TRANSCRIPT / PRE-CLOSE CALL Q1 2025 SCHAEFFLER AG

SCHAEFFLER

Q1 2025 Schaeffler AG Pre-Close Call

April 10, 2025
Herzogenaurach

We pioneer motion

SCHAEFFLER

Disclaimer

This presentation contains forward-looking statements. The words "anticipate", "assume", "believe", "estimate", "expect", "intend", "may", "plan", "project", "should" and similar expressions are used to identify forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about Schaeffler Group's beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of Schaeffler AG. Forward-looking statements therefore speak only as of the date they are made, and Schaeffler Group undertakes no obligation to update any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. These statements are based on Schaeffler AG management's current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, but not limited to, future global economic conditions, changed market conditions affecting the automotive industry, intense competition in the markets in which we operate and costs of compliance with applicable laws, regulations and standards, diverse political, legal, economic and other conditions affecting our markets, and other factors beyond our control).

This presentation is intended to provide a general overview of Schaeffler Group's business and does not purport to deal with all aspects and details regarding Schaeffler Group. Accordingly, neither Schaeffler Group nor any of its directors, officers, employees or advisers nor any other person makes any representation or warranty, express or implied, as to, and accordingly no reliance should be placed on, the accuracy or completeness of the information contained in the presentation or of the views given or implied. Neither Schaeffler Group nor any of its directors, officers, employees or advisors nor any other person shall have any liability whatsoever for any errors or omissions or any loss howsoever arising, directly or indirectly, from any use of this information or its contents or otherwise arising in connection therewith.

The material contained in this presentation reflects current legislation and the business and financial affairs of Schaeffler Group which are subject to change.

The permission to use S&P Global Mobility copyrighted reports, data and information does not constitute an endorsement or approval by S&P Global Mobility of the manner, format, context, content, conclusion, opinion or viewpoint in which S&P Global Mobility reports, data and information or its derivations are used or referenced herein.

Please note that this release and all information herein is unaudited and for information purposes only. It is not intended to constitute investment advice or an offer to sell, or a solicitation to buy, any securities. The next quiet period starts on April 22, 2025.

Company Representative

Heiko Eber, Head of Investor Relations

Conference Call (Active) Participants

Sanjay Bhagwani, *Citi*
Akshat Kacker, *J. P. Morgan*
Horst Schneider, *Bank of America*

Heiko Eber

Ladies and gentlemen, I'm happy to welcome you to today's Pre-close call on the first quarter 2025. Now, before we move to the content of today's call, as always I am sure that you have taken notice of our disclaimer. Please note that this release and all the information herein is still unaudited, and that our next quiet period will start on April 22nd, 2025. We are holding this call today to remind you of relevant public information previously provided by Schaeffler AG, or otherwise available in the market, which may be helpful in assessing the company's financial performance ahead of our Q1 2025 results on May 7th. I will guide you through the key messages, give more clarity on our divisions, and touch briefly on the latest tariff developments. After our short presentation, you will have the opportunity to ask questions. And with this, I would directly jump into the content of today's presentation.

PRE - CLOSE CALL

SCHAEFFLER

Key aspects Q1 2025

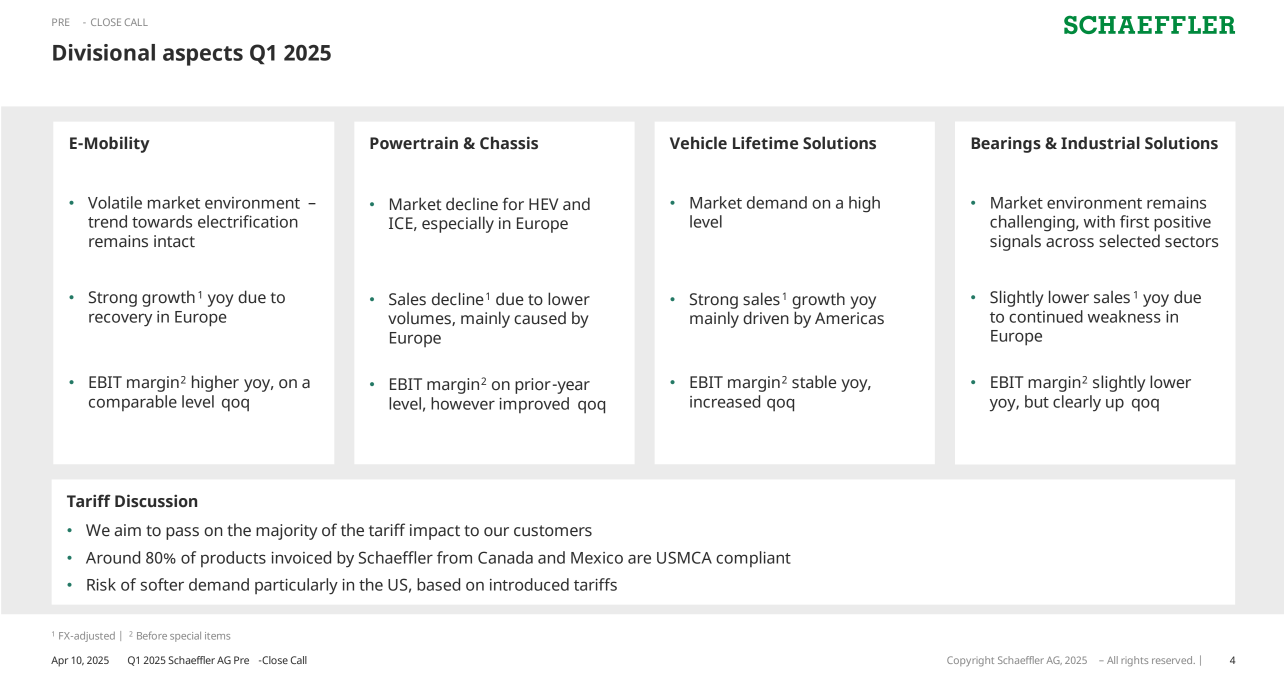
Schaeffler Group

	Q1 2024[1]	Q4 2024[1]	Key aspects
Sales	**EUR 6,141 mn**	**EUR 5,944 mn**	Sales flat qoq, but slightly lower yoy
EBIT margin[2]	**4.7%**	**1.8%**	EBIT margin[2] at upper end of our guidance
Free Cash Flow[3]	**EUR -272 mn**	**EUR 266 mn**	Negative Free Cash Flow[3] in line with typical seasonal pattern

[1] Pro forma figures 2024 | [2] Before special items | [3] Before cash in - and outflows for M&A activities

Apr 10, 2025 Q1 2025 Schaeffler AG Pre -Close Call | 3

On page three, let me start with the latest development on group level. For your reference, we have added the respective Q1 and Q4 numbers 2024. They are all based on the previously shared pro forma numbers. In general, we can say that we had a very solid start into 2025, and this despite still challenging market environments. Sales in Q1 are expected to be pretty much flat, quarter over quarter, but slightly lower than Q1 2024. I will give you more details when we are looking at our divisions. On EBIT margin, we should arrive at the upper end of our full-year guidance, so clearly up versus our last and, I admit, disappointing quarter. For sure, we got support by certain spill-over effects from Q4 2024, as this has been substantially lower than expected. But also, of course, we are improving on our operational performance, step by step. On free cash flow, on group level, following our typical and, I assume, well-known seasonal pattern, the cash flow in Q1 should be negative. Nevertheless, we expect a decent improvement compared to quarter one last year. So, again, a very solid start into the new year.



Now, on slide number four, let's take a look at our four divisions, starting with E-Mobility. In a still volatile market, the trend towards electrification remains intact, and I am sure some of you have also heard today's announcement from BMW, where the share of battery electric vehicles in Q1 was already at 19%. The growth, year over year, is driven by a feelable recovery of the E-Mobility market, especially in Europe, and supported by a number of successful launches in Europe and in Asia Pacific.

On the EBIT side, the EBIT is higher, year over year, and, on a comparable level, like last quarter. So, also there we see that we make the right steps compared to last year, of course supported by the proper execution of our ramp-ups, but also supported by the increasing volume. On Powertrain & Chassis, there is a market decline for HEV and ICE, especially in Europe. For sure, this is a counter-effect of what we just discussed on the E-Mobility side. We see declining sales, again mainly in Europe. And in addition, I would like to remind you that Powertrain & Chassis now also includes the so-called strategic phase-out business, so businesses where we took the conscious decision to phase it out. This, I guess you all remember from the Vitesco presentations, where we called this part of our business, non-core business.

EBIT for Powertrain & Chassis, the EBIT margin remains on prior-year's level, with a feelable improvement compared to last quarter. And this, ladies and gentlemen, once again underlines the resilience of our Powertrain & Chassis business. And for sure, it's also a proof of our agnostic setup across all powertrain solutions.

Taking a look at Vehicle Lifetime Solutions, the market demand, fortunately, remains on a high level. We still see significant increases on our top line. And despite the fact that we have announced that a double-digit growth rate will not be there forever, at least in the first quarter we still could maintain double-digit growth. We continued to see strong sales growth, year over year, in this case mainly supported by our growth in the Americas. Also on the EBIT margin, the business remains very stable. The margin is on a comparable level year-over-year. And having this said, of course, shows an increase compared to the previous quarter.
Last but not least, on Bearings and Industrial solutions, the market environment, unfortunately, remains challenging. But, and that's at least some positive, we see first signs of improvement in selected sectors. As a consequence, sales slightly lower, year over year. And this, and also there, not too much new, mainly driven by the continued weakness, especially in Europe. Having this said, good news on the EBIT side. The margin is slightly lower year over year, but, as you remember, our Q1 2024 was the by far the best quarter in our Bearings and Industrial Solutions division. And therefore, we see, of course, a clear improvement, quarter on quarter, after the rather disappointing Q4 2024.
After what we have seen during the last couple of days, I guess you will not be surprised that I cannot give you detailed information on the current tariff situation. But there are some comments I would like to make. As many of our peers, I guess all of our peers, also we, aim to pass on the majority of the tariff impact to our customers, and I guess, based on the contractual situation and based on the experiences we made over the last couple of years, we are confident that we can be successful. Also, important that around 80% of the products that are invoiced by Schaeffler from Canada and Mexico are USMCA compliant. As a negative, we cannot yet justify, or we cannot yet quantify, what impact increasing prices might have towards the willingness of the end consumers to buy new cars, especially in the US. So this potential collateral damage, of course, cannot be quantified yet.
Having all this said, I would like to end my short presentation with one important statement. Based on what we have seen so far, we are able to confirm our guidance for the fiscal year 2025 published in the Annual Report and our financial presentation on March 5th. What we cannot fully quantify now is the potential full year effect on sales, profitability, and free cash flow from the announced import tariffs, particularly of course in the US. They are still not included in the forecast as the outcome, and their interactions, cannot be fully assessed at the moment, given this very, very volatile situation. But I ask you for your understanding. I guess this is nothing Schaeffler specific. This is something where basically all companies in the world need

to do their homework, on the one hand, but also, to be clear, we have to wait and see how the entire situation develops. So, before we jump into our Q&A session, just one small notice. After the call, we will distribute our consensus sheet. And as always, we would be very grateful for your contribution and your estimates. And also here, as always, if we can get your indication by Monday, end of business, next week, that would be highly appreciated. And now, let me hand over back to the operator for the first question.

Opterator

Thank you, Sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star and two. Questioners on the phone are requested to disable the loudspeaker mode and eventually turn off the volume of the webcast while asking a question. Anyone with a question may press star and one at this time. The first question comes from Sanjay Bhagwani from Citi. Please, go ahead.

Sanjay Bhagwani

Hi. Thank you for taking my question also, Heiko, and good to see at least the Q1 is looking strong. I have just two questions, both on tariffs. So, are you able to provide some kind of growth exposure numbers, like, for example, what sort of millions of revenue that crosses the borders between Mexico and the US and then from Europe to the US? That is the first question. And the second one, on the pricing pass-throughs of the tariffs, I think you mentioned something about one thing is the contractual part and one thing is the experience, so I'm just trying to understand, is there some sort of clause in the agreement already, which says that, you know what, this is the price, and any taxes on top of that, the customer will have to pay? Or this is going to be a bit more negotiation, again, customer by customer, like what you did for the semiconductors? Thank you.

Heiko Eber

Thank you, Sanjay. Let's start with the first one. So, we will try to provide some more colour, of course, during our Q1 presentation, but very, very rough numbers, since this is, I guess, publicly known. Last year, our sales in the US were roughly 4 billion, out of which more than 50% has been produced in our North American production sites, so I guess not being affected. The remaining portion is mainly produced in Mexico, a little bit in Canada, or imported from countries outside North America. Having this said, and trying to somehow mix it with your second question, the negotiations with the customers are always, then, simple, as you rightly said, if there is a contractual basis. For some of our content, we have agreed that the customer is pretty much picking up the products at our production sites in Mexico, so they are responsible to bring the goods into the United States. For this part, frankly speaking, we are rather relaxed, since it's, first of all, the challenge for the customer. For all the other products, where we are impacted by the tariffs, yes, this will be a customer-by-customer negotiation. But also, there, as you can imagine, the discussions are already ongoing. And let's be honest, looking at the last couple of years with Corona, with the semiconductor crisis, you mentioned it. I would say there is a steady stream of negotiations with most OEMs anyhow, ongoing. But as said, details we would like to share with our Q1 numbers in May.

Sanjay Bhagwani

Thank you, Heiko, that is very helpful.

Heiko Eber

Welcome.

Operator

The next question comes from Akshat Kacker from J. P. Morgan. Please, go ahead.

Akshat Kacker

Thanks, Heiko. Three quick questions, please. The first one on VLS. I think you've indicated margins being much better, quarter on quarter, and slightly lower, year over year. If I'm looking at the right comparable, I think you are around more than 11% in that business division last year. So can you comment on what's driving the strong margin performance in Q1? Sorry, and the question was on Bearings and Industrial, not on VLS. I meant Bearings and Industrial. That's the first question.

The second question is on E-Mobility. Again, in terms of your margin guidance, you're talking about a negative 20%, roughly in that ballpark, in Q1. That's obviously outside your full year Guidance range. So, again, assuming no impact from tariffs, and we're discussing what was said at the full year results, what gets you within the guidance range? And is it an order backlog based second half ramp-up? Is it R&D reimbursements? Just interested in your thinking there.

And finally, the third one around USMCA, could you just give us an example of products that are not USMCA-compliant? And if you have already received some indications from OEMs where they are willing to compensate you on products where you're facing tariffs? Thank you.

Heiko Eber

Thanks, Akshat. So, maybe if you allow me, starting with the second question on E-Mobility, if you keep in mind the quarterly performance that we have shown for E-Mobility for 2024, you see the typical pattern. We see that the Q1 normally is rather weak, and then we are improving during the year. I know, Akshat, you have followed closely the Vitesco story, so you know that. Especially in the area of E-Mobility, a number of R&D reimbursements is rather backend loaded. So we usually expect them in the third or in even more cases in the fourth quarter. And that's why I would see it as a positive that already the first quarter is on a comparable base, like Q4 2024. Because, even so, we are pushing our customers to more evenly spread the reimbursements over the complete year, in order to avoid this hockey stick in the fourth quarter. We are not there yet. So, also here, we expect that the second half-year will be the more profitable one. On the one hand, supported by the reimbursements, on the second hand, of course, also supported by further increasing sales numbers. And I mentioned we had a number of rather relevant ramp-ups last year that are now helping us to further grow our E-Mobility business. And this will

also come into full effect in the second half of the year. So that should allow us to finish our full year within our guidance range.
On the on the B&IS side, during the presentation, when we have shared our performance numbers on a quarterly basis, we have, on the one hand, elaborated that we decided to move certain parts of the business in the so-called Others division. This is, of course, reflected in the pro forma numbers, as well as in what we just discussed. So that is, of course, one reason for the improvement compared to what we still have in mind when we think about B&IS, and especially the last quarter.
The other two drivers that are helping us now in Q1 to get in a direction that is more of what we are used from our Industrial division, is, on the one hand, the product mix, which is beneficial in Q1, and, the second one, I think Klaus Rosenfeld was very outspoken in the previous cause, that we were not really happy with what we have seen in Q4, and that we will take severe measures in order to get this division back on track. Some of these measures, of course, will take some time, others take effect rather sooner than later. And, of course, this focus of the management team of Bearings & Industrial Solutions, to get the business back on track, that's where we see the first positive impact also in Q1. On the third question, on the tariff, again, I would like to ask for your understanding. I would bundle this tariff topic, and we will give you more information, beginning of May, since I guess it makes more sense to have a consolidated view on what the entire situation means for our company, and, frankly speaking, for our entire industry.

Akshat Kacker

Thank you so much. No, that's very helpful, and I understand that. One very quick follow-up on the Industrial business. Can you just pinpoint a few sectors where you're seeing early green shoots or early signs of recovery? And if you could talk also about the sentiment in China around Renewables, and if you have seen further pressure from pricing on the Wind side?

Heiko Eber

Yes, sure. So, there are sectors where we have already seen a positive development last year. And I think we highlighted this, this was mainly Aerospace and Rail. So there, the good news is the trend is unbroken. So, especially in Aerospace, we still have the situation that the demand is higher than our capacity. And, of course, now you're trying to shift capacities accordingly in order to benefit even more from this very strong market demand. On these sectors where, last year, we did not yet see signs of recovery, I think the most important one is our Industrial Automation, where, again, I try to be careful because they are first signs of an improvement.It's not yet that the order book, and also here, we will, of course, share the latest status of our order book beginning of May, that everything is back to normal and we see a huge spike. But the trend is at least promising. And last but not least, on the Renewables in China, there the answer is relatively simple. Yes, there is still enormous price pressure, but, and also there I would like to reference to what Klaus Rosenfeld said in one of the earlier calls, we, for us, have decided that we have lowered the prices on a level where we still feel comfortable. Even so, it was painful coming from a significantly higher level. But we are not willing to further lower the prices to regain market share. Good news is it seems that we can maintain our business without further lowering prices. So that means indication we have reached the trough in that business. And now, of course, we have to see how we can get the margin up in the right direction again, and what this would mean for our engagement in Renewables in China.

Akshat Kacker
Appreciate that, Heiko. Thank you.

Heiko Eber
Welcome.

Operator
As a reminder, if you wish to register for a question, please press star followed by one. Star followed by one. The next question comes from Horst Schneider from Bank of America. Please, go ahead.

Horst Schneider
Hi, Heiko. Good afternoon, Horst here. I have got a first question that I have is regarding any exceptions maybe in Q1. I think there shouldn't be many, but just want to confirm that there are not any other restructuring provisions we need to consider. The other one is about the seasonality of the business. Just want to get a feeling for that also under the new structure. So, I think in Industrials, still the situation is Q1 is always a quarter fairly clean, no value adjustments, so it tends to be also a little bit stronger for that reason. And we do not yet know a lot about the seasonality of Powertrain & Chassis, but could it be also there that Q1 is, for seasonal reasons, always a little bit stronger? And then, for some reason, towards the end of the year, it gets a little bit more difficult. Is that the right way of reading, or is it wrong?

Heiko Eber

Very good question, Horst. So, on the first one, no, we have no further restructuring provisions or comparable instruments that will impact us in Q1. So if you want so, this was a fairly normal quarter. What we had, and I hope I got this across, yes, we had this very weak Q4, and there were certain spill-over effects that are supporting our first quarter a little bit, but I would not put this too much into the focus.

On the seasonality of the business. For Bearings & Industrial Solutions, I guess I would not foresee a comparable seasonality, like last year, where we, after a very strong first quarter, saw a significant drop in the second quarter, and then a rather disappointing fourth quarter. So I wouldn't expect the same magnitude of ups and downs, but in general, and that's why I mentioned that we still confirm our guidance, you remember we didn't guide for double-digit margins for B&IS, and that's for a good reason. So we are happy about the way Q1 looks like. And we would be very satisfied if we get our business for the full year into our guidance range. On the other two divisions, E-Mobility, I mentioned before, that is normally a little bit backend loaded, so we should see a stronger second half compared to the first half, always under the disclaimer of an normal way of doing business without too big external disturbance. But as I said, the way the reimbursements are running in and, of course, E-Mob still very much depending on volume, so we expect volume in the second half of the year to be higher compared to the first half. And that should help us to also, here, get into our guidance range. So there, it's more about a steady improvement, quarter by quarter. And on a Powertrain & Chassis, that business is pretty much stable, so there are no significant peaks to be expected. You have typically the third quarter, that is a little bit weaker, but that's, frankly speaking, in the automotive industry due to the summer vacation of our customers, and it's a volume-driven business.

Horst Schneider

So the only thing that could have been, this time, in Powertrain & Chassis, we heard that from all the car-makers, that they were trying to increase inventories also in the US market, tariff-related. In April we get some production cuts, probably, but you have not seen anything of that, or it's maybe not the right call to discuss that now? I don't know.

Heiko Eber

Simple answer, no, we have not seen this kind of effects.

Horst Schneider

Okay. All right. Thank you.

Heiko Eber

You're welcome.

Operator

Ladies and gentlemen, this concludes today's question-and-answer session. I would now like to turn the conference back over to Heiko Eber for any closing remarks.

Heiko Eber

Very good. So, with this, I would like to thank you for your time, for your interest. As always, big thank you to my team for the excellent preparation. If you have further questions, please reach out to any one of us. And if this is not the case, then I am very much looking forward to talk to you latest on May 7th, during our Q1 call. Thank you very much and have a nice rest of the day.

BACKUP

BACKUP

Financial calendar 2025

April 24
AGM

May 7
Q1 2025 Earnings Release

August 6
Q2 2025 Earnings Release

September 17
Capital Markets Day

November 4
Q3 2025 Earnings Release

BACKUP

SCHAEFFLER

Schaeffler reporting structure going forward – 4 divisions plus Others

From Jan 1st, 2025
Vitesco activities allocated to
new segments

Divisions	1 E-Mobility	2 Powertrain & Chassis	3 Vehicle Lifetime Solutions	4 Bearings & Industrial Solutions	Others
Business divisions	Electric Drives	Engine & Transmission Systems	Repair & Maintenance Solutions	Industrial Bearings	Selected Start-up businesses[1]
	Controls	Powertrain Solutions	Platform Business	Automotive Bearings	Functional entities with external revenues[2]
	Mechatronics & Modules	Chassis Systems	Specialty Business	Aerospace Bearings	End-of-life business[3]
			Emerging Business	Linear Motion	

Reporting structure based on 4 product-oriented divisions plus Others

[1] e.g. Schaeffler Hydrogen | [2] e.g. Schaeffler Special Machinery | [3] e.g. Contract manufacturing

BACKUP

SCHAEFFLER

Pro Forma 2024 Sales and EBIT bsi[1] – Quarters

Group in EUR mn	Q1 24	Q2 24	Q3 24	Q4 24	FY 24
Sales	6,141	6,280	5,947	5,944	**24,313**
EBIT bsi[1]	287	244	206	105	**842**
EBIT bsi margin[1]	4.7%	3.9%	3.5%	1.8%	**3.5%**

VLS in EUR mn	Q1 24	Q2 24	Q3 24	Q4 24	FY 24
Sales	717	788	741	715	**2,961**
EBIT bsi[1]	114	129	104	93	**440**
EBIT bsi margin[1]	15.8%	16.4%	14.0%	13.0%	**14.8%**

E-Mob in EUR mn	Q1 24	Q2 24	Q3 24	Q4 24	FY 24
Sales	1,089	1,179	1,266	1,283	**4,816**
EBIT bsi[1]	-324	-260	-214	-268	**-1,066**
EBIT bsi margin[1]	-29.8%	-22.0%	-16.9%	-20.9%	**-22.1%**

B&IS In EUR mn	Q1 24	Q2 24	Q3 24	Q4 24	FY 24
Sales	1,662	1,679	1,599	1,585	**6,525**
EBIT bsi[1]	190	74	104	68	**435**
EBIT bsi margin[1]	11.4%	4.4%	6.5%	4.3%	**6.7%**

PTC in EUR mn	Q1 24	Q2 24	Q3 24	Q4 24	FY 24
Sales	2,588	2,515	2,275	2,278	**9,656**
EBIT bsi[1]	328	320	225	228	**1,101**
EBIT bsi margin[1]	12.7%	12.7%	9.9%	10.0%	**11.4%**

Others in EUR mn	Q1 24	Q2 24	Q3 24	Q4 24	FY 24
Sales	86	118	67	84	**355**
EBIT bsi[1]	-20	-19	-12	-16	**-67**
EBIT bsi margin[1]	-23.6%	-16.1%	-17.6%	-18.8%	**-18.9%**

[1] bsi = before special items