Schaeffler Group
Industrial Roadshow

Dr. Stefan Spindler, CEO Industrial Division
September 30th, 2021
Schaeffler Group at a glance – We are an Automotive and Industrial supplier

3 Divisions
In % of H1 2021
- 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 H1 2021
- Asia Pacific 14%
- Europe 43%
- Greater China 23%
- Americas 20%

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

Industrial Division at Schaeffler – Leading global component and system supplier

Europe
40% of sales in H1 2021

Greater China
29% of sales in H1 2021

Americas
17% of sales in H1 2021

Asia / Pacific
14% of sales in H1 2021

Bearing

Linear Technology

Broad range of products

Mechanical Systems

Mechatronic Systems

Service Solutions

Revenue
in EUR mn

H1 2020
H1 2021

1,560
1,738

EBIT\(^1\)
in EUR mn

H1 2020
H1 2021

141
208

EBIT margin\(^1\)

9.0%
12.0%

\(^1\) Before special items

September 2021
Industrial H1 2021 results – Significant recovery in almost all sector clusters, strong EBIT margin

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

<table>
<thead>
<tr>
<th>Region</th>
<th>H1 2020</th>
<th>H1 2021</th>
<th>Δ 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>678</td>
<td>699</td>
<td>+3.5%</td>
</tr>
<tr>
<td>Americas</td>
<td>269</td>
<td>285</td>
<td>+14.1%</td>
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<tr>
<td>Greater China</td>
<td>407</td>
<td>507</td>
<td>+26.8%</td>
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<tr>
<td>Asia/Pacific</td>
<td>207</td>
<td>247</td>
<td>+24.2%</td>
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<tr>
<td>Total</td>
<td>1,560</td>
<td>1,738</td>
<td>+13.3%</td>
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EBIT² H1 2020 vs. H1 2021 | in EUR mn

- EBIT: 141
- Gross Profit: +63
- R&D expenses: -3
- Selling expenses: -11
- Administrative expenses: -8
- Others: +26
- EBIT: 208

Industrial sales growth by sector cluster H1 2021

Two-Wheelers: 10%
Offroad: 0%
Wind: 10%
Power Transmission: 20%
Industrial Automation: 0%
Aerospace: 60%
Raw Materials: 10%
Railway: 0%
Industrial Distribution: 0%

EBIT margin development²

<table>
<thead>
<tr>
<th>Segment</th>
<th>H1 2020</th>
<th>H1 2021</th>
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<tbody>
<tr>
<td>EBIT</td>
<td>9.0%</td>
<td>12.0%</td>
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<tr>
<td>Gross Profit</td>
<td>+0.7pp</td>
<td>+1.4pp</td>
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<tr>
<td>R&amp;D expenses</td>
<td>+0.3pp</td>
<td>+0.6pp</td>
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<tr>
<td>Selling expenses</td>
<td>+0.6pp</td>
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<td>Administrative expenses</td>
<td>-8</td>
<td>-11</td>
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<td>Others</td>
<td>+26</td>
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¹ FX-adjusted | ² Before special items | ³ Includes negative FX effects of EUR -15 mn
Growing the OEM and MRO service business across sectors

**Orderbook 3-month**

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
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**Innovative solutions**

- Trendsetting direct drive mechatronic solution for leading textile machinery OEM
- Digitally traceable wheelset bearings for major European railway operator
- MRO service partnership with key mining customer for large size bearing reconditioning and spare part supply

**Supporting customers along the entire product lifecycle**

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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.

How we win

- Industrial Automation
- Railway
- Raw Materials

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_Tips to improve the page layout_

- Ensure consistent font size and style throughout the document.
- Use bullet points or subheadings to organize information.
- Include relevant images or icons to enhance understanding.
- Ensure all tables and figures are clearly labeled and captioned.

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*September 2021*
Driving the recovery with core products and innovations

Significant and broad-based order intake, supported by innovative products and global footprint

Offroad

Tillage bearing
Supporting and optimizing the preparation of soil for seed planting

New agricultural bearing solutions introduced to the American and European market

Industrial Automation

Linear motor drive
Testing of electronic chips in semiconductor manufacturing for mass production

Strong order gains from the semiconductor industry in Asia/Pacific

Power Transmission

Standard ball bearing
Bearings used in a wide variety of applications such as electric motors and household appliances

New ball bearing design with highly competitive performance to cost ratio

How we win
Driving circular economy with 100 percent return service for railway bearings

How we win

Exact same quality as new bearing

Replacement service combines ecological and economic savings of reconditioned rolling bearings

Circular approach reduces CO₂ emissions by more than 95 percent, energy consumption by 94 percent, and water consumption by 96 percent

Data Matrix Code on every bearing for digitalized maintenance with minimum downtimes enables potential for lifetime extension

Winner of Railsponsible Supplier Award 2021

Supply model with direct availability through 100% return service

Digital twin for full transparency on lifecycle status

Combining profitable business with key sustainability aspects
Balanced sector mix with strong product portfolio

Creating VALUE

<table>
<thead>
<tr>
<th>Energy &amp; Infrastructure</th>
<th>Transportation</th>
<th>Mobile Machines &amp; Equipment</th>
<th>Industrial Automation</th>
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</thead>
<tbody>
<tr>
<td>Wind</td>
<td>Aerospace</td>
<td>Offroad</td>
<td>Industrial Automation</td>
</tr>
<tr>
<td>Raw Materials</td>
<td>Rail</td>
<td>Two-Wheelers</td>
<td>Power Transmission</td>
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</tbody>
</table>

**Machinery / equipment manufacturers**

- Mechanical components & systems

**Distribution partners**

- Mechatronics

**Service providers**

- Service solutions

**End customers**

- Hydrogen

**Pushing growth and extending scope in our core business**

**Scaling service business with operators**

**Entering new business fields in future growth areas**

Where to play - How we win - How we create value

September 2021
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 services and Robotic solutions as well as hydrogen products

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

How we win

September 2021
How we win

**Industrial – Our Mid-term Targets**

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**Industrial**

**Top line**

> **Industrial Production growth**

FX-adj. sales growth

on average 2021 to 2025

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**Profitability**

12 to 14%

EBIT margin before special items

latest in 2023

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1 Oxford Economics

September 2021
Our Outlook going forward – Updated market assumptions after August 2021

Automotive Technologies – Global LVP¹ 2021

- Schaeffler market assumption at the FY release was ~ 80 mn vehicles (5 mn discount to IHS, Feb. 2021)
- After a strong Q1, the LVP¹ in Q2 was increasingly impacted by the semiconductor shortage
- Compared to IHS, Schaeffler is applying a discount of ~ 1 mn vehicles for the global LVP¹ 2021 due to ongoing semiconductor shortages in H2

Automotive Aftermarket – GDP²

- World GDP expected to reach 6.3% growth in 2021 (2020: -3.4%) fueled by recovery in demand after the Coronavirus crisis
- Global growth forecast for FY 2021 more optimistic than in Q1 with upward revision across all regions, except Asia/Pacific

Industrial – Industrial production³

- Global industrial production recovers faster than previously expected (11.9%, prior: 9.1%). Continuous upward revision of outlook since Dec. 2020
- Key drivers for the strong development are the mechanical engineering sector and a very dynamic growth in the regions Americas and Greater China.

³ Industrial production in the sectors Mechanical engineering (NACE 28), Transport equipment (NACE 30), Electrical equipment (NACE 27.1), (Oxford Economics, June 2021)

¹ Light Vehicle Production (IHS Markit, July 2021)
² GDP (Oxford Economics, June 2021)
## FY 2021 Guidance – Both, Industrial growth and EBIT margin upgraded with after H1

### Group Guidance

<table>
<thead>
<tr>
<th></th>
<th>Previous Guidance(^4) FY 2021</th>
<th>New Guidance FY 2021</th>
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</thead>
<tbody>
<tr>
<td>Sales growth(^1)</td>
<td>&gt; 10%</td>
<td>&gt; 11%</td>
</tr>
<tr>
<td>EBIT margin(^2)</td>
<td>7 - 9%</td>
<td>8 - 9.5%</td>
</tr>
<tr>
<td>Free Cash Flow(^3)</td>
<td>&gt; EUR 300 mn</td>
<td>&gt; EUR 400 mn</td>
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### Divisional Guidance

<table>
<thead>
<tr>
<th></th>
<th>Automotive Technologies</th>
<th>Automotive Aftermarket</th>
<th>Industrial</th>
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<tbody>
<tr>
<td></td>
<td>Previous(^4)</td>
<td>New</td>
<td>Previous(^4)</td>
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<td>Outperf.</td>
<td>Outperf.</td>
<td>6 - 8%</td>
<td>&gt; 10%</td>
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<td>200 - 500 bps</td>
<td>200 - 500 bps</td>
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<td>&gt; 6%</td>
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<td>&gt; 11.5%</td>
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<td>&gt; 12.5%</td>
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<td>&gt; 9.5%</td>
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<td>&gt; 10.5%</td>
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### New market assumptions for Fiscal Year 2021
- Automotive Technologies: Increase of LVP of around 9% as cautious estimate considering further possibilities of disruptions and volatility
- Automotive Aftermarket: Increase of global GDP by around 6%
- Industrial: Increase of relevant industrial production of around 12%

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\(^1\) FX-adjusted  \(^2\) Before special items  \(^3\) Before cash in- and outflows for M&A activities  \(^4\) As of May 12
We further build on our profitability track record, while entering in promising new technologies

1. Market declined by ~5% in 2020 due to the Covid-19 pandemic, expected to recover and grow by 3.5% p.a. between 2021 and 2026

2. Industrial Division sales\(^1\) 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 margin\(^2\) to 12-14% latest by 2023

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

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\(^1\) FX-adj. growth  \(^2\) Before special items

Conclusion

Enter attractive growth fields, further enhance profitability
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
Current trading slide as shown at Auto Conference on 28/09

1 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

Global LVP\(^1\) 2021

Estimated LVP\(^1\) for H2 sharply reduced in September

<table>
<thead>
<tr>
<th>Quarter</th>
<th>LVP</th>
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<tbody>
<tr>
<td>H1</td>
<td>39.4</td>
</tr>
<tr>
<td>H2 JUN</td>
<td>43.6</td>
</tr>
<tr>
<td>H2 JUL</td>
<td>42.6</td>
</tr>
<tr>
<td>H2 AUG</td>
<td>41.4</td>
</tr>
<tr>
<td>H2 SEP</td>
<td>36.4</td>
</tr>
<tr>
<td>2021</td>
<td>75.8</td>
</tr>
</tbody>
</table>

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

Automotive Market dynamics
- IHS sharply reduced its estimates for the Global LVP\(^1\) in September, now expecting only 1.6% \(\text{Global LVP}^1\) 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

\(\text{FY: 9.5 to 11 mn}\)

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

Cautiousness expressed in our Q2 Earnings season proved to be right – Headwinds are persisting