

Schaeffler on the capital markets

Capital market trends

In 2015, the global capital markets were characterized by debate over the change in the Fed's low-interest policy, the bond purchasing program of the European Central Bank (ECB), negotiations regarding Greece's membership in the European Monetary Union, and weak economic growth in China and other emerging countries. As a result, exchange rates continued to become more volatile while the commodity markets, especially the oil price, declined considerably.

As a result, global equities markets trends varied in 2015. The Dow Jones Industrial fell 2.2 %, while the Euro STOXX 50 gained 3.8 % over the course of the year. The Nikkei 225 was up 9.1 % due to the continuing expansive monetary policy of the Japanese central bank.

The European capital markets ended the year 2015 with significant increases. This was mainly attributable to the European Central Bank's extensive government bond purchasing program totaling EUR 1.1 trillion in purchases by September 2016 that was initiated in the first quarter of 2015.

At the beginning of the second quarter, the capital markets initially continued to rally, with the German Stock Index (Deutscher Aktien Index – DAX) reaching an all-time high of 12,375 points on April 10, 2015 and the 10-year Bund future rising to 160.36 points in April.

During the second quarter of 2015, the markets consolidated at a high level, driven by increasing uncertainty, including uncertainty about the future development of Greece, and concerns regarding emerging market growth. The Bund future dropped to its annual low of 148.98 points by mid-June.

In the third quarter of 2015, the downward trend in the equities markets gathered speed due to increasing concerns regarding the economic trend in the emerging markets, primarily in China and Brazil. A further negative influence on the European equities markets came from the weaker global commodity markets and uncertainty surrounding the capital markets' expectation of an increase in the Fed's interest rate. The DAX closed at 9,428 points on September 24, 2015, its lowest level in all of 2015, while the Bund future rose, buoyed by market participants' growing risk aversion.

The equities markets recovered over the course of the fourth quarter of 2015, on the back of developments such as the ECB's announcement that it would extend the bond purchasing program beyond September 2016. The extension primarily helped export-based companies which benefitted from a weaker Euro/U.S. Dollar exchange rate. The announcement also had a positive effect on the Bund future although it did not quite recover to its April annual high.

On December 31, 2015, the DAX was at 10,730 points, representing an increase of 10.5 % compared to December 31, 2014. The European sector index Stoxx 600 Automobiles & Parts rose by 14.3 % over the same period, and the Bund future was up slightly from 155.87 points to 157.92 points over the course of the year.

The corporate bond market generally fared well in 2015. The iTraxx CrossOver (5 year maturity), an indicator of credit risk in the European high yield market, closed at 299 basis points on December 31, 2015 compared to 345 basis points on December 31, 2014. The lowest premium was charged in April 2015 (243 basis points), when the DAX was also at its all-time high and demand for risky assets was particularly strong. The highest premium, on the other hand, was charged in early October (384 points), mainly caused by market participants' increased risk aversion due to the uncertain trend in the emerging markets.

Schaeffler shares

Schaeffler AG's common non-voting shares were listed on the stock exchange on October 09, 2015. The listing represents an important component of the realignment of the company's capital and corporate structure and contributes to the Schaeffler Group's continuing profitable growth.

A total of 166 million common non-voting shares were admitted for trading. 66 million of these common non-voting shares were issued in connection with a Schaeffler AG capital increase and 100 million common non-voting shares were sold by Schaeffler Verwaltungs GmbH. At December 31, 2015, approximately 71.6 million of these shares are widely held by national and international investors; the remaining approximately 94.4 million shares are held by Schaeffler Verwaltungs GmbH. The free float therefore amounts to approximately 43.1 % of the common non-voting shares at the end of December.

The placement price for the common non-voting shares was EUR 12.50 per share. Schaeffler AG received gross proceeds of approximately EUR 825 m which were largely used to repay debt.

Following the capital increase, Schaeffler AG's share capital consists of a total of 666 million shares including 500 million common shares held by Schaeffler Verwaltung Zwei GmbH that are not listed on the stock exchange. 166 million shares are common non-voting bearer shares. The free float currently amounts to 10.8 % of Schaeffler AG's total common and common non-voting share capital.

Schaeffler AG intends to pay a dividend of 25 to 35 % of net income to its shareholders in the future. Both common and common non-voting shares carry dividend rights. Common non-voting shares carry a preferential right to profits consisting of a preferred dividend of EUR 0.01 per share.

The Board of Managing Directors and the Supervisory Board will propose a dividend of EUR 0.34 per common share and EUR 0.35 per common non-voting share to the annual general meeting. This represents a dividend of 28.9 % of net income, before special items related to legal cases and restructuring, attributable to shareholders. In addition, the company intends to exercise the option to pay a special dividend for 2015 that was created in connection with the listing. The special dividend is expected to amount to EUR 0.15 per common share and per common non-voting share.

Schaeffler shares-base data

| | |
|--|--|
| ISIN | DE000SHA0159 |
| German securities identification number (WKN) | SHA015 |
| Stock symbol | SHA |
| German stock exchange | Frankfurt Stock Exchange (Prime Standard) |
| Index | SDAX |
| Share type | Common non-voting |
| Number of common non-voting shares as at December 31, 2015 | 166,000,000 |
| Free float | 43.1 % ¹⁾ |

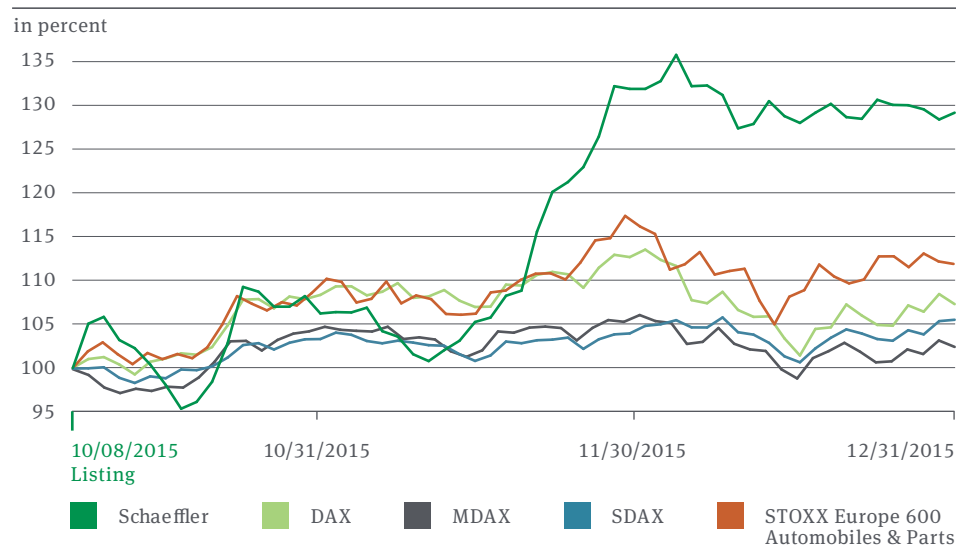
¹⁾ 10.8 % of total share capital of 666 million common and common non-voting shares (including 500 million common shares and 166 million common non-voting shares).

Deutsche Börse included Schaeffler AG in its SDAX index effective December 21, 2015. This demonstrates that the Schaeffler shares meet not only the high transparency requirements of the Prime Standard, but also the size criteria regarding market capitalization and liquidity that are relevant for inclusion in this index.

Performance of Schaeffler shares

The first price quoted for the Schaeffler share on October 09, 2015, was EUR 13.50. The lowest share price was EUR 11.92 on October 19, 2015, and on November 26, 2015, the share price reached its high of EUR 17.05.

Schaeffler share price since listing



On December 31, 2015, the common non-voting shares of Schaeffler AG were quoted at EUR 16.25, rising approximately 30.0 % from their issue price (EUR 12.50). Schaeffler AG common non-voting shares thus outperformed the relevant benchmark indexes during the period from the date of the listing on October 09, 2015 to the reporting date 2015.

Schaeffler share performance

| in € | 2015 |
|---|-------------|
| Share price at year-end | 16.25 |
| Share price (high) | 17.05 |
| Share price (low) | 11.92 |
| Average number of shares | |
| • Common shares | 500,000,000 |
| • Common non-voting shares | 115,912,329 |
| Earnings per share ¹⁾ | |
| • Common shares | 0.88 |
| • Common non-voting shares | 1.28 |
| Proposed dividend per share | |
| • Common shares | 0.34 |
| • Common non-voting shares | 0.35 |
| Proposed special dividend per share | |
| • Common share and common non-voting shares | 0.15 |

¹⁾ Earnings per share were calculated in accordance with IAS 33.

Schaeffler bonds

The Schaeffler Group took advantage of the favorable financing environment in March 2015 and completed a refinancing transaction totaling approximately EUR 1.5 bn. The placement comprised two secured EUR and one secured USD bond issues with maturities of between five and ten years. The proceeds of the new bond issues were largely used to redeem two outstanding series of bonds.

As a result, the Schaeffler Group has nine series of bonds outstanding at the end of December 2015, six of them denominated in EUR and three in USD. All of the bonds were issued by Schaeffler Finance B.V., Barneveld, Netherlands.

The Schaeffler Group had the following bonds outstanding at December 31, 2015:

Schaeffler Group bonds

| ISIN | Currency | Face value in millions | Coupon | Maturity | Price in % ¹⁾ | Price in % ¹⁾ |
|----------------------------|----------|---------------------------|--------|------------|--------------------------|--------------------------|
| | | | | | 12/31/2015 | 12/31/2014 |
| XS0923613060 | EUR | 600 | 4.25 % | 05/15/2018 | 102.18 | 103.03 |
| XS1067864881 ²⁾ | EUR | 500 | 3.25 % | 05/15/2019 | 101.51 | 101.26 |
| XS1067862919 | EUR | 500 | 2.75 % | 05/15/2019 | 101.29 | 100.42 |
| XS1212469966 | EUR | 400 | 2.50 % | 05/15/2020 | 100.98 | - |
| US806261AJ29 | USD | 700 | 4.25 % | 05/15/2021 | 99.94 | 98.81 |
| US806261AE32 | USD | 850 | 4.75 % | 05/15/2021 | 101.13 | 100.94 |
| XS1067864022 | EUR | 500 | 3.50 % | 05/15/2022 | 102.35 | 102.11 |
| US806261AM57 | USD | 600 | 4.75 % | 05/15/2023 | 98.94 | - |
| XS1212470972 | EUR | 600 | 3.25 % | 05/15/2025 | 97.52 | - |

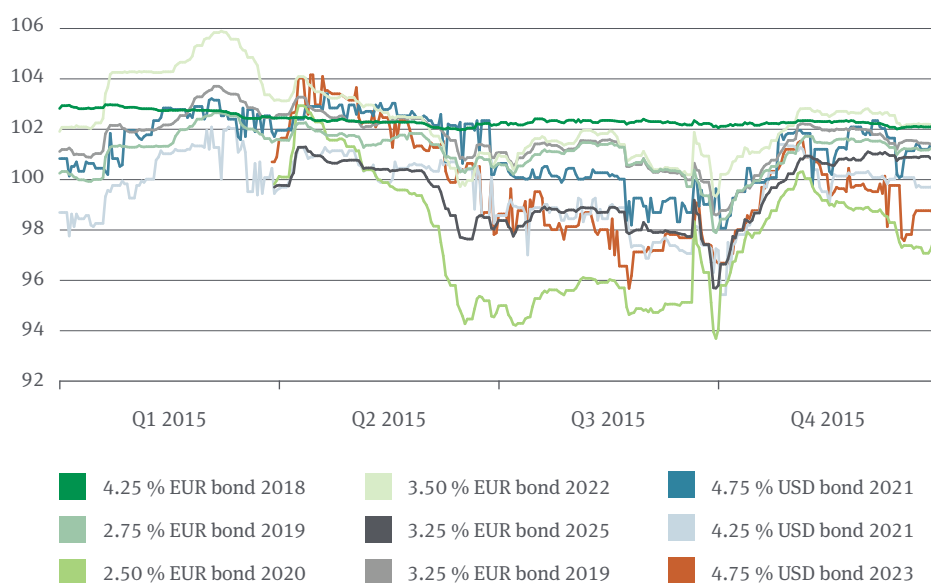
¹⁾ Source: Bloomberg.

²⁾ Bond is unsecured.

Bond prices largely showed encouraging trends in 2015. The majority increased slightly in value, reducing the effective yield.

Performance of Schaeffler bonds since the 1st quarter of 2015

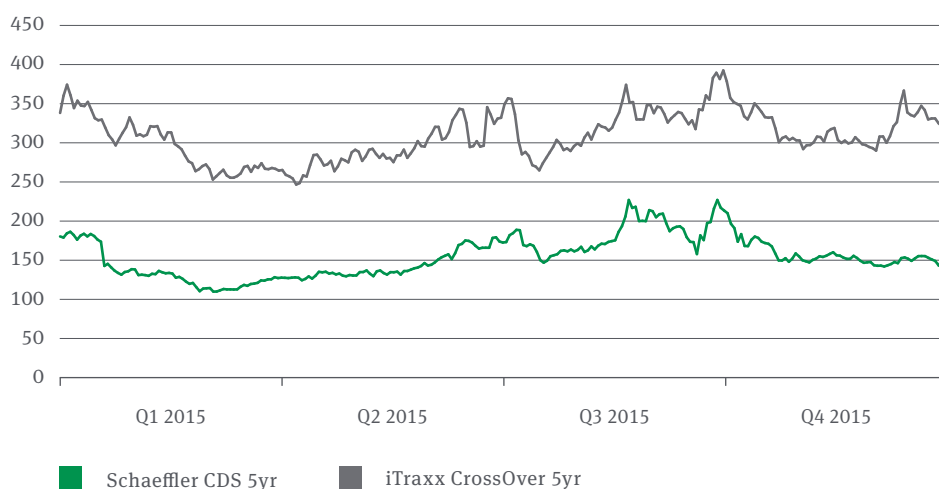
in percent (source: Bloomberg)



Premiums for Schaeffler AG 5-year credit default swaps declined from 178 basis points at December 31, 2014 to 150 basis points as at December 31, 2015, moving in line with the iTraxx CrossOver.

Credit default swap (CDS) price trend since the 1st quarter of 2015

in percent (source: Bloomberg)



Schaeffler's ratings

The rating agency Moody's upgraded the Schaeffler Group's company rating to Ba2 on October 09, 2015 as a result of the listing. The bond rating was confirmed, the outlook is stable. The rating assigned to the Schaeffler Group by rating agency Standard & Poor's remains unchanged at BB-. The following summary shows the Schaeffler Group's ratings by the two rating agencies:

Schaeffler Group ratings

| 12/31/2015 | | | | |
|-------------------|---------|---------|---------------|----------------|
| Rating agency | Company | | Bonds secured | Bond unsecured |
| | Rating | Outlook | Rating | Rating |
| Standard & Poor's | BB- | stable | BB- | B |
| Moody's | Ba2 | stable | Ba2 | B1 |

Investor Relations

All documents provided by Investor Relations are available for download from www.schaeffler.com/ir. You can contact the Investor Relations team by e-mail at ir@schaeffler.com.

Schaeffler AG maintains open lines of communication on a continuous basis with share- and bond holders as well as with all other capital market participants. For instance, the company has been presenting and discussing its quarterly and annual results via conference calls for several years. In addition, it regularly holds roadshows in key European financial centers as well as in the U.S.

In 2015, the Board of Managing Directors and the Investor Relations team participated in a total of six investor conferences in New York, London, and Paris. In addition, numerous investor meetings were held in Europe and in the U.S. in connection with the listing.

Subsequent to the listing, the company held its first analyst day in Herzogenaurach on November 20, 2015. Presentations and discussions focused on the Schaeffler Group's strategic direction with respect to research & development and manufacturing.

A total of six banks had equity analysts covering the company as at December 31, 2015. Four out of six banks rated Schaeffler AG's common non-voting shares either buy or overweight as at December 31, 2015.