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Q4 and FY 2021 Schaeffler AG earnings

Earnings Call
March 8, 2022
Herzogenaurach

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Renata Casaro

Thank you very much Stewart. Dear investors, dear analysts. Thank you for joining the Schaeffler Group 2021 Earnings Call. As usual, our call will be conducted under the disclaimer. Without further ado, I will pass the floor on to Mr. Klaus Rosenfeld, CEO of the Schaeffler Group, and Mr. Claus Bauer, CFO. Klaus, the floor is yours.

Klaus Rosenfeld

Many thanks, Renata. Ladies and gentlemen, at the beginning of our analyst conference today, please allow me to make the following statement on the situation in Ukraine.

The situation in Ukraine is terrible. We are shocked by the destruction, the suffering and the humanitarian catastrophe we are all witnessing. In particular today, our thoughts are with all the people who are affected by this war. And I should say, in particular with all the women, the mothers and the children that are fleeing their country.

Also, in the name of all our employees, our 83,000 employees across the world, we can only hope that this war is stopped immediately. For us at Schaeffler, the safety and the wellbeing of all our employees has always had highest priority. And to date I can say that our six employees in the Ukraine, and our 174 in Russia are all well and safe.

And let me continue by saying, even though it is very demanding in these difficult times to focus on a normal agenda, we would like to present to you now, Claus Bauer and myself, some insights on the business development. The results for 2021, and also talk about our outlook for the year 2022.

No one can predict today how the situation in the Ukraine will further develop. And I believe no one today can reliably assess the consequences of this war on the world economy, the growth perspectives for Europe, our supply chains, or raw material prices. That is why the Executive Board of Schaeffler AG has decided this morning to suspend the guidance for 2022 as outlined in the ad hoc message this morning.

I believe, and we believe together, Claus and myself, that this is the only responsible way for a company like ours to deal with the current situation. So much upfront, ladies and gentlemen, let me now start our presentation in the usual format. I will do a quick overview, and then talk a little bit about the business highlights in 2021 before I hand over to Claus for the financial results of the full year, and also the fourth quarter.

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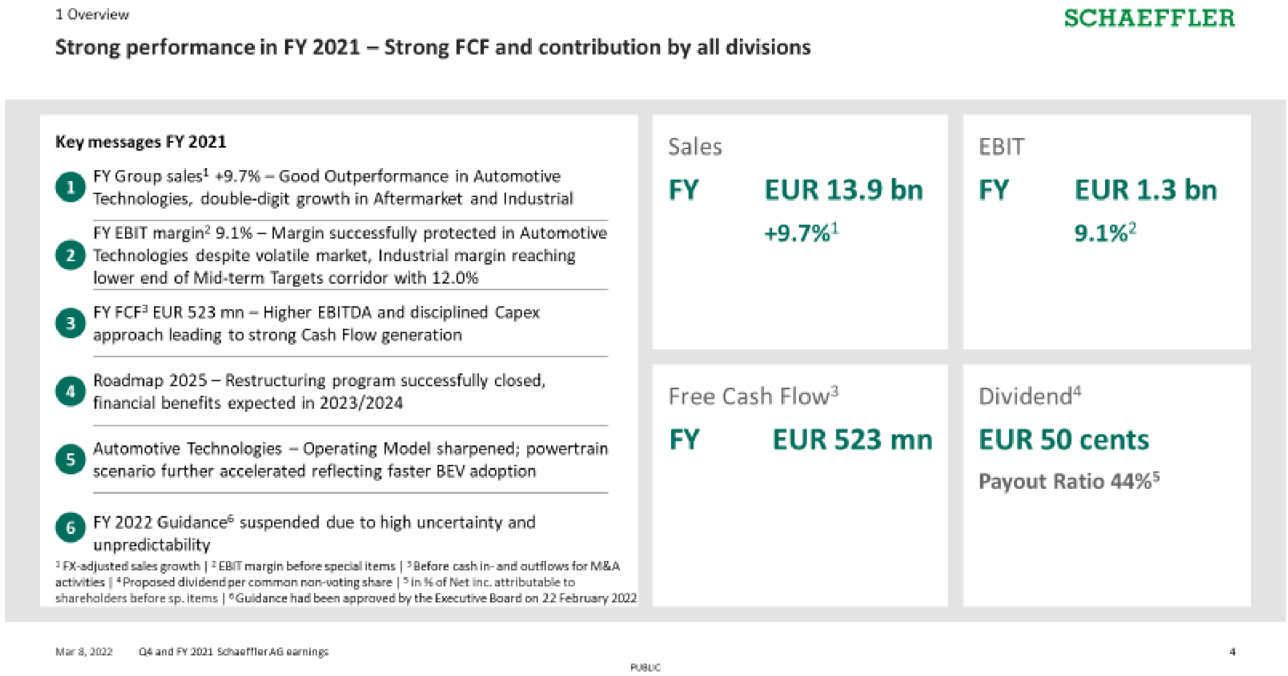
Agenda



Klaus Rosenfeld

If you follow me on page four, that's the usual summary page. And while it may not be appropriate in this environment to talk too much about successes, I think I can say the full year 2021, for Schaeffler, was a successful year. With strong performance, 10% growth, above 9% EBIT margin. And a Free cash flow above 500 million. I think that is clearly remarkable. And in an environment that was also, in 2021, quite challenging.

This has all led to the decision and the proposal that we made to the Annual General Meeting that we propose a dividend of 50 cents which means a pay-out ratio of 44% in line with our pay-out range, 30 to 50% of net income.

What I also would like to say, we have been successful in driving our transformation. The Roadmap 2025 is intact. And we have successfully closed our second phase of the Restructuring Program with the financial benefits to be expected in 23 and 24. That gives us some sort of a buffer for the two years to come.

I'm also happy to say that in particular in Automotive Technologies, we have made good progress on the E-Mobility side. We already reported about this in the last quarterly call. We have worked continuously to sharpen our operating model and optimized the Portfolio Management. And you will see later on that we're now in a position to give you, also for the year 2021, an indicative sales split for this new four box model.

We will also see that the Powertrain scenario before the war, and before the crisis has been revisited, and that we have decided to further accelerate our assumptions with an earlier and faster adoption of BEV vehicles. I made my comments on the guidance, and that leads me to conclude our first page.

Before I go further, let me add that in this environment, diversification is key. Schaeffler is, as all of you know, not only an Automotive supplier, we’re an Automotive and Industrial supplier. We have an Aftermarket division. All of that has helped us to master challenging situations in the past. And I think it’s a good base also going forward to be more diversified than simply being a European Automotive supplier.

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FY 2021 Guidance – Achieved both by Group and Divisions

Group Results FY 2021

	Guidance[4]	Actuals
Sales growth[1]	> 7%	**9.7%**
EBIT margin[2]	8 - 9.5%	**9.1%**
Free Cash Flow[3]	> EUR 400 mn	**EUR 523 mn**

[1] FX-adjusted | [2] Before special items | [3] Before cash in- and outflows for M&A activities

Divisional Results FY 2021

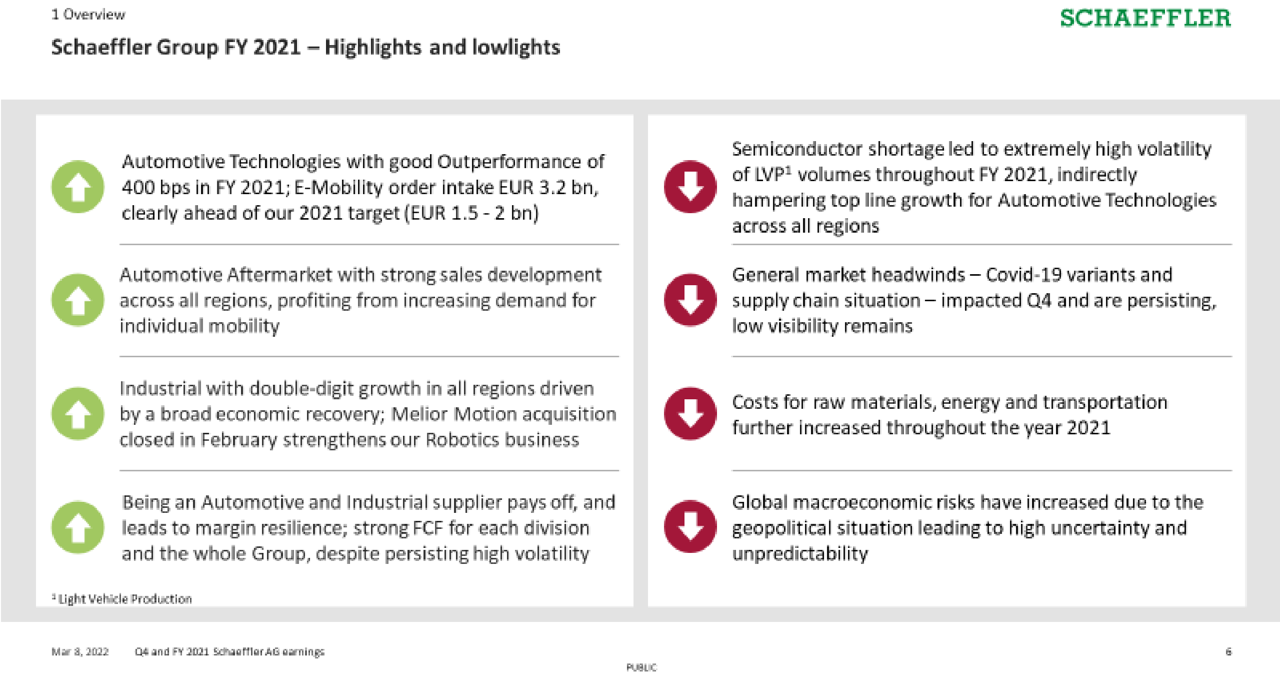
Automotive Technologies		Automotive Aftermarket		Industrial	
Guidance[4]	**Actuals**	Guidance[4]	**Actuals**	Guidance[4]	**Actuals**
Outperf. 200 - 500 bps	**400 bps**	> 10%	**13.0%**	11 - 13%	**13.6%**
> 6%	**6.9%**	> 12.5%	**13.8%**	> 10.5%	**12.0%**

Actual market development vs. assumptions[4]:

- Automotive Technologies: LVP 2021 increased to 77.1 mn according to IHS[5] vs. assumption of up to 75.3 mn vehicles
- Auto Aftermarket: Global GDP increased by 5.8% (Assumption: 6%)
- Industrial: Relevant Ind. Prod. increased by 11.9% (Assumption: 12%)

[4] As of November 9th 2021 | [5] IHS Markit (February 2022)

Page number five has the guidance of the last year. I think I can skip that.



The page number six has highlights and lowlights. Also, here, some already mentioned, good outperformance in Automotive Technologies. 400 basis points for the full year, 2021.

You all know that you can’t judge outperformance by quarter. But if you look at the trend and the information in the backup, you see that we’re continuously making up our promise of delivering continuous outperformance. E-Mobility Order Intake strong for the year, significantly and clearly ahead of our target.

Aftermarket, strong sales performance, and you will see later, increasing demand also supported by new digital offerings in Industrial. We’re really proud to say that the recovery, the optimization of our profitability reached new heights in the year 2021. You all know about the Melior Motion acquisition. And I already mentioned resilience and diversification, why this is so important.

On the lowlight, clearly the issues of the past have not been sorted out completely. This sector, in particular, Automotive, is still suffering from hiccups in the supply chain. Semiconductor is one example. And we clearly saw a second half that was less positive in growth than the first one.

Market headwinds, Covid is not completely over, although it looks like that this situation is reducing. And a key concern that is now clearly amplified to what we’re seeing in Ukraine is the increasing cost for raw material, energy, and also transportation that has already increased throughout the year 2021. And with what we have today, I think it’s fair to assume that this will continue.

Once again, the macroeconomic, but also the environment in the different sectors is very difficult to predict. So, we cannot really tell you at the moment what we're expecting for the rest of the year.

Agenda

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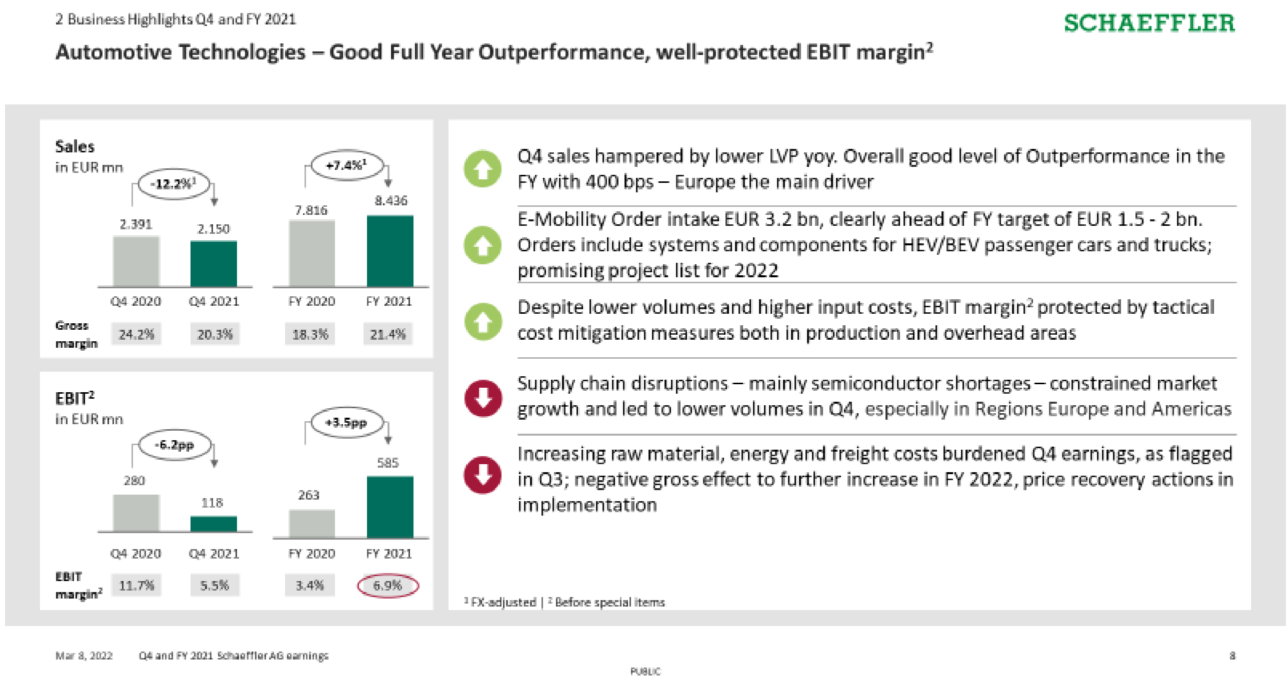
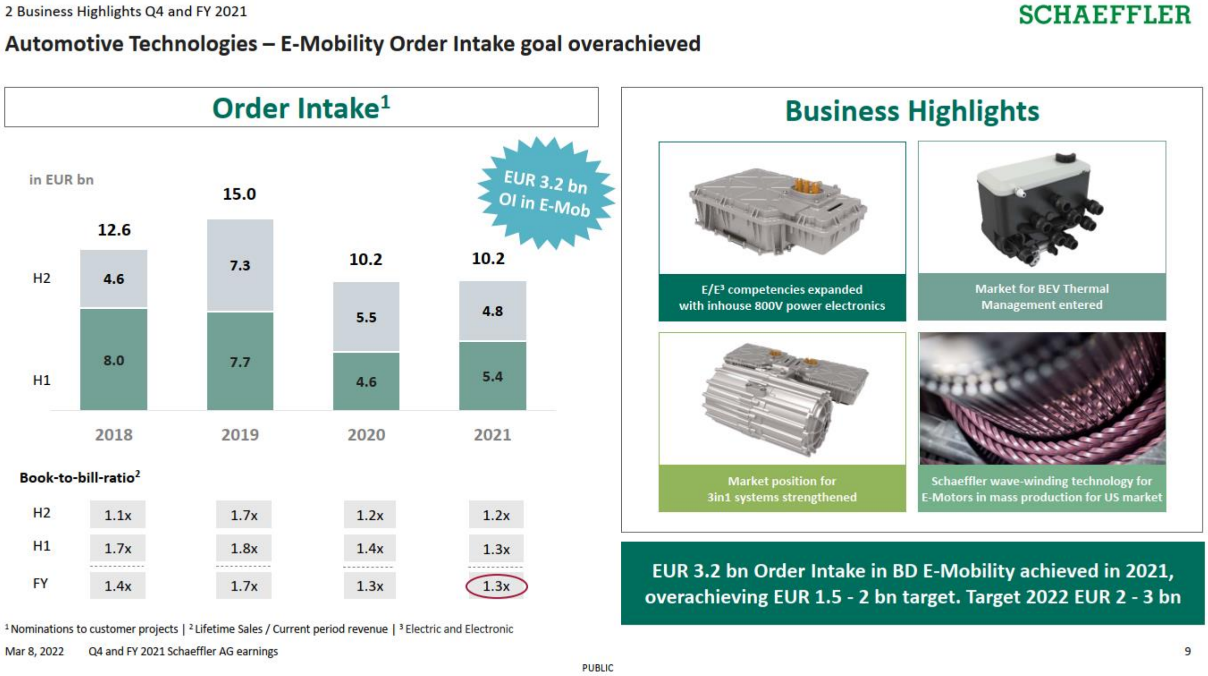
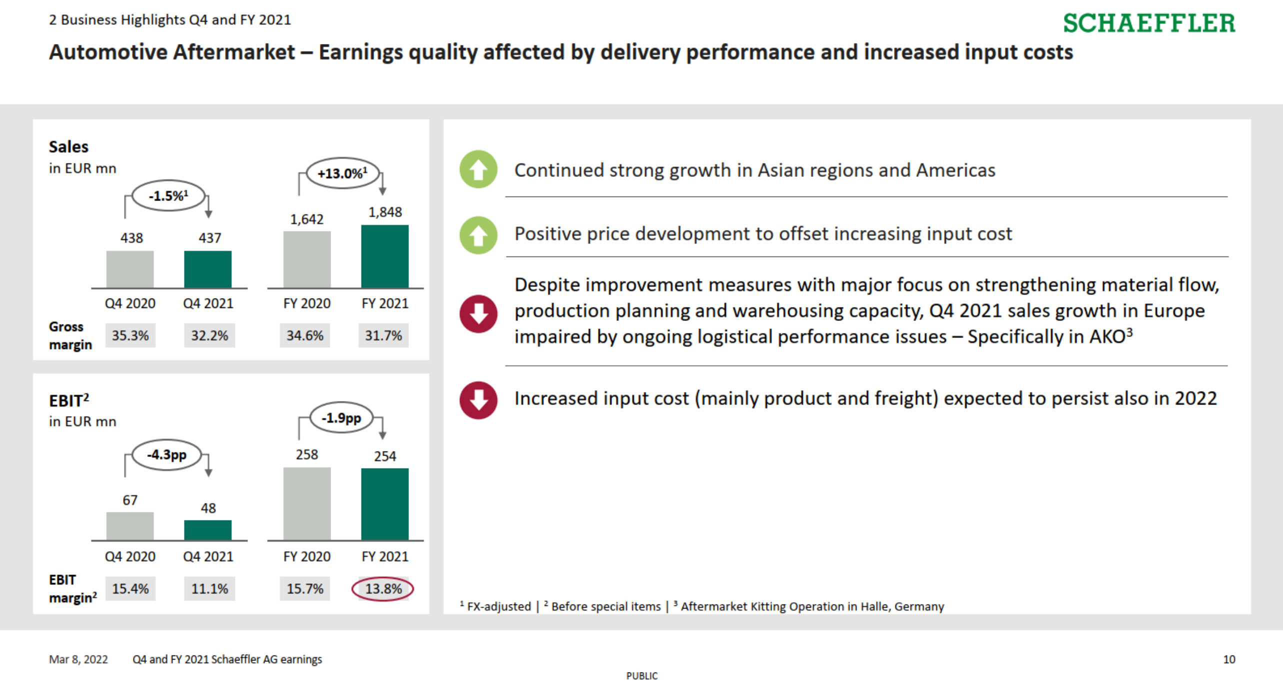


Page number eight, I think I can take the liberty here to do this very quickly. You can read all the numbers. Sales growth for the year, 7.4%. EBIT margin after the difficult year 2020 back to 6.9%. I think that is a good achievement. Keep in mind that certainly the first quarter was important for this 6.9%.



Page number nine gives you a little bit more insight on the business highlights. Order Intake for the full year, for the full scope of the Automotive Technologies division in line with the previous year of 10.2 billion; 5.4 billion in the first half, 4.8 billion and in the second half, the real interesting number is 3.2 billion Order Intake in E-Mobility.

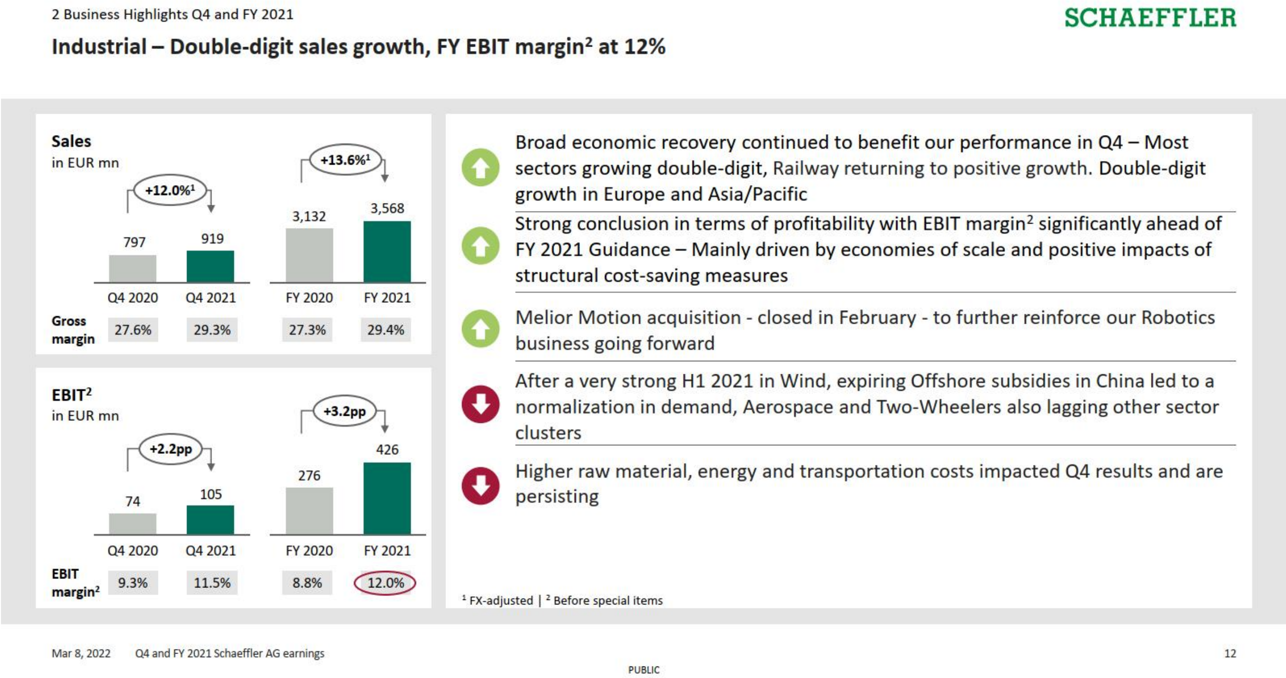
And the right-hand side of the chart displays a little bit our latest product developments. Whether this is the already mentioned 800-volt power electronics, or the Thermal Management opportunities. The market position for 3-in-1 systems, also our further optimised technology for E-Motors. All of this sits right where our customers need our support. And we feel very good about the advances and the developments in the E-Mobility division.



Page number ten, Aftermarket. After the year 2020, a growth of 13%, what is clearly strong. Also supported by the Asian region and Americas. Positive price development already in 2021 to offset some of the increasing input cost. However, a margin down to nearly 14%, 13.8%. And despite the improvement measures focusing on material flow, and production, and warehousing, we have to say that the sales development in Europe in particular was impaired by some ongoing logistical performance issues.

Here the AKO or one of the big investments of the past is still creating some concern. And we're dealing with this as we speak in optimizing also here our partner setup. The input cost, in particular product and freight, will persist also in 2022. And that clearly makes Aftermarket an area to watch out for.

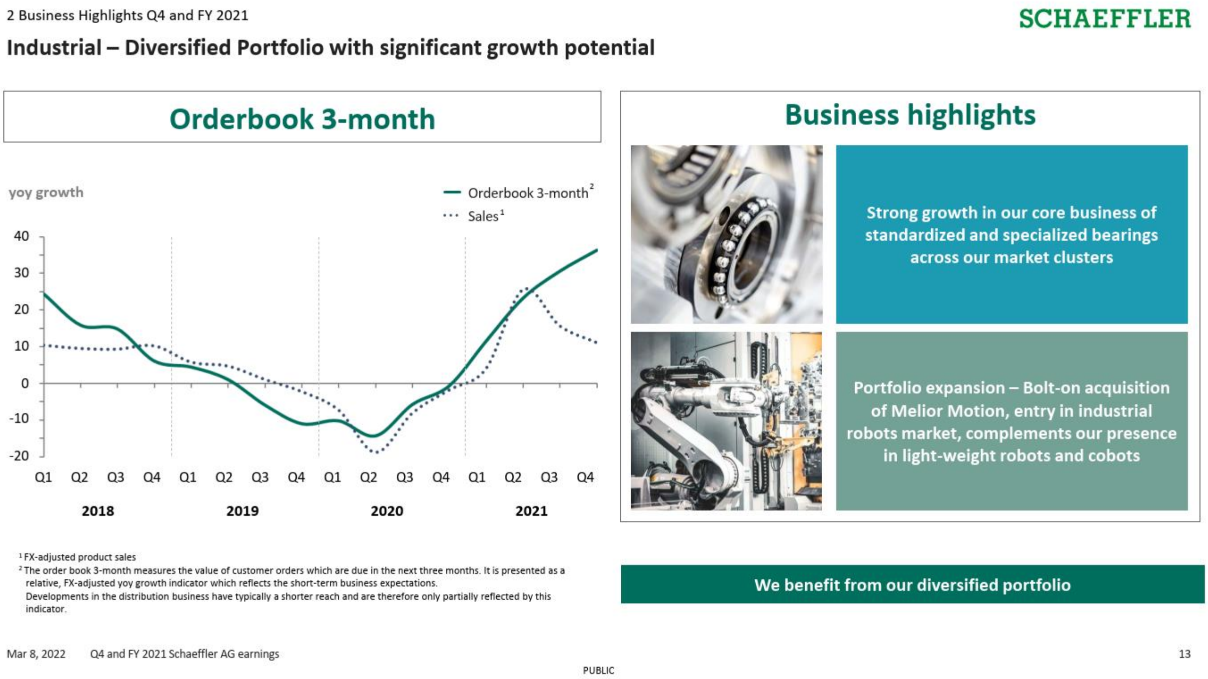
In terms of product development, and offering, I don't want to spend too much time. But the whole idea of further digitalizing the division, creating more digital positive customer experience is vital to the success of the future.



Let me come to page number 12. Our Industrial division, good and positive development in the year 2021. You see it from growth, 13.6%. Broad economic recovery continued also in Q4. Most sectors growing double digit. Some of the sectors that were lagging, like Railway, are returning to positive growth. And that also led then to a strong finish with an overall margin of 12% for the full year. If you remember our mid-term targets, then this is clearly an achievement that comes earlier than what we expected.

The Melior Motion acquisition is a small acquisition. We closed it in February. You all know this. And it’s a proof point again that we are serious in not only growing our business internally, but also adding, where possible, technological competence here. In particular in the Robotics business. An area where we think we can do much more and can also generate more profits.

There are some headwinds. Wind was strong, there’s a little bit of a smoother development in China; demand normalized. Aerospace and Two-Wheelers all before the war. We now need to see how this unfolds. And clearly also this division is impacted by higher raw material, energy and transportation cost. While our measures to pass this on to customers are more effective than in other divisions.



Last point here on page 13. The Orderbook. You see, once again, a development for the three months Orderbook in the year 2021. Orderbook increasing, sales coming down a little bit in the fourth quarter. So, that means continuous growth in the future. Whatever this crisis now will mean for this chart, we'll see when we present the first quarter results.

Business highlights I already mentioned. The fact that we have here a core business with standardized and specialized bearing offerings across a variety of market clusters is clearly a big asset. And we're strengthening it as we speak with some bolt-on acquisitions.

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Capital allocation – Capex prioritization with investments in growth business, Capex ratio of 4.8% in FY 2021

Investment[1] allocation | in EUR mn

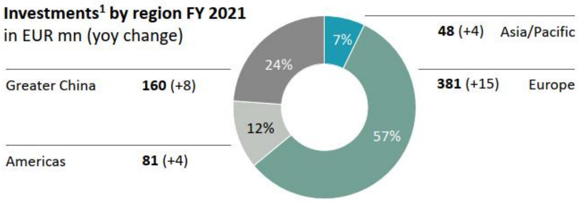
	FY 19	FY 20	Q4 20	Q4 21	FY 21
Automotive Technologies	672	378	125	158	430
Automotive Aftermarket	67	26	1	8	20
Industrial	193	234	53	66	220
Schaeffler Group	**933**	**639**	**179**	**232**	**670**
Capex	**1,045**	**632**	**151**	**188**	**671**
Capex ratio[2]	**7.2%**	**5.0%**	**4.2%**	**5.4%**	**4.8%**
Reinvestment Rate	**1.0**	**0.7**	**0.8**	**1.0**	**0.7**

[1] Additions to intangible assets and property, plant and equipment | [2] Capex in % of sales

Key aspects FY

- Reinvestment rate: clearly >1 in Industrial division and BD E-Mobility; consistently <1 in BD Transmission Systems and Engine Systems
- Automotive Technologies: continued prioritization drives investments; machinery investments for E-Motor production in Hungary
- Industrial: investments for capacity expansion of large size bearings in Nanjing, China; expansion of production capacity for large size bearings in Brasov, Romania

Investments[1] by region FY 2021
in EUR mn (yoy change)



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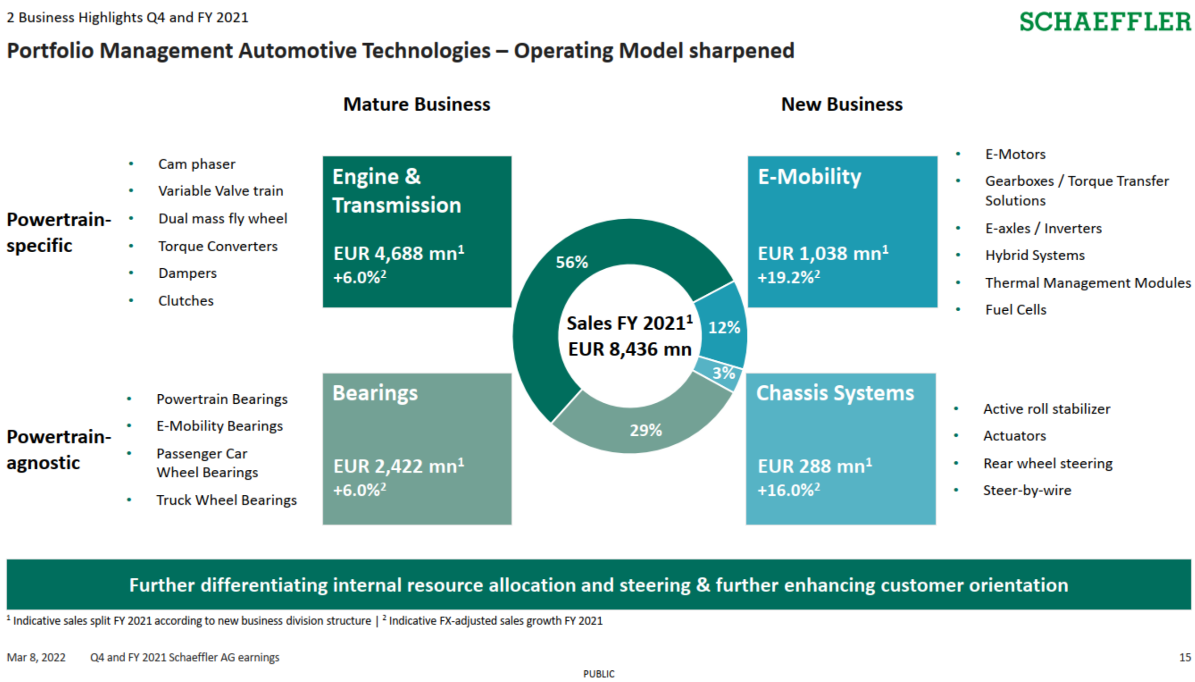
Page number 14 is your usual slide on Capital allocation. Let me say here, I mean you can read all these numbers. We are clearly at the moment doing what we can to analyse and monitor the situation to also revisit our plans. I can say that our strategy going forward remains, for the time being, in place. We're not going to change direction. But clearly, we need to see in the next weeks and months to come how we prioritize on the Capex side.

What our Capex plans for the next five years, how they will be adjusted in general, the direction to drive this by Reinvestment rate. And clearly, invest more into the Industrial division and E-Mobility remains in place. While we will be maybe even more cautious than we have been before on the mature businesses. Let's wait and see what this means.

The chart also tells you that this is a global company where more and more of the investment also happens outside Europe.

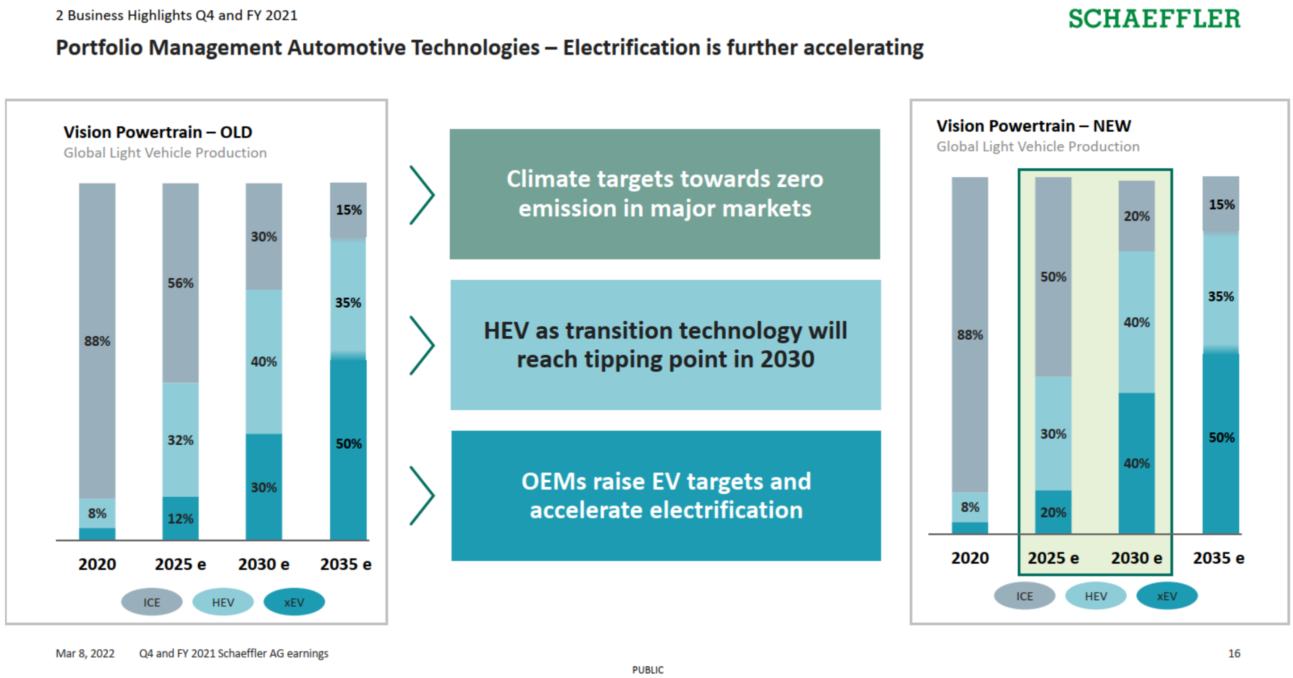


Now let me come to three topics that I would like to mention before I hand over to Claus for the details on the numbers. The first one is on Portfolio Management Automotive Technologies. You see here this new chart. You all know the idea of these metrics with mature versus new, and Powertrain-specific versus Powertrain-agnostic. What we have added on this page is the most prominent product areas that belong into these four boxes. From cam phasers in Mature Powertrain-specific to steer-by-wire in New business in Chassis Systems. You see how this is allocated.

And you also see as a second part of the new chart how then these four businesses relate back to sales and sales growth. You see the biggest part is still Engine and Transmission. That is also heavily dependent on ICE. Bearings is something that is rather Powertrain-agnostic. That second biggest part makes nearly 30% and has grown by 6%.

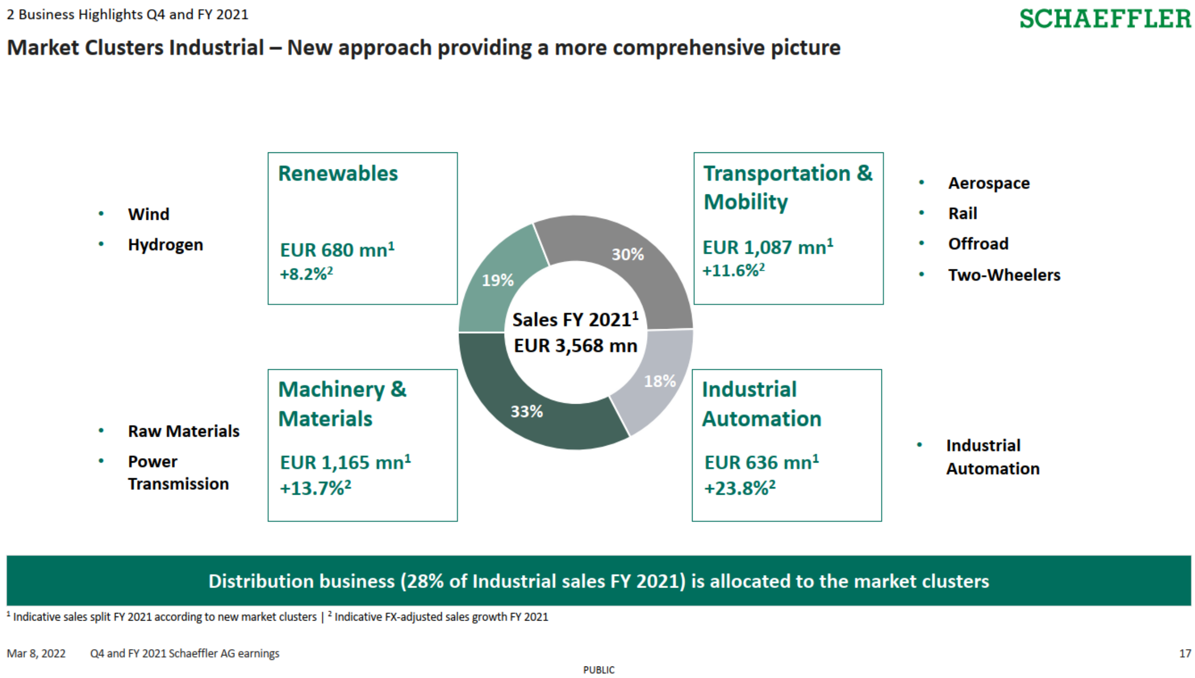
And then clearly E-Mobility, one billion for 2021. With the Order Intake and with the steep growth that will continue to become bigger and bigger. And Chassis Systems, where we have taken out, in particular, compared to the past, the whole bearings business. The Chassis bearings business is now nearly 300 million, or 3% of the pie that has also grown quite a bit.

So, I hope that gives you a much better understanding of how we are set up. And it also helps us to drive then Capital allocation and also future profitability, and future activities. That new setup that we will, from now on, report on a quarterly basis with these numbers goes hand in hand with a revision of our powertrain scenarios for the next years.



On this page number 16, you have the old Powertrain scenario. The one that was in place until year end. And you all remember the famous 30-40-30. 30% ICE, 30% BEV, including fuel cell, and then 40% HEV.

What we’re seeing from customers, what we’re seeing globally is that electrification will further accelerate. The question, what this crisis, what the war in Ukraine will mean for this is still open. So, we decided to accelerate also our scenario. And here you see that for 2025, and also for 2030, we have increased the share of pure BEV from 12% to 20% in 2025. And from 30% to 40% in 2030. That is more or less in line with what market expects. It is for my point of view a prudent way to look at this. And you see that 2035, the scenario has more or less remained unchanged. So, it’s a question of how the new technology will unfold. And we think it will accelerate. And it will further be driven by the raised EV targets of our main customers.



Now second point that I would like to share is the new setup for Industrial. You have this on page number 17. You all look at us as an Automotive supplier. You're all, rightfully so very interested in the transformation there. In Industrial it's not so much a transformation. For my point of view, we need to - we thought about ways how to present our Industrial business in a more comprehensive manner. And you all know in the past we shared with you eight sectors, plus distribution. And we never got the credit for what we're doing, because this was too detailed maybe, too granular. And that's why we decided in our disclosure to change course and give you in future these four Market Clusters.

First Market Cluster is Renewables, Wind, and also Hydrogen, in particular on the electrolysis side will go into this market cluster. Transportation and Mobility covers everything from Aerospace, Rail, Offroad, and Two-Wheelers. This is also the Market Cluster that then synchronises well with the passenger cars, and the light vehicle trucks, and trucks on the Auto side. Then you have Industrial Automation. Clearly in terms of growth dynamic, the most interesting sector. And then Machinery and Materials.

Also here, we will give you the numbers in terms of sales, and also sales growth going forward on a quarterly basis. And you have here the setup for 2021.

Let me add the Distribution business – that is something different than simply an Aftermarket or replacement part business that made 28% of Industrial sales in 2021 – is allocated into the four market clusters so that you have a more consistent picture.

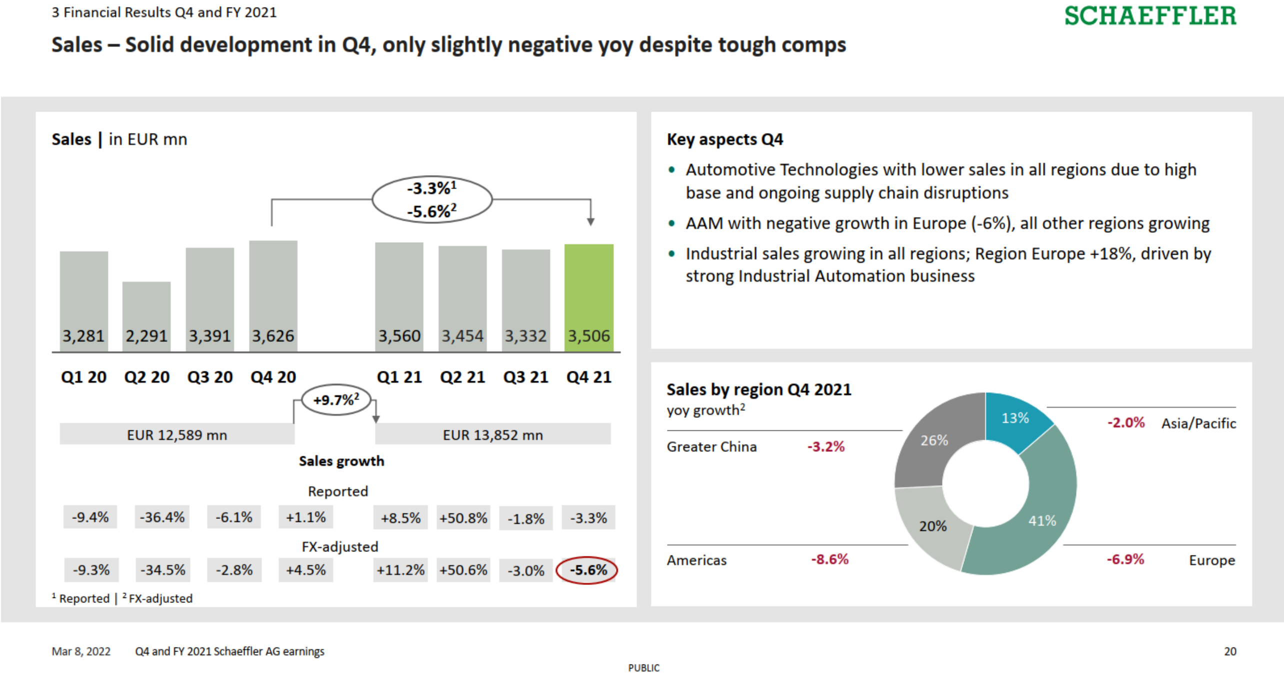
And you see it’s for 2021, consistently, so that all the areas have grown quite significantly.

Third point I would like to make, and there's a lot more to say. You saw the Sustainability report we published. You all know that we take this very serious, and we are strongly committed to turn Schaeffler into a climate neutral company. We have our targets out. We have working in our climate action plan, we all know ESG is not only E, there's also S and G that is very important. The targets are included into our compensation. That was also the case in the years before. Going forward this has even been further intensified. My long-term bonus is in future dependent on achieving our climate action plan with all the different milestones that you know.

So, this topic is critical, and it includes employee safety. And it clearly also includes the procurement of our main materials. So, let's stop here, and leave you with the message, whatever happens next, despite this terrible war, we will continue to pursue our sustainability strategy. I personally think that this is very important, not only for our future energy transition plans, but also for living up to our commitment as a socially responsible institution.

With that, I hand over to you, Claus, for the financial results.

Agenda



Yes, thank you very much, Klaus. If you go to the next slide, you'll see, as Klaus already alluded to, the sales in Q4 developed solidly. Remember Q4 2020 was the peak of the V-shaped recovery after pandemic shutdowns in Q2. So therefore, the 5.6% foreign adjusted sales decrease is to see in relation to that peak. And we can say, especially after the weak quarter, the weak third quarter in 2021, that Q4 2021 was clearly an encouraging sales quarter.

You look on the left side in the first line below the charts, you see the 9.7% foreign adjusted sales increase for the total year that Klaus already mentioned.

Automotive Technologies was still weaker in Q4 than prior year, but that, as we already have seen also in Klaus' part, was partly offset with strong development. In particular in our Industrial division.

If you look down at the bottom, you see the split by regions. And clearly see the indication that the Automotive chip crisis and supply chain issues, and limitation of growth in that sector was impacting Europe and Americas the most, as you would have expected.

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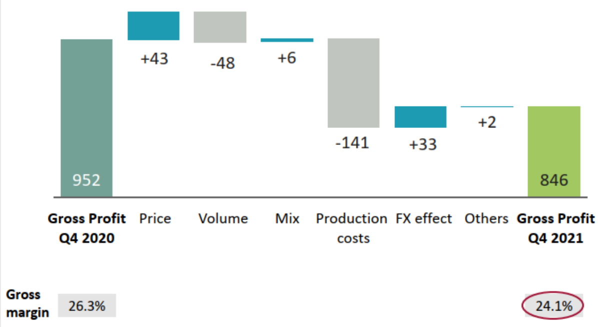
Gross Profit – Favorable pricing could not compensate lower volumes and higher production costs

Gross Profit Q4 2020 vs. Q4 2021 | in EUR mn



Key aspects

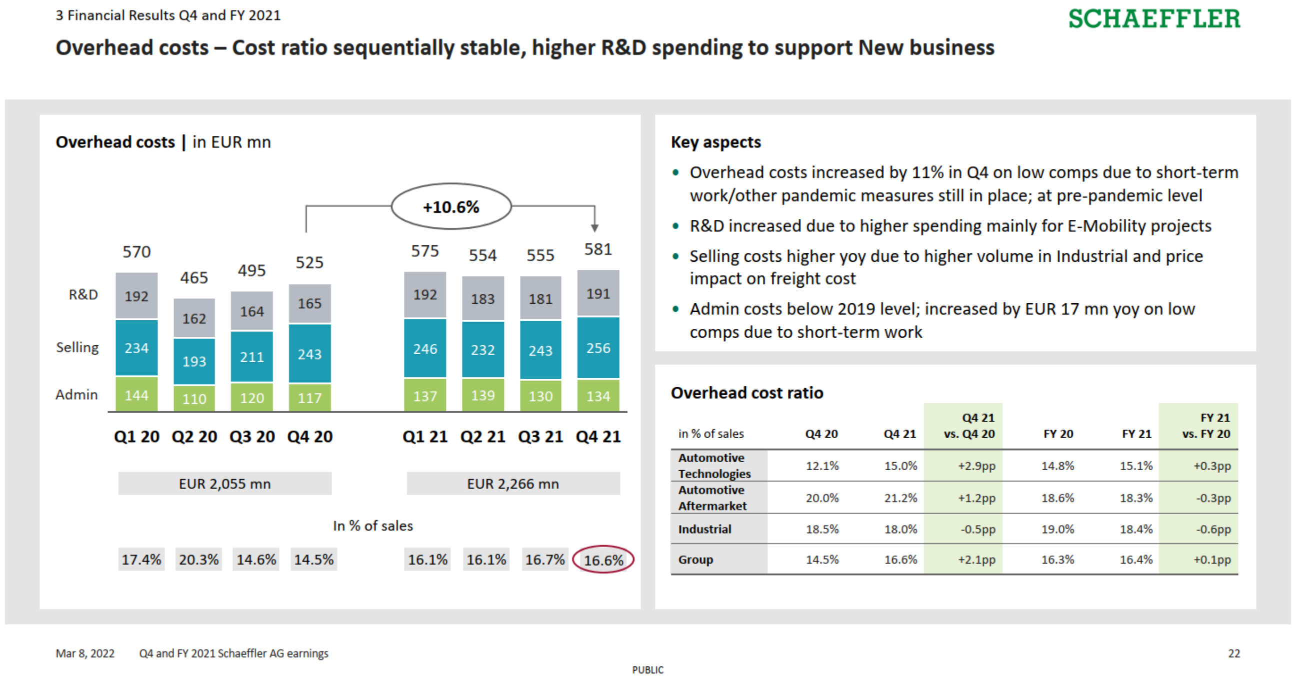
- Positive price development in all divisions
- Negative volume effect mainly related to Automotive Technologies
- Production costs clearly higher yoy due to higher input costs (e.g. Raw Materials and Energy), as flagged in Q3 and January

Gross margin

in % of sales	Q4 20	Q4 21	Q4 21 vs. Q4 20	FY 20	FY 21	FY 21 vs. FY 20
Automotive Technologies	24.2%	20.3%	-3.9pp	18.3%	21.4%	+3.1pp
Automotive Aftermarket	35.3%	32.2%	-3.1pp	34.6%	31.7%	-2.9pp
Industrial	27.6%	29.3%	+1.7pp	27.3%	29.4%	+2.1pp
Group	26.3%	24.1%	-2.2pp	22.7%	24.8%	+2.1pp

Go to the next slide you'll see the Gross Profit development. And I think based on our Q3 call, and then our follow up call in January with most of you, it shouldn't be a surprise that you see the cost inflation for input cost phasing in. You see that in the waterfall chart on the left side in the middle, Production cost was a negative impact of minus € 141 million. Significant portion of that obviously is that cost inflation that was phasing in. We said in our Q3 call that we expect around 200 basis points of impact due to the inflation, and that was what really happened.

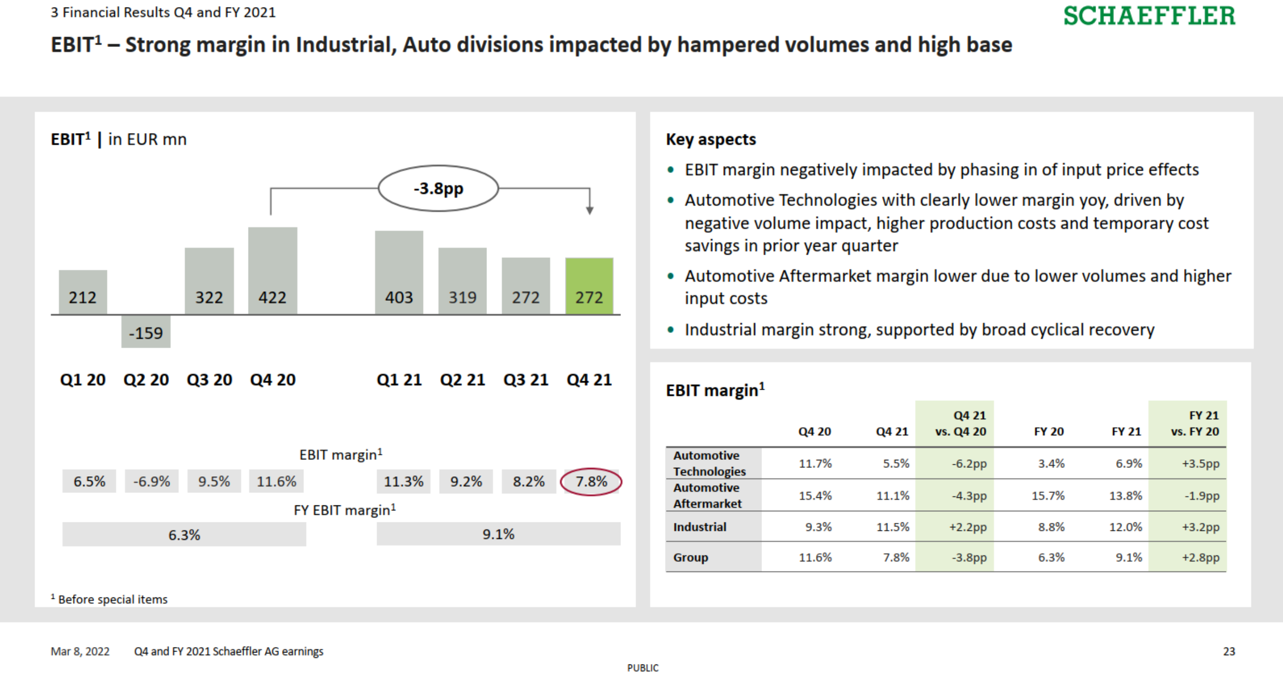
But what you also see, and now I'm going to the left side of the waterfall chart. You see that recovery impacts pricing actions on the customer side, also slowly phasing in. And as we also indicated in earlier calls, that is mainly due to active pricing actions, mainly in Automotive Aftermarket and Industrial Distribution. But also, some impact continuing as already seen in Q3 of material price clauses that we have in place with Automotive customers in North America.



Let's go to the next slide. Then you see the most important message on that slide is that Overhead costs are increasing. But that is also now due to the fact that prior years are impacted by the management of the Corona crisis. You know that we used extensive short-term work capabilities in Europe and had other cost - effective cost management in place in all other regions as well. So, it's not so much about the Q4 to prior year comparison than really an increase of cost and really a normalization of Overhead costs to a pre-pandemic level.

If you look at the very bottom of the left chart, then you'll see the Overhead ratio in Q4 was 16.6%, which is actually not a bad level. You also see that one of the main drivers is R&D expenses. Which is also due to the effect that we were and have been successful in acquiring E-Mobility projects that now the R&D is kicking in for these projects. You also see somewhat an increase in Selling expenses. That is partly to a normalization of Overhead expenses.

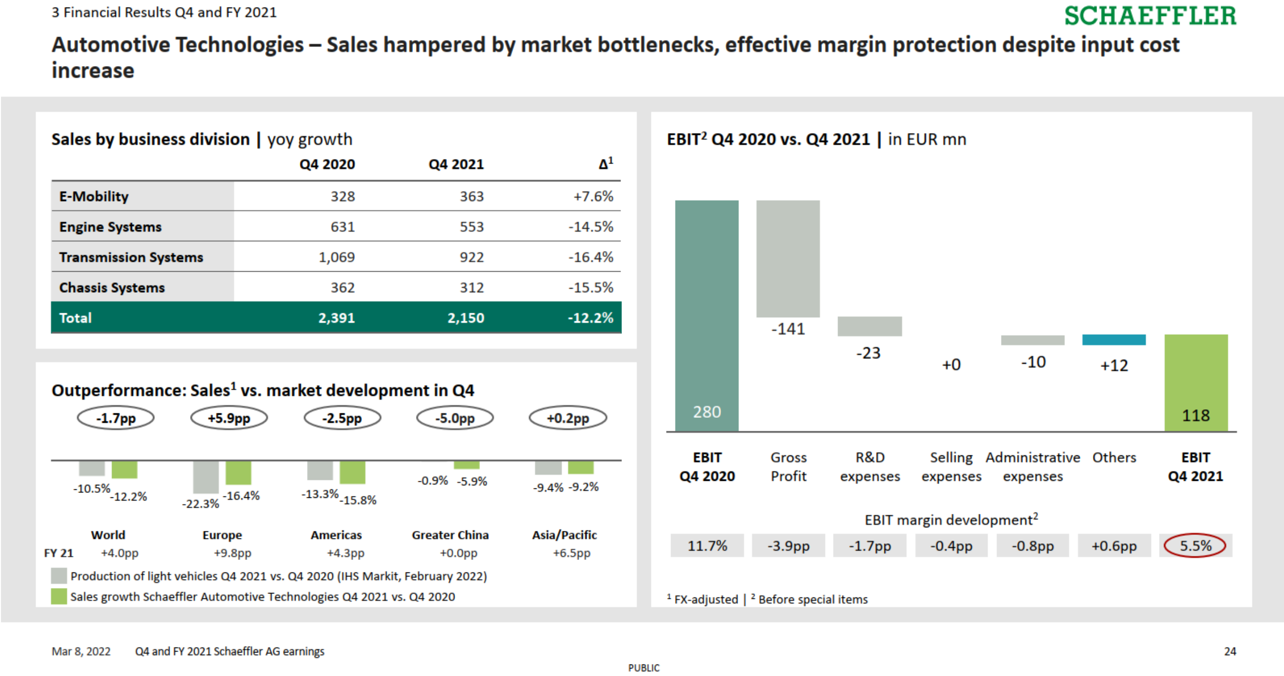
We are kicking off marketing initiatives that we have stopped last year because of the pandemic. But you also see, to some extent, pricing impacts mainly in the area of logistics reflected in the number here.



EBIT, no surprise, it's following pretty closely the Gross Profit trend, 7.8% for the last quarter in 2021 is clearly a strong sign. It's still lower than the 11.6% of prior year. 11.6 I would say is an anomaly based on for Q4 unprecedented volume in Q4 of last year. I said why that was. We were in the middle of the V-shaped recovery in that regard. So, a 7.8%, especially under the circumstances with the material price inflations is a result that we are satisfied with. You also see for the total year, and Klaus already mentioned that, we ended up with an EBIT of 9.1%.

But maybe a little more flavor and detail on the bottom right side. You see here clearly the impact in Automotive Technologies. First of all, the extraordinary volume of the prior year quarter impact. But also, the in-phasing material price impacts with a margin development that is significant. You see Q4 ended up at 5.5% EBIT margin for Automotive Technologies. And you also might remember that number was 4.6% in Q3. So clearly a recovery from our Q3 performance. Mainly due to volume impact and scaling effects that offset some, if not most, of the phasing in and material price impact.

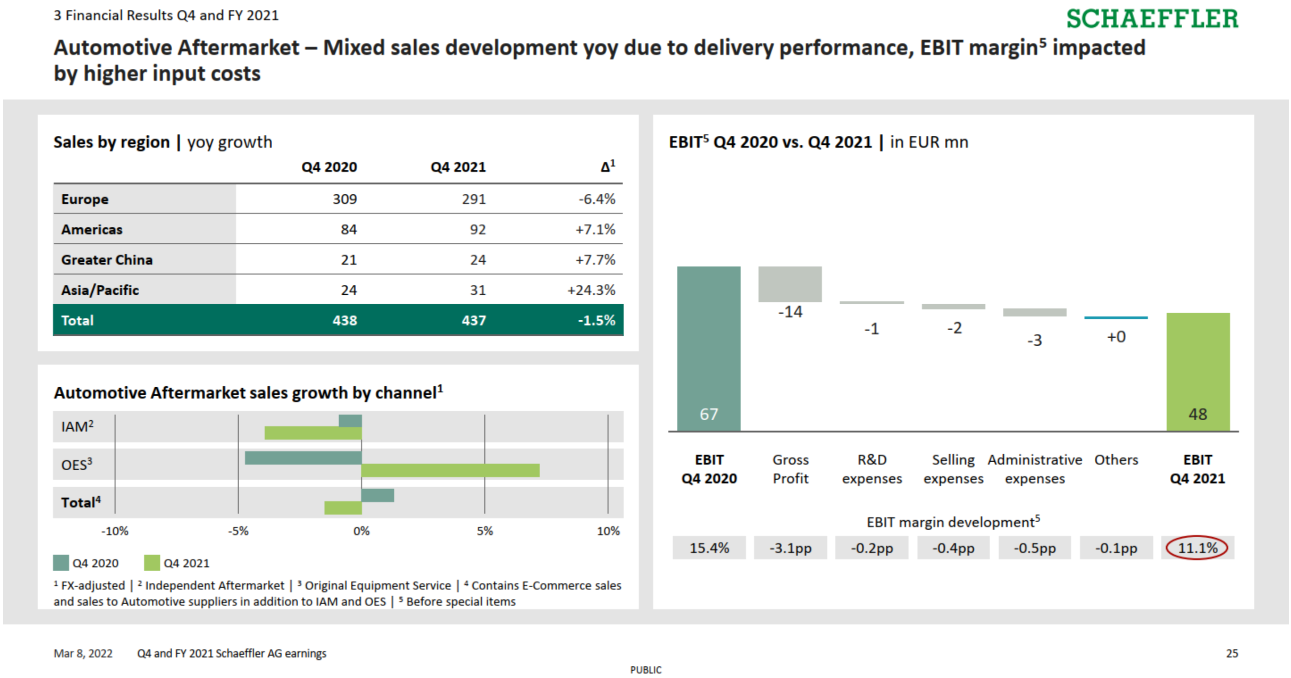
So clearly if we wouldn't now face completely different and most likely more severe issues with the war in Ukraine, you would have seen something reflected in that performance. That it's in line with our prognosis that we suspended for obvious reasons.



Let's go to the next slide to dive a little bit deeper now into the divisions. First Automotive Technologies, I start on the right side this time. In the waterfall chart you see how the margin developed from prior year. And as I already said, some of that is due to the fact that we had an extraordinary volume situation, especially for Q4, which is normally December shutdowns of our Automotive customers, that didn't happen last year.

So, you see here a gross profit deterioration of 3.9 percentage points. About half of that I would attribute to the material price effect. And the other half is really a lower fixed cost absorption due to the volume impact that I described. Still, it's a lower volume or lower fixed cost absorption than prior year quarter. But as I also said, already it's a much better volume situation, as we have seen in Q3 of 2021.

You see then also the effect of the increased R&D expenses that I already described. And therefore, I think the 5.5% is our EBIT in Q4 2021 is explainable.



Automotive Aftermarket, I start also with the waterfall chart. You see also a significant margin decrease that has similar reasons than in Automotive. There's still a little gap between our cost impact, and price recovery that we obviously tried to close as we go deeper into year 2022. And the other significant impact that you see reflected here in the gross profit column is a volume in mix impact of around 200 basis points.

If you will look on the left side, you'll see that our sales growth mainly happened in the OES sector, and not in the Independent Aftermarket. And that normally comes with lower margins. And that would be reflected in that Gross Profit deviation.

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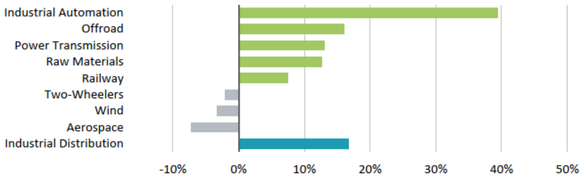
Industrial – Growth momentum continued, strong EBIT[1] margin driven by scale effects and structural cost savings

Sales by region | yoy growth

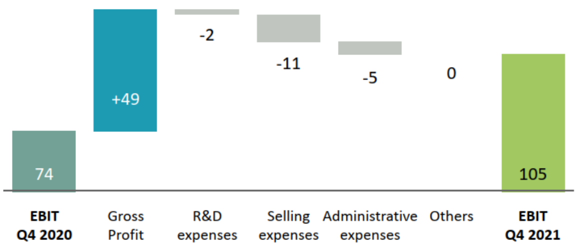
	Q4 2020	Q4 2021	Δ[2]
Europe	340	402	+17.6%
Americas	132	151	+9.5%
Greater China	202	226	+4.3%
Asia/Pacific	123	140	+12.7%
Total	**797**	**919**	**+12.0%**

Industrial sales growth by sector cluster Q4 2021[2,3]



[1] Before special items | [2] FX-adjusted | [3] From 2022 new structure as shown on slide 17

EBIT[1] Q4 2020 vs. Q4 2021 | in EUR mn



EBIT margin development[1]

9.3%	+1.7pp	+0.4pp	+0.2pp	-0.1pp	0.0pp	11.5%

And last but not least, Industrial. You see that first of all, all regions have grown. Most of them significantly. China a little bit lower in the growth rate. You already heard in the summary slides, and you also see it on the left bottom, that Wind is one of the drivers for that, Wind in Greater China. As you all know, and we already reported in Q3 is the Wind demand in China is normalizing after subsidies for offshore windmills is phasing out. However, clearly a growth driver for the way forward.

You also see the Aerospace as the only other sector that is significantly decreasing and not growing. And that is still due to the impacts in that sector due to the lower travel volumes due to Covid.

And you see all other sectors are significantly growing and contributing to a strong sales growth of that division. That also then translates on the right side in a very significant profitability improvement. You see here in Gross Profit the positive impact that some of that is pricing recovery action in distribution. But most of that is the significantly increased volumes and fixed cost absorption in our production plants.

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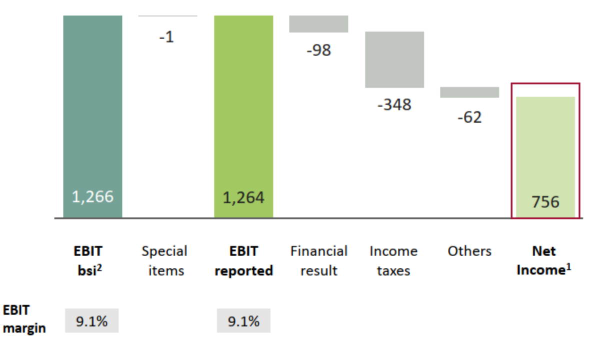
Net Income[1] – EBIT reconciliation and special items

Reconciliation FY 2021 | in EUR mn



¹ Attributable to the shareholders of the parent company | ² Before special items

Key aspects

- Financial Result improved by EUR 87 mn vs. prior year; mainly due to one-off impacts (prior year payback of High-Yield Bond; interest income of concluded tax case in Brazil)
- Income taxes in line with expected average tax rate
- Others include mainly equity-accounted result from Schaeffler Paravan Technologies

Special items by division| in EUR mn

	Q4 20	Q4 21	Q4 21 vs. Q4 20	FY 20	FY 21	FY 21 vs. FY 20
EBIT Reported	**274**	**243**	**-31**	**-149**	**1,264**	**+1,413**
Automotive Technologies	+91	-3	-94	+608	-35	-643
Automotive Aftermarket	+6	+1	-5	+30	-18	-48
Industrial	+51	+30	-21	+309	+55	-254
Group	**+148**	**+28**	**-120**	**+946**	**+1**	**-945**
EBIT bsi²	**422**	**272**	**-150**	**798**	**1,266**	**+468**

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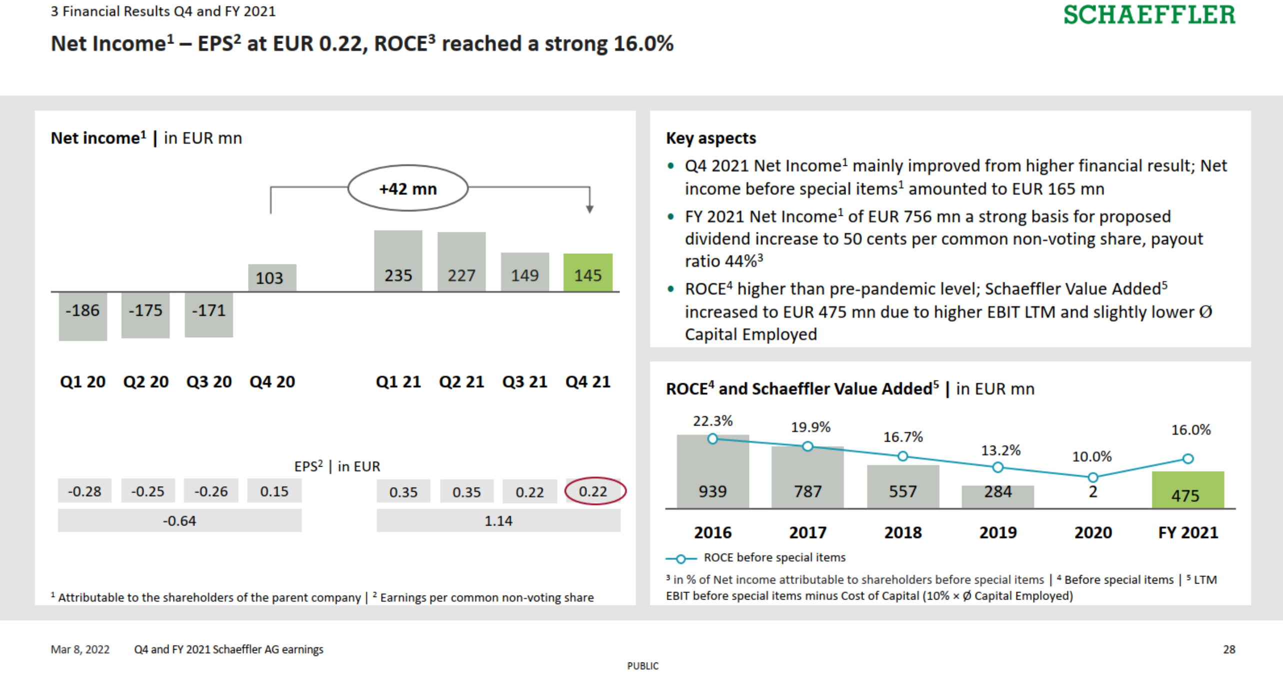
Coming to Net Income. For us the message here, you'll see there's not a very significant impact on a group level between the reported EBIT and the EBIT before special items. And then you see in the waterfall chart the further development. Financial result – not spending too much detail here, but that's much improved over prior year. Mainly due to a high yield bond that we paid back and had to settle derivatives based on that last year. So that we now see a more normalized level for financial expenses going forward.

Income tax is completely in the range of what we expected based on our regional split. And nothing to report there.

And in Others, the biggest single item is Schaeffler Paravan Technologies. That is a shareholding of ours that is consolidated at equity. And I'm only mentioning it so explicitly here because I will come back to that point. But hold your thoughts on that one, because we have decided, going forward, to change our accounting in regard to equity shareholdings.

On the bottom right side, you'll see the detail of the Special items. Obviously, this said on a group level for the quarter. Not significant, but there's some - actually, not for the quarter, for the full year, sorry. But you see on the right side then that there's some impacts that are minuses and pluses on a divisional level. And I would leave it at that.

Maybe just the biggest impacts against full year 2020, I think I mentioned that already in the Q3 call. We built our restructuring accrual in 2020, and that was here for adjusted EBIT neutralized. Therefore, all the pluses and the other big topic in 2020 was an impairment that we booked in the Automotive Technologies division.



Net Income on the next slide follows completely what I have presented so far. You see on the bottom on the left side that we have achieved 22 cents per share in result for the quarter. And for the total year, € 1.14.

The Net Income for the total year of € 756 million or € 748 million after special effects is obviously enabling us to pay a - or to propose the payment of an attractive dividend of 50 cents per common and non-voting share. And all that we determine the proposal for the dividend based on a public framework. We want to pay out a dividend in the range of 30% to 50% of our group result. And the 50 cents would represent 44% of the group result. Therefore, be solidly in the framework range.

The ROCE is with 16% higher than pre-pandemic levels. That is obviously a very good result. It’s also clear that that is somewhat, and you might also remember still the ROCE for the last 12 months in Q3. I said at that time because of a mathematical reason the nominator and denominator very favourably, in the last 12 months for the Q3 results. And I said that I expected to be a relative peak.

And you see some of that normalization in our ROCE here, I think it was 16.7% as I reported it in Q3 last time. So, normalising back here to 16%. But I don’t want to take away anything of the accomplishment. Pretty solid ROCE. And if you remember our mid-term ambitions, that is clearly above what our mid-term ambitions have been with 12 to 15%. I would have expected without the war a further normalization within that range. But now obviously we have to monitor the situation closely what this war will bring in economic consequences for all of us, including Schaeffler.

3 Financial Results Q4 and FY 2021

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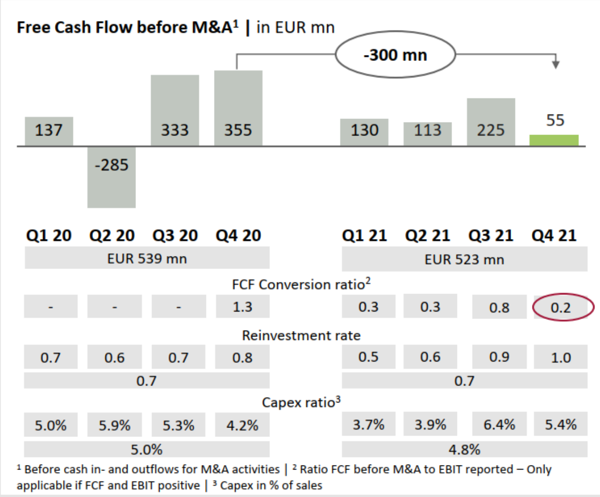
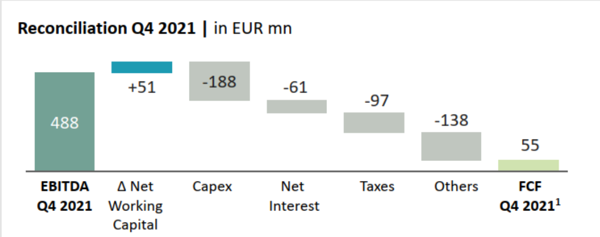
Free Cash Flow – Positive, despite seasonal impact and tactical increase of inventory





FCF Details | in EUR mn

	Q4 2020	Q4 2021	*Δ Q4 21/20*	FY 2020	FY 2021	*Δ FY 21/20*
FCF as reported	**367**	**44**	***-323***	**552**	**500**	***-52***
M&A	-12	+11	*+23*	-13	+23	*+36*
FCF before M&A	**355**	**55**	***-300***	**539**	**523**	***-16***
Legal cases	1	-4	*-5*	7	-8	*-15*
Restructuring	24	32	*+8*	176	308	*+132*
Others	0	-1	*-1*	0	+7	*+7*
Financing	30	0	*-30*	80	0	*-80*
FCF bef. M&A and sp. items	**410**	**82**	***-327***	**802**	**830**	***+28***

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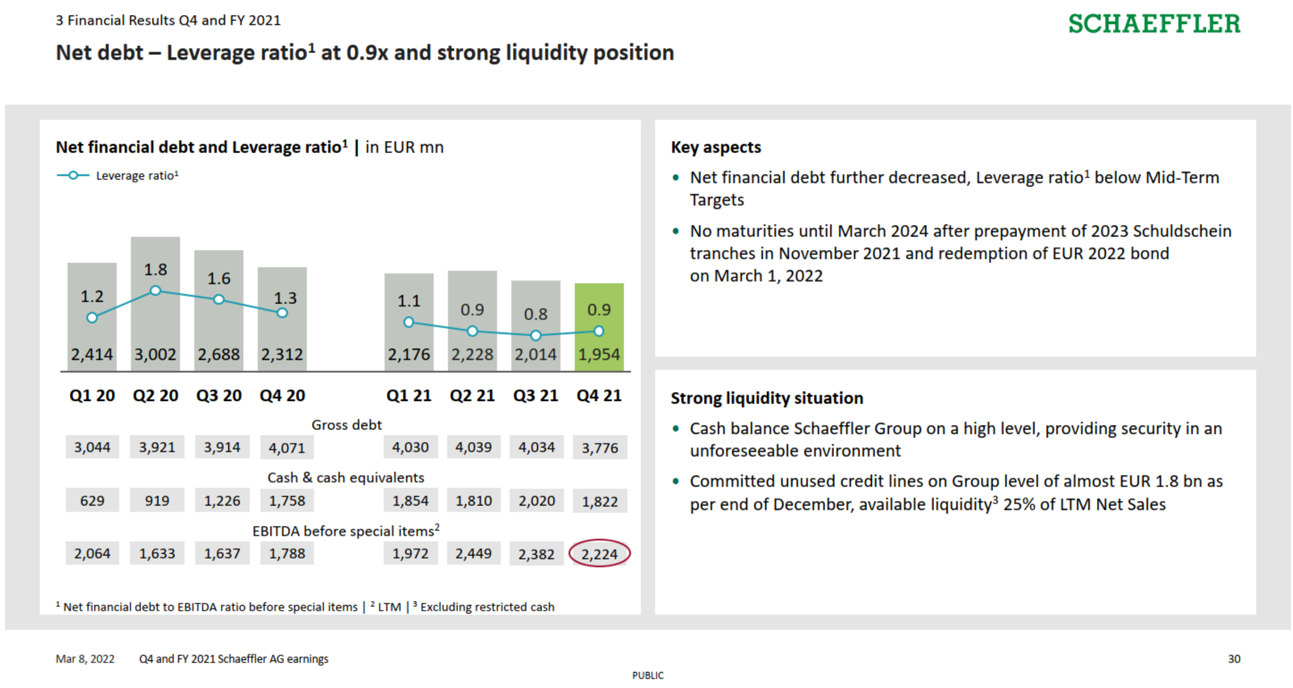
Free cash flow, on the next slide, is for the quarter characterized by seasonal related personnel cash outflows. Most prominently the Christmas bonus mainly in the European and Latin American localities. We have reported already in Q3 a continued technical increase of inventory. Offsetting partly the positive normal seasonal impact on accounts receivables. They normally reduce, and they also reduce. But we increased inventory.

And then also, which is clear in the KPIs on the left bottom side, they're clearly ahead. A higher investment activity in the second half of the year, including Q4. The reinvestment rate as you see on the left side is now for the quarter at 1.0, clearly higher than in the other quarters of the year.

On the right side, bottom table, as always, you see our Free cash flow before M&A and special items. And one of the special items that I know you're always interested in, and which are also the biggest numbers there is restructuring. You see in Q4 we had pay-outs of 32 million for restructuring. For the full year it was 308 million. Which then would bring the Free cash flow for the quarter to 82 million. And for the full year to 830 million. So, the underlying cash generation capability of Schaeffler is intact. And I think quite impressive.



That leads, obviously, then as a consequence, as you see here, to a very comfortable situation in regard to Leverage ratio. The Leverage ratio is below one. And there's no maturities in our financing until March 2024 after we paid back a "Schuldschein" in November of last year. And then also a bond this year on March 1st, actually a very strong liquidity situation. And you see it written down here in the box on the bottom right with 25% of the last 12 months sales number.

I think we are in a comfortable situation, a strong balance sheet, strong cash generation that I think we accomplished in a somewhat challenging environment. And should make us very optimistic – not very optimistic but hopeful that we can weather also some storm going forward.

3 Financial Results Q4 and FY 2021

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Reported and adjusted comparative figures FY 2021

FY 21 – Reported and adjusted comparative figures

Group	FY 21 – Reported	FY 21 – Adjusted comp. figures	Δ
Sales Growth[1] (1)	+9.7%	+10.2%	+0.5pp
EBIT Margin[2] (2)	9.1%	8.8%	-0.3pp
Free Cash Flow[3]	EUR 523 mn	EUR 523 mn	-

Auto Technologies			Δ
Sales Growth[1]	7.4%	7.8%	+0.4pp
EBIT Margin[2]	6.9%	6.4%	-0.5pp
Auto Aftermarket			Δ
Sales Growth[1]	13.0%	13.9%	+0.9pp
EBIT Margin[2]	13.8%	13.9%	+0.1pp
Industrial			Δ
Sales Growth[1]	13.6%	14.2%	+0.6pp
EBIT Margin[2]	12.0%	11.8%	-0.2pp

[1] FX-adjusted | [2] Before special items | [3] Before cash in-and outflows for M&A activities

Key aspects adjusted comparative figures

1 Sales Growth

- Constant-currency revenue growth will be determined by translating revenue for the reporting periods at the average rates of the relevant prior year period rather than at standard exchange rates

2 EBIT Margin

- Further streamline steering of the Divisions
- EBIT margin before special items will include the income (loss) from equity-accounted investees (Schaeffler Paravan Technologies)
- Character of these activities developed more and more into an R&D effort for our Chassis Systems Business Division – Therefore, we include the result in the EBIT figure from an accounting methodology
- Adjusted comparative figures FY 2021 as basis for Guidance 2022

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Now I'm closing with the last slide. It's a little bit technical. But I think it's needed. We adjust our reporting going forward a little bit. So that is now the reconciliation for this reporting going forward of the last year. There are two significant changes. One I already hinted on with the at equity.

But let's start first with the number one here on that slide. All the sales growth numbers for all divisions in the group are slightly changed, as you see in our adjusted numbers. That is due to the fact that we now changed our calculation of the foreign exchange adjustments for technical reasons, for system reasons. We had to go through a budget rate in the past, and recalculate everything in a budget rate, and then compare the numbers of prior year and current year based on this calculation.

Now our system allows us to do it, what I think, correctly. We use now the actual rates of the prior year to recalculate the actual year, and then calculate based on that actual rate calculation the sales growth.

And secondly, we decided to account for at equity shareholdings differently than in the past. You saw in one of the waterfall charts that we reported that so far below EBIT. And going forward we will report that as part of the EBIT. The reason is indeed our shareholding in Schaeffler Paravan Technologies. As you might know, this is an operation that's heavily R&D driven and is completely related to our Chassis business.

And with our reconfiguration, and reclassification of our Automotive business, and making the Chassis business really some important cluster that we want to report in future. And that we also want to drive significant growth in. We thought due to that, we now also report especially Schaeffler Paravan Technologies, which is a R&D powerhouse – if you will – for our Chassis sector, within EBIT.

That really means, and you'll see that in our Auto Technologies division, a deduction of the EBIT margin of around 0.5 percentage points. And I think the best way to look at that is that we increase our R&D efforts especially for Chassis by this 0.5 percentage points. So, please keep that in mind. And with that, unfortunately a little bit technical at the end, I will hand over back to Klaus.

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Agenda

4 Outlook

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FY 2022 Guidance – Suspended

1. Due to the great geopolitical and economic uncertainty caused by the war in Ukraine, the FY 2022 guidance - approved on February 22nd and mentioned in our Annual Report - is suspended

2. In the current unprecedented situation, it is impossible to reasonably assess and predict the economic and geopolitical effects of the Russian / Ukrainian conflict on:
   - supply chains, in particular on the side of customers
   - global automotive and industrial production market assumptions
   - freight rates, raw material and energy prices
   - inflation and the global GDP development

3. The Schaeffler Group will closely monitor the developments and will publish a FY 2022 guidance as soon as this is feasible

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Thank you, Claus. And I will now finish the presentation with the outlook. On page 33 there's nothing that I have not said before. We suspended guidance. I can only stress again that's the only responsible way to deal with this. And you know from the rules, when suspension is possible, that we have to come back with a new revision of our decision at the latest by Q1 2021 [IR note: Q1 2022] results that we publish on the 10th of May.

My conclusion, the outlook is on page 34. We can cut that short. I think you heard all the news. We are facing another war-driven crisis. We need to understand that we will navigate in the next weeks and months through a very dynamic, very unpredictable environment.

Our main task is to ensure operating performance, and cash generation in this environment. The Schaeffler team is a strong team. In this situation, I think you all should take note that also our main customers, be it on the Automotive or on the Industrial side, appreciate strong suppliers. People that have their act together and know how to react in this, who have also a view on different sectors. So, we know what we have to do.

We would have loved that the year continues in a different manner. But we will do what we can to keep Schaeffler on track. And also make sure that we get back on track with our own plans, and with generating value.

Last page is then on the capital market activities. There are two small roadshows tomorrow and on Thursday. We will then progress with our Annual General Meeting. You have the financial calendar on the right-hand side. And I'm sure that you can have that in your calendars already.

With that I would close from my side and give back to Renata for Q&As. Thank you very much.

Renata Casaro
Thank you very much Mr. Rosenfeld and Mr. Bauer. And dear operator, we can open now the Q&A section.

Q&A SESSION

Akshat Kacker, JP Morgan Chase

Good afternoon. Thank you. Akshat from JPM. Thank you for the presentation, and all the new details in there. I have three questions please. The first one on Automotive Technology margins. I know it is a difficult environment, very volatile. And we have the possibility of binary outcomes in many scenarios. And it probably makes sense not to have a guidance.

But can I ask if we can test the resiliency of the business division first thing, or if you could do a stress test, what kind of minimum volumes do you need on a global LVP basis to hit your 4 to 6% mid-term margin target for Automotive Technology please? That's the first one.

The second one is on the Capex guidance of up to 900 million. Looking at the current situation, do you have flexibility in Capex spend in the near term, i.e., are you well invested in your Industrial and Automotive businesses for the next few years? Or do you have some catch up on investments from the last two years probably?

The last one is on the Reinvestment rate in Automotive Technology. We know you have more than 1% Reinvestment ratio in E-Mobility, and less than one in Mature businesses. But for the division as a whole, how should we think about Reinvestment rates over the next two to three years, please? Thank you.

Klaus Rosenfeld

Well, Akshat, I mean these are very relevant questions. And, again, I have to say as a reminder upfront, we have not finished our stress testing work. We are in a situation that is unprecedented when it comes to information and expectations. For sure we are doing several scenarios. But when you ask me what's the minimum volume where we would still make 4% to 6%, that is a question that I cannot answer with a simple number and say X million is it, and below X million is not like this. It depends very much on how this volume unfolds.

I do believe that the composition of that volume plays an important role. I can give you as one indication, the fact that we have strong regions and dedicated regional board members in the region is now a big asset. Our Chinese colleagues start to alert us that they say there are more and more big Chinese customers – I'm not going to mention names – that have come to them and say, we need more investment in the region. We want more volume for our local production. And that could be something that helps. We also see something like this in the Americas.

My general view is that we will probably see more deglobalisation whether we like it or not. And that could also, to some extent, compensate for the setbacks we will have to digest from this overall situation. So, let's leave it here.

We are doing our work at the moment. Your question is spot on. But, again, I cannot give you a simple volume number that says from this onwards, it's four, from this onwards, it's five. There's a drop through rate that needs to be calculated through the different divisions. And we are on it at the moment.
Capex, I would say, Claus, there is virtually no catch up from the past. You can be rest assured we have towards the end of the year, on the one hand, made sure that with all the strong cash flow that we made throughout the year 2021 that we're not sitting on Capex that then moves into the next year. I think that's the one explanation.
On the other hand, the 900 million is an up to number. It's a rich number for an environment where we thought it would go in the right direction. So, there is significant buffer in that number. And we have already started to ask people for reprioritization. Don't forget, Capex needs lead time. Most of the bigger projects cannot be invested within six to 12 months. There are some big projects running. But as it looks like, the ramp-up curve is something that gives us significant flexibility on the 900.
On the Reinvestment rate, also here, if I would now give you a number and say this is what I'm expecting for the two or three years, I would contradict my statement that at the moment it is not really predictable. What I can say is that this new format, the new operating model gives us a much better handle to see that the business where we want to grow in the future.
And I dare to say that I think that E-Mobility will rather continue, and maybe even further accelerate due to the situation, given oil price and energy transition, than in the past. I think this model gives us a much better way to do this systematically. And maybe that leads to, given the size of the business, to even higher Reinvestment rates in E-Mobility, and even lower in Engine Transmissions.
So much for the colour, but please understand, I cannot lead through scenarios in this call.

Akshat Kacker, JP Morgan Chase
Can understand that. Thank you.

Klaus Rosenfeld
You're welcome.

Christoph Laskawi, Deutsche Bank
Hi, it's Christoph Laskawi, Deutsche. Thank you for taking my questions as well. The first one will be on the supply chains currently for Auto and Industrial. Could you comment if you are right now still able to source everything you need? And is that

more or less running smoothly, and the impact will be more on, say, secondary effect which causes production stops at OEM?

The second question then on your open exposure, currently, to prices like for raw mats which are increasing. Could you just give us a reminder on how long you are currently locked in on steel, energy, and other costs?

And the last question will be, in the discussions that you currently have with the OEMs, which I believe must be extremely intense. Are they giving you any indication on changes in underlying demand that they see? Or is it just that they are focused on working through the order backlog, which should be three to six months at least for most of the European ones? Thank you.

Klaus Rosenfeld

Okay, so a range of questions, and Claus, you will help me if I forget one. And you said this last, Chris, we are in intensive conversations with our big customers. They call us, we call them. And I think the whole industry, at least here in Germany, if not in Europe, has learned from Covid how to work together when something happens that creates a risk for the supply chain.

If there's one positive from Covid, then this is one of the things to mention. I can say for sure, we are seeing, and you know this from the newspapers, that some of our big customers are stopping production in certain areas. At the moment at Schaeffler, plants are running. We have seen in the first eight, nine weeks, continuous call offs in some areas, even above budget. That is now starting to reduce.

How this will unfold is something that we need to see. I don't see a radical stop somewhere where someone says, we're not going to do anything anymore. That's not the case. Most of the companies that we are talking to have some sort of plans in place. How to re-route activities, how to find other sources, and let the things go forward.

You have this famous issue with "Kabelbäume", help me with the translation of this. Wire harnesses, one of our neighbours here in the region. If you dig into more detail there, you see that this doesn't stop the whole global Automotive production. It may have an impact that is in the 80 million range that we have for this year, some sort of a digestible impact.

But we don't know what's coming and that's I think where the key question mark is. No one can tell you at the moment how long this will last. So, the best you can do is to stay agile, to stay tuned, to understand what's going on, and to react.

There is a backlog to be dealt with. The end customer demand is also open. On the one end we see inflation, cars get more expensive. You'll see this in used cars. On the other hand, customers may shy away from doing something. It remains to be seen. In

any case, there is a backlog from the last years where I think cars are ordered, and that could smoothen it a little bit.
In terms of material, gas supply, and all these kinds of things, I can say we started our taskforce already before the invasion on the 24th. So, for the Russian exposure, but also for the steel we buy from Russia. We have already found ways to re-route this through other suppliers. Mainly Chinese suppliers. We have already taken all necessary action even, again, before the 24th to secure transportation. Mostly through ship instead of road and rail. To some extent higher rates, for sure.
In terms of energy and gas, gas supply for Schaeffler is until the rest of this year, Claus secured in terms of volume and price by 90%. So also, here we acted quite quickly, already in the middle of February to somehow close that.
Let’s say if tomorrow this crisis further escalates, what that means, I can’t tell you. But what I said before, we’ll do the best possible to secure that the company can run. And what gives me some hope and confidence is that this management team is a proven team that has its act together when it comes into these situations.
That may be different if you have completely new people. But Claus, for example, is a longstanding colleague that I trust 100%. And with him it works very well to get this done, even over weekends.

Christoph Laskawi, Deutsche Bank
Very clear, thank you.

Edoardo Spina, HSBC
Hello. Thank you for taking my three quick questions. First, I would like to ask about the mid-term view of the restructuring perhaps at the cost of the investments required to move forward.
In 2022 I see you mentioned extraordinary expenses, and with the digitalization focus for the mid-term. Is this an item that will remain significant for the Free cash flow?
And the second question, on the cash received and the leverage ratio, you provide a range that includes a higher leverage as well. Which half of this ratio you think is more at risk to drive such a potential increase? Do you see opportunities perhaps in the market which are a low for the equity market, is that also an opportunity?
And finally, on the currency, if you can give us a guidance for maybe the beginning part of the year? How do you see that impact on your accounts? Thank you.

Klaus Rosenfeld

Edoardo, thank you very much for your questions. You were a little bit difficult to understand. If we have not understood them correctly, please jump in and ask them again.

Let me start with the last one, and Claus, you can take over. I think your last question was on currency exposure, if I understood this correctly. And you see that unfolding. You saw on one of the pages in the backup that we have only given directional guidance.

It's obvious that the US Dollar gets stronger, the Euro gets weaker, and also the Chinese Renminbi gets stronger. That in itself tentatively is positive for us. We were positioned for a rather € 1.20 than for parity. There's the Mexican Peso that plays an important role, and other currencies may go in a different direction.

But if this environment continues, at least I can say, and Claus, then I'll hand it over to you to explain a bit more detail before I take the next question, I think that shouldn't create, at the moment, extra stress. Rather a little bit of relief what happens on the FX side. Maybe, Claus, you want to add to that.

Claus Bauer

Yes, I absolutely agree with that. And I mean the obvious question also could be, what is about the Ruble? We obviously have some Ruble cash flows. We are Ruble long in a normal environment. And all Ruble exposure is hedged by 85% over the next 12 months. And so, obviously, also with the exchange rates before, and before the invasion.

And in regard to the Dollar, and all other currencies, we normally base our planning on what the forward contracts would be if we would completely hedge our cash flows when we start budgeting, let's say in the middle of the year. And then hedge it on a rolling 12-month basis. So, we always have somewhat of an average hedging rate over the 12 month period. There's a little bit of layering in there with different volumes of the layer sizes.

But we clearly also hedged for the US Dollar. We are not hedged at € 1.08, or whatever it is today. But we are also not hedged at € 1.23 or in € 1.25. So, it's somewhere in the middle. But I also would completely agree with Klaus that there's no stress, or no significant unmanageable stress on that front.

Klaus Rosenfeld

Okay, let me go to the first question that was, I understood it correctly, Edoardo, the mid-term view. What are we going to do? What I can say today, and don't forget this is all days old. We have decided also in our Board Meeting this morning that we will

continue with our strategy. There's no need to turn in circles now, or to change direction. Look, we'll stay the course.
What is necessary, and that's what's happening at the moment, all major strategic initiatives, all major strategic projects, all major Capex projects, all major Overhead spend will be revisited, will be reprioritised. What I can say, and I said it also in the press, this could lead to the fact that initiatives like on the digitalization side will even be speeded up, and executed, and implemented more forcefully.
I think the digitalization is an area where efficiency gains are possible, also short term. And maybe that's exactly the right thing to do now. In any case I can say sustainability, and when I talk about sustainability this is very much the climate side of it. The whole energy transition, the whole question of what can we offer in alternative energy sources? Hydrogen, all of that will clearly, from my point of view, get more emphasis in the future. So, we'll stay the course in digitalization. We'll stay the course on sustainability and see what that means.
In these days it's not the time to talk about opportunities. But I think when the world changes, there are always also situations where you can do and can achieve things that were not possible in the past.
Leverage, as far as I understood you correctly, you were asking about how this ratio is going to develop. I think you know this. This is a company that has always proven its Free cash flow conversion power. And also 2021 is a good proof for it. We'll continue with our restructuring. Maybe also here we can speed up certain implementation areas.
We are in the third phase, we are all for all locations, the contracts have been signed. And we have already looked at some of the transfers here in Germany, whether we can possibly accelerate this, and speed up. But in terms of the Leverage ratio, the key aspect here is EBITDA. That drives the ratio. And we will benefit, as it's the last 12 months' rolling figure, a little bit from the good quarters of the last year. But we'll also see what kind of countermeasures we need, and we'll put them in place with adequate priority and vigour.

Edoardo Spina, HSBC
Perfect. Thank you very much. Maybe if I just follow up on the Leverage ratio. Do you see a potential increase in focus for investment given the price of assets are maybe lower now for everybody? So, is that an opportunity for you? Thank you very much.

Klaus Rosenfeld
Can you say again, you see an increase of what?

Edoardo Spina, HSBC
Investment acquisitions.

Klaus Rosenfeld
Acquisitions. So maybe on the acquisition strategy, I mean you - sorry, I didn't hear that well. We have been, if I may say so, looking backwards, quite lucky that we have not engaged in any significant high-volume acquisition that we would now need to refinance or deal with. I think we are also lucky that we have always said we are not going to do anything with carve-outs, or splits, or putting the whole company at risk because of some undue operations, or larger transformational moves. That, at the moment, is good for us.
And our M&A strategy with a more, a risk-averse approach on smaller bolt-on acquisitions is something that I would not stop. I would continue to watch and look for clever technological additions if they are available.
But you can be rest-assured we will be very conscious of our firepower. We'll be very conscious of the risk profile that we have. We are not going to put the company now at risk in such an environment. The nature of the game is risk off, risk down. And making sure that all of this settles somehow. And then we can see that we get back on track with our overall strategy.

Edoardo Spina, HSBC
Thank you very much.

Sanjay Bhagwani, Citi
Hi. Thank you very much for taking my question as well. My colleagues have already asked the questions on the matter. So, I'll have a few on E-Mobility, and one on commodity prices.
So, my first one is on E-Mobility. If you could please provide some split or guidance on the Orderbook. Like what portion is from the Hybrid versus BEV.
And my second question is on Thermal Management. I understand that you have reinstated the Thermal Management now into E-Mobility. And there's somewhere around a 400 million effect from that in the E-Mobility field. So, I just wanted to have some more colour on like, are the components actually going into the BEVs, or there is some portion which is for the ICE as well?
And my final one is on the commodity prices. So, if my memory serves well, I think earlier this year you were mentioning that you may actually move more towards the spot purchasing of the commodities versus hedging and contacts as you were

expecting the steel prices to normalize. So, if you could provide us some update on that as well. That'll be very helpful.

Klaus Rosenfeld

Okay, let me start with the last one, and Claus, you support me if you want to add something. The main commodity that we need to do our business is steel. I think you all know this. We have outlined it, and Claus has been very outspoken in the last calls also at the beginning of the year to explain that situation.

At the moment just assume we would have no war in the Ukraine, I think we are on a good track with a dedicated end to end steering by watching what's happening in the market for material prices, and how to pass this on to customers. That project is up and running. We are monitoring this on a weekly basis. And we see that our assumptions for the material price are more or less, again, pre-war in the Ukraine, confirmed.

We also see that there's good progress week by week. And passing on certain price increases to customers, certainly easier in Industrial and Automotive Aftermarket than in Auto. But also, in Auto it is going according to plan. We never said that it's possible to hedge everything 100%. We also never said that it's possible to pass on every price increase to a customer. But as it looks, we are on track.

Now on top of this, we have the new development, and we need to see what that means in terms of extra stress. That is, as I said before, very difficult to say.

While we're all focused, and rightfully so, on the terrible development there in Ukraine, talking to our Chinese colleagues, we have already seen some signs that Chinese steel prices come down. Or it did a little bit come down, that could be a good, positive thing for us as well.

Don't forget there's the war in Ukraine, but there will still be global division of labour. And there will still be global trade. And we should not get completely offtrack, that a significant part of our business is in China and the US. And that also in these regions we have our sourcing partners.

E-Mobility, sorry, I can't say more than tentatively the share of BEV business, also of BEV projects is increasing as we speak. Maybe, again, this is only January and February. We had good success in January with major projects coming in. We'll report about this then in the next quarters to come. But they are the two big projects that were coming, were both BEV-only projects. So, the trend is clearly intact. And you will understand that I am not giving more than that directional statement.

In terms of Thermal Management, you are right. This is a technology and an area of competence that we already developed for ICEs. What the colleagues have done now, they have asked themselves, is it possible to integrate a Thermal Management module into a 3-in-1 E-axle? That's the latest innovation we also presented in the end

of the year at the fairs. And that would mean that you basically have to split this business.
I don't know where the 400 million are coming from. That's something that I cannot confirm at this call without going back to Matthias and his team. But in future, we will see this Thermal Management, the more E-Mobility accelerates, as a really interesting feature to generate a Schaeffler competitive advantage through the integration of the 3-in-1 E-axle. Because it helps us to make the E-axle even more efficient for customers by a clever way to manage heat or manage cooling. And that's I think where it really makes a difference.
There is some business from the past. But as we are more and more investing into BEV, that business will also start to run off then together with the ICE business.

Sanjay Bhagwani, Citi
Thank you. That's very helpful. Regarding the 400 million, basically I just took out the restated number. So, in 2020 you had reported E-Mobility of 651. And then this year the reinstated number is 1047, so that just gives us 400.

Klaus Rosenfeld
Look, this is something that - I understand what you did. Thanks for the hint. That's what I assumed. But there are more movements in between, than this single one. It's not Thermal Management that moved from left to right. There are other changes in the setup.

Sanjay Bhagwani, Citi
Yeah. Thank you.

Klaus Rosenfeld
You're welcome.

Stephanie Vincent, JP Morgan Chase
Hi. Thank you very much for taking my questions and appreciate all the colour during this difficult time. The one question I had was just on behaviour. Because I guess as analysts will probably sharpen our pencils and go back to the 2020 production shutdown during times of stress, just sort of stress test all our companies.
But I guess from your standpoint, what are some of the key differences now between that time and - for example, you did draw down to a small amount under your revolver, ended up recovering very quickly. Would you, after paying down debt over

2021, consider going back to the debt market either through the revolver route, or adding additional cash over this timeframe, given the uncertainty?

Klaus Rosenfeld
Well, I think Claus said it, we have a very comfortable liquidity position with 25% of our sales being available in liquidity. Be it cash on the balance sheet or undrawn facilities. I don't see any need to change anything there. In the past we always thought maybe we need to put money differently at work. But I have no concerns at the moment on the financing side. So, we will stay the course with that.
If I remember the days in 2009 when I joined here as CFO, we were always looking at 10% of sales as a decent number. And now we have 25%. Even if this situation may not be comparable to the crisis, the Lehman crisis and whatever we had there, I don't think there is any need to do anything at that front. The balance sheet is robust. The company knows what to do. And we'll monitor it. But I don't see any negotiations or discussions with banks necessary to optimize what we have.

Stephanie Vincent, JP Morgan Chase
Great. Thank you.

Klaus Rosenfeld
Good. Then ladies and gentlemen, let me close the call. It was a pleasure that you joined us. Some very unfortunate and tragic times, we all share that. We appreciate that you are interested in our situation. And we are there for all your calls and questions. Go talk to Renata and the team. And Claus and myself, we will make ourselves available.
For us, the most important thing is that this war stops. And that we somehow get back to normal times. With that, thank you very much for listening, and all the best to you personally, and your families. Bye-bye.

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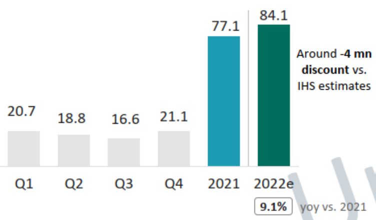
Market assumptions as of 22nd February[1] – Under review

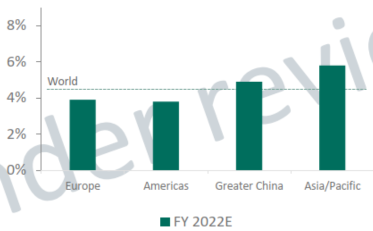
Automotive Technologies – Global LVP[2] 2022



- Discount of around 4 mn vehicles to February IHS estimate of 84.1 mn LVP in 2022 leading to 4% yoy market growth expectation
- Cautious estimate reflecting current and persisting supply chain disruptions and global volatility

[1] Please refer to the Annual Report for further details
[2] Light Vehicle Production (IHS Markit, February 2022)

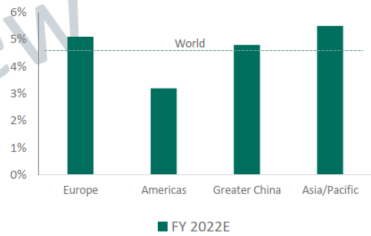
Automotive Aftermarket – GDP[3]



- World GDP growth is expected to reach 4.5% in 2022
- Slowdown compared to 2021 (5.8%) but still stable growth rates across all regions
- Covid-19, supply chain issues and inflation are considered as main influencing factors for GDP growth in 2022

[3] GDP (Oxford Economics, December 2021)

Industrial – Industrial Production[4]



- Global growth expected to slow in 2022 (4.6%) after a very strong increase in 2021 (11.9%)
- Moderate to strong market development across all sectors, mainly driven by Transport Equipment and Mechanical Engineering; the regions Asia/Pacific and Europe are projecting the strongest growth

[4] Industrial Production (Oxford Economics, December 2021)
Sectors considered: Mechanical Engineering (NACE 28), Transport Equipment (NACE 30), Electrical Equipment (NACE 27.1)

Under review

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FY 2022 Guidance as of 22nd February[1] – Suspended

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SUSPENDED

Group Guidance

	Actuals FY 2021	Guidance FY 2022
Sales growth[2]	10.2%	**7 - 9%**
EBIT margin[3]	8.8%	**6 - 8%**
Free Cash Flow[4]	EUR 523 mn	**> EUR 300 mn**

[1] Please refer to the Annual Report for further details | [2] FX-adjusted | [3] Before special items | [4] Before cash in- and outflows for M&A activities | [5] Light Vehicle Production (IHS Markit, February 2022)

Divisional Guidance

Adjusted comparative figures 2021

Automotive Technologies		Automotive Aftermarket		Industrial	
Actuals	**Guidance**	Actuals	**Guidance**	Actuals	**Guidance**
Outperf. 440 bps	**Out-performance 200 - 500 bps**	13.9%	**Slight growth**	14.2%	**Significant growth**
6.4%	**> 4%**	13.9%	**> 12%**	11.8%	**> 11%**

Market assumptions for 2022

- Automotive Technologies: LVP growth of **4%** in 2022 vs. 9.1% growth in latest IHS estimate[5]
- Automotive Aftermarket: Increase of global GDP by around **4.5%**
- Industrial: Increase of relevant industrial production of around **4.5%**

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Ancillary comments to support the Equity Story

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Additional KPIs	**FY 2022**	Comments
Order Intake E-Mobility	**EUR 2 - 3 bn**	Starting from 2022 the new target of EUR 2 - 3 bn applies
Capex	**Up to EUR 900 mn**	Focus areas include Digitalization, Sustainability, Innovation & Technology and investments in New Business
Restructuring cash-out	**Up to EUR 300 mn**	Significant portion of extraordinary restructuring expenses in 2022 expected leading to prudent FCF guidance
Dividend Payout Policy	**30 - 50%**	Dividend payout ratio[2] proposal for FY 2021: 44%, subject to AGM approval
Leverage ratio[1]	**0.75x - 1.25x**	Leverage ratio 2021 below mid-term range
Average Tax rate	**28 - 32%**	Overall effective tax rate in line with pre-Covid years
FX rates		EUR/USD, Chinese Renminbi and Mexican Peso are the main exposures

[1] Net financial debt to EBITDA ratio before special items | [2] in % of Net income attributable to shareholders before special items

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Equity Story – Positioning Schaeffler for long-term value creation

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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

Backup

Key figures Q4 and FY 2021

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in EUR mn	Q4 2020	Q4 2021	Q4 2021 vs. Q4 2020	FY 2020	FY 2021	FY 2021 vs. FY 2020
Sales	3,626	3,506	-3.3% -5.6%[1]	12,589	13,852	+10.0% +9.7%[1]
Gross Profit ***Gross margin***	952 *26.3%*	846 *24.1%*	-106 mn *-2.2pp*	2,859 *22.7%*	3,439 *24.8%*	+580 mn *+2.1pp*
EBIT[2] ***EBIT margin[2]***	422 *11.6%*	272 *7.8%*	-150 mn *-3.8pp*	798 *6.3%*	1,266 *9.1%*	+468 mn *+2.8pp*
Net income[3]	103	145	+42 mn	-428	756	+1,184 mn
EPS[4] (in EUR)	0.15	0.22	+0.07	-0.64	1.14	+1.78
Schaeffler Value Added[5]	2	475	+473 mn	2	475	+473 mn
ROCE[6]	10.0%	16.0%	+6.0pp	10.0%	16.0%	+6.0pp
Free Cash Flow[7]	355	55	-300 mn	539	523	-16 mn
Capex	151	188	+37 mn	632	671	+39 mn
Net financial debt	2,312	1,954	-358 mn	2,312	1,954	-358 mn
Leverage ratio[8]	1.3x	0.9x	-0.4x	1.3x	0.9x	-0.4x
Headcount	83,297	82,981	-0.4%	83,297	82,981	-0.4%

[1] FX-adjusted | [2] Before special items | [3] Attributable to shareholders of the parent company | [4] Earnings per common non-voting share | [5] Defined as EBIT before special items LTM minus Cost of Capital (10% × Ø Capital Employed) | [6] Before special items, LTM | [7] Before cash in- and outflows for M&A activities | [8] Net financial debt to EBITDA ratio before special items

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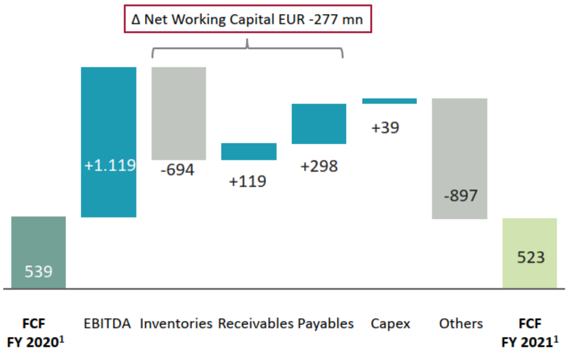
Free Cash Flow details FY 2021 – FCF supported by good operational performance

FCF[1] FY 2020 vs. FY 2021 | in EUR mn



[1] Before cash in- and outflows for M&A activities

Key aspects

- Positive EBITDA development yoy due to good operating performance and prior year restructuring accrual
- Net Working Capital negative with EUR -277 mn driven by normalization of working capital structure and levels (prior year impacted by V-shape recovery in H2 2020 and tactical inventory increases to secure delivery reliability, protect against price increases and supply chain fluctuations)
- Others included non-cash relevant provisions for restructuring program in Q3 2020

Net Working Capital details | in EUR mn

Change in	Q4 2020	Q4 2021	*Δ Q4 21/20*	FY 2020	FY 2021	*Δ FY 21/20*
Inventories	106	-40	-146	142	-552	-694
Receivables	-17	-14	+3	-165	-46	+119
thereof R. Sale Program	*0*	*0*	*0*	*0*	*0*	*0*
Payables	92	105	+13	13	311	+298
Δ Net Working Capital	**+181**	**+51**	**-130**	**-10**	**-287**	**-277**
Working Capital ratio[1]	*18.6*	*19.5*	-	*18.6*	*19.5*	-

[1] in % of sales (LTM)

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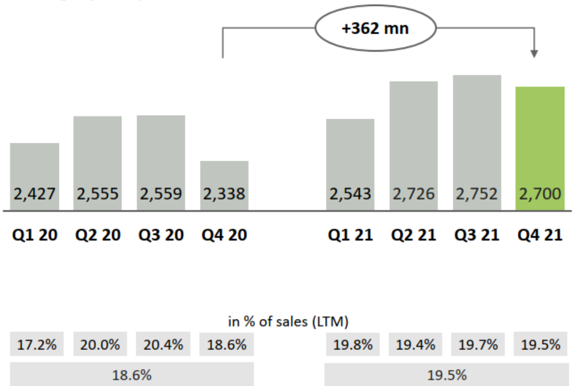
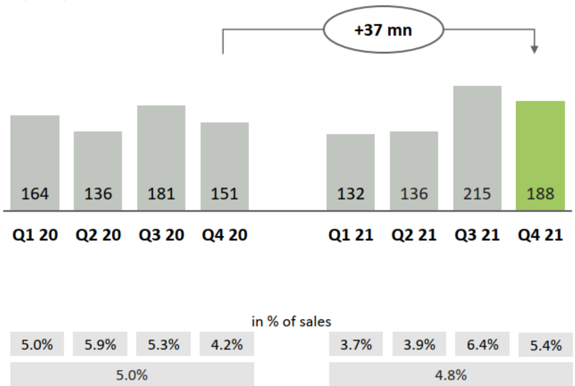
Working Capital ratio 19.5% – Capex ratio 5.4% in Q4

Working capital[1] | in EUR mn



[1] According to balance sheet; figures as per the end of period

Capex[2] | in EUR mn



[2] Cash view

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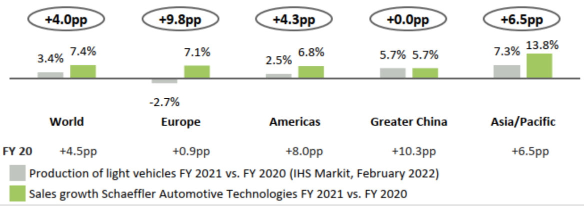
Automotive Technologies – Good Outperformance and EBIT margin[2]

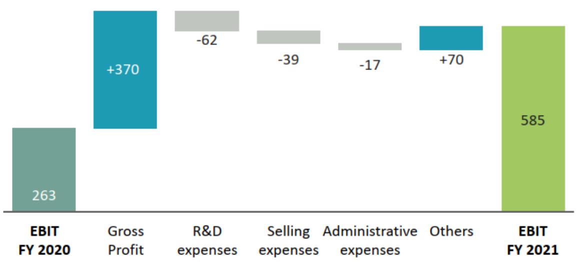
Sales by business division | yoy growth

	FY 2020	FY 2021	Δ[1]
E-Mobility	1,047	1,245	+17.8%
Engine Systems	2,056	2,156	+4.8%
Transmission Systems	3,508	3,741	+6.4%
Chassis Systems	1,204	1,294	+7.1%
Total	7,816	8,436	+7.4%

Outperformance: Sales[1] vs. market development in FY 2021



EBIT[2] FY 2020 vs. FY 2021 | in EUR mn



EBIT margin development[2]

3.4%	+3.1pp	-0.2pp	-0.1pp	+0.0pp	+0.7pp	6.9%

[1] FX-adjusted | [2] Before special items

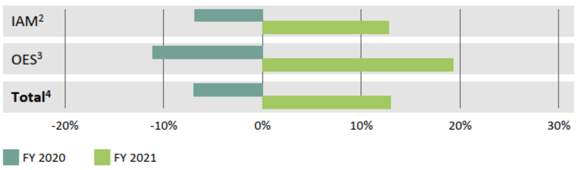
Backup

Automotive Aftermarket – Strong sales development, solid EBIT margin[5]

Sales by region | yoy growth

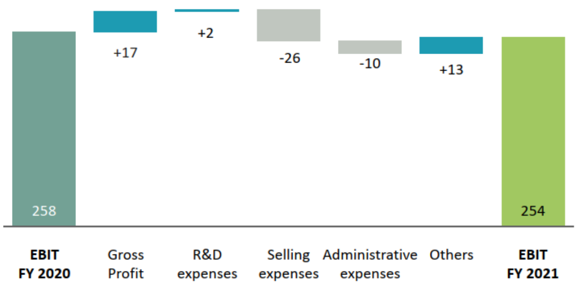
	FY 2020	FY 2021	Δ[1]
Europe	1,184	1,275	+8.1%
Americas	301	363	+26.1%
Greater China	77	101	+27.5%
Asia/Pacific	80	109	+37.9%
Total	1,642	1,848	+13.0%

Automotive Aftermarket sales growth by channel[1]



[1] FX-adjusted | [2] Independent Aftermarket | [3] Original Equipment Service | [4] Contains E-Commerce sales and sales to Automotive suppliers in addition to IAM and OES | [5] Before special items

EBIT[5] FY 2020 vs. FY 2021 | in EUR mn



EBIT margin development[5]

15.7%	-2.9pp	+0.3pp	+0.2pp	-0.2pp	+0.5pp	13.8%

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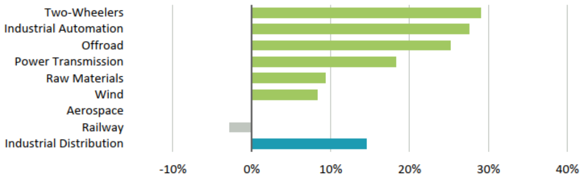
Industrial – Double-digit growth in all regions, strong EBIT margin[2]

Sales by region | yoy growth

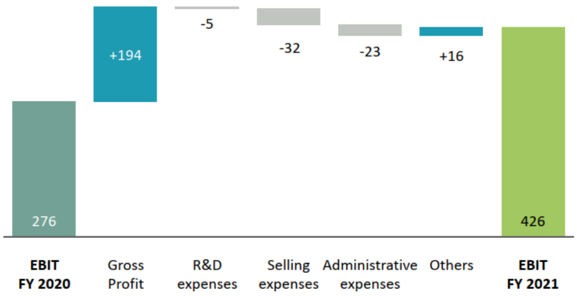
	FY 2020	FY 2021	Δ[1]
Europe	1,312	1,473	+12.3%
Americas	528	588	+13.8%
Greater China	840	982	+14.5%
Asia/Pacific	451	525	+18.3%
Total	**3,132**	**3,568**	**+13.6%**

Industrial sales growth by sector cluster FY 2021[1,3]



[3] From 2022 onwards, this chart will follow the structure of Slide 17

EBIT[2] FY 2020 vs. FY 2021 | in EUR mn



EBIT margin development[2]

8.8%	+2.1pp	+0.3pp	+0.5pp	-0.1pp	+0.4pp	12.0%

[1] FX-adjusted | [2] Before special items

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Automotive Technologies (AT) outperformance by quarters

FY 21 Outperformance: +4.0pp

	Q1 21 IHS[1]	Q1 21 AT[2]	Q1 21 Outper-formance	Q2 21 IHS[1]	Q2 21 AT[2]	Q2 21 Outper-formance	Q3 21 IHS[1]	Q3 21 AT[2]	Q3 21 Outper-formance	Q4 21 IHS[1]	Q4 21 AT[2]	Q4 21 Outper-formance
World	+15.9%	+15.8%	-0.1pp	+48.2%	+65.3%	+17.1pp	-19.1%	-12.2%	+6.9%	-10.5%	-12.2%	-1.7%
Europe	+2.3%	+3.4%	+1.1pp	+80.9%	+116.2%	+35.3pp	-28.7%	-15.0%	+13.7%	-22.3%	-16.4%	+5.9%
Americas	-2.8%	+6.0%	+8.8pp	+146.9%	+136.4%	-10.5pp	-24.5%	-15.8%	+8.7%	-13.3%	-15.8%	-2.5%
Greater China	+77.8%	+74.3%	-3.5pp	-4.2%	+3.3%	+7.5pp	-13.8%	-15.8%	-2.0%	-0.9%	-5.9%	-5.0%
Asia/Pacific	+5.2%	+13.6%	+8.4pp	+82.0%	+62.5%	-19.5pp	-10.9%	+7.3%	+18.2%	-9.4%	-9.2%	+0.2%

FY 20 Outperformance: +4.5pp

	Q1 20 IHS[1]	Q1 20 AT[2]	Q1 20 Outper-formance	Q2 20 IHS[1]	Q2 20 AT[2]	Q2 20 Outper-formance	Q3 20 IHS[1]	Q3 20 AT[2]	Q3 20 Outper-formance	Q4 20 IHS[1]	Q4 20 AT[2]	Q4 20 Outper-formance
World	-22.2%	-12.1%	+10.1pp	-42.9%	-41.9%	+1.0pp	-2.4%	-1.2%	+1.2pp	+3.2%	+8.0%	+4.8pp
Europe	-15.7%	-13.5%	+2.2pp	-58.2%	-59.5%	-1.3pp	-6.0%	-9.3%	-3.3pp	+1.1%	+6.4%	+5.3pp
Americas	-11.6%	-5.2%	+6.4pp	-69.6%	-62.5%	+7.1pp	-3.1%	+2.9%	+6.0pp	+0.6%	+9.1%	+8.5pp
Greater China	-45.7%	-22.8%	+22.9pp	+10.2%	+17.3%	+7.1pp	+10.9%	+14.2%	+3.3pp	+6.1%	+9.5%	+3.4pp
Asia/Pacific	-13.5%	-7.3%	+6.2pp	-54.9%	-41.9%	+13.0pp	-12.9%	-10.1%	+2.8pp	+3.6%	+9.1%	+5.5pp

[1] Light Vehicle production growth according to IHS Markit, February 2022 | [2] FX-adjusted sales growth of Automotive Technologies division

Backup

Key figures by Group and division

SCHAEFFLER

Adjusted comparative figures 2020

Group | in EUR mn

	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21
Sales	3,281	2,291	3,391	3,626	3,560	3,454	3,332	**3,506**
Sales Growth[1]	*-9.3%*	*-34.5%*	*-2.8%*	*+4.5%*	*+11.2%*	*+50.6%*	*-3.0%*	***-5.6%***
EBIT Reported	-90	-144	-188	274	388	355	278	**243**
EBIT bsi	212	-159	322	422	403	319	272	**272**
EBIT bsi margin	6.5%	-6.9%	9.5%	11.6%	11.3%	9.2%	8.2%	**7.8%**

Automotive Aftermarket | in EUR mn

	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21
Sales	446	301	456	438	444	467	500	**437**
Sales Growth[1]	*+1.6%*	*-30.5%*	*-0.2%*	*+1.3%*	*+4.0%*	*+54.1%*	*+8.7%*	***-1.5%***
EBIT Reported	77	28	62	61	57	88	80	**47**
EBIT bsi	77	28	86	67	57	77	71	**48**
EBIT bsi margin	17.2%	9.3%	18.8%	15.4%	12.9%	16.5%	14.3%	**11.1%**

Automotive Technologies | in EUR mn

	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21
Sales	2,008	1,256	2,161	2,391	2,281	2,084	1,921	**2,150**
Sales Growth[1]	*-12.1%*	*-41.9%*	*-1.2%*	*+8.0%*	*+15.8%*	*+65.3%*	*-12.2%*	***-12.2%***
EBIT Reported	-223	-235	-75	189	238	154	108	**121**
EBIT bsi	47	-240	176	280	246	133	88	**118**
EBIT bsi margin	2.3%	-19.1%	8.2%	11.7%	10.8%	6.4%	4.6%	**5.5%**

Industrial | in EUR mn

	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21
Sales	827	734	774	797	836	902	911	**919**
Sales Growth[1]	*-7.7%*	*-18.2%*	*-8.2%*	*-3.0%*	*+3.9%*	*+24.0%*	*+15.8%*	***+12.0%***
EBIT Reported	56	63	-175	24	93	113	90	**75**
EBIT bsi	88	53	61	74	99	109	113	**105**
EBIT bsi margin	10.7%	7.2%	7.8%	9.3%	11.9%	12.0%	12.4%	**11.5%**

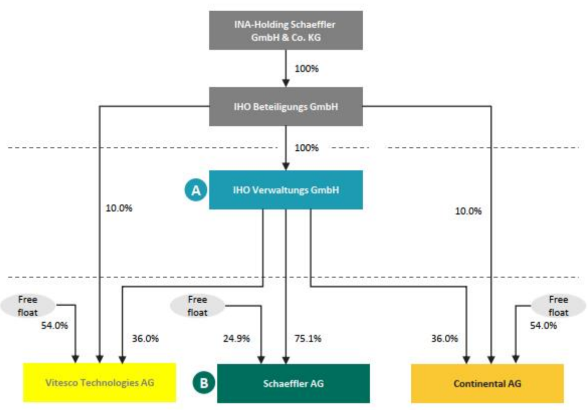
[1] FX-adjusted

Backup

Overview Corporate and Financing Structure

SCHAEFFLER

Corporate structure (simplified) | as of December 31, 2021



Financing structure | as of December 31, 2021

A IHO Verwaltungs GmbH

	Debt instrument	Nominal (USD m)	Nominal (EUR[1] m)	Interest	Maturity	Rating (Fitch/Moody's/S&P)
Loans	RCF (EUR 800 m)	-	260	E+2.75%	Dec-24	Not rated
Bonds	3.625% SSNs 2025 (EUR)	-	800	3.625%	May-25	BB/Ba2/BB-
	3.75% SSNs 2026 (EUR)	-	750	3.750%	Sep-26	BB/Ba2/BB-
	4.75% SSNs 2026 (USD)	500	441	4.750%	Sep-26	BB/Ba2/BB-
	3.875% SSNs 2027 (EUR)		500	3.875%	May-27	BB/Ba2/BB-
	6.00% SSNs 2027 (USD)	450	397	6.000%	May-27	BB/Ba2/BB-
	6.375% SSNs 2029 (USD)	400	353	6.375%	May-29	BB/Ba2/BB-
	Total IHO Verwaltungs GmbH		**3,502**	**Ø 3.77%[2,3]**		

B Schaeffler AG

	Debt instrument	Nominal (USD m)	Nominal (EUR[1] m)	Interest	Maturity	Rating (Fitch/Moody's/S&P)
Loans	RCF (EUR 1,800 m)	-	-	E+0.80%	Sep-24	Not rated
	Schuldschein Loans (EUR)	-	298	Ø 2.13%	May-23, 25, 28 & 30	Not rated
CP	Commercial Paper Program (EUR)	-	-	-	-	Not rated
Bonds	1.125% SNs 2022 (EUR)	-	545	1.125%	Mar-22	BB+/Ba1/BB+
	1.875% SNs 2024 (EUR)	-	800	1.875%	Mar-24	BB+/Ba1/BB+
	2.750% SNs 2025 (EUR)	-	750	2.750%	Oct-25	BB+/Ba1/BB+
	2.875% SNs 2027 (EUR)	-	650	2.875%	Mar-27	BB+/Ba1/BB+
	3.375% SNs 2028 (EUR)	-	750	3.375%	Oct-28	BB+/Ba1/BB+
	Total Schaeffler Group		**3,793**	**Ø 2.56%[3]**		

[1] EUR/USD = 1.1326 | [2] After cross currency swaps | [3] Incl. commitment and utilization fees