SCHAEFFLER

We pioneer motion

Annual Report 2022

Schaeffler Group at a glance

Income statement (in € millions)	2022	2021		Change
Revenue	15,809	13,852	14.1	%
• at constant currency			9.4	%
EBIT	974	1,220	-20.2	%
• in % of revenue	6.2	8.8	-2.7	%-pts.
EBIT before special items [1]	1,046	1,222	-14.4	%
• in % of revenue	6.6	8.8	-2.2	%-pts.
Net income [2]	557	756	-26.3	%
Earnings per common non-voting share (basic/diluted, in €)	0.84	1.14	-26.3	%
Statement of financial position (in € millions)	**12/31/2022**	**12/31/2021**		Change
Total assets	14,284	14,364	-0.6	%
Additions to intangible assets and property, plant and equipment.	814	670	21.4	%
Amortization, depreciation, and impairment losses excluding depreciation of right-of-use assets under leases and impairments of goodwill	924	907	1.9	%
Reinvestment rate	0.88	0.74		
Shareholders' equity [3]	4,141	3,165	976	€ millions
• in % of total assets	29.0	22.0	7.0	%-pts.
Net financial debt	2,235	1,954	14.4	%
• Net financial debt to EBITDA ratio before special items [1]	1.1	0.9		
• Gearing ratio (Net financial debt to shareholders' equity [3], in %)	54.0	61.7	-7.8	%-pts.
Statement of cash flows (in € millions)	**2022**	**2021**		Change
EBITDA	1,963	2,186	-10.2	%
Cash flows from operating activities	1,139	1,276	-137	€ millions
Capital expenditures (capex) [4]	791	671	120	€ millions
• in % of revenue (capex ratio)	5.0	4.8	0.2	%-pts.
Free cash flow (FCF) before cash in- and outflows for M&A activities	280	523	-243	€ millions
• FCF-conversion (ratio of FCF before cash in- and outflows for M&A activities to EBIT) [5]	0.3	0.4	-	
Value-based management				Change
ROCE (in %)	11.1	14.9	-3.8	%-pts.
ROCE before special items (in %) [1]	11.9	14.9	-3.0	%-pts.
Schaeffler Value Added	97	403	-75.8	%
Schaeffler Value Added before special items (in € millions) [1]	170	404	-58.1	%
Employees	**12/31/2022**	**12/31/2021**		Change
Headcount (at end of reporting period)	82,773	82,981	-0.3	%

Automotive Technologies division [6] (in € millions)	2022	2021		Change
Revenue	9,500	8,436	12.6	%
• at constant currency			7.7	%
EBIT	253	579	-56.4	%
• in % of revenue	2.7	6.9	-4.2	%-pts.
EBIT before special items [1]	292	544	-46.4	%
• in % of revenue	3.1	6.4	-3.4	%-pts.

Automotive Aftermarket division [6] (in € millions)				Change
Revenue	2,038	1,848	10.3	%
• at constant currency			7.0	%
EBIT	251	274	-8.6	%
• in % of revenue	12.3	14.8	-2.5	%-pts.
EBIT before special items [1]	255	256	-0.3	%
• in % of revenue	12.5	13.9	-1.3	%-pts.

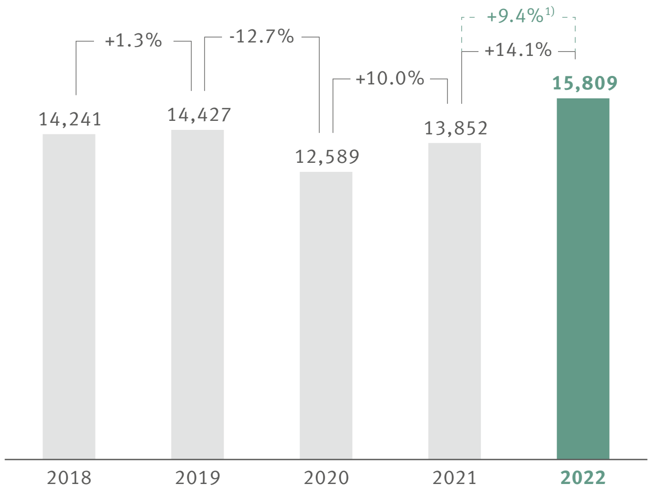
Industrial division [6] (in € millions)				Change
Revenue	4,271	3,568	19.7	%
• at constant currency			14.7	%
EBIT	470	367	28.2	%
• in % of revenue	11.0	10.3	0.7	%-pts.
EBIT before special items [1]	499	421	18.3	%
• in % of revenue	11.7	11.8	-0.1	%-pts.

1) Please refer to pp. 32 et seq. for the definition of special items.
2) Attributable to shareholders of the parent company.
3) Including non-controlling interests.
4) Capital expenditures on intangible assets and property, plant and equipment.
5) Only reported if free cash flow before cash in- and outflows for M&A activities and EBIT positive.
6) Prior year information presented based on 2022 segment structure.

Key financials

Revenue

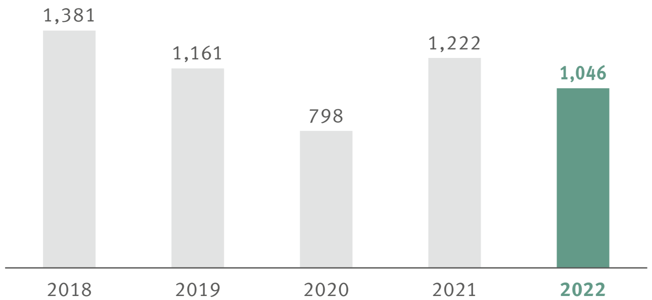
in € millions



1) Revenue growth at constant currency

EBIT before special items

in € millions



EBIT margin before special items

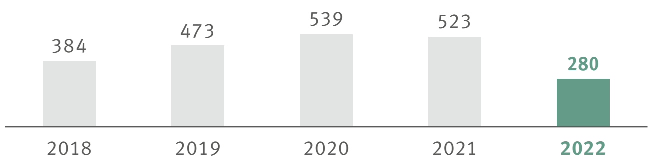
9.7%	8.1%	6.3%	8.8%	6.6%

Schaeffler Group revenue by division

in percent

Free cash flow (FCF) before cash in- and outflows for M&A activities

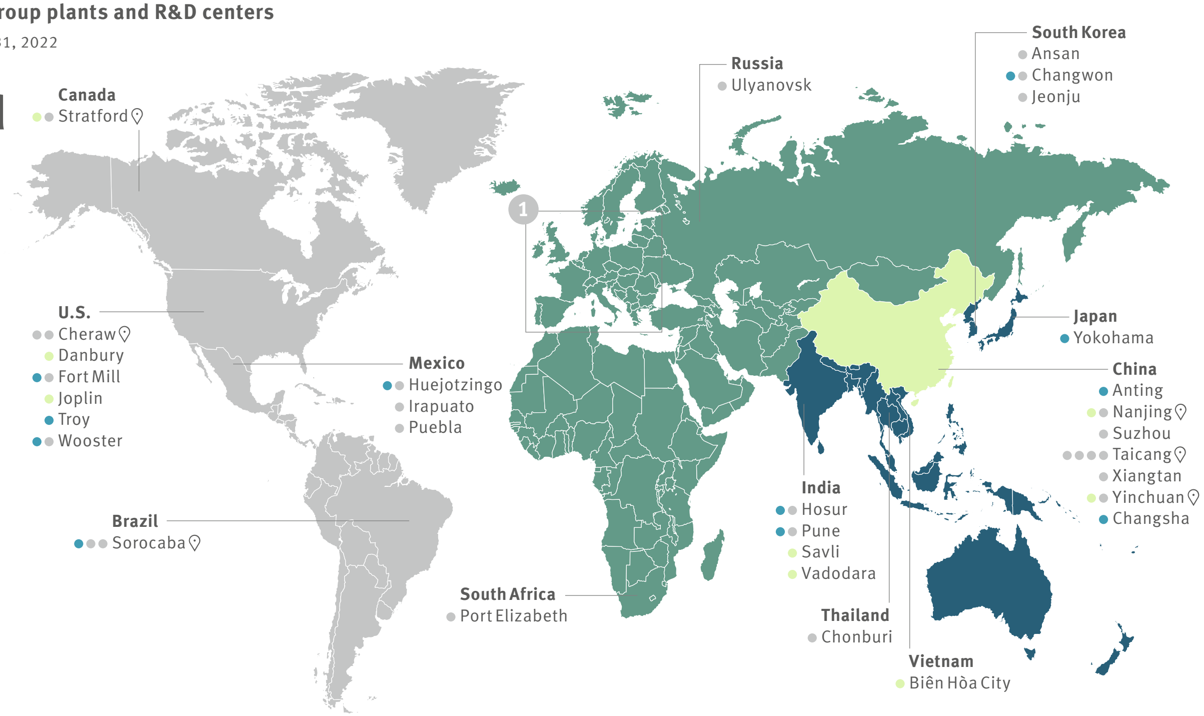
in € millions



Schaeffler Group plants and R&D centers

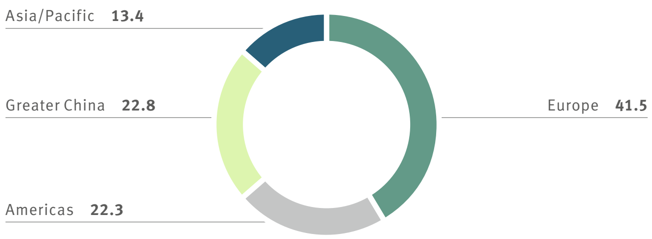
as at December 31, 2022

World



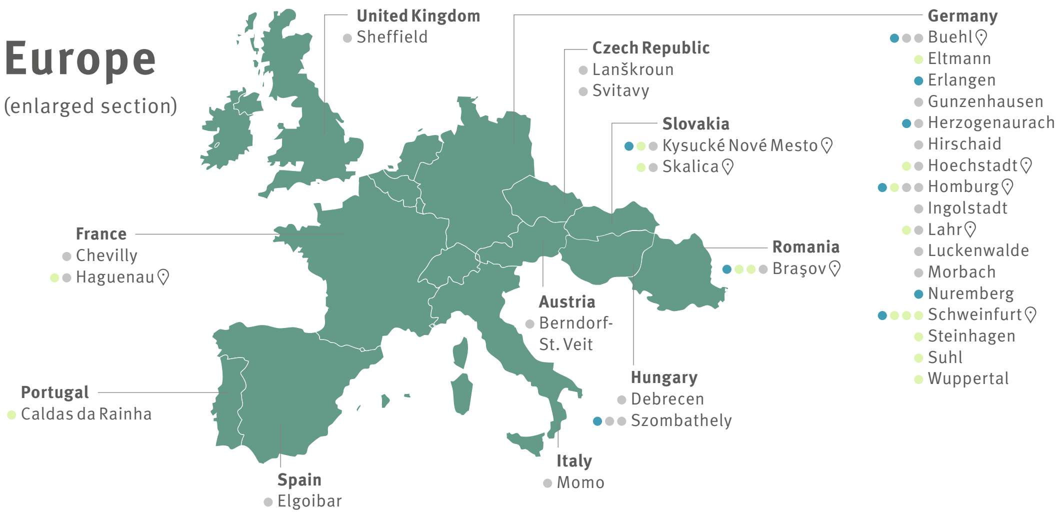
Schaeffler Group revenue by region

in percent by market view



1 Europe

(enlarged section)



Regions [1]	Europe	Americas	Greater China	Asia/Pacific	Schaeffler Group
R&D centers	9	5	2	4	20
Plants	44	13	10	9	76
Automotive Technologies	28	10	8	6	52
Industrial	16	3	2	3	24
Campus locations	9	3	3	-	15

[1] Regions reflect the regional structure of the Schaeffler Group.

Highlights 2022

All divisions and all regions contribute to revenue growth

Revenue at **EUR 15.8 bn**
(up 9.4% at constant currency)

(prior year: EUR 13.9 bn)

Diversification supports margin trend in volatile environment

EBIT margin before special items **6.6%**

(prior year: 8.8%)

Positive free cash flow with higher capital expenditures

Free cash flow before cash in- and outflows
for M&A activities **EUR 280 m**

(prior year: EUR 523 m)

Contents

Navigation aid
Further details in the report
Further details online

* Part of the group management report.

Message from the shareholders

Ladies and Gentlemen,

2022 was a year marked by particular political and economic challenges. The war in Ukraine shook international relations and further deteriorated the global economic environment already weakened by the coronavirus pandemic. Strained supply chains, rising prices, and renewed coronavirus measures unsettled the markets.

Despite this difficult environment, the Schaeffler Group brought the year 2022 to a successful close. This once again confirms the importance of the company's global positioning as an automotive and industrial supplier and is proof of both its resilience and its flexibility. Amidst the transformation, the company has developed in a positive direction in difficult times and generated encouraging results.

A worldwide task that also calls on all of us to take responsibility is limiting global warming. Time is running out. Being able to leave a sustainable world to future generations requires taking action together. As laid down in the "Roadmap 2025", the Schaeffler Group will actively help shape and drive progress in the industries relevant to the company. Digitalization offers a multitude of possibilities for this and opens up opportunities along the entire value chain.

The Schaeffler Group provides its customers with ever new high-quality products, technologies, and services to enable them to conserve resources and reduce carbon emissions, and thus to operate more sustainably. By investing in the fundamentals essential to this, the company is increasing its ability to compete. Examples are a new technology center for software and electronics development in India and a state-of-the-art tool technology center in Hoechstadt/Aisch, both opened in 2022. The company also started to expand the electric mobility development and manufacturing campus in Buehl and construct a new central

Georg F. W. Schaeffler   Maria-Elisabeth Schaeffler-Thumann laboratory facility in Herzogenaurach in 2022. Additionally, the Schaeffler Group succeeded in adding to its portfolio and capabilities in future-oriented fields by making targeted acquisitions of highly specialized companies as well as entering into new collaborations.

Furthermore, the Schaeffler Group has intensified the measures aimed at achieving its targets of making its production climate neutral by 2030 and its supply chain by 2040. At all European and Chinese production locations, one hundred percent of electricity purchased already stem from renewable energy sources. The Schaeffler Group also generates renewable electricity itself, using photovoltaic systems for instance. Hydrogen plays an important role in achieving the sustainability targets as well. The company plans to use electrolysis to generate and use green hydrogen at suitable production locations. We are well on our way and, as family shareholders, we are looking ahead with optimism and confidence.

We are in the midst of great change and upheaval. It is a fascinating and challenging time that will set the course for our future lives. The tasks before us are great and we are aware that the transformation requires great effort and commitment. It is therefore all the more important that we make the best possible use of the available resources and strengths. Our employees, above all, are central for us. We thank them for their commitment and dedication, their trust, and their loyalty. Our sincere gratitude also goes to our customers, shareholders and business and research partners.

Yours sincerely,

Maria-Elisabeth Schaeffler-Thumann

Georg F. W. Schaeffler

Introduction by the Chief Executive Officer

Ladies and gentlemen,

2022 was a year that brought great challenges, surprising developments, and unimagined risks. A year in which the world and the environment in which we operate have become more turbulent, more volatile, and more risky. A year that has been exceptionally demanding for us here at Schaeffler as well.

I am all the more proud that we succeeded not only in demonstrating our resilience in this environment, but also in further improving our ability to compete and realize future opportunities.

For the first time, the Schaeffler Group generated more than EUR 15 billion in revenue in 2022. All of our divisions and all of our regions have contributed to growth. The Schaeffler Group's EBIT for 2022 amounted to EUR 1,046 million before special items despite all challenges. It declined slightly from the prior year, partly due to higher materials and energy prices, disrupted global supply chains, and market- and environment-driven inefficiencies. We generated free cash flow before cash in- and outflows for M&A activities totaling EUR 280 million. One of the reasons for the decrease from the prior year is higher capital expenditures. That means that we have continued to invest in our future even in this difficult year. And we achieved positive Schaeffler Value Added before special items, as we have done in prior years. On this basis, we have met our financial targets, enabling us to share the group's success with our shareholders by again paying an attractive dividend.

Klaus Rosenfeld

I am also encouraged by the fact that the Schaeffler Group, an integrated global technology corporation, has learned to deal with crisis situations adeptly and confidently. The diversified nature of our business, the broad customer base, our focus on ten sectors and four regions, the diverse product range, and, not least, our strong balance sheet help us in this. Being positioned in this way makes us resilient. Not just because it makes us less dependent on short-term developments and trends in specific industries, but because we have consistently expanded our collaboration across divisions, sectors, and regions and succeeded in more extensively realizing synergies in the interest of the entire Schaeffler Group. This culture of collaboration makes us strong. And will make us even stronger in the future.

Despite the difficult environment, we have continued to vigorously push ahead with executing our “Roadmap 2025”, approved and announced in late 2020, throughout 2022. Our scope of action for 2023 is similarly defined by our “Roadmap 2025” and its Execution Program with its seven subprograms. We have made great headway over the course of 2022. You will find detailed information on this on pages 10 to 14 of our annual report. In this introduction, I therefore want to only mention two aspects that we consider especially important for 2023 as well.

Let’s start with sustainability, a topic that we attach great importance to at the Schaeffler Group. We have set out to turn the Schaeffler Group into a climate neutral company by 2040 at the latest. That is a great goal to which there is no alternative. For us, it’s no longer about if. What is key to us is how we achieve this goal. For that purpose, we have not only set ourselves ambitious sustainability targets but have also made use of 2022 to make our sustainability strategy still more specific. It is now even more consistently aligned toward the three pillars of sustainability – environment, social, and governance. We have also decided to transfer responsibility for executing the sustainability strategy to myself as the CEO. A particular highlight of 2022 was our Climate Action Day with all of the Schaeffler Group’s 83,000 employees worldwide participating and generating more than 20,000 ideas for how we can even more consistently realize climate protection and decarbonization within the company. You can read more on this in our sustainability report that we are publishing simultaneously with our annual report.

Under our “Roadmap 2025”, sustainability goes hand in hand with digitalization, the second area I would like to address briefly. Like our sustainability strategy, we have also developed a specific strategy for the topic of digitalization. A strategy designed to even more consistently utilize the opportunities digitalization offers. This is not just a matter of further digitalizing our operations – think of the Catena-X project our Automotive Technologies division is actively involved in, the digital services offered by our Automotive Aftermarket division, or our Industrial division’s highly successful Optime solution – but, above all, of further digitalizing production, research and development, and digitalizing our processes and infrastructure. There is still plenty of work ahead of us at Schaeffler, but also plenty of potential for efficiencies and we want to better realize these.

If you look back at 2022 and read our annual report, you will also note that we have expanded by making more acquisitions than in prior years and have entered into new partnerships. This also includes establishing the German-French joint entity Innoplate that will manufacture bipolar plates for fuel cell drives on a very high level. In the field of robotics, we acquired former Melior Motion GmbH which has since been renamed Schaeffler Ultra Precision Drives. The acquisition of the Swedish Ewellix Group, one of the market leaders in electromechanical actuators, lifting columns, and roller screws in the industrial sector, represents the largest M&A transaction in 2022. With this transaction, closed early this year, we are strengthening the existing product portfolio of our Industrial division and opening up significant added potential for growing our industrial business. The purchase of Ceraspin, a specialist for high-quality ceramic components, in November completes the series of acquisitions by our Industrial division. The cooperation agreement concluded with French hydrogen producer Lyfhe and the acquisition of a solar farm in Germany aimed at generating more energy in-house should not go unmentioned here. All of these activities and transactions are encouraging. We are convinced that these acquisitions are a good fit for our company not only strategically, operationally, and financially but also culturally, which is key to their successful integration and further growth.

Allow me to end this introduction with a look ahead: Nobody can tell what 2023 will bring. We have to assume that it will be at least as difficult and challenging as the past year. This means that we will continue to concentrate on remaining agile, managing risks with foresight, proactively utilizing opportunities that arise, and consistently investing in the future. We at the Schaeffler Group are helped in this regard not only by our thinking long-term and being a publicly listed family business with a strong team at the top and committed employees, but also by the fact that we consistently focus on what we do best: technology and innovation, superior quality, and our many years of manufacturing excellence. That is the basis and the reason why, despite all challenges, we are looking ahead to the future and the current year with optimism and confidence.

Let me close with a great thank you to our employees around the world, who have shown exemplary commitment and great dedication during another challenging year.

Thank you for your interest in our annual report 2022.

Yours sincerely,

Klaus Rosenfeld
Chief Executive Officer

Executive Board

Dr. Stefan Spindler
CEO Industrial

Jens Schüler
CEO Automotive Aftermarket

Corinna Schittenhelm
Chief Human Resources Officer

Matthias Zink
CEO Automotive Technologies

Dr. Yilin Zhang
Regional CEO Greater China

Marc McGrath
Regional CEO Americas

Andreas Schick
Chief Operating Officer

Uwe Wagner
Chief Technology Officer

Klaus Rosenfeld
Chief Executive Officer

Sascha Zaps
Regional CEO Europe

Claus Bauer
Chief Financial Officer

Dharmesh Arora
Regional CEO Asia/Pacific

Significant events 2022

Challenging geopolitical and economic environment

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

Schaeffler Group continues to push ahead with transformation

Progress on "Roadmap 2025"

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

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

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

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

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

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

More on acquisitions and disposals on page 4.

Further structural measures adopted

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

Schaeffler AG holds virtual annual general meeting

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

New outlook published

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

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

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

Contracts with Managing Directors extended

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

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

Schaeffler Group completes financing transaction

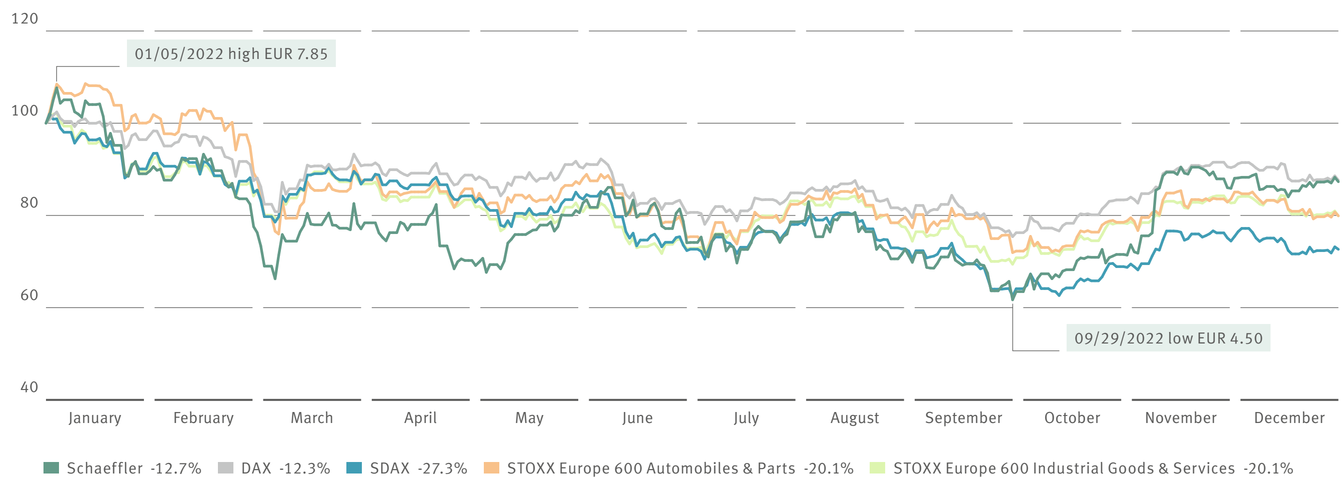
Schaeffler AG signed a syndicated credit agreement on November 2, 2022. The **new credit agreement** includes a EUR 0.5 bn term loan and a EUR 2.0 bn revolving credit facility. The EUR 1.8 bn revolving credit facility maturing in September 2024 was prepaid with the new revolving credit facility and the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

Schaeffler on the capital markets

Capital market trends

In the global equity markets, 2022 was marked by geopolitical and economic uncertainties, particularly the implications of the war in Ukraine, the partial lockdowns in China due to the coronavirus pandemic, and the issue of energy availability. Additionally, concerns regarding a potential recession grew considerably over the course of the year, fueled by the high level of inflation and central banks raising interest rates in response. The global equity markets reflected these events and developments. A slump in prices in early March as a result of the war in Ukraine was followed by a brief period of market stabilization, but prices continued to fall during the second and third quarters. It was not until the fourth quarter that equity markets began to recover noticeably.

Schaeffler share price trend 2022
in percent (12/31/2021 = 100)



Source: Bloomberg (closing prices)

Schaeffler shares

Schaeffler AG's common non-voting shares closed out 2022 down 12.7% from the prior year-end. Paralleling the trend in the equity markets, Schaeffler shares reached their low of EUR 4.50 on September 29. The share price began to recover considerably following the publication of quarterly results on November 8, 2022. The shares closed out 2022 at a XETRA closing price of EUR 6.37.

Schaeffler AG's market capitalization amounted to approximately EUR 1.1 bn at the end of 2022, based on the proportionate share capital of 166 million common non-voting shares. The daily Xetra trading volume averaged approximately 717,587 shares in 2022. Particularly the major expiration days on the futures exchanges saw above-average trading volumes.

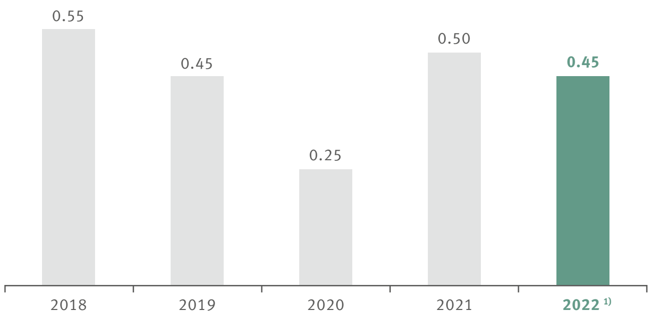
Schaeffler AG has a dividend policy of aiming to pay a dividend of 30–50% of consolidated net income adjusted for special items to its shareholders. For the year 2022, the Board of Managing Directors and the Supervisory Board will propose a dividend of EUR 0.44 per common share and EUR 0.45 per common non-voting share to the annual general meeting. This represents a dividend payout ratio of 48.3% of net income attributable to shareholders. Since 2018, Schaeffler AG has distributed a total of more than EUR 1.4 bn in dividends to its shareholders.

Schaeffler shares – base data

ISIN	DE000SHA0159
German securities identification number (WKN)	SHA015
Stock symbol	SHA
German stock exchange	Frankfurt Stock Exchange (Prime Standard)
Index	SDAX
Share type	Common non-voting
Number of common non-voting shares as at 12/31/2022	166,000,000
Free float	75%

Dividend trend and dividend payout ratio

EUR per common non-voting share



dividends

	2018	2019	2020	2021	2022
dividend payout ratio	40.1%	43.0%	49.7%	43.9%	48.3%

[1] Subject to approval by the annual general meeting.

Schaeffler share performance

	2022	2021
Share price at year-end 12/31 (in €) [1]	6.37	7.29
Share price (high; in €) [1]	7.85	8.27
Share price (low; in €) [1]	4.50	6.11
Average trading volume (number of shares) [1]	717,587	756,669
DAX 12/31 [1]	13,924	15,885
SDAX 12/31 [1]	11,926	16,415
STOXX Europe 600 Automobiles & Parts 12/31 [1]	527	660
STOXX Europe 600 Industrial Goods & Services 12/31 [1]	637	797
Earnings per share (in €)		
• Common shares	0.83	1.13
• Common non-voting shares	0.84	1.14
Dividend per share (in €) [2]		
• Common shares	0.44	0.49
• Common non-voting shares	0.45	0.50

[1] Source: Bloomberg (closing prices).
[2] For the relevant year; proposed dividend for 2022.

Schaeffler Group bonds and ratings

The Schaeffler Group had a total of four series of bonds with an aggregate principal of EUR 2.95 bn outstanding as at December 31, 2022, all of them denominated in EUR. The bonds were issued by Schaeffler AG.

Schaeffler AG holds ratings by the three rating agencies Fitch, Moody’s, and Standard & Poor’s. The following summary shows the three rating agencies’ ratings as at December 31, 2022:

Schaeffler Group ratings

as at December 31

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

Information on the Schaeffler Group’s bonds and ratings on pp. 36 et seq.

Investor relations

An open and continuous dialogue with equity and bond investors and other capital market participants is important to Schaeffler AG. IR activities were conducted in the form of both physical and remote events. Discussions with analysts and investors focused on the results of operations and profitability of the three divisions and the regions, the implications of the war in Ukraine, as well as the impact of inflation. With respect to electric mobility, investors focused on the increase in order intake and the competitive environment. In the Industrial division, discussions centered on growth perspectives in the various end markets as well as the extensive M&A activities in 2022. In addition, there was an active exchange with capital market participants on the key topic of sustainability.

The company was covered by analysts representing a total of 16 banks (prior year: 17) as at February 15, 2023. Recommendations issued on Schaeffler AG's common non-voting shares were either "buy" or "overweight" by a total of seven banks, "hold" or "neutral" by six banks, and "sell" or "underperform" by three banks. Their average upside target was EUR 6.85.

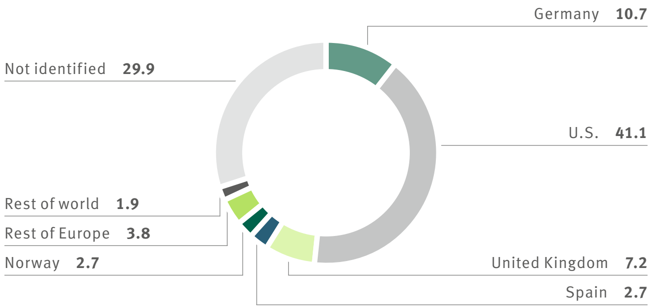
Analyst opinions for Schaeffler AG shares [1]

Banks	Recommendation	Price target in €
Bankhaus Metzler	Buy	10.00
Berenberg Bank	Hold	7.30
BofA Merrill Lynch	Underperform	4.50
Citigroup	Sell	5.30
Deutsche Bank	Buy	8.00
DZ Bank	Buy	7.00
Exane BNP Paribas	Underperform	6.00
HSBC	Buy	7.70
J.P. Morgan Cazenove	Overweight	7.50
Jefferies	Hold	6.00
Jyske Bank	Buy	6.50
Kepler Cheuvreux	Hold	6.60
Oddo BHF	Outperform	7.80
Stifel	Hold	6.30
UBS	Neutral	6.20
Warburg Research	Hold	6.80

[1] Recommendations up to February 15, 2023.

Shareholder structure

Geographic distribution
in percent



The geographic distribution of Schaeffler's institutional shareholders as at November 30, 2022, was determined using a shareholder identification survey (Share ID). The identification rate was 70.1%. This means that, out of the 166 million common non-voting shares, the survey was able to attribute 116.4 million shares to 144 institutional investors in approximately 25 countries. As at the reporting date, 41.5 million shares, the largest holding, were held by strategic investor BDT Capital Partners. A total of 68.2 million shares were held by institutional investors domiciled in the U.S. At year-end, 10.7% or 17.8 million shares were held by institutional shareholders in Germany. The unidentified portion of 29.9% represented private investors and others.

For further detail please contact:

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fax: +49 (0) 9132-82-4444
e-mail: ir@schaeffler.com
www.schaeffler.com/ir

See back cover for financial calendar.

Group management report

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

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

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

Rounding differences may occur.

References
Content of websites referenced in the group management report merely provides further information and is not part of the group management report and is unaudited. The unaudited corporate governance declaration including the corporate governance report in accordance with sections 289f HGB and 315d HGB, incl. the declaration of conformity pursuant to section 161 AktG as well as the reference to the combined separate group non-financial report in accordance with section 289b (3), section 315b (3), and section 298 (2) HGB also form part of the group management report.

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

* Part of the group management report.

1. Fundamental information about the group

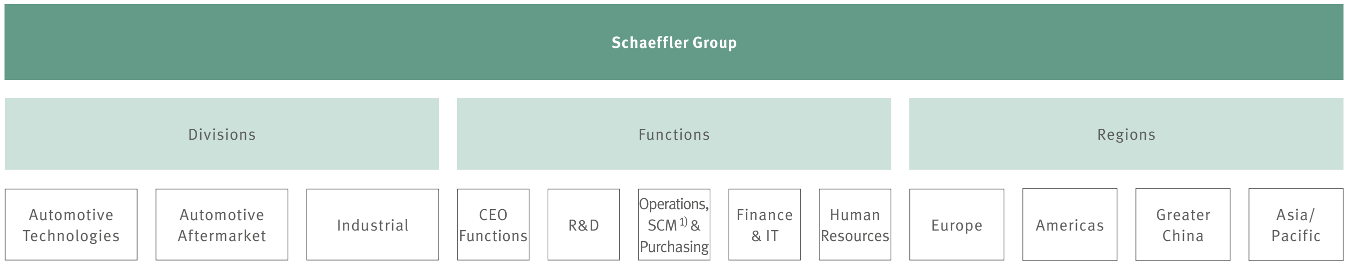
1.1 Organizational structure and business activities

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

Organizational and leadership structure

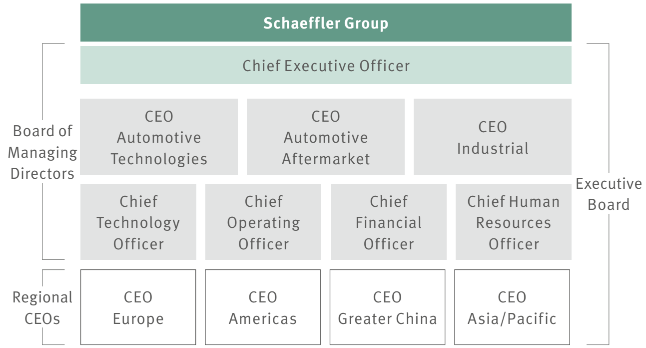
The Schaeffler Group is characterized by a three-dimensional organizational and leadership structure which differentiates between divisions, functions, and regions. Thus, the Schaeffler Group’s business is managed based on the three divisions – Automotive Technologies, Automotive Aftermarket, and Industrial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

Schaeffler Group organizational structure



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

Schaeffler Group leadership structure



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

The Schaeffler Group is managed by the Board of Managing Directors of Schaeffler AG. Along with the Chairman of the Board of Managing Directors (Chief Executive Officer – CEO), the Board of Managing Directors comprises the CEOs of the Automotive Technologies (CEO Automotive Technologies), Automotive Aftermarket (CEO Automotive Aftermarket), and Industrial (CEO Industrial) divisions and the Managing Directors responsible for the Schaeffler Group's functions (Chief Technology Officer, Chief Operating Officer, Chief Financial Officer, and Chief Human Resources Officer).

The Board of Managing Directors is directly responsible for managing the company, setting objectives and strategic direction, and managing the implementation of the strategy, taking into account the interests of shareholders, employees, and other stakeholders of the company in order to add long-term value. The Chairman of the Board of Managing Directors (CEO) coordinates the management of the company and the Schaeffler Group. In addition to the divisions and the functions, the group's matrix organization comprises the regions Europe, Americas, Greater China, and Asia/Pacific, each managed by a Regional CEO. The Regional CEOs report directly to the CEO. Jointly, the Board of Managing Directors and the Regional CEOs represent the Schaeffler Group's Executive Board. In this manner, the Schaeffler Group's organizational structure is reflected in its leadership structure.

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

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

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

Schaeffler Group functions

since January 1, 2023

Schaeffler Group

CEO Functions	R&D	Operations, Supply Chain Management & Purchasing	Finance & IT	Human Resources
– 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	– Advanced Innovation – R&D Management & Corporate Engineering Services – R&D Central Technologies – Engineering IT & Digitalization – Intellectual Property Rights – Technical Compliance	– Schaeffler Production System & Production Technology – Digitalization & Operations IT – Advanced Production Technology – Tool Manufacturing – Special Machinery – Supply Chain Management & Logistics – Purchasing Strategy & Strategic Supplier Management – Purchasing Non-Production Material – Quality Operations, Supply Chain Management & Purchasing	– Finance Systems, Processes & Infrastructure – Corporate Accounting – Corporate Controlling – Corporate Treasury – Corporate Tax & Customs – Corporate Reporting – Corporate Insurance – Shared Services [1] – IT & Digitalization	– HR Strategy – HR Policies & Standards – Leadership, Recruiting & Talent Management – Schaeffler Academy – HR Systems, Processes & Reporting – Environment, Health & Safety – HR Functions – HR Germany

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

Legal group structure

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

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

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

Acquisitions and disposals during the year

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

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

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

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

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

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

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

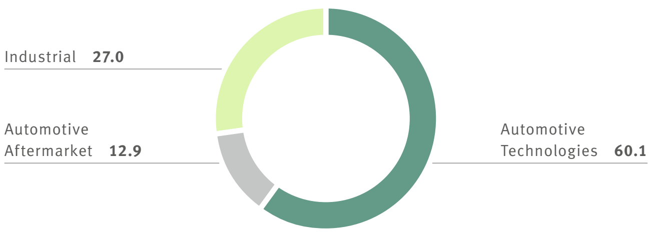
Business activities

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

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

Schaeffler Group revenue by division

in percent



Automotive Technologies division

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

Market and competitive environment

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

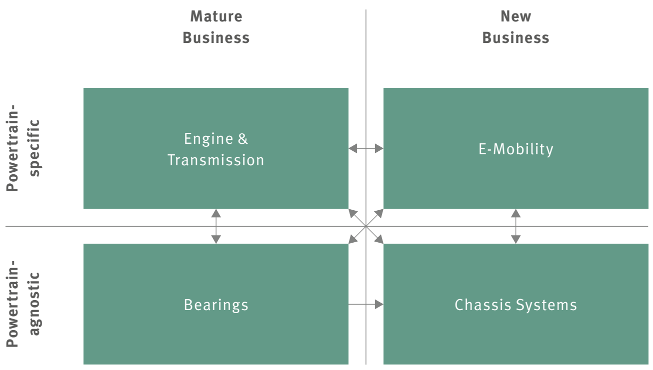
Additionally, as driving functionalities are increasingly being automated toward the autonomous vehicle, requirements regarding chassis applications are growing correspondingly. Therefore, paralleling the “Schaeffler Vision Powertrain”, the division has developed a scenario entitled **“Schaeffler Vision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

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

Product portfolio and growth areas

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

Automotive Technologies division



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

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

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

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

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

Automotive Aftermarket division

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

Market and competitive environment

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

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

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

Product portfolio and growth areas

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

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

Three central fields of action for profitable growth Automotive Aftermarket division

Core Business	Digitalization	New Business
• Potential within current customer base • Operational excellence	• Customer experience • Distribution channels • Business models	• Sustainability • E-Mobility • Services

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

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

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

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

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

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

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

More on the "Roadmap 2025" on pp. 10 et seq.

Industrial division

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

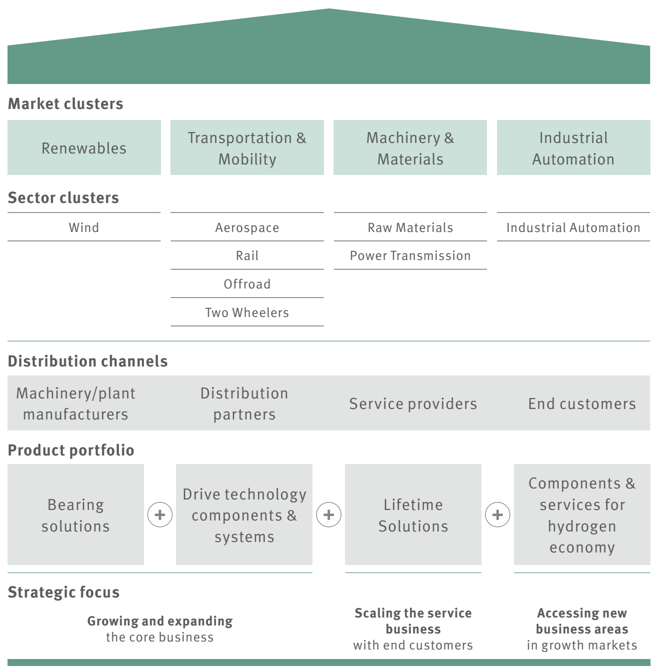
Market and competitive environment

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

Product portfolio and growth areas

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

Industrial division customer and product portfolio



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

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

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

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

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

In the field of reconditioning bearings, the division also offers mounting and dismounting services for rolling bearings in the form of a variety of expert services and specialized tools. Such reconditioning of rolling bearings provides additional potential for growth and contributes to sustainability.

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

1.2 Group strategy and group management

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

Roadmap 2025

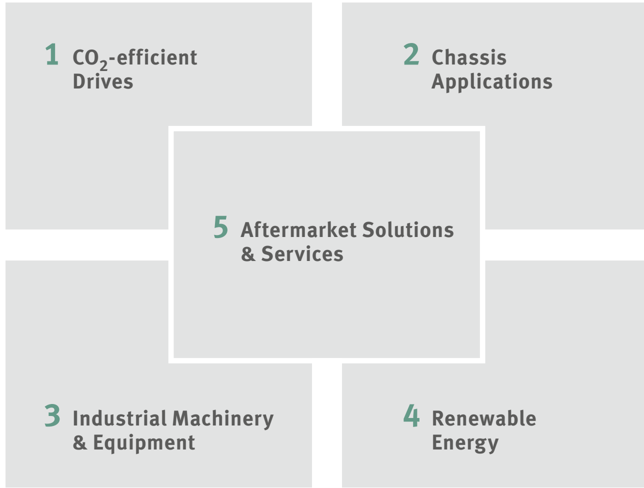
The strategic framework "Roadmap 2025" consists of three main elements: "Strategy 2025", "Execution Program 2025", with its seven subprograms, and "Mid-term Targets 2025". These define the financial framework and reflect the overarching commitment to creating value sustainably.

Strategy 2025

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

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

Five focus areas for growth initiatives



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

Key topic of sustainability

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

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

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

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

Key topic of digitalization

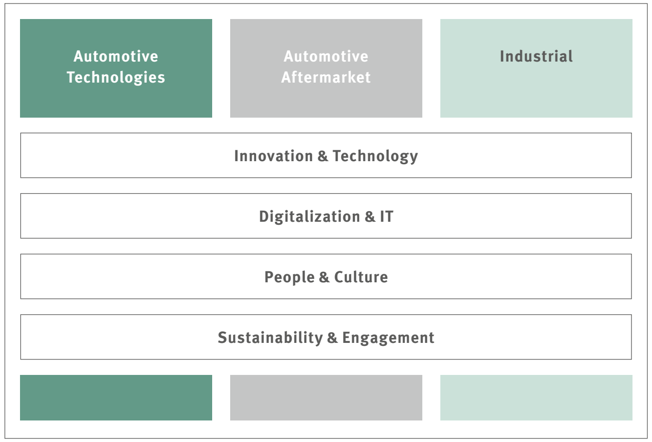
The Schaeffler Group treats digital transformation as a shared task for all divisions, functions, and regions. The automation of business processes, additional information mined from structured and unstructured data, and state-of-the-art forms of connectivity both in-house and with external stakeholders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

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

Execution Program 2025

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

Divisional and cross-divisional subprograms



The divisional subprograms are designed to advance the growth initiatives derived from the focus areas, boost market positions, and increase cost and capital efficiency. Within the **Automotive Technologies division**, the focus is on the transition to new powertrain and chassis technologies, while the **Automotive Aftermarket division** concentrates primarily on introducing new and market-driven repair solutions in its core business, expanding its digital services and distribution channels, and opening up new business areas. The subprogram of the **Industrial division** is mainly designed to both strengthen the competitive position in the traditional rolling bearing business and expand new business areas, such as in the areas of Industrial Automation, hydrogen, and digital condition monitoring, by means of innovative technologies. Meanwhile, the four cross-divisional subprograms are focused on key areas and core expertise designed to make the company as a whole more future-proof and help harness potential synergies across divisions. **"Innovation & Technology"** relates to strategically managing product innovations and production technology in order to further strengthen the Schaeffler Group's position as a pioneer of sustainable mobility and motion, while **"Digitalization & IT"** combines the activities related to reshaping processes for the digital age through data-driven knowledge acquisition and state-of-the-art IT solutions. The main objectives of the **"People & Culture"** subprogram are forward-looking personnel development, greater diversity, collaboration and agility within the workforce, and an appreciative leadership style. Finally, **"Sustainability & Engagement"** is dedicated to embedding environmental and social responsibility in the company's value chain as a central success factor for a sustainable business operation. The activities combined and managed in this subprogram include those required to achieve the climate neutrality targets 2040. This applies to measures within the company's own production, at the interface to suppliers and purchased materials as well as to customers and the use phase of the company's products.

Execution Program progress during the year

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

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

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

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

Robotics and automation play an important role in the cross-divisional **"Innovation & Technology"** subprogram: For instance, the 100th driver-less transport system ("Automated Guided Vehicle", AGV) was installed in a Schaeffler Group plant. Together with the robot and cobot systems continually rolled out, these driver-less transport vehicles represent a significant building block for rendering manufacturing processes more flexible, scaling them, and improving their timing, thus moving them along toward (semi-)autonomous production. In addition, strategic collaborations (including with "STARTUP AUTOBAHN" and SHARE programs) have intensified research activities across company boundaries. For instance, the "Schaeffler Hub for Advanced Research" at Nanyang Technological University in Singapore was expanded during the year with the aim of accelerating innovation in the field of robotics and smart factory by a combination of academic and private sector research.

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

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

Under the **"Sustainability & Engagement"** subprogram, numerous measures were implemented during the year that address the recently adopted sustainability strategy with its ten fields of action and targets. One example that should be highlighted is the development of a "Climate Action Plan" with specific implementation measures aimed at achieving the emissions targets for scope 1–3 in accordance with the 1.5°C target of the Paris Agreement. The implementation measures include the long-term supply of solar power under a supply agreement with Statkraft Markets GmbH, the acquisition of a solar farm in Germany, and holding a global Climate Action Day, with employees coming up with approximately 23,000 ideas designed to help reduce carbon emissions. Further, the Schaeffler Group scored top marks in the CDP rating for climate change and water security for the first time in 2022. Improving from “A-” to “A” in both categories, it ranked among the top 1% of the over 18,700 companies participating. Moreover, the company was again among the top 1% in its peer group in the EcoVadis rating this year, earning Platinum status once more. The EcoVadis rating measures a company’s ecological, social, and ethical performance. Additionally, responsibility for sustainability was transferred to the CEO during the year due to its strategic relevance.

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

Mid-term Targets 2025

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

At group level, the mid-term focus is on two indicators: Firstly, return on capital employed (ROCE), which is a measure of the company’s value creation and is targeted to reach a range of 12 to 15% by 2023 at the latest. The second target relates to free cash flow conversion (FCF-conversion), a measure that expresses the ability to generate cash from EBIT and is targeted to fall into a range of 0.3 to 0.5 by 2023 at the latest. The Schaeffler Group’s mid-term targets are complemented by group parameters relating to the capital structure and distribution of profits, signifying stable and reliable finance management. For the net debt to EBITDA ratio, one of these group parameters, the Schaeffler Group aims for a range of 1.2 to 1.7 for the period 2021 to 2025. The Schaeffler Group intends to continue to pay dividends of 30 to 50% of consolidated net income before special items.

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

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

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

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

Mid-term Targets 2025

Automotive Technologies	Automotive Aftermarket	Industrial
Outperformance [1] **200** to **500 bps** on average [2]	Constant-currency revenue growth **› Growth in global gross domestic product** on average [2]	Constant-currency revenue growth **› Growth in industrial production** on average [2]
4 to **6%** EBIT margin before special items	**13** to **15%** EBIT margin before special items	**12** to **14%** EBIT margin before special items

Schaeffler Group

ROCE	FCF-conversion [3]
12 to **15%** based on EBIT reported	**0.3** to **0.5** based on EBIT reported

Group parameters

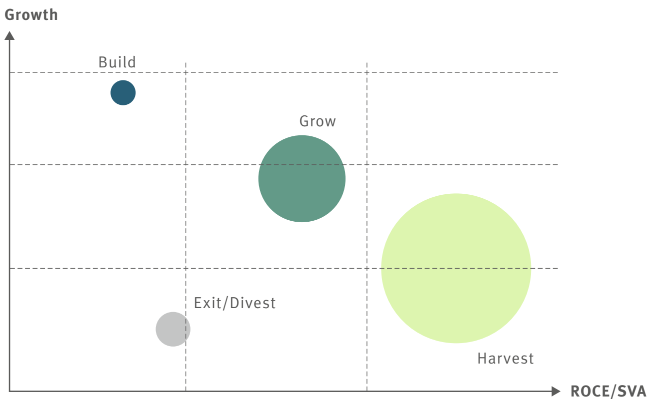
Capital structure	Dividend policy
1.2x to **1.7x** Net debt/EBITDA before special items	**30** to **50%** of net Income before special items

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

Capital allocation and portfolio management

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

Portfolio management



New growth areas still at the start of their life cycle are assigned to the **"Build"** portfolio strategy, whereas existing business areas that can be further expanded with suitably high capital efficiency are classed under the **"Grow"** strategy. Business areas with lower growth potential are more strongly focused on profitability and efficiency, and are included in the **"Harvest"** category. And if certain areas are no longer core strategic activities, or are not sufficiently profitable, they are allocated to the **"Exit/Divest"** portfolio strategy.

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

Capital allocation management framework

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

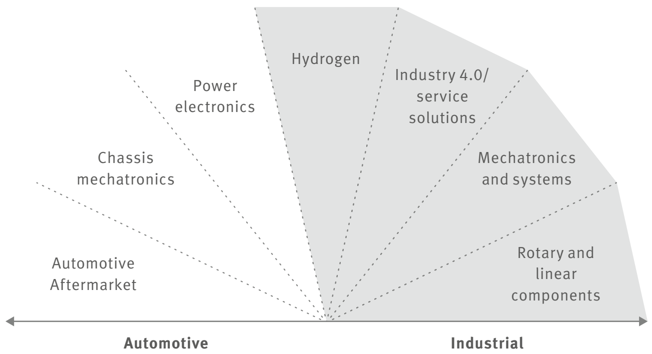
[1] Capacity expansion and new products.

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

M&A strategy

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

M&A radar



The company's search for opportunities to expand the profile of its expertise and its portfolio specifically targets these clearly defined areas. It focuses on the acquisition of smaller, additive targets intended to complement and strengthen the technology spectrum, thus adding long-term value. Along with the qualitative evaluation of the entity potentially subject to an M&A transaction, the final assessment of whether the transaction is beneficial also includes a detailed quantitative analysis. In particular, the company pursues an acquisition only if the related expected return on capital employed exceeds a required minimum set internally. Specific risks such as country- or business-specific risks are taken into account, as is the maturity of the business, and may result in adjustments to the required minimum return in certain cases.

Group management

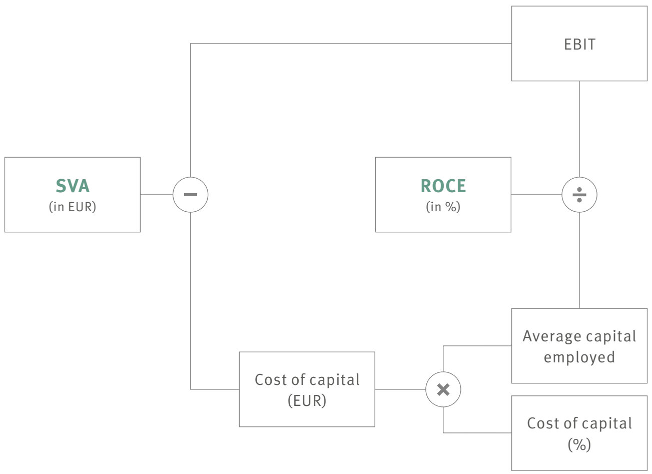
The overarching objective of the Schaeffler Group's management system is to create long-term value in order to meet the interests and expectations of investors. Generating an appropriate return on capital employed is essential to creating long-term value. This requires having earnings sustainably exceed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

Strategic financial performance indicators

ROCE is a strategic financial performance indicator that measures the rate of return on the company's capital and is defined as the ratio of **earnings before financial result and income taxes (EBIT)** to **average capital employed**. The Schaeffler Group's average capital employed consists of the following balance sheet items: property, plant and equipment, intangible assets, investments in joint ventures and associated companies, as well as working capital, which in turn comprises trade receivables and inventories net of trade payables. Additionally, the calculation includes right-of-use assets under leases, contract assets, and costs to fulfill a contract net of contract liabilities and refund liabilities, as well as assets held for sale net of related liabilities. The annual average is determined as the mathematical average of the balance at the end of each of the twelve months. Management of capital employed is operationalized as part of the management of free cash flow, which includes management of investing activities and management of working capital. If ROCE exceeds the cost of capital, the company is generating value by employing its resources. The pre-tax cost of capital amounts to 10%.

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

Strategic financial performance indicators



Key operating financial performance indicators

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

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

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

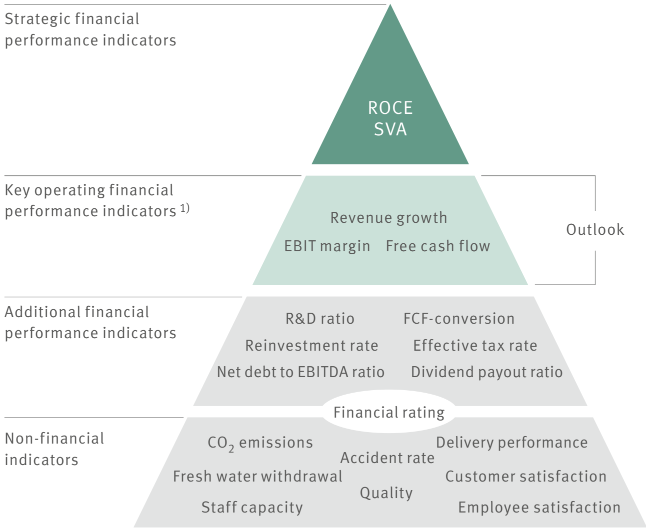
Constant-currency revenue growth: Revenue growth contributes to the company's value creation and, in addition, determines the resources required for the company's operations. Revenue growth measures the change in revenue compared to the prior year as a percentage. In order to make the evaluation of the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

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

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

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

Management system



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

Additional financial performance indicators

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

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

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

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

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

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

Non-financial indicators

In addition to the financial performance indicators, management monitors additional key non-financial indicators. Such indicators are calculated using standardized reports during the year and include: quality, staff capacity (headcount (HCO) and full-time equivalents (FTE)), delivery performance, customer satisfaction, employee satisfaction, employee accident rate, fresh water withdrawal, and CO_2 emissions.

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

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

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

1.3 Research and development

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

The **(1) innovation cluster Energy Solutions** develops new technologies for a sustainable energy supply. Research is increasingly concentrating on hydrogen technology. For hydrogen production using proton exchange membrane (PEM) electrolyzers, new approaches for stack components were developed, as were fundamentals for increasing the efficiency of membrane electrode assemblies using new coatings. The performance of the component solutions developed was then validated on a demonstrator scale with respect to market requirements. In the field of hydrogen storage technology, the company demonstrated the fundamental applicability of Schaeffler fuel cell components in the use of liquid organic hydrogen carriers (LOHC) and investigated their potential for improvement. Developments for fuel cell applications made during the year included metallic bipolar plates with carbon-based coatings. This novel high-performance coating system, "Enertect PC+", makes the production of these key components in fuel cell systems more efficient, less expensive, and more sustainable. This innovation put the Schaeffler Group among the finalists for the "CLEPA Innovation Award" 2022 in the "Clean and Sustainable Mobility" category. In addition, setting up and commissioning a battery laboratory laid the foundation for researching and developing new materials and components for the newest generation of battery systems.

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

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

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

In the **(5) innovation cluster Robotics Solutions**, the Schaeffler Group develops system solutions for the growing robotics market. Its portfolio of rolling bearings, system components such as precision gearboxes and highly integrated torque sensor technology through to complete "smart" systems for robotics joints positions the Schaeffler Group as a partner to the dynamically growing robotics industry already today. At the Hannover Messe 2022, the Schaeffler Group presented newly developed bearings, gear units, and a fully integrated torque sensor system. These system solutions allow for instance cobots to execute motions more rapidly, more precisely, and with more flexibility. The acquisition of Schaeffler Ultra Precision Drives GmbH further expanded the product portfolio by ultra-precise planetary gearboxes that are used in robots with higher payload capacities of up to approximately 100 kg as well. Additionally, the Schaeffler Group announced its collaboration with the DLR Institute of Robotics and Mechatronics during the year. An intensive strategic cooperation is designed to accelerate development of application-oriented solutions in robotics.

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

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

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

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

Additionally, **close collaboration with start-ups** represents an important complementary component of the strategy for innovation. Oriented along the fields of innovation, the Schaeffler Group reviews future-oriented technologies and innovative business models and realizes pilot projects with start-ups and small and medium-sized businesses. This approach lays the foundation for a successful long-term strategic cooperation, for instance in the form of R&D partnerships, supply relationships, or future customer relationships.

Research and development expenses

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

In 2022, the Schaeffler Group employed an average of 7,447 R&D staff (prior year: 7.414) at 20 R&D centers (prior year: 20) and additional R&D locations in a total of 25 countries. The Schaeffler Group filed 1,806 patent registrations with the German Patent and Trademark Office in 2021, making it the third most innovative company in Germany. In addition, Schaeffler Group employees internally reported 2,201 inventions in 2022 (prior year: 2,761).

1.4 Locations and production network

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

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

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

The company uses a multitude of instruments to ensure and improve the quality of its products and processes. "Fit for Quality" has been deeply embedded as an inherent part of quality-conscious action in the Schaeffler Group for many years. The quality program "SHAPE" was rolled out during the year to address the quality aspects of the challenges posed by the transformation. It covers the four key strategic directions of the Schaeffler Group's "Quality Roadmap". "SHAPE" goes hand in hand with the "Roadmap 2025" and comprises four focal elements: (1) technical expertise and reputation, (2) agile processes and methods, (3) quality principles and mindset and (4) sustainable quality and performance. Its content structured in this manner, "SHAPE" spans the divisions, functions, and regions, representing the Schaeffler Group's comprehensive quality program. The Schaeffler Group's manufacturing locations have certified management systems in accordance with globally recognized quality norms, standards, and regulations. The Schaeffler Group applies the requirements of various norms [1] relevant for certification in the Schaeffler plants worldwide.

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

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

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

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

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

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

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

In Buehl, headquarters of the Automotive Technologies division and the Schaeffler Group’s E-Mobility business division, the company is expanding its existing electric mobility development and manufacturing campus. On a property approximately 8,000 sqm in size, the Schaeffler Group is investing in the construction of a new building and, hence, in this future-oriented field. The new center of excellence is part of the “Roadmap 2025” strategic program and another important step toward growing electric mobility. With the development and manufacturing campus expanded by a new building complex, many customer projects will ultimately be handled at this location. The new complex will complement the three existing buildings at the Bussmatten site, where the company is already developing and manufacturing components and systems for electric mobility. In a production hall currently used to manufacture transmission components, the Schaeffler Group is currently building a production plant for electric motors known as the UltraELab. This global flagship plant is being built in accordance with the principles known as the “ultra-efficient factory”. This innovative manufacturing concept is being developed under the Agilo-Drive2 project led by the company alongside 17 other consortium partners with funding support from Germany’s Federal Ministry for Economic Affairs and Climate Action (“Bundesministerium für Wirtschaft und Klimaschutz” (BMWK)).

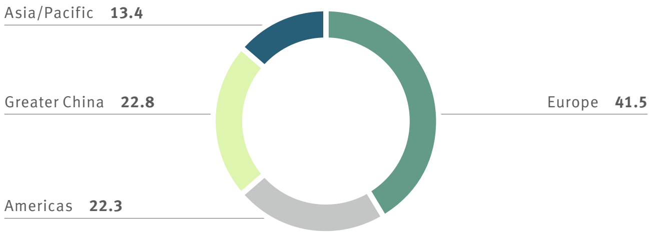
The footprint is further strengthened by the consolidation and distribution center in the Asia-Pacific area opened in Hosur, India, in 2022. Expanding across approximately 10,000 sqm and equipped with modern infrastructure and technology, the center will help in moving consolidated material from all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

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

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

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

Schaeffler Group revenue by region
in percent by market view



The **Europe region** combines the subregions Germany, Western Europe, Middle East & Africa, as well as Central & Eastern Europe. The Europe region contributed 41.5% (prior year: 42.0%) of consolidated revenue in 2022. Its Germany subregion represents the Schaeffler Group's largest sales market. The degree of localization [2] amounted to approximately 84% (prior year: 86%) in 2022. The Europe region employed a total of 51,871 employees as at December 31, 2022, representing 62.7% of the company's entire workforce. This figure includes the employees of the group's headquarters in Herzogenaurach. The Europe region has 44 plants and 9 R&D centers. Its regional headquarters are located in Herzogenaurach, Germany, starting January 1, 2023 (until December 31, 2022: Schweinfurt, Germany).

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

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

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

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

2. Report on the economic position

2.1 Economic environment

Macroeconomic environment

Gross domestic product

	Change in %
Europe	**2.9** 5.9
Americas	**2.7** 6.2
Greater China	**2.6** 8.3
Asia/ Pacific	**4.8** 4.9
World	**3.2** 6.2

2022 2021

Source: Oxford Economics (January 2023).
Regions reflect the regional structure of the Schaeffler Group.

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

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

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

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

More on foreign currency translation on page 98.

Sector-specific environment

Automobile production

	Change in %	Million units
Europe	**0.6** -2.5	**17.8** 17.7
Americas	**9.3** 2.5	**17.1** 15.6
Greater China	**6.2** 5.6	**26.6** 25.0
Asia/ Pacific	**9.0** 7.7	**20.6** 18.9
World	**6.2** 3.5	**82.0** 77.2

2022 2021

Source: S&P Global Mobility (January 2023).
Regions reflect the regional structure of the Schaeffler Group.

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

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

Within the Europe region, automobile production in the euro region grew by 4.2%. In the Americas region, most of the major production countries experienced strong growth. Volumes produced during the year were up 9.4% from the prior year in the U.S., 11.2% in Canada, and 8.2% in Mexico, while Brazil reported growth of 6.7%. Within the Greater China region, automobile production expanded by 6.3% in China. In the Asia/Pacific region, production volumes in Japan were down 1.1% from the prior year. In contrast, the region's remaining major production countries all experienced growth, especially India (23.8%). South Korea reported a growth rate of 7.2% and production volumes in Thailand rose by 9.8% compared to the prior year.

Vehicle population

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

2022 2021

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

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

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

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

		Change in %
Europe	2022	**2.4**
	2021	10.5
Americas	2022	**3.5**
	2021	13.7
Greater China	2022	**3.5**
	2021	13.6
Asia/Pacific	2022	**6.6**
	2021	9.3
World	2022	**3.7**
	2021	12.0

2022 2021

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

[3] Measured as the number of vehicles up to six tons in weight produced (S&P Global Mobility [January 2023]). Includes content supplied by S&P Global © [IHS Markit Light Vehicle Production Forecast (Base), January 2023]. All rights reserved.
[4] Measured as the number of passenger cars and light commercial vehicles less than 3.5 tons in weight (S&P Global Mobility [November 2022]). Includes content supplied by S&P Global © [IHS Markit Vehicles in Operation (VIO), November 2022]. All rights reserved.

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

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

Procurement markets

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

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

Steel is used to manufacture rolling bearings and automotive components. At the beginning of 2022, prices for cold- and hot-rolled steel remained high worldwide and exceeded their prior year averages, in Europe during the first two quarters of 2022. Having peaked once more in the second quarter of 2022 due to the war in Ukraine, spot prices then fell considerably worldwide against the backdrop of a weakening global economic outlook, averaging less than in the prior year on an annual basis (S&P Global Commodity Insights, January 2023). During the second half of 2022, prices of fixed-term contracts fell noticeably more slowly than spot prices in procurement regions significant to the Schaeffler Group. Additionally, given the energy-intensive production process for long steel products, high energy prices significantly increased their prices year-on-year in Europe in 2022.

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

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

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

[5] Divisions 28 and 30 as well as group 27.1 of the NACE Rev. 2 classification.
[6] Data supplied by Ember (January 2023).

2.2 Course of business 2022

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

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

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

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

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

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

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

Results of operations compared to outlook 2022

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

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

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

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

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

Comparison to outlook 2022

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

[1] Constant-currency revenue growth compared to prior year.
[2] Please refer to pp. 32 et seq. for the definition of special items.
[3] Before cash in- and outflows for M&A activities.
[4] LVP growth: global growth in production of passenger cars and light commercial vehicles.

2.3 Earnings

Schaeffler Group earnings

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

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

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

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

[1] Based on market (customer location).
[2] Please refer to pp. 32 et seq. for the definition of special items.
[3] Attributable to shareholders of the parent company.

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

Schaeffler Group financial result

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

[1] Incl. amortization of transaction costs and prepayment penalties.

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

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

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

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

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

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

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

Automotive Technologies division earnings

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

Outperformance 2022

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

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

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

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

Prior year information presented based on 2022 segment structure.
[1] Constant-currency revenue growth compared to prior year.
[2] Includes content supplied by S&P Global © [IHS Markit Light Vehicle Production Forecast (Base), January 2023]. All rights reserved.
[3] Based on market (customer location).
[4] Please refer to pp. 32 et seq. for the definition of special items.

Automotive Aftermarket division earnings

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

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

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

Prior year information presented based on 2022 segment structure.
[1] Based on market (customer location).
[2] Please refer to pp. 32 et seq. for the definition of special items.

Industrial division earnings

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

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

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

Prior year information presented based on 2022 segment structure.
[1] Based on market (customer location).
[2] Please refer to pp. 32 et seq. for the definition of special items.

Performance indicators and special items

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

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

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

EBIT for the year was impacted by **special items**, most of which were recognized in other income and in other expenses. The **restructuring** category includes special items recognized in connection with the "Roadmap 2025" divisional subprograms, mainly related to the additional restructuring measures decided on in November (see "Significant events", pp. i8 et seq.) and consolidation of the footprint in Europe. The **M&A** category includes a remeasurement gain related to a business combination achieved in stages.

Reconciliation

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

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

Reconciliation

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

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

1) Prior year information presented based on 2022 segment structure.
2) Attributable to shareholders of the parent company.
3) Based on each entity's specific tax rate and country-specific tax environment.
4) Only reported if free cash flow before cash in- and outflows for M&A activities and EBIT positive.

2.4 Financial position and finance management

Cash flow and liquidity

Cash flow

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

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

The decrease in **cash flows from operating activities** resulted primarily from the EUR 223 m decline in EBITDA compared to the prior year. EBITDA for 2022 was held back by non-cash expenses, however, primarily related to the additional restructuring measures. Additionally, the expansion of working capital was EUR 52 m more extensive than in the prior year, resulting in a slight adverse impact. EUR 239 m of the added expansion year-on-year was related to trade receivables and resulted from the considerable increase in sales volumes compared to the prior year, and EUR 90 m was related to trade payables. Inventories declining by EUR 278 m had an offsetting impact.

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

More on investing activities on page 35.

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

More on financing activities on pp. 36 et seq.

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

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

Investing activities

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

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

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

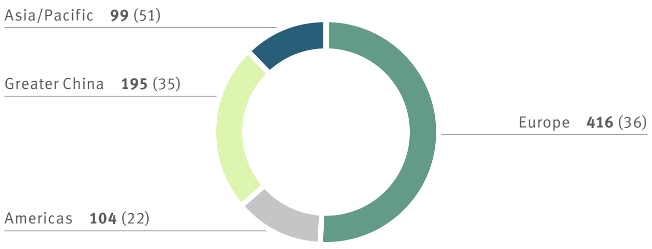
[1] The reinvestment rate is the ratio of additions to intangible assets and property, plant and equipment to depreciation, amortization, and impairment losses (excluding depreciation of right-of-use assets under leases and impairments of goodwill).

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

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

Schaeffler Group capital expenditures [1] by region

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



[1] Additions to intangible assets and property, plant and equipment.

Financial debt

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

Net financial debt

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

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

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

Schaeffler Group ratings
as at December 31

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

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

The group had additional bilateral lines of credit in the equivalent of EUR 118 m (prior year: EUR 138 m), primarily in Germany, the U.S., and South Korea. EUR 101 m of these facilities were unutilized as at December 31, 2022 (prior year: EUR 127 m).[7]

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

[7] See Note 4.12 to the consolidated financial statements for further details.

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

Schaeffler Group bonds

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

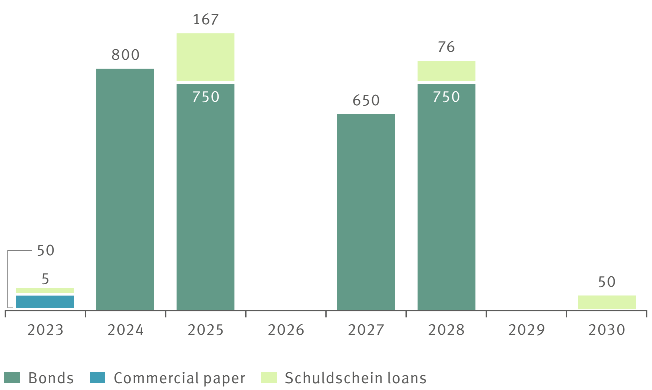
[1] Bond series was prepaid on March 1, 2022.

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

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

Maturity profile

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



Finance management

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

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

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

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

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

2.5 Net assets and capital structure

Consolidated statement of financial position (abbreviated)

in € millions	12/31/2022	12/31/2021	Change in %
ASSETS			
Non-current assets	7,180	7,194	-0.2
Current assets	7,104	7,170	-0.9
Total assets	**14,284**	**14,364**	**-0.6**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	4,141	3,165	30.8
Non-current liabilities	5.772	6,516	-11.4
Current liabilities	4,372	4,683	-6.6
Total shareholders' equity and liabilities	**14,284**	**14,364**	**-0.6**

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

More on investing activities on page 35 and on acquisitions and disposals on pp. 106 et seq. in the notes to the consolidated financial statements.

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

More on cash flow and liquidity on page 34.

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

More on the consolidated statement of changes in equity on page 93.

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

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

The Schaeffler Group's off-balance sheet commitments include mainly contingent liabilities (see Note 5.2 to the consolidated financial statements for further details).

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

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

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

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

Schaeffler AG earnings

Income statement of Schaeffler AG (abbreviated)

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

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

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

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

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

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

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

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

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

Schaeffler AG financial position and net assets

Balance sheet of Schaeffler AG (abbreviated)

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

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

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

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

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

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

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

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

More on financial debt on pp. 36 et seq.

Closing statement on the dependency report

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

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

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

2.7 Other components of the group management report

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

- “Corporate governance declaration including the corporate governance report” on pp. 59 et seq.,
- “Governance structure” on pp. 79 et seq.,
- “Governing bodies of the company” on pp. 84 et seq.

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

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

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

3. Supplementary report

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

Assets acquired and liabilities assumed

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

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

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

4. Report on opportunities and risks

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

More on corporate governance on pp. 59 et seq.

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

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

To be able to appropriately respond to these risks, the company has a risk management system in place to ensure that risks, particularly those to the company's continued existence as a going concern and to its development, are identified on a timely basis. For the Schaeffler Group, risks potentially jeopardizing the continued existence of the company are any risks potentially resulting in insolvency. The risk tolerance is the maximum amount of risk the company can bear without jeopardizing its continued existence over time. It represents the maximum loss that does not yet result in the breach of a covenant or a liquidity shortfall or a rating downgrade below the minimum rating required to appropriately refinance outstanding debt.

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

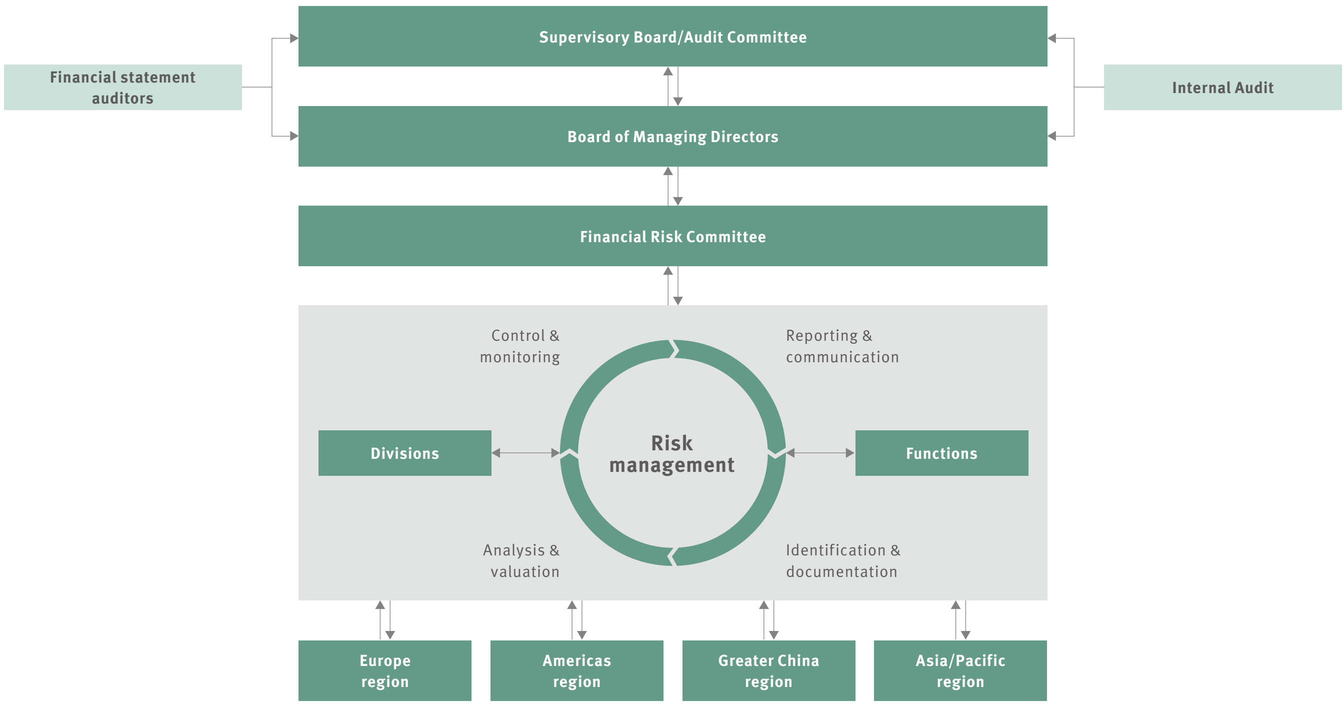
4.1 Risk management system

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

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

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

Structure of risk management system



The risk management system consists of a multi-phase process spanning various levels and organizational units in order to appropriately reflect the matrix structure of the Schaeffler Group. In a bottom-up process, risks are identified and analyzed at the subsidiary level. Based on this analysis, the next step is a top-down analysis by the appropriate global management of the functions and divisions. They assess the risks identified within the subsidiaries, taking into account interdependencies within the Schaeffler Group. This approach ensures that all dimensions of the Schaeffler Group's matrix structure are reflected in the risk management system. The Financial Risk Committee that is headed up by the Chief Financial Officer and includes representatives of the divisions and functions is tasked with validating the risk position following completion of the quarterly risk survey and review process as the basis for reports to the Board of Managing Directors. This validation covers all strategic, operating, legal, and financial risks along the value chain as well as all risks related to the non-financial declaration. Risks are identified at all material Schaeffler Group companies on a semiannual basis. Additionally, any significant risks are added to and updated in the risk management system on an ongoing basis. Operating management is responsible for identifying risks. The timeframe for identifying risks is five years, longer than the outlook horizon.

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

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

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

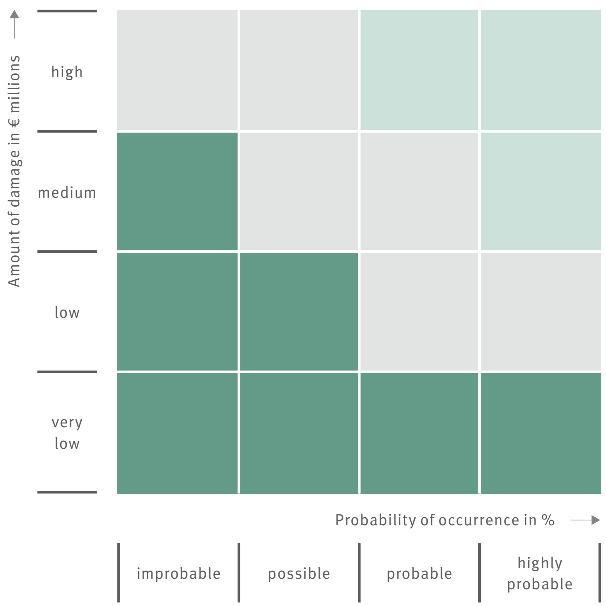
Subsidiaries included are selected using a defined selection process based on revenue and earnings (EBIT) as well as risk factors specific to the business. This selection process ensures that all Schaeffler Group subsidiaries that are relevant from a materiality perspective are included in the risk management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

The risk management system deals with all risks in their entirety; however, reports only include risks with a potential amount of damage above EUR 5 m on a gross basis. Risks are assessed based on their amount of damage and their probability of occurrence. The assessment classifies the amount of damage of each risk in one of four categories: very low, low, medium, and high. Classification is performed based on the amount of damage for one year. The probability of occurrence is assessed using percentages and is classified in the four categories “improbable”, “possible”, “probable,” and “highly probable”. The combination of estimated amount of damage and probability of occurrence determines the risk class, which is classified as either low, medium, or high based on its impact on net assets, the financial position, and earnings. Risks are assigned to the various risk classes using the risk matrix. In assessing risks, the Schaeffler Group differentiates between gross exposures and net exposures. Measures already in place can reduce the gross exposure with respect to both amount of damage and probability of occurrence. The net exposure represents the amount of damage and the probability of occurrence after taking into account any risk mitigation measures in place at the reporting date.

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

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

Risk matrix



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

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

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

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

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

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

More on the governance structure on pp. 79 et seq.

4.2 Internal control system

Internal control system [8]

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

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

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

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

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

System of internal control over financial reporting

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

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

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

The ICS Governance department was set up to assist the Board of Managing Directors of Schaeffler AG with issues relating to the system of internal control over financial reporting. ICS Governance applies scoping to ensure that the significant risks identified in the relevant processes are covered by appropriate internal controls in order to ensure reliable financial reporting. Additionally, the corporate ICS Governance department stipulates the methodology for documenting and testing controls and, by way of corporate quality assurance measures, ensures it is applied.

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

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

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

[8] section unaudited

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

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

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

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

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

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

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

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

4.3 Risks

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

Strategic risks

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

Macroeconomic environment

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

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

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

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

Protectionism

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

Strategic market risks

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

The Automotive Technologies division's component business is facing considerable pricing pressure driven by increasing demands for price reductions on the part of customers, purchasing cooperatives, and growing competition, especially in the emerging markets. The company could be unable to fully pass these demands for price reductions on to its own suppliers and to absorb them entirely with its existing structure. Additionally, accelerated electrification will lead to lower component revenue in the medium term. This trend requires the Schaeffler Group to constantly improve its efficiency and diversify into new lines of business in order to safeguard and further expand its market position. The increasing pricing pressure could have a medium impact on the Schaeffler Group's financial position and earnings.

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

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

Electric mobility and autonomous driving

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

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

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

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

Operating risks

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

Production risk

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

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

At several locations, facilitating full utilization of capacity may require having only one of a given type of machine available. The failure of one of these bottleneck machines can lead to a bottleneck in supply to internal and external customers, especially in the Automotive Technologies division. The period between failure of the bottleneck machine and when alternative means of production are set up is key here. Alternative means of production can either be set up by a Schaeffler Group plant with comparable production lines or provided by an alternative supplier. Establishing safety stock can also help reduce losses. To minimize the probability of occurrence, the risk is mitigated by continuous maintenance. However, failure of bottleneck machines represents a medium risk to the Schaeffler Group's financial position and earnings.

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

Market developments

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

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

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

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

Supply chain management

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

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

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

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

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

Coronavirus pandemic

The restrictions resulting from the coronavirus pandemic are continually being reduced compared to the initial years. However, the future implications and duration of the pandemic still cannot be predicted, especially if preventive measures available are found to be insufficiently effective. Additionally, the coronavirus pandemic could regain momentum and require containment measures, once again heavily hampering the economic recovery achieved so far as well as international trade. For instance, regional lockdown measures imposed on suppliers, customers, or company operating facilities could hamper the Schaeffler Group's business.

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

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

Cyber risks

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

Warranty and liability risks

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

Product piracy risks

The Schaeffler product brands INA, LuK, and FAG are associated with a high standard of quality, making them susceptible to product piracy. Not only do counterfeit products offered at significantly reduced prices cause irritation in the trade as well as in end customers and frequently result in requests for price reductions, but inferior counterfeit products also lead to loss of reputation caused by early failure of such products. This damages both the image and the value of the brand. Therefore, combating product piracy is a high priority for the Schaeffler Group. The Schaeffler Group protects intellectual property not only by registering industrial property rights worldwide but also by combating counterfeit products, which damage its image as well as its revenue. Based on the large number of counterfeit products seized, the Schaeffler Group estimates the impact of this issue on its financial position and earnings to be medium.

Legal risks

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

Compliance risks

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

More on the company's compliance management system on pp. 80 et seq.

Financial risks

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

Risks arising from currency fluctuations and financial instruments

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

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

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

The Schaeffler Group procures energy using largely short-, medium-, and long-term price and supply agreements that are treated as risk mitigation under the risk strategy. IFRS 9 requires a large portion of these contracts – which are entered into for the company's own use – to be accounted for at fair value until the date of physical delivery; therefore, until the end of their contractual term, there is a risk of changes in carrying amounts since changing market prices influence the recognized fair value determined as at the end of each reporting period. These changes in carrying amounts net to zero over the entire term of the contract; however, they can result in earnings shifting between periods and, as a result, could have a high adverse impact on the Schaeffler Group's net assets and earnings. The risk is determined using sensitivity analyses. Ongoing monitoring of the planned exposure, the market environment, and market prices enables the company to respond to changes and to mitigate this risk.

Tax risks

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

Pension risks

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

Liquidity risks

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

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

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

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

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

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

Impairments

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

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

Risk assessment

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

↗ increased → unchanged ↘ reduced

4.4 Opportunities

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

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

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

Strategic opportunities

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

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

Growing demand for automobiles in emerging countries

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

Fleet management

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

Increasing technological standards in the truck market

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

Renewables

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

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

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

Transportation & Mobility

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

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

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

Machinery & Materials

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

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

Industrial Automation

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

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

Operational opportunities

Availability of new and used vehicles

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

Financial opportunities

Financial markets

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

4.5 Overall assessment of Schaeffler Group opportunities and risks

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

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

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

5. Report on expected developments

5.1 Expected economic and sales market trends

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

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

Taking into account the forecast by S&P Global Mobility (January 2023) [9] and based on internal assessments, the Schaeffler Group expects slight market growth (0 to 2%, to up to 83.6 million vehicles) for **global automobile production**, measured as the number of vehicles up to six tons in weight produced, in 2023 (2022: 6.2%; S&P Global Mobility [January 2023]).

Taking into account the forecast by S&P Global Mobility (November 2022) [10], the Schaeffler Group anticipates growth in **global vehicle population**, measured as the number of passenger cars and light commercial vehicles less than 3.5 tons in weight, for 2023 to be similar to 2022, with the average vehicle age rising slightly (2022: growth of 2.1%, average age 10.9 years; S&P Global Mobility [November 2022]).

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

[9] Includes content supplied by S&P Global © [IHS Markit Light Vehicle Production Forecast (Base), January 2023]. All rights reserved.
[10] Includes content supplied by S&P Global © [IHS Markit Vehicles in Operation (VIO) Forecast, November 2022]. All rights reserved.

5.2 Schaeffler Group outlook

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

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

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

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

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

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

Outlook 2023

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

[1] Constant-currency revenue growth compared to prior year.
[2] Please refer to pp. 32 et seq. for the definition of special items.
[3] Before cash in- and outflows for M&A activities.
[4] LVP growth: global growth in production of passenger cars and light commercial vehicles.

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

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

Herzogenaurach, February 27, 2023

The Board of Managing Directors

Corporate Governance

* Part of the group management 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 2022, the Board of Managing Directors and the Supervisory Board issued the following declaration of conformity pursuant to section 161 AktG:

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

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

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

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

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

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

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

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

Herzogenaurach, December 2022

For the Supervisory Board	For the Board of Managing Directors
Georg F. W. Schaeffler Chairman of the Supervisory Board	Klaus Rosenfeld Chief Executive Officer

1.2 Corporate governance principles

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

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

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

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

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

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

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

Board of Managing Directors

The Schaeffler Group is managed by the Board of Managing Directors of Schaeffler AG. Its actions and decisions are guided by the company's best interest and, therefore, take into account the interests of shareholders, employees, and other stakeholders of the company in order to add long-term value. The members of the Board of Managing Directors run the business in accordance with the law, the company's articles of association, and the internal rules of procedure, taking into account the obligation to obtain approval set out in the Supervisory Board's internal rules of procedure. The Board of Managing Directors is directly responsible for managing the company, sets objectives and the company's strategic direction, consults on them with the Supervisory Board, manages the implementation of the company's strategy, and regularly discusses the status of its implementation with the Supervisory Board.

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

More on compliance on pp. 79 et seq.

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

Membership of the Board of Managing Directors

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

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

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

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

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

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

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

More on the members of the Board of Managing Directors, their areas of responsibility, and any positions they hold on Supervisory Boards of other companies on pp. 86 et seq.

Supervisory Board

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

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

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

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

Membership of the Supervisory Board

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

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

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

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

- Members should have the knowledge, skills, and technical experience required to properly perform their duties and be able to devote sufficient time to these duties.
- The Supervisory Board aims to maintain the current proportion of members with an international background.
- Members of the Supervisory Board should not serve on the governing body of or in a consulting capacity to significant competitors of the Schaeffler Group.
- The Supervisory Board should not include more than two former members of the Board of Managing Directors.
- The Supervisory Board shall include at least five shareholder representatives that are independent of the company and its Board of Managing Directors, and independent from any controlling shareholder (according to Recommendation C.6 of the German Corporate Governance Code).

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

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

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

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

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

It is sufficient if an area of expertise is covered by at least one member of the Supervisory Board, with at least one member of the audit committee required to possess expert knowledge about financial reporting and at least one other member of the audit committee required to possess expert knowledge about financial statement audits. The expert knowledge about financial reporting should consist of being particularly knowledgeable about and experienced in the application of accounting principles and internal control and risk management systems and the expert knowledge about financial statement audits should consist of being particularly knowledgeable about and experienced in financial statement audits. Financial reporting and financial statement audits also include sustainability reports and reviews thereof. The chairman of the audit committee shall have expert knowledge about at least one of these two fields.

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

Qualifications matrix – shareholder representatives

		Georg F. W. Schaeffler	Maria-Elisabeth Schaeffler-Thumann	Sabine Bendiek	Prof. Dr. Hans-Jörg Bullinger	Dr. Holger Engelmann	Prof. Dr. Bernd Gottschalk	Ulrike Hasbargen	Robin Stalker	Prof. TU Graz e.h. KR Ing. Siegfried Wolf	Prof. Dr.-Ing. Tong Zhang
Member since		12/01/2014	12/01/2014	04/24/2019	12/01/2014	12/01/2014	12/01/2014	04/23/2021	12/01/2014	12/01/2014	12/01/2014
Personal suitability	Independence [1]			●	●	●	●	●	●	●	●
	No overboarding [1]	●	●	●	●	●	●	●	●	●	●
Diversity	Gender	m	f	f	m	m	m	f	m	m	m
	Year of birth	1964	1941	1967	1944	1965	1943	1961	1958	1957	1960
	Nationality	German	German	German	German	German	German	German	New Zealand	Austrian	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

Qualifications matrix – employee representatives

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

[1] In accordance with the German Corporate Governance Code.
[2] "Knowledge/experience" means at least "good knowledge" and thus the ability to understand the relevant issues well and make informed decisions on the basis of existing qualifications, the knowledge and experience acquired in the course of serving on the Supervisory Board (e.g., many years of service on the audit committee) or the training measures regularly attended by all members of the Supervisory Board.
● Criterion met, based on self-assessment by the Supervisory Board

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

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

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

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

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

More on avoiding conflicts of interest on page 68.

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

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

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

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

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

Membership and mode of operation of Supervisory Board committees

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

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

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

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

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

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

The audit committee discusses the assessment of audit risk, the audit strategy and audit planning as well as the results of the audit with the auditors. The chairman of the audit committee regularly discusses the progress of the audit with the auditors and reports to the committee on this. The audit committee regularly consults with the auditors, both with and without the Board of Managing Directors.

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

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

The chairman of the audit committee, Robin Stalker, is particularly knowledgeable about and has many years of experience with financial statement audits as he is a former auditor, served as chief financial officer of a publicly listed company with operations worldwide (Adidas AG) for many years and has served on audit committees of publicly listed companies (Schaeffler AG and Commerzbank AG) for many years. These activities have also rendered him particularly knowledgeable about and experienced in the application of accounting principles and internal control and risk management systems and, hence, he additionally has expert knowledge about financial reporting. Robin Stalker keeps up with current developments in the fields of sustainability reporting and reviews of such reports and actively contributes his expertise to the work of the audit committee and the Supervisory Board.

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

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

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

Self-assessment of the Supervisory Board and its committees

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

Cooperation between Board of Managing Directors and Supervisory Board

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

On a regular basis, the Board of Managing Directors provides comprehensive and timely information to the Supervisory Board on all matters of relevance to the company with respect to strategy implementation, planning and budgeting, results of operations, risk management, and compliance. It discusses deviations of results of operations from budgets and targets and the reasons for those deviations. Documents required for decisions, especially the separate financial statements, the consolidated financial statements, and the long-form audit report, are provided to the members of the Supervisory Board in due time. The Board of Managing Directors is required to submit any fundamental legal transactions and measures to the Supervisory Board or the executive committee for approval. The cooperation between the Board of Managing Directors and the Supervisory Board is characterized by mutual trust and a culture of open discussion as well as maintaining strict confidentiality.

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

Avoiding conflicts of interest

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

1.4 Other information on corporate governance

Transparency

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

Relationships with shareholders and annual general meeting

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

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

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

Financial reporting and financial statement audit

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

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

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

It was agreed with Schaeffler AG's auditors that the Chairman of the Supervisory Board and the chairman of the audit committee would be informed promptly of any grounds for disqualification or indications of bias arising during the audit to the extent they are not remedied immediately. It was also agreed that the auditors would report on all findings and events coming to their attention during the performance of their audit that are significant to the responsibilities of the Supervisory Board. Under the agreement, the auditors have to inform the Supervisory Board and note in their long-form audit report if, during the course of the audit, they become aware of any facts rendering the declarations on the German Corporate Governance Code issued by the Board of Managing Directors and the Supervisory Board inaccurate. The audit committee monitors the auditors' independence. In a letter dated February 23, 2022, the auditors have issued an independence letter for the year ended December 31, 2022, in preparation for the nomination for appointment as auditors.

Georg F. W. Schaeffler
Chairman of the Supervisory Board

Report of the Supervisory Board

Ladies and Gentlemen,

At the beginning of 2022, there were encouraging signals that the global economy would recover as the coronavirus pandemic was abating. Particularly the war in Ukraine and its adverse consequences, especially for Europe, left these hopes unfulfilled. Nevertheless, Schaeffler AG once again proved crisis-proof in 2022 and the company succeeded in presenting good results even in a difficult environment.

The Supervisory Board has fully performed its duties as mandated by law, the company's articles of association, and its internal rules of procedure during the year. In doing so, the Supervisory Board oversaw and advised the Board of Managing Directors in managing the company and was directly involved on a timely basis in all decisions that were of fundamental importance to the company and the group.

The Board of Managing Directors regularly informed the Supervisory Board in written and oral reports about the company's results of operations. The Board of Managing Directors briefed the Supervisory Board on an ongoing basis and in detail about the development of revenue and earnings of the group and the divisions, the financial position and earnings, short- and long-term plans and budgets, personnel issues, and sustainability as well as about compliance and risk management matters. The Supervisory Board was involved in a timely fashion on any important developments concerning the business and discussed these extensively and in detail with the Board of Managing Directors. Transactions that either the law, the company's articles of association, or the internal rules of procedure require to be approved by the Supervisory Board were provided, along with any necessary information and documents, to the Supervisory Board in due time for such approval and – some with preparation by the committees – approved following extensive review and discussion.

The members of the Supervisory Board were also available for discussions with the Board of Managing Directors between meetings. The Chairman of the Supervisory Board regularly kept in contact with the Board of Managing Directors and particularly with the Chief Executive Officer, and conferred with him on an ongoing basis on issues related to the company's current results of operations, strategy, risk situation, risk management, and compliance.

Further information in the corporate governance report.

Members of the Supervisory Board and its committees

The membership of the Supervisory Board changed as follows during the reporting period: Jutta Rost's Supervisory Board mandate lapsed effective September 30, 2022, in accordance with section 24 (1) MitbestG when she left Schaeffler AG. Dr. Alexander Putz succeeded her as employee representative on the Supervisory Board effective October 1, 2022, for the remaining term of office of this mandate.

The standing committees established by the Supervisory Board are made up as follows:

- Mediation committee established in accordance with section 27 (3) MitbestG:
  Georg F. W. Schaeffler (Chairman),
  Maria-Elisabeth Schaeffler-Thumann, Salvatore Vicari, and Jürgen Wechsler
- Executive committee:
  Georg F. W. Schaeffler (Chairman),
  Barbara Resch, Maria-Elisabeth Schaeffler-Thumann,
  Salvatore Vicari, Jürgen Wechsler, and
  Prof. TU Graz e.h. KR Ing. Siegfried Wolf

- Audit committee:
  Robin Stalker (Chairman),
  Dr. Holger Engelmann, Andrea Grimm, Thomas Höhn,
  Georg F. W. Schaeffler, and Jürgen Wechsler
- Technology committee:
  Prof. Dr. Hans-Jörg Bullinger (Chairman),
  Georg F. W. Schaeffler, Jürgen Schenk, Salvatore Vicari,
  Jürgen Wechsler, Prof. TU Graz e.h. KR Ing. Siegfried Wolf,
  Prof. Dr.-Ing. Tong Zhang, and Markus Zirkel
- Nomination committee:
  Georg F. W. Schaeffler (Chairman),
  Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk,
  and Maria-Elisabeth Schaeffler-Thumann

There were no conflicts of interest related to members of the Supervisory Board during the reporting period.

Appointments to the Board of Managing Directors

The company's Board of Managing Directors consists of Klaus Rosenfeld (Chief Executive Officer), Claus Bauer, Andreas Schick, Corinna Schittenhelm, Jens Schüler, Dr. Stefan Spindler, Uwe Wagner, and Matthias Zink.

On May 20, 2022, Dr. Stefan Spindler was appointed to the Board of Managing Directors until April 30, 2024. Claus Bauer was appointed to the Board of Managing Directors until August 31, 2025, on May 20, 2022.

In accordance with the internal rules of procedure of the Board of Managing Directors, Klaus Rosenfeld is responsible for the CEO functions, Claus Bauer for Finance and IT, Andreas Schick for Operations, Supply Chain Management and Purchasing, Corinna Schittenhelm for Human Resources as Labor Relations Director, Jens Schüler for the Automotive Aftermarket division, Dr. Stefan Spindler for the Industrial division, Uwe Wagner for Research and Development, and Matthias Zink for the Automotive Technologies division.

Topics of Supervisory Board plenary meetings

The Supervisory Board held four regular meetings, one strategy meeting, and three extraordinary meetings in 2022. The four regular meetings and the strategy meeting were held as in-person meetings with an option to attend remotely via video conference, and the three extraordinary meetings were held in a virtual format via video conference. No meetings were held as conference calls.

The subject of the regular plenary discussions were the Schaeffler Group's results of operations and financial indicators. The Supervisory Board also dealt with acquisition and disinvestment projects as the need arose as well as with the company's risks. The Board of Managing Directors regularly reported to the Supervisory Board on the political and economic consequences of the war in Ukraine and its implications for Schaeffler as well as about the implications of the coronavirus pandemic for the Schaeffler Group. These reports included discussions of the risk related to bottlenecks in supply chains and to the energy supply. The Supervisory Board also ensured that it was briefed on the work of the committees on a regular basis in the plenary sessions. The personnel decisions regarding the Board of Managing Directors also represented an important aspect of the work of the Supervisory Board. The Supervisory Board also met regularly without the Board of Managing Directors being present. These meetings dealt with matters relating to either the Board of Managing Directors itself or the Supervisory Board.

At its extraordinary meeting on January 20, 2022, the Supervisory Board dealt with and agreed to the acquisition of Melior Motion GmbH.

At an extraordinary meeting of the Supervisory Board on February 8, 2022, the Supervisory Board reviewed preliminary target achievement for the variable remuneration of the Managing Directors for 2021 and dealt with the indicative target values for the variable remuneration of the Board of Managing Directors for 2022. Additionally, the Supervisory Board dealt with the budget for 2022 and the long-range plan for the years 2022 to 2026 and approved the budget for 2022 and the long-range plan for 2022 to 2026 initially presented at the meeting on December 17, 2021, and finalized based on updated estimates of material price trends as well as updated estimates of automobile production.

The first regular meeting of the Supervisory Board during the reporting period was held on February 25, 2022. The Board of Managing Directors reported on the current position of the business and the financial position and provided an initial assessment of the possible political and economic consequences of the war in Ukraine and the resulting implications for the Schaeffler Group.

The meeting also discussed the separate and consolidated financial statements of Schaeffler AG for 2021. This also involved KPMG reporting to the Supervisory Board on the audit of the separate financial statements, the consolidated financial statements, and the dependency report, as well as on the limited assurance engagement performed on the combined separate group non-financial report 2021 included in the sustainability report. Also at this meeting, the Supervisory Board adopted the separate financial statements and approved the consolidated financial statements, the closing statement of the Board of Managing Directors on the dependency report, and the proposal for the appropriation of earnings. Further, the Supervisory Board dealt with the sustainability report 2021.

As part of the periodic review of the remuneration system for the Managing Directors, the Supervisory Board discussed selectively amending the remuneration system approved by the annual general meeting on April 23, 2021. The meeting discussed more extensively reflecting the relevance the Schaeffler Group attributes to the issue of sustainability by adding sustainability targets to the short-term and long-term variable remuneration. Furthermore, the meeting discussed updating the relevant peer group for the horizontal comparison of the Managing Directors' remuneration, the definition of financial performance criteria relevant to remuneration, and the cap on Managing Directors' remuneration and reducing the weight of the service condition and making it more flexible for future years. Finally, the meeting discussed further specifying the date by which the obligation to purchase shares has to be met.

The Supervisory Board has approved the amended remuneration system retroactively effective January 1, 2022, for any Managing Directors already appointed and for any Managing Directors whose service contracts are newly signed or renewed, and has, based on a recommendation of the executive committee, proposed approval of the amended remuneration system to the annual general meeting.

The Supervisory Board set the variable remuneration of the Managing Directors for 2021 based on the target achievement rates determined. Furthermore, the target values for the Managing Directors' variable remuneration for 2022 were set based on the performance criteria for the Managing Directors' variable remuneration for 2022 approved at the meeting on December 17, 2021.

The Supervisory Board also dealt with the remuneration report 2021 and proposed to the annual general meeting in accordance with section 162 (3) AktG that it approve the remuneration report 2021.

In addition, the report of the Supervisory Board to the annual general meeting 2022 and the Supervisory Board's other proposed resolutions on the items on the agenda of the annual general meeting 2022 were approved.

Further, the Supervisory Board discussed the results of the self-assessment of the Supervisory Board and its committees. The results did not indicate a need for any fundamental changes, although certain suggestions were acted on and implemented.

Finally, the Supervisory Board decided to establish a special committee for the planned acquisition of the remaining 10% of the shares of Schaeffler ByWire Technologie GmbH & Co. KG to consult with and support the Board of Managing Directors during the further course of the project. The special committee discussed the project status presented by the Board of Managing Directors in virtual meetings held via video conference on July 1, 2022, on September 15, 2022, and on October 12, 2022.

On April 4, 2022, the Supervisory Board passed in writing a resolution regarding safekeeping of the multiple share document for the common shares of Schaeffler AG.

At its second regular meeting on May 20, 2022, the Supervisory Board first appointed Dr. Stefan Spindler to the Board of Managing Directors effective May 1, 2023, for a period of one year ending April 30, 2024, as recommended by the executive committee and second, with a view to long-term succession planning for the Board of Managing Directors, passed a resolution setting aside the current appointment of Claus Bauer by mutual agreement effective at the end of May 31, 2022, and appointing Claus Bauer to the Board of Managing Directors effective June 1, 2022, until August 31, 2025. The Board of Managing Directors reported to the meeting on the current position of the business and the financial position following the end of the first quarter of 2022. Further, the meeting discussed plans to secure the energy supply of the locations in the Europe region and the implications for the Schaeffler Group of the partial lockdown measures in China.

At its extraordinary meeting on July 22, 2022, the Supervisory Board dealt with the acquisition of 100% of the shares of the Ewellix Group and agreed to the issuance of a binding offer. A special committee established by the Supervisory Board for this project approved the final terms of the agreement in a virtual meeting held via video conference on July 23, 2022.

At the annual strategy meeting of the Supervisory Board held on October 6, 2022, at the training center at the Schweinfurt plant, the strategic direction for the Schaeffler Group was presented and was discussed extensively by the Supervisory Board. One focal point was the situation in the markets and of the business as well as the strategy for the Europe region. Additionally, the Board of Managing Directors reported in detail on the strategic direction of the Automotive Technologies division with a particular focus on the strategic considerations regarding the E-Mobility and Bearings business divisions. The presentation of the strategic priorities of the Automotive Aftermarket division focused on reporting on the collaboration with the Automotive Technologies division in the core business in future. The Supervisory Board also dealt with the Board of Managing Directors' strategic considerations regarding the Industrial division, particularly with the plan for integrating the Ewellix Group after the acquisition has closed. Issues relating to the transformation of the Schweinfurt location and its future direction were explained during a tour of the plant there. Furthermore, the Schaeffler Group's "Sustainability Roadmap" was discussed in depth, including a presentation of the priorities under the Schaeffler Group's comprehensive Climate Action Plan aimed at shaping and executing the Schaeffler climate program. Afterward, Schaeffler employees presented examples of various Schaeffler Group sustainability activities to the members of the Supervisory Board in a market square format.

At its third regular meeting on October 7, 2022, the Supervisory Board was briefed on the current position of the business and the financial position of the Schaeffler Group as well as on the results of the first half of 2022. One focal point of the meeting was the presentation of the results of the review of the appropriateness of the remuneration of the Board of Managing Directors performed by an independent remuneration expert. The expert confirmed that the amount and structure of the remuneration of the current Managing Directors is appropriate and meets the relevant regulatory requirements. In addition, the Supervisory Board approved increasing the revolving credit facility from EUR 1.8 bn to EUR 2 bn and obtaining a loan to finance the acquisition of the Ewellix Group. A further item on the agenda for this meeting was corporate governance. In light of the reform of the German Corporate Governance Code 2022, the Supervisory Board passed a resolution to change the Supervisory Board's internal rules of procedure and profile of expertise. Additionally, the Supervisory Board passed a resolution appointing the auditor of the remuneration report for 2022.

At its fourth and final regular meeting during the reporting period on December 16, 2022, the Supervisory Board was briefed on the Schaeffler Group's most recent results of operations and the results of the third quarter of 2022. Additional discussions addressed the macroeconomic environment, geopolitical risks, and the resulting implications for the Schaeffler Group. The Supervisory Board dealt with the annual review of the remuneration of the Managing Directors and, based on preparation and recommendations made by the executive committee, specified the performance criteria and their weights for the variable remuneration of each Managing Director as well as the individual total target remuneration for 2023. Indicative target achievement for 2022 was reported on as well. A further focal point of the meeting was the discussion and approval of the budget for 2023 and the long-range plan for the years 2023 to 2027.

Finally, the Supervisory Board dealt with the declaration of conformity with the German Corporate Governance Code (section 161 AktG), discussing compliance with the amended recommendations of the Code in particular.

Topics of Supervisory Board committee meetings

The executive committee of the Supervisory Board held a total of four regular meetings and five extraordinary meetings during the reporting period. The four regular meetings were held as in-person meetings with an option to attend remotely via video conference, and the five extraordinary meetings were held in a virtual format via video conference. No meetings were held as conference calls. Executive committee meetings were used to prepare the plenary meetings of the Supervisory Board, especially the personnel decisions to be made by the Supervisory Board. The Supervisory Board also approved positions assumed by Managing Directors on supervisory or similar boards of other companies and institutions. At its extraordinary meetings on January 11 and 16, 2022, the executive committee dealt with the status of the acquisition project for acquiring Schaeffler Ultra Precision Drives GmbH and agreed to the acquisition. At its extraordinary meeting on March 18, 2022, the executive committee discussed the status of negotiations with Symbio on establishing the joint entity Innoplate SAS. The executive committee agreed to establishing this company in a resolution passed in writing dated March 28, 2022. At its extraordinary meeting on July 1, 2022, the Supervisory Board dealt with the potential acquisition of the Ewellix Group and agreed to the issuance of a non-binding purchase offer. At its extraordinary meeting on July 27, 2022, the executive committee agreed to Schaeffler obtaining an equity investment in Swedish start-up H2 Green Steel.

The audit committee held four regular meetings during the year that were held as in-person meetings with an option to attend remotely via video conference. With the auditors as well as the CEO and the CFO present, the audit committee addressed the separate and consolidated financial statements including the non-financial report and the dependency report. The audit committee discussed the semi-annual interim report as well as the quarterly interim statements with the CEO, the CFO, and the auditors. The audit committee monitored the selection, independence, qualifications, rotation, and efficiency of the auditors and dealt with reviewing the quality of the auditors. Specific non-audit services provided by the auditor were discussed and approved.

The audit committee held regular discussions with the auditors – both with and without the Board of Managing Directors being present – in connection with the preparation for and performance of the audit. During its meetings, the audit committee also regularly held discussions with neither the Board of Managing Directors nor the auditors being present. The chairman of the audit committee regularly discussed the progress of the audit with the auditors outside of meetings and reported to the committee on this.

Moreover, the audit committee dealt with compliance and addressed the quarterly reports and the annual report of the chief compliance officer. Additionally, the audit committee discussed financial reporting and the financial reporting process, the appropriateness and effectiveness of the risk management system and the internal control system of the Schaeffler Group taking into account the requirements of the Financial Market Integrity Strengthening Act (Finanzmarktintegritätsstärkungsgesetz - FISG), and dealt with the effectiveness, resources, and findings of Internal Audit.

Audit committee meetings discussed enhancing sustainability reporting, the requirements of the Corporate Sustainability Reporting Directive (CSRD) and their implementation, as well as the requirements of the EU taxonomy. The audit committee heard a presentation on the Schaeffler Group's hedging strategy to mitigate transaction-related risks arising from currency fluctuations and was briefed on the current status of implementation of requirements under the Act on Corporate Due Diligence in Supply Chains (Lieferkettensorgfaltspflichtengesetz). The internal and regulatory requirements of Schaeffler India Ltd. as a publicly listed company were discussed at a meeting with the chair of the audit committee of Schaeffler India Ltd. Further, the audit committee dealt with the situation regarding the energy supply of the locations in the Europe region, contingency plans to secure supply, and the implications for the budget. The introduction of a global minimum tax (Pillar 2) was reported on as well. Regarding the compliance management system, it was reported that the audit of the effectiveness of the system was completed successfully. The audit committee was updated on the status of implementation of the tax compliance management system (Tax CMS). In Germany, the Tax CMS has entered normal operation and an audit of its effectiveness is scheduled for 2023.

Furthermore, the audit committee dealt with the new testing strategy of the system of internal control over financial reporting, the maturity of the Information & Security Program, and the status of TISAX certification of the Schaeffler Group's locations. Finally, the audit committee obtained an overview of the status of the implementation of SAP S/4 HANA.

As current law requires a periodic external rotation of auditors as at the end of 2024, the audit committee also dealt with issues concerning the preparation of a tendering procedure.

The Supervisory Board recommended to the annual general meeting 2022 that it appoint KPMG AG Wirtschaftsprüfungsgesellschaft as auditors of the separate and consolidated financial statements and auditors for purposes of reviews of interim financial statements and financial information. The audit committee engaged KPMG AG Wirtschaftsprüfungsgesellschaft as auditors and determined areas of focus for the audit. The audit committee also proposed to the Supervisory Board that it engage KPMG AG Wirtschaftsprüfungsgesellschaft to perform a limited assurance engagement on the non-financial report.

The technology committee held two regular meetings during the reporting period that were held as in-person meetings with an option to attend remotely via video conference. The first meeting was first provided with an overview over the Technology Dialog 2022 and then discussed the focal points new mobility and autonomous driving as well as bearing technology. Following this, the hydrogen technical center in Herzogenaurach was toured and the process steps involved in manufacturing bipolar plates for fuel cells and electrolyzers presented. The second technology committee meeting focused on the connection between product and manufacturing technology innovations that were explained using plastic and tool technology as an example. Examples of automation and digitalization solutions were presented to technology committee members in a subsequent tour of the tool technology center recently opened in Hoechstadt.

The nomination committee held one meeting via video conference during the reporting period. At this meeting, the nomination committee dealt in depth with succession planning for the Supervisory Board.

No meetings of the mediation committee were required during the reporting period.

Disclosure of attendance at meetings by individual

Members' attendance rate at meetings of the Supervisory Board or its committees was 90.2%. Due to circumstances related to the persisting coronavirus pandemic, regular meetings were held as in-person meetings with an option to attend remotely via video conference. The attendance of Supervisory Board members at meetings of the Supervisory Board and its committees is disclosed by individual as follows:

Meeting attendance

	Full Supervisory Board		Executive committee		Audit committee		Technology committee		Nomination committee		Mediation committee	
Number of meetings/attendance in %	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
Georg F. W. Schaeffler Chairman	8/8	100	9/9	100	4/4	100	2/2	100	1/1	100		
Maria-Elisabeth Schaeffler-Thumann Deputy Chairperson	7/8	87.5	8/9	88.8					0/1	0		
Jürgen Wechsler Deputy Chairperson	8/8	100	9/9	100	3/4	75	2/2	100				
Sabine Bendiek	6/8	75										
Prof. Dr. Hans-Jörg Bullinger	8/8	100					2/2	100				
Dr. Holger Engelmann	6/8	75			2/4	50			1/1	100		
Prof. Dr. Bernd Gottschalk	7/8	87.5							1/1	100		
Andrea Grimm	8/8	100			4/4	100						
Ulrike Hasbargen	8/8	100										
Thomas Höhn	8/8	100			4/4	100						
Susanne Lau	8/8	100										
Barbara Resch	7/8	87.5	8/9	88.8								
Jutta Rost (until September 30, 2022)	5/5	100										
Dr. Alexander Putz (since October 1, 2022)	3/3	100										
Jürgen Schenk	8/8	100					2/2	100				
Helga Schönhoff	8/8	100										
Robin Stalker	7/8	87.5			4/4	100						
Salvatore Vicari	8/8	100	9/9	100			2/2	100				
Prof. TU Graz e.h. KR Ing. Siegfried Wolf	6/8	75	8/9	88.8			2/2	100				
Prof. Dr.-Ing. Tong Zhang	8/8	100					2/2	100				
Markus Zirkel	8/8	100					2/2	100				
		94		**94**		**88**		**100**		**75**		

Training and continuing education

Supervisory Board members are responsible for obtaining any training or continuing education necessary to fulfill their duties, such as training on changes in the legal environment and on new technologies, and the company supports them in this by providing internal continuing education measures. In this vein, Supervisory Board members were briefed on the amendments to the German Corporate Governance Code 2022 and their implications for the Schaeffler Group's corporate governance at Supervisory Board meetings during the reporting period. Dr. Alexander Putz, the new member of the Supervisory Board, met with the CEO to share information on fundamental as well as current matters in order to learn about issues relevant to the Schaeffler Group as part of his onboarding process.

Separate and consolidated financial statements 2022

KPMG AG Wirtschaftsprüfungsgesellschaft has audited the separate financial statements, the consolidated financial statements, and the combined management report as at December 31, 2022, prepared by the Board of Managing Directors in accordance with German commercial law, including the accounting records and the accounting-related internal control system as well as the early warning risk identification system. The consolidated financial statements of Schaeffler AG as at and for the year ended December 31, 2022, were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of German commercial law pursuant to section 315e (1) German Commercial Code.

KPMG AG Wirtschaftsprüfungsgesellschaft has also audited the report on relations with affiliated companies ("dependency report") prepared by the Board of Managing Directors in accordance with section 312 AktG. The report covers the period from January 1, 2022, to December 31, 2022.

The auditors have issued unqualified audit opinions on the separate financial statements and the consolidated financial statements. They also found that the Board of Managing Directors has made the arrangements required by section 91 (2) 312 AktG for the timely identification of risks, and that the early warning risk identification system is suitable for identifying on a timely basis any developments jeopardizing the existence of the company as a going concern.

KPMG AG Wirtschaftsprüfungsgesellschaft has issued the following unqualified audit opinion on the dependency report in accordance with section 313 (3) AktG:

"In accordance with our conscientious audit and assessment, we confirm that the statements of fact in the report are correct, the consideration given by the company in the course of the transactions listed in the report was not unreasonably high, and the measures listed in the report are not an occasion for an assessment substantially different from that of the Board of Managing Directors".

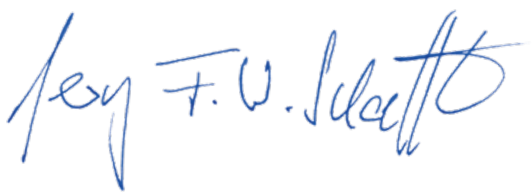
Schaeffler AG has prepared a combined separate group non-financial report for 2022 that is included in the sustainability report. KPMG AG Wirtschaftsprüfungsgesellschaft performed a limited assurance engagement on the non-financial report. KPMG AG Wirtschaftsprüfungsgesellschaft found that, based on the limited review procedures performed, nothing has come to its attention that causes it to believe that the combined separate group non-financial report has not been prepared, in all material respects, in accordance with legal requirements.

The audit committee finalized its discussions of the financial statement documents, the combined separate group non-financial report, the dependency report, the long-form audit reports, and the report on the limited assurance engagement with the Board of Managing Directors and the auditors on March 2, 2023. The audit committee scrutinized the development of earnings for 2022, the financial position and net assets as at the reporting date, and, particularly, provisions for risks. The financial statement documents, the combined separate group non-financial report included in the sustainability report, the dependency report, and the long-form audit reports were also finalized in the Supervisory Board meeting convened to approve the financial statements on March 3, 2023. The required documents had been distributed to all members of the audit committee and the Supervisory Board in due time before these meetings to give members sufficient opportunity to examine them. The auditor was present during the discussion. He reported on significant findings of the financial statement audit and the limited assurance engagement and was available to provide additional information to the audit committee and the Supervisory Board. Based on its own examinations of the separate financial statements, the dependency report (including the closing statement of the Board of Managing Directors), the combined separate group non-financial report, and the consolidated financial statements together with the combined management report, and based on recommendations made by the audit committee, the Supervisory Board concurs with the result of the auditors' audits. There was no cause for objection, including objection to the closing statement on the dependency report prepared by the Board of Managing Directors. The Supervisory Board has approved the separate financial statements and the consolidated financial statements. The separate financial statements have thus been adopted.

The Supervisory Board has reviewed the appropriation of retained earnings proposed by the Board of Managing Directors and will, together with the Board of Managing Directors, propose to the annual general meeting the payment of a dividend of EUR 0.44 per common share and EUR 0.45 per common non-voting share in respect of 2022.

On behalf of the Supervisory Board, I would like to express my sincere gratitude to the members of the Executive Board, to management, and to all other employees of Schaeffler AG and the group companies for their commitment and dedication and their constructive teamwork in 2022.

For the Supervisory Board



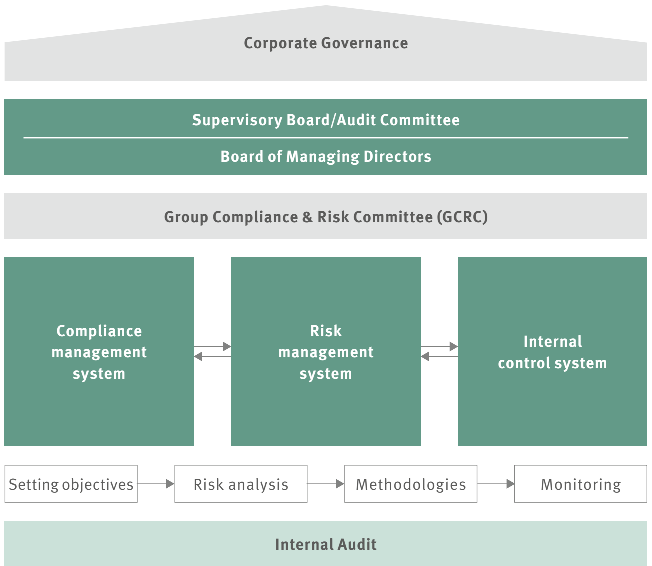
Georg F. W. Schaeffler
Chairman

Herzogenaurach, March 3, 2023

3. Governance structure

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

Schaeffler Group governance structure

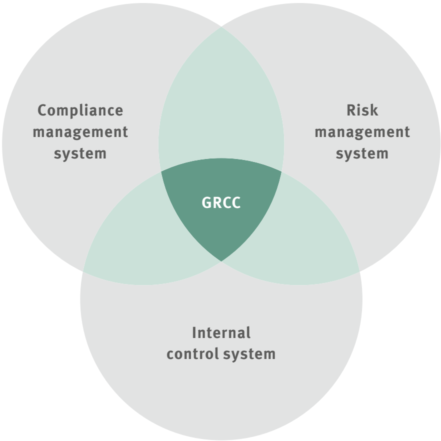


In 2022, the Schaeffler Group has continued to improve the processes within its governance structure with a view to meeting the requirements of customers, legislators, and other stakeholders while at the same time protecting the company. The governance structure is aimed at promoting the coordinated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

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

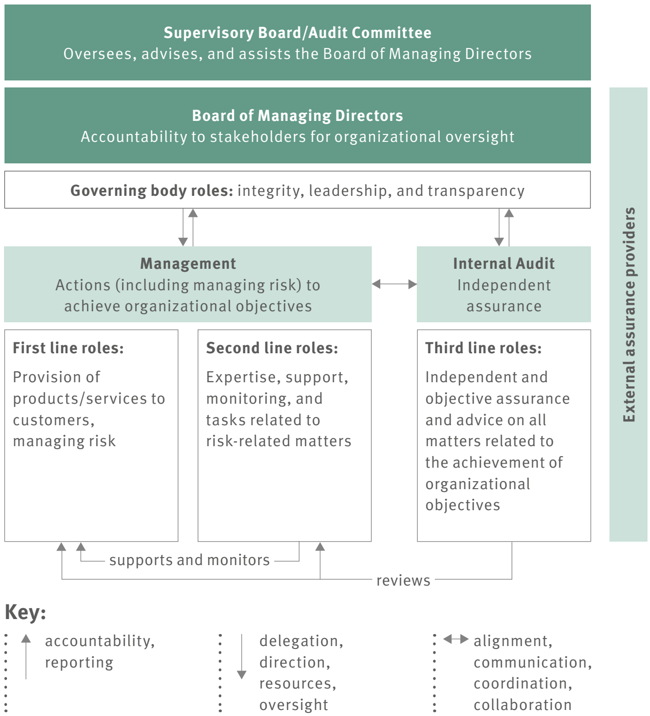
In the fourth quarter of 2022, the Board of Managing Directors decided to enhance the GCRC. The CEO and CFO will chair the body, which will be named Governance, Risk & Compliance Committee (GRCC) in future, starting in 2023. The GRCC will focus even more closely on further integrating the governance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

Comprehensive approach to further integration of governance functions



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

Three Lines Model



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

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

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

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

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

3.1 Compliance management system

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

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

The compliance organization derives its arrangements for preventing corruption, money laundering, violations of competition and antitrust law, and economic criminal activity from a regular group-wide risk analysis using a risk-based approach. The risk analysis provides information on the current situation with respect to risks arising from operations and on the effectiveness of the preventive arrangements in place. Country-specific risks are summarized in a compliance country risk report that is updated annually.

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

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

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

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

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

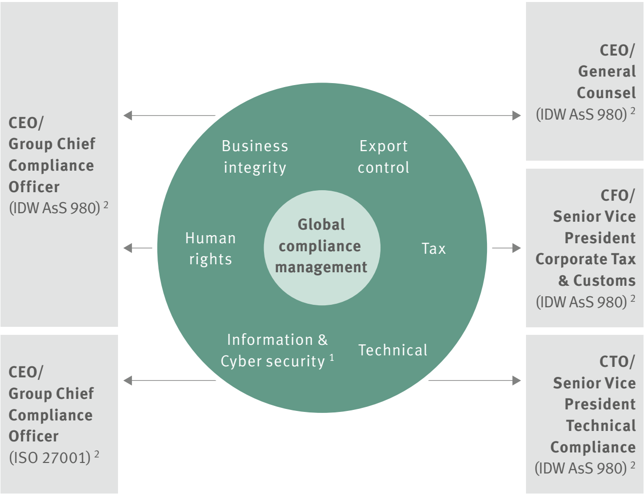
In a systematic training program that is specific to its various target audiences, the Schaeffler Group provides its employees and managers with the required understanding of compliance and makes them aware of compliance risks in their day-to-day business. Web-based and classroom training sessions are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

During the year, the Schaeffler Group established the "Horizon Next" integrity workshop worldwide in order to embed value-based compliance throughout the organization. Along with the basic course titled "Integrity & Security@Schaeffler", there are advanced online courses on fighting corruption and complying with antitrust and competition law. These mandatory online courses are aimed both at all executives and at employees assigned to a job profile in procurement or sales that is relevant to compliance. In addition, the company has also put arrangements in place for detecting possible compliance violations; these arrangements include controls as well as a global whistleblowing system which can be used to report suspected violations on an anonymous basis. All such reports received are reviewed independently. Reprisals against employees reporting concerns about misconduct within the company in good faith are prohibited.

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

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

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



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

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

3.2 Risk management system

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

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

3.3 Internal control system

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

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

3.4 Internal Audit

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

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

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

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

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

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

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

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

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

3.5 Comment upon the appropriateness and effectiveness of the risk management and internal control system [11]

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

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

[11] in accordance with German Corporate Governance Code; section unaudited.

4. Governing bodies of the company

4.1 Supervisory Board

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

Georg F. W. Schaeffler

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

Appointed: December 1, 2014
Committee memberships: Chairman of the mediation, executive, and nomination committees and member of the audit and technology committees
Seats on supervisory and similar boards: member of the advisory board of ATESTEO Management GmbH, Alsdorf; member of the Supervisory Board of Continental AG, Hanover; member of the Supervisory Board of Vitesco Technologies Group AG, Regensburg

Maria-Elisabeth Schaeffler-Thumann

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

Appointed: December 1, 2014
Committee memberships: member of the mediation, executive, and nomination committees
Seats on supervisory and similar boards: member of the Supervisory Board of Continental AG, Hanover (until April 29, 2022)

Jürgen Wechsler*

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

Appointed: December 2, 2014
Committee memberships: member of the mediation, executive, technology, and audit committees

Sabine Bendiek

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

Appointed: April 24, 2019

Prof. Dr. Hans-Jörg Bullinger

CEO of Fraunhofer Foundation

Appointed: December 1, 2014
Committee memberships: Chairman of the technology committee
Seats on supervisory and similar boards: member of the advisory board of Albert Handtmann Holding GmbH & Co. KG, Biberach; chairman of the Supervisory Board of ARRI AG, Munich; member of the Supervisory Board of Bauerfeind AG, Zeulenroda-Triebes; member of the Supervisory Board of CO.DON AG, Leipzig; member of the advisory board of Friedhelm Loh Stiftung GmbH & Co. KG, Haiger; member of the Supervisory Board of Vitesco Technologies Group AG, Regensburg

Dr. Holger Engelmann

Chairman of the Management Board of Webasto SE

Appointed: December 1, 2014
Committee memberships: member of the nomination and audit committees
Seats on supervisory and similar boards: Chairman of the Supervisory Board of Webasto Thermo & Comfort SE, Gilching (until April 28, 2022)

* Employee representative on the Supervisory Board.

Prof. Dr. Bernd Gottschalk
Owner and Managing Partner of AutoValue GmbH

Appointed: December 1, 2014
Committee memberships: member of the nomination committee
Seats on supervisory and similar boards: member of the Board of Directors of AEye, Inc., Dublin, U.S.; member of the Supervisory Board of BENTELER International AG, Salzburg, Austria; Deputy Chairman of the Supervisory Board of JOST Werke AG, Neu-Isenburg; member of the Supervisory Board of Compagnie Plastic Omnium SA, Levallois-Perret, France

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

Appointed: April 8, 2017
Committee memberships: member of the audit committee

Ulrike Hasbargen
Tax consultant/auditor

Appointed: April 23, 2021
Seats on supervisory and similar boards: member of the Supervisory Board of Ernst & Young GmbH, Stuttgart

Thomas Höhn*
Trade Union Secretary IG Metall

Appointed: May 8, 2020
Committee memberships: member of the audit committee

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

Appointed: August 8, 2018

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

Appointed: October 1, 2022

Barbara Resch*
Wage secretary

Appointed: November 19, 2015
Committee memberships: member of the executive committee
Seats on supervisory and similar boards: member of the Supervisory Board of ElringKlinger AG, Dettingen; member of the Supervisory Board of Rheinmetall AG, Duesseldorf

Jürgen Schenk*
Chairman of the General Works Council Schweinfurt

Appointed: May 8, 2020
Committee memberships: member of the technology committee
Seats on supervisory and similar boards: member of the Supervisory Board of ACE Auto Club Europa e. V., Stuttgart (until October 25, 2022)

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

Appointed: May 8, 2020

Robin Stalker
Chartered Accountant

Appointed: December 1, 2014
Committee memberships: chairman of the audit committee
Seats on supervisory and similar boards: Deputy Chairman of the Supervisory Board of Schmitz Cargobull AG, Horstmar; member of the Supervisory Board of Commerzbank AG, Frankfurt/Main; member of the Supervisory Board of Hugo Boss AG, Metzingen

Salvatore Vicari*
Chairman of the Works Council Homburg/Saar

Appointed: December 2, 2014
Committee memberships: member of the mediation, executive, and technology committees

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

Appointed: December 1, 2014
Committee memberships: member of the executive and technology committees
Seats on supervisory and similar boards: member of the Supervisory Board of Miba AG, Laakirchen, Austria; member of the Supervisory Board of Mitterbauer Beteiligungs-AG, Laakirchen, Austria; member of the Supervisory Board of OJSC GAZ Group, Nizhny Novgorod, Russia (until December 31, 2022); member of the Supervisory Board of Porsche Automobil Holding SE, Stuttgart; Chairman of the Supervisory Board of SBERBANK Europe AG, Vienna, Austria (until July 26, 2022); Chairman of the Supervisory Board of Steyr Automotive GmbH, Steyr, Austria; Chairman of the Supervisory Board of Vitesco Technologies Group AG, Regensburg

* Employee representative on the Supervisory Board.

Prof. Dr.-Ing. Tong Zhang
Director of Institute of Fuel Cell Vehicle Technology at Tongji University in Shanghai, China

Appointed: December 1, 2014
Committee memberships: member of the technology committee
Seats on supervisory and similar boards: Independent director of Zhejiang Tieliu Clutch Co., Ltd., Hanzhou, China (since January 1, 2022)

Markus Zirkel*
Chairman of the Works Council Hirschaid

Appointed: May 8, 2020
Committee memberships: member of the technology committee
Seats on supervisory and similar boards: member of the Supervisory Board of VR-Bank Bamberg Forchheim eG, Bamberg

The following member left the Supervisory Board in 2022

Jutta Rost* (until September 30, 2022)
Senior Vice President HR Functions

Appointed: May 8, 2020

4.2 Supervisory Board committees

Mediation committee

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

Executive committee

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

Audit committee

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

Nomination committee

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

Technology committee

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

4.3 Board of Managing Directors

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

Klaus Rosenfeld
Chief Executive Officer

Responsible for: Quality; Governance, Processes & Organization; Corporate Strategy, Sustainability, & Corporate Development; Group Communications & Public Affairs; Global Branding & Marketing; Investor Relations; Legal; Internal Audit; Compliance & Corporate Security; Corporate Real Estate Management; Strategic Digitalization
Appointed: October 24, 2014
Term of office ends: June 30, 2024
Seats on supervisory and similar boards: member of the Supervisory Board of Continental AG, Hanover; member of the Supervisory Board of Siemens Gamesa Renewable Energy S.A., Zamudio, Spain (until February 18, 2022); member of the Supervisory Board of Vitesco Technologies Group AG, Regensburg; Supervisor of Schaeffler Holding (China) Co. Ltd., Shanghai, China

* Employee representative on the Supervisory Board.

Claus Bauer
Chief Financial Officer

Responsible for: Finance Systems, Processes & Infrastructure; Corporate Accounting; Corporate Controlling; Corporate Treasury; Corporate Tax & Customs; Corporate Reporting; Corporate Insurance; Shared Services [12]; IT & Digitalization
Appointed: September 1, 2021
Term of office ends: August 31, 2025

Andreas Schick
Chief Operating Officer

Responsible for: Schaeffler Production System & Production Technology; Digitalization & Operations IT; Advanced Production Technology; Tool Manufacturing; Special Machinery; Supply Chain Management & Logistics; Purchasing Strategy & Strategic Supplier Management; Purchasing Non-Production Material; Quality Operations, Supply Chain Management & Purchasing
Appointed: April 1, 2018
Term of office ends: March 31, 2026
Seats on supervisory and similar boards: member of the Supervisory Board of SupplyOn AG, Hallbergmoos; member of the board of directors of Schaeffler India Ltd., Pune, India

Corinna Schittenhelm
Chief Human Resources Officer

Responsible for: HR Strategy; HR Policies & Standards; Leadership, Recruiting & Talent Management; Schaeffler Academy; HR Systems, Processes & Reporting; Environment, Health & Safety; Human Resources Functions; Human Resources Germany
Appointed: January 1, 2016
Term of office ends: December 31, 2023
Seats on supervisory and similar boards: member of the shareholders' committee of TÜV SÜD AG, Munich; member of the advisory board of Schaeffler Consulting GmbH, Herzogenaurach; member of the board of directors of Schaeffler India Ltd., Pune, India

Jens Schüler
CEO Automotive Aftermarket

Responsible for: Business Development & Strategy AAM; Global KAM, Sales & Marketing AAM; Product Management & R&D AAM; IT & Digitalization AAM; Operations & Supply Chain Management AAM; Quality AAM; Purchasing & Supplier Management AAM; Divisional Controlling AAM; Human Resources AAM
Appointed: January 1, 2022
Term of office ends: December 31, 2024
Seats on supervisory and similar boards: member of the shareholder committee of Caruso GmbH, Mannheim (since January 1, 2022); member of the shareholder committee of TecAlliance GmbH, Ismaning (since January 1, 2022)

Dr. Stefan Spindler
CEO Industrial

Responsible for: Business Development & Strategy Industrial; Global Key Account Management Industrial; Sales Management & Marketing Industrial; Strategic Business Field Industrial Lifetime Solutions; Strategic Business Field Hydrogen Industrial; R&D Industrial; Operations & Supply Chain Management Industrial; Quality Industrial; Purchasing & Supplier Management Industrial; Divisional Controlling Industrial; HR Industrial
Appointed: May 1, 2015
Term of office ends: April 30, 2024

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; member of the advisory board of Compact Dynamics GmbH, Starnberg; member of the advisory board of Schaeffler ByWireTechnologie GmbH & Co. KG, Herzogenaurach; chairman of the advisory board of Xtronic GmbH, Boeblingen

Matthias Zink
CEO Automotive Technologies

Responsible for: Business Development & Strategy Automotive Technologies; Global Key Account Management Automotive Technologies; BD Bearings; BD Engine & Transmission Systems; BD E-Mobility; BD Chassis Systems; Operations & Supply Chain Management Automotive Technologies; Quality Automotive Technologies; Purchasing & Supplier Management Automotive Technologies; Divisional Controlling Automotive Technologies; Human Resources Automotive Technologies
Appointed: January 1, 2017
Term of office ends: December 31, 2024
Seats on supervisory and similar boards: member of the advisory board of Compact Dynamics GmbH, Starnberg; Supervisor of Schaeffler (China) Co. Ltd., Taicang, China; chairman of the advisory board of Schaeffler ByWire Technologie GmbH & Co. KG, Herzogenaurach; member of the advisory board of Xtronic GmbH, Boeblingen (until March 31, 2022)

[12] Responsibility for the global steering of the shared services activities within the Schaeffler Group.

Consolidated financial statements

1. Consolidated income statement

in € millions	Note	2022	2021	Change in %
Revenue	3.1	15,809	13,852	14.1
Cost of sales		-12,230	-10,412	17.5
Gross profit		**3,579**	**3,440**	**4.1**
Research and development expenses		-768	-748	2.7
Selling expenses		-1,126	-977	15.2
Administrative expenses		-609	-540	12.7
Other income	3.2	213	222	-3.9
Other expenses	3.3	-280	-131	> 100
Income (loss) from equity-accounted investees	4.4	-36	-44	-17.3
Earnings before financial result and income taxes (EBIT)	1.4	**974**	**1,220**	**-20.2**
Financial income	3.5	51	50	2.5
Financial expenses	3.5	-172	-148	16.6
Financial result	3.5	**-121**	**-98**	**23.8**
Earnings before income taxes		**852**	**1,122**	**-24.1**
Income taxes	3.6	-268	-348	-23.0
Net income		**585**	**775**	**-24.6**
Attributable to shareholders of the parent company		557	756	-26.3
Attributable to non-controlling interests		27	19	44.4
Earnings per common share (basic/diluted, in €)	3.7	0.83	1.13	-26.5
Earnings per common non-voting share (basic/diluted, in €)	3.7	0.84	1.14	-26.3

2. Consolidated statement of comprehensive income

in € millions	Note	2022	2021
Net income		**585**	**775**
Items that will not be reclassified to profit or loss			
Remeasurement of net defined benefit liability	4.13	862	413
Changes in the scope of consolidation – defined benefit plans		-1	0
Net change in fair value of financial assets at fair value through other comprehensive income	4.16	-4	0
Tax effect	4.5	-247	-120
Total other comprehensive income that will not be reclassified to profit or loss		**610**	**293**
Items that have been or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		55	315
Effective portion of changes in fair value of cash flow hedges	4.16	87	-100
Tax effect	4.5	-25	29
Total other comprehensive income that has been or may be subsequently reclassified to profit or loss		**117**	**243**
Total other comprehensive income		**727**	**536**
Total comprehensive income		**1,312**	**1,311**
Total comprehensive income attributable to shareholders of the parent company		1,290	1,286
Total comprehensive income attributable to non-controlling interests		22	25

3. Consolidated statement of financial position

in € millions	Note	12/31/2022	12/31/2021	Change in %
ASSETS				
Intangible assets	4.1	916	497	84.4
Right-of-use assets under leases	4.2	222	208	6.5
Property, plant and equipment	4.3	4,607	4,748	-3.0
Investments in joint ventures and associated companies	4.4	7	70	-90.6
Costs to fulfill a contract	3.1	350	367	-4.6
Other financial assets	4.8	216	209	3.3
Other assets	4.8	191	244	-21.9
Income tax receivables	4.5	11	9	19.0
Deferred tax assets	4.5	662	842	-21.4
Total non-current assets		**7,180**	**7,194**	**-0.2**
Inventories	4.6	2,796	2,495	12.1
Contract assets	3.1	54	52	4.8
Trade receivables	4.7	2,519	2,274	10.8
Other financial assets	4.8	205	80	› 100
Other assets	4.8	364	324	12.2
Income tax receivables	4.5	45	46	-1.5
Cash and cash equivalents	4.9	1,063	1,822	-41.7
Assets held for sale	4.10	58	77	-24.3
Total current assets		**7,104**	**7,170**	**-0.9**
Total assets		**14,284**	**14,364**	**-0.6**

in € millions	Note	12/31/2022	12/31/2021	Change in %
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital		666	666	0.0
Capital reserves		2,348	2,348	0.0
Other reserves		1,218	988	23.3
Accumulated other comprehensive income (loss)		-216	-949	-77.2
Equity attributable to shareholders of the parent company		4,016	3,053	31.5
Non-controlling interests		125	112	11.8
Total shareholders' equity	4.11	**4,141**	**3,165**	**30.8**
Provisions for pensions and similar obligations	4.13	1,606	2,454	-34.6
Provisions	4.14	288	304	-5.4
Financial debt	4.12	3,238	3,231	0.2
Contract liabilities	3.1	143	118	21.4
Income tax payables	4.5	47	36	33.3
Other financial liabilities	4.15	90	35	› 100
Lease liabilities	4.2	162	159	1.5
Other liabilities	4.15	7	11	-36.8
Deferred tax liabilities	4.5	192	169	13.3
Total non-current liabilities		**5,772**	**6,516**	**-11.4**
Provisions	4.14	404	492	-17.9
Financial debt	4.12	60	545	-88.9
Contract liabilities	3.1	170	94	80.2
Trade payables	4.16	2,339	2,068	13.1
Income tax payables	4.5	108	118	-8.8
Other financial liabilities	4.15	626	724	-13.5
Lease liabilities	4.2	57	52	10.1
Refund liabilities	4.16	263	274	-4.1
Other liabilities	4.15	341	286	19.2
Liabilities associated with assets held for sale	4.10	5	30	-84.7
Total current liabilities		**4,372**	**4,683**	**-6.6**
Total shareholders' equity and liabilities		**14,284**	**14,364**	**-0.6**

4. Consolidated statement of cash flows

in € millions	Note	2022	2021	Change in %
Operating activities				
EBIT	1.4	974	1,220	-20.2
Interest paid		-115	-120	-3.8
Interest received		23	14	68.0
Income taxes paid		-328	-348	-5.8
Amortization, depreciation, and impairment losses		990	966	2.5
(Gains) losses on disposal of assets		-7	2	-
Changes in:				
• Inventories		-275	-552	-50.3
• Trade receivables		-286	-46	› 100
• Trade payables		220	311	-29.0
• Provisions for pensions and similar obligations		-20	50	-
• Other assets, liabilities, and provisions		-37	-219	-82.9
Cash flows from operating activities		**1,139**	**1,276**	**-10.8**
Investing activities				
Proceeds from disposals of property, plant and equipment		25	16	54.4
Capital expenditures on intangible assets		-65	-37	78.1
Capital expenditures on property, plant and equipment		-726	-634	14.4
Acquisition of subsidiaries, interests in joint ventures, and other equity investments	2.2, 5.1	-191	-19	› 100
Disposal of subsidiaries, interests in joint ventures, and other equity investments	5.1	-4	-4	11.0
Other investing activities	5.1	-29	-39	-25.2
Cash used in investing activities		**-990**	**-716**	**38.3**
Financing activities				
Dividends paid to shareholders and non-controlling interests		-336	-165	› 100
Receipts from bond issuances and loans	5.1	55	0	› 100
Redemptions of bonds and repayments of loans	5.1	-547	-302	80.7
Principal repayments on lease liabilities		-64	-59	7.6
Cash used in financing activities		**-891**	**-527**	**69.2**
Net increase (decrease) in cash and cash equivalents		**-743**	**33**	**-**
Effects of foreign exchange rate changes on cash and cash equivalents		-10	34	-
Change in cash and cash equivalents due to changes in the scope of consolidation		0	-3	-100
Cash and cash equivalents as at beginning of period		1,822	1,758	3.6
Cash and cash equivalents as at December 31	4.9	**1,069**	**1,822**	**-41.3**
Less cash and cash equivalents classified as assets held for sale as at December 31	4.10	7	0	-
Cash and cash equivalents as at December 31 (consolidated statement of financial position)	4.9	**1,063**	**1,822**	**-41.7**

5. Consolidated statement of changes in equity

	Note	Share capital	Capital reserves	Other reserves	Accumulated other comprehensive income (loss)					Equity attributable to share-holders [1]	Non-controlling interests	Total
in € millions					Translation reserve	Hedging reserve	Fair value reserve	Defined benefit plan remeasure-ment reserve	Total			
Balance as at January 01, 2021		**666**	**2,348**	**393**	**-517**	**31**	**-2**	**-991**	**-1,479**	**1,928**	**93**	**2,022**
Net income				756						756	19	775
Other comprehensive income (loss)	4.5				308	-71	0	293	530	530	6	536
Total comprehensive income (loss)				**756**	**308**	**-71**	**0**	**293**	**530**	**1,286**	**25**	**1,311**
Dividends	4.11			-162						-162	-3	-165
Total amount of transactions with shareholders				**-162**						**-162**	**-3**	**-165**
Changes in the scope of consolidation											-3	-3
Balance as at December 31, 2021		**666**	**2,348**	**988**	**-208**	**-40**	**-2**	**-698**	**-949**	**3,053**	**112**	**3,165**
Balance as at January 01, 2022		**666**	**2,348**	**988**	**-208**	**-40**	**-2**	**-698**	**-949**	**3,053**	**112**	**3,165**
Net income				557						557	27	585
Other comprehensive income (loss)	4.5				61	62	-3	613	733	733	-6	727
Total comprehensive income (loss)				**557**	**61**	**62**	**-3**	**613**	**733**	**1,290**	**22**	**1,312**
Dividends	4.11			-328						-328	-8	-336
Total amount of transactions with shareholders				**-328**						**-328**	**-8**	**-336**
Changes in the scope of consolidation				1						1	0	1
Balance as at December 31, 2022		**666**	**2,348**	**1,218**	**-148**	**22**	**-5**	**-85**	**-216**	**4,016**	**125**	**4,141**

[1] Equity attributable to shareholders of the parent company.

See Note 4.11 to the consolidated financial statements for further details.

6. Consolidated segment information

(Part of the notes to the consolidated financial statements)

	2022	2021 [1]	2022	2021 [1]	2022	2021 [1]	2022	2021 [1]
in € millions	Automotive Technologies		Automotive Aftermarket		Industrial		Total	
Revenue	9,500	8,436	2,038	1,848	4,271	3,568	15,809	13,852
EBIT	253	579	251	274	470	367	974	1,220
• in % of revenue	2.7	6.9	12.3	14.8	11.0	10.3	6.2	8.8
EBIT before special items [2]	292	544	255	256	499	421	1,046	1,222
• in % of revenue	3.1	6.4	12.5	13.9	11.7	11.8	6.6	8.8
Amortization, depreciation, and impairment losses	748	749	39	37	202	180	990	966
Working capital [3] [4]	1,222	1,187	508	510	1,246	1,004	2,976	2,700
Additions to intangible assets and property, plant and equipment	551	428	34	20	230	223	814	670

Prior year information presented based on 2022 segment structure.
[1] See Note 1.4 "Change in presentation" to the consolidated financial statements for further details.
[2] EBIT before special items for legal cases, restructuring, M&A, and other. See Note 5.3 "Segment information" to the consolidated financial statements for further details.
[3] Working capital defined as inventories plus trade receivables less trade payables.
[4] Amounts as at December 31.

See Note 5.3 to the consolidated financial statements for further details.

Notes to the consolidated financial statements

1. General information

1.1 Reporting entity

Schaeffler AG, Herzogenaurach, is a publicly listed stock corporation domiciled in Germany with its registered office located at Industriestraße 1–3, 91074 Herzogenaurach. The company was founded on April 19, 1982, and is registered in the Commercial Register of the Fürth Local Court (HRB No. 14738). The consolidated financial statements of Schaeffler AG as at December 31, 2022, comprise Schaeffler AG and its subsidiaries, investments in associated companies, and joint ventures (together referred to as the "Schaeffler Group").

The Schaeffler Group is a global automotive and industrial supplier. Employing a workforce of approximately 83,000, the company develops and manufactures high-precision components and systems in engine, transmission, and chassis applications, as well as rolling and plain bearing solutions for a large number of industrial applications. These include innovative and sustainable technologies, both for vehicles with only an internal combustion engine and for hybrid and electric vehicles, as well as components and systems for rotary and linear movements, and services, maintenance products, and monitoring systems for a large number of industrial applications. Additionally, the global business with spare parts provides repair solutions in original-equipment quality for the automotive spare parts market. The company earns revenue primarily from the sale of goods – in volume production for major customers as well as through its catalog business – and from services. Production of these goods is frequently based on development services, followed in some cases by the manufacture of tools required to produce the goods. Manufacturing tools generates revenue as well.

Schaeffler AG, Herzogenaurach, is consolidated in the consolidated financial statements of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, which are filed with the operator of the Federal Gazette (Bundesanzeiger Verlag GmbH, Cologne) and published in the Federal Gazette.

1.2 Basis of preparation

In accordance with section 315e (1) HGB, the consolidated financial statements of the Schaeffler Group for the year ended December 31, 2022, have been compiled in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU) by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards, as well as with the additional requirements of German commercial law. The term IFRS includes all International Financial Reporting Standards and International Accounting Standards (IAS) in effect as well as all interpretations and amendments issued by the IFRS Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC). Comparative figures for the prior year were also determined based on these standards.

General presentation

These consolidated financial statements are presented in euros (EUR), the functional and presentation currency of the Schaeffler Group's parent company. Unless stated otherwise, all amounts are in millions of euros (EUR m). The consolidated statement of financial position is classified using the current/non-current distinction.

The financial statements of all entities included in these consolidated financial statements have been prepared as of the same date as these consolidated financial statements.

As amounts (in EUR m) and percentages have been rounded, rounding differences may occur.

Estimation uncertainty and management judgment

In compiling financial statements, management exercises judgment in making appropriate estimates and assumptions affecting the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual amounts may differ from these estimates.

Estimates and the basis on which assumptions are made are reviewed regularly. Changes in estimates are recognized in the period in which the changes are made, as well as in all subsequent periods affected by the changes.

The following significant issues are subject to estimation uncertainty with respect to the application of accounting policies and management judgment:

- determination of the fair value of the acquiree in business combinations achieved in stages
- identification and measurement of intangible assets in business combinations
- evaluation of recognition criteria for capitalization of development costs as intangible assets
- identification of cash-generating units and determination of recoverable amounts for purposes of impairment tests of goodwill and non-current assets
- assessment of the lease term of leases with extension or termination options
- evaluation of control in disposals
- judgment regarding the date costs to fulfill a contract are capitalized and determination of impairments of costs to fulfill a contract
- assessment of the recoverability of deferred tax assets
- accounting for post-employment employee benefits, especially selecting actuarial assumptions
- recognition and measurement of warranty provisions
- assessment of risks related to uncertain tax positions
- determination of the fair value of financial instruments

Except for the measurement of defined benefit pension obligations, changes in assumptions made in the past and the resolution of previously existing uncertainties did not have a significant impact in 2022. The discount rate used to measure defined benefit pension obligations was increased to reflect higher interest rate levels, affecting the recognized amounts of the provision and shareholders' equity (see Note 4.13).

1.3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently by all Schaeffler Group entities for all periods presented in these consolidated financial statements.

Consolidation principles

All significant domestic and foreign subsidiaries of the Schaeffler Group that are directly or indirectly controlled by Schaeffler AG have been consolidated in the company's consolidated financial statements. Subsidiaries are consolidated in the consolidated financial statements from the date the Schaeffler Group obtains control until the date control ceases.

Subsidiaries are consolidated using the acquisition method as at the acquisition date. Non-controlling interests are measured at the non-controlling interests' proportionate share of the fair value of assets acquired and liabilities assumed (partial goodwill method). In a business combination achieved in stages, any equity interests previously held by the Schaeffler Group are remeasured at the acquisition-date fair value through profit or loss. Balances and transactions with consolidated subsidiaries and any related income and expenses are eliminated in full in compiling the consolidated financial statements. Intercompany profits or losses on intra-group transactions are also eliminated in full. Deferred taxes on temporary differences related to the elimination of such balances and transactions are measured at the tax rate of the acquiring entity.

Investments in joint ventures are jointly controlled by their shareholders. Joint control exists only if decisions about the relevant activities require the unanimous consent of the parties. Parties having joint control hold rights to the net assets of the joint venture. Investments in joint ventures are accounted for using the equity method.

Investments in associated companies are also accounted for under the equity method if the Schaeffler Group has significant influence over the investee.

Carrying amounts of investments in equity-accounted investees are adjusted to reflect changes in the Schaeffler Group's interest in the equity of the investee. Goodwill capitalized in connection with the initial application of the equity method to the company's interest in the investee is not amortized. The carrying amount of the investment is tested for impairment when there is an indication of impairment ("triggering event").

If the relevant activities of a joint arrangement are operated jointly (joint operation), any of its assets, liabilities, income, and expenses attributable to the Schaeffler Group are consolidated.

Foreign currency translation

The exchange rates between the group's most significant currencies and the euro are as follows:

Selected foreign exchange rates

Currencies		12/31/2022	12/31/2021	2022	2021
1 € in			Closing rates		Average rates
CNY	China	7.36	7.19	7.08	7.63
INR	India	88.17	84.23	82.71	87.47
KRW	South Korea	1,344.09	1,346.38	1,358.04	1,353.90
MXN	Mexico	20.86	23.14	21.20	23.99
USD	U.S.	1.07	1.13	1.05	1.18

Foreign currency transactions

Transactions denominated in a currency other than the entity's functional currency are translated at the exchange rate applicable on the date they are first recognized. Since receivables and payables denominated in foreign currencies are monetary items, they are translated into the functional currency of the applicable group company at the exchange rate as at the end of the reporting period and when they are realized. Non-monetary items are translated at historical rates.

Exchange gains and losses on operating receivables and payables and on derivatives used to hedge the related currency risk are presented within earnings before financial result and income taxes (EBIT). Exchange gains and losses on the translation of financial assets and liabilities and on derivatives obtained to hedge the related currency risk are reflected in financial result.

Foreign entities

Assets, including goodwill, and liabilities of subsidiaries whose functional currency is not the euro are translated at the spot rate at the end of the reporting period. The components of equity are translated at historical rates, and items in the consolidated income statement are translated at the average rate for each reporting period. The resulting translation differences are recognized in other comprehensive income and reported in accumulated other comprehensive income. The impact of currency translation recognized in shareholders' equity is reversed to profit or loss when consolidation of the subsidiary ceases.

Items in the consolidated statement of cash flows are translated at the average exchange rate for the period except for cash and cash equivalents, which are translated at the spot rate at the end of the reporting period.

Revenue recognition

Revenue is recognized when the related performance obligation is satisfied, i. e., when the customer obtains control of the promised goods or services. This occurs either at a point in time or over time. The transaction price is the amount of consideration to which the Schaeffler Group expects to be entitled in exchange for transferring the promised goods or services to the customer. The Schaeffler Group recognizes revenue in the amount of the agreed price relating to the relevant performance obligation. The Schaeffler Group's customers are granted rebates, bonuses, discounts, credits, price concessions, or other variable price concessions. These types of variable consideration are recognized as a reduction of revenue during the year based on historical experience, contractually agreed bonus scales, and prior period sales. Since it expects that the period between when control over a promised good or service transfers and when payment is received will be one year or less, the Schaeffler Group applies the practical expedient in IFRS 15.63 and does not adjust the promised amount of consideration for any financing component. Warranties provided in connection with the sale of goods or services are only intended to provide assurance that the product complies with agreed-upon specifications. Therefore, Schaeffler continues to account for warranties under IAS 37.

Customers typically have 30 to 60 days from the date the invoice is issued to pay for performance obligations under contracts with customers. Invoices are normally issued as at the date the performance obligation is satisfied.

Revenue is recognized over time for products that have no alternative use due to their specifications, provided the Schaeffler Group has an enforceable right to payment from the customer for these products amounting to at least any costs of performance completed to date plus a reasonable profit margin.

For all customer projects, payments received from customers for development services are accrued as contract liabilities starting when a volume supply contract with the customer becomes highly probable, and then appropriately amortized to revenue over the period of volume production.

Recognition of revenue from the sale of tools depends on whether the customer obtains legal ownership of the tool and the Schaeffler Group has a contractual right to consideration.

The dates on which performance obligations under contracts with customers are satisfied can be summarized as follows:

Performance obligations under contracts with customers

Type of revenue	Date performance obligation satisfied
Revenue from the sale of goods	Depending on specific customer contracts and purchase orders, revenue is normally recognized at the date of delivery.
Revenue from the sale of customer-specific products	Revenue is recognized over time for customer-specific products for which the Schaeffler Group has an enforceable right to payment for performance completed to date amounting to any costs incurred plus a reasonable profit margin. This will result in revenue being recognized before the date of actual delivery. Revenue for customer-specific finished goods is recognized at the amount of the full price of the finished good in the period in which the customer is obligated to take delivery. For customer-specific goods in progress, the amount of revenue for the period in which the customer is obligated to take delivery is derived from the acquisition cost of the goods in progress rather than being determined as the amount of the full price of the goods when they are finished. The method described above best represents the transfer of customer-specific products to the customer.
Revenue from the sale of tools	Depending on specific customer contracts and purchase orders, revenue is normally recognized at the date of delivery.
Revenue from services	Revenue is mostly recognized at a point in time upon completion of the service.

Functional costs

Income and expenses are allocated to the various functional areas. Depreciation, amortization, and impairment losses on intangible assets and property, plant and equipment are allocated to the functional areas in which the asset is utilized.

Research and development expenses

Expenses incurred for research activities and advance development are expensed immediately.

Development costs are only recognized as intangible assets once the capitalization criteria of IAS 38 are met. Capitalized development costs are measured at cost less accumulated amortization and impairment losses. Amortization is recognized in profit or loss on a straight-line basis over a period of six years beginning when the intangible asset is ready for use. Amortization expense is reported in cost of sales.

Development costs for all customer projects not considered to involve new technology as set out in the IAS 38 recognition criteria are capitalized as costs to fulfill a contract starting when a volume supply contract with the customer becomes highly probable and then appropriately amortized to cost of sales over the period of volume production.

Financial result

Interest income and expense are recognized in the period to which they relate.

Earnings per share

Earnings per share are calculated by dividing net income attributable to Schaeffler AG's shareholders by the weighted average number of common and common non-voting shares outstanding during the reporting period.

Goodwill

Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized, but is tested for impairment annually as at December 31 and when there is an indication ("triggering event").

The goodwill impairment test is performed by comparing the carrying amount of the cash-generating unit or group of cash-generating units to which the goodwill has been allocated with its recoverable amount. A cash-generating unit is the smallest unit with largely independent cash flows. Recoverable amount is the higher of fair value less costs of disposal and value in use of the cash-generating unit or group of cash-generating units. Recoverable amount is initially determined using fair value less costs of disposal, since restructurings and capacity expansions are not shown separately in current plans and budgets. Both fair value less costs of disposal and value in use are determined using the discounted cash flow method. If circumstances giving rise to an impairment loss subsequently cease to exist, impairment losses on goodwill are not reversed.

Expected cash flows are based on a detailed five-year forecast – unless a longer period is required to reach a steady state – and on a perpetuity for the period beyond that timeframe. This detailed forecast is based on specific assumptions regarding macroeconomic trends (currency, interest, and commodity price trends), external sales forecasts and internal assessments of demand and projects, sales prices, and the volume of additions to intangible assets and property, plant and equipment. Past trends and historic experience are also used in developing the forecast. The discount rate reflects current market expectations and specific risks. The key assumptions underlying fair value less costs of disposal of a cash-generating unit are EBIT, the discount rate, and the long-term growth rate.

Other intangible assets and property, plant and equipment

Other intangible assets and property, plant and equipment are recognized at acquisition or production cost plus incidental acquisition costs and, where applicable, subsequent acquisition cost and are amortized or depreciated over their expected useful life on a straight-line basis, provided they have a determinable useful life. The expected useful lives of software and capitalized development costs are 3 and 6 years, respectively, and range from 15 to 25 years for buildings, from 2 to 10 years for technical equipment and machinery, and from 3 to 8 years for other equipment.

The Schaeffler Group tests other intangible assets and property, plant and equipment for impairment when there is an indication that these assets may be impaired (“triggering event”). If it is not possible to attribute to an individual asset cash inflows that are largely independent of those from other assets or groups of assets, the asset is tested for impairment based on the smallest cash-generating unit to which it belongs. The impairment test is performed by comparing the carrying amount of the cash-generating unit with its recoverable amount. The methodology and implications of this test are identical to those of the goodwill impairment test (see discussion of goodwill above). The cash-generating unit is impaired if its carrying amount exceeds its recoverable amount. Impairment losses are recognized for impairments. If circumstances giving rise to an impairment loss subsequently cease to exist, impairment losses recognized on assets are reversed. The revised carrying amount is limited to the amount that would have resulted had amortization or depreciation been charged.

Leases

Leases for assets with a value of more than EUR 5,000 or with a total lease term of more than twelve months are capitalized as discounted lease liabilities with corresponding right-of-use assets. Right-of-use assets are depreciated on a straight-line basis over the total lease term. Payments for leases of low-value assets, short-term lease payments, and variable lease payments are expensed.

Financial instruments

Regular-way sales and purchases of financial assets are accounted for using settlement date accounting.

Primary financial instruments

Primary financial instruments are initially measured at fair value or, in the case of trade receivables without any significant financing component, at the transaction price. Transaction costs directly attributable to the acquisition or issue of a financial instrument are only included in the carrying amount if the financial instrument is not measured at fair value through profit or loss. Subsequent measurement depends on how the financial instrument is categorized.

The Schaeffler Group fundamentally has three categories for the classification of financial instruments: measured at amortized cost, measured at fair value through other comprehensive income (FVOCI), and measured at fair value through profit or loss (FVTPL). Financial assets are classified based on the Schaeffler Group’s business model for managing the financial assets and on their contractual cash flow characteristics.

Financial assets at fair value through profit or loss

This category mainly includes a portion of the trade receivables that is regularly available for sale under receivable sale programs (see Note 4.16). Due to the short maturity of these receivables, their transaction price represents their fair value. The fair value of marketable securities, on the other hand, is derived from market prices. This category also includes financial investments in minority investments for which changes in fair value are recognized in profit or loss.

Financial assets at fair value through other comprehensive income

Financial investments in strategic long-term minority investments are measured at fair value, and, for certain investments for which this option has been exercised, changes in fair value are recognized in other comprehensive income. Accumulated other comprehensive income is not reclassified to the consolidated income statement upon disposal. This category also includes notes receivable and trade receivables that are available for sale under sale programs. Due to the short maturity of these receivables, their transaction price represents their fair value.

Financial assets at amortized cost

This category comprises trade receivables (except those that are available for sale under various receivable sale programs), cash and cash equivalents, and other financial assets. These assets are measured at amortized cost less impairment losses recognized for expected credit losses. The Schaeffler Group uses the simplified impairment approach for trade receivables (with and without a financing component) as well as for contract assets and lease receivables. Under this approach, credit loss allowances are based on credit losses expected over the entire life of the receivable, determined using customer-specific probabilities of default and taking into account information about future conditions. The general approach is used for the remaining financial assets, mainly cash and cash equivalents. Consequently, credit loss allowances should be measured and recognized at the amount of credit losses resulting from default events expected to occur during the next twelve months, unless credit risk has increased significantly since initial recognition. If credit risk has increased significantly, the credit loss allowance recognized has to be based on lifetime expected credit losses. Impairments are initially recognized in an allowance account unless it is clear at the time the impairment loss occurs that the receivable will be either partially or entirely uncollectible. See the “Credit risk” section in Note 4.16 “Financial instruments” for further details.

Trade receivables sold under receivable sale programs as well as the related liabilities are recognized to the extent of the credit risk retained (continuing involvement).

Cash equivalents are liquid funds held for the purpose of meeting short-term cash commitments. Cash equivalents include term deposits and money market funds with an original maturity of generally three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. While the majority of cash equivalents, such as term deposits, are measured at amortized cost, money market funds are measured at fair value with changes in value recognized in profit or loss (FVTPL).

Financial liabilities

Except for derivative financial instruments, the Schaeffler Group measures its financial liabilities at amortized cost using the effective interest method.

Derivative financial instruments

Derivative financial instruments are generally classified and measured at fair value through profit or loss unless they are subject to hedge accounting. Fair value changes of undesignated derivatives are presented either in other income/other expenses or in financial income/financial expenses, depending on whether the related hedged item is presented as operating or financial.

Derivatives embedded in financial assets or financial liabilities are separated from the host instrument when the economic characteristics and risks of the embedded derivative are considered not closely related to the economic characteristics and risks of the host instrument.

Hedge accounting

In accordance with the option provided for hedge accounting in the transition requirements of IFRS 9, the Schaeffler Group will continue to apply the hedge accounting requirements of IAS 39 and intends to initially apply IFRS 9 at a later date.

Hedging relationships are accounted for using the cash flow and net investment hedge models. The effective portion of changes in the fair value of the hedging instrument is included in accumulated other comprehensive income until the hedged item occurs. These gains and losses are reclassified to profit or loss in the same period in which the hedged item affects profit or loss. The ineffective portion is recognized in profit or loss.

Costs to fulfill a contract

Costs to fulfill a contract arise from the relationship between development services and future volume production. To reflect this relationship, development costs for all customer projects not considered to involve new technology as set out in the IAS 38 recognition criteria are capitalized as costs to fulfill a contract starting when a volume supply contract with the customer becomes highly probable, and then amortized appropriately over the period of volume production. Capitalized costs to fulfill a contract are tested for impairment as soon as there is an indication that they may be impaired (“triggering event”).

Inventories

Inventories are measured at the lower of cost and net realizable value. The acquisition cost of raw materials, supplies, and purchased merchandise is determined using the moving average cost method. Work in progress and manufactured finished goods are valued at production cost and written down to net realizable value if lower.

Contract assets

Contract assets mainly result from revenue for customer-specific products recognized over time. This affects products that have no alternative use due to their specifications, provided the Schaeffler Group has an enforceable right to payment from the customer for these products amounting to at least any costs of performance completed to date plus a reasonable profit margin. Contract assets are reclassified to trade receivables when they represent an unconditional right to receive the consideration. This is the case when the invoice is issued to the customer. The Schaeffler Group uses the simplified impairment approach for contract assets; under this approach, a credit loss allowance is recognized based on lifetime expected credit losses.

Income taxes

Deferred income taxes are accounted for using the asset and liability method.

Except where the recognition of deferred taxes is not permitted, deferred taxes are recognized on temporary differences between carrying amounts in the consolidated IFRS statement of financial position and the company's tax balance sheets, on loss and interest carry-forwards, and on tax credits. Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which temporary differences and unused tax loss and interest carry-forwards can be utilized. Group entities are assessed individually with respect to whether it is probable that profits will be generated in the future.

Deferred taxes are measured using the future tax rate. Future tax rate changes are reflected in this tax rate when they have been substantively enacted.

Management regularly reviews tax returns, mainly with respect to issues subject to interpretation, and reflects these in income tax payables as appropriate, based on amounts expected to be payable to taxation authorities. Any interest related to income taxes falling in the scope of IAS 37 is recognized at the amount required to settle the current obligation as at the reporting date. Appropriate provisions for potential risks related to uncertain tax positions have been recognized in accordance with IFRIC 23. Depending on which amount best reflects expectations, measurement is based on either the most likely amount or the expected value.

In December 2021, the OECD published model rules for the introduction of a global minimum tax rate of 15% to address concerns regarding the unequal distribution of profits and unequal tax burdens of large multinational entities. These model rules were approved by more than 135 countries and are designed to result in changes to local tax legislation. Once the changes in tax legislation become effective or are about to become effective in the countries in which the group operates, the group may be subject to global minimum taxation.

At the time of authorization of the consolidated financial statements for issue, tax legislation related to global minimum taxation is neither effective nor about to become effective in any of the countries in which the group operates. The Board of Managing Directors is closely monitoring the progress of the legislative process in each country in which the group operates.

Assets held for sale and liabilities associated with assets held for sale

Non-current assets or groups of non-current assets (incl. the associated liabilities) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Classification as held for sale requires a commitment to a plan to sell the asset or group of assets, and the sale must be highly probable within twelve months. Such assets and liabilities are presented separately in the statement of financial position. Non-current assets held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell, except for certain assets which are measured in accordance with other relevant standards as set out in IFRS 5.

Provisions for pensions and similar obligations

The Schaeffler Group provides post-employment benefits to its employees in the form of defined benefit plans and defined contribution plans.

The Schaeffler Group's obligations under defined benefit plans are calculated annually using the projected unit credit method separately for each plan based on an estimate of the amount of future benefits that employees have earned in return for their service in current and prior periods. Estimating the obligations and costs related to pensions and accrued vested rights involves the use of assumptions based on market expectations, including those related to anticipated future compensation increases. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows. The discount rate is determined by reference to the market yield of senior fixed-rate corporate bonds, with mortgage-backed corporate bonds, whose risk-return profile is closer to that of government bonds, not considered in determining the discount rate in the euro region. The provisions for pensions and similar obligations recognized in the consolidated statement of financial position represent the present value of the defined benefit obligation at the end of the reporting period, net of the related plan assets measured at fair value where applicable. In addition to the pension funds maintained to fund the obligation, plan assets include all assets and rights under reimbursement insurance policies if the proceeds of the policy can be used only to make payments to employees entitled to pension benefits and are not available to satisfy claims of the company's other creditors. If plan assets exceed the related pension obligation, the net pension asset is presented under other assets to the extent the Schaeffler Group is entitled to a refund or reduction of future contributions to the fund.

Actuarial gains and losses arising from defined benefit plans are recognized in other comprehensive income, and interest expense on provisions for pensions and similar obligations and the return on plan assets are considered separately for each plan and presented in financial result on a net basis.

Past service cost arising from plan amendments or curtailments as well as settlement gains or losses are presented under other income or other expenses. Pension plan amendments, curtailments, and settlements during the year result in recalculation of service cost and net interest for the remainder of the period.

For defined contribution plans, the Schaeffler Group pays fixed contributions to an independent third party. As the Schaeffler Group does not in any way guarantee a return on the assets, neither up to the date pension payments commence nor beyond, the group's obligation is limited to the contributions it makes during the year. The contributions are recognized in personnel expense.

Provisions

Provisions are recognized when the Schaeffler Group has a present legal or constructive obligation as a result of a past event, it is probable that the outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at best estimate. Non-current provisions are recognized at present value calculated by discounting expected future cash flows using a pre-tax rate that reflects current market assessments of the time value of money. Interest expense and the impact of any changes in discount rates are presented within the financial result.

Contract liabilities

Contract liabilities partly result from payments received from customers for development services with a subsequent volume supply contract. For all customer projects, payments received from customers are accrued as contract liabilities starting when a volume supply contract with the customer becomes highly probable, and then appropriately amortized to revenue over the period of volume production.

Share-based payment

The Schaeffler Group's Performance Share Unit Plan (PSUP) is accounted for as a cash-settled share-based payment plan. The company recognizes a provision in the amount of the fair value of the payment obligation attributable to the period up to the reporting date. The liability is remeasured at the end of each reporting period from the grant date until settlement. The fair value per Performance Share Unit (PSU) is determined in part using a binomial option pricing model and in part based on a Monte Carlo simulation. The fair value is recognized as personnel expense over the period between grant date and settlement date.

Government grants

Government grants are recognized if there is reasonable assurance that the conditions attaching to the grants have been met and that the grants will be received. Grants related to assets are deducted from the cost of the relevant assets. Grants that are not directly attributable to non-current assets are offset against the corresponding expenses.

1.4 Change in presentation

Effective January 1, 2022, management of capital employed via the indicator ROCE has been operationalized. In order to reflect all significant operating assets, the scope of average capital employed has been amended – starting in 2022 – to include investments in joint ventures and associated companies as well as right-of-use assets under leases. In this context, earnings before financial result and income taxes (EBIT) have correspondingly been expanded to include income (loss) from equity-accounted investees starting January 1, 2022. This change in policy was made by a retrospective adjustment to the comparative figures for the period presented. Earnings before financial result and income taxes (EBIT) for the comparative period was reduced by EUR 44 m to EUR 1,220 m (before adjustment: earnings before financial result, income (loss) from equity-accounted investees, and income taxes (EBIT) EUR 1,264 m). The adjustment resulted in a reduction in earnings before financial result and income taxes (EBIT) shown in the segment information for the Automotive Technologies division by EUR 43 m and for the Industrial division by EUR 1 m.

1.5 New accounting pronouncements

New accounting pronouncements effective in 2022

Amendments to IFRS 3 (reference to the conceptual framework), Amendments to IAS 16 (recognition of proceeds earned from selling items produced while preparing an item of property, plant equipment for use), Amendments to IFRS 37 (definition of cost regarding onerous contracts), as well as amendments arising from Annual Improvements 2018-2020 are required to be applied for the first time in 2022. Application of the new standards has not had any significant impact on these financial statements.

New accounting pronouncements endorsed by the EU effective in 2023

The Schaeffler Group is not yet required to apply the following amendments to standards issued by the International Accounting Standards Board (IASB) in its financial statements for the financial year 2022, and none were adopted early.

New accounting pronouncements endorsed by the EU but not yet effective

Standard/Interpretation		Effective date	Subject of Standard/Interpretation or amendment	Expected impact on the Schaeffler Group
Amendment to IAS 1		01/01/2023	Disclosure of material rather than significant accounting policies	None
Amendment to IAS 8		01/01/2023	Introduction of a definition of accounting estimates and clarification of the distinction from accounting policies	None
Amendment to IAS 12		01/01/2023	Deferred tax related to assets and liabilities arising from a single transaction	None
IFRS 17	Insurance contracts	01/01/2023	Principles for recognition, measurement, and presentation of as well as disclosures about insurance contracts	Under examination [1]
Amendments to IFRS 17		01/01/2023	Initial application of IFRS 17 and IFRS 9 – comparative information	None

[1] Detailed statements regarding the extent of the impact are not yet possible.

New accounting pronouncements not endorsed by the EU

In addition, the IASB has issued the following new standards and amendments to existing standards which had not yet been adopted by the EU as at the date these consolidated financial statements were authorized for issue. The company has not applied any of them early, and is currently not planning to apply any of them early.

New accounting pronouncements – not yet endorsed by the EU

Standard/Interpretation		Effective date	Subject of Standard/Interpretation or amendment	Expected impact on the Schaeffler Group
Amendment to IAS 1		01/01/2024	Classification of liabilities as current or non-current	Under examination [1]
Amendments to IFRS 10, IAS 28		Undefined	Clarification of accounting for gains and losses on the sale or contribution of assets between an investor and its associate or joint venture	Under examination [1]
Amendments to IFRS 16		01/01/2024	Lease liability in a sale and leaseback	Under examination [1]

[1] Detailed statements regarding the extent of the impact are not yet possible.

2. Principles of consolidation

2.1 Scope of consolidation

In 2022, the consolidated financial statements of Schaeffler AG cover, in addition to Schaeffler AG, 149 (prior year: 148) subsidiaries; 48 (prior year: 46) entities are domiciled in Germany and 101 (prior year: 102) in other countries.

The changes are mainly attributable to entities acquired and disposed of as well as entities established, liquidated, or merged.

In the consolidated financial statements as at December 31, 2022, four (prior year: five) joint ventures and three associated companies (prior year: three) are accounted for at equity.

More on the Schaeffler Group's companies in Note 5.8

2.2 Acquisitions and disposals of companies

In a transaction that closed on February 1, 2022, the Schaeffler Group has acquired 100% of the shares of Schaeffler Ultra Precision Drives GmbH (until December 19, 2022: Melior Motion GmbH). Schaeffler Ultra Precision Drives GmbH GmbH manufactures precision gears for applications in robotics and automation. The acquisition expands the Schaeffler Group's technological expertise in the field of mechatronics and systems. The purchase price of EUR 61 m was paid in cash upon closing. In addition, the transaction calls for up to EUR 60 m in contingent purchase price payment obligations that are contingent on the revenue trend in 2023 and 2024. As at the acquisition date, the contingent purchase price payment obligations were expected to amount to EUR 57 m undiscounted. The transaction results in intangible assets of EUR 63 m. The goodwill of EUR 62 m, which cannot be recognized for tax purposes and is therefore not tax-deductible, represents synergies as well as the value of the planned enhancement of the technology portfolio. The following table summarizes the assets acquired and liabilities assumed at their acquisition-date fair value. Schaeffler Ultra Precision Drives GmbH has generated EUR 29 m in revenue since the acquisition date. If the acquisition had closed as at January 1, 2022, consolidated revenue would have increased by a further EUR 2 m. There was no significant impact on consolidated net income.

Assets acquired and liabilities assumed

in € millions	Schaeffler Ultra Precision Drives GmbH
Intangible assets	63
Right-of-use assets under leases	2
Property, plant and equipment	5
Total non-current assets	**70**
Inventories	5
Trade receivables	1
Cash and cash equivalents	1
Total current assets	**7**
Financial debt	3
Lease liabilities	2
Deferred tax liabilities	18
Total non-current liabilities	**23**
Other current liabilities	2
Trade payables	2
Total current liabilities	**4**
Net assets acquired	**50**
Purchase price	112
Goodwill	**62**

On October 13, 2022, an agreement was signed for the acquisition of the remaining 10% of the shares of Schaeffler ByWire Technologie GmbH & Co. KG (until October 16, 2022: Schaeffler Paravan Technologie GmbH & Co. KG). Upon closing of the transaction on October 14, 2022, the former joint venture became wholly owned by the Schaeffler Group. Under the transaction, the Schaeffler Group has taken on Schaeffler ByWire's approximately 70 employees and operates the company under Schaeffler management. The Schaeffler Group is also maintaining Schaeffler ByWire's relationships with its existing customers and partners. The consideration payable in cash amounts to EUR 74 m. In addition, the transaction calls for contingent purchase price payment obligations that are contingent on the revenue trend in the years 2028 to 2030. The Schaeffler Group expects the maximum amount payable under this purchase price obligation to be in the single-digit millions. As part of the business combination achieved in stages, the previously held equity interest in Schaeffler ByWire Technologie GmbH & Co. KG was remeasured at a fair value of EUR 58 m as at the acquisition date. Remeasurement of the previously held equity interest resulted in a gain of EUR 29 m that has been recognized in other income. The provisional goodwill of EUR 109 m represents the value of the planned enhancement of the technology portfolio as well as the position in a market environment new to the Schaeffler Group. EUR 39 m of this goodwill cannot be recognized for tax purposes and is not tax-deductible. Preparation of the inputs to the valuation of certain assets could not be completed in full by the date these consolidated financial statements were prepared, since certain information was still outstanding; therefore, these inputs are provisional. The following table summarizes the assets acquired and liabilities assumed at their provisional acquisition-date fair value. Schaeffler ByWire Technologie GmbH & Co. KG has generated EUR 3 m in revenue since the acquisition date. If the acquisition had closed as at January 1, 2022, consolidated revenue would have increased by a further EUR 8 m. Schaeffler ByWire Technologie GmbH & Co. KG has decreased consolidated net income by EUR 5 m since the acquisition date. If the acquisition had closed as at January 1, 2022, consolidated net income would have decreased by a further EUR 4 m.

Assets acquired and liabilities assumed

in € millions	Schaeffler ByWire Technologie GmbH & Co. KG
Intangible assets	139
Right-of-use assets under leases	1
Property, plant and equipment	4
Other financial assets	1
Total non-current assets	**145**
Inventories	3
Trade receivables	1
Other assets	1
Cash and cash equivalents	1
Total current assets	**6**
Financial debt	111
Lease liabilities	1
Deferred tax liabilities	5
Total non-current liabilities	**118**
Financial debt	2
Contract liabilities	1
Other current liabilities	1
Trade payables	4
Total current liabilities	**8**
Net assets acquired	**25**
Purchase price	135
Goodwill	**109**

In a transaction that closed on December 1, 2022, the Schaeffler Group has acquired 100% of the shares of CERASPIN S.à.r.l.. CERASPIN S.à.r.l. develops and produces ceramic products most of which are processed into rolling elements for various bearing applications. The rolling bearings produced on this basis are used in areas such as wind energy, rail, aerospace, medical equipment, electrical engineering, and vacuum pumps for semiconductor applications. The acquisition expands the portfolio of the Schaeffler Group's Industrial division and strengthens the group's focus on strategic future-oriented fields. The purchase price of EUR 12 m was paid in cash upon closing. The transaction results in intangible assets of EUR 4 m. The goodwill of EUR 4 m, which cannot be recognized for tax purposes and is therefore not tax-deductible, represents synergies as well as the value of the planned enhancement of the technology portfolio. The following table summarizes the assets acquired and liabilities assumed at their acquisition-date fair value. The impact of the acquisition of CERASPIN S.à.r.l. on revenue and consolidated net income was insignificant in 2022.

Assets acquired and liabilities assumed

in € millions	CERASPIN S.à.r.l.
Intangible assets	4
Right-of-use assets under leases	1
Property, plant and equipment	3
Deferred tax assets	1
Total non-current assets	**9**
Other financial assets	1
Cash and cash equivalents	1
Total current assets	**2**
Lease liabilities	1
Deferred tax liabilities	1
Total non-current liabilities	**2**
Other current liabilities	1
Total current liabilities	**1**
Net assets acquired	**8**
Purchase price	12
Goodwill	**4**

In a transaction that closed on December 29, 2022, the Schaeffler Group has acquired 100% of the shares of SPV Solarpark 106. GmbH & Co. KG. The company operates a solar farm in Germany. The acquisition marks a further step in the company's decarbonization strategy. The purchase price of EUR 5 m was paid in cash upon closing. The assets acquired consisted largely of EUR 11 m in property, plant and equipment and liabilities assumed included EUR 6 m in loans payable; both were valued at fair value as at the acquisition date. The impact of the acquisition of SPV Solarpark 106. GmbH & Co. KG on revenue and consolidated net income was insignificant in 2022.

Disposals

In a transaction that closed on July 1, 2022, the global chain drive business of the Automotive Technologies division was disposed of. The disposal resulted in a loss on disposal of EUR 12 m that has been recognized in other expenses. The remaining purchase price was partly financed by the Schaeffler Group and will be paid by the acquirer in fixed and variable payments. During the year, an impairment loss of EUR 7 m on the variable component of the purchase price was recognized in financial result. As at December 31, 2022, the remaining purchase price receivable had a carrying amount of EUR 37 m.

3. Notes to the consolidated income statement

3.1 Revenue

Revenue from contracts with customers can be analyzed by category and segment as follows:

IFRS 15 – analysis of revenue by category

in € millions	2022	2021	2022	2021	2022	2021	2022	2021
	Automotive Technologies		Automotive Aftermarket		Industrial		Total	
Revenue by type								
• Revenue from the sale of goods	9,356	8,302	2,038	1,848	4,218	3,523	15,612	13,673
• Revenue from the sale of tools	83	74	0	0	5	5	88	79
• Revenue from services	61	60	0	0	48	39	108	99
• Other revenue	0	0	0	0	1	1	1	1
Total	**9,500**	**8,436**	**2,038**	**1,848**	**4,271**	**3,568**	**15,809**	**13,852**
Revenue by region [1]								
• Europe	3,440	3,075	1,355	1,276	1,764	1,472	6,559	5,823
• Americas	2,356	1,870	434	363	734	588	3,524	2,821
• Greater China	2,336	2,210	117	101	1,156	983	3,609	3,294
• Asia/Pacific	1,368	1,281	132	109	617	525	2,117	1,915
Total	**9,500**	**8,436**	**2,038**	**1,848**	**4,271**	**3,568**	**15,809**	**13,852**

Prior year information presented based on 2022 segment structure.
[1] Based on market (customer location).

The following overview shows receivables, contract assets, and contract liabilities from contracts with customers.

Contract balances

	12/31/2022	12/31/2021
in € millions		
Trade receivables	2,519	2,274
Contract assets	54	52
Contract liabilities	312	212
Revenue recognized in the reporting period [1]		
• that was included in the contract liability balance at the beginning of the year	60	56
• from performance obligations satisfied in previous years	6	4

[1] Amounts for the reporting period from January 1 to December 31.

Contract assets on hand as at December 31, 2022, resulted from revenue that has been recognized over time for customer-specific products.

Contract liabilities on hand as at December 31, 2022, partly result from payments received from customers for development services. These payments are accrued as contract liabilities starting when a volume supply contract with the customer becomes highly probable, and then appropriately amortized to revenue over the period of volume production.

There were no significant changes in the balances of contract assets and contract liabilities during the reporting period.

As at December 31, 2022, the remaining performance obligations largely related to contracts with an original expected duration of less than one year. Therefore, the Schaeffler Group is omitting the disclosure of remaining performance obligations, applying the practical expedient provided by IFRS 15.121 (a).

Costs to fulfill a contract of EUR 350 m as at December 31, 2022, (prior year: EUR 367 m) arise from the relationship between development services and future volume production. To reflect this relationship, development costs are capitalized as costs to fulfill a contract starting when a volume supply contract with the customer becomes highly probable, and then amortized appropriately over the period of volume production. Amortization of costs to fulfill a contract for 2022 amounted to EUR 86 m (prior year: EUR 84 m). In addition, the company recognized impairments of EUR 22 m (prior year: EUR 16 m).

3.2 Other income

Other income

in € millions	2022	2021
Gains on reversal of provisions	1	81
Exchange gains	0	2
Miscellaneous other income	212	139
Total	**213**	**222**

Gains on reversal of provisions consisted mainly of EUR 1 m (prior year: EUR 77 m) in reversals of provisions recognized in prior years related to personnel measures.

In 2022, netting foreign exchange gains and losses resulted in a loss of EUR 98 m (prior year: gain of EUR 2 m).

Miscellaneous **other income** included EUR 107 m in gains on measuring at fair value through profit or loss hedging instruments held to hedge energy price risk arising on energy purchases for the company's own use. These related primarily to forward purchase contracts for electricity and gas. Additionally, this line item included a gain of EUR 29 m on the remeasurement of the previously held equity interest in Schaeffler ByWire Technologie GmbH & Co. KG. Miscellaneous other income also includes EUR 30 m (prior year: EUR 33 m) in government grants. In the prior year, miscellaneous other income included EUR 40 m in refunds of excess social tax paid in the past in Brazil.

3.3 Other expenses

Other expenses

in € millions	2022	2021
Exchange losses	98	0
Miscellaneous other expenses	182	131
Total	**280**	**131**

Exchange losses largely related to operations and forward exchange contracts. In 2022, netting foreign exchange gains and losses resulted in a loss of EUR 98 m (prior year: gain of EUR 2 m).

Miscellaneous **other expenses** included mainly EUR 111 m (prior year: EUR 35 m) in expenses related to personnel measures (termination benefits). EUR 102 m of this amount represents restructuring provisions recognized in connection with further restructuring measures adopted by Schaeffler AG's Board of Managing Directors on November 7, 2022, to cut excess structural capacity and reduce fixed costs. Miscellaneous other expenses also included EUR 23 m (prior year: EUR 11 m) representing an impairment loss and a loss on disposal incurred in connection with the disposal or planned disposal of companies (see Note 2.2 "Acquisitions and disposals of companies" and Note 4.10 "Assets held for sale and liabilities associated with assets held for sale" for further details). Further, miscellaneous other expenses included EUR 11 m in losses on measuring at fair value through profit or loss financial instruments held to hedge energy price risk arising on energy purchases for the company's own use. These related primarily to short-, medium-, and long-term price and supply agreements (power purchase agreements). The prior year included EUR 25 m in expenses of remediating past environmental impacts and rehabilitating commercial land.

3.4 Personnel expense and headcount

Average number of employees by region

	2022	2021
Europe	52,278	53,752
Americas	11,649	11,864
Greater China	12,697	12,120
Asia/Pacific	6,215	5,964
Total	**82,839**	**83,700**

The number of employees as at December 31, 2022, was 82,773, 0.3% below the prior year level of 82,981.

The Schaeffler Group's personnel expense can be analyzed as follows:

Personnel expense

in € millions	2022	2021
Wages and salaries	3,820	3,659
Social security contributions	722	694
Other personnel expense	262	115
Total	**4,804**	**4,468**

The increase in personnel expense is mainly attributable to EUR 111 m in expenses recognized in other personnel expense in connection with personnel measures. The prior year included EUR 41 m in gains largely resulting from the reversal of provisions for personnel measures.

The workforce was downsized compared to the prior year, mainly in the Europe region.

Other personnel expense included EUR 151 m (prior year: EUR 156 m) in retirement benefit expenses.

3.5 Financial result

Schaeffler Group financial result

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

[1] Incl. amortization of transaction costs and prepayment penalties.

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

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

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

3.6 Income taxes

Income taxes

in € millions	2022	2021
Current income taxes	364	378
Deferred income taxes	-96	-31
Total	**268**	**348**

As a corporation, Schaeffler AG was subject to German corporation and trade taxes during the reporting period 2022.

The average domestic tax rate was 28.7% in 2022 (prior year: 28.7%). This tax rate consisted of corporation tax, including the solidarity surcharge, of 15.9% (prior year: 15.9%) as well as the average trade tax rate of 12.8% (prior year: 12.8%).

Current tax expense related to prior years amounted to EUR 8 m (prior year: EUR 25 m) in 2022. Deferred tax benefit related to prior years amounted to EUR 4 m (prior year: EUR 39 m) in 2022.

The following tax rate reconciliation shows the tax effects required to reconcile expected income tax expense to income tax expense as reported in the consolidated income statement. The calculation for 2022 is based on the Schaeffler Group's 28.7% (prior year: 28.7%) effective combined trade and corporation tax rate including solidarity surcharge.

Tax rate reconciliation

in € millions	2022	2021
Earnings before income taxes	852	1,122
Expected tax expense	**245**	**322**
Addition/reduction due to deviating local tax bases	11	13
Foreign/domestic tax rate differences	-28	-15
Change in tax rate and law	0	2
Non-recognition of deferred tax assets	-31	8
• including: recognition of previously unrecognized deferred taxes on loss carry-forwards and temporary differences	-44	-2
Tax credits and other tax benefits	-8	-13
Non-deductible expenses and non-taxable income	77	48
Taxes for previous years	4	-14
Other	-2	-3
Reported tax expense	**268**	**348**

Foreign/domestic tax rate differences primarily represent the impact of differences in country-specific tax rates applicable to the Schaeffler Group's German and foreign entities.

Non-deductible expenses and non-taxable income includes non-deductible operating expenses and non-creditable withholding taxes as well as current and deferred tax liabilities on dividends paid or expected to be paid by subsidiaries.

Taxes for previous years mainly contain the impact of reassessments of tax issues from prior years.

3.7 Earnings per share

Earnings per share

in € millions	2022	2021
Net income	585	775
Net income attributable to shareholders of the parent company	557	756
Earnings attributable to common shares	417	566
Earnings attributable to common non-voting shares	140	190
Average number of common shares issued in millions	500	500
Average number of common non-voting shares issued in millions	166	166
Earnings per common share (basic/diluted, in €)	**0.83**	**1.13**
Earnings per common non-voting share (basic/diluted, in €)	**0.84**	**1.14**

There were no dilutive items as at December 31, 2022, or in the prior year. Diluted earnings per share equal basic earnings per share.

4. Notes to the consolidated statement of financial position

4.1 Intangible assets

The Schaeffler Group has tested the group of cash-generating units of the Automotive Technologies segment, to which goodwill has been allocated, as well as the Automotive Aftermarket and Industrial segments and cash-generating units for impairment as at December 31, 2022. The impairment test performed by comparing the carrying amount of the group of cash-generating units and segments with their recoverable amount demonstrated that the recoverable amount – as determined based on the assumptions made – of all Schaeffler Group segments and cash-generating units to which goodwill has been allocated exceeds their carrying amounts. Therefore, no impairment loss was recognized on goodwill as at December 31, 2022.

The carrying amounts of the cash-generating units tested to which goodwill has been allocated were EUR 180 m for the Automotive Technologies segment (prior year: EUR 70 m), EUR 76 m for the Automotive Aftermarket segment (prior year: EUR 76 m), and EUR 285 m (prior year: EUR 219 m) for the Industrial segment as at December 31, 2022.

The impairment test of goodwill as at December 31, 2022, was performed by comparing the carrying amounts of the cash-generating units to which goodwill has been allocated with their recoverable amounts. The recoverable amount was at least equal to fair value less costs of disposal and was determined based on unobservable inputs (level 3). In performing the impairment test, the company identified eight cash-generating units based on existing production, sales, and management relationships, as was the case in the prior year. The cash flows used to determine fair value less costs of disposal reflect a detailed forecast for the period up to 2027 for the Industrial and Automotive Aftermarket segments and for the period up to 2035 for the Automotive Technologies segment. This extended detailed forecasting period reflects the transformation the Automotive Technologies segment will be subject to in the coming years as a result of the shift between powertrain types (“Schaeffler Vision Powertrain 2035”).

The underlying detailed forecasts took into account various factors: First, the geopolitical and economic environment such as the war in Ukraine and the implications of the coronavirus pandemic as well as the related uncertainty in the market due to extensive disruption in global production chains, especially due to shortages in the supply of raw materials, as well as faltering logistics chains. Second, the accelerated technological transformation toward electric mobility in the automotive industry and the resulting shift away from complex conventional internal combustion engines and transmission components toward electric motors with much fewer individual parts and no transmission. Factors reflected also include capital market participants’ market expectations with respect to expected future costs of restructuring and consolidation measures. Furthermore, there are certain cost increases that cannot be passed on to customers in full. Any resulting changes in assumptions regarding purchase prices as well as the impact of foreign exchange rates and increases in interest rates are reflected in the detailed forecast as well.

The perpetuity for the cash-generating units was determined based on an annual long-term growth rate of 0.0% to 1.5% (prior year: 1.0%). Depending on the underlying business and its country of operation, the Schaeffler Group used an assumed pre-tax interest rate of 10.7% (prior year: 10.1%) as the weighted average discount rate for the Automotive Technologies segment and 12.0% (prior year: 10.6%) for the Automotive Aftermarket segment as well as 10.8% (prior year: 10.0%) for the Industrial segment. This corresponds to a post-tax interest rate of 8.0% (prior year: 7.5%) for the Automotive Technologies segment and 9.1% (prior year: 8.2%) for the Automotive Aftermarket segment as well as 8.1% (prior year: 7.6%) for the Industrial segment.

Based on the assumptions made, the recoverable amount determined for the Automotive Technologies segment of EUR 7,283 m (prior year: EUR 6,831 m) exceeded the carrying amount by EUR 2,641 m (prior year: EUR 2,576 m). This increase compared to the prior year is the result of a EUR 452 m increase in fair value less costs of disposal, which reflects the detailed Automotive Technologies forecast for the period up to 2035 that is based on reasonable assumptions. In the Automotive Aftermarket segment, the recoverable amount of EUR 1,056 m (prior year: EUR 1,172 m) exceeded the carrying amount by EUR 419 m (prior year: EUR 536 m). In the Industrial segment, the recoverable amount of EUR 5,298 m (prior year: EUR 5,362 m) exceeded the carrying amount by EUR 2,770 m (prior year: EUR 3,369 m).

If the post-tax WACC was increased to 14.4% in the Automotive Technologies segment, 12.9% in the Automotive Aftermarket segment, and 13.7% in the Industrial segment, the recoverable amount would continue to equal the carrying amount of the cash-generating unit to which goodwill has been allocated. A reduction in the long-term growth rate to 0.0% for the Automotive Technologies, Automotive Aftermarket, and Industrial segments would not result in an impairment of the carrying amount of the cash-generating unit to which goodwill has been allocated. If the amount of sustainable EBIT used in the calculation was decreased by 85.2% for the Automotive Technologies segment, 43.7% for the Automotive Aftermarket segment, and 54.7% for the Industrial segment, the recoverable amount would equal the carrying amount of the cash-generating unit to which goodwill has been allocated.

As at December 31, 2022, internally generated intangible assets consisted largely of development costs with a net carrying amount of EUR 27 m (prior year: EUR 24 m) and included EUR 16 m (prior year: EUR 7 m) in assets not yet available for use.

As at December 31, 2022, purchased intangible assets mainly consisted of two items: The first is EUR 139 m in assets representing technology purchased in the acquisition of Schaeffler ByWire Technologie GmbH & Co. KG (until October 16, 2022: Schaeffler Paravan Technologie GmbH & Co. KG). The second comprises EUR 88 m (prior year: EUR 47 m) in assets not yet available for use representing software applications that were not yet subject to amortization.

Amortization of intangible assets totaled EUR 26 m (prior year: EUR 26 m) and were recognized in the following line items in the consolidated income statement: Cost of sales EUR 18 m (prior year: EUR 17 m), research and development expenses EUR 4 m (prior year: EUR 4 m), selling expenses EUR 1 m (prior year: EUR 1 m), and administrative expenses EUR 3 m (prior year: EUR 4 m).

Intangible assets

in € millions	Goodwill	Purchased intangible assets	Internally generated intangible assets	Total
Historical cost				
Balance as at January 01, 2021	**606**	**1,095**	**327**	**2,028**
Additions from initial consolidation of subsidiaries	8	9	0	17
Additions	0	29	7	35
Disposals	0	-6	-3	-9
Transfers	0	1	0	1
Foreign currency translation	0	3	2	5
Balance as at December 31, 2021	**614**	**1,131**	**333**	**2,078**
Balance as at January 01, 2022	**614**	**1,131**	**333**	**2,078**
Additions from initial consolidation of subsidiaries	175	206	0	381
Additions	0	56	10	66
Disposals	0	-11	-2	-13
Transfers	0	3	0	3
Reclassification to IFRS 5	0	-1	-1	-2
Foreign currency translation	0	1	2	3
Balance as at December 31, 2022	**789**	**1,385**	**342**	**2,516**
Accumulated amortization and impairment losses				
Balance as at January 01, 2021	**249**	**1,011**	**298**	**1,558**
Amortization	0	15	12	27
Disposals	0	-6	-3	-9
Foreign currency translation	0	3	2	5
Balance as at December 31, 2021	**249**	**1,023**	**309**	**1,581**
Balance as at January 01, 2022	**249**	**1,023**	**309**	**1,581**
Amortization	0	23	7	30
Disposals	0	-11	-2	-13
Reclassification to IFRS 5	0	-1	-1	-2
Foreign currency translation	0	1	2	3
Balance as at December 31, 2022	**249**	**1,035**	**315**	**1,599**
Net carrying amounts				
As at January 01, 2021	**357**	**84**	**29**	**470**
As at December 31, 2021	**365**	**108**	**24**	**497**
As at January 01, 2022	**365**	**108**	**24**	**497**
As at December 31, 2022	**540**	**350**	**27**	**916**

4.2 Right-of-use assets under leases

Right-of-use assets under leases

in € millions	Land, land rights, and buildings	Vehicles	Other equipment	Total
Historical cost				
Balance as at January 01, 2021	**187**	**69**	**15**	**271**
Additions from initial consolidation of subsidiaries	1	0	0	1
Additions	59	22	3	84
Disposals	-11	-16	-2	-29
Foreign currency translation	5	1	0	6
Balance as at December 31, 2021	**240**	**75**	**16**	**332**
Balance as at January 01, 2022	**240**	**75**	**16**	**332**
Additions from initial consolidation of subsidiaries	1	0	4	5
Additions	88	19	8	116
Disposals	-51	-17	-3	-72
Transfers	2	0	0	2
Reclassification to IFRS 5	-8	-1	0	-9
Foreign currency translation	1	1	0	1
Balance as at December 31, 2022	**274**	**77**	**25**	**375**
Accumulated depreciation and impairment losses				
Balance as at January 01, 2021	**52**	**30**	**7**	**88**
Depreciation	35	20	4	59
Disposals	-11	-14	-2	-27
Foreign currency translation	2	1	0	3
Balance as at December 31, 2021	**79**	**36**	**9**	**123**
Balance as at January 01, 2022	**79**	**36**	**9**	**123**
Depreciation	39	19	6	64
Impairment losses	2	0	0	2
Disposals	-11	-16	-3	-30
Reclassification to IFRS 5	-4	-1	0	-5
Balance as at December 31, 2022	**104**	**39**	**11**	**154**
Net carrying amounts				
As at January 01, 2021	**135**	**39**	**8**	**183**
As at December 31, 2021	**161**	**39**	**7**	**208**
As at January 01, 2022	**161**	**39**	**7**	**208**
As at December 31, 2022	**169**	**38**	**14**	**222**

As at December 31, 2022, other equipment consisted of EUR 8 m (prior year: EUR 4 m) in production equipment and EUR 6 m (prior year: EUR 3 m) in technical equipment and machinery.

Liabilities related to lease agreements capitalized are due as follows:

Lease liabilities

	12/31/2022		12/31/2021	
in € millions	Discounted	Undis-counted	Discounted	Undis-counted
Less than one year	57	62	52	54
Between one and five years	106	118	95	103
More than five years	56	60	65	69
Total	**219**	**240**	**211**	**225**

The impact on the consolidated income statement and the consolidated statement of cash flows is as follows:

Impact of right-of-use assets under leases on consolidated income statement

in € millions	2022	2021
Depreciation	64	60
Interest expense	4	3
Expense relating to short-term leases (lease term of up to 12 months)	10	5
Expense relating to leases of low-value assets	2	2
Variable lease payments	1	1

Impact of right-of-use assets under leases on consolidated statement of cash flows

in € millions	2022	2021
Variable lease payments, short-term leases (term of up to 12 months), leases of low-value assets recognized in EBIT	12	7
Principal repayments on lease liabilities	64	59
Interest paid	4	3

The Schaeffler Group recognizes the exercise of extension options included in real estate leases only if such exercise is reasonably certain. Exercise is reassessed upon the occurrence of significant events or changes in circumstances that might lead to a change in assessment.

4.3 Property, plant and equipment

Property, plant and equipment

in € millions	Land, land rights, and buildings	Technical equipment and machinery	Other equipment	Assets under construction	Total
Historical cost					
Balance as at January 01, 2021	**2,926**	**10,077**	**1,292**	**605**	**14,900**
Additions from initial consolidation of subsidiaries	0	0	0	0	1
Disposals of subsidiaries	-2	0	0	0	-2
Additions	14	196	51	387	648
Disposals	-11	-129	-47	-5	-191
Transfers	24	302	23	-350	-1
Reclassification to IFRS 5	-25	-66	-1	-3	-94
Foreign currency translation	70	314	18	21	423
Balance as at December 31, 2021	**2,997**	**10,695**	**1,337**	**654**	**15,683**
Balance as at January 01, 2022	**2,997**	**10,695**	**1,337**	**654**	**15,683**
Additions from initial consolidation of subsidiaries	1	15	3	2	21
Additions	23	183	64	468	738
Disposals	-17	-138	-53	-14	-223
Transfers	69	256	34	-364	-6
Reclassification to IFRS 5	-72	-18	-2	0	-91
Foreign currency translation	11	49	7	2	70
Balance as at December 31, 2022	**3,012**	**11,042**	**1,390**	**749**	**16,193**

in € millions	Land, land rights, and buildings	Technical equipment and machinery	Other equipment	Assets under construction	Total
Accumulated depreciation and impairment losses					
Balance as at January 01, 2021	**1,569**	**7,515**	**948**	**4**	**10,035**
Additions from initial consolidation of subsidiaries	0	0	0	0	1
Depreciation	82	685	99	0	865
Impairment losses	3	4	0	8	16
Disposals	-9	-124	-46	0	-178
Transfers	1	-1	0	0	0
Reclassification to IFRS 5	-17	-45	-1	0	-63
Foreign currency translation	28	218	14	1	260
Balance as at December 31, 2021	**1,656**	**8,253**	**1,014**	**13**	**10,935**
Balance as at January 01, 2022	**1,656**	**8,253**	**1,014**	**13**	**10,935**
Depreciation	85	694	101	0	880
Impairment losses	9	6	0	1	17
Impairment reversals	0	-3	0	0	-3
Disposals	-16	-136	-51	-8	-212
Transfers	0	0	0	0	0
Reclassification to IFRS 5	-54	-16	-2	0	-72
Foreign currency translation	7	30	5	0	42
Balance as at December 31, 2022	**1,686**	**8,827**	**1,067**	**6**	**11,586**
Net carrying amounts					
As at January 01, 2021	**1,358**	**2,562**	**344**	**601**	**4,865**
As at December 31, 2021	**1,342**	**2,441**	**323**	**642**	**4,748**
As at January 01, 2022	**1,342**	**2,441**	**323**	**642**	**4,748**
As at December 31, 2022	**1,326**	**2,215**	**323**	**743**	**4,607**

At December 31, 2022, the Schaeffler Group had open commitments under fixed contracts to purchase property, plant and equipment of EUR 233 m (prior year: EUR 147 m).

4.4 Investments in joint ventures and associated companies

Investments in joint ventures and associated companies consisted of EUR 3 m (prior year: EUR 68 m) in investments in joint ventures and EUR 3 m (prior year: EUR 3 m) in investments in associated companies. The decrease compared to the prior year is the result of the acquisition of the remaining 10% of the shares of former joint venture Schaeffler ByWire Technologie GmbH & Co. KG (until October 16, 2022: Schaeffler Paravan Technologie GmbH & Co. KG). Upon closing of the transaction on October 14, 2022, the company became wholly owned by the Schaeffler Group. Until the acquisition, Schaeffler ByWire Technologie GmbH & Co. KG was jointly controlled by its two limited partners, Schaeffler Technologies AG & Co. KG and Arnold Verwaltungs GmbH.

More on the acquisition of Schaeffler ByWire Technologie GmbH & Co. KG in Note 2.2

The joint venture with Beijing Advanced Material Technology Co. Ltd., China, Schaeffler-Cars Railway Technology Co. Ltd., commenced operations in 2021. Its activities consist of developing new business areas in the field of industrial applications in the Chinese market.

The impact of other equity-accounted joint ventures and of associated companies taken as a whole on the Schaeffler Group's net assets, financial position, and earnings as at the end of the reporting period was insignificant.

In 2019, the company entered into a contractual agreement with a joint venture regarding a convertible loan. In connection with the loan, there were put options outstanding on shares in the joint venture as well as contractually agreed rights to participate in decision-making. All of these rights and options were sold for EUR 3 m during the year.

The Schaeffler Group and Symbio, a Faurecia and Michelin hydrogen company, signed an agreement on June 7, 2022, to establish a company with equal share ownership to be located in Haguenau, France. The objective of the company, which operates under the name "Innoplate SAS", is the production of bipolar plates for fuel cell systems. Start of production is planned for early 2024.

4.5 Deferred tax assets and liabilities and income tax receivables and payables

Deferred tax assets and liabilities

The following items gave rise to recognized deferred tax assets and liabilities:

Deferred tax assets and liabilities

	12/31/2021				12/31/2022		
in € millions	Net	Recognized in profit or loss	Changes in scope of consolidation	Recognized in other comprehensive income	Net	Deferred tax assets	Deferred tax liabilities
Intangible assets	2	1	-23	0	-20	61	-81
Property, plant and equipment	-83	52	-4	0	-35	152	-187
Financial assets	-20	-47	0	-10	-77	3	-80
Inventories	141	47	0	0	188	211	-23
Trade receivables and other assets	-144	33	0	5	-106	96	-202
Provisions for pensions and similar obligations	424	-2	0	-248	174	207	-33
Other provisions and other liabilities	226	-27	0	-19	180	264	-84
Interest- and loss carry-forwards	155	49	0	0	204	204	0
Outside basis differences	-28	-10	0	0	-38	0	-38
Deferred taxes (gross)	**673**	**96**	**-27**	**-272**	**470**	**1,198**	**-728**
Netting						-536	536
Deferred taxes (net)	**673**	**96**	**-27**	**-272**	**470**	**662**	**-192**

As at the reporting date, no deferred tax assets were recognized on EUR 9 m (prior year: EUR 3 m) in tax credits.

As at December 31, 2022, the Schaeffler Group had gross loss carry-forwards of EUR 705 m (prior year: EUR 565 m) for corporation tax and EUR 511 m (prior year: EUR 338 m) for trade tax, including EUR 145 m (prior year: EUR 156 m) in corporation tax losses and EUR 127 m (prior year: EUR 44 m) in trade tax losses for which no deferred taxes have been recognized.

EUR 41 m (prior year: EUR 87 m) of the corporation tax loss carry-forwards on which no deferred tax assets were recognized can be carried forward for a limited period. The interest carry-forwards can be utilized indefinitely.

No deferred tax assets were recognized on EUR 13 m (prior year: EUR 77 m) in temporary differences, as it is not considered probable that they will be utilized in the future.

No deferred taxes have been recognized on EUR 3,153 m (prior year: EUR 2,842 m) in undistributed profits of certain subsidiaries, as the company intends to continually reinvest these profits rather than distributing them.

As at the end of the reporting period, certain group companies that have suffered losses in 2021 or 2022 have recognized EUR 189 m (prior year: EUR 143 m) in net deferred tax assets on interest and loss carry-forwards. Realization of deferred tax assets was assessed as more likely than not. The losses are attributable to the challenging geopolitical and economic environment, but since procurement market prices have already started to come down, sufficient taxable profits are expected in the future.

At December 31, 2022, the net amount of deferred tax recognized in accumulated other comprehensive income was EUR 65 m (prior year: EUR 336 m). The tax included in other comprehensive income is as follows:

Income tax recognized in other comprehensive income

	2022			2021		
in € millions	Before tax	Tax	After tax	Before tax	Tax	After tax
Items that will not be reclassified to profit or loss						
Remeasurement of net defined benefit liability	862	-248	614	413	-120	293
Changes in the scope of consolidation – defined benefit plans	-1		-1			
Net change in fair value of financial assets at fair value through other comprehensive income	-4	1	-3	0	0	
Total other comprehensive income (loss) that will not be reclassified to profit or loss	**857**	**-247**	**610**	**413**	**-120**	**293**
Items that have been or may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations	55	0	55	315	0	315
Effective portion of changes in fair value of cash flow hedges	87	-25	62	-100	29	-71
Total other comprehensive income (loss) that has been or may be subsequently reclassified to profit or loss	**142**	**-25**	**117**	**215**	**29**	**243**
Total other comprehensive income (loss)	**999**	**-272**	**727**	**627**	**-91**	**536**

Income tax receivables and payables

As at December 31, 2022, income tax receivables amounted to EUR 56 m (prior year: EUR 55 m), including non-current balances of EUR 11 m (prior year: EUR 9 m).

As at December 31, 2022, income tax payables amounted to EUR 155 m (prior year: EUR 153 m), including non-current balances of EUR 47 m (prior year: EUR 36 m).

In current or future tax audits, the fiscal authorities and the Schaeffler Group may arrive at different conclusions regarding tax laws or tax-related facts. The fiscal authorities may change original tax assessments, potentially increasing the Schaeffler Group's tax charges. Identifiable tax audit-related risks have been recognized as income tax payables in the Schaeffler Group's consolidated financial statements.

4.6 Inventories

Inventories

in € millions	12/31/2022	12/31/2021
Raw materials and supplies	607	553
Work in progress	739	628
Finished goods and merchandise	1,446	1,310
Advance payments	3	4
Total	**2,796**	**2,495**

EUR 11,964 m (prior year: EUR 10,202 m) in inventories used were expensed as cost of sales in the consolidated income statement in 2022.

The impairment allowance on inventories amounted to EUR 326 m (prior year: EUR 307 m) as at December 31, 2022.

4.7 Trade receivables

Trade receivables

in € millions	12/31/2022	12/31/2021
Trade receivables (gross)	**2,540**	**2,297**
Impairment allowances	-21	-23
Trade receivables (net)	**2,519**	**2,274**

Movements in impairment allowances on these trade receivables can be reconciled as follows:

Impairment allowances on trade receivables

in € millions	2022	2021
Impairment allowances as at January 01	**-23**	**-39**
Additions	-8	-7
Allowances used to cover write-offs	5	12
Reversals	6	11
Impairment allowances as at December 31	**-21**	**-23**

Aging of trade receivables

in € millions		12/31/2022	12/31/2021
Trade receivables (gross)		**2,540**	**2,297**
Not past due		**2,348**	**2,152**
Past due	up to 60 days	**142**	**100**
	61–120 days	**14**	**14**
	121–180 days	**9**	**6**
	181–360 days	**12**	**7**
	› 360 days	**16**	**17**

As at December 31, 2022, trade receivables outstanding with a carrying amount of EUR 114 m (prior year: EUR 92 m) had been sold under receivable sale programs.

More on the Schaeffler Group's exposure to credit, currency, and liquidity risk in Note 4.16

4.8 Other financial assets and other assets

Other financial assets (non-current/current)

			12/31/2022			12/31/2021
in € millions	Non-current	Current	Total	Non-current	Current	Total
Other investments	57	0	57	43	0	43
Derivative financial assets	58	118	176	1	23	24
Miscellaneous other financial assets	101	86	188	165	56	221
Total	**216**	**205**	**420**	**209**	**80**	**289**

Non-current **other investments** included unconsolidated equity investments representing interests held by the group of less than 20%.

As at December 31, 2022, **derivative financial assets** mainly comprised fair values of hedging instruments the Schaeffler Group uses to hedge currency risk as well as energy price risk arising on energy purchases for the company's own use. The latter related primarily to forward purchase contracts for electricity and gas.

As at December 31, 2022, current and non-current miscellaneous **other financial assets** largely comprised marketable securities, assets held by trustees, receivables related to the disposal of companies, and assets protecting partial retirement arrangements against insolvency.

More on the Schaeffler Group's exposure to currency and liquidity risk in Note 4.16

Other assets (non-current/current)

			12/31/2022			12/31/2021
in € millions	Non-current	Current	Total	Non-current	Current	Total
Pension assets	91	0	91	118	0	118
Tax receivables	27	307	334	26	236	262
Miscellaneous other assets	72	57	129	101	88	189
Total	**191**	**364**	**554**	**244**	**324**	**568**

Tax receivables consisted predominantly of value-added tax refunds receivable. Additionally, the item included refundable excess social tax paid in the past in Brazil that can be offset against other tax payment obligations in future.

The majority of miscellaneous **other assets** represented the current and non-current portions of prepaid assets and deferred charges.

4.9 Cash and cash equivalents

At December 31, 2022, cash and cash equivalents consisted primarily of bank balances and short-term deposits.

At the end of the reporting period, cash and cash equivalents include EUR 241 m (prior year: EUR 221 m) held by subsidiaries in Argentina, Brazil, Chile, Colombia, India, Indonesia, Peru, the Philippines, Serbia, South Africa, South Korea, Thailand, Ukraine, Vietnam, and other countries. These subsidiaries are subject to exchange restrictions or other legal or contractual restrictions. As a result, the availability of these funds to Schaeffler AG as the parent entity is restricted.

4.10 Assets held for sale and liabilities associated with assets held for sale

On December 29, 2022, the Schaeffler Group signed an agreement to sell its subsidiaries Schaeffler RUS OOO and Schaeffler Russland OOO. The value of the disposal group currently amounts to EUR 10 m. EUR 15 m in assets held for sale and EUR 5 m in liabilities associated with assets held for sale were reclassified in this regard. The planned disposal has resulted in an impairment of EUR 12 m as at December 31, 2022, that has been recognized in other expenses. The composition of the disposal group may change in the future as a result of ongoing operations. Closing of the transaction is subject to approval by the Russian authorities.

As at December 31, 2022, the company had recognized additional assets held for sale totaling EUR 44 m (prior year: EUR 5 m) in connection with the planned disposal of an unconsolidated equity investment of EUR 23 m and EUR 21 m in real estate.

4.11 Shareholders' equity

Shareholders' equity

in € millions	12/31/2022	12/31/2021
Share capital	666	666
Capital reserves	2,348	2,348
Other reserves	1,218	988
Accumulated other comprehensive income (loss)	-216	-949
Equity attributable to shareholders of the parent company	**4,016**	**3,053**
Non-controlling interests	125	112
Total shareholders' equity	**4,141**	**3,165**

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

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

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

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

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

Capital reserves remained unchanged at EUR 2,348 m as at December 31, 2022.

The change in **other reserves** in 2022 was largely attributable to consolidated net income and dividends.

Distributions to shareholders are limited to Schaeffler AG's retained earnings as determined in accordance with German commercial law. For 2022, a dividend of EUR 295 m will be proposed to the Schaeffler AG annual general meeting. EUR 75 m of these dividends relate to the common non-voting shares. This represents a dividend of EUR 0.45 (prior year: EUR 0.50) per common non-voting share and EUR 0.44 (prior year: EUR 0.49) per common share. As the proposed dividend is subject to shareholder approval at the annual general meeting, it has not been recognized as a liability in these consolidated financial statements.

Accumulated other comprehensive income consisted of the impact of currency translation, changes in the fair value of financial instruments designated as hedging instruments, and remeasurements of pensions and similar obligations. EUR 0 m (prior year: EUR 10 m) in losses were reclassified from the translation reserve to profit and loss during the reporting period.

As at December 31, 2022, non-controlling interests primarily represented interests in the shareholders' equity of Schaeffler India Ltd.

4.12 Current and non-current financial debt

Financial debt (current/non-current)

			12/31/2022			12/31/2021
in € millions	Due in up to 1 year	Due in more than 1 year	Total	Due in up to 1 year	Due in more than 1 year	Total
Bonds	0	2,939	2,939	544	2,936	3,480
Schuldschein loans	5	292	297	0	297	297
Revolving credit facility	0	0	0	0	-1	-1
Commercial paper	50	0	50	0	0	0
Other financial debt	5	7	12	0	0	0
Total	**60**	**3,238**	**3,298**	**545**	**3,231**	**3,776**

The decrease in financial debt compared to December 31, 2021, was primarily due to repayment in full of a bond series of EUR 545 m included in current financial debt.

As at December 31, 2022, the group's debt consisted of four bond series with a principal of EUR 2,950 m, Schuldschein loans with a principal of EUR 298 m, and EUR 50 m in short-term commercial paper. Additionally, Schaeffler AG signed a EUR 2.5 bn syndicated credit agreement on November 2, 2022, providing the Schaeffler Group with a revolving credit facility of EUR 2.0 bn. The new credit agreement also includes a EUR 500 m term loan that was unutilized as at December 31, 2022.

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

The Schaeffler Group had the following bonds outstanding as at year-end:

Schaeffler Group bonds

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

[1] Bond series was prepaid on March 1, 2022.

The differences between principal and carrying amount are the result of accounting for these instruments at amortized cost calculated using the effective interest method.

An additional EUR 36 m (prior year: EUR 41 m) in interest accrued on the bonds up to December 31, 2022, were reported in other financial liabilities (see Note 4.15).

Under its existing debt financing agreements, the Schaeffler Group is subject to certain constraints including a requirement to meet a leverage covenant. The creditors are entitled to call the debt prior to maturity under certain circumstances, including if the leverage covenant is not met, which would result in the debt becoming due immediately. As in the prior year, the company has complied with the leverage covenant throughout 2022 as stipulated in the debt agreements.

4.13 Provisions for pensions and similar obligations

The post-employment benefits the Schaeffler Group provides to its employees include both defined benefit plans and defined contribution plans. While defined contribution plans generally entail no further obligation beyond the regular contributions included in personnel expense, defined benefit pension plans are recognized in the consolidated statement of financial position. The provisions also include a minor amount of obligations similar to pensions.

Defined benefit plans

The Schaeffler Group's defined benefit plans include pension plans, termination payments mandatorily payable upon retirement regardless of the reason employment is terminated, and other post-employment benefits. The company's pension obligations primarily relate to Germany, the U.S., and the United Kingdom, with the majority of the obligations attributable to Germany.

Germany

In Germany, the company grants pension benefits largely in the form of pension commitments based on pension units as well as under deferred compensation arrangements.

For the significant pension plans, pension benefits in the form of pension units largely result from the Schaeffler Company Pension Scheme ("Schaeffler Versorgungsordnung") and similar schemes that base the amount of the pension unit on eligible income and also contain a minimum guarantee. When the Schaeffler Company Pension Scheme was introduced in 2006, the other pension schemes in Germany were closed to new entrants. Benefits are always paid on an annuity basis. The pension obligations arising from these pension commitments are financed by provisions. Pension benefits are paid out of cash flows from operating activities.

In addition, employees have various deferred compensation arrangements to choose from. Some Schaeffler Group subsidiaries offer their staff a company pension model under which the employees contribute a portion of their pre-tax salary in return for a pension commitment. The compensation deferred is invested in equity, fixed-income, and money market funds under a lifecycle model, i.e. plan assets are moved to lower-risk asset classes as the beneficiary's age increases. In addition, the Schaeffler Group guarantees a minimum annual return. As benefits are paid in up to five annual installments starting when the beneficiary reaches retirement age, longevity risk is minimized. Benefit obligations resulting from the deferral of pre-tax compensation are covered by assets held separately under a contractual trust agreement (CTA).

U.S. and United Kingdom

Additional significant defined benefit pension plans cover employees in the U.S. and in the United Kingdom. The Schaeffler Group finances its pension obligations in these countries using external pension funds with restricted access. At the end of 2022, approx. 98% (prior year: 99%) of pension obligations in the U.S. and approx. 133% (prior year: 137%) of pension obligations in the United Kingdom were covered by plan assets. These pension plans were closed to new entrants in 2006 (U.S.) and 2009 (United Kingdom) and replaced with defined contribution plans. As a result, employees can no longer earn additional defined benefits.

Net defined benefit obligation

The company's obligations under defined benefit plans and the related plan assets are presented as follows in the consolidated statement of financial position as at December 31, 2022:

Amounts recognized in the statement of financial position for pensions and similar obligations

					12/31/2022					12/31/2021
in € millions	Germany	U.S.	United Kingdom	Other countries	Total	Germany	U.S.	United Kingdom	Other countries	Total
Provisions for pensions (liabilities net of related plan assets)	-1,548	-11	-1	-46	-1,606	-2,383	-13	-1	-57	-2,454
Pension asset (plan assets net of related liabilities)	19	7	45	20	91	20	11	86	0	117
Net defined benefit liability	**-1,529**	**-4**	**44**	**-26**	**-1,515**	**-2,363**	**-2**	**85**	**-57**	**-2,337**

At the end of the reporting period, the defined benefit obligations and related plan assets amounted to the following:

Analysis of net defined benefit liability

					12/31/2022					12/31/2021
in € millions	Germany	U.S.	United Kingdom	Other countries	Total	Germany	U.S.	United Kingdom	Other countries	Total
Present value of defined benefit obligations (active members)	-853	-35	0	-163	-1,051	-1,464	-53	0	-183	-1,700
Present value of defined benefit obligations (deferred members)	-240	-21	-68	-4	-333	-318	-29	-135	-6	-488
Present value of defined benefit obligations (pensioners)	-686	-123	-67	-27	-903	-842	-137	-95	-33	-1,107
Present value of defined benefit obligations (total)	**-1,779**	**-179**	**-135**	**-194**	**-2,287**	**-2,624**	**-219**	**-230**	**-222**	**-3,295**
Fair value of plan assets	250	175	179	168	772	261	217	315	165	958
Net pension obligation recognized in the statement of financial position	-1,529	-4	44	-26	-1,515	-2,363	-2	85	-57	-2,337
Net defined benefit liability	**-1,529**	**-4**	**44**	**-26**	**-1,515**	**-2,363**	**-2**	**85**	**-57**	**-2,337**

Movements in the net defined pension benefit liability in 2022 can be reconciled as follows:

Reconciliation of net defined benefit liability/asset January 01/December 31

					2022					2021
in € millions	Germany	U.S.	United Kingdom	Other countries	Total	Germany	U.S.	United Kingdom	Other countries	Total
Net defined benefit liability (-)/ asset (+) as at January 01	**-2,363**	**-2**	**85**	**-57**	**-2,337**	**-2,703**	**-12**	**53**	**-74**	**-2,736**
Benefits paid	63	1	-1	6	69	63	0	0	8	71
Service cost	-74	0	2	-11	-83	-91	0	0	0	-91
Net interest on net defined benefit liability	-32	0	2	-1	-31	-19	0	1	0	-18
Employer contributions	-9	0	0	19	10	5	0	0	12	17
Employee contributions	0	0	0	0	0	-1	0	0	0	-1
Remeasurement of net defined benefit liability	887	-3	-39	17	862	380	11	27	0	418
Impact of asset ceiling	0	0	0	1	1	0	0	0	-5	-5
Business combinations/disposals of subsidiaries	-1	0	0	0	-1	1	0	0	0	1
Reclassification to presentation under IFRS 5	0	0	0	0	0	2	0	0	3	5
Foreign currency translation	0	0	-5	0	-5	0	-1	4	-1	2
Net defined benefit liability (-)/ asset (+) as at December 31	**-1,529**	**-4**	**44**	**-26**	**-1,515**	**-2,363**	**-2**	**85**	**-57**	**-2,337**

Movements in defined benefit obligation

The opening and closing balances of the present value of the defined benefit obligation as at the end of the reporting period can be reconciled as follows:

Reconciliation of present value of defined benefit obligations January 01/December 31

					2022					2021
in € millions	Germany	U.S.	United Kingdom	Other countries	Total	Germany	U.S.	United Kingdom	Other countries	Total
Present value of defined benefit obligations as at January 01	**-2,624**	**-219**	**-230**	**-222**	**-3,295**	**-2,932**	**-217**	**-231**	**-239**	**-3,619**
Benefits paid	67	13	7	16	103	69	11	8	18	106
Current service cost	-74	0	0	-11	-85	-92	0	0	-3	-95
Past service cost	0	0	2	0	2	1	0	0	3	4
Interest cost	-35	-6	-4	-6	-51	-21	-5	-3	-4	-33
Employee contributions	-11	0	0	0	-11	-11	0	0	0	-11
Transfers in/out	0	0	-1	0	-1	0	0	0	0	0
Gains (+)/losses (-) – changes in financial assumptions	914	49	85	33	1,081	361	13	12	13	399
Gains (+)/losses (-) – changes in demographic assumptions	0	-3	0	-1	-4	0	-1	-4	1	-4
Gains (+)/losses (-) – experience adjustments	-15	0	-6	-2	-23	-2	-2	4	-9	-9
Business combinations/disposals of subsidiaries	-1	0	0	0	-1	1	0	0	0	1
Reclassification to presentation under IFRS 5	0	0	0	0	0	2	0	0	3	5
Foreign currency translation	0	-13	12	-1	-2	0	-18	-16	-5	-39
Present value of defined benefit obligations as at December 31	**-1,779**	**-179**	**-135**	**-194**	**-2,287**	**-2,624**	**-219**	**-230**	**-222**	**-3,295**

Movements in and types of plan assets

The opening and closing balances of the fair value of plan assets can be reconciled as follows:

Reconciliation of fair value of plan assets January 01/December 31

					2022					2021
in € millions	Germany	U.S.	United Kingdom	Other countries	Total	Germany	U.S.	United Kingdom	Other countries	Total
Fair value of plan assets as at January 01	**261**	**217**	**315**	**165**	**958**	**229**	**205**	**284**	**165**	**883**
Benefits paid	-4	-12	-8	-10	-34	-6	-11	-8	-10	-35
Interest income on plan assets	3	6	6	5	20	2	5	4	4	15
Employee contributions	11	0	0	0	11	10	0	0	0	10
Employer contributions	-9	0	0	19	10	5	0	0	12	17
Impact of asset ceiling	0	0	0	1	1	0	0	0	-5	-5
Transfers in/out	0	0	1	0	1	0	0	0	0	0
Return on plan assets excluding interest income	-12	-49	-118	-13	-192	21	1	15	-5	32
Foreign currency translation	0	13	-17	1	-3	0	17	20	4	41
Fair value of plan assets as at December 31	**250**	**175**	**179**	**168**	**772**	**261**	**217**	**315**	**165**	**958**

The Schaeffler Group plans to contribute EUR 16 m (prior year: EUR 12 m) to plan assets in 2023.

Plan assets consisted of the following:

Classes of plan assets

					12/31/2022					12/31/2021
in € millions	Germany	U.S.	United Kingdom	Other countries	Total	Germany	U.S.	United Kingdom	Other countries	Total
Equity instruments	121	17	8	5	151	130	22	81	5	238
Debt instruments	52	158	10	149	369	49	195	57	84	385
Real estate	0	0	27	4	31	0	0	33	4	37
Cash	42	0	40	1	83	53	0	1	1	55
(Reimbursement) insurance policies	35	0	1	9	45	29	0	0	9	38
Mixed funds	0	0	93	0	93	0	0	143	50	193
Other	0	0	0	0	0	0	0	0	12	12
Total	**250**	**175**	**179**	**168**	**772**	**261**	**217**	**315**	**165**	**958**

Plan assets do not include real estate used by the Schaeffler Group or any of the Schaeffler Group's own equity instruments. Except for amounts related to real estate and (reimbursement) insurance policies, all amounts shown above represent market prices quoted in an active market.

Information on changes in the various classes of plan assets in Germany is provided by the fund manager in the form of performance reports and is regularly reviewed by investment committees. The investment strategy follows a lifecycle model: Plan assets are moved to lower-risk asset classes as the beneficiary's age increases.

Asset-liability studies are prepared for the funded defined benefit plans in the United Kingdom and in the U.S. at regular intervals, and the investment policy of each fund is based on the applicable study and any local legal requirements.

Comprehensive income

The following summarizes the various amounts recognized in comprehensive income for defined benefit plans:

Comprehensive income on defined benefit pension plans

					2022					2021
in € millions	Germany	U.S.	United Kingdom	Other countries	Total	Germany	U.S.	United Kingdom	Other countries	Total
Current service cost	74	0	0	12	86	92	0	0	3	95
Past service cost	0	0	-2	0	-2	-1	0	0	-3	-4
• plan amendments	0	0	-2	0	-2	-1	0	0	0	-1
• curtailments	0	0	0	0	0	0	0	0	-3	-3
Service cost	**74**	**0**	**-2**	**12**	**84**	**91**	**0**	**0**	**0**	**91**
Interest cost	35	6	4	6	51	21	5	3	4	33
Interest income	-3	-6	-6	-5	-20	-2	-5	-4	-4	-15
Net interest on net defined benefit liability/asset	**32**	**0**	**-2**	**1**	**31**	**19**	**0**	**-1**	**0**	**18**
Gains (-)/losses (+) – changes in financial assumptions	-914	-49	-85	-33	-1,081	-361	-13	-12	-13	-399
Gains (-)/losses (+) – changes in demographic assumptions	0	3	0	1	4	0	1	4	-1	4
Gains (-)/losses (+) – experience adjustments	15	0	6	2	23	2	2	-4	9	9
Return on plan assets excluding interest income	12	49	118	13	192	-21	-1	-15	5	-32
Impact of asset ceiling	0	0	0	-1	-1	0	0	0	5	5
Remeasurements of net defined benefit liability/asset	**-887**	**3**	**39**	**-18**	**-863**	**-380**	**-11**	**-27**	**5**	**-413**
Total comprehensive (income) loss on defined benefit obligations	**-781**	**3**	**35**	**-5**	**-748**	**-270**	**-11**	**-28**	**5**	**-304**

The curtailment gains represent the impact of measures taken under restructuring programs to downsize the workforce. Service cost and interest on the net defined benefit liability are included in the following line items of the consolidated income statement:

Net pension expense in the consolidated income statement

					2022					2021
in € millions	Germany	U.S.	United Kingdom	Other countries	Total	Germany	U.S.	United Kingdom	Other countries	Total
Cost of sales	40	0	0	8	49	51	0	0	7	58
Research and development expenses	14	0	0	1	15	18	0	0	1	19
Selling expenses	6	0	0	1	7	7	0	0	1	8
Administrative expenses	12	0	0	1	13	14	0	0	1	15
Included in EBIT	**72**	**0**	**0**	**11**	**84**	**90**	**0**	**0**	**10**	**100**
Interest expense	35	7	4	6	52	21	5	3	4	33
Interest income	-9	-7	-6	-5	-26	-3	-5	-4	-3	-15
Included in financial result	**26**	**0**	**-2**	**1**	**25**	**18**	**0**	**-1**	**1**	**18**
Total	**98**	**0**	**-2**	**12**	**109**	**108**	**0**	**-1**	**11**	**118**

Maturity profile of defined benefit obligations

The weighted average duration of defined benefit obligations is 15.0 years (prior year: 19.7 years) at year-end. In the most significant countries Germany, the U.S., and the United Kingdom, the duration averages 16.2 years (prior year: 21.2 years), 9.4 years (prior year: 11.1 years), and 15.5 years (prior year: 19.4 years), respectively.

Over the next ten years, the company expects to make the following payments for the defined benefit obligations it has as at year-end:

Payments expected to be made in coming years

in € millions	Payments expected to be made
2023	66
2024	68
2025	69
2026	71
2027	75
2028–2032	400

Actuarial assumptions

At each reporting date, defined benefit obligations are measured based on certain actuarial assumptions.

The assumptions used, in particular discount rates, future salary increases, and future pension increases, are determined separately for each country.

The weighted averages of the principal actuarial assumptions for the Schaeffler Group are as follows:

Actuarial assumptions

					2022					2021
	Germany	U.S.	United Kingdom	Other countries	Total [1]	Germany	U.S.	United Kingdom	Other countries	Total [1]
Discount rate as at December 31	3.9%	5.2%	4.8%	4.9%	4.1%	1.3%	2.8%	1.9%	2.6%	1.5%
Future salary increases	3.3%	n. a. [2]	n. a. [2]	3.7%	3.3%	2.8%	n. a. [2]	n. a. [2]	2.9%	2.8%
Future pension increases	2.2%	0.0%	3.1%	0.0%	1.9%	1.8%	0.0%	3.3%	0.0%	1.9%

1) Average discount rate for the Schaeffler Group.
2) The pension plans in the U.S. and in the United Kingdom have been closed since 2006 and 2009, respectively, and structured such that future salary increases will not affect the amount of the net liability.

Mortality assumptions are based on published statistics and country-specific mortality tables. Starting in 2018, the "RICHTTAFELN 2018 G" mortality tables developed by Prof. Dr. Klaus Heubeck and published by HEUBECK-RICHTTAFELN-GmbH are used for the German plans. These tables are generation tables, which specifically include appropriate assumptions to take into account future increases in life expectancy.

Sensitivity analysis

Selecting the assumptions discussed above is key to the calculation of the present value of the defined benefit obligation. The following table shows the sensitivity of the present value of the defined benefit obligation to changes in one of the key assumptions.

Another key parameter in the measurement of the Schaeffler Group's pension obligations is life expectancy. An increase in life expectancy in the most significant countries by one year would lead to an increase in the present value of the corresponding obligation by EUR 70 m (prior year: EUR 138 m) in Germany and EUR 4 m (prior year: EUR 11 m) in the United Kingdom and a decrease in the present value of the obligation by EUR 3 m (prior year: increase by EUR 7 m) in the U.S.

As in the prior year, the above sensitivities were calculated using the same method as for the present value of the pension obligations as at the balance sheet date. The sensitivities presented above do not take into account interaction between assumptions; rather, the analysis assumes that each assumption changes separately. In practice, this would be unusual, as assumptions are frequently correlated.

Risk and risk management

The existing defined benefit plans expose the Schaeffler Group to the usual actuarial risks.

The existing plan assets are managed independently on a decentralized basis in the various countries.

Defined contribution pension plans

In 2022, the Schaeffler Group incurred EUR 39 m (prior year: EUR 35 m) in expenses related to defined contribution plans. At EUR 17 m (prior year: EUR 14 m), the majority of this amount relates to plans in the U.S.

Sensitivity analysis of present value of defined benefit obligation

						2022					2021
in € millions		Germany	U.S.	United Kingdom	Other countries	Total	Germany	U.S.	United Kingdom	Other countries	Total
	Plus 1.0%	-228	-15	-19	-15	-277	-460	-22	-39	-21	-542
Discount rate	Minus 1.0%	301	18	21	18	358	648	27	50	25	750
	Plus 1.0%	22	n. a. [1]	n. a. [1]	10	32	51	n. a. [1]	n. a. [1]	14	65
Future salary increases	Minus 1.0%	-19	n. a. [1]	n. a. [1]	-9	-28	-44	n. a. [1]	n. a. [1]	-12	-56
Future pension increases	Plus 1.0%	139	0	10	2	152	237	0	24	3	264
	Minus 1.0%	-118	0	-10	-2	-130	-172	0	-21	-2	-195

[1] The pension plans in the U.S. and in the United Kingdom have been closed since 2006 and 2009, respectively, and structured such that future salary increases will not affect the amount of the net liability.

4.14 Provisions

Provisions

in € millions	Employee benefits	Restructuring	Warranties	Other taxes	Other	Total
Balance as at January 01, 2022	**211**	**309**	**83**	**13**	**181**	**796**
Additions	161	6	24	20	43	253
Utilization	-66	-178	-30	-4	-32	-309
Reversals	-1	-1	-27	0	-12	-41
Interest expense	-13	-1	0	0	-2	-16
Foreign currency translation	2	0	0	0	6	8
Balance as at December 31, 2022	**294**	**135**	**51**	**28**	**184**	**692**

Provisions consisted of the following current and non-current portions. Non-current provisions are due in one to five years.

Provisions (non-current/current)

			12/31/2022			12/31/2021
in € millions	Non-current	Current	Total	Non-current	Current	Total
Employee benefits	211	83	294	144	68	211
Restructuring	22	113	135	95	214	309
Warranties	0	51	51	0	83	83
Other taxes	0	28	28	0	13	13
Other	55	129	184	65	115	181
Total	**288**	**404**	**692**	**304**	**492**	**796**

Provisions for employee benefits included EUR 108 m (prior year: EUR 112 m) in provisions for long-time service awards and partial retirement programs. Provisions for employee benefits increased compared to the prior year mainly due to further restructuring measures adopted by Schaeffler AG's Board of Managing Directors on November 7, 2022, to cut excess structural capacity and reduce fixed costs. The measures are largely expected to be implemented by the end of 2026. The company recognized related provisions of EUR 102 m. Additionally, the company had provisions of EUR 28 m (prior year: EUR 33 m) for a voluntary severance scheme in South Korea.

Restructuring provisions included EUR 10 m (prior year: EUR 11 m) for the reorganization of the indirect functions at various locations under the "Shared Services" initiative for the Europe region. Implementation of these measures is expected to be completed in 2023. In addition, the company has EUR 6 m (prior year: EUR 10 m) in restructuring provisions for the program "RACE". Additionally, the Board of Managing Directors of Schaeffler AG adopted a further package of measures on September 9, 2020, to accelerate the transformation of the Schaeffler Group and strengthen its ability to compete and realize future opportunities for the long term. The company has recognized related restructuring provisions of EUR 119 m as at December 31, 2022 (prior year: EUR 288 m).

Warranty provisions consisted, in particular, of provisions for specific cases for which an outflow of resources within one year is considered probable. The decrease compared to the prior year is due to specific cases within the Automotive Technologies and Industrial divisions.

Other provisions include, inter alia, EUR 14 m (prior year: EUR 6 m) in provisions for interest and penalties related to income taxes, EUR 5 m (prior year: EUR 5 m) for potential third party claims in connection with antitrust proceedings, and EUR 41 m (prior year: EUR 47 m) for other legal and litigation risks. EUR 31 m (prior year: EUR 32 m) in provisions for remediating past environmental impacts and rehabilitating commercial land were included as well.

Non-current provisions decreased by EUR 16 m to EUR 288 m (prior year: EUR 304 m), primarily due to reclassification from non-current restructuring provisions to current restructuring provisions. The addition for the new restructuring measures, largely recognized in non-current provisions for employee benefits, had an offsetting impact.

Current provisions declined by EUR 88 m to EUR 404 m (prior year: EUR 492 m). The decrease is mainly attributable to EUR 173 m in restructuring provisions utilized in connection with the structural measures adopted by Schaeffler AG's Board of Managing Directors under the "Roadmap 2025" divisional subprograms in the third quarter of 2020. The reclassification of restructuring provisions from non-current provisions referred to above had an offsetting impact.

4.15 Other financial liabilities and other liabilities

Other financial liabilities (non-current/current)

in € millions	Non-current	Current	Total 12/31/2022	Non-current	Current	Total 12/31/2021
Amounts payable to staff	5	444	449	11	499	510
Derivative financial liabilities	12	62	74	1	95	96
Miscellaneous other financial liabilities	72	120	192	22	130	152
Total	**90**	**626**	**715**	**35**	**724**	**758**

Amounts payable to staff primarily included profit sharing accruals, liabilities for personnel-related measures, and amounts payable for the inflation compensation bonus.

As at December 31, 2022, **derivative financial liabilities** mainly comprised fair values of hedging instruments the Schaeffler Group uses to hedge currency risk as well as energy price risk arising on energy purchases for the company's own use. The latter related primarily to short-, medium-, and long-term price and supply agreements (power purchase agreements).

Miscellaneous other financial liabilities mainly consisted of payments received from customers for receivables sold under a receivable sale program and accrued interest. Further, this item included contingent purchase price payment obligations related to the acquisition of Schaeffler Ultra Precision Drives GmbH. See Note 2.2 "Acquisitions and disposals of companies" for further details.

More on the Schaeffler Group's exposure to currency and liquidity risk in Note 4.16

Other liabilities (non-current/current)

in € millions	Non-current	Current	Total 12/31/2022	Non-current	Current	Total 12/31/2021
Amounts payable to staff	0	94	94	0	88	88
Social security contributions payable	0	45	45	0	49	49
Advance payments received	0	4	4	0	1	1
Other tax payables	0	146	146	0	120	120
Miscellaneous other liabilities	7	52	59	11	28	39
Total	**7**	**341**	**348**	**11**	**286**	**297**

Amounts payable to staff primarily contained accrued vacation and overtime accounts.

Social security contributions payable consisted mainly of unpaid contributions to social security schemes.

Other tax payables included, in particular, value-added taxes payable and payroll withholding taxes payable.

4.16 Financial instruments

The carrying amounts and fair values of financial instruments by class of the consolidated statement of financial position and by category per IFRS 7.8 are summarized below. Derivatives designated as hedging instruments are shown as well.

Financial instruments by class and category in accordance with IFRS 7.8

in € millions	Category per IFRS 7.8	12/31/2022 Carrying amount	12/31/2022 Fair value	12/31/2021 Carrying amount	12/31/2021 Fair value
Financial assets, by class					
Trade receivables	Amortized cost	2,287	2,287	2,037	2,037
Trade receivables – factoring program	FVTPL	100	100	96	96
Trade receivables – customer receivables and notes receivable available for sale	FVOCI	132	132	140	140
Other financial assets					
• Other investments – FVOCI	FVOCI	43	43	36	36
• Other investments – FVTPL	FVTPL	13	13	7	7
• Marketable securities	FVTPL	24	24	28	28
• Derivatives designated as hedging instruments	n.a.	43	43	7	7
• Derivatives not designated as hedging instruments	FVTPL	133	133	17	17
• Miscellaneous other financial assets	Amortized cost	163	163	194	194
Cash and cash equivalents	Amortized cost	1,063	1,063	1,822	1,822
Financial liabilities, by class					
Financial debt	FLAC	3,298	3,118	3,776	4,008
Trade payables	FLAC	2,339	2,339	2,068	2,068
Refund liabilities	n.a.	263	263	274	274
Lease liabilities [1]	n.a.	219	-	210	-
Other financial liabilities					
• Derivatives designated as hedging instruments	n.a.	13	13	63	63
• Derivatives not designated as hedging instruments	FVTPL	61	61	33	33
• Miscellaneous other financial liabilities – FVTPL	FVTPL	53	53	0	0
• Miscellaneous other financial liabilities – FLAC	FLAC	588	588	662	662
Summary by category					
Financial assets at amortized cost (Amortized cost)		3,514	3,514	4,053	4,053
Financial assets at fair value through profit or loss (FVTPL)		270	270	148	148
Financial assets at fair value through other comprehensive income (FVOCI)		176	176	176	176
Financial liabilities at amortized cost (FLAC)		6,225	6,045	6,506	6,738
Financial liabilities at fair value through profit or loss (FVTPL)		114	114	33	33

[1] Disclosure of fair value omitted in accordance with IFRS 7.29 (d).

The carrying amounts of trade receivables, including the receivables available for sale under the factoring program, as well as other customer receivables and notes receivable available for sale, miscellaneous other financial assets, cash and cash equivalents, trade payables, refund liabilities, as well as miscellaneous other financial liabilities are assumed to equal their fair value due to the short maturities of these instruments.

Other investments included the following unconsolidated equity investments representing interests held by the group of less than 20% (shares in incorporated companies and cooperatives):

Unconsolidated equity investments

in € millions	Fair value as at 12/31/2022	Fair value as at 12/31/2021
SupplyOn AG	7.3	4.8
Gemeinschaftskraftwerk GmbH	1.7	1.7
IAV GmbH Ingenieurgesellschaft Auto und Verkehr [1]	0.0	28.5
H2GS AB	33.8	
Miscellaneous other equity investments FVOCI	0.7	0.6
Total equity investments at FVOCI	**43.4**	**35.6**
Leadrive Technology (Shanghai) Co. Ltd.	10.3	6.9
Earlybird UNI-X Seed Fund I GmbH & Co. KG	2.3	0.0
Miscellaneous other equity investments FVTPL	0.8	0.3
Total equity investments at FVTPL	**13.4**	**7.2**
Total	**56.8**	**42.8**

[1] Reclassified to assets held for sale under IFRS 5 in 2022.

Unconsolidated equity investments are generally of a strategic long-term nature. They are measured at fair value either through profit or loss or through other comprehensive income using the methods described under level 3. There were no partial disposals of such equity investments in 2022, and no accumulated gains or losses were reclassified within equity. Marketable securities consist primarily of debt instruments in the form of money market fund units.

Hedge accounting is only applied to derivatives designated as hedges of currency risk in cash flow hedges. The Schaeffler Group uses cross-currency swaps and forward exchange contracts as hedging instruments here.

Derivatives not designated as hedging instruments include forward exchange contracts that are not designated as cash flow hedges. Additionally, this line item includes forward purchase contracts for electricity and gas as well as short-, medium-, and long-term price and supply agreements for renewable energy (known as power purchase agreements). Since some of these agreements did not qualify for the own-use exemption, all similar agreements were treated as derivatives in accordance with IFRS 9.

Please refer to the notes on the various balance sheet line items for the amount of financial assets pledged as collateral.

The fair values of financial assets and liabilities that are either measured at fair value or for which fair value is disclosed in the notes to the consolidated financial statements were determined using the following valuation methods and inputs:

- Level 1: Exchange-quoted prices as at the reporting date are used for marketable securities, money market funds reported as cash equivalents, as well as bonds payable included in financial debt.
- Level 2: Cross-currency swaps and forward contracts are measured 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. These models take into account counterparty credit risk via credit value adjustments.
- Level 3: This category contains measurement of the fair value of unconsolidated equity investments using various recognized valuation methodologies such as the EBIT multiple method, the discounted cash flow method, as well as valuation at net asset value. The category also comprises measurement of contingent purchase prices payable and receivable. Measurement of the fair value of power purchase agreements falls in level 3 as well.

The following table summarizes the fair values and levels of financial assets and liabilities. Financial assets and liabilities measured at amortized cost and whose carrying amount is assumed to represent their fair value have been omitted.

Financial assets and liabilities by fair value hierarchy level

in € millions	Level 1	Level 2	Level 3	Total
December 31, 2022				
Marketable securities	24	-	-	24
Derivatives designated as hedging instruments	-	43	-	43
Derivatives not designated as hedging instruments	-	130	2	133
Trade receivables – factoring program	-	100	-	100
Trade receivables – customer receivables and notes receivable available for sale	-	132	-	132
Other investments – FVOCI	-	-	43	43
Other investments – FVTPL	-	-	13	13
Total financial assets	**24**	**405**	**59**	**489**
Financial debt	2,756	362	-	3,118
Derivatives designated as hedging instruments	-	13	-	13
Derivatives not designated as hedging instruments	-	49	12	61
Miscellaneous other financial liabilities – FVTPL	-	-	53	53
Total financial liabilities	**2,756**	**424**	**65**	**3,246**
December 31, 2021				
Marketable securities	28	-	-	28
Derivatives designated as hedging instruments	-	7	-	7
Derivatives not designated as hedging instruments	-	17	-	17
Trade receivables – factoring program	-	96	-	96
Trade receivables – customer receivables and notes receivable available for sale	-	140	-	140
Other investments – FVOCI [1]	-	-	36	36
Other investments – FVTPL [1]	-	-	7	7
Total financial assets	**28**	**260**	**43**	**331**
Financial debt	3,709	299	-	4,008
Derivatives designated as hedging instruments	-	63	-	63
Derivatives not designated as hedging instruments	-	33	-	33
Total financial liabilities	**3,709**	**395**	-	**4,104**

[1] Prior year level assignment was adjusted.

The company reviews its financial instruments at the end of each reporting period for any required transfers between levels. No transfers between levels were made during the period.

Change in assets and liabilities measured at fair value in level 3

in € millions	Other investments	Miscellaneous other financial assets	Miscellaneous other financial liabilities	Derivative financial assets	Derivative financial liabilities
					2022
Balance as at January 01	**43**	**0**	**0**	**0**	**0**
Additions	40	7	53	0	0
Gains or losses recognized in other comprehensive income	-3	0	0	0	0
Gains or losses recognized in profit or loss	3	-4	0	2	-12
• Other expenses	0	0	0	2	-12
• Financial income	4	3	0	0	0
• Financial expenses	-1	-7	0	0	0
Disposals	-1	-3	0	0	0
Reclassification to IFRS 5	-23	0	0	0	0
Foreign currency translation	-2	0	0	0	0
Balance as at December 31	**57**	**0**	**53**	**2**	**12**

Other investments included unconsolidated equity investments representing interests held by the group of less than 20%. Additions to other investments represented predominantly the acquisition of an interest of EUR 35 m in H2GS AB. Further, EUR 23 m in shares in IAV GmbH were reclassified to assets held for sale under IFRS 5 as they are expected to be sold within the next twelve months. Unconsolidated equity investments for which fair value is determined based on inputs unobservable in the market (level 3) are continually monitored and reviewed for changes in value. The fair value of part of these equity investments (with a carrying amount of EUR 9 m) was measured by applying an EBIT multiple methodology using sector- and size-specific EBIT multiples that are publicly available. The EBIT multiples used to measure fair value as at December 31, 2022, varied from 6.2 to 11.5 and resulted in a range of values for these investees of EUR 9 m to EUR 11 m that could potentially lead to an increase in accumulated other comprehensive income by up to EUR 2 m.

The addition to other financial liabilities of EUR 53 m largely represented the fair value of the contingent purchase price payment obligation for the acquisition of Schaeffler Ultra Precision Drives GmbH. The liability was measured using an option pricing model based on the multi-year forecast of the company's revenue, representing a significant input unobservable in the market. The resulting values fall in a range of EUR 40 to EUR 60 m with varying probabilities of occurrence. This could result in potential pre-tax gains of up to EUR 7 m and potential pre-tax losses of up to EUR 13 m.

The derivatives assigned to level 3 represent the fair value of power purchase agreements that are not designated as hedging instruments. The fair value of the power purchase agreements is measured using a valuation model based on the present value of the difference between the agreed fixed price and expected market prices. Since significant inputs unobservable in the market are used in the valuation – mainly electricity prices and expected quantities – the resulting fair values represent Level 3 measurements. The company performed a sensitivity analysis by modeling fluctuations in the price of electricity as at December 31, 2022. Had the price of electricity been 10% higher (lower), earnings before income taxes would have been higher (lower) by EUR 7 m. There is no impact on other comprehensive income.

Net gains and losses by category of financial instruments in accordance with IFRS 7.20 are as follows:

Net gains and losses by category of financial instruments in accordance with IFRS 7.20

					2022	2021
	Subsequent measurement				Net income (loss)	
in € millions	Interest and dividends	At fair value	Impairment loss	Foreign currency translation		
Financial assets at fair value through other comprehensive income	0	0	0	0	0	0
Financial assets and liabilities at fair value through profit or loss	0	-28	0	0	-28	-31
Financial assets at amortized cost	32	0	-2	10	40	21
Financial liabilities at amortized cost	-109	0	0	-17	-127	-83
Total	**-78**	**-28**	**-2**	**-7**	**-114**	**-93**

Interest income and expense on financial assets and liabilities accounted for at amortized cost is included in interest income on financial assets and in interest expense on financial debt, respectively (see Note 3.5).

The net loss on financial assets and liabilities at fair value through profit and loss of EUR 28 m (prior year: EUR 31 m) relates primarily to derivatives. EUR 10 m in net losses (prior year: EUR 2 m in net gains) included in this net gain are included in financial result.

Financial risk management

Its financial instruments expose the Schaeffler Group to various risks.

The Schaeffler Group's Board of Managing Directors has the overall responsibility for establishing and overseeing the group's risk management system. The finance organization is responsible for developing and monitoring this risk management system and regularly reports to the Schaeffler Group's Chief Financial Officer on its activities in this area.

Groupwide risk management policies are in place to identify and analyze the Schaeffler Group's risks, set appropriate risk limits and controls, monitor risks, and adhere to the limits. Risk management procedures and systems are reviewed on a regular basis to reflect changes in market conditions and the Schaeffler Group's activities.

The Schaeffler Group has guidelines for the use of hedging instruments, and compliance with these guidelines is reviewed on a regular basis. Internal execution risk is minimized by strict segregation of duties.

Please refer to the "Report on opportunities and risks" in the combined management report for further details on the group's financial risk management.

The Schaeffler Group distinguishes between liquidity risk, credit risk, and market risk (interest rate, currency, and other price risk).

Liquidity risk

The risk that the Schaeffler Group will not be able to meet its payment obligations as they come due is referred to as liquidity risk. The Schaeffler Group's approach to managing liquidity risk is to ensure that there is always sufficient liquidity available to meet liabilities as they come due without incurring unacceptable losses or risking damage to the Schaeffler Group's reputation.

Short- and medium-term liquidity risk is monitored and managed using a rolling liquidity budget with a forecasting period of up to twelve months. Both liquidity status and liquidity forecast are reported regularly to the Chief Financial Officer.

The Schaeffler Group uses equity, cash pooling arrangements, intercompany loans, receivable sale programs, and existing lines of credit based on the relevant legal and tax regulations to ensure it can meet the financing requirements of its operations and financial obligations. To this end, the Schaeffler Group has access to a revolving credit facility of EUR 2.0 bn (prior year: EUR 1.8 bn) currently bearing interest at Euribor plus 0.9% (prior year: 0.8%) as well as other bilateral lines of credit of EUR 118 m (prior year: EUR 138 m).

The Schaeffler Group's contractual payments of interest and principal on financial debt, trade payables, refund liabilities, miscellaneous other financial liabilities, and derivative liabilities are summarized as follows:

Cash flows related to non-derivative and derivative financial liabilities

in € millions	Carrying amount	Contractual cash flows	Up to 1 year	1–5 years	More than 5 years
December 31, 2022					
Non-derivative financial liabilities	**6,541**	**6,917**	**3,305**	**2,085**	**1,527**
• Financial debt	3,298	3,678	153	2,001	1,523
• Trade payables	2,339	2,339	2,327	11	1
• Refund liabilities	263	259	259	0	0
• Miscellaneous other financial liabilities	641	641	565	73	3
Derivative financial liabilities	**74**	**83**	**62**	**8**	**13**
Total	**6,615**	**7,000**	**3,366**	**2,093**	**1,540**
December 31, 2021					
Non-derivative financial liabilities	**6,780**	**7,233**	**3,607**	**2,080**	**1,546**
• Financial debt	3,776	4,225	636	2,044	1,545
• Trade payables	2,068	2,068	2,064	4	0
• Refund liabilities	274	274	274	0	0
• Miscellaneous other financial liabilities	662	666	633	32	1
Derivative financial liabilities	**96**	**96**	**95**	**1**	**0**
Total	**6,876**	**7,329**	**3,702**	**2,081**	**1,546**

Contractual cash flows for financial debt include expected interest as well as the settlement amount of the loans and bonds. Contractual cash flows for derivative financial liabilities consist of the undiscounted expected cash flows translated at closing rates.

Credit risk

The risk that the Schaeffler Group will incur a financial loss as a result of a customer or business partner defaulting is referred to as credit risk. Regardless of credit insurance, the maximum credit risk to the Schaeffler Group is represented by the carrying amount of the underlying financial asset.

Credit risk arising on trade receivables is managed by constantly monitoring customers' financial status, creditworthiness, and payment history. Additional measures to manage credit risk include efficient collection procedures and the use of commercial credit insurance. All relevant rules are outlined in a Schaeffler Group guideline. The company considers a receivable impaired when there are substantial objective indications. Objective evidence consists of certain events indicating that a default has occurred, such as involvement of a collection agency, collection procedures, foreclosure, and insolvency proceedings. The company determines an individual impairment percentage based on the nature of the event that has occurred and applies that rate to the relevant receivable. Receivables are not derecognized until either the insolvency proceedings are completed or the Schaeffler Group no longer expects to collect the receivable. As at December 31, 2022, the contractual amount outstanding of receivables subject to enforcement measures amounted to EUR 1 m (prior year: EUR 1 m). For expected credit losses, the Schaeffler Group uses the simplified impairment approach for trade receivables (with and without a financing component) as well as for contract assets and lease receivables; under this approach, credit loss allowances are based on credit losses expected over the entire life of the receivable, determined using rating-specific probabilities of default obtained from an external scoring provider that take into account information about future conditions. Expected credit losses are calculated by applying these term-weighted probabilities of default to receivables with medium credit risk that are not impaired. For countries without credit insurance, the company establishes homogeneous portfolios per country and uses the average country-specific probability of default to calculate expected credit losses.

The company uses the following credit risk rating classes to calculate expected credit losses:

Expected credit losses on trade receivables by risk class

			12/31/2022
in € millions	Gross carrying amount	Expected credit losses	Weighted average impairment rate
Risk class 1: high credit quality	1,353	4	0%
Risk class 2–3: medium credit quality	1,172	7	1%
Risk class 4: secured	4	0	0%
Risk class 5: negative credit quality and/or insolvent	11	10	85%
	2,540	21	1%

			12/31/2021
in € millions	Gross carrying amount	Expected credit losses	Weighted average impairment rate
Risk class 1: high credit quality	1,138	3	0%
Risk class 2–3: medium credit quality	1,144	8	1%
Risk class 4: secured	3	0	0%
Risk class 5: negative credit quality and/or insolvent	12	12	100%
	2,297	23	1%

Customers with sound credit quality are assigned to **risk class 1**. The Schaeffler Group serves these customers without any restrictions and they are not covered by credit insurance. **Risk classes 2 to 3** contain customers with medium credit quality, partly covered by credit insurance. For customers in **risk class 1 to 3**, expected credit losses are only calculated for receivables that are not insured.

Risk class 4 consists of export customers to whom the company makes deliveries against letters of credit or based on cash against documents. No credit losses are expected for this class.

Risk class 5 comprises customers that are insolvent or have negative credit quality. Deliveries to customers in this group can only be made upon provision of security or against prepayment with the approval of credit management; as a result, no expected credit losses are recognized for this group of customers. Specific impairment allowances are recognized for receivables in risk class 5 based on objective evidence. As at the reporting date, EUR 12 m (prior year: EUR 12 m) of the receivables in risk class 5 are considered impaired while no specific impairment allowances have been recognized for receivables in the other risk classes.

As at December 31, 2022, 36% (prior year: 30%) of trade receivables were covered by commercial credit insurance. For EUR 915 m (prior year: EUR 683 m) in receivables covered by credit insurance, neither specific impairment allowances nor expected credit losses are recognized. However, specific impairment allowances have been recognized on EUR 1 m (prior year: EUR 1 m) in receivables covered by credit insurance.

Trade receivables in the Automotive Technologies division are subject to a concentration of risk on several automobile manufacturers totaling 47.1% (prior year: 44.0%) of trade receivables.

The general approach is used for the remaining financial assets, mainly cash and cash equivalents. Consequently, credit loss allowances should be measured and recognized at the amount of credit losses resulting from default events expected to occur during the next twelve months, unless credit risk has increased significantly since initial recognition. If credit risk has increased significantly because the external rating has deteriorated, the credit loss allowance recognized has to be based on lifetime expected credit losses. The carrying amounts of bank deposits and other financial assets can be summarized by rating class as follows:

Credit rating of cash and cash equivalents

			12/31/2022
in € millions	Gross carrying amount	Expected credit losses	Weighted average impairment rate
BBB- to AAA	1,020	1	0%
B- to BB+	7	0	1%
C to CCC+	36	0	1%
D	0	0	-
External rating not available	0	0	-
	1,063	1	0%

			12/31/2021
in € millions	Gross carrying amount	Expected credit losses	Weighted average impairment rate
BBB- to AAA	1,769	0	0%
B- to BB+	52	0	0%
C to CCC+	1	0	0%
D	0	0	-
External rating not available	0	0	-
	1,822	0	0%

Due to investment grade ratings and the credit risk monitoring system in place, the Schaeffler Group's cash and cash equivalents carry low credit risk, which makes tracking their credit risk unnecessary. For all other financial assets, the company does not consider credit risk to be significantly increased unless financial assets are more than 30 days past due or the probability of default changes (relatively) by more than 20%. No bank deposits or other financial assets (of EUR 194 m, prior year: EUR 123 m) are impaired as at December 31, 2022. The probabilities of default used to determine expected credit losses for cash and cash equivalents are based on credit default swap spreads quoted in the market; these credit spreads take into account forward-looking macroeconomic factors. Expected credit losses for these items were insignificant as at the reporting date.

Credit risk inherent in derivative financial instruments is the risk that counterparties will fail to meet their payment obligations in full. To mitigate this risk, such contracts are only entered into with selected banks.

The Schaeffler Group's Board of Managing Directors does not have any indications that the debtors will not meet their payment obligations with respect to trade receivables that are neither past due nor impaired. Except for amounts recognized in impairment allowances, there are no indications that the counterparties to other financial assets, i.e., marketable securities, derivative financial assets, and miscellaneous other financial assets, will be unable to meet their future contractual obligation.

Interest rate risk

Variable interest features give rise to the risk of rising interest rates on financial liabilities and falling interest rates on financial assets. This risk is measured, assessed and, where necessary, hedged using derivative interest rate hedging instruments. The hedged item is the Schaeffler Group's interest-bearing net financial debt.

The Schaeffler Group's financial debt can be summarized by type of interest as follows:

Variable and fixed interest financial debt

	12/31/2022	12/31/2021
in € millions	Carrying amount	
Variable interest instruments	**250**	**248**
• Financial debt	250	248
Fixed interest instruments	**3,048**	**3,528**
• Financial debt	3,048	3,528

The sensitivity calculation assumes that all other variables, particularly exchange rates, remain constant and that contractual arrangements prevent interest rates from falling below 0%. With regard to variable interest instruments, a shift in the yield curve of 100 basis points (Bp) as at December 31, 2022, would affect (increase/decrease) net income (loss) and shareholders' equity as follows:

Sensitivity analysis: Shift in yield curve

	Net income (loss)		Shareholders' equity	
in € millions	Plus 100 Bp	Minus 100 Bp	Plus 100 Bp	Minus 100 Bp
As at December 31, 2022				
Variable interest instruments	3	-3	0	0
Total	**3**	**-3**	**0**	**0**
As at December 31, 2021				
Variable interest instruments	-1	0	0	0
Total	**-1**	**0**	**0**	**0**

The impact of variable interest instruments is solely due to an increase or decrease in the interest charge.

Currency risk

The Schaeffler Group is exposed to currency risk on sales, purchases, other financial assets, as well as financial debt that are denominated in a currency other than the functional currency of the relevant Schaeffler Group entity.

Currency risk from operations

The international nature of the Schaeffler Group's operations involves the flow of goods and cash in a wide range of currencies. This gives rise to currency risk, as the value of assets denominated in a currency with a falling exchange rate declines while liabilities denominated in a currency whose exchange rate is rising will increase.

The Schaeffler Group's significant currency risk exposures from operations by currency based on face values as at the end of each reporting period are as follows:

Currency risk from operations

in € millions	USD	CNY	RON	HUF	INR
December 31, 2022					
Estimated currency risk from operations	765	597	-426	-168	138
Forward exchange contracts	-667	-412	198	108	-114
Remaining currency risk from operations	**98**	**185**	**-228**	**-60**	**25**
December 31, 2021					
Estimated currency risk from operations	709	883	-240	-147	152
Forward exchange contracts	-653	-665	205	113	-121
Remaining currency risk from operations	**56**	**218**	**-35**	**-34**	**31**

Estimated currency risk from operations represents the currency risk from operating and investing activities within twelve months after the end of each reporting period. The remaining currency risk from operations reflects the combined exposure of all Schaeffler Group entities not subject to local restrictions on foreign exchange transactions with the Schaeffler Group's finance organization. Thus, this exposure represents the difference between hedged items, both recognized and in the form of expected future foreign currency cash flows that have not yet been recognized, on the one hand and hedging instruments that have been recognized in the statement of financial position on the other hand. Currency risk in countries with foreign exchange restrictions (see Note 4.9) is monitored by the Schaeffler Group's finance organization. The most significant currency risk exposures in these countries arise on the Chinese renminbi and the U.S. dollar and amount to an estimated EUR 92 m and EUR 82 m, respectively (prior year: EUR 82 m and EUR 114 m, respectively).

At any point in time the Schaeffler Group hedges a major portion of its estimated currency risk from operations in respect of forecasted sales and purchases over the next twelve months using mainly forward exchange contracts.

IFRS 7 requires entities to disclose the impact of hypothetical changes in exchange rates on net income (loss) and shareholders' equity using sensitivity analyses. Exchange rate changes are applied to all of the Schaeffler Group's financial instruments as at the end of the reporting date. The analysis covers foreign currency trade receivables and payables as well as derivative financial instruments used to hedge foreign currency risk.

The sensitivity analysis for currency risk from operations is based on a hypothetical 10% weakening of the euro against each of the significant foreign currencies as at December 31, 2022, assuming all other variables, particularly interest rates, remain constant.

The following table shows the effect on net income (loss) and shareholders' equity of translating balances at the closing rate and of measuring instruments at fair value:

Sensitivity analysis: changes in foreign exchange rates – operations

	12/31/2022		12/31/2021	
in € millions	Net income (loss)	Shareholders' equity	Net income (loss)	Shareholders' equity
USD	13	-66	19	-56
CNY	11	-46	17	-49
RON	-5	32	-3	22
HUF	-1	11	0	11
INR	-3	0	-5	0

Conversely, a 10% rise in the euro against the significant foreign currencies as at December 31, 2022, would have had the same but opposite effect on net income (loss) and shareholders' equity, again holding all other variables constant.

Currency risk from financing

Loans and deposits between Schaeffler Group companies denominated in a currency other than the functional currency of the entities are fully hedged on a net basis using forward exchange contracts.

The company does not currently have any significant debt denominated in foreign currency.

Derivative financial instruments and hedging relationships

Using derivative financial instruments to manage risk is one component of the Schaeffler Group's risk management system. Notional amounts and fair values of derivative financial instruments as at the reporting date were as follows:

Summary of derivative financial instruments – currency

	12/31/2022		12/31/2021	
in € millions	Notional amount	Fair value	Notional amount	Fair value
Financial assets				
Currency hedging				
Forward exchange contracts	2,470	67	1,121	23
• thereof: hedge accounting	1,281	43	432	6
Cross-currency swaps	17	0	30	1
• thereof: hedge accounting	17	0	30	1
Financial liabilities				
Currency hedging				
Forward exchange contracts	2,293	-62	2,889	96
• thereof: hedge accounting	906	-13	1,469	63

As at December 31, 2022, the Schaeffler Group held the following instruments to hedge its currency risk:

Hedging instruments

				Maturity
	2022		2021	
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year
Currency risk				
Forward exchange contracts				
Notional amount of hedging instruments (in € millions)	4,618	146	3,989	21
Average rates of forward exchange contracts				
EUR:USD	1.0694	1.0124	1.1640	-
EUR:CNY	7.2437	7.3822	7.6342	-
EUR:HUF	427.5051	-	363.1576	-
EUR:RON	5.1792	-	5.0369	-
Cross-currency swap				
Notional amount of hedging instruments (in € millions)	14	3	13	17
Average rate of currency swap				
EUR:USD	1.0630	1.0630	1.0630	1.0630

The Schaeffler Group measures the effectiveness of the hedging relationship between the hedged item and the hedging instrument using interest rates, terms to maturity, interest repricing dates, maturity dates, and notional and principal amounts. The hedging ratio between the hedged item and the hedging instrument is 100%. The company uses the hypothetical derivative method to test whether the designated derivative effectively hedges the cash flows of the hedged item. Possible sources of ineffectiveness include counterparty credit risk and changes in the timing of hedged transactions. No ineffectiveness occurred during the period.

Cash flow hedges

A portion of the Schaeffler Group's forward exchange contracts and cross-currency swaps in certain currencies are accounted for as cash flow hedges with perfect effectiveness. Both the majority of the forecasted transactions and the resulting impact on net income (loss) occur within one year of the end of the reporting period.

The portion of the hedging reserve in accumulated other comprehensive income that relates to hedges of currency risk from operations changed as follows:

Reconciliation of hedging reserve related to currency risk – operations

in € millions	2022	2021
Balance as at January 01	**-56**	**44**
Additions	30	-56
Reclassified to income statement		
• to other income	0	44
• to other expense	56	0
Balance as at December 31	**30**	**-56**

As in the prior year, the hedging reserve did not include any amounts related to hedges of currency risk from financing activities as at December 31, 2022.

Energy price risk

Being an industrial company, the Schaeffler Group is affected by price fluctuations in the energy markets. In order to mitigate this risk, the Schaeffler Group hedges electricity and gas prices via forward contracts and enters into short-, medium-, and long-term price and supply agreements such as power purchase agreements. The own-use exemption provided for by IFRS 9 was not applied to these hedging instruments in 2022. Additionally, these hedges were not designated under hedge accounting requirements.

Summary of derivative financial instruments – energy

	12/31/2022		12/31/2021	
in € millions	Notional amount	Fair value	Notional amount	Fair value
Financial assets				
Energy forward contracts	74	107	0	0
Power purchase agreements	10	2	0	0
Financial liabilities				
Energy forward contracts	5	0		
Power purchase agreements	90	-12	0	0

Other price risk

Other price risk normally includes the risk of changes in stock-market prices and stock price indices as well as changes in commodity prices to the extent purchase agreements for commodities are treated as financial instruments due to the requirements of IFRS 9, which is not the case for the Schaeffler Group. Commodity price risk is hedged using long-term supply agreements that include price adjustment clauses.

Risks related to stock-market prices and stock price indices only arise from marketable securities. In light of the size of the Schaeffler Group's holdings of such financial instruments, the price risk related to these items is considered insignificant.

Offsetting financial assets and financial liabilities

Certain Schaeffler Group companies enter into derivatives based on the German Master Agreement for Financial Forward Transactions ("Deutscher Rahmenvertrag fuer Finanztermingeschaefte" – DRV) or on the master agreement of the International Swaps and Derivatives Association (ISDA). These agreements permit each counterparty to combine all amounts relating to outstanding transactions due on the same date and in the same currency, arriving at one net amount to be paid by one of the parties to the other. In certain cases, for instance when a credit event such as default occurs, all transactions outstanding under this agreement are terminated, their fair value upon termination is determined, and only a single net amount is payable in settlement of all of these transactions.

The German Master Agreements and ISDA agreements do not meet the criteria for offsetting in the consolidated statement of financial position, as the Schaeffler Group does not currently have a legal right to settle the recognized amounts on a net basis. The right to settle net is only legally enforceable upon the occurrence of future events such as the insolvency of one of the parties to the contract. Hedging transactions entered into directly by Schaeffler Group subsidiaries do not permit net settlement, either.

The carrying amounts of the financial assets and liabilities subject to these agreements, except for the embedded options, are as follows:

Offsetting financial assets and financial liabilities

in € millions	12/31/2022	12/31/2021
Financial assets		
Gross amount of financial assets	67	24
Amounts offset in accordance with IAS 32.42	0	0
Net amount of financial assets	67	24
Amounts subject to master netting arrangements		
• Derivatives	-45	-22
Net amount of financial assets	22	2
Financial liabilities		
Gross amount of financial liabilities	-62	96
Amounts offset in accordance with IAS 32.42	0	0
Net amount of financial liabilities	-62	96
Amounts subject to master netting arrangements		
• Derivatives	45	-22
Net amount of financial liabilities	-17	74

4.17 Share-based payment

In connection with the Schaeffler AG listing in October 2015, the company implemented its first share-based payment instrument in the form of a Performance Share Unit Plan (PSUP) for members of Schaeffler AG's Board of Managing Directors. The virtual shares granted (known as Performance Share Units, PSUs) entitle the holder to a cash payment equal to the average share price of Schaeffler AG's common non-voting shares on the vesting date. The PSUs are granted in annual tranches. Each tranche has a performance period of four years beginning on January 1 of the year in which the tranche is granted. In October 2016, the Board of Managing Directors decided to extend the PSUP to selected members of the Schaeffler Group's senior management. The performance period of each tranche begins on January 1 of the relevant year. The grant date for the 2022–2025 tranche is February 25 for Managing Directors and March 21 for senior managers except for Managing Directors and senior managers becoming eligible for the PSUP during the year. The grant date for the 2021–2024 tranche is February 26 for Managing Directors and March 22 for senior managers except for Managing Directors and senior managers becoming eligible for the PSUP during the year. The grant date for the 2020–2023 tranche is generally February 4. The grant date for the previous tranches is generally January 1. The remuneration system was enhanced effective January 1, 2020, for tranches granted starting in 2020 as well as effective January 1, 2022, for tranches granted starting in 2022.

Vesting of PSUs granted up to 2019 is linked to the following three conditions:

- 50% of PSUs are granted subject to a service condition (base number). The base number is only paid out if the beneficiary remains employed with the Schaeffler Group and is not under notice of termination at the end of the performance period. [13]
- 25% of the PSUs are granted subject to a long-term performance target based on free cash flow (FCF), which involves a comparison of accumulated FCF for the performance period to the target FCF.
- 25% of the PSUs are granted subject to a relative performance target based on total shareholder return (TSR) (share price performance including dividends). To determine to what extent these PSUs have vested, TSR for Schaeffler AG's common non-voting shares is compared to the TSR of companies in the benchmark group (MDAX) over the vesting period.

Vesting of PSUs granted in 2020 and 2021 is linked to the following three conditions: Percentages of PSUs shown are based on an assumed target achievement rate of 100%:

- 50% of PSUs are granted subject to a service condition (base number). The base number is only paid out if the beneficiary remains employed with the Schaeffler Group and is not under notice of termination at the end of the performance period. [13]
- 25% of the PSUs are granted subject to a long-term EPS-related performance target based on average annual growth in earnings per share during the four-year performance period.
- 25% of the PSUs are granted subject to a relative performance target based on total shareholder return (TSR) (share price performance including dividends). Vesting is based on the extent to which the TSR for Schaeffler AG's common non-voting shares exceeds or falls short of the TSR of companies in the benchmark group over the performance period. The group used for comparison consists of a sector basket. This sector basket replicates the performance of the STOXX Europe 600 Automobiles and Parts Gross Return (SXAGR) and STOXX Europe 600 Industrial Goods and Services Gross Return (SXNGR), weighted 75% and 25%, respectively.

Vesting of PSUs granted in 2022 is linked to the following four conditions. Percentages of PSUs shown are based on an assumed target achievement rate of 100%:

- 40% of PSUs are granted subject to a service condition (base number). The base number is only paid out if the beneficiary remains employed with the Schaeffler Group and is not under notice of termination at the end of the performance period. [13]
- 25% of PSUs granted are subject to achievement of the climate neutrality target. For each performance period, the Supervisory Board sets one or more equally-weighted targets for the climate neutrality target that are derived from the "Path to Climate Neutrality". Target achievement is determined by comparing the relevant actual amount to the target amount set by the Supervisory Board.
- 17.5% of the PSUs are granted subject to a long-term EPS-related performance target based on average annual growth in earnings per share during the four-year performance period.
- 17.5% of the PSUs are granted subject to a relative performance target based on total shareholder return (TSR) (share price performance including dividends). Vesting is based on the extent to which the TSR for Schaeffler AG's common non-voting shares exceeds or falls short of the TSR of companies in the benchmark group over the performance period. The group used for comparison consists of a sector basket. This sector basket replicates the performance of the STOXX Europe 600 Automobiles and Parts Gross Return (SXAGR) and STOXX Europe 600 Industrial Goods and Services Gross Return (SXNGR), weighted 75% and 25%, respectively.

[13] Taking into account the rules applicable to leavers.

The number of PSUs actually payable at the end of the performance period depends on the target achievement rates for the relevant performance and climate neutrality targets and on whether the service condition has been met. For PSUs linked to performance targets, the target achievement rate can vary from 0% to 100% for tranches granted up to 2019 and from 0% to 200% for tranches granted starting in 2020. For PSUs linked to the climate neutrality target, the target achievement rate can vary from 0% to 200%. The amount payable per PSU is capped at double the underlying price of Schaeffler AG common non-voting shares at the grant date.

Obligations under the PSUP included in non-current provisions as at December 31, 2022, amounted to EUR 11.7 m (prior year: EUR 11.1 m). Current provisions amounted to EUR 5.0 m as at December 31, 2022 (prior year: EUR 4.4 m). Net expenses from the pro-rata addition to provisions for the PSUP for 2022 totaled EUR 5.5 m (prior year: EUR 6.7 m). 2,978,336 PSUs were granted (1,861,442 of these PSUs correspond to a target achievement rate of 100%) and 1,102,477 PSUs paid in 2022; 83,267 PSUs were forfeited. There were 9,677,475 PSUs (prior year: 7,884,883 PSUs) in total as at December 31, 2022. These PSUs granted were still outstanding as at December 31, 2022. The share price relevant to payment of the PSUs granted in 2019 and vested at the end of 2022 is EUR 5.93.

The average fair value of a PSU granted was EUR 4.32 (prior year: EUR 4.72) as at December 31, 2022. PSUs included in the base number as well as those subject to the FCF-based or EPS-based performance targets or the climate neutrality target are measured based on the price of Schaeffler AG common non-voting shares taking into account the present value of dividends, which beneficiaries are not entitled to during the vesting period, as well as the cap.

The fair value of PSUs granted up to 2019 with a TSR-based performance target is determined using a binomial model. The fair value of PSUs granted starting in 2020 with a TSR-based performance target is determined based on a Monte Carlo simulation, while the remaining PSUs continue to be valued using a binomial model. The valuation models used take into account the terms of the contract under which the PSUs were granted (including payment floors and caps, target range for the TSR-based performance target, dividends expected to be paid on Schaeffler AG common non-voting shares, as well as the volatility of Schaeffler AG common non-voting shares and either the benchmark index MDAX or the benchmark indexes SXAGR and SXNGR).

The valuation using the binomial model reflects the following input parameters:

Binomial model – input parameters

	12/31/2022	12/31/2021
Average risk-free interest rate for the remaining performance period	2.38%	-0.66%
Expected dividend yield of Schaeffler AG common non-voting shares	6.28%	6.58%
Expected volatility of Schaeffler AG common non-voting shares	41.69%	39.39%

The input parameters reflected in the valuation based on a Monte Carlo simulation are as follows:

Monte Carlo simulation – input parameters

	12/31/2022	12/31/2021
Average risk-free interest rate for the remaining performance period	2.35%	-0.64%
Share price (in EUR) of Schaeffler AG common non-voting shares as at the valuation date	6.37	7.29
Expected dividend yield of Schaeffler AG common non-voting shares	6.28%	6.58%
Expected volatility of Schaeffler AG common non-voting shares	42.66%	42.60%
Expected volatility of the SXAGR benchmark index	32.59%	31.33%
Expected correlation between the SXAGR benchmark index and Schaeffler AG common non-voting shares	0.71	0.69
Expected volatility of the SXNGR benchmark index	24.48%	23.27%
Expected correlation between the SXNGR benchmark index and Schaeffler AG common non-voting shares	0.58	0.57
Expected correlation between the SXAGR and SXNGR benchmark indexes	0.82	0.84

Expected future volatilities and the correlation between Schaeffler AG common non-voting shares and the benchmark group (either MDAX or SXAGR and SXNGR) were estimated based on the daily closing prices of Schaeffler AG common non-voting shares and the benchmark group (either MDAX or SXAGR and SXNGR) in the XETRA trading system of the German Stock Exchange.

The valuation as at the relevant grant date of the 2022 tranche reflects the following input parameters:

Valuation input parameters as at the grant date (2022 tranche)

	Grant date February 25, 2022	Grant date March 21, 2022
Risk-free interest rate for the remaining performance period	-0.22%	-0.05%
Expected dividend yield of Schaeffler AG common non-voting shares	8.04%	8.66%
Expected volatility of Schaeffler AG common non-voting shares	41.16%	41.81%
Expected volatility of the SXAGR benchmark index	29.63%	30.62%
Expected volatility of the SXNGR benchmark index	22.20%	22.68%
Expected correlation coefficient between the SXAGR benchmark index and Schaeffler AG common non-voting shares	0.69	0.70
Expected correlation coefficient between the SXNGR benchmark index and Schaeffler AG common non-voting shares	0.56	0.57
Expected correlation coefficient between the SXAGR and SXNGR benchmark indexes	0.83	0.83

The valuation as at the relevant grant date of the 2021 tranche reflects the following input parameters:

Valuation input parameters as at the grant date (2021 tranche)

	Grant date February 26, 2021	Grant date March 22, 2021	Grant date September 1, 2021
Risk-free interest rate for the remaining performance period	-0.67%	-0.77%	-0.77%
Expected dividend yield of Schaeffler AG common non-voting shares	3.53%	3.33%	6.65%
Expected volatility of Schaeffler AG common non-voting shares	40.93%	41.21%	40.94%
Expected volatility of the SXAGR benchmark index	27.84%	28.09%	28.82%
Expected volatility of the SXNGR benchmark index	21.02%	21.17%	21.45%
Expected correlation coefficient between the SXAGR benchmark index and Schaeffler AG common non-voting shares	0.67	0.67	0.68
Expected correlation coefficient between the SXNGR benchmark index and Schaeffler AG common non-voting shares	0.56	0.56	0.56
Expected correlation coefficient between the SXAGR and SXNGR benchmark indexes	0.84	0.84	0.84

4.18 Capital management

The Schaeffler Group has a strategy of pursuing profitable long-term growth. Capital is managed proactively to secure the existence of the company as a going concern for the long term and maintain financial flexibility for profitable growth in order to add long-term value to the company. A further aim is to ensure that a portion of the company's net income is paid out to shareholders in dividends.

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. Further, capital management strives to improve the quality of the Schaeffler Group's balance sheet, measured in terms of the net debt to EBITDA ratio, defined as the ratio of net financial debt to EBITDA before special items. The net debt to EBITDA ratio, defined as the ratio of net financial debt to earnings before financial result, income taxes, depreciation, amortization, and impairment losses (EBITDA) before special items, amounted to 1.1 as at December 31, 2022 (prior year: 0.9).

The Schaeffler Group has an effective cash management system in place and has diversified its external financing in terms of, for instance, instruments and maturities. The Schaeffler Group can currently utilize cash and cash equivalents, cash flow from operations, a commercial paper program, bank loans, Schuldschein loans, and debt and equity funding via the capital markets to meet its short-, medium-, and long-term financing needs. Currency risk is continually monitored and reported at the corporate level. Currency risks are aggregated across the group, measured, and hedged using hedging instruments.

In addition, the Schaeffler Group uses receivable sale programs to a limited extent to manage liquidity and improve its working capital. For this purpose, the company has access to a receivable sale program for revolving sales of trade receivables. The program has a total volume of up to EUR 200 m of which EUR 166 m (prior year: EUR 150 m) were utilized as at December 31, 2022. Additionally, the Schaeffler Group has the ability to selectively use a further receivable sale program without a fixed committed volume.

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 further improve financing terms. Credit ratings assigned by external rating agencies are key to this ability. In 2019, the Schaeffler Group obtained ratings from rating agencies Standard & Poor's, Moody's, and Fitch. The company also aims to regain investment grade ratings from all rating agencies.

Under its existing debt financing agreements, the Schaeffler Group is subject to certain constraints including a requirement to meet a leverage covenant. The inputs to the calculation of the leverage covenant are defined in the debt agreements and cannot be derived directly from amounts in the consolidated financial statements. As in the prior year, the company has complied with the leverage covenant throughout 2022 as stipulated in the debt agreements. Based on its forecast, the Schaeffler Group also expects to comply with the leverage covenant in subsequent years.

In addition to the leverage covenant contained in the debt agreements, the Schaeffler Group regularly calculates further financial indicators such as the net debt to EBITDA ratio. The net debt to EBITDA ratio – the ratio of net financial debt to earnings before financial result, income taxes, depreciation, amortization, and impairment losses (EBITDA) – is calculated as follows:

Net financial debt to EBITDA ratio

in € millions	12/31/2022	12/31/2021
Current financial debt	60	545
Non-current financial debt	3,238	3,231
Financial debt	**3,298**	**3,776**
Cash and cash equivalents	1,063	1,822
Net financial debt	**2,235**	**1,954**
Earnings before financial result, income taxes, depreciation, amortization, and impairment losses (EBITDA)	**1,963**	**2,186**
Net financial debt to EBITDA ratio	**1.1**	**0.9**

5. Other disclosures

5.1 Additional disclosures on the consolidated statement of cash flows

Summary of changes in financial debt

					Financial debt	Total
in € millions	Bonds	Schuld-schein loans	Revolving credit facility	Commercial paper	Other financial debt	
Balance as at January 01, 2022	**3,480**	**297**	**-1**	**0**	**1**	**3,776**
Cash provided by (used in) financing activities						
Receipts from bond issuances and loans				50	5	55
Redemptions of bonds and repayments of loans	-543	0	0	0	-3	-547
Total changes from cash flows	**-543**	**0**	**0**	**50**	**2**	**-491**
Changes from acquisitions and disposals of companies					9	9
Other non-cash changes	**2**	**0**	**1**	**0**	**0**	**4**
Balance as at December 31, 2022	**2,939**	**297**	**0**	**50**	**12**	**3,298**

Changes in balance sheet items shown in the consolidated statement of cash flows cannot be derived directly from the consolidated statement of financial position as they have been adjusted for the impact of foreign currency translation.

During the year, the company paid EUR 191 m to acquire subsidiaries as well as unconsolidated equity investments included in other investments. The disposal of subsidiaries resulted in a cash outflow of EUR 4 m.

EUR 30 m in other investing activities represented loans granted to joint ventures.

5.2 Contingent liabilities

As at December 31, 2022, the Schaeffler Group had contingent liabilities of EUR 62 m (prior year: EUR 64 m), including EUR 16 m (prior year: EUR 17 m) in contingent liabilities representing tax- and customs-related risks and EUR 31 m (prior year: EUR 32 m) in contingent liabilities related to legal cases. These do not include any items that individually have a material adverse impact on the Schaeffler Group's net assets, financial position, and earnings.

5.3 Segment information

In accordance with IFRS 8, segment information is reported under the management approach, reflecting the internal organizational and management structure including the internal reporting system to the Schaeffler AG Board of Managing Directors. The Schaeffler Group engages in business activities (1) from which it may earn revenues and incur expenses, (2) whose EBIT is regularly reviewed by the Schaeffler Group's Board of Managing Directors and used as a basis for future decisions on how to allocate resources to the segments and to assess their performance, and (3) for which discrete financial information is available.

The Schaeffler Group's business is managed based on the three divisions – **Automotive Technologies, Automotive Aftermarket**, and **Industrial –** which also represent the reportable segments. Until December 31, 2021, the Automotive Technologies division business was organized into the four business divisions (BDs) E-Mobility, Engine Systems, Transmission Systems, and Chassis Systems. In order to even more closely align the Schaeffler Group toward future-oriented technologies and the transition in the automotive industry, the Board of Managing Directors of Schaeffler AG approved an **amendment to enhance the organizational structure of the Automotive Technologies division**. Since January 1, 2022, the division has been managing its business based on the four **BDs E-Mobility**, **Engine & Transmission Systems**, **Bearings**, as well as **Chassis Systems**. This organizational change separates the powertrain-specific business from the powertrain-agnostic business more clearly than before. The largely powertrain-agnostic range of rolling bearing applications and products was previously part of the Transmission Systems and Chassis Systems BDs within the Automotive Technologies division. Starting January 1, 2022, it is housed in the new Bearings BD in order to access new markets in a highly competitive environment and increase the visibility of the bearing business as well as enhance it with a focus on applications and customers. Additionally, the company plans to more closely focus the E-Mobility and Chassis Systems BDs on their future core business. For instance, with the bearing business combined and consolidated in a separate business division, the Chassis Systems BD will be able to concentrate on developing mechatronic chassis systems and technologies for automated driving. Combining the Engine & Transmission Systems BDs is aimed at realizing additional synergies in the business with powertrains based on an internal combustion engine.

The Automotive Aftermarket and Industrial divisions are managed regionally, based on the **regions Europe**, **Americas**, **Greater China**, and **Asia/Pacific.**

The segments offer different products and services and are managed separately because they require different technology and marketing strategies. Each segment focuses on a specific worldwide group of customers, with the spare parts business with automobile manufacturers located in the Automotive Aftermarket segment. Consequently, the amounts for revenue, EBIT, assets, additions to intangible assets and property, plant and equipment, as well as amortization, depreciation, and impairment losses are reported based on the current allocation of customers to divisions. The allocation of customers to segments and the allocation of indirect expenses were reviewed and adjusted during the year. To ensure that the information on the Automotive Technologies division, Automotive Aftermarket division, and Industrial division segments is comparable, prior year information was also presented using the current year's customer structure. Revenue related to transactions between operating segments is not included.

The following summary describes the operations of each of the Schaeffler Group's three reportable segments:

Automotive Technologies

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

- The **E-Mobility BD** develops and manufactures mechanical, mechatronic, and electronic components and systems for powertrain electrification – from 48-volt mild hybrids and plug-in hybrids through to all-electric drives for both passenger cars and commercial vehicles. The product portfolio includes electric motors, electric axle transmissions, electric axle drives, power electronics, hybrid modules, electromechanical and hydraulic actuators, key components for fuel cells, as well as thermal management modules. The E-Mobility BD generated EUR 1,349 m in revenue during the year (prior year: EUR 1,038 m).

- 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 Engine & Transmission Systems BD generated EUR 5,152 m in revenue during the year (prior year: EUR 4,688 m).
- The **Bearings BD** combines the Automotive Technologies division's wide and diverse range of rolling bearing applications and products. This core business includes products such as wheel bearings, ball bearings, and needle roller bearings. The bearings are used for applications in motors, engines, and transmissions, in the electrified electric axle system, and in hybrid modules. Further, a broad range of the bearings portfolio is used in steering systems and accessory units. The Bearings BD generated EUR 2,624 m in revenue during the year (prior year: EUR 2,422 m).
- The **Chassis Systems BD** develops and manufactures mechanical components and mechatronic systems for steering and other chassis applications through to autonomous mobility concepts. Its product portfolio includes the "Space Drive" steer-by-wire system, active roll control systems for increased safety, and rear-wheel steering systems that make driving more comfortable. The Chassis Systems BD generated EUR 375 m in revenue during the year (prior year: EUR 288 m).

Automotive Aftermarket

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**. 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. Within each region, the product portfolio is primarily sold via two distribution channels: the Original Equipment Service (OES) and the open (independent) spare parts market, known as the Independent Aftermarket (IAM). The OES distribution channel comprises the automobile manufacturers' spare parts business as well as the supply of original spare parts to branded repair shops, i.e., those that are authorized by automobile manufacturers. IAM, on the other hand, supplies independent, non-branded repair shops with components as well as repair solutions and services. IAM differentiates between two types of business: In addition to the traditional component business consisting of replacing parts, the Automotive Aftermarket division develops and distributes custom-assembled repair sets and kits for efficient vehicle repairs. A global network of distributors, many of whom are organized in trade cooperatives, acts as the Automotive Aftermarket division's IAM sales market. Meanwhile, online sales of spare parts are increasingly evolving into a further distribution channel within this sector.

The Europe region generated EUR 1,355 m in revenue during the year (prior year: EUR 1,276 m), the Americas region generated EUR 434 m in revenue during the year (prior year: EUR 363 m), the Greater China region generated EUR 117 m during the year (prior year: EUR 101 m), and the Asia/Pacific region generated EUR 132 m in revenue during the year (prior year: EUR 109 m).

Industrial

The **Industrial division** develops and manufactures precision components, both rotary and linear bearing solutions, drive technology components and systems, as well as service solutions such as sensor-based condition monitoring systems for a large number of industrial applications. Additionally, the division is working on new products and solutions for the hydrogen economy. The management model of the Industrial division follows a regional approach with the **regions Europe, Americas, Greater China**, and **Asia/Pacific**. Within the regions, the direct business with customers is grouped into eight sector clusters: (1) Wind, (2) Raw Materials, (3) Aerospace, (4) Rail, (5) Offroad, (6) Two Wheelers, (7) Power Transmission, and (8) Industrial Automation. In addition, the business with distributors is managed by the Industrial Distribution unit. The Industrial division's product portfolio comprises a broad spectrum of components, systems, and service solutions for various industrial sectors. "Lifetime Solutions" for industrial maintenance as well as the hydrogen growth area are each concentrated in a strategic business area with global responsibility. Managing the business on a regional basis allows the division to closely target its response to local needs within the highly diversified customer base and to strengthen customer loyalty. Cross-regional issues, such as the global technology and product strategy, are coordinated and driven forward by the network linking the regions within the division as well as by a global key account management. In this manner, the division aims to ensure that the Industrial business is closely aligned along current customer and market needs, thus putting in place a key prerequisite for sustainable and profitable growth.

The Europe region generated EUR 1,764 m in revenue during the year (prior year: EUR 1,472 m), the Americas region generated EUR 734 m in revenue during the year (prior year: EUR 588 m), the Greater China region generated EUR 1,156 m during the year (prior year: EUR 983 m), and the Asia/Pacific region generated EUR 617 m in revenue during the year (prior year: EUR 525 m).

Information on the operating activities of the three reportable segments is included below. Performance is measured based on EBIT as the Board of Managing Directors believes that this information is most relevant in evaluating the results of the segments in relation to other entities that operate within these industries.

Reconciliation to earnings before income taxes

in € millions	2022	2021 [1]
EBIT Automotive Technologies	253	579
EBIT Automotive Aftermarket	251	274
EBIT Industrial	470	367
EBIT	**974**	**1,220**
Financial result	-121	-98
Earnings before income taxes	**852**	**1,122**

Prior year information presented based on 2022 segment structure.
[1] See “Change in presentation” section for further details.

In 2022, the Schaeffler Group generated revenue of EUR 1,377 m (prior year: EUR 1,253 m) from one key customer, representing 8.7% (prior year: 9.0%) of total group revenue. In the Automotive Technologies segment, this key customer accounted for 14.0% (prior year: 14.2%) of revenue.

In addition to the divisions and functions, the Schaeffler Group’s multi-dimensional organizational structure is also based on the four regions Europe, Americas, Greater China, and Asia/Pacific. The Automotive Technologies division, Automotive Aftermarket division, and Industrial division segments are managed on a global basis and operate production and distribution facilities in all four regions. Revenue and non-current assets of the four regions were as follows in 2022:

Information about geographical areas

	2022	2021	12/31/2022	12/31/2021
in € millions	Revenue [1]		Non-current assets [2]	
Europe	6,559	5,823	3,353	3,027
Americas	3,524	2,821	670	666
Greater China	3,609	3,294	1,045	1,111
Asia/Pacific	2,117	1,915	455	441
Total	**15,809**	**13,852**	**5,523**	**5,245**

[1] Revenue by market (customer locations); prior year information presented based on 2022 segment structure.
[2] Non-current assets by Schaeffler location. Non-current assets consist of intangible assets and property, plant and equipment.

China, Germany, and the U.S. had revenue of EUR 3,556 m (prior year: EUR 3,243 m), EUR 2,304 m (prior year: EUR 2,106 m), and EUR 2,216 m (prior year: EUR 1,844 m) as well as non-current assets of EUR 1,046 m (prior year: EUR 1,109 m), EUR 2,270 m (prior year: EUR 1,882 m), and EUR 352 m (prior year: EUR 360 m), respectively.

Reconciliation of EBIT to EBIT before special items

in € millions	2022 Automotive Technologies	2021 [1] Automotive Technologies	2022 Automotive Aftermarket	2021 [1] Automotive Aftermarket	2022 Industrial	2021 [1] Industrial	2022 Total	2021 [1] Total
EBIT	**253**	**579**	**251**	**274**	**470**	**367**	**974**	**1,220**
• in % of revenue	2.7	6.9	12.3	14.8	11.0	10.3	6.2	8.8
Special items	**39**	**-35**	**5**	**-18**	**28**	**55**	**72**	**1**
• Legal cases	0	-12	0	-16	0	-4	0	-32
• Restructuring	127	-23	4	-2	42	16	173	-10
• M&A	-19	0	2	0	12	7	-5	7
• Other	-70	0	-1	0	-26	35	-97	35
EBIT before special items	**292**	**544**	**255**	**256**	**499**	**421**	**1,046**	**1,222**
• in % of revenue	3.1	6.4	12.5	13.9	11.7	11.8	6.6	8.8

Prior year information presented based on 2022 segment structure.
[1] See “Change in presentation” section for further details.

5.4 Related parties

Related persons

All common shares in Schaeffler AG are indirectly held by Maria-Elisabeth Schaeffler-Thumann and Georg F. W. Schaeffler. Under the definitions of IAS 24, Maria-Elisabeth Schaeffler-Thumann and Georg F. W. Schaeffler and the close members of their family are related parties of the Schaeffler Group.

The Schaeffler Group does not have any significant direct business relations with Maria-Elisabeth Schaeffler-Thumann and Georg F. W. Schaeffler.

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Schaeffler Group, directly or indirectly. For the Schaeffler Group, the members of the Board of Managing Directors and the Supervisory Board of Schaeffler AG represent key management personnel, making them and the close members of their family related parties of Schaeffler AG.

The remuneration of the Board of Managing Directors of Schaeffler AG for 2022 in accordance with IAS 24 totaled EUR 16 m (prior year: EUR 19 m), including EUR 11 m (prior year: EUR 14 m) in short-term benefits. Expenses of EUR 2 m (prior year: EUR 2 m) were recognized for post-employment benefits. Termination benefits amounted to EUR 1 m (prior year: EUR 1 m), and share-based payments totaled EUR 3 m (prior year: EUR 3 m).

Total remuneration of the Board of Managing Directors in accordance with section 314 (1) (6a) (1-3) HGB amounted to EUR 16 m (prior year: EUR 20 m) in 2022.

The following share-based remuneration was granted to members of the Board of Managing Directors in 2022 under the Performance Share Unit Plan (PSUP) implemented in 2015 and amended in 2020: 331,947 Performance Share Units (PSU) subject to a service condition (fair value at grant date per PSU of EUR 4.28 for grant date February 25, 2022), a maximum of 290,456 PSUs subject to an EPS-based performance target (fair value at grant date per PSU of EUR 4.28 for February 25, 2022), a maximum of 290,456 PSUs subject to a TSR-based performance target tied to the sector basket (fair value at grant date per PSU of EUR 1.85 for February 25, 2022), and a maximum of 414,942 PSUs with an ESG target (fair value at grant date per PSU of EUR 4.28 for February 25, 2022). The maximum number of EPS-, TSR-, and ESG-related PSUs granted corresponds to a target achievement rate of 200%.

The following share-based remuneration was granted to members of the Board of Managing Directors in the prior year: 512,081 Performance Share Units (PSU) subject to a service condition (fair value at grant date per PSU of EUR 5.47 for grant date February 26, 2021, and EUR 5.30 for September 1, 2021), a maximum of 512,082 PSUs subject to an EPS-based performance target (fair value at grant date per PSU of EUR 5.47 for February 26, 2021, and EUR 5.30 for September 1, 2021), and a maximum of 512,082 PSUs subject to a TSR-based performance target tied to the sector basket (fair value at grant date per PSU of EUR 2.31 for February 26, 2021, and EUR 1.93 for September 1, 2021). The maximum number of EPS- and TSR-related PSUs granted corresponds to a target achievement rate of 200%.

Short-term benefits paid to members of Schaeffler AG's Supervisory Board amounted to EUR 1.8 m (prior year: EUR 1.9 m).

The company did not grant any other benefits to its key management personnel.

The remuneration system for the Board of Managing Directors and the Supervisory Board of Schaeffler AG is outlined in the remuneration report.

Former members of the Board of Managing Directors (and their surviving dependants) of Schaeffler AG and its legal predecessors received remuneration of EUR 2 m in 2022 (prior year: EUR 3 m).

Provisions for pensions and similar obligations for former members of the Board of Managing Directors (and their surviving dependants) of Schaeffler AG and its legal predecessors, before netting of related plan assets, amounted to EUR 33 m as at December 31, 2022 (prior year: EUR 31 m).

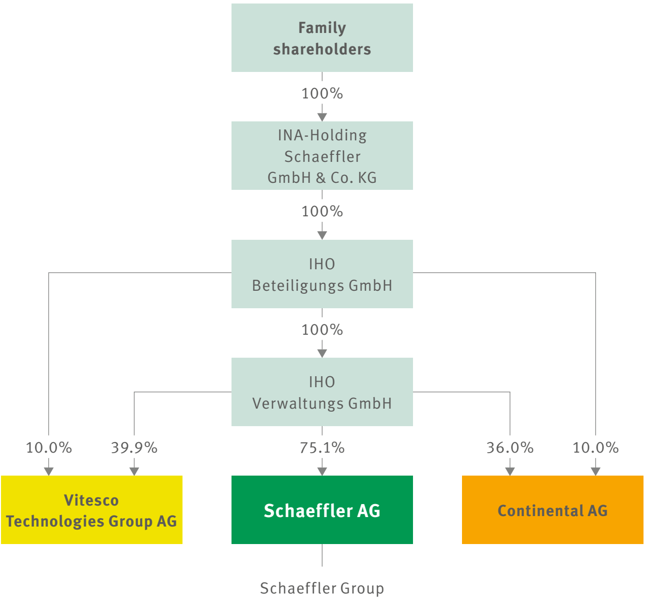
On December 29, 2022, the Schaeffler Group signed an agreement to sell its subsidiaries Schaeffler RUS OOO and Schaeffler Russland OOO to PromAvtoConsult LLC. The purchase price is EUR 10 m. Closing of the transaction is subject to approval by the Russian authorities. There is a contractual agreement that the shares in PromAvtoConsult LLC will be transferred to a company controlled by a member of the Supervisory Board of Schaeffler AG beforehand.

Related entities

Pursuant to IAS 24, the Schaeffler Group's related entities consist – along with its joint ventures and affiliated companies – of the entities controlled or jointly controlled by related persons or by Schaeffler AG's ultimate parent company, INA-Holding Schaeffler GmbH & Co. KG, or over which INA-Holding Schaeffler GmbH & Co. KG has significant influence.

As transactions with significant subsidiaries of Schaeffler AG have been eliminated upon consolidation, they need not be discussed here.

Simplified ownership structure
as at December 31, 2022



Up to October 14, 2022, the company had granted interest-bearing loans totaling EUR 111 m (prior year: EUR 81 m) to a joint venture consolidated since that date. The loans resulted in interest income of EUR 6 m in 2022 (prior year: EUR 4 m). Additionally, this business relationship resulted in income of EUR 7 m (prior year: EUR 9 m) – primarily from rendering services – as well as expenses of EUR 1 m (prior year: EUR 1 m) for purchased merchandise.

Further transactions with associated companies and joint ventures were insignificant in 2022.

In 2022 and 2021, Schaeffler Group companies had various business relationships with the group's other related entities.

The following table summarizes all income and expenses from transactions with the Schaeffler Group's other related companies that have been recognized in the Schaeffler Group's consolidated financial statements. The summary also shows receivables and payables related to such transactions included in the consolidated financial statements as at the end of each reporting period. Transactions with other related entities arose largely from business relationships with the Continental Group and the Vitesco Group.

Receivables and payables from transactions with other related entities

	12/31/2022	12/31/2021	12/31/2022	12/31/2021
in € millions	Receivables		Payables	
Other related entities	25	19	26	21

Expenses and income from transactions with other related entities

	2022	2021	2022	2021
in € millions	Expenses		Income	
Other related entities	96	97	90	96

Business relationships with Continental Group and Vitesco Group companies existed in the form of supply of vehicle components and tools, rendering of development and other services, and leases of commercial real estate. The transactions with both were entered into at arm's-length conditions.

Receivables from transactions with other related entities include EUR 25 m (prior year: EUR 19 m) in trade receivables.

5.5 Auditors' fees

Schaeffler AG incurred the following fees for services rendered by the global network of KPMG and KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG):

Auditors' fees

	2022	2021	2022	2021
in € millions	KPMG		thereof KPMG AG	
Financial statement audit services	7.5	6.9	5.4	4.6
Other attestation services	0.3	0.3	0.3	0.3
Tax advisory services	0.0	0	0.0	0
Other services	0.3	0.3	0.2	0.3
Total	**8.0**	**7.5**	**5.9**	**5.2**

Schaeffler AG's auditor is KPMG AG. The fees paid to KPMG AG related to services rendered to Schaeffler AG and its German subsidiaries.

5.6 Declaration of conformity with the German Corporate Governance Code

Schaeffler AG's Board of Managing Directors and the Supervisory Board issued the declaration of conformity with the German Corporate Governance Code pursuant to section 161 AktG in December 2022 and have made it publicly available on the Schaeffler Group's website (www.schaeffler.com/ir).

5.7 Events after the reporting period

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

Assets acquired and liabilities assumed

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

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

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

5.8 List of shareholdings required by section 313 (2) HGB

The parent company is Schaeffler AG, which is based in Herzogenaurach.

List of shareholdings

Entity	Location	Country code	Group ownership interest in %
A. Entities fully consolidated			
I. Germany (48)			
CBF Europe GmbH	Wuppertal	DE	100.00
Compact Dynamics GmbH 2)	Starnberg	DE	100.00
Industriewerk Schaeffler INA-Ingenieurdienst-, GmbH 2)	Herzogenaurach	DE	100.00
LuK Unna GmbH & Co. KG 1) 3)	Unna	DE	100.00
Schaeffler Aerospace Germany Beteiligungs GmbH	Schweinfurt	DE	100.00
Schaeffler Aerospace Germany GmbH & Co. KG 1) 3)	Schweinfurt	DE	100.00
Schaeffler AS Auslandsholding GmbH 2)	Buehl	DE	100.00
Schaeffler Automotive Aftermarket GmbH & Co. KG 1) 3)	Frankfurt/Main	DE	100.00
Schaeffler Automotive Buehl GmbH & Co. KG 1) 3)	Buehl	DE	100.00
Schaeffler Beteiligungs-gesellschaft mbH	Herzogenaurach	DE	100.00
Schaeffler Beteiligungs-verwaltungs GmbH 2)	Herzogenaurach	DE	100.00
Schaeffler Bühl Auslandsholding GmbH 2)	Buehl	DE	100.00
Schaeffler Bühl Beteiligungs GmbH 2)	Buehl	DE	100.00
Schaeffler Bühl Holding GmbH 2)	Buehl	DE	100.00
Schaeffler Bühl Verwaltungs GmbH 2)	Buehl	DE	100.00
Schaeffler ByWire Management GmbH	Herzogenaurach	DE	100.00
Schaeffler ByWire Technologie GmbH & Co. KG 3)	Herzogenaurach	DE	100.00
Schaeffler Consulting GmbH 2)	Herzogenaurach	DE	100.00
Schaeffler Digital Solutions GmbH 2)	Chemnitz	DE	100.00
Schaeffler Elmotec Statomat GmbH	Karben	DE	100.00
Schaeffler Engineering GmbH 2)	Werdohl	DE	100.00
Schaeffler Europa Logistik GmbH 2)	Herzogenaurach	DE	100.00
Schaeffler Friction Products GmbH 2)	Morbach	DE	100.00
Schaeffler IAB Beteiligungs GmbH 2)	Herzogenaurach	DE	100.00
Schaeffler IAB Verwaltungs GmbH 2)	Herzogenaurach	DE	100.00
Schaeffler IDAM Beteiligungs GmbH	Herzogenaurach	DE	100.00
Schaeffler Immobilien AG & Co. KG 1) 3)	Herzogenaurach	DE	100.00
Schaeffler Industrial Drives AG & Co. KG 1) 3)	Suhl	DE	100.00
Schaeffler Industrial Remanufacturing Services AG & Co. KG 1) 3)	Herzogenaurach	DE	100.00
Schaeffler Invest GmbH 2)	Herzogenaurach	DE	100.00
Schaeffler KWK Verwaltungs GmbH	Langen	DE	100.00
Schaeffler Monitoring Services GmbH 2)	Herzogenrath	DE	100.00
Schaeffler Raytech Verwaltungs GmbH 2)	Morbach	DE	100.00
Schaeffler Schweinfurt Beteiligungs GmbH 2)	Schweinfurt	DE	100.00
Schaeffler Technologies AG & Co. KG 1) 3)	Herzogenaurach	DE	100.00
Schaeffler Ultra Precision Drives GmbH	Hameln	DE	100.00
Schaeffler Versicherungs-Vermittlungs GmbH 2)	Herzogenaurach	DE	100.00
Schaeffler Verwaltungsholding Drei GmbH 2)	Herzogenaurach	DE	100.00
Schaeffler Verwaltungsholding Eins GmbH 2)	Herzogenaurach	DE	100.00
Schaeffler Verwaltungsholding Sechs GmbH 2)	Herzogenaurach	DE	100.00
Schaeffler Verwaltungsholding Vier GmbH	Herzogenaurach	DE	100.00
Schaeffler Verwaltungsholding Zwei GmbH 2)	Herzogenaurach	DE	100.00
softwareinmotion GmbH	Schorndorf	DE	60.00
SPV Solarpark 106. GmbH & Co. KG 3)	Graefelfing	DE	100.00
Unterstützungskasse der FAG Kugelfischer e. V.	Schweinfurt	DE	100.00
WPB Water Pump Bearing Beteiligungsgesellschaft mbH	Herzogenaurach	DE	100.00
WPB Water Pump Bearing GmbH & Co. KG 1) 3)	Herzogenaurach	DE	100.00
Xtronic GmbH	Boeblingen	DE	100.00
II. Foreign (101)			
Schaeffler Middle East FZE	Jebel Ali	AE	100.00
Schaeffler Argentina S.R.L.	Buenos Aires	AR	100.00
Schaeffler Austria GmbH	Berndorf-St. Veit	AT	100.00
Schaeffler Australia Pty Ltd.	Belrose	AU	100.00
Schaeffler Belgium SPRL	Braine L`Alleud	BE	100.00
Schaeffler Bulgaria OOD	Sofia	BG	100.00
LuK do Brasil Embreagens Ltda.	Sorocaba	BR	100.00
Schaeffler Brasil Ltda.	Sorocaba	BR	100.00
Schaeffler Aerospace Canada Inc.	Stratford	CA	100.00
Schaeffler Canada Inc.	Oakville	CA	100.00
Schaeffler Schweiz GmbH	Romanshorn	CH	100.00
Schaeffler Chile Rodamientos Ltda.	Santiago	CL	100.00
ETC Trading (Shanghai) Co., Ltd.	Shanghai	CN	100.00
RepXpert Automotive Aftermarket Services Consulting (Shanghai) LLP	Shanghai	CN	100.00
Schaeffler (China) Co., Ltd.	Taicang	CN	100.00
Schaeffler (Nanjing) Co., Ltd.	Nanjing City	CN	100.00
Schaeffler (Ningxia) Co., Ltd.	Yinchuan	CN	100.00
Schaeffler (Xiangtan) Co., Ltd.	Xiangtan	CN	100.00
Schaeffler Aerospace Bearings (Taicang) Co., Ltd.	Taicang	CN	100.00
Schaeffler Automotive Aftermarket Services Consulting (Shanghai) Co.	Shanghai	CN	100.00
Schaeffler Friction Products (Suzhou) Co., Ltd.	Suzhou	CN	100.00
Schaeffler Holding (China) Co., Ltd.	Shanghai	CN	100.00
Schaeffler Intelligent Driving Technology (Changsha) Co., Ltd.	Changsha	CN	100.00
Schaeffler Trading (Shanghai) Co., Ltd.	Shanghai	CN	100.00
Schaeffler Colombia Ltda.	Bogotá	CO	100.00
Schaeffler CZ s.r.o.	Prague	CZ	100.00
Schaeffler Production CZ s.r.o.	Lanškroun	CZ	100.00
Schaeffler Danmark ApS	Aarhus	DK	100.00
Schaeffler Iberia, S.L.U.	Elgoibar	ES	100.00
Schaeffler Finland Oy	Espoo	FI	100.00
Schaeffler France SAS	Haguenau	FR	100.00
Schaeffler (UK) Limited	Sheffield	GB	100.00

Other disclosures

List of shareholdings required by section 313 (2) HGB

Entity	Location	Country code	Group ownership interest in %
Schaeffler Automotive Aftermarket (UK), Limited	Hereford	GB	100.00
Schaeffler Greece Automotive and Industrial Products and Services M.E.P.E.	Athens	GR	100.00
Schaeffler Hong Kong Company Limited	Hong Kong	HK	100.00
Schaeffler Hrvatska d.o.o.	Zagreb	HR	100.00
FAG Magyarorszag Ipari Kft.	Debrecen	HU	100.00
Schaeffler Magyarorszag Ipari Kft.	Budapest	HU	100.00
Schaeffler Savaria Kft.	Szombathely	HU	100.00
Schaeffler Bearings Indonesia, PT	Jakarta	ID	100.00
Schaeffler Israel Ltd.	Yokneam Illit	IL	100.00
Schaeffler India Ltd.	Pune	IN	74.13
Schaeffler Technology Solutions India Pvt. Ltd.	Pune	IN	100.00
INA Invest S.r.l.	Momo	IT	100.00
Schaeffler Automotive Aftermarket Italy S.r.l.	Milan	IT	100.00
Schaeffler Italia S.r.l.	Momo	IT	100.00
Schaeffler Railway Products G.e.i.e.	Milan	IT	75.00
Schaeffler Water Pump Bearing Italia S.r.l.	Momo	IT	100.00
Schaeffler Japan Co., Ltd.	Yokohama	JP	100.00
Schaeffler Ansan Corporation	Ansan-shi	KR	100.00
Schaeffler Korea Corporation	Changwon-si	KR	100.00
Schaeffler Kazakhstan GmbH	Almaty	KZ	100.00
CERASPIN S.à.r.l.	Roeser	LU	100.00
SIA "Schaeffler Baltic"	Riga	LV	100.00
Rodamientos FAG S.A. de C.V.	Puebla	MX	100.00
Schaeffler Automotive Aftermarket Mexico, S. de R.L. de C.V.	Mexico City	MX	100.00
Schaeffler Mexico Holding, S. de R.L. de C.V.	Puebla	MX	100.00
Schaeffler Mexico Servicios, S. de R.L. de C.V.	Guanajuato	MX	100.00
Schaeffler Mexico, S. de R.L. de C.V.	Guanajuato	MX	100.00
Schaeffler Transmisión, S. de R.L. de C.V.	Puebla	MX	100.00
Schaeffler Bearings (Malaysia) Sdn. Bhd.	Kuala Lumpur	MY	100.00
BEGA International B.V.	Epe	NL	100.00
Hydron Energy B.V.	Barneveld	NL	100.00
Radine B.V.	Barneveld	NL	100.00
Schaeffler Nederland B.V.	Barneveld	NL	100.00
Schaeffler Norge AS	Sandnes	NO	100.00
Schaeffler Peru S.A.C.	Lima	PE	100.00
Schaeffler Philippines Inc.	Makati City	PH	100.00
Schaeffler Global Services Europe Sp. z o.o.	Wroclaw	PL	100.00
Schaeffler Polska Sp. z o.o.	Warsaw	PL	100.00
Schaeffler Portugal, Unipessoal, Lda.	Caldas da Rainha	PT	100.00
Schaeffler Romania S.R.L.	Brasov	RO	100.00
Schaeffler SR d.o.o.	Belgrade	RS	100.00
Schaeffler RUS OOO	Ulyanovsk	RU	100.00
Schaeffler Russland OOO	Moscow	RU	100.00
Goldcup 32400 AB	Sundsvall	SE	100.00
Schaeffler Invest AB	Stockholm	SE	100.00
Schaeffler Sverige AB	Arlandastad	SE	100.00
Schaeffler (Singapore) Pte. Ltd.	Singapore	SG	100.00
Schaeffler Aerospace (Singapore) Pte. Ltd.	Singapore	SG	100.00
Schaeffler Slovenija d.o.o.	Maribor	SI	100.00
Schaeffler Kysuce, spol. s r.o.	Kysucke Nove Mesto	SK	100.00
Schaeffler Skalica, spol. s r.o.	Skalica	SK	100.00
Schaeffler Slovensko, spol. s.r.o.	Kysucke Nove Mesto	SK	100.00
Schaeffler Holding (Thailand) Co., Ltd.	Bangkok	TH	100.00
Schaeffler Manufacturing (Thailand) Co., Ltd.	Rayong	TH	100.00
Schaeffler Turkey Endüstri ve Otomotiv Ticaret Limited Sirketi	Istanbul	TR	100.00
Schaeffler Taiwan Co., Ltd.	Taipei	TW	100.00
Schaeffler Ukraine GmbH	Kiev	UA	100.00
FAG Bearings LLC	Danbury	US	100.00
LuK Clutch Systems, LLC	Wooster	US	100.00
LuK-Aftermarket Services, LLC	Valley City	US	100.00
Schaeffler Aerospace USA Corporation	Danbury	US	100.00
Schaeffler Group USA, Inc.	Fort Mill	US	100.00
Schaeffler Holding LLC	Danbury	US	100.00
Schaeffler Invest USA LLC	Wilmington	US	100.00
Schaeffler Transmission Systems, LLC	Wooster	US	100.00
Schaeffler Transmission, LLC	Wooster	US	100.00
Schaeffler Vietnam Co., Ltd.	Bien Hoa City	VN	100.00
INA Bearings (Pty) Ltd.	Port Elizabeth	ZA	100.00
Schaeffler South Africa (Pty.) Ltd.	Johannesburg	ZA	100.00
B. Joint ventures			
Germany (2)			
Contitech-INA Beteiligungsgesellschaft mbH	Hanover	DE	50.00
Contitech-INA GmbH & Co. KG [3]	Hanover	DE	50.00
Foreign (2)			
Schaeffler-CARS Railway Technology Co. Ltd.	Tianjing City	CN	50.00
Innoplate SAS	Haguenau	FR	50.00
C. Associated companies			
Foreign (3)			
Eurings Zrt.	Debrecen	HU	37.00
Statec S.r.l.	Turin	IT	35.00
Colinx, LLC	Greenville	US	20.00
D. Unconsolidated entities and equity investments			
Germany (4)			
SupplyOn AG	Hallbergmoos	DE	16.67
GKS-Gemeinschaftskraftwerk Schweinfurt GmbH	Schweinfurt	DE	10.31
IAV GmbH Ingenieurgesellschaft Auto und Verkehr	Berlin	DE	10.00
Earlybird UNI-X Seed Fund I GmbH & Co. KG	Munich	DE	21.41
Foreign (3)			
Statomat Special Machines (India) Pvt. Ltd.	Mumbai	IN	79.89
Leadrive Technology (Shanghai) Co., Ltd.	Shanghai	CN	3.36
H2GS AB	Stockholm	SE	3.91

[1] Exemption under section 264b HGB.
[2] Exemption under section 264 (3) HGB.
[3] Schaeffler AG or another consolidated entity is the general partner.

5.9 Members of the Supervisory Board and of the Board of Managing Directors

Members of the Supervisory Board

Georg F. W. Schaeffler (Chairman),
Maria-Elisabeth Schaeffler-Thumann (Deputy Chairperson),
Jürgen Wechsler* (Deputy Chairperson),
Sabine Bendiek, Prof. Dr. Hans-Jörg Bullinger,
Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk,
Andrea Grimm*, Ulrike Hasbargen, Thomas Höhn*,
Susanne Lau*, Dr. Alexander Putz* (since October 1, 2022),
Barbara Resch*, Jürgen Schenk*, Helga Schönhoff*,
Robin Stalker, Salvatore Vicari*,
Prof. TU Graz e.h. KR Ing. Siegfried Wolf,
Prof. Dr.-Ing. Tong Zhang, Markus Zirkel*

The following member left the Supervisory Board in 2022
Jutta Rost* (until September 30, 2022)

Supervisory Board committees

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

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

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

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

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

Members of the Board of Managing Directors

Klaus Rosenfeld (Chief Executive Officer),
Claus Bauer (Chief Financial Officer),
Andreas Schick (Chief Operating Officer),
Corinna Schittenhelm (Chief Human Resources Officer),
Jens Schüler (CEO Automotive Aftermarket),
Dr. Stefan Spindler (CEO Industrial),
Uwe Wagner (Chief Technology Officer),
Matthias Zink (CEO Automotive Technologies)

* Employee representative on the Supervisory Board.

5.10 Preparation of consolidated financial statements

The Board of Managing Directors of Schaeffler AG prepared the consolidated financial statements on February 27, 2023, and released them for submission to the Supervisory Board of Schaeffler AG. The Supervisory Board of Schaeffler AG is responsible for examining and approving the consolidated financial statements.

Herzogenaurach, February 27, 2023

Schaeffler Aktiengesellschaft
The Board of Managing Directors

Klaus Rosenfeld
Chief Executive Officer

Jens Schüler

Claus Bauer

Dr. Stefan Spindler

Andreas Schick

Uwe Wagner

Corinna Schittenhelm

Matthias Zink

Independent Auditors' Report

To Schaeffler AG, Herzogenaurach

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of Schaeffler AG, Herzogenaurach, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the financial year from January 1 to December 31, 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the report on the situation of the company and of the Group ("group management report" below) of Schaeffler AG for the financial year from January 1 to December 31, 2022.

In accordance with German legal requirements, we have not audited the content of the parts of the group management report which are listed in the "Other Information" section of our report.

The group 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 these references refer to.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e (1) of the German Commercial Code ("Handelsgesetzbuch" – HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2022, and of its financial performance for the financial year from January 1 to December 31, 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the parts of the group management report which are listed in the "Other Information" section. The group management report includes references not provided for by the law that have been marked as unaudited. Our opinion covers neither these references nor the information referred to by these references.

Pursuant to section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group 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 Consolidated Financial Statements and of the Group Management Report" section of our auditors' report. We are independent of the group entities 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 consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Measurement of Warranty Provisions

For the accounting policies used, please refer to Note 1.3 to the consolidated financial statements. Note 4.14 to the consolidated financial statements contains information about the amount of the Group's warranty provisions.

The Risk for the Financial Statements The Schaeffler Group reports EUR 50.7 m in warranty provisions in its consolidated statement of financial position as at December 31, 2022. The calculation of provisions for warranty and goodwill obligations is associated with unavoidable estimation uncertainties, is complex, and is subject to a high risk of change. Measurement depends, among other things, on the actual amount of damage and other factors within the framework of settlement procedures.

There is a risk to the financial statements that the measurement of provisions for warranty and goodwill obligations may not be appropriate.

Our Audit Approach We have inspected the underlying written correspondence and detailed documentation on the events and claims for damages relating to individual material cases. Subsequently, we had the Board of Managing Directors, the Quality Department, and the Finance Department independently of each other explain to us the assumptions underlying measurement of the warranty provisions. In this context, we obtained an understanding of the extent of the deliveries affected as well as the estimated cost of replacements and exchanges for the individual warranty cases inspected. In addition, we assessed the quality of the company's projections in prior years by considering the quality of estimates made as at earlier reporting dates.

Our Observations The assumptions and estimates made with regard to warranty and goodwill obligations are appropriate.

Recoverability of goodwill, other intangible assets, and property, plant and equipment

For the accounting policies and assumptions used, please refer to Note 1.3 to the consolidated financial statements. Note 4.1 to the consolidated financial statements contains information about the amount of the Group's goodwill.

The Risk for the Financial Statements The Schaeffler Group reports EUR 540 m in goodwill, EUR 377 m in other intangible assets, and EUR 4,607 m in property, plant and equipment in its consolidated statement of financial position as at December 31, 2022. Adding up to approximately 38.7% of total assets, these assets represent a significant proportion of the Group's net assets.

Goodwill is tested for impairment annually regardless of whether there is an indication of impairment. The impairment test is performed as at December 31, 2022. If indications of impairment arise during the year, an additional impairment test is performed during the year in response to such triggering event.

Impairment testing goodwill, other intangible assets, and property, plant and equipment is complex and is based on discretionary assumptions. These include the segments' expected business growth and earnings trend for the next five years and – for the Automotive Technologies segment – for the subsequent transition period, the assumed long-term growth rates, and the discount rate used. Due to the technological transition in the automotive industry, the underlying future cash inflows remain subject to an increased level of estimation uncertainty.

Due to a significant decline in the market capitalization of Schaeffler AG as well as an increase in consolidated shareholders' equity as at June 30, 2022, goodwill, other intangible assets, and property, plant and equipment of all cash-generating units were tested for impairment in response to this triggering event. These impairment tests did not result in recognition of an impairment loss by Schaeffler AG, and neither did a further evaluation performed as at December 31, 2022.

There is a risk to the consolidated financial statements that an impairment existing at the reporting date may not have been identified. There is also a risk that the related note disclosures may not be appropriate.

Our Audit Approach With the support of our valuation specialists, we assessed, among other things, the appropriateness of the significant assumptions used in the underlying company plans and budgets and the company's valuation model for both the triggering-event-based and the annual impairment tests. This included a discussion of the expected business and earnings growth as well as of the assumed long-term growth rates with those responsible for the planning process. We had the company substantiate to us the need to include a transition period subsequent to the detailed forecasting phase until a steady state has been reached. We also performed reconciliations to the budgets and long-range plans prepared by management and approved by the Supervisory Board. Further, we evaluated the consistency of assumptions with external market assessments.

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 compared the assumptions and data underlying the discount rate – particularly the risk-free interest rate, the market risk premium, and the beta factor – with our own assumptions and publicly available data.

To assess whether the valuation methods were appropriately applied, methodically and mathematically, we tested the valuation performed by the company using our own calculations, and analyzed any deviations. To address the level of uncertainty inherent in the projections, we specifically analyzed the consequences of possible changes in the discount rate and the sustainable EBIT margin on the recoverable amount by calculating alternative scenarios and comparing them to the company's figures (sensitivity analysis).

We then obtained an understanding of the reconciliation of Schaeffler AG's market capitalization to the sum of the recoverable amounts of the cash-generating units prepared by management and critically analyzed the company's reasoning for the sum of the recoverable amounts exceeding the company's market capitalization.

Finally, we assessed whether the note disclosures on the recoverability of goodwill are appropriate. This also included an assessment of the note disclosures pursuant to IAS 36.134(f) regarding sensitivities in the event of a reasonably possible change of key assumptions underlying the valuation.

Our Observations The calculation methods used in both the triggering-event-based and the annual impairment tests to test goodwill, other intangible assets, and property, plant and equipment for impairment are appropriate and consistent with the applicable valuation principles.

The company's assumptions and inputs underlying the valuation are appropriate.

The related note disclosures 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 group management report:

- the combined non-financial report of the company and the Group referred to in the group management report,
- the combined corporate governance declaration of the company and the Group referred to in the group management report,
- the disclosures extraneous to management reports which have been included in the group 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 consolidated financial statements, the information within the group management report whose content has been audited, or our auditors' report.

Our opinions on the consolidated financial statements and on the group 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 consolidated financial statements, the information within the group management report whose content has been audited, or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal controls as they have determined necessary to enable the preparation of consolidated 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 consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, any matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated 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 group 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 group management report.

The Supervisory Board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and on the group 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 consolidated financial statements and this group 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 consolidated financial statements and of the group 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 consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group 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.
- 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 Group’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 consolidated financial statements and in the group 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 Group to cease to be able to continue as a going concern.
- evaluate the presentation, structure and content of the consolidated financial statements as a whole, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our opinions.
- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with law, and the view of the Group’s position it provides.
- perform audit procedures on the prospective information presented by management in the group 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 consolidated 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 Consolidated Financial Statements and of the Group 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 consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file provided named "Schaeffler_KA22.zip" (SHA256-Hashwert: a4dc56b9c1e748e09813b60537 5b800acf2fa2716a016bd31199045f8b33b26c) 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 consolidated financial statements and the group 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 consolidated financial statements and the group 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 consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2022, contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above.

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file provided in accordance with section 317 (3a) HGB and the IDW Assurance Standard "Assurance in Accordance with Section 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes" (IDW AsS 410 (06.2022)). Our responsibilities under these requirements are described in further detail below. Our audit firm has applied the requirements for quality management systems set out in IDW Standard on Quality Management 1 "Requirements for Quality Management in Audit Firms" (IDW QS 1).

The company's management is responsible for preparing the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with section 328 (1) sentence 4 no. 1 HGB and for tagging the consolidated financial statements in accordance with section 328 (1) sentence 4 no. 2 HGB.

In addition, the company's management is responsible for such internal controls as they consider necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of section 328 (1) HGB regarding the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance. 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 consolidated financial statements and the audited group management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Art. 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in effect as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected group auditors by the annual general meeting on April 21, 2022. We were engaged by the Supervisory Board on October 14, 2022. We have been the group auditors of Schaeffler AG without interruption since the financial year 2015.

We declare that the opinions expressed in this auditors' report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the company and its subsidiaries the following services that are not disclosed in the consolidated financial statements or in the group management report:

In addition to the consolidated financial statements, we audited the annual financial statements of Schaeffler AG and conducted various audits of the annual financial statements of subsidiaries and joint ventures. As part of our audit, we audited parts of the system of internal control over financial reporting. Furthermore, we audited selected processes in connection with an IT migration as part of our audit of the consolidated financial statements. We audited the report on relations with affiliated companies prepared by the Board of Managing Directors of Schaeffler AG in accordance with section 312 AktG. In addition, we performed reviews of the interim financial reports as at March 31, 2022, and as at June 30, 2022, audited the combined separate group non-financial report of Schaeffler AG as well as performed various statutory and contractual audits, such as audits in accordance with the German Renewable Energy Act ("Erneuerbare-Energien-Gesetz" – EEG) and EMIR audits in accordance with section 32 (1) of the German Securities Trading Act ("Wertpapierhandelsgesetz" – WpHG). Furthermore, we audited the remuneration report in accordance with IDW AuS 490 with reasonable assurance, performed TISAX audits, and conducted projects related to the regulatory environment as well as in relation to the reporting process for performance indicators regarding sustainability.

Other Matter – Use of the Auditors' Report

Our auditors' report should always be read in conjunction with the audited consolidated financial statements and the audited group management report as well as the audited ESEF documents. The consolidated financial statements and the group management report converted into ESEF format – including the versions to be filed with the company register – are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace these. In particular, the ESEF assurance report and our assurance conclusion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Prof. Dr. Bernd Grottel.

Nuremberg, March 1, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Prof. Dr. Grottel	Schieler
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility statement by the company's legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements provide a true and fair view of the assets, liabilities, financial position, and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Herzogenaurach, February 27, 2023

Schaeffler Aktiengesellschaft
The Board of Managing Directors

Klaus Rosenfeld Chief Executive Officer	Andreas Schick	Jens Schüler	Uwe Wagner
Claus Bauer	Corinna Schittenhelm	Dr. Stefan Spindler	Matthias Zink

Multi-year comparison

in € millions	2018	2019	2020	2021	2022
Income statement					
Revenue	14,241	14,427	12,589	13,852	15,809
EBIT	1,354	790	-149	1,220	974
• in % of revenue	9.5	5.5	-1.2	8.8	6.2
EBIT before special items [1]	1,381	1,161	798	1,222	1,046
• in % of revenue	9.7	8.1	6.3	8.8	6.6
Net income (loss) [2]	881	428	-428	756	557
Earnings per common non-voting share (basic/diluted, in €)	1.33	0.65	-0.64	1.14	0.84
Statement of financial position					
Total assets	12,362	12,870	13,509	14,364	14,284
Additions to intangible assets and property, plant and equipment	1,275	933	639	670	814
Amortization, depreciation, and impairment losses excluding depreciation of right-of-use assets under leases and impairments of goodwill	821	922	952	907	924
Reinvestment rate	1.55	1.01	0.67	0.74	0.88
Shareholders' equity [3]	3,060	2,917	2,022	3,165	4,141
• in % of total assets	24.8	22.7	15.0	22.0	29.0
Net financial debt	2,547	2,526	2,312	1,954	2,235
• Net financial debt to EBITDA ratio before special items [1]	1.2	1.2	1.3	0.9	1.1
• Gearing ratio (Net financial debt to shareholders' equity [3], in %)	83.2	86.6	114.4	61.7	54.0
Statement of cash flows					
EBITDA	2,175	1,769	1,111	2,186	1,963
Cash flows from operating activities	1,606	1,578	1,254	1,276	1,139
Capital expenditures (capex) [4]	1,232	1,045	632	671	791
• in % of revenue (capex ratio)	8.7	7.2	5.0	4.8	5.0
Free cash flow (FCF) before cash in- and outflows for M&A activities	384	473	539	523	280
• FCF-conversion (ratio of FCF before cash in- and outflows for M&A activities to EBIT) [5]	0.3	0.6	-	0.4	0.3
Value-based management					
ROCE	16.4	9.0	-1.9	14.9	11.1
ROCE before special items (in %) [1]	16.7	13.2	10.0	14.9	11.9
Schaeffler Value Added	529	-88	-944	403	97
Schaeffler Value Added before special items (in € millions) [1]	557	284	2	404	170
Employees					
Headcount (at end of reporting period)	92,478	87,748	83,297	82,981	82,773

1) Please refer to pp. 32 et seq. for the definition of special items.
2) Attributable to shareholders of the parent company.
3) Including non-controlling interests.
4) Capital expenditures on intangible assets and property, plant and equipment.
5) Only reported if free cash flow before cash in- and outflows for M&A activities and EBIT positive.

Summary 1st quarter 2021 to 4th quarter 2022

Schaeffler Group

	2021				2022			
in € millions	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Income statement								
Revenue	3,560	3,454	3,332	3,506	3,758	3,790	4,242	4,019
• Europe	1,518	1,501	1,374	1,430	1,584	1,620	1,679	1,676
• Americas	754	669	705	692	833	868	937	886
• Greater China	800	812	778	904	842	778	1,072	917
• Asia/Pacific	488	472	475	479	499	524	555	539
Cost of sales	-2,603	-2,611	-2,538	-2,659	-2,887	-2,958	-3,258	-3,126
Gross profit	957	843	793	846	871	832	984	893
• in % of revenue	26.9	24.4	23.8	24.1	23.2	22.0	23.2	22.2
Research and development expenses	-192	-183	-181	-191	-203	-188	-182	-196
Selling and administrative expenses	-383	-371	-374	-390	-402	-434	-447	-452
EBIT	382	341	266	231	247	186	316	224
• in % of revenue	10.7	9.9	8.0	6.6	6.6	4.9	7.5	5.6
Special items	15	-37	-6	29	11	14	39	9
EBIT before special items [1]	397	305	260	260	258	200	355	233
• in % of revenue	11.2	8.8	7.8	7.4	6.9	5.3	8.4	5.8
Net income [2]	235	227	149	145	136	113	169	140
Earnings per common non-voting share (basic/diluted, in €)	0.35	0.35	0.22	0.22	0.21	0.17	0.25	0.21
Statement of financial position								
Total assets	13,872	13,959	14,373	14,364	14,354	14,105	14,742	14,284
Additions to intangible assets and property, plant and equipment	110	131	198	232	128	175	219	292
Amortization, depreciation, and impairment losses excluding depreciation of right-of-use assets under leases and impairments of goodwill	223	228	226	229	231	227	227	239
• Reinvestment rate	0.49	0.57	0.87	1.01	0.56	0.77	0.96	1.22
Shareholders' equity [3]	2,549	2,640	2,848	3,165	3,659	3,900	4,264	4,141
• in % of total assets	18.4	18.9	19.8	22.0	25.5	27.7	28.9	29.0

	2021				2022			
in € millions	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Net financial debt	2,176	2,228	2,014	1,954	1,992	2,552	2,331	2,235
• Net financial debt to EBITDA ratio before special items [1) 4)]	1.1	0.9	0.9	0.9	1.0	1.3	1.1	1.1
• Gearing ratio (Net financial debt to shareholders' equity, in %)	85.3	84.4	70.7	61.7	54.4	65.4	54.7	54.0
Statement of cash flows								
EBITDA	619	584	507	476	493	429	560	482
Cash flows from operating activities	281	266	458	270	199	-30	477	492
Capital expenditures (capex) [4]	132	136	215	188	156	175	219	240
• in % of revenue (capex ratio)	3.7	3.9	6.4	5.4	4.2	4.6	5.2	6.0
Free cash flow (FCF) before cash in- and outflows for M&A activities	130	113	225	55	14	-219	240	244
• FCF-conversion (ratio of FCF before cash in- and outflows for M&A activities to EBIT) [5]	0.3	0.3	0.8	0.2	0.1	-	0.8	1.1
Value-based management (LTM)								
ROCE	3.6	9.6	15.3	14.9	13.1	11.1	11.4	11.1
ROCE before special items (in %) [1]	11.5	17.4	16.8	14.9	13.1	11.6	12.4	11.9
Schaeffler Value Added (in € millions)	-533	-31	436	403	259	89	119	97
Schaeffler Value Added before special items (in € millions) [1]	126	606	557	404	256	136	210	170
Employees								
Headcount (at end of reporting period)	83,937	83,945	83,935	82,981	83,089	82,790	82,702	82,773

1) Please refer to pp. 32 et seq. for the definition of special items.
2) Attributable to shareholders of the parent company.
3) Including non-controlling interests.
4) Capital expenditures on intangible assets and property, plant and equipment.
5) Only reported if FCF before cash in- and outflows for M&A activities and EBIT positive.
LTM = Based on the last twelve months.

in € millions	2021 1st quarter	2021 2nd quarter	2021 3rd quarter	2021 4th quarter	2022 1st quarter	2022 2nd quarter	2022 3rd quarter	2022 4th quarter
Automotive Technologies division								
Revenue	2,281	2,084	1,921	2,150	2,293	2,222	2,555	2,430
• E-Mobility BD	247	259	226	306	307	294	391	357
• Engine & Transmission Systems BD	1,283	1,143	1,073	1,189	1,257	1,211	1,381	1,302
• Bearings BD	676	615	554	577	643	631	681	670
• Chassis Systems BD	76	66	67	78	86	86	102	101
• Europe	864	812	661	738	849	836	883	873
• Americas	532	438	452	449	567	578	625	586
• Greater China	541	513	501	655	557	477	687	615
• Asia/Pacific	345	321	307	308	320	331	360	356
Cost of sales	-1,721	-1,651	-1,545	-1,712	-1,859	-1,865	-2,091	-2,002
Gross profit	560	433	376	437	434	356	464	428
• in % of revenue	24.5	20.8	19.6	20.3	18.9	16.0	18.2	17.6
Research and development expenses	-154	-147	-147	-154	-162	-147	-141	-154
Selling and administrative expenses	-173	-172	-157	-170	-183	-190	-186	-189
EBIT	232	141	96	110	77	1	108	66
• in % of revenue	10.2	6.7	5.0	5.1	3.4	0.0	4.2	2.7
Special items	8	-21	-20	-3	3	10	14	12
EBIT before special items [1]	240	119	77	107	80	11	122	79
• in % of revenue	10.5	5.7	4.0	5.0	3.5	0.5	4.8	3.2

in € millions	2021 1st quarter	2021 2nd quarter	2021 3rd quarter	2021 4th quarter	2022 1st quarter	2022 2nd quarter	2022 3rd quarter	2022 4th quarter
Automotive Aftermarket division								
Revenue	444	467	500	437	463	506	547	522
• Europe	312	332	341	291	306	337	358	355
• Americas	83	86	102	92	99	110	118	107
• Greater China	25	26	27	24	30	26	37	24
• Asia/Pacific	24	24	30	31	29	33	34	35
Cost of sales	-300	-321	-346	-296	-319	-352	-373	-352
Gross profit	143	147	154	141	144	154	174	170
• in % of revenue	32.3	31.4	30.8	32.2	31.2	30.4	31.7	32.5
Research and development expenses	-4	-4	-4	-4	-5	-4	-4	-5
Selling and administrative expenses	-82	-68	-82	-88	-76	-92	-98	-108
EBIT	57	89	80	48	62	63	72	54
• in % of revenue	12.9	19.0	16.1	10.9	13.4	12.5	13.1	10.4
Special items	1	-11	-9	1	1	0	0	3
EBIT before special items [1]	58	78	72	49	63	63	72	58
• in % of revenue	13.1	16.6	14.3	11.2	13.6	12.5	13.1	11.0
Industrial division								
Revenue	836	902	911	919	1,002	1,063	1,140	1,066
• Europe	342	357	372	401	429	448	438	449
• Americas	140	146	151	151	168	179	194	193
• Greater China	235	272	250	226	255	275	348	277
• Asia/Pacific	119	127	138	140	150	160	160	147
Cost of sales	-582	-640	-648	-650	-710	-740	-795	-771
Gross profit	254	262	263	268	292	322	346	295
• in % of revenue	30.4	29.1	28.9	29.2	29.2	30.3	30.3	27.7
Research and development expenses	-34	-32	-31	-33	-36	-37	-37	-37
Selling and administrative expenses	-127	-131	-135	-133	-142	-151	-163	-156
EBIT	92	112	89	74	108	123	136	103
• in % of revenue	11.0	12.4	9.8	8.0	10.8	11.6	12.0	9.7
Special items	6	-4	23	30	7	3	24	-6
EBIT before special items [1]	98	108	112	104	115	126	161	97
• in % of revenue	11.8	11.9	12.3	11.3	11.4	11.9	14.1	9.1

Prior year information presented based on 2022 segment structure.
[1] Please refer to pp. 32 et seq. for the definition of special items.

Financial calendar

March 7, 2023

Publication of annual results 2022

April 20, 2023

Annual general meeting 2023

May 9, 2023

Publication of results for the first three months 2023

August 2, 2023

Publication of results for the first six months 2023

November 8, 2023

Publication of results for the first nine months 2023

All information is subject to correction and may be changed at short notice.

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You can find up-to-date news about Schaeffler on our website at www.schaeffler.com/ir. You can also download all documents from this site.

Schaeffler in Social Media

Forward-looking statements
This document contains forward-looking statements that reflect management's current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond Schaeffler AG's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies, and the actions of government regulators. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. Schaeffler AG does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of this report.

Variances for technical reasons
For technical reasons (e.g., conversion of electronic formats) there may be variances between the accounting documents contained in this annual report and those submitted to the Federal Gazette (Bundesanzeiger). In this case, the version submitted to the Federal Gazette shall be binding.

The reporting period comprises the financial year 2022, which runs from January 1 to December 31, 2022. This report reflects relevant information available by the editorial deadline on February 27, 2023.

Rounding differences may occur.

This English version of the annual report is a translation of the original German version; in the event of variances, the German version shall take precedence over the English translation.

For better readability, this report generally uses only the masculine form when referring to groups of persons. Unless indicated otherwise, these statements should not be construed to refer to a specific gender.

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