SCHAEFFLER

Press Release

Schaeffler announces structural measures in Europe to boost competitiveness

HERZOGENAURACH, *2024-11-05*.

- Program of measures comprises three main strands:
  (1) Increasing earnings from Bearings & Industrial Solutions
  (2) Realizing synergies from the merger with Vitesco
  (3) Capacity realignments necessitated by ongoing transformation of the automotive supply industry
- Gross loss of about 4,700 jobs in Europe, including around 2,800 in Germany; production relocations reduce net job loss in Europe to 3,700
- Job losses affect mainly 10 locations in Germany, five further locations elsewhere in Europe affected, including closure of two locations
- Savings potential of about 290 million euros per year to be realized by end of 2029; one-time expenditure estimated at about 580 million euros
- Measures to be implemented in a socially equitable manner on the basis of the Future Accord of 2018
- Focus on long-term growth in competitiveness as central goal

The Board of Managing Directors of Schaeffler AG has agreed on structural measures with a regional focus on Germany and Europe aimed at securing a long-term increase in the company's competitiveness. The decision comes in response to the challenging market environment, the increasing intensity of global competition, and ongoing transformation processes affecting the automotive supply industry.

The announced structural measures have three main strands. The first of these deals with the need to improve the earnings performance of the company's Bearings & Industrial Solutions division. This division is grappling with continuing economic weakness, structural problems, and increasingly intense competition.

The second strand addresses the company's previously announced aim to realize synergies from the merger with Vitesco Technologies Group AG ("Vitesco"). These will mainly be in the form of revenue and purchasing synergies but will also involve some workforce downsizing.

The third strand encompasses measures stemming from the ongoing transformation of the automotive supply industry. These include measures relating

to the declining volume in ICE technology and the current weakening of new programs for electric drives in Europe. The measures therefore affect both the company's Powertrain & Chassis division and its E-Mobility division.

Gross loss of 4.700 jobs in Europe

The structural measures envisage a gross loss of about 4,700 jobs, some 2,800 of which will be in Germany. Production relocations will reduce the net loss to about 3,700 jobs, which corresponds to about 3.1 percent of the total post-merger headcount. The merger in October 2024 increased the company's headcount by around 35,000 to approximately 120,000.

The downsizing measures will affect 10 locations in Germany. Five locations elsewhere in Europe are affected as well, including two that are set to be closed. Further information regarding these locations will be announced by the end of the year. The company intends to implement the majority of the measures over the period from 2025 to 2027.

Potential for savings of about 290 million euros per year by 2029

The structural measures offer potential savings of about 290 million euros annually starting in 2029. About 75 million euros of these savings will come from cost synergies from the merger with Vitesco. These cost synergies are part of the target effect of 600 million euros per year disclosed when the merger transaction was announced. The implementation of the measures announced today will require a one-time expenditure of about 580 million euros largely consisting of provisions and relocation costs.

Measures agreed in connection with previously announced programs of Vitesco and Schaeffler will continue to be implemented as planned.

Schaeffler AG Chief Executive Officer Klaus Rosenfeld: "By taking the measures announced today we will tackle three issues. Firstly, we will get our bearings and industrial business back on track. Secondly, we will realize cost synergies from the merger with Vitesco Technologies. And thirdly, we will continue the transformation of our Powertrain & Chassis and E-Mobility divisions. Given the current business environment, this program is necessary to safeguard the Schaeffler Group's competitiveness over the long term. We will implement it in a socially equitable and carefully considered manner."

Capacity realignments for Bearings & Industrial Solutions division

The Bearings & Industrial Solutions division has in recent months already taken various steps in response to the ongoing fall-off in demand for its products. These

have included reducing accumulated overtime, the use of furlough schemes, and reducing weekly working hours in certain areas, as well as new and intensified measures to promote sales and reduce external service and maintenance costs. However, in light of the ongoing difficult market situation, this mix of measures is no longer enough.

“Demand in many sectors remains weak, particularly in Europe, and this is resulting in overcapacity at locations in Germany and elsewhere in Europe,” Sascha Zaps, CEO Bearings & Industrial Solutions, explained. “For these reasons, we need to undertake structural adjustments to optimize our cost basis, consolidate activities, and improve the long-term competitiveness of our company. As well as capacity realignment this means further localization efforts which we will discuss in close consultation with our employees.”

These measures will affect mainly the company’s Schweinfurt and Homburg sites and will primarily be in the form of consolidation activities, capacity realignments, and transfers of production, although there will also be job cuts in corporate functions and administration.

The Bearings & Industrial Solutions plant in Homburg is home to the production of components for drive systems, guides and mechatronic system solutions from the linear technology business. The activities of the linear technology business will be relocated to consolidate them in response to persistently weak demand in the Industrial Automation sector. This step will make the linear technology business more competitive and cost-efficient. The other two production plants at the Homburg location are not affected by these relocation measures.

In addition, the Bearings & Industrial Solutions division’s main plant at the Schweinfurt location will take over the production operations and workforce of the former Ewellix plant located at the Schweinfurt port, about five kilometers away. In addition, as part of the integration of Ewellix into the Schaeffler Group outside of Europe, the former Ewellix location in Taoyuan will be closed.

In Hameln, Schaeffler will discontinue the activities of Melior Motion GmbH, a company it acquired in 2022, and seek opportunities to sell the plant there. The Hameln plant specializes in the manufacture of planetary gearboxes for industrial robots.

In Steinhagen, Schaeffler has agreed to work with the relevant employee representatives to jointly develop options for the location’s future. The Steinhagen facility mainly makes spherical plain bearings for various industrial applications.

Realizing cost synergies from the merger with Vitesco

As part of their integration, Schaeffler and Vitesco have agreed on synergy gains in the order of 600 million euros per year, which they aim to fully realize in 2029 primarily through growth and economies of scale in purchasing. As already announced, a secondary part of these synergies will also be realized through workforce downsizing measures. These measures will mainly affect the functional areas and central departments at the company's Regensburg and Herzogenaurach headquarters, although Research & Development (R&D) operations are also in scope.

Regensburg will become the headquarters of Powertrain Solutions within the Powertrain & Chassis division. The headquarters of Schaeffler's new E-Mobility division will be in Herzogenaurach, which will continue to be the location of the Schaeffler Group's corporate headquarters.

These changes will result in the loss of about 600 jobs in Germany – mainly in Regensburg and Herzogenaurach. The two companies will contribute to these figures in roughly equal proportions.

Transformation in the Powertrain & Chassis and E-Mobility divisions

In the Powertrain & Chassis division, the ongoing transformation process affecting the automotive supply industry necessitates the implementation of further changes identified over the past few years at both Schaeffler and Vitesco. Further realignments are thus being undertaken to reduce the company's cost basis in response to the drop in demand occasioned by the continuing decline of the ICE business. These changes relate principally to the Herzogenaurach, Schwalbach and Regensburg locations.

As a result of the systematic path taken by the E-Mobility division and the portfolio management approach followed by the former Vitesco, it is now necessary to bring forward into the concrete planning phase further measures that were already signaled prior to the merger. These further measures are also needed because previously anticipated stronger growth levels, particularly from European OEMS, have so far failed to materialize. In addition, increased competition is resulting in ever greater price and cost pressure and driving the need for greater localization of R&D services. It is therefore necessary to reduce cost structures. The resulting measures will affect the Regensburg, Nuremberg and Berlin locations in particular.

Socially equitable implementation on basis of Future Accord

As with past measures, in Germany these measures will be implemented on the basis of the Future Accord concluded with IG Metall in 2018. The job reductions will

be achieved primarily by means of natural attrition, voluntary exit programs, and separation and part-time early retirement agreements. “We are working in close consultation with our employee representatives, and our shared understanding is that the measures will be implemented in a fair and socially equitable manner on the basis of the Future Accord,” said Dr. Astrid Fontaine, Chief Human Resources Officer of Schaeffler AG. “Moreover, we will continue to invest in upskilling and professional development, with a strong focus on our home locations in Germany.”

Schaeffler remains unwaveringly committed to consistently investing in training and professional development for its employees in Germany and Europe. Since 2022, around 40,000 employees across Europe have taken part in upskilling and reskilling programs that have given them the qualifications they need to successfully engage with new areas and key emerging technologies, including almost 19,000 in Germany. Ongoing training and development is one of the keys to taking as many of our employees as possible with us on our journey.

“The structural measures are an important step towards safeguarding Schaeffler’s competitiveness,” said Klaus Rosenfeld. “In the current market and competitive situation, there is simply no alternative to these measures. Our commitment to Germany as a business location is undiminished. In the interests of our customers and employees, we will continue to invest in areas and technologies of key importance for the future, including in Germany and wider Europe.”

Forward-looking statements and projections
Certain statements in this press release are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or developments to differ materially from those expressed or implied in the forward-looking statements. These risks, uncertainties and assumptions may have a negative impact on the results and financial consequences of the plans and developments described in this document. There is no obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, by means of a public announcement. Recipients of this press release should not place undue reliance on forward-looking statements, which speak only as of the date of this press release. Statements contained in this press release regarding past trends or developments should not be regarded as statements that these trends and developments will continue in the future. The foregoing cautionary statements should be considered in connection with subsequent oral or written forward-looking statements made by Schaeffler or persons acting on its behalf.

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technologies, products, and services for electric mobility, chassis solutions, and renewable energies, the company is a reliable partner for making motion more efficient, intelligent, and sustainable – over the entire life cycle. Schaeffler describes its comprehensive range of products and services by means of eight product families: from bearing solutions and all types of linear guidance systems through to repair and monitoring services. With around 110,000 employees and more than 250 locations in 55 countries, Schaeffler is one of the world's largest family-owned companies and ranks among Germany's most innovative organizations.

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