

We pioneer motion

Interim Financial Report H1 2021

Key figures

	1 st six months			
Income statement (in € millions)	2021	2020		Change
Revenue	7,014	5,572	25.9	%
• at constant currency			27.4	%
EBIT	743	-234	-	%
• in % of revenue	10.6	-4.2	14.8	%-pts.
EBIT before special items ¹⁾	722	54	> 100	%
• in % of revenue	10.3	1.0	9.3	%-pts.
Net income (loss) ²⁾	463	-361	-	%
Earnings per common non-voting share (basic/diluted, in €)	0.70	-0.53	-	%
Statement of financial position (in € millions)	06/30/2021	12/31/2020		Change
Total assets	13,959	13,509	3.3	%
Additions to intangible assets and property, plant and equipment ³⁾	241	288	-16.5	%
Amortization, depreciation, and impairment losses excluding depreciation of right-of-use assets under leases and impairments of goodwill ³⁾	451	458	-1.4	%
• Reinvestment rate	0.53	0.63		
Shareholders' equity ⁴⁾	2,640	2,022	618	€ millions
• in % of total assets	18.9	15.0	3.9	%-pts.
Net financial debt	2,228	2,312	-3.6	%
• Net financial debt to EBITDA ratio before special items ^{1) 5)}	0.9	1.3		
• Gearing ratio (Net financial debt to shareholders' equity ⁴⁾ , in %)	84.4	114.4	-29.9	%-pts.
	1 st six months			
Statement of cash flows (in € millions)	2021	2020		Change
EBITDA	1,223	501	> 100	%
Cash flows from operating activities	548	197	350	€ millions
Capital expenditures (capex) ⁶⁾	268	300	-32	€ millions
• in % of revenue (capex ratio)	3.8	5.4	-1.6	%-pts.
Free cash flow (FCF) before cash in- and outflows for M&A activities	243	-148	391	€ millions
• FCF conversion (ratio of FCF before cash in- and outflows for M&A activities to EBIT) ⁷⁾	0.3	-	-	%-pts.
Value-based management				Change
ROCE (in %) ⁵⁾	10.6	0.9	9.7	%-pts.
ROCE before special items (in %) ^{1) 5)}	18.7	7.8	10.9	%-pts.
Schaeffler Value Added (in € millions) ⁵⁾	44	-770	-	%
Schaeffler Value Added before special items (in € millions) ^{1) 5)}	681	-183	-	%
Employees	06/30/2021	12/31/2020		Change
Headcount	83,945	83,297	0.8	%

	1 st six months			
Automotive Technologies division ⁸⁾ (in € millions)	2021	2020		Change
Revenue	4,365	3,264	33.7	%
• at constant currency			34.9	%
EBIT	392	-458	-	%
• in % of revenue	9.0	-14.0	23.0	%-pts.
EBIT before special items ¹⁾	379	-192	-	%
• in % of revenue	8.7	-5.9	14.6	%-pts.
				Change
Automotive Aftermarket division ⁸⁾ (in € millions)				Change
Revenue	911	748	21.8	%
• at constant currency			24.2	%
EBIT	145	105	38.1	%
• in % of revenue	15.9	14.0	1.9	%-pts.
EBIT before special items ¹⁾	135	105	28.4	%
• in % of revenue	14.8	14.0	0.8	%-pts.
				Change
Industrial division ⁸⁾ (in € millions)				Change
Revenue	1,738	1,560	11.4	%
• at constant currency			13.3	%
EBIT	206	119	73.9	%
• in % of revenue	11.9	7.6	4.3	%-pts.
EBIT before special items ¹⁾	208	141	47.6	%
• in % of revenue	12.0	9.0	2.9	%-pts.

1) Please refer to pp. 10 et seq. for the definition of special items.

2) Attributable to shareholders of the parent company.

3) Amounts for the first six months.

4) Including non-controlling interests.

5) EBIT/EBITDA based on the last twelve months.

6) Capital expenditures on intangible assets and property, plant and equipment.

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

8) Prior year information presented based on 2021 segment structure.

Highlights

Considerable revenue growth

Revenue at **EUR 7.0 bn**
(up 27.4% at constant currency)

(prior year: EUR 5.6 bn)

Significantly increased margin mainly due to economies of scale

EBIT margin before special items **10.3%**

(prior year: 1.0%)

Cash flow above prior year level despite restructuring expenditures

Free cash flow before cash in- and outflows
for M&A activities at **EUR 243 m**

(prior year: EUR -148 m)

Contents

Schaeffler Group

Significant events – first half 2021 * 1

Schaeffler on the capital markets 2

Group interim management report

Report on the economic position 3

 Economic environment 3

 Earnings 5

 Financial position 12

 Net assets and capital structure 15

Supplementary report 16

Report on opportunities and risks 16

Report on expected developments 16

 Expected economic and sales market trends 16

 Schaeffler Group outlook 17

Consolidated interim financial statements

Consolidated income statement 18

Consolidated statement of comprehensive income 19

Consolidated statement of financial position 20

Consolidated statement of cash flows 21

Consolidated statement of changes in equity 22

Consolidated segment information 23

Condensed notes to the consolidated interim financial statements 24

Review report 33

Responsibility statement by the company's legal representatives 34

Additional information

Summary 1st quarter 2020 to 2nd quarter 2021 35

Financial calendar/Imprint 37

* Part of the group interim management report.

Navigation aid

 Further details in the report

Significant events – first half 2021

First half 2021

In September 2020, the Board of Managing Directors of Schaeffler AG adopted additional **structural measures** in Europe to further transform the Schaeffler Group and strengthen its ability to compete and realize future opportunities for the long term. Negotiations with employee representatives have now been concluded at all locations affected in Germany except one. This puts Schaeffler in a position to implement the majority of the structural measures. Implementation of capacity adjustments at further European locations is also proceeding as planned. As a result of the mix of instruments achieved so far in downsizing the workforce, the cost incurred to date to implement the measures is less than the transformation expenses originally planned. The targets with respect to downsizing the workforce and sustainably lowering costs remain in place unchanged.

At its meeting on April 21, 2021, the Supervisory Board of Schaeffler AG has appointed Jens Schüler as the **CEO of the Automotive Aftermarket division** and as a member of the Board of Managing Directors of Schaeffler AG effective January 1, 2022. Jens Schüler succeeds Michael Söding who is retiring effective December 31, 2021, at his own request after working for Schaeffler for 20 years.

On April 23, 2021, Schaeffler AG's **annual general meeting** passed a resolution to pay a dividend of EUR 0.24 (prior year: EUR 0.44) per common share and EUR 0.25 (prior year: EUR 0.45) per common non-voting share to Schaeffler AG's shareholders for 2020. This represents a dividend payout ratio of 49.7% (prior year: 43.0%) of net income attributable to shareholders before special items. The dividend was paid on April 28, 2021.

On May 11, 2021, the Board of Managing Directors of Schaeffler AG raised the **full-year outlook for 2021** based, in particular, on a raised market estimate.

 More on the guidance for the Schaeffler Group and its divisions in the report on expected developments on pp. 17 et seq.

Since June 8, 2021, Schaeffler has been offering **voluntary vaccinations against the coronavirus** to its employees and their family members where local circumstances allow. The progress of the vaccination effort and scheduling of second vaccinations depend on the supply of vaccines. In order to offer vaccinations to all employees, Schaeffler relies on collaborations and works with physicians in private practice, external service providers, and organizations, particularly at locations without their own in-house medical service.

Schaeffler on the capital markets

Strong recovery of the equity markets

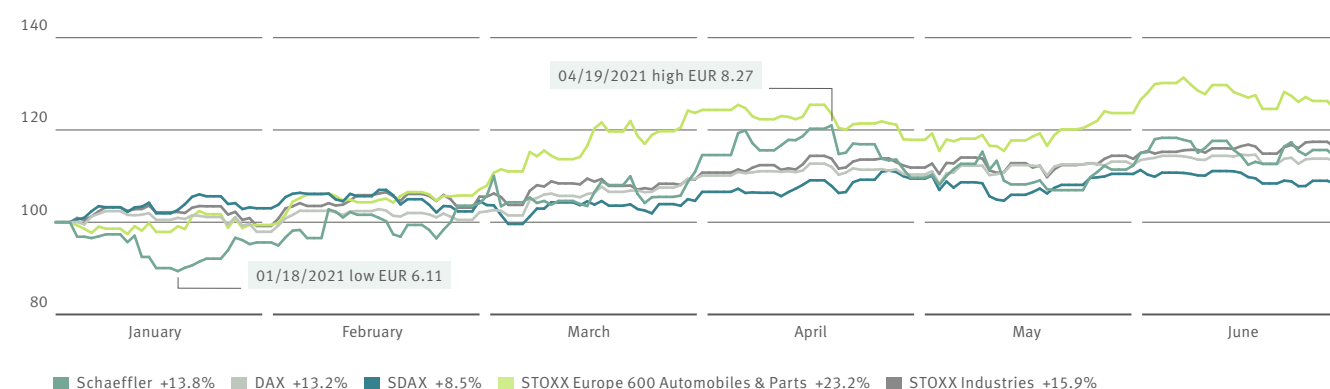
The first half of 2021 was marked by a significant overall economic recovery due to increasing levels of vaccination against the coronavirus and further steps to ease containment measures in the industrialized countries. The recovery was mainly driven by cyclical industries such as the automotive sector. The positive economic trend accompanied by raised assumptions for growth in global gross domestic product was also reflected in the global equity markets. Numerous stock price indices – including the Dow Jones and the DAX – rose to new record highs. The index of European automotive stocks, STOXX Europe 600 Automobile & Parts, reached its historic 2015 record high in June.

Schaeffler AG's common non-voting shares rose by a considerable 13.8% during the first six months of 2021. As part of the general recovery in the financial markets, Schaeffler shares exceeded the EUR 8 mark several times. As at June 30, 2021, the shares were quoted at EUR 7.78.

The shares' weaker performance compared to the benchmark index STOXX Europe 600 Automobiles & Parts (23.2%) is attributable to the strong rise in automobile manufacturers' share prices which significantly outperformed those of automotive suppliers.

Schaeffler share price trend (indexed)

in percent (12/31/2020 = 100)



Source: Bloomberg (closing prices).

Schaeffler share performance indicators

	1 st six months	
	2021	2020
Schaeffler share price 06/30/ (in €) ¹⁾	7.78	6.67
Average trading volume (number of shares)	810,758	752,589
Market capitalization (in € millions)	1,291,480	1,107,220
Earnings per share (in €)		
• Common shares	0.69	-0.54
• Common non-voting shares	0.70	-0.53

¹⁾ Source: Bloomberg (closing prices).

☰ Information on the Schaeffler Group's bonds and ratings on pp. 12 et seq.

☰ See page 37 for financial calendar.

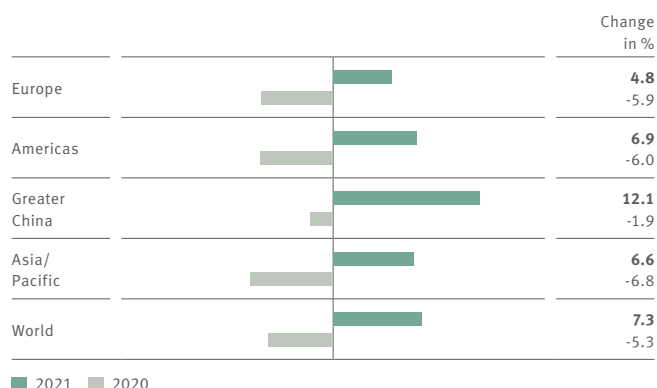
1. Report on the economic position

1.1 Economic environment

Macroeconomic environment

The recovery of the **global economy** that started in the second half of 2020 continued during the reporting period. In the first quarter of 2021, however, global economic activity showed signs of weakening since several countries reimposed stricter containment measures as numbers of new infections with the coronavirus were on the rise again. Economic momentum turned more dynamic in numerous industrialized nations in the second

Gross domestic product



Source: Oxford Economics (July 2021).

Regions reflect the regional structure of the Schaeffler Group.

quarter of 2021 against the backdrop of the successful progress of vaccination campaigns. In many emerging countries on the other hand, the pandemic situation remained tense and even deteriorated in some countries, thus hampering economic growth.

In the Greater China region, the pandemic-related economic crisis peaked in the first quarter of 2020 and in the second quarter of 2020 in the remaining regions. Against this background, the rate of growth in gross domestic product reported for the Greater China region was significantly higher in the first quarter of 2021 than in the second quarter of 2021; this contrasts with the trend in the remaining regions and also at the global level, where the relevant growth rates for the second quarter of 2021 were quite strong. The situation was similar for automobile and industrial production.






 Information on foreign currency translation on pp. 28 et seq.

Sector-specific environment

The recovery of global **automobile production**, measured as the number of vehicles up to six tons in weight produced, during the reporting period was held back especially by worldwide supply shortages of semiconductors and to some extent also by renewed restrictions related to the coronavirus pandemic. Nevertheless, automobile production grew strongly compared to the quite weak prior year level (IHS Markit, July 2021).

In the Europe region, the euro region reported an increase in automobile production by 28.1%. Mexico as well as the Americas region as a whole experienced a decline from the prior year as recently as in the first quarter of 2021. The Greater China region experienced the reverse situation – having jumped in the first quarter of 2021, automobile production there declined from the prior year in the second quarter of 2021. In the Asia/Pacific region, India (83.7%) experienced the strongest growth of all major production countries by far. Automobile production in Japan rose by 15.2% from the prior year, and South Korea's growth rate amounted to 14.3%.

Automobile production

			Change in %	Million units
Europe			28.2 -36.9	9.8 7.7
Americas			36.1 -40.8	8.1 5.9
Greater China			25.6 -19.0	11.8 9.4
Asia/ Pacific			29.4 -33.6	9.7 7.5
World			29.2 -32.4	39.4 30.5

■ 2021 ■ 2020

Source: IHS Markit (July 2021).

Regions reflect the regional structure of the Schaeffler Group.






The considerable growth in global **industrial production** compared to the weak prior year level, amounting to 11.3% according to preliminary estimates (Oxford Economics, June 2021), is attributable to a continuous recovery since the third quarter of 2020.

The trend reported for the sectors particularly relevant to the Schaeffler Group – mechanical engineering, transport equipment, and electrical equipment – was similar, with the comparatively even stronger growth rate of 16.0% largely driven by the trend in the mechanical engineering sector.

In the Europe region, the euro region saw the relevant industrial production increase by 11.8%. The largest growth rate there was reported for the mechanical engineering sector. The strong growth

reported by the Americas region was mainly due to the positive development in the U.S., where the relevant industrial production rose by 15.5%. Here, it was particularly the production of agricultural and forestry machinery which grew more than average; additionally, the aerospace sector reported strong year-on-year growth as well. In the Greater China region, all sectors of the relevant industrial production grew considerably. In Asia/Pacific, India (41.0%) experienced a considerably higher growth rate compared to the quite low prior year level than Japan (9.1%) and South Korea (6.7%). In both Japan and South Korea as well as at the total regional level, growth in the relevant industrial production was largely driven by mechanical engineering while in India, the transport equipment sector contributed significantly as well.

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

			Change in %
Europe			12.0 -15.3
Americas			16.1 -12.9
Greater China			20.4 0.1
Asia/ Pacific			11.4 -9.4
World			16.0 -8.5

■ 2021 ■ 2020

Source: Oxford Economics (June 2021).

Regions reflect the regional structure of the Schaeffler Group.

Procurement markets

In the **procurement markets**, average prices for commodities and input materials significant to the Schaeffler Group were consistently significantly higher than in the prior year period (Bloomberg; EIA; Platts), with some steel prices in the procurement regions particularly relevant to the Schaeffler Group more than doubling. Similarly, the prices of all commodities and input materials significant to the Schaeffler Group rose from those at the beginning of the year over the course of the reporting period. Commodity market price trends affect the Schaeffler Group's cost to varying degrees and in some instances with some delay, depending on the terms of the relevant supplier contracts.

Report on the economic position

Earnings

1.2 Earnings

Schaeffler Group earnings

The considerable increase in **revenue** in the first half of 2021 compared to the prior year period was attributable to the strong rise in demand across all divisions and regions due in part to the very low basis for comparison, since the implications of the coronavirus pandemic had significantly affected the revenue trend in the first half of 2020. The strong revenue trend of the **Automotive Technologies division** is due to a considerable recovery of the business across all business divisions and regions. The revenue growth reported by the **Automotive Aftermarket division** was mainly the result of the development of the Independent Aftermarket business in the Europe and Americas regions. In the **Industrial division**, along with continually rising volumes in the wind and power transmission sector clusters in Greater China, the Americas and Asia/Pacific regions similarly generated considerable revenue growth.

The considerable improvement in **EBIT margin before special items** during the reporting period was largely driven by economies of scale. These economies of scale considerably improved the gross margin and reduced functional costs as a percentage of revenue from 18.6% to 16.1%. The cost reduction measures expanded in the prior year proved effective as well. The offsetting impact of rising commodities prices in the procurement markets was as yet limited in the first six months.

EBIT was impacted by **special items**, most of which were recognized in other income and expense. Special items were recognized as part of the Roadmap 2025 divisional subprograms, largely in connection with the partial reversal of a restructuring provision since the cost to date of implementing the structural measures announced in September 2020 is less than the transformation expenses originally planned.

in € millions	1 st six months			2 nd quarter		
	2021	2020	Change in %	2021	2020	Change in %
Revenue	7,014	5,572	25.9	3,454	2,291	50.8
• at constant currency			27.4			50.6
Revenue by division						
Automotive Technologies	4,365	3,264	33.7	2,084	1,256	66.0
• at constant currency			34.9			65.3
Automotive Aftermarket	911	748	21.8	467	301	55.1
• at constant currency			24.2			54.1
Industrial	1,738	1,560	11.4	902	734	23.0
• at constant currency			13.3			24.0
Revenue by region ¹⁾						
Europe	3,019	2,426	24.4	1,501	888	69.1
• at constant currency			24.6			67.5
Americas	1,423	1,137	25.2	669	366	82.9
• at constant currency			34.3			90.3
Greater China	1,612	1,253	28.6	812	735	10.4
• at constant currency			29.7			10.7
Asia/Pacific	960	757	26.9	472	302	56.1
• at constant currency			31.2			58.7
Cost of sales	-5,215	-4,461	16.9	-2,611	-1,969	32.7
Gross profit	1,800	1,111	62.0	843	322	> 100
• in % of revenue	25.7	19.9	-	24.4	14.1	-
Research and development expenses	-376	-355	5.9	-183	-162	12.9
Selling and administrative expenses	-754	-680	10.9	-371	-303	22.7
Other income and expense	73	-311	-	67	-1	-
Earnings before financial result, income (loss) from equity-accounted investees, and income taxes (EBIT)	743	-234	-	355	-144	-
• in % of revenue	10.6	-4.2	-	10.3	-6.3	-
Special items ²⁾	-22	288	-	-37	-15	> 100
EBIT before special items	722	54	> 100	319	-159	-
• in % of revenue	10.3	1.0	-	9.2	-6.9	-
Financial result	-49	-90	-45.8	-15	-33	-54.3
Income (loss) from equity-accounted investees	-20	-14	40.5	-14	-8	81.7
Income taxes	-205	-21	> 100	-95	9	-
Net income (loss) ³⁾	463	-361	-	227	-175	-
Earnings per common non-voting share (basic/diluted, in €)	0.70	-0.53	-	0.35	-0.25	-

¹⁾ Based on market (customer location).

²⁾ Please refer to pp. 10 et seq. for the definition of special items.

³⁾ Attributable to shareholders of the parent company.

The targets with respect to downsizing the workforce and sustainably lowering costs remain in place unchanged. Expenses to consolidate the footprint in Europe had an offsetting impact (see “Significant events”, page 1). Income related to a court ruling in Brazil was included in special items as well, as were expenses for legal risks.

The **financial result** improved by EUR 41 m during the reporting period.

Schaeffler Group financial result

	1 st six months	
in € millions	2021	2020
Interest expense on financial debt ¹⁾	-53	-38
Gains and losses on derivatives and foreign exchange	-2	-2
Fair value changes on embedded derivatives	0	-17
Interest income and expense on pensions and partial retirement obligations	-10	-13
Other	17	-21
Total	-49	-90

¹⁾ Incl. amortization of transaction costs.

The increase in interest expense on financial debt in 2021 is due to short-term financial instruments being refinanced using long-term financial instruments.

There are no longer any fair value changes on embedded derivatives because the last bond series issued by Schaeffler Finance B.V. was redeemed in November 2020.

“Other” included mainly EUR 19 m in interest income received in connection with tax litigation finalized during the reporting period in Brazil.

Income tax expense for the reporting period amounted to EUR 205 m (prior year: EUR 21 m), representing an effective tax rate of 30.4% (prior year: -6.2%). The change in the effective tax rate compared to the prior year was primarily the result of higher pre-tax income and a lack of one-off items adversely affecting the effective tax rate.

Net income attributable to shareholders of the parent company for the first six months rose considerably to EUR 463 m (prior year: net loss of EUR 361 m). **Net income** before special items amounted to EUR 437 m (prior year: net loss of EUR 84 m).

Basic and diluted **earnings per common share** increased considerably to EUR 0.69 (prior year: EUR -0.54) during the reporting period. Basic and diluted earnings per common non-voting share amounted to EUR 0.70 (prior year: EUR -0.53). 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 rose to 10.6% during the reporting period (prior year: 0.9%); Schaeffler Value Added amounted to EUR 44 m (prior year: EUR -770 m). **ROCE before special items** improved considerably to 18.7% during the reporting period (prior year: 7.8%);

Schaeffler Value Added before special items (SVA) increased considerably as well, rising to EUR 681 m (prior year: EUR -183 m). The growth in ROCE and SVA before special items was largely attributable to the considerable improvement in all three divisions’ EBIT before special items. The decline in average capital employed had an additional favorable impact on the growth in shareholder value.

Report on the economic position

Earnings

Automotive Technologies division earnings

Having started to recover in the second half of 2020, **revenue** continued this recovery in the first six months of 2021. All business divisions (BDs) contributed to the considerable increase, which was mainly attributable to the low basis for comparison caused by the coronavirus pandemic. Most of this trend was driven by volumes in the **Transmission Systems BD** – the BD generating the highest revenue – which grew significantly across all regions. The **E-Mobility BD**, which has assumed responsibility for thermal management modules and key components for fuel cells as well as mechatronic chassis systems effective January 1, 2021, generated the highest growth rate, continuing to considerably expand its revenue in the Greater China and Europe regions in particular. The **Engine Systems** and **Chassis Systems** BDs reported growth rates well in the double digits across all regions. Revenue growth exceeded growth in automobile production in all regions.

Outperformance H1 2021

	Europe	Americas	Greater China	Asia/Pacific	Total
Revenue growth (in %) ¹⁾	38.3	40.9	30.6	32.9	34.9
LVP growth (in %) ²⁾	28.2	36.1	25.6	29.4	29.2
Outperformance (in percentage points)	10.1	4.8	5.0	3.5	5.7

The considerable improvement in the **EBIT margin before special items** for the reporting period was largely driven by economies of scale. These economies of scale considerably improved the gross margin and considerably reduced functional costs as a percentage of revenue from 18.1% to 14.8%. The cost reduction measures expanded in the prior year proved effective as well. The offsetting impact of rising commodities prices in the procurement markets was as yet limited in the first six months.

in € millions	1 st six months		Change in %	2 nd quarter		Change in %
	2021	2020		2021	2020	
Revenue	4,365	3,264	33.7	2,084	1,256	66.0
• at constant currency			34.9			65.3
Revenue by business division						
E-Mobility BD	610	435	40.4	305	191	59.7
• at constant currency			41.2			59.7
Engine Systems BD	1,117	860	29.9	524	330	58.8
• at constant currency			32.7			61.9
Transmission Systems BD	1,958	1,450	35.0	924	548	68.5
• at constant currency			38.0			69.3
Chassis Systems BD	680	520	30.9	331	186	77.6
• at constant currency			32.4			76.7
Revenue by region ³⁾						
Europe	1,676	1,207	38.9	812	369	120.3
• at constant currency			38.3			116.2
Americas	969	731	32.6	438	190	129.9
• at constant currency			40.9			136.4
Greater China	1,054	811	30.1	514	497	3.4
• at constant currency			30.6			3.3
Asia/Pacific	666	516	29.2	321	200	60.3
• at constant currency			32.9			62.5
Cost of sales	-3,374	-2,861	17.9	-1,652	-1,225	34.8
Gross profit	992	403	▶ 100	433	30	▶ 100
• in % of revenue	22.7	12.3	-	20.8	2.4	-
Research and development expenses	-301	-281	7.0	-147	-129	13.9
Selling and administrative expenses	-346	-310	11.4	-172	-135	27.4
Other income and expense	47	-269	-	41	-1	-
EBIT	392	-458	-	154	-235	-
• in % of revenue	9.0	-14.0	-	7.4	-18.7	-
Special items ⁴⁾	-13	265	-	-21	-5	▶ 100
EBIT before special items	379	-192	-	133	-240	-
• in % of revenue	8.7	-5.9	-	6.4	-19.1	-

Prior year information presented based on 2021 segment structure.

¹⁾ Compared to prior year; excluding the impact of currency translation.

²⁾ Growth in production of passenger cars and light commercial vehicles; source: IHS Markit (July 2021).

³⁾ Based on market (customer location).

⁴⁾ Please refer to pp. 10 et seq. for the definition of special items.

Report on the economic position

Earnings

Automotive Aftermarket division earnings

The **revenue** trend during the period was largely driven by the considerable increase in volumes in the **Europe and Americas regions** that was mainly attributable to the low basis for comparison caused by the coronavirus pandemic. Especially the Independent Aftermarket business in the Central & Eastern Europe, Western Europe, South America, and U.S. & Canada subregions grew considerably. The **Greater China region** considerably increased its Independent Aftermarket business as well. The revenue trend for the reporting period also reflected the expansion of the e-commerce business there. The growth reported by the **Asia/Pacific region** resulted mainly from the recovery of the Independent Aftermarket and OES business in India, partly due to the low basis for comparison especially in the second quarter of 2020.

The improvement in **EBIT margin before special items** was primarily due to higher sales volumes as well as to one-off items in selling expenses related to an agreement reached on a retroactive reimbursement of expenses by a service provider. Increased product expenses as well as selling expenses ramping up as planned as a result of the assembly and packaging center commencing operations had an offsetting impact.

in € millions	1 st six months			2 nd quarter		
	2021	2020	Change in %	2021	2020	Change in %
Revenue	911	748	21.8	467	301	55.1
• at constant currency			24.2			54.1
Revenue by region ¹⁾						
Europe	644	541	18.9	332	212	56.7
• at constant currency			20.0			54.9
Americas	169	137	23.4	86	56	54.5
• at constant currency			38.8			63.1
Greater China	51	35	43.6	26	21	24.9
• at constant currency			44.6			24.7
Asia/Pacific	48	34	39.4	24	13	79.9
• at constant currency			46.3			84.5
Cost of sales	-621	-494	25.7	-321	-207	54.6
Gross profit	290	254	14.3	147	94	56.2
• in % of revenue	31.9	34.0	-	31.4	31.2	-
Research and development expenses	-8	-10	-18.3	-4	-4	-14.5
Selling and administrative expenses	-152	-132	15.0	-69	-59	17.7
Other income and expense	14	-7	-	14	-3	-
EBIT	145	105	38.1	88	28	› 100
• in % of revenue	15.9	14.0	-	18.9	9.3	-
Special items ²⁾	-10	0	-	-11	0	-
EBIT before special items	135	105	28.4	77	28	› 100
• in % of revenue	14.8	14.0	-	16.5	9.3	-

Prior year information presented based on 2021 segment structure.

¹⁾ Based on market (customer location).

²⁾ Please refer to pp. 10 et seq. for the definition of special items.

Report on the economic position

Earnings

Industrial division earnings

The **revenue** trend during the period was mainly due to the persistently high sales volumes in the **Greater China region**, with the strong growth seen in the wind and power transmission sector clusters in recent quarters continuing. Additionally, the industrial automation sector cluster considerably increased its revenue in this region, while Industrial Distribution and railway sector cluster revenue dropped considerably. The additional revenue in the **Asia/Pacific, Americas, and Europe regions** was primarily due to the low basis for comparison, the revenue trend in the prior year period having been quite heavily affected by the coronavirus pandemic. Growth in the Asia/Pacific region resulted primarily from increased volumes in India and was mainly due to the two-wheelers, wind, and offroad sector clusters as well as Industrial Distribution. The Americas region's revenue trend was largely attributable to growth in Industrial Distribution while revenue in the aerospace sector cluster decreased considerably. In the Europe region, considerable revenue declines in the wind, raw materials, and railway sector clusters were offset by considerable volume growth in the offroad sector cluster and in Industrial Distribution.

The considerable improvement in **EBIT margin before special items** compared to the prior year period was largely driven by economies of scale. These economies of scale improved the gross margin and decreased functional costs as a percentage of revenue from 19.3% to 18.6%. The cost reduction measures expanded in the prior year proved effective as well. The offsetting impact of rising commodities prices in the procurement markets was as yet limited in the first six months.

in € millions	1 st six months			2 nd quarter		
	2021	2020	Change in %	2021	2020	Change in %
Revenue	1,738	1,560	11.4	902	734	23.0
• at constant currency			13.3			24.0
Revenue by region ¹⁾						
Europe	699	678	3.2	357	307	16.3
• at constant currency			3.5			16.4
Americas	285	269	6.2	146	120	21.5
• at constant currency			14.1			28.4
Greater China	507	407	24.4	272	218	24.9
• at constant currency			26.8			26.5
Asia/Pacific	247	207	19.3	127	89	43.2
• at constant currency			24.2			46.3
Cost of sales	-1,220	-1,106	10.4	-639	-536	19.3
Gross profit	518	454	13.9	263	198	33.0
• in % of revenue	29.8	29.1	-	29.2	27.0	-
Research and development expenses	-67	-64	4.8	-33	-29	12.3
Selling and administrative expenses	-257	-238	7.8	-130	-109	19.5
Other income and expense	12	-34	-	13	3	> 100
EBIT	206	119	73.9	113	63	79.9
• in % of revenue	11.9	7.6	-	12.5	8.6	-
Special items ²⁾	2	22	-92.3	-4	-10	-56.0
EBIT before special items	208	141	47.6	109	53	> 100
• in % of revenue	12.0	9.0	-	12.0	7.2	-

Prior year information presented based on 2021 segment structure.

¹⁾ Based on market (customer location).

²⁾ Please refer to pp. 10 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. These performance indicators include EBIT, EBITDA, free cash flow, the net debt to EBITDA ratio, SVA, and ROCE.

In order to make the evaluation of the company's results of operations as transparent as possible, the Schaeffler Group reports the indicators described above before special items (= adjusted). 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. Net income attributable to shareholders of the parent company before special items is also presented in order to facilitate calculating the dividend payout ratio.

Reconciliation

	1 st six months		1 st six months		1 st six months		1 st six months	
	2021	2020	2021	2020	2021	2020	2021	2020
Income statement (in € millions)	Total		Automotive Technologies		Automotive Aftermarket		Industrial	
EBIT	743	-234	392	-458	145	105	206	119
• in % of revenue	10.6	-4.2	9.0	-14.0	15.9	14.0	11.9	7.6
Special items	-22	288	-13	265	-10	0	2	22
• Legal cases	-10	0	-1	0	-8	0	-1	0
• Restructuring	-17	39	-15	16	-3	0	1	22
– including divisional Roadmap 2025 subprograms of	-17	39	-15	16	-3	0	1	22
• Other	6	249	4	249	1	0	1	0
EBIT before special items	722	54	379	-192	135	105	208	141
• in % of revenue	10.3	1.0	8.7	-5.9	14.8	14.0	12.0	9.0

In addition to presenting special items, the company also aims to make the evaluation of the company's results of operations as transparent as possible by presenting its revenue growth excluding the impact of currency translation. Revenue growth at constant currency, i.e. excluding the impact of currency translation, is calculated by translating functional currency revenue using the same exchange rate for both the current and the prior year or comparison reporting period.

Free cash flow (FCF) is calculated as the sum of cash flows from operating activities and cash flows from investing activities as well as principal repayments on lease liabilities. The company also reports free cash flow (FCF) before cash in- and outflows for M&A activities. M&A activities consist of acquisitions and disposals of subsidiaries and interests in joint ventures. To facilitate evaluation of the cash conversion cycle, the company determines FCF conversion, which represents the ratio of FCF before cash in- and outflows for M&A activities to EBITDA before special items. Starting in 2021, the Schaeffler Group also reports free cash flow before cash in- and outflows for M&A activities and before special items as an additional indicator.

Special items are categorized as legal cases, restructuring, financing, and other. In the financing category, a reduction in the volume of the ABCP program was recognized within free cash flow before cash in- and outflows for M&A activities and before special items for the prior year period.

Special items

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

Impact of currency translation/constant currency

Revenue figures at constant currency, 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.

Report on the economic position

Earnings

Reconciliation

	1 st six months	
	2021	2020
Income statement (in € millions)		Total
EBIT	743	-234
• in % of revenue	10.6	-4.2
Special items	-22	288
• Legal cases	-10	0
• Restructuring	-17	39
– including divisional Roadmap 2025 subprograms of	-17	39
• Other	6	249
EBIT before special items	722	54
• in % of revenue	10.3	1.0
Net income (loss)¹⁾	463	-361
Special items	-41	288
• Legal cases	-30	0
• Restructuring	-17	39
• Other	6	249
– Tax effect ²⁾	15	-11
Net income before special items¹⁾	437	-84
Statement of financial position (in € millions)	06/30/2021	12/31/2020
Net financial debt	2,228	2,312
/ EBITDA LTM	1,833	1,111
Net financial debt to EBITDA ratio	1.2	2.1
Net financial debt	2,228	2,312
/ EBITDA before special items LTM	2,449	1,788
Net financial debt to EBITDA ratio before special items	0.9	1.3

	1 st six months	
	2021	2020
Statement of cash flows (in € millions)		
EBITDA	1,223	501
Special items	-22	39
• Legal cases	-10	0
• Restructuring	-17	39
• Other	6	0
EBITDA before special items	1,201	540
Free cash flow (FCF)	242	-148
-/+ Cash in- and outflows for M&A activities	1	0
FCF before cash in- and outflows for M&A activities	243	-148
FCF before cash in- and outflows for M&A activities	243	-148
/ EBIT	743	-234
FCF conversion³⁾	0.3	-
FCF before cash in- and outflows for M&A activities	243	-148
Special items	204	163
• Legal cases	-3	6
• Restructuring	201	103
• Other	6	4
• Financing	0	50
FCF before cash in- and outflows for M&A activities and before special items	447	15
Value-based management (in € millions)		
EBIT LTM	829	73
/ Average capital employed	7,848	8,427
ROCE (in %)	10.6	0.9
EBIT before special items LTM	1,466	659
/ Average capital employed	7,848	8,427
ROCE before special items (in %)	18.7	7.8
EBIT LTM	829	73
– Cost of capital	785	843
Schaeffler Value Added (SVA)	44	-770
EBIT before special items LTM	1,466	659
– Cost of capital	785	843
SVA before special items	681	-183

¹⁾ Attributable to shareholders of the parent company.

²⁾ Based on each entity's specific tax rate and country-specific tax environment (prior year: effective group tax rate of 28.7%), multiplied by the special items in "legal cases" and "restructuring". The goodwill impairment included in "other" in the prior year was treated as a non-deductible operating expense.

³⁾ Only reported if free cash flow before cash in- and outflows for M&A activities and EBIT positive.

1.3 Financial position

Cash flow and liquidity

Cash flow

in € millions	1 st six months		Change in %	2 nd quarter		Change in %
	2021	2020		2021	2020	
Cash flows from operating activities	548	197	> 100	266	-130	-
Cash used in investing activities	-277	-316	-12.3	-136	-141	-3.4
• including cash in- and outflows for the acquisition of subsidiaries and interests in joint ventures	-1	0	-	2	0	-
Cash provided by (used in) financing activities	-228	403	-	-172	569	-
• including principal repayments on lease liabilities	-29	-29	0.5	-14	-14	1.7
Net increase (decrease) in cash and cash equivalents	42	284	-85.1	-42	298	-
Effects of foreign exchange rate changes on cash and cash equivalents	10	-33	-	-2	-8	-81.6
Cash and cash equivalents as at beginning of period	1,758	668	> 100	1,854	629	> 100
Cash and cash equivalents as at June 30	1,810	919	97.0	1,810	919	97.0
Free cash flow (FCF)	242	-148	-	115	-285	-
Free cash flow (FCF) before cash in- and outflows for M&A activities	243	-148	-	113	-285	-

The increase in **cash flows from operating activities** compared to the prior year period resulted primarily from the considerable improvement in EBITDA, partially offset mainly by restructuring expenditures and an increase in working capital. Driven by the increase in business activity, cash outflows for working capital of EUR 354 m exceeded the prior year amount by EUR 205 m (prior year: EUR 149 m). EUR 428 m of the change compared to the prior year period was related to trade receivables and EUR 219 m to inventories. Trade payables had an offsetting impact of EUR 442 m.

Cash used for capital expenditures on property, plant and equipment and intangible assets (capex) declined to EUR 268 m (prior year: EUR 300 m). Capital expenditures amounted to 3.8% (prior year: 5.4%) of revenue (capex ratio).

⊖ More on capital expenditures on page 13.

Cash provided by (used in) financing activities consisted primarily of dividends of EUR 165 m (prior year: EUR 295 m) paid in the second quarter of 2021. Changes in financial debt resulted in EUR 34 m in net cash outflows during the reporting period (prior year: net cash inflows of EUR 726 m).

The considerable improvement in **free cash flow before cash in- and outflows for M&A activities** compared to the prior year period that had been heavily affected by the coronavirus pandemic resulted primarily from the considerably improved results of operations. Additionally, cash outflows for investing activities declined.

Cash and cash equivalents increased by EUR 52 m during the first six months of 2021.

At June 30, 2021, cash and cash equivalents consisted primarily of bank balances and short-term deposits. EUR 170 m (December 31, 2020: EUR 253 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 1.8 bn (December 31, 2020: EUR 1.8 bn) and other bilateral lines of credit totaling EUR 286 m (December 31, 2020: EUR 285 m) of which EUR 9 m was drawn as at June 30, 2021. In addition, EUR 38 m (December 31, 2020: EUR 38 m) of these revolving credit facilities was utilized in the form of letters of credit and overdrafts on current accounts. Deducting bank balances in countries with foreign exchange restrictions and other legal and contractual restrictions results in total available liquidity of EUR 3,613 m (December 31, 2020: EUR 3,478 m).

Report on the economic position

Financial position

Capital expenditures

Approximately 61% of additions to intangible assets and property, plant and equipment related to the **Automotive Technologies division**, approximately 3% to the **Automotive Aftermarket division**, and approximately 37% to the **Industrial division**. In order to strengthen its competitive position, the Schaeffler Group invested, inter alia, in the further expansion of the E-Mobility BD and, in the Industrial division, in the large-size bearings product area.

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

		in € millions	Change in € millions
Europe		146 159	-13
Americas		26 38	-11
Greater China		52 64	-12
Asia/ Pacific		16 27	-11
Schaeffler Group		241 288	-48

■ H1 2021 ■ H1 2020

Regions reflect the regional structure of the Schaeffler Group.

The largest share of additions to intangible assets and property, plant and equipment related to the Europe and Greater China regions. In the Automotive Technologies division, funds were mainly invested in new product start-ups and to expand capacity. In the Industrial division, the Schaeffler Group invested specifically in expanding production capacity and in localization.

The group's **reinvestment rate** for the reporting period amounted to 0.53 (prior year: 0.63).

Financial debt

The group's net financial debt decreased by EUR 84 m to EUR 2,228 m (prior year: EUR 2,312 m) in the first half of 2021.

Net financial debt

in € millions	06/30/2021	12/31/2020	Change in %
Bonds	3,478	3,476	0.1
Schuldschein loans	555	554	0.0
Revolving Credit Facility	-3	-3	5.8
Commercial paper	0	30	-100
Other financial debt	9	13	-30.2
Financial debt	4,039	4,071	-0.8
Cash and cash equivalents	1,810	1,758	3.0
Net financial debt	2,228	2,312	-3.6

The net debt to EBITDA ratio, defined as the ratio of net financial debt to earnings before financial result, income (loss) from equity-accounted investees, income taxes, depreciation, amortization, and impairment losses (EBITDA), amounted to 1.2 as at June 30, 2021 (December 31, 2020: 2.1). The net debt to EBITDA ratio before special items was 0.9 (December 31, 2020: 1.3).

On March 15, 2021, the rating agency Fitch lowered its ratings for the Schaeffler Group from previously "BBB-" to "BB+" (outlook stable). All other ratings are unchanged from the consolidated financial statements 2020.

The following summary shows the ratings assigned to the Schaeffler Group by the three rating agencies Fitch, Moody's, and Standard & Poor's as at June 30, 2021:

Schaeffler Group ratings

as at June 30

Rating agency	2021	2020	2021	2020
	Company		Bonds	
	Rating/Outlook		Rating	
Fitch	BB+/stable	BBB-/negative	BB+	BBB-
Moody's	Ba1/stable	Ba1/stable	Ba1	Ba1
Standard & Poor's	BB+/stable	BBB-/- ¹⁾	BB+	BBB-

¹⁾ CreditWatch negative.

Schaeffler AG has a Revolving Credit Facility of EUR 1.8 bn that was unutilized as at June 30, 2021, except for EUR 28 m (December 31, 2020: EUR 27 m) in the form of letters of credit. The exercise of a contractually agreed renewal option extended the maturity date of the Revolving Credit Facility to September 2024 on March 12, 2021.

Schaeffler AG had the following bonds outstanding under its Debt Issuance Programme as at June 30, 2021:

Schaeffler Group bonds

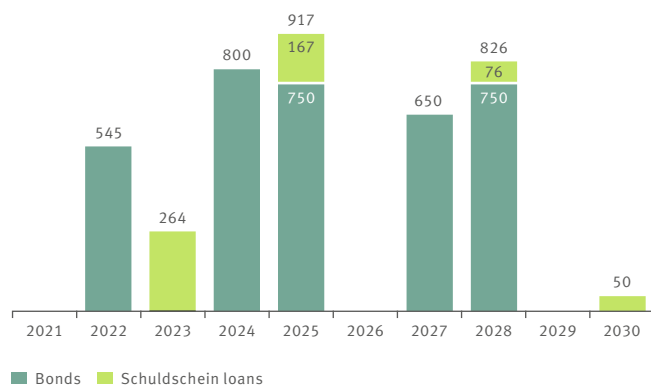
ISIN	Currency	Principal in millions		Carrying amount in € millions		Coupon	Maturity
		06/30/2021	12/31/2020	06/30/2021	12/31/2020		
DE000A2YB699 ¹⁾	EUR	545	545	544	543	1.125%	03/26/2022
DE000A2YB7A7	EUR	800	800	796	795	1.875%	03/26/2024
DE000A289Q91	EUR	750	750	747	747	2.750%	10/12/2025
DE000A2YB7B5	EUR	650	650	645	645	2.875%	03/26/2027
DE000A3H2TA0	EUR	750	750	746	746	3.375%	10/12/2028
Total		3,495	3,495	3,478	3,476		

¹⁾ EUR 205,332,000 were prepaid on October 14, 2020. Original principal EUR 750,000,000.

The company's maturity profile, which consists of the bonds and Schuldschein loans issued by Schaeffler AG, was as follows as at June 30, 2021:

Maturity profile

Principal outstanding as at June 30, 2021, in € millions



Report on the economic position

Net assets and capital structure

1.4 Net assets and capital structure

Consolidated statement of financial position (abbreviated)

in € millions	06/30/2021	12/31/2020	06/30/2020	Change in %
ASSETS				
Non-current assets	7,044	7,109	7,214	-0.9
Current assets	6,916	6,399	5,378	8.1
Total assets	13,959	13,509	12,592	3.3
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	2,640	2,022	2,061	30.5
Non-current liabilities	6,943	7,801	7,176	-11.0
Current liabilities	4,377	3,686	3,355	18.7
Total shareholders' equity and liabilities	13,959	13,509	12,592	3.3

The reduction in **non-current assets** was primarily due to a low reinvestment rate. The decrease in deferred tax assets resulted partly from lower provisions for pensions and similar obligations as well as from utilization of deferred tax assets on loss and interest carryforwards.



More on capital expenditures on page 13.

Current assets rose mainly due to higher inventories and trade receivables resulting from increased business activity. The increase in cash and cash equivalents had an impact as well.

Shareholders' equity including non-controlling interests rose primarily due to net income as well as favorable items in accumulated other comprehensive income. The dividends paid to Schaeffler AG's shareholders reduced shareholders' equity. The equity ratio was 18.9% as at June 30, 2021 (December 31, 2020: 15.0%).



More on the consolidated statement of changes in equity on page 23.

Non-current liabilities declined mainly because a bond series of EUR 545 m due in 2022 was reclassified to current financial debt. Additionally, provisions for pensions and similar obligations declined mainly due to an increase in the average discount rate to 1.4% (December 31, 2020: 0.9%) and non-current provisions decreased since EUR 157 m in provisions related to the Roadmap 2025 divisional subprograms were reclassified to current provisions.

Current liabilities increased mainly as a result of the reclassification of a bond series from non-current financial debt discussed above as well as higher trade payables. The decrease in provisions was largely related to the Roadmap 2025 divisional subprograms, including EUR 190 m utilized and EUR 54 m reversed, partially offset by the reclassification from non-current provisions of EUR 157 m discussed above.

2. Supplementary report

No material events expected to have a significant impact on the net assets, financial position, or results of operations of the Schaeffler Group occurred after June 30, 2021.

3. Report on opportunities and risks

Please refer to pp. 47 et seq. of the Schaeffler Group's annual report 2020 for a discussion of the Schaeffler Group's risk management system and potential opportunities and risks.

In addition to the disclosures made therein, current trends in the procurement markets and supply shortages of semiconductors, especially for automobile manufacturers, could adversely affect the company's results of operations. These are reflected in the Schaeffler Group's outlook. The Schaeffler Group continues to strive to at least partially offset price increases in the procurement markets by adjusting sales prices correspondingly, albeit with some delay.

The Schaeffler Group's risks are limited, both individually and in combination with other risks, and do not jeopardize the continued existence of the company.

4. Report on expected developments

4.1 Expected economic and sales market trends

For global gross domestic product, the current base scenario by Oxford Economics (July 2021) implies full-year growth of 6.2% in 2021 (data as at February 2021 in annual report 2020: growth of 5.8%).

For potential risks to global economic growth please refer to the discussion in the annual report 2020.

For global automobile production, measured as the number of vehicles up to six tons in weight produced, the current base scenario by IHS Markit (July 2021) implies full-year growth of 10.0% in 2021 (data as at February 2021 in annual report 2020: growth of 13.4%). For global industrial production, the current base scenario by Oxford Economics (June 2021) implies full-year growth of 7.8% in 2021 (data as at December 2020 in annual report 2020: growth of 6.1%). For the sectors particularly relevant to the Schaeffler Group – mechanical engineering, transport equipment, and electrical equipment – the current base scenario by Oxford Economics (June 2021) implies full-year growth of 11.9% in 2021 (data as at December 2020 in annual report 2020: growth of 7.0%).

4.2 Schaeffler Group outlook

The Board of Managing Directors of Schaeffler AG decided on May 11, 2021, and on July 26, 2021, to raise the full-year outlook for the Schaeffler Group and its divisions for 2021.

More on the guidance issued by the Schaeffler Group on February 22, 2021, in the annual report 2020 on pp. 59 et seq.; more on the guidance issued on May 11, 2021, in the interim statement Q1 2021 on page 11.

The **Schaeffler Group** expects considerable revenue growth for 2021 of now more than 11% excluding the impact of currency translation. This lower limit is based, in particular, on a market estimate that has been raised from the estimate made in February 2021.

In addition, the company now expects to generate an EBIT margin before special items of 8 to 9.5% in 2021.

Moreover, the Schaeffler Group now anticipates free cash flow before cash in- and outflows for M&A activities for 2021 of more than EUR 400 m and less than in the prior year.

The group continues to anticipate its **Automotive Technologies division** to grow by 2 to 5 percentage points more than global automobile production of passenger cars and light commercial vehicles, and, on that basis, to generate revenue growth, excluding the impact of currency translation, that is considerably positive. Additionally, the company continues to expect the Automotive Technologies division to considerably improve its EBIT margin before special items over the prior year by raising it to more than 6%.

For the **Automotive Aftermarket division**, the group now anticipates considerable revenue growth, excluding the impact of currency translation, of more than 10% and continues to expect an EBIT margin before special items slightly lower than in the prior year at more than 12.5% in 2021.

For its **Industrial division**, the company now expects revenue to grow by 9 to 11%, excluding the impact of currency translation, and the EBIT margin before special items to improve considerably compared to the prior year, increasing to more than 10.5% in 2021.

Herzogenaurach, July 26, 2021

The Board of Managing Directors

Outlook 2021

	Actual 2020	Issued 02/22/2021	Issued 05/11/2021	Outlook 2021 Issued 07/26/2021	Actual H1 2021
Schaeffler Group					
Revenue growth ¹⁾	-10.5%	> 7%	> 10%	> 11%	27.4%
EBIT margin before special items ²⁾	6.3%	6 to 8%	7 to 9%	8 to 9.5%	10.3%
Free cash flow ³⁾	EUR 539 m	~ EUR 100 m	> EUR 300 m	> EUR 400 m	EUR 243 m
Automotive Technologies					
Revenue growth ¹⁾	-11.7%	positive growth, 2 to 5%-age points above LVP growth ⁴⁾	positive growth, 2 to 5%-age points above LVP growth ⁴⁾	positive growth, 2 to 5%-age points above LVP growth ⁴⁾	34.9%
EBIT margin before special items ²⁾	3.4%	> 4.5%	> 6%	> 6%	8.7%
Automotive Aftermarket					
Revenue growth ¹⁾	-6.9%	5 to 7%	6 to 8%	> 10%	24.2%
EBIT margin before special items ²⁾	15.7%	> 11.5%	> 11.5%	> 12.5%	14.8%
Industrial					
Revenue growth ¹⁾	-9.4%	4 to 6%	7 to 9%	9 to 11%	13.3%
EBIT margin before special items ²⁾	8.8%	> 8.5%	> 9.5%	> 10.5%	12.0%

¹⁾ Compared to prior year; excluding the impact of currency translation.

²⁾ Please refer to pp. 10 et seq. for the definition of special items.

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

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

Consolidated income statement

in € millions	1 st six months			2 nd quarter		
	2021	2020	Change in %	2021	2020	Change in %
Revenue	7,014	5,572	25.9	3,454	2,291	50.8
Cost of sales	-5,215	-4,461	16.9	-2,611	-1,969	32.7
Gross profit	1,800	1,111	62.0	843	322	▶ 100
Research and development expenses	-376	-355	5.9	-183	-162	12.9
Selling expenses	-478	-426	12.1	-232	-193	20.7
Administrative expenses	-276	-254	8.8	-139	-110	26.3
Other income	143	24	▶ 100	106	15	▶ 100
Other expenses	-69	-335	-79.3	-38	-16	▶ 100
Earnings before financial result, income (loss) from equity-accounted investees, and income taxes (EBIT)	743	-234	-	355	-144	-
Financial income	32	20	55.4	25	12	▶ 100
Financial expenses	-80	-110	-27.1	-40	-46	-11.8
Financial result	-49	-90	-45.8	-15	-33	-54.3
Income (loss) from equity-accounted investees	-20	-14	40.5	-14	-8	81.7
Earnings before income taxes	674	-338	-	326	-185	-
Income taxes	-205	-21	▶ 100	-95	9	-
Net income (loss)	470	-360	-	231	-176	-
Attributable to shareholders of the parent company	463	-361	-	227	-175	-
Attributable to non-controlling interests	7	1	▶ 100	3	-1	-
Earnings per common share (basic/diluted, in €)	0.69	-0.54	-	0.34	-0.26	-
Earnings per common non-voting share (basic/diluted, in €)	0.70	-0.53	-	0.35	-0.25	-

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

in € millions	1 st six months		2 nd quarter	
	2021	2020	2021	2020
Net income (loss)	470	-360	231	-176
Items that will not be reclassified to profit or loss				
Remeasurement of net defined benefit liability	297	-295	27	-257
Tax effect	-83	81	-7	71
Total other comprehensive income (loss) that will not be reclassified to profit or loss	214	-215	20	-187
Items that have been or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	142	-185	6	-57
Effective portion of changes in fair value of cash flow hedges	-61	16	-3	24
Tax effect	17	-5	1	-6
Total other comprehensive income (loss) that has been or may be subsequently reclassified to profit or loss	99	-173	4	-39
Total other comprehensive income (loss)	313	-388	24	-226
Total comprehensive income (loss)	782	-748	255	-402
Total comprehensive income (loss) attributable to shareholders of the parent company	775	-744	254	-399
Total comprehensive income (loss) attributable to non-controlling interests	7	-4	1	-3

Consolidated statement of financial position

in € millions	06/30/2021	12/31/2020	06/30/2020	Change in %
ASSETS				
Intangible assets	464	470	472	-1.3
Right-of-use assets under leases	180	183	195	-1.5
Property, plant and equipment	4,732	4,865	5,068	-2.7
Investments in joint ventures and associated companies	94	110	130	-14.9
Costs to fulfill a contract	371	372	365	-0.2
Contract assets	0	0	3	0.0
Other financial assets	152	77	94	96.8
Other assets	192	121	106	58.9
Income tax receivables	1	1	1	-12.4
Deferred tax assets	858	911	782	-5.7
Total non-current assets	7,044	7,109	7,214	-0.9
Inventories	2,283	1,881	2,200	21.4
Contract assets	58	57	41	1.8
Trade receivables	2,260	2,160	1,713	4.6
Other financial assets	95	182	148	-48.0
Other assets	347	290	283	19.5
Income tax receivables	58	61	64	-4.9
Cash and cash equivalents	1,810	1,758	919	3.0
Assets held for sale	3	8	10	-63.6
Total current assets	6,916	6,399	5,378	8.1
Total assets	13,959	13,509	12,592	3.3

in € millions	06/30/2021	12/31/2020	06/30/2020	Change in %
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	666	666	666	0.0
Capital reserves	2,348	2,348	2,348	0.0
Other reserves	694	393	463	76.6
Accumulated other comprehensive income (loss)	-1,166	-1,479	-1,507	-21.2
Equity attributable to shareholders of the parent company	2,542	1,928	1,970	31.8
Non-controlling interests	97	93	91	4.0
Total shareholders' equity	2,640	2,022	2,061	30.5
Provisions for pensions and similar obligations	2,569	2,800	2,956	-8.3
Provisions	407	510	174	-20.1
Financial debt	3,486	4,028	3,521	-13.4
Contract liabilities	104	105	91	-1.3
Income tax payables	38	10	98	>100
Other financial liabilities	19	18	21	8.1
Lease liabilities	133	135	147	-0.8
Other liabilities	16	18	15	-13.7
Deferred tax liabilities	170	177	153	-3.6
Total non-current liabilities	6,943	7,801	7,176	-11.0
Provisions	551	616	319	-10.5
Financial debt	553	43	400	>100
Contract liabilities	88	80	79	9.5
Trade payables	1,818	1,704	1,358	6.7
Income tax payables	160	124	73	29.9
Other financial liabilities	575	593	518	-3.1
Lease liabilities	49	50	51	-2.9
Refund liabilities	205	224	161	-8.4
Other liabilities	378	252	395	49.9
Liabilities associated with assets held for sale	0	0	2	0.0
Total current liabilities	4,377	3,686	3,355	18.7
Total shareholders' equity and liabilities	13,959	13,509	12,592	3.3

Consolidated statement of cash flows

in € millions	1 st six months			2 nd quarter		
	2021	2020	Change in %	2021	2020	Change in %
Operating activities						
EBIT	743	-234	-	355	-144	-
Interest paid	-51	-62	-16.8	-9	-5	63.6
Interest received	6	6	4.7	2	3	-29.4
Income taxes paid	-154	-93	64.8	-87	-20	> 100
Amortization, depreciation, and impairment losses	480	735	-34.7	242	242	0.0
(Gains) losses on disposal of assets	2	-3	-	2	-1	-
Changes in:						
• Inventories	-367	-148	> 100	-173	2	-
• Trade receivables	-98	331	-	41	255	-84.0
• Trade payables	110	-332	-	-46	-394	-88.4
• Provisions for pensions and similar obligations	54	10	> 100	29	0	-
• Other assets, liabilities, and provisions	-179	-14	> 100	-91	-67	35.4
Cash flows from operating activities	548	197	> 100	266	-130	-
Investing activities						
Proceeds from disposals of property, plant and equipment	11	11	-1.0	9	3	> 100
Capital expenditures on intangible assets	-6	-13	-49.7	-4	-10	-60.7
Capital expenditures on property, plant and equipment	-261	-287	-8.9	-132	-126	4.7
Acquisition of subsidiaries and interests in joint ventures	-1	0	-	2	0	-
Other investing activities	-19	-28	-32.9	-12	-8	46.3
Cash used in investing activities	-277	-316	-12.3	-136	-141	-3.4
Financing activities						
Dividends paid to shareholders and non-controlling interests	-165	-295	-44.0	-165	-295	-44.0
Receipts from bond issuances and loans	9	907	-99.0	7	891	-99.2
Redemptions of bonds and repayments of loans	-43	-181	-76.1	0	-13	-99.9
Principal repayments on lease liabilities	-29	-29	0.5	-14	-14	1.7
Cash provided by (used in) financing activities	-228	403	-	-172	569	-
Net increase (decrease) in cash and cash equivalents	42	284	-85.1	-42	298	-
Effects of foreign exchange rate changes on cash and cash equivalents	10	-33	-	-2	-8	-81.6
Cash and cash equivalents as at beginning of period	1,758	668	> 100	1,854	629	> 100
Cash and cash equivalents as at June 30	1,810	919	97.0	1,810	919	97.0

Consolidated statement of changes in equity

	Share capital	Capital reserves	Other reserves	Accumulated other comprehensive income (loss)				Equity attributable to shareholders ¹⁾	Non-controlling interests	Total	
				Translation reserve	Hedging reserve	Fair value reserve	Defined benefit plan remeasurement reserve				Total
in € millions											
Balance as at January 01, 2020, before change in accounting policy IAS 8	666	2,348	931	-220	-12	-2	-890	-1,124	2,822	95	2,917
Change in accounting policy IAS 8			187	0				0	187	0	187
Balance as at January 01, 2020	666	2,348	1,119	-220	-12	-2	-890	-1,124	3,009	95	3,104
Net income (loss)			-361					0	-361	1	-360
Other comprehensive income (loss)				-180	11	0	-215	-383	-383	-5	-388
Total comprehensive income (loss)	0	0	-361	-180	11	0	-215	-383	-744	-4	-748
Dividends			-295					0	-295	0	-295
Total amount of transactions with shareholders			-295					0	-295	0	-295
Balance as at June 30, 2020	666	2,348	463	-399	0	-2	-1,105	-1,507	1,970	91	2,061
Balance as at January 01, 2021, before change in accounting policy IAS 8	666	2,348	210	-517	31	-2	-991	-1,479	1,745	93	1,838
Change in accounting policy IAS 8			184						184		184
Balance as at January 01, 2021	666	2,348	393	-517	31	-2	-991	-1,479	1,928	93	2,022
Net income			463					0	463	7	470
Other comprehensive income (loss)				143	-43	0	214	313	313	0	313
Total comprehensive income (loss)	0	0	463	143	-43	0	214	313	775	7	782
Dividends			-162					0	-162	-3	-165
Total amount of transactions with shareholders			-162					0	-162	-3	-165
Balance as at June 30, 2021	666	2,348	694	-374	-12	-2	-777	-1,166	2,542	97	2,640

¹⁾ Equity attributable to shareholders of the parent company.

Consolidated segment information

(Part of the notes to the consolidated financial statements)

	1 st six months		1 st six months		1 st six months		1 st six months	
	2021	2020	2021	2020	2021	2020	2021	2020
in € millions	Automotive Technologies		Automotive Aftermarket		Industrial		Total	
Revenue	4,365	3,264	911	748	1,738	1,560	7,014	5,572
EBIT	392	-458	145	105	206	119	743	-234
• in % of revenue	9.0	-14.0	15.9	14.0	11.9	7.6	10.6	-4.2
EBIT before special items ¹⁾	379	-192	135	105	208	141	722	54
• in % of revenue	8.7	-5.9	14.8	14.0	12.0	9.0	10.3	1.0
Amortization, depreciation, and impairment losses ²⁾	374	640	19	13	87	83	480	735
Working capital ^{3) 4)}	1,274	1,187	450	367	1,002	1,000	2,726	2,555
Additions to intangible assets and property, plant and equipment	146	168	7	11	88	109	241	288

	2 nd quarter		2 nd quarter		2 nd quarter		2 nd quarter	
	2021	2020	2021	2020	2021	2020	2021	2020
in € millions	Automotive Technologies		Automotive Aftermarket		Industrial		Total	
Revenue	2,084	1,256	467	301	902	734	3,454	2,291
EBIT	154	-235	88	28	113	63	355	-144
• in % of revenue	7.4	-18.7	18.9	9.3	12.5	8.6	10.3	-6.3
EBIT before special items ¹⁾	133	-240	77	28	109	53	319	-159
• in % of revenue	6.4	-19.1	16.5	9.3	12.0	7.2	9.2	-6.9
Amortization, depreciation, and impairment losses	189	194	10	7	44	42	242	242
Working capital ^{3) 4)}	1,274	1,187	450	367	1,002	1,000	2,726	2,555
Additions to intangible assets and property, plant and equipment	85	77	4	6	42	48	131	130

Prior year information presented based on 2021 segment structure.

¹⁾ EBIT before special items for legal cases, restructuring, and other.

²⁾ The prior year reporting period in 2020 included a goodwill impairment of EUR 249 m in the Automotive Technologies segment.

³⁾ Working capital defined as inventories plus trade receivables less trade payables.

⁴⁾ Amounts as at June 30.

Condensed notes to the consolidated interim financial statements

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 interim financial statements of Schaeffler AG as at June 30, 2021, 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.

Basis of preparation

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union and effective at the end of the reporting period and in accordance with the Interpretations by the International Financial Reporting Interpretations Committee (IFRIC).

The consolidated interim financial statements of Schaeffler AG, Herzogenaurach, for the reporting period ended June 30, 2021, have been compiled in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”. They do not include all information necessary for a complete set of consolidated financial statements.

The accounting policies used in these consolidated interim financial statements are largely based on the accounting policies used in the 2020 consolidated financial statements, where the latter are discussed in detail. These accounting policies have been applied consistently in these consolidated interim financial statements except for the change in accounting policy regarding development services.

In compiling financial statements in accordance with IFRS, management exercises judgment in making estimates and assumptions. Except for the adjustments described below, such estimates and judgments are unchanged from the matters described in the consolidated financial statements of Schaeffler AG as at and for the year ended December 31, 2020. An exception to this is an adjustment to the assumption regarding the discount rate used to measure the company’s pension obligations that was made to reflect current market trends. The increase in the discount rate has led to a decrease in pension obligations and an increase in shareholders’ equity. Please refer to “Provisions for pensions and similar obligations” below for more detailed information. In addition, restructuring provisions were adjusted to reflect current information. Please refer to “Provisions” below for more detailed information.

Processes and systems of group companies ensure appropriate recognition of income and expenses on the accrual basis. Due to the nature of the Schaeffler Group’s business, the comparability of its consolidated interim financial statements is not significantly affected by seasonality.

Income taxes were determined based on best estimate.

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

Change in accounting policy

The company has changed its accounting policy for development services effective January 1, 2021. The new accounting treatment, which is being applied retrospectively, reflects the relationship between development services and future volume production in a different manner. Under the new model, development costs for all customer projects 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. Revenue is similarly accrued as a contract liability and realized over the period of volume production as well. The change is designed to improve the presentation of the financial information. Previously, revenue was recognized for development services that represented a distinct, separately identifiable performance obligation vis-à-vis the customer and for which the Schaeffler Group was entitled to consideration under the contract. This revenue was recognized when the development services had been rendered in full. The related expenses were expensed as cost of sales when revenue was recognized.

Condensed notes to the consolidated interim financial statements

The change in accounting policy was implemented by a retrospective adjustment of EUR 187 m to other reserves within shareholders' equity in the opening statement of financial position as at January 1, 2020, representing an adjustment to the comparative figures for the period presented.

In addition, other changes were made to the presentation of expenses for production technology and for the use of real estate as at January 1, 2021. The changes are designed to more precisely reflect the company's business processes in its financial information. The prior year period was retrospectively adjusted for these other changes in presentation.

The following summaries set out the impact of the changes on the consolidated statement of financial position, the consolidated income statement, and the consolidated statement of cash flows.

Consolidated statement of financial position

June 30, 2020

in € millions	June 30, 2020, before adjustments	Accounting policy change – development services	June 30, 2020, adjusted
ASSETS			
Costs to fulfill a contract	0	365	365
Deferred tax assets	827	-45	782
Total non-current assets	6,894	320	7,214
Inventories	2,229	-29	2,200
Total current assets	5,407	-29	5,378
Total assets	12,301	292	12,592
SHAREHOLDERS' EQUITY AND LIABILITIES			
Other reserves	284	179	463
Total shareholders' equity	1,883	179	2,061
Contract liabilities	6	86	91
Deferred tax liabilities	130	23	153
Total non-current liabilities	7,067	108	7,176
Contract liabilities	74	4	79
Total current liabilities	3,351	4	3,355
Total shareholders' equity and liabilities	12,301	292	12,592

Consolidated income statement1st six months 2020

in € millions	1 st six months 2020 before adjustments	Accounting policy change – development services	Other changes in presentation	1 st six months 2020 adjusted
Revenue	5,574	-2	0	5,572
Cost of sales	-4,437	-32	8	-4,461
Gross profit	1,138	-34	8	1,111
Research and development expenses	-387	23	9	-355
Selling expenses	-419	0	-8	-426
Administrative expenses	-245	0	-9	-254
Other income	25	0	-1	24
Earnings before financial result, income (loss) from equity-accounted investees, and income taxes (EBIT)	-223	-11	0	-234
Earnings before income taxes	-327	-11	0	-338
Income taxes	-24	3	0	-21
Net loss	-351	-8	0	-360
Attributable to shareholders of the parent company	-353	-8	0	-361
Attributable to non-controlling interests	1			1
Earnings per common share (basic/diluted, in €)	-0.53	-0.01	0.00	-0.54
Earnings per common non-voting share (basic/diluted, in €)	-0.52	-0.01	0.00	-0.53

Consolidated statement of cash flows1st six months 2020

in € millions	1 st six months 2020 before adjustments	Accounting policy change – development services	1 st six months 2020 adjusted
Operating activities			
EBIT	-223	-11	-234
Changes in:			
• Inventories	-152	4	-148
• Other assets, liabilities, and provisions	-21	7	-14
Cash flows from operating activities	197	0	197

Foreign currency translation

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

Selected foreign exchange rates

Currencies	06/30/2021	12/31/2020	06/30/2020	2021	2020
1 € in	Closing rates			Average rates	
CNY China	7.67	8.02	7.92	7.80	7.75
INR India	88.32	89.66	84.62	88.42	81.68
	South				
KRW Korea	1,341.41	1,336.00	1,345.83	1,347.28	1,329.28
MXN Mexico	23.58	24.42	25.95	24.32	23.86
USD U.S.	1.19	1.23	1.12	1.21	1.10

Scope of consolidation

The consolidated interim financial statements of Schaeffler AG as at June 30, 2021, cover, in addition to Schaeffler AG, 148 (December 31, 2020: 150) subsidiaries; 50 (December 31, 2020: 52) entities are domiciled in Germany and 98 (December 31, 2020: 98) in other countries.

In the consolidated interim financial statements as at June 30, 2021, five (December 31, 2020: four) joint ventures and four associated companies (December 31, 2020: four) are accounted for at equity.

Revenue

Revenue from contracts with customers can be analyzed by category and segment as follows:

IFRS 15 – analysis of revenue by category

in € millions	1 st six months		1 st six months		1 st six months		1 st six months	
	2021	2020 ¹⁾	2021	2020 ¹⁾	2021	2020 ¹⁾	2021	2020
	Automotive Technologies		Automotive Aftermarket		Industrial		Total	
Revenue by type								
• Revenue from the sale of goods	4,276	3,202	911	748	1,716	1,546	6,903	5,496
• Revenue from the sale of tools	64	40	0	0	5	2	70	42
• Revenue from other services	24	21	0	0	17	12	41	34
• Other revenue	0	1	0	0	0	0	0	1
Total	4,365	3,264	911	748	1,738	1,560	7,014	5,572
Revenue by region²⁾								
• Europe	1,676	1,207	644	541	699	678	3,019	2,426
• Americas	969	731	169	137	285	269	1,423	1,137
• Greater China	1,054	811	51	35	507	407	1,612	1,253
• Asia/Pacific	666	516	48	34	247	207	960	757
Total	4,365	3,264	911	748	1,738	1,560	7,014	5,572

¹⁾ Prior year information presented based on 2021 segment structure.

²⁾ Based on market (customer location).

Other financial assets and other assets

In a case regarding the tax base for the calculation of social tax, the Brazilian federal superior court issued a ruling in favor of the tax payer on May 13, 2021. As a result of this ruling, excess tax paid in the past as well as the related interest can be offset against other tax obligations in future; therefore, such tax and interest have been capitalized as other assets in the amount of EUR 41 m against other income and financial result. EUR 23 m of this amount represent non-current other assets.

Current and non-current financial debt

Financial debt (current/non-current)

in € millions	06/30/2021			12/31/2020		
	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	544	2,934	3,478	0	3,476	3,476
Schuldschein loans	0	555	555	0	554	554
Revolving Credit Facility	0	-3	-3	0	-3	-3
Commercial paper	0	0	0	30	0	30
Other financial debt	9	0	9	13	0	13
Total	553	3,486	4,039	43	4,028	4,071

The decrease in financial debt compared to December 31, 2020, was mainly due to the repayment of EUR 30 m in commercial paper.

Provisions for pensions and similar obligations

Interest rate levels as at June 30, 2021, have increased compared to December 31, 2020. On this basis, the Schaeffler Group has adjusted the discount rate used to value its key pension plans as at the reporting date. The Schaeffler Group's average discount rate as at June 30, 2021, amounted to 1.4% (December 31, 2020: 0.9%). As at June 30, 2021, the resulting remeasurement of the company's obligations under defined benefit pension plans resulted in actuarial gains of EUR 296 m and gains on plan assets of EUR 6 m as well as an unfavorable impact of the asset ceiling of EUR 5 m which were recognized in other comprehensive income and are reported under accumulated other comprehensive income net of deferred taxes.

Provisions

Current provisions declined by EUR 65 m to EUR 551 m compared to December 31, 2020 (December 31, 2020: EUR 616 m). Moreover, non-current provisions decreased by EUR 103 m to EUR 407 m compared to December 31, 2020 (December 31, 2020: EUR 510 m).

The decrease in provisions is mainly attributable to EUR 190 m utilized in connection with the structural measures adopted by Schaeffler AG's Board of Managing Directors under the Roadmap 2025 divisional subprograms in the third quarter of 2020. In addition, provisions in Germany were adjusted to reflect information current as at June 30, 2021, resulting in a reversal of EUR 54 m. On the other hand, related additional measures at a European location resulted in an addition of EUR 28 m.

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.

The carrying amounts of trade receivables, including the receivables available for sale under the ABCP program (asset-backed commercial paper 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 unconsolidated investments (shares in incorporated companies and cooperatives of less than 20%) for which fair value was determined using an EBIT multiple methodology. The company is currently not planning to sell these investments. Marketable securities consist almost entirely of financial instruments in the form of money market fund units without fixed maturities. These are measured at fair value through profit or loss.

The fair values of financial assets and liabilities that are either measured at fair value or for which fair value is disclosed in the condensed notes to the consolidated interim 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 as well as bonds payable included in financial debt.
- Level 2: Cross-currency swaps and foreign exchange 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. Derivatives embedded in bond agreements are measured using a Hull-White model. Key inputs to this model are interest rates, volatilities, and credit default swap rates.
The fair value of financial debt (except for the publicly listed bonds payable) is the present value of expected cash in- or outflows discounted using risk-adjusted discount rates that are appropriate to the term of the item being valued and that are in effect at the end of the reporting period.
- Level 3: The derivatives embedded in a convertible loan and the loan issued with a conversion right are measured based on option pricing models. Inputs to the models include data from the company's plans and budgets, market information, and management expectations.

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.

Financial instruments by class and category in accordance with IFRS 7.8

in € millions	Category per IFRS 7.8	Level per IFRS 13	06/30/2021		12/31/2020		06/30/2020	
			Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets, by class								
Trade receivables	Amortised cost		2,039	2,039	1,926	1,926	1,634	1,634
Trade receivables – ABCP program	FVTPL	2	87	87	87	87	33	33
Trade receivables – customer receivables and notes receivable available for sale	FVOCI	2	134	134	147	147	46	46
Other financial assets								
• Other investments	FVOCI	2	36	36	36	36	37	37
• Marketable securities	FVTPL	1	27	27	24	24	25	25
• Derivatives designated as hedging instruments	n. a.	2	11	11	54	54	15	15
• Derivatives not designated as hedging instruments	FVTPL	2	27	27	23	23	53	53
• Miscellaneous other financial assets	Amortised cost, FVTPL		147	147	123	123	112	112
Cash and cash equivalents ¹⁾	Amortised cost, FVTPL		1,810	1,810	1,758	1,758	919	919
Financial liabilities, by class								
Financial debt	FLAC	1, 2 ²⁾	4,039	4,352	4,071	4,301	3,921	3,888
Trade payables	FLAC		1,818	1,818	1,704	1,704	1,358	1,358
Refund liabilities	n. a.		205	205	224	224	161	161
Lease liabilities ³⁾	n. a.		182	0	185	0	197	0
Other financial liabilities								
• Derivatives designated as hedging instruments	n. a.	2	28	28	10	10	15	15
• Derivatives not designated as hedging instruments	FVTPL	2	17	17	25	25	31	31
• Miscellaneous other financial liabilities	FLAC		549	549	577	577	493	493
Summary by category								
Financial assets at amortized cost (Amortised cost)			3,996	3,996	3,407	3,407	2,665	2,665
Financial assets at fair value through profit or loss (FVTPL)			141	141	534	534	111	111
Financial assets at fair value through other comprehensive income (FVOCI)			170	170	183	183	83	83
Financial liabilities at amortized cost (FLAC)			6,406	6,719	6,351	6,582	5,773	5,739
Financial liabilities at fair value through profit or loss (FVTPL)			17	17	25	25	31	31

¹⁾ Balance as at December 31, 2020, includes EUR 400 m in money market funds categorized as FVTPL.

²⁾ Level 1: EUR 3,708 m (December 31, 2020: EUR 3,700 m; June 30, 2020: EUR 2,744 m). Level 2: EUR 645 m (December 31, 2020: EUR 601 m; June 30, 2020: EUR 1,144 m).

³⁾ Disclosure of fair value omitted in accordance with IFRS 7.29 (d).

Condensed notes to the consolidated interim financial statements

Change in assets and liabilities measured at fair value in level 3

in € millions	2021		
	Financial assets – derivatives not designated as hedging instruments	Miscellaneous other financial assets	Financial liabilities – derivatives not designated as hedging instruments
Balance as at January 01	0	1	0
Additions	0	0	0
• Financial income (unrealized)	0	0	0
• Financial expenses (unrealized)	0	1	0
Balance as at June 30	0	0	0

Financial assets and liabilities 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 key factor driving fair value changes is the enterprise value of the debtor of the loan. This enterprise value is determined using data from the company's plans and budgets, management expectations, and market information.

Contingent liabilities and other obligations

The statements made in the annual report 2020 with respect to contingent liabilities are largely unchanged.

Open commitments under fixed contracts to purchase property, plant and equipment amounted to EUR 205 m as at June 30, 2021 (December 31, 2020: EUR 141 m).

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 business is organized into the four **business divisions E-Mobility, Engine Systems, Transmission Systems, and 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 was 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.

Reconciliation to earnings before income taxes

in € millions	1 st six months	
	2021	2020
EBIT Automotive Technologies ¹⁾	392	-458
EBIT Automotive Aftermarket ¹⁾	145	105
EBIT Industrial ¹⁾	206	119
EBIT	743	-234
Financial result	-49	-90
Income (loss) from equity-accounted investees	-20	-14
Earnings before income taxes	674	-338

¹⁾ Prior year information presented based on 2021 segment structure.

Reconciliation of EBIT to EBIT before special items

	1 st six months		1 st six months		1 st six months		1 st six months	
	2021	2020 ¹⁾	2021	2020 ¹⁾	2021	2020 ¹⁾	2021	2020
in € millions	Automotive Technologies		Automotive Aftermarket		Industrial		Total	
EBIT	392	-458	145	105	206	119	743	-234
• in % of revenue	9.0	-14.0	15.9	14.0	11.9	7.6	10.6	-4.2
Special items	-13	265	-10	0	2	22	-22	288
• Legal cases	-1	0	-8	0	-1	0	-10	0
• Restructuring	-15	16	-3	0	1	22	-17	39
• Other	4	249	1	0	1	0	6	249
EBIT before special items	379	-192	135	105	208	141	722	54
• in % of revenue	8.7	-5.9	14.8	14.0	12.0	9.0	10.3	1.0

¹⁾ Prior year information presented based on 2021 segment structure.

Related parties

The extent of transactions with related persons and entities remained largely unchanged compared to the 2020 consolidated financial statements.

On April 23, 2021, the Schaeffler AG annual general meeting passed a resolution to pay a total dividend of EUR 162 m in respect of 2020 (prior year: EUR 295 m), consisting of EUR 120 m (prior year: EUR 220 m) on the common shares held by IHO Verwaltungs GmbH and EUR 42 m (prior year: EUR 75 m) on the common non-voting shares.

The company has granted an additional EUR 18 m in interest-bearing loans to a joint venture during the first six months, bringing the total amount of the loan to EUR 60 m.

Further transactions with associated companies and joint ventures during this period were insignificant.

Events after the reporting period

No material events expected to have a significant impact on the net assets, financial position, or results of operations of the Schaeffler Group occurred after June 30, 2021.

Herzogenaurach, July 26, 2021

The Board of Managing Directors

Review report

To Schaeffler AG, Herzogenaurach

We have reviewed the condensed interim consolidated financial statements of Schaeffler AG – comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and the condensed notes to the consolidated interim financial statements – together with the group interim management report of Schaeffler AG, Herzogenaurach, for the period from January 1 to June 30, 2021, that are part of the semi-annual financial report in accordance with section 115 WpHG [“Wertpapierhandelsgesetz”: “German Securities Trading Act”]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting” as adopted by the EU, and of the group interim management report in accordance with the requirements of the WpHG applicable to group interim management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the group interim management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the group interim management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical

evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU, and that the group interim management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to group interim management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU, or that the group interim management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to group interim management reports.

Nuremberg, July 28, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Koeplin
Wirtschaftsprüfer
[German Public Auditor]

Schieler
Wirtschaftsprüfer
[German Public Auditor]

Responsibility statement by the company's legal representatives

To the best of our knowledge, and in accordance with the applicable interim reporting principles, the consolidated interim financial statements provide a true and fair view of the assets, liabilities, financial position, and profit or loss of the group, and the group interim 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, July 26, 2021

Schaeffler Aktiengesellschaft

The Board of Managing Directors

Klaus Rosenfeld
Chief Executive Officer

Dr. Klaus Patzak

Andreas Schick

Corinna Schittenhelm

Michael Söding

Dr. Stefan Spindler

Uwe Wagner

Matthias Zink

Summary 1st quarter 2020 to 2nd quarter 2021

Schaeffler Group

in € millions	2020				2021	
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1 st quarter	2 nd quarter
Income statement						
Revenue	3,281	2,291	3,391	3,626	3,560	3,454
• Europe	1,538	888	1,416	1,537	1,518	1,501
• Americas	771	366	732	732	754	669
• Greater China	518	735	817	870	800	812
• Asia/Pacific	454	302	426	486	488	472
Cost of sales	-2,493	-1,969	-2,595	-2,674	-2,603	-2,611
Gross profit	789	322	796	952	957	843
• in % of revenue	24.0	14.1	23.5	26.3	26.9	24.4
Research and development expenses	-192	-162	-164	-165	-192	-183
Selling and administrative expenses	-377	-303	-332	-360	-383	-371
EBIT	-90	-144	-188	274	388	355
• in % of revenue	-2.8	-6.3	-5.6	7.6	10.9	10.3
Special items	302	-15	511	148	15	-37
EBIT before special items ¹⁾	212	-159	322	422	403	319
• in % of revenue	6.5	-6.9	9.5	11.6	11.3	9.2
Net income (loss) ²⁾	-186	-175	-171	103	235	227
Earnings per common non-voting share (basic/diluted, in €)	-0.28	-0.25	-0.26	0.15	0.35	0.35
Statement of financial position						
Total assets	12,696	12,592	13,175	13,509	13,872	13,959
Additions to intangible assets and property, plant and equipment	158	130	171	179	110	131
Amortization, depreciation, and impairment losses excluding depreciation of right-of-use assets under leases and impairments of goodwill	230	228	259	234	223	228
• Reinvestment rate	0.69	0.57	0.66	0.76	0.49	0.57
Shareholders' equity ³⁾	2,758	2,061	1,763	2,022	2,549	2,640
• in % of total assets	21.7	16.4	13.4	15.0	18.4	18.9
Net financial debt	2,414	3,002	2,688	2,312	2,176	2,228
• Net financial debt to EBITDA ratio before special items ^{1) 4)}	1.2	1.8	1.6	1.3	1.1	0.9
• Gearing ratio (Net financial debt to shareholders' equity, in %)	87.5	145.6	152.5	114.4	85.3	84.4

in € millions	2020				2021	
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1 st quarter	2 nd quarter
Statement of cash flows						
EBITDA	403	99	85	525	625	598
Cash flows from operating activities	327	-130	533	524	281	266
Capital expenditures (capex) ⁵⁾	164	136	181	151	132	136
• in % of revenue (capex ratio)	5.0	5.9	5.3	4.2	3.7	3.9
Free cash flow (FCF) before cash in- and outflows for M&A activities	137	-285	333	355	130	113
• FCF conversion (ratio of FCF before cash in- and outflows for M&A activities to EBIT) ⁶⁾	-	-	-	1.3	0.3	0.3
Value-based management						
ROCE	5.4	0.9	-5.2	-1.9	4.2	10.6
ROCE before special items (in % ^{1) 4)}	12.8	7.8	8.0	10.0	12.5	18.7
Schaeffler Value Added (in € millions) ^{1) 4)}	-392	-770	-1,247	-944	-460	44
Schaeffler Value Added before special items (in € millions) ^{1) 4)}	240	-183	-164	2	199	681
Employees						
Headcount (at end of reporting period)	86,548	84,223	83,711	83,297	83,937	83,945

¹⁾ Please refer to pp. 10 et seq. for the definition of special items.

²⁾ Attributable to shareholders of the parent company.

³⁾ Including non-controlling interests.

⁴⁾ EBIT/EBITDA based on the last twelve months.

⁵⁾ Capital expenditures on intangible assets and property, plant and equipment.

⁶⁾ Only reported if FCF before cash in- and outflows for M&A activities and EBIT positive.

in € millions	2020				2021	
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1 st quarter	2 nd quarter
Automotive Technologies division						
Revenue	2,008	1,256	2,161	2,391	2,281	2,084
• E-Mobility BD	243	191	284	328	305	305
• Engine Systems BD	529	330	566	631	593	524
• Transmission Systems BD	902	548	989	1,069	1,034	924
• Chassis Systems BD	333	186	322	362	349	331
• Europe	838	369	787	888	864	812
• Americas	541	190	525	516	532	438
• Greater China	314	497	564	648	541	514
• Asia/Pacific	315	200	284	339	345	321
Cost of sales	-1,636	-1,225	-1,723	-1,813	-1,722	-1,652
Gross profit	372	30	438	578	559	433
• in % of revenue	18.5	2.4	20.3	24.2	24.5	20.8
Research and development expenses	-152	-129	-128	-131	-154	-147
Selling and administrative expenses	-175	-135	-157	-160	-173	-172
EBIT	-223	-235	-75	189	238	154
• in % of revenue	-11.1	-18.7	-3.5	7.9	10.4	7.4
Special items	270	-5	252	91	8	-21
EBIT before special items ¹⁾	47	-240	176	280	246	133
• in % of revenue	2.3	-19.1	8.2	11.7	10.8	6.4

in € millions	2020				2021	
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1 st quarter	2 nd quarter
Automotive Aftermarket division						
Revenue	446	301	456	438	444	467
• Europe	329	212	334	309	312	332
• Americas	81	56	80	84	83	86
• Greater China	15	21	21	21	25	26
• Asia/Pacific	21	13	21	24	24	24
Cost of sales	-287	-207	-280	-283	-300	-321
Gross profit	160	94	176	155	143	147
• in % of revenue	35.8	31.2	38.6	35.3	32.3	31.4
Research and development expenses	-6	-4	-4	-3	-4	-4
Selling and administrative expenses	-73	-59	-60	-84	-82	-69
EBIT	77	28	62	61	57	88
• in % of revenue	17.2	9.3	13.7	13.9	12.7	18.9
Special items	0	0	23	6	1	-11
EBIT before special items ¹⁾	77	28	86	67	57	77
• in % of revenue	17.2	9.3	18.8	15.4	12.9	16.5

Industrial division						
Revenue	827	734	774	797	836	902
• Europe	370	307	295	340	342	357
• Americas	149	120	127	132	140	146
• Greater China	189	218	231	202	234	272
• Asia/Pacific	118	89	121	123	119	127
Cost of sales	-570	-536	-592	-577	-581	-639
Gross profit	257	198	182	220	254	263
• in % of revenue	31.0	27.0	23.5	27.6	30.5	29.2
Research and development expenses	-34	-29	-31	-32	-34	-33
Selling and administrative expenses	-129	-109	-115	-116	-127	-130
EBIT	56	63	-175	24	93	113
• in % of revenue	6.8	8.6	-22.6	3.0	11.2	12.5
Special items	32	-10	236	51	6	-4
EBIT before special items ¹⁾	88	53	61	74	99	109
• in % of revenue	10.7	7.2	7.8	9.3	11.9	12.0

Prior year information presented based on 2021 segment structure.

¹⁾ Please refer to pp. 10 et seq. for the definition of special items.

Financial calendar

August 4, 2021

Publication of results for the first six months 2021

November 9, 2021

Publication of results for the first nine months 2021

March 8, 2022

Publication of annual results 2021

All information is subject to correction and may be changed at short notice.

Imprint

Published by
Schaeffler AG, Industriestr. 1–3,
91074 Herzogenaurach, Germany

Responsible for content
Corporate Accounting, Schaeffler AG

Date of publication
Wednesday, August 4, 2021

Investor Relations
phone: +49 (0)9132 82-4440
fax: +49 (0)9132 82-4444
e-Mail: ir@schaeffler.com

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.

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.

Schaeffler on Social Media



Schaeffler AG

Industriestr. 1–3
91074 Herzogenaurach
Germany

www.schaeffler.com

SCHAEFFLER