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Schaeffler Group Industrial Roadshow

Dr. Stefan Spindler, CEO Industrial Division
March 31st, 2022

We pioneer motion

Agenda

- 1 Overview – Schaeffler Group and Industrial Division
- 2 Industrial Division - Where we play & How we win
- 3 How we create value

1

Overview – Schaeffler Group and Industrial Division

Schaeffler Group Roadmap 2025 – Building on our strong foundations and innovating as diversified Automotive and Industrial Group

Automotive Technologies

Mature

We **HARVEST** with our enabler-Technologies

We **EXIT/DIVEST** expiring businesses & consolidate our footprint

New

We **BUILD** Competencies in Power Electronics & Hydrogen

We **GROW** in Electrified Powertrains

We drive the transition to innovative propulsion and chassis technologies, to conquer leadership positions in New Business

Automotive Aftermarket



Platform business

- One-stop-shop
- Consolidated distribution



Advanced repair solutions & services

- Plug & Play solutions
- Also available for hybrids



Wheel bearings for passenger cars

- Independent of drive train
- High-performance parts

We capture growth opportunities in new markets and maintain a high margin level

Industrial

Driving innovation with systems and services

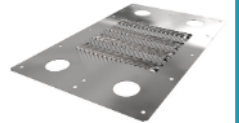
Robotics solutions



Wireless condition monitoring



Hydrogen solutions



Pushing growth in our core business

Large-size wind bearings



Rail bearings



Linear technology



We further build on our profitability track record, while entering in promising new technologies

Strong performance in FY 2021 – Strong FCF and contribution by all divisions

Key messages FY 2021

- 1** FY Group sales¹ +9.7% – Good Outperformance in Automotive Technologies, double-digit growth in Aftermarket and Industrial
- 2** FY EBIT margin² 9.1% – Margin successfully protected in Automotive Technologies despite volatile market, Industrial margin reaching lower end of Mid-term Targets corridor with 12.0%
- 3** FY FCF³ EUR 523 mn – Higher EBITDA and disciplined Capex approach leading to strong Cash Flow generation
- 4** Roadmap 2025 – Restructuring program successfully closed, financial benefits expected in 2023/2024
- 5** Automotive Technologies – Operating Model sharpened; powertrain scenario further accelerated reflecting faster BEV adoption
- 6** FY 2022 Guidance⁶ suspended due to high uncertainty and unpredictability

¹ FX-adjusted sales growth | ² EBIT margin before special items | ³ Before cash in- and outflows for M&A activities | ⁴ Proposed dividend per common non-voting share | ⁵ in % of Net inc. attributable to shareholders before sp. items | ⁶ Guidance had been approved by the Executive Board on 22 February 2022

Sales

FY **EUR 13.9 bn**
+9.7%¹

EBIT

FY **EUR 1.3 bn**
9.1%²

Free Cash Flow³

FY **EUR 523 mn**

Dividend⁴

EUR 50 cents
Payout Ratio 44%⁵

Schaeffler Group FY 2021 – Highlights and lowlights



Automotive Technologies with good Outperformance of 400 bps in FY 2021; E-Mobility order intake EUR 3.2 bn, clearly ahead of our 2021 target (EUR 1.5 - 2 bn)



Automotive Aftermarket with strong sales development across all regions, profiting from increasing demand for individual mobility



Industrial with double-digit growth in all regions driven by a broad economic recovery; Melior Motion acquisition closed in February strengthens our Robotics business



Being an Automotive and Industrial supplier pays off, and leads to margin resilience; strong FCF for each division and the whole Group, despite persisting high volatility

¹ Light Vehicle Production



Semiconductor shortage led to extremely high volatility of LVP¹ volumes throughout FY 2021, indirectly hampering top line growth for Automotive Technologies across all regions



General market headwinds – Covid-19 variants and supply chain situation – impacted Q4 and are persisting, low visibility remains



Costs for raw materials, energy and transportation further increased throughout the year 2021

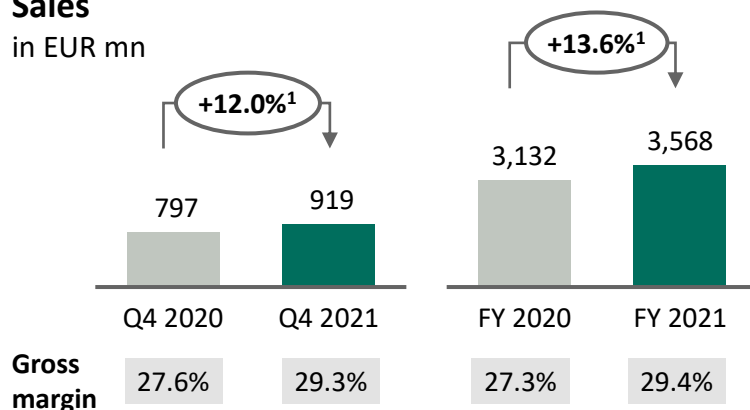


Global macroeconomic risks have increased due to the geopolitical situation leading to high uncertainty and unpredictability

Industrial – Double-digit sales growth, FY EBIT margin² at 12%

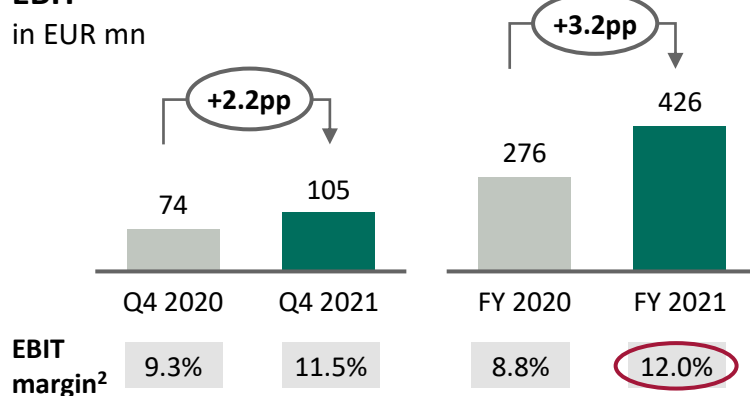
Sales

in EUR mn



EBIT²

in EUR mn



Broad economic recovery in 2021 – Some sectors growing up to nearly 30%. Double-digit growth across all regions



EBIT margin² significantly ahead of FY 2021 Guidance – Mainly driven by economies of scale and positive impacts of structural cost-saving measures



Melior Motion acquisition - closed in February - to further reinforce our Robotics business going forward



Aerospace and Railway with slight negative growth due to rather slow recovery from reduced mobility of passengers and freight transport due to Covid-19



Higher raw material, energy and transportation costs impacted recent quarterly result and are persisting

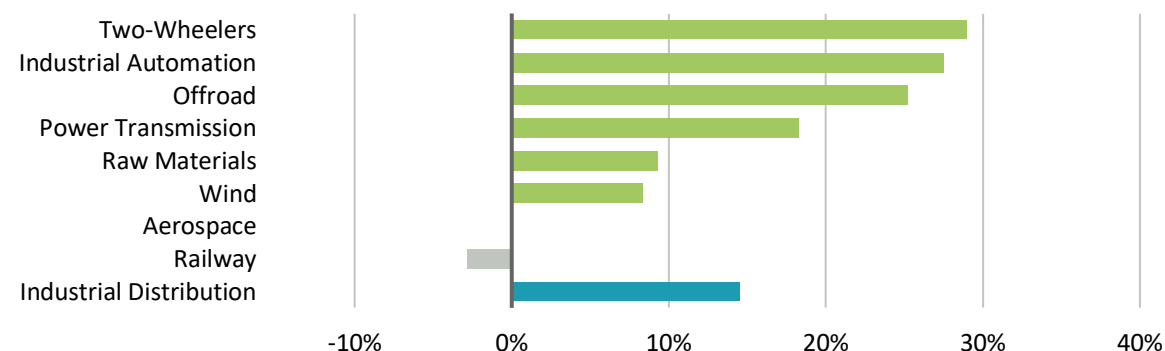
¹ FX-adjusted | ² Before special items

Industrial – Double-digit growth in all regions, strong EBIT margin²

Sales by region | yoy growth

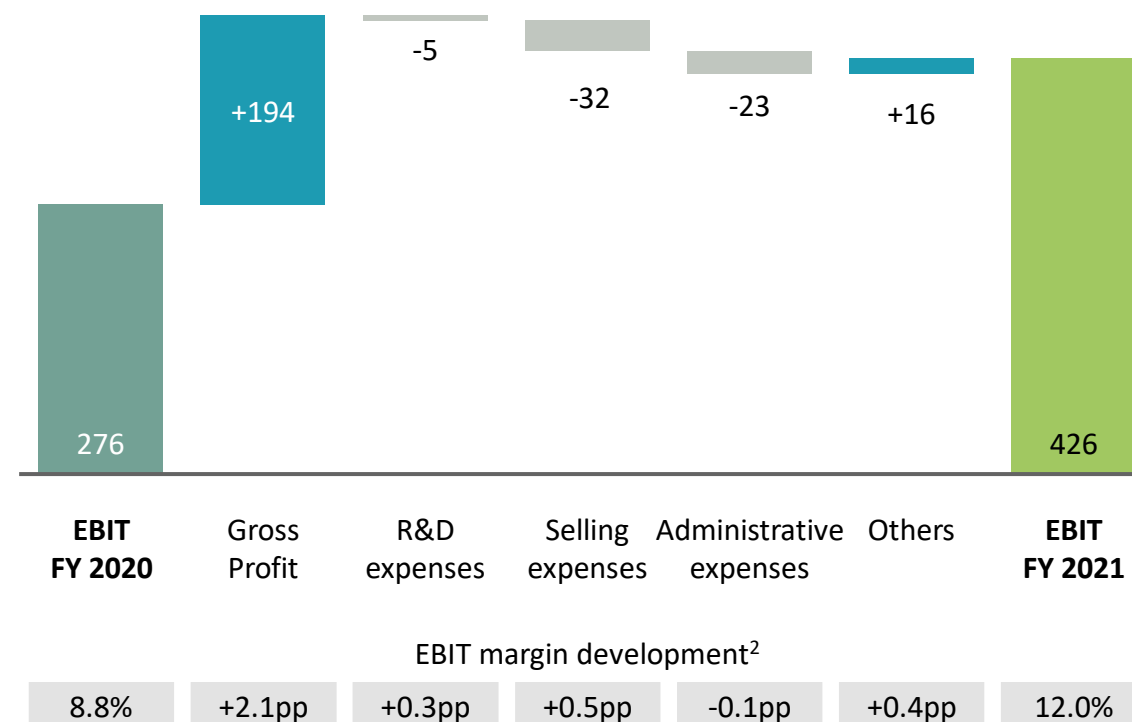
	FY 2020	FY 2021	Δ ¹
Europe	1,312	1,473	+12.3%
Americas	528	588	+13.8%
Greater China	840	982	+14.5%
Asia/Pacific	451	525	+18.3%
Total	3,132	3,568	+13.6%

Industrial sales growth by sector cluster FY 2021^{1,3}



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

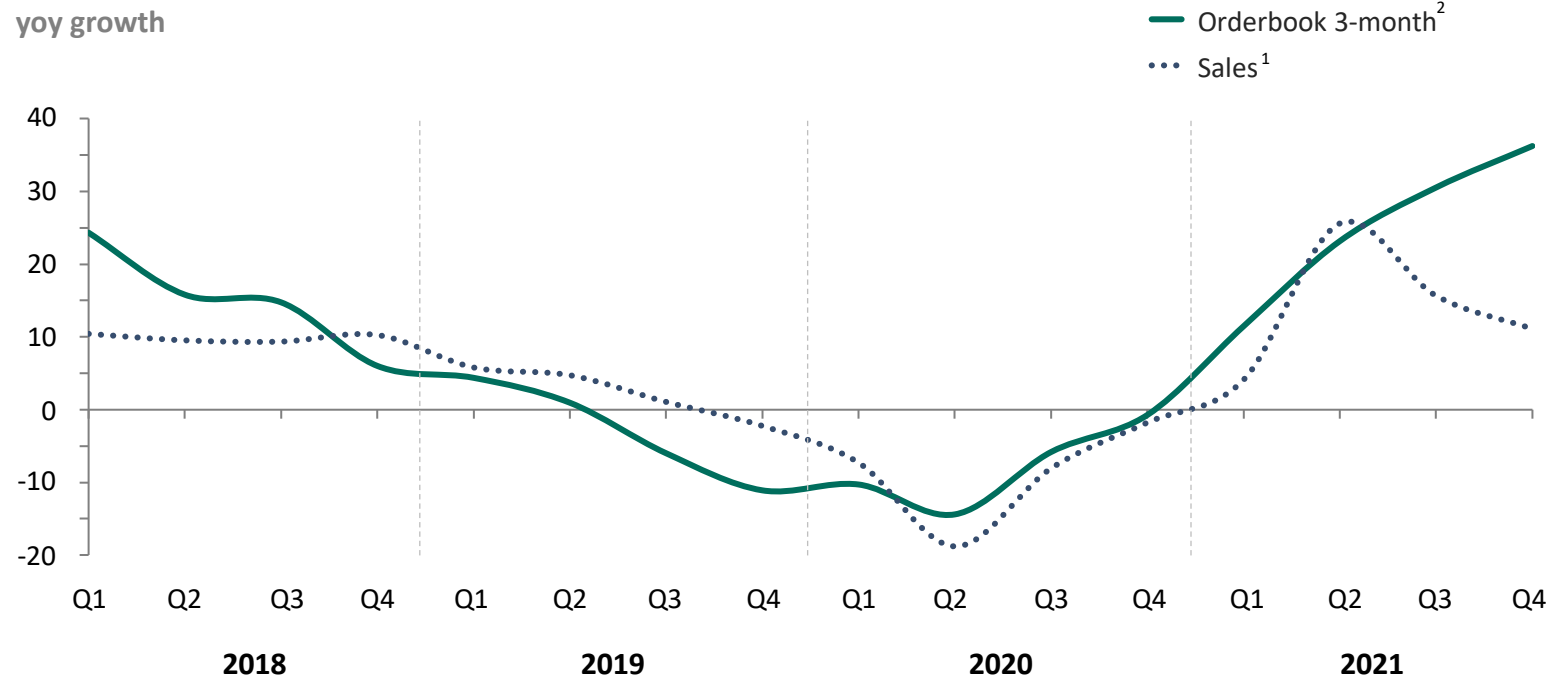
EBIT² FY 2020 vs. FY 2021 | in EUR mn



¹ FX-adjusted | ² Before special items

Industrial Orderbook – Promising prospects

Orderbook 3-month



¹ FX-adjusted product sales

² The order book 3-month measures the value of customer orders which are due in the next three months. It is presented as a relative, FX-adjusted yoy growth indicator which reflects the short-term business expectations. Developments in the distribution business have typically a shorter reach and are therefore only partially reflected by this indicator.

Key Aspects

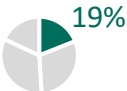
- In the Industrial division, the positive development of recent months continued
- Across all regions, order intake significantly above pre-COVID-19 level from 2019 indicating a positive sales trend for next months
- Highest contributions to orderbook from
 - Offroad based on strong growth in Agriculture and Construction Machinery
 - Power Transmission, mainly driven by Industrial Transmission, Fluid and Electric Motors
 - Industrial Automation with significant order volume from Machine Tools

2 Industrial Division – Where we play & How we win

4 market clusters – Strong regional business ownership

Market clusters

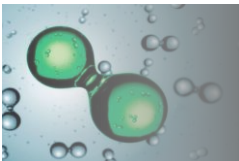
Renewables



EUR 680 mn¹
(+8.2%²)



Wind



Hydrogen as new sector cluster

Transportation & Mobility



EUR 1,087 mn¹
(+11.6%²)



Aerospace



Rail

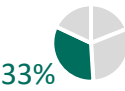


Offroad



Two-Wheelers

Machinery & Materials



EUR 1,165 mn¹
(+13.7%²)

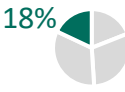


Power Transmission

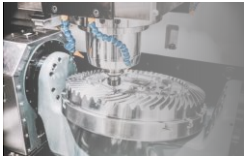


Raw Materials

Industrial Automation



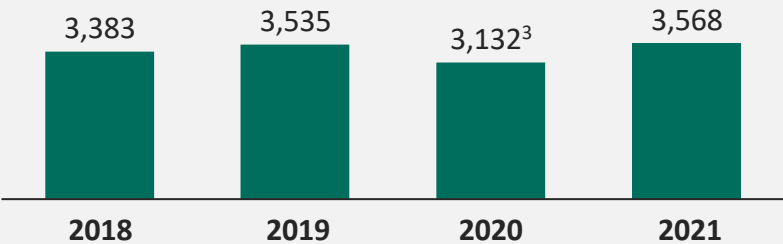
EUR 636 mn¹
(+23.8%²)



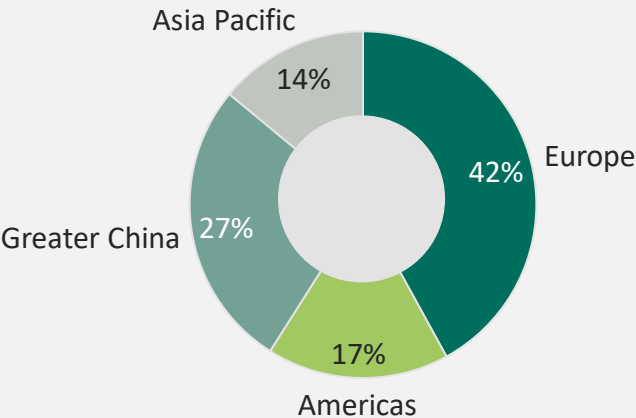
Industrial Automation

Industrial
Distribution share
of total sales: ~28%

Industrial sales development [EUR mn]



Industrial sales by region 2021

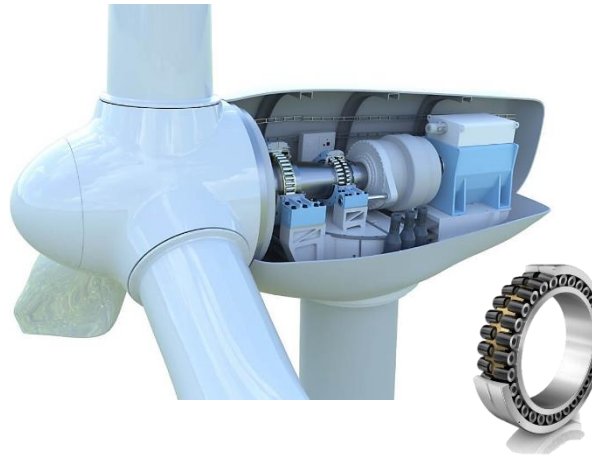


¹ Indicative sales split FY 2021 | ² Indicative FX-adjusted sales growth FY 2021 | ³ Restated

1 Market Cluster Renewables – Strong fundamentals of the market, confirming growth potential

Market Drivers Renewables

- Growing demand for electricity and local energy resources
- Ambitious Climate Targets combined with rising CO₂-cost
- New production technologies
- Increasing cost competitiveness

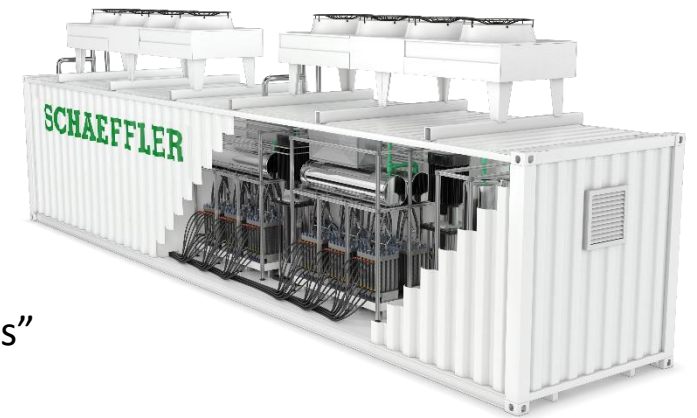


Wind energy

- Schaeffler bearings in every ~2nd wind turbine globally
- Core business portfolio complemented by Condition Monitoring offerings

Hydrogen

- Launch of Electrolyzer Stacks as “heart of electrolysis” in 2022
- Consortium lead for sub-project “Stack Scale up – Industrializing PEM Electrolysis” of the H2Giga hydrogen flagship project



2 Market Cluster Transportation & Mobility – Well positioned with diversified products and services

Market Drivers Transportation & Mobility

- Increasing passenger mobility and freight transportation
- Transformation to e-mobility and electrification
- Automation and digitalization of high-end mobile machinery
- Rising life cycle management



Comprehensive portfolio

- Strong growth with standardized bearings, specialized bearings and sensorized modules
- Portfolio extension with new products for e-mobility and electrification

Circular economy

- 100% return service for Rail wheelset bearings
- Certified reconditioning processes for Aerospace engine bearings



3 Market Cluster Machinery & Materials – Growing demand for sustainable, resource-saving solutions

Market Drivers Machinery & Materials

- Growing demand for aggregates used for renewable energies
- Ongoing infrastructure expansion
- Increasing spreading of electric motors with improved efficiency
- Rising agriculture and construction machinery



Value-adding service solutions

- Holistic services over the entire product lifecycle to increase uptime, efficiency and sustainability of operations
- Globally available expert team supporting customers in performance optimization

Serving multiple industries

- Engagement in diverse sectors with leading market positions
- Bearing solutions across all requirements, from standard to high-performance products



4 Market Cluster Industrial Automation – Harnessing the rapidly increasing digitization and automatization

Market Drivers Industrial Automation

- Increasing digitization and automatization of production
- Increasing cost pressure
- Platform strategies and standardization for autonomous production
- Higher safety and sustainability requirements



Innovative products

- Expansion of mechatronic solutions such as highly efficient rotary drives
- Innovative recirculating roller bearing and guideway assembly with low stroke pulsation and low friction for high positioning accuracy

Robotics

- High-performance components and system assemblies, focusing on applications in lightweight robots and cobots
- Portfolio extension by planetary gearboxes from strategic acquisition of Melior Motion



3

How we create value

Sustainability – All 2021 targets achieved, sustainability is a strategic priority

Energy



Key for achieving climate target for in-house production (Scope 1/2)



Energy Efficiency:

Verified annual Energy Efficiency gains of cumulated 47 GWh



Renewable Energies:

All European production sites have been purchasing 100 percent of their electricity from renewable sources since 2021 (Germany since 2020)

Employee Safety



Employees play a key role for the company's success



Reduced Lost Time Injury Rate:

Reduced to 3.9 (prior year: 4.6), that means a drop by at least 10 % for the fifth year in a row

Supplier Base



Key for achieving climate target for supply chain (Scope 3 upstream)



Sustainable procurement:

Covered 69% of purchasing volume of production material with sustainability self assessments (prior year: 31%)

We are strongly committed on making Schaeffler a climate-neutral company

Outlook – Further building on our profitability track record, while entering in promising new technologies

- 1 Strong FY 2021 – Broad economic recovery continued to benefit our performance in Q4 – Most sectors growing double-digit. EBIT margin¹ significantly ahead of FY 2021 Guidance. Strong start in Q1 2022, however FY 2022 Guidance suspended
- 2 Four new Market Clusters Industrial – providing a more comprehensive picture. Industrial Distribution allocated into the market clusters to yield higher consistency
- 3 Strong secular trend supporting the organic growth in our core business of standardized and specialized bearings
- 4 Portfolio expansion – Melior Motion acquisition, closed in February, to further reinforce our Robotics business going forward. Industrial Division in focus for further bolt-on technological M&A
- 5 Continued focus on footprint optimization and cost discipline – building on our successful restructuring track record in Industrial

¹ Before special items



**Diversified portfolio
with strong growth
potential**

We pioneer motion

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We pioneer motion

Schaeffler Group signed the acquisition of Melior Motion – Further reinforcing our robotics business

Melior Motion

Manufacturer of high precision gearboxes for industrial robotics and other applications

~ EUR 23 mn revenues

FY 2021

More than 100 employees

FY 2021



Transaction details

100% cash financed

Multiple in line with the market

Closing expected in Q1 2022



Integration model

Acquisition of 100% of the shares of Melior Motion

Full integration within the Industrial Automation business unit

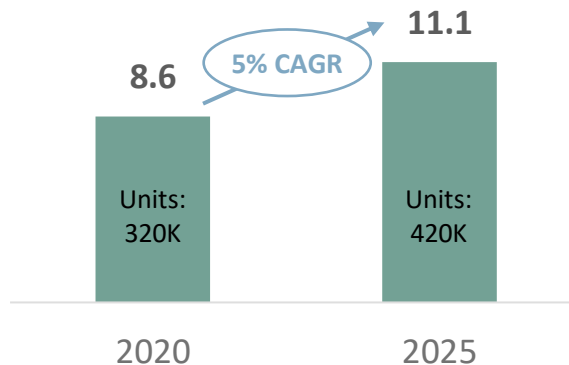
Melior Motion – Cutting-edge product technology for the high-growth industrial robots market

Melior Motion PSC Planetary Gear



Industrial robotics market

in USD bn | Source: Interact analysis 2021



- 1 Innovative planetary gear technology with leading metrics in accuracy, efficiency and torque density for medium- and high-payload robots
- 2 Growth story, exposure to the large and attractive (European and Chinese) industrial robots markets
- 3 Fast-growing demand driven by increasing automation across several industries, gearboxes account for 10% of robot price on average
- 4 Highly experienced and dedicated management and teams with a strong track record in the gearbox industry

Compelling acquisition, paying into Industrial Division and Schaeffler Group Roadmap 2025

- 1 With the acquisition of Melior Motion, Schaeffler Industrial Division enters the industrial robots market, complementing its presence in light-weight robots and cobots
- 2 Leveraging the Industrial Division's strong industrialization expertise and distribution network, the deal enhances the value proposition to customers in the robotic space
- 3 This attractive bolt-on acquisition fits with our focused Capital Allocation framework and disciplined M&A Strategy
- 4 The acquisition of Melior Motion enables the Industrial Division to accelerate the execution of its Roadmap 2025 and further reinforces the Automotive + Industrial Schaeffler Group value creation



**We further build
our ecosystem**