COMMENTED SLIDES / SCHAEFFLER AG TO ACQUIRE EWELLIX

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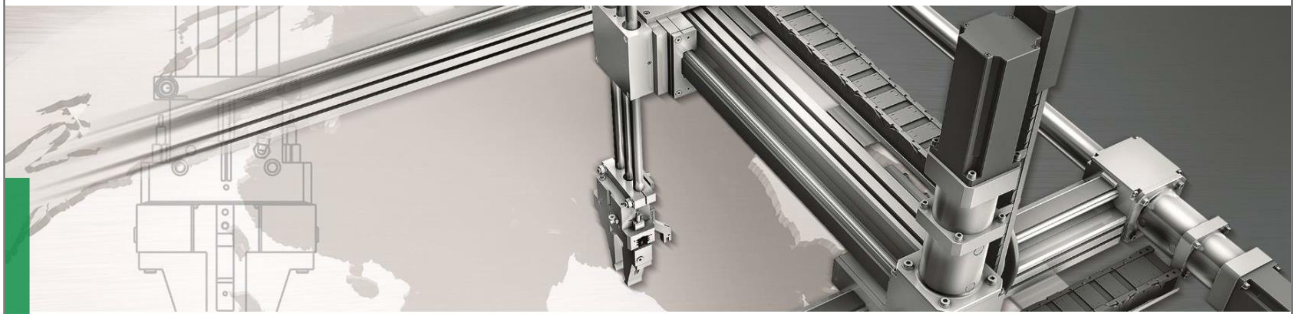

Schaeffler Group to acquire Ewellix

July 25th, 2022

We pioneer motion

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Klaus Rosenfeld, Group CEO
Claus Bauer, Group CFO
Dr. Stefan Spindler, CEO Industrial
Renata Casaro, Head of Investor Relations

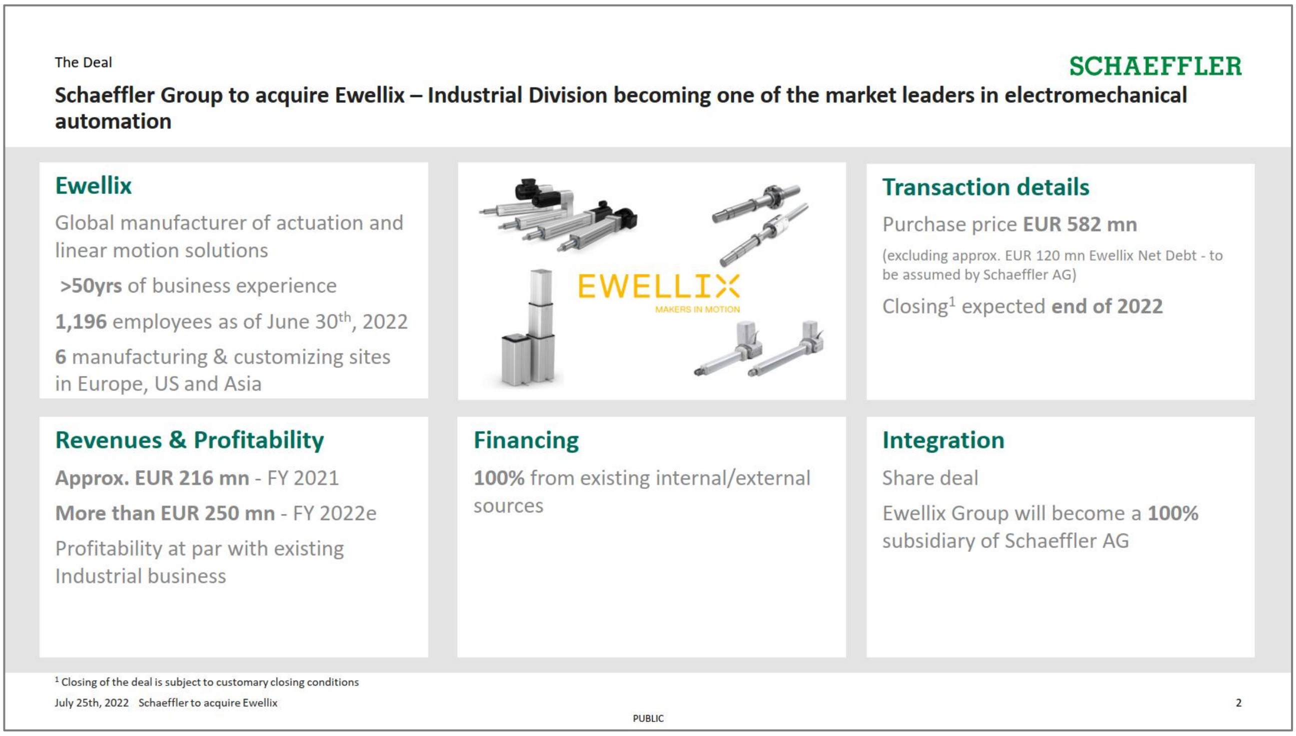
Conference Call (Active) Participants

Akshat Kacker, *J.P. Morgan*
Richard Carlson, *Credit Suisse*
Sanjay Bhagwani, *Citi*
Michael Punzet, *DZ Bank*
Edoardo Spina, *HSBC*
Christian Aust, *Bernstein Autonomous*

Renata Casaro
Thank you very much, Francy. Dear investors, dear analysts, welcome to this short notice conference call with Mr Klaus Rosenfeld, CEO of the Schaeffler Group, Dr. Stefan Spindler, CEO of the Industrial Division, and Mr Claus Bauer, CFO of Schaeffler Group, and of course, also us, the IR team.

The purpose of this short call is to illustrate to you the acquisition, which was communicated with an ad hoc yesterday. The presentation, press release has been sent to you and uploaded this morning on our IR web page. Mr Rosenfeld will introduce the deal and hand over to Dr Spindler, who will illustrate to you the acquisition and its rationale. Within this short call, there will be the possibility to ask questions, and the conversation will be conducted under the disclaimer. Without further ado, I hand over to Mr Rosenfeld. Klaus, the floor is yours.

Klaus Rosenfeld
Thank you very much, Renata. Ladies and gentlemen, thanks for joining the call. As Renata said, we are thankful that you have joined to share the news on our latest acquisition to the Industrial division. We signed an agreement, as you read from the ad hoc statement, with Triton on Sunday to acquire Ewellix.



Klaus Rosenfeld

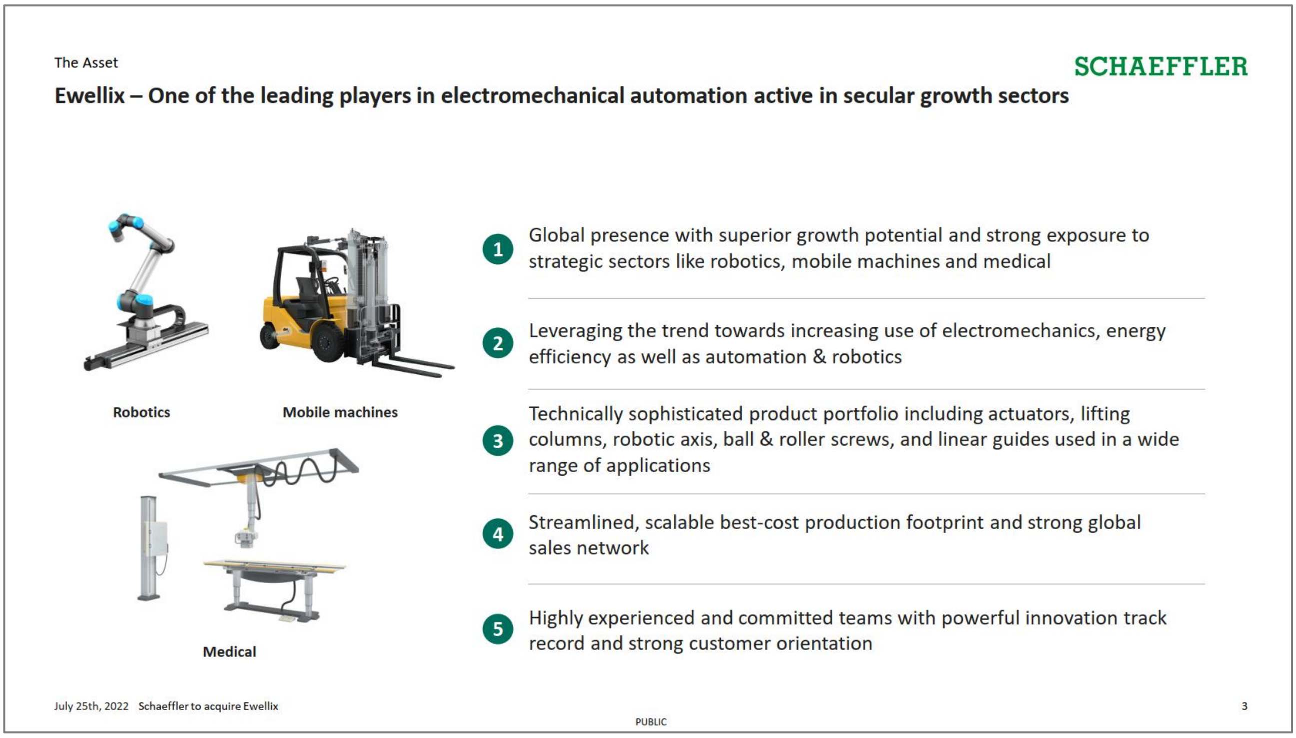
If you look at the first page of our little deck, page number two, you'll see that Ewellix is a global manufacturer of actuation and linear motion systems, with more than 50 years of experience in that sector, 1,200 employees, six manufacturing and customising sites in Europe, US, and Asia, headquartered in Sweden.

Stefan will explain the product and the strategic fit to you all in detail, so I will skip the middle section here and go to profitability and revenues. The company made, in 2021, approximately €216 million in revenues, and it’s expected to make €250 million in the year 2022. We said here, on this page, profitability at par with the existing Industrial business of Schaeffler, what does that mean? We are referring to our EBIT margin as a point of reference. The statement here means that they are more or less in line with what we produce. You know the numbers from the first quarter, you will see the numbers on the second quarter in a few days, and you also know what our Multi-Year Plan is, so you can use that as a benchmark. If you look for the EBITDA number, that is probably the better way to calculate whether this purchase price is acceptable or not, then we're talking something in the high teens area EBITDA margin 2022.

We agreed a purchase price of 582 million. This excludes 120 million of approximate Ewellix net debt that we will assume as part of the transaction. And closing is expected end of the year 2022. So, if you model this, I would suggest looking at the full year 2023. Going forward, we think that price is in a competitive environment, where such an asset is definitely scarce. It is a fair and equal market price. It was generated through a pretty tough auction that we won. And if you just do your maths, you will find that this is in line with comparative deals, and also with what is paid for businesses of this quantity.

We’ll finance the transaction 100% from existing internal and external debt sources. No capital increase needed, fully in line with our mid-term target of net leverage that we shared with you, 1.25 to 1.75. And in terms of transaction structure and integration, this a share deal, and that means we are acquiring 100% of the existing shares of Ewellix from Triton, and therefore Ewellix Group will become 100% subsidiary of Schaeffler AG. Let me summarise here, before I hand over to Stefan. As we told you in several calls, we have reached a level of profitability in the Industrial Division, where Stefan's business has clearly earnt the right to grow, not only internally, but also externally. This is an excellent growth opportunity for Schaeffler, and from my point of view as Group CEO, I am very much in favour of the acquisition, because it broadens and strengthens our Industrial Division.

It also gives us, from the overall portfolio, more diversification. That's what we have always said, that M&A in the Industrial has priority. And therefore, this is what we promised, we delivered. And it will help us to make Schaeffler even stronger, even in this volatile environment. With that, ladies and gentlemen, I will hand over to Stefan for more details.



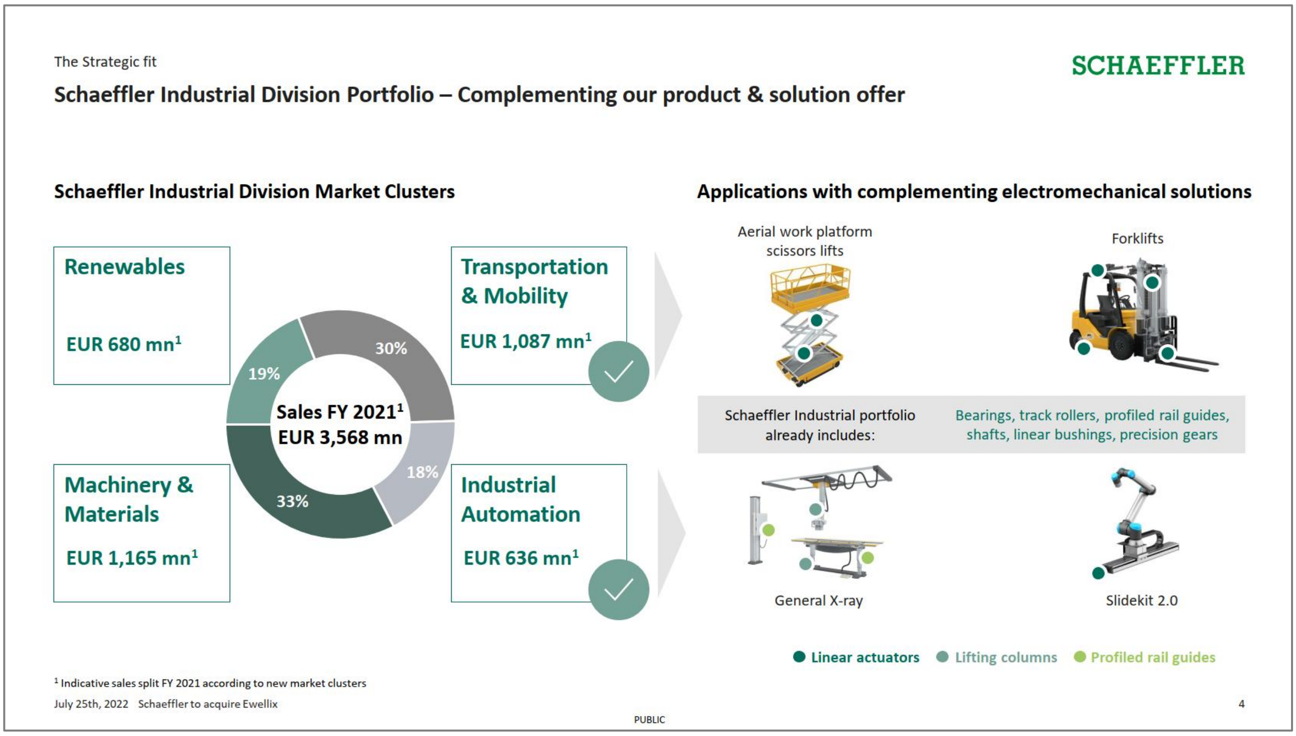
Dr. Stefan Spindler

Klaus, thank you very much, and hello to everybody on the call. I would like to show you just a couple of slides to explain in more detail who Ewellix is and why this company is so attractive. You see here one of the leading players in electromechanical automation, active in secular growth sectors. So, if we want to start with the sectors [IR note: robotics, mobile machines and medical], you can immediately figure out that those are sectors that have a sustainable growth path ahead of them.

We could also choose other sectors, like automated factory assembly, or also, food and beverage. In all these sectors, there is a trend towards electrification. So, electrification is not only happening when we're talking about electric drives for cars. There is also a lot of electrification happening in the industry. Why? Because with electromechanics, you can fulfil certain automation tasks, if you have the electricity available. And you can also do that in a very efficient manner. And therefore, the sectors are attractive, that's one area. And the second one is also the electromechanical automation, as I said, serving sustainability requirements and also serving automation requirements. And I'll come to what do these electromechanical components do, and why do we need their function in all these machines on the next page. But let me start with just explaining here, a couple of these bullet points.

Ewellix is a global player. Obviously, the strongest region is Europe, but also, a very good setup in both America and Asia. And the portfolio is a sophisticated product portfolio, technically, and we have convinced ourselves that there is a strong team behind that has invested a lot into R&D, and also, into application technology. And you'll see some of the products listed, and I'll show you examples on the next page.

What has happened since Triton has taken over Ewellix, the former SKF Linear, in 2018, the company has invested a lot into consolidating smaller sites in high-cost countries into lower cost footprint sites. And basically, done a very good job in cost improvement, and also, invested in the global sales network. The team consists of roughly 1,200 people worldwide. A very good innovation track record. Very strong customer orientation, and something where we are saying this team has done an excellent job over the last years. And we want to use the momentum, and basically, let them execute on their plan, which is very aggressive and positive.



Dr. Stefan Spindler

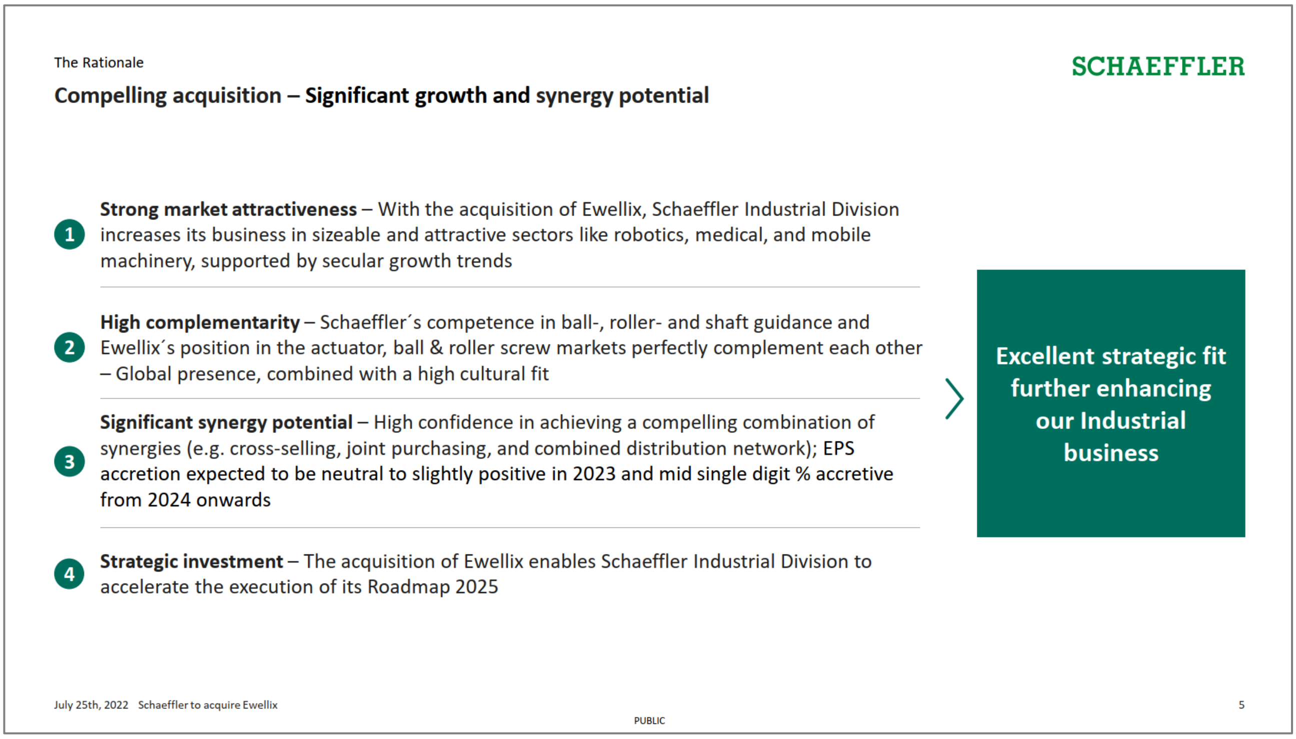
So, coming to the next page, and this is now the story, where are we today in industry and why does this company fit very well to us. We are showing the market clusters in the Industrial Division, in these four market clusters, Renewables, very good things happening there, also in general Machinery and Materials. But when we look on the right-hand side, transportation and mobility, and also, Industrial automation, that's where you see the checkmark.

And that means those are the sectors where Ewellix is becoming mainly relevant, and I want to start with the bottom. You see, again, the two examples from the medical and from the robotics area. And you'll also see in the middle here, what the Schaeffler Industrial portfolio already includes, and then you see bearings, track rollers, up to precision gear. So, that means we are, in the majority of these sectors, present with our existing portfolio, and now we have an additional portfolio, which we can offer to the market.

And you can see, with the different coloured dots, where do we talk about actuators, columns, or also, rail guides. Basically, in order to move a piece of machinery upwards, downwards from A to B, you need linear motion. And basically, this consists of a mechanical drive, driven by an e-motor, and the e-motor and the mechanical drive connected by a gearbox, and then also, adding sensors.

And by that, you can figure out that it's not just a simple component, which you take from a catalogue and sell. It's a highly engineered component, and the component will look different when you go into a medical application than if you go into a forklift application. And the thing that Ewellix has managed very well is to have a modular program, which has certain core elements, which are always kept the same, in order to get scalability. But on the other hand, to manage the application engineering and find the best fit for these applications.

And then when you look upwards on the scissor lifts, everybody knows these are platforms that you move up and down. They're very often used in enclosed buildings. And the more things are happening in enclosed buildings, the more people want to get away, for example, from hydraulics and apply electromechanics. And that's a typical application, which is growing. Also forklifts, smaller ones used also in enclosed areas, and definitely, a real trend towards electromechanics.



Dr. Stefan Spindler

So, the story is that the combination of our existing portfolio, together with this portfolio, gives us a real stronger exposure to the markets and to the customers, which we are showing here as an example. And then, basically, summarising that, those are the items that I have tried to illustrate. It’s the market attractiveness. It's the fact that the portfolio is complementary. And when we look at the synergy potential, and I have basically said it on the footprint optimization side, Ewellix has done a very good job and they have found a very good setup.

They are now, basically, prepared for further growth with their footprint and with their investments that they have made on the production side. And we believe that by combining the sales efforts, and also, by finding the right cross selling approaches between our portfolio and the Ewellix portfolio, that will give us even a further acceleration of the business plan that Ewellix has.

And certainly, by combined purchasing, and also, using the combined Distribution network, there are good synergies possible. And, Klaus, I think you have said it, it will be accretive already in 2023, and the closing is expected for the end of the year, so 2023 is the first year where we will see really the effects of the combined effort. And with this, I hand back to you, Klaus.

Klaus Rosenfeld

Once again, thank you very much, Stefan. I think we are at the end of the deck, ladies and gentlemen, and we will go, without further ado, into your questions.

Q&A Session

Akshat Kacker, J.P. Morgan

Thank you. Good afternoon. Akshat from JPM. Three questions from my side, please. The first one on financials. Can you please talk about the profitability track record of this asset before the pandemic, and also in 2021? I'm just trying to see what was the track record over the last five years, just an overall summary.

The second question is on the long-term margin potential. In 2018, one of your competitors, Timken, bought a very similar Italian asset, making 30% EBITDA margins. Should we think about similar levels on a long-term perspective?

And the third question is on the balance sheet. Could you please talk about the balance sheet structure and a leverage ratio that you're comfortable with going into next year, where we could see multiple economic uncertainties? And do you think there is room for more M&A in the current capital structure? Thank you.

Klaus Rosenfeld

Akshat, let me maybe take the last one, and, Claus, if you want to complement there, please jump in. You all know that we have a multi-year plan target out for leverage of 1.25 to 1.75. Knowing that we will close the deal, not in June but at the end of the year, and looking at this, you can easily calculate this for yourself. We are talking about something like 0.4 times, on top of what we have at the moment, or what we're projecting for the end of the year. If you take our targets for Free Cash Flow, if you assume that the cash flow generation is a little bit, this year, more geared towards the end, I think we can, from today's point of view, assume that it's somewhere well in the middle of is 1.25 to 1.75 range. We think that with the balance sheet strength, and also, with the liquidity position we have that is an acceptable leverage, even in this volatile environment. We know that that has taken away some of the firepower.

And then when you ask him about more M&A, we have always said we want to be disciplined. We want to look for targets, and that's the primary first aspect that fits strategically, that fit into our growth strategies, and that are affordable. This is definitely the case for this. And I can tell you now, first digest what we have here and properly integrate it into Schaeffler Group without changing its course and its good profitability growth, and then we will see what is next.

We feel good with that acquisition. That's a major step. So, I would say let us first digest this and stay the course on being disciplined with M&A, and also, with leverage.

Claus, I'm not sure whether you want to add something there, otherwise, we can hand over to Stefan.

Claus Bauer

I think, Klaus, you phrased it perfectly. I think financial discipline, that's really the key word. And we have applied it in this process, and also, in future. I mean that we are living in a time of uncertainty, I think that is clear and it is also clear to us. That is why discipline is so much more important. But we will do things that we think make sense from a risk, reward structure.

Klaus Rosenfeld

And maybe to add, Akshat, you remember we were participating in Dodge, also an auction process. At that time, no one knew what the world would look like a year later. And today, with hindsight, I have to say I would rather buy this asset than something that is much bigger and would put us in a much more difficult position, when it comes to leverage. So, you never get it right, but here, we feel comfortable that this is well digestible with the strengths and also the leadership of Claus as our CFO.

Claus Bauer

And I think, Klaus, that's also a good example of financial discipline. I mean, in the Dodge procedures, once our walkaway price that we thought was financially sound and reasonable was hit, we didn't continue the process. And I think that's exactly what we apply. Of course, financial headroom and firepower is also dependent on how we think about the future but rest assured that that is in our evaluation of any opportunity that will also come up in future.

Klaus Rosenfeld

Stefan, would you take the two other questions?

Stefan Spindler

Yes. On the profitability of Ewellix. Ewellix has been going through a similar transformation, as we have done it in Schaeffler Industrial, coming from a single digit EBIT margin, done a lot of cost saving and footprint optimization efforts. And now after this optimization, they are in a good two-digit EBIT-range, a similar range as we are in Schaeffler Industrial. And the company has invested into structural things, but now also into growth, like we have done also. And as you know, from our expectations, we want to be in the range above 12% EBIT and Ewellix will definitely support the journey of our profitability story.

Akshat Kacker, J.P. Morgan
Thank you. Just one clarification in terms of the long-term potential. Is the asset very similar to Rollon, which was bought by Timken? Or is there something else that we should think about, when we think about the long-term potential?

Stefan Spindler
If you compare, on the linear side, I think you need to be a little bit careful comparing one target with the other. It very much depends on what products you're looking at. You're finding linear players, that have a rather low profitability, and you're finding linear players that have a rather high profitability, but they are then in either a super price competitive area or they're in a super highly engineered area. And what we have with Ewellix is a price competitive plus a highly engineered product.

And it's a much broader application range and product range, compared to other targets. So, you cannot compare these linear targets one-to-one. It's not just that's one linear company and that's the other linear company. You need to look at the content behind, in order to compare them.

Akshat Kacker, J.P. Morgan
Understood. Thanks a lot.

Richard Carlson, Credit Suisse
Good afternoon, guys. Thank you very much for hosting this call. I just want to ask again, I guess you brought up Dodge, obviously, it's something that you guys famously walked away from, and now you feel really good about it. How has the overall market acceptance for some of these deals gone? Are you seeing this as maybe less aggressive than you saw Dodge? In general, how has the market shifted?

Klaus Rosenfeld
Richard, thanks for the question. I can say that from the auction process that we went through here, we never had full transparency in the auction process, but we went through a full due diligence. This was not a pre-emptive situation, it turned out to be something that was very competitive, full detailed due diligence. More than a handful of buyers in this. And in particular, strategic buyers as well.

We were told by our counterparties that it was very close, and again, as Claus said, we also had a walkaway price here, but then we didn't hit, we came out of the winner with heavy lifting over the weekend. So, I would say the market is still looking at decent assets. This is a good asset, and as Stefan said, for us, in particular, because there is significant synergy potential, in particular, on the topline that we will raise.

And again, I can't emphasize enough how the growth in the sectors that we are looking at is attractive. And therefore, that tells me that the market has not gone upside down on this. If interest in the asset comes to market out of private equity portfolios, I think there will be interest, in particular, from Industrial strategic buyers.

Richard Carlson, Credit Suisse
Got it. Thanks for that. It sounds like this is a very strong performing business. Will you guys keep it as its own separate brand? And could you even move some of your Schaeffler products that are complementary into that and to grow that brand?

Klaus Rosenfeld
Yes. I think we also said this in the press release, it would be wrong to now integrate this into and roll on the Schaeffler name on it. We will integrate it over time. Ewellix is a proven name in the market. We will probably endorse it, so that people understand it's part of the Schaeffler Group. But we will also keep it, integration wise, separate. It has a very strong management team. People who have gone through private equity exercises know this, so we will leave them as much autonomy as it makes sense.

Richard Carlson, Credit Suisse
Got it. Thank you guys and congrats on the deal.

Sanjay Bhagwani, Citi
Hello. Thank you very much for taking my questions. I have got three questions. My first one is: Could you maybe provide some more colour on the funding? So, what portion is going to come from debt, and what will be the cost of that that you're anticipating? And my second question is on synergies. If you could provide some more colour on what sort of synergies are you expecting from the top line versus from the cost synergies? So, probably a split from the revenue synergies versus cost synergies. And my final question is on the Industrial rationale for the deal. Thank you for providing the slides, which were quite helpful, but additionally, could you maybe provide some colour on any insights as to why this asset is a substantially better fit for Schaeffler than for SKF, who was owning this? That would be very helpful. Thank you.

Klaus Rosenfeld

I think, Claus, you should take this, and then maybe, Stefan, you can take the two others.

Claus Bauer

From a financing standpoint, I think we are prepared to fully finance that with external debt, that was what we investigated in the market, as Klaus has already alluded to in the beginning. We will also still accumulate a significant portion of Free Cash by the end of the year, when this is about to close. And therefore, it will be a mix between our own cash and debt financing, which we think is possible at the reasonable rates that are now in the debt market.

It will not be, at least not in the first step, capital market financing, because as you are well aware, the margins right now might not be attractive. But I think we will have the opportunity to finance that with debt at a reasonable cost.

Stefan Spindler

I can take the other questions. Why is this a good target for Schaeffler? Our principle is pioneering motion. On a Group level, and certainly, also on an Industrial level, it's all about motion. And when you do motion, and when you do kinematics, and when you need to basically drive something or move something, you always talk about rotative and linear motion. So, the combination to have both is a strength, especially nowadays, when we talk a lot about, as I explained, the trend towards electromechanical motion.

So, that's more, let's say, the market and the technical aspect. If you look at it from a number point of view, the linear market, which we're looking at here, is a €6 billion to €7 billion market, so we would like to be part of that market and have a strong portfolio and growing with it. It's also a well growing market. The market forecasts, if you take external sources, is a higher single digit growth, pure market. Not taking into account any market outperformance.

So, it's a growing market. It's a good market size. And it's good to have it as a supplier of motion technologies, combined with a rotative portfolio. That's our strategy. In terms of the synergies, as Claus has also said, we want to maintain the momentum of the company, and we want to make sure that Ewellix and the team is basically delivering on a strong growth plan, and basically, make sure that all the products and the customer projects that they have in the pipeline, that they deliver.

And in addition, step-by-step, we will see what we can do together and where we can combine our efforts. We're sure that on the sales side, due to the strong sales and customer service networks from both companies, we can do cross selling synergies, that means increasing the top line further. And certainly, also by combining purchasing efforts, we will be able to get benefits.

Sanjay Bhagwani, Citi
Thank you, gentlemen, this is very helpful. I probably didn't hear it properly, the first point, this will be fully financed through debt, is that right?

Klaus Rosenfeld
Yes. As I said at the beginning, there is no need for any type of capital increase. We have the funds lined up from existing cash and, or credit lines to pay for this. It's paid in cash, so it's a very simple transaction structure. We're buying shares, we pay in cash, and we take the cash from our existing funds.

Sanjay Bhagwani, Citi
Thank you.

Michael Punzet, DZ Bank
Good afternoon. I have only one question left. Can you give us any indication for the purchase price allocation you expect in 2023 and the years to come?

Klaus Rosenfeld
Claus, will you do that?

Claus Bauer
Yes. It's very early in the in the process. What we did in our financial models is that we took the statistical average of comparable transactions and based our purchase price allocation on that. So, based on what we learnt in the due diligence, we don't expect huge deviation from that approach.

Michael Punzet, DZ Bank
Okay, thanks.

Edoardo Spina, HSBC

Good afternoon. Thanks for taking my two questions. First, looking at the long-term profitability targets that you have in the context of inflation of cost and revenue, could you confirm or comment about Industrial EBIT profitability being two or three times multiple compared to automotive OEM in the mid-term? And then second question, more strategically, in my estimates, Industrial should be a bit below 40% of the total Group operating income. And I was curious if you can envisage a scenario where you bring the weight of Industrial to the Group to more than 50% in the future. Thank you.

Klaus Rosenfeld

Two very good questions, Edoardo. We have just gone through our strategic dialogue, and this is a new world, to some extent. We need to rethink a little bit the environment we are working in. So, at the moment, I have nothing new to say than what we outlined in our midterm targets. And here, I think we are definitely on track to achieve our mid-term target of up to 14% for Industrial.

Would that mean that auto comes to 7%? Again, let's leave, at the moment, the mid-term targets as they are, and then you see the numbers and know what we promised. But I think that's what every company is doing. We view this as part of our planning exercise that is starting after the summer break, to then see how we position the company. Could I imagine, in terms of profitability, that we will go in further with Industrial?

We want to do what is good for the company. We have always said that this is an automotive and industry supplier. We have always said that we like the Industrial business. You see here this long-term trend towards electrification is not only relevant for auto, it's also relevant for Industrial. Stefan is, with intelligent moves, closing one by one of the gaps here. And we have always said that this is not just auto plus Industrial. This is an integrated group, and there are synergies that can be generated by keeping similar businesses under one roof.

That's the long-term view, and I hope you all see that this step here is just a proof point and another milestone on this way. Yes, Schaeffler is more than just a simple automotive supplier, as you all know. And we think there's value, if we continue in looking for strengthening our core competencies and going into growth markets of the future. Maybe that explains it without answering the 50%. Would I love to have higher profitability with a higher share? For sure. But I'm not going to commit to the 50% in this call.

Edoardo Spina, HSBC
Thank you.

Christian Aust, Bernstein Autonomous
Good afternoon. Sorry to keep everyone waiting, Just a quick one, you mentioned the leverage increased pro-forma round about 0.4 times and a fully debt finance deal. Did you check that with the rating agencies? I'm particularly thinking Moody's here and the pending update on the rating.

Klaus Rosenfeld
Claus can answer this, but we will talk to the rating agency this afternoon. And as you know, in such a deal, that is signed on a Sunday morning, there's no chance to pre-agree this. But our view is the rating agencies probably don't see that as a big issue, given where we are coming from and given the solid position. Claus, maybe you want to add something.

Claus Bauer
Nothing to add there, Klaus. I think our expectation is clearly that it will not have an impact on the rating.

Klaus Rosenfeld
So, they will also wait for the half year results, and again, we have not been on watch or anything, we have been stable was what we had, and therefore, let's see what they come up with when they have digested this.

Christian Aust, Bernstein Autonomous
Okay, thank you.

Operator
And now that was the last question. Back to you, Renata.

Renata Casaro
Well, thank you very much, Francy, I think we are done, and also, very efficiently. I will thank all the participants who jumped in at such short notice on our call and remind you that we will have our Q2 call on 4th August as planned. So, thank you very much, and we remain at your disposition, the IR team. Have a nice afternoon.

Klaus Rosenfeld
Good. Thank you very much. Bye, bye. All the best.