Schaeffler Automotive Technologies – Harvesting the Mature, Growing the New Business
Bank of America European Autos Conference

Matthias Zink
CEO Automotive Technologies
September 28, 2021
Agenda

1. Where we stand
2. Where we play
3. How we win
4. How we create value
Where we stand
Current Trading – While not immune to stronger headwinds on automotive volumes, we will outperform and we are confident on our FY guidance, protecting margins and FCF

Automotive Market dynamics
- IHS sharply reduced its estimates for the Global LVP\(^1\) in September, now expecting only 1.6% Global LVP\(^1\) growth vs. 11.4% back in June
- IHS estimates on volume losses in 2021 due to global chip shortage\(^2\):
  - Q1: 1.4 mn
  - Q2: 2.6 mn
  - Q3: 3.4 to 3.8 mn
  - Q4: 2.0 to 3.2 mn

FY: 9.5 to 11 mn

Schaeffler Group and Automotive Technologies Division implications
- Automotive market external headwinds - stronger than the ones we already expected - may weigh on sales volumes for the AT division
- Although the estimated LVP\(^1\) was materially reduced by IHS, we aim to outperform the market as per our FY Auto Technologies guidance
- Countermeasures were initiated – Reduction of flextime accounts, selected closing days in plants; short-time work is investigated for Q4
- Despite pressure on volumes, profit and FCF protection actions support our FY divisional and group guidance

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1 Light Vehicle Production (IHS Markit, JUN-SEP) | 2 IHS Markit: Semiconductor Update; 20 Sep 2021

Cautiousness expressed in our Q2 Earnings season proved to be right – Headwinds are persisting
Automotive Technologies – Driving the transition to innovative Propulsion and Chassis Technologies

**Electric and Hybrid Propulsion**
- 13% of sales¹ in 2020

**Engine Components and Systems**
- 26% of sales in 2020

**Transmission Components and Systems**
- 45% of sales in 2020

**Chassis Applications**
- 16% of sales in 2020

**Europe**
- 37% of sales in 2020

**Greater China**
- 26% of sales in 2020

**Americas**
- 22% of sales in 2020

**Asia / Pacific**
- 15% of sales in 2020

**Revenue**
- in EUR mn
  - H1 2020: 3,264
  - H1 2021: 4,365

**EBIT¹**
- in EUR mn
  - H1 2020: -192
  - H1 2021: 379

**EBIT margin¹**
- H1 2020: -5.9%
- H1 2021: 8.7%

¹ Before special items
² Including Chassis Mechatronics Systems, Fuel Cell & Thermal Management Systems
Vision Powertrain 2035 – Electrification is further accelerating

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

Vision Powertrain 2035
Global Light Vehicle Production

<table>
<thead>
<tr>
<th>2020 e</th>
<th>2025 e</th>
<th>2030 e</th>
<th>2035 e</th>
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</thead>
<tbody>
<tr>
<td>ICE</td>
<td>HEV</td>
<td>xEV</td>
<td></td>
</tr>
<tr>
<td>88%</td>
<td>12%</td>
<td>32%</td>
<td>30%</td>
</tr>
<tr>
<td>56%</td>
<td>40%</td>
<td>35%</td>
<td>50%</td>
</tr>
<tr>
<td>8%</td>
<td>15%</td>
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</tbody>
</table>

Mature Business

- Products for ICE and HEV
- Powertrain agnostic products

New Business

- Powertrain agnostic products
- Products for Electrified Powertrains

Example

- Ball Screw Drive for Steering
- Rear Wheel Steering
- 3in1 e-Axle

1 Independent from powertrain type

Decreasing potential
Increasing potential
Strongly increasing potential

Rear Wheel Steering

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8
Transforming Automotive Technologies – We want to be the preferred technology partner for our customers

Key aspects

- Lead in E-Mobility, technological edge and innovation
- Strengthen Chassis business as second pillar of the Division
- Leverage our automotive bearings business, powertrain agnostic
- Extract higher synergies with business for conventional powertrains (Engine & Transmission Systems)

We offer our customers the full matrix of solutions

Roadmap 2025 – Operating Model sharpened to further boost execution of “Mature & New” milestones
3 How we win
E-Mobility – Promised and delivered: Order Intake and Footprint

11.4 bn EUR
Total Order Intake for E-Mobility since 2018

2.1 bn EUR
Order Intake for E-Mobility achieved in H1 2021

Official inauguration on September 17, 2021

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3 How we win

E-Mobility – Unlimited innovation potential
Schaeffler e-Axle – Performant, efficient and innovative

800-volt electrical system

- **180 kW** Range of performance
- **500 kW**
- **350 A** Phase current (Effective value)
- **700 A**

- **1200 V SiC semiconductor technology**
- High power density up to 70 kW / litre
- Efficiency reaches above 99%
3 How we win

Our Vision: Autonomous New Mobility
Our Vision: Autonomous New Mobility: We pioneer motion

3 How we win

Chassis Mechatronic

Flexible Vehicle Topology

Schaeffler Chassis Control Unit

Scalable Platform

Conductive Charging System
IAA 2021 – Key takeaways

• Transformation: in full swing – We are actively positioning Schaeffler for future opportunities

• Operating Model: its sharpening strengthens our innovation power and execution of our strategy in E-Mobility and Chassis systems

• Innovation in E-Mobility: 3in1 electric axle systems, thermal management and 800 V power electronics for maximum power density are proving commercially successful

• Rolling Chassis: an innovative mobility concept for urban spaces, partnership with Mobileye

• Hydrogen technology: key to a carbon-neutral future – From electrolyzers to fuel cells

• Order book: keeps showing good momentum and great quality
Eco-system – Optimizing our leading technological platform, leveraging our strong industrialization capabilities

**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

**How we harvest Mature Business**
- We right-size investments and resource allocation in our Mature business by consequently reducing investments in ICE technologies (Reinvestment Rate <1)
- We leverage our synergies in Mature even more, by combining the Engine and Transmission business
- We aim to become the market leader in the powertrain agnostic Automotive Bearings market
- We EXIT/DIVEST expiring businesses like chain drive systems and further consolidate our European footprint

Our Mature business provides the foundation and industrialization scale and funds our New business
Eco-system – Creating a leading technological platform with strong industrialization capabilities

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

Growing our New Business

- We continuously leverage our Automotive + Industrial supplier eco-system – 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 complement our portfolio 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

<table>
<thead>
<tr>
<th>Products for ICE and HEV</th>
<th>Powertrain agnostic(^1) products</th>
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</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>Priority Margin</td>
</tr>
<tr>
<td>Profitability</td>
<td></td>
</tr>
<tr>
<td>R&amp;D</td>
<td></td>
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<tr>
<td>Capex / Reinvestment rate</td>
<td>&lt; 1</td>
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<tr>
<td>Footprint</td>
<td></td>
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<tr>
<td>Overhead(^3)</td>
<td></td>
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</tbody>
</table>

\(^1\) Independent from powertrain type  \(^2\) Powertrain split of Order Intake without Heavy Duty  \(^3\) Selling & Admin expenses

New Business

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

- 25.2 bn EUR
- 41% HEV
- 16% xEV
- 43% ICE

Order intake
- Priority Growth
  - EUR 2-3 bn from 2022 onwards

Profitability
- \(\uparrow\)

R&D
- \(\uparrow\)

Capex / Reinvestment rate
- \(\uparrow\) > 1

Footprint
- \(\uparrow\)

Overhead\(^3\)
- \(\uparrow\)

- Funding our New Business
- Capex allocation and R&D expenses shifted to New Business
- Qualification Program ‘Fit4Mechatronics’
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, leveraging our Powertrain-Agnostic 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
We pioneer motion
Backup
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%

- EUR 12.6 bn

Schaeffler Group

- Leading positions in technology and innovation
- 10 customer sectors
- Market leading offering from components and systems to services
- 75 plants and 20 R&D centers
- ~83,000 employees in more than 50 countries

4 Regions
In % of FY 2020

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

- EUR 12.6 bn

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

- First 2in1 E-Axle nomination (xEV)
- First 2in1 Hybrid Module nomination with inhouse E-Motor (HEV)
- First nomination for 3in1 performance E-Axles (xEV)
- First E-Motor nomination for Heavy Duty (xEV)
- First 3in1 Hybrid Module nomination for Heavy Duty (HEV)
- First E-Motor nomination for Industrial Application (HEV)

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

**Mature Business**

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

**New Business**

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

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

- Build
- Grow
- Harvest
- Exit/Divest
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

#### YTD 21

<table>
<thead>
<tr>
<th>Region</th>
<th>IHS¹</th>
<th>AT²</th>
<th>Outperformance</th>
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<tbody>
<tr>
<td>World</td>
<td>+15.5%</td>
<td>+15.8%</td>
<td>+0.3pp</td>
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<tr>
<td>Europe</td>
<td>+1.0%</td>
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<td>+4.9%</td>
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<td>+8.7pp</td>
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#### Q1 21

<table>
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<td>Americas</td>
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<tr>
<td>Asia/Pacific</td>
<td>+78.6%</td>
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<td>-16.1pp</td>
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#### Q2 20

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<tr>
<td>Europe</td>
<td>-15.7%</td>
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<td>Americas</td>
<td>-11.6%</td>
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<tr>
<td>Asia/Pacific</td>
<td>-13.5%</td>
<td>-7.3%</td>
<td>+6.2pp</td>
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#### Q2 21

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<tr>
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<td>Europe</td>
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<td>Americas</td>
<td>-3.1%</td>
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<td>+10.9%</td>
<td>+14.2%</td>
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<tr>
<td>Asia/Pacific</td>
<td>-12.9%</td>
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#### FY 20

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#### FY 20

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<td>Europe</td>
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<tr>
<td>Asia/Pacific</td>
<td>-54.9%</td>
<td>-41.9%</td>
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#### Q3 20

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<tr>
<td>Europe</td>
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<td>Americas</td>
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<td>Asia/Pacific</td>
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#### Q4 20

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</tr>
</tbody>
</table>

1 Light Vehicle production growth according to IHS Markit, July 2021  
2 FX-adjusted sales growth of Automotive Technologies division
Seven non-financial targets underline clear commitment to sustainability

- **Energy Efficiency**: 100 GWh cumulated annual efficiency gains until 2024
- **Renewable Energy**: 100% purchased power from renewable sources until 2024
- **CO₂ Neutral Production**: At all Schaeffler production sites until 2030
- **Fresh Water Supply**: 20% reduction of fresh water supply until 2030
- **Sustainable Suppliers**: 90% of purchasing volume of production material from suppliers with SAQs until 2022
- **Accident Rate**: 10% average annual reduction of accident rate until 2024
- **CDP Rating**: “A-” Rating for CDP Climate Score until 2021

Sustainability targets were integrated into the variable remuneration of upper management.