come close to the roundabout EUR 100 million. So, to sum it up, on the one hand, obviously there is a drop through on the after-tax reported Free cash flow. But on the other hand, there are negative impacts from an inventory normalization, higher Capex still below the, below the previous numbers from '18 and '19. And then there is this higher restructuring cash out. And with that, I would give it to you, Klaus, on the E-Mobility top line, or should I say something about, on the Automotive Tech gross margin.

Klaus Rosenfeld
As you like, if you want to extend on the gross margin.

Dr. Klaus Patzak
Well, indeed on the Automotive Technologies side, there is an ongoing dilution from, on the gross, in profitability from the E-Mobility business. That is there. We have basically included that in our Mid-Term Targets already. And also, that obviously, that is included also in our guidance for this year. So, it's nothing special, to be expected there. There will be sequential progress on the, on E-Mobility. And the traditional business, specifically with the increasing volume, will be able to kind of compensate for that. And therefore, we said, you know, that the EBIT margin of overall Automotive Technologies will increase compared to what we have in 2020.

Klaus Rosenfeld
I think on your, on your first question, on the second part of your question, I am not 100 % sure whether I understood correctly what you are referring to. I think the gross margin was answered. But can you repeat the second part of your question in terms of, I think it was growth, but I didn't get it 100% here.

Akshat Kacker, JP Morgan
Sure. Yes, I was talking about the E-Mobility revenues growth in 2020. So overall sales were flattish despite market volumes in your key markets being up 45%. I was just asking if you have, going forward, if you have a sales target for us for the division in 2021 and 2022? Thank you.

Klaus Rosenfeld

Again, we have, we have not given any targets for E-Mobility growth as part of the Mid-Term Targets. You know, you always have to understand this E-Mobility composition is not only E-Axles and Hybrids. There are some also existing products in that. I think the latest what I can refer to is, we said sometime in the past, that the CAGR in this business can be somewhere around 15%. There was a UBS event, if I'm not mistaken, sometime September, but again, there's no growth target as an absolute number for the E-Mobility thing. What we're giving you is the outperformance, sorry, the target for Order intake, and that has been increased. So that's what I can say at the moment here.

Akshat Kacker, JP Morgan

Thank you. If I can follow up on the gross margin question, just one follow up. Klaus, you mentioned that traditional business with increasing volumes would be able to compensate for the margin dilution from the E-Mobility business. How confident are you on that front that we won't see more margin pressure on the traditional business lines, engine and transmission?

Klaus Rosenfeld

Maybe I can, I can say one sentence and then Klaus can add from the numbers side. We are seeing at the moment an interesting situation. All the OEMs are articulating their electrification strategies going forward. And more or less everyone says he wants to redo the product portfolio, and everything becomes electric, whether it's full electric or hybrid included. At the same time, we are seeing a situation short term where people are buying cars and there are not enough battery electric cars available. So that gives us an interesting situation because they come to us and also ordering in some areas even more than we expected for traditional cars. And that gives us, to some extent, also an edge, because, you know, I am not saying that our pricing power will completely reverse, but there is a situation where we can also argue with customers and say, you know, on the one hand, you want us to transform to E-Mobility. On the other hand, you want us to keep the capacity open for all the traditional stuff and that, you know, comes at a price. So, the situation slightly changes with OEMs becoming so articulated on their electrification strategies. And we always said, last on the Capital Markets Day, that our mature business, or we call it our foundation business, is not just a run-off business. It has a lot of technological things that we can use for E-Mobility as well. And it is definitely something that we will harvest. So we are, and Matthias and his team is focused on the one hand, growing the E-Mobility at, you know, good gross margins, on the other hand, to harvest and, you know, use the cash that sits in the existing business as wisely as possible.

Akshat Kacker, JP Morgan
Thank you so much.

Gabriel Adler, Citigroup
Hi, thank you. Gabriel from Citi. Two questions for me, please. The first is on the market outlook and your assumption of +7%, which, I understand the rationale for being cautious here. My question is more whether there is anything that you are seeing maybe in the current trading in February or with regards to conversations you are having with customers around perhaps shutdowns and chip shortages that is informing your view here. Or is it just a prudent and cautious take on an outlook that is clearly a volatile and uncertain look at the shortages and the strength of recovery.

And then my second question is on the Industrial margin. Can you just help us understand what really is holding back a recovery in the Industrial margin in 2021? Because revenues are growing, your order books are recovering, headcount is falling, and yet you are guiding to a margin floor of 8.5%, which is only modestly better than what you achieved this year. And is also some way off the 12-14% target you set out at the CMD. So, any color you can provide around why you are not expecting a stronger margin recovery in Industrial in 2021 would also be helpful. Thank you.

Klaus Rosenfeld
Let me start with the first one. And I think you all will agree that we are at the, hopefully at the end of an unexpected and unprecedented crisis where no one of us has a crystal ball and can say how this unfolds. We think it is starting to clear up, but we are now seeing this chip shortage, that has only indirectly to do with the crisis. That is, you know, something where Schaeffler as such is not that impacted compared to others, but it will impact demand going forward. We don't know how much and how strong that will be. We also see the uncertainties from other elements in the supply chain. And therefore, I think it is more than prudent not to go with an overly optimistic perspective now into the, into the new year. Yes, we see that at the moment there is a positive development in January and February. But the year is not over. Growth rates as such have to be looked against the deep dives in the second quarter 2020, for sure. But again, I can only say at the moment, from our point of view, it's prudent to be rather on the cautious side. We explained to you the logic with this discount. Others have done something similar. And I think that is the right way to

start and to see how we move forward. As I said this is about agility. It's about having, you know, the right information available and draw the right conclusions when necessary. I can say for us as a management team, we are, we are optimistic for the year. We're not saying that this will be another chaotic year like 2020. But it is better to be careful than overly optimistic.

Dr. Klaus Patzak
Yes, on the, on your question on Industrial and the margin. So, first of all, I think, you know that we have to just be clear that we do not expect the same overall top line compared to, like in 2019. So, there was a, there was a decline in 2020 of -9%. But remember that is FX-adjusted. And we also guided for growth in line with the Industrial market. But also, here we expect, you know, a negative FX impact. That means there will be, there might be a difference of whatever, EUR 300, 400 million in top line versus 2019. So, first topic. Second topic: I think also we made it always clear that in the end there needs to be structural improvement. Specifically, also in Germany on the production side, because there is a very large production base in Germany. We have addressed that with the measures which have been communicated in September. And at that point in time, we already said that the payback from these measures will not be effective in 2021. They will start to be effective in 2022. And then basically in 2023, we said we will have around about 90% of the, of the savings which we have, which we expect from the whole program. And therefore, it is basically a combination of working on the structures, and improvements will come there. And then it will also take time in the Industrial space until the pre-crisis level will be reached.

Gabriel Adler, Citigroup
Okay, thank you very much.

Klaus Rosenfeld
Maybe I add one sentence. You see the gap from today to the 12% to 14% in 2025. That is the journey that we have in front of us. And when you think about the measures that we implemented, then they will significantly contribute to that journey, but not in '21, as Klaus said. It's a progression and therefore it is for us of utmost importance that we get these negotiations with our Workers Council settled. They are on a good way. We have, as you know, good and cordial relationships with them. And I think that this will pave the way for this execution path.

Sascha Gommel, Jefferies
Good afternoon, everyone. Thanks for taking my question. Unfortunately, I have to follow up on the guidance as well, just that I understand it correctly. If we assume kind of the low end of your top line guidance for each of the divisions. That's when you think you will reach the stated margins, kind of the bottom end. Is that the correct reading of the guidance?

Klaus Rosenfeld
That, that is ... no, say it again, please, Sascha. I don't want to say something wrong.

Sascha Gommel, Jefferies
Yes. So, for Industrial and Aftermarket you gave the range. And then similarly for Automotive, in the sense 7% market and 200 basis points of outperformance. Going forward, that's when we should assume kind of 4.5%, 11.5% and 8.5%?

Klaus Rosenfeld
Correct.

Sascha Gommel, Jefferies
Okay, perfect. And then my question, a bit of a follow up as well. I mean, if I assume Aftermarket or Industrial at the low end, it would basically imply that EBIT is unchanged for Industrial, despite higher top line, even at the lower end. And for Aftermarket, it's down EUR 40 million or so, which basically also means the AKO headwind falls completely through and there is no offset from your incremental top line. Just trying to understand why this is the case, given you have so much restructuring in place.

Dr. Klaus Patzak
Let me first come back to your starting question. I think principally that that is true. You know, our guidance of above 7% top line, that is based on the conservative market view on Automotive Technologies. Some outperformance in the range we gave, which is then, but also not, more on the lower side. And then I'm also considering a conservative market view on Industrial and Automotive Aftermarket. So that I can confirm. So then, you know, the other topic I understood as a question, but is on the Automotive Aftermarket specifically. Why we are improving not, why are we declining in margin so strongly? And, indeed, there are positive volume effects on the gross margin. But they are more than compensated by mainly three factors. First topic is higher production costs, including, higher production cost, mainly from our internal

supply, from Automotive Technologies. And the second one is that we will have, as communicated earlier in, you know, for the AKO we will have an impact which is in the range of EUR 32 million in 2021. That is significantly more than what we have in the year 2020. Here, I can give you a number of roughly EUR 12 million. The majority of that was in the fourth quarter. So, if you take this, you know, logistic topic together with further investments in digitalization, as mentioned and explained from Klaus, that is good for roughly 2 percentage points or so. So roughly 2 percentage points for higher production costs or costs for goods, 2 percentage points for AKO and digitalization. And then we also plan with another negative FX effect, which might be in the range of 1.5% for Automotive Aftermarket. And yes, if you take it together, that explains the drop in profitability. Keep also in mind, the 11.5% which we put as a, as a guidance that is a floor again, right? For example, that also considers that there is potentially a faster increase in revenue on the Automotive Technologies side, which would in the end potentially limit the growth in the Automotive Aftermarket business because they would then not have enough goods to ship. So, it's really something which again, as Klaus Rosenfeld said, you know, this is what we think would even be defendable in such a scenario.

Sascha Gommel, Jefferies

Perfect. That's very clear. Thank you. My second question would be on the EBIT Order intake, which obviously gained quite a bit of momentum. I was just wondering if you can just qualitatively speak about ... Do you think kind of that pace of Order intake is enough mid-term to offset kind of some ramp down in your legacy portfolio? Or do you think kind of mid-decade, you really need to step up and kind of go back to the 3 billion level in order to offset some of your legacy products that might face down a bit faster than initially expected?

Klaus Rosenfeld

Well, Sascha, that's a good question. But for the time being, the range has been increased to 2-3, not because of any offset ideas, but simply because the number of requests is increasing. The number of projects we are running is increasing. And we need to just be clear that we want to be selective in our approach and we want to be modular in leveraging what we have done in the past. So, this is not just getting on board whatever we want, whatever may look interesting. It is a selective approach to build a portfolio in those areas where we can make a difference. And it's not only quantity, it's quality of the Order intake, and it is the ability to leverage the core competencies across the spectrum.

Sascha Gommel, Jefferies

Thanks. And my last one, kind of a related question: If we listen to the OEM presentations over the last six months or so, everyone is talking about insourcing more of the EV powertrain, different areas, but overall, the tone is more towards insourcing. How are your discussions in that sense? Do you feel the OEMs go more to like a component relationship, that they want more components in their system? Or is that a misperception? And you still kind of have a lot of systems that go into the OEMs on the EV side?

Klaus Rosenfeld

No, that's a fair question. And I would be I would be foolish to say that this is not a critical issue. We have seen large projects that we wanted to win that went away and were done in-house. It's a, it's a relevant point that we need to deal with. The answer to this is, from our point of view, that you need to be good with the 3-in-1s and with the more system-like offering, but also be able to offer the components. Because certain components are difficult to do in-house. And if you then think about the margin profile, if there are, you know, parts and it could even be an E-Motor. There are companies that said we want to do with Schaeffler the E-Motor, because they can do it better than we can. And don't forget, an E-Motor, a rotor and a stator is nothing else than high-precision metal sheet forming and packaging, and that requires investment if someone wants to do this in a highly efficient manner. So, the answer is not black and white. There is this extra competition from the OEMs themselves. It doesn't sort of allow us to do anything. But it's something that we need to take seriously. And our answer is, again, a modular approach, but also an approach that does not neglect a component into something bigger. And so far, that has gone well. I think the best proof is here, this E-Motor strategy, where a very prominent OEM, where I can't mention the name, already a year ago, gave us this large order and said, we want you to build that for us. And when I look at a number of projects that we are, we are dealing with at the moment, then this becomes a theme going forward. I also mentioned that this morning in the press. There are products that we have built a certain competence for in the ICE space that will be used much more in the battery electric area. Thermal management is a good example. I think some of the analyst studies already talked about this. So, there is a spill-over effect that you can also use. And so, it's still a race for sure. But we are in a much better position than we have been two years ago.

Sascha Gommel, Jefferies

Thanks, that's very clear. Thanks for all the color. Thanks.

Klaus Rosenfeld
You're welcome

Victoria Greer, Morgan Stanley
Good afternoon, thanks for taking my question. The first thing I wanted to ask was around your relationships with all of the various start-ups that we're seeing in the, in the EV space. Could you talk about what is your conversation like with them both in terms of E-Mobility products, but also elsewhere in auto OEM? And then just a couple of housekeeping ones, please, on your expectations for the net interest cost and the tax rate for 2021. Thanks.

Klaus Rosenfeld
Okay, the start-up question is an interesting one. There are all sorts of start-up experience from the past. And we have, I think - if I may call this a start-up, at least some years ago it was a start-up - the only one that has really made it so far is Tesla. And Tesla has a very specific approach to things. You know this better than, than I do. All the other ones from the past have not really succeeded. I am not saying that this is, will be the case going forward. That would be wrong. We are approached by, always by these companies, and in particular when it comes to the luxury space where the profit pool is larger than in the low end of the spectrum. And we always sort of like to talk to new companies, understand what they want. But for us, you know, we build our business around the idea that scale matters. So, it becomes then a discussion about where can we add value? And where does it make sense to design something that is completely new? In particular, if you want to leverage that experience. There is a whole range of newcomers in China. Our Chinese organization is engaged with most of them. But again, you have to be selective in saying where do you really want to talk and where do you really want to put money at work? So, again, it is a selective approach, by looking carefully - there are no miracles. What we are seeing at the moment from Tesla in China is an aggressive approach, quite impressive. But they are obviously putting their price strategy at work with their great reputation to build inroads into the E-Mobility space there, with raising the bar also for service. So that's quite interesting to follow. But again, on the more unknown companies, we talk, but we are selective in terms of putting real money at work.

Victoria Greer, Morgan Stanley
Yes, that's really interesting. Thank you. Actually, I wanted to also pick up on - before the more boring questions, more boring but important questions - to your point about

scale. In E-Mobility, are there a lot more components in your E-Mobility product portfolio where there are much more standardized, basically than you would have for ICE? Is that something also that you think about in product development and in how you sign contracts?

Klaus Rosenfeld

Well, I think, Victoria, if you break down a BEV car, the composition of the bill of material it is definitely different than an ICE car. Does it mean that, you know, there is a different degree of standardization when it comes to our components? Not necessarily. You can say a complex transmission with a 10-gear transmission needs probably more bearings in the transmission. But if you have a complex E-Axle with an inverter, with a reducer, some of the complexity is replaced by something else. So, I'm not saying you can just extrapolate the whole complexity of the, let's say, engine valve train components into an E-Car, but there is definitely not a notion that says everything is easier in an E-Car. That's not the case. In particular, if you go to the high end, high voltage segment where we think there is all the transmission know how that we have, all the system understanding that is needed is very relevant and also extending then into power electronics and E-Motors. So, I think this simple notion of E-Cars are more standardized and that's why you're losing value is at least not right for the high end sophisticated E-Mobility product. And I do believe that that is the area where most of the companies will make money. And the smaller cars, the ones that you drive with low voltage, they have probably a different situation.

Victoria Greer, Morgan Stanley

Yes, thank you. Actually, it wasn't so much the sort of, that EVs are much simpler than ICEs that I was thinking about. It was more that, to your example of the 10-speed transmission. 10-speed transmission for one OEM customer I assume is probably quite different to the similar product but for a different customer or even maybe on a different model for the same customer. But in the hybrid modules or in E-Axles, in E-Motors, the difference between one E-Motor for one OEM is less, right, to the same product for different OEM. Do you see what I am going for? Basically, how scale can be different for you for E-Mobility.

Klaus Rosenfeld

No. Sorry, then, Victoria, I misunderstood the question. That's what I wanted to say when I talked about the modular strategy. For us, it is vital in terms of intelligent use of our capital that we do not reinvent for every project a complete new set up. We have certain competence, as you know, in hybrid systems in terms of how to make them and how to make things smaller. The old Ford MHT example is a great example that we extended into other things with just one, another hybrid system for a Japanese customer in the US, where we are basically using that concept and extending that concept. If that is what you mean, then I think we are on the same page. And that is from my point of view of vital importance in terms of making money with this stuff. If you try to reinvent the wheel for every customer, you will not be able to make money on this.

Victoria Greer, Morgan Stanley

Yes, yes, great. No, thank you.

Dr. Klaus Patzak

Okay. And then on your question on the tax rate for next year, we expect 32% to roughly 34% and if your question was more on the cash side, we -- I would expect a similar amount of tax out from -- cash out from tax as in 2020. So, we talk here in order of EUR 310 million or something like that. This in the range obviously, that's depending on where the profitability comes from and includes also the assumption that in the next year, there is high profitability in our companies abroad and on the interest cash out, that would be somewhat higher than what we had in 2020, including somewhat higher in our interest on the bonds.

Victoria Greer, Morgan Stanley

Great. Thank you very much.

Horst Schneider, BofA Merrill Lynch

Yes, good afternoon and thanks for taking also my questions. The first one that I have relates to the top line guidance in Automotive Technologies. I mean, you give a wide range with this 2% to 5% outperformance. I want to understand what does it depend on that it is 2%, and in which case is it 5%? You have been towards the end of last year rather at the upper end of this range. So maybe could you explain that a little bit, what it depends on?

Klaus Rosenfeld

Let me try to give you some color. I mean, if you look at the page in the book with the historic outperformance, you see numbers that are inside the 2% to 5%. And I think what we can say then from a regional perspective, you see that there is some volatility. The more stable number is Americas. If you go back four quarters, Americas was always positive in terms of outperformance, sometimes two digit, sometimes only high single digit. But all the other numbers can fluctuate over the quarters. And we think that 2% to 5% is a solid range that we can deliver. The outperformance depends on are you on the right platform with the right product? I can tell you if we sell this MHT module, that is a high content per vehicle, continuously well with our major US customer, because people buy large SUVs and pickup cars that will drive outperformance. If you are in something that is not really performing well because the customer can't sell the product, then that can be negative. So, it's a function of what type of platform, what type of car and what is your content per vehicle in the ones that are running or in the ones that are not running?

Horst Schneider, BofA Merrill Lynch
Okay, yes.

Klaus Rosenfeld
Does it make sense?

Horst Schneider, BofA Merrill Lynch
Well, I have got to think about it in more detail, to be honest, and maybe get back to you on that one when I'm finalizing my estimates. But on the, I mean regarding this...

Klaus Rosenfeld
But can I, can I say there, Horst, you know, the question is, from my point of view, not so much the outperformance. The question is what is the underlying market and production number? And here we said we have taken a discount - 5 million cars. That incorporates all the headwinds that are there, whether it's the demand curve because of the shortage of chips. That is not that relevant for us from a supply side, but that can be relevant from a demand side. So, if you think about growth in Automotive Technologies, it's very much this combination of a decent outperformance number and the volatile production volumes.

Horst Schneider, BofA Merrill Lynch
Then let me just ask a follow up on that. Where is again, your contents per vehicle, in which region is that the highest?

Klaus Rosenfeld
That's a number that I don't ... We need to go back to the files to look at this. But that's not a number that we have.

Dr. Klaus Patzak

Content per vehicle is the highest in Europe. And I think that's also a reflection of the outperformance. If you look at the 2019 and 2020 numbers, you know, you see that in Europe the outperformance was smaller. But that's also a reflection of the high content per vehicle there. So, I think that, as Klaus already mentioned, there is also a kind of regional kind of momentum there. And we had strong outperformance because there was strong growth in China and also then lately in the United States.

Horst Schneider, BofA Merrill Lynch

But a bit on the longer term, because I know you also guide mid-term with these 2% to 5%. I asked this question also in November at the CMD. What is the path of this outperformance? Is it right to assume that it should be rather higher in a year, like maybe 2021? We have got special circumstances. And then maybe it levels off in '22, '23 and then it accelerates maybe or maybe even declines in '24, '25, when we move much more towards the EV.

Klaus Rosenfeld

Again, we can take that question with us and see whether there is a pattern, but what we gave you is an on average indication. And I, think I have not seen anyone who gives the walk in terms of outperformance through the years. Again, it's very much dependent. Don't forget, this business is a consumer business. It depends what are the consumers buying. And even if there's a big talk about electrification these days - and we think that's right that there is this conversation about electrification and all the OEMs are going this direction - what the consumer does in 2021 remains to be seen.

Horst Schneider, BofA Merrill Lynch

Yes, sure. Then the other question that I had that relates more to the seasonality. So how should we think about the way through 2021? Is it fair to say that H1 is going to be weaker than H2? Or there is no special seasonality that you would expect?

Klaus Rosenfeld

Weaker in terms of what? In terms of growth? Or in terms of profitability?

Horst Schneider, BofA Merrill Lynch

Both. If you can comment, then certainly on both. I see the Light Vehicle Production numbers, of course. So, I think for January, February, we have got a trend. But then, I don't know, for EBIT margin...

Klaus Rosenfeld
What I can say at the moment is we started well into the first quarter and... And that, you know, to be a little bit more explicit, that means a positive growth rate. And you all know that in the first quarter, there was already a decline in China, starting earlier than in the rest of the world. In the second quarter, you will definitely see significant growth rates because of the low comps. And how this then progresses into the, into the second half of the year is a function of what happens with this crisis. I mean, if the crisis is over, don't underestimate. There is I mean, all this, you know, these support programs that now come through in the United States, we already see inflation expectations rising. We don't know how people will behave in the second quarter. So, it's crystal ball, Horst. I'm not going ... I can't give you something that now says: I am confident that the second half is more, growing faster than the first. I think in terms of growth rates, you need to factor in that the comps of the previous year, of 2020, will play an important role when you determine growth rates.

Horst Schneider, BofA Merrill Lynch
Sure, sure. I mean, anyhow, year on year growth rate, I don't know if that perspective is useful. Maybe we should more talk about sequential growth. Right? Well, I mean, forgive me this question. I really liked in the conference call the statement that you make on Aftermarket, where you clearly explain how you get to the cautious margin. When I look at Automotive Technologies, I have not yet fully understood why just more than 4.5%. I understand you want to be cautious. But then when I look at the margin, of course, in Q3 and Q4, and then I look at the total level of production volumes globally in Q1, Q2, Q3, Q4. I cannot really see why the margin is coming down that much. If I look at the average of 2020, it's easier to understand. But when I just look at the run rate that you had in H2, I do not really understand why it's getting down that much. So maybe if you could clarify that.

Klaus Rosenfeld
But, Horst, I think we tried to explain that at the beginning. This is a floor. It's not a point guidance and it's not a range guidance. It's a floor. And it's there to be also defended in the more adverse developments. So, I think maybe you take that away.

Dr. Klaus Patzak
And to add on that. I think what I tried to make clear is, general remarks, that the fourth quarter is a special quarter, an exceptional quarter. But if we run through a couple of topics again, or in more clearness hopefully, on, obviously with regard to Automotive Technologies. I think the first topic is, the fourth quarter was volume-wise a very, very strong quarter. You know, it is, it would not fit to our guidance, which

is kind of based on a more conservative market outlook, if you just, you know, take the fourth quarter volume times four. That would be, that's the first topic. So, consider a lower absolute top line.

Second one is, there have been raw material savings in 2020 compared to 2019, and that will reverse. So that is definitely a headwind. And while we obviously, we can, we can compensate or pass through a bit but not fully and not necessarily in this, in the same year.

The third one was - and I mentioned that on a group level - that there has been significant inventory, scale from inventory. And that means, that gives you a really strong gross margin. But you have seen in the fourth quarter. And that is nothing to repeat. So that again, is a, if you want, on the margin, that's a headwind. Then we had during, we had this short-time work benefit, which we also, I think, mentioned at some point in time, mentioned in earlier quarters. It was still visible in the fourth quarter, a smaller number compared to the third. But again, this is, this benefit still in the fourth quarter will not be there in the full fiscal year. And then finally, there have been savings in the R&D side, for example, which are the consequence of some customer projects which have been delayed and they are ramping up now. So, I think there are a couple of reasons which contribute to the fact that the margin will definitely be lower, will be lower. But again, as Klaus said, the 4.5% that is what we believe is a defender of the floor. And, you know, we purposely said it will be larger than 4.5%.

Horst Schneider, BofA Merrill Lynch

Okay, but then forgive me again this question: Maybe, can you quantify the effect that you mentioned, raw mat impact, R&D increase and the reversal of these short-time work savings?

Dr. Klaus Patzak

But I would say that, you know, the volume impact, I will, you have to, that's a bit difficult because we have not given on volume, you know, a top line forecast for Automotive Technology. So, you basically, if you, but you can do that yourself, basically, we said, for the full year 7% market growth as an assumption, then we have used this outperformance probably. We have not been at 5%, but a bit lower. Then consider this negative FX impact, which might be between, might be roughly 2.5%. And then you are on an absolute kind of volume. And then, so that has an impact. Raw material is, you know, an Automotive Technologies analyst that would say a mid double-digit number. And then the inventory topic is also probably a high double-digit number. And then you go to the functional cost and also include, you know, a bit higher special freights. I mentioned it earlier in the call. And I think that gives you enough flavour.

Horst Schneider, BofA Merrill Lynch
Okay, thank you.

Stephanie Vincent, JP Morgan
Hi. Thank you so much for all the transparency and for taking my questions. Just really housekeeping questions, actually. So, I believe that the factoring balance is zero. But just for housekeeping, if there is any reverse factoring balances in there, that would be useful to know. Also, on the Schaeffler Finance BV entity, obviously you called the 2025 bonds. I just had a question as to whether there are any further public filings regarding that entity or if you have made a decision about what to do with that entity, keep it outstanding or otherwise.

And then finally, on M&A, you have given a lot of transparency about Free cash flow. But just wondering if you had any updated comments on bolt-ons or even some potential small or medium sized divestments that we could think about in 2021.

Klaus Rosenfeld
Stephanie, let me take the last one and then Klaus continues with the two other questions. And the last one is pretty easy to answer. There is nothing new that we can share with you. The M&A strategy is in place, and I can only confirm we are looking to smaller acquisitions that fit technologically. That is the answer to your last question.

Dr. Klaus Patzak
On the on the BV side, indeed, we have fully redeemed the last bond of Schaeffler Finance BV on November 4th, but we have no, made no decision so far on the future of Schaeffler Finance BV. So that is something which is, which is open. On the factoring or with regard to the ABCP program, that has a volume of roughly 150 million unchanged. So, and also no change, which is included in our guidance.

Stephanie Vincent, JP Morgan
OK, thank you.

Klaus Rosenfeld

Well, ladies and gentlemen, thanks for joining this call. We look forward to the next events that are coming up. There is a roadshow planned virtually in the next couple of days, starting next week. You know, we have our Annual General Meeting in April and then the first release on the first quarter. That will certainly be very interesting then in May. Once again, thank you very much for staying with us today. And we look forward to all your questions, all your interaction and everything you need to know from us. Thanks a lot. And bye-bye.

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Information top-up

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Key figures FY and Q4 2020

in EUR mn	Q4 2019	Q4 2020	Q4 2020 vs. Q4 2019	FY 2019	FY 2020	FY 2020 vs. FY 2019
Sales	3,588	3,629	+1.2% / +4.6%[1]	14,427	12,600	-12.7% / -10.4%[1]
Gross Profit	844	961	+117 mn	3,574	2,909	-665 mn
Gross margin	*23.5%*	*26.5%*	*+3.0pp*	*24.8%*	*23.1%*	*-1.7pp*
EBIT[2]	279	418	+139 mn	1,161	803	-358 mn
EBIT margin[2]	*7.8%*	*11.5%*	*+3.7pp*	*8.1%*	*6.4%*	*-1.7pp*
Net income[3]	-56	100	+156 mn	428	-424	-852 mn
EPS[4] (in EUR)	-0.08	0.15	+0.23	0.65	-0.63	-1.28
Schaeffler Value Added[5]	284	84	-200 mn	284	84	-200 mn
ROCE[6]	13.2%	10.1%	-3.1pp	13.2%	10.1%	-3.1pp
Free Cash Flow[7]	340	355	+15 mn	473	539	+66 mn
Capex	222	151	-71 mn	1,045	632	-413 mn
Net financial debt	2,526	2,312	-214 mn	2,526	2,312	-214 mn
Leverage ratio[8]	1.2x	1.3x	+0.1x	1.2x	1.3x	+0.1x
Headcount	87,748	83,297	-5.1%	87,748	83,297	-5.1%

[1] FX-adjusted | [2] Before special items | [3] Attributable to shareholders of the parent company | [4] Earnings per common non-voting share | [5] Defined as EBIT before special items LTM minus Cost of Capital (2019: 10% × Ø Capital Employed; 2020: 9% × Ø Capital Employed) | [6] Before special items, LTM | [7] Before cash in- and outflows for M&A activities | [8] Net financial debt to EBITDA ratio before special items

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Ancillary comments to support the Equity Story

Additional KPIs	FY 2021	Comments
Order Intake E-Mobility	**EUR 1.5 - 2.0 bn**	Starting from 2022 the new target of EUR 2 - 3 bn applies
Capex	**Around EUR 800 mn**	Focus areas include Digitalization, Sustainability, Innovation & Technology and investments in New Business
Restructuring cash-out	**Up to EUR 350 mn**	Significant portion of extraordinary restructuring expenses in 2021 expected leading to prudent FCF guidance
Dividend proposal	**25 cents**	Dividend payout ratio[2] 50% within our range of 30 - 50%
Leverage ratio[1]	**1.2x - 1.7x**	Leverage ratio 2021 comfortably within our mid-term range
Average Tax rate	**30 - 34%**	Overall effective tax rate in line with pre-Covid years
FX rate EUR/USD	**1.25**	Next to EUR/USD, also the Chinese Renminbi and Mexican Peso are of specific importance

[1] Net financial debt to EBITDA ratio before special items | [2] in % of Net income attributable to shareholders before special items

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Equity Story – Positioning Schaeffler for long-term value creation

1. Roadmap 2025 in execution – 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

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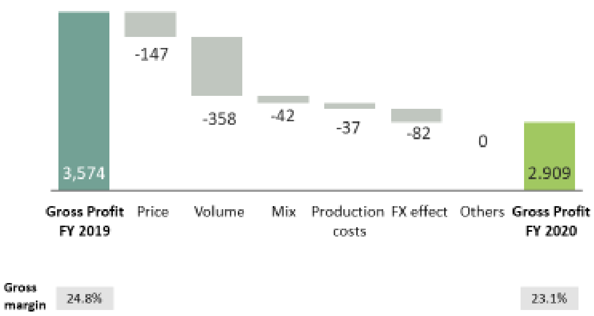
Gross Profit FY – Severe volume losses could not be fully compensated by cost flexing

Gross Profit FY 2019 vs. FY 2020 | in EUR mn



Key aspects

- Normal negative price effect in Automotive Technologies, Automotive Aftermarket and Industrial with slightly positive price development
- Negative volume effects across all divisions representing major impact on Gross Profit development
- Negative FX effect is mainly driven by translational effects and overproportionally related to Automotive Aftermarket and Industrial

Gross margin

in % of sales	Q4 19	Q4 20	Q4 20 vs. Q4 19	FY 19	FY 20	FY 20 vs. FY 19
Automotive Technologies	20.0%	24.5%	+4.5pp	20.8%	19.1%	-1.7pp
Automotive Aftermarket	33.9%	35.3%	+1.4pp	34.3%	34.3%	0.0pp
Industrial	27.4%	27.6%	+0.2pp	30.0%	27.3%	-2.7pp
Group	23.5%	26.5%	+3.0pp	24.8%	23.1%	-1.7pp

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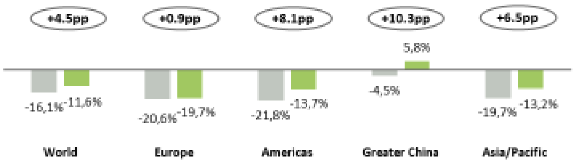
Automotive Technologies FY – Strong Outperformance, EBIT margin[2] impacted by volume declines

Sales by business division | yoy growth

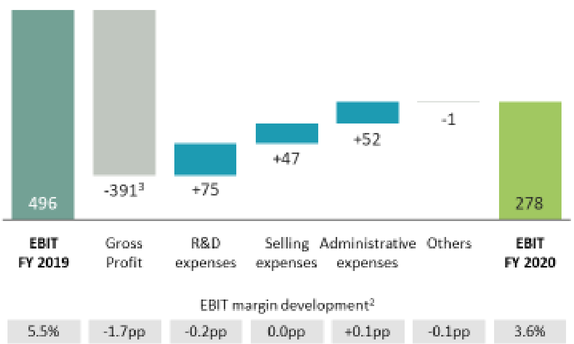
	FY 2019	FY 2020	Δ[1]
E-Mobility	681	657	-2.5%
Engine Systems	2,793	2,369	-13.8%
Transmission Systems	4,023	3,506	-10.8%
Chassis Systems	1,547	1,289	-14.8%
Total	**9,044**	**7,821**	**-11.6%**

Outperformance: Sales[1] vs. market development in FY



Production of light vehicles FY 2020 vs. FY 2019 (IHS Markit, February 2021)
Sales growth Schaeffler Automotive Technologies FY 2020 vs. FY 2019

EBIT[2] FY 2019 vs. FY 2020 | in EUR mn



[1] FX-adjusted | [2] Before special items | [3] Includes negative FX effects of EUR 17 mn

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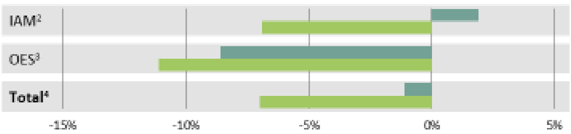
Automotive Aftermarket FY – Sales impacted by Covid-19 pandemic, robust EBIT margin[5]

Sales by region | yoy growth

	FY 2019	FY 2020	Δ[1]
Europe	1,308	1,183	-7.8%
Americas	362	301	-4.3%
Greater China	81	77	-1.9%
Asia/Pacific	96	80	-12.3%
Total	**1,848**	**1,641**	**-7.0%**

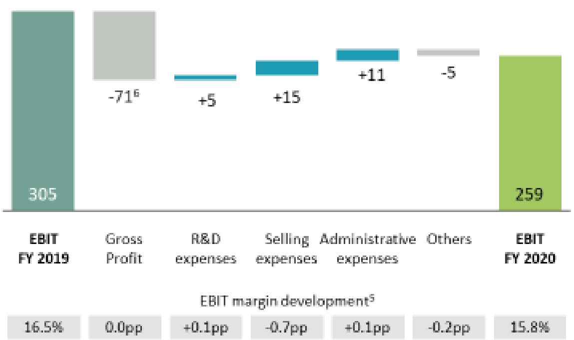
Automotive Aftermarket sales growth by channel[1]



FY 2019 FY 2020

[1] FX-adjusted | [2] Independent Aftermarket | [3] Original Equipment Service | [4] Contains E-Commerce sales and sales to Automotive suppliers in addition to IAM and OES

EBIT[5] FY 2019 vs. FY 2020 | in EUR mn



[5] Before special items | [6] Includes negative FX effects of EUR 32 mn

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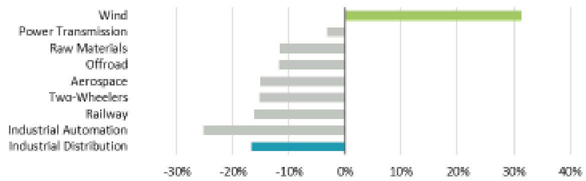
Industrial FY – Strong sales in Wind, EBIT margin[2] impacted by lower volumes in all other sectors and Industrial Distribution

Sales by region | yoy growth

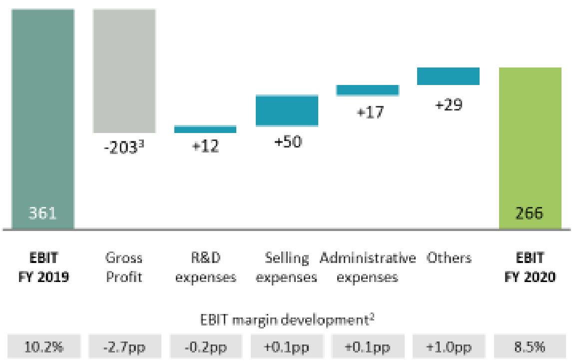
	FY 2019	FY 2020	Δ[1]
Europe	1,627	1,319	-18.4%
Americas	638	528	-13.5%
Greater China	723	840	+18.1%
Asia/Pacific	547	451	-13.6%
Total	**3,535**	**3,138**	**-9.2%**

Industrial sales growth by sector cluster FY 2020[1]



[1] FX-adjusted

EBIT[2] FY 2019 vs. FY 2020 | in EUR mn



[2] Before special items | [3] Includes negative FX effects of EUR 34 mn

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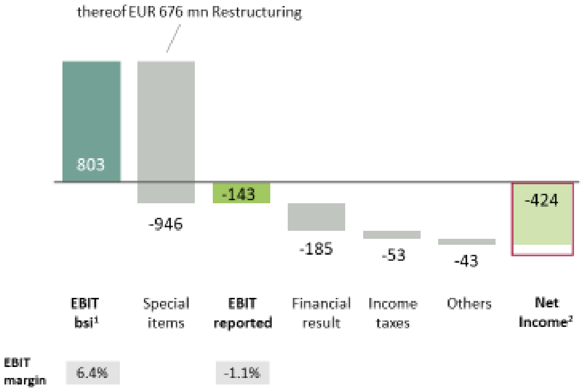
EBIT before special items – Reconciliation FY 2020

Reconciliation FY 2020 | in EUR mn



[1] Before special items | [2] Attributable to the shareholders of the parent company

Key aspects

- New restructuring program announced in September leading to EUR 580 mn provisions in FY 2020, allocated divisionally as part of the programs RACE, GRIP and FIT
- Goodwill impairment of EUR 249 mn in division Automotive Technologies triggered by uncertainty related to the Covid-19 pandemic
- Financial result lower yoy, mainly related to the refinancing activities in October with a negative effect of EUR 39 mn

Special items by division| in EUR mn

	Q4 19	Q4 20	Q4 20 vs. Q4 19	FY 19	FY 20	FY 20 vs. FY 19
EBIT Reported	-5	270	+275	790	-143	+933
Automotive Technologies	122	91	-31	209	608	+399
Automotive Aftermarket	15	6	-9	15	30	+15
Industrial	147	51	-96	147	309	+162
Group	**284**	**148**	**-136**	**372**	**946**	**+574**
EBIT bsi[1]	**279**	**418**	**+139**	**1,161**	**803**	**-358**

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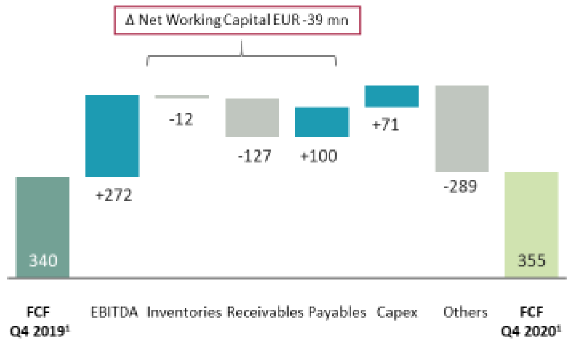
Free Cash Flow details Q4 2020 – FCF supported by strong operational performance

FCF[1] Q4 2019 vs. Q4 2020 | in EUR mn



[1] Before cash in- and outflows for M&A activities

Key aspects

- Positive EBITDA development yoy due to strong performance in Automotive Technologies
- Net Working Capital slightly negative with EUR -39 mn
- "Others" include positive extraordinary effects in Q4 2019 related to restructuring provisions for the voluntary severance scheme as well as higher payments for debt services and income tax payments in Q4 2020

Net Working Capital details| in EUR mn

Change in	Q4 2019	Q4 2020	*Δ Q4 20/19*	FY 2019	FY 2020	*Δ FY 20/19*
Inventories	117	105	-12	77	144	+67
Receivables	110	-17	-127	-156	-165	-9
thereof R. Sale Program	*0*	*0*	*0*	*0*	*-50*	*-50*
Payables	-8	92	+100	-145	13	+158
Δ Net Working Capital	**219**	**180**	**-39**	**-224**	**-8**	**+216**
Working Capital ratio[1]	*17.5*	*18.7*	-	*17.5*	*18.7*	-

[1] in % of sales (LTM)

Backup

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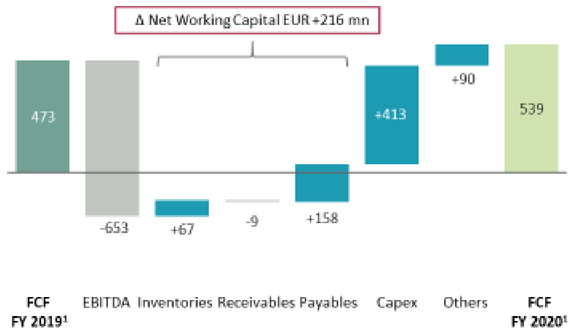
Free Cash Flow details FY 2020 – Net Working Capital and Capex prioritization

FCF[1] FY 2019 vs. FY 2020 | in EUR mn



[1] Before cash in- and outflows for M&A activities

Key aspects

- Negative EBITDA development yoy due to provisions for the new restructuring program announced in September and a weaker operational result
- Positive Net Working Capital Delta of EUR 216 mn
- Capex prioritization resulted in a Capex reduction of EUR 413 mn

Net Working Capital details| in EUR mn

Change in	Q4 2019	Q4 2020	*Δ Q4 20/19*	FY 2019	FY 2020	*Δ FY 20/19*
Inventories	117	105	-12	77	144	+67
Receivables	110	-17	-127	-156	-165	-9
thereof R. Sale Program	*0*	*0*	*0*	*0*	*-50*	*-50*
Payables	-8	92	+100	-145	13	+158
Δ Net Working Capital	**219**	**180**	**-39**	**-224**	**-8**	**+216**
Working Capital ratio[1]	*17.5*	*18.7*	-	*17.5*	*18.7*	-

[1] in % of sales (LTM)

Backup

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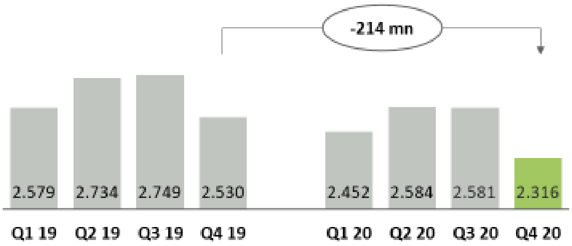
Working Capital ratio 18.7%, sequentially decreasing – Capex ratio 4.2% in Q4

Working capital[1] | in EUR mn

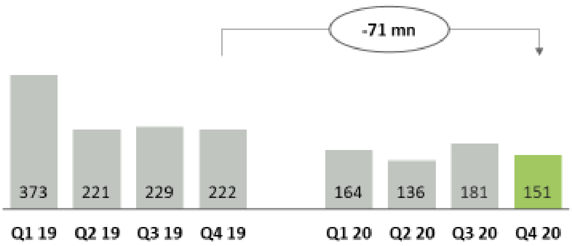


in % of sales (LTM)

Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
18.0%	19.2%	19.1%	17.5%	17.4%	20.2%	20.6%	18.7%
17.5%				18.7%			

[1] According to balance sheet; figures as per the end of period

Capex[2] | in EUR mn



in % of sales

Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
10.3%	6.1%	6.3%	6.2%	5.0%	5.9%	5.3%	4.2%
7.2%				5.0%			

[2] Cash view

Backup

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Automotive Technologies (AT) outperformance by quarters

New regional structure for 2019 and 2020 figures applied

FY 20 Outperformance: +4.5pp

	Q1 20			Q2 20			Q3 20			Q4 20		
	IHS[1]	AT[2]	Outper-formance	IHS[1]	AT[2]	Outper-formance	IHS[1]	AT[2]	Outper-formance	IHS[1]	AT[2]	Outper-formance
World	-22.2%	-12.0%	+10.2pp	-42.9%	-42.0%	+0.9pp	-2.4%	-1.1%	+1.3pp	+3.2%	+8.1%	+4.9pp
Europe	-15.8%	-13.5%	+2.3pp	-58.2%	-59.5%	-1.3pp	-6.0%	-9.3%	-3.3pp	+1.3%	+6.4%	+5.1pp
Americas	-11.6%	-5.2%	+6.4pp	-69.6%	-62.5%	+7.1pp	-3.2%	+2.9%	+6.1pp	+0.5%	+9.1%	+8.6pp
Greater China	-45.7%	-22.8%	+22.9pp	+10.2%	+17.3%	+7.1pp	+10.9%	+14.2%	+3.3pp	+6.1%	+9.5%	+3.4pp
Asia/Pacific	-13.3%	-7.3%	+6.0pp	-54.9%	-41.9%	+13.0pp	-12.9%	-10.1%	+2.8pp	+3.6%	+9.1%	+5.5pp

FY 19 Outperformance: +4.7pp

	Q1 19			Q2 19			Q3 19			Q4 19		
	IHS[1]	AT[2]	Outper-formance	IHS[1]	AT[2]	Outper-formance	IHS[1]	AT[2]	Outper-formance	IHS[1]	AT[2]	Outper-formance
World	-5.7%	-1.7%	+4.0pp	-8.2%	-4.2%	+4.0pp	-3.8%	+1.4%	+5.2pp	-4.2%	+1.2%	+5.4pp
Europe	-6.5%	-3.5%	+3.0pp	-8.3%	-7.5%	+0.8pp	-0.1%	-3.6%	-3.5pp	-3.7%	-7.1%	-3.4pp
Americas	-3.4%	+12.4%	+15.8pp	-2.2%	+4.7%	+6.9pp	-1.3%	+8.7%	+10.0pp	-8.0%	+3.8%	+11.8pp
Greater China	-11.3%	-14.5%	-3.2pp	-18.7%	-10.7%	+8.0pp	-7.7%	+7.1%	+14.8pp	+3.1%	+24.6%	+21.5pp
Asia/Pacific	-0.4%	+1.2%	+1.6pp	-0.9%	-0.8%	+0.1pp	-5.0%	-2.1%	+2.9pp	-10.5%	-9.7%	+0.8pp

[1] Light Vehicle production growth according to IHS Markit, February 2021 | [2] FX-adjusted sales growth of Automotive Technologies division

Backup

Key figures by Group and division

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Adjusted comparative figures 2019

Group | in EUR mn

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Sales	3,622	3,604	3,613	3,588	3,282	2,292	3,396	**3,629**
Sales Growth[1]	*+0.4%*	*-2.0%*	*+1.2%*	*+0.6%*	*-9.2%*	*-34.5%*	*-2.6%*	***+4.6%***
EBIT Reported	230	253	312	-5	-88	-135	-191	**270**
EBIT bsi	272	284	327	279	215	-150	320	**418**
EBIT bsi margin	7.5%	7.9%	9.1%	7.8%	6.5%	-6.5%	9.4%	**11.5%**

Automotive Aftermarket | in EUR mn

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Sales	443	461	482	462	446	301	456	**438**
Sales Growth[1]	*-1.1%*	*-3.6%*	*+0.1%*	*+0.1%*	*+1.5%*	*-30.5%*	*-0.2%*	***+1.3%***
EBIT Reported	69	72	87	62	76	27	63	**63**
EBIT bsi	69	72	87	77	76	27	86	**70**
EBIT bsi margin	15.5%	15.6%	18.1%	16.7%	17.1%	9.0%	18.9%	**15.9%**

Automotive Technologies | in EUR mn

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Sales	2,285	2,232	2,254	2,272	2,008	1,256	2,165	**2,392**
Sales Growth[1]	*-1.7%*	*-4.2%*	*+1.4%*	*+1.2%*	*-12.0%*	*-42.0%*	*-1.1%*	***+8.1%***
EBIT Reported	58	90	143	-5	-220	-225	-72	**186**
EBIT bsi	113	108	158	117	50	-229	180	**277**
EBIT bsi margin	4.9%	4.9%	7.0%	5.1%	2.5%	-18.2%	8.3%	**11.6%**

Industrial | in EUR mn

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Sales	893	911	877	853	828	734	776	**799**
Sales Growth[1]	*+6.9%*	*+5.0%*	*+1.2%*	*-0.6%*	*-7.5%*	*-18.1%*	*-8.0%*	***-2.7%***
EBIT Reported	103	91	83	-63	56	63	-182	**20**
EBIT bsi	90	104	83	84	88	52	54	**71**
EBIT bsi margin	10.1%	11.4%	9.4%	9.9%	10.7%	7.1%	7.0%	**8.9%**

[1] FX-adjusted

Backup

Overview Corporate and Financing Structure

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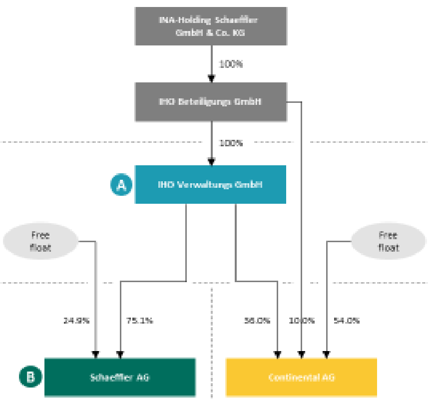
Corporate structure (simplified) | as of December 31, 2020



Financing structure | as of December 31, 2020

A IHO Verwaltungs GmbH

	Debt instrument	Nominal (USD m)	Nominal (EUR[1] m)	Interest	Maturity	Rating (Fitch/Moody's/S&P)
Loans	Term loan (EUR)	-	400	E+3.25%	May-24	Not rated
	RCF (EUR 400m)	-	-	E+3.25%	May-24	Not rated
Bonds	3.625% SSNs 2025 (EUR)	-	800	3.625%	May-25	BB+/Ba2/BB-
	3.75% SSNs 2026 (EUR)	-	750	3.75%	Sep-26	BB+/Ba2/BB-
	4.75% SSNs 2026 (USD)	500	407	4.75%	Sep-26	BB+/Ba2/BB-
	3.875% SSNs 2027 (EUR)		500	3.875%	May-27	BB+/Ba2/BB-
	6.00% SSNs 2027 (USD)	450	367	6.00%	May-27	BB+/Ba2/BB-
	6.375% SSNs 2029 (USD)	400	326	6.375%	May-29	BB+/Ba2/BB-
	Total IHO Verwaltungs GmbH		**3,550**	**Ø 3.77%**[2,3]		

B Schaeffler AG

	Debt instrument	Nominal (USD m)	Nominal (EUR[1] m)	Interest	Maturity	Rating (Fitch/Moody's/S&P)
Loans	RCF (EUR 1,800m)	-	-	E+0.65%	Sep-23	Not rated
	Schuldschein Loans (EUR)	-	557	Ø 1.65%	May-23, 25, 28 & 30	Not rated
CP	Commercial Paper Program (EUR)	-	30	Ø 0.11%	Ø Jan-21	Not rated
Bonds	1.125% SNs 2022 (EUR)	-	545	1.125%	Mar-22	BBB-/Ba1/BB+
	1.875% SNs 2024 (EUR)	-	800	1.875%	Mar-24	BBB-/Ba1/BB+
	2.750% SNs 2025 (EUR)	-	750	2.750%	Oct-25	BBB-/Ba1/BB+
	2.875% SNs 2027 (EUR)	-	650	2.875%	Mar-27	BBB-/Ba1/BB+
	3.375% SNs 2028 (EUR)	-	750	3.375%	Oct-28	BBB-/Ba1/BB+
	Total Schaeffler Group		**4,082**	**Ø 2.43%**[3]		

[1] EUR/USD = 1.2271 | [2] After cross currency swaps | [3] Incl. commitment and utilization fees

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Backup 2
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Additional information

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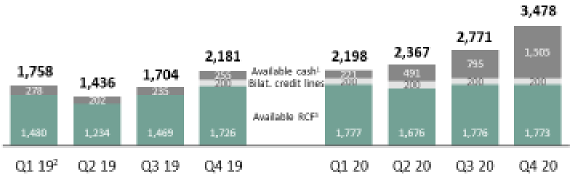
Liquidity position of more than EUR 3.4 bn at the end of December 2020

Liquidity

- Cash balance Schaeffler Group as per end of December 2020 EUR 1,758 mn (December 2019 EUR 668 mn)
- Committed unused credit lines on Group level of almost EUR 2.0 bn as per end of December 2020, available liquidity[1] 28% of LTM Net Sales

As of December 31, 2020 | in EUR mn



Available liquidity in % of LTM Net Sales

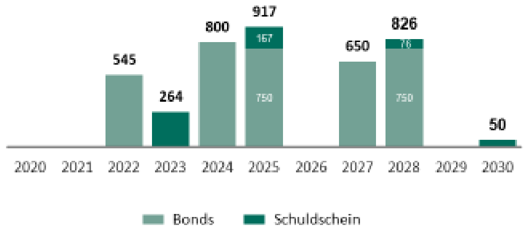
Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
12%	10%	12%	15%	16%	19%	22%	28%

[1] Excluding restricted cash | [2] Excluding cash required for redemption of called bonds
[3] Utilization includes draw downs of cash and in form of letters of credit

Maturity Profile

- Balanced debt maturity profile after successful refinancing in Oct. 2020
- No major maturities until March 2024
- Average maturity of financing portfolio as per 31 December 2020: 4 years 9 months

As of December 31, 2020 | in EUR mn



Backup

FY 2021 Guidance – Confident outlook, cautious approach

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Group Guidance

	Actuals FY 2020[4]	Guidance FY 2021
Sales growth[1]	-10.5%	> 7%
EBIT margin[2]	6.3%	6 - 8%
Free Cash Flow[3]	EUR 539 mn	Around EUR 100 mn

[1] FX-adjusted | [2] Before special items | [3] Before cash in- and outflows for M&A activities
[4] Adjusted comparative figures | [5] See Annual Report 2020 for more details

Divisional Guidance

Auto Technologies		Auto Aftermarket		Industrial	
Actuals FY 2020[4]	Guidance FY 2021	Actuals FY 2020[4]	Guidance FY 2021	Actuals FY 2020[4]	Guidance FY 2021
Outperf. 450 bps	Outperf. 200 - 500 bps	-6.9%	5 - 7%	-9.4%	4 - 6%
3.4%	> 4.5%	15.7%	> 11.5%	8.8%	> 8.5%

Market assumptions 2021[5]

- Automotive Technologies: Increase of LVP of around **7%** as cautious estimate considering further possibilities of disruptions and volatility
- Automotive Aftermarket: Increase of global GDP by around **3%** (midpoint)
- Industrial: Increase of relevant industrial production of around **5%** (midpoint)

Backup

Reported and adjusted comparative figures FY 2020

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FY 20 – Reported and adjusted comparative figures

Group	FY 20 – Reported	FY 20 – Adjusted comp. figures	Δ
Sales Growth[1]	-10.4%	-10.5%	-0.1pp
Gross Profit	EUR 2,909 mn	EUR 2,848 mn	-61 mn
R&D expenses	EUR -758 mn	EUR -702 mn	+56 mn
EBIT Margin[2]	6.4%	6.3%	-0.1pp
Free Cash Flow[3]	EUR 539 mn	EUR 539 mn	-
Auto Technologies			Δ
Sales Growth[1]	-11.6%	-11.7%	-0.1pp
EBIT Margin[2]	3.6%	3.4%	-0.2pp
Auto Aftermarket			Δ
Sales Growth[1]	-7.0%	-6.9%	+0.1pp
EBIT Margin[2]	15.8%	15.7%	-0.1pp
Industrial			Δ
Sales Growth[1]	-9.2%	-9.4%	-0.2pp
EBIT Margin[2]	8.5%	8.8%	+0.3pp

[1] FX-adjusted | [2] Before special items | [3] Before cash in-and outflows for M&A activities

Key aspects

- Adjusted comparative figures FY 2020 as basis for outlook 2021
- Biggest impact from strengthening of the business management by the divisions through further divisionalization
- Slight impact from a methodologic change in the accounting of development services (IFRS 15) effective January 1, 2021, reflecting the relationship between development services and future series production in a different manner
  - Development costs of all customer projects are capitalized from the date on which a series contract with the customer is highly probable and the costs are amortized over the lifecycle of series production
  - Increased capitalization of development costs and thus to a shift of R&D costs to cost of sales
  - Impacting also balance sheet with new line item “contract cost assets”, increase of “contract liabilities” and other slight changes (mainly deferred taxes) leading to EUR 187 mn increase in equity