SCHAEFFLER

We pioneer motion

2023 | ANNUAL REPORT

Schaeffler Group at a glance

Income statement (in € millions)	2023	2022	Change	
Revenue	16,313	15,809	3.2	%
• at constant currency			5.8	%
EBIT	834	974	-14.3	%
• in % of revenue	5.1	6.2	-1.0	%-pts.
EBIT before special items [1]	1,187	1,046	13.5	%
• in % of revenue	7.3	6.6	0.7	%-pts.
Net income [2]	310	557	-44.5	%
Earnings per common non-voting share (basic/diluted, in €)	0.47	0.84	-44.0	%

Statement of financial position (in € millions)	12/31/2023	12/31/2022	Change	
Total assets	15,006	14,284	5.1	%
Additions to intangible assets and property, plant and equipment [3]	932	814	14.6	%
Amortization, depreciation, and impairment losses excluding depreciation of right-of-use assets under leases and impairments of goodwill [3]	930	924	0.6	%
Reinvestment rate	1.00	0.88		
Shareholders' equity [4]	3,905	4,141	-236	€ millions
• in % of total assets	26.0	29.0	-3.0	%-pts.
Net financial debt	3,189	2,235	42.7	%
• Net financial debt to EBITDA ratio before special items [1]	1.5	1.1		
• Gearing ratio (net financial debt to shareholders' equity [3], in %)	81.7	54.0	27.7	%-pts.

Statement of cash flows (in € millions)	2023	2022	Change	
EBITDA	1,836	1,963	-6.5	%
Cash flows from operating activities	1,348	1,139	209	€ millions
Capital expenditures (capex) [5]	938	791	147	€ millions
• in % of revenue (capex ratio)	5.7	5.0	0.7	%-pts.
Free cash flow (FCF) before cash in- and outflows for M&A activities	421	280	141	€ millions
• FCF-conversion (ratio of FCF before cash in- and outflows for M&A activities to EBIT) [6]	0.5	0.3	-	

Value-based management			Change	
ROCE (in %)	8.8	11.1	-2.3	%-pts.
ROCE before special items (in %) [1]	12.5	11.9	0.6	%-pts.
Schaeffler Value Added (in € millions)	-114	98	-	%
Schaeffler Value Added before special items (in € millions) [1]	239	170	41.1	%

Employees	12/31/2023	12/31/2022	Change	
Headcount	83,362	82,773	0.7	%

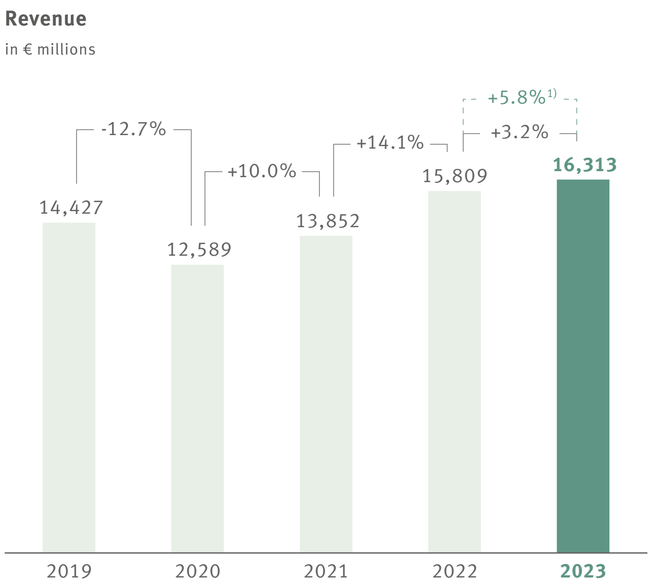
Automotive Technologies division [7] (in € millions)	2023	2022	Change	
Revenue	9,772	9,498	2.9	%
• at constant currency			5.4	%
EBIT	231	253	-8.7	%
• in % of revenue	2.4	2.7	-0.3	%-pts.
EBIT before special items [1]	435	292	48.8	%
• in % of revenue	4.5	3.1	1.4	%-pts.

Automotive Aftermarket division [7] (in € millions)			Change	
Revenue	2,253	2,040	10.4	%
• at constant currency			11.8	%
EBIT	336	255	31.8	%
• in % of revenue	14.9	12.5	2.4	%-pts.
EBIT before special items [1]	367	260	41.2	%
• in % of revenue	16.3	12.8	3.6	%-pts.

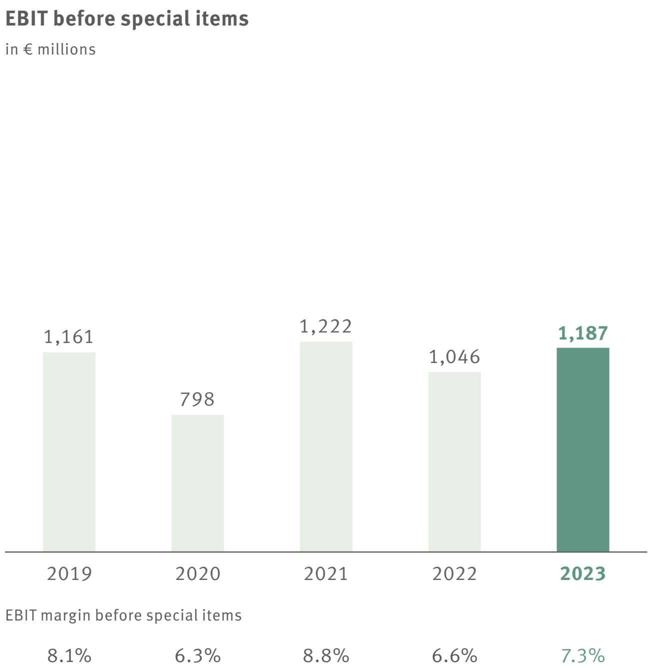
Industrial division [7] (in € millions)			Change	
Revenue	4,288	4,271	0.4	%
• at constant currency			3.9	%
EBIT	266	465	-42.7	%
• in % of revenue	6.2	10.9	-4.7	%-pts.
EBIT before special items [1]	385	493	-22.0	%
• in % of revenue	9.0	11.5	-2.6	%-pts.

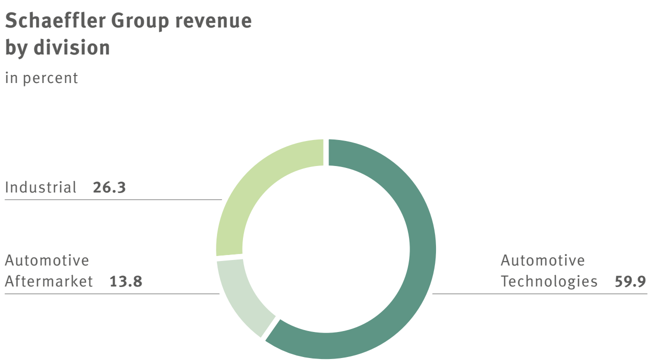
[1] Please refer to pp. 27 et seq. for the definition of special items.
[2] Attributable to shareholders of the parent company.
[3] Amounts for the relevant period from January 1 to December 31.
[4] Including non-controlling interests.
[5] Capital expenditures on intangible assets and property, plant and equipment.
[6] Only reported if free cash flow before cash in- and outflows for M&A activities and EBIT positive.
[7] Prior year information presented based on 2023 segment structure.

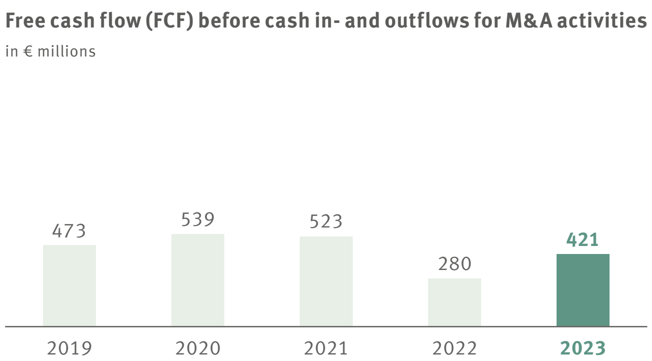
Key financials



1) Revenue growth at constant currency.

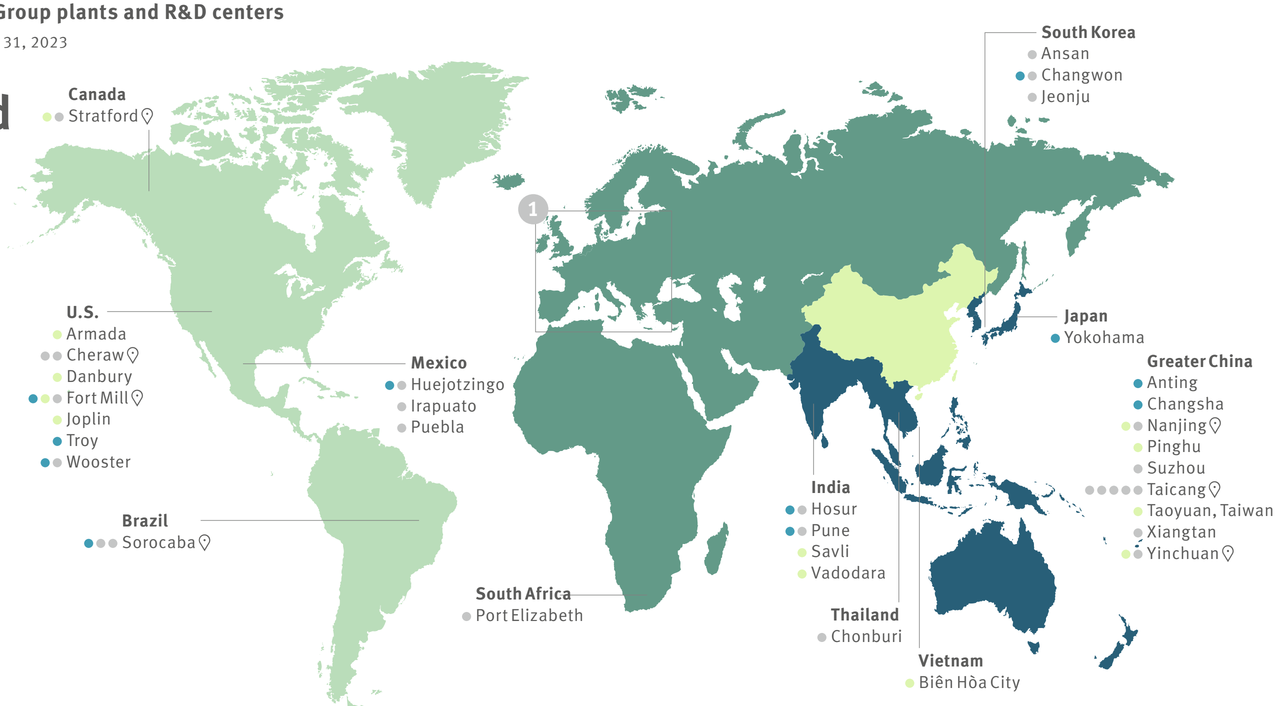






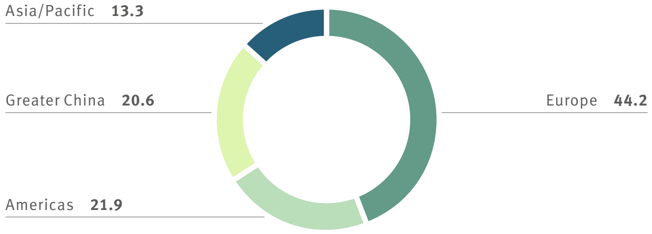
Schaeffler Group plants and R&D centers

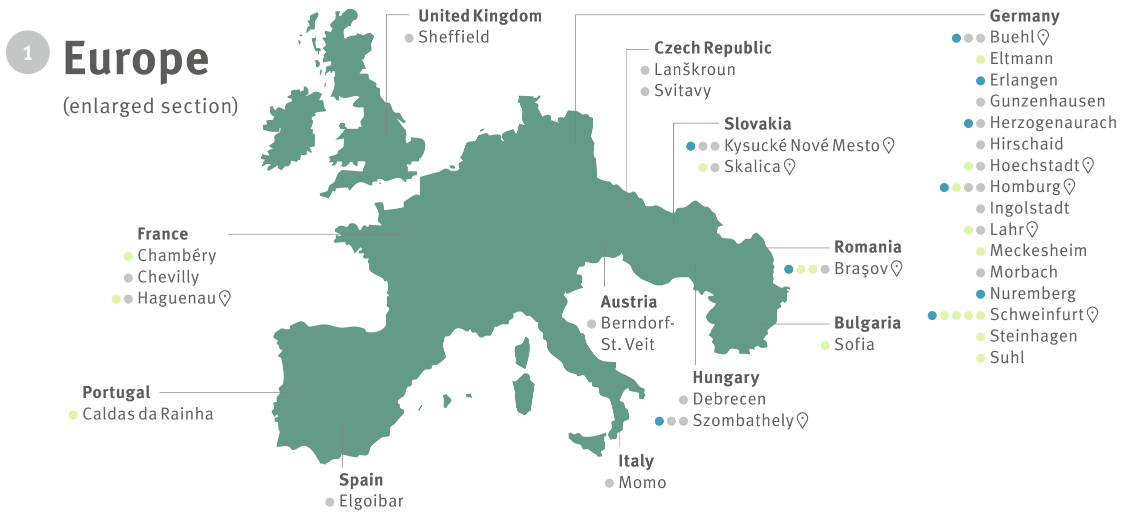
as at December 31, 2023



Schaeffler Group revenue by region

in percent by market view





Regions [1]	Europe	Americas	Greater China	Asia/Pacific	Schaeffler Group
Employees	51,153	12,095	13,031	7,083	83,362
R&D centers	9	5	2	4	20
Plants	45	15	13	9	82
Automotive Technologies	27	10	9	6	52
Industrial	18	5	4	3	30
Campus locations	10	4	3	-	17

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

Highlights 2023

Revenue up from prior year

Revenue at EUR **16.3** bn
(up 5.8% at constant currency)

(prior year: EUR 15.8 bn)

Margin growth in challenging market environment

EBIT margin before special items **7.3**%

(prior year: 6.6%)

Significantly improved free cash flow with increased investing activities

Free cash flow before cash in- and outflows
for M&A activities at EUR **421** m

(prior year: EUR 280 m)

Contents

NAVIGATION

further details in the report

further details online

FURTHER DETAILS IN OUR

SUSTAINABILITY REPORT

on the microsite

download PDF

* Part of the group management report.

Message from the shareholders

> The planned merger of Vitesco Technologies and Schaeffler is another pivotal step in the company's history. We are firmly convinced that the two companies will be stronger together and that the combination will bring significant benefits for all stakeholders.

Georg F. W. Schaeffler

Ladies and Gentlemen,

2023 was another year marked by a challenging geopolitical and economic environment. The persistent and, in some cases, overlapping crises further strained international relations, slowed economic momentum, and left the market environment volatile.

Nevertheless, the Schaeffler Group brought the year 2023 to a successful close and consolidated its position as a leading global Motion Technology Company, once more proving Schaeffler's resilience, flexibility, and innovative ability.

Our results for the past year also show how important our strong conventional business areas remain for the company's success and the transformation toward new mobility, with significant contributions being made by all three divisions. This enables the Schaeffler Group to consistently continue its transformation under the "Roadmap 2025" despite the persistent challenges. The Automotive Technologies division, for instance, achieved important progress in the future-oriented fields of electric mobility and chassis systems, the Automotive Aftermarket division consistently drove digitalization, among other things, mainly by globally expanding the e-commerce business, and the Industrial division considerably expanded the linear business, which was combined in the new "Linear Motion" strategic business area, by acquiring the Ewellix Group.

With the planned merger of Vitesco Technologies Group AG into Schaeffler AG, the company is now taking another pivotal development step in its more than 75-year history. Building on the pioneering achievements of the company's founders, Dr. Georg Schaeffler and Dr. Wilhelm Schaeffler, their lives' work was previously expanded by successfully integrating LuK and FAG. Following the initial public offering in 2015, the planned merger of Schaeffler and Vitesco is another important step taken to open up a new, future-oriented chapter of the company's history. It further improves Schaeffler's competitive ability. Because the two companies have technologies and capabilities that strongly complement each other – especially in the field of electric mobility.

We are firmly convinced that the two companies will be stronger together and that the planned merger will bring significant benefits for all stakeholders. Schaeffler is, and will continue to be, a family business that shapes the transformation in the relevant sectors with a pioneering spirit and that is characterized by long-term thinking and responsible action.

Therefore, sustainability is also a topic holding key significance for Schaeffler. It is firmly embedded in the corporate values and is being consistently pushed forward under the sustainability strategy of the "Roadmap 2025". Since 2023, for example, 100 percent of the electricity purchased at nearly all of the Schaeffler Group's European, Chinese, and American plants stems from renewable energy sources. The Asia/Pacific region's plants are slated to follow in 2024. Additionally, the Schaeffler Group's climate targets were assessed by the "Science Based Targets initiative" in 2023, who found that they are in line with the climate targets of the Paris Agreement. Thus, these targets provide a clearly defined path to reducing greenhouse gas emissions, and the company will continue along this path in the future.

We are experiencing times of great challenges but also of great opportunities. The Schaeffler Group wants to make a decisive contribution to a sustainable transformation in all relevant sectors. The longevity of companies is based on a strong foundation, on flexibility and adaptability, as well as on the willingness to shape far-reaching change. Our employees represent the foundation for our succeeding in this – today and in the future. We thank them for their commitment and dedication, their passion, and their trust. We also thank our customers as well as our business and research partners for the successful collaboration and our joint pursuit of success. Our particular gratitude goes to our shareholders who support our strategic agenda even in times of volatile capital markets and accompany us on our journey with trust and confidence.

Yours sincerely,

Maria-Elisabeth Schaeffler-Thumann **Georg F. W. Schaeffler**

Introduction by the Chief Executive Officer

> With the envisaged merger with Vitesco Technologies, we will give the Schaeffler Group an even more future-oriented positioning. Together, we want to create a Motion Technology Company that builds on the existing strengths of both companies.

Klaus Rosenfeld

Ladies and gentlemen,

we look back on an eventful year for the Schaeffler Group. Once again, the global economic environment was challenging and held particular challenges for the Schaeffler Group. At the same time, we can report that the company has repeatedly delivered good results, to which all divisions and regions once again contributed in 2023.

The envisaged merger with Vitesco Technologies Group AG, that we announced this past year, is an important strategic step to give the Schaeffler Group an even more future-oriented positioning. Together, we want to create a Motion Technology Company that builds on the existing strengths of both companies and comprises four focused “pure-play” divisions. All four divisions will offer an attractive product and service portfolio and hold leading positions in their respective markets. We expect above-average growth opportunities for the E-Mobility division here. And we are convinced that shareholders, customers, employees, and business partners will benefit from the envisaged merger. Both companies will be stronger together.

The focus of all Schaeffler products has always been “motion”. This will continue to be the case in the future. Motion is not only an integral part of our slogan “We pioneer motion”, but also the central focal point of our positioning as a Motion Technology Company, which we have developed further this past year. It is our stated objective to actively contribute to the transformation with sustainable, efficient and intelligent products. The term “motion” serves as the connecting element for the Schaeffler Group’s newly defined six product families: Sustain Motion, Energize Motion, Drive Motion, Generate Motion, Transmit Motion, and Guide Motion. Please refer to page 9 of this annual report for further details of the product families and additional information on the new positioning.

The numbers for 2023 are evidence that we are on the right track – not just strategically, but also operationally. For the first time, the Schaeffler Group has generated more than 16 billion euros in revenue. The 5.8 percent increase in revenue, excluding the impact of currency translation, was especially attributable to higher volumes at all divisions. EBIT for this past year amounted to 1,187 million euros before special items, representing an EBIT margin before special items of 7.3 percent. We also generated free cash flow before cash in- and outflows for M&A activities of 421 million euros. Thus, we have met our financial targets for 2023 and will once again pay an attractive dividend of 45 euro cents per common non-voting share to our shareholders in order to share the group’s success with them as usual. Additionally, we have announced that we will raise our dividend payout ratio from previously 30 to 50% to 40 to 60% going forward.

While we were not satisfied with the performance of Schaeffler’s shares over the course of 2023, we are convinced that the envisaged merger with Vitesco Technologies Group AG will make the shares of Schaeffler AG more attractive. By closing the public tender offer in early 2024 and standardizing the classes of Schaeffler AG shares in early February, we have successfully completed two of the planned three steps of the transaction. Once the conversion of the common non-voting shares into common voting shares becomes effective upon entry of the merger in the commercial register, the “one share, one vote” principle will apply uniformly to all Schaeffler AG shares. This is a historic milestone that would not have been possible without the support and trust of the Schaeffler family. As the Board of Managing Directors of Schaeffler AG, we welcome this step and consider it both an incentive and an obligation.

The merger of Vitesco into Schaeffler, expected for the fourth quarter of 2024, will then represent the third step of the overall transaction. The merger requires the approval of the annual general meetings of both companies, which are scheduled for this coming April. The merger will result in simplification of the share structure. We also expect the liquidity of the shares to improve and are aiming for an increased free float of approximately 30 percent. On this basis, we expect Schaeffler’s shares to be included in the MDAX and MSCI Europe after the merger.

In addition to preparing, announcing and partly executing the merger with Vitesco, we have continued to execute our strategic framework with its 3 plus 4 subprograms, the "Roadmap 2025", during the year. All divisions, functions, and regions have achieved further milestones. I would like to highlight the following here: The Automotive Technologies division saw more than 20 new production start-ups in E-Mobility and Chassis Systems in 2023. Additionally, the strong order intake in E-Mobility of approximately five billion euros impressively confirms our chosen path and considerably exceeded the corridor of two to three billion euros per year aimed for in the medium term. Further, the new development center for E-Mobility and chassis applications was opened in Kysuce, Slovakia, and the division continued to push forward with enhancing bipolar plates for fuel cell systems. The Automotive Aftermarket division acquired B2B platform Koovers and opened the logistics center in Strongsville, Ohio. Industrial division milestones included expanding its linear business by taking over the Ewellix Group and extending its "Lifetime Solutions" portfolio by acquiring ECO-Adapt.

We also made good progress with the four cross-divisional subprograms.

Activities under the "Innovation & Technology" subprogram included a second research and development center that we opened in the Greater China region. At our Changsha location, we will push forward with developing technologies for electric mobility and intelligent driving. In the "Digitalization & IT" subprogram, the implementation of SAP S/4HANA made progress as well; this system digitalizes and harmonizes the core processes on a future-proof platform. Also under this program, we are continuing to equip production machinery with proprietary software for capturing and processing process-related data and the condition of machines. The "People & Culture" subprogram continued to prioritize employee qualifications this past year. The core elements of this effort include, for instance, our "Fit4" programs and the new training offering on digitalization, "Go Digital". I would also like to mention "Digital Engagement Week", which was held worldwide for the first time and which demonstrated that this topic is seen as a great opportunity throughout the organization.

Under the "Sustainability & Engagement" subprogram, we pushed forward with executing our decarbonization strategy. Stepping up in-house power generation using photovoltaic systems, switching to renewable sources of energy in many areas of production, and expanding the cooperation with start-up H2 Green Steel were pivotal to this. The offtake agreement we signed with Statkraft Markets GmbH early in the year for the purchase of green electricity from wind power must not go unmentioned. The supply agreement is intended to perspectively cover approximately eight percent of our electricity needs in Germany. This illustrates that innovation and sustainability are key to our future success. Please refer to the sustainability report we are issuing simultaneously with our annual report for more information on this.

The "Roadmap 2025" program will continue to accompany us next year as well. We are planning to complete it in 2025 and will start developing another program for the next five years in 2024. Because the transformation is a continuous task that we have to address on an ongoing basis. We, the Schaeffler Group, have proven time and time again that we are able to successfully respond to challenges and to changing economic and geopolitical conditions worldwide. In doing this, we are focusing on profitable growth and creating value sustainably, measured using the "Schaeffler Value Added" KPI, and additionally on continuously generating positive free cash flow, our second important KPI. We do this by thinking long-term and managing our capital employed based on our proven capital allocation framework.

Once again, we have big plans for the new year. The envisaged merger and the integration of Vitesco are important tasks. I am confident that we are well-equipped to tackle these tasks and will, jointly with our partners at Vitesco, turn them into a success. That is what our motto "Stronger Together" stands for. The new collaboration, we have agreed, will be characterized by constructive teamwork and mutual respect and will be based on our well-proven leadership principles of "Transparency, Trust, and Teamwork". The Executive Board of Schaeffler AG, which has seen changes in 2023, stands for this. In Dr. Astrid Fontaine, who succeeded Corinna Schittenhelm as Chief Human Resources Officer effective

January 1, 2024, we welcome to the Schaeffler AG Board of Managing Directors a recognized human resources expert with many years of experience within international automotive groups. Further, Sascha Zaps, currently CEO of the Europe region, will follow Dr. Stefan Spindler in the role of CEO of the Bearings & Industrial Solutions division effective May 1, 2024. Late in the year, Thomas Stierle, Head of Vitesco's Electrification division, will join the Board of Managing Directors to take over the new, strategically particularly important E-Mobility division.

I would like to close by thanking you. Our customers, suppliers and business partners, our employees, and our shareholders, for the constructive teamwork and the support during a challenging year. My particular gratitude goes to our family shareholders, Maria-Elisabeth Schaeffler-Thumann and Georg F. W. Schaeffler. It is thanks to their confidence, their entrepreneurial vision and their extraordinary commitment to our, to their company that we are where we stand today, and are able to shape the future as a Motion Technology Company.

Thank you for your interest in our annual report 2023.

Yours sincerely,

Klaus Rosenfeld

Executive Board

Dharmesh Arora
Regional CEO Asia/Pacific

Dr. Stefan Spindler
CEO Industrial

Sascha Zaps
Regional CEO Europe

Claus Bauer
Chief Financial Officer

Uwe Wagner
Chief Technology Officer

Matthias Zink
CEO Automotive Technologies

Dr. Astrid Fontaine
Chief Human Resources Officer

Dr. Yilin Zhang
Regional CEO Greater China

Marc McGrath
Regional CEO Americas

Jens Schüler
CEO Automotive Aftermarket

Klaus Rosenfeld
Chief Executive Officer

Andreas Schick
Chief Operating Officer

Significant events

Schaeffler Group continues transformation

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

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

Following approval by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin), Schaeffler AG published the offer document for the voluntary public tender offer for all outstanding shares of Vitesco Technologies Group AG on November 15, 2023. On November 27, 2023, Schaeffler AG entered into an agreement on the planned business combination ("Business Combination Agreement") with Vitesco Technologies Group AG. Under this agreement, Vitesco Technologies Group AG will constructively support the steps involved in the business combination. By the end of the acceptance period on December 15, 2023, a total of approximately 12 million shares of Vitesco Technologies Group AG were tendered to Schaeffler AG. This corresponds to approximately 29.88% of the share capital and voting rights in Vitesco Technologies Group AG. On January 5, 2024, the public tender offer was completed for all shares in Vitesco Technologies Group AG tendered, and the cash consideration of EUR 94 per share was paid. The cash consideration for all shares acquired amounted to approximately EUR 1.1 bn. Additionally, Schaeffler AG entered into a total return swap for approximately 9% of the share capital of Vitesco Technologies Group AG.

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

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

More information under: www.strongertogether24.com.

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

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

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

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

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

Schaeffler AG holds virtual annual general meeting

On April 20, 2023, Schaeffler AG's **annual general meeting** passed a resolution to pay a dividend of EUR 0.44 (prior year: EUR 0.49) per common share and EUR 0.45 (prior year: EUR 0.50) per common non-voting share to Schaeffler AG's shareholders for 2022. This represents a dividend payout ratio of 48.3% (prior year: 43.9%) of net income attributable to shareholders before special items. The dividend totaling EUR 295 m was paid by April 25, 2023. Maria-Elisabeth Schaeffler-Thumann stepped down from her position on the Supervisory Board of Schaeffler AG effective at the end of the annual general meeting.

Outlook adjusted

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

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

Changes to Executive Board

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

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

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

Financing transactions completed

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

Schaeffler on the capital markets

Schaeffler shares

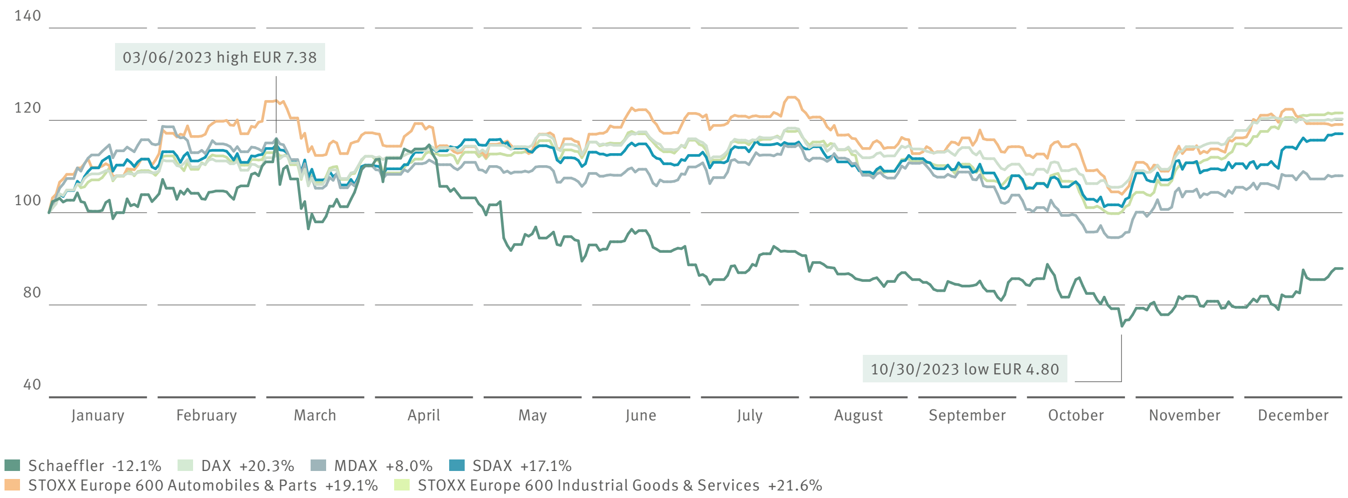
The share price of Schaeffler AG common non-voting shares declined in 2023, affected significantly by macroeconomic challenges – weak growth combined with rising interest rates and an inflation rate that, while declining, remained elevated – as well as geopolitical conflicts. Schaeffler AG's common non-voting shares closed out 2023 down 12.1% from the prior year-end. Following their annual high of EUR 7.38 on March 6, 2023, Schaeffler shares reached their low of EUR 4.80 on October 30, 2023. The shares recovered in November and December, closing out 2023 at a XETRA closing price of EUR 5.60. Schaeffler AG's market capitalization amounted to approximately EUR 928 m at the end of 2023, based on the proportionate share capital of 166 million common non-voting shares. The daily Xetra trading volume averaged approximately 458,347 shares in 2023.

	2023	2022
Schaeffler AG 12/31 (in €) [1]	5.60	6.37
DAX 12/31 [1]	16,752	13,924
SDAX 12/31 [1]	13,960	11,926
MDAX 12/31 [1]	27,137	25,118
STOXX Europe 600 Automobiles & Parts 12/31 [1]	628	527
STOXX Europe 600 Industrial Goods & Services 12/31 [1]	774	637
Earnings per share (in €)		
• Common shares	0.46	0.83
• Common non-voting shares	0.47	0.84
ISIN	DE000SHA0159	
German securities identification number (WKN)	SHA015	
Stock symbol	SHA	
German stock exchange (Prime Standard)	Frankfurt Stock Exchange	
Index	SDAX	
Free float based on common non-voting shares	88%	

[1] Source: Bloomberg (closing prices).

Schaeffler share price trend 2023

in percent (12/31/2022 = 100)



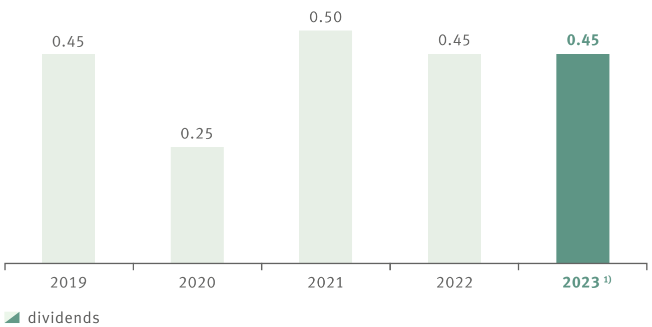
Source: Bloomberg (closing prices).

Proposed dividend of 0.45 EUR per common non-voting share

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 2023, 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 47.3% of net income attributable to shareholders before special items.

Dividend trend and dividend payout ratio

EUR per common non-voting share



dividend payout ratio

2019	2020	2021	2022	2023
43.0%	49.7%	43.9%	48.3%	47.3%

1) Subject to approval by the annual general meeting.

Information on the Schaeffler Group's bonds and ratings on pp. 31 et seq.

Investor relations

An open and continuous dialogue with equity and bond investors and all other capital market participants is important to Schaeffler AG. IR activities were conducted in the form of both physical and remote events in 2023.

Discussions with analysts and investors focused on the results of operations and profitability of the three divisions and the regions, price negotiations with automobile manufacturers, the implications of geopolitical tensions, as well as the impact of inflation and rising interest rates. With respect to electric mobility, investors focused on the increase in order intake, the quality of the order book, and the increasingly intense competition. In the Industrial division, discussions centered on growth perspectives in the various end markets as well as the temporarily challenging market environment.

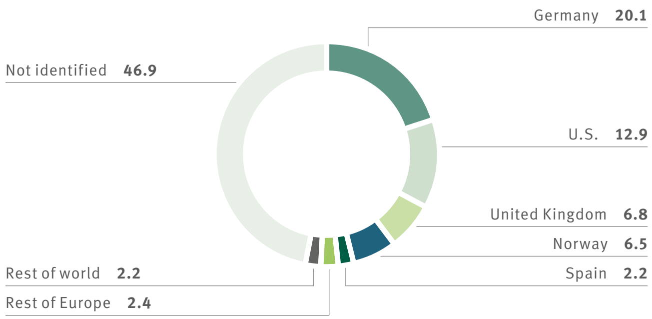
Following the announcement of the voluntary public tender offer for the outstanding shares of Vitesco Technologies Group AG and the planned merger of Vitesco Technologies Group AG into Schaeffler AG, discussing both the three-step structure of the transaction and its strategic logic was an important element of any of the Schaeffler Group's investor communications. Similarly, the key topic of sustainability was the subject of a constant active exchange with capital market participants.

The company was rated by analysts representing a total of 12 banks (prior year: 16) as at February 9, 2024. 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 three banks, and "sell" or "underperform" by two banks. Four banks have temporarily suspended their recommendations since the public tender offer to the shareholders of Vitesco Technologies Group AG. The average upside target was EUR 6.70.

Shareholder structure

Geographic distribution

in percent



The geographic distribution of the free float was determined as at December 31, 2023, using a shareholder identification survey (Share ID). Since not all investors are generally required to disclose their holdings, a Share ID only covers institutional investors who publish their holdings. The identification rate was 53.1%. This means that, out of the 166 million common non-voting shares, the survey was able to attribute approximately 88.1 million shares to 130 institutional investors in 22 countries. The identification rate as at December 31, 2023, was considerably lower than in the prior year (70.1% in 2022). The strategic investor BDT Capital Partners, domiciled in the U.S., sold its entire holdings of 41.5 million Schaeffler shares in 2023. Approximately half of these shares were acquired by IHO Beteiligungs GmbH which is domiciled in Germany. The remaining shares were largely acquired by investors who did not disclose their holdings as at December 31, 2023, in the Share ID.

More information under: 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 financial debt to EBITDA ratio, Schaeffler Value Added, and ROCE before special items (= adjusted).

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

Rounding differences may occur.

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

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

* Part of the group management report.

1. Fundamental information about the group

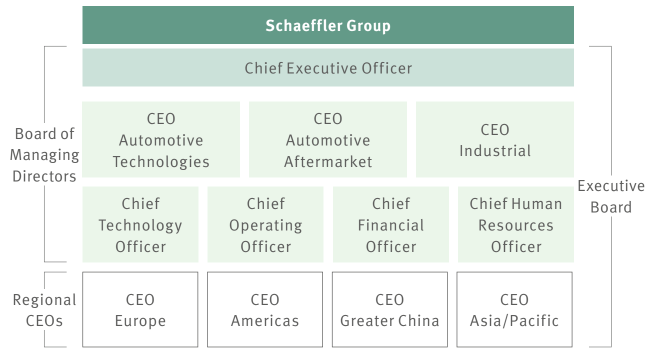
1.1 Organizational structure and business activities

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

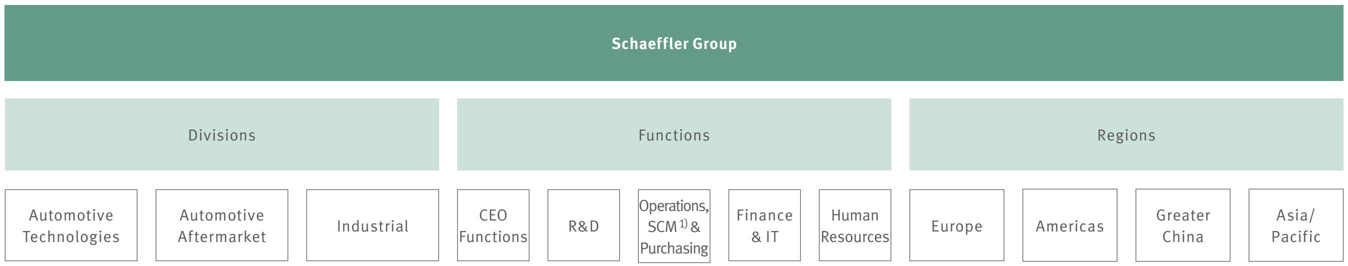
Organizational and leadership structure

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

Schaeffler Group leadership structure



Schaeffler Group organizational structure



Simplified presentation for illustration purposes.
[1] Supply Chain Management.

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

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

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

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

The Board of Managing Directors and the Supervisory Board comply with the recommendations of the German Corporate Governance Code in conducting their affairs and have issued the declaration of conformity pursuant to section 161 German Stock Corporations Act (Aktiengesetz – AktG) in December 2023. The corporate governance declaration including the corporate governance report in accordance with sections 289f German Commercial Code ("Handelsgesetzbuch" – HGB) and 315d HGB including the declaration of conformity pursuant to section 161 AktG is publicly available from the company's website.

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

Schaeffler Group functions

Schaeffler Group

CEO Functions
- Quality
- Governance, Processes & Organization
- Group Strategy, Sustainability & Corporate Development
- Group Communications & Public Affairs
- Global Branding & Marketing
- Investor Relations
- Legal
- Internal Audit
- Compliance & Corporate Security
- Corporate Real Estate Management
- Strategic Digitalization
- Top Talent Management & Strategic Workforce Planning

R&D
- Advanced Innovation
- R&D Management & Corporate Engineering Services
- R&D Central Technologies
- Engineering IT & Digitalization
- Intellectual Property Rights
- Technical Compliance

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

Finance & IT
- Finance Systems, Processes & Infrastructure
- Corporate Accounting
- Corporate Controlling
- Corporate Treasury
- Corporate Tax & Customs
- Corporate Reporting
- Corporate Insurance
- Shared Services [1]
- IT & Digitalization
- Risk Management & Internal Control System

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

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

Legal group structure

The Schaeffler Group included 177 (prior year: 149) domestic and foreign subsidiaries as at December 31, 2023. The parent company is Schaeffler AG, which is based in Herzogenaurach. The corporate headquarters of the Schaeffler Group are located in Herzogenaurach as well. As at December 31, 2023, 114 (prior year: 98) subsidiaries are domiciled in the Europe region. 27 (prior year: 23) further subsidiaries are domiciled in the Americas region, 19 (prior year: 14) in the Greater China region, and 17 (prior year: 14) in the Asia/Pacific region.

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

All 500 million of the common bearer shares are held by IHO Verwaltungs GmbH, which is part of IHO Holding. This represents an approximately 75.1% interest in Schaeffler AG. IHO Beteiligungs GmbH acquired approximately 20.2 million of the 166 million common non-voting bearer shares in Schaeffler AG in December 2023. The remaining common non-voting bearer shares in Schaeffler AG were widely held as at December 31, 2023.

Acquisitions and disposals during the year

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

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

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

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

The Board of Managing Directors of Schaeffler AG, with the consent of the Supervisory Board, decided on October 9, 2023, to launch a voluntary public tender offer in the form of a cash offer to all shareholders of Vitesco Technologies Group AG for the no-par-value registered shares of Vitesco Technologies Group AG in accordance with the provisions of the German Securities Acquisition and Takeover Act. The planned business combination is aimed at broadening the Schaeffler Group's business and technology portfolio, particularly in the area of electric mobility, and organizing it into four focused "pure-play" divisions going forward. Additionally, Schaeffler AG entered into a non-tender agreement with IHO Verwaltungs GmbH and IHO Beteiligungs GmbH for their 49.94% shareholding in Vitesco Technologies Group AG. Following approval by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin), Schaeffler AG published the offer document for the voluntary public tender offer for all outstanding shares of Vitesco Technologies Group AG, on November 15, 2023. By the end of the acceptance period on December 15, 2023, a total of approximately 12 million shares of Vitesco Technologies Group AG were tendered to Schaeffler AG. This corresponds to approximately 29.88% of the share capital and voting rights in Vitesco Technologies Group AG. On January 5, 2024, the public tender offer was completed for all shares in Vitesco Technologies Group AG tendered, and the cash consideration of EUR 94 per share was paid. The total cash consideration amounted to approximately EUR 1.1 bn. Additionally, Schaeffler AG has entered into a total return swap for approximately 9% of the share capital of Vitesco Technologies Group AG. The overall transaction is expected to be completed in the fourth quarter of 2024.

More on the planned business combination with Vitesco Technologies Group AG on page i9

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

Business activities

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

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

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

Schaeffler Group revenue by division

in percent

Automotive Technologies division

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

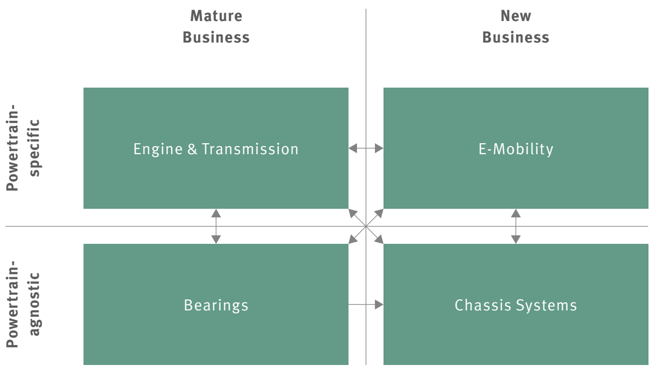
Market and competitive environment

The market environment of the Automotive Technologies division is marked by highly intense competition. The division faces competition mainly from other automotive suppliers. Most of its customers are automobile manufacturers with worldwide operations. Demand for products of the Automotive Technologies division is closely linked to global vehicle production which is increasingly shifting away from internal combustion engines toward alternative powertrain technologies due to market trends and legislation. Additionally, as driving functionalities are increasingly being automated toward the autonomous vehicle, requirements regarding chassis applications are growing. In its "Schaeffler Vision Powertrain" scenario, the division predicts that approximately 60% of all passenger cars and light commercial vehicles produced worldwide in 2035 will have all-electric drive systems and approximately 30% will have a hybrid powertrain. The "Schaeffler Vision Automated Vehicle" scenario reflects the division's expectation that, by 2035, approximately 10% of passenger cars and light commercial vehicles produced will be driven in a highly automated and approximately 15% in a partly automated manner.

Product portfolio and growth areas

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

Automotive Technologies division



The products of the Engine & Transmission Systems and Bearings BDs are components and mechanical systems that are largely mature technologically and whose profitability will generate funds for future growth in new business areas. In contrast, the mechatronic and electric systems of the E-Mobility and Chassis Systems BDs represent technologies for growth markets. In the mature business areas, research and development activities and capital expenditures will be reduced, for instance, and intensified in the new business areas. For example, the division invested in expanding the development and manufacturing campus for electric mobility at its headquarters in Buehl and opened the new development center in Kysuce, Slovakia, in 2023.

While the business of the E-Mobility and Engine & Transmission Systems BDs is specifically geared to powertrains, the products of the Bearings BD are largely – and those of the Chassis Systems BD entirely – agnostic toward the powertrain of the vehicles in which they are installed.

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

The **Engine & Transmission Systems BD** mainly develops and produces components and sub-systems for engine and transmission applications in passenger cars and commercial vehicles with hybrid drives as well as those with conventional drives based on an internal combustion engine. Products include torque converters, hybrid dampers, clutches, variable valve train systems, valve-lash adjustment elements, balancer shafts, camshaft phasing systems, timing drives, and front end auxiliary drives.

The **Bearings BD** combines the Automotive Technologies division's wide and diverse range of rolling bearing applications and products. This core business includes products such as wheel bearings, ball bearings, and needle roller bearings. Efficient and high-precision products are used to equip both conventional drives and electrified powertrains and chassis systems with bearing solutions. Examples are the triple-row TriFinity wheel bearing and the high-performance ball bearing with centrifugal disc – products offered specifically for electric vehicles.

The **Chassis Systems BD** develops and manufactures mechanical components and mechatronic systems for steering and other chassis applications through to driver-less mobility concepts. Among the products included in its portfolio is the "Space Drive" steer-by-wire system. The BD also offers the mechatronic rear-wheel steering system, a newly developed steering system that went into series production during the year. A cooperation with the Dutch VDL Groep was announced in the area of new mobility concepts. The two companies plan to jointly develop and produce a new generation of self-driving electric shuttles for public transport. A first demonstrator as well as the technologies for electrification and automation of the shuttles was showcased at IAA Mobility 2023.

Automotive Aftermarket division

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

Market and competitive environment

In the spare parts business, demand is influenced by three main factors: growth in the worldwide vehicle population, an overall increase in the average age of the vehicle population, and increasing vehicle complexity. These factors are leading to an increase in the number of repairs requiring repair solutions and services for repair shops. The division anticipates the largest increase in both vehicle population and demand for repairs up to 2028 to occur outside of Europe. Especially for the Greater China region, the division expects vehicles to grow heavily in both number and age.

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

Product portfolio and growth areas

The Automotive Aftermarket division's product portfolio comprises components and comprehensive repair solutions in original-equipment quality for engine, transmission, and chassis applications in the vehicles and light commercial vehicles, trucks and buses, and offroad customer sectors. The Automotive Aftermarket division operates under the Schaeffler corporate brand and distributes its range under the three product brands LuK, INA, and FAG. In addition, it offers comprehensive services for repair shops under the service brand 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. 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 considers continual improvement of the customer experience and the collaboration with customers and partners to form the basis for **(1) realizing potential in the core business**, particularly for expanding the portfolio with existing customers ("Share of Wallet"). Operational excellence is key to customer satisfaction here and includes quick and reliable delivery to customers as well as comprehensive, smooth, and easy interaction of the customer with the division. Expanding the distribution network by adding the new logistics center in Strongsville, Ohio, U.S., supports this goal.

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

(2) Intensifying digitalization is a significant factor for optimizing the customer experience throughout the entire sales process using advanced digital services. REPXPERT is steadily expanding the range of digital information offered, enabling distribution partners and repair shop professionals to access a broad range of products and services on the Aftermarket website. Further, REPXPERT also offers on-site training that is important primarily for independent repair shops and helps enhance customer loyalty. Digitalization also facilitates new business models and distribution channels, including data-based models and e-commerce. In China, the division has created the "ETC platform China", a platform in the independent spare parts market. A further step taken to expand the e-commerce business was the acquisition of KRSV Innovative Auto Solutions Private Limited, which operates Koovers, a B2B platform in the Indian market used to distribute spare parts to independent repair shops, wholesalers, and retailers.

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

The division's response to the changes in the market, such as connectivity and sustainability, also include partnerships within the automotive ecosystem. For instance, together with industry partners, the division is working to promote digital connectivity of vehicles as well as non-discriminatory access to data, and is actively involved in the digital data market place CARUSO.

Industrial division

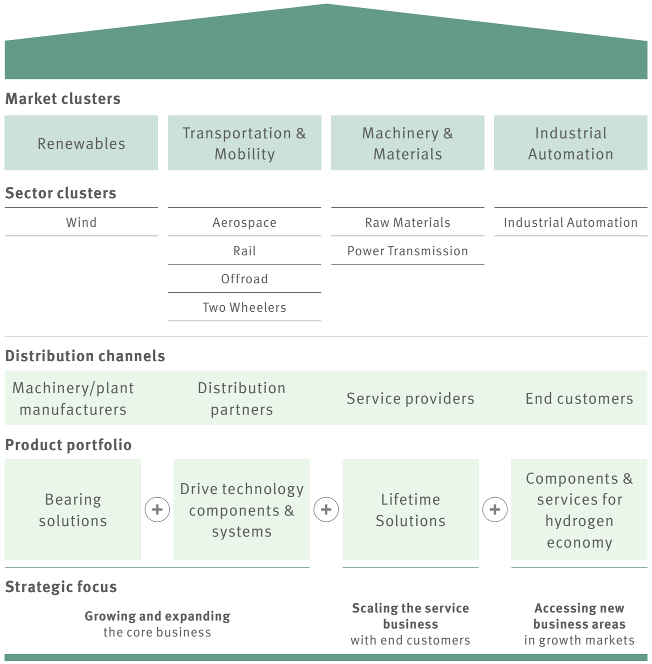
The **Industrial division** develops and manufactures rotary and linear bearing solutions, drive technology components & systems, as well as service solutions such as sensor-based condition monitoring systems for a large number of industrial applications. Additionally, the division is working on new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

Market and competitive environment

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

Product portfolio and growth areas

Industrial division customer and product portfolio



A significant strategic focus of the Industrial division is on further **expanding its core business** with bearing solutions and drive technology components & systems, which are still considered to hold extensive growth opportunities. The product portfolio of the core business comprises a wide variety of rotary and linear bearing solutions, particularly rolling and plain bearings. They range from high-speed and high-precision bearings with small diameters to large-size bearings several meters wide and cover a broad spectrum of applications in all sector clusters. Additionally, the Industrial division offers its customers a diversified range of drive technology components & systems, including bearing supports, robotic arm joints and gearboxes, as well as high-performance linear actuators for the dynamic robotics industry. Customer-specific products as well as technical consulting and other services consistently advance the product portfolio of the core business. A core element of the growth strategy is the linear business which was selectively and significantly expanded during the year by acquiring the Ewellix Group. The Industrial division aims to position itself as a leading global full-range supplier of linear technology and electromechanical actuator systems. In order to efficiently and comprehensively manage the diverse business with components and systems primarily in demand in high-growth market sectors, the activities in the relevant fields were combined in the new strategic business area “Linear Motion” during the year.

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

The Industrial division also sets a strategic focus on **accessing new business areas in growth markets**. Components & services for the hydrogen economy play a significant role here and are combined in the strategic business area “Hydrogen”. This product portfolio comprises components for hydrogen production using electrolyzers, such as bipolar plates, as well as integrated solutions like cell kits and intelligent stack systems including matching digital service concepts. Cooperations with other sector companies are aimed at accelerating the development and manufacture of products that are ready for series production.

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

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

1.2 Group strategy and group management

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

Group strategy “Roadmap 2025”

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

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

Strategy 2025

The “Strategy 2025” was approved in 2020 and has been validated and enhanced each year since as part of a Strategy Dialog. The basis of the strategic framework is formed by five focus areas that were derived from key future trends and reflect the product and service range of all three divisions. These focus areas are CO_2-efficient Drives, Chassis Applications, Industrial Machinery & Equipment, Renewable Energy, and Aftermarket Solutions & Services. With the five focus areas, the “Strategy 2025” is aligned along the Schaeffler Group’s strengths and core expertise, both in the business areas and in the production technologies.

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

Key topic of sustainability

Sustainability represents a significant component of the Schaeffler Group’s corporate values. Sustainable corporate success is understood to mean assuming ecological and social responsibility along the entire value chain. A sustainability strategy was developed along the dimensions of environment, social, and governance to facilitate living up to this responsibility. Ten fields of action were set for these three dimensions, including climate neutrality and occupational safety. The company aims to elaborate on each of these action fields by adding quantifiable targets and indicators.

In 2023, Schaeffler AG has again integrated its group non-financial declaration, which includes the assertions on sustainability currently mandated by law, into its separate sustainability report, which is not part of the group management report.

Combined separate group non-financial report in accordance with sections 289b (3) and 315b (3) HGB within the sustainability report at: www.schaeffler-sustainability-report.com/2023

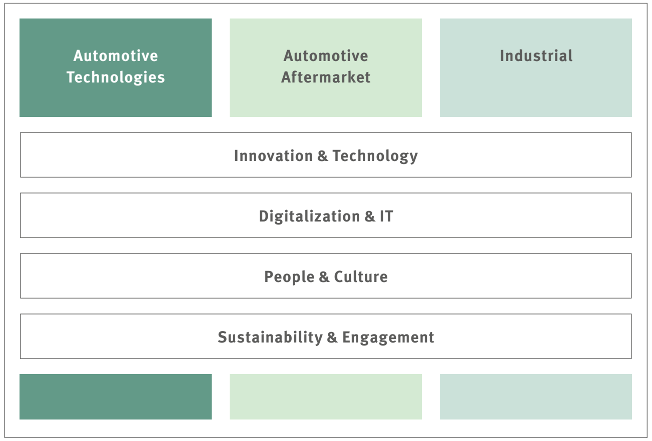
Key topic of digitalization

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

Execution Program 2025

The “Strategy 2025” is executed via the “Execution Program 2025”, which consists of three divisional (vertical) and four cross-divisional (horizontal) subprograms. These subprograms are focused on achieving the defined strategic priorities – innovation, agility, and efficiency. Combining and consolidating all relevant divisional and cross-divisional activities of the “Roadmap 2025” in the “Execution Program 2025” is aimed at not only driving forward the Schaeffler Group’s transformation but also at promoting cross-divisional synergies and improving profitability by generating efficiency gains.

Divisional and cross-divisional subprograms



The **three divisional subprograms** are designed to advance the growth initiatives derived from the focus areas, boost market positions, and increase cost and capital efficiency. Within the **Automotive Technologies division**, the focus is on the transition to new powertrain and chassis technologies. The three central fields of action within the subprogram of the **Automotive Aftermarket division** concentrate on introducing new and market-driven repair solutions in the core business, expanding digital services and distribution channels, and developing new business areas. The subprogram of the **Industrial division** is mainly designed to strengthen the competitive position in the traditional rolling bearing business, scale the service business, and access and expand new business, such as in the linear, robotics, and hydrogen areas.

The **four cross-divisional subprograms** are focused on key areas and core expertise designed to make the company as a whole more future-proof and help harness potential synergies across divisions. **"Innovation & Technology"** relates to strategically managing product innovations and production technology in order to further strengthen the Schaeffler Group's position as a pioneer of sustainable motion. The 6+2 innovation clusters are an integral component of this subprogram. The **"Digitalization & IT"** subprogram combines the activities related to reshaping processes for the digital age through data-driven knowledge acquisition and state-of-the-art IT solutions. The main objectives of the **"People & Culture"** subprogram are forward-looking personnel development, greater diversity, and an appreciative leadership style. The priority of the **"Sustainability & Engagement"** subprogram is to embed ecological and social responsibility in the company's value chain. The activities combined and managed in this subprogram include those required to achieve the climate neutrality targets 2040.

Execution Program progress during the year

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

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

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

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

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

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

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

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

Along with sustainability, this subprogram also comprises construction to enhance selected locations. For instance, progress was made on constructing the new central laboratory facility at the Herzogenaurach location that will combine core expertise and key technologies for sustainable and carbon-neutral mobility and energy ecosystems under one roof upon completion in 2024. In addition, the Schaeffler Group is investing in the future-oriented field of electric mobility by expanding its manufacturing and development campus at the Automotive Technologies division headquarters in Buehl as well as in creating a new, attractive working environment with "New Work" projects worldwide.

Mid-term Targets 2025

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

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

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

At **group level**, the first target focused on return on capital employed (ROCE) based on reported EBIT. At 8.8%, ROCE was below the range of 12 to 15% targeted for 2023. The second target related to free cash flow conversion (FCF-conversion) based on reported EBIT. At 0.5, FCF-conversion was within the range of 0.3 to 0.5 targeted for 2023.

Under the "Mid-term Targets 2025", the **Automotive Technologies division** was aiming for average annual revenue growth – excluding the impact of currency translation – to exceed the growth in global production of passenger cars and light commercial vehicles by 200 to 500 basis points. The corresponding target EBIT margin before special items was 4 to 6%. At 4.5%, the EBIT margin before special items reached the lower end of the range targeted for 2023.

As "Mid-term Targets 2025", the **Automotive Aftermarket division** was aiming for average annual revenue growth – excluding the impact of currency translation – to exceed growth in global gross domestic product and an EBIT margin before special items of 13 to 15%. At 16.3%, the EBIT margin before special items exceeded the complete targeted range and hence the lower end of the range targeted for 2023.

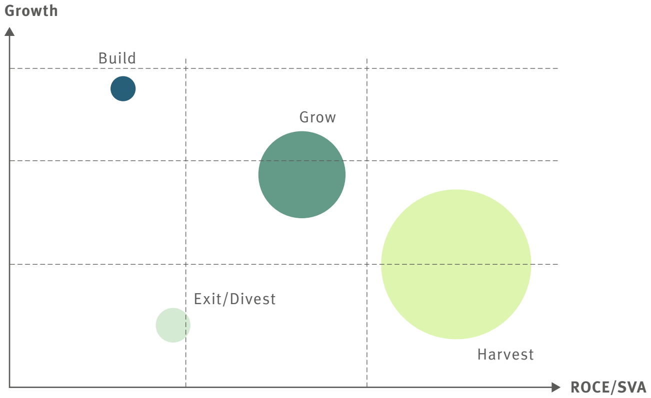
As "Mid-term Targets 2025", the **Industrial division** was aiming for average annual revenue growth – excluding the impact of currency translation – to exceed the growth of global industrial production and an EBIT margin before special items of 12 to 14%. At 9.0%, the EBIT margin before special items was below the lower end of the range targeted for 2023.

Portfolio management and capital allocation

In order to use its capital appropriately and in line with its strategy, the Schaeffler Group has developed a framework for long-term capital allocation that applies across all divisions. The framework identifies four fundamental portfolio strategies and represents a structure for investment and divestment decisions. The four strategies – **Build**, **Grow**, **Harvest** and **Exit/Divest** – are applied in all three divisions and their business areas and are always directly tied to a product, a sector cluster, and a region.

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

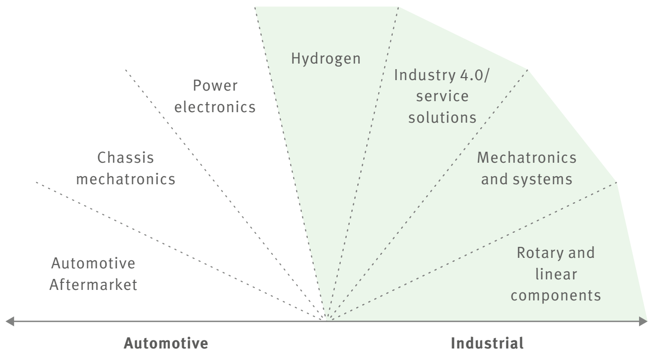
[1] Capacity expansion and new products.

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 primarily on the acquisition of smaller targets intended to complement and strengthen the technology spectrum, thus adding long-term value. Along with the qualitative evaluation of the entity potentially subject to an M&A transaction, the final assessment of whether the transaction is beneficial also includes a detailed quantitative analysis. In particular, the company pursues an acquisition only if the related expected return on capital employed exceeds a required minimum set internally. Specific risks such as country- or business-specific risks are taken into account, as is the maturity of the business, and may result in adjustments to the required minimum return in certain cases.

Group management

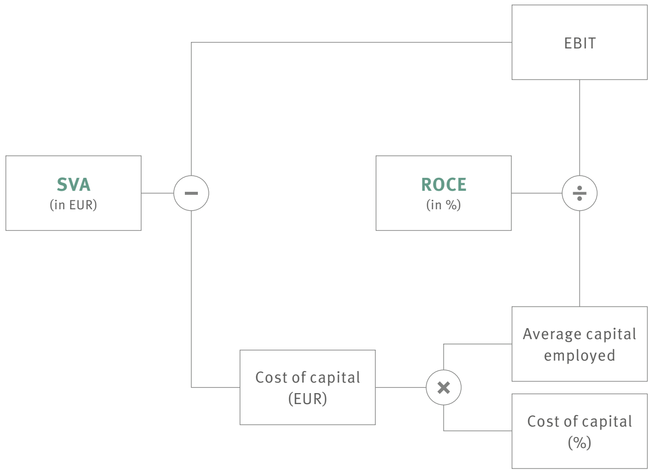
The overarching objective of the Schaeffler Group's management system is to create long-term value. Senior management considers it imperative that business activities are in line with the relevant legal limits and comply with corporate governance standards. Generating an appropriate return on capital employed is essential to creating long-term value. This requires having earnings sustainably exceed the cost of debt and equity capital employed. The Schaeffler Group's internal management system consists of several levels. The strategic financial performance indicators underlying the Schaeffler Group's **value-based management** process are **Schaeffler Value Added (SVA)** as well as **return on capital employed (ROCE)**. They are operationalized using key financial performance indicators.

Strategic financial performance indicators

The Schaeffler Group's value added in absolute terms is measured using the strategic financial performance indicator **SVA**. SVA is defined as **earnings before financial result and income taxes (EBIT)** less the **cost of capital** incurred on **average capital employed**. The Schaeffler Group's average capital employed consists of the following balance sheet items: property, plant and equipment, intangible assets, investments in joint ventures and associated companies, as well as working capital, which in turn comprises trade receivables and inventories net of trade payables. Additionally, the calculation includes right-of-use assets under leases, contract assets, and costs to fulfill a contract net of contract liabilities and refund liabilities, as well as assets held for sale net of related liabilities. The annual average is determined as the mathematical average of the balance at the end of each of the twelve months. Management of capital employed is operationalized as part of the management of free cash flow, which includes management of investing activities and management of working capital. The pre-tax cost of capital amounts to 10%. Positive SVA means that the Schaeffler Group has created value beyond covering its cost of capital. SVA also represents the change in value over time, i.e., a positive difference between SVA at the beginning and end of the period compared to the comparison period means that value has been added.

ROCE is a strategic financial performance indicator that measures the rate of return on the company's capital and is defined as the ratio of **EBIT** to **average capital employed**. If ROCE exceeds the cost of capital, the company is generating value by employing its resources. SVA and ROCE are additionally determined based on EBIT before special items.

Strategic financial performance indicators



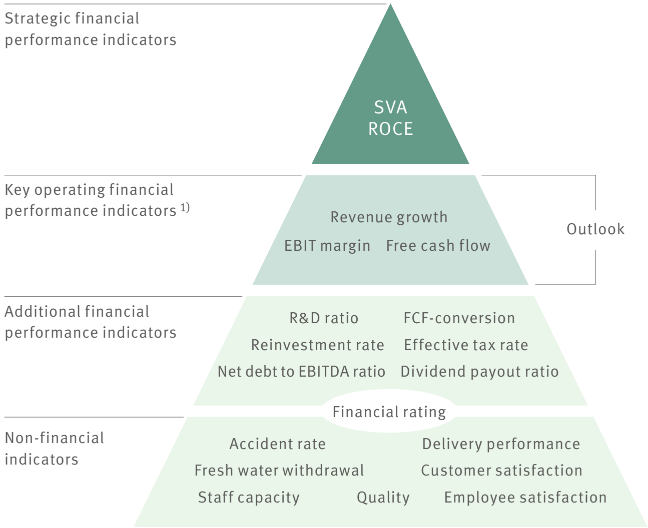
Key operating financial performance indicators

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

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

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

Management system



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

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

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

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

More on trends in the indicators discussed above under "Course of business" and on special items on pp. 20 et seq.

Additional financial performance indicators

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

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

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

- **Automotive Technologies:** The Schaeffler Group derives the Automotive Technologies division's medium- to long-term potential for growth from the indicator "order intake". Order intake shows the revenue expected over the entire term of supply to a series production that is based on nominations that are fixed in writing – or other written information received from the customer – during the reporting period, but do not give rise to enforceable rights and obligations. To reflect the uncertainty of actual call-offs, assumptions and risk discounts are applied to the underlying sales volumes and prices for some of the orders when determining order intake.
- **Automotive Aftermarket:** For the Automotive Aftermarket, no comparable leading indicators can be derived from the volume of order intake or orders on hand. This division holds regular discussions with major customers and observes its markets to obtain leading indications of the short-term demand situation.
- **Industrial:** The Industrial division uses especially the change in orders on hand due within the following three months as a leading indicator. This figure is monitored on a monthly basis.

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

Non-financial indicators

In addition to the financial performance indicators, management monitors additional non-financial indicators as part of the Schaeffler Group's strategic alignment: quality, staff capacity (headcount (HCO) and full-time equivalents (FTE)), delivery performance, customer satisfaction, employee satisfaction, employee accident rate, and fresh water withdrawal.

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

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

1.3 Research and development

The Schaeffler Group's product range focuses on motion technology. With its refined positioning as a Motion Technology Company, the Schaeffler Group aims to actively contribute to the transition toward a more sustainable future. This strategic direction makes innovation a strategic priority of the Schaeffler Group, especially when it comes to technologies, products, and services in the areas of electric mobility, CO_2-efficient drives, chassis solutions, industrial applications, Industry 4.0, digitalization, and renewable energy. The "innovation-to-business" strategy is aimed at identifying opportunities for sustainable products in dynamic and complex market environments early on. The innovation strategy is based on six product and two production innovation clusters (6+2 innovation clusters) that are geared to a clear focus on and evaluation of the market potential of new product ideas. The innovation clusters are organized in a global project house. Industrialization in accordance with customer and market requirements follows. The **6+2 innovation clusters** are part of "Innovation & Technology", a cross-divisional subprogram of the "Roadmap 2025".

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

The **(2) innovation cluster Material Solutions** develops materials and coatings for application in all product families. Developing high-performance materials with a low carbon footprint as well as new methods of using materials efficiently contributes significantly to achieving climate targets. Composite materials in coating technology are designed to reduce the carbon footprint while being highly efficient. Modifying surfaces and developing lubricants and seals and gaskets are aimed at reducing friction and lowering fuel consumption during the use phase.

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

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

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

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

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

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

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

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

Research and development expenses

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

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

1.4 Production network and locations

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

Schaeffler Group degree of localization [1) by region

	in % 2023	(prior year)
Europe	83.4	(83.9)
Americas	57.3	(54.0)
Greater China	66.4	(62.9)
Asia/Pacific	43.4	(41.7)

■ 2023

1) The degree of localization describes the relation of sales volume manufactured in a region – taking into account procurement flows – to that region's sales (sales by market view/prior year information presented based on 2023 segment structure).

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

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

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

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

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

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

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

Additionally, the Schaeffler Group has intensified its cooperation with H2 Green Steel and gradually increased the existing minority investment during the year. In connection with this, the Schaeffler Group, as a strategic technology partner, will contribute to the partnership its development expertise for steel grades, such as for green steel for electric mobility. H2 Green Steel has a target of reducing CO_2 emissions by up to 95% compared to steel from conventional production. In addition, the partnership is aimed at generating new applications for the use of sustainable rolling bearing solutions in production.

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

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

2. Report on the economic position

2.1 Economic environment

Macroeconomic environment

Gross domestic product

	Change in %
Europe	**1.1** 3.4
Americas	**2.3** 2.4
Greater China	**5.3** 2.8
Asia/ Pacific	**3.4** 3.6
World	**2.7** 3.0

2023 2022

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

The challenging environment continued to weigh on the growth of the **global economy**. Economic activity was held back by the considerably tighter monetary policy, restrictive financing conditions, and inflation which, though decreasing, remained high. Additionally, the outbreak of the conflict and acts of war in the Middle East exacerbated the already extensive geopolitical uncertainty. Despite these challenges, growth in global gross domestic product [2] exceeded expectations, albeit not reaching the average pre-pandemic level.

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

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

More on foreign currency translation on page 88.

Sector-specific environment

Automobile production

	Change in %	Million units
Europe	**10.3** 1.4	**19.8** 17.9
Americas	**8.4** 9.2	**18.5** 17.1
Greater China	**9.9** 6.6	**29.3** 26.7
Asia/ Pacific	**8.8** 9.7	**22.5** 20.7
World	**9.4** 6.7	**90.1** 82.3

2023 2022

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

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

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

[2] Measured as gross domestic product in real terms based on market exchange rates (S&P Global Market Intelligence [January 2024]). Includes content supplied by S&P Global Market Intelligence © [World Economic Service Forecast, January 2024]. All rights reserved.
[3] Measured as the number of vehicles up to six tons in weight produced (S&P Global Mobility [January 2024]). Includes content supplied by S&P Global © [IHS Markit Light Vehicle Production Forecast (Base), January 2024]. All rights reserved.

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

Vehicle population

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

2023 2022

Source: S&P Global Mobility (October 2023).
Regions reflect the regional structure of the Schaeffler Group. The calculation of average age at the global level and by Schaeffler Group region is based on approximately 96% of the global vehicle population.

Growth in global **vehicle population** [4] in 2023 is once again primarily attributable to above-average growth in China.

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

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

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

2023 2022

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

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

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

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

Procurement markets

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

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

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

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

2.2 Course of business 2023

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

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

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

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

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

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

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

[7] Data supplied by Ember (January 2024).

Results of operations compared to outlook 2023

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

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

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

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

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

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

Comparison to outlook 2023

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

1) Constant-currency revenue growth compared to prior year.
2) Please refer to pp. 27 et seq. for the definition of special items.
3) Before cash in- and outflows for M&A activities.
4) Please refer to page 57 of the Schaeffler Group's annual report 2022.
5) Confirmed on April 24, 2023.
6) LVP growth: global growth in production of passenger cars and light commercial vehicles.

2.3 Earnings

Schaeffler Group earnings

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

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

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

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

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

[1] Based on market (customer location).
[2] Please refer to pp. 27 et seq. for the definition of special items.
[3] Attributable to shareholders of the parent company.

The Schaeffler Group's **financial result** deteriorated by EUR 137 m to EUR -259 m in 2023.

Schaeffler Group financial result

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

[1] Incl. amortization of transaction costs.

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

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

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

EUR 67 m in expenses were included in Other in 2023 (prior year: EUR 30 m in income), consisting primarily of EUR 47 m resulting from recognizing derivatives embedded in a total return swap at fair value. The total return swap was entered into with a bank in support of the public tender offer issued by Schaeffler AG for the acquisition of the shares in Vitesco Technologies Group AG; the twelve-month swap provides for cash settlement and does not convey any legal right to settlement in shares. Measurement of contingent purchase price payment obligations and an impairment of a purchase price receivable in connection with companies acquired and sold in prior years resulted in additional gains and losses.

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

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

Basic and diluted earnings per common share decreased to EUR 0.46 in 2023 (prior year: EUR 0.83). Basic and diluted **earnings per common non-voting share** amounted to EUR 0.47 (prior year: EUR 0.84). The number of shares used to calculate earnings per common share and earnings per common non-voting share was 500 million (prior year: 500 million) and 166 million (prior year: 166 million), respectively.

ROCE fell to 8.8% in 2023 (prior year: 11.1%); Schaeffler Value Added declined to EUR -114 m (prior year: EUR 98 m). **ROCE before special items** was 12.5% (prior year: 11.9%); **Schaeffler Value Added before special items (SVA)** improved to EUR 239 m (prior year: EUR 170 m). This improvement was attributable to higher EBIT before special items, partly offset by an increase in cost of capital that was driven by an increase in average capital employed, primarily as a result of additions to intangible assets.

Automotive Technologies division earnings

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

Outperformance 2023

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

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

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

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

Prior year information presented based on 2023 segment structure.
[1] Constant-currency revenue growth compared to prior year.
[2] Includes content supplied by S&P Global Mobility© [IHS Markit Light Vehicle Production Forecast (Base), January 2024]. All rights reserved.
[3] Based on market (customer location).
[4] Please refer to pp. 27 et seq. for the definition of special items.

Automotive Aftermarket division earnings

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

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

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

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

Prior year information presented based on 2023 segment structure.
[1] Based on market (customer location).
[2] Please refer to pp. 27 et seq. for the definition of special items.

Industrial division earnings

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

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

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

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

Prior year information presented based on 2023 segment structure.
[1] Based on market (customer location).
[2] Please refer to pp. 27 et seq. for the definition of special items.

Performance indicators and special items

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

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

Please refer to the "Group management" chapter on pp. 13 et seq. for a detailed discussion of performance indicators.

EBIT for the year was impacted by **special items**, most of which were recognized in other expenses and other income.

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

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

Reconciliation

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

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

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

The **energy derivatives and forward exchange contracts** category primarily comprises fair value losses on forward contracts for electricity and gas prices and on short-, medium-, and long-term price and supply agreements (power purchase agreements) held to secure the Schaeffler Group's energy supply. This year, the company included in the energy derivatives and forward exchange contracts category – for the first time and in order to portray the Schaeffler Group's operating profitability – unrealized fair value gains incurred on forward exchange contracts that are used to hedge currency risk related to operations and that are not subject to cash flow hedge accounting.

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

Reconciliation

	2023	2022
Income statement (in € millions)		Total
EBIT	**834**	**974**
• in % of revenue	5.1	6.2
Special items	**353**	**72**
• Legal cases	15	0
• Restructuring	-3	173
– including divisional Roadmap 2025 subprograms of	3	173
• M&A	231	-5
• Energy derivatives and forward exchange contracts	131	-97
• Other	-21	0
EBIT before special items	**1,187**	**1,046**
• in % of revenue	7.3	6.6
Net income [2)]	**310**	**557**
Special items	**313**	**53**
• Legal cases	13	-4
• Restructuring	-3	179
• M&A	231	-5
• Energy derivatives and forward exchange contracts	131	-98
• Other	-21	0
– Tax effect [3)]	-38	-20
Net income before special items [2)]	**623**	**610**

Statement of financial position (in € millions)	**12/31/2023**	**12/31/2022**
Net financial debt	3,189	2,235
/ EBITDA	1,836	1,963
Net financial debt to EBITDA ratio	**1.7**	**1.1**
Net financial debt	3,189	2,235
/ EBITDA before special items	2,189	2,030
Net financial debt to EBITDA ratio before special items	**1.5**	**1.1**

	2023	2022
Statement of cash flows (in € millions)		
EBITDA	**1,836**	**1,963**
Special items	**353**	**67**
• Legal cases	15	0
• Restructuring	-3	176
• M&A	231	-13
• Energy derivatives and forward exchange contracts	131	-97
• Other	-21	0
EBITDA before special items	**2,189**	**2,030**
Free cash flow (FCF)	**-624**	**84**
-/+ Cash in- and outflows for M&A activities	1,045	195
FCF before cash in- and outflows for M&A activities	**421**	**280**
/ EBIT	834	974
FCF-conversion [4)]	**0.5**	**0.3**
FCF before cash in- and outflows for M&A activities	**421**	**280**
Special items	**180**	**261**
• Legal cases	-40	-30
• Restructuring	208	287
• Other	12	4
FCF before cash in- and outflows for M&A activities and before special items	**601**	**541**

Value-based management (in € millions)		
EBIT	834	974
/ Average capital employed	9,477	8,760
ROCE (in %)	**8.8**	**11.1**
EBIT before special items	1,187	1,046
/ Average capital employed	9,477	8,760
ROCE before special items (in %)	**12.5**	**11.9**
EBIT	834	974
– Cost of capital	948	876
Schaeffler Value Added (SVA)	**-114**	**98**
EBIT before special items	1,187	1,046
– Cost of capital	948	876
SVA before special items	**239**	**170**

1) Prior year information presented based on 2023 segment structure.
2) Attributable to shareholders of the parent company.
3) Based on each entity's specific tax rate and country-specific tax environment.
4) Only reported if free cash flow before cash in- and outflows for M&A activities and EBIT positive.

2.4 Financial position and finance management

Cash flow and liquidity

Cash flow

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

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

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

More on investing activities on page 30.

Cash provided by (used in) financing activities includes the dividends of EUR 306 m (prior year: EUR 336 m) paid in the second quarter of 2023. Changes in financial debt resulted in EUR 653 m in net cash inflows during the year (prior year: EUR 491 m in cash outflows).

More on financing activities on pp. 31 et seq.

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

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

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

Investing activities

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

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

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

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

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

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

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

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

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

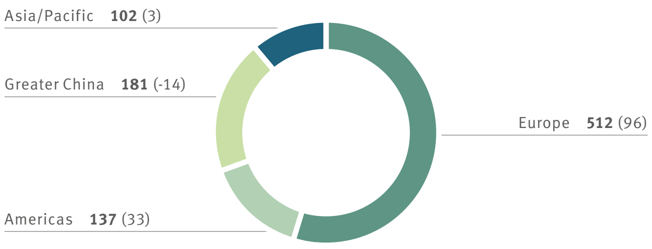
More in the sustainability report under:
www.schaeffler-sustainability-report.com/2023

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

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

Schaeffler Group capital expenditures [1] by region

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



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

Financial debt

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

Net financial debt

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

The net financial debt to EBITDA ratio, defined as the ratio of net financial debt to earnings before financial result, income taxes, depreciation, amortization, and impairment losses (EBITDA), amounted to 1.7 as at December 31, 2023 (December 31, 2022: 1.1). The net financial debt to EBITDA ratio before special items was 1.5 (December 31, 2022: 1.1).

Schaeffler AG is rated by the three rating agencies Fitch, Moody's, and Standard & Poor's. The following summary shows the Schaeffler Group's credit ratings as at December 31, 2023:

Schaeffler Group ratings

as at December 31

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

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

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

The group had additional bilateral lines of credit in the equivalent of EUR 286 m (prior year: EUR 118 m), primarily in China, Germany, the U.S., and South Korea. EUR 274 m of these facilities were unutilized as at December 31, 2023 (prior year: EUR 101 m).[8]

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

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

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

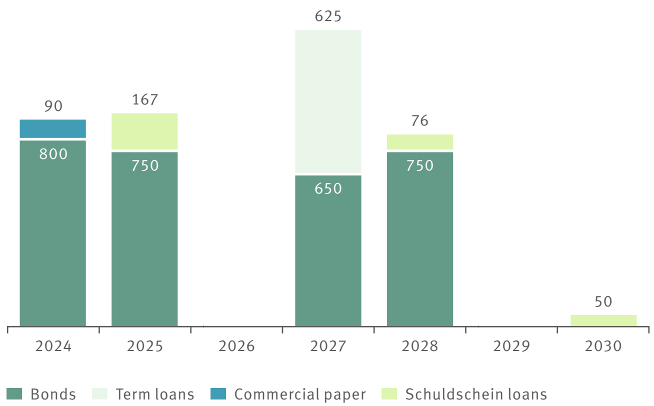
Under its existing debt financing agreements, the Schaeffler Group is subject to certain constraints including a requirement to meet various leverage covenants. Compliance with these financial covenants is monitored continually and reported to the lending banks on a regular basis. As in prior years,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

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

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

Maturity profile

Principal outstanding as at December 31, 2023, in € millions



Schaeffler Group bonds

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

Finance management

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

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

External group financing is primarily provided by capital and money market instruments, Schuldschein loans, as well as syndicated and bilateral lines of credit from international banks. These include, in particular, a EUR 500 m term loan and a EUR 2.0 bn revolving credit facility that is available to cover any short- to medium-term liquidity needs. Furthermore, Schaeffler AG has established a commercial paper program with an aggregate volume of EUR 1.0 bn to cover short-term liquidity needs. In addition, the Schaeffler Group uses receivable sale programs to a limited extent to manage liquidity and improve its working capital. In particular, the company has access to a receivable sale program for revolving sales of trade receivables for this purpose. The program has a total volume of up to EUR 200 m of which EUR 150 m (prior year: EUR 166 m) were utilized as at December 31, 2023. Additionally, the Schaeffler Group has the ability to selectively use further receivable sale programs without a fixed committed volume.

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

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

2.5 Net assets and capital structure

Consolidated statement of financial position (abbreviated)

in € millions	12/31/2023	12/31/2022	Change in %
ASSETS			
Non-current assets	7,971	7,180	11.0
Current assets	7,036	7,104	-1.0
Total assets	**15,006**	**14,284**	**5.1**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	3,905	4,141	-5.7
Non-current liabilities	5,813	5,772	0.7
Current liabilities	5,287	4,372	20.9
Total shareholders' equity and liabilities	**15,006**	**14,284**	**5.1**

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

More on acquisitions and disposals of companies on pp. 95 et seq. in the notes to the consolidated financial statements.

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

More on cash flow and liquidity on page 29.

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

More on the consolidated statement of changes in equity on page 84.

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

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

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

In performing its function as management holding company of the Schaeffler Group, Schaeffler AG incurred EUR 171 m (prior year: EUR 147 m) in general and administrative expenses that resulted partly from higher consulting expenses related to acquisition projects.

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

Income from equity investments included withdrawals of EUR 1.0 bn (prior year: EUR 791 m) from Schaeffler Technologies AG & Co. KG.

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

Income taxes amounted to EUR 23 m in 2023 (prior year: EUR 38 m) and consisted exclusively of current income taxes. Schaeffler AG has had deferred tax assets since 2016. It has opted out of recognizing deferred tax assets in accordance with section 274 (1) sentence 2 HGB. Consequently, just as in the prior year, the company did not have any deferred tax expense or benefit in 2023.

Retained earnings consist of EUR 426 m (prior year: EUR 418 m) in net income and EUR 0 m (prior year: EUR 122 m) in retained earnings brought forward.

The Board of Managing Directors and the Supervisory Board will propose to the annual general meeting to pay a dividend for 2023 of EUR 0.44 (prior year: EUR 0.44) per common share and EUR 0.45 (prior year: EUR 0.45) per common non-voting share and to add the remaining retained earnings of EUR 131 m to revenue reserves.

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

The Board of Managing Directors considers the results of operations of Schaeffler AG, which are highly dependent on the course of business of the Schaeffler Group, to be good overall given the planned merger with Vitesco Technologies Group AG.

Schaeffler AG financial position and net assets

Balance sheet of Schaeffler AG (abbreviated)

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

Fixed assets consisted primarily of shares in Schaeffler Technologies AG & Co. KG. The carrying amount of the investment in Schaeffler Immobilien AG & Co. KG was written up by EUR 58 m in 2023 (prior year: EUR 85 m write-down) as the company was strategically realigned including adjustments to its business model.

Current assets largely consist of short-term loans and other financial receivables related to Schaeffler AG's cash pooling function and responsibility for the internal group financing of the Schaeffler Group. This line item further includes Schaeffler AG's claim to the net income of Schaeffler Technologies AG & Co. KG of EUR 900 m (prior year: EUR 791 m) that had not yet been paid as at December 31, 2023. Schaeffler Technologies AG & Co. KG paid EUR 791 m in respect of the prior year's net income to Schaeffler AG in 2023, and Schaeffler AG used these funds entirely to pay off existing liabilities due to Schaeffler Technologies AG & Co. KG.

Schaeffler AG manages the Schaeffler Group's cash pool and held bank balances of EUR 271 m (prior year: EUR 553 m) at the end of the reporting period.

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

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

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

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

More on financial debt on pp. 31 et seq.

Closing statement on the dependency report

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

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

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

2.7 Other components of the group management report

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

- “Corporate governance declaration including the corporate governance report” on pp. 52 et seq.,
- “Governance structure” on pp. 71 et seq.,
- “Governing bodies of the company” on pp. 74 et seq.

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

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

Combined separate group non-financial report in accordance with sections 289b (3) and 315b (3) HGB within the sustainability report at: www.schaeffler-sustainability-report.com/2023

3. Supplementary report

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

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

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

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

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

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

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

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

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

No other material events expected to have a significant impact on the net assets, financial position, or results of operations of the Schaeffler Group occurred after December 31, 2023.

4. Report on opportunities and risks

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

More on corporate governance on pp. 52 et seq.

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

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

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

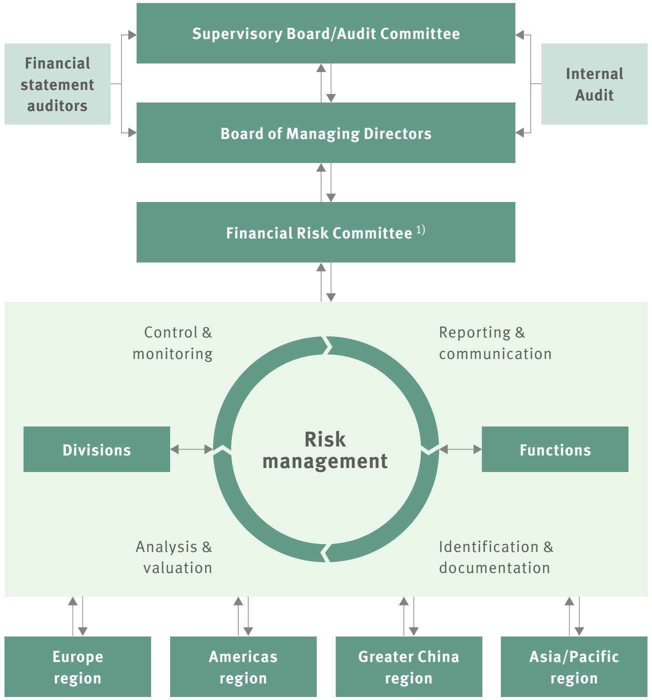
4.1 Risk management system

The objective of the risk management system is to identify, assess and manage risks in accordance with the company's risk strategy on a timely basis. Consciously addressing identified risks and regularly monitoring risk factors is designed to strengthen risk awareness and ensure a continuous improvement process.

The groupwide risk management system is based on the management-oriented enterprise risk management (ERM) approach, which in turn has its basis in the globally recognized framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Under this approach, the risk management system is part of the second line in the governance structure.

Responsibility for the risk management system rests with Schaeffler AG's Board of Managing Directors which regularly reports to the Schaeffler AG audit committee and ensures that necessary risk management measures are approved. The risk management guideline applicable throughout the company sets out the significant details of the risk management system. The guideline contains a description of the process, the allocation of responsibilities, and the structure of the risk management system. The Board of Managing Directors of Schaeffler AG has asked Risk Management & Internal Control System to review and update the risk management system on an ongoing basis and to ensure that existing uniform groupwide standards are implemented and complied with.

Structure of risk management system



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

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

The Financial Risk Committee is headed up by the Chief Financial Officer, consists of representatives of the divisions and functions, and complements the Governance, Risk & Compliance Committee (GRCC). The Financial Risk Committee validates the risk position each quarter based on the risk survey completed previously. The validated risk position forms the basis for reports to the Board of Managing Directors and includes all strategic, operating, legal, and financial risks along the value chain as well as risks related to the non-financial declaration. Risks are identified semi-annually at all material Schaeffler Group companies. Any significant risks are added to and updated in the risk management system on an ongoing basis. Operating management is responsible for identifying risks. The timeframe for identifying risks is five years, and therefore longer than the outlook horizon.

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

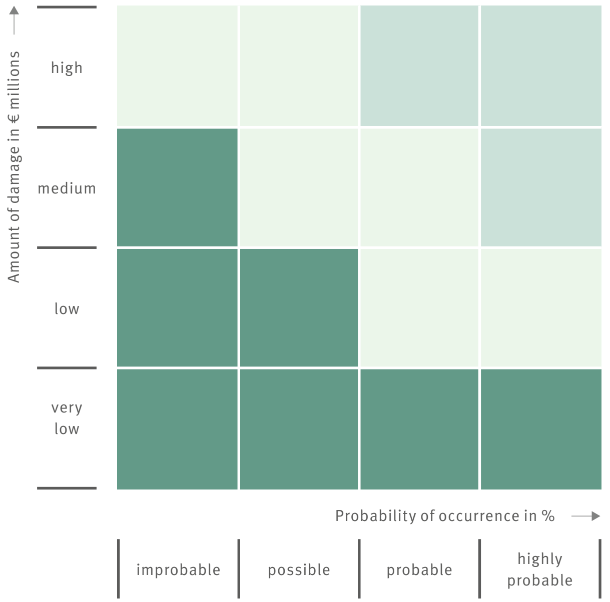
Combined separate group non-financial report in accordance with sections 289b (3) and 315b (3) HGB within the sustainability report at: www.schaeffler-sustainability-report.com/2023

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

Subsidiaries are selected for inclusion based on a defined process that takes into account revenue, EBIT, and risk factors specific to the business. This selection process ensures that all Schaeffler Group subsidiaries that are relevant from a materiality perspective are included in the risk management system. In 2023, 46 of 178 Schaeffler Group entities were included, representing 93% of revenue. The remaining entities are subject to an abbreviated risk assessment process ensuring that all risks to the existence of the company as a going concern are identified.

In the risk management system, any risks with a potential amount of damage above EUR 5 m on a gross basis are reported. Risks are assessed according to their monetary impact (amount of damage) and probability of occurrence and classified in four categories per dimension. The combination of amount of damage and probability of occurrence determines the risk class with its impact on net assets, the financial position, and earnings. In assessing risks, the Schaeffler Group differentiates between gross exposures and net exposures; measures already in place can reduce the gross exposure. The net exposure represents the amount of damage and the probability of occurrence after taking into account any risk mitigation measures in place at the reporting date. Risks are assigned to the relevant risk class using the risk matrix:

Risk matrix



Impact assessment

Amount of damage in €	
‹ 10 million	very low
› = 10 million – ‹ 25 million	low
› = 25 million – ‹ = 50 million	medium
› 50 million	high

Probability of occurrence in %	
‹ 25%	improbable
25% – ‹ 50%	possible
50% – 75%	probable
› 75%	highly probable

Risk classes

low medium high

Impact on net assets, financial position, and earnings

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

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

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

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

[9] Section unaudited.

4.2 Internal control system

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

Features of the internal control system [9]

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

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

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

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

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

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

System of internal control over financial reporting (sections 289 (4) HGB and 315 (4) HGB)

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

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

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

The ICS Governance department was set up to assist the Board of Managing Directors of Schaeffler AG with issues relating to the system of internal control over financial reporting; ICS Governance was renamed Internal Control System Reporting in 2023. This department applies scoping to ensure that the significant risks identified in the relevant processes are covered by appropriate internal controls in order to ensure reliable financial reporting. Additionally, the corporate Internal Control System Reporting department stipulates the methodology for documenting and testing controls and, by way of corporate quality assurance measures, ensures it is applied.

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

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

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

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

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

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

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

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

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

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

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

4.3 Risks

The net risks described below could take on a medium or high impact on the Schaeffler Group's earnings, financial position, and net assets within the planning horizon. They are divided into strategic, operating, legal, and financial risks and presented in decreasing order of the magnitude of their impact on the Schaeffler Group's net assets, financial position, and earnings. The risk information provided applies to all three of the Schaeffler Group's divisions unless explicitly attributed to specific divisions.

Strategic risks

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

Business combination with Vitesco Technologies Group AG and portfolio measures

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

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

There is no guarantee that the Schaeffler Group was aware of all circumstances significant to the valuation of Vitesco Technologies Group AG prior to announcement of the offer. At the time the offer was launched, the Schaeffler Group was able to perform a due diligence based on publicly available information only. As a result, the Schaeffler Group may not have had access to all important information and documents prior to the investment decision. Should previously unknown circumstances relevant to the valuation become known, this would result in an excessively high offer price. Additionally, intended benefits of the combination, such as expected cost savings, transfer of expertise, growth opportunities, synergies, and improvements in the competitive profile may not be achieved at all or not be realized until a later date. The business combination with Vitesco Technologies Group AG could have a high adverse impact on the Schaeffler Group's net assets, financial position, and earnings.

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

Electric mobility and autonomous driving

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

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

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

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

Strategic market risks

The Schaeffler Group operates in a highly competitive and technologically fast-paced market environment. The Automotive Technologies division's component business is facing considerable pricing pressure driven by more and more requests for transparency regarding costs, increasing demands for price reductions on the part of customers, purchasing cooperatives, and growing competition, especially in the emerging markets. The company could be unable to fully pass these demands for price reductions on to its own suppliers and to absorb them entirely with its existing structure. Additionally, accelerated electrification will lead to lower component revenue in the medium term.

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

Macroeconomic environment

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

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

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

Operating risks

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

Market developments

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

Since the Industrial division is impacted significantly by macroeconomic trends, any deterioration in the economic environment leads to a medium impact on the Schaeffler Group's net assets, financial position, and earnings.

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

Markets are analyzed on an ongoing basis in order to detect changes in market structure or regulations early on. The company uses cost efficiency programs to flexibly and dynamically reduce the amount of damage from unexpected market 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 of goods and services supplied. Improving logistics connections to suppliers helps secure supply. Should failure of a supplier jeopardize the security of supply, this could have a medium impact on the Schaeffler Group's net assets, financial position and earnings. For the Automotive Aftermarket division, along with supply from external suppliers, particularly supply from the Automotive Technologies division is of importance in this regard.

Procurement risks arise mainly from fluctuations in market prices, especially in the prices of energy and steel. These fluctuations affect all of the divisions since steel is used in rolling bearings and automotive components. Volatile market prices and government influence could have a medium impact on the Schaeffler Group's net assets, financial position, and earnings. To mitigate these risks, especially for electricity and gas in the manufacturing divisions, Automotive Technologies and Industrial, the Schaeffler Group uses hedging instruments common in the market such as forward purchase contracts for electricity and gas as well as short-, medium-, and long-term price and supply agreements. IFRS 9 requires part of these hedging instruments to be accounted for as derivative financial instruments. Please refer to the description of risks arising from currency fluctuations and financial instruments for further details on the use of these derivative financial instruments.

The Schaeffler Group continues to strive to at least partially pass on wide price fluctuations in the procurement markets by adjusting sales prices accordingly, albeit with some delay. The company is systematically improving its production and sales logistics in order to strengthen its delivery performance, which is considered a key competitive factor for a long-term relationship of trust with customers. The Industrial and Automotive Aftermarket divisions utilize high-performance distribution centers to better and efficiently supply the market.

Climate-related risks and risks from force majeure

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

Cyber risks

The IT systems used in all areas of the company are essential to the Schaeffler Group. Cyber security focuses on the security of these systems, including the underlying data, technology, and processes. Effective cyber security mitigates the risk of unauthorized access and damage to digital processes and systems and provides resilience. It also safeguards the confidentiality, integrity, and availability of data and systems. In order to achieve these protection goals, the Schaeffler Group refers to recognized international standards for information security management systems (ISMS) such as ISO 27001 and Trusted Information Security Assessment Exchange (TISAX). Any unauthorized access to IT systems, any modification or retrieval of sensitive business data, or any non-functioning processes and data could have a medium impact on the Schaeffler Group's net assets, financial position, and earnings.

Warranty and liability risks

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

Product piracy risks

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

Legal risks

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

Regulatory risks

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

Financial risks

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

Tax risks

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

Risks arising from currency fluctuations and financial instruments

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

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

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

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

Pension risks

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

Liquidity risks

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

Liquidity risks can arise if financing needs cannot be met by existing equity or debt financing arrangements. The Schaeffler Group's financing requirements were met throughout 2023 by existing financing instruments and refinancing arrangements completed.

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

Compliance with financial covenants is monitored on an ongoing basis and regularly reported to the lending banks. The creditors are entitled to call the debt prior to maturity under certain circumstances, including if financial covenants are not met, which would result in the debt becoming due immediately. To date, the Schaeffler Group has consistently complied with all financial covenants as stipulated in the debt agreements. The Schaeffler Group also expects to comply with these covenants in the future. Any non-compliance with the debt covenants as well as any liquidity needs that cannot be covered could have a medium impact on the Schaeffler Group's net assets, financial position, and earnings, with actual occurrence considered improbable.

Impairments

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

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

Risk assessment

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

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

4.4 Opportunities

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

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

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

Strategic and financial opportunities specifically result from the following factors:

Strategic opportunities

Business combination with Vitesco Technologies Group AG

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

Growing demand for automobiles in emerging countries

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

Increasing technological standards in the truck market

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

Fleet management

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

Electric mobility in the automotive aftermarket

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

Renewables

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

Significant market growth is also expected in the coming years for what is referred to as green hydrogen, which is produced using electrolysis. The market ramp-up of these technologies hinges significantly on establishing reliable supply chains as well as industrializing and scaling up the related core components.

The Schaeffler Group has created the strategic business area hydrogen in its Industrial division and aims to establish itself within the value chain for hydrogen technologies. The Schaeffler Group's strategic focus in this regard is on scaling up critical core components such as bipolar plates and electrolysis stacks.

Transportation & Mobility

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

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

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

Machinery & Materials

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

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

Industrial Automation

Increasing digitalization and automation of production, rising cost pressure, and higher safety and sustainability requirements result in growing demand for innovative production solutions in many industries.

The Schaeffler Group offers a wide range of diversified solutions for the growing industrial automation, that covers, inter alia, robotic applications and supports autonomous production. Products include, for instance, sensor-enabled bearings as well as complex mechatronic systems, and innovative solutions are constantly being added, for example in the field of collaborative robots (cobots). Additionally, the acquisition of the Ewellix Group has considerably expanded the Schaeffler Group's linear business.

Financial opportunities

Financial markets

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

4.5 Overall assessment of Schaeffler Group opportunities and risks

The Board of Managing Directors estimates that the Schaeffler Group's situation with respect to risks has improved slightly compared to the prior year. This is particularly due to the decrease in the high volatility of energy prices as well as the settlement of legal cases.

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

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

5. Report on expected developments

5.1 Expected economic and sales market trends

Based on the forecast by S&P Global (January 2024) [10], the Schaeffler Group expects growth in **global gross domestic product** [11] to slow further to 2.0 to 2.5% in 2024 (2023: 2.7%). The pace of expansion is anticipated to weaken across regions despite expectations of a further decline in inflation and incipient easing of monetary policy.

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

Taking into account the forecast by S&P Global Mobility (January 2024) [12] and based on internal assessments, the Schaeffler Group expects **global automobile production** [13], in terms of the number of vehicles, to remain approximately at the prior year level in 2024 (2023: 90.1 million vehicles).

Based on the forecast by S&P Global Mobility (October 2023) [14], the Schaeffler Group anticipates growth in **global vehicle population** [15] for 2024 to increase by approximately 2%, with the average vehicle age rising slightly (2023: growth of 2.4%, average age 11.1 years).

Based on the forecast by S&P Global Market Intelligence (January 2024) [16], the Schaeffler Group expects **global industrial production** [17] to grow by just over 2% (2023: 1.0%) in 2024, while production in the sectors particularly relevant to the company – mechanical engineering, transport equipment, and electrical equipment – is anticipated to increase by a total of approximately 3% (2023: 2.8%).

[10] Includes content supplied by S&P Global Market Intelligence © [World Economic Service Forecast, January 2024]. All rights reserved.
[11] Measured as gross domestic product in real terms based on market exchange rates.
[12] Includes content supplied by S&P Global Mobility © [IHS Markit Light Vehicle Production Forecast (Base), January 2024]. All rights reserved.
[13] Measured as the number of vehicles up to six tons in weight produced.
[14] Includes content supplied by S&P Global Mobility © [IHS Markit Vehicles in Operation (VIO) Forecast, October 2023]. All rights reserved.
[15] Measured as the number of passenger cars and light commercial vehicles less than 3.5 tons in weight.
[16] Includes content supplied by S&P Global Market Intelligence © [Comparative Industry Service Forecast, January 2024]. All rights reserved.
[17] Measured as value added in real terms.

5.2 Schaeffler Group outlook

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

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

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

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

Herzogenaurach, February 20, 2024

The Board of Managing Directors

Outlook 2024

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

1) Constant-currency revenue growth compared to prior year.
2) Please refer to pp. 27 et seq. for the definition of special items.
3) Before cash in- and outflows for M&A activities.

Corporate Governance

* 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 2023, the Board of Managing Directors and the Supervisory Board issued the following declaration of conformity pursuant to section 161 AktG:

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

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

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

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

Herzogenaurach, December 15, 2023

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

1.2 Corporate governance principles

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

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

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

In its business activities, the Schaeffler Group is intent on combining commercial success, a long-term focus, and awareness of the social and ecological aspects of the company's operations. Combining economic success with acting responsibly toward the environment, people, and society is very important to the Schaeffler Group. The Schaeffler Group identifies with the corporate values "Sustainable", "Innovative", "Excellent", and "Passionate". These values form an important basis for the success of the Schaeffler Group for the benefit and in the interest of customers and business partners, employees and managers, as well as shareholders and family shareholders. In addition to the fundamental orientation toward sustainability in managing the business, a sustainability strategy comprising ten fields of action along the dimensions of environment, social, and governance was previously adopted in 2022. In this manner, the Schaeffler Group is assuming ecological and social responsibility along the entire value chain. The sustainability strategy is reviewed regularly and amended as needed.

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

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

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

Board of Managing Directors

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

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

More on compliance on pp. 71 et seq.

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

Membership of the Board of Managing Directors

Section 76 (3a) AktG stipulates that the Board of Managing Directors of Schaeffler AG has to have at least one female and at least one male member (minimum participation requirement). Schaeffler AG has complied with this requirement in 2023.

Consistent with the group's international stature and wide variety of sectors, the Board of Managing Directors considers diversity when making appointments to leadership positions. It aims to give appropriate consideration to women and has set targets for the proportion of women within Schaeffler AG at the two levels of management immediately below the Board of Managing Directors in accordance with section 76 (4) AktG. At its meeting on March 14, 2022, the Board of Managing Directors set a target for the proportion of women of 20% at the first level and second level of management immediately below the Board of Managing Directors for the period ending December 31, 2025.

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

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

- **Gender:** The Board of Managing Directors must have at least one female member. The company strives to increase the number of female members on the Board of Managing Directors beyond the legal minimum participation requirement in the long term.
- **Age:** The Board of Managing Directors should have an appropriate age distribution. Along with several younger members, this Board should also have members with a greater amount of professional and life experience. The

company aims for an average age of all members of the Board of Managing Directors of approximately 55 years. Members may serve on the Board of Managing Directors until their 68th birthday. In making appointments to the Board of Managing Directors, consideration should be given to ensuring a balanced age distribution and increased consideration given to younger executives. The targets established were met in 2023.

- **Professional experience:** The members of the Board of Managing Directors should bring diverse professional experience to the Board. Along with sufficient professional background in the fields of engineering and business, they should also have additional professional experience, especially in fields relevant to the Schaeffler Group's future business, such as mechatronics, electrical engineering, digitalization, and IT. In making appointments to the Board of Managing Directors, consideration should be given to the candidates' education and training, professional career, and their current responsibilities. The targets established were met in 2023.
- **Internationality:** Sufficient international experience should be represented on the Board of Managing Directors to appropriately reflect the international nature of the Schaeffler Group's business. The members of the Board of Managing Directors should have different nationalities. The objective should be that all members of the Board of Managing Directors have experience working abroad and/or are experienced in international business. Having at least one member with a non-German nationality, ideally from a market relevant to the Schaeffler Group, on the Board of Managing Directors in the long term is considered desirable. To be appointed to the Board of Managing Directors, a candidate must have international experience. At the first and second level of management immediately below the Board of Managing Directors, the majority of employees should have experience working abroad and be experienced in international business. All members of the Board of Managing Directors are experienced in international business.

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

More on the members of the Board of Managing Directors, their areas of responsibility, and any positions they hold on Supervisory Boards of other companies on pp. 76 et seq.

Supervisory Board

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

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

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

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

Membership of the Supervisory Board

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

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

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

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

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

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

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

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

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

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

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

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

Qualifications matrix – shareholder representatives

		Georg F. W. Schaeffler	Sabine Bendiek	Prof. Dr. Hans-Jörg Bullinger	Dr. Holger Engelmann	Prof. Dr. Bernd Gottschalk	Ulrike Hasbargen	Katherina Reiche	Robin Stalker	Prof. TU Graz e.h. KR Ing. Siegfried Wolf	Prof. Dr.-Ing. Tong Zhang
Member since		12/01/2014	04/24/2019	12/01/2014	12/01/2014	12/01/2014	04/23/2021	04/20/2023	12/01/2014	12/01/2014	12/01/2014
Personal suitability	Independence [1]		●	●	●	●	●	●	●	●	●
	No overboarding [1]	●	●	●	●	●	●	●	●	●	●
Diversity	Gender	m	f	m	m	m	f	f	m	m	m
	Year of birth	1964	1967	1944	1965	1943	1961	1973	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	Ulrich Schöpplein	Markus Zirkel
Member since		12/02/2014	04/08/2017	05/08/2020	08/08/2018	10/01/2022	11/19/2015	05/08/2020	05/08/2020	08/01/2023	05/08/2020
Diversity	Gender	m	f	m	f	m	f	m	f	m	m
	Year of birth	1955	1981	1979	1975	1976	1975	1980	1963	1974	1969
	Nationality	German	German	German	German	German	German	German	German	German	German
Qualification	Knowledge/experience [2] regarding the automotive sector	●	●	●	●	●	●		●	●	●
	Knowledge/experience regarding the sectors in which the Schaeffler Industrial division operates	●		●		●	●	●		●	
	Basic knowledge of stock corporation and corporate law	●	●	●	●	●	●	●	●	●	●
	Basic knowledge of compliance	●	●	●	●	●	●	●	●	●	●
	Knowledge/experience regarding financial reporting, financial statement audits, risk management, and internal control procedures	●	●				●				●
	Experience regarding managing and/or supervising companies	●	●	●	●	●	●	●	●	●	●
	Knowledge/experience regarding research and development (preferably electric mobility) and digitalization										
	Financial expertise										
	Expertise regarding the sustainability issues significant to the company					●					

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

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

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

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

The Supervisory Board as a whole has the knowledge, skills, and technical experience required to properly perform its duties. The Supervisory Board as a whole is familiar with the industries and sectors in which the Schaeffler Group operates, and it has the professional experience and internationality required under the diversity scheme. Conflicts of interest related to members of the Supervisory Board must be disclosed to the Supervisory Board immediately; there were no such conflicts of interest in 2023.

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

More on avoiding conflicts of interest on page 60.

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

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

Membership and mode of operation of Supervisory Board committees

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

The mediation committee established in accordance with sections 27 (3) and 31 (3) MitbestG is responsible for proposing to the Supervisory Board a candidate for appointment to the Board of Managing Directors if the two-thirds majority required for an appointment was not obtained initially. The members of the mediation committee are Georg F. W. Schaeffler (chairman), Ulrich Schöpplein, Jürgen Wechsler, and Prof. TU Graz e.h. KR Ing. Siegfried Wolf.

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

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

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

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

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

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

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

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

The nomination committee proposes to the Supervisory Board appropriate candidates for election to the Supervisory Board by the annual general meeting. The members of the nomination committee are Georg F. W. Schaeffler (chairman), Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk, and Katherina Reiche.

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

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

Self-assessment of the Supervisory Board and its committees

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

Cooperation between Board of Managing Directors and Supervisory Board

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

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

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

Avoiding conflicts of interest

The members of the Supervisory Board are required to immediately disclose any conflict of interest to the Chairman of the Supervisory Board. The members of the Board of Managing Directors are required to disclose any conflicts of interest to the Chairman of the Supervisory Board and the Chief Executive Officer and to inform the other members of the Board of Managing Directors. Significant transactions between the company and members of the Board of Managing Directors or parties related to them require the Supervisory Board's approval. Consulting and other service contracts as well as contracts for specific deliverables between the company and members of the Supervisory Board also require approval by the Supervisory Board. The Supervisory Board reports to the annual general meeting on any conflicts of interest and their resolution. Material conflicts of interest involving a member of the Supervisory Board that are not merely temporary shall result in the termination of that member's Supervisory Board mandate. Neither the members of the Board of Managing Directors nor those of the Supervisory Board have experienced any conflicts of interest in 2023. To prevent any potential conflicts of interest, Prof. Dr. Hans-Jörg Bullinger and Prof. TU Graz e.h. KR Ing. Siegfried Wolf did not attend the meetings of the Supervisory Board at which the preparations for and implementation of the business combination with Vitesco Technologies Group AG were presented and discussed.

1.4 Other information on corporate governance

Transparency

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

Relationships with shareholders and annual general meeting

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

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

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

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.

Georg F. W. Schaeffler
Chairman of the Supervisory Board

Report of the Supervisory Board

Ladies and Gentlemen,

the year 2023 has been a successful one for the Schaeffler Group, which has once again demonstrated resilience, flexibility, and innovative ability. The Schaeffler Group further consolidated its position as a leading global Motion Technology Company despite the persistently challenging geopolitical and economic environment. Thanks to its diversified stature in a variety of markets and all regions worldwide, the company is consistently continuing its transformation, which now also includes the planned merger of Vitesco Technologies Group AG into Schaeffler AG. The two companies have technologies and capabilities, especially in the field of electric mobility, that strongly complement each other and will make us stronger together.

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: Maria-Elisabeth Schaeffler-Thumann stepped down from her position on the Supervisory Board effective at the end of the annual general meeting on April 20, 2023. By a resolution of the annual general meeting on April 20, 2023, Katherina Reiche was elected to the Supervisory Board for a term ending at the close of the general meeting that passes a resolution on granting discharge to the Supervisory Board for 2023. Salvatore Vicari's Supervisory Board mandate lapsed effective July 31, 2023, in accordance with section 24 (1) MitbestG when he left Schaeffler AG. Ulrich Schöpplein succeeded him as employee representative on the Supervisory Board effective August 1, 2023, 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),
  Ulrich Schöpplein, Jürgen Wechsler, and
  Prof. TU Graz e.h. KR Ing. Siegfried Wolf

- Presidential committee:
  Georg F. W. Schaeffler (Chairman),
  Sabine Bendiek, Barbara Resch, Ulrich Schöpplein,
  Jürgen Wechsler, and Prof. TU Graz e.h. KR Ing. Siegfried Wolf
- Audit committee:
  Robin Stalker (Chairman),
  Dr. Holger Engelmann, Andrea Grimm, Thomas Höhn,
  Georg F. W. Schaeffler, and Jürgen Wechsler
- Nomination committee:
  Georg F. W. Schaeffler (Chairman),
  Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk,
  and Katherina Reiche
- Technology committee:
  Prof. Dr. Hans-Jörg Bullinger (Chairman),
  Georg F. W. Schaeffler, Jürgen Schenk, Ulrich Schöpplein,
  Jürgen Wechsler, Prof. TU Graz e.h. KR Ing. Siegfried Wolf,
  Prof. Dr.-Ing. Tong Zhang, and Markus Zirkel

There were no conflicts of interest related to members of the Supervisory Board during the reporting period. To prevent any potential conflicts of interest, Prof. Dr. Hans-Jörg Bullinger and Prof. TU Graz e.h. KR Ing. Siegfried Wolf did not attend the meetings of the Supervisory Board at which the preparations for and implementation of the business combination with Vitesco Technologies Group AG were presented and discussed.

Appointments to the Board of Managing Directors

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

During the reporting period, the Supervisory Board appointed Sascha Zaps to the Board of Managing Directors as CEO Industrial effective May 1, 2024, for a three-year period, until the end of April 30, 2027. Effective January 1, 2024, Dr. Astrid Fontaine was appointed to the Board of Managing Directors as Schaeffler AG's Chief Human Resources Officer for a three-year term of office, until the end of December 31, 2026. Effective July 1, 2024, Klaus Rosenfeld was reappointed to the Board of Managing Directors for a further five-year term of office, until the end of June 30, 2029, as Chief Executive Officer.

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, Dr. Astrid Fontaine for Human Resources as Labor Relations Director, Andreas Schick for Operations, Supply Chain Management and Purchasing, 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 six extraordinary meetings in 2023. 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 six extraordinary meetings were held in a virtual format via video conference.

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 macroeconomic, political, and geopolitical developments and their implications for the Schaeffler Group. 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 an extraordinary meeting of the Supervisory Board on February 7, 2023, the Supervisory Board reviewed preliminary target achievement for the variable remuneration of the Managing Directors for 2022 and dealt with the indicative target values for the variable remuneration of the Board of Managing Directors for 2023. Additionally, the meeting discussed the status of implementation of the Supervisory Board's profile of expertise and decided to disclose a qualifications matrix in the corporate governance declaration in accordance with Recommendation C.1 of the German Corporate Governance Code.

The first regular meeting of the Supervisory Board was held on February 24, 2023. The Board of Managing Directors reported on the current position of the business and the financial position and discussed the separate and consolidated financial statements of Schaeffler AG for 2022. 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 2022 included in the sustainability report. Further, the Supervisory Board dealt with the sustainability report 2022 and the remuneration report 2022.

At the extraordinary Supervisory Board meeting on March 3, 2023, the Supervisory Board adopted the separate financial statements 2022 and approved the consolidated financial statements 2022, the closing statement of the Board of Managing Directors on the dependency report, and the proposal for the appropriation of earnings.

The Supervisory Board set the variable remuneration of the Managing Directors for 2022 based on the target achievement rates determined. Furthermore, the target values for the Managing Directors' variable remuneration for 2023 were set based on the performance criteria for the Managing Directors' variable remuneration for 2023 approved at the meeting on December 16, 2022.

The Supervisory Board prepared the remuneration report 2022 and proposed to the annual general meeting in accordance with section 162 (3) AktG that it approve the remuneration report for 2022.

In addition, the report of the Supervisory Board to the annual general meeting 2023 and the Supervisory Board's other proposed resolutions on the items on the agenda of the annual general meeting 2023 were approved.

In an extraordinary meeting immediately following the annual general meeting on April 20, 2023, the Supervisory Board decided on appointments to fill the committee vacancies resulting from Maria-Elisabeth Schaeffler-Thumann stepping down from the Supervisory Board. Additionally, the meeting discussed increasing the equity investment in Swedish start-up H2 Green Steel.

At the second regular meeting of the Supervisory Board on May 26, 2023, the Board of Managing Directors reported on the current position of the business and the financial position following the end of the first quarter of 2023. Further, the meeting discussed the Schaeffler Group's financing roadmap 2023/2024, including its significant targets and individual financing components and approved the incurrence of financial debt. The Supervisory Board decided to establish an ad hoc committee tasked with authorizing the signing and principal of the individual financing components as well as the final terms of the individual financing components. In addition, the Supervisory Board dealt with a gradual increase of the equity investment in H2 Green Steel to a total of EUR 100 m.

The equity investment in H2 Green Steel was approved at the extraordinary meeting of the Supervisory Board on July 25, 2023. This meeting also heard a presentation on strategically positioning the Schaeffler Group as a Motion Technology Company.

On July 27, 2023, the ad hoc committee established by the Supervisory Board authorized, in a resolution passed in writing, the signing of a bilateral loan agreement.

The annual strategy meeting of the Supervisory Board was held on October 5, 2023, at the location of the AKO (Aftermarket Kitting Operations) logistics center of the Automotive Aftermarket division in Halle (Saale). The strategic direction for the Schaeffler Group was presented to this meeting and discussed extensively by the Supervisory Board. One focal point was the situation in the markets and of the business as well as the strategic direction of the Americas and Asia/Pacific regions. 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 Chassis Systems 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 AKO logistics center and the sustainability and digitalization plans of the Aftermarket division were explained during a tour. The Supervisory Board also dealt with the Board of Managing Directors' strategic considerations regarding the Industrial division, particularly with the growth strategy in the core business with precision bearings and in new business areas. Furthermore, the digitalization strategy forming part of Schaeffler Group's "Roadmap 2025" was discussed in depth. To this end, the strategy for utilizing generative artificial intelligence at the Schaeffler Group was presented using various examples. Afterward, Schaeffler employees presented digital solutions and capabilities within the Schaeffler Group to the members of the Supervisory Board in a market square format.

At its third regular meeting on October 6, 2023, the Supervisory Board was first 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 2023. The Board of Managing Directors having presented the execution of a multi-step transaction designed to culminate in a business combination with Vitesco Technologies Group AG, the Supervisory Board discussed such execution and consented to further investigation of and preparation for the transaction. Prof. Dr. Hans-Jörg Bullinger and Prof. TU Graz e.h. KR Ing. Siegfried Wolf were not present during the discussion and decision on the transaction.

Following further detailed consideration of the transaction, the Supervisory Board consented, at its extraordinary meeting on October 8, 2023, to the company executing a business combination with Vitesco Technologies Group AG and – subject to a final review of the market situation and overall geopolitical situation on the morning of October 9, 2023 – announcing its intention to launch a public tender offer against payment of cash consideration to all shareholders of Vitesco Technologies Group AG. Prof. Dr. Hans-Jörg Bullinger and Prof. TU Graz e.h. KR Ing. Siegfried Wolf did not attend the meeting.

The Chairman of the Supervisory Board, Georg F. W. Schaeffler, was tasked with the final review and confirmation by a resolution of the Supervisory Board passed on October 8, 2023, and, having performed such review, found that neither the market situation nor the overall geopolitical situation in particular had changed significantly, and confirmed the consent of the Supervisory Board to the Board of Managing Directors of Schaeffler AG on the morning of October 9, 2023.

At an extraordinary Supervisory Board meeting on November 24, 2023, the signing of an agreement on the business combination (“Business Combination Agreement”) between Schaeffler AG and Vitesco Technologies Group AG and the range for increasing the consideration offered under the public tender offer was discussed, and approved by the Supervisory Board, subject to a final review of the market situation and overall geopolitical situation on the morning of November 27, 2023. Further, the Supervisory Board agreed to issue bonds under Schaeffler AG’s debt issuance program in the near future to finance part of the bridge facility obtained in connection with the transaction. Prof. Dr. Hans-Jörg Bullinger and Prof. TU Graz e.h. KR Ing. Siegfried Wolf did not attend the meeting.

The Chairman of the Supervisory Board, Georg F. W. Schaeffler, was tasked with the final review and confirmation by a resolution of the Supervisory Board passed on November 24, 2023, and, having performed such review, found that neither the market situation nor the overall geopolitical situation in particular had changed significantly, and therefore confirmed the consent of the Supervisory Board to the signing of the Business Combination Agreement and the increase in the consideration offered to EUR 94 per share to the Board of Managing Directors of Schaeffler AG on the morning of November 27, 2023.

At its fourth and final regular meeting during the reporting period on December 15, 2023, the Supervisory Board was briefed on the Schaeffler Group's most recent results of operations and the results of the third quarter of 2023. 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 presidential 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 2024. Additionally, the indicative target achievement for 2023 was reported on and a resolution was passed appointing the auditor of the remuneration report for 2023. A further focal point of the meeting was the discussion and approval of the Schaeffler Group’s budget for 2024 and long-range plan for the years 2024 to 2028.

The Supervisory Board then decided to call an extraordinary general meeting and a separate meeting of the common non-voting shareholders on February 2, 2024, to vote on standardizing the classes of shares, and decided on proposed resolutions for these meetings.

Finally, the Supervisory Board dealt with the declaration of conformity with the German Corporate Governance Code (section 161 AktG).

Topics of Supervisory Board committee meetings

The presidential committee of the Supervisory Board held a total of four regular meetings and one extraordinary meeting 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 extraordinary meeting was held in a virtual format via video conference. Presidential 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 meeting on August 25, 2023, the Supervisory Board dealt with the acquisition of 100% of the shares of KRSV Innovative Auto Solutions Private Limited, an e-commerce start-up in the Indian automotive aftermarket. The presidential committee consented to the transaction subject to approval by the board of directors of Schaeffler India Limited.

The audit committee held four regular meetings and one extraordinary meeting 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 Strenghtening Act (Finanzmarktintegritätsstärkungsgesetz – FISG), and dealt with the effectiveness, resources, and findings of Internal Audit.

Audit committee meetings discussed conformity with the EU taxonomy and the regulatory requirements of the ESRS standards. The technical compliance part of the compliance management system was presented, as were the milestones for certification under IDW AsS 980. Further, the audit committee dealt with the status of information & cyber security and the implementation of SAP S/4HANA and was briefed on the voluntary audit of the tax compliance management system (tax CMS) by the Bavarian fiscal authority.

The Supervisory Board recommended to the annual general meeting 2023 that it appoint KPMG AG Wirtschaftsprüfungsgesellschaft 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.

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

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 provided with an overview over the Technology Dialog 2023 and then heard a presentation on the innovation-to-business strategy and the innovation portfolios of the individual innovation clusters. The second meeting of the technology committee, which was held at the location of the AKO (Aftermarket Kitting Operations) logistics center of the Automotive Aftermarket division in Halle (Saale), focused on technological innovations of the Automotive Aftermarket division and their demonstration during a tour of the AKO.

During the reporting period, the nomination committee dealt with replacing Maria-Elisabeth Schaeffler-Thumann and prepared the Supervisory Board's nomination for the election of a shareholder representative on the Supervisory Board for the annual general meeting 2023. In selecting possible female candidates and preparing a recommended resolution for the Supervisory Board, the nomination committee considered, in particular, the Supervisory Board's profile of expertise and diversity scheme. The nomination committee passed a resolution in writing proposing to the annual general meeting a candidate for election to 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 94.5%. 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		Presidential 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	11/11	100	5/5	100	5/5	100	2/2	100				
Maria-Elisabeth Schaeffler-Thumann Deputy Chairperson (until April 20, 2023)	3/3	100	1/1	100								
Jürgen Wechsler Deputy Chairperson	11/11	100	5/5	100	5/5	100	2/2	100				
Sabine Bendiek	9/11	82	4/4	100								
Prof. Dr. Hans-Jörg Bullinger	9/11	82					2/2	100				
Dr. Holger Engelmann	6/11	55			2/5	40						
Prof. Dr. Bernd Gottschalk	11/11	100										
Andrea Grimm	11/11	100			4/5	80						
Ulrike Hasbargen	11/11	100										
Thomas Höhn	11/11	100			5/5	100						
Susanne Lau	11/11	100										
Dr. Alexander Putz	11/11	100										
Barbara Resch	10/11	91	4/5	80								
Katherina Reiche (since April 20, 2023)	7/8	88										
Jürgen Schenk	11/11	100					2/2	100				
Helga Schönhoff	11/11	100										
Ulrich Schöpplein (since August 1, 2023)	5/5	100	3/3	100			1/1	100				
Robin Stalker	9/11	82			5/5	100						
Salvatore Vicari (until July 31, 2023)	6/6	100	2/2	100			1/1	100				
Prof. TU Graz e.h. KR Ing. Siegfried Wolf	9/11	82	5/5	100			2/2	100				
Prof. Dr.-Ing. Tong Zhang	10/11	91					2/2	100				
Markus Zirkel	11/11	100					2/2	100				
		93		**98**		**87**		**100**				

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 Schaeffler AG supports them in this by providing internal continuing education measures.

Separate and consolidated financial statements 2023

KPMG AG Wirtschaftsprüfungsgesellschaft has audited the separate financial statements, the consolidated financial statements, and the combined management report as at December 31, 2023, 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, 2023, 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, 2023, to December 31, 2023.

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”.

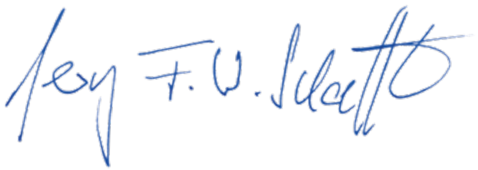
Schaeffler AG has prepared a combined separate group non-financial report for 2023 that is included in the sustainability report. KPMG AG Wirtschaftsprüfungsgesellschaft performed a limited assurance engagement on the non-financial report. KPMG AG Wirtschaftsprüfungsgesellschaft found that, based on 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 February 22, 2024. The audit committee scrutinized the development of earnings for 2023, 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 February 23, 2024. 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 2023.

On behalf of the Supervisory Board, I would like to express my sincere gratitude to the members of the Executive Board, to the remaining management, and to all employees of Schaeffler AG and the group companies for their commitment and dedication and their constructive teamwork during this challenging year 2023.

For the Supervisory Board



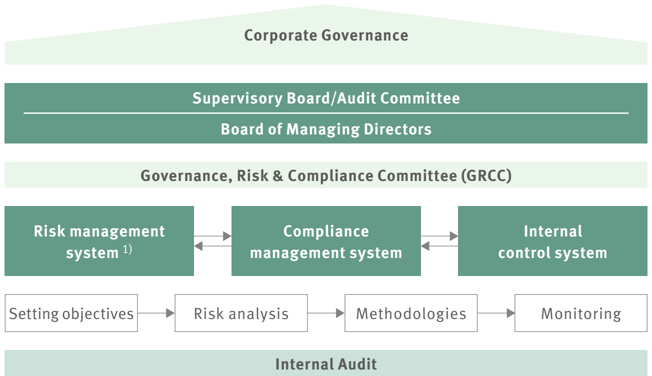
Georg F. W. Schaeffler
Chairman

Herzogenaurach, February 23, 2024

3. Governance structure

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

Schaeffler Group governance structure



1) With Financial Risk Committee.

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

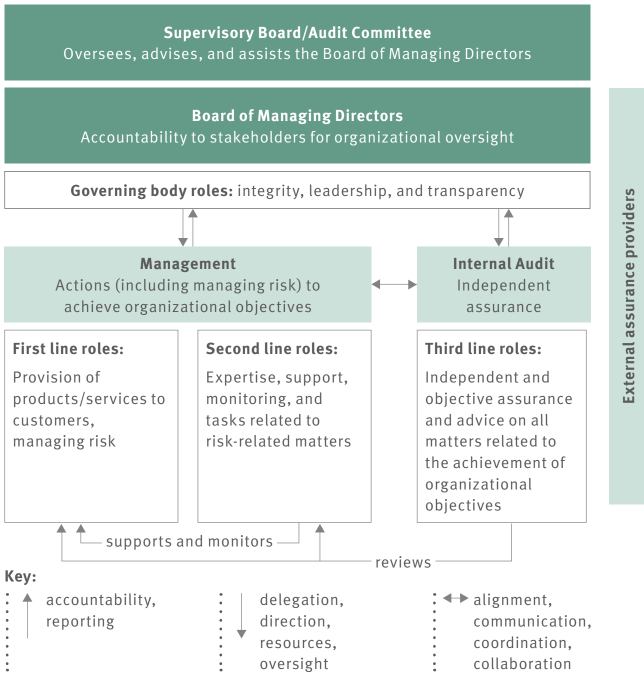
The governance structure is aimed at the coordinated operation of the subsystems and responsible functions. One of its integral components is the Governance, Risk & Compliance Committee (GRCC) chaired by the CEO and the CFO. It supports the Board of Managing Directors in implementing and enhancing a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

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

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

The interaction of the subsystems and functions is based on the internationally recognized **Three Lines Model** of the Institute of Internal Auditors (IIA).

Three Lines Model



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

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

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

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

3.1 Risk management system

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

More on the company's risk management system on pp. 38 et seq.

3.2 Compliance management system

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

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

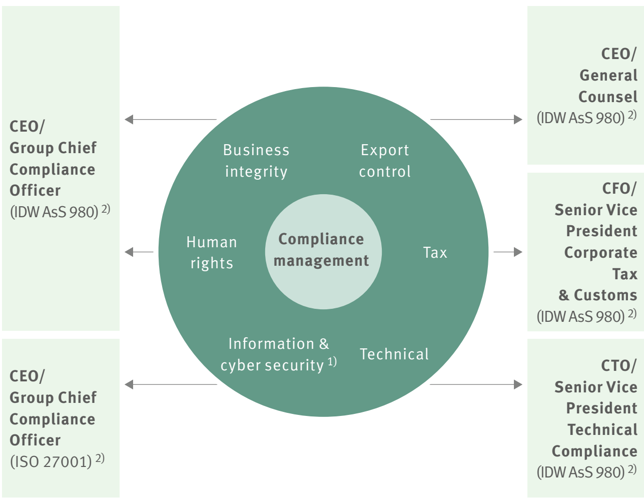
Responsibility for uniform compliance management systems that are aligned with industry and assurance standards rests with the Group Chief Compliance Officer who reports directly to the CEO and to the Chairman of the Supervisory Board and maintains a continual dialogue with the chairman of the audit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

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

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

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

Compliance management focal points



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

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

During the year, the compliance guidelines were consolidated in a new business integrity guideline. IT-based workflows for business partner due diligence and contacts with competitors increase the efficiency of compliance processes. Basic and more in-depth online training sessions on corruption and antitrust law as well as integrity workshops strengthen awareness of these topics. A mandatory annual basic training refresher course was rolled out during the year.

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

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

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

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

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

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

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

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. 40 et seq.

3.4 Internal Audit

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

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

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

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

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

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

3.5 Comment upon the appropriateness and effectiveness of the risk management and internal control system [18]

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

Taking into account the results of the internal monitoring measures, there are no indications that the risk management system or the internal control system in place are inappropriate or ineffective.

[18] 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, presidential, and nomination committees and member of the audit and technology committees
Seats on supervisory and similar boards: member of the Advisory Board of ATESTEO Management GmbH, Herzogenaurach; member of the Supervisory Board of Continental AG, Hanover; member of the Supervisory Board of Vitesco Technologies Group AG, Regensburg

Jürgen Wechsler*

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

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

Sabine Bendiek

Senior advisor

Appointed: April 24, 2019
Committee memberships: member of the presidential committee

Prof. Dr. Hans-Jörg Bullinger

CEO of Fraunhofer Foundation

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

Dr. Holger Engelmann

Chairman of the Management Board of Webasto SE

Appointed: December 1, 2014
Committee memberships: member of the audit and nomination committees

Prof. Dr. Bernd Gottschalk

Owner and Managing Partner of AutoValue GmbH

Appointed: December 1, 2014
Committee memberships: member of the nomination committee
Seats on supervisory and similar boards: member of the board of directors of AEye, Inc., Dublin, U.S.; member of the Supervisory Board of BENTELER International AG, Salzburg, Austria; Deputy Chairman of the Supervisory Board of JOST Werke SE, Neu-Isenburg (until May 11, 2023); member of the Supervisory Board of Compagnie Plastic Omnium SA, Levallois-Perret, France

Andrea Grimm*

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

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

Ulrike Hasbargen

Tax consultant/auditor

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

Thomas Höhn*

1st authorized representative IG Metall Schweinfurt

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

* Employee representative on the Supervisory Board.

Susanne Lau*

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

Appointed: August 8, 2018

Dr. Alexander Putz*

Plant manager Herzogenaurach

Appointed: October 1, 2022

Katherina Reiche (since April 20, 2023)

Chairwoman of the Board of Managing Directors of Westenergie AG

Appointed: April 20, 2023
Committee memberships: member of the nomination committee
Seats on supervisory and similar boards: member of the Supervisory Board of DEW21 GmbH, Dortmund; Deputy Chairwoman of the Supervisory Board of NEW AG, Moenchengladbach; member of the Supervisory Board of RheinEnergie AG, Cologne; member of the board of directors of VGP NV, Antwerp, Belgium

Barbara Resch*

Wage secretary

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

Jürgen Schenk*

Chairman of the General Works Council Schweinfurt

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

Helga Schönhoff*

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

Appointed: May 8, 2020

Ulrich Schöpplein* (since August 1, 2023)

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

Appointed: August 1, 2023
Committee memberships: member of the mediation, presidential, and technology committees

Robin Stalker

Chartered Accountant

Appointed: December 1, 2014
Committee memberships: chairman of the audit committee
Seats on supervisory and similar boards: member of the Supervisory Board of Commerzbank AG, Frankfurt/Main (until May 31, 2023); member of the Supervisory Board of Hugo Boss AG, Metzingen; Deputy Chairman of the Supervisory Board of Schmitz Cargobull AG, Horstmar

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

Entrepreneur

Appointed: December 1, 2014
Committee memberships: member of the mediation, presidential, and technology committees
Seats on supervisory and similar boards: member of the Supervisory Board of Miba AG, Laakirchen, Austria; member of the Supervisory Board of Mitterbauer Beteiligungs-AG, Laakirchen, Austria; member of the Supervisory Board of Porsche Automobil Holding SE, Stuttgart; Chairman of the Supervisory Board of Steyr Automotive GmbH, Steyr, Austria; Chairman of the Supervisory Board of Vitesco Technologies Group AG, Regensburg

Prof. Dr.-Ing. Tong Zhang

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

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

Markus Zirkel*

Chairman of the Works Council Hirschaid

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

* Employee representative on the Supervisory Board.

The following members left the Supervisory Board in 2023

Maria-Elisabeth Schaeffler-Thumann (until April 20, 2023)
Shareholder of INA-Holding Schaeffler GmbH & Co. KG
Deputy Chairperson of the Supervisory Board of Schaeffler AG

Appointed: December 1, 2014

Salvatore Vicari* (until July 31, 2023)
2nd authorized representative IG Metall Homburg-Saarpfalz

Appointed: December 2, 2014

4.2 Supervisory Board committees

Mediation committee

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

Presidential committee

Georg F. W. Schaeffler (Chairman),
Sabine Bendiek, Barbara Resch, Ulrich Schöpplein,
Jürgen Wechsler, and Prof. TU Graz e.h. KR Ing. Siegfried Wolf

Audit committee

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

Nomination committee

Georg F. W. Schaeffler (Chairman),
Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk,
and Katherina Reiche

Technology committee

Prof. Dr. Hans-Jörg Bullinger (Chairman),
Georg F. W. Schaeffler, Jürgen Schenk, Ulrich Schöpplein,
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; Group Strategy, Sustainability & Corporate Development; Group Communications & Public Affairs; Global Branding & Marketing; Investor Relations; Legal; Internal Audit; Compliance & Corporate Security; Corporate Real Estate Management; Strategic Digitalization; Top Talent Management & Strategic Workforce Planning
Appointed: October 24, 2014
Term of office ends: June 30, 2029
Seats on supervisory and similar boards: member of the Supervisory Board of Continental AG, Hanover; member of the Supervisory Board of Vitesco Technologies Group AG, Regensburg; Supervisor of Schaeffler Holding (China) Co. Ltd., Shanghai, China; member of the Advisory Board of Schaeffler Immobilien AG & Co. KG, Herzogenaurach (since July 31, 2023)

Claus Bauer
Chief Financial Officer

Responsible for: Finance Systems, Processes & Infrastructure; Corporate Accounting; Corporate Controlling; Corporate Treasury; Corporate Tax & Customs; Corporate Reporting; Corporate Insurance; Shared Services [19]; IT & Digitalization; Risk Management & Internal Control System
Appointed: September 1, 2021
Term of office ends: August 31, 2025
Seats on supervisory and similar boards: member of the Advisory Board of Schaeffler Immobilien AG & Co. KG, Herzogenaurach (since July 31, 2023)

* Employee representative on the Supervisory Board.
19 Responsibility for global steering of the shared services activities within the Schaeffler Group.

Dr. Astrid Fontaine (since January 1, 2024)
Chief Human Resources Officer

Responsible for: HR Strategy & Diversity; HR Policies & Standards; Recruiting, Talent Development & Employee Engagement; Schaeffler Academy; HR Systems, Processes & Reporting; Environment, Health & Safety; HR Functions; HR Germany
Appointed: January 1, 2024
Term of office ends: December 31, 2026
Seats on supervisory and similar boards: member of the Advisory Board of Schaeffler Consulting GmbH, Herzogenaurach (since January 1, 2024)

Andreas Schick
Chief Operating Officer

Responsible for: Schaeffler Production System & Production Technology; Digitalization & Operations IT; Advanced Production Technology; Tool Technology; Special Machinery; Supply Chain Management & Logistics; Purchasing Strategy & Strategic Supplier Management; Purchasing Non-Production Material; Quality Operations, Supply Chain Management & Purchasing
Appointed: April 1, 2018
Term of office ends: March 31, 2026
Seats on supervisory and similar boards: member of the Supervisory Board of SupplyOn AG, Hallbergmoos; member of the Advisory Board of Schaeffler Immobilien AG & Co. KG, Herzogenaurach (since July 31, 2023); member of the board of directors of Schaeffler India Ltd., Pune, India

Jens Schüler
CEO Automotive Aftermarket

Responsible for: Business Development & Strategy AAM; Global KAM, Sales & Marketing AAM; Product Management / R&D AAM; IT & Digitalization AAM; Operations & Supply Chain Management AAM; Quality AAM; Purchasing & Supplier Management AAM; Divisional Controlling AAM; HR AAM
Appointed: January 1, 2022
Term of office ends: December 31, 2024
Seats on supervisory and similar boards: member of the shareholder committee of Caruso GmbH, Mannheim; member of the shareholder committee of TecAlliance GmbH, Ismaning; chairman of the Advisory Board of Partslife GmbH, Neu-Isenburg (since June 27, 2023); member of the Advisory Board of Partslife GmbH, Neu-Isenburg (until June 27, 2023); member of the board of directors of Schaeffler India Ltd., Pune, India (since January 1, 2024)

Dr. Stefan Spindler
CEO Industrial

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

Uwe Wagner
Chief Technology Officer

Responsible for: Advanced Innovation; R&D Management & Corporate Engineering Services; R&D Central Technologies; Engineering IT & Digitalization; Intellectual Property Rights; Technical Compliance
Appointed: October 1, 2019
Term of office ends: September 30, 2027
Seats on supervisory and similar boards: member of the Supervisory Board of IAV GmbH Ingenieursgesellschaft Auto und Verkehr, Berlin (until July 12, 2023); member of the Advisory Board of Compact Dynamics GmbH, Starnberg; member of the Advisory Board of Schaeffler ByWire Technologie GmbH & Co. KG, Herzogenaurach; chairman of the Advisory Board of Xtronic GmbH, Boeblingen

Matthias Zink
CEO Automotive Technologies

Responsible for: Business Development & Strategy Automotive Technologies; Global Key Account Management Automotive Technologies; BD Bearings; BD Engine & Transmission Systems; BD E-Mobility; BD Chassis Systems; Operations & Supply Chain Management Automotive Technologies; Quality Automotive Technologies; Purchasing & Supplier Management Automotive Technologies; Divisional Controlling Automotive Technologies; HR Automotive Technologies
Appointed: January 1, 2017
Term of office ends: December 31, 2024
Seats on supervisory and similar boards: member of the Advisory Board of Compact Dynamics GmbH, Starnberg (until July 31, 2023); chairman of the Advisory Board of Schaeffler ByWire Technologie GmbH & Co. KG, Herzogenaurach; Supervisor of Schaeffler (China) Co., Ltd., Taicang, China

The following member left the Board of Managing Directors in 2023

Corinna Schittenhelm (until December 31, 2023)

Chief Human Resources Officer

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

Consolidated financial statements

1. Consolidated income statement

in € millions	Note	2023	2022	Change in %
Revenue	3.1	16,313	15,809	3.2
Cost of sales		-12,717	-12,230	4.0
Gross profit		**3,596**	**3,579**	**0.5**
Research and development expenses		-768	-768	-0.0
Selling expenses		-1,176	-1,126	4.5
Administrative expenses		-649	-609	6.6
Other income	3.2	258	213	21.2
Other expenses	3.3	-428	-280	52.8
Income (loss) from equity-accounted investees	4.4	1	-36	-
Earnings before financial result and income taxes (EBIT)	1.4	**834**	**974**	**-14.3**
Financial income	3.5	77	51	51.0
Financial expenses	3.5	-336	-172	94.7
Financial result	3.5	**-259**	**-121**	**> 100**
Earnings before income taxes		**576**	**852**	**-32.5**
Income taxes	3.6	-240	-268	-10.1
Net income		**335**	**585**	**-42.7**
Attributable to shareholders of the parent company		310	557	-44.5
Attributable to non-controlling interests		26	27	-6.0
Earnings per common share (basic/diluted, in €)	3.7	0.46	0.83	-44.6
Earnings per common non-voting share (basic/diluted, in €)	3.7	0.47	0.84	-44.0

2. Consolidated statement of comprehensive income

in € millions	Note	2023	2022
Net income		**335**	**585**
Items that will not be reclassified to profit or loss			
Remeasurement of net defined benefit liability	4.13	-188	862
Changes in the scope of consolidation - defined benefit plans		0	-1
Net change in fair value of financial assets at fair value through other comprehensive income	4.16	2	-4
Tax effect	4.5	54	-247
Total other comprehensive income (loss) that will not be reclassified to profit or loss		**-131**	**610**
Items that have been or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		-141	55
Effective portion of changes in fair value of cash flow hedges	4.16	9	87
Tax effect	4.5	-3	-25
Total other comprehensive income (loss) that has been or may be subsequently reclassified to profit or loss		**-134**	**117**
Total other comprehensive income (loss)		**-265**	**727**
Total comprehensive income		**70**	**1,312**
Total comprehensive income attributable to shareholders of the parent company		50	1,290
Total comprehensive income attributable to non-controlling interests		20	22

3. Consolidated statement of financial position

in € millions	Note	12/31/2023	12/31/2022	Change in %
ASSETS				
Intangible assets	4.1	1,617	916	76.5
Right-of-use assets under leases	4.2	236	222	6.5
Property, plant and equipment	4.3	4,555	4,607	-1.1
Investments in joint ventures and associated companies	4.4	7	7	7.6
Costs to fulfill a contract	3.1	330	350	-5.6
Other financial assets	4.8	192	216	-11.1
Other assets	4.8	174	191	-8.5
Income tax receivables	4.5	75	11	› 100
Deferred tax assets	4.5	783	662	18.4
Total non-current assets		**7,971**	**7,180**	**11.0**
Inventories	4.6	2,812	2,796	0.6
Contract assets	3.1	65	54	19.8
Trade receivables	4.7	2,575	2,519	2.2
Other financial assets	4.8	389	205	90.0
Other assets	4.8	363	364	-0.2
Income tax receivables	4.5	38	45	-16.9
Cash and cash equivalents	4.9	769	1,063	-27.7
Assets held for sale	4.10	25	58	-58.0
Total current assets		**7,036**	**7,104**	**-1.0**
Total assets		**15,006**	**14,284**	**5.1**

in € millions	Note	12/31/2023	12/31/2022	Change in %
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital		666	666	0.0
Capital reserves		2,348	2,348	0.0
Other reserves		1,233	1,218	1.2
Accumulated other comprehensive income (loss)		-476	-216	› 100
Equity attributable to shareholders of the parent company		**3,771**	**4,016**	**-6.1**
Non-controlling interests		135	125	7.5
Total shareholders' equity	4.11	**3,905**	**4,141**	**-5.7**
Provisions for pensions and similar obligations	4.13	1,832	1,606	14.1
Provisions	4.14	208	288	-27.7
Financial debt	4.12	3,068	3,238	-5.2
Contract liabilities	3.1	173	143	21.1
Income tax payables	4.5	62	47	30.3
Other financial liabilities	4.15	91	90	1.1
Lease liabilities	4.2	175	162	8.2
Other liabilities	4.15	6	7	-18.1
Deferred tax liabilities	4.5	199	192	3.6
Total non-current liabilities		**5,813**	**5,772**	**0.7**
Provisions	4.14	313	404	-22.5
Financial debt	4.12	890	60	› 100
Contract liabilities	3.1	136	170	-19.8
Trade payables	4.16	2,357	2,339	0.8
Income tax payables	4.5	114	108	6.2
Other financial liabilities	4.15	811	626	29.7
Lease liabilities	4.2	63	57	11.3
Refund liabilities	4.16	282	263	7.3
Other liabilities	4.15	320	341	-6.3
Liabilities associated with assets held for sale	4.10	0	5	-100
Total current liabilities		**5,287**	**4,372**	**20.9**
Total shareholders' equity and liabilities		**15,006**	**14,284**	**5.1**

4. Consolidated statement of cash flows

in € millions	Note	2023	2022	Change in %
Operating activities				
EBIT		834	974	-14.3
Interest paid		-168	-115	45.4
Interest received		19	23	-17.9
Income taxes paid		-359	-328	9.5
Amortization, depreciation, and impairment losses		1,002	990	1.2
(Gains) losses on disposal of assets		-44	-7	› 100
Changes in:				
• Inventories		-9	-275	-96.8
• Trade receivables		-142	-286	-50.1
• Trade payables		48	220	-78.0
• Provisions for pensions and similar obligations		-47	-20	› 100
• Other assets, liabilities, and provisions		214	-37	-
Cash flows from operating activities		**1,348**	**1,139**	**18.4**
Investing activities				
Proceeds from disposals of property, plant and equipment		84	25	› 100
Capital expenditures on intangible assets		-77	-65	18.3
Capital expenditures on property, plant and equipment		-861	-726	18.6
Acquisition of subsidiaries	2.2, 5.1	-715	-151	› 100
Acquisition of interests in joint ventures and other equity investments	5.1	-327	-40	› 100
Disposal of subsidiaries		-4	-4	-13.3
Disposal of interests in joint ventures and other equity investments		1	0	-
Other investing activities	5.1	-1	-29	-96.2
Cash used in investing activities		**-1,900**	**-990**	**91.8**
Financing activities				
Dividends paid to shareholders and non-controlling interests		-306	-336	-9.0
Receipts from bond issuances and loans	5.1	716	55	› 100
Redemptions of bonds and repayments of loans	5.1	-62	-547	-88.6
Principal repayments on lease liabilities		-72	-64	12.6
Cash provided by (used in) financing activities		**276**	**-891**	**-**
Net increase (decrease) in cash and cash equivalents		**-276**	**-743**	**-62.8**
Effects of foreign exchange rate changes on cash and cash equivalents		-24	-10	› 100
Cash and cash equivalents as at beginning of period		1,069	1,822	-41.3
Cash and cash equivalents as at December 31	4.9	**769**	**1,069**	**-28.1**
Less cash and cash equivalents classified as assets held for sale as at December 31	4.10	0	7	-100
Cash and cash equivalents as at December 31 (consolidated statement of financial position)	4.9	**769**	**1063**	**-28**

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, 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**
Balance as at January 01, 2023		**666**	**2,348**	**1,218**	**-148**	**22**	**-5**	**-85**	**-216**	**4,016**	**125**	**4,141**
Net income				310						310	26	335
Other comprehensive income (loss)	4.5				-136	7	2	-133	-260	-260	-5	-265
Total comprehensive income (loss)				**310**	**-136**	**7**	**2**	**-133**	**-260**	**50**	**20**	**70**
Dividends	4.11			-295						-295	-11	-305
Total amount of transactions with shareholders				**-295**						**-295**	**-11**	**-305**
Balance as at December 31, 2023		**666**	**2,348**	**1,233**	**-283**	**28**	**-3**	**-218**	**-476**	**3,771**	**135**	**3,905**

[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)

in € millions	2023	2022	2023	2022	2023	2022	2023	2022
	Automotive Technologies		Automotive Aftermarket		Industrial		Total	
Revenue	9,772	9,498	2,253	2,040	4,288	4,271	16,313	15,809
EBIT	231	253	336	255	266	465	834	974
• in % of revenue	2.4	2.7	14.9	12.5	6.2	10.9	5.1	6.2
EBIT before special items [1]	435	292	367	260	385	493	1,187	1,046
• in % of revenue	4.5	3.1	16.3	12.8	9.0	11.5	7.3	6.6
Amortization, depreciation, and impairment losses	715	747	41	39	245	203	1,002	990
Working capital [2] [3]	1,143	1,212	566	516	1,320	1,248	3,030	2,976
Additions to intangible assets and property, plant and equipment [4]	614	545	53	40	266	229	932	814

Prior year information presented based on 2023 segment structure.
[1] Please refer to pp. 27 et seq. for the definition of special items.
[2] Working capital defined as inventories plus trade receivables less trade payables.
[3] Amounts as at December 31.
[4] Translated at the relevant average exchange rate.

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, 2023, 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 and published in the Company Register.

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, 2023, 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:

- 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 2023. The discount rate used to measure defined benefit pension obligations was decreased to reflect lower 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 fair value of assets acquired and liabilities assumed. 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.

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		12/31/2023	12/31/2022	2023	2022
1 € in			Closing rates		Average rates
CNY	China	7.85	7.36	7.66	7.08
INR	India	91.90	88.17	89.33	82.71
KRW	South Korea	1,433.66	1,344.09	1,413.35	1,358.04
MXN	Mexico	18.72	20.86	19.19	21.20
USD	U.S.	1.11	1.07	1.08	1.05

Foreign currency transactions

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

Foreign exchange differences resulting from translating the financial statements of foreign subsidiaries 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.

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.

Research and development expenses

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

Development costs are only recognized as intangible assets where development projects are considered to involve new technology and generate economic benefits in accordance with the capitalization criteria of IAS 38. 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.

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 if 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. 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 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.

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. Energy procurement contracts are not recognized as financial instruments if the own-use exemption applies.

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 comprises purchase prices and incidental acquisition costs net of discounts and rebates. For work in progress and manufactured finished goods, production cost is calculated as directly attributable production costs plus production overheads based on normal capacity. Acquisition and production cost is determined using the average method. Inventories are 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

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.

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.

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 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.

1.4 New accounting pronouncements

New accounting pronouncements effective in 2023

Amendments to IAS 1 (Disclosure of material rather than significant accounting policies), Amendments to IAS 8 (Introduction of a definition of accounting estimates and clarification of the distinction from accounting policies), Amendments to IAS 12 (Deferred Tax related to Assets and Liabilities arising from a Single Transaction), Amendments to IAS 12 (Global Minimum Taxation), Amendments to IFRS 17 (Initial Application of IFRS 17 and IFRS 9 – Comparative Information), as well as IFRS 17 Insurance Contracts are required to be applied for the first time in 2023. Application of the new standards has not had any significant impact on these financial statements.

New accounting pronouncements endorsed by the EU effective in 2024

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 2023, 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
Amendments to IFRS 16	01/01/2024	Lease liability in a sale and leaseback	none
Amendment to IAS 1	01/01/2024	Classification of liabilities as current or non-current	low

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
Amendments to IAS 7 and IFRS 7	01/01/2024	Additional disclosures regarding supplier finance arrangements	none
Amendment to IAS 21	01/01/2025	Requirements regarding exchange rate to be applied for currencies that are not exchangeable	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]

[1] Detailed statements regarding the extent of the impact are not yet possible.

2. Principles of consolidation

2.1 Scope of consolidation

In 2023, the consolidated financial statements of Schaeffler AG cover, in addition to Schaeffler AG, 177 (prior year: 149) subsidiaries; 51 (prior year: 48) entities are domiciled in Germany and 126 (prior year: 101) in other countries.

The changes are mainly the result of the acquisition of the Ewellix Group, entities newly established, and further acquisitions.

In the consolidated financial statements as at December 31, 2023, four (prior year: four) 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

The purchase price allocation for the acquisition of the remaining 10% of the shares of Schaeffler ByWire Technologie GmbH & Co. KG was finalized in the first quarter of the year. Compared to December 31, 2022, goodwill has increased by EUR 5 m to EUR 114 m and intangible assets have decreased by EUR 3 m to EUR 136 m as a result of the final allocation.

In a transaction that closed on January 3, 2023, the Schaeffler Group has acquired 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. 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. In the consolidated statement of cash flows, this repayment is presented under cash used in investing activities. The goodwill of EUR 421 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 Ewellix Group has generated EUR 219 m in revenue since the acquisition date. The Ewellix Group has not had any significant impact on consolidated net income since the acquisition date. If the acquisition had closed as at January 1, 2023, the resulting impact on revenue and consolidated net income would have been insignificant. The following table summarizes the assets acquired and liabilities assumed at their acquisition-date fair value.

Assets acquired and liabilities assumed

in € millions	Ewellix Group
Intangible assets	228
Right-of-use assets under leases	13
Property, plant and equipment	59
Other financial assets	2
Other assets	1
Deferred tax assets	15
Total non-current assets	**318**
Inventories	54
Trade receivables [1]	41
Other assets	7
Cash and cash equivalents	21
Assets held for sale	11
Total current assets	**134**
Provisions for pensions and similar obligations	29
Provisions	5
Financial debt	3
Income tax payables	4
Lease liabilities	6
Deferred tax liabilities	63
Total non-current liabilities	**110**
Provisions	1
Financial debt	109
Trade payables	18
Income tax payables	10
Other financial liabilities	6
Lease liabilities	9
Other liabilities	19
Total current liabilities	**170**
Net assets acquired	**172**
Purchase price (consideration transferred)	593
Goodwill	**421**

[1] Gross carrying amount of trade receivables EUR 41 m.

In a transaction that closed on April 28, 2023, the Schaeffler Group has acquired 100% of the shares of ECO-Adapt SAS. ECO-Adapt SAS offers innovative solutions for condition monitoring based on electrical signal analysis and systems for optimizing energy consumption. The acquisition further expands the Industrial division's portfolio of lifetime solutions. The purchase price of EUR 13 m was paid in cash upon closing. In addition, the transaction calls for EUR 2 m in expected deferred payment obligations as well as up to EUR 8 m in contingent purchase price payment obligations that are primarily contingent on the revenue trend in 2025. As at the acquisition date, the contingent purchase price payment obligations were expected to amount to EUR 8 m undiscounted. The goodwill of EUR 3 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 impact of ECO-Adapt SAS on the Schaeffler Group's revenue and consolidated net income is insignificant in 2023. The following table summarizes the assets acquired and liabilities assumed at their acquisition-date fair value.

Assets acquired and liabilities assumed

in € millions	ECO-Adapt SAS
Intangible assets	17
Total non-current assets	**17**
Total current assets	**5**
Total non-current liabilities	**5**
Total current liabilities	**1**
Net assets acquired	**16**
Purchase price (consideration transferred)	**19**
Goodwill	**3**

Schaeffler India Limited, a subsidiary of Schaeffler AG, acquired 100% of the shares of KRSV Innovative Auto Solutions Private Limited ("KRSV"), closing the transaction on September 8, 2023. KRSV offers repair solutions for Indian aftermarket repair shops via its B2B e-commerce platform Koovers. The acquisition adds this platform to the Automotive Aftermarket division's e-commerce operations. The purchase price of EUR 16 m was paid in cash upon closing. The assets and liabilities acquired and valued at fair value primarily include intangible assets of EUR 9 m and deferred tax liabilities of EUR 2 m. The goodwill of EUR 9 m, which cannot be recognized for tax purposes and is therefore not tax-deductible, represents synergies as well as the growth potential of the Indian e-commerce market. The impact of KRSV on the Schaeffler Group's revenue and consolidated net income is insignificant in 2023.

In a transaction that closed on September 29, 2023, the Schaeffler Group acquired 100% of the shares of Aerosint SA. Aerosint develops and sells machine components for additive manufacturing. The purchase price of EUR 4 m was paid in cash upon closing. The assets acquired and valued at fair value largely consist of intangible assets of EUR 1 m. The goodwill of EUR 1 m, which cannot be recognized for tax purposes and is therefore not tax-deductible, represents the value of the planned enhancement of the technology. The impact of Aerosint SA on the Schaeffler Group's revenue and consolidated net income is insignificant in 2023.

Disposals

In a transaction that closed on December 15, 2023, the Schaeffler Group sold its subsidiaries Schaeffler RUS OOO and Schaeffler Russland OOO to PromAvtoConsult LLC. The disposal resulted in a loss on disposal of EUR 21 m that has been recognized in other expenses and included the disposal of EUR 8 m in liquid funds.

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	2023 Automotive Technologies	2022 Automotive Technologies	2023 Automotive Aftermarket	2022 Automotive Aftermarket	2023 Industrial	2022 Industrial	2023 Total	2022 Total
Revenue by type								
• Revenue from the sale of goods	9,632	9,354	2,253	2,040	4,206	4,217	16,091	15,612
• Revenue from the sale of tools	93	83	0	0	17	5	109	88
• Revenue from services	47	60	0	0	65	48	112	108
• Other revenue	0	0	0	0	1	1	1	1
Total	**9,772**	**9,498**	**2,253**	**2,040**	**4,288**	**4,271**	**16,313**	**15,809**
Revenue by region [1]								
• Europe	3,857	3,443	1,497	1,358	1,867	1,756	7,221	6,557
• Americas	2,291	2,350	478	434	800	742	3,569	3,526
• Greater China	2,210	2,336	139	117	1,009	1,156	3,358	3,609
• Asia/Pacific	1,414	1,368	139	132	612	617	2,165	2,117
Total	**9,772**	**9,498**	**2,253**	**2,040**	**4,288**	**4,271**	**16,313**	**15,809**

Prior year information presented based on 2023 segment structure.
[1] Based on market (customer location).

The following overview shows receivables, contract assets, and contract liabilities from contracts with customers.

Contract balances

in € millions	12/31/2023	12/31/2022
Trade receivables	2,575	2,519
Contract assets	65	54
Contract liabilities	309	312
Revenue recognized in the reporting period [1]		
• that was included in the contract liability balance at the beginning of the year	95	60
• from performance obligations satisfied in previous years	4	6

[1] Amounts for the reporting period from January 1 to December 31.

Contract assets on hand as at December 31, 2023, resulted from revenue that has been recognized over time for customer-specific products.

Contract liabilities on hand as at December 31, 2023, 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, 2023, 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 330 m as at December 31, 2023, (prior year: EUR 350 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 2023 amounted to EUR 81 m (prior year: EUR 86 m). In addition, the company recognized impairments of EUR 17 m (prior year: EUR 22 m).

3.2 Other income

Other income

in € millions	2023	2022
Gains on reversal of provisions	115	1
Exchange gains	26	0
Miscellaneous other income	117	212
Total	**258**	**213**

Gains on reversal of provisions consisted mainly of EUR 79 m (prior year: EUR 1 m) in reversals of provisions recognized in prior years related to personnel measures and a EUR 21 m (prior year: EUR 0 m) gain on the reversal of a provision for remediating past environmental impacts and rehabilitating commercial land. EUR 13 m (prior year: EUR 0 m) in gains on the reversal of provisions for legal and litigation risks were included as well.

Exchange gains largely related to operations and forward exchange contracts. In 2023, netting foreign exchange gains and losses resulted in a gain of EUR 26 m (prior year: loss of EUR 98 m).

Miscellaneous other income included EUR 49 m (prior year: EUR 12 m) in gains on the sale of real estate. EUR 27 m (prior year: EUR 30 m) in government grants were recognized in this category as well. Miscellaneous other income also comprised EUR 6 m (prior year: 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. In the prior year, this line item included a gain of EUR 29 m on remeasurement of the previously held equity interest in Schaeffler ByWire Technologie GmbH & Co. KG.

3.3 Other expenses

Other expenses

in € millions	2023	2022
Exchange losses	0	98
Miscellaneous other expenses	428	182
Total	**428**	**280**

In 2023, netting **foreign exchange gains and losses** resulted in a gain of EUR 26 m (prior year: loss of EUR 98 m).

Miscellaneous other expenses primarily included EUR 188 m (prior year: EUR 0 m) in expenses incurred on recognizing the obligation to acquire the shares tendered under the public tender offer to the shareholders of Vitesco Technologies Group AG at fair value. Additionally, this line item comprised EUR 142 m (prior year: 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 forward purchase contracts for gas and electricity. EUR 28 m (prior year: EUR 0 m) in expenses for legal and litigation risks were included as well, as were EUR 24 m (prior year: EUR 111 m) in expenses related to personnel measures (termination benefits). Miscellaneous other expenses also included EUR 21 m (prior year: EUR 23 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").

3.4 Personnel expense and headcount

Average number of employees by region

	2023	2022
Europe	51,738	52,278
Americas	12,015	11,649
Greater China	13,179	12,697
Asia/Pacific	6,749	6,215
Total	**83,682**	**82,839**

The number of employees as at December 31, 2023, was 83,362, 0.7% above the prior year level of 82,773.

The Schaeffler Group's personnel expense can be analyzed as follows:

Personnel expense

in € millions	2023	2022
Wages and salaries	4,051	3,820
Social security contributions	760	722
Other personnel expense	64	262
Total	**4,874**	**4,804**

Other personnel expense included EUR 79 m in gains on the reversal of provisions recognized in prior years related to personnel measures (prior year: EUR 111 m in expenses related to personnel measures). EUR 116 m (prior year: EUR 151 m) in retirement benefit expenses were recognized in other personnel expense as well.

3.5 Financial result

Schaeffler Group financial result

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

[1] Incl. amortization of transaction costs.

This summary presents financial expenses and income on a net basis.

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

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

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

EUR 67 m in expenses were included in Other in 2023 (prior year: EUR 30 m in income), consisting primarily of EUR 47 m resulting from recognizing derivatives embedded in a total return swap at fair value. The total return swap was entered into with a bank in support of the voluntary public tender offer issued by Schaeffler AG for the acquisition of the shares in Vitesco Technologies Group AG; the swap provides for cash settlement and does not convey any legal right to settlement in shares. Measurement of contingent purchase price payment obligations and an impairment of a purchase price receivable in connection with companies acquired and sold in prior years resulted in additional gains and losses.

3.6 Income taxes

Income taxes

in € millions	2023	2022
Current income taxes	355	364
Deferred income taxes	-114	-96
Total	**240**	**268**

As a corporation, Schaeffler AG was subject to German corporation and trade taxes during the reporting period 2023.

The average domestic tax rate was 28.8% in 2023 (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 12.9% (prior year: 12.8%).

Current tax benefit related to prior years amounted to EUR 71 m (prior year: expense of EUR 8 m) in 2023. Deferred tax expense related to prior years amounted to EUR 12 m (prior year: benefit of EUR 4 m) in 2023.

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 2023 is based on the Schaeffler Group's 28.8% (prior year: 28.7%) effective combined trade and corporation tax rate including solidarity surcharge.

Tax rate reconciliation

in € millions	2023	2022
Earnings before income taxes	576	852
Expected tax expense	**166**	**245**
Addition/reduction due to deviating local tax bases	3	11
Foreign/domestic tax rate differences	-33	-28
Change in tax rate and law	2	0
Non-recognition of deferred tax assets	38	-31
• including: recognition of previously unrecognized deferred taxes on loss carry-forwards and temporary differences	-3	-44
• including: derecognition of previously recognized deferred taxes on loss carry-forwards and temporary differences	13	11
Tax credits and other tax benefits	-14	-8
Non-deductible expenses and non-taxable income	78	77
Change in permanent differences	54	0
Taxes for previous years	-59	4
Other	5	-2
Reported tax expense	**240**	**268**

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.

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

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

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

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

This first indicative analysis identified a potential impact from payment of a Pillar 2 top-up tax in Greece, the Philippines, Singapore, Spain, South Korea, Vietnam, Argentina, as well as the United Arab Emirates. The indicative minimum tax charge for the Schaeffler Group amounts to approximately EUR 5 m. INA-Holding Schaeffler GmbH & Co. KG can charge the minimum tax attributable to Schaeffler AG to Schaeffler AG under section 3 (6) MinStG.

The Schaeffler Group applies the temporary mandatory exemption regarding recognition of deferred taxes that arise from introduction of the global minimum tax and recognizes these as current income tax as incurred.

3.7 Earnings per share

Earnings per share

in € millions	2023	2022
Net income	335	585
Net income attributable to shareholders of the parent company	310	557
Earnings attributable to common shares	231	417
Earnings attributable to common non-voting shares	78	140
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 €)	**0.46**	**0.83**
Earnings per common non-voting share (basic/diluted, in €)	**0.47**	**0.84**

There were no dilutive items as at December 31, 2023, 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's market capitalization had once more fallen below the carrying amount of its net assets as at December 31, 2023. In accordance with IAS 36.12(d), this continued to represent an indication that the assets were potentially impaired (triggering event). Based on analytical assessments, extensive impairment testing was not necessary. The Industrial segment failed to meet revenue and earnings targets and experienced a significant decline in orders on hand, which represented indications that the cash-generating unit Industrial was potentially impaired as at December 31, 2023. As the date of the event was close to the goodwill impairment test not based on a triggering event, an additional triggering-event-based impairment test of goodwill, other intangible assets, and property, plant and equipment of the relevant cash-generating unit was not necessary.

Regardless of any triggering event, the Schaeffler Group has tested the group of cash-generating units of the Automotive Technologies segment as well as the Automotive Aftermarket and Industrial segments and cash-generating units to which goodwill has been allocated as at December 31, 2023. 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. The impairment tests performed did not result in recognition of an impairment loss by the Schaeffler Group.

The carrying amounts of the cash-generating units tested to which goodwill has been allocated were EUR 186 m for the Automotive Technologies segment (prior year: EUR 180 m), EUR 85 m for the Automotive Aftermarket segment (prior year: EUR 76 m), and EUR 709 m (prior year: EUR 285 m) for the Industrial segment as at December 31, 2023.

The impairment test of goodwill as at December 31, 2023, 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 2028 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 other current political and economic crises, along with the related uncertainty in a market that remains volatile due to persistently high interest and inflation rates, as well as materials and energy prices that were more stable but higher than in prior years. 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 as well as the cost of optimization for a strict and future-oriented management of the product portfolio. Furthermore, financial risks arising from the elimination of subsidies for energy procurement in Germany 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: 0.0% to 1.5%). Depending on the underlying business and its country of operation, the Schaeffler Group used an assumed post-tax interest rate of 8.3% (prior year: 8.0%) as the weighted average discount rate for the Automotive Technologies segment and 9.4% (prior year: 9.1%) for the Automotive Aftermarket segment as well as 9.2% (prior year: 8.1%) for the Industrial segment.

Based on the assumptions made, the recoverable amount determined for the Automotive Technologies segment of EUR 6,795 m (prior year: EUR 7,283 m) exceeded the carrying amount by EUR 2,315 m (prior year: EUR 2,641 m). In the Automotive Aftermarket segment, the recoverable amount of EUR 1,283 m (prior year: EUR 1,056 m) exceeded the carrying amount by EUR 611 m (prior year: EUR 419 m). In the Industrial segment, the recoverable amount of EUR 4,778 m (prior year: EUR 5,298 m) exceeded the carrying amount by EUR 1,347 m (prior year: EUR 2,770 m).

If the post-tax WACC was increased to 23.4% in the Automotive Technologies segment, 16.3% in the Automotive Aftermarket segment, and 12.0% 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 107.3% for the Automotive Technologies segment, 60.5% for the Automotive Aftermarket segment, and 32.2% 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, 2023, internally generated intangible assets consisted largely of development costs with a net carrying amount of EUR 37 m (prior year: EUR 27 m) and included EUR 27 m (prior year: EUR 16 m) in assets not yet available for use.

As at December 31, 2023, purchased intangible assets consisted largely of assets related to the acquisition of Schaeffler ByWire Technologie GmbH & Co. KG in 2022 of EUR 115 m (prior year: EUR 139 m) and the Ewellix Group in 2023 of EUR 202 m as well as EUR 147 m (prior year: EUR 88 m) in assets not yet available for use representing software applications that were not yet subject to amortization.

Amortization of intangible assets totaled EUR 69 m (prior year: EUR 26 m) and was recognized in the following line items in the consolidated income statement: cost of sales EUR 51 m (prior year: EUR 18 m), research and development expenses EUR 12 m (prior year: EUR 4 m), selling expenses EUR 2 m (prior year: EUR 1 m), and administrative expenses EUR 4 m (prior year: EUR 3 m).

Intangible assets

in € millions	Goodwill	Purchased intangible assets	Internally generated intangible assets	Total
Historical cost				
Balance as at January 01, 2022	**614**	**1,131**	**333**	**2,078**
Additions from initial consolidation of subsidiaries [1]	175	245	0	420
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**	**1,423**	**342**	**2,554**
Balance as at January 01, 2023	**789**	**1,423**	**342**	**2,554**
Additions from initial consolidation of subsidiaries	439	277	0	716
Additions	0	64	13	77
Disposals	0	-6	0	-6
Transfers	0	-4	5	1
Reclassification to IFRS 5	0	1	0	1
Foreign currency translation	0	-1	0	-1
Balance as at December 31, 2023	**1,229**	**1,753**	**360**	**3,343**
Accumulated amortization and impairment losses				
Balance as at January 01, 2022	**249**	**1,023**	**309**	**1,581**
Additions from initial consolidation of subsidiaries [1]	0	39	0	39
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**	**1,074**	**315**	**1,638**
Balance as at January 01, 2023	**249**	**1,074**	**315**	**1,638**
Additions from initial consolidation of subsidiaries	0	25	0	25
Amortization	0	61	8	69
Disposals	0	-6	0	-6
Reclassification to IFRS 5	0	1	0	1
Foreign currency translation	0	-1	0	-1
Balance as at December 31, 2023	**249**	**1,153**	**324**	**1,725**
Net carrying amounts				
As at January 01, 2022	**365**	**108**	**24**	**497**
As at December 31, 2022	**540**	**350**	**27**	**916**
As at January 01, 2023	**540**	**350**	**27**	**916**
As at December 31, 2023	**980**	**600**	**37**	**1,617**

[1] Presentation of prior year amounts changed from net to gross presentation.

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, 2022	**240**	**75**	**16**	**332**
Additions from initial consolidation of subsidiaries [1)]	2	0	4	6
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**	**377**
Balance as at January 01, 2023	**274**	**77**	**25**	**377**
Additions from initial consolidation of subsidiaries	18	0	0	18
Additions	46	29	6	81
Disposals	-37	-20	-8	-65
Transfers	1	0	-1	0
Reclassification to IFRS 5	3	0	0	3
Foreign currency translation	-5	0	-1	-6
Balance as at December 31, 2023	**300**	**86**	**22**	**408**
Accumulated depreciation and impairment losses				
Balance as at January 01, 2022	**79**	**36**	**9**	**123**
Additions from initial consolidation of subsidiaries [1)]	1	0	1	1
Depreciation	39	19	6	64
Impairments	2	0	0	2
Disposals	-11	-16	-3	-30
Reclassification to IFRS 5	-4	-1	0	-5
Balance as at December 31, 2022	**105**	**39**	**12**	**155**
Balance as at January 01, 2023	**105**	**39**	**12**	**155**
Additions from initial consolidation of subsidiaries	5	0	0	5
Depreciation	45	20	6	71
Impairments	0	0	0	1
Disposals	-32	-19	-8	-59
Reclassification to IFRS 5	2	0	0	2
Foreign currency translation	-2	0	0	-3
Balance as at December 31, 2023	**123**	**40**	**10**	**172**
Net carrying amounts				
As at January 01, 2022	**161**	**39**	**7**	**208**
As at December 31, 2022	**169**	**38**	**14**	**222**
As at January 01, 2023	**169**	**38**	**14**	**222**
As at December 31, 2023	**178**	**47**	**12**	**236**

[1)] Presentation of prior year amounts changed from net to gross presentation.

As at December 31, 2023, other equipment consisted of EUR 7 m (prior year: EUR 8 m) in production equipment and EUR 5 m (prior year: EUR 6 m) in technical equipment and machinery.

Liabilities related to lease agreements capitalized are due as follows:

Lease liabilities

	12/31/2023		12/31/2022	
in € millions	Discounted	Undis-counted	Discounted	Undis-counted
Less than one year	63	70	57	62
Between one and five years	129	144	106	118
More than five years	46	49	56	60
Total	**238**	**264**	**219**	**240**

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	2023	2022
Depreciation	71	64
Interest expense	7	4
Expense relating to short-term leases (lease term of up to 12 months)	5	10
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	2023	2022
Variable lease payments, short-term leases (term of up to 12 months), leases of low-value assets recognized in EBIT	8	12
Principal repayments on lease liabilities	72	64
Interest paid	7	4

Sale and leaseback transactions gave rise to gains of EUR 2 m (prior year: EUR 0 m) in 2023.

The Schaeffler Group recognizes the exercise of extension options included in real estate leases only if it 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, 2022	**2,997**	**10,695**	**1,337**	**654**	**15,683**
Additions from initial consolidation of subsidiaries [1)]	2	21	7	2	32
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	**3,013**	**11,048**	**1,394**	**749**	**16,204**
Balance as at January 01, 2023	**3,013**	**11,048**	**1,394**	**749**	**16,204**
Additions from initial consolidation of subsidiaries	46	104	7	3	160
Additions	39	199	82	529	849
Disposals	-38	-263	-56	-7	-364
Transfers	46	324	49	-420	-1
Reclassification to IFRS 5	-28	-3	-1	0	-31
Foreign currency translation	-40	-171	-7	-8	-226
Balance as at December 31, 2023	**3,039**	**11,240**	**1,467**	**846**	**16,592**

[1)] Presentation of prior year amounts changed from net to gross presentation.

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, 2022	**1,656**	**8,253**	**1,014**	**13**	**10,935**
Additions from initial consolidation of subsidiaries [1]	1	6	4	0	11
Depreciation	85	694	101	0	880
Impairments	9	6	0	1	17
Impairment reversals	0	-3	0	0	-3
Disposals	-16	-136	-51	-8	-212
Reclassification to IFRS 5	-54	-16	-2	0	-72
Foreign currency translation	7	30	5	0	42
Balance as at December 31, 2022	**1,687**	**8,833**	**1,071**	**6**	**11,598**
Balance as at January 01, 2023	**1,687**	**8,833**	**1,071**	**6**	**11,598**
Additions from initial consolidation of subsidiaries	23	64	4	0	90
Depreciation	86	656	107	0	848
Impairments	0	10	1	2	14
Impairment reversals	0	-1	0	0	-1
Disposals	-22	-255	-55	-1	-333
Reclassification to IFRS 5	-15	-2	-1	0	-18
Foreign currency translation	-18	-136	-6	-1	-161
Balance as at December 31, 2023	**1,741**	**9,168**	**1,121**	**6**	**12,037**
Net carrying amounts					
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**
As at January 01, 2023	**1,326**	**2,215**	**323**	**743**	**4,607**
As at December 31, 2023	**1,297**	**2,072**	**346**	**840**	**4,555**

[1] Presentation of prior year amounts changed from net to gross presentation.

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

4.4 Investments in joint ventures and associated companies

Investments in joint ventures and associated companies consisted of EUR 3 m (prior year: EUR 3 m) in investments in joint ventures and EUR 4 m (prior year: EUR 3 m) in investments in associated companies.

The joint venture with equal share ownership 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.

In 2022, the Schaeffler Group and Symbio, a Faurecia and Michelin hydrogen company, established a company with equal share ownership 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.

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.

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

in € millions	12/31/2022 Net	Recognized in profit or loss	Changes in scope of consolidation	Recognized in other comprehen-sive income	12/31/2023 Net	Deferred tax assets	Deferred tax liabilities
Intangible assets	-20	19	-41	0	-42	74	-116
Property, plant and equipment	-35	12	-16	0	-39	172	-211
Financial assets	-77	15	1	-1	-62	1	-63
Inventories	188	3	0	0	191	216	-25
Trade receivables and other assets	-106	78	1	3	-24	137	-161
Provisions for pensions and similar obligations	174	-7	4	55	226	257	-31
Other provisions and other liabilities	180	-24	0	-6	150	229	-79
Interest- and loss carry-forwards	204	8	0	0	212	212	0
Outside basis differences	-38	10	0	0	-28	0	-28
Deferred taxes (gross)	**470**	**114**	**-51**	**51**	**584**	**1,298**	**-714**
Netting						-515	515
Deferred taxes (net)	**470**	**114**	**-51**	**51**	**584**	**783**	**-199**

As at the reporting date, no deferred tax assets were recognized on EUR 7 m (prior year: EUR 9 m) in tax credits.

As at December 31, 2023, the Schaeffler Group had gross loss carry-forwards of EUR 774 m (prior year: EUR 705 m) for corporation tax and EUR 556 m (prior year: EUR 511 m) for trade tax, including EUR 168 m (prior year: EUR 145 m) in corporation tax losses and EUR 116 m (prior year: EUR 127 m) in trade tax losses for which no deferred taxes have been recognized.

EUR 101 m (prior year: EUR 41 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 51 m (prior year: EUR 13 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 2,992 m (prior year: EUR 3,153 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 2022 or 2023 have recognized EUR 187 m (prior year: EUR 189 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. Procurement market prices have already declined, so sufficient taxable profits are expected in the future.

As at December 31, 2023, the net amount of deferred tax recognized in accumulated other comprehensive income was EUR 116 m (prior year: EUR 65 m). The tax included in other comprehensive income is as follows:

Income tax recognized in other comprehensive income

	2023			2022		
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	-188	55	-133	862	-248	614
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	2	-1	2	-4	1	-3
Total other comprehensive income (loss) that will not be reclassified to profit or loss	**-185**	**54**	**-131**	**857**	**-247**	**610**
Items that have been or may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations	-141	0	-141	55	0	55
Effective portion of changes in fair value of cash flow hedges	9	-3	7	87	-25	62
Total other comprehensive income (loss) that has been or may be subsequently reclassified to profit or loss	**-132**	**-3**	**-134**	**142**	**-25**	**117**
Total other comprehensive income (loss)	**-317**	**51**	**-265**	**999**	**-272**	**727**

Income tax receivables and payables

As at December 31, 2023, income tax receivables amounted to EUR 113 m (prior year: EUR 56 m), including non-current balances of EUR 75 m (prior year: EUR 11 m).

As at December 31, 2023, income tax payables amounted to EUR 176 m (prior year: EUR 155 m), including non-current balances of EUR 62 m (prior year: EUR 47 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 in income tax receivables and payables in the Schaeffler Group's consolidated financial statements.

4.6 Inventories

Inventories

in € millions	12/31/2023	12/31/2022
Raw materials and supplies	635	607
Work in progress	771	739
Finished goods and merchandise	1,402	1,446
Advance payments	5	3
Total	**2,812**	**2,796**

EUR 12,346 m (prior year: EUR 11,964 m) in inventories used were expensed as cost of sales in the consolidated income statement in 2023.

The impairment allowance on inventories amounted to EUR 352 m (prior year: EUR 326 m) as at December 31, 2023.

4.7 Trade receivables

Trade receivables

in € millions	12/31/2023	12/31/2022
Trade receivables (gross)	**2,590**	**2,540**
Impairment allowances	-16	-21
Trade receivables (net)	**2,575**	**2,519**

Movements in impairment allowances on these trade receivables can be reconciled as follows:

Impairment allowances on trade receivables

in € millions	2023	2022
Impairment allowances as at January 01	**-21**	**-23**
Additions	-6	-8
Allowances used to cover write-offs	5	5
Reversals	6	6
Impairment allowances as at December 31	**-16**	**-21**

Aging of trade receivables

in € millions		12/31/2023	12/31/2022
Trade receivables (gross)		**2,590**	**2,540**
Not past due		**2,390**	**2,348**
Past due	up to 60 days	**115**	**142**
	61–120 days	**27**	**14**
	121–180 days	**17**	**9**
	181–360 days	**30**	**12**
	› 360 days	**11**	**16**

As at December 31, 2023, trade receivables outstanding with a carrying amount of EUR 90 m (prior year: EUR 114 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)

			12/31/2023			12/31/2022
in € millions	Non-current	Current	Total	Non-current	Current	Total
Other investments	120	0	120	57	0	57
Derivative financial assets	2	66	68	58	118	176
Miscellaneous other financial assets	70	323	393	101	86	188
Total	**192**	**389**	**581**	**216**	**205**	**420**

Non-current **other investments** included unconsolidated equity investments representing interests held by the group of less than 20%.

As at December 31, 2023, **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, 2023, non-current **miscellaneous other financial assets** largely fund units held to finance retirement benefits. As at December 31, 2023, current miscellaneous other financial assets mainly comprised collateral posted and an embedded derivative recognized at fair value, both in connection with a total return swap, totaling EUR 215 m. The total return swap was entered into with a bank in support of the voluntary public tender offer issued by Schaeffler AG for the acquisition of the shares in Vitesco Technologies Group AG; the swap provides for cash settlement and does not convey any legal right to settlement in shares. The bank may acquire up to 3.6 million shares of Vitesco Technologies Group AG in connection with this swap. Schaeffler AG is required to post corresponding financial collateral if the bank acquires any shares. Final settlement of the total return swap will occur when the swap is unwound in 2024. Additionally, the company has capitalized EUR 26 m in transaction costs related to the bridge facility obtained to finance the future acquisition of the shares of Vitesco Technologies Group AG; these transaction costs will be offset against the credit facilities under the effective interest method.

The assets held to protect partial retirement arrangements from insolvency were included in current and non-current miscellaneous other financial assets.

More on the Schaeffler Group's exposure to currency and liquidity risk in Note 4.16

Other assets (non-current/current)

			12/31/2023			12/31/2022
in € millions	Non-current	Current	Total	Non-current	Current	Total
Pension assets	71	0	71	91	0	91
Tax receivables	10	289	299	27	307	334
Miscellaneous other assets	94	74	168	73	57	130
Total	**174**	**363**	**538**	**191**	**364**	**554**

Tax receivables consisted predominantly of value-added tax refunds receivable.

The majority of **miscellaneous other assets** represented the current and non-current portions of prepaid assets and deferred charges as well as EUR 10 m in transaction costs capitalized in connection with the future acquisition of shares in Vitesco Technologies Group AG.

4.9 Cash and cash equivalents

At December 31, 2023, 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 258 m (prior year: EUR 241 m) held by subsidiaries in Argentina, Brazil, Chile, China (Ewellix companies), Colombia, India, Indonesia, Peru, the Philippines, Serbia, South Africa, South Korea, Taiwan, 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

As at December 31, 2023, the company had recognized assets held for sale totaling EUR 25 m (prior year: EUR 44 m) in connection with the planned disposal of an unconsolidated equity investment of EUR 23 m and real estate of EUR 2 m (prior year: EUR 21 m). The prior year balance also included a disposal group consisting of Schaeffler RUS OOO and Schaeffler Russland OOO, companies that were sold during the year.

4.11 Shareholders' equity

Shareholders' equity

in € millions	12/31/2023	12/31/2022
Share capital	666	666
Capital reserves	2,348	2,348
Other reserves	1,233	1,218
Accumulated other comprehensive income (loss)	-476	-216
Equity attributable to shareholders of the parent company	**3,771**	**4,016**
Non-controlling interests	135	125
Total shareholders' equity	**3,905**	**4,141**

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. IHO Beteiligungs GmbH holds approximately 20 million of the common non-voting shares. The remaining 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, 2023.

Capital reserves remained unchanged at EUR 2,348 m as at December 31, 2023.

The change in **other reserves** in 2023 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 2023, 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 0.45) per common non-voting share and EUR 0.44 (prior year: EUR 0.44) 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 11 m (prior year: EUR 0 m) in losses were reclassified from the translation reserve to profit and loss during the reporting period.

As at December 31, 2023, 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)

			12/31/2023			12/31/2022
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	800	2,143	2,943	0	2,939	2,939
Schuldschein loans	0	292	292	5	292	297
Term loans	0	624	624	0	0	0
Commercial paper	90	0	90	50	0	50
Other financial debt	0	9	9	5	7	12
Total	**890**	**3,068**	**3,958**	**60**	**3,238**	**3,298**

The increase in financial debt compared to December 31, 2022, is largely due to two new term loans totaling EUR 625 m in 2023.

As at December 31, 2023, the group's debt consisted of four bond series with a principal of EUR 2,950 m, two term loans with a principal of EUR 625 m, Schuldschein loans with a principal of EUR 293 m, and EUR 90 m in short-term commercial paper. Schaeffler AG also has a revolving credit facility of EUR 2.0 bn that was unutilized as at December 31, 2023, except for EUR 79 m (December 31, 2022: EUR 55 m) in the form of letters of credit. The revolving credit facility is due in November 2027.

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

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

On October 6, 2023, Schaeffler AG entered into credit agreements with a consortium of banks providing a bridge facility to finance the acquisition of the shares of Vitesco Technologies Group AG; the credit agreements were then syndicated to a group of national and international banks. This financing package comprises a line of credit of up to EUR 2.2 bn to finance the acquisition of the shares of Vitesco Technologies Group AG as well as further lines of credit totaling EUR 450 m to finance potential liabilities of Vitesco Technologies Group AG related to Schuldschein loans and a line of credit with the European Investment Bank. Additionally, Schaeffler AG has entered into a revolving credit facility of EUR 800 m that can be used to repay the existing revolving credit facility of Vitesco Technologies Group AG following completion of the takeover of Vitesco Technologies Group AG by Schaeffler AG, provided certain conditions are met. All lines of credit were entered into for a term of one year and two renewal options of six months each. All lines of credit available under the bridge facility were undrawn as at December 31, 2023.

The Schaeffler Group had the following bonds outstanding as at year-end:

Schaeffler Group bonds

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

The 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 36 m) in interest accrued on the bonds up to December 31, 2023, 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 various leverage covenants. 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. Compliance with these financial covenants is monitored continually and reported to the lending banks on a regular basis. As in prior years, the company has complied with the leverage covenants throughout 2023 as stipulated in the debt agreements.

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. 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.

The Schaeffler Company Pension Scheme and the other pension schemes financed by provisions have been closed to new entrants. Schaeffler provides employees joining in or after 2023 with benefits via the employer-financed Schaeffler Pension Plan. When the employee becomes eligible to receive the benefits, the employee can opt to receive the balance accumulated in the benefit account either in a lump sum payment, in installments, or in the form of an annuity. Employees who joined the company prior to 2023 were offered the option of switching to the Schaeffler Pension Plan for service years starting in 2024. Approximately half of the employees accepted this offer. The benefit obligations are covered by assets held separately under a contractual trust agreement (CTA).

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 a specialized multi-asset fund. In addition, the Schaeffler Group guarantees a minimum annual return. Similar to the Schaeffler Pension Plan, when the employee becomes eligible to receive the benefits, the employee can opt to receive the balance accumulated in the benefit account either in a lump sum payment, in installments, or in the form of an annuity. The benefit obligations are covered by assets held separately under a contractual trust agreement (CTA) as well.

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 2023, approx. 96% (prior year: 98%) of pension obligations in the U.S. and approx. 127% (prior year: 133%) 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, 2023:

Amounts recognized in the statement of financial position for pensions and similar obligations

	12/31/2023					12/31/2022				
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)	-1,762	-12	-1	-57	-1,832	-1,548	-11	-1	-46	-1,606
Pension asset (plan assets net of related liabilities)	22	5	38	6	71	19	7	45	20	91
Net defined benefit liability	**-1,740**	**-7**	**37**	**-51**	**-1,761**	**-1,529**	**-4**	**44**	**-26**	**-1,515**

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

					12/31/2023					12/31/2022
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)	-985	-31	0	-196	-1,212	-853	-35	0	-163	-1,051
Present value of defined benefit obligations (deferred members)	-272	-19	-76	-4	-371	-240	-21	-68	-4	-333
Present value of defined benefit obligations (pensioners)	-757	-123	-64	-41	-985	-686	-123	-67	-27	-903
Present value of defined benefit obligations (total)	**-2,014**	**-173**	**-140**	**-241**	**-2,568**	**-1,779**	**-179**	**-135**	**-194**	**-2,287**
Fair value of plan assets	274	166	177	190	807	250	175	179	168	772
Net pension obligation recognized in the statement of financial position	0	0	0	0	0	-1,529	-4	44	-26	-1,515
Net defined benefit liability	**-1,740**	**-7**	**37**	**-51**	**-1,761**	**-1,529**	**-4**	**44**	**-26**	**-1,515**

Movements in the net defined pension benefit liability in 2023 can be reconciled as follows:

Reconciliation of net defined benefit liability/asset January 01/December 31

					2023					2022
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	**-1,529**	**-4**	**44**	**-26**	**-1,515**	**-2,363**	**-2**	**85**	**-57**	**-2,337**
Benefits paid	64	1	0	3	68	63	1	-1	6	69
Service cost	-36	0	-1	-10	-47	-74	0	2	-11	-83
Net interest on net defined benefit liability	-60	0	3	-1	-58	-32	0	2	-1	-31
Employer contributions	3	0	0	2	5	-9	0	0	19	10
Employee contributions	0	0	0	0	0	0	0	0	0	0
Remeasurement of net defined benefit liability	-156	-4	-10	-22	-192	887	-3	-39	17	862
Impact of asset ceiling	0	0	0	-4	-4	0	0	0	1	1
Business combinations/disposals of subsidiaries	-26	0	0	7	-19	-1	0	0	0	-1
Transfers in/out	0	0	0	1	1	0	0	0	0	0
Foreign currency translation	0	0	1	-1	0	0	0	-5	0	-5
Net defined benefit liability (-)/ asset (+) as at December 31	**-1,740**	**-7**	**37**	**-51**	**-1,761**	**-1,529**	**-4**	**44**	**-26**	**-1,515**

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

					2023					2022
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	**-1,779**	**-179**	**-135**	**-194**	**-2,287**	**-2,624**	**-219**	**-230**	**-222**	**-3,295**
Benefits paid	73	13	7	16	109	67	13	7	16	103
Current service cost	-37	0	-1	-11	-49	-74	0	0	-11	-85
Past service cost	1	0	0	1	2	0	0	2	0	2
Interest cost	-70	-9	-6	-10	-95	-35	-6	-4	-6	-51
Employee contributions	-8	0	0	-1	-9	-11	0	0	0	-11
Transfers in/out	0	0	0	0	0	0	0	-1	0	-1
Gains (+)/losses (-) – changes in financial assumptions	-143	-4	-2	-15	-164	914	49	85	33	1,081
Gains (+)/losses (-) – changes in demographic assumptions	0	0	3	-2	1	0	-3	0	-1	-4
Gains (+)/losses (-) – experience adjustments	-25	0	-3	-4	-32	-15	0	-6	-2	-23
Business combinations/disposals of subsidiaries	-26	0	0	-25	-51	-1	0	0	0	-1
Foreign currency translation	0	6	-3	4	7	0	-13	12	-1	-2
Present value of defined benefit obligations as at December 31	**-2,014**	**-173**	**-140**	**-241**	**-2,568**	**-1,779**	**-179**	**-135**	**-194**	**-2,287**

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

					2023					2022
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	**250**	**175**	**179**	**168**	**772**	**261**	**217**	**315**	**165**	**958**
Benefits paid	-9	-12	-7	-13	-41	-4	-12	-8	-10	-34
Interest income on plan assets	10	9	9	9	37	3	6	6	5	20
Employee contributions	8	0	0	1	9	11	0	0	0	11
Employer contributions	3	0	0	2	5	-9	0	0	19	10
Impact of asset ceiling	0	0	0	-4	-4	0	0	0	1	1
Transfers in/out	0	0	0	1	1	0	0	1	0	1
Return on plan assets excluding interest income	12	0	-8	-1	3	-12	-49	-118	-13	-192
Business combinations/disposals of subsidiaries	0	0	0	32	32	0	0	0	0	0
Foreign currency translation	0	-6	4	-5	-7	0	13	-17	1	-3
Fair value of plan assets as at December 31	**274**	**166**	**177**	**190**	**807**	**250**	**175**	**179**	**168**	**772**

The Schaeffler Group plans to contribute EUR 13 m (prior year: EUR 16 m) to plan assets in 2024.

Plan assets consisted of the following:

Classes of plan assets

	12/31/2023					12/31/2022				
in € millions	Germany	U.S.	United Kingdom	Other countries	Total	Germany	U.S.	United Kingdom	Other countries	Total
Equity instruments	93	0	0	17	110	121	17	8	5	151
Debt instruments	5	165	11	149	330	52	158	10	149	369
Real estate	0	0	16	9	25	0	0	27	4	31
Cash	36	1	56	2	95	42	0	40	1	83
(Reimbursement) insurance policies	37	0	1	11	49	35	0	1	9	45
Mixed funds	103	0	93	0	196	0	0	93	0	93
Other	0	0	0	2	2	0	0	0	0	0
Total	**274**	**166**	**177**	**190**	**807**	**250**	**175**	**179**	**168**	**772**

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.

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

					2023					2022
in € millions	Germany	U.S.	United Kingdom	Other countries	Total	Germany	U.S.	United Kingdom	Other countries	Total
Current service cost	37	0	1	11	49	74	0	0	12	86
Past service cost	-1	0	0	-1	-2	0	0	-2	0	-2
• plan amendments	-1	0	0	-1	-2	0	0	-2	0	-2
Service cost	**36**	**0**	**1**	**10**	**47**	**74**	**0**	**-2**	**12**	**84**
Interest cost	70	9	6	10	95	35	6	4	6	51
Interest income	-9	-9	-9	-9	-36	-3	-6	-6	-5	-20
Net interest on net defined benefit liability/asset	**61**	**0**	**-3**	**1**	**59**	**32**	**0**	**-2**	**1**	**31**
Gains (-)/losses (+) – changes in financial assumptions	142	5	2	15	164	-914	-49	-85	-33	-1,081
Gains (-)/losses (+) – changes in demographic assumptions	0	0	-3	2	-1	0	3	0	1	4
Gains (-)/losses (+) – experience adjustments	25	0	3	4	32	15	0	6	2	23
Return on plan assets excluding interest income	-12	0	8	1	-3	12	49	118	13	192
Impact of asset ceiling	0	0	0	0	0	0	0	0	-1	-1
Remeasurements of net defined benefit liability/asset	**155**	**5**	**10**	**22**	**192**	**-887**	**3**	**39**	**-18**	**-863**
Total comprehensive (income) loss on defined benefit obligations	**252**	**5**	**8**	**33**	**298**	**-781**	**3**	**35**	**-5**	**-748**

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

	2023					2022				
in € millions	Germany	U.S.	United Kingdom	Other countries	Total	Germany	U.S.	United Kingdom	Other countries	Total
Cost of sales	19	0	0	7	26	40	0	0	8	49
Research and development expenses	6	0	0	1	7	14	0	0	1	15
Selling expenses	3	0	0	1	4	6	0	0	1	7
Administrative expenses	8	0	1	1	10	12	0	0	1	13
Included in EBIT	**36**	**0**	**1**	**10**	**47**	**72**	**0**	**0**	**11**	**84**
Interest cost	70	9	6	10	95	35	7	4	6	52
Interest income	-9	-9	-9	-9	-36	-9	-7	-6	-5	-26
Included in financial result	**60**	**0**	**-3**	**1**	**59**	**26**	**0**	**-2**	**1**	**25**
Total	**97**	**0**	**-2**	**10**	**105**	**98**	**0**	**-2**	**12**	**109**

Maturity profile of defined benefit obligations

The weighted average duration of defined benefit obligations is 16.2 years (prior year: 15.0 years) at year-end. In the most significant countries Germany, the U.S., and the United Kingdom, the duration averages 18.0 years (prior year: 16.2 years), 9.1 years (prior year: 9.4 years), and 12.8 years (prior year: 15.5 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
2024	69
2025	72
2026	73
2027	76
2028	79
2029–2033	419

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

	2023					2022				
	Germany	U.S.	United Kingdom	Other countries	Total [1]	Germany	U.S.	United Kingdom	Other countries	Total [1]
Discount rate as at December 31	3.4%	4.9%	4.6%	3.8%	3.6%	3.9%	5.2%	4.8%	4.9%	4.1%
Future salary increases	3.3%	n. a. [2]	n. a. [2]	2.8%	3.2%	3.3%	n. a. [2]	n. a. [2]	3.7%	3.3%
Future pension increases	2.2%	0.0%	3.0%	0.0%	1.9%	2.2%	0.0%	3.1%	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 "RICHT-TAFELN 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 80 m (prior year: EUR 70 m) in Germany, by EUR 6 m (prior year: decrease by EUR 3 m) in the U.S., and EUR 4 m (prior year: EUR 4 m) in the United Kingdom.

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 2023, the Schaeffler Group incurred EUR 44 m (prior year: EUR 39 m) in expenses related to defined contribution plans. At EUR 13 m (prior year: EUR 17 m), the majority of this amount relates to plans in the U.S.

Sensitivity analysis of present value of defined benefit obligation

						2023					2022
in € millions		Germany	U.S.	United Kingdom	Other countries	Total	Germany	U.S.	United Kingdom	Other countries	Total
Discount rate	Plus 1.0%	-271	-14	-17	-20	-322	-228	-15	-19	-15	-277
	Minus 1.0%	360	17	21	24	422	301	18	21	18	358
Future salary increases	Plus 1.0%	17	n. a. [1]	n. a. [1]	12	29	22	n. a. [1]	n. a. [1]	10	32
	Minus 1.0%	-15	n. a. [1]	n. a. [1]	-11	-26	-19	n. a. [1]	n. a. [1]	-9	-28
Future pension increases	Plus 1.0%	158	0	13	6	177	139	0	10	2	152
	Minus 1.0%	-133	0	-11	-5	-149	-118	0	-10	-2	-130

[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, 2023	**294**	**135**	**51**	**28**	**184**	**692**
Additions	86	0	58	15	34	194
Additions from initial consolidation of subsidiaries	1	0	0	0	4	4
Utilization	-72	-53	-25	-11	-61	-221
Reversals	-59	-21	-11	-8	-43	-143
Interest expense	2	0	0	0	1	3
Foreign currency translation	-3	0	-1	-0	-2	-6
Balance as at December 31, 2023	**248**	**62**	**72**	**24**	**116**	**521**

Provisions consisted of the following current and non-current portions. Non-current provisions are due in one to five years.

Provisions (non-current/current)

			12/31/2023			12/31/2022
in € millions	Non-current	Current	Total	Non-current	Current	Total
Employee benefits	164	84	248	211	83	294
Restructuring	6	56	62	22	113	135
Warranties	0	72	72	0	51	51
Other taxes	0	24	24	0	28	28
Other	39	77	116	55	129	184
Total	**208**	**313**	**521**	**288**	**404**	**692**

Provisions for employee benefits included EUR 109 m (prior year: EUR 108 m) in provisions for long-time service awards and partial retirement programs. Provisions for employee benefits decreased compared to the prior year mainly due to adjustments to provisions for restructuring measures adopted by Schaeffler AG's Board of Managing Directors on November 7, 2022, to cut excess structural capacity and reduce fixed costs. These adjustments are primarily due to the outcome of the negotiations with IG Metall Bayern and the resulting supplemental company agreement signed on July 24, 2023. The cost of implementing the restructuring measures will be less than the transformation expenses originally planned due to the cancellation of previously announced relocations at the Herzogenaurach location in the Bearings BD of the Automotive Technologies division and reduced working hours. This resulted in EUR 48 m in reversals. An offsetting impact came from EUR 13 m added to provisions related to these restructuring measures for the finalization of the strategies for the Ingolstadt and Morbach locations. The measures are largely expected to be implemented by the end of 2026. Additionally, the company had provisions of EUR 10 m (prior year: EUR 28 m) for a voluntary severance scheme in South Korea.

Restructuring provisions included EUR 2 m (prior year: EUR 10 m) for the reorganization of the indirect functions at various locations under the “Shared Services” initiative for the Europe region. Implementation of these measures has largely been completed. In addition, the company has EUR 1 m (prior year: EUR 6 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 59 m as at December 31, 2023 (prior year: EUR 119 m).

Warranty provisions consisted, in particular, of provisions for specific cases for which an outflow of resources within one year is considered probable. The increase compared to the prior year is due to specific cases within the Automotive Technologies and Industrial divisions.

Other provisions include, inter alia, EUR 8 m (prior year: EUR 14 m) in provisions for interest and penalties related to income taxes, EUR 2 m (prior year: EUR 5 m) for potential third party claims in connection with antitrust proceedings, and EUR 6 m (prior year: EUR 41 m) for other legal and litigation risks. EUR 10 m (prior year: EUR 31 m) in provisions for remediating past environmental impacts and rehabilitating commercial land were included as well.

Non-current provisions decreased by EUR 80 m to EUR 208 m (prior year: EUR 288 m), primarily due to reversals of employee benefit provisions, reversals and reclassifications of restructuring provisions, and a reversal of the provision for remediating past environmental impacts and rehabilitating commercial land.

Current provisions declined by EUR 91 m to EUR 313 m (prior year: EUR 404 m). The decrease was mainly attributable to EUR 47 m in restructuring provisions utilized in connection with the restructuring measures adopted by Schaeffler AG’s Board of Managing Directors under the “Roadmap 2025” divisional subprograms in the third quarter of 2020. Adjustments to restructuring provision balances reduced current provisions as well. Utilization and reversal of provisions for legal and litigation risks contributed further to the decrease.

4.15 Other financial liabilities and other liabilities

Other financial liabilities (non-current/current)

			12/31/2023			12/31/2022
in € millions	Non-current	Current	Total	Non-current	Current	Total
Amounts payable to staff	5	382	387	5	444	449
Derivative financial liabilities	40	231	271	12	62	74
Miscellaneous other financial liabilities	46	198	244	72	120	192
Total	**91**	**811**	**902**	**90**	**626**	**715**

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, 2023, **derivative financial liabilities** primarily included the obligation to acquire the shares tendered under the public tender offer to the shareholders of Vitesco Technologies Group AG, recognized at its fair value of EUR 188 m. Derivative financial liabilities also 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. These latter hedging instruments related primarily to short-, medium-, and long-term price and supply agreements for renewable energy (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. Liabilities for legal and litigation risks as well as contingent purchase price payment obligations for acquisitions made in prior years were included here as well.

More on the Schaeffler Group's exposure to currency and liquidity risk in Note 4.16

Other liabilities (non-current/current)

			12/31/2023			12/31/2022
in € millions	Non-current	Current	Total	Non-current	Current	Total
Amounts payable to staff	0	111	111	0	94	94
Social security contributions payable	0	48	48	0	45	45
Advance payments received	0	6	6	0	4	4
Other tax payables	0	132	132	0	146	146
Miscellaneous other liabilities	6	23	29	7	52	59
Total	**6**	**320**	**325**	**7**	**341**	**348**

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	12/31/2023 Carrying amount	12/31/2023 Fair value	12/31/2022 Carrying amount	12/31/2022 Fair value
Financial assets, by class					
Trade receivables	Amortized cost	2,255	2,255	2,287	2,287
Trade receivables – factoring program	FVTPL	167	167	100	100
Trade receivables – customer receivables and notes receivable available for sale	FVOCI	154	154	132	132
Other financial assets					
• Other investments – FVOCI	FVOCI	91	91	43	43
• Other investments – FVTPL	FVTPL	28	28	13	13
• Marketable securities	FVTPL	27	27	24	24
• Derivatives designated as hedging instruments	n.a.	44	44	43	43
• Derivatives not designated as hedging instruments	FVTPL	25	25	133	133
• Miscellaneous other financial assets – amortized cost	Amortized cost	151	151	163	163
• Miscellaneous other financial assets – FVTPL	FVTPL	215	215	-	-
Cash and cash equivalents	Amortized cost	769	769	1,063	1,063
Financial liabilities, by class					
Financial debt	FLAC	3,958	3,935	3,298	3,118
Trade payables	FLAC	2,357	2,357	2,339	2,339
Refund liabilities	n.a.	282	282	263	263
Lease liabilities [1]	n.a.	238	-	219	-
Other financial liabilities					
• Derivatives designated as hedging instruments	n.a.	4	4	13	13
• Derivatives not designated as hedging instruments	FVTPL	267	267	61	61
• Miscellaneous other financial liabilities – FVTPL	FVTPL	36	36	53	53
• Miscellaneous other financial liabilities – FLAC	FLAC	595	595	588	588
Summary by category					
Financial assets at amortized cost (Amortized cost)		3,174	3,174	3,514	3,514
Financial assets at fair value through profit or loss (FVTPL)		461	461	270	270
Financial assets at fair value through other comprehensive income (FVOCI)		245	245	176	176
Financial liabilities at amortized cost (FLAC)		6,911	6,887	6,225	6,045
Financial liabilities at fair value through profit or loss (FVTPL)		303	303	114	114

[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 12/31/2023	Fair value as at 12/31/2022
SupplyOn AG	8.6	7.3
GKS-Gemeinschaftskraftwerk Schweinfurt GmbH	1.7	1.7
H2GS AB	73.7	33.8
Cofinity-X GmbH	3.5	-
up2parts GmbH	3.1	-
Miscellaneous other equity investments FVOCI	0.9	0.7
Total equity investments at FVOCI	**91.4**	**43.4**
Leadrive Technology (Shanghai) Co. Ltd.	10.5	10.3
Earlybird UNI-X Seed Fund I GmbH & Co. KG	3.8	2.3
Clean H2 Infra Fund S.L.P.	3.6	0.5
Baukunst Fund I LP	2.4	0.3
Hubei Cathay Smart New Energy Fund Partnership (LP)	7.6	-
Clean Hydrogen Equipment Fund S.L.P.	0.2	-
Total equity investments at FVTPL	**28.2**	**13.4**
Total	**119.7**	**56.8**

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 2023, 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. This category also comprises a derivative related to the tender offer to the shareholders of Vitesco Technologies Group AG as well as a derivative embedded in the total return swap.

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, 2023				
Marketable securities	27	-	-	27
Derivatives designated as hedging instruments	-	44	-	44
Derivatives not designated as hedging instruments	-	25	-	25
Trade receivables – factoring program	-	167	-	167
Trade receivables – customer receivables and notes receivable available for sale	-	154	-	154
Other investments – FVOCI	-	-	91	43
Other investments – FVTPL	-	-	28	13
Miscellaneous other financial assets – FVTPL	-	215	-	215
Total financial assets	**27**	**603**	**120**	**750**
Financial debt	2,903	1,032	-	3,935
Derivatives designated as hedging instruments	-	4	-	4
Derivatives not designated as hedging instruments	-	228	39	267
Miscellaneous other financial liabilities – FVTPL	-	-	36	36
Total financial liabilities	**2,903**	**1,264**	**75**	**4,242**
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 assets – FVTPL	-	-	53	53
Total financial liabilities	**2,756**	**424**	**65**	**3,246**

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

				2023
in € millions	Other investments	Miscellaneous other financial liabilities	Derivative financial assets	Derivative financial liabilities
Balance as at January 01	**57**	**53**	**2**	**12**
Additions	61	2	0	0
Gains or losses recognized in other comprehensive income	1	0	0	0
Gains or losses recognized in profit or loss	0	19	-2	-27
• Other income	1	0	0	0
• Other expenses	-1	0	0	0
• Financial income	0	41	0	0
• Financial expenses	0	-22	-2	-27
Disposals	0	0	0	0
Foreign currency translation	0	0	0	0
Balance as at December 31	**120**	**36**	**0**	**39**

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 39 m in H2GS AB. 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 10 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, 2023, varied from 6.8 to 11.1 and resulted in a range of values for these investees of EUR 10 m to EUR 12 m that could potentially lead to an increase in accumulated other comprehensive income by up to EUR 2 m.

Miscellaneous other financial liabilities consist of the fair value of contingent purchase price payment obligations for acquisitions made in prior years. The liabilities were 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 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 discounted cash flow 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, 2023. Had the price of electricity been 10% higher (lower), earnings before income taxes would have been higher (lower) by EUR 4 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

					2023	2022
	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	-139	0	0	-139	-28
Financial assets at amortized cost	23	0	-51	-25	-53	40
Financial liabilities at amortized cost	-142	0	0	32	-110	-127
Total	**-119**	**-139**	**-51**	**7**	**-302**	**-114**

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 139 m (prior year: EUR 28 m) relates primarily to derivatives. EUR 32 m in net losses (prior year: EUR 10 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 14 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 2.0 bn) currently bearing interest at Euribor plus 0.7% (prior year: 0.9%) as well as other bilateral lines of credit of EUR 286 m (prior year: EUR 118 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, 2023					
Non-derivative financial liabilities	**7,193**	**7,654**	**4,208**	**1,915**	**1,531**
• Financial debt	3,958	4,418	1,024	1,864	1,530
• Trade payables	2,357	2,358	2,356	2	0
• Refund liabilities	282	281	281	0	0
• Miscellaneous other financial liabilities	595	597	547	49	0
Derivative financial liabilities	**271**	**275**	**238**	**30**	**7**
Total	**7,463**	**7,929**	**4,446**	**1,945**	**1,537**
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**

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, 2023, 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

	12/31/2023		
in € millions	Gross carrying amount	Expected credit losses	Weighted average impairment rate
Risk class AA: high credit quality	1,399	-3	0%
Risk class A,B,C: medium credit quality	1,183	-6	-1%
Risk class I: negative credit quality and/or insolvent	7	-7	-89%
	2,590	-16	-1%

	12/31/2022		
in € millions	Gross carrying amount	Expected credit losses	Weighted average impairment rate
Risk class AA: high credit quality	1,353	4	0%
Risk class A,B,C: medium credit quality	1,176	7	1%
Risk class I: negative credit quality and/or insolvent	11	10	85%
	2,540	21	1%

In 2023, risk classes were renamed and some of them combined as part of credit and receivables management. Customers with sound credit quality are assigned to **risk class AA** (prior year: risk class 1). The Schaeffler Group serves these customers without any restrictions and they are not covered by credit insurance. **Risk classes A, B, and C** (prior year: risk classes 2 to 4) contain customers with medium credit quality, partly covered by credit insurance. For customers in **risk class AA to C**, expected credit losses are only calculated for receivables that are not insured.

Risk class I (prior year: 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 I based on objective evidence. As at the reporting date, EUR 7 m (prior year: EUR 12 m) of the receivables in risk class I are considered impaired while no specific impairment allowances have been recognized for receivables in the other risk classes.

As at December 31, 2023, 34% (prior year: 36%) of trade receivables were covered by commercial credit insurance. For EUR 893 m (prior year: EUR 915 m) in receivables covered by credit insurance, neither specific impairment allowances nor expected credit losses are recognized. However, impairment allowances have been recognized on EUR 0.2 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 46.6% (prior year: 47.1%) 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

	12/31/2023		
in € millions	Gross carrying amount	Expected credit losses	Weighted average impairment rate
BBB- to AAA	719	0	0%
B- to BB+	49	0	0%
C to CCC+	0	0	0%
D	0	0	0%
External rating not available	0	0	0%
	769	0	0%

	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%

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 412 m, prior year: EUR 194 m) are impaired as at December 31, 2023. 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

	12/31/2023	12/31/2022
in € millions	Carrying amount	
Variable interest instruments	**875**	**250**
• Financial debt	875	250
Fixed interest instruments	**3,084**	**3,048**
• Financial debt	3,084	3,048

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, 2023, would affect (increase/decrease) net income (loss) and shareholder's 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, 2023				
Variable interest instruments	-9	9	0	0
Total	**-9**	**9**	**0**	**0**
As at December 31, 2022				
Variable interest instruments	-3	3	0	0
Total	**-3**	**3**	**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 of the end of each reporting period are as follows:

Currency risk from operations

in € millions	USD	CNY	RON	HUF	INR
December 31, 2023					
Estimated currency risk from operations	867	473	-201	-177	134
Forward exchange contracts	-739	-317	185	134	-99
Remaining currency risk from operations	**128**	**156**	**-16**	**-42**	**36**
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**

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 U.S. dollar and the Chinese renminbi and amount to an estimated EUR 135 m and EUR 127 m, respectively (prior year: EUR 92 m and EUR 82 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, 2023, 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

	12/31/2023		12/31/2022	
in € millions	Net income (loss)	Shareholders' equity	Net income (loss)	Shareholders' equity
USD	15	-63	13	-66
CNY	4	-37	11	-46
RON	-14	26	-5	32
HUF	-2	14	-1	11
INR	-3	0	-3	0

Conversely, a 10% rise in the euro against the significant foreign currencies as at December 31, 2023, 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

	12/31/2023		12/31/2022	
in € millions	Notional amount	Fair value	Notional amount	Fair value
Financial assets				
Currency hedging				
Forward exchange contracts	2,705	58	2,470	67
• thereof: hedge accounting	1,560	44	1,281	43
Cross-currency swaps	3	0	17	0
• thereof: hedge accounting	3	0	17	0
Financial liabilities				
Currency hedging				
Forward exchange contracts	2,056	-33	2,293	-62
• thereof: hedge accounting	362	-4	906	-13

As at December 31, 2023, the Schaeffler Group held the following instruments to hedge its currency risk:

Hedging instruments

	Maturity			
	2023		2022	
	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)	4,761	0	4,618	146
Average rates of forward exchange contracts				
EUR:USD	1.0892	-	1.0694	1.0124
EUR:CNY	7.7115	-	7.2437	7.3822
EUR:HUF	401.3660	-	427.5051	-
EUR:RON	5.0524	-	5.1792	-
Cross-currency swap				
Notional amount of hedging instruments (in € millions)	3	0	14	3
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	2023	2022
Balance as at January 01	**30**	**-56**
Additions	40	30
Reclassified to income statement		
• to other income	30	
• to other expense		56
Balance as at December 31	**40**	**30**

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, 2023.

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 part of these hedging instruments in 2023. Additionally, these hedges were not designated under hedge accounting requirements.

Summary of derivative financial instruments – energy

	12/31/2023		12/31/2022	
in € millions	Notional amount	Fair value	Notional amount	Fair value
Financial assets				
Energy forward contracts	25	10	74	107
Power purchase agreements	0	0	10	2
Financial liabilities				
Energy forward contracts	23	-10	5	0
Power purchase agreements	88	-39	90	-12

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	12/31/2023	12/31/2022
Financial assets		
Gross amount of financial assets	58	67
Amounts offset in accordance with IAS 32.42	0	0
Net amount of financial assets	58	67
Amounts subject to master netting arrangements		
• Derivatives	-28	-45
Net amount of financial assets	30	22
Financial liabilities		
Gross amount of financial liabilities	-33	-62
Amounts offset in accordance with IAS 32.42	0	0
Net amount of financial liabilities	-33	-62
Amounts subject to master netting arrangements		
• Derivatives	28	45
Net amount of financial liabilities	-5	-17

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 entire 2023–2026 tranche is March 3, 2023. 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 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 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. [20]
- 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 and 2023 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. [20]
- 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.

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 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, 2023, amounted to EUR 12.4 m (prior year: EUR 11.7 m). Current provisions amounted to EUR 4.4 m as at December 31, 2023 (prior year: EUR 5.0 m). Net expenses from the pro-rata addition to provisions for the PSUP for 2023 totaled EUR 5.0 m (prior year: EUR 5.5 m). 4,635,020 PSUs were granted (2,896,872 of these PSUs correspond to a target achievement rate of 100%) and 1,513,907 PSUs paid in 2023; 311,507 PSUs were forfeited. There were 12,487,081 PSUs (prior year: 9,677,475 PSUs) in total as at December 31, 2023. These PSUs granted were still outstanding as at December 31, 2023. The share price relevant to payment of the PSUs granted in 2020 and vested at the end of 2023 is EUR 5.20.

[20] Taking into account the rules applicable to leavers.

The average fair value of a PSU granted was EUR 3.59 (prior year: EUR 4.32) as at December 31, 2023. 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 starting in 2020 with a TSR-based performance target is determined based on a Monte Carlo simulation. The valuation model used takes 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 the benchmark indexes SXAGR and SXNGR).

The input parameters reflected in the valuation based on a Monte Carlo simulation are as follows:

	12/31/2023	12/31/2022
Average risk-free interest rate for the remaining performance period	2.50%	2.35%
Share price (in EUR) of Schaeffler AG common non-voting shares as at the valuation date	5.60	6.37
Expected dividend yield of Schaeffler AG common non-voting shares	8.94%	6.28%
Expected volatility of Schaeffler AG common non-voting shares	35.97%	42.66%
Expected volatility of the SXAGR benchmark index	25.84%	32.59%
Expected correlation between the SXAGR benchmark index and Schaeffler AG common non-voting shares	0.66	0.71
Expected volatility of the SXNGR benchmark index	19.90%	24.48%
Expected correlation between the SXNGR benchmark index and Schaeffler AG common non-voting shares	0.55	0.58
Expected correlation between the SXAGR and SXNGR benchmark indexes	0.78	0.82

Expected future volatilities and the correlation between Schaeffler AG common non-voting shares and the benchmark group (SXAGR and SXNGR) were estimated based on the daily closing prices of Schaeffler AG common non-voting shares and the benchmark group (SXAGR and SXNGR) in the XETRA trading system of the German Stock Exchange.

The valuation as at the relevant grant date of the 2023 tranche reflects the following input parameters:

Valuation input parameters as at the grant date (2023 tranche)

	Grant date March 03, 2023
Risk-free interest rate for the remaining performance period	3.16%
Expected dividend yield of Schaeffler AG common non-voting shares	6.37%
Expected volatility of Schaeffler AG common non-voting shares	42.63%
Expected volatility of the SXAGR benchmark index	31.75%
Expected volatility of the SXNGR benchmark index	23.84%
Expected correlation coefficient between the SXAGR benchmark index and Schaeffler AG common non-voting shares	0.71
Expected correlation coefficient between the SXNGR benchmark index and Schaeffler AG common non-voting shares	0.58
Expected correlation coefficient between the SXAGR and SXNGR benchmark indexes	0.83

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

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 financial debt to EBITDA ratio. The net financial debt to EBITDA ratio, defined as the ratio of net financial debt to earnings before financial result, income taxes, depreciation, amortization, and impairment losses (EBITDA) before special items, amounted to 1.5 as at December 31, 2023 (prior year: 1.1).

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 150 m (prior year: EUR 166 m) were utilized as at December 31, 2023. 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 leverage covenants. The inputs to the calculation of the leverage covenants are defined in the debt agreements and cannot be derived directly from amounts in the consolidated financial statements. As in prior years, the company has complied with the leverage covenants throughout 2023 as stipulated in the debt agreements. Based on its forecast, the Schaeffler Group also expects to comply with all leverage covenants in subsequent years.

In addition to the leverage covenants contained in the debt agreements, the Schaeffler Group regularly calculates further financial indicators such as the net financial debt to EBITDA ratio. The net financial 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	12/31/2023	12/31/2022
Current financial debt	890	60
Non-current financial debt	3,068	3,238
Financial debt	**3,958**	**3,298**
Cash and cash equivalents	769	1,063
Net financial debt	**3,189**	**2,235**
Earnings before financial result, income taxes, depreciation, amortization, and impairment losses (EBITDA)	**1,836**	**1,963**
Net financial debt to EBITDA ratio	**1.7**	**1.1**

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	Term loans	Schuld-schein loans	Commercial paper	Other financial debt	
Balance as at January 01, 2023	**2,939**	**0**	**297**	**50**	**12**	**3,298**
Cash provided by (used in) financing activities						
Receipts from bond issuances and loans		625		90	1	716
Redemptions of bonds and repayments of loans			-5	-50	-7	-62
Total changes from cash flows	**0**	**625**	**-5**	**40**	**-7**	**653**
Changes from acquisitions and disposals of companies					4	4
Other non-cash changes	4	-1	0	0	0	3
Balance as at December 31, 2023	**2,943**	**624**	**292**	**90**	**9**	**3,958**

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 715 m to acquire subsidiaries. Cash outflows for the acquisition of interests in joint ventures and other equity investments totaling EUR 327 m included EUR 261 m in collateral posted in connection with a total return swap. The total return swap was entered into with a bank in support of the voluntary public tender offer issued by Schaeffler AG for the acquisition of the shares in Vitesco Technologies Group AG; the swap provides for cash settlement and does not convey any legal right to settlement in shares. The bank may acquire up to 3.6 million shares of Vitesco Technologies Group AG in connection with this swap. Schaeffler AG is required to post corresponding financial collateral if the bank acquires any shares. Final settlement of the total return swap will occur when the swap is unwound in 2024.

EUR 30 m in other investing activities of the prior year represented loans granted to joint ventures.

5.2 Contingent liabilities

As at December 31, 2023, the Schaeffler Group had contingent liabilities of EUR 45 m (prior year: EUR 62 m), including EUR 17 m (prior year: EUR 16 m) in contingent liabilities representing tax- and customs-related risks and EUR 20 m (prior year: EUR 31 m) in contingent liabilities related to legal cases. They 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. The Automotive Technologies division manages its business based on the four **business divisions (BDs) E-Mobility**, **Engine & Transmission Systems**, **Bearings**, as well as **Chassis Systems**. 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** develops and manufactures components and systems for all-electric and hybrid powertrains, the fuel cell powertrain, as well as for internal combustion engines and chassis systems. The division also offers a wide range of rolling bearings that is largely powertrain-agnostic. Most of its customers are automobile manufacturers with worldwide operations. 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 for both passenger cars and commercial vehicles. It offers solutions for hybrid vehicles, all-electric vehicles, and vehicles with a fuel cell powertrain. The product portfolio ranges from electric motors, electric axle transmissions, electric axle drives, power electronics, hybrid modules, electromechanical and hydraulic actuators, and thermal management modules through to complete electric axle systems – compact units comprising the transmission, electric motor, power electronics, and thermal management. Bipolar plates are industrialized for the fuel cell powertrain. The E-Mobility BD generated EUR 1,312 m in revenue during the year (prior year: EUR 1,346 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 5,306 m in revenue during the year (prior year: EUR 5,153 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. Efficient and high-precision products are used to equip both conventional drives and electrified powertrains and chassis systems with bearing solutions. The Bearings BD generated EUR 2,697 m in revenue during the year (prior year: EUR 2,625 m).
- The **Chassis Systems BD** develops and manufactures mechanical components and mechatronic systems for steering and other chassis applications through to driverless mobility concepts. Among the products included in its portfolio is the "Space Drive" steer-by-wire system. The Chassis Systems BD generated EUR 457 m in revenue during the year (prior year: EUR 374 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. 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. 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 1,497 m in revenue during the year (prior year: EUR 1,358 m), the Americas region generated EUR 478 m in revenue during the year (prior year: EUR 434 m), the Greater China region generated EUR 139 m during the year (prior year: EUR 117 m), and the Asia/Pacific region generated EUR 139 m in revenue during the year (prior year: EUR 132 m).

Industrial

The **Industrial division** develops and manufactures rotary and linear bearing solutions, drive technology components & systems, as well as service solutions such as sensor-based condition monitoring systems for a large number of industrial applications. Additionally, the division is working on new product solutions for the hydrogen economy. 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. Managing the business on a regional basis allows the division to closely target its response to local customer needs in order to achieve long-term customer loyalty. Cross-regional issues, such as the global technology and product strategy, are managed centrally and implemented by divisional key account management. "Lifetime Solutions" for industrial maintenance as well as the hydrogen growth area are each concentrated in a strategic business area with global responsibility. In order to efficiently and comprehensively manage the diverse business with components and systems for linear technology and electromechanic actuators, the activities in the relevant fields were combined in the new strategic business area "Linear Motion" during the year.

The Europe region generated EUR 1,867 m in revenue during the year (prior year: EUR 1,756 m), the Americas region generated EUR 800 m in revenue during the year (prior year: EUR 742 m), the Greater China region generated EUR 1,009 m during the year (prior year: EUR 1,156 m), and the Asia/Pacific region generated EUR 612 m in revenue during the year (prior year: EUR 617 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	2023	2022
EBIT Automotive Technologies	231	253
EBIT Automotive Aftermarket	336	255
EBIT Industrial	266	465
EBIT	**834**	**974**
Financial result	-259	-121
Earnings before income taxes	**576**	**852**

Prior year information presented based on 2023 segment structure.

In 2023, the Schaeffler Group generated revenue of EUR 1,490 m (prior year: EUR 1,377 m) from one key customer, representing 9.1% (prior year: 8.7%) of total group revenue. In the Automotive Technologies segment, this key customer accounted for 14.8% (prior year: 14.0%) 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 2023:

Information about geographical areas

	2023	2022	12/31/2023	12/31/2022
in € millions	Revenue [1]		Non-current assets [2]	
Europe	7,221	6,557	4,023	3,353
Americas	3,569	3,526	713	670
Greater China	3,358	3,609	967	1,045
Asia/Pacific	2,165	2,117	469	455
Total	**16,313**	**15,809**	**6,172**	**5,523**

[1] Revenue by market (customer locations); prior year information presented based on 2023 segment structure.
[2] Non-current assets by Schaeffler Group location. Non-current assets consist of intangible assets and property, plant and equipment.

China, Germany, and the U.S. had revenue of EUR 3,302 m (prior year: EUR 3,556 m), EUR 2,495 m (prior year: EUR 2,302 m), and EUR 2,221 m (prior year: EUR 2,217 m) as well as non-current assets of EUR 967 m (prior year: EUR 1,045 m), EUR 2,410 m (prior year: EUR 2,279 m), and EUR 362 m (prior year: EUR 353 m), respectively.

Reconciliation of EBIT to EBIT before special items

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

Prior year information presented based on 2023 segment structure.

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 2023 in accordance with IAS 24 totaled EUR 17 m (prior year: EUR 16 m), including EUR 12 m (prior year: EUR 11 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 0 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 19 m (prior year: EUR 16 m) in 2023.

The following share-based remuneration was granted to members of the Board of Managing Directors in 2023 under the Performance Share Unit Plan (PSUP) implemented in 2015 and amended in 2020: 404,722 Performance Share Units (PSU) subject to a service condition (fair value at grant date per PSU of EUR 4.77 for grant date March 3, 2023), a maximum of 354,130 PSUs subject to an EPS-based performance target (fair value at grant date per PSU of EUR 4.77 for March 3, 2023), a maximum of 354,130 PSUs subject to a TSR-based performance target tied to the sector basket (fair value at grant date per PSU of EUR 1.86 for March 3, 2023), and a maximum of 505,902 PSUs with an ESG target (fair value at grant date per PSU of EUR 4.77 for March 3, 2023). The maximum number of EPS-, TSR-, and ESG-related PSUs granted corresponds to a target achievement rate of 200%.

The following share-based remuneration was granted to members of the Board of Managing Directors in the prior year: 331,947 Performance Share Units (PSU) subject to a service condition (fair value at grant date per PSU of EUR 4.28 for grant date February 25, 2022), a maximum of 290,456 PSUs subject to an EPS-based performance target (fair value at grant date per PSU of EUR 4.28 for February 25, 2022), a maximum of 290,456 PSUs subject to a TSR-based performance target tied to the sector basket (fair value at grant date per PSU of EUR 1.85 for February 25, 2022), and a maximum of 414,942 PSUs with an ESG target (fair value at grant date per PSU of EUR 4.28 for February 25, 2022). The maximum number of EPS-, TSR-, and ESG-related PSUs granted corresponds to a target achievement rate of 200%.

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

The 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 2023 (prior year: EUR 2 m).

Provisions for pensions and similar obligations for former members of the Board of Managing Directors (and their surviving dependants) of Schaeffler AG and its legal predecessors, before netting of related plan assets, amounted to EUR 33 m as at December 31, 2023 (prior year: EUR 33 m).

In 2023, Schaeffler AG issued a voluntary public tender offer for outstanding shares of Vitesco Technologies Group AG with an offer price of EUR 94 per share. A member of the Supervisory Board and a family member accepted this offer for 2,015,700 shares by the end of the acceptance period on December 15, 2023. A member of the Board of Managing Directors and one family member accepted the offer within the acceptance period as well. This transaction had a volume of 70 shares.

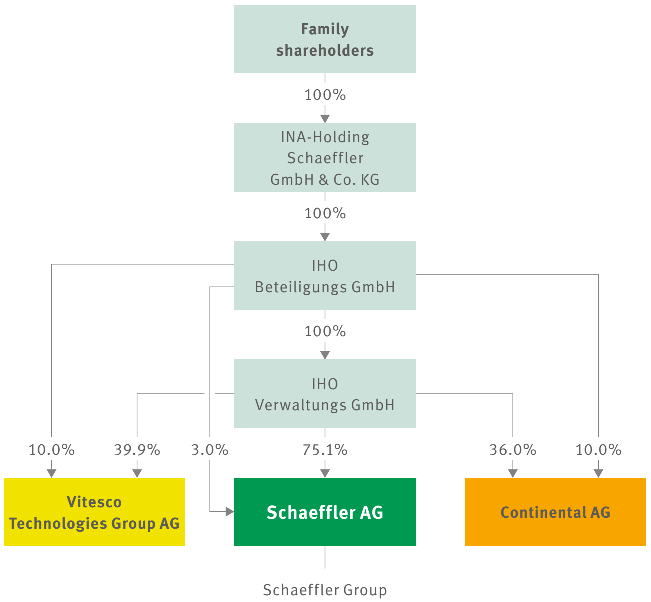
Related entities

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, 2023



Transactions with associated companies and joint ventures were insignificant in 2023.

In 2023 and 2022, 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

	12/31/2023	12/31/2022	12/31/2023	12/31/2022
in € millions	Receivables		Payables	
Other related entities	23	25	26	26

Expenses and income from transactions with other related entities

	2023	2022	2023	2022
in € millions	Expenses		Income	
Other related entities	107	96	89	90

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 23 m (prior year: EUR 25 m) in trade receivables.

Schaeffler AG has entered into agreements with its related companies IHO Verwaltungs GmbH and IHO Beteiligungs GmbH in which they undertake not to accept, for the Vitesco shares held by them (approx. 49.94% of the Vitesco shares), Schaeffler AG's voluntary public tender offer for the acquisition of the shares in Vitesco Technologies Group AG and not to sell or otherwise dispose of them to third parties until a certain date ("non-tender agreements").

In addition, Schaeffler AG, IHO Verwaltungs GmbH, and IHO Beteiligungs GmbH have agreed to coordinate closely with regard to material decisions concerning Vitesco, particularly with regard to the exercise of voting rights from the Vitesco shares held by each of them. If agreement cannot be reached during such coordination, each party may exercise its voting rights at its own discretion.

On November 27, 2023, Schaeffler AG entered into an agreement on the planned business combination ("Business Combination Agreement") with Vitesco Technologies Group AG. Under this agreement, Vitesco Technologies Group AG will constructively support the steps involved in the business combination.

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

	2023	2022	2023	2022
in € millions		KPMG		thereof KPMG AG
Financial statement audit services	8.6	7.5	5.5	5.4
Other attestation services	0.4	0.3	0.4	0.3
Tax advisory services	0.2	0.0	0.0	0.0
Other services	0.6	0.3	0.3	0.2
Total	**9.7**	**8.0**	**6.2**	**5.9**

Schaeffler AG's auditor is KPMG AG. The fees paid to KPMG AG related to services rendered to Schaeffler AG as well as its German subsidiaries and two further U.S. 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 2023 and have made it publicly available on the Schaeffler Group's website (www.schaeffler.com/ir).

5.7 Events after the reporting period

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

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

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

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

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

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

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

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

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

No other material events expected to have a significant impact on the net assets, financial position, or results of operations of the Schaeffler Group occurred after December 31, 2023.

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 (51)			
CBF Europe GmbH	Wuppertal	DE	100.00
Compact Dynamics GmbH 2)	Starnberg	DE	100.00
Ewellix GmbH	Schweinfurt	DE	100.00
Ewellix Holding Germany GmbH	Frankfurt/Main	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 International Holding 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 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 1) 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 Sondermaschinenbau AG & Co. KG 1) 3)	Erlangen	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 1) 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 (126)			
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 Aerosint SA	Herstal	BE	100.00
Schaeffler Belgium BV/SRL	Ghent	BE	100.00
Ewellix Bulgaria EOOD	Sofia	BG	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
Ewellix Canada Ltd.	Toronto	CA	100.00
Schaeffler Aerospace Canada Inc.	Stratford	CA	100.00
Schaeffler Canada Inc.	Oakville	CA	100.00
Ewellix Switzerland AG	Liestal	CH	100.00
Schaeffler Schweiz GmbH	Romanshorn	CH	100.00
Schaeffler Chile Rodamientos Ltda.	Santiago	CL	100.00
ETC Trading (Shanghai) Co., Ltd. 4)	Shanghai	CN	92.61
Ewellix Motion Technologies (Pinghu) Co., Ltd.	Pinghu City	CN	100.00
Ewellix Motion Technologies System (Shanghai) Co., Ltd.	Shanghai	CN	100.00
RepXpert Automotive Aftermarket Services Consulting (Shanghai) LLP 4)	Shanghai	CN	70.44
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

Entity	Location	Country code	Group ownership interest in %
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 Smart Machinery (Taicang) Co., Ltd.	Taicang	CN	100.00
Schaeffler Trading (Shanghai) Co., Ltd.	Shanghai	CN	100.00
Wuhan Cathay Anqing Equity Investment Fund Partnership (LP)	Wuhan	CN	99.98
Schaeffler Colombia Ltda.	Bogotá	CO	100.00
Schaeffler CZ s.r.o.	Prague	CZ	100.00
Schaeffler Production CZ s.r.o.	Lanskroun	CZ	100.00
Schaeffler Danmark ApS	Aarhus	DK	100.00
Schaeffler Automotive Aftermarket Spain S.L.	Madrid	ES	100.00
Schaeffler Iberia, S.L.U.	Elgoibar	ES	100.00
Schaeffler Finland Oy	Espoo	FI	100.00
ECO-Adapt SAS	Paris	FR	100.00
Ewellix France SAS	Chambéry	FR	100.00
Ewellix Holding France SAS	Paris	FR	100.00
Schaeffler Automotive Aftermarket France SAS	Clamart	FR	100.00
Schaeffler France SAS	Haguenau	FR	100.00
Ewellix UK Limited	Milton Keynes	GB	100.00
Schaeffler (UK) Limited	Sheffield	GB	100.00
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
Schaeffler Debrecen Kft.	Debrecen	HU	100.00
Schaeffler Magyarorszag Ipari Kft.	Budapest	HU	100.00
Schaeffler Savaria Kft.	Szombathely	HU	100.00
Schaeffler Special Machinery Kft.	Szombathely	HU	100.00
Schaeffler Bearings Indonesia, PT	Jakarta	ID	100.00
Schaeffler Israel Ltd.	Yokneam Illit	IL	100.00
Ewellix India Private Limited	Pune	IN	100.00

Entity	Location	Country code	Group ownership interest in %
KRSV Innovative Auto Solutions Private Limited	Bengaluru	IN	74.13
Schaeffler India Ltd.	Pune	IN	74.13
Schaeffler Technology Solutions India Pvt. Ltd.	Pune	IN	100.00
Ewellix Italy S.r.l.	Turin	IT	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
Ewellix Korea Ltd.	Dangjeong-dong	KR	100.00
Schaeffler Ansan Corporation	Ansan-shi	KR	100.00
Schaeffler Korea Corporation	Changwon-si	KR	100.00
Schaeffler Kazakhstan TOO	Almaty	KZ	100.00
Schaeffler Industrial Ceramics SARL	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
Ewellix Benelux B.V.	Utrecht	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

Entity	Location	Country code	Group ownership interest in %
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
Ewellix AB	Partille	SE	100.00
Schaeffler Holding Sverige AB	Stockholm	SE	100.00
Schaeffler Invest AB	Stockholm	SE	100.00
Schaeffler Sverige AB	Arlandastad	SE	100.00
Triatic Holdco AB	Partille	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 Special Machinery, 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
ABBA Linear Tech Co., Ltd.	Taoyuan	TW	100.00
Schaeffler Taiwan Co., Ltd.	Taipei	TW	100.00
Schaeffler Ukraine GmbH	Kyiv	UA	100.00
Ewellix USA LLC	Wilmington	US	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 Battery Technology LLC	Wilmington	US	100.00
Schaeffler Group USA, Inc.	Fort Mill	US	100.00

Entity	Location	Country code	Group ownership interest in %
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
Triatic HoldCo Inc.	Wilmington	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 (6)			
Cofinity-X GmbH	Cologne	DE	10.00
Earlybird UNI-X Seed Fund I GmbH & Co. KG	Munich	DE	20.85
GKS-Gemeinschaftskraftwerk Schweinfurt GmbH	Schweinfurt	DE	10.31
IAV GmbH Ingenieurgesellschaft Auto und Verkehr	Berlin	DE	10.00
SupplyOn AG	Hallbergmoos	DE	16.67
up2parts GmbH	Weiden/Upper Palatinate	DE	14.29

Entity	Location	Country code	Group ownership interest in %
Foreign (7)			
Hubei Cathay Smart New Energy Fund Partnership (LP)	Wuhan	CN	5.46
Leadrive Technology (Shanghai) Co., Ltd.	Shanghai	CN	3.36
Clean H2 Infra Fund S.L.P.	Paris	FR	1.53
Clean Hydrogen Equipment Fund S.L.P.	Paris	FR	34.50
Statomat Special Machines (India) Pvt. Ltd.	Mumbai	IN	79.89
H2GS AB	Stockholm	SE	4.10
Baukunst Fund I LP	Wilmington	US	10.30

1) Exemption under section 264b HGB.
2) Exemption under section 264 (3) HGB.
3) Schaeffler AG or another consolidated entity is the general partner.
4) Schaeffler AG continues to control 100%.

5.9 Members of the Supervisory Board and of the Board of Managing Directors

Members of the Supervisory Board

Georg F. W. Schaeffler (Chairman),
Jürgen Wechsler * (Deputy Chairman),
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 *, Katherina Reiche
(since April 20, 2023), Barbara Resch *, Jürgen Schenk *,
Helga Schönhoff *, Ulrich Schöpplein * (since August 1, 2023),
Robin Stalker, Prof. TU Graz e.h. KR Ing. Siegfried Wolf,
Prof. Dr.-Ing. Tong Zhang, Markus Zirkel *

The following members left the Supervisory Board in 2023
Maria-Elisabeth Schaeffler-Thumann (until April 20, 2023),
Salvatore Vicari * (until July 31, 2023)

Supervisory Board committees

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

Presidential committee:
Georg F. W. Schaeffler (Chairman), Sabine Bendiek, Barbara Resch, Ulrich Schöpplein, Jürgen Wechsler, and Prof. TU Graz e.h. KR Ing. Siegfried Wolf

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

Nomination committee:
Georg F. W. Schaeffler (Chairman),
Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk,
and Katherina Reiche

Technology committee:
Prof. Dr. Hans-Jörg Bullinger (Chairman),
Georg F. W. Schaeffler, Jürgen Schenk, Ulrich Schöpplein,
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),
Dr. Astrid Fontaine (Chief Human Resources Officer, since January 1, 2024),
Andreas Schick (Chief Operating Officer),
Jens Schüler (CEO Automotive Aftermarket),
Dr. Stefan Spindler (CEO Industrial),
Uwe Wagner (Chief Technology Officer),
Matthias Zink (CEO Automotive Technologies)

The following member left the Board of Managing Directors in 2023
Corinna Schittenhelm (Chief Human Resources Officer, until December 31, 2023)

* 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 20, 2024, and released them for submission to the Supervisory Board of Schaeffler AG. The Supervisory Board of Schaeffler AG is responsible for examining and approving the consolidated financial statements.

Herzogenaurach, February 20, 2024

Schaeffler Aktiengesellschaft
The Board of Managing Directors

Klaus Rosenfeld
Chief Executive Officer

Jens Schüler

Claus Bauer

Dr. Stefan Spindler

Dr. Astrid Fontaine

Uwe Wagner

Andreas Schick

Matthias Zink

Independent Auditors' Report

To Schaeffler AG, Herzogenaurach

Report on the Audit of the 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, 2023, 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, 2023, 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, 2023.

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

Recoverability of goodwill

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 SchaefflerGroup reports EUR 980 m in goodwill in its consolidated statement of financial position as at December 31, 2023. Representing approximately 21.5% of total assets, this asset represents 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, 2023. 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 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 for the Automotive Technologies segment are subject to an increased level of estimation uncertainty.

The Industrial segment failed to meet revenue and earnings targets and experienced a significant decline in orders on hand as at December 31, 2023, which represented indications that the cash-generating unit Industrial might be impaired. As the date of the event was close to the date of the goodwill impairment test not based on a triggering event, an additional triggering-event-based impairment test of goodwill of the relevant cash-generating unit was not necessary. The impairment tests performed did not result in recognition of an impairment loss by Schaeffler AG.

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, including the sensitivities disclosed, 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 the annual impairment test. 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 growth rate on the recoverable amount by calculating alternative scenarios and comparing them to the company's figures (sensitivity analysis).

In order to arrive at a final assessment of the plans' consistency, we 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 the impairment test of goodwill 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 separate combined non-financial report of the company and the Group that is referred to in the group management report and is expected to be made available to us subsequent to the date of this auditors' 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 "549300Q7E782X7GC1P43-2023-12-31-de.zip" (SHA256-Hashwert: cd87e65f3165b876a880363c853821b6559bc2e088 41088e8eadd466fb0890f0) 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, 2023, 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 IDW Standard on Quality Management: "Requirements for Quality Management in Audit Firms" (IDW QMS 1 (09.2022)).

The company's management is responsible for preparing the ESEF documents including the electronic reproduction of the 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 noncompliance, whether due to fraud or error, with the requirements of section 328 (1) HGB regarding the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- identify and assess the risks of material non-compliance, whether due to fraud or error, with the requirements of section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, that is, whether the electronic file provided containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version in effect as at the reporting date, regarding the technical specifications for this electronic file.
- evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited 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 20, 2023. We were engaged by the Supervisory Board on December 5, 2023. We have been the group auditors of Schaeffler AG without interruption since the financial year 2010, including nine years during which the company continuously met the definition of a public interest entity in accordance with section 316a sentence 2 HGB.

We declare that the opinions expressed in this auditors' report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

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

Other Matter – Use of the Auditors' Report

Our auditors' report should always be read in conjunction with the audited 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, February 21, 2024

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 20, 2024

Schaeffler Aktiengesellschaft
The Board of Managing Directors

Klaus Rosenfeld Chief Executive Officer	Dr. Astrid Fontaine	Jens Schüler	Uwe Wagner
Claus Bauer	Andreas Schick	Dr. Stefan Spindler	Matthias Zink

Multi-year comparison

in € millions	2019	2020	2021	2022	2023
Income statement					
Revenue	14,427	12,589	13,852	15,809	16,313
EBIT	790	-149	1,220	974	834
• in % of revenue	5.5	-1.2	8.8	6.2	5.1
EBIT before special items [1]	1,161	798	1,222	1,046	1,187
• in % of revenue	8.1	6.3	8.8	6.6	7.3
Net income (loss) [2]	428	-428	756	557	310
Earnings per common non-voting share (basic/diluted, in €)	0.65	-0.64	1.14	0.84	0.47
Statement of financial position					
Total assets	12,870	13,509	14,364	14,284	15,006
Additions to intangible assets and property, plant and equipment	933	639	670	814	932
Amortization, depreciation, and impairment losses excluding depreciation of right-of-use assets under leases and impairments of goodwill	922	952	907	924	930
Reinvestment rate	1.01	0.67	0.74	0.88	1.00
Shareholders' equity [3]	2,917	2,022	3,165	4,141	3,905
• in % of total assets	22.7	15.0	22.0	29.0	26.0
Net financial debt	2,526	2,312	1,954	2,235	3,189
• Net financial debt to EBITDA ratio before special items [1]	1.2	1.3	0.9	1.1	1.5
• Gearing ratio (net financial debt to shareholders' equity [3], in %)	86.6	114.4	61.7	54.0	81.7
Statement of cash flows					
EBITDA	1,769	1,111	2,186	1,963	1,836
Cash flows from operating activities	1,578	1,254	1,276	1,139	1,348
Capital expenditures (capex) [4]	1,045	632	671	791	938
• in % of revenue (capex ratio)	7.2	5.0	4.8	5.0	5.7
Free cash flow (FCF) before cash in- and outflows for M&A activities	473	539	523	280	421
• FCF-conversion (ratio of FCF before cash in- and outflows for M&A activities to EBIT) [5]	0.6	-	0.4	0.3	0.5
Value-based management					
ROCE (in %)	9.0	-1.9	14.9	11.1	8.8
ROCE before special items (in %) [1]	13.2	10.0	14.9	11.9	12.5
Schaeffler Value Added (in € millions)	-88	-944	403	98	-114
Schaeffler Value Added before special items (in € millions) [1]	284	2	404	170	239
Employees					
Headcount (at end of reporting period)	87,748	83,297	82,981	82,773	83,362

[1] Please refer to pp. 27 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 2022 to 4th quarter 2023

Schaeffler Group

	2022				2023			
in € millions	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Income statement								
Revenue	3,758	3,790	4,242	4,019	4,152	4,056	4,062	4,043
• Europe	1,583	1,620	1,678	1,676	1,848	1,790	1,763	1,820
• Americas	834	868	937	887	920	911	903	835
• Greater China	842	778	1,072	917	829	813	855	861
• Asia/Pacific	499	524	555	539	554	542	543	527
Cost of sales	-2,887	-2,958	-3,258	-3,126	-3,167	-3,170	-3,157	-3,222
Gross profit	871	832	984	893	984	886	906	820
• in % of revenue	23.2	22.0	23.2	22.2	23.7	21.8	22.3	20.3
Research and development expenses	-203	-188	-182	-196	-205	-192	-188	-182
Selling and administrative expenses	-402	-434	-447	-452	-460	-441	-457	-467
EBIT	247	186	395	145	244	283	322	-15
• in % of revenue	6.6	4.9	9.3	3.6	5.9	7.0	7.9	-0.4
Special items [1]	11	14	-40	88	92	6	18	238
EBIT before special items	258	200	355	233	336	289	340	222
• in % of revenue	6.9	5.3	8.4	5.8	8.1	7.1	8.4	5.5
Net income (loss) [2]	136	113	226	82	129	138	150	-107
Earnings per common non-voting share (basic/diluted, in €)	0.21	0.17	0.34	0.12	0.19	0.22	0.22	-0.16
Statement of financial position								
Total assets	14,354	14,105	14,801	14,284	15,197	14,799	15,076	15,006
Additions to intangible assets and property, plant and equipment	128	175	219	292	179	226	237	291
Amortization, depreciation, and impairment losses excluding depreciation of right-of-use assets under leases and impairments of goodwill	231	227	227	239	231	230	227	242
• Reinvestment rate	0.56	0.77	0.96	1.22	0.78	0.98	1.04	1.20
Shareholders' equity [3]	3,659	3,900	4,321	4,141	4,221	3,982	4,263	3,905
• in % of total assets	25.5	27.7	29.2	29.0	27.8	26.9	28.3	26.0

	2022				2023			
in € millions	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Net financial debt	1,992	2,552	2,331	2,235	2,999	3,231	3,072	3,189
• Net financial debt to EBITDA LTM ratio before special items [1]	1.0	1.3	1.1	1.1	1.4	1.5	1.4	1.5
• Gearing ratio (net financial debt to shareholders' equity, in %)	54.4	65.4	53.9	54.0	71.0	81.1	72.1	81.7
Statement of cash flows								
EBITDA	493	429	638	404	493	531	567	245
Cash flows from operating activities	199	-30	477	492	156	307	428	457
Capital expenditures (capex) [4]	156	175	219	240	221	198	247	273
• in % of revenue (capex ratio)	4.2	4.6	5.2	6.0	5.3	4.9	6.1	6.7
Free cash flow (FCF) before cash in- and outflows for M&A activities	14	-219	240	244	-73	103	182	210
• FCF-conversion (ratio of FCF before cash in- and outflows for M&A activities to EBIT) [5] (LTM)	0.4	0.1	0.1	0.3	0.2	0.5	0.5	0.5
Value-based management (LTM)								
ROCE (in %)	13.1	11.1	12.3	11.1	10.8	11.6	10.7	8.8
ROCE before special items (in %) [1]	13.1	11.6	12.4	11.9	12.5	13.2	12.8	12.5
Schaeffler Value Added	259	89	197	98	69	148	62	-114
Schaeffler Value Added before special items [1]	256	136	210	170	222	293	265	239
Employees								
Headcount (at end of reporting period)	83,089	82,790	82,702	82,773	84,060	83,705	83,600	83,362

[1] Please refer to pp. 27 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 = Financial indicator based on the last four quarters

Summary 1st quarter 2022 to 4th quarter 2023

in € millions	2022 1st quarter	2022 2nd quarter	2022 3rd quarter	2022 4th quarter	2023 1st quarter	2023 2nd quarter	2023 3rd quarter	2023 4th quarter
Automotive Technologies division								
Revenue	2,292	2,221	2,554	2,430	2,440	2,400	2,440	2,492
• E-Mobility BD	307	293	390	356	336	296	335	345
• Engine & Transmission Systems BD	1,257	1,212	1,381	1,302	1,340	1,318	1,315	1,333
• Bearings BD	643	631	682	670	659	664	682	692
• Chassis Systems BD	86	86	102	101	104	121	109	122
• Europe	850	837	883	872	977	955	919	1,006
• Americas	565	576	624	586	599	587	585	521
• Greater China	557	477	687	615	498	510	582	619
• Asia/Pacific	320	331	360	356	365	349	354	346
Cost of sales	-1,858	-1,865	-2,090	-2,002	-2,000	-1,991	-2,006	-2,109
Gross profit	434	357	464	428	439	409	435	383
• in % of revenue	18.9	16.1	18.2	17.6	18.0	17.0	17.8	15.4
Research and development expenses	-162	-147	-141	-154	-156	-147	-142	-134
Selling and administrative expenses	-183	-190	-186	-189	-187	-174	-185	-191
EBIT	78	1	165	9	44	107	143	-63
• in % of revenue	3.4	0.0	6.5	0.4	1.8	4.4	5.9	-2.5
Special items [1]	3	10	-43	69	61	-4	-1	149
EBIT before special items	81	11	122	78	105	102	142	86
• in % of revenue	3.5	0.5	4.8	3.2	4.3	4.3	5.8	3.5

in € millions	2022 1st quarter	2022 2nd quarter	2022 3rd quarter	2022 4th quarter	2023 1st quarter	2023 2nd quarter	2023 3rd quarter	2023 4th quarter
Automotive Aftermarket division								
Revenue	464	506	548	523	582	549	584	537
• Europe	306	337	359	356	394	354	389	359
• Americas	99	110	118	107	120	121	127	110
• Greater China	30	26	37	24	34	38	34	33
• Asia/Pacific	29	34	35	36	34	37	34	35
Cost of sales	-319	-352	-373	-353	-376	-373	-376	-361
Gross profit	145	154	174	170	206	177	209	176
• in % of revenue	31.2	30.4	31.8	32.5	35.3	32.2	35.7	32.8
Research and development expenses	-5	-4	-4	-5	-5	-4	-5	-5
Selling and administrative expenses	-75	-91	-97	-107	-100	-96	-103	-105
EBIT	63	64	74	54	102	87	99	49
• in % of revenue	13.6	12.6	13.5	10.3	17.5	15.8	17.0	9.0
Special items [1]	1	0	-1	5	1	3	-2	29
EBIT before special items	64	64	73	59	103	89	98	77
• in % of revenue	13.8	12.7	13.4	11.2	17.7	16.3	16.7	14.4
Industrial division								
Revenue	1,002	1,062	1,140	1,066	1,130	1,107	1,038	1,014
• Europe	427	445	436	448	477	481	454	455
• Americas	170	182	196	194	201	203	191	204
• Greater China	255	275	348	277	297	265	238	209
• Asia/Pacific	150	160	160	147	155	157	154	146
Cost of sales	-710	-741	-795	-771	-791	-807	-775	-753
Gross profit	292	322	345	295	339	300	262	261
• in % of revenue	29.1	30.3	30.3	27.7	30.0	27.1	25.3	25.7
Research and development expenses	-36	-37	-36	-37	-45	-41	-41	-43
Selling and administrative expenses	-143	-153	-164	-156	-173	-171	-169	-171
EBIT	106	121	155	82	98	89	80	-1
• in % of revenue	10.6	11.4	13.6	7.7	8.7	8.1	7.7	-0.1
Special items [1]	7	3	4	14	30	8	21	60
EBIT before special items	113	125	159	97	128	97	100	59
• in % of revenue	11.3	11.7	13.9	9.1	11.3	8.8	9.7	5.8

Prior year information presented based on 2023 segment structure.

[1] Please refer to pp. 27 et seq. for the definition of special items.

Financial calendar

March 5, 2024

Publication of annual results 2023

April 25, 2024

Annual general meeting 2024

May 7, 2024

Publication of results for the first three months 2024

August 6, 2024

Publication of results for the first six months 2024

November 5, 2024

Publication of results for the first nine months 2024

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 Company Register. In this case, the version submitted to the Company Register shall be binding.

The reporting period comprises the financial year 2023, which runs from January 1 to December 31, 2023. This report reflects relevant information available by the editorial deadline on February 20, 2024.

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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