Schaeffler Automotive Technologies – Harvesting the Mature, Growing the New Business

J.P. Morgan European Automotive Conference

Matthias Zink
CEO Automotive Technologies
June 22, 2021
Agenda

1. Where we stand
2. Where we play
3. How we win
4. How we create value
Where we stand
Automotive Technologies – Driving the transition to innovative Propulsion and Chassis Technologies

1 Where we stand

<table>
<thead>
<tr>
<th>Electric and Hybrid Propulsion</th>
<th>Engine Components and Systems</th>
<th>Europe</th>
<th>Greater China</th>
</tr>
</thead>
<tbody>
<tr>
<td>13% of sales in 2020</td>
<td>26% of sales in 2020</td>
<td>37% of sales in 2020</td>
<td>26% of sales in 2020</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transmission Components and Systems</th>
<th>Chassis Applications</th>
<th>Americas</th>
<th>Asia / Pacific</th>
</tr>
</thead>
<tbody>
<tr>
<td>45% of sales in 2020</td>
<td>16% of sales in 2020</td>
<td>22% of sales in 2020</td>
<td>15% of sales in 2020</td>
</tr>
</tbody>
</table>

2019 Revenue in EUR mn:
- Electric and Hybrid Propulsion: 9,044 mn
- Engine Components and Systems: 7,816 mn

2019 EBIT in EUR mn:
- Electric and Hybrid Propulsion: 496 mn
- Engine Components and Systems: 263 mn

2019 EBIT margin:
- Electric and Hybrid Propulsion: 5.5%
- Engine Components and Systems: 3.4%

Adjustment for special items:
- Electric and Hybrid Propulsion: Before special items

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Sales by business division | yoy growth

<table>
<thead>
<tr>
<th>Business Division</th>
<th>Q1 2020</th>
<th>Q1 2021</th>
<th>Δ¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-Mobility</td>
<td>243</td>
<td>305</td>
<td>+26.5%</td>
</tr>
<tr>
<td>Engine Systems</td>
<td>529</td>
<td>593</td>
<td>+14.5%</td>
</tr>
<tr>
<td>Transmission Systems</td>
<td>902</td>
<td>1,034</td>
<td>+18.5%</td>
</tr>
<tr>
<td>Chassis Systems</td>
<td>333</td>
<td>349</td>
<td>+7.0%</td>
</tr>
<tr>
<td>Total</td>
<td>2,008</td>
<td>2,281</td>
<td>+15.8%</td>
</tr>
</tbody>
</table>

Key aspects

- Strong sales performance driven by market recovery in China; Outperformance of 180 bps impacted by base effect in China; continued above-market growth in Americas
- BD E-Mobility with highest growth rate (+26.5%¹), but also Mature Business a strong growth driver in Q1
- Strong result driven by market recovery, scale effects and structural cost savings while commodity price increases did not yet materially impact Q1

Outperformance: Sales¹ vs. market development in Q1

<table>
<thead>
<tr>
<th>Region</th>
<th>FY 20</th>
<th>Q1 2020</th>
<th>Δ¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>+4.5pp</td>
<td>+14.0%</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>+0.9pp</td>
<td>+3.4%</td>
<td></td>
</tr>
<tr>
<td>Americas</td>
<td>+8.0pp</td>
<td>-2.8%</td>
<td></td>
</tr>
<tr>
<td>Greater China</td>
<td>+10.3pp</td>
<td>+76.5%</td>
<td>74.3%</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>+6.5pp</td>
<td>+3.1%</td>
<td>13.6%</td>
</tr>
</tbody>
</table>

Production of light vehicles Q1 2021 vs. Q1 2020 (IHS Markit, April 2021)
Sales growth Schaeffler Automotive Technologies Q1 2021 vs. Q1 2020

EBIT²

<table>
<thead>
<tr>
<th>Q1 2020</th>
<th>Q1 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>47</td>
<td>246</td>
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</table>

EBIT margin²

<table>
<thead>
<tr>
<th>Q1 2020</th>
<th>Q1 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3%</td>
<td>10.8%</td>
</tr>
</tbody>
</table>

¹ FX-adjusted  | ² Before special items
Vision Powertrain 2035 – Electrification is further accelerating

1 Where we stand

We drive the transition to innovative propulsion systems

HEV as transition technology will reach tipping point in 2030

Electrification is further accelerating
Where we play
We actively manage our Product Portfolio – Harvesting the Mature, Growing the New Business

<table>
<thead>
<tr>
<th>Vision Powertrain 2035</th>
<th>Mature Business</th>
<th>New Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Light Vehicle Production</td>
<td>Products for ICE and HEV</td>
<td>Powertrain agnostic(^1) products</td>
</tr>
<tr>
<td>2020 e</td>
<td>2025 e</td>
<td>2030 e</td>
</tr>
<tr>
<td>88%</td>
<td>56%</td>
<td>30%</td>
</tr>
<tr>
<td>8%</td>
<td>12%</td>
<td>30%</td>
</tr>
<tr>
<td>32%</td>
<td>40%</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICE</td>
<td>Decreasing potential</td>
<td>Increasing potential</td>
</tr>
<tr>
<td>HEV</td>
<td></td>
<td></td>
</tr>
<tr>
<td>xEV</td>
<td>Example: Ball Screw Drive for Steering</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Independent from powertrain type

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3 How we win
Mature Business – Successfully harvesting our high value-added mature business

Key Aspects:
- We deliver components and systems for Powertrain and Chassis
- Safeguard margins and generate cash
- Transfer of manufacturing know-how to new business fields

We focus on profitable Enabler-Technologies for hybrid powertrains and optimized combustion engines
Heavy Duty applications – Supplying E-Motors and Hybrid Modules

Key Aspects:

- Market Entry Heavy Duty with Hybrid Modules for Schaeffler
- 3in1 System with integrated Power Electronics
- Recuperation of braking energy
- Supporting to achieve CO\(_2\) & NO\(_x\) targets for the customer

We are electrifying the Heavy-Duty sector and supporting our customers in achieving their CO\(_2\) targets

New Business

1st Nomination for a Hybrid Module for Heavy Duty (2021)

1st Nomination for an E-Motor for Heavy Duty (2020)
Power Electronic Unit Application – Extending our 3in1 Powertrain Portfolio

With our new inhouse PEU solution we harness our E/E\textsuperscript{2} competences and increase business opportunities

Key Aspects
- First Inhouse Power Electronic Unit for Schaeffler
- E/E\textsuperscript{2} Innovations and Competences build up internally
- Accomplishing our 3in1 product portfolio in E-Mobility
- Integration of power electronic system actuation functions

1 Silicon carbide-based inverter
2 Electric and Electronic
E-Axles – Reinventing E-Axles by combining all our Components with a Thermal Management System

3 How we win

Increase of Efficiency and EV range

Full vehicle heat control

Cross fertilization from mature ICE Business

We have a deep system understanding of thermal management, necessary to optimize an electric powertrain system

Key Aspects

- We enable our customers offering more efficient drives by integrating innovative thermal management components

Current market leader for TMM in ICE business

Heat abundant
Focus Cooling

ICE

- Benefit TMM
- Efficiency Drive >25%
- Avail. Waste Heat >30%

BEV

- Benefit TMM
- Efficiency Drive ++ >80%
- Avail. Waste Heat >5%

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Industrial applications – Leveraging Schaeffler’s Auto and Industrial DNA, Capturing New Growth Opportunities with Cross-Fertilization

Wave-Winding Technology

Market entrance in Industrial for E-Motors

Market entry in Industrial for eWheel

We are further expanding our business with our first E-Motor and eWheel nomination in the industrial sector

Key Aspects
- Modular platform for Heavy Duty and Industrial in Production
- High max. power and max. torque application
- New important market fields for Schaeffler
Sustainable Investments in Europe – New E-Mobility production plant in Hungary

We will officially open the plant in Hungary in September 2021.

Key Aspects
- 18,000 m³ thereof 15,000 m³ production space (30 hectares area)
- DGNB\(^1\) Gold certification and highly efficient production processes
- Photovoltaic system & Green service-, rain- and wastewater treatment

\(^1\) German Sustainable Building Council

The cooperation with Refire is strengthening the market position of Schaeffler and speeding-up the development and market entry.

Key Aspects
- Development of Bipolar plates and Thermal Management Systems
- Increasing speed in the industrialization process
- Compounding our capabilities in the fuel cell ecosystem

Development of Key Components

Accelerating time to market

Strategic Cooperation

SCHAEFFLER & REFIRE

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Chassis Systems – Schaeffler will drive the expansion of chassis mechatronics

Proven expert in the fields of electronics and mechatronics

Powertrain agnostic business

Future growth potential for Chassis mechatronics

Viktor Molnar

- Various global managerial positions at Robert Bosch GmbH
- Outstanding specialist knowledge and many years of experience for Body Electronics

Key Aspects:
- Two prominent volume-production nominations acquired for intelligent mechatronic rear axle steering system

Schaeffler strengthens Chassis Systems business division for a sustainable and successful future
Eco-system – Creating a leading technological platform with strong industrialization capabilities

3 How we win

**Mature Business**

We **HARVEST**
with our
Enabler-Technologies

We **EXIT/DIVEST**
expiring businesses &
consolidate our footprint

**New Business**

We **BUILD**
Competencies in
Power Electronics &
Hydrogen

We **GROW**
in Electrified
Powertrains

**Key aspects**

- We continuously leverage our Automotive + Industrial supplier eco-system by following our portfolio logic of Build, Grow, Harvest and Exit/Divest – Our New Business thrives on the strong foundations of the Mature
- We harness synergies between Automotive Technologies, Automotive Aftermarket and Industrial, even more in New Business fields like E-Motors or Hydrogen
- We closed technological gaps organically but also inorganically by acquisitions, JVs or cooperations
- We remain open to new collaborations in our future growth fields E-Mobility, Fuel Cells and Chassis Mechatronics

Strong manufacturing and technological platform works like an eco-system, integrating collaborations
How we create value
How we fund our own growth and create value

**Mature Business**

- **Products for ICE and HEV**
- **Powertrain agnostic\(^1\) products**

**Order Intake\(^2\)** FY 2019 & FY 2020

- **Priority Margin**
  - Order intake
  - Profitability
  - R&D
  - Capex / Reinvestment rate
  - Footprint
  - Overhead\(^3\)

**New Business**

- **Powertrain agnostic\(^1\) products**
- **Products for Electrified Powertrains**

**Priority Growth**

- Order intake
- Profitability
- R&D
- Capex / Reinvestment rate
- Footprint
- Overhead\(^3\)

- **Funding our New Business**
- **Capex allocation and R&D expenses shifted to New Business**
- **Qualification Program ‘Fit4Mechatronics’**

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1 Independent from powertrain type | 2 Powertrain split of Order Intake without Heavy Duty | 3 Selling & Admin expenses

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We drive the transition to innovative propulsion and chassis technologies, to conquer leadership positions in New Business

1. We plan conservatively with a disciplined view on costs in a highly uncertain market environment

2. We aim to outperform the market thanks to our system understanding and our excellence in industrialization

3. We actively manage the transition by ensuring profitability in Mature Business and fostering strong growth in New Business

4. We implement our efficiency measures, reduce complexity and manage our portfolio to fund our own growth while securing a dependable margin range

5. We prioritize growth and aim for leadership positions in our New Business, leveraging both our organic capabilities and external growth

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We pioneer motion
Backup
Semiconductor shortage – Evaluation and impact on our business

1. We have a balanced customer portfolio in Light Vehicles and Heavy Duty, but the semiconductor shortage is hitting the market across the board.

2. According to industry sources, and to our own evaluation, the supply of semiconductors will not recover before Q4/2021.

3. Schaeffler impact is very low and expected to be recovered in the later part of the year. We are in close contact with our customers to monitor any influences and risks to our business.

4. We support sector initiatives to increase in the mid-term the reliability of sourcing of strategic components.
Schaeffler Group at a glance – We are an Automotive and Industrial supplier

3 Divisions
In % of FY 2020

- Automotive Technologies 62%
- Automotive Aftermarket 13%
- Industrial 25%

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

- Europe 43%
- Americas 21%
- Asia Pacific 13%
- Greater China 23%

Well-diversified Automotive and Industrial supplier with global reach and synergistic businesses
Focused and fast-paced E-Mobility portfolio expansion since 2019

- First SOP for HEV Hybrid Module with Torque Converter
- First E-Motor nomination
- First 3in1 DHT nomination
- Construction start E-Mobility plant, Szombathely Hungary
- First 3in1 Hybrid Module nomination with integrated Torque Converter
- First Power Electronic Unit nomination for E-Axles

- First 2in1 E-Axle nomination
- First 2in1 Hybrid Module nomination with inhouse E-Motor
- First nomination for 3in1 performance E-Axles
- First E-Motor nomination for Heavy Duty
- First 3in1 Hybrid Module nomination for Heavy Duty
- First E-Motor nomination for Industrial Application
We will capture further market potential with high quality components and systems

Mature Business

We deliver Components and Systems to OEMs and Tiers

Significant Content of Mature Business Products in all Powertrain types

We benefit from our Production-and Process Know-How

By complexity reduction and active portfolio management we will harvest our mature business
We actively manage the transition by ensuring profitability in Mature Business and a strong growth in New Business.

**Mature Business**
- We HARVEST with our Enabler-Technologies
- We EXIT/DIVEST expiring businesses & consolidate our footprint

**New Business**
- We BUILD Competencies in Power Electronics & Hydrogen
- We GROW in Electrified Powertrains

**Automotive Technologies** – Driving the transition to innovative propulsion and chassis technologies

*Graph with quadrants for Build, Grow, Harvest, Exit/Divest.*
Backup

E-Mobility Propulsion portfolio today – Components and Systems

We are extending our portfolio of E-Mobility due to high relevance for future powertrain systems
## Automotive Technologies (AT) outperformance by quarters

### Q1 21

<table>
<thead>
<tr>
<th>Region</th>
<th>IHS¹</th>
<th>AT²</th>
<th>Outperformance</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>+14.0%</td>
<td>+15.8%</td>
<td>+1.8pp</td>
</tr>
<tr>
<td>Europe</td>
<td>-1.1%</td>
<td>+3.4%</td>
<td>+4.5pp</td>
</tr>
<tr>
<td>Americas</td>
<td>-2.8%</td>
<td>+6.0%</td>
<td>+8.8pp</td>
</tr>
<tr>
<td>Greater China</td>
<td>+76.5%</td>
<td>+74.3%</td>
<td>-2.2pp</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>+3.1%</td>
<td>+13.6%</td>
<td>+10.5pp</td>
</tr>
</tbody>
</table>

### Q1 20

<table>
<thead>
<tr>
<th>Region</th>
<th>IHS¹</th>
<th>AT²</th>
<th>Outperformance</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>-22.2%</td>
<td>-12.1%</td>
<td>+10.1pp</td>
</tr>
<tr>
<td>Europe</td>
<td>-15.7%</td>
<td>-13.5%</td>
<td>+2.2pp</td>
</tr>
<tr>
<td>Americas</td>
<td>-11.6%</td>
<td>-5.2%</td>
<td>+6.4pp</td>
</tr>
<tr>
<td>Greater China</td>
<td>-45.7%</td>
<td>-22.8%</td>
<td>+22.9pp</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>-13.5%</td>
<td>-7.3%</td>
<td>+6.2pp</td>
</tr>
</tbody>
</table>

### YTD 21

Outperformance: +1.8pp

### FY 20

Outperformance: +4.5pp

### Q2 20

<table>
<thead>
<tr>
<th>Region</th>
<th>IHS¹</th>
<th>AT²</th>
<th>Outperformance</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>-42.9%</td>
<td>-41.9%</td>
<td>+1.0pp</td>
</tr>
<tr>
<td>Europe</td>
<td>-58.2%</td>
<td>-59.5%</td>
<td>-1.3pp</td>
</tr>
<tr>
<td>Americas</td>
<td>-69.6%</td>
<td>-62.5%</td>
<td>+7.1pp</td>
</tr>
<tr>
<td>Greater China</td>
<td>+10.2%</td>
<td>+17.3%</td>
<td>+7.1pp</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>-54.9%</td>
<td>-41.9%</td>
<td>+13.0pp</td>
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</tbody>
</table>

### Q3 20

<table>
<thead>
<tr>
<th>Region</th>
<th>IHS¹</th>
<th>AT²</th>
<th>Outperformance</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>-2.4%</td>
<td>-1.2%</td>
<td>+1.2pp</td>
</tr>
<tr>
<td>Europe</td>
<td>-6.0%</td>
<td>-9.3%</td>
<td>-3.3pp</td>
</tr>
<tr>
<td>Americas</td>
<td>-3.1%</td>
<td>+2.9%</td>
<td>+6.0pp</td>
</tr>
<tr>
<td>Greater China</td>
<td>+10.9%</td>
<td>+14.2%</td>
<td>+3.3pp</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>-12.9%</td>
<td>-10.1%</td>
<td>+2.8pp</td>
</tr>
</tbody>
</table>

### Q4 20

<table>
<thead>
<tr>
<th>Region</th>
<th>IHS¹</th>
<th>AT²</th>
<th>Outperformance</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>+3.2%</td>
<td>+8.0%</td>
<td>+4.8pp</td>
</tr>
<tr>
<td>Europe</td>
<td>+1.1%</td>
<td>+6.4%</td>
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<td>+0.6%</td>
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<td>Asia/Pacific</td>
<td>+3.6%</td>
<td>+9.1%</td>
<td>+5.5pp</td>
</tr>
</tbody>
</table>

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