

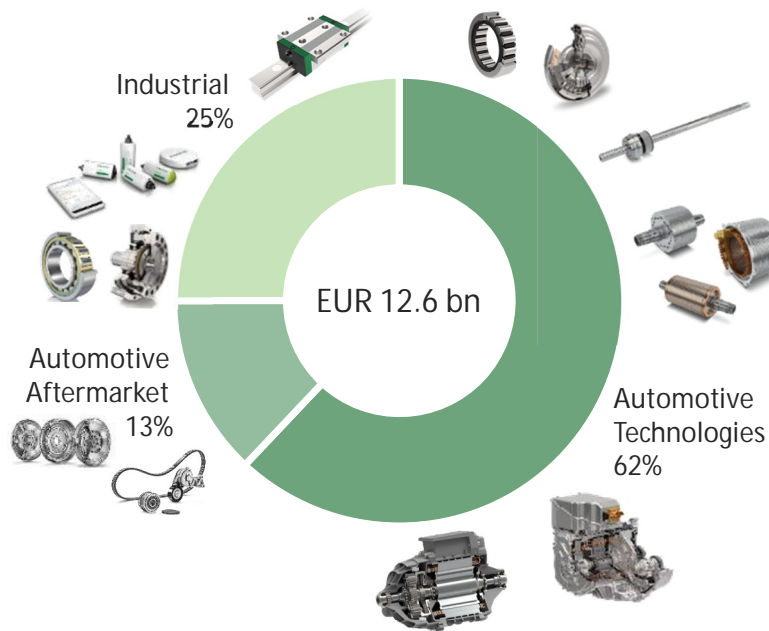
Schaeffler Group Stifel Virtual German Corporate Conference (Copenhagen)

Dr. Stefan Spindler, CEO Industrial Division
March 25th, 2021

Schaeffler Group at a glance – We are an Automotive and Industrial supplier

3 Divisions

In % of FY 2020

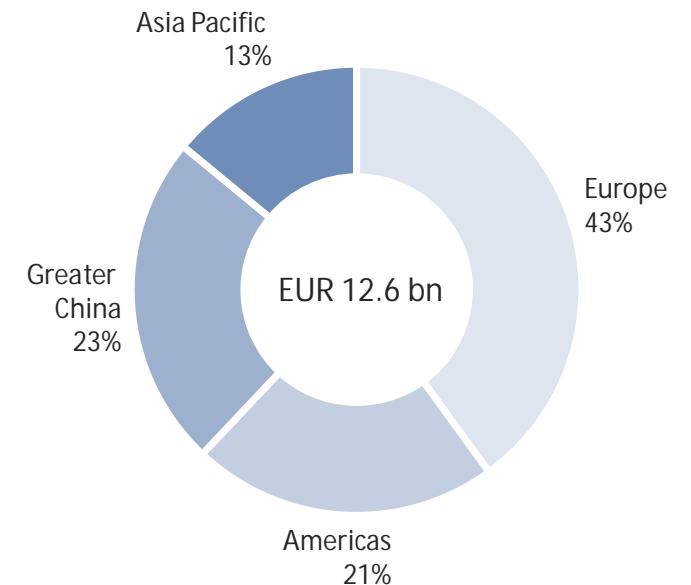


Schaeffler Group

- Leading position in technology and innovation
- Diversified customer base serving 10 customer sectors
- Market leading product offering from components, systems to services
- Global footprint with 75 plants and 20 R&D centers
- ~83,000 employees in more than 50 countries
- Highly experienced leadership team with focus on execution

4 Regions

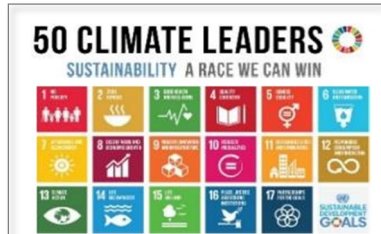
In % of FY 2020



Well-diversified Automotive and Industrial supplier with global reach and synergistic businesses

Schaeffler Group – Sustainability Targets address the requirements of our customers

Achievements



CDP Rating

- Major improvement in CDP climate rating, moving up from B- to A-
- CDP target for 2021 already achieved in 2020

Energy efficiency

- In 2020, 100% of electricity in Germany was purchased from renewable sources
- Company-wide energy efficiency program with interdisciplinary team established

50 Sustainability & Climate Leaders

- Schaeffler selected as one of "50 Climate & Sustainability Leaders" by the United Nations
- Increases our commitment to deliver on sustainability at a sustained pace

Goals

Energy efficiency:

100 GWh cumulated annual efficiency gains through implementation of energy efficiency measures until 2024

Renewable energy:

100% purchased power from renewable sources until 2024

CDP rating:

"A-" -rating for CDP Climate Score 2021



Accident rate:

10% average annual reduction of accident rate until 2024

Sustainable suppliers:

90% of production material from suppliers with Sustainability self assessments until 2022



Carbon neutral
production in 2030
Scope 1 and 2



20% reduction of
fresh water supply
until 2030

Industrial Division at Schaeffler – Leading global component and system supplier

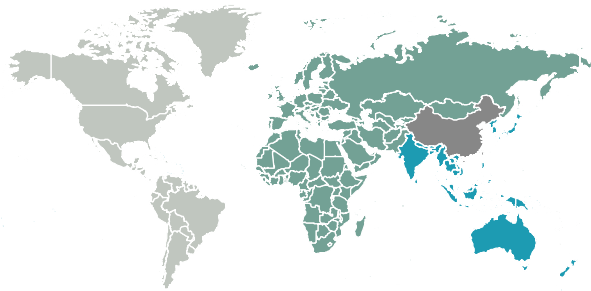
SCHAEFFLER

Europe

42% of sales in 2020

Greater China

27% of sales in 2020



Americas

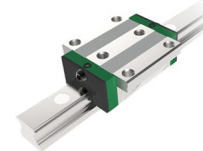
17% of sales in 2020

Asia / Pacific

14% of sales in 2020



Bearings

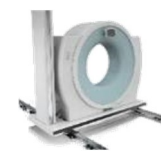


Linear Technology



Mechanical Systems

Broad range of products

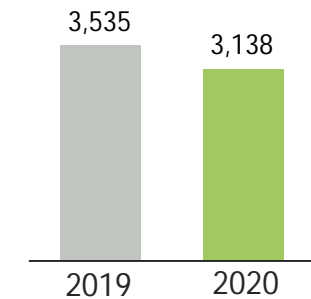


Mechatronic Systems

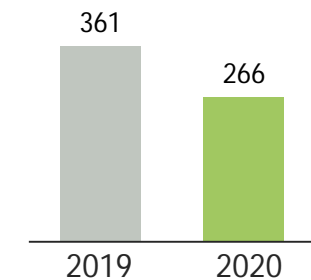


Service Solutions

Revenue
in EUR mn



EBIT¹
in EUR mn



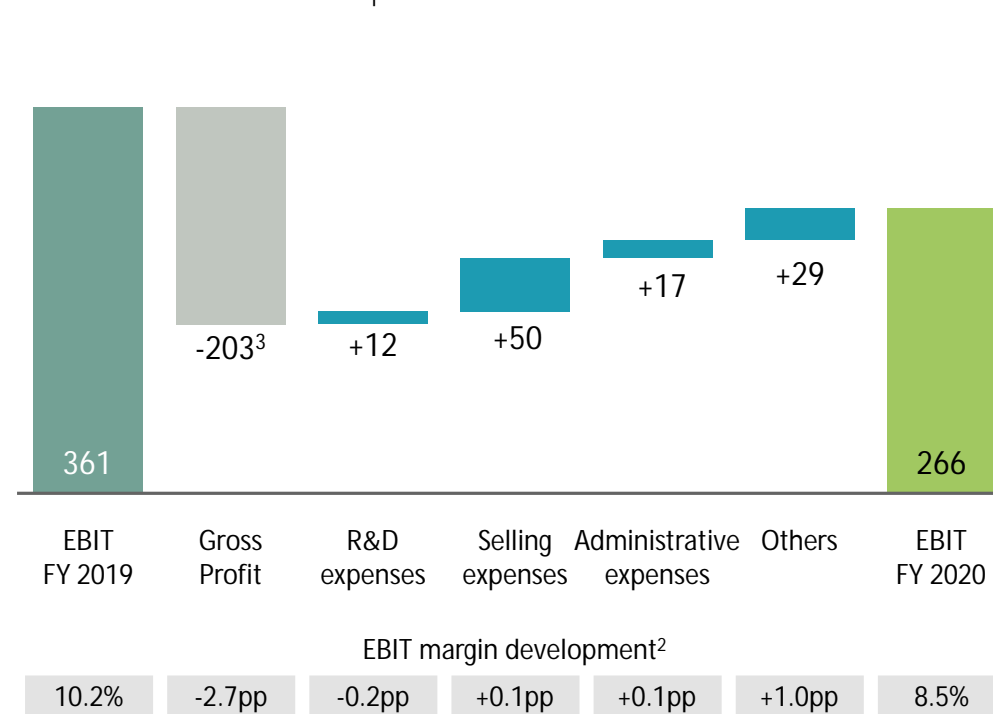
EBIT
margin¹



FY 2020 results – Strong sales in Wind, EBIT margin² impacted by lower volumes in all other sectors and Industrial Distribution

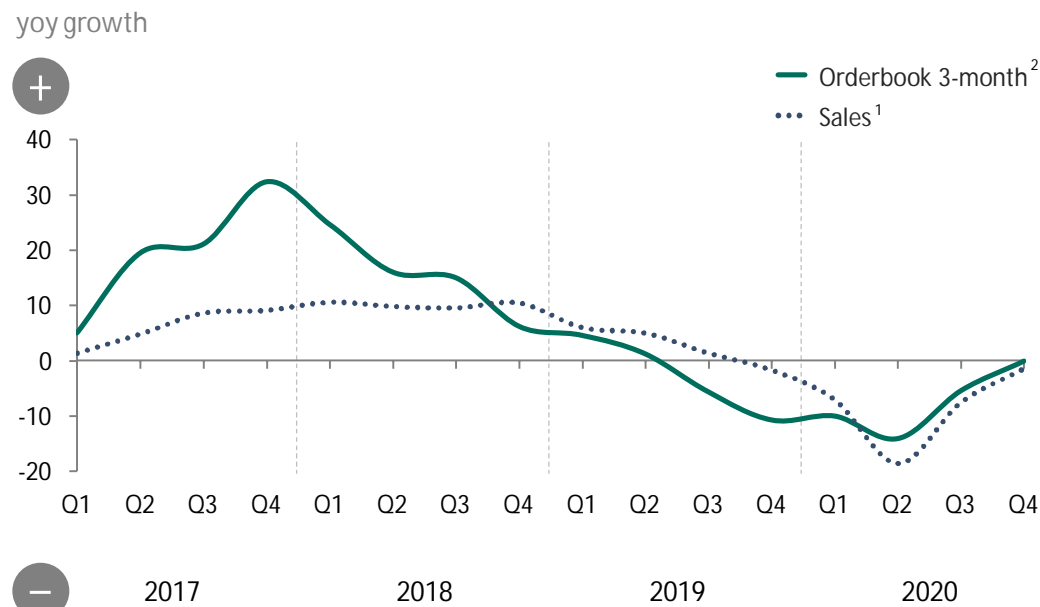
Sales by region [mn €] | yoy growth [%]

	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 2020¹¹ FX-adjusted vs. FY 2019EBIT² FY 2019 vs. FY 2020 | in EUR mn² Before special items | ³ Includes negative FX effects of EUR 34 mn

Secular growth in Wind continues, diversified portfolio provides balanced growth chances

Orderbook 3-months



¹ FX-adjusted product sales

² The order book 3Month measures the value of customer orders which are due in the next three months. It is presented as a relative, FX-adjusted year-over-year growth indicator which reflects the short-term business expectations. Developments in the distribution business have typically a shorter reach and are therefore only partially reflected by this indicator.

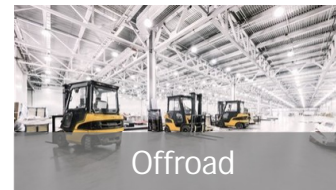
Order wins



Large multi-year contract signed with key Chinese OEM



New order received for bearings used in centrifuges of a large American food processing company



New business launched with major OEM in Asia/Pacific to supply bearings for forklifts

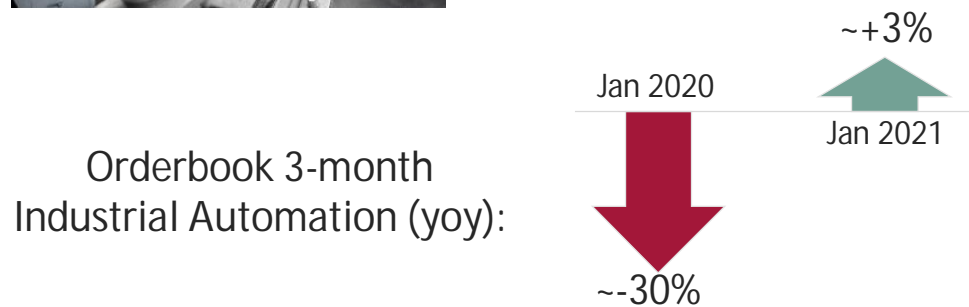
Continued growth in the wind sector and new orders in growing markets like food & beverage and material handling

Signs of recovery in our Automation business and further successful push of our Robotic solutions

Recovery in Industrial Automation business progressing



- Industrial Automation with positive 3-month orderbook in January 2021
- Various sectors contributed, including machine tools



Push of new Robotic solutions



- Speed reducer transmission for cobot joints developed and introduced to the market
- Next major step in expanding our business

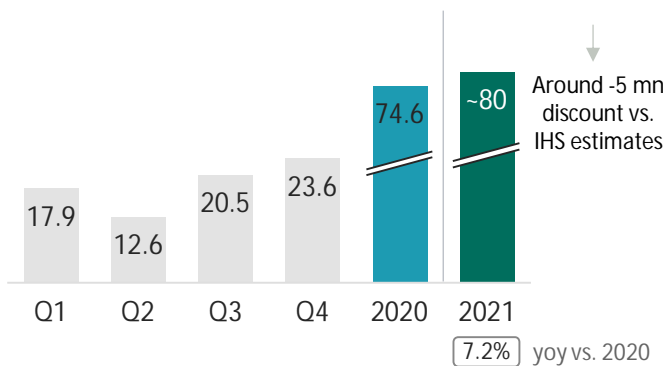
Speed reducer with up to
30,000 h
service life

Speed reducer with up to
-20%
inner friction
for dynamic precision

New main bearing with up to
+30%
tilting rigidity
for higher accuracy

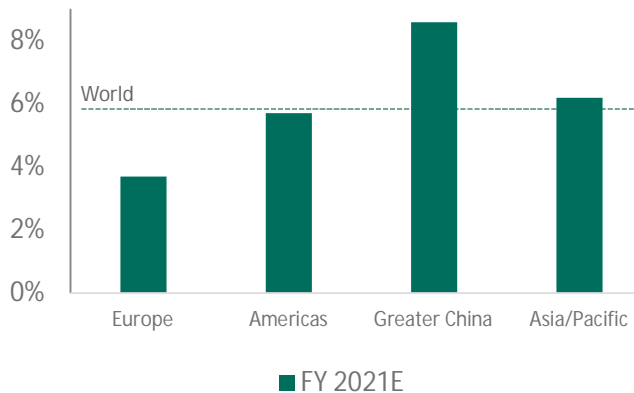
Positive orderbook development in our Industrial Automation business, robotics portfolio enlargement well underway

Our Outlook going forward

Automotive Technologies – Global LVP¹ 2021

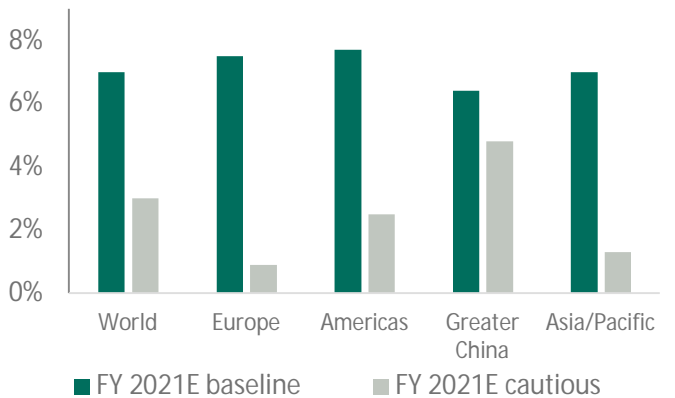
- Discount of around 5 mn vehicles to February IHS estimate of 84.6 mn LVP in 2021 leading to around 7% yoy market growth
- More cautious estimate due to remaining Coronavirus crisis uncertainties, risk of supply chain disruptions and global volatility

¹ Light Vehicle Production (IHS Markit, February 2021)

Automotive Aftermarket – GDP²

- World GDP expected to reach 5.8% growth in 2021 fueled by recovery in demand after the Coronavirus crisis
- In case of further prolonged disruptions cautious Oxford Economics scenario would assume 0.9% world GDP growth

² GDP (Oxford Economics, February 2021)

Industrial – Industrial production³

- The global industrial production is expected to recover to its pre pandemic levels by the end of 2021 in case of no further severe disruptions ("baseline" scenario)
- Cautious scenario would be more applicable in case of further prolonged disruptions

³ Industrial production in the sectors Mechanical engineering (NACE 28), Transport equipment (NACE 30), Electrical equipment (NACE 27.1), (Oxford Economics, December 2020)

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

Market assumptions 2021⁴

- 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)

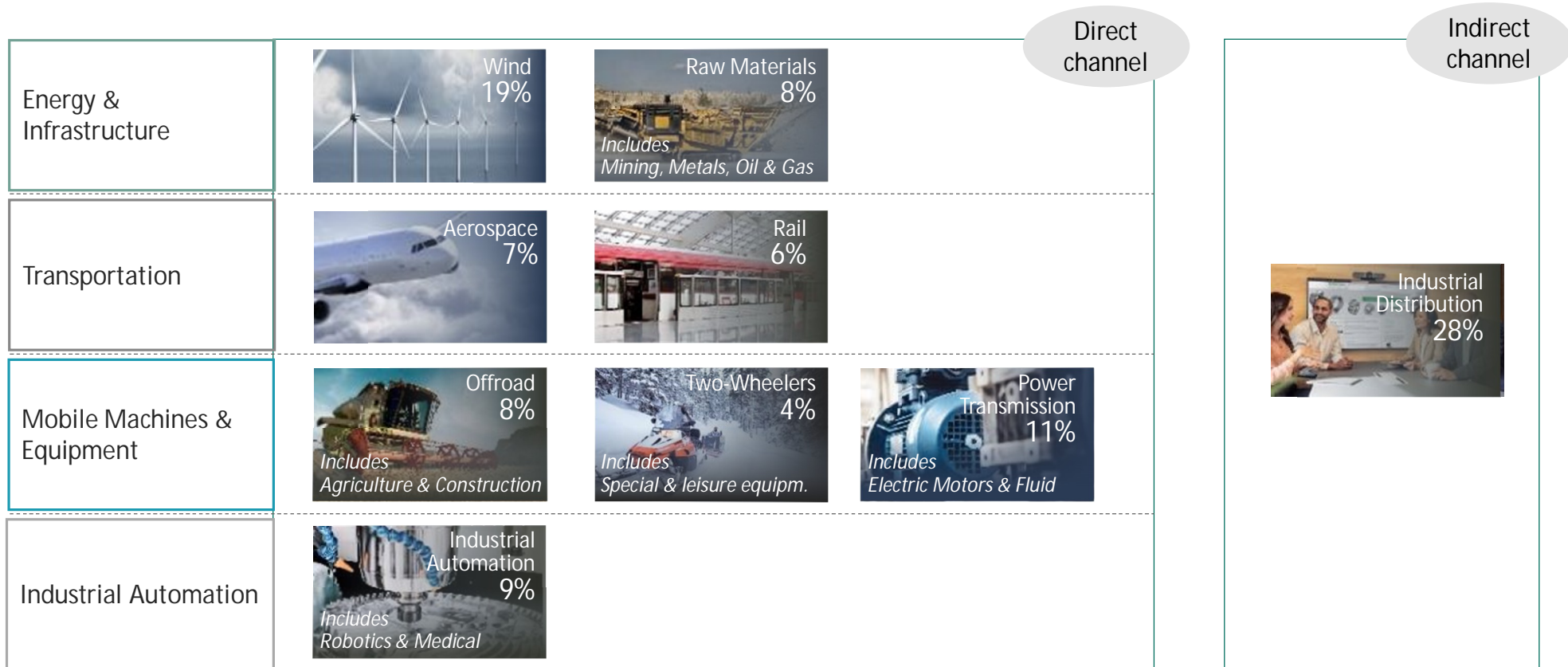
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Where we stand

Industrial Division at Schaeffler – Well diversified sector and channel portfolio

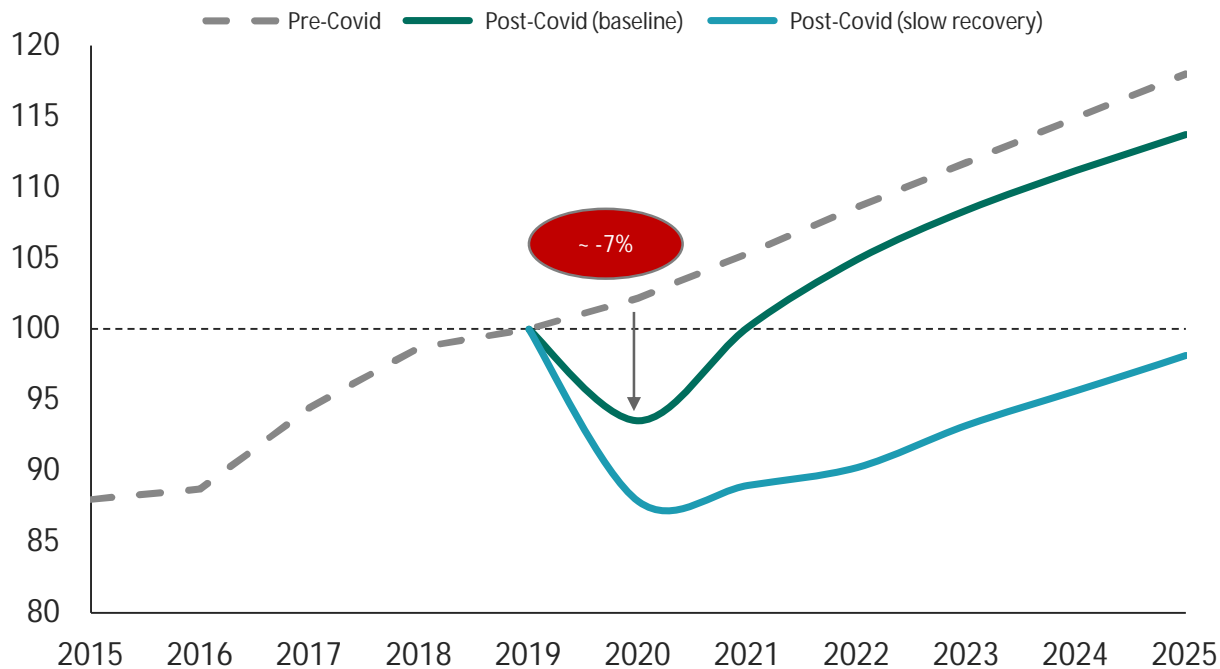
...with 8 Sector Clusters + Distribution

Sales share 2020



Market fell around 7% in 2020 – Rebound to 2019 output level not before the end of 2021

Development of Industrial production (sector basket based on Oxford Economics) until 2025¹
Index, 2019 = 100



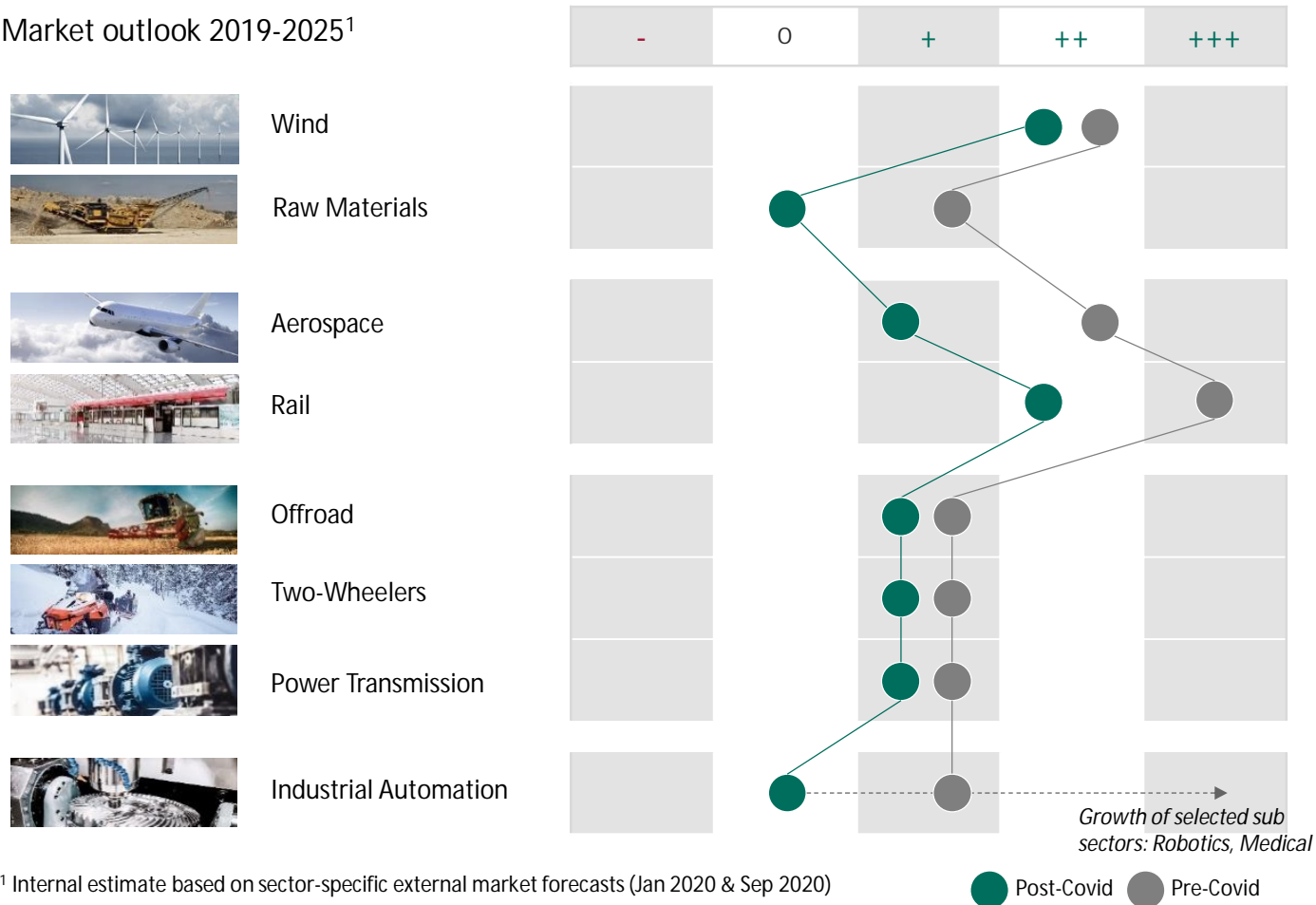
¹ Source: Oxford Economics, sector basket: Mechanical engineering, transport equipment, electrical equipment
Pre-Covid (Dec 2019), Post-Covid – slow recovery (May 2020), Post-Covid – baseline (Dec 2020)

Key aspects for market growth from 2020 onwards

- Global industrial production fell by around 7% in 2020. Greater China was the only growing region in 2020 (based on Schaeffler regional structure)
- Speed of market recovery remains uncertain. Global market will be back to 2019 level earliest by the end of 2021 in case of no further severe disruptions
- In the period 2020 to 2025 both Americas and Asia Pacific are expected to grow above average, while Greater China continues with robust growth starting from a higher baseline than all other regions

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

Market outlook 2019-2025¹



Key market drivers

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

¹ Internal estimate based on sector-specific external market forecasts (Jan 2020 & Sep 2020)
March 2021

Schaeffler Industrial is delivering comprehensive solutions for a sustainable planet

Green energy production



Every 2nd to 3rd wind turbine supplied with Schaeffler products

Broad bearing portfolio and Industry 4.0 solutions to secure smooth wind turbine operation and reliable power generation

Green transportation



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

Climate-friendly maintenance helps to save around 95% of CO₂ emissions by reconditioning of wheelset bearings compared to new production

Energy efficiency



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

Resource optimization



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

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

2 Where we play

2 Where we play

Balanced sector mix with strong product portfolio

SCHAEFFLER

Creating VALUE

Energy & Infrastructure



Wind



Raw Materials

Transportation



Aerospace



Rail

Mobile Machines & Equipment



Offroad



Two-Wheelers



Power
Transmission



Industrial
Automation



Distribution

1

Wind large size bearings



2

Rail bearings



3

Agricultural technologies



4

Robotics solutions



5

OPTIME



6

Hydrogen



*Pushing growth
in our core business*

*Driving innovation
with systems & services*

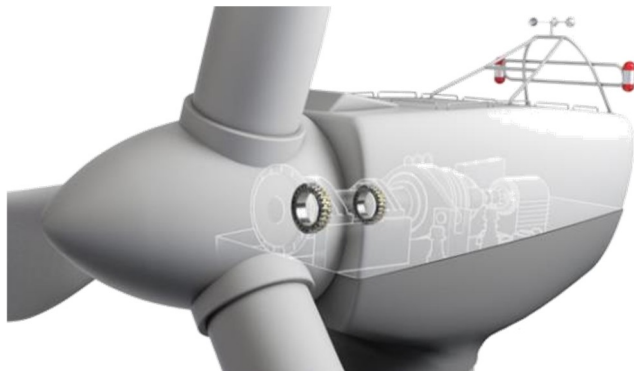
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How we win in our markets

1 Wind large size bearings: Ensuring sustainable energy supply with highest reliability



Sustainable energy
production

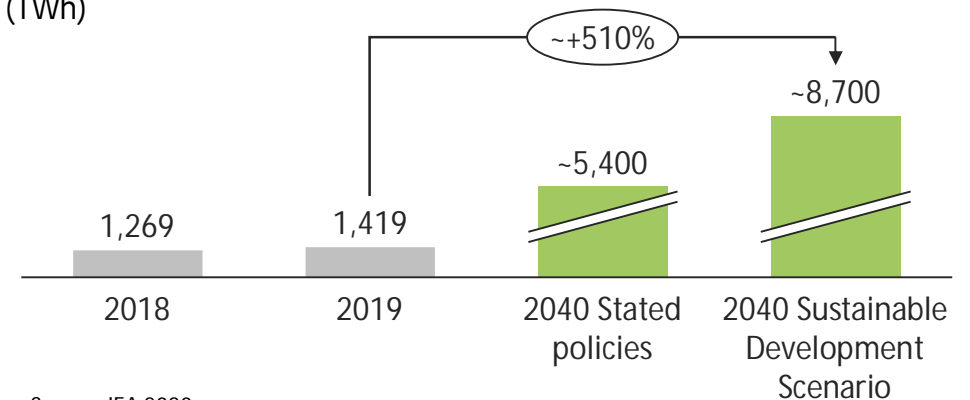


Bearing size of more than
3 meter
outer diameter

Offshore turbine
> 10 MW
power rating

Operating lifetime
> 20 years
under highly dynamic
operating conditions

Wind power generation
(TWh)



Source: IEA 2020

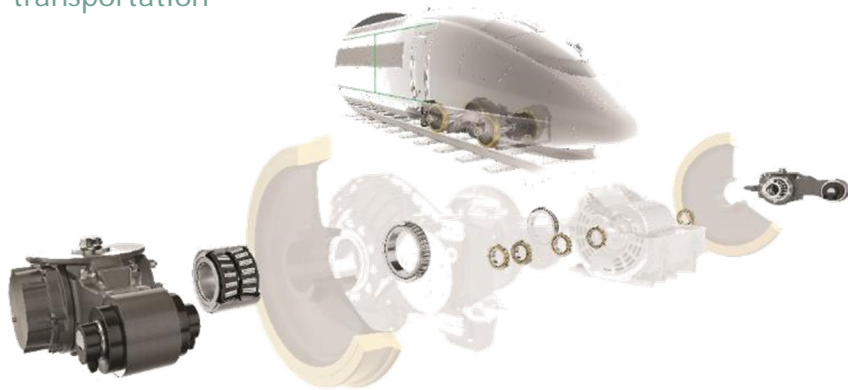
- Schaeffler is the global market leader for large size Wind bearings with very positive long-term prospects as wind power is one of the backbones for CO₂ reduction and sustainable energy generation
- Two-digit EUR mn investments into large size bearing production capacities in China to extend localization in a key growth market

Highly durable bearings best suited for the Wind power industry by meeting highest process and product quality requirements and a dedicated engineering

2 Rail bearings: Supporting both freight and all types of passenger transport



Sustainable
transportation

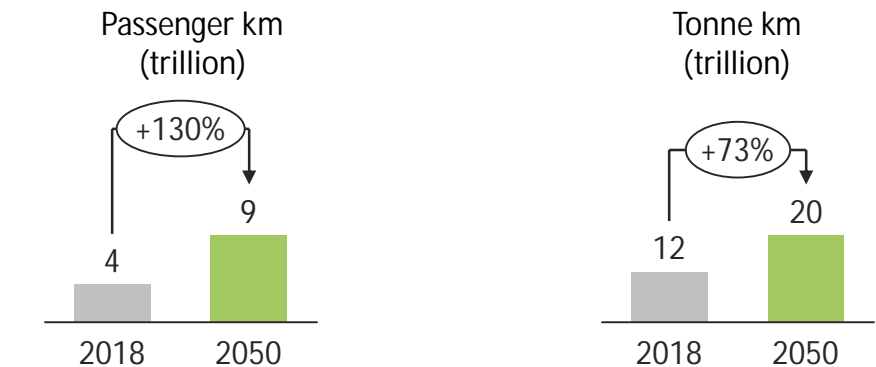


One new bearing leads to
8 bearings
for recycling or repair
(high speed)

Bearings used in trains
> 300 km/h

Bearings operate in
extreme conditions up to
-45°C

Rail transport performance



Source: SCI Rail 2020, IEA 2019

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

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

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



Sustainable
food production



Integrated supplier:
Industrial & Automotive



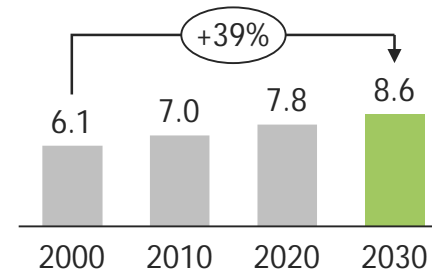
24/7

reliability in extreme
environmental conditions
like dust, heat and dirt

-20 to +100°C
operating temperatures

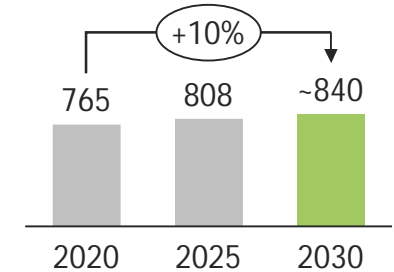
Multiple & permanent
shock loads
to be supported during
machine operation

Population growth
(bn people)



Source: Statista 2020

World wheat production
(million metric tons)



Source: OECD 2020

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

Close relationships with global OEMs, ability to deliver wide product portfolio comprising bearings and mechatronic solutions

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

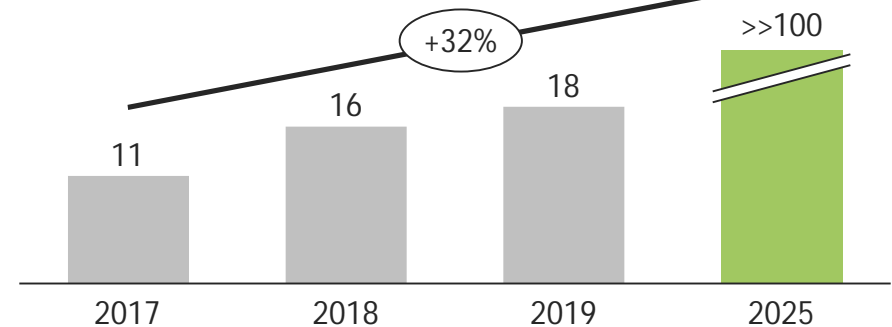


Speed reducer with up to
30,000 h
service life

-20%
inner friction reduction in
cobot bearing solution

+30%
tilting rigidity for bearing
aligned to cobot
requirements

Cobot sales
thousand units



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

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

Holistic robotics portfolio excelling through high reliability and precision

5 OPTIME: Cost-effective wireless condition monitoring for up to 94% of machines



Efficient usage of resources



Smart manufacturing

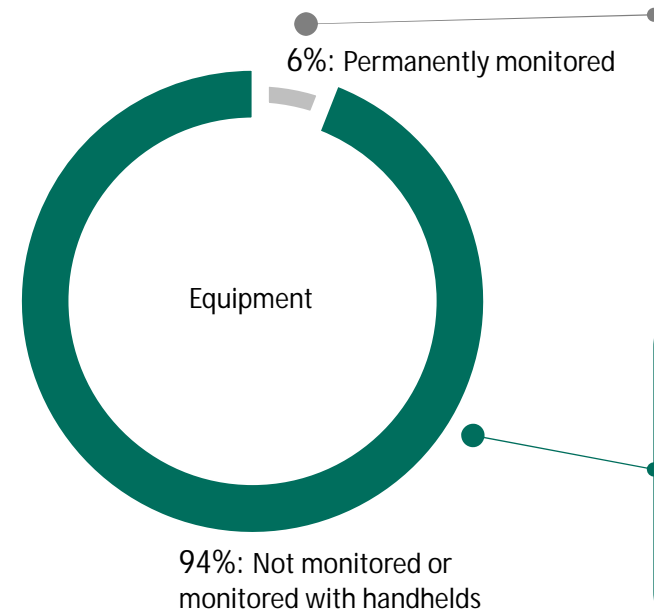


No training
required for OPTIME

Only
minutes
installation time with a
plug & play solution

Up to
50%
cost savings compared to
handheld measurement

Condition Monitoring in a typical
pulp and paper production



+



Existing condition
monitoring solutions
(24/7 measurement)



OPTIME:

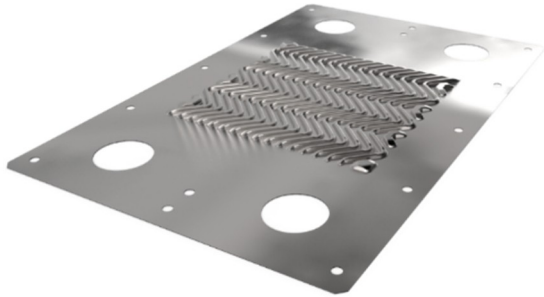
- Affordable
- Easy data handling

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

6 Hydrogen: Carbon-neutral production of green hydrogen via electrolysis supplied by renewable energies



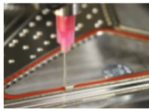
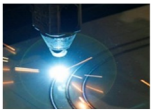
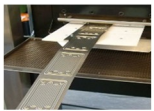
Sustainable energy
production



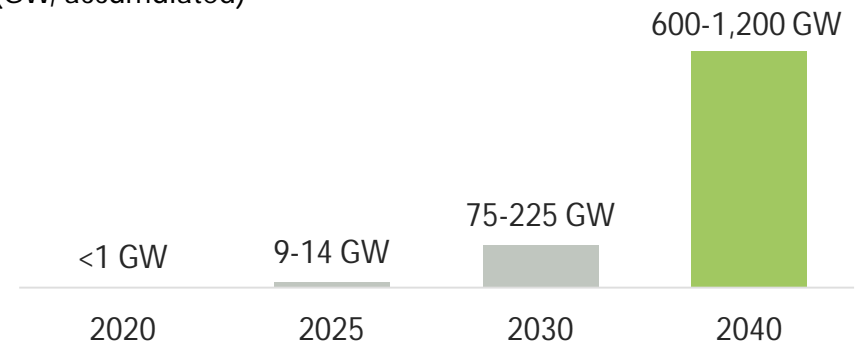
\$ 30 – 40 bn
market volume for
electrolyzers in 2030

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

> 50% green
H₂ expected in 2050



Globally installed electrolysis power
(GW, accumulated)



Source: McKinsey

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

Green hydrogen demand is increasing rapidly – Efficient, cost-effective electrolyzer equipment is not available at required scale:
Best fit to Schaeffler core competences in engineering and industrialization

4

How we create value for our customers and the Group

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



Strengthen technology leadership for bearings and new technologies

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



FIT – Drive operational excellence program

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



Reinforce customer excellence

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



Consolidate footprint & reduce overhead

- Implementation of leaner organizational structures for increased efficiency and reduced costs adapted to new market situation
- Optimization of plant landscape according to market development and customer needs

Industrial – Our Mid-term Targets

Industrial

Top line

FX-adj. sales growth
> Industrial Production growth
on average 2021 to 2025¹

Profitability

12 to 14%
EBIT margin before special items
latest in 2023

¹ Oxford Economics

5

Summary and conclusion

We further build on our profitability track record, while entering in promising new technologies

- 1 Market declined by ~7% in 2020 due to the Covid-19 pandemic, expected to recover and grow by 3% p.a. between 2021 and 2025

- 2 Industrial Division sales¹ to grow above industrial production mid-term. Hydrogen as an opportunity beyond 2025

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

- 4 Structural measures to improve operational cost performance and increase EBIT margin² to 12-14% latest by 2023

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



Enter attractive growth fields, further enhance profitability

¹ FX-adj. growth | ² Before special items

Backup

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

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