Capital Market Update – Schaeffler AG

CEO Conference Call
March 24, 2020
Herzogenaurach
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Agenda

1. Overview
2. Crisis management approach
3. Current business development
4. Strategy update and Roadmap 2024
5. Outlook and Conclusion
Since March 10, 2020 the Corona crisis has accelerated and turned into a global crisis, impacting all major economies.

We have intensified our crisis management focusing on maximum containment and establishing a dedicated Global Task Force with 3 response teams.

We are preparing the company for adverse conditions relying on our balance sheet strength and healthy liquidity situation.

Our ‘Roadmap 2024’ has been finalized and is ready to go, a strategy update will be shared with the market later in the year.

Given the current uncertainty, Guidance 2020 suspended, AGM 2020 postponed, Q1 figures will be released on May 6, 2020.
Corona crisis has become global – Schaeffler with balanced business portfolio mix

Global Footprint

Americas
- Crisis increasing, safety measures implemented
- Following customers’ lead, Schaeffler is temporarily closing AOEM plants in the US, Brazil and Mexico
- Industrial business with solid orders

Europe
- Number of Schaeffler employees infected very limited due to strict safety measures
- Fast and flexible response in adjusting operations
- Countermeasures implemented

Greater China
- Proactive crisis management, no employee infected
- All plants back on track, capacity utilization around 70%
- Supply chain maintained, well prepared for market recovery

Asia/Pacific
- No employee infected
- Strong containment measures in Japan and South Korea
- Forced plant closures in India

Schaeffler benefitting from balanced business mix (Auto and Industrial) and regional setup
Global Task Force with 3 dedicated response teams – Fast and flexible response

Key aspects

- Dedicated global Task Force led by CEO steering the organization, managing risks and responses and aligning all stakeholders
- Task Force consisting of 3 global response teams with regional overlay and 3 key priorities
  - Protecting health of employees
  - Minimizing impact on customers and securing supply chains
  - Ensuring financial health and liquidity
- Fast and flexible response mode established across the whole organization
- Countermeasures in place focusing on location-specific ramp down, flexing cost base (i.e. short-time work) and additional cost containment measures
- Business continuity management and proactive planning of restart initiated

Fast, flexible and situation-specific response ensuring business continuity and ability to ramp up operations when needed
3 Current business development

**Business Development – Impact differs by divisions, diversification pays off**

1. **Automotive OEM**
   - 63%¹
   - Major shutdowns of all relevant OEMs in Europe and Americas for the next weeks
   - For Q1 2020, yoy sales development between -6 and -8% envisaged, outperformance so far successfully retained
   - Major impact expected in Q2, countermeasures to be intensified where necessary

2. **Automotive Aftermarket**
   - 13%¹
   - Demand through Q1 2020 so far higher than expectations, distributors are building safety stocks
   - Controlled build-up of own inventory to secure supply chain when business comes back
   - Demand-driven negative impact in Q2 expected

3. **Industrial**
   - 24%¹
   - Global demand currently still on solid level, short- and mid-term development carefully managed
   - Q1 2020 sales expected without major impact
   - Focus on productivity improvements, cost reduction and cash generation to prepare for weaker rest of the year

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¹ In % of Total Sales Schaeffler Group 2019

*March 24, 2020*  
*Capital Market Update*
### Balance Sheet

- **Strong balance sheet with limited goodwill**¹ due to focused M&A Strategy
- **As per February 2020, Net financial debt of EUR 2.4 bn, Leverage ratio**² at 1.1
- **As of March 24, 2020 Investment Grade Rating by Fitch, Moody’s and S&P, with negative outlook from S&P and Fitch**

#### Current Ratings Schaeffler Group

<table>
<thead>
<tr>
<th>Rating</th>
<th>Fitch Ratings</th>
<th>Moody’s</th>
<th>Standard &amp; Poors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Rating</td>
<td>Baa3</td>
<td>BBB-</td>
<td>BBB-⁴</td>
</tr>
<tr>
<td>Outlook</td>
<td>stable</td>
<td>negative</td>
<td>negative</td>
</tr>
<tr>
<td>Bond Rating</td>
<td>BBB-</td>
<td>Baa3</td>
<td>BBB-</td>
</tr>
</tbody>
</table>

#### Liquidity

- **Cash balance Schaeffler Group as per end of February 2020 EUR 684 mn (EUR 668 mn as per year end 2019)**
- **Committed unused credit lines of EUR 2 bn as per end of February 2020, available liquidity**⁴ 15% of Net Sales 2019
- **Robust debt maturity profile, no redemption**⁵ in the next 24 months

#### Maturity Profile

- **Robust creditworthiness and strong liquidity position supported by proven cash flow management**

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¹ EUR 606 mn per year end 2019
² Leverage ratio as EBITDA adj. to Net Financial Debt
³ Rating based on combined Schaeffler Group and IHO Group metrics
⁴ Excluding restricted cash
⁵ Excluding Commercial Paper
Roadmap 2024 finalized – Ready to launch when market clears up

Roadmap 2024

Key aspects

- ‘Roadmap 2024’ finalized and ready to go with 3 main building blocks:
  - ‘Strategy 2024’ with 5 five updated Focus Areas, key Growth Initiatives leveraging synergies across the value chain between Automotive and Industrial
  - Dedicated ‘Execution Program 2024’ with 3 divisional Sub-Programs (extending RACE, FIT and GRIP) and 4 cross-divisional Sub-Programs
  - ‘Mid-term Targets 2024’ to be adapted to more challenging environment
- Launch of ‘Roadmap 2024’ supported by new claim covering Automotive and Industrial business in a more comprehensive manner: “We pioneer motion. Together.”

We pioneer motion. Together.
5 Outlook and Conclusion

Summary key messages – Schaeffler well prepared to manage the crisis

1. Since March 10, 2020 the Corona crisis has accelerated and turned into a global crisis, impacting all major economies

2. We have intensified our crisis management focusing on maximum containment and establishing a dedicated Global Task Force with 3 response teams

3. We are preparing the company for adverse conditions relying on our balance sheet strength and healthy liquidity situation

4. Our ‘Roadmap 2024’ has been finalized and is ready to go, a strategy update will be shared with the market later in the year

5. Given the current uncertainty, Guidance 2020 suspended, AGM 2020 postponed, Q1 2020 figures will be released on May 6, 2020

Fast and flexible response is key
## Upcoming capital market communication

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar 24th</td>
<td>Capital Market Update</td>
</tr>
<tr>
<td>Apr 17th</td>
<td>AGM postponed</td>
</tr>
<tr>
<td>May 6th</td>
<td>Q1 2020 Earnings Release</td>
</tr>
<tr>
<td>To come</td>
<td>New AGM if possible online</td>
</tr>
<tr>
<td>To come</td>
<td>Launch Roadmap 2024</td>
</tr>
<tr>
<td>Aug 4th</td>
<td>H1 2020 Earnings Release</td>
</tr>
<tr>
<td>Nov 10th</td>
<td>9M 2020 Earnings Release</td>
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</tbody>
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IR Contact

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Global Footprint Schaeffler Group – Automotive and industrial supplier

Americas\(^2\)
Sales: EUR 3.2 bn
Employees: 12,264
Plants: 13
R&D-Sites: 5

Europe\(^2\)
Sales: EUR 7.0 bn
Employees: 60,155
Plants: 45
R&D-Sites: 10

Asia/Pacific\(^2\)
Sales: EUR 1.5 bn
Employees: 3,147
Plants: 9
R&D-Sites: 4

China\(^2\)
Sales: EUR 2.8 bn
Employees: 12,182
Plants: 10
R&D-Sites: 1

\(^1\) In % of Total Sales Schaeffler Group 2019  \(^2\) As of FY 2019

March 24, 2020
Capital Market Update
### Financing structure | as of February 29, 2020

**A IHO Verwaltungs GmbH**

<table>
<thead>
<tr>
<th>Debt instrument</th>
<th>Nominal (USD m)</th>
<th>Nominal (EUR(^2) m)</th>
<th>Interest</th>
<th>Maturity</th>
<th>Rating (Fitch/Moody’s/S&amp;P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loan (EUR)</td>
<td>-</td>
<td>600</td>
<td>E+2.75%</td>
<td>May-24</td>
<td>Not rated</td>
</tr>
<tr>
<td>RCF (EUR 400 m)</td>
<td>-</td>
<td>-</td>
<td>E+2.75%</td>
<td>May-24</td>
<td>Not rated</td>
</tr>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.625% SSNs 2025 (EUR)</td>
<td>-</td>
<td>800</td>
<td>3.625%</td>
<td>May-25</td>
<td>BB+/Ba1/BB+</td>
</tr>
<tr>
<td>3.75% SSNs 2026 (EUR)</td>
<td>-</td>
<td>750</td>
<td>3.75%</td>
<td>Sep-26</td>
<td>BB+/Ba1/BB+</td>
</tr>
<tr>
<td>4.75% SSNs 2026 (USD)</td>
<td>500</td>
<td>456</td>
<td>4.75%</td>
<td>Sep-26</td>
<td>BB+/Ba1/BB+</td>
</tr>
<tr>
<td>3.875% SSNs 2027 (EUR)</td>
<td>500</td>
<td>3.875%</td>
<td>May-27</td>
<td>BB+/Ba1/BB+</td>
<td></td>
</tr>
<tr>
<td>6.00% SSNs 2027 (USD)</td>
<td>450</td>
<td>410</td>
<td>6.00%</td>
<td>May-27</td>
<td>BB+/Ba1/BB+</td>
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<tr>
<td>6.375% SSNs 2029 (USD)</td>
<td>400</td>
<td>364</td>
<td>6.375%</td>
<td>May-29</td>
<td>BB+/Ba1/BB+</td>
</tr>
<tr>
<td><strong>Total IHO Verwaltungs GmbH</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,880 Ø 3.68%(^1)</td>
</tr>
</tbody>
</table>

**B Schaeffler AG**

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<tr>
<th>Debt instrument</th>
<th>Nominal (USD m)</th>
<th>Nominal (EUR(^3) m)</th>
<th>Interest</th>
<th>Maturity</th>
<th>Rating (Fitch/Moody’s/S&amp;P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RCF (EUR 1,800 m)</td>
<td>-</td>
<td>-</td>
<td>E+0.50%</td>
<td>Sep-23</td>
<td>Not rated</td>
</tr>
<tr>
<td>Investment Facility (EUR 250 m)</td>
<td>-</td>
<td>250</td>
<td>E+1.00%</td>
<td>Dec-22</td>
<td>Not rated</td>
</tr>
<tr>
<td>CP</td>
<td></td>
<td></td>
<td>Ø -0.07%</td>
<td>Mar-20</td>
<td>Not rated</td>
</tr>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.125% SSNs 2022 (EUR)</td>
<td>-</td>
<td>750</td>
<td>1.125%</td>
<td>Mar-22</td>
<td>BBB+/Ba3/BBB</td>
</tr>
<tr>
<td>1.875% SSNs 2024 (EUR)</td>
<td>-</td>
<td>800</td>
<td>1.875%</td>
<td>Mar-24</td>
<td>BBB+/Ba3/BBB</td>
</tr>
<tr>
<td>3.25% SSNs 2025 (EUR) - SFBV(^4)</td>
<td>-</td>
<td>600</td>
<td>3.25%</td>
<td>Mar-25</td>
<td>BBB+/Ba3/BBB</td>
</tr>
<tr>
<td>2.875% SSNs 2027 (EUR)</td>
<td>-</td>
<td>650</td>
<td>2.875%</td>
<td>Mar-27</td>
<td>BBB+/Ba3/BBB</td>
</tr>
<tr>
<td><strong>Total Schaeffler Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,125 Ø 2.15%(^2)</td>
</tr>
</tbody>
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\(^1\) EUR/USD = 1.0977 \(^2\) After cross currency swaps \(^3\) Incl. commitment and utilization fees \(^4\) Bond issued by Schaeffler Finance B.V., guaranteed by Schaeffler AG

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### Corporate structure (simplified) | as of February 29, 2020

- **INA-Holding Schaeffler GmbH & Co. KG**
  - 100%
  - **IHO Verwaltungs GmbH**
    - 100%
    - **IHO Beteiligungs GmbH**
    - 24.9%
    - **Schaeffler AG**
      - 75.1%
      - **Continental AG**
      - 10.0%
      - **Free float**
      - 54.0%

**Financing structure**

- **Debt instrument**
- **Nominal (USD m)**
- **Nominal (EUR\(^1\) m)**
- **Interest**
- **Maturity**
- **Rating (Fitch/Moody’s/S&P)**

**Loans**
- Term loan (EUR)
- RCF (EUR 400 m)

**Bonds**
- 3.625% SSNs 2025 (EUR)
- 3.75% SSNs 2026 (EUR)
- 4.75% SSNs 2026 (USD)
- 3.875% SSNs 2027 (EUR)
- 6.00% SSNs 2027 (USD)
- 6.375% SSNs 2029 (USD)

**Interest**
- E+2.75%
- E+2.75%
- 3.625%
- 3.75%
- 4.75%
- 3.875%
- 6.00%
- 6.375%

**Maturity**
- May-24
- May-24
- May-25
- Sep-26
- Sep-26
- May-27
- May-27
- May-29

**Rating (Fitch/Moody’s/S&P)**
- Not rated
- Not rated
- BB+/Ba1/BB+
- BB+/Ba1/BB+
- BB+/Ba1/BB+
- BB+/Ba1/BB+
- BB+/Ba1/BB+

**Total IHO Verwaltungs GmbH**
- 3,880 Ø 3.68%

**Total Schaeffler Group**
- 3,125 Ø 2.15%