

Results Q1 2020 Schaeffler AG

Conference Call
May 6, 2020
Herzogenaurach

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Agenda

- 1 Overview
- 2 Business Highlights Q1 2020
- 3 Financial Results Q1 2020
- 4 Outlook

Robust Q1 results despite Coronavirus pandemic outbreak – Strong Free Cash Flow

Key messages

- 1 Group sales impacted by Coronavirus – Automotive OEM affected the most (-12%¹), whereas Aftermarket with slight growth (+1.5%¹)
- 2 Group EBIT margin² protected – Strong EBIT margin in Industrial (10.7%²) and Automotive Aftermarket (17.1%²)
- 3 Strong FCF³ with EUR 137 mn – Capex prioritized (EUR 164 mn) and Working Capital reduced
- 4 Headcount further reduced to 86,548 (FY 19: 87,748) – Voluntary severance scheme in Europe expanded to 1,900 headcounts (prior: 1,300)
- 5 Goodwill impairment of EUR 249 mn in Automotive OEM – Reduction of balance sheet risks
- 6 Virtual AGM on May 8, dividend proposal EUR 45 cent⁴ confirmed – More detailed FY 2020 guidance will be provided once visibility improves

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

⁴ Proposed dividend per common non-voting share

Sales growth¹

-9.2%

EUR 3,282 mn

Gross margin

24.3%

EUR 799 mn

EBIT margin²

6.5%

EUR 215 mn

Free Cash Flow³

EUR 137 mn

Q1 2019: EUR -235 mn

Schaeffler Group Q1 2020 – Highlights and lowlights



Automotive OEM sales down by 12%³ in Q1, with strong outperformance of 11pp (vs. LVP¹ of -23%);
E-Mobility business division with stable development



Automotive Aftermarket with strong performance backed by a solid sales development in Europe and ongoing cost discipline



Industrial with higher EBIT margin² yoy despite sales contraction by 7.5%³; sector cluster Wind with continued very strong growth pattern, especially in Greater China



Strong FCF⁴ of EUR 137 mn, driven by lower investments in previous quarters and reduced Working Capital

¹ Light Vehicle Production (IHS Markit as of April 27) | ² Before special items | ³ FX adjusted | ⁴ Before cash in- and outflows for M&A activities



Group gross margin further declined albeit on the back of significantly lower organic growth due to the Coronavirus pandemic



Automotive OEM gross margin subdued driven by Coronavirus-triggered rapid sales drop overcompensating cost flexing measures



Cyclical sectors in Industrial with continued double-digit sales declines, especially in Industrial Automation, Offroad and Two-Wheelers



Coronavirus implications trigger EUR 249 mn goodwill impairment in Automotive OEM; conservative valuation results in reduced balance sheet risks

All 75 Schaeffler plants reopening in CW 20 – Capacity utilization building up

Global Footprint

Americas

- Until CW 18 7 out of 10 Auto OEM plants shut down, while Industrial plants were producing
- All plants reopening in CW 19

Utilization¹

		CW 18	CW 19	CW 20
Auto OEM	10	7%	23%	23%
Industrial	3	88%	81%	81%

Europe

- Until CW 18 3 out of 28 Auto OEM plants shut down; 14 out of 15 Industrial plants operating
- All plants reopening in CW 19

Utilization¹

		CW 18	CW 19	CW 20
Auto OEM	28	37%	44%	48%
Industrial	15	96%	82%	85%

Greater China

- All 8 Auto OEM plants and the 2 Industrial plants reopened in CW 8
- Successful ramp-up management

Utilization¹

		CW 18	CW 19	CW 20
Auto OEM	8	60%	94%	96%
Industrial	2	96%	90%	101%

Asia/Pacific

- In CW 18 2 out of 6 Auto OEM plants and 1 out of 3 Industrial plants closed
- All plants reopening in CW 20

Utilization¹

		CW 18	CW 19	CW 20
Auto OEM	6	71%	49%	68%
Industrial	3	21%	41%	44%

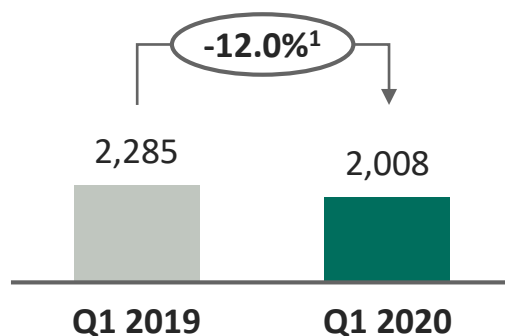
○ Number of plants

¹ Average Utilization per calendar week: ■ < 50% ■ 50% ≤ x < 70% ■ ≥ 70%

Schaeffler benefitting from balanced business mix (Auto and Industrial) and robust regional setup

Automotive OEM – Strong Outperformance, gross margin lower on rapid sales decline

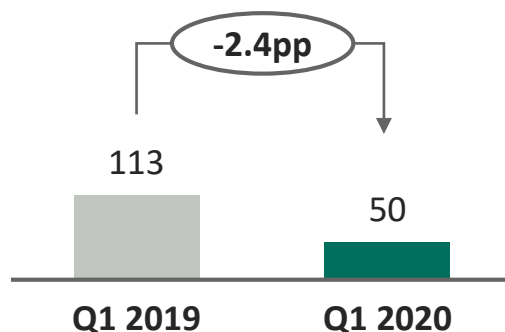
Sales
in EUR mn



Gross margin

Quarter	Gross margin
Q1 2019	21.2%
Q1 2020	19.1%

EBIT²
in EUR mn



EBIT margin²

Quarter	EBIT margin ²
Q1 2019	4.9%
Q1 2020	2.5%



Automotive OEM sales down by 12%¹ in Q1, with strong outperformance of 11pp (vs. LVP³ of -23%) driven by all regions, especially Greater China



Overhead costs decreased as a result of efficiency program RACE and lower logistic costs in line with reduced volumes



Capex reduction accelerated, prioritization steered by Capex Committee and according to our capital allocation framework



The Coronavirus pandemic affected the demand side materially in all regions, Greater China showing first signs of a recovery in March

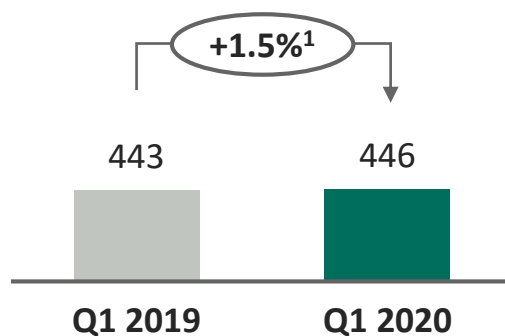


Gross margin negatively affected particularly by the Coronavirus-triggered rapid sales drop

¹ FX-adjusted | ² Before special items | ³ Light Vehicle Production (IHS Markit as of April 27)

Automotive Aftermarket – Stable sales development and strong earnings quality in Q1

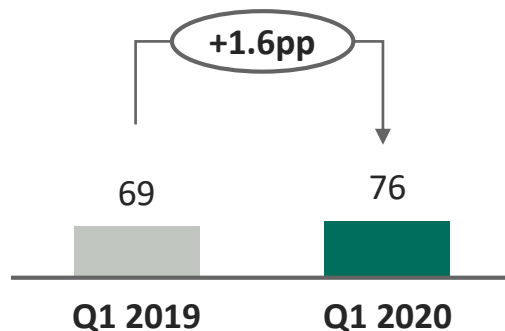
Sales
in EUR mn



Gross margin

34.3% 35.4%

EBIT²
in EUR mn



EBIT margin²

15.5% 17.1%



Strong sales growth of +5.6%¹ in Region Europe, partially related to inventory reduction at the distributor level in the previous year



Improved gross margin through additional sales volume and favorable sales mix



Reduction of selling and administration expenses supported by program GRIP



Coronavirus pandemic led to a sharp sales decline in Greater China followed by reduced demand in the remaining regions towards the end of the reporting period

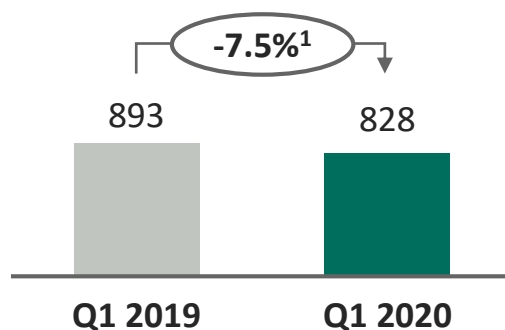


Decrease in miles driven leading to reduced amount of vehicle repairs globally

¹ FX-adjusted | ² Before special items

Industrial – Strong earnings quality in Q1, Coronavirus impact on sales limited

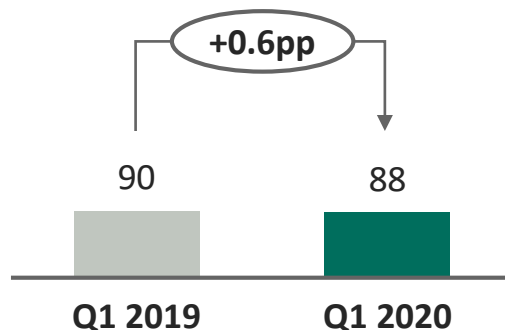
Sales
in EUR mn



Gross margin

Quarter	Gross margin
Q1 2019	31.0%
Q1 2020	31.1%

EBIT²
in EUR mn



EBIT margin²

Quarter	EBIT margin
Q1 2019	10.1%
Q1 2020	10.7%



Wind sector with very strong growth, impact from crisis overall limited in Q1 – Double digit growth in China



Gross margin stable despite sales contraction, further successful execution of cost saving program FIT leading to EBIT margin improvement



Proactive adjustment of overhead costs to the sales development



Overall sales decline driven by cyclical slowdown as expected and first impact from Coronavirus, especially shutdowns in India

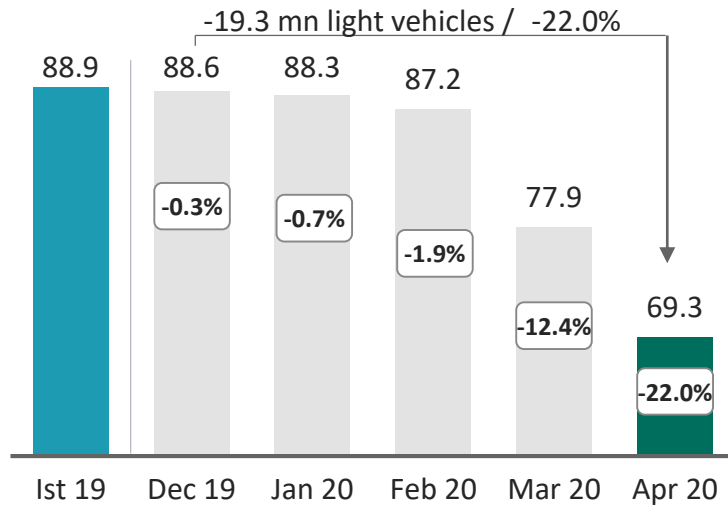


Lower sales in Industrial Distribution across all regions

¹ FX-adjusted | ² Before special items

Coronavirus Update – Market Indicators for our three divisions

Auto OEM – Global LVP¹ 2020



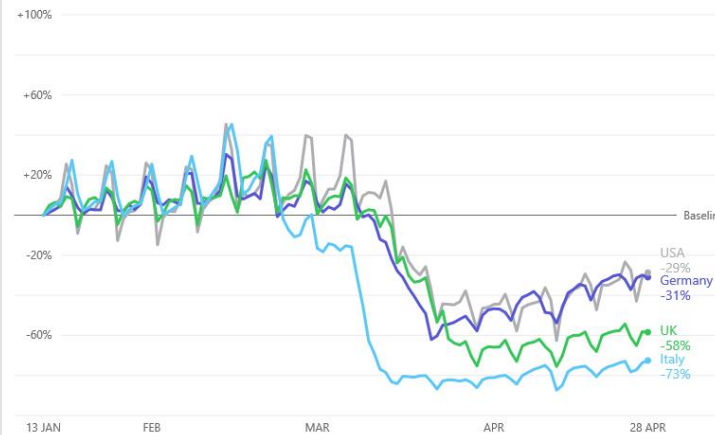
x.x% yoy vs. 2019

- Global LVP¹ expected to reach around -47% yoy in Q2, according to IHS
- China showing a gradual recovery of market demand, all other regions are expected to continue the weak trend seen in March

¹ Light Vehicle Production (IHS Markit as of April 27)

Auto AAM – Mobility trends

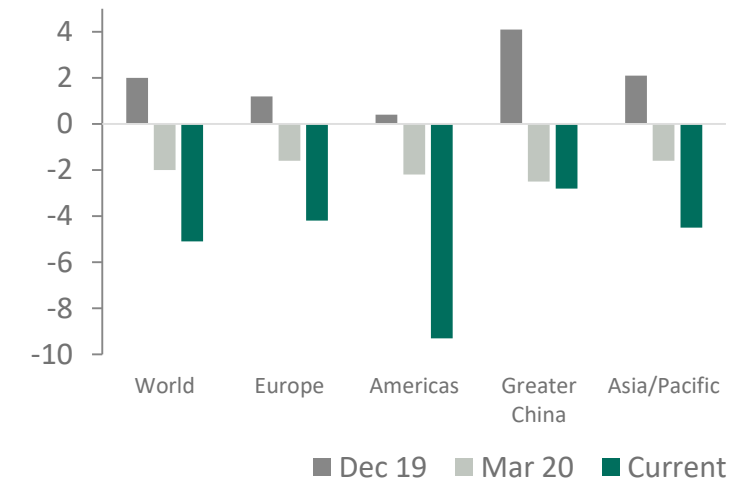
Source: Apple



- In Q2 significant drop in market demand for repair services likely due to global decline in vehicle miles driven
- Partial recovery of Chinese market in March expected to continue

Industrial – Industrial production 2020

in % vs. 2019, Source: Oxford Economics April 24, 2020



- Additional burden compared to Q1 due to the ongoing restrictions and shutdowns in various countries (e.g. India, Italy, Spain etc.) expected
- No major effect on Wind “sector” in China expected

Coronavirus Update – Countermeasures on Group and divisional level

Health & Safety

- Strict health and safety measures implemented worldwide
- Continued disciplined execution during ramp-up phase

Cost discipline

- Flexing of cost base (e.g. short-time work) and structural improvements
- Strict spending control measures (e.g. consultancy costs, R&D projects)

Capital discipline

- Reprioritization and reduction of Capex
- Working Capital management

Liquidity

- Robust liquidity position
- No redemptions until 2022

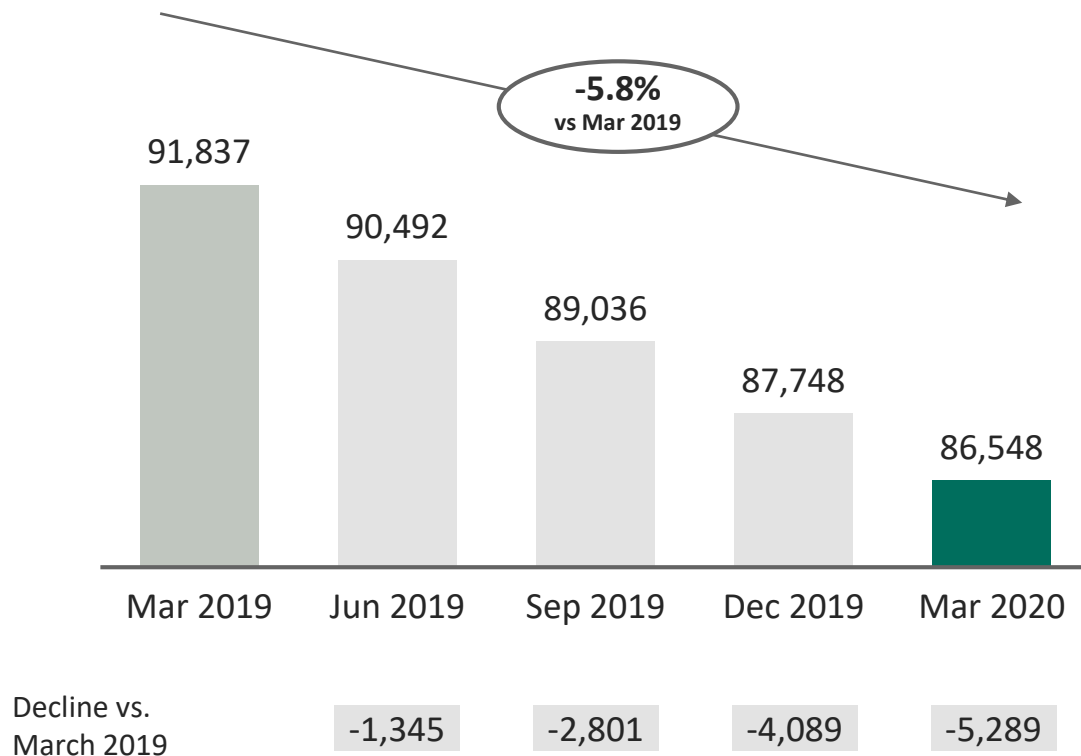
Balance Sheet

- Goodwill impairment results in reduced balance sheet risks
- Low complexity is an advantage

Headcount further reduced – Voluntary severance scheme in Europe expanded

Schaeffler Headcount

as per month end



Key aspects

- Headcount reduction of almost 6% yoy, achieved by various efficiency programs and divestment of plants
- Regional split of yoy headcount reduction includes
 - Europe: ca. -3,600
 - Americas: ca. -900
 - Greater China: ca. -700
 - Asia/Pacific: ca. -100
- In addition, other levers to reduce personnel costs and increase flexibility, e.g. short-time work and the adjustment of 40-hour contracts to 35-hours were implemented
- Voluntary severance scheme introduced in November 2019, now expanded and targeting a headcount reduction of around 1,900 (prior: 1,300)

Prioritization of Capex – Reduction and re-phasing of investments resulting in lower spending

Investment¹ allocation | in EUR mn

	FY 18	FY 19	Q1 19	Q1 20
Automotive OEM	1,049	702	223	88
Automotive Aftermarket	56	68	39	1
Industrial	170	163	34	69
Schaeffler Group	1,275	933	296	158
Capex	1,232	1,045	373	164
Capex ratio²	8.7%	7.2%	10.3%	5.0%

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

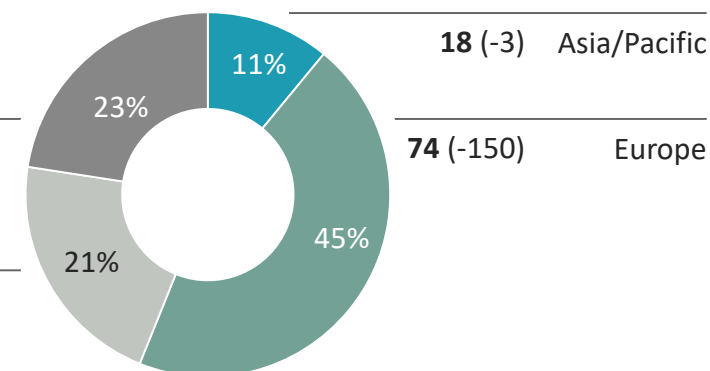
Key aspects

- Capex in FY 2020 reprioritized and to be reduced by at least one third compared to previous year
- Capex prioritization properly balanced between divisions
- Capex phasing to be equalized across quarters, no hockey stick

Capex by region Q1 2020 in EUR mn (yoy change)

Greater China 37 (-38)

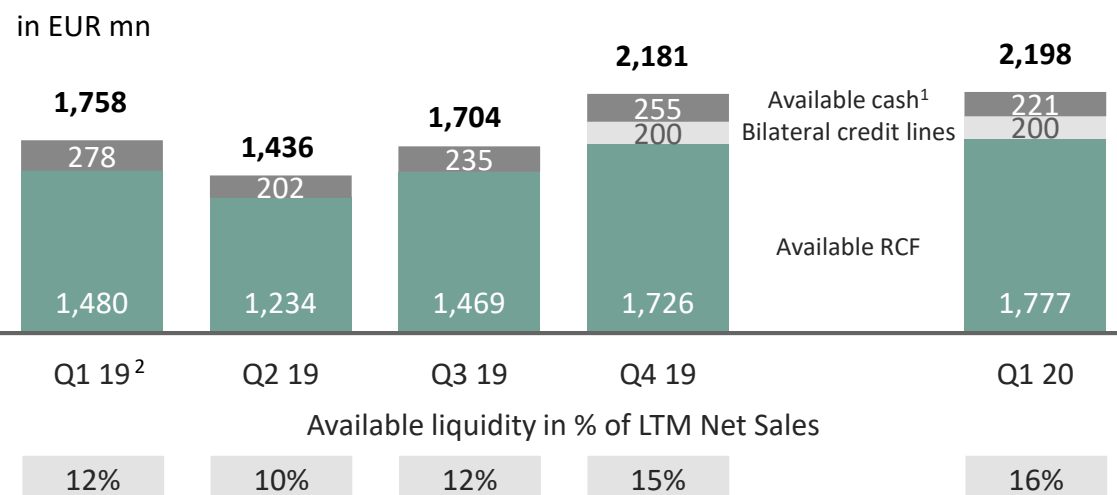
Americas 35 (-18)



Healthy liquidity position – No redemptions until 2022

Liquidity

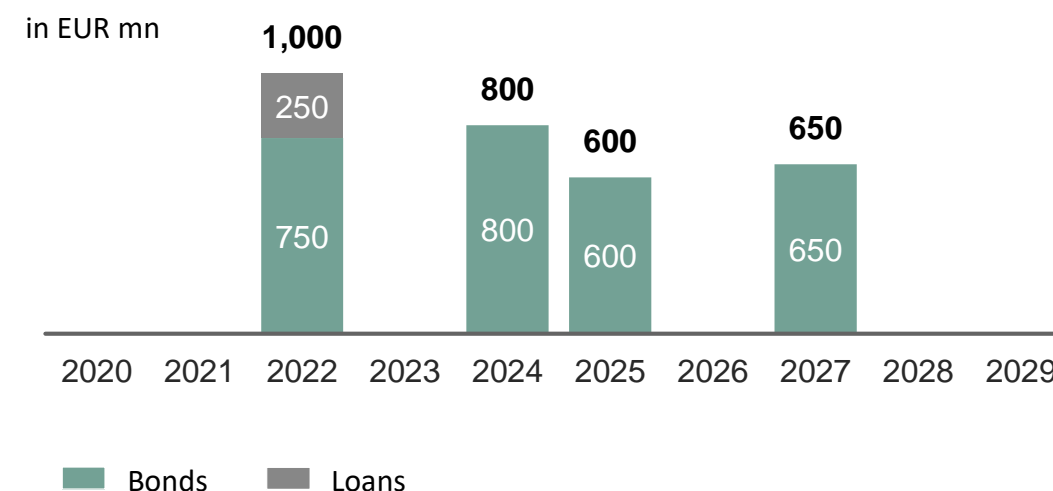
- Cash balance Schaeffler Group as per end of March 2020 EUR 629 mn (EUR 668 mn as per year end 2019)
- Committed unused credit lines of almost EUR 2 bn as per end of March 2020, available liquidity¹ 16% of LTM Net Sales



¹ Excluding restricted cash | ² Excluding cash required for redemption of called bonds | ³ Excluding CP

Maturity Profile

- Robust debt maturity profile, no redemption³ until March 2022
- On top, Green Schuldschein transaction with 3, 5 and 8 year maturities will be settled in May



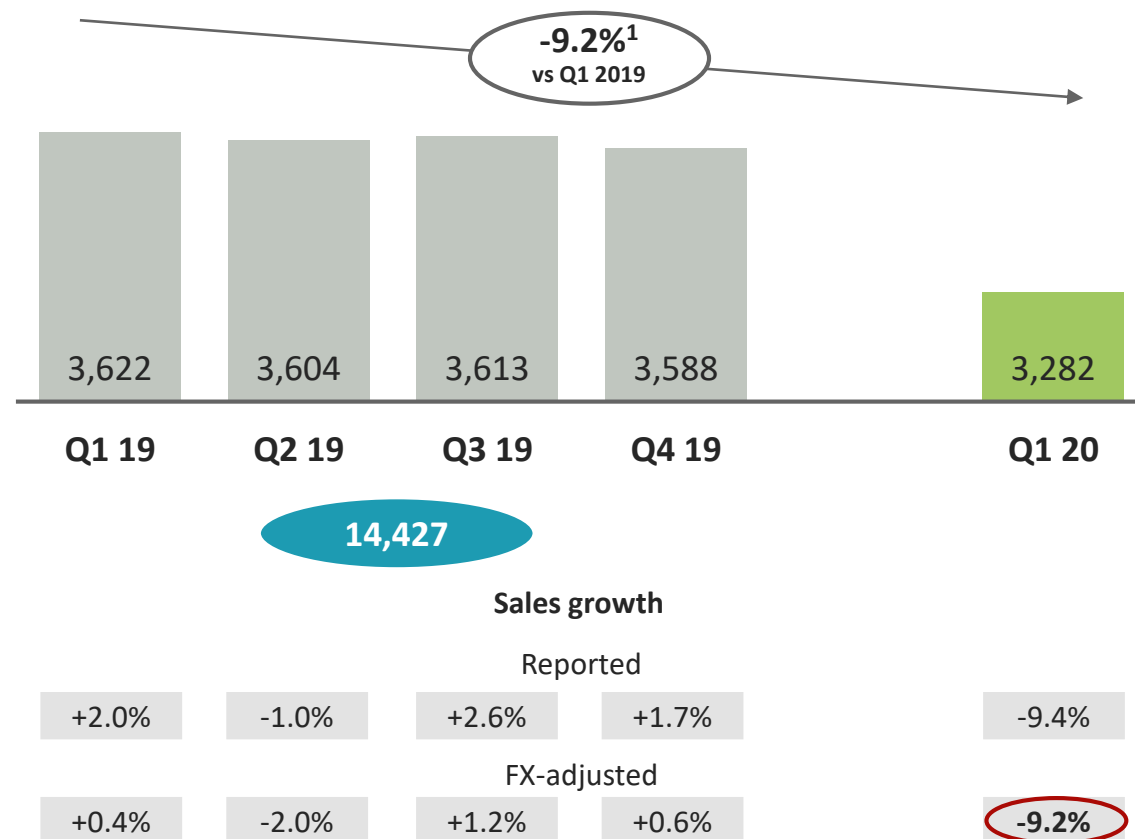
Key figures Q1 2020

in EUR mn		Q1 2019	Q1 2020	Q1 2020 vs. Q1 2019
Sales	1	3,622	3,282	-9.4% -9.2% ¹
Gross Profit	2	913	799	-114 mn
Gross Margin		25.2%	24.3%	-0.9pp
EBIT ²	3	272	215	-57 mn
EBIT Margin ²		7.5%	6.5%	-1.0pp
Net income ³	4	137	-184	-321 mn
EPS ⁴ (in EUR)		0.21	-0.27	-0.48
Schaeffler Value Added ⁵	4	422	328	-94 mn
ROCE ⁶		15.0%	12.8%	-2.2pp
Free Cash Flow ⁷	5	-235	137	+372 mn
Capex	6	373	164	-209 mn
Net financial debt	7	2,805	2,414	-391 mn
Gearing ratio ⁸		88.5%	93.8%	+5.3pp
Headcount		91,837	86,548	-5.8%

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 Ratio of net financial debt to equity incl. non-controlling interests

1 Sales growth – Negative sales development across all regions, impacted by Coronavirus pandemic

Sales | in EUR mn



¹ FX-adjusted

Key aspects

- Sales of Automotive OEM impacted by plant closings, especially in Europa (-13.5%¹) and Greater China (-22.8%¹)
- Decreasing demand in Industrial in Europe (-15.0%¹) but strong performance in Greater China (+21.4%¹) continues mainly driven by sector cluster Wind
- Volume-driven sales increase in Automotive Aftermarket

Sales by region Q1 2020

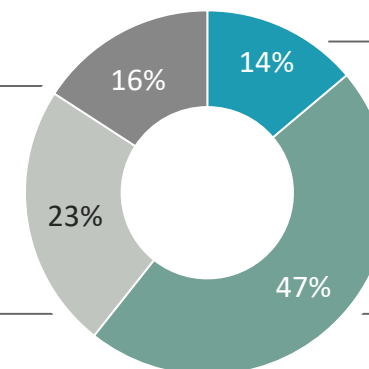
yoy growth¹

Greater China -11.2%

Americas -6.0%

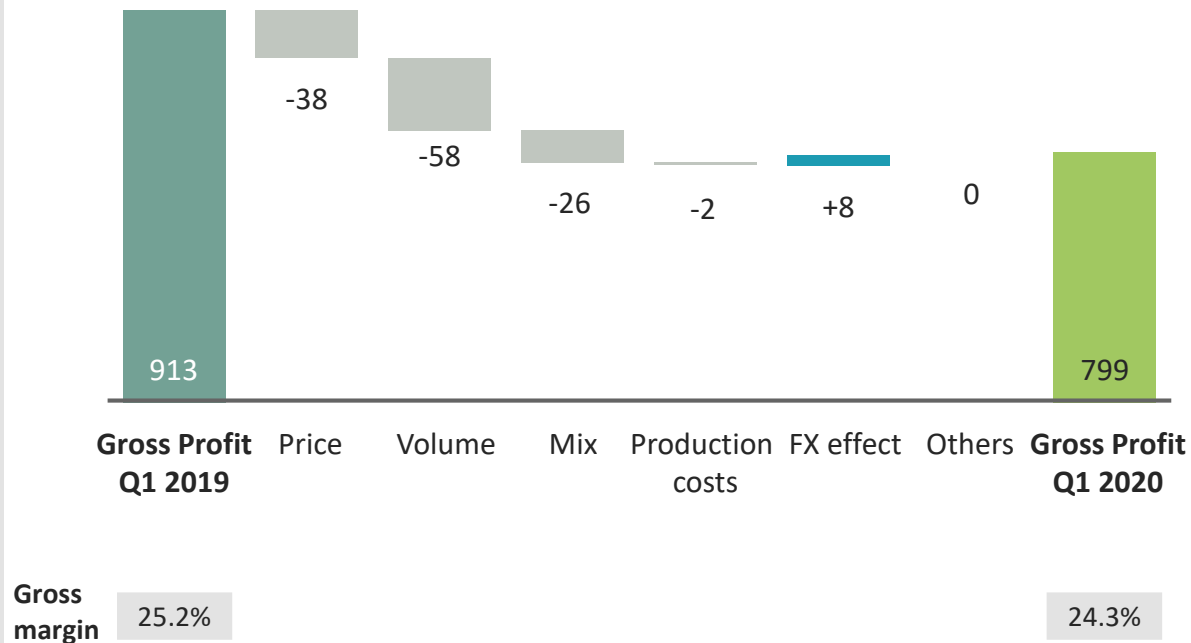
-9.3% Asia/Pacific

-10.4% Europe



2 Gross Profit – Severe volume losses leading to lower gross margin

Gross Profit Q1 2019 vs. Q1 2020 | in EUR mn



Key aspects

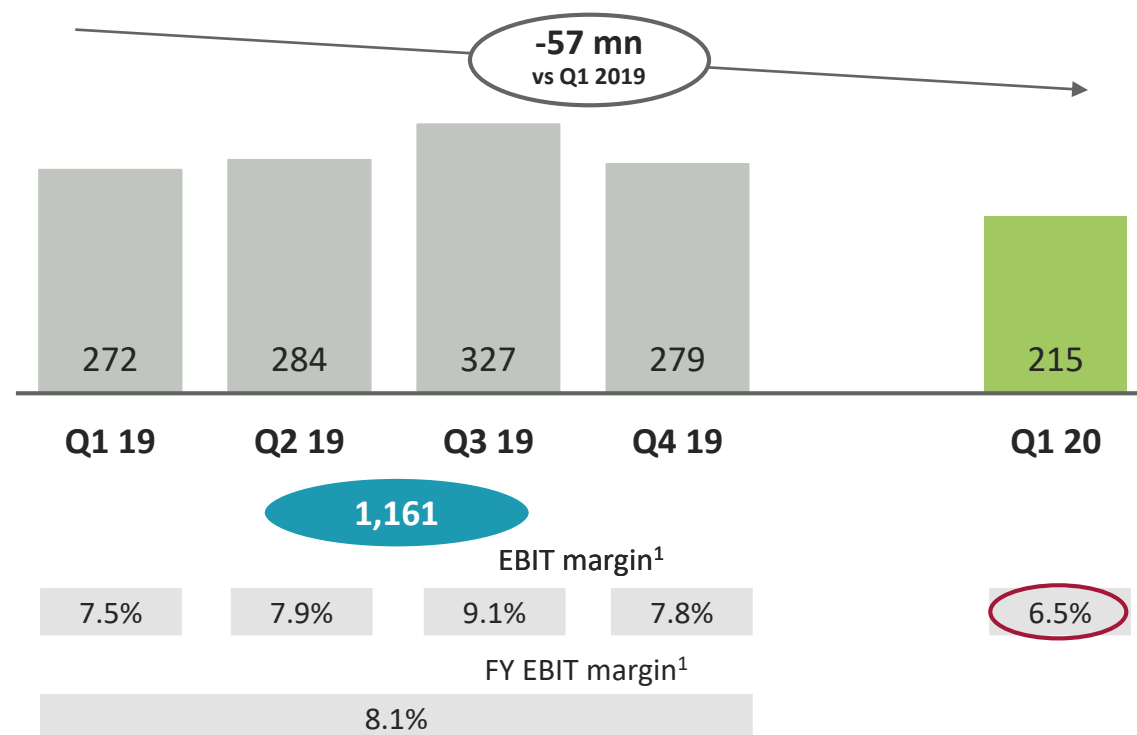
- Normal negative price effect in Automotive OEM, Industrial continued the positive price momentum
- Negative volume effects in Automotive OEM and Industrial due to demand drop triggered by the Coronavirus pandemic, hindering a realization of production cost improvements
- Ramp up costs in E-Axle and Hybrid systems account for large portion of mix effects

Gross Margin

in % of sales	Q1 19	Q1 20	Q1 20 vs. Q1 19
Auto OEM	21.2%	19.1%	-2.1pp
Aftermarket	34.3%	35.4%	+1.1pp
Industrial	31.0%	31.1%	+0.1pp
Group	25.2%	24.3%	-0.9pp

3 EBIT margin¹ – Margin decline of 1.0pp, solely driven by Automotive OEM division

EBIT¹ | in EUR mn



¹ Before special items

Key aspects

- Decline in EBIT margin¹ by 1.0pp to 6.5% largely caused by decline in gross margin in Automotive OEM
- EBIT margin¹ of Automotive Aftermarket and Industrial improved due to improved or stable gross margin, overhead cost structure and FX-effects
- Decrease of overhead costs by EUR 45 mn, relative to sales increase by 0.4pp to 17.6% of sales

EBIT margin¹

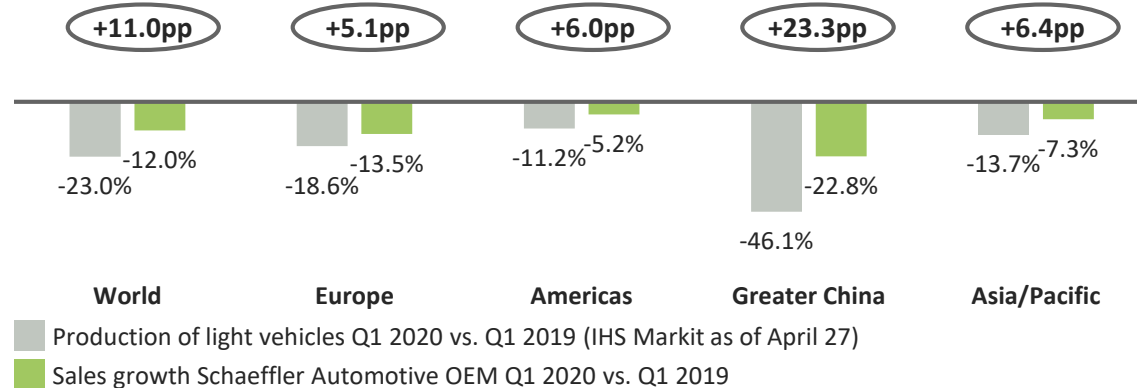
	Q1 19	Q1 20	Q1 20 vs. Q1 19
Auto OEM	4.9%	2.5%	-2.4pp
Aftermarket	15.5%	17.1%	+1.6pp
Industrial	10.1%	10.7%	+0.6pp
Group	7.5%	6.5%	-1.0pp

Automotive OEM – Very strong outperformance, improved overhead cost control

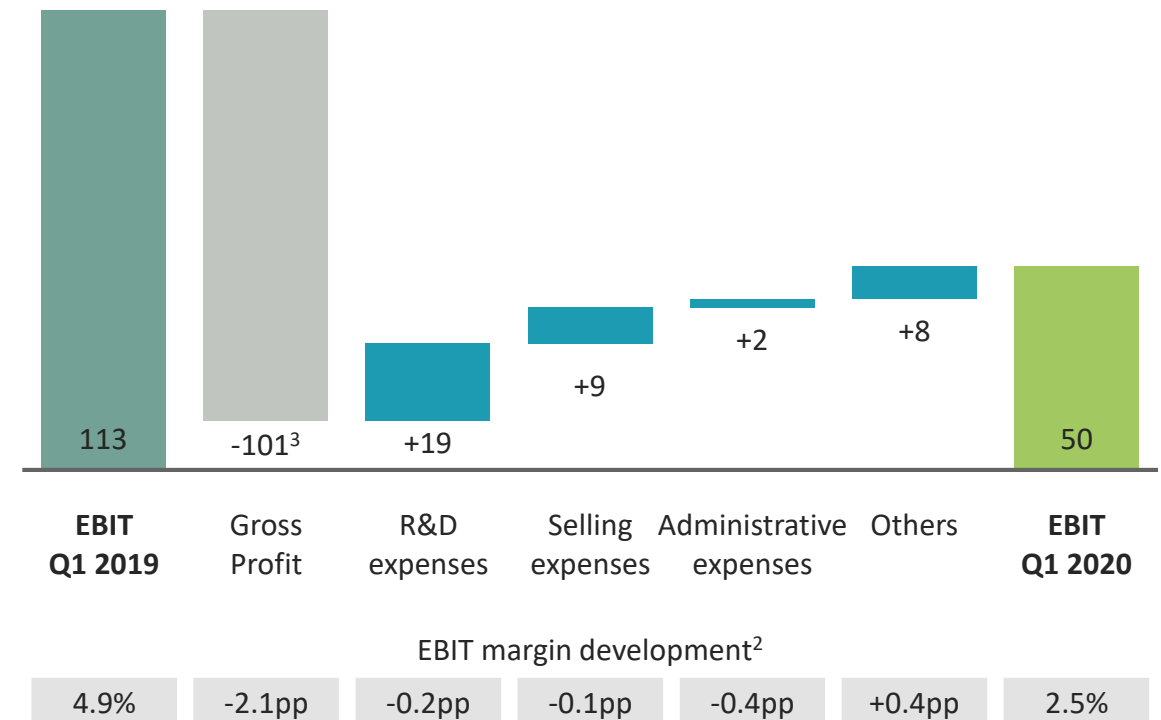
Sales by business division | yoy growth

	Q1 2019	Q1 2020	Δ ¹
E-Mobility	147	144	-1.8%
Engine Systems	699	604	-13.8%
Transmission Systems	1,038	902	-13.5%
Chassis Systems	401	359	-9.9%
Total	2,285	2,008	-12.0%

Outperformance: Sales¹ vs. market development in Q1



EBIT² Q1 2019 vs. Q1 2020 | in EUR mn



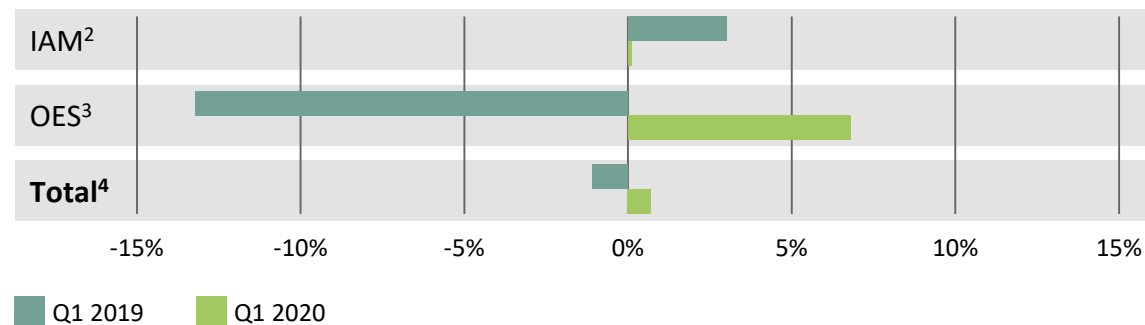
¹ FX-adjusted | ² Before special items | ³ Includes positive FX effects of EUR 4 mn

Automotive Aftermarket – Good growth in Europe, strong earnings quality

Sales by region | yoy growth

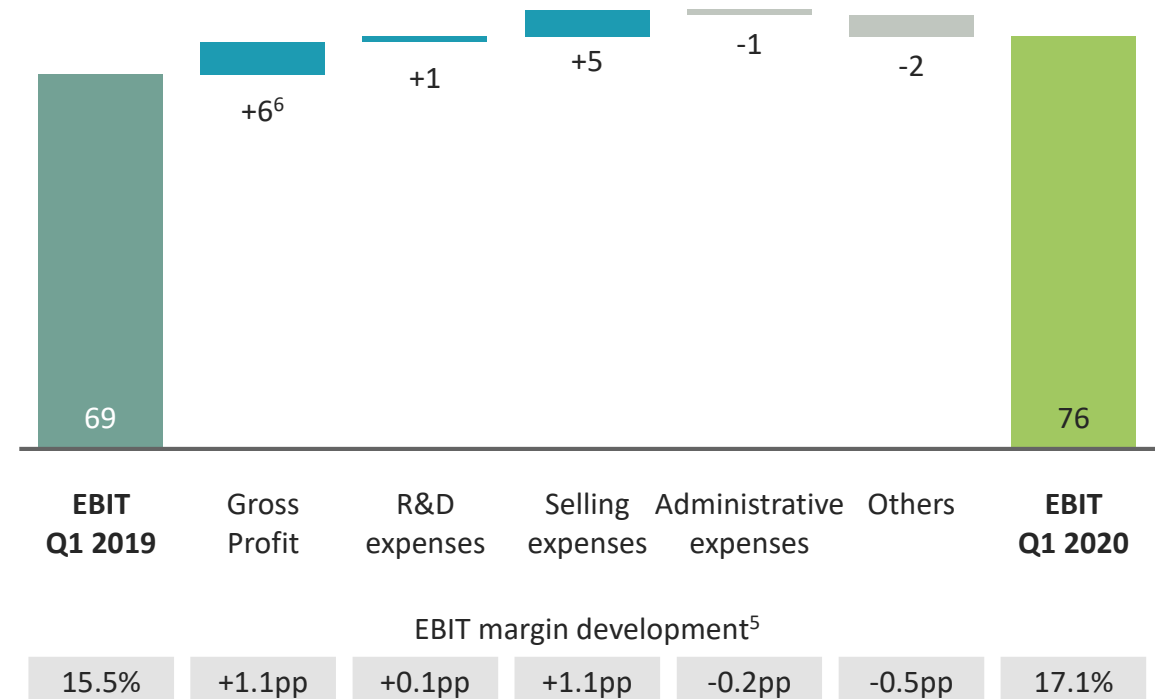
	Q1 2019	Q1 2020	Δ ¹
Europe	312	329	+5.6%
Americas	88	81	-4.7%
Greater China	20	15	-24.9%
Asia/Pacific	23	21	-9.9%
Total	443	446	+1.5%

Automotive Aftermarket sales growth by channel¹



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

EBIT⁵ Q1 2019 vs. Q1 2020 | in EUR mn



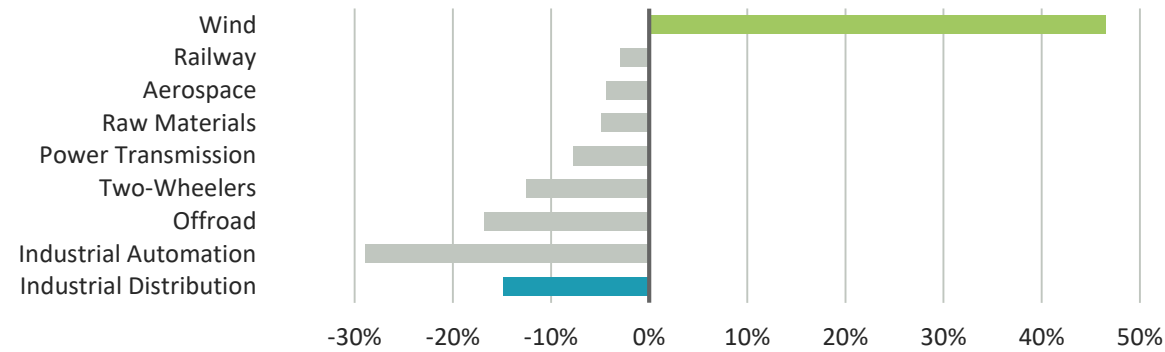
⁵ Before special items | ⁶ No FX impact

Industrial – Strong sales growth in sector cluster Wind, strong earnings quality in Q1

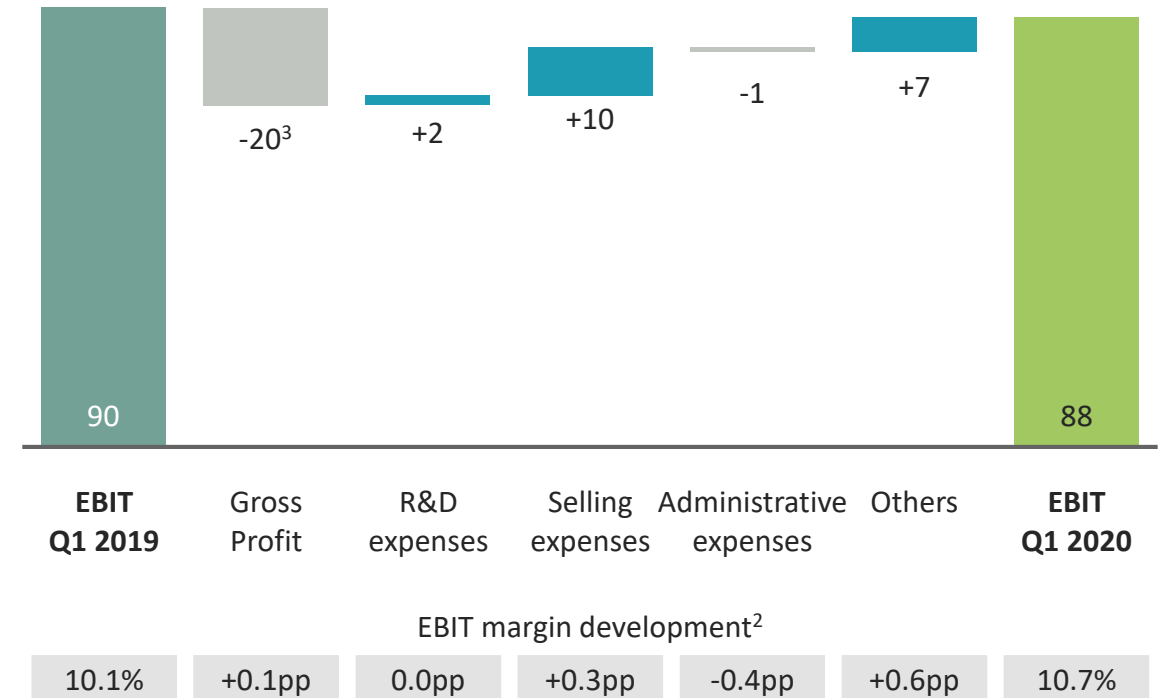
Sales by region | yoy growth

	Q1 2019	Q1 2020	Δ^1
Europe	438	372	-15.0%
Americas	162	149	-9.5%
Greater China	155	189	+21.4%
Asia/Pacific	138	118	-14.1%
Total	893	828	-7.5%

Industrial sales growth by sector cluster Q1 2020¹



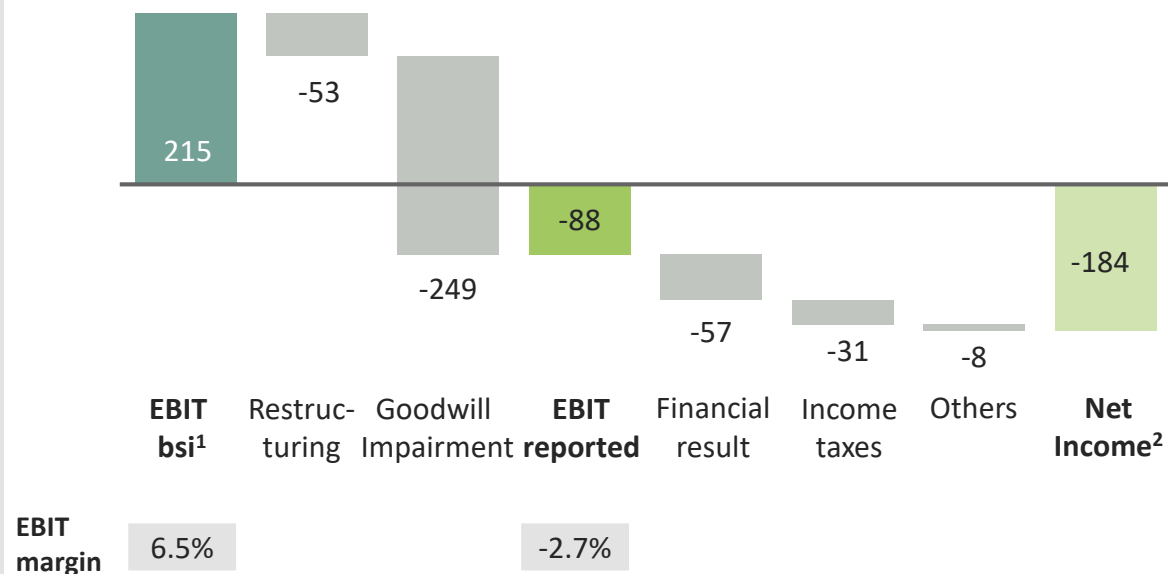
EBIT² Q1 2019 vs. Q1 2020 | in EUR mn



¹ FX-adjusted | ² Before special items | ³ Includes positive FX effects of EUR 4 mn

3 EBIT before special items – Reconciliation Q1 2020

Reconciliation Q1 2020 | in EUR mn



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

Key aspects

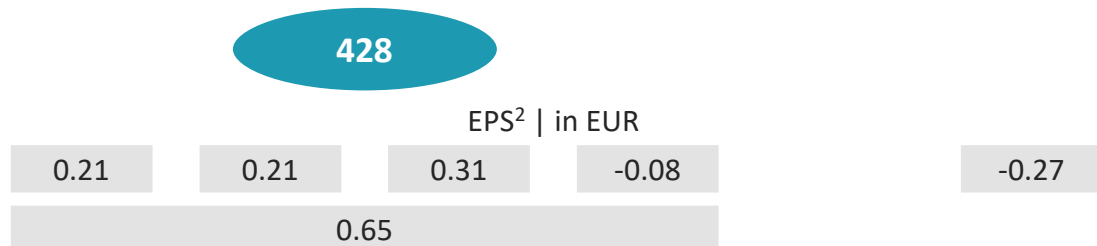
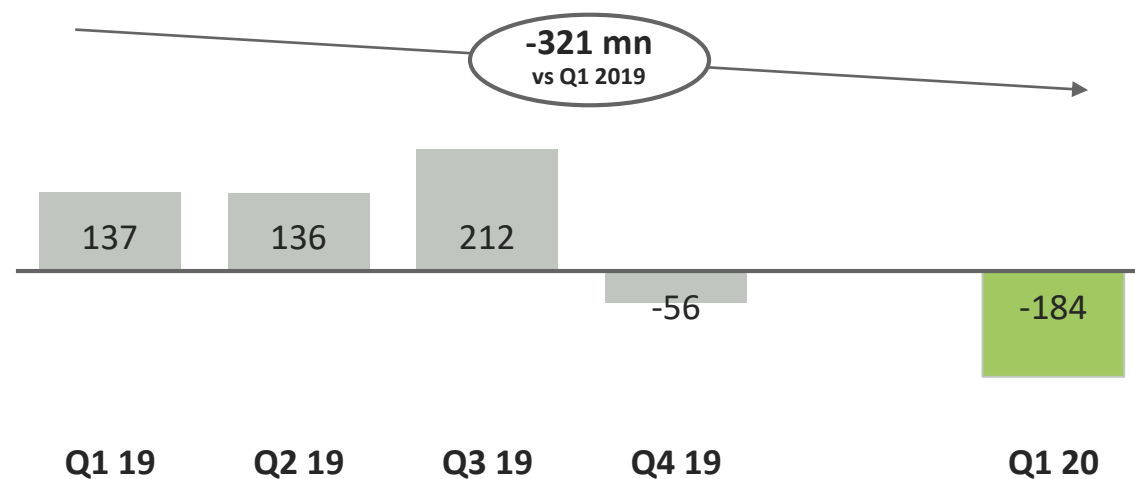
- Expansion of voluntary severance scheme in Europe, leading to EUR 53 mn additional provision for programs RACE and FIT
- Goodwill impairment of EUR 249 mn in division Automotive OEM triggered by uncertainty related to Coronavirus pandemic
- Goodwill impairment not relevant for income taxes

Special items by division | in EUR mn

in EUR m	Q1 19	H1 19	9M 19	FY 19	Q1 20
EBIT Reported	230	483	795	790	-88
Auto OEM	55	73	87	209	270
Aftermarket	-	-	-	15	-
Industrial	-13	0	0	147	32
Group	42	73	88	372	302
EBIT bsi¹	272	556	883	1,161	215

4 Net income¹ Q1 2020 EUR -184 mn – EPS Q1 2020 at EUR -0.27 (PY: EUR 0.21)

Net income¹ | in EUR mn

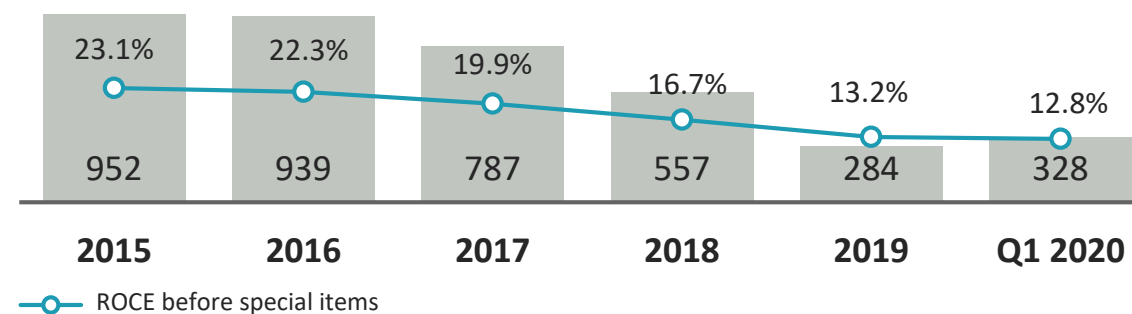


¹ Attributable to the shareholders of the parent company | ² Earnings per common non-voting share

Key aspects

- Net Income before special items amounted to EUR 103 mn
- EPS decreased to EUR -0.27 (Q1 19: EUR 0.21)
- Schaeffler Value Added³ decreased to EUR 328 mn (Q1 19: EUR 422 mn) due to lower EBIT and higher average capital employed

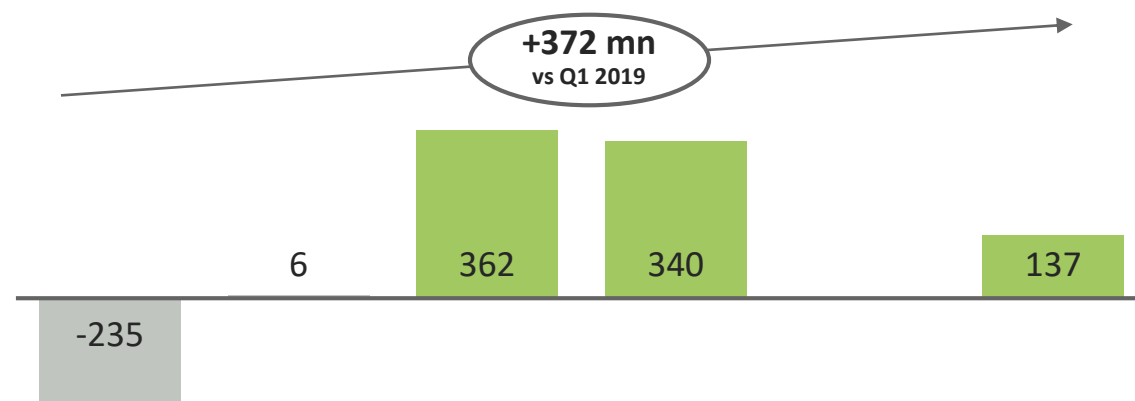
Schaeffler Value Added³ | in EUR mn



³ EBIT before special items LTM minus Cost of Capital (2019: 10% × Ø Capital Employed; 2020: 9% × Ø Capital Employed)

5 Free Cash Flow before M&A¹ FY at EUR 137 mn (PY: EUR -235 mn)

Free Cash Flow before M&A¹ | in EUR mn



Key aspects

- Strong Free Cash Flow¹ of EUR 137 mn despite lower EBIT
- Working Capital, especially lower trade receivables, contributed to strong Free Cash Flow
- Strict capital discipline reduced cash outflows from Capex to EUR 164 mn (Q1 19: EUR 373 mn)

FCF Details | in EUR mn

	Q1 2019	Q1 2020	Δ Q1 20/19
FCF as reported	(300)	137	437
M&A	65	0	(65)
FCF before M&A	(235)	137	372
Non recurring items ⁴	14	71	57
Investments ⁵	51	0	(51)
Receivable Sale Program	0	0	0
	(170)	208	378

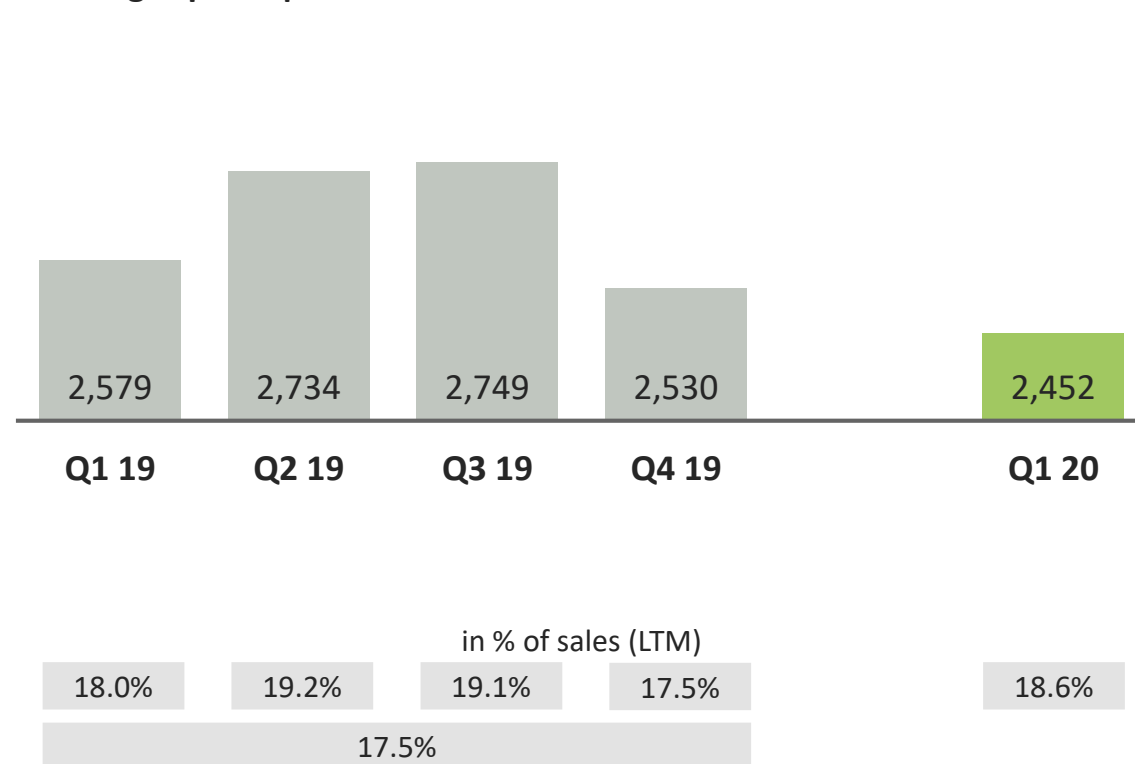
¹ Before cash in- and outflows for M&A activities

² LTM FCF before M&A divided by EBITDA before special items | ³ Capex in % of sales

⁴ Including payments for legal cases and restructuring measures | ⁵ Capex in major strategic projects, e.g. Agenda 4 plus One (AKO Europe, EDC, Focus)

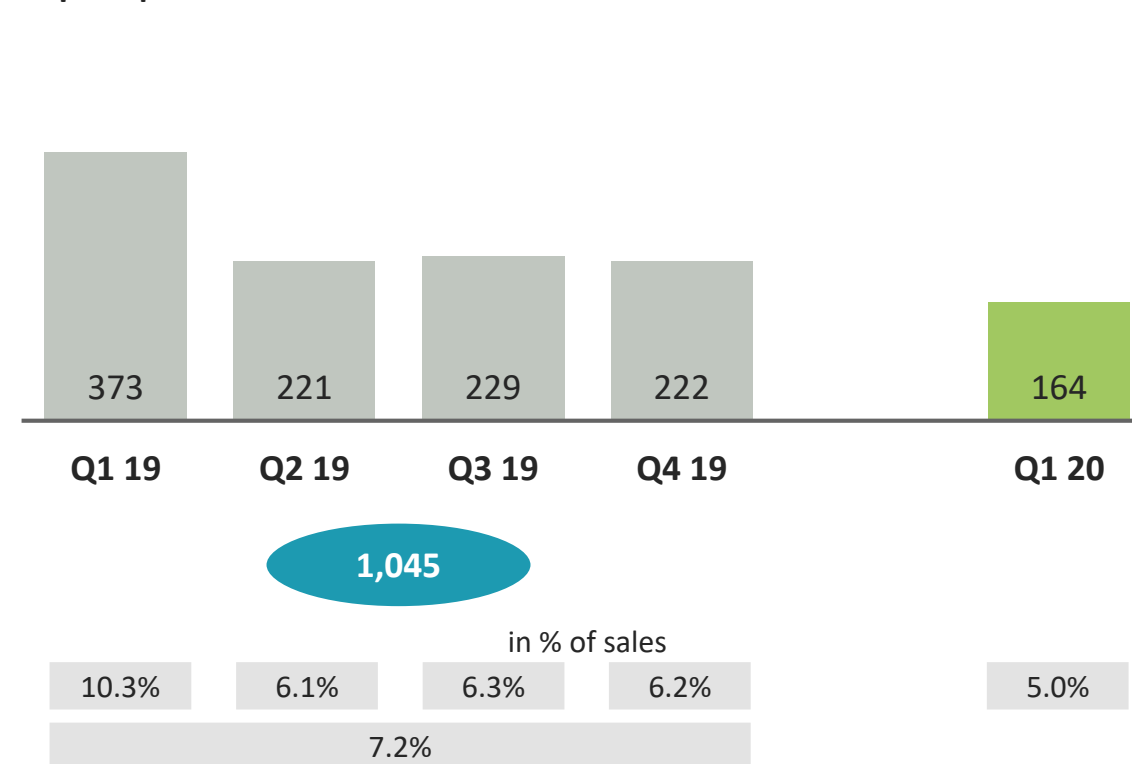
6 Working Capital ratio 18.6% – Capex ratio 5.0% in Q1

Working capital¹ | in EUR mn



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

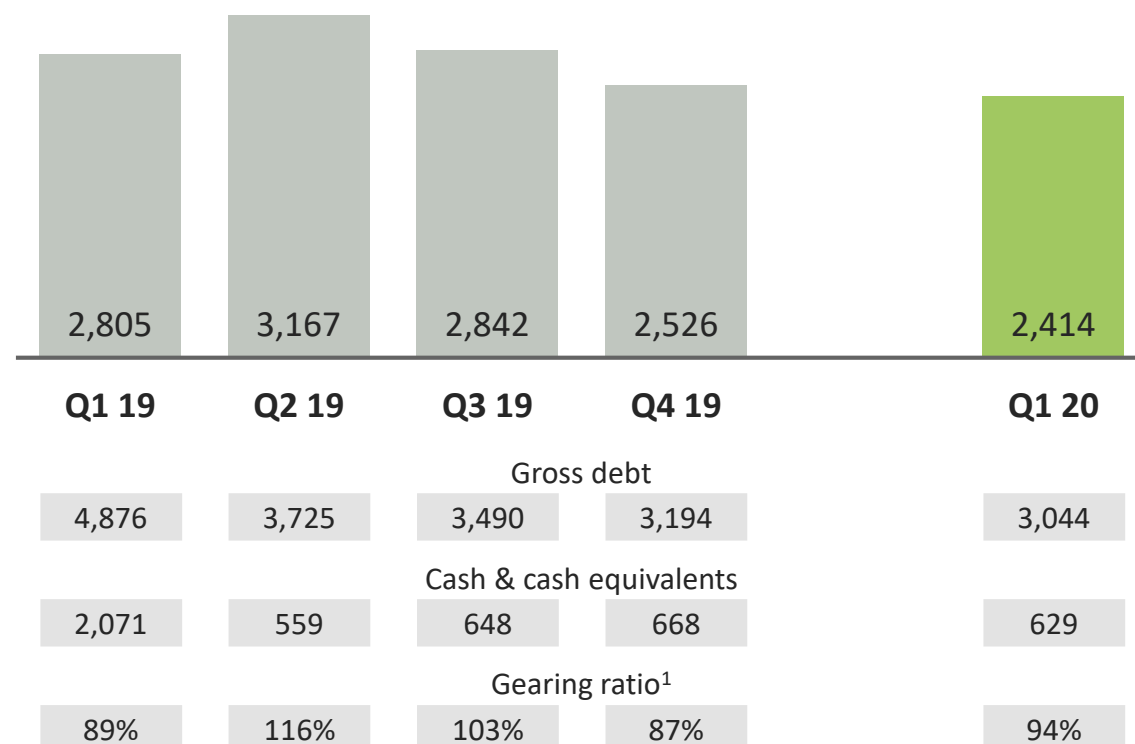
Capex² | in EUR mn



² Cash view

7 Net debt of EUR 2,414 mn – Leverage ratio² stable at 1.2x

Net financial debt and Gearing ratio | in EUR mn

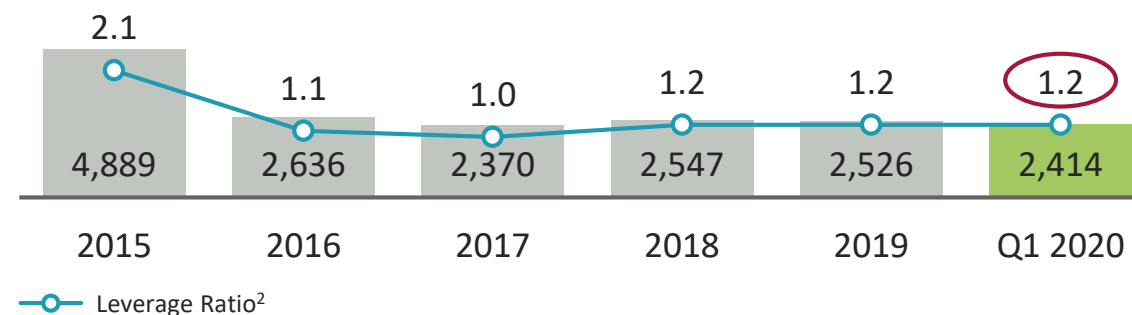


¹ Gearing ratio: Ratio of net financial debt to equity incl. non-controlling interests in %

Key aspects

- Net financial debt of EUR 2.4 bn, Leverage ratio² 1.2x
- Completion of Green Schuldschein transaction with volume of approximately EUR 350 mn

Net debt development | in EUR mn



² Leverage Ratio: Net financial debt to EBITDA ratio before special items

Summary – Robust Q1 results, increasing preparedness and action for uncharted territory situation

- 1 Robust Q1 results – Setup of being an Automotive and Industrial supplier a clear competitive advantage
- 2 Used opportunity to lever our efficiency programs – Cost saving measures further strengthened
- 3 Robust liquidity position – Company dealing with tough Q2 headwinds, adapting to the environment in a flexible and modular way
- 4 Virtual AGM on May 8, dividend proposal EUR 45 cent¹ confirmed, payout date May 13 – New remuneration scheme set up
- 5 More detailed FY 2020 guidance will be provided once visibility improves – Board activating all levers under Schaeffler Group control to manage and mitigate Coronavirus pandemic risk



**Diversified
Automotive and
Industrial supplier –
Strong Balance Sheet
and FCF protection**

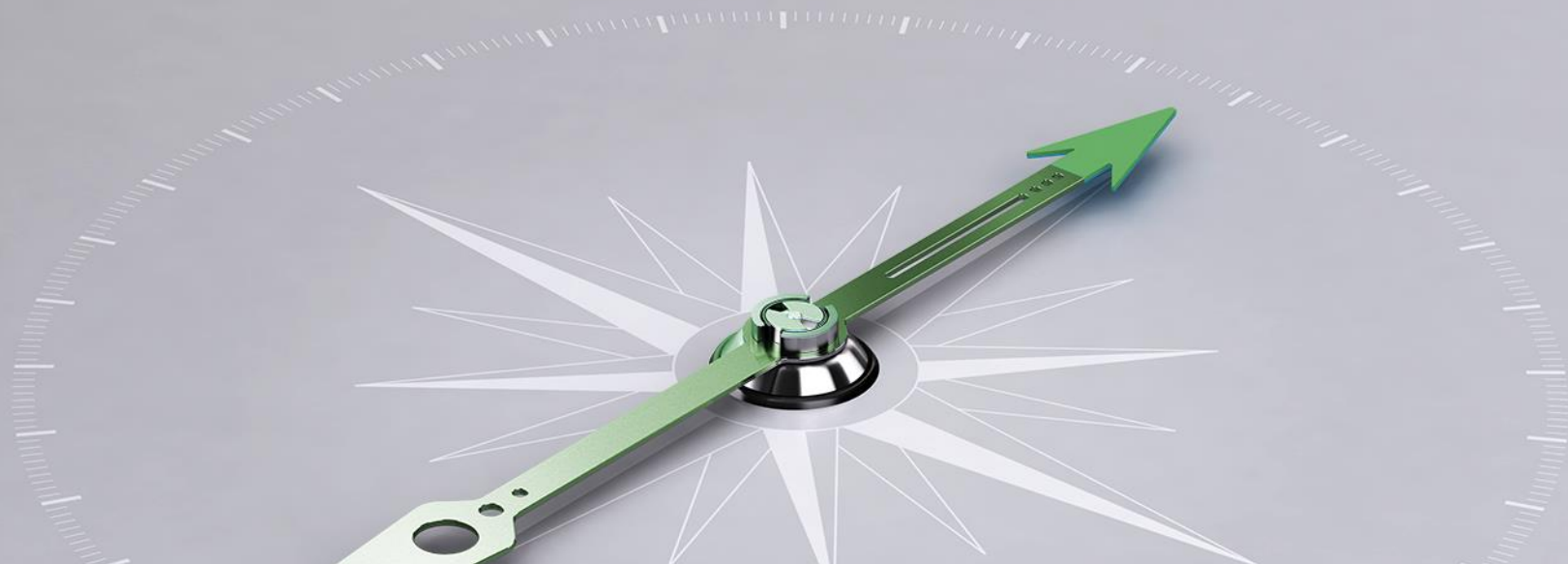
¹ Proposed dividend per common non-voting share

Financial calendar 2020 – Virtual AGM on May 8, new CMD date to come**Roadshows / Conferences**

May 11	Frankfurt, Virtual Roadshow
▼	
May 12	London, Virtual Roadshow
▼	
May 13	Paris, Virtual Roadshow

Regular capital market communication

May 6	Q1 2020 Earnings Release
▼	
May 8	Virtual AGM
▼	
Aug 4	H1 2020 Earnings Release
▼	
Nov 10	9M 2020 Earnings Release
To come	Strategy CMD 2020



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Backup 1

Backup 1
—
Usual information top-up

Automotive OEM outperformance by quarters

Q1 20

	IHS ¹	Auto OEM ²	Outper- formance
World	-23.0%	-12.0%	+11.0pp
Europe	-18.6%	-13.5%	+5.1pp
Americas	-11.2%	-5.2%	+6.0pp
Greater China	-46.1%	-22.8%	+23.3pp
Asia/Pacific	-13.7%	-7.3%	+6.4pp

New regional
structure for 2019 and
2020 figures applied

FY 19

Outperformance: +4.8pp

Q1 19

	IHS ¹	Auto OEM ²	Outper- formance
World	-5.8%	-1.7%	+4.1pp
Europe	-6.7%	-3.2%	+3.5pp
Americas	-3.4%	+12.4%	+15.8pp
Greater China	-11.4%	-14.5%	-3.1pp
Asia/Pacific	-0.4%	+1.2%	+1.6pp

Q2 19

	IHS ¹	Auto OEM ²	Outper- formance
World	-8.2%	-4.2%	+4.0pp
Europe	-8.4%	-6.7%	+1.7pp
Americas	-2.2%	+4.7%	+6.9pp
Greater China	-18.7%	-10.7%	+8.0pp
Asia/Pacific	-0.9%	-0.8%	+0.1pp

Q3 19

	IHS ¹	Auto OEM ²	Outper- formance
World	-3.9%	+1.4%	+5.3pp
Europe	-0.7%	-4.1%	-3.4pp
Americas	-1.4%	+8.7%	+10.1pp
Greater China	-7.7%	+7.1%	+14.8pp
Asia/Pacific	-4.9%	-2.1%	+2.8pp

Q4 19

	IHS ¹	Auto OEM ²	Outper- formance
World	-4.4%	+1.2%	+5.6pp
Europe	-4.2%	-8.3%	-4.1pp
Americas	-8.2%	+3.8%	+12.0pp
Greater China	+3.2%	+24.6%	+21.4pp
Asia/Pacific	-10.5%	-9.7%	+0.8pp

¹ Light Vehicle production growth according to IHS Markit as of April 27) | ² FX-adjusted sales growth of Automotive OEM division

Key figures by Group and division

Group | in EUR mn

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Sales	3,622	3,604	3,613	3,588	3,282
Sales Growth¹	+0.4%	-2.0%	+1.2%	+0.6%	-9.2%
EBIT Reported	230	253	312	-5	-88
EBIT bsi	272	284	327	279	215
EBIT bsi margin	7.5%	7.9%	9.1%	7.8%	6.5%

Automotive Aftermarket | in EUR mn

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Sales	443	461	482	462	446
Sales Growth¹	-1.1%	-3.6%	+0.1%	+0.1%	+1.5%
EBIT Reported	69	72	87	62	76
EBIT bsi	69	72	87	77	76
EBIT bsi margin	15.5%	15.6%	18.1%	16.7%	17.1%

Adjusted comparative
figures 2019

Automotive OEM | in EUR mn

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Sales	2,285	2,232	2,254	2,272	2,008
Sales Growth¹	-1.7%	-4.2%	+1.4%	+1.2%	-12.0%
EBIT Reported	58	90	143	-5	-220
EBIT bsi	113	108	158	117	50
EBIT bsi margin	4.9%	4.9%	7.0%	5.1%	2.5%

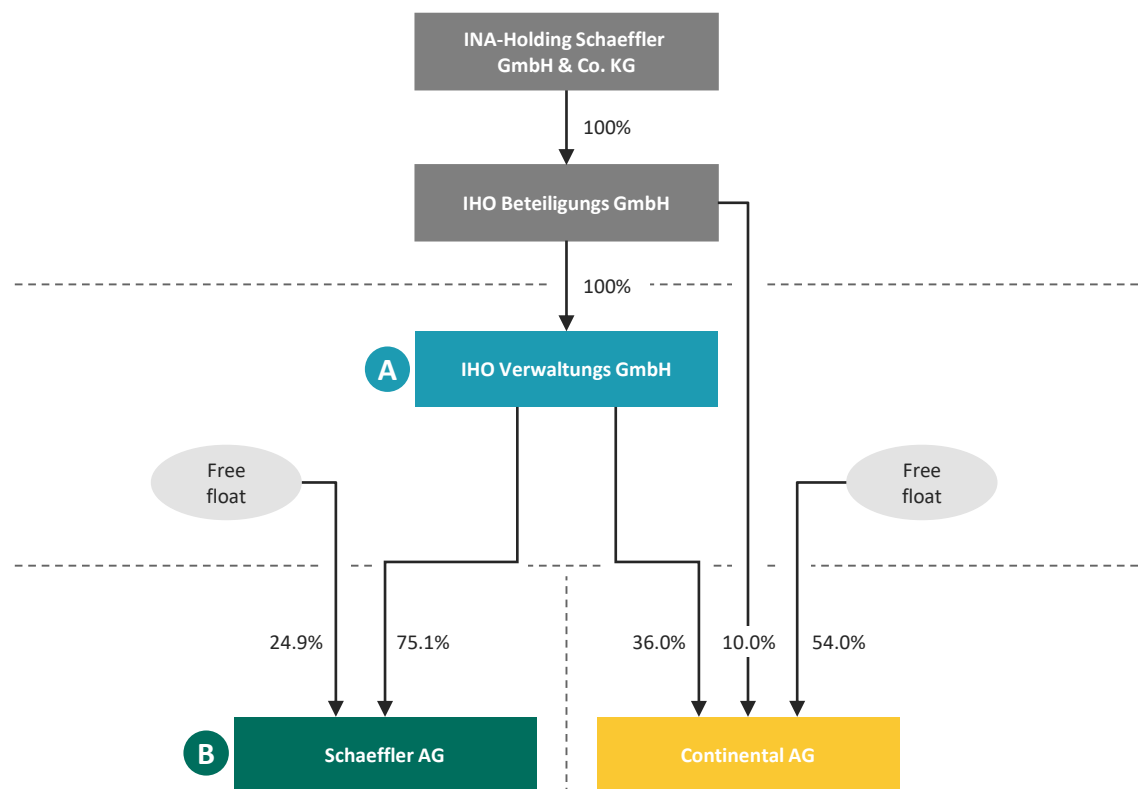
Industrial | in EUR mn

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Sales	893	911	877	853	828
Sales Growth¹	+6.9%	+5.0%	+1.2%	-0.6%	-7.5%
EBIT Reported	103	91	83	-63	56
EBIT bsi	90	104	83	84	88
EBIT bsi margin	10.1%	11.4%	9.4%	9.9%	10.7%

¹ FX-adjusted

Overview Corporate and Financing Structure

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



Financing structure | as of March 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)	-	600	E+2.75%	May-24	Not rated
	RCF (EUR 400 m)	-	-	E+2.75%	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	456	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	411	6.00%	May-27	BB+/Ba2/BB+
	6.375% SSNs 2029 (USD)	400	365	6.375%	May-29	BB+/Ba2/BB+
Total IHO Verwaltungs GmbH			3,882	Ø 3.68% ^{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 1,800 m)	-	-	E+0.50%	Sep-23	Not rated
	Investment Facility (EUR 250 m)	-	250	E+1.00%	Dec-22	Not rated
CP	Commercial Paper Program (EUR 1,000 m)	-	15	Ø 0,00%	Jun-20	Not rated
Bonds	1.125% SNs 2022 (EUR)	-	750	1.125%	Mar-22	BBB-/Baa3/BBB-
	1.875% SNs 2024 (EUR)	-	800	1.875%	Mar-24	BBB-/Baa3/BBB-
	3.25% SNs 2025 (EUR) - SFBV ⁴	-	600	3.25%	May-25	BBB-/Baa3/BBB-
	2.875% SNs 2027 (EUR)	-	650	2.875%	Mar-27	BBB-/Baa3/BBB-
Total Schaeffler Group			3,065	Ø 2.19% ³		

¹ EUR/USD = 1.0956 | ² After cross currency swaps | ³ Incl. commitment and utilization fees

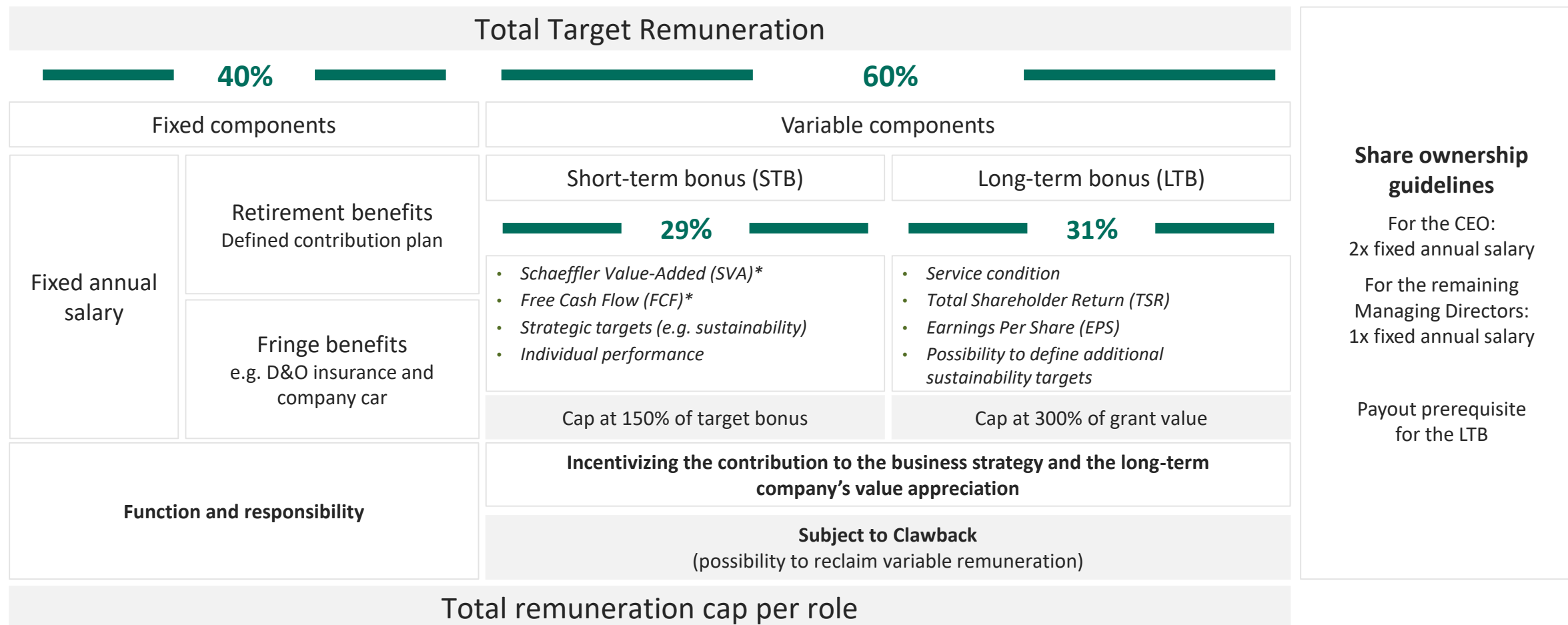
⁴ Bond issued by Schaeffler Finance B.V., guaranteed by Schaeffler AG

Backup 2

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Additional information

AGM proposal – New remuneration scheme, fostering sustainable value creation



The weightings of remuneration components as a % of total target remuneration (provided above) may slightly vary for various Managing Directors depending on the individual amounts of fringe benefits.

For the divisional CEOs, division-specific performance indicators Schaeffler Value Added of the Division (SVA Division) und Divisional Cash Flow (DCF Division) are considered in addition to the above performance criteria

Deviation in the Financial Year 2020: Managing Directors received a special one-of grant of virtual shares (PSUs) as a compensation for the decreased level of pension benefits due to the system change as of 1 January 2020. The value of the special one-of grant is equivalent to 50% of the gross fixed annual salary, PSUs are settle in cash in three tranches.

Remuneration scheme – Comparison previous system vs. new system

	System until 2019	System from 2020
Fixed annual salary	Contractually agreed, monthly payment	<i>No change</i>
Fringe benefits	Contractually agreed, company car etc.	<i>No change</i>
Short-term bonus (STB)	Free Cash Flow (FCF Group*) and Schaeffler Value Added (SVA Group*) at group level (weighted equally)	<i>No change</i>
	Possibility to annually define other strategic targets by Supervisory Board	Sustainability targets for 2020 (improvement of CDP-Rating and implementation of measures in order to increase energy efficiency)
Long-term bonus (LTB)	<u>Components:</u> 50% service condition, 25% TSR condition, 25% FCF condition	<u>Components:</u> 50% service condition, 25% TSR condition, 25% EPS condition Additional sustainability targets could be defined at a later stage
Performance Share Unit Plan	<u>Peer Group:</u> MDAX	<u>Peer Group:</u> weighted Sector Basket (SXAGR/ SXNGR)** reflecting the industry focus of Schaeffler AG
	<u>Target achievement</u> for TSR and FCF condition: 0 – 100%	<u>Target achievement</u> for TSR and EPS condition: 0 – 200%
Share ownership guidelines	No	Yes, used as a prerequisite for the payout within the LTB
Clawback	No	Yes, in relation to the variable components
Pension plan	Defined benefits plan	Defined contribution plan
Maximum remuneration (cap)	STB and LTB are capped	In addition to STB and LTB caps, a cap of total remuneration per role is defined

*For the divisional CEOs the performance criteria are completed by the division-specific performance indicators Schaeffler Value Added of the Division (SVA Division) und Divisional Cash Flow (DCF Division).

** SXAGR: STOXX Europe 600 Automobiles and Parts Gross Return (weighting: 75%); SXNGR: STOXX Europe 600 Industrial Goods and Services Gross Return (weighting: 25%)

Goodwill impairment in Automotive OEM – Conservative valuation approach applied

- 1** The Schaeffler Group goodwill impairment test is conducted on a divisional level – the goodwill is impaired when the carrying amount exceeds the recoverable amount of a division

- 2** The higher uncertainty for the future course of business of Automotive OEM triggered by the Coronavirus pandemic resulted in changed assumptions for the calculation of the recoverable amount

- 3** As a result a goodwill impairment of EUR 249 mn in Automotive OEM was accounted for, the impairment is adjusted on EBIT level



**Conservative valuation
leading to a goodwill
impairment in
Automotive OEM**