TRANSCRIPT / CONFERENCE CALL Q2 AND H1 2024 EARNINGS

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Q2 and H1 2024 Schaeffler AG earnings

August 6, 2024
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Company Representatives

Klaus Rosenfeld, CEO
Claus Bauer, CFO
Heiko Eber, Head of Investor Relations

Conference Call (Active) Participants

Akshat Kacker, *JP Morgan*

Heiko Eber

Ladies and gentlemen, I'm very happy to welcome you to today's call on the financial results of the second quarter 2024. The press release, the following presentation and our half-year report has been published today at 8 AM CET on our homepage. And since I'm sure that you have all taken notice of our well-known disclaimer, I would directly go ahead and welcome our CEO, Klaus Rosenfeld, our CFO, Claus Bauer, and both will guide you through today's presentation. And, for sure, afterwards, you will have the opportunity to ask questions. And now, without further ado, let me hand over to our CEO.

Klaus Rosenfeld

Heiko, thank you very much for your kind words of introduction. It's a pleasure to do this earnings call together with you for the first time and welcome to all of you. Exciting times, as you all notice. We will guide you today through the Schaeffler AG results. I say this upfront, there was an announcement of our sister company yesterday, but this is an earnings call of Schaeffler AG. I will say this upfront: we are not going to comment on that situation.

1 **Overview**

2 Business Highlights Q2 and H1 2024

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Schaeffler Group – Q2 results impacted by increasingly challenging market environment

Key messages

1. Q2 Sales +4.2% – Outperformance in ATech, continued strong growth[1] in VLS, sales decline in B&IS due to market environment
2. Q2 EBIT margin[2] 4.9% – ATech and VLS on track, margin decline impacted by lower-than-expected profitability in B&IS
3. Q2 FCF[3] EUR 75 mn – FCF impacted by Vitesco integration and financing costs
4. FY 2024 Combined Guidance updated – Sales growth[1] unchanged, EBIT margin[2] and FCF[3] adjusted
5. Transaction update – Full focus on Day One preparation, Day One expected October 1st

Sales growth[1] Q2	Gross Margin Q2
+4.2%	**21.0%**
EUR 4,191 mn	Q2 2023: 21.4%

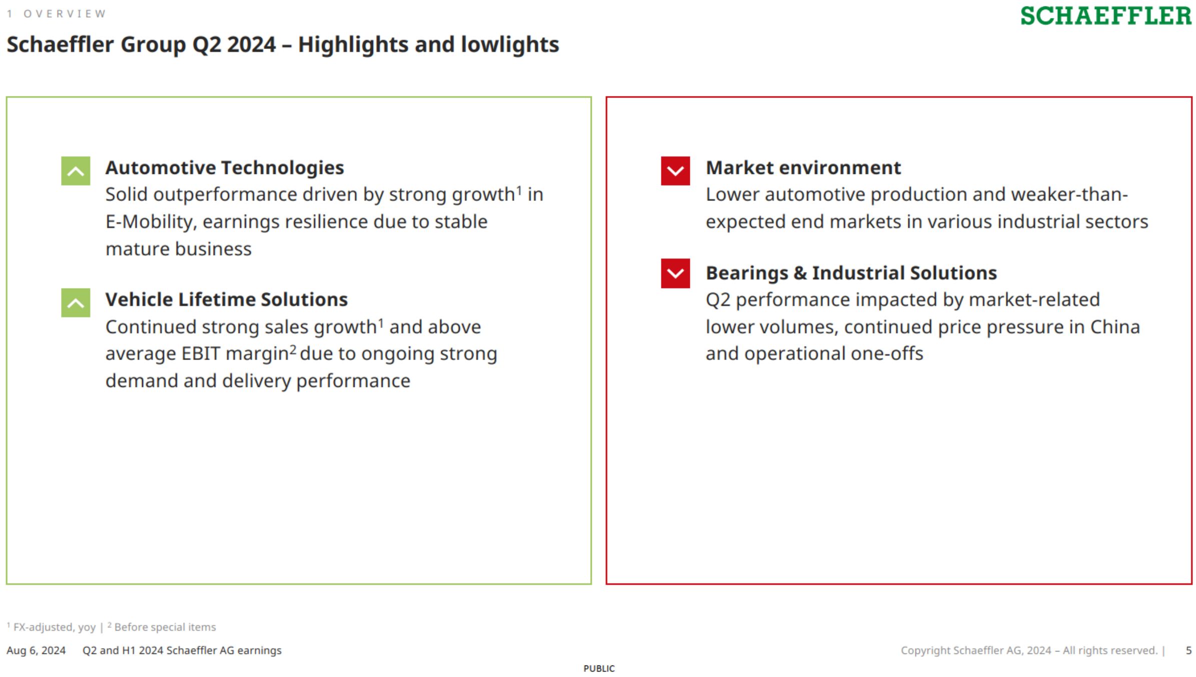
EBIT margin[2] Q2	Free Cash Flow[3] Q2
4.9%	**EUR 75 mn**
Q2 2023: 7.1%	Q2 2023: EUR 103 mn

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

Let me go to page four, where you have the key messages in in the bullet points. Q2 sales up 4.2%. We're proud to say that ATech is back on outperformance, also due to the growth in E-Mobility. The shining star of the year is certainly Vehicle Lifetime Solutions, continued strong growth, two digits, now a third quarter of significant margin improvement. We are really happy about this. And you saw we have an issue in Bearings & Industrial Solutions due to the market environment on the sales side, on the profitability side, also due to some one-offs that Claus Bauer will explain. EBIT margin due to the situation in Bearings & Industrial Solutions, 4.9%, certainly not what we would like to see, but something that now needs to be addressed.

And Free Cash Flow with €75 mn in Q2, positive. If you compare that to the previous year quarter, Q2 2023, where we were at €103 mn. The €75 mn includes the one-off cash integration costs, and also financing costs. If you add that back and normalize it for these two impacts, Free Cash Flow was even better than previous year. You all remember what we did some days ago. We updated our combined Guidance, A due to the slightly weaker expected intake from Vitesco, but also due to the Bearings & Industrial Solutions situation. Sales growth unchanged, EBIT margin and Free Cash Flow slightly adjusted downwards. This also takes care of our expectation that the second half of the year will be rather a challenging environment.

Transaction update. We are on track to achieve day one, as we announced October 1st. All the preparations are on track. And I've said this before, integration is not final on day one, it starts on day one. The preparation is in very good hands and we look forward to the opportunity here to build an even stronger company. I think I can say here, Heiko, upfront, the current environment, in particular in Automotive, is from my point of view, exactly a proof point why this acquisition, why this strategic transaction makes a lot of sense with our diversified approach.



Highlights and lowlights on page five. I already mentioned that, Auto Tech solid outperformance driven by growth in E-Mobility. The earnings are resilient due to our stable and highly profitable mature business that will also drive us going forward. Vehicle Lifetime Solutions, the shining star. Market environment is challenging. Weaker than expected end market growth also in the Industrial sectors, and for sure, Bearings & Industrial Solutions needs some treatment. You remember the issues in China, but on top of this, there is now operational one-offs that need to be dealt with. And for sure, we'll put over time the right measures in place to bring this back where it should be.

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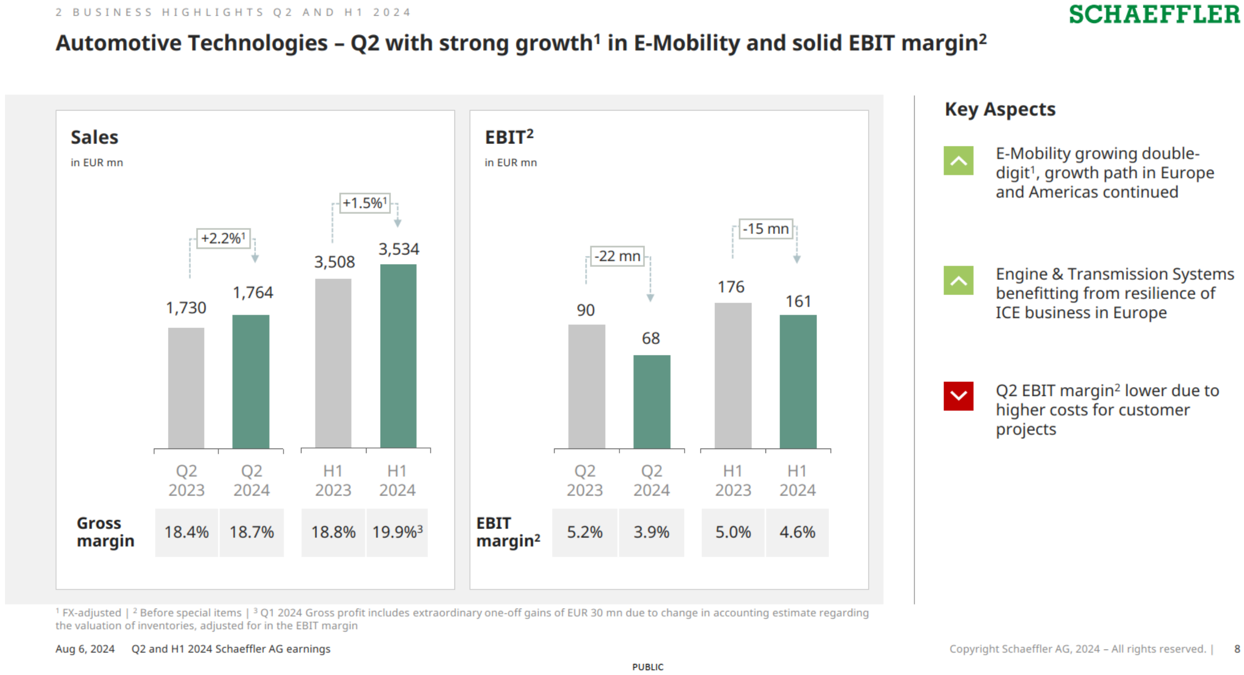
Sales Performance Q2 2024 – Good growth[1] in Europe and Americas

Q2 2024[1]	% of Group sales	Automotive Technologies[2] 42%	Vehicle Lifetime Solutions[2] 16%	Bearings & Industrial Solutions[2] 40%	Region Growth
Europe	45%	+3.1%	+27.1%	-7.6%	+4.8%
Americas	23%	+4.4%	+30.6%	+2.7%	+7.2%
Greater China	19%	-0.2%	+25.7%	-6.0%	+0.2%
Asia/ Pacific	13%	-0.1%	+17.1%	+3.3%	+2.7%
Division Growth		+2.2%	+27.1%	-3.6%	+4.2%

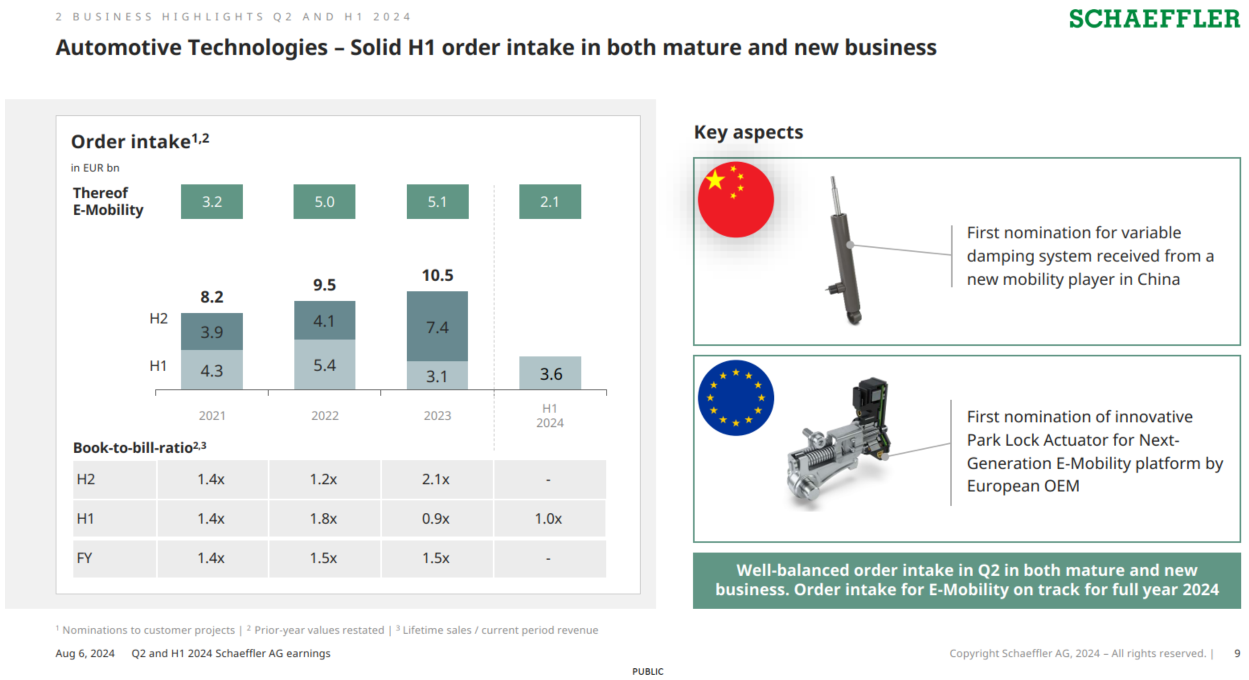
Q2 Sales growth[1]

[1] Q2 FX-adjusted sales growth, please refer to the Interim Report for further details | [2] Divisions do not add up to 100% due to new "Others" segment

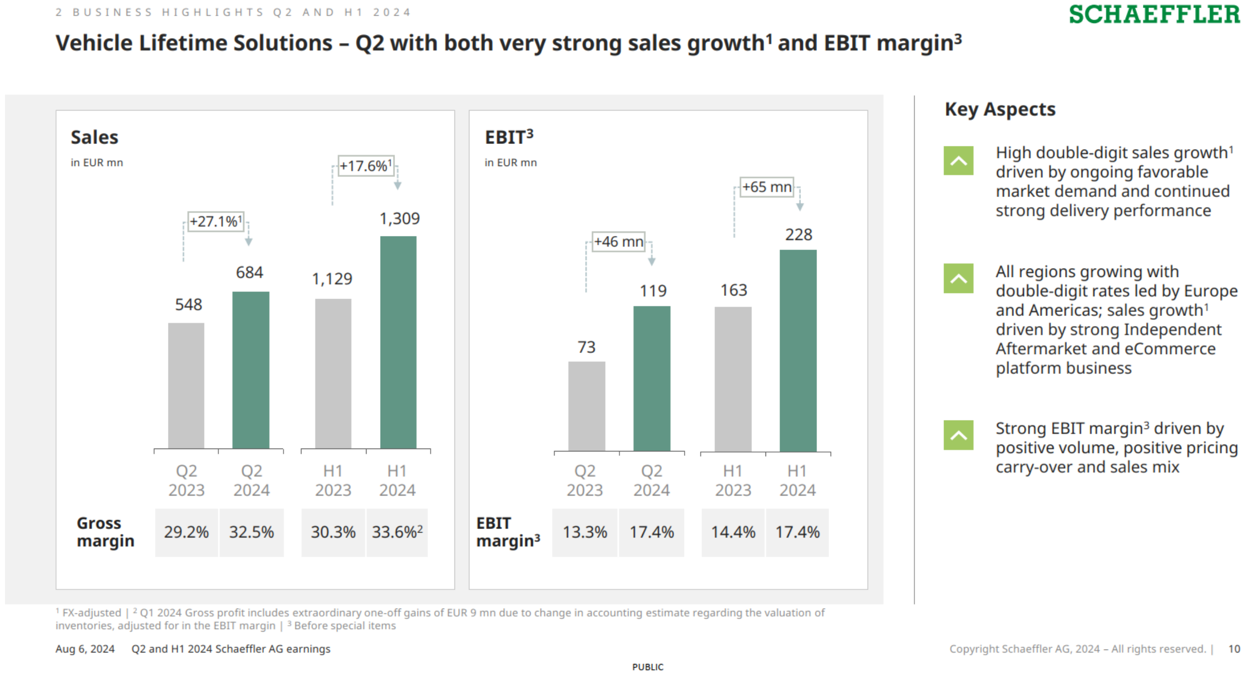
Business highlights - Sales. The usual table on page seven. Overall, Q2 4.2% plus. You see here the stellar growth in Vehicle Lifetime Solutions, 27% overall in that quarter. That brings Vehicle Lifetime Solutions up to 16%. Bearings & Industrial Solutions below previous year, the quarter minus 3.6%. Weakness in particular in Europe, but also in greater China, the Wind issue. And then Automotive Technologies, plus 2.2%, with Europe growing, Americas growing, and the Asian markets rather flat. You also see, quite interestingly, in the second quarter a little bit of a regional shift. Europe, more or less stable, Americas now at 23% of the overall sales number, and Greater China, 19%. We feel good with that overall mix. And for sure, it's now up to us to make sure that we continue our profitable growth path in the next quarters.



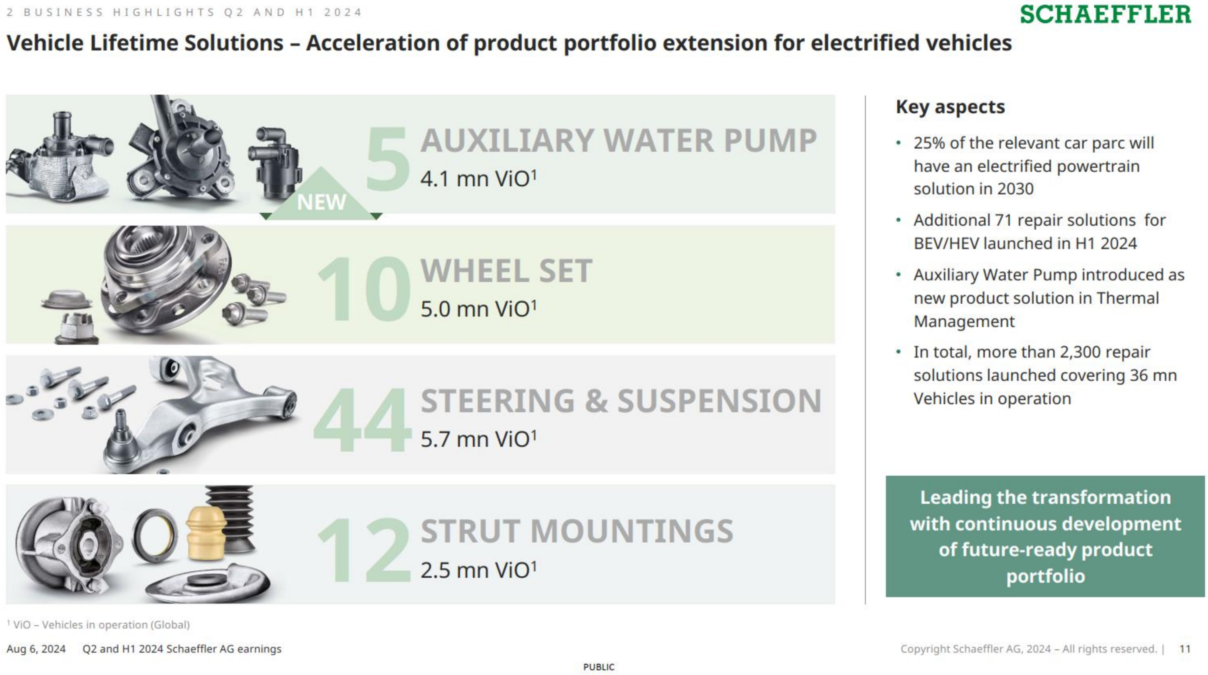
Automotive on page eight. I think the numbers speak for themselves. You see here, 4.6% margin in the first half, compared to 5%, I think is more or less at the same level. In this environment, I think a good achievement and slight growth also when you compare the two half-year quarters. We are pleased to say that E-Mobility grew double digit with Europe and America driving it. And certainly Engine & Transmission Systems is benefiting from the continuing and resilient ICE business. For sure, our margin has impact from the higher cost for our customer projects and all the work that is at the moment done to bring the Orderbooks together, that is a slight negative.



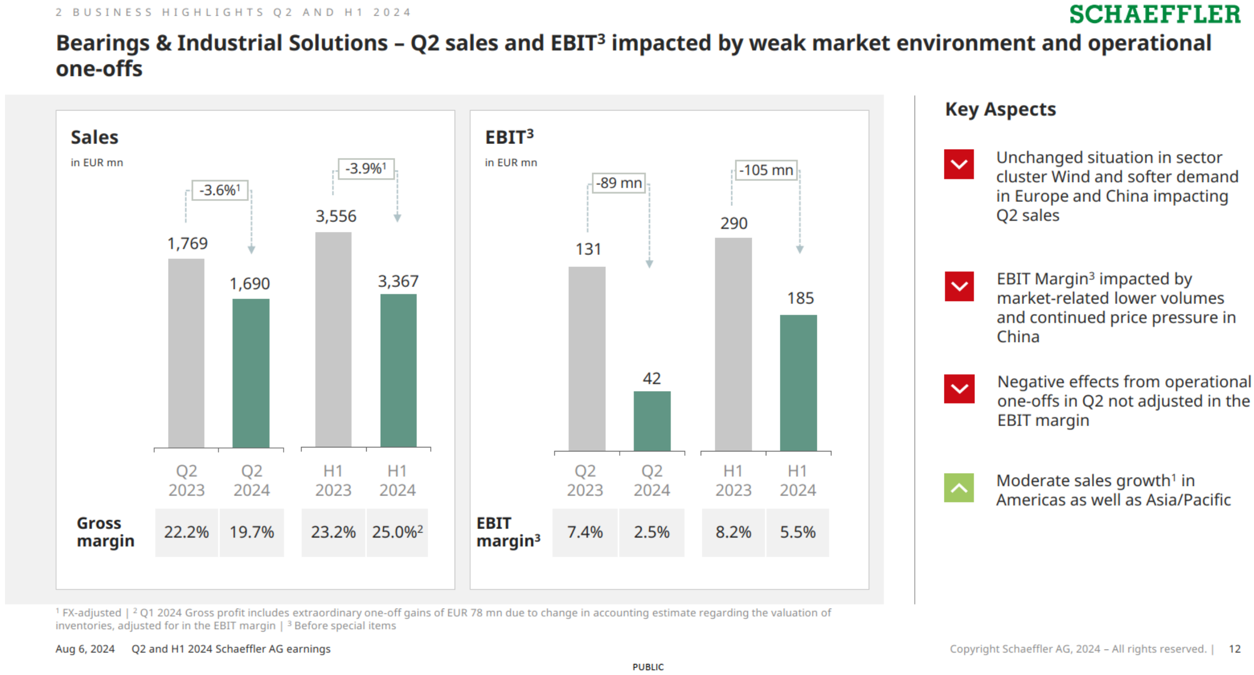
Orderbook, page nine. Proud to say that we generated €3.6 bn new Order Intake, of which €2.1 bn comes from E-Mobility. If you compare that to the previous years, we are absolutely on track. We have shown you two interesting cases that are not from E-Mobility, but from the Chassis area, where we see that this is clearly getting more attention. The first one is a Chinese project, first nomination for a variable damping system received from a new mobility player. And then you also have an innovative Park Lock Actuator for a next-generation E-Mobility platform by a European OEM. Let me say this loud and clear, while there is certainly on the consumer side a little bit more softer demand for e-cars, we continue to believe that mid-term and long-term, electrified powertrain solutions will be the future.



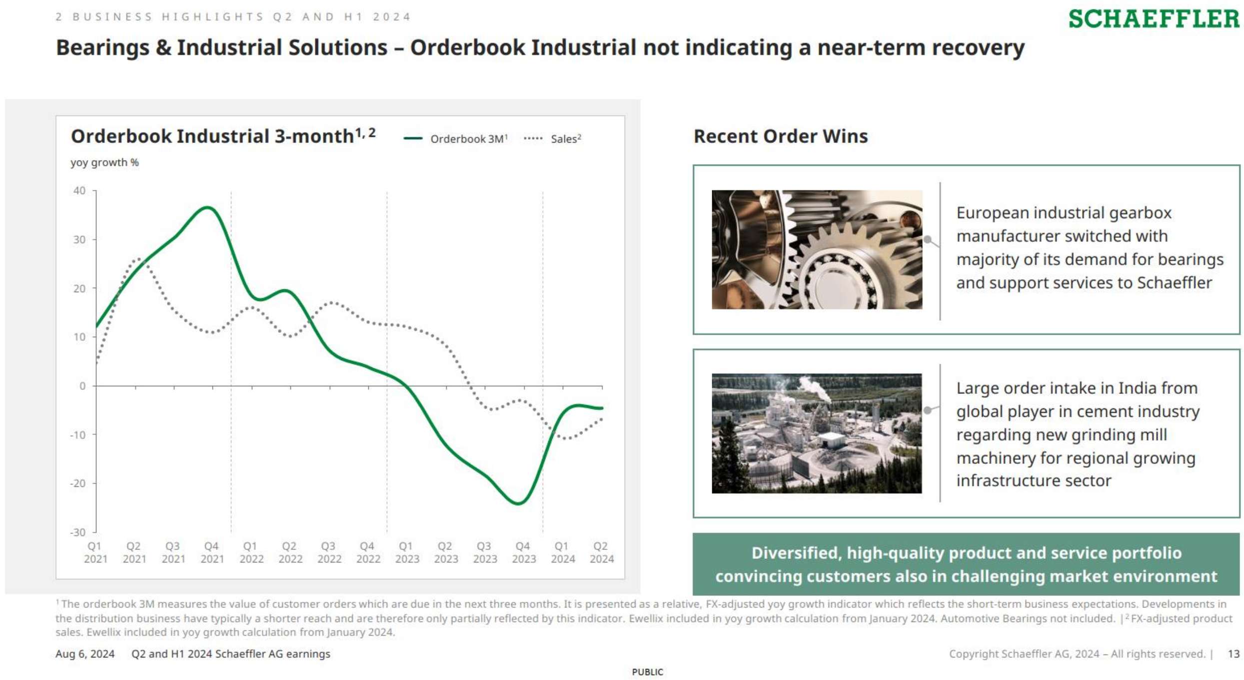
Vehicle Lifetime Solutions, next page, page ten. Not much to say here in sort of record result, 17.4% margin in the first half, 3 percentage points more than in the previous year, and 17.6% growth between the half years. Gross margin at 33.6%. This is clearly now showing that all our investments in that business paid off. The market is behind us, but it's not only market, it's also all the positive things that Jens and his team have put in place. We're really proud of what we have here. And it looks like this continued growth will also be part of the second half 2024.



Now, in terms of the Vehicle Lifetime Solutions, a little bit on the business. I think we can say we are leading the transformation here with a continuous preparation and development of the products for the future. You see here just examples, also in terms of size, that's quite impressive. And for sure, all our E-Mobility efforts will also pay off, so that's clearly something that will continue to create value in the future.



And then Bearings & Industrial Solutions, page 12. I already said it, it's a disappointing margin in the second quarter in the first half. Margin in the first half 5.5%, that's definitely below expectations. It's impacted by operational one-offs, but also by the market. Sascha has the task now to come up with a set of measures to bring this back where it should be, and we will inform you as soon as we are ready to implement these structural measures.



In terms of Orderbook, you all remember the discussion in Q4, Q1. Is it turning now? And it looks like that there is no immediate near-term recovery. What is also not a surprise, given the macroeconomic and geopolitical situation. However, there are areas where we grow and where we also are successful and beating our competitors. Two examples here. But clearly, the focus must now be on fixing the problems, and we are on top of that.

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Capital allocation – Differentiated steering, prioritization of Capex for growth business

Investment[1] allocation

in EUR mn

	FY 2023	Q2 2023	Q2 2024	H1 2024
Automotive Technologies	443	104	94	163
Vehicle Lifetime Solutions	48	12	8	14
Bearings & Industrial Solutions	372	99	87	169
Schaeffler Group[2]	**932**	**226**	**203**	**383**
Capex	**938**	**198**	**195**	**418**
Capex ratio[3]	**5.7%**	**4.9%**	**4.7%**	**5.0%**
Reinvestment Rate	**1.0**	**1.0**	**0.9**	**0.9**

Key Aspects

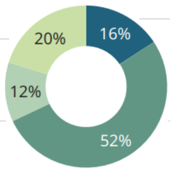
- **Reinvestment Rate Target:** Continued prioritization of E-Mobility business, whereas in mature businesses clearly < 1.0
- **Automotive Technologies:** Industrialization of large customer projects in E-Mobility
- **Bearings & Industrial Solutions:** Ongoing capacity expansions in India and Vietnam

Investments[1] by region H1 2024

in EUR mn (yoy change)

Greater China
77 (-4)

Americas
45 (-15)



Asia/Pacific
60 (+15)

Europe
201 (-18)

[1] Additions to intangible assets and property, plant and equipment | [2] Divisions do not add up to Group due to new "Others" segment | [3] Capex in % of Sales

Capital allocation, nothing to say here, other than we are continuing our disciplined way to allocate capital in the Group. You see here Capex in the first half, €383 mn. This is still Schaeffler standalone, for 2025 the numbers will definitely change, but our methodology will not. We will continue to manage this by Reinvestment Rates. And you see, it's somewhere cruising around one, as a mix of the high-growth businesses and the ones where we are harvesting. With that, I hand over to Claus, for more details, and certainly all the interesting explanations that you have on your Q&A list. Thank you very much.

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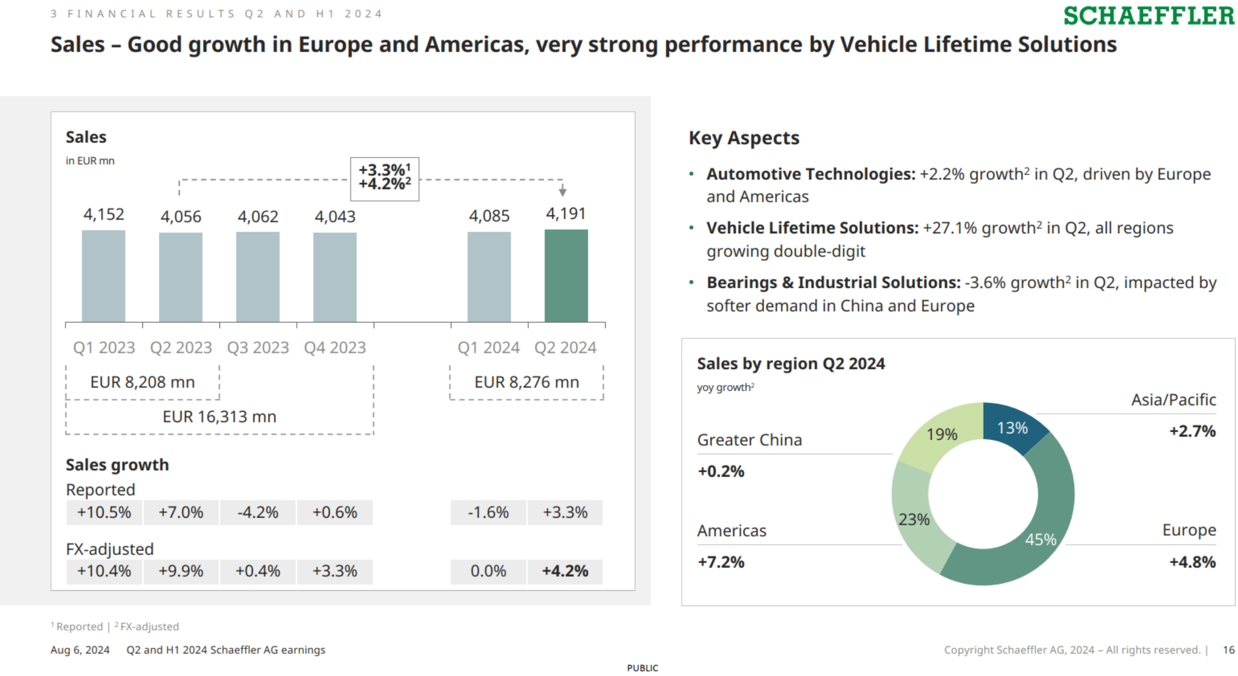

Claus Bauer

Thank you very much, Klaus. Ladies and gentlemen, also a warm welcome from my side. As Klaus said, I'm diving a little bit deeper into the financial results. First slide, sales. I would save some time here. All the numbers have been already explained by Klaus. Maybe just to emphasize on one number, Vehicle Lifetime Solutions. As Klaus said, 27% growth in the quarter, really outstanding.

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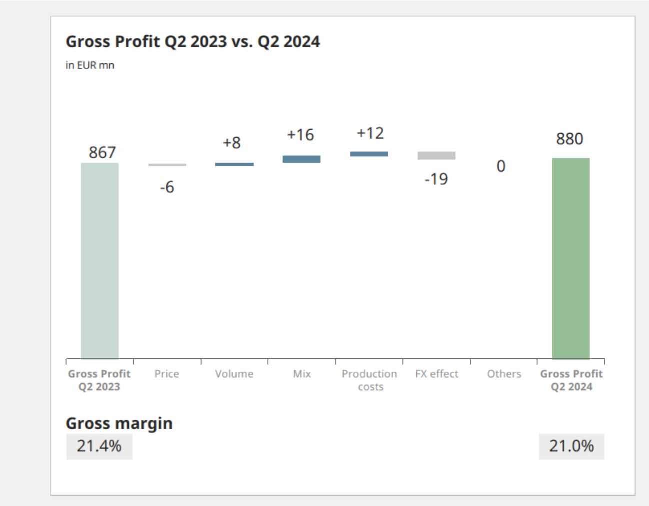
Gross Profit – Stable gross profit development in Q2 yoy



Key Aspects

- **Pricing:** Maintained pricing levels in ATech and VLS, price pressure in B&IS
- **Mix:** Positive mix effect driven by higher share of division VLS

Gross margin
in % of sales

	Q2 23	Q2 24	Q2 24 vs. Q2 23	H1 23	H1 24[1]	H1 24 vs. H1 23
Automotive Technologies	18.4%	18.7%	+0.3pp	18.8%	19.9%	+1.1pp
Vehicle Lifetime Solutions	29.2%	32.5%	+3.3pp	30.3%	33.6%	+3.3pp
Bearings & Industrial Solutions	22.2%	19.7%	-2.5pp	23.2%	25.0%	+1.8pp
Group	21.4%	21.0%	-0.4pp	22.2%	23.8%	+1.6pp

[1] Q1 2024 Gross profit includes extraordinary one-off gains of EUR 117 mn due to change in accounting estimate regarding the valuation of inventories, adjusted for in the EBIT margin

Let's go to the next slide. That's where it gets interesting, Gross Profit and a little bit of explanation behind it. The left side shows that we are from a Gross Profit margin at the same level as last year. But the FX impact that you see in the waterfall chart with minus €19, the biggest impact in the entire numbers that are shown, and clearly without that negative foreign exchange impact, mainly coming from the Mexican peso to the US dollar cross rate, we would be exactly at the same Gross Profit margin.

Another interesting data point in that bridge is, for sure, the price with minus six. Not horribly negative, but also not significantly positive anymore, as you have seen in the past. Price is stable in Automotive Technologies and Vehicle Lifetime Solutions, but there is price pressure in Bearings & Industrial Solutions, especially as we talk about the Chinese market.

On the right side, at the bottom, you see the Gross Profit development quarter versus prior year, and half year versus prior half year. And that just confirms what I said to the overall situation. The Bearings & Industrial Solutions, surely a significantly negative deviation compared to last year, but that is compensated by Vehicle Lifetime Solutions and Automotive Technologies, as Klaus said, stable and resilient.

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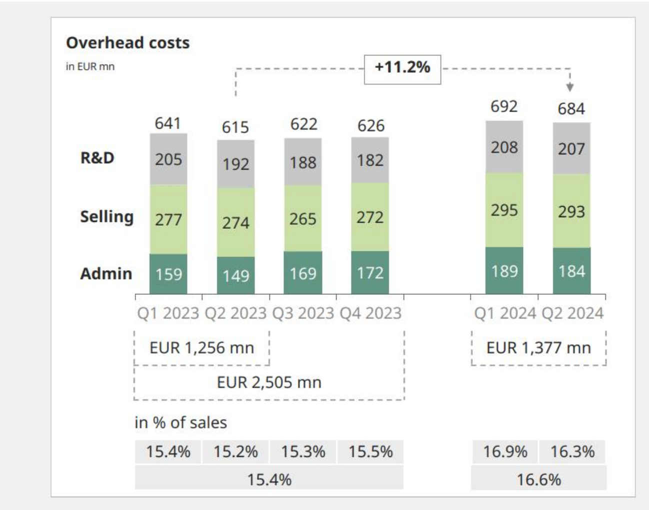
Overhead costs – Increased ratio due to business & integration activities



Key Aspects

- **R&D:** Higher expenses related to E-Mobility and Chassis customer projects
- **Selling expenses:** Higher logistic costs yoy, mainly due to volume-driven logistic costs in VLS
- **Admin cost:** Higher admin costs due to integration expenses

Overhead cost ratio
in % of sales

	Q2 23	Q2 24	Q2 24 vs. Q2 23	H1 23	H1 24	H1 24 vs. H1 23
Automotive Technologies	14.0%	15.4%	+1.4pp	14.3%	15.4%	+1.1pp
Vehicle Lifetime Solutions	16.9%	16.5%	-0.4pp	16.4%	17.2%	+0.8pp
Bearings & Industrial Solutions	15.8%	17.6%	+1.8pp	15.9%	17.9%	2.0pp
Group	**15.2%**	**16.3%**	**+1.1pp**	**15.3%**	**16.6%**	**+1.3pp**

On the next slide, we come to the Overhead expenses, and it shows that it significantly grew over last year. Klaus already mentioned the main reason for that, especially in administration, the Vitesco transaction costs are there. As you know, we adjust for them in EBIT, but not in the operating income yet, so it's still included here. If we took them out, we would be in the range of 16%, still a little bit higher than last year. And the two main reasons you see on the right side in the explanations. R&D costs are clearly higher than last year due to the project cost in especially E-Mobility and Chassis. You saw the two examples in the Order Intake, our Chassis programs and these programs similar then E-Mobility programs have higher upfront R&D cost, which is reflected here in the higher overhead ratio for Automotive Technologies. And Bearings & Industrial Solutions in the table at the right side on the bottom shows also a significant increase in overhead expense ratio, 1.8 percentage points. That is mainly driven by the fixed cost absorption effect with the lower top line, this number just increases mathematically.

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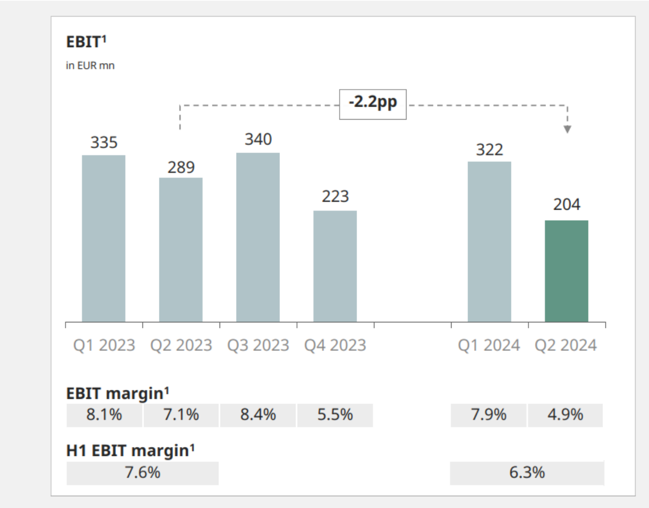
EBIT margin[1] – Lower EBIT margin driven by Bearings & Industrial Solutions



Key Aspects

- **Automotive Technologies:** EBIT margin[1] impacted by higher costs for customer projects and unfavorable FX
- **Vehicle Lifetime Solutions:** Very strong EBIT margin[1] driven by positive volume, pricing carry-over and sales mix
- **Bearings & Industrial Solutions:** Earnings quality clearly impacted by lower volumes, pricing and operational one-offs
- **Vitesco at equity impact Q2:** EUR -18 mn (-0.4pp), driven by harmonization of accounting policy

EBIT margin[1]
in % of sales

	Q2 23	Q2 24	Q2 24 vs. Q2 23	H1 23	H1 24	H1 24 vs. H1 23
Automotive Technologies	5.2%	3.9%	-1.3pp	5.0%	4.6%	-0.4pp
Vehicle Lifetime Solutions	13.3%	17.4%	+4.1pp	14.4%	17.4%	+3.0pp
Bearings & Industrial Solutions	7.4%	2.5%	-4.9pp	8.2%	5.5%	-2.7pp
Group	7.1%	4.9%	-2.2pp	7.6%	6.3%	-1.3pp

[1] Before special items

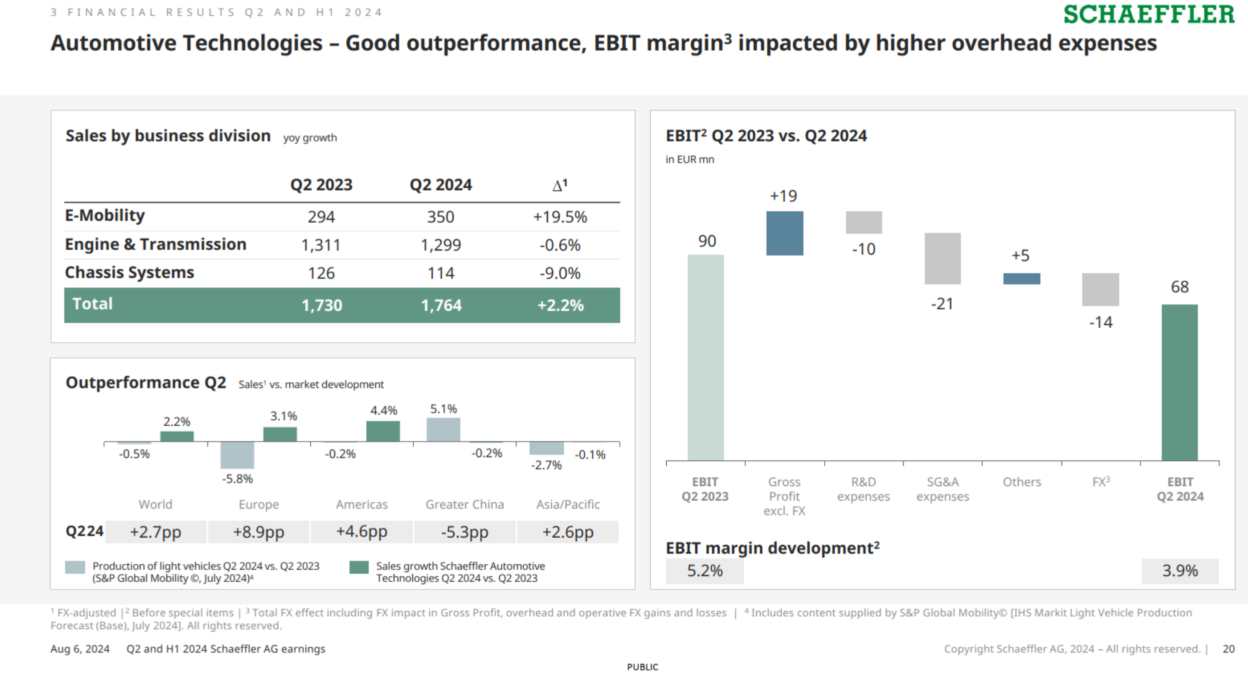
On the next slide, we then jump into the EBIT. A lot of numbers as usual on this slide. I will not comment here on that slide on the divisional performance yet. We will have detailed slides in the following. But let me use this slide to point out one significant impact, also as it relates to the performance going forward, and that's shown in the fourth bullet point here. You might remember in the first quarter, we had almost a zero breakeven Vitesco at equity impact that is now in the second quarter significantly negative with minus €18 mn, as you see.

That is also explained a little bit more in the Backup on slide 32. We are not going there, but just if you want to study that situation a little bit more. On the Backup slide, on page 32, there's a half-year impact shown with minus €32 mn. And this impact represents the harmonization of accounting policies. What we did now, starting in Q2, we applied the Schaeffler accounting policies to the Vitesco operation. And as the page 32 bridge shows, that has an impact of €32 mn for the first half of the year. What does this represent? This €32 mn represents, obviously, only our shareholding of 38.9%. And it also shows it after taxes, because at equity, you include a Net Income number and not an EBIT number. Therefore, if you then recalculate that, that's an impact of around minus €120 mn for the first half of the year.

Where is it coming from? It comes from the different interpretation of the most complicated accounting standards in IFRS, and that is IAS 38 and IFRS 15, which mainly deals with R&D expenses. And the Schaeffler approach in its accounting policy is much more conservative than the Vitesco approach. Both are in the range of what is acceptable, but again, and you're obviously used to that from the Schaeffler side, if there is room for interpretation, we are mostly on the conservative end of things. And therefore, the Vitesco result would be adjusted in our accounting policy logic for the first half of the year, €120 mn lower in EBIT.

How does that then develop going forward? Obviously, we are talking about not cash flow, cash flow is not changeable by accounting policies. We are only talking about how do we accrue for the cost on an annual and quarterly basis, and therefore, in the face of increasing R&D expenses and increasing project volumes going forward, and that's the case for both Schaeffler and Vitesco, we still will see a negative deviation based on Schaeffler accounting policies versus Vitesco accounting policies. Then we will reach at some point, when the portfolio is stable, a plateau where both accounting policies would not generate any differences. And at the end of the period, we would actually see a benefit in the Schaeffler accounting policies, because at the end of the total period, of course, the result has to be the same because that is then approaching the cash flow generation out of the project.

Therefore, a little bit more accounting explanation than you most likely would like, but I think it's important to also understand how results will be presented based on the Schaeffler accounting policies going forward. And as you can see, €120 mn for half a year, so that's around €60 mn per quarter, is not a small number. Again, it doesn't change anything in cash flow. It's just a much more conservative accounting policy. If you are more interested where the differences are, it's really the different interpretation under IAS 38: what is really new, what is a technological novelty? That is much narrower in the Schaeffler accounting policy than in Vitesco. And then also, once you hit IFRS 15, the profitability burden for the Schaeffler policy is much higher than the one at Vitesco. Again, both are in the range of interpretation possibilities, but much more conservative accounting on the Schaeffler side, which obviously will be the accounting going forward.

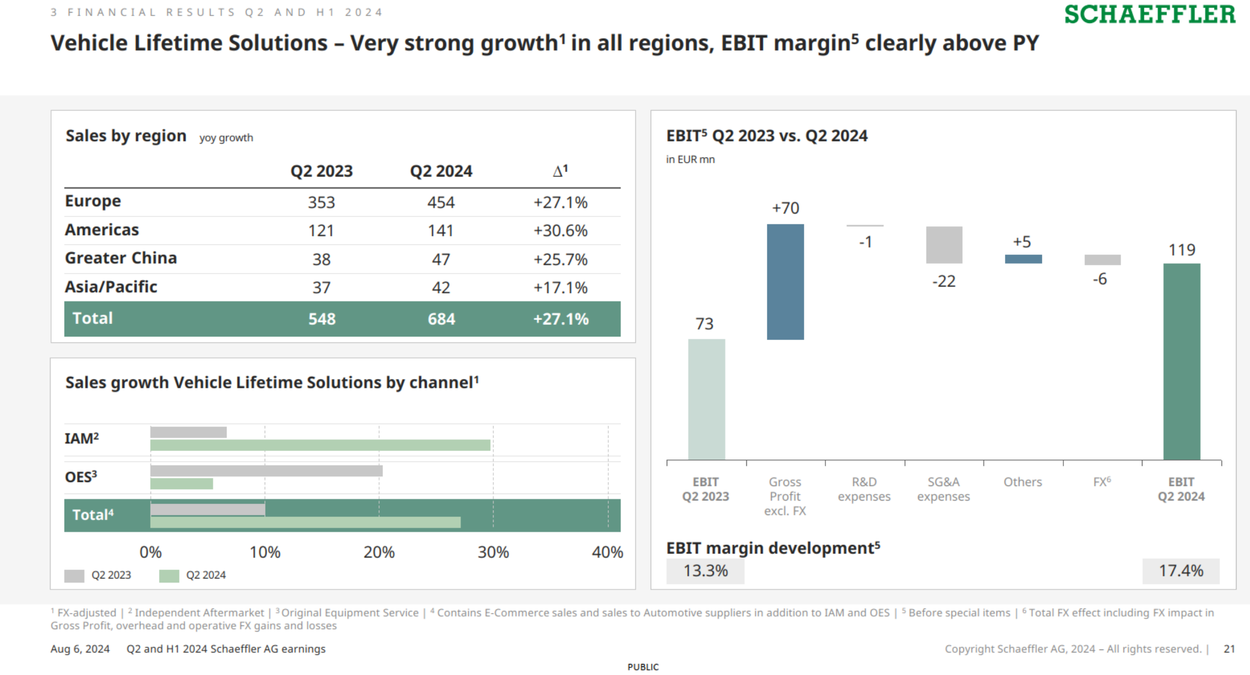


Now coming back to the operational topics and starting with the divisions here, Automotive Technologies, again Klaus already mentioned it, E-Mobility with a very significant growth of 19.5%. The other business units a little bit lower than that, but outstanding E-Mobility growth in the current environment. That obviously is testimony to the ramp-up of significant new projects. You see then on the bottom left side the outperformance we returned, as I have indicated already last year, that we will see outperformance this year. We indeed returned to significant outperformance of 270 basis points, as shown here.

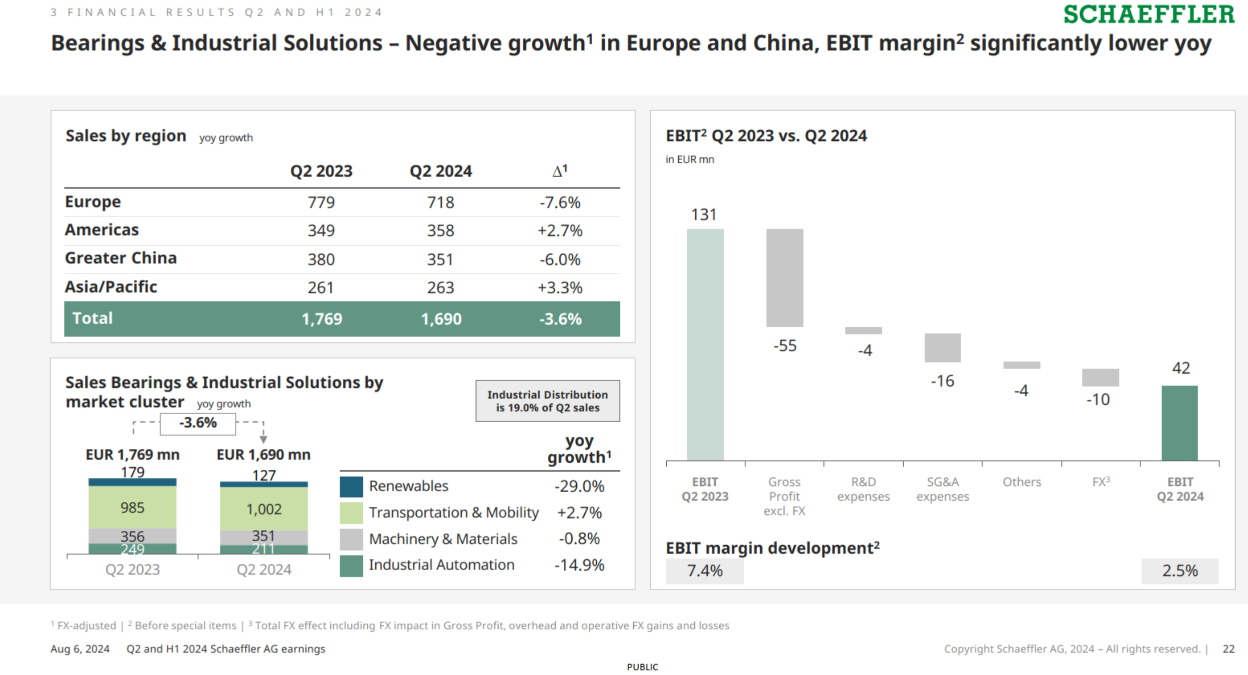
It's mainly based on very strong outperformance in Europe and Americas. And Greater China still lacking the production volumes, but you might remember the gap that we have seen last year in Greater China was almost double as high, so a significant narrowing of the gap. And please also remember what I explained in the first quarter already, that we now compare the Automotive Technology sales as composed with our new divisional set up, so excluding Automotive Bearings.

The Automotive Bearings sales are included in Bearings & Industrial Solutions division, and therefore, that is also hitting this outperformance, especially in Greater China a little bit, because - I call it the BYD effect- we are not participating at BYD with our traditional Automotive Technologies portfolio, including E-Mobility, but especially with Automotive Bearings, which are not shown here anymore. If I would include Automotive Bearings in this number, the under-performance actually would be reduced to around 1.3 percentage points, so a significant contribution in China with Automotive Bearings growth.

The right side shows the EBIT development, and the biggest number there is the SG&A and expenses. These are volume driven, higher logistic cost. But in there is also the allocated integration cost for Vitesco that's around €6 mn of the €21 mn. And then the next biggest negative number, at least, is the FX impact, which I explained, mainly based on the Mexican peso, US dollar situation that I have also explained in the past and wouldn't go into further detail here.



Let's then have a look at Vehicle Lifetime Solutions. Klaus said it, the shining star, continuing to be the shining star. And I should spend much more time, but I rather talk about the issues and how we address them than really this, but let me just repeat the headline here. Very strong growth in all regions and very strong EBIT in the waterfall chart on the right side, it is shown that this is coming mainly from the Gross Profit development with the €70 mn that's shown here mainly coming from volume, not so much anymore from price, as you might remember from last year.

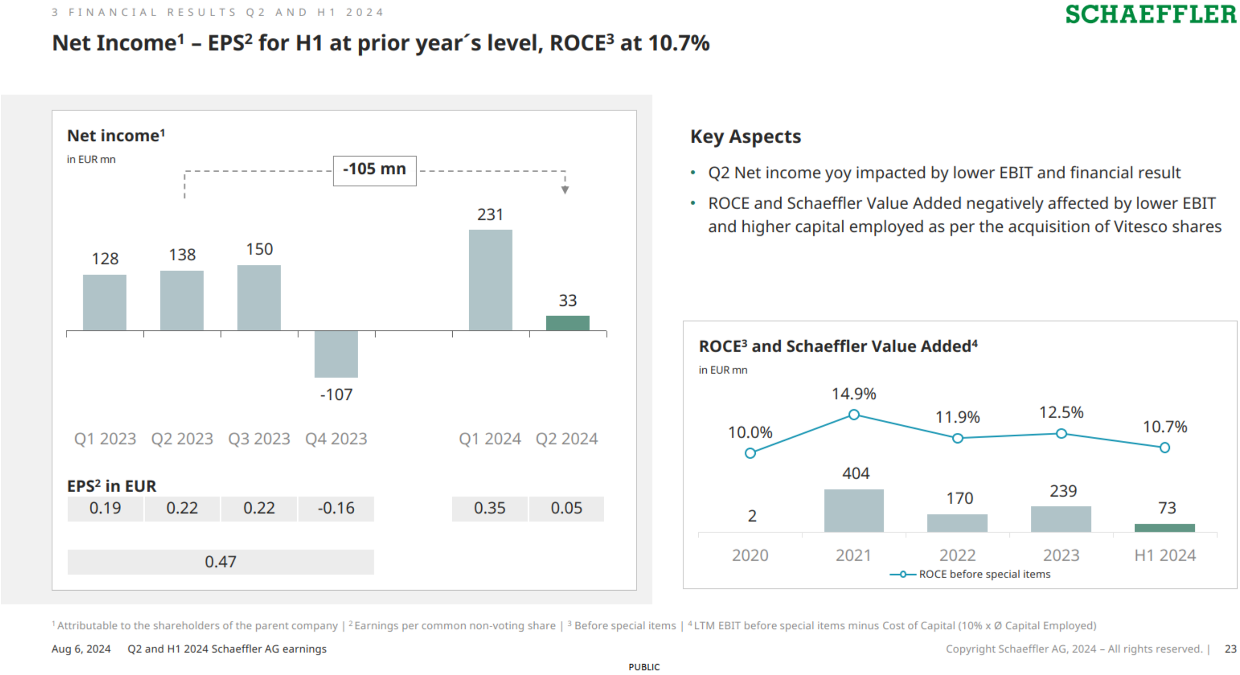


Bearings & Industrial Solutions, the division that needs attention and gets the attention. Largely market induced, the performance. We have negative growth in Europe and in China. And you see on the bottom left side, also the sector clusters, Renewables and Industrial Automation. Renewables minus 29%. That is clearly the China Wind impact that we are seeing here. You just have to think almost minus 30%, that is really hard to absorb. And the second negative number here is Industrial Automation with minus 15%. That is mainly the impact in Europe, so two of our very profitable segments here impacted by the market.

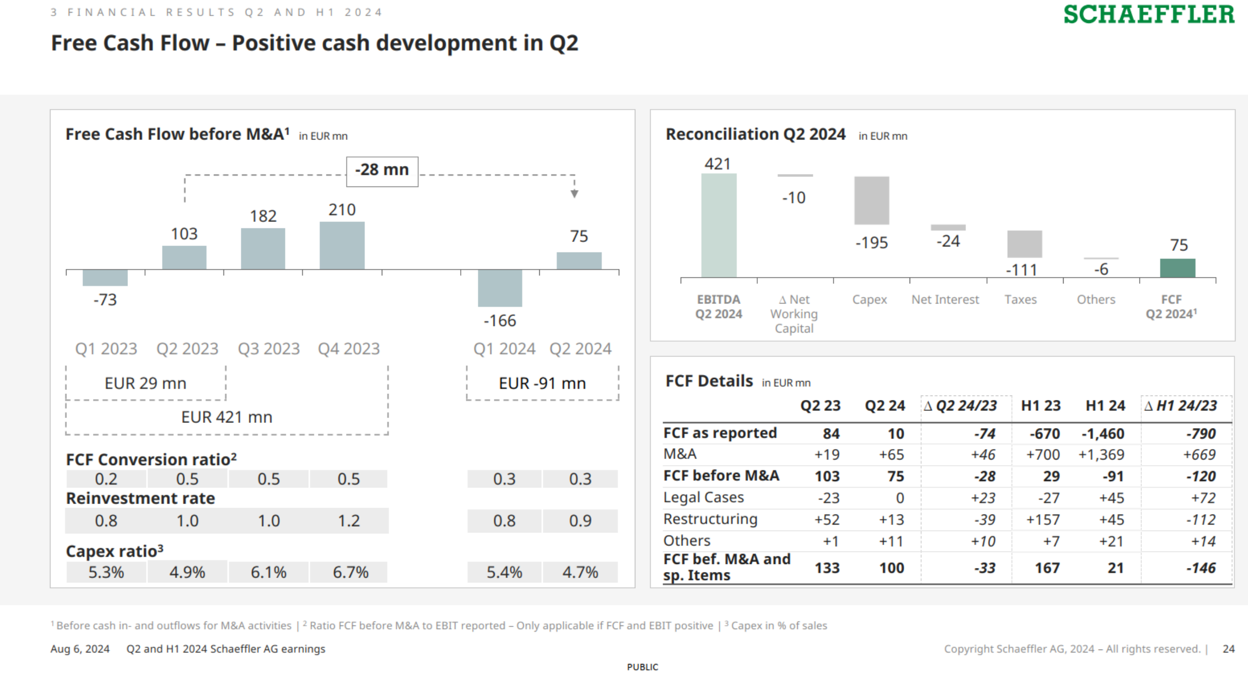
On the right side, you'll see that reflected in the absolute reduction of Gross Profit of minus €55 mn. Klaus already mentioned it, in this minus €55 mn there is also two significant operational one-offs, and that is first inventory evaluation. Since we have a decrease of our top line, a significant portion of the inventory went into coverage-induced impairments of around €20 mn.

Now why do I say that’s a one-off? Because we do not expect the sales decrease further. It will stabilize at the current level, and therefore, this impact should also be a one-time impact there. And we’re obviously also doing everything to adjust our finished goods inventory to the market conditions. But you always have a little lag in reaction time to do that. I would definitely declare that as a one-time impact. And the second one is an accrual for a warranty claim that we are facing in our Industrial business, with also around €25 mn. That are the significant one-off impacts that we have provided for in this quarter, and therefore, are also a significant driver behind the minus €55 mn.

Maybe before I start with the good news, one other piece of challenging news here is that there is also a significant negative price impact now for the single quarter included. That is also mainly coming from the competitive environment in China. But the good news is that negative price impact is almost completely offset by improvement in our production cost and productivity on the shop floor, so the tactical measures are working. You are not seeing it in the EBIT margin, admittedly, or not yet, due to the one-off impacts, but they are efficient, and we are seeing that if you dig into the details.



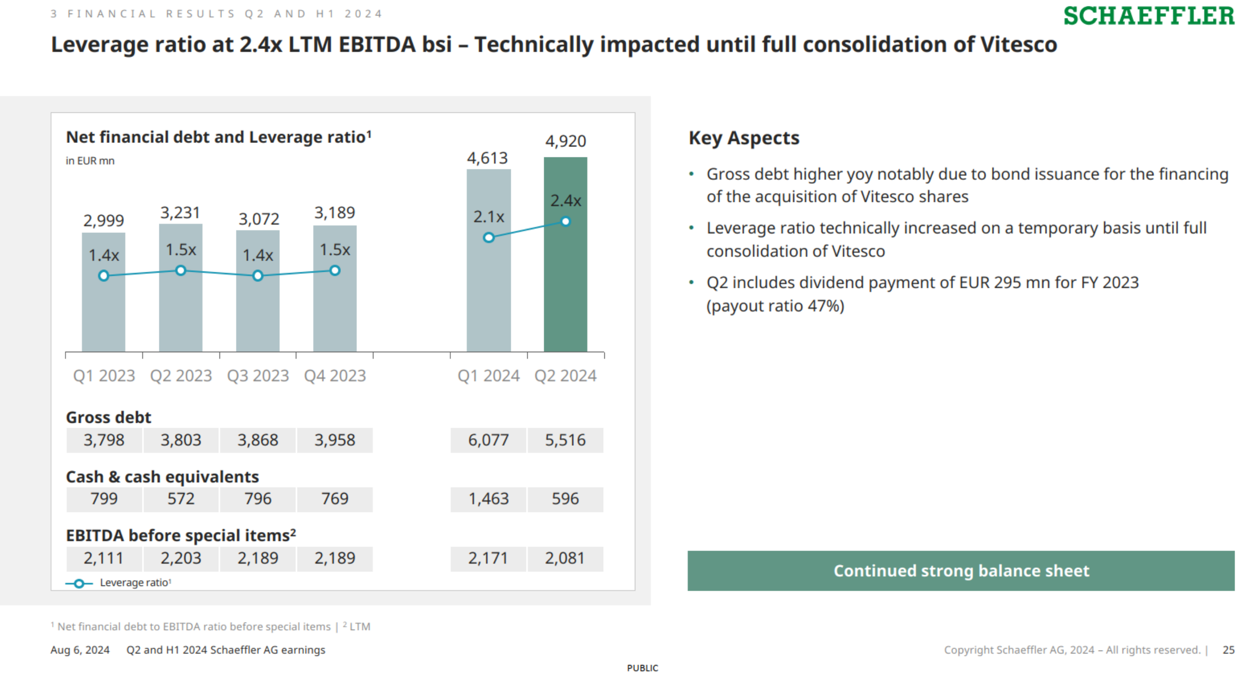
Coming to the next slide, not reading the numbers here to you, you all have digested it already. Earnings per share due to the situation that has been explained for the quarter looks weak. But I would ask you to look at the entire first half of the year, and for the entire first half of the year, we are at the same level as last year. And last year, remember, the first half of the year was the stronger half. With the challenges that we are facing, with the macroeconomic conditions that we are facing, I think a result that is acceptable.



	Q2 23	Q2 24	*Δ Q2 24/23*	H1 23	H1 24	*Δ H1 24/23*
FCF as reported	**84**	**10**	***-74***	**-670**	**-1,460**	***-790***
M&A	+19	+65	*+46*	+700	+1,369	*+669*
FCF before M&A	**103**	**75**	***-28***	**29**	**-91**	***-120***
Legal Cases	-23	0	*+23*	-27	+45	*+72*
Restructuring	+52	+13	*-39*	+157	+45	*-112*
Others	+1	+11	*+10*	+7	+21	*+14*
FCF bef. M&A and sp. Items	**133**	**100**	***-33***	**167**	**21**	***-146***

Let me talk about Free Cash Flow now, a little bit Klaus already mentioned the main point. €75 mn, first of all, it's positive, so we are on track. It's slightly lower than last year, but we also have the financing cost and the integration cost now with the Vitesco acquisition here reflected, and without that, it would have been even higher than last year. I would say we are clearly on track here. The left top chart shows one interesting data point, and that is net working capital. It's a completely stable in the quarter, so that is good news. And even better news is that there is improvement potential definitely in the second half of the year.

One I already mentioned we have, and we are in the process of adjusting our inventory in industrial to match the weaker market environment. But inventory in general is something that we will continue to focus on, and this number will turn positive in the second half of the year. We will see a positive contribution of net working capital in our cash flow development, as you would also expect in the second half of the year. And that is, if you look at the table at the bottom here for Q2 compared to prior year, we have very similar Free Cash Flow generation power, as I call it, this Free Cash Flow before M&A and special items. And the €100 mn now is actually less lower than the integration and financing cost. And therefore, clearly, Free Cash Flow is in the focus and is intact.



On the next slide, we are then talking about mainly the Leverage ratio with 2.4x, a level that is higher than I personally would like. It has its reason, especially in the development quarter over quarter, mainly in the payout of the dividend, which is impacting the formula. Now, with the starting of the second half of the year, and what I just explained also in regard to the cash flow profile going forward, that clearly will plateau at the 2.4x level and then decrease towards the end of the year. And you, I think, remember and understand the explanation. With a first full year, full consolidation of Vitesco. Then next year, in 2025, that will have normalized by the end of 2025 to the levels that you are used to, 1.5x or even below.

And with that Klaus, I would transfer to you again for the wrap-up.

AGENDA

1 Overview

2 Business Highlights Q2 and H1 2024

3 Financial Results Q2 and H1 2024

4 **Outlook**

4 OUTLOOK

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FY 2024 Combined Guidance updated – EBIT margin[3] and Free Cash Flow[4] adjusted

FY 2024 Combined Guidance[1]

	Schaeffler Group		
	FY 2023 Actuals	H1 2024 Actuals	FY 2024 Guidance[1]
Sales growth[2]	5.8%	2.0%	**Considerable sales growth**
EBIT margin[3]	7.3%	6.3%	**5 – 8%** (prior: 6 – 9%)
Free Cash Flow[4]	EUR 421 mn	EUR -91 mn	**EUR 200 – 300 mn** (prior: 300 – 400 mn)

Key Aspects

- FY 2024 Group Guidance is based on:
  - Vitesco accounted for „at equity" from acquisition in January until Q3 2024 included
  - Vitesco to be fully consolidated in Q4 2024, following closing of the merger
- In 2024, we will continue to report on Group and Divisions. Automotive Bearings moved already in Q1 2024 from the ATech division to B&IS division
- FY 2024 Combined Guidance updated for EBIT margin[2] and FCF[3] driven by adjusted earnings forecast of Vitesco and continuing weak performance of B&IS division

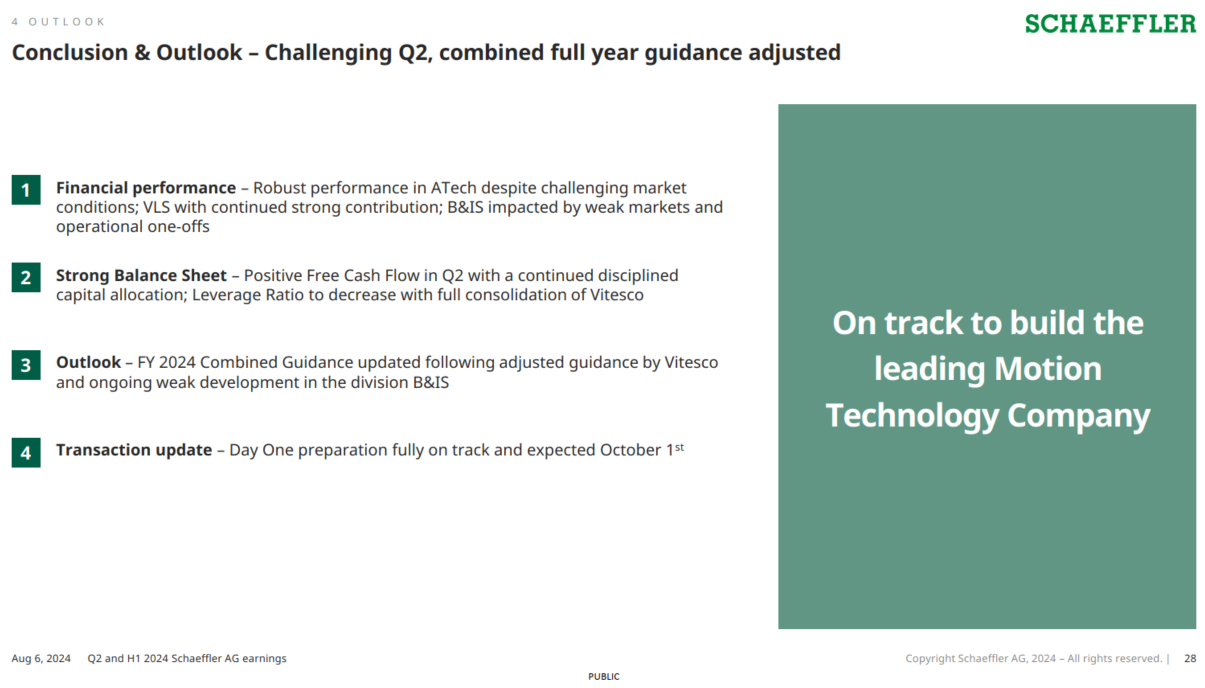
In transition year 2024 we only guide on Group level

[1] Please refer to the Interim Report for further details | [2] FX-adjusted | [3] Before special items | [4] Before cash in- and outflows for M&A activities

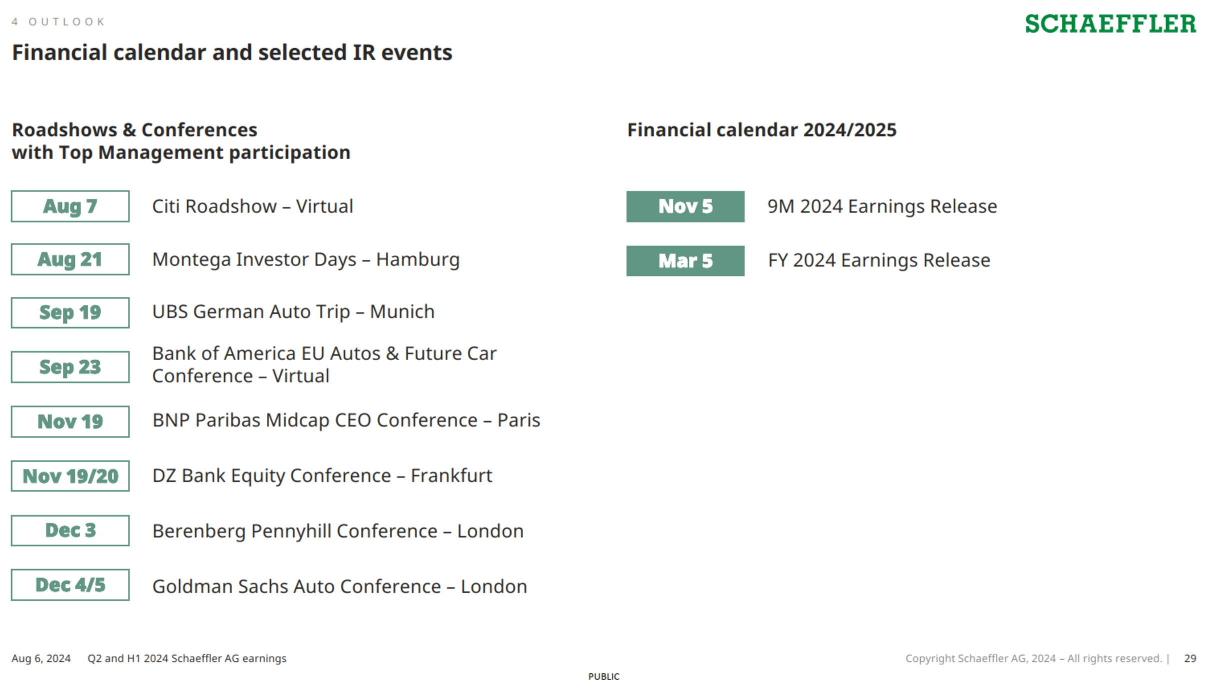
Aug 6, 2024 Q2 and H1 2024 Schaeffler AG earnings

Klaus Rosenfeld

Let me go to the last chapter, the outlook. I think you all digested already the updated Guidance, it's this complex combined Guidance. In 2025 this will go back to normal. You saw the adjustments to be on the safe side, we reduced from 6 - 9 to 5 - 8. And also in Free Cash Flow, we reduced 200 to 300. This is, I think, a very sound base, also in light of a more challenging second half to be expected.



I don't want to go into more detail than just summarising the key points here. I think the financial performance, as described, was robust in ATech. It's going to continue to be robust, also through the good diversification. VLS, strong contribution. B&IS with issues that we will forcefully address. Balance sheet is strong. Outlook is, I think, clear. And the transaction update, I can only reiterate again, we are on track to achieve day one, as promised, and as we always said, this is the start of a longer journey to build the leading Motion Technology Company. We are enthusiastic about this, and for sure, the year 2024 is an interim year, where we're laying the grounds for more to come with Q3 and the full year.



Heiko has also laid out on 29, the financial calendar will be quite active with various conferences, and we look forward to meeting again all of you, on 5th November for our nine months' earnings results. With that, I hand back to Heiko for questions.

Heiko Eber

Thank you very much, Klaus, and thank you very much, Claus. I still need to get used to this one. With the end of the presentation, we would now be ready to take the first questions, so back to the operator.

Q&A SESSION

Akshat Kacker, JP Morgan

Thank you for taking my question this morning. I have three, please. The first one on your Automotive margins for the second quarter. Could you just elaborate on the higher costs for customer projects? I think you did mention higher R&D for a few E-Mobility and Chassis projects. Could you just elaborate in terms of what's going on there? Is it something that should continue in the next few quarters or would fall away with the ramp-ups?

The second question is on your growth assumptions for 2024. Your Guidance still looks for comfortable growth year over year. Could you just elaborate in terms of Aftermarket, how much do you expect Aftermarket to grow in 2024, please?

And the last one on the Industrial business division. Completely understand the operational one-offs here in the quarter, as well as the weak market environment. But if you could help us with the exit rate in terms of margins coming out of the quarter, have you taken more cost actions? How does the exit rate or the margin profile look like going into Q3, please? Thank you.

Claus Bauer

Thank you for your questions. I start with the Automotive Technology margin, and especially the R&D impact is indeed, as you said, there's specific start-up investments in E-Mobility projects. And I hope it's okay if I'm not going into more customer related detail there. These costs are also slightly higher than we would have expected it, but nothing out of the ordinary here. Going forward, you might see that continuing as we ramp up E-Mobility. However, also consider or think about the E-Mobility volumes currently, the volumes are depressed based on the current market sentiment. As the volumes will ramp up, these R&D expenses are covered by increased sales. The impact on the margin will deteriorate and therefore will normalize.

In regard to Vehicle Lifetime Solutions and the growth, you will understand that our growth assumptions going forward are not 27% every quarter from now on, as we have seen in the second quarter. If you look at the history of last year, then you see the second quarter was a relatively weak quarter for Vehicle Lifetime Solutions, and the second quarter this year was an exceptionally strong quarter. We think that from a market demand standpoint, that we will maintain the absolute sales levels that we have seen in the second quarter. But as we then go against a better prior-year comparable, obviously the growth rate in percent will normalize.

There's no question that we will see for a little bit longer time, not forever, of course, but for a little bit longer time growth rates in Vehicle Lifetime Solutions that are stronger than the general market here. That is because we clearly gain a market share due to our very good logistical performance, delivery performance, and also because of our significant and comprehensive global footprint.

And last but not least, the Bearings & Industrial Solutions, how do we see it going forward? Also here, of course, you will not see a quarter of 2.5% going forward, let alone further one-time impacts, there I don't foresee any. But we will have to fight hard, and Klaus already alluded to that, also define the necessary measures to return to the profitability levels under much more challenging market conditions in the sectors that we are strong in, to then get back to the to the profitability levels that you are used to from two years ago. I can promise you that performance management is a strong focus of us. We are in the phase of defining appropriate measures that will have not necessary all a short-term impact, but you will not see another quarter with 2.5%, in my view.

I think you asked specifically, how do we see the third quarter and maybe even the second half of the year. You might remember that we were rather optimistic on the Industrial business and the recovery in the second half of the year at the beginning of this year. This optimism, I think, is reduced. We don't see the recovery as strong as we expected it when we started into the year. You see that also in the order development that Klaus showed. It's now plateauing, still on a slightly negative level, and that is indication that the second half of the year will stay challenging from a volume and market standpoint. And I repeat it again, especially as it relates to the sectors that are very important for us, and therefore, long story short, in my view, we would see a similar second half of the year than the first half of the year.

Akshat Kacker, JP Morgan
Thank you so much.

Operator

Ladies and gentlemen, as a reminder, anyone who wishes to ask a question may press star and one at this time. It seems there are no further questions at this time, so I would like to hand back to the speakers for any closing remarks.

Klaus Rosenfeld

Ladies and gentlemen, thanks for your attention. If you have time to enjoy the summer break, enjoy it, and we'll hopefully all reconvene in November. And those of you that are meeting Claus and Heiko on the road, always welcome. Thanks a lot for listening and see you soon. Thanks. Bye-bye.

Backup

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Thank you

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BACKUP

Aug 6, 2024 Q2 and H1 2024 Schaeffler AG earnings

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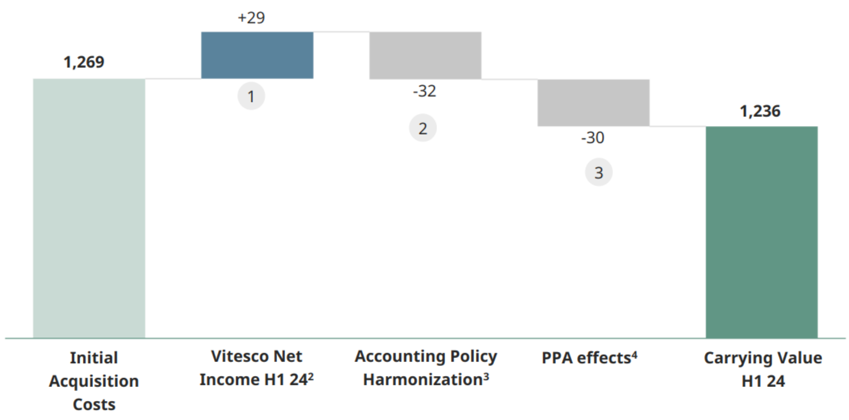
At equity accounting Vitesco Technologies Group AG until September 30th 2024

Subsequent measurement in H1 2024[1]

in EUR mn



Key aspects

- Accounting driven by 1 Vitesco earnings, 2 accounting policy harmonization and 3 PPA effects
- Effects shown represent 38.9% (shareholding) share, after taxes
- Accounting policy harmonization required to account for differences in accounting of
  - Development costs (IAS 38)
  - Application engineering (IFRS 15)
  - Customer-specific products
  - Pensions and Inventories
- With full consolidation as of Oct 1st, PPA effects will be abandoned

[1] Based on 38.87% shareholding of Schaeffler AG in Vitesco Technologies Group AG | [2] EUR 21.4 mn affecting P/L, EUR 11.8 mn affecting OCI; includes EUR -3.9 mn received dividend payments | [3] EUR -25.7 mn affecting P/L, EUR -6.4 mn affecting OCI | [4] Fully affecting P/L

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Key figures by Division

Adjusted comparative figures 2023

Automotive Technologies in EUR mn

	Q1 23	Q2 23	Q3 23	Q4 23	FY 23	Q1 24	Q2 24
Sales	1,778	1,730	1,748	1,780	7,035	1,770	**1,764**
Sales Growth[1]	*+7.2%*	*+11.3%*	*-2.0%*	*+3.9%*	*+4.8%*	*+0.8%*	***+2.2%***
EBIT bsi	87	90	107	56	339	93	**68**
EBIT bsi margin	4.9%	5.2%	6.1%	3.1%	4.8%	5.3%	**3.9%**

Bearings & Industrial Solutions in EUR mn

	Q1 23	Q2 23	Q3 23	Q4 23	FY 23	Q1 24	Q2 24
Sales	1,787	1,769	1,714	1,690	6,960	1,677	**1,690**
Sales Growth[1]	*+9.2%*	*+8.3%*	*-0.1%*	*+0.9%*	*+4.4%*	*-4.1%*	***-3.6%***
EBIT bsi	159	131	138	99	527	143	**42**
EBIT bsi margin	8.9%	7.4%	8.0%	5.9%	7.6%	8.5%	**2.5%**

Vehicle Lifetime Solutions in EUR mn

	Q1 23	Q2 23	Q3 23	Q4 23	FY 23	Q1 24	Q2 24
Sales	581	548	581	531	2,241	625	**684**
Sales Growth[1]	*+25.7%*	*+10.0%*	*+8.4%*	*+3.1%*	*+11.4%*	*+8.6%*	***+27.1%***
EBIT bsi	90	73	101	65	328	109	**119**
EBIT bsi margin	15.4%	13.3%	17.3%	12.2%	14.6%	17.4%	**17.4%**

Others in EUR mn

	Q1 23	Q2 23	Q3 23	Q4 23	FY 23	Q1 24	Q2 24
Sales	6	9	19	42	76	13	**54**
Sales Growth[1,2]	-	-	-	-	-	-	**-**
EBIT bsi	0	-5	-5	3	-7	-23	**-26**
EBIT bsi margin[2]	-	-	-	-	-	-	**-**

[1] FX-adjusted | [2] Values not provided as not meaningful

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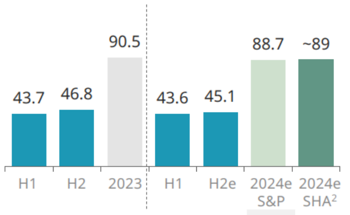
Market assumptions

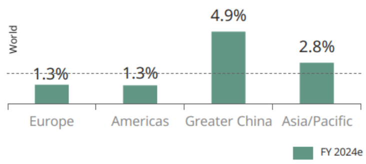
Global LVP[1] 2024



yoy vs. 2023

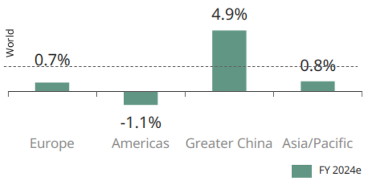
- Schaeffler expects a slightly declining LVP development to 89 mn vehicles in 2024, based on the forecast of S&P Global Mobility and own considerations
- Generally, due to market uncertainties (e.g. political and economic environment), we see challenges for the car markets in all major regions

Global LV Parc[3]



- Growth rate of Global LV Parc[3] with 2.3% for 2024 slightly lower than in 2023 (2.6%). The average age will increase in 2024 to 11.3 years (2023: 11.1 years) due to lower sales of new cars, in conjunction with lower replacement rate of vehicles in operation
- Like in previous years, the highest growth rate is expected for region Greater China (4.9%)

Industrial Production[4]



- Global Industrial Production[4] set to grow by around 2% in 2024 (2023: 2.8%) according to S&P Global Market Intelligence (July 2024)
- Robust growth forecast for region Greater China, weak development projected for Asia/Pacific, Europe and especially Americas

[1] Includes content supplied by S&P Global Mobility© [IHS Markit Light Vehicle Production Forecast (Base), July 2024]. All rights reserved. | [2] Schaeffler AG | [3] Includes content supplied by S&P Global Mobility © [IHS Markit Vehicles in Operation (VIO) Forecast, May 2024]. All rights reserved.| [4] Includes content supplied by S&P Global Market Intelligence © [Comparative Industry Service Forecast, July 2024]. All rights reserved. Sectors considered: Mechanical Engineering (ISIC 28), Transport Equipment (ISIC 30), Electrical Equipment (ISIC 271)

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Key figures Q2 and H1 2024

in EUR mn	Q2 2023	Q2 2024	Q2 2024 vs. Q2 2023	H1 2023	H1 2024	H1 2024 vs. H1 2023
Sales	4,056	4,191	+3.3% / +4.2%[1]	8,208	8,276	+0.8% / +2.0%[1]
Gross Profit ***Gross margin***	867 *21.4%*	880 *21.0%*	+13 mn *-0.4pp*	1,826 *22.2%*	1,966 *23.8%*	+140 mn *+1.6pp*
EBIT[2] ***EBIT margin[2]***	289 *7.1%*	204 *4.9%*	-85 mn *-2.2pp*	624 *7.6%*	525 *6.3%*	-99 mn *-1.3pp*
Net income[3]	138	33	-105 mn	266	263	-3 mn
EPS[4] (in EUR)	0.22	0.05	-0.17	0.41	0.40	-0.01
Schaeffler Value Added[5]	292	73	-219 mn	292	73	-219 mn
ROCE[6]	13.2%	10.7%	-2.5pp	13.2%	10.7%	-2.5pp
Free Cash Flow[7]	103	75	-28 mn	29	-91	-120 mn
Capex	198	195	-3 mn	419	418	-1 mn
Net financial debt	3,231	4,920	+1,689 mn	3,231	4,920	+1,689 mn
Leverage ratio[8]	1.5x	2.4x	+0.9x	1.5x	2.4x	+0.9x
Headcount	83,705	83,990	+0.3%	83,705	83,990	+0.3%

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

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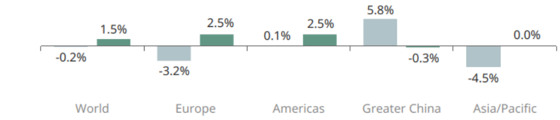
Automotive Technologies – Good Outperformance, EBIT margin[2] stable

Sales by business division
yoy growth

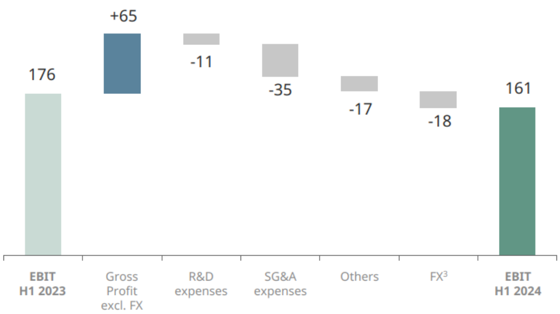
	H1 2023	H1 2024	Δ[1]
E-Mobility	630	687	+10.3%
Engine & Transmission	2,646	2,616	-0.4%
Chassis Systems	232	231	-0.3%
Total	**3,508**	**3,534**	**+1.5%**

Outperformance H1
Sales[1] vs. market development



	World	Europe	Americas	Greater China	Asia/Pacific
H124	+1.7pp	+5.7pp	+2.4pp	-6.1pp	-4.5pp

EBIT[2] H1 2023 vs. H1 2024
in EUR mn



EBIT margin development[2]

5.0% → 4.6%

[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] Includes content supplied by S&P Global Mobility© [IHS Markit Light Vehicle Production Forecast (Base), July 2024]. All rights reserved.

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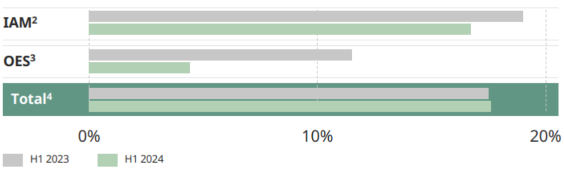
Vehicle Lifetime Solutions – Strong growth[1] in all regions, EBIT margin[5] clearly above PY

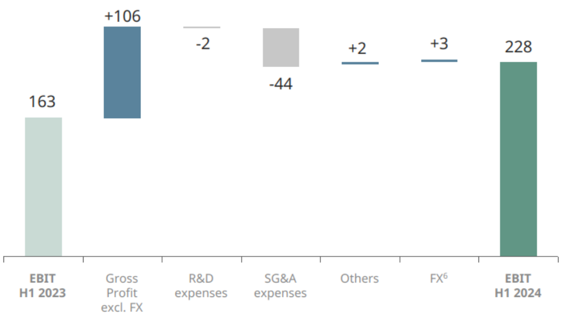
Sales by region
yoy growth

	H1 2023	H1 2024	Δ[1]
Europe	746	869	+14.7%
Americas	241	273	+24.2%
Greater China	72	88	+27.4%
Asia/Pacific	70	79	+14.5%
Total	**1,129**	**1,309**	**+17.6%**

Sales growth Vehicle Lifetime Solutions by channel[1]



EBIT[5] H1 2023 vs. H1 2024
in EUR mn



EBIT margin development[5]

14.4% → 17.4%

[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 | [6] Total FX effect including FX impact in Gross Profit, overhead and operative FX gains and losses

B A C K U P

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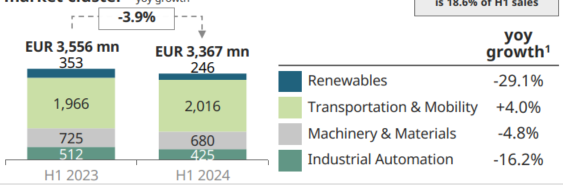
Bearings & Industrial Solutions – Negative growth[1] in Europe and China, EBIT margin[2] below PY

Sales by region
yoy growth

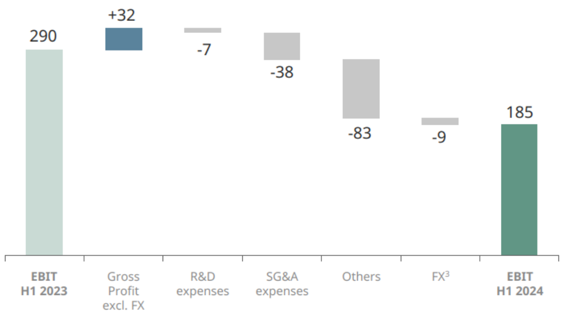
	H1 2023	H1 2024	Δ[1]
Europe	1,554	1,451	-6.5%
Americas	696	715	+3.4%
Greater China	782	693	-7.9%
Asia/Pacific	525	509	+0.3%
Total	**3,556**	**3,367**	**-3.9%**

Sales Bearings & Industrial Solutions by market cluster
yoy growth

Industrial Distribution is 18.6% of H1 sales



EBIT[2] H1 2023 vs. H1 2024
in EUR mn



EBIT margin development[2]

8.2% 5.5%

[1] FX-adjusted | [2] Before special items | [3] Total FX effect including FX impact in Gross Profit, overhead and operative FX gains and losses

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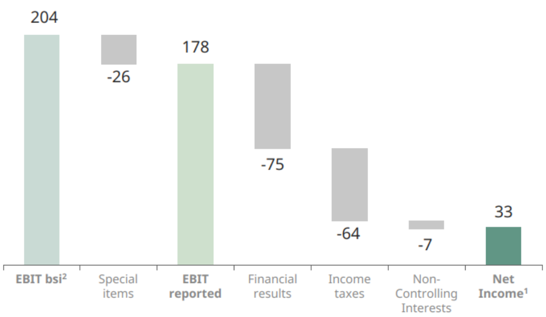
Net Income[1] – EBIT reconciliation and special items

Reconciliation Q2 2024
in EUR mn



EBIT margin

4.9% 4.2%

Key aspects

- Special items in Q2 mainly include integration costs for the Vitesco acquisition
- Financial result lower yoy due to higher interest payments

Special items by Division[3]
in EUR mn

	Q2 23	Q2 24	Δ Q2 24/23	H1 23	H1 24	Δ H1 24/23
EBIT reported	**283**	**178**	***-105***	**526**	**593**	***+67***
Automotive Technologies	-9	+3	*+12*	+32	-22	*-54*
Vehicle Lifetime Solutions	-1	+6	*+7*	+1	-4	*-5*
Bearings & Industrial Solutions	+15	+8	*-7*	+66	-51	*-117*
Group	**+6**	**+26**	***+20***	**+98**	**-67**	***-165***
EBIT bsi[2]	**289**	**204**	***-85***	**624**	**525**	***-99***

[1] Attributable to the shareholders of the parent company | [2] Before special items | [3] Divisions do not add up to 100% due to new "Others" segment

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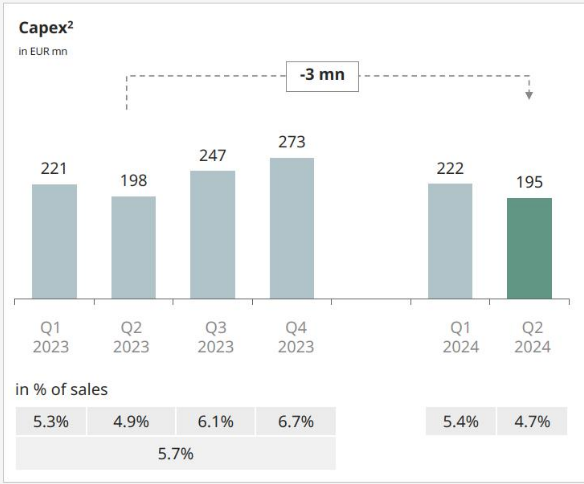
Working Capital ratio 20.8% – Capex ratio 4.7% in Q2



[1] According to balance sheet; figures as per the end of period | [2] Cash view

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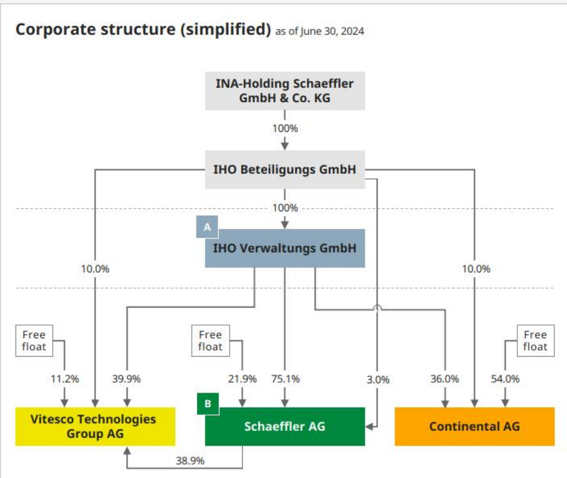
Overview Corporate and Financing Structure



Financing structure as of June 30, 2024

A — IHO Verwaltungs GmbH

	Debt instrument	Nominal USD mn	Nominal EUR[1] mn	Interest	Maturity	Rating Fitch/Moody's/S&P
Loans	RCF (EUR 800 mn)	-	0	E+3.75%	Jun-26	Not rated
Bonds	3.75% SSNs 2026 (EUR)	-	750	3.750%	Sep-26	BB/Ba2/BB-
	4.75% SSNs 2026 (USD)	500	467	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	420	6.000%	May-27	BB/Ba2/BB-
	8.75% SSNs 2028 (EUR)	-	800	8.750%	May-28	BB/Ba2/BB-
	6.375% SSNs 2029 (USD)	400	374	6.375%	May-29	BB/Ba2/BB-
Total	**IHO Verwaltungs GmbH**		**3,311**	**Ø 5.40%[2,3]**		

B — Schaeffler AG

	Debt instrument	Nominal USD mn	Nominal EUR mn	Interest	Maturity	Rating Fitch/Moody's/S&P
Loans	RCF (EUR 2,000 mn)[4]	-	-	E+0.725%	Nov-27	Not rated
	Term Loan (EUR)	-	500	E+1.650%	Nov-27	Not rated
	Term Loan (EUR)	-	125	undisclosed	Aug-27	Not rated
	Schuldschein Loans (EUR)	-	243	Ø 5.113%	May 25 & 28	Not rated
	EIB loan (EUR 420 mn)	-	420	3.703%	Jan-30	Not rated
CP	Commercial Paper (EUR)	-	-	-	-	Not rated
Bonds	2.750% SNs 2025 (EUR)	-	750	2.750%	Oct-25	BB+/Baa3/BB+
	4.500% SNs 2026 (EUR)	-	500	4.500%	Aug-26	BB+/Baa3/BB+
	2.875% SNs 2027 (EUR)	-	650	2.875%	Mar-27	BB+/Baa3/BB+
	3.375% SNs 2028 (EUR)	-	750	3.375%	Oct-28	BB+/Baa3/BB+
	4.750% SNs 2029 (EUR)	-	600	4.750%	Aug-29	BB+/Baa3/BB+
	4.500% SNs 2030 (EUR)	-	850	4.500%	Mar-30	BB+/Baa3/BB+
Total	**Schaeffler AG**		**5,388**	**Ø 4.09%[3]**		

[1] EUR/USD = 1.0705 | [2] After cross currency swaps | [3] Incl. commitment and utilization fees | [4] On 27 March 2024, Schaeffler singed an amendment agreement to its RCF. Effective upon closing of the merger, RCF amount will be increase to EUR 3.0 bn with a new tenor of 5+1+1 years

