

Financial statements 2022



Schaeffler AG

Contents

Significant events 2022 *	i2	Report on expected developments	56
<hr/>		Expected economic and sales market trends	56
Combined management report		Schaeffler Group outlook	57
Fundamental information about the group	2	<hr/>	
Organizational structure and business activities	2	Corporate Governance	
Group strategy and group management	10	Corporate governance declaration including corporate governance report *	59
Research and development	17	Governance structure *	70
Locations and production network	19	Governing bodies of the company *	75
Report on the economic position	22	<hr/>	
Economic environment	22	Financial statements 2022	
Course of business 2022	25	Balance sheet	80
Earnings	27	Income statement	81
Financial position and finance management	34	Notes to the financial statements	82
Net assets and capital structure	38	Independent Auditors' Report	98
Net assets, financial position, and earnings of Schaeffler AG	39	Responsibility statement by the company's legal representatives	104
Other components of the group management report	41		
Supplementary report	42		
Report on opportunities and risks	43		
Risk management system	43		
Internal control system	46		
Risks	47		
Opportunities	54		
Overall assessment of Schaeffler Group opportunities and risks	55		

* Part of the group management report.

Navigation aid

-  Further details in the report
-  Further details online

Significant events 2022

Challenging geopolitical and economic environment

2022 was marked by geopolitical and economic uncertainty affecting the Schaeffler Group's sales and procurement markets. While the direct implications for the Schaeffler Group's activities were limited, the war in Ukraine impacted global economic activity and, as a result, indirectly affected the Schaeffler Group. Additionally, the persistent coronavirus pandemic with local lockdowns, for instance in China, continued to hamper the Schaeffler Group's business.

Schaeffler Group continues to push ahead with transformation

Progress on "Roadmap 2025"

Despite the challenging environment, the Schaeffler Group continued to push ahead with its transformation – set out in the "Roadmap 2025" containing the strategy, execution program, and mid-term targets – during the year.

The **Automotive Technologies division** continues to focus on electric mobility. Considerably expanded revenue and a growing number of nominations for customer projects won in the E-Mobility business division (BD) during the year reflect this. Furthermore, the Schaeffler Group and Symbio jointly established a company named "Innplate SAS" with the aim of jointly producing bipolar plates for fuel cell systems in the future. Additionally, upon the acquisition of the remaining shares of Schaeffler ByWire Technologie GmbH & Co. KG (until October 16, 2022: Schaeffler Paravan Technologie GmbH & Co. KG), the former joint venture became wholly owned by the Schaeffler Group.

In the **Automotive Aftermarket division**, the logistics operation for automotive spare parts at the assembly and packaging center Europe ("Aftermarket Kitting Operation Europe", abbreviated: AKO Europe) launched a new operating model during the year. The division also inaugurated its new headquarters in Frankfurt/Main.

In the **Industrial division**, the acquisition of the Ewellix Group strengthened the linear business. Additionally, the acquisition of Schaeffler Ultra Precision Drives GmbH (until December 19, 2022: Melior Motion GmbH) further expanded the division's portfolio and market position in the robotics field, while the acquisition of CERASPIN S.à.r.l. extended the technology portfolio in the area of high-quality ceramic components.

Based on the climate neutrality targets communicated in 2021, a comprehensive sustainability strategy comprising ten fields of action along the dimensions of environment, social, and governance was adopted during the year. Measures and indicators for target achievement have been defined for the fields of action but will be expanded and completed in 2023. These measures include the "Climate Action Plan" designed to execute the decarbonization strategy, long-term purchase agreements for solar and wind power, as well as stepped-up in-house power generation. For the latter, a solar farm in Germany was acquired in December 2022. Additionally, responsibility for sustainability was transferred to the CEO during the year due to its strategic relevance.

The transformation is also progressing with respect to construction. Following the start of preparations for the construction of the central laboratory facility in Herzogenaurach in the prior year, its foundation stone was laid in early June 2022. In Buehl, electric mobility development and manufacturing campus is being expanded further. Additionally, the tool technology center in Hoechststadt was opened in early May 2022.

 More on acquisitions and disposals on page 4.

Significant events 2022

Further structural measures adopted

On November 7, 2022, the Board of Managing Directors of Schaeffler AG decided on **additional restructuring measures** aimed primarily at further strengthening competitiveness in view of the rapidly changing market environment and the accelerating transition taking place in the drive technologies segment. The related transformation expenditures are expected to amount to approximately EUR 130 m and provide for downsizing the workforce at certain German and European locations. The package of measures follows a two-pronged approach: Firstly, cutting excess structural capacity and reducing fixed costs. The planned structural changes involve socially responsibly downsizing the workforce primarily in the Engine & Transmission Systems and Bearings business divisions (BDs) within the Automotive Technologies division as well as in the company's corporate functions. Within Germany, the locations mainly affected are Herzogenaurach, Buehl, and Homburg. Secondly, the company plans to strengthen the German locations impacted by the capacity reduction measures by investing in new technologies, for instance by stepping up hydrogen activities in Herzogenaurach.


Schaeffler AG holds virtual annual general meeting

On April 21, 2022, Schaeffler AG's **annual general meeting** passed a resolution to pay a dividend of EUR 0.49 (prior year: EUR 0.24) per common share and EUR 0.50 (prior year: EUR 0.25) per common non-voting share to Schaeffler AG's shareholders for 2021. This represents a dividend payout ratio of 43.9% (prior year: 49.7%) of net income attributable to shareholders before special items. The dividend was paid on April 26, 2022.

New outlook published

On March 8, 2022, the Board of Managing Directors of Schaeffler AG suspended the full-year guidance for 2022 for the Schaeffler Group and its divisions – adopted as part of the annual report 2021 – due to the developments in Ukraine and the resulting implications for the global economy.

On May 9, 2022, the Board of Managing Directors of Schaeffler AG agreed on a **new full-year outlook for 2022** for the Schaeffler Group and its divisions.

 More on the results of operations compared to the outlook 2022 on pp. 25 et seq.

Contracts with Managing Directors extended

At its meeting on May 20, 2022, the Supervisory Board of Schaeffler AG decided to extend the contract with Claus Bauer, **Chief Financial Officer (CFO)** with responsibility for Finance and IT, until August 31, 2025.

Also at its meeting on May 20, 2022, the Supervisory Board decided to extend the contract with Dr. Stefan Spindler, **CEO of the Industrial division**, until April 30, 2024.

Schaeffler Group completes financing transaction

Schaeffler AG signed a syndicated credit agreement on November 2, 2022. The **new credit agreement** includes a EUR 0.5 bn term loan and a EUR 2.0 bn revolving credit facility. The EUR 1.8 bn revolving credit facility maturing in September 2024 was prepaid with the new revolving credit facility and the volume increased by EUR 200 m. The term loan was obtained to fund the acquisition of the Ewellix Group. These debt instruments have a five-year maturity (plus certain extension options for the revolving credit facility) and were provided by a consortium of 14 banks. The two debt instruments are the first with credit margins that are linked to achievement of two selected Schaeffler Group ESG targets.

Combined management report

Significant events 2022 *	i2	3. Supplementary report	42
1. Fundamental information about the group	2	4. Report on opportunities and risks	43
1.1 Organizational structure and business activities	2	4.1 Risk management system	43
1.2 Group strategy and group management	10	4.2 Internal control system	46
1.3 Research and development	17	4.3 Risks	47
1.4 Locations and production network	19	4.4 Opportunities	54
		4.5 Overall assessment of Schaeffler Group opportunities and risks	55
2. Report on the economic position	22	5. Report on expected developments	56
2.1 Economic environment	22	5.1 Expected economic and sales market trends	56
2.2 Course of business 2022	25	5.2 Schaeffler Group outlook	57
2.3 Earnings	27		
2.4 Financial position and finance management	34		
2.5 Net assets and capital structure	38		
2.6 Net assets, financial position, and earnings of Schaeffler AG	39		
2.7 Other components of the group management report	41		

Combined management report in accordance with section 315 (5) HGB (also referred to as "group management report" or "management report"). The company has chosen to integrate the management report of Schaeffler AG with the following group management report of the Schaeffler Group.

Special items

In order to facilitate a transparent evaluation of the company's results of operations, the Schaeffler Group reports EBIT, EBITDA, net income, net debt to EBITDA ratio, Schaeffler Value Added, and ROCE before special items (= adjusted).

Impact of currency translation/constant-currency

Constant-currency revenue figures, i.e., excluding the impact of currency translation, are calculated by translating revenue using the same exchange rate for both the current and the prior year or comparison reporting period.

Rounding differences may occur.

References

Content of websites referenced in the group management report merely provides further information and is not part of the group management report and is unaudited. The unaudited corporate governance declaration including the corporate governance report in accordance with sections 289f HGB and 315d HGB, incl. the declaration of conformity

pursuant to section 161 AktG as well as the reference to the combined separate group non-financial report in accordance with section 289b (3), section 315b (3), and section 298 (2) HGB also form part of the group management report.

Disclaimer in respect of forward-looking statements

This group management report contains forward-looking statements that are based on the Board of Managing Directors' current estimation at the time of the creation of this report. Such statements refer to future periods or they are designated by terms such as "estimate", "forecast", "intend", "predict", "plan", "assume", or "expect". Forward-looking statements bear risks and uncertainties. A variety of these risks and uncertainties are determined by factors not subject to the influence of the Schaeffler Group. Therefore, actual results can deviate substantially from those indicated.

* Part of the group management report.

1. Fundamental information about the group

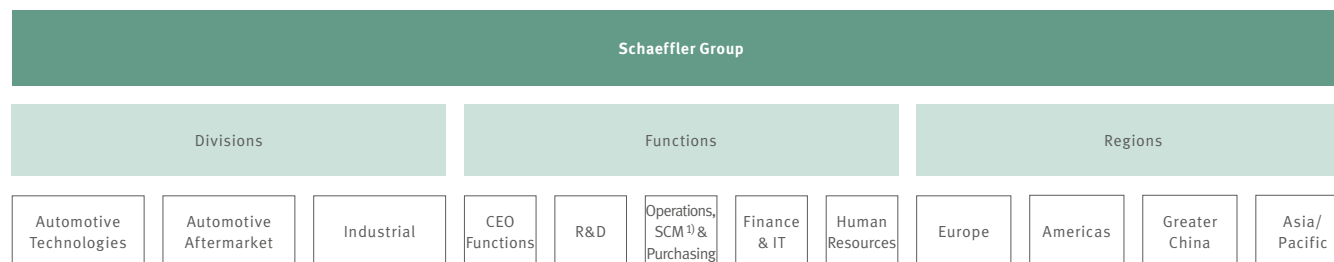
1.1 Organizational structure and business activities

The Schaeffler Group (also referred to as “Schaeffler” below) is a global automotive and industrial supplier. Employing a workforce of approximately 82,800, Schaeffler develops and manufactures components, systems, and services for powertrains and chassis, as well as rolling and plain bearing solutions for a large number of industrial applications. Additionally, the company provides repair solutions in original-equipment quality for the automotive spare parts market worldwide.

Organizational and leadership structure

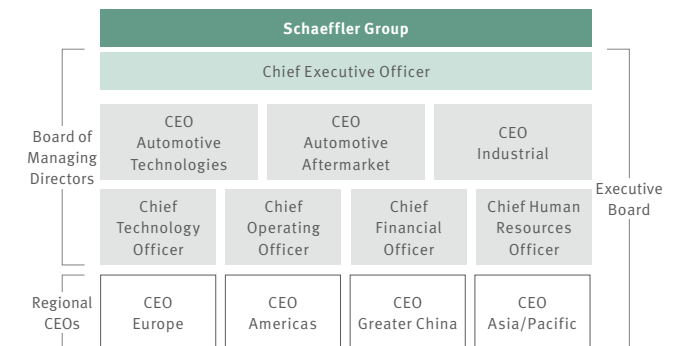
The Schaeffler Group is characterized by a three-dimensional organizational and leadership structure which differentiates between divisions, functions, and regions. Thus, the Schaeffler Group’s business is managed based on the three divisions – Automotive Technologies, Automotive Aftermarket, and Industrial – which also represent the reportable segments. The Automotive Technologies division manages its business based on the four business divisions E-Mobility, Engine & Transmission Systems, Bearings, and Chassis Systems. The Automotive Aftermarket and Industrial divisions are managed based on the regions Europe, Americas, Greater China, and Asia/Pacific.

Schaeffler Group organizational structure



Simplified presentation for illustration purposes.
¹) Supply Chain Management.

Schaeffler Group leadership structure



In addition to the divisions, the Schaeffler Group’s organizational model includes five functional areas: (1) CEO Functions, (2) R&D, (3) Operations, Supply Chain Management & Purchasing, (4) Finance & IT, and (5) Human Resources. Distribution is embedded directly in each of the divisions. The third dimension are the group’s four regions Europe, Americas, Greater China, and Asia/Pacific.

The Schaeffler Group is managed by the Board of Managing Directors of Schaeffler AG. Along with the Chairman of the Board of Managing Directors (Chief Executive Officer – CEO), the Board of Managing Directors comprises the CEOs of the Automotive Technologies (CEO Automotive Technologies),

Fundamental information about the group

Organizational structure and business activities


Automotive Aftermarket (CEO Automotive Aftermarket), and Industrial (CEO Industrial) divisions and the Managing Directors responsible for the Schaeffler Group’s functions (Chief Technology Officer, Chief Operating Officer, Chief Financial Officer, and Chief Human Resources Officer).

The Board of Managing Directors is directly responsible for managing the company, setting objectives and strategic direction, and managing the implementation of the strategy, taking into account the interests of shareholders, employees, and other stakeholders of the company in order to add long-term value. The Chairman of the Board of Managing Directors (CEO) coordinates the management of the company and the Schaeffler Group. In

addition to the divisions and the functions, the group’s matrix organization comprises the regions Europe, Americas, Greater China, and Asia/Pacific, each managed by a Regional CEO. The Regional CEOs report directly to the CEO. Jointly, the Board of Managing Directors and the Regional CEOs represent the Schaeffler Group’s Executive Board. In this manner, the Schaeffler Group’s organizational structure is reflected in its leadership structure.

The Supervisory Board of Schaeffler AG appoints, advises, and oversees the Board of Managing Directors and is involved in fundamental decisions. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board.

The Board of Managing Directors and the Supervisory Board comply with the recommendations of the German Corporate Governance Code in conducting their affairs and have issued the declaration of conformity pursuant to section 161 German Stock Corporations Act (Aktengesetz – AktG) in December 2022. The corporate governance declaration including the corporate governance report in accordance with sections 289f German Commercial Code (Handelsgesetzbuch – HGB) and 315d HGB including the declaration of conformity pursuant to section 161 AktG is publicly available from the company’s website.

 Corporate governance declaration including the corporate governance report in accordance with sections 289f HGB and 315d HGB incl. the declaration of conformity pursuant to section 161 AktG at: www.schaeffler.com/ir

Schaeffler Group functions

since January 1, 2023

Schaeffler Group				
CEO Functions	R&D	Operations, Supply Chain Management & Purchasing	Finance & IT	Human Resources
<ul style="list-style-type: none"> – Quality – Governance, Processes & Organization – Group Strategy, Sustainability, & Corporate Development – Group Communications & Public Affairs – Global Branding & Marketing – Investor Relations – Legal – Internal Audit – Compliance & Corporate Security – Corporate Real Estate Management – Strategic Digitalization 	<ul style="list-style-type: none"> – Advanced Innovation – R&D Management & Corporate Engineering Services – R&D Central Technologies – Engineering IT & Digitalization – Intellectual Property Rights – Technical Compliance 	<ul style="list-style-type: none"> – Schaeffler Production System & Production Technology – Digitalization & Operations IT – Advanced Production Technology – Tool Manufacturing – Special Machinery – Supply Chain Management & Logistics – Purchasing Strategy & Strategic Supplier Management – Purchasing Non-Production Material – Quality Operations, Supply Chain Management & Purchasing 	<ul style="list-style-type: none"> – Finance Systems, Processes & Infrastructure – Corporate Accounting – Corporate Controlling – Corporate Treasury – Corporate Tax & Customs – Corporate Reporting – Corporate Insurance – Shared Services¹⁾ – IT & Digitalization 	<ul style="list-style-type: none"> – HR Strategy – HR Policies & Standards – Leadership, Recruiting & Talent Management – Schaeffler Academy – HR Systems, Processes & Reporting – Environment, Health & Safety – HR Functions – HR Germany

¹⁾ Responsibility for the global steering of the shared services activities within the Schaeffler Group.

Fundamental information about the group

Organizational structure and business activities

Legal group structure

The Schaeffler Group included 149 (prior year: 148) domestic and foreign subsidiaries as at December 31, 2022. The parent company is Schaeffler AG, which is based in Herzogenaurach. The corporate headquarters of the Schaeffler Group are located in Herzogenaurach as well. As at December 31, 2022, 98 (prior year: 95) subsidiaries are domiciled in the Europe region, 23 (prior year: 23) further subsidiaries are domiciled in the Americas region, 14 (prior year: 15) in the Greater China region, and 14 (prior year: 15) in the Asia/Pacific region.

Schaeffler AG is a publicly listed stock corporation domiciled in Germany. Schaeffler AG's share capital consists of a total of 666 million shares. 500 million of these shares are unlisted common bearer shares and 166 million are common non-voting bearer shares. Each common share and each common non-voting share represents an interest in total share capital of EUR 1.00.

All 500 million of the common bearer shares are held by IHO Verwaltungs GmbH, which is part of IHO Holding. This represents an approximately 75.1% interest in Schaeffler AG. At the reporting date, 41.5 million shares of the 166 million common non-voting bearer shares in Schaeffler AG were held by investor BDT Capital Partners. The remaining common non-voting bearer shares in Schaeffler AG were widely held as at December 31, 2022.

Acquisitions and disposals during the year

In a transaction that closed on February 1, 2022, the Schaeffler Group has acquired 100% of the shares of Melior Motion GmbH which was renamed Schaeffler Ultra Precision Drives GmbH effective December 20, 2022. The integration of this supplier of precision gearboxes for robotics and other applications in automation expands the portfolio and strengthens the company's position as a robotics supplier.

The Schaeffler Group and Symbio, a Faurecia and Michelin hydrogen company, signed an agreement on June 7, 2022, to establish a company with equal share ownership to be located in Haguenau, France. The objective of the company, which operates under the name "Innoplate SAS", is the production of bipolar plates for fuel cell applications. Start of production is planned for early 2024. By establishing "Innoplate SAS", the Schaeffler Group continues to expand its hydrogen technology activities with the aim of becoming a leading manufacturer of bipolar plates for fuel cell systems in the long term.

In a transaction that closed on July 1, 2022, the Schaeffler Group has sold the global chain drive business of the Automotive Technologies division to private equity fund Lenbach Equity Opportunities II. The transaction more closely aligns the Automotive Technologies division toward new business fields.

On July 24, 2022, an agreement was signed for the acquisition of 100% of the shares of the Ewellix Group. The Ewellix Group is a leading global manufacturer and supplier of drive and linear motion solutions. Its core products include actuators, lifting columns, robot range extenders, ball and roller screws, and linear guides (monorail guidance systems and linear ball bearings). These products are used in a wide range of applications and equipment types, including medical technology, mobile machinery, assembly automation and robotics, and various other areas of industry. The acquisition of the Ewellix Group, which closed on January 3, 2023, expands the Schaeffler Group's linear technology portfolio in the Industrial division.

On October 13, 2022, an agreement was signed for the acquisition of the remaining 10% of the shares of Schaeffler ByWire Technologie GmbH & Co. KG. Upon closing of the transaction on October 14, 2022, the former joint venture became wholly owned by the Schaeffler Group.

In a transaction that closed on December 1, 2022, the Schaeffler Group has acquired 100% of the shares of CERASPIN S.à.r.l.. CERASPIN S.à.r.l. develops and produces ceramic products most of which are processed into rolling elements for various bearing applications. The acquisition expands the Schaeffler Group's technology portfolio in the area of high-quality ceramic components which are used in strategic growth areas, including wind energy, rail, aerospace, medical equipment, electrical engineering, and vacuum pumps for semiconductor applications.

In a transaction that closed on December 29, 2022, the Schaeffler Group has acquired 100% of the shares of SPV Solarpark 106. GmbH & Co. KG. The company operates a solar farm in Germany. The acquisition marks an important step in self-generating part of the company's global energy requirements by 2030.

Business activities

The Schaeffler Group's business is managed based on the three operating **divisions – Automotive Technologies, Automotive Aftermarket, and Industrial** – which each have global responsibility and also represent the reportable segments in accordance with IFRS 8.

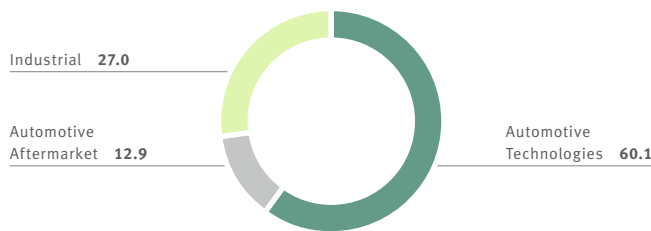
Fundamental information about the group

Organizational structure and business activities

The Automotive Technologies division is headquartered in Buehl. The Automotive Aftermarket division has its headquarters in Frankfurt. The Industrial division is located in Schweinfurt. The corporate headquarters of the Schaeffler Group are located in Herzogenaurach.

Schaeffler Group revenue by division

in percent



Automotive Technologies division

The **Automotive Technologies division** partners with the global automotive industry for passenger cars and commercial vehicles in developing and manufacturing components and systems for all-electric and hybrid powertrains, the fuel cell powertrain, as well as for internal combustion engines and chassis systems. The division also offers a wide range of rolling bearings that is largely powertrain-agnostic. The Automotive Technologies division manages its business based on the four **business divisions (BDs) E-Mobility, Engine & Transmission Systems, Bearings, and Chassis Systems** which in turn comprise several business units.

Market and competitive environment

Demand for products of the Automotive Technologies division is closely linked to global vehicle production which in turn is closely connected to the development of the sales markets and the overall economy. Additionally, ecological reasons and regulatory requirements will increase demand for products that help reduce pollutants and meet prescribed limits. Buying incentives and an expanding charging infrastructure could contribute to an increase in demand for products for hybrid and electric powertrains. The **“Schaeffler Vision Powertrain”** scenario reflects this development expected by the Schaeffler Group and forms the basis of the division’s strategy considerations. In its **“Schaeffler Vision Powertrain”**, the division predicts that approximately 60% of all passenger cars and light commercial vehicles produced worldwide in 2035 will have all-electric drive systems and approximately 30% will have a hybrid powertrain, i.e., a combination of an electric motor and an internal combustion unit.

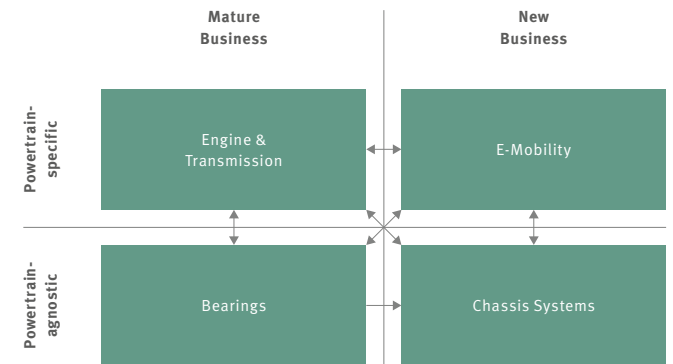
Additionally, as driving functionalities are increasingly being automated toward the autonomous vehicle, requirements regarding chassis applications are growing correspondingly. Therefore, paralleling the **“Schaeffler Vision Powertrain”**, the division has developed a scenario entitled **“Schaeffler Vision Automated Vehicle”** in which, by 2035, approximately 10% of passenger cars and light commercial vehicles manufactured will be driven in a highly automated and approximately 15% in a partly automated manner.

Being a supplier to the largest automobile manufacturers and automotive suppliers, the Automotive Technologies division operates in an intensely competitive market environment. It is facing competition mainly from other automotive suppliers. In view of a changed market environment and the accelerating transition taking place in the powertrain technologies field, the division focuses on electrifying the powertrain. This focus entails not only developing new business areas but also realizing competitive cost structures.

Product portfolio and growth areas

The products of the Engine & Transmission Systems and Bearings BDs are components and mechanical systems that are largely mature technologically and whose profitability will generate funds for future growth in new business areas. In contrast, the mechatronic and electric systems of the E-Mobility and Chassis Systems BDs represent new technologies for growth markets.

Automotive Technologies division



While the business of the E-Mobility and Engine & Transmission Systems BDs is specifically geared to powertrains, the products of the Bearings BD are largely – and those of the Chassis Systems BD entirely – agnostic toward the powertrain of the vehicles in which they are installed. In the mature business areas, research and development activities and capital expenditures will be reduced, for instance, and intensified in the new business areas. Furthermore, employees are being trained in new technologies relating to mechatronic systems in internal training programs such as **“Fit4Mechatronics”**.

Fundamental information about the group

Organizational structure and business activities

The **E-Mobility BD** develops and manufactures mechanical, mechatronic, and electronic components and systems for powertrain electrification – from 48-volt mild hybrids and plug-in hybrids through to all-electric drives for both passenger cars and commercial vehicles. The product portfolio includes electric motors, electric axle transmissions, electric axle drives, power electronics, hybrid modules, electromechanical and hydraulic actuators, key components for fuel cells, as well as thermal management modules. The high degree of vertical integration of products and systems allows components and systems to be industrialized entirely within the company. Electric axle transmissions are a key component of electric axle systems and have already been in volume production since 2017. The division has been manufacturing the 2-in-1 electric axle combining an electric motor and a transmission since 2021. During the year, the division presented the 4-in-1 electric axle, its most comprehensive powertrain system yet. It combines the four components – motor, transmission, power electronics, and thermal management – into one comprehensive system. Expanding the development and manufacturing campus at its headquarters in Buehl represents another step toward expanding E-Mobility. Complex mechatronic systems will be developed for customers there in the future. The E-Mobility BD will also industrialize applications for the fuel cell powertrain. For instance, jointly with Symbio, a company named “Innoplata SAS” was established during the year with the aim of jointly producing bipolar plates for fuel cell applications starting in 2024.

The **Engine & Transmission Systems BD** mainly develops and produces components and sub-systems for engine and transmission applications in passenger cars and commercial vehicles with hybrid drives as well as those with conventional drives based on an internal combustion engine. Products include torque converters, hybrid dampers, clutches, variable valve train systems, valve-lash adjustment elements, balancer shafts, camshaft phasing systems, timing drives, and front end auxiliary drives. Vehicles with internal combustion engines will continue to be produced in the future. The BD is pursuing the objective of enhancing this powertrain to be as efficient and resource-saving as

possible and is working on innovative solutions for consumption-improved internal combustion engines in order to consistently reduce emissions.

The **Bearings BD** combines the Automotive Technologies division’s wide and diverse range of rolling bearing applications and products. This core business includes products such as wheel bearings, ball bearings, and needle roller bearings. The bearings are used for applications including motors, engines, and transmissions, in the electrified electric axle system, and in hybrid modules. Further, a broad range of the bearings portfolio is used in steering systems and accessory units. Its constant bearing improvements, such as the “Trifinity” wheel bearing with reduced friction and the high-speed ball bearings for electric motors, are aimed at establishing the BD as a development partner and supplier to existing customers as well as new automotive industry customers in order to help shape the transition toward electric mobility.

The **Chassis Systems BD** develops and manufactures mechanical components and mechatronic systems for steering and other chassis applications through to autonomous mobility concepts. Its product portfolio includes the “Space Drive” steer-by-wire system, active roll control systems for increased safety, and rear-wheel steering systems that make driving more comfortable. In the strategic business area Smart Mobility, activities included further expanding the collaboration with Mobileye, a subsidiary of the Intel Group that provides systems for automated driving. The resulting network with additional partners is designed to help develop autonomous shuttles to series production.

Automotive Aftermarket division

The **Automotive Aftermarket division** is responsible for the Schaeffler Group’s global business with spare parts for passenger cars and commercial vehicles. The management model follows a regional approach using the **regions Europe, Americas, Greater China, and Asia/Pacific**.

Market and competitive environment

In the spare parts business, demand is influenced by three main factors: growth in the global vehicle population, an overall increase in the average age of the vehicle population, and increasing vehicle complexity. These factors are leading to an increase in the number of repairs requiring advanced repair solutions and services for repair shops. The division expects the largest increase in both vehicle population and demand for repairs up to 2027 to occur outside of Europe. For the Greater China region in particular, the number of vehicles in the 7- to 10-year age range lucrative to the aftermarket is expected to increase significantly, approaching the level of the Europe region as early as by 2024.

The structure of the spare parts market is changing. The sector is experiencing further consolidation at the wholesale level. At the same time, new market participants and intermediaries such as insurers or vehicle fleet operators are entering the aftermarket ecosystem. Additionally, growing vehicle digitalization and connectivity facilitate new business models in aftersales such as repair shop booking portals, but also increase the importance of digital distribution channels and platforms. Further, automotive technology trends such as electrification and the increasing prevalence of automated transmissions will influence the product portfolio in the foreseeable future. However, the Schaeffler Group expects electric mobility, for instance, to affect the spare parts market to only a limited degree until 2030, since a relevant population of electric vehicles is not expected to be in place until after 2030.

Longer-term trends such as autonomous driving and shared mobility are also expected to influence vehicle use and maintenance. Firstly, the number of sensors make repairs and maintenance of autonomous vehicles technologically complex which will be more and more challenging for repair shops. Secondly, the division expects the proportion of vehicles in fleets to continue to grow and management of repairs and maintenance of these vehicles to increasingly fall upon fleet operators.

Fundamental information about the group

Organizational structure and business activities

Product portfolio and growth areas

The Automotive Aftermarket division’s product portfolio comprises components and comprehensive repair solutions in original-equipment quality for engine, transmission, and chassis applications in the vehicles and light commercial vehicles, trucks and buses, and offroad customer sectors. The division is largely supplied by the Automotive Technologies division’s manufacturing locations. The Automotive Aftermarket division operates under the Schaeffler corporate brand and distributes its range under the three product brands LuK, INA, and FAG. In addition, it offers comprehensive services for repair shops under the service brand REXPERT. The product portfolio is largely sold via two distribution channels: the Original Equipment Service (OES) and the open (independent) spare parts market, known as the Independent Aftermarket (IAM). The OES distribution channel comprises the automobile manufacturers’ spare parts business as well as the supply of original spare parts to branded repair shops, i.e., those that are authorized by automobile manufacturers. IAM, on the other hand, supplies independent, non-branded repair shops with components as well as repair solutions and services. IAM differentiates between two types of business: In addition to the traditional component business consisting of replacing parts, the Automotive Aftermarket division develops and distributes custom-assembled repair sets and kits for efficient vehicle repairs. A global network of distributors, many of whom are organized in trade cooperatives, acts as the Automotive Aftermarket division’s IAM sales market. Meanwhile, online sales of spare parts are increasingly evolving into a further distribution channel within this sector.

In order to realize profitable future growth, the Automotive Aftermarket division has defined three central fields of action: (1) realizing potential in the core business, (2) intensifying digitalization, and (3) developing new business.

Three central fields of action for profitable growth Automotive Aftermarket division



The division views the basis for **growth opportunities in the core business**, particularly for expanding the portfolio with existing customers (“Share of Wallet”), to lie in continually improving the customer experience and the collaboration with customers and partners. Customer satisfaction is driven by operational excellence. The issue here is not merely quick and reliable delivery to customers, but rather an interaction with the division that is entirely smooth and easy for the customer.

Digitalization is another key factor for improving the customer experience across the entire sales process using advanced digital services. An example of this is the Schaeffler “OneCode” developed by the division and introduced during the year – a service solution that supports repair shops throughout Europe with vehicle repairs. The Schaeffler “OneCode” is a QR code placed on the outside of the division’s packaging. Scanning it with a smartphone or tablet provides repair shops with all product information about the repair solutions, additional

information, and services and allows them to verify the authenticity of the product.

Additionally, the “REXPERT Remote Support” enables European repair shops to obtain assistance during complex repairs via smartphones or tablets by transmitting images and sound in real time and providing explanations of repairs via mixed reality. Furthermore, REXPERT is steadily expanding the range of digital information it offers. Distribution partners and repair shop professionals find a more extensive range of products and services on the Aftermarket website and have flexibility in navigating between the website, the REXPERT repair shop portal, and the integrated spare parts catalog. At the same time, REXPERT also offers on-site training that is particularly important for independent repair shops and enhances customer loyalty.

Digitalization offers – along with the traditional Automotive Aftermarket distribution channels – new business models and distribution channels in the form of data-driven business models and e-commerce. The division has utilized this possibility, for instance in China, and created the “ETC platform China” (ETC), a trading platform in the independent spare parts market that links upstream and downstream sections of the supply chain. ETC is a B2B platform connecting manufacturers, dealers, and resellers of vehicle parts and offering a comprehensive range of parts for engines, transmissions, and chassis. The platform developed and steadily expanded by the Schaeffler Group thus reflects the requirements and high degree of fragmentation of the value chain in the Chinese market and enables the company to participate even more extensively in the expected growth of the Chinese aftermarket.

Growth via **new business** focuses particularly on strengthening sustainability in the value chain. This includes developing intelligent repair solutions and services for electric mobility, enabling the division to utilize the potential offered by the growing need for repairs of hybrid and electric vehicles. One example of this is the Schaeffler E-Axle RepSystem-G: a new repair solution that enables repair shops to repair the transmission of electric axles instead of replacing it completely. Additionally, the division

Fundamental information about the group

Organizational structure and business activities

will focus in on services and solutions in the field of circular economy and remanufacturing.

In response to the current changes in the market, the division also enters into partnerships in the automotive ecosystem and looks for ways to provide repair shops with added value. For instance, together with industry partners, the division is working to promote digital connectivity of vehicles as well as non-discriminatory access to data, and is actively involved in the digital data market place CARUSO. CARUSO is a central platform providing harmonized vehicle data to the automotive aftermarket, thus linking suppliers and users of data.

In addressing the transition with respect to technology, markets, and customer needs in the spare parts market and to drive its transformation from a component supplier to a provider of systems and integrated solutions, the division ensures – as part of its divisional subprogram of the “Roadmap 2025” – a balance between initiatives promoting growth in the medium and long term and measures to increase efficiency in the short term.

 More on the “Roadmap 2025” on pp. 10 et seq.

Industrial division

The **Industrial division** develops and manufactures precision components, both rotary and linear bearing solutions, drive technology components and systems, as well as service solutions such as sensor-based condition monitoring systems for a large number of industrial applications. Additionally, the division is working on new products and solutions for the hydrogen economy. The management model of the Industrial division follows a regional approach with the **regions Europe, Americas, Greater China, and Asia/Pacific**.

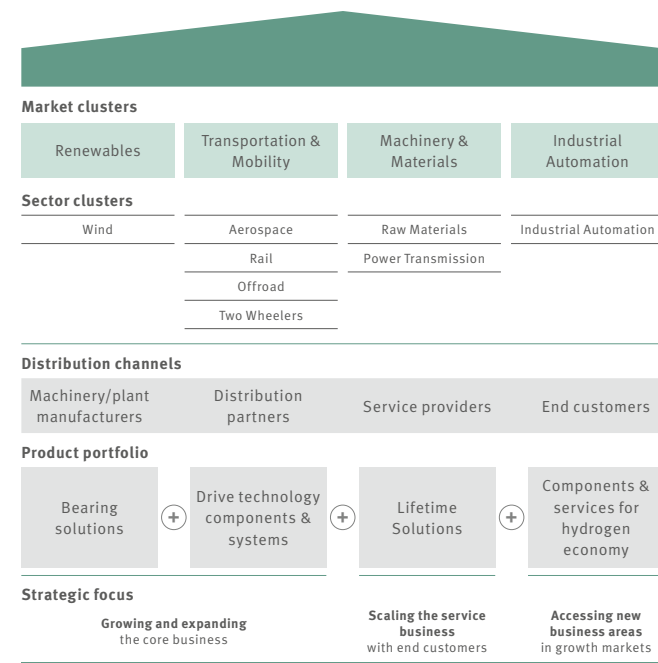
Market and competitive environment

Demand for the Industrial division’s products is significantly influenced by changes in global industrial production, particularly in the engineering, transport equipment, and electric equipment sectors. Managing the business on a regional basis allows the division to closely target its response to local needs within the highly diversified customer base and to strengthen customer loyalty. Cross-regional issues, such as the global technology and product strategy, are coordinated and driven forward by the network linking the regions within the division as well as by a global key account management. In this manner, the division aims to ensure that the Industrial business is closely aligned along current customer and market needs, thus putting in place a key prerequisite for sustainable and profitable growth.

Product portfolio and growth areas

The Industrial division focuses on growing and further expanding its core business, continuing to scale up the service business, as well as on opening up new business areas in growth markets. The Industrial division’s product portfolio comprises a broad spectrum of components, systems, and service solutions for various industrial sectors. “Lifetime Solutions” for industrial maintenance as well as the hydrogen growth area are each concentrated in a strategic business area with global responsibility.

Industrial division customer and product portfolio



The division distributes its products and services via the relevant machinery and plant manufacturers, distribution partners, service providers, or directly to the end customer in eight sector clusters: (1) Wind, (2) Aerospace, (3) Rail, (4) Offroad, (5) Two Wheelers, (6) Raw Materials, (7) Power Transmission, and (8) Industrial Automation. In order to facilitate comprehensive insight that is oriented along the relevant sales markets, the eight sector clusters are in turn assigned to four market clusters (1) Renewables, (2) Transportation & Mobility, (3) Machinery & Materials, and (4) Industrial Automation.

Fundamental information about the group

Organizational structure and business activities

The products of the **core business** in terms of **bearing solutions** are mainly rolling and plain bearings as well as linear guidance systems. These bearing solutions cover a wide range from high-speed and high-precision bearings with small diameters to large-size bearings several meters wide. While the scope of application for rolling and plain bearings spans all sectors served by the Industrial division, linear guidance systems are primarily used in machine tool applications within the Industrial Automation sector cluster. Bearing solutions still represent a significant basis for the division's future growth. Therefore, the various products are continually being enhanced and their sales are supported by technical advisory services and customer-specific adaptations in order to further expand the core business in the various sector clusters. Additionally, the acquisition of CERASPIN S.à.r.l. has expanded the technology portfolio in the area of high-quality ceramic components which are used in strategic growth areas in particular.

Internal market analyses have identified long-term potential for growth in all sector clusters. In light of ambitious climate targets and consistently growing awareness of sustainability in the general population, significant potential for growth is emerging in fields such as renewable energy including the wind sector. The favorable outlook for the Aerospace and Rail sector clusters is based on long-term growth in passenger and freight volumes. The growing desire for sustainable individual mobility is a key growth driver for the Two Wheelers sector cluster, while higher demand for agricultural goods and increased construction activity due to continuing population growth are still expected for the Offroad sector cluster. Further opportunities for growth arise in the Raw Materials sector cluster, primarily from an increased need for raw materials as investment in infrastructure is expanding. The Power Transmission sector cluster mainly addresses applications such as gearboxes and electric motors that are used as intermediate products in various sectors, thus offering considerable potential for growth as well. The same is true for the Industrial Automation sector cluster as a result of the consistently growing need for efficient, largely automated manufacturing solutions.

The second core element of the product portfolio are **drive-technology components and systems** which include, inter alia, direct drives and actuators. Its portfolio of bearing supports, robot gearboxes, and drive motors positions the Industrial division as a partner to the rapidly growing robotics industry. Growing automation and the goal of autonomous production offer good opportunities for growth in this field. The division offers a wide range of products for both light industrial robotics as well as for collaborative robots known as cobots – from bearings such as the double-row angular contact needle roller bearing and joints for robot arms through to powerful linear actuators that extend the working range of robots. The acquisitions of Schaeffler Ultra Precision Drives GmbH and the Ewellix Group further expand the product portfolio and open up additional potential for growth.

The Industrial division's **service business** is combined in the strategic business area "Lifetime Solutions" and offers end customers a comprehensive product and service portfolio along the entire product life cycle – from condition monitoring, expert services and training, and lubrication systems through to maintenance tools, reconditioning bearings, and spare parts. In all of these areas, the portfolio is continually being enhanced. The condition monitoring and digital services area focuses on preventive and intelligent maintenance based on continuously obtaining information on the condition of machines and equipment. The concepts developed by the division enable relevant customer applications to be digitalized and to be comprehensively optimized. For instance, platform concepts are used to combine condition monitoring and lubrication systems with digital services to form application-specific solution packages for use in the paper, cement, steel, food, and other industries. The "OPTIME" condition monitoring system is now being used in more than 170 customer plants and 37 of the Schaeffler Group's plants. "OPTIME" provides access to new end customers and opens up cross-selling opportunities for the entire portfolio.

In the field of reconditioning bearings, the division also offers mounting and dismounting services for rolling bearings in the form of a variety of expert services and specialized tools. Such

reconditioning of rolling bearings provides additional potential for growth and contributes to sustainability.

Another strategic business area closely linked to this topic is "**Hydrogen**", where the Industrial division focuses on stack solutions and services for electrolyzers. This business area holds great potential for growth and, along with components for hydrogen production using electrolyzers, such as bipolar plates, also comprises integrated solutions like cell kits and intelligent stack systems plus matching digital service concepts. The division cooperates with other companies in the industry in order to accelerate progress in this field.

Fundamental information about the group

Group strategy and group management

1.2 Group strategy and group management

The Schaeffler Group’s overarching objective is to create value sustainably for its customers and business partners, employees and managers, as well as its investors and family shareholders. In order to achieve this objective, the company plans to rely on its key strengths – innovative strength, quality, systems know-how, and manufacturing expertise – to shape progress that moves the world. The claim “We pioneer motion” reflects this goal as well. The Schaeffler Group sees its mission in developing and delivering innovative and intelligent components, systems, and services that enable sustainable mobility and motion in cooperation with its customers, partners, and society. The company’s positioning as an integrated automotive and industrial supplier has proven of value to achieving this mission many times over: Common technology and manufacturing capabilities create synergies across products, sectors, and divisions, as highlighted by the rolling bearing business in particular. Another example of this approach is hydrogen technology, which the Schaeffler Group supports across divisions by supplying components and systems. Further, diversification across several divisions, business models, and regions considerably stabilizes results of operations and earnings, as seen once more in 2022. Additionally, sustainability and digitalization are key strategic topics that will permanently shape the development of the Schaeffler Group and its markets, products, and customers. The strategic direction of the Schaeffler Group is summarized in the “Roadmap 2025”.

Roadmap 2025

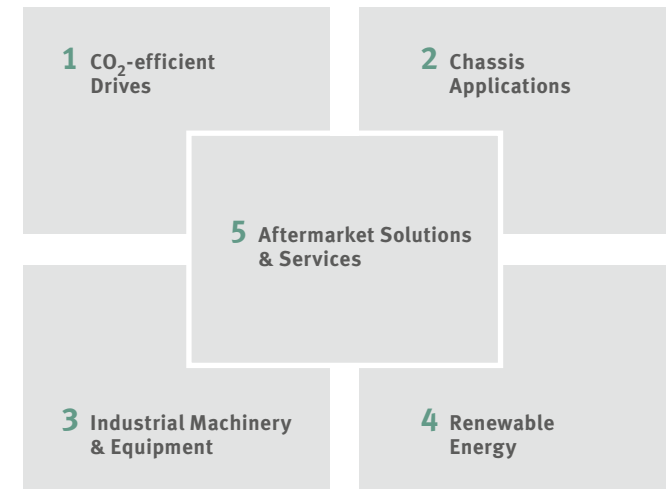
The strategic framework “Roadmap 2025” consists of three main elements: “Strategy 2025”, “Execution Program 2025”, with its seven subprograms, and “Mid-term Targets 2025”. These define the financial framework and reflect the overarching commitment to creating value sustainably.

Strategy 2025

The Schaeffler Group’s “Mobility for tomorrow” strategic concept published in 2016, which paved the way for the Schaeffler Group evolving into an integrated automotive and industrial supplier with three divisions, was enhanced in order to shape the group’s transformation in a future-oriented and targeted manner. The “Strategy 2025” was approved in 2020 and – as the market environment is highly dynamic – has been validated and explicitly confirmed each year since as part of a Strategy Dialog.

Five key future trends that had significantly influenced the development of the “Strategy 2025” were repeatedly confirmed in this context as well: sustainability & climate change, new mobility & electrified powertrain, autonomous production, data economy & digitalization, and demographic change. Five focus areas defined based on these five future trends provide the content framework for potential growth initiatives and thus specify the company’s strategic investment fields. The focus areas are designed to support an efficient and long-term-oriented use of resources and take the product and service offerings of all three divisions into account. With the five focus areas, the “Strategy 2025” is aligned along the company’s strengths and core expertise, both in the business areas and in the production technologies.

Five focus areas for growth initiatives



Its established vision of being the automotive and industrial supplier of choice that leads through innovation, agility, and efficiency forms the guiding principle for the Schaeffler Group. This vision illustrates that the customer will remain at the center of what the company does. Innovation, agility, and efficiency are three strategic dimensions that are considered particularly critical for success in the global competitive environment under current market conditions. The same is true for the key strategic topics of sustainability and digitalization. Therefore, the level of performance with respect to these two key topics is regularly reviewed based on targets achieved and the strategic direction is evaluated accordingly.

Fundamental information about the group


Group strategy and group management

Key topic of sustainability

Sustainability represents a significant component of the Schaeffler Group’s corporate values and is considered a task of society as a whole. Sustainable corporate success is understood to mean assuming ecological and social responsibility along the entire value chain.

A sustainability strategy was developed along the dimensions of environment, social, and governance to facilitate living up to this responsibility. Ten fields of action were set for these three dimensions, including climate neutrality, circular economy, and occupational safety; these action fields will be elaborated on by adding quantifiable targets and indicators. In the climate neutrality field of action, for example, the Schaeffler Group announced in October 2021 that it will be operating as a climate neutral company from 2040, that is, it will reduce greenhouse gas emissions as far as possible and offset any remaining emissions, for instance via carbon offset projects. Measures and indicators for target achievement have been defined for the fields of action and will be expanded in 2023. The sustainability strategy is an integral component of the “Roadmap 2025”. Implementation is managed under the “Sustainability & Engagement” subprogram.

In 2022, Schaeffler AG has again integrated its group non-financial declaration into its separate sustainability report, which is not part of the group management report.

 Combined separate group non-financial report in accordance with sections 289b (3) and 315b (3) HGB within the sustainability report at: www.schaeffler-sustainability-report.com/2022

Key topic of digitalization

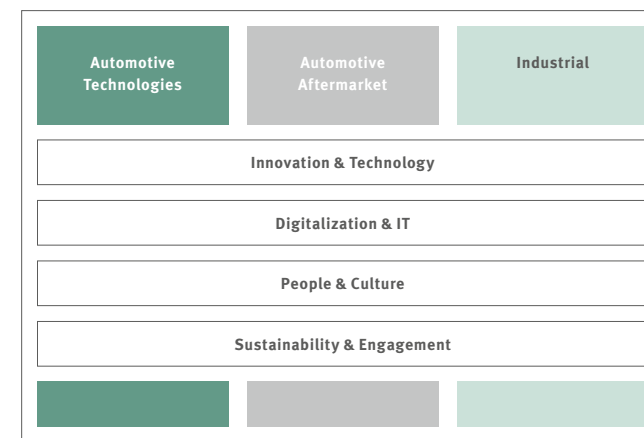
The Schaeffler Group treats digital transformation as a shared task for all divisions, functions, and regions. The automation of business processes, additional information mined from structured and unstructured data, and state-of-the-art forms of connectivity both in-house and with external stakeholders open up opportunities for the Schaeffler Group and its customers along the entire value chain.

As part of the company-wide digital agenda, experts from all business and IT departments work together on evaluating digital technologies as well as risks. On the one hand, this relates to changing the value chain – both internally at Schaeffler and in interaction with business partners, for instance by providing digital applications, means of communication, and connecting plants. On the other hand, this relates to additional sales potential with digital distribution channels and digital products and services.

Execution Program 2025

The “Strategy 2025” is executed via the “Execution Program 2025” with a total of seven subprograms. The seven subprograms are structured as three divisional (vertical) and four cross-divisional (horizontal) subprograms. All subprograms are focused on achieving the defined strategic priorities – innovation, agility, and efficiency. Combining and consolidating all relevant divisional and cross-divisional activities of the “Roadmap 2025” in the “Execution Program 2025” not only drives forward the Schaeffler Group’s transformation but also promotes cross-divisional synergies and improves profitability by generating efficiency gains.

Divisional and cross-divisional subprograms



The divisional subprograms are designed to advance the growth initiatives derived from the focus areas, boost market positions, and increase cost and capital efficiency. Within the **Automotive Technologies division**, the focus is on the transition to new powertrain and chassis technologies, while the **Automotive Aftermarket division** concentrates primarily on introducing new and market-driven repair solutions in its core business, expanding its digital services and distribution channels, and opening up new business areas. The subprogram of the **Industrial division** is mainly designed to both strengthen the competitive position in the traditional rolling bearing business and expand new business areas, such as in the areas of Industrial Automation, hydrogen, and digital condition monitoring, by means of innovative technologies. Meanwhile, the four cross-divisional subprograms are focused on key areas and core expertise designed to make the company as a whole more future-proof and help harness potential synergies across divisions. “**Innovation & Technology**” relates to strategically managing product innovations and production technology in order to further strengthen the Schaeffler Group’s position as a pioneer

Fundamental information about the group

Group strategy and group management

of sustainable mobility and motion, while **“Digitalization & IT”** combines the activities related to reshaping processes for the digital age through data-driven knowledge acquisition and state-of-the-art IT solutions. The main objectives of the **“People & Culture”** subprogram are forward-looking personnel development, greater diversity, collaboration and agility within the workforce, and an appreciative leadership style. Finally, **“Sustainability & Engagement”** is dedicated to embedding environmental and social responsibility in the company’s value chain as a central success factor for a sustainable business operation. The activities combined and managed in this subprogram include those required to achieve the climate neutrality targets 2040. This applies to measures within the company’s own production, at the interface to suppliers and purchased materials as well as to customers and the use phase of the company’s products.

Execution Program progress during the year

The “Execution Program 2025” has once more achieved significant milestones for the company in 2022. Particularly the concept of connecting, and clustering activities across divisions contributed to the progress achieved in the first two years of the “Execution Program 2025”.

The divisional subprogram of the **Automotive Technologies division** is increasingly focusing on electric mobility. Production of the 100,000th 2-in-1 electric axle in the Taicang plant in China and numerous nominations won for customer projects in the field of electric mobility won once again during the year are examples of this. Furthermore, the Schaeffler Group and Symbio jointly established a company named “Innoplata SAS” with the aim of jointly producing bipolar plates for mobility and energy solutions starting in 2024 and becoming a leading manufacturer of bipolar plates for fuel cell systems in the long term. This year saw the development and commissioning of a test rig for fuel cells emulating conditions prevailing in future applications, such as in a vehicle, in construction equipment, or in a stationary system – a significant milestone in this process.

In the **Automotive Aftermarket division**, the logistics operation for automotive spare parts at the assembly and packaging center Europe (“Aftermarket Kitting Operation Europe”, abbreviated: AKO Europe) in Halle (Saale) launched a new operating model during the year. The team on site will grow in size, have expanded responsibilities, and staff the core functions at the AKO. The logistics service provider Imperial Logistics International has been acquired as partner for the operational activities. The division also inaugurated its new headquarters – in line with the “Schaeffler New Work Standard” – in Frankfurt/Main during the year. The division made this move to adapt to the requirements of a changing work environment and to offer its employees space for agile, flexible, and digital collaboration.

The most recent acquisitions of the **Industrial division** contribute significantly to execution of the divisional strategy. The acquisition of Schaeffler Ultra Precision Drives GmbH further expands the divisions portfolio and market position in the high-growth field of robotics. The same is true for the linear business, which was strengthened by the acquisition of the Ewellix Group, while the acquisition of CERASPIN S.à.r.l. has expanded the technology portfolio in the area of high-quality ceramic components mainly used in strategic growth areas. Furthermore, additional potential for organic growth is created by developing and introducing new product innovations such as hydrodynamic plain bearings for the wind industry and improved housings for axlebox bearings for the rail sector.

Robotics and automation play an important role in the cross-divisional **“Innovation & Technology”** subprogram: For instance, the 100th driver-less transport system (“Automated Guided Vehicle”, AGV) was installed in a Schaeffler Group plant. Together with the robot and cobot systems continually rolled out, these driver-less transport vehicles represent a significant building block for rendering manufacturing processes more flexible, scaling them, and improving their timing, thus moving them along toward (semi-)autonomous production. In addition, strategic collaborations (including with “STARTUP AUTOBAHN” and SHARE

programs) have intensified research activities across company boundaries. For instance, the “Schaeffler Hub for Advanced Research” at Nanyang Technological University in Singapore was expanded during the year with the aim of accelerating innovation in the field of robotics and smart factory by a combination of academic and private sector research.

Introduction of the SAP S/4 HANA ERP system, a key strategic project of the group within the subprogram **“Digitalization & IT”**, is progressing. The ERP system is designed to shape the digital future of the Schaeffler Group’s core processes and harmonize applications on a future-proof platform. Digitalization of the plants – more than 1,000 production equipment items were connected during the year – as well as the process of setting-up and enhancing the shared service centers are making progress as well.

The **“People & Culture”** subprogram continued to prioritize employee qualifications via training programs such as Fit4Mechatronics, Fit4Production, and Fit4Digital; approximately 17,000 employees worldwide participated in these programs in 2022. During the year, the company also initiated a worldwide employer branding campaign aimed at making the Schaeffler Group more well known as an attractive, innovative employer and developed a global brand architecture. Additionally, in 2022, the first worldwide employee survey was performed to measure employee motivation, engagement, and commitment to the company as well as the related attractiveness as an employer.

Under the **“Sustainability & Engagement”** subprogram, numerous measures were implemented during the year that address the recently adopted sustainability strategy with its ten fields of action and targets. One example that should be highlighted is the development of a “Climate Action Plan” with specific implementation measures aimed at achieving the emissions targets for scope 1–3 in accordance with the 1.5°C target of the Paris Agreement. The implementation measures include the long-term supply of solar power under a supply agreement with Statkraft Markets GmbH,

Fundamental information about the group

Group strategy and group management

the acquisition of a solar farm in Germany, and holding a global Climate Action Day, with employees coming up with approximately 23,000 ideas designed to help reduce carbon emissions. Further, the Schaeffler Group scored top marks in the CDP rating for climate change and water security for the first time in 2022. Improving from “A-” to “A” in both categories, it ranked among the top 1% of the over 18,700 companies participating. Moreover, the company was again among the top 1% in its peer group in the EcoVadis rating this year, earning Platinum status once more. The EcoVadis rating measures a company’s ecological, social, and ethical performance. Additionally, responsibility for sustainability was transferred to the CEO during the year due to its strategic relevance.

Along with sustainability, this subprogram also comprises construction to enhance selected locations. For instance, the foundation stone was laid for the central laboratory facility at the Herzogenaurach location that will combine core expertise and key technologies for sustainable and carbon-neutral mobility and energy ecosystems under one roof. In addition, the Schaeffler Group is investing in the future-oriented field of electric mobility by expanding its manufacturing and development campus at the Automotive Technologies division headquarters in Buehl.

Mid-term Targets 2025

The third component of the “Roadmap 2025” are the “Mid-term Targets 2025” adopted in 2020 that the company intends to attain by 2025. They sustain the overarching objective of sustainable value creation and express the planned result of the company’s strategy and the execution program in quantitative terms.

At group level, the mid-term focus is on two indicators: Firstly, return on capital employed (ROCE), which is a measure of the company’s value creation and is targeted to reach a range of 12 to 15% by 2023 at the latest. The second target relates to free cash flow conversion (FCF-conversion), a measure that

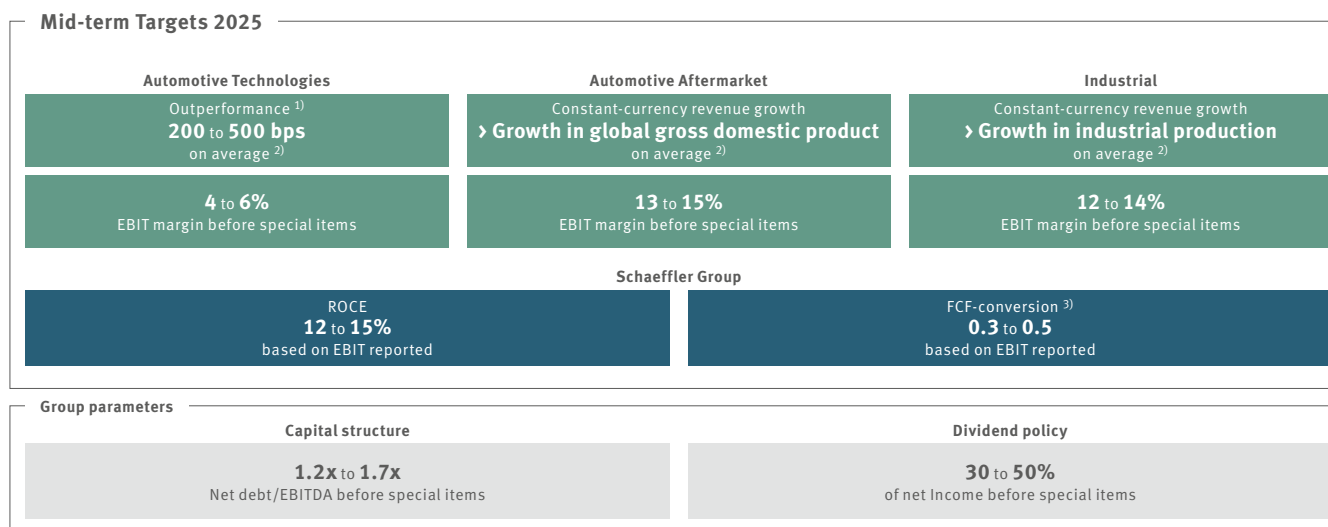
expresses the ability to generate cash from EBIT and is targeted to fall into a range of 0.3 to 0.5 by 2023 at the latest. The Schaeffler Group’s mid-term targets are complemented by group parameters relating to the capital structure and distribution of profits, signifying stable and reliable finance management. For the net debt to EBITDA ratio, one of these group parameters, the Schaeffler Group aims for a range of 1.2 to 1.7 for the period 2021 to 2025. The Schaeffler Group intends to continue to pay dividends of 30 to 50% of consolidated net income before special items.

The Automotive Technologies division is aiming for average annual revenue growth – excluding the impact of currency translation – to exceed the growth in global production of passenger cars and light commercial vehicles by 200 to 500 basis points.

The target EBIT margin before special items is 4 to 6%, with the lower end of that range to be reached by 2023 at the latest.

The Automotive Aftermarket division is aiming for average annual revenue growth – excluding the impact of currency translation – to exceed growth in global gross domestic product and an EBIT margin before special items of 13 to 15%, with the lower end of that range to be reached by 2023 at the latest.

As Mid-term Targets 2025, the Industrial division is aiming for average annual revenue growth – excluding the impact of currency translation – to exceed the growth of global industrial production and an EBIT margin before special items of 12 to 14%, with the lower end of that range to be reached by 2023 at the latest.



¹⁾ Constant-currency revenue growth above global automobile production (IHS Markit).
²⁾ From 2021 to 2025.
³⁾ See page 16 for definition of FCF-conversion.

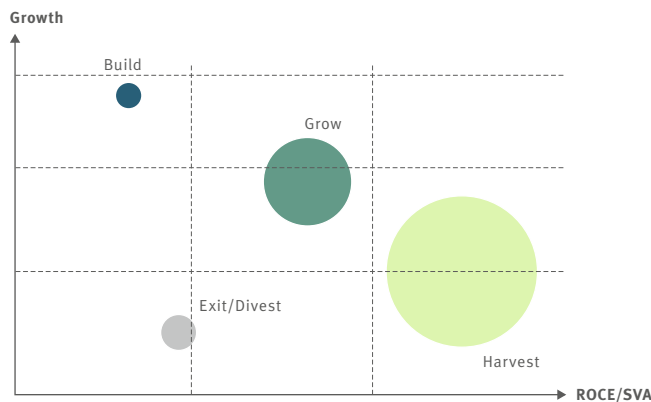
Fundamental information about the group

Group strategy and group management

Capital allocation and portfolio management

In order to use its capital appropriately and in line with its strategy, the Schaeffler Group has developed a framework for long-term capital allocation that applies across all divisions. The framework identifies four fundamental portfolio strategies and represents a structure for investment and divestment decisions. The four strategies – **Build**, **Grow**, **Harvest** and **Exit/Divest** – are applied in all three divisions and their business areas and are always directly tied to a product, a sector cluster, and a region. Business areas are assigned to these strategies depending on their growth potential and return on capital employed, measured as ROCE, which is the key target figure on group level within the Mid-term Targets 2025.

Portfolio management



New growth areas still at the start of their life cycle are assigned to the **“Build”** portfolio strategy, whereas existing business areas that can be further expanded with suitably high capital efficiency are classed under the **“Grow”** strategy. Business areas with lower growth potential are more strongly focused on profitability and efficiency, and are included in the **“Harvest”**

category. And if certain areas are no longer core strategic activities, or are not sufficiently profitable, they are allocated to the **“Exit/Divest”** portfolio strategy.

Thus, the four portfolio strategies also drive the Schaeffler Group’s capital allocation process which is primarily operationalized by managing investing activities, a key factor influencing free cash flow before cash in- and outflows for M&A activities. The investment amounts to be allocated are arrived at by linking the portfolio strategies directly to a framework for capital allocation.

Capital allocation management framework

Investment types / Portfolio fields	1	2	3	4	Total
	Growth ¹⁾	Rationalization and quality	Replacement	Safety and regulatory	
A Build	✓			✓	
B Grow	✓	✓	✓	✓	
C Harvest		✓	✓	✓	
D Exit/Divest			✓	✓	
Total					Total Investments

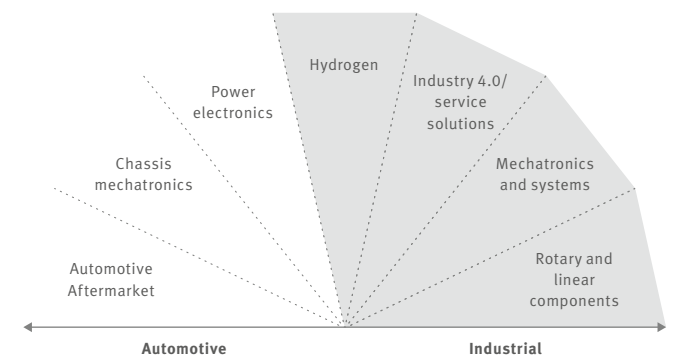
¹⁾ Capacity expansion and new products.

This framework identifies four different investment types – **(1) growth investments, (2) rationalization & quality investments, (3) replacement investments, and (4) investments** required in order to comply with **regulatory requirements** or ensure **safety**. The four portfolio strategies and four investment types together form a matrix for the allocation of capital to the business areas.

M&A strategy

The Schaeffler Group pursues a strategy of mainly organic growth based on its existing technological expertise and innovative ability. Under this strategy, acquisitions are possible – in defined focus areas – if they expand the Schaeffler Group’s technological expertise or strengthen its current market position. At the core of this approach is an M&A radar that is applicable groupwide and defines several focus areas where the company is aiming to acquire expertise and generate inorganic growth both within the various divisions and across divisions.

M&A radar



The company’s search for opportunities to expand the profile of its expertise and its portfolio specifically targets these clearly defined areas. It focuses on the acquisition of smaller, additive targets intended to complement and strengthen the technology spectrum, thus adding long-term value. Along with the qualitative evaluation of the entity potentially subject to an M&A transaction, the final assessment of whether the transaction is beneficial also includes a detailed quantitative analysis. In particular, the company pursues an acquisition only if the related expected return on capital employed exceeds a required minimum set

Fundamental information about the group

Group strategy and group management

internally. Specific risks such as country- or business-specific risks are taken into account, as is the maturity of the business, and may result in adjustments to the required minimum return in certain cases.

Group management

The overarching objective of the Schaeffler Group’s management system is to create long-term value in order to meet the interests and expectations of investors. Generating an appropriate return on capital employed is essential to creating long-term value. This requires having earnings sustainably exceed the cost of debt and equity capital employed. The Schaeffler Group’s internal management system consists of several levels. The strategic financial performance indicators underlying the Schaeffler Group’s **value-based management** process are **return on capital employed (ROCE)** as well as **Schaeffler Value Added (SVA)**. They are operationalized using key financial performance indicators.

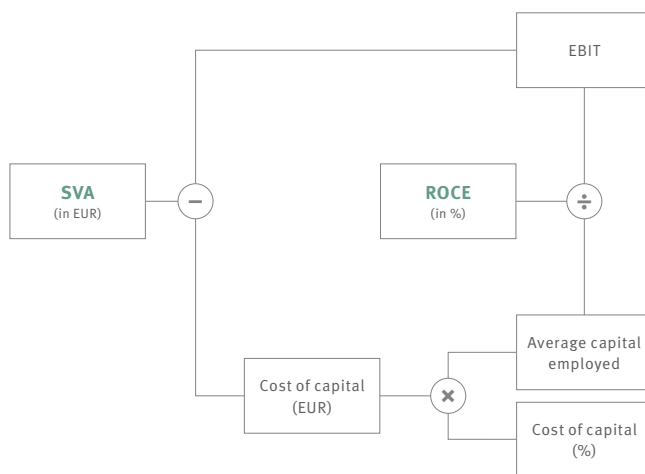
Strategic financial performance indicators

ROCE is a strategic financial performance indicator that measures the rate of return on the company’s capital and is defined as the ratio of **earnings before financial result and income taxes (EBIT)** to **average capital employed**. The Schaeffler Group’s average capital employed consists of the following balance sheet items: property, plant and equipment, intangible assets, investments in joint ventures and associated companies, as well as working capital, which in turn comprises trade receivables and inventories net of trade payables. Additionally, the calculation includes right-of-use assets under leases, contract assets, and costs to fulfill a contract net of contract liabilities and refund liabilities, as well as assets held for sale net of related liabilities. The annual average is determined as the mathematical average of the balance at the end of each of the twelve months. Management of capital employed is operationalized as part of the

management of free cash flow, which includes management of investing activities and management of working capital. If ROCE exceeds the cost of capital, the company is generating value by employing its resources. The pre-tax cost of capital amounts to 10%.

The Schaeffler Group’s value added in absolute terms is measured using the strategic financial performance indicator **SVA**. SVA is defined as EBIT less the cost of capital incurred on average capital employed. Positive SVA means that the Schaeffler Group has created value beyond covering its cost of capital. ROCE and SVA are additionally determined based on EBIT before special items.

Strategic financial performance indicators



Key operating financial performance indicators

The indicators ROCE and SVA serve as indicators of the amount of shareholder value added. For purposes of management during the year, these strategic performance indicators are operationalized using key financial performance indicators. Thus, the Schaeffler Group focuses on continually monitoring and increasing the following three key operating financial performance indicators:

- **Constant-currency revenue growth**
- **EBIT margin before special items**
- **Free cash flow before cash in- and outflows for M&A activities**

These three key operating financial performance indicators represent the basis for operating decisions and are also the basis for the outlook. The continuous improvement of these indicators also contributes to increasing ROCE and SVA. On the whole, increasing these indicators contributes to increasing long-term shareholder value by sustainably generating a premium over and above the cost of capital.

Constant-currency revenue growth: Revenue growth contributes to the company’s value creation and, in addition, determines the resources required for the company’s operations. Revenue growth measures the change in revenue compared to the prior year as a percentage. In order to make the evaluation of the company’s results of operations as transparent as possible and to increase the comparability over time, the Schaeffler Group reports constant-currency revenue growth. Constant-currency revenue growth is determined by translating revenue for the reporting periods at the average rates of the relevant prior year period. Revenue growth is also analyzed in comparison to relevant market indicators in order to evaluate the development of the company’s market position and competitive position.

Fundamental information about the group

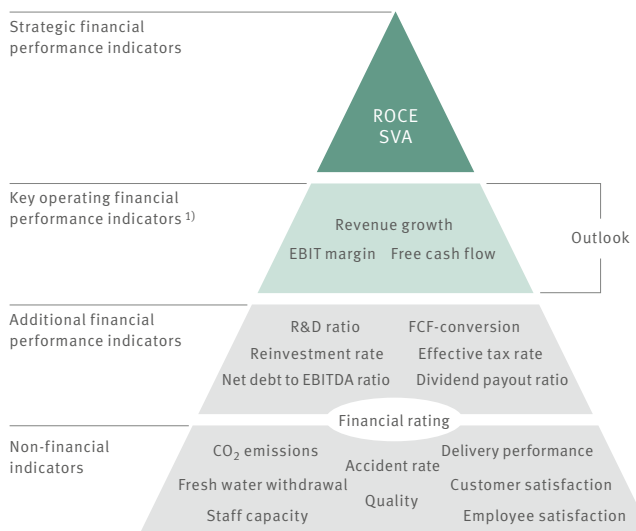
Group strategy and group management

EBIT margin before special items: The Schaeffler Group measures its operating earnings using the EBIT margin, which is a key factor influencing ROCE and SVA and, as such, is of particular importance for the Schaeffler Group’s profitability. The EBIT margin is a relative indicator calculated as the ratio of EBIT to revenue. The EBIT margin measures the company’s operating profitability and is calculated before special items in order to make the operating performance more comparable over time. Special items are items that the Board of Managing Directors considers to render the financial indicators less meaningful for evaluating the sustainability of the Schaeffler Group’s profitability due to their nature, frequency, and/or size.

Free cash flow before cash in- and outflows for M&A activities: Free cash flow measures the amount of cash inflows for a period. It is defined as the sum of cash flows from operating activities, cash flows from investing activities, and principal repayments on lease liabilities. Along with profitability, the key factors affecting free cash flow are effective management of working capital as well as the level of capital expenditures. As a result, free cash flow impacts the development of capital employed over time. In order to make the evaluation of the company’s results of operations as transparent as possible and improve comparability over time, the Schaeffler Group reports free cash flow, one of its key operating financial performance indicators, before cash in- and outflows for M&A activities. M&A activities consist of acquisitions and disposals of subsidiaries, interests in joint ventures, and other equity investments.

☰ More on trends in the indicators discussed above under “Course of business” and on special items on pp. 25 et seq.

Management system



1) Constant-currency revenue growth, EBIT margin (before special items), free cash flow before cash in- and outflows for M&A activities.

Additional financial performance indicators

In addition to the three key operating financial performance indicators, the Board of Managing Directors also continually tracks additional financial performance indicators including, among others, the reinvestment rate. The reinvestment rate is the ratio of additions to intangible assets and property, plant and equipment to depreciation, amortization, and impairment losses (excluding depreciation of right-of-use assets under leases and impairments of goodwill). To facilitate evaluation of the cash conversion cycle, the company determines FCF-conversion, which represents the ratio of free cash flow before cash in- and outflows for M&A activities to EBIT. The net financial debt to EBITDA ratio before special items is the ratio of net financial debt to EBITDA before special items. For this purpose, net financial debt is defined as the total of current and non-current financial debt

net of cash and cash equivalents. Additional financial performance indicators also include the R&D ratio, the effective tax rate, the financial rating, and the dividend payout ratio. For these purposes, the dividend payout ratio is determined based on net income (loss) before special items. The company also calculates the measure free cash flow before cash in- and outflows for M&A activities and before special items as an additional indicator.

The company further monitors a number of **leading operating indicators** in order to be able to identify trends in a multitude of factors affecting the Schaeffler Group’s business early on and take them into account in managing the company. For instance, the company analyzes forecasts of relevant market, economic, and sector data, such as gross domestic product, automobile and industrial production, vehicle population and age, or currency trends in order to gain insight into the future of the business. Raw materials prices are monitored as well in order to estimate trends in significant costs.

In order to obtain an indication of the likely level of capacity utilization and the probable revenue trend, Schaeffler also monitors certain leading operating indicators specific to each division.

- **Automotive Technologies:** Nominations for customer projects won within one period are measured using the indicator “lifetime sales” on an ongoing basis and compared to current period revenue by calculating the “book-to-bill ratio” which provides an indication of the Automotive Technologies division’s medium- to long-term potential for growth. Orders received for short-term delivery under master agreements with customers validly cover a period of approximately two months. Changes in this measure of capacity utilization are monitored on a weekly basis. As an enhancement to the division-specific leading operating indicators, the company aims to report order intake for the Automotive Technologies division in the future.

Fundamental information about the group


Research and development

- **Automotive Aftermarket:** For the Automotive Aftermarket, no comparable leading indicators can be derived from the volume of order intake or orders on hand. This division holds regular discussions with major customers and observes its markets to obtain leading indications of the short-term demand situation.
- **Industrial:** The Industrial division uses the change in orders on hand due within the following three months as a leading indicator. This figure is monitored on a monthly basis.

All financial indicators are calculated on a monthly basis using standardized reports on earnings, financial position, and net assets. These reports contain a comparison of budget vs. actual as well as a prior year comparison. The comparison of budget vs. actual is based on the annual budget flowing from the integrated operating budget embedded in a longer-range strategic corporate plan established by the Board of Managing Directors.

Non-financial indicators

In addition to the financial performance indicators, management monitors additional key non-financial indicators. Such indicators are calculated using standardized reports during the year and include: quality, staff capacity (headcount (HCO) and full-time equivalents (FTE)), delivery performance, customer satisfaction, employee satisfaction, employee accident rate, fresh water withdrawal, and CO₂ emissions.

 More in the sustainability report under:
www.schaeffler-sustainability-report.com/2022

For purposes of managing sustainability, the company measures additional non-financial indicators for the ten fields of action addressed in the sustainability strategy. These indicators are used in managing the operation of the group's sustainability measures.

In managing the company, senior management considers it imperative that Schaeffler Group employees act strictly within the relevant legal limits and comply with corporate governance standards.

1.3 Research and development

The Schaeffler Group considers the challenges brought by the transformation in mobility and motion to be an opportunity for actively helping to shape this transition. Aiming to identify opportunities in its dynamic and complex market environment early on in order to ensure profitable long-term growth with sustainable products, the Schaeffler Group has defined the “Innovation-to-business” strategy. It consists of three phases: The first is the innovation strategy with six product innovation clusters and two production innovation clusters. These clusters promote a clear focus on and early evaluation of innovative product ideas regarding their market potential. The innovation clusters are organized in a global project house in the second phase. Industrialization in accordance with customer and market requirements represents the third phase. The **6+2 innovation clusters** are integrated into “Innovation & Technology”, a cross-divisional subprogram of the “Roadmap 2025”.

The **(1) innovation cluster Energy Solutions** develops new technologies for a sustainable energy supply. Research is increasingly concentrating on hydrogen technology. For hydrogen production using proton exchange membrane (PEM) electrolyzers, new approaches for stack components were developed, as were fundamentals for increasing the efficiency of membrane electrode assemblies using new coatings. The performance of the component solutions developed was then validated on a demonstrator scale with respect to market requirements. In the field of hydrogen storage technology, the company demonstrated the fundamental applicability of Schaeffler fuel cell components in the use of liquid organic hydrogen carriers (LOHC) and investigated their potential for improvement. Developments for fuel cell

applications made during the year included metallic bipolar plates with carbon-based coatings. This novel high-performance coating system, “Enerect PC+”, makes the production of these key components in fuel cell systems more efficient, less expensive, and more sustainable. This innovation put the Schaeffler Group among the finalists for the “CLEPA Innovation Award” 2022 in the “Clean and Sustainable Mobility” category. In addition, setting up and commissioning a battery laboratory laid the foundation for researching and developing new materials and components for the newest generation of battery systems.

The **(2) innovation cluster Material Solutions** develops materials and coatings for existing and new applications. By developing and validating materials with a low-carbon or carbon-neutral footprint, this cluster contributes significantly to achieving the Schaeffler Group's climate targets. For instance, using green steel and alternate plastics considerably reduces the carbon footprint of products. Coating technology contributes to more sustainable solutions as well by helping to meet requirements specific to certain locations within the product with minimal use of materials.

The **(3) innovation cluster eDrive Solutions** focuses on developing electric drive systems and their core components, electric motors, power electronics, and software, as well as on the related mechanic transmission and bearing components for the next generation of electric drives and actuators. By clustering capabilities, the Schaeffler Group has expanded its role from providing components and subsystems to providing complex systems solutions for electric drives including software. One example of this is the electric drive of the 4-in-1 electric axle presented at the Schaeffler Kolloquium 2022. Its features include direct cooling of the stator windings via use of an integrated thermal management system. In addition, the company presented a series of new electric drives that combine high power density with improved overall system efficiency, including through the use of friction-improved bearing systems. The company's activities to enhance the 800-volt power electronics

Fundamental information about the group

Research and development

system focus on raising power density, reducing the carbon footprint, and increasing system efficiency. Being an automotive and industrial supplier, the Schaeffler Group also utilizes synergies by applying its electric mobility expertise to industrial applications, such as motors for offroad vehicles or the aerospace industry.

The **(4) innovation cluster Mobility Solutions** addresses the effective implementation of electric drive systems and automated driving as well as entirely new mobility concepts. One of the related research priorities is on new concepts such as autonomous people and logistics movers. A key technology in this area is the “Space Drive” steer-by-wire system – part of the more comprehensive drive-by-wire system that electronically controls not only the steering system but also the brakes and the drive of the vehicle. Additionally, at the IAA Transportation 2022, the Schaeffler Group presented a demonstration vehicle with a fuel cell powertrain developed on the basis of an electric van in collaboration with REFIRE, a leading global supplier of commercial hydrogen fuel cell technologies. The vehicle is driven by a 3-in-1 electric axle in conjunction with a battery that is combined with a fuel cell system. Its electric axle, fuel cell stack, control system, and energy management system were developed by the Schaeffler Group.

In the **(5) innovation cluster Robotics Solutions**, the Schaeffler Group develops system solutions for the growing robotics market. Its portfolio of rolling bearings, system components such as precision gearboxes and highly integrated torque sensor technology through to complete “smart” systems for robotics joints positions the Schaeffler Group as a partner to the dynamically growing robotics industry already today. At the Hannover Messe 2022, the Schaeffler Group presented newly developed bearings, gear units, and a fully integrated torque sensor system. These system solutions allow for instance cobots to execute motions more rapidly, more precisely, and with more flexibility. The acquisition of Schaeffler Ultra Precision Drives GmbH further expanded the product portfolio by ultra-precise

planetary gearboxes that are used in robots with higher payload capacities of up to approximately 100 kg as well. Additionally, the Schaeffler Group announced its collaboration with the DLR Institute of Robotics and Mechatronics during the year. An intensive strategic cooperation is designed to accelerate development of application-oriented solutions in robotics.

The **(6) innovation cluster Digital Solutions** combines the research activities aimed at developing digital products and product elements. The year’s development activity priorities included product-related AI applications, for instance for recording torques in robots and for sensor fusion in electric motors. The Schaeffler Group cooperates with partners, such as KI Park e.V. in Berlin, with the aim of researching possible future applications of artificial intelligence. Additionally, as part of its partnership with the Center for Tangible Artificial Intelligence and Digitalisierung (ZE-KI e.V.), the Schaeffler Group worked with TU Berlin on an automated electric vehicle based on the “Space Drive” steer-by-wire technology. Further, under the Schaeffler “SHARE” program, the “DEX” autonomous mobile robot platform was designed for the Industrial division to drive new production and service concepts based on intelligent technologies for a high degree of digitalization and automation.

In the **(+1) innovation cluster Advanced Manufacturing**, new processes are already developed to the point of industrialization while product development is still in progress. Examples include an additive process used for manufacturing hydrodynamic plain bearings for gearboxes in wind turbines, enhanced efficiency of existing manufacturing processes with respect to sustainability and utilization of material, as well as improved soft machining processes for gear components. By collaborating with, inter alia, external networks, universities, and the startup community, the cluster identifies disruptive innovations that are compared and evaluated against the division’s requirements in order to enhance immature manufacturing technologies in a targeted and needs-oriented manner.

In the **(+2) innovation cluster New Production Concepts**, the priority is on developing modular and flexible production concepts to ensure an efficient response to dynamic production requirements and volume scenarios. A high level of standardization and modularity aims to ensure that a wide range of process modules can be reused on a sustainable basis. Another research priority is making production more autonomous using primarily artificial intelligence and digital twins in order to sustainably reduce production cost. Priorities here are on the use of flexible and collaborative robots for assembly and handling tasks and on implementing driver-less transport systems along the entire value chain. A further focus is on solutions ensuring rapid and simple integration by means of low- and no-code approaches.

In order to safeguard its long-term technological competitive ability, the Schaeffler Group also jointly performs development on strategic issues of the future in a global innovation network of universities, companies, research institutions, and start-ups under the group’s Open Innovation strategy. The **Schaeffler Hub for Advanced Research (SHARE)** program comprises a global research network with leading universities. Under the program, the Schaeffler Group works closely with Karlsruhe Institute for Technology, Germany (research focus: electric and automated mobility), Friedrich-Alexander University of Erlangen-Nuremberg, Germany (research focus: artificial intelligence integrated into physical products and for cloud-based solutions), Nanyang Technological University, Singapore (research focus: robotics and digitalization), Southwest Jiaotong University in Chengdu, China (research focus: components and systems for high-speed trains), and Ohio State University in Columbus, U.S. (research focus: solid state batteries). Along with further collaborations with universities, the Schaeffler Group has a strategic partnership with Fraunhofer-Gesellschaft that has been in place since 2017.

Additionally, **close collaboration with start-ups** represents an important complementary component of the strategy for innovation. Oriented along the fields of innovation, the Schaeffler Group reviews future-oriented technologies and innovative business

Fundamental information about the group

Locations and production network

models and realizes pilot projects with start-ups and small and medium-sized businesses. This approach lays the foundation for a successful long-term strategic cooperation, for instance in the form of R&D partnerships, supply relationships, or future customer relationships.

Research and development expenses

	2018	2019	2020	2021	2022
Research and development expenses (in € millions)	847	849	684	748	768
Research and development expenses (in % of revenue)	6.0	5.9	5.4	5.4	4.9
Average number of research and development staff	7,956	7,834	7,780	7,414	7,447

In 2022, the Schaeffler Group employed an average of 7,447 R&D staff (prior year: 7,414) at 20 R&D centers (prior year: 20) and additional R&D locations in a total of 25 countries. The Schaeffler Group filed 1,806 patent registrations with the German Patent and Trademark Office in 2021, making it the third most innovative company in Germany. In addition, Schaeffler Group employees internally reported 2,201 inventions in 2022 (prior year: 2,761).

1.4 Locations and production network

With its 76 production facilities and 20 research and development centers at approximately 200 locations worldwide in 22 countries as well as a tight-knit sales and service network, the Schaeffler Group's customers always find it close at hand.

The Schaeffler Group evaluates the global footprint and characteristics of the company's locations on an ongoing basis. The transformation involves adjusting excess structural capacity and consolidating locations. The Wuppertal location where production ceased during the year is an example of this. The German locations impacted by the current restructuring measures will be strengthened by investments in new technologies and expanding local capabilities.

The company has a global production system. The plants, which employ approximately 64,000 staff, form the core of the Schaeffler Group's operations and are managed based on uniform principles on a cross-divisional basis. The global production system and the manufacturing technologies utilized in the plants represent key factors to the Schaeffler Group's worldwide success.

The company uses a multitude of instruments to ensure and improve the quality of its products and processes. "Fit for Quality" has been deeply embedded as an inherent part of quality-conscious action in the Schaeffler Group for many years. The quality program "SHAPE" was rolled out during the year to address the quality aspects of the challenges posed by the transformation. It covers the four key strategic directions of the Schaeffler Group's "Quality Roadmap". "SHAPE" goes hand in hand with the "Roadmap 2025" and comprises four focal elements: (1) technical expertise and reputation, (2) agile processes and methods, (3) quality principles and mindset and

(4) sustainable quality and performance. Its content structured in this manner, "SHAPE" spans the divisions, functions, and regions, representing the Schaeffler Group's comprehensive quality program. The Schaeffler Group's manufacturing locations have certified management systems in accordance with globally recognized quality norms, standards, and regulations. The Schaeffler Group applies the requirements of various norms¹ relevant for certification in the Schaeffler plants worldwide.

The Schaeffler Group develops new production technologies within its technology network and consistently enhances existing technologies in volume production. The Schaeffler Production System (SPS) forms the basis for efficient, agile, and sustainable production. Based on three principles – "Optimal Technology", "Engaged Teams", "Lean Processes" – and common methods, the aim is to ensure that the strategic objectives of (1) efficiency, (2) agility, and (3) sustainability are met in production and throughout the entire supply chain in order to increase customer satisfaction, enhance financial performance, and manufacture more sustainably.

Various areas within the Schaeffler Group are already developing production technology and connecting production equipment for the factory of the future. Advanced Production Technology (APT) has established a technology and innovation center in Erlangen-Frauenaurach in order to test solutions and bring them to series production. The new technology and innovation center is designed to increase flexibility in developing new production technology to the point of series production. It allows pilot projects for more sustainable and digital production to be thoroughly tested, in accordance with the "Optimal Technology" principle of the Schaeffler Production System. The new center at the Erlangen campus is scheduled to expand to a total area of 700 sqm by 2023.

¹ IATF 16949:2016 Quality management system (standard of the automotive sector); ISO/TS 22163 Quality management system (ISO 9001:2015 and particular requirements for application in the railway sector); SAE AS 9100D:2016-09-20 Quality Management Systems (Requirements for Aviation, Space, and Defense Organizations); ISO 9001:2015 Quality management systems (standard of the industrial sector).

Fundamental information about the group

Locations and production network

Additionally, the company opened a new tool technology center in Hoechstadt totaling approximately 8,000 sqm; it will manufacture precision tools for the global Schaeffler production network, particularly for the strategic future-oriented fields of electric mobility and robotics, but for mechatronic chassis applications as well. Tool Manufacturing develops and manufactures high-precision tools that facilitate mass production of products of the highest quality, further increase efficiency, and enable the production of innovative products such as bipolar plates. Additionally, the tool technology center represents an important step on the road to the partly autonomous digital factory: Here, the use of “model-based definition” will be key – a method for describing, directly on the 3D CAD model, all information relevant to production and the process; this information is then transferred directly to the highly automated production lines and utilized there.

Under its “Roadmap 2025”, the Schaeffler Group pilots digital solutions at various locations around the world. At the Bien Hoa plant in Vietnam, for instance, machine-, transport system-, and material flow-related information is tracked, analyzed, and exchanged in real time. Optimizing these production processes in real time makes production more agile and flexible. The plant uses a flexible, scalable, and secure digital infrastructure to record and provide real-time data from all relevant production assets.

Another pilot plant, the Taicang I plant in China, is pushing ahead with developing and implementing several solutions such as 100% machine connectivity by the end of 2022, paperless production, and digitalization outside the production building; the aim is to build a fully digital plant of the future as part of “Digitalization & IT”, a subprogram of the “Roadmap 2025”. The Schaeffler Group’s first plant in China, which started production in 1998, the Taicang I plant manufactures engine components for customers from the automotive industry. During the year, the plant started moving to a new campus in Taicang. The new

campus – known as “Plant NEO” – offers larger capacity for accommodating additional business units, providing new opportunities and possibilities for digitalization-related ambitions.

In 2022, the Schaeffler plant in Taicang also produced the 100,000th 2-in-1 electric axle. As production of the electric axle comprising an electric motor and transmission started in July 2021, an important milestone was reached within a year from the start of production. Along with the plant in Taicang, components for electric axles are produced by several of the company’s locations around the world. The plant in the Western Hungarian city of Szombathely was commissioned in September 2021. The facility is the Schaeffler Group’s first fully-dedicated electric mobility plant and gives the group a new center of excellence for the production of components and systems for electrified powertrains. A further production facility is being constructed in Wooster in North America, where the company is currently already manufacturing hybrid modules.

In Buehl, headquarters of the Automotive Technologies division and the Schaeffler Group’s E-Mobility business division, the company is expanding its existing electric mobility development and manufacturing campus. On a property approximately 8,000 sqm in size, the Schaeffler Group is investing in the construction of a new building and, hence, in this future-oriented field. The new center of excellence is part of the “Roadmap 2025” strategic program and another important step toward growing electric mobility. With the development and manufacturing campus expanded by a new building complex, many customer projects will ultimately be handled at this location. The new complex will complement the three existing buildings at the Bussmatten site, where the company is already developing and manufacturing components and systems for electric mobility. In a production hall currently used to manufacture transmission components, the Schaeffler Group is currently building a production plant for electric motors known as the UltraELab. This global flagship plant is being built in accordance with the principles known as the

“ultra-efficient factory”. This innovative manufacturing concept is being developed under the Agilo-Drive2 project led by the company alongside 17 other consortium partners with funding support from Germany’s Federal Ministry for Economic Affairs and Climate Action (“Bundesministerium für Wirtschaft und Klimaschutz” (BMWK)).

The footprint is further strengthened by the consolidation and distribution center in the Asia-Pacific area opened in Hosur, India, in 2022. Expanding across approximately 10,000 sqm and equipped with modern infrastructure and technology, the center will help in moving consolidated material from all plants to the southern region of India. This enables the company to strengthen its logistics footprint in India. Automated and digitalized operations are designed to help improve material handling and facilitate faster delivery to the customer.

The Schaeffler Group has further improved its value and supply chains in 2022, aiming to make the entire value stream shorter and more intelligent and, therefore, faster. The deciding factors in improving the value chain include digitalization. The company has developed a solution – the Schaeffler Transportation Data Cube (TDC) – for linking data from intercontinental shipments by, for instance, ship, rail, truck or air, from both internal data bases and external transport companies and data providers. This integrated information is essential for determining the most cost-efficient, reliable, and rapid logistics route, which in turn facilitates considerably reducing turnaround times and leveraging cost potentials. Starting early this year, the TDC was equipped with added functionalities, expanded by adding shipping cost rates and shipment data on sea, air, and rail connections, and made available to all employees.

During the year, the 10 millionth torque converter was manufactured at Schaeffler’s Puebla 2 plant at the Huejotzingo location in Mexico. The Puebla 2 plant was inaugurated in 2015 and specializes in manufacturing torque converters for U.S. and

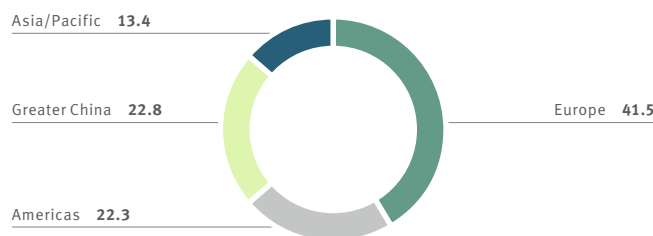
Fundamental information about the group

Locations and production network

Japanese automobile manufacturers. It offers a production area of approximately 62,000 sqm with highly sophisticated manufacturing equipment, its own tool manufacturing facility, and a research and development center.

Schaeffler Group revenue by region

in percent by market view



The **Europe region** combines the subregions Germany, Western Europe, Middle East & Africa, as well as Central & Eastern Europe. The Europe region contributed 41.5% (prior year: 42.0%) of consolidated revenue in 2022. Its Germany subregion represents the Schaeffler Group’s largest sales market. The degree of localization² amounted to approximately 84% (prior year: 86%) in 2022. The Europe region employed a total of 51,871 employees as at December 31, 2022, representing 62.7% of the company’s entire workforce. This figure includes the employees of the group’s headquarters in Herzogenaurach. The Europe region has 44 plants and 9 R&D centers. Its regional headquarters are located in Herzogenaurach, Germany, starting January 1, 2023 (until December 31, 2022: Schweinfurt, Germany).

The **Americas region** consists of the subregions U.S. & Canada, South America, and Mexico. The Americas region contributed 22.3% (prior year: 20.4%) of revenue in 2022. The degree of localization amounted to approximately 54% (prior year: 56%) in the Americas region. A total of 11,657 staff were employed at 13 plants – consisting of 6 plants in the U.S., 3 in Mexico, and 2 each in Canada and Brazil – and 5 R&D centers as well as at distribution locations in North and South America as at December 31, 2022. The Americas region has its regional headquarters in Fort Mill in the U.S. The Schaeffler Group has been manufacturing in this region since 1953.

The **Greater China region** comprises mainland China, Taiwan, Hong Kong, and Macao. Its regional headquarters are located in Anting, China. The Schaeffler Group’s first subsidiary in the Greater China region was founded in Taicang, China, in 1995. The region generated 22.8% (prior year: 23.8%) of group revenue in 2022. The degree of localization amounted to approximately 63% (prior year: 57%). A total of 12,874 staff were employed as at December 31, 2022, at 10 plants and 2 R&D centers in the Greater China region.

The **Asia/Pacific region** comprises the subregions South Korea, Japan, Southeast Asia, and India. 13.4% (prior year: 13.8%) of group revenue was generated by this region in 2022. The degree of localization amounted to approximately 42% (prior year: 42%) in 2022. The Asia/Pacific region had a total of 6,371 employees as at December 31, 2022. The regional headquarters are located in Singapore. The Schaeffler Group operates a total of 9 plants and 4 R&D centers in this region. The Schaeffler Group has been represented in this region since 1953.

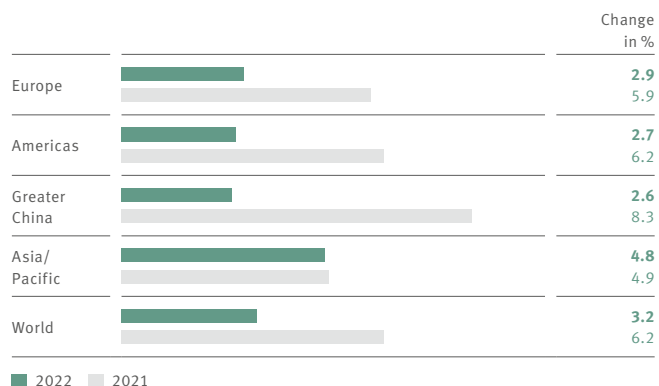
² The degree of localization describes the relation of sales volume manufactured in a region – taking into account procurement flows – to that region’s sales (sales by market view/prior year information presented based on 2022 segment structure).

2. Report on the economic position

2.1 Economic environment

Macroeconomic environment

Gross domestic product



■ 2022 ■ 2021

Source: Oxford Economics (January 2023).

Regions reflect the regional structure of the Schaeffler Group.

The growth of the **global economy** was affected considerably by a number of factors during the year. The war in Ukraine in combination with sanctions and counter-sanctions led to extensive economic uncertainty, hampered trade, and further disrupted

global supply chains. The latter had been disrupted since late in 2020 and had initially begun to stabilize early in the year. Additionally, key commodities prices came under enormous upward pressure at times. In Europe, considerably reduced imports of Russian natural gas led to temporary price jumps and triggered an energy crisis. In addition to the war in Ukraine, global economic growth also continued to be adversely affected by the persistent coronavirus pandemic. Renewed lockdown measures in China, particularly between March and May 2022, not only affected economic activity in that country but also put additional pressure on global supply chains.

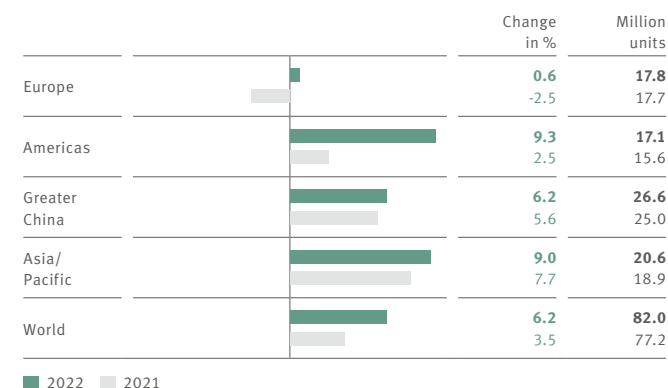
In connection with these developments, inflation – already high – rose further in many countries over the course of the year, right through to the fourth quarter in parts. The persistent inflationary pressure and resulting loss of purchasing power held back demand by private households; additionally, central banks worldwide responded by tightening their monetary policy, some considerably so.

Growth in global gross domestic product slowed continually during the reporting period. Driven by a widespread economic slowdown toward the end of the year, especially in key advanced economies, the deceleration of growth was particularly pronounced in the fourth quarter of 2022.

In the **currency markets**, the euro fell against the majority of the foreign currencies most significant to the Schaeffler Group. On an annual average basis, it lost considerably in value against the U.S. dollar, the Chinese renminbi, the Mexican peso, and the Indian rupee, but rose slightly against the South Korean won.

Sector-specific environment

Automobile production



■ 2022 ■ 2021

Source: S&P Global Mobility (January 2023).

Regions reflect the regional structure of the Schaeffler Group.

Report on the economic position

Economic environment

Despite growing volumes, global **automobile production**³ was impacted by the challenging economic environment during the year. Persistent supply shortages of semiconductors continued to result in extensive production losses, although they stabilized partly over the course of the year. Production in Russia slumped in light of economic sanctions and production stoppages there. Furthermore, a shortage of intermediate products from Ukraine interfered with production in Europe, particularly in Germany. Global automobile production continued to be hampered by the coronavirus pandemic as well. The lockdown measures in China temporarily interfered considerably with production in that country and, via disrupted supply chains, also affected production in other countries such as Japan. Along with these supply-side factors, consumer demand weakened over the course of the year, further adversely affecting growth in global automobile production.

While global automobile production declined slightly in the first half of 2022, the second half of 2022 saw double-digit growth from the low basis for comparison in the prior year. Similarly, each of the Schaeffler Group's four regions experienced double-digit growth in the second half of 2022. In the first half of 2022, however, a considerable contraction was reported in Europe, zero growth in Asia/Pacific, and only slight or moderate growth in Greater China and Americas.

Within the Europe region, automobile production in the euro region grew by 4.2%. In the Americas region, most of the major production countries experienced strong growth. Volumes produced during the year were up 9.4% from the prior year in the U.S., 11.2% in Canada, and 8.2% in Mexico, while Brazil

reported growth of 6.7%. Within the Greater China region, automobile production expanded by 6.3% in China. In the Asia/Pacific region, production volumes in Japan were down 1.1% from the prior year. In contrast, the region's remaining major production countries all experienced growth, especially India (23.8%). South Korea reported a growth rate of 7.2% and production volumes in Thailand rose by 9.8% compared to the prior year.

Vehicle population

		Change in %	Million units	Average age
Europe	2022	0.9	524.0	12.6
	2021	1.5	519.2	12.2
Americas	2022	1.0	433.9	11.9
	2021	1.3	429.8	11.6
Greater China	2022	5.8	293.5	7.0
	2021	6.4	277.3	6.6
Asia/Pacific	2022	2.1	249.8	10.2
	2021	2.3	244.6	10.0
World	2022	2.1	1,501.2	10.9
	2021	2.5	1,470.9	10.6

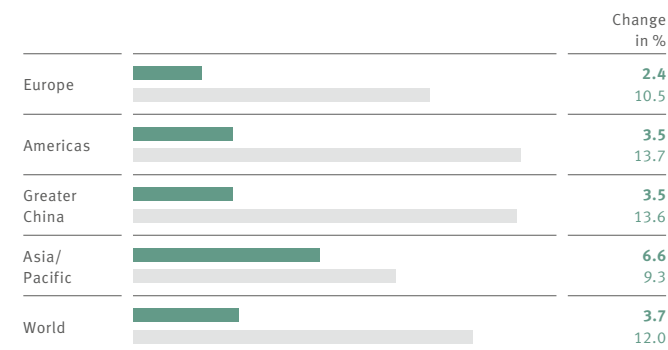
■ 2022 ■ 2021

Source: S&P Global Mobility (November 2022). Regions reflect the regional structure of the Schaeffler Group. The calculation of average age at the global level and by Schaeffler Group region is based on approximately 96% of the global vehicle population.

Growth in global **vehicle population**⁴ in 2022 was once again primarily driven by strong above-average growth in China.

Within the Europe region, the vehicle population in the euro region increased by 0.3% to 214.8 million units with the average age rising slightly to 11.6 years. In the U.S., the most significant market in the Americas region by far, the vehicle population grew by 0.8% to 285.4 million vehicles; the mean age increased slightly to 11.5 years. In the Greater China region, China reported a considerable 6.0% increase in vehicle population to 284.3 million units while the average age rose to 6.8 years. Within the Asia/Pacific region, the vehicle population in Japan stagnated at static at 73.7 million units and the mean age of the vehicle population was up slightly at 9.2 years. In India, however, the vehicle population expanded noticeably by 5.8% to a total of 54.2 million units with the mean age increasing slightly to 9.1 years.

Industrial production in the mechanical engineering, transport equipment, and electrical equipment sectors



■ 2022 ■ 2021
Source: Oxford Economics (December 2022). Regions reflect the regional structure of the Schaeffler Group.

³ Measured as the number of vehicles up to six tons in weight produced (S&P Global Mobility [January 2023]). Includes content supplied by S&P Global © [IHS Markit Light Vehicle Production Forecast (Base), January 2023]. All rights reserved.

⁴ Measured as the number of passenger cars and light commercial vehicles less than 3.5 tons in weight (S&P Global Mobility [November 2022]). Includes content supplied by S&P Global © [IHS Markit Vehicles in Operation (VIO), November 2022]. All rights reserved.

Report on the economic position

Economic environment

Based on preliminary estimates, growth in global **industrial production** for the year slowed considerably to 2.3% (Oxford Economics, December 2022) due to the challenging economic environment. The growth rates seen in the second and fourth quarters of 2022 were noticeably lower than those for the rest of the year; the trend reported for the sectors particularly relevant to the Schaeffler Group – mechanical engineering, transport equipment, and electrical equipment – was similar as well.⁵

In the Europe region, the relevant industrial production for the euro region increased by 3.2% from the prior year in 2022. As the impact of high energy prices grew, the growth rate slowed noticeably in the fourth quarter of 2022. Within the Americas region, the relevant industrial production in the U.S. rose by 2.7%, with comparable growth rates reported for the mechanical engineering and transport equipment sectors. While the relevant industrial production in the Greater China region declined year-on-year in the second quarter of 2022 against the background of strict lockdown measures, it grew during the remaining quarters of 2022. Strong above-average growth in the electrical equipment sector was the main driver of the growth rate reported for the Greater China region for 2022 as a whole, while the growth rate for mechanical engineering was merely slight. In the Asia/Pacific region, the relevant industrial production for 2022 in Japan expanded by 8.2%, primarily as a result of strong growth in the mechanical engineering sector. In India, the mechanical engineering sector expanded as well and, along with the transport equipment sector, contributed significantly to growth in the relevant industrial production of 2.4%. In South Korea, however, the mechanical engineering sector declined. As a result, the country's relevant industrial production was down 0.7% from prior year.

Procurement markets

The Schaeffler Group uses various materials in manufacturing its products, especially different types of steel, aluminum, copper, and plastics and lubricants, as well as energy, particularly natural gas and electricity. Commodity and energy market price trends affect the Schaeffler Group's cost to varying degrees and normally with some delay, depending on the terms of the relevant supplier contracts. Especially in steel purchasing, contracts are generally signed with terms of six or twelve months.

The outbreak of war in Ukraine led to price jumps in nearly all commodity and energy markets significant to the Schaeffler Group over the course of the first quarter of 2022, with some prices rising to historical highs. A number of factors, among them the increasingly deteriorating global economic outlook and falling demand, resulted in some prices starting to come down again over the remaining course of the year. The energy markets represented a significant exception due, among other things, to prices for natural gas not peaking at their high for the year until August as a result of persistent supply shortages, then falling again noticeably during the remainder of the year. Prices for European natural gas reached a historic high in August and this was reflected in a simultaneous jump in European electricity prices since the prices of natural gas and electricity are closely linked.

Steel is used to manufacture rolling bearings and automotive components. At the beginning of 2022, prices for cold- and hot-rolled steel remained high worldwide and exceeded their prior year averages, in Europe during the first two quarters of 2022. Having peaked once more in the second quarter of 2022 due to the war in Ukraine, spot prices then fell considerably worldwide against the backdrop of a weakening global economic outlook, averaging less than in the prior year on an annual basis (S&P Global Commodity Insights, January 2023). During the second

half of 2022, prices of fixed-term contracts fell noticeably more slowly than spot prices in procurement regions significant to the Schaeffler Group. Additionally, given the energy-intensive production process for long steel products, high energy prices significantly increased their prices year-on-year in Europe in 2022.

Aluminum is primarily used for pressure die castings, while copper is mainly required for electric motors and mechatronic components. On an annual average basis, the price of aluminum rose by approximately 9%, while the price of copper fell by around 5% (International Monetary Fund, January 2023).

The Schaeffler Group uses plastics, for instance to produce cages for rolling bearings, and lubricants serve to reduce friction in components and as preservatives. Plastics and lubricants are often made based on crude oil. The annual average price of crude oil was up approximately 42% from its prior year level (EIA, January 2023). Based on the ICIS Global Petrochemical Index (IPEX), average prices of processed petrochemical products, including the plastics used by the Schaeffler Group, were nearly 2% higher than in the prior year.

Energy in the form of natural gas and electricity is especially used to operate production machinery. On an annual average basis, the spot price of natural gas was up approximately 136% from its prior year level in Europe, while the U.S. reported an increase of 75% (International Monetary Fund, January 2023). Given the trend in natural gas prices in Europe, prices in the electricity markets jumped as well, with annual average wholesale electricity prices in the spot markets more than doubling from their prior year level in most European Union countries in 2022 (European Network of Transmission System Operators for Electricity, January 2023).⁶

⁵ Divisions 28 and 30 as well as group 27.1 of the NACE Rev. 2 classification.

⁶ Data supplied by Ember (January 2023).

2.2 Course of business 2022

Overall assessment of the 2022 business year by the Board of Managing Directors

In the view of the Board of Managing Directors, the Schaeffler Group did well overall in 2022, given the challenging environment. The considerable revenue growth of 9.4% excluding the impact of currency translation exceeded the guidance and was mainly driven by the Automotive Technologies and Industrial divisions. Sales prices in all three divisions had a favorable impact on revenue as well, especially since considerably higher factor input costs were increasingly passed on to the market.

Generating an EBIT margin before special items of 6.6%, the company met its guidance despite the challenging environment. Measures taken by the Schaeffler Group enabled it to proactively manage both the considerable cost impacts that could not be offset in full by adjusting sales prices and strains in the supply chains. Additionally, the company again benefited from its diversified stature in 2022. Especially the Industrial and Automotive Aftermarket divisions contributed significantly to group-level EBIT before special items.

Free cash flow before cash in- and outflows for M&A activities of EUR 280 m was within the guidance issued on May 9, 2022.

In addition to the encouraging trend in its financial position and earnings, the company has also made further progress on the “Execution Program 2025” of the strategy, “Roadmap 2025”, aimed at further transforming the Schaeffler Group. The Automotive Technologies division is increasingly focusing on electric mobility. Considerably expanded revenue as well as a growing number of nominations for customer projects won in the E-Mobility BD reflect this. Furthermore, the company decided on additional restructuring measures to further strengthen competitiveness. In the Automotive Aftermarket division, the logistics operation for automotive spare parts at the assembly and packaging center Europe (“Aftermarket Kitting Operation Europe”, abbreviated: AKO Europe) in Halle (Saale) launched a new operating model managed by the division during the year with the aim of further improving its delivery performance. The Industrial division’s acquisitions help further expand the technology and product portfolio.

The transformation process made progress in other areas as well. Based on the climate neutrality targets previously communicated, a comprehensive sustainability strategy was adopted and ten fields of action defined for its implementation. The transformation is also progressing with respect to construction, an example being the foundation stone ceremony for construction of the central laboratory facility in Herzogenaurach.

 More on the “Roadmap 2025” on pp. 10 et seq.

Results of operations compared to outlook 2022

The Board of Managing Directors of Schaeffler AG suspended the full-year outlook for 2022 for the **Schaeffler Group** and its divisions published on March 8, 2022, on the date of publication due to the developments in Ukraine and the resulting implications for the global economy since neither the future course of events nor their economic implications for the company were reliably predictable.

On May 9, 2022, the Board of Managing Directors of Schaeffler AG agreed on a new full-year outlook on the key operating financial performance indicators for 2022 based on information then available. At that date, the **Schaeffler Group** expected, for 2022, **revenue growth excluding the impact of currency translation** of 6 to 8%, an **EBIT margin before special items** of 5 to 7%, as well as **free cash flow before cash in- and outflows for M&A activities** of more than EUR 250 m and less than in the prior year. By generating considerable revenue growth of 9.4% excluding the impact of currency translation, the **Schaeffler Group** exceeded the revenue guidance issued on May 9, 2022. The Schaeffler Group’s EBIT margin before special items of 6.6% and free cash flow before cash in- and outflows for M&A activities of EUR 280 m both met the outlook issued on May 9, 2022.

Report on the economic position

Course of business 2022

On May 9, 2022, the group anticipated that its **Automotive Technologies division** would grow by 2 to 5 percentage points more than global automobile production of passenger cars and light commercial vehicles in 2022. On that basis, the company expected the Automotive Technologies division to generate moderate revenue growth, excluding the impact of currency translation. Additionally, the company expected that its Automotive Technologies division would generate an EBIT margin before special items of more than 2.5% and less than in the prior year. Automotive Technologies division revenue grew by 7.7% excluding the impact of currency translation, exceeding the guidance issued on May 9, 2022. The target corridor for outperformance was not quite reached. The division's EBIT margin before special items of 3.1% met the guidance issued on May 9, 2022, as well.

On May 9, 2022, the group anticipated that the **Automotive Aftermarket division** would generate moderate revenue growth excluding the impact of currency translation and an EBIT margin before special items of more than 12% and less than in the prior year. Both the moderate revenue growth of 7.0% excluding the impact of currency translation and the EBIT margin before special items of 12.5% generated by the division met the guidance issued on May 9, 2022.

On May 9, 2022, the group expected its **Industrial division** to generate considerable revenue growth excluding the impact of currency translation and an EBIT margin before special items of more than 11% and less than in the prior year. Both the division's considerable revenue growth of 14.7% excluding the impact of currency translation and the EBIT margin before special items of 11.7% met the guidance issued on May 9, 2022.

Comparison to outlook 2022

	Actual 2021		Outlook 2022	Actual 2022
			issued 02/22/2022; suspended 03/08/2022	
		adjusted comparative figure	issued 05/09/2022	
Schaeffler Group				
Revenue growth ¹⁾	10.2%		7 to 9%	9.4%
EBIT margin before special items ²⁾	8.8%		6 to 8%	6.6%
Free cash flow ³⁾	EUR 523 m		> EUR 300 m; below prior year	EUR 280 m
			> EUR 250 m; below prior year	
Automotive Technologies				
Revenue growth ¹⁾	7.8%		considerable revenue growth; 2 to 5%-age points above LVP growth ⁴⁾	7.7%
EBIT margin before special items ²⁾	6.4%		> 4%; below prior year	3.1%
			> 2.5%; below prior year	
Automotive Aftermarket				
Revenue growth ¹⁾	13.9%		slight revenue growth	7.0%
EBIT margin before special items ²⁾	13.9%		> 12%; below prior year	12.5%
			> 12%; below prior year	
Industrial				
Revenue growth ¹⁾	14.2%		considerable revenue growth	14.7%
EBIT margin before special items ²⁾	11.8%		> 11%; below prior year	11.7%
			> 11%; below prior year	

¹⁾ Constant-currency revenue growth compared to prior year.

²⁾ Please refer to pp. 32 et seq. for the definition of special items.

³⁾ Before cash in- and outflows for M&A activities.

⁴⁾ LVP growth: global growth in production of passenger cars and light commercial vehicles.

Report on the economic position

Earnings

2.3 Earnings

Schaeffler Group earnings

The growth in **revenue** excluding the impact of currency translation during the year was largely attributable to an increase in volumes in the Automotive Technologies and Industrial divisions. A favorable impact from sales prices in all three divisions further bolstered the revenue trend, especially since considerable rises in factor input costs were increasingly passed on to the market. In the **Automotive Technologies division**, a market-driven increase in demand and a lower basis for comparison marked by supply shortages were the main drivers of revenue growth excluding the impact of currency translation. The additional revenue at the **Automotive Aftermarket division**, excluding the impact of currency translation, in 2022 was primarily the result of a favorable impact from sales prices. Additionally, the considerable decline in volumes in the Central & Eastern Europe subregion attributable to the war in Ukraine was more than offset by volume growth in other markets. Revenue growth in the **Industrial division** excluding the impact of currency translation resulted mainly from higher volumes of the Europe region and, globally, Industrial Distribution and the Industrial Automation sector cluster.

The decline in **EBIT margin before special items** during the year was mainly due to the lower gross margin. The primary reason for this decrease were considerably higher factor input costs that were not fully compensated for by adjustments to sales prices. The main additional adverse impact on the EBIT margin before special items came from high freight and logistics costs.

See pp. 32 et seq. for a discussion of the special items recognized during the year.

in € millions	2022	2021	Change in %
Revenue	15,809	13,852	14.1
• at constant currency			9.4
Revenue by division			
Automotive Technologies	9,500	8,436	12.6
• at constant currency			7.7
Automotive Aftermarket	2,038	1,848	10.3
• at constant currency			7.0
Industrial	4,271	3,568	19.7
• at constant currency			14.7
Revenue by region ¹⁾			
Europe	6,559	5,823	12.7
• at constant currency			12.8
Americas	3,524	2,821	24.9
• at constant currency			12.6
Greater China	3,609	3,294	9.6
• at constant currency			1.9
Asia/Pacific	2,117	1,915	10.6
• at constant currency			7.5
Cost of sales	-12,230	-10,412	17.5
Gross profit	3,579	3,440	4.1
• in % of revenue	22.6	24.8	-
Research and development expenses	-768	-748	2.7
Selling and administrative expenses	-1,735	-1,518	14.3
Other income and expense	-67	91	-
Income (loss) from equity-accounted investees	-36	-44	-17.3
Earnings before financial result and income taxes (EBIT)	974	1,220	-20.2
• in % of revenue	6.2	8.8	-
Special items ²⁾	72	1	> 100
EBIT before special items	1,046	1,222	-14.4
• in % of revenue	6.6	8.8	-
Financial result	-121	-98	23.8
Income taxes	-268	-348	-23.0
Net income ³⁾	557	756	-26.3
Earnings per common non-voting share (basic/diluted, in €)	0.84	1.14	-26.3

¹⁾ Based on market (customer location).

²⁾ Please refer to pp. 32 et seq. for the definition of special items.

³⁾ Attributable to shareholders of the parent company.

Report on the economic position

Earnings

The Schaeffler Group's **financial result** deteriorated by EUR 23 m to EUR -121 m in 2022.

Schaeffler Group financial result

in € millions	2022	2021
Interest expense on financial debt ¹⁾	-99	-108
Gains and losses on derivatives and foreign exchange	-27	-1
Interest income and expense on pensions and partial retirement obligations	-25	-18
Other	30	30
Total	-121	-98

¹⁾ Incl. amortization of transaction costs and prepayment penalties.

Interest expense on financial debt amounted to EUR 99 m in 2022 (prior year: EUR 108 m), which was slightly below the prior year level. Derecognition of deferred transaction costs resulted in expenses of EUR 1 m (prior year: EUR 1 m).

Derivatives and foreign currency translation gave rise to a loss of EUR 27 m (prior year: EUR 1 m) in 2022, primarily since the euro weakened against the U.S. dollar.

EUR 30 m in income was included in Other in 2022 (prior year: EUR 30 m). This interest income primarily represents interest earned on bank balances in countries with foreign exchange restrictions and the impact of a change in the discount rate for provisions (long-service awards and funeral allowances, etc.). In the prior year, a one-off item resulted in EUR 24 m in interest income.

Income tax expense amounted to EUR 268 m in 2022 (prior year: EUR 348 m), resulting in an effective tax rate of 31.4% (prior year: 31.0%). The increase in the effective tax rate compared to the prior year was primarily the result of higher non-deductible expenses. They increased mainly due to higher deferred tax liabilities on dividends expected to be paid by subsidiaries and

higher withholding taxes. Recognition of previously unrecognized deferred taxes on temporary differences and loss carry-forwards had an offsetting impact.

Net income attributable to shareholders of the parent company for 2022 amounted to EUR 557 m (prior year: EUR 756 m). Net income was decreased by EUR 53 m in special items. **Net income before special items** was EUR 610 m (prior year: EUR 748 m). The Board of Managing Directors and the Supervisory Board will propose a dividend for 2022 of EUR 0.44 (prior year: EUR 0.49) per common share and EUR 0.45 (prior year: EUR 0.50) per common non-voting share to the annual general meeting. This represents a dividend payout ratio of 48.3% (prior year: 43.9%) of net income attributable to shareholders before special items.

Basic and diluted earnings per common share decreased to EUR 0.83 in 2022 (prior year: EUR 1.13). Basic and diluted **earnings per common non-voting share** amounted to EUR 0.84 (prior year: EUR 1.14). The number of shares used to calculate earnings per common share and earnings per common non-voting share was 500 million (prior year: 500 million) and 166 million (prior year: 166 million), respectively.

ROCE fell to 11.1% in 2022 (prior year: 14.9%); Schaeffler Value Added declined to EUR 97 m (prior year: EUR 403 m). **ROCE before special items** was 11.9% (prior year: 14.9%); **Schaeffler Value Added before special items (SVA)** decreased to EUR 170 m (prior year: EUR 404 m). The change in EBIT before special items as well as the increase in average capital employed compared to the prior year were the key drivers here.

Report on the economic position

Earnings

Automotive Technologies division earnings

The growth in **revenue** excluding the impact of currency translation during the year resulted mainly from higher volumes due to a market-driven increase in demand and from the low basis for comparison 2021 which was marked by supply shortages. Sales prices had an additional favorable impact on revenue during the year, especially since considerable rises in factor input costs were partly passed on to customers by adjusting sales prices. The division's revenue growth excluding the impact of currency translation once again exceeded the trend in global automobile production in 2022:

Outperformance 2022

	Europe	Americas	Greater China	Asia/Pacific	Total
Revenue growth (in %) ¹⁾	11.8	14.1	-1.4	4.5	7.7
LVP growth (in %) ²⁾	0.6	9.3	6.2	9.0	6.2
Outperformance (in percentage points)	11.2	4.8	-7.6	-4.5	1.5

In the E-Mobility and Chassis Systems BDs, which generated particularly considerable growth due to their specific market trends, a market-driven increase in volumes as well as product ramp-ups contributed to the considerable growth rates for the year.

The change in **EBIT margin before special items** was due, in particular, to a decrease in gross margin resulting from considerably higher factor input costs only partly offset by adjustments to sales prices. Further, highly volatile customer call-offs hampered production efficiency and, as a result, the gross margin. The main additional adverse impact on the EBIT margin before special items came from high freight and logistics costs.

in € millions	2022	2021	Change in %
Revenue	9,500	8,436	12.6
• at constant currency			7.7
Revenue by business division			
E-Mobility BD	1,349	1,038	29.9
• at constant currency			24.2
Engine & Transmission Systems BD	5,152	4,688	9.9
• at constant currency			4.5
Bearings BD	2,624	2,422	8.3
• at constant currency			4.6
Chassis Systems BD	375	288	30.5
• at constant currency			28.4
Revenue by region ³⁾			
Europe	3,440	3,075	11.9
• at constant currency			11.8
Americas	2,356	1,870	26.0
• at constant currency			14.1
Greater China	2,336	2,210	5.7
• at constant currency			-1.4
Asia/Pacific	1,368	1,281	6.8
• at constant currency			4.5
Cost of sales	-7,817	-6,629	17.9
Gross profit	1,683	1,807	-6.9
• in % of revenue	17.7	21.4	-
Research and development expenses	-604	-602	0.2
Selling and administrative expenses	-749	-672	11.5
Other income and expense	-41	90	-
Income (loss) from equity-accounted investees	-36	-43	-15.5
EBIT	253	579	-56.4
• in % of revenue	2.7	6.9	-
Special items ⁴⁾	39	-35	-
EBIT before special items	292	544	-46.4
• in % of revenue	3.1	6.4	-

Prior year information presented based on 2022 segment structure.

¹⁾ Constant-currency revenue growth compared to prior year.

²⁾ Includes content supplied by S&P Global © [IHS Markit Light Vehicle Production Forecast (Base), January 2023]. All rights reserved.

³⁾ Based on market (customer location).

⁴⁾ Please refer to pp. 32 et seq. for the definition of special items.

Report on the economic position

Earnings

Automotive Aftermarket division earnings

In 2022, **revenue** growth, excluding the impact of currency translation, was mainly attributable to a favorable impact from sales prices across all regions. A significant part of the considerable increase in procurement costs was passed on to the market via adjustments to sales prices. Volumes had a further favorable impact on the revenue trend. The division's revenue growth excluding the impact of currency translation was primarily driven by the **Europe region**. Along with a favorable impact from prices, growth there was also attributable to an increase in volumes in the second half of 2022. Overall, the considerable decline in volumes in the Independent Aftermarket business in the Central & Eastern Europe subregion – mainly in Russia, Belarus, and Ukraine due to the war in Ukraine – was more than offset by higher volumes in the Western Europe and Middle East & Africa subregions in 2022. In the **Americas region**, revenue growth resulted from a favorable impact of sales prices. Total sales volumes declined in this region, primarily since the decrease in automotive OES volumes in the U.S. & Canada subregion was not fully offset by growing Independent Aftermarket volumes in the South America and Mexico subregions. The favorable trend in the **Greater China region** was mainly driven by additional volume in the e-commerce business. The considerable growth reported by the **Asia/Pacific region** was attributable to higher volumes in the Independent Aftermarket business in India in particular.

The decrease in **EBIT margin before special items** from the prior year was primarily due to higher selling expenses, partly due to favorable one-off items related to a reimbursement of expenses by a service provider in the prior year. Adjustments to sales prices largely offset considerably increased procurement costs, contributing significantly to achieving a gross margin at prior year level.

in € millions	2022	2021	Change in %
Revenue	2,038	1,848	10.3
• at constant currency			7.0
Revenue by region ¹⁾			
Europe	1,355	1,276	6.2
• at constant currency			6.4
Americas	434	363	19.6
• at constant currency			6.5
Greater China	117	101	15.1
• at constant currency			6.7
Asia/Pacific	132	109	21.5
• at constant currency			16.4
Cost of sales	-1,396	-1,263	10.5
Gross profit	642	585	9.7
• in % of revenue	31.5	31.6	-
Research and development expenses	-18	-16	15.3
Selling and administrative expenses	-374	-320	16.9
Other income and expense	1	25	-95.7
EBIT	251	274	-8.6
• in % of revenue	12.3	14.8	-
Special items ²⁾	5	-18	-
EBIT before special items	255	256	-0.3
• in % of revenue	12.5	13.9	-

Prior year information presented based on 2022 segment structure.

¹⁾ Based on market (customer location).

²⁾ Please refer to pp. 32 et seq. for the definition of special items.

Report on the economic position

Earnings

Industrial division earnings

The growth in **revenue**, excluding the impact of currency translation, during the year was especially attributable to the strong increase in volumes. The impact of sales prices had an additional favorable effect on revenue growth, primarily since the majority of the considerable increases in procurement costs were passed on to the market via adjustments to sales prices. Revenue growth excluding the impact of translation was mainly driven by the **Europe region** which saw volumes grow considerably compared to the prior year, predominantly in Industrial Distribution and in the Industrial Automation sector cluster. Additionally, the Offroad, Raw Materials, and Power Transmission sector clusters generated double-digit revenue growth rates. The revenue trend in the **Americas region** were attributable to both higher volumes and a favorable impact of sales prices in Industrial Distribution and the Offroad and Raw Materials sector clusters. The additional revenue generated by the **Greater China region** during the year resulted primarily from increased volumes in the Raw Materials and Industrial Automation sector clusters. The Wind sector cluster – the sector cluster generating the highest revenue – in the Greater China region slightly expanded its revenue for the full year due to a strong second half of 2022. **Asia/Pacific region** revenue rose mainly on the back of volume growth in Industrial Distribution and the Two Wheelers sector cluster.

The **EBIT margin before special items** was flat with prior year despite considerable adverse impacts primarily from higher procurement as well as freight and logistics costs and non-operating one-off items. Along with the successful adjustment of sales prices, this was primarily attributable to economies of scale realized as a result of the sharp increase in sales volumes in particular.

in € millions	2022	2021	Change in %
Revenue	4,271	3,568	19.7
• at constant currency			14.7
Revenue by region ¹⁾			
Europe	1,764	1,472	19.8
• at constant currency			20.4
Americas	734	588	25.0
• at constant currency			11.6
Greater China	1,156	983	17.7
• at constant currency			8.8
Asia/Pacific	617	525	17.5
• at constant currency			13.2
Cost of sales	-3,016	-2,520	19.7
Gross profit	1,255	1,048	19.8
• in % of revenue	29.4	29.4	-
Research and development expenses	-146	-130	12.4
Selling and administrative expenses	-612	-526	16.3
Other income and expense	-27	-24	12.5
EBIT	470	367	28.2
• in % of revenue	11.0	10.3	-
Special items ²⁾	28	55	-48.1
EBIT before special items	499	421	18.3
• in % of revenue	11.7	11.8	-

Prior year information presented based on 2022 segment structure.

¹⁾ Based on market (customer location).

²⁾ Please refer to pp. 32 et seq. for the definition of special items.


Report on the economic position

Earnings

Performance indicators and special items

The information on the Schaeffler Group's earnings, net assets, and financial position is based on the requirements of International Financial Reporting Standards (IFRS) and, where applicable, German commercial law and German Accounting Standards (GAS).

In addition to the disclosures required by these standards, the Schaeffler Group also discloses certain performance indicators that are not defined in the relevant financial reporting standards. The company presents these measures in accordance with the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority, ESMA. Therefore, these indicators should be considered supplementary information. They are designed to provide comparability over time and across sectors and are calculated by making certain adjustments to, or calculating ratios between, line items contained in the income statement, statement of financial position, or statement of cash flows prepared in accordance with applicable financial reporting standards.

 Please refer to the "Group management" chapter on pp. 15 et seq. for a detailed discussion of performance indicators.

EBIT for the year was impacted by **special items**, most of which were recognized in other income and in other expenses. The **restructuring** category includes special items recognized in connection with the "Roadmap 2025" divisional subprograms, mainly related to the additional restructuring measures decided on in November (see "Significant events", pp. i2 et seq.) and consolidation of the footprint in Europe. The **M&A** category includes a remeasurement gain related to a business combination achieved in stages.

Reconciliation

	2022	2021	2022	2021 ¹⁾	2022	2021 ¹⁾	2022	2021 ¹⁾
Income statement (in € millions)	Total		Automotive Technologies		Automotive Aftermarket		Industrial	
EBIT	974	1,220	253	579	251	274	470	367
• in % of revenue	6.2	8.8	2.7	6.9	12.3	14.8	11.0	10.3
Special items	72	1	39	-35	5	-18	28	55
• Legal cases	0	-32	0	-12	0	-16	0	-4
• Restructuring	173	-10	127	-23	4	-2	42	16
– including divisional Roadmap 2025 subprograms of	173	3	127	-15	4	-1	42	19
– including indirect areas shared service center of	0	-13	0	-9	0	-2	0	-2
• M&A	-5	7	-19	0	2	0	12	7
• Other	-97	35	-70	0	-1	0	-26	35
EBIT before special items	1,046	1,222	292	544	255	256	499	421
• in % of revenue	6.6	8.8	3.1	6.4	12.5	13.9	11.7	11.8

Expenses related to acquisitions and disposals of subsidiaries had an offsetting impact on the M&A category. The Other category comprises gains that arose in connection recognizing at fair value short-, medium-, and long-term price and supply agreements held to secure the Schaeffler Group's energy supply.

Report on the economic position

Earnings

Reconciliation

	2022	2021
Income statement (in € millions)		Total
EBIT	974	1,220
• in % of revenue	6.2	8.8
Special items	72	1
• Legal cases	0	-32
• Restructuring	173	-10
– including divisional Roadmap 2025 subprograms of	173	3
– including indirect areas shared service center of		-13
• M&A	-5	7
• Other	-97	35
EBIT before special items	1,046	1,222
• in % of revenue	6.6	8.8
Net income ²⁾	557	756
Special items	53	-9
• Legal cases	-4	-55
• Restructuring	179	-10
• M&A	-5	7
• Other	-98	35
– Tax effect ³⁾	-20	14
Net income before special items ²⁾	610	748
Statement of financial position (in € millions)	12/31/2022	12/31/2021
Net financial debt	2,235	1,954
/ EBITDA	1,963	2,186
Net financial debt to EBITDA ratio	1.1	0.9
Net financial debt	2,235	1,954
/ EBITDA before special items	2,030	2,180
Net financial debt to EBITDA ratio before special items	1.1	0.9

	2022	2021
Statement of cash flows (in € millions)		
EBITDA	1,963	2,186
Special items	67	-6
• Legal cases	0	-32
• Restructuring	176	-17
• M&A	-13	7
• Other	-97	35
EBITDA before special items	2,030	2,180
Free cash flow (FCF)	84	500
-/+ Cash in- and outflows for M&A activities	195	23
FCF before cash in- and outflows for M&A activities	280	523
/ EBIT	974	1,220
FCF-conversion ⁴⁾	0.3	0.4
FCF before cash in- and outflows for M&A activities	280	523
Special items	261	307
• Legal cases	-30	-8
• Restructuring	287	308
• Other	4	7
FCF before cash in- and outflows for M&A activities and before special items	541	830
Value-based management (in € millions)		
EBIT	974	1,220
/ Average capital employed	8,761	8,174
ROCE (in %)	11.1	14.9
EBIT before special items	1,046	1,222
/ Average capital employed	8,761	8,174
ROCE before special items (in %)	11.9	14.9
EBIT	974	1,220
– Cost of capital	876	817
Schaeffler Value Added (SVA)	97	403
EBIT before special items	1,046	1,222
– Cost of capital	876	817
SVA before special items	170	404

¹⁾ Prior year information presented based on 2022 segment structure.

²⁾ Attributable to shareholders of the parent company.

³⁾ Based on each entity's specific tax rate and country-specific tax environment.

⁴⁾ Only reported if free cash flow before cash in- and outflows for M&A activities and EBIT positive.

Report on the economic position

Financial position and finance management

2.4 Financial position and finance management

Cash flow and liquidity

Cash flow

in € millions	2022	2021	Change in %
Cash flows from operating activities	1,139	1,276	-10.8
Cash used in investing activities	-990	-716	38.3
• including acquisition of subsidiaries, interests in joint ventures, and other equity investments	-191	-19	>100
• including disposal of subsidiaries, interests in joint ventures, and other equity investments	-4	-4	11.0
Cash used in financing activities	-891	-527	69.2
• including principal repayments on lease liabilities	-64	-59	7.6
Net increase (decrease) in cash and cash equivalents	-743	33	-
Effects of foreign exchange rate changes on cash and cash equivalents	-10	34	-
Change in cash and cash equivalents due to changes in the scope of consolidation	0	-3	-100
Cash and cash equivalents as at beginning of period	1,822	1,758	3.6
Cash and cash equivalents as at December 31	1,069	1,822	-41.3
Less cash and cash equivalents classified as assets held for sale as at December 31	7	0	-
Cash and cash equivalents as at December 31 (consolidated statement of financial position)	1,063	1,822	-41.7
Free cash flow (FCF)	84	500	-83.1
Free cash flow (FCF) before cash in- and outflows for M&A activities	280	523	-46.5

The change in **free cash flow before cash in- and outflows for M&A activities** compared to the prior year was primarily attributable to lower EBITDA and higher capital expenditures on property, plant and equipment and intangible assets.

The decrease in **cash flows from operating activities** resulted primarily from the EUR 223 m decline in EBITDA compared to the prior year. EBITDA for 2022 was held back by non-cash expenses, however, primarily related to the additional restructuring measures. Additionally, the expansion of working capital was

EUR 52 m more extensive than in the prior year, resulting in a slight adverse impact. EUR 239 m of the added expansion year-on-year was related to trade receivables and resulted from the considerable increase in sales volumes compared to the prior year, and EUR 90 m was related to trade payables. Inventories declining by EUR 278 m had an offsetting impact.

Capital expenditures on property, plant and equipment and intangible assets of EUR 791 m were EUR 120 m higher than in the prior year (prior year: EUR 671 m).

☰ More on investing activities on page 35.

Cash used in financing activities includes the dividends of EUR 336 m (prior year: EUR 165 m) paid in the second quarter of 2022. Changes in financial debt resulted in EUR 491 m in net cash outflows during the year (prior year: EUR 302 m).

☰ More on financing activities on pp. 36 et seq.

Cash and cash equivalents decreased by EUR 759 m to EUR 1,063 m as at December 31, 2022.

At December 31, 2022, cash and cash equivalents consisted primarily of bank balances and short-term deposits. EUR 241 m (prior year: EUR 221 m) of this amount related to countries with foreign exchange restrictions and other legal and contractual restrictions. In addition, the Schaeffler Group has a revolving credit facility of EUR 2.0 bn (prior year: EUR 1.8 bn), a term loan of EUR 500 m that was undrawn as at December 31, 2022, and other bilateral lines of credit totaling EUR 118 m (prior year: EUR 138 m) of which EUR 17 m was drawn as at December 31, 2022. EUR 55 m of the revolving credit facility was utilized (prior year: EUR 33 m) in the form of letters of credit. Deducting bank balances in countries with foreign exchange restrictions and other legal and contractual restrictions results in total available liquidity of EUR 3,317 m.

Report on the economic position

Financial position and finance management

Investing activities

Total additions to intangible assets and property, plant and equipment amounted to EUR 814 m (prior year: EUR 670 m). Approx. 68% of these additions related to the **Automotive Technologies division**, approx. 4% to the **Automotive Aftermarket division**, and approx. 28% to the **Industrial division**. The group’s **reinvestment rate** for the reporting period amounted to 0.88 (prior year: 0.74).

Additions to intangible assets and property, plant and equipment by division

in € millions	2022	2021
Additions to intangible assets and property, plant and equipment – Schaeffler Group	814	670
Automotive Technologies	551	428
Automotive Aftermarket	34	20
Industrial	230	223
Reinvestment rate ¹⁾ – Schaeffler Group	0.88	0.74
Automotive Technologies	0.77	0.60
Automotive Aftermarket	1.21	0.73
Industrial	1.25	1.38

¹⁾ The reinvestment rate is the ratio of additions to intangible assets and property, plant and equipment to depreciation, amortization, and impairment losses (excluding depreciation of right-of-use assets under leases and impairments of goodwill).

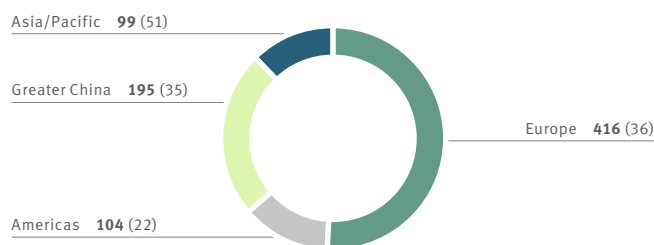
The majority of the Schaeffler Group’s additions to intangible assets and property, plant and equipment were related to the **Automotive Technologies division**, which invested primarily in new product start-ups and capacity expansions in the Europe and Greater China regions; examples related to electric mobility are the expansion of the development and manufacturing campus in Buehl and the campus expansion in Taicang, China. The **Automotive Aftermarket division** used funds, inter alia, in connection with a new logistics warehouse in the Americas region. The **Industrial division** invested, inter alia, in expanding production capacities in the Europe and Asia/Pacific regions, such as construction of a logistics building in Brasov, Romania, and a

production building in India. Additionally, all three divisions invested in energy efficiency measures and the use of renewable energy.

As part of the “Roadmap 2025”, construction of the new cross-divisional central laboratory facility continued at the Schaeffler Group’s global headquarters in Herzogenaurach, and the company invested in completing the tool-manufacturing center of excellence at the Hoechststadt location. Further funds were invested in the implementation of “SAP S/4 HANA”.

Schaeffler Group capital expenditures ¹⁾ by region

in € millions (change from prior year in € millions)



¹⁾ Additions to intangible assets and property, plant and equipment.

Report on the economic position

Financial position and finance management

Financial debt

The group's net financial debt increased by EUR 281 m to EUR 2,235 m (prior year: EUR 1,954 m) in 2022.

Net financial debt

in € millions	12/31/2022	12/31/2021	Change in %
Bonds	2,939	3,480	-15.5
Schuldschein loans	297	297	0.1
Revolving credit facility	0	-1	-100
Commercial paper	50	0	-
Other financial debt	12	0	> 100
Total financial debt	3,298	3,776	-12.7
Cash and cash equivalents	1,063	1,822	-41.7
Net financial debt	2,235	1,954	14.4

The net debt to EBITDA ratio, defined as the ratio of net financial debt to earnings before financial result, income taxes, depreciation, amortization, and impairment losses (EBITDA), amounted to 1.1 as at December 31, 2022 (prior year: 0.9). The net debt to EBITDA ratio before special items was 1.1 (prior year: 0.9).

Schaeffler AG is rated by the three rating agencies Fitch, Moody's, and Standard & Poor's. The following summary shows the Schaeffler Group's credit ratings as at December 31, 2022:

Schaeffler Group ratings

as at December 31

Rating agency	2022	2021	2022	2021
	Company		Bonds	
	Rating/Outlook		Rating	
Fitch	BB+/stable	BB+/stable	BB+	BB+
Moody's	Ba1/positive	Ba1/positive	Ba1	Ba1
Standard & Poor's	BB+/stable	BB+/stable	BB+	BB+

On November 2, 2022, Schaeffler AG signed a EUR 2.5 bn syndicated credit agreement; this agreement provides the Schaeffler Group with a revolving credit facility of EUR 2.0 bn that was unutilized as at December 31, 2022, except for EUR 55 m (December 31, 2021: EUR 33 m) in the form of letters of credit. The term of the revolving credit facility was extended to November 2027. Additionally, the new credit agreement includes a EUR 500 m term loan due in November 2027 that was unutilized as at December 31, 2022. Under the agreement, the margins are linked to two selected ESG targets.

The group had additional bilateral lines of credit in the equivalent of EUR 118 m (prior year: EUR 138 m), primarily in Germany, the U.S., and South Korea. EUR 101 m of these facilities were unutilized as at December 31, 2022 (prior year: EUR 127 m).

On March 1, 2022, Schaeffler AG prepaid in full a bond series (ISIN DE000A2YB699) with an outstanding principal of EUR 545 m and an original due date of March 26, 2022.

Report on the economic position

Financial position and finance management

Schaeffler AG had the following bonds outstanding under its debt issuance program as at December 31, 2022:

Schaeffler Group bonds

ISIN	Currency	12/31/2022	12/31/2021	12/31/2022	12/31/2021	Coupon	Maturity
		Principal in millions		Carrying amount in € millions			
DE000A2YB699 ¹⁾	EUR	0	545	0	544	1.125%	03/26/2022
DE000A2YB7A7	EUR	800	800	798	796	1.875%	03/26/2024
DE000A289Q91	EUR	750	750	748	747	2.750%	10/12/2025
DE000A2YB7B5	EUR	650	650	646	645	2.875%	03/26/2027
DE000A3H2TA0	EUR	750	750	747	747	3.375%	10/12/2028
Total		2,950	3,495	2,939	3,480		

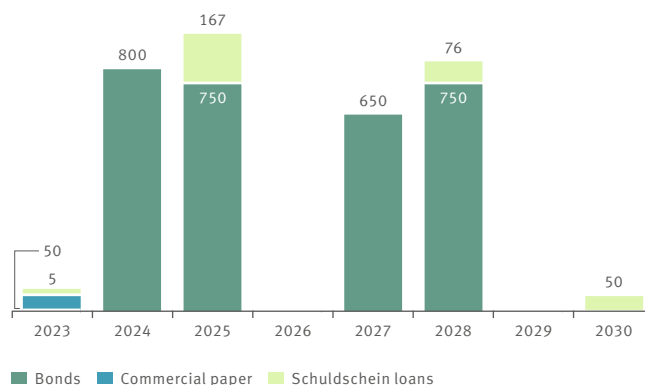
¹⁾ Bond series was prepaid on March 1, 2022.

Under its existing debt financing agreements, the Schaeffler Group is subject to certain constraints including a requirement to meet a leverage covenant. Compliance with this financial covenant is monitored continually and reported to the lending banks on a regular basis. As in the prior year, the company has complied with the leverage covenant throughout 2022 as stipulated in the debt agreements.

The company's maturity profile, which consists of commercial paper, Schuldschein loans, and the bonds issued by Schaeffler AG, was as follows as at December 31, 2022:

Maturity profile

Principal outstanding as at December 31, 2022, in € millions



Finance management

The objective of the Schaeffler Group's **finance management** is to ensure that sufficient liquidity is available to the group and to its foreign and domestic subsidiaries at all times. Finance management primarily comprises capital management and liquidity management.

Corporate **capital management** provides the financial resources required by Schaeffler Group entities, ensures the long-term availability of liquidity, and secures the Schaeffler Group's credit standing. Capital management also administers and continually improves the company's existing financial debt consisting of its external group financing arrangements. To this end, the Schaeffler Group has laid the foundations for efficiently obtaining debt and equity funding via the capital markets. The Schaeffler Group's management will continue to value highly the group's ability to place financial instruments with a broad range of investors and to improve financing terms. Additionally, the company aims to regain investment grade ratings from all rating agencies.

External group financing is primarily provided by capital and money market instruments, Schuldschein loans, as well as syndicated and bilateral lines of credit from international banks. These include, in particular, a EUR 500 m term loan and a EUR 2.0 bn revolving credit facility that is available to cover any short- to medium-term liquidity needs. Furthermore, Schaeffler AG has established a commercial paper program with an aggregate volume of EUR 1.0 bn to cover short-term liquidity needs. In addition, the Schaeffler Group uses receivable sale programs to a limited extent to manage liquidity and improve its working capital. In particular, the company has access to a receivable sale program for revolving sales of trade receivables for this purpose. The program has a total volume of up to EUR 200 m of which EUR 166 m (prior year: EUR 150 m) were utilized as at December 31, 2022. Additionally, the Schaeffler Group has the ability to selectively use further receivable sale programs without a fixed committed volume.

Report on the economic position

Net assets and capital structure

The Schaeffler Group has a policy of financing its domestic and foreign subsidiaries from internal sources. In accordance with this policy, subsidiaries' financing needs are met largely using internal loans to the extent possible and economically justifiable. As a result, subsidiaries are primarily financed by loans provided by Schaeffler AG and one other subsidiary. As part of the company's **liquidity management** measures, liquidity is balanced between group companies on a short- and medium-term basis using primarily cash pools or intercompany loans. In a few cases, Corporate Treasury also obtains lines of credit for subsidiaries from local banks. Local financing is primarily used to cover fluctuations in working capital.

Centralized finance management performed by the Corporate Treasury department ensures a uniform presence in the capital markets and when dealing with rating agencies, eliminates structural differences between the various groups of creditors, and strengthens the group's bargaining position with respect to banks and other market participants. In addition, centralized finance management facilitates the efficient allocation of liquidity as well as groupwide management of financial risk (foreign exchange and interest) on a net basis.

2.5 Net assets and capital structure

Consolidated statement of financial position (abbreviated)

in € millions	12/31/2022	12/31/2021	Change in %
ASSETS			
Non-current assets	7,180	7,194	-0.2
Current assets	7,104	7,170	-0.9
Total assets	14,284	14,364	-0.6
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	4,141	3,165	30.8
Non-current liabilities	5,772	6,516	-11.4
Current liabilities	4,372	4,683	-6.6
Total shareholders' equity and liabilities	14,284	14,364	-0.6

The trend in **non-current assets** was partly due to a decrease in deferred tax assets and in property, plant and equipment. The acquisition of all of the remaining shares of Schaeffler ByWire Technologie GmbH & Co. KG had an offsetting effect. Further, intangible assets increased as a result of the acquisition of Schaeffler Ultra Precision Drives GmbH.

☰ More on investing activities on page 35.

The decrease in **current assets** was mainly attributable to a reduction in cash and cash equivalents. An increase in inventories and trade receivables had an offsetting impact.

☰ More on cash flow and liquidity on page 34.

Shareholders' equity including non-controlling interests rose primarily due to favorable items in accumulated other comprehensive income as well as to net income. The dividends paid to Schaeffler AG's shareholders reduced shareholders' equity. The equity ratio was 29.0% as at December 31, 2022 (December 31, 2021: 22.0%).

Non-current liabilities declined mainly due to a decrease in provisions for pensions and similar obligations that was attributable to the average discount rate rising to 4.1% (December 31, 2021: 1.5%) in particular.

Current liabilities decreased primarily because of current financial debt, the main driver being the repayment of a EUR 545 m bond series in March 2022. The decline in provisions was partly related to the "Roadmap 2025" divisional subprograms. An increase in trade payables had an offsetting impact.

The Schaeffler Group's off-balance sheet commitments include mainly contingent liabilities.

Report on the economic position

Net assets, financial position, and earnings of Schaeffler AG

2.6 Net assets, financial position, and earnings of Schaeffler AG

Schaeffler AG is a stock corporation domiciled in Germany with its registered office located at Industriestr. 1–3, 91074 Herzogenaurach. It acts as a management holding company and is responsible for directing the Schaeffler Group and managing its business as well as its financing; it also employs the staff at the Schaeffler Group's corporate headquarters.

The Board of Managing Directors of Schaeffler AG is responsible for the key management functions of the Schaeffler Group. Schaeffler AG's situation is largely determined by the Schaeffler Group's operating performance.

The following discussion relates to the separate financial statements of Schaeffler AG prepared in accordance with the requirements of the German Commercial Code (HGB) and the German Stock Corporations Act (AktG).

Schaeffler AG earnings**Income statement of Schaeffler AG (abbreviated)**

in € millions	2022	2021	Change in %
Revenue	16	24	-30.1
Cost of sales	-16	-22	-27.4
Gross profit	1	2	-60.5
General and administrative expenses	-147	-137	7.6
Net other operating income	7	-20	> 100
Income from equity investments	791	813	-2.7
Interest result	-195	-169	-15.7
Income taxes	-38	-39	-2.1
Earnings after income taxes	418	450	-7.1
Net income for the year	418	450	-7.2
Retained earnings brought forward	122	0	> 100
Withdrawal from other revenue reserves	0	0	0.0
Retained earnings	540	450	20.0

In performing its function as management holding company of the Schaeffler Group, Schaeffler AG incurred EUR 147 m (prior year: EUR 137 m) in general and administrative expenses. The increase was partly due to an increase in consulting expenses in connection with acquisition projects.

Schaeffler AG performs most of the Schaeffler Group's hedging activities related to currency risk. As a result, its net other operating income is characterized by foreign exchange gains and losses on hedges of currency risk arising from the operations and on financing arrangements of the Schaeffler Group.

Income from equity investments consisted of withdrawals of EUR 791 m (prior year: EUR 800 m) from Schaeffler Technologies AG & Co. KG.

Interest result deteriorated from the prior year largely due to a further write-down of the investment in Schaeffler Immobilien AG & Co. KG of EUR 85 m (prior year: EUR 54 m). Total interest expense of EUR 175 m (prior year: EUR 153 m) includes EUR 81 m (prior year: EUR 86 m) related to bonds.

Income taxes amounted to EUR 38 m in 2022 (prior year: EUR 39 m) and consisted exclusively of current income taxes. Schaeffler AG has had deferred tax assets since 2016. It has opted out of recognizing deferred tax assets in accordance with section 274 (1) sentence 2 HGB. Consequently, just as in the prior year, the company did not have any deferred tax expense or benefit in 2022.

Retained earnings consist of EUR 418 m (prior year: EUR 450 m) in net income and EUR 122 m (prior year: EUR 0 m) in retained earnings brought forward.

The Board of Managing Directors and the Supervisory Board will propose to the annual general meeting to pay a dividend for 2022 of EUR 0.44 (prior year: EUR 0.49) per common share and EUR 0.45 (prior year: EUR 0.50) per common non-voting share and to add the remaining retained earnings of EUR 246 m to other revenue reserves.

The Board of Managing Directors considers the results of operations of Schaeffler AG, which are highly dependent on the course of business of the Schaeffler Group, to be good overall given the challenging environment.

Report on the economic position

Net assets, financial position, and earnings of Schaeffler AG

Schaeffler AG financial position and net assets**Balance sheet of Schaeffler AG (abbreviated)**

in € millions	12/31/2022	12/31/2021	Change in %
ASSETS			
Fixed assets	14,159	14,322	-1.1
Current assets	10,783	10,136	6.4
Prepaid expenses and deferred charges	0	33	-99.1
Excess of plan assets over post-employment benefit liability	1	3	-51.5
Total assets	24,943	24,495	1.8
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	7,528	7,438	1.2
Provisions	306	251	21.7
Liabilities	17,110	16,805	1.8
Deferred income	0	0	0.0
Total shareholders' equity and liabilities	24,943	24,495	1.8

Fixed assets consisted primarily of shares in Schaeffler Technologies AG & Co. KG. The carrying amount of the investment in Schaeffler Immobilien AG & Co. KG was written down by EUR 85 m in 2022 (prior year: EUR 54 m) due to a decrease in profitability.

Current assets largely consist of short-term loans and other financial receivables related to Schaeffler AG's cash pooling function and responsibility for the internal group financing of the Schaeffler Group. This line item further includes Schaeffler AG's claim to the net income of Schaeffler Technologies AG & Co. KG of EUR 791 m (prior year: EUR 800 m) that had not yet been paid as at December 31, 2022. Schaeffler Technologies AG & Co. KG paid EUR 800 m in respect of the prior year's net income to

Schaeffler AG in 2022, and Schaeffler AG used these funds entirely to pay off existing liabilities due to Schaeffler Technologies AG & Co. KG.

Schaeffler AG manages the Schaeffler Group's cash pool and held bank balances of EUR 553 m (prior year: EUR 1,198 m) at the end of the reporting period.

On April 21, 2022, Schaeffler AG's annual general meeting passed a resolution to pay a dividend of EUR 328 m (prior year: EUR 162 m) to Schaeffler AG's shareholders for 2021 and to carry forward the remaining retained earnings of EUR 122 m (prior year: EUR 7 m) to the following year.

The increase in provisions was mainly attributable to provisions for pending losses on forward exchange contracts tax as well as provisions for trade and corporation taxes.

A bond series with a principal outstanding of EUR 545 m was repaid in full in 2022.

The company has short-term loans payable to affiliated companies related to Schaeffler AG's cash pooling function and responsibility for the internal group financing of the Schaeffler Group.

 More on financial debt on pp. 36 et seq.

Closing statement on the dependency report

Closing statement on the report on relations with affiliated companies prepared by the Board of Managing Directors in accordance with section 312 AktG.

Schaeffler AG has been a company dependent on IHO Verwaltungs GmbH, Herzogenaurach, in accordance with section 312 AktG since October 24, 2014. Therefore, the Board of Managing Directors of Schaeffler AG has prepared a report on relations with affiliated companies by the Board of Managing Directors in accordance with section 312 (1) AktG which contains the following closing statement:

“In the legal transactions and measures listed in the report on relations with affiliated companies, our company has in each legal transaction received appropriate compensation in the circumstances known to us at the time the legal transactions were executed or the measures were executed or not executed, and has not been disadvantaged by the fact that such measures were executed or not executed”.

Report on the economic position



Other components of the group management report

2.7 Other components of the group management report

The following chapters are also part of the combined management report:

- “Corporate governance declaration including the corporate governance report” on pp. 59 et seq.,
- “Governance structure” on pp. 70 et seq.,
- “Governing bodies of the company” on pp. 75 et seq.

The following references also form part of the combined management report:

-  Corporate governance declaration including the corporate governance report in accordance with sections 289f HGB and 315d HGB incl. the declaration of conformity pursuant to section 161 AktG at: www.schaeffler.com/ir
-  Combined separate group non-financial report in accordance with sections 289b (3) and 315b (3) HGB within the sustainability report at: www.schaeffler-sustainability-report.com/2022

3. Supplementary report

On July 24, 2022, an agreement was signed for the acquisition of 100% of the shares of the Ewellix Group. Upon closing of the transaction on January 3, 2023, the Ewellix Group became wholly owned by the Schaeffler Group. The Ewellix Group is a leading global manufacturer and supplier of drive and linear motion solutions. Its core products include actuators, lifting columns, robot range extenders, ball and roller screws, and linear guides (monorail guidance systems and linear ball bearings). These products are used in a wide range of applications and equipment types, including medical technology, mobile machinery, assembly automation and robotics, and various other areas of industry. This step significantly expands the Schaeffler Group's linear technology portfolio. Upon closing, consideration of EUR 582 m was paid in cash for the shares and EUR 10 m in repayment of a shareholder loan. Additionally, the Ewellix Group's bank loans of EUR 109 m were repaid as well. The provisional goodwill ranging from EUR 374 to 428 m, which cannot be recognized for tax purposes and is therefore not tax-deductible, represents synergies as well as the value of the planned enhancement of the technology portfolio. Due to merger control restrictions in place up to the closing on January 3, 2023, determination of acquired assets and liabilities assumed was only possible in ranges on an aggregated basis at the time of preparation of the consolidated financial statements. The following table summarizes the expected assets acquired and liabilities assumed at their provisional acquisition-date fair value.

Assets acquired and liabilities assumed

in € millions	Ewellix Group
Non-current assets	301–372
Current assets	134
Non-current liabilities	104–121
Current liabilities	166
Net assets acquired	165–219
Purchase price	593
Goodwill	374–428

On January 2, 2023, Schaeffler AG drew down EUR 350 m of a loan.

No other material events expected to have a significant impact on the net assets, financial position, or results of operations of the Schaeffler Group occurred after December 31, 2022.

4. Report on opportunities and risks

The Schaeffler Group's risk management system is an integral component of its governance structure.

 More on corporate governance on pp. 59 et seq.

The Schaeffler Group is exposed to a large number of potential risks that can adversely affect its business. The company also systematically identifies opportunities.

The Schaeffler Group's risk strategy calls for the group to cautiously take on calculated business risks in order to execute the company's strategy and take advantage of the related opportunities. Along with successfully realizing opportunities, operating a profitable business requires identifying, assessing, and managing the related risks early on. Avoiding individual risks potentially jeopardizing the continued existence of the company as well as compliance violations is imperative.

To be able to appropriately respond to these risks, the company has a risk management system in place to ensure that risks, particularly those to the company's continued existence as a going concern and to its development, are identified on a timely basis. For the Schaeffler Group, risks potentially jeopardizing the continued existence of the company are any risks potentially resulting in insolvency. The risk tolerance is the maximum amount of risk the company can bear without jeopardizing its continued existence over time. It represents the maximum loss that does

not yet result in the breach of a covenant or a liquidity shortfall or a rating downgrade below the minimum rating required to appropriately refinance outstanding debt.

Risks are defined as possible future developments or events that lead to adverse deviations from budgeted results. When assessing risks, the company considers the impact on its EBIT margin (earnings), free cash flow (financial position), and shareholders' equity (net assets), depending on the risk category.

4.1 Risk management system

The objective of the risk management system is to identify, assess and manage risks in accordance with the company's risk strategy on a timely basis. This applies particularly to risks to the company's continued existence as a going concern and to its development, which are responded to with appropriate action. Consciously addressing identified risks and regularly monitoring risk factors is designed to increase risk awareness and ensure a continuous improvement process.

The groupwide risk management system is based on the management-oriented enterprise risk management (ERM) approach, which in turn has its basis in the globally recognized framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As described in this framework, the processes of the risk management system are linked to financial reporting and the system of internal control over financial reporting.

Responsibility for the risk management system rests with the Board of Managing Directors of Schaeffler AG. The Board of Managing Directors regularly reports to the Schaeffler AG audit committee and ensures that necessary risk management measures are approved. Details of the risk management system are largely set out in a risk management guideline issued by the Board of Managing Directors and published within the Schaeffler Group, making it available to all employees. It contains a description of the process, the allocation of responsibilities, and the structure of the risk management system. The Board of Managing Directors has asked Risk Management to review and update the risk management system on an ongoing basis and to ensure that existing uniform groupwide standards are implemented and complied with. All instructions from Risk Management are binding on all individuals responsible for risk.

Report on opportunities and risks

Risk management system


Structure of risk management system



The risk management system consists of a multi-phase process spanning various levels and organizational units in order to appropriately reflect the matrix structure of the Schaeffler Group. In a bottom-up process, risks are identified and analyzed at the subsidiary level. Based on this analysis, the next step is a top-down analysis by the appropriate global management of the functions and divisions. They assess the risks identified within the subsidiaries, taking into account interdependencies within the Schaeffler Group. This approach ensures that all dimensions of the Schaeffler Group’s matrix structure are reflected in the risk management system. The Financial Risk Committee that is headed up by the Chief Financial Officer and includes

representatives of the divisions and functions is tasked with validating the risk position following completion of the quarterly risk survey and review process as the basis for reports to the Board of Managing Directors. This validation covers all strategic, operating, legal, and financial risks along the value chain as well as all risks related to the non-financial declaration. Risks are identified at all material Schaeffler Group companies on a semiannual basis. Additionally, any significant risks are added to and updated in the risk management system on an ongoing basis. Operating management is responsible for identifying risks. The timeframe for identifying risks is five years, longer than the outlook horizon.

The risk management process also comprises the system for identifying opportunities and risks related to the non-financial declaration in accordance with section 289b (3) HGB in connection with section 289c HGB. These are described in the Schaeffler Group’s separate sustainability report.

 Combined separate group non-financial report in accordance with sections 289b (3) and 315b (3) HGB within the sustainability report at: www.schaeffler-sustainability-report.com/2022

The guideline also defines – as a further component of the risk management system – a groupwide catalog of risk categories to ensure that the entire value chain is reviewed when identifying risks. Identified risks have to be assigned to the predefined risk categories. This catalog must be completely reviewed by all those responsible for risk in order to ensure uniform and complete identification of risks. To make risk assessment comparable, suggested risk assessments have been provided for all risk categories.

Subsidiaries included are selected using a defined selection process based on revenue and earnings (EBIT) as well as risk factors specific to the business. This selection process ensures that all Schaeffler Group subsidiaries that are relevant from a materiality perspective are included in the risk management system. In 2022, 41 of 150 Schaeffler Group entities were included, representing 94% of revenue. The remaining 109 entities are subject to an abbreviated risk survey process ensuring that all risks to the existence of the company as a going concern are identified.

The risk management system deals with all risks in their entirety; however, reports only include risks with a potential amount of damage above EUR 5 m on a gross basis. Risks are assessed based on their amount of damage and their probability of occurrence. The assessment classifies the amount of damage of each risk in one of four categories: very low, low, medium, and high. Classification is performed based on the amount of damage for

Report on opportunities and risks

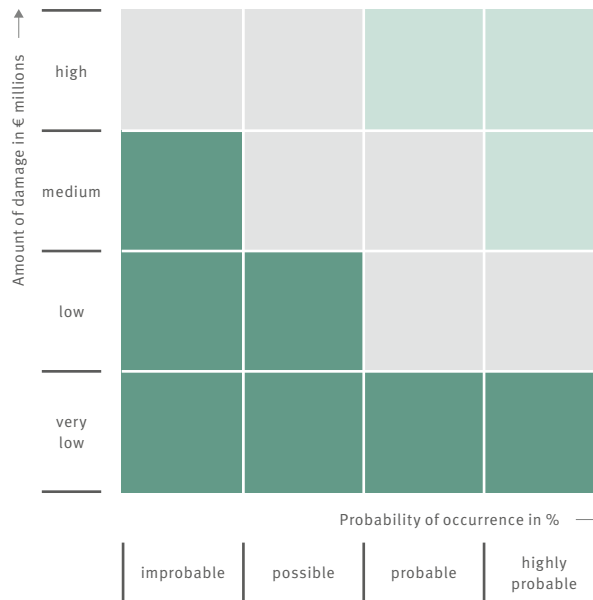
Risk management system

one year. The probability of occurrence is assessed using percentages and is classified in the four categories “improbable”, “possible”, “probable,” and “highly probable”. The combination of estimated amount of damage and probability of occurrence determines the risk class, which is classified as either low, medium, or high based on its impact on net assets, the financial position, and earnings. Risks are assigned to the various risk classes using the risk matrix. In assessing risks, the Schaeffler Group differentiates between gross exposures and net exposures. Measures already in place can reduce the gross exposure with respect to both amount of damage and probability of occurrence. The net exposure represents the amount of damage and the probability of occurrence after taking into account any risk mitigation measures in place at the reporting date.

Under an enhancement made to the risk management system, the total risk position is determined by aggregating risks using a Monte Carlo simulation based on the net exposures identified. This results in a quantitative risk position in terms of the deviation from budgeted cash flows and budgeted EBIT. The Schaeffler Group uses the 95 percent quantile of the resulting risk distribution to determine the deviation from budgeted EBIT and cash flows as a worst-case analysis. There is a 95% probability that the deviation from budget will be less than the amount thus determined. The resulting amount for the aggregated risks is then compared to the company’s risk tolerance. Any relevant interdependencies between the Schaeffler Group’s risks are determined and presented qualitatively.

Identified risks are actively managed to achieve the company’s intended level of risk mitigation. Management is responsible for taking measures to avoid or reduce risks or to provide safeguards against them. Any risks that cannot be mitigated by taking appropriate action are classified as business risks. Risks with a low impact on the Schaeffler Group are managed by operating management. Risks with a medium or high impact, however, are also managed by the Board of Managing Directors of Schaeffler AG. Within the relevant area of responsibility, each member of the

Risk matrix



Board of Managing Directors decides what measures are required and ensures that they are implemented and kept up to date. The measures are internally reviewed for effectiveness on a regular basis.

Risk Management reports to the Board of Managing Directors on the risk situation semiannually. All net exposures with a medium or high impact are reported to the Board of Managing Directors. These reports also include an aggregated summary of identified opportunities. Between regular reporting dates, any significant changes in the risk position are reported timely to the Board of Managing Directors in a defined process. Reports to the audit committee are made annually.

Impact assessment

Amount of damage in €

< 10 million	very low
>= 10 million – < 25 million	low
>= 25 million – <= 50 million	medium
> 50 million	high

Probability of occurrence in %

< 25%	improbable
25% – < 50%	possible
50% – 75%	probable
> 75%	highly probable

Risk classes

low medium high
Impact on net assets, financial position, and earnings

Internal Audit includes the reported risks in its risk-based audit approach and assists with monitoring implementation of risk management measures.

In response to the growing complexity of the risk management system and to ensure data is protected, Schaeffler captures risks in a risk management tool developed specifically for this purpose.

The risk management system is part of the interaction of the governance functions under the GRC approach.

☰ More on the governance structure on pp. 70 et seq.

Report on opportunities and risks

Internal control system

4.2 Internal control system

Internal control system⁷

The objective of the Schaeffler Group's internal control system (ICS) is to ensure the legal compliance of the accounting system and the related financial reporting, reliability of sustainability reporting, compliance with legal and internal requirements, as well as the effectiveness and efficiency of operations.

Internal controls were implemented to ensure the reliability of sustainability reporting. Compliance with legal and internal requirements is covered by the governance system as well as the controls integrated in the organizational structure and processes. A management handbook in effect groupwide sets out guidelines, procedures, measures, and controls designed to ensure the effectiveness and efficiency of operations.

The Schaeffler Group's internal control system is conceptually based on the COSO Framework. The components defined in the Framework are applied to all levels of the group.

The Board of Managing Directors of Schaeffler AG and the managing directors of subsidiaries are obliged to exercise due care in the performance of their duties. Establishing, maintaining, and documenting a comprehensive internal control system represents a significant part of such due care.

Like the Board of Managing Directors, the Supervisory Board is similarly obliged to monitor the effectiveness of the internal control system. Within the Schaeffler AG Supervisory Board, this monitoring function is performed by the audit committee. Internal Audit regularly audits the appropriateness and effectiveness of governance structure systems. The above operating controls supplement the system of internal control over financial reporting described in further detail below.

System of internal control over financial reporting

The legal compliance of the accounting system and the related financial reporting is ensured via the system of internal control over financial reporting. The objective of the system of internal control over financial reporting is to ensure that financial reporting as it relates to the consolidated and separate financial statements of Schaeffler AG together with the combined management report is free from material misstatements and that such misstatements are prevented, detected, and eliminated before compilation. Within Finance & IT, the Board of Managing Directors has implemented internal monitoring measures designed to ensure the appropriateness and effectiveness of the system of internal control over financial reporting. These include monitoring measures and controls integrated in the process in particular.

The Schaeffler Group's system of internal control over financial reporting is conceptually based on the COSO Framework. The components defined in the Framework are applied to all levels of the group, especially including the compilation of the separate and consolidated financial statements of Schaeffler AG.

For purposes of the system of internal control over financial reporting, key risks and key controls are defined and documented for the accounting processes themselves, and also for the functional processes such as sales, purchasing, inventory, and HR to the extent they impact financial reporting. The appropriateness and effectiveness of controls is ensured by monitoring measures integrated in the process, such as control testing, and extensive quality assurance.

The ICS Governance department was set up to assist the Board of Managing Directors of Schaeffler AG with issues relating to the system of internal control over financial reporting. ICS Governance applies scoping to ensure that the significant risks identified in the relevant processes are covered by appropriate

internal controls in order to ensure reliable financial reporting. Additionally, the corporate ICS Governance department stipulates the methodology for documenting and testing controls and, by way of corporate quality assurance measures, ensures it is applied.

Regional ICS coordinators with responsibility for the system of internal control over financial reporting coordinate and monitor activities related to the system of internal control over financial reporting for all Schaeffler Group entities in the scope of the relevant Schaeffler region. Such regional managers have been defined for the Europe, Asia/Pacific, Greater China, and Americas regions. Local ICS coordinators address any issues relating to the system of internal control over financial reporting within Schaeffler Group entities.

The financial statement information reported by Schaeffler AG and its subsidiaries via a uniform groupwide chart of accounts represents the base data for the compilation of the separate and consolidated financial statements. Many subsidiaries receive support from an internal shared services organization in this process. The Schaeffler Group obtains assistance from external specialists in dealing with certain complex issues requiring extensive specialized knowledge (such as the valuation of pension obligations).

Conceptual and process-related requirements and deadlines as well as analyses and reasonability assessments at group and company level ensure that the separate and consolidated financial statements of Schaeffler AG are compiled, prepared, and issued in accordance with the law, to a high level of quality, and on time.

⁷ section unaudited

Report on opportunities and risks

Risks

The following significant features have been implemented within the system of internal control over financial reporting of the Schaeffler Group:

- An accounting manual sets out uniform accounting policies, taking into account new IFRS financial reporting standards required to be applied for the first time.
- Closing guidelines issued quarterly provide Schaeffler AG subsidiaries with information on all relevant issues regarding the content as well as the processes and deadlines for compiling the financial statements.
- Tasks and responsibilities regarding the compilation of the separate and consolidated financial statements are clearly defined and assigned in a detailed plan setting out the process and deadlines for their compilation.
- The operating units and the various staff members involved in the process stay in close contact on matters concerning accounting, financial statement compilation, and quality assurance with respect to financial statement compilation.

The relevant staff receive targeted annual training on topics such as documenting or testing controls.

The process for compiling the separate and consolidated financial statements is itself secured by numerous control activities, taking into account materiality. In particular, these include extensive systems-based reasonability checks, controls using reviews (by a second member of staff) performed on a regular basis, and analyses and reasonability assessments of the quarterly and annual consolidated financial statements at the corporate level.

As at each year-end, management assesses the appropriateness and effectiveness of the system of internal control over financial reporting in place. To this end, the Schaeffler Group uses a standardized methodology to identify the group companies and processes relevant to the system of internal control over financial reporting, define the required controls, and document them in accordance with uniform requirements. This is then followed up with a review of the effectiveness of the defined controls that is performed using a risk-based approach, either by the reporting unit itself, by Internal Audit, or as part of the audit of the consolidated financial statements. This review involves evaluating and assessing risks as well as reporting on them to management with the relevant responsibility at all organizational levels of the Schaeffler Group's companies and the group. Where control weaknesses exist, actions to eliminate these weaknesses have to be defined.

Internal Audit audits the appropriateness and effectiveness of the system of internal control over financial reporting under a rolling multi-year testing plan. These audits are performed in accordance with the risk-based annual audit plan.

Regardless of the assessed level of effectiveness of the Schaeffler Group's system of internal control over financial reporting, the effectiveness of any internal control system is inherently limited. No control system – no matter how effective it has been assessed as – can prevent or detect all inaccuracies.

These arrangements as well as their continuous improvement are designed to provide reasonable assurance that the system of internal control over financial reporting prevents significant misstatements of the separate and the consolidated financial statements. At the same time, the aim is to ensure quality standards are maintained in compilation, preparation, and issuance.

4.3 Risks

The net risks discussed below could take on a medium or high impact on the Schaeffler Group's earnings, financial position, and net assets within the planning horizon. Risks are divided into strategic, operating, legal, and financial risks and are described in decreasing order of the magnitude of their impact on the Schaeffler Group's net assets, financial position, and earnings. Unless the extent to which the divisions are affected by these risks is explicitly described, the discussion of the risks relates to all three of the Schaeffler Group's divisions.

Strategic risks

The key strategic risks of the Schaeffler Group are described below.

Macroeconomic environment

The implications of macroeconomic, political, and geopolitical developments could hamper the Schaeffler Group's operations or planned growth.

Especially the war in Ukraine and the related economic sanctions and export controls have hampered global economic activity and increased volatility in the global financial markets. These developments give rise to risks to future global economic growth.

Further economic sanctions as well as an expansion of military action or any potential rationing of the gas supply to industry in Europe could give rise to significant market, production, and procurement risks entailing a medium impact on the Schaeffler Group's financial position, net assets, and earnings.

Report on opportunities and risks

Risks

Additionally, high inflation rates have become entrenched and the economic outlook has deteriorated. The high inflation rates could precipitate higher production costs. Meanwhile, rising prices could reduce purchasing power, hampering demand for the company's products. On the whole, unexpectedly large and persistent price increases could slow economic growth and, at the level of the company, any resulting large increases in production and personnel costs and hampering of demand in the medium term could have a medium impact on the net assets, financial position, and earnings of the Schaeffler Group. Any additional tightening of monetary policy aimed at fighting the high level of inflation could further weaken demand and make financing the increased costs more difficult.

Protectionism

Growing protectionism in trade policy or changes in the political and regulatory environment in markets in which the Schaeffler Group maintains business relations could have a medium impact on the Schaeffler Group's net assets, financial position, and earnings. Import/export control regulations, customs regulations, and other trade barriers could even halt sales entirely in certain countries. The environment is continually being monitored and modelled in scenarios in order to facilitate initiating targeted action.

Strategic market risks

The Schaeffler Group operates in a highly competitive and technologically fast-paced environment.

The Automotive Technologies division's component business is facing considerable pricing pressure driven by increasing demands for price reductions on the part of customers, purchasing cooperatives, and growing competition, especially in the emerging markets. The company could be unable to fully pass these demands for price reductions on to its own suppliers and to absorb them entirely with its existing structure. Additionally, accelerated electrification will lead to lower component revenue in the medium term.

This trend requires the Schaeffler Group to constantly improve its efficiency and diversify into new lines of business in order to safeguard and further expand its market position. The increasing pricing pressure could have a medium impact on the Schaeffler Group's financial position and earnings.

The progressive transition away from the component business toward systems business could reduce the proportion of value added by the Schaeffler Group. This trend is being addressed using various measures, including strategically enhancing production along modular design principles and establishing strategic supplier relationships.

The Schaeffler Group's competitiveness depends fundamentally on its ability to anticipate and shape the technological trends above and to continue to manufacture innovative products cost-effectively. If the company does not succeed in this, there is a medium risk to the Schaeffler Group's net assets, financial position, and earnings beyond the planning horizon.

Electric mobility and autonomous driving

Electrification of automobiles is progressing, and as a result, the further development of conventional powertrains is coming under pressure. Firstly, further increases in the efficiency of conventional powertrains will become less relevant, and secondly, existing products and applications will be replaced. The E-Mobility BD is designed to further expand a portfolio of products for this field in order to offset any potential losses in revenue from conventional powertrains in the years ahead. Should the related strategic initiatives undertaken not have the desired effect, this could have a medium impact on the Schaeffler Group's financial position and earnings. Initiating cost reduction measures can reduce the amount of damage.

There is significant uncertainty beyond the ten-year risk-identification timeframe as to what technologies and what customers will prevail in the market for electric mobility. In contrast to the traditional components business, revenue in the systems business with electric mobility is heavily concentrated on

individual customer projects. As a result, the Schaeffler Group is more dependent on the market success of individual customer projects in this business. As no set standards have become established in electric mobility to date, customers are trying out a variety of technological solutions. Therefore, there is a risk of developing technological approaches for customers that fail to succeed in the market in the long term, which could result in assets becoming impaired before they are fully amortized. The company strives to diversify these risks by maintaining a balanced portfolio of customers and product technologies and supplying components to programs where the Schaeffler Group does not necessarily act as system integrator.

Along with the progressive electrification of automobiles, developments and the offered range of assistance systems are accelerating toward fully automated vehicles as is the introduction of people movers. This trend is set out in the Schaeffler Group's Vision Autonomous Vehicle. Should actual developments deviate from expectations, this could have a medium impact on the Schaeffler Group's financial position, net assets, and earnings. The assumptions underlying these developments are subject to continual strategic review.

The transition of the automotive industry toward electric mobility and autonomous driving renders the market highly dynamic, particularly the strategically important market of Greater China. This trend could lead to changes with respect to market participants. First, new players could enter the market with whom the Schaeffler Group does not yet have any extensive customer relationship. Second, the market share of OEMs with currently only a below-average Schaeffler content per vehicle could increase. If the company does not succeed in systematically identifying promising OEMs and establishing good customer relationships, a medium impact on the Schaeffler Group's financial position, net assets, and earnings is expected.

Report on opportunities and risks

Risks

Operating risks

The key operating risks of the Schaeffler Group are listed below.

Production risk

As the Schaeffler Group's production is very capital-intensive, a large proportion of its costs are fixed. As a result, a decrease in utilization of plant capacity can increase the company's costs and reduce its profitability. Being a global corporation, the Schaeffler Group regularly reviews market conditions and compares them to its footprint in the region. Several factors play a role in this process, including the economy, supply and demand, as well as decisions made by original equipment manufacturers. Improving the global footprint could require plants or parts of plants to be relocated. Remaining spare capacity and unused non-current assets can lead to additional costs.

The Schaeffler Group's global production and manufacturing locations are subject to high environmental standards. This is highlighted by the large number of locations certified under EMAS. New legislation or changes in the legal environment, both at the national and at the international level could entail risks with a medium impact on the Schaeffler Group's net assets, financial position, and earnings. The group's environmental management system, which has been rolled out worldwide, is subject to a constant quality assurance process and is enhanced as needed. Despite high environmental standards, identification of past environmental impacts potentially requiring restoration measures cannot be ruled out. These could have a high impact on the Schaeffler Group's net assets, financial position, and earnings.

At several locations, facilitating full utilization of capacity may require having only one of a given type of machine available. The failure of one of these bottleneck machines can lead to a bottleneck in supply to internal and external customers, especially in the Automotive Technologies division. The period between failure of the bottleneck machine and when alternative means of

production are set up is key here. Alternative means of production can either be set up by a Schaeffler Group plant with comparable production lines or provided by an alternative supplier. Establishing safety stock can also help reduce losses. To minimize the probability of occurrence, the risk is mitigated by continuous maintenance. However, failure of bottleneck machines represents a medium risk to the Schaeffler Group's financial position and earnings.

The influence of force majeure could result in delays or interruptions in the supply chain. How quickly alternative means of production can be set up is key in this case as well. To minimize the probability of occurrence of unplanned interruptions, the company takes extensive fire precautions. Nevertheless, the consequences of the influence of force majeure could have a medium impact on the Schaeffler Group's net assets, financial position, and earnings.

Market developments

As the Schaeffler Group is a global automotive and industrial supplier, demand for the Schaeffler Group's products is to a large extent driven by global economic conditions. Demand for products of the Schaeffler Group depends considerably on the overall economic trend. In addition, demand is subject to cyclical fluctuations. Since especially the Industrial division is impacted significantly by macroeconomic trends, any deterioration in the economic environment leads to a medium impact on the Schaeffler Group's net assets, financial position, and earnings.

In the Automotive Technologies division, demand is not only affected by global economic conditions, but also by other factors, including changes in consumption patterns, fuel prices, and interest rate levels. Especially the persistent uncertainty regarding the political environment could continue to jeopardize market growth. The large number of economic factors affecting global demand for automobiles leads to significant volatility in automobile production, which makes forecasting sales exactly considerably more difficult. A change in forecasted market developments

could have a medium impact on the Schaeffler Group's net assets, financial position, and earnings.

Automotive suppliers could use free capacity to manufacture automotive aftermarket products. This could expand market supply and could increasingly erode prices, which would have a medium adverse impact on the Schaeffler Group's net assets, earnings, and financial position.

Markets are analyzed on an ongoing basis in order to detect changes in market structure or regulations early on. The company uses cost efficiency programs to flexibly and dynamically reduce the amount of damage from unexpected market slowdowns.

Supply chain management

The Schaeffler Group's purchasing function ensures optimal supply of goods and services to the company, focusing on quality, cost, and delivery performance. Extensive cooperation with suppliers increases the quality supplied. Improving logistics connections to suppliers helps secure supply. Should failure of a supplier jeopardize the security of supply, this could have a medium impact on the Schaeffler Group's net assets, financial position and earnings. For the Automotive Aftermarket division, along with supply from external suppliers, particularly supply from the Automotive Technologies division is of importance in this regard.

Procurement risks arise mainly from currently extensive fluctuations in market prices, especially in the prices of energy and steel. As steel is used to manufacture rolling bearings and automotive components, fluctuating prices have a corresponding impact on all of the Schaeffler Group's divisions. Changes in market prices resulting from the high volatility could have an adverse impact on the Schaeffler Group's net assets, financial position, and earnings.

Report on opportunities and risks

Risks

The Schaeffler Group has introduced measures to mitigate the risk of rising energy prices since this risk has increased compared to prior years. Especially for electricity and gas, the manufacturing divisions, Automotive Technologies and Industrial, use hedging instruments common in the market such as forward purchase contracts for electricity and gas as well as short-, medium-, and long-term price and supply agreements. IFRS 9 requires part of these hedging instruments to be accounted for as derivative financial instruments. Please refer to the description of risks arising from currency fluctuations and financial instruments for further details on the use of these derivative financial instruments.

The Schaeffler Group continues to strive to at least partially pass on wide price fluctuations in the procurement markets by adjusting sales prices accordingly, albeit with some delay. Should the Schaeffler Group be unable to implement potential price increases vis-à-vis customers, this could have an adverse impact on the group's financial position and earnings.

The delivery performance represents a key competitive factor for a long-term relationship of trust with customers; this competitive factor is being constantly enhanced by systematic improvements in production and delivery logistics. The Industrial and Automotive Aftermarket divisions operate high-performance distribution centers to better and efficiently supply the market.

Coronavirus pandemic

The restrictions resulting from the coronavirus pandemic are continually being reduced compared to the initial years. However, the future implications and duration of the pandemic still cannot be predicted, especially if preventive measures available are found to be insufficiently effective. Additionally, the coronavirus pandemic could regain momentum and require containment measures, once again heavily hampering the economic recovery achieved so far as well as international trade.

For instance, regional lockdown measures imposed on suppliers, customers, or company operating facilities could hamper the Schaeffler Group's business.

The resulting persistent uncertainty could result in unforeseen fluctuations in demand. Depending on the future course of the pandemic as well as the duration, intensity, and effectiveness of any potential containment measures, a medium adverse impact on the Schaeffler Group's net assets, financial position, and earnings could result.

The course and implications of the coronavirus pandemic are continually being analyzed to facilitate taking targeted measures to safeguard the company's profitability and liquidity position.

Cyber risks

The IT systems used in all areas of the company are essential to the Schaeffler Group. The functionality of business processes and thus the continuity of business operations depends on the availability of IT systems. The three protection goals of confidentiality, integrity, and availability form the basis for managing IT security and protecting data and IT systems. In order to achieve these protection goals, the Schaeffler Group refers to recognized international standards for information security management systems (ISMS) such as ISO 27001 and Trusted Information Security Assessment Exchange (TISAX). Any unauthorized access to IT systems, any modification or retrieval of sensitive business data, or any non-functioning processes and data could have a medium impact on the Schaeffler Group's net assets, financial position, and earnings.

Warranty and liability risks

One significant factor in customers' decision to purchase the products offered by the Schaeffler Group is their quality. To secure this level of quality for the long term, the Schaeffler Group employs a certified quality management system, supported by additional quality improvement processes. However, there is a risk that poor quality products end up getting delivered, causing product liability risk. The use of defective products can lead to damage, unplanned repairs, or recalls on the part of the customer which can result in liability claims or reputational damage. Furthermore, deteriorating product quality can result in increased warranty and liability risk vis-à-vis the Schaeffler Group's customers. Along with conventional production risk, the increasing electrification of the Schaeffler Group's products means that cyber risks could result in warranty and liability risk in the future. The Schaeffler Group responds to such risks by adopting strict quality control measures and continuous improvement processes in order to minimize the probability of warranty and liability risks materializing. Individual risks becoming reality could have a medium impact on the Schaeffler Group's financial position and earnings. All product liability risks are insured. The extent of actual reimbursements that can be claimed from insurers can only be assessed on a case-by-case basis.

Product piracy risks

The Schaeffler product brands INA, LuK, and FAG are associated with a high standard of quality, making them susceptible to product piracy. Not only do counterfeit products offered at significantly reduced prices cause irritation in the trade as well as in end customers and frequently result in requests for price reductions, but inferior counterfeit products also lead to loss of reputation caused by early failure of such products. This damages both the image and the value of the brand. Therefore, combating product piracy is a high priority for the Schaeffler Group. The Schaeffler Group protects intellectual property not only by registering industrial

Report on opportunities and risks

Risks


property rights worldwide but also by combating counterfeit products, which damage its image as well as its revenue. Based on the large number of counterfeit products seized, the Schaeffler Group estimates the impact of this issue on its financial position and earnings to be medium.

Legal risks

The Schaeffler Group's operations give rise to legal risks, for instance those resulting from non-compliance with relevant regulations. Legal risks are reflected in provisions recognized in accordance with financial reporting standards.

Compliance risks

As a company with operations worldwide, the Schaeffler Group has to comply with varying laws and regulations around the globe. To ensure such compliance, the company has implemented various compliance management systems specific groupwide. Circumstances identified as not meeting the requirements of the compliance management systems are immediately addressed with appropriate action. The consequences of non-compliance could have a medium impact on the Schaeffler Group's net assets, financial position, and earnings as well as on its reputation. The Schaeffler Group cooperates with the authorities with respect to investigations of possible instances of non-compliance and responds appropriately to weaknesses identified. Continual training supports employees in acting in conformity with compliance. This also serves as a precaution against the Schaeffler Group being harmed.

 More on the company's compliance management system on pp. 71 et seq.

Financial risks

Financial risks include tax risks and pension risks as well as the impact of changes in foreign exchange rates, liquidity risks, and impairments.

Risks arising from currency fluctuations and financial instruments

The Schaeffler Group is exposed to a wide range of currency risks due to its international reach. The largest such currency risks from operations result from fluctuations in the U.S. dollar and Chinese renminbi exchange rates.

Currency risk is continually monitored and reported on. Currency risk is managed at the corporate level. Currency risks arising from transactions are aggregated across the group and hedged using hedging instruments. Hedging instruments used include forward exchange contracts and cross-currency swaps. Currency risks, market values of foreign currency derivatives, and developments in foreign exchange markets are continuously monitored and managed as part of the risk management system.

To the extent competitors from other currency areas can offer lower prices due to movements in exchange rates, changes in foreign exchange rates can adversely affect the Schaeffler Group's competitive position. The Schaeffler Group's manufacturing locations are spread around the world, enabling the group to reduce the impact of changes in exchange rates on its competitive position. However, adverse exchange rate trends could have a medium impact on the Schaeffler Group's earnings and financial position.

The Schaeffler Group procures energy using largely short-, medium-, and long-term price and supply agreements that are treated as risk mitigation under the risk strategy. IFRS 9 requires a large portion of these contracts – which are entered into for the company's own use – to be accounted for at fair value until

the date of physical delivery; therefore, until the end of their contractual term, there is a risk of changes in carrying amounts since changing market prices influence the recognized fair value determined as at the end of each reporting period. These changes in carrying amounts net to zero over the entire term of the contract; however, they can result in earnings shifting between periods and, as a result, could have a high adverse impact on the Schaeffler Group's net assets and earnings. The risk is determined using sensitivity analyses. Ongoing monitoring of the planned exposure, the market environment, and market prices enables the company to respond to changes and to mitigate this risk.

Tax risks

The Schaeffler Group is subject to tax audits worldwide. Tax authorities' interpretation of the tax law or of relevant facts made in current or future tax audits may differ from that of the Schaeffler Group. This may lead to adjustments to tax bases and increases in the tax liability. An additional tax payment as a result of an adjustment to the tax base could have a high impact on the Schaeffler Group's financial position.

Pension risks

The Schaeffler Group has extensive pension obligations, particularly in Germany, the U.S., and the United Kingdom. The obligations in the Anglo-Saxon countries are financed by pension funds. Pension obligations are measured using actuarial valuations based on assumptions regarding possible future events, such as the discount rate, increases in wages, salaries, and pensions, and statistical life expectancy. Plan assets may be invested in various asset classes, such as equity instruments, fixed-income securities, or real estate, which are subject to fluctuations in value. A change in the parameters listed above could have a medium impact on the Schaeffler Group's net assets, particularly in Germany.

Report on opportunities and risks

Risks

Liquidity risks

The risk that the Schaeffler Group will not be able to meet its payment obligations as they come due is referred to as liquidity risk. The Schaeffler Group differentiates between short-, medium- and long-term liquidity risks.

Liquidity risks can arise if financing needs cannot be met by existing equity or debt financing arrangements. The Schaeffler Group's financing requirements were met throughout 2022 by existing financing instruments and by the refinancing arrangements completed.

To avoid unforeseen short- or medium-term liquidity needs to the extent possible, short- and medium-term liquidity risk is monitored and managed using a rolling liquidity budget with a forecasting period of up to fourteen months. Short-term fluctuations in cash flow are monitored daily and can be offset using lines of credit. To this end, the Schaeffler Group has a revolving credit facility of EUR 2.0 bn and other bilateral lines of credit.

The creditors are entitled to call the debt prior to maturity under certain circumstances, including if financial covenants are not met, which would result in the debt becoming due immediately. Compliance with financial covenants is monitored on an ongoing basis and regularly reported to the lending banks. To date, the company has complied with the financial covenants as stipulated in the debt agreements. The Schaeffler Group also expects to comply with these covenants in the future.

Any non-compliance with the covenants contained in the debt agreements as well as any liquidity requirements exceeding those that can be covered by the existing lines of credit could have a medium impact on the Schaeffler Group's net assets, financial position, and earnings. It is considered improbable that these situations will actually occur.

Liquidity tied up in working capital reduces financial flexibility. In order to improve capital allocation, the Schaeffler Group closely monitors changes in its working capital and takes measures to improve it. Should the company be unable to counteract an unplanned increase in working capital, this could have a medium impact on the Schaeffler Group's financial position.

Impairments

In addition to a regular annual test, assets or groups of assets including goodwill are tested for impairment when there is an indication that they may be impaired (i.e. a triggering event).

Future unfavorable results of operations can be an indication of impairments that could have a medium adverse impact on the group's earnings and financial position. Especially in the Automotive Technologies division, an adverse trend in the market environment can precipitate a triggering event.

Report on opportunities and risks

Risks

Risk assessment

	Amount of damage	Probability of occurrence	Risk class	Change
Strategic risks				
• Macroeconomic environment	low	highly probable	medium	↗
• Protectionism	low	highly probable	medium	new
• Strategic market risks	medium	possible	medium	↘
• Electric mobility and autonomous driving	medium	possible	medium	→
Operating risks				
• Production risk	medium	highly probable	high	→
• Market development	high	possible	medium	↘
• Supply chain management	low	highly probable	medium	↘
• Coronavirus pandemic	high	improbable	medium	↘
• Cyber risks	high	improbable	medium	new
• Warranty and liability risks	high	improbable	medium	→
• Product piracy risks	low	probable	medium	→
Legal risks				
• Compliance risks	high	improbable	medium	→
Financial risks				
• Risks arising from currency fluctuations and financial instruments	high	highly probable	high	↗
• Tax risks	medium	highly probable	high	→
• Pension risks	high	improbable	medium	↘
• Liquidity risks	high	improbable	medium	→
• Impairments	high	improbable	medium	→

↗ increased → unchanged ↘ reduced

Report on opportunities and risks

Opportunities

4.4 Opportunities

The Schaeffler Group defines opportunities as future developments or events that can lead to favorable deviations from budgeted results.

The responsibility for identifying and utilizing opportunities lies with operating management. The objective is to identify opportunities on a timely basis and to take appropriate action to utilize them. Opportunities identified are discussed with the Board of Managing Directors as part of the Strategy Dialog and strategies are then derived based on these discussions. During this process, the relevant opportunities for growth are prioritized, specific targets are derived, and actions and resources required to achieve operating targets for the future direction of the Schaeffler Group are determined.

An aggregated overview of the opportunities identified in the Strategy Dialog is included in the reports regularly provided to the Board of Managing Directors and the Supervisory Board of Schaeffler AG. Opportunities are documented in the risk management tool.

Strategic opportunities

The Schaeffler Group and its range of products and services have a worldwide presence in order to participate in the expected megatrends of the future.

The Schaeffler Group's strategic and operational opportunities specifically result from the following factors:

Growing demand for automobiles in emerging countries

The company perceives a growing vehicle market especially in the emerging countries. The Schaeffler Group expects the number of vehicles per resident in these countries to increase significantly, approaching those of mature markets.

Fleet management

Demand for full service leasing and the related fleet management has increased significantly in recent years. Fleet management services are evolving from basic financing services and vehicle-related services into services focusing on the driver. The implications of fleet management relate not only to more extensive use of the car, but also to more standardized decisions, such as those regarding acquisition or repairs. These new players in the automotive aftermarket place much more emphasis on the "Total Cost of Ownership (TCO)". This could provide significant potential for a channel shift toward the independent aftermarket or for the creation of new use-based business models.

Increasing technological standards in the truck market

Increasing regulation in the truck market renders it necessary to make the powertrain more efficient and reduce the emissions it produces. This trend results in potential from increasing electrification (including the use of fuel cell technology) in this segment as well. All of the Schaeffler Group's business divisions specifically offer their customers technologically advanced solutions to enable them to comply with the stricter standards.

Renewables

In the context of global climate change and as a result of climate policy, worldwide demand for renewable energy is growing. The Schaeffler Group supports the expansion of renewable energy generation with the necessary components and solutions. Primarily the Schaeffler Group's innovative bearing solutions for wind turbines help make wind turbines more reliable and reduce the cost of generating renewable energy.

Driven by increasing awareness of sustainability and ambitious climate targets, hydrogen is increasingly gaining importance as a source of energy as well. Significant market growth is expected in the coming years, especially for what is referred to as green hydrogen, which is produced via electrolysis. One critical success factor for the market ramp-up of these technologies is establishing reliable supply chains as well as industrializing and scaling up the related core components.

The Schaeffler Group has created the strategic business area hydrogen in its Industrial division and aims to establish itself within the value chain for hydrogen technologies. The Schaeffler Group's strategic focus in this regard is on scaling up critical core components – such as bipolar plates and electrolysis stacks – by applying its existing core expertise and capabilities in materials forming, surface technology, and industrialization, and additional expertise in electrochemistry.

Transportation & Mobility

An ever expanding population, the resulting rise in passenger and freight transport volumes, as well as the growing demand for food lead to extensive capital expenditures in the transport sector and on other industrial mobility applications such as those in construction and agriculture.

Especially rail vehicles, which are also becoming increasingly important from a sustainability standpoint, represent an extremely interesting growing market for the Schaeffler Group. Reliable, efficient, and innovative rolling bearing solutions for applications ranging from bogie to the powertrain are key to modern rail transport – and also promise growth for mechatronic products in the age of increasing digitalization in mobility. In addition, the high stresses and resulting wear and tear as well as safety regulations make this market not only a market of the future with respect to original equipment but also one that offers attractive business potential in the Aftermarket business.

Report on opportunities and risks

Overall assessment of Schaeffler Group opportunities and risks

For air transport, Schaeffler offers efficient high-precision bearings that are used in jet engines, for instance. These products contribute significantly to lowering carbon emissions by improving fuel consumption and reducing weight. Additionally, the Automotive Technologies and Industrial divisions are closely collaborating on joint development activities in order to continually expand the range of solutions offered for electrified powertrains, thereby also addressing the growing trend toward electrification in industrial mobility applications such as construction machinery, agricultural machinery, and two-wheelers.

Machinery & Materials

Structural changes in modern mobility and continual population growth require higher spending on adapting and expanding existing infrastructure as well as more extensive extraction, treatment, and processing of raw materials. Simultaneously, capital expenditures on plant and equipment are increasing and machine life cycles are longer, resulting in a growing importance of energy efficiency and reliable operations.

The Schaeffler Group addresses this need with a broad range of rolling and plain bearings with reduced friction and in nearly all sizes. Examples of typical applications in drive technology include electric motors, hydraulic systems, and industrial transmissions. The company also offers specific components and services for the industries extracting and processing raw materials. The portfolio is rounded out by solutions for preventive maintenance, such as sensor-based condition monitoring and intelligent lubrication, as well as by various expert and remanufacturing services that extend machine uptime, reduce operating cost, and lower carbon emissions.

Industrial Automation

Increasing digitalization and automation of production, rising cost pressure, and higher safety and sustainability requirements result in growing demand for innovative production solutions in many industries. Simultaneously, investing activities are intensifying in selected sectors, triggered, for instance, by a rising need for food and medical care.

In this field the Schaeffler Group has a comprehensive portfolio of innovative solutions aimed at the growing industrial automation, that covers, inter alia, robotic applications and supports autonomous production. It ranges from individual components such as sensor-enabled bearings through to complex mechatronic systems and is constantly being expanded by adding innovative solutions, for example in the field of collaborative robots (cobots). Additionally, the acquisition of the Ewellix Group has considerably expanded the Schaeffler Group's linear business.

Operational opportunities**Availability of new and used vehicles**

Persistent supply shortages during the year hampered automobile production, reduced the supply of new cars, and increased prices for both new and used cars. This can turn out to be positive for the Automotive Aftermarket division. Both factors make a decision in favor of repairing rather than replacing a vehicle more probable, thus increasing demand for spare parts. Additionally, it is probable that the average age of the vehicle population will rise more rapidly in the medium to long term, and, therefore, that the number of repairs will rise in the long term.

Financial opportunities**Financial markets**

Favorable trends in foreign exchange rates can positively impact the Schaeffler Group's financial result and earnings. The company constantly monitors the financial markets in order to detect any possible impact on the Schaeffler Group on a timely basis and identify any potential need for action.

4.5 Overall assessment of Schaeffler Group opportunities and risks

The Board of Managing Directors estimates that the Schaeffler Group's situation with respect to risks has improved compared to the prior year. Particularly the impact of materials prices stabilizing is helping to improve the Schaeffler Group's situation with respect to risks.

In addition to the risks described in the group management report, unexpected developments significantly damaging or harming the company's production process, customer relationship, or reputation can occur at any time.

The overall assessment of the significant opportunities and risks does not indicate any risks which, either individually or in combination with other risks, jeopardize the company's continued existence as a going concern.

Report on expected developments

Expected economic and sales market trends

5. Report on expected developments

5.1 Expected economic and sales market trends

Taking into account the forecast by Oxford Economics (January 2023), the Schaeffler Group expects **global gross domestic product** to grow by 1.5 to 2.0% in 2023 (2022: 3.2%). The considerable slowing of global economic growth is primarily attributable to inflation, which, although it is expected to soften, will remain high overall, and stricter financing conditions resulting from the considerably tighter monetary policy. With respect to the war in Ukraine, continuing tension and sanctions are expected to have a noticeable effect on the economy throughout 2023.

There are a number of downside risks – some linked – to the development of the global economy which, if realized, could result in global gross domestic product growing noticeably less than currently expected. Along with an unfavorable future course of the coronavirus pandemic, these include especially increasing geopolitical tension – including an escalation of the war in Ukraine –, an energy shortage in Europe, persistently high inflationary pressure, a more extensive tightening of monetary policy than expected, weak growth in China, and increased trade protectionism.

Taking into account the forecast by S&P Global Mobility (January 2023)⁸ and based on internal assessments, the Schaeffler Group expects slight market growth (0 to 2%, to up to 83.6 million vehicles) for **global automobile production**, measured as the number of vehicles up to six tons in weight produced, in 2023 (2022: 6.2%; S&P Global Mobility [January 2023]).

Taking into account the forecast by S&P Global Mobility (November 2022)⁹, the Schaeffler Group anticipates growth in **global vehicle population**, measured as the number of passenger cars and light commercial vehicles less than 3.5 tons in weight, for 2023 to be similar to 2022, with the average vehicle age rising slightly (2022: growth of 2.1%, average age 10.9 years; S&P Global Mobility [November 2022]).

Taking into account the forecasts by Oxford Economics (December 2022), the Schaeffler Group expects **global industrial production** to grow by approximately 1% (2022: 2.3%) in 2023, and production in the sectors particularly relevant to the company – mechanical engineering, transport equipment, and electrical equipment – is also anticipated to increase by a total of approximately 1% (2022: 3.7%).

⁸ Includes content supplied by S&P Global © [IHS Markit Light Vehicle Production Forecast (Base), January 2023]. All rights reserved.

⁹ Includes content supplied by S&P Global © [IHS Markit Vehicles in Operation (VIO) Forecast, November 2022]. All rights reserved.

Report on expected developments

Schaeffler Group outlook

5.2 Schaeffler Group outlook

The **Schaeffler Group** expects its revenue to grow by 5 to 8% excluding the impact of currency translation in 2023.

In addition, the company expects to generate an EBIT margin before special items of 5.5 to 7.5% in 2023. This expectation reflects, in particular, higher year-on-year wage increases and energy costs affecting all divisions.

The Schaeffler Group anticipates free cash flow before cash in- and outflows for M&A activities of EUR 250 to 350 m for 2023. This expectation reflects a volume-driven increase in working capital, higher capital expenditures, and continued high restructuring expenditures compared to the prior year.

The group anticipates that its **Automotive Technologies division** will grow by 2 to 5 percentage points more than global automobile production of passenger cars and light commercial vehicles in 2023. On that basis, the company expects the Automotive Technologies division to generate moderate revenue growth compared to the prior year, excluding the impact of currency translation. Additionally, the Automotive Technologies division expects an EBIT margin before special items of 2 to 4% for 2023.

For the **Automotive Aftermarket division**, the group anticipates revenue growth, excluding the impact of currency translation, of 5 to 7% and an EBIT margin before special items of 12 to 14% in 2023.

The company expects its **Industrial division** to generate revenue growth of 9 to 11%, excluding the impact of currency translation, and an EBIT margin before special items of 11 to 13% in 2023. The outlook reflects the acquisitions of subsidiaries, especially the Ewellix Group, which result in a significant structural impact compared to 2022.

Outlook 2023

	Actual 2022	Actual 2022 adjusted comparative figure	Outlook 2023
Schaeffler Group			
Revenue growth ¹⁾	9.4%	9.4%	5 to 8%
EBIT margin before special items ²⁾	6.6%	6.6%	5.5 to 7.5%
Free cash flow ³⁾	EUR 280 m	EUR 280 m	EUR 250 to 350 m
Automotive Technologies			
Revenue growth ¹⁾	7.7%	7.7%	moderate revenue growth; [2 to 5%-age points above LVP growth] ⁴⁾
EBIT margin before special items ²⁾	3.1%	3.1%	2 to 4%
Automotive Aftermarket			
Revenue growth ¹⁾	7.0%	7.1%	5 to 7%
EBIT margin before special items ²⁾	12.5%	12.8%	12 to 14%
Industrial			
Revenue growth ¹⁾	14.7%	14.7%	9 to 11%
EBIT margin before special items ²⁾	11.7%	11.5%	11 to 13%

¹⁾ Constant-currency revenue growth compared to prior year.

²⁾ Please refer to pp. 32 et seq. for the definition of special items.

³⁾ Before cash in- and outflows for M&A activities.

⁴⁾ LVP growth: global growth in production of passenger cars and light commercial vehicles.

The adjustment to the comparative prior-year figures results, in particular, from further divisionalization to strengthen the division's management of the business. This has also been reflected in the outlook for 2023.

The outlook for 2023 reflects the acquisitions and disposals of subsidiaries, joint ventures, and other equity investments set out in the consolidated financial statements for 2022.

Herzogenaurach, February 27, 2023

The Board of Managing Directors


Corporate Governance

1. Corporate governance declaration including corporate governance report *	59
1.1 Declaration of conformity pursuant to section 161 AktG	59
1.2 Corporate governance principles	60
1.3 Mode of operation of the Board of Managing Directors and the Supervisory Board and membership and mode of operation of their committees	60
1.4 Other information on corporate governance	69
<hr/>	
2. Governance structure *	70
2.1 Compliance management system	71
2.2 Risk management system	73
2.3 Internal control system	73
2.4 Internal Audit	73
2.5 Comment upon the appropriateness and effectiveness of the risk management and internal control system	74
<hr/>	
3. Governing bodies of the company *	75
3.1 Supervisory Board	75
3.2 Supervisory Board committees	77
3.3 Board of Managing Directors	77

1. Corporate governance declaration including corporate governance report

The corporate governance declaration required by sections 289f and 315d HGB has been combined for Schaeffler AG and the group. Therefore, the following discussion applies to Schaeffler AG and the group unless noted otherwise below. In the following corporate governance declaration, the Supervisory Board and the Board of Managing Directors report on the corporate governance of Schaeffler AG in accordance with Principle 23 of the German Corporate Governance Code.

Corporate governance stands for responsible management focused on adding long-term value. Efficient cooperation between the Board of Managing Directors and the Supervisory Board as well as openness and transparency in corporate and financial communications are key aspects of the Schaeffler Group's corporate governance.

 Corporate governance declaration including corporate governance report, including the declaration of conformity pursuant to section 161 AktG at: www.schaeffler.com/ir

1.1 Declaration of conformity pursuant to section 161 AktG

In December 2022, the Board of Managing Directors and the Supervisory Board issued the following declaration of conformity pursuant to section 161 AktG:

Declaration of Conformity by the Managing Board and the Supervisory Board of Schaeffler AG pursuant to section 161 of the German Stock Corporation Act (AktG).

Schaeffler AG complies, and will continue to comply, with all the recommendations of the Government Commission on the German Corporate Governance Code in the version of April 28, 2022, published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (Bundesanzeiger) on June 27, 2022, with the exception described below:

Schaeffler AG does not comply with the recommendation in section C.2. According to this recommendation, an age limit shall be set for the members of the Supervisory Board and stated in the declaration on corporate governance.

The Supervisory Board of Schaeffler AG will not set such age limit because it is of the opinion that this criterion is not informative with respect to the suitability of a person to perform as a member of the Supervisory Board.

Furthermore, since making its last declaration of conformity in December 2021 Schaeffler AG has complied with all the recommendations of the Government Commission on the German Corporate Governance Code in the version of December 16, 2019, published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (Bundesanzeiger), with the following exception:

Schaeffler AG has not complied with the recommendation in section C.2. According to this recommendation, an age limit shall be set for the members of the Supervisory Board and stated in the declaration on corporate governance.

Schaeffler AG has not complied with the recommendation in section C.4. According to this recommendation, a Supervisory Board member who is not a member of any Management Board of a listed company shall not accept more than five Supervisory Board mandates at non-group listed companies or comparable functions, with an appointment as Chair of the Supervisory Board being counted twice.

The explanation for the deviation from Recommendation C.4 at that time was as follows. Prof. TU Graz e.h. KR Ing. Siegfried Wolf was elected Chairman of the Supervisory Board of Vitesco Technologies Group Aktiengesellschaft on October 4, 2021. As a result, Prof. TU Graz e.h. KR Ing. Siegfried Wolf had exceeded the maximum number of supervisory board mandates recommended by recommendation C.4. Prof. TU Graz e.h. KR Ing. Siegfried Wolf has resigned from one of his Supervisory Board mandates with effect as at December 31, 2021. Due to the only temporary exceeding of the recommended maximum number of mandates, the Supervisory Board had not considered its appropriate composition affected.

Herzogenaurach, December 2022

For the Supervisory Board For the Board of Managing Directors

Georg F. W. Schaeffler
Chairman of the
Supervisory Board

Klaus Rosenfeld
Chief Executive Officer

1.2 Corporate governance principles

The Schaeffler Group's manner of conducting business is based on integrity, fairness, and mutual respect. The related leadership principles are transparency, trust, and teamwork. Transparency generates trust, and trust is the foundation of good teamwork. The Schaeffler Group **Code of Conduct** provides guidance in this area. The principles set out in the Schaeffler Group Code of Conduct apply equally to everyone – the Board of Managing Directors, management, and all employees.

The Schaeffler Group Code of Conduct demands integrity of all employees. This means complying with all applicable local, national, and international laws and regulations, wherever the Schaeffler Group does business.

The Schaeffler Group Code of Conduct reflects the corporate strategy – “Roadmap 2025” – and increased customer and business partner requirements regarding responsible corporate governance. Along with the established compliance topics, the Schaeffler Code of Conduct focuses on integrity and value-based compliance.

In its business activities, the Schaeffler Group is intent on combining commercial success, a long-term focus, and awareness of the social and ecological aspects of the company's operations. Combining economic success with acting responsibly toward the environment, people, and society is very important to the Schaeffler Group. The Schaeffler Group identifies with the corporate values “Sustainable”, “Innovative”, “Excellent”, and “Passionate”. These values form an important basis for the success of the Schaeffler Group for the benefit and in the interest of customers and business partners, employees and managers, as well as shareholders and family shareholders. In addition to the fundamental orientation toward sustainability in managing the business, a sustainability strategy comprising ten fields of action along the dimensions of environment, social, and governance was adopted during the year. Measures and indicators for target achievement have been defined for the fields of action but will be expanded and completed in 2023. In this manner, the

Schaeffler Group is assuming ecological and social responsibility along the entire value chain. The sustainability strategy is reviewed regularly and amended as needed.



More on the company's corporate governance principles at: www.schaeffler.com/sustainability

1.3 Mode of operation of the Board of Managing Directors and the Supervisory Board and membership and mode of operation of their committees

The German Stock Corporations Act requires Schaeffler AG to have a two-tier board with strict separation between the executive body, the Board of Managing Directors, and the supervisory body, the Supervisory Board, in terms of personnel and functions. The Board of Managing Directors has direct responsibility for managing the company. The members of the Board of Managing Directors are jointly responsible for managing the company. The Chief Executive Officer coordinates the activities of the members of the Board of Managing Directors. The Supervisory Board appoints, supervises, and advises the Board of Managing Directors and is involved in decisions that are fundamental to the company. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board.

Board of Managing Directors

The Schaeffler Group is managed by the Board of Managing Directors of Schaeffler AG. Its actions and decisions are guided by the company's best interest and, therefore, take into account the interests of shareholders, employees, and other stakeholders of the company in order to add long-term value. The members of the Board of Managing Directors run the business in accordance with the law, the company's articles of association, and the internal rules of procedure, taking into account the obligation to obtain approval set out in the Supervisory Board's

internal rules of procedure. The Board of Managing Directors is directly responsible for managing the company, sets objectives and the company's strategic direction, consults on them with the Supervisory Board, manages the implementation of the company's strategy, and regularly discusses the status of its implementation with the Supervisory Board.

The Board of Managing Directors also ensures that legal requirements and internal guidelines are complied with and promotes such compliance by group companies and their employees. It puts in place appropriate measures that are tailored to the company's risk situation and discloses their main features. A whistleblowing system gives employees the opportunity, including appropriate protection, to report violations of the law within the company; this opportunity is also provided to third parties.



More on compliance on pp. 70 et seq.

The internal rules of procedure of the Board of Managing Directors set out the activities of the Board of Managing Directors, the issues that are the responsibility of the Board of Managing Directors, the majorities required to pass resolutions, and the areas of responsibility of the various members of the Board of Managing Directors. Based on the Schaeffler Group's organizational structure, the Board of Managing Directors consists of the Group CEO and the CEOs of the divisions and corporate functions. Under the internal rules of procedure, specific management responsibilities are assigned to each member of the Board of Managing Directors. Their responsibility for jointly managing the company remains unaffected. Each member of the Board of Managing Directors is directly responsible for his or her assigned area of responsibility, taking into account the joint responsibility of the Board of Managing Directors.

Membership of the Board of Managing Directors

Section 76 (3a) AktG stipulates that the Board of Managing Directors of Schaeffler AG has to have at least one female and at least one male member (minimum participation requirement). Schaeffler AG has complied with this requirement in 2022.

Corporate governance declaration including corporate governance report

Consistent with the group's international stature and wide variety of sectors, the Board of Managing Directors considers diversity when making appointments to leadership positions. It aims to give appropriate consideration to women and has set targets for the proportion of women within Schaeffler AG at the two levels of management immediately below the Board of Managing Directors in accordance with section 76 (4) AktG. At its meeting on June 19, 2017, the Board of Managing Directors set targets for the proportion of women of 8% at the first level of management and of 12% at the second level of management immediately below the Board of Managing Directors for the period ending June 30, 2022.

For Schaeffler AG, this represents a total of three women out of a total of 27 staff at the first level of management immediately below the Board of Managing Directors and a total of 9 women out of a total of 72 staff at the second level of management immediately below the Board of Managing Directors.

The company met these targets as at June 30, 2022, with the proportion of women amounting to 18.5% or a total of five women out of a total of 27 staff at the first level of management, and to 26.4% or a total of 19 women out of a total of 72 staff at the second level of management.


In addition to considering the relevant technical qualifications, the Supervisory Board also strives for diversity when making appointments to the Board of Managing Directors, and adopted a diversity scheme in accordance with section 289f (2) (6) HGB for the Board of Managing Directors of Schaeffler AG at its meeting on December 15, 2017. The diversity criteria selected were gender, age, professional experience, and internationality:

- **Gender:** The Board of Managing Directors must have at least one female member. The company strives to increase the number of female members on the Board of Managing Directors beyond the legal minimum participation requirement in the long term. The targets set by the Board of Managing Directors for the two levels of management immediately below the Board of Managing Directors were met in 2022 as discussed above.

- **Age:** The Board of Managing Directors should have an appropriate age distribution. Along with several younger members, this Board should also have members with a greater amount of professional and life experience. The company aims for an average age of all members of the Board of Managing Directors of approximately 55 years. Members may serve on the Board of Managing Directors until their 68th birthday. In making appointments to the Board of Managing Directors, consideration should be given to ensuring a balanced age distribution and increased consideration given to younger executives. The targets established were met in 2022.
- **Professional experience:** The members of the Board of Managing Directors should bring diverse professional experience to the Board. Along with sufficient professional background in the fields of engineering and business, they should also have additional professional experience, especially in fields relevant to the Schaeffler Group's future business, such as mechatronics, electrical engineering, digitalization, and IT. In making appointments to the Board of Managing Directors, consideration should be given to the candidates' education and training, professional career, and their current responsibilities. The targets established were met in 2022.
- **Internationality:** Sufficient international experience should be represented on the Board of Managing Directors to appropriately reflect the international nature of the Schaeffler Group's business. The members of the Board of Managing Directors should have different nationalities. The objective should be that all members of the Board of Managing Directors have experience working abroad and/or are experienced in international business. Having at least one member with a non-German nationality, ideally from a market relevant to the Schaeffler Group, on the Board of Managing Directors in the long term is considered desirable. To be appointed to the Board of Managing Directors, a candidate must have international experience. At the first and second level of management immediately below the Board of Managing Directors, the majority of employees should have experience working abroad and be experienced in international

business. All members of the Board of Managing Directors are experienced in international business.


Together with the Board of Managing Directors, the Supervisory Board ensures that long-term succession planning is performed. To this end, the Supervisory Board considers potential candidates for the Board of Managing Directors on a regular basis. The Supervisory Board takes into account the diversity criteria described above when reviewing these candidates. The Supervisory Board involves the Chief Executive Officer except where his own succession is concerned.

 More on the members of the Board of Managing Directors, their areas of responsibility, and any positions they hold on Supervisory Boards of other companies on pp. 77 et seq.

Supervisory Board

The Supervisory Board is responsible for advising and monitoring the Board of Managing Directors in managing the company. The Board of Managing Directors has to involve the Supervisory Board in any decisions that are fundamental to the company. Specifically, the Supervisory Board's internal rules of procedure set out which legal transactions and measures taken by the Board of Managing Directors require approval by the Supervisory Board or the executive committee. The Supervisory Board fulfills its responsibilities in accordance with the requirements of the law, the company's articles of association, and the internal rules of procedure. The internal rules of procedure of the Supervisory Board govern the Board's organization and activities.

The Supervisory Board appoints the members of the Board of Managing Directors and sets their remuneration.

 More on the remuneration of the Board of Managing Directors in the separate remuneration report at: www.schaeffler.com/remuneration

The Supervisory Board holds a minimum of two meetings during each of the first and second six months of the calendar year to discuss current issues and pass any resolutions required. Additional meetings are held when and if the interests of the company require. For reasons of effectiveness, resolutions are at times passed in writing or by telephone.

Membership of the Supervisory Board

The Supervisory Board of Schaeffler AG, which is subject to co-determination on the basis of parity under the German Co-Determination Act ("Mitbestimmungsgesetz" – MitbestG), consists of 20 members. Ten of these members are appointed by the annual general meeting, and ten members are elected by the employees in accordance with the requirements of the German Co-Determination Act.

Since Schaeffler AG is a publicly listed company subject to co-determination based on parity, its Supervisory Board consists of at least 30% female and at least 30% male members in accordance with section 96 (2) AktG.

The minimum target has to be met by the Supervisory Board as a whole. If either the shareholder representatives or the employee representatives object to such joint compliance by a simple majority vote, notifying the Chairman of the Supervisory Board of such objection before the election, the minimum target has to be met separately by the shareholder representatives as well as by the employee representatives. The employee representatives unanimously objected to joint compliance with the gender quota on December 10, 2015, and unanimously confirmed that decision on September 30, 2019. The Supervisory Board currently has seven female members, with four women being employee representatives and three women representing the shareholders. As a result, the employee representatives and the shareholders' side both meet the legally required quota.

In accordance with Recommendation C.1 of the German Corporate Governance Code, the Supervisory Board has set the following concrete targets for its membership, considering the company's specific situation and appropriately taking into account the company's international operations, any potential conflicts of interest, the number of independent Supervisory Board members considered appropriate by the shareholder representatives on the Supervisory Board, and a set limit on the length of time a member may serve on the Supervisory Board, as well as diversity. The Supervisory Board has stated the following objectives for its membership:

- Members should have the knowledge, skills, and technical experience required to properly perform their duties and be able to devote sufficient time to these duties.
- The Supervisory Board aims to maintain the current proportion of members with an international background.
- Members of the Supervisory Board should not serve on the governing body of or in a consulting capacity to significant competitors of the Schaeffler Group.

- The Supervisory Board should not include more than two former members of the Board of Managing Directors.
- The Supervisory Board shall include at least five shareholder representatives that are independent of the company and its Board of Managing Directors, and independent from any controlling shareholder (according to Recommendation C.6 of the German Corporate Governance Code).

The Supervisory Board currently considers eight shareholder representatives to be independent from the company, its Board of Managing Directors, and its controlling shareholders; these are: Sabine Bendiek, Prof. Dr. Hans-Jörg Bullinger, Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk, Ulrike Hasbargen, Robin Stalker, Prof. TU Graz e.h. KR Ing. Siegfried Wolf, and Prof. Dr.-Ing. Tong Zhang.

According to Recommendation C.7 of the German Corporate Governance Code, more than half of the shareholder representatives shall be independent from the company and the Board of Managing Directors. The Supervisory Board currently considers all shareholder representatives to be independent of the company and its Board of Managing Directors. Certain members of the Supervisory Board hold senior positions with other companies or hold shares, in some cases indirectly, in companies with which the Schaeffler Group maintains relationships in the course of its ordinary business activities. The Supervisory Board believes that none of these relationships are significant.

According to Recommendation C.9 of the German Corporate Governance Code, if the company has a controlling shareholder and the Supervisory Board has more than six members, at least two of the shareholder representatives shall be independent from the controlling shareholder. The Supervisory Board currently considers eight shareholder representatives to be independent from the controlling shareholders, namely Sabine Bendiek, Prof. Dr. Hans-Jörg Bullinger, Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk, Ulrike Hasbargen, Robin Stalker, Prof. TU Graz e.h. KR Ing. Siegfried Wolf, and Prof. Dr.-Ing. Tong Zhang.

Corporate governance declaration including corporate governance report

In addition to the objectives set out above, the Supervisory Board developed a profile of expertise for the Board as a whole at its meeting on December 15, 2017, and expanded that profile at its meetings on December 17, 2021, and October 7, 2022. According to this profile, the Supervisory Board should collectively cover the following areas of technical expertise. The profile of expertise assumes that every member of the Supervisory Board has the personal qualifications, integrity, sufficient time, commitment, and discretion required to successfully carry out the responsibilities of a member of the Supervisory Board.

- **Sector knowledge:** The Supervisory Board should have knowledge of and experience with the automotive sector and with the sectors in which the Industrial division operates.
- **Law/compliance:** The Supervisory Board should have members with basic knowledge of stock corporation and corporate law and of the compliance field.
- **Finance:** The Supervisory Board should be knowledgeable about and experienced in finance, financial reporting, financial statement audits, risk management, and systems of internal control.
- **Leadership:** The Supervisory Board should have members experienced in leadership. This includes experience in managing and supervising companies.
- **Research and development:** The Supervisory Board should also be knowledgeable about and experienced in research and development, preferably in future-oriented fields such as electric mobility and digitalization.
- **Sustainability:** The Supervisory Board should have expertise regarding the sustainability issues significant to the company.

It is sufficient if an area of expertise is covered by at least one member of the Supervisory Board, with at least one member of the audit committee required to possess expert knowledge about financial reporting and at least one other member of the audit committee required to possess expert knowledge about

financial statement audits. The expert knowledge about financial reporting should consist of being particularly knowledgeable about and experienced in the application of accounting principles and internal control and risk management systems and the expert knowledge about financial statement audits should consist of being particularly knowledgeable about and experienced in financial statement audits. Financial reporting and financial statement audits also include sustainability reports and reviews thereof. The chairman of the audit committee shall have expert knowledge about at least one of these two fields.

The current Supervisory Board meets these objectives and covers the areas of expertise set out above. Proposals by the Supervisory Board to the annual general meeting for the election of shareholder representatives to the Supervisory Board will reflect these objectives and strive to cover the fields of expertise listed above. The extent to which the profile of expertise has been implemented is disclosed in the form of a qualifications matrix below.

Corporate governance declaration including corporate governance report

Qualifications matrix – shareholder representatives

	Georg F. W. Schaeffler	Maria-Elisabeth Schaeffler-Thumann	Sabine Bendiek	Prof. Dr. Hans-Jörg Bullinger	Dr. Holger Engelmann	Prof. Dr. Bernd Gottschalk	Ulrike Hasbargen	Robin Stalker	Prof. TU Graz e.h. KR Ing. Siegfried Wolf	Prof. Dr.-Ing. Tong Zhang
Member since	12/01/2014	12/01/2014	04/24/2019	12/01/2014	12/01/2014	12/01/2014	04/23/2021	12/01/2014	12/01/2014	12/01/2014
Personal suitability	Independence ¹⁾		●	●	●	●	●	●	●	●
	No overboarding ¹⁾	●	●	●	●	●	●	●	●	●
Diversity	Gender	m	f	f	m	m	f	m	m	m
	Year of birth	1964	1941	1967	1944	1965	1943	1961	1958	1957
	Nationality	German	German	German	German	German	German	German	New Zealand	Austrian
Qualification	Knowledge/experience ²⁾ regarding the automotive sector	●	●		●	●			●	●
	Knowledge/experience regarding the sectors in which the Schaeffler Industrial division operates	●	●		●	●				
	Basic knowledge of stock corporation and corporate law	●	●	●	●	●	●	●	●	●
	Basic knowledge of compliance	●	●	●	●	●	●	●	●	●
	Knowledge/experience regarding financial reporting, financial statement audits, risk management, and internal control procedures	●				●		●	●	
	Experience regarding managing and/or supervising companies	●	●	●	●	●	●	●	●	●
	Knowledge/experience regarding research and development (preferably electric mobility) and digitalization			●	●		●			●
	Financial expertise	●				●	●		●	●
	Expertise regarding the sustainability issues significant to the company			●	●			●		

¹⁾ In accordance with the German Corporate Governance Code.

²⁾ “Knowledge/experience” means at least “good knowledge” and thus the ability to understand the relevant issues well and make informed decisions on the basis of existing qualifications, the knowledge and experience acquired in the course of serving on the Supervisory Board (e.g., many years of service on the audit committee) or the training measures regularly attended by all members of the Supervisory Board.

● Criterion met, based on self-assessment by the Supervisory Board

Corporate governance declaration including corporate governance report

Qualifications matrix – employee representatives

		Jürgen Wechsler	Andrea Grimm	Thomas Höhn	Susanne Lau	Dr. Alexander Putz	Barbara Resch	Jürgen Schenk	Helga Schönhoff	Salvatore Vicari	Markus Zirkel
Member since		12/02/2014	04/08/2017	05/08/2020	08/08/2018	10/01/2022	11/19/2015	05/08/2020	05/08/2020	12/02/2014	05/08/2020
Diversity	Gender	m	f	m	f	m	f	m	f	m	m
	Year of birth	1955	1981	1979	1975	1976	1975	1980	1963	1966	1969
	Nationality	German	German	German	German	German	German	German	German	German	German
Qualification	Knowledge/experience ²⁾ regarding the automotive sector	●	●	●	●	●	●		●	●	●
	Knowledge/experience regarding the sectors in which the Schaeffler Industrial division operates	●		●		●	●	●		●	
	Basic knowledge of stock corporation and corporate law	●	●	●	●	●	●	●	●	●	●
	Basic knowledge of compliance	●	●	●	●	●	●	●	●	●	●
	Knowledge/experience regarding financial reporting, financial statement audits, risk management, and internal control procedures	●	●				●			●	●
	Experience regarding managing and/or supervising companies	●	●	●	●	●	●	●	●	●	●
	Knowledge/experience regarding research and development (preferably electric mobility) and digitalization										
	Financial expertise										
	Expertise regarding the sustainability issues significant to the company						●				

¹⁾ In accordance with the German Corporate Governance Code.

²⁾ “Knowledge/experience” means at least “good knowledge” and thus the ability to understand the relevant issues well and make informed decisions on the basis of existing qualifications, the knowledge and experience acquired in the course of serving on the Supervisory Board (e.g., many years of service on the audit committee) or the training measures regularly attended by all members of the Supervisory Board.

● Criterion met, based on self-assessment by the Supervisory Board

Corporate governance declaration including corporate governance report

The Supervisory Board had also adopted a diversity scheme in accordance with section 289f (2) (6) HGB for the Supervisory Board of Schaeffler AG on December 15, 2017. The diversity criteria selected were gender, professional experience, and internationality. These criteria are designed to ensure, in combination with the other criteria for the membership of the Supervisory Board, that the opinions and knowledge represented on the Supervisory Board are sufficiently diverse for the proper performance of its duties.

- **Gender:** Section 96 (2) AktG stipulates that the Supervisory Board has to consist of at least 30% female and at least 30% male members. The employee representatives unanimously objected to joint compliance with the gender quota on December 10, 2015, and unanimously confirmed that decision on September 30, 2019. The Supervisory Board currently has seven female members, with four women being employee representatives and three women representing the shareholders. As a result, the employee representatives' side and the shareholders' side meet the legally required quota.
- **Professional experience:** The members of the Supervisory Board should bring diverse professional experience to the Board. The Supervisory Board should have members with professional experience in fields that are relevant to the Schaeffler Group's business, especially to the group's future business in the fields of electric mobility and digitalization. Candidates' professional experience is to be taken into account when selecting the Supervisory Board's nominees for election to the Supervisory Board by the annual general meeting.
- **Internationality:** The Supervisory Board should have an appropriate number of members with an international background (descent, professional education, or work). This being the case for at least four of its members is considered adequate by the Supervisory Board. In addition, further members of the Supervisory Board should be experienced in international business. Internationality is to be taken into account when selecting the Supervisory Board's nominees for election by the annual general meeting.



Members of the Supervisory Board and their curricula vitae at: www.schaeffler.com/supervisory-board

The Supervisory Board as a whole has the knowledge, skills, and technical experience required to properly perform its duties. The Supervisory Board as a whole is familiar with the industries and sectors in which the Schaeffler Group operates, and it has the professional experience and internationality required under the diversity scheme. Conflicts of interest related to members of the Supervisory Board must be disclosed to the Supervisory Board immediately; there were no such conflicts of interest in 2022.

No member of the Supervisory Board currently serves on a governing body or in a consulting role with respect to a key competitor or has a personal relationship with a key competitor. No member of the Supervisory Board was previously a Managing Director of Schaeffler AG.



More on avoiding conflicts of interest on page 68.

The Supervisory Board has not set an age limit for its members, because it is of the opinion that this criterion is not informative with respect to the suitability of a person to perform as a member of the Supervisory Board. This deviation from the German Corporate Governance Code has been included in the declaration of conformity pursuant to section 161 AktG.

Prof. TU Graz e.h. KR Ing. Siegfried Wolf temporarily exceeded the maximum number of supervisory board mandates recommended by recommendation C.4 of the German Corporate Governance Code. According to this recommendation, a Supervisory Board member who is not a member of any management board of a listed company shall not accept more than five supervisory board mandates at non-group listed companies or comparable functions, with an appointment as chair of the supervisory board being counted twice.

Prof. TU Graz e.h. KR Ing. Siegfried Wolf was elected chairman of the supervisory board of Vitesco Technologies Group Aktiengesellschaft on October 4, 2021. As a result, Prof. TU Graz e.h. KR Ing. Siegfried Wolf had exceeded the maximum number of supervisory board mandates recommended by recommendation C.4 of the Code.

Prof. TU Graz e.h. KR Ing. Siegfried Wolf has resigned from one of his supervisory board mandates with effect as at December 31, 2021. Due to the only temporary exceeding of the recommended maximum number of mandates, the Supervisory Board had not considered its appropriate composition affected.

The Chairman of the Supervisory Board is elected by the Supervisory Board from among its members. He coordinates the activities of the Supervisory Board, chairs its meetings, and represents the Supervisory Board externally. As suggested in Suggestion A.6 of the German Corporate Governance Code, the Chairman of the Supervisory Board is available for discussions with investors, in close coordination with the Board of Managing Directors and focusing on Supervisory Board-related issues.

Membership and mode of operation of Supervisory Board committees

Under its internal rules of procedure, the Supervisory Board establishes a total of five committees.

The mediation committee established in accordance with sections 27 (3) and 31 (3) MitbestG is responsible for proposing to the Supervisory Board a candidate for appointment to the Board of Managing Directors if the two-thirds majority required for an appointment was not obtained initially. The members of the mediation committee are Georg F. W. Schaeffler, Maria-Elisabeth Schaeffler-Thumann, Salvatore Vicari, and Jürgen Wechsler; Georg F. W. Schaeffler chairs the committee.

The nomination committee proposes to the Supervisory Board appropriate candidates for election to the Supervisory Board by the annual general meeting. The members of the nomination committee are Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk, Georg F. W. Schaeffler, and Maria-Elisabeth Schaeffler-Thumann; Georg F. W. Schaeffler is the committee's chairman.

The executive committee consists of Barbara Resch, Georg F. W. Schaeffler, Maria-Elisabeth Schaeffler-Thumann, Salvatore Vicari, Jürgen Wechsler, and Prof. TU Graz e.h. KR Ing. Siegfried Wolf; Georg F. W. Schaeffler is the committee's chairman. The executive committee advises and assists the Chairman of the Supervisory Board and his Deputies in their Supervisory Board responsibilities. It prepares the meetings of the Supervisory Board. Another significant responsibility of the executive committee is preparing personnel decisions to be made by the Supervisory Board. It makes recommendations regarding new appointments or reappointments to and dismissals from the Board of Managing Directors. It also prepares the Supervisory Board's decision regarding the remuneration system and individual remuneration of the members of the Board of Managing Directors. In addition, the executive committee passes resolutions regarding the approval of certain legal transactions and measures specified in the Supervisory Board's internal rules of procedure on behalf of the Supervisory Board, to the extent such delegation is not prohibited by section 107 (3) (7) AktG.

The members of the audit committee are Dr. Holger Engelmann, Andrea Grimm as well as Thomas Höhn, Georg F. W. Schaeffler, Robin Stalker, and Jürgen Wechsler; Robin Stalker chairs the committee. The audit committee is responsible for preparing the Supervisory Board's decision on adoption of the separate financial statements and approval of the consolidated financial statements. The audit committee mainly deals with the review of the company's financial reports, monitoring the financial reporting process, effectiveness of the internal control system, the risk management system, and the internal audit system, as well as with the financial statement audit and compliance. It is responsible for the preliminary review of the separate and consolidated financial statements, the management report, the group management report and the combined management report (including CSR reporting), the proposals for the appropriation of earnings, and for discussing the long-form audit report with the auditors. It is also responsible for the preliminary review of the report on relations with affiliated companies and the non-financial report as well as for preparing the Supervisory Board's nomination of the auditors to be appointed by the annual general meeting.

The audit committee makes a recommendation to the Supervisory Board regarding auditors to be appointed, together with its reasons for the recommendation; where the audit has been put out to tender, the recommendation includes at least two candidates. The audit committee engages the auditors, determines the areas of focus for the audit, and agrees the audit fees with the auditors. In addition, the audit committee monitors the independence of the external auditors, and, as such, is responsible for approving engagements for non-audit services. The audit committee also monitors the qualifications and efficiency of the auditors as well as the rotation of audit team members and evaluates the quality of the financial statement audit as well as the services of the auditors including additional services they have rendered.

The audit committee discusses the assessment of audit risk, the audit strategy and audit planning as well as the results of the audit with the auditors. The chairman of the audit committee regularly discusses the progress of the audit with the auditors

and reports to the committee on this. The audit committee regularly consults with the auditors, both with and without the Board of Managing Directors.

The audit committee is responsible for awarding the review engagement on the non-financial report. On behalf of the Supervisory Board, the audit committee advises and oversees the Board of Managing Directors regarding financial reporting, the financial reporting process, the effectiveness of the internal control system, the risk management system, Internal Audit, the financial statement audit, and compliance.

The chairman of the audit committee must be independent and can be neither a former member of the Board of Managing Directors nor the Chairman of the Supervisory Board. The chairman of the audit committee, Robin Stalker, meets these requirements. The audit committee is required to include at least one member of the Supervisory Board possessing expert knowledge about financial statement audits and at least one other member possessing expert knowledge about financial reporting. The expert knowledge about financial reporting shall consist of being particularly knowledgeable about and experienced in the application of accounting principles and internal control and risk management systems and the expert knowledge about financial statement audits shall consist of being particularly knowledgeable about and experienced in financial statement audits. Financial reporting and financial statement audits also include sustainability reports and reviews of such reports. The chairman of the audit committee shall have the relevant expert knowledge about at least one of these two fields.

The chairman of the audit committee, Robin Stalker, is particularly knowledgeable about and has many years of experience with financial statement audits as he is a former auditor, served as chief financial officer of a publicly listed company with operations worldwide (Adidas AG) for many years and has served on audit committees of publicly listed companies (Schaeffler AG and Commerzbank AG) for many years. These activities have also rendered him particularly knowledgeable about and experienced in the application of accounting principles and internal control

and risk management systems and, hence, he additionally has expert knowledge about financial reporting. Robin Stalker keeps up with current developments in the fields of sustainability reporting and reviews of such reports and actively contributes his expertise to the work of the audit committee and the Supervisory Board.

In the course of his professional career, Dr. Holger Engelmann served as chief financial officer of Webasto AG (now Webasto SE) and has been chairman of the management board of Webasto SE since 2013. Additionally, he has served on the audit committee of Schaeffler AG for many years. These activities have rendered Dr. Engelmann particularly knowledgeable about and experienced in the application of accounting principles and internal control and risk management systems and he actively contributes this knowledge and experience to the work of the audit committee and the Supervisory Board.

The technology committee consists of Prof. Dr. Hans-Jörg Bullinger, Georg F. W. Schaeffler, Jürgen Schenk, Salvatore Vicari, Jürgen Wechsler, Prof. TU Graz e.h. KR Ing. Siegfried Wolf, Prof. Dr.-Ing. Tong Zhang, and Markus Zirkel. Prof. Dr. Hans-Jörg Bullinger chairs the committee. The technology committee serves as a forum for the regular exchange of information between the Supervisory Board and the Board of Managing Directors regarding technological developments relevant to the Schaeffler Group and for jointly deliberating on technology projects.

In certain cases, the Supervisory Board may establish a committee for transactions with related parties in accordance with section 107 (3) (4) AktG to decide on the approval of transactions with related parties in accordance with sections 111a to 111c AktG in place of the Supervisory Board. The committee for transactions with related parties consists of six members, of which half are elected based on nominations by the shareholder representatives and half based on nominations by the employee representatives on the Supervisory Board.

Self-assessment of the Supervisory Board and its committees

The Supervisory Board assesses, at regular intervals, how effectively the Supervisory Board as a whole and its committees fulfill their tasks. The most recent internal self-assessment occurred in the first quarter of 2022. The self-assessment involves asking the members of the Supervisory Board to provide assessments regarding issues relating to the categories structure and function, meetings, preliminary discussions, supply of information, role of the Chairman of the Supervisory Board, working on committees, and issues regarding the Board of Managing Directors. Individual assessments are consolidated by an independent party and evaluated by the Supervisory Board.

Cooperation between Board of Managing Directors and Supervisory Board

The Board of Managing Directors and the Supervisory Board cooperate closely for the good of the company. Thus, the Board of Managing Directors regularly consults with the Supervisory Board on the strategic direction of the company and discusses the status of strategy implementation with the Supervisory Board.

On a regular basis, the Board of Managing Directors provides comprehensive and timely information to the Supervisory Board on all matters of relevance to the company with respect to strategy implementation, planning and budgeting, results of operations, risk management, and compliance. It discusses deviations of results of operations from budgets and targets and the reasons for those deviations. Documents required for decisions, especially the separate financial statements, the consolidated financial statements, and the long-form audit report, are provided to the members of the Supervisory Board in due time. The Board of Managing Directors is required to submit any fundamental legal transactions and measures to the Supervisory

Board or the executive committee for approval. The cooperation between the Board of Managing Directors and the Supervisory Board is characterized by mutual trust and a culture of open discussion as well as maintaining strict confidentiality.

The Chairman of the Supervisory Board regularly keeps in contact with the Board of Managing Directors, particularly with the Chief Executive Officer, between meetings as well, and discusses with him issues related to the company's strategy implementation, planning and budgeting, results of operations, risk management, and compliance. The Chief Executive Officer immediately informs the Chairman of the Supervisory Board of important events significant to evaluating the company's situation and development as well as for managing the company.

Avoiding conflicts of interest

The members of the Supervisory Board are required to immediately disclose any conflict of interest to the Chairman of the Supervisory Board. The members of the Board of Managing Directors are required to disclose any conflicts of interest to the Chairman of the Supervisory Board and the Chief Executive Officer and to inform the other members of the Board of Managing Directors. Significant transactions between the company and members of the Board of Managing Directors or parties related to them require the Supervisory Board's approval. Consulting and other service contracts as well as contracts for specific deliverables between the company and members of the Supervisory Board also require approval by the Supervisory Board. The Supervisory Board reports to the annual general meeting on any conflicts of interest and their resolution. Material conflicts of interest involving a member of the Supervisory Board that are not merely temporary shall result in the termination of that member's Supervisory Board mandate. Neither the members of the Board of Managing Directors nor those of the Supervisory Board have experienced any conflicts of interest in 2022.

1.4 Other information on corporate governance

Transparency

The company provides information on the situation of the company at the same time and on an equal footing to institutional investors, shareholders, financial analysts, business partners, employees, and the interested public by regular, transparent, and up-to-date communication. All significant information, such as ad hoc releases and press releases, as well as presentations given at analysts' conferences, all financial reports, and the financial calendar are published on the Schaeffler Group's website. Investor Relations maintains close contact with shareholders on an ongoing basis.

Relationships with shareholders and annual general meeting

Shareholders exercise their rights at the annual general meeting. The annual general meeting passes resolutions on granting discharge to the Board of Managing Directors and the Supervisory Board, appropriating retained earnings, capital transactions, amendments to the company's articles of association, and appointing auditors. It has to be held during the first eight months of each year.

The company has issued common non-voting and common shares. Common non-voting shares do not convey voting rights, but entitle the holder to a preferred dividend of EUR 0.01 per share.

Shareholders have to register for the annual general meeting in due time in order to attend the annual general meeting. An invitation and other documents (e.g., annual report) containing information on the items on the agenda of the annual general meeting are provided to shareholders before the annual general meeting. This information is also available from the company's website.

Financial reporting and financial statement audit

The main source of information for shareholders and third parties are the consolidated financial statements and the group management report as well as interim financial information.

Schaeffler AG compiles its separate financial statements in accordance with the requirements of the German Commercial Code (HGB) and the German Stock Corporations Act (AktG). The consolidated financial statements are prepared by the Board of Managing Directors in accordance with the principles set out in International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of the HGB and are audited by the auditors and reviewed by the Supervisory Board. Before any interim financial information is made public, the Board of Managing Directors discusses such information with the Supervisory Board or the audit committee. The consolidated financial statements and the group management report are made publicly available within 90 days after the end of the year, mandatory interim financial information within 45 days after the end of the reporting period.

In addition, the consolidated financial statements include a discussion of transactions with shareholders considered related parties under applicable financial reporting standards.

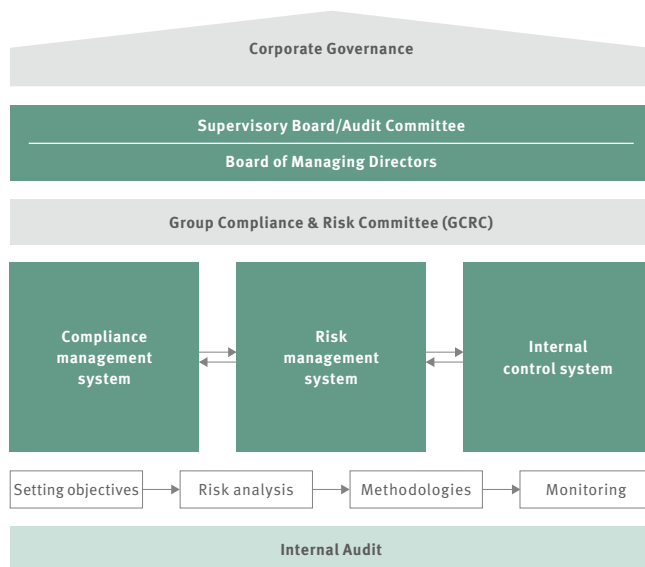
It was agreed with Schaeffler AG's auditors that the Chairman of the Supervisory Board and the chairman of the audit committee would be informed promptly of any grounds for disqualification or indications of bias arising during the audit to the extent they are not remedied immediately. It was also agreed that the auditors would report on all findings and events coming to their attention during the performance of their audit that are significant to the responsibilities of the Supervisory Board. Under the agreement, the auditors have to inform the Supervisory Board and note in their long-form audit report if, during the course of the audit, they become aware of any facts rendering the declarations on the German Corporate Governance Code issued by the Board of Managing Directors and the Supervisory Board inaccurate. The

audit committee monitors the auditors' independence. In a letter dated February 23, 2022, the auditors have issued an independence letter for the year ended December 31, 2022, in preparation for the nomination for appointment as auditors.

2. Governance structure

At the Schaeffler Group, corporate governance stands for responsible management focused on adding long-term value. The governance structure represents the legal and actual framework for the management of and oversight over the company. The components of the **governance structure** support the operating business units in effectively identifying and managing risk, establishing effective controls, and implementing measures to ensure compliance with legal requirements.

Schaeffler Group governance structure



In 2022, the Schaeffler Group has continued to improve the processes within its governance structure with a view to meeting the requirements of customers, legislators, and other stakeholders while at the same time protecting the company. The governance structure is aimed at promoting the coordinated operation of the subsystems.

The Group Compliance and Risk Committee (GCRC) represents a key governance component in this regard, increasing transparency in internal structures, the organization, and in responsibilities. The Group Chief Compliance Officer of the Schaeffler Group chairs the GCRC, which consists of the managers responsible for the relevant governance functions (including Compliance, Legal, Risk Management, Internal Control System, and Internal Audit). The GCRC is responsible for assisting the Board of Managing Directors with its organizational responsibilities with respect to compliance and risk management. Among the key objectives of the GCRC are defining and delineating responsibilities and interfaces and preventing redundancies in the process. In addition, it is expected to create a consistent and complete view of the risk situation in the divisions, functions, and regions based on a uniform measurement and prioritization methodology. A further objective of the GCRC is developing and monitoring risk mitigation activities. The Compliance & Risk Working Group consisting of staff representatives from the functions represented on the GCRC provides operational support to the GCRC.

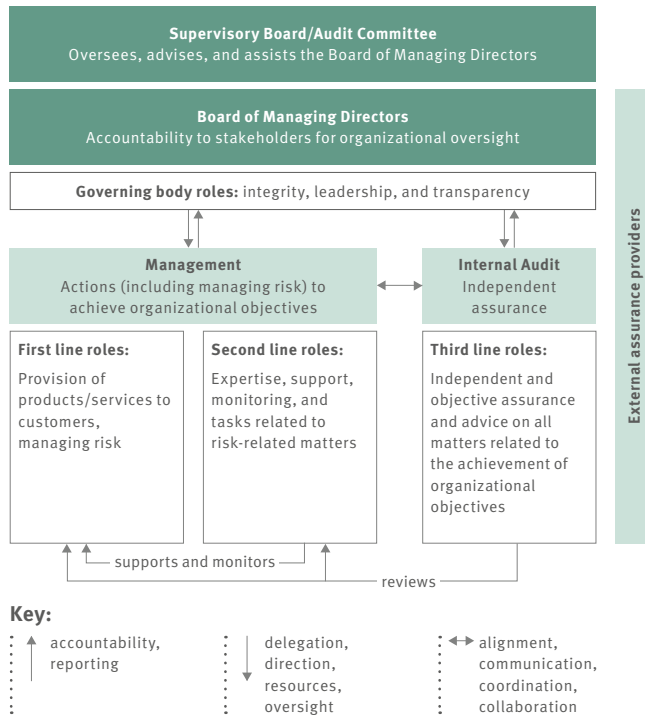
In the fourth quarter of 2022, the Board of Managing Directors decided to enhance the GCRC. The CEO and CFO will chair the body, which will be named Governance, Risk & Compliance Committee (GRCC) in future, starting in 2023. The GRCC will focus even more closely on further integrating the governance functions in accordance with a comprehensive approach.

Comprehensive approach to further integration of governance functions



The activities of the subsystems within the governance structure are coordinated based on the internationally recognized **Three Lines Model** of the Institute of Internal Auditors (IIA).

Three Lines Model



It is designed to identify and establish structures and processes that best assist the company in executing its strategy and taking advantage of the related opportunities. The model is used to structure the interactions and responsibilities of management, internal audit, and the other corporate governance functions with the objective of effective alignment, collaboration, and reporting. The model also defines the roles of managers and their functions within the Schaeffler Group.

First line: The operating business units are responsible for establishing measures required to achieve objectives. They are responsible for managing the risks within the responsibilities assigned to them. Individual risks potentially jeopardizing the continued existence of the company must be avoided. Furthermore, any relevant risks have to be identified and managed using appropriate countermeasures. These include controls established in all business processes to test the effectiveness of risk mitigation measures. Additionally, the Schaeffler Code of Conduct encourages all managers and employees to turn to their supervisor or the corresponding control function with any questions or concerns they might have regarding dealing with inappropriate business practices. If needed, there is a whistleblowing system available for confidentially reporting violations of the Schaeffler Code of Conduct, especially regarding illegal business practices.

Second line: The governance functions (including Risk Management, Internal Control System, Controlling, Compliance, and Legal) define global standards and controls, regularly monitor compliance with them, and report on their effectiveness to the governing bodies. They support the first line in fulfilling its responsibilities. The Risk Management function is also responsible for regular and independent risk assessment.

Third line: Internal Audit is responsible for independent and objective assurance and advice on all matters related to the achievement of objectives.

With its governance structure and its three lines model, the Schaeffler Group has established a risk management and internal control system and fulfills its obligation to manage the company responsibly.

2.1 Compliance management system

Integrity is a significant cornerstone of the Schaeffler Group’s manner of conducting business. Under the Schaeffler Code of Conduct, the Board of Managing Directors and all employees are required to comply with all applicable local, national, and international laws and regulations. A compliance organization covering the entire Schaeffler Group provides support in doing so.

The compliance management system (CMS) is aligned with the company’s risk situation and is encompassed by the Schaeffler Group’s risk management system and internal control system. It is based on the three pillars of prevention, detection, and reaction and is part of the second line within the Schaeffler Group’s governance structure. The CMS comprises, in particular, managing and monitoring the activities necessary to prevent, or detect early on, violations of law in the area of corruption, money laundering, competition and antitrust law, and economic criminal activity. It also serves to actively manage risk and protect the company and its employees. The CMS is aligned with the seven core components of IDW AsS 980: compliance culture, compliance objectives, vulnerability analysis, compliance program, compliance organization, communication, and monitoring and improvement. The appropriateness, implementation, and effectiveness of the CMS was confirmed by an independent audit firm in accordance with the Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems, IDW AsS 980, during the year. The review of the compliance management system regarding anti-corruption, antitrust law, and preventing economic crime covered the entire Schaeffler Group.

The compliance organization derives its arrangements for preventing corruption, money laundering, violations of competition and antitrust law, and economic criminal activity from a regular group-wide risk analysis using a risk-based approach. The risk analysis provides information on the current situation with respect to risks

arising from operations and on the effectiveness of the preventive arrangements in place. Country-specific risks are summarized in a compliance country risk report that is updated annually.

The Schaeffler Group's Group Chief Compliance Officer heads up the compliance organization and reports directly to the Chief Executive Officer. The Group Chief Compliance Officer also has a reporting line to the Chairman of the Supervisory Board and reports to the chairman of the audit committee on a regular basis.

The compliance department provides the Group Chief Compliance Officer with the support of a network of experienced compliance experts spanning all of the Schaeffler Group's Europe, Americas, Greater China, and Asia/Pacific regions. He also utilizes a centralized team of experts that consists of the "Advisory", "Risk Analysis & Solutions", and "Forensics & Investigations" departments. The responsibilities of this team of experts include defining and monitoring appropriate groupwide compliance standards and activities, consulting on compliance, and improving processes and controls. The team is also responsible for independently investigating alleged violations and following up on the necessary consequences. It analyzes the causes of misconduct, derives suggestions for remedial measures, and follows up on their implementation. Violations of laws and regulations, or of internal rules on compliance with these, are not tolerated and result in disciplinary action.

Measures designed to prevent compliance violations include the Schaeffler Group's Code of Conduct; guidelines on behavior in compliance with antitrust and competition legislation as well as on fighting corruption, preventing money laundering and terrorist financing, as well as on avoiding and dealing with conflicts of interest; web-based training and classroom training sessions; and a compliance helpdesk available for consultation on specific compliance issues.

The Schaeffler Code of Conduct comprises the common compliance topics and focuses on integrity and value-based compliance. In particular, the Schaeffler Code of Conduct expressly prohibits any Schaeffler Group employee from engaging in corruption in any way. The same applies to conduct violating competition or antitrust laws. The Schaeffler Group stays away from any transactions that cannot be effected or continued without unacceptable conduct.

For the Schaeffler Group, sustainable procurement is a core issue which is reflected in the Schaeffler Group's Supplier Code of Conduct. This applies to both the responsible handling of critical materials and to human rights and ecological and social standards. Suppliers of production materials and defined suppliers of non-production materials are actively requested to acknowledge the Schaeffler Supplier Code of Conduct or to provide a copy of their own code of conduct. Hence, acknowledgment of the Schaeffler Group's Supplier Code of Conduct by the supplier represents a binding basis for any current and future business relations.

In a systematic training program that is specific to its various target audiences, the Schaeffler Group provides its employees and managers with the required understanding of compliance and makes them aware of compliance risks in their day-to-day business. Web-based and classroom training sessions are used to familiarize them with the Schaeffler Group Code of Conduct and the relevant group guidelines. Training sessions are continually refined and updated and adapted to the employees' areas of responsibility.

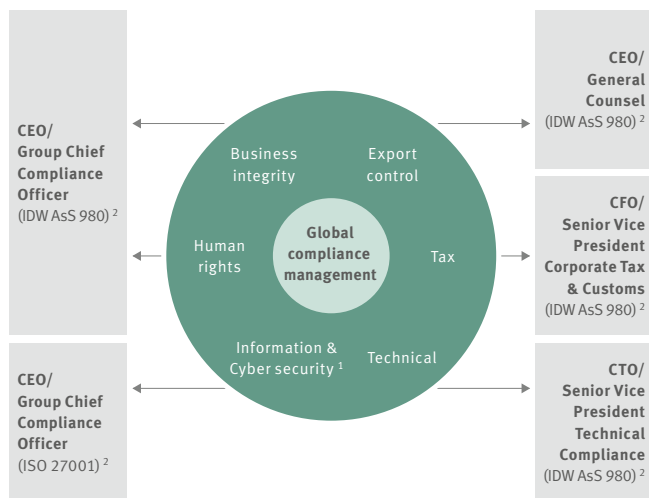
During the year, the Schaeffler Group established the "Horizon Next" integrity workshop worldwide in order to embed value-based compliance throughout the organization. Along with the basic course titled "Integrity & Security@Schaeffler", there are advanced online courses on fighting corruption and complying with antitrust and competition law. These mandatory online courses are aimed both at all executives and at employees assigned to a job profile in procurement or sales that is relevant

to compliance. In addition, the company has also put arrangements in place for detecting possible compliance violations; these arrangements include controls as well as a global whistleblowing system which can be used to report suspected violations on an anonymous basis. All such reports received are reviewed independently. Reprisals against employees reporting concerns about misconduct within the company in good faith are prohibited.

The IT-based workflows on business partner due diligence, registering and approving contacts with competitors, and the electronic whistleblowing system contribute to the efficiency and effectiveness of compliance processes.

At the end of the year, the Board of Managing Directors decided to assign to the Group Chief Compliance Officer the responsibility for ensuring that the approach followed in implementing compliance requirements of any kind is consistent and aligned with recognized industry and auditing standards. As part of such global compliance management, further progress has been made during the year on establishing a Technical CMS and a Human Rights CMS. By assigning responsibility for the following management systems methodology to the Group Chief Compliance Officer the Schaeffler Group is taking another step in pursuing a comprehensive approach to its governance structure.

Global compliance management with responsibility for methodology with Group Chief Compliance Officer



¹ Including data privacy in accordance with ISO 27701.
² Aligned with assurance/industry standards.

In order to comply with capital markets regulations, the company has established an insider committee that evaluates any (potential) insider information it receives or that otherwise comes to its attention and determines whether that information is required to be published. Additionally, the company maintains an insider list of individuals with access to insider information. As soon as an individual is added to the insider list, the individual is notified and informed of the legal obligations and sanctions related to his or her access to insider information.

2.2 Risk management system

Like the compliance management system, the risk management system is part of the second line in the Schaeffler Group’s governance structure.

☰ More on the company’s risk management system on pp. 43 et seq.

2.3 Internal control system

The second line of the governance structure also comprises the Schaeffler Group’s internal control system (ICS).

☰ More on the company’s internal control system on pp. 46 et seq.

2.4 Internal Audit

Internal Audit represents the third line of the Schaeffler Group’s governance structure. Internal Audit provides independent and objective audit and consulting services focused on adding value and improving business processes. The internal audit function contributes to meeting the corporate objectives the Schaeffler Group has communicated by assessing and helping to improve the effectiveness of the compliance management system, risk management system, controls, and management and supervisory processes using a systematic and goal-oriented approach. Responsibility for establishing the internal audit function and for its effectiveness rests with the Board of Managing Directors and cannot be delegated. Hence, Internal Audit reports to the entire Board of Managing Directors. The head of Internal Audit reports directly to the Chief Executive Officer of Schaeffler AG and also reports to the chairman of the audit committee on a regular basis.

The Schaeffler Group has made the following arrangements to ensure the independence and objectivity of Internal Audit:

- direct organizational link to the Chief Executive Officer to ensure there are no gaps in audit coverage
- neither the head of Internal Audit nor audit staff have any operational responsibility
- reports annually on potential impairment of independence to the Chief Executive Officer, the Board of Managing Directors, and the audit committee
- the Board of Managing Directors has to approve and appropriately document the audit planning and significant changes therein

The responsibilities of Internal Audit specifically include, but are not limited to, the following activities:

- audit and assessment of the appropriateness, efficiency, and effectiveness of the internal control system
- audit and assessment of the appropriateness, efficiency, and effectiveness of the management and supervisory processes
- audit and assessment of the finance and accounting systems, the information system, and the reporting system
- audit and assessment of the effectiveness of the risk and compliance management system
- audit and assessment of the effectiveness of arrangements for preventing and detecting fraud
- audit of arrangements for safeguarding assets
- audit and assessment of the implementation of and compliance with legal requirements and the company’s internal rules (“legal compliance”)
- performance of special investigations with respect to fraud, conflicts of interest, and other irregularities

In a risk analysis done in preparation for audit assignments, Internal Audit exchanges information with other departments (e.g., Compliance and Corporate Security, Controlling, Legal, Quality, Risk Management).

In order to obtain sufficient reliable, relevant, and constructive information to achieve its audit objectives, Internal Audit regularly performs its audit assignments on location.

In its audit reports, Internal Audit communicates its findings, identifies the individuals responsible for implementation, and agrees remediation measures, including a timeframe for their implementation. In a monitoring and follow-up process, Internal Audit monitors implementation of the remediation measures addressing identified deficiencies.

In accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, the head of Internal Audit has established a quality assurance and improvement program covering all of Internal Audit's responsibilities.

2.5 Comment upon the appropriateness and effectiveness of the risk management and internal control system ¹⁰

In order to ensure the appropriateness and effectiveness of the risk management system and the internal control system, the Board of Managing Directors has implemented internal monitoring measures. These include process-integrated monitoring measures and controls in particular.

Taking into account the results of the internal monitoring measures, there are no indications that the risk management system or the internal control system in place are not appropriate or ineffective.

¹⁰ in accordance with German Corporate Governance Code; section unaudited.

3. Governing bodies of the company

3.1 Supervisory Board

The Supervisory Board consists of 20 members. Ten of these members are appointed by a resolution of the annual general meeting, and ten members are elected by the employees in accordance with the requirements of the German Co-Determination Act. The term of office of the shareholder representatives on the Supervisory Board ends at the conclusion of the annual general meeting 2024. The term of office of the employee representatives ends at the conclusion of the annual general meeting 2025.

Georg F. W. Schaeffler

Shareholder of INA-Holding Schaeffler GmbH & Co. KG
Chairman of the Supervisory Board of Schaeffler AG

Appointed: December 1, 2014

Committee memberships: Chairman of the mediation, executive, and nomination committees and member of the audit and technology committees

Seats on supervisory and similar boards: member of the advisory board of ATESTEO Management GmbH, Alsdorf; member of the Supervisory Board of Continental AG, Hanover; member of the Supervisory Board of Vitesco Technologies Group AG, Regensburg

Maria-Elisabeth Schaeffler-Thumann

Shareholder of INA-Holding Schaeffler GmbH & Co. KG
Deputy Chairperson of the Supervisory Board of Schaeffler AG

Appointed: December 1, 2014

Committee memberships: member of the mediation, executive, and nomination committees

Seats on supervisory and similar boards: member of the Supervisory Board of Continental AG, Hanover (until April 29, 2022)

Jürgen Wechsler*

Former Regional Director of IG Metall Bavaria
Deputy Chairman of the Supervisory Board of Schaeffler AG

Appointed: December 2, 2014

Committee memberships: member of the mediation, executive, technology, and audit committees

Sabine Bendiek

Chief People & Operations Officer and Labor Relations Director of SAP SE

Appointed: April 24, 2019

Prof. Dr. Hans-Jörg Bullinger

CEO of Fraunhofer Foundation

Appointed: December 1, 2014

Committee memberships: Chairman of the technology committee

Seats on supervisory and similar boards: member of the advisory board of Albert Handtmann Holding GmbH & Co. KG, Biberach; chairman of the Supervisory Board of ARRI AG, Munich; member of the Supervisory Board of Bauerfeind AG, Zeulenroda-Triebes; member of the Supervisory Board of CO.DON AG, Leipzig; member of the advisory board of Friedhelm Loh Stiftung GmbH & Co. KG, Haiger; member of the Supervisory Board of Vitesco Technologies Group AG, Regensburg

Dr. Holger Engelmann

Chairman of the Management Board of Webasto SE

Appointed: December 1, 2014

Committee memberships: member of the nomination and audit committees

Seats on supervisory and similar boards: Chairman of the Supervisory Board of Webasto Thermo & Comfort SE, Gilching (until April 28, 2022)

* Employee representative on the Supervisory Board.

Governing bodies of the company

Prof. Dr. Bernd Gottschalk

Owner and Managing Partner of AutoValue GmbH

Appointed: December 1, 2014

Committee memberships: member of the nomination committee

Seats on supervisory and similar boards: member of the Board of Directors of AEye, Inc., Dublin, U.S.; member of the Supervisory Board of BENTELER International AG, Salzburg, Austria; Deputy Chairman of the Supervisory Board of JOST Werke AG, Neu-Isenburg; member of the Supervisory Board of Compagnie Plastic Omnium SA, Levallois-Perret, France

Andrea Grimm*

Deputy Chairperson of the Works Council
Schaeffler Technologies AG & Co. KG

Appointed: April 8, 2017

Committee memberships: member of the audit committee

Ulrike Hasbargen

Tax consultant/auditor

Appointed: April 23, 2021

Seats on supervisory and similar boards: member of the Supervisory Board of Ernst & Young GmbH, Stuttgart

Thomas Höhn*

Trade Union Secretary IG Metall

Appointed: May 8, 2020

Committee memberships: member of the audit committee

Susanne Lau*

Industrial management assistant
Chairperson of the Works Council Hamburg
Chairperson of the Group Works Council of Schaeffler AG
Chairperson of the General Works Council of Schaeffler
Automotive Aftermarket GmbH & Co. KG

Appointed: August 8, 2018

Dr. Alexander Putz* (since October 1, 2022)

Plant manager Herzogenaurach

Appointed: October 1, 2022

Barbara Resch*

Wage secretary

Appointed: November 19, 2015

Committee memberships: member of the executive committee

Seats on supervisory and similar boards: member of the Supervisory Board of ElringKlinger AG, Dettingen; member of the Supervisory Board of Rheinmetall AG, Duesseldorf

Jürgen Schenk*

Chairman of the General Works Council Schweinfurt

Appointed: May 8, 2020

Committee memberships: member of the technology committee

Seats on supervisory and similar boards: member of the Supervisory Board of ACE Auto Club Europa e. V., Stuttgart (until October 25, 2022)

Helga Schönhoff*

Deputy Chairperson of the Works Council Schaeffler Automotive
Bühl GmbH & Co. KG

Appointed: May 8, 2020

Robin Stalker

Chartered Accountant

Appointed: December 1, 2014

Committee memberships: chairman of the audit committee

Seats on supervisory and similar boards: Deputy Chairman of the Supervisory Board of Schmitz Cargobull AG, Horstmar; member of the Supervisory Board of Commerzbank AG, Frankfurt/Main; member of the Supervisory Board of Hugo Boss AG, Metzingen

Salvatore Vicari*

Chairman of the Works Council Homburg/Saar

Appointed: December 2, 2014

Committee memberships: member of the mediation, executive, and technology committees

Prof. TU Graz e.h. KR Ing. Siegfried Wolf

Entrepreneur

Appointed: December 1, 2014

Committee memberships: member of the executive and technology committees

Seats on supervisory and similar boards: member of the Supervisory Board of Miba AG, Laakirchen, Austria; member of the Supervisory Board of Mitterbauer Beteiligungs-AG, Laakirchen, Austria; member of the Supervisory Board of OJSC GAZ Group, Nizhny Novgorod, Russia (until December 31, 2022); member of the Supervisory Board of Porsche Automobil Holding SE, Stuttgart; Chairman of the Supervisory Board of SBERBANK Europe AG, Vienna, Austria (until July 26, 2022); Chairman of the Supervisory Board of Steyr Automotive GmbH, Steyr, Austria; Chairman of the Supervisory Board of Vitesco Technologies Group AG, Regensburg

* Employee representative on the Supervisory Board.

Governing bodies of the company

Prof. Dr.-Ing. Tong Zhang

Director of Institute of Fuel Cell Vehicle Technology at Tongji University in Shanghai, China

Appointed: December 1, 2014

Committee memberships: member of the technology committee

Seats on supervisory and similar boards: Independent director of Zhejiang Tieliu Clutch Co., Ltd., Hanzhou, China (since January 1, 2022)

Markus Zirkel*

Chairman of the Works Council Hirschaid

Appointed: May 8, 2020

Committee memberships: member of the technology committee

Seats on supervisory and similar boards: member of the Supervisory Board of VR-Bank Bamberg Forchheim eG, Bamberg

The following member left the Supervisory Board in 2022

Jutta Rost* (until September 30, 2022)

Senior Vice President HR Functions

Appointed: May 8, 2020

3.2 Supervisory Board committees

Mediation committee

Georg F. W. Schaeffler (Chairman), Maria-Elisabeth Schaeffler-Thumann, Salvatore Vicari, and Jürgen Wechsler

Executive committee

Georg F. W. Schaeffler (Chairman), Barbara Resch, Maria-Elisabeth Schaeffler-Thumann, Salvatore Vicari, Jürgen Wechsler, and Prof. TU Graz e.h. KR Ing. Siegfried Wolf

Audit committee

Robin Stalker (Chairman), Dr. Holger Engelmann, Andrea Grimm, Thomas Höhn, Georg F. W. Schaeffler, and Jürgen Wechsler

Nomination committee

Georg F. W. Schaeffler (Chairman), Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk, and Maria-Elisabeth Schaeffler-Thumann

Technology committee

Prof. Dr. Hans-Jörg Bullinger (Chairman), Georg F. W. Schaeffler, Jürgen Schenk, Salvatore Vicari, Jürgen Wechsler, Prof. TU Graz e.h. KR Ing. Siegfried Wolf, Prof. Dr.-Ing. Tong Zhang, and Markus Zirkel

3.3 Board of Managing Directors

The Schaeffler Group is managed by the Board of Managing Directors of Schaeffler AG. The Board of Managing Directors currently has eight members: the Chief Executive Officer (CEO), the CEOs of the Automotive Technologies, Automotive Aftermarket, and Industrial divisions, and the Managing Directors responsible for the functions R&D, Operations, Supply Chain Management & Purchasing, Finance & IT, and Human Resources. Together, the Board of Managing Directors and the Regional CEOs represent the Schaeffler Group's Executive Board.

Klaus Rosenfeld

Chief Executive Officer

Responsible for: Quality; Governance, Processes & Organization; Corporate Strategy, Sustainability, & Corporate Development; Group Communications & Public Affairs; Global Branding & Marketing; Investor Relations; Legal; Internal Audit; Compliance & Corporate Security; Corporate Real Estate Management; Strategic Digitalization

Appointed: October 24, 2014

Term of office ends: June 30, 2024

Seats on supervisory and similar boards: member of the Supervisory Board of Continental AG, Hanover; member of the Supervisory Board of Siemens Gamesa Renewable Energy S.A., Zamudio, Spain (until February 18, 2022); member of the Supervisory Board of Vitesco Technologies Group AG, Regensburg; Supervisor of Schaeffler Holding (China) Co. Ltd., Shanghai, China

* Employee representative on the Supervisory Board.

Governing bodies of the company

Claus Bauer

Chief Financial Officer

Responsible for: Finance Systems, Processes & Infrastructure; Corporate Accounting; Corporate Controlling; Corporate Treasury; Corporate Tax & Customs; Corporate Reporting; Corporate Insurance; Shared Services ¹¹; IT & Digitalization

Appointed: September 1, 2021

Term of office ends: August 31, 2025

Andreas Schick

Chief Operating Officer

Responsible for: Schaeffler Production System & Production Technology; Digitalization & Operations IT; Advanced Production Technology; Tool Manufacturing; Special Machinery; Supply Chain Management & Logistics; Purchasing Strategy & Strategic Supplier Management; Purchasing Non-Production Material; Quality Operations, Supply Chain Management & Purchasing

Appointed: April 1, 2018

Term of office ends: March 31, 2026

Seats on supervisory and similar boards: member of the Supervisory Board of SupplyOn AG, Hallbergmoos; member of the board of directors of Schaeffler India Ltd., Pune, India

Corinna Schittenhelm

Chief Human Resources Officer

Responsible for: HR Strategy; HR Policies & Standards; Leadership, Recruiting & Talent Management; Schaeffler Academy; HR Systems, Processes & Reporting; Environment, Health & Safety; Human Resources Functions; Human Resources Germany

Appointed: January 1, 2016

Term of office ends: December 31, 2023

Seats on supervisory and similar boards: member of the shareholders' committee of TÜV SÜD AG, Munich; member of the advisory board of Schaeffler Consulting GmbH, Herzogenaurach; member of the board of directors of Schaeffler India Ltd., Pune, India

Jens Schüler

CEO Automotive Aftermarket

Responsible for: Business Development & Strategy AAM; Global KAM, Sales & Marketing AAM; Product Management & R&D AAM; IT & Digitalization AAM; Operations & Supply Chain Management AAM; Quality AAM; Purchasing & Supplier Management AAM; Divisional Controlling AAM; Human Resources AAM

Appointed: January 1, 2022

Term of office ends: December 31, 2024

Seats on supervisory and similar boards: member of the shareholder committee of Caruso GmbH, Mannheim (since January 1, 2022); member of the shareholder committee of TecAlliance GmbH, Ismaning (since January 1, 2022)

Dr. Stefan Spindler

CEO Industrial

Responsible for: Business Development & Strategy Industrial; Global Key Account Management Industrial; Sales Management & Marketing Industrial; Strategic Business Field Industrial Lifetime Solutions; Strategic Business Field Hydrogen Industrial; R&D Industrial; Operations & Supply Chain Management Industrial; Quality Industrial; Purchasing & Supplier Management Industrial; Divisional Controlling Industrial; HR Industrial

Appointed: May 1, 2015

Term of office ends: April 30, 2024

Uwe Wagner

Chief Technology Officer

Responsible for: Advanced Innovation; R&D Management & Corporate Engineering Services; R&D Central Technologies; Engineering IT & Digitalization; Intellectual Property Rights; Technical Compliance

Appointed: October 1, 2019

Term of office ends: September 30, 2027

Seats on supervisory and similar boards: member of the Supervisory Board of IAV GmbH Ingenieurgesellschaft Auto und Verkehr, Berlin; member of the advisory board of Compact Dynamics GmbH, Starnberg; member of the advisory board of Schaeffler ByWireTechnologie GmbH & Co. KG, Herzogenaurach; chairman of the advisory board of Xtronic GmbH, Boeblingen

Matthias Zink

CEO Automotive Technologies

Responsible for: Business Development & Strategy Automotive Technologies; Global Key Account Management Automotive Technologies; BD Bearings; BD Engine & Transmission Systems; BD E-Mobility; BD Chassis Systems; Operations & Supply Chain Management Automotive Technologies; Quality Automotive Technologies; Purchasing & Supplier Management Automotive Technologies; Divisional Controlling Automotive Technologies; Human Resources Automotive Technologies

Appointed: January 1, 2017

Term of office ends: December 31, 2024

Seats on supervisory and similar boards: member of the advisory board of Compact Dynamics GmbH, Starnberg; Supervisor of Schaeffler (China) Co. Ltd., Taicang, China; chairman of the advisory board of Schaeffler ByWire Technologie GmbH & Co. KG, Herzogenaurach; member of the advisory board of Xtronic GmbH, Boeblingen (until March 31, 2022)

¹¹ Responsibility for the global steering of the shared services activities within the Schaeffler Group.

Financial statements 2022

1. Balance sheet	80
<hr/>	
2. Income statement	81
<hr/>	
3. Notes to the financial statements	82

Balance sheet

1. Balance sheet

in €	12/31/2022	12/31/2021	Change in %
ASSETS			
Intangible assets	0.00	775.00	-100
Property, plant and equipment	625,768.76	147,803.43	▶ 100
Shares in affiliated companies	13,944,233,601.95	14,027,449,665.75	-0.6
Loans receivable from affiliated companies	213,960,527.22	294,735,935.42	-27.4
Long-term financial assets	14,158,194,129.17	14,322,185,601.17	-1.1
Fixed assets	14,158,819,897.93	14,322,334,179.60	-1.1
Trade receivables	0.00	0.00	0.0
Receivables from affiliated companies	10,143,843,746.47	8,880,346,649.25	14.2
Receivables from entities to which the company is linked by equity ownership	2,867.90	33,019.69	-91.3
Other assets	86,378,567.18	58,119,758.67	48.6
Receivables and other assets	10,230,225,181.55	8,938,499,427.61	14.5
Securities	0.00	0.00	0.0
Cash at banks	552,772,215.70	1,197,685,519.13	-53.8
Current assets	10,782,997,397.25	10,136,184,946.74	6.4
Prepaid expenses and deferred charges	284,553.57	33,205,653.15	-99.1
Excess of plan assets over post-employment benefit liability	1,356,607.43	2,799,061.94	-51.5
Total assets	24,943,458,456.18	24,494,523,841.43	1.8

in €	12/31/2022	12/31/2021	Change in %
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	666,000,000.00	666,000,000.00	0.0
Capital reserves	2,359,000,000.00	2,359,000,000.00	0.0
Revenue reserves	3,962,548,253.49	3,962,548,253.49	0.0
Retained earnings	540,265,444.23	450,253,001.01	20.0
Shareholders' equity	7,527,813,697.72	7,437,801,254.50	1.2
Provisions for pensions and similar obligations	69,821,042.51	66,526,963.96	5.0
Tax provisions	54,954,830.00	30,704,608.98	79.0
Other provisions	180,992,059.17	154,105,092.75	17.4
Provisions	305,767,931.68	251,336,665.69	21.7
Bonds	2,950,000,000.67	3,494,668,000.00	-15.6
Bank debt	297,626,240.71	297,500,000.00	0.0
Trade payables	9,624,678.10	4,826,081.82	99.4
Amounts payable to affiliated companies	13,760,306,709.27	12,961,097,235.10	6.2
Other liabilities (including taxes of EUR 1,621,282.66 (prior year: EUR 1,916,041.15), including social security contributions of EUR 10,772.61 (prior year: EUR 36,931.42))	92,319,198.03	47,294,604.32	95.2
Liabilities	17,109,876,826.78	16,805,385,921.24	1.8
Total shareholders' equity and liabilities	24,943,458,456.18	24,494,523,841.43	1.8

Income statement

2. Income statement

in €	2022	2021	Change in %
1 Revenue	16,473,011.14	23,574,200.44	-30.1
2 Cost of sales	-15,711,765.54	-21,649,312.66	-27.4
3 Gross profit	761,245.60	1,924,887.78	-60.5
4 General and administrative expenses	-147,311,661.58	-136,905,092.47	7.6
5 Other operating income	700,872,138.75	325,628,185.86	› 100
6 Other operating expenses	-693,713,182.13	-345,639,446.55	› 100
7 Income from equity investments	791,000,000.00	813,027,860.63	-2.7
• affiliated companies EUR 791,000,000.00 (prior year: EUR 813,027,860.63)			
8 Income from other securities and long-term loans receivable	5,019,273.43	3,715,610.85	35.1
• affiliated companies EUR 5,019,273.43 (prior year: EUR 3,715,610.85)			
9 Other interest and similar income	59,898,134.83	34,535,042.88	73.4
• affiliated companies EUR 53,592,216.65 (prior year: EUR 19,379,436.35)			
10 Write-downs of long-term financial assets and securities included in current assets	-85,474,879.14	-54,089,015.75	58.0
11 Interest and similar expenses	-174,804,174.52	-153,013,823.45	14.2
• affiliated companies EUR 64,961,257.08 (prior year: EUR 29,729,140.81)			
12 Income taxes	-38,159,376.96	-38,976,664.77	-2.1
13 Earnings after income taxes	418,087,518.28	450,207,545.01	-7.1
14 Other taxes	-75,075.06	45,456.00	› 100
15 Net income for the year	418,012,443.22	450,253,001.01	-7.2
16 Retained earnings brought forward	122,253,001.01	0.00	› 100
17 Withdrawal from other revenue reserves	0.0	0.00	0.0
18 Retained earnings	540,265,444.23	450,253,001.01	20.0

Notes to the financial statements

General information on the financial statements

3. Notes to the financial statements

3.1 General information on the financial statements

Schaeffler AG, Herzogenaurach, is registered in the Commercial Register B of the Fürth Local Court under No. HRB 14738.

These financial statements were prepared in accordance with the requirements of the German Commercial Code (“Handelsgesetzbuch” – HGB) and the supplementary provisions of the German Stock Companies Act (“Aktiengesetz”). The income statement has been prepared in the cost of sales format.

3.2 Accounting policies

Intangible assets are recognized at acquisition cost and amortized on a straight-line basis over their expected useful life of two to four years.

Property, plant and equipment is measured at acquisition or manufacturing cost net of straight-line depreciation. The company expects their useful life to be two to eight years.

Shares in affiliated companies and loans receivable from affiliated companies are recognized at acquisition cost or, where there is a permanent impairment, at their lower fair value. Write-downs are reversed when the cause of the permanent impairment no longer exists.

Receivables and other assets are measured at face value taking into account all known risks. Non-interest-bearing receivables and other assets with a remaining term of more than one year are discounted back to the balance sheet date.

Securities are measured at the lower of acquisition cost and the price they are quoted at in the capital markets.

Cash at banks is measured at face value.

Prepaid expenses and deferred charges are recognized at the amount that is reasonably attributable to periods subsequent to the balance sheet date.

Excess of plan assets over post-employment benefit liability is the net amount of retirement benefit obligations and assets that are protected from access by all other creditors and whose exclusive purpose is settling liabilities and similar long-term obligations. The assets offset in this balance are valued at fair value or at the price quoted for the plan assets in the capital markets.

Deferred taxes are calculated on temporary differences between amounts recognized for financial reporting and for tax purposes for assets, liabilities, prepaid expenses and deferred charges, as well as deferred income and on interest- and loss carry-forwards. This includes the differences between financial reporting and tax balance sheets of subsidiaries that are part of the same tax group as Schaeffler AG and of partnerships. The tax rate used to

calculate deferred taxes is the rate expected to apply when the differences reverse or loss carry-forwards are utilized and amounts to 28.7% (prior year: 28.7%). Deferred tax liabilities are offset against deferred tax assets. The net asset balance is not recognized in the balance sheet.

Provisions for pensions and similar obligations are determined by actuarial calculations using the projected unit credit method (PUC) based on the “Heubeck-Richttafeln 2018 G” (prior year: “Heubeck-Richttafeln 2018 G”) mortality tables. The valuation of pension provisions reflects future annual salary increases of 3.25% (prior year: 2.75%), pension increases of 1.0 to 2.2%, and an employee turnover rate of 2.1%. Pension obligations are discounted at the average of the previous ten years’ market interest rate based on an assumed term of 15 years, as published by the German Central Bank (“Deutsche Bundesbank”) as at December 31, 2022. This discount rate is 1.78% (prior year: 1.87%).

Tax and other provisions are recognized at their expected settlement amount taking into account all known risks, uncertain obligations, and pending losses evaluated using reasonable business judgment.

Notes to the financial statements

Accounting policies

Future increases in prices and costs are reflected in the calculation to the extent sufficient objective evidence of their occurrence exists. Provisions due in more than one year have been discounted at the average of the previous seven years' market interest rate appropriate to their remaining term to maturity as published by the German Central Bank.

Derivative financial instruments are measured separately using market prices. Fair value is determined using discounted cash flow valuation models and the exchange rates in effect at the end of the reporting period as well as risk-adjusted interest and discount rates appropriate to the instruments' terms. Any resulting unrealized losses are recognized in profit or loss.

Cross-currency swaps with parties external to the group are accounted for using hedge accounting together with intragroup hedging instruments with identical but opposite features. The company uses the net hedge presentation method of hedge accounting.

The Performance Share Unit Plan (PSUP) is accounted for as a cash-settled share-based payment plan and the related provision, measured at the fair value of the payment obligation attributable to the period up to the reporting date, is presented under other provisions. The obligations are remeasured as at each balance sheet date. The fair value is determined in part using a binomial option pricing model and in part based on a Monte Carlo simulation. Both models reflect the terms of the relevant contract (including payout floors and caps, performance scale for the TSR-based performance target, expected dividend payments, as well as the volatility of Schaeffler AG common non-voting shares and the benchmark index MDAX or SXAGR and SXNGR). The resulting changes are recognized as personnel expense and presented under administrative expenses.

Bonds, bank debt, trade payables, amounts payable to affiliated companies, and other liabilities are recognized at their settlement amount.

Deferred income is recognized at the amount that is reasonably attributable to periods subsequent to the balance sheet date.

Transactions denominated in foreign currency are translated at the mean spot exchange rate applicable on the balance sheet date. Any resulting unrealized losses are reflected in corresponding provisions for pending losses. Unrealized foreign exchange gains are only recognized to the extent they relate to receivables and liabilities due in up to one year. Balance sheet items denominated in foreign currency that form part of a hedging relationship designed to hedge currency risk and are subject to hedge accounting are translated at the mean spot exchange rate applicable on the transaction date.

Notes to the financial statements

Notes to the balance sheet

3.3 Notes to the balance sheet

Fixed assets

in € thousands	Licenses	Intangible assets	Furniture and fixtures	Assets under construction	Property, plant and equipment	Shares in affiliated companies	Loans receivable from affiliated companies	Long-term financial assets	Total
Historical cost									
Balance as at January 01, 2022	209	209	716	15	731	14,098,543	294,736	14,393,279	14,394,219
Additions	0	0	700	47	747	2,175	24,006	26,181	26,928
Disposals	0	0	-66	-20	-86	0	-104,782	-104,782	-104,867
Transfers	0	0	7	-7	0	0	0	0	0
Balance as at December 31, 2022	209	209	1,357	35	1,392	14,100,718	213,961	14,314,679	14,316,279
Accumulated amortization, depreciation, and write-downs									
Balance as at January 01, 2022	208	208	583	0	583	71,093	0	71,093	71,884
Additions	1	1	248	0	248	85,391	0	85,391	85,640
Disposals	0	0	-65	0	-65	0	0	0	-65
Balance as at December 31, 2022	209	209	766	0	766	156,485	0	156,485	157,459
Net book values									
as at January 01, 2022	1	1	133	15	148	14,027,450	294,736	14,322,186	14,322,334
as at December 31, 2022	0	0	591	35	626	13,944,234	213,961	14,158,194	14,158,820

The carrying amount of the shares in Schaeffler Immobilien AG & Co. KG, Herzogenaurach, was written down by EUR 85,391 thousand (prior year: EUR 53,693 thousand) during the year due to permanent impairment. EUR 2,175 thousand in incidental acquisition costs were capitalized in connection with the acquisition of the shares of the Ewellix Group.

Long-term loans receivable from affiliated companies classified as fixed assets consist of EUR 169,800 thousand (prior year: EUR 216,800 thousand) due from Schaeffler Verwaltungsholding Vier GmbH, EUR 21,122 thousand (prior year: EUR 17,322 thousand) due from Schaeffler Brasil Ltda., EUR 20,206 thousand (prior year: EUR 0) due from Schaeffler Romania S.R.L., and EUR 2,832 thousand (prior year: EUR 22,500 thousand) due from Schaeffler Invest GmbH.

Notes to the financial statements

Notes to the balance sheet

Receivables and other assets

Receivables and other assets

in € thousands	12/31/2022			12/31/2021		
	Due in up to one year	Due in 1 to 5 years	Due in more than 5 years	Due in up to one year	Due in 1 to 5 years	Due in more than 5 years
Trade receivables	0	0	0	0	0	0
Receivables from affiliated companies	10,143,843	0	0	8,880,347	0	0
• including short-term loans of	9,045,745	0	0	8,021,600	0	0
• including other financial receivables of	279,872	0	0	29,084	0	0
• including trade receivables of	27,227	0	0	28,912	0	0
• including other receivables of	791,000	0	0	800,751	0	0
Receivables from entities to which the company is linked by equity ownership	3	0	0	33	0	0
• including trade receivables of	3	0	0	33	0	0
Other assets	86,379	0	0	58,120	0	0

Other receivables from affiliated companies comprise Schaeffler AG's claim to the net income of Schaeffler Technologies AG & Co. KG of EUR 791,000 thousand (prior year: EUR 800,000 thousand), which has not yet been paid. Schaeffler Technologies AG & Co. KG paid EUR 800,000 thousand in respect of net income for the prior year to Schaeffler AG during the year. Schaeffler AG in turn used these funds entirely to pay off existing liabilities due to Schaeffler Technologies AG & Co. KG.

Due to the imparity principle, the company has not capitalized forward exchange contracts with positive market values of EUR 118,363 thousand (prior year: EUR 125,365 thousand) used to hedge currency risk from operations. The notional amount of these contracts is EUR 3,797,874 thousand (prior year: EUR 3,896,429 thousand).

Excess of plan assets over post-employment benefit liability

The assets offset against pension obligations consist mostly of reimbursement insurance policies as well as equity, fixed-income, and money market fund units.

The Managing Directors' company retirement benefit commitments are protected from insolvency by reimbursement insurance from Allianz. The assets transferred to Allianz in connection with this insurance policy represent plan assets.

The remaining company retirement benefit commitments (employees covered by collective agreements and senior managers) are protected from insolvency via the statutory insolvency protection from the German mutual pension protection association ("Pensions-Sicherungs-Verein auf Gegenseitigkeit" – PSVaG). Additional protection in the form of transferred assets is not obtained for these retirement benefits.

Excess of plan assets over post-employment benefit liability

in € thousands	12/31/2022	12/31/2021
Settlement amount of pensions and similar obligations	30,869	29,149
Fair value of plan assets offset	32,226	31,947
Excess of plan assets over post-employment benefit liability	1,357	2,799
Acquisition cost of plan assets offset	31,496	29,955

in € thousands	2022	2021
Interest income on plan assets offset	2,267	1,418
Interest expense on pensions and similar obligations ¹⁾	-4,458	-10,622
Net interest income (expense)	-2,192	-9,204

¹⁾ Interest expense relates to all of the company's pensions and similar obligations.

Shareholders' equity

Share capital

Schaeffler AG's share capital of EUR 666 m remains unchanged.

It is divided into 666 million no-par-value bearer shares, each representing an interest in share capital of EUR 1.00. The no-par-value shares are divided into 500 million common shares and 166 million common non-voting shares. The common non-voting shares carry a preferential right to profits consisting of a preferred dividend of EUR 0.01 per common non-voting share.

The common shares are held by IHO Verwaltungs GmbH. The common non-voting shares are widely held. Share capital is fully paid up.

The extraordinary general meeting held on September 15, 2020, approved the creation of authorized capital. The Board of Managing Directors is authorized, subject to approval by the Supervisory Board, to increase share capital in one or more installments by August 31, 2025, by a total of up to EUR 200 m in return for cash contributions.

Schaeffler AG had neither contingent capital nor any resolutions for the creation of contingent capital as at December 31, 2022.

Capital reserves

Capital reserves of EUR 2,359 m as at the reporting date are unchanged from prior year.

Financial statements 2022

Notes to the financial statements

Notes to the balance sheet

Revenue reserves

Revenue reserves amount to EUR 3,963 m (prior year: EUR 3,963 m) as at the reporting date and consist entirely of other revenue reserves.

Retained earnings

In 2022, a dividend of EUR 328 m (prior year: EUR 162 m) was paid to shareholders from retained earnings, and the remaining EUR 122 m (prior year: EUR 7 m) was carried forward to the following year.

Retained earnings consist of EUR 418 m (prior year: EUR 450 m) in net income and EUR 122 m (prior year: EUR 0) in retained earnings brought forward.

The Board of Managing Directors and the Supervisory Board will propose to the annual general meeting to pay a dividend for 2022 of EUR 295 m and to add the remaining retained earnings of EUR 246 m to other revenue reserves.

Pension provisions

Pension provisions largely represent company retirement benefits for employees covered by collective agreements based on pension schemes and individual commitments made to senior managers.

Net amount of pensions and similar obligations

in € thousands	12/31/2022	12/31/2021
Settlement amount of pensions and similar obligations	-79,136	-74,638
Fair value of plan assets offset	9,315	8,111
Net amount of pensions and similar obligations	-69,821	-66,527
Acquisition cost of plan assets offset	20,009	18,242

Other provisions

Other provisions

in € thousands	12/31/2022	12/31/2021
Provisions for pending losses on open transactions	141,681	115,783
Provisions for profit sharing, other bonuses, and share-based payments	20,499	26,468
Miscellaneous other provisions	18,812	11,854
Total other provisions	180,992	154,105

The company has recognized EUR 141,681 thousand (prior year: EUR 115,783 thousand) in provisions for pending losses for negative market values of forward exchange contracts used to hedge currency risk from operations. The notional amount of these contracts is EUR 4,959,299 thousand (prior year: EUR 3,886,273 thousand).

Notes to the financial statements

Notes to the income statement

Liabilities

Liabilities

in € thousands	12/31/2022			12/31/2021		
	Due in up to one year	Due in 1 to 5 years	Due in more than 5 years	Due in up to one year	Due in 1 to 5 years	Due in more than 5 years
Bonds (not convertible)	0	1,550,000	1,400,000	544,668	1,550,000	1,400,000
Bank debt	5,126	166,500	126,000	0	171,500	126,000
Trade payables	9,625	0	0	4,826	0	0
Amounts payable to affiliated companies	13,760,307	0	0	12,961,097	0	0
• including loans of	10,261,261	0	0	9,641,473	0	0
• including other financial debt of	3,467,637	0	0	3,296,066	0	0
• including trade payables of	4,176	0	0	1,265	0	0
• including other liabilities of	27,233	0	0	22,293	0	0
Other liabilities	92,319	0	0	47,295	0	0
• including taxes of	1,621	0	0	1,916	0	0

A bond series with a principal outstanding of EUR 545 m was repaid in full in 2022.

The company has short-term loans payable to affiliated companies related to its cash pooling function and responsibility for the internal group financing of the Schaeffler Group.

There were no liens or similar rights as at the balance sheet date. As in the prior year, amounts payable to affiliated companies do not include any amounts payable to shareholders as at the reporting date.

Hedge accounting

As at December 31, 2022, there is a micro-hedge relationship between cross-currency swaps with a notional amount of EUR 17,300 thousand (prior year: EUR 29,972 thousand). The hedging instrument has a positive fair value of EUR 135 thousand (prior year: EUR 894 thousand), and the hedged item has a negative fair value of EUR 135 thousand (prior year: EUR 894 thousand). The hedge covers the entire term to maturity of the hedged item (up to 2024).

The hedging relationships are considered to be highly effective since the key drivers of the value of the hedged items and the hedging instruments are identical. Effectiveness is tested prospectively using sensitivity analysis and retrospectively using the dollar offset method.

Based on the net hedge presentation method, a total of EUR 135 thousand (prior year: EUR 894 thousand) in changes in the value of hedged items and EUR -135 thousand (prior year: EUR -894 thousand) in changes in the value of hedging instruments have not been recognized in the balance sheet.

Deferred taxes

Deferred tax liabilities significant in amount result from differences between amounts recognized in financial reporting and tax balance sheets with respect to fixed assets. Deferred tax assets offset against these deferred tax liabilities also result from differences between amounts recognized in financial reporting and tax balance sheets with respect to long-term financial assets and from interest- and loss carry-forwards.

3.4 Notes to the income statement

Analysis of revenue

Analysis of revenue

in € thousands	2022	2021
Domestic	15,224	22,461
Foreign	1,249	1,113
Total revenue	16,473	23,574

As Schaeffler AG is the ultimate parent company of the Schaeffler Group, it provides services as part of managing the group; these services include public relations activities, treasury, legal consulting, tax consulting, compliance, human resources, internal audit, quality management, and general management.

Notes to the financial statements

Other disclosures

Disclosures required for the cost of sales format

Disclosures required for the cost of sales format

in € thousands	2022	2021
Wages and salaries	74,585	84,510
Social security, post-employment, and other employee benefit costs	15,640	12,103
• including post-employment benefits of	8,007	4,095
Personnel expense	90,224	96,613

Foreign exchange gains and losses and income and expenses from discounting/compounding provisions

Other operating income includes foreign exchange gains of EUR 696,604 thousand (prior year: EUR 321,439 thousand). Other operating expenses include foreign exchange losses of EUR 691,934 thousand (prior year: EUR 335,952 thousand).

Other interest and similar income does not include any income from discounting provisions in either the current or the prior year. Other interest and similar expenses includes EUR 4,181 thousand (prior year: EUR 11,272 thousand) in expenses from compounding provisions.

Expenses and income related to prior years

Expenses and income related to prior years

in € thousands	2022	2021
Tax expense and benefits related to prior years	-10,885	-3,744
Gains on reversal of provisions	2,403	1,021
Expenses related to prior years	-8,481	-2,723

3.5 Other disclosures

Contingent liabilities

The company had EUR 134,693 thousand (prior year: EUR 136,847 thousand) in guarantees outstanding for the benefit of affiliated companies as at December 31, 2022.

Given the earnings of the affiliated companies, the company considers the financial risk to Schaeffler AG potentially arising from claims under its guarantees for the liabilities of others to be low.

The company is the general partner of the following companies:

- Schaeffler Technologies AG & Co. KG, Herzogenaurach,
- Schaeffler Immobilien AG & Co. KG, Herzogenaurach,
- Schaeffler Industrial Remanufacturing Services AG & Co. KG.

Other financial obligations

Other financial obligations

in € thousands	2022	2021	Change in %
Off-balance sheet payment obligations	3,885	2,542	52.8
• including obligations under multi-year leases of	3,208	1,865	72.0
• including obligations to affiliated companies of	677	677	0.0

Average number of employees for the year

Average number of employees

	2022	2021	Change in %
Salaried employees	526	547	-3.8
Temporary staff	18	17	5.9
Total	544	564	-3.5

Notes to the financial statements

Other disclosures

Governing bodies of the company

Board of Managing Directors

The members of the Board of Managing Directors of Schaeffler AG, Herzogenaurach, are as follows:

Klaus Rosenfeld

Chief Executive Officer

Responsible for: Quality; Governance, Processes & Organization; Corporate Strategy, Sustainability, & Corporate Development; Group Communications & Public Affairs; Global Branding & Marketing; Investor Relations; Legal; Internal Audit; Compliance & Corporate Security; Corporate Real Estate Management; Strategic Digitalization

Appointed: October 24, 2014

Term of office ends: June 30, 2024

Seats on supervisory and similar boards: member of the Supervisory Board of Continental AG, Hanover; member of the Supervisory Board of Siemens Gamesa Renewable Energy S.A., Zamudio, Spain (until February 18, 2022); member of the Supervisory Board of Vitesco Technologies Group AG, Regensburg; Supervisor of Schaeffler Holding (China) Co. Ltd., Shanghai, China

Claus Bauer

Chief Financial Officer

Responsible for: Finance Systems, Processes & Infrastructure; Corporate Accounting; Corporate Controlling; Corporate Treasury; Corporate Tax & Customs; Corporate Reporting; Corporate Insurance; Shared Services ¹²; IT & Digitalization

Appointed: September 1, 2021

Term of office ends: August 31, 2025

Andreas Schick

Chief Operating Officer

Responsible for: Schaeffler Production System & Production Technology; Digitalization & Operations IT; Advanced Production Technology; Tool Manufacturing; Special Machinery; Supply Chain Management & Logistics; Purchasing Strategy & Strategic Supplier Management; Purchasing Non-Production Material; Quality Operations, Supply Chain Management & Purchasing

Appointed: April 1, 2018

Term of office ends: March 31, 2026

Seats on supervisory and similar boards: member of the Supervisory Board of SupplyOn AG, Hallbergmoos; member of the board of directors of Schaeffler India Ltd., Pune, India

Corinna Schittenhelm

Chief Human Resources Officer

Responsible for: HR Strategy; HR Policies & Standards; Leadership, Recruiting & Talent Management; Schaeffler Academy; HR Systems, Processes & Reporting; Environment, Health & Safety; Human Resources Functions; Human Resources Germany

Appointed: January 1, 2016

Term of office ends: December 31, 2023

Seats on supervisory and similar boards: member of the shareholders' committee of TÜV SÜD AG, Munich; member of the advisory board of Schaeffler Consulting GmbH, Herzogenaurach; member of the board of directors of Schaeffler India Ltd., Pune, India

Jens Schüler

CEO Automotive Aftermarket

Responsible for: Business Development & Strategy AAM; Global KAM, Sales & Marketing AAM; Product Management & R&D AAM; IT & Digitalization AAM; Operations & Supply Chain Management AAM; Quality AAM; Purchasing & Supplier Management AAM; Divisional Controlling AAM; Human Resources AAM

Appointed: January 1, 2022

Term of office ends: December 31, 2024

Seats on supervisory and similar boards: member of the shareholder committee of Caruso GmbH, Mannheim (since January 1, 2022); member of the shareholder committee of TecAlliance GmbH, Ismaning (since January 1, 2022)

Dr. Stefan Spindler

CEO Industrial

Responsible for: Business Development & Strategy Industrial; Global Key Account Management Industrial; Sales Management & Marketing Industrial; Strategic Business Field Industrial Lifetime Solutions; Strategic Business Field Hydrogen Industrial; R&D Industrial; Operations & Supply Chain Management Industrial; Quality Industrial; Purchasing & Supplier Management Industrial; Divisional Controlling Industrial; HR Industrial

Appointed: May 1, 2015

Term of office ends: April 30, 2024

Notes to the financial statements

Other disclosures

Uwe Wagner

Chief Technology Officer

Responsible for: Advanced Innovation; R&D Management & Corporate Engineering Services; R&D Central Technologies; Engineering IT & Digitalization; Intellectual Property Rights; Technical Compliance

Appointed: October 1, 2019

Term of office ends: September 30, 2027

Seats on supervisory and similar boards: member of the Supervisory Board of IAV GmbH Ingenieurgesellschaft Auto und Verkehr, Berlin; member of the advisory board of Compact Dynamics GmbH, Starnberg; member of the advisory board of Schaeffler ByWireTechnologie GmbH & Co. KG, Herzogenaurach; chairman of the advisory board of Xtronic GmbH, Boeblingen

Matthias Zink

CEO Automotive Technologies

Responsible for: Business Development & Strategy Automotive Technologies; Global Key Account Management Automotive Technologies; BD Bearings; BD Engine & Transmission Systems; BD E-Mobility; BD Chassis Systems; Operations & Supply Chain Management Automotive Technologies; Quality Automotive Technologies; Purchasing & Supplier Management Automotive Technologies; Divisional Controlling Automotive Technologies; Human Resources Automotive Technologies

Appointed: January 1, 2017

Term of office ends: December 31, 2024

Seats on supervisory and similar boards: member of the advisory board of Compact Dynamics GmbH, Starnberg; Supervisor of Schaeffler (China) Co. Ltd., Taicang, China; chairman of the advisory board of Schaeffler ByWire Technologie GmbH & Co. KG, Herzogenaurach; member of the advisory board of Xtronic GmbH, Boeblingen (until March 31, 2022)

Supervisory Board

The company has a Supervisory Board consisting of 20 members in accordance with section 11 of its articles of incorporation. The members of the Supervisory Board are as follows:

Georg F. W. Schaeffler

Shareholder of INA-Holding Schaeffler GmbH & Co. KG
Chairman of the Supervisory Board of Schaeffler AG

Appointed: December 1, 2014

Committee memberships: Chairman of the mediation, executive, and nomination committees and member of the audit and technology committees

Seats on supervisory and similar boards: member of the advisory board of ATESTEO Management GmbH, Alsdorf; member of the Supervisory Board of Continental AG, Hanover; member of the Supervisory Board of Vitesco Technologies Group AG, Regensburg

Maria-Elisabeth Schaeffler-Thumann

Shareholder of INA-Holding Schaeffler GmbH & Co. KG
Deputy Chairperson of the Supervisory Board of Schaeffler AG

Appointed: December 1, 2014

Committee memberships: member of the mediation, executive, and nomination committees

Seats on supervisory and similar boards: member of the Supervisory Board of Continental AG, Hanover (until April 29, 2022)

Jürgen Wechsler*

Former Regional Director of IG Metall Bavaria
Deputy Chairman of the Supervisory Board of Schaeffler AG

Appointed: December 2, 2014

Committee memberships: member of the mediation, executive, technology, and audit committees

Sabine Bendiek

Chief People & Operations Officer and Labor Relations Director of SAP SE

Appointed: April 24, 2019

Prof. Dr. Hans-Jörg Bullinger

CEO of Fraunhofer Foundation

Appointed: December 1, 2014

Committee memberships: Chairman of the technology committee

Seats on supervisory and similar boards: member of the advisory board of Albert Handtmann Holding GmbH & Co. KG, Biberach; chairman of the Supervisory Board of ARRI AG, Munich; member of the Supervisory Board of Bauerfeind AG, Zeulenroda-Triebes; member of the Supervisory Board of CO.DON AG, Leipzig; member of the advisory board of Friedhelm Loh Stiftung GmbH & Co. KG, Haiger; member of the Supervisory Board of Vitesco Technologies Group AG, Regensburg

Dr. Holger Engelmann

Chairman of the Management Board of Webasto SE

Appointed: December 1, 2014

Committee memberships: member of the nomination and audit committees

Seats on supervisory and similar boards: Chairman of the Supervisory Board of Webasto Thermo & Comfort SE, Gilching (until April 28, 2022)

* Employee representative on the Supervisory Board.

Notes to the financial statements

Other disclosures

Prof. Dr. Bernd Gottschalk

Owner and Managing Partner of AutoValue GmbH

Appointed: December 1, 2014

Committee memberships: member of the nomination committee

Seats on supervisory and similar boards: member of the Board of Directors of AEye, Inc., Dublin, U.S.; member of the Supervisory Board of BENTELER International AG, Salzburg, Austria; Deputy Chairman of the Supervisory Board of JOST Werke AG, Neu-Isenburg; member of the Supervisory Board of Compagnie Plastic Omnium SA, Levallois-Perret, France

Andrea Grimm*

Deputy Chairperson of the Works Council
Schaeffler Technologies AG & Co. KG

Appointed: April 8, 2017

Committee memberships: member of the audit committee

Ulrike Hasbargen

Tax consultant/auditor

Appointed: April 23, 2021

Seats on supervisory and similar boards: member of the Supervisory Board of Ernst & Young GmbH, Stuttgart

Thomas Höhn*

Trade Union Secretary IG Metall

Appointed: May 8, 2020

Committee memberships: member of the audit committee

Susanne Lau*

Industrial management assistant
Chairperson of the Works Council Hamburg
Chairperson of the Group Works Council of Schaeffler AG
Chairperson of the General Works Council of Schaeffler
Automotive Aftermarket GmbH & Co. KG

Appointed: August 8, 2018

Dr. Alexander Putz* (since October 1, 2022)

Plant manager Herzogenaurach

Appointed: October 1, 2022

Barbara Resch*

Wage secretary

Appointed: November 19, 2015

Committee memberships: member of the executive committee

Seats on supervisory and similar boards: member of the Supervisory Board of ElringKlinger AG, Dettingen; member of the Supervisory Board of Rheinmetall AG, Duesseldorf

Jürgen Schenk*

Chairman of the General Works Council Schweinfurt

Appointed: May 8, 2020

Committee memberships: member of the technology committee

Seats on supervisory and similar boards: member of the Supervisory Board of ACE Auto Club Europa e. V., Stuttgart (until October 25, 2022)

Helga Schönhoff*

Deputy Chairperson of the Works Council Schaeffler Automotive
Bühl GmbH & Co. KG

Appointed: May 8, 2020

Robin Stalker

Chartered Accountant

Appointed: December 1, 2014

Committee memberships: chairman of the audit committee

Seats on supervisory and similar boards: Deputy Chairman of the Supervisory Board of Schmitz Cargobull AG, Horstmar; member of the Supervisory Board of Commerzbank AG, Frankfurt/Main; member of the Supervisory Board of Hugo Boss AG, Metzingen

Salvatore Vicari*

Chairman of the Works Council Homburg/Saar

Appointed: December 2, 2014

Committee memberships: member of the mediation, executive, and technology committees

Prof. TU Graz e.h. KR Ing. Siegfried Wolf

Entrepreneur

Appointed: December 1, 2014

Committee memberships: member of the executive and technology committees

Seats on supervisory and similar boards: member of the Supervisory Board of Miba AG, Laakirchen, Austria; member of the Supervisory Board of Mitterbauer Beteiligungs-AG, Laakirchen, Austria; member of the Supervisory Board of OJSC GAZ Group, Nizhny Novgorod, Russia (until December 31, 2022); member of the Supervisory Board of Porsche Automobil Holding SE, Stuttgart; Chairman of the Supervisory Board of SBERBANK Europe AG, Vienna, Austria (until July 26, 2022); Chairman of the Supervisory Board of Steyr Automotive GmbH, Steyr, Austria; Chairman of the Supervisory Board of Vitesco Technologies Group AG, Regensburg

* Employee representative on the Supervisory Board.

Notes to the financial statements

Other disclosures

Prof. Dr.-Ing. Tong Zhang

Director of Institute of Fuel Cell Vehicle Technology at Tongji University in Shanghai, China

Appointed: December 1, 2014

Committee memberships: member of the technology committee

Seats on supervisory and similar boards: Independent director of Zhejiang Tieliu Clutch Co., Ltd., Hanzhou, China (since January 1, 2022)

Markus Zirkel*

Chairman of the Works Council Hirschaid

Appointed: May 8, 2020

Committee memberships: member of the technology committee

Seats on supervisory and similar boards: member of the Supervisory Board of VR-Bank Bamberg Forchheim eG, Bamberg

The following member left the Supervisory Board in 2022

Jutta Rost* (until September 30, 2022)

Senior Vice President HR Functions

Appointed: May 8, 2020

Total remuneration of the company's governing bodies

Total remuneration of the Board of Managing Directors in accordance with section 285 (9a) (1-3) HGB amounted to EUR 16 m (prior year: EUR 20 m) in 2022.

The following share-based remuneration was granted to members of the Board of Managing Directors in 2022 under the Performance Share Unit Plan (PSUP) implemented in 2015 and amended in 2020: 331,947 Performance Share Units (PSU) subject to a service condition (fair value at grant date per PSU of EUR 4.28 for grant date February 25, 2022), a maximum of 290,456 PSUs subject to an EPS-based performance target (fair value at grant date per PSU of EUR 4.28 for February 25, 2022), a maximum of 290,456 PSUs subject to a TSR-based performance target tied to the sector basket (fair value at grant date per PSU of EUR 1.85 for February 25, 2022), and a maximum of 414,942 PSUs with an ESG target (fair value at grant date per PSU of EUR 4.28 for February 25, 2022). The maximum number of EPS-, TSR-, and ESG-related PSUs granted corresponds to a target achievement rate of 200%.

The following share-based remuneration was granted to members of the Board of Managing Directors in the prior year: 512,081 Performance Share Units (PSU) subject to a service condition (fair value at grant date per PSU of EUR 5.47 for grant date February 26, 2021, and EUR 5.30 for September 1, 2021), a maximum of 512,082 PSUs subject to an EPS-based performance target (fair value at grant date per PSU of EUR 5.47 for February 26, 2021, and EUR 5.30 for September 1, 2021), and a maximum of 512,082 PSUs subject to a TSR-based performance target tied to the sector basket (fair value at grant date per PSU of EUR 2.31 for February 26, 2021, and EUR 1.93 for September 1, 2021). The maximum number of EPS- and TSR-related PSUs granted corresponds to a target achievement rate of 200%.

Short-term benefits paid to members of Schaeffler AG's Supervisory Board amounted to EUR 1.8 m (prior year: EUR 1.9 m).

The remuneration system for the Board of Managing Directors and the Supervisory Board of Schaeffler AG is outlined in the remuneration report.

Former members of the Board of Managing Directors (and their surviving dependants) of Schaeffler AG and its legal predecessors received remuneration of EUR 2 m in 2022 (prior year: EUR 3 m).

Provisions for pensions and similar obligations for former members of the Board of Managing Directors (and their surviving dependants) of Schaeffler AG and its legal predecessors, before netting of related plan assets, amounted to EUR 33 m as at December 31, 2022 (prior year: EUR 31 m).

* Employee representative on the Supervisory Board.

Notes to the financial statements

Other disclosures

Information about the excess of plan assets over the post-employment benefit liability and about amounts not available for distribution

The difference between the amount recognized under section 253 (6) HGB for the provision for pensions and similar obligations based on the relevant average market interest rate for the past ten years and the amount that would have been recognized based on the relevant average market interest rate for the past seven years amounts to EUR 5,742 thousand (prior year: EUR 10,029 thousand).

Under section 268 (8) HGB, EUR 730 thousand (prior year: EUR 2,010 thousand) are not available for distribution, as they relate to assets recognized at fair value.

Earnings are only available for distribution to the extent that distributable reserves remaining after such distribution plus any retained earnings brought forward less any losses brought forward are at least equal to the amounts not available for distribution.

Declaration of conformity with the German Corporate Governance Code

Schaeffler AG's Board of Managing Directors and the Supervisory Board issued the declaration of conformity with the German Corporate Governance Code pursuant to section 161 AktG in December 2022 and have made it publicly available on the Schaeffler Group's website (www.schaeffler.com/ir).

Auditors' fees

The information on auditors' fees required by section 285 (17) HGB is disclosed in the consolidated financial statements of Schaeffler AG, Herzogenaurach.

Group affiliation

The company prepares consolidated financial statements and, in addition, is consolidated in the consolidated financial statements of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach. Both of these sets of financial statements are filed with the operator of the Electronic Federal Gazette (Bundesanzeiger Verlag GmbH, Cologne) and published in the Electronic Federal Gazette.

Events after the reporting period

On July 24, 2022, an agreement was signed for the acquisition of 100% of the shares of the Ewellix Group. Upon closing of the transaction on January 3, 2023, the Ewellix Group became wholly owned by the Schaeffler Group.

On January 2, 2023, Schaeffler AG drew down EUR 350 m of a loan.

No other material events expected to have a significant impact on the net assets, financial position, or results of operations of Schaeffler AG occurred after December 31, 2022.

Notes to the financial statements

Other disclosures

List of shareholdings

List of shareholdings of Schaeffler AG as at 12/31/2022

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
A. Affiliated companies					
I. Germany					
CBF Europe GmbH	Wuppertal	DE	100.0	-3,865	0
Compact Dynamics GmbH ¹⁾	Starnberg	DE	100.0	5,647	0
Industriewerk Schaeffler INA-Ingenieurdienst-GmbH ¹⁾	Herzogenaurach	DE	100.0	558,435	0
LuK Unna GmbH & Co. KG	Unna	DE	100.0	3,061	301
Schaeffler Aerospace Germany Beteiligungs GmbH	Schweinfurt	DE	100.0	54	2
Schaeffler Aerospace Germany GmbH & Co. KG	Schweinfurt	DE	100.0	85,425	6,433
Schaeffler AS Auslandsholding GmbH ¹⁾	Buehl	DE	100.0	20,369	0
Schaeffler Automotive Aftermarket GmbH & Co. KG	Frankfurt/Main	DE	100.0	1,271,262	196,752
Schaeffler Automotive Buehl GmbH & Co. KG	Buehl	DE	100.0	1,916,340	52,136
Schaeffler Beteiligungs-gesellschaft mbH	Herzogenaurach	DE	100.0	377	-13
Schaeffler Beteiligungs-verwaltungs GmbH ¹⁾	Herzogenaurach	DE	100.0	40,841	0
Schaeffler Buehl Auslandsholding GmbH ¹⁾	Buehl	DE	100.0	59,029	0
Schaeffler Buehl Beteiligungs GmbH ¹⁾	Buehl	DE	100.0	56,928	0
Schaeffler Buehl Holding GmbH ¹⁾	Buehl	DE	100.0	34,342	0
Schaeffler Buehl Verwaltungs GmbH ¹⁾	Buehl	DE	100.0	1,809,970	0
Schaeffler ByWire Management GmbH	Herzogenaurach	DE	100.0	30	1

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
Schaeffler ByWire Technologie GmbH & Co. KG	Herzogenaurach	DE	100.0	26,298	-42,414
Schaeffler Consulting GmbH ¹⁾	Herzogenaurach	DE	100.0	2,025	0
Schaeffler Digital Solutions GmbH ¹⁾	Chemnitz	DE	100.0	622	0
Schaeffler Elmotec Statomat GmbH	Karben	DE	100.0	1,751	-3,320
Schaeffler Engineering GmbH ¹⁾	Werdohl	DE	100.0	5,348	0
Schaeffler Europa Logistik GmbH ¹⁾	Herzogenaurach	DE	100.0	25	0
Schaeffler Friction Products GmbH ¹⁾	Morbach	DE	100.0	5,131	0
Schaeffler IAB Beteiligungs GmbH ¹⁾	Herzogenaurach	DE	100.0	4,567,977	0
Schaeffler IAB Verwaltungs GmbH ¹⁾	Herzogenaurach	DE	100.0	1,322,860	0
Schaeffler IDAM Beteiligungs GmbH	Herzogenaurach	DE	100.0	25	0
Schaeffler Immobilien AG & Co. KG	Herzogenaurach	DE	100.0	160,506	-1,155
Schaeffler Industrial Drives AG & Co. KG	Suhl	DE	100.0	5,284	1,808
Schaeffler Industrial Remanufacturing Services AG & Co. KG	Herzogenaurach	DE	100.0	106	-1,457
Schaeffler Invest GmbH ¹⁾	Herzogenaurach	DE	100.0	100	0
Schaeffler KWK Verwaltungs GmbH	Langen	DE	100.0	28	0
Schaeffler Monitoring Services GmbH ¹⁾	Herzogenrath	DE	100.0	816	0
Schaeffler Raytech Verwaltungs GmbH ¹⁾	Morbach	DE	100.0	15,781	0
Schaeffler Schweinfurt Beteiligungs GmbH ¹⁾	Schweinfurt	DE	100.0	726,565	0
Schaeffler Technologies AG & Co. KG	Herzogenaurach	DE	100.0	14,334,847	717,660

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
Schaeffler Ultra Precision Drives GmbH	Hameln	DE	100.0	386	-3,420
Schaeffler Versicherungsvermittlungs GmbH ¹⁾	Herzogenaurach	DE	100.0	8,282	0
Schaeffler Verwaltungs-holding Drei GmbH ¹⁾	Herzogenaurach	DE	100.0	1,893,562	0
Schaeffler Verwaltungs-holding Eins GmbH ¹⁾	Herzogenaurach	DE	100.0	5,910,725	0
Schaeffler Verwaltungs-holding Sechs GmbH ¹⁾	Herzogenaurach	DE	100.0	1,248,248	0
Schaeffler Verwaltungs-holding Vier GmbH	Herzogenaurach	DE	100.0	23,599	15,376
Schaeffler Verwaltungs-holding Zwei GmbH ¹⁾	Herzogenaurach	DE	100.0	1,748,118	0
softwareinmotion GmbH ⁴⁾	Schorn-dorf	DE	60.0	0	557
SPV Solarpark 106. GmbH & Co. KG	Graefel-fing	DE	100.0	1,466	1,481
Unterstützungskasse der FAG Kugelfischer e. V.	Schweinfurt	DE	100.0	946	-1,230
WPB Water Pump Bearing Beteiligungsgesellschaft mbH	Herzogenaurach	DE	100.0	74	2
WPB Water Pump Bearing GmbH & Co. KG	Herzogenaurach	DE	100.0	96,594	918
Xtronic GmbH	Boeb-lingen	DE	100.0	869	121
II. Foreign					
Schaeffler Middle East FZE	Jebel Ali	AE	100.0	10,008	656
Schaeffler Argentina S.R.L.	Buenos Aires	AR	100.0	6,110	3,122
Schaeffler Austria GmbH	Berndorf-St. Veit	AT	100.0	47,974	-160
Schaeffler Australia Pty Ltd.	Belrose	AU	100.0	14,607	666
Schaeffler Belgium SPRL	Braine L'Alleud	BE	100.0	12,143	1,082
Schaeffler Bulgaria OOD	Sofia	BG	100.0	769	32

Notes to the financial statements

Other disclosures

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
LuK do Brasil Embreagens Ltda.	Sorocaba	BR	100.0	102	37
Schaeffler Brasil Ltda.	Sorocaba	BR	100.0	215,782	44,322
Schaeffler Aerospace Canada Inc.	Stratford	CA	100.0	52,083	12,997
Schaeffler Canada Inc.	Oakville	CA	100.0	55,311	1,415
Schaeffler Schweiz GmbH	Romanshorn	CH	100.0	2,379	945
Schaeffler Chile Rodamientos Ltda.	Santiago	CL	100.0	2,279	391
ETC Trading (Shanghai) Co., Ltd.	Shanghai	CN	100.0	1,559	-6,912
RepXpert Automotive Aftermarket Services Consulting (Shanghai) LLP	Shanghai	CN	100.0	2,473	-1,735
Schaeffler (China) Co., Ltd.	Taicang	CN	100.0	663,886	234,702
Schaeffler (Nanjing) Co., Ltd.	Nanjing City	CN	100.0	213,171	47,510
Schaeffler (Ningxia) Co., Ltd.	Yinchuan	CN	100.0	89,674	10,967
Schaeffler (Xiangtan) Co., Ltd.	Xiangtan	CN	100.0	47,328	9,952
Schaeffler Aerospace Bearings (Taicang) Co., Ltd	Taicang	CN	100.0	144	-284
Schaeffler Automotive Aftermarket Services Consulting (Shanghai) Co.	Shanghai	CN	100.0	15,257	-10
Schaeffler Friction Products (Suzhou) Co., Ltd.	Suzhou	CN	100.0	67,589	3,776
Schaeffler Holding (China) Co., Ltd.	Shanghai	CN	100.0	1,007,392	597,527
Schaeffler Intelligent Driving Technology (Changsha) Co., Ltd.	Changsha	CN	100.0	3,232	2,025
Schaeffler Trading (Shanghai) Co., Ltd.	Shanghai	CN	100.0	142,994	108,430
Schaeffler Colombia Ltda.	Bogotá	CO	100.0	1,257	630
Schaeffler CZ s.r.o.	Prague	CZ	100.0	5,666	2,748
Schaeffler Production CZ s.r.o.	Lans-kroun	CZ	100.0	46,269	-7,059

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
Schaeffler Danmark ApS	Aarhus	DK	100.0	13,477	1,077
Schaeffler Iberia, S.L.U.	Elgoibar	ES	100.0	34,311	6,279
Schaeffler Finland Oy	Espoo	FI	100.0	12,125	728
Schaeffler France SAS	Haguenau	FR	100.0	119,710	21,375
Schaeffler (UK) Limited	Sheffield	GB	100.0	41,967	8,034
Schaeffler Automotive Aftermarket (UK), Limited	Hereford	GB	100.0	5,389	5,594
Schaeffler Greece Automotive and Industrial Products and Services M.E.P.E.	Athens	GR	100.0	441	157
Schaeffler Hong Kong Company Limited	Hong Kong	HK	100.0	25,280	946
Schaeffler Hrvatska d.o.o.	Zagreb	HR	100.0	721	253
FAG Magyarorszag Ipari Kft.	Debrecen	HU	100.0	21,461	-7,164
Schaeffler Magyarorszag Ipari Kft.	Budapest	HU	100.0	4,119	1,847
Schaeffler Savaria Kft.	Szombathely	HU	100.0	178,744	17,899
Schaeffler Bearings Indonesia, PT	Jakarta	ID	100.0	4,803	1,022
Schaeffler Israel Ltd.	Yokneam Illit	IL	100.0	310	-40
Schaeffler India Ltd.	Pune	IN	100.0	486,078	106,272
Schaeffler Technology Solutions India Pvt. Ltd.	Pune	IN	100.0	5,071	-253
Statomat Special Machines (India) Pvt. Ltd. ⁴⁾	Mumbai	IN	79.89	80	-388
INA Invest S.r.l.	Momo	IT	100.0	25,229	134
Schaeffler Automotive Aftermarket Italy S.r.l.	Milan	IT	100.0	10	0
Schaeffler Italia S.r.l.	Momo	IT	100.0	73,495	8,172
Schaeffler Railway Products G.e.i.e.	Milan	IT	75.0	0	0
Schaeffler Water Pump Bearing Italia S.r.l.	Momo	IT	100.0	9,633	893
Schaeffler Japan Co., Ltd.	Yokohama	JP	100.0	34,688	2,811
Schaeffler Ansan Corporation	Ansan-shi	KR	100.0	38,292	4,623

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
Schaeffler Korea Corporation	Changwon-si	KR	100.0	294,708	59,885
Schaeffler Kazakhstan GmbH	Almaty	KZ	100.0	-1	-85
CERASPIN S.à.r.l.	Roeser	LU	100.0	5,292	807
SIA "Schaeffler Baltic"	Riga	LV	100.0	1,285	167
Rodamientos FAG S.A. de C.V.	Puebla	MX	100.0	979	277
Schaeffler Automotive Aftermarket Mexico, S. de R.L. de C.V.	Mexico City	MX	100.0	56,241	7,080
Schaeffler Mexico Holding, S. de R.L. de C.V.	Puebla	MX	100.0	154,787	10
Schaeffler Mexico Servicios, S. de R.L. de C.V.	Guajuato	MX	100.0	5,505	579
Schaeffler Mexico, S. de R.L. de C.V.	Guajuato	MX	100.0	96,302	33,651
Schaeffler Transmisión, S. de R.L. de C.V.	Puebla	MX	100.0	296,508	73,432
Schaeffler Bearings (Malaysia) Sdn. Bhd.	Kuala Lumpur	MY	100.0	11,015	1,120
BEGA International B.V.	Epe	NL	100.0	3,159	1,253
Hydron Energy B.V.	Barneveld	NL	100.0	519	99
Radine B.V.	Barneveld	NL	100.0	1,285	319
Schaeffler Nederland B.V.	Barneveld	NL	100.0	4,283	-3,768
Schaeffler Norge AS	Sandnes	NO	100.0	5,611	206
Schaeffler Peru S.A.C.	Lima	PE	100.0	1,246	48
Schaeffler Philippines Inc.	Makati City	PH	100.0	1,038	-499
Schaeffler Global Services Europe Sp. z o.o.	Wroclaw	PL	100.0	2,529	1,261
Schaeffler Polska Sp. z o.o.	Warsaw	PL	100.0	51,849	12,277
Schaeffler Portugal, Unipessoal, Lda.	Caldas da Rainha	PT	100.0	19,625	-661
Schaeffler Romania S.R.L.	Brasov	RO	100.0	227,010	18,763
Schaeffler SR d.o.o.	Belgrade	RS	100.0	546	119
Schaeffler RUS OOO	Ulyanovsk	RU	100.0	7,376	-1,725
Schaeffler Russland OOO	Moscow	RU	100.0	23,828	138

Notes to the financial statements

Other disclosures

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
Goldcup 32400 AB	Sundsvall	SE	100.0	2	0
Schaeffler Invest AB	Stockholm	SE	100.0	33,392	0
Schaeffler Sverige AB	Arlanda-stad	SE	100.0	7,985	1,150
Schaeffler (Singapore) Pte. Ltd.	Singapore	SG	100.0	31,079	2,644
Schaeffler Aerospace (Singapore) Pte. Ltd.	Singapore	SG	100.0	-4,221	-338
Schaeffler Slovenija d.o.o.	Maribor	SI	100.0	555	113
Schaeffler Kysuce, spol. s.r.o.	Kysucke Nove Mesto	SK	100.0	241,254	1,423
Schaeffler Skalica spol. s.r.o.	Skalica	SK	100.0	153,034	4,300
Schaeffler Slovensko spol s.r.o.	Kysucke Nove Mesto	SK	100.0	1,099	356
Schaeffler Holding (Thailand) Co., Ltd.	Bangkok	TH	100.0	917	426
Schaeffler Manufacturing (Thailand) Co., Ltd.	Rayong	TH	100.0	6,062	1,350
Schaeffler Turkey Endüstri ve Otomotiv Ticaret Limited Sirketi	Istanbul	TR	100.0	4,534	2,644
Schaeffler Taiwan Co., Ltd.	Taipei	TW	100.0	1,139	701
Schaeffler Ukraine GmbH	Kyiv	UA	100.0	295	45
FAG Bearings LLC	Danbury	US	100.0	-21,485	960
LuK Clutch Systems, LLC	Wooster	US	100.0	143,510	3,391
LuK-Aftermarket Services, LLC	Valley City	US	100.0	3,534	0
Schaeffler Aerospace USA Corporation	Danbury	US	100.0	220,986	8,056
Schaeffler Group USA, Inc.	Fort Mill	US	100.0	781,016	-33,972
Schaeffler Holding LLC	Danbury	US	100.0	0	0
Schaeffler Invest USA LLC	Wilming-ton	US	100.0	-126	-128
Schaeffler Transmission Systems, LLC	Wooster	US	100.0	565,721	58,503

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
Schaeffler Transmission, LLC	Wooster	US	100.0	193,088	14,183
Schaeffler Vietnam Co., Ltd.	Bien Hoa City	VN	100.0	31,856	10,881
INA Bearings (Pty) Ltd.	Port Elizabeth	ZA	100.0	111,911	11,492
Schaeffler South Africa (Pty.) Ltd.	Johannes-burg	ZA	100.0	19,143	4,485

B. Investments

I. Germany

Contitech-INA Beteiligungsgesellschaft mbH	Hanover	DE	50.0	25	-2
Contitech-INA GmbH & Co. KG	Hanover	DE	50.0	210	0
Earlybird UNI-X Seed Fund I GmbH & Co. KG ^{2) 3)}	Munich	DE	21.4	2,818	-683
GKS-Gemeinschafts-kraftwerk Schweinfurt GmbH ^{2) 3)}	Schwein-furt	DE	10.3	42,150	1,066
IAV GmbH Ingenieurgesell-schaft Auto und Verkehr ^{2) 3)}	Berlin	DE	10.0	192,300	32,600
SupplyON AG ^{2) 3)}	Hallberg-moos	DE	16.7	28,923	5,946

II. Foreign

Leadrive Technology (Shanghai) Co., Ltd.	Shanghai	CN	3.4	56,387	-16,273
Schaeffler-CARS Railway Technology Co. Ltd.	Tianjing City	CN	50.0	7,530	101
Innoplata SAS	Haguenau	FR	50.0	5,400	0
Eurings Zrt. ^{2) 3)}	Debrecen	HU	37.0	6,051	509
Statec S.r.l. ^{2) 3)}	Turin	IT	35.0	1,292	159
H2GS AB ^{2) 3)}	Stock-holm	SE	3.9	65,648	-14,581
Colinx, LLC ^{2) 3)}	Greenville	US	20.0	3,414	78

¹⁾ There is a profit and loss transfer agreement.

²⁾ Information per 2021 financial statements.

³⁾ Financial statements for 2022 not yet issued.

⁴⁾ Information per 2020 financial statements.

3.6 Preparation of financial statements

The Board of Managing Directors of Schaeffler AG prepared the financial statements on February 27, 2023, and released them for submission to the Supervisory Board of Schaeffler AG. The Supervisory Board of Schaeffler AG is responsible for examining and approving the financial statements.

Herzogenaurach, February 27, 2023

Schaeffler Aktiengesellschaft
The Board of Managing Directors

Klaus Rosenfeld
Chief Executive Officer

Jens Schüler

Claus Bauer

Dr. Stefan Spindler

Andreas Schick

Uwe Wagner

Corinna Schittenhelm

Matthias Zink

Independent Auditors' Report

To Schaeffler AG, Herzogenaurach

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements of Schaeffler AG, which comprise the balance sheet as at December 31, 2022, and the income statement for the financial year from January 1 to December 31, 2022, and notes to the financial statements, including the accounting policies presented therein. In addition, we have audited the report on the situation of the Company and of the group ("management report" below) of Schaeffler AG for the financial year from January 1 to December 31, 2022.

In accordance with German legal requirements, we have not audited the content of the parts of the management report which are listed in the "Other information" section of our report.

The management report includes references not provided for by the law that have been marked as unaudited. In accordance with German legal requirements, we have audited neither the content of these references nor the content of the information referred to by these references.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2022, and of its financial performance for the financial year from January 1 to December 31, 2022, in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the parts of the management report which are listed in the "Other information" section. The management report includes references not provided for by the law that have been marked as unaudited. Our opinion covers neither these references nor any information referred to by these references.

Pursuant to section 322 (3) sentence 1 German Commercial Code ("Handelsgesetzbuch" – HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German generally accepted standards for financial statement audits promulgated by the Institute of Public Auditors in Germany ("Institut der Wirtschaftsprüfer" – IDW). Our responsibilities under those requirements and principles are further described in the "Auditors' Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditors' report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Independent Auditors' Report

Key Audit Matter in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recoverability of Long-Term Financial Assets

For information on the accounting policies used, please refer to Note 3.2 to the annual financial statements.

The risk for the financial statements Long-term financial assets in Schaeffler AG's annual financial statements include EUR 13,944 m in shares in affiliated companies and EUR 214 m in loans receivable from affiliated companies as at December 31, 2022. The Company's long-term financial assets represent 56.76% of total assets, and therefore have a material impact on the Company's net assets.

Long-term financial assets are stated at acquisition cost or, where impairment is likely to be permanent, at their lower fair value. The Company determines the fair value of shares in affiliated companies using a valuation model based on a discounted cash flow method.

The cash flows used in the discounted cash flow method are based on detailed forecasts for the three or five years following the balance sheet date that are extrapolated using company-specific growth rates. For one investee, the calculation included a transition period following the detailed forecasting period. The corresponding discount rates are derived from the rate of

return for an alternative investment of similar risk. If fair value is lower than the carrying value, qualitative and quantitative criteria are used to determine whether the impairment is likely to be permanent.

The impairment test, including the calculation of fair value using the discounted cash flow method, is complex and depends to a large extent on the Company's estimates and judgments regarding the assumptions made. This applies, inter alia, to the estimation of future cash inflows and the company-specific growth rates, the determination of the discount rates, and the assessment of whether the impairment is permanent. Due to the technological transition in the automotive industry, underlying future cash inflows remain subject to an increased level of estimation uncertainty.

There is a risk to the annual financial statements that long-term financial assets may not be recoverable. The Company has written down long-term financial assets by EUR 85.4 m in 2022.

Our audit approach We assessed whether there are any indications of a need to recognize a write-down on shares in affiliated companies or on loans receivable based on evidence obtained in our audit. Our audit procedures included evaluating the forecast of future revenue and earnings trends for the various companies. We discussed the company-specific forecasts with those responsible for the planning process. In addition, we assessed whether Schaeffler AG's expectations for market growth were within a reasonable range as compared to peer-group industry information and other publicly available information, as well as whether the company-specific budgeted and planned amounts, underlying assumptions, and company-specific growth rates were within a reasonable range. We had the Company substantiate to us the need to include a transition period subsequent to the detailed forecasting phase until a steady state has been reached.

In addition, we assessed the quality of the Company's past plans by comparing projections for previous years with actual results and analyzing deviations.

We assessed the appropriateness of the assumptions and data used in determining the discount rate, including the weighted average cost of capital, as well as whether the calculation methodology used was appropriate. We consulted with internal valuation specialists in order to assess the appropriateness of the method used to calculate the discount rate as well as the Company's plans and budgets.

Our observations The approach applied in testing shares in affiliated companies and loans receivable for recoverability is appropriate and consistent with valuation principles.

The assumptions and data and estimates used by the Company are appropriate.

Other Information

Management and the Supervisory Board are responsible for the other information. The other information comprises the following unaudited parts of the management report:

- the combined non-financial report of the Company and the group referred to in the management report,
- the combined corporate governance declaration of the Company and the group referred to in the management report, and
- the disclosures extraneous to management reports which have been included in the management report and which have been marked as unaudited.

Independent Auditors' Report

The other information also comprises the remaining parts of the annual report. The other information does not comprise the annual financial statements, the information within the management report whose content has been audited, or our auditor's report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information referred to above and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, the information within the management report whose content has been audited, or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Management Report

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position, and financial performance of the Company in compliance with German legally required accounting principles. In addition, management is responsible for such internal controls as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial

statements that are free from material misstatement, whether due to fraud (i.e. manipulation of financial reports and misappropriation of assets) or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditors' Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the

management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements, and appropriately presents the opportunities and risks of future development, as well as to issue an auditors' report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German generally accepted standards for financial statement audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditors' Report

- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors' report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the presentation, structure, and content of the annual financial statements as a whole, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position, and financial performance of the Company in compliance with German legally required accounting principles.

- evaluate the consistency of the management report with the annual financial statements, its conformity with law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where relevant, the actions taken or safeguards implemented to eliminate matters jeopardizing our independence.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on Assurance in accordance with Section 317 (3a) HGB on the Electronic Reproductions of the Annual Financial Statements and of the Management Report Prepared for Publication Purposes

We have performed an assurance engagement in accordance with section 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the file provided named "JA.xhtml" (SHA256-Hashwert: 33d0defcd282e9e1f1b2e3e357ca2eaf260a3e14d3bf8725ce6bebd9c2c4eef) and prepared for publication purposes complies in all material respects with the requirements of section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained in these reproductions nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned electronic file provided and prepared for publication purposes complies, in all material respects, with the requirements of section 328 (1) HGB regarding the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance opinion and our audit opinions on the attached annual financial statements and the accompanying management report for the financial year from January 1 to December 31, 2022, contained in the "Report on the Audit of the Annual Financial Statements and of the Management Report" above.

Independent Auditors' Report

We conducted our assurance engagement on the reproduction of the annual financial statements and the management report contained in the above-mentioned electronic file provided in accordance with section 317 (3a) HGB and the IDW Assurance Standard "Assurance in Accordance with Section 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes" (IDW AsS 410 (06.2022)). Our responsibilities under these requirements are described in further detail below. Our audit firm has applied the requirements for quality management systems set out in IDW Standard on Quality Management 1 "Requirements for Quality Management in Audit Firms" (IDW QS 1).

The Company's management is responsible for preparing the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with section 328 (1) sentence 4 no. 1 HGB.

In addition, the Company's management is responsible for such internal controls as they consider necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of section 328 (1) HGB regarding the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- identify and assess the risks of material non-compliance, whether due to fraud or error, with the requirements of section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence

that is sufficient and appropriate to provide a basis for our assurance opinion.

- obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, that is, whether the electronic file provided containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version in effect as at the reporting date, regarding the technical specifications for this electronic file.
- evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected auditors by the annual general meeting on April 21, 2022. We were engaged by the Supervisory Board on October 14, 2022. We have been the auditors of Schaeffler AG without interruption since the financial year 2015.

We declare that the opinions expressed in this auditors' report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the Company or its subsidiaries the following services that are not disclosed in the Company's annual financial statements or in the management report:

In addition to the annual financial statements, we have audited the consolidated financial statements of Schaeffler AG and

conducted various audits of the annual financial statements of subsidiaries and joint ventures. As part of our audit, we audited parts of the system of internal control over financial reporting. Furthermore, we audited selected processes in connection with an IT migration as part of our audit of the consolidated financial statements. We audited the report on relations with affiliated companies prepared by the Board of Managing Directors of Schaeffler AG in accordance with section 312 AktG. In addition, we performed reviews of the interim financial reports as at March 31, 2022, and as at June 30, 2022, audited the combined separate group non-financial report of Schaeffler AG as well as performed various statutory and contractual audits, such as audits in accordance with the German Renewable Energy Act ("Erneuerbare-Energien-Gesetz" – EEG) and EMIR audits in accordance with section 32 (1) of the German Securities Trading Act ("Wertpapierhandelsgesetz" – WpHG). Furthermore, we audited the remuneration report in accordance with IDW AuS 490 with reasonable assurance, performed TISAX audits, and conducted projects related to the regulatory environment as well as in relation to the reporting process for performance indicators regarding sustainability.

Other Matter – Use of the Auditors' Report

Our auditors' report should always be read in conjunction with the audited annual financial statements and the audited management report as well as the audited ESEF documents. The annual financial statements and the management report converted into ESEF format – including the versions to be filed with the company register – are merely electronic reproductions of the audited annual financial statements and the audited management report and do not replace these. In particular, the ESEF assurance report and our assurance conclusion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Prof. Dr. Bernd Grottel.

Nuremberg, March 1, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Prof. Dr. Grottel
Wirtschaftsprüfer
[German Public Auditor]

Schieler
Wirtschaftsprüfer
[German Public Auditor]

Responsibility statement by the company's legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements provide a true and fair view of the assets, liabilities, financial position, and profit or loss of the company, and the combined management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Herzogenaurach, February 27, 2023

Schaeffler Aktiengesellschaft
The Board of Managing Directors

Klaus Rosenfeld
Chief Executive Officer

Andreas Schick

Jens Schüler

Uwe Wagner

Claus Bauer

Corinna Schittenhelm

Dr. Stefan Spindler

Matthias Zink