COMMENTED SLIDES / CONFERENCE CALL RESULTS Q1 2021

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Q1 2021 Schaeffler AG earnings

Earnings Call
May 12, 2021
Herzogenaurach

We pioneer motion

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Renata Casaro

Thank you, Stewart. Dear investors, dear analysts, good morning. Welcome to the first quarter 2021 earnings call of the Schaeffler Group. Mr Rosenfeld, group CEO, and Dr Patzak, group CFO, will take you through the presentation slides prepared by the IR team.

May I remind you to limit the number of your follow-up questions to one, so that everyone has the chance to participate in the call. Without further ado, I leave the floor to Mr Rosenfeld. Klaus, the floor is yours.

Klaus Rosenfeld

Thank you very much, Renata. Good morning, ladies and gentlemen. Welcome to our Q1 results conference call. You received the PIRM (IR -note: Press IR Message) this morning, and I think it's fair to summarise, this is another strong quarter in an ongoing market recovery.

The key figures were pre-released on April 19th, and the real news from this morning is that we decided, after finalising our forecasting work, to raise our guidance. And that is, from my point of view, a sign of confidence despite the volatile and still uncertain environment that we're facing for the rest of this year.

Before I come to my first page, the page with the key messages, let me say one sentence on the latest market rumours. You all saw that Bloomberg had a quick note yesterday on the ABB Dodge situation. I want to tackle this upfront. You will understand that, as a matter of principle, we do not comment on such market rumours.

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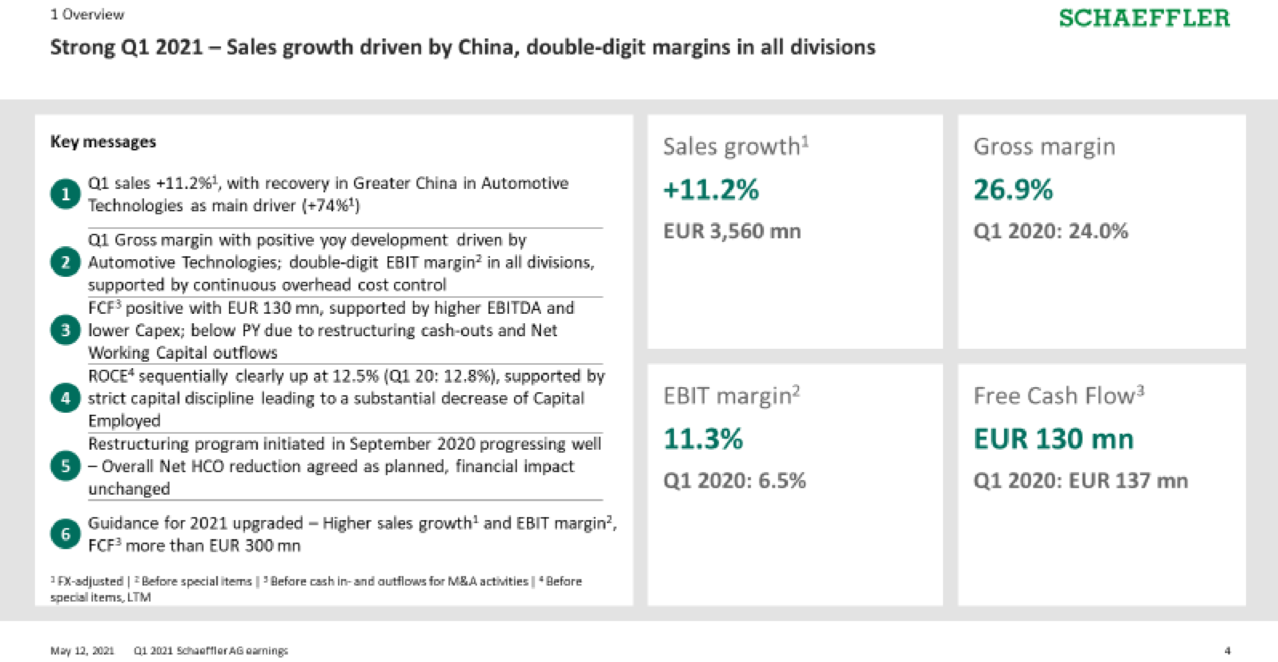


Klaus Rosenfeld

Now, let me come to the key messages. Q1 sales strong, 11.2% up, driven by China. In particular in Automotive, very strong, 74%. It shouldn't come as a big surprise, the Q1 gross margin that Klaus will explain in more detail later on, showed a positive year-on-year development, also here clearly driven by Auto Tech.

We can say this is a broader recovery. All the three divisions showed double-digit EBIT margins, what is also a reflection of the continuous overhead cost control. Free cash flow 130 million in the first quarter is positive, driven in particular by the higher EBITDA and lower Capex, so the weaker quarters are behind us.

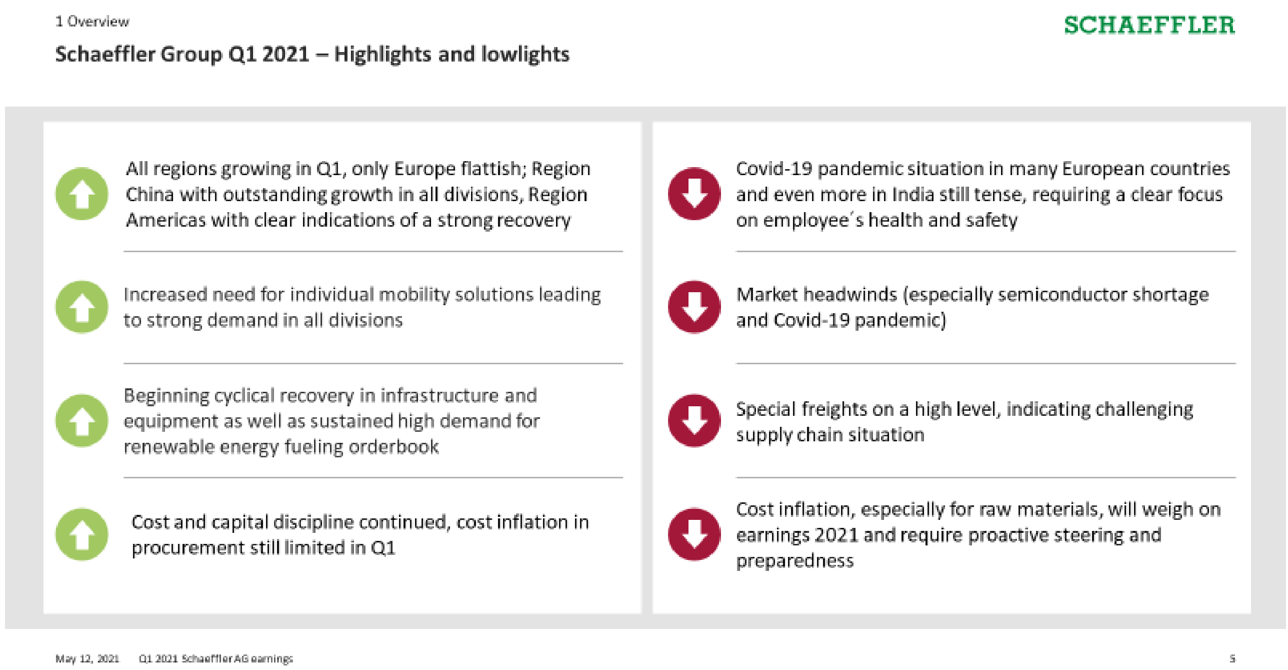
And below previous year, clearly due to the restructuring cash-outs that will also continue throughout the year, and Net Working Capital outflows in particular, driven by higher receivables and also higher inventory need.

Return on capital is back in the range that we articulated as part of our Mid-Term Target, and here you also see the capital discipline that we initiated some time ago, clearly pays off.

The other news that I have for you today is that our restructuring program, and I'll give you more detail in a moment, that we initiated in September 2020, is progressing well. We are in the final stage of the negotiations, and I can say that we think that they will be finalised and closed in the next couple of days.

And the restructuring program will lead to the financial impact that we indicated when we announced it, and also the overall net headcount reduction will come in as planned. And that’s, from my point of view, something that will help us going forward to further improve our results and our value creation.

Guidance upgraded. I think you saw the news. Higher sales growth, EBIT margin, and in particular Free cash flow rates, up to more than 300 million. Now, let me go through the side with the highlights and the lowlights. You have probably read this. I will do this rather short.



What is positive for us, the recovery is driven not only by one region, but by a broader development, all regions growing in Q1. Europe still lagging a little bit, but China clearly outstanding, and region Americas also with a clear indication of a continued and strong recovery.

What is interesting as an industry trend, we observe an increased need for individual mobility solutions, and that leads to a stronger demand across the divisions.

And we can also say as a third point, that the recovery, the more cyclical recovery is beginning in infrastructure and equipment. That goes hand in hand with a sustained high demand for renewable energy products, and that's good for our Wind business.

And then, last but not least, I said it before, cost and capital discipline is not a quarterly topic, it's something that we initiated quite some time ago, and we now see the positive effects. And we will stay very focused on making sure that that also continues. The restructuring program will help us at that front.

On the more negative side, I think we all agree that the COVID situation is not finally solved. There are positive signs, in particular Austria and Germany, but other countries around the globe are suffering, and we are still very much focused on our employees' health and safety, and want to make sure that in any case no one gets infected.

The market headwinds and the uncertainties have increased. You also see this in a more softer order demand behaviour from our big Automotive OEM customers.

The semiconductor shortage is difficult to assess. We think that Schaeffler is not as much affected as others. There is a bullwhip effect at the moment visible. How it normalises remains to be seen, but it's clearly creating uncertainty also for the second half of the year.

You see the stress in the supply chain very well, with the special freights that are on a high level compared to the previous year, and that's clearly an indicator for the challenging situation that we're dealing with. And also cost inflation, raw materials, Klaus will comment on this later on, remains an issue that we are monitoring very proactively, and where we also have the experience to deal with that.

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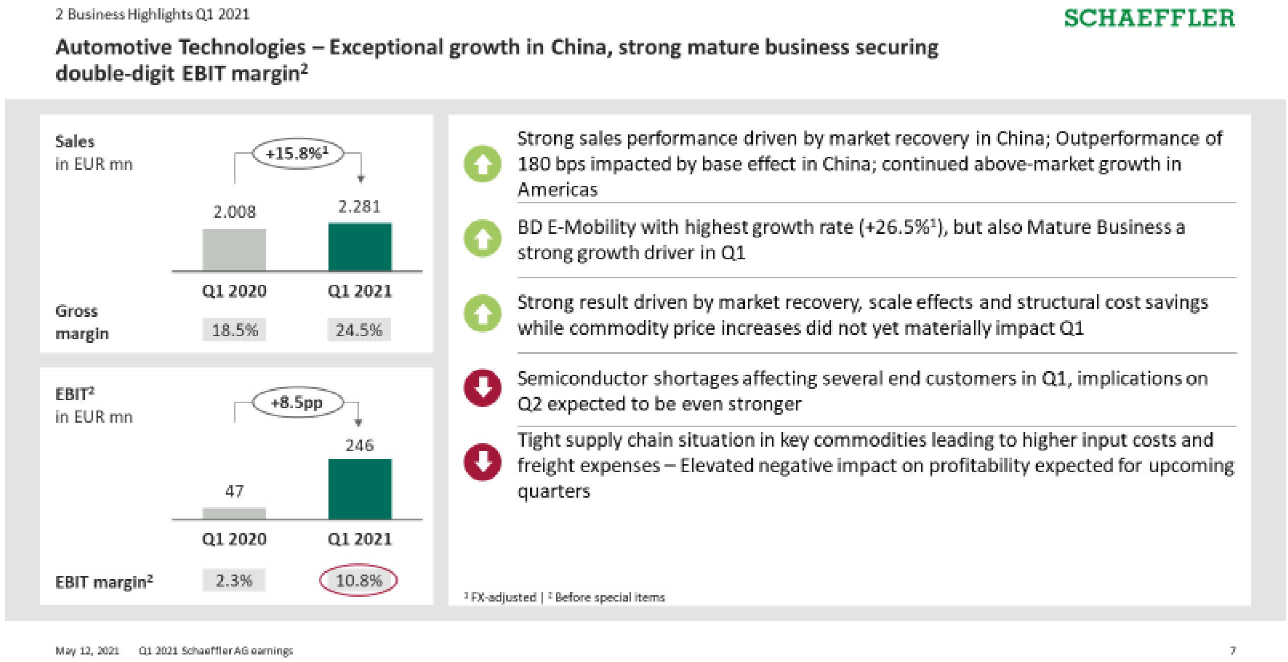
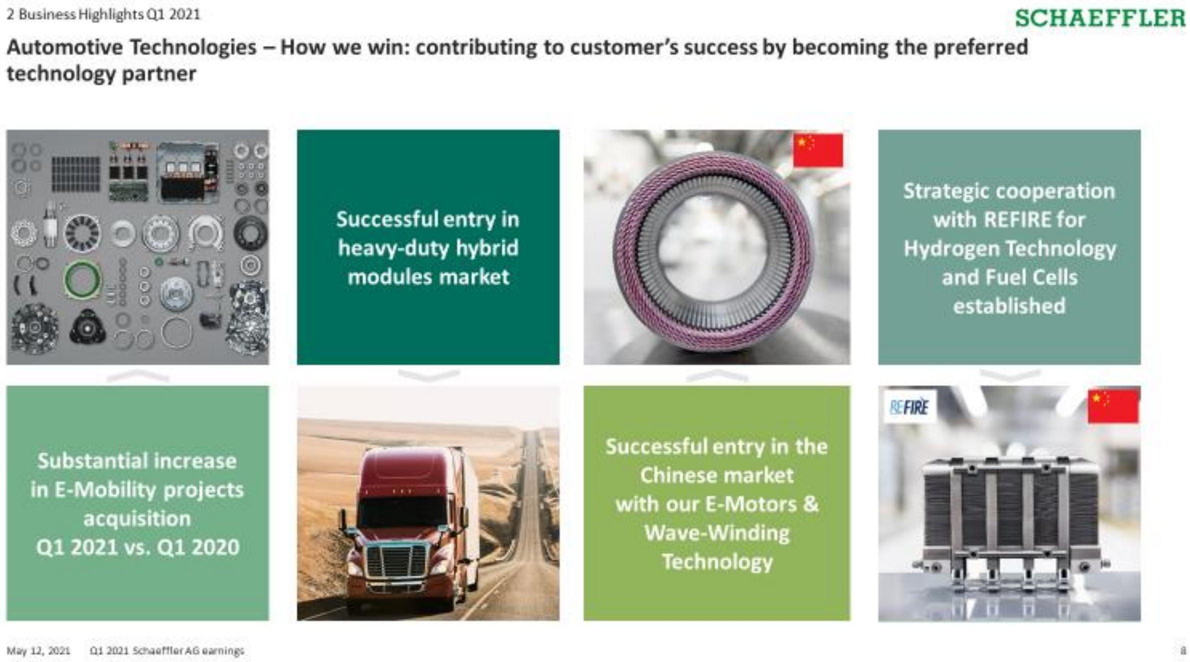


Let me come to the divisions, and I will rather keep that short on the numbers because I'm conscious of your time. You see that Automotive here printed some strong numbers, 24.5% gross margin, 15.8% sales, and EBIT margin in the first quarter 10.8%. That's clearly exceptional and helps us also for the rest of the year.

In terms of the business, outperformance was at the low end of the range, 2% to 5%. There is a significant base effect in China. If China grows more than 70%, then you can imagine that it's very difficult to outgrow this in a meaningful manner. But we are confident that for the rest of the year, we will stay within the 2% to 5% range.

Good Order intake in E-Mobility, also a good growth rate, and clearly, that goes hand in hand with the strong mature business. The logic that we separated, as outlined in our capital markets day, our new business and mature business more distinctively, is really paying off. And the strength of our mature business is a very much supporting factor also going forward.

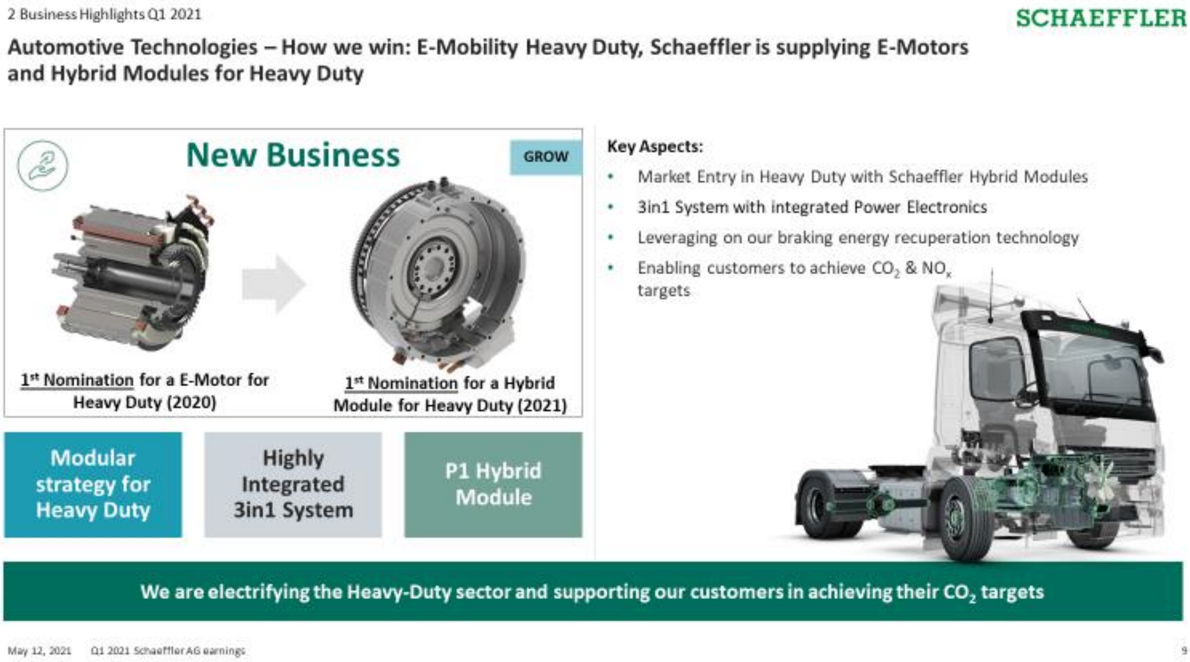
Semiconductor shortage, I mentioned. And the supply chain situation remains an issue.



Let me go from there to page number eight. Once again, we want to give you some of the key themes, why we think that we are on the winning track, and that is clearly linked to this idea of mature and new business.

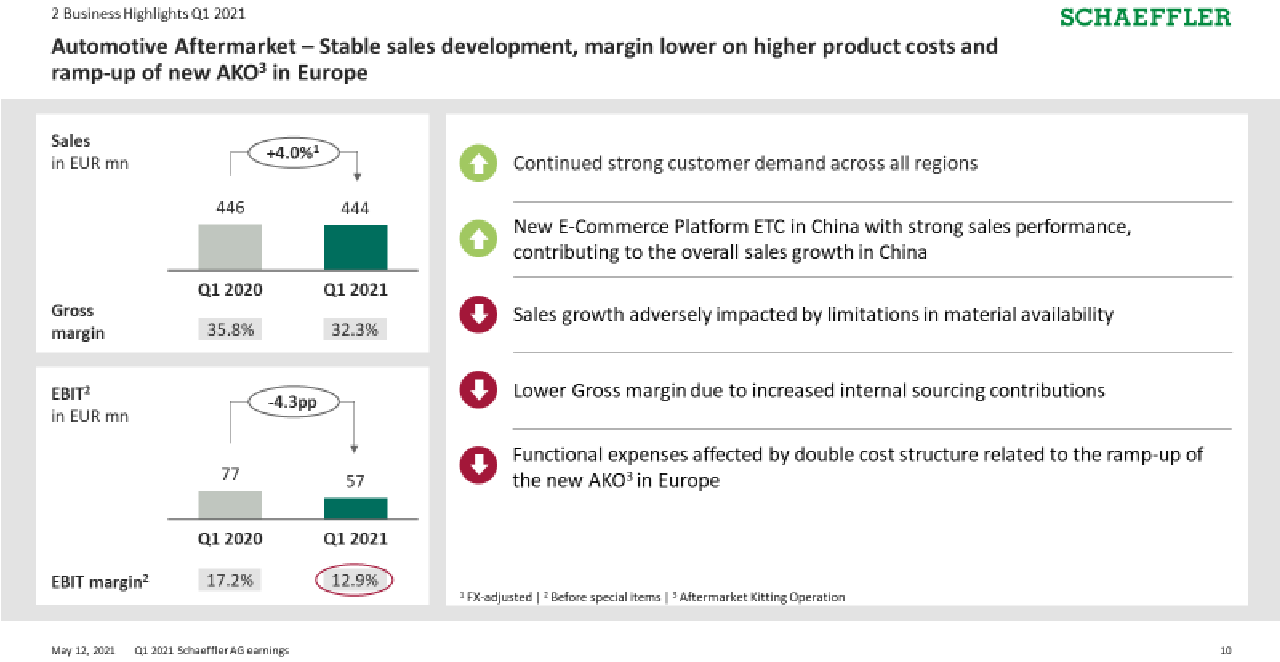
We see a substantial increase in E-Mobility projects and acquisitions, if we compare Q1 21 to Q1 2020. We can say, and I will show this on the next slide, we won a strong and big order in the interesting heavy-duty hybrid module market. We are seeing that, in particular, our E-Motor and Wave-Winding Technology in the Chinese market allows us to generate bigger orders.

And also, last but not least, a smaller step, but long term very important, the strategic cooperation with Refire for Hydrogen Technology and Fuel Cells is a step in the right direction.



Next, page number nine has then the example from the E-Mobility Heavy-Duty Order intake. A large order for a new customer. We are providing here a hybrid module. This is our first nomination in that area, and we are very proud that we can deliver a three-in-one system, with integrated power electronics.

That also helps us to leverage our recuperation technology, so a ground-breaking order that is immediately linked to the US market, that we see as one of the key growth markets.

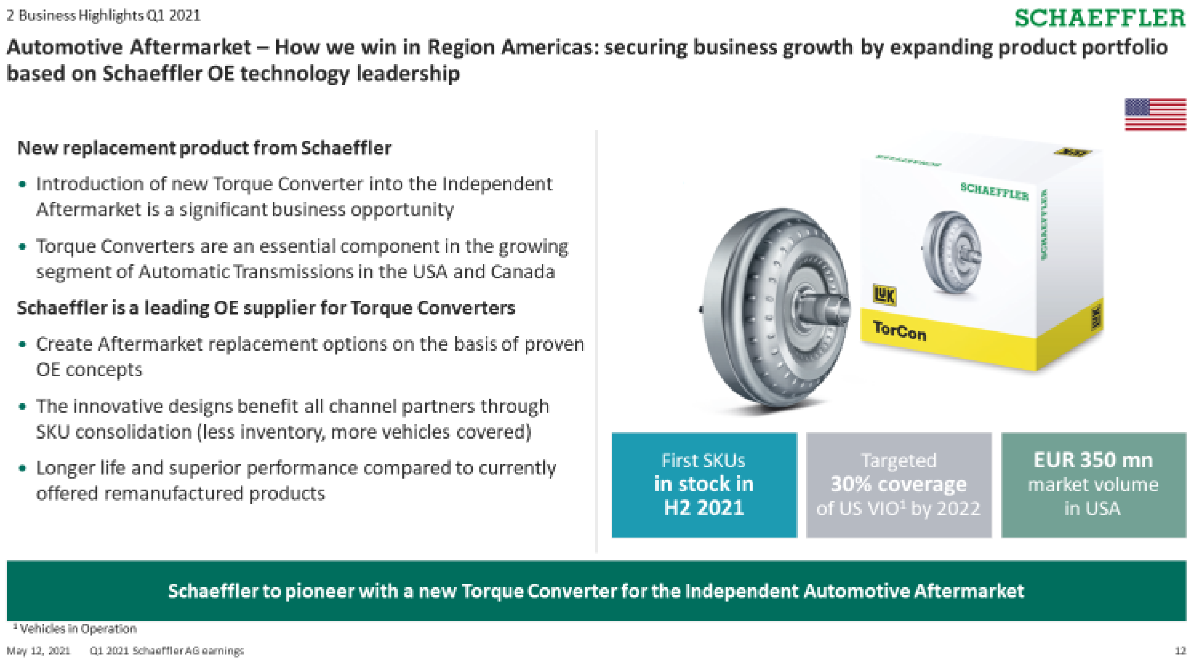


Let me go to Aftermarket. Aftermarket also had a strong quarter, with certainly lower growth, 12.9% margin at the level clearly below first quarter 2020, but that was an exceptional quarter. Yes, we are still seeing some headwinds from the double-cost structure, you have heard this numerous times before, and there are also clearly challenges here on the sourcing side.

On the other hand, the strategy in terms of digitalisation pays off. The new e-commerce platform in China is a good basis for a strong sales performance going forward. So, all in all, while the development is less spectacular than Automotive Technologies, things are on track. Clearly, lower margin because of higher product cost.

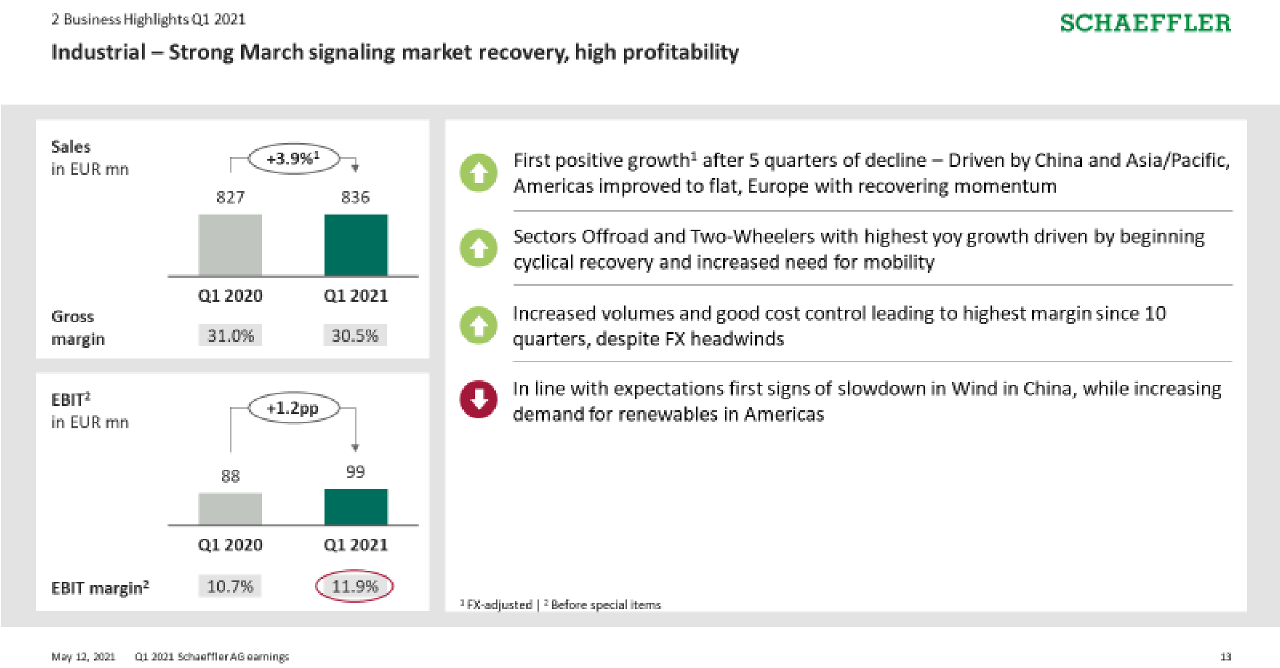
You see on the next page, then, a little bit of insight from the business. Also, here, how do we win? And the LCV business growth opportunity is for us also here an interesting area to grow. We definitely observe an acceleration of e-commerce and last-mile delivery services, also together with the urbanization trends.

I don't want to go too far here, but this is clearly an area that provides growth potential going forward, so you see that a more distinctive sectorial view helps also to discover new areas of growth.



Going into one more page here, on page 12, the US angle. You know that the US is the second biggest market for our Aftermarket Division, and here we have been able to expand our product portfolio and secure business growth based on our technological leadership.

Several examples. One good example is the torque converter, a specific product for the US market, where our innovative designs help to penetrate the channels in a much better way. Also, here, longer life, superior performance, are the key USPs for us going forward, together with the idea that we offer also remanufacturing opportunities.



Let me come to Industrial. Let me say upfront, the quarter clearly showed how important it is that we have this Industrial business going forward. While the Auto Tech sees a little bit of softening at the moment, and some headwinds, Industrial is rather the opposite. We see a continued positive trend.

This is the first positive growth after five quarters of decline. It's driven by China and Asia/Pacific, Americas rather flat, and Europe still with positive momentum, but also in recovery mode. This, going forward, changes a little bit. You can always see that more sectors are in green, and that we are growing in a broader manner across the board.

The increased volume goes hand in hand with good cost control, and that has also led to the highest margin Industrial since ten quarters. 11.9% is significantly better than in the first quarter 2020.

We can't extrapolate on that margin because the quarter was so strong, but we are confident, and you saw it from the guidance for Industrial. That we raised above 9% is a clear commitment that we are on track to achieve our Mid-Term Targets.

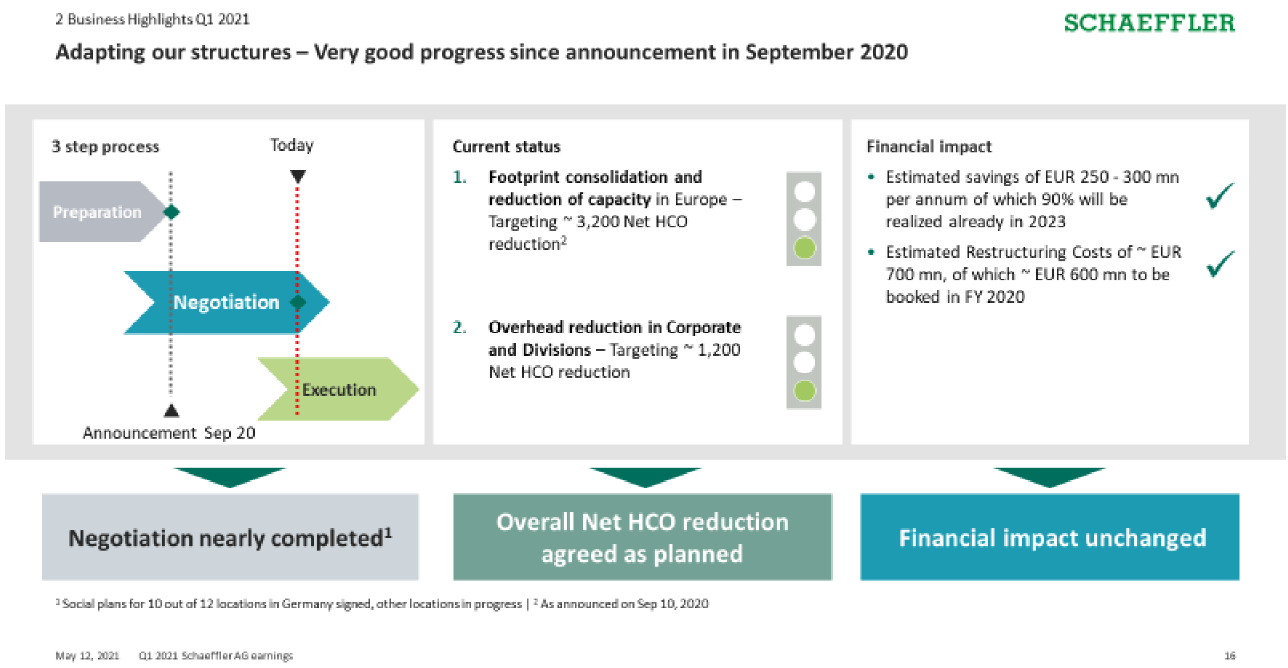
Now, let me also here give two more slides with a little bit of colour. I just spoke about the sectors. The recovery is normally a strong recovery if it's broader, if it spans across products and sectors.

We had three examples. Offroad, where we are introducing at the moment new agricultural bearings solutions to the market. The Industrial Automation is a key area. This small linear motor drive allows us to, again, order traction in the semiconductor industry in Asia/Pacific.

And then Power Transmission, another classical sector for Schaeffler, another area where we focus on our standard ball bearings, is also adding to the positive momentum. Here we are in the market with a new ball bearing design, with a highly competitive performance-to-cost ratio. All of that supports the confidence and the optimism.

In Americas, next page, page 15, just a little bit deep dive. From our point of view, it's on its way for more sustainable growth. We have the large programs initiated by the US government. We see it across the sectors. Aerospace, that was really down, where we see increased order interest for the overall business.

Renewable Energies, large orders coming in for wind bearings. Very interesting. And also, in the Americas, we are not standing still to further optimise our footprint. We have consolidated a smaller facility, and also invested around 70 million over the last years in our main facility in Fort Mill. Made in the US will enhance flexibility and availability.



With this, let me come to page number 16, the famous page on cost discipline. You would normally expect this chart with the bars that tell you where are we with our headcount reduction. You remember, last time we showed you 9,200 people less since end of the year 2018, and I decided here to give you some insight on this restructuring program announced in 2020.

We see over the quarter a slight increase in headcount, 630 people, more or less volume-driven by Automotive Tech and Industrial. So, the bottom may have been reached, but take into account there is a new program that is coming that is not in the numbers yet.

As I said before, the negotiations are largely completed, most of the social plans are signed. Yesterday, we got very positive feedback from the final negotiations for another location, so the program will be started in terms of execution in the next days. Negotiations are done.

For a German situation like this, with a significant number of locations, nine-month negotiations are nothing unusual. And we are proud that we have been able to do this, on the one hand, in a very constructive manner, and on the other hand, without giving in on neither the headcount reduction, or the overall net headcount reduction, the 4,500 that you may remember.

But also, the business case that we announced at the time is confirmed, the financial impact is unchanged, and these savings that you see here on the page will come in over time. That will be helpful also, meeting our targets going forward.

2 Business Highlights Q1 2021

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Capital allocation – Capex ratio with 3.7%[2] in Q1 on an exceptionally low level

Investment[1] allocation | in EUR mn

	FY 19	FY 20	Q1 20	Q1 21
Automotive Technologies	672	378	91	61
Automotive Aftermarket	67	26	6	3
Industrial	193	235	61	46
Schaeffler Group	933	639	158	110
Capex	1,045	632	164	132
Capex ratio[2]	7.2%	5.0%	5.0%	3.7%
Reinvestment Rate	1.0	0.7	0.7	0.5

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

Key aspects

- Reinvestment rate: clearly >1 in Industrial division and BD E-Mobility; clearly <1 in BD Transmission Systems and Engine Systems
- Automotive Technologies: continued prioritization drives investments; buildup production for E-Motors in Hungary
- Industrial: continued adaptation of footprint, with high investments for capacity expansion of large size bearings in Nanjing, China; and buildup of new hall for Railway bearings in Brasov, Romania

New E-Motor plant – Szombathely, Hungary

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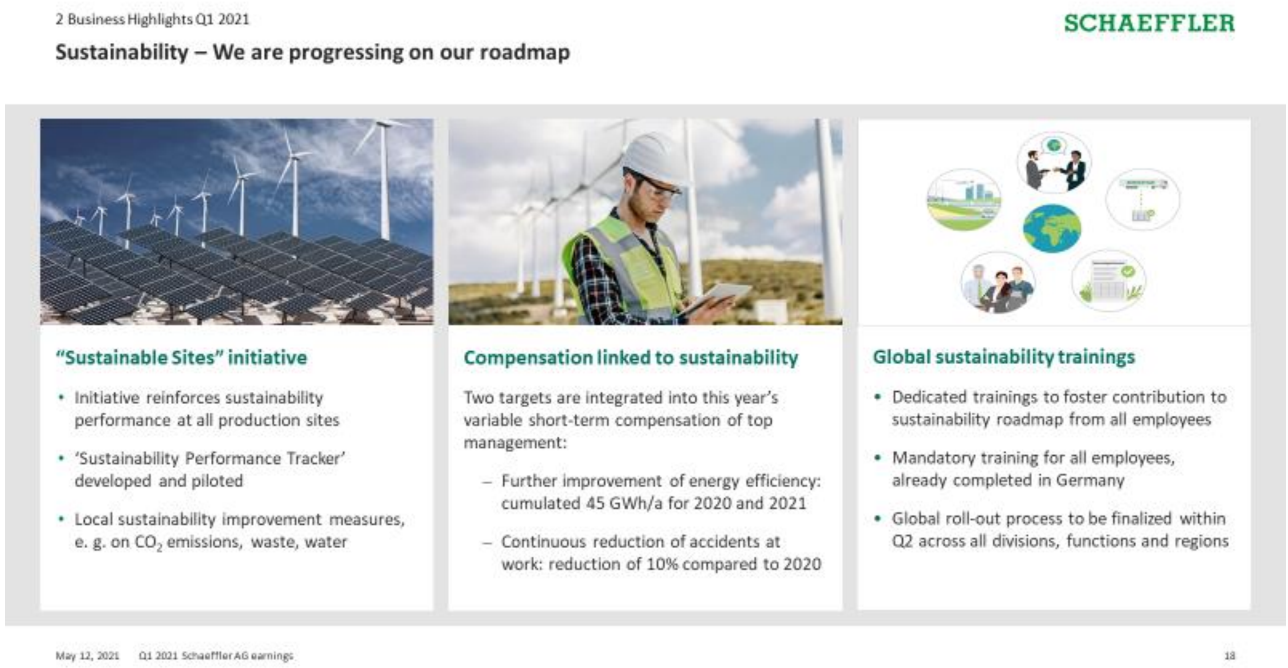
Next page is then on the capital side. Here I can see we are very much focused on capital discipline, as you know. On the other hand, we saw in the first quarter a low Capex number, 132, clearly also driven by the crisis. The Capex ratio is definitely below the lower end that we normally expect. Reinvestment rate at 0.5%. That is not a situation that will continue.

You may recall we said around 800 million Capex for this year. How this will come in remains to be seen, but it’s vital for us that we continue to invest in the new area. A deep dive into the reinvestment rate clearly shows that this idea of mature with little investment, and new with high investment, pays off. And over time, we should get back to the around 6% range Capex ratio.

The new E-Motor plant, just as one of the examples, there’s more to come in terms of footprint going forward, when the crisis comes to an end.



Let me come to my last page before I hand over to Klaus. Just one word on sustainability. I'm not going to spend much time here, but I just want to leave you with the key message.

We are progressing on our roadmap, it's a long race, and it's not going to be won on the first part of the race, but rather at the end, so we remain very focused here, and very committed. And we have our 2030 target out for production CO2 neutral, and we are actively working on our Scope 3 targets.

There are many different initiatives. The Sustainable Site Initiative is on track. Compensation is linked to sustainability, not only for board members, and also more training, more awareness here helps a lot. It's a key challenge, but also for us a key opportunity, given our product offering. And with this, I would close my first part and hand over to you, Klaus, for the financial results.

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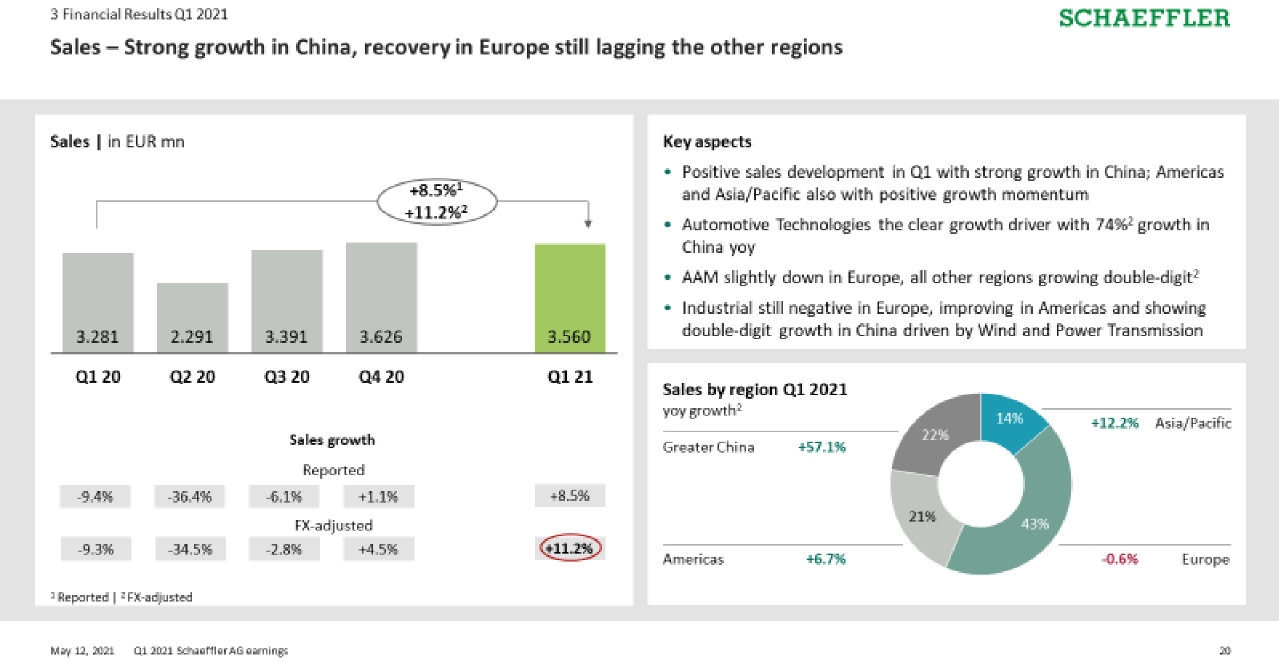

Dr. Klaus Patzak

Thanks, Klaus. On the top line, the revenue was up on a nominal basis, 8.5%, including a negative FX impact of 2.7%. So, without FX, growth was 11.2%. You also can see on the slide that we are sequentially down a bit, as expected, but both fourth quarter and first quarter have been exceptionally good quarters.

If you look at the lower right-hand side, you see the sales by region, with a China share of 22%, which was brought up due to a growth in China of 57%, and also led to an increase of the share, which was a year ago, at around 16%. And that came together with also a significant margin improvement.

Gross Profit – Strong Gross margin driven by Automotive Technologies

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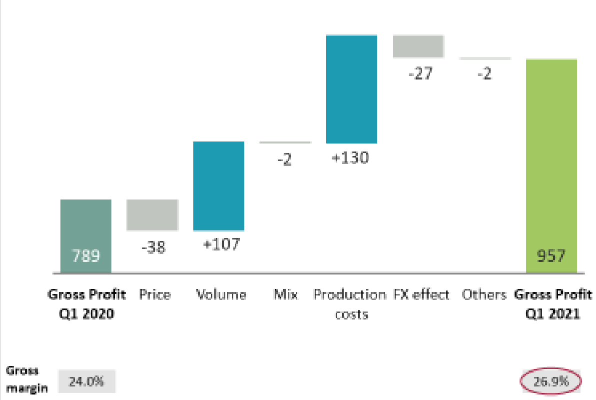
Gross Profit Q1 2020 vs. Q1 2021 | in EUR mn



Key aspects

- Normal negative price effect in Automotive Technologies (but less than PY), Aftermarket and Industrial with slightly negative pricing yoy
- Strong volume increase driven by Automotive Technologies, but also Aftermarket and Industrial with higher volumes
- Production costs clearly lower yoy due to scale effects, effective cost savings in plants and still limited cost inflation impact

Gross margin

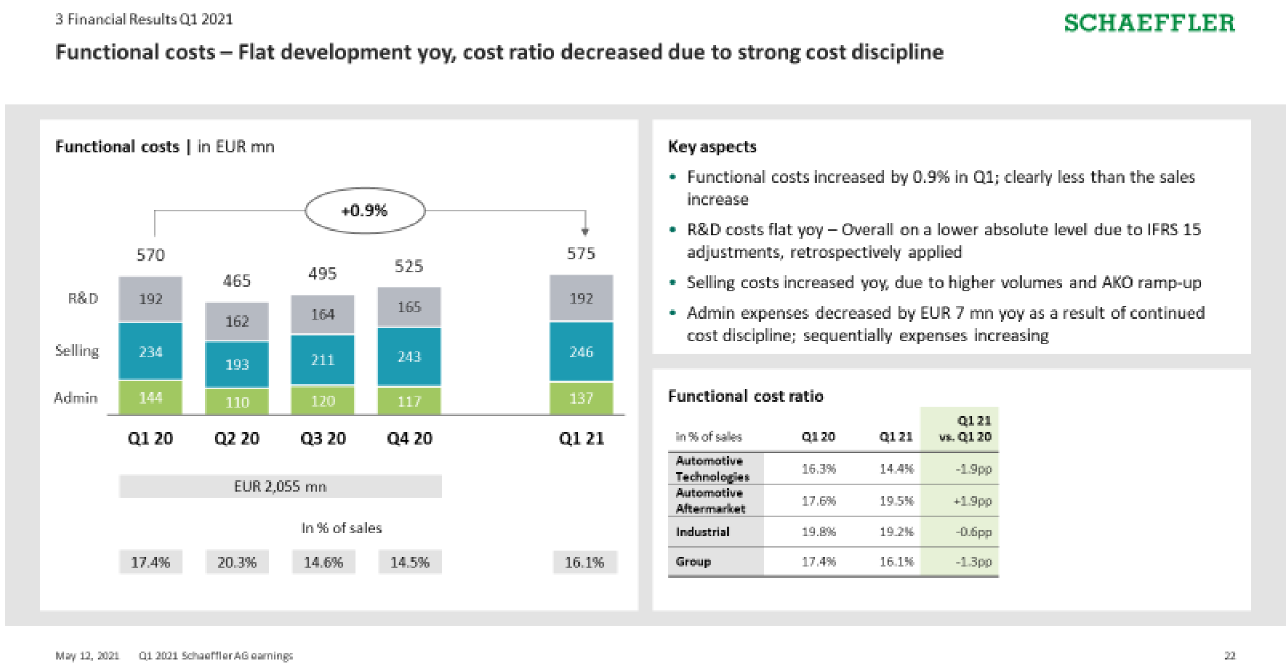
in % of sales	Q1 20	Q1 21	Q1 21 vs. Q1 20
Automotive Technologies	18.5%	24.5%	+6.0pp
Automotive Aftermarket	35.8%	32.3%	-3.5pp
Industrial	31.0%	30.5%	-0.5pp
Group	24.0%	26.9%	+2.9pp

Next page on gross profit. First of all, the gross margin. You can see on the lower left-hand side that the gross margin increased by 290 basis points. The gross profit actually increased by 21%, and that was driven by a couple of factors.

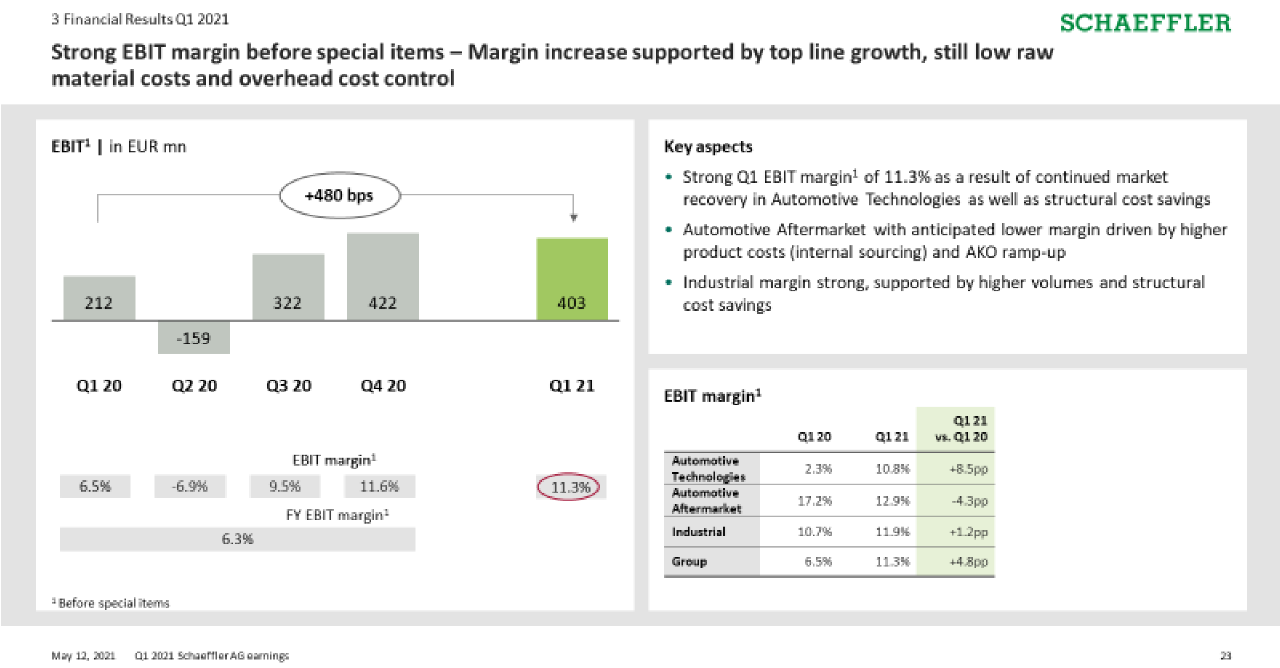
I'll just quickly go through the bridge. Price was normal in Automotive Technologies, actually less than in the prior year. And on the other hand, in Automotive Aftermarket and Industrial levels, a negative change specifically in Industrial. However, there are price increases announced, which will then come into effect later in the year.

Volume was the big driver. The volume column also includes a material part of the regional mix impact. Then the product mix was actually only -2%, and that is due to the fact that we had a very strong growth in our traditional Automotive Tech products, which fully compensated the fast growth in E-Mobility.

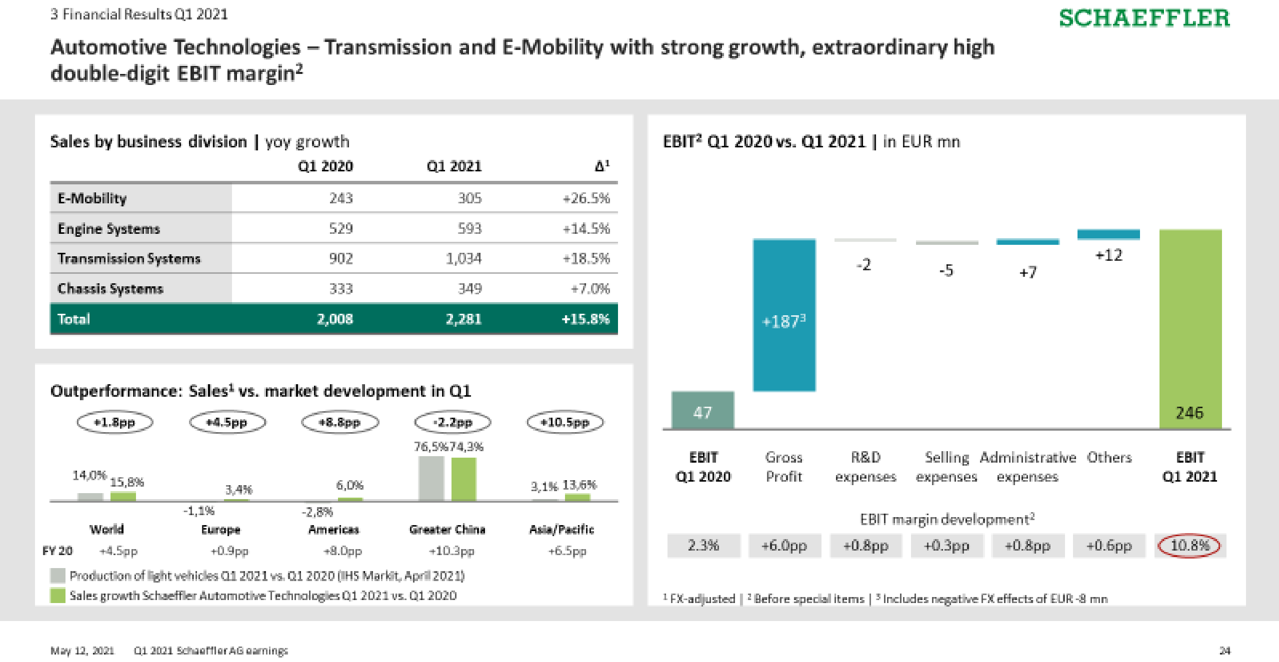
And on the production cost, the 130, that comes mainly from Automotive Technologies and shows the digression impact or the scaling impact from the higher volume. FX impact on gross margin was negative, but this negative impact was in this quarter more than offset by hedging activities booked in other operating income.



Next one on the functional cost. Functional cost increased only slightly in the first quarter, clearly less than the sales increase. R&D costs also have been flat year-over-year, with a slight sequential increase mainly due to increased project activity.
Selling costs increased year-over-year due to higher volumes and the AKO ramp-up, which Klaus already mentioned, and I will come back to that then also when we talk Aftermarket. Also, higher logistic costs, outbound logistic costs, led to that increase which we see here, and also sequentially.
Admin are down year-over-year as a result of continued cost discipline. The sequential expense increase is coming from a lower impact of short-term work compared to the fourth quarter, and higher spend, for example, in IT and digitalization.



Then on the EBIT, the margin came up 480 basis points, which is quite a strong increase, and on the other hand, on lower Automotive Tech, volume and higher functional costs, we see a slight sequential decrease compared to the very strong fourth quarter.

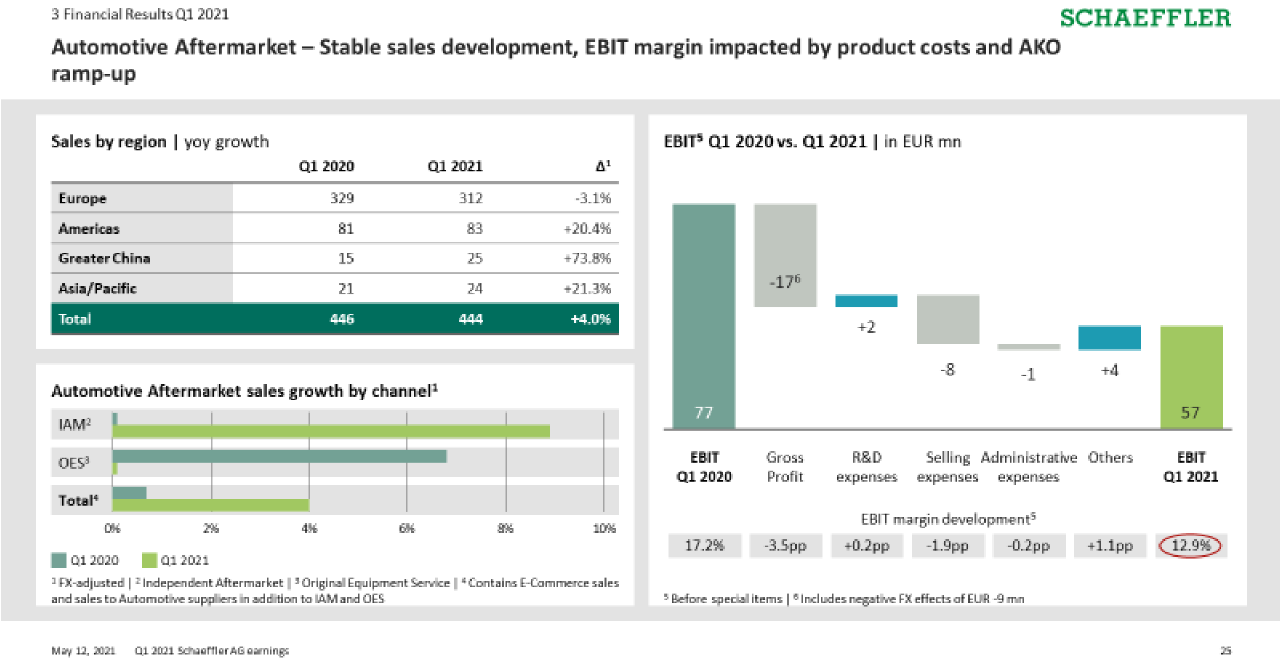


Next one on the Automotive Technologies business, the growth was strong with FX adjusted 15.8%, highest percentage wise increase from E-Mobility, which is now presented in a new structure. But even in the old structure, you would have seen an actually a bit higher growth. So, this is both good.

But on the absolute numbers, you see also that the traditional business, specifically the transmission business, was very strong, and in an absolute term, the biggest mover here. Then on the outperformance, it was mentioned already that the 1.8% outperformance, which we had in the first quarter, was held back by a negative outperformance in China.

Which was only due to a base effect in China, where in last year's quarter, the production dropped faster than our sales. And therefore, a year ago we had a positive outperformance of more than 20% in China, and that was, if you want, a tough comp.

So, if you look at the bridge, gross profit was the main lever for the improved EBIT, and that is driven from strong regional mix, and a higher contribution from China, combined with cost discipline and excellent drop through.



On the next page, you see the Automotive Aftermarket, where we had 4% FX-adjusted growth, double-digit growth in all regions. Europe with a decline, but we had a heterogeneous picture in Europe, with also several countries also growing.

If you look at the channel, you see that the growth was specifically strong in the Independent Aftermarket channel, and this growth was still limited by product availability. On the profit bridge, you see a negative impact in gross profit of 17 million, of 350 basis points, that was driven by higher internal supply cost, negative pricing, as I mentioned earlier, and also a provision for a customer bonus program in relation to REPXPERT.

The selling expenses which you see here year-over-year, with an increase of eight million, was materially coming from the AKO topic, so that was close to seven million from the eight million.

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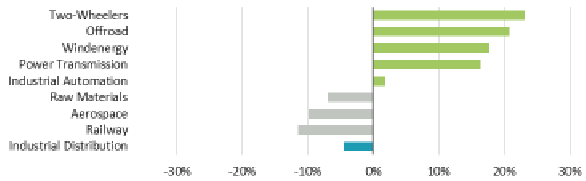
Industrial – Strong growth in several sector cluster, strong EBIT margin[2]

Sales by region | yoy growth

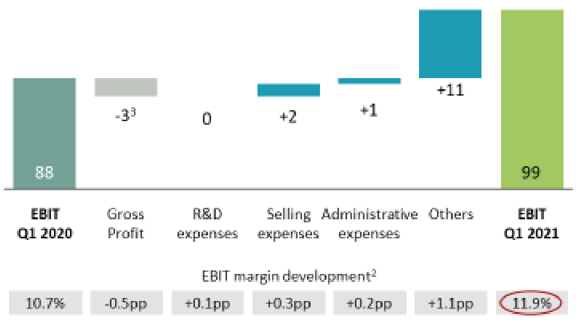
	Q1 2020	Q1 2021	Δ[1]
Europe	370	342	-7.3%
Americas	149	140	+2.4%
Greater China	189	234	+27.1%
Asia/Pacific	118	119	+6.8%
Total	**827**	**836**	**+3.9%**

Industrial sales growth by sector cluster Q1 2021[1]



[1] FX-adjusted

EBIT[2] Q1 2020 vs. Q1 2021 | in EUR mn



[2] Before special items | [3] Includes negative FX effects of EUR -10 mn

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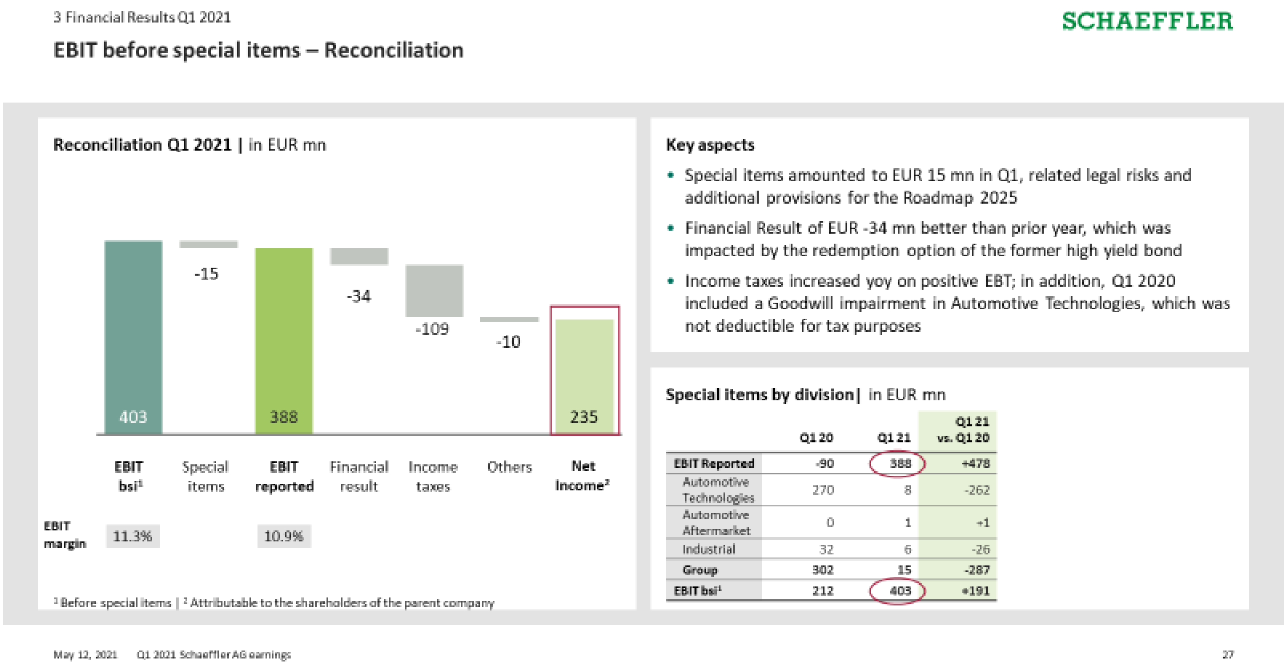
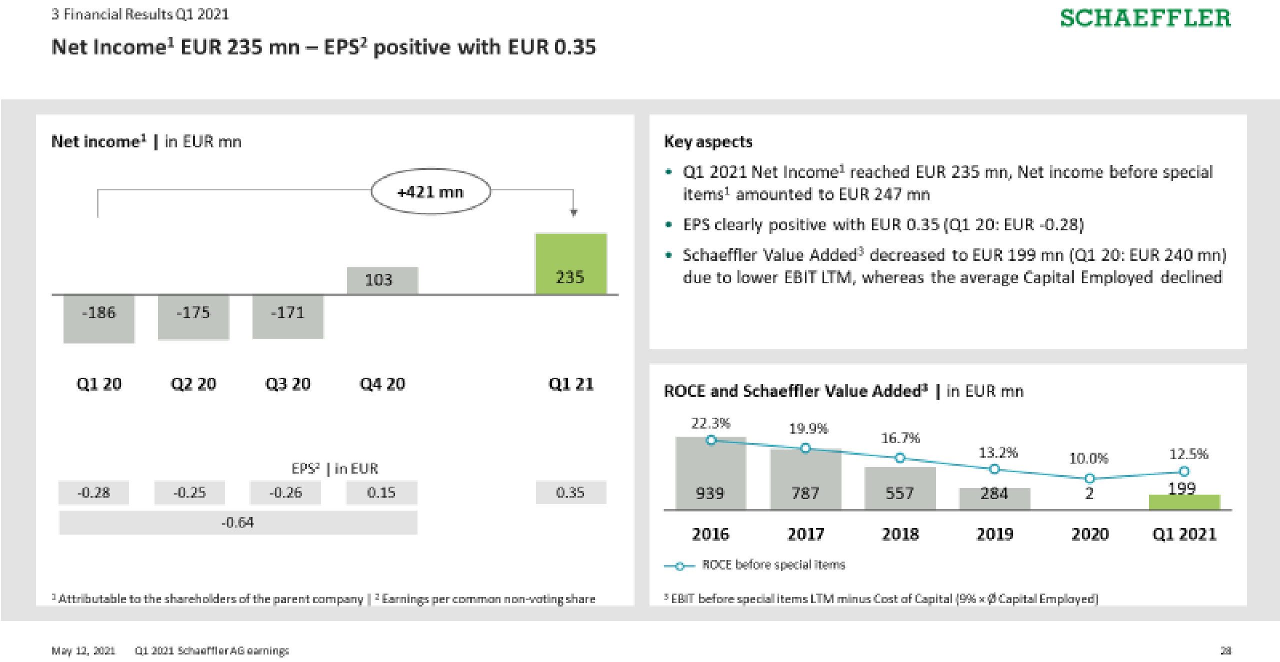
Next one on Industrial, you see that Industrial showed growth FX-adjusted of 3.9%, and on the lower left-hand side, you see that now with Industrial Automation joining the club, our five sectors showed growth. Regionally, Greater China was growing strongest with 27%, and that growth was driven from Wind and Power Transmission. And with regard to the profit bridge, gross profit impact was slightly negative, despite of a positive volume impact that was due to FX in gross profit and also pricing.

But functional costs have then been positive, and in the other column you see then a significant impact from the FX hedging impacts. And therefore, overall, FX was not the driver for that profit improvement, it was more the increase in volume and lower functional cost.



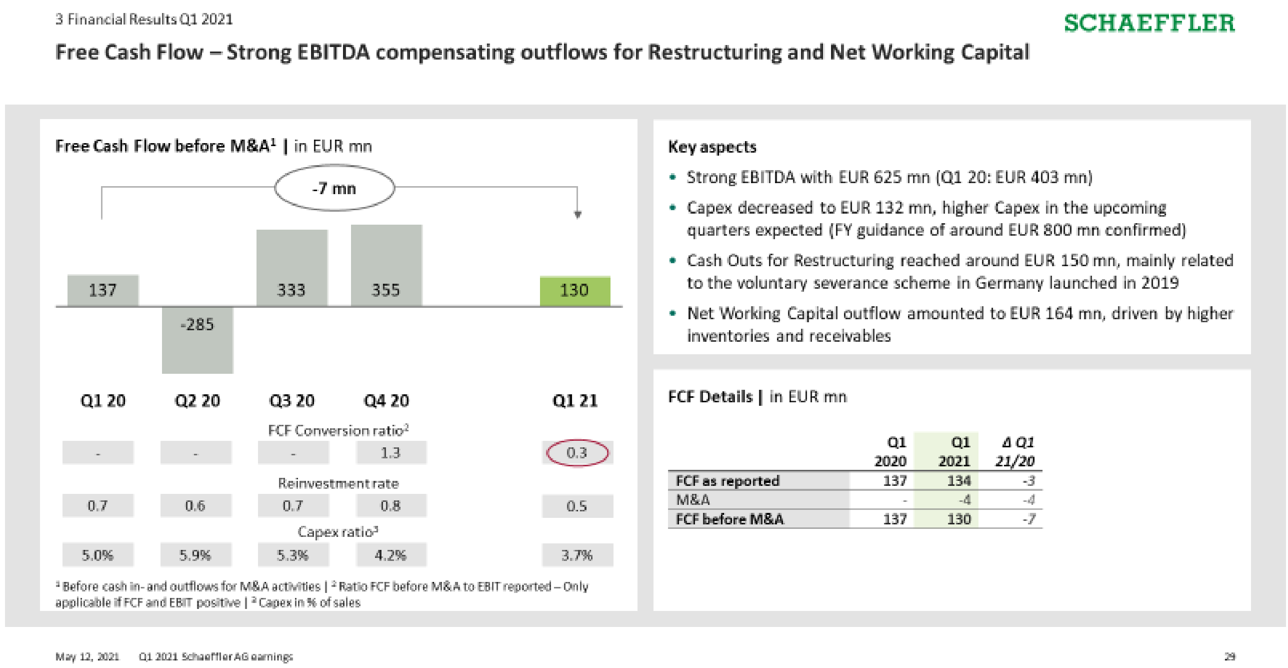
Next on EBIT, here you see, first of all, that in the first quarter we had only 50 million [IR note: 15 million] in so-called special items. They have been related to a leading topic, and only to a minor part. The restructuring expenses, however, for the full year will be in a range of 50 to 70 million.

Financial result was -34 million, which was better than the prior year. The improvement and the impact in the last year came from the redemption option of the former high-yield bond. And income taxes were increased year-over-year on positive earnings before tax. For the full year, we expect a tax rate of 28% to 32%.



Now, on page 28, Net income was positive, 235 million. Also, EPS was positive. Schaeffler Value-Added decreased on a last-12-months basis, and Klaus hinted already that, again, on a last-12-months basis adjusted, the ROCE was 12.5%.

If you look just on the quarter, we had a very strong ROCE also on a reported basis, and our Mid-Term Target of 12% to 15% reported pre-tax space intact.

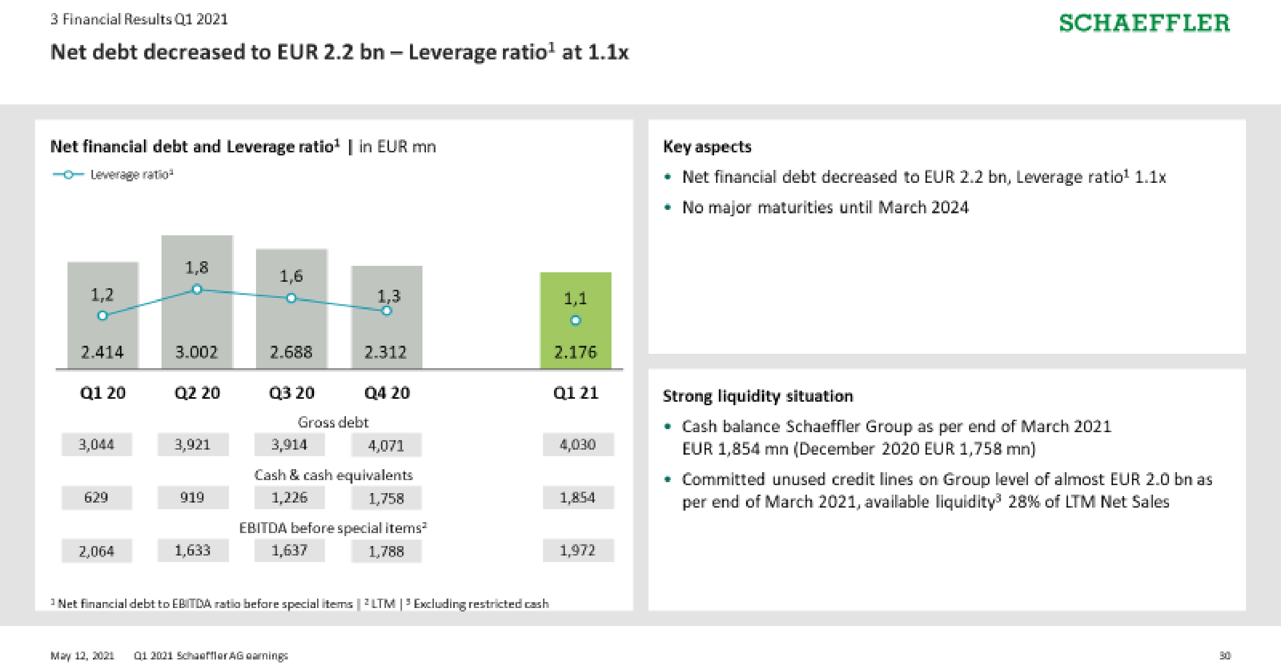


Now, on the Free cash flow before M&A was 130 million. That 130 million includes cash-out for restructuring of around 150 million, which was around about 100 million higher than a year ago.

The 150 million mainly was due to the voluntary severance scheme in Germany, which was launched in 2019. And for the fiscal year 21, we expect cash-out of below 350 million from that scheme launched in 2019. This will be around 130 million, and the remainder is coming materially from the program which we announced in September 2020.

Net Working Capital outflow amounted to 164 million. That was driven by higher inventories and receivables. Capex decreased to 130 million, but we have confirmed our guidance of roughly 800 million, which means that starting in the second quarter and then more pronounced in the second half year, we will see higher numbers.

And finally, on the FCF, Free cash flow conversion, the ratio was 0.3, but that was obviously impacted by the restructuring expenses. So, if you strip that out, you have a number which is clearly above 0.5.



And finally, on the net debt, the Net debt is now 2.2 billion. It came down quite a bit. Leverage ratio is at 1.1, and the cash and cash equivalents are 1.8 billion, with restricted cash of 222 million, significantly lower than a year ago. And with that, back to you, Klaus.

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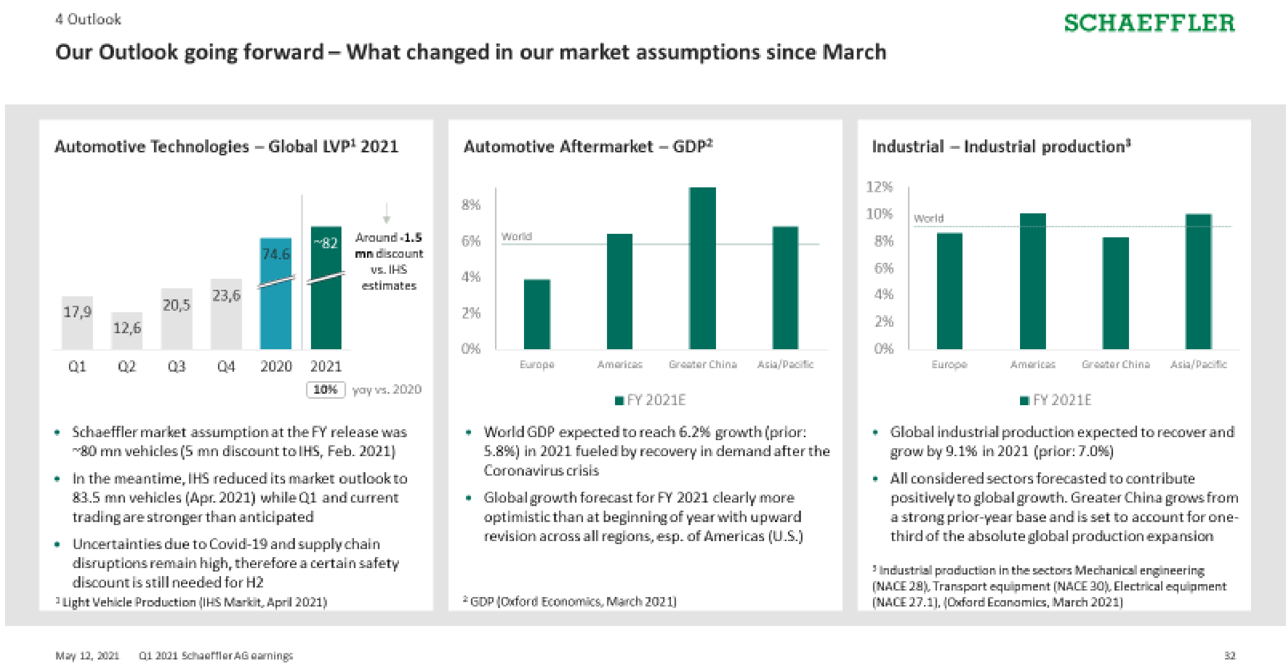
Agenda



Thank you, Klaus. I will finish the presentation with the outlook and some words on the market assumptions. Please go to 32. Here you have our triptych with the three different divisions, clearly Automotive Technologies being the most important number.

And here we have adjusted our market assumption for going forward, slightly upwards. Just to recall, for the full-year release, we said we are building our outlook on 80 million cars being produced, and that was at the time a five million discount to the IHS forecast, as of February 2021.
So, 80 million was the starting point. When you look today at the latest IHS estimates, you see a certain development. They were higher and then adjusted also in the April release, and we have said we will remain cautious here.
And we’re not going to simply assume the number that IHS gives us, that was 83.5, but we still work with the 1.5 million cars in light vehicle produced discount versus the estimate, to be on the safe side. If you translate this in year-over-year growth compared to 2020, then this is 10% growth. It was 7% before.
So, you see from this assumption that the forecast, particularly in Automotive Technologies, is built on a still cautious outlook that we will continue to review and very carefully observe.
And with that approach, we are factoring in the uncertainties due to the COVID situation, that is clearly easing at least here in Germany and in Europe, but also with the potential supply chain disruptions that are still possible. I do think that they will

hopefully be temporary, but it’s better to be on the safe side in these days than to be overly optimistic.

In Automotive Aftermarket, again, there is not this IHS forecast that we could use, we’re using World GDP, and here we just remained at the same level as end of the year.

And in Industrial production, as I said before, there is a positive development. The global Industrial production is expected to recover and grow by 9%, previously 7%, so that’s also factored into our new guidance.

4 Outlook

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FY 2021 Guidance – Confident outlook, cautious approach

Group Guidance

	Previous Guidance FY 2021	New Guidance FY 2021
Sales growth[1]	> 7%	**> 10%**
EBIT margin[2]	6 - 8%	**7 - 9%**
Free Cash Flow[3]	Around EUR 100 mn	**> EUR 300 mn**

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

Divisional Guidance

Automotive Technologies		Automotive Aftermarket		Industrial	
Previous	**New**	Previous	**New**	Previous	**New**
Outperf. 200 - 500 bps	**Outperf. 200 - 500 bps**	5 - 7%	**6 - 8%**	4 - 6%	**7 - 9%**
> 4.5%	**> 6%**	> 11.5%	**> 11.5%**	> 8.5%	**> 9.5%**

New market assumptions for Fiscal Year 2021

- Automotive Technologies: Increase of LVP of around **10%** 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 **9%**

May 12, 2021 Q1 2021 Schaeffler AG earnings 33

And on the next page, you have that comparison. You saw this also in the release, above 7% becomes above 10%. We lifted the margin range by 1% up, from 6% to 8%, to 7% to 9%, and the Free cash flow from around 100 to more than 300, as already indicated before.

And on the divisional guidance, we made the following adjustments. The general logic for sales growth and Automotive Technologies stays, outperformance 200 to 500 basis points, but with an improved market assumption for the LVP volumes, 10% margin, from more than 4.5% to more than 6%.

Automotive Aftermarket, 5% to 7% becomes 6% to 8%. The margin stays above 11.5%. And for Industrial, both an adjustment on the growth side, from 4% to 6%, to 7% to 9%. That’s certainly a meaningful step. And then on the margin side, we improved from above 8.5% to above 9.5%.

Again, we think that’s a cautious outlook, it’s a cautious approach, but it shows confidence that we will come out of the year 2021 in much better shape than in 2020.

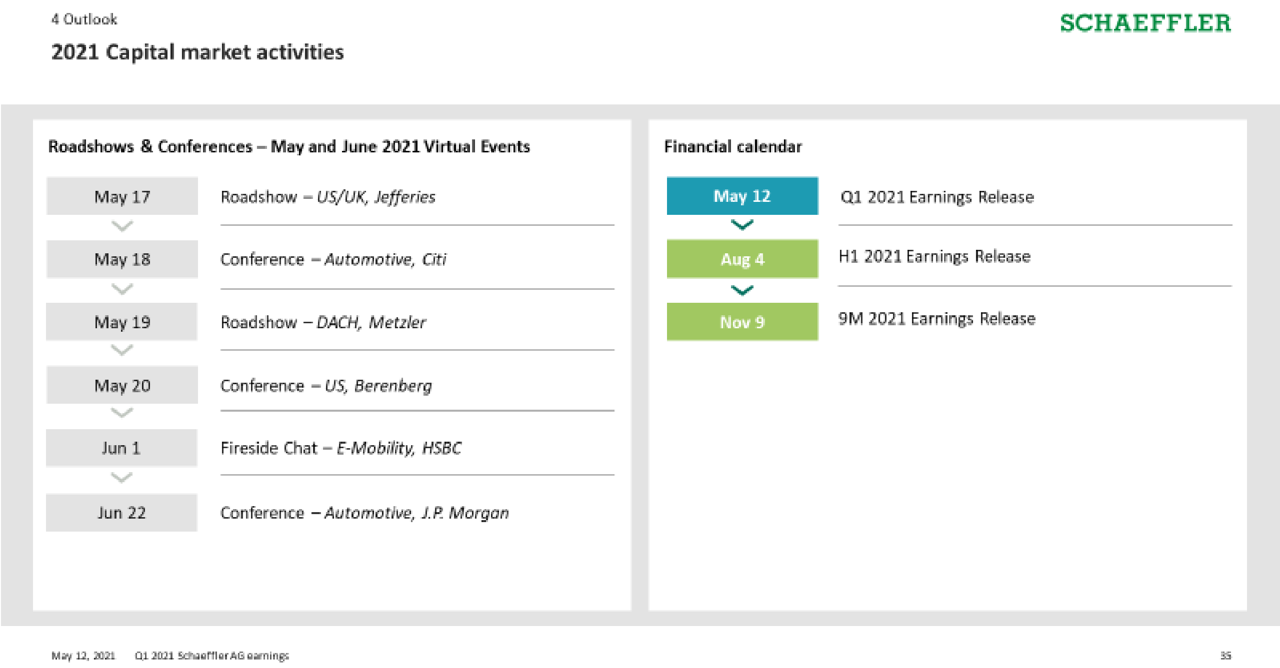
Let me finalise very quickly on 34. The top line development was described. It will, from my point of view, further recover. Despite the happenings, the earnings quality was exceptionally strong, and we'll see that this will soften over the year, but again, the guidance range is a solid range.

And Free cash flow generation, always the most important figure for us, is robust, despite the cash outflows. And I think you see here that we are very much focused on this figure, because it drives value creation and also our own compensation.

The restructuring program is additional support, it's progressing according to plan. I can say I'm very happy about what the teams here have achieved. It's a joint exercise by the whole executive board, clearly driven also by Mrs Schittenhelm and Mr Ziegler. And they have done an exceptional job to get this lined up and also now negotiated, a very strong achievement from my point of view.

And I can also say, as soon as that is executed, we will revisit our footprints, our capacity allocation, our structures, and see what else needs to be done. It's a continuous exercise in these days, and as part of our transformation. I already commented on the guidance. Nothing more to say.

I want to finish, again, by reiterating our relentless focus on execution. This is what is necessary. The team is fully committed to master the challenge that's ahead of us, and we are committed to deliver a continuously solid operating performance and strong cashflow.



Last page. We have decided to be a little bit more active in terms of roadshows and conferences. After this first quarter, you see four different days, followed then in June by two more events. We've also agreed that we will involve the colleagues here a little bit. Matthias will be there. Jochen will be there, Jochen Schroeder. Marc McGrath is going to help us.

So, we think it's time for a little bit broader communication, and the colleagues deserve it, they are the ones that are driving the operational successes.

In particular, Matthias has contributed greatly in the E-Mobility strategy and also in generating growth opportunities, but also harvesting our highly valuable mature business. That's it from my side, and with that, I hand back to you, Renata, and to the operator, for your questions. Thank you very much.

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Q&A SESSION

Edoardo Spina, HSBC

Thank you very much. I have just a couple of questions. The first, on the impact of the price increases on your cost for 2021, and then for the next few years. If you could clarify how a company like Schaeffler is impacted by the supply chain shortage, if you buy directly much, or if it's just a secondary type of impact. And also, how you think this tight supply chain situation would develop for the future.

Because the second question is more about the Mid-term guidance, I guess that today maybe is not the best time to develop that too much. But I was wondering if this supply chain situation is a factor in refraining from having higher guidance for the future, or other elements that they would like to share at this time. Thank you very much.

Klaus Rosenfeld

Maybe, Edoardo, I'll just start and then I'll hand over to Klaus for the more factual things. If I'm understanding correctly, you ask about Mid-Term Targets. Let me say, this is not the time to talk about Mid-Term Targets. We have announced them end of last year, as that was part of our Capital Markets Day.

We are not through the first quarter, and again, we have not taken any steps here to discuss this. The Mid-Term Targets are Mid-term, and at the moment it's all about getting the year 2021 right. The guidance shows that. And with this, I hand over to Klaus for the first question on the supply chain situation and the impact on the P&L.

Dr. Klaus Patzak

First of all, I think on the supply chain side I would differentiate between the semi side and other raw material pieces, specifically on the steel side. On the semi side, this is more an indirect impact, because it's an impact on our customer mainly for us, which we are observing. And obviously, we expect also that this has an impact on our top line in the second quarter, but potentially also then in the second half, which is built already into our guidance.

On the raw material prices, indeed, in the first quarter we had no significant negative impact. I think it was just a high single-digit figure year-over-year. In the last year, we had in general a positive impact.

For the full fiscal year 2021, we expect a negative impact, and probably we have to differentiate also between gross and net impact. Gross impact I would say could be between 50 basis points and 100 basis points in margin. But obviously we are trying to also pass a portion of that to our customers, and therefore the net impact might be a bit smaller. Again, also this headwind is included in our fiscal year `21 guidance.

Edoardo Spina, HSBC

Thank you very much. If I may, I have a very quick third question about the second quarter. Comparing to one German competitor, a very large, they mentioned maybe the second quarter could be as low as 10% less than the first quarter, so a sequential decline of maybe up to 10%.

I was checking if you could share your thoughts on that, and congratulations for upgrading the guidance this year. I think it's been helpful.

Klaus Rosenfeld

Edoardo, it's a good question, and it's always good to look to our sister company, but we have decided not to comment on the quarterly development. We have given you a new guidance for the full year, and let's see what the quarter is. Maybe Klaus can say some words on the current trading, and that's what we can say.

But a number in terms of how much it looks like versus previous year, this quarter, would be not in line with what we agreed here. If you want to say something on the current rating, Klaus, maybe that helps you a little bit.

Dr. Klaus Patzak

First of all, I think we can say that April was a pretty strong month, but in the latest days I think it was getting a little bit weaker, and that is also what we see here for May.

In general, my expectation very broadly would be that I do not expect personally the second quarter will be higher than the first quarter. So, there will be a bit of an impact here, but again, it has been built into our yearly guidance, as Klaus mentioned.

Klaus Rosenfeld

And we have these easy comps, don't forget that. There will be record growth rates, but that doesn't count. What counts is how it progresses, and Klaus has given you the indications.

Sascha Gommel, Jefferies
Good morning. Thanks for taking my questions as well. The first one would actually be on your guidance. And I just want to understand a little bit the moving parts, what happened, because you gave the guidance early March for the full year. Now you've upgraded it on the back of a very strong Q1.

When I look, though, at the remainder of the year, the new guidance implies more or less on the margin side that you end up with what you've guided in March. So, it's basically you just upgrade on the back of Q1, or is there anything else that I'm missing?

Klaus Rosenfeld
It's a fair question, and this is very much a balancing act. If this would be a V-shaped recovery where you just now say it's all over and we go full speed ahead, then the guidance may have looked differently. But here, yes, we had a strong first quarter that helps for this step. Others have not upgraded their guidance, but we also are very conscious of the potential headwinds that are there.

And as this is not symmetric, we said that we'd rather be also cautious here with going into this upgrade, and not overpromise something. And I think Klaus has given the reasons, it's a variety of things that come together. But you can't look at this like a mathematical exercise where someone said, okay, Q1 was better than expected, and we continue for the rest of this year what we had before.

It's a very thorough forecasting process that was behind this, that was finished at the beginning of this week, and this also takes into account the different situations in the three different businesses. Don't forget, compared to others, this is not only Automotive Technologies, there's a slightly different situation there than in Industrial.

And this is the end result of an, I think, very professional discussion that Klaus guided over the last days, that led to this result. Clearly, it was a cautious approach, but with signs of confidence that the year could also turn out in a better way.

Sascha Gommel, Jefferies
Appreciate that. My second question would be on electronics. And I know you cannot comment on competitors, but a lot of competitors are talking about adding electronic content to their mechanical products, and I think you've been talking about that in the past as well.

So, I was just wondering if there's any update you can share with us today, if the thinking has changed, or if you would accelerate any expansion into electronics.

Klaus Rosenfeld

I think we have been careful what are we talking about. If we are talking about Power Electronics as part of the E-Mobility offerings, then that will clearly increase because the need for E-Mobility solutions will increase over time. What that means for us in terms of our own production or sourcing, it's a different question.

If you then again use the mature and new business analogy, this is very much on the new side, also on the Chassis side, while the classical products of Schaeffler, the components, are not so much affected my any semiconductors. And semiconductors are also not electronics, so we need to be a little bit careful that this doesn't become too much a black and white aspect.

We are not going to change our strategy in terms of what we want to do because of this headwind. As Klaus said, we are not so much affected like others, as we don't typically use so many parts. The share of our purchasing volume is more in the low single-percentage numbers when you come to this, so the direct impact is definitely manageable.

The indirect impact is the challenging one, and that's more a question of how the supply chain normalises. As I indicated, I think there is at the moment a bullwhip effect that will balance out over time, but at the moment, definitely this is a big challenge. And everyone is talking about it, whether it's in our direct conversations with customers, or whether it's in the German Car Association. But it will normalise, that's also for sure.

Horst Schneider, BofA Merrill Lynch

Thank you for taking also my questions. Good morning. The first question that I have, that's related again to special items and restructuring. You had very little additional charges in Q1. Is it fair to assume that this is going to remain the case also in the next three quarters?

That all the restructuring charges by now have been booked, and now you are really just more switching into execution roles? Or is there more coming up on the back of the negotiations that you are doing at the moment?

Then, on slide 16 I think, you talk about the restructuring savings, the 250 to 300 million, of which 90% will be realised already in 2023. I'm not sure if you have ever commented it, how much of the savings will materialise already in 2022? I think there'll be savings already this year, so it would be great if you could quantify them.

Then the other question that I had, that was referring to M&A. I understand that you cannot comment on these market rumours on Bloomberg, but nevertheless we see now that your leverage ratio has declined below 1.2 times. And I think your target is in the Mid-term plan, something like 1.2 to 1.5 times leverage ratio, so therefore the flexibility on M&A is clearly increasing for you as a group.

I don't know, I want to understand, how should we think about this leverage ratio? You really want to stay tied into that, or temporarily you can also go above that level, given that the dividend situation is improving? Or, put it in other words, what is the maximum level of net debt that you want to have on your balance sheet? Thank you.

Klaus Rosenfeld
Horst, I understand your questions. Let me comment and start with the last one, and then Klaus can add to this. I can again confirm that our M&A strategy is a strategy that is clearly focused on bolt-on acquisitions, smaller acquisitions that add both strategically but also technologically.
And when we outlined the Mid-Term Targets, we said 1.2 to 1.7, including such a strategy without knowing what the actual target would look like. And let me also say this with a little smile, there are situations in life where we all have learned never say never. I can't say more on this, but generally we can say that the situation on the right hand of the balance sheet had dramatically improved over the years.
We have a very solid liquidity position, we have a good net debt leverage ratio that is now at the moment slightly below the target, and that gives us ample room to do the right things. But please understand, we're not going to discuss in this call our firepower going forward.
In terms of the restructuring numbers, what you have on this sheet on page 16 is just a copy of what we shared with you on 10th September.
So, that was the estimated savings, and we promised there 250 to 300 for the year, for the full run rate. In fact, 90% of that should be in 2023. Again, negotiations are not completely finished, and therefore for this Q1, we can't at the moment say more than we are well on track to finalise and also confirm the business case behind it.
But how it will then unfold in the year 2023 remains to be seen. Maybe something, Renata, for a subsequent call, if we have all the details together.

Restructuring charge, Klaus, do you want to add there? Maybe you want to add some colour for the third question?

Dr. Klaus Patzak
Yes, I can. I'm happy to. Again, first quarter restructuring expenses have been low, a single-digit amount. I mentioned already that restructuring expenses for the year 2021 will be between 50 and 70 million, and that comes to what we have already accrued in fiscal year `20, which was 580 million.
And I would say for 2022, 2023, there would be another 50 million. And that gives you then the around 700 million, what we mentioned already in September. So, that is fully as planned. And again, on the savings we said for 2023 is 90% of 250 to 300, so for 2022 it will be a significantly lower amount. I would rather guesstimate, I guess right now, a number of around about 100.

Klaus Rosenfeld
And maybe just to add one more sentence on the net debt situation. If you look at this page that Klaus explained, 30, you see that the last 12 months EBITDA before special items is around two billion, but that includes still a weak second quarter 2020. If you just look forward for one quarter, if that falls off, I think you cannot assume that our second quarter `21 will be equally bad. So, the underlying LTM number will go up, and that gives, again, further cushion in terms of the net debt leverage ratio going forward.
On the other hand, we pay dividends in the second quarter. That typically doesn't help the liquidity position, but I think we are in a fortunate position here, when you think about our net debt situation.

Horst Schneider, BofA Merrill Lynch
Just a small follow up on this Q2 issue. When you said on Edoardo's question that Q2 is going to be below Q1 in terms of sales, you meant the total group, not just Auto Tech, right?

Klaus Rosenfeld
I think that's what was indicated. We said Q1 was an exceptionally strong quarter, and we now need to see how that unfolds, but I think what Klaus said was for the full group.

Horst Schneider, BofA Merrill Lynch
All right.

Akshat Kacker, JP Morgan

Thank you. Akshat from JP Morgan. Three from my side, please. The first one, on the Industrial business. Can you just take a step back and please talk about your growth aspirations in Industrial in the Americas in general? And how does your market positioning look right now versus competitors there, and how does the business overall expand versus your positioning in other markets, like Europe and Asia?

The second one is on Auto margins. I understand the cautiousness in terms of a full-year outlook. Maybe to just get some confidence and visibility into the second quarter, can you help us in thinking if you can maintain a more than 6% margin target in a challenging Q2 otherwise?

And the third one, on Order intake for E-Mobility. Can you just remind where do we stand in the first quarter, and how do you expect this to evolve for the remaining 2021? Thank you.

Klaus Rosenfeld

Okay, let me start with the last one. We have decided to publish Order intake with the necessary details on a half-year basis, so I can only tentatively say the Order intake in the Automotive Tech division was strong in the first quarter.

In particular in E-Mobility, I just mentioned one of the projects, that was this truck project. That was a larger three-digit million Order intake, but please understand I can't give you more than that at the moment.

We feel good about the development there, and again, the number of requests, the number of acquisition projects is rising, what is a sign that our contribution is clearly recognised.

In terms of the Auto margin, again, we have said we don't give any quarterly guidance now, and I would refrain from any more here than we are very much focused on, on the one hand, manage the potential growth, maintaining the good momentum in terms of profitability on the mature side.

But I can't give you any more information on what the second quarter will look like. Klaus gave the flavour in terms of current trading, therefore the 6% remains an annual floor. Here we're clearly fully committed to make that, and don't forget, this restructuring program will help both bigger division, Auto Tech and Industrial going forward, probably 50/50. That was the indication from September.

In terms of Industrial, I didn't really understand whether that was a question regarding the overall business, or whether you related it to a sector or to a region. It was a sectorial question?

Dr. Klaus Patzak
I think it was US.

Klaus Rosenfeld
US?

Akshat Kacker, JP Morgan
Yes.

Klaus Rosenfeld
Okay. Sorry, then I didn't get that. My apologies. On the US side, I do believe that the US is at the beginning of a stronger recovery in Industrial, on the one hand driven by the governmental support. We don't have a made-in-the-USA logic at the moment, but it's obvious to me that the US will recover in that area, stronger than we think. And that's why we're saying, as I indicated also on the page, there is definitely potential for us to grow on the Industrial side. So far, we have been rather in certain areas a niche player, but distribution, for example, in the US is strong. Wind offers opportunities, our classical business in bearings is clearly competitive, so we think that will be a support going forward in the year 2021, but also in the following years.

Akshat Kacker, JP Morgan
Thank you.

Klaus Rosenfeld
You're welcome.

Christoph Laskawi, Deutsche Bank
Hi. Good morning. Thank you for taking my questions. A lot of them have been answered already, so thank you for that, but just a follow up on the current trading. I know you don't want to comment too much in detail, but could you comment on the product mix that you are seeing into Q2?

Is it essentially unchanged from Q1, or are specific product groups accelerating more than others? And then, also on the regional mix and the potential margin impact into the quarter, would you say that could be weakening, or also essentially unchanged?

And then, just as a reminder, in terms of the cost ramp-up, when hopefully soon operations will normalise from the volatility of the semi shortage, do you expect a lot of costs to pick up again when you revamp the activities, or are you essentially now coming close to a normalised cost coordinate after the restructuring?

Klaus Rosenfeld

Maybe I'll start with the cost side. Don't forget, if you look at the year 2020, there was a meaningful impact from Kurzarbeit in Germany. That's more than a hundred million, with a phasing where the biggest impact was in Q2. That will more or less go away in 2021. That's one of the elements. We said there are several elements.

On the other hand, we have continued savings. We still think that we will not fly as much as we've ever flown before. Klaus said we will invest in the digitalisation, that's not only Capex, that is also Opex.

We won't stay very focused on build-up of unnecessary jobs. On the other hand, there will be volume increases because some of the factories are working at capacity level, so it's not an easy answer here. There are several drivers that need to be managed carefully.

But what I can say again and confirm, this is all part of the guidance and included in this, I think, very professional forecasting exercise that Klaus organised.

And on the product mix, Klaus, would you help me there?

Dr. Klaus Patzak

I think, first of all, as I think I also highlighted already, we expect in the Industrial business a good momentum, continued good momentum. We also would expect that Automotive Aftermarket from the top line has good momentum, so that's clearly positive. I would not see here any negative impact. Obviously, Aftermarket is still held back by the inventory situation, so we'll also utilise.

If in Automotive Technologies there would be a temporary weakness, we can utilise that in order to build inventories which we then immediately can use in the Aftermarket, or later then also in Automotive Technologies, when the semi topic will clear.

On the current trading, what I mentioned already, that April was strong specifically in Europe, basically on the level of January and February, but it was not on the level of March, so that's what I can say here. We also see in the April month that there was quite a visible impact in the United States on the regional mix side, and we expect that to continue also into May, and also potentially into June.

Greater China, the impact was rather limited. I would say there was a first negative influence from the semi topic in April, and Asia, specifically India remains to be seen. Obviously, we are very cautious on that situation there.

Christoph Laskawi, Deutsche Bank

Thank you. Just one follow up, if I may. Leaving aside semis because you don't source them too much, are there any either raw materials or parts where you would fear a shortage or a very tight supply in the coming months, leaving aside the price increases that we've seen anyways? Some companies will be a bit worried about steel, for example.

Klaus Rosenfeld

Again, you all know that steel is our main material that we use, or, to be more precise, it's not only our raw material, it's also everything that is steel related. Take turned rings. I would answer the question, in our business over the cycle, we always have situations where there is a tension in the supply chain.

At the moment, it's, I would say, rather at the high end, but we're used to managing this. There's always the question of, do we get the volume? What is important for us? We don't want to create a situation where a customer can't be delivered, and on the other hand, there's a price element. We are well experienced how to manage this, particularly on the steel side. It's not easy these days, but I'm an optimist. I think we will get out of this soon.

There's nothing that I can say that is going to be the next one after the chips have rebalanced, but clearly the world has changed, the supply chain's challenges are high. It's all the question of how you deal with that.

And maybe to finish off the whole conference, I think this quarter shows that we are in good shape. The hard training of the last quarters has clearly helped us, and we are confident that we will cope with the challenges ahead of us and bring this company forward.

Christoph Laskawi, Deutsche Bank

Great, thank you.

Klaus Rosenfeld

Ladies and gentlemen, I just made my closing comments. Thank you very much for listening. You'll see the table with the events that are ahead of us. We thank you for listening and following the Schaeffler Group.

Again, I don't want to repeat myself. We are optimistic, but also cautious at the same time, and we are clearly committed to further create value and execute as we promised. With that, thank you very much, and we will see you soon, at the latest on our Q2 earnings call. Thank you.

Backup

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Information top-up

Key figures Q1 2021

SCHAEFFLER

in EUR mn	Q1 2020	Q1 2021	Q1 2021 vs. Q1 2020
Sales	3,281	3,560	+8.5% / +11.2%[1]
Gross Profit	789	957	+168 mn
Gross margin	*24.0%*	*26.9%*	*+2.9pp*
EBIT[2]	212	403	+191 mn
EBIT margin[2]	*6.5%*	*11.3%*	*+4.8pp*
Net income[3]	-186	235	+421 mn
EPS[4] (in EUR)	-0.28	0.35	+0.63
Schaeffler Value Added[5]	240	199	-41 mn
ROCE[6]	12.8%	12.5%	-0.3pp
Free Cash Flow[7]	137	130	-7 mn
Capex	164	132	-32 mn
Net financial debt	2,414	2,176	-238 mn
Leverage ratio[8]	1.2x	1.1x	-0.1x
Headcount	86,548	83,937	-3.0%

[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 (9% × 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

Ancillary comments to support the Equity Story

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Additional KPIs	FY 2021	Comments
E-Mobility perimeter	**Incl. TMM, Fuel Cells and Chassis Mechatronics**	Starting from 2021, the business division E-Mobility includes Thermal management modules, fuel cell components as well as mechatronic chassis systems
Order Intake E-Mobility	**EUR 1.5 - 2.0 bn**	Starting from 2022 the new target of EUR 2 - 3 bn applies
Capex	**Around EUR 800 mn**	Focus areas include Digitalization, Sustainability, Innovation & Technology and investments in New Business
Restructuring cash-out	**Up to EUR 350 mn**	Significant portion of extraordinary restructuring expenses in 2021 expected leading to prudent FCF guidance
Dividend payment on April 28	**25 cents**	Dividend payout ratio[2] 50% within our range of 30 - 50%
Leverage ratio[1]	**1.2x - 1.7x**	Leverage ratio 2021 around lower end of our mid-term range
Average Tax rate	**28 - 32%**	Overall effective tax rate in line with pre-Covid years
FX rate EUR/USD	**1.25**	Next to EUR/USD, also the Chinese Renminbi and Mexican Peso are of specific importance

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

Backup

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

Free Cash Flow details Q1 2021 – FCF supported by strong operational performance

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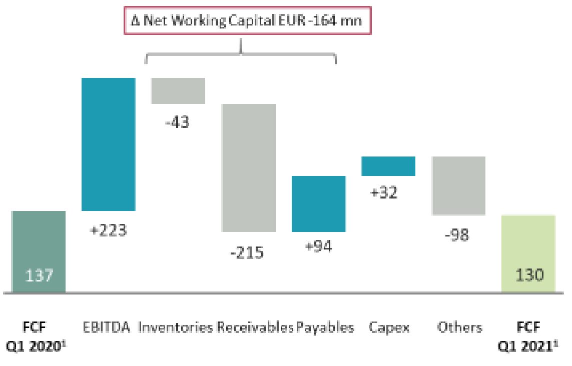
FCF[1] Q1 2020 vs. Q1 2021 | in EUR mn



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

Key aspects

- Positive EBITDA development yoy due to strong performance of Automotive Technologies division
- Net Working Capital negative with EUR -164 mn due to cash outflows from inventories and receivables
- "Others" mainly related to cash-outs for the voluntary severance scheme in Germany, launched in 2019

Net Working Capital details| in EUR mn

Change in	Q1 2020	Q1 2021	*Δ Q1 21/20*
Inventories	-150	-193	-43
Receivables	76	-138	-214
thereof R. Sale Program	*0*	*0*	*0*
Payables	62	156	+94
Δ Net Working Capital	**-12**	**-176**	-164
Working Capital ratio[1]	*17.2*	*19.8*	-

[1] in % of sales (LTM)

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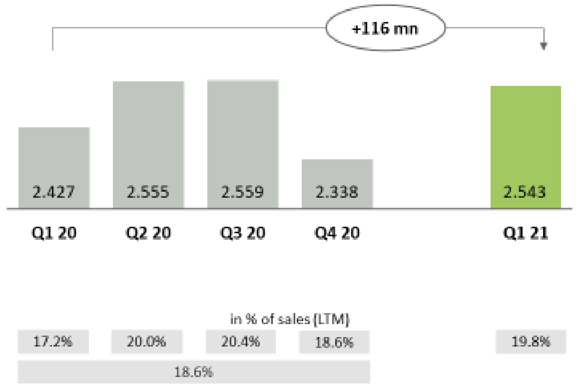
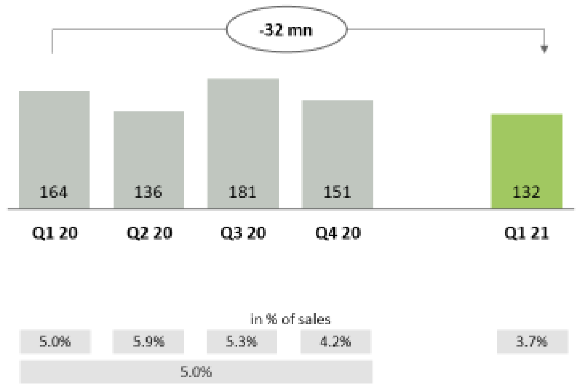
Working Capital ratio 19.8% – Capex ratio 3.7% in Q1

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 (AT) outperformance by quarters

YTD 21
Outperformance: +1.8pp

Q1 21

	IHS[1]	AT[2]	Outperformance
World	+14.0%	+15.8%	+1.8pp
Europe	-1.1%	+3.4%	+4.5pp
Americas	-2.8%	+6.0%	+8.8pp
Greater China	+76.5%	+74.3%	-2.2pp
Asia/Pacific	+3.1%	+13.6%	+10.5pp

FY 20
Outperformance: +4.5pp

	Q1 20			Q2 20			Q3 20			Q4 20		
	IHS[1]	AT[2]	Outperformance	IHS[1]	AT[2]	Outperformance	IHS[1]	AT[2]	Outperformance	IHS[1]	AT[2]	Outperformance
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, April 2021 | [2] FX-adjusted sales growth of Automotive Technologies division

Backup

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Key figures by Group and division

Adjusted comparative figures 2020

Group | in EUR mn

	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
Sales	3,281	2,291	3,391	3,626	**3,560**
Sales Growth[1]	-9.3%	-34.5%	-2.8%	+4.5%	***+11.2%***
EBIT Reported	-90	-144	-188	274	**388**
EBIT bsi	212	-159	322	422	**403**
EBIT bsi margin	6.5%	-6.9%	9.5%	11.6%	**11.3%**

Automotive Aftermarket | in EUR mn

	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
Sales	446	301	456	438	**444**
Sales Growth[1]	*+1.6%*	*-30.5%*	*-0.2%*	+1.3%	***+4.0%***
EBIT Reported	77	28	62	61	**57**
EBIT bsi	77	28	86	67	**57**
EBIT bsi margin	17.2%	9.3%	18.8%	15.4%	**12.9%**

Automotive Technologies | in EUR mn

	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
Sales	2,008	1,256	2,161	2,391	**2,281**
Sales Growth[1]	*-12.1%*	*-41.9%*	*-1.2%*	+8.0%	***+15.8%***
EBIT Reported	-223	-235	-75	189	**238**
EBIT bsi	47	-240	176	280	**246**
EBIT bsi margin	2.3%	-19.1%	8.2%	11.7%	**10.8%**

Industrial | in EUR mn

	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
Sales	827	734	774	797	**836**
Sales Growth[1]	*-7.7%*	*-18.2%*	*-8.2%*	-3.0%	***+3.9%***
EBIT Reported	56	63	-175	24	**93**
EBIT bsi	88	53	61	74	**99**
EBIT bsi margin	10.7%	7.2%	7.8%	9.3%	**11.9%**

[1] FX-adjusted

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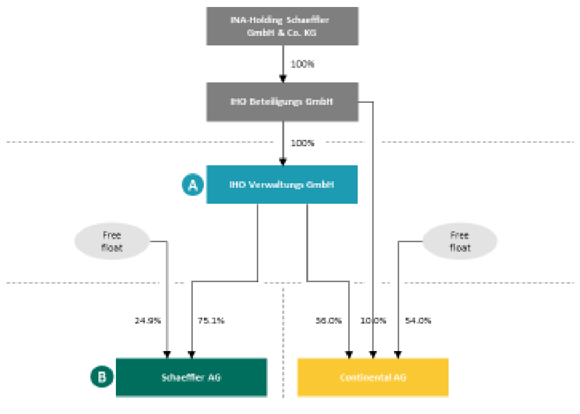
Overview Corporate and Financing Structure

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



Financing structure | as of March 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 800m)	-	200	E+3.25%	Dec-24	Not rated
	Bridge Facility (EUR 400m)	-	0	E+5.00%	Feb-22	Not rated
Bonds	3.625% SSNs 2025 (EUR)	-	800	3.625%	May-25	BB/Ba2/BB-
	3.75% SSNs 2026 (EUR)	-	750	3.75%	Sep-26	BB/Ba2/BB-
	4.75% SSNs 2026 (USD)	500	426	4.75%	Sep-26	BB/Ba2/BB-
	3.875% SSNs 2027 (EUR)		500	3.875%	May-27	BB/Ba2/BB-
	6.00% SSNs 2027 (USD)	450	384	6.00%	May-27	BB/Ba2/BB-
	6.375% SSNs 2029 (USD)	400	341	6.375%	May-29	BB/Ba2/BB-
	Total IHO Verwaltungs GmbH		**3,401**	**Ø 3.81%**[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 1,800m)	-	-	E+0.80%	Sep-24[4]	Not rated
	Schuldschein Loans (EUR)	-	557	Ø 1.65%	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		**4,052**	**Ø 2.47%**[2]		

[1] EUR/USD = 1.1725 | [2] After cross currency swaps | [3] Incl. commitment and utilization fees
[4] On March 12, 2021, a contractually agreed extension option was exercised to extend the original maturity in 2023 by one year.

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Backup 2
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Additional information

FY 2021 Guidance – Confident outlook, cautious approach

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Group Guidance

	Actuals Q1 2021	New Guidance FY 2021
Sales growth[1]	11.2%	> 10%
EBIT margin[2]	11.3%	7 - 9%
Free Cash Flow[3]	EUR 130 mn	> EUR 300 mn

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

Divisional Guidance

Automotive Technologies		Automotive Aftermarket		Industrial	
Actuals Q1 2021	New Guidance	Actuals Q1 2021	New Guidance	Actuals Q1 2021	New Guidance
Outperf. 180 bps	Outperf. 200 - 500 bps	4.0%	6 - 8%	3.9%	7 - 9%
10.8%	> 6%	12.9%	> 11.5%	11.9%	> 9.5%

New market assumptions for Fiscal Year 2021

- Automotive Technologies: Increase of LVP of around **10%** 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 **9%**

Liquidity position of EUR 3.6 bn at the end of March 2021

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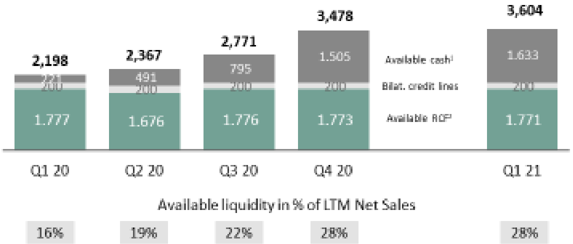
Liquidity

- Cash balance Schaeffler Group as per end of March 2021 EUR 1,854 mn (December 2020 EUR 1,758 mn)
- Committed unused credit lines on Group level of almost EUR 2.0 bn as per end of March 2021, available liquidity[1] 28% of LTM Net Sales

As of March 31, 2021 | in EUR mn



[1] Excluding restricted cash | [2] Utilization includes draw downs of cash and in form of letters of credit

Maturity Profile

- Balanced debt maturity profile; remainder of EUR 2022 bond maturity pre-funded; no major maturities until March 2024
- Average maturity of financing portfolio as per 31 March 2021: 4 years 6 months

As of March 31, 2021 | in EUR mn