COMMENTED SLIDES / CONFERENCE CALL Q2 AND H1 2021 EARNINGS

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Q2 and H1 2021 Schaeffler AG earnings

Earnings Call
August 4, 2021
Herzogenaurach

We pioneer motion

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Company Representatives

Klaus Rosenfeld, CEO
Renata Casaro, Head of Investor Relations

Conference Call (Active) Participants

Akshat Kacker, *JP Morgan Chase*
Gabriel Adler, *Citi*
Sascha Gommel, *Jefferies*
Christoph Laskawi, *Deutsche Bank*
Michael Punzet, *DZ Bank*
Sanjay Bhagwani, *BofA Merrill Lynch*

Renata Casaro

Dear investors, dear analysts, good morning. Thank you for joining our Q2 earnings call. The presentation and the Q&A will be hosted by Mr Klaus Rosenfeld, CEO of Schaeffler Group here, in Herzogenaurach, together with us, the IR team. Klaus, the floor is yours.

Klaus Rosenfeld

Thank you, Renata. Ladies and gentlemen, good morning and welcome to our Q2 earnings call. You all received the presentation and I will quickly go through this and then allow for questions at the end. Please go to page number four, where you have the key messages for today.

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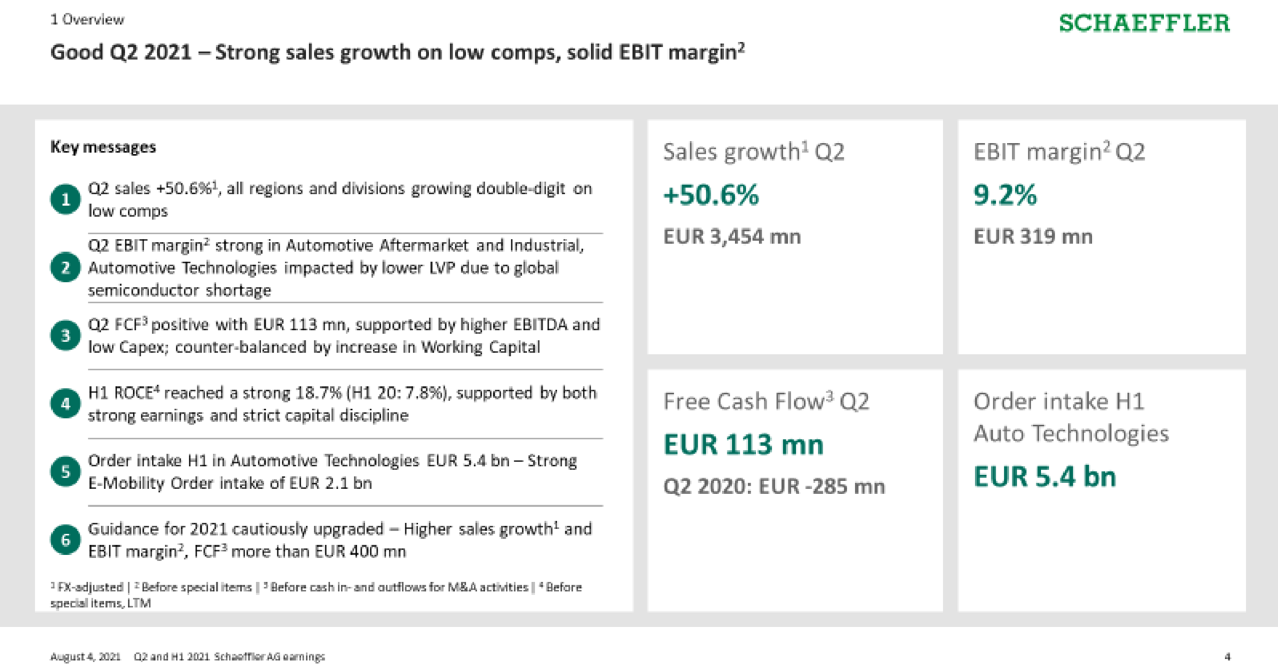
Agenda



Klaus Rosenfeld

I think we can say a good Q2 2021, with strong sales growth clearly against a low base effect and a margin that is with 9.2%, clearly solid on the sales side. I can say that all regions and all divisions contributed to the double-digit growth, so it's definitely a broader growth dynamic than in the previous years.

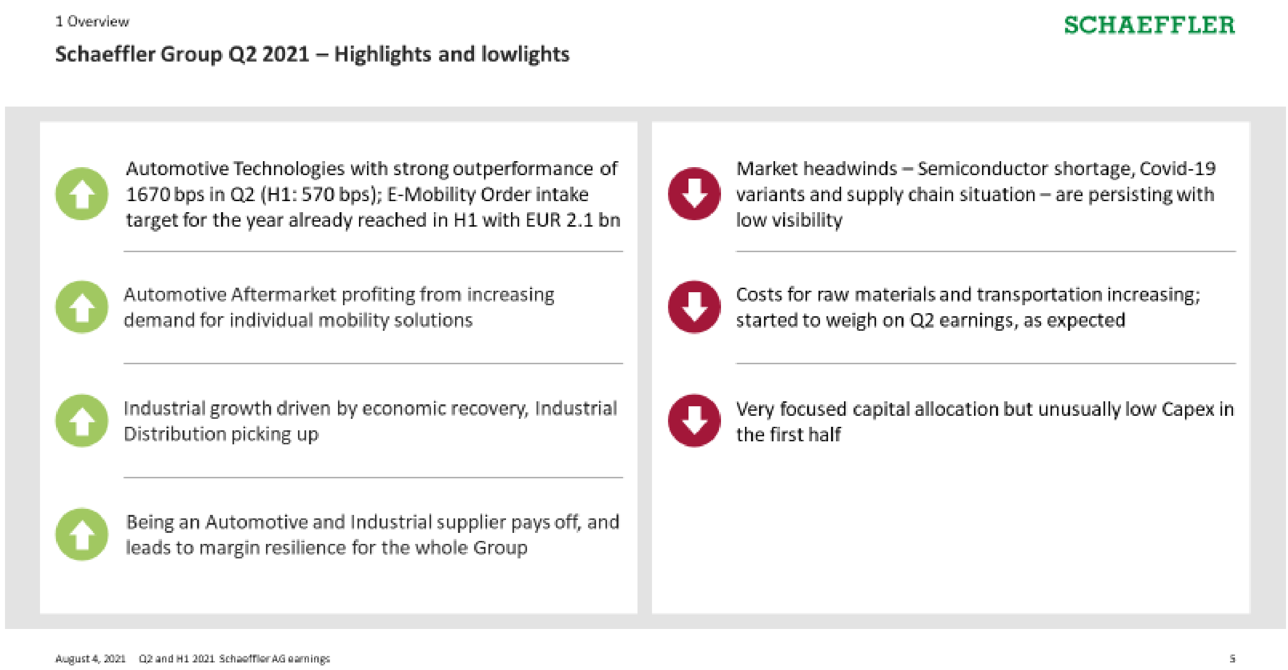
Q2 margin strong in Automotive Aftermarket and Industrial. You will see this later on. In Automotive Technologies, the margin is impacted by the lower volume, in particular driven by the supply chain challenges that impact us directly.

Free cash flow positive, EUR 113 million. We'll come to this later. You saw that capex is low and that there is a counterbalancing effect by the increase in working capital. We are, as you all know, very much focused on capital management and capital allocation. Return on capital employed reached a strong 18.7% without one-offs and that's clearly supported by both the strong earnings and the strict capital discipline.

I also, I think, can positively report that our order intake in Automotive Technologies was EUR 5.4 billion and we're proud to say that a significant portion came from the E-Mobility order intake. EUR 2.1 billion is at the upper end of our annual target. For the year 2021, that was EUR 1.5-2.0 billion. That positive trend seems to continue also in the second half of the year.

Against all of this, we have cautiously upgraded the guidance for ’21 and we are on the one hand confident that we can make these levels, on the other hand we clearly know that there are headwinds in the second half that we need to carefully balance.

Higher sales growth after the strong first half, a better EBIT margin on the group level for Industrial and for Automotive Aftermarket. We left the above 6% as a sign of caution for Auto Technologies and also upgraded our Free cash flow before special items to more than EUR 400 million, after EUR 300 million in the last guidance.



Page five gives you the plus and minuses. I want to do this quickly. I think you saw the outperformance number for the second quarter in Automotive Technologies, a big number. It is more prudent here to look at the full half. 570 basis points is, I think, above what we guided for and I already mentioned the solid E-Mobility Order intake.

Automotive Aftermarket is benefitting from increasing demand for individual mobility solutions. That had a significant backlog issue in the second quarter. That will then also clear, hopefully, in the next weeks and months to come.

On the Industrial side, I think we can say that the growth is much more driven by the sectors overall than by one sector as it was in the previous quarter, so it's broader and also Industrial Distribution is picking up. That always supports a positive margin development.

All in all, I think I can say that the strategy of being an Automotive and Industrial supplier, and I acknowledge that all of you are more Automotive focused, pays off. It's obvious, in particular, in this first half that the two smaller divisions that we have contributed nicely to our margin development and also give us some resilience when we think about the headwinds going forward.

You have that on the right side, market headwinds. Clearly, the semiconductor shortage problem has not gone away. It will continue and you know this from our competitors but also from the large carmakers that we probably have to live with that uncertainty for a while.

COVID is also, here and there, coming back. The supply chain situation has not fully rebalanced, so we have to deal with a second half that has headwinds and is persisting with low visibility. I'm not shy to say that we are used to operating in these environments and that all our plants and, in particular, Automotive Tech, are asked to develop the respective countermeasures where necessary, not structurally but more operationally.

Cost for raw materials and transportation are increasing and I will give some more information when we come to the Auto section, how that impacts the margin in the second half. I can already say upfront steel is our main raw material. You have seen record price increases in the first quarter for steel that are now coming back and it's a question how this will roll into our margin in Auto Tech going forward. We'll give more information about this in a minute.

Then, clearly an issue that we need to deal with is the Capex is unusually low. In the first half, a 3.8% Capex-to-sales ratio is not what we normally see. Is there a significant ramp up to be expected in the second half? The answer is to some extent yes, to some extent no. We want to manage our capital very carefully and are not going to allow for a big hockey stick towards the end of the year.

In particular, in Auto, we are invested for much more cars than are currently produced, so I don't see any big need for a spike or a big increase towards the year but it will normalise, clearly, to a ratio that is higher than the Capex to sales ratio.

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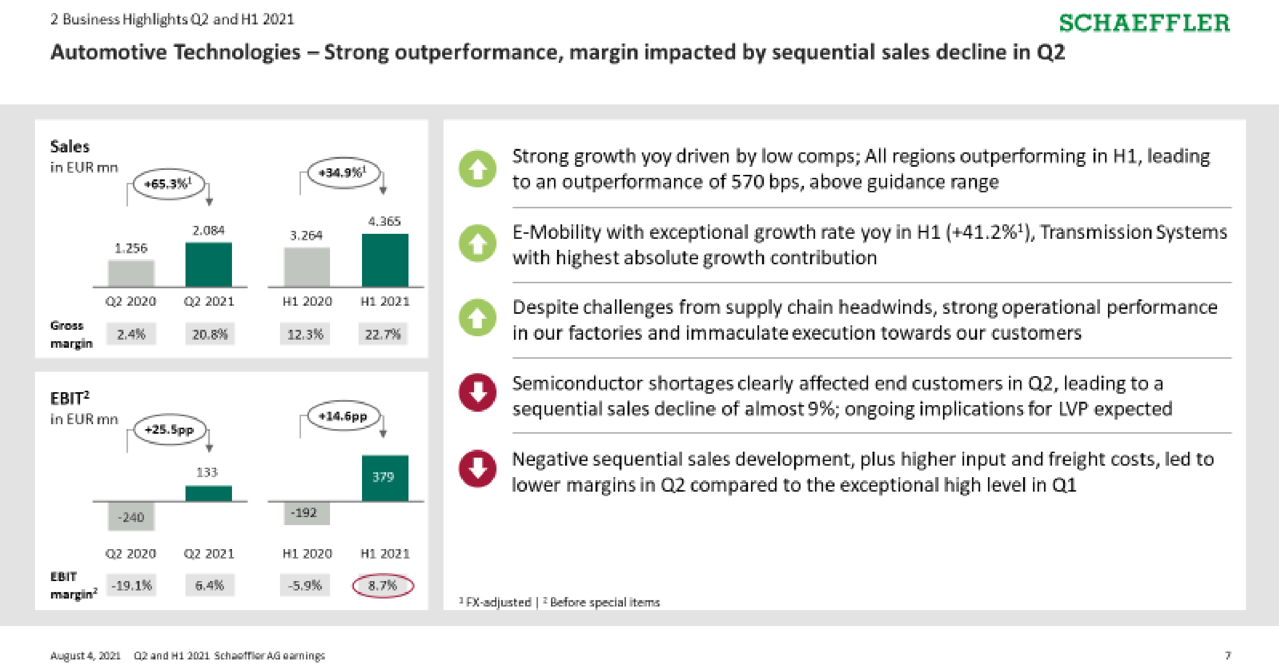
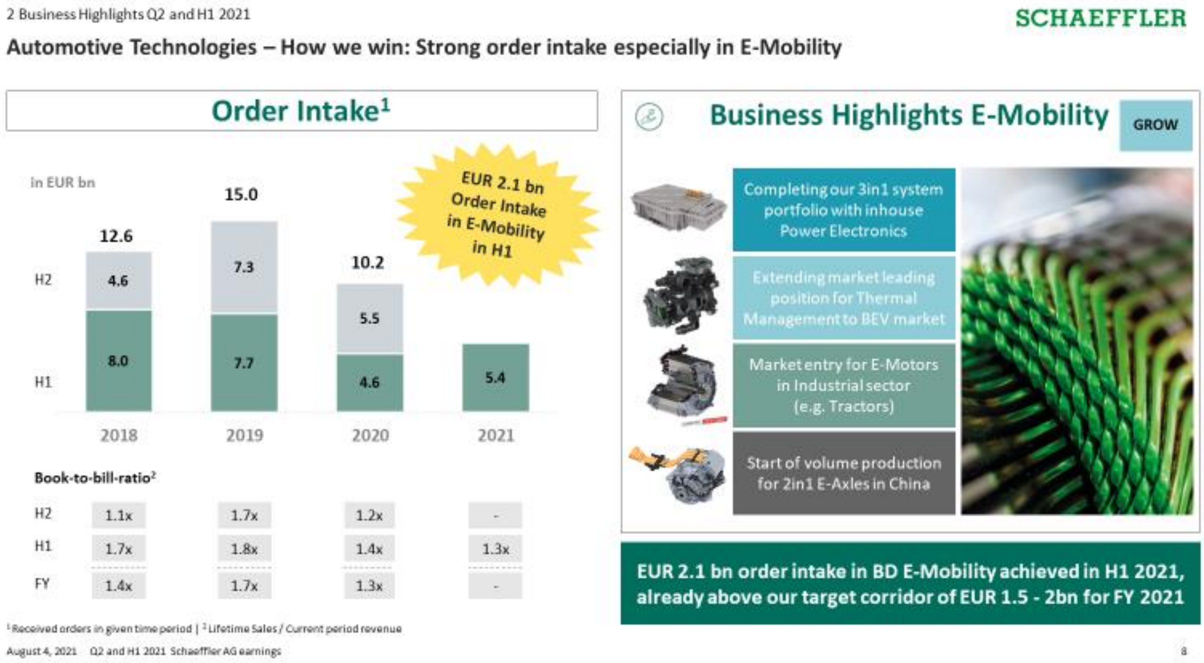


Let me go to page seven and there you have the Auto side with the key numbers. I think you all saw them. 8.7% EBIT margin in the first half speaks for itself. The second quarter was 6.4%. You also saw that we guided for above 6.0% for the full year. This is clearly our bottom line that we want to secure going forward.

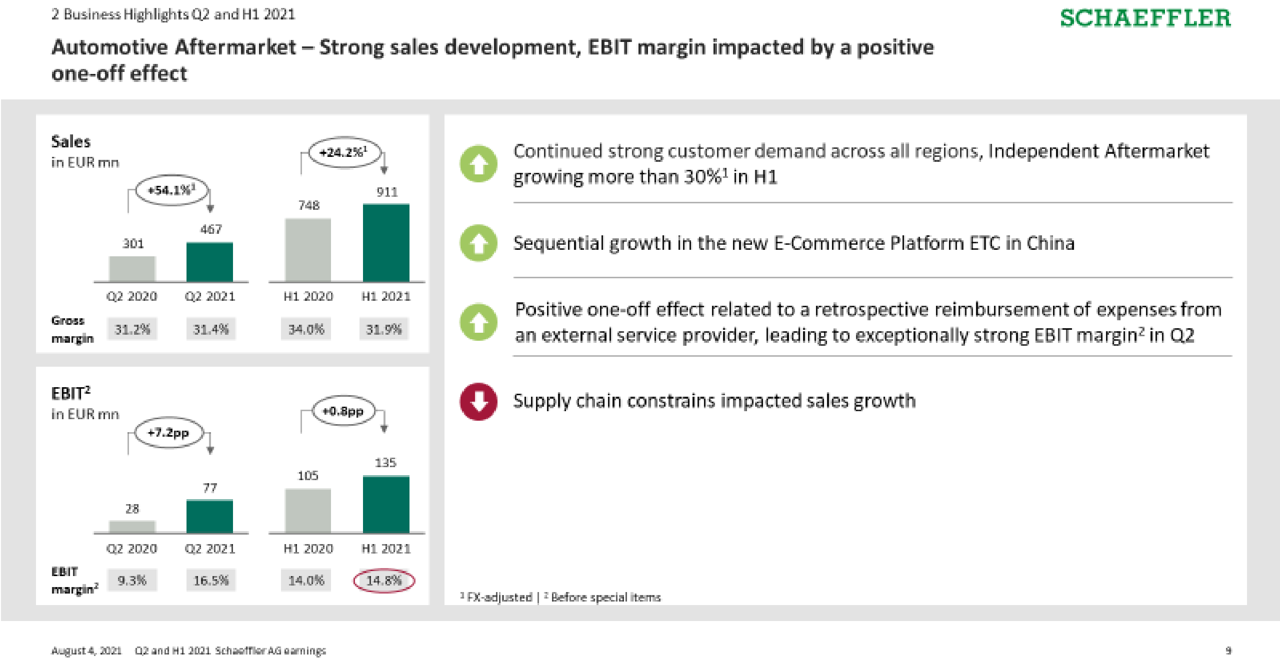
Positive again, strong growth driven by the low base effect. I already mentioned the outperformance and the E-Mobility side but don't forget our mature business that continues to perform well, with Transmission Systems delivering the highest absolute growth contribution at the moment.

And, I said it before, despite the supply chain headwinds we think that our strong operational performance in our factories and the execution towards our customers will support us also going forward. Semiconductor shortage already mentioned, and the negative sequential sales development plus higher input and freight costs will clearly put some pressure on the margin in the second half to come.



Let me shed, on the next page, a little bit more light into the Order intake. As I mentioned, EUR 5.4 billion for the whole group, EUR 2.1 billion Order intake in E-Mobility. That’s a good number and an encouraging number. We see that the Order intake is broader. Yes, there are always, here and there, also some bigger Order intakes, but this is not one transaction or not two transactions. It’s a broader stream than we had before.

There is one bigger transaction that also covers the truck sector, a sector that we want to build going forward. We also mentioned that and that is encouraging. Also, the mix between HEV and BEV is well-balanced and that also gives me a lot of confidence that it is possible in this year to even reach the upper end of the targets we have articulated for ’22, where we said we will more EUR 1.5 to 2.0 billion for this year up to EUR 2.0 to 3.0 billion. So, I think a successful next half year to come, demonstrating that our E-Mobility strategy is on the right track and we’re making good inroads into that area.



Aftermarket, next page. I said it before, a 14.8% margin I think speaks for itself. We have to acknowledge here that there was a positive one-off effect that stemmed from a retrospective reimbursement of expenses from an external service provider. That will go away. Still, we think that this margin, in particular with the demand that we're seeing at the moment will continue positively. That's also one of the reasons why we increase the guidance in that area.

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Automotive Aftermarket – How we win: Rapidly growing business in repairs of automated powertrains

Highlights of Schaeffler repair solutions for automated powertrains

Increasing demand for automated powertrain repairs

- Rapid shift towards automated powertrains in new vehicle production; CO_2 emission reductions favor double clutch transmissions
- Bulk of vehicles in operation are now entering the aftermarket sweet spot

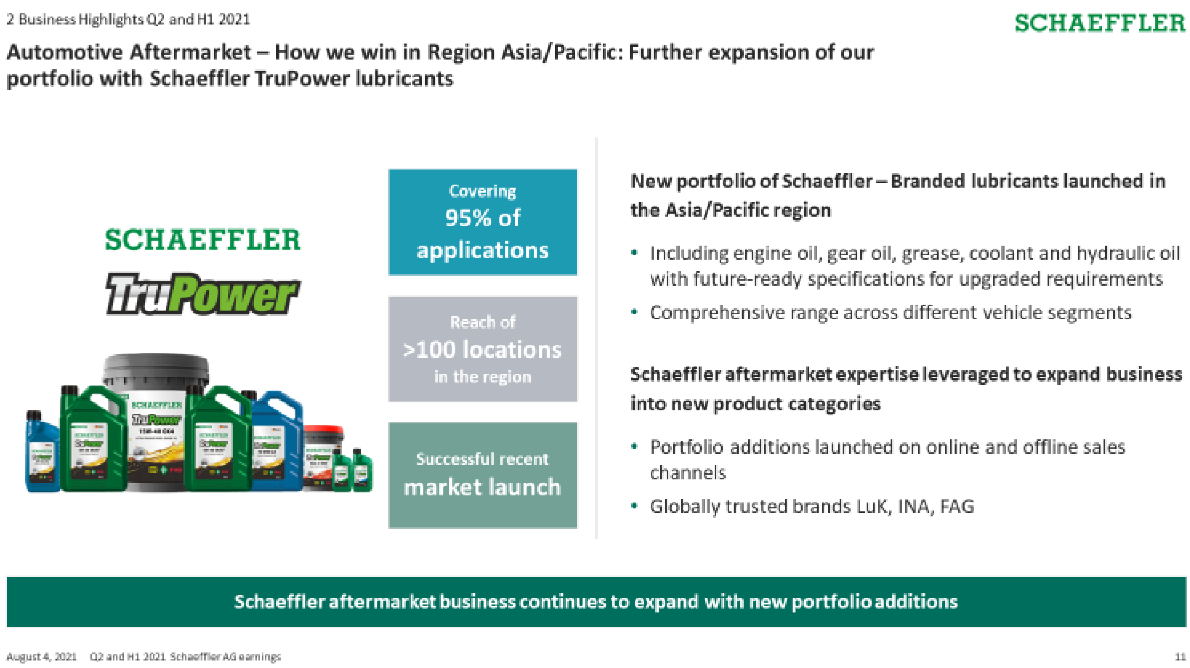
Innovative solutions available from Schaeffler for automated powertrain repairs

- Product and training launch initiated already in 2010 in order to prepare the workshops for future repairs
- Supplementary solutions for surrounding components are also available for a particularly durable repair

Schaeffler innovative solutions enable complex repairs of automated powertrains

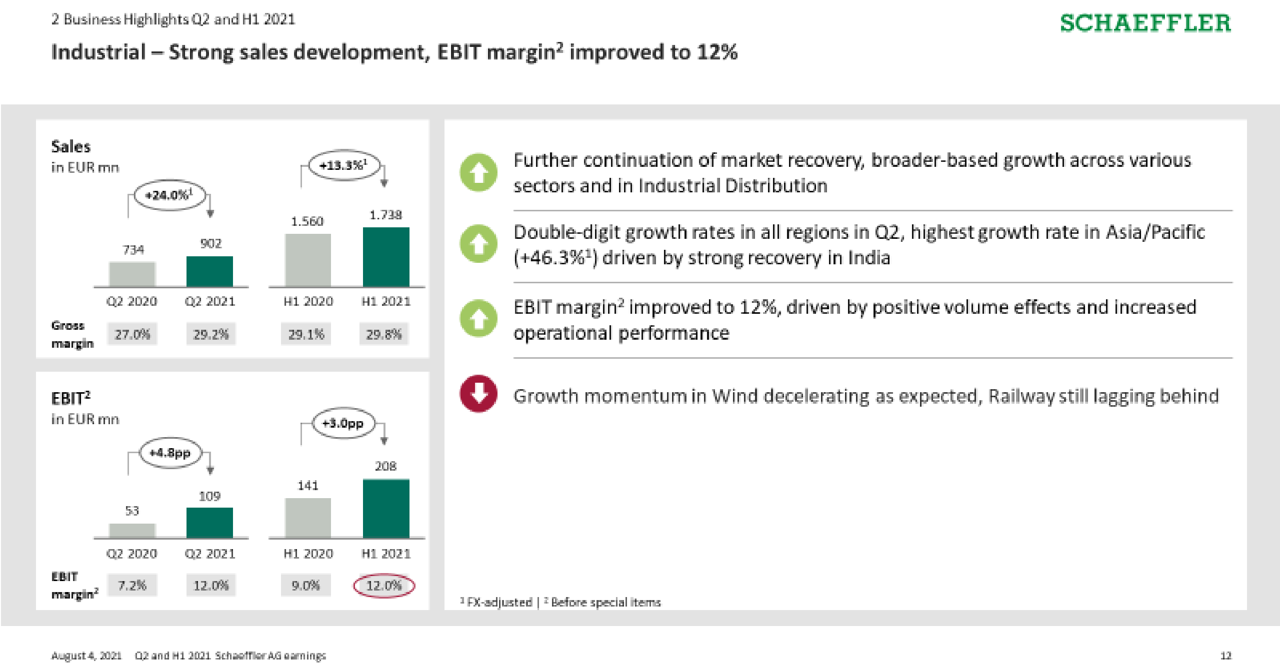
In the Aftermarket, I don’t want to extend too much here, the whole issue of repair solutions for Automotive powertrains becomes more and more a growth driver. That business is performing very well. In particular, our innovation here plays and important role.

I can also say that sustainability in the Aftermarket becomes more and more relevant and we will also benefit from that area.

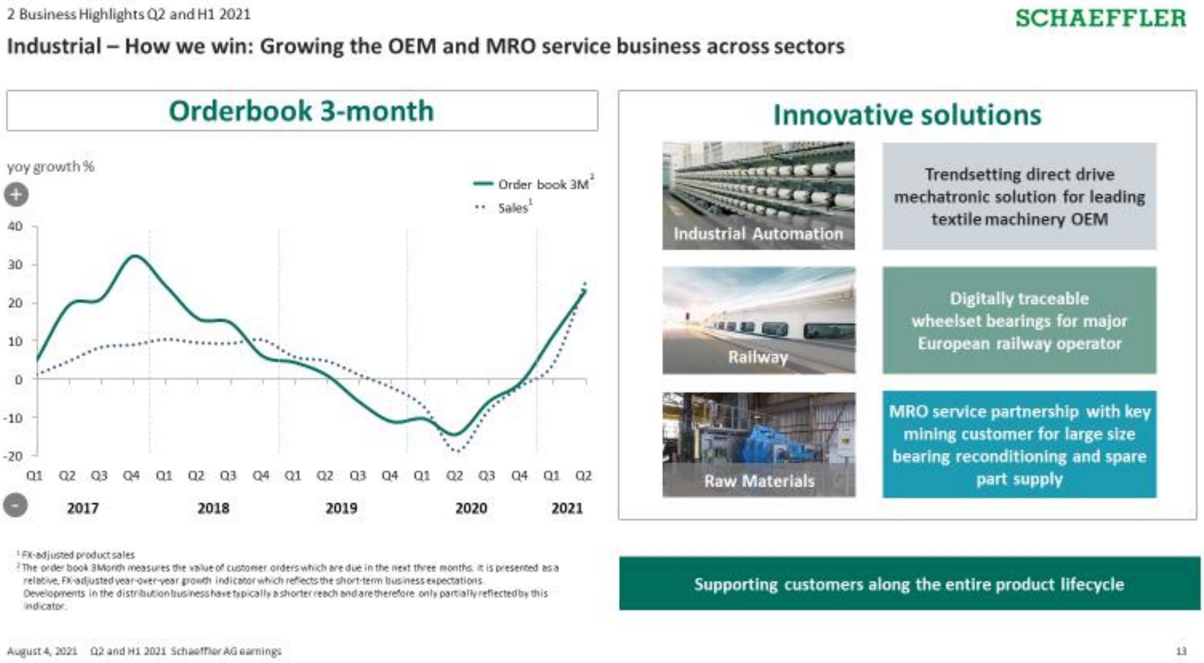


We have then on the next page, one page that we will also use for the roadshow, where we wanted to highlight a little bit about our Asian-Pacific business.

You know, in China we have this whole new platform business and here, in Asia/Pacific, in particular in India, we have broadened our portfolio, started with a new Schaeffler branded lubricant and also extended our expertise to expand the business into new product categories. That's another sign that we are active not only in Europe, in the US but also building our market share in Asia/Pacific.



Industrial, next page. I think a very nice development here at 12% margin in the first half, the second quarter now with a margin at that level. Clearly, benefitting from the high growth in Asia/Pacific, also in India, benefitting from the broader growth trend that I mentioned, Industrial Distribution coming back. So, I think a positive development here and don't forget there is more to come here because of the structural measures that will start to roll in, in the next quarters.
It would be wrong not to say that there is also headwinds in Industrial, also a little bit from the materials side. Clearly, the first quarter still benefitted from some of the Kurzarbeit areas but we are showing, I think with the upgrade in the guidance, also here confidence that this business will continue to perform well and catch up with best in class competitors when it comes to margin.



Page 13 is the order book figure that you always get from us and you see here, when you look at the trend, when you see how the two curves relate to each other, that this trend seems to continue along the product lifecycle.

Next page is one page on Asia/Pacific. I will cut this short, but you see here from a variety of areas. Wind through local production in India. The whole semiconductor sector becoming interesting in certain areas. Customized engineering and EV projects in Two-Wheelers. One of the strongest growing areas, certainly small, but also Robotics is an area where we feel quite good about what we’re doing.

In Robotics we have, I can say that, won another serial contract that will drive this business forward and it is one of the great examples for synergies between Auto and Industrial that will drive this. There is a robotic gearbox newly introduced from our side that will be an important step for our business expansion in Robotics.

2 Business Highlights Q2 and H1 2021

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Capital allocation – Capex ratio with 3.9% in Q2 still on low level, investments in new business continue

Investment[1] allocation | in EUR mn

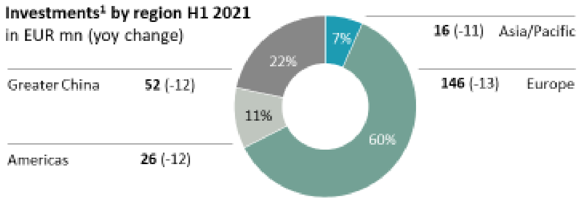
	FY 19	FY 20	Q2 20	Q2 21	H1 21
Automotive Technologies	672	378	77	85	146
Automotive Aftermarket	67	26	6	4	7
Industrial	193	235	48	42	88
Schaeffler Group	**933**	**639**	**130**	**131**	**241**
Capex	1,045	632	136	136	268
Capex ratio[2]	7.2%	5.0%	5.9%	3.9%	3.8%
Reinvestment Rate	1.0	0.7	0.6	0.6	0.5

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

Key aspects Q2

- 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; installing manufacturing lines for E-Motor production 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

Investments[1] by region H1 2021
in EUR mn (yoy change)



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Now, let me, from here, go to the very important page of Capital allocation. I already mentioned this. A Capex ratio below 4%, that's not the new normal. It clearly has to do also with the fact that there are certain hiccups in the supply chain. Some of the machines that we need came in late, so the payment is, in certain areas, a little bit delayed.

However, also being very clear here, we said over the years always around 6%. I don't see that for this year being the right benchmark. It will be below that. If you would assume 4% in the first half and maybe 6% in the second half, you get to 5% and that, to me, seems with EUR 14 billion of revenues, not a bad indication. In any case, we will not allow for hockey sticks just for spending money. We will continue to stay disciplined and that also means reinvestment rate for the year will clearly remain below 1% for the whole group.

In Industrial, we'll be above 1 and also E-Mobility should be above 1 but in the more mature businesses we will make sure that we are not investing in the wrong areas. Once again, Capex and Capital allocation is very key from my point of view. As long as reinvestment rate is below 1, we are basically releasing capital and that helps clearly to also bring the return on capital employed and the profitability up.

Before I come to the numbers section that I want to do short, one last word on page 16 on Sustainability. Some highlights here. As you all know, we take Sustainability very serious and want to use this not only as a challenge for our processes and what we need to do to cope with all the requirements but also as a major business opportunity. Three things to mention here. We have done a materiality analysis for ’21 or we are underway to do this. Feedback from various stakeholder groups received. On the positive, we have improved or are improving our Sustainability performance from 3.0-3.7 that shows you that we are on the right track.

The Energy Efficiency Program continues and after the 25 million GWh efficient gains in the year 2020, we will continue on our way to achieve 45 million cumulative for this year. That’s very positive. We also worked with the rating agencies for our Sustainability rating upgrade and it is good to see that we are scoring quite well in this area.

But, let me also say it’s a long-term challenge and will not be won by marketing measures. There’s a lot to be invested here and we need to also communicate to you in due course our long-term goals for Scope 3 going forward. That’s in the making and an issue towards the end of the year, beginning of next year.

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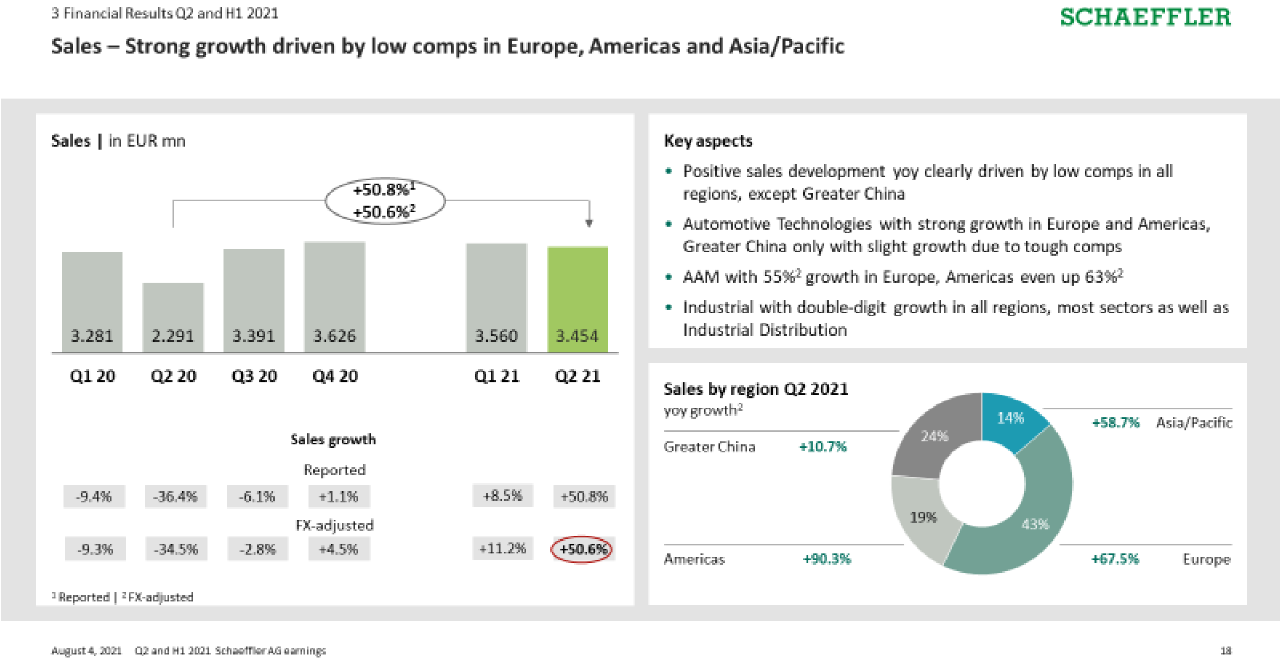
Agenda



Now, let me, from here go into the numbers section and I think I can cut this short to allow us a bit more time for questions. Page 18 gives you the quarterly sales levels, 50.6% I think, as already mentioned. You also see on this page the solid development in the various regions, clearly with China being at the lowest growth rate. The reason for that is simply that they had their trough in Q1 2020 and therefore the growth rate is not as strong in the other regions. The sales mix is balanced and that's important for us.

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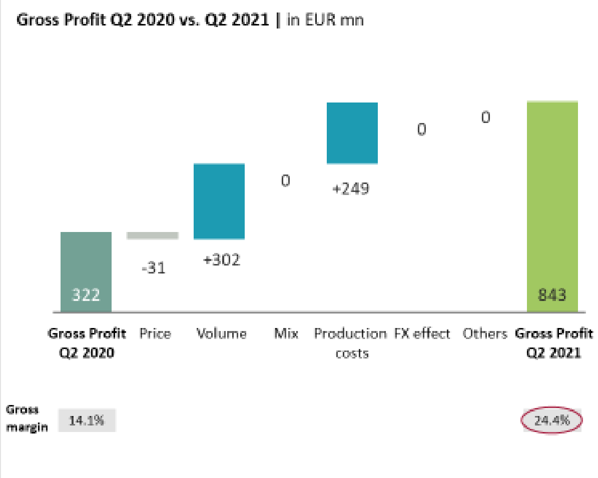
Gross Profit – Strong gross margin driven by higher volumes and scale effects in production



Key aspects

- Negative price effect in Automotive Technologies, but lower than prior year
- Strong volume increase driven by all divisions and mainly related to low comps
- Production costs clearly lower yoy due to scale effects and effective cost savings in plants; cost inflation impact increasing

Gross margin

in % of sales	Q2 20	Q2 21	Q2 21 vs. Q2 20	H1 20	H1 21	H1 21 vs. H1 20
Automotive Technologies	2.4%	20.8%	+18.4pp	12.3%	22.7%	+10.4pp
Automotive Aftermarket	31.2%	31.4%	+0.2pp	34.0%	31.9%	-2.1pp
Industrial	27.0%	29.2%	+2.2pp	29.1%	29.8%	+0.7pp
Group	14.1%	24.4%	+10.3pp	19.9%	25.7%	+5.8pp

Gross profit, 24.4% in the second quarter. From my point of view, it is a good achievement. We benefitted from the strong volume increases. There are some negative price impacts in Auto Technologies and, as I said before, the material price impact is not already included in these figures. It will roll in, in the second half of the year more intensively.

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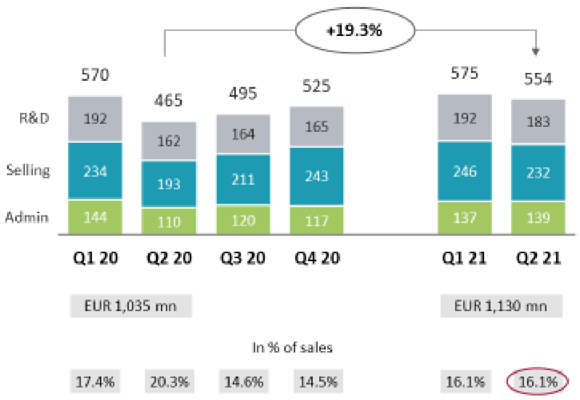
Functional costs – Increase yoy due to low comps, cost discipline keeps functional cost ratio stable

Functional costs | in EUR mn



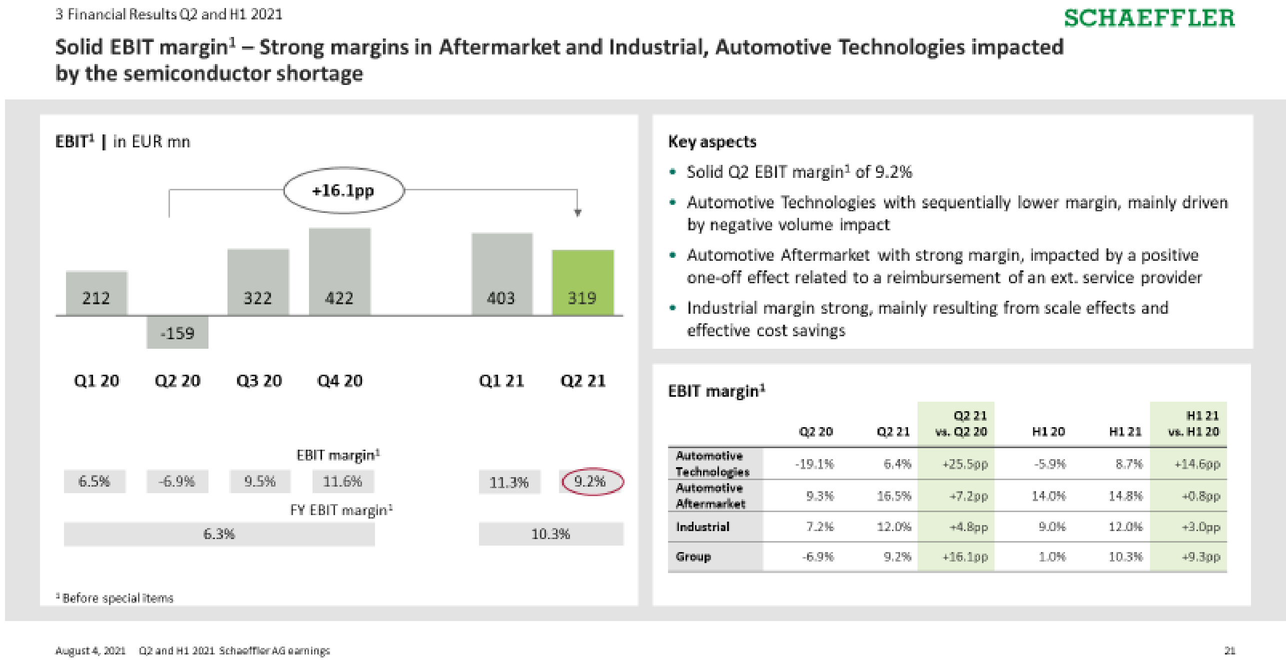
Key aspects

- Functional costs increased by 19% in Q2 yoy on extremely low comps due to short-term work in place; in % of sales stable vs. Q1 2021
- R&D costs increased yoy on low comps, sequentially decreasing
- Selling costs increased yoy due to higher volumes; sequentially decreased due to positive one-off effect in Automotive Aftermarket
- Admin costs increased by EUR 19 mn on very low comps; sequentially flat

Functional cost ratio

in % of sales	Q2 20	Q2 21	Q2 21 vs. Q2 20	H1 20	H1 21	H1 21 vs. H1 20
Automotive Technologies	21.0%	15.3%	-5.7pp	18.1%	14.8%	-3.3pp
Automotive Aftermarket	20.9%	15.6%	-5.3pp	18.9%	17.5%	-1.4pp
Industrial	18.8%	18.0%	-0.8pp	19.4%	18.6%	-0.8pp
Group	20.3%	16.1%	-4.2pp	18.6%	16.1%	-2.5pp

If I then go to the functional costs, our overheads side, you see that Q2 was below Q1. We are continuing our discipline here and try to keep the functional cost ratio more or less stable. 16.1% is a solid number and we clearly want to make sure that there is continued focus on further efficiency gains.



Then, you see the margin, 9.2% after 11.3%. 10.3% for the first half is clearly much more than in the previous year and, as I said before, you can also see this from the guidance, that it is not a number that will continue in the second half. We guided for 8.0-9.5% and that tells you that if we end up somewhere above 7.0% in the second half then that is a number that would be enough to make that guidance range.

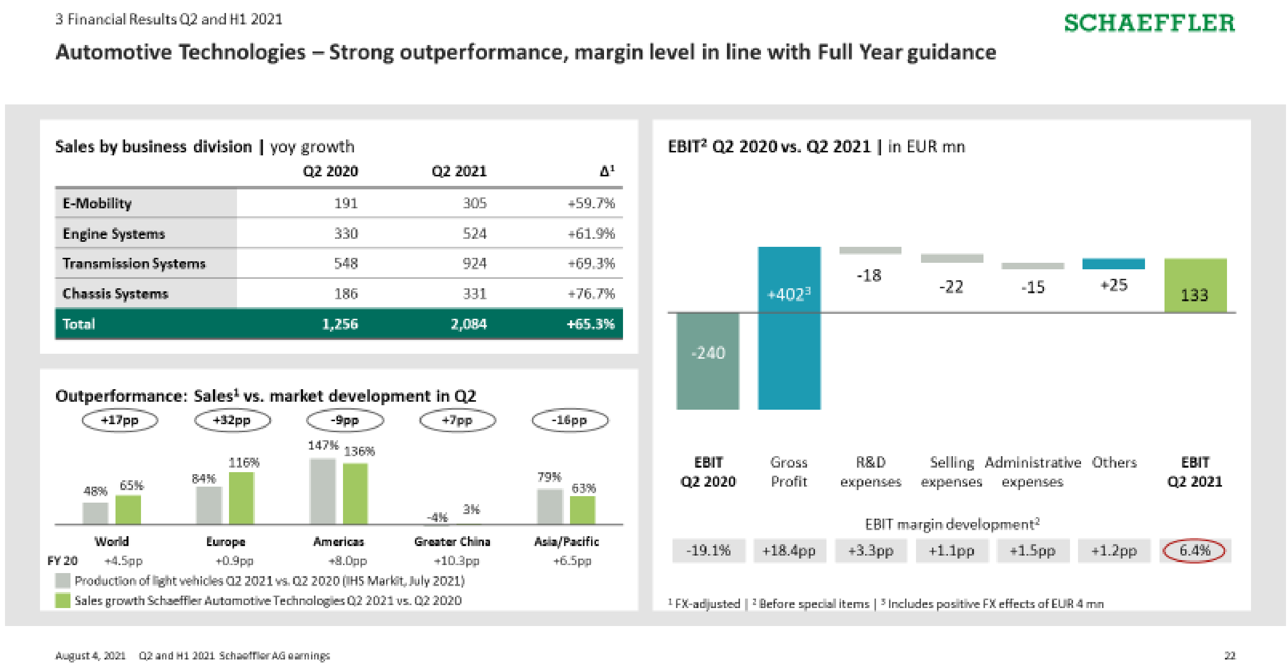
Let me maybe here give you, before I come to Automotive, the view on the steel price impact because that is so critical. Let me start with the market development here. You know that steel comes in a variety of different forms. For raw material price development the real important categories are hot rolled and cold rolled and what you see when you look at IHS prices for hot rolled is that starting in March and then extending into the second quarter, we had an exceptional increase in prices for hot rolled steel being somewhere around EUR 400-500 per ton above previous year.
That has not impacted us in the second quarter, simply because we are typically hedging raw material prices by contracts, by forward prices six to nine months. So, that price increase will somehow roll in now in the second half.
How do you have to see that? The first very important notion is the market price since the peak in April and May has decreased to a much more normal level now. We are expecting something for the end of the year that maybe hundreds of euros per ton above the previous year level. So, that's one important thing. It's obviously a temporary problem.

How do you deal with something like this or how did we dealt with this in the second quarter this year? The first priority was that we need the material because there is business and the worst that you can do is stopping your business. So, making sure that the necessary raw material comes in was our first priority.

The second priority was to make sure no one now buys steel on a six to nine-month forward basis, so we shortened dramatically the periods for which we fixed prices. That will help us to benefit from the fact that this is extraordinary temporary impact. Then, clearly, we also thought what can we do to compensate for this price increase? There's typically the scrap that works against it. From the raw material that we buy there is always a 30% thing that comes back through scrap. We are also looking at increasing prices. That is, in the Automotive area, to some extent more difficult than Industrial because you have less contracts with flex clauses in a distribution business. It's more one-to-one negotiation with customers.
That has started. That will not compensate in the second half the effect, but would rather then roll in, in the first half of 2022. All in all, just to give you a little bit of a sense how much that is, in the first half the price impact from steel was a low two-digit number and it will increase to a low three-digit number.

Just to give you a sense. If you think about how much hot rolled and cold rolled steel we buy, if you just take that with a delta of EUR 450 per ton, you can easily calculate with a number of additional 150,000 tons cold rolled or a similar number of cold rolled, that this can easily be a three-digit number. Scrap against it. There are other steel-carrying commodities, as well.

So, you can broadly say we're expecting here something that can impact the margin with something around 2% and that is also the reason why we said we want to keep the threshold or the guidance level for Automotive for the time being at 6%. That's the floor. That's what we're all going to defend whatever it takes. I'm not saying that it will be 6% but with this uncertainty and also with the market headwinds, we thought that that is a prudent way to go forward.



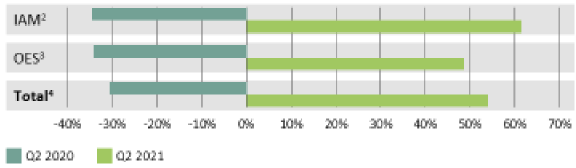
Now, let me go to 22, Auto Technologies. I already mentioned the outperformance. The margin level is in line with the full year guidance and if you just think about 8.0%-something in the first half and defending the 6.0% in the second half, then you see what could be a decent number for the full year.

Automotive Aftermarket – Strong sales development, EBIT margin[5] impacted by positive one-off effect

Sales by region | yoy growth

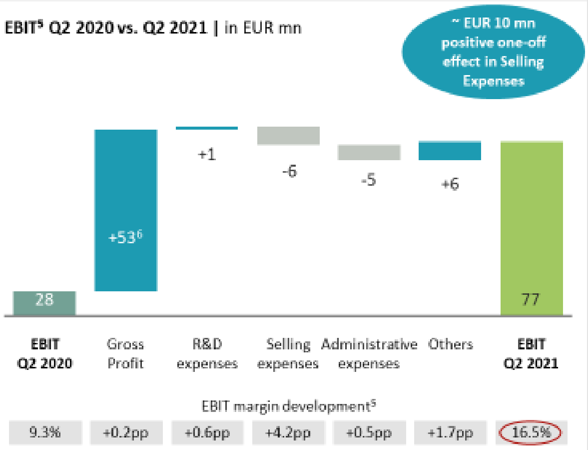
	Q2 2020	Q2 2021	Δ[1]
Europe	212	332	+54.9%
Americas	56	86	+63.1%
Greater China	21	26	+24.7%
Asia/Pacific	13	24	+84.5%
Total	**301**	**467**	**+54.1%**

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

EBIT[5] Q2 2020 vs. Q2 2021 | in EUR mn



[5] Before special items | [6] Includes positive FX effects of EUR 1 mn

Automotive Aftermarket, I think I mentioned the key points already and you see from this table that the improvement here is clearly driven by the gross profit number with this one-off impact that was a low two-digit number.

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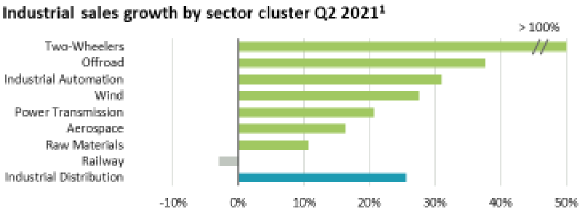
Industrial – Nearly all sector clusters with double-digit growth, strong EBIT[2] margin

Sales by region | yoy growth

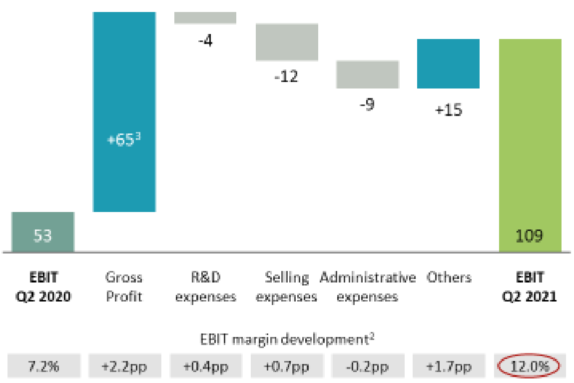
	Q2 2020	Q2 2021	Δ[1]
Europe	307	357	+16.4%
Americas	120	146	+28.4%
Greater China	218	272	+26.5%
Asia/Pacific	89	127	+46.3%
Total	**734**	**902**	**+24.0%**

Industrial sales growth by sector cluster Q2 2021[1]



[1] FX-adjusted

EBIT[2] Q2 2020 vs. Q2 2021 | in EUR mn



[2] Before special items | [3] Includes negative FX effects of EUR -5 mn

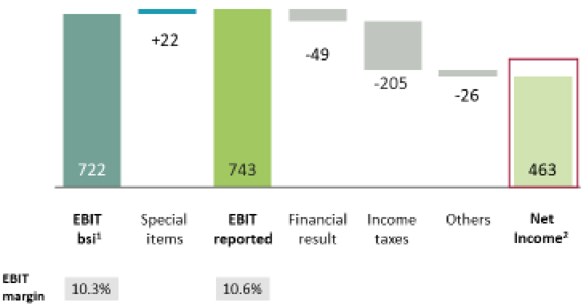
Industrial, I think I can also cut this short. You see on page 24 the growth by sector clusters, always a good indicator. Only Railway lagging behind. Wind coming down was clearly one of the champions in terms of growth in the previous quarters but the fact that it is broader, the fact that there is more Industrial Distribution business is always good for us.

3 Financial Results Q2 and H1 2021

SCHAEFFLER

EBIT before special items – Reconciliation

Reconciliation H1 2021 | in EUR mn



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

Key aspects

- Special items amounted to positive EUR 22 mn in H1, mainly related to a partial reversal of provisions for the Roadmap 2025
- Financial Result of EUR -49 mn better than prior year, which was impacted by the redemption option of the former high yield bond
- Income taxes increased yoy on positive EBT; in addition, Q1 2020 included a Goodwill impairment in Automotive Technologies, which was not deductible for tax purposes

Special items by division| in EUR mn

	Q2 20	Q2 21	Q2 21 vs. Q2 20	H1 20	H1 21	H1 21 vs. H1 20
EBIT Reported	-144	355	+499	-234	743	+977
Automotive Technologies	-5	-21	-16	+265	-13	-278
Automotive Aftermarket	0	-11	-11	0	-10	-10
Industrial	-10	-4	+6	+22	+2	-20
Group	-15	-37	-22	+288	-22	-310
EBIT bsi[1]	-159	319	+478	54	722	+668

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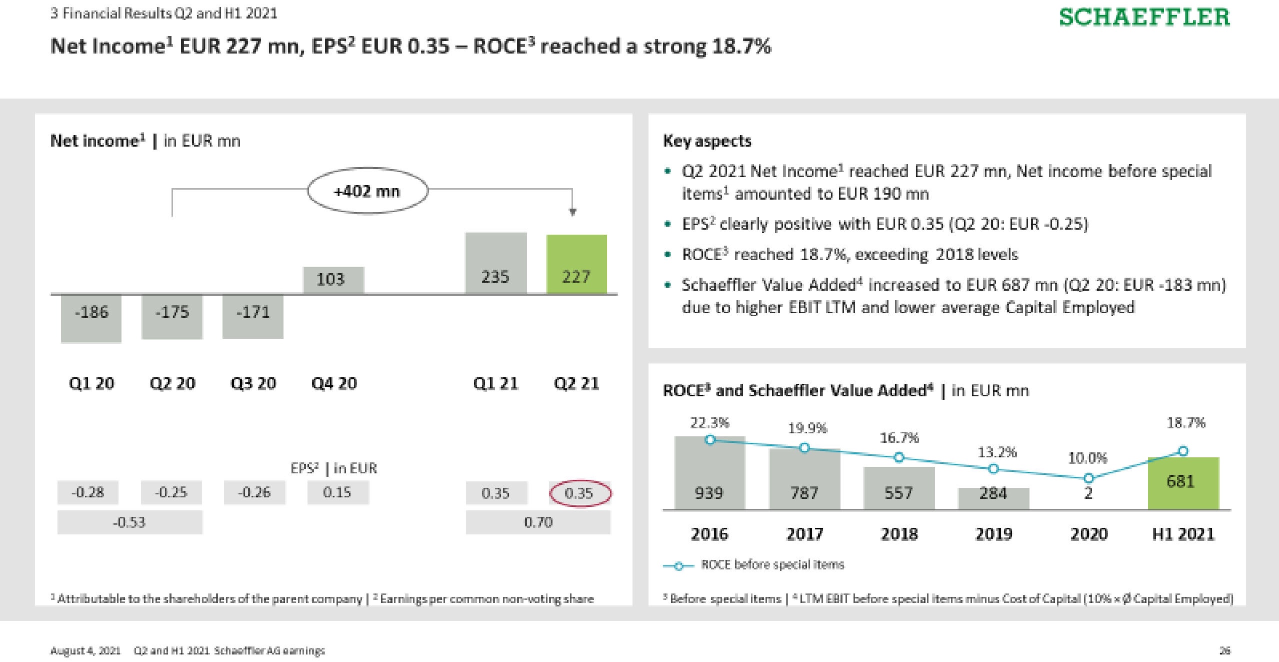
Then EBIT reconciliation, you see that we don’t have any bigger special items in the first half. That was different in the previous year because of the large restructuring cost. This time it went to the positive because we had to release some of the provisions regarding Roadmap 2025 and that then leads to the effect that the EBIT before special items is slightly lower than the reported EBIT.



Net income, EUR 463 million, I think is a good number. It's 70 cents per share in the first half. That also indicates that the EPS number will be positive this year and while it is not going to be as strong in the second half as in this first half, I do believe that this will be a very good basis for a proper and attractive dividend.
Net income, 26, is what I just said before. 70 cents in the first half. Return on capital employed is coming back. Capital employed has reached EUR 7.8 billion and my focus has always been on this number. I think there is more room to further optimize Capital allocation.

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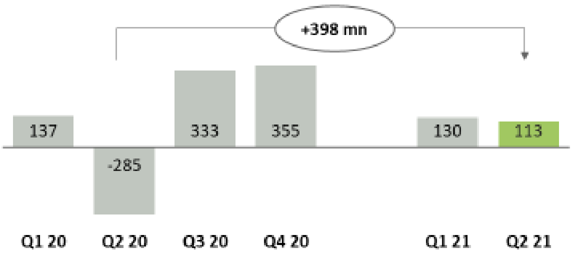
Free Cash Flow – Strong EBITDA compensated outflows for Restructuring and Net Working Capital

Free Cash Flow before M&A[1] | in EUR mn



	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
FCF Conversion ratio[2]	-	-	-	1.3	0.3	0.3
Reinvestment rate	0.7	0.6	0.7	0.8	0.5	0.6
Capex ratio[3]	5.0%	5.9%	5.3%	4.2%	3.7%	3.9%

[1] Before cash in- and outflows for M&A activities | [2] Ratio FCF before M&A to EBIT reported – Only applicable if FCF and EBIT positive | [3] Capex in % of sales

Key aspects

- Strong EBITDA with EUR 598 mn in Q2 (Q2 20: EUR 99 mn)
- Capex decreased to EUR 136 mn in Q2, higher Capex in the upcoming quarters expected (New FY target of around EUR 700 mn)
- Cash Outs for Restructuring EUR 201 mn in H1, mainly related to the voluntary severance scheme in Germany launched in 2019, partially to the new restructuring program announced in September 2020
- Net Working Capital outflow EUR 205 mn, driven by higher inventories

FCF Details | in EUR mn

	Q2 2020	Q2 2021	*Δ Q2 21/20*	H1 2020	H1 2021	*Δ H1 21/20*
FCF as reported	-285	115	*+400*	-148	242	*+390*
M&A	0	-2	*-2*	0	1	*+1*
FCF before M&A	-285	113	*+398*	-148	243	*+391*
Legal cases	0	-5	*-5*	6	-3	*-9*
Restructuring	55	47	*-8*	103	201	*+98*
Others	3	6	*+3*	4	6	*+2*
Financing	50	0	*-50*	50	0	*-50*
FCF bef. M&A and sp. items	-178	160	*+338*	15	447	*+432*

Then, Free cash flow. You see here we reintroduced the table on 27 with the Free cash flow details. I think that's important to make sure that you understand and also can compare that properly with the past. The reported Free cash flow was EUR 242 million. If I disregard M&A activities, it is even EUR 243 million. Nothing bigger to report here.

That EUR 243 million includes in the first half EUR 201 million of restructuring payout. Most of this comes from the first quarter and comes from a previous restructuring program. Space is building up, so we are continuing to expect further restructuring payout for the rest of the year.

If I look at the underlying number, Free cash flow before M&A and special items, and there's a little bit of legal cases and others in there, nothing on the supply chain financing side, we are at EUR 447 million. I think that's a solid number and I do believe and you saw it from the guidance, we guided Free cash flow before M&A, that we're expecting continued positive Free cash flow in the second half. So, the above 400, from my point of view, is a very solid number.

You can easily calculate this yourself. If you just take the midpoint of our guidance for the EBIT margin, add back the D&A, you end somewhere at a EUR 2.2 billion EBITDA number. If you then deduct Capex, that is probably in the 5% Capex-to-sales ratio or at a quarter or 0.75 reinvestment rate. Then, Taxes, interest, let's say 400 licensing.

Then, you will see that there is a net working capital impact. The net working capital in the first half was negative and we expect that in the second half that will, to some extent, come down. On the one hand, we have pretty high inventory levels already

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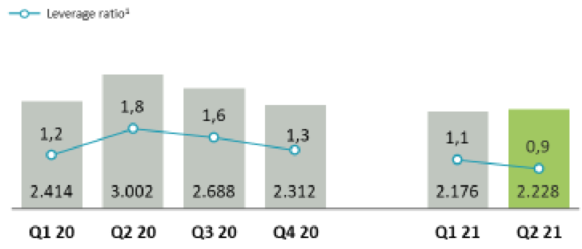
and on the other hand we had a little bit of prepayment of payables because we were expecting also prepayments from customers that didn't happen. So, that will rebalance in the second half and that will support also Free cash flow generation going forward. So, I do believe the 400 is a number that we will achieve, even with a little bit more Capex in the second half.

3 Financial Results Q2 and H1 2021

SCHAEFFLER

Net debt decreased to EUR 2.2 bn – Leverage ratio[1] at 0.9x

Net financial debt and Leverage ratio[1] | in EUR mn



	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
Gross debt	3,044	3,921	3,914	4,071	4,030	4,039
Cash & cash equivalents	629	919	1,226	1,758	1,854	1,810
EBITDA before special items[2]	2,064	1,633	1,637	1,788	1,972	2,449

[1] Net financial debt to EBITDA ratio before special items | [2] LTM | [3] Excluding restricted cash

Key aspects

- Net financial debt decreased to EUR 2.2 bn, Leverage ratio[1] 0.9x
- No major maturities until March 2024

Strong liquidity situation

- Cash balance Schaeffler Group as per end of June 2021 EUR 1,810 mn (December 2020 EUR 1,758 mn)
- Committed unused credit lines on Group level of almost EUR 2.0 bn as per end of June 2021, available liquidity[3] 26% of LTM Net Sales

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Net debt, next page, is under control, decreased to EUR 2.2 billion, leverage ratio below 1 at 0.9. We’re sitting on significant cash, that brings this number down, and with clearly a positive sequential impact on the last 12 months EBITDA. EUR 2.4 billion is not a number that will continue with lower profitability in the second half. I feel very good that towards the rest of the year the number will stay below 1.

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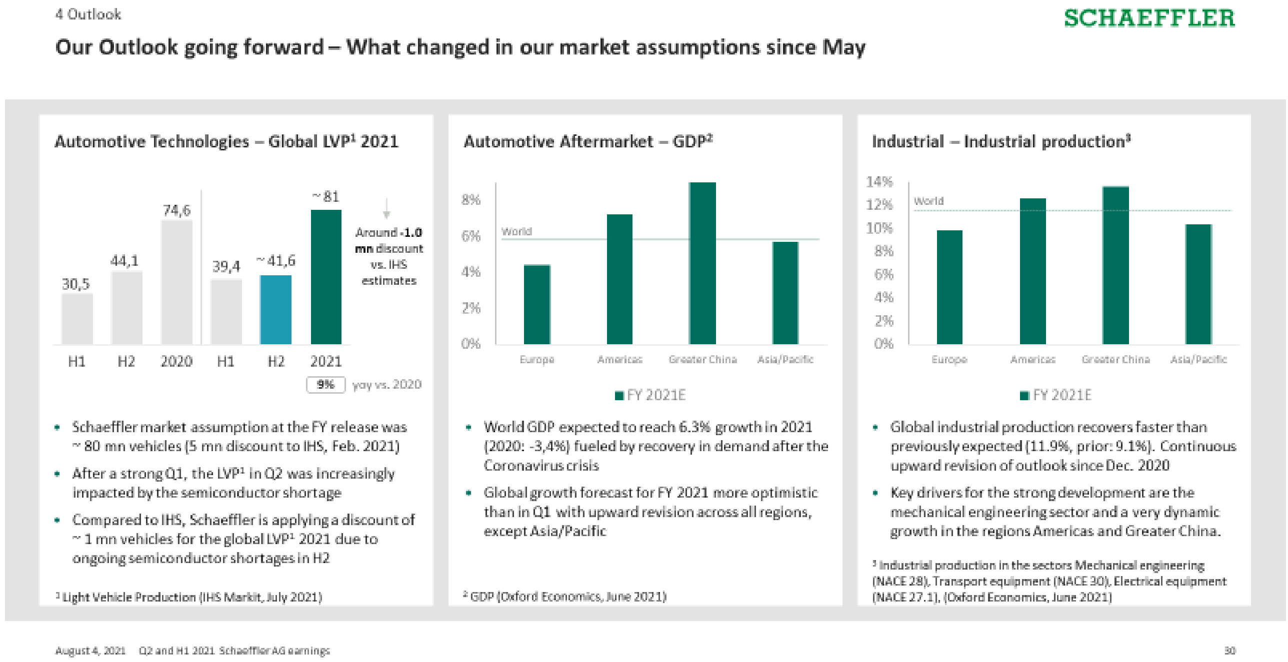
Agenda



Outlook going forward, clearly based on assumptions you see page 30 Automotive Technologies. We have been cautious, as you all know, with our numbers. We never supported IHS with bigger numbers and always took this discount. 5 million discount in February '21 was the right thing to do. We then reduced the discount and we're now at 81 million, without a bigger change compared to the previous guidance. A million down I think is a solid number and we think with that we are on the safe side also going forward.

I can say the orders on hand clearly show a little bit of volatility but they also, at least for the third quarter, indicate that this is definitely achievable, so we feel that this rather cautious than too optimistic. GDP and industrial production, I think I don't have to comment. That's what you saw already.

4 Outlook

FY 2021 Guidance – Confident outlook, cautious approach

SCHAEFFLER

Group Guidance

	Previous Guidance[4] FY 2021	New Guidance FY 2021
Sales growth[1]	> 10%	**> 11%**
EBIT margin[2]	7 - 9%	**8 - 9.5%**
Free Cash Flow[3]	> EUR 300 mn	**> EUR 400 mn**

[1] FX-adjusted | [2] Before special items | [3] Before cash in- and outflows for M&A activities | [4] As of May 12

Divisional Guidance

Automotive Technologies		Automotive Aftermarket		Industrial	
Previous[4]	New	Previous[4]	New	Previous[4]	New
Outperf. 200 - 500 bps	**Outperf. 200 - 500 bps**	6 - 8%	**> 10%**	7 - 9%	**9 - 11%**
> 6%	**> 6%**	> 11.5%	**> 12.5%**	> 9.5%	**> 10.5%**

New market assumptions for Fiscal Year 2021

- Automotive Technologies: Increase of LVP of around **9%** as cautious estimate considering further possibilities of disruptions and volatility
- Automotive Aftermarket: Increase of global GDP by around **6%**
- Industrial: Increase of relevant industrial production of around **12%**

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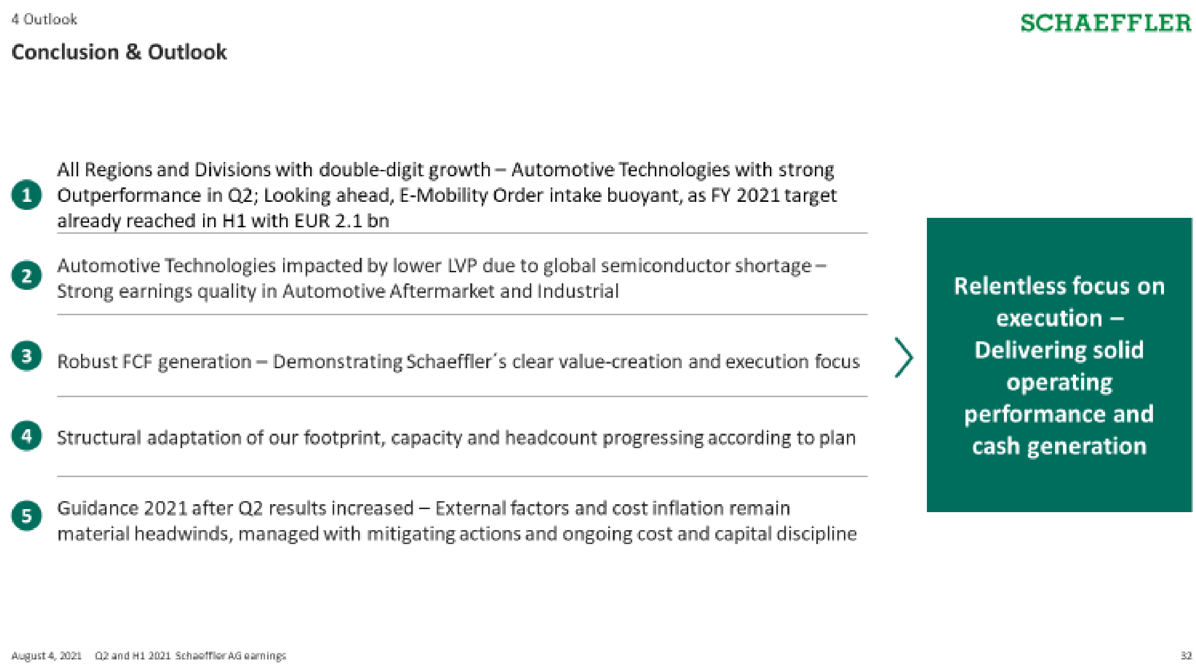
Then, 31 is the upgraded guidance with clearly the headline. We are confident on this outlook but also remain cautious. Above 11%.

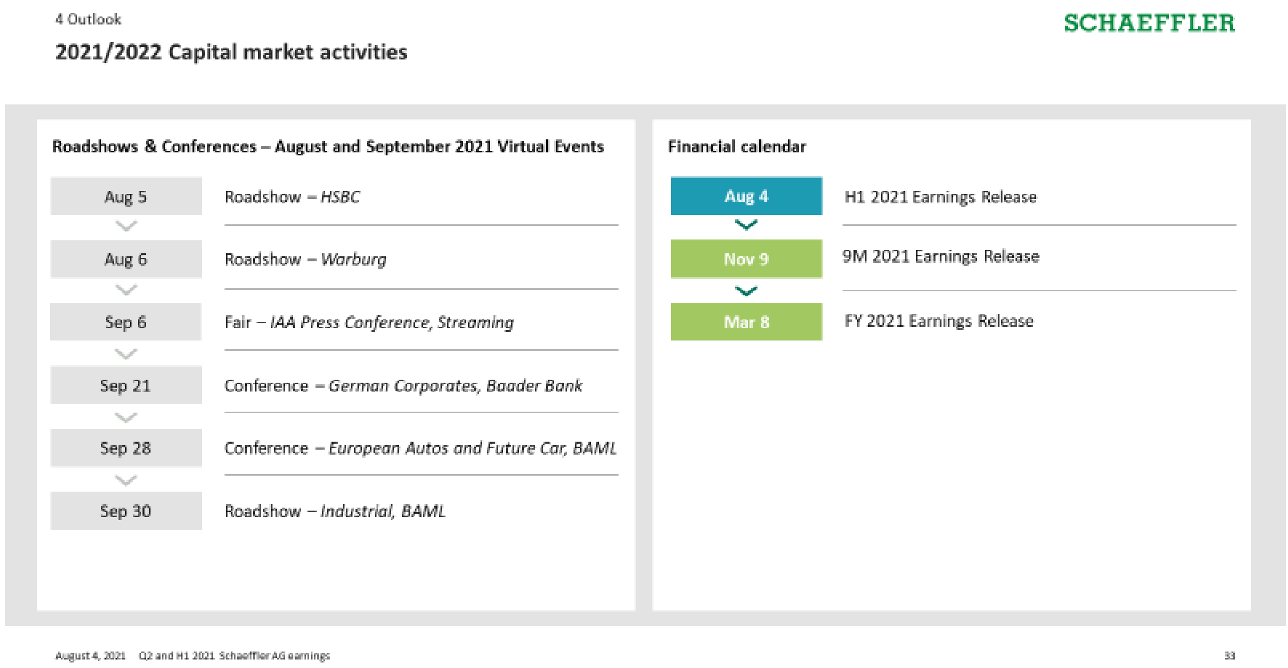
8.0-9.5% on the margin and then above EUR 400 million Free cash flow, as I said. And, you saw that we left the margin for Automotive Technologies as a sign of cautiousness at the previous level, above six. Increased Automotive Aftermarket and also Industrial.



Let me summarise 32. This is the second quarter of a year that seems to be, again, a very challenging year for all of us. However, I think we can say the performance in the second quarter was strong. We are benefitting from our set up with Auto and Industrial and we're making good progress with our transformation. E-Mobility Order intake is a positive sign but also the fact that our program, the transformation program, the Space program has been concluded in terms of final negotiation with workers' council.

Automotive Technologies, I mentioned the headwinds but also the strong earnings quality in Aftermarket and Industrial that is supporting this. Free cash flow generation, one of my core topics, is robust and we are demonstrating here that we're clearly focused on value and on execution. The structural adaptation of our footprint will continue, and capacity and headcount reduction are progressing according to plan.

We're not only defensive but we're looking positively into the opportunities and there is a lot to come here in terms of adding mid-term and long-term further attractive businesses, guidance increased. Certainly, accidental factors, cost inflation but also the whole supply chain challenges will remain a challenge but I think with the strong team we have, with the prudent focus on execution and with a long-term view on things, I think we are on the right track.



This is it. We have a little roadshow tomorrow and on Friday. I think it's fully booked, so if you want to join please talk to Renata. We will then follow up with meeting with Matthias on the IAA and some conferences end of September. Earnings for the nine months will be clearly very interesting, 9th November. With this, I thank you for attention and hand back to Renata.

Renata Casaro

Thank you very much, Klaus. We are now ready for the Q&A.

Q&A SESSION

Akshat Kacker, JP Morgan

Thank you. Good morning. Akshat from JPMorgan. Three from my side, please. The first one on the current visibility that you have on auto production and chip shortage. You definitely did a good job taking a discount to IHS expectations but as of today, when you look at Q3 auto production do you expect a sequential improvement versus the second quarter or are OEMs making use of the summer shutdowns to ease out the supply chain? That's the first one. I will follow up with the other two later. Thank you.

Klaus Rosenfeld

What I can say is we are monitoring our orders on hand, our call-offs on a very frequent basis and at the moment I don't see any major hiccups for any major changes. It is more or less in line with forecasts at the moment and it will not be materially different from Q2. That's the view at the moment.
There is, here and there, summer vacation that needs to be taken into account, but we have not heard about anyone who now extends this into an unusual manner and, again it is very heterogeneous. One of our big customers in the US came back stronger, others are little bit more cautious.
It is difficult to say. You need to manage this more or less on site and I think we are, as I said, confident that the second half in terms of growth will not be very difficult but rather on the positive side.

Akshat Kacker, JP Morgan

Thank you. That's helpful. The second on is on the E-Mobility Order intake. Is it possible to share how much of this Order intake was for pure BEVs or, if not, in the first half do you have a total order backlog number for BEVs up till now? Also interested in understanding if you can share what is the share of the business that you're winning currently as part of the RFQ on BEVs or overall E-Mobility? Thank you.

Klaus Rosenfeld

So, far we have decided not to disclose more details of the Order book. As I said before it's a healthy mix of BEV and HEV. As I can say, it's also a healthy mix in terms of regions and customers. As I said, there's one very prominent order in terms of BEV that makes a significant part of this Order intake and significant means here more

than a third. There is an interesting one, that is more a HEV one that comes from the Truck side.
So, it is well-balanced, a good mix and I can extend there. If you look at the projects that we are competing with at the moment, the new projects that are coming, it becomes even more interesting in terms of the BEV area, be it now E-Motors or also things like E-Axle systems. So, don't judge it by a quarter. Judge it more in a long-term manner. I feel that we are in a much better position here than we have ever been before.

Akshat Kacker, JP Morgan
Thank you. The last one on Capex. You do have a lower Capex guidance of the full year of close 5% of sales. Is it just a timing impact or a result of delay in OEM investments or is there something structural we should expect that has changed going forward in terms of Capex as a percentage of sales? Thank you.

Klaus Rosenfeld
Again, the first half was clearly impacted also by time delays, as I said. The 5% is more to give you something that is more realistic. If you think about EUR 250 million in the first half and if I would stay with the EUR 800 million, you would say where should all this money come from. That's not possible.
So, the around EUR 700 million means, just to give you a ballpark figure, something like EUR 70 million per month and that is in a second half, a good number that leaves us enough breathing room. I'm not saying that this is every year the same but there may be a little of impact for 2022.
We need to see but the key message is not that we are restrained in one area or that we are not able to invest. That's not the point. We are investing enough. We have invested enough, and we are very capital conscious and I want to make sure that the company optimizes its capital base going forward and doesn't invest in the wrong areas.

Akshat Kacker, JP Morgan
Thank you.

Gabriel Adler, Citi
Morning, Klaus and Renata. Thanks for the presentation. I've got three questions as well, please. My first is on the Free cash flow guidance. I wanted to understand the moving parts behind the Free cash flow guidance a little better because you raised guidance by about EUR 100 million, which looked to reflect that lower Capex that

you've spoken about but then, in addition to this, you're also now expecting better profitability. So, I'm just trying to understand why the free cash guidance isn't also reflecting the additional earnings as well as the lower Capex. Are there other offsetting factors or would you agree that the Free cash flow guide just looks quite conservative now at this point?

My second question is again on the E-Mobility division. We're having lively debates with investors around vertical integration as a topic, as you well know. But it looks like your E-Mobility division is successfully accelerating Order intake. So, it would be really interesting just to get your views on whether you anticipate a tougher market in the future than when you initially established the E-Mobility business, given the increased risks from vertical integration by your customers.

Then, my final question is just on the management changes that have been recently announced. Could you elaborate on the reasons behind Dr Patzak's departure announced last week and your plans for announcing a successor? Thank you.

Klaus Rosenfeld

Let me start with the last one. We have agreed internally that we're not disclosing any reasons, and I think that's good practice. You saw the press release; you saw the history and I can't say more here. The successor is in the making. I couldn't present it today. It's a supervisory board topic. Our supervisory board has been very busy in the last weeks and months, as you saw, so the decision has not been made but I'm expecting a quick decision in the next weeks so that we can continue to work. That's it on your third question.

Let me then tackle the E-Mobility one. For sure, there is competition from the carmakers. We know this and we're used to this in the field of E-Mobility but we also see that everyone talks about more and move BEV, everyone talks about accelerated growth in that sector and that opens, from my point of view, also new opportunities for us.

For me, the key point and I've said this several times before is competence and not size. It's the quality of the Order book that counts and not the sheer number. To some extent we may have even been lucky that we didn't make the mistakes at the beginning that others may have made but my key focus is and that's what we're doing in our project reviews with Matthias, that we're building a well-balanced, lucrative, long-term Order book that is in line with what we can do and what we can deliver for our customers.

Yes, we may, here and there, lose projects to inhouse but my answer here is also not new. Some of our components are components that even an inhouse competitor would like to have because they can't do them themselves. So, sometimes we don't get the full system, but we then get the component package.

We can do the systems and that is good, but we don't have to be only a system provider and that position, from my point of view, is something that gives a very good foothold. I've participated, myself, in the last weeks in several rounds with CEOs of big companies to understand their electrification strategy a little bit better and I think they all acknowledge that Schaeffler is a key partner when it comes to technology, quality and innovation.

Free cash flow guidance. Very fair question. If you again try to connect the dots let me try to put this a little bit into perspective. I said before if you take EUR 14 billion and you take the midpoint of the EBIT margin range, then that is 8.75. If you just take that and calculate an EBIT number and do the same for the second half with the implicit EBIT margin for the second half, that would somewhere be around or slightly above EUR 500 million.

If I add back the depreciation that comes on a pro rata basis, we normally have EUR 970-980 million depreciation. You can add back another 500. Let's take that number and say EBITDA is then EUR 1.0 billion. If you go from the EUR 270 million Capex up to EUR 700 million, you need to deduct EUR 430 taxes and also interest is typically also more on a pro rata basis.

EUR 300 million or EUR 200 million for the full year would mean let's deduct another EUR 200 million, leasing us EUR 30 million, also half of the EUR 60 million for the full year. Then, the question is what is happening with net working capital?

I don't see that there is another big increase in net working capital. As I said before, there is a reversal, in fact, that will come in the second half, that may even turn the net working capital to the positive. If you just think about this then EUR 350 million is definitely doable.

If I then think about how much is then needed for restructuring payout, we indicated to you that is probably something in the area EUR 300-350. Let's take half of this. Then, you can also assume that there is a little bit of restructuring payout already included in these numbers. That gives you then EUR 350 million minus whatever, 150-140, and then you see the EUR 243 million of the first half and the number that I just derived for you gives you a solid base for the above EUR 400 million.

But it is basically lower EBITDA, for sure, it is higher Capex and it is then a net working capital impact that would somehow counterbalance this that would make us confident that the above EUR 400 is doable.

Gabriel Adler, Citi

Brilliant. Thank you very much for your answers.

Klaus Rosenfeld
And, if you then turn this around and say how much is that on an underlying Free cash flow, again that number was missing for quite some time, you see that this is EUR 800 million or something. Just to think back what happened in Q2 2020. There, this Free cash flow before M&A and before one-offs was also in that range.
So, it is all about understanding the drivers of Free cash flow for this company and, again, we are determined to make the above EUR 400 million and make sure cash flow is not driven by extraordinary movements.

Sascha Gommel, Jefferies
Good morning, everyone. Thanks for taking my questions. The first one would actually be on the Automotive gross margin. I think you touched a bit on it in your remarks, but I just wanted to understand a bit better why there was such a significant drop from Q1 to Q2 of the Automotive gross margin. I think you said a bit of pricing, but it looks a bit harsh going to from 24.5% to below 21%. Maybe you can give some details, what happened there, given that we probably only see the raw mats coming in the next quarters.

Klaus Rosenfeld
Yes, you are right. This is a variety on things. This is, on the one hand, the first signs of raw material. What I explained is more the general direction. That's one end. There were two or three things on the quality side, where we added a little bit, that have not been adjusted because they were too small. We've written off a machine that was not necessary and then there is also a little bit more on the overhead side.
So, yes, it sounds like a big drop, but it is explained by a variety of smaller things. Going forward, some of this would not come again, so I would stick with my message. Above six is what we want to achieve for the full year and I would also indicate that this is not the point that we want to deliver for the full year but it needs to be rather above six for the coming quarters.

Sascha Gommel, Jefferies
Very clear. My second question would be on the longer-term strategy because we hear a lot of proposals coming out of the European Commission but also in the US the government is clearly pushing clean mobility. Does that have any impact on your transition strategy in Automotive?

Klaus Rosenfeld

I would say, very directly, these announcements don't have any immediate impact on the strategy because this is not something that is erratic. It is a mid-term execution plan that we have, and we've always said if there is some changes in the environment we will adapt to this but I don't see any reason now to accelerate massively and do something radically different.

We are in the lucky situation that we have this strong, mature business and that will help us to finance the way to E-Mobility. I said it on and on, E-Mobility is not just something that governments like to discuss. At the end of the day, the auto business is a consumer business and how people and when people buy cars remains to be seen. Therefore, even if everyone is marketing at the moment their E-Mobility strategies, we need to stay the course and we need to get things right. This is a mid-term transition and with any radical move, I think that's not the answer. The answer lies with competence, it lies with execution, it lies with clearly adding where we can add but I don't see any need here to deviate from our course.

We're monitoring the environment very carefully and the key at the end of the day is trust and competence also from our customers and here, as I said before, being part of several meetings with large customers, I feel very positive about the outlook for Schaeffler.

Let me also add, in terms of our transformation path, you all have seen that we participated in a bigger auction for the Industrial side and if I think about margin, if I think about return on capital employed and steps to strengthen the Industrial business further, to further diversify, to make sure that this company is resilient and able to conquer the future from the various sectors we are serving, with also generating synergies in Powertrain solutions across Auto and Industrial, that's more on my mind.

We didn't want the auction, I think you all know this, for good reason because at some point in time we said the price, and you saw the USD 2.9 billion for Dodge, was simply too high and for us something where we said that's above the limit. We're not going to lose our discipline here. That's why we didn't win the auction. Let's see what happens there.

The positive thing is that has created a lot of spirit about this strategy on the Industrial side and the learnings from this auction process are clearly learnings that we can build on for the next steps to come. Sorry, a little bit of a long answer but Dodge fitted so well into your question that I thought I'd bring it in here.

Sascha Gommel, Jefferies
No, that's fine, because I actually wanted to ask about that too, so that's done. My last question would then be on the Industrial side where the functional cost came up a little bit. I was just wondering if this was a trend or just one quarter situation.

Klaus Rosenfeld
It is more a one quarter situation. Don't forget we also has some run-off effects from Kurzarbeit there. I think Stefan is pulling all levers at the moment to handle this cost situation. We will also see a little bit higher material prices. We are expecting also going forward a little bit of extra production costs. Don't forget here is a lot of movement at the moment because of the transfers of businesses. That's natural that in such a situation then production costs come out a little bit higher. To give you an example, we have moved production from Kysuce to Vietnam. That makes easily two or three millions. We are moving production from Wuppertal into Schweinfurt and these effects will be there in the second half but in general we want to make sure that our overhead stays in this 16% range and that would also then help the margin progression going forward.

Sascha Gommel, Jefferies
Perfect. Thanks for all the details.

Klaus Rosenfeld
You're welcome.

Christoph Laskawi, Deutsche Bank
Good morning and thank you for taking my questions, as well. It's really more follow-up questions to what was asked. The first on the production volumes and visibility. Did I understand it correctly that you would see the volatility of the call-offs to smooth out a bit, so it is bit more stable, which is then easier to manage or does it remain fairly volatile, it's must the overall volumes for the quarter you wouldn't see deteriorating massively.
Then, on E-Mobility, with a strong Order intake, could you comment if those just reflect higher win rates than you initially thought or is there some pull forward of the OEMs as well? Discussing the quicker ramp up of E-Mobility overall, would you see that allowing you scale up quicker than initially expected, as well, which would be helpful on the margin side? Thank you.

Klaus Rosenfeld

Let's first talk about the orders on hand. You saw a quarter now on the Auto side that was quite good with revenues, not as strong as we expected because there were clearly a little bit of hiccups on the auto side in the second quarter.

July, to talk a little bit out current trading, was a weaker month. August started okay. If we make EUR 700 million a month, then that is a good threshold. July was below this. August seems to be higher. The orders on hand show at the moment that they are, week-by-week, pretty stable. There is less movement at the moment and that indicates that some of the volatility has gone but we need to see. It is something that is still a situation with much uncertainty but, again my order in hand at the moment indicate a quarter that is, for Q3, more or less in line with Q2.

Now, on E-Mobility, a quicker ramp up. Again, the answer is similar to what I said before. This is not about quick ramp ups. This is about building an Order book for the next years. We are well-invested in the area. You know that we are building an E-Motor plant in Szombathely. We're doing all the right things that are necessary to train people, to get the right people on board.

There's always a shortage when it comes to specialists here and there. That's something we deal with, but I don't see it, that there is a big difference, and everything is now ramping up tomorrow. You have to see this over the next years and there again my statement is the same as before. I feel that we are in a much better position than we have been two years or a year ago.

Christoph Laskawi, Deutsche Bank

Thank you. I think I have to rephrase my question a bit. It was more related to you've already made your target for the full year, essentially, in H1 and with that I think you can prove some success already. My question would be is the win rate you see currently, with being essentially above the full year Order intake target by now, can you expect it initially or is it just more business in the market and you make use of that.

Klaus Rosenfeld

Sorry, I misunderstood the question. It's a good question. I think we're seeing, in general, more acquisition projects coming than we expected. I can tell you there are at least more than two hands full of projects we are working on at the moment. That doesn't mean that we have won the projects. They are all in right areas. They are all E-Axle systems. Most of them have some sort of a BEV angle. They are coming from the different areas. Even Asia/Pacific is now catching up.

The pipeline, in terms of projects, is strong and also, as far as I read it, getting stronger and it's just simply a function of everyone looking at this as a major opportunity. If you saw yesterday, one of our big customers, Stellantis, talking about this. I don't know any customer who doesn't talk about his electrification strategy and they can't handle all of this themselves so they all come and see who is willing to do it, and then it becomes a competition issue.

You saw what others said about this. We have, so far, not talked about the order backlog that we have, but the numbers that you saw from Vitesco and also from Valeo are not very different from what I have in front of me. Let's see what the second half is going to bring. We will, in any case, continue with our strategy to be selective and do the things that make sense for us and also make sense for the customer.

Christoph Laskawi, Deutsche Bank

Thank you.

Klaus Rosenfeld

You're welcome.

Michael Punzet, DZ Bank

Michael Punzet, with DZ Bank. Good morning. I have two questions. First one, can you give us an update for the expected special items in the second half? The second one is once again on Electro-Mobility. After all the announcements by big OEMs, do you feel comfortable with your scenario 2030, with the engine mix of 30-40-30 or do you think it could be reached earlier or do you think you have to change your scenario?

Klaus Rosenfeld

We just had our strategic dialogue and I think for 2030 that is probably still globally, and you have to differentiate between the different markets, still not a bad guidepost. What I have to say is in the past we thought that this would be an aggressive scenario to push also the organization to that direction.

At the time, when this was decided, everyone said that's probably a little bit too far off. Now, it's a normal scenario and I think when you talk about E-Mobility, we now have to think about again globally not so much 2030 but 2035. We have not finally articulated this but there the share of BEV will increase, and we will definitely adapt to this as we speak.

So far, no new scenario communicated but clearly a further increase of the share of BEV to be expected, maybe also to the detriment of the HEV area because we all know it and have discussed it that HEV is a bridge technology. It's an important bridge technology and the customer will decide how long he is going to drive these kinds of cars, but the BEV share will, from my point of view, towards 2035 further increase.

Michael Punzet, DZ Bank
Thanks. With regards to the special items you expect for the second half?

Klaus Rosenfeld
Special items, sorry. I don't expect any major special items in the second half. We have, as you know, done our restructuring provisions last year. The program is being concluded and finalized. We will revisit certain provisions. Certainly, you saw that we released a little bit. It could also happen that this is the case in the second half but, again, that's premature. Any other extraordinary cases, legal cases or whatsoever are not expected so far, so that should not be a big impact on the net income figure.
Again, you need to differentiate here between the adjustments for EBIT and the adjustments for Free cash flow. As I indicated before, the underlying Free cash flow will be certainly reduced by a continued restructuring payout in the area that I've mentioned, whatever it is, 130-140 in the second half of the year.

Michael Punzet, DZ Bank
Thank you.

Klaus Rosenfeld
You're welcome.

Sanjay Bhagwani, BofA Merrill Lynch
Hi. This is Sanjay Bhagwani, from Bank of America. Thank you very much for taking my questions as well. I've got three questions. My first one is on raw material price inflation. I think I missed your point. What sort of margin headwinds are you budgeting for in H2? Is that a gross impact or net impact? How should we think of the raw material price headwinds for H1 next year given that most of the peak prices which were in April and May, they are going to be likely to flow into H1 next year. Is that fair to say? That's my first question.

Klaus Rosenfeld
Sorry, that I didn't bring this across in a way that you could understand it. My first point is here if you look at the market price, the market price dramatically increased towards the end of Q1 and beginning of Q2. We're talking about if you take hot rolled steel in Europe. We're talking about something in the area of EUR 400-500 per ton, what is a number that we have never seen before. That price is already coming down and we're expecting that it normalizes towards the end of the third, beginning of the fourth quarter, somewhere, maybe EUR 100 more in total.

If you now look at it and ask yourself what's the impact of such a price increase of such a spike on us, you first always have to acknowledge that we try to buy steel on a forward basis, so we lock in prices normally with a six to nine-month tenor. That means that the prices that were part of our production cost were prices from the past and didn't have this big impact that I just mentioned from the market in Q1/Q2.
That will roll in in the second half and I always said the net impact, so after scrap and after price mitigation aspect in the second half, will be somewhere in the three-digit million number starting with a one. If I translate this into a margin, that can easily make two percentage points in gross profit for the half and that's a fact that we cannot really deal with.
What is very important in such a situation is that you don't lock in these prices again for six to nine months. That was my second comment. We have stopped then doing forward price strategies for these kinds of periods and have said we lock in that a very shorter period and that will also then help to mitigate the impact in the first half 2022.
On top of this, again, some of our contracts, nearly a third to 40% have price flex clauses and the colleagues have been told that they need to negotiate now with the OEMs price increases for material. That is also an impact that you cannot fully synchronize with market price increases and that will also somehow help to mitigate price increases in higher material cost in the first half of 2022.
So, it's a temporary impact. It will hit the second half. It is part of our forecast and our guidance at a certain level and we have our countermeasures in place to mitigate the impact as far as possible.

Sanjay Bhagwani, BofA Merrill Lynch
Thank you very much. This is very helpful. My second question is as a follow-up on the Aftermarket. If you could provide some color on the one-offs that you recognized in Q2 in Aftermarket.

Klaus Rosenfeld
The Aftermarket, as I said, had a positive one-off. We simply got from this AKO project a reimbursement payment with a smaller two-digit million number. That clearly helped to improve the EBIT margin. That will not happen again. But, even apart from that, the business is running well. It's also running well into the third quarter. There's a backlog of orders that we need to work through. That's also why the availability of steel was so important for us and we raised guidance here because we think that this impact will also help us in the third quarter.

Sanjay Bhagwani, BofA Merrill Lynch

Thank you very much. My final question is again a follow-up on the M&A. If you could please update us on your M&A plans going forward?

Klaus Rosenfeld

Again, as we've always said, the M&A strategy, as such, is unchanged. We've always said selective bolt-on acquisitions that make sense from a technological point of view in the smaller areas. We have not changed it, but we have also demonstrated with the Dodge auction and our participation there.

If there is something interesting, if there is something that makes strategic sense, if it is affordable and fits into our parameters then we definitely will look at this again. There's a lot going on. The fact that we participated there has obviously stirred interest from a variety of parties, so we get more inquiries than we ever got before.

But, again, we will remain selective and I'm only going to support things that are robust and solid enough to support our strategy. Again, I think for Schaeffler it is important to have this resilient mix of Auto and Industrial sectors. That's the strategy going forward and if there would be a second Dodge, we would certainly look at this, but it was a rare asset, very profitable. We will continue to look at opportunities but certainly not at any price.

Sanjay Bhagwani, BofA Merrill Lynch

Thank you very much, gentlemen. That's very helpful.

Klaus Rosenfeld

You're welcome.

Operator

There are no more questions at this time. I would like to hand back to the speakers for closing comments.

Klaus Rosenfeld

Then, thank you very much. We made it in time. Again, interesting times. The summer break is, hopefully, for all of you not over but starting and the second half will be interesting, challenging but also something where we can show our strength.

I think with this first half we are very well-equipped to deliver a solid result for 2021. We look forward to the years to come. I'm optimistic that with our set-up we will have a very fair chance to continue our path to turn Schaeffler into a high-class company.

Many thanks for your support for listening and we all see you soon for either meetings at the roadshows or at our next earnings release. Thanks a lot. Enjoy your summer breaks and stay tuned. Thanks. Bye-bye.

Backup

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IR Contact

Investor Relations
Phone: + 49 9132 82-4440
Email: ir@schaeffler.com
Web: www.schaeffler.com/ir

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Key figures Q2 and H1 2021

in EUR mn	Q2 2020	Q2 2021	Q2 2021 vs. Q2 2020	H1 2020	H1 2021	H1 2021 vs. H1 2020
Sales	2,291	3,454	+50.8% / +50.6%[1]	5,572	7,014	+25.9% / +27.4%[1]
Gross Profit	322	843	+521 mn	1,111	1,800	+689 mn
Gross margin	*14.1%*	*24.4%*	*+10.3pp*	*19.9%*	*25.7%*	*+5.8pp*
EBIT[2]	-159	319	+478 mn	54	722	+668 mn
EBIT margin[2]	*-6.9%*	*9.2%*	*+16.1pp*	*1.0%*	*10.3%*	*+9.3pp*
Net income[3]	-175	227	+402 mn	-361	463	+824 mn
EPS[4] (in EUR)	-0.25	0.35	+0.60	-0.53	0.70	+1.23
Schaeffler Value Added[5]	-183	681	+864 mn	-183	681	+864 mn
ROCE[6]	7.8%	18.7%	+10.9pp	7.8%	18.7%	+10.9pp
Free Cash Flow[7]	-285	113	+398 mn	-148	243	+391 mn
Capex	136	136	+0 mn	300	268	-32 mn
Net financial debt	3,002	2,228	-774 mn	3,002	2,228	-774 mn
Leverage ratio[8]	1.8x	0.9x	-0.9x	1.8x	0.9x	-0.9x
Headcount	84,223	83,945	-0.3%	84,223	83,945	-0.3%

[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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Ancillary comments to support the Equity Story

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 700 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]	**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 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

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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

Automotive Technologies – Strong outperformance across all regions, strong EBIT margin[2]

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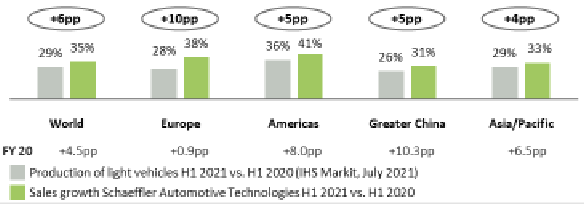
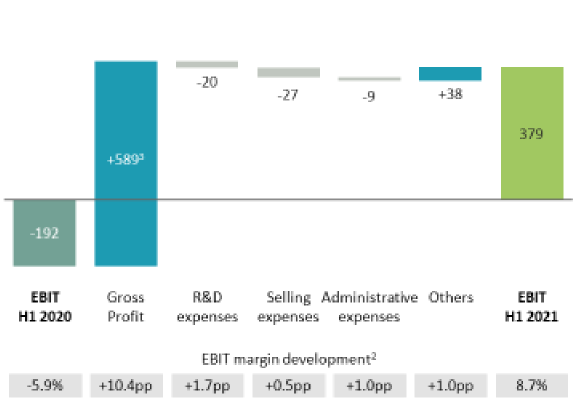
Sales by business division | yoy growth

	H1 2020	H1 2021	Δ[1]
E-Mobility	435	610	+41.2%
Engine Systems	860	1,117	+32.7%
Transmission Systems	1,450	1,958	+38.0%
Chassis Systems	520	680	+32.4%
Total	**3,264**	**4,365**	**+34.9%**

Outperformance: Sales[1] vs. market development in H1



EBIT[2] H1 2020 vs. H1 2021 | in EUR mn



[1] FX-adjusted | [2] Before special items | [3] Includes negative FX effects of EUR -4 mn

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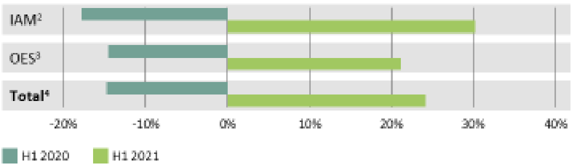
Automotive Aftermarket – Positive sales development, EBIT margin[5] above prior year

Sales by region | yoy growth

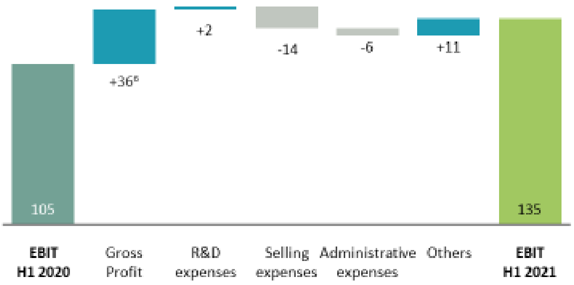
	H1 2020	H1 2021	Δ[1]
Europe	541	644	+20.0%
Americas	137	169	+38.8%
Greater China	35	51	+44.6%
Asia/Pacific	34	48	+46.3%
Total	**748**	**911**	**+24.2%**

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

EBIT[5] H1 2020 vs. H1 2021 | in EUR mn



EBIT margin development[5]

14.0%	-2.1pp	+0.4pp	+0.9pp	0.0pp	+1.6pp	14.8%

[5] Before special items | [6] Includes negative FX effects of EUR -8 mn

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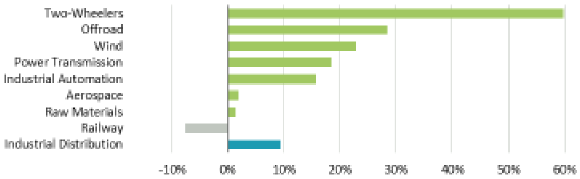
Industrial – Double-digit growth driven by Greater China, strong EBIT margin[2]

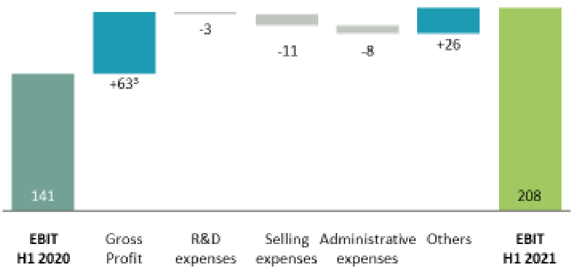
Sales by region | yoy growth

	H1 2020	H1 2021	Δ[1]
Europe	678	699	+3.5%
Americas	269	285	+14.1%
Greater China	407	507	+26.8%
Asia/Pacific	207	247	+24.2%
Total	**1,560**	**1,738**	**+13.3%**

Industrial sales growth by sector cluster H1 2021[1]



EBIT[2] H1 2020 vs. H1 2021 | in EUR mn



EBIT margin development[2]

9.0%	+0.7pp	+0.3pp	+0.6pp	0.0pp	+1.4pp	12.0%

[1] FX-adjusted | [2] Before special items | [3] Includes negative FX effects of EUR -15 mn

Free Cash Flow details H1 2021 – FCF supported by strong operational performance

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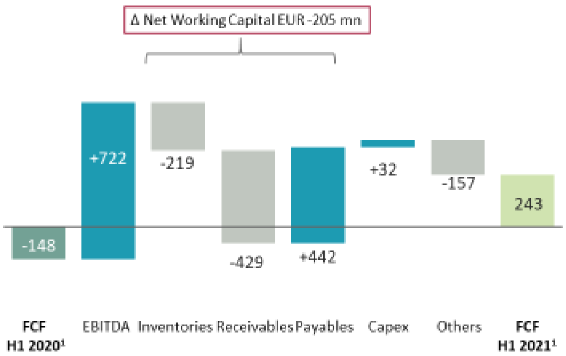
FCF[1] H1 2020 vs. H1 2021 | in EUR mn



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

Key aspects

- Positive EBITDA development yoy due to good operating performance across all three divisions
- Net Working Capital negative with EUR -205 mn mainly due to cash outflows from payables and inventories in Q2
- "Others" mainly related to cash-outs for the voluntary severance scheme in Germany, launched in 2019 and for the Restructuring Program announced in Sep 2020

Net Working Capital details| in EUR mn

Change in	Q2 2020	Q2 2021	*Δ Q2 21/20*	H1 2020	H1 2021	*Δ H1 21/20*
Inventories	2	-173	-175	-148	-367	-219
Receivables	255	41	-214	331	-98	-429
thereof R. Sale Program	*0*	*0*	*0*	*0*	*0*	*0*
Payables	-394	-46	+348	-332	110	+442
Δ Net Working Capital	**-137**	**-178**	**-41**	**-149**	**-355**	**-205**
Working Capital ratio[1]	*20.0*	*19.4*	-	*20.0*	*19.4*	-

[1] in % of sales (LTM)

Working Capital ratio 19.4% – Capex ratio 3.9% in Q2

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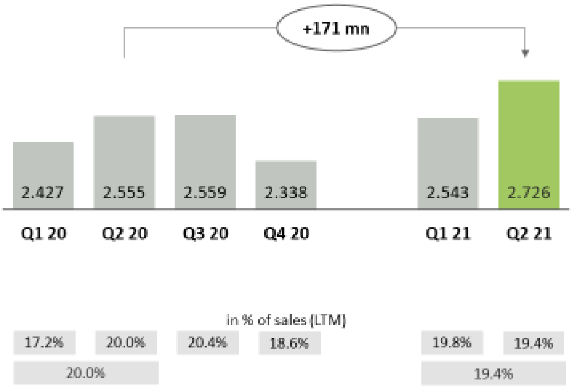
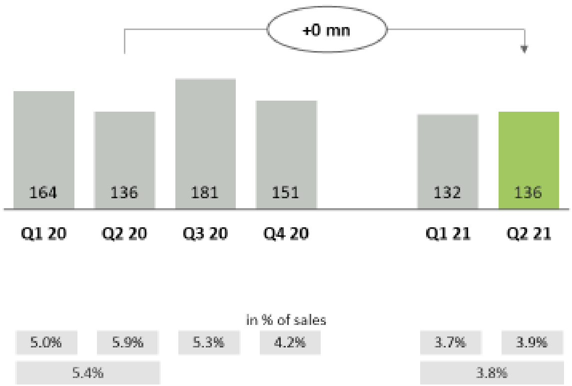
Working capital[1] | in EUR mn



[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: +5.7pp

	Q1 21 IHS[1]	Q1 21 AT[2]	Q1 21 Outper-formance	Q2 21 IHS[1]	Q2 21 AT[2]	Q2 21 Outper-formance
World	+15.5%	+15.8%	+0.3pp	+48.6%	+65.3%	+16.7%
Europe	+1.0%	+3.4%	+2.4pp	+83.9%	+116.2%	+32.3%
Americas	-2.9%	+6.0%	+8.9pp	+147.3%	+136.4%	-8.9%
Greater China	+79.0%	+74.3%	-4.7pp	-3.3%	+3.3%	+6.6%
Asia/Pacific	+4.9%	+13.6%	+8.7pp	+78.6%	+62.5%	-16.1%

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, July 2021 | [2] FX-adjusted sales growth of Automotive Technologies division

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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	Q2 21
Sales	3,281	2,291	3,391	3,626	3,560	3,454
Sales Growth[1]	-9.3%	-34.5%	-2.8%	+4.5%	+11.2%	+50,6%
EBIT Reported	-90	-144	-188	274	388	355
EBIT bsi	212	-159	322	422	403	319
EBIT bsi margin	6.5%	-6.9%	9.5%	11.6%	11.3%	9.2%

Automotive Aftermarket | in EUR mn

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

Automotive Technologies | in EUR mn

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

Industrial | in EUR mn

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

[1] FX-adjusted

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Overview Corporate and Financing Structure

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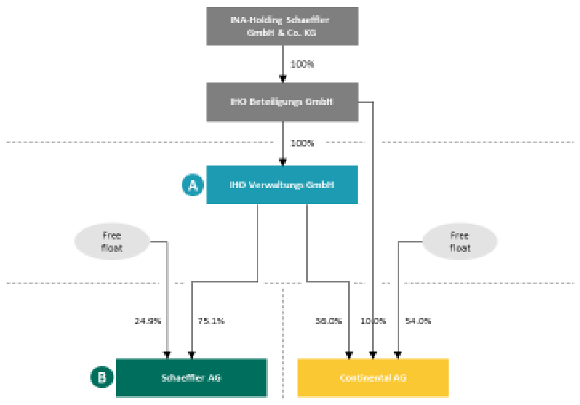
Corporate structure (simplified) | as of June 30, 2021



Financing structure | as of June 30, 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+2.75%	Dec-24	Not rated
	Bridge Facility (EUR 400m)	-	0	E+3.00%	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	421	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	379	6.00%	May-27	BB/Ba2/BB-
	6.375% SSNs 2029 (USD)	400	337	6.375%	May-29	BB/Ba2/BB-
	Total IHO Verwaltungs GmbH		**3,387**	**Ø 3.78%[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	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 = 1.1884 | [2] After cross currency swaps | [3] Incl. commitment and utilization fees

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Backup 2

Backup 2
–
Additional information

Backup

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Semiconductor shortage – Evaluation and impact on our business

1. We have a balanced customer portfolio in Light Vehicles and Heavy Duty, but the semiconductor shortage is hitting the market across the board
2. According to industry sources, and to our own evaluation, the supply of semiconductors will not recover before Q4/2021 and might even continue in 2022
3. Schaeffler exposure to semiconductor shortage is low on the inbound material side; IHS estimates the negative impact on light vehicle production with 5 mn vehicles for 2021
4. We support sector initiatives to increase in the mid-term the reliability of sourcing of strategic components

An industry-wide, not company-specific issue

Backup

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FY 2021 Guidance – Confident outlook, cautious approach

Group Guidance

	Actuals H1 2021	New Guidance FY 2021
Sales growth[1]	27.4%	**> 11%**
EBIT margin[2]	10.3%	**8 - 9.5%**
Free Cash Flow[3]	> EUR 300 mn	**> EUR 400 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 H1 2021	New Guidance	Actuals H1 2021	New Guidance	Actuals H1 2021	New Guidance
Outperf. 570 bps	**Outperf. 200 - 500 bps**	24.2%	**> 10%**	13.3%	**9 - 11%**
8.7%	**> 6%**	14.8%	**> 12.5%**	12.0%	**> 10.5%**

New market assumptions for Fiscal Year 2021

- Automotive Technologies: Increase of LVP of around **9%** as cautious estimate considering further possibilities of disruptions and volatility
- Automotive Aftermarket: Increase of global GDP by around **6%**
- Industrial: Increase of relevant industrial production of around **12%**

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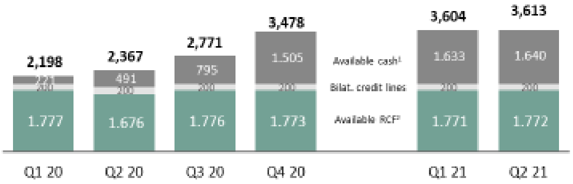
Liquidity position of EUR 3.6 bn at the end of June 2021

Liquidity

- Cash balance Schaeffler Group as per end of June 2021 EUR 1,810 mn (December 2020 EUR 1,758 mn)
- Committed unused credit lines on Group level of almost EUR 2.0 bn as per end of June 2021, available liquidity[1] 26% of LTM Net Sales

As of June 30, 2021 | in EUR mn



Available liquidity in % of LTM Net Sales

Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
16%	19%	22%	28%	28%	26%

[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 30 June 2021: 4 years 3 months

As of June 30, 2021 | in EUR mn