

Financial statements 2023

Schaeffler AG

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NAVIGATION

 further details in the report
  further details online

FURTHER DETAILS IN OUR

SUSTAINABILITY REPORT

* Part of the group management report.

Significant events

Schaeffler Group continues transformation

2023 was another year marked by a challenging geopolitical and economic environment. Nevertheless, the Schaeffler Group consistently continued its transformation and achieved further milestones.

The **planned business combination with Vitesco Technologies Group AG** is one of the key steps in this transformation. It is aimed at broadening the Schaeffler Group's business and technology portfolio, particularly in the area of electric mobility, and organizing it into four focused "pure-play" divisions going forward. The Board of Managing Directors of Schaeffler AG, with the consent of the Supervisory Board, decided on October 9, 2023, to launch a voluntary public tender offer in the form of a cash offer to all shareholders of Vitesco Technologies Group AG for the no-par-value registered shares of Vitesco Technologies Group AG in accordance with the provisions of the German Securities Acquisition and Takeover Act. Additionally, Schaeffler AG entered into a non-tender agreement with IHO Verwaltungs GmbH and IHO Beteiligungs GmbH for their 49.94% shareholding in Vitesco Technologies Group AG.

Following approval by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin), Schaeffler AG published the offer document for the voluntary public tender offer for all outstanding shares of Vitesco Technologies Group AG on November 15, 2023. On November 27, 2023, Schaeffler AG entered into an agreement on the planned business combination ("Business Combination

Agreement") with Vitesco Technologies Group AG. Under this agreement, Vitesco Technologies Group AG will constructively support the steps involved in the business combination. By the end of the acceptance period on December 15, 2023, a total of approximately 12 million shares of Vitesco Technologies Group AG were tendered to Schaeffler AG. This corresponds to approximately 29.88% of the share capital and voting rights in Vitesco Technologies Group AG. On January 5, 2024, the public tender offer was completed for all shares in Vitesco Technologies Group AG tendered, and the cash consideration of EUR 94 per share was paid. The cash consideration for all shares acquired amounted to approximately EUR 1.1 bn. Additionally, Schaeffler AG entered into a total return swap for approximately 9% of the share capital of Vitesco Technologies Group AG.

The offer constitutes the first of three steps toward a business combination of Schaeffler AG and Vitesco Technologies Group AG. Following consummation of the offer, Schaeffler AG intends to merge Vitesco Technologies Group AG into Schaeffler AG. To this end, Schaeffler AG plans to convert its common non-voting shares into common voting shares at a ratio of 1:1 as the second step. Resolutions approving the conversion were passed by the extraordinary general meeting and the separate meeting of the common non-voting shareholders on February 2, 2024. The share conversion is conditional on the completion of the merger as part of the business combination. The merger of Vitesco Technologies Group AG into Schaeffler AG requires the approval of the annual general meetings of both companies, which are scheduled for late April 2024.

On November 22, 2023, Schaeffler AG closed the syndication of a financing package that will be used to finance the tender offer, transaction-related costs, and potential refinancing needs of Vitesco Technologies Group AG.



More information under: www.strongertogether24.com.

The divisions made further progress under the "Roadmap 2025". At the **Automotive Technologies division**, the transformation is reflected in the new product start-ups of the E-Mobility and Chassis Systems business divisions (BDs), among others. The Chassis Systems BD, for instance, commenced series production of the mechatronic rear-wheel steering system. Additionally, the development center for E-Mobility and chassis applications was opened in Kysuce, Slovakia. The division also pushed ahead with enhancing bipolar plates for fuel cell systems.

The **Automotive Aftermarket division** added the B2B platform Koovers to its e-commerce operations by acquiring KRSV Innovative Auto Solutions Private Limited. The division also opened the logistics center in Strongsville, Ohio, U.S.

The **Industrial division** considerably expanded its linear business by acquiring the Ewellix Group and also combined all linear business activities in the new strategic business area "Linear Motion". Furthermore, the acquisition of ECO-Adapt SAS expanded the division's "Lifetime Solutions" portfolio.

Significant events

The Schaeffler Group also achieved progress with respect to its **sustainability strategy**. The Schaeffler Group's climate targets, for instance, were assessed by the "Science Based Targets initiative" who confirmed their suitability for achieving the overarching goal of meeting the climate targets of the Paris Agreement. Similarly, the company pursued its decarbonization strategy by stepping up in-house power generation using photovoltaic systems, switching to renewable sources of energy in production, and obtaining an equity investment in start-up H2GS AB ("H2 Green Steel").


On July 24, 2023, Schaeffler Technologies AG & Co. KG signed a supplemental company agreement with IG Metall Bayern that calls for amending part of the **restructuring measures** adopted by the Board of Managing Directors on November 7, 2022. Amendments include the cancellation of previously announced relocations in the Bearings BD of the Automotive Technologies division at the Herzogenaurach location and reduced working hours; as a result, the cost of implementing the restructuring measures will be less than the transformation expenses originally planned. Furthermore, the strategies for the Ingolstadt and Morbach locations were finalized with employee representatives.

Schaeffler AG holds virtual annual general meeting

On April 20, 2023, Schaeffler AG's **annual general meeting** passed a resolution to pay a dividend 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 Schaeffler AG's shareholders for 2022. This represents a dividend payout ratio of 48.3% (prior year: 43.9%) of net income attributable to shareholders before special items. The dividend totaling EUR 295 m was paid by April 25, 2023. Maria-Elisabeth Schaeffler-Thumann stepped down from her position on the Supervisory Board of Schaeffler AG effective at the end of the annual general meeting.

Outlook adjusted

On July 25, 2023, the Board of Managing Directors of Schaeffler AG decided to adjust the **full-year outlook for 2023**, due in particular to the performance of the business. In addition, the outlook for Industrial division revenue growth was adjusted by the Board of Managing Directors of Schaeffler AG on October 23, 2023.

 More on the results of operations compared to the outlook 2023 on pp. 20 et seq.

Changes to Executive Board

At its meeting on May 26, 2023, the Supervisory Board of Schaeffler AG appointed Sascha Zaps to the **Board of Managing Directors** of Schaeffler AG as **CEO of the Industrial division** for a three-year term of office effective May 1, 2024. Sascha Zaps succeeds Dr. Stefan Spindler, who will not extend his contract beyond April 30, 2024, for reasons of age.

The Supervisory Board of Schaeffler AG appointed Dr. Astrid Fontaine to the **Board of Managing Directors** of Schaeffler AG as **Chief Human Resources Officer** for a three-year term of office effective January 1, 2024. Dr. Astrid Fontaine succeeds Corinna Schittenhelm, who did not extend her contract beyond December 31, 2023.

At its meeting on December 15, 2023, the Supervisory Board of Schaeffler AG decided to extend the contract with Klaus Rosenfeld, **Chief Executive Officer** of Schaeffler AG, effective July 1, 2024, for another five years.

Financing transactions completed

A EUR 125 m term loan was obtained on August 1, 2023. Additionally, the European Investment Bank granted a EUR 420 m loan to Schaeffler AG on December 21, 2023, with the overarching aim of supporting research and development for technologies in the fields of renewable energy, electric mobility, and hydrogen. Furthermore, the Schaeffler Group entered into two additional lines of credit totaling approximately EUR 172 m on December 22, 2023.

Group management report

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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 financial 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

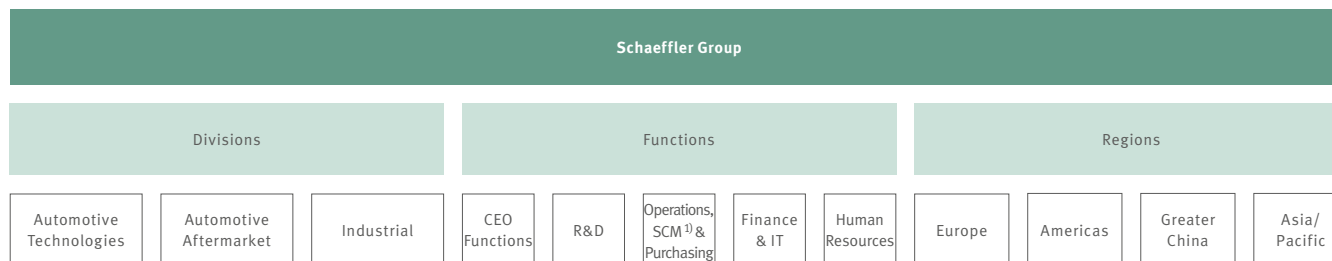
1.1 Organizational structure and business activities

The Schaeffler Group (also referred to as “Schaeffler” below) is a Motion Technology Company determined to drive forward and bring to market groundbreaking technologies. Employing a workforce of 83,400, the Schaeffler Group develops and manufactures components and systems for powertrains and chassis as well as rolling and plain bearing solutions for a large number of industrial applications. Additionally, the company renders services in these areas and 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 organizes 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.

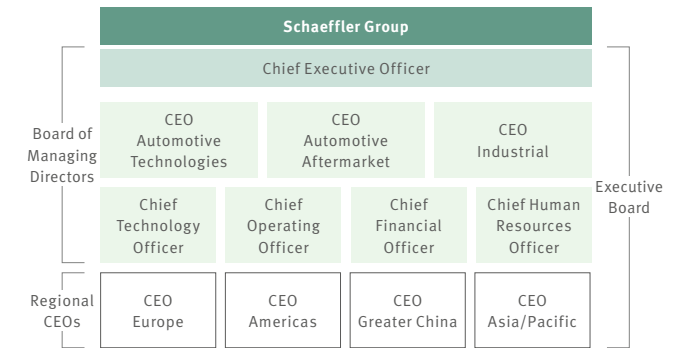
Schaeffler Group organizational structure



Simplified presentation for illustration purposes.

¹⁾ Supply Chain Management.

Schaeffler Group leadership structure



In addition to the divisions, the 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. 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), 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).

Fundamental information about the group > Organizational structure and business activities


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 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 (Aktiengesetz – AktG) in December 2023. 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

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 – Top Talent Management & Strategic Workforce Planning 	<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 Technology – 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 Services ¹⁾ – IT & Digitalization – Risk Management & Internal Control System 	<ul style="list-style-type: none"> – HR Strategy & Diversity – HR Policies & Standards – Recruiting, Talent Development & Employee Engagement – Schaeffler Academy – HR Systems, Processes & Reporting – Environment, Health & Safety – HR Functions – HR Germany

¹⁾ Responsibility for 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 177 (prior year: 149) domestic and foreign subsidiaries as at December 31, 2023. 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, 2023, 114 (prior year: 98) subsidiaries are domiciled in the Europe region, 27 (prior year: 23) further subsidiaries are domiciled in the Americas region, 19 (prior year: 14) in the Greater China region, and 17 (prior year: 14) 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. IHO Beteiligungs GmbH acquired approximately 20.2 million of the 166 million common non-voting bearer shares in Schaeffler AG in December 2023. The remaining common non-voting bearer shares in Schaeffler AG were widely held as at December 31, 2023.

Acquisitions and disposals during the year

The Schaeffler Group completed the acquisition of the Ewellix Group, closing the transaction on January 3, 2023. The acquisition of this manufacturer and supplier of drive and linear motion solutions expands the Schaeffler Group's linear technology portfolio in the Industrial division.

The acquisition of ECO-Adapt SAS was completed when the Schaeffler Group closed this transaction on April 28, 2023. ECO-Adapt SAS offers solutions for condition monitoring based on electrical signal analysis and systems for optimizing energy consumption. The acquisition further expands the Industrial division's portfolio of lifetime solutions.

Schaeffler India Limited completed the acquisition of KRSV Innovative Auto Solutions Private Limited, closing the transaction on September 8, 2023. The acquisition adds the B2B platform Koovers to the Automotive Aftermarket division's e-commerce operations.

On September 11, 2023, the Schaeffler Group announced that it had agreed to gradually increase its existing equity investment in Swedish start-up H2GS AB to EUR 100 m. As a strategic technology partner, the Schaeffler Group will contribute to the partnership its development expertise for steel grades, such as for green steel for electric mobility.

The Board of Managing Directors of Schaeffler AG, with the consent of the Supervisory Board, decided on October 9, 2023, to launch a voluntary public tender offer in the form of a cash offer to all shareholders of Vitesco Technologies Group AG for the no-par-value registered shares of Vitesco Technologies Group AG in accordance with the provisions of the German Securities Acquisition and Takeover Act. The planned business combination is aimed at broadening the Schaeffler Group's business and technology portfolio, particularly in the area of electric mobility,

and organizing it into four focused "pure-play" divisions going forward. Additionally, Schaeffler AG entered into a non-tender agreement with IHO Verwaltungs GmbH and IHO Beteiligungs GmbH for their 49.94% shareholding in Vitesco Technologies Group AG. Following approval by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin), Schaeffler AG published the offer document for the voluntary public tender offer for all outstanding shares of Vitesco Technologies Group AG, on November 15, 2023. By the end of the acceptance period on December 15, 2023, a total of approximately 12 million shares of Vitesco Technologies Group AG were tendered to Schaeffler AG. This corresponds to approximately 29.88% of the share capital and voting rights in Vitesco Technologies Group AG. On January 5, 2024, the public tender offer was completed for all shares in Vitesco Technologies Group AG tendered, and the cash consideration of EUR 94 per share was paid. The total cash consideration amounted to approximately EUR 1.1 bn. Additionally, Schaeffler AG has entered into a total return swap for approximately 9% of the share capital of Vitesco Technologies Group AG. The overall transaction is expected to be completed in the fourth quarter of 2024.



More on the planned business combination with Vitesco Technologies Group AG on page i2

In a transaction that closed on December 15, 2023, the Schaeffler Group sold its subsidiaries Schaeffler RUS OOO and Schaeffler Russland OOO to PromAvtoConsult LLC.

Business activities

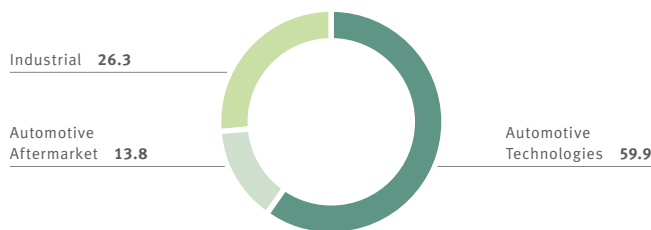
The Schaeffler Group’s business is managed based on the three operating **divisions – Automotive Technologies, Automotive Aftermarket, and Industrial** – which each have global responsibility and also represent the reportable segments in accordance with IFRS 8.

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

The Bearings business division, which was previously the responsibility of the Automotive Technologies division, was assigned to the Industrial division effective 2024. Additionally, the Automotive Aftermarket and Industrial divisions were renamed Vehicle Lifetime Solutions and Bearings & Industrial Solutions, respectively.

Schaeffler Group revenue by division

in percent



Automotive Technologies division

The **Automotive Technologies division** develops and manufactures 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.

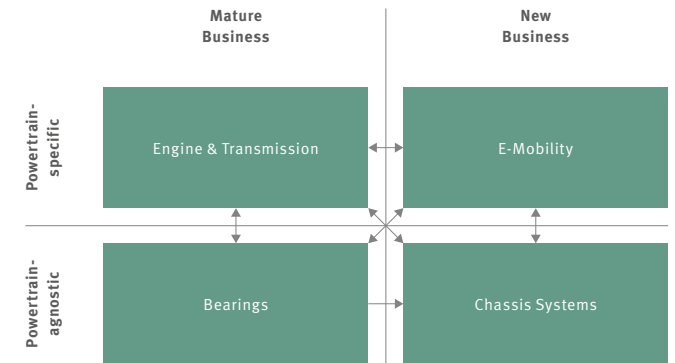
Market and competitive environment

The market environment of the Automotive Technologies division is marked by highly intense competition. The division faces competition mainly from other automotive suppliers. Most of its customers are automobile manufacturers with worldwide operations. Demand for products of the Automotive Technologies division is closely linked to global vehicle production which is increasingly shifting away from internal combustion engines toward alternative powertrain technologies due to market trends and legislation. Additionally, as driving functionalities are increasingly being automated toward the autonomous vehicle, requirements regarding chassis applications are growing. In its “Schaeffler Vision Powertrain” scenario, 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. The “Schaeffler Vision Automated Vehicle” scenario reflects the division’s expectation that, by 2035, approximately 10% of passenger cars and light commercial vehicles produced will be driven in a highly automated and approximately 15% in a partly automated manner.

Product portfolio and growth areas

Given the changed market environment, development activities focus on electric mobility and chassis applications. Additionally, the division continues to develop solutions for fuel-optimized internal combustion engines.

Automotive Technologies division



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 technologies for growth markets. In the mature business areas, research and development activities and capital expenditures will be reduced, for instance, and intensified in the new business areas. For example, the division invested in expanding the development and manufacturing campus for electric mobility at its headquarters in Buehl and opened the new development center in Kysuce, Slovakia, in 2023.

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.

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 for both passenger cars and commercial vehicles. It offers solutions for hybrid vehicles, all-electric vehicles, and vehicles with a fuel cell powertrain. The product portfolio ranges from electric motors, electric axle transmissions, electric axle drives, power electronics, hybrid modules, electro-mechanical and hydraulic actuators, and thermal management modules through to complete electric axle systems – compact units comprising the transmission, electric motor, power electronics, and thermal management. Bipolar plates are industrialized for the fuel cell powertrain. A pilot plant already manufactures the new generation of metallic bipolar plates for automobile manufacturers' small and prototype series.

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.

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. Efficient and high-precision products are used to equip both conventional drives and electrified powertrains and chassis systems with bearing solutions. Examples are the triple-row TriFinity wheel bearing and the high-performance ball bearing with centrifugal disc – products offered specifically for electric vehicles.

The **Chassis Systems BD** develops and manufactures mechanical components and mechatronic systems for steering and other chassis applications through to driver-less mobility concepts. Among the products included in its portfolio is the "Space Drive"

steer-by-wire system. The BD also offers the mechatronic rear-wheel steering system, a newly developed steering system that went into series production during the year. A cooperation with the Dutch VDL Groep was announced in the area of new mobility concepts. The two companies plan to jointly develop and produce a new generation of self-driving electric shuttles for public transport. A first demonstrator as well as the technologies for electrification and automation of the shuttles was showcased at IAA Mobility 2023.

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 worldwide 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 repair solutions and services for repair shops. The division anticipates the largest increase in both vehicle population and demand for repairs up to 2028 to occur outside of Europe. Especially for the Greater China region, the division expects vehicles to grow heavily in both number and age.

The spare parts market is undergoing a transition. The competitive environment in this sector is marked by continuing consolidation at the distributor level and by new market entrants. Growing vehicle digitalization and connectivity offer new business models in the spare parts business with digital distribution channels and platforms increasingly gaining in significance. Similarly, automotive technology trends such as electrification and the growing number of automated transmissions are influencing the future product portfolio.

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 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 REPERT.

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. 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.

Fundamental information about the group > Organizational structure and business activities

**Three central fields of action for profitable growth
Automotive Aftermarket division**

Core Business	Digitalization	New Business
<ul style="list-style-type: none"> • Potential within current customer base • Operational excellence 	<ul style="list-style-type: none"> • Customer experience • Distribution channels • Business models 	<ul style="list-style-type: none"> • Sustainability • E-Mobility • Services

The division considers continual improvement of the customer experience and the collaboration with customers and partners to form the basis for **(1) realizing potential in the core business**, particularly for expanding the portfolio with existing customers (“Share of Wallet”). Operational excellence is key to customer satisfaction here and includes quick and reliable delivery to customers as well as comprehensive, smooth, and easy interaction of the customer with the division. Expanding the distribution network by adding the new logistics center in Strongsville, Ohio, U.S., supports this goal.

The division is largely supplied by the Automotive Technologies division’s manufacturing locations. To secure the availability of market-driven repair solutions for the core business as well as new applications, the division will take on responsibility for its own production. Starting in 2024, the Gunzenhausen plant will be transferred to the responsibility of the Automotive Aftermarket division.

(2) Intensifying digitalization is a significant factor for optimizing the customer experience throughout the entire sales process using advanced digital services. REPERT is steadily expanding the range of digital information offered, enabling distribution partners and repair shop professionals to access a broad range of products and services on the Aftermarket website. Further, REPERT also offers on-site training that is important primarily for independent repair shops and helps enhance customer loyalty. Digitalization also facilitates new business models and

distribution channels, including data-based models and e-commerce. In China, the division has created the “ETC platform China”, a platform in the independent spare parts market. A further step taken to expand the e-commerce business was the acquisition of KRSV Innovative Auto Solutions Private Limited, which operates Koovers, a B2B platform in the Indian market used to distribute spare parts to independent repair shops, wholesalers, and retailers.

Growth via **(3) developing new business** focuses particularly on strengthening sustainability in the value chain. One of the integral elements here is developing repair solutions and services for electric mobility in order to utilize the potential offered by the growing repair needs of hybrid and electric vehicles. Additionally, the division focuses on services and solutions in the field of circular economy and remanufacturing in order to promote sustainability.

The division’s response to the changes in the market, such as connectivity and sustainability, also include partnerships within the automotive ecosystem. 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.

Industrial division

The **Industrial division** develops and manufactures rotary and linear bearing solutions, drive technology components & 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 product solutions for the hydrogen economy. Its management model follows a regional approach with the **regions Europe, Americas, Greater China, and Asia/Pacific**.

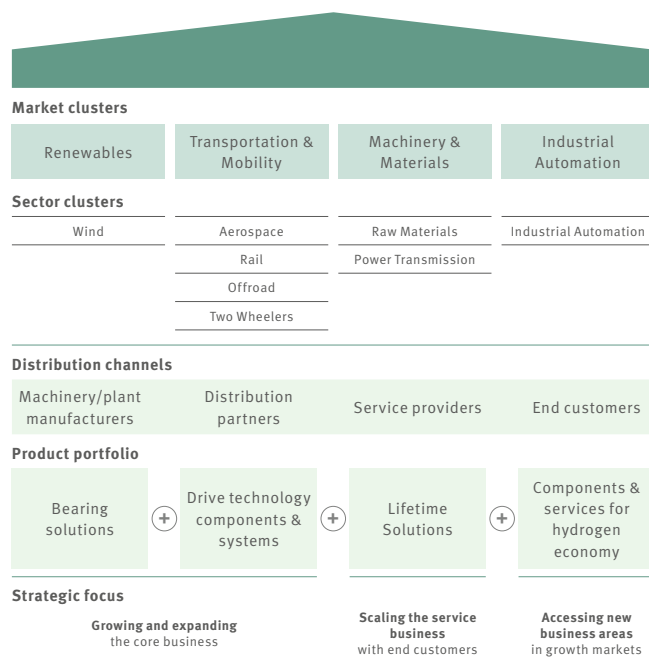
Market and competitive environment

With its products and services, the Industrial division serves markets characterized by a large number of competitors and customers worldwide. Managing the business on a regional basis allows the division to closely target its response to local customer needs in order to achieve long-term customer loyalty. Cross-regional issues, such as the global technology and product strategy, are managed centrally and implemented by divisional key account management. This approach enables the division to closely align the industrial business along current market needs. Demand for the Industrial division’s products and services depends significantly on the trend in global industrial production, primarily in the sectors particularly relevant to the division – mechanical engineering, transport equipment, and electrical equipment – which in turn is influenced by overarching trends such as sustainability and increasing digitalization and connectivity.

Fundamental information about the group > Organizational structure and business activities

Product portfolio and growth areas

Industrial division customer and product portfolio



A significant strategic focus of the Industrial division is on further **expanding its core business** with bearing solutions and drive technology components & systems, which are still considered to hold extensive growth opportunities. The product portfolio of the core business comprises a wide variety of rotary and linear bearing solutions, particularly rolling and plain bearings. They range from high-speed and high-precision bearings with small diameters to large-size bearings several meters wide and cover a broad spectrum of applications in all sector clusters. Additionally, the Industrial division offers its customers a diversified range of drive technology components & systems,

including bearing supports, robotic arm joints and gearboxes, as well as high-performance linear actuators for the dynamic robotics industry. Customer-specific products as well as technical consulting and other services consistently advance the product portfolio of the core business. A core element of the growth strategy is the linear business which was selectively and significantly expanded during the year by acquiring the Ewellix Group. The Industrial division aims to position itself as a leading global full-range supplier of linear technology and electromechanical actuator systems. In order to efficiently and comprehensively manage the diverse business with components and systems primarily in demand in high-growth market sectors, the activities in the relevant fields were combined in the new strategic business area “Linear Motion” during the year.

A further strategic focus is on **scaling the service business**. The service business operates from the strategic business area “Lifetime Solutions” and offers end customers solutions along the entire product life cycle. The service portfolio includes, for instance, condition monitoring applications, digital services, and lubrication systems that are combined into application-specific solution packages under platform concepts for use in the paper, cement, steel, food and other industries. Additionally, the acquisition of ECO-Adapt SAS during the year added solutions for condition monitoring based on electrical signal analysis to the portfolio. In addition, the division’s “Lifetime Solutions” area offers a wide range of spare parts and also provides mounting and dismantling services for rolling bearings as well as service solutions for reconditioning rolling bearings, which is increasingly in demand.

The Industrial division also sets a strategic focus on **accessing new business areas in growth markets**. Components & services for the hydrogen economy play a significant role here and are combined in the strategic business area “Hydrogen”. This product portfolio comprises components for hydrogen production using electrolyzers, such as bipolar plates, as well as integrated solutions like cell kits and intelligent stack systems including

matching digital service concepts. Cooperations with other sector companies are aimed at accelerating the development and manufacture of products that are ready for series production.

The Industrial division distributes its products and services via machinery and plant manufacturers, distribution partners, service providers, and directly to the end customer. Operations are geared to the eight **sector clusters** (1) Wind, (2) Aerospace, (3) Rail, (4) Offroad, (5) Two Wheelers, (6) Raw Materials, (7) Power Transmission, and (8) Industrial Automation, which in turn can be allocated to four market clusters based on the relevant sales markets.

Internal market analyses have identified long-term potential for growth across the four **market clusters**. In the Renewables market cluster, growth prospects are based on the ambitious climate targets and the progressive trend to sustainability. Meanwhile, growing electrification as well as increasing demand for passenger and freight transport are generating potential for growth in the Transportation & Mobility market cluster. These developments are reinforced by rising demand for agricultural goods and the expansion of infrastructures. The persistently high demand for raw materials as well as customers’ requirements for higher-performing, more efficient, and more sustainable drive technology solutions represent key growth drivers for the Machinery & Materials market cluster. Similarly, potential for growth is perceived in the Industrial Automation market cluster under efficiency and sustainability aspects as well.

Fundamental information about the group > Group strategy and group management

1.2 Group strategy and group management

The strategic direction of the Schaeffler Group is summarized in the “Roadmap 2025”.

Group strategy “Roadmap 2025”

The “Roadmap 2025” represents a strategic framework consisting 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.

The Schaeffler Group has refined its corporate profile within the strategic framework. It now positions itself as a Motion Technology Company. The term “Motion” serves as the connecting element for the six newly defined product families. “Guide Motion” comprises bearing and linear guides. “Transmit Motion” refers to transmission and engine components. “Generate Motion” represents the actuators. “Drive Motion” consists of electric motors and electric drives. “Energize Motion” describes hydrogen bipolar plates and stacks. Finally, “Sustain Motion” stands for repair and maintenance solutions. This builds on the claim “We pioneer Motion” that has been in place since 2020. The Schaeffler Group sees its mission in offering innovative products and services across the wide spectrum of motion technology. This mission is supported by the Schaeffler Group’s diversified positioning: Common technology and manufacturing capabilities create synergies across products, sectors, and divisions.

Strategy 2025

The “Strategy 2025” was approved in 2020 and has been validated and enhanced each year since as part of a Strategy Dialog. The basis of the strategic framework is formed by five focus areas that were derived from key future trends and reflect the product and service range of all three divisions. These focus areas are CO₂-efficient Drives, Chassis Applications, Industrial Machinery & Equipment, Renewable Energy, and Aftermarket Solutions & Services. With the five focus areas, the “Strategy 2025” is aligned along the Schaeffler Group’s strengths and core expertise, both in the business areas and in the production technologies.

Along with the five focus areas, the Schaeffler Group has derived two key strategic topics from the megatrends: sustainability and digitalization.

Key topic of sustainability

Sustainability represents a significant component of the Schaeffler Group’s corporate values. 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 and occupational safety. The company aims to elaborate on each of these action fields by adding quantifiable targets and indicators.

In 2023, Schaeffler AG has again integrated its group non-financial declaration, which includes the assertions on sustainability currently mandated by law, 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/2023

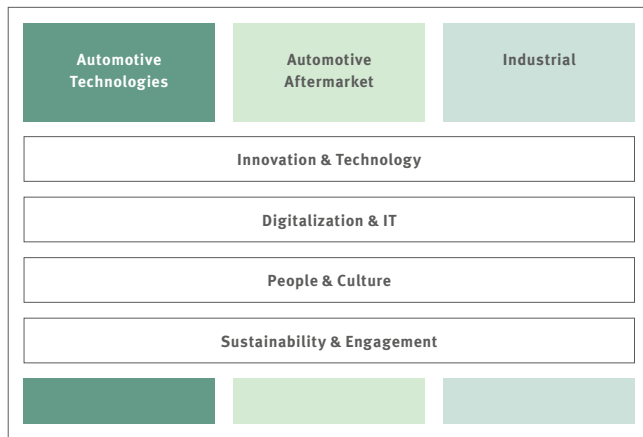
Key topic of digitalization

The Schaeffler Group treats digital transformation as a shared task for all divisions, functions, and regions. The company-wide digital agenda ensures a synchronized approach by serving as a strategy and structural guideline for all activities. Experts from all business and IT departments work together on evaluating digital technologies as well as risks. This relates to changing the value chain – both internally at Schaeffler and in interaction with business partners. Similarly, this relates to additional sales potential with digital distribution channels and digital products and services. Further, digitalization also plays a key role in automating industrial processes, increasingly including the use of artificial intelligence.

Execution Program 2025

The “Strategy 2025” is executed via the “Execution Program 2025”, which consists of three divisional (vertical) and four cross-divisional (horizontal) subprograms. These 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” is aimed at not only driving forward the Schaeffler Group’s transformation but also at promoting cross-divisional synergies and improving profitability by generating efficiency gains.

Divisional and cross-divisional subprograms



The **three 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. The three central fields of action within the subprogram of the **Automotive Aftermarket division** concentrate on introducing new and market-driven repair solutions in the core business, expanding digital services and distribution channels, and developing new business areas. The subprogram of the **Industrial division** is mainly designed to strengthen the competitive position in the traditional rolling bearing business, scale the service business, and access and expand new business, such as in the linear, robotics, and hydrogen areas.

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 of sustainable motion. The 6+2 innovation clusters are an integral component of this subprogram. The **“Digitalization & IT”** subprogram 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, and an appreciative leadership style. The priority of the **“Sustainability & Engagement”** subprogram is to embed ecological and social responsibility in the company’s value chain. The activities combined and managed in this subprogram include those required to achieve the climate neutrality targets 2040.

Execution Program progress during the year

The “Execution Program 2025” has once more achieved significant milestones for the company in 2023, with approximately 60% of the measures planned for the entire five-year term of the program successfully completed by the end of the year.

The divisional subprogram of the **Automotive Technologies division** saw more than 20 new production start-ups in E-Mobility and Chassis Systems during the year. An example is a new mechatronic rear-wheel steering system that went into series production during the year. The rear-wheel steering system featuring a planetary roller gear from the company’s Industrial division is designed to enhance ride comfort, agility, and safety. The topic of hydrogen continues to play an important role: Having founded “Innoplant SAS” in 2022, the division continued to focus on the enhancement and product ramp-up of bipolar plates for mobility and energy solutions in 2023. The new generation of metallic bipolar plates are optimized for large-series production and leverage a newly developed coating process for a particularly long fuel cell life.

The distribution network of the **Automotive Aftermarket division** was expanded by opening the new logistics center in Strongsville, Ohio, U.S. Additionally, the acquisition of KRSV Innovative Auto Solutions Private Limited, which operates the Koovers B2B platform in the Indian market, further expanded the e-commerce business and strengthened the presence in the Asia/Pacific region.

The acquisition of the Ewellix Group completed by the **Industrial division** in January 2023 was a focused and significant expansion of the division’s linear business. The division aims to position itself as a leading global full-range supplier of linear technology and electromechanical actuator systems. Another important area of the Industrial divisional subprogram is wind power, where bearings are manufactured and delivered in accordance with the Wind Power Standard. Operational progress was also made in the core business with small and medium-sized rolling bearings. For instance, an additional newly opened manufacturing hall at the Savli location supports the localization strategy and puts in place the prerequisites for enhancing the company’s competitiveness in India.

As part of the cross-divisional **“Innovation & Technology”** subprogram, the Schaeffler Group opened a second research and development center in the Greater China region during the year. In Changsha, the company will push forward with developing technologies for electric mobility and intelligent driving for the Chinese market. Robotics and automation continue to play an important role: An example of this are the numerous robotics systems rolled out in the plants in recent years. These systems – together with the growing use of driver-less transport systems – represent a significant building block for rendering manufacturing processes more flexible, scaling them, and improving their timing.

In the **“Digitalization & IT”** subprogram, the company continued to equip production machinery with proprietary software for capturing and processing process-related data and the condition

of machines. The implementation of SAP S/4HANA made progress as well; this system digitalizes and harmonizes the core processes on a future-proof platform. In future, accounting, treasury and controlling functions will be realized via SAP S/4HANA apps. Another important aspect of digitalization are the cyber security program and the use of artificial intelligence, which are increasingly embedded in the digitalization strategy. For example, the AI-based Industrial Copilot was presented in cooperation with Siemens late in the year. Another digitalization collaboration, the Cofinity-X joint venture founded during the year, specializes in the secure exchange of data along the automotive value chain in the Catena-X ecosystem. Digitalization was a central aspect of the Executive Meeting 2023, where the Managing Directors and management discussed the key role played by digitalization and further developed the digitalization strategy.

The “**People & Culture**” subprogram continued to prioritize employee qualifications via the “Fit4” programs. Additionally, a new training program on digitalization, “Go Digital”, is available starting this year. To ensure that the Schaeffler Group will continue to have available sufficient talent and expertise in key areas such as electric mobility in the future, a new initiative entitled “Strategic Workforce Planning” was integrated into the subprogram. The company also invested in remodeling and expanding the training center at the Buehl location.

In the “**Sustainability & Engagement**” subprogram, the Schaeffler Group’s climate targets were assessed by the “Science Based Targets initiative” (SBTi) during the year, who confirmed that they are suitable for achieving the overarching goal of meeting the climate targets of the Paris Agreement. Contributions to the goal of making its own in-house production (scope 1 and 2) climate-neutral as early as by 2030 include a solar farm set up at the new Szombathely plant location in Hungary and an offtake agreement signed for the purchase of green electricity from a local solar farm at the corporate headquarters in Herzogenaurach.

Along with sustainability, this subprogram also comprises construction to enhance selected locations. For instance, progress was made on constructing the new 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 upon completion in 2024. 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 as well as in creating a new, attractive working environment with “New Work” projects worldwide.

Mid-term Targets 2025

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

As part of the intended business combination with Vitesco Technologies Group AG and concomitant with the planned organizational structure of the merged company comprising four focused “pure-play” divisions, the Schaeffler Group considers the “Mid-term Targets 2025” as a whole to be no longer applicable and intends to derive new mid-term targets.

The interim targets set for 2023 are presented below for the last time in order to summarize achievement of these targets for 2023 in their original form.

At **group level**, the first target focused on return on capital employed (ROCE) based on reported EBIT. At 8.8%, ROCE was below the range of 12 to 15% targeted for 2023. The second target related to free cash flow conversion (FCF-conversion)

based on reported EBIT. At 0.5, FCF-conversion was within the range of 0.3 to 0.5 targeted for 2023.

Under the “Mid-term Targets 2025”, the **Automotive Technologies division** was 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 corresponding target EBIT margin before special items was 4 to 6%. At 4.5%, the EBIT margin before special items reached the lower end of the range targeted for 2023.

As “Mid-term Targets 2025”, the **Automotive Aftermarket division** was 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%. At 16.3%, the EBIT margin before special items exceeded the complete targeted range and hence the lower end of the range targeted for 2023.

As “Mid-term Targets 2025”, the **Industrial division** was 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%. At 9.0%, the EBIT margin before special items was below the lower end of the range targeted for 2023.

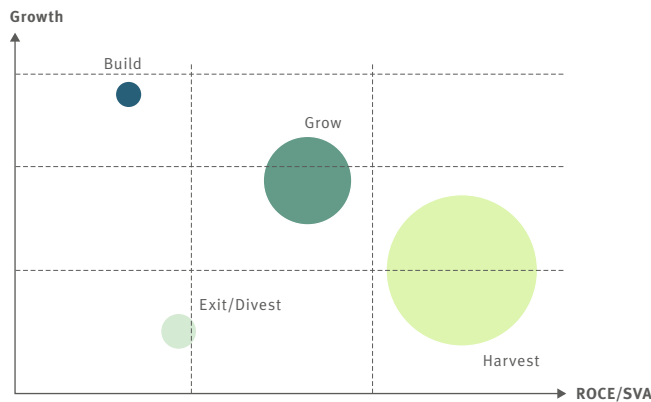
Portfolio management and capital allocation

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.

Fundamental information about the group > Group strategy and group management

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

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

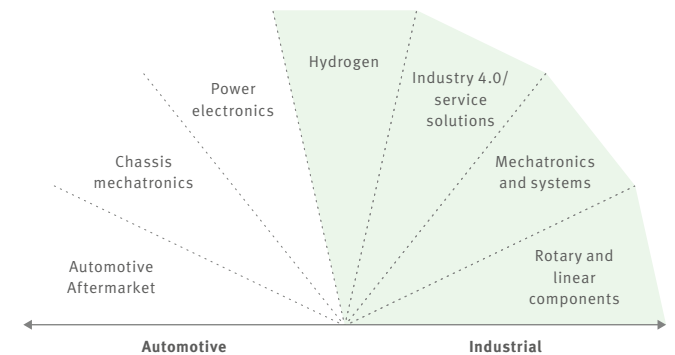
¹⁾ Capacity expansion and new products.

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 primarily on the acquisition of smaller 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 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. Senior management considers it imperative that business activities are in line with the relevant legal limits and comply with corporate governance standards. 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 **Schaeffler Value Added (SVA)** as well as **return on capital employed (ROCE)**. They are operationalized using key financial performance indicators.

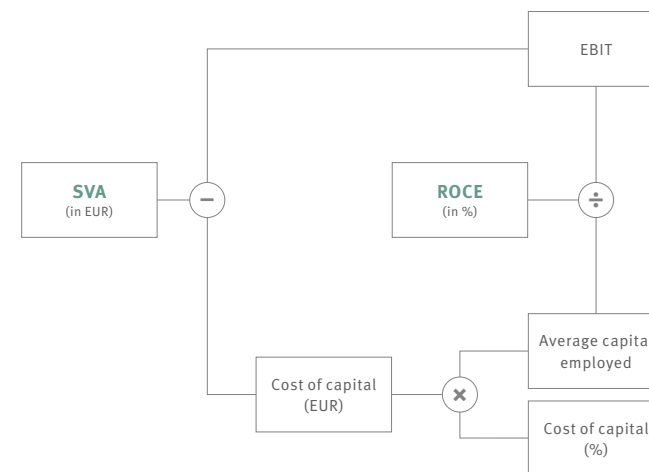
Strategic financial performance indicators

The Schaeffler Group’s value added in absolute terms is measured using the strategic financial performance indicator **SVA**. SVA is defined as **earnings before financial result and income taxes (EBIT)** less the **cost of capital** incurred on **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. The pre-tax cost of capital amounts to 10%. Positive SVA means that the Schaeffler Group has created value beyond covering its cost of capital. SVA also represents the change in value over time, i.e., a positive difference between SVA at the beginning and end of the period compared to the comparison period means that value has been added.

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 **EBIT** to **average capital employed**. If ROCE exceeds the cost of capital, the company is generating value by employing its resources. SVA and ROCE are additionally determined based on EBIT before special items.

Strategic financial performance indicators



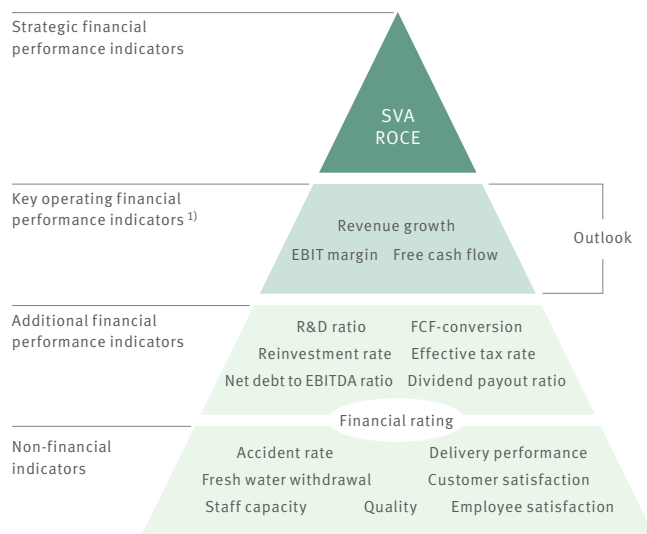
Key operating financial performance indicators

The indicators SVA and ROCE 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 SVA and ROCE. 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.

Management system



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

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.

EBIT margin before special items: The Schaeffler Group measures its operating earnings using the EBIT margin, which is a key factor influencing SVA and ROCE 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. 20 et seq.

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 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:** The Schaeffler Group derives the Automotive Technologies division's medium- to long-term potential for growth from the indicator "order intake". Order intake shows the revenue expected over the entire term of supply to a series production that is based on nominations that are fixed in writing – or other written information received from the customer – during the reporting period, but do not give rise to enforceable rights and obligations. To reflect the uncertainty of actual call-offs, assumptions and risk discounts are applied to the underlying sales volumes and prices for some of the orders when determining order intake.
- **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 especially 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. 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 non-financial indicators as part of the Schaeffler Group's strategic alignment: quality, staff capacity (headcount (HCO) and full-time equivalents (FTE)), delivery performance, customer satisfaction, employee satisfaction, employee accident rate, and fresh water withdrawal.

For purposes of managing sustainability, the company measures, for the ten fields of action addressed in the sustainability strategy, additional non-financial indicators relevant to strategic management. The company aims to elaborate on each of these ten action fields by adding quantifiable targets and indicators.



More in the sustainability report under:
www.schaeffler-sustainability-report.com/2023

1.3 Research and development

The Schaeffler Group's product range focuses on motion technology. With its refined positioning as a Motion Technology Company, the Schaeffler Group aims to actively contribute to the transition toward a more sustainable future. This strategic direction makes innovation a strategic priority of the Schaeffler Group, especially when it comes to technologies, products, and services in the areas of electric mobility, CO₂-efficient drives, chassis solutions, industrial applications, Industry 4.0, digitalization, and renewable energy. The "innovation-to-business" strategy is aimed at identifying opportunities for sustainable products in dynamic and complex market environments early on. The innovation strategy is based on six product and two production innovation clusters (6+2 innovation clusters) that are geared to a clear focus on and evaluation of the market potential of new product ideas. The innovation clusters are organized in a global project house. Industrialization in accordance with customer and market requirements follows. The **6+2 innovation clusters** are part of "Innovation & Technology", a cross-divisional subprogram of the "Roadmap 2025".

The **(1) innovation cluster Energy Solutions** develops new technologies for a sustainable energy chain. One area emphasized is hydrogen technology with electrolyzers and fuel cells. In this area, a new generation of metallic bipolar plates was presented during the year. Additionally, the company expanded its modular coating range for both fuel cells and PEM electrolyzers. Another example is research being done on new materials and components for next-generation batteries.

The **(2) innovation cluster Material Solutions** develops materials and coatings for application in all product families. Developing high-performance materials with a low carbon footprint as well as new methods of using materials efficiently contributes significantly to achieving climate targets. Composite materials in coating technology are designed to reduce the carbon footprint while

being highly efficient. Modifying surfaces and developing lubricants and seals and gaskets are aimed at reducing friction and lowering fuel consumption during the use phase.

The **(3) innovation cluster eDrive Solutions** focuses on electric drive systems and their core components, i.e., electric motors, power electronics, and software, as well as on the next generation of related mechanic transmission and bearing components. Enhancement of the 800-volt power electronics system offers higher power density, a smaller carbon footprint, and higher system efficiency. Innovative solutions such as magnet-less motors reduce dependencies in supply chains. Being an automotive and industrial supplier, the Schaeffler Group utilizes synergies by applying its expertise in electric drives to industrial applications as well.

The **(4) innovation cluster Mobility Solutions** addresses the effective implementation of new mobility concepts. Another focus is on drives for offroad, rail, and heavy-duty vehicles. The “Rolling Chassis” project combines the powertrain, chassis, steering, and automation systems into a vehicle platform that is used by a partnership: The Schaeffler Group and the VDL Groep, with the help of Mobileye, plan to jointly develop self-driving electric shuttles for public transport. The first concept vehicle was showcased at IAA Mobility 2023.

In the **(5) innovation cluster Robotics Solutions**, the Schaeffler Group develops system solutions for the robotics, medical, and machine tool sectors. Along with precision gearboxes and the fully-integrated torque sensor technology, the Schaeffler Group presented a newly developed precision drive system at leading trade shows in 2023. “Smart” systems for robotics joints round out the portfolio.

The **(6) innovation cluster Digital Solutions** expands research activities in the area of intelligent embedded systems, condition monitoring, and digital services. A particular priority are the topics of quantum computing and generative AI. Smart engineering is applied in developing an intelligent generative AI assistant for product design, for instance. Opportunities in the area of artificial intelligence for digitalization and automation are expanded further by collaborating with partners such as Fraunhofer IAIS.

The **(+1) innovation cluster Advanced Manufacturing** develops innovative manufacturing technologies to the point of industrialization. The focus is on making manufacturing processes more efficient with respect to sustainability and material usage. Technologies for repairing or refurbishing components help reduce product carbon footprints. The cluster also develops the necessary joining and sealing technology as well as innovative approaches to additive manufacturing.

In the **(+2) innovation cluster New Production Concepts**, the priority is on developing modular and flexible production concepts. For instance, flexible robotics systems are set up and refined in a production-like environment. The use of artificial intelligence helps make integration of the systems quick and simple. Digital twins are used in simulating, training, and improving robotics applications.

The measures taken by the Schaeffler Group to safeguard its technological competitive ability include its **Open Innovation strategy**, which is based on a global network of universities, companies, research institutions, and start-ups. This network concentrates on jointly developing strategic issues of the future. The **Schaeffler Hub for Advanced Research (SHARE)** program represents a global research network with leading universities. On-campus locations promote extensive sharing of information and close collaboration between Schaeffler staff and scientists. The Schaeffler Group also has a strategic partnership with Fraunhofer-Gesellschaft.

Cooperating with **start-ups** represents an integral component of the strategy for innovation. The Schaeffler Group evaluates future-oriented technologies and innovative business models and realizes pilot projects that pay into the 6+2 innovation clusters, directly or indirectly, with start-ups and small and medium-sized businesses. The aim is to lay the basis for successful long-term strategic cooperations.

Research and development expenses

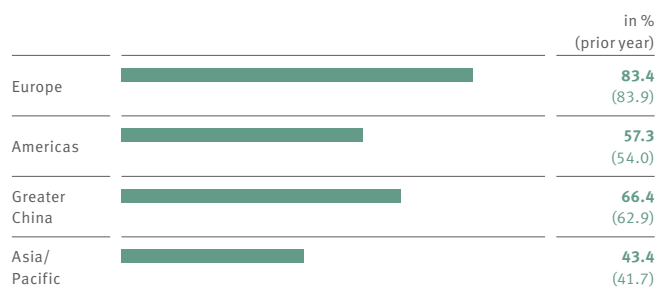
	2019	2020	2021	2022	2023
Research and development expenses (in € millions)	849	684	748	768	768
Research and development expenses (in % of revenue)	5.9	5.4	5.4	4.9	4.7
Average number of research and development staff	7,834	7,780	7,414	7,447	7,797

In 2023, the Schaeffler Group employed an average of 7,797 R&D staff (prior year: 7,447) at 20 R&D centers (prior year: 20) and additional R&D locations in a total of 25 countries. The Schaeffler Group filed 1,266 patent registrations with the German Patent and Trademark Office in 2022, making it the fourth most innovative company in Germany. Schaeffler Group employees internally reported 2,017 inventions in 2023 (prior year: 2,201).

1.4 Production network and locations

The companies in the regions and countries represent the Schaeffler Group locally, and their proximity to the customer supports the company’s growth. The company has a worldwide presence with more than 200 locations, 82 production facilities, 20 research and development centers, as well as a tight-knit sales and service network.

Schaeffler Group degree of localization ¹⁾ by region



■ 2023

¹⁾ 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 2023 segment structure).

A global production network, the 82 plants with approximately 64,000 employees form the operational core, managed based on uniform, cross-divisional principles. The global production system and the manufacturing technologies are key to the company’s success. The global production system and manufacturing technologies are continually enhanced in order to safeguard the future competitive ability of the Schaeffler Group.

Safeguarding the **quality** and continually improving products and processes as envisioned by the Schaeffler Group’s guiding principle “Fit for Quality” represents a significant element of this process. In order to further enhance quality in the global production system, the company established the quality program “SHAPE”. It derives from the implementation program for the “Roadmap 2025” and is designed to make the Schaeffler Group’s quality management system more agile and effective to ensure market requirements will continue to be met in the future.


Manufacturing locations have certified management systems in accordance with internationally recognized quality norms, standards, and regulations. The Schaeffler Group applies the requirements of various norms ¹ relevant to certification in the Schaeffler plants.

Another element is developing new and enhancing existing **production technologies** within the global technology network. The Schaeffler Production System (SPS) incorporating principles, methods, and tools forms the basis for aligning the production system and supply chain with the strategic objectives of (1) efficiency, (2) agility, and (3) sustainability.

Digitalization entails, inter alia, developing AI-based solutions for automating production facilities along the value chain and implementing them in the agile production environment. For example, the company continued to push forward with digitally connecting the production network during the year, in part by continuing to roll out autivityHub, proprietary software for capturing and analyzing machine data that was developed by Schaeffler Digital Solutions GmbH (SDS). Further, jointly with up2parts GmbH, in which the Schaeffler Group obtained an equity interest during the year, the company pushed forward with implementing an integrated system for digitalizing tool manufacturing on the basis of AI-based work planning. The

company increasingly relies on artificial intelligence, such as the AI-based Industrial Copilot assistant, in automating industrial processes as well.

The **sustainability** of its production system and manufacturing technologies is fundamental to the Schaeffler Group. The overarching target here is achieving climate-neutral production by 2030 and a climate-neutral supply chain by 2040. Measures taken to achieve climate-neutral production include making locations more energy efficient, using electricity from renewable sources, and switching from gas-fueled production facilities to electric alternatives. The company has realized numerous projects during the year to meet the targets established for the production system, such as commencing construction of the first photovoltaic plant at the Buehl location and commissioning another solar farm at the Szombathely location in Hungary.

 More on sustainability in the production network and at the locations in the sustainability report: www.schaeffler-sustainability-report.com/2023

Additionally, the Schaeffler Group has intensified its cooperation with H2 Green Steel and gradually increased the existing minority investment during the year. In connection with this, the Schaeffler Group, as a strategic technology partner, will contribute to the partnership its development expertise for steel grades, such as for green steel for electric mobility. H2 Green Steel has a target of reducing CO₂ emissions by up to 95% compared to steel from conventional production. In addition, the partnership is aimed at generating new applications for the use of sustainable rolling bearing solutions in production.

Further, the company pushed forward with enhancing the special machine construction unit by establishing it as “Schaeffler Special Machinery” for external business activities.

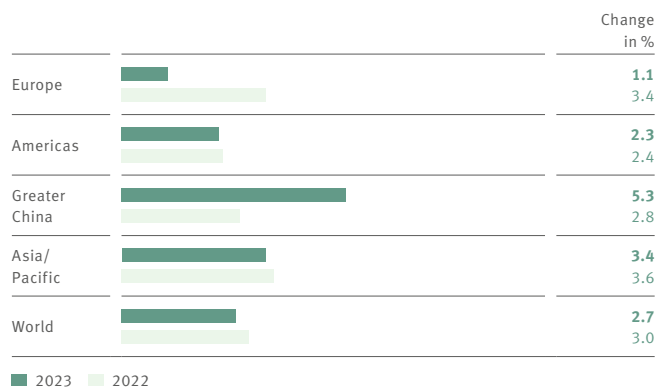
¹ IATF 16949:2016 Quality management system (standard of the automotive sector); ISO/TS 22163 Quality management system (ISO 9001:2015 and particular requirements for application in the railway sector); SAE AS 9100D:2016-09-20 Quality Management Systems (Requirements for Aviation, Space, and Defense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

2. Report on the economic position

2.1 Economic environment

Macroeconomic environment

Gross domestic product



Source: S&P Global Market Intelligence (January 2024). Regions reflect the regional structure of the Schaeffler Group.

The challenging environment continued to weigh on the growth of the **global economy**. Economic activity was held back by the considerably tighter monetary policy, restrictive financing conditions, and inflation which, though decreasing, remained high. Additionally, the outbreak of the conflict and acts of war in the Middle East exacerbated the already extensive geopolitical

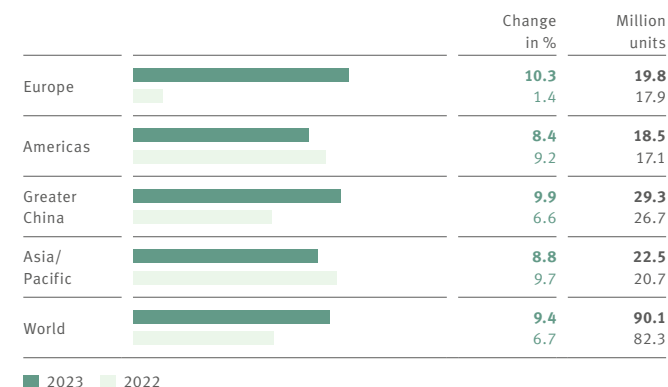
uncertainty. Despite these challenges, growth in global gross domestic product² exceeded expectations, albeit not reaching the average pre-pandemic level.

Aggregate economic growth of the advanced economies, while weakening, proved more resilient than expected. However, this is primarily attributable to growth in the U.S., which was considerably better than forecasted. Emerging and developing countries reported total economic growth slightly ahead of the prior year, but a weaker growth rate when excluding China. In China, the lifting of pandemic-related restrictions revived economic activity considerably at the beginning of the reporting year. However, momentum slowed again over the course of the remainder of the year, partly driven by a renewed downturn in the real estate sector.

In the **currency markets**, the euro rose against the majority of the foreign currencies most significant to the Schaeffler Group – including the U.S. dollar and the Chinese renminbi – on an annual average basis.

Sector-specific environment

Automobile production



Source: S&P Global Mobility (January 2024). Regions reflect the regional structure of the Schaeffler Group.

The considerable growth in global **automobile production**³ was buoyed by the noticeably improved supply situation and catch-up effects due to pent-up demand. Growth also benefited from the low basis for comparison in the first half of the prior year. As a result, growth in global automobile production for the first six months of the year, nearly 12%, came in considerably higher than for the second half of the year.

The number of vehicles produced during the year considerably exceeded original expectations. Especially production in China was significantly higher than in earlier forecasts, despite a weak

² Measured as gross domestic product in real terms based on market exchange rates (S&P Global Market Intelligence [January 2024]). Includes content supplied by S&P Global Market Intelligence © [World Economic Service Forecast, January 2024]. All rights reserved.

³ Measured as the number of vehicles up to six tons in weight produced (S&P Global Mobility [January 2024]). Includes content supplied by S&P Global © [IHS Markit Light Vehicle Production Forecast (Base), January 2024]. All rights reserved.

Report on the economic position > Economic environment

start to the year. This growth was largely driven by strong exports; additional positive impetus came partly from buying incentives provided by the government and from domestic demand, which increased over the course of the year. German automobile production profited from strong exports as well, generating the highest growth rate among the major production countries – just over 18%. In the U.S., the world’s second-largest manufacturer, growth of just over 5% was largely in line with forecasts. Production losses in September and October due to a strike of the U.S. auto union, UAW, were made good by increased production after the strike had ended.

Vehicle population

		Change in %	Million units	Average age
Europe	2023	1.2	531.3	12.9
	2022	1.1	525.1	12.6
Americas	2023	1.7	440.1	12.1
	2022	0.6	432.9	11.9
Greater China	2023	5.1	313.3	7.4
	2022	6.4	298.2	7.1
Asia/Pacific	2023	2.9	257.8	10.3
	2022	2.9	250.5	10.1
World	2023	2.4	1,542.5	11.1
	2022	2.3	1,506.7	10.8

■ 2023 ■ 2022

Source: S&P Global Mobility (October 2023). 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 2023 is once again primarily attributable to above-average growth in China.

In the euro zone, part of the Europe region, the vehicle population increased by 1.0% to 218.3 million units with the average age rising to 12.0 years. In the Americas region, the U.S., the region’s most significant market by far, saw its vehicle population grow by 0.7% to 286.0 million vehicles and an increase in the mean age to 11.8 years. China, part of the Greater China region, experienced a considerable 5.2% increase in vehicle population to 304.0 million units while the average age rose to 7.2 years. Within the Asia/Pacific region, the vehicle population in Japan rose by 0.5% to 72.8 million units while the mean age increased to 9.1 years. In India, the vehicle population experienced strong growth of 6.5%, rising to 58.1 million units; the mean age increased slightly to 9.2 years.

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

	Change in %	
Europe	2023	4.2
	2022	3.7
Americas	2023	1.1
	2022	7.1
Greater China	2023	4.9
	2022	3.5
Asia/Pacific	2023	-1.3
	2022	6.0
World	2023	2.8
	2022	4.7

■ 2023 ■ 2022

Source: S&P Global Market Intelligence (January 2024). Regions reflect the regional structure of the Schaeffler Group.

Based on preliminary estimates, growth in global **industrial production** slowed considerably to 1.0% (2022: 2.7%; S&P Global Market Intelligence [January 2024]).⁵

The euro zone was particularly weak, experiencing a decline in 2023. The slow global economic momentum is due to the challenging overall economic environment, still partly disrupted supply chains, and further cost increases for companies.

In total, the sectors particularly relevant to the Schaeffler Group – mechanical engineering, transport equipment, and electrical equipment⁶ – grew significantly faster than industrial production overall. However, they were marked by heterogeneous growth trends. The global mechanical engineering sector, the largest of the three sectors, stagnated approximately at the prior year level, with growth in China offset in part by zero growth in the euro zone and a contraction in the U.S. and particularly in Japan. The transport equipment sector, however, experienced global growth of just over 8% during the year. Positive growth rates were reported for all of the Schaeffler Group’s regions, the most considerable for Europe. Global growth in the electrical equipment sector amounted to just over 6%. While production increased in both the Europe and especially the Greater China region, the Americas and Asia/Pacific regions reported declines. The market decline in the latter regions is primarily due to a slump in production in Brazil and a contraction in Japan.

Procurement markets

The Schaeffler Group uses various materials in manufacturing its products, especially different types of steel, aluminum, copper, as well as plastics and lubricants. Production is also dependent on 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, most contracts are signed with terms of six or twelve months.

⁴ Measured as the number of passenger cars and light commercial vehicles less than 3.5 tons in weight (S&P Global Mobility [October 2023]). Includes content supplied by S&P Global © [IHS Markit Vehicles in Operation (VIO) Forecast, October 2023]. All rights reserved.
⁵ Measured as value added in real terms (S&P Global Market Intelligence [January 2024]). Includes content supplied by S&P Global Market Intelligence © [Comparative Industry Service Forecast, January 2024]. All rights reserved.
⁶ Divisions 28 and 30 as well as group 271 of the ISIC Rev. 4 classification.

On an annual average basis, prices declined from their prior year level in all commodity and energy markets significant to the Schaeffler Group. However, compared to the pre-crisis years – the period before the coronavirus pandemic and the war in Ukraine – prices remained high overall in the relevant commodity and energy markets.

In the procurement regions significant to the Schaeffler Group, annual average prices for cold- and hot-rolled steel were between approximately 6% and approximately 21% lower than in the prior year (S&P Global Commodity Insights, January 2024). The price of aluminum fell by approximately 17% while that of copper dropped by approximately 4% (International Monetary Fund, January 2024). Plastics and lubricants are often made based on crude oil. The annual average price of crude oil was down approximately 17% from its prior year level (International Monetary Fund, January 2024). In Europe and the U.S., spot prices of natural gas were down significantly from the relevant high basis for comparison with the prior year (International Monetary Fund, January 2024) that is attributable to temporary disruptions in the natural gas markets due to the war in Ukraine. In the European Union, the close link between the prices of natural gas and electricity resulted in considerable decreases in wholesale electricity prices in the spot markets as well (European Network of Transmission System Operators for Electricity, January 2024).⁷

2.2 Course of business 2023

Overall assessment of the 2023 business year by the Board of Managing Directors


In the view of the Board of Managing Directors, the Schaeffler Group did well overall in 2023. In a market environment characterized by challenging geopolitical and economic conditions, the company has once again demonstrated competitive ability in 2023 as well.

The moderate revenue growth of 5.8%, excluding the impact of currency translation, met the guidance. All three divisions contributed to the growth trend. The company's EBIT margin before special items of 7.3% met the guidance as well, despite the challenging market environment, the company once again benefiting from its diversified stature. Especially the Automotive Technologies and Automotive Aftermarket divisions improved their earnings considerably. Free cash flow before cash in- and outflows for M&A activities of EUR 421 m exceeded the guidance. The strong free cash flow underpins the Schaeffler Group's financial strength to successfully and more quickly align its business areas toward the future.

The company continued to consistently execute its "Roadmap 2025". In 2023, the Schaeffler Group has further refined its corporate profile and positioned itself as a Motion Technology Company in order to continue meeting the complex customer requirements in future. The business combination with Vitesco Technologies Group AG initiated in 2023 is a further key step of the transformation. The business combination is aimed at broadening the Schaeffler Group's business and technology portfolio, particularly in the area of electric mobility.

The activities under the "Execution Program 2025" of the "Roadmap 2025" were consistently continued and further milestones achieved in 2023. With numerous new products, the Automotive Technologies division further expanded especially its global activities around developing mobility solutions for the electrified powertrain and chassis system applications. Automotive Aftermarket division activities included continuing to push ahead with digitalization and expanding the e-commerce business by acquiring KRSV Innovative Auto Solutions Private Limited. Additionally, the division expanded its distribution network by opening the new logistics center in Strongsville, Ohio, U.S. In the Industrial division, the acquisition of the Ewellix Group significantly expanded the linear business and strengthened the position as a full-range supplier of linear technology and electromechanical actuators.

The transformation process made progress in other areas as well. Activities under the sustainability strategy included confirmation of the Schaeffler Group's climate targets by the "Science Based Targets initiative". Construction of the new central laboratory facility at the Herzogenaurach location and the expansion of the manufacturing and development campus at the Automotive Technologies division headquarters in Buehl made progress as well. These investment projects combine local technology and production expertise and strengthen the company's competitive ability in future-oriented fields.

 More on the "Roadmap 2025" on pp. 9 et seq.

⁷ Data supplied by Ember (January 2024).

Results of operations compared to outlook 2023

At its meeting on July 25, 2023, the Board of Managing Directors of Schaeffler AG adjusted the outlook issued on February 27, 2023.

Further, the Board of Managing Directors of Schaeffler AG confirmed the outlook issued on July 25, 2023, at its meeting on October 23, 2023, except for Industrial division revenue growth, which was adjusted to a range of 4.5 to 5.5% primarily due to the performance of the business in the Greater China region. The changes in the full-year outlook for 2023 issued February 27, 2023, are set out in the adjacent table.

The **Schaeffler Group's** revenue growth of 5.8%, excluding the impact of currency translation, and the EBIT margin before special items of 7.3% were within the range of the guidance confirmed on October 23, 2023. Free cash flow before cash in- and outflows for M&A activities of EUR 421 m exceeded the range of the guidance confirmed on October 23, 2023.

The **Automotive Technologies division** generated moderate revenue growth of 5.4%, excluding the impact of currency translation, meeting the guidance confirmed on October 23, 2023. At the time, the group was anticipating that its Automotive Technologies division would grow by 0 to 3 percentage points more than global automobile production of passenger cars and light commercial vehicles in 2023. This target corridor for outperformance was not achieved. The EBIT margin before special items of 4.5% was within the range of the guidance confirmed on October 23, 2023.

Revenue of the **Automotive Aftermarket division** grew by 11.8% excluding the impact of currency translation, which was within the range of the guidance confirmed on October 23, 2023. The EBIT margin before special items of 16.3% exceeded the range of the guidance confirmed on October 23, 2023.

Industrial division revenue growth of 3.9%, excluding the impact of currency translation, was below the range of the guidance confirmed on October 23, 2023. The EBIT margin before special items of 9.0% was within the range of the guidance confirmed on October 23, 2023.

Comparison to outlook 2023

	Actual 2022			Outlook 2023	Actual 2023
	adjusted comparative figure ⁴⁾	issued 02/27/2023 ⁵⁾	issued July 25, 2023	issued October 23, 2023	
Schaeffler Group					
Revenue growth ¹⁾	9.4%	5 to 8%	5 to 8%	5 to 8%	5.8%
EBIT margin before special items ²⁾	6.6%	5.5 to 7.5%	6 to 8%	6 to 8%	7.3%
Free cash flow ³⁾	EUR 280 m	EUR 250 to 350 m	EUR 300 to 400 m	EUR 300 to 400 m	EUR 421 m
Automotive Technologies					
Revenue growth ¹⁾	7.7%	moderate revenue growth; [2 to 5%-age points above LVP growth] ⁶⁾	moderate revenue growth; [0 to 3%-age points above LVP growth] ⁶⁾	moderate revenue growth; [0 to 3%-age points above LVP growth] ⁶⁾	5.4%
EBIT margin before special items ²⁾	3.1%	2 to 4%	3 to 5%	3 to 5%	4.5%
Automotive Aftermarket					
Revenue growth ¹⁾	7.1%	5 to 7%	10 to 12%	10 to 12%	11.8%
EBIT margin before special items ²⁾	12.8%	12 to 14%	14 to 16%	14 to 16%	16.3%
Industrial					
Revenue growth ¹⁾	14.7%	9 to 11%	6 to 8%	4.5 to 5.5%	3.9%
EBIT margin before special items ²⁾	11.5%	11 to 13%	9 to 11%	9 to 11%	9.0%

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

²⁾ Please refer to pp. 27 et seq. for the definition of special items.

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

⁴⁾ Please refer to page 57 of the Schaeffler Group's annual report 2022.

⁵⁾ Confirmed on April 24, 2023.

⁶⁾ LVP growth: global growth in production of passenger cars and light commercial vehicles.

2.3 Earnings

Schaeffler Group earnings

The increase in **revenue**, excluding the impact of currency translation, during the year was mainly attributable to increased volumes. A favorable impact of sales prices further bolstered the revenue trend.

Revenue growth in the **Automotive Technologies division**, excluding the impact of currency translation, resulted from a market-driven increase in volumes at the Engine & Transmission Systems, Bearings, and Chassis Systems BDs, especially in the Europe region. The additional revenue of the **Automotive Aftermarket division**, excluding the impact of currency translation, was primarily driven by the Europe region, with most of the impetus provided by the performance of the Independent Aftermarket business in Central & Eastern Europe. The growth in **Industrial division** revenue, excluding the impact of currency translation, was due to the contribution made by the Ewelix Group that was acquired early in the year, since the decline in sales volume primarily due to the weak market environment in the Greater China region was only partly offset by a favorable impact of sales prices.

The increase in **EBIT margin before special items** during the year was mainly attributable to the impact of volumes and sales prices, partly offset by the slightly above-average increase in cost of sales weighing on the gross margin.



See pp. 27 et seq. for a discussion of the special items recognized during the year.

in € millions	2023	2022	Change in %
Revenue	16,313	15,809	3.2
• at constant currency			5.8
Revenue by division			
Automotive Technologies	9,772	9,498	2.9
• at constant currency			5.4
Automotive Aftermarket	2,253	2,040	10.4
• at constant currency			11.8
Industrial	4,288	4,271	0.4
• at constant currency			3.9
Revenue by region ¹⁾			
Europe	7,221	6,557	10.1
• at constant currency			10.5
Americas	3,569	3,526	1.2
• at constant currency			2.0
Greater China	3,358	3,609	-7.0
• at constant currency			0.2
Asia/Pacific	2,165	2,117	2.3
• at constant currency			7.0
Cost of sales	-12,717	-12,230	4.0
Gross profit	3,596	3,579	0.5
• in % of revenue	22.0	22.6	-
Research and development expenses	-768	-768	-0.0
Selling and administrative expenses	-1,825	-1,735	5.2
Other income and expense	-169	-67	> 100
Income (loss) from equity-accounted investees	1	-36	-
Earnings before financial result and income taxes (EBIT)	834	974	-14.3
• in % of revenue	5.1	6.2	-
Special items ²⁾	353	72	> 100
EBIT before special items	1,187	1,046	13.5
• in % of revenue	7.3	6.6	-
Financial result	-259	-121	> 100
Income taxes	-240	-268	-10.1
Net income ³⁾	310	557	-44.5
Earnings per common non-voting share (basic/diluted, in €)	0.47	0.84	-44.0

¹⁾ Based on market (customer location).

²⁾ Please refer to pp. 27 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 137 m to EUR -259 m in 2023.

Schaeffler Group financial result

in € millions	2023	2022
Interest expense on financial debt ¹⁾	-137	-99
Gains and losses on derivatives and foreign exchange	5	-27
Interest income and expense on pensions and partial retirement obligations	-60	-25
Other	-67	30
Total	-259	-121

¹⁾ Incl. amortization of transaction costs.

Interest expense on financial debt amounted to EUR 137 m in 2023 (prior year: EUR 99 m). The increase in interest expense on financial debt is due to two term loans of EUR 625 m drawn down during 2023 as well as the increase in variable interest.

Derivatives and foreign currency translation gave rise to a gain of EUR 5 m (prior year: loss of EUR 27 m) during the reporting period. The loss in the prior year period was primarily due to the euro weakening against the U.S. dollar.

Increased interest rates led to EUR 60 m (prior year: EUR 25 m) in interest expense on pensions and partial retirement obligations for the reporting period.

EUR 67 m in expenses were included in Other in 2023 (prior year: EUR 30 m in income), consisting primarily of EUR 47 m resulting from recognizing derivatives embedded in a total return swap at fair value. The total return swap was entered into with a bank in support of the public tender offer issued by Schaeffler AG for the acquisition of the shares in Vitesco Technologies Group AG; the

twelve-month swap provides for cash settlement and does not convey any legal right to settlement in shares. Measurement of contingent purchase price payment obligations and an impairment of a purchase price receivable in connection with companies acquired and sold in prior years resulted in additional gains and losses.

Income tax expense amounted to EUR 240 m in 2023 (prior year: EUR 268 m), resulting in an effective tax rate of 41.8% (prior year: 31.4%). The increase in the effective tax rate compared to the prior year was primarily the result of permanent differences related to the planned business combination with Vitesco Technologies Group AG. Derecognized and unrecognized deferred taxes on temporary differences and loss carry-forwards increased the effective tax rate as well, partly offset by tax benefits related to prior years.

Net income attributable to shareholders of the parent company for 2023 amounted to EUR 310 m (prior year: EUR 557 m). Net income was decreased by EUR 313 m in special items. **Net income before special items** was EUR 623 m (prior year: EUR 610 m). The Board of Managing Directors and the Supervisory Board will propose a dividend for 2023 of EUR 0.44 (prior year: EUR 0.44) per common share and EUR 0.45 (prior year: EUR 0.45) per common non-voting share to the annual general meeting. This represents a dividend payout ratio of 47.3% (prior year: 48.3%) of net income attributable to shareholders before special items.

Basic and diluted earnings per common share decreased to EUR 0.46 in 2023 (prior year: EUR 0.83). Basic and diluted **earnings per common non-voting share** amounted to EUR 0.47 (prior year: EUR 0.84). 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 8.8% in 2023 (prior year: 11.1%); Schaeffler Value Added declined to EUR -114 m (prior year: EUR 98 m). **ROCE before special items** was 12.5% (prior year: 11.9%); **Schaeffler Value Added before special items (SVA)** improved to EUR 239 m (prior year: EUR 170 m). This improvement was attributable to higher EBIT before special items, partly offset by an increase in cost of capital that was driven by an increase in average capital employed, primarily as a result of additions to intangible assets.

Report on the economic position > Earnings

Automotive Technologies division earnings

The growth in **revenue**, excluding the impact of currency translation, during the year was largely the result of a market-driven increase in volumes. The increase was less than the trend in global automobile production overall:

Outperformance 2023

	Europe	Americas	Greater China	Asia/Pacific	Total
Revenue growth (in %) ¹⁾	12.4	-2.8	2.0	7.3	5.4
LVP growth (in %) ²⁾	10.3	8.4	9.9	8.8	9.4
Outperformance (in percentage points)	2.2	-11.1	-7.9	-1.5	-4.0

In the **E-Mobility BD**, the decline in revenue, excluding the impact of currency translation, in the Greater China region was offset by growth in the remaining regions, particularly in the Europe region. Structural changes in the Greater China region reduced local demand from automobile manufacturers with global operations. This reduction was only partly offset by additional growth with local automobile manufacturers. The **Engine & Transmission Systems and Bearings BD's** revenue trend was largely based on growth in the Europe region, with the Greater China and Asia/Pacific regions contributing to the increase at both BDs as well. A demand-driven and exchange rate-related revenue decline in the Americas region had an offsetting impact. The Greater China and Europe regions were the main drivers of growth at the **Chassis Systems BD**. Increases in Asia/Pacific and Americas had a favorable impact as well.

The increase in **EBIT margin before special items** during the year was mainly due to the impact of volumes. The slight decrease in gross margin was partly influenced by exchange losses.

in € millions	2023	2022	Change in %
Revenue	9,772	9,498	2.9
• at constant currency			5.4
Revenue by business division			
E-Mobility BD	1,312	1,346	-2.5
• at constant currency			0.0
Engine & Transmission Systems BD	5,306	5,153	3.0
• at constant currency			5.3
Bearings BD	2,697	2,625	2.7
• at constant currency			5.6
Chassis Systems BD	457	374	22.1
• at constant currency			24.1
Revenue by region ³⁾			
Europe	3,857	3,443	12.0
• at constant currency			12.4
Americas	2,291	2,350	-2.5
• at constant currency			-2.8
Greater China	2,210	2,336	-5.4
• at constant currency			2.0
Asia/Pacific	1,414	1,368	3.4
• at constant currency			7.3
Cost of sales	-8,106	-7,814	3.7
Gross profit	1,666	1,683	-1.0
• in % of revenue	17.1	17.7	-
Research and development expenses	-579	-604	-4.1
Selling and administrative expenses	-737	-749	-1.6
Other income and expense	-120	-41	>100
Income (loss) from equity-accounted investees	0	-36	-
EBIT	231	253	-8.7
• in % of revenue	2.4	2.7	-
Special items ⁴⁾	204	39	>100
EBIT before special items	435	292	48.8
• in % of revenue	4.5	3.1	-

Prior year information presented based on 2023 segment structure.

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

²⁾ Includes content supplied by S&P Global Mobility© [IHS Markit Light Vehicle Production Forecast (Base), January 2024]. All rights reserved.

³⁾ Based on market (customer location).

⁴⁾ Please refer to pp. 27 et seq. for the definition of special items.

Report on the economic position > Earnings

Automotive Aftermarket division earnings

The increase in **revenue**, excluding the impact of currency translation, during the year was attributable to the favorable impact of volumes and sales prices. Increases in procurement costs were passed on to the market.

Revenue growth in the **Europe region**, excluding the impact of currency translation, was primarily driven by the considerable increase in the Independent Aftermarket business in Central & Eastern Europe. The revenue growth, excluding the impact of currency translation, reported by the **Americas region** was attributable to the favorable trend in the Independent Aftermarket business in South America in particular. Increases in the Automotive OES business in the U.S. had a further favorable impact. In the **Greater China region**, revenue growth, excluding the impact of currency translation, was primarily driven by the considerable increase in the e-commerce business. The revenue trend of the **Asia/Pacific region** was especially attributable to growth in the Independent Aftermarket and Automotive OES businesses in India and in Southeast Asia. The revenue contributed by the Koovers e-commerce platform that was acquired during the year favorably impacted the revenue trend as well.

The increase in **EBIT margin before special items** in 2023 was predominantly the result of a higher gross margin due to a favorable revenue mix and adjustments to sales prices. The change in selling and administrative expenses was primarily driven by the impact of a volume-related increase in logistics costs. Exchange gains had an offsetting favorable impact on the EBIT margin before special items.

in € millions	2023	2022	Change in %
Revenue	2,253	2,040	10.4
• at constant currency			11.8
Revenue by region ¹⁾			
Europe	1,497	1,358	10.2
• at constant currency			10.3
Americas	478	434	10.2
• at constant currency			12.0
Greater China	139	117	19.0
• at constant currency			28.7
Asia/Pacific	139	132	5.4
• at constant currency			11.8
Cost of sales	-1,485	-1,398	6.3
Gross profit	767	643	19.4
• in % of revenue	34.1	31.5	-
Research and development expenses	-20	-18	6.9
Selling and administrative expenses	-404	-370	9.1
Other income and expense	-7	1	-
EBIT	336	255	31.8
• in % of revenue	14.9	12.5	-
Special items ²⁾	31	5	> 100
EBIT before special items	367	260	41.2
• in % of revenue	16.3	12.8	-

Prior year information presented based on 2023 segment structure.

¹⁾ Based on market (customer location).

²⁾ Please refer to pp. 27 et seq. for the definition of special items.

Report on the economic position > Earnings

Industrial division earnings

The growth in **revenue** in 2023, excluding the impact of currency translation, was due to the EUR 219 m contribution made by the Ewellix Group acquired early in the year, since the decline in sales volume primarily due to the weak market environment in the Greater China region was only partly offset by a favorable impact of sales prices. The contribution of the Ewellix Group was reflected in the Industrial Automation sector cluster.

In the **Europe region**, revenue growth excluding the impact of currency translation resulted mainly from increases in the Industrial Automation, Rail, and Raw Materials sector clusters. The trend in Industrial Distribution had an offsetting impact. The **Americas region's** trend was mainly driven by revenue increases in the Industrial Automation sector cluster and in Industrial Distribution. In the **Greater China region**, the weak market environment had a considerable adverse impact on the revenue trend. Lower revenue was primarily reported by the Wind, Power Transmission, and Offroad sector clusters, while revenue grew mainly in the Industrial Automation sector cluster. Revenue growth at the **Asia/Pacific region**, excluding the impact of currency translation, resulted predominantly from the trend at Industrial Distribution. Additionally, the Rail and Raw Materials sector clusters achieved considerable growth rates. Declines, primarily in the Wind sector cluster, had an adverse impact.

The trend of the **EBIT margin before special items** in 2023 was mainly attributable to the decline in gross margin. This decline was partly attributable to the change in Industrial division revenue mix which was primarily due to the market trend in the Greater China region and the market-driven overall decline in production volume. Additionally, selling and administrative expenses increased from the prior year. Further, the structural impact of the acquisition of the Ewellix Group had a slightly dilutive effect on the EBIT margin before special items.

in € millions	2023	2022	Change in %
Revenue	4,288	4,271	0.4
• at constant currency			3.9
Revenue by region ¹⁾			
Europe	1,867	1,756	6.3
• at constant currency			7.0
Americas	800	742	7.8
• at constant currency			11.3
Greater China	1,009	1,156	-12.7
• at constant currency			-6.3
Asia/Pacific	612	617	-0.7
• at constant currency			5.3
Cost of sales	-3,126	-3,018	3.6
Gross profit	1,162	1,253	-7.2
• in % of revenue	27.1	29.3	-
Research and development expenses	-169	-146	16.3
Selling and administrative expenses	-684	-616	11.1
Other income and expense	-43	-27	58.3
EBIT	266	465	-42.7
• in % of revenue	6.2	10.9	-
Special items ²⁾	118	28	> 100
EBIT before special items	385	493	-22.0
• in % of revenue	9.0	11.5	-

Prior year information presented based on 2023 segment structure.


¹⁾ Based on market (customer location).

²⁾ Please refer to pp. 27 et seq. for the definition of special items.

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. 13 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 expenses and other income.

The **legal cases** category primarily comprises expenses from a provision recognized for claims for damages, partly offset by, predominantly, a gain recognized on the reversal of a provision due to a court ruling in the U.S.

The **restructuring** category includes expenses recognized in connection with the "Roadmap 2025" divisional subprograms, mainly related to consolidation of the footprint in Europe. Gains on adjusting provisions, including those for the restructuring

Reconciliation

	2023	2022	2023	2022 ¹⁾	2023	2022 ¹⁾	2023	2022 ¹⁾
Income statement (in € millions)	Total		Automotive Technologies		Automotive Aftermarket		Industrial	
EBIT	834	974	231	253	336	255	266	465
• in % of revenue	5.1	6.2	2.4	2.7	14.9	12.5	6.2	10.9
Special items	353	72	204	39	31	5	118	28
• Legal cases	15	0	9	0	1	0	5	0
• Restructuring	-3	173	-39	127	-2	4	38	42
– including divisional Roadmap 2025 subprograms of	3	173	-34	127	-1	4	39	42
• M&A	231	-5	136	-19	31	2	64	12
• Energy derivatives and forward exchange contracts	131	-97	98	-70	1	-1	32	-26
• Other	-21	0	0	0	0	0	-21	0
EBIT before special items	1,187	1,046	435	292	367	260	385	493
• in % of revenue	7.3	6.6	4.5	3.1	16.3	12.8	9.0	11.5

measures adopted in November 2022 and the project to establish a shared service center started in 2017, had an offsetting impact.

The **M&A** category mainly includes expenses from recognizing the obligation to acquire the shares tendered under the public tender offer to the shareholders of Vitesco Technologies Group AG at its fair value of EUR 188 m. The category also comprises expenses on acquisition and disposal of subsidiaries.

The **energy derivatives and forward exchange contracts** category primarily comprises fair value losses on forward contracts for electricity and gas prices and on short-, medium-, and long-term price and supply agreements (power purchase agreements) held to secure the Schaeffler Group's energy supply. This year, the company included in the energy derivatives and forward exchange contracts category – for the first time and in order to portray the Schaeffler Group's operating profitability – unrealized

fair value gains incurred on forward exchange contracts that are used to hedge currency risk related to operations and that are not subject to cash flow hedge accounting.

The **Other** category contains gains on adjustment of a provision for remediating past environmental impacts and rehabilitating commercial land.

Report on the economic position > Earnings

Reconciliation

	2023	2022
Income statement (in € millions)		Total
EBIT	834	974
• in % of revenue	5.1	6.2
Special items	353	72
• Legal cases	15	0
• Restructuring	-3	173
– including divisional Roadmap 2025 subprograms of	3	173
• M&A	231	-5
• Energy derivatives and forward exchange contracts	131	-97
• Other	-21	0
EBIT before special items	1,187	1,046
• in % of revenue	7.3	6.6
Net income ²⁾	310	557
Special items	313	53
• Legal cases	13	-4
• Restructuring	-3	179
• M&A	231	-5
• Energy derivatives and forward exchange contracts	131	-98
• Other	-21	0
– Tax effect ³⁾	-38	-20
Net income before special items ²⁾	623	610
Statement of financial position (in € millions)	12/31/2023	12/31/2022
Net financial debt	3,189	2,235
/ EBITDA	1,836	1,963
Net financial debt to EBITDA ratio	1.7	1.1
Net financial debt	3,189	2,235
/ EBITDA before special items	2,189	2,030
Net financial debt to EBITDA ratio before special items	1.5	1.1

	2023	2022
Statement of cash flows (in € millions)		
EBITDA	1,836	1,963
Special items	353	67
• Legal cases	15	0
• Restructuring	-3	176
• M&A	231	-13
• Energy derivatives and forward exchange contracts	131	-97
• Other	-21	0
EBITDA before special items	2,189	2,030
Free cash flow (FCF)	-624	84
-/+ Cash in- and outflows for M&A activities	1,045	195
FCF before cash in- and outflows for M&A activities	421	280
/ EBIT	834	974
FCF-conversion ⁴⁾	0.5	0.3
FCF before cash in- and outflows for M&A activities	421	280
Special items	180	261
• Legal cases	-40	-30
• Restructuring	208	287
• Other	12	4
FCF before cash in- and outflows for M&A activities and before special items	601	541
Value-based management (in € millions)		
EBIT	834	974
/ Average capital employed	9,477	8,760
ROCE (in %)	8.8	11.1
EBIT before special items	1,187	1,046
/ Average capital employed	9,477	8,760
ROCE before special items (in %)	12.5	11.9
EBIT	834	974
– Cost of capital	948	876
Schaeffler Value Added (SVA)	-114	98
EBIT before special items	1,187	1,046
– Cost of capital	948	876
SVA before special items	239	170

¹⁾ Prior year information presented based on 2023 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.

2.4 Financial position and finance management

Cash flow and liquidity

Cash flow

in € millions	2023	2022	Change in %
Cash flows from operating activities	1,348	1,139	18.4
Cash used in investing activities	-1,900	-990	91.8
• including acquisition of subsidiaries	-715	-151	> 100
• including acquisition of interests in joint ventures and other equity investments	-327	-40	> 100
• including disposal of subsidiaries	-4	-4	-13.3
• including disposal of interests in joint ventures and other equity investments	1	0	-
Cash provided by (used in) financing activities	276	-891	-
• including principal repayments on lease liabilities	-72	-64	12.6
Net increase (decrease) in cash and cash equivalents	-276	-743	-62.8
Effects of foreign exchange rate changes on cash and cash equivalents	-24	-10	> 100
Cash and cash equivalents as at beginning of period	1,069	1,822	-41.3
Cash and cash equivalents as at December 31	769	1,069	-28.1
Less cash and cash equivalents classified as assets held for sale as at December 31	0	7	-100
Cash and cash equivalents as at December 31 (consolidated statement of financial position)	769	1,063	-27.7
Free cash flow (FCF)	-624	84	-
Free cash flow (FCF) before cash in- and outflows for M&A activities	421	280	50.4


The increase in **cash flows from operating activities** was primarily due to working capital expanding EUR 234 m less extensively than in the prior year, driven by the change in inventories and trade receivables. EBIT adjusted for non-cash items had a favorable impact as well. Higher outflows for interest and taxes had the main offsetting impact on cash flows from operating activities.

Capital expenditures on intangible assets and property, plant and equipment of EUR 937 m were EUR 147 m higher than in the prior year (prior year: EUR 791 m).

 More on investing activities on page 30.

Cash provided by (used in) financing activities includes the dividends of EUR 306 m (prior year: EUR 336 m) paid in the second quarter of 2023. Changes in financial debt resulted in

EUR 653 m in net cash inflows during the year (prior year: EUR 491 m in cash outflows).

 More on financing activities on pp. 31 et seq.

Free cash flow before cash in- and outflows for M&A activities was up from prior year despite higher capital expenditures on intangible assets and property, plant and equipment. Working capital expanding less extensively than in the prior year represented the main driver of this increase.

Cash and cash equivalents decreased by EUR 294 m to EUR 769 m as at December 31, 2023.

At December 31, 2023, cash and cash equivalents consisted primarily of bank balances and short-term deposits. EUR 258 m (prior year: EUR 241 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 2.0 bn) of which EUR 79 m (prior year: EUR 55 m) were utilized in the form of letters of credit as at December 31, 2023. In addition, the Schaeffler Group had a loan of EUR 420 m that was undrawn as at December 31, 2023, as well as other bilateral lines of credit totaling EUR 286 m (prior year: EUR 118 m) of which EUR 12 m was drawn as at December 31, 2023. Deducting bank balances in countries with foreign exchange restrictions and other legal and contractual restrictions results in total available liquidity of EUR 2,902 m.

Investing activities

Total additions to intangible assets and property, plant and equipment amounted to EUR 932 m (prior year: EUR 814 m). Approx. 66% of these additions related to the **Automotive Technologies division**, approx. 6% to the **Automotive Aftermarket division**, and approx. 28% to the **Industrial division**. The group’s **reinvestment rate** for the reporting period amounted to 1.00 (prior year: 0.88).

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

in € millions	2023	2022
Additions to intangible assets and property, plant and equipment ¹⁾ – Schaeffler Group	932	814
Automotive Technologies	614	545
Automotive Aftermarket	53	40
Industrial	266	229
Reinvestment rate ²⁾ – Schaeffler Group	1.00	0.88
Automotive Technologies	0.90	0.77
Automotive Aftermarket	1.84	1.43
Industrial	1.21	1.24

¹⁾ Translated at the relevant average exchange rate.

²⁾ 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 additions to intangible assets and property, plant and equipment related to the **Automotive Technologies division**. These additions increased mainly due to new product start-ups in the E-Mobility BD in the Europe, Americas, and Greater China regions. Production capacity for electric mobility in Wooster, U.S., was expanded, for instance. Further, the division invested in projects including the ongoing expansion of the development and manufacturing campus for electric mobility in Buehl and the campus expansion in Taicang, China.

Additions to intangible assets and property, plant and equipment at the **Automotive Aftermarket division** increased, partly as a result of the continued expansion of the distribution network as well as product start-ups in the Europe and Americas regions.

In the **Industrial division**, the rise in additions to intangible assets and property, plant and equipment was primarily attributable to the continued expansion of production capacity and new product start-ups. The division invested largely in the Europe, Asia/Pacific, and Greater China regions.

The company also invested in the two key strategic topics of sustainability and digitalization under the “Roadmap 2025”.

As part of the **key topic of sustainability**, the Schaeffler Group continued construction of the new cross-divisional central laboratory complex at its corporate headquarters in Herzogenaurach. Additionally, all three divisions consistently invested in energy efficiency measures and the use of renewable energy by, for instance, stepping up in-house power generation using photovoltaic systems at locations including those in Buehl and Szombathely, Hungary.

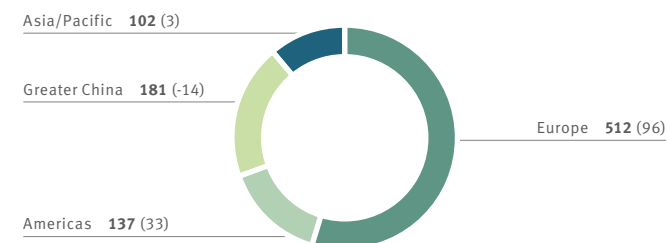
 More in the sustainability report under: www.schaeffler-sustainability-report.com/2023

Activities in connection with the **key topic of digitalization** included pushing forward with the implementation of SAP S/4HANA. The Schaeffler Group also invested further in digitally connecting production facilities in its plants, such as by equipping production machinery with proprietary software for capturing and processing process-related data and the condition of machines.

At December 31, 2023, the Schaeffler Group had open commitments under fixed contracts to purchase property, plant and equipment of EUR 237 m (prior year: EUR 233 m).

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.

Financial debt

The group's net financial debt increased by EUR 954 m to EUR 3,189 m (prior year: EUR 2,235 m) in 2023.

Net financial debt

in € millions	12/31/2023	12/31/2022	Change in %
Bonds	2,943	2,939	0.1
Schuldschein loans	292	297	-1.6
Term loans	624	0	-
Commercial paper	90	50	80.3
Other financial debt	9	12	-27.1
Total financial debt	3,958	3,298	20.0
Cash and cash equivalents	769	1,063	-27.7
Net financial debt	3,189	2,235	42.7

The net financial 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 1.7 as at December 31, 2023 (December 31, 2022: 1.1). The net financial debt to EBITDA ratio before special items was 1.5 (December 31, 2022: 1.1).

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, 2023:

Schaeffler Group ratings

as at December 31

Rating agency	2023	2022	2023	2022
	Company		Bonds	
	Rating/Outlook		Rating	
Fitch	BB+/stable	BB+/stable	BB+	BB+
Moody's	Baa3/stable	Ba1/positive	Baa3	Ba1
Standard & Poor's	BB+/stable	BB+/stable	BB+	BB+

Schaeffler AG has a revolving credit facility of EUR 2.0 bn that was unutilized as at December 31, 2023, except for EUR 79 m (December 31, 2022: EUR 55 m) in the form of letters of credit. The revolving credit facility is due in November 2027. The credit agreement also includes a EUR 500 m term loan due in November 2027 that was fully drawn as at December 31, 2023. Additionally, Schaeffler AG has a further term loan of EUR 125 m due in August 2027 that was fully drawn as at December 31, 2023. The margins under these loan agreements are linked to two selected ESG targets.

On December 21, Schaeffler AG signed a EUR 420 m bilateral loan agreement with the European Investment Bank due in January 2030. This facility was undrawn as at December 31, 2023.

The group had additional bilateral lines of credit in the equivalent of EUR 286 m (prior year: EUR 118 m), primarily in China, Germany, the U.S., and South Korea. EUR 274 m of these facilities were unutilized as at December 31, 2023 (prior year: EUR 101 m).

On October 6, 2023, Schaeffler AG entered into credit agreements with a consortium of banks providing a bridge facility to finance the acquisition of the shares of Vitesco Technologies Group AG; the credit agreements were then syndicated to a group of national and international banks on November 22, 2023. This financing package comprises a line of credit of up to EUR 2.2 bn to finance the acquisition of the shares of Vitesco Technologies Group AG as well as further lines of credit totaling EUR 450 m to finance potential liabilities of Vitesco Technologies Group AG related to Schuldschein loans and a line of credit with the European

Investment Bank. Additionally, Schaeffler AG has entered into a revolving credit facility of EUR 800 m that can be used to repay the existing revolving credit facility of Vitesco Technologies Group AG following completion of the takeover of Vitesco Technologies Group AG by Schaeffler AG, provided certain conditions are met. All lines of credit were entered into for a term of one year and two renewal options of six months each. All lines of credit available under the bridge facility were undrawn as at December 31, 2023.

Under its existing debt financing agreements, the Schaeffler Group is subject to certain constraints including a requirement to meet various leverage covenants. Compliance with these financial covenants is monitored continually and reported to the lending banks on a regular basis. As in prior years, the company has complied with the leverage covenants throughout 2023 as stipulated in the debt agreements.

Schaeffler AG had the following bonds outstanding under its debt issuance program as at December 31, 2023:

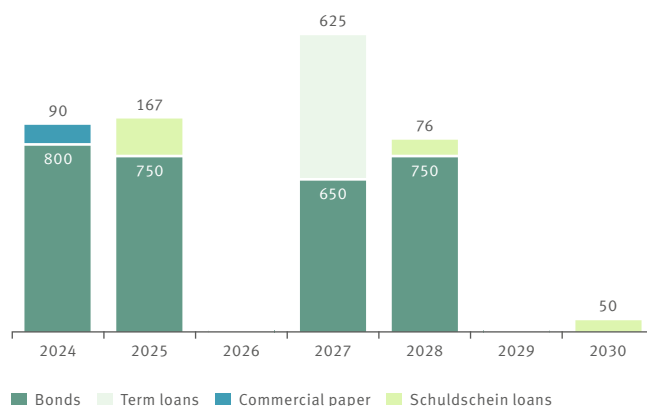
Schaeffler Group bonds

ISIN	Currency	Principal in millions		Carrying amount in € millions		Coupon	Maturity
		12/31/2023	12/31/2022	12/31/2023	12/31/2022		
DE000A2YB7A7	EUR	800	800	800	798	1.875%	03/26/2024
DE000A289Q91	EUR	750	750	749	748	2.750%	10/12/2025
DE000A2YB7B5	EUR	650	650	647	646	2.875%	03/26/2027
DE000A3H2TA0	EUR	750	750	747	747	3.375%	10/12/2028
Total		2,950	2,950	2,943	2,939		

The company’s maturity profile, which consists of commercial paper, term loans, Schuldschein loans, and the bonds issued by Schaeffler AG, was as follows as at December 31, 2023:

Maturity profile

Principal outstanding as at December 31, 2023, 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 150 m (prior year: EUR 166 m) were utilized as at December 31, 2023. Additionally, the Schaeffler Group has the ability to selectively use further receivable sale programs without a fixed committed volume.

The Schaeffler Group has a policy of financing its domestic and foreign subsidiaries from internal sources. In accordance with this policy, to the extent possible and economically justifiable, subsidiaries' financing requirements are met largely using internal loans, supplemented by bilateral lines of credit, primarily in China, Germany, the U.S., and South Korea, to meet local needs. 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	12/31/2023	12/31/2022	Change in %
ASSETS			
Non-current assets	7,971	7,180	11.0
Current assets	7,036	7,104	-1.0
Total assets	15,006	14,284	5.1
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	3,905	4,141	-5.7
Non-current liabilities	5,813	5,772	0.7
Current liabilities	5,287	4,372	20.9
Total shareholders' equity and liabilities	15,006	14,284	5.1

The increase in **non-current assets** was primarily due to the acquisition of the Ewellix Group as well as an increase in deferred tax assets.

Current assets were impacted partly by an increase in other financial assets due to collateral posted and a derivative recognized at fair value, both in connection with a total return swap, totaling EUR 215 m. The total return swap was entered into with a bank in support of the voluntary public tender offer issued by Schaeffler AG for the acquisition of the shares in Vitesco Technologies Group AG; the swap provides for cash settlement and does not convey any legal right to settlement in shares. The decrease in cash and cash equivalents had an offsetting impact.

 More on cash flow and liquidity on page 29.

Shareholders' equity including non-controlling interests declined primarily due to payment of the dividend to Schaeffler AG shareholders as well as unfavorable items in accumulated other comprehensive income, partly offset by net income. The equity ratio was 26.0% as at December 31, 2023 (December 31, 2022: 29.0%).

Non-current liabilities changed mainly because a bond series of EUR 800 m due in 2024 was reclassified to current financial debt. A EUR 500 m term loan drawn down under the syndicated credit agreement as well as a further EUR 125 m term loan obtained had an offsetting impact. Additionally, provisions for pensions and similar obligations increased, due, in particular, to the average discount rate falling to 3.6% (December 31, 2022: 4.1%).

Current liabilities increased primarily because a bond series was reclassified here from non-current financial debt. Other financial liabilities rose as well, mainly due to recognition of the obligation to acquire the shares tendered under the public tender offer to the shareholders of Vitesco Technologies Group AG at its fair value of EUR 188 m.

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

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	2023	2022	Change in %
Revenue	16	16	-5.6
Cost of sales	-15	-16	-6.1
Gross profit	1	1	4.2
General and administrative expenses	-171	-147	16.2
Net other operating income	71	7	> 100
Income from equity investments	1,000	791	26.4
Interest result	-456	-195	> 100
Income taxes	-23	-38	-39.0
Earnings after income taxes	421	418	0.8
Net income for the year	426	418	1.8
Retained earnings brought forward	0	122	> 100
Retained earnings	426	540	-21.2

In performing its function as management holding company of the Schaeffler Group, Schaeffler AG incurred EUR 171 m (prior year: EUR 147 m) in general and administrative expenses that resulted partly from higher consulting expenses related to 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 included withdrawals of EUR 1.0 bn (prior year: EUR 791 m) from Schaeffler Technologies AG & Co. KG.

Interest result deteriorated compared to the prior year largely due to new term loans and significantly higher variable interest charges. Total interest expense of EUR 553 m (prior year: EUR 175 m) includes EUR 79 m (prior year: EUR 81 m) related to bonds.

Income taxes amounted to EUR 23 m in 2023 (prior year: EUR 38 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 2023.

Retained earnings consist of EUR 426 m (prior year: EUR 418 m) in net income and EUR 0 m (prior year: EUR 122 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 2023 of EUR 0.44 (prior year: EUR 0.44) per common share and EUR 0.45 (prior year: EUR 0.45) per common non-voting share and to add the remaining retained earnings of EUR 131 m to revenue reserves.

In 2024, Schaeffler AG expects to continue to generate income from equity investments from the subsidiaries as part of its holding activities. Additionally, Schaeffler AG will maintain its financing function for the subsidiaries.

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 planned merger with Vitesco Technologies Group AG.

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	12/31/2023	12/31/2022	Change in %
ASSETS			
Fixed assets	14,875	14,159	5.1
Current assets	10,674	10,783	-1.0
Prepaid expenses and deferred charges	1	0	> 100
Excess of plan assets over post-employment benefit liability	4	1	> 100
Total assets	25,554	24,943	2.4
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	7,659	7,528	1.7
Provisions	263	306	-13.9
Liabilities	17,632	17,110	3.1
Deferred income	0	0	0.0
Total shareholders' equity and liabilities	25,554	24,943	2.4

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 up by EUR 58 m in 2023 (prior year: EUR 85 m write-down) as the company was strategically realigned including adjustments to its business model.

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 900 m (prior year: EUR 791 m) that had not yet been paid as at December 31, 2023. Schaeffler Technologies AG & Co. KG

paid EUR 791 m in respect of the prior year's net income to Schaeffler AG in 2023, 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 271 m (prior year: EUR 553 m) at the end of the reporting period.

On April 20, 2023, Schaeffler AG's annual general meeting passed a resolution to pay a dividend of EUR 295 m (prior year: EUR 328 m) to Schaeffler AG's shareholders for 2022 and to add the remaining retained earnings of EUR 245 m (prior year: EUR 122 m) to revenue reserves.

The reduction in provisions was mainly attributable to a decrease in provisions for trade and corporation taxes.

The company did not redeem any bonds (prior year: EUR 545 m principal outstanding) in 2023. The increase in bank debt resulted predominantly from two term loans drawn down that total EUR 625 m.

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. 31 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. 52 et seq.,
- “Governance structure” on pp. 62 et seq.,
- “Governing bodies of the company” on pp. 65 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/2023

Supplementary report

3. Supplementary report

On January 2, 2024, Schaeffler AG drew down approximately EUR 1.1 bn under the existing bridge facility to finance the tender offer for the outstanding shares of Vitesco Technologies Group AG on January 5, 2024. On January 5, 2024, Schaeffler AG acquired 11,957,629 shares of Vitesco Technologies Group AG tendered under the public tender offer. The cumulative purchase price of the shares acquired amounted to approximately EUR 1.1 bn. Upon closing of the public tender offer for all shares of Vitesco Technologies Group AG tendered and payment of the consideration, the Schaeffler Group obtained significant influence and has been accounting for Vitesco Technologies Group AG under the equity method as an associated company in the Schaeffler Group's consolidated financial statements since that date.

On January 8, 2024, Schaeffler AG issued a total of EUR 1.1 bn in bonds under its debt issuance program. The transaction consisted of two tranches (EUR 500 m with a 4.500% coupon, due in August 2026, and EUR 600 m with a 4.750% coupon, due in August 2029). The proceeds of the issuance were mainly used to repay the drawings under the previous bridge facility for the acquisition of the shares in Vitesco Technologies Group AG.

On January 15, 2024, Schaeffler AG drew down in full the EUR 420 m loan with a six-year term under the loan agreement with the European Investment Bank signed in December 2023.

On January 19, 2024, Schaeffler AG prepaid in full the EUR 1.1 bn drawn under the previous bridge facility. Simultaneously, the line of credit under one of the facilities was reduced from a total of EUR 2.2 bn to EUR 387 m.

On January 22, 2024, Schaeffler AG entered into an agreement with BofA Securities Europe S.A. to acquire a stake of 3.6 million shares, approximately 9% of the share capital of Vitesco Technologies Group AG. BofA Securities Europe S.A. had acquired the shares in connection with the total return swap. The collateral posted when the shares were purchased by BofA Securities Europe S.A. in 2023 was offset against the agreed cash settlement when the purchase price was paid. This resulted in a further cash outflow of EUR 65 m on January 24, 2024. The price of the additional shares acquired is lower than the consideration under the tender offer. The acquisition increases Schaeffler AG's shareholding in Vitesco Technologies Group AG to approximately 38.9%.

On January 29, 2024, the Schaeffler Group increased its existing equity investment in Swedish start-up H2 Green Steel by a further EUR 28 m to a total of EUR 100 m.

On February 2, 2024, resolutions approving the conversion of the common non-voting shares of Schaeffler AG into common voting shares at a ratio of 1:1 were passed by an extraordinary general meeting and a separate meeting of the common non-voting shareholders. The share conversion is conditional on the completion of the merger as part of the business combination.

The two lines of credit under the bridge facility to refinance potential liabilities and to potentially repay the revolving credit facility of Vitesco Technologies Group AG were terminated on February 16, 2024.

The Bearings business division, which was previously the responsibility of the Automotive Technologies division, was assigned to the Industrial division effective in 2024. Additionally, the Automotive Aftermarket and Industrial divisions were renamed Vehicle Lifetime Solutions and Bearings & Industrial Solutions, respectively.

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, 2023.

4. Report on opportunities and risks

The Schaeffler Group’s risk management system and internal control system are an integral component of its governance structure.

 More on corporate governance on pp. 52 et seq.

The Schaeffler Group systematically identifies, assesses, and manages potential risks and opportunities that can impact its business. 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 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.

To the Schaeffler Group, risks are potential future developments or events that can 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.

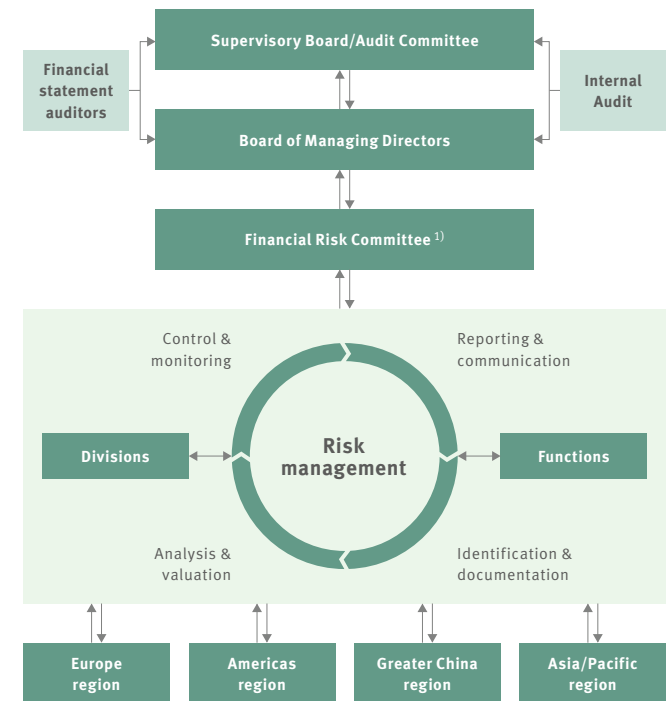
4.1 Risk management system

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. Consciously addressing identified risks and regularly monitoring risk factors is designed to strengthen 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). Under this approach, the risk management system is part of the second line in the governance structure.

Responsibility for the risk management system rests with Schaeffler AG’s Board of Managing Directors which regularly reports to the Schaeffler AG audit committee and ensures that necessary risk management measures are approved. The risk management guideline applicable throughout the company sets out the significant details of the risk management system. The guideline contains a description of the process, the allocation of responsibilities, and the structure of the risk management system. The Board of Managing Directors of Schaeffler AG has asked Risk Management & Internal Control System 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.

Structure of risk management system



1) incl. consideration of financial and non-financial opportunities and risks.


The Schaeffler Group’s risk management system consists of a multi-phase process spanning various areas of the company that is adapted to its matrix structure. Under this process, risks are identified and analyzed at the subsidiary level in a bottom-up process. Subsequently, appropriate global management at various functions and divisions assesses these risks from a top-down perspective, taking into account factors such as the

Report on opportunities and risks > Risk management system

interdependence of risks across the entire Schaeffler Group. This approach ensures that all dimensions of the matrix structure are comprehensively covered by the risk management system.

The Financial Risk Committee is headed up by the Chief Financial Officer, consists of representatives of the divisions and functions, and complements the Governance, Risk & Compliance Committee (GRCC). The Financial Risk Committee validates the risk position each quarter based on the risk survey completed previously. The validated risk position forms the basis for reports to the Board of Managing Directors and includes all strategic, operating, legal, and financial risks along the value chain as well as risks related to the non-financial declaration. Risks are identified semi-annually at all material Schaeffler Group companies. 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, and therefore 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/2023

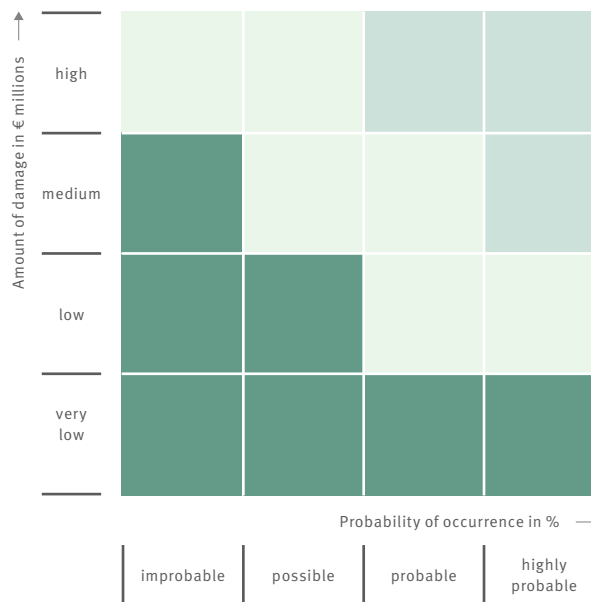
The guideline also defines – as a further component of the risk management system – a groupwide catalog of risk categories to ensure that the entire value chain is reviewed when identifying risks. This catalog is used by those responsible for risk as a basis for ensuring uniform and complete identification of risks. Suggested risk assessments have been provided for each risk category in order to make risk assessments comparable.

Subsidiaries are selected for inclusion based on a defined process that takes into account revenue, EBIT, and 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 2023, 46 of 178 Schaeffler Group entities were included, representing 93% of revenue. The remaining entities are subject to an abbreviated risk assessment process ensuring that all risks to the existence of the company as a going concern are identified.

In the risk management system, any risks with a potential amount of damage above EUR 5 m on a gross basis are reported. Risks are assessed according to their monetary impact (amount of damage)

and probability of occurrence and classified in four categories per dimension. The combination of amount of damage and probability of occurrence determines the risk class with its impact on net assets, the financial position, and earnings. In assessing risks, the Schaeffler Group differentiates between gross exposures and net exposures; measures already in place can reduce the gross exposure. 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. Risks are assigned to the relevant risk class using the risk matrix:

Risk matrix



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

The Schaeffler Group determines its total risk position 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 cash flows and EBIT 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 risks are determined and presented qualitatively.

Identified risks are actively managed to achieve the intended level of risk mitigation. Management initiates measures to avoid or reduce risks or to provide safeguards against them. Any risks that cannot be minimized by mitigating measures are classified as business risks. Risks with a low impact are managed by operating management, while risks with a medium or high impact are also managed by the Board of Managing Directors of Schaeffler AG. Within the relevant area of responsibility, each member of the Board of Managing Directors is responsible for the measures required and ensures that they are implemented and kept up to date. The effectiveness of the measures are internally reviewed on a regular basis.

Reports on the risk situation are provided to the Board of Managing Directors semiannually. The reports include all net exposures with a medium or high impact as well as an aggregated summary of opportunities identified. Between regular reporting dates, the Board of Managing Directors is informed of any significant changes in the risk position timely in a defined process. Reports to the audit committee are made annually.

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

4.2 Internal control system

Like the risk management system, the internal control system is part of the second line in the governance structure.

Features of the internal control system⁸

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.

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

The objective of the system of internal control over financial reporting is to ensure the legal compliance of the accounting system and the related financial reporting. Internal controls were implemented to ensure the reliability of sustainability reporting. Compliance with legal and internal requirements is covered by the governance structure as well as the controls integrated in the organizational structure and processes.

A governance framework in effect groupwide and the management handbook set out guidelines, procedures, measures, and controls designed to ensure the effectiveness and efficiency of operations. They define group business processes that represent the framework of the "operating internal control system". A risk control matrix defined in 2023 includes, for example, – along with the significant process risks – risk-mitigating measures and control activities as well as ways of handling any deviations identified.

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

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 (sections 289 (4) HGB and 315 (4) HGB)

The system of internal control over financial reporting is designed to ensure the legal compliance of the accounting system and the related 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.

⁸ Section unaudited.

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 was renamed Internal Control System Reporting in 2023. This department 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 Internal Control System Reporting 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 ICS coordinators have been defined for the Europe, Americas, Greater China, and Asia/Pacific 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.

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, by the Internal Control System Reporting department, or as part of the audit of the consolidated financial statements. This review includes reporting on the controls assessed 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. 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 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 described below could take on a medium or high impact on the Schaeffler Group's earnings, financial position, and net assets within the planning horizon. They are divided into strategic, operating, legal, and financial risks and presented in decreasing order of the magnitude of their impact on the Schaeffler Group's net assets, financial position, and earnings. The risk information provided applies to all three of the Schaeffler Group's divisions unless explicitly attributed to specific divisions.

Strategic risks

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

Business combination with Vitesco Technologies Group AG and portfolio measures

The intended merger of Vitesco Technologies Group AG into Schaeffler AG might not take place as planned.

Firstly, the planned transaction might not be executed as expected and, secondly, the acquisition of the shares, the share conversion, and/or the business combination may have the following unexpected adverse consequences for the Schaeffler Group.

There is no guarantee that the Schaeffler Group was aware of all circumstances significant to the valuation of Vitesco Technologies Group AG prior to announcement of the offer. At the time the offer was launched, the Schaeffler Group was able to perform a due diligence based on publicly available information only. As a result, the Schaeffler Group may not have had access to all important information and documents prior to the investment decision.

Should previously unknown circumstances relevant to the valuation become known, this would result in an excessively high offer price. Additionally, intended benefits of the combination, such as expected cost savings, transfer of expertise, growth opportunities, synergies, and improvements in the competitive profile may not be achieved at all or not be realized until a later date. The business combination with Vitesco Technologies Group AG could have a high adverse impact on the Schaeffler Group's net assets, financial position, and earnings.

The Schaeffler Group has made various acquisitions and financial investments in the past and plans to continue entering into such transactions. These specific investments, too, may carry the risk that the intended development or planned benefits do not materialize to the extent expected or are delayed. Along with acquisitions, disposals of certain business operations or activities that are no longer considered core strategic activities or not considered sufficiently profitable could expose the Schaeffler Group to contractual risks. These could have a medium impact on the Schaeffler Group's net assets, financial position, and earnings.

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 may become less relevant, and secondly, existing products and applications may be replaced. The E-Mobility BD intends 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 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 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 well as the introduction of people movers. This trend is reflected in the Schaeffler Group's Vision Autonomous Vehicle. Should actual developments deviate from the Automotive Technologies division's 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.

High growth rates are forecasted for several new automobile manufacturers focusing on electric vehicles in particular. This change in market participants can result in the Schaeffler Group not yet having an extensive customer relationship with these partly new market participants. Second, the market share of automobile manufacturers with currently only a below-average Schaeffler content per vehicle could increase. If the company does not succeed in systematically identifying promising automobile manufacturers and establishing good customer relationships, a medium impact on the Schaeffler Group's financial position, net assets, and earnings is expected.

Strategic market risks

The Schaeffler Group operates in a highly competitive and technologically fast-paced market environment. The Automotive Technologies division's component business is facing considerable pricing pressure driven by more and more requests for transparency regarding costs, 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.

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

Macroeconomic environment

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

The spread of geopolitical conflicts, particularly the war in Ukraine, the conflict and acts of war in the Middle East, as well as the tensions in the South China Sea could further curb economic growth as a result of declining business and consumer confidence, volatile oil and gas prices, and renewed disruptions in supply chains. Further, 2024 is marked by heightened political uncertainty due to elections in key economies.

Persistently high inflation and the continuation of tight monetary policy could impact consumer spending and investment and further weigh on economic activity. Additionally, the Chinese economy could grow more slowly than expected, particularly if the real estate crisis persists, and this could adversely impact global and regional economic trends. Furthermore, there is a possibility that the tightening of monetary policy since 2022, which has been making itself felt with some delay, will have a larger impact than expected. The macroeconomic environment could have a medium impact on the Schaeffler Group's net assets, financial position, and earnings.

Operating risks

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

Market developments

Demand for the Schaeffler Group's products is to a large extent driven by global economic conditions and depends considerably on the overall economic trend and the related cyclical fluctuations. In the Automotive Technologies division, demand is additionally affected by other factors, including changes in consumption patterns and fuel prices and changes in exchange rates and interest rate levels. Especially the persistent uncertainty regarding the political environment could continue to jeopardize market growth. The large number of economic and political factors can render automobile production highly volatile, which makes exact sales forecasts considerably more difficult. A change in forecasted market trends could have a high impact on the Schaeffler Group's net assets, financial position, and earnings.

Since 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.

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

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 slow-downs.

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 of goods and services 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 fluctuations in market prices, especially in the prices of energy and steel. These fluctuations affect all of the divisions since steel is used in rolling bearings and automotive components. Volatile market prices and government influence could have a medium impact on the Schaeffler Group's net assets, financial position, and earnings. To mitigate these

risks, especially for electricity and gas in the manufacturing divisions, Automotive Technologies and Industrial, the Schaeffler Group uses 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. The company is systematically improving its production and sales logistics in order to strengthen its delivery performance, which is considered a key competitive factor for a long-term relationship of trust with customers. The Industrial and Automotive Aftermarket divisions utilize high-performance distribution centers to better and efficiently supply the market.

Climate-related risks and risks from force majeure

More frequent and more intense extreme weather conditions form part of the worldwide consequences of global warming; to date, they have only affected the company's locations, the supply chain, or customers in isolated cases. The Schaeffler Group has an established environmental management system to address these immediate physical risks. This is highlighted by the large number of production and manufacturing locations certified under EMAS. Nevertheless, the consequences of climate-related risks and force majeure events could have a medium impact on the Schaeffler Group's net assets, financial position, and earnings. The Schaeffler Group uses systems providing global information on safety-related events, such as natural disasters and geopolitical developments, to ensure a timely response to these events.

Cyber risks

The IT systems used in all areas of the company are essential to the Schaeffler Group. Cyber security focuses on the security of these systems, including the underlying data, technology, and processes. Effective cyber security mitigates the risk of unauthorized access and damage to digital processes and systems and provides resilience. It also safeguards the confidentiality, integrity, and availability of data and 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 and digitalization of the Schaeffler Group's products mean that cyber risks could result in warranty and liability risk in the future, especially in the Automotive Technologies division. 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, INA, LuK, and FAG brands 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 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 earnings and financial position to be medium.

Legal risks

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

Regulatory risks

The Schaeffler Group operates in numerous countries worldwide and, as a result, is subject to a large number of varying legal requirements. This applies particularly to the areas of environment, chemicals, and hazardous materials, but also to health and safety regulations. New legislation and changes in the legal environment could entail risks to business activities and have a medium impact on the Schaeffler Group's financial position, net assets, and earnings. The Schaeffler Group continually monitors regulatory changes to be able to react on a timely basis. A current topic here is the EU's proposed ban on PFAS, which could have adverse implications for the product portfolio. The risk arises from the as yet unresolved legal situation.

Financial risks

The Schaeffler Group's financial risks comprise tax risks, pension risks, as well as the impact of changes in foreign exchange rates and financial instruments, liquidity risks, and potential impairments.

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 net assets, financial position, and earnings.

Risks arising from currency fluctuations and financial instruments

The Schaeffler Group has international operations and is exposed to a multitude of currency risks as a result, especially currency risks from operations related to the U.S. dollar and Chinese renminbi.

Currency risk is continually monitored and managed at the corporate level, with currency risks arising from transactions being aggregated across the group and hedged using 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.

If 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 group's manufacturing locations are spread around the world, enabling it to reduce the impact of changes in exchange rates on its competitive position. However, 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 could have an adverse impact on the Schaeffler Group's net assets and earnings, although the impact has decreased considerably compared to the prior year. 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.

Pension risks

The Schaeffler Group has significant pension obligations, particularly in Germany, the U.S., and the United Kingdom. The obligations in the Anglo-Saxon countries are covered by pension funds. Pension obligations are measured based on actuarial assumptions regarding factors such as discount rates, increases in wages, salaries, and pensions, and statistical life expectancy. Plan assets invested in various asset classes, such as equity instruments, fixed-income securities, or real estate, are subject to market fluctuations. Changes in these parameters, particularly in Germany, could have a medium impact on the Schaeffler Group's net assets.

Liquidity risks

Liquidity risk refers to the risk that the Schaeffler Group will not be able to meet its payment obligations as they come due. The company 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 2023 by existing financing instruments and refinancing arrangements completed.

Report on opportunities and risks > Risks

Short- and medium-term liquidity risk is monitored and managed using a rolling liquidity budget with a forecasting period of up to 14 months. Short-term fluctuations in cash flow are monitored daily and can be offset using existing bilateral lines of credit or a revolving credit facility of EUR 2.0 bn.

Compliance with financial covenants is monitored on an ongoing basis and regularly reported to the lending banks. 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. To date, the Schaeffler Group has consistently complied with all 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 debt covenants as well as any liquidity needs that cannot be covered could have a medium impact on the Schaeffler Group’s net assets, financial position, and earnings, with actual occurrence considered improbable.

Impairments

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

Future unfavorable results of operations, especially of the Automotive Technologies division, could be indications of impairments that could have a medium adverse impact on the group’s net assets and earnings.

Risk assessment

	Amount of damage	Probability of occurrence	Risk class	Change
Strategic risks				
• Business combination with Vitesco Technologies Group AG and portfolio measures	high	probable	high	new
• Electric mobility and autonomous driving	high	possible	medium	↗
• Strategic market risks	high	possible	medium	↗
• Macroeconomic environment	high	improbable	medium	↘
Operating risks				
• Market development	medium	highly probable	high	↗
• Supply chain management	medium	probable	medium	↗
• Climate-related risks and risks from force majeure	high	improbable	medium	→
• Cyber risks	high	improbable	medium	→
• Warranty and liability risks	high	improbable	medium	→
• Product piracy risks	low	probable	medium	→
Legal risks				
• Regulatory risks	high	possible	medium	new
Financial risks				
• Tax risks	high	probable	high	↗
• Risks arising from currency fluctuations and financial instruments	high	possible	medium	↘
• Pension risks	high	improbable	medium	→
• Liquidity risks	high	improbable	medium	→
• Impairments	high	improbable	medium	→

↗ increased → unchanged ↘ reduced
 Assessment refers to the highest assessed individual risk within each risk category

4.4 Opportunities

The Schaeffler Group defines opportunities as future developments or events that can have a more favorable impact on the successful operation of the business than planned. 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 similarly documented in the risk management tool and are identified qualitatively.

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.

Strategic and financial opportunities specifically result from the following factors:

Strategic opportunities

Business combination with Vitesco Technologies Group AG

The synergies communicated from the business combination with Vitesco Technologies Group AG are achieved earlier or have a larger impact.

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.

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.

Fleet management

Demand for full service leasing and the related fleet management has grown significantly in recent years. Fleet management services have evolved from pure financing options into vehicle- and driver-related services. Fleets impact not only vehicle use, such as more extensive use or higher mileage, but also decision processes and points of interaction, such as decisions about repairs. New players emerging in the aftermarket have significantly increased awareness of the total cost of ownership (TCO) and could harbor great potential for a channel shift toward the IAM or for the creation of new use-based business models.

Electric mobility in the automotive aftermarket

Electric mobility is increasingly gaining significance as part of the efforts regarding more sustainable mobility. The electric and electronics segment could emerge as one of the most important drivers of growth within the aftermarket. Expanding the portfolio toward that of a comprehensive provider of electric mobility components, solutions, and systems would prove the company's capabilities regarding the forthcoming technological challenges and thus improve the company's position in this as yet unstructured market for the long term and access new business.

Renewables

The Schaeffler Group supports the expansion of renewable energy generation with innovative bearing solutions for wind turbines to help make wind turbines more reliable and reduce the cost of generating renewable energy.

Significant market growth is also expected in the coming years for what is referred to as green hydrogen, which is produced using electrolysis. The market ramp-up of these technologies hinges significantly on 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.

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.

Report on opportunities and risks > Overall assessment of Schaeffler Group opportunities and risks

Especially the growing market for rail vehicles, which is also becoming increasingly important from a sustainability standpoint, offers additional business opportunities to the Schaeffler Group. Among the growth areas for mechatronic products are high-performance rolling bearing solutions. The high stresses, resulting wear and tear, and specific safety regulations give rise to separate growth opportunities in the Aftermarket business as well.

For air transport, the Schaeffler Group offers efficient high-precision bearings. These are used in jet engines, for instance, and contribute significantly to lowering carbon emissions by improving fuel consumption and reducing weight. Additionally, the Automotive Technologies and Industrial divisions have joint development activities aimed at continually expanding the range of solutions offered for electrified powertrains, thereby also addressing the growing trend toward electrification in industrial mobility applications.

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 specific rolling and plain bearings with reduced friction. Solutions for preventive maintenance, such as sensor-based condition monitoring, as well as remanufacturing of rolling and plain bearings which extends machine uptime, reduces operating cost, and facilitate lower carbon emissions complement the offered range.

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.

The Schaeffler Group offers a wide range of diversified solutions for the growing industrial automation, that covers, inter alia, robotic applications and supports autonomous production. Products include, for instance, sensor-enabled bearings as well as complex mechatronic systems, and innovative solutions are constantly being added, 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.

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 slightly compared to the prior year. This is particularly due to the decrease in the high volatility of energy prices as well as the settlement of legal cases.

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.

5. Report on expected developments

5.1 Expected economic and sales market trends

Based on the forecast by S&P Global (January 2024)⁹, the Schaeffler Group expects growth in **global gross domestic product**¹⁰ to slow further to 2.0 to 2.5% in 2024 (2023: 2.7%). The pace of expansion is anticipated to weaken across regions despite expectations of a further decline in inflation and incipient easing of monetary policy.

Please refer to the discussion in the report on opportunities and risks for potential risks to global economic growth.

Taking into account the forecast by S&P Global Mobility (January 2024)¹¹ and based on internal assessments, the Schaeffler Group expects **global automobile production**¹², in terms of the number of vehicles, to remain approximately at the prior year level in 2024 (2023: 90.1 million vehicles).

Based on the forecast by S&P Global Mobility (October 2023)¹³, the Schaeffler Group anticipates growth in **global vehicle population**¹⁴ for 2024 to increase by approximately 2%, with the average vehicle age rising slightly (2023: growth of 2.4%, average age 11.1 years).

Based on the forecast by S&P Global Market Intelligence (January 2024)¹⁵, the Schaeffler Group expects **global industrial production**¹⁶ to grow by just over 2% (2023: 1.0%) in 2024, while production in the sectors particularly relevant to the company – mechanical engineering, transport equipment, and electrical equipment – is anticipated to increase by a total of approximately 3% (2023: 2.8%).

⁹ Includes content supplied by S&P Global Market Intelligence © [World Economic Service Forecast, January 2024]. All rights reserved.

¹⁰ Measured as gross domestic product in real terms based on market exchange rates.

¹¹ Includes content supplied by S&P Global Mobility © [IHS Markit Light Vehicle Production Forecast (Base), January 2024]. All rights reserved.

¹² Measured as the number of vehicles up to six tons in weight produced.

¹³ Includes content supplied by S&P Global Mobility © [IHS Markit Vehicles in Operation (VIO) Forecast, October 2023]. All rights reserved.

¹⁴ Measured as the number of passenger cars and light commercial vehicles less than 3.5 tons in weight.

¹⁵ Includes content supplied by S&P Global Market Intelligence © [Comparative Industry Service Forecast, January 2024]. All rights reserved.

¹⁶ Measured as value added in real terms.

Report on expected developments > **Schaeffler Group outlook**

5.2 Schaeffler Group outlook

The **Schaeffler Group** anticipates a higher cost of labor in 2024, partly offset by a lower cost of materials and energy than in the prior year. Additionally, the Schaeffler Group expects to account for the 38.87% of the shares in Vitesco Technologies Group AG acquired in January 2024 under the equity method during the forecasting period from the date of acquisition up to and including the third quarter of 2024. Further, the Schaeffler Group expects that the merger with Vitesco Technologies Group AG will be entered in the commercial register in the fourth quarter of 2024, and that Vitesco Technologies Group AG will be consolidated in the Schaeffler Group's consolidated financial statements upon this registration.

Based on the above assumptions (particularly the expected consolidation of Vitesco Technologies Group AG starting in the fourth quarter of 2024), the Schaeffler Group anticipates considerable overall revenue growth, excluding the impact of currency translation, in 2024. In addition, the company expects to generate an EBIT margin before special items of 6 to 9% in 2024. The Schaeffler Group also anticipates free cash flow before cash in- and outflows for M&A activities of EUR 300 to 400 m.

A voluntary outlook on the performance of the divisions is omitted in light of factors such as the planned structural adjustments in connection with the merger of Vitesco Technologies Group AG into Schaeffler AG.

The remaining acquisitions and disposals of subsidiaries, joint ventures, and other equity investments set out in the consolidated financial statements for 2023 are reflected in the outlook for 2024.

Herzogenaurach, February 20, 2024

The Board of Managing Directors

Outlook 2024

	Actual 2023	Outlook 2024
Schaeffler Group		
Revenue growth ¹⁾	5.8%	considerable revenue growth
EBIT margin before special items ²⁾	7.3%	6 to 9%
Free cash flow ³⁾	EUR 421 m	EUR 300 to 400 m

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

²⁾ Please refer to pp. 27 et seq. for the definition of special items.

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

Corporate Governance

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* Part of the group management report.

Corporate governance declaration including corporate governance report

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 2023, 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).

Since making its last declaration of conformity in December 2022 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), with the exception described below:

Schaeffler AG does not comply with the recommendation in section C.2 of the Code. 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.

Herzogenaurach, December 15, 2023

For the Supervisory Board	For the Board of Managing Directors
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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 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

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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 previously adopted in 2022. 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. 62 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 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 2023.

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 March 14, 2022, the Board of Managing Directors set a target for the proportion of women of 20% at the first level and second level of management immediately below the Board of Managing Directors for the period ending December 31, 2025.

 More in the sustainability report under: www.schaeffler-sustainability-report.com/2023

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.
- **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

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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 2023.

- **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 2023.
- **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. 67 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 presidential 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

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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 nine 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, Katherina Reiche, 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 nine 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, Katherina Reiche, Robin Stalker, Prof. TU Graz e.h. KR Ing. Siegfried Wolf, and Prof. Dr.-Ing. Tong Zhang.

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 of such reports. 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.

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Qualifications matrix – shareholder representatives

	Georg F. W. Schaeffler	Sabine Bendiek	Prof. Dr. Hans-Jörg Bullinger	Dr. Holger Engelmann	Prof. Dr. Bernd Gottschalk	Ulrike Hasbargen	Katherina Reiche	Robin Stalker	Prof. TU Graz e.h. KR Ing. Siegfried Wolf	Prof. Dr.-Ing. Tong Zhang	
Member since	12/01/2014	04/24/2019	12/01/2014	12/01/2014	12/01/2014	04/23/2021	04/20/2023	12/01/2014	12/01/2014	12/01/2014	
Personal suitability	Independence ¹⁾	●	●	●	●	●	●	●	●	●	
	No overboarding ¹⁾	●	●	●	●	●	●	●	●	●	
Diversity	Gender	m	f	m	m	f	f	m	m	m	
	Year of birth	1964	1967	1944	1965	1943	1961	1973	1958	1957	1960
Qualification	Nationality	German	German	German	German	German	German	German	New Zealand	Austrian	German
	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

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Qualifications matrix – employee representatives

		Jürgen Wechsler	Andrea Grimm	Thomas Höhn	Susanne Lau	Dr. Alexander Putz	Barbara Resch	Jürgen Schenk	Helga Schönhoff	Ulrich Schöppllein	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	08/01/2023	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	1974	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

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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 2023.

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 60.

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.

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 (chairman), Ulrich Schöppllein, Jürgen Wechsler, and Prof. TU Graz e.h. KR Ing. Siegfried Wolf.

The presidential committee consists of Georg F. W. Schaeffler (chairman), Sabine Bendiek, Barbara Resch, Ulrich Schöppllein, Jürgen Wechsler, and Prof. TU Graz e.h. KR Ing. Siegfried Wolf. The presidential 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 presidential 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 presidential 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 Robin Stalker (chairman), Dr. Holger Engelmann, Andrea Grimm as well as Thomas Höhn, Georg F. W. Schaeffler, and Jürgen Wechsler. The audit committee is responsible for preparing the Supervisory Board's decision on adoption of the separate financial statements and

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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 preparing the Supervisory Board's decision on adoption of the separate financial statements and approval of the consolidated financial statements. For this purpose, it is responsible for the preliminary review of the separate and consolidated financial statements, the combined management report and the group management report, 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 non-financial report as well as the preliminary review of the report on relations with affiliated companies and 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 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 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 Georg F. W. Schaeffler (chairman), Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk, and Katherina Reiche.

The technology committee consists of Prof. Dr. Hans-Jörg Bullinger (chairman), Georg F. W. Schaeffler, Jürgen Schenk, Ulrich Schöppl, Jürgen Wechsler, Prof. TU Graz e.h. KR Ing. Siegfried Wolf, Prof. Dr.-Ing. Tong Zhang, and Markus Zirkel. 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.

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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 presidential 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 including those 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 2023. To prevent any potential conflicts of interest, Prof. Dr. Hans-Jörg Bullinger and Prof. TU Graz e.h. KR Ing. Siegfried Wolf did not attend the meetings of the Supervisory Board at which the preparations for and implementation of the business combination with Vitesco Technologies Group AG were presented and discussed.

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, among others.

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.

Corporate governance declaration including corporate governance report

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.

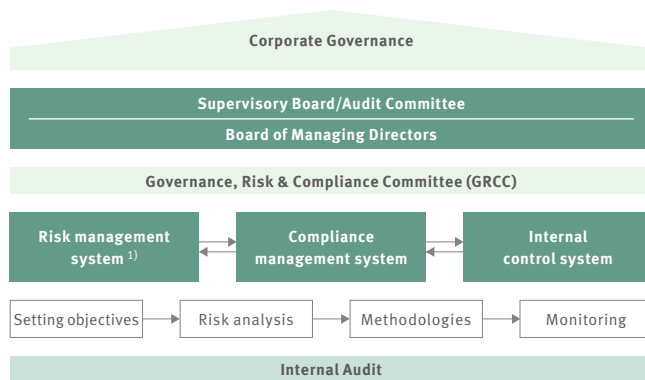
It was agreed with Schaeffler AG's auditors that the Chairman of the Supervisory Board and the chairman of the audit committee would be informed promptly of any grounds for disqualification or indications of bias arising during the audit to the extent they are not remedied immediately. It was also agreed 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.

Governance structure

2. Governance structure

The Schaeffler Group’s Corporate Governance policy combines responsible corporate management with the goal of adding long-term value. The governance structure serves as the legal and factual framework for corporate management and oversight. The governance structure represents the framework for the integrated management of governance, risk, and compliance management. It supports the operative business units in identifying and managing risks, establishing effective control mechanisms, and complying with legal requirements.

Schaeffler Group governance structure



¹⁾ With Financial Risk Committee.

More on corporate management under “Fundamental information about the group” on pp. 2 et seq.

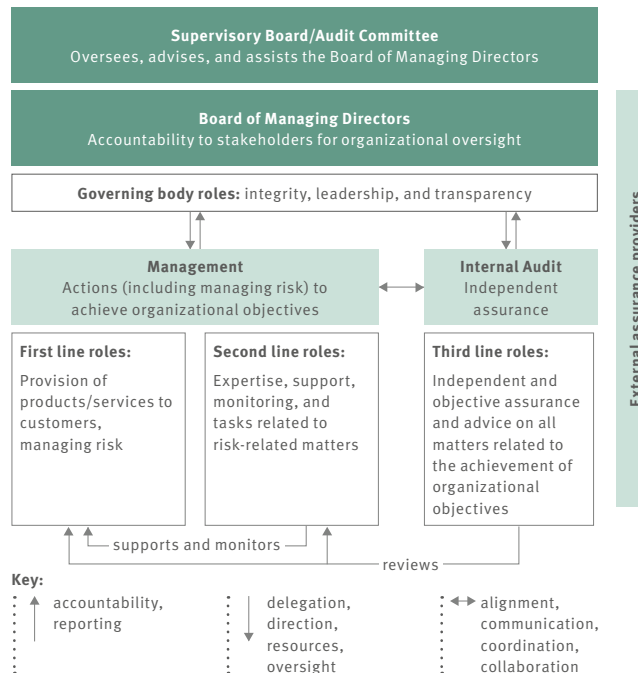
The governance structure is aimed at the coordinated operation of the subsystems and responsible functions. One of its integral components is the Governance, Risk & Compliance Committee (GRCC) chaired by the CEO and the CFO. It supports the Board of Managing Directors in implementing and enhancing a consistent, comprehensive, and company-wide approach to effectively implementing governance, risk, and compliance requirements.

The GRCC comprehensively integrates and coordinates the risk management system, the compliance management system, and the internal control system.

During the year, risk management and the internal control system were jointly assigned to the CFO for organizational purposes due to their increased relevance.

The interaction of the subsystems and functions is 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.

First line: The operative business units are responsible for establishing measures required to achieve objectives and for managing the risks within the assigned responsibilities. Individual risks potentially jeopardizing the continued existence of the company must be avoided. Any relevant risks have to be identified and managed using appropriate measures. These include controls established in the business processes to test the effectiveness of risk mitigation measures.

Second line: Governance functions such as Risk Management, Compliance, and Internal Control System support and oversee the first line in fulfilling its responsibilities. Risk Management is also responsible for regular and independent risk assessment.

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

2.1 Risk 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. 38 et seq.

2.2 Compliance management system

Like the risk management system, the compliance management system is part of the second line.

Integrity represents a fundamental component of the Schaeffler Group’s business practices. Under the Schaeffler Code of Conduct, the Board of Managing Directors and all employees undertake to comply with the values and principles of conduct established as well as all local, national, and international laws and regulations. The Schaeffler Group expects the same from its business partners under the Supplier Code of Conduct. Support is provided by a comprehensive compliance organization that is largely based on the seven core components of IDW AsS 980: compliance culture, compliance objectives, compliance program, compliance organization, vulnerability analysis, communication, as well as monitoring and improvement.

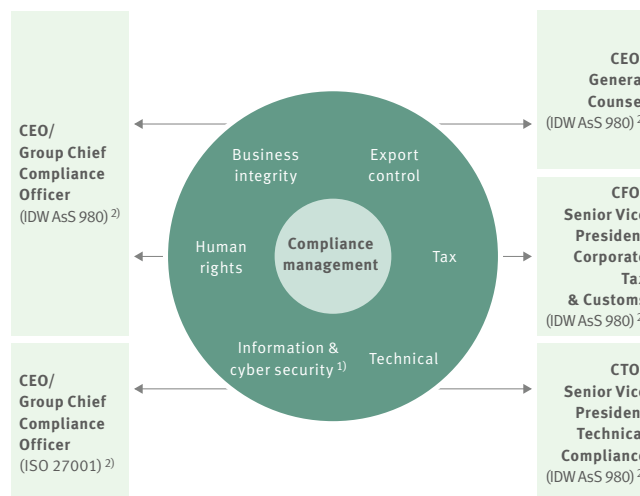
Responsibility for uniform compliance management systems that are aligned with industry and assurance standards rests with the Group Chief Compliance Officer who reports directly to the CEO and to the Chairman of the Supervisory Board and maintains a continual dialogue with the chairman of the audit committee.

The Schaeffler Group operates a training program tailored to its various target audiences that promotes its employees’ and managers’ understanding of compliance and raises awareness of compliance risks in day-to-day business. Web-based and classroom training sessions provide knowledge of the Schaeffler Code of Conduct and the relevant group guidelines.

The Forensics & Investigations department – assigned to the Group Chief Compliance Officer – is responsible for independently investigating suspected violations of the Schaeffler Code of Conduct and operates a global whistleblowing system. The department analyzes the causes of misconduct, develops remedial measures, and monitors their implementation.

The Schaeffler Group’s compliance management focuses on the following:

Compliance management focal points



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

The Schaeffler Group’s **business integrity**-related compliance management system manages and monitors activities designed to prevent, and detect early on, violations of law in the areas of corruption, money laundering, competition and antitrust law, and economic crime. The measures are based on an annual groupwide vulnerability analysis that assesses the current risk situation and the effectiveness of preventive arrangements in place. Country-specific risks are summarized in a compliance country risk report that is updated annually.

During the year, the compliance guidelines were consolidated in a new business integrity guideline. IT-based workflows for business partner due diligence and contacts with competitors increase the efficiency of compliance processes. Basic and more in-depth

online training sessions on corruption and antitrust law as well as integrity workshops strengthen awareness of these topics. A mandatory annual basic training refresher course was rolled out during the year.

The appropriateness and effectiveness of the business integrity-related compliance management system was confirmed by an independent audit firm in accordance with IDW AsS 980 in 2022.

The Schaeffler Group’s **human rights** compliance management system focuses on compliance with legal requirements (particularly those of the Act on Corporate Due Diligence in Supply Chains (Lieferkettensorgfaltspflichtengesetz) and respecting human rights. Human rights issues are dealt with on an interdisciplinary and groupwide basis. The system was further enhanced during the year.

The **export control** compliance management system ensures that the company’s external and internal business activities do not violate any embargoes, sanctions, or import or export control requirements. It comprises electronic processing and review of transactions and business partners. Requirements, mandatory groupwide and tailored training, and monitoring measures complement the system.

The **tax** compliance management system (tax CMS) monitors obligations with respect to tax. The appropriateness and implementation of the tax CMS was previously confirmed by an independent audit firm in 2020, and an audit of its effectiveness in accordance with IDW AsS 980 commenced during the year.

The **technical** compliance management system aimed at complying with product-related technical obligations follows the fundamental elements of compliance management systems in the technical context and was enhanced during the year by taking measures such as issuing a guideline, introducing mandatory training sessions, expanding the technical compliance organization, and performing a risk analysis.

Governance structure

In order to strengthen **information and cyber security**, the Schaeffler Group implements preventive, detective, and corrective measures to safeguard intellectual property and sensitive data, aligned with ISO/IEC 27001 and other relevant standards. Goals achieved during the year include intensifying internal awareness measures, partly by training sessions on cyber security, expanding cyber security reporting and cyber resilience, enhancing the information security management system (ISMS), and implementing the Schaeffler TISAX certification strategy.

Measures to protect privacy rights ensure that the company's business processes are in accordance with legal requirements regarding data privacy. A privacy-by-design process already takes into account data privacy during system and application development. Protective measures are integrated into the business process and tracked in accordance with the specific protection needs.

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. 40 et seq.

2.4 Internal Audit

Internal Audit represents the third line of the Schaeffler Group's governance structure. It provides independent audit and consulting services designed to increase the effectiveness of the risk management system, the compliance management system, the control, management and supervisory processes, as well as the business processes.

Responsibility for establishing the internal audit function and for its effectiveness rests with the Board of Managing Directors. Hence, Internal Audit reports to the entire Board of Managing Directors. The head of Internal Audit reports directly to the Chief Executive Officer and also reports to the audit committee chairman on a regular basis.

Specific arrangements are in place to ensure the independence and objectivity of Internal Audit, including an organizational link to the Chief Executive Officer, annual reporting on impairments of independence, and documented audit planning with a requirement that changes be approved by the Board of Managing Directors.

The responsibilities of Internal Audit specifically include audit and assessment of the internal control system, the management and supervisory processes, the finance and accounting systems, the risk and compliance management systems, and the arrangements for preventing and detecting fraud. Further, it audits and assesses arrangements for safeguarding assets as well as the implementation of and compliance with legal requirements and internal rules ("legal compliance").

Risk analyses, interdisciplinary exchange of information and regular audits on location ensure the quality of audit assignments. Internal Audit's audit reports contain findings, responsibilities for implementation, and remediation measures agreed. In a monitoring and follow-up process, Internal Audit monitors their implementation for remediation of 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 system¹⁷

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 inappropriate or ineffective.

¹⁷ 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, presidential, 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, Herzogenaurach; member of the Supervisory Board of Continental AG, Hanover; member of the Supervisory Board of Vitesco Technologies Group AG, Regensburg

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, presidential, audit, and technology committees

Sabine Bendiek

Senior advisor

Appointed: April 24, 2019

Committee memberships: member of the presidential committee

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 Bilz AG, Leonberg; 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 audit and nomination committees

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 SE, Neu-Isenburg (until May 11, 2023); member of the Supervisory Board of Compagnie Plastic Omnium SA, Levallois-Perret, France

Andrea Grimm*

Deputy Chairwoman of the Works Council Herzogenaurach
Deputy Spokeswoman of the Economic Committee

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*

1st authorized representative IG Metall Schweinfurt

Appointed: May 8, 2020

Committee memberships: member of the audit committee

* Employee representative on the Supervisory Board.

Governing bodies of the company

Susanne Lau*

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

Appointed: August 8, 2018

Dr. Alexander Putz*

Plant manager Herzogenaurach

Appointed: October 1, 2022

Katherina Reiche (since April 20, 2023)

Chairwoman of the Board of Managing Directors of Westenergie AG

Appointed: April 20, 2023

Committee memberships: member of the nomination committee

Seats on supervisory and similar boards: member of the Supervisory Board of DEW21 GmbH, Dortmund; Deputy Chairwoman of the Supervisory Board of NEW AG, Moenchengladbach; member of the Supervisory Board of RheinEnergie AG, Cologne; member of the board of directors of VGP NV, Antwerp, Belgium

Barbara Resch*

Wage secretary

Appointed: November 19, 2015

Committee memberships: member of the presidential 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

Helga Schönhoff*

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

Appointed: May 8, 2020

Ulrich Schöppllein* (since August 1, 2023)

Deputy Chairman of the Works Council Schaeffler
 Technologies AG & Co. KG Schweinfurt plant
 Chairman of the General Works Council of Schaeffler Technologies AG & Co. KG
 Deputy Chairman of the Group Works Council Schaeffler AG
 Chairman of the European Works Council Schaeffler

Appointed: August 1, 2023

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

Robin Stalker

Chartered Accountant

Appointed: December 1, 2014

Committee memberships: chairman of the audit committee

Seats on supervisory and similar boards: member of the Supervisory Board of Commerzbank AG, Frankfurt/Main (until May 31, 2023); member of the Supervisory Board of Hugo Boss AG, Metzingen; Deputy Chairman of the Supervisory Board of Schmitz Cargobull AG, Horstmar

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

Entrepreneur

Appointed: December 1, 2014

Committee memberships: member of the mediation, presidential, 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 Porsche Automobil Holding SE, Stuttgart; Chairman of the Supervisory Board of Steyr Automotive GmbH, Steyr, Austria; Chairman of the Supervisory Board of Vitesco Technologies Group AG, Regensburg

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

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

* Employee representative on the Supervisory Board.

Governing bodies of the company

The following members left the Supervisory Board in 2023

Maria-Elisabeth Schaeffler-Thumann (until April 20, 2023)

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

Appointed: December 1, 2014

Salvatore Vicari* (until July 31, 2023)

2nd authorized representative IG Metall Homburg-Saarpfalz

Appointed: December 2, 2014

3.2 Supervisory Board committees

Mediation committee

Georg F. W. Schaeffler (Chairman),
Ulrich Schöppllein, Jürgen Wechsler, and Prof. TU Graz e.h. KR Ing. Siegfried Wolf

Presidential committee

Georg F. W. Schaeffler (Chairman),
Sabine Bendiek, Barbara Resch, Ulrich Schöppllein,
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 Katherina Reiche

Technology committee

Prof. Dr. Hans-Jörg Bullinger (Chairman),
Georg F. W. Schaeffler, Jürgen Schenk, Ulrich Schöppllein,
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; 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; Top Talent Management & Strategic Workforce Planning

Appointed: October 24, 2014

Term of office ends: June 30, 2029

Seats on supervisory and similar boards: member of the Supervisory Board of Continental AG, Hanover; member of the Supervisory Board of Vitesco Technologies Group AG, Regensburg; Supervisor of Schaeffler Holding (China) Co. Ltd., Shanghai, China; member of the Advisory Board of Schaeffler Immobilien AG & Co. KG, Herzogenaurach (since July 31, 2023)

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 Services¹⁸; IT & Digitalization; Risk Management & Internal Control System

Appointed: September 1, 2021

Term of office ends: August 31, 2025

Seats on supervisory and similar boards: member of the Advisory Board of Schaeffler Immobilien AG & Co. KG, Herzogenaurach (since July 31, 2023)

* Employee representative on the Supervisory Board.

¹⁸ Responsibility for global steering of the shared services activities within the Schaeffler Group.

Governing bodies of the company

Dr. Astrid Fontaine (since January 1, 2024)

Chief Human Resources Officer

Responsible for: HR Strategy & Diversity; HR Policies & Standards; Recruiting, Talent Development & Employee Engagement; Schaeffler Academy; HR Systems, Processes & Reporting; Environment, Health & Safety; HR Functions; HR Germany

Appointed: January 1, 2024

Term of office ends: December 31, 2026

Seats on supervisory and similar boards: member of the Advisory Board of Schaeffler Consulting GmbH, Herzogenaurach (since January 1, 2024)

Andreas Schick

Chief Operating Officer

Responsible for: Schaeffler Production System & Production Technology; Digitalization & Operations IT; Advanced Production Technology; Tool Technology; 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 Advisory Board of Schaeffler Immobilien AG & Co. KG, Herzogenaurach (since July 31, 2023); 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; HR 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; member of the shareholder committee of TecAlliance GmbH, Ismaning; chairman of the Advisory Board of Partslife GmbH, Neu-Isenburg (since June 27, 2023); member of the Advisory Board of Parts-life GmbH, Neu-Isenburg (until June 27, 2023); member of the board of directors of Schaeffler India Ltd., Pune, India (since January 1, 2024)

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 & Purchasing Industrial; Quality 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 Ingenieursgesellschaft Auto und Verkehr, Berlin (until July 12, 2023); member of the Advisory Board of Compact Dynamics GmbH, Starnberg; member of the Advisory Board of Schaeffler ByWire Technologie 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; HR 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 (until July 31, 2023); chairman of the Advisory Board of Schaeffler ByWire Technologie GmbH & Co. KG, Herzogenaurach; Supervisor of Schaeffler (China) Co., Ltd., Taicang, China

Governing bodies of the company

The following member left the Board of Managing Directors in 2023

Corinna Schittenhelm (until December 31, 2023)

Chief Human Resources Officer

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

Appointed: January 1, 2016

Term of office ended: 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 (until December 31, 2023); member of the board of directors of Schaeffler India Ltd., Pune, India (until December 31, 2023)

Financial statements 2023

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Balance sheet

1. Balance sheet

in €	12/31/2023	12/31/2022	Change in %
ASSETS			
Intangible assets	901.00	0.00	› 100
Property, plant and equipment	638,437.00	625,768.76	2.0
Shares in affiliated companies	14,688,784,417.13	13,944,233,601.95	5.3
Loans receivable from affiliated companies	185,843,144.40	213,960,527.22	-13.1
Long-term financial assets	14,874,627,561.53	14,158,194,129.17	5.1
Fixed assets	14,875,266,899.53	14,158,819,897.93	5.1
Receivables from affiliated companies	10,074,041,105.87	10,143,843,746.47	-0.7
Receivables from entities to which the company is linked by equity ownership	16,526.70	2,867.90	› 100
Other assets	329,199,805.02	86,378,567.18	› 100
Receivables and other assets	10,403,257,437.59	10,230,225,181.55	1.7
Cash at banks	270,561,298.19	552,772,215.70	-51.1
Current assets	10,673,818,735.78	10,782,997,397.25	-1.0
Prepaid expenses and deferred charges	690,599.38	284,553.57	› 100
Excess of plan assets over post-employment benefit liability	4,597,369.13	1,356,607.43	› 100
Total assets	25,554,373,603.82	24,943,458,456.18	2.5

in €	12/31/2023	12/31/2022	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	4,208,133,697.72	3,962,548,253.49	6.2
Retained earnings	425,592,764.88	540,265,444.23	-21.2
Shareholders' equity	7,658,706,462.60	7,527,813,697.72	1.7
Provisions for pensions and similar obligations	75,453,279.08	69,821,042.51	8.1
Tax provisions	21,753,519.93	54,954,830.00	-60.4
Other provisions	166,119,167.13	180,992,059.17	-8.2
Provisions	263,325,966.14	305,767,931.68	-13.9
Bonds	2,950,000,001.15	2,950,000,000.67	0.0
Bank debt	917,500,391.75	297,626,240.71	› 100
Trade payables	10,125,014.31	9,624,678.10	5.2
Amounts payable to affiliated companies	13,605,431,706.39	13,760,306,709.27	-1.1
Other liabilities (including taxes of EUR 2,021,506.18 (prior year: EUR 1,621,282.66), including social security contributions of EUR 2,768.79 (prior year: EUR 10,772.61))	149,284,061.48	92,319,198.03	61.7
Liabilities	17,632,341,175.08	17,109,876,826.78	3.1
Total shareholders' equity and liabilities	25,554,373,603.82	24,943,458,456.18	2.5

Income statement

2. Income statement

in €	2023	2022	Change in %
1 Revenue	15,549,917.72	16,473,011.14	-5.6
2 Cost of sales	-14,756,966.41	-15,711,765.54	-6.1
3 Gross profit	792,951.31	761,245.60	4.2
4 General and administrative expenses	-171,181,048.90	-147,311,661.58	16.2
5 Other operating income	626,709,139.48	700,872,138.75	-10.6
6 Other operating expenses	-556,286,703.14	-693,713,182.13	-19.8
7 Income from equity investments	1,000,139,356.16	791,000,000.00	26.4
• from affiliated companies EUR 1,000,139,356.16 (prior year: EUR 791,000,000.00)			
8 Income from other securities and long-term loans receivable	3,015,517.16	5,019,273.43	-39.9
• from affiliated companies EUR 3,015,517.16 (prior year: EUR 5,019,273.43)			
9 Other interest and similar income	94,245,375.67	59,898,134.83	57.3
• from affiliated companies EUR 88,572,338 (prior year: EUR 53,592,216.65)			
10 Write-downs of long-term financial assets and securities included in current assets	0.00	-85,474,879.14	> 100
11 Interest and similar expenses	-552,837,389.29	-174,804,174.52	> 100
• from affiliated companies EUR 384,870,947.08 (prior year: EUR 64,961,257.08)			
12 Income taxes	-23,293,310.47	-38,159,376.96	-39.0
13 Earnings after income taxes	421,303,887.98	418,087,518.28	0.8
14 Other taxes	4,288,876.90	-75,075.06	> 100
15 Net income for the year	425,592,764.88	418,012,443.22	1.8
16 Retained earnings brought forward	0.00	122,253,001.01	> 100
17 Withdrawal from other revenue reserves	0.00	0.00	0.0
18 Retained earnings	425,592,764.88	540,265,444.23	-21.2

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.

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 28.8% (prior year: 28.7%). Deferred tax liabilities are offset against deferred tax assets. The net asset balance is not recognized in the balance sheet.

By the reporting date, the BEPS Pillar 2 rules (“Mindestbesteuerungsrichtlinie-Umsetzungsgesetz” – MinBestRL-UmsG) had been transposed into German law (“MindeststeuerGesetz” – MinStG), becoming effective January 1, 2024. The Schaeffler Group is subject to these rules.

The minimum tax is charged at the level of INA-Holding Schaeffler GmbH & Co. KG, the parent company of the IHO Group as a whole (referred to as “ultimate parent entity”).

Schaeffler AG, the parent company of the Schaeffler subgroup, is considered a “partially owned parent entity”.

INA-Holding Schaeffler GmbH & Co. KG has performed an analysis to determine the jurisdictions giving rise to potential implications of any Pillar 2 top-up tax for the Schaeffler Group as well as the extent of such implications.

The analysis was performed based on financial information in the consolidated financial statements as at December 31, 2023, and indications provided by data as at December 31, 2022, and reflects the requirements regarding the CbCR safe harbors and a calculation of the effective tax rate based on these requirements.

This first indicative analysis identified a potential impact from payment of a Pillar 2 top-up tax in Argentina, Greece, the Philippines, Singapore, Spain, South Korea, Vietnam, as well as the United Arab Emirates.

The indicative minimum tax charge for the Schaeffler Group amounts to approximately EUR 5 m. INA-Holding Schaeffler GmbH & Co. KG can charge the minimum tax attributable to Schaeffler AG to Schaeffler AG under section 3 (6) MinStG.

Applying the exemption under section 274 (3) HGB, the Schaeffler Group does not recognize any deferred tax assets or liabilities for income tax arising from the BEPS Pillar 2 rules and does not provide any disclosures in this regard.

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: 3.25%), 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, 2023. This discount rate is 1.82% (prior year: 1.78%).

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. 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 using a Monte Carlo simulation. The model reflects 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 (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.

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.

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, 2023	209	209	1,357	35	1,392	14,100,718	213,961	14,314,679	14,316,279
Additions	1	1	300	0	300	686,726	54,211	740,937	741,238
Disposals	-2	-2	-180	0	-180	0	-82,329	-82,329	-82,511
Transfers	0	0	35	-35	0	0	0	0	0
Balance as at December 31, 2023	208	208	1,512	0	1,512	14,787,444	185,843	14,973,287	14,975,007
Accumulated amortization, depreciation, and write-downs									
Balance as at January 01, 2023	209	209	766	0	766	156,485	0	156,485	157,460
Additions	0	0	285	0	285	0	0	0	285
Write-up	0	0	0	0	0	57,825	0	57,825	57,825
Disposals	-2	-2	-178	0	-178	0	0	0	-178
Balance as at December 31, 2023	207	207	873	0	873	98,660	0	98,660	99,740
Net book values									
as at January 01, 2023	0	0	591	35	626	13,944,234	213,961	14,158,194	14,158,820
as at December 31, 2023	1	1	639	0	639	14,688,784	185,843	14,874,627	14,875,266

EUR 57,825 thousand of a previous write-down of the carrying amount of the shares in Schaeffler Immobilien AG & Co. KG, Herzogenaurach, were reversed during the year (prior year: EUR 85,391 thousand write-down) as the company was strategically realigned including adjustments to its business model. EUR 3,693 thousand in incidental acquisition costs were capitalized in connection with the acquisition of the shares of Vitesco Technologies Group AG.

Additions to shares in affiliated companies represent primarily the acquisition of the shares of the Ewellix Group (EUR 582,884 thousand).

Long-term loans receivable from affiliated companies classified as fixed assets consist of EUR 128,800 thousand (prior year: EUR 169,800 thousand) due from Schaeffler Verwaltungsholding Vier GmbH, TEUR 56,853 thousand (prior year: EUR 2,832 thousand) due from Schaeffler Invest GmbH, and EUR 190 thousand (prior year: EUR 0) due from LUK do Brasil Embreagens Ltda.

Receivables and other assets

Receivables and other assets

in € thousands	12/31/2023			12/31/2022		
	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
Receivables from affiliated companies	10,074,041	0	0	10,143,843	0	0
• including short-term loans of	9,114,165	0	0	9,045,745	0	0
• including other financial receivables of	26,920	0	0	279,872	0	0
• including trade receivables of	26,636	0	0	27,227	0	0
• including other receivables of	906,320	0	0	791,000	0	0
Receivables from entities to which the company is linked by equity ownership	16	0	0	3	0	0
• including trade receivables of	16	0	0	3	0	0
Other assets	329,200	0	0	86,379	0	0

Other receivables from affiliated companies comprise Schaeffler AG's claim to the net income of Schaeffler Technologies AG & Co. KG of EUR 900,000 thousand (prior year: EUR 791,000 thousand), which has not yet been paid. Schaeffler Technologies AG & Co. KG paid EUR 791,000 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 87,397 thousand (prior year: EUR 118,363 thousand) used to hedge currency risk from operations. The notional amount of these contracts is EUR 4,123,885 thousand (prior year: EUR 3,797,874 thousand).

Other assets include mainly EUR 263 m in current financial assets representing collateral posted under an embedded derivative in connection with a total return swap. The total return swap was entered into with a bank in support of the voluntary public tender offer issued by Schaeffler AG for the acquisition of the shares in Vitesco Technologies Group AG; the swap provides for cash settlement and does not convey any legal right to settlement in shares. The bank may acquire up to 3.6 million shares of Vitesco Technologies Group AG in connection with this swap. Schaeffler AG is required to post corresponding financial collateral if the bank acquires any shares. Final settlement of the total return swap, including a refund of the collateral and payment of the agreed cash settlement, will occur when the swap is unwound in 2024.

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	12/31/2023	12/31/2022
Settlement amount of pensions and similar obligations	31,893	30,869
Fair value of plan assets offset	36,491	32,226
Excess of plan assets over post-employment benefit liability	4,597	1,357
Acquisition cost of plan assets offset	36,391	31,496

in € thousands	2023	2022
Interest income on plan assets offset	1,801	2,267
Interest expense on pensions and similar obligations ¹⁾	-1,556	-4,458
Net interest income (expense)	245	-2,192

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. Approximately 20 million of the common non-voting shares are held by IHO Beteiligungs GmbH. IHO Beteiligungs GmbH holds 3% of the total share capital.

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, 2023.

Capital reserves

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

Revenue reserves

Revenue reserves amount to EUR 4,208 m (prior year: EUR 3,963 m) as at the reporting date and consist entirely of other revenue reserves.

Retained earnings

In 2023, a dividend of EUR 295 m (prior year: EUR 328 m) was paid to shareholders from retained earnings, and the remaining EUR 245 m (prior year: EUR 122 m) was added to revenue reserves.

Retained earnings consist of EUR 426 m (prior year: EUR 418 m) in net income and EUR 0 m (prior year: EUR 122) 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 2023 of EUR 295 m and to add the remaining retained earnings of EUR 131 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	12/31/2023	12/31/2022
Settlement amount of pensions and similar obligations	-88,616	-79,136
Fair value of plan assets offset	13,163	9,315
Net amount of pensions and similar obligations	-75,453	-69,821
Acquisition cost of plan assets offset	19,089	20,009

Other provisions

Other provisions

in € thousands	12/31/2023	12/31/2022
Provisions for pending losses on open transactions	111,471	141,681
Provisions for profit sharing, other bonuses, and share-based payments	22,168	20,499
Miscellaneous other provisions	32,480	18,812
Total other provisions	166,119	180,992

The company has recognized EUR 66,234 thousand (prior year: EUR 141,681 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 4,719,387 thousand (prior year: EUR 4,959,299 thousand). Additionally, the company recognized EUR 45,237 thousand in provisions for pending losses on a total return swap.

Liabilities

Liabilities

in € thousands	12/31/2023			12/31/2022		
	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)	800,000	2,150,000	0	0	1,550,000	1,400,000
Bank debt	0	917,500	0	5,126	166,500	126,000
Trade payables	10,125	0	0	9,625	0	0
Amounts payable to affiliated companies	13,605,432	0	0	13,760,307	0	0
• including loans of	11,253,018	0	0	10,261,261	0	0
• including other financial debt of	2,321,085	0	0	3,467,637	0	0
• including trade receivables of	3,004	0	0	4,176	0	0
• including other liabilities of	28,324	0	0	27,233	0	0
Other liabilities	149,284	0	0	92,319	0	0
• including taxes of	2,022	0	0	1,621	0	0

The company did not redeem any bonds in 2023 (prior year: EUR 545 m principal outstanding).

The change in bank debt results from a EUR 625 term loan drawn down and a EUR 5 m Schuldschein loan coming due.

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, 2023, there is a micro-hedge relationship between cross-currency swaps with a notional amount of EUR 3,500 thousand (prior year: EUR 17,300 thousand). The hedging instrument has a positive fair value of EUR 111 thousand (prior year: EUR 135 thousand), and the hedged item has a negative fair value of EUR 111 thousand (prior year: EUR 135 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 111 thousand (prior year: EUR 135 thousand) in changes in the value of hedged items and EUR -111 thousand (prior year: EUR -135 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 mainly result from provisions and from interest- and loss carry-forwards.

3.4 Notes to the income statement

Analysis of revenue

Analysis of revenue

in € thousands	2023	2022
Domestic	14,580	15,224
Foreign	970	1,249
Total revenue	15,550	16,473

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.

Disclosures required for the cost of sales format

Disclosures required for the cost of sales format

in € thousands	2023	2022
Wages and salaries	78,723	74,585
Social security, post-employment, and other employee benefit costs	16,322	15,640
• including post-employment benefits of	8,225	8,007
Personnel expense	95,045	90,224

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

Other operating income includes foreign exchange gains of EUR 563,628 thousand (prior year: EUR 696,604 thousand). Other operating expenses include foreign exchange losses of EUR 506,562 thousand (prior year: EUR 691,934 thousand).

Other interest and similar income includes EUR 28 thousand (prior year: EUR 0 thousand) in income from discounting provisions. Other interest and similar expenses includes EUR 1,583 thousand (prior year: EUR 4,181 thousand) in expenses from compounding provisions.

Expenses and income related to prior years

Expenses and income related to prior years

in € thousands	2023	2022
Tax expense and benefits related to prior years	7,212	-10,885
Gains on reversal of provisions	3,518	2,403
Income (prior year: expenses) related to prior years	10,730	-8,481

3.5 Other disclosures

Contingent liabilities

The company had EUR 198,622 thousand (prior year: EUR 134,693 thousand) in guarantees outstanding for the benefit of affiliated companies as at December 31, 2023.

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, Herzogenaurach
- Schaeffler Sondermaschinenbau AG & Co. KG, Herzogenaurach

Other financial obligations

Other financial obligations

in € thousands	2023	2022	Change in %
Off-balance sheet payment obligations	4,145	3,885	6.7
• including obligations under multi-year leases of	3,468	3,208	8.1
• including obligations to affiliated companies of	677	677	0.0

Average number of employees for the year

Average number of employees

	2023	2022	Change in %
Salaried employees	533	526	1.4
Temporary staff	24	18	33.8
Total	557	544	2.5

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; 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; Top Talent Management & Strategic Workforce Planning

Appointed: October 24, 2014

Term of office ends: June 30, 2029

Seats on supervisory and similar boards: member of the Supervisory Board of Continental AG, Hanover; member of the Supervisory Board of Vitesco Technologies Group AG, Regensburg; Supervisor of Schaeffler Holding (China) Co. Ltd., Shanghai, China; member of the Advisory Board of Schaeffler Immobilien AG & Co. KG, Herzogenaurach (since July 31, 2023)

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 Services¹⁹; IT & Digitalization; Risk Management & Internal Control System

Appointed: September 1, 2021

Term of office ends: August 31, 2025

Seats on supervisory and similar boards: member of the Advisory Board of Schaeffler Immobilien AG & Co. KG, Herzogenaurach (since July 31, 2023)

Dr. Astrid Fontaine (since January 1, 2024)

Chief Human Resources Officer

Responsible for: HR Strategy & Diversity; HR Policies & Standards; Recruiting, Talent Development & Employee Engagement; Schaeffler Academy; HR Systems, Processes & Reporting; Environment, Health & Safety; HR Functions; HR Germany

Appointed: January 1, 2024

Term of office ends: December 31, 2026

Seats on supervisory and similar boards: member of the Advisory Board of Schaeffler Consulting GmbH, Herzogenaurach (since January 1, 2024)

Andreas Schick

Chief Operating Officer

Responsible for: Schaeffler Production System & Production Technology; Digitalization & Operations IT; Advanced Production Technology; Tool Technology; 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 Advisory Board of Schaeffler Immobilien AG & Co. KG, Herzogenaurach (since July 31, 2023); 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; HR 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; member of the shareholder committee of TecAlliance GmbH, Ismaning; chairman of the Advisory Board of Partslife GmbH, Neu-Isenburg (since June 27, 2023); member of the Advisory Board of Partslife GmbH, Neu-Isenburg (until June 27, 2023); member of the board of directors of Schaeffler India Ltd., Pune, India (since January 1, 2024)

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 & Purchasing Industrial; Quality Industrial; Divisional Controlling Industrial; HR Industrial

Appointed: May 1, 2015

Term of office ends: April 30, 2024

¹⁹ Responsibility for global steering of the shared services activities within the Schaeffler Group.

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 Ingenieursgesellschaft Auto und Verkehr, Berlin (until July 12, 2023); member of the Advisory Board of Compact Dynamics GmbH, Starnberg; member of the Advisory Board of Schaeffler ByWire Technologie 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; HR 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 (until July 31, 2023); chairman of the Advisory Board of Schaeffler ByWire Technologie GmbH & Co. KG, Herzogenaurach; Supervisor of Schaeffler (China) Co., Ltd., Taicang, China

The following member left the Board of Managing Directors in 2023

Corinna Schittenhelm (until December 31, 2023)

Chief Human Resources Officer

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

Appointed: January 1, 2016

Term of office ended: 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 (until December 31, 2023); member of the board of directors of Schaeffler India Ltd., Pune, India (until December 31, 2023)

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, presidential, 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, Herzogenaurach; member of the Supervisory Board of Continental AG, Hanover; member of the Supervisory Board of Vitesco Technologies Group AG, Regensburg

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, presidential, audit, and technology committees

Sabine Bendiek

Senior advisor

Appointed: April 24, 2019

Committee memberships: member of the presidential committee

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 Bilz AG, Leonberg; member of the advisory board of Friedhelm Loh Stiftung GmbH & Co. KG, Haiger; member of the Supervisory Board of Vitesco Technologies Group AG, Regensburg

* Employee representative on the Supervisory Board.

Notes to the financial statements > Other disclosures

Dr. Holger Engelmann

Chairman of the Management Board of Webasto SE

Appointed: December 1, 2014

Committee memberships: member of the audit and nomination committees

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 SE, Neu-Isenburg (until May 11, 2023); member of the Supervisory Board of Compagnie Plastic Omnium SA, Levallois-Perret, France

Andrea Grimm*

Deputy Chairperson of the Works Council Herzogenaurach
 Deputy Spokesperson of the Economic Committee

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*

1st authorized representative IG Metall Schweinfurt

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*

Plant manager Herzogenaurach

Appointed: October 1, 2022

Katherina Reiche (since April 20, 2023)

Chairwoman of the Board of Managing Directors of Westenergie AG

Appointed: April 20, 2023

Committee memberships: member of the nomination committee
Seats on supervisory and similar boards: member of the Supervisory Board of DEW21 GmbH, Dortmund; Deputy Chairperson of the Supervisory Board of NEW AG, Moenchengladbach; member of the Supervisory Board of RheinEnergie AG, Cologne; member of the board of directors of VGP NV, Antwerp, Belgium

Barbara Resch*

Wage secretary

Appointed: November 19, 2015

Committee memberships: member of the presidential 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

Helga Schönhoff*

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

Appointed: May 8, 2020

Ulrich Schöppl* (since August 1, 2023)

Deputy Chairman of the Works Council Schaeffler Technologies AG & Co. KG Schweinfurt plant
 Chairman of the General Works Council of Schaeffler Technologies AG & Co. KG
 Deputy Chairman of the Group Works council Schaeffler AG
 Chairman of the European Works Council Schaeffler

Appointed: August 1, 2023

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

* Employee representative on the Supervisory Board.

Robin Stalker

Chartered Accountant

Appointed: December 1, 2014**Committee memberships:** chairman of the audit committee**Seats on supervisory and similar boards:** member of the Supervisory Board of Commerzbank AG, Frankfurt/Main (until May 31, 2023); member of the Supervisory Board of Hugo Boss AG, Metzingen; Deputy Chairman of the Supervisory Board of Schmitz Cargobull AG, Horstmar**Prof. TU Graz e.h. KR Ing. Siegfried Wolf**

Entrepreneur

Appointed: December 1, 2014**Committee memberships:** member of the mediation, presidential, 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 Porsche Automobil Holding SE, Stuttgart; Chairman of the Supervisory Board of Steyr Automotive GmbH, Steyr, Austria; Chairman of the Supervisory Board of Vitesco Technologies Group AG, Regensburg**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**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 members left the Supervisory Board in 2023****Maria-Elisabeth Schaeffler-Thumann (until April 20, 2023)**Shareholder of INA-Holding Schaeffler GmbH & Co. KG
Deputy Chairperson of the Supervisory Board of Schaeffler AG**Appointed:** December 1, 2014**Salvatore Vicari* (until July 31, 2023)**2nd authorized representative IG Metall Homburg-Saarpfalz**Appointed:** December 2, 2014**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 19 m (prior year: EUR 16 m) in 2023.

The following share-based remuneration was granted to members of the Board of Managing Directors in 2023 under the Performance Share Unit Plan (PSUP) implemented in 2015 and amended in 2020: 404,722 Performance Share Units (PSU) subject to a service condition (fair value at grant date per PSU of EUR 4.77 for grant date March 3, 2023), a maximum of 354,130 PSUs subject to an EPS-based performance target (fair value at grant date per PSU of EUR 4.77 for March 3, 2023), a maximum of 354,130 PSUs subject to a TSR-based performance

target tied to the sector basket (fair value at grant date per PSU of EUR 1.86 for March 3, 2023), and a maximum of 505,902 PSUs with an ESG target (fair value at grant date per PSU of EUR 4.77 for March 3, 2023). 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: 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%.

Short-term benefits paid to members of Schaeffler AG's Supervisory Board amounted to EUR 1.8 m (prior year: EUR 1.8 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 2023 (prior year: EUR 2 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, 2023 (prior year: EUR 33 m).

* Employee representative on the Supervisory Board.

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 1,301 thousand (prior year: EUR 5,742 thousand).

Under section 268 (8) HGB, EUR 100 thousand (prior year: EUR 730 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 2023 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 Company Register, formerly Federal Gazette (Bundesanzeiger Verlag GmbH, Cologne) and published in the electronic Company Register.

Events after the reporting period

On January 2, 2024, Schaeffler AG drew down approximately EUR 1.1 bn under the existing bridge facility to finance the tender offer for the outstanding shares of Vitesco Technologies Group AG on January 5, 2024. On January 5, 2024, Schaeffler AG acquired 11,957,629 shares of Vitesco Technologies Group AG tendered under the public tender offer. The cumulative purchase price of the shares acquired amounted to approximately EUR 1.1 bn. Upon closing of the public tender offer for all shares of Vitesco Technologies Group AG tendered and payment of the consideration, the Schaeffler Group obtained significant influence and has been accounting for Vitesco Technologies Group AG under the equity method as an associated company in the Schaeffler Group's consolidated financial statements since that date.

On January 8, 2024, Schaeffler AG issued a total of EUR 1.1 bn in bonds under its debt issuance program. The transaction consisted of two tranches (EUR 500 m with a 4.500% coupon, due in August 2026, and EUR 600 m with a 4.750% coupon, due in August 2029). The proceeds of the issuance were mainly used to repay the drawings under the previous bridge facility for the acquisition of the shares in Vitesco Technologies Group AG.

On January 15, 2024, Schaeffler AG drew down in full the EUR 420 m loan with a six-year term under the loan agreement with the European Investment Bank signed in December 2023.

On January 19, 2024, Schaeffler AG prepaid in full the EUR 1.1 bn drawn under the previous bridge facility. Simultaneously, the line of credit under one of the facilities was reduced from a total of EUR 2.2 bn to EUR 387 m.

On January 22, 2024, Schaeffler AG entered into an agreement with BofA Securities Europe S.A. to acquire a stake of 3.6 million shares, approximately 9% of the share capital of Vitesco Technologies Group AG. BofA Securities Europe S.A. had acquired the shares in connection with the total return swap. The collateral posted when the shares were purchased by BofA Securities Europe S.A. in 2023 was offset against the agreed cash settlement when the purchase price was paid. This resulted in a further cash outflow of EUR 65 m on January 24, 2024. The price of the additional shares acquired is lower than the consideration under the tender offer. The acquisition increases Schaeffler AG's shareholding in Vitesco Technologies Group AG to approximately 38.9%.

On January 29, 2024, the Schaeffler Group increased its existing equity investment in Swedish start-up H2 Green Steel by a further EUR 28 m to a total of EUR 100 m.

Notes to the financial statements > Other disclosures

On February 2, 2024, resolutions approving the conversion of the common non-voting shares of Schaeffler AG into common voting shares at a ratio of 1:1 were passed by an extraordinary general meeting and a separate meeting of the common non-voting shareholders. The share conversion is conditional on the completion of the merger as part of the business combination.

The two lines of credit under the bridge facility to refinance potential liabilities and to potentially repay the revolving credit facility of Vitesco Technologies Group AG were terminated on February 16, 2024.

The Bearings business division, which was previously the responsibility of the Automotive Technologies division, was assigned to the Industrial division effective in 2024. Additionally, the Automotive Aftermarket and Industrial divisions were renamed Vehicle Lifetime Solutions and Bearings & Industrial Solutions, respectively.

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, 2023.

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List of shareholdings

List of shareholdings of Schaeffler AG as at 12/31/2023

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
A. Affiliated companies					
I. Germany					
CBF Europe GmbH ^{2) 3)}	Wuppertal	DE	100.0	-3,865	0
Compact Dynamics GmbH ¹⁾	Starnberg	DE	100.0	5,657	0
Ewellix GmbH	Schweinfurt	DE	100.0	6,814	0
Ewellix Holding Germany GmbH	Frankfurt/Main	DE	100.0	-398	-4,475
Industriewerk Schaeffler INA-Ingenieurdienst-GmbH ¹⁾	Herzogenaurach	DE	100.0	558,435	0
LuK Unna GmbH & Co. KG	Unna	DE	100.0	3,721	-660
Schaeffler Aerospace Germany Beteiligungs GmbH	Schweinfurt	DE	100.0	56	-2
Schaeffler Aerospace Germany GmbH & Co. KG	Schweinfurt	DE	100.0	99,564	-14,058
Schaeffler AS Auslands-holding GmbH ¹⁾	Buehl	DE	100.0	20,369	0
Schaeffler Automotive Aftermarket International Holding GmbH ¹⁾	Buehl	DE	100.0	56,928	0
Schaeffler Automotive Aftermarket GmbH & Co. KG	Frankfurt/Main	DE	100.0	1,530,165	-258,903
Schaeffler Automotive Buehl GmbH & Co. KG	Buehl	DE	100.0	2,120,277	-203,937
Schaeffler Beteiligungs-gesellschaft mbH	Herzogenaurach	DE	100.0	377	0
Schaeffler Beteiligungs-verwaltungs GmbH ¹⁾	Herzogenaurach	DE	100.0	40,841	0
Schaeffler Buehl Auslands-holding GmbH ¹⁾	Buehl	DE	100.0	60,152	0

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
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	31	-1
Schaeffler ByWire Technologie GmbH & Co. KG	Herzogenaurach	DE	100.0	-7,157	-19,141
Schaeffler Consulting GmbH ¹⁾	Herzogenaurach	DE	100.0	5,081	0
Schaeffler Digital Solutions GmbH ¹⁾	Chemnitz	DE	100.0	622	0
Schaeffler Elmotec Statomat GmbH	Karben	DE	100.0	1,940	-189
Schaeffler Engineering GmbH ¹⁾	Werdohl	DE	100.0	5,349	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	26	-1
Schaeffler Immobilien AG & Co. KG	Herzogenaurach	DE	100.0	213,266	-2,327
Drives AG & Co. KG	Suhl	DE	100.0	7,546	-2,261
Schaeffler Industrial Remanufacturing Services AG & Co. KG	Herzogenaurach	DE	100.0	-419	525
Schaeffler Invest GmbH ¹⁾	Herzogenaurach	DE	100.0	100	0
Schaeffler KWK Verwaltungs GmbH	Langen	DE	100.0	29	-1

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
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 Sondermaschinenbau AG & Co. KG	Erlangen	DE	100.0	36,292	13,424
Schaeffler Technologies AG & Co. KG	Herzogenaurach	DE	100.0	13,365,868	-31,160
Schaeffler Ultra Precision Drives GmbH	Hamel	DE	100.0	-6,260	6,753
Schaeffler Versicherungs-Vermittlungs GmbH ¹⁾	Herzogenaurach	DE	100.0	8,282	0
Schaeffler Verwaltungs-holding Drei GmbH ¹⁾	Herzogenaurach	DE	100.0	1,893,543	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	36,526	-12,927
Schaeffler Verwaltungs-holding Zwei GmbH ¹⁾	Herzogenaurach	DE	100.0	1,748,097	0
softwareinmotion GmbH ⁴⁾	Schorn-dorf	DE	60.0	-1,503	604
SPV Solarpark 106. GmbH & Co. KG	Graefel-fing	DE	100.0	1,594	-381
Unterstützungskasse der FAG Kugelfischer e. V.	Schweinfurt	DE	100.0	-34	980
WPB Water Pump Bearing Beteiligungsgesellschaft mbH	Herzogenaurach	DE	100.0	76	-2
WPB Water Pump Bearing GmbH & Co. KG	Herzogenaurach	DE	100.0	101,331	-4,737
Xtronic GmbH	Boeblingen	DE	100.0	3,408	2,539

Notes to the financial statements > Other disclosures

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
II. Foreign					
Schaeffler Middle East FZE	Jebel Ali	AE	100.0	9,138	-1,232
Schaeffler Argentina S.R.L.	Buenos Aires	AR	100.0	3,660	-6,728
Schaeffler Austria GmbH	Berndorf-St. Veit	AT	100.0	55,117	-7,142
Schaeffler Australia Pty Ltd.	Belrose	AU	100.0	14,822	-726
Schaeffler Aerosint SA	Herstal	BE	100.0	-1,599	-1,284
Schaeffler Belgium BV/SRL	Ghent	BE	100.0	13,286	-1,143
Ewellix Bulgaria EOOD	Sofia	BG	100.0	-141	-187
Schaeffler Bulgaria OOD	Sofia	BG	100.0	938	-169
LuK do Brasil Embreagens Ltda.	Sorocaba	BR	100.0	119	-12
Schaeffler Brasil Ltda.	Sorocaba	BR	100.0	234,661	-37,529
Ewellix Canada Ltd.	Toronto	CA	100.0	2,005	-373
Schaeffler Aerospace Canada Inc.	Stratford	CA	100.0	54,351	-15,031
Schaeffler Canada Inc.	Oakville	CA	100.0	45,954	-4,529
Ewellix Switzerland AG	Liestal	CH	100.0	22,097	-7,606
Schaeffler Schweiz GmbH	Romanshorn	CH	100.0	4,916	-2,274
Schaeffler Chile Rodamientos Ltda.	Santiago	CL	100.0	2,345	-218
ETC Trading (Shanghai) Co., Ltd.	Shanghai	CN	92.6	1,565	7,727
Ewellix Motion Technologies (Pinghu) Co., Ltd.	Pinghu City	CN	100.0	23,358	-3,531
Ewellix Motion Technologies System (Shanghai) Co., Ltd.	Shanghai	CN	100.0	97	-266
RepXpert Automotive Aftermarket Services Consulting (Shanghai) LLP	Shanghai	CN	70.4	2,337	1,939
Schaeffler (China) Co., Ltd.	Taicang	CN	100.0	666,789	-248,052
Schaeffler (Nanjing) Co., Ltd.	Nanjing City	CN	100.0	234,654	-35,733
Schaeffler (Ningxia) Co., Ltd.	Yinchuan	CN	100.0	96,792	-13,064

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
Schaeffler (Xiangtan) Co., Ltd.	Xiangtan	CN	100.0	48,179	-3,917
Schaeffler Aerospace Bearings (Taicang) Co., Ltd.	Taicang	CN	100.0	282	-151
Schaeffler Automotive Aftermarket Services Consulting (Shanghai) Co.	Shanghai	CN	100.0	21,808	7
Schaeffler Friction Products (Suzhou) Co., Ltd.	Suzhou	CN	100.0	39,457	-8,152
Schaeffler Holding (China) Co., Ltd.	Shanghai	CN	100.0	812,499	-264,551
Schaeffler Intelligent Driving Technology (Changsha) Co., Ltd.	Changsha	CN	100.0	3,108	-81
Schaeffler Smart Machinery (Taicang) Co., Ltd.	Taicang	CN	100.0	0	0
Schaeffler Trading (Shanghai) Co., Ltd.	Shanghai	CN	100.0	165,476	-84,468
Wuhan Cathay Anqing Equity Investment Fund Partnership (LP)	Wuhan	CN	100.0	6,367	1
Schaeffler Colombia Ltda.	Bogotá	CO	100.0	1,966	-402
Schaeffler CZ s.r.o.	Prague	CZ	100.0	7,604	-2,084
Schaeffler Production CZ s.r.o.	Lanskroun	CZ	100.0	48,819	-2,404
Schaeffler Danmark ApS	Aarhus	DK	100.0	14,510	-1,063
Schaeffler Automotive Aftermarket Spain S.L.	Madrid	ES	100.0	10,427	-1,920
Schaeffler Iberia, S.L.U.	Elgoibar	ES	100.0	29,040	-3,233
Schaeffler Finland Oy	Espoo	FI	100.0	12,368	-243
ECO-Adapt SAS	Paris	FR	100.0	3,084	874
Ewellix France SAS	Chambéry	FR	100.0	20,234	-1,929
Ewellix Holding France SAS	Paris	FR	100.0	532	2,771
Schaeffler Automotive Aftermarket France SAS	Clamart	FR	100.0	7,104	-434
Schaeffler France SAS	Haguenau	FR	100.0	129,639	-13,631
Ewellix UK Limited	Milton Keynes	GB	100.0	301	-53
Schaeffler (UK) Limited	Sheffield	GB	100.0	32,359	-326

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
Schaeffler Automotive Aftermarket (UK), Limited	Hereford	GB	100.0	8,867	-3,364
Schaeffler Greece Automotive and Industrial Products and Services m.E.P.E.	Athens	GR	100.0	497	-56
Schaeffler Hong Kong Company Limited	Hong Kong	HK	100.0	24,519	-165
Schaeffler Hrvatska d.o.o.	Zagreb	HR	100.0	1,100	-378
Schaeffler Debrecen Kft.	Debrecen	HU	100.0	22,446	27
Schaeffler Magyarorszag Ipari Kft.	Budapest	HU	100.0	5,382	-1,072
Schaeffler Savaria Kft.	Szombathely	HU	100.0	209,568	-30,825
Schaeffler Special Machinery Kft.	Szombathely	HU	100.0	9	0
Schaeffler Bearings Indonesia, PT	Jakarta	ID	100.0	4,796	-186
Schaeffler Israel Ltd.	Yokneam Illit	IL	100.0	382	-92
Ewellix India Private Limited	Pune	IN	100.0	74	90
KRSV Innovative Auto Solutions Private Limited	Bengaluru	IN	74.1	-695	763
Schaeffler India Ltd.	Pune	IN	74.1	523,961	-101,762
Schaeffler Technology Solutions India Pvt. Ltd.	Pune	IN	100.0	5,637	-794
Ewellix Italy S.r.l.	Turin	IT	100.0	3,339	-535
INA Invest S.r.l.	Momo	IT	100.0	25,242	-13
Schaeffler Automotive Aftermarket Italy S.r.l.	Milan	IT	100.0	1,626	-1,606
Schaeffler Italia S.r.l.	Momo	IT	100.0	81,622	-8,127
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	10,787	-1,154
Schaeffler Japan Co., Ltd.	Yokohama	JP	100.0	32,942	-5,071
Ewellix Korea Ltd.	Dangjeong-dong	KR	100.0	1,230	-720

Notes to the financial statements > Other disclosures

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
Schaeffler Ansan Corporation	Ansan-shi	KR	100.0	39,903	-7,561
Schaeffler Korea Corporation	Changwon-si	KR	100.0	262,330	-47,512
Schaeffler Kazakhstan TOO	Almaty	KZ	100.0	-242	246
Schaeffler Industrial Ceramics SARL	Roeser	LU	100.0	3,568	1,724
SIA "Schaeffler Baltic"	Riga	LV	100.0	1,535	-251
Rodamientos FAG S.A. de C.V.	Puebla	MX	100.0	828	120
Schaeffler Automotive Aftermarket Mexico, S. de R.L. de C.V.	Mexico City	MX	100.0	61,875	-14,744
Schaeffler Mexico Holding, S. de R.L. de C.V.	Puebla	MX	100.0	172,425	-5
Schaeffler Mexico Servicios, S. de R.L. de C.V.	Guajuato	MX	100.0	6,849	-703
Schaeffler Mexico, S. de R.L. de C.V.	Guajuato	MX	100.0	91,658	15,294
Schaeffler Transmisión, S. de R.L. de C.V.	Puebla	MX	100.0	344,925	-65,988
Schaeffler Bearings (Malaysia) Sdn. Bhd.	Kuala Lumpur	MY	100.0	11,347	-1,316
BEGA International B.V.	Epe	NL	100.0	4,485	-1,325
Ewellix Benelux B.V.	Utrecht	NL	100.0	2,256	-616
Hydron Energy B.V.	Barneveld	NL	100.0	948	-429
Radine B.V.	Barneveld	NL	100.0	1,682	-697
Schaeffler Nederland B.V.	Barneveld	NL	100.0	4,359	-76
Schaeffler Norge AS	Sandnes	NO	100.0	5,497	-245
Schaeffler Peru S.A.C.	Lima	PE	100.0	1,226	10
Schaeffler Philippines Inc.	Makati City	PH	100.0	704	65
Schaeffler Global Services Europe Sp. z o.o.	Wroclaw	PL	100.0	4,328	-1,676
Schaeffler Polska Sp. z o.o.	Warsaw	PL	100.0	65,003	-8,505
Schaeffler Portugal, Unipessoal, Lda.	Caldas da Rainha	PT	100.0	19,987	-362
Schaeffler Romania S.R.L.	Brasov	RO	100.0	233,129	-7,352
Schaeffler SR d.o.o.	Belgrade	RS	100.0	602	-55

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
Ewellix AB	Partille	SE	100.0	173,518	-81,599
Schaeffler Holding Sverige AB	Stockholm	SE	100.0	2	0
Schaeffler Invest AB	Stockholm	SE	100.0	72,077	60
Schaeffler Sverige AB	Arlanda-stad	SE	100.0	9,687	-3,025
Triatic Holdco AB	Partille	SE	100.0	125,373	333
Schaeffler (Singapore) Pte. Ltd.	Singapore	SG	100.0	30,890	-434
Schaeffler Aerospace (Singapore) Pte. Ltd.	Singapore	SG	100.0	-4,592	457
Schaeffler Slovenija d.o.o.	Maribor	SI	100.0	757	-202
Schaeffler Kysuce, spol. s r.o.	Kysucke Nove Mesto	SK	100.0	248,789	-6,671
Schaeffler Skalica spol. s r.o.	Skalica	SK	100.0	141,693	-4,650
Schaeffler Slovensko, spol s r.o.	Kysucke Nove Mesto	SK	100.0	1,463	-381
Schaeffler Special Machinery, spol. s r.o.	Kysucke Nove Mesto	SK	100.0	0	0
Schaeffler Holding (Thailand) Co., Ltd.	Bangkok	TH	100.0	0	0
Schaeffler Manufacturing (Thailand) Co., Ltd.	Rayong	TH	100.0	4,425	1,305
Schaeffler Turkey Endüstri ve Otomotiv Ticaret Limited Sirketi	Istanbul	TR	100.0	4,188	-1,795
ABBA Linear Tech Co., Ltd.	Taoyuan	TW	100.0	12,463	893
Schaeffler Taiwan Co., Ltd.	Taipei	TW	100.0	1,230	-129
Schaeffler Ukraine GmbH	Kyiv	UA	100.0	510	-249
Ewellix USA LLC	Wilming-ton	US	100.0	14,396	1,214
FAG Bearings LLC	Danbury	US	100.0	-33,750	13,293
LuK Clutch Systems, LLC	Wooster	US	100.0	145,722	-7,355

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
LuK-Aftermarket Service, LLC	Valley City	US	100.0	-3,411	0
Schaeffler Aerospace USA Corporation	Danbury	US	100.0	221,027	-9,179
Schaeffler Battery Technology LLC	Wilming-ton	US	100.0	-7	7
Schaeffler Group USA, Inc.	Fort Mill	US	100.0	725,991	26,223
Schaeffler Holding LLC	Danbury	US	100.0	0	0
Schaeffler Invest USA LLC	Wilming-ton	US	100.0	-132	10
Schaeffler Transmission Systems, LLC	Wooster	US	100.0	647,441	-103,570
Schaeffler Transmission, LLC	Wooster	US	100.0	193,082	-6,849
Triatic HoldCo Inc.	Wilming-ton	US	100.0	562	1,332
Schaeffler Vietnam Co., Ltd.	Bien Hoa City	VN	100.0	27,644	2,191
INA Bearings (Pty) Ltd.	Port Elizabeth	ZA	100.0	14,906	-3,903
Schaeffler South Africa (Pty.) Ltd.	Johannes-burg	ZA	100.0	19,890	-2,919

B. Investments

I. Germany

Cofinity-X GmbH ^{2) 3)}	Cologne	DE	10.0	20,820	-9,592
Contitech-INA Beteiligungs-gesellschaft mbH	Hanover	DE	50.0	23	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	20.8	9,631	-2,741
GKS-Gemeinschaftskraft-werk Schweinfurt GmbH ^{2) 3)}	Schwein-furt	DE	10.3	44,177	2,026
IAV GmbH Ingenieurgesell-schaft Auto und Verkehr ^{2) 3)}	Berlin	DE	10.0	227,200	34,800
SupplyON AG ^{2) 3)}	Hallberg-moos	DE	16.7	35,019	6,096
up2parts GmbH ^{2) 3)}	Weiden/Upper Palatinate	DE	14.3	-2,163	-1,349

Notes to the financial statements > Other disclosures

Entity	Location	Country code	Ownership interest in %	Equity in € thousands	Net income (loss) in € thousands
II. Foreign					
Hubei Cathay Smart New Energy Fund Partnership (LP) ^{2) 3)}	Wuhan	CN	5.5	118,238	30,633
Leadrive Technology (Shanghai) Co., Ltd. ^{2) 3)}	Shanghai	CN	3.4	54,254	-21,046
Schaeffler-CARS Railway Technology Co. Ltd. ^{2) 3)}	Tianjing City	CN	50.0	7,006	99
Clean H2 Infra Fund S.L.P. ^{2) 3)}	Paris	FR	1.5	31,157	-26,277
Clean Hydrogen Equipment Fund S.L.P. ⁴⁾	Paris	FR	34.5		
Innoplate SAS ^{2) 3)}	Haguenau	FR	50.0	11,429	62
Eurings Zrt. ^{2) 3)}	Debrecen	HU	37.0	7,126	1,075
Statomat Special Machines (India) Pvt. Ltd. ^{2) 3)}	Mumbai	IN	79.9	-942	-667
Statec S.r.l. ^{2) 3)}	Turin	IT	35.0	1,350	58
H2GS AB ^{2) 3)}	Stockholm	SE	4.1	300,468	-15,828
Baukunst Fund I LP ^{2) 3)}	Wilming- ton	US	10.3	2,890	-1,555
Colinx, LLC ^{2) 3)}	Greenville	US	20.0	2,805	-490

¹⁾ There is a profit and loss transfer agreement.

²⁾ Information per 2022 financial statements.

³⁾ Financial statements not yet issued.

⁴⁾ No financial statement information as entity is in process of incorporation.

3.6 Preparation of financial statements

The Board of Managing Directors of Schaeffler AG prepared the financial statements on February 20, 2024, 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 20, 2024

Schaeffler Aktiengesellschaft
The Board of Managing Directors

Klaus Rosenfeld
Chief Executive Officer

Jens Schüler

Claus Bauer

Dr. Stefan Spindler

Dr. Astrid Fontaine

Uwe Wagner

Andreas Schick

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, Herzogenaurach, which comprise the balance sheet as at December 31, 2023, and the income statement for the financial year from January 1 to December 31, 2023, 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, 2023.

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, 2023, and of its financial performance for the financial year from January 1 to December 31, 2023, 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.

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, 2023. 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.

Independent Auditors' Report

The risk for the financial statements Long-term financial assets in Schaeffler AG's annual financial statements include EUR 14,689 m in shares in affiliated companies and EUR 186 m in loans receivable from affiliated companies as at December 31, 2023. The Company's long-term financial assets represent 58.21% 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 not recognized any write-downs on long-term financial assets in 2023.

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. 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, 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.

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.

Independent Auditors' Report

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.

- 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.

Independent Auditors' Report

- 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.zip“ (SHA256-Hashwert: b83e0e71157afdf8ad3d77d1039128627be0a29327096a610b9639f58f8b1bd3) 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, 2023, contained in the "Report on the Audit of the Annual Financial Statements and of the Management Report" above.

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 of IDW Standard on Quality Management: "Requirements for Quality Management in Audit Firms" (IDW QMS 1 (09.2022)).

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.

Independent Auditors' Report

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 20, 2023. We were engaged by the Supervisory Board on December 5, 2023. We have been the auditors of Schaeffler AG without interruption since the financial year 2010, including

nine years during which the Company continuously met the definition of a public interest entity in accordance with section 316a sentence 2 HGB.

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 a review of the consolidated interim financial report as at June 30, 2023, audited the combined separate group non-financial report of Schaeffler AG, and performed various statutory and contractual audits, such as EMIR audits in accordance with section 32 (1) of the German Securities Trading Act ("Wertpapierhandelsgesetz" – WpHG), audited the effectiveness of the tax CMS, issued a comfort letter, audited the remuneration report in accordance with IDW AuS 490 with reasonable assurance, TISAX audits, a quality review of the CSRD implementation project, and audits of selected financial and non-financial indicators.

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, February 21, 2024

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

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 20, 2024

Schaeffler Aktiengesellschaft
The Board of Managing Directors

Klaus Rosenfeld
Chief Executive Officer

Dr. Astrid Fontaine

Jens Schüler

Uwe Wagner

Claus Bauer

Andreas Schick

Dr. Stefan Spindler

Matthias Zink