



NON-BINDING ENGLISH TRANSLATION OF THE GERMAN ORIGINAL VERSION  
FOR CONVENIENCE PURPOSES ONLY

# Auditor's report

Audit of the Merger Agreement

between

Schaeffler AG  
Herzogenaurach

as Acquiring Entity

and

Vitesco Technologies Group Aktiengesellschaft  
Regensburg

as Transferring Entity



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**Annex 1**            Order of the District Court of Nuremberg-Fuerth, 2nd Division for Commercial Matters - for the appointment of the merger auditor

**Annex 2**            Merger Agreement between Schaeffler AG as the acquiring company and Vitesco Technologies Group Aktiengesellschaft as the transferring company (final draft dated 11 March 2024)

**Annex 3**            General Terms and Conditions of Engagement

For computational reasons, rounding differences of +/- one unit (€, %, etc.) may occur in the tables.
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## List of abbreviations and symbols

€	EUR
%	Percent
§	Section
&	and
3M-VWAP	Weighted average domestic market price of a share during the last three months prior to publication
<i>loc. cit.</i>	<i>loco citato</i> , meaning "in the place cited"
ADAS	Advanced Driver Assistance Systems
AG	Joint stock corporation; <i>Die Aktiengesellschaft</i> (magazine)
Americas	Schaeffler's segment in the regional segmentation, consisting of the subregions U.S. & Canada, South America and Mexico
America	Vitesco Technologies segment in the regional segmentation
Asia	Vitesco Technologies segment in the regional segmentation
Asia Pacific	Schaeffler's segment in the regional segmentation, consisting of the subregions South Korea, Japan, Southeast Asia and India
Automotive Aftermarket	Division of Schaeffler; segment in the product-related segmentation
Automotive Technologies	Division of Schaeffle, consisting of the Engine & Transmission Systems, Bearings, E-Mobility and Chassis Systems business segments; segment in the product-related segmentation
BaFin	German Federal Financial Supervisory Authority, Bonn and Frankfurt
<i>BB</i>	<i>BetriebsBerater</i> (Journal)
BCA	Business Combination Agreement between Schaeffler AG and Vitesco Technologies Group AG dated 27 November 2023
<i>BeckRS</i>	Electronic decision database in beck-online (for journalistic use, Verlag C.H.BECK)
Beta factor	Systematic risk (market risk) according to the Capital Asset Pricing Model
BEV	Battery Electric Vehicle (term for a vehicle powered strictly electrically by a battery)
Valuation Report	Expert opinion - Assessment of the appropriate exchange ratio of shares of Schaeffler AG and Vitesco Technologies Group Aktiengesellschaft
Valuation Expert	ValueTrust Financial Advisors Deutschland GmbH
Valuation Object(s)	Schaeffler AG and Vitesco Technologies Group Aktiengesellschaft (in the respective context individually or jointly)
Valuation date	Date of the resolution of the shareholders of Vitesco Technologies Group Aktiengesellschaft in general meeting on the conclusion of the Merger Agreement (24 April 2024)
<i>BewertungsPraktiker</i>	Journal
FSC	Federal Supreme Court, Karlsruhe
<i>BGHZ</i>	Collection of decisions of the Federal Supreme Court in civil cases (journal)
Bid-ask spread	Bid-ask spread
FedCC	Federal Constitutional Court, Karlsruhe

<i>BVerfGE</i>	Collection of decisions of the Federal Constitutional Court (journal)
BvR	File number of a constitutional complaint to the Federal Constitutional Court
and/or	and/or
CAGR	Compound annual growth rate (geometric average of the annual growth rate)
CAPEX	Capital expenditure; here used exclusively for investments in property, plant and equipment without rights of use
CAPM	Capital asset pricing model (capital market model based on portfolio theory)
CDAX	Composite DAX (broadest German share index, comprising all shares listed in the General Standard and Prime Standard segments on the Frankfurt Stock Exchange)
CF	<i>Corporate Finance</i> (magazine)
CFB	<i>Corporate Finance Biz</i> (magazine)
Co.	Compagnie (reference to the existence of a corporate relationship)
CO <sub>2</sub>	Carbon dioxide
DAX	German share index (designation for the German share index, which contains the 40 largest companies measured by market capitalisation and order book turnover)
DAXsector Automobile	Sector index that includes automotive manufacturers and suppliers listed on the German stock exchange with the weighting of their market capitalization
Detailed forecast phase	Financial years 2024 to 2028
Germany	Vitesco Technologies segment in the regional segmentation
DVFA	DVFA German Association for Financial Analysis and Asset Management e.V., Frankfurt am Main
DVFA recommendations	"Best Practice Recommendations for Enterprise Valuation" of the Working Group "Corporate Transactions and Valuation" of DVFA Deutsche Vereinigung für Finanzanalyse und Asset Management e.V., Frankfurt am Main
e.V.	Registered association
EACVA	European Association of Certified Valuers and Analysts (EACVA) e.V., Frankfurt am Main
EBIT	Earnings before interest and taxes, also known as the "operating result"
EBITDA	Earnings before interest, taxes, depreciation and amortisation of goodwill
EBT	Earnings before taxes
EC	European Community
Electrification Solutions	Division of Vitesco Technologies; segment in the product-related segmentation
Purchase offer	Voluntary public tender offer by Schaeffler to the shareholders of Vitesco Technologies to acquire all no-par value shares not already directly held by Schaeffler in return for payment of a cash consideration of € 91.00 per Vitesco share (offer document dated 15 November 2023), which has been increased to € 94.00 by an amendment to the offer dated 27 November 2023
EU	European Union



EUR	Euro (international currency code according to ISO 4217)
Europe	Schaeffler's segment in the regional segmentation, consisting of the subregions Germany, Western Europe, Middle East & Africa and Central & Eastern Europe; also segment of Vitesco Technologies segment in the regional segmentation
ECB	European Central Bank, Frankfurt am Main
f.	Next (page)
Schaeffler Family	Mrs Maria-Elisabeth Schaeffler-Thumann and Mr Georg F.W. Schaeffler
FAUB	Expert Committee for Enterprise Valuation and Business Administration of the German Independent Auditors' Institute (Institut der Wirtschaftsprüfer in Deutschland e.V.)
FCF	Free cash flow (before cash inflows and outflows for M&A activities)/EBIT (as defined by Schaeffler AG)
ff.	Following (Pages)
Continuation phase	Convergence phase (2029 and 2030) and phase of perpetual annuity (2031 ff.)
FTE	Full-time equivalent
GesRRRL	Regulation (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 on certain aspects of company law
GmbH	<i>Gesellschaft mit beschränkter Haftung</i> (limited liability company)
Greater China	Schaeffler's segment in the regional segmentation, consisting of Mainland China, Taiwan, Hong Kong and Macao
Rough planning phase	Financial years 2029 and 2030 (also convergence phase)
Income statement	Income statement
HGB	Commercial Code
HRB	Commercial Register Division B
Ed.	Editor
IAM	Independent aftermarket (spare parts market independent of the OEM)
ICE	Internal combustion engine
IDW	German Independent Auditors' Institute, Düsseldorf
IDW S 1	IDW Standard: Principles for the performance of business valuations (IDW S 1, 2008 version) dated 2 April 2008
<i>IDW-FN</i>	<i>IDW Fachnachrichten</i> (journal; today, <i>IDW Life</i> ) <i>IDW Life</i>
<i>IDW Life</i>	Member magazine of the German Independent Auditors' Institute
IDW Guideline 2/2017	IDW Practice Guideline: Assessment of Corporate Planning in Valuation, Restructuring, Due Diligence and Fairness Opinion (IDW Practice Guideline 2/2017).
IFRS	International Financial Reporting Standards
IHO	IHO Beteiligungs GmbH and IHO Verwaltungs GmbH, both Herzogenaurach
INA KG	INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach
Inc.	Incorporated (Anglo-Saxon corporate form, comparable to a German joint stock corporation or AG)
Industrial	Division of Schaeffler; segment in the product-related segmentation

ISIN	International Securities Identification Number
ISO	International Organization for Standardisation, Geneva, Switzerland
KFS/BW 1	Expert opinion on enterprise valuation (Austria)
KG	Limited partnership ( <i>Kommanditgesellschaft</i> )
Combined enterprise	Schaeffler AG following the planned merger of Vitesco Technologies Group Aktiengesellschaft into Schaeffler AG
Convergence phase	Financial years 2029 and 2030 (also rough planning phase)
Truck	Trucks
LLC	Limited Liability Company (US legal form in which the characteristics of a corporation are combined with those of a partnership)
LP	Limited partnership (US legal form; comparable to a limited partnership)
M&A	Mergers & Acquisitions (transactions on the market for companies)
MDAX	Mid-Cap-DAX (German share index containing the 50 largest companies - measured by market capitalisation and order book turnover - that follow the 40 companies in the DAX)
MSCI World	Global stock index
n.a.	Not available (not available or specification not meaningful)
No.	Number
OEM	Original Equipment Manufacturer (used in the automotive industry for vehicle manufacturers)
OES	Original Equipment Service (service linked to the OEM)
HRC	Higher Regional Court
Operating result	EBIT (Earnings before interest and taxes)
OTC	Over-the-counter (off-exchange trading)
Peer	comparable enterprises
Peer group	Group of comparable (listed) companies
PEV	Plugin Hybrid Electric Vehicle
Perpetual Annuity Phase	Financial years from 2031 (also: TV)
Powertrain Solutions	Division of Vitesco Technologies; segment in the product-related segmentation
ROCE	Return on capital employed (ROCE)
Marginal No.	Marginal number
S&P Global	S&P Global Market Intelligence LLC (formerly S&P Global Capital IQ), a business of S&P Global Inc., New York, New York USA
S.A.	Société Anonyme (legal form in French-speaking jurisdictions; comparable to AG)
p.	Page
Schaeffler	Schaeffler AG, Herzogenaurach
Schaeffler Holding LP	Schaeffler Holding LP, Dallas, Texas, USA
Schaeffler share(s)	Schaeffler common share(s) or Schaeffler common preference share(s), unless a distinction is required

Schaeffler Group	Schaeffler AG together with its dependent companies in accordance with § 17 AktG, but excluding the Vitesco Group
Schaeffler common share(s)	No-par-value common bearer share(s) of Schaeffler AG with a notional value of € 1.00 each in the share capital (common shares already issued and to be issued as of 13 March 2024)
Schaeffler preference share(s)	No-par-value preference bearer share(s) of Schaeffler AG with a notional value of € 1.00 each in the share capital
SDAX	Small-Cap DAX (German share index comprising the 70 largest companies - measured by market capitalisation and order book turnover - which follow the 40 companies in the DAX and the 50 companies in the MDAX)
SVA	Schaeffler Value Added (EBIT less capital costs on average capital employed; key figure of Schaeffler AG)
SWOT	Strengths, weaknesses, opportunities and threats; a strategic planning tool developed by Harvard Business School.
T	Thousands of euro
t test	Statistical hypothesis test
TV	Terminal value (phase of the perpetual annuity)
Acquiring legal entity	Schaeffler AG
Transferring legal entity	Vitesco Technologies Group Aktiengesellschaft
UmwG	Act on the Transformation of Companies
US	United States of America
USA	United States of America
USD	US dollar (international currency code according to ISO 4217)
ValueTrust	ValueTrust Financial Advisors Deutschland GmbH, Munich
Regulation (EC) 1287/2006	Regulation (EC) 1287/2006 of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards record-keeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading and certain definitions for the purposes of that Directive
Merger Agreement	Merger Agreement between Schaeffler AG as the acquiring company and Vitesco Technologies Group Aktiengesellschaft as the transferring company (final draft dated 11 March 2024)
Merger Report	Joint Merger Report in accordance with § 8 of the Act on the Transformation of Companies ( <i>Umwandlungsgesetz</i> ) of the Board of Managing Directors of Schaeffler AG and Executive Board of Vitesco Technologies Group Aktiengesellschaft on the merger of Vitesco Technologies Group Aktiengesellschaft into Schaeffler AG dated 13 March 2024 (final draft dated 11 March 2024)
Merging Parties Agreement	Schaeffler AG and Vitesco Technologies Group Aktiengesellschaft Merger Agreement
Contracting Parties cf.	Schaeffler AG and Vitesco Technologies Group Aktiengesellschaft <i>conferatur</i> (compare)
Vitesco Technologies	Vitesco Technologies Group Aktiengesellschaft, Regensburg
Vitesco share(s)	No-par-value registered shares of Vitesco Technologies Group Aktiengesellschaft with a notional value of € 2.50 each in the share capital

Vitesco Group	Vitesco Technologies Group Aktiengesellschaft together with its dependent companies in accordance with § 17 AktG
WPg	<i>Die Wirtschaftsprüfung</i> (journal)
WPH	Independent Auditor's Manual
WpÜG	Securities Acquisition and Takeover Act
WpÜG-AngebV	Ordinance on the content of tender documents, consideration in takeover offers and mandatory offers, and the exemption from the obligation to publish and make offers ( <i>WpÜG-Angebotsverordnung</i> )
XETRA	Designation ( <b>ex</b> change <b>electronic trading</b> ) of an exchange trading place of Deutsche Börse AG, Frankfurt am Main
e.g.	<i>exempli gratia</i>
ZIP	Journal for commercial law and insolvency practice

A. Engagement and performance of audit

The

**Schaeffler AG, Herzogenaurach,<sup>1</sup>**

as the Acquiring Entity and

**Vitesco Technologies Group Aktiengesellschaft, Regensburg<sup>2</sup>**

as the Transferring Entity intend to enter into a merger agreement<sup>3</sup> pursuant to which Vitesco Technologies is to be merged into Schaeffler by way of absorption by transfer of its assets as a whole in exchange for the granting of shares in Schaeffler ("merger by absorption").<sup>4</sup> On 11 March 2024, we were presented with the final draft of the Merger Agreement,<sup>5</sup> which we used as the basis for our audit.

A merger agreement only becomes effective if the shareholders of the participating legal entities approve it by resolution in a general meeting.<sup>6</sup> In the present case, the resolutions are to be adopted at the shareholders at the respective annual general meetings, with the annual general meeting of Vitesco Technologies to be held on 24 April 2024 and that of Schaeffler on 25 April 2024.

In particular, a merger agreement must contain the share exchange ratio and, if applicable, the amount of the additional cash payment.<sup>7</sup> The exchange ratio in the case of a merger by absorption expresses the ratio in which the shares in a transferring company that are to cease to exist are to be exchanged for new shares in the acquiring company. This ratio must be appropriate.<sup>8</sup> The value of the shares in the transferring legal entity must therefore correspond to the value of the new shares.<sup>9</sup> The value of a share in a company is generally derived from an overall valuation of the company. At least two enterprise valuations must therefore be carried out in the case of a merger.

Under the prerequisites set out in § 29 UmwG, the acquiring legal entity must also submit an offer to acquire the shares in the transferring legal entity in return for adequate cash compensation. These prerequisites are not met in the present case, so that a cash settlement is not to be offered.

The representative bodies of each of the legal entities involved in the merger are to submit a detailed written report explaining and justifying the merger in legal and financial terms, the merger agreement or a detailed draft, including in particular the share exchange ratio together with any additional cash payment.<sup>10</sup> The report may also be submitted jointly by the representative bodies.<sup>11</sup>

<sup>1</sup> "Schaeffler", "Valuation Object" (in the respective context) or "Acquiring Entity"; together with its dependent companies pursuant to § 17 AktG, but not including Vitesco Technologies Group Aktiengesellschaft and its dependent companies, "Schaeffler Group".

<sup>2</sup> "Vitesco Technologies", "Valuation Object" (in the respective context) or "Transferring Entity"; together with its dependent companies pursuant to § 17 AktG "Vitesco Group" and together with Schaeffler, the "Valuation Objects", "Merging Parties" or "Contracting Parties".

<sup>3</sup> §§ 4 ff. UmwG.

<sup>4</sup> § 2(1) UmwG.

<sup>5</sup> Also "Agreement"; see Annex 2; in the course of our audit, we had received various preliminary versions.

<sup>6</sup> § 13(1) UmwG.

<sup>7</sup> § 5(1)3 UmwG.

<sup>8</sup> § 12(2), Sentence 1 UmwG.

<sup>9</sup> Cf. Bungert in Fleischer/Huettemann, *Rechtshandbuch Unternehmensbewertung*, 2nd Edition 2019, Marginal No. 22.11 with further references.

<sup>10</sup> § 8(1), Sentence 1, Clause 1 UmwG; "Merger Report".

<sup>11</sup> § 8(1), Sentence 1, Clause 1 UmwG.

The Board of Managing Directors of Schaeffler and the Executive Board of Vitesco Technologies have submitted a draft joint Merger Report.<sup>12</sup> In particular, this report also contains an explanation of the share exchange ratio and the enterprise valuations carried out to determine it.

In order to determine an adequate exchange ratio, the Board of Managing Directors of Schaeffler and Executive Board of Vitesco Technologies have enlisted the expert support of ValueTrust Financial Advisors Deutschland GmbH, Munich.<sup>13</sup> With regard to the details of the derivation and determination of the exchange ratio, the Merger Report refers to the statements of ValueTrust in the Valuation Report,<sup>14</sup> the full version of which is attached to the Merger Report as Annex 2. The Board of Managing Directors of Schaeffler and Executive Board of Vitesco Technologies fully endorse the contents of the Valuation Report on the determination of the exchange ratio.

A merger agreement must be examined for each joint stock corporation.<sup>15</sup> The audit is to be conducted by one or more expert auditors.<sup>16</sup> The merger audit serves as a-priori protection of the shareholders of the legal entities involved in a merger. Their interest is primarily focused on ensuring that the share exchange ratio agreed by the representative bodies is adequate.<sup>17</sup>

Schaeffler and Vitesco Technologies have filed a joint application with the competent district court to appoint a joint merger auditor.<sup>18</sup> By order of 14 December 2023,<sup>19</sup> the District Court of Nuremberg-Fuerth, 2nd Commercial Division - selected and appointed us as auditors of the merger.<sup>20</sup> We had previously confirmed to the Court that there were no legal grounds for exclusion.<sup>21</sup> We can therefore confirm that we have complied with the regulations on independence.<sup>22</sup> The contracting parties then commissioned us to review the Merger Agreement.

The appointment order does not contain any requirements for the performance of the audit or report on the audit. Insofar as certain issues are often typically discussed judicial review proceedings following structural measures in corporate law or the law governing transformation of companies, we will take up these issues at an appropriate point.

The subject of the merger audit to be carried out by us consists of the merger agreement or its draft,<sup>23</sup> whereby the focus is on examining the adequacy of the exchange ratio.<sup>24</sup> The Agreement and the derivation of the exchange ratio are explained and justified in the Merger Report. The enterprise and share valuations carried out to derive the exchange ratio are explained in detail in the Valuation Report. On the

<sup>12</sup> Joint Merger Report in accordance with § 8 of the Act on the Transformation of Companies (*Umwandlungsgesetz*) of the Management Boards of Schaeffler AG and Vitesco Technologies Group Aktiengesellschaft on the merger of Vitesco Technologies Group Aktiengesellschaft into Schaeffler AG dated 13 March 2024 (draft dated 11 March 2024) The Merger Report and the Agreement were available to us in several draft versions during the course of our audit.

<sup>13</sup> "ValueTrust" or the "Valuation Expert"

<sup>14</sup> Expert opinion - Assessment of the appropriate exchange ratio of shares of Schaeffler AG and Vitesco Technologies Group AG We obtained several draft versions of the valuation report during the course of our audit.

<sup>15</sup> § 60 UmwG.

<sup>16</sup> § 8(1) UmwG.

<sup>17</sup> Cf. e.g. Zeidler in Semler/Stengel/Leonard *UmwG*, § 9, Paragraph 2, with further references.

<sup>18</sup> § 10(1), Sentence 2 UmwG.

<sup>19</sup> Case 2 HKO 7044/23; cf. Annex 1.

<sup>20</sup> § 10(1), Sentence 1 UmwG.

<sup>21</sup> § 11(1), Sentences 1 and 3 UmwG in conjunction with § 319, Paragraphs 1 to 4 and § 319b (1) HGB (general grounds for exclusion) and Article 5 (1) of Regulation (EU) No. 537/2014 (grounds for exclusion for capital market-oriented undertakings).

<sup>22</sup> Analogous application of § 321(4a) of the Commercial Code.

<sup>23</sup> § 9(1) UmwG.

<sup>24</sup> This already results from the reporting obligations of the merger auditor (§ 12 UmwG) (§ 12(2), Sentence 1 UmwG).

basis of the valuations carried out, the boards of the merging parties have agreed on a merger ratio. The valuation expert also comments on the adequacy of this ratio in the Valuation Report.

The Board of Managing Directors of Schaeffler and Executive Board of Vitesco Technologies are responsible for the due content of the Merger Report. Verification of this is not one of the tasks of the merger auditor.<sup>25</sup>

We further expressly note that we have not performed any audit of the accounting, the consolidated financial statements, the consolidated management reports, the annual financial statements and management reports or the management of the companies involved. Such audits likewise did not form part of our audit. The compliance of the audited financial statements presented with the relevant legal requirements has been confirmed unrestrictedly by the auditor. With regard to the completeness of the financial statements and compliance with accounting principles, we therefore assume that the documents submitted to us are correct.

We commenced our audit of the Merger Agreement following the upstream audit of our independence and impartiality and the ensuing noting of our court appointment on 15 December 2023, thus before the conclusion of the valuation work by ValueTrust (11 March 2024). This procedure is customary within the framework of adequacy tests and is recognised by high court rulings.<sup>26</sup> It is justified by the need to deliver an audit opinion promptly after completion of the valuation work. There were no diverging opinions between the Valuation Expert and ourselves. Audit findings were incorporated into the valuation models.

In performing the engagement, we observed the pronouncements of the German Independent Auditors Institute (IDW), Düsseldorf,<sup>27</sup> which are relevant for valuations. These include in particular the IDW standard: Principles for the performance of enterprise valuations (IDW S 1, 2008 version) dated 2 April 2008<sup>28</sup> and the IDW Practice Guideline: Assessment of Corporate Planning in Valuation, Restructuring, Due Diligence and Fairness Opinion (IDW Practice Guideline 2/2017).<sup>29</sup> In addition, we have also taken into account further technical advice<sup>30</sup> from the IDW's expert committee for business valuation and business administration.<sup>31</sup>

IDW S 1 is the central document that describes how auditors evaluate companies. It is therefore not binding for courts in particular. However, the recommendations contained in it are an essential source of information for the courts in their examination of the adequacy of compensation payments (indemnities and settlements) or exchange ratios in order to be able to judge whether the respective procedure as to how an enterprise value has been fundamentally analytically determined is flawless methodologically in each specific case.<sup>32</sup>

During the course of our audit, we held numerous meetings with representatives of the parties to the merger and the Valuation Expert. During these meetings, representatives of the merging parties

<sup>25</sup> Cf. e.g. Zeidler in Semler/Stengel/Leonard UmwG, § 9 Paragraphs 17 ff., with further references.

<sup>26</sup> Cf. Federal Supreme Court, Ruling of 18 September 2006, Case II ZR 225/04, BB 2006, pp. 2543 ff.

<sup>27</sup> "IDW"

<sup>28</sup> "IDW S 1"

<sup>29</sup> IDW Guideline 2/2017

<sup>30</sup> Such as the "Impact of the spread of the coronavirus on enterprise valuations" from 25 March 2020 and the "Impact of Russia's war against the Ukraine on enterprise valuations" from 20 March 2022.

<sup>31</sup> "FAUB"

<sup>32</sup> Cf. e.g. Federal Supreme Court, Ruling of 29 September 2015, Case II ZB 23/14, AG 2016, pp. 135 ff.



explained their business model and strategy, the respective market and competitive environment, the opportunities and risks as well as the budget presented in each case and answered our questions.

A large number of documents were submitted to us for our audit. The following documents are particularly important:

- Merger Report (draft of 11 March 2024) including the Agreement attached as Annex 1 thereto, a copy of which is attached hereto (final draft of 11 March 2024)
- Valuation Report as of 11 March 2024
- Current versions of the Articles of Association of Schaeffler and Vitesco Technologies
- Current retrievals of the commercial register extracts of Schaeffler and Vitesco Technologies
- Minutes of the meetings of the Supervisory Boards of Schaeffler and Vitesco Technologies and the Board of Managing Directors of Schaeffler AG and Executive Board of Vitesco Technologies since January 2022<sup>33</sup>
- Reports on the audit of the consolidated financial statements and the consolidated management reports of Schaeffler and Vitesco Technologies prepared in accordance with International Financial Reporting Standards,<sup>34</sup> as applicable in the European Union,<sup>35</sup> and the supplementary requirements of German commercial law in accordance with § 315e(1) of the Commercial Code for the financial years 2021 and 2022 including the accompanying consolidated financial statements and consolidated management report which bear an unqualified auditor's opinion and have been attached as annexes
- Certified consolidated financial statements and consolidated management reports of Schaeffler and Vitesco Technologies for the financial year 2023
- Integrated group planning of Schaeffler and Vitesco Technologies for the financial years 2024 to 2028 prepared in accordance with IFRS, including detailed documentation of the respective processes
- Presentations and breakdowns by Schaeffler and Vitesco Technologies on the respective business models and strategies as well as details of the projections presented and past planning and developments
- Documents on interest-bearing items and interest income and expenses as well as on the tax situation of Schaeffler and Vitesco Technologies
- Excerpts from the working papers of the Valuation Expert and the valuation models used to derive the value<sup>36</sup>
- Information on the market and competitive environment of Schaeffler and Vitesco Technologies

In addition, we made use of other publicly available information, particularly capital market data. When determining capital market data, we relied primarily on the data provided by the financial information service provider S&P Global Market Intelligence LLC (formerly S&P Global Capital IQ), a business of S&P Global Inc, New York, NY USA.<sup>37</sup>

Our audit results are essentially based on the audit of documents of Schaeffler and Vitesco Technologies, on information provided by the persons appointed to provide information, as well as on the Valuation Report and supplementary information provided by the Valuation Expert. In addition to the information obtained in this way, we have made our own investigations and calculations.

All explanations and documentation requested by us were readily provided.

<sup>33</sup> Insofar as these have already been approved.

<sup>34</sup> "IFRS"

<sup>35</sup> "EU"

<sup>36</sup> We have included the valuation models and other models (in particular for deriving the capital market data) as a "value copy" in our files. For the purposes of the audit, the Valuation Expert also provided us with read-only virtual access to its original models.

<sup>37</sup> "S&P Global"



Today, the representatives of Schaeffler and Vitesco Technologies submitted to us a declaration of general representativeness in compliance with professional standards, confirming in writing that the explanations and information relevant to the audit of the Agreement have been provided completely and accurately.

If, in the period between the conclusion of our audit (12 March 2024) and the planned date of the resolution of the shareholders in general meeting of Vitesco Technologies on the conclusion of the Agreement (24 April 2024), which determines the valuation date,<sup>38</sup> there should be material changes compared to the assumptions made when the Valuation Report or this Audit Report was signed, such changes would have to be taken into account in determining the appropriate exchange ratio. In this regard, we will obtain declarations updating the letters of general representativeness on the day of the annual general meeting at which Vitesco Technologies shareholders adopt the resolution and we will issue a declaration as of the reporting date on the adequacy of the exchange ratio.

We have documented the nature and scope of our audit procedures in our working papers.

Pursuant to § 12 UmwG, we submit the following report on the findings of our audit.

This Audit Report has been prepared solely for the purposes set out above. These include the provision of the Audit Report in the run up to the annual general meetings of Schaeffler and Vitesco Technologies at which their shareholders are to resolve on the conclusion of the Agreement and the submission of the Report to the competent court.<sup>39</sup> The audit report may also be passed on to the tax authorities, the auditors of the two contracting parties and lawyers and tax consultants commissioned to provide legal or tax advice in connection with the intended merger.

Our Audit Report may only be passed on in full, with a written declaration of the purpose of the underlying engagement, subject to our express written consent and the restrictions on disclosure and liability conditions underlying the engagement, and then only to third parties provided the respective third party has previously agreed in writing to the General Terms and Conditions of Engagement, supplemented by an individual liability agreement and a binding confidentiality obligation towards us.

The execution of the engagement and our responsibility, also in relation to third parties, shall be governed by the "General Terms and Conditions of Engagement for Independent Auditors and Independent Auditing Companies" as amended on 1 January 2017 and attached as Annex 3. § 11(2) UmwG as related to § 323 HGB apply to our responsibility towards the Contracting Parties and their shareholders.

<sup>38</sup> Cf. e.g. Zeidler in Semler/Stengel/Leonard UmwG, § 9 Paragraphs 41, with further references The annual general meeting at which Schaeffler shareholders are to pass a resolution on the Agreement is to be held on 25 April 2024. This is also clearly agreed in the Agreement.

<sup>39</sup> Also in court proceedings subsequent to general meetings where shareholders pass resolutions, such as actions for voidance, release proceedings and judicial review proceedings about the exclusion of minority shareholders [*Spruchverfahren*].

## B. Subject, type and scope of merger audit

Pursuant to § 9(1) UmwG, the subject of the merger audit consists of the merger agreement or the draft thereof. The manner in which the audit is to be carried out and the scope of the audit are not directly specified in the law.

The commentary<sup>40</sup> shows that the mandatory components of the merger agreement must be checked for completeness and accuracy. However, the audit focuses on the adequacy of the exchange ratio, including any additional cash payment.<sup>41</sup>

The adequacy of the merger does not form part of the subject of the audit. The Merger Report itself also does not form part of the subject of the audit. However, the information contained therein may be used in the audit, particularly insofar as it explains and justifies the exchange ratio.

The subject matter of the audit therefore encompasses a formal and a substantive part.

In the formal portion of the audit, it must be verified whether the Agreement accurately contains all the legally prescribed components and thus complies with the provisions of law.

In the substantive part of the audit, it must be verified whether the proposed exchange ratio including any additional cash payment - and, if applicable, the cash compensation offered -<sup>42</sup> can be regarded as adequate, taking into account the circumstances of the valuation objects on the valuation date. The substantive portion of the audit extends to the issue of whether the methods used to calculate the exchange ratio correspond to the generally accepted principles for the performance of enterprise valuations, whether the data on which they are based are professionally derived and whether the future estimates appear plausible. It is not the auditor's task to perform the enterprise valuation required to derive the exchange ratio.

The merger auditor must report in writing on the result of the audit.<sup>43</sup> The audit report is to conclude with a statement as to whether the proposed share exchange ratio, the amount of the additional cash payment, if any, or the membership in the acquiring legal entity as consideration is adequate.<sup>44</sup>

<sup>40</sup> Cf. e.g. Zeidler in Semler/Stengel/Leonard UmwG, § 9 Paragraphs 14 ff.

<sup>41</sup> This already results from the reporting obligations of the merger auditor (§ 12 UmwG) (§ 12(2), Sentence 1 UmwG).

<sup>42</sup> Cash compensation pursuant to § 29 UmwG; not relevant in the present case.

<sup>43</sup> § 12(1), Sentence 1 UmwG.

<sup>44</sup> § 12(2), Sentence 1 UmwG.

The following must therefore be indicated:<sup>45</sup>

- the methods used to determine the proposed exchange ratio;
- the reasons why the use of these methods is appropriate;
- the exchange ratio or consideration that would result from the application of different methods, if more than one has been applied; at the same time, the weight given to the different methods in determining the proposed exchange ratio or consideration and the values on which they are based and, if used in the different methods for the legal entities participating in the merger, whether the use of different methods was justified;
- the particular difficulties that have arisen in the valuation of the legal entities.

Our Audit Report reproduces the result of our audit of the adequacy of the proposed exchange ratio and, in this context, provides a comprehensive and detailed description of the audit procedure and the audit results. With respect to the detailed figures and the grounds for the calculation of earnings and value components, we refer to the detailed information in the Valuation Opinion, which is attached to the Merger Report as an annex, in order to avoid repetition.

In this respect, though the addressees of this Report are put into a position to be able to comprehend the adequacy of the exchange ratio on the basis of our Audit Report alone, they may also avail themselves of the Merger Report, in particular the Valuation Opinion attached thereto, for more detailed information if required.

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<sup>45</sup> § 12(2), Sentence 2 UmwG.

### C. Formal Audit of the Merger Agreement

The minimum content of a merger agreement is set out in § 5(1), Nos. 1 to 9 UmwG. This information is a mandatory component of the merger agreement and is the subject of the merger audit. An audit of the optional components of the merger agreement is generally not included in the scope of the merger audit.<sup>46</sup>

The audit of the completeness and accuracy of the Agreement therefore relates to the general information on the legal entities involved, the details of the transfer of the assets of the transferring legal entity, the transfer of the shares as well as their exchange ratio, the provisions in connection with the merger date, any special rights granted to certain groups of persons or measures provided for them as well as the consequences of the merger for the employees and the measures provided for in this respect.

#### **Name and registered office of the participating legal entities (§ 5(1)1 UmwG)**

The name and registered office of the legal entities involved are stated in the header of the Agreement and correspond to the provisions in the Articles of Association of Schaeffler and Vitesco Technologies and the entries in the commercial registers of the companies kept at the local courts of Fürth and Regensburg, respectively.

The legal requirements are therefore fully and accurately met.

#### **Agreement on asset transfer in return for shares (§ 5(1)2 UmwG)**

Pursuant to Section 1 of the Agreement, Vitesco Technologies is to transfer its assets as a whole, including all rights and obligations, to Schaeffler upon dissolution without windup pursuant to §§ 2(1), 60 ff. UmwG to Schaeffler in exchange for shares in Schaeffler<sup>47</sup> to the shareholders of Vitesco Technologies not participating in the Agreement (merger by absorption).

However, pursuant to Section 2.2 of the Agreement, Schaeffler will not be granted any new Schaeffler shares for the shares in Vitesco Technologies<sup>48</sup> held by it upon the planned merger taking effect (§ 20(1)3, Sentence 1, Clause 2, Case 1 and § 68(1), Sentence 1, No. 1 UmwG). This also applies to Vitesco shares that Vitesco Technologies itself would hold at the time of the resolution<sup>49</sup> (§ 20(1)3, Sentence 1, Clause 2, Case 2, § 68, Sentence 1, No. 2 UmwG).

Pursuant to Section 2.3 of the Agreement, Schaeffler AG will increase its share capital from € 666,000,000.00 by € 278,888,641.00 to € 944,884,641.00 by issuing 278,884,641 new no-par-value bearer shares (common shares) with a notional interest in Schaeffler's share capital of € 1.00 per share in order to implement the planned merger.

With regard to the aforementioned provisions of the Agreement concerning the transfer of assets in return for the granting of shares, we comment as follows.<sup>50</sup>

<sup>46</sup> Cf. e.g. Zeidler in Semler/Stengel/Leonard UmwG § 9, Paragraphs 14 ff. Accordingly, the following statements do not refer to the provisions of Sections 6 to 10 of the Agreement.

<sup>47</sup> Together "Schaeffler share(s)".

<sup>48</sup> "Vitesco share(s)". According to the final draft version of the Merger Report, Schaeffler holds 15,557,629 Vitesco shares.

<sup>49</sup> However, according to the final draft version of the Merger Report, Vitesco Technologies does not hold any treasury shares at the time the Report was being prepared.

<sup>49</sup> Together "Schaeffler share(s)".

<sup>50</sup> Cf. Zeidler in Semler/Stengel/Leonard UmwG § 5 for the overall legal assessment in this section.

Schaeffler will become the universal successor to Vitesco Technologies as a result of the asset transfer.

Shares are to be granted as consideration for the transfer of assets. For this purpose, it is necessary to increase the share capital of the Acquiring Entity Schaeffler to the extent necessary to ensure that the shareholders of Vitesco Technologies receive the number of new Schaeffler shares required to establish the adequate exchange ratio.

The number of new Schaeffler shares to be issued is to be calculated by comparing the value of the old Schaeffler shares prior to the implementation of the planned merger with the value of the transferred assets.

With regard to the granting of shares, it is generally required that all shareholders of all legal entities involved in a merger must hold shares in the acquiring entity after the merger (principle of identity of members).

In the present case, all shareholders of the participating legal entities Vitesco Technologies and Schaeffler will hold an interest in Schaeffler as the Acquiring Entity after the planned merger.<sup>51</sup> Third parties will not receive any shares. The principle of the identity of members is thus observed.

The ratio of the shareholdings of the shareholders of the participating legal entities Vitesco Technologies and Schaeffler to each other must generally remain the same before and after the planned merger is implemented (principle of the identity of proportions and values).

In the present case, however, the nominal proportions of the shareholders will be shifted by the fact that Schaeffler will hold Vitesco shares because no new Schaeffler shares can be granted for these shares since Schaeffler may not receive any Schaeffler shares in this respect.<sup>52</sup>

In this respect, the capital of Schaeffler may not be increased pursuant to § 68(1), Sentence 1 no. 1 UmwG. As stated above, this must be taken into account when determining the exchange ratio. With regard to the audit of the exchange ratio and thus compliance with the principle of value identity in the present case, we refer to our comments on the substantive audit of the Merger Agreement.

In principle, the shares granted to a shareholder in the acquiring legal entity must also embody as far as possible the same rights that the shareholder had in the transferring legal entity (principle of identity of share class).

Schaeffler and Vitesco Technologies are both managed in the legal form of a joint stock corporation (*Aktiengesellschaft*). In this respect, the shares are generally fungible in both cases, as they can be transferred by means of an informal legal transaction.

However, the Schaeffler shares are bearer shares, while the Vitesco shares are registered shares. A share register is kept for the registered shares. In relation to the company, rights and obligations arising from shares exist only for and against persons entered in the share register.<sup>53</sup> This conceivable impairment of

<sup>51</sup> Taking into account § 20(1)3, Sentence 1 and § 68(1), Sentence 1, No. 1 UmwG. Cf. below.

<sup>52</sup> §§ 20(1), No. 3, Sentence 1 and § 68(1), Sentence 1, No. 1 UmwG.

<sup>53</sup> § 67(2), Sentence 1 AktG.

the rights arising from a share is generally not relevant in practice. Moreover, in the present case, the shareholders of Vitesco Technologies receive a share in return for the surrender of the assets of Vitesco Technologies, such share being theoretically more fungible.

Of much greater importance for the fungibility of a share is the question of whether and in which market segment it is listed. The Vitesco share is currently listed on the regulated market with additional post-admission obligations on the Frankfurt Stock Exchange (Prime Standard) and is also traded - directly and indirectly - on other stock exchanges.<sup>54</sup> It is included in the MDAX,<sup>55</sup> among others. The Schaeffler preference share is also admitted to trading in the Prime Standard and is traded on other stock exchanges.<sup>56</sup> In Section 2.8 of the Agreement, Schaeffler undertakes to apply for admission of all Schaeffler shares - and thus also the shares to be granted as consideration - to trading on the regulated market (Prime Standard) in order to affect admission of the shares as soon as possible after the planned merger becomes effective.<sup>57</sup> In addition, Schaeffler shares are currently included in the SDAX.<sup>58</sup> In the medium term, the aim is for Schaeffler shares to be included in the MDAX.

Taking into account the aforementioned minor differences between the two shares, it can be summarised that the fungibility of the shares received is not lower than that of the shares given. The exceptions according to which, in the cases specified in § 29 UmwG, shareholders are to be offered an adequate cash settlement as consideration for the acquisition of their shares instead of shares in the acquiring legal entity, including an additional cash payment, are not relevant, as two listed stock corporations are being merged and the shares are identical in class. As a result, Section 2.8 of the Agreement expressly states that a settlement offer pursuant to § 29 UmwG is not required.

However, the principle of identity of share class could be violated if the shares given differ from the shares received in terms of their features. Vitesco Technologies only has one class of shares. Schaeffler previously issued both common and preference shares. In connection with the proposed business combination, Schaeffler's common shareholders resolved in an extraordinary general meeting and Schaeffler's common non-voting shareholders resolved in a separate meeting of common non-voting shareholders to convert the common non-voting shares into common voting shares at a ratio of 1:1, canceling the preferential dividend rights. In the future, Schaeffler's capital will be represented by only one class of shares, the common share. The shareholders of Vitesco Technologies will therefore also receive common shares in return for the surrender of their common shares.

In summary, it should be noted that the principle of identity of share classes is also observed in this respect.

It should be noted as a finding of our audit that the legal requirements relating to the agreement on the transfer of the assets of the transferring legal entity as a whole in return for the granting of shares in the acquiring legal entity have been fully and accurately observed.

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<sup>54</sup> For details, see Section E.I.1.

<sup>55</sup> Mid-Cap-DAX (German share index containing the 50 largest companies - measured by market capitalisation and order book turnover - that follow the 40 companies in the DAX).

<sup>56</sup> For details, see Section F.I.1. The preference share is currently traded.

<sup>57</sup> This application is in connection with the fact that the current admission for the preference shares issued by Schaeffler has been granted and that only common shares will be issued in the future.

<sup>58</sup> Small-Cap DAX (German share index comprising the 70 largest companies - measured by market capitalisation and order book turnover - which follow the 40 companies in the DAX and the 50 companies in the MDAX).

### **Exchange ratio and amount of additional cash payment (§ 5(1)3 UmwG)**

As consideration for the transfer of the assets of Vitesco Technologies, Schaeffler will grant the shareholders of Vitesco Technologies 57 Schaeffler shares for every five Vitesco shares upon the effective date of the planned merger pursuant to Section 2.1 of the Agreement. This ratio corresponds to an exchange ratio per Vitesco share of 11.4 Schaeffler shares.

Under Section 2.7 of the Agreement, the shareholders of Vitesco Technologies will be granted whole Schaeffler shares to the extent possible taking into account the exchange ratio. If only partial rights to a share remain for individual shareholders due to the exchange ratio, these partial rights will be combined in accordance with § 72(2) UmwG and § 226(3) AktG and sold by the trustee at the stock exchange price immediately after admission of the common shares to trading on the Frankfurt Stock Exchange. The net proceeds<sup>59</sup> will be paid out to the holders of the fractional rights in proportion to the fractional rights attributable to them. This provision corresponds to the usual practice for so-called “peak utilisation”.

The information required by law with regard to the exchange ratio and the amount of the additional cash payment is therefore fulfilled in principle.

With regard to the audit of the exchange ratio and the amount of the additional cash payment, we refer to our comments on the substantive audit of the Merger Agreement.<sup>60</sup>

The exchange ratio audited by us is potentially subject to judicial review. In the event it is determined by a court of law or acknowledged by Schaeffler by way of a court or out-of-court settlement or otherwise that the exchange ratio is not adequate or that membership in the Acquiring Entity is not adequate consideration for the share or for membership in the Transferring Entity, additional Schaeffler shares are to be issued in accordance with Section 2.9 of the Agreement, additional Schaeffler Shares are to be granted in accordance with the detailed provisions of §§ 72a and 72b UmwG in lieu of the standard solution of an additional cash payment stipulated in § 15 UmwG in exercise of the option granted by § 72a(1), Sentence 1 UmwG.

<sup>59</sup> After deduction of taxes and any costs and fees charged by the intermediaries.

<sup>60</sup> Sections D to H.

### **Details for the transfer of shares (§ 5(1)4 UmwG)**

In accordance with Section 3 of the Agreement, the duties of the trustee are to be assumed by BNP Paribas S.A. Following the registration of the merger in the commercial register competent for Schaeffler, the trustee will, at the instruction of Vitesco Technologies, grant the shareholders of Vitesco Technologies entitled to exchange indirect co-ownership of the global certificate deposited by Schaeffler in the custodial system of Clearstream International S.A., Luxembourg, which securitises the Schaeffler shares to be granted to the shareholders of Vitesco Technologies, and/or surrender the proceeds received as a result of the realisation of fractional shares pursuant to Section 2.7 of the Agreement concurrently with the surrender of their Vitesco Shares.

This provision takes into account the requirements of § 71 (1), Sentence 1 UmwG.

The new Schaeffler shares will be granted to the shareholders of Vitesco Technologies free of charge pursuant to Section 2.1 of the Agreement. There are no legal requirements in this regard.

Further details for the transfer of the shares, which would necessarily have to be stipulated in the Agreement, are not apparent. The legal requirements regarding the transfer of shares are therefore fully and accurately met.

### **Date of profit entitlement and Merger Agreement (§ 5(1), Nos. 5 and 6 UmwG)**

In accordance with Section 2.4 of the Agreement, the new shares generally entitle their holders to dividends as of 1 January 2024. Pursuant to Section 1.3 of the Agreement, Schaeffler will take over the assets of Vitesco Technologies internally effective 1 January 2024, 00:00 hours. From the beginning of 1 January 2024<sup>61</sup> ("Merger Date"), all acts and transactions of Vitesco Technologies will be deemed to have been undertaken for the account of Schaeffler. In accordance with Section 1.2 of the Agreement, the planned merger will be based on the balance sheet of Vitesco Technologies as of 31 December 2023, which has been issued an unqualified auditor's opinion, as the closing balance sheet. Schaeffler will carry these values forward in its balance sheet by exercising the option granted in § 24 UmwG (Section 1.4 of the Agreement). Moreover, Schaeffler also intends to carry forward the book values of Vitesco Technologies for tax purposes.

In the event the planned merger does not become effective by entry in the commercial register of Schaeffler by the end of 28 February 2025, 31 December 2024 shall be deemed as the cutoff date of the closing balance sheet and as the cutoff date for the assumption of assets pursuant to Section 7.1 of the Agreement at variance with Section 1.2 thereof and 1 January 2025 shall be deemed as the merger date at variance with Section 1.3 of the Agreement. In the event of a further delay in the planned merger taking effect beyond 31 December of the respective following year, the cutoff dates will be postponed by a further year in each case. A corresponding postponement of the profit entitlement is stipulated in Section 7.2 of the Agreement.

The provisions of the Agreement comprehensively stipulate the required information on the reporting dates. For practical reasons, interim financial statements have not been prepared, but are based on an

<sup>61</sup> The merger date must be distinguished from the valuation date. Section 2.5 of the Agreement expressly states that the cut-off date for the valuations of the merging parties for the purpose of determining the exchange ratio is 24 April 2024.



annual balance sheet of Vitesco Technologies. The provisions contained in the Agreement ensure that the merger date will be aligned with the closing balance sheet date, the transfer date for tax purposes and the date of the transfer of the profit entitlement.

### **Special rights and advantages (§ 5(1), Nos. 7 and 8 UmwG)**

As specified in Section 4.1 of the Agreement, special rights in accordance with § 5(1)7 UmwG are not to be granted and no measures in this sense are planned. Section 4.2 of the Agreement states that special benefits pursuant to § 5(1)8 UmwG are also not granted.<sup>62</sup>

We did not find anything to the contrary during our audit.

### **Consequences of the merger for the employees and their representatives and the measures foreseen in this regard (§ 5(1)9 UmwG)**

Section 5 of the Agreement describes in detail the consequences of the planned merger for the employees and their representatives in individual and collective employment law as well as the measures envisaged in this respect. The explanation of these consequences extends in particular to the statement that the employment relationships of Vitesco Technologies will be transferred to Schaeffler, the contractual terms and conditions of employment will remain unchanged and all rights and obligations based on earned seniority will continue to exist in relation to Schaeffler.

According to the information in Section 5.7 of the Agreement, the planned merger will not lead to any changes in the operational structures and operational organisations of the Schaeffler and Vitesco Technologies enterprises.

In addition, Sections 5.8 and 5.9 of the Agreement explain the consequences of the planned merger for the employee representative bodies and the Supervisory Boards. Section 5.3 of the Agreement sets out the rights and obligations arising from the company pension scheme. Sections 5.10 and 5.11 of the Agreement present the application of collective bargaining agreements and other collective agreements of Schaeffler and the continued validity of regulations applicable at Vitesco Technologies. In Section 5.12, the effects of the planned merger on the employees of the subsidiaries of Vitesco Technologies will be described.

The required scope of the merely descriptive information that must be included in a merger agreement in accordance with § 5(1)9 UmwG creates tension between the comprehensive information necessary for employees and the reasonable burden on the company to provide the necessary information.

In our opinion, the consequences of the planned merger for the employees and their representatives as well as the measures provided for in this respect are sufficiently and correctly described in the Merger Agreement.

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<sup>62</sup> However, Section 4.2 of the Agreement refers to the reservation in Section 4.4 thereof. This Section stipulates, on the one hand, the wish to appoint a former member of the Management Board of Vitesco Technologies to the Management Board of Schaeffler and, on the other hand, the conclusion of agreements with all members of the Management Board of Vitesco Technologies on the complete settlement of the variable remuneration of the Management Board.

**Audit result**

The Agreement contains the legally prescribed information completely and accurately. The Agreement thus complies with the provisions of law.

## D. Overarching findings from the substantive audit of the Merger Agreement

### I. Methods for determining an adequate exchange ratio

When minority shareholders are excluded or a control and/or profit and loss absorption agreement is concluded, minority or outside shareholders must be granted adequate compensation (settlement or compensation payment) for relinquishing their ownership of the share or reducing their rights in a contractual group.

The question of the adequacy of the compensation payment for these measures is to be determined using the same methods as for the question of the adequacy of the exchange ratio. In view of the large number of these cases, there are comprehensive legal rulings on the adequacy of compensation. In contrast, there are considerably less legal rulings on the adequacy of an exchange ratio. Accordingly, we also refer below to the principles for assessing the adequacy of compensation payments for structural measures in stock corporation law.

In these cases, the question of adequacy must be answered from the perspective of the minority or outside shareholders. A compensation payment that exceeds the minimum amount to be regarded as adequate is therefore likewise to be regarded as adequate.

In the event of a merger, shares in the absorbing legal entity are to be granted as consideration for the shares in the transferring legal entity that cease to exist in the course of the merger.<sup>63</sup> The value ratio between the shares of the participating legal entities is referred to as the exchange ratio. The exchange ratio, including any additional cash payment,<sup>64</sup> must be adequate.

Unlike in the other cases mentioned, in the case of mergers, the interests of two groups of shareholders, namely the shareholders of the acquiring legal entity and those of the transferring legal entity, must be taken into account. Accordingly, only a certain exchange ratio<sup>65</sup> is to be regarded as adequate, taking into account the legal rulings on the so-called "de minimis limit"<sup>66</sup> and cannot be substantially changed in either direction.

According to business administration theory and legal rulings<sup>67</sup> on structural measures in corporate law and the law of transformation of companies, and according to valuation practice, the value of an enterprise forms the appropriate basis for determining the value of a share in such enterprise and thus for determining a settlement or compensation payment. The value of the enterprise as a whole is decisive. This is in line with the postulate developed by the courts that compensation should be paid at the full value of the investment.

<sup>63</sup> In the cases specified in § 29 UmwG, compensation must be offered instead of shares in the acquiring legal entity.

<sup>64</sup> An additional cash payment is generally required for an acquiring legal entity in the legal form of a joint stock corporation (AG), as shares cannot be split into fractions.

<sup>65</sup> Taking into account unavoidable inaccuracies in estimations.

<sup>66</sup> HRC Düsseldorf, decision of 21 February 2019, Case I-26 W 4/18, openJur 2019, 27812, HRC Frankfurt am Main, decision of 1 March 2016, openJur 2019, 34743, Case 21 W 22/13, HRC Munich, decision of 2 September 2019, 31 Wx 358/16, openJur 2020, 51488, and HRC Stuttgart, decision of 8 July 2011, Case 20 W 14/08, openJur 2012, 28184, most recently confirmed. September 2019, Case 31 Wx 358/16, openJur 2020, 51488, and HRC Stuttgart, decision of 8 July 2011, Case 20 W 14/08, openJur 2012, 28184, recently confirmed by the FSC; Ruling of 21 February 2023, Case II ZCB 12/21, openJur 2023, 4380. According to this, deviations of up to 5% and in some cases up to 10% are still considered minor and therefore not sufficient for a judicial change.

<sup>67</sup> Cf. in particular Federal Constitutional Court ("FedCC"), Ruling of 27 April 1999, Case 1 BvR 1613/94, BVerfGE 100, pp. 289 ff. and Federal Supreme Court ("FSC"), Ruling of 12 March 2001, Case II ZB 15/00 ("DAT/Altana"), BGHZ 147, pp. 108 ff.

For mergers, legal rulings expressly state that the value of the shares is not to be understood as the market value of the individual share as an independent asset, but as the share of the value of the enterprise as a whole attributable to the membership right in accordance with the respective shareholding percentage, as the shares to be granted in the acquiring legal entity are not granted as compensation for a share that has been withdrawn, but as consideration for the fact that the transferring legal entity is to transfer its assets as a whole to the acquiring legal entity by way of universal succession.<sup>68</sup>

In the case of mergers, an enterprise value must therefore be determined for each of the legal entities involved and taken into account when determining the exchange ratio.

No specific method for estimating the enterprise value is prescribed by law. However, the method used must be recognized in economics and in common use in practice.<sup>69</sup> According to the findings of business administration and the legal rulings on structural measures under stock corporation and the law on the transformation of companies, the estimate of the "full real" value is generally made with the aid of a fundamental enterprise valuation.

In the case of companies whose shares are traded on stock exchanges, it is also conceivable to derive the enterprise value on the basis of the market capitalization derived from the share price. However, there are strong arguments against using share price to derive the value of the shares.

Based on supreme court rulings, the stock market price must not be disregarded in the case of structural measures of listed companies in stock corporation law.<sup>70</sup> While this was initially decided in the case of the conclusion of company agreements,<sup>71</sup> the Federal Constitutional Court has since clarified that the principles and requirements formulated there are to be applied accordingly to mergers.<sup>72</sup>

Thus, in the context of mergers, when determining an exchange ratio, it is generally required under constitutional law to take into account a volume-weighted three-month average share price of the transferring company as a lower limit for the valuation of the transferring company as a divestment price. However, from a constitutional point of view, it is not necessary to consider the stock market price of the acquiring company as an upper limit for the valuation of the acquiring company.<sup>73</sup>

In any case, the principle of equality of methods must be observed when determining a value ratio, as in the case of a merger. Accordingly, a comparative enterprise valuation only leads to appropriate results if each company involved is valued using the same method.<sup>74</sup>

<sup>68</sup> Cf. HRC Frankfurt am Main, decision of 3 September 2010 ("Deutsche Telekom/T-Online"), Case 5 W 57/09, openJur 2012, 33552, and, for example, the decision of the HRC Stuttgart of 8 March 2006, Case 20 W 5/05, Juris, cited therein.

<sup>69</sup> Cf. Federal Supreme Court, Ruling of 12 January 2016, Case II ZB 25/14, AG 2017, pp. 790 ff.

<sup>70</sup> Cf. FedCC, Ruling of 27 April 1999 ("DAT/Altana"), *loc. cit.*, FSC, Ruling of 12 March 2001, ("DAT/Altana"), *loc. cit.*, and of 19 July 2010, ("Stollwerck"), openJur 2010, 11922.

<sup>71</sup> Cf. FedCC, Ruling of 27 April 1999 ("DAT/Altana"), *loc. cit.*

<sup>72</sup> Cf. FedCC, Ruling of 26 April 2011, Case 1 BvR 2658/10 ("Deutsche Telekom/T-Online"), openJur 2012, 133638, and of 24 May 2012, Case 1 BvR 3221/10, openJur 2013, 26198.

<sup>73</sup> Cf. FedCC, Ruling of 27 April 1999 ("DAT/Altana"), *loc. cit.* and of 20 December 2010, Case 1 BvR 2323/07 ("KUKA"), openJur 2013, 25915.

<sup>74</sup> Cf. e.g. HRC Munich, decision of 26 July 2012, Case 31 Wx 250/11, AG 2012, p. 749 ff. In the meantime, the wording of § 12(2), Sentence 2, No. 3 UmwG has been amended (for the current version, see Section B), thereby implementing the corresponding requirement from Article 125(3)C of the Company Law Directive (Directive EU 2017/1132 on certain aspects of company law) for cross-border mergers. According to the explanatory memorandum, this amendment serves to clarify the content of the declaration. The declaration must express whether the use of different methods was justified in each specific case. In our opinion, this amendment is to be understood as follows: Different methods could previously be used and can still be used after the change. In the legal commentary literature, the application of the same valuation methods was considered essential when determining a value ratio, whereby a deviation from this principle was considered possible for objective reasons with appropriate explanation. This specific justification requirement has now been expressly regulated since the

When converting the total enterprise value calculated to a share, any special features of the respective valuation object<sup>75</sup> may have to be taken into account by allocating the enterprise value in a way that differs from the proportional allocation.

The compensation due in the event of an exclusion of minority shareholders may also result from the present value of the compensation payments to be made under an enterprise agreement existing at the time of the squeeze-out of the minority shareholders. This issue is usually not relevant in the case of a merger.

There is no constitutional entitlement to the consideration of prices paid by a majority shareholder to other shareholders for shares in the company to be valued ("pre-acquisition prices") when calculating cash compensation.<sup>76</sup> Pre-acquisition prices are also not directly relevant when determining an exchange ratio.

## II. Valuation principles and methods

The application of a specific valuation method is not prescribed by either constitutional or ordinary law.

The value of an enterprise regularly results from the benefit that the enterprise can provide in the future, in particular due to its substantive assets, its innovative strength, its products and position on the market, its internal organisation and its management. Provided that only financial targets are pursued, the value of a company is derived from its ability to generate financial surpluses for the company's owners through the interaction of all factors influencing its profitability.

In business administration, legal rulings and valuation practice, generally accepted valuation principles have developed that are applied to the valuation of enterprises. These are reflected in IDW S 1 in particular.<sup>77</sup>

In accordance with the principles of IDW S 1, the fundamental enterprise value is to be determined in line with German legal rulings and long-standing valuation practice for valuation occasions under company law as a value independent of the individual value perceptions of the parties concerned (objectified enterprise value) and with direct consideration of the taxation of the shareholders ("after personal taxes").<sup>78</sup> The objective enterprise value normally represents a typified and intersubjectively verifiable value for future success from the point of view of a domestic shareholder with unlimited tax liability if the enterprise is continued according to an unchanged concept. While the presentation below is intended to describe general valuation principles, the concrete form relates exclusively to the objectified enterprise value in accordance with IDW S 1.

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amendment to the law. This means that the use of different methods has to date only been appropriate in exceptional cases, and will continue to be so in the future. The fact that the use of different methods must be expressly justified separately since the amendment to the law also suggests that, as a rule, uniform methods should be used for valuation.

<sup>75</sup> E.g. different share classes.

<sup>76</sup> Cf. FedCC, Ruling of 27 April 1999 ("DAT/Altana"), *loc. cit.*

<sup>77</sup> The Valuation Expert correctly points out that IDW S 1 is currently being revised. However, we do not expect a new version to be adopted before the valuation date.

<sup>78</sup> Cf. IDW S 1, Marginal No. 29.

## 1. Value of future success

The value of future success corresponds to the present value of the net income of the company's owners associated with the ownership of the company.<sup>79</sup> The future success value can be determined using the earnings value method or a discounted cash flow method.<sup>80</sup> Both methods are basically equivalent and lead to identical results with the same valuation assumptions and simplifications, especially with regard to financing, as they are based on the same investment theory (net present value calculation).<sup>81</sup>

The earnings value is calculated as the present value, discounted at the discount rate, of the future financial surpluses accruing to the enterprise owners. These surpluses are derived from the future earnings surpluses from operating assets and the financial results from the sale of non-operating assets or the valuations of other separately valued assets.<sup>82</sup>

Proper application of the net present value calculation presupposes that the numerator (shareholder income) and denominator (discount rate) of the valuation equation must be equivalent in terms of uncertainty, breadth and temporal structure (principle of equivalence). The central principle of risk equivalence may be taken into account either with the security equivalence method or the risk surcharge method. Since the quantification of security equivalents, particularly with regard to a typification of shareholders, has not yet been convincingly resolved to date, the risk surcharge method has established itself, at least in the determination of objective enterprise values, in science, legal rulings and valuation practice.<sup>83</sup>

With regard to the problem of a clear demarcation, the risk surcharge method is not supposed to distinguish between enterprise-specific and general risks, but is supposed to consider all risk exclusively in the discount rate. The numerator in the valuation equation must therefore always include (realistic) values expected for the financial surpluses or income of the shareholders.<sup>84</sup>

The forecast of future financial surpluses represents the core problem of any enterprise valuation.<sup>85</sup> The earnings power proven in the past generally serves as a starting point for plausibility assessments.<sup>86</sup> Within the framework of an objective evaluation, only those surpluses are to be taken into account which result from measures already initiated as of the Valuation Date and/or from a sufficiently documented and concrete business concept.<sup>87</sup> If the earnings prospects are different in the future for reasons related to the enterprise and/or due to changed market and competitive conditions, recognisable differences must be taken into account.

When forecasting future financial surpluses, it must be assessed whether and, if so, to what extent synergy effects are to be taken into account. Synergy effects are defined as changes in financial surpluses

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<sup>79</sup> Cf. IDW S 1, Marginal No. 4.

<sup>80</sup> Cf. IDW S 1, Marginal No. 7.

<sup>81</sup> Cf. IDW S 1, Marginal No. 101.

<sup>82</sup> Cf. IDW S 1, Section 7.2.

<sup>83</sup> Cf. e.g. IDW, WPH Edition, *Bewertung und Transaktionsberatung*, Düsseldorf 2018, Chapter A, Marginal Nos. 210 ff. The term "breadth" refers to the absolute amount and future growth of surpluses as well as the associated currencies and taxation.

<sup>84</sup> Cf. e.g. IDW, WPH Edition, *Bewertung und Transaktionsberatung*, loc. cit., Chapter A, Marginal No. 332.

<sup>85</sup> Cf. IDW S 1, Marginal No. 68.

<sup>86</sup> Cf. IDW S 1, Marginal No. 72.

<sup>87</sup> Cf. IDW S 1, Marginal No. 32.

resulting from the economic integration of two or more companies and differing from the sum of the isolated surpluses. As amended, IDW S 1 distinguishes between genuine and non-genuine synergies.

Real synergies concern changes that can be realized as a result of the measure giving rise to the valuation. Virtual synergy effects can also be realized without the valuation occasion. According to the current version of IDW S 1, only non-genuine synergies are to be taken into account in an objectified valuation and only if the synergy-generating measures have already been initiated or documented in the enterprise concept and only to the extent that they are attributable to the valuation object.<sup>88</sup>

In the valuation of enterprises that are the parent company of a corporate group, the financial surpluses can be determined using various methods.<sup>89</sup> The appropriate method in each specific case results from the planning and management approach of the corporate group, taking into account the question of whether a presentation of the assets of individual group companies is meaningful, desirable or necessary.

The objective enterprise value is determined on the basis of the distribution of those financial surpluses that are actually available for distribution after taking into account the enterprise concept<sup>90</sup> documented on the valuation date and legal restrictions (e.g. regulatory requirements).<sup>91</sup>

If the planning distinguishes two phases, the first phase<sup>92</sup> divides the surplus into distributions and reinvested funds, including their appropriation, from the estimates themselves. If there are no plans for the use of reinvested amounts and the investment planning does not provide for any concrete use, an appropriate premise for the use of funds must be established. If the increases in value conditioned by reinvestment are subject to a capital gains tax, this must be taken into account in the valuation.<sup>93</sup>

For the second phase,<sup>94</sup> it is to be assumed that the distribution behaviour of the company to be valued is equivalent to that of the alternative investment. For the reinvestment of reinvested funds of the second phase, it is assumed that this can be represented either by an investment at the discount rate before income taxes of the company, which is neutral in terms of net present value, or by a notional direct allocation of the reinvestments to the shareholders.<sup>95</sup>

The value of an enterprise is determined by the amount of freely available net inflows to the investor. These net inflows must be determined in accordance with the IDW's recommendations, with due regard to the enterprise's income taxes and the owners' income taxes resulting from ownership of the enterprise.<sup>96</sup> Due to the relevance of personal income taxes to value, it is necessary to classify the tax circumstances of shareholders in relation to specific occasions when determining objective enterprise values.<sup>97</sup>

In accordance with many years of valuation practice and German legal rulings, in the case of corporate and contractual valuation occasions, the (direct) classification is based on the tax situation of a domestic

<sup>88</sup> Cf. IDW S 1, Marginal No. 33 f.

<sup>89</sup> Step-by-step by including the results in the investment result of each participating company or simultaneously by summation and consolidation. In addition, the valuation of corporate groups can also be carried out by adding the values of each group company, with due regard to the shareholding structure ("sum-of-the-parts").

<sup>90</sup> Including the planning of distributions

<sup>91</sup> Cf. IDW S 1, Marginal No. 35.

<sup>92</sup> The so-called "detailed forecast phase", possibly supplemented by a so-called "convergence phase" or "rough planning phase".

<sup>93</sup> Cf. IDW S 1, Marginal No. 36.

<sup>94</sup> The so-called "phase of perpetual annuity" or "continuation phase".

<sup>95</sup> Cf. IDW S 1, Marginal No. 37.

<sup>96</sup> Cf. IDW S 1, Marginal No. 28 ff.

<sup>97</sup> Cf. IDW S 1, Marginal No. 43 ff.



natural person with unlimited tax liability who is not significantly involved. When determining the classification, appropriate assumptions regarding the personal taxation of the net inflows must be made based on the valuation object or an alternative investment.

In the withholding tax system applicable in Germany from 2009 onwards, income of a preclassified shareholder from dividends and capital gains as a consequence of increases in value (price gains) as well as his or her interest income are subject to a uniform nominal tax rate of 26.375%.<sup>98</sup> For distributed profits, the resulting effective tax burden is derived directly from a deduction of the nominal tax liability.

Based on the interest effect, the effective tax liability of capital gains on reinvested earnings depends on the personal holding period of the shareholder. In the opinion of FAUB, it is appropriate to assume long holding periods and a correspondingly low effective tax liability on reinvested earnings when estimating the effective personal tax rate for capital gains.

The IDW expert committee recommends assuming an effective tax liability of half the nominal tax rate.<sup>99</sup> Accordingly, a tax rate of 13.1875% is currently to be applied as the effective tax liability on capital gains on reinvested earnings.

The discount rate to be used to derive the present value of the net cash inflows represents the return on the most adequate alternative investment possible to the investment in the enterprise being valued.<sup>100</sup> This rate of return can be broken down according to the capital asset pricing model<sup>101</sup> into a risk-free rate (base interest rate) and a risk premium demanded by shareholders in exchange for the assumption of entrepreneurial risk. In the case of a valuation with direct consideration of income taxes, income tax effects at the shareholder level must also be taken into account in the discount rate in accordance with the equivalence principle. In order to record growth effects in the form of steadily growing financial surpluses after the end of the detailed forecast phase (if relevant, supplemented by a rough estimate phase), the discount rate is reduced by a growth discount.

Any non-operating assets must be taken into account separately from the earnings value of the operating assets in the enterprise valuation. This encompasses those assets that can be freely sold without affecting the actual corporate purpose of the enterprise. Consideration as a special asset is also possible for other circumstances that cannot or can only incompletely be reflected in the determination of the earnings value. These may include investments and/or tax effects.

## 2. Liquidation value and net asset value

Pursuant to IDW S 1, the lower limit for the enterprise value is the liquidation value if the present value of the financial surpluses that would result from the liquidation of the enterprise as a whole exceeds the earnings value when assuming that the enterprise will continue as a going concern.

<sup>98</sup> Income tax including solidarity surcharge. Church tax is not taken into account.

<sup>99</sup> For valuation dates as of 1 January 2009; cf. FAUB, IDW-FN 2007, pp. 443 ff.

<sup>100</sup> Cf. e.g. IDW, WPH Edition, *Bewertung und Transaktionsberatung*, loc. cit., Chapter A, Marginal No. 331.

<sup>101</sup> "CAPM"



The net asset value is the reconstruction or replacement value of all assets and liabilities in the enterprise. Since the net asset value is generally not directly related to future financial surpluses, it generally has no independent significance in computing the enterprise value.

### 3. Simplified pricing

Comparative analyses based on public capital market data or on transactions can be undertaken to check the plausibility of enterprise valuations based on internal business data. According to IDW S 1, such simplified pricing cannot replace a "fundamental analytical" enterprise valuation.<sup>102</sup>

The plausibility of an enterprise value is assessed according to this method on the basis of a multiple of a success or portfolio variable or an industry-specific key figure determined by means of a multiplier. Suitable multipliers are derived either from capital market data of comparable listed enterprises<sup>103</sup> or from comparable transactions.

The values determined on the basis of multipliers can normally only provide a first rough indication. On the one hand, some multipliers do not take sufficient account of enterprise-specific earnings and cost structures. On the other hand, the forecast periods of the analysts' estimates for the peers are often not long enough to adequately take into account the changes expected for the valuation object in the distant future based on internal data. Finally, other special features of the valuation object, such as loss carryforwards and non-operating assets, can also limit the meaningfulness of multiplier valuations.

In the case of multipliers derived based on transaction prices, it should also be noted that purchase prices actually paid are determined by the interests of the transaction partners. They take into account, for example, subjective expectations, particularly regarding the synergy effects that can be achieved. In addition, the specific form of the agreements and their influence on the agreed purchase price are generally not known. In this respect, this approach is normally less meaningful for the plausibility check of an objective enterprise value compared to multiples derived from stock market prices.

The ratios computed through comparative analyses can therefore only be transferred to the valuation object to a limited extent. However, a multiplier valuation usually nonetheless makes it possible to subject the valuation result to a final overall assessment by comparing it with the computed range.

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<sup>102</sup> Cf. IDW S 1, Marginal No. 143 f.

<sup>103</sup> "Peers"; together, the "peer group".

#### 4. Purchase prices and market prices paid

Actual prices paid for companies and shares in companies can be used to assess the plausibility of enterprise values and share values, provided they are comparable to the object of the valuation and are sufficiently recent. However, they are no substitute for an enterprise valuation.<sup>104</sup>

Pre-acquisition prices paid by a major shareholder in factual and temporal connection with a structural measure are generally irrelevant to the assessment of the appropriate compensation or to the determination of an exchange ratio. Only in particularly exceptional cases may these be used by courts in estimating the value of the enterprise.<sup>105</sup>

In the opinion of FAUB,<sup>106</sup> the value of a company or the value of shares in a company must be fundamentally distinguished from stock market prices and from a market capitalization determined on the basis of stock market prices.

For legal reasons, according to legal rulings to date, the stock market price as the price of the share can at least be used as a lower limit for the assessment of a compensation payment.<sup>107</sup> In this respect, a divestment price is relevant. This is the price at which an individual share - not a block of shares or even the enterprise as a whole - could have been sold on the market, abstracting from the structural measure. For the purpose of determining the lower limit of a settlement by a stock market price, it is only relevant whether a sale was actually possible at this price.

While the extent of information efficiency and the associated appropriate pricing or "accurate" valuation by the market is not decisive in determining the lower limit of a settlement, from an economic point of view the enterprise value can only be derived with certainty from stock market prices if the relevant information and allocation are strictly efficient.

In reality, according to FAUB, no such strict information efficiency exists. Accordingly, in particular in the case of so-called "dominated valuation events", it is not possible from an economic point of view to draw conclusions directly from the stock market prices as to the enterprise value.

However, to the extent stock market prices are available for company shares, these must be used pursuant to IDW S 1 to assess the plausibility of the fundamental enterprise values determined using recognised economic methods. Special influences which may have had an effect on the formation of stock exchange prices must be carefully analysed and presented.<sup>108</sup>

In the past, legal rulings have nevertheless decided in some cases that, in the case of listed companies, the stock market price alone can be used for valuation purposes in the context of structural measures in stock corporation or company transformation law and that a settlement or a value ratio can be determined on the basis of the stock market prices of the companies involved. This has been expressly confirmed by the FSC in a recent decision.<sup>109</sup>

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<sup>104</sup> Cf. IDW S 1, Marginal No. 13.

<sup>105</sup> Cf. Federal Supreme Court, Ruling of 13 September 2021, Case 21 W 38/15, AG 2022, pp. 83 ff.

<sup>106</sup> Cf. below WPg 2021, pp. 958 ff.

<sup>107</sup> Cf. Section D.I.

<sup>108</sup> Cf. IDW S 1, Marginal No. 15.

<sup>109</sup> Cf. FSC, Ruling of 21 February 2023, Case II ZB 12/21 ("TLG/WCM"), *loc. cit.*

Accordingly, the use of a company's stock market price can be a suitable method for estimating the enterprise value. The consideration of the stock market price is based on the assumption that market participants accurately assess the company's earnings power on the basis of the information and information options made available to them and that the market assessment is reflected in the stock market price of the shares. Strict allocation and information efficiency is not required. However, if it cannot be assumed in the specific case that the market provides effective information, the enterprise value cannot be determined using the stock market price.

FAUB discussed this decision at its meeting on 13 June 2023 and published the results of its discussion on its website.<sup>110</sup> The Committee first points out that it is not appropriate to base the determination of adequate settlement payments and other adequacy tests solely on the stock market price without making a future success value calculation.

The case decided by the FSC has some special features that are not usually present in typical settlement cases. For example, value-relevant internal company information (e.g. medium and long-term business planning) is not known to the capital market and is therefore not reflected in the share price. In addition, empirical studies have shown that the market and share prices are subject to short-term moods and that share prices therefore do not reflect the fundamental enterprise value.

It is also contrary to the protective purpose of adequacy tests to use stock market prices as a basis for assessment without taking into account the value-relevant internal and external information and without carrying out a fundamental enterprise valuation.

FAUB's view is confirmed by the business literature that has dealt with the decision of the FSC.<sup>111</sup> A methodical orientation based solely on the stock market value is neither recognised in business administration theory nor common in business administration practice. Insofar as differing views are put forward, these are not the views of representatives of business administration theory.

From a business administration perspective, it is still necessary to determine an earnings value in order to be able to make a sufficiently reliable assessment or plausibility check of the informative value of the stock market price and, in particular, the "effective assessment of information" by the market. Since neither the stock market price nor the earnings value are "perfect" measures of value, a "coexistence of stock market price and earnings value" is still necessary, especially in view of the decision of the FSC.

The HRC Munich<sup>112</sup> also states that no valuation method can provide a clear, precise measurement of value. Therefore, additional considerations are all the more important, "which support the result found - by whatever method." A valuation using the earnings value method can also be used to check whether the stock market price falls within a reasonable range.

For the reasons stated above, we consider it necessary, when examining whether there are indications of an ineffective valuation of the information available to the capital market and whether the use of stock

<sup>110</sup> Cf. also FAUB, *WPg* 2023, p. 765.

<sup>111</sup> Cf. Ruthardt, *BewertungsPraktiker* 2023, pp. 50 ff. with further references.

<sup>112</sup> Cf. HRC Munich, Decision of 14 December 2021, Case 31 Wx 190/20 ("Kabel Deutschland"), *BeckRS*.

market prices could raise concerns due to the circumstances of the specific case, not only to use the criteria cited by legal rulings, but also to determine a fundamental value as a reference point.

### III. Audit procedures

As part of the material review of the Merger Agreement, it must be verified whether the proposed exchange ratio<sup>113</sup> is adequate. The proposed exchange ratio has been determined by the Board of Managing Directors of Schaeffler and Executive Board of Vitesco Technologies on the basis of the enterprise values of the merging parties.

The Valuation Expert determined the enterprise values of Schaeffler and Vitesco Technologies in bandwidths as instructed.

In doing so, the Valuation Expert considers company law legal rulings by determining the objectified enterprise value in accordance with IDW S 1 as the earnings value, taking direct account of personal taxes, as the fundamental value and, in addition, an enterprise value derived from an average stock market price. During our audit, we comprehensively examined these valuations and also considered whether the liquidation value as the lower limit of a fundamentally determined enterprise value is relevant in the present valuation cases.

Due to the fact that the result of the determination of an enterprise value can only be an estimate and in accordance with the "Best practice recommendations for company valuation"<sup>114</sup> of the "Corporate Transactions and Valuation" Working Group of DVFA Deutsche Vereinigung für Finanzanalyse und Asset Management e.V., Frankfurt am Main,<sup>115</sup> the Valuation Expert also performed valuations using other valuation methods. As part of our audit, we used these valuations as a plausibility check to verify whether the alternative valuations support the valuation results of the valuation methods relevant according to legal rulings.

In our audit, we focused on verifying whether the derivation of the respective objectified enterprise value in accordance with IDW S 1 was performed appropriately.

In this context, the representatives of Schaeffler and Vitesco Technologies and the Valuation Expert presented the following topics in particular, both verbally and in writing, with regard to each Valuation Object:

- Business activities including the market and competitive environment
- Operating results achieved in the past and planned for the future<sup>116</sup>
- Calculation of financial result, corporate taxes and minority interests in the consolidated result
- Derivation of sustainable earnings
- Valuation approach and status of ongoing valuation work

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<sup>113</sup> Including the additional cash payment.

<sup>114</sup> "DVFA recommendations".

<sup>115</sup> "DVFA"

<sup>116</sup> Also "EBIT" (Earnings Before Interest and Taxes).

With the aid of the documents provided and the supplementary verbal information, we have checked the plausibility, consistency and arithmetical correctness of the planning approaches and traced the valuation methodically and in terms of content.

In addition, we carried out our own supplementary investigations and calculations, in particular with regard to the components of the discount rate.

Our audit of the objectified enterprise value in accordance with IDW S 1 of Schaeffler and Vitesco Technologies focused on the following issues:

- Plausibility of the estimates submitted by the Valuation Object
- Appropriate transfer of the estimates to the valuation model
- Proper derivation of net income in the detailed forecast phase<sup>117</sup> including extrapolation in a convergence phase<sup>118</sup>
- Sound justification of the sustainable income and net revenues
- Appropriate derivation of the discount rate
- Appropriate and generally appropriate application of the valuation methodology
- Identification and, if necessary, appropriate inclusion of state of affairs to be separately assessed, such as non-operating assets

In addition to these key audit matters, in our audit of the objectified enterprise value in accordance with IDW S 1 of Schaeffler and Vitesco Technologies, we focused on the significance of individual components of earnings and net income in terms of value.

In checking the plausibility of the estimates submitted by Schaeffler and Vitesco Technologies, we observed IDW Practice Note 2/2017. Standards for plausibility are accordingly:

- The mathematical and formal plausibility
- The material, internal plausibility
- The material, external plausibility

The analysis of historical data provides a basis for checking the internal substantive plausibility of the respective estimates. We have satisfied ourselves that any material non-recurring or unplannable effects on earnings in the past that are likely to occur in the future have not been extrapolated in the determination of the estimates as such. For this purpose, we have analysed the financial statements and auditor's reports<sup>119</sup> presented for the comparative period in the past.

In order to be able to assess the quality of the Valuation Object's planning system, we first had the planning process explained to us and verified whether it complies with the principles of proper planning. In addition, we have had it demonstrated to us that the estimates presented correspond to the estimates produced in the regular estimation process without any changes.

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<sup>117</sup> Financial years 2024 to 2028.

<sup>118</sup> Also "rough planning phase"; financial years 2029 and 2030.

<sup>119</sup> Financial years 2021 to 2023.

In this context, we also addressed the question of whether the general, in particular economic, assumptions for the estimations of the two Valuation Objects are essentially comparable.

The quality of the planning system can also be assessed in particular on the basis of a retrospective analysis of the estimates in the past. In valuation practice, the focus is usually only on the budget for the following year, since the accuracy of estimates generally decreases with an increasing planning horizon.

Accordingly, the Valuation Expert has verified the adherence to planning on the basis of a comparison of the revenue and respective adjusted EBIT (actual) actually achieved in financial years 2021 to 2023 with the respective forecast values (plan). The comparison includes the estimates for the first estimated year (budget year). We have examined whether the Valuation Expert's analyses are proper and whether the conclusions derived from them are comprehensible.

The prospective assessment of specific estimates draws on the actual (adjusted) figures of the past and thus on trends in development of the enterprise (time comparison; material internal plausibility) as well as on actual and forecast values for the relevant markets and competitors (peer comparison; material external plausibility). We have used appropriate comparisons based on key figures and ratios to analyse whether the estimates for financial years 2024 to 2028<sup>120</sup> plausibly reflect the further development of the respective Valuation Object based on current knowledge.

The Valuation Expert presents the estimates as a whole at an aggregated level, in each case for the entire Valuation Object. With reference to § 8(2), Sentence 1 UmwG, the Expert points out that the parties to the merger are of the opinion that a breakdown of the figures at segment level would entail the risk of causing a not insignificant disadvantage to each company. Competition in the automotive supplier industry is very intense. Knowledge of detailed assumptions for estimates could prompt suppliers and buyers of the Valuation Objects to demand price concessions. There is also the risk that competitors will use such information to the detriment of the Valuation Objects.

We consider the reasons given in accordance with § 8(2), Sentence 2 UmwG for not including a full breakdown of the figures at segment level in the report to be understandable and appropriate. We would like to point out that the breakdowns and explanations provided to the Valuation Expert and to us for the respective budget have enabled a detailed analysis. The results of the analysis are summarised in the report in such a way that the information cannot be used to the detriment of the merging parties. Even without a complete breakdown of the figures at segment level, shareholders are able to understand the considerations and assumptions underlying the calculation of the enterprise values and the exchange ratio.

The estimates submitted by the merging parties form the basis for the respective determination of the objectified enterprise value in accordance with IDW S 1 by the Valuation Expert. As a result, we examined whether the estimates had been fully and correctly incorporated into the valuation model. We also examined whether the valuation model was methodologically consistent overall.

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<sup>120</sup> 2024 budget and further forecast years 2025 up to 2028.

In contrast to the company's own estimates, the Valuation Expert incorporated valuation system modifications into the model used to derive the value. We have verified the initial parameters of these modifications, the underlying assumptions and the methodological consistency of the corresponding calculations. In the context of our audit findings on the valuation of Schaeffler and Vitesco Technologies using the objectified enterprise value in accordance with IDW S 1, we draw attention to these modifications at the relevant points.

In the opinion of the Valuation Expert, since the estimated operating result in the last year of the detailed forecast phase (2028) still does not correspond to the average result to be expected on a sustained basis, the Expert estimated the level to be expected on a sustained basis for the result. By interposing a convergence phase of another two years (2029 and 2030), it normalized the respective result and, using a growth rate for future company-specific inflation and efficiency expectations, transferred it to the continuation phase (2031 ff.).<sup>121</sup> We subjected the assumptions made and the related calculations to a separate appraisal.

The estimates of the Valuation Objects are designed as integrated estimates and also include the estimated distributions. We have verified whether these estimates are plausible and have been properly incorporated into the valuation models. With regard to the sustainable distributions, we likewise checked the plausibility of the derivation of the respective payout ratios and verified the resulting net income of the shareholders on this basis.

The Valuation Expert determined the discount rate by referring to the return on an alternative investment adequate to the investment in the enterprise being valued. We verified the derivation of the individual components of the discount rate in terms of both method and content and reconciled it with the associated observations from capital market data.

On this basis, the Valuation Expert has applied interest to the earnings value as of the technical valuation date (31 December 2023) on the legal valuation date, the planned date of the annual general meeting at which the shareholders of Vitesco Technologies are to adopt the corresponding resolution (24 April 2024).<sup>122</sup> We have verified this calculation.

The Valuation Expert has identified issues for both Valuation Objects that cannot or can only incompletely be reflected in an earnings valuation approach. We have verified the corresponding special assets. We also examined whether there were any other special assets, in particular for any non-operating assets, that would have had to be recognised separately.

In order to take account of the fact that the determination of a enterprise value can only ever be an estimate, ValueTrust has subjected the objectified enterprise value determined in this way to a sensitivity analysis in accordance with IDW S 1. However, the valuation report only contains a presentation of the sensitization of the enterprise values before personal taxes. In this light, although we have verified the sensitivity analysis, we do not present it in our report.

<sup>121</sup> Also "perpetual annuity phase" or "TV" (terminal value).

<sup>122</sup> The annual general meeting at which Schaeffler shareholders are to pass a resolution on the Agreement is to be held on 25 April 2024.



The Valuation Expert did not compute the liquidation value of the Valuation Objects. We have verified the considerations set out in this regard and the resulting conclusion that the going concern value is higher than the liquidation value assuming a break-up.

In addition to the respective objectified enterprise value in accordance with IDW S 1, the Valuation Expert also determined the enterprise value before personal taxes in accordance with the DVFA recommendations. In accordance with the principles of IDW S 1, we as a neutral expert<sup>123</sup> assess the adequacy of the exchange ratio for the going concern value on the basis of an objectified business value<sup>124</sup> in accordance with IDW S 1. Although we have also verified the enterprise value before personal taxes determined by the Valuation Expert in accordance with the DVFA recommendations, we have not examined it in detail insofar as it is based on different premises compared to a valuation in accordance with IDW S 1.

The Valuation Expert has converted the calculated going concern values to one share in each case and determined the range for the value per share on the basis of multiples, extending this range for enterprise values.

We take up the alternative valuations of the Valuation Expert in our plausibility check of the respective objectified enterprise value.

The Valuation Expert also dealt with the question of whether the stock market prices of the Schaeffler preference share and the Vitesco common share represent a suitable valuation benchmark in the terms of the legal rulings. We have verified the associated calculations and examined the conclusions drawn from them.

In doing so, we also dealt with the question of whether and, if so, how an exchange ratio, which results directly from the calculated stock market prices, should be adjusted.

The Valuation Expert also dealt with the question of whether the synergy potential from a merger of Schaeffler and Vitesco Technologies should be considered in addition to the respective value in the stand-alone analysis when determining the respective enterprise value. We have verified the considerations and calculations used in this respect.

The exchange ratio is derived from the calculated enterprise values of the Valuation Objects and the respective number of outstanding shares. As part of our audit, we verified whether the related calculations were performed properly.

With regard to the exchange ratio resulting from a valuation at market prices, the Valuation Expert also dealt with the question of whether the period between the announcement of the measure and the valuation date should be regarded as a prolonged period in the terms of the legal rulings, should a valuation at market prices be relevant at all. We made a separate assessment of these considerations and the conclusion that a prolonged period does not exist and that a projection of the stock market prices is therefore not appropriate.

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<sup>123</sup> Cf. IDW S 1, Marginal No. 12.

<sup>124</sup> Cf. IDW S 1, Marginal No. 31.

Depending on the valuation method, the exchange ratio varies. The Valuation Expert has informed the parties to the merger of the interim results of the Expert's valuation work and the exchange ratios resulting from the various valuation methods. With knowledge of these interim results, the parties to the merger entered into negotiations to agree on a specific exchange ratio.

The Valuation Expert also dealt with the question of whether the exchange ratio agreed on the basis of the Expert's valuations is to be regarded as adequate. In our audit opinion on the adequacy of the exchange ratio, we have taken note of the Valuation Expert's assessment.

The question of whether the agreed exchange ratio is to be regarded as adequate can only be conclusively assessed on the day of the annual general meeting of Vitesco Technologies. In the meantime, there may be changes in the enterprise values which may lead to a different exchange ratio. Scenario analyses are therefore often carried out for structural measures under stock corporation law in order to simulate possible changes in the cost of capital resulting from a change in capital market data. In view of the fact that a change in capital market data would result in a change in both enterprise values in the same direction, largely in proportion to their value, such scenario calculations were not presented in the reporting, which we deem to be appropriate.

#### IV. Market and competition

The Schaeffler Group is a global automotive and industrial supplier. It describes itself as a leading motion technology company. Schaeffler develops and produces components, systems and services for drive trains and chassis as well as rolling and plain bearing solutions for a wide range of industrial applications. The company also offers repair solutions in OEM quality for the global automotive aftermarket. Schaeffler generates most of its revenue in the regions of Europe (particularly Germany), the Americas, and Greater China.

The Vitesco Group is a provider of modern drive technologies and electrification solutions for sustainable mobility. The product portfolio includes electric drives, electronic controls, sensors and actuators as well as solutions for exhaust gas aftertreatment. Vitesco Technologies generates its revenues primarily in the regions of Germany, Europe excluding Germany, North America and Asia.

The reporting on the market and competitive environment in the Valuation Report and our summary essentially relates to the above-mentioned products and regions.<sup>125</sup>

We would also like to point out that our comments in this section are intended to provide a focused summary of the comprehensive explanations provided by the Valuation Expert, mentioning further aspects where appropriate. We therefore refer to the Valuation Report for information on sources.

##### 1. Macroeconomic situation and outlook

In our opinion, the Valuation Expert's accurate statements on the macroeconomic development focus on the countries and regions that are important for Schaeffler and Vitesco Technologies (euro currency zone, in particular Germany, the US and China) and can be summarised and supplemented as follows:

According to the forecasts of the International Monetary Fund, Washington, D.C., USA,<sup>126</sup> for the years up to 2028, the current growth trend at the global level - with growth rates for real gross domestic product<sup>127</sup> on the order of 3% - is set to continue. The slump in global GDP in 2020 as a result of the COVID-19 pandemic was offset worldwide in the following year by a growth rate well above the trend. Further development is characterised by generally higher growth in the developing countries and a downward trend in growth rates in the industrialised countries.

In addition, economic conditions in the eurozone have been particularly impacted by the economic consequences of the war in the Ukraine since February 2022. The current stagnation is due in particular to the resulting increase in inflation, which remains high, and the monetary countermeasures. Growth rates are expected to rise again in the medium term.

Developments in the eurozone are largely determined by developments in Germany. Last year, the decline in production in energy-intensive industries and the weak construction sector triggered a recession.

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<sup>125</sup> The following presentation essentially summarises the comments of the Valuation Expert. Please refer to the Valuation Report for information on sources.

<sup>126</sup> "IMF"

<sup>127</sup> "GDP"

Growth rates in Germany are expected to rise again in the medium term. However, significant economic growth is no longer to be expected due to the aging population and low productivity growth.

The short-term growth prospects in the US are also affected by the global rise in inflation and the countermeasures of central banks. However, the United States is less dependent on external energy supplies, meaning that the "terms of trade shock" resulting from the war in the Ukraine had less of an impact on economic development than in the eurozone countries. As the demographic trend is also much more favorable, the US is expected to achieve stable growth rates of a good 2% again in the medium term.

The high growth rates in China were the main driver of global economic growth over a prolonged period of time. Economic development in China is currently being impaired primarily by a real estate crisis. Growth in China is expected to remain above average at around 4% in the medium term. At the same time, growth rates such as those seen in the past over a prolonged period of time will no longer be achievable.

Global inflation<sup>128</sup> has accelerated significantly as a result of the war in the Ukraine and, at 8.7% in 2022, has reached a level not seen for decades. Although inflation rates are falling again due to interest rate hikes by central banks, they will remain at a high level of 6.9% in 2023. In the medium term, global inflation is expected to fall to an average level of around 4%. This development is influenced by the expected decline in inflation rates in the advanced economies to around 2%. Inflation in emerging and developing countries is expected to remain high in the medium term.

In the eurozone, the inflation rate was below the target (close to 2.0%) set by the European Central Bank, Frankfurt am Main, for an extended period of time.<sup>129</sup> The rise in energy prices should be seen as a temporary shock. Due to energy subsidies and a restrictive monetary policy, inflation rates have recently declined and are expected to return to the targeted level from 2025. Inflation in Germany has been higher than the euro area average in recent years. In the medium term, a level of 2% should also be reached again in Germany.

In the US, the rise in inflation observed in 2021 and 2022 could be contained more quickly thanks to an earlier and more pronounced response from the Fed. A further decline to a level of around 2% is expected in the medium term.

In China, the inflationary developments otherwise observed worldwide did not materialise due to countervailing domestic effects. The negative development of the real estate sector and generally weak consumption have caused the inflation rate to fall below 1%. Inflation rates of around 2% are also expected for China in the medium term.

In our view, it can be stated in summary that globally active companies such as Schaeffler and Vitesco Technologies are likely to have benefited in terms of revenues from significant increases in nominal economic output over the last two years. In the key target markets of the Valuation Objects, nominal GDP increased by around 6% in 2023. This is set to remain the case in China in the medium term. For Germany and the other countries in the eurozone, growth of only around 3% of nominal economic output is

<sup>128</sup> Measured by the change in the consumer price index compared to the respective previous year.

<sup>129</sup> "ECB"

expected in the medium term. In the US, growth prospects are somewhat higher at around 4% in nominal terms.

## 2. Market and competitive environment in the automotive market and the electromobility market

The automotive industry is undergoing fundamental change. This change affects a variety of aspects. In general, factors such as the COVID-19 pandemic and geopolitical tensions resulted in supply chain disruptions and raw material shortages, among other things. As a result, global vehicle production fell in 2020. As expected, it will not be possible to make up for this decline compared to the development expected before the pandemic. On the contrary, the growth curve has shifted downwards.

Nevertheless, global production in 2023 is expected to have exceeded the previous peak from 2018. Europe has less to gain from this development. As a result of the war in the Ukraine, the associated economic sanctions and the resulting energy crisis, the generally unfavourable developments in inflation and exchange rates and, in particular, the later reactions to the change in customer requirements, the market share of the European automotive industry has decreased significantly in favor of new competitors in China.

Overall, China has already become the world's largest automotive exporter and is set to further expand its position through advanced technologies and the increasing importance of electromobility. In view of annual growth of around 80% and the forecast that many global mobility markets will be almost completely penetrated by electric drives by the mid-2030s, many European vehicle manufacturers<sup>130</sup> have also announced ambitious electrification plans and are planning to launch more than 150 new electrically powered vehicle models on the market by 2030.

The total global automotive market is estimated at USD 2,738 billion (2021) and is expected to grow at a compound annual growth rate (CAGR) of 3.0% to USD 3,577 billion by 2033. In terms of production volumes, a recovery effect is expected in 2023 (+4.0% to 85.7 million units). Overall average annual growth of 1.9% (CAGR) to 97.6 million units is currently expected for the period from 2023 to 2030. The lower demand for vehicles with combustion engines is dampening the expected growth, while the growth prospects for hybrid and electric vehicles are more positive for the future.

Due to the stronger growth there (CAGR +3.5%), market shares are shifting towards the Greater China region (from 31 to 39%). In addition to the region's increased focus on advanced technologies and the increased spread of electric vehicles, countries such as China offer greater sales potential for OEMs than the US, Central Europe or Japan, where saturation limits are occurring in some cases. Compared to Germany, for example, the motorisation rate in China is nowhere near the Western level.<sup>131</sup>

China is also the largest automotive market in the world in terms of sales figures. The other markets in the Asia-Pacific region, the North American market and the European market follow at a distance. The regions in which both Schaeffler and Vitesco Technologies have their main sales markets will account for more than 60% of global automotive market revenue in 2022.

<sup>130</sup> "OEM" (Original Equipment Manufacturer (used in the automotive industry for vehicle manufacturers)).

<sup>131</sup> Germany about 582 cars per 1,000 inhabitants, China about 126 cars per 1,000 inhabitants.

With a volume of USD 316 billion (2018), engine and transmission systems represent a significant submarket. The relevant products in this submarket include combustion engines, engine control units, components for manual and automatic transmissions and battery cells. The expected growth in powertrain components (CAGR 4.7%) to USD 435 billion between 2018 and 2025 is primarily driven by the high growth expectations for China. This in turn is due in particular to a shift in demand towards alternative drive technologies. According to current legislation, vehicles with combustion engines may no longer be registered in Europe from 2035 if they are not powered by climate-neutral fuels. However, components for improving the efficiency of gasoline and diesel engines currently still have the largest market share.

At USD 137 billion, the submarket for chassis systems is less important than the submarket for powertrain components. However, driven by the requirements to increase safety standards and the general trend towards autonomous driving as well as the requirements to reduce vehicle weight, this submarket is expected to grow very dynamically (CAGR 11.6%) to USD 330 billion in the period from 2022 to 2030.

In relation to the overall global automotive market, the market for vehicle storage is a niche market. The growth by an average of 3.9% (CAGR) from USD 14.4 billion (2022) to USD 19.5 billion (2030) results from the rising demand for lightweight, compact bearings due to a shift in drive technology towards electrification and the increasing requirements for smooth and precise movements resulting from increasingly automated driving.

In view of the continuously growing global vehicle population and the increasing average age of vehicles, the important automotive aftermarket submarket is expected to grow at an above-average rate (CAGR 5.7%) from USD 751.6 billion (2022) to USD 1,167.1 billion (2030). The US market currently has the largest share of the global spare parts market, which is mainly due to the high average age of vehicles. Given that the age of vehicles in China is currently still well below average, the market will develop very dynamically there. In terms of registered vehicles, Europe will nevertheless still have the largest share in 2030. The global vehicle population is expected to increase by an average of 1.4% (CAGR) from 1,536 million registered vehicles (2023) to 1,697 million registered vehicles (2030).

While the automation of mobility is likely to result in a lower frequency of repairs due to a reduction in the number and severity of accidents and wear and tear, the demand for advanced and complex repair solutions will increase as a result of an increase in the complexity of parts due to the transition to electromobility and autonomous driving, favouring market growth. Moreover, increasing digitalisation has also led to a trend towards e-commerce in the spare parts market.

Due to increasing air pollution and dependence on fossil fuels, as well as the associated environmental regulations and subsidy measures, the market for electromobility has become considerably more important in recent years. This development is expected to continue as a key megatrend in the automotive industry. In 2022, global revenues of electric vehicles will already amount to USD 419.3 billion. The market volume is expected to grow by an average of 10.7% (CAGR) to USD 770.0 billion by 2028. A further expansion of electromobility is currently associated with challenges due to the still high production costs. According to current forecasts, the prices of important raw materials for the automotive industry, such as copper, aluminum and lithium, are set to fall in the coming years.

Growth expectations are primarily based on increasing unit sales. As a result of the dynamic growth in previous years, plug-in hybrid electric vehicles<sup>132</sup> with 2.9 million units and purely electric battery-powered electric vehicles<sup>133</sup> with 10.6 million units in 2023 have already achieved a total market share of 30%, but are still well behind vehicles powered by an internal combustion engine.<sup>134</sup>

Due to a continuous increase in annual unit sales between 2023 and 2028 by an average of 3.7% per year (CAGR) to 3.6 million units (PEV) and by an average of 11.8% per year (CAGR) to 13.5 million units (BEV), electrically powered vehicles are expected to have largely displaced the combustion engine (ICE) drive type, for which the share is expected to have fallen to 28% by then, with a 28% (PEV) or 44% (BEV) share of production by 2030.

This foreseeable change is forcing both established car manufacturers and their suppliers to adapt to the new demand and switch from traditional combustion engines to vehicles with alternative drive systems. While the market for components for the electric drivetrain of vehicles is growing continuously, the market for components for traditional combustion engines is showing an increasing downward trend.

So far, however, electrically powered vehicles have only achieved a significant share in a few markets. Northern European countries have the highest share. This is mainly due to higher incomes and greater incentives. But in China, too, electric drives had already reached a share of 22% by 2022.

This shows the importance of sufficient availability of public charging points, which had already risen to 1.76 million in China in 2022. In comparison, the 77,000 charging points available in Germany at this time seem modest. However, the number of charging points in Germany is now increasing significantly. A nationwide charging network is also to be set up in the US through an investment program initiated by the Biden Administration.

In addition to the megatrend towards the electrification of drive systems, the integration of autonomous control systems<sup>135</sup> into vehicles is also having a significant impact on the development of the automotive industry. ADAS are already available for the first two levels of automation (Levels 1 and 2). Systems that allow the driver to withdraw from certain driving tasks for prolonged periods of time (Level 3) are currently being developed for commercialisation. The share of automation of at least Level 3 is expected to reach 12% of newly sold passenger cars by 2030, rising dynamically to 37% by 2035. Accordingly, the market for advanced driver assistance systems and hardware for autonomous driving is expected to grow from USD 8 billion to at least USD 55 billion between 2021 and 2030.

Another trend in the automotive industry is the increasing demand for shared mobility solutions. This trend also reinforces the trend towards electrification, as electric vehicles are seen as particularly attractive for car sharing models.

In the automotive market as a whole, which is changing in many respects, the automotive supplier market is characterised by particularly intense and dynamic competition. While the industry had to deal with crisis situations for several years as a result of supply chain disruptions and a shortage of labour and raw

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<sup>132</sup> "PEV"

<sup>133</sup> "BEV"

<sup>134</sup> "ICE"

<sup>135</sup> "ADAS" (Advanced Driver Assistance Systems).



materials due to the COVID-19 pandemic and the outbreak of the war in the Ukraine, a turnaround began to emerge in 2022.

However, Asian competitors are the main beneficiaries of the considerable increase in revenues. Among the automotive suppliers in German-speaking countries, some of whom are also among the market leaders on the global market, Schaeffler is ranked fourth and Vitesco Technologies ninth in terms of revenue generated in 2022. However, most of the competitors from German-speaking countries are not sufficiently comparable to Schaeffler or Vitesco Technologies. The peer group companies identified by the Valuation Expert are predominantly based abroad.

In our view, it can be stated in summary that the growth of the global automotive market as a whole is less dynamic than the development of global economic output as a whole. Nevertheless, dynamic growth can be achieved by focusing on chassis systems, electromobility as well as particularly high-growth regions. With such a focus, it is conceivable that companies whose portfolios also include less high-growth products will be able to develop at higher single-digit growth rates overall in the medium term.

### 3. Market and competitive environment in the industrial production market

For Schaeffler, products for industrial customers that do not relate to the production of automotive parts are also of significant importance. The Industrial Division develops and produces precision components, bearing solutions, drive technology components and systems as well as service solutions such as sensor-based condition monitoring systems for a wide range of industrial applications. The Division is also working on new products and solutions for the hydrogen economy.

Global industrial production has risen slightly faster than real global economic output in recent years, with growth rates of around 4%. In some cases, lower growth rates in global industrial production are also expected in the future. The average figures do not reflect the sometimes very different regional developments. While industry in the Greater China region recorded by far the highest growth in 2023, the Americas and Asia-Pacific regions actually saw declines in industrial production in 2023. In the Asia-Pacific region, an upturn is expected to begin as early as 2024, while industrial production in the Americas is not expected to recover until 2025 following a continued decline in 2024. In the medium term, growth rates in all regions are expected to fall to between 1.4% (Europe) and 3.0% (America) and to 2.1% overall (world).

The market for precision parts is a significant submarket of the industrial production market for Schaeffler. The products sold in this market include Schaeffler's rotary and linear bearing solutions. The entire market for precision parts is expected to develop very dynamically, due to factors such as increasing industrial automation, innovations in healthcare and medical technology as well as rising demand for vehicles in emerging economies in Asia and Africa. Total global spending on precision parts is expected to increase at a compound annual growth rate (CAGR) of 9.9% from 2022 (USD 185.5 billion) to 2030 (USD 387.9 billion). With a combined share of around 70%, the markets in America and Europe are by far the largest regional submarkets. Schaeffler has further strengthened its technological expertise in precision components by acquiring a supplier of precision gearboxes for robotics and automation applications.



In relation to the size of the overall market, the submarket for sensor-based condition monitoring systems is of minor importance. Based on a market volume of USD 3.2 billion (2022), revenues in this submarket are expected to increase to USD 5.5 billion by 2030. This growth is due to the increasing acceptance of the Internet of Things and Industry 4.0 and will first be observed in highly developed regions.

The market for wind power has already developed dynamically in the past. Total installed capacity increased by an average of 11% per year in the period from 2015 to 2022. This trend is expected to continue in the coming years. Newly installed wind energy capacity is expected to increase by an average of a further 15% per year between 2022 and 2027. The Asia-Pacific region is currently the largest wind market in the world, accounting for 48% of wind power capacity. In view of the current five-year plan's target for renewable energies to cover 80% of China's total electricity consumption by 2025, it can be assumed that the Asia-Pacific region's pioneering role in the wind power market should not change. However, a significant upswing in renewable energy is also expected in the United States in particular.

Due to the efforts to replace non-renewable energy sources with clean and sustainable alternatives, the hydrogen economy is also gaining in importance. This applies to the highly energy-intensive production of steel and concrete. Hydrogen is also gaining importance in the automotive industry as an alternative to conventional fuels. The global market volume for the production of hydrogen is already estimated at USD 155.3 billion for 2022. As China has already achieved a high share of hydrogen consumption, growth in the future will mainly be achieved in other regions such as North America and the Middle East. Schaeffler has already demonstrated its growing research interest in hydrogen technologies through projects in hydrogen production and hydrogen storage technologies.

In our view, it can be stated in summary that the growth in global industrial production is not more dynamic than the development of global economic output as a whole. Nevertheless, dynamic growth can be achieved by focusing on limited submarkets such as precision parts or sensor-based systems for condition monitoring. With such a focus, it is conceivable that companies whose portfolios also include less high-growth products will be able to develop at higher single-digit growth rates overall in the medium term.

## V. Valuation date

In contrast to the cash compensation to be granted,<sup>136</sup> the German Act on the Transformation of Companies does not expressly stipulate the valuation date of the participating legal entities when determining the exchange ratio and any additional cash payment to be granted. The majority opinion in the literature is that the circumstances of the legal entities involved at the time of the general shareholders' meeting of the transferring legal entity are decisive.<sup>137</sup>

In the terms of the "information delimitation function of the valuation date", the legal valuation date is the date of the annual general meeting at which Vitesco Technologies shareholders are to adopt the relevant resolution, i.e. 24 April 2024.

<sup>136</sup> Cf. § 30(1), Sentence 1 UmwG.

<sup>137</sup> Cf. e.g. Zeidler in Semler/Stengel/Leonard UmwG, § 9 Paragraphs 41, with further references.

This was also confirmed by the merging parties in the Merger Agreement.<sup>138</sup>

The Valuation Expert chose 31 December 2023 as the technical valuation date in the terms of the "value delimitation function of the valuation date" for the valuations with a future success value. The Valuation Expert thus takes account of the fact that the result for financial year 2024 achieved before 24 April 2024 - due to accounting and planning in annual periods - cannot be accrued and determined during the year with sufficient reliability. On the other hand, these have not yet been credited to the shareholders of Schaeffler and Vitesco Technologies at the time of the annual general meetings where the shareholders will adopt the resolutions.

For purposes of valuation, the Valuation Expert assumes for the sake of simplicity that the net results accrue evenly throughout the year. In line with standard valuation practice, the Expert allocates both reinvested income and distributions of the net results to the shareholders on a uniform basis at the end of each financial year.

The value contributions from distributions (dividends) and reinvestments are discounted on the technical valuation date (31 December 2023) using the period-specific discount rates and accrued as of the legal valuation date (24 April 2024).

In summary, we consider the above-described procedure to be appropriate. It was also carried out correctly from a mathematical point of view.

#### **Audit result**

The valuation date (24 April 2024) is in line with the prevailing view in the specialist literature.

## **VI. Valuation methods**

The Valuation Expert determined the enterprise value of Schaeffler and Vitesco Technologies using the earnings method set out in IDW S 1. According to prevailing opinion in business administration theory and in the auditing profession, the value of future success and thus also the earnings value method as a possible procedure for its determination is the authoritative and recognised method for determining the value of enterprises in which the going concern value exceeds the liquidation value. The earnings value method is also recognised as common practice in legal rulings.

In accordance with prevailing opinion, the Valuation Expert determined the enterprise value as an objective enterprise value, i.e. according to the perspective of a typical shareholder. This typical shareholder is assumed to be a domestic natural person with unlimited tax liability who, due to his or her small shareholding, is unable to exert any financial or corporate influence.

In addition to the respective objectified enterprise value in accordance with IDW S 1, the Valuation Expert also determined the enterprise value before personal taxes in accordance with the DVFA recommendations. In our function as a neutral expert, we assess the adequacy of the exchange ratio for going concern

<sup>138</sup> Cf. Section C.

value based on the objectified enterprise value. Consequently, we have verified the results of a valuation before personal taxes, but have not examined them in detail.

The Valuation Expert converted the going concern values converted to a single share in each case and extended the range analysis for the value per share to include enterprise values calculated on the basis of multipliers.

We use the alternative valuations of the Valuation Expert in our plausibility check of the respective objectified enterprise value.

Based on IDW S 1, these further considerations are not suitable for directly determining the enterprise value of the Valuation Objects or the adequate exchange ratio to be derived therefrom in the terms of § 12(2) UmwG and the present legal rulings. We used them indirectly to check the plausibility of the respective enterprise value or exchange ratio.

The Valuation Expert also determined the enterprise value of Schaeffler and Vitesco Technologies on the basis of a valuation based on the stock market price. In view of the legal rulings of the FSC, the stock market price is also a suitable valuation standard, provided certain requirements are met. The Valuation Expert is of the opinion that a valuation of Schaeffler using the stock market price is not unrestrictedly suitable to determine the market value of Schaeffler. We consider the statement to be accurate.

The Valuation Expert did not compute the liquidation value of the Valuation Objects. The Expert justifies this approach by stating in summary that the return on capital employed is very close to or higher than the capital costs and thus it can be assumed that the going concern is advantageous compared to liquidation. We have verified these considerations and also do not consider it necessary to derive the liquidation value.

The Valuation Expert did not supplement the fundamental values resulting from a stand-alone analysis with an assessment of the synergy potential from a merger of Schaeffler and Vitesco Technologies. We share the Expert's assessment that the identified synergy potentials as so-called "genuine synergies" are not to be taken into account in the valuation in accordance with the current version of IDW S 1.

#### **Audit result**

We consider the approach of using the earnings method as an objectified enterprise value in accordance with IDW S 1 to determine the respective enterprise values of Schaeffler and Vitesco Technologies to be appropriate.

E. Audit findings on the enterprise value of Vitesco Technologies (stand-alone)

I. Valuation Object: Vitesco Technologies

1. Legal and tax situation of Vitesco Technologies

Vitesco Technologies Group Aktiengesellschaft has its registered office in Regensburg and is entered in the Commercial Register of the Local Court of Regensburg under Commercial Register No. B 18842. The business address is: Siemensstrasse 12, 93055 Regensburg.

The Articles of Association of Vitesco Technologies were last amended by resolution of the shareholders in annual general meeting on 17 May 2023 to the effect that the annual general meeting can also be held for a period of two years without the physical presence of shareholders or their proxies at the venue of the annual general meeting (virtual annual general meeting).

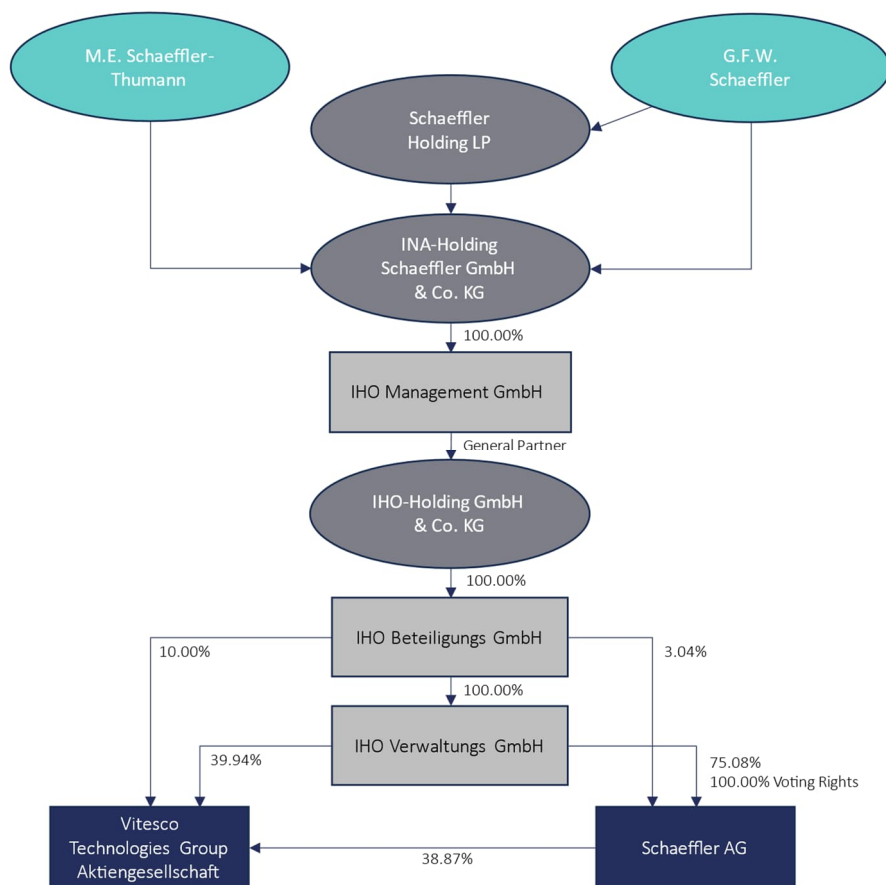
The corporate purpose is comprehensively defined in § 2 of the Articles of Association. In accordance with Section 2(1), Sentence 1 of the Articles of Association, the corporate purpose consists in "the development, manufacture and sale of products for vehicles of all kinds and other mobility concepts as well as other industrial products, in particular the development, manufacture and sale of systems and components as well as the provision of services for drive trains including electrical machines, power electronics, control electronics, software, energy converters (such as fuel cells) and storage systems (such as batteries), sensors for physical and chemical properties, actuators, technology for reducing pollutants and combustion technology".

The financial year of Vitesco Technologies corresponds to the calendar year.

The fully paid-in share capital of Vitesco Technologies amounts to € 100,052,990.00 and is divided into 40,021,196 no-par-value registered shares of the same class with a notional value of € 2.50 per share in the share capital. According to the information in the Merger Report, Vitesco Technologies does not hold any treasury shares.

According to the voting rights notifications dated 22 January 2024, 35,544,228 Vitesco shares are attributable to Ms Maria-Elisabeth Schaeffler-Thumann and Mr Georg FW Schaeffler, both with registered offices at Industriestrasse 1-3, 91074 Herzogenaurach, Germany. This corresponds to a stake of 88.81% in the share capital and voting rights of Vitesco Technologies. According to the information provided, the remaining shares (4,476,968) are in free float.

The joint control of Vitesco Technologies - and Schaeffler - by Mrs Maria-Elisabeth Schaeffler-Thumann and Mr Georg FW Schaeffler results from the following investment chain:<sup>139</sup>



Mrs Maria-Elisabeth Schaeffler-Thumann and Mr Georg FW Schaeffler<sup>140</sup> always coordinate closely in management meetings of INA KG, act as a cohesive unit and make joint decisions regarding INA KG.

Schaeffler's investment in Vitesco Technologies (38.87%) described above arose as a result of a voluntary public tender offer made by Schaeffler to the shareholders of Vitesco Technologies to acquire all no-par-value shares not already directly held by Schaeffler for cash consideration<sup>141</sup> and a further acquisition.

On 9 October 2023, Schaeffler announced the following in an ad hoc announcement in this context:

- Decision to make an acquisition offer and intention to pay consideration of € 91.00 per Vitesco share, which corresponds to a premium of around 20% on the volume-weighted Xetra average price<sup>142</sup> of the Vitesco share over the previous three months
- Acquisition offer as the first of three steps towards a business combination of Schaeffler and Vitesco Technologies
- Intention to merge Vitesco Technologies as the transferring entity into Schaeffler as the acquiring entity following the implementation of the Acquisition Offer
- Creation of a leading motion technology company with four focused divisions and revenues of around € 25 billion

<sup>139</sup> The respective abbreviations and registered offices of the following companies are listed in the list of abbreviations.

<sup>140</sup> The "Schaeffler Family".

<sup>141</sup> "Purchase offer".

<sup>142</sup> Xetra is the designation (exchange electronic trading) of an exchange trading place of Deutsche Börse AG, Frankfurt am Main.

- Complementary technology portfolio enables exploitation of the accelerated growth potential of e-mobility and synergy potential with an anticipated EBIT effect of up to € 600 million per year, to be fully realised in 2029
- Intention to allow Schaeffler's preference shareholders to convert their non-voting preference shares into voting common shares at a ratio of 1:1
- Conclusion of agreements with IHO Verwaltungs GmbH and IHO Beteiligungs GmbH,<sup>143</sup> under which they have undertaken, among other things, not to accept the acquisition offer for the Vitesco shares held by them
- Arrangement of a comprehensive financing offer, which includes bridge financing for the acquisition offer

The offer documentation was published on 15 November 2023. On 27 November 2023, Schaeffler published an amendment to the acquisition offer in which the offer consideration was increased to € 94.00 per Vitesco share. Schaeffler announced the decision to increase the offer consideration in an ad hoc announcement on the same date. In that publication, Schaeffler also announced that Schaeffler and Vitesco Technologies had entered into a Business Combination Agreement.<sup>144</sup>

On the same date, Vitesco Technologies also announced that the Executive and Supervisory Boards of Vitesco Technologies had published a joint statement pursuant to § 27 WpÜG explaining the reasons for the acquisition offer. The Executive and Supervisory Boards had carefully and intensively analysed and evaluated the adequacy of the consideration offered. In doing so, the Boards would have made their own considerations and also taken into account inadequacy opinions from various investment banks, among other factors. On this basis, in light of their own assessment of the current situation and the development potential of Vitesco Technologies as well as the overall circumstances of the offer, the Executive and Supervisory Boards of Vitesco Technologies also considered the increased offer price per Vitesco share to be inadequate from a financial point of view. Even if the cash consideration offered does not adequately reflect the company's long-term value, the acquisition offer might nevertheless represent a potentially attractive exit opportunity for risk-averse or short-term investors in the current market environment.

On 20 December 2023, Schaeffler announced that it had secured 29.88% of Vitesco Technologies as part of the acquisition offer. On 23 January 2024, Schaeffler then announced that it had agreed to acquire a further 3.6 million Vitesco shares. This corresponds to a stake of around 9.00% in Vitesco Technologies. The acquisition increased Schaeffler's stake in Vitesco Technologies to around 38.87%. Together with IHO Verwaltungs GmbH and IHO Beteiligungs GmbH Schaeffler holds approximately 88.81% of the share capital and voting rights in Vitesco Technologies.

The Vitesco shares (ISIN DE000VTSC017) have been admitted to trading on the regulated market with additional post-admission obligations on the Frankfurt Stock Exchange (Prime Standard) since 16 September 2021. They are therefore also traded on the electronic Xetra trading platform. The shares are also traded on the over-the-counter markets of the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart as well as via the Tradegate Exchange in Berlin. Quotrix and Gettex are also used as electronic trading platforms. Outside Germany, Vitesco shares are traded on the Vienna and London

<sup>143</sup> Both Herzogenaurach; together "IHO".

<sup>144</sup> "BCA"

Stock Exchanges. Vitesco shares are included in the CDAX<sup>145</sup> and, since 25 July 2023, MDAX<sup>146</sup> share indices as well as the DAXsector Automobile<sup>147</sup> index. Vitesco shares are also traded over the counter in the US in the form of a Sponsored American Depositary Receipt program.<sup>148</sup>

Vitesco Technologies Group Aktiengesellschaft itself is strictly a management holding company. It performs the governance function within the Vitesco Group. The operating business is carried out by the 30 domestic and foreign subsidiaries shown in a current organisational chart in the Valuation Report.<sup>149</sup> In addition, shares are held in two associated companies and one other investment.

Vitesco Technologies Group Aktiengesellschaft is the parent company of a consolidated tax group with Vitesco Technologies 2. Verwaltungs GmbH, Regensburg, which serves as an intermediate holding company for the investments in almost all Group companies based abroad. In addition, there are two further tax groups in which Vitesco Technologies GmbH, Regensburg, and Vitesco Technologies Lohmar Verwaltungs GmbH, Lohmar, are the controlling companies.

As of 31 December 2023, significant usable<sup>150</sup> tax loss carryforwards are only available in Germany. Vitesco Technologies GmbH has a loss carryforward of € 1,094.2 million for corporate income tax and € 1,070.1 million for trade tax.

Vitesco Technologies Group Aktiengesellschaft has a tax deposit account which amounts to € 4,574.5 million as of 31 December 2023. However, no tax-free distributions can be made from the tax contribution account in the forecast period, as distributable profit in the terms of § 27 KStG will arise in all forecast years and distributions will therefore be subject to withholding tax.

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<sup>145</sup> Composite DAX (broadest German share index, comprising all shares listed in the General Standard and Prime Standard segments on the Frankfurt Stock Exchange).

<sup>146</sup> The Vitesco share was previously included in the SDAX. As of 18 March 2024, the Vitesco share will no longer be included in the MDAX and will return to the SDAX.

<sup>147</sup> Sector index that includes automotive manufacturers and suppliers listed on the German stock exchange with the weighting of their market capitalization.

<sup>148</sup> OTC (over the counter) trading.

<sup>149</sup> Including dwarf shares held in trust, the shares in the subsidiaries are all held 100% directly or indirectly by Vitesco Technologies, meaning that minority interests do not have to be taken into account.

<sup>150</sup> Loss carryforwards of Vitesco Technologies Group Aktiengesellschaft itself cannot be utilised.



## 2. Financial fundamentals of Vitesco Technologies

### a) Business model and corporate strategy of Vitesco Technologies

The business now operated by Vitesco Technologies was previously run by Continental AG, Hanover, as one of its five divisions. Specific expertise in drivetrain systems has been built up since the 1980s. Continental AG's Powertrain Division had also invested in the development of electrified powertrain systems at an early stage, e.g. through the acquisition of Siemens VDO Automotive AG in 2007, which made Continental AG one of the world's five leading automotive suppliers.

On 16 September 2021, the former Powertrain Division of Continental AG, which had previously been combined in a subsidiary, was spun off from Continental AG as Vitesco Technologies and the Vitesco shares were included in trading on the Frankfurt Stock Exchange.

Since financial year 2023, the business of Vitesco Technologies has been managed in the two financially independent "Electrification Solutions" and "Powertrain Solutions" Divisions. The Divisions are united by their focus on drive technologies and sustainable solutions that fulfill the company's mission ("Powering Clean Mobility"). The divisions also support each other in certain areas of research and development.

Overall, components and system solutions for the drivetrain of hybrid and electric vehicles as well as vehicles with combustion engines are being developed and produced. The product portfolio includes 48-volt electrification solutions, electric drives and power electronics for drives of all types. The product range also includes electronic control units, sensors, actuators, turbochargers, hydraulic components and pumps as well as exhaust solutions.

In the field of electromobility, Vitesco Technologies is considered to have particular expertise in electric drives, inverters for regulating and controlling the electric drivetrain and comprehensive electric drive systems.

The product range is used for light vehicles as well as commercial vehicles, two-wheelers and leisure and off-road vehicles, with a focus on passenger cars.

Vitesco Technologies is represented at 46 locations worldwide, with eight locations dedicated exclusively to production and 25 locations dedicated mainly to research and development. The further 12 locations of Vitesco Technologies combine production and research and development. With around 35,500 employees,<sup>151</sup> Vitesco Technologies generated revenues of € 9,233.2 million in financial year 2023. Of these, 45.5% are attributable to the Europe region (including 19.5% in Germany), 29.5% to the Asia region (including 15.9% in China), 23.5% to the Americas region and 1.5% to the rest of the world.

Thanks to its global presence, Vitesco Technologies has been able to build up an international customer base and a strong market presence with well-known car manufacturers in Asia, Europe and North America. In addition, Vitesco Technologies has also developed a broad customer base in important emerging markets such as Mexico and India. Of the most important customers for Vitesco Technologies in financial

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<sup>151</sup> FTE (full-time equivalent); average for financial year 2023. According to the annual report, the average number of employees in financial year 2023 was 37,421.



year 2022 and listed in the Valuation Report, eight are major international automotive manufacturers and two are other suppliers, including Continental.

Orders continue to be processed both by Vitesco Technologies for Continental and in the opposite direction, as a strict separation of the business was not possible or financially viable at some locations at the time of the spin-off. These business relationships will expire as planned. Until 2022, the Contract Manufacturing Business Unit was managed as one of four business divisions. In view of the declining importance of this business unit, it was allocated to two reorganised sections of the Powertrain Solutions Division as part of the reorganisation and reduction of the segments.

With the reorganisation, Vitesco Technologies intends to sharpen its strategic focus on the electrification of the drive. Vitesco Technologies combines the reorganisation with an increase in effectiveness, efficiency and flexibility. The reorganisation is also intended to increase the transparency of the structures, particularly with regard to the growth of the electrification business and the progress of the transformation in the Powertrain Solutions Division. However, the distinguishing feature between the divisions is not electrification, as the names of the divisions might suggest. The Powertrain Solutions Division also includes "Electrified Business" and the Electrification Solutions Division also includes products for controlling combustion engines.

The Powertrain Solutions Division can be characterised along various criteria as follows:

- Figures for financial year 2023: Revenues € 6,118.8 million, adjusted EBIT € 464.6 million.
- Business areas: Actuation, Sensorics & Controls, Aftermarket & Non-Automotive, Hydraulics & Turbocharger
- Vehicle type: Passenger cars, trucks and two-wheelers - as well as job manufacturing
- Strategic allocation of product groups:
  - ICE: Core and non-core business, some of which is actively phased out (active phase-out = contracts are no longer renewed) or passively phased out (passive phase-out = new business is offered selectively, provided it is based on existing products and can be processed with existing systems)
  - Electrified business: Electrified ICE (products primarily for PEVs), Pure Electric (products for BEVs or fuel cell vehicles, for example)
  - Beyond Powertrain: further product groups that cannot be allocated to the other divisions (for example, the door control units that continue to be produced for Continental)

The Electrification Solutions Division is assigned almost exclusively to product groups that are also to be included in the portfolio in the long term. Moreover, this Division's product range relates almost exclusively to passenger cars. The Electrification Solutions Division is the growth segment of Vitesco Technologies. Incidentally, it can be characterised as follows:

- Figures for financial year 2023: Revenues € 3,162.3 million, adjusted EBIT € -98.1 million.
- Business areas and product groups:
  - Electric Drive Systems: in particular integrated axle drives, 48-volt mild hybrid drives, direct current converters and thermal management solutions
  - Sensorics & Controls: in particular inverters, master/zone control, battery management systems, high-voltage boxes, gasoline engine control units

Vitesco Technologies aims to be the leading provider of battery electric vehicle drives by 2030 and to generate the majority of its revenue in the electrification business. The Electrification Solutions Division is expected to break even as early as 2024. The Powertrain Solutions Division currently generates a significant proportion of its revenues with nitrogen sensors for exhaust gas aftertreatment. It sees particular growth potential in the electrification of two-wheelers.

b) Financial, liquidity and earnings position of Vitesco Technologies, including adjustments

The Valuation Expert has performed an analysis of the financial, liquidity and earnings position of the Vitesco Technologies based on the published consolidated financial statements for the financial years 2020 to 2023.<sup>152</sup> Insofar as the actual figures for the historical period under consideration contain effects which, due to their nature, are not included in the estimates, the Valuation Expert has previously adjusted the actual figures for these effects.

ba) Earnings situation of Vitesco Technologies

The Valuation Expert prefaces its analysis of the earnings position with the consolidated income statement - partially summarized in the presentation - in tabular form. The presentation includes the adjusted figures for the historical period under review (financial years 2021 to 2023) and the estimated income statement for the detailed forecast phase (financial years 2024 to 2028).

The Valuation Expert also tabulates the adjustments made in a reconciliation statement and explains them in writing below. Finally, the Expert comments on the adjusted earnings situation on this basis.

In order to improve the comparability of the plan periods with the past under consideration and to make plan overruns or shortfalls at least partially explainable by special states of affairs that cannot be planned, it is customary in valuation practice to analyse the results of the past with regard to states of affairs of a non-recurring or non-recurring nature as well as extraordinary items or items relating to other periods.

In addition, it can be expedient to make so-called "pro forma adjustments" to take account of the fact that the valuation object has changed as a result of acquisitions or disposals of enterprises or business areas. Pro forma adjustments are also made on a regular basis if comparability is impaired by the change

<sup>152</sup> We have received the final version of the annual report for financial year 2023: It is to be published on 14 March 2024.

of the financial year. It may also be appropriate to make pro forma adjustments if the accounting policies have changed in the past period under review and/or for the planning period.

The Valuation Expert has made adjustments to the first category. In doing so, Expert has limited itself to adjusting for effects on EBIT, as the other items in a budgeted income statement are generally not accessible for a comparative analysis and plausibility check based on past developments. In a reconciliation to the reported annual result, the Valuation Expert reclassifies the adjustments to the operating result to the extraordinary result in keeping with their nature.

For the adjustments made, the Valuation Expert relies on the information in the audited consolidated management reports as well as additional information and documentation provided by Vitesco Technologies. The Valuation Report describes a large number of adjustments. These can be summarised as follows:

- Gains or losses from the disposal of companies and business divisions
- Gains or losses from other asset sales
- Income from reversals of impairment losses and losses from impairments on property, plant and equipment and intangible assets
- Income from the reversal of and expenses from the recognition of impairment losses on financial assets
- Income from the reversal of and related expenses from the creation of restructuring provisions
- Income from the reversal of and related expenses from the creation of provisions for non-restructuring-related personnel adjustments and severance payments
- Expenses in connection with the spin-off from Continental AG and in connection with the IPO
- Expenses for obligations in connection with shutdown devices

During our audit, we were able to verify the adjustments made without any objections. Adjustments in the second category (pro forma adjustments) were also not necessary in the opinion of the Valuation Expert, which we deem to be comprehensible.

The Valuation Expert is transferring the operating result before adjustments to a result after adjustments. The adjustments have had the effect of increasing operating profit in all years.<sup>153</sup> The adjusted EBIT margin is substantially higher than the EBIT reported, which includes the special effects.

### Audit result

The adjustments carried out ensure that the analysis of the planning of the operative results can be based on comparable developments from the Company's own past.

The comments of the Valuation Expert on the adjusted earnings position can be summarized as follows:

- Increase in revenue from € 8,348.5 million (2021) by an average of 5.2% (CAGR) to € 9,233.2 million (2023), with a significant increase in revenue especially in financial year 2022 (+8.6%)
  - Strategy of replacing declining revenues from traditional combustion engine components with electric vehicle components and generating growth from the product portfolio with electric vehicle components can be seen in the development of revenues.<sup>154</sup>
  - Share of the Powertrain Solutions Division down to 66% (2023) due to planned reduction in revenues from non-core activities such as hydraulic and turbocharger products and a reduction in job manufacturing for the Continental Corporation, with the product areas actuators, sensors, aftermarket and the non-automotive business, which remain part of the core business, continuing to generate orders
  - Share of the Electrification Solutions Division increased to 34% (2023) due to growing global demand for components and systems for the electrification of vehicles and the successful market launch of new products (48-volt mild hybrid system, electric drivetrain and thermal management system).
  - High regional diversity with changes in revenue shares within Europe while Asia continues to dominate
- Overall disproportionately low increase in cost of sales by an average of 4.0% (CAGR) to € 7,820.9 million (2023), which improved the gross profit margin from 13.4% to 15.3
  - Improvement due to economies of scale and savings in fixed costs as a result of the discontinuation of the hydraulics product line in the Powertrain Solutions Division
  - Interim decline in gross profit margin in financial year 2022 (12.8%) mainly due to increased procurement costs for production materials (semiconductors and raw materials) and significant price increases for non-production materials (energy and logistics costs), whereby a significant portion of the increased costs for production materials could be passed on to customers
- Overall increase in selling, administrative and general expenses largely in line with revenues to € 403.2 million (2023), which corresponds to a cost ratio of 4.4
  - Improvement in cost ratio to 1.6% (2023) for distribution and logistics costs through further optimisations of the distribution structure after the spin-off from Continental AG
  - Overall increase in the cost ratio for general administrative expenses to 2.7% (2023)
- Expenditure on research and development<sup>155</sup> at € 1,020.2 million (2023) overall at an absolutely constant level, after considerable expenditure had already been made in previous years, so that the cost ratio has fallen significantly to 11.0% (2023)
  - Development of technologies in the field of electrification, electronic controls and specific sensors and actuators for various applications
  - Current research focuses on specific sensors and actuators for electric motors, batteries, fuel cells and vehicle access
- Other income with a large number of items, the largest of which relates to income from the reimbursement of research and development work, fell to € 480.2 million (2023).

<sup>153</sup> € +102.3 million (2021), € +80.8 million (2022) and € +169.9 million (2023).

<sup>154</sup> A precise breakdown of revenues in accordance with the current segmentation will only be available from financial year 2022.

<sup>155</sup> Net, i.e. after deduction of capitalisation of intangible assets.

- Other expenses with a large number of items, the largest of which relates to expenses from additions to warranty provisions, fell to € 127.0 million.
- EBIT continuously increased to € 342.1 million and EBIT margin to 3.7.
- Depreciation and amortisation included in the functional costs presented above fell from 6.1% of revenues (2021) to 5.4% of revenues (2023), which corresponds to an absolute amount of € 495.0 million (2023)-
- EBITDA continuously increased to € 837.1 million and EBITDA margin to 9.1.
- Financial result (unadjusted) fluctuating, but of minor importance (2023: € -26.5 million)
- Extraordinary result as an offsetting item to the adjustments made
- Income taxes (unadjusted) burdened by tax expenses incurred in Germany despite negative pre-tax earnings (IFRS)<sup>156</sup>, resulting in an effective tax rate of up to 463% (2021) at Group level
- Annual result (unadjusted) fluctuating
  - Financial year 2021 (€ -122.0 million) burdened by unsustainable items (extraordinary result and disproportionately high tax expenses)
  - Financial year 2022 (€ +23.6 million) less burdened by these special effects
  - Financial year 2023 (€ -96.4 million) will be burdened to a very large extent by these special effects.

#### bb) Financial and liquidity position of Vitesco Technologies

The Valuation Expert presents his analysis of the net assets and financial position in tabular form, preceded by the consolidated balance sheet - summarized in the presentation at item level, but separated into assets (financial position) and liabilities (liquidity position). The presentation includes the adjusted figures for the historical period under review (financial years 2021 to 2023) and the estimated balance sheets for the detailed forecast phase (financial years 2024 to 2028).

The Valuation Expert also tabulates the adjustments made in a reconciliation statement and explains them in writing below. Finally, the Expert comments on the adjusted financial and liquidity situation on this basis.

However, the adjustments only affect deferred tax assets and liabilities in financial year 2023. Their adjustment results in an increase in shareholders' equity. The adjustments correct for tax effects in connection with the planned merger with Schaeffler, as Vitesco Technologies is to be valued on a stand-alone basis excluding the effects of the planned merger.

<sup>156</sup> E.g. withholding taxes, but in particular expenses from deferred taxes, in financial year 2023 mainly due to valuation allowances on loss carryforwards.

We consider this adjustment to be appropriate. We found no evidence of further states of affairs in need of adjustment over the course of our audit.

#### **Audit result**

The adjustments made ensure that the balance sheet planning is based on an appropriate balance sheet as of the cutoff date for valuation purposes.

The comments of the Valuation Expert on the adjusted financial and liquidity position can be summarised and supplemented as follows:

- Slight increase in total assets to € 7,621.5 million (31 December 2023)
- Financial position determined by intangible assets and property, plant and equipment (non-current assets), inventories, trade receivables, and liquid assets (current assets)
- Intangible assets increased to € 1,122.0 million (31 December 2023; 14% of total assets), in particular due to capitalisation of development costs, including
  - Goodwill from company acquisitions in the financial years 1998 to 2014 (total € 786.3 million as of 31 December 2023)
  - Capitalised development costs (€ 317.6 million as of 31 December 2023)
  - Other intangible assets, mainly software (€ 18.1 million as of 31 December 2023)
- Property, plant and equipment down to € 2,279.7 million (31 December 2023; 30% of total assets), particularly due to disposals as part of the reduction in job manufacturing for the Continental Corporation and company disposals
  - Offsetting effect from investments to expand production capacity for battery management systems and axle drive business
  - Significant components (31 December 2023): technical equipment and machinery (€ 1,180.5 million), other equipment, furniture and fixtures (€ 127.3 million), prepayments and assets under construction (€ 437.0 million), land and leasehold rights and buildings (€ 318.5 million) and capitalised right-of-use assets from leases (€ 216.4 million)
- Financial assets including shares in non-consolidated affiliated companies, companies accounted for using the equity method and other investments
- Inventories increased at a slower rate than revenues to € 825.1 million (31 December 2023; 11% of total assets)
  - Reduction in storage range from 44 to 42 days
  - Essentially raw materials and supplies
- Trade receivables increased to € 1,546.0 million (31 December 2023; 20% of total assets), days sales outstanding reduced to 61 days (2023) as a result of improved receivables management
- Cash and cash equivalents increased to € 1,063.6 million (31 December 2023, 14% of total assets), increase in financial year 2023 as a result of borrowing bank loans totaling € 295.0 million
- Liquidity position characterised by equity, interest-bearing liabilities and trade payables
- Shareholders' equity (adjusted) increased to € 3,015.5 (31 December 2023, 40% of total assets) due to revaluations recognised directly in equity and consolidated earnings, whereby no dividends were paid
- Total interest-bearing liabilities increased to € 1,488.6 million (31 December 2023, 20% of total assets)
  - Non-current employee benefits (in particular pension provisions) decreased in financial year 2022 due to the rise in interest rates, increased again in financial year 2023 to € 624.2 million (31 December 2023)
  - Borrowing of promissory note loans of € 200.0 million maturing in 2032 in financial year 2022

- Borrowing of bank loans totaling € 295.0 million in financial year 2023
- Total non-interest-bearing liabilities decreased to € 2,678.3 (31 December 2023, 35% of total assets)
  - Trade payables decreased to € 1,838.6 million (31 December 2023) after an increase due to the significant increase in the cost of sales in financial year 2022 as a result of the reduction of the order volume from business with the Continental Corporation, which led to a significant reduction in the creditors' term to 93 days.
  - Other financial liabilities, including obligations from a group separation agreement under which Vitesco Technologies is generally obliged to indemnify companies of the Continental Corporation against costs and liabilities attributable to the business units of Vitesco Technologies, including provisions for investigations into allegations of the use of illegal defeat devices in vehicles of the Volkswagen Group

### 3. Key success factors of the business concept of Vitesco Technologies

The Valuation Expert summarises the detailed analysis of the business model and business strategy of Vitesco Technologies including the market and competitive environment in a SWOT analysis.<sup>157</sup> This can be condensed and supplemented by further aspects as follows:

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Pioneer in the industry with a good reputation based on over a decade of experience in the electrification of vehicle drives</li> <li>▪ Broad and versatile product portfolio</li> <li>▪ Strong global presence with diversification effects and simultaneous focus on growth markets</li> <li>▪ Long-standing customer relationships with a high market share among major automotive manufacturers and a large order backlog, particularly in the field of electrification</li> <li>▪ Innovative strength due to heavy investments in research and development</li> <li>▪ Efficient production thanks to a modular approach that leads to economies of scale</li> <li>▪ Financial strength through high degree of equity financing</li> <li>▪ Current large order backlog</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dependence on a few large car manufacturers</li> <li>▪ Dependence on the availability of components and the level of raw material prices</li> <li>▪ Generally high proportion of fixed costs and currently heavy investments to expand the Electrification Solutions Division</li> <li>▪ High-growth Electrification Solutions Division not yet profitable at present</li> </ul>
Opportunities	Risks
<ul style="list-style-type: none"> <li>▪ Global trends "sustainability" and "e-mobility" with correspondingly growing addressable markets for BEVs and HEVs</li> <li>▪ Increasing and sustained medium-term demand for exhaust gas aftertreatment solutions</li> <li>▪ Outsourcing the production of components from vehicle manufacturers to suppliers</li> <li>▪ Increasing regulation in the truck market too</li> </ul>	<ul style="list-style-type: none"> <li>▪ General dependence on the development of automobile production, which fluctuates with the macro-economic situation</li> <li>▪ Generally intense competition in the automotive industry with increasing price pressure and low margins</li> <li>▪ Generally slower growth in demand for electromobility</li> <li>▪ Rapid technological change that can devalue investments in technological developments and breakthroughs in other sustainable mobility areas</li> <li>▪ Increased internal production of components by vehicle manufacturers</li> <li>▪ Potential for greater recourse based on liability claims from the Group separation agreement with Continental AG than provided for</li> </ul>

As can be seen from the above list, the strengths and weaknesses as well as opportunities and risks of Vitesco Technologies in the markets relevant to it are balanced overall. The strengths suggest profitable growth. The risks show that such development is exposed to numerous dangers.

<sup>157</sup> Strengths, weaknesses, opportunities and threats; a strategic planning tool developed by Harvard Business School.



## II. Valuation of Vitesco Technologies using the objectified enterprise value in accordance with IDW S 1

### 1. Structure and delimitation of the Valuation Object: Vitesco Technologies

Vitesco Technologies, including its subsidiaries and holdings, is considered the Valuation Object.

The valuation of corporate groups can be carried out according to various methods, which, if properly applied, must lead to identical results.<sup>158</sup> The selection of one of these methods depends on the structure of the estimates on which it is based, the control purposes pursued with it and the question of whether it makes sense or is necessary to display individual assets.

In the present case, business is planned and managed primarily at the Group level. In accordance with the structure of the estimates presented, the Valuation Expert therefore carried out a simultaneous valuation at the Group level and derived the earnings value from the Group plans presented. In addition, the determination of enterprise values for individual subsidiaries is not necessary in this specific valuation case.

For the reasons stated above, we consider the reasons described above to be expedient. We have ensured through consultations that the subsidiaries and holdings have been fully included in the calculation of the enterprise value of Vitesco Technologies.

In summary, we consider the procedure used by the Valuation Expert to structure and demarcate the Valuation Object to be appropriate.

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<sup>158</sup> Cf. Section D.II.1.



## 2. Derivation of the net income of Vitesco Technologies to be capitalised

### a) Structure of the estimates and estimation process of Vitesco Technologies

In accordance with the principles of IDW S 1, the valuation of Vitesco Technologies is based on the assumption that the enterprises of the Vitesco Group will have an unlimited useful life. Since well-deliberated planning is not possible for an infinite period, a distinction must be made between the detailed forecast phase and the phase of the perpetual annuity.<sup>159</sup>

The detailed forecast phase is determined by the estimates submitted by Vitesco Technologies, which cover the years 2024 to 2028. The first year of the estimates (budget) has a higher level of detail<sup>160</sup> than the four subsequent years.

The budget is planned at the level of the 22 product lines by their management and then aggregated for the six business divisions and the segments. At segment level, the estimates of the individual figures are expanded to include estimates for the income statement and operating assets. Volume estimates for each product and estimates by customer and region are also carried out at this level.

The Vitesco Group's estimation process is carried out using the counterflow method. The regular estimation process begins in May and ends in December of each year. It begins "top down" by provisionally setting external factors (e.g. exchange rates). These are updated and finalized in July and supplemented by a large number of assumptions on economic development in the individual countries. In May, the estimates for revenues and cost of sales begin "bottom up" at product line level. At the same time, investments, research and development costs and the costs of shared service centers are estimated by the respective locations. Targets for investments are communicated separately by Investment Controlling. Plans for the plants begin in August on the basis of the estimated information provided by the functions. From October onwards, the plans drawn "bottom up" and consolidated by Controlling are reviewed at various levels, including the product lines and business divisions, and finally by the Executive Board "top down".

The targets for the budget and strategic plans are generally based on the previous year's approved plans. However, management reserves the right to adjust the targets. In this case, the cost, profit and cash flow targets are discussed and defined in collaboration with the Controlling, Planning & Reporting Departments and the relevant business areas.

The final budget is regularly approved by the Executive and Supervisory Boards in December. The budget presented was adopted by the Executive Board on 27 November 2023 and approved by the Supervisory Board on 7 December 2023.<sup>161</sup>

According to our findings, these estimates arose from the regular estimation process described above. In our opinion, this process complies with the principles of proper planning. In view of the systematic

<sup>159</sup> If necessary, supplemented by an intermediate rough planning or convergence phase.

<sup>160</sup> Estimates by month and at location level.

<sup>161</sup> Approval of the budget and investment plan for financial year 2024; acknowledgement of the estimates for financial years 2025 to 2028.

forecasting process described, we therefore consider the budget accounts presented by Vitesco Technologies to be fundamentally suitable for the purposes of enterprise valuation.

In line with its external reporting, it is prepared in accordance with IFRS and includes integrated estimates for the income statement, balance sheet and cash flow. The information summarised at Group level in the final estimates can be filtered in accordance with various criteria, e.g. by segment, division, product line or region. In addition to the key financial figures, it also provides further information such as the respective number of employees.

b) Analysis of the fidelity of the estimates of Vitesco Technologies

The Valuation Expert has verified the adherence to planning on the basis of a comparison of the revenue and expenses up to the EBIT (actual) actually achieved in financial years 2021 to 2023 with the respective forecast values (plan).

In view of the regularly significantly lower planning reliability of subsequent planning years, the analysis is limited to planning for the first planning year (budget year).

We consider the basic procedure of how the Valuation Expert analysed the planning accuracy to be appropriate. The Expert's explanations of the deviations of estimates and actual figures as well as the findings of this analysis can be summarised as follows:

- Revenues in line with estimates in all financial years under review
- Earnings forecasts were exceeded in all financial years under review, which is mainly due to the following circumstances:
  - Financial years 2021 and 2022: Lower than expected negative impact on earnings due to lower production volumes and the global semiconductor crisis as a result of the COVID-19 pandemic
  - Financial year 2023: Lower than expected negative impact on earnings due to the ongoing semiconductor crisis and the general development of purchase prices
- Forecasts met at the Group level
- No indications that the present estimates do not form a suitable starting basis for an enterprise valuation

In our opinion, the analysis of estimation accuracy does not indicate that Vitesco Technologies sets overly ambitious earnings targets when preparing estimates.

We have been able to follow the rest of the Valuation Expert's analyses without any objections. Consequently, the analysis of compliance with the forecasts, including the findings of our analysis of the forecasting process, has also shown, in our opinion, that the estimates of Vitesco Technologies are suitable for purposes of the enterprise valuation.

**Audit result**

The estimates presented by Vitesco Technologies can be used to determine the enterprise value of Vitesco Technologies.

The Valuation Expert has basically based its valuation on the estimates submitted unchanged.

For reasons related to the valuation system, the Valuation Expert has made the following adjustments to the submitted estimates in a comprehensible manner:

- Replacing the projected figures from the estimates in the balance sheet per 31 December 2023 with the figures from the consolidated financial statements
- Modification of the distribution estimates
- Modification of liquid asset estimates as a follow-up effect, modeling of a minimum operating cash of two months' revenues less a revolving credit line not yet utilised
- Increase in interest expense as a result of the adjustment of the valuation balance sheet to the figures in the consolidated financial statements
- Reduction in tax expense as a result of the modification of interest expense

c) Analysis of the estimates of Vitesco Technologies

ca) Overview

Compared to the (adjusted) figures for the historical period under review, the company's modified<sup>162</sup> estimated income statement - supplemented by selected key figures - is as follows overall:

Vitesco Technologies Income statement Millions of €	Actual (adjusted)			Estimates					CAGR	
	2021	2022	2023	2024	2025	2026	2027	2028	2021-23	2023-28
Revenue	8.348,5	9.070,0	9.233,2	8.817,5	9.869,4	11.236,3	12.248,2	12.899,8	5,2%	6,9%
Cost of sales	-7.228,1	-7.912,9	-7.820,9	-7.385,0	-8.197,9	-9.214,3	-10.011,5	-10.525,5	4,0%	6,1%
<b>Gross profit</b>	<b>1.120,4</b>	<b>1.157,1</b>	<b>1.412,3</b>	<b>1.432,5</b>	<b>1.671,5</b>	<b>2.022,0</b>	<b>2.236,7</b>	<b>2.374,3</b>	<b>12,3%</b>	<b>10,9%</b>
Selling, general and administrative expenses	-357,2	-353,1	-403,2	-349,9	-349,8	-371,5	-376,7	-380,3	6,2%	-1,2%
Research and development costs	-1.031,8	-1.005,2	-1.020,2	-955,5	-976,2	-974,2	-1.044,4	-1.022,4	-0,6%	0,0%
Other income	576,3	551,1	480,2	352,3	321,2	295,8	294,1	284,1	-8,7%	-10,0%
Other expenses	-165,8	-125,8	-127,0	-79,7	-101,5	-100,6	-145,2	-220,0	-12,5%	11,6%
<b>EBIT</b>	<b>141,9</b>	<b>224,1</b>	<b>342,1</b>	<b>399,7</b>	<b>565,2</b>	<b>871,5</b>	<b>964,5</b>	<b>1.035,7</b>	<b>55,3%</b>	<b>24,8%</b>
Depreciation (over all functional costs)	508,4	540,7	495,0	508,0	586,5	634,0	695,2	725,7	-1,3%	8,0%
<b>EBITDA</b>	<b>650,3</b>	<b>764,8</b>	<b>837,1</b>	<b>907,7</b>	<b>1.151,7</b>	<b>1.505,5</b>	<b>1.659,7</b>	<b>1.761,4</b>	<b>13,5%</b>	<b>16,0%</b>
Financial result	-5,9	-45,3	-26,5	-30,8	-40,7	-41,1	-32,5	-28,9		
<b>Result from ordinary operations</b>	<b>136,0</b>	<b>178,8</b>	<b>315,6</b>	<b>368,9</b>	<b>524,5</b>	<b>830,4</b>	<b>932,0</b>	<b>1.006,8</b>		
Extraordinary result	-102,4	-80,8	-169,9	0,0	0,0	0,0	0,0	0,0		
<b>Earnings before tax</b>	<b>33,6</b>	<b>98,0</b>	<b>145,7</b>	<b>368,9</b>	<b>524,5</b>	<b>830,4</b>	<b>932,0</b>	<b>1.006,8</b>		
Taxes on income	-155,6	-74,4	-242,1	-140,9	-182,7	-239,8	-258,0	-260,0		
<b>Net income</b>	<b>-122,0</b>	<b>23,6</b>	<b>-96,4</b>	<b>228,0</b>	<b>341,8</b>	<b>590,6</b>	<b>674,0</b>	<b>746,8</b>		
<b>as a % of revenue</b>										
Cost of sales	86,6%	87,2%	84,7%	83,8%	83,1%	82,0%	81,7%	81,6%		
Gross profit	13,4%	12,8%	15,3%	16,2%	16,9%	18,0%	18,3%	18,4%		
Selling, general and administrative expenses	4,3%	3,9%	4,4%	4,0%	3,5%	3,3%	3,1%	2,9%		
Research and development costs	12,4%	11,1%	11,0%	10,8%	9,9%	8,7%	8,5%	7,9%		
Other income	6,9%	6,1%	5,2%	4,0%	3,3%	2,6%	2,4%	2,2%		
Other expenses	2,0%	1,4%	1,4%	-0,9%	-1,0%	-0,9%	-1,2%	-1,7%		
EBIT	1,7%	2,5%	3,7%	4,5%	5,7%	7,8%	7,9%	8,0%		
Depreciation, amortisation and other write-offs	6,1%	6,0%	5,4%	5,8%	5,9%	5,6%	5,7%	5,6%		
EBITDA	7,8%	8,4%	9,1%	10,3%	11,7%	13,4%	13,6%	13,7%		
Effective tax rate	463,1%	75,9%	166,2%	38,2%	34,8%	28,9%	27,7%	25,8%		

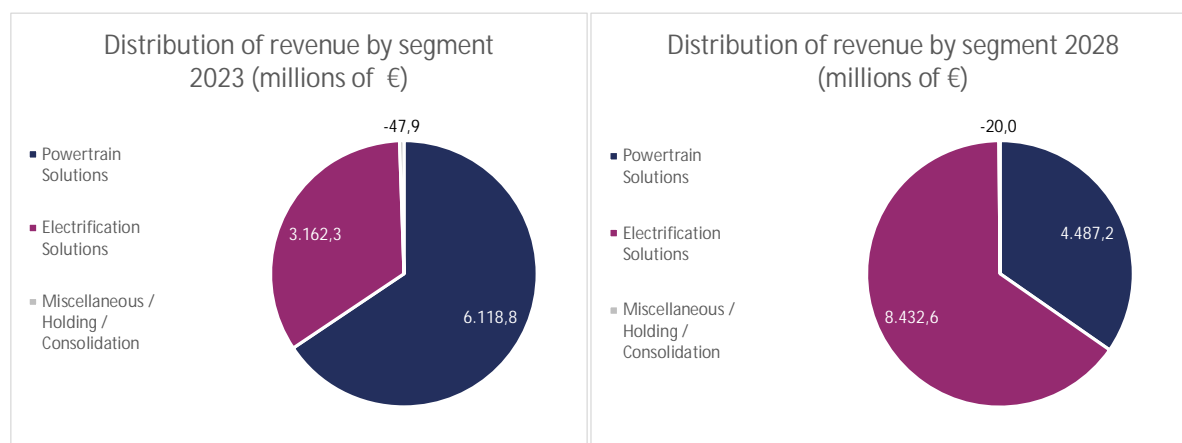
Sources: Company information, information from the Valuation Expert, own analyses

<sup>162</sup> Cf. Section E.II.2.b) for the minor modifications to the budget presented.

cb) Revenue

Starting from a year in which Vitesco Technologies was unable to exceed the estimated revenue for the first time due to unforeseeable developments and only achieved slight growth, revenue is even expected to decline in financial year 2024 due to the decision to discontinue or phase out certain businesses in the future. By focusing on high-growth business areas, the company expects to outperform the market as a whole in 2025 and 2026. Vitesco Technologies is planning for declining growth rates in the subsequent forecast years. Over the entire forecast horizon, this results in an average annual increase in revenue of 6.9% (CAGR).

These development trends can be seen even more clearly when looking at the segments. While the Powertrain Solutions segment is expected to suffer a 26.3% drop in revenue in the period from 2023 to 2028, revenue in the Electrification Solutions segment is set to increase by an average of 21.8% (CAGR) per year in line with the strategic direction. The weighting of the segments is shifting from two thirds/one third to one third/two thirds, as can be seen in the following figure:



The main reason for the decline in revenue in the Powertrain Solutions segment is initially the gradual termination of job manufacturing for the Continental Corporation and the discontinuation of certain products for combustion engines that are not part of the core business. Vitesco Technologies intends to continue producing products for combustion engines, which form part of its core business, such as sensors and actuators, even though the market is trending downwards. The revenue level for these products should remain largely constant. The expected growth in revenue for core products in the field of electrification, such as the two-wheeler business, is based on a low level and cannot compensate for the loss of revenue in the field of products for combustion engines. From a regional perspective, business is expected to shift increasingly towards Germany and China.

With significant sales growth expected in the Electrification Solutions segment, Vitesco Technologies is benefiting from its early focus on the electrification of the drivetrain and the high level of investment in research and development in the past. Accordingly, Vitesco Technologies anticipates growth rates that are significantly higher than the estimated growth of the global electric vehicle market, particularly at the beginning of the forecast period. Over the course of the forecast period, however, Vitesco Technologies anticipates an increase in the number of competitors, more competitive pressure and therefore a slow-down in revenue growth. From a regional perspective, Vitesco Technologies sees the greatest potential for growth in America, where it currently has less of a presence. Due to delays in the development of

electric vehicles by European car manufacturers, growth in Europe is expected to be lower overall. Higher growth is also expected for Germany in the medium term.

The revenue estimates of Vitesco Technologies are largely underpinned by existing orders. Across both segments, 89% of estimated sales in the first forecast year 2024 are already attributable to the current order backlog. Even in 2028, 52% of estimated revenue is still underpinned by orders that have already been contracted.

The comparison of the revenue growth of Vitesco Technologies with the growth rates of its peers presented by the Valuation Expert shows that the growth of Vitesco Technologies in the past has been below average. This also applies to the first forecast year 2024, in which Vitesco Technologies even expects a decline in revenue across both segments. The development in these years is due to the decision of Vitesco Technologies to discontinue or phase out certain businesses in the future. The strategic focus on high-growth products should enable growth that is significantly above the median growth rates expected by analysts for the peer companies after a start-up period from the forecast year 2025. In the long term, based on this plausibility check, the estimated decline in growth rates is expected to converge with the market level.

#### cc) Operating result (EBIT)

Vitesco Technologies expects the cost of sales to increase at a slower rate than revenue to € 10,525.5 million (2028) over the forecast horizon, meaning that the gross profit margin is expected to improve continuously from 15.3% (2023) to 18.4% (2028).

The substantial increase in the gross profit margin is attributable to a number of measures introduced and external factors.

Considerable savings are expected in material costs. After the purchase prices of certain production materials such as semiconductors rose significantly in the wake of the COVID-19 pandemic and the subsequent inflationary trends, the global market is beginning to normalise, which is expected to lead to significant savings opportunities in the coming years. Some of the savings have to be passed on to customers by reducing the initial prices. Having been unable to pass on the full extent of recent cost increases to customers, however, Vitesco Technologies expects to be able to compensate for earlier deficits.

The improvement in the margin is also due to efficiency gains as a result of optimisation measures in the past, a focus on high-margin business areas and higher capacity utilisation of plants as planned, i.e. cost degression effects.

Selling, administrative and general expenses are expected to fall by 13.2% to € 349.9 million in the first forecast year and remain at this level in the 2025 financial year. This is mainly due to the restructuring and reorganisation measures introduced as part of the "Next" programme, particularly with regard to central functions and shared services. As a result of these measures, selling, administrative and general costs are not expected to increase significantly in subsequent years.

Vitesco Technologies expects to be able to substantially reduce selling, administrative and general costs overall. Over the forecast horizon, this results in a calculated annual decline of 1.2% (CAGR), while sales are expected to increase by 6.9% (CAGR) annually. Selling, administrative and general costs are predominantly fixed costs. As a result, cost depression effects will lead to a reduction in the cost ratio from 4.4% (2023) to 2.9% (2028). The development of distribution and logistics costs should also contribute to this improvement.

Research and development costs represent the largest non-production-related cost item at Vitesco Technologies. The estimates for budget year 2024 are based on a detailed project list. For subsequent forecast years, research and development costs are extrapolated on the basis of estimated sales and resources.

As expected, this cost block should also remain at a constant level over the forecast horizon. As a result of the estimated significant increase in revenue, the trend towards a substantial reduction in the cost ratio, which has already emerged in the past, is expected to continue during the forecast period. The share of research and development costs in revenue is expected to gradually decrease from 11.0% (2023) to 7.9% (2028).

On the one hand, this development reflects the fact that Vitesco Technologies has already been making intensive efforts in research and development activities for many years, from which it will be able to benefit in the coming years. In addition, maintaining technological leadership will require less effort in the future, as the development of an electric motor is technically less demanding than that of a combustion engine.

The expenses reported in the income statement represent the balance of the research and development costs incurred (gross) and the capitalisation of development projects. Capitalisation decreases over the forecast horizon, while depreciation on previously capitalised development projects increases as a result of the start of production.

The Valuation Expert compared the research and development costs of Vitesco Technologies for the past with the research and development costs reported in the annual reports of the peer companies. As a result, this comparison confirms that Vitesco Technologies has invested heavily in research and development in the past. Based on this comparison, it seems plausible that the corresponding cost ratio at Vitesco Technologies will decrease further.

However, the Valuation Expert was unable to compare the research and development costs on the basis of the reported expenses with developments at the peer group companies, as they result according to the consensus opinion of analysts for the peer group companies, as estimates for the net expenses are not available. With reference to this limitation, the Expert considers the estimates of the research and development costs of Vitesco Technologies to be ambitious but plausible.

Other income mainly includes reimbursements for research and development costs. As reimbursements for the development of electric vehicles are generally lower than for combustion engines, Vitesco Technologies expects other income to fall as part of its strategic focus on e-mobility. Other expenses mainly include restructuring costs in connection with the discontinuation of business units in the Powertrain

Solutions segment. The positive balance from other income and expenses is expected to decrease over the forecast horizon from € 353.2 million (2023, adjusted) to € 64.1 million (2028).

Based on the developments described above, EBIT is expected to continue to follow the trend observed in the past in the forecast period and increase continuously from € 342.1 million (2023, adjusted) to € 1,035.7 million (2028) and the EBIT margin accordingly from 3.7% (2023, adjusted) to 8.0% (2028). This should gradually bring Vitesco's EBIT margin from the lower end of the benchmark (2021 and 2022) closer to the level of the peer group (median). In the last year for which a sufficient number of analyst estimates are available (2027), a median EBIT margin of 7.9% is estimated for the peer group, which corresponds to the expected EBIT margin of Vitesco Technologies for this forecast year.

The total depreciation and amortisation included in the functional costs increases in the forecast period largely in line with the development of revenue from € 495.0 million (2023, 5.4% of revenue) to € 725.7 million (2028, 5.6% of revenue). In view of this, EBITDA developed largely in parallel with EBIT. The EBITDA margin will increase from 9.1% (2023) to 13.7% (2028). Compared to its peers, the EBITDA margin of Vitesco Technologies in the past and at the beginning of the forecast phase is at the lower end or even below the range of the margins estimated by analysts for the peer companies. In the medium term, the margin improvement resulting from the estimates means that Vitesco Technologies will even exceed the level of the peer group (median, 12.1%) at the long end (2027).



cd) Net income

The financial result is of subordinate importance, as Vitesco Technologies has relatively low interest-bearing liabilities and these will only increase insignificantly. A financial result of € -26.5 million was reported in financial year 2023. In the course of the estimates, the expense balance initially increases to € -41.1 million (2026) and then decreases to € -28.9 million (2028).

Vitesco Technologies has estimated the interest income from interest on liquid assets and the interest expenses on the individual components of the financial liabilities<sup>163</sup> at the respective long-term contractually agreed interest rates or on the basis of forecasts. As part of the estimate, Vitesco Technologies assumes that it will be possible to refinance expiring loans at slightly lower interest rates, as the market interest rate level is expected to fall and the creditworthiness and rating of Vitesco Technologies should continue to improve over the course of the forecast period.

On average, this results in a debit interest rate of 3.4% and a credit interest rate of 1.9% for the first forecast year (2024). By 2028, the credit interest rate is expected to fall to 1.2% and the debit interest rate to 2.8%, which we consider plausible.

The Valuation Expert has basically adopted the estimated net interest income unchanged. Adjustments were necessary insofar as the liquid assets and interest-bearing liabilities were adjusted as part of a financial requirements calculation. The modification of net financial debt can be attributed to various factors.

The liquid assets and the financial liabilities items were included in the estimates with projected values. Certified actual figures as of 31 December 2023 are now available. As a first step, the Valuation Expert therefore adjusted the valuation balance sheet to the actual figures.

In a second step, it modified the distribution estimates. The estimates are based on the assumption that 15% of consolidated net income can be distributed to the shareholders of Vitesco Technologies Group Aktiengesellschaft each year. This distribution assumption is generally retained in the valuation model, but modified to the extent that a loss carryforward must first be amortised.<sup>164</sup>

In a third step, the Valuation Expert also adjusted the estimated liquid assets as a result of these adjustments. The estimates were based on the assumption presented to us, which we considered plausible, that a minimum operating cash requirement of two months' revenue less a revolving credit line that has not yet been utilised is necessary.

These modified balance sheet estimates result in the need to take on additional interest-bearing liabilities for financial years 2024 and 2025 in accordance with the financial requirements calculation. As a result, the Valuation Expert added an additional interest expense to the financial result in each subsequent year.

<sup>163</sup> Promissory note loans, bank loans, liabilities from long-term employee benefits (primarily pension provisions), long-term provisions for warranties and restructuring as well as lease liabilities.

<sup>164</sup> As the model is based on the consolidated figures, it does not accurately reflect the legal restrictions on distributions in this valuation case. The annual financial statements of Vitesco Technologies Group Aktiengesellschaft do not contain any restrictions on distributions. However, this is not relevant for the valuation result. The difference between the enterprise value as it results from the present modeling and an enterprise value that would result if the dividend payout plan is maintained is of more than minor importance.



In doing so, it used the average interest rate on liabilities resulting from the estimates of Vitesco Technologies.<sup>165</sup> We consider this to be appropriate.

Income taxes are expected to decrease significantly in the first forecast year to € 140.9 million (2024) and then increase continuously to € 260.0 million. After exceptionally high effective tax rates of up to 463.1% (2021) in the past financial years under review, effective tax rates can be calculated from the estimates, which will gradually decrease from 38.2% (2024) to 25.8% (2028).

The high effective tax rates observed in the past are mainly due to one-off effects. The differences between the consolidated earnings before income taxes estimated in accordance with IFRS and the tax assessment bases depend on the tax regulations of the respective country, but should balance out in the long term. The situation is different for generally non-taxable income and tax incentives in the form of grants on the one hand and for generally non-deductible expenses or double taxation due to non-allowable withholding taxes or the non-recognition of group transfer prices on the other.

Tax expenses of € 242.1 million are reported in financial year 2023, although the consolidated earnings before income taxes calculated in accordance with IFRS only amounted to € 145.7 million, resulting in an effective tax rate of 166.2%. Based on the nominal average domestic<sup>166</sup> tax rate of 30.7%, this would result in an "expected" tax expense of € 44.7 million.

The significantly higher expenses actually incurred at Group level are attributable to a number of individual effects. Significant effects relate to the loss of loss carry-forwards based on the planned merger. Another significant special effect, which will, however, continue to be incurred in subsequent years, resulted from withholding taxes on distributions from foreign Group companies that cannot be offset in Germany.

There was a significantly higher tax expense in financial year 2023 because the tax-increasing effects were very large. However, there were also opposing effects. The tax-reducing effects include subsidies and temporary exemptions on the one hand and tax rate differences abroad on the other.

These examples show that proper estimates of tax expenses should take into account the aforementioned and other special effects, insofar as they are already known or foreseeable. Furthermore, tax estimates for a globally active group should also differentiate between countries.

We have had the tax estimates of Vitesco Technologies explained to us by those responsible for the estimates and supported by documentation. In doing so, we made use of the professional support of experts from the ADKL Group's tax consultancy.

Corporate taxes and the pre-tax result for the budget year (2024) are estimated in detail and projected for the remaining years using further assumptions and taking into account significant known special effects. Planning for the budget year is carried out at individual company level and supplemented at segment level or by the central tax function.

<sup>165</sup> Interest-bearing liabilities excluding contingent liabilities (provisions).

<sup>166</sup> For corporations, taxation with regard to corporate income tax plus solidarity surcharge is identical throughout Germany, while the tax rate for trade tax is calculated on the basis of the different assessment rates of the municipalities. An average tax rate then results from the distribution of the tax base to the municipalities in accordance with the respective share of the wage bill.

Significant special effects that will continue to arise in the forecast period include withholding taxes, which are mainly incurred in Germany. The nominal tax rates in the main jurisdictions are between 9% (Hungary) and 31% (Germany). As expected, the pre-tax profit in accordance with IFRS generated in China in the last forecast year (2028) will account for 47% of consolidated earnings before taxes. China currently has a nominal tax rate of 15%. Research and development costs are subsidised in China through a so-called "super deduction". This funding will continue to have its full positive effect until 2028. This effect reduces the effective tax rate for the Chinese share of consolidated earnings before taxes to 11%. In the long term, it can be assumed that the tax burden to be borne in China will approach the nominal tax rate (15%) if new projects that are subject to the "super deduction" are not started or are smaller in scale.

The Valuation Expert also considers the tax estimates presented to us in detail to be plausible and has basically adopted the estimated corporate taxes unchanged. Due to the adjustment of the interest expense applied for valuation reasons, the Expert has modeled a reduction in income taxes using the period-specific effective tax rate. We consider this to be appropriate.

On this basis, net income results, increasing from € 228.0 million (2024) to € 746.8 million (2028) consistently over the course of the forecast period. Minority interests in the consolidated result are not to be taken into account.

## ce) Balance sheet

Compared to the figures for the historical period under review, the Company's modified<sup>167</sup> estimated balance sheet of Vitesco Technologies - supplemented by selected key figures -<sup>168</sup> is as follows overall:

Vitesco Technologies Balance sheet Millions of €	Actual (adjusted)			Estimates					CAGR	
	2021	2022	2023	2024	2025	2026	2027	2028	2021-23	2023-28
Intangible assets	976,5	1.027,5	1.122,0	1.230,1	1.274,7	1.305,4	1.308,5	1.288,7	7,2%	2,8%
Property, plant and equipment	2.544,9	2.414,6	2.279,7	2.565,5	2.768,7	2.886,3	2.968,0	3.085,2	-5,4%	6,2%
Financial assets	357,7	367,7	403,3	384,1	416,2	447,5	440,7	432,6	6,2%	1,4%
<b>Fixed assets</b>	<b>3.879,1</b>	<b>3.809,8</b>	<b>3.805,0</b>	<b>4.179,7</b>	<b>4.459,6</b>	<b>4.639,2</b>	<b>4.717,2</b>	<b>4.806,5</b>	<b>-1,0%</b>	<b>4,8%</b>
Inventories	806,9	827,7	828,4	692,6	709,5	764,6	792,3	815,1	1,3%	-0,3%
Trade receivables	1.518,9	1.631,4	1.546,0	1.495,3	1.623,0	1.857,1	2.028,3	2.138,8	0,9%	6,7%
Liquid assets	614,0	781,1	1.063,6	669,6	844,9	1.072,7	1.241,4	1.350,0	31,6%	4,9%
Other current assets	589,2	553,7	378,5	270,0	209,3	148,1	146,8	146,9	-19,9%	-17,2%
<b>Current assets</b>	<b>3.529,0</b>	<b>3.793,9</b>	<b>3.816,5</b>	<b>3.127,5</b>	<b>3.386,7</b>	<b>3.842,5</b>	<b>4.208,8</b>	<b>4.450,8</b>	<b>4,0%</b>	<b>3,1%</b>
<b>Total assets</b>	<b>7.408,1</b>	<b>7.603,7</b>	<b>7.621,5</b>	<b>7.307,2</b>	<b>7.846,3</b>	<b>8.481,7</b>	<b>8.926,0</b>	<b>9.257,2</b>	<b>1,4%</b>	<b>4,0%</b>
Shareholders' equity	2.688,3	3.061,7	3.015,5	3.243,5	3.585,3	4.111,6	4.361,8	4.523,0	5,9%	8,4%
Provisions and accrued liabilities	561,5	464,4	439,1	297,7	231,3	193,3	174,7	161,6	-11,6%	-18,1%
Interest-bearing liabilities	1.408,4	1.215,9	1.488,6	1.538,2	1.635,6	1.532,0	1.556,0	1.636,2	2,8%	1,9%
Non-interest-bearing liabilities	2.749,9	2.861,7	2.678,3	2.227,8	2.394,0	2.644,8	2.833,5	2.936,4	-1,3%	1,9%
<b>Total liabilities</b>	<b>7.408,1</b>	<b>7.603,7</b>	<b>7.621,5</b>	<b>7.307,2</b>	<b>7.846,3</b>	<b>8.481,7</b>	<b>8.926,0</b>	<b>9.257,2</b>	<b>1,4%</b>	<b>4,0%</b>
<b>Indicators</b>										
Storage range (in days)	61,7	57,6	41,6	36,5	33,8	32,3	30,8	30,1		
Days sales outstanding (in days)	66,4	65,7	61,1	61,9	60,0	60,3	60,4	60,5		
Liability range (in days)	149,9	139,5	92,6	84,1	84,9	86,7	87,5	88,1		
Cash and cash equivalents (as % of revenue)	7,4%	8,6%	11,5%	7,6%	8,6%	9,5%	10,1%	10,5%		
Interest-bearing debt/EBITDA	2,2	1,6	1,8	1,7	1,4	1,0	0,9	0,9		
Equity ratio (as % of total assets)	36,3%	40,3%	39,6%	44,4%	45,7%	48,5%	48,9%	48,9%		
Return on capital employed (ROCE) (adjusted)		3,0%	4,1%	9,3%	12,1%	17,0%	17,4%	17,8%		

Sources: Company information, information from the Valuation Expert, own analyses

The future development of the financial and liquidity position of Vitesco Technologies is summarized as follows:

- Decreasing total assets in the first forecast year and continuously growing with the expansion of business activities in the subsequent forecast years
- Continuous increase in property, plant and equipment due to necessary investments for the planned organic growth, which are supported by detailed investment planning
- The CAPEX ratio (property, plant and equipment only) of Vitesco Technologies tends to be at the upper end or above the median of the range spanned by the peer group, converging towards the median of the peer group in the course of the estimates
- Inventories at a higher level than in the forecast period due to increases in the past caused by the semiconductor crisis, inventory range decreasing to 30 days (2028) during the forecast period
- Days sales outstanding largely constant
- Liquid assets calibrated to the level required for operations
- Shareholders' equity increased by retained profit, with the equity ratio rising to 49% by 31 December 2028
- Decrease in provisions mainly due to utilisation of provisions for restructuring
- Interest-bearing liabilities rise, partly due to increase in pension provisions, as only active employees with pension entitlements (no pension recipients were taken over in the spin-off from Continental AG in Germany), meaning that most pension commitments relate to active employees
- At the end of the forecast period, Vitesco Technologies is in a position to repay all interest-bearing liabilities with the cash-effective surpluses of a financial year
- Non-interest-bearing liabilities mainly trade payables, days payable outstanding increasing slightly to 88 days (2028) over the course of the estimates
- ROCE (adjusted) continuously rising to 17.8

<sup>167</sup> Cf. Section E.II.2.b) for the minor modifications to the budget presented.

<sup>168</sup> The balance sheet values refer to 31 December of each financial year.

cf) Overall assessment

The summary of the Valuation Expert on the result of its analysis of the submitted estimates can be condensed as follows:

- Estimated high sales growth partly secured by particularly large order backlog, supported by the expected global market growth for electric vehicles, BEVs and PEVs and supported by comparatively heavy investments
- Significant improvement in the EBITDA margin to the peer group median due to economies of scale as a result of the planned volume growth and cost reductions
- Estimates ambitious, but plausible

In the course of our audit, we performed an independent plausibility check of the submitted estimates. The results of our plausibility check are shown in detail in the sections above.

At this point, we would like to point out that the ROCE increases to 17.8% in the course of planning. Summarising our above statements, we consider the estimates presented by Vitesco Technologies to be comprehensible and plausible. We share the opinion of the Valuation Expert that the estimates are ambitious to a certain degree, but achievable.

**Audit result**

Based on the findings from the analysis of the planning process, the planning fidelity and the submitted estimates themselves, it can be stated that the estimates submitted by Vitesco Technologies and modified for systemic valuation reasons are suitable to determine the objectified enterprise value of Vitesco Technologies Group Aktiengesellschaft on their basis.

d) Convergence and continuation phase for the valuation of Vitesco Technologies

The Valuation Expert correctly states that Vitesco Technologies is not yet in a steady state at the end of the detailed forecast period (2028).

To derive the sustainable result (from 2031), the Expert therefore converted the estimates of the detailed forecast phase (2024 to 2028) into sustainable figures by interposing a technical convergence phase of two years (2029 and 2030). This sustainable result represents the future earnings power of Vitesco Technologies assuming an infinite going concern and without the implementation of expansion investments.

In a first step, the Valuation Expert converted the revenues of Vitesco Technologies to a sustainable expected revenue figure.

The growth in revenues in the last planning year (5.3%) is not in line with long-term expectations. Even in the high-growth market for e-mobility, growth prospects are limited in the long term by customer purchasing power growth and intensifying competition.

Based on considerations of the long-term inflation trend and the possibilities of passing on rising purchasing costs to customers in the market for e-mobility, the Valuation Expert estimates the sustainable rate of revenue growth at 1.75%. In the convergence phase, the Expert transferred the growth rate of the

revenues of the last plan year (5.3%) to the expected sustainable revenue growth (1.75%) by linear reduction over two years. On this basis, the sustainable revenue volume is € 13,827.3 million.

In a second step, the Valuation Expert converted the sustainable revenue volume into sustainable earnings figures.

In doing so, the Expert converted the sustainable sales volume into a sustainable gross profit or sustainable EBITDA using a sustainably achievable gross profit margin of 18.2% and a sustainable EBITDA margin of 13.5%. The sustainable EBITDA margin corresponds to the level of the peer group and is only slightly below the EBITDA margin expected for Vitesco Technologies in the last forecast year (13.7%). Taking the sustainable EBITDA margin (13.5%) as a basis, the estimated sustainable revenue volume (€ 13,827.3 million) results in sustainable EBITDA of € 1,866.7 million.

The Valuation Expert has converted the sustainable EBITDA into a sustainable EBIT using CAPEX ratios that are considered sustainable. The Expert estimates the CAPEX ratio of intangible assets in the last forecast year 2028 (0.8%) and the CAPEX ratio of right-of-use assets from leases in the last forecast year 2028 (0.5%) to be sustainable. The Valuation Expert based the CAPEX ratio for property, plant and equipment on the peer group (5.0%). Depreciation and amortisation in the convergence and continuation phase are applied at a level that results in a growth in fixed assets of 1.75%, taking into account investment expenditure.

On this basis, sustainable depreciation and amortisation amounts to € 803.0 million and sustainable EBIT to € 1,063.7 million.

The Valuation Expert generally derived the sustainable financial result from the development of interest-bearing assets and liabilities and the interest rates from the last forecast year. With regard to the minimum operating fund, the Valuation Expert applies an interest rate that is slightly below the prime rate (2.50%) from the transition to the convergence phase. Consequently, the financial result improves from € -28.9 million (2028) to € -18.7 million (2029). The financial result will develop to € -19.3 million by the start of the phase of perpetual annuity.

When reconciling income taxes, the Valuation Expert assumed an effective tax rate of 25.8% in the last forecast year. The calculation of this tax rate also includes the utilisation of loss carryforwards, which are of a finite nature. Accordingly, the Valuation Expert calculated the utilisation of the remaining loss carryforward separately and recognised it as a special asset. Without the expense-reducing effect of the loss carryforward, the effective tax rate is 26.7%, which is to be regarded as sustainable. On this basis, recurrent tax expenses amounted to € 278.8 million and recurrent net income for the year amounted to € 765.5 million.

When updating the balance sheet, the Valuation Expert updated the balance sheet items inventories, trade receivables and trade payables using the coverage ratios of the last forecast year (2028). The minimum operating liquidity remains unchanged at two months' revenue less the credit line of € 800.0 million. Shareholders' equity is updated taking into account the net results and a payout ratio of 50.0%. The other balance sheet items were adjusted by the Valuation Expert using the growth rate (1.75%).

In light of the explanations received and our understanding of the business model, we consider the assumptions made by the Valuation Expert for reconciling the income statement and balance sheet of the final plan year (2028) via a convergence phase (2029 to 2030) to the sustainable level (2031) to be well founded and plausible. We were able to reproduce the associated calculations without any objections.

#### **Audit result**

The Valuation Expert has derived the extrapolation of the estimates in the convergence and continuation phase in a plausible and comprehensible manner.

#### e) Net income after personal taxes of Vitesco Technologies

According to IDW S 1, the determination of objectified enterprise values for the detailed forecast period is to be based on the distribution of those financial surpluses that are available after taking into account the business concept documented as of the valuation date and after legal restrictions.

For the perpetuity phase, it is generally assumed that the distribution behavior of the company being valued is equivalent to the distribution behavior of the alternative investment, unless special features of the industry, capital structure or legal framework need to be taken into account.

Due to the high degree of investment in electromobility and in view of the low or negative consolidated results, Vitesco Technologies has not made any distributions in recent years. According to the information provided to us, the Executive and Supervisory Boards intend to propose to the shareholders resolving in annual general meeting on the appropriation of profits for financial year 2023<sup>169</sup> that a dividend of € 0.25 per Vitesco share be adopted as the distribution for financial year 2023. For the financial years from 2024, Vitesco Technologies has planned to distribute 15% of the earnings estimated at the Group level.

The Valuation Expert considers the distribution estimates of Vitesco Technologies to be fundamentally plausible. However, based on the Expert's valuation model and taking into account the calculation of financial requirements, it will not be possible to make distributions until 2025. In this respect, the distributions provided for in the valuation model deviate from the distribution estimates presented.

We also consider the company's distribution estimates to be plausible. Finally, considerable investments will have to be made in fixed assets and in research and development - particularly in the first few years of the forecast period - in order to implement the business strategy. Vitesco Technologies is also reducing its debt through the planned retention of earnings. By the end of the forecast horizon, net debt will decrease to € 286.2 million. As expected, this will improve the rating, which will also result in a reduction in the cost of capital. In view of this, we also consider the adjustments to the distributions in the valuation model to be reasonable, especially since a different modeling would not have a material impact on the enterprise value.

In addition, the Valuation Expert has assumed that 50% of the consolidated results will be distributed over the long term. Accordingly, the Valuation Expert has set a payout ratio of 50% in the convergence

<sup>169</sup> Annual general meeting to be convened on 24 April 2024. A resolution on the merger is also to be passed at this annual general meeting.

and continuation phase. In this context, the Expert points to the observed distribution behavior of the peer companies.

In order to establish equivalence between the numerator and denominator of the valuation equation, the literature recommends using the same peer group that was used to derive the beta factor to determine the sustainable distribution behavior of the valuation object.

According to our findings, the distribution behavior of the peers varied greatly. If the average figures for the last three years are taken as a basis, the distribution ratio is mathematically 48%.

As the payout behavior of the peer companies was very inconsistent, we used additional calculations of average market payout ratios for German listed companies to check the plausibility of the payout ratio applied. The studies confirm average payout ratios of 40 to 60%. The distribution rate used for the valuation, 50%, is in the middle of this range and is therefore unobjectionable.

When assessing an exchange ratio, it should also be noted that fundamental assumptions that are not specific to the respective Valuation Object are the same for all valuations. The Valuation Expert has also applied a sustainable payout ratio of 50% in the valuation of Schaeffler. The sustainable payout ratio of 50% used for the valuation of Vitesco Technologies is therefore not objectionable for this reason either.

The Valuation Expert has divided the distributions remaining - after the reinvestment necessary to finance the investments and net current assets and to pay off debts - into actual distributions and any remaining notional distributions in accordance with the aforementioned distribution ratio.

The earnings components used to refinance net working capital and for capital expenditure and repayment of debt are not available to the shareholders.

In contrast, the free earnings components in excess of the minimum operating cash flow are allocated to the shareholders as notional reinvestments. In terms of valuation, this is done by means of further reinvestments, which are notionally added to the value of the shareholders.

When deducting the shareholders' personal taxes, the dividends are to be reduced by the nominal tax burden (26.375%). For the deduction of personal taxes on reinvested earnings, the Valuation Expert followed the recommendation of FAUB and applied an effective tax burden equal to half of the nominal tax rate (13.1875%). A tax-free distribution from the tax contribution account at shareholder level is not possible in this valuation case.<sup>170</sup>

In determining the amounts notionally allocated to shareholders via retention, the Valuation Expert also took into account - in addition to the taxation consequences at the shareholder level - that the growth in corporate earnings assumed from the final year of the convergence phase (2030) and in the perpetual annuity - with stable balance sheet ratios in the steady state - will be accompanied by corresponding growth in the balance sheet.

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<sup>170</sup> Cf. Section E.1.1.

In order to finance sustainable operating growth, the Expert therefore correctly applied an additional retention and took into account the raising of additional financial liabilities in order to maintain the sustainable debt ratio. The partial amount of the retention from the resulting balance (€ 81.2 million) is not to be included in the value added from direct allocation. This approach has also been confirmed by courts.

In summary, we consider the procedure selected for the valuation of Vitesco Technologies with regard to the distribution behaviour and the related taxation to be appropriate and reasonable for the reasons set out above.

**Audit result**

The net income for Vitesco Technologies shareholders is appropriately derived from the integrated planning, taking into account personal taxes.



### 3. Discount rate for the valuation of Vitesco Technologies

#### a) Base interest rate

When determining the basic interest rate, it must be taken into account that the investment in the company to be valued must be compared with a maturity-equivalent risk-free alternative investment. Insofar as a company is valued with an unlimited term, the yield of a risk-free capital market investment, which is also not limited in time, would have to be used as the base interest rate on the valuation date.

Investments without risk do not exist. In view of their quasi-safe character, top-rated public-sector bonds regularly meet the requirement of being risk-free due to the issuers' inability to become insolvent. This applies in particular to German government bonds. Moreover, the limitation to domestic bonds is generally an appropriate typification, especially if the alternative investment of domestic investors is taken as a basis.<sup>171</sup>

With the yields of listed German government bonds, a broad database exists for deriving base interest rates from market data. However, since government bonds are usually so-called "coupon bonds", which are characterized by an annually fixed finite cash flow, whereas cash flows from companies fluctuate and are not limited in time, such bond yields cannot be used directly for enterprise valuations. What is needed instead are maturity-specific interest rates for individual payments, so-called "zero-coupon bonds" or "zero bonds". While such zero bond yields can only be observed directly on the capital market in isolated cases, they can be derived mathematically from the observable coupon yields.<sup>172</sup>

However, German government bonds have a maximum term of 30 years to date. Nor are explicit forecasts available for the yield on German government bonds beyond a term of 30 years. Accordingly, an assumption must be made for risk-free returns beyond 30 years.<sup>173</sup>

In this light, IDW S 1 recommends deriving the base interest rate on the basis of current yield curves.<sup>174</sup> FAUB has substantiated this recommendation by means of the guidance published in IDW-FN on the determination of the base interest rate on the basis of market data using yield curves.<sup>175</sup>

Yield curves can be derived or estimated in various ways. According to the recommendations of FAUB, for reasons of objectivity, uniform use should be made of the database of the German Bundesbank or of the methodologically comparable data of the European Central Bank, Frankfurt am Main.<sup>176</sup>

Since 1997, the yield curve has been estimated by the German Bundesbank on a daily basis using the so-called "Svensson method". This is a direct estimate of zero-coupon bond interest rates based on observed current yields on federal government bonds, federal notes and federal treasury bills with remaining maturities of up to 30 years. For the estimation of interest rates of zero-coupon bonds beyond 30 years, FAUB is of the opinion that - in light of the residual maturities included in the exponential function developed by the German Bundesbank as well as due to general forecast uncertainties - the determined

<sup>171</sup> Cf. e.g. IDW, WPH Edition, *Bewertung und Transaktionsberatung*, loc. cit., Chapter A, Marginal No. 375.

<sup>172</sup> Cf. e.g. IDW, WPH Edition, *Bewertung und Transaktionsberatung*, loc. cit., Chapter A, Marginal No. 377.

<sup>173</sup> Cf. e.g. IDW, WPH Edition, *Bewertung und Transaktionsberatung*, loc. cit., Chapter A, Marginal No. 377.

<sup>174</sup> "IDW S 1", Marginal No. 117.

<sup>175</sup> IDW-FN 2005, p. 555 f., IDW-FN 2008, p. 490 f. and IDW-FN 2013, pp. 363 ff.

<sup>176</sup> "ECB"

interest rate of zero-coupon bonds with a residual maturity of 30 years can generally be used as a sustainable estimate.

If a yield curve is used, the net income to be discounted must generally be discounted for each year at the respective maturity-equivalent interest rate. For reasons of practicability, a uniform base interest rate for the entire period is usually calculated from the yield curve. Depending on the length of the planning period and the assumed growth rate, a uniform interest rate equivalent to the present value is calculated from the yield curve for the subsequent perpetual annuity phase.

The derivation of the present value-equivalent basic interest rate was previously calculated on the basis of a payment series in which the specific inflows to the shareholders in the respective valuation case were taken into account, or, for the sake of simplicity, on the basis of a uniformly growing payment series. In the current capital market situation, this approach can lead to inconsistencies.

In this light, FAUB decided at its meeting on 10 February 2022 to revise the information provided in its pronouncement "Questions and Answers: On the practical application of the principles for carrying out enterprise valuations according to IDW S 1 2008 version (Q & A to IDW S 1 in the 2008 version)" for the determination of the base interest rate. The current version of this pronouncement indicates that a uniform base interest rate equivalent to present value can be derived mathematically from a uniform series of secure cash flows. Accordingly, it has also adjusted the example provided in the appendix to this pronouncement and now uses a uniform payment series.<sup>177</sup>

FAUB further proposes that, in order to smooth short-term market fluctuations as well as possible estimation errors, in particular with regard to the long-term yields typically relevant for business valuations, the zero bond yields estimated as of the valuation date should not be used alone, but should be based on average values. This period-specific averaging is to be derived from the yields observed in the three months preceding the valuation date.<sup>178</sup> In valuation practice, the base interest rate is regularly rounded up or down to quarter percentage points,<sup>179</sup> as is recognized in legal rulings.<sup>180</sup>

On 19 September 2012, FAUB had adopted updated guidance on the consideration of the financial market crisis when determining the discount rate based on the CAPM/Tax-CAPM. In the context of these recommendations, it has also decided to continue to analyze the factors influencing the measurement of the discount rate on a regular basis in its meetings and to update the recommendations accordingly in the event of changes.<sup>181</sup>

In light of the ECB's expansionary monetary policy ("quantitative easing") continued at the time, which represented a special European path and for which no end was foreseeable at the time, FAUB discussed at its meeting on 22 October 2019, the extent to which it makes sense to continue with the fundamental approach of deriving the risk-free base interest rate on the basis of a yield curve derived from the zero-coupon yields of German government bonds. In particular, the issue of updating the curve from year 31

<sup>177</sup> Cf. IDW Life 2022, pp. 321 ff.

<sup>178</sup> Affirmative on averaging for many e.g. Higher Regional Court of Düsseldorf, decision of 6 June 2016, Case I-26 W 4/12 [AktE], AG 2017, pp. 487 ff.

<sup>179</sup> With interest rates of 1.0% and higher. For interest rates lower than 1.0%, it is recommended to round to the nearest tenth of a percentage point.

<sup>180</sup> Cf. e.g. Higher Regional Court of Saarbrücken, Decision of 11 June 2014, Case 1 W 18/13, ZIP 2014, pp. 1784 ff.

<sup>181</sup> Cf. FAUB, IDW-FN 2012 p. 568.

with the spot rate of year 30, as outlined above, had been discussed. In the end, FAUB decided to stick to the previous approach for the time being, but to critically question it on an ongoing basis.<sup>182</sup>

In legal rulings, the determination of the base interest rate on the basis of the yield curve of the German Bundesbank is considered to be appropriate and in the interests of the parties concerned, as the use of the hypothetical zero bond interest rates takes account of the need for objectification.<sup>183</sup>

In the literature, there is some criticism of FAUB's proposals to use average values and round the result in order to reduce complexity and smooth out short-term market fluctuations and possible estimation errors.

With regard to the rounding of the base interest rate, it should be noted that a base interest rate set with several decimal places feigns an accuracy that is not achievable in business valuations, given the uncertainties associated with forecasting future results and a market risk premium that is usually also rounded.

The Valuation Expert followed the recommendations of FAUB and determined and applied a uniform base interest rate before personal income taxes of 2.50% - rounded down to quarter percentage points - in the present case. This rate is based on an estimate of future average interest rates based on interest yield curve data from Deutsche Bundesbank for the three-month period before signing of the Valuation Report. The amount thereof - as well as all other valuation parameters - will have to be updated on the valuation date (24 April 2024).

We have been able to verify the calculations of the Valuation Expert for determining the established base interest rate without any objections.

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<sup>182</sup> Cf. Online Report of results of the 136th Session of FAUB, 22 October 2019, <https://www.idw.de/idw/idw-aktuell/neue-kapitalkostenempfehlungen-des-faub/120158>, last accessed 28 February 2024.

<sup>183</sup> Cf. Higher Regional Court of Duesseldorf, Ruling of 12 November 2015, Case I-26 W 9/14, AG 2016, pp. 331 ff.

The base interest rate before personal taxes (2.50%) can be converted into a base interest rate after personal taxes in the amount of 1.84%.

#### **Audit result**

In summary, we consider the prime rate after personal income taxes of 1.84% used for the valuation of Vitesco Technologies - and Schaeffler - to be justified and appropriate.

#### b) Risk surcharge

##### ba) Detection of risk

From the investor's point of view, investing in a company entails higher risks than acquiring public-sector debt securities. In order to establish risk equivalence between the decision alternatives, the uncertainty of future financial surpluses can generally be included in the valuation as a deduction from the amount of the financial surpluses or as an addition to the discount rate.

The risk surcharge method, which is commonly used both nationally and internationally, has the advantage that it can be based on empirically observable behavior. Regardless of the form and characteristics a risk-benefit function theoretically assumes, the risk premium method can be used to depict a market-oriented approach to measuring risk premiums. The risk premium method complies with IDW S 1 and the usual procedure in valuation practice.

The risk premium is generally calculated on the basis of the shareholder's risk preference. However, with a large number of shareholders, it is not possible to ascertain their individual risk appetite. As a result, it is typical when performing objective business valuations to rely on capital market pricing models in order to ascertain the risk premium and to derive the risk premium directly from the capital market. This assumption makes it possible to reflect the risk assessment of a large number of shareholders, which is reflected in the stock market price via supply and demand, in the valuation model.

Since the company to be valued differs in terms of its specific risk structure from the other companies for which returns can be observed on the market and risk premiums derived from them, appropriate adjustments must be made to the risk premium. In this context, the company-specific risk surcharge is intended to cover both the operating risk arising from the type of operating activity and the capital structure risk influenced by the level of debt.

For the determination of the discount rate in business valuations using capital market theoretical models, IDW S 1 explicitly refers to the CAPM or the Tax-CAPM, which supplements the standard CAPM with the effect of personal income taxes.

The risk premium is calculated according to the CAPM or the Tax-CAPM by multiplying the average market price for assuming risk on the capital market (market risk premium) and the company-specific risk (beta factor). Market risk is calculated as the difference between the return on a group of listed companies<sup>184</sup> and the return on a quasi-risk-free capital market investment (base interest rate). Company-specific risk

<sup>184</sup> Normally summarised in a stock exchange index.

is measured using the beta factor, which is derived from the covariance of the fluctuation in the return of a security to the fluctuation in the market return. It thus describes the sensitivity of a security's return in relation to the development of the underlying market portfolio. If, in a particular case, the risk of the company to be valued corresponds to the risk of the equity portfolio used, the return on the equity portfolio is the same as the discount rate.

The use of the CAPM to determine the risk premium in business valuations is not undisputed in literature and legal rulings. In legal rulings, the application of the CAPM is occasionally rejected with reference to the numerous fundamental reservations against the model. One of the reasons given for this is that the capital market, due to its imperfections, does not provide any reliable information on the future risk level of a company.

Despite all the criticism, the CAPM continues to be the preferred calculation model for determining the risk premium, both by the prevailing opinion in the business management literature and by valuation practice.<sup>185</sup> This conclusion is also almost universally drawn in recent legal rulings.<sup>186</sup>

The Higher Regional Court of Frankfurt am Main further confirms that the CAPM is superior to the free estimation of the risk premium already due to its higher transparency and emphasizes that the CAPM is currently the most important model for determining risk-adjusted capital costs.<sup>187</sup> The Higher Regional Court of Düsseldorf had previously described the CAPM as "state of the art" and also referred in particular to its objectivity and verifiability.<sup>188</sup>

#### **Audit result**

For the above reasons, we also consider it appropriate in the specific valuation case to determine the risk premium using the CAPM or Tax-CAPM.

<sup>185</sup> Cf. Wagner/Jonas/Ballwieser/Tschöpel, *WPg* 2004, pp. 889 ff.

<sup>186</sup> Cf. e.g. HRC Düsseldorf, Decision of 30 April 2018, Case 26 W 4/16 [AktE], openJur 2019, 11897; HRC Frankfurt am Main, Decision of 5 February 2016, Case 21 W 69/14, AG 2016, pp. 588 ff.; HRC Düsseldorf, Decision of 12 November 2015, Case I-26 W 9/14, *loc. cit.*; HRC Karlsruhe, Decision of 23 July 2015, Case 12a W 4/15, AG 2016, pp. 220 ff.; HRC Düsseldorf, Decision of 25 May 2016, Case I-26 W 2/15 [AktE], *BeckRS* 2016, 21367, Marginal No. 58.

<sup>187</sup> Cf. HRC Frankfurt, Decision of 2 May 2011, Case 21 W 3/11, openJur 2012, 34553.

<sup>188</sup> Cf. HRC Düsseldorf, Decision of 27 May 2009, Case I-26 W 5/07 (AktE), *WM* 2009, pp. 2220 ff.

## bb) Market risk premium

The market risk premium can be determined directly on a forward-looking basis or on the basis of historical capital market analyses. Even though the immediate forward-looking calculation<sup>189</sup> has the conceptual advantage of being based on expected payments and current prices, it has not yet become widely accepted in practice.<sup>190</sup>

In valuation practice, until 2012 the market risk premium was derived solely, or at least significantly primarily on the basis of observations of historical market data. In economic literature and jurisprudence, there has been controversy for years as to which of the numerous available capital market studies on returns observed in the past on risky securities and their comparison with (quasi) risk-free capital market investments<sup>191</sup> are suitable for estimating a market risk premium to be expected in the future. This is followed by the question - also controversially discussed - of how to adapt the findings obtained from observation over a period of time in the past to current conditions.

The main methodological issues in dispute are as follows:

- Composition of the market portfolio of risky securities: Selection of a reference index, in particular the question whether it should reflect national or global conditions
- Measurement of the comparative return on (quasi-)risk-free capital market investments
- Observation period: Timeliness and statistical significance regarding the start and end time as well as length of the observation period
- Condensation of the observed yield differences to a mean value: arithmetic or geometric averaging, alternative procedures or combinations of different procedures
- Influence of personal taxes of shareholders: Reconciliation of observed pre-tax returns to post-tax returns, including questions on the holding period of company shares
- Extrapolation of results observed for the past into the future: Assumption of constant market risk premiums over the long term or constant total returns over the long term, as well as adjustments to take account of expectations of future development trends or special capital market conditions

In our view, it is not to be expected that these issues will be so convincingly clarified in economics or valuation practice in the foreseeable future that all controversies will be eliminated.

In this light and with a view to standardizing valuation practice, FAUB has been issuing recommendations since December 2004 on the level of the market risk premium before and after personal taxes to be applied in business valuations. The recommendations of FAUB on the amount of the market risk premium - as well as those of the IDW as a whole - are regularly observed by auditors in their valuation practice and by the companies audited by them in their financial reporting. Since the interests of majority shareholders in accounting issues tend to be different from those in issues of compensation for exiting minority shareholders, we believe that FAUB's recommendations have already taken the different purposes into account and are therefore fundamentally balanced.

The more recent legal rulings of the higher courts also consider it appropriate to follow the recommendations of FAUB with reference to the fact that FAUB is an expert body of auditors involved in business

<sup>189</sup> E.g. by interviewing experts or using models to estimate implicit equity costs.

<sup>190</sup> Cf. Franken/Schulte in Fleischer/Hüttemann, *Rechtshandbuch Unternehmensbewertung*, 2nd edition 2019, § 6, Marginal No. 45 ff.

<sup>191</sup> For a comprehensive overview of empirical data on the market risk premium in Germany and worldwide, see e.g. Wollny, *Der objektivierte Unternehmenswert*, 3rd edition, Herne 2018, pp. 557 ff.

valuations. In particular, it was not evident that a deviation from these recommendations would lead to "more correct" enterprise values.<sup>192</sup>

The recommendations made by FAUB over time<sup>193</sup> on the level of the market risk premium (before and after personal taxes) can be summarized as follows:

Market risk premium Recommendation of FAUB	Date of Recommendation	Before personal taxes			After personal taxes		
		Bandwidth		Mean Value	Bandwidth		Mean Value
Half-income method	10.12.2004	4,00%		4,50%	5,00%	6,00%	5,50%
Final withholding tax	29.11.2007	4,50%		5,00%	4,00%	5,00%	4,50%
Low interest rate environment	19.09.2012	5,50%		6,25%	5,00%	6,00%	5,50%
Zero interest rate environment	22.10.2019	6,00%		7,00%	5,00%	6,50%	5,75%

Source: Own presentation

In its recommendation of 19 September 2012,<sup>194</sup> FAUB determined in light of the capital market situation at the time that market observations and capital market studies as well as ex-ante analyses based on forecasts by financial analysts and rating agencies on so-called "implicitly determined market risk premiums" suggested an orientation towards the upper end of the range of historically measured stock returns and the market risk premiums derived from them. This is also confirmed if the forecasts made on the basis of historical data are supplemented by considerations of the development of real stock returns.<sup>195</sup>

On 19 September 2012, FAUB also decided to continue analyzing the factors influencing the measurement of the discount rate on a regular basis in its meetings and to update the recommendation accordingly in the event of changes. Since then, it has reviewed at each meeting whether the situation on the capital markets has changed in the meantime.

In light of what FAUB described in 2019 as a "unique" situation in which the yield curve determined as described above<sup>196</sup> was in negative territory for nearly the entire 30-year term at the time of the last published discussion of the cost-of-capital recommendations (22 October 2019), and the resulting uniform base interest rate was effectively zero percent for the first time and threatened to become negative in the foreseeable future, FAUB adjusted its 2012 recommendation on the level of the market risk premium.<sup>197</sup> No further adjustment has been made to date. The recommendation of 22 October 2019 is therefore still valid at the time of completion of the valuation and audit work.

Using the previously recommended (until 22 October 2019) range for the market risk premium before personal taxes (5.5 to 7.0%), the unchanged approach to deriving the base interest rate with a result of around zero percent, which is considered appropriate, would result in an overall expected return for the market of 5.5 to 7.0% finding its way into the valuation calculations. Using the parameters used in its pluralistic approach, FAUB reviewed<sup>198</sup> whether this result was reasonable when current observations as of 22 October 2019 are included.

<sup>192</sup> Cf. HRC Frankfurt, Decision of 26 January 2017, Case 21 W 75/15, juris, Marginal No. 108, and, in the outcome, also HRC Düsseldorf, Decision of 6 April 2017, Case I-26 W 10/15, ZIP 2017, pp. 1157 ff.

<sup>193</sup> Neglecting the recommendations made in each case for a transitional phase.

<sup>194</sup> Cf. IDW Practice Guideline, 2012, p. 568.

<sup>195</sup> The analyses and further considerations underlying the FAUB's recommendation are set forth in more detail in the following technical papers that immediately preceded or followed the recommendation: Zeidler/Tschöpel/Bertram, CFB 5/2012, pp. 70 ff; Wagner/Mackenstedt/Schieszl/Lenckner/Willershausen, W/Pg 2013, pp. 948 ff; Bertram/Castedello/Tschöpel, CF 2015, pp. 468 ff.

<sup>196</sup> Cf. Section E.II.3.a).

<sup>197</sup> Cf. Online Report of Results of the 136th session of FAUB, 22 October 2019, <https://www.idw.de/idw/idw-aktuell/neue-kapitalkosten-empfehlungen-des-faub/120158>, last accessed 28 February 2024.

<sup>198</sup> Historically measured stock returns, long-term real stock returns and implied cost of capital determined using ex-ante analyses.



As a result, FAUB noted that while the analyses indicated a slight decline in overall returns - particularly in the shorter period since 2012/13, this was out of all proportion to the decline in yields on German government bonds. Based on a cautious overall assessment of all analyses, the total return is nominally more likely to be in a range of 7 to 9%, which is also supported by studies of the German Bundesbank.

On this basis, FAUB on 22 October 2019 raised its recommendation on the market risk premium before personal taxes to between 6.0 and 8.0%. In doing so, FAUB had tended to orientate itself towards the lower end of observable total returns, thus taking into account the possibility that these could continue to fall slightly over time. A reconciliation to a world after personal taxes resulted in a corresponding slight adjustment of the recommendation for the market risk premium after personal taxes to a range of now 5.0 to 6.5%. Even in the current situation of the war in the Ukraine, FAUB is sticking to this bandwidth recommendation.<sup>199</sup>

In the follow-up to the previously given recommendation (19 September 2012), it was criticized several times that it was not sufficiently substantiated. In particular, FAUB was criticized for not naming a specific source for the derivation of the market risk premium or for not having specified or presented a clear, mathematically comprehensible procedure for its recommendation.<sup>200</sup>

In a later publication,<sup>201</sup> the authors, including the then and current FAUB Chair, countered this criticism by disclosing and explaining the analyses and calculations underlying FAUB's recommendation on the market risk premium, as shown below.

The further explanations in the article by Castedello et al. are preceded by a detailed justification of why the capital market situation observed when the recommendation was derived was to be described as special with regard to the assessment of the parameters of the discount rate for the purposes of enterprise valuation and why this continues to apply.

In the case of a risk-free base interest rate derived in a forward-looking manner from the respective current market conditions, the unusually low yield of fixed-interest German government securities in a historical comparison<sup>202</sup> would, if FAUB's quantitative recommendation on the market risk premium, which is primarily based on a long-term historical view,<sup>203</sup> were to be adopted unchanged, mathematically lead to total return expectations that did not match the empirically observable conditions on the capital market.

Unlike the market risk premium, the total return is observable on the capital market. However, there is no investment instrument from which a direct estimate of the total return can be derived in the same way as for government bonds. Several conceptual approaches are available for the indirect estimation that is therefore required. Since each of these approaches has strengths and weaknesses and none is

<sup>199</sup> Cf. the technical notes of FAUB dated 20 March 2022, <https://www.idw.de/IDW/Medien/Arbeitshilfen-oeffentlich/Fachliche-Hinweise-oeffentlich/Downloads-Ukraine/IDW-FH-Ukraine-IDW-FachHin-Unternehmensbewertung.pdf>, last accessed on 28 February 2024.

<sup>200</sup> Cf. e.g. Rowoldt/Pillen, CF 2015, pp. 115 ff.

<sup>201</sup> Cf. Castedello/Jonas/Schieszl/Lenckner, *WPG* 2018, pp. 806 ff.

<sup>202</sup> Explained by the combination of a sovereign debt crisis, a corresponding flight to the remaining safe assets, and an unprecedented loose monetary policy to deal with the sovereign debt crisis.

<sup>203</sup> In which the current capital market situation is strongly underrepresented.



superior to the others, FAUB to date follows a pluralistic approach to take the broadest possible perspective. Accordingly, however, no single valid source or algorithm can be presented.

FAUB believes that the results from three different methodological considerations indicated that the overall rate of return has not declined to the extent that would be indicated by the decline in the base interest rate if the market risk premium were applied at an unchanged level. On the contrary, the overall view suggested that a higher market risk premium could be assumed at the time—and still is assumed today—compared to earlier average observations.

The authors of the aforementioned paper referred to the results of the following three methodological considerations as indicators of an elevated market risk premium:

- Ex-post analyses of historical real returns as well as market risk premiums calculated ex-post from average real stock returns
- Ex-ante analysis of the implicit cost of capital
- CAPM without risk-free borrowing

The ex-post analyses of historical real returns indicated that the so-called “historical approach”, according to which the market risk premium is constant over time, could no longer explain the development of market returns from 2012 onward. This suggested that the so-called “total market return approach”, according to which the total return is constant in the long term or moves within a corridor in the short to medium term, could provide a superior explanatory approach, at least for the particular capital market situation at the time. A regression of real market returns over investment periods of 30 years also found no evidence of a long-term decline in real returns. Consequently, it could be assumed that the market risk premium had risen for a given low base interest rate. Based on real stock returns over a longer investment period, an expected market risk premium of a solid 7% (geometric mean) or around 10% (arithmetic mean) could be derived at the time retrogradely using the total market return approach.

The ex-ante analysis has the advantage over the ex-post analysis that it - like the base interest rate - is based on current capital market data. Moreover, the approach of using this explanatory approach to determine a company's cost of equity as the denominator of the valuation equation is highly compatible with the determination and plausibility check of the numerator of the valuation equation. Accordingly, since October 2017, FAUB's counterpart in Austria has recommended<sup>204</sup> to use only the implied cost of capital method to determine the market risk premium. Regardless of the individual approaches chosen to determine the implicit cost of capital, the studies available at the time concluded overall that implicit market risk premiums had risen sustainably since 2010.

A modification of the CAPM, in which the unrealistic assumption that market participants can borrow at the risk-free rate is abandoned, also indicated that the required stock return at the time was likely to be between 0.5 and 1.0% higher than the stock return that results from the traditional derivation of government bond yield plus average historical market risk premium.

Due to tax deferral effects from price gains, the conversion of the market risk premium before personal taxes (recommended range of 6.0 to 8.0%), justified in detail above and obtained from observations, into

<sup>204</sup> Cf. Castedello/Jonas/Schieszl/Lenckner, WPg 2018, p. 820; KFS/BW 1 E7, Marginal No. 4.

a market risk premium after personal taxes depends on the assumptions regarding the holding period, the market payout ratio, the taxation of price gains in the detailed forecast period, and the ratio of the market return to the base interest rate.

Under the currently applicable flat tax system in Germany, the range of FAUB's recommendation for the market risk premium before personal taxes can be used to derive a market risk premium after personal taxes that is 0.5 to 1.5 percentage points lower.

Ideally, a market risk premium before personal taxes rounded to approximately quarter percentage points corresponds to a lower market risk premium after personal taxes, also rounded to quarter percentage points. Necessary rounding in the conversion of the quantity<sup>205</sup> not specified by the Valuation Expert in the respective case is to be accepted, provided the conversion of one quantity into the other leads to plausible results.

The mean value of FAUB's recommendation of 19 September 2012 on the range for the market risk premium after personal taxes (5.5%), which has been assessed in detail above on the basis of a current technical paper, has also largely been confirmed by legal rulings.<sup>206</sup> For valuation cases where the valuation reports were completed after the last adjustment to FAUB's recommendation on the level of the market risk premium (22 October 2019, mean value 5.75%), decisions have now also been issued that confirm the use of this mean value of 5.75% to be appropriate.<sup>207</sup>

The Valuation Report contains various analyses of the historically observable and implied market returns over a prolonged observation period. In summary, the Valuation Expert concludes that the range recommended by FAUB for the market risk premium before personal taxes can be justified on the basis of the capital market studies conducted by FAUB.

In the practice of enterprise valuation for structural measures in stock corporation law, it is generally customary to use the mean value of the range currently recommended by FAUB for the market risk premium after personal taxes (5.75%). The Valuation Expert also followed this procedure in the present case.

We have subjected FAUB's considerations presented and the Valuation Expert's comments to a critical appraisal. In this context, we have also acknowledged recent counter-opinions to the observations and conclusions cited by FAUB. As a result, we consider it appropriate to follow the recommendations of FAUB.

These recommendations are deliberately formulated as ranges so that a new recommendation does not have to be issued in the event of a minor change in capital market conditions. Instead, the scope that the bandwidth allows can be used.

In the present valuation case, the Valuation Expert did not utilise this leeway with a market risk premium after personal taxes of 5.75%, but instead chose the middle of the range. With a payout ratio of 50% - as applied in the present valuation case for the derivation of the sustainable distributions - this corresponds

<sup>205</sup> Market risk premium before personal taxes or market risk premium after personal taxes.

<sup>206</sup> Cf. e.g. for higher court legal rulings: HRC Düsseldorf, Decision of 30 April 2018, Case 26 W 4/16 [AktE], openJur 2019, 11897; HRC Frankfurt am Main, Decision of 26 January 2017, Case 21 W 75/15, DB 2017, p. 713, and of 29 January 2016, Case 21 W 70/15, BeckRS 2016, 4317, Marginal No. 65; HRC Hamburg, Decision of 30 June 2016, Case 13 W 75/14, and of 18 September 2015, Case 13 w 44/14 (both unpublished).

<sup>207</sup> Cf. e.g. Higher Regional Court of Frankfurt am Main, Decision of 25 November 2021, 3-05 O 13/20, openJur 2022, 2247.

to a market risk premium before personal taxes of (rounded) 7.00%. A market risk premium of 7.00% is also in the middle of the range currently recommended by FAUB in the pre-tax assessment. On this basis, the total return before personal taxes is calculated at 9.50%. This value is also supported by the magnitude of the implied market return derived by the Valuation Expert.

There are therefore no objections to the recognition of a market risk premium after personal taxes of 5.75% in the present valuation case.

Furthermore, we would like to point out that although the use of a lower or higher market risk premium would change the absolute enterprise value of the respective Valuation Object, this question is generally of little significance for the determination of an exchange ratio, as the market risk premium applied is to be used uniformly for the valuation of all companies. In the present case, a different market risk premium would increase or decrease the enterprise value of Vitesco Technologies in almost the same proportion as that of Schaeffler.

**Audit result**

For the reasons set out above, there are no objections to the approach chosen for the valuation of Vitesco Technologies - and of Schaeffler - of a market risk premium after personal taxes of 5.75%.

bc) Beta factor

bca) Methodological and practical application issues

The risk premium estimated for an overall market portfolio (market risk premium) must be adjusted with regard to the specific risk structure of the company being valued. The relationship between general market risk and individual, company- and industry-specific risk is expressed by the so-called "beta factor".

The beta factors derived from capital market data include both the operating risks and the financing risks of a valuation object. Common practice is to first determine an unlevered beta factor that reflects only the operational risks of a company. The impact of financing on the uncertainty of future financial surpluses is then taken into account via so-called "relevering".

The concrete determination of a beta factor raises a number of methodological and practical application questions. In valuation practice, standards have become established for some of these questions, with the remaining choices condensed to a few reasonable approaches, ideally to a preferred approach. Nevertheless, it is not possible to define a binding standard approach, as the degree of freedom remains large despite these standards.

Even if this interim result leaves room for discretion, we believe that this is to be welcomed. This gives the Valuation Expert the opportunity to vary the procedure for determining the beta factor at its own discretion and thus to adapt it to the specific valuation case, so that the equivalence principle is adequately taken into account. The existing degrees of freedom, on the other hand, must not be exercised unilaterally. Consequently, the effects of selecting individual parameters must be questioned or the application of different combinations calculated in order to obtain an overview of the range of conceivable results. In addition, it is advisable to describe and justify the - ultimately chosen - approach in sufficient detail.

The main methodological or practical application issues and conceivable or common solutions can be summarized as follows:

- Fundamental, future-oriented or past-oriented derivation
- Reference index - national, supraregional or global as performance or price index
- Observation period five years, three years, two years or one year, combination of several annual slices
- Return interval monthly, weekly or daily
- Distortion-free share price formation, measured by the liquidity of the share
- Filtering based on statistical criteria such as coefficient of determination and t-test
- Forecast of future beta factors by updating historical, observable beta factors or adjustment by flat-rate adjustment procedures or free expert adjustment
- Consideration of capital structure risk (unlevering/relevering) for autonomous or value-based financing policy (tax shield risk) and default-threatened or non-default-threatened receivables of debt capital providers (debt beta)
- Components and fair value of net financial liabilities upon unlevering/relevering
- Beta factor of the Valuation Object or a peer group
- Qualitative and quantitative criteria for selecting potential peer companies and condensing them into a peer group

In valuation practice, the derivation of beta factors based on historical capital market data dominates. This approach is also considered appropriate in the literature and is not objected to in legal rulings.<sup>208</sup>

Accordingly, the Valuation Expert has calculated the beta factors on the basis of past experience.

Since a comprehensive, perfect market portfolio consisting of all risky assets existing worldwide and weighted by their market values does not exist or cannot be constructed, valuation practice uses national or international stock indices as an approximation of the ideal market portfolio. It is not possible to make a general statement about the choice of the appropriate reference index.<sup>209</sup> The index used should be a performance index.<sup>210</sup>

The Valuation Expert performed its analyses on the basis of market-wide local performance indices using the respective local currency. We have also carried out calculations using the "MSCI World" global index in order to be able to assess the beta factor applied on the basis of a broader database.

The most common observation periods and return intervals are five years/monthly, two years/weekly, and one year/daily.<sup>211</sup> With these combinations, a sufficient number of data points are collected to reach statistically significant conclusions. One objection to measuring returns on a daily basis, however, is that these measurements tend to have less favorable empirical properties and the beta factors that result from them fluctuate more than when they are measured at longer-term intervals.<sup>212</sup>

Accordingly, based on our observations, the five-year/monthly and two-year/weekly combinations are by far the most common observation periods/return intervals collected in valuation practice.

The Valuation Expert collected the beta factors for these two combinations to take the broadest possible perspective. Consequently, the Expert makes use of the respective advantages of the two methods.

The Valuation Expert examined the significance of the beta factors primarily on the basis of liquidity criteria (analysis of trading volume and free float and trading days, bid-ask spread as an indication of transaction costs) and additionally on the basis of the coefficient of determination and the t-test.

In valuation practice, the observed beta factors ("raw beta") are often adjusted across the board using the "adjusted beta". The adjusted beta is composed one third of a market portfolio beta (by definition = 1.0) and two thirds of raw beta. In economic terms, this approach is based on the idea that the systematic risk of companies should approach the market average in the long term.

The question of whether an extrapolation of historical betas or an adjustment, e.g. using the adjusted beta, can better reflect the future risk arises primarily when a particularly high or low risk is indicated by the historical development.

In the present valuation case, the measured beta factors are to be assessed as above average. The Valuation Expert did not perform a mathematical adjustment of the measured beta factors.<sup>213</sup> The question

<sup>208</sup> Cf. Dörschell/Franken/Schulte, *Der Kapitalisierungszinssatz in der Unternehmensbewertung*, 2nd edition 2012, p. 134.

<sup>209</sup> Cf. Dörschell/Franken/Schulte, *loc. cit.* pp. 149 ff.

<sup>210</sup> Cf. Dörschell/Franken/Schulte, *loc. cit.* pp. 156, 242 f.

<sup>211</sup> Cf. Dörschell/Franken/Schulte, *op. cit.* p. 158.

<sup>212</sup> "Intervalling Effect. Cf. Dörschell/Franken/Schulte, *loc. cit.*, pp. 162 ff. and the literature cited there.

<sup>213</sup> Cf. i-advice, *Studie zur Bewertungspraxis bei gesellschaftsrechtlichen Anlässen*, 9<sup>th</sup> Edition (2010 to 2022), Düsseldorf 2023.

of whether and in what way an adjustment should be made is controversial. In valuation practice, no adjustment is made in the majority of cases.<sup>214</sup> At least in the present valuation case, we consider it appropriate not to adjust the measured beta factors.

In light of the above, there is no reason to object to the use of raw betas to estimate the future business risk in the present valuation case.

When adjusting the leveraged beta factors for the capital structure risk, the Valuation Expert assumed uncertain tax shields and a value-oriented ("breathing") financing policy, which is plausible for capital market-oriented companies (Vitesco Technologies and peer group).

The Valuation Expert has taken into account the default risk of receivables from lenders in the context of unlevering by using a debt beta. To this end, the Expert has derived indicative synthetic ratings for peers for which no rating has been assigned by a rating provider, following the Moody's methodology used for the Automotive Suppliers industry. The difference between the average interest rate on debt resulting on this basis and the market return before personal taxes is the debt beta for the lenders.

Within the framework of unlevering, the Valuation Expert approximated the fair value of the financial liabilities with the book values of the interest-bearing liabilities and the pension provisions. In doing so, the Expert assumes that the existing liquidity of the peer companies is to be regarded as fully necessary for operations.

The Valuation Expert also made the adjustment for the capital structure risk ("relevering") of Vitesco Technologies using the formula for a value-based financing policy and taking into account the debt beta, as the cost of debt exceeds the risk-free interest rate.

#### bcb) Original beta factor of Vitesco Technologies

The Vitesco shares are traded on stock exchanges. Thus, an original beta factor for Vitesco Technologies can be derived mathematically from the trading data.

The Valuation Expert analysed the performance of the Vitesco share price and determined that price distortions have occurred since the acquisition offer in October 2023, which would lead to an intrinsic beta factor that no longer adequately reflects the risk associated with the business model of Vitesco Technologies. As a result, no undistorted beta factor can be applied for periods after the announcement of the acquisition offer on 9 October 2023.

The Valuation Expert therefore limited the further analyses to the period prior to the announcement of the acquisition offer and determined the original beta factor of Vitesco Technologies for the CDAX benchmark index using S&P Global data for two years on the basis of weekly returns. It was not possible to conduct a survey for a period of five years, as Vitesco shares have only been traded on stock exchanges since September 2021.

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<sup>214</sup> Cf. i-advise, *op. cit.*

Based on the reviews performed, the Valuation Expert has concluded that the beta factor of the Vitesco share is statistically significant for the two years prior to 9 October 2023. In addition, the liquidity of the Vitesco share is comparatively high.<sup>215</sup> Based on the calculations made, the unlevered beta factor is around 1.0.

Individual parameters are set differently in our capital market models. In view of the large number of settings that have to be made when deriving beta factors and the fact that a different approach can be justified for each setting,<sup>216</sup> minor deviations in the results can be accepted. Using our capital market models, we have derived an unlevered beta factor for the two-year period prior to 9 October 2023, which, rounded, is also 1.0.

We were otherwise able to reconcile the data underlying the above analyses without objections. In addition, we consider the conclusions of the Valuation Expert to be well-founded and comprehensible.

#### bcc) Selection of a group of peer companies

The unlevered unique beta factor of 1.0 determined on the basis of trading in Vitesco shares can therefore in principle be used. However, it should be noted that the beta factor measured for the aforementioned period does not necessarily reflect the operating risk of Vitesco Technologies as of the valuation date because the risk situation since 9 October 2023 might have changed. The Valuation Expert therefore used a beta factor derived from a group of comparable companies to check whether the unique beta factor is suitable for estimating the current risk of Vitesco Technologies.

If a beta factor cannot be determined for the Valuation Object due to the lack of a stock exchange listing or for other reasons, if the beta factor is not meaningful or to check whether the beta factor determined on the basis of the historical data of the Valuation Object also adequately quantifies the future operating risk, it is necessary and common practice when using the CAPM to identify comparable companies with regard to the risk situation for which relevant beta factors can be determined.

Since other companies are not comparable with the valuation object in every respect, valuation practice generally attempts to include several companies in the relevant industry in order to take account of the fact that each individual comparable company is not fully comparable to the valuation object by forming an average. This approach is also based on the idea that the Valuation Object and the other companies in a sector tend to converge in terms of their risk situation.

Absolute congruence is neither possible nor necessary. However, the future payment surpluses of the selected peer companies should be generated with a largely identical business model. For this reason, companies in the same sector or with a comparable product and market structure are generally suitable for selection. When searching for peer companies, the Valuation Expert has moreover taken into account that historical trade data of sufficient scope and quality must be available for the potential comparable companies.

<sup>215</sup> For details, see Section E.III.

<sup>216</sup> Cf. Section E.II.3.bca).



The Valuation Expert took a multi-stage approach to deriving the peer group. Its approach is described in detail in the Expert Opinion. The comments of the Valuation Expert can be summarized as follows:

- Screening of S&P Global data to identify listed operating companies active in a business segment<sup>217</sup> in which Vitesco Technologies is also active, which are headquartered in the US, Europe, Germany or European developed markets and which are covered by at least one analyst (241 companies) as well as those headquartered in Japan and South Korea with a comparable market capitalisation (43 other companies)
- Companies named by analysts as peer companies (a further 14 companies)
- Condensed to a "long list" (95 companies)<sup>218</sup> through a more detailed analysis of consistency in terms of business segments and regional comparability and exclusion of companies for which no analyst estimates exist
- Further compression to the final peer group (eight companies) based on detailed further analyses, including the annual reports

When deriving the peer group for the valuation of Vitesco Technologies, the Valuation Expert - in contrast to the derivation of the peer group for the valuation of Schaeffler - selected companies in the automotive supply industry that focus on e-mobility and the electrification of the powertrain or on electronic control units.

The eight remaining companies that are considered sufficiently comparable in accordance with the above criteria are described in detail in the Valuation Report. The Valuation Expert also ranked these companies in accordance with their comparability to Vitesco Technologies. In doing so, the Expert also took into account the other quantitative criteria mentioned in the Valuation Report. The Expert lists the peer companies, also indicating these characteristics, in a ranking in accordance with comparability and in tabular form, indicating the respective comparative figures for Vitesco Technologies.

The Valuation Expert's comments make it clear that the companies it selected as peers are sufficiently comparable to the business model of Vitesco Technologies and are therefore suitable for determining the operating risk of Vitesco Technologies.

We consider the selection criteria to be appropriate. Nevertheless, we reviewed whether other suitable peer companies exist based on our own research. Ultimately, we did not identify any other company that should additionally be included in the peer group. In the course of our audit and as the outcome of the comprehensive discussions on the individual companies, we were able to comprehend the derivation and step-by-step elimination of potential peer companies without any objections.

Consequently, in summary, we consider it appropriate to use the beta factors resulting for the eight peer companies to derive the beta factor for the valuation of Vitesco Technologies.

#### bcd) Beta factor for the valuation of Vitesco Technologies

The Valuation Expert presents the results of the Expert's calculations of the leveraged and unleveraged beta factor for the regressions against a local index as broad as possible for the periods analysed (five years based on returns measured monthly and two years based on returns measured weekly) for the

<sup>217</sup> Specification of suitable industries and keywords (in particular "Automotive Parts and Equipment", "Transmissions and Power Train Parts").  
<sup>218</sup> Joint "long list" for the valuation of Vitesco Technologies and Schaeffler, which are listed individually in the valuation report in Annex 3 and assigned to the two Valuation Objects with regard to the respective final peer group.



eight companies in the peer group in comparison to the beta factors determined for Vitesco Technologies in a table.

The result shows that the beta factors for the five-year period under review are at a higher level. The Valuation Expert attributes this to special effects included in the prolonged period under review, for example from the COVID-19 pandemic, which we consider understandable.

Based on data points for 23 February 2024, levered beta factors ranging from 1.36 to 1.84 (individual values) and 1.60 (mean value) to 1.51 (median) result for the two-year period under review. The unlevered beta factors range from 0.92 to 1.15 (individual values). The mean value is 0.98 and the median is 0.89. The beta factors derived for the most comparable companies in the peer group hardly differ from those of the peer group as a whole.

The results show that the beta factors of the peer companies are slightly below the unique beta factor of Vitesco Technologies, but confirm that factor in terms of their magnitude. Even taking into account the risk profile of the future financial surpluses of Vitesco Technologies, which is expected to result in significant increases in sales and margin expansion, the use of a beta factor of 1.00 for the valuation of Vitesco Technologies is appropriate. The Valuation Expert points out that a higher beta factor could also be justified.

Our own surveys<sup>219</sup> result in some variant specific values. The unlevered beta factors are almost identical for the period considered relevant by the Valuation Expert. Taking into account the results for the five-year observation period and for regressions against a global index, we consider the use of an unlevered beta factor of 1.0 to be a balanced approach.

#### **Audit result**

Considering the business model of Vitesco Technologies, we consider the unlevered beta factor of 1.0 chosen for the valuation of Vitesco Technologies to be appropriate.

#### c) Growth discount for the valuation of Vitesco Technologies

Future growth in corporate financial surpluses results on the one hand from retention and reinvestment in the company and on the other hand organically from price, volume and structural effects.

In the detailed planning and convergence phases, the growth potential is included in the corporate estimates or their projection and thus in the financial surpluses, as their individual components are estimated as nominal figures. No growth discount is therefore required for this period.

In the perpetual annuity phase, the items of the balance sheet and income statement will also continue to develop, and thus also the net income of the shareholders. In principle, this sustainable growth can be reflected in financial mathematics as a growth discount in the discount rate.

<sup>219</sup> Cf. also Section E.II.3.bcb).

The amounts retained in the perpetual annuity phase and directly allocated to the shareholders for valuation purposes already represent a significant portion of the future growth of the valuation object. The value equivalent of this retention-related growth could also be represented by discounting the additional distributions generated as a result.

Assuming that Vitesco Technologies earns its costs of capital, which reflect its own risk and financing structure, on a sustainable basis, the future growth in distributions will correspond directly to the value contribution from retention-related increases in value. Thus, the main part of the future operating growth financed by retained earnings is already taken into account in the valuation model through the direct attribution of the value contribution from value increases.

Any additional growth potential - e.g. temporarily limited additional growth effects based on excess returns achievable for a limited period of time due to special market and industry conditions or special company characteristics, as well as inflation-related growth effects - must be taken into account in the growth discount in the valuation system described above.

However, company-specific inflation-related growth effects differ from macroeconomic indicators such as the general rate of price increases, which is measured by the rate of change in the consumer price index, or price developments on procurement markets. Accordingly, company-specific inflation-based growth effects are to be determined based on the way in which individual price changes in procurement markets affect each company, the company's ability to continually generate efficiency improvements and the company's ability to raise its own prices.

The Valuation Expert applied a growth discount of 1.75% (before personal taxes) for the valuation of Vitesco Technologies.

The growth discount applied reflects the fact that growth prospects in the high-growth e-mobility market are limited in the long term due to the growth in customer purchasing power and intensifying competition. Vitesco Technologies has been able to pass on rising purchase prices in full to customers in certain market situations. However, falling purchase prices and efficiency gains usually had to be passed on to customers in the form of price reductions. The growth rate (1.75%) assumed for the sustainable earnings growth of Vitesco Technologies is slightly below the long-term inflation rate on the relevant markets.

We consider these statements to be appropriate. On this basis, we believe that the growth rate applied reflects the company-specific inflation-related growth effects to an appropriate extent.

Based on the International Monetary Fund's expectations for 2028, the average (consumption-oriented) inflation rate for the relevant markets is just over 2%. In our opinion, this order of magnitude is also plausible for periods even further in the future. Empirical studies also show that company-specific inflation-related growth rates are below 2% on average.

In light of the above considerations, we consider the growth rate of 1.75% (before personal taxes) used for the valuation of Vitesco Technologies to be appropriate.

In reconciling the earnings growth rate (gross) to the growth discount (net), the Valuation Expert made a deduction for personal taxes. The Expert thus takes account of the fact that inflation-related increases in value are subject to taxation as capital gains when realized. Based on the assumption of long holding periods, the Expert applied half the nominal tax rate<sup>220</sup> when deducting personal taxes. We also consider this to be appropriate.

To summarise, we believe that the growth discount of 1.52% (after personal taxes) used in the valuation of Vitesco Technologies to be appropriate.

Insofar some literature claims that the (average) earnings growth of German companies is significantly higher based on statistical analyses, these sources mostly fail to recognize the aforementioned connection between retained earnings and the resulting increase in value.

However, when comparing the growth discount to be applied in an enterprise valuation with the statistically determined earnings growth of companies, it should be noted that in practice companies regularly retain earnings, which they use to finance (expansion) investments. These investments in turn increase future corporate profits. Empirically measured earnings growth therefore includes both inflation-driven and retention-driven earnings increases.

In the earnings value method, the net income of the shareholders to be discounted is sustainably composed of the profit distributions/dividends and the value contribution from increases in value. As the value added from appreciation fully covers future dividend growth from retained earnings, the growth rate of profit distributions/dividends shown in the growth discount essentially only reflects inflation-related value effects associated with the company-specific price increase on the procurement and sales markets of the company being valued.

In the present valuation case, the growth discount of 1.75% (gross) or 1.52% (net) used by the Valuation Expert corresponds to sustained earnings growth of 5.9% for the Vitesco Group in the context described according to Tschöpel/Wiese/Willershausen.<sup>221</sup>

$$w = (1 - q) * RvSt + q * \pi \text{ with}$$

w = total growth rate

q = payout ratio

R<sup>vSt</sup> = levered cost of equity before income tax

π = company-specific inflation rate

This value would be the appropriate benchmark for a comparison with the average profit growth of German companies.

The described influence of retention-related growth is confirmed in a paper<sup>222</sup> that decisively analyzes the causes of earnings growth. Furthermore, the authors conclude in this paper that the price-induced

<sup>220</sup> 26.375% \* 50% = 13.1875%.

<sup>221</sup> Cf. Tschöpel/Wiese/Willershausen, WPg 2010, pp. 349 ff. and pp. 405 ff.

<sup>222</sup> Schieszl/Bachmann/Amann, in: Peemöller (ed.), *Praxishandbuch der Unternehmensbewertung*, 6th edition, 2015, Chapter 3, Part G.

growth of corporate profits in Germany is in the range of 0.0% to 1.5%. The expected growth of 1.75% (gross) is therefore even above this range.

In order to classify the growth discount applied, it should also be noted that, according to our analysis of rulings by higher courts, the growth discounts usually applied in valuation practice and confirmed by legal rulings to date range from 0.0 to 2.5%.

According to a recent study<sup>223</sup> analysing 244 valuation reports prompted by corporate law with valuation dates within a period from 2010 to 2022, the average growth rate of sustainable earnings decreased from 1.31% (2010) to 0.80% (2019) in this period and increased again to 1.25% until 2022. The median growth rate fell - largely in parallel - from 1.25% (2010) to 0.75% (2016) and then rose again to 1.00%.

#### Audit result

On the basis of the considerations outlined above, we consider the growth discount of 1.52% applied to the valuation of Vitesco Technologies to be appropriate.

#### d) Discount rate for the valuation of Vitesco Technologies

In summary, the discount rate used to calculate the objectified enterprise value in accordance with IDW S 1 is as follows:

Vitesco Technologies Derivation of capital costs %	Estimates					Convergence		TV as of 2031
	2024	2025	2026	2027	2028	2029	2030	
Base interest rate (before personal taxes)	2,50%	2,50%	2,50%	2,50%	2,50%	2,50%	2,50%	2,50%
Personal income tax	-0,66%	-0,66%	-0,66%	-0,66%	-0,66%	-0,66%	-0,66%	-0,66%
<b>Base interest rate after personal taxes</b>	<b>1,84%</b>	<b>1,84%</b>	<b>1,84%</b>	<b>1,84%</b>	<b>1,84%</b>	<b>1,84%</b>	<b>1,84%</b>	<b>1,84%</b>
Market risk premium after personal taxes	5,75%	5,75%	5,75%	5,75%	5,75%	5,75%	5,75%	5,75%
Beta factor (levered)	1,24	1,23	1,23	1,20	1,21	1,22	1,22	1,22
<b>Risk premium</b>	<b>7,14%</b>	<b>7,07%</b>	<b>7,05%</b>	<b>6,92%</b>	<b>6,95%</b>	<b>7,00%</b>	<b>7,02%</b>	<b>7,02%</b>
<b>Cost of equity before growth discount</b>	<b>8,98%</b>	<b>8,91%</b>	<b>8,89%</b>	<b>8,76%</b>	<b>8,79%</b>	<b>8,84%</b>	<b>8,86%</b>	<b>8,86%</b>
Growth discount								-1,52%
<b>Cost of equity after growth discount</b>	<b>8,98%</b>	<b>8,91%</b>	<b>8,89%</b>	<b>8,76%</b>	<b>8,79%</b>	<b>8,84%</b>	<b>8,86%</b>	<b>7,34%</b>

Sources: S&P Global, database of Valuation Expert, own presentation.

<sup>223</sup> Cf. i-advise, *op. cit.*

#### 4. Derivation of the enterprise value of Vitesco Technologies

##### a) Earnings value of the operating assets of Vitesco Technologies

The earnings value of the operating assets of Vitesco Technologies as of 24 April 2024 is determined as follows:

Vitesco Technologies Earnings value of core assets Millions of €	Planning					Convergence		TV as of 2031
	2024	2025	2026	2027	2028	2029	2030	
<b>Net income</b>	<b>228,0</b>	<b>341,8</b>	<b>590,6</b>	<b>674,0</b>	<b>746,8</b>	<b>749,0</b>	<b>754,4</b>	<b>767,6</b>
Distributions	0,0	0,0	64,3	101,1	112,0	374,5	377,2	383,8
Personal taxes on distribution	0,0	0,0	-17,0	-26,7	-29,5	-98,8	-99,5	-101,2
Reinvestment with utilization planning	228,0	341,8	526,3	250,1	161,2	39,1	79,8	81,2
Reinvestment with notional addition	0,0	0,0	0,0	322,8	473,5	335,4	297,4	302,6
Personal taxes on notional allocation	0,0	0,0	0,0	-42,6	-62,4	-44,2	-39,2	-39,9
<b>Net receipts</b>	<b>0,0</b>	<b>0,0</b>	<b>47,3</b>	<b>354,6</b>	<b>493,6</b>	<b>566,9</b>	<b>535,9</b>	<b>545,2</b>
Cost of capital	8,98%	8,91%	8,89%	8,76%	8,79%	8,84%	8,86%	7,34%
Present value factor	0,9176	0,9182	0,9184	0,9194	0,9192	0,9188	0,9186	13,6184
Present values as of 31 December of the previous year	5.346,4	5.826,4	6.345,4	6.862,1	7.108,9	7.240,3	7.313,2	7.425,2
<b>Earnings value of core assets as of 31 December 2023</b>	<b>5.346,4</b>							
Compounding factor	1,03							
<b>Earnings value of core assets as of 24 April 2024</b>	<b>5.493,2</b>							

Sources: Data of the Valuation Expert, own presentation.

##### b) Special assets for the valuation of Vitesco Technologies

According to information from Vitesco Technologies, all assets and liabilities are to be regarded as essential to operations.

We also did not identify any non-operating assets or liabilities during our audit.

The properties of Vitesco Technologies are used exclusively for operational purposes. Accordingly, the real estate is all to be classified as operationally necessary in accordance with the so-called "functional delimitation criterion." We have not identified any holdings of works of art or other fixtures and fittings that go beyond what is normally required for representational purposes or that have a significant value. In addition, we are of the opinion that no funds from the estimated <sup>224</sup> liquid assets as of the respective balance sheet dates need to be separated and recognised separately as non-operating liquid assets.

The Valuation Expert has recognised a special asset for each of two states of affairs: non-consolidated investments (€ 23.1 million) and tax loss carryforwards (€ 31.9 million).

The non-consolidated investments relate to the shares in IAV GmbH Ingenieurgesellschaft, Berlin, and Vitesco Technologies Taiwan Co. Ltd, Taipei, Taiwan. For the sake of simplicity, the Valuation Expert recognised the investments at the higher of the book value of the investment in the financial statements of the respective owner of the investment and the book value of the prorated shareholders' equity of the investment itself, in each case as of 31 December 2023.

<sup>224</sup> In accordance with the liquidity estimates adjusted by the Valuation Expert, which take into account the plausible assumptions regarding the amount of minimum cash.

For reasons of simplification, the Valuation Expert has recognised the usable existing loss carryforwards,<sup>225</sup> to the extent that they are not taken into account in the estimated taxes of Vitesco Technologies,<sup>226</sup> at the present value of the future tax savings in the respective countries as a special asset.

The Valuation Expert determined these special assets as of the technical valuation date (31 December 2023). After compounding to the legal valuation date (24 April 2024), the special assets result in a total value contribution of € 56.5 million.

As part of our audit, we were able to reconcile the determination of the special assets in terms of content and calculation without any objections.

#### **Audit result**

In the course of our audit, we did not become aware of any non-operating assets to be added separately. In deriving the enterprise value of Vitesco Technologies, the Valuation Expert correctly added special assets totaling € 61.2 million to the earnings value.

#### c) Enterprise value of Vitesco Technologies

The enterprise value of Vitesco Technologies on the date of the annual general meeting at which its shareholders are to pass a resolution on the planned merger of Vitesco Technologies into Schaeffler (valuation date: 24 April 2024) is calculated by adding the earnings value (€ 5,493.2 million) and the value contribution from special assets (€ 56.5 million), i.e. a total of € 5,549.7 million, or the equivalent of € 138.67 per Vitesco share.

<sup>225</sup> Cf. Section E.I.1.

<sup>226</sup> For example, because they can only be used after 2028.

d) Comparison with the liquidation value of Vitesco Technologies

The Valuation Expert did not compute the liquidation value of Vitesco Technologies.

Finally, Vitesco Technologies will be continued as a going concern. In addition, the going concern value is already higher than the corresponding liquidation value in the event of a break-up due to the costs incurred in a liquidation.

Moreover, the liquidation value of Vitesco Technologies should not be taken into account because the planning of Vitesco Technologies assumes significant growth in revenue based on a large order backlog as of the valuation date with a simultaneous significant margin expansion up to the level of the peer group and the estimated return on capital employed from 2026 onwards should be above the cost of capital and it can therefore be assumed that the going concern is advantageous compared to liquidation.

We have verified these considerations and also do not consider it necessary to derive the liquidation value.

III. Valuation of Vitesco Technologies at the stock market price

According to the findings of business administration and the legal rulings on structural measures under stock corporation and the law on the transformation of companies, the estimate of the "full real" value is generally made with the aid of a fundamental enterprise valuation.<sup>227</sup> In accordance with the principles of IDW S 1, this is to be determined as an objectified enterprise value in line with German legal rulings and many years of valuation practice for valuation purposes in company law.<sup>228</sup>

According to IDW S 1, a market capitalisation derived from stock market prices can be used to assess the plausibility of enterprise values. According to IDW S 1, however, it does not replace an enterprise valuation.

According to the most recent legal rulings of the Federal Supreme Court on the adequacy of compensation payments in the case of structural measures in stock corporation law, a valuation using the stock market price can replace a fundamental valuation under certain circumstances.<sup>229</sup>

However, recourse to stock market prices is ruled out if there is no functioning capital market. It must be examined on a case-by-case basis whether information is effectively processed by the market.

On the basis of criteria developed by existing legal rulings on the question of effective information processing by the market<sup>230</sup> and other suggestions that have emerged from the legal and financial discussion

<sup>227</sup> Cf. Section D.I.

<sup>228</sup> Cf. Section D.II.

<sup>229</sup> Cf. Section D.II.4.

<sup>230</sup> These are in particular the ruling of the FSC of 21 February 2023, Case II ZB 12/21 ("TLG/WCM"), *loc. cit.* and the underlying decisions of the HRC Frankfurt am Main of 26 April 2021, Case 21 W 139/19, openJur 2021, 18980, as well as the HRC Frankfurt am Main of 20 August 2019, Case 3-05 O 25/18, *dejure*; also FSC, Ruling of 12 March 2021, Case II ZB 15/00 ("DAT/Altana"), *loc. cit.*, HRC Stuttgart, Decision of 17 October 2011, Case 20 W 7/110, openJur 2012, 137702, HRC Munich, Decision of 11 July 2006, Case 31 Wx 041/05, *dejure*, HRC Frankfurt am Main, decision of 2 November 2006, Case 20 W 233/93, openJur 2012, 28184, District Court of Frankfurt am Main, Judgement of 17 January 2006, Case 3-5 O 75/03, *dejure*.

of this issue,<sup>231</sup> the following indicators or analyses can be derived for the purpose of assessing the relevance of the share price:

- Analysis of a potential information gap between companies and market participants
  - Existence and fulfillment of extensive market-related information obligations
  - Monitoring by external analysts and quality of forecasts compared to management expectations
- Analysis of a possible share price distortion in the sense of a decoupling of the share price development from the operational development of the company
  - Analysis of share prices over an extended period of time with a focus on the reaction to company-related information
  - Analysis of share prices over an extended period of time with a focus on comparison with market or sector developments
- Analysis of the liquidity of equity trading
  - Criteria of § 5(4) WpÜG-AngebV as insufficient minimum requirements
  - Criteria of Article 22(1) of Regulation (EC) 1287/2006 as maximum requirements that do not necessarily have to be met
  - Inclusion in share indices
  - Relative amount of free float
  - Relative trading volume
  - Absolute trading volume
  - Bid-ask spread
- Suitability of the original beta factor for enterprise valuation purposes

It is questionable for which period the above-mentioned criteria would have to be analysed or should be fulfilled. In some cases, the analysis period is predefined.

In accordance with § 5(1) WpÜG-AngebV, the consideration to be offered in takeover and mandatory offers for the shares of a target company whose shares are admitted to trading on a domestic stock exchange must at least correspond to the weighted average domestic stock exchange price of these shares during the last three months prior to the publication of the decision to make an offer or to obtain control of the target company.<sup>232</sup>

In accordance with § 5(4) WpÜG-AngebV, the 3M-VWAP is not to be offered as minimum consideration if the cumulative existence of certain negative criteria of stock exchange trading is established. In these cases, the amount of the consideration must at least correspond to the value of the enterprise determined on the basis of a valuation of the target company if the following applies:

- During the last three months prior to publication on less than one third of the trading days, determination of stock exchange prices and
- Deviation of several consecutively determined stock exchange prices by more than five percent

The assessment of legislators that takeover and mandatory offers should be based on an average price rather than a closing price is due to the fact that this makes it easier to exclude the possibility of

<sup>231</sup> E.g. lectures by Schumann, presiding judge of the 31st Division for Commercial Matters at the Higher Regional Court of Stuttgart, and von Ruthardt at the 16th International Assessors' Conference of EACVA from 30 November to 1 December 2023 in Berlin and the panel discussion on this topic held there.

<sup>232</sup> "3M-VWAP"



extraordinary daily fluctuations or erratic developments within a few days, which do not stabilize, influencing the level of the relevant stock exchange price. With a three-month period, it can generally be assumed that random influences and short-term distortions are compensated to a sufficient extent. If, on the other hand, the period of time for submitting the offer is longer, there would no longer be any temporal proximity.

This assessment is based on legal rulings by the FSC. In 2001, in a resolution on the adequacy of compensation measures in the case of a structural measure in stock corporation law,<sup>233</sup> the Supervisory Board decided that any relevant stock market price should be determined as the 3M-VWAP. The 3M-VWAP must therefore also be determined as representative of the stock market price in the case of structural measures in stock corporation law - and in the case of mergers.

If the average share price is to be determined for a three-month period, then it is obvious that the above analyses of the relevance of the share price must relate to this period. For specific criteria, we believe it makes sense to analyse a longer period of time in order to be able to derive reliable statements from the analyses. In the following presentation of our analysis results, we indicate the period to which we refer in each case.

Therefore, if the average share price is to be determined for a three-month period and analyses of the relevance of the share price are to be carried out primarily for this period, the question arises as to when this three-month period ends.

Since the ratios of the legal entities involved at the time of the meeting of the shareholders of the Transferring Entity are decisive for the valuations of the merging parties, the stock market prices for the three months prior to the date of the annual general meeting of Vitesco Technologies, which is to resolve on the planned merger, would actually have to be determined. However, from the time of the announcement of an impending measure, stock market prices are regularly influenced by speculation on settlement payments or other factors<sup>234</sup> and can therefore no longer be used to estimate the value of a company. In a departure from its previous legal rulings, the FSC ruled in 2010 that the relevant reference period ends on the day before the announcement of a structural measure.<sup>235</sup>

The question therefore arises as to when the planned merger was announced. On 9 October 2023, Schaeffler announced in an ad hoc announcement, among other things, its intention to merge Vitesco Technologies as the transferring entity into Schaeffler as the acquiring entity following the completion of the tender offer announced in the same announcement.<sup>236</sup>

The question also arises as to whether this announcement was likely to influence the stock market prices of Vitesco Technologies and/or Schaeffler because the capital market considered this measure to be probable.<sup>237</sup>

<sup>233</sup> Federal Supreme Court, Ruling of 12 March 2001, Case II ZB 15/00 ("DAT/Altana"), *loc. cit.*

<sup>234</sup> In the case of a merger, this would be - from an analogous perspective - speculation on the amount of the exchange ratio.

<sup>235</sup> Cf. FSC, Ruling of 19 July 2010, Case II ZB 18/09 ("Stollwerck"), *loc. cit.*

<sup>236</sup> Cf. Section E.I.1.

<sup>237</sup> Cf. HRC Frankfurt am Main, Decision of 21 December 2010, Case 5 W 15/10, openJur 2012, 33959.

The announced merger is subject, among other things, to the condition that the shareholders of the merging parties adopt resolutions in annual general meetings approving the merger with the required qualified majority of more than 75% of the votes cast.

Mrs Maria-Elisabeth Schaeffler-Thumann and Mr Georg FW Schaeffler control Schaeffler together. At the time the merger was announced, they indirectly held more than 75% of the Schaeffler shares and 100% of the voting rights. Taking into account the subsequent conversion of the Schaeffler preference shares into common shares, it was ensured that the merger resolution could be passed at Schaeffler's annual general meeting with the required qualified majority. Mrs Maria-Elisabeth Schaeffler-Thumann and Mr Georg FW Schaeffler already indirectly held 49.94% of the Vitesco shares and voting rights at the time the merger was announced. With an acceptance rate of around 10% and based on the presence of around 80% at the 2023 annual general meeting of Vitesco Technologies, they could also bring about the merger resolution at Vitesco Technologies with the required qualified majority.<sup>238</sup>

In view of the announced consideration of € 91.00 per Vitesco share, which corresponds to a premium of around 20% on the 3M-VWAP, and taking into account the probable fulfillment of all closing conditions, we believe that the capital market already considered the implementation of the planned merger on 9 October 2023 to be probable.

Furthermore, we would like to point out that the stock exchange price of Vitesco Technologies and Schaeffler may already be influenced and distorted by the announcement of 9 October 2023, regardless of whether the capital market considered the planned merger to be probable, as the same announcement also announced the issuance of an acquisition offer.

The relevant reference period therefore begins on 9 July 2023 and ends on 8 October 2023.

The question then arises as to how the volume-weighted average price required by legal rulings is to be determined in concrete terms. This includes, on the one hand, the question of which prices are to be used and, on the other, the question of which trading venues are to be considered.

The fact that the prices are to be determined on a volume-weighted basis shows that only the actual trading volumes, i.e. the traded items at the respective execution prices, are to be considered.

As shown above, the 3M-VWAP must be determined both for structural measures and for takeover and mandatory offers. While the legal rulings on the 3M-VWAP for structural measures does not provide any reliable indication as to whether all trading venues are to be taken into account in the calculation or whether the investigation should be limited to certain trading venues, § 5(3) WpÜG-AngebV contains the provision that only turnover on organized markets is to be used in the calculation of the 3M-VWAP.

In accordance with § 2(7) WpÜG, "organised markets" are the regulated market on a stock exchange in Germany and certain foreign markets. In accordance with § 5(1) WpÜG-AngebV, however, only domestic turnover is relevant for the calculation of the 3M-VWAP. This means that only domestic turnover in the regulated market is used to calculate the 3M-VWAP. The regulated market is the Frankfurt Stock

<sup>238</sup> This is also stated in the offer document dated 15 November 2023.

Exchange, including trading in the XETRA electronic trading system.<sup>239</sup> For all other stock exchanges, the issuer can apply for admission to the regulated market.

Vitesco Technologies has not submitted such applications. Consequently, only the turnover on the Frankfurt Stock Exchange, including XETRA, is relevant. According to information from the Frankfurt Stock Exchange, a total of 2,622,283 Vitesco shares were traded for a total of around € 199.7 million during the relevant period. The result of the calculations is a 3M-VWAP of € 76.17 (rounded down). From a letter submitted to us in connection with the acquisition offer,<sup>240</sup> it is evident that the calculated 3M-VWAP of Vitesco shares was € 76.18 as of the relevant reporting date of 8 October 2023. For reasons of objectivity, the Valuation Expert uses the 3M-VWAP provided. Extrapolated, this results in a market capitalisation for Vitesco Technologies of € 3,048.8 million.

Below, it will be examined whether the 3M-VWAP of € 76.18 per Vitesco share was formed on the basis of effective information processing by the market and whether the resulting market capitalisation of € 3,048.8 million - following the opinion of the FSC in its most recent legal rulings - represents a suitable estimator for the enterprise value.

To this end, we first examined the following criteria already mentioned above:

- Analysis of a potential information gap between companies and market participants
  - Existence and fulfillment of extensive market-related information obligations
  - Monitoring by external analysts and quality of forecasts compared to management expectations
- Analysis of a possible share price distortion in the sense of a decoupling of the share price development from the operational development of the company
  - Analysis of share prices over an extended period of time with a focus on the reaction to company-related information
  - Analysis of share prices over an extended period of time with a focus on comparison with market or sector developments

As a company whose shares are admitted to trading in the Prime Standard, Vitesco Technologies is subject to extensive information requirements that go beyond general standard requirements and are described by the Frankfurt Stock Exchange as leading in Europe. These requirements include reporting in accordance with international accounting standards, which must also be carried out on a quarterly basis, and the obligation to publish so-called "insider information" as quickly as possible (ad hoc publicity). In connection with our audit, we have not received any indications that Vitesco Technologies has not properly fulfilled its duty to provide information.

As a company whose shares are not only traded in the Prime Standard, but are also part of an important share index such as the MDAX and SDAX, Vitesco Technologies is monitored by numerous analysts. Vitesco Technologies publishes its latest assessments on its homepage. We have examined the analysts'

<sup>239</sup> The Valuation Expert points out that transactions carried out over the counter are, however, taken into account in the derivation of a three-month average price in accordance with court decisions. In this context, we note that the decisions cited by the Expert each relate to a three-month average share price, which was to be determined for the question of whether the share price determines the lower limit of a cash settlement as the divestment price. This question differs fundamentally from the question of whether the stock market price is suitable for deriving the enterprise value. In the former case, significantly lower requirements for the liquidity of share trading are sufficient. In the present case, we therefore consider it appropriate to focus exclusively on the trading volumes of the Frankfurt Stock Exchange, including trading in the XETRA electronic trading system. Furthermore, we would like to point out that the shares of the companies in the cases decided were traded exclusively on the OTC market, so that a three-month average price could not have been determined if a strict interpretation of the stock exchange location had been applied.

<sup>240</sup> Notice from the Federal Financial Supervisory Authority, Bonn and Frankfurt am Main ("BaFin"), of 23 October 2023.

reports to determine whether the forecasts they contain are essentially in line with management's expectations. In doing so, we determined that no material deviations were evident.

However, it should be noted that the quality of the forecasts and the degree of agreement between external estimates and internal planning decreases with increasing time from the respective analysis date and that external forecasts are usually only available for a few years.

Analysts' valuation models generally do not take sufficient account of medium and long-term changes in the Valuation Object, as the internal company data are not available. Nevertheless, the price targets determined by analysts using their valuation models are highly relevant for many market participants in their investment decisions. Stock market prices resulting from these investment decisions therefore often do not reflect management's internal expectations. For this reason, IDW S 1 postulates that a valuation based on the company's own stock market price as well as a valuation based on stock market multiples - derived from analysts' estimates and the prices of comparable companies - can only serve to check the plausibility of fundamental enterprise values derived from internal data.

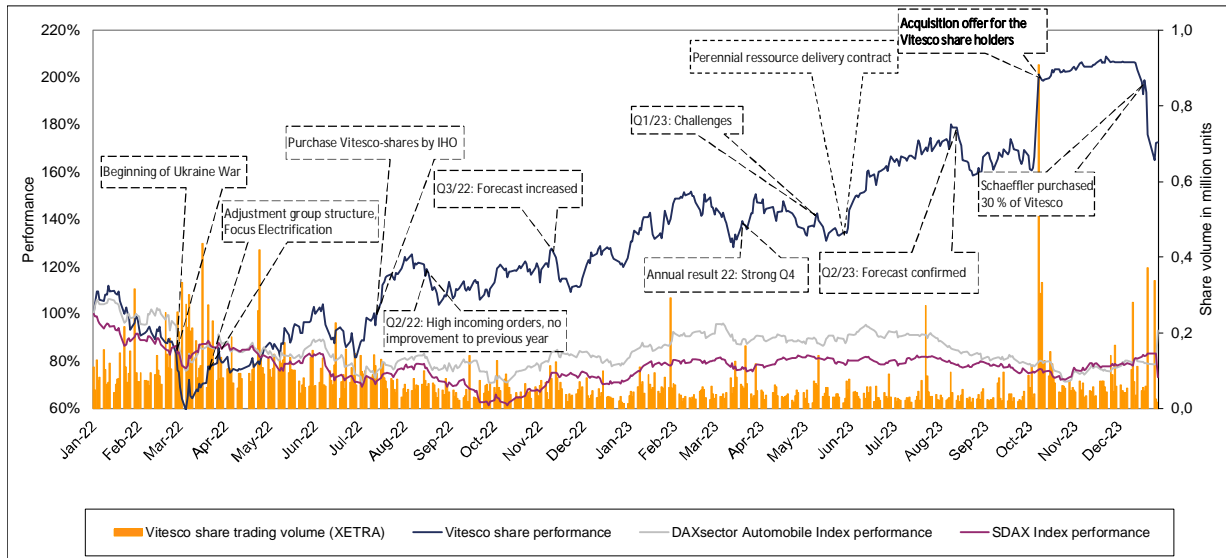
As a result of our analysis of the broker reports on the Vitesco share, we note that although these basically reflect the internal expectations for the near future, the change in the business model of Vitesco Technologies in the medium to long term is not sufficiently reflected.

In summary, however, it can be assumed that effective information processing by the market is possible - apart from the fundamental limitations mentioned - as the negative criteria mentioned for the analysis of a potential information gap are not met.

With regard to the analysis of a possible share price distortion, the Valuation Expert analysed the development of the Vitesco share price over a period of two years prior to 9 October 2023 and also presented it graphically in the Valuation Report. As a result of the Expert's analyses, it can be stated that the development of the Vitesco share price can be explained by the events the Expert mentioned and that it also follows the fundamental trends of the peer companies.

We have been able to comprehend the analyses of the Valuation Expert and have supplemented them with our own analyses. On the one hand, we analysed whether major price changes can be explained by internal or external changes in the economic situation of Vitesco Technologies or the price targets of analysts and, on the other, whether price changes occurred when changes in the economic situation of Vitesco Technologies or the price targets of analysts led us to expect a change in the share price.

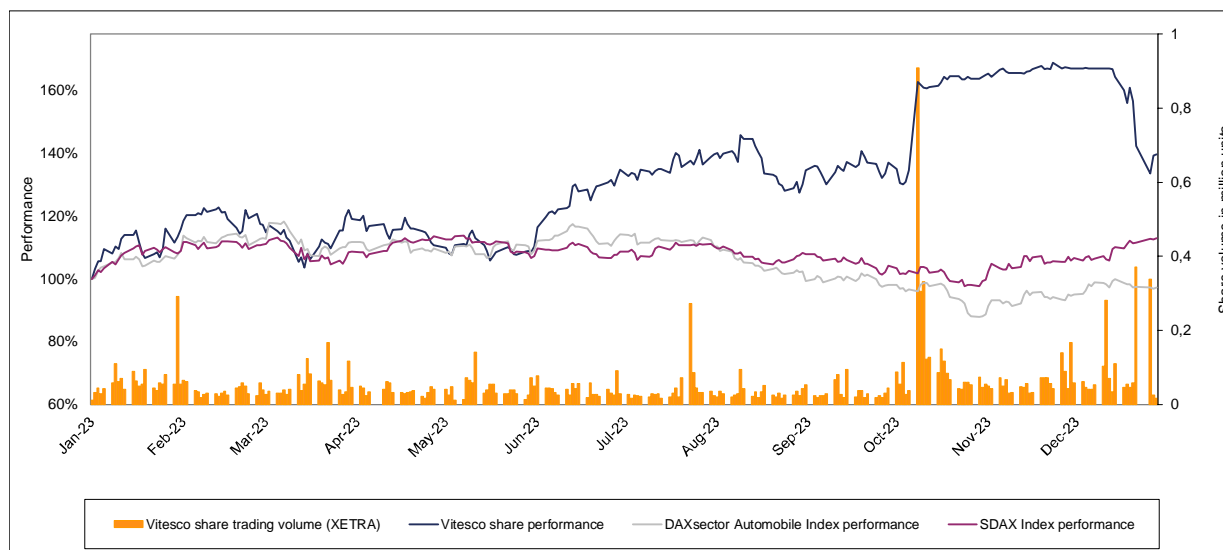
For the calendar years 2022 and 2023, the relative development of the Vitesco share price compared to reference indices and the daily trading volume of the Vitesco share are as follows:



As can be seen in the chart above, the Vitesco share performed largely in line with the benchmark indices at the beginning of 2022. At the beginning of 2022, however, the Vitesco share had already lost around a third of the issue price realised on 16 September 2021 within just over three months. In addition, there were considerable price losses in February and March 2022, which significantly exceeded the market-wide price losses that had set in after the start of the war in the Ukraine. The recovery potential was therefore all the greater, which subsequently manifested itself in the share price performance.

In addition to these general trends, the share price development on the days on which the other events listed by us became known also shows an evident reaction of the share price to the respective event in some cases. In other cases, no reaction is evident. At this point, we would like to point out that a direct correlation between the development of a share price and the publication date of an event cannot always be proven. On the one hand, this can be explained by the fact that the market anticipates certain information or operational developments before they are published. On the other, the specific developments are also overlaid by other factors. In addition, short-term distortions on the stock market due to market exaggerations or speculative developments cannot be ruled out.

In a presentation in which we have shortened the observation period to the calendar year 2023, two effects that can be explained by events are much clearer, as the following chart shows:



In 2023, the Vitesco share price developed largely in line with the benchmark indices, although the fluctuations in the Vitesco Technologies share price were somewhat higher.

After Vitesco Technologies announced on 31 May 2023 that it had secured supply capacities worth € 1.75 billion via a long-term supply agreement for silicon carbide products and that it would be investing in production capacities together with the supplier, the share price decoupled from the general market trend for several days.

The largest deviation of two daily prices is recorded for 9 October 2023. Following the announcement that Schaeffler would submit a purchase offer of € 91.00 per Vitesco share, the share price jumped to this level and subsequently leveled off at the level of the adjusted offer price of € 94.00 per Vitesco share. After the acceptance period for the offer had expired, the Vitesco Technologies share price initially fell back to the average level seen in the months prior to the offer.

The results of our analyses described above regarding a possible decoupling of the Vitesco Technologies share price allow us to draw the following conclusions:

- There is no evidence that the Vitesco Technologies share price decoupled from the market trend before 9 October 2023 and could therefore have been distorted.
- It is confirmed that the relevant reference period for the calculation of the 3M-VWAP must end before 9 October 2023.

In order to determine whether the calculated 3M-VWAP was formed on the basis of effective information processing by the market and whether the resulting market capitalisation could represent a suitable estimate of the enterprise value, we analysed the liquidity of share trading in a second step - following the first step of our review described in detail above - and examined the following criteria, also mentioned above:

- Criteria of § 5(4) WpÜG-AngebV as insufficient minimum requirements
- Criteria of Article 22(1) of Regulation (EC) 1287/2006 as maximum requirements that do not necessarily have to be met
- Inclusion in share indices
- Relative amount of free float
- Relative trading volume
- Absolute trading volume
- Bid-ask spread

With regard to the negative criteria of § 5(4) WpÜG-AngebV, we have determined the following:

- Required trading fulfilled on at least one third of the trading days in the reference period through daily trading.
- Several consecutively determined stock market prices do not deviate from each other by more than five percent in the reference period.<sup>241</sup>

The share prices are therefore considered meaningful in accordance with the criteria of § 5(4) WpÜG-AngebV.

The Valuation Expert has also extended the observation period for examining these criteria to two years before 9 October 2023. The Vitesco share was also traded on the other days of this extended period. Price jumps were recorded at the beginning of March 2022 with three consecutive falls of more than 5%, followed by two consecutive increases of more than 5%. These price jumps were obviously due to the uncertainty on the markets caused by the start of the war in the Ukraine and can also be observed in the trading of Schaeffler shares. Moreover, due to daily trading, the negative criteria of § 5(4) WpÜG-AngebV were not cumulatively fulfilled during this extended period.

As the aforementioned criteria would not be sufficient from a business perspective to consider share trading as sufficiently liquid and therefore meaningful for extrapolating the enterprise value from the price of the individual share, the Valuation Expert reviewed further liquidity criteria.

The Higher Regional Court of Frankfurt am Main applies the strictest standard in a case in which shares in a target company were to be exchanged for shares in the bidder by way of a takeover bid.<sup>242</sup> In this respect, the facts are different from those for determining the exchange ratio in the case of a merger as in the present case. In financial terms, however, this is a very similar issue. As a result, the Valuation Expert also reviewed the criteria that the Higher Regional Court of Frankfurt am Main considered to be

<sup>241</sup> The misleading wording of legislators ("several successively determined stock exchange prices") is to be understood as follows: "According to BaFin, the fluctuation criterion is fulfilled for three consecutive trading days with transactions where the daily average price deviates by more than 5% from day 1 to day 2 and from day 2 to day 3" (Noack/Zetzsche in Schwark/Zimmer, *Kapitalmarktrechtskommentar*, 5th edition, Munich 2020, § 31 WpÜG, Marginal No. 41). In contrast to deviations of more than 5% between the prices of two trading days, we refer to these as "price jumps".

<sup>242</sup> Cf. HRC Frankfurt am Main, Decision of 11 January 2021, WpÜG 1/20, openJur 2021, 5961.



decisive for the liquidity of a share in the case decided as part of further analyses. At the same time, however, the Expert points out that these would not be relevant in the present case. In view of the financially comparable issue, we do not consider this audit to be irrelevant, but do consider it to be a maximum requirement that does not necessarily have to be met.

In this decision, the Higher Regional Court of Frankfurt am Main substantiated the concept of liquidity in the relevant § 31(2), Sentence 1 WpÜG with the definition in Article 22 (1) of Regulation (EC) 1287/2006. The Expert points out that other approaches are also proposed in the literature. Another approach is the concretisation through the negative criteria of § 5(4) WpÜG-AngebV. Like us, the court does not consider this to be a sufficient minimum requirement. Finally, the court points to a view in accordance with which an assessment should be made on a case-by-case basis, i.e. not in accordance with schematic criteria. In this context, it takes a forward-looking view from the perspective of an objective market participant.

In the opinion of the Higher Regional Court of Frankfurt am Main, there were considerable arguments in favour of applying the criteria of Article 22 (1) of Regulation (EC) 1287/2006 in the case decided. However, it did not examine these criteria in detail because in the case decided it already denied sufficient liquidity of trading on the basis of other arguments.

In accordance with Article 22(1) of Regulation (EC) 1287/2006, a share admitted to trading on a regulated market is considered to have a liquid market if the following conditions are met:

- Daily trading
- Free float not less than € 500 million
- Daily trading on average in at least 500 trades or with an average turnover of at least € 2 million

As shown above, the Vitesco share was traded daily during the reference period. The market capitalisation of the free float (closing prices) averages € 1,372.7 million during this period and € 1,360.1 million on the last trading day of the reference period (6 October 2023), which is well above the relevant threshold. In the reference period, daily turnover in Vitesco shares averaged € 3.1 million, which is also well above the relevant threshold.

This means that trading in Vitesco shares during the reference period can also be considered liquid in accordance with the strict criteria of Article 22(1) of Regulation (EC) 1287/2006.

In this respect, with regard to the Vitesco share, a further examination in accordance with other criteria proposed by legal rulings and literature to verify the liquidity of a share is actually superfluous. The Valuation Expert nevertheless provided further arguments as to why trading in Vitesco shares should be regarded as liquid.

In summary, the results of the analysis of the previously uninvestigated criteria for examining the liquidity of share trading for the Vitesco share are as follows:

- Inclusion in share indices: the Vitesco share is included in several share indices,<sup>243</sup> whereby, in our opinion, the inclusion in the MDAX and SDAX is a clear fulfillment of this requirement.
- Relative level of free float: the limit of the relative free float of 5.0% specified by the Valuation Expert on the basis of the legal rulings cited is clearly met with an average of 45.1% in the reference period.
- Relative trading volume: the limit of the relative daily trading volume of 0.018% specified by the Valuation Expert on the basis of the legal rulings cited is clearly met with an average of 0.101% in the reference period.
- Absolute trading volume: the less stringent threshold (T€ 115) frequently cited by legal rulings on the informative value of original beta factors<sup>244</sup> is clearly met with daily trading volumes of T€ 1,257 to T€ 21,037.
- Bid-ask spread (bid-ask spread): the limit of 1.0 or 1.25% specified by the Valuation Expert on the basis of the legal rulings cited is clearly met with an average of 0.29% in the reference period, which also corresponds to the average of the SDAX.

The Valuation Expert has additionally extended the observation period of the above analyses to two years before 9 October 2023. The results of the analyses for the reference period are also confirmed for this period. He also correctly points out that, from an economic perspective, the bid-ask spread as a measure of transaction costs is the most important of the aforementioned criteria.

In summary, it should be noted that the second criterion for determining effective information processing by the market (liquidity of share trading) does not preclude the use of the stock market price as an estimator for the enterprise value in the present case.

In order to determine whether the calculated 3M-VWAP was formed on the basis of effective information processing by the market and whether the resulting market capitalisation could represent a suitable estimator for the enterprise value, after the two further steps of our review described in detail above, we dealt in a final step with the question of whether the original beta factor of the Vitesco share can be regarded as suitable for enterprise valuation purposes.

As shown above,<sup>245</sup> the beta factor resulting from trading in the Vitesco share is considered suitable. To determine the fundamental enterprise value of Vitesco Technologies, the Valuation Expert applied an unlevered beta factor that corresponds to this original beta factor. The beta factors of the peer companies were taken into account. However, the original beta factor is of greater importance.

It should therefore be noted that the third criterion for determining effective information processing by the market (original beta factor suitable for enterprise valuation purposes) does not preclude the use of the stock market price as an estimator for the enterprise value in the present case.

The recent decision of the Federal Supreme Court on the relevance of the stock market price in determining adequate compensation<sup>246</sup> focused on the question of whether a valuation using the stock market

<sup>243</sup> Cf. Section E.I.1.

<sup>244</sup> In the opinion of Deutsche Börse AG, a share is sufficiently liquid if the average daily order book turnover is at least € 2.5 million. Even this criterion is fulfilled by the Vitesco share, as we have already shown in connection with the examination of the criteria of Article 22(1) of Regulation (EC) 1287/2006. In addition, a total of 2.6 million shares were traded in the reference period, corresponding to an average of 40.3 thousand shares per trading day.

<sup>245</sup> Cf. Section E.II.3.bcd).

<sup>246</sup> FSC, Ruling of 21 February 2023, Case II ZB 12/21 ("TLG/WCM"), *loc. cit.*

price can replace a fundamental valuation under certain circumstances because there is effective information processing by the market. Based on the legal rulings available to date on the use of stock market prices,<sup>247</sup> particularly in the case of resolutions dealing with the question of whether the stock market price determines the lower limit of a cash settlement as the divestment price, the stock market price is not considered relevant if there are indications of market manipulation or insider trading.

We did not receive any such indications during our audit. In this context, we would like to point out that a positive confirmation that neither market manipulation nor insider trading has occurred requires a forensic audit. The adequacy test is not designed as a forensic test.

In summary, on the basis of criteria developed by existing legal rulings on the question of effective information processing by the market and further suggestions that have emerged from the legal and financial discussion on this issue, we have found no evidence that the 3M-VWAP of the Vitesco share for the period prior to 9 October 2023 (€ 76.18) might not be suitable for deriving the enterprise value of Vitesco Technologies from a projection of the stock market price. According to this valuation method, the enterprise value of Vitesco Technologies as of 9 October 2023 is € 3,048.8 million.

However, it is not the enterprise value as of 9 October 2023 that is decisive, but the enterprise value as of the valuation date (24 April 2024). In view of conceivable distortions of the stock market price due to the announcement of a measure, the enterprise value cannot be determined by a three-month average price prior to the measure.<sup>248</sup> The FSC also addressed this issue in its decision, in which it considered this period to be decisive for the first time - in a departure from the principles that had applied until then.<sup>249</sup> Accordingly, a protection is required if an "extended period of time" elapses between the announcement of the structural measure and the date of the annual general meeting and the development of the share price makes an "adjustment appear necessary". In the case decided, the FSC ruled that a period of seven and a half months was sufficient for an extended period.

In the present case, there is a period of six months and 15 days, i.e. six and a half months, between the announcement of the planned merger and the expected date of the annual general meeting of Vitesco Technologies, which is to pass a resolution on the merger. It is questionable whether this period already constitutes an "extended period".

The question of whether a period of less than seven and a half months can also constitute an "extended period" in the terms of the Stollwerck ruling is the subject of debate in legal rulings and literature. A specialist article from 2021 presents the current state of opinion and the existing legal rulings of the lower courts.<sup>250</sup> Accordingly, in the cases mentioned, there were no extended periods of six and a half months or more. "Extended periods" were only assumed in cases lasting eight months or more.

We are also not aware of any decisions, including decisions that have been handed down since this article went to press, in which a period of six and a half months was regarded as an "extended period".

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<sup>247</sup> These ultimately all refer to the decisions of the FedCC (decision of 27 April 1999, Case 1 BvR 1613/94, *loc. cit.*) and the FSC (decision of 12 March 2001, Case II ZB 15/00, *loc. cit.*) in the DAT/Altana case, in which the issue of market manipulation and insider trading has already been addressed.

<sup>248</sup> Cf. above.

<sup>249</sup> Cf. FSC, Ruling of July 19, 2010 in the version of the corrected ruling of 5 August 2010, Case II ZB 18/09 ("Stollwerck"), *loc. cit.*

<sup>250</sup> Cf. Bungert/Becker, DB 2021, pp. 940 ff.

If one also takes into account that the period of time in merger cases, in which the valuation of two companies leads to a higher complexity of the valuation, is to be considered longer than in the decided cases on the exclusion of minority shareholders,<sup>251</sup> it can clearly be assumed that a period of six and a half months does not constitute an "extended period of time" in the present case. A projection according to the "general or industry-typical value development, taking into account the price development since then" is therefore not to be made.

The enterprise value of Vitesco Technologies calculated on the basis of a valuation at the stock market price therefore also amounts to € 3,048.8 million as of 24 April 2024.

#### IV. Plausibility check of the enterprise value of Vitesco Technologies

The Valuation Expert has determined the enterprise value of Vitesco Technologies as of 24 April 2024 in accordance with the Agreement on the basis of the valuation methods recognised in the practice of business valuation and legal rulings. In addition to the objectified enterprise value as defined by IDW S1, the Expert also determined the enterprise value of Vitesco Technologies using other valuation methods.

Since enterprise valuations should often be no more than "indications" of an estimate, "because the determination of value in accordance with the individual methods is associated with numerous prognostic estimates and methodical individual decisions, each of which is not accessible to a judgment of accuracy, but only to a judgment of justifiability",<sup>252</sup> a paradigm shift from the "theoretically correct value" to a "range of justifiable values" can also take place in a "norm-based" valuation.<sup>253</sup>

In our opinion and in accordance with IDW S 1, the objectified enterprise value generally, with an appropriate approach, represents the starting point on the basis of which an assessment can be made as to whether compensation payments for the relinquishment or impairment of rights arising from shareholdings in companies are to be regarded as adequate. In the opinion of the FSC, the 3M-VWAP may be the appropriate valuation method in certain cases.

Since stock market prices often exhibit short-term anomalies, but should generally oscillate around the intrinsic value of the company in the medium to long term, a narrow range of justifiable values can ideally be determined on the basis of a fundamental valuation and a further valuation using stock market prices.

As part of the determination of a market value based on the stock market prices, the Valuation Expert determined a 3M-VWAP of € 76.18 per Vitesco share. Following a comprehensive analysis of the criteria developed by business administration theory and legal rulings for the significance of this 3M-VWAP, which we have set out in detail on 13 pages, the 3M-VWAP determined for the Vitesco share represents a suitable starting point for determining an adequate exchange ratio, if one follows the legal rulings of the FSC.

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<sup>251</sup> Cf. Bungert/Becker, *op. cit.*

<sup>252</sup> Cf. HRC Stuttgart, Decision of 14 September 2011, Case I20 W 6/08, AG 2012, pp. 49 ff.

<sup>253</sup> Cf. Hüttemann in Fleischer/Hüttemann, *loc. cit.*, Marginal No. 1.76. with further references.

The Valuation Expert determined an objectified enterprise value in accordance with IDW S 1 of € 138.67 per Vitesco share. We comprehensively reviewed the valuation in accordance with IDW S 1 that led to a value of € 138.67 per Vitesco share. The results of our audit are presented in detail on a further 40 pages. In our opinion, the valuation performed in accordance with IDW S 1 is appropriate and results in an enterprise value per share that can be used to determine an adequate exchange ratio.

At € 127.76 per Vitesco share, the results of a valuation before personal taxes, which the Valuation Expert undertook in accordance with the DVFA recommendations are below the results of a valuation using the objectified enterprise value in accordance with IDW S 1.<sup>254</sup>

Insofar as these valuations are relevant, this would result in a range of justifiable values of € 76.18 to € 138.67 per Vitesco share. This range is not narrow. Therefore, a plausibility check using other valuation methods is therefore important. In this respect, it is advantageous that the Valuation Expert also comprehensively derives the results of another three valuation methods.

The comparative valuation derived in detail in the Valuation Report using the multiples method and applying the data for comparable listed companies results in a range of € 100.37 to € 109.26 per Vitesco share. The lower limit of this range is well above the 3M-VWAP of the Vitesco share, the upper limit is well below the objectified enterprise value in accordance with IDW S 1 per Vitesco share.

Using data from comparable transactions, the comparative valuation based on the multiplier method results in a range of € 119.55 to € 131.67 per Vitesco share. The lower limit of this range is well above the 3M-VWAP of the Vitesco share, while the upper limit is only slightly below the objectified enterprise value in accordance with IDW S 1 per Vitesco share. In the Expert's detailed analysis, however, the Valuation Expert points out possible limitations to the informative value of this plausibility check.

A further plausibility check could be carried out using the price targets published in the run-up to the announcement. In 2023, analysts published price targets of between € 65.00 and € 113.00 for the Vitesco share. The lower end of this range is even below the 3M-VWAP, while the upper end below the objectified enterprise value in accordance with IDW S 1. With regard to the price targets as a plausibility benchmark, two points should be mentioned to put them into perspective. On the one hand, analysts' valuation models generally do not take sufficient account of medium and long-term changes in the Valuation Object, as the internal company data are not available. On the other hand, it cannot be ruled out that analysts also exhibit so-called "herd behaviour". In our opinion, it is unlikely that individual analysts will deviate significantly from current prices and other analysts' estimates with their price targets.

The results of impairment tests might also be used for plausibility checks. This approach is based on the idea that these reviews are verified by auditors as part of the audit of consolidated financial statements and that they would not accept estimates that are too ambitious. The impairment tests for 31 December 2023 resulted in a value per Vitesco share of € 107.09. This is below the objectified enterprise value in

<sup>254</sup> This is mainly due to the fact that the simplified reconciliation of the market risk premium before personal taxes (7.00%) to the market risk premium after personal taxes (5.75%) is possible with the sustainable payout ratio (50%) and the beta factor of the market (1.0), but the more precise valuation models calculate with the payout ratios that change in the course of the detailed estimates and the individual beta factors of the Valuation Objects.

accordance with IDW S 1, but significantly above the 3M-VWAP due to the partially differing standards of the valuation regulations in accordance with IFRS and due to a rather cautious parameterisation.

Finally, the valuation results can also be checked for plausibility with the communication in connection with the acquisition offer. The Executive and Supervisory Boards of Vitesco Technologies did not consider consideration of € 94.00 per Vitesco share to be adequate. In their joint statement, they relied on inadequacy opinions from various investment banks, among other things. They also pointed out that the acquisition offer could nevertheless represent a potentially attractive exit opportunity for risk-averse or short-term investors in the market environment at the time, even if the cash consideration offered did not adequately reflect the long-term value of the company.<sup>255</sup> In this regard, we have inspected the investment banks' valuation documents, which result in a value per Vitesco share that is significantly higher than the objectified enterprise value in accordance with IDW S 1.

In view of the stock market valuation, a large number of investors evidently considered the consideration to be an attractive exit opportunity and accepted the offer. We assume that the remaining investors were of the opinion that the consideration (€ 94.00) does not adequately reflect the long-term value of the company, which should then apply all the more to the 3M-VWAP (€ 76.18).

In summary, it should be noted that a comprehensive plausibility check does not produce a clear result. In our opinion, there are more reasons to believe that the objectified enterprise value in accordance with IDW S 1 is a suitable basis for estimating the enterprise value of Vitesco Technologies. As a result of our comprehensive review, the stock market valuation seems to underestimate the potential of Vitesco Technologies, which has been comprehensively demonstrated to us.

We suspect that one reason for this is that the capital market does not differentiate sufficiently between companies in the sector. Some German competitors have recently had to announce that they will have to take measures to secure their future profitability. In addition, German car manufacturers have been valued at very low multiples for some time. The market seems to have the expectation that German manufacturers will lose their market power because they are not making sufficient use of the opportunities arising from electrification. For Vitesco Technologies, such a development would also affect expectations. In view of the broad customer base, however, such a development could be offset.

#### V. Particular difficulties in the valuation of Vitesco Technologies

The valuation of Vitesco Technologies did not give rise to any particular difficulties in the terms of § 12(2), Sentence 2, No. 4 UmwG.

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<sup>255</sup> Cf. Section E.I.1.

F. Audit findings on the enterprise value of Schaeffler (stand-alone)

I. Valuation Object: Schaeffler

1. Legal and tax situation of Schaeffler

Schaeffler AG has its registered office in Herzogenaurach and is entered in the Commercial Register of the Local Court of Fuerth under Commercial Register No. B 14738. The business address is: Industrie-strasse 1-3, 91074 Herzogenaurach.

Schaeffler's Articles of Association were amended by resolution of the shareholders in annual general meeting on 20 April 2023 to the effect that the annual general meetings can also be held until 20 April 2028 without the physical presence of shareholders or their proxies at the venue of the annual general meetings (virtual annual general meetings).

The corporate purpose is comprehensively defined in § 2 of the Articles of Association. According to § 2.1 of the Articles of Association, the corporate purpose of the company consists in

- (a) "the development, manufacture and sale of components, parts, systems and software as well as the development and provision of analog and digital services for automotive manufacturers, other industrial customers and other customers,
- (b) trade in such products, and
- (c) the manufacture or procurement of components, raw materials or parts required for the manufacture of the products mentioned under (a)."

The financial year of Schaeffler corresponds to the calendar year.

Schaeffler's fully paid-in share capital amounts to € 666,000,000.00 and is divided into 500,000,000 common bearer shares<sup>256</sup> and 166,000,000 common non-voting bearer shares.<sup>257</sup> In accordance with Section 22.2(b) of the Articles of Association as amended on 20 April 2023, each preference share receives a preference dividend of € 0.01.

In connection with the intended business combination, Schaeffler's common shareholders resolved at an extraordinary general meeting on 2 February 2024, and Schaeffler's common non-voting shareholders resolved at a separate meeting of common non-voting shareholders to convert the common non-voting shares into common voting shares at a ratio of 1:1 and to cancel the preferential dividend rights.<sup>258</sup>

In connection with the resolution on the change of the classes of shares, the Schaeffler Board of Managing Directors was instructed to file the amendments to the Articles of Association adopted to change the classes of shares for entry in the commercial register only after a separate general meeting of Schaeffler common shareholders has approved the Merger Agreement and to condition the filing of the adopted amendments to the Articles of Association on the prior or simultaneous entry of the merger in the commercial register of Schaeffler. Accordingly, the amendments to the Articles of Association adopted to change the class of shares have not yet been filed for entry in the commercial register.

<sup>256</sup> Schaeffler common share(s)

<sup>257</sup> "Schaeffler common non-voting share(s)"; Schaeffler common share(s) or Schaeffler common non-voting share(s) together also "Schaeffler share(s)", unless a distinction is required.

<sup>258</sup> "Change in the classes of shares".



The Schaeffler shares have no par value. Each no-par-value share represents a notional share in the share capital of € 1.00. According to the information in the Merger Report, Schaeffler does not hold any treasury shares.

Schaeffler's Board of Managing Directors is authorised to increase the share capital (authorised capital). The conditional capital was canceled by the resolution on the amendment to the share classes and is to be deleted from the Articles of Association subject to the fulfillment of the conditions for entry of the amendment to the share classes. The authorised capital will therefore no longer be available in the future.

According to the available voting rights notifications, IHO Verwaltungs GmbH holds all Schaeffler common shares. 20.247,621 Schaeffler preference shares<sup>259</sup> are held by IHO Beteiligungs GmbH. This means that all common shares and a total of 520,247,621 Schaeffler shares are attributable to Mrs Maria-Elisabeth Schaeffler-Thumann and Mr Georg FW Schaeffler.<sup>260</sup> The attributable Schaeffler shares represent 78.11% of Schaeffler's share capital. According to the information provided, the remaining preference shares (145,752,379) are in free float.

Schaeffler's preference shares (ISIN DE000SHA0159017) have been admitted to trading on the regulated market with additional post-admission obligations of the Frankfurt Stock Exchange (Prime Standard segment) since 9 October 2015. They are therefore also traded on the electronic Xetra trading platform. Furthermore, the shares are included in over-the-counter trading on all German stock exchanges and some other European stock exchanges. Quotrix and Gettex are also used as electronic trading platforms. Schaeffler's common shares have not yet been admitted to trading on the stock exchange.

As a result of the resolution on the change of the share classes taking effect, the previous stock exchange listing of the Schaeffler preference shares will expire so that they can no longer be traded on stock exchanges in the future. However, it is intended to obtain the admission of all Schaeffler common shares - including the "new" common shares resulting from the resolution on the change of the class of shares and the capital increase in connection with the planned merger - to trading on the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard).

Schaeffler's preference shares are included in the CDAX and SDAX share indices and the DAXsector Automobile index, among others.

Schaeffler AG itself is a pure management holding company. It realises its corporate purpose through subsidiaries that are combined under its uniform management. In this context, Schaeffler AG provides services in the areas of public relations, treasury, legal advice, tax advice, compliance, human resources, internal audit, quality management, and management. The operating business is carried out by the 177 fully consolidated domestic and foreign subsidiaries. There are also holdings in joint ventures and associated companies as well as other investments. In this context, the Valuation Expert refers to the list of

<sup>259</sup> In the resolution, the Board of Managing Directors of Schaeffler AG was instructed to notify the change of the share class to the commercial registry, if the shareholders of Schaeffler AG approved in a separate annual general meeting a merger agreement of the Company with Vitesco Technologies Aktiengesellschaft as the Transferring Entity. The notification of the change of the share class must be conditioned on the prior or simultaneous entry of the merger of Vitesco Technologies Aktiengesellschaft with Schaeffler AG in the commercial register of Schaeffler AG.

<sup>260</sup> Cf. Section E.I.1, where the shareholdings in Vitesco Technologies and Schaeffler are also shown graphically.

shareholdings in the notes to the consolidated financial statements. Due to the complexity of the Group structure, the Expert does not consider the presentation in an organisational chart to be expedient.

Schaeffler AG is the parent company of a consolidated tax group that includes all significant German corporations.

As of 31 December 2023, significant usable tax loss carryforwards only exist in Germany. Schaeffler AG has a loss carryforward of € 537.5 million for corporate income tax and € 388.1 million for trade tax.

Schaeffler AG has a tax deposit account which amounted to € 2,630.0 million as of 31 December 2023. However, no tax-free distributions can be made from the tax contribution account in the forecast period, as distributable profit in the terms of § 27 KStG will arise in all forecast years and distributions will therefore be subject to withholding tax.

## 2. Schaeffler's financial fundamentals

### a) Schaeffler's business model and strategy

Schaeffler's corporate history dates back to 1946 and is characterised by continuous expansion, strategic acquisitions and a strong international presence. In our view, the development of the needle roller cage for nail bearings by Mr Georg Schaeffler in the 1950s and the takeover of the competitor FAG Kugelfischer Georg Schäfer AG in 2001 are milestones in the company's history.

As part of a staggered acquisition, IHO has built up a significant stake in Continental AG (46.0%). In connection with the planned merger, Schaeffler has built up its own 38.87% stake in Vitesco Technologies, which was spun off from Continental AG in 2021.<sup>261</sup>

Today, the Schaeffler Group is a global automotive and industrial supplier that describes itself as a "Motion Technology Company". With around 81,300 employees,<sup>262</sup> Schaeffler develops and produces components and systems for drive trains and chassis as well as rolling and plain bearing solutions for a wide range of industrial applications. The company also provides services for these areas and offers repair solutions in OEM quality for the global automotive aftermarket.

Schaeffler is represented at over 200 locations worldwide with 82 plants and 20 research and development centers as well as additional research and development locations in 25 countries and also has a close-knit sales and service network. 44.3% of revenue in financial year 2023 (€ 16,313 million) is attributable to the Europe region<sup>263</sup> with Germany as the largest sales market in the region, 21.9% to the Americas region,<sup>264</sup> 20.6% to the Greater China region<sup>265</sup> and 13.3% to the Asia-Pacific region.<sup>266</sup>

The Schaeffler Group is characterised by a three-dimensional organisational and management structure. In addition to the four regions described above and a further breakdown by five functions, Schaeffler differentiates between the three divisions: Automotive Technologies, Automotive Aftermarket and

<sup>261</sup> Cf. Section E.I.1.

<sup>262</sup> Full-time equivalent ("FTE"); 31 December 2023.

<sup>263</sup> With the sub-regions Germany, Western Europe, Middle East & Africa and Central & Eastern Europe.

<sup>264</sup> With the subregions U.S. & Canada, South America and Mexico.

<sup>265</sup> Mainland China, Taiwan, Hong Kong and Macao.

<sup>266</sup> With the sub-regions South Korea, Japan, South-East Asia and India.

Industrial. Business is managed in accordance with the divisions, which also represent the reportable segments.

The Automotive Technologies Division can be characterised in accordance with various criteria as follows:

- Key figures for the entire division for financial year 2023:<sup>267</sup> Revenues € 9,772 million, adjusted EBIT € 435 million.
- Medium-term targets 2025 communicated before the merger:<sup>268</sup>
  - Currency-adjusted revenue growth on average (2023 to 2025) 2 to 5 percentage points above the growth in global automotive production
  - Adjusted EBIT margin 4 to 6%
- Business model and strategic focus:
  - Electrification of the powertrain by developing new business areas and implementing competitive cost structures ("Schaeffler Vision Powertrain")
  - Development of solutions to meet the future high demand for highly automated and partially automated driving ("Schaeffler Vision Automated Vehicle")
- Customer base: all major global automotive manufacturers and suppliers to the automotive industry, as well as supplying the aftermarket division with spare parts and services over the entire vehicle life cycle
- Divisions with product groups:
  - Engine & Transmission Systems (mature business area with powertrain-specific products and revenue of € 5,306 million): Components and subsystems for engines and transmissions of passenger cars and commercial vehicles with both hybrid and conventional (strictly internal combustion engine) drive systems, in particular torque converters, hybrid dampers, clutches, variable valve train systems, valve lash adjustment elements, balancer shafts, camshaft phasing systems, timing gears and auxiliary transmissions
  - Warehouse (mature business area with drivetrain-independent products and revenue of € 2,697 million): Rolling bearings such as wheel bearings, ball bearings and needle roller bearings, which are used in particular in engines and gearboxes, in the electrified system of e-axes, in hybrid modules and also in steering systems and auxiliary units
  - E-mobility (new business area with powertrain-specific products and sales of €1,312 million): mechanical, mechatronic and electronic components and systems for all types of powertrain electrification (mild hybrids, plug-in hybrids and strictly electrically powered cars and commercial vehicles), such as electric motors, electric axle drives, power electronics, hybrid modules, electromechanical and hydraulic actuators, key components for fuel cells and thermal management modules in particular
  - Chassis Systems (new business area with powertrain-independent products and revenue of € 457 million): mechanical components and mechatronic systems for steering and other chassis applications through to autonomous mobility concepts, such as the steer-by-wire system "Space Drive", roll stabilizers and rear axle steering systems in particular

The Automotive Aftermarket Division can be characterised in accordance with various criteria as follows:

- Key figures for the entire division for financial year 2023:<sup>269</sup> Revenues € 2,253 million, adjusted EBIT € 367 million.
- Medium-term targets 2025 communicated before the merger:<sup>270</sup>
  - Currency-adjusted revenue growth on average (2023 to 2025) at the level of global economic output growth

<sup>267</sup> The following key figures also relate to financial year 2023.

<sup>268</sup> In the course of the business combination with Vitesco Technologies, these are no longer considered applicable. However, the merger is not yet included in the estimates.

<sup>269</sup> The following key figures also relate to financial year 2023.

<sup>270</sup> In the course of the business combination with Vitesco Technologies, these are no longer considered applicable. However, the merger is not yet included in the estimates.

- Adjusted EBIT margin 13 to 15%
- Business model and strategic focus: global spare parts business for passenger cars and commercial vehicles, with the management model based on a regional approach
- Regional breakdown: Europe 66.4%, Americas 21.2%, Greater China 6.2%, Asia-Pacific 6.2%
- Customer base:
  - Original equipment service:<sup>271</sup> Supplying vehicle manufacturers and authorised workshops with original spare parts
  - Independent aftermarket:<sup>272</sup> Supplying free, independent workshops with components, repair solutions and services
- Distribution channels:
  - Global network of wholesalers, often organised in trade cooperations
  - Increasing importance of online sales to retailers with currently two major platforms that are primarily used in India and China

The Industrial Division can be characterised in accordance with various criteria as follows:

- Key figures for the entire Division for financial year 2023:<sup>273</sup> Revenues € 4,288 million, adjusted EBIT € 385 million.
- Communicated medium-term targets for 2025:
  - Currency-adjusted revenue growth on average (2023 to 2025) in line with growth in global industrial production
  - Adjusted EBIT margin 12 to 14%
- Business model and strategic focus: Precision components, both rotary and linear bearing solutions, drive technology components and systems, and service solutions such as sensor-based condition monitoring systems for a wide range of industrial applications, as well as products and solutions for the hydrogen industry, with the division's management model based on a regional approach
- Regional breakdown: Europe 43.5%, Americas 18.7%, Greater China 23.5%, Asia-Pacific 14.3%
- Target markets (market clusters/sector clusters/strategic business areas):<sup>274</sup>
  - Renewables: Wind
  - Transportation & Mobility: Aerospace, Rail, Offroad, Two Wheelers
  - Machinery & Materials: Raw Materials, Power Transmission
  - Industrial Automation

Schaeffler's overarching goal is to create sustainable value for its stakeholders. Through innovative strength, quality, system understanding and manufacturing expertise, Schaeffler aims to shape progress and enable sustainable mobility and movement. In order to fulfill this mission, the company's positioning as an integrated automotive and industrial supplier has proven its worth. Joint technology and manufacturing expertise created synergies across products, sectors and divisions.

Schaeffler has identified sustainability and digitalisation as key strategic topics in its positioning as a "motion technology company". Schaeffler's strategic direction is summarised in the "Roadmap 2025". The key

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<sup>271</sup> "OES"

<sup>272</sup> "IAM"

<sup>273</sup> The following key figures also relate to financial year 2023.

<sup>274</sup> In addition, business with dealers is managed by the Industrial Distribution Division.

elements of this include the "Strategy 2025", the "Implementation Program 2025" with its seven sub-programs and the "Medium-term goals 2025".<sup>275</sup>

Based on five key future trends, Schaeffler has defined the following five focus areas for growth initiatives in its Strategy 2025:

- CO<sub>2</sub>-efficient drives: Solutions for combustion engines, hybrid solutions and fully electric drive systems
- Chassis applications: innovative by-wire solutions, not only in the automotive business
- Industrial machinery & equipment: innovative mechatronic systems for automating production, such as robotic arm actuators
- Renewable energies: in particular solutions for wind turbines as well as solar and hydropower plants
- Solutions for the aftermarket & services: for example, monitoring and service solutions for industrial systems, data-based services and innovative plug-and-play repair solutions

The 2025 implementation program is divided into three divisional and four cross-divisional sub-programs. With regard to the strategic medium-term targets for 2025,<sup>276</sup> the following targets have been communicated at the Schaeffler Group level in addition to the aforementioned targets for the individual divisions:

- ROCE<sup>277</sup> (profitability ratio; measure of value creation) 12 to 15% on the basis of reported EBIT
- FCF conversion<sup>278</sup> (liquidity ratio; measure of the ability to generate cash) 30 to 50% of reported EBIT
- Net financial debt/adjusted EBITDA (key figure for capital structure) 1.2 to 1.7
- Dividend payout ratio 30 to 50% of adjusted consolidated net income<sup>279</sup>

Schaeffler has developed a cross-divisional framework for managing capital allocation in order to deploy capital in a targeted manner in line with the strategy. Investments are allocated to portfolio strategies (build, grow, harvest, exit/divest) and investment types. Measures for the closure of locations and socially responsible job cuts are also being considered.

Even though Schaeffler primarily pursues an organic growth strategy based on its existing technological expertise and innovative strength, acquisitions are considered if they expand the company's technological expertise or contribute to strengthening its existing market position.

Ultimately, these classifications serve the overarching goal of Schaeffler's management system to create sustainable value. In addition to ROCE as an indicator of relative value creation, SVA<sup>280</sup> has been established as a key strategic financial performance indicator as a measure of absolute value creation.

## b) Financial, liquidity and earnings position of Schaeffler, including adjustments

The Valuation Expert has performed an analysis of the financial, liquidity and earnings position of Schaeffler based on the published consolidated financial statements for the financial years 2021 to 2023.

<sup>275</sup> In the course of the business combination with Vitesco Technologies, these are no longer considered applicable. However, the merger is not yet included in the estimates.

<sup>276</sup> The medium-term targets have changed as a result of the merger with Vitesco Technologies. Insofar as this needs to be taken into account in a stand-alone analysis, this is reflected at the relevant point.

<sup>277</sup> Return on capital employed (ROCE)

<sup>278</sup> Free cash flow (before cash inflows and outflows for M&A activities)/EBIT.

<sup>279</sup> At the extraordinary general meeting on 2 February 2024, Schaeffler announced that it will aim for a dividend payout ratio of 40 to 60% of adjusted net income in the future.

<sup>280</sup> Schaeffler Value Added (EBIT less capital costs on average capital employed).

Insofar as the actual figures for the historical period under consideration contain effects which, due to their nature, are not included in the estimates, the Valuation Expert has previously adjusted the actual figures for these effects.

#### ba) Schaeffler's earnings position

The Valuation Expert prefaces the analysis of the earnings position with the consolidated income statement, partially summarised in the presentation using tables. The presentation includes the adjusted figures for the historical period under review (financial years 2021 to 2023) and the estimated income statement for the detailed forecast phase (financial years 2024 to 2028).

The Valuation Expert also tabulates the adjustments made in a reconciliation statement and explains them in writing below. Finally, the Expert comments on the adjusted earnings situation on this basis.

In connection with the adjustments to the financial, liquidity and earnings position of Vitesco Technologies, we have explained why the figures for the past under review are adjusted in valuation practice and how adjustments can be categorised. The basic procedure of the Valuation Expert is also explained there. To avoid repetition, we refer to those explanations.<sup>281</sup>

The adjustments are explained in detail item by item in the Valuation Report. In this respect, we also refer to the comprehensive Valuation Report for the adjustments to Schaeffler's financial, liquidity and earnings position.

During our audit, we were able to verify the adjustments made without any objections.

The Valuation Expert is transferring the operating result before adjustments to a result after adjustments. The adjustments will (slightly) reduce the operating result in the first year of the reporting period (2021) and increase the operating result in the other two years (2022 and 2023).<sup>282</sup> This smooths out the operating result.

#### **Audit result**

The adjustments carried out ensure that the analysis of the planning of the operative results can be based on comparable developments from the Company's own past.

The comments of the Valuation Expert on the adjusted earnings position can be summarized as follows:

- Increase in revenue from € 13,851.6 million (2021) by an average of 8.5% (CAGR) to € 16,312.9 million (2023), with a significant increase in revenue, especially in financial year 2022 (+14.1%)
  - Automotive Technologies segment: +12.6% in financial year 2022 mainly due to market-driven increase in demand and low basis for comparison in 2021, +2.9% in financial year 2023 mainly due to market-driven increase in volume, but countered structurally by low local demand in the Greater China region
  - Automotive Aftermarket segment: +10.4% in financial year 2022, mainly due to positive sales price effects in all regions, although the development of volumes varied greatly in the individual regions, +10.4% in financial year 2023 with growth in all regions

<sup>281</sup> Cf. Section E.1.2.b).

<sup>282</sup> € -31.0 million (2021), € +119.1 million (2022) and € +215.5 million (2023).



- Industrial segment: +19.7% in financial year 2022 the main driver of Schaeffler's positive revenue trend, driven by significant volume growth and also selling price effects, +0.4% in financial year 2023, in which the weak market environment in the Greater China region could not be fully offset by positive selling price effects in other regions
- High degree of regional diversity with change in revenue shares at the expense of the Greater China region
- Disproportionate increase in cost of sales by an average of 4.0% (CAGR) to € 12,717.0 million (2023), resulting in a deterioration in the gross profit margin from 24.9 to 22.0%
  - In financial year 2023, mainly due to the special events at the plants mentioned in detail in the Valuation Report
  - Expiry of a restructuring program in financial year 2023, for which the charges were not fully accrued and therefore had a negative impact on earnings
- Overall increase in operating costs largely in line with revenue to € 1,825.3 million (2023), which corresponds to a cost ratio of 11.2
- Research and development expenses<sup>283</sup> at € 767.9 million (2023), unchanged in absolute terms compared to the previous year, with the cost ratio reduced to 4.7% (2023)
- Balance of other income and other expenses immaterial
- EBIT after decrease compared to 2021 in absolute terms (2023: € 1,096.0) and relatively (2023: EBIT margin 6.7%) stable
- Depreciation and amortisation included in the previously presented functional costs after a decrease compared to 2021 and ensuing years in absolute terms (2023: € 1,001.8) and relatively (2023: 6.1% of revenue) stable
- EBITDA stable, but margin down compared with 2022 to 12.9% (2023)
- Financial result (also adjusted) deteriorated significantly to € -305.5 million in financial year 2023, primarily due to the increase in market interest rates and the adjustment.
- Extraordinary result as an offsetting item to the adjustments made
- Income taxes (unadjusted) in financial year 2023 (€ 240.5 million) burdened by deferred tax expenses, so that effective tax rate increases to 41.8%.
- Net result (unadjusted) fell continuously to € 335.2 million.

#### bb) Financial and liquidity position of Schaeffler

The Valuation Expert presents his analysis of the net assets and financial position in tabular form, preceded by the consolidated balance sheet - summarized in the presentation at item level, but separated into assets (financial position) and liabilities (liquidity position). The presentation includes the adjusted figures for the historical period under review (financial years 2021 to 2023) and the estimated balance sheets for the detailed forecast phase (financial years 2024 to 2028).

The Valuation Expert also tabulates the adjustments made in a reconciliation statement and explains them in writing below. Finally, the Expert comments on the adjusted earnings situation on this basis.

The adjustments relate to non-consolidated investments, a derivative, assets held for sale and valuation effects.

<sup>283</sup> Net, i.e. after deduction of capitalisation of intangible assets.



We consider the adjustments made to be appropriate. We found no evidence of states of affairs in need of adjustment over the course of our audit.

#### **Audit result**

The adjustments made ensure that the balance sheet planning is based on an appropriate balance sheet as of the cutoff date for valuation purposes.

The comments of the Valuation Expert on the adjusted financial and liquidity position can be summarized as follows:

- Total assets largely constant
- The financial position is determined by property, plant and equipment (non-current assets) and inventories as well as receivables and other assets (current assets), whereby the proportion of non-current assets has increased.
- Intangible assets increased in 2023 to € 1,617.1 million (31 December 2023, 11% of total assets), particularly due to goodwill from a company acquisition in financial year 2023.
- Property, plant and equipment decreased to € 4,791.0 million (31 December 2023; 33% of total assets).
  - Inventories increased at a slower rate than revenues to € 2,877.5 million (31 December 2023; 20% of total assets), resulting in a reduction in inventory coverage from 96 to 88 days.
- Trade receivables increased to € 2,575.7 million (31 December 2023; 18% of total assets), days sales outstanding decreased slightly to 58 days (2023)
- Liquid assets continuously reduced to € 768.9 (31 December 2023, 5% of total assets) due to investments.
- Liquidity position characterised by shareholders' equity, interest-bearing liabilities and trade payables.
- Shareholders' equity (adjusted) fluctuates and increased to € 3,735.4 (31 December 2023, 25% of total assets) in particular due to value effects from currency translation recognised directly in equity and the adjustment of pension provisions.
- Interest-bearing liabilities have fluctuated and are slightly lower overall at € 6,391.7 million (31 December 2023, 44% of total assets).
  - Rating stand-alone (Fitch) BB+ ("non-investment grade")
  - Required for repayment or fulfillment of obligations from interest-bearing liabilities EBITDA of three years
  - Four bonds in a total nominal value of € 2,950.0 million and coupons of between 1.875 and 3.375% and maturities between March 2024 and October 2028
  - Two loans with a total nominal value of € 625.0 million taken out in financial year 2023
  - Promissory note loan with a nominal value of € 292.0 million
  - Short-term commercial paper of € 90.0 million
  - Unused revolving working capital line of € 1,775.0 million
  - Pension provisions, mainly for obligations in Germany, the US and the UK, decreased in financial year 2022 due to the rise in interest rates, increased again in financial year 2023 to € 1,832.3 million (31 December 2023).
- Non-interest-bearing liabilities increased to € 4,163.5 million (31 December 2023, 28% of total assets), including trade payables as a significant item, which increased at a lower rate than the cost of sales to € 2,357.4 million (31 December 2023), meaning that the creditors' term has fallen to 73 days.

### 3. Key success factors of Schaeffler's business concept

The Valuation Expert summarises the detailed analysis of the business model and the business strategy of Schaeffler including the market and competitive environment in a SWOT analysis. This can be condensed and supplemented by further aspects as follows:

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Excellent reputation as a supplier to the automotive industry due to quality and industry expertise</li> <li>▪ Diversification effects from divisions that are influenced differently by economic cycles</li> <li>▪ Strong global presence with interregional diversification effects and a diversified customer base</li> <li>▪ Long-standing customer relationships with a large order backlog</li> <li>▪ Innovative strength due to heavy investments in research and development, including e-mobility</li> <li>▪ Extensive experience in M&amp;A activities to complement our own expertise</li> </ul>	<ul style="list-style-type: none"> <li>▪ High proportion of products developed for combustion engines and hybrid vehicles</li> <li>▪ Currently and in the coming years still low share of revenue with e-mobility</li> <li>▪ Dependence on the availability of components and the level of raw material prices</li> <li>▪ Capital-intensive business model with high fixed costs</li> <li>▪ Rated at "non-investment grade"</li> </ul>
Opportunities	Risks
<ul style="list-style-type: none"> <li>▪ General global trend towards an increase in the number of vehicles and also the average vehicle age</li> <li>▪ Increased interest in environmentally friendly mobility</li> <li>▪ Growing demand for storage solutions for transportation, but also for wind turbines</li> <li>▪ Long-term potential of the hydrogen industry</li> <li>▪ Outsourcing the production of components from vehicle manufacturers to suppliers</li> </ul>	<ul style="list-style-type: none"> <li>▪ General dependence on the development of automobile production, which fluctuates with the macro-economic situation</li> <li>▪ Generally intense competition in the automotive industry with increasing price pressure and low margins</li> <li>▪ Generally faster transition to e-mobility with a corresponding decline in sales of vehicles with combustion engines</li> <li>▪ Protectionism in trade policy or changes in the political and regulatory environment</li> <li>▪ Increased internal production of components by vehicle manufacturers</li> </ul>

As can be seen from the above list, the strengths and weaknesses as well as opportunities and risks of Schaeffler in the markets relevant to it are balanced overall. The strengths indicate a currently stable business model, which is, however, exposed to risks in a changing environment.

## II. Valuation of Schaeffler using the objectified enterprise value in accordance with IDW S 1

### 1. Structure and delimitation of the Valuation Object Schaeffler

Schaeffler AG, including its subsidiaries and minority interests, is accurately regarded as the relevant Valuation Object.

The valuation of corporate groups can be carried out according to various methods, which, if properly applied, must lead to identical results.<sup>284</sup> The selection of one of these methods depends on the structure of the estimates on which it is based, the control purposes pursued with it and the question of whether it makes sense or is necessary to display individual assets.

In the present case, business is planned and managed primarily at the Group level.<sup>285</sup> In accordance with the structure of the estimates presented, the Valuation Expert therefore carried out a simultaneous valuation at the Group level and derived the earnings value from the Group plans presented. In the specific valuation case, it was necessary to determine enterprise values for individual subsidiaries, insofar as these

<sup>284</sup> Cf. Section D.II.1.

<sup>285</sup> Financial planning in the Schaeffler Group is based on a top-down approach as a guiding process and is the starting point for cascading into legal entities.

are not included in the consolidated financial statements by way of consolidation and are therefore not included in the estimates. They are included in the enterprise value as special assets.

For the reasons stated above, we consider the procedure described above to be expedient. We have ensured through consultations that the subsidiaries have been fully included in the calculation of the enterprise value of Schaeffler AG.

In summary, we consider the procedure used by the Valuation Expert to structure and demarcate the Valuation Object to be appropriate.

## 2. Derivation of Schaeffler's net income to be capitalised

### a) Structure of the estimates and estimation process of Schaeffler

In accordance with the principles of IDW S 1, the valuation of Schaeffler is based on the assumption that the enterprises of the Schaeffler Group will have an unlimited useful life. Since well-deliberated planning is not possible for an infinite period, a distinction must be made between the detailed forecast phase and the phase of the perpetual annuity.<sup>286</sup>

The detailed forecast phase is determined by the estimates submitted by Schaeffler, which cover the years 2024 to 2028. The first year of the estimates (budget) has a higher level of detail than the four subsequent years.

The Schaeffler Group's estimation process generally follows a "top-down approach". The regular estimation process begins in July and ends in December of each year. It begins with the so-called "strategy dialogue", in which the Board of Managing Directors formulates targets for the relevant key financial figures for the budget, which are then set as targets for the regions, divisions and functions in so-called "target letters". In individual sub-processes, the detailed estimates at the divisional, business unit and regional level are brought together in close coordination with each other and with the offices. Estimates are made, in particular, for revenue, purchasing volume, production volumes, functional costs, working capital and investments. In October, the estimates at the Group level are validated in the so-called "estimation dialogue" and adjusted if necessary.

As part of controlling during the year, the key financial figures are presented monthly in standardised reports. These include both a comparison of target/actual figures and a comparison with the previous year. The basis for the comparison between estimated and actual figures is the annual plan from the previous year's integrated operational plans, which are embedded in a longer-term strategic corporate plan drawn up by the Board of Managing Directors. The procedure changes in the middle of the year due to the new findings from the strategy dialogue. From this point onwards, the projection is also extended to the following year.

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<sup>286</sup> If necessary, supplemented by an intermediate rough planning or convergence phase.

The final estimates are regularly approved by the Board of Managing Directors and Supervisory Board in December. The budget presented was adopted by the Board of Managing Directors on 4 December 2023 and approved by the Supervisory Board on 15 December 2023.

According to our findings, it arose from the regular estimation process described above. In our opinion, this process complies with the principles of proper planning. In view of the systematic forecasting process described, we therefore consider the budget accounts presented by Schaeffler to be fundamentally suitable for the purposes of enterprise valuation.

In line with the external reporting of Schaeffler, they are prepared in accordance with IFRS and include integrated estimates for the income statement, balance sheet and cash flow. The information summarised at the Group level in the final estimates can be filtered in accordance with various criteria, e.g. by segment, business unit or region. In addition to the key financial figures, it also provides further information such as the respective number of employees.

In January 2024, Schaeffler's Board of Managing Directors decided to adjust the organisational and reporting structure as a result of the planned merger with Vitesco Technologies. In this context, it also updated the estimates. The updates relate almost exclusively to shifts between the divisions and business units and have no material impact at the Group level. The Board of Managing Directors approved this adjusted budget on 12 February 2024. The Supervisory Board approved the adjustment to the estimates on 23 February 2024. For comprehensible reasons, the Valuation Expert bases the valuation work on the estimates approved in December, as the adjustments have no effect on the valuation result.

#### b) Analysis of the reliability of Schaeffler's estimates

The Valuation Expert has verified the reliability of the estimates on the basis of a comparison of the revenue and adjusted EBIT (actual) actually earned in financial years 2021 to 2023 with the respective forecast values (estimates).<sup>287</sup>

In view of the regularly significantly lower planning reliability of subsequent planning years, the analysis is limited to planning for the first planning year (budget year).

We consider the basic procedure of how the Valuation Expert analysed the planning accuracy to be appropriate. The Expert's extensive explanations of the deviations of estimates and actual figures as well as the findings of this analysis can be summarised as follows:

- Revenue in financial years 2021 and 2023 in line with overall estimates, expectations exceeded in financial year 2022, although segment performance varied in some years
- Earnings forecasts met in financial year 2022 and expectations exceeded in the two other financial years under review
  - Overachievement of estimates in financial year 2021, mainly attributable to the Industrial segment, where the general recovery in global economic performance was evident, which was not foreseeable to this extent in the first year after the outbreak of the COVID-19 pandemic

<sup>287</sup> The Valuation Expert considers these to be the relevant key figures for the analysis because Schaeffler is managed on the basis of these financial performance indicators.

- Cross-segment overachievement of revenue estimates in the Automotive Technologies segment in financial year 2022, however, more than offset by disproportionately high increases in factor input costs
- Overachievement of estimates in financial year 2023 mainly due to increased productivity in the plants and strict cost discipline (Automotive Technologies segment) and various effects on revenue and costs (Aftermarket segment)
- Forecasts met in the past at the Group level
- No indications evident that the present estimates are not a suitable starting basis for an enterprise valuation.

In our opinion, the analysis of estimation accuracy does not indicate that Schaeffler sets overly ambitious earnings targets when preparing estimates.

We have been able to follow the rest of the Valuation Expert's analyses without any objections. Consequently, the analysis of compliance with the forecasts, including the findings of our analysis of the forecasting process, has also shown, in our opinion, that Schaeffler's estimates are suitable for purposes of the enterprise valuation.

#### **Audit result**

The estimates presented by Schaeffler can be used to determine its enterprise value.

The Valuation Expert has basically based its valuation on the estimates submitted unchanged.

For reasons related to the valuation system, the Valuation Expert has made the following adjustments to the submitted estimates in a comprehensible manner:

- Replacing the projected figures from the estimates in the statement of financial position (31 December 2023) with the figures from the consolidated financial statements
- Modification of the distribution estimates
- Modification of estimates for liquid assets as a follow-up effect, modeling of a minimum operating cash position with one month's revenue
- Elimination of items included in the valuation balance sheet from the acquisition of the shareholding in Vitesco Technologies, including financing and interest expenses

c) Analysis of Schaeffler's estimates

ca) Overview

Compared to the (adjusted) figures for the historical period under review, the Company's modified<sup>288</sup> estimated income statement - supplemented by selected key figures - is as follows overall:

Schaeffler Income statement Millions of €	Actual (adjusted)			Estimates					CAGR	
	2021	2022	2023	2024	2025	2026	2027	2028	2021-23	2023-28
Revenue	13.851,6	15.809,1	16.312,9	17.073,8	18.155,1	19.759,1	21.465,3	22.690,2	8,5%	6,8%
Cost of sales	-10.404,6	-12.224,3	-12.717,0	-13.197,7	-14.009,1	-15.269,1	-16.631,3	-17.542,8	10,6%	6,6%
<b>Gross profit</b>	<b>3.447,0</b>	<b>3.584,8</b>	<b>3.595,9</b>	<b>3.876,1</b>	<b>4.146,0</b>	<b>4.490,0</b>	<b>4.834,0</b>	<b>5.147,4</b>	<b>2,1%</b>	<b>7,4%</b>
Operating costs	-1.517,9	-1.734,9	-1.825,3	-1.843,2	-1.962,9	-2.053,3	-2.173,5	-2.181,6	9,7%	3,6%
Research and development costs	-748,1	-767,9	-767,9	-792,1	-801,4	-800,7	-784,6	-772,9	1,3%	0,1%
Other income	69,6	43,2	93,3	43,1	3,1	4,5	5,5	5,8	15,8%	-42,6%
Other expenses	-62,0	-32,5	0,0	-48,8	-2,5	-27,2	-64,2	-53,3	n.a.	n.a.
<b>EBIT</b>	<b>1.188,7</b>	<b>1.092,7</b>	<b>1.096,0</b>	<b>1.235,1</b>	<b>1.382,4</b>	<b>1.613,3</b>	<b>1.817,2</b>	<b>2.145,5</b>	<b>-4,0%</b>	<b>14,4%</b>
Depreciation (over all functional costs)	958,2	984,3	1.001,8	1.009,9	999,4	1.000,5	1.010,7	1.032,2	2,3%	0,6%
<b>EBITDA</b>	<b>2.146,9</b>	<b>2.077,0</b>	<b>2.097,8</b>	<b>2.245,0</b>	<b>2.381,8</b>	<b>2.613,7</b>	<b>2.827,8</b>	<b>3.177,8</b>	<b>-1,1%</b>	<b>8,7%</b>
Financial result	-122,0	-121,3	-212,0	-346,9	-330,1	-336,3	-342,4	-361,4		
<b>Result from ordinary operations</b>	<b>1.066,7</b>	<b>971,4</b>	<b>884,0</b>	<b>888,2</b>	<b>1.052,3</b>	<b>1.276,9</b>	<b>1.474,7</b>	<b>1.784,1</b>		
Extraordinary result	55,7	-119,1	-308,4	0,0	0,0	0,0	0,0	0,0		
<b>Earnings before tax</b>	<b>1.122,4</b>	<b>852,3</b>	<b>575,6</b>	<b>888,2</b>	<b>1.052,3</b>	<b>1.276,9</b>	<b>1.474,7</b>	<b>1.784,1</b>		
Taxes on income	-347,5	-267,6	-240,5	-294,8	-282,2	-329,6	-383,6	-455,9		
<b>Net Income</b>	<b>774,9</b>	<b>584,6</b>	<b>335,2</b>	<b>593,4</b>	<b>770,1</b>	<b>947,3</b>	<b>1.091,2</b>	<b>1.328,2</b>		
<b>as a % of revenue</b>										
Cost of sales	75,1%	77,3%	78,0%	77,3%	77,2%	77,3%	77,5%	77,3%		
Gross profit	24,9%	22,7%	22,0%	22,7%	22,8%	22,7%	22,5%	22,7%		
Selling, general and administrative expenses	11,0%	11,0%	11,2%	10,8%	10,8%	10,4%	10,1%	9,6%		
Research and development costs	5,4%	4,9%	4,7%	4,6%	4,4%	4,1%	3,7%	3,4%		
Other income	0,5%	0,3%	0,6%	0,3%	0,0%	0,0%	0,0%	0,0%		
Other expenses	0,4%	0,2%	0,0%	-0,3%	0,0%	-0,1%	-0,3%	-0,2%		
EBIT	8,6%	6,9%	6,7%	7,2%	7,6%	8,2%	8,5%	9,5%		
Depreciation, amortisation and other write-offs	6,9%	6,2%	6,1%	5,9%	5,5%	5,1%	4,7%	4,5%		
EBITDA	15,5%	13,1%	12,9%	13,1%	13,1%	13,2%	13,2%	14,0%		
Effective tax rate	31,0%	31,4%	41,8%	33,2%	26,8%	25,8%	26,0%	25,6%		

Sources: Company information, information from the Valuation Expert, own analyses

cb) Revenue

After very subdued revenue growth of only 3.2% in 2023, particularly due to the market environment in the Greater China region, Schaeffler's growth is expected to accelerate to 8.8% (2026) in the coming years and then normalise again with declining growth rates. Over the entire forecast horizon, this results in an increase in revenue from € 16,312.9 million (2023) to € 22,690.2 million (2028), which corresponds to an average annual growth rate of 6.8% (CAGR).

The main drivers of this development are the numerous transformation measures that have been introduced and the focus on the innovative "E-Mobility" and "Chassis Systems" business units (New Business) within the largest segment, Automotive Technologies. With regard to the foundation business units "Bearings" and "Engine and Transmission Systems", the focus is not on growth, but on profitability and efficiency. In view of only slight growth in the Bearings unit and declining revenue in the Engine and Transmission Systems unit, the Automotive Technologies segment is expected to grow at a slightly below-average rate (CAGR 5.4%) despite significant growth in the E-Mobility (CAGR 25.8%) and Chassis Systems (CAGR 24.2%) units, which is largely underpinned by projects that have already been proposed.

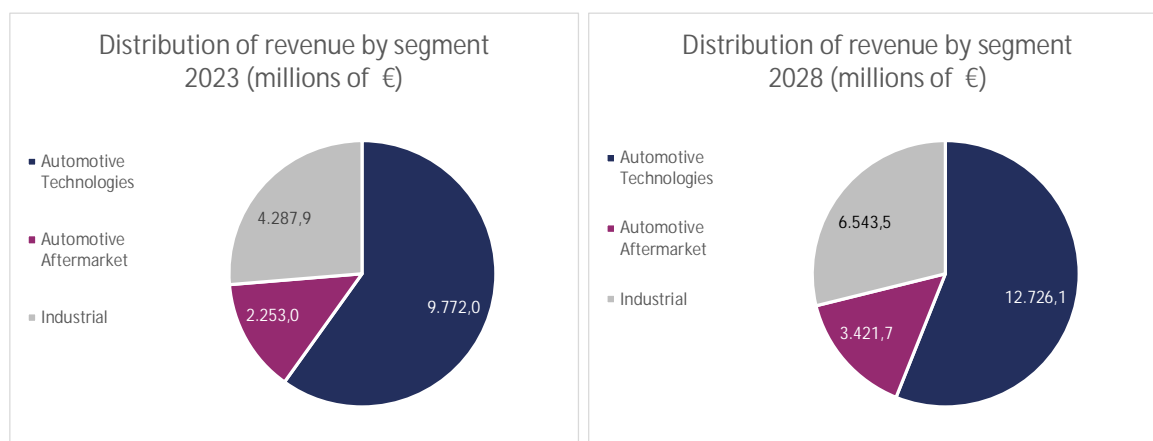
Growth expectations in the second-largest segment, Industrial, are significantly higher (CAGR 8.8%) and are likewise above expectations for the relevant markets. One driver of this development is the higher localisation rate. In addition to reducing customs and logistics costs, this should also generate positive

<sup>288</sup> See section F.II.2.b) for the minor modifications to the budget presented.

revenue effects due to nearer customer proximity. Another key driver of the above-average growth is the development of the wind energy market. This is highly dependent on demand in China, which is temporarily negatively impacted by construction stoppages and supply chain disruptions due to the geostrategic conflict between China and Taiwan. In the long term, Schaeffler, with its high share of the global market for main bearings and gearbox bearings for wind turbines, should be able to benefit from the growth opportunities in the wind energy market.

Schaeffler has above-average growth expectations for the smallest segment, Automotive Aftermarket (CAGR 8.7 %). These result from general market trends such as the further increase in the number of vehicles and the rise in the average age of vehicles. The expected volume growth is also underpinned by measures taken by Schaeffler, such as improving logistics structures and optimising availability to meet demand. Schaeffler is also planning to expand its sales channels. A realignment of the organisational structure is also necessary due to the fact that Schaeffler increasingly wants to operate outside of the pure parts business.

In view of the slight differences in the growth expectations of the individual segments, the weightings of these segments have not shifted substantially, as can be seen in the following chart:



The comparison of Schaeffler's revenue growth with the growth rates of its peers presented by the Valuation Expert shows that Schaeffler's growth in the past has been at the bottom end of the range of the peer group. According to analysts' expectations, the peer companies will only be able to achieve similarly low growth in the coming years. Schaeffler's expectations are therefore clearly above average. However, in view of the growth drivers mentioned, the Valuation Expert considers Schaeffler's expected development to be plausible.

#### cc) Operating result (EBIT)

Following the decline in the gross profit margin in recent years, it is expected to rise slightly again to 20.7% in the forecast year (2024) and remain at this level on average throughout the forecast period. This slight improvement is explained by the anticipated efficiency gains. The measures introduced, such as the digitalisation initiatives, are having a positive impact on all segments. Nevertheless, the gross margin in the Automotive Aftermarket segment is expected to decline, as the increasing share of the low-margin digital platform business in China and India is diluting the overall margin.



Following a substantial increase in recent years, operating costs are expected to increase at a much slower rate than revenue (CAGR 3.6%). The operating costs constitute a high portion of fixed costs. As a result, the operating cost ratio is expected to fall to 9.6% (2028) as a result of the cost degression effect, while revenue increases substantially.

The research and development costs reported in the income statement<sup>289</sup> are expected to be only slightly higher than in the past, meaning that their share of revenue will continue to fall substantially to 3.4%. One reason for this development is that the development of technologies used specifically in combustion vehicles has largely been discontinued. Less is also to be spent on research and development in the E-Mobility and Chassis Systems business units, as high investments have already been made in research and development activities here in the past. In the future, the focus will be more on the implementation of development projects.

Compared to peer group companies, Schaeffler's research and development costs have been at the upper end or above the observed range in recent years. As a result of the continuous decline, Schaeffler is approaching an average level, as expected. According to the assessment of the Valuation Expert shared by us, the estimated research and development costs are therefore to be regarded as plausible.

After deducting insignificant other income and expenses, EBIT is expected to rise steadily at a compound annual growth rate (CAGR) of 14.4% to € 2,145.5 million (2028) and thus substantially exceed the operating result last achieved (2023) (€ 1,096.0 million). Following a decline in the EBIT margin to below 7% in recent years, Schaeffler expects to be able to continuously increase it to 9.5% in light of the developments described above.

In the past, Schaeffler had been able to achieve slightly higher margins compared to the median of the peer group.<sup>290</sup> Margins are likewise expected to increase for the peer group. The improvement in the EBIT margin as shown in Schaeffler's estimates can be considered below average in comparison. While Schaeffler's estimates for the years 2024 to 2027 result in a margin that is below the median of the peer group, the margin in the last forecast year (2028) is expected to be (slightly) above the level of the peer group estimated for 2027.

Depreciation and amortisation across all functional costs should remain at a constant level as estimated. As a result, Schaeffler's EBITDA margin is expected to increase from 12.9% (2023) to 14.0% (2028). Having succeeded in the past in achieving substantially higher EBITDA margins than the peer group (median), Schaeffler's EBITDA margins are converging to a comparable level over the forecast horizon.

#### cd) Net income

In view of Schaeffler's relatively high level of debt, the financial result is not insignificant. In recent years, the expense surplus had already increased to € -212.0 million. During the forecast period, the financial result fluctuates around an average value of € -343.4 million.

<sup>289</sup> After capitalisation of development projects.

<sup>290</sup> The Valuation Expert adjusted the EBIT margins of the peers (gross versus net) in order to have an adequate basis for comparison.

Schaeffler has estimated the interest income from interest on liquid assets and the interest expenses on the individual components of the financial liabilities<sup>291</sup> at the respective long-term contractually agreed interest rates or on the basis of forecasts. On average, this results in a debit interest rate of 5.5 % and a credit interest rate of 0.7 % for the first forecast year (2024). These are expected to fall slightly by 2028,<sup>292</sup> which we consider plausible.

The Valuation Expert has basically adopted the estimated net interest income unchanged. The liquid assets and financial liabilities in the Expert's financial requirements statement differed from the estimates. Overall, however, these deviations largely offset each other, meaning that the Valuation Expert did not adjust the financial result due to the minor impact on the valuation result.

The adjusted estimates in the balance sheet initially result from an update as of 31 December 2023, for which audited actual figures are now available. The Valuation Expert has also modified the distribution estimates. The estimates are based on the assumption that an average of 45% of consolidated net income can be distributed each year. This distribution assumption is generally retained in the valuation model, but modified to the extent that a loss carryforward must first be amortised.<sup>293</sup>

Moreover, the Valuation Expert also adjusted the estimated liquid assets as a result of these adjustments. The estimates were based on the assumption presented to us, which we considered plausible, that a minimum operating cash requirement of 10% of annual revenue is necessary.

While these adjustments did not result in an adjustment to the financial result, the Valuation Expert also eliminated the associated interest expenses when separating the items from the acquisition of the shareholding in Vitesco Technologies, including its financing, contained in the valuation balance sheet into a special asset. We deem this to be appropriate.

Income tax expenses have declined in recent years. This development is generally in line with the decline in pre-tax earnings. However, the effective tax rate increased significantly in financial year 2023, particularly due to the effects of deferred tax expenses. As the special effects are becoming increasingly less significant, the effective tax rate is expected to fall to 33.2% in the first forecast year (2024) and to 26.8% in the following year (2025). A further decline to 25.6% is expected by the end of the forecast horizon (2028).<sup>294</sup>

The effective tax rate is already below the nominal average<sup>295</sup> domestic tax rate of 28.7% in forecast year 2025, as foreign taxable entities have to bear a lower effective tax burden.

<sup>291</sup> Mainly bonds, promissory bills and commercial papers, term loans, pension provisions and leasing liabilities.

<sup>292</sup> Debit interest to 5.2% and credit interest to 0.3%.

<sup>293</sup> As the model is based on the consolidated figures, it does not accurately reflect the legal restrictions on distributions in this valuation case. The annual financial statements of Schaeffler AG do not contain any restrictions on distributions. However, this is not relevant for the valuation result. The difference between the enterprise value as it results from the present modeling and an enterprise value that would result if the dividend payout plan is maintained is of more than minor importance.

<sup>294</sup> The estimates presented result in slightly higher effective tax rates. The figures stated here relate to the pre-tax result as processed in the valuation model. Interest expenses in connection with the financing of Schaeffler's shareholding in Vitesco Technologies, which is separated as a special asset, were eliminated in this item.

<sup>295</sup> For corporations, taxation with regard to corporate income tax plus solidarity surcharge is identical throughout Germany, while the tax rate for trade tax is calculated on the basis of the different assessment rates of the municipalities. An average tax rate then results from the distribution of the tax base to the municipalities in accordance with the respective share of the wage bill.

We have had the Schaeffler tax estimates explained to us by those responsible for the estimates and supported by documentation. In doing so, we made use of the professional support of experts from the ADKL Group's tax consultancy.

Schaeffler has made simplifications in its corporate tax planning in order to take appropriate account of the different nominal tax rates and assessment bases in the various countries.

Schaeffler has estimated the taxes for the German tax group in detail. Schaeffler has also modeled the utilisation of domestic loss carryforwards. At the end of the forecast period, the losses carried forward as of 31 December 2023 have been used up. We were able to verify these calculations without any objections.

When estimating corporate taxes in the other countries, Schaeffler has assumed a constant effective average tax rate for all forecast periods. Based on financial years 2021 and 2022 and the projection for financial year 2023, an average effective tax rate of 18.0% can be derived for the foreign profit shares.<sup>296</sup>

This results in net income which, after the declines of the past, will rise steadily to € 1,328.2 million (2028).

#### ce) Balance sheet

Compared to the figures for the historical period under review, Schaeffler's modified<sup>297</sup> estimated balance sheet, supplemented by selected key figures,<sup>298</sup> is as follows overall:

Schaeffler Balance sheet Millions of €	Actual (adjusted)			Estimates					CAGR	
	2021	2022	2023	2024	2025	2026	2027	2028	2021-23	2023-28
Intangible assets	496,8	916,3	1.617,1	1.565,9	1.525,9	1.489,0	1.455,3	1.419,7	80,4%	-2,6%
Property, plant and equipment	4.956,0	4.828,3	4.791,0	4.951,7	5.132,0	5.224,2	5.382,4	5.577,6	-1,7%	3,1%
Financial and other fixed assets	1.741,6	1.435,5	1.442,9	1.260,5	1.237,0	1.218,2	1.197,9	1.202,4	-9,0%	-3,6%
<b>Fixed assets</b>	<b>7.194,4</b>	<b>7.180,0</b>	<b>7.851,0</b>	<b>7.778,1</b>	<b>7.894,9</b>	<b>7.931,4</b>	<b>8.035,6</b>	<b>8.199,7</b>	<b>4,5%</b>	<b>0,9%</b>
Inventories	2.546,9	2.850,2	2.877,5	2.893,6	3.077,1	3.340,3	3.524,8	3.704,2	6,3%	5,2%
Trade receivables	2.273,6	2.519,0	2.574,7	2.810,4	2.991,1	3.305,0	3.665,4	3.893,6	6,4%	8,6%
Liquid assets	1.822,0	1.062,7	768,9	2.229,3	1.815,5	1.975,9	2.146,5	2.269,0	-35,0%	24,2%
Other current assets	527,2	672,4	575,0	571,0	632,9	669,7	693,7	795,1	4,4%	6,7%
<b>Current assets</b>	<b>7.169,7</b>	<b>7.104,3</b>	<b>6.796,1</b>	<b>8.504,2</b>	<b>8.516,6</b>	<b>9.290,8</b>	<b>10.030,5</b>	<b>10.662,0</b>	<b>-2,6%</b>	<b>9,4%</b>
<b>Total assets</b>	<b>14.364,2</b>	<b>14.284,3</b>	<b>14.647,1</b>	<b>16.282,3</b>	<b>16.411,5</b>	<b>17.222,2</b>	<b>18.066,1</b>	<b>18.861,7</b>	<b>1,0%</b>	<b>5,2%</b>
Shareholders' equity	3.165,0	4.141,1	3.735,4	4.328,7	5.082,9	4.941,8	5.839,8	6.307,1	8,6%	11,0%
Provisions and accrued liabilities	755,1	270,5	356,6	359,0	371,5	384,0	409,0	409,0	-31,3%	2,8%
Interest-bearing liabilities	6.650,6	5.735,4	6.391,7	7.572,1	6.704,3	7.429,2	7.084,6	7.170,2	-2,0%	2,3%
Non-interest-bearing liabilities	3.793,5	4.137,3	4.163,5	4.022,4	4.252,8	4.467,2	4.732,7	4.975,4	4,8%	3,6%
<b>Total liabilities</b>	<b>14.364,2</b>	<b>14.284,3</b>	<b>14.647,1</b>	<b>16.282,3</b>	<b>16.411,5</b>	<b>17.222,2</b>	<b>18.066,1</b>	<b>18.861,7</b>	<b>1,0%</b>	<b>5,2%</b>
<b>Indicators</b>										
Storage range (in days)	96,4	90,8	87,6	84,9	84,5	83,8	80,8	80,4		
Days sales outstanding (in days)	59,9	58,2	57,6	60,1	60,1	61,1	62,3	62,6		
Liability range (in days)	79,9	75,9	73,4	73,4	74,3	73,0	73,0	74,9		
Cash and cash equivalents (as % of revenue)	13,2%	6,7%	4,7%	13,1%	10,0%	10,0%	10,0%	10,0%		
Interest-bearing debt/EBITDA	0,2	0,3	0,3	0,3	0,3	0,3	0,3	0,3		
Equity ratio (as % of total assets)	309,8%	276,1%	304,7%	337,3%	281,5%	284,2%	250,5%	225,6%		
Return on capital employed (ROCE) (adjusted)		9,7%	7,2%	12,2%	11,7%	13,7%	14,7%	16,6%		

Sources: Company information, information from the Valuation Expert, own analyses

The future development of Schaeffler's financial and liquidity position is summarised as follows:

- Significant increase in total assets in the first forecast year despite declining revenue, followed by a disproportionately low increase thereafter
- Decrease in the share of fixed assets in total assets from 54% (2023) to 43% (2028), which is partly due to the decrease in intangible assets, which increased significantly in financial year 2023 as a result of a corporate transaction

<sup>296</sup> Taking into account the effects of deferred taxes on earnings, the total effective tax rate is 18.9%.

<sup>297</sup> See section F.II.2.b) for the minor modifications to the budget presented.

<sup>298</sup> The balance sheet values refer to 31 December of each financial year.

- However, Schaeffler's CAPEX ratio (property, plant and equipment only) is above the peer group median during the forecast period.
- After significant improvements in storage range in the past, further reduction to 80 days (2028), mainly due to optimisation of logistics chains
- Slight increase in days sales outstanding to 63 days (2028)
- Liquid assets calibrated to the level required for operations
- Equity ratio rising from 26% (2023) to 33% (2028) as a result of retained earnings
- Disproportionately low increase in interest-bearing liabilities, resulting in improved coverage of financial liabilities by cash surpluses from operating activities from 3.0% (2023) to 2.3% (2028)
- Non-interest-bearing liabilities mainly trade payables, days payables outstanding increasing slightly to 75 days (2028) over the course of the estimates
- ROCE (adjusted) continuously rising to 16.6%

cf) Overall assessment

In view of the estimated growth in revenue and the penetration of business areas that have been less rigorously pursued to date (electromobility), the Valuation Expert considers the estimates presented to be ambitious overall, but plausible.

In the course of our audit, we performed an independent plausibility check of the submitted estimates. The results of our plausibility check are shown in detail in the sections above.

At this point, we would like to point out that the ROCE increases to 16.6 % in the course of planning. Summarising our above statements, we consider the estimates presented by Schaeffler to be comprehensible and plausible. We share the opinion of the Valuation Expert that the estimates are ambitious to a certain degree, but achievable.

**Audit result**

Based on the findings from the analysis of the planning process, the planning fidelity and the submitted estimates themselves, it can be stated that the estimates submitted by Schaeffler and modified for systemic valuation reasons are suitable to determine the objectified enterprise value of Schaeffler AG on their basis.

d) Convergence and continuation phase for the valuation of Schaeffler

The Valuation Expert correctly states that Schaeffler is not yet in a steady state at the end of the detailed forecast period (2028).

To derive the sustainable result (from 2031), the Expert therefore converted the estimates of the detailed forecast phase (2024 to 2028) into sustainable figures by interposing a technical convergence phase of two years (2028 and 2029). This sustainable result represents Schaeffler's future earnings power assuming an infinite going concern and without the implementation of expansion investments.

In a first step, the Valuation Expert converted Schaeffler's revenues to a sustainable expected revenue figure.

The growth in revenues in the last planning year of the detailed forecast phase (5.7 %) is not in line with long-term expectations. Schaeffler plans to further expand its electric mobility business over the forecast horizon and to achieve correspondingly high growth rates. Schaeffler also expects relatively high organic growth in the other business fields. Overall, however, it is still expected that long-term demand for vehicles with combustion engines will tend to be subdued, while the future prospects for hybrid and electric vehicles are more positive.

Based on considerations of the long-term inflation trend and the possibilities of passing on rising costs, the Valuation Expert estimates the sustainable rate of revenue growth at 1.0%.

The Expert is also of the opinion that a significantly lower rating compared to Vitesco Technologies must be taken into account in the growth discount and thus also in the growth of the financial surpluses. On this basis, the Expert lowered the growth rate by 0.18% to 0.82%, taking into account the rating effect.<sup>299</sup> In the convergence phase, the Expert transferred the growth rate of the revenues of the last plan year (5.7 %) to the expected sustainable revenue growth (0.82 %) by linear reduction over two years. On this basis, the sustainable revenue volume is € 23,820.1 million.

In a second step, the Valuation Expert converted the sustainable revenue volume into sustainable earnings figures.

In doing so, the Expert converted the sustainable sales volume into a sustainable gross profit or sustainable EBITDA using a sustainably achievable gross profit margin of 21.9 % and a sustainable EBITDA margin of 13.5%. The sustainable EBITDA margin corresponds to the level of the peer group and is only slightly below the EBITDA margin expected for Schaeffler in the last forecast year (14.0 %). Taking the sustainable EBITDA margin (13.5 %) as a basis, the estimated sustainable revenue volume (€ 23,820.1 million) results in sustainable EBITDA of € 3,215.7 million.

The Valuation Expert has converted the sustainable EBITDA into a sustainable EBIT using CAPEX ratios that are considered sustainable. The Expert estimates the CAPEX ratio of intangible assets in the last forecast year 2028 (0.2 %) and the CAPEX ratio of right-of-use assets from leases in the last forecast year 2028 (0.3 %) to be sustainable. The Valuation Expert based the CAPEX ratio for property, plant and equipment on the peer group (5.0%). Depreciation and amortisation in the convergence and continuation phase are recognised at a level that results in a growth in fixed assets of 0.82%, taking into account investment expenditure.

On this basis, sustainable depreciation and amortisation amounts to € 1,260.5 million and sustainable EBIT to € 1,955.2 million.

The Valuation Expert generally derived the sustainable financial result from the development of interest-bearing assets and liabilities and the interest rates from the last forecast year. On this basis, the financial result will develop to € -371.6 million by the start of the phase of the perpetual annuity.

Because special effects such as the use of loss carryforwards in the German tax group no longer have to be taken into account separately, the Valuation Expert considers the calculated effective tax rate of the

<sup>299</sup> Cf. also Section F.II.3.ab).

last forecast year (25.6%) to be sustainable. On this basis, recurrent tax expenses amounted to € 404.7 million and recurrent net income for the year amounted to € 1,179.0 million.

When updating the balance sheet, the Valuation Expert updated the balance sheet items inventories, trade receivables and trade payables using the coverage ratios of the last forecast year (2028). The minimum operating liquidity remains unchanged at 10% of annual revenue. Shareholders' equity is updated taking into account the net results and a payout ratio of 50.0%. The other balance sheet items were adjusted by the Valuation Expert using the growth rate (0.82 %).

In light of the explanations received and our understanding of the business model, we consider the assumptions made by the Valuation Expert for reconciling the income statement and balance sheet of the final forecast year (2028) via a convergence phase (2029 to 2030) to the sustainable level (2031) to be well founded and plausible. We were able to reproduce the associated calculations without any objections.

#### **Audit result**

The Valuation Expert has derived the extrapolation of the estimates in the convergence and continuation phase in a plausible and comprehensible manner.

#### e) Net income after personal taxes of Schaeffler

With reference to our explanations on the derivation of the net income after personal taxes of Vitesco Technologies,<sup>300</sup> we only comment on the variant assumptions below.

In recent years, Schaeffler has distributed around 45% of its net results. In line with the previous and communicated future distribution policy,<sup>301</sup> Schaeffler has also recognised annual distributions of approximately 45% of consolidated net results in its estimates.

The Valuation Expert considers Schaeffler's distribution estimates to be fundamentally plausible. However, based on the Expert's valuation model and taking into account the calculation of financial requirements, it will not be possible to make distributions until 2025. In this respect, the distributions provided for in the valuation model deviate from the distribution estimates presented.

We also consider the company's distribution estimates to be plausible. However, we note that based on the communicated distribution for financial year 2023, this results in a higher distribution ratio. Distributions are modeled in the valuation model that result in mathematically variant distribution ratios. This is a consequence of the independent calculation of financial requirements by the Valuation Expert. We have satisfied ourselves that these deviations do not have a material impact on Schaeffler's enterprise value.

The Valuation Expert has set the sustainable distribution ratio at 50%, in line with the valuation of Vitesco Technologies. The magnitude of the sustainable payout ratio is also confirmed by the distribution behaviour of Schaeffler's peer companies.

<sup>300</sup> Cf. Section E.II.2.e).

<sup>301</sup> Cf. also Section F.I.2.a).

Based on Schaeffler's circumstances, there is an additional retention of € 62.1 million to finance sustainable operating growth, which is not included in the value added from direct attribution.

In summary, we consider the procedure selected for the valuation of Schaeffler with regard to the distribution behaviour and the related taxation to be appropriate and reasonable for the reasons set out above.

#### **Audit result**

The net income for Schaeffler's shareholders is appropriately derived from the integrated estimates, taking into account personal taxes.

### 3. Discount rate for the valuation of Schaeffler

In connection with the assessment of the market risk premium applied for the valuation of Vitesco Technologies, we pointed out that although the amount of the market risk premium applied - as well as that of the base interest rate - would change the absolute enterprise value of the respective Valuation Object, this question is generally of little significance for the determination of an exchange ratio, as the market conditions applicable to all Valuation Objects must be included uniformly in the valuation of all companies.

In the present case, a different base interest rate or a different market risk premium would increase or decrease the enterprise value of Schaeffler in almost the same proportion as that of Vitesco Technologies. Consequently, we refer in relation to these parameters to our comments on the valuation of Vitesco Technologies using the objectified enterprise value in accordance with IDW S 1.<sup>302</sup> To avoid repetition, we also refer to our comments on the valuation of Vitesco Technologies using the objectified enterprise value in accordance with IDW S 1 with regard to the methodological and practical application issues involved in deriving beta factors.<sup>303</sup>

Below, we will only discuss the parameters of the discount rate, which must be determined individually for each Valuation Object based on its specific circumstances. These are the beta factor and the growth discount.

#### a) Different parameterisation of the components of the discount rate compared to the valuation of Vitesco Technologies

##### aa) Beta factor

The Valuation Expert also derived the original beta factor for Schaeffler. As with Vitesco Technologies, an unbiased unique beta factor cannot be derived for periods after 8 October 2023. For an observation period of two years before 9 October 2023 - as well as for a five-year observation period - this would result in an unlevered unique beta factor of around 0.7. The result of the analyses carried out on the liquidity

<sup>302</sup> Cf. Section E.II.3.a) and Section E.II.3.bb)

<sup>303</sup> Cf. Section E.II.3.bca).



of share trading and the statistical tests in accordance with the criteria of legal rulings do not argue against these measurements being used to derive the beta factor.

However, the derivation of the unique beta factor solely from the price performance of preference shares<sup>304</sup> has limitations with regard to the comprehensive mapping of the company's operational risk. None of the 500 million common shares issued by Schaeffler are listed on the stock exchange. They are held exclusively by IHO Verwaltungs GmbH, which thus holds a 75.1% equity interest in Schaeffler.<sup>305</sup> The analysis of the beta factor over the period from 1 January 2021 to 8 October 2023 shows that the Schaeffler preferred share price reacts only very cautiously to changes in external and internal data.

This can be explained by the fact that the share price performance of a company in which a majority shareholder holds all voting rights, as the other shareholders only hold preference shares, is possibly only linked to the operational development of the company to a limited extent. In this regard, the Valuation Expert determined that the unique beta factor of the Schaeffler preference share was very stable in the range of 0.6 to 0.7 in the two years prior to the announcement of the acquisition offer, while peer companies would have shown stronger swings in the beta factor in the event of significant market movements, such as the outbreak of the war in the Ukraine.

In the opinion of the Valuation Expert, the decoupling of the Schaeffler preference share price development from the market development and the significantly weaker yield may also be due to a grouping effect. The diversification across the three divisions, each with different cyclicity, could make it more difficult for investors to evaluate and understand the company as a whole and could lead to Schaeffler preference shares being neglected on the stock market and reflecting a holding discount. The fact that the Schaeffler preference share does not reflect the financial development of the company over phases and instead moves relatively flat compared to the market could also be due to the high dividend yield of the Schaeffler preference share.<sup>306</sup>

Moreover, using historical data prior to 9 October 2023 would not reflect the current strategic focus on electromobility, which is set to be one of the company's growth drivers. Compared to the business plans relevant to the valuation, which are based on organic growth, lower growth rates have been observed in the past five years, apart from a recovery in revenue to the level before the COVID-19 pandemic. In comparison to the past, business plans are therefore characterised by a change in the focus of business activities.

For these reasons, Schaeffler's unique beta factor is not a suitable basis for estimating the company's future operating risk.

We consider this conclusion to be comprehensible and very plausible for the reasons stated. In addition, we were also able to verify the unlevered unique beta factor determined by the Valuation Expert using our capital market models without any objections.

<sup>304</sup> While only common shares are issued and traded for Vitesco Technologies.

<sup>305</sup> Cf. Section F.I.1.

<sup>306</sup> This is particularly plausible because a weaker downward trend in a share can be expected in the event of a market slump as long as the share continues to promise a high dividend yield. Share prices often only collapse when dividend cuts or even eliminations are announced.

For the valuation of Schaeffler, the beta factor therefore had to be derived from the results of a peer group analysis. The Valuation Expert proceeded in the same way as in the valuation of Vitesco Technologies. We have acknowledged the derivation of the peer group and the analyses carried out in this context above.<sup>307</sup> With regard to the determination of comparable companies, the Valuation Expert generally used the same "long list" that he used to determine Vitesco's comparable companies. The Expert expanded this list to include seven additional companies that were named as comparable companies in Schaeffler's reporting.

In contrast to the peer group of Vitesco Technologies, in which the comparable companies also belong to the automotive supplier industry, the Valuation Expert explicitly did not focus on e-mobility as part of the review of operational comparability. For Schaeffler's peer group, the Expert focused on mechanical components for the powertrain of combustion, hybrid and electric vehicles and, to the extent possible based on the other criteria, on industrial applications.

As a result of our audit, we consider it appropriate to use the beta factors resulting for the eleven peer companies presented in the Valuation Report to derive the beta factor for the valuation of Schaeffler.

The Valuation Expert presents the results of the Expert's calculations of the leveraged and unleveraged beta factor for the regressions against a local index as broad as possible for the analysis periods performed (five years based on returns measured monthly and two years based on returns measured weekly) for the eleven companies in the peer group in comparison to the beta factors determined for Schaeffler in a table.

The result for Schaeffler's peer group also shows that the beta factors for the five-year period under review are at a slightly higher level. The Valuation Expert attributes this to special effects included in the extended observation period, for example from the COVID-19 pandemic, and therefore considers the results for the two-year period to be more meaningful.

Based on data points as of 23 February 2024, levered beta factors ranging from 0.92 to 1.70 (individual values) and 1.35 to 1.47 (mean values) result for the two-year period under review. The unlevered beta factors range from 0.55 to 1.44 (individual values). The mean value is 0.88 and the median is 0.89. The beta factors derived for the most comparable companies in the peer group are higher than the values for the peer group as a whole.

The Valuation Expert does not consider the five-year observation period - as explained above -<sup>308</sup> to be relevant, which results in higher beta factors.

In view of Schaeffler's unique beta factor, which is not meaningful, the comprehensive analysis of the beta factors of the peer group with special consideration of the most comparable companies and the risk profile of Schaeffler's future financial surpluses, especially in the context of significant expected revenue increases due to the planned expansion of the electrification portfolio and the implementation of

<sup>307</sup> Cf. Section E.II.3.bcc).

<sup>308</sup> Cf. Section E.II.3.bcd).

"Strategy 2025", which includes a change in the company's orientation towards electromobility, the application of a beta factor of 0.95 for the valuation of Schaeffler is appropriate.

In our own surveys,<sup>309</sup> there are some variant individual values that largely balance out when condensed to the mean or median. Taking into account the results for regressions against a global index and including the five-year period, we deem the use of an unlevered beta factor of 0.95 to be a balanced approach.

#### **Audit result**

Considering Schaeffler's business model, we consider the unlevered beta factor of 0.95 chosen for the valuation of Schaeffler to be appropriate.

#### ab) Growth discount

With regard to the general factors to be considered when assessing the growth discount applied in the context of a valuation based on the objectified enterprise value in accordance with IDW S1, we refer to our comments on the assessment of the growth discount applied in the context of the valuation of Vitesco Technologies.<sup>310</sup>

The Valuation Expert applied a growth discount of 1.00% (before discount to account for a rating effect and before personal taxes) for the valuation of Schaeffler.

The growth discount applied to the valuation of Schaeffler reflects the fact that Schaeffler set a strategic focus on research and development and marketing of products in the e-mobility market much later than Vitesco Technologies, so that the share of other products in Schaeffler's revenue is still comparatively high at the end of the forecast horizon. In 2028, these products will still contain a large number of applications that are used in combustion and hybrid vehicles. At least for combustion vehicles, the growth prospects are subdued and an end to the use of this technology is foreseeable.

In this respect, the Valuation Expert is of the opinion that Schaeffler's long-term growth prospects are lower than those of Vitesco Technologies. Even in the high-growth market for e-mobility, growth prospects are limited in the long term by customer purchasing power growth and intensifying competition. In certain market situations, Schaeffler has also been able to pass on rising purchase prices in full to customers in the market for combustion vehicles. However, falling purchase prices and efficiency gains usually had to be passed on to customers in the form of price reductions in this market too.

Taking all the circumstances into account, the Valuation Expert believes that sustainable earnings growth can be estimated at 1.0%, which corresponds to 0.75% lower long-term earnings growth compared to Vitesco Technologies.

We consider this assessment and the growth rate determined on this basis as the starting point for further considerations to be comprehensible and plausible, with reference also to our comments on the assessment of the growth discount applied in the context of the valuation of Vitesco Technologies.

<sup>309</sup> Cf. also Section E.II.3.bcb).

<sup>310</sup> Cf. Section E.II.3.c).

The Valuation Expert is also of the opinion that a significantly lower rating compared to Vitesco Technologies should be taken into account in the growth discount. There has long been a debate in business administration theory about how insolvency risks should be taken into account when valuing a company. In particular, the proposal is also made to take default risks into account as a deduction from the growth rate.<sup>311</sup>

Such a discount is usually not applied in valuation practice for structural measures in company law. This is often due to the fact that the companies to be valued have a low level of debt and are expected to reduce their debt further as planned. This is different in the present valuation case. Schaeffler has a rating in the "non-investment grade" range. The Valuation Expert determined the effect of the default risks of a company in Schaeffler's rating class and converted it into a discount on the growth rate. According to the result of the Expert's calculations, a 0.18% lower growth rate should be applied for Schaeffler's lower rating. Taking into account personal taxes, the growth discount applied for the valuation of Schaeffler is therefore 0.71%.

We also consider these considerations of the Valuation Expert to be comprehensible and appropriate in the present valuation case. We were also able to verify the associated data and calculations without any objections.

In light of the above considerations, we consider the growth discount of 0.82% (before personal taxes) and 0.71% (after personal taxes) applied to the valuation of Schaeffler to be appropriate. The growth discount applied in the present valuation case corresponds to sustained earnings growth of the Schaeffler Group of 5.6%.

#### **Audit result**

Based on the above considerations, we consider the growth discount of 0.71% applied to the valuation of Schaeffler to be appropriate.

<sup>311</sup> Cf. e.g. Gleissner, *BewertungsPraktiker* 2017, pp. 42 ff.

b) Discount rate for the valuation of Schaeffler

In summary, the discount rate is as follows:

Schaeffler Derivation of capital costs %	Estimates					Convergence		TV as of 2031
	2024	2025	2026	2027	2028	2029	2030	
Base interest rate (before personal taxes)	2,50%	2,50%	2,50%	2,50%	2,50%	2,50%	2,50%	2,50%
Personal income tax	-0,66%	-0,66%	-0,66%	-0,66%	-0,66%	-0,66%	-0,66%	-0,66%
<b>Base interest rate after personal taxes</b>	<b>1,84%</b>	<b>1,84%</b>	<b>1,84%</b>	<b>1,84%</b>	<b>1,84%</b>	<b>1,84%</b>	<b>1,84%</b>	<b>1,84%</b>
Market risk premium after personal taxes	5,75%	5,75%	5,75%	5,75%	5,75%	5,75%	5,75%	5,75%
Beta factor (levered)	1,40	1,58	1,38	1,48	1,36	1,35	1,20	1,20
<b>Risk premium</b>	<b>8,04%</b>	<b>9,07%</b>	<b>7,94%</b>	<b>8,49%</b>	<b>7,83%</b>	<b>7,79%</b>	<b>6,90%</b>	<b>6,91%</b>
<b>Cost of equity before growth discount</b>	<b>9,88%</b>	<b>10,91%</b>	<b>9,78%</b>	<b>10,34%</b>	<b>9,67%</b>	<b>9,63%</b>	<b>8,74%</b>	<b>8,75%</b>
Growth discount								-0,71%
<b>Cost of equity after growth discount</b>	<b>9,88%</b>	<b>10,91%</b>	<b>9,78%</b>	<b>10,34%</b>	<b>9,67%</b>	<b>9,63%</b>	<b>8,74%</b>	<b>8,03%</b>

Sources: S&P Global, database of Valuation Expert, own presentation.

4. Derivation of Schaeffler's enterprise value

a) Earnings value of Schaeffler's operating assets

The earnings value of Schaeffler's operating assets as of 24 April 2024 is determined as follows:

Schaeffler Earnings value of core assets Millions of €	Estimates					Convergence		TV as of 2031
	2024	2025	2026	2027	2028	2029	2030	
<b>Net income</b>	<b>593,4</b>	<b>770,1</b>	<b>947,3</b>	<b>1.091,2</b>	<b>1.328,2</b>	<b>1.203,9</b>	<b>1.169,4</b>	<b>1.179,0</b>
Distributions	0,0	15,9	361,6	193,2	562,5	0,0	584,7	589,5
Personal taxes on distribution	0,0	-4,2	-95,4	-50,9	-148,4	0,0	-154,2	-155,5
Reinvestment with utilization planning	593,4	754,2	-141,1	898,0	467,3	1.203,9	61,6	62,1
Reinvestment with notional addition	0,0	0,0	726,8	0,0	298,4	0,0	523,1	527,4
Personal taxes on notional allocation	0,0	0,0	-95,8	0,0	-39,4	0,0	-69,0	-69,6
<b>Net receipts</b>	<b>0,0</b>	<b>11,7</b>	<b>897,2</b>	<b>142,2</b>	<b>673,2</b>	<b>0,0</b>	<b>884,6</b>	<b>891,9</b>
Cost of capital	9,88%	10,91%	9,78%	10,34%	9,67%	9,63%	8,74%	8,03%
Present value factor	0,9101	0,9016	0,9109	0,9063	0,9119	0,9122	0,9196	12,4465
Present values as of 31 December	7.402,1	8.133,7	9.009,5	8.993,6	9.780,8	10.053,1	11.021,2	11.100,4
<b>Earnings value of core assets as of 31 December 2023</b>	<b>7.402,1</b>							
Compounding factor		1,03						
<b>Earnings value of core assets as of 24 April 2024</b>	<b>7.625,2</b>							

Sources: Data of the Valuation Expert, own presentation.

b) Discount rate for the valuation of Schaeffler

According to information provided by Schaeffler, all assets and liabilities, with the exception of assets held for sale, are considered essential to operations.

We did not identify any other non-operating assets or liabilities during our audit.

Unless intended for sale, Schaeffler's real estate is used exclusively for operational purposes. Accordingly, the real estate is all to be classified as operationally necessary in accordance with the so-called "functional delimitation criterion." We have not identified any holdings of works of art or other fixtures and fittings that go beyond what is normally required for representational purposes or that have a significant value. In addition, we are of the opinion that no funds from the estimated<sup>312</sup> liquid assets as of the respective balance sheet dates need to be separated and recognised separately as non-operating liquid assets.

The Valuation Expert has recognised a special asset for each of four states of affairs. These are special assets for Schaeffler's current investment in Vitesco Technologies (€ 910.3 million), for non-consolidated investments (€ 119.7 million) and assets held for sale (€ 24.5 million). Minority interests were taken into account through a negative special asset (€ -401.0 million).

The Valuation Expert correctly states that Schaeffler's investment in Vitesco Technologies (38.87%) could not yet be included in the estimates, but must be taken into account when determining Schaeffler's enterprise value as of 24 April 2024. In turn, the funds that Schaeffler spent on the acquisition of this investment must also be taken into account because they are still included in the valuation balance sheet, but were paid out in financial year 2024.

In order to take this circumstance into account in an appropriate manner, the Expert added the value added by this investment according to the Expert's calculations to Schaeffler's enterprise value as a special asset. The total enterprise value of Vitesco Technologies as of 31 December 2023 amounts to € 5,401.4 million. Based on the current investment amount, the value of the investment in Vitesco Technologies is calculated at € 2,099.7 million.

The Valuation Expert deducted the purchase price of the shares acquired via a public purchase offer totaling € 1,124.0 million from the value of the investment. The purchase price was paid by issuing a bond of € 1,087.0 million and cash of € 37.0 million, which it eliminated from the valuation balance sheet for the purpose of determining Schaeffler's earnings value. In addition, a final payment from a total return swap terminated at the beginning of 2024, in connection with which Schaeffler had acquired further shares, in the amount of € 65.4 million was deducted.

The special asset for the investment in Vitesco Technologies therefore amounts to € 910.3 million (net).

The estimates do not include any earnings contributions from twelve companies, as these companies are not consolidated for reasons of materiality. The Valuation Expert recognised the related shares at their

<sup>312</sup> In accordance with the liquidity estimates adjusted by the Valuation Expert, which take into account the plausible assumptions regarding the amount of minimum cash.

fair values as of 31 December 2023 in accordance with the disclosures in the notes to the consolidated financial statements of Schaeffler, at a total of € 119.7 million.

Assets held for sale encompass another non-consolidated investment and real estate. The Valuation Expert recognised these assets at fair value less expected selling costs as included in Schaeffler's consolidated balance sheet as of 31 December 2023 (€ 24.5 million).

The Valuation Expert did not directly take into account the minority interests in future consolidated results when determining the earnings value of the operating assets, but instead considered the calculated value of € -401.0 million as a negative special asset for presentation reasons.

The Valuation Expert determined these special assets as of the technical valuation date (31 December 2023). After compounding to the legal valuation date (24 April 2024), the special assets result in a total value contribution of € 673.2 million.

We consider the Valuation Expert's approach to determining the special assets to be appropriate in terms of the reasoning and amount. We were able to reconcile the initial values on which the calculations were based without any objections and were able to reproduce the necessary calculations.

#### **Audit result**

The Valuation Expert appropriately determined the special assets for non-operating assets and other items shown as special assets and added them to the earnings value in the total amount of € 673.2 million. No other non-core assets came to our attention over the course of our audit.

#### c) Enterprise value of Schaeffler

The enterprise value of Schaeffler as of the date of the annual general meeting at which the shareholders of Vitesco Technologies are to pass a resolution on the planned merger of Vitesco Technologies into Schaeffler (valuation date; 24 April 2024) has been calculated by adding the earnings value (€ 7,625.2 million) and the value contribution from special assets (€ 673.2 million), i.e. a total of € 8,298.5 million. This is equivalent to € 12.46 per Schaeffler share.

#### d) Comparison with the liquidation value of Schaeffler

The Valuation Expert did not compute the liquidation value of Schaeffler.

In the end, Schaeffler will continue as a going concern. In addition, the going concern value is already higher than the corresponding liquidation value in the event of a break-up due to the costs incurred in a liquidation.

Moreover, the liquidation value of Schaeffler should not be taken into account because Schaeffler's estimates assume significant revenue growth based on a high order backlog as of the valuation date with a margin level at the level of the peer group and the estimated return on capital employed should be very close to or above the cost of capital and it can therefore be assumed that a going concern is more advantageous than liquidation.



We have verified these considerations and also do not consider it necessary to derive the liquidation value.

### III. Valuation of Schaeffler at the stock market price

We have answered the question of whether - and if so how - a valuation at the stock market price should be carried out in detail in connection with the valuation of Vitesco Technologies at the stock market price.<sup>313</sup> In the corresponding section, all relevant questions are answered in general and across the board as well as specifically in relation to the circumstances at Vitesco Technologies. In this section, we will keep the general explanations as brief as possible to avoid repetition. In this respect, please refer to our comments on the valuation of Vitesco Technologies.

However, it should be noted at this point that in the case of Schaeffler, only preference shares are traded. These account for only around 25% of Schaeffler's share capital and are held to a not inconsiderable extent by a major shareholder. From a financial point of view, this may result in restrictions on trading and possibly liquidity, so that the market price of Schaeffler's preference shares may not fully reflect Schaeffler's enterprise value and may not provide a reliable indication of the fair value of an individual investment in Schaeffler.

When determining the 3M-VWAP of Schaeffler preference shares (as these are then to be decisive), the period from 9 July to 8 October 2023 must likewise be taken into account, as the announcement of the merger naturally affects not only Vitesco Technologies but also Schaeffler. Potential price influences from this announcement must therefore not distort the average price used for the valuation of Schaeffler.

The calculation of the 3M-VWAP is also based solely on turnover on the Frankfurt Stock Exchange, including XETRA trading. A total of 21,618,106 Schaeffler preference shares were traded for a total of approximately € 119.8 million during the relevant period. The result of the calculations is a 3M-VWAP of € 5.54. Extrapolated from the market price of the Schaeffler preference shares, the market capitalisation of Schaeffler amounts to € 3,689.6 million. Since the price of the Schaeffler preference shares was not relevant for the acquisition offer, BaFin did not provide any information on this.

The objectified enterprise value determined in accordance with IDW S 1<sup>314</sup> is therefore higher than the 3M-VWAP determined for Schaeffler. According to the most recent legal rulings of the FSC, the 3M-VWAP of € 5.54 per Schaeffler preference share is nevertheless generally relevant for determining the exchange ratio, provided the relevant liquidity criteria or stock market price or market distortions do not contradict this according to the legal rulings. From a business perspective, however, the sole use of stock market prices as a basis for the enterprise value cannot replace a fundamental valuation, provided this valuation uses a better and broader information basis than the capital market on the relevant reporting date of the 3M-VWAP, such as the approved business plans or acquisitions not yet known to the capital market.

In the present case, Schaeffler holds a 38.87% interest in Vitesco Technologies as of the valuation date, which did not yet exist at the time of the announcement of the acquisition offer on 9 October 2023 and

<sup>313</sup> Cf. Section E.III.

<sup>314</sup> Cf. Section F.II.4.c).

was therefore not reflected in the market price of Schaeffler's preference shares at that time. Consequently, Schaeffler's 3M-VWAP - if fundamentally suitable - must be adjusted.

As for the Vitesco shares, it must thus be examined below whether the 3M-VWAP of € 5.54 per Schaeffler preference share was formed on the basis of effective information processing by the market and whether the resulting market capitalisation of € 3,689.6 million - following the opinion of the Federal Supreme Court in its most recent legal rulings - represents a suitable estimator for the enterprise value.

The first step is to determine whether there is an information gap between companies and market participants and/or conceivable price distortions in the relevant reference period.

The information requirements for Schaeffler AG, whose shares are also admitted to trading in the Prime Standard segment, are comparable to Vitesco Technologies. In connection with our audit, we have not received any indications that Schaeffler AG has not properly fulfilled its information obligations.

As a company whose shares are not only traded in the Prime Standard segment, but are also part of an important share index such as the SDAX, Schaeffler is also monitored by numerous analysts, who are also listed individually on Schaeffler's homepage. We have examined the analysts' reports to determine whether the forecasts they contain are essentially in line with management's expectations. In doing so, we determined that no material deviations were evident.

However, it should be noted that the quality of the forecasts and the degree of agreement between the external estimates and internal planning - as with Vitesco Technologies - decreases with increasing time from the respective time of analysis and that external forecasts are usually only available for a few years.

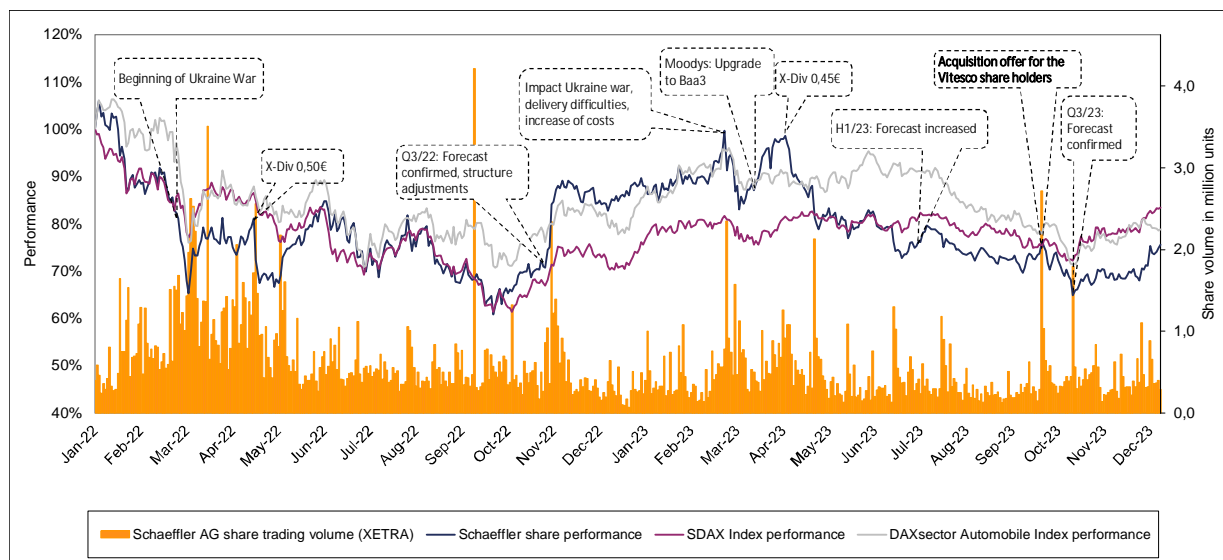
As a result of our analysis of the broker reports on Schaeffler preference shares, we find that, although they generally reflect internal expectations for the near future, they do not adequately reflect the change in Schaeffler's business model in the medium to long term.

In summary, however, it can be assumed that effective information processing by the market is in principle possible as the negative criteria for the analysis of a potential information gap mentioned in Section E.III are not met.

With regard to the analysis of a possible share price distortion, the Valuation Expert also analysed the development of the Schaeffler preference share price over a period of two years prior to 9 October 2023 and also presented it graphically in the Valuation Report. As a result of his analyses, it can be stated that the development of the Schaeffler preference share price can be explained by the events mentioned by the Valuation Expert.

We have been able to comprehend the analyses of the Valuation Expert and have supplemented them with our own analyses. We analysed whether major price changes can be explained by internal or external changes in Schaeffler's financial situation or analysts' price targets and whether price changes occurred when changes in Schaeffler's financial situation or analysts' price targets were expected to result in price changes.

For the calendar years 2022 and 2023, the relative performance of the Schaeffler preference share price compared to reference indices and the daily trading volume of Schaeffler preference shares are as follows:

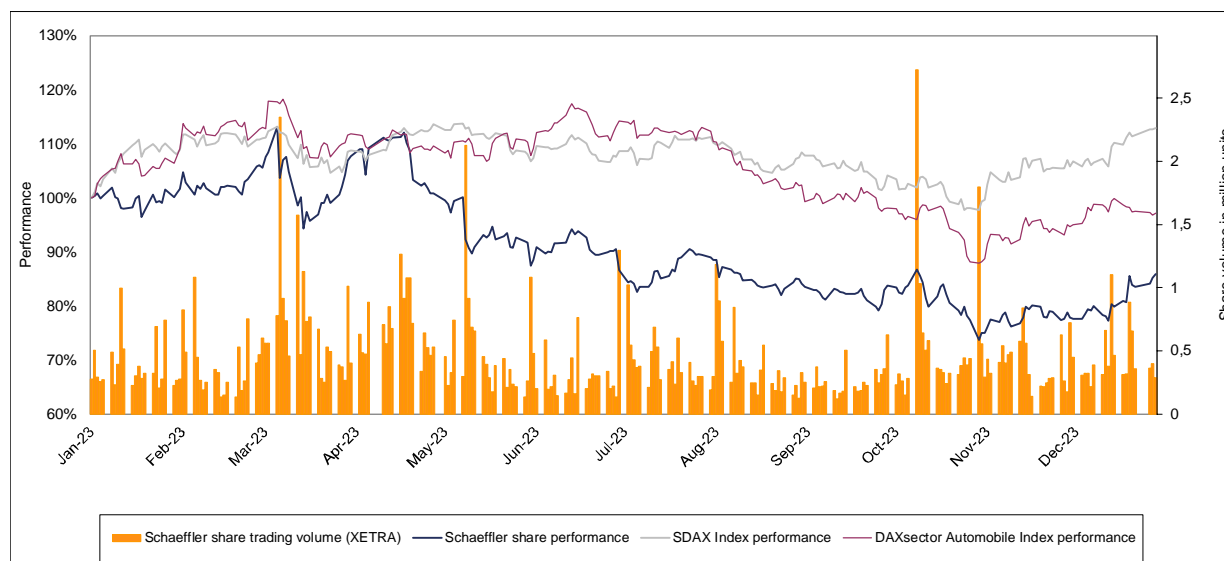


As can be seen in the chart above, Schaeffler preference shares have at times performed in line with the benchmark indices. Significant deviations from market developments are mainly due to company-specific developments, such as the discount that occurred on the day on which a dividend of € 0.50 per Schaeffler preference share was paid out for financial year 2021.<sup>315</sup> Conversely, the announcement of job cuts in November 2022 resulted in an outperformance of Schaeffler preference shares. Schaeffler preference shares have underperformed the benchmark indices since April 2023.

In addition to these general trends, the share price development on the days on which the other events listed by us became known also shows an evident reaction of the share price to the respective event in some cases. In other cases, no reaction is evident. As with our comments on the development of the Vitesco share, we would like to point out that a direct correlation between the development of a share price and the publication date of an event cannot always be proven.

<sup>315</sup> This corresponds to a dividend yield of more than 8%.

The following chart, in which we have shortened the period under review to the calendar year 2023, shows the underperformance of Schaeffler preference shares in the recent past more clearly:



In our opinion, this underperformance is not sufficient to be considered a general decoupling of the Schaeffler preference share from the market trend. Nevertheless, this development is remarkable, as we did not notice any negative corporate news during this period. Instead, the earnings forecast was raised with the publication of the semi-annual financial report at the beginning of August 2023 and analysts also largely recommended buying or at least holding Schaeffler's preference shares.

The highest trading volume of Schaeffler preference shares was recorded on 9 October 2023. However, a significant reaction of the Schaeffler preference share price to the acquisition offer to the shareholders of Vitesco Technologies announced on that day is not evident in this presentation. In fact, the Schaeffler preference share price fluctuated considerably on that day, i.e. during the trading day.<sup>316</sup>

In order to determine whether the calculated 3M-VWAP was formed on the basis of effective information processing by the market and whether the resulting market capitalisation could represent a suitable estimate of the company's value, we analysed the liquidity of share trading in a second step and also examined the same criteria that we used to examine the liquidity of Vitesco Technologies' share trading.

In view of daily trading and no price jumps in the reference period, the Schaeffler preference share prices are considered meaningful in accordance with the criteria of § 5(4) WpÜG-AngebV.

The Valuation Expert has also extended the observation period for examining these criteria to two years before 9 October 2023. Schaeffler preference shares were also traded on the other days of this extended period. Price jumps were recorded at the beginning of March 2022 with two consecutive falls of more than 5%, followed by two consecutive increases of more than 5%. These price jumps were obviously due to the uncertainty on the markets caused by the start of the war in the Ukraine and can also be observed in the trading of Vitesco shares. Moreover, the negative criteria of § 5(4) WpÜG-AngebV were not

<sup>316</sup> XETRA price of the Schaeffler share on 9 October 2023: Opening € 5.28, low € 4.92, high € 5.655, close € 5.65.

cumulatively fulfilled for the Schaeffler preference share too due to daily trading even during this extended period.

Since the aforementioned criteria would not be sufficient from a business perspective to consider share trading as sufficiently liquid and therefore meaningful for deriving the enterprise value from the price of the individual share, the Valuation Expert reviewed further liquidity criteria for the Schaeffler preference share as well.

As already mentioned, Schaeffler preference shares were traded daily during the reference period. The market capitalisation of the free float (closing prices) averaged € 684.5 million during this period and € 678.1 million on the last trading day of the reference period (6 October 2023), which is also above the relevant threshold of € 500.0 million, albeit not by much.

In the reference period, daily turnover in Schaeffler preference shares averaged € 1.8 million. Trading in Schaeffler preference shares in the reference period fell below this last threshold of the standards set by Article 22(1) of Regulation (EC) 1287/2006 with a required average daily trading turnover of at least € 2.0 million.<sup>317</sup>

In summary, we conclude that trading in Schaeffler preference shares fully meets the strictest standards (Article 22(1) of Regulation (EC) 1287/2006) in two criteria but fails to fully meet the last criterion. However, if the other considerations we have mentioned are also taken into account, liquid trading can tentatively be assumed. The remaining doubts about the informative value of the trading of Schaeffler preference shares in the reference period should therefore be refuted by the further audits.

The results of the analysis for the other criteria for reviewing the liquidity of share trading for Schaeffler preference shares are as follows:

- Inclusion in stock indices: Schaeffler preference shares are included in several stock indices.<sup>318</sup> In our opinion, the inclusion in the SDAX is a clear fulfillment of this requirement.
- Relative level of free float: the relative free float limit of 5.0% specified by the Valuation Expert is clearly met with an average of 18.7% in the reference period.
- Relative trading volume: the limit of the relative daily trading volume of 0.018% specified by the Valuation Expert is clearly met with an average of 0.050% in the reference period.
- Absolute trading volume: the less stringent threshold (T€ 115) frequently cited by legal rulings on the informative value of original beta factors<sup>319</sup> is clearly met with daily trading volumes of T€ 648 to T€ 6,748.
- Bid-ask spread (bid-ask spread): the limit of 1.0 or 1.25% specified by the Valuation Expert is clearly met with an average of 0.22%.

The Valuation Expert has additionally extended the observation period of the above analyses to two years before 9 October 2023. The results of the analyses for the reference period are also essentially confirmed for this period. The Valuation Expert also correctly points out that, from an economic perspective, the bid-ask spread as a measure of transaction costs is the most important of the aforementioned criteria.

<sup>317</sup> Daily trading on average in at least 500 transactions or with a turnover of at least € 2 million.

<sup>318</sup> Cf. Section F.1.1.

<sup>319</sup> In the opinion of Deutsche Börse AG, a share is sufficiently liquid if the average daily order book turnover is at least € 2.5 million. This strict criterion is not met by the Schaeffler share, as we have already shown in connection with the examination of the criteria of Article 22(1) of Regulation (EC) 1287/2006.

In summary, it should be noted that the second criterion for determining effective information processing by the market (liquidity of share trading) in the present case, taking into account all the aspects mentioned, does not preclude the use of the stock market price as an estimator for the enterprise value.

In order to determine whether the 3M-VWAP determined was formed on the basis of effective information processing by the market and whether the resulting market capitalisation could represent a suitable estimator of the enterprise value, after the two further steps of our review described in detail above, we have in a final step addressed the question of whether the original beta factor of the Schaeffler preference share can be regarded as suitable for the purposes of business valuation.

As shown above, the beta factor resulting from the trading of Schaeffler shares could in principle be used in the valuation of the Schaeffler preference share at the fundamental value, since the statistical measures (T-test and coefficient of determinacy) and the criteria for measuring the liquidity of share trading do not indicate anything to the contrary. Nevertheless, the Valuation Expert does not consider the unique beta derived from the development of the Schaeffler preference share price to be suitable for quantifying Schaeffler's future operating risk for the reasons stated, which we consider to be understandable.<sup>320</sup>

In addition, the relevant question in the present case of whether stock market prices that have formed in trading in shares of a class other than the shares issued as part of the structural measure can be taken into account in the valuation has not yet been decided by the courts.

In relation to the planned merger of Vitesco Technologies with Schaeffler, the question therefore arises whether the price of the previously listed non-voting preference shares of Schaeffler can be used for valuation purposes, even though the Vitesco shareholders will be granted voting common shares of Schaeffler in the course of the planned merger (which are currently not listed).

In practice, it has been shown that the prices of both classes of shares differ, sometimes sharply, in companies where both preference and common shares are listed. In our opinion, this would also be expected in this case if Schaeffler's preference and common shares were listed on the stock exchange at the same time. This means that, at least in the case of different classes of shares, the ratio of stock market prices cannot be used exclusively to determine the value ratio.

Firstly, the Expert rejected the suitability of the unique beta factor as a measure of risk on the basis of the financial analysis, which goes beyond statistical criteria and a liquidity analysis.

Secondly, for the purposes of the merger and the determination of the exchange ratio, the circumstances on the valuation date were decisive. At that time, Schaeffler held a 38.87% interest in Vitesco Technologies.

In addition, the conversion of the preference shares into common shares had already been adopted by the Schaeffler shareholders in extraordinary general meeting and a special meeting of the preference

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<sup>320</sup> Cf. Section F.II.3.aa).

shareholders with the required majorities as of the valuation date; the Vitesco shareholders were to be granted common and not preference shares in Schaeffler AG in the course of the merger.

In the relevant reference period of three months prior to the announcement of the overall transaction and the merger on 9 October 2023, these circumstances had not yet existed. They were also not yet known to the capital market. Accordingly, they could not have been reflected in the market price of Schaeffler's preference shares during this period.

Finally, although the minimum liquidity requirements for Schaeffler's preference shares were met in order for the market price of Schaeffler AG's preference shares to be taken into account at all, the liquidity of the preference shares was sometimes not sufficient in the past for large institutional investors to invest in these shares.

For this reason, among others, as well as due to a sustained undervaluation of Schaeffler's ICE business and a certain conglomerate discount, there is a discrepancy between the market price of Schaeffler AG's preference shares and the calculated earnings value of Schaeffler.

If one considers the market price of the Schaeffler preference share as decisive, a comparison of the stock market prices of the legal entities involved in the merger could only be one of the possible factors for determining the exchange ratio, in addition to methods based on the earnings value.

We share this estimation of the Valuation Expert and, taking into account the above-mentioned aspects, also do not consider the stock market price to be suitable for determining Schaeffler's market value.

Notwithstanding this, we have also examined the remaining criteria for effective information processing. Our audit did not reveal any indications of market manipulation or insider trading. In this context, we would like to point out that a positive confirmation that neither market manipulation nor insider trading has occurred requires a forensic audit. The adequacy test is not designed as a forensic test.

In summary, we conclude that, based on the criteria developed by existing legal rulings on the question of effective information processing by the market and further suggestions that have emerged from the legal and financial discussion on this issue, we believe that the overall picture of trading in Schaeffler's preferred shares does not make the 3M-VWAP of Schaeffler's preferred shares for the period prior to 9 October 2023 (€ 5.54) unrestrictedly suitable for deriving Schaeffler's enterprise value from the market capitalisation.

The Valuation Expert correctly points out that, if one were of the opinion that the 3M-VWAP can be relevant for the valuation of Schaeffler, it would have to be adjusted for a value effect:

The enterprise value on the valuation date (24 April 2024) is decisive. In view of conceivable distortions of the stock market price due to the announcement of a measure, the enterprise value cannot be determined by a three-month average price prior to the measure.<sup>321</sup> A projection of the 3M-VWAP in

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<sup>321</sup> Cf. above.



accordance with the "general or industry-typical performance taking into account the share price development since then" is not to be made.<sup>322</sup>

Nevertheless, the question arises as to whether the market capitalisation of Schaeffler based on the conditions of the three months prior to 9 October 2023 (€ 3,689.6 million) - if it were relevant at all - can adequately reflect the value of Schaeffler as of 24 April 2024. This must be questioned with regard to Schaeffler's investment in Vitesco Technologies.

As of 9 October 2023, Schaeffler did not hold any shares in Vitesco Technologies. The stock market valuation of Schaeffler preference shares prior to 9 October 2023 relates solely to Schaeffler on a stand-alone basis.<sup>323</sup> As of 24 April 2024, Schaeffler will hold a 38.87% interest in Vitesco Technologies. Schaeffler paid € 94.00 for the Vitesco shares as part of the acquisition offer.<sup>324</sup> If one were to use the 3M-VWAP of the Vitesco share, however, the value of the Vitesco share would only be € 76.18. In fact, this investment is worth considerably more to Schaeffler, in our view.

The added value of Schaeffler's investment in Vitesco Technologies is firstly due to the fact that Schaeffler already intended to merge Vitesco Technologies into Schaeffler at the time of the announcement of the acquisition offer and subsequently realise considerable synergies from this merger.<sup>325</sup>

In addition to the hoped-for synergies, Schaeffler's investment in Vitesco Technologies already provides added value on a stand-alone basis.

The Executive and Supervisory Boards of Vitesco Technologies had carefully and intensively analysed and evaluated the adequacy of the consideration offered (€ 94.00 per Vitesco share) in a joint reasoned statement pursuant to § 27 WpÜG on the acquisition offer. In each case, the committees made their own considerations and, in addition to other factors, also took into account inadequacy opinions from various investment banks. On this basis, in light of their own assessment of the current situation at the time and the development potential of Vitesco Technologies as well as the overall circumstances of the offer, the Executive and Supervisory Boards of Vitesco Technologies did not consider the offer price to be adequate from a financial point of view. They also pointed out that the acquisition offer could nevertheless represent a potentially attractive exit opportunity for risk-averse or short-term investors in the current market environment, even if the cash consideration offered did not adequately reflect the long-term value of the company.

The Valuation Expert has determined the value of Schaeffler's investment in Vitesco Technologies as of 24 April 2024. Based on the objectified value in accordance with IDW S 1, the stand-alone value per Vitesco share amounts to € 138.67. Schaeffler has acquired a total of 15,557,631 Vitesco shares. Schaeffler's investment in Vitesco Technologies therefore has a value of at least € 2,157.4 million. Schaeffler paid an average of € 93.25 for the Vitesco shares it acquired. Schaeffler paid a total of € 1,450.8

<sup>322</sup> Cf. Section E.III on the valuation of Vitesco Technologies at the stock market price, in which we have explained that there is no "extended period" in the terms of the legal rulings.

<sup>323</sup> Provided that the capital market has not processed any information containing the imminent submission of a takeover bid.

<sup>324</sup> Schaeffler paid € 90.77 per share for the remaining shares acquired.

<sup>325</sup> These synergies are not included in a valuation in accordance with IDW S 1 (see Sections D.VI and G).

million for the investment in Vitesco Technologies. Schaeffler therefore received added value of € 706.6 million.

This added value corresponds to an added value per Schaeffler share of € 1.06, which cannot be reflected in the established 3M-VWAP (€ 5.54 per Schaeffler preference share). Taking this added value into account results in an adjusted market value per Schaeffler preference share of € 6.60. The enterprise value of Schaeffler as of 24 April 2024 would therefore amount to € 4,396.2 million using the stock market price - if this valuation method were considered relevant - which we consider to be correct.

#### IV. Plausibility check of the enterprise value of Schaeffler

The Valuation Expert also determined the enterprise value of Schaeffler as of 24 April 2024 in accordance with the engagement on the basis of the valuation methods recognised in enterprise valuation practice and legal rulings. In addition to the objectified enterprise value as defined by IDW S1, the Expert also determined the enterprise value of Schaeffler using other valuation methods.

In the present valuation case, the Valuation Expert determined an objectified enterprise value in accordance with IDW S1 of € 12.46 per Schaeffler share. We have comprehensively audited the valuation in accordance with IDW S 1, which results in a value per Schaeffler share of € 12.46, and presented the results of our audit in detail on 22 pages.<sup>326</sup> In our opinion, the valuation performed in accordance with IDW S 1 is appropriate and results in an enterprise value per share that can be used to determine an adequate exchange ratio.

In determining a fair value based on the stock market prices, the Valuation Expert determined a 3M-VWAP of € 5.54 per Schaeffler share and adjusted it appropriately to € 6.60 per Schaeffler share. After a comprehensive analysis of the criteria for the validity of this 3M-VWAP developed by business administration theory and legal rulings, which we have set out in detail on a further ten pages,<sup>327</sup> the (adjusted) 3M-VWAP determined for the Schaeffler preference shares does not represent an unrestrictedly suitable method for determining the enterprise value of Schaeffler and is thus alone not a suitable starting point for determining an adequate exchange ratio, in the opinion of the Valuation Expert shared by us.

The results of a valuation before personal taxes, which the Valuation Expert undertook in accordance with the DVFA recommendations, are, at € 11.18 per Schaeffler share, below the results of a valuation at the objectified enterprise value in accordance with IDW S 1.<sup>328</sup>

If these valuations are to be considered relevant, this would result in a range of justifiable values of € 6.60 to € 12.46 per Schaeffler share. This range is not narrow. Therefore, a plausibility check using other valuation methods is important with regard to the valuation of Schaeffler. In this respect, it is advantageous that the Valuation Expert also comprehensively derives the results from other valuation methods.

<sup>326</sup> In addition to the pages in which we have already explained the bases applicable for both Valuation Objections in connection with the valuation of Vitesco Technologies.

<sup>327</sup> Likewise in addition to the pages in which we have already explained the bases applicable for both Valuation Objections in connection with the valuation of Vitesco Technologies.

<sup>328</sup> This is mainly due to the fact that the simplified reconciliation of the market risk premium before personal taxes (7.00%) to the market risk premium after personal taxes (5.75%) is possible with the sustainable payout ratio (50%) and the beta factor of the market (1.0), but the more precise valuation models calculate with the payout ratios that change in the course of the detailed estimates and the individual beta factors of the Valuation Objects.

The comparative valuation derived in detail in the Valuation Report using the multipliers method and applying the data for comparable listed companies results in a range of € 7.37 to € 10.47 per Schaeffler share. The lower limit of this range is significantly above the 3M-VWAP of Schaeffler shares and also above the adjusted 3M-VWAP of Schaeffler shares, while the upper limit is significantly below the objectified enterprise value per Schaeffler share in accordance with IDW S 1.

Using data from comparable transactions, the comparative valuation based on the multiples method results in a range of € 8.89 to € 11.40 per Schaeffler share. The lower limit of this range is significantly above the 3M-VWAP of the Schaeffler share (before and after adjustment), while the upper limit is only slightly below the objectified enterprise value per Schaeffler share in accordance with IDW S 1. In the Expert's detailed analysis, however, the Valuation Expert points out possible limitations to the informative value of this plausibility check.

A further plausibility check could be carried out using the price targets published in the run-up to the announcement. In 2023, analysts published price targets of between € 4.90 and € 10.00 for Schaeffler shares prior to the announcement of the measure. The lower end of this range is even significantly below the 3M-VWAP, the upper end below the objectified enterprise value in accordance with IDW S 1. With regard to the share price targets as a plausibility benchmark, reference should be made to our comments in this regard as part of the plausibility check of the enterprise value of Vitesco Technologies.

The results of impairment tests could also be used to check the plausibility of Schaeffler's enterprise value. The impairment tests for 31 December 2023 resulted in a value per Schaeffler share of € 10.76. Although this is below the objectified enterprise value in accordance with IDW S 1 due to the partially differing standards of the valuation rules in accordance with IFRS and due to a rather cautious parameterisation, it is significantly above the 3M-VWAP (before and after adjustment).

In summary, it must be stated that a comprehensive plausibility check does not arrive at a clear outcome. In our opinion, there are more reasons to believe that the objectified enterprise value in accordance with IDW S 1 is a suitable basis for estimating the enterprise value of Schaeffler. As a result of our comprehensive review, the adjusted stock market price seems to underestimate Schaeffler's potential, which has been comprehensibly presented to us, though it does in principle present a suitable valuation method in accordance with legal rulings.

#### V. Particular difficulties in the valuation of Schaeffler

The valuation of Schaeffler did not give rise to any particular difficulties in the terms of § 12(2), Sentence 2, No. 4 UmwG.

## G. Assessment of synergies in the determination of the exchange ratio

The Valuation Expert also dealt with the question of whether and how the effects of the expected synergies should be taken into account when determining the exchange ratio.

It correctly states that synergy effects are only to be taken into account when determining objectified enterprise values in accordance with the current version of IDW S 1 if they qualify as so-called “non-genuine synergies”. In addition, non-genuine synergies must be sufficiently substantiated or initiated and taken into account in business plans.<sup>329</sup>

Furthermore, it points out that the realisation of synergies depends on the implementation of the intended merger and therefore all synergies are to be qualified as genuine synergies and are therefore not to be taken into account in the objectified enterprise values.

In the opinion of the Valuation Expert, it cannot be ruled out that the current revision of IDW S 1 will also result in changes with regard to the treatment of synergies. Based on technical discussions that we have held with representatives of FAUB, we also assume that the revision of IDW S 1 might also affect the treatment of synergies. In our opinion, it is still unclear whether all synergy potential is to be taken into account in the future when determining objectified enterprise values and how this potential is to be allocated between the parties.

In the event that the synergies were to be taken into account in the valuation,<sup>330</sup> the Valuation Expert dealt with the question of how these would be allocated between Schaeffler and Vitesco Technologies. The Expert concludes that, based on the initial analyses of an internal synergy workstream between Schaeffler and Vitesco Technologies, the identified synergy potentials would be attributable to the merging parties almost in proportion to their value at a ratio of 58% (Schaeffler) to 42% (Vitesco Technologies).

Such a distribution would only have an insignificant impact on the exchange ratio. The Valuation Expert also points out that the realisation of synergies would significantly increase the absolute value of the combined company.

We consider the considerations outlined to be correct. It is therefore not necessary to take synergies into account separately when determining an adequate exchange ratio.

<sup>329</sup> Cf. Section D.II.1.

<sup>330</sup> For example, the synergies of a typical market acquirer in determining the value of equity in accordance with the DVFA recommendations.

## H. Assessment of the determined exchange ratio

After the parties to the merger had taken note of the preliminary results of the valuation work, they entered into negotiations to jointly determine the exchange ratio.

In this context, Schaeffler and Vitesco Technologies made an ad hoc announcement on 26 February 2024 that they had provisionally agreed on an exchange ratio of 1:11.4 - i.e. 11.4 Schaeffler shares per Vitesco share - in the context of the intended merger of Vitesco Technologies as the Transferring Entity into Schaeffler as the Acquiring Entity. However, this agreement was subject to the proviso that the jointly appointed Valuation Expert and we as the court-appointed merger auditor would confirm the exchange ratio as adequate. Furthermore, the agreement is still subject to the approval of the Supervisory Boards of Schaeffler and Vitesco Technologies.

The Supervisory Board of Schaeffler and the committee of the Supervisory Board of Vitesco Technologies formed in connection with the planned merger will respectively resolve tomorrow (13 March 2024) on the conclusion of the Merger Agreement based on the agreed merger ratio. We have no indication that these bodies will not approve the conclusion of the Merger Agreement and the exchange ratio agreed by the Board of Managing Directors of Schaeffler and Executive Board of Vitesco Technologies.

The Valuation Expert concludes that a merger ratio of 1:11.4 is adequate.

In its assessment, the auditor refers to a presentation in which the exchange ratios resulting from all valuation methods performed by the auditor are disclosed. In light of the current legal rulings in the context of structural measures under stock corporation law and the law of transformation of companies, any exchange ratio between the exchange ratio of 11.13 Schaeffler common shares per Vitesco share determined by the earnings value method pursuant to IDW S 1 and the exchange ratio of 11.54 Schaeffler common shares per Vitesco share determined by the adjusted 3M-VWAP can be deemed appropriate in the present case. The exchange ratio of 11.40 Schaeffler common shares per Vitesco share determined by the Boards of Managing Directors of Schaeffler AG and the Executive Board of Vitesco AG is therefore appropriate.

We deem this conclusion to be correct. The agreed exchange ratio is approximately in the middle of a range resulting from a valuation of the merging parties based on the objectified enterprise values in accordance with IDW S 1 and from a valuation of the merging parties using the 3M-VWAP (adjusted).

The exchange ratio based on the objectified enterprise values in accordance with IDW S 1 (stand-alone and excluding dividends for financial year 2023) of 1:11.13 is only 2.4% below the agreed exchange ratio (1:11.4) The exchange ratio based on the (adjusted) 3M-VWAP of 1:11.54 is only 1.2% above the agreed exchange ratio (1:11.4).

In view of the fact that the enterprise valuation is always an estimate and with reference to the legal rulings on the *de minimis* threshold,<sup>331</sup> the agreed exchange ratio is thus considered adequate.

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<sup>331</sup> Cf. Section D.I.

Finally, we would like to point out that the objectified enterprise values determined for Schaeffler and Vitesco Technologies in accordance with IDW S 1 also include the funds that will be used to pay the dividends for financial year 2023. The dividends for financial year 2023 will still be paid out to the shareholders of Schaeffler and Vitesco Technologies in their current composition. The exchange of Vitesco common shares for Schaeffler common shares will take place in such a way that five Vitesco shares will be exchanged for 57 Schaeffler shares<sup>332</sup> without dividend rights for 2023.

In our opinion, the dividends for financial year 2023 could be taken into account as a deduction item when determining an appropriate exchange ratio. If the intended amount of the dividend payments is taken as a basis and the resulting dividend amount is deducted from the respective objectified enterprise value in accordance with IDW S 1, this results in an exchange ratio of 1:11.41.

The agreed exchange ratio of 1:11.4 is therefore considered adequate, also with due regard to this circumstance.

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<sup>332</sup> Exchange ratio: 1:11,4.

## I. Concluding statement

As the court-appointed auditor, we have audited the draft Merger Agreement between Schaeffler AG, Herzogenaurach, as the Acquiring Company, and Vitesco Technologies Group Aktiengesellschaft, Regensburg, as the Transferring Company.

The draft Merger Agreement accurately contains all provisions set out in §§ 5 ff. UmwG and thus complies with the provisions of law.

We issue the following final declaration on the adequacy of the proposed exchange ratio in accordance with § 12(2) UmwG:

"According to our findings, an exchange ratio of 11.4 no-par-value shares of Schaeffler AG per no-par-value share of Vitesco Technologies Group Aktiengesellschaft is adequate.

The exchange ratio was determined on the basis of the enterprise values of Schaeffler AG and Vitesco Technologies Group Aktiengesellschaft, whereby the enterprise values of the legal entities were estimated using both a valuation based on the objectified enterprise value in accordance with IDW S1 (after personal taxes) and before personal taxes and a valuation based on the volume-weighted average stock market price for a period of three months prior to the announcement of the intention to pursue the merger. Other methods were used to conduct plausibility checks but were not used to determine the exchange ratio.

The enterprise valuation in accordance with the principles of IDW S 1 is in line with German legal rulings and many years of valuation practice. A valuation before personal taxes can in principle be applied to this valuation. The valuation at the stock market price follows the latest rulings of the Federal Supreme Court.

An estimate of the enterprise values based on the objectified enterprise value in accordance with IDW S1 (after personal taxes) would result in an exchange ratio of 11.13 no-par-value shares of Schaeffler AG per no-par-value share of Vitesco Technologies Group Aktiengesellschaft.

An estimate of the enterprise values using discount cash flow methods (before personal taxes) would result in an exchange ratio of 11.43 no-par-value shares of Schaeffler AG per no-par-value share of Vitesco Technologies Group Aktiengesellschaft.

An estimate of the enterprise values based on the (adjusted) volume-weighted average stock exchange price for a period of three months prior to the announcement of the intention to pursue the merger within the framework of the overall transaction would result in an exchange ratio of 11.54 no-par-value shares of Schaeffler AG per no-par-value share of Vitesco Technologies Group Aktiengesellschaft.

In determining the exchange ratio, these three applied valuation methods and their results were taken into account.



No particular difficulties have arisen in the valuation of the Legal Entity.”

Düsseldorf, 12 March 2024

**ADKL AG**  
Wirtschaftsprüfungsgesellschaft

Wolfram Wagner  
Auditor

p.p. Axel Augustin  
Auditor

# Landgericht Nürnberg-Fürth

Az.: 2 HK O 7044/23



In dem Rechtsstreit

- 1) **Vitesco Technologies Group AG**, vertreten durch d. Vorstand, Siemensstraße 12, 93055 Regensburg  
- Antragstellerin zu 1-
- 2) **Schaeffler AG**, vertreten durch d. Vorstand, Industriestraße 1-3, 91074 Herzogenaurach  
- Antragstellerin zu 2-

Prozessbevollmächtigte zu 1 und 2:

Rechtsanwälte **Hengeler Mueller**, Leopoldstraße 8-10, 80802 München

wegen Verschmelzungsprüfer

erlässt das Landgericht Nürnberg-Fürth - 2. Kammer für Handelssachen - durch den Vorsitzenden Richter am Landgericht Walther am 14.12.2023 folgenden

## Beschluss

I. Als Prüfer für die Verschmelzung der VITESCO TECHNOLOGIES GROUP AKTIENGESELLSCHAFT, Regensburg auf die SCHAEFFLER AG, Herzogenaurach wird die

ADKL AG Wirtschaftsprüfungsgesellschaft

Ansprechpartner: Herr Wolfram Wagner

Breite Straße 29-31

40213 Düsseldorf

ausgewählt und bestellt

II. Die Antragstellerinnen tragen die Kosten des Verfahrens.

III. Der Geschäftswert wird auf 20.000,00 € festgesetzt.

## Gründe:

- 1) Mit Antrag der Antragstellerinnen, eingegangen hier am 11.12.2023 wird die Bestellung eines Prüfers für die Verschmelzung der Antragstellerin zu 1 auf die Antragstellerin zu 2 begehrt.
- 2) Das Landgericht Nürnberg-Fürth, Kammer für Handelssachen, ist örtlich, sachlich und funktionell zuständig, §§ 10 Abs. 2, 60 UmwG und § 28 Abs. 1 Nr. 2 GZVJu. Es entscheidet der Vorsitzende allein.
- 3) Bei der Auswahl des Prüfers wurde einem Vorschlag der Antragstellerinnen gefolgt. Der Antrag auf gerichtliche Bestellung ist an keinerlei Voraussetzungen gebunden. Es ist insbesondere möglich, einen Prüfer zur Bestellung vorzuschlagen, dies schon deshalb, weil der vom Gericht bestellte Prüfer zur gewissenhaften und unparteiischen Prüfung verpflichtet ist (§ 11 Abs. 1 UmwG). Zudem wurde versichert, dass gesetzliche Hinderungsgründe bei keinem Vorschlag vorliegen. Die vorgeschlagene Person erfüllt die Voraussetzungen für eine Bestellung. Die im Antrag vorgenommene Priorisierung in absteigender Reihenfolge wurde zur Kenntnis genommen. Woraus sie sich tatsächlich ergibt, erschließt sich indes nicht. Nachdem die Prüferin bereits in der Vergangenheit vorgeschlagen, aber nicht bestellt wurde, schien es sachgerecht, sie nunmehr heranzuziehen.
- 4) Die Kostenentscheidung ergibt sich aus § 22 Abs. 1, 1 Abs. 2 Nr. 1 GNotKG.
- 5) Der Geschäftswert ist gem. § 36 GNotKG festzusetzen. Eine Festsetzung auf 20.000,00 € erscheint angemessen.

## Rechtsbehelfsbelehrung:

Gegen die Festsetzung des Geschäftswerts findet die Beschwerde statt, wenn der Wert des Beschwerdegegenstands 200,00 € übersteigt oder wenn und soweit die Beschwerde in diesem Beschluss zugelassen wurde.

Die Beschwerde ist nur zulässig, wenn sie innerhalb einer Frist von sechs Monaten, nachdem die Entscheidung in der Hauptsache Rechtskraft erlangt oder das Verfahren sich anderweitig erledigt hat, eingelegt wird.

Ist der Geschäftswert später als einen Monat vor Ablauf dieser Frist festgesetzt worden, kann sie noch innerhalb eines Monats nach Zustellung oder nach Bekanntmachung durch formlose Mitteilung des Festsetzungsbeschlusses eingelegt werden. Im Falle der formlosen Mitteilung gilt der Beschluss mit dem dritten Tage nach der Aufgabe zur Post als bekannt gemacht.

Die Beschwerde ist bei dem  
Landgericht Nürnberg-Fürth  
Fürther Str. 110  
90429 Nürnberg  
einzulegen.

Die Beschwerde kann zu Protokoll der Geschäftsstelle erklärt oder schriftlich eingereicht werden. Die Beschwerde kann auch vor der Geschäftsstelle eines anderen Amtsgerichts zu Protokoll erklärt werden; die Frist ist jedoch nur gewahrt, wenn das Protokoll rechtzeitig bei dem oben genannten Gericht eingeht.

Die Mitwirkung eines Rechtsanwalts ist nicht vorgeschrieben. Im Übrigen gelten für die Bevollmächtigung die Regelungen der für das zugrunde liegende Verfahren geltenden Verfahrensordnung entsprechend.

Rechtsbehelfe können auch als **elektronisches Dokument** eingereicht werden. Eine einfache E-Mail genügt den gesetzlichen Anforderungen nicht.

Rechtsbehelfe, die durch eine Rechtsanwältin, einen Rechtsanwalt, durch eine Notarin, einen Notar, durch eine Behörde oder durch eine juristische Person des öffentlichen Rechts einschließlich der von ihr zur Erfüllung ihrer öffentlichen Aufgaben gebildeten Zusammenschlüsse eingereicht werden, sind **als elektronisches Dokument** einzureichen, es sei denn, dass dies aus technischen Gründen vorübergehend nicht möglich ist. In diesem Fall bleibt die Übermittlung nach den allgemeinen Vorschriften zulässig, wobei die vorübergehende Unmöglichkeit bei der Ersatzeinreichung oder unverzüglich danach glaubhaft zu machen ist. Auf Anforderung ist das elektronische Dokument nachzureichen.

Elektronische Dokumente müssen

- mit einer qualifizierten elektronischen Signatur der verantwortenden Person versehen sein oder
- von der verantwortenden Person signiert und auf einem sicheren Übermittlungsweg eingereicht werden.

Ein elektronisches Dokument, das mit einer qualifizierten elektronischen Signatur der verantwortenden Person versehen ist, darf wie folgt übermittelt werden:

- auf einem sicheren Übermittlungsweg oder
- an das für den Empfang elektronischer Dokumente eingerichtete Elektronische Gerichts- und Verwaltungspostfach (EGVP) des Gerichts.

Wegen der sicheren Übermittlungswege wird auf § 130a Absatz 4 der Zivilprozessordnung verwiesen. Hinsichtlich der weiteren Voraussetzungen zur elektronischen Kommunikation mit den Gerichten wird auf die Verordnung über die technischen Rahmenbedingungen des elektronischen Rechtsverkehrs und über das besondere elektronische Behördenpostfach (Elektronischer-Rechtsverkehr-Verordnung - ERVV) in der jeweils geltenden Fassung sowie auf die Internetseite [www.justiz.de](http://www.justiz.de) verwiesen.

gez.

Walther  
Vorsitzender Richter am Landgericht



Für die Richtigkeit der Abschrift  
Nürnberg, 15.12.2023

Jankner, JOSekr`in  
Urkundsbeamtin der Geschäftsstelle

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## VERSCHMELZUNGSVERTRAG

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zwischen der

### SCHAEFFLER AG

mit dem Sitz in Herzogenaurach, Industriestraße 1-3, 91074 Herzogenaurach, eingetragen im Handelsregister des Amtsgerichts Fürth unter HRB 14738, als übernehmende Gesellschaft

- nachfolgend als „**Schaeffler**“ oder „**Übernehmende Gesellschaft**“ bezeichnet -

und der

### VITESCO TECHNOLOGIES GROUP AKTIENGESELLSCHAFT

mit dem Sitz in Regensburg, Siemensstraße 12, 93055 Regensburg, eingetragen im Handelsregister des Amtsgerichts Regensburg unter HRB 18842, als übertragende Gesellschaft

- nachfolgend als „**Vitesco Technologies**“ oder „**Übertragende Gesellschaft**“ bezeichnet -

- Übernehmende Gesellschaft und Übertragende Gesellschaft auch als „**Parteien**“  
oder einzeln als „**Partei**“ bezeichnet -

## Vorbemerkung

- (A) Schaeffler (zusammen mit ihren Tochtergesellschaften und Beteiligungen, jedoch ohne Vitesco Technologies und deren Tochtergesellschaften und Beteiligungen, der „**Schaeffler-Konzern**“) ist eine im Handelsregister des Amtsgerichts Fürth unter HRB 14738 eingetragene Aktiengesellschaft mit Sitz in Herzogenaurach. Das Grundkapital von Schaeffler beträgt EUR 666.000.000,00 und ist eingeteilt in Stück 500.000.000 auf den Inhaber lautende Stammaktien (jeweils eine „**Schaeffler-Stammaktie**“ und gemeinsam, einschließlich zukünftig auszugebender Stammaktien, die „**Schaeffler-Stammaktien**“) und Stück 166.000.000 auf den Inhaber lautende stimmrechtslose Vorzugsaktien (jeweils eine „**Schaeffler-Vorzugsaktie**“ und gemeinsam die „**Schaeffler-Vorzugsaktien**“). Die Schaeffler-Vorzugsaktien sind im regulierten Markt (*Prime Standard*) der Frankfurter Wertpapierbörse notiert (ISIN: DE000SHA0159). Jede Schaeffler-Stammaktie und jede Schaeffler-Vorzugsaktie hat einen rechnerischen Anteil am Grundkapital von jeweils EUR 1,00 (die Schaeffler-Stammaktien und Schaeffler-Vorzugsaktien zusammen jeweils eine „**Schaeffler-Aktie**“ und gemeinsam die „**Schaeffler-Aktien**“). Die Aktionäre von Schaeffler haben in einer außerordentlichen Hauptversammlung und einer gesonderten Versammlung der Vorzugsaktionäre am 2. Februar 2024 jeweils die Aufhebung des Gewinnvorzugs der Schaeffler-Vorzugsaktien und damit die Umwandlung der Schaeffler-Vorzugsaktien in Stammaktien von Schaeffler (die „**Änderung der Aktiengattungen**“) beschlossen und den Vorstand von Schaeffler angewiesen, die im Rahmen der Änderung der Aktiengattungen beschlossenen Satzungsänderungen erst zur Eintragung in das Handelsregister anzumelden, wenn eine gesondert abzuhaltende Hauptversammlung von Schaeffler einem Verschmelzungsvertrag zwischen Vitesco Technologies als übertragendem und Schaeffler als übernehmendem Rechtsträger zugestimmt hat, und die Anmeldung der beschlossenen Satzungsänderungen auf die vorherige oder zeitgleiche Eintragung der Verschmelzung der Vitesco Technologies auf Schaeffler in das Handelsregister von Schaeffler zu bedingen. Geschäftsjahr von Schaeffler ist das Kalenderjahr.



- (B) Vitesco Technologies (zusammen mit ihren Tochtergesellschaften und Beteiligungen, der „**Vitesco Technologies-Konzern**“) ist eine im Handelsregister des Amtsgerichts Regensburg unter HRB 18842 eingetragene Aktiengesellschaft mit Sitz in Regensburg. Das Grundkapital von Vitesco Technologies beträgt EUR 100.052.990,00 und ist eingeteilt in Stück 40.021.196 auf den Namen lautende Stückaktien mit einem rechnerischen Anteil am Grundkapital von jeweils EUR 2,50 (jeweils eine „**Vitesco Technologies-Aktie**“ und gemeinsam die „**Vitesco Technologies-Aktien**“). Die Vitesco Technologies-Aktien sind im regulierten Markt (*Prime Standard*) der Frankfurter Wertpapierbörse notiert (ISIN: DE000VTSC017). Vitesco Technologies hält zum heutigen Tag keine eigenen Aktien. Geschäftsjahr von Vitesco Technologies ist das Kalenderjahr.
- (C) Schaeffler hält derzeit unmittelbar insgesamt 15.557.631 Vitesco Technologies-Aktien und damit ca. 38,87 % des Grundkapitals von Vitesco Technologies.
- (D) Die Parteien beabsichtigen nach Maßgabe dieses Vertrags eine Verschmelzung durch Aufnahme von Vitesco Technologies als übertragendem Rechtsträger auf Schaeffler als übernehmendem Rechtsträger gemäß §§ 2 Nr. 1, 4 ff. und 60 ff. des Umwandlungsgesetzes („**UmwG**“) (die „**Verschmelzung**“).

**DIES VORAUSGESCHICKT**, vereinbaren die Parteien was folgt:

## **1. VERMÖGENSÜBERTRAGUNG, VERSCHMELZUNGSSTICHTAG**

- 1.1 Vitesco Technologies überträgt ihr Vermögen als Ganzes mit allen Rechten und Pflichten unter Auflösung ohne Abwicklung nach §§ 2 Nr. 1, 60 ff. UmwG auf Schaeffler im Wege der Verschmelzung durch Aufnahme gegen Gewährung von Aktien an Schaeffler an die nicht an diesem Vertrag beteiligten Aktionäre von Vitesco Technologies (die „**Vitesco Technologies-Aktionäre**“).
- 1.2 Der Verschmelzung wird die mit dem uneingeschränkten Bestätigungsvermerk der KPMG AG Wirtschaftsprüfungsgesellschaft, München, versehene Bilanz von Vitesco Technologies als übertragender Gesellschaft zum 31. Dezember 2023 als Schlussbilanz zugrunde gelegt (zugleich steuerlicher Übertragungstichtag (§ 2 Abs. 1 UmwStG)).

- 1.3 Die Übernahme des Vermögens von Vitesco Technologies erfolgt im Innenverhältnis mit Wirkung zum 1. Januar 2024, 00:00 Uhr („**Verschmelzungstichtag**“). Vom Verschmelzungstichtag an gelten alle Handlungen und Geschäfte der Übertragenden Gesellschaft als für Rechnung der Übernehmenden Gesellschaft vorgenommen.
- 1.4 Schaeffler wird die in der Schlussbilanz von Vitesco Technologies angesetzten Werte der übergehenden Aktiva und Passiva in ihrem Jahresabschluss fortführen (Buchwertfortführung) und beide Parteien werden die hierfür erforderlichen Handlungen in Abstimmung miteinander vornehmen.

## **2. GEGENLEISTUNG, KAPITALERHÖHUNG**

- 2.1 Schaeffler gewährt den nicht an diesem Vertrag beteiligten Vitesco Technologies-Aktionären mit Wirksamwerden der Verschmelzung als Gegenleistung für die Übertragung des Vermögens von Vitesco Technologies kostenfrei insgesamt 278.884.641 Stammaktien von Schaeffler nach Maßgabe des folgenden Umtauschverhältnisses:

Für je fünf auf den Namen lautende Stückaktien (Stammaktien) von Vitesco Technologies im rechnerischen Nennbetrag von jeweils EUR 2,50 werden 57 auf den Inhaber lautende Stückaktien (Stammaktien) von Schaeffler im rechnerischen Nennbetrag von jeweils EUR 1,00 gewährt (d.h. auf eine Vitesco Technologies-Aktie entfallen 11,4 Schaeffler-Stammaktien) („**Umtauschverhältnis**“).

Eine andere Gegenleistung als in Form von Aktien an Schaeffler wird nicht gewährt, soweit nicht gemäß §§ 72a, 72b UmwG rechtlich zwingend eine bare Zuzahlung zu leisten ist.

- 2.2 Soweit Vitesco Technologies-Aktien von oder für Rechnung von Schaeffler gehalten werden, erfolgt die Übertragung des Vermögens der Vitesco Technologies ohne Gegenleistung, d. h., Schaeffler erhält für ihre bisherige Beteiligung an Vitesco Technologies keine neuen Aktien (vgl. §§ 20 Abs.1 Nr. 3, 68 Abs.1 Satz 1 Nr.1 UmwG).

- 2.3 Zum Zwecke der Durchführung der Verschmelzung wird Schaeffler ihr Grundkapital von derzeit EUR 666.000.000,00 um EUR 278.884.641,00 auf EUR 944.884.641,00 durch Ausgabe von 278.884.641 neuen auf den Inhaber lautenden Stückaktien (Stammaktien) im rechnerischen Nennbetrag von jeweils EUR 1,00 erhöhen.
- 2.4 Die von Schaeffler nach Ziffer 2.1 zu gewährenden Aktien sind ab 1. Januar 2024 gewinnberechtigt.
- 2.5 Stichtag für die Bewertungen von Schaeffler und Vitesco Technologies zum Zwecke der Ermittlung des Umtauschverhältnisses ist der 24. April 2024.
- 2.6 Soweit der Wert des übertragenen Vermögens den auf die neu geschaffenen Aktien entfallenden anteiligen Betrag des Grundkapitals übersteigt, ist der Differenzbetrag in die Kapitalrücklage gemäß § 272 Abs. 2 Nr. 4 HGB einzustellen.
- 2.7 Den Vitesco Technologies-Aktionären werden, soweit unter Beachtung des Umtauschverhältnisses möglich, ganze Aktien an Schaeffler gewährt. Verbleibende Teilrechte werden zusammengelegt und veräußert (§§ 72 Abs. 2 UmwG, 226 Abs. 3 AktG), der Erlös wird den Inhabern der Teilrechte entsprechend der auf sie entfallenden Teilrechte gutgeschrieben.
- 2.8 Schaeffler wird die Zulassung aller Schaeffler-Stammaktien – und damit auch der als Gegenleistung zu gewährenden Schaeffler-Stammaktien – zum regulierten Markt (*Prime Standard*) der Frankfurter Wertpapierbörse beantragen, um die Zulassung der Schaeffler-Stammaktien möglichst zeitnah nach Wirksamwerden der Verschmelzung zu bewirken. Ein Abfindungsangebot gemäß § 29 UmwG ist deshalb nicht erforderlich, da Vitesco Technologies als börsennotierte Aktiengesellschaft auf Schaeffler als ebenfalls börsennotierte Aktiengesellschaft verschmolzen wird.
- 2.9 Für den Fall, dass gerichtlich rechtskräftig festgestellt oder durch Schaeffler im Wege eines gerichtlichen oder außergerichtlichen Vergleichs oder in anderer Weise anerkannt werden sollte, dass das Umtauschverhältnis nicht angemessen oder die Mitgliedschaft bei Schaeffler kein angemessener Gegenwert für den Anteil oder für die Mitgliedschaft bei Vitesco Technologies ist, erklären die Parteien, dass anstelle einer baren Zuzahlung (§ 15 UmwG) zusätzliche Aktien an Schaeffler nach den näheren Bestimmungen von §§ 72a, 72b UmwG gewährt werden. Falls Schaeffler einem Aktionär von Vitesco

Technologies zusätzliche Aktien an Schaeffler gewährt, um eine nicht angemessene Bemessung des Umtauschverhältnisses auszugleichen, wird Schaeffler alle übrigen umtauschberechtigten Vitesco Technologies-Aktionäre durch eine entsprechende Gewährung zusätzlicher Aktien an Schaeffler gleichstellen.

### **3. TREUHÄNDER**

- 3.1 Gemäß § 71 Abs. 1 UmwG bestellt Vitesco Technologies die BNP Paribas S.A. (nachfolgend der „**Treuhänder**“) zum Treuhänder für den Empfang der den Vitesco Technologies-Aktionären zu gewährenden Schaeffler-Stammaktien.
- 3.2 Schaeffler wird dem Treuhänder die Globalurkunde, die die nach Ziffer 2.1 zu gewährenden neu geschaffenen Aktien verbrieft, vor der Eintragung der Verschmelzung in das für Vitesco Technologies zuständige Handelsregister übergeben und Vitesco Technologies wird den Treuhänder anweisen, den umtauschberechtigten Vitesco Technologies-Aktionären nach Eintragung der Verschmelzung in das für Schaeffler zuständige Handelsregister den anteiligen mittelbaren Mitbesitz an der bei dem Treuhänder hinterlegten Globalurkunde einzuräumen und/oder den nach Ziffer 2.7 erlangten Erlös Zug-um-Zug gegen Überlassung ihrer Vitesco Technologies-Aktien herauszugeben.

### **4. BESONDERE RECHTE UND VORTEILE**

- 4.1 Es werden keine besonderen Rechte im Sinne des § 5 Abs. 1 Nr. 7 UmwG für einzelne Aktionäre oder für Inhaber besonderer Rechte gewährt. Es sind auch keine Maßnahmen im Sinne der vorgenannten Vorschrift für diese Personen vorgesehen.
- 4.2 Ebenso werden – vorbehaltlich Ziffer 4.4 – keine besonderen Vorteile im Sinne des § 5 Abs. 1 Nr. 8 UmwG für Mitglieder eines Vertretungsorgans oder eines Aufsichtsorgans der an der Verschmelzung beteiligten Rechtsträger, geschäftsführende Gesellschafter, Partner, Abschlussprüfer oder Verschmelzungsprüfer gewährt.
- 4.3 Mit dem Wirksamwerden der Verschmelzung enden die Organstellung des Aufsichtsrats von Vitesco Technologies und die Mandate der Aufsichtsratsmitglieder. Die Vergütungsansprüche der Aufsichtsratsmitglieder von Vitesco Technologies für das Geschäftsjahr des Wirksamwerdens der Verschmelzung nach Maßgabe des § 15

der Satzung von Vitesco Technologies (in der zum Zeitpunkt des Wirksamwerdens der Verschmelzung geltenden Fassung) werden mit Ablauf des 31. Dezember dieses Jahres fällig und von Schaeffler erfüllt. Eine Abfindung an die bisherigen Mitglieder des Aufsichtsrats von Vitesco Technologies wird nicht gezahlt.

- 4.4 Darüber hinaus erlischt mit dem Wirksamwerden der Verschmelzung das Amt der Vorstandsmitglieder von Vitesco Technologies. Die Anstellungsverträge der Vorstandsmitglieder von Vitesco Technologies sind davon nicht betroffen. Unter Anerkennung der gesellschaftsrechtlichen Zuständigkeit des Aufsichtsrats von Schaeffler soll im zeitlichen Zusammenhang mit dem Wirksamwerden der Verschmelzung das bisherige Vorstandsmitglied von Vitesco Technologies, Thomas Stierle, zum Vorstandsmitglied von Schaeffler bestellt werden. Die Vergütung der Vorstandsmitglieder wird in Abstimmung mit dem Aufsichtsrat von Schaeffler, vorbehaltlich der Zustimmung der Hauptversammlung von Schaeffler, künftig gemäß dem nach Maßgabe der **Anlage 4.4** angepassten Vergütungssystem festgesetzt werden. Vitesco Technologies beabsichtigt, vor dem Wirksamwerden der Verschmelzung mit sämtlichen Vorstandsmitgliedern von Vitesco Technologies verbindliche Vereinbarungen über die vollständige Abwicklung der variablen Vorstandsvergütung zu treffen.

## **5. FOLGEN DER VERSCHMELZUNG FÜR DIE ARBEITNEHMER UND IHRE VERTRETUNGEN**

- 5.1 Die Übertragende Gesellschaft beschäftigt derzeit keine Arbeitnehmer. Sollten zum Zeitpunkt des Wirksamwerdens der Verschmelzung Arbeitsverhältnisse bei der Übertragenden Gesellschaft bestehen, gehen diese gemäß § 35a Abs. 2 UmwG in Verbindung mit § 613a des Bürgerlichen Gesetzbuches („**BGB**“) kraft Gesetzes auf Schaeffler über. Schaeffler tritt nach §§ 613a Abs. 1 Satz 1 BGB, 35a UmwG in die Rechte und Pflichten aus mit Arbeitnehmern der Übertragenden Gesellschaft bestehenden Arbeitsverhältnissen unter Anerkennung der bei der Übertragenden Gesellschaft erworbenen Betriebszugehörigkeit ein und führt solche Arbeitsverhältnisse fort. Eine Kündigung der bei Wirksamwerden der Verschmelzung übergehenden Arbeitsverhältnisse wegen des Betriebsübergangs ist gemäß § 35a UmwG in Verbindung mit § 613a Abs. 4 Satz 1 BGB unwirksam. Das Recht zu einer

Kündigung aus anderen Gründen bleibt gemäß § 35a UmwG in Verbindung mit § 613a Abs. 4 Satz 2 BGB unberührt.

- 5.2 Die vertraglichen Arbeitsbedingungen übergehender Arbeitnehmer bleiben unverändert, einschließlich etwaiger betrieblicher Übungen, Gesamtzusagen und Einheitsregelungen. Dies gilt auch für den Arbeitsort sowie bestehende Direktionsrechte des Arbeitgebers. Alle Rechte und Pflichten übergehender Arbeitnehmer, die auf erdienter Betriebszugehörigkeit beruhen, bestehen bei Schaeffler fort. Dies gilt insbesondere für die Berechnung von Kündigungsfristen und Anwartschaften auf Jubiläumszahlungen übergehender Arbeitnehmer.
- 5.3 Mit dem Wirksamwerden der Verschmelzung gehen auch alle Rechte und Pflichten aus etwaigen bei der Übertragenden Gesellschaft bestehenden Zusagen auf betriebliche Altersversorgung gegenüber übergehenden Arbeitnehmern, Versorgungsempfängern und unverfallbare Anwartschaften gegenüber früheren Arbeitnehmern der Übertragenden Gesellschaft unabhängig von ihrer jeweiligen Rechtsgrundlage auf Schaeffler über und gelten inhaltlich unverändert fort. Soweit für Grund und Höhe von Leistungen aus etwaigen Versorgungszusagen die Dauer der Betriebszugehörigkeit maßgeblich ist, werden die bei der Übertragenden Gesellschaft erreichten oder von der Übertragenden Gesellschaft insoweit anerkannten Dienstzeiten bei Schaeffler angerechnet. Bei Anpassungen von zugesagten laufenden Leistungen aus Versorgungszusagen nach § 16 Abs. 1 des Gesetzes zur Verbesserung der betrieblichen Altersversorgung („**Betriebsrentengesetz**“) ist zukünftig die wirtschaftliche Lage von Schaeffler zu berücksichtigen. Im Übrigen sind bei der arbeitgeberfinanzierten betrieblichen Altersversorgung die im Rahmen der Verschmelzung eintretenden Mitarbeiter der Übertragenden Gesellschaft nach der Konzernbetriebsvereinbarung „KBV Schaeffler Pension Plan“ nicht versorgungsberechtigt.
- 5.4 Da die Übertragende Gesellschaft mit Wirksamkeit der Verschmelzung gemäß § 20 Abs. 1 Nr. 2 UmwG erlischt, entsteht gemäß § 35a UmwG in Verbindung mit § 613a Abs. 3 BGB keine zusätzliche gesamtschuldnerische Haftung der Übertragenden Gesellschaft im Sinne von § 613a Abs. 2 BGB.
- 5.5 Vom Betriebsübergang betroffene Arbeitnehmer der Übertragenden Gesellschaft werden nach Maßgabe des § 35a UmwG in Verbindung mit § 613a Abs. 5 BGB über

den Betriebsübergang vor dessen Wirksamkeit unterrichtet. Ein Widerspruchsrecht der Arbeitnehmer der Übertragenden Gesellschaft gegen den Übergang ihrer Arbeitsverhältnisse nach § 613a BGB auf Schaeffler besteht nach der Rechtsprechung des Bundesarbeitsgerichts nicht, da nach Wirksamwerden der Verschmelzung die Übertragende Gesellschaft nicht mehr existiert und das Arbeitsverhältnis mit der Übertragenden Gesellschaft deshalb nicht mehr fortgesetzt werden kann. Arbeitnehmer der Übertragenden Gesellschaft haben nach der Rechtsprechung des Bundesarbeitsgerichts jedoch ein außerordentliches Kündigungsrecht aus Anlass der Verschmelzung.

- 5.6 Auswirkungen auf die Arbeitsverhältnisse der Arbeitnehmer von Schaeffler hat die Verschmelzung nicht.
- 5.7 Die Verschmelzung selbst führt zu keinen Veränderungen etwaiger betrieblicher Strukturen und der Organisation von Betrieben der Übertragenden Gesellschaft und Schaeffler. Die Identität von Betrieben der Übertragenden Gesellschaft und den zum Konzern der Übertragenden Gesellschaft gehörenden Unternehmen sowie von Schaeffler und den zum Schaeffler-Konzern gehörenden Unternehmen wird durch die Verschmelzung selbst nicht berührt. Eine Betriebsänderung nach § 111 des Betriebsverfassungsgesetzes („**BetrVG**“) wird durch die Verschmelzung selbst nicht bewirkt.
- 5.8 Mit dem Wirksamwerden der Verschmelzung erlöschen der bei der Übertragenden Gesellschaft bestehende Konzernbetriebsrat, der Konzernsprecherausschuss, der Europäische Betriebsrat (vorbehaltlich eines Übergangsmandats nach § 37 Abs. 3 des Europäische Betriebsräte-Gesetzes („**EBRG**“)), die Konzern-Jugend- und Auszubildendenvertretung und die Konzernschwerbehindertenvertretung. Der Konzernbetriebsrat und die Konzernschwerbehindertenvertretung bei Schaeffler bleiben auch nach dem Wirksamwerden der Verschmelzung bestehen und sind ab diesem Zeitpunkt auch für die Arbeitnehmer der Übertragenden Gesellschaft und der zum Konzern der Übertragenden Gesellschaft gehörenden Unternehmen zuständig. Der bei Schaeffler bestehende Unternehmenssprecherausschuss bleibt ebenfalls nach dem Wirksamwerden der Verschmelzung bestehen und ist ab diesem Zeitpunkt auch für etwaige von Vitesco Technologies auf Schaeffler übergegangene leitende Angestellten zuständig. Die Zusammensetzung des Konzernbetriebsrats von Schaeffler wird nach



Maßgabe der bestehenden Konzernbetriebsvereinbarung des Schaeffler-Konzerns um Vertreter der bestehenden Gesamtbetriebsräte der zum Konzern der Übertragenden Gesellschaft gehörenden Unternehmen ergänzt. Die weiteren Betriebsrats-, Sprecherausschuss-, Schwerbehindertenvertretungs- sowie Jugend- und Auszubildendenvertretungsgremien im Schaeffler-Konzern und im Konzern der Übertragenden Gesellschaft bleiben von der Verschmelzung unberührt und bestehen auch nach dem Wirksamwerden der Verschmelzung fort.

- 5.9 Der Aufsichtsrat der Übertragenden Gesellschaft erlischt mit dem Wirksamwerden der Verschmelzung und die Mandate der Aufsichtsratsmitglieder (auch der Arbeitnehmervertreter) enden zu diesem Zeitpunkt. Schaeffler hat ebenfalls einen paritätisch mitbestimmten Aufsichtsrat, der gemäß § 7 Abs. 1 Satz 1 Nr. 3 des Mitbestimmungsgesetzes („**MitBestG**“) aus je zehn Aufsichtsratsmitgliedern der Anteilseigner und der Arbeitnehmer besteht. Der Aufsichtsrat von Schaeffler bleibt nach Wirksamwerden der Verschmelzung unverändert bestehen. Die bis zum Wirksamwerden der Verschmelzung bei zum Konzern der Übertragenden Gesellschaft gehörenden Unternehmen beschäftigten Arbeitnehmer sind nach dem Wirksamwerden der Verschmelzung bei den nächsten Wahlen zum Aufsichtsrat bei Schaeffler nach den jeweils gültigen Bestimmungen aktiv und passiv wahlberechtigt.
- 5.10 Tarifverträge finden auf die Arbeitsverhältnisse übergewanderter Arbeitnehmer vor dem Wirksamwerden der Verschmelzung keine Anwendung. Ab dem Wirksamwerden der Verschmelzung finden für übergewanderte Arbeitnehmer die bei Schaeffler geltenden Tarifverträge der Metall- und Elektroindustrie Anwendung, soweit der jeweilige Arbeitnehmer tarifgebunden ist und vom Geltungsbereich des jeweiligen Tarifvertrages erfasst wird. Im Übrigen gilt eine etwaige arbeitsvertragliche Inbezugnahme von Tarifverträgen unverändert fort. Zudem finden für übergewanderte Arbeitnehmer ab dem Wirksamwerden der Verschmelzung bei Schaeffler geltende Sprecherausschuss- bzw. Betriebsvereinbarungen (einschließlich Gesamt- und Konzernbetriebsvereinbarungen sowie Unternehmenssprecherausschussvereinbarungen) Anwendung, soweit der jeweilige Arbeitnehmer von dem Geltungsbereich der jeweiligen Vereinbarung erfasst wird.
- 5.11 Im Übrigen gelten die bei den zum Konzern der Übertragenden Gesellschaft gehörenden Unternehmen bei Wirksamwerden der Verschmelzung geltenden

Tarifverträge, Betriebsvereinbarungen (einschließlich Gesamt- und Konzernbetriebsvereinbarungen) und Sprecherausschussvereinbarungen (einschließlich Unternehmens- und Konzernsprecherausschussvereinbarungen) auch nach dem Wirksamwerden der Verschmelzung unverändert fort, soweit die Betriebsvereinbarungen nicht durch Konzern- oder Gesamtbetriebsvereinbarungen von Schaeffler zu demselben Regelungsgegenstand bzw. die Sprecherausschussvereinbarungen nicht durch Unternehmenssprecherausschussvereinbarungen von Schaeffler zu demselben Regelungsgegenstand rechtswirksam abgelöst werden.

- 5.12 Die Parteien beabsichtigen nach dem Vollzug der Verschmelzung den Schaeffler-Konzern und den Konzern der Übertragenden Gesellschaft organisatorisch zusammenzuführen. Auch wenn die Verschmelzung keine unmittelbaren individualrechtlichen Auswirkungen auf die Arbeitsverhältnisse der Arbeitnehmer, die bei Tochtergesellschaften der Übertragenden Gesellschaft beschäftigt sind, hat, kann nicht ausgeschlossen werden, dass sich in der Folgezeit Auswirkungen für die Arbeitnehmer von Tochtergesellschaften der Übertragenden Gesellschaft ergeben können. Mit dem Unternehmenszusammenschluss beabsichtigen die Parteien, eine Motion Technology Company mit vier fokussierten Divisionen (E-Mobility, Powertrain & Chassis, Vehicle Lifetime Solutions und Bearings & Industrial Solutions) zu schaffen. Im Wege eines Auswahlprozesses wird derzeit über die Besetzung der ersten Führungsebene unterhalb des Vorstands von Schaeffler entschieden. Eine weitergehende konkrete organisatorische Ausgestaltung des Unternehmenszusammenschlusses haben die Parteien bisher nicht festgelegt. Zwischen den Parteien besteht jedoch Einigkeit, dass eine engagierte und motivierte Belegschaft und die von ihnen gelebte Unternehmenskultur die Grundlage für den derzeitigen Erfolg der beiden Unternehmen und den künftigen Erfolg eines zusammengeführten Konzerns ist. Ziel der Parteien ist es, die bestehende exzellente Mitarbeiterbasis und die jeweils bestehende Unternehmenskultur zu erhalten. Die Parteien sind sich weiterhin darüber einig, dass die Überführung der Pensionssysteme für Mitarbeiter von Tochtergesellschaften der Übertragenden Gesellschaft im Falle deutscher Arbeitnehmer unter Wahrung anwendbarer Anforderungen nach der Rechtsprechung des Bundesarbeitsgerichts und im Übrigen im Wesentlichen wertgleich, d.h. ohne wesentliche Einbußen für die Mitarbeiter, erfolgen wird.

## **6. RÜCKTRITTSRECHTE**

Jede Partei ist zum Rücktritt mit sofortiger Wirkung von diesem Verschmelzungsvertrag berechtigt, wenn die Verschmelzung nicht bis zum 31. Dezember 2025 wirksam geworden ist. Der Rücktritt ist der jeweils anderen Partei gegenüber durch eingeschriebenen Brief mit Rückschein zu erklären und soll dem beurkundenden Notar sowie den beteiligten Registergerichten schriftlich mitgeteilt werden. Die Rechtsfolgen des Rücktritts richten sich nach den §§ 346 ff. BGB.

## **7. STICHTAGSÄNDERUNG**

- 7.1 Falls die Verschmelzung nicht bis zum Ablauf des 28. Februar 2025 in das Handelsregister von Schaeffler eingetragen wird, wird abweichend von Ziffer 1.2 dieses Vertrags die mit dem uneingeschränkten Bestätigungsvermerk des von der Hauptversammlung von Vitesco Technologies gewählten Abschlussprüfers versehene Bilanz von Vitesco Technologies zum 31. Dezember 2024 als Schlussbilanz zu Grunde gelegt und abweichend von Ziffer 1.3 dieses Vertrags der Beginn des 1. Januar 2025, 00:00 Uhr als Stichtag für die Übernahme des Vermögens von Vitesco Technologies bzw. den Wechsel der Rechnungslegung angenommen. Bei einer weiteren Verzögerung über den 28. Februar des Folgejahres hinaus verschieben sich die Stichtage entsprechend der vorstehenden Regelung jeweils um ein weiteres Jahr.
- 7.2 Falls die Verschmelzung erst nach der ordentlichen Hauptversammlung von Schaeffler im Jahr 2025, die über die Verwendung des Bilanzgewinns für das Geschäftsjahr 2024 beschließt, in das Handelsregister von Schaeffler eingetragen wird, sind die als Gegenleistung gewährten Aktien von Schaeffler abweichend von Ziffer 2.4 dieses Vertrags erst für das Geschäftsjahr ab dem 1. Januar 2025 gewinnberechtigt. Bei einer weiteren Verzögerung der Eintragung über die folgende ordentliche Hauptversammlung von Schaeffler, die über die Verwendung des Bilanzgewinns für das Geschäftsjahr 2025 beschließt, hinaus, verschiebt sich die Gewinnberechtigung um ein weiteres Jahr. Das Umtauschverhältnis bleibt von einer etwaigen Verschiebung der Gewinnberechtigung unberührt.

## **8. AUFSCHIEBENDE BEDINGUNG, WIRKSAMWERDEN**

- 8.1 Dieser Vertrag steht unter der aufschiebenden Bedingung, dass die Hauptversammlungen von Schaeffler und Vitesco Technologies diesem Vertrag jeweils gemäß §§ 13 Abs. 1, 65 Abs. 1 UmwG mit einer Mehrheit von drei Viertel des bei der jeweiligen Beschlussfassung vertretenen Grundkapitals zugestimmt haben.
- 8.2 Die Verschmelzung wird wirksam mit Eintragung in das Handelsregister des Sitzes von Schaeffler.

## **9. ZWEIGNIEDERLASSUNGEN, PROKUREN / HANDLUNGSVOLLMACHTEN**

- 9.1 Es sind keine Zweigniederlassungen bei Vitesco Technologies vorhanden.
- 9.2 Die Prokuren und Handlungsvollmachten bei Vitesco Technologies erlöschen mit Wirksamwerden der Verschmelzung.

## **10. SCHLUSSBESTIMMUNGEN**

- 10.1 Die durch den Abschluss dieses Vertrags und seine Ausführung entstehenden Kosten (mit Ausnahme der Kosten der Hauptversammlung der Übertragenden Gesellschaft, die über die Verschmelzung beschließt) trägt die Übernehmende Gesellschaft. Die für die Vorbereitung dieses Vertrags entstandenen Kosten trägt jede Partei selbst. Diese Regelungen gelten auch, falls die Verschmelzung wegen des Rücktritts einer Partei oder aus einem sonstigen Grund nicht wirksam wird.
- 10.2 Die Parteien werden alle Erklärungen abgeben, alle Urkunden ausstellen und alle sonstigen Handlungen vornehmen, die im Zusammenhang mit der Übertragung des Vermögens der Vitesco Technologies zum Zeitpunkt des Wirksamwerdens der Verschmelzung auf Schaeffler oder die Berichtigung von öffentlichen Registern oder sonstigen Verzeichnissen etwa noch erforderlich oder zweckdienlich sein sollten. Vitesco Technologies gewährt Schaeffler ab dem Beginn des Tages der Eintragung der Verschmelzung bei dem für Vitesco Technologies zuständigen Handelsregister Vollmacht im rechtlich weitest gehenden Umfang zur Abgabe aller Erklärungen, die zur Erfüllung der Verpflichtungen nach dieser Ziffer 10.2 erforderlich oder hilfreich sind. Diese Vollmacht gilt über das Wirksamwerden der Verschmelzung hinaus.

10.3 Sollten Bestimmungen dieses Vertrags ganz oder teilweise nichtig oder unwirksam sein oder werden, soll dadurch die Gültigkeit der übrigen Bestimmungen dieses Vertrags nicht berührt werden. Das Gleiche gilt, soweit sich herausstellen sollte, dass der Vertrag eine Regelungslücke enthält. Anstelle der nichtigen, unwirksamen oder der undurchführbaren Bestimmungen oder zur Ausfüllung der Lücke verpflichten sich die Parteien, eine angemessene Ersatzregelung zu vereinbaren, die dem Inhalt der nichtigen oder unwirksamen Bestimmung möglichst nahekommt.

\* \* \*

**Anlage 4.4**

**Vergütungssystem für Mitglieder des Vorstands des Kombinierten Unternehmens**

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**System zur Vergütung der Vorstandsmitglieder  
der Schaeffler AG gemäß § 87a AktG**

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## **Präambel**

Der Aufsichtsrat der Schaeffler AG hat das System zur Vergütung der Vorstandsmitglieder der Schaeffler AG mit Blick auf die geplante Verschmelzung der Vitesco Technologies Group AG auf die Schaeffler AG überprüft. Der Aufsichtsrat der Schaeffler AG hat beschlossen, das System zur Vergütung der Vorstandsmitglieder der Schaeffler AG an die Größe und wirtschaftliche Bedeutung der Schaeffler AG nach der Verschmelzung anzupassen. Weiterhin spiegelt das neue Vergütungssystem die erweiterten Verantwortlichkeiten der Vorstandsmitglieder wider und ist noch präziser auf die mit der Verschmelzung einhergehenden erweiterten Rollen zugeschnitten. Dazu werden insbesondere die Maximalvergütungen und Begrenzungen der Auszahlungsbeträge der kurzfristigen und langfristigen variablen Vergütung an ein marktübliches Niveau angepasst. Die langfristige variable Vergütung kann künftig nach Wahl des Aufsichtsrats vollständig oder teilweise auch in echten Aktien bedient werden. Dies soll die Aktienkultur innerhalb der Schaeffler AG als auch die Aktienkursentwicklung weiter fördern. Die stärkere Betonung von Nachhaltigkeitszielen sowohl in der kurzfristigen als auch in der langfristigen variablen Vergütung, die durch das von der Hauptversammlung vom 21. April 2022 gebilligte Vergütungssystem geschaffen wurde, soll auch im angepassten Vergütungssystem erhalten bleiben. Damit betont die Schaeffler Gruppe die Relevanz, die dem Thema „Nachhaltigkeit“ beigemessen wird.

Das Vergütungssystem stellt zunächst die Grundsätze des Vorstandsvergütungssystems und das Verfahren zur Festsetzung, Umsetzung und Überprüfung des Vergütungssystems dar. Im Weiteren werden die einzelnen Vergütungsbestandteile beschrieben und die Maximalvergütung der Vorstandsmitglieder festgelegt. Ferner werden die Möglichkeiten der Reduzierung und Rückforderung variabler Vergütungsbestandteile (*Malus und Clawback*), die Aktienerwerbs- und Aktienhalteverpflichtung, sowie die Regelungen zur Laufzeit und Beendigung von Vorstandsdienstverträgen erläutert.

Das Vergütungssystem gilt grundsätzlich rückwirkend ab 1. Januar 2024 für bereits bestellte Vorstandsmitglieder sowie für alle Vorstandsmitglieder, deren Dienstverträge neu abgeschlossen oder verlängert werden. Mit Blick auf die geplante Verschmelzung der Vitesco Technologies Group AG auf die Schaeffler AG, die im Geschäftsjahr 2024 vollzogen werden soll, gelten einzelne Anpassungen des Vergütungssystems mit Wirkung ab 1. Januar 2025.

### **A. GRUNDZÜGE DES VERGÜTUNGSSYSTEMS FÜR DIE VORSTANDSMITGLIEDER DER SCHAEFFLER AG**

Der Aufsichtsrat der Schaeffler AG setzt die Vorstandsvergütung unter Berücksichtigung der folgenden Grundsätze fest:

- **Koppelung von Leistung und Vergütung:** Die variablen leistungsabhängigen Vergütungsbestandteile sollen die festen Vergütungsbestandteile in Bezug auf die Ziel-Gesamtvergütung übersteigen, um eine leistungsgerechte Vergütung zu gewährleisten.

- **Wertschaffung und Free Cash Flow:** Die Vergütung soll die Erreichung der übergeordneten Ziele der Schaeffler AG, nachhaltig Wert zu schaffen und Free Cash Flow zu generieren, fördern. Die damit verbundenen strategischen und operativen Leistungsindikatoren sollen als Leistungskriterien in der variablen Vergütung der Vorstandsmitglieder verankert werden.
- **Fokus der variablen Vergütung auf eine langfristige und nachhaltige Unternehmenswertentwicklung:** Die variable Vergütung soll mehrheitlich langfristig ausgestaltet und an die Unternehmenswertentwicklung gekoppelt sein. Um der wachsenden Bedeutung von Nachhaltigkeit als Teil der Unternehmensstrategie gerecht zu werden, sollen weiterhin Nachhaltigkeitsziele in der variablen Vergütung adressiert werden.
- **Stärkung der Kapitalmarktorientierung und des Interessengleichklangs mit den Aktionären:** Vorstandsmitglieder sind verpflichtet, Aktien der Schaeffler AG in einer zuvor festgelegten Höhe zu erwerben und bis zur Beendigung des Dienstverhältnisses mit der Schaeffler AG zu halten (Aktienerwerbs- und Aktienhalteverpflichtung).

Das System zur Vergütung der Vorstandsmitglieder ist klar und verständlich gestaltet.

Das Vergütungssystem entspricht den Vorgaben des Aktiengesetzes in der Fassung des Gesetzes zur Umsetzung der zweiten Aktionärsrechterichtlinie vom 12. Dezember 2019 (BGBl. Teil I 2019, Nr. 50 vom 19. Dezember 2019) und berücksichtigt die Empfehlungen des Deutschen Corporate Governance Kodex (DCGK) in der von der Regierungskommission Deutscher Corporate Governance Kodex am 28. April 2022 beschlossenen Fassung. Es bietet dem Aufsichtsrat die notwendige Flexibilität, auf organisatorische Änderungen zu reagieren und diverse Marktgegebenheiten zu berücksichtigen.

## **B. VERFAHREN ZUR FEST- UND ZUR UMSETZUNG SOWIE ZUR ÜBERPRÜFUNG DES VERGÜTUNGSSYSTEMS**

Der Aufsichtsrat legt das System und die Höhe der Vorstandsvergütung einschließlich der Maximalvergütung fest. Der Präsidialausschuss bereitet die Entscheidungen des Aufsichtsrats über das System der Vergütung und die Vergütungen der einzelnen Vorstandsmitglieder vor.

Das vorliegende Vergütungssystem wurde mit Unterstützung unabhängiger, externer Berater entwickelt. Der Aufsichtsrat achtet auf die Unabhängigkeit hinzugezogener externer Berater.

Die in der Geschäftsordnung des Aufsichtsrats für den Fall von Interessenkonflikten vorgesehenen Maßnahmen finden auch beim Verfahren zur Fest- und Umsetzung sowie zur Überprüfung des Vergütungssystems Anwendung.

Der Aufsichtsrat legt das von ihm beschlossene Vergütungssystem der Hauptversammlung zur Billigung vor. Der Aufsichtsrat überprüft das System und die Höhe der Vorstandsvergütung

regelmäßig auf ihre Angemessenheit. Hierzu führt er einerseits einen Horizontalvergleich der Vergütungshöhe und -struktur der einzelnen Vorstandsmitglieder anhand der Marktdaten einer vom Aufsichtsrat definierten Peergroup aus vergleichbaren nationalen sowie branchenspezifischen internationalen Unternehmen durch. Andererseits berücksichtigt der Aufsichtsrat bei der Überprüfung und Beurteilung der Angemessenheit der Vorstandsvergütung die Höhe der Vorstandsvergütung in Relation zum Vergütungsniveau innerhalb der Schaeffler AG. Für diesen Vertikalvergleich wird die durchschnittliche Vergütung der Arbeitnehmer der Schaeffler Gruppe weltweit (Gesamtbelegschaft) herangezogen, was die Internationalität des Unternehmens adressiert. Das Verhältnis der Vergütungshöhe der Vorstandsmitglieder zur durchschnittlichen Arbeitnehmervergütung wird den entsprechenden Verhältnissen in vom Aufsichtsrat der Schaeffler AG definierten vergleichbaren nationalen Unternehmen gegenübergestellt. Im Fall von wesentlichen Änderungen, mindestens jedoch alle vier Jahre, wird das Vergütungssystem erneut der Hauptversammlung zur Billigung vorgelegt. Billigt die Hauptversammlung das jeweils zur Abstimmung vorgelegte System nicht, legt der Aufsichtsrat der Hauptversammlung spätestens in der darauffolgenden ordentlichen Hauptversammlung ein überprüftes Vergütungssystem zur Billigung vor.

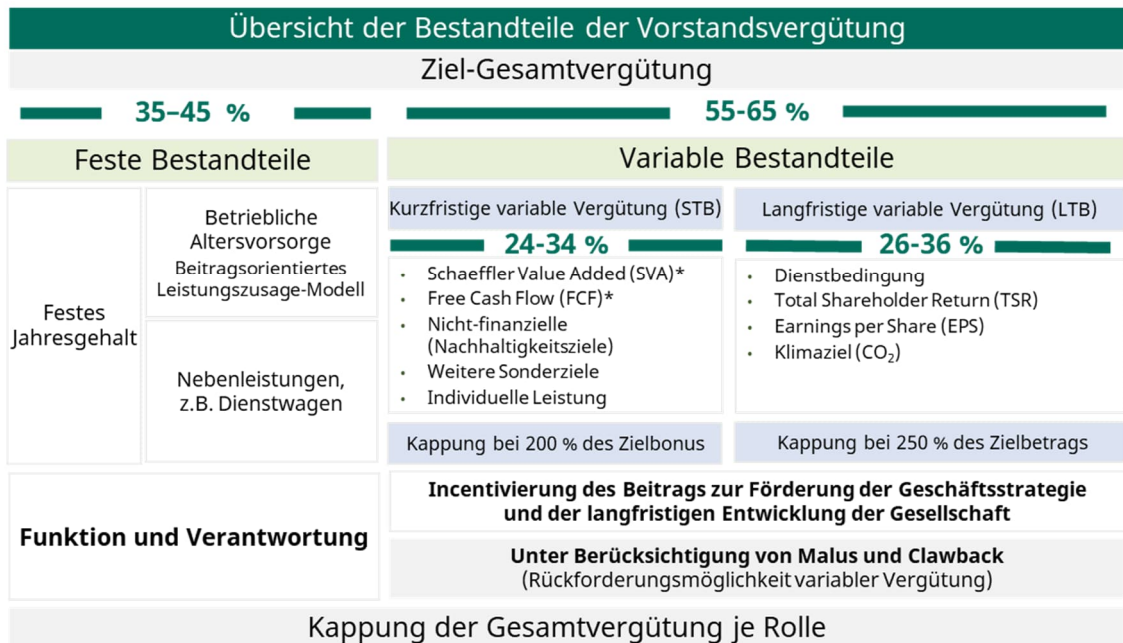
Der Aufsichtsrat kann vorübergehend von dem Vergütungssystem (Regelungen zum Verfahren und zur Vergütungsstruktur) und dessen einzelnen Bestandteilen sowie in Bezug auf einzelne Vergütungsbestandteile des Vergütungssystems abweichen oder neue Vergütungsbestandteile einführen, wenn dies im Interesse des langfristigen Wohlergehens der Gesellschaft notwendig ist. Der Aufsichtsrat behält sich solche Abweichungen für außergewöhnliche Umstände vor, wie zum Beispiel eine Wirtschafts- oder Unternehmenskrise. Solche Abweichungen können vorübergehend für den Vorstandsvorsitzenden oder weitere Vorstandsmitglieder zu einer Abweichung von der Maximalvergütung führen.

## **C. DAS VERGÜTUNGSSYSTEM IM EINZELNEN**

### **I. Vergütungsbestandteile**

#### **1. Überblick über die Vergütungsbestandteile und deren relativen Anteil an der Vergütung**

Die Vergütung der Vorstandsmitglieder setzt sich aus festen und variablen Bestandteilen zusammen. Zu den festen Bestandteilen gehören das feste Jahresgehalt, Nebenleistungen und die betriebliche Altersversorgung. Variable Bestandteile sind die kurzfristige variable Vergütung (der Short-Term-Bonus, STB) und die langfristige variable Vergütung (der Long-Term-Bonus, LTB). Ferner sieht das Vergütungssystem Aktienhaltevorschriften (Share Ownership Guidelines, SOG) für die Vorstandsmitglieder vor.



Die Angaben zu den Anteilen der unterschiedlichen Bestandteile an der Ziel-Gesamtvergütung können je nach Vorstandsmitglied um wenige Prozentpunkte variieren. Dies ist auf die individuellen Höhen der Nebenleistungen zurückzuführen.

\* Für Spartenvorstände werden die Leistungskriterien um die spartenspezifischen Messgrößen Schaeffler Value-Added der eigenen Sparte (SVA eigene Sparte) und Divisional Cash Flow der eigenen Sparte (DCF eigene Sparte) ergänzt. Ab 1. Januar 2025 kann der Aufsichtsrat für Spartenvorstände die Leistungskriterien zusätzlich um die Messgrößen Schaeffler Value-Added anderer Sparten (SVA andere Sparten) und Divisional Cash Flow anderer Sparten (DCF andere Sparten) ergänzen.

Die Ziel-Gesamtvergütung setzt sich aus dem festen Jahresgehalt, den Versorgungsbeiträgen, den Nebenleistungen sowie den variablen Vergütungsbestandteilen zusammen. Beim STB und beim LTB werden die Zielwerte bei 100 % Zielerreichung berücksichtigt. Die relativen Anteile der festen und variablen Vergütungsbestandteile werden nachfolgend bezogen auf die Ziel-Gesamtvergütung dargestellt.

Beim Vorstandsvorsitzenden und den Vorstandsmitgliedern liegt der Anteil der festen Vergütung an der Ziel-Gesamtvergütung derzeit bei 35 - 45 %. Der Anteil der variablen Vergütung an der Ziel-Gesamtvergütung liegt entsprechend bei 55 - 65 %. Innerhalb der variablen Vergütung liegt der Anteil des STB derzeit bei 24 - 34 % und der Anteil des LTB derzeit bei ca. 26 - 36 % der Ziel-Gesamtvergütung. Dabei stellt der Aufsichtsrat sicher, dass der Anteil der langfristigen variablen Vergütung den Anteil der kurzfristigen variablen Vergütung an der Ziel-Gesamtvergütung in jedem Fall übersteigt.

Die prozentualen Anteile einzelner Vergütungsbestandteile an der Ziel-Gesamtvergütung können für einzelne Vorstandsmitglieder von den oben beschriebenen Anteilen geringfügig abweichen.

Dass die variable Vergütung die feste Vergütung in Bezug auf die Ziel-Gesamtvergütung übersteigt, ist in jedem Fall sichergestellt.

Die genannten Anteile können für künftige Geschäftsjahre z.B. aufgrund der Zuteilung zeitlich begrenzter Zahlungen oder sonstiger Leistungen aus Anlass des Amtsantritts an neu eintretende Vorstandsmitglieder nach Ziffer 4 oder der Entwicklung des Aufwands der vertraglich zugesagten Nebenleistungen sowie für etwaige Neubestellungen abweichen.

## **2. Feste Vergütungsbestandteile**

### **2.1 Festes Jahresgehalt**

Das feste Jahresgehalt ist eine fixe, auf das Gesamtjahr bezogene Barvergütung. Es wird in zwölf gleichen Monatsraten als Gehalt gezahlt.

### **2.2 Versorgungszusage**

Die Gesellschaft sagt den Vorstandsmitgliedern eine betriebliche Altersversorgung, bestehend aus einer Alters-, Invaliditäts- und Hinterbliebenenversorgung zu. Die Versorgungsbeiträge je Geschäftsjahr betragen maximal 195.000 EUR für ordentliche Vorstandsmitglieder und maximal 390.000 EUR für den Vorstandsvorsitzenden. Ab Vollendung des 65. Lebensjahres werden keine weiteren Versorgungsbeiträge mehr für das Vorstandsmitglied entrichtet – auch, wenn das Dienstverhältnis länger dauert.

Bei Eintritt des Versorgungsfalls erhält das Vorstandsmitglied eine Einmalzahlung in Höhe des zu diesem Zeitpunkt angesparten Versorgungsguthabens. Alternativ kann das Vorstandsmitglied die Auszahlung in zehn Jahresraten oder als lebenslange monatliche Rente verlangen. Die Höhe der Ratenzahlung oder der monatlichen Rente ergibt sich jeweils aus der Einbringung des Versorgungsguthabens in eine dann abzuschließende temporäre oder lebenslange Rentenversicherung.

### **2.3 Nebenleistungen**

Als Nebenleistungen der Schaeffler AG steht den Vorstandsmitgliedern jeweils ein Dienstfahrzeug, auch zur privaten Nutzung, zur Verfügung. Darüber hinaus besteht eine D&O-Versicherung mit einem Selbstbehalt entsprechend den Vorgaben des Aktiengesetzes in Höhe von 10 % des Schadens bis mindestens zur Höhe von 150 % des festen Jahresgehalts. Die Vorstandsmitglieder erhalten zudem einen Zuschuss zur Kranken- und Pflegeversicherung sowie zur Einzahlung in das persönliche Vorsorgekonzept (PVK). Die Vorstandsmitglieder sind ferner in die Gruppenunfallversicherung einbezogen. Bei Neubestellungen können weitere Nebenleistungen einzelvertraglich vereinbart werden.

### **2.4 Ehemalige Vorstandsmitglieder der Vitesco Technologies Group AG**

Für den Fall, dass die Verschmelzung der Vitesco Technologies Group AG auf die Schaeffler AG noch im Jahr 2024 vollzogen wird, kann ehemaligen Vorstandsmitgliedern der Vitesco Technologies Group AG, die noch im Laufe des Jahres 2024 zu Vorstandsmitgliedern der

Schaeffler AG bestellt werden, begrenzt für das restliche Jahr 2024 unter Abweichung der unter C.I.1. dargelegten relativen Anteile ausschließlich eine reine Fixvergütung inklusive Nebenleistungen und betrieblicher Altersversorgung sowie eine festgeschriebene variable Vergütung zugesagt werden. Ab dem 1. Januar 2025 werden die ehemaligen Vorstandsmitglieder der Vitesco Technologies Group AG, die zu Vorstandsmitgliedern der Schaeffler AG bestellt werden, nach den allgemeinen Regelungen dieses Vergütungssystems vergütet.

### **3. Variable Vergütungsbestandteile**

#### **3.1 Kurzfristige variable Vergütung (der STB)**

Der STB ist ein leistungsabhängiger Bonus mit einem einjährigen Bemessungszeitraum. Im Rahmen dieses kurzfristigen variablen Vergütungsbestandteils soll der jährliche Beitrag zur nachhaltigen Unternehmensentwicklung und zur operativen Umsetzung der Unternehmensstrategie vergütet werden. Grundlage für die Auszahlung des STB ist die Erreichung der vom Aufsichtsrat für jedes Geschäftsjahr festgesetzten Leistungskriterien. Berücksichtigt werden dabei sowohl die aus der Unternehmensstrategie abgeleiteten finanziellen Ziele als auch nicht-finanzielle Ziele. Die finanziellen Ziele werden mit 80 %, die nicht-finanziellen Ziele mit 20 % gewichtet. Der Aufsichtsrat kann daneben zusätzliche Sonderziele und in diesem Fall eine abweichende Gewichtung der Ziele festlegen. Zudem kann die individuelle Leistung der Vorstandsmitglieder durch den Aufsichtsrat zur Bestimmung der Auszahlungshöhe des STB herangezogen werden.

Der Zielwert des STB wird im Dienstvertrag festgelegt und beträgt 100 % des festen Jahresgehalts. Sofern Vorstandsmitgliedern bisher ein davon abweichender Zielbetrag zugesagt wurde, ist der Aufsichtsrat berechtigt, diese Zusage weiterzuführen. Der Auszahlungsbetrag des STB ist auf maximal 150 % des Zielwerts begrenzt. Beginnend mit dem STB, der für das Geschäftsjahr 2025 zugeteilt wird, ist der Auszahlungsbetrag des STB auf 200 % des Zielwerts begrenzt. Die marktübliche Begrenzung des STB auf 200 % fördert einen weitergehenden Interessengleichklang zwischen Vorstand und Aktionären. Dies gilt auch im Fall der Anpassung des STB mittels eines Multiplikators oder bei außergewöhnlichen Entwicklungen. Wird der Mindestzielwert nicht erreicht, kann der STB vollständig entfallen.

STB		
Der Zielwert wird auf 100% des festen Jahresgehalts festgelegt		
	<b>Vorstandsvorsitzender &amp; Funktionsvorstände</b>	<b>Spartenvorstände</b>
<b>Finanzielle Leistungskriterien</b>	Schaeffler Value-Added (SVA)	SVA Gruppe SVA eigene Sparte   SVA andere Sparten (optional)
	Free Cash Flow (FCF)	FCF Gruppe DCF eigene Sparte   DCF andere Sparten (optional)
<b>Nicht-finanzielle Leistungskriterien</b>	Bis 2 Nachhaltigkeitsziele (z.B. aus den Bereichen Umwelt, Soziales und Unternehmensführung)	
Sonderziel	Weitere finanzielle oder nicht-finanzielle Ziele (eine additive oder multiplikative Verknüpfung)	
Gesamtzielerreichung	X	Individuelle Leistung (Multiplikator zwischen 0.8 und 1.2)
Kappung bei 200 % des Zielbonus		

### 3.1.1 Finanzielle Leistungskriterien

Soweit nichts anderes festgelegt ist, beziehen sich die finanziellen Ziele für den Vorstandsvorsitzenden und die Funktionsvorstände<sup>1</sup> auf die gleichgewichteten Leistungskriterien Schaeffler Value Added der Schaeffler Gruppe (SVA Gruppe) und Free Cash Flow der Schaeffler Gruppe (FCF Gruppe). Für Spartenvorstände<sup>2</sup> wird zusätzlich die Verantwortung für die eigene Sparten berücksichtigt und die finanziellen Leistungskriterien deshalb sowohl auf Gruppenebene als auch auf der Ebene der eigenen Sparte gemessen. Die Leistungskriterien SVA Gruppe, Schaeffler Value Added der eigenen Sparte (SVA eigene Sparte), FCF Gruppe und Divisional Cash-Flow der eigenen Sparte (DCF eigene Sparte) werden für die Spartenvorstände jeweils gleich gewichtet. Ab dem 1. Januar 2025 kann der Aufsichtsrat für die Spartenvorstände festlegen, dass die Leistungskriterien Schaeffler Value Added und Divisional Cash-Flow zusätzlich zur Ebene der eigenen Sparte auch auf der Ebene einer anderen Sparte gemessen werden (SVA andere Sparte bzw. DCF andere Sparte) und die Gewichtung der finanziellen Leistungskriterien untereinander festlegen.

**Schaeffler Value Added:** Der Schaeffler Value Added dient als zentraler Leistungsindikator für den im Geschäftsjahr erbrachten Beitrag zur nachhaltigen Unternehmenswertentwicklung. Um profitabel zu wachsen und nachhaltig Wert zu schaffen, soll das erwirtschaftete Ergebnis die

<sup>1</sup> Rückwirkend ab dem 1. Januar 2024 entscheidet der Aufsichtsrat durch die Gestaltung der Dienstverträge der Vorstandsmitglieder anhand der durch die Geschäftsordnung des Vorstands definierten und einem Vorstandsmitglied zugewiesenen Ressorts, welche Vorstandsmitglieder als Funktionsvorstände behandelt werden.

<sup>2</sup> Rückwirkend ab dem 1. Januar 2024 entscheidet der Aufsichtsrat durch die Gestaltung der Dienstverträge der Vorstandsmitglieder anhand der durch die Geschäftsordnung des Vorstands definierten und einem Vorstandsmitglied zugewiesenen Ressorts, welche Vorstandsmitglieder als Spartenvorstände behandelt werden.



Kapitalkosten übersteigen. Das Leistungskriterium SVA Gruppe basiert auf dem EBIT der Schaeffler Gruppe vor Sondereffekten nach Abzug von Kapitalkosten. Der SVA Sparte ermittelt sich entsprechend auf Grundlage der gemäß IFRS 8 segmentierten Größen.

**Free Cash Flow:** Der Free Cash Flow ist der bedeutsamste operative Leistungsindikator laut der aktuellen Unternehmensstrategie und misst die Fähigkeit, den operativen Erfolg in Mittelzuflüsse umzuwandeln. Grundlage für die Ermittlung des FCF Gruppe sind grundsätzlich (1) Cash Flow aus laufender Geschäftstätigkeit, (2) Cash Flow aus Investitionstätigkeit sowie die (3) Tilgungszahlungen aus Leasingverbindlichkeiten (4) ohne die Aus- und Einzahlungen für M&A-Aktivitäten für das jeweilige Geschäftsjahr. Der DCF Sparte ergibt sich aus dem Schaeffler-internen divisionalen Standard-Management-Reporting für die Sparten des jeweiligen Geschäftsjahres und folgt in den Grundzügen der betriebswirtschaftlichen Logik des FCF Gruppe (exkl. Steuer- und Zinszahlungen).

Der Aufsichtsrat setzt die Zielstaffeln für die finanziellen Leistungskriterien, inklusive des Mindestzielwerts und des Maximalzielwerts, jährlich fest. Die Zielerreichung für das entsprechende Geschäftsjahr wird anhand des Vergleichs des jeweiligen Istwerts mit dem festgelegten Zielwert ermittelt.

### **3.1.2 Nicht-finanzielle Leistungskriterien**

Die nicht-finanziellen Ziele beziehen sich auf Leistungskriterien aus den Bereichen Umwelt, Soziales und Governance (Environment, Social and Governance, ESG-Ziele). Der Aufsichtsrat legt für das bevorstehende Geschäftsjahr bis zu zwei nicht-finanzielle Ziele und deren Gewichtung fest. Nicht-finanzielle Ziele orientieren sich an der Nachhaltigkeitsstrategie der Schaeffler Gruppe und verankern damit verbundene Maßnahmen in der Vergütung. Über die ausgewählten Ziele, die Leistungskriterien sowie die jeweilige Zielerreichung berichtet die Gesellschaft ausführlich im jeweiligen Vergütungsbericht.

Der Aufsichtsrat setzt die Zielstaffeln für die nicht-finanziellen Leistungskriterien jährlich fest. Dabei stellt er zu jedem Zeitpunkt sicher, dass diese ambitioniert sind, die Geschäftsstrategie fördern und zur langfristigen Entwicklung der Gesellschaft beitragen. Die Zielerreichung für das entsprechende Geschäftsjahr wird anhand des Vergleichs des jeweiligen Istwerts mit dem festgelegten Zielwert ermittelt.

### **3.1.3 Sonderziele**

Der Aufsichtsrat ist berechtigt, ergänzend Sonderziele und damit weitere finanzielle oder nicht-finanzielle Ziele zu definieren. Dem Aufsichtsrat steht es dabei frei, die Sonderziele entweder als zusätzliche Leistungskriterien (dabei werden die Gewichtungen finanzieller und nicht-finanzieller Leistungskriterien entsprechend reduziert) oder als Multiplikator zu definieren. Ein als Multiplikator definiertes Sonderziel kann sich sowohl auf die Zielerreichung eines oder mehrerer Leistungskriterien als auch auf die Gesamtzielerreichung des STB beziehen.

### **3.1.4 Anpassungsmöglichkeiten**

Im Falle von außergewöhnlichen Ereignissen oder Entwicklungen während der Performance Periode ist der Aufsichtsrat nach billigem Ermessen berechtigt, die tatsächlich ermittelten Zielerreichungen der finanziellen und nicht-finanziellen Leistungskriterien und der Sonderziele sowohl zu Gunsten als auch zu Lasten des Vorstandsmitglieds anzupassen, um eine leistungsgerechte Bewertung sicherzustellen. Außergewöhnliche Ereignisse oder Entwicklungen können z.B. eine Akquisition durch ein Unternehmen der Schaeffler Gruppe oder eine Veräußerung einer Gesellschaft bzw. von Teilen einer Gesellschaft oder von Beteiligungen an Gesellschaften durch ein Unternehmen der Schaeffler Gruppe, ein Zusammenschluss der Schaeffler AG mit einer anderen Gesellschaft, wesentliche Veränderungen der Aktionärsstruktur der Schaeffler AG, Änderungen der rechtlichen und/oder regulatorischen Rahmenbedingungen, wirtschaftliche Folgen eines signifikanten exogenen Schocks (z.B. Krieg, Pandemie oder Naturkatastrophen) oder hohe Inflation sein.

Die geplante Verschmelzung der Vitesco Technologies Group AG auf die Schaeffler AG hat erhebliche Auswirkungen auf die Leistungskriterien des STB. Daher ist der Aufsichtsrat zur Sicherstellung einer leistungsgerechten Bewertung des Vorstands berechtigt, die tatsächlichen Zielerreichungen der Leistungskriterien des STB aufgrund verschmelzungsbedingter Effekte anzupassen.

### **3.1.5 Individuelle Leistung**

Der Aufsichtsrat ist berechtigt, in Abhängigkeit von der individuellen Leistung des einzelnen Vorstandsmitglieds, die gesamte STB-Zielerreichung für dieses Vorstandsmitglied nach billigem Ermessen mit einem Multiplikator zwischen 0,8 und 1,2 anzupassen. Der Aufsichtsrat wird bei Ausübung seines billigen Ermessens insbesondere die übergangsweise Wahrnehmung von Aufgaben anderer Ressorts durch das Vorstandsmitglied berücksichtigen.

### **3.1.6 Auszahlungsmodalitäten**

Der STB wird vom Aufsichtsrat innerhalb der ersten drei Monate des auf das Vergütungsjahr folgenden Geschäftsjahres festgelegt und wird am 31. März des auf das Vergütungsjahr folgenden Geschäftsjahres zur Zahlung in bar fällig. Ist das Vorstandsmitglied nicht für volle zwölf Monate in einem Geschäftsjahr für die Schaeffler AG tätig, wird der STB entsprechend zeitanteilig gewährt und am üblichen Auszahlungstermin ausbezahlt.

Endet das Dienstverhältnis in Folge einer Kündigung seitens der Schaeffler AG aus wichtigem Grund oder widerruft die Schaeffler AG die Bestellung des Vorstandsmitglieds aus wichtigem Grund oder legt das Vorstandsmitglied sein Amt ohne wichtigen Grund nieder, verfällt ein etwaiger Anspruch des Vorstandsmitglieds auf einen STB für das entsprechende Geschäftsjahr. Maßgeblich ist der Tag des Zugangs der Kündigung, der Abberufung oder der Amtsniederlegung.

### **3.2 Langfristige variable Vergütung (der LTB)**

Mittels des LTB soll die langfristige Unternehmenswertentwicklung gefördert werden. Die Vorstandsmitglieder partizipieren durch die aktienbasierte Ausgestaltung an der langfristigen Unternehmenswertentwicklung. Anhand der Leistungskriterien werden entsprechend der Unternehmensstrategie nachhaltiges profitables Wachstum, eine Stärkung der Wettbewerbsfähigkeit sowie Umsetzung des strategischen Nachhaltigkeitsprogramms „Path to Net Zero“ incentiviert. Außerdem stärkt die aktienbasierte Ausgestaltung den Interessengleichklang zwischen Vorstand und Aktionären.

Der LTB ist als aktienbasierter Performance Share Unit Plan (PSUP) mit einer vierjährigen Performanceperiode für jede Tranche konzipiert. LTB-Tranchen werden jährlich aufgelegt. Jede Performanceperiode beginnt am 1. Januar des jeweiligen Jahres. Im Rahmen des LTB werden jedem Vorstandmitglied jährlich virtuelle Aktien (Performance Share Units, PSUs) zugesagt. Die Anzahl der PSUs wird anhand des individuellen Zielwerts in Euro und des Aktienkurses bei Zuteilung ermittelt. Der Aktienkurs bei Zuteilung entspricht dem durchschnittlichen Schlusskurs der Vorzugsaktie bzw. – im Fall einer Umwandlung der Vorzugsaktie – der Stammaktie (Vorzugs- und Stammaktie in diesem Sinn nachfolgend „Aktie“) der Schaeffler AG im XETRA-Handelssystem der Frankfurter Börse (oder einem Nachfolgesystem) der letzten 60 Börsenhandelstage vor Beginn einer Performanceperiode.

Grundlage der Erdienerung der PSUs nach Ablauf einer vierjährigen Performanceperiode ist die Erfüllung der Dienstbedingung (Service Condition) sowie die Erreichung der vom Aufsichtsrat festgesetzten Leistungskriterien, die derzeit als Outperformance des Total Shareholder Return („TSR-Outperformance“), EPS-Wachstum sowie CO<sub>2</sub>-Emissionsniveau („Klimaneutralitätsziel“) festgelegt sind.

LTB			
Der individuelle Zielbetrag in Euro wird basierend auf dem durchschnittlichen Schlusskurs der Schaeffler-Aktie der letzten 60 Handelstage vor dem Zuteilungsstichtag (Start-Aktienkurs) in PSUs umgerechnet.			
40% PSUs	Dienst- bedingung	Zielerreichung: 0% – 100%	<b>Bedingung:</b> bestehender Vorstandsdienstvertrag
17,5% PSUs	TSR Outperformance	Zielerreichung: 0% – 200%	<b>Bedingung:</b> TSR Outperformance vs. Sector Basket (SXAGR/SXNGR) / ab 1. Januar 2025: vs. MDAX
17,5% PSUs	EPS- Wachstum	Zielerreichung: 0% – 200%	<b>Bedingung:</b> durchschnittliches jährliches Wachstum des Gewinns je Aktie (EPS-Wachstum)
25% PSUs	Klimaneutralität	Zielerreichung: 0% – 200%	<b>Bedingung:</b> Ein bestimmtes CO <sub>2</sub> -Emissions- niveau und ggf. Umsetzung relevanter Maßnahmen
Auszahlung in bar oder Bedienung in echten Aktien nach einer vierjährigen Performanceperiode			
Anzahl der PSUs	X	Aktienkurs zum Ende der Performanceperiode (End-Aktienkurs)	
Kappung bei 250 % des Zielbetrags			

Der Aufsichtsrat setzt die Zielstaffeln für die Leistungskriterien jährlich fest. Die Zielstaffeln bestimmen, bei welcher Outperformance des Total Shareholder Return, bei welchem durchschnittlichen jährlichen Wachstum des EPS bzw. bei welchem CO<sub>2</sub>-Emissionsniveau eine bestimmte Prozentanzahl an PSUs erdient wird. Die maximale Anzahl an zu erdienenden PSUs, die an die Leistungskriterien gekoppelt sind, liegt jeweils bei 200 %.

### 3.2.1 Dienstbedingung (Service Condition)

Eine Auszahlung der auf die Service Condition entfallenden Anzahl der PSUs erfolgt grundsätzlich nur dann, wenn der Dienstvertrag des Vorstandsmitglieds mit der Schaeffler AG während der gesamten Performanceperiode besteht. Bei unterjährigem Eintritt des Vorstandsmitglieds gilt die Service Condition für die im Eintrittsgeschäftsjahr beginnende Performanceperiode als erfüllt, wenn der Dienstvertrag mit dem Vorstandsmitglied am Ende des letzten Geschäftsjahres dieser Performanceperiode besteht. Sofern nicht anders festgelegt, beträgt die Gewichtung der Service Condition 40 %. Der Aufsichtsrat ist berechtigt, die Gewichtung der Service Condition für künftige Geschäftsjahre nach billigem Ermessen anzupassen.

### 3.2.2 TSR-Outperformance

Das Leistungskriterium TSR-Outperformance misst die sich über die jeweilige Performanceperiode ergebende Aktienrendite (Total Shareholder Return oder TSR) im Vergleich

zu einer relevanten Vergleichsgruppe (Peer Group). Durch dieses relative Leistungskriterium wird die langfristige Stärkung der Wettbewerbsfähigkeit reflektiert und entsprechend honoriert.

Um das branchenspezifische Marktumfeld der Schaeffler AG – Automotive OEM, Automotive Aftermarket und Industrie – abzubilden, besteht die Peer Group aus einem Sector Basket. Der Sector Basket bildet die Performance der Indizes STOXX Europe 600 Automobiles and Parts Gross Return (SXAGR) und STOXX Europe 600 Industrial Goods and Services Gross Return (SXNGR) im Verhältnis 75 % zu 25 % ab. Diese Gewichtungen entsprechen der derzeitigen Umsatzstruktur der einzelnen Geschäftsfelder innerhalb der Schaeffler AG. Beginnend mit der LTB Tranche, die für die Performanceperiode 2025 bis 2028 zugeteilt wird, bildet die Performance des Index MDAX, als einschlägiger Vergleichsindex für das nationale Marktumfeld, die Peer Group. Die TSR-Outperformance wird dabei als Differenz zwischen dem TSR der Schaeffler-Aktie und dem TSR der Peer Group ermittelt. Der Aufsichtsrat ist berechtigt, die Zusammensetzung der Peer Group für zukünftige Tranchen vor Beginn der jeweiligen Performance Periode einseitig anzupassen, um insbesondere eine bessere Abbildung des relevanten Vergleichsumfelds zu erreichen.

Sofern nicht anders festgelegt, beträgt die Gewichtung der TSR-Outperformance 17,5 %.

### **3.2.3 EPS-Wachstum**

Das jährliche EPS-Wachstum gemessen über die vierjährige Performanceperiode bildet die operative Performance der Schaeffler AG ab, reflektiert langfristiges profitables Wachstum und stellt in Kombination mit der TSR-Outperformance eine ausgewogene Performancemessung sicher. Das EPS-Wachstum wird anhand des durchschnittlichen jährlichen Wachstums des Gewinns pro Aktie (EPS) während der Performanceperiode errechnet. Das EPS wird definiert als das im gebilligten und geprüften Konzernabschluss der Schaeffler AG ausgewiesene Ergebnis je Aktie (unverwässert) aus fortzuführenden Geschäftsbereichen.

Sofern nicht anders festgelegt, beträgt die Gewichtung des EPS-Wachstums 17,5 %.

### **3.2.4 Klimaneutralität**

Das Thema „Nachhaltigkeit“ und dabei insbesondere die „Klimaneutralität“ stehen im Fokus der langfristigen Strategie der Schaeffler Gruppe. Das Klimaneutralitätsziel knüpft Teile des Long-Term Bonus an die Umsetzung des strategischen Programms „Path to Climate Neutrality“. Der Aufsichtsrat legt für jede Performanceperiode ein oder mehrere gleichgewichtete Ziele für das Klimaneutralitätsziel fest, welche aus dem „Path to Climate Neutrality“ abgeleitet werden.

Die Zielerreichung für die jeweilige Performanceperiode wird anhand des Vergleichs des jeweiligen Istwerts mit dem vom Aufsichtsrat festgelegten Zielwert ermittelt.

Sofern nicht anders festgelegt, beträgt die Gewichtung des Klimaneutralitätsziels 25 %.

### **3.2.5 Anpassungsmöglichkeiten**

Im Falle von außergewöhnlichen Ereignissen oder Entwicklungen während der Performance Periode ist der Aufsichtsrat nach billigem Ermessen berechtigt, die tatsächlich ermittelten Zielerreichungen der Leistungskriterien TSR-Outperformance, EPS-Wachstum und Klimaneutralität sowohl zu Gunsten als auch zu Lasten des Vorstandsmitglieds anzupassen, um eine leistungsgerechte Bewertung sicherzustellen. Außergewöhnliche Ereignisse oder Entwicklungen können z.B. eine Akquisition durch ein Unternehmen der Schaeffler Gruppe oder eine Veräußerung einer Gesellschaft bzw. von Teilen einer Gesellschaft oder von Beteiligungen an Gesellschaften durch ein Unternehmen der Schaeffler Gruppe, ein Zusammenschluss der Schaeffler AG mit einer anderen Gesellschaft, wesentliche Veränderungen der Aktionärsstruktur der Schaeffler AG, Änderungen der rechtlichen und/oder regulatorischen Rahmenbedingungen, wirtschaftliche Folgen eines signifikanten exogenen Schocks (z.B. Krieg, Pandemie oder Naturkatastrophen) oder hohe Inflation sein.

Die geplante Verschmelzung der Vitesco Technologies Group AG auf die Schaeffler AG hat erhebliche Auswirkungen auf die Leistungskriterien EPS-Wachstum und Klimaneutralität. Daher ist der Aufsichtsrat zur Sicherstellung einer leistungsgerechten Bewertung des Vorstands berechtigt, die tatsächlichen Zielerreichungen der Leistungskriterien EPS-Wachstum und Klimaneutralität des PSP der Tranche 2024 bis 2027 und späterer Tranchen aufgrund verschmelzungsbedingter Effekte anzupassen oder festzuschreiben.

### **3.2.6 Auszahlungsmodalitäten**

Die erdienten PSUs werden in bar ausbezahlt. Die Höhe der Auszahlung ermittelt sich aus der Multiplikation der finalen Anzahl der erdienten PSUs mit dem durchschnittlichen Schlusskurs der Aktie der Schaeffler AG im XETRA-Handelssystem der Frankfurter Börse (oder einem Nachfolgesystem) der letzten 60 Börsenhandelstage der jeweiligen Performanceperiode. Der Aktienkurs ist dabei auf das Doppelte des Aktienkurses bei Zuteilung der jeweiligen Tranche begrenzt. Der LTB wird mit dem nächsten ordentlichen Gehaltslauf nach Billigung des Konzernabschlusses der Schaeffler AG zur Zahlung fällig. Beginnend mit der LTB Tranche, die für die Performanceperiode 2025 bis 2028 zugeteilt wird, ist der Auszahlungsbetrag auf 250 % des im Vorstands-Dienstvertrags vereinbarten individuellen Zielwerts begrenzt.

Beginnend mit der LTB Tranche, die für die Performanceperiode 2025 bis 2028 zugeteilt wird, kann der Aufsichtsrat entscheiden, die erdienten PSUs ganz oder teilweise in Aktien zu bedienen. In diesem Fall erhält das Vorstandsmitglied zum Fälligkeitszeitpunkt echte Aktien der Schaeffler AG, deren Anzahl der finalen Anzahl der erdienten PSUs entspricht. Die Anzahl der echten Aktien der Schaeffler AG ist entsprechend zu kürzen, soweit im Fall einer Barauszahlung der Auszahlungsbetrag mit Blick auf die Entwicklung des Aktienkurses, die Begrenzung des Auszahlungsbetrags oder die Maximalvergütung zu kürzen wäre.

### **3.2.7 Sonstige Regelungen: Beendigung des Dienstverhältnisses und Kapital- und Strukturmaßnahmen**

Der PSUP enthält Regelungen zum Ausscheiden der Vorstandsmitglieder, die zwischen „Good Leaver“-Fällen und „Bad Leaver“-Fällen differenzieren. Endet das Dienstverhältnis mit dem Vorstandsmitglied in einem „Good Leaver Fall“ (u.a. Ablauf der Vertragslaufzeit, Vertragsaufhebung, Erreichen der Altersgrenze) wird die Anzahl der gewährten Performance Share Units grundsätzlich am jeweils letzten Tag der Performanceperiode pro rata temporis erdient. Der Barausgleich erfolgt grundsätzlich nach den vertraglich vereinbarten Bedingungen. Endet das Dienstverhältnis in einem „Bad Leaver Fall“ (insbesondere Kündigung der Schaeffler AG aus wichtigem Grund), verfallen alle Performance Share Units, deren Performanceperiode im Zeitpunkt des Zugangs der Kündigung noch nicht abgelaufen ist.

Der PSUP enthält für Kapital- und Strukturmaßnahmen (u.a. Kapitalerhöhung, Umwandlung der Schaeffler AG) Regelungen, die eine entsprechende Anpassung der Anzahl der gewährten virtuellen Aktien vorsehen. Im Fall eines Delistings verfallen die Ansprüche auf Auszahlung des Gegenwerts der Performance Share Units und die Schaeffler AG sagt den Vorstandsmitgliedern ein wirtschaftlich zum LTB gleichwertiges Programm zu.

## **4. Sonstige Leistungen**

Der Aufsichtsrat ist berechtigt, neu eintretenden Vorstandsmitgliedern anlässlich des Amtsantritts im Eintrittsjahr und/oder dem zweiten Jahr der Bestellung eine Zahlung oder sonstige Leistung zu gewähren. Durch eine solche Zahlung oder sonstige Leistung können z.B. finanzielle Nachteile ausgeglichen werden, die ein Vorstandsmitglied durch den Wechsel zur Schaeffler AG bei einem früheren Dienst-/Arbeitgeber - insbesondere aufgrund verfallender variabler Vergütung - erleidet oder Nachteile im Zusammenhang mit einem Standortwechsel.

## **II. Maximalvergütung**

Die für ein Geschäftsjahr zu gewährende Gesamtvergütung (Summe aller für das betreffende Geschäftsjahr aufgewendeten Vergütungsbeträge, einschließlich festem Jahresgehalt, variabler Vergütungsbestandteile, Versorgungsbeiträge, Nebenleistungen sowie Zahlungen oder sonstige Leistungen anlässlich des Amtsantritts nach Ziffer I.4 ) der Vorstandsmitglieder – unabhängig davon, ob sie in diesem Geschäftsjahr oder zu einem späteren Zeitpunkt ausbezahlt wird – ist für die einzelnen Vorstandsmitglieder auf einen Maximalbetrag begrenzt („**Maximalvergütung**“).

Die Maximalvergütung beträgt für den Vorstandsvorsitzenden 7.650.000 EUR, ab dem 1. Januar 2025 10.000.000 EUR und für die ordentlichen Vorstandsmitglieder grundsätzlich jeweils 3.875.000 EUR, ab dem 1. Januar 2025 5.500.000 EUR. Abweichend hiervon beträgt die Maximalvergütung für Herrn Dr. Spindler aufgrund bestehender vertraglicher Zusagen 4.580.000 EUR.

### **III. Möglichkeiten der Schaeffler AG, variable Vergütungsbestandteile zurückzufordern**

Der Aufsichtsrat kann den Auszahlungsbetrag aus dem STB und dem LTB bei schwerwiegendem Verstoß eines Vorstandsmitglieds gegen

- den Unternehmenskodex der Schaeffler Gruppe,
- Sorgfaltspflichten bei der Leitung des Unternehmens oder
- bei schwerwiegendem Verstoß gegen den Unternehmenskodex der Schaeffler Gruppe durch Arbeitnehmer der Schaeffler AG oder durch Organmitglieder oder Arbeitnehmer von mit der Schaeffler AG verbundenen Unternehmen, wenn das Vorstandsmitglied seine Organisations- und Überwachungspflicht in schwerwiegendem Maße verletzt hat,

während des Bemessungszeitraums eines variablen Vergütungsbestandteils – beim STB während des maßgeblichen einjährigen Bemessungszeitraums, beim LTB während des jeweils maßgeblichen vierjährigen Bemessungszeitraums – um bis zu 100 % reduzieren bzw. ganz oder teilweise zurückfordern.

Eine Reduzierung um bis zu 100 % ist bei einzelnen oder sämtlichen variablen Vergütungselementen des STB und des LTB, in deren Bemessungszeitraum einer der drei oben genannten Verstöße fällt, und die zu dem Zeitpunkt der Rückforderungsentscheidung des Aufsichtsrats noch nicht ausgezahlt sind, möglich. Im Falle eines nachträglichen Bekanntwerdens bzw. der nachträglichen Aufdeckung eines Verstoßes können bereits ausgezahlte variable Vergütungselemente des STB und des LTB ganz oder teilweise zurückgefordert werden, wenn seit der Auszahlung noch nicht mehr als fünf Jahre vergangen sind.

Die Reduzierung um bis zu 100 % oder Rückforderung ist auch dann möglich, wenn das Dienstverhältnis zum Zeitpunkt der Rückforderungsentscheidung bereits beendet ist.

Die Reduzierung oder Rückforderung des Auszahlungsbetrags steht im pflichtgemäßen Ermessen des Aufsichtsrats.

### **IV. Aktienerwerbs- und Aktienhalteverpflichtung**

Die ordentlichen Vorstandsmitglieder sind verpflichtet, Aktien der Gesellschaft in Höhe von 100 % des festen Jahresgehalts (Bruttobetrag) zu erwerben und während der Dauer ihres Dienstvertrags zu halten (Aktien-Ziel). Ein bereits bestehender Aktienbesitz kann angerechnet werden. Für den Vorstandsvorsitzenden besteht eine entsprechende Verpflichtung in Höhe von 200 % des festen Jahresgehalts (Bruttobetrag). Maßgeblich ist der Wert der Aktien zum Zeitpunkt des Erwerbs. Die bereits am 1. Januar 2020 amtierenden Vorstandsmitglieder hatten die Verpflichtung erstmals bis zum 31. Dezember 2023 zu erfüllen. Alle anderen Vorstandsmitglieder haben die Verpflichtung bis zum Ablauf der ersten Performanceperiode des LTB zu erfüllen. Bei unterjährigem Eintritt eines Vorstandsmitglieds ist die Verpflichtung bis zum Ablauf der ersten vierjährigen Performanceperiode des LTB zu erfüllen, die mit dem auf den Beginn des



Dienstvertrags folgenden Kalenderjahr beginnt. Die Auszahlung des LTB ist abhängig von dem Nachweis der Erfüllung der Aktienerwerbs- und Aktienhalteverpflichtung zum Ende der jeweiligen Performanceperiode. Endet der Dienstvertrag eines Vorstandsmitglieds vor dem Ende der ersten Performanceperiode, reduziert sich das Aktien-Ziel zeitanteilig im Verhältnis der Dauer des Dienstvertrages zur vierjährigen Performanceperiode des LTB. Endet der Dienstvertrag eines Vorstandsmitglieds nach dem Ende der ersten Performanceperiode und hat das Vorstandsmitglied die Erfüllung des Aktien-Ziels ordnungsgemäß nachgewiesen, hängt die Auszahlung für die folgenden Performanceperioden nicht mehr vom Nachweis der Erfüllung der Aktienerwerbs- und Aktienhalteverpflichtung ab.

Mit der Aktienerwerbs- und Aktienhalteverpflichtung wird neben dem LTB ein zusätzlicher und über die jeweilige vierjährige Performanceperiode hinausgehender Anreiz für die langfristige Entwicklung des Unternehmenswerts gesetzt. Darüber hinaus dient diese Verpflichtung der Stärkung der Kapitalmarktorientierung und des Interessengleichklangs zwischen dem Vorstand und den Aktionären der Schaeffler AG.

## **V. Vergütungsbezogene Rechtsgeschäfte**

### **1. Laufzeiten und Voraussetzungen der Beendigung vergütungsbezogener Rechtsgeschäfte, einschließlich der jeweiligen Kündigungsfristen**

Die Dienstverträge der Vorstandsmitglieder gelten für die Dauer der laufenden Bestellungen. In der Regel werden Vorstandsmitglieder bei einer Erstbestellung für drei Jahre bestellt. Der Wiederbestellungszeitraum beträgt in der Regel fünf Jahre.

Die Dienstverträge verlängern sich jeweils für den Zeitraum, für den der Aufsichtsrat mit Zustimmung des Vorstandsmitglieds seine Wiederbestellung zum Mitglied des Vorstands der Gesellschaft beschließt.

Der Dienstvertrag endet automatisch mit Ablauf des Monats, in dem das Vorstandsmitglied das 68. Lebensjahr vollendet. Darüber hinaus endet der Dienstvertrag im Falle einer außerordentlichen Kündigung aus wichtigem Grund.

Ein Sonderkündigungsrecht im Falle eines Kontrollwechsels (Change of Control) oder eine Zusage für Leistungen aus Anlass der vorzeitigen Beendigung der Vorstandstätigkeit infolge eines Kontrollwechsels bestehen nicht.

### **2. Entlassungsschädigungen**

Bei einer vorzeitigen Beendigung des Dienstvertrags dürfen etwaig zu vereinbarenden Zahlungen nicht den Wert von zwei Jahresvergütungen und nicht den Wert der Vergütung für die Restlaufzeit des Dienstvertrags übersteigen (Abfindungs-Cap). Im Fall einer vorzeitigen Beendigung aus

einem vom Vorstandsmitglied zum vertretenden wichtigen Grund ist eine Abfindung ausgeschlossen.

Der Aufsichtsrat kann mit den Vorstandsmitgliedern für die Zeit nach Beendigung des Dienstverhältnisses für die Dauer von bis zu zwei Jahren ein nachvertragliches Wettbewerbsverbot vereinbaren. Während dieses Zeitraums haben sie Anspruch auf eine Karenzentschädigung in Höhe von 50 % des zuletzt vereinbarten festen Jahresgehalts zuzüglich 50 % des letzten vor Beendigung des Dienstvertrags ausgezahlten STB. Für einige Vorstandsmitglieder gelten abweichende Regelungen aufgrund bestehender vertraglicher Zusagen. Diese Vorstandsmitglieder erhalten eine Karenzentschädigung in Höhe von 50 % der vertraglichen Vergütung, die dem jeweiligen Vorstandsmitglied im Durchschnitt der letzten 12 Monate vor seinem Ausscheiden gewährt worden ist. Der Aufsichtsrat ist berechtigt, solche bereits bestehenden Zusagen auch im Fall einer Vertragsverlängerung fortzusetzen. Etwaige erzielte Einkünfte aus einer nicht unter das nachvertragliche Wettbewerbsverbot fallenden Tätigkeit werden auf die Karenzentschädigung angerechnet, soweit die Entschädigung unter Hinzurechnung der erzielten Einkünfte den Betrag der zuletzt vom Vorstandsmitglied bezogenen vertragsmäßigen Leistungen um mehr als ein Zehntel übersteigen würde. Der Aufsichtsrat ist berechtigt, mit den Vorstandsmitgliedern eine abweichende Anrechnungsregelung zu vereinbaren.

[Translator's notes are in square brackets]

# General Engagement Terms

## for

### Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

#### [German Public Auditors and Public Audit Firms]

#### as of January 1, 2017

#### 1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

#### 2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

#### 3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

#### 4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

#### 5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

#### 6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

#### 7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translator's Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

#### 8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of *Wirtschaftsprüfer*: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

#### 9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

## 10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

## 11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

## 12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

## 13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

## 14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

## 15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.