# COMMENTED SLIDES / CONFERENCE CALL Q1 2022 EARNINGS

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## Q1 2022 Schaeffler AG earnings

Earnings Call
May 10, 2022
Herzogenaurach

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## Company Representatives

Klaus Rosenfeld, CEO
Claus Bauer, CFO
Renata Casaro, Head of Investor Relations

## Conference Call (Active) Participants

Christoph Laskawi, *Deutsche Bank*
Sanjay Bhagwani, *Citi*

Renata Casaro

Thank you, Natalie. Dear investors, dear analysts, good morning. Welcome to the first quarter 2022 earnings call of the Schaeffler Group. Mr Rosenfeld, Group CEO, and Mr Bauer, Group CFO, will take you through the presentation slides prepared by the IR team. May I remind you to limit the number of your sequential follow-up question to one, so that everyone has the chance to participate in this call. Without further ado, I leave the floor to Mr Rosenfeld. Klaus, the floor is yours.

Klaus Rosenfeld

Renata, thank you very much. Ladies and gentlemen, welcome to our Q1 earnings call here from Herzogenaurach. We shared with you this morning our release and, also, the presentation that we will now guide you quickly through the key pages. I would start, as usual, and then Claus takes over for the deep dive into the financials.

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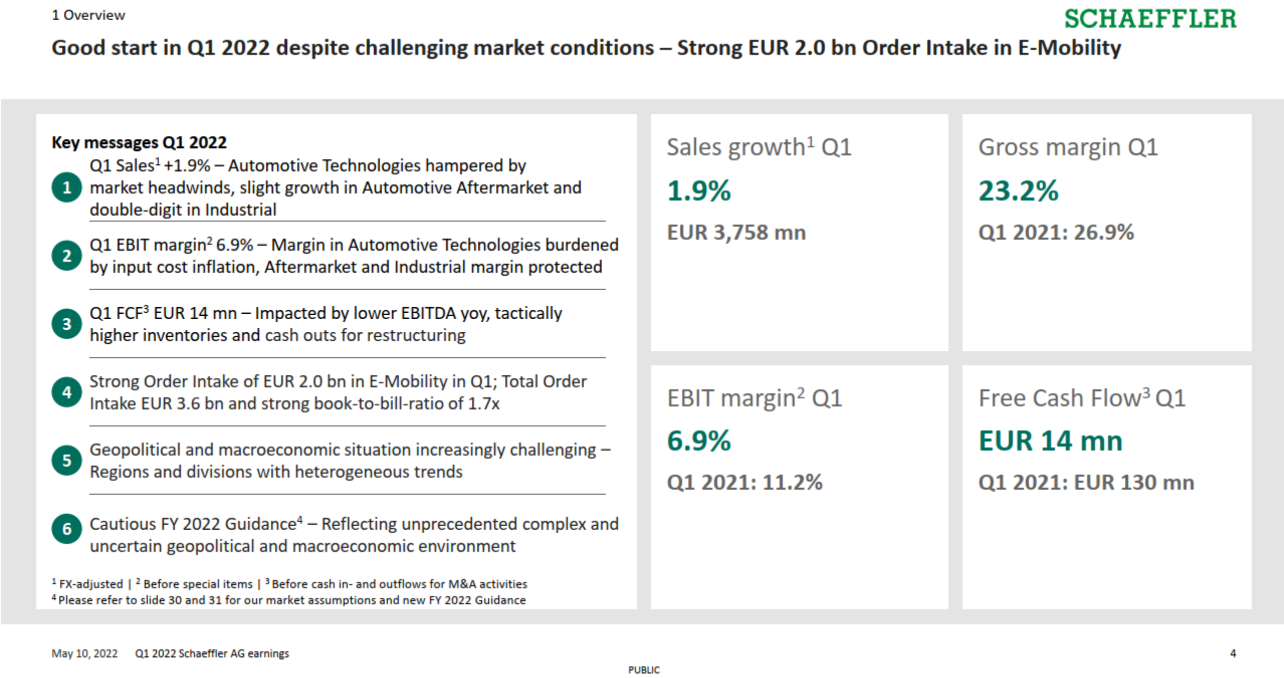
## Agenda




## Klaus Rosenfeld

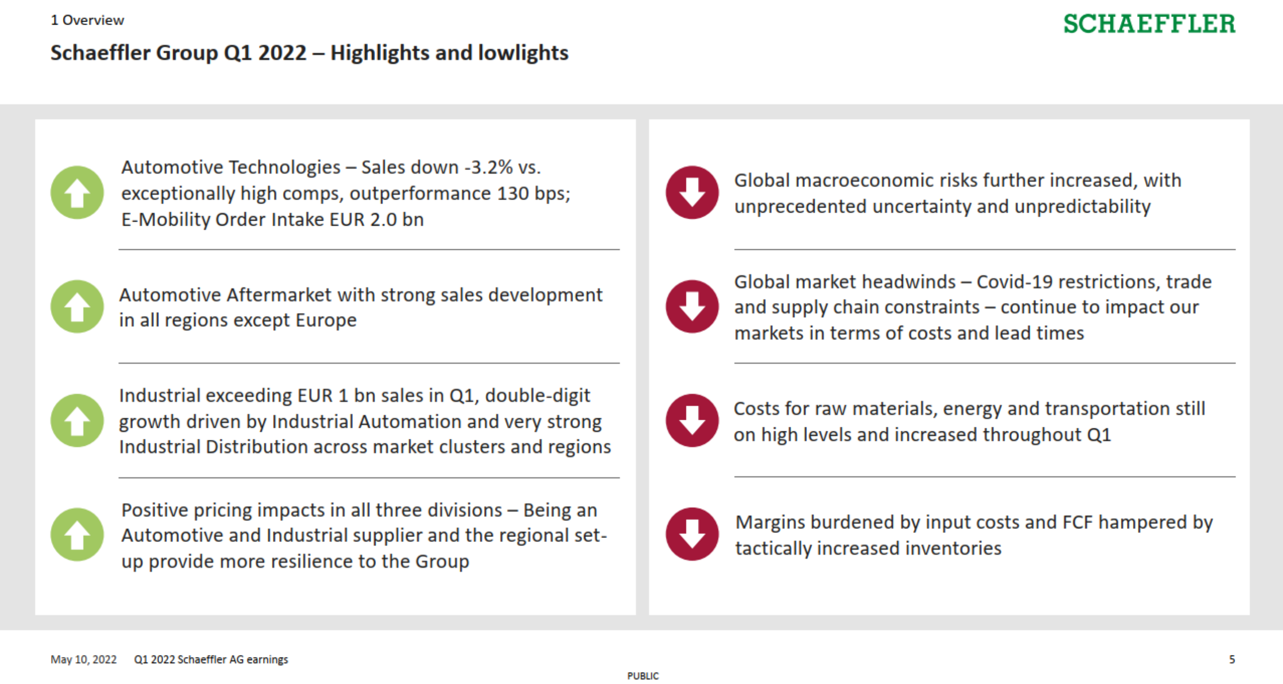
Let me start with page four, that is our summary and overview page. Here you have the key messages.

Let me start with the Sales. Sales growth in Q1, 1.9 percentage points on an FX-adjusted basis. That is compared to the significant comps. Q1 2021 was, as you all know, one of the best quarters ever in terms of sales. It's a very solid development in all the three divisions. We are happy with the development. In particular, taking into account the headwinds that we had to deal with. What sticks out is the double-digit growth in Industrial, 15%, is clearly showing how well this business is underway. The EBIT margin, 6.9%, also here clearly below Q1 2021, but you all know 11.2% last year was an outlier and 6.9% is a solid margin for the first quarter 2022. In particular, taking into account the input cost inflation and the headwinds we have seen in the market.

Free cash flow positive, € 14 million, that includes significant cash-out for restructuring, so Claus will take you through that in more detail. What I'm really proud about is the strong Order Intake in E-Mobility, € 2 billion. You see from this release that we have changed gears here. We'll from now on report every quarter our Order Intake in Automotive Technologies. The € 2 billion is more or less the lower end of our target range for the full year, so significant success.

I can say already upfront, the majority of this Order Intake comes from three big transactions and most of them are BEV business, so I think it's a good proof point that we are well underway to establish Schaeffler as an important supplier in the E-Mobility space. And don't forget, there's also € 1.6 billion Order Intake from the other three divisions, with a strong book-to-bill ratio of 1.7x, clearly shows the growth potential of the Automotive Tech division.

You all know this, and we'll probably discuss this in more detail in our Q&A session, the geopolitical and the macroeconomic situation is challenging. I think I would even say increasingly challenging. Every day some news that we have to take into account and, clearly, heterogenous developments in the various regions and divisions. We'll also got into a little bit more detail here, in particular on the situation in China. All of that has led us to a guidance that we now published yesterday. You'll remember that we suspended our guidance on 8th of March. I still think that was the best, responsible way to handle it. Our guidance now going forward is clearly cautious. It is built on certain market parameters that I will explain at the end of the presentation, and it reflects the unprecedented, complex and uncertain geopolitical and macroeconomic environment. I think being cautious and being prepared for this is the only way to deal with this. We see an environment that clearly requires a management team that manage this day by day, and understands both the risks, but also the strengths of the organization.

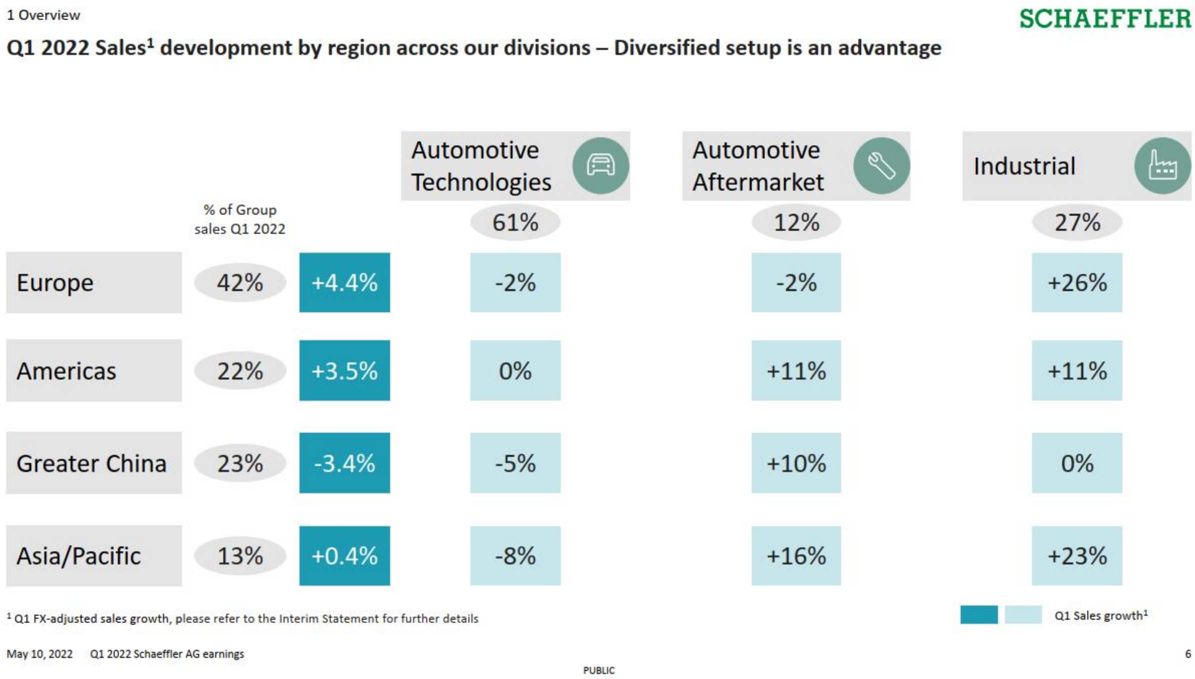



That leads me to page number five, highlights and lowlights. I think I can already say here, the strength of Schaeffler is that we have three decent businesses that lead to a diversified setup. That has clearly come through also in the first quarter and will help us going forward. Positive, the € 2 billion Order Intake, also, the outperformance is something that I would like to mention. 130 basis points is not very strong, but you will see later on the composition. Automotive Aftermarket, strong sales development. Claus will comment on the profitability. There's a one-off impact in there that we will explain. Strategically the Automotive Aftermarket in such a market situation is important. You all can imagine when people can't buy cars or don't want to buy cars, or can't afford new cars, they will repair cars. That is a very simple logic that we have seen in other crisis situations, that is a good hedge to the Automotive Technologies business. And we expect that the Aftermarket business will help us to manage the uncertainty around us.

Industrial – exceeding for the first time in a quarter. A € 1 billion is a good sign that this business is able to grow double-digit. It's driven by a variety of sectors; you know our new setup with the four market clusters. And it is double-digit, despite a situation that you saw also the details here, Wind in China has underperformed due to the lack of subsidies in the situation in China. You see also here this broad-based portfolio helps us to outperform the market.

Last, but not least, I would like to mention our efforts to handle the high input factor cost inflation. The guys have done a great job in price recovery efforts. Clearly also here different in the three divisions. Our pricing power in Aftermarket Industrial, you will understand this, is naturally higher than in Automotive Technologies, due to the different structure. But also, Automotive Technologies and Mattias and his team have done a great job here to pass this on. This is not just changing prices in a catalogue, as you know it has to do with transparency, it has to do with trustful relationships to our key customers. I can say that I'm happy to see what’s coming. This is, as you all know, not yet reflected in Q1 and Claus will give more details on this. That’s on the positive side.

On the lowlights, for sure the global macroeconomic situation is difficult, risk have further increased uncertainty and unpredictability. That is something that we are dealing with, and I think, for a responsible management team it's very important to prepare the company to adjust for difficult times ahead. Market headwinds are complex, it's not only COVID. Don’t forget, we’re not talking about this, but COVID has also impacted us in the first quarter because we had less people than we wanted because of sickness. That has also impacted, to some extent, our capacity utilization. We have the trade and supply chain constraints and, clearly, a continued impact on cost and lead times. Cost for raw materials have increased and, hopefully, have reached now a level that will not continue to rise, but it's uncertain what that means. That has impacted in Q1 our input cost. The sales recovery will roll in, in the coming quarters.




We have added one page that you probably have seen when you prepared yourself for the call, and that's page number six. A little bit of an overview on how we are performing in the top line in the various businesses across the different regions. The page is there to, again, show you how diversification impacts our business. We know that you're all very focused on Automotive Technologies, 61% of our business. And you see the share of Industrial has now reached 27%, Aftermarket 12%. That gives you I think, again, a good proof point for the diversified setup that we see as an advantage.

You also see that the regional balance has improved. Europe 42%, Americas 22%, Greater China 23% and Asia Pacific 13%. You see the top line growth numbers, FX-adjusted, and you would certainly ask the question what was wrong in China? Here, let's again recap the year 2021. China was a record quarter, the best quarter ever, so you need to look at these minus 5% or the 0% in Industrial against that development. The Q1 numbers in China have only been impacted in a very minor manner by the lockdown that started end of March. Clearly, the lockdown has then continued and has impacted, and will impact, our April results. Claus will give you more information. What I can say upfront, we have six major locations, 12 plants. Not all of them are impacted by the lockdown, but only our Taicang campus that is in the Shanghai area. What I'm really proud about is that our management team in China has been able to negotiate with the authorities very quickly the ability to continue to produce in what is called a closed-loop production manner. That means that our employees are able to do their jobs, as long as they stay in the plant. We have done the utmost possible to provide them shelter and food and security. And I can tell you, while the situation clearly makes everything more difficult, the fighting spirit of our Chinese team to bring this back to normal is outstanding and gives me a lot of confidence that we will manage the situation, as we have managed other similar situations in China before.

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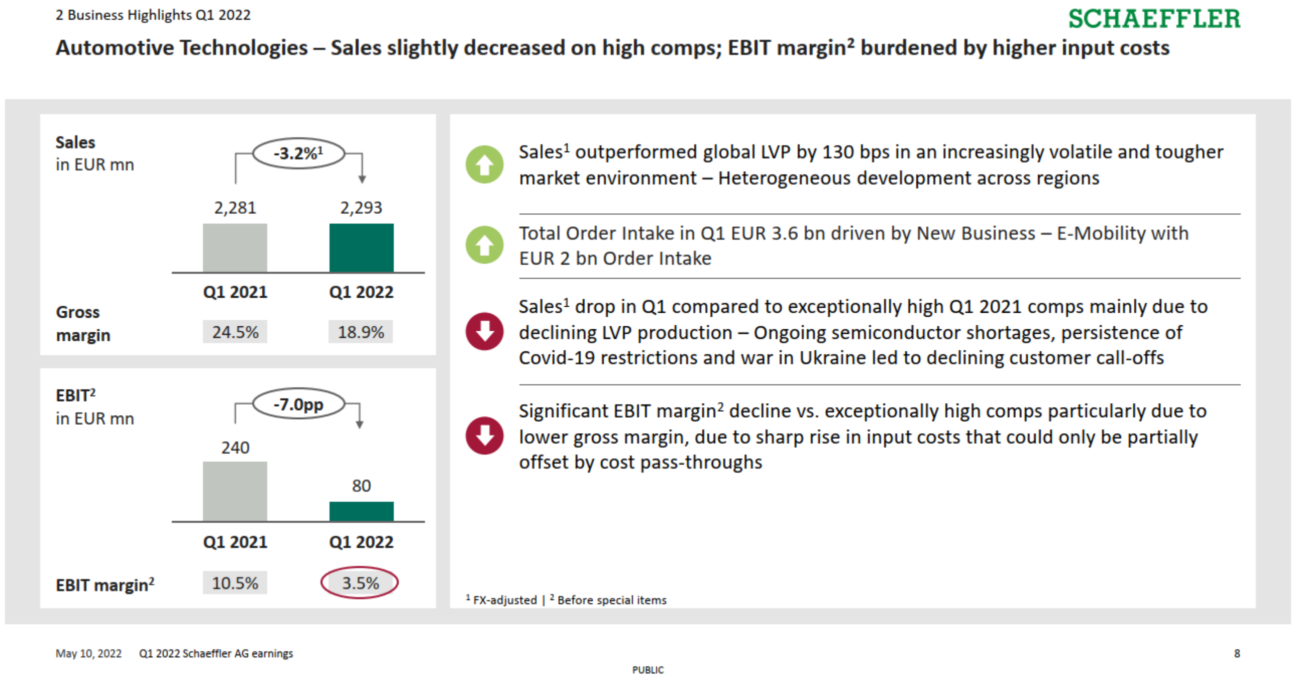
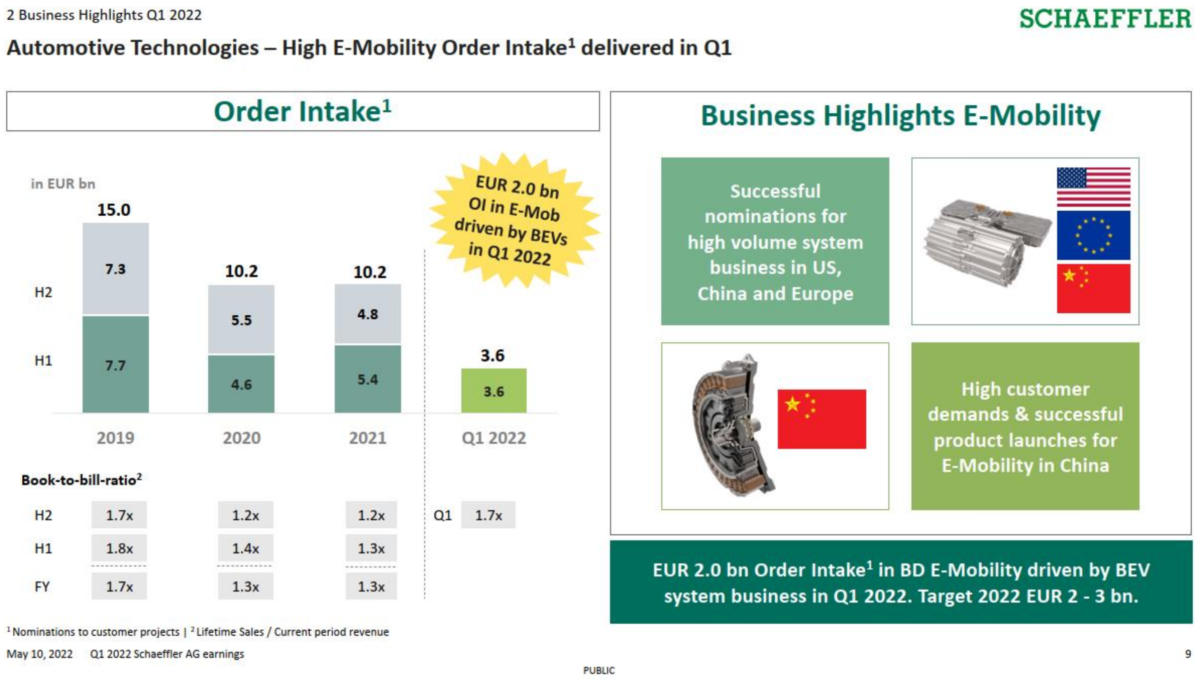
## Agenda

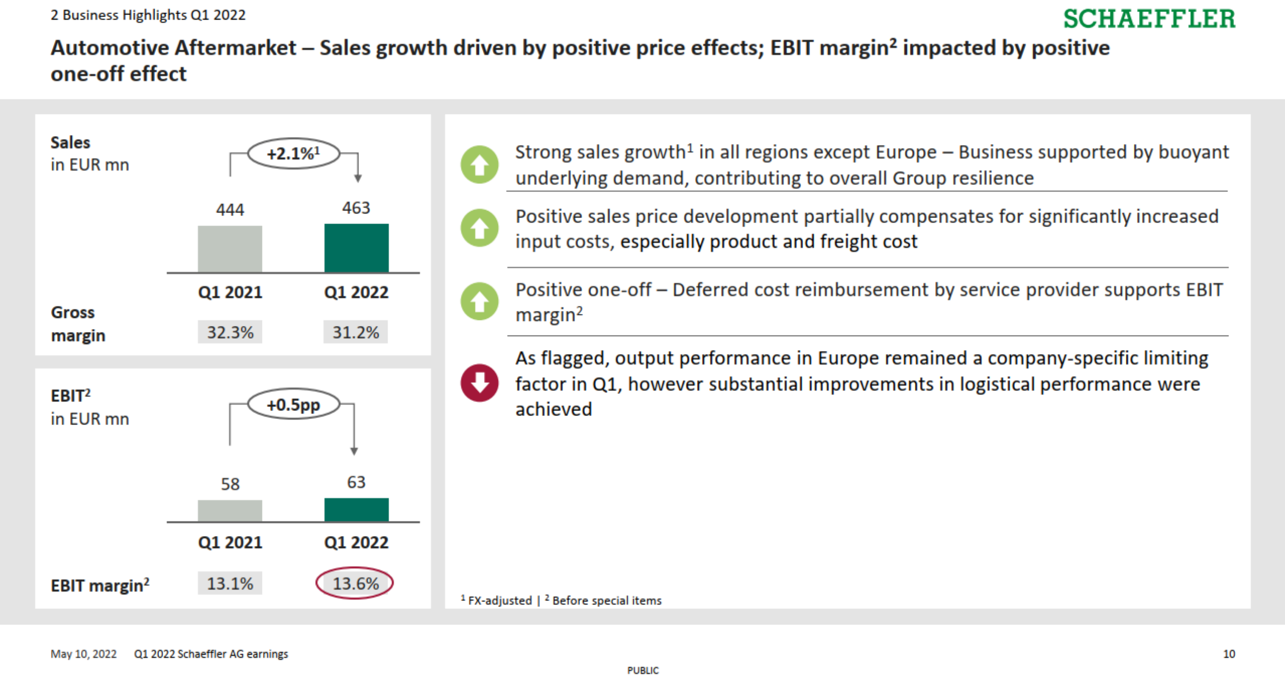



Now, quickly through the divisions. I'm not going to do this in all detail, but you see the numbers for Automotive on page eight and have there the major headlines that I just mentioned.

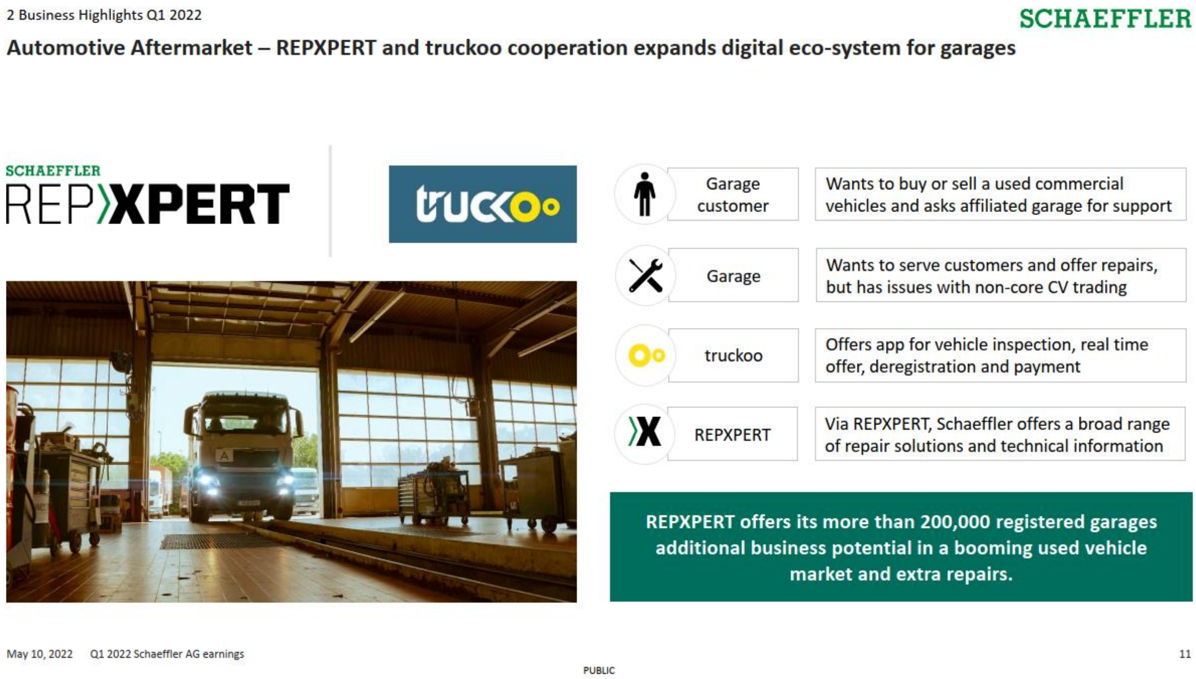



Let me already go to page nine with the Order Intake because that’s the most important message. We will from now on give you quarterly information and the € 2 billion E-Mobility stands for itself. This is the start to the year, € 2 to 3 billion is our target for the full year. And after we overachieved the target last year, I think we are well on track to achieve the same for the year 2022.

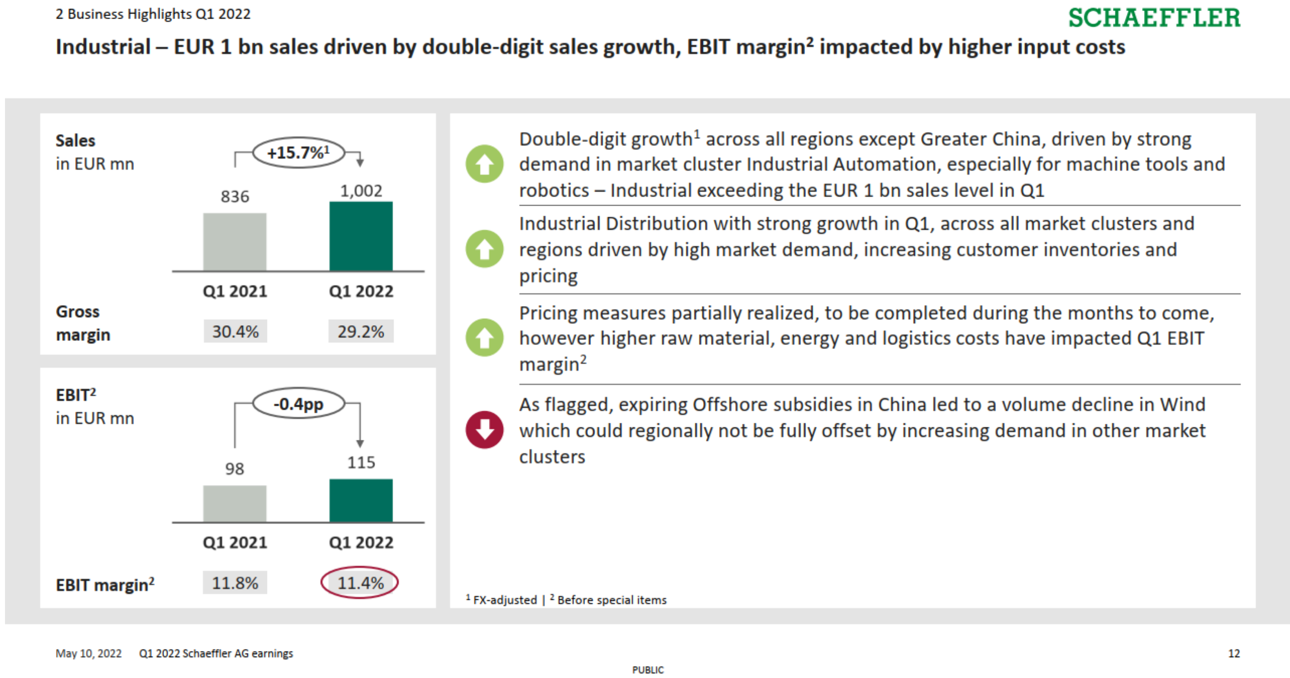
We’re getting credit for what we have built in the last years and I can tell you, the new successful nominations here are predominantly driven by three major projects. One of which is in the US, one in China and one in Europe. At least two of them are BEV projects, so also that starts to pay off. We will now see what the rest of the year brings. The request for business is still very high. And with all the regulatory changes and expectations, there were some rumours in the morning, what our new Minister of Transportation has in mind. We will adapt to this. We think that the trend towards E-Mobility is unbroken and may ever accelerate. You know our scenario and that, from my point of view, is very well in line with market expectations.




Number ten, Automotive Aftermarket. I think I mentioned the key points. Claus will explain the positive one-off and will also go into detail what that means going forward.



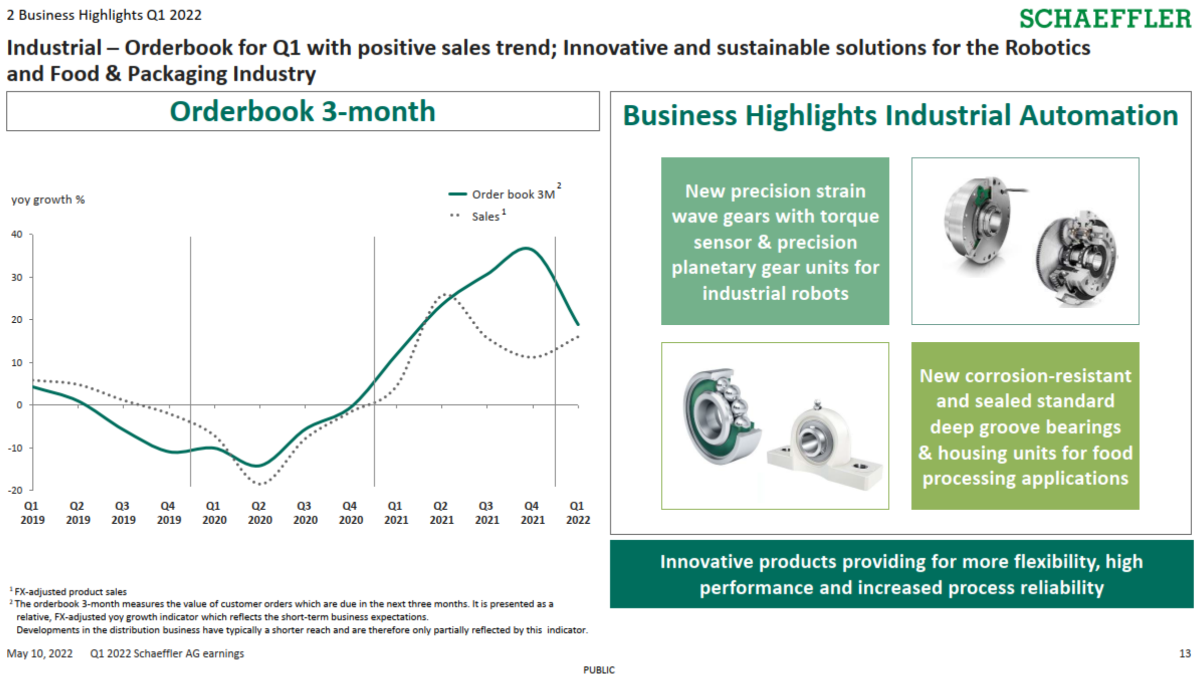

I just want to quickly mention one achievement of Jens and his team, and that is this cooperation between REPXPERT, that’s our major sub brand for the garages, and truckoo cooperation, that’s a digital ecosystem for garages, and shows that digitalization is one of the key drivers for success in our Aftermarket business. I can tell you, again, in these kinds of environment, the Aftermarket is a very important stabilizer and a business that has lots of potential. Despite the setback that we saw in the first quarter, also due to the Russian and Ukrainian situation.




Page 12 on Industrial, I already mentioned the billion double-digit growths. Except for China, the sector clusters, the market clusters, pay off. Industrial Automation is really going well, machine tools and all strengths of Schaeffler contributing to the Industrial Distribution, one of our best performing businesses, well under way. Here pricing measures have already contributed in the first quarter. They will be completed during the months in terms of full impact, and we are well on track to shelter our margin profile against the higher raw material energy and logistic cost.

I mentioned Wind, that was a little bit of a disappointment. We think that it's only short term because the trend towards renewable energies is unbroken and many economies of the world count on Wind as one of the key drivers for the energy transition.

Let me say a word here. The energy transition is clearly something that we have to deal with in a short-term manner when it comes to cost, but it opens up significant opportunities for our Industrial business. Also, think about the potential Hydrogen. We have not been as outspoken as others on this area, but we are well on track to build our market here as one of the suppliers for stacks or components, that is able to industrialize with high quality.




13 gives you the Orderbook. Also here, interesting to see clearly the trend shows a little bit downwards in terms of three-month Orderbook. That's not a surprise, but still, positive development to be expected and, in particular, the innovative and new solutions for robotics and food and packaging industry are interesting for us going forward.

2 Business Highlights Q1 2022 **SCHAEFFLER**

**Capital allocation – Capex prioritization with investments in growth business continued, Capex ratio[2] of 4.2% in Q1**

**Investment[1] allocation | in EUR mn**

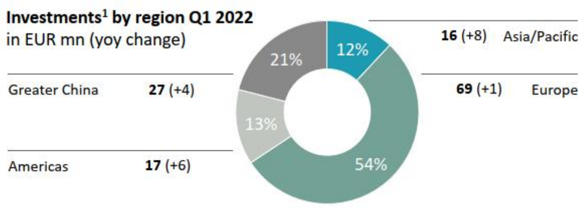
| | FY 20 | FY 21 | Q1 21 | Q1 22 |
|---|---|---|---|---|
| Automotive Technologies | 378 | 428 | 61 | 81 |
| Automotive Aftermarket | 26 | 20 | 3 | 5 |
| Industrial | 234 | 223 | 46 | 43 |
| **Schaeffler Group** | **639** | **670** | **110** | **128** |
| **Capex** | **632** | **671** | **132** | **156** |
| **Capex ratio[2]** | **5.0%** | **4.8%** | **3.7%** | **4.2%** |
| **Reinvestment Rate** | **0.7** | **0.7** | **0.5** | **0.6** |

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

**Key aspects Q1 2022**

- Reinvestment rate: Continued prioritization of Industrial division and BD E-Mobility; clearly <0.5 in BD Bearings and Engine & Transmission
- Automotive Technologies: Machinery investments for E-Motor production in China, America and Mexico
- Industrial: Expansion of production capacity for large size bearings in Brasov, Romania; Building new Industrial production hall in Savli, India

**Investments[1] by region Q1 2022**
in EUR mn (yoy change)

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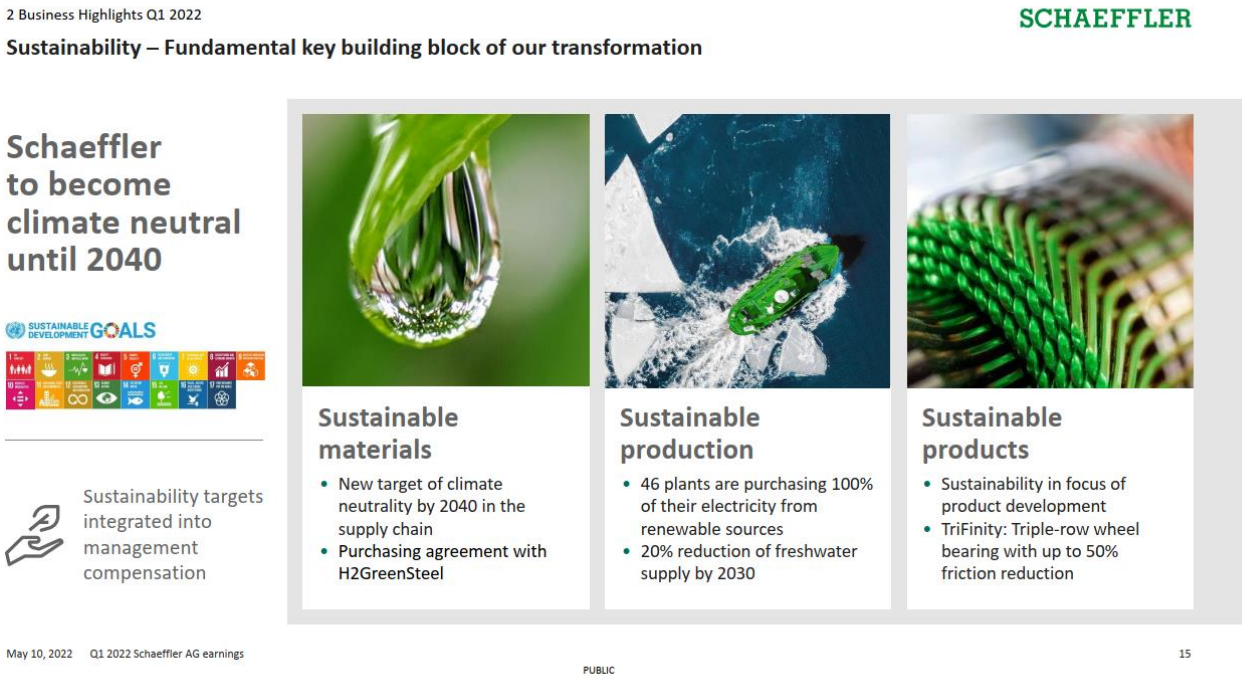
Let me come to 14, one of the standard pages that you all know. Capital allocation is not a new topic, we are talking about this now since years. All the things that we have put in place, I think, are now well underway and pay off. Good discipline in terms of Capex, continuous monitoring of what we do. The idea to focus on the Reinvestment rate and not in terms of only on Capex ratios, is the right thing to support the different strategies in the business. You'll see this clearly when you look into the numbers for our E-Mobility where we are about 1, for Industrial where we're above 1, while in the businesses that are more material businesses, Bearings and Engine Transmissions, the Reinvestment rate is below 0.5. I'm proud to say that the Capex committee that we run, where Claus and myself, together with Andreas Schick, discuss with the business has now been in place since nearly four years. And it's a very good tool to make sure that we spend our capital and allocate all our capital wisely.
This is also important because the sustainability becomes a very important element of our steering model, that is on page 15. Please go to that page next.




We all know how challenging the situation is, but I would like to finish this first part of the presentation with a clear statement. That we will continue and stay the course on our strategy, that we have explained to you through the Roadmap 2025. That sustainability in that strategy is one of the fundamental building blocks. We will continue on that path. There's a lot to do here. The necessary energy transition, the question of energy security goes hand in hand and gives new impulses when it comes to sustainability and sustainable energy supply.

You saw what we did in terms of sustainable materials, not only for purchasing green steel from H2greensteel, but also in opening up a new supply chain, a European supply chain, for rare earth material for E-Motor production. All of this, I think, demonstrates that we take sustainability very seriously. Our climate action plan is under review, it's part of our multiyear planning. And here I would like to say that we see this not only as an obligation, but also as a significant business opportunity going forward, to create new and additional growth potential for Schaeffler Group. With this more positive note, I hand over to Claus for the numbers.

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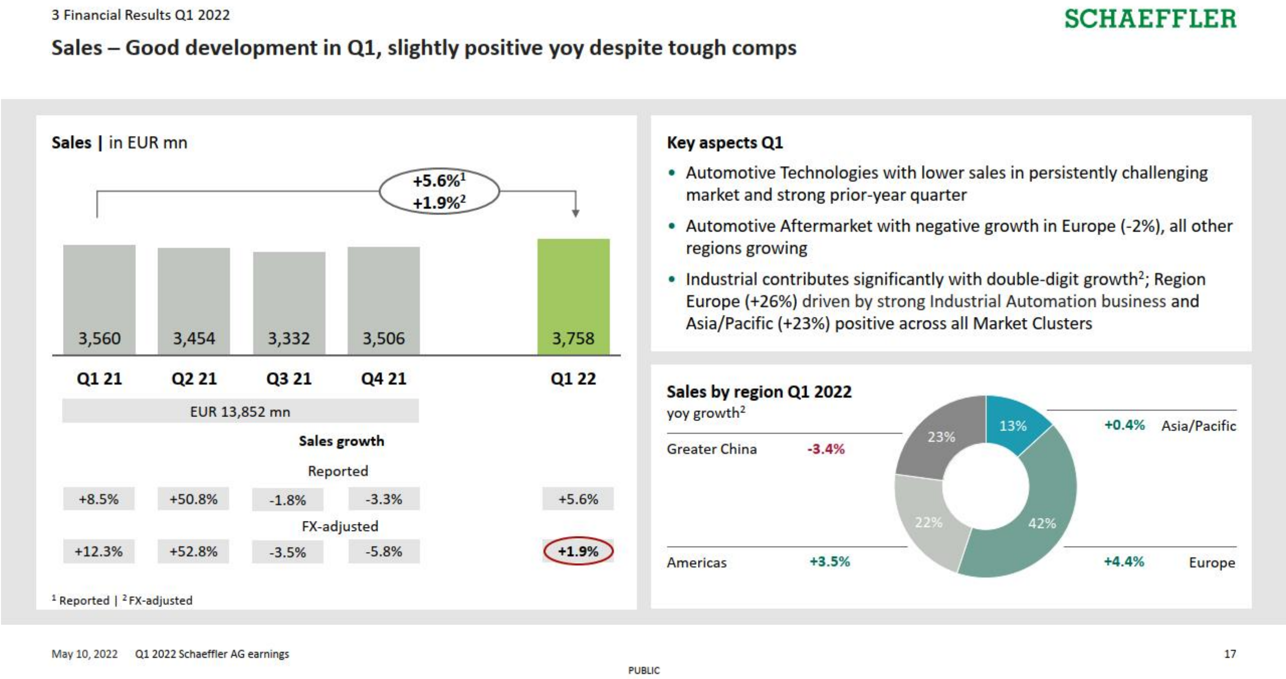
## Agenda




Thank you very much, Klaus. Good morning and welcome, also, from my side. Let’s jump into the sales. Much of that has already been said. Tough comps with Q1 2021 still on the peak, if you will, of the recovery after the corona shutdown in 2020. But we still managed to grow from exchange adjusted by 1.9%. On the right side you see a little bit of commentary, but Klaus already hit on all of it. Automotive Technologies, the sales reduction foreign exchange adjusted by 3.2% with which then is offset by the strong sales growth in Industrial, with Automotive Aftermarket just slightly growing with 2%.

You see on the right side down, every region grew, except Greater China. Klaus hit on that also already. And for that reason, we added the next slide as more flavor on what the situation in China is.

3 Financial Results Q1 2022

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## Region Greater China – Covid-19 lockdown situation

**Current situation at Schaeffler Greater China**

- **Footprint:** In Greater China Schaeffler operates 6 sites and 12 plants, of which Taicang plant is the one affected by lockdown
- **Operational impact:** Minor impact in Q1, strong impact in the first weeks of April due to full lockdown in the Shanghai area. Since end of April partial reopening as Schaeffler is included in the prioritized white list, eligible for closed-loop production. Currently 1,500 out of 5,000 workers at Taicang plant are currently working in a 1.5-shift model
- **Suppliers & Customers:** Challenging and volatile supply chain

**Measures taken locally**

- **Health & Safety:** Daily monitoring for colleagues operating in closed-loop, home office for others
- **Closed-loop production:** Accommodation for employees is being provided in the plant, strict regulations apply, closed-loop production entails extra costs
- **Logistics:** Alternative, more costly, supply chain routes have been established to cope with transportation disruption in lockdown-affected areas

**Financial impact for Schaeffler Greater China**

- **Q1 2022:** No major impact in Region Greater China – local sales similar to previous year level
- **Q2 2022:** Greater China sales expected to be significantly impacted
- **Expectation:** No second lockdown, China reopening within Q2, continued ramp up of production and normalization by end of June. Still, the situation is highly dynamic
- **FY 2022:** Recovery is currently expected in H2 2022, growth should be overall positive for FY 2022

**Expectation: Situation in China to normalize by end of June**

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You all heard about the local lockdowns, especially in the Shanghai area. I think Klaus explained to you already the left and the middle part of it, where we have been impacted on our Taicang campus for the last week of March and then also the beginning and the major part of April. We reopened since and are in a closed-loop production, as Klaus explained, which we have around 1,500 of our 5,000 workers in that location in the closed-loop production and working 1.5 shifts as of now.

The middle portion Klaus touched on also already. Maybe only one comment, as Klaus said, we have to keep all 1,500 employees in this closed loop. That means in the facility, so at least in a controlled environment. Every of this employee is monitored and tested daily, so it's quite a significant effort to keep the production running at the time, but I think we will continue, obviously, every effort to maintain production in our locations in China.

The most important point on this slide is maybe in the green bar at the bottom. What we expect is that we will maintain the closed loop and slowly ramp up throughout the second quarter. By end of June, we think that the situation will have completely normalized. From a financial impact, on the right side, we had only a very limited impact in our Q1 results. A little bit of sales loss in the last week of the quarter, as already mentioned, but other than that, the main impact really is to be expected in April and therefore, also in our next quarter. We expect, as I already mentioned, no second lockdown and complete normalization then starting in Q3 and the second half of this year.

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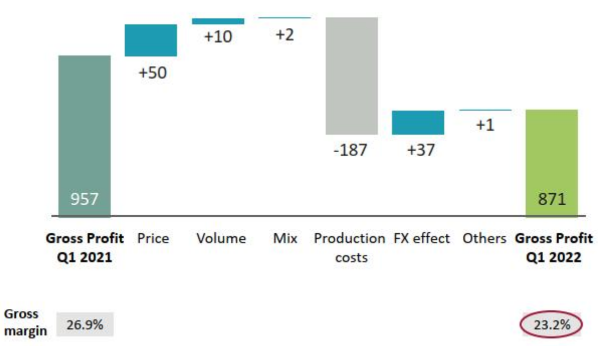
**Gross Profit – Positive pricing and increasing volumes could not compensate higher production costs**

**Gross Profit Q1 2021 vs. Q1 2022 | in EUR mn**




**Key aspects**

- Positive price development in all divisions
- Positive volume effect; Industrial overcompensating decline in Automotive Technologies and Automotive Aftermarket
- Production costs higher yoy mainly due to significantly higher input costs (raw materials and energy)

**Gross margin**

| in % of sales | Q1 21 | Q1 22 | Q1 22 vs. Q1 21 |
|---|---|---|---|
| Automotive Technologies | 24.5% | 18.9% | -5.6pp |
| Automotive Aftermarket | 32.3% | 31.2% | -1.1pp |
| Industrial | 30.4% | 29.2% | -1.2pp |
| Group | 26.9% | 23.2% | -3.7pp |





That leads me to my next page, showing you the Gross Profit development. I start with a waterfall chart and the most prominent bar in the waterfall chart, which is obviously in the middle, production cost. It shouldn't come as a surprise, that is mainly the input cost inflation that I think we were very transparent about since our Q3 call last year. The Q1 was in that regard about as expected. We gave you the range of 350 to 450 basis points versus the baseline of the prior year. And I also said that we expect actually a little frontloading in Q1 and Q2, with a relaxation then in Q3 and Q4. That was due to the fact that at that time, all forecasters – prominently IHS – forecasted, obviously without any Ukrainian situation on the horizon. Also, without any understanding how strict the zero-COVID policy will be enacted in China, but there was a significant price relaxation, especially in the steel area, in the second half of the year.

Now, as you all know, the situation on both accounts has dramatically changed, but I can report that our Q1 was, from a material price and cost inflation impact, right as we expected. We now expect though, going forward for the second half of the year, not the relaxation that we had in our outlook so far, but that's reflected already in our new guidance, that we released yesterday. But maybe there is another impact of around 100 basis points to be expected. That is mainly driven by energy and then our direct impact of energy, and then also, the impact of energy cost for steel suppliers, their cost structure also increases by the significant input cost of energy. And they try to obviously transfer that to us as their customers.

We told you that our normal model for sourcing steel is to enter into fixed price contracts for the calendar year, which we also said wasn’t necessarily the main, it wasn’t necessarily the only model for 2022. We wanted to benefit from a potential price reduction in the second half of the year, so there's some half-year contracts. There's also some index-related contracts and this is obviously the risk that we are now factoring in with maybe another 100 basis points. Energy, although only about 2% of our bill of material, and hedged for a very significant part of the year with 80-plus percent. But even if you have 20% of 2% of your bill of material increasing by three times and four times, it's still a significant impact, as you easily can calculate.

Back to the waterfall chart. You also see what Klaus already mentioned, a positive price impact, 50 million. That’s obviously not offsetting the complete production cost impact, but it's actually, I think we are progressed in our Automotive Aftermarket and Industrial divisions. And a little bit lagging, but as expected in the aspect in Automotive Technologies, that these are very difficult customer-by-customer negotiations that we are towards the end now off. Of course, we tried to gain as much of the price recovery and, also, retroactively for the first quarter. But that will be then news to come in our Q2 call later.

I have to say, though, that we also did not give normal price reductions, contractual price reductions, in Automotive Technologies. So, under normal circumstances, the price column here for Automotive Technologies would actually be negative because we have contractual obligations to reduce price every year. And these, we have not conceded in Q1, so there's also, if you will, implicitly already some price recovery effect for Automotive Technologies in these Q1 numbers.

Lastly, on the bottom right you see the gross margin differences between Q1 of last year and Q1 of this year. Klaus already mentioned it more on an EBIT level, but here you see the Gross Profit impact for Automotive Technologies, minus 5.6%. As we said, I think it's in the expected range for Q1. And Q1 2021 might not be the most appropriate comparable for this outstanding, extraordinary time here. But if you go back to the second half-year of 2021, then we are about 100 basis points below what our Gross Profit in Automotive Technologies was in the second half of 2021. Which, actually, lies exactly in the range of expectations that I explained so far.

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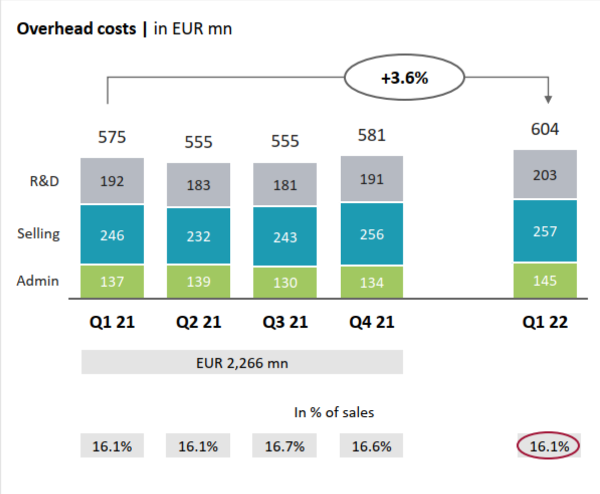
## Overhead costs – Cost ratio flat yoy, higher R&D spending to support New Business




**Key aspects**

- R&D costs increased yoy, due to higher project and personnel costs mainly for E-Mobility projects
- Higher selling costs yoy mainly due to higher volumes in Industrial and significant increase in freight costs
- Admin costs increased yoy and sequentially due to higher expenses for Execution Program 2025

**Overhead cost ratio**

| in % of sales | Q1 21 | Q1 22 | Q1 22 vs. Q1 21 |
|---|---|---|---|
| Automotive Technologies | 14.4% | 15.1% | +0.7pp |
| Automotive Aftermarket | 19.4% | 17.4% | -2.0pp |
| Industrial | 19.3% | 17.8% | -1.5pp |
| Group | 16.1% | 16.1% | 0.0pp |



Let’s go to the next page and overhead. I won't spend as much time on that. You see the overhead development is clearly in line with our sales development and sales increase. And that, despite the fact that you see that reflected in the number in R&D, that we increasingly spent R&D money for E-Mobility projects. And also, in the selling category, some of the inflationary impacts in freight costs are reflected, obviously due to our very significant sales increase in Industrial, also some volume impact is reflected in these numbers.

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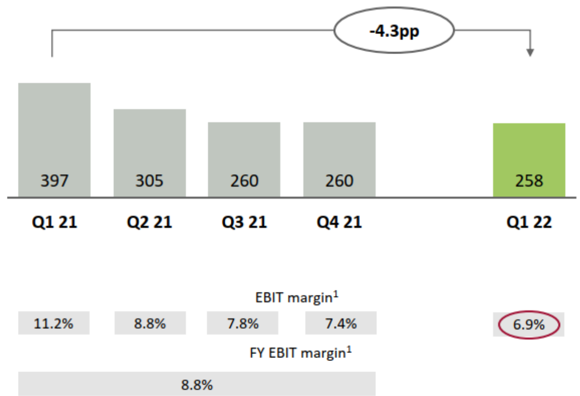
**EBIT[1] – Solid margin in Industrial and Aftermarket, Automotive Technologies burdened by volume and increased input costs**

**EBIT[1]** | in EUR mn




[1] Before special items

**Key aspects**

- EBIT margin impacted by increased input price effects in all divisions
- Automotive Technologies margin significantly declined vs. exceptionally high comps, driven by volume decline and sharp input costs inflation which could be partially offset, as well as volatile demand fluctuation
- Automotive Aftermarket margin supported by positive one-off related to a deferred cost reimbursement by a service provider
- Industrial margin impacted by higher input costs which could only be partially compensated by higher pricing

**EBIT margin[1]**

| | Q1 21 | Q1 22 | Q1 22 vs. Q1 21 |
|---|---|---|---|
| Automotive Technologies | 10.5% | 3.5% | -7.0pp |
| Automotive Aftermarket | 13.1% | 13.6% | +0.5pp |
| Industrial | 11.8% | 11.4% | -0.4pp |
| Group | 11.2% | 6.9% | -4.3pp |



Let’s go to the next page and talk about EBIT. EBIT is clearly following the Gross Profit development here. I want to lead your attention to exactly the same point on the bottom, on the left side, with 6.9%. We are significantly below the 11.2% of the first quarter of last year. But if you now compare the 6.9% with the EBIT margins of the second half-year of last year, then you see we are clearly in the range that we expected.

I will actually talk about the Automotive Aftermarket margin impact that’s mentioned here in the key aspects when we talk about Automotive Aftermarket a little bit more in detail.

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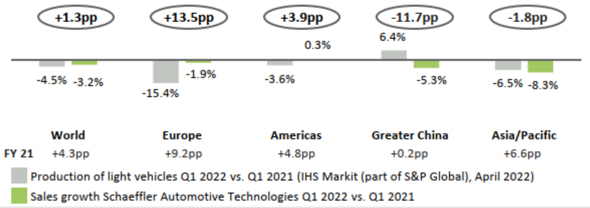
## Automotive Technologies – Strong sales growth in New Business, EBIT margin[2] burdened by input cost increase

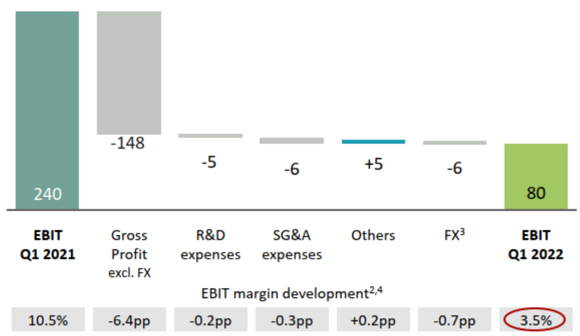
**Sales by business division** | yoy growth

| | Q1 2021 | Q1 2022 | Δ[1] |
|---|---|---|---|
| E-Mobility | 247 | 307 | +18.4% |
| Engine & Transmission | 1,283 | 1,257 | -5.9% |
| Bearings | 676 | 643 | -7.6% |
| Chassis Systems | 76 | 86 | +11.6% |
| **Total** | **2,281** | **2,293** | **-3.2%** |

**Outperformance: Sales[1] vs. market development in Q1**




**EBIT[2] Q1 2021 vs. Q1 2022** | in EUR mn




[1] FX-adjusted | [2] Before special items
[3] Total FX effect including FX impact in Gross Profit, overhead and operative FX gains and losses
[4] Percentage values do not sum up due to isolated calculation of each individual effect



Let me come to Automotive Technologies. You see here a little bit more flavour. You see our four sectors on the left side, top. What you see is that, especially in the new business areas, E-Mobility and Chassis Systems, so our future, we have continued to grow significantly with double-digit percentages here, 18.4% in E-Mobility, and 11.6%, though on a lower basis for our Chassis Systems.

Maybe also, interesting to mention, and Klaus touched a little bit on that already. The outperformance with 130 basis points, rather low and below our expected range, 200 to 500 basis points. But we always were clear that from a quarter-to-quarter standpoint, there might be some fluctuation. I think we had significant outperformance last year and now it swings a little bit back. You also see it's mainly driven by a distortion in China. China might still have delivered finished cars to the market, but the supply chains below that impacting us to the OEMs was already impacted, to some extent. We will tell you later in our outlook and prognosis, that we clearly expect for the full year to be in our range, actually with a sales price recovery at the very upper end of our outperformance range.

I think everything else, the EBIT waterfall, is following the Gross Profit, what I already explained.

3 Financial Results Q1 2022

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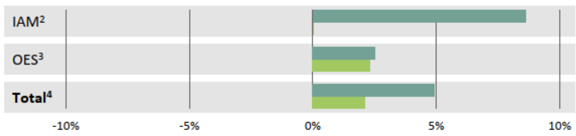
**Automotive Aftermarket – Except Europe, growth in all regions, margin profiting from positive price effects**

**Sales by region** | yoy growth

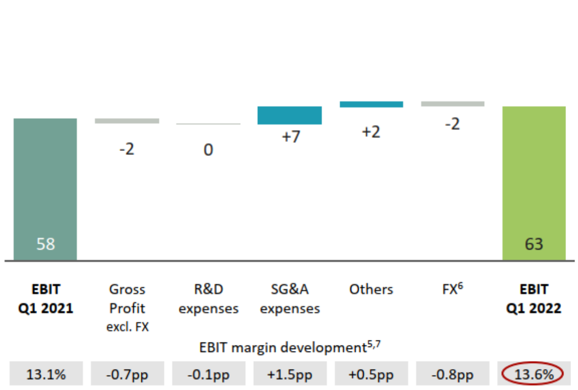
| | Q1 2021 | Q1 2022 | Δ[1] |
|---|---|---|---|
| **Europe** | 312 | 306 | -2.0% |
| **Americas** | 83 | 99 | +11.3% |
| **Greater China** | 25 | 30 | +9.8% |
| **Asia/Pacific** | 24 | 29 | +15.6% |
| **Total** | **444** | **463** | **+2.1%** |

**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 | [5] Before special items

**EBIT[5] Q1 2021 vs. Q1 2022** | in EUR mn




[6] Total FX effect including FX impact in Gross Profit, overhead and operative FX gains and losses
[7] Percentage values do not sum up due to isolated calculation of each individual effect

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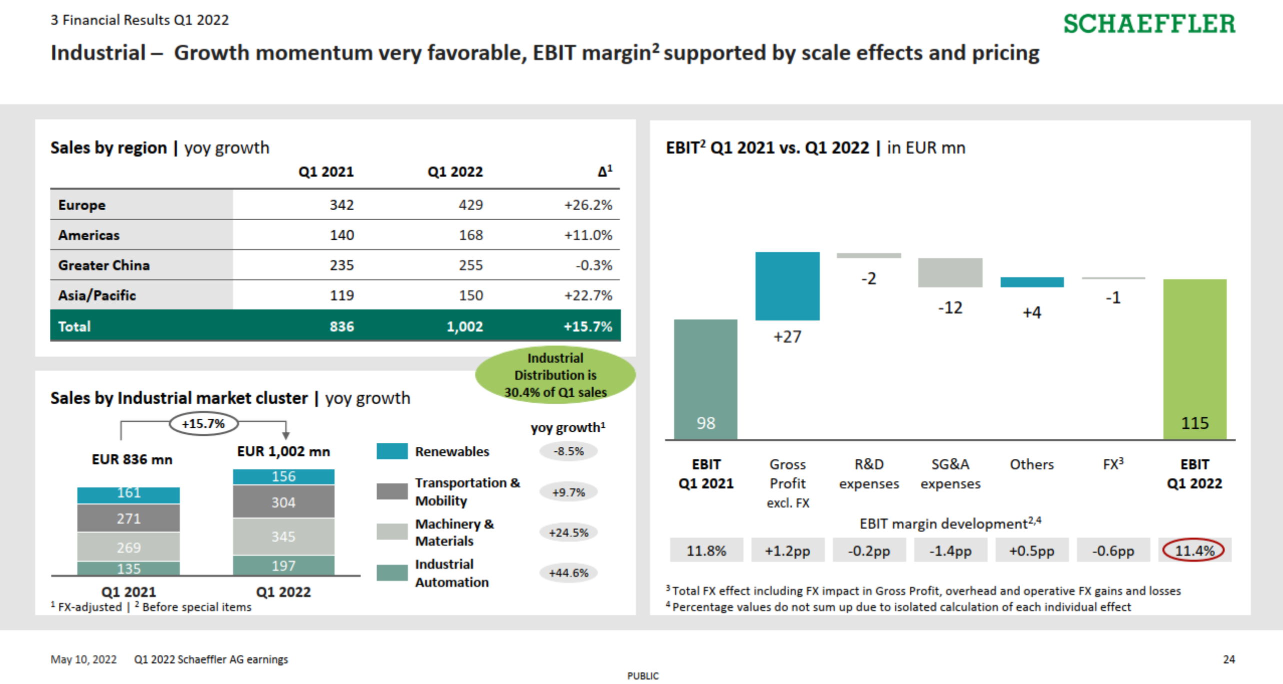
So, therefore, we can go to Automotive Aftermarket. You'll see it's Automotive Aftermarket with almost double-digit growth in all regions, expect Americas. I'm rounding up Greater China with 9.8%, but the other two regions clearly above the 10%. And Europe, we have very tough comps. Europe was exceptionally strong in Q1 of 2021, but that clearly will normalize as we look and go deeper into the year. You see also that we mainly grew in the OES segment, the Independent Aftermarket was on prior-year level.

I want to talk a little bit about the EBIT bridge on the right side and lead your attention to the one-time impact, which was a deferred cost reimbursement of a service provider in Europe. And, as reflected in the SG&A expenses. Here you see a plus € 7, which would be more in the range of plus minus zero, if we wouldn't have the one-time impact. Therefore, the 13.6% is clearly impacted by about a number greater than 100 basis points, so it shouldn't be necessarily carried forward. But we will talk about our expectation for this division also in our explanation of our guidance.




Next slide is talking about Industrial. Much was already said. Sales first time over € 1 billion in a quarter for this division, with outstanding growth, almost 16% over a strong prior-year quarter. You see the outlier regionally with China being flat. And Klaus mentioned the reason and you see it also then on the left side, on the bottom, in the Renewables market cluster, with minus 8.5%. Both indicators are reflective of the subsidies of offshore Wind generators in China. Obviously, that will normalize as we go forward here.

You see also on the bottom left, Industrial Automation with an outstanding growth of almost 50%. There's a small impact of Melior Motion in there, of around € 4 to € 5 million in sales. Melior Motion, you'll remember the acquisition that was closed end of February and we, therefore, consolidated Melior Motion for the first-time beginning 1st of March. So, there is one month of Melior Motion included in this growth, but even without that very significant growth in this market cluster.

You see on the right side, with the 11.4% that we are almost at the level of the prior-year EBIT with 11.8. That clearly indicates, and you see it explained in the waterfall chart, that volume and price clearly was offsetting the increased input cost, mainly driven by steel, logistics and energy. Next slide, please.

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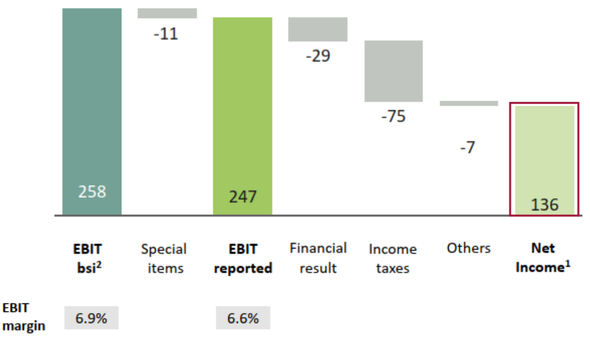
## Net Income[1] – EBIT reconciliation and special items

**Reconciliation Q1 2022 | in EUR mn**




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

**Key aspects**

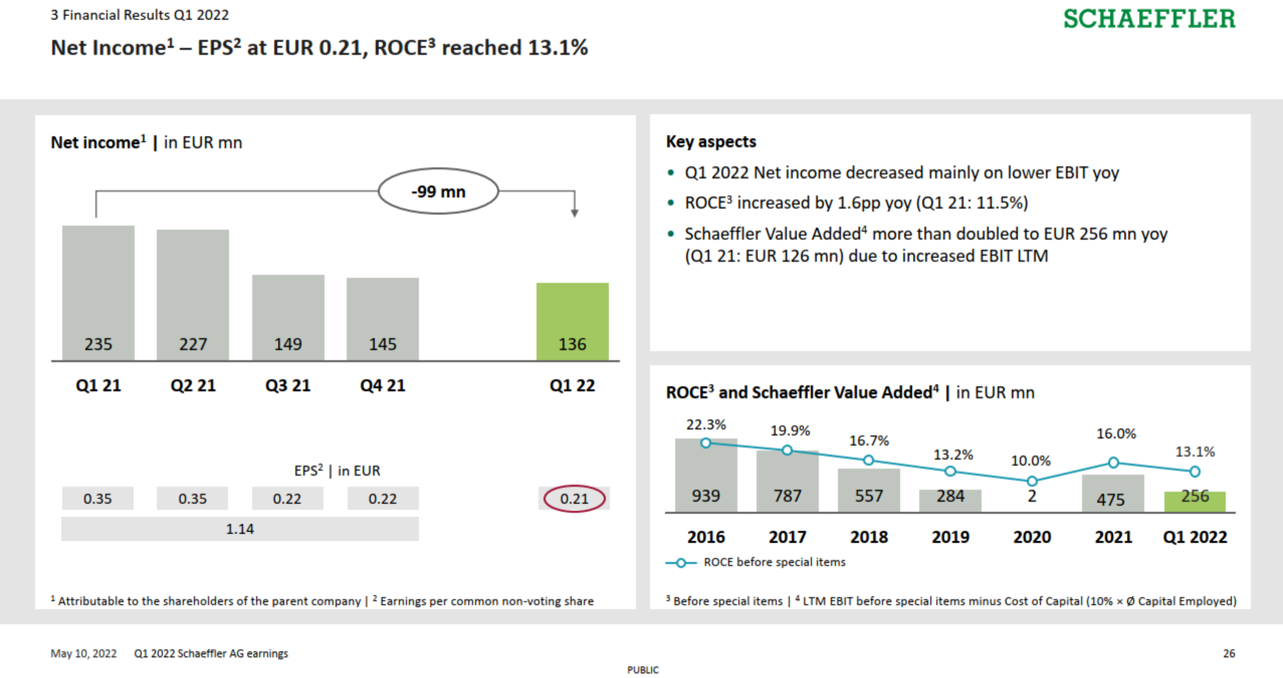
- Special items amounted to EUR 11 mn in Q1 related to small adjustments to restructuring costs
- Financial Result EUR 5 mn better than prior year (Q1 21: EUR -34 mn) related to change of interest rate on tax claims
- Lower income tax expense is mainly related to a decrease in EBT compared to Q1 2021

**Special items by division |** in EUR mn

| | Q1 21 | Q1 22 | Q1 22 vs. Q1 21 |
|---|---|---|---|
| EBIT Reported | 382 | 247 | -135 |
| Automotive Technologies | 8 | 3 | -5 |
| Automotive Aftermarket | 1 | 1 | 0 |
| Industrial | 6 | 7 | +1 |
| Group | 15 | 11 | -4 |
| EBIT bsi[2] | 397 | 258 | -139 |



Net Income, I think nothing out of the ordinary. Very little adjustments in EBIT, as you see. These are slight corrections of bigger adjustments that were in the past, but our logic is once we correct it for an event, then we will continue to also correct it going forward. But nothing really to report here out of the ordinary.




Which leads me then into the Net Income. Net Income, you see it here, earnings per share with € 0.21 and are clearly on the same level as the second half of 2021 and ROCE with 13.1% is actually 1.6 percentage points higher than a year ago, but please remember, we have now in this last 12-month period pretty strong quarters, maybe with the exception of the third quarter of last year, which was one of the weaker ones. Whereas last year's last 12 months had still the COVID impact of 2020 in it. So, still, with 13.1%, we are right in the range of our mid-term targets and, I think, a good result.

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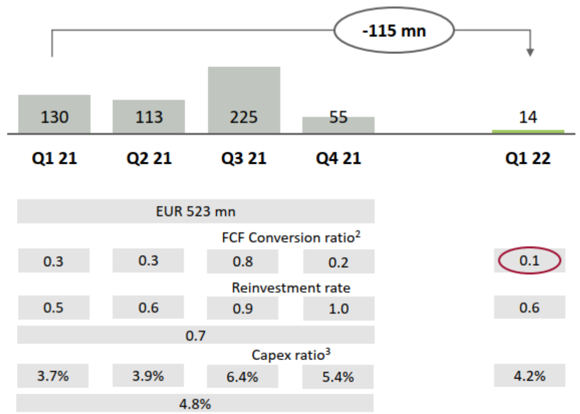
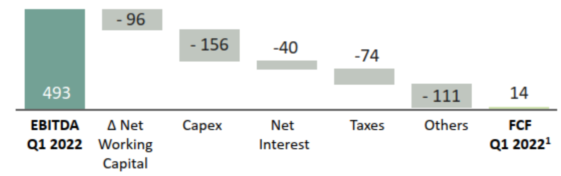
**Free Cash Flow – Positive, despite lower EBITDA yoy and increasing inventories**

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




[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

**Reconciliation Q1 2022 | in EUR mn**




**FCF Details | in EUR mn**

| | Q1 2021 | Q1 2022 | Δ Q1 22/21 |
|---|---|---|---|
| **FCF as reported** | 126 | -47 | *-173* |
| M&A | 4 | 62 | *+58* |
| **FCF before M&A** | 130 | 14 | *-115* |
| Legal cases | 3 | -2 | *-5* |
| Restructuring | 155 | 160 | *+5* |
| Others | 0 | 0 | *0* |
| Financing | 0 | -35 | *-35* |
| **FCF bef. M&A and sp. items** | 287 | 137 | *-150* |

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That leads me to the Free cash flow commentary slide on the next page. Cleary a significant reduction of Free cash flow, as compared to a comparable quarter last year. Last year was clearly distorted by the V-shaped recovery with a working capital distortion, still. Let me rather say, working capital adjustments with Capex still ramping up the last year, still at low level last year. Lots of dynamics going on, but despite the headwinds and, obviously, the net working capital seasonally expected increase. Especially as it relates to accounts receivable in the first quarter, and still managing to have a positive cash flow, I think is not a bad result. You'll see on the left side, the Capex ratio is clearly higher this quarter than in the first quarter of last year, it's about € 20 million in additional cash outflow that we've financed this quarter, as compared to last year.

You see on the bottom right then, always very important, our bridge. And Klaus mentioned it already on a high level, but significant pay-outs for restructuring as expected. The € 160 million that we paid out in Q1 2022 is already more than half of our annual plan, so it's always a little frontloaded because a lot of these structural measures will hit 1st of January. So, that was not unexpected, but clearly, a high number and not to be annualized. Then you see also here, we increased our formal factoring financing program by € 35 million to offset some of these impacts. If we normalized for these two impacts, then we have an underlying Free cash flow before M&A activities of € 137 million. I think, also, a strong result. In regard to maybe another explanation here, the line M&A, € 62 million of cash outflow. That is clear and that is related to the Melior Motion acquisition.

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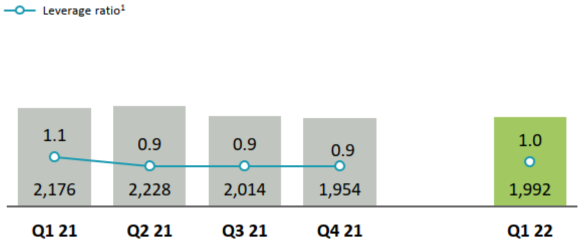
## Net debt of EUR 2 bn – Leverage ratio[1] at 1.0x and strong liquidity position

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




| | Q1 21 | Q2 21 | Q3 21 | Q4 21 | Q1 22 |
|---|---|---|---|---|---|
| Gross debt | 4,030 | 4,039 | 4,034 | 3,776 | 3,235 |
| Cash & cash equivalents | 1,854 | 1,810 | 2,020 | 1,822 | 1,243 |
| EBITDA before special items[2] | 1,939 | 2,409 | 2,339 | 2,180 | 2,049 |

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

**Key aspects**

- Net financial debt slightly increased
- Redemption of EUR 2022 bond on March 1, 2022 – No maturities until March 2024

**Strong liquidity situation**

- Cash balance Schaeffler Group as per end of March 2022 EUR 1,243 mn (December 2021 EUR 1,822 mn)
- Committed unused credit lines on Group level of around EUR 1.8 bn as per end of December, available liquidity[3] 20% of LTM Net Sales



Last page. You see the leverage ratio solidly at 1.0. Most importantly, you see a little bit of liquidity structure change on the left side, on the bottom. That is due to the fact, and you know that we were very transparent about that, that we redeemed a bond on March 1st, 2022, which reduced our gross debt and our cash position by € 545 million. With that, we do not have any maturities coming up before March of 2024. The cash position is still strong with over a billion, € 1.2 billion. Besides that, cash position, we have still, as you know, € 1.8 billion in committed unused credit lines, which brings our available liquidity and holds our available liquidity above the 20% level of the last 12 months' net sales. With that, Klaus, back to you.

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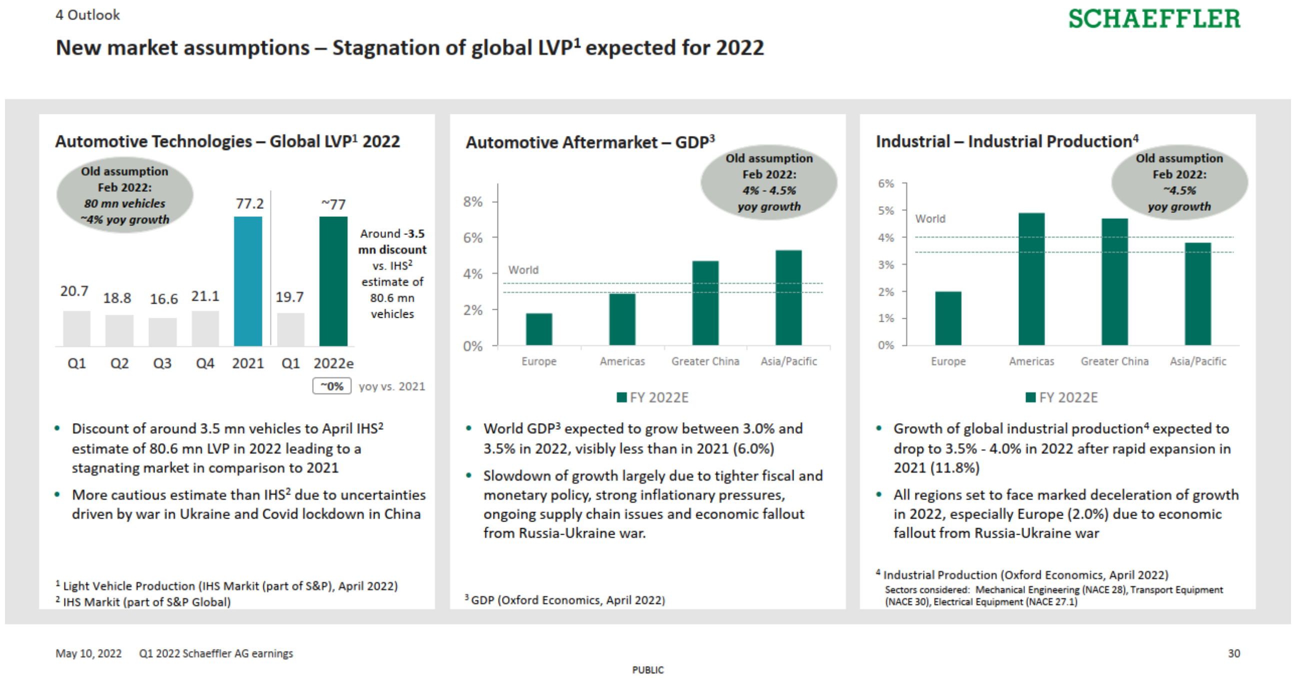
## Agenda




Thank you. Let me finish the presentation with the last chapter, the outlook. Please, page 30. Here you have the new market assumptions for our three division. I start with Automotive Technologies. As I said before, our guidance is built on cautious assumptions. We've basically said we want to use the assumption that we see similar production volumes like last year’s 77 million cars. That is a discount of 3.5 million cars versus the latest IHS estimate of 80.6. That I think shows why we think cautiousness is the right qualifier here. Why have we done this? Because there are still significant uncertainties from the geopolitical situation, also from the COVID lockdown in China. If I look at the table from the light vehicle production, allocate the discount predominantly to Europe, also here in Germany, where I just predicted a 19% growth rate. Then to China, let’s see how that develops. It's better to be on the safe side in these days than being too optimistic.

Then, for Automotive Aftermarket and Industrial, we don’t have similar indicators. We’re using GDP for Automotive Aftermarket and Industrial production figures from Oxford Economics. That’s not an ideal proxy, but a good indicator. But we have to say, you definitely should not just take these numbers and plug them in in your models for our Industrial or Automotive Aftermarket growth assumptions. They are just indicators.

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## New FY 2022 Guidance

**Group Guidance**

| | Actuals FY 2021 | **Guidance FY 2022[1]** |
|---|---|---|
| **Sales growth[2]** | 10.2% | **6 - 8%** |
| **EBIT margin[3]** | 8.8% | **5 - 7%** |
| **Free Cash Flow[4]** | EUR 523 mn | **> EUR 250 mn** |

[1] Please refer to the Interim Statement for further details | [2] FX-adjusted | [3] Before special items
[4] Before cash in- and outflows for M&A activities | [5] LVP (IHS Markit (part of S&P), April 2022)

**Divisional Guidance**

| **Automotive Technologies** | | **Automotive Aftermarket** | | **Industrial** | |
|---|---|---|---|---|---|
| Actuals FY 2021 | **Guidance FY 2022** | Actuals FY 2021 | **Guidance FY 2022** | Actuals FY 2021 | **Guidance** |
| Outperf. 430 bps | **Out-performance 200 - 500 bps** | 13.9% | **Moderate growth** | 14.2% | **Consider-able growth** |
| 6.4% | **> 2.5%** | 13.9% | **> 12%** | 11.8% | **> 11%** |

**New market assumptions for 2022**

- Automotive Technologies: LVP growth stagnating yoy (~77 mn expected) vs. 4.4% growth in latest IHS estimate[5]
- Automotive Aftermarket: Increase of global GDP of 3% to 3.5%
- Industrial: Increase of relevant industrial production of 3.5% to 4%

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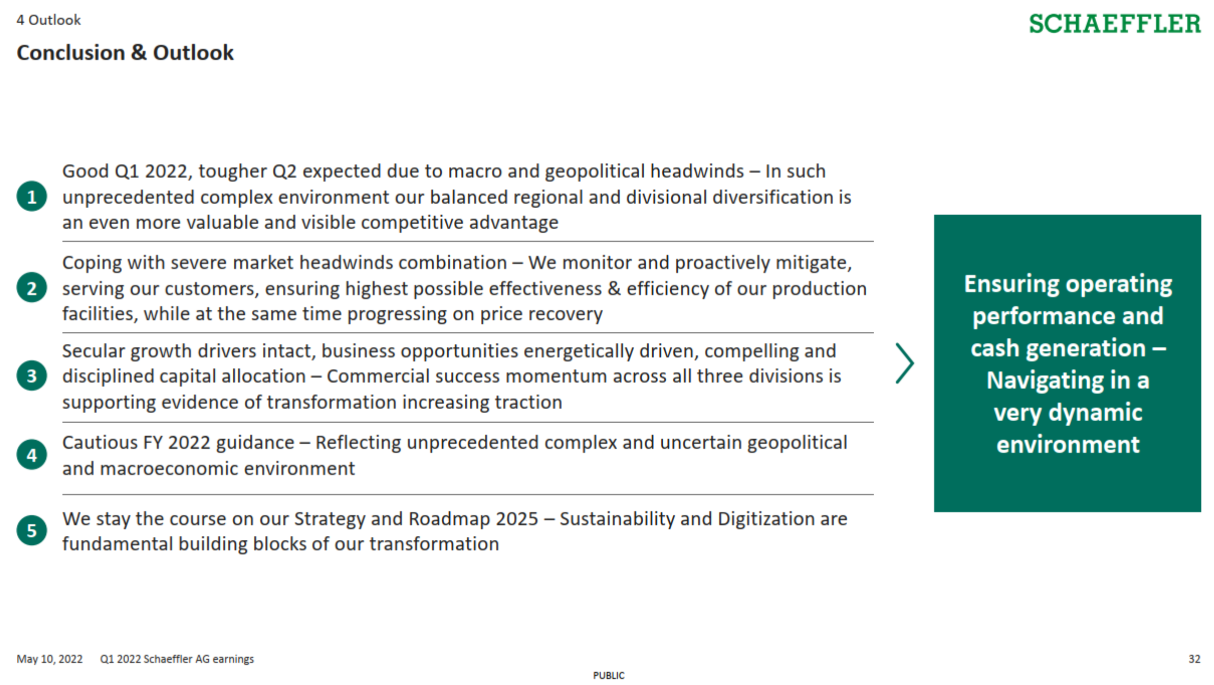
Let me go to 31. There you see the new guidance as of yesterday. If you compare this to the suspended guidance as of 8th of March, and you have this in the backup, you'll find the numbers. We reduced Sales growth from 7 to 9% to 6 to 8%, and also, reduced EBIT margin from 6 to 8% to 5 to 7%. And on the cashflow side, we think we'll make 250 million at the floor end. This is a function of the divisional guidance. Here I would like to comment a little bit on the growth guidance. As you know, we're not giving numbers here, we're following the German accounting rules and using the same format as last year. Probably the most interesting one is the outperformance, 200 to 500 basis points. Let me talk here about the composition of this. This outperformance number was decided as a mid-term target at a time where there was no real price recovery, there was price concession. This outperformance was always composed of the ramp-up volume effect above the market volume plus price concessions. Now it includes, also, the price recovery, Claus, so you can assume that if we talk about 200 to 500 basis points, that we'll come out here at the upper end of the range, if not above.

Then you have the terms moderate growth and considerable growth. What does that mean? Moderate growth, from our understanding, is a mid-range, single-digit growth rate. And considerable growth is a high, single-digit growth rate, if not two-digit. I can say we are clearly positive on Industrial, don't forget the 15% growth rate in the first quarter. And we think that Automotive Aftermarket can also grow above the indicator GDP, that is 3 to 3.5%. If you put that in your models, you will see that the sales growth number is within the range of the 6 to 8% for the time being. Again, this is cautious, and we will update our thinking as we see more about the second quarter.

Then, the EBIT margins. A function of this, we have given you floors. Above 4% became above 2.5%. I have to say, I don't like that number, mid-term targets have been higher, but it reflects the environment, and we want to also here be reasonable with what we're giving you, so 2.5% is the floor that we will defend in this year. And then, above 12% and above 11%, ladies and gentlemen, is unchanged to the suspended guidance from 8th of March. With this, let me come to the summary page and try to wrap it up.




Good Q1. Clearly a tougher Q2 expected due to the headwinds. We think that in particular, in such an unprecedented environment, our balance with regional and divisional diversification is an advantage. We are coping with an amalgamation of headwinds that we've not seen before. We are an experienced management team that stands together. We monitor and try to proactively mitigate what we can mitigate. Most important is serving our customers best. I already mentioned that our Chinese colleagues are doing an excellent job here to achieve that. And, clearly, we’re building on the resilience of the organization on the increased effectiveness, the efficiency of our production. Synchronizing sales and production volumes is key. Managing working capital properly and, clearly, pushing through where we can, our price recovery action.

Number three, the secular growth drivers are from our point of view intact. There are business opportunities in such a situation, the strong companies can go for them in a much better way than the ones that are weaker. Discipline, capital allocation helps and there's clearly commercial success momentum in all three divisions to deliver on their transformation plans. As I said before, the guidance is cautious. It reflects the environment as good as we can but let me also end with a more positive tone. We'll stay the course. We are used to headwinds, we’re used to drawing the right conclusions under pressure and I can tell you our strategy will be implemented, even with more vigor than before. Sustainability and digitalization remain fundamental building blocks, so there is fighting spirit and we will ensure in this environment, that our operating performance and, in particular, the cash generation, remains intact. With this, I hand back to you, Renata, for the Q&As. Thank you very much. We are now looking forward to your questions.

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## 2022 Capital market activities

**Roadshows & Conferences involving Top Management**

| | |
|---|---|
| May 11 | Roadshow – *US, UK, Deutsche Bank* |
| May 12 | Roadshow – *US, UK, Deutsche Bank* |
| May 12 | Roadshow – *DACH, DZ-Bank* |
| May 24-25 | Conference – *German Corporates, Deutsche Bank* |
| June 8 | Conference – *European Autos, JP Morgan* |

**Financial calendar 2022**

| | |
|---|---|
| May 10 | Q1 2022 Earnings Release |
| June 1 | Hanover Fair, Industrial |
| June 29 | Schaeffler Kolloquium Bühl, Automotive Technologies |
| Aug 4 | H1 2022 Earnings Release |
| Nov 8 | 9M 2022 Earnings Release |

Renata Casaro

Thank you, Klaus. We open the call for the Q&A. Natalie, you can open to the questions.

## Q&A SESSION

### Christoph Laskawi, Deutsche Bank

Hi, good morning, and thank you for taking my questions. The first one will be on the raw material and energy headwind. If I understood it correctly, you are now pointing essentially to 100 bps more headwind factoring in energy. I know you don't really want to comment on an assumed net impact, but I'm still trying. If you would comment on that. If not, could you give us an indication if the raw mats are easier to negotiate than energy, is there any difference or essentially the same? Then, during the presentation you highlighted that you essentially didn't give price-downs also in Q1. Is this a proper cancelation of the price-downs or is it just push to the right and you would assume OEMs to ask for more next year, if there's visibility?

And then the second block, on China, we had other suppliers highlighting, obviously, the challenges which are in the market currently but also, following the strict lockdown policy of the government, that most of the expats they have in the market will actually seek to return to Europe, which might cause some disruption in the leadership of the factories run there and could lead to additional disruption. Is there anything that you would fear from that in your organization?

### Klaus Rosenfeld

Thank you very much. Two very important questions. And I would tackle the last one and Claus will try to answer what we can answer on the raw mat and the energy cost. Clearly, the situation in China is challenging for expats. We have also seen that some of our expats have reiterated their concerns and wanted to come back. That we can digest. We have, since years, a very strong Chinese team that is well connected. You know that Schaeffler has a little bit of a peculiar executive board structure, where we have dedicated regional CEOs. Our CEO in regional China, Greater China, that reports to me, sits on our executive board, he participates in all board meetings. He's a Chinese German, or a German Chinese, speaks fluent German. He is there since years and has a management team that is mixed. The CFO there is European, the COO, the one who ran our 12 factories, is an American citizen, he returned. But we see for us no disruption in the way we manage this. I think we are blessed in this situation because we have always focused on the regional aspect here and have these dedicated reporting lines. But overall, I think you are absolutely right, this is a challenge. What would you expect in a world that obviously becomes more deglobalized, you need to find the right solutions, not only for localization and for supply chains, but also for the supply chains of human capital. What we try to do is, and I do this with town halls, I do this with regular calls, to keep our Chinese colleagues as close as we can. That has worked well so far, but the brain drain in terms of management talent is clearly something that all the companies have to watch out for. I hope when the overall geopolitical tensions reduce a little bit, that this will also normalize. There's still fantastic business opportunities in China, don't get this wrong. And we have customers who are desperate, calling for our parts and all our things, so we will continue there, as we said, but maybe with a little bit more challenging circumstances. Claus, over to you.

Claus Bauer

Everything you said about the material price impact and recovery actions, I can confirm. You asked whether it would be indifferent, what kind of cost we try to recover with our customers. That is different in the different divisions. If you have a tool to just increase list prices, obviously then you can mix into that pricelist adjustment, every cost component that you think is appropriate, as long as the market is ready to absorb the price increases. We have to watch a little bit the marketplace also, I cannot trust unilaterally increased prices. And I'm talking here about more the distribution business in Industrial and Automotive Aftermarket. In regard to the Automotive OEMs, you heard it from other suppliers, and from us many times in the past, it's very complicated, individual negotiations, customer by customer, sometimes part number by part number, where you have to prove your case with detailed cost breakdowns. And there, indeed, it is a difference whether it's a direct material that we are trying to recover or indirect production cost, like energy and other components. The negotiations are much more constructive when it's about steel and even more difficult when we are talking about indirect cost increases, like energy.

In regard to the cost recovery and net impact, your observation was also correct, to not jeopardize our leverage in negotiations that are not completed and quite frankly, now go from a first wave into a second wave, if you will, with the changed environment. I think we would stick at this time, by being a little bit awake in regard to our recovery targets. But I think it's reflected to some extent in our bridges, that we are making progress in that regard. Admittedly, not yet completely reflected in our Automotive Technologies bridge. That comes, I think, to the last segment of your question.

We did not execute contractionary price reductions as one of our negotiation tools. And it's not at this point, with many customers we do not have a final agreement on what the recovery level, the recovery amount and the technique to pay the recovery, including retroactive recoveries. So, therefore, that's for now almost "Merkposten" *[Investor Relations Note: in English: "Noted item"]* that we didn't want to give something that we then had to fight to get back. It's a negotiation position for now, but it's not secured, but will be secured within the next few weeks. It's also no indication of what will happen going forward and next year. I already indicated that we initiated already the next waves in regard to price increases and additional headwinds that we are seeing due to the geopolitical and China situation.

Klaus Rosenfeld

Claus explained it very well. Let me add, I think your question has one important element. This is not a one-time event. What we learn at the movement from the 2022 Q1, Q2 experience is something that we will take forward into the planning for 2023. Price increases need to be somehow sustainable. As we said before, in a stagflation environment pricing power and that's different in the three divisions, it's a key competitive advantage.

Christoph Laskawi, Deutsche Bank

That's very clear. Thanks a lot.

Sanjay Bhagwani, Citi

Hello. Thank you very much for taking my question as well, gentlemen. And thank you for the detailed slide on China, that's very helpful as well. I've got two questions as well, particularly on the E-Mobility Order Intake. Just trying to understand this. As you mentioned, the majority is coming from the three big transactions and most of that is the battery electric business. What proportion of this € 2 billion can we say is going into the battery electric cars? Is this more like 60%? Is this more like 50%? That is my first question.

My second question is what are these systems of components? Are these the transmissions or this is a 2-in-1 system? Or this is a 3-in-1 system? Those are my two questions.

Klaus Rosenfeld

I can quickly answer them. These are 3-in-1 systems and more than 50% comes from BEV, but again, you will understand, we have decided for the time being that we don't give more detail on the Order Intake. One thing that I can say, we are well on track to build our market position from where we are coming into this E-Mobility space. You know our scenario, the famous 40/40/20. That is from our point of view, going forward, also the right measure. While the capital market is always looking at combustion versus BEV, I can only suggest to you that you look into the hybrid development in China, where hybrid is at the moment seeing a significant demand. That tells us, again, that this is not just black and white. I believe, as you believe, that hybrid has a certain transition element and we'll, certainly over time, see different application, different markets, but I can only recommend, look at the hybrid development in China at the moment, what's happening there. It's more popular than people think. And we're clearly benefiting from the new development in BEV, in particular in the United States. But the world is more balanced than just BEV versus combustion engine. And don't take this defensive, take it as an advice, that again, this is going to unfold over years in a manner that we need to all jointly predict. I'm very confident that Schaeffler has a good future on the BEV side, as well.

Sanjay Bhagwani, Citi
Thank you, that's very helpful.

Klaus Rosenfeld
You're welcome.

Operator
There are no further questions at this time. I would like to hand back to Klaus Rosenfeld for closing comments.

Klaus Rosenfeld
Thanks a lot. It's a busy day for you today and we, clearly, appreciate that you all participated. We are on Roadshow, starting on May 11th, Deutsche Bank organizes this also then on the 12th. We have a second half-day then in May, where we also use the help of DZ Bank. There is a conference on the 24th and 25th, where my colleagues will be and then European Autos JP Morgan, 8th of June, so lots of activity. I would also like to mention the Hanover Fair, a special event because this time it's again in person. I know Stefan will be there with his team to present the successes in Industrial for our customers. Whoever is there is cordially invited to join our booth. I will also be there, it's an important event. And then, another highlight in the year is our Schaeffler Kolloquium in Bühl. Some of you may know, some of you may have been there. That's the every four years Automotive Technologies customer event, it's clearly an outstanding event every four years. It's also global. It goes around the globe and we will also invite those that are interested to that event.
Q2 will be presented at the 4th of August, H1 release. That will clearly be an interesting event. Until then, we look forward to engage with you. The team IR is available. Thanks a lot, again, for joining today and all the best for all of you. Good luck and see you soon. Bye-bye.

# Backup

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**Backup 1**

## Backup 1
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## Additional information Guidance

## Ancillary comments to support the Equity Story

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| Additional KPIs | FY 2022 | Comments |
|---|---|---|
| **Order Intake E-Mobility** | **EUR 2 - 3 bn** | Starting from 2022 the new target of EUR 2 - 3 bn applies |
| **Capex** | **Around EUR 800 mn** | Focus areas include Digitalization, Sustainability, Innovation & Technology and investments in New Business |
| **Restructuring cash-out** | **Up to EUR 300 mn** | Significant portion of extraordinary restructuring expenses in 2022 expected leading to prudent FCF guidance |
| **Dividend Payout Policy** | **30 - 50%** | Dividend payout ratio[2]; In April 2022 dividend payment of EUR 328 mn for FY 2021 (44% ratio) |
| **Leverage ratio[1]** | **1.25x - 1.75x** | Leverage ratio 2022 in line with Mid-term Targets |
| **Average Tax rate** | **28 - 32%** | Overall effective tax rate in line with pre-Covid years |
| **FX rates** | | EUR/USD, Chinese Renminbi and Mexican Peso are the main exposures |

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





## External headwinds

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The unprecedented high degree of uncertainty deriving from current geopolitical and macroeconomic developments may result in more directional, sudden impacts on the global economy and hence also on our sourcing- and end-markets.

- **The war in Ukraine** is impacting the global supply chains, the availability of energy and raw materials, and their price evolutions, especially in Europe. Substantial global negative macroeconomic consequences may derive in case of further escalation or protracted conflict
- **Supply chain bottlenecks** also pre-existing to the conflict and further increased inflationary pressures are now increasing in complexity and cloud the outlook for companies across value chains globally
- **Covid pandemic** current situation and strict countermeasures in China weigh on the expected nearer-term development of markets, supply chain and production

The combination of these factors increases market uncertainty and further reduces visibility. Schaeffler AG is closely monitoring the developments. Any change which would significantly impact future guidance will be communicated

**Further intensification of the above headwinds is not priced in our guidance**

Backup

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

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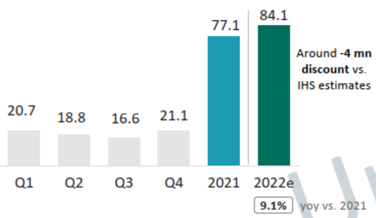
Under review

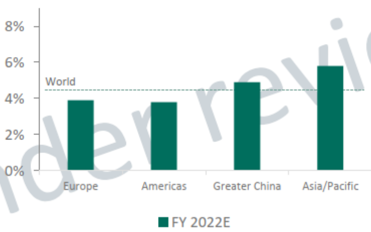
### Automotive Technologies – Global LVP[2] 2022




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

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

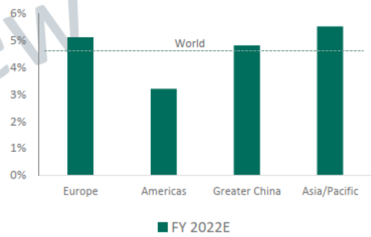
### Automotive Aftermarket – GDP[3]




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

[3] GDP (Oxford Economics, December 2021)

### Industrial – Industrial Production[4]




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

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



Backup

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

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SUSPENDED

### Group Guidance

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

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

### Divisional Guidance

Adjusted comparative figures 2021

| Automotive Technologies | | Automotive Aftermarket | | Industrial | |
|---|---|---|---|---|---|
| Actuals | **Guidance** | Actuals | **Guidance** | Actuals | **Guidance** |
| Outperf. 430 bps | **Out-performance 200 - 500 bps** | 13.9% | **Slight growth** | 14.2% | **Significant growth** |
| 6.4% | **> 4%** | 13.9% | **> 12%** | 11.8% | **> 11%** |

### Market assumptions for 2022

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

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# Backup 2

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# Information top-up





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## Equity Story – Positioning Schaeffler for long-term value creation

1. Roadmap 2025 in execution – Focus on capital allocation, portfolio management and FCF generation
2. Automotive Technologies – Conquer leadership positions in New Business for electrified Powertrains and Chassis applications
3. Automotive Aftermarket – Maintain a high margin level, expand our share of wallet and reach
4. Industrial – Enter attractive growth fields, further enhance profitability
5. Financial Framework – Strict performance orientation based on Mid-term Targets
6. Sustainability – Fully committed to activate all impact levers to achieve sustainability goals

**Creating long-term value and generating Free Cash Flow**

Backup

## Key figures Q1 2022

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| in EUR mn | Q1 2021 | Q1 2022 | Q1 2022 vs. Q1 2021 |
|---|---|---|---|
| **Sales** | 3,560 | 3,758 | +5.6% / +1.9%[1] |
| **Gross Profit** | 957 | 871 | -86 mn |
| ***Gross margin*** | *26.9%* | *23.2%* | *-3.7pp* |
| **EBIT[2]** | 397 | 258 | -139 mn |
| ***EBIT margin[2]*** | *11.2%* | *6.9%* | *-4.3pp* |
| **Net income[3]** | 235 | 136 | -99 mn |
| **EPS[4] (in EUR)** | 0.35 | 0.21 | -0.14 |
| **Schaeffler Value Added[5]** | 126 | 256 | +130 mn |
| **ROCE[6]** | 11.5% | 13.1% | +1.6pp |
| **Free Cash Flow[7]** | 130 | 14 | -115 mn |
| **Capex** | 132 | 156 | +24 mn |
| **Net financial debt** | 2,176 | 1,992 | -183 mn |
| **Leverage ratio[8]** | 1.1x | 1.0x | -0.1x |
| **Headcount** | 83,937 | 83,089 | -1.0% |

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



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## Free Cash Flow[1] details Q1 2022 – FCF hampered by lower EBITDA

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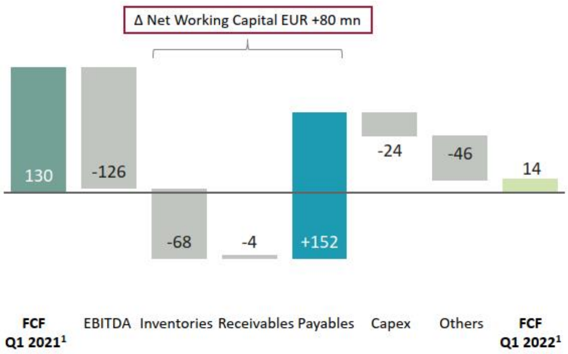
**FCF[1] Q1 2021 vs. Q1 2022 | in EUR mn**




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

**Key aspects**

- Negative EBITDA development yoy mainly due to the decline in Gross Profit burdened by increased input costs
- Positive Net Working Capital Delta of EUR +80 mn driven by extend of trade payables
- Others included cash outs for restructuring in Q1

**Net Working Capital details|** in EUR mn

| *Change in* | Q1 2021 | Q1 2022 | *Δ Q1 22/21* |
|---|---|---|---|
| Inventories | -193 | -262 | -68 |
| Receivables | -138 | -142 | -4 |
| Payables | 156 | 308 | +152 |
| **Δ Net Working Capital** | **-176** | **-96** | **+80** |
| *Working Capital ratio[2]* | *19.8* | *20.0* | - |

[2] in % of sales (LTM)

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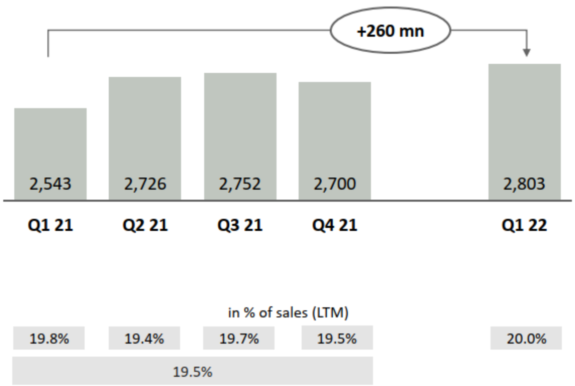
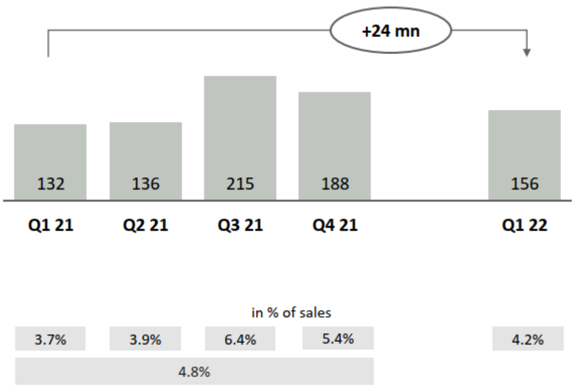
## Working Capital ratio 20.0% – Capex ratio 4.2% in Q1

**Working capital[1] | in EUR mn**




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

**Capex[2] | in EUR mn**




[2] Cash view



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## Automotive Technologies (AT) outperformance by quarters

YTD Outperformance: +1.3pp

| Q1 22 | IHS[1] | AT[2] | Outperformance |
|---|---|---|---|
| World | -4.5% | -3.2% | +1.3pp |
| Europe | -15.4% | -1.9% | +13.5pp |
| Americas | -3.6% | 0.3% | +3.9pp |
| Greater China | 6.4% | -5.3% | -11.7pp |
| Asia/Pacific | -6.5% | -8.3% | -1.8pp |

FY 21 Outperformance: +4.3pp

| | Q1 21 IHS[1] | Q1 21 AT[2] | Q1 21 Outperformance | Q2 21 IHS[1] | Q2 21 AT[2] | Q2 21 Outperformance | Q3 21 IHS[1] | Q3 21 AT[2] | Q3 21 Outperformance | Q4 21 IHS[1] | Q4 21 AT[2] | Q4 21 Outperformance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| World | +15.9% | +17.0% | +1.1pp | +48.2% | +67.5% | +19.3pp | -19.1% | -13.1% | +6.0% | -10.2% | -12.5% | -2.3% |
| Europe | +2.3% | +3.3% | +1.0pp | +81.0% | +120.4% | +39.4pp | -28.7% | -16.3% | +12.4% | -21.6% | -16.4% | +5.2% |
| Americas | -2.8% | +6.7% | +9.5pp | +147.0% | +137.2% | -9.8pp | -24.6% | -16.0% | +8.6% | -13.4% | -16.0% | -2.6% |
| Greater China | +78.0% | +74.8% | -3.2pp | -4.3% | +3.1% | +7.4pp | -13.9% | -16.1% | -2.2% | -1.0% | -6.0% | -5.0% |
| Asia/Pacific | +5.2% | +14.0% | +8.8pp | +82.2% | +63.9% | -18.3pp | -10.7% | +7.3% | +18.0% | -8.8% | -9.3% | -0.5% |

[1] Light Vehicle production growth according to IHS Markit (part of S&P Global), April 2022 | [2] FX-adjusted sales growth of Automotive Technologies division

Backup

## Key figures by Group and division

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Adjusted comparative figures 2021

### Group | in EUR mn

| | Q1 21 | Q2 21 | Q3 21 | Q4 21 | Q1 22 |
|---|---|---|---|---|---|
| **Sales** | 3,560 | 3,454 | 3,332 | 3,506 | **3,758** |
| ***Sales Growth*** [1] | *+12.3%* | *+52.8%* | *-3.5%* | *-5.8%* | ***+1.9%*** |
| **EBIT Reported** | 382 | 341 | 266 | 231 | **247** |
| **EBIT bsi** | 397 | 305 | 260 | 260 | **258** |
| **EBIT bsi margin** | 11.2% | 8.8% | 7.8% | 7.4% | **6.9%** |

### Automotive Aftermarket | in EUR mn

| | Q1 21 | Q2 21 | Q3 21 | Q4 21 | Q1 22 |
|---|---|---|---|---|---|
| **Sales** | 444 | 467 | 500 | 437 | **463** |
| ***Sales Growth*** [1] | *+4.9%* | *+57.9%* | *+9.0%* | -2.1% | ***+2.1%*** |
| **EBIT Reported** | 57 | 89 | 80 | 48 | **62** |
| **EBIT bsi** | 58 | 78 | 72 | 49 | **63** |
| **EBIT bsi margin** | 13.1% | 16.6% | 14.3% | 11.2% | **13.6%** |

### Automotive Technologies | in EUR mn

| | Q1 21 | Q2 21 | Q3 21 | Q4 21 | Q1 22 |
|---|---|---|---|---|---|
| **Sales** | 2,281 | 2,084 | 1,921 | 2,150 | **2,293** |
| ***Sales Growth*** [1] | *+17.0%* | *+67.5%* | *-13.1%* | -12.5% | ***-3.2%*** |
| **EBIT Reported** | 232 | 141 | 96 | 110 | **77** |
| **EBIT bsi** | 240 | 119 | 77 | 107 | **80** |
| **EBIT bsi margin** | 10.5% | 5.7% | 4.0% | 5.0% | **3.5%** |

### Industrial | in EUR mn

| | Q1 21 | Q2 21 | Q3 21 | Q4 21 | Q1 22 |
|---|---|---|---|---|---|
| **Sales** | 836 | 902 | 911 | 919 | **1,002** |
| ***Sales Growth*** [1] | *+4.7%* | *+25.4%* | *+15.8%* | +12.0% | ***+15.7%*** |
| **EBIT Reported** | 92 | 112 | 89 | 74 | **108** |
| **EBIT bsi** | 98 | 108 | 112 | 104 | **115** |
| **EBIT bsi margin** | 11.8% | 11.9% | 12.3% | 11.3% | **11.4%** |

[1] FX-adjusted



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## Overview Corporate and Financing Structure

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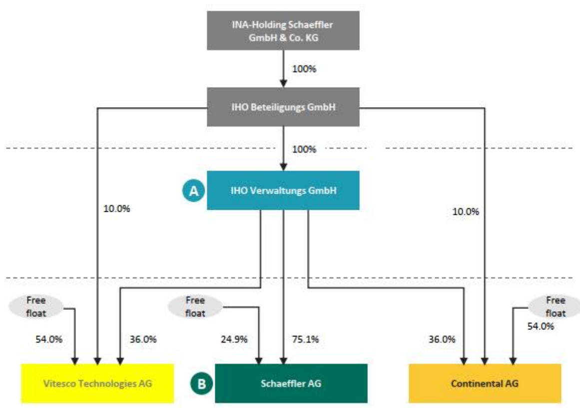
### Corporate structure (simplified) | as of March 31, 2022




### Financing structure | as of March 31, 2022

**A IHO Verwaltungs GmbH**

| | Debt instrument | Nominal (USD m) | Nominal (EUR[1] m) | Interest | Maturity | Rating (Fitch/Moody's/S&P) |
|---|---|---|---|---|---|---|
| **Loans** | RCF (EUR 800 m) | - | 260 | E+2.75% | Dec-24 | Not rated |
| **Bonds** | 3.625% SSNs 2025 (EUR) | - | 800 | 3.625% | May-25 | BB/Ba2/BB- |
| | 3.75% SSNs 2026 (EUR) | - | 750 | 3.750% | Sep-26 | BB/Ba2/BB- |
| | 4.75% SSNs 2026 (USD) | 500 | 450 | 4.750% | Sep-26 | BB/Ba2/BB- |
| | 3.875% SSNs 2027 (EUR) | | 500 | 3.875% | May-27 | BB/Ba2/BB- |
| | 6.00% SSNs 2027 (USD) | 450 | 405 | 6.000% | May-27 | BB/Ba2/BB- |
| | 6.375% SSNs 2029 (USD) | 400 | 360 | 6.375% | May-29 | BB/Ba2/BB- |
| | **Total IHO Verwaltungs GmbH** | | **3,526** | **Ø 3.77%** [2,3] | | |

**B Schaeffler AG**

| | Debt instrument | Nominal (USD m) | Nominal (EUR m) | Interest | Maturity | Rating (Fitch/Moody's/S&P) |
|---|---|---|---|---|---|---|
| **Loans** | RCF (EUR 1,800 m) | - | - | E+0.80% | Sep-24 | Not rated |
| | Schuldschein Loans (EUR) | - | 298 | Ø 2.13% | May-23, 25, 28 & 30 | Not rated |
| **CP** | Commercial Paper Program (EUR) | - | - | - | - | Not rated |
| **Bonds** | 1.875% SNs 2024 (EUR) | - | 800 | 1.875% | Mar-24 | BB+/Ba1/BB+ |
| | 2.750% SNs 2025 (EUR) | - | 750 | 2.750% | Oct-25 | BB+/Ba1/BB+ |
| | 2.875% SNs 2027 (EUR) | - | 650 | 2.875% | Mar-27 | BB+/Ba1/BB+ |
| | 3.375% SNs 2028 (EUR) | - | 750 | 3.375% | Oct-28 | BB+/Ba1/BB+ |
| | **Total Schaeffler Group** | | **3,248** | **Ø 2.80%** [3] | | |

[1] EUR/USD = 1.1101 | [2] After cross currency swaps | [3] Incl. commitment and utilization fees