Notes to the consolidated financial statements

1. General information

1.1 Reporting entity

Schaeffler AG, Herzogenaurach, is a publicly listed corporation domiciled in Germany with its registered office located at Industriestraße 1 – 3, 91074 Herzogenaurach. The company was founded on April 19, 1982 and is registered in the Commercial Register of the Fürth Local Court (HRB No. 14738). The consolidated financial statements of Schaeffler AG as at December 31, 2015 comprise Schaeffler AG and its subsidiaries, investments in associated companies, and joint ventures (together referred to as “Schaeffler” or “Schaeffler Group”). The Schaeffler Group is a leading global integrated automotive and industrial supplier.

1.2 Basis of preparation

In accordance with section 315a (1) HGB, the consolidated financial statements of the Schaeffler Group for the year ended December 31, 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU) by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards as well as with the additional requirements of German commercial law. The term IFRS includes all International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) in effect as well as all interpretations and amendments issued by the IFRS Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC). Comparative figures for the prior year were also prepared based on these standards.

General presentation
These consolidated financial statements are presented in Euros (EUR), the functional and presentation currency of the Schaeffler Group’s parent company. Unless stated otherwise, all amounts are in millions of Euros (EUR m).

The consolidated statement of financial position is classified using the current/non-current distinction. The Schaeffler group classifies assets as current if they are expected to be realized within twelve months after the end of the reporting period. Inventories are considered current assets even if they are not expected to be realized within twelve months after the end of the reporting period. Similarly, liabilities are classified as current if Schaeffler is contractually required or has a constructive obligation to settle them within twelve months after the end of the reporting period.

Since the beginning of 2015, expenses of the purchasing function and quality assurance expenses are reported as cost of sales in their entirety. Comparative figures for 2014 for cost of sales (increase of EUR -54 m), research and development expenses (decrease of EUR 4 m), selling expenses (decrease of EUR 8 m), and administrative expenses (decrease of EUR 42 m) were adjusted retrospectively. The Schaeffler Group considers the amended presentation to provide more accurate information.

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

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

Measurement bases
Assets and liabilities are generally measured on the basis of historical cost. The following assets and liabilities represent an exception, as they are measured at fair value:

- derivative financial instruments,
- financial instruments recorded at fair value through profit or loss, and
- available-for-sale financial assets.

Estimation uncertainty and management judgment
In the preparation of financial statements in accordance with IFRS as adopted in the EU, management exercises judgment in making appropriate estimates and assumptions affecting the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual amounts may differ from these estimates.

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

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

- determination of the useful life of property, plant and equipment,
- determination of valuation allowances on inventories,
- identification of cash-generating units and determination of recoverable amounts for purposes of impairment tests of goodwill and non-current assets,
- accounting for post-employment employee benefits, especially selecting actuarial assumptions,
- recognition and measurement of provisions,
- determination of fair values of financial debt and derivatives,
- assessment of the recoverability of deferred tax assets, and
- share-based payment.

Except for the provision for potential third party claims in connection with the EU antitrust proceedings finalized in March 2014 and the measurement of defined benefit pension obligations, changes in assumptions made in the past and the resolution of previously existing uncertainties related to the above items did not have a significant impact in 2015. The discount rate used to measure defined benefit pension obligations was reduced to reflect lower interest rate levels, affecting the recognized amounts of the provision and shareholders' equity (see Note 4.10).

1.3 Summary of significant accounting policies

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

Consolidation principles
All significant domestic and foreign subsidiaries of the Schaeffler Group have been consolidated in the company's consolidated financial statements. Subsidiaries are entities directly or indirectly controlled by Schaeffler AG. Control generally exists if Schaeffler holds the majority of the voting rights or otherwise has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The latter is considered to be the case when Schaeffler is exposed to variable returns from its involvement with the investee and has the ability to affect the amount of these returns by directing its relevant activities. Subsidiaries are consolidated in the consolidated financial statements from the date Schaeffler obtains control until the date control ceases.

Subsidiaries are consolidated using the acquisition method as at the acquisition date. This method involves measuring all assets, liabilities and additional identifiable intangible assets of the acquired companies at fair value and then eliminating the acquisition cost of the investment against the proportionate share of the equity thus remeasured. Any resulting positive difference is capitalized as goodwill, while negative differences are first reassessed and then recognized directly in profit or loss. Non-controlling interests are measured at the non-controlling interests' proportionate share of the fair value of assets acquired and liabilities assumed (partial goodwill method).

Balances and transactions with consolidated subsidiaries and any related income and expenses are eliminated in full in preparing the consolidated financial statements. Intercompany profits or losses on intra-group transactions and dividends paid within the Group are also eliminated in full. Deferred taxes on temporary differences related to the elimination of such balances and transactions are measured at the tax rate of the acquiring entity.

Foreign currency translation

Foreign currency transactions

Upon initial recognition, purchases and sales denominated in foreign currencies are translated at the exchange rate applicable at the time of the transaction. Since receivables and payables denominated in foreign currencies arising from these transactions are monetary items, they are translated into the functional currency of the applicable group company at the exchange rate as at the end of the reporting period and when they are realized. The resulting exchange gains and losses are recognized in the consolidated income statement. Non-monetary items measured at historical cost are translated at the rate in effect on the date of the transaction.

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

Foreign entities

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

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

Revenue recognition and cost of sales

Revenue from the Schaeffler Group's operations is recognized at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue from the sale of goods and tools and of machinery constructed by the company is recognized when, based on the contract with the customer,

- the significant rewards and risks of ownership of the goods have been transferred to the buyer,
- it is sufficiently probable that the economic benefits associated with the sale will flow to Schaeffler,
- the costs associated with the transaction can be measured reliably,
- Schaeffler does not retain continuing managerial involvement with the goods,
- and the amount of revenue can be measured reliably.

Depending on specific customer contracts and purchase orders, revenue is normally recognized at the date of delivery, provided that the conditions listed above are met.

Cost of sales consists primarily of the cost of producing goods, rendering services, or acquiring merchandise sold. Production cost comprises all direct costs attributable to the process of manufacturing goods and rendering services as well as allocated production-related overheads.

Research and development expenses
Research and development expenses include costs incurred for research and development and expenditures for customer-specific applications, prototypes, and testing.

Expenses incurred for research activities are expensed as incurred.

Development activities involve the application of research results or other knowledge to a production plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services. Development costs are only recognized as intangible assets if

- their technical feasibility can be demonstrated,
- Schaeffler has the intention to complete the intangible asset and use or sell it,
- Schaeffler has the ability to use or sell the intangible asset,
- Schaeffler can demonstrate that using or selling the intangible asset will generate future economic benefits,
- adequate technical, financial, and other resources are available to complete the development and to subsequently sell or use the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Capitalized costs include costs directly attributable to the development process and development-related overheads. Capitalized development expenditures are measured at cost less accumulated amortization and impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the average expected useful life of six years beginning when the intangible asset is ready for use. Amortization expense is reported in cost of sales. In contrast to costs of developing new or substantially improved products, advance development costs and costs incurred to produce customer-specific applications (i.e. to customize existing products without substantial improvement) are not capitalized but instead expensed as incurred.

Financial result
Interest income and expense is recognized pro rata temporis.

Earnings per share

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

As required by IAS 33, newly issued shares were reflected in the calculation of the average number of shares outstanding on a pro rata temporis basis from the date they were entered in the Commercial Register. However, as these new shares are entitled to profits for the full year, consolidated net income attributable to the new shares was included in full. In addition, the average number of shares outstanding and, hence, earnings per share for all periods presented were adjusted retrospectively for the share split and the conversion of common shares to common non-voting shares.

Goodwill

Goodwill is not amortized; however, it is tested for impairment when there is an indication that it may be impaired ("triggering event"), and at least annually. Goodwill is measured at cost less accumulated impairment losses.

The impairment test is performed by comparing the carrying amount of the cash-generating unit to which the goodwill has been allocated with its recoverable amount. A cash-generating unit is the smallest unit with largely independent cash flows. Recoverable amount is determined using the discounted cash flow method and is the higher of fair value less costs of disposal and value in use of the cash-generating unit. Value in use is determined first. If value in use does not exceed the carrying amount of the cash-generating unit, recoverable amount is then determined using fair value less costs of disposal. An impairment loss on goodwill is recognized when the carrying amount of the cash-generating unit exceeds its recoverable amount. If circumstances giving rise to an impairment loss subsequently cease to exist, impairment losses on goodwill are not reversed.

Expected cash flows are based on a three-year-forecast which is reviewed regularly by Schaeffler Group management. This detailed forecast is based on specific assumptions regarding macroeconomic trends (currency, interest, and commodity price trends), external sales forecasts and internal assessments of demand and projects, sales prices, and the volume of additions to intangible assets and property, plant and equipment. Please refer to the report on expected developments in the management report for further detail. Past trends and historic experience are also used in developing the forecast. Projections beyond the detailed forecasting horizon are based on growth rates. The discount rate reflects current market expectations and specific risks.

Other intangible assets

Purchased intangible assets are capitalized at acquisition cost, internally generated intangible assets at production cost. Intangible assets with a definite useful life are amortized on a straight-line basis over their expected useful lives of three years for software and six years for capitalized development costs. Other intangible assets are tested for impairment when there is an objective indication that the asset may be impaired.

In the consolidated income statement, straight-line amortization expense related to an intangible asset is presented within the functional area in which the intangible asset is utilized.

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment includes all costs directly attributable to the acquisition of the asset. Self-constructed assets are initially measured at the directly attributable construction cost that is necessary to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended.

Additional costs incurred once an item of property, plant and equipment is in operating condition are only capitalized if they significantly increase the economic benefits to the company expected from the asset and can be clearly identified. All other subsequent costs are recognized as repairs and maintenance expense as incurred.

Property, plant and equipment is separated into components at the lowest level if these components have significantly different useful lives and the replacement or overhaul of these components during the total useful life of the plant is probable. Repairs and maintenance costs are expensed.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the consideration received with the carrying amount of the asset. They are presented net in other income and other expenses, respectively.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of the asset. Estimated useful lives range from 15 to 25 years for buildings, from 2 to 10 years for technical equipment and machinery and from 3 to 8 years for other equipment. Depreciation expense and impairment losses are presented in the consolidated income statement under the appropriate functional area. Depreciation methods are reviewed at the end of each reporting period. Land is not depreciated.

Leases

Leases transferring substantially all rewards and risks of ownership to Schaeffler are classified as finance leases. The leased asset is initially recognized at an amount equal to the lower of its fair value and the present value of the minimum lease payments. A liability is recognized at the same amount. Minimum lease payments made under finance leases are apportioned between finance cost and the reduction of the outstanding liability. Finance costs are allocated over the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability.

Leases under which the lessor retains substantially all risks and rewards of ownership are classified as operating leases, and the related lease payments are expensed on a straight-line basis over the lease term.

Where fulfillment of rights or obligations, particularly those arising from service arrangements, is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, such rights or obligations are also considered leases.

Impairments of other intangible assets and property, plant and equipment

The Schaeffler Group tests other intangible assets and property, plant and equipment for impairment when there is an indication that these assets may be impaired ("triggering event").

Assets are tested for impairment by comparing their carrying amount with their recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use. If an asset does not generate cash inflows that are largely independent of the cash inflows from other assets, the impairment test is not performed at the level of the individual asset but instead at the level of the cash-generating unit to which the asset belongs. An impairment loss exists when the carrying amount exceeds the recoverable amount. If the circumstances giving rise to previously recognized impairment losses no longer exist, impairment losses are reversed up to the carrying amount that would have been determined had no impairment loss been recognized in the past.

The Schaeffler Group initially determines recoverable amount under the value in use concept using the discounted cash flow method. If value in use does not exceed the carrying amount of the cash-generating unit, recoverable amount is then determined using fair value less costs of disposal.

Other intangible assets not yet available for use are tested for impairment annually at the end of the reporting period.

Financial instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include primary and derivative financial instruments. Regular way sales and purchases of financial assets are accounted for using settlement date accounting.

Primary financial instruments

Primary financial instruments are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of a financial instrument are only included in the carrying amount if the financial instrument is not measured at fair value through profit or loss. Subsequent measurement depends on how the financial instrument is categorized.

Schaeffler classifies its financial instruments into the following categories:

Available-for-sale financial assets: Except for investments in companies accounted for using the equity method, Schaeffler classifies its investments in equity securities as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income (including the related deferred taxes). Fair values are derived from market prices unless no quoted prices are available or there is no active market; in these cases, fair value is determined using recognized valuation techniques such as the discounted cash flow method. When the fair value of investments in equity instruments cannot be measured reliably using recognized valuation techniques, these investments are measured at cost.

When an available-for-sale financial asset is derecognized, the cumulative gain or loss previously reported in accumulated other comprehensive income is reclassified to profit or loss.

Any prolonged or significant decline in fair value below cost is considered an impairment and is immediately recognized in profit or loss.

Loans and receivables: Loans and receivables are measured at amortized cost less any impairment losses. Trade receivables, miscellaneous other financial assets with fixed or determinable payments that are not quoted in an active market, and cash and cash equivalents are accounted for under this category. These assets are tested for impairment at the end of each reporting period and when there is objective evidence of impairment, such as default or delinquency of the borrower or evidence of insolvency. Impairment losses on trade receivables and miscellaneous other financial assets are recognized in profit or loss unless the receivable is covered by credit insurance. Impairment allowances for uncollectible receivables as well as for general credit risks are recognized on an individual basis. Impairments are initially recognized in an allowance account unless it is clear at the time the impairment loss occurs that the receivable will be either partially or entirely uncollectible. In that case, the impairment loss is recognized against the gross amount of the receivable. Non-interest-bearing receivables with a maturity of more than one year are discounted.

Cash includes cash on hand, checks, and cash at banks. Short-term, highly liquid investments with a maturity of up to three months from the date of acquisition are considered cash equivalents. Since they are subject to an insignificant risk of changes in value, cash and cash equivalents are measured at cost.

Financial liabilities: Schaeffler measures its financial liabilities at amortized cost using the effective interest method taking into account any transaction costs attributable to the liability.

For financial liabilities designated as a hedge of the currency risk of a net investment in a foreign operation, gains and losses are recognized in other comprehensive income and reported in accumulated other comprehensive income to the extent that the hedge is effective. The ineffective portion is recognized in profit or loss.

Derivative financial instruments

Schaeffler holds derivative financial instruments to hedge the foreign exchange risk exposures inherent in its assets and liabilities and in future cash flows. In addition, certain of its non-derivative host instruments contain embedded derivatives (such as prepayment options).

Derivatives are initially recognized as an asset or liability at fair value, which is normally the market price or the price quoted on an exchange. If these are not available, the amount to be recognized is determined using recognized valuation methods.

At fair value through profit or loss: Except for derivatives designated as hedging instruments in cash flow hedges, all derivatives are measured at fair value through profit or loss. Attributable transaction costs are expensed as incurred.

Gains and losses arising on changes in the fair value of derivatives designated as hedging instruments are recognized in other comprehensive income and reported in accumulated other comprehensive income to the extent that the hedge is effective. The ineffective portion is recognized in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated, or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously reported in accumulated other comprehensive income remains in equity until the forecasted transaction occurs or is no longer expected to occur. Otherwise, the amount is reclassified to profit or loss in the same period in which the hedged item affects profit or loss.

Embedded derivatives are separated from the host instrument when the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host instrument.

Inventories

Inventories are measured at the lower of cost and net realizable value. The acquisition cost of raw materials, supplies and purchased merchandise is determined using the moving average cost method. Work in progress and manufactured finished goods are valued at production cost, consisting of direct material and labor costs, production-related overheads and production-related depreciation and amortization. Net realizable value is defined as the estimated selling price in the ordinary course of business less estimated costs of completion and estimated necessary selling costs.

Income taxes

Deferred income taxes are accounted for using the asset and liability method.

Except where the recognition of deferred taxes is not permitted, deferred taxes are recognized on temporary differences between carrying amounts in the consolidated IFRS statement of financial position and the company's tax balance sheets, on loss and interest carryforwards, and on tax credits. Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which temporary differences and unused tax loss and interest carryforwards can be utilized. Group entities are assessed individually with respect to whether it is probable that profits will be generated in the future.

Deferred taxes are measured using the future tax rate. Future tax rate changes are reflected in this tax rate when they have been substantively enacted.

Management regularly reviews tax returns, mainly with respect to issues subject to interpretation, and reflects these in income tax payables as appropriate, based on amounts expected to be payable to taxation authorities. Potential risks arising from tax audits are covered by a provision.

Provisions for pensions and similar obligations

The Schaeffler Group provides post-employment benefits to its employees in the form of defined benefit plans and defined contribution plans.

The Schaeffler Group's obligations under defined benefit plans are calculated annually using the projected unit credit method separately for each plan based on an estimate of the amount of future benefits that employees have earned in return for their service in current and prior periods. Estimating the obligations and costs related to pensions and accrued vested rights involves the use of assumptions based on market expectations, including those related to anticipated future compensation increases. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using interest rates of high-quality corporate bonds. The provisions for pensions and similar obligations recognized in the consolidated statement of financial position represent the present value of the defined benefit obligation at the end of the reporting period, net of the related plan assets measured at fair value where applicable. In addition to the pension funds maintained to fund the obligation, plan assets include all assets and rights under reimbursement insurance policies if the proceeds of the policy can be used only to make payments to employees entitled to pension benefits and are not available to satisfy claims of the company's other creditors. If plan assets exceed the related pension obligation, the net pension asset is presented under other assets to the extent Schaeffler is entitled to a refund or reduction of future contributions to the fund.

The Schaeffler Group recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income and reports them in accumulated other comprehensive income. Interest expense on provisions for pensions and similar obligations and the return on plan assets are considered separately for each plan and included in financial expense on a net basis.

For defined contribution plans, Schaeffler pays fixed contributions to an independent third party. As the Schaeffler Group does not in any way guarantee a return on the assets, neither up to the date pension payments commence nor beyond, the Group's obligation is limited to the contributions it makes during the year. The contributions are recognized in personnel expense.

Provisions

A provision is recognized if, as a result of a past event, Schaeffler has a present legal or constructive obligation that can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the recognition criteria for provisions are not met, a contingent liability is disclosed in the notes to the consolidated financial statements provided certain criteria are met.

Provisions are recognized at the best estimate of the amount required to settle the obligation. This estimate is subject to uncertainty. Non-current provisions are recognized at present value by discounting expected future cash flows using a pre-tax rate that reflects current market assessments of the time value of money. Interest expense arising from unwinding the discount on the provision and the impact of any changes in discount rates are presented within financial result.

Share-based payment

The Schaeffler Group's Performance Share Unit Plan (PSUP) is accounted for as a cash-settled share-based payment plan. The company recognizes a provision in the amount of the fair value of the payment obligation attributable to the period up to the reporting date. The liability is remeasured at the end of each reporting period from the grant date until settlement. The fair value per Performance Share Unit (PSU) is determined using generally accepted financial valuation models. The fair value is recognized as personnel expense over the relevant vesting period and presented under the appropriate functional area.

1.4 New accounting pronouncements

In 2015, the following Standards and amendments to Standards adopted by the European Union (EU) as European law were required to be applied for the first time:

New accounting pronouncements – initially applied in 2015 No. 071

Standard	Effective date	Subject of Standard/Interpretation or amendment
Annual Improvements to IFRS 2011-2013	01/01/2015	Various improvements to IFRS 1, IFRS 3, IFRS 13, and IAS 40

The amendments contained in Annual Improvements 2011-2013 do not affect the Schaeffler Group's financial reports.

The Schaeffler Group is not yet required to apply the following amendments to Standards issued by the International Accounting Standards Board (IASB) in its financial statements for the financial year 2015, and none were adopted early.

New accounting pronouncements – endorsed by the EU but not yet effective No. 072

Standard/Interpretation		Effective date	Subject of Standard/Interpretation or amendment	Expected impact on the Schaeffler Group
Annual Improvements 2010-2012		02/01/2015	Various improvements to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, and IAS 38	none
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	02/01/2015	Amendments to accounting for contributions from employees or third parties	none
Annual Improvements to IFRS 2012-2014		01/01/2016	Various improvements to IFRS 5, IFRS 7, IAS 19 and IAS 34	none to minor
Amendments to IAS 1	Disclosure Initiative	01/01/2016	Clarification regarding the materiality, presentation and structure of financial statement disclosures	minor
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	01/01/2016	Clarification that a revenue-based method is not an acceptable method of depreciation or amortization	none
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	01/01/2016	Guidance on aquisitions of joint operations	none

In addition, the IASB has issued new Standards and amendments to existing Standards which have not yet been adopted by the EU as at the date these consolidated financial statements were authorized for issue by Schaeffler Group management. None of these were adopted early.

New accounting pronouncements – not yet endorsed by the EU No. 073

Standard/Interpretation		Effective date	Subject of Standard/ Interpretation or amendment	Expected impact on the Schaeffler Group
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	-	Clarification of accounting for gains and losses on transactions between an investor and its associate or joint venture	none
Amendments to IAS 7	Statement of Cash Flows	01/01/2017	Improved disclosures about an entity's debt	Scope of disclosures related to statement of cash flows
Amendments to IAS 12	Recognition of Deferred Tax Assets	01/01/2017	Clarification that decreases below cost in the carrying amount of debt instruments measured at fair value resulting from a change in market interest rates give rise to deductible temporary differences	none
IFRS 9	Financial Instruments	01/01/2018	Accounting for financial instruments: Classification, recognition and derecognition, measurement, impairment, hedge accounting	Accounting for financial instruments and changes to related disclosures [1]
IFRS 15	Revenue from Contracts with Customers	01/01/2018	Principles of recognition of revenue from contracts with customers	Revenue recognition [1]
IFRS 16	Leases	01/01/2019	Capitalization of all leasing arrangements with few exceptions	Under examination [1]

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

2. Principles of consolidation

2.1 Scope of consolidation

In 2015, the consolidated financial statements of Schaeffler AG cover, in addition to Schaeffler AG, 153 (prior year: 155) subsidiaries; 51 (prior year: 53) entities are domiciled in Germany and 102 (prior year: 102) in other countries.

The scope of consolidation of Schaeffler AG did not change significantly compared to December 31, 2014 with respect to the consolidated financial statements of the Schaeffler Group.

In the consolidated financial statements as at December 31, 2015, five (prior year: five) investments (including two joint ventures; prior year: two) are accounted for at equity.

Please refer to Note 5.10 for further detail on the Schaeffler Group's companies.

3. Notes to the consolidated income statement

3.1 Revenue

Revenue No. 074

in € millions	2015	2014
Revenue from the sale of goods	13,044	11,962
Other revenue	182	162
Total	**13,226**	**12,124**

Other revenue primarily includes EUR 92 m (prior year: EUR 88 m) in revenue from services as well as EUR 86 m (prior year: EUR 72 m) from the sale of tools and machines constructed by the company.

3.2 Other income

Other income No. 075

in € millions	2015	2014
Gains on disposal of assets	23	1
Miscellaneous income	34	48
Total	**57**	**49**

3.3 Other expenses

Other expenses No. 076

in € millions	2015	2014
Exchange losses	40	0
Miscellaneous expenses	346	89
Total	**386**	**89**

Foreign exchange losses consisted largely of exchange losses from operations and exchange losses related to forward exchange contracts. In 2015, netting foreign exchange gains and losses resulted in a net exchange loss (prior year: gain).

The increase in **miscellaneous other expenses** compared to the prior year resulted primarily from a provision of EUR 238 m recognized for potential third party claims in connection with the EU antitrust proceedings finalized in March of 2014 and expenses related to the realignment of the Industrial division (“CORE” program) of EUR 36 m.

3.4 Personnel expense and headcount

Average number of employees by region No. 077

	2015	2014
Europe	58,496	56,755
Americas	12,662	12,200
Greater China	10,037	9,121
Asia/Pacific	2,735	2,692
Total	**83,930**	**80,768**

The number of employees at December 31, 2015 was 84,198, 2.3 % higher than the prior year level of 82,294.

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

Personnel expense No. 078

in € millions	2015	2014
Wages and salaries	3,253	2,934
Social security contributions	621	564
Other personnel expense	116	81
Total	**3,990**	**3,579**

The increase in personnel expense in 2015 is mainly attributable to pay increases arising from local collective agreements and the targeted expansion of capacity, mainly in production and production-related areas in the Greater China and Europe regions.

3.5 Financial result

Schaeffler Group financial result No. 079

			2015
in € millions	Financial expenses	Financial income	Financial result
Interest expense on financial debt	-513	0	-513
Interest income on shareholder loans	0	72	72
Foreign exchange gains and losses	-224	0	-224
Fair value changes and compensation payments on derivatives	6	228	234
Fair value changes on embedded derivatives	-96	17	-79
Interest income and expense on pensions and partial retirement obligations	-42	0	-42
Other	-5	10	5
Total	**-874**	**327**	**-547**

			2014
in € millions	Financial expenses	Financial income	Financial result
Interest expense on financial debt	-488	0	-488
Interest income on shareholder loans	0	4	4
Foreign exchange gains and losses	-244	0	-244
Fair value changes and compensation payments on derivatives	-5	231	226
Fair value changes on embedded derivatives	-66	11	-55
Interest income and expense on pensions and partial retirement obligations	-51	0	-51
Other	-21	10	-11
Total	**-875**	**256**	**-619**

Interest expense on financial debt of EUR 513 m for 2015 (prior year: EUR 488 m) includes interest of EUR 296 m (prior year: EUR 320 m) paid and accrued on the group's external financing arrangements, prepayment penalties of EUR 173 m (prior year: EUR 114 m) for the redemption of bonds, and EUR 44 m (prior year: EUR 44 m) in amortization of transaction costs, including those incurred in connection with past refinancing transactions.

Interest income on loans to shareholders amounted to EUR 72 m (prior year: EUR 4 m) and resulted from the loans granted in December 2014 and primarily receivable from Schaeffler Verwaltung Zwei GmbH in 2015.

Foreign exchange losses on financial assets and liabilities amounted to EUR 224 m (prior year: EUR 244 m) and resulted primarily from translating financing instruments denominated in U.S. Dollar to Euro (see Note 1.3 to the consolidated financial statements). The company has hedged this financial debt using cross-currency derivatives and reports the resulting offsetting impact of EUR 234 m (prior year: ERU 226 m) under **fair value changes and compensation payments on derivatives**.

Fair value changes on embedded derivatives, primarily prepayment options for external financing instruments, resulted in net losses of EUR 79 m (prior year: EUR 55 m).

Pensions and partial retirement obligations gave rise to net interest expense of EUR 42 m (prior year: EUR 51 m). See Note 4.10 to the consolidated financial statements for additional details on pensions.

3.6 Income taxes

Income taxes No. 080

in € millions	2015	2014
Current income taxes	287	332
Deferred income taxes	-37	-90
Income taxes	**250**	**242**

As a corporation, Schaeffler AG was subject to German corporation and trade taxes during the reporting period 2015.

The average domestic tax rate was 28.4 % in 2015 (prior year: 28.3 %). This tax rate consisted of corporation tax, including the solidarity surcharge, of 15.9 % (prior year: 15.9 %) as well as the average trade tax rate of 12.5 % (prior year: 12.4 %).

The current income tax benefit related to prior years amounted to EUR 24 m (prior year: EUR 32 m) in 2015. Schaeffler incurred EUR 17 m in deferred tax expense related to prior years (prior year: EUR 11 m) in 2015.

The following tax rate reconciliation shows the tax effects required to reconcile expected income tax expense to income tax expense as reported in the consolidated income statement. The calculation for 2015 is based on the Schaeffler Group's 28.4 % (prior year: 28.3 %) effective combined trade and corporation tax rate including solidarity surcharge.

Tax rate reconciliation No. 081

in € millions	2015	2014
Net income before tax	855	904
Expected tax expense	**243**	**256**
Addition/reduction due to deviating local tax bases	7	8
Foreign/domestic tax rate differences	-14	-4
Change in tax rate and law	-1	0
Non-recognition of deferred tax assets	-1	-6
Tax credits and other tax benefits	-6	-12
Non-deductible expenses	26	29
Taxes for previous years	-7	-21
Other	3	-8
Reported tax expense	**250**	**242**

Deviations from the expected tax rate represents the impact of differences in country-specific tax rates applicable to German and foreign entities.

Non-deductible expenses include non-deductible operating expenses and deferred tax liabilities on dividends expected to be paid by subsidiaries.

3.7 Earnings per share

Earnings per share No. 082

in € millions	2015	2014
Net income	605	662
Net income attributable to shareholders of the parent company	591	654
Earnings attributable to common shares (basic/diluted)	442	545
Earnings attributable to common non-voting shares (basic/diluted)	149	109
Average number of common shares issued in millions	500	421
Average number of common non-voting shares issued in millions	116	84
Earnings per common share (basic/diluted, in €)	0.88	1.29
Earnings per common non-voting share (basic/diluted, in €)	1.28	1.29

There were no dilutive items at December 31, 2015 or in the prior year. Diluted earnings per share equal basic earnings per share.

Schaeffler AG's share capital amounted to EUR 666 m at December 31, 2015 (prior year: EUR 600 m) and was divided into 500 million common shares (prior year: 60 million) and 166 million common non-voting shares (prior year: 0 million). The change in the components of share capital is the result of the following resolutions amending the company's articles of incorporation passed by the extraordinary shareholder meeting of Schaeffler AG on September 08, 2015:

- Schaeffler AG's share capital of EUR 600 m, previously divided into 60 million registered no-par-value shares, was re-divided. Each no-par-value share representing an interest in share capital of EUR 10.00 was replaced by ten no-par-value shares representing an interest in share capital of EUR 1.00 (10-for-1 share split). Thus, share capital was re-divided into 600 million registered no-par-value shares.
- The company's shares, which previously represented registered shares, were converted to bearer shares.
- The 10 million (100 million following the share split) common shares held by Schaeffler Verwaltungs GmbH were converted to common non-voting no-par-value bearer shares. The common non-voting shares carry a preferential right to profits consisting of a preferred dividend of EUR 0.01 per common non-voting share.
- Schaeffler AG increased its share capital by EUR 66 m from EUR 600 m to EUR 666 m by issuing 66 million new common non-voting no-par-value bearer shares, each representing an interest in share capital of EUR 1.00, in return for cash. The common non-voting shares carry dividend rights from January 01, 2015. The common non-voting shares carry a preferential right to profits consisting of a preferred dividend of EUR 0.01 per common non-voting share.

The resolutions passed by the extraordinary shareholder meeting on September 08, 2015 became legally effective when they were entered into the Commercial Register on October 05, 2015.

The 66 million new common non-voting bearer shares were included in the calculation of earnings per share starting on the date they were entered in the Commercial Register. In addition, the average number of shares outstanding and, hence, earnings per share for all periods presented were adjusted retrospectively for the share split and the conversion of common shares to common non-voting shares in accordance with IAS 33. The number of shares used to calculate earnings per common share and earnings per common non-voting share was 500 million (prior year: 421 million) and 116 million (prior year: 84 million), respectively.

4. Notes to the consolidated statement of financial position

4.1 Intangible assets

Intangible assets No. 083

in € millions	Goodwill	Purchased intangible assets	Internally generated intangible assets	Total
Historical cost				
Balance as at January 01, 2014	**483**	**1,008**	**244**	**1,735**
Additions	0	19	31	50
Disposals	0	-3	0	-3
Transfers	0	0	0	0
Foreign currency translation	0	5	0	5
Balance as at December 31, 2014	**483**	**1,029**	**275**	**1,787**
Balance as at January 01, 2015	**483**	**1,029**	**275**	**1,787**
Additions	0	47	23	70
Disposals	0	-9	-12	-21
Transfers	0	2	6	8
Foreign currency translation	0	3	1	4
Balance as at December 31, 2015	**483**	**1,072**	**293**	**1,848**
Accumulated amortization and impairment losses				
Balance as at January 01, 2014	**0**	**985**	**212**	**1,197**
Amortization	0	14	19	33
Disposals	0	-3	0	-3
Foreign currency translation	0	5	0	5
Balance as at December 31, 2014	**0**	**1,001**	**231**	**1,232**
Balance as at January 01, 2015	**0**	**1,001**	**231**	**1,232**
Amortization	0	16	15	31
Disposals	0	-7	0	-7
Foreign currency translation	0	3	0	3
Balance as at December 31, 2015	**0**	**1,013**	**246**	**1,259**
Net carrying amounts				
As at January 01, 2014	**483**	**23**	**32**	**538**
As at December 31, 2014	**483**	**28**	**44**	**555**
As at January 01, 2015	**483**	**28**	**44**	**555**
As at December 31, 2015	**483**	**59**	**47**	**589**

The carrying amounts of **goodwill** allocated to cash-generating units amounted to EUR 275 m (prior year: EUR 275 m) for the Automotive segment and EUR 208 m (prior year: EUR 208 m) for the Industrial segment.

The Schaeffler Group tests its goodwill for impairment at least annually using the approach described in Note 1.3.

For purposes of determining recoverable amount, cash flows beyond the detailed forecasting horizon of 2018 are based on an annual growth rate of 1.0 % (prior year: 1.0 %) for each segment. Depending on the underlying business and its country of operation, Schaeffler uses an assumed pre-tax interest rate of 13.3 % (prior year: 13.7 %) as the weighted average cost of capital for the Automotive segment and 13.5 % (prior year: 13.8 %) for the Industrial segment. This corresponds to a post-tax interest rate of 9.4 % for the Automotive segment (prior year: 9.7 %) and 9.4 % for the Industrial segment (prior year: 9.7 %).

As the value in use of each of the cash-generating units exceeded their carrying amount both for 2015 and the prior year, they were not impaired.

Internally generated intangible assets consist largely of development costs of EUR 37 m (prior year: EUR 29 m), including EUR 5 m (prior year: EUR 26 m) in assets not yet available for use that were not yet subject to amortization.

Amortization of intangible assets totaled EUR 31 m (prior year: EUR 33 m) and was recognized in the following line items in the consolidated income statement: cost of sales EUR 5 m (prior year: EUR 9 m), research and development expenses EUR 4 m (prior year: EUR 5 m), selling expenses EUR 2 m (prior year: EUR 2 m), and administrative expenses EUR 20 m (prior year: EUR 17 m).

4.2 Property, plant and equipment

Property, plant and equipment No. 084

in € millions	Land, land rights and buildings	Technical equipment and machinery	Other equipment	Assets under construction	Total
Historical cost					
Balance as at January 01, 2014	**2,209**	**6,650**	**891**	**389**	**10,139**
Additions	21	351	82	439	893
Disposals	-4	-166	-35	-3	-208
Transfers	52	231	16	-299	0
Foreign currency translation	58	188	16	17	279
Balance as at December 31, 2014	**2,336**	**7,254**	**970**	**543**	**11,103**
Balance as at January 01, 2015	**2,336**	**7,254**	**970**	**543**	**11,103**
Additions	43	391	83	531	1,048
Disposals	-15	-185	-44	-2	-246
Transfers	56	322	32	-418	-8
Foreign currency translation	28	54	9	9	100
Balance as at December 31, 2015	**2,448**	**7,836**	**1,050**	**663**	**11,997**
Accumulated depreciation and impairment losses					
Balance as at January 01, 2014	**1,115**	**4,932**	**718**	**5**	**6,770**
Depreciation	75	469	70	0	614
Impairments	0	3	0	0	3
Disposals	-4	-162	-33	0	-199
Transfers	0	-1	1	0	0
Foreign currency translation	23	132	12	0	167
Balance as at December 31, 2014	**1,209**	**5,373**	**768**	**5**	**7,355**
Balance as at January 01, 2015	**1,209**	**5,373**	**768**	**5**	**7,355**
Depreciation	79	510	74	0	663
Impairments	0	0	0	0	0
Disposals	-9	-178	-43	-1	-231
Transfers	0	0	0	0	0
Foreign currency translation	11	14	6	-1	30
Balance as at December 31, 2015	**1,290**	**5,719**	**805**	**3**	**7,817**
Net carrying amounts					
As at January 01, 2014	**1,094**	**1,718**	**173**	**384**	**3,369**
As at December 31, 2014	**1,127**	**1,881**	**202**	**538**	**3,748**
As at January 01, 2015	**1,127**	**1,881**	**202**	**538**	**3,748**
As at December 31, 2015	**1,158**	**2,117**	**245**	**660**	**4,180**

At December 31, 2015, the Schaeffler Group had open commitments under fixed contracts to purchase property, plant and equipment of EUR 352 m (prior year: EUR 262 m).

4.3 Deferred tax assets and liabilities and income tax receivables and payables

Deferred tax assets and liabilities

The following items gave rise to recognized deferred tax assets and liabilities:

Deferred tax assets and liabilities No. 085

in € millions	12/31/2015 Deferred tax assets	12/31/2015 Deferred tax liabilities	12/31/2014 Deferred tax assets	12/31/2014 Deferred tax liabilities
Intangible assets	4	-22	3	-18
Property, plant and equipment	94	-156	88	-147
Financial assets	1	-15	1	-32
Inventories	98	-6	78	-5
Trade receivables and other assets	51	-146	42	-137
Provisions for pensions and similar obligations	328	-30	378	-60
Other provisions and other liabilities	219	-87	219	-108
Interest- and loss carryforwards	45	0	53	0
Other	0	0	1	-7
Deferred taxes (gross)	**840**	**-462**	**863**	**-514**
Netting	-355	355	-408	408
Deferred taxes, net	**485**	**-107**	**455**	**-106**

The group had gross carryforwards under the interest deduction cap of EUR 103 m (prior year: EUR 135 m) at the end of the reporting period. The decrease in interest carryforwards was primarily the result of an adjustment related to prior years.

The company has recognized deferred tax assets on all interest carryforwards.

At December 31, 2015, the Schaeffler Group had gross loss carryforwards of EUR 115 m (prior year: EUR 120 m) for corporation tax and EUR 6 m (prior year: EUR 38 m) for trade tax, including EUR 66 m (prior year: EUR 79 m) in corporation tax losses and EUR 6 m (prior year: EUR 12 m) in trade tax losses for which no deferred taxes have been recognized.

The majority of the unrecognized loss carryforwards and the remaining interest carryforwards can be utilized indefinitely.

No deferred tax assets were recognized on EUR 8 m (prior year: EUR 6 m) in temporary differences, as it is not considered probable that they will be utilized in the future.

No deferred taxes have been recognized on EUR 1,717 m (prior year: EUR 1,348 m) in undistributed profits of certain subsidiaries, as the company intends to continually reinvest these profits rather than distributing them.

As at the end of the reporting period, certain subsidiaries and tax groups that have suffered losses have recognized net deferred tax assets of EUR 18 m (prior year: EUR 29 m). Recovery of these deferred tax assets is considered probable since sufficient taxable profits are expected in the future.

At December 31, 2015, the amount of deferred taxes recognized in accumulated other comprehensive income was EUR 259 m (prior year: EUR 272 m) and mainly related to hedges of net investments in foreign operations, changes in the fair value of derivatives designated as hedging instruments, as well as remeasurements of pensions and similar obligations.

Income tax receivables and payables

At December 31, 2015, income tax receivables amounted to EUR 78 m (prior year: EUR 50 m), including non-current balances of EUR 4 m (prior year: EUR 8 m).

At December 31, 2015, income tax payables amounted to EUR 322 m (prior year: EUR 392 m), including non-current balances of EUR 210 m (prior year: EUR 237 m). The decrease in income tax payables was primarily the result of additional income tax installments Schaeffler paid on a voluntary basis for prior assessment periods.

4.4 Inventories

Inventories No. 086

in € millions	12/31/2015	12/31/2014
Raw materials and supplies	343	317
Work in progress	452	431
Finished goods and merchandise	1,015	960
Advance payments	2	5
Total	1,812	1,713

EUR 9,319 m (prior year: EUR 8,523 m) in inventories used were expensed as cost of sales in the consolidated income statement in 2015.

Write-downs of inventories recognized in 2015 amounted to EUR 234 m (prior year: EUR 209 m).

4.5 Trade receivables

Trade receivables No. 087

in € millions	12/31/2015	12/31/2014
Trade receivables (gross)	**2,051**	**1,924**
Impairment allowances	-28	-24
Trade receivables (net)	**2,023**	**1,900**

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

Impairment allowances on trade receivables No. 088

in € millions	2015	2014
Impairment allowances as at January 01	**-24**	**-23**
Additions	-9	-6
Allowances used to cover write-offs	2	0
Reversals	3	5
Impairment allowances as at December 31	**-28**	**-24**

Trade receivables past due were as follows:

Trade receivables past due No. 089

in € millions		12/31/2015	12/31/2014
Carrying amount		**2,023**	**1,900**
Not past due		**1,884**	**1,767**
	up to 60 days	117	122
	61 - 120 days	12	7
Past due	121 - 180 days	3	1
	181 - 360 days	5	2
	> 360 days	2	1

At December 31, 2015, trade receivables of EUR 999 m (prior year: EUR 940 m) were pledged as collateral under loan and bond agreements.

The Schaeffler Group's exposure to currency and liquidity risk related to trade receivables is disclosed in Note 4.13.

4.6 Other financial assets and other assets

Other financial assets (current/non-current) No. 090

	12/31/2015			12/31/2014		
in € millions	Non-current	Current	Total	Non-current	Current	Total
Other financial assets						
Loans receivable and financial receivables	1,775	0	1,775	1,701	271	1,972
Derivative financial assets	309	53	362	244	25	269
Miscellaneous financial assets	39	70	109	33	47	80
Total	**2,123**	**123**	**2,246**	**1,978**	**343**	**2,321**

Non-current **loans receivable and financial receivables** consisted primarily of EUR 1,773 m in loans receivable from the company's shareholder Schaeffler Verwaltung Zwei GmbH. In the prior year, these loans totaled EUR 1,700 m and were receivable from Schaeffler Verwaltung Zwei GmbH and Schaeffler Beteiligungsholding GmbH & Co. KG. The loans resulted from the capital increase by way of a contribution in kind completed as part of the realignment of the Schaeffler Group's group structure in 2014. Both loans mature in December 2024 and bore interest at 4.0 % p.a. in 2015.

In 2015, EUR 197 m of the loans was prepaid voluntarily and a current receivable related to the cash pool function was converted to a long-term loan to Schaeffler Verwaltung Zwei GmbH of EUR 270 m, giving rise to the change in 2015.

It was agreed that shares in Continental AG with a market value (reference XETRA, August 31, 2015) equal to twice the loan principal would be pledged as collateral for the loan within 30 working days after closing of the loan agreement. The Continental AG shares serving as collateral were held by Schaeffler Verwaltung Zwei GmbH at December 31, 2015.

Please refer to Note 5.5 for further detail.

At December 31, 2015, non-current **derivative financial assets** consisted mainly of derivatives used to hedge currency risk and prepayment options on financial debt. The current portion of derivative financial assets represented fair values of derivatives the Schaeffler Group uses to hedge currency risk.

Current **miscellaneous other financial assets** consisted largely of accrued interest.

At December 31, 2015, other financial assets of EUR 2,081 m were pledged as collateral under loan- and bond agreements (prior year: EUR 2,099 m).

The Schaeffler Group's exposure to currency and liquidity risk related to other financial assets is disclosed in Note 4.13 on financial instruments.

Other assets (current/non-current) No. 091

	12/31/2015			12/31/2014		
in € millions	Non-current	Current	Total	Non-current	Current	Total
Other assets						
Pension asset	34	0	34	36	0	36
Tax receivables	1	175	176	1	145	146
Miscellaneous assets	22	36	58	21	36	57
Total	**57**	**211**	**268**	**58**	**181**	**239**

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

The majority of **miscellaneous other assets** represented the current and non-current portions of prepaid assets and deferred charges.

At December 31, 2015, other assets of EUR 1 m were pledged as collateral under loan and bond agreements (prior year: EUR 3 m).

4.7 Cash and cash equivalents

At December 31, 2015, cash and cash equivalents consisted primarily of bank balances.

At the end of the reporting period, cash and cash equivalents include EUR 198 m (prior year: EUR 172 m) held by subsidiaries in Argentina, Brazil, Chile, China, Colombia, India, Peru, the Philippines, South Korea, South Africa, Taiwan, Thailand, Venezuela, and Vietnam and other countries. These subsidiaries are subject to exchange restrictions and other legal restrictions. As a result, the availability of these funds to Schaeffler AG as the parent entity is restricted.

At the end of the reporting period, cash and cash equivalents of EUR 449 m (prior year: EUR 296 m) were pledged as collateral under loan- and bond agreements.

4.8 Shareholders' equity

Shareholders' equity No. 092

in € millions	12/31/2015	12/31/2014
Share capital	666	600
Capital reserves	2,348	1,600
Other reserves	-935	-1,276
Accumulated other comprehensive income (loss)	-599	-737
Equity attributable to shareholders of the parent company	**1,480**	**187**
Non-controlling interests	88	71
Total shareholders' equity	**1,568**	**258**

The extraordinary shareholder meeting of Schaeffler AG on September 08, 2015 passed resolutions to amend the company's articles of incorporation as follows:

- Schaeffler AG's share capital of EUR 600 m, previously divided into 60 million registered no-par-value shares, was re-divided. Each no-par-value share representing an interest in share capital of EUR 10.00 was replaced by ten no-par-value shares representing an interest in share capital of EUR 1.00 (10-for-1 share split). Thus, share capital was re-divided into 600 million registered no-par-value shares.
- The company's shares, which previously represented registered shares, were converted to bearer shares.
- The 10 million (100 million following the share split) common shares held by Schaeffler Verwaltungs GmbH were converted to common non-voting no-par-value bearer shares. The common non-voting shares carry a preferential right to profits consisting of a preferred dividend of EUR 0.01 per common non-voting share.
- Schaeffler AG increased its share capital by EUR 66 m from EUR 600 m to EUR 666 m by issuing 66 million new common non-voting no-par-value bearer shares, each representing an interest in share capital of EUR 1.00, in return for cash. The common non-voting shares carry dividend rights from January 01, 2015. The common non-voting shares carry a preferential right to profits consisting of a preferred dividend of EUR 0.01 per common non-voting share. The subscription rights of Schaeffler Verwaltungs GmbH and Schaeffler Verwaltung Zwei GmbH were excluded.

The resolutions became legally effective when they were entered into the Commercial Register on October 05, 2015.

As a result, Schaeffler AG's **share capital** amounted to EUR 666 m at December 31, 2015 and was divided into 500 million common shares and 166 million common non-voting shares. The common shares are held by Schaeffler Verwaltung Zwei GmbH. 94,350,774 of the common non-voting shares are held by Schaeffler Verwaltungs GmbH and 71,649,226 are widely held. Share capital is fully paid up and Schaeffler AG had no authorized or contingent capital or any resolutions with respect to these types of capital as at December 31, 2015.

At December 31, 2015, **capital reserves** amounted to EUR 2,348 m. The increase of EUR 748 m was the result of the capital increase in October 2015, which resulted in additional paid-in capital of EUR 759 m pre-tax, partially offset by EUR 11 m in transaction costs charged to shareholders equity (net of tax of EUR 4 m).

The change in **other reserves** in 2015 was attributable to consolidated net income and the dividends.

Distributions to shareholders are limited to Schaeffler AG's retained earnings, as determined in accordance with German commercial law. For 2015, a dividend of EUR 228 m and a special dividend of EUR 100 m will be proposed to the Schaeffler AG annual general meeting. EUR 83 m of the total dividend relate to the common non-voting shares. This represents a total dividend of EUR 0.50 per common non-voting share and EUR 0.49 per common share. As the proposed dividend is subject to shareholder approval at the annual general meeting, it has not been recognized as a liability in these consolidated financial statements.

Accumulated other comprehensive income mainly consisted of the impact of currency translation, changes in the fair value of financial instruments designated as hedging instruments and of available for sale financial assets, as well as remeasurements of pensions and similar obligations.

At December 31, 2015, **non-controlling interests** related primarily to third-party interests in the equity of FAG Bearings India Ltd., India which do not convey control to the holder.

4.9 Current/Non-current financial debt

Financial debt (current/non-current) No. 093

	12/31/2015			12/31/2014		
in € millions	Total	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
Bank and institutional loans	635	3	632	1,775	1	1,774
Bonds	5,048	0	5,048	4,634	0	4,634
Other financial debt	5	0	5	5	0	5
Financial debt	**5,688**	**3**	**5,685**	**6,414**	**1**	**6,413**

The decrease in financial debt compared to December 31, 2014 resulted primarily from voluntary partial repayments, partially offset by the impact of translating the financial debt denominated in U.S. Dollar to Euro.

In April 2015, Schaeffler Finance B.V. placed three new bond issues with a total principal of approximately EUR 1.5 bn that are listed on the Euro MTF market of the Luxembourg Stock Exchange. The proceeds of the new bond issues were largely used to redeem the two EUR 2017 and USD 2017 series of bonds. In addition, the proceeds of the transaction were also used to finance the related transaction costs, primarily the prepayment penalty for the bonds redeemed.

On June 30, 2015, Schaeffler AG voluntarily partially prepaid a total of approximately EUR 210 m of its institutional loan tranches, paying off EUR 75 m of its Senior Term Loan B EUR and USD 150 m of its Senior Term Loan B USD.

Following the listing, Schaeffler AG used the proceeds of the listing to voluntarily partially prepay a further approximately EUR 821 m of its institutional loan tranches on October 16, 2015, paying off EUR 330 m of its Senior Term Loan B EUR and USD 560 m of its Senior Term Loan B USD.

On November 30, 2015, Schaeffler AG voluntarily partially prepaid a total of approximately EUR 236 m of its institutional loan tranches, paying off EUR 95 m of its Senior Term Loan B EUR and USD 150 m of its Senior Term Loan B USD.

At December 31, 2015, the group's debt consisted of two loan tranches with a total principal equivalent to approximately EUR 654 m obtained from institutional investors (Facilities Agreement), nine bond series totaling the equivalent of approximately EUR 5,075 m and a revolving line of credit with a principal of EUR 1,000 m.

The Facilities Agreement consists of the following loan tranches at December 31, 2015:

Facility agreement loan tranches

No. 094

Tranche	Currency	Face value in millions 12/31/2015	Face value in millions 12/31/2014	Carrying amount in € millions 12/31/2015	Carrying amount in € millions 12/31/2014	Coupon 12/31/2015	Coupon 12/31/2014	Maturity
Senior Term Loan B	EUR	250	750	251	757	Euribor + 3.50 % 1)	Euribor + 3.50 % 1)	05/15/2020
Senior Term Loan B	USD	440	1,300	392	1,031	Libor + 3.50 % 2)	Libor + 3.50 % 2)	05/15/2020
Revolving Credit Facility 3)	EUR	1,000	1,000	-11	-14	Euribor + 2.6875 % 4)	Euribor + 2.875 %	10/27/2019
Total				**632**	**1,774**			

1) Euribor floor of 0.75 %.
2) Libor floor of 0.75 %.
3) EUR 24 m (December 31, 2014: EUR 34 m) were drawn down as at December 31, 2015, primarily in the form of letters of credit.
4) Since October 16, 2015.

The following bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, were outstanding as at the end of the reporting period:

Schaeffler Group bonds

No. 095

ISIN	Currency	Face value in millions 12/31/2015	Face value in millions 12/31/2014	Carrying amount in € millions 12/31/2015	Carrying amount in € millions 12/31/2014	Cupon	Maturity
XS0923613060	EUR	600	600	597	596	4.25 %	05/15/2018
XS1067864881 1)	EUR	500	500	497	496	3.25 %	05/15/2019
XS1067862919	EUR	500	500	497	496	2.75 %	05/15/2019
XS1212469966	EUR	400	0	396	0	2.50 %	05/15/2020
US806261AJ29	USD	700	700	637	571	4.25 %	05/15/2021
US806261AE32	USD	850	850	777	696	4.75 %	05/15/2021
XS1067864022	EUR	500	500	499	499	3.50 %	05/15/2022
US806261AM57	USD	600	0	553	0	4.75 %	05/15/2023
XS1212470972	EUR	600	0	595	0	3.25 %	05/15/2025
XS0741938624 2)	EUR	0	800	0	791	7.75 %	02/15/2017
US806261AC75 2)	USD	0	600	0	489	7.75 %	02/15/2017
Total				**5,048**	**4,634**		

1) Bond is unsecured.
2) Bonds were redeemed early on April 27, 2015.

The differences between face value and carrying amount are the result of accounting for these instruments at amortized cost calculated using the effective interest method. The carrying value of the revolving credit facility consisted entirely of unamortized transaction costs.

An additional EUR 39 m (prior year: EUR 55 m) in interest accrued on the bonds up to December 31, 2015 are reported in other financial liabilities (see Note 4.12).

Both the Facilities Agreement and the bond agreements contain certain constraints including a requirement to meet certain financial covenants. The financial covenants relevant to the Facilities Agreement are a senior debt leverage cover and a senior interest cover. The creditors are entitled to call the debt prior to maturity under certain circumstances, including if the covenants are not met, which would result in the debt becoming due immediately.

Collateral has been pledged in connection with the loan and bond agreements. Details of such collateral are disclosed as required in the notes relating to the various assets concerned.

4.10 Provisions for pensions and similar obligations

The post-employment benefits the Schaeffler Group provides to its employees include both defined benefit plans and defined contribution plans. While defined contribution plans generally entail no further obligation beyond the regular contributions included in personnel expense, defined benefit pension plans are recognized in the consolidated statement of financial position. The provisions also include a minor amount of obligations similar to pensions.

Defined benefit plans
The Schaeffler Group's defined benefit plans include pension plans, termination payments mandatorily payable upon retirement regardless of the reason why employment is terminated, and other post-employment benefits. The company's pension obligations relate to Germany, the U.S., and the United Kingdom, with the majority of the obligations attributable to Germany.

Germany

In Germany, the company grants pension benefits largely in the form of pension commitments based on pension units as well as under deferred compensation arrangements.

For the significant pension plans, pension benefits in the form of pension units largely result from Schaeffler's Company Pension Scheme ("Schaeffler Versorgungsordnung") and similar schemes that base the amount of the pension unit on eligible income and also contain a minimum guarantee. When the Schaeffler Company Pension Scheme was introduced in 2006, the other pension schemes in Germany were closed to new entrants. Benefits are always paid on an annuity basis. The pension obligations arising from these pension commitments are financed by provisions. Pension benefits are paid out of cash flows from operating activities.

In addition, employees have various deferred compensation arrangements to choose from. Some Schaeffler Group subsidiaries offer their staff a company pension model under which the employees contribute a portion of their pre-tax salary in return for a pension commitment. The compensation deferred is invested in equity, fixed-income, and money market funds under a lifecycle model, i.e. plan assets are moved to lower-risk asset classes as the beneficiary's age increases. In addition, Schaeffler guarantees a minimum annual return. As benefits are paid in up to five annual installments starting when the beneficiary reaches retirement age, longevity risk is minimized. Benefit obligations resulting from the deferral of pre-tax compensation are covered by assets held separately under a contractual trust agreement (CTA).

U.S. and United Kingdom

Additional significant defined benefit pension plans cover employees in the U.S. and in the United Kingdom. The Schaeffler Group finances its pension obligations in these countries using external pension funds with restricted access. At the end of 2015, approximately 73 % (prior year: 72 %) of pension obligations in the U.S. and approximately 113 % (prior year: 102 %) of pension obligations in the United Kingdom were covered by plan assets. These pension plans were closed to new entrants in 2006 (U.S.) and 2009 (United Kingdom) and replaced with defined contribution plans. As a result, employees can no longer earn additional defined benefits.

Net defined benefit obligation

The company's obligations under defined benefit plans and the related plan assets are presented as follows in the consolidated statement of financial position as at December 31, 2015:

Amounts recognized in the statement of financial position for pensions and similar obligations No. 096

	12/31/2015				
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Provisions for pensions (liabilities net of related plan assets)	-1,778	-59	-1	-104	-1,942
Pension asset (plan assets net of related liabilities)	7	0	26	1	34
Net defined benefit liability	**-1,771**	**-59**	**25**	**-103**	**-1,908**

	12/31/2014				
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Provisions for pensions (liabilities net of related plan assets)	-1,819	-63	-7	-95	-1,984
Pension asset (plan assets net of related liabilities)	26	0	10	0	36
Net defined benefit liability	**-1,793**	**-63**	**3**	**-95**	**-1,948**

At the end of the reporting period, the defined benefit obligations and related plan assets amounted to the following:

Analysis of net defined benefit liability

No. 097

	12/31/2015				
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Present value of defined benefit obligation (active members)	-1,005	-84	0	-218	-1,307
Present value of defined benefit obligation (deferred members)	-108	-27	-134	-4	-273
Present value of defined benefit obligation (pensioners)	-806	-112	-70	-26	-1,014
Present value of defined benefit obligations (total)	**-1,919**	**-223**	**-204**	**-248**	**-2,594**
Fair value of plan assets	148	164	229	145	686
Net defined benefit liability	**-1,771**	**-59**	**25**	**-103**	**-1,908**

	12/31/2014				
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Present value of defined benefit obligation (active members)	-1,013	-83	0	-226	-1,322
Present value of defined benefit obligation (deferred members)	-113	-42	-131	-13	-299
Present value of defined benefit obligation (pensioners)	-846	-97	-57	-47	-1,047
Present value of defined benefit obligations (total)	**-1,972**	**-222**	**-188**	**-286**	**-2,668**
Fair value of plan assets	179	159	191	191	720
Net defined benefit liability	**-1,793**	**-63**	**3**	**-95**	**-1,948**

Movements in the net defined pension benefit liability in 2015 can be reconciled as follows:

Reconciliation of net defined benefit liability/asset January 01/December 31

No. 098

	2015				
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Net defined benefit liability (-)/asset (+) as at January 01	**-1,793**	**-63**	**3**	**-95**	**-1,948**
Benefits paid	59	0	0	6	65
Service cost	-56	-1	0	-20	-77
Net interest on net defined benefit liability	-38	-2	1	-2	-41
Employer contributions	-4	9	0	10	15
Transfers in/out	-17	-1	17	0	-1
Remeasurement of net defined benefit liability	76	5	5	1	87
Changes in foreign exchange rates	2	-6	-1	-3	-8
Net defined benefit liability (-)/asset (+) as at December 31	**-1,771**	**-59**	**25**	**-103**	**-1,908**

	2014				
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Net defined benefit liability (-)/asset (+) as at January 01	**-1,362**	**-38**	**3**	**-75**	**-1,472**
Benefits paid	59	0	-1	4	62
Service cost	-30	1	0	-18	-47
Net interest on net defined benefit liability	-47	-2	0	-2	-51
Employer contributions	0	9	0	17	26
Transfers in/out	-16	-1	0	0	-17
Remeasurement of net defined benefit liability	-398	-28	0	-18	-444
Changes in foreign exchange rates	1	-4	1	-3	-5
Net defined benefit liability(-)/asset (+) as at December 31	**-1,793**	**-63**	**3**	**-95**	**-1,948**

The increase in service cost to EUR 77 m (prior year: EUR 47 m) in 2015 was mainly driven by the significant decrease in the discount rate for Germany as at December 31, 2014 to 2.1 % from 3.5 % as at the end of 2013. The reason is as follows: The decrease in the discount rate increases the settlement amount of the defined benefit plans, resulting in higher service cost than in the prior year.

Movements in defined benefit obligation

The opening and closing balances of the present value of the defined benefit obligation as at the end of the reporting period can be reconciled as follows:

Reconciliation of present value of defined benefit obligation January 01/December 31 No. 099

	2015				
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Present value of defined benefit obligations as at January 01	**-1,972**	**-222**	**-188**	**-286**	**-2,668**
Benefits paid	63	10	18	16	107
Current service cost	-56	-2	0	-17	-75
Past service cost	0	0	0	-5	-5
Interest cost	-41	-9	-8	-8	-66
Employee contributions	-10	-1	0	-1	-12
Transfers in/out	28	0	-28	0	0
Settlements paid	0	9	0	55	64
Gains (+) / losses (-) on settlements	0	1	0	2	3
Gains (+) / losses (-) - changes in financial assumptions	72	8	7	5	92
Gains (+) / losses (-) - changes in demographic assumptions	0	4	7	0	11
Gains (+) / losses (-) - experience adjustments	-1	4	-1	-5	-3
Changes in foreign exchange rates	-2	-25	-11	-4	-42
Present value of defined benefit obligations as at December 31	**-1,919**	**-223**	**-204**	**-248**	**-2,594**

	2014				
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Present value of defined benefit obligations as at January 01	**-1,501**	**-165**	**-153**	**-222**	**-2,041**
Benefits paid	62	8	6	10	86
Current service cost	-30	0	0	-13	-43
Past service cost	0	0	0	-5	-5
Interest cost	-52	-8	-7	-8	-75
Employee contributions	-8	-1	0	-1	-10
Transfers in/out	-39	0	0	0	-39
Settlements paid	0	3	0	0	3
Gains (+) / losses (-) on settlements	0	1	0	0	1
Gains (+) / losses (-) - changes in financial assumptions	-401	-23	-24	-36	-484
Gains (+) / losses (-) - changes in demographic assumptions	0	-14	0	-3	-17
Gains (+) / losses (-) - experience adjustments	-2	-1	0	2	-1
Changes in foreign exchange rates	-1	-22	-10	-10	-43
Present value of defined benefit obligations as at December 31	**-1,972**	**-222**	**-188**	**-286**	**-2,668**

Settlements paid in 2015 relate primarily to changes made to the legal structure of the pension plans in the Netherlands. As a result of these changes, these pension plans will be accounted for as defined contribution plans in the future. As the benefit obligation was largely funded at the time of the change, there was no material settlement gain or loss.

Movements in and types of plan assets

The opening and closing balances of the fair value of plan assets can be reconciled as follows:

Reconciliation of fair value of plan assets January 01/December 31 No. 100

	2015				
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Fair value of plan assets as at January 01	**179**	**159**	**191**	**191**	**720**
Benefits paid	-4	-10	-18	-10	-42
Interest income on plan assets	3	7	9	6	25
Employee contributions	10	1	0	1	12
Employer contributions	-4	9	0	10	15
Transfers in/out	-45	-1	45	0	-1
Settlements paid	0	-9	0	-55	-64
Return on plan assets excluding interest income	5	-11	-8	1	-13
Changes in foreign exchange rates	4	19	10	1	34
Fair value of plan assets as at December 31	**148**	**164**	**229**	**145**	**686**

	2014				
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Fair value of plan assets as at January 01	**139**	**127**	**156**	**150**	**572**
Benefits paid	-3	-8	-7	-6	-24
Interest income on plan assets	5	6	7	6	24
Employee contributions	8	1	0	1	10
Employer contributions	0	9	0	17	26
Transfers in/out	23	-1	0	0	22
Settlements paid	0	-3	0	0	-3
Return on plan assets excluding interest income	5	10	24	16	55
Changes in foreign exchange rates	2	18	11	7	38
Fair value of plan assets as at December 31	**179**	**159**	**191**	**191**	**720**

The Schaeffler Group expects to make contributions to plan assets of EUR 25 m in 2016, including EUR 1 m in the U.S. and EUR 24 m in other countries.

Negative employer contributions represent refunds of additional contributions made in the past to cover temporary shortfalls.

Plan assets consisted of the following:

Classes of plan assets No. 101

	12/31/2015				
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Equity instruments	79	66	62	18	225
Debt instruments	24	97	49	106	276
Real estate	0	0	26	14	40
Cash	20	1	2	1	24
(Reimbursement) insurance policies	25	0	0	6	31
Mixed funds	0	0	90	0	90
Total	**148**	**164**	**229**	**145**	**686**

	12/31/2014				
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Equity instruments	93	63	46	19	221
Debt instruments	33	96	38	101	268
Real estate	0	0	0	12	12
Cash	6	0	1	2	9
(Reimbursement) insurance policies	25	0	0	57	82
Mixed funds	22	0	106	0	128
Total	**179**	**159**	**191**	**191**	**720**

Plan assets do not include real estate used by the Schaeffler Group or any of the Schaeffler Group's own equity instruments. Except for amounts related to real estate and reimbursement insurance policies, all amounts shown above represent market prices quoted in an active market.

Information on changes in the various classes of plan assets in Germany is provided by the fund manager in the form of performance reports and is regularly reviewed by investment committees. The investment strategy follows a lifecycle model: Plan assets are moved to lower-risk asset classes as the beneficiary's age increases.

Asset-liability studies are prepared for the funded defined benefit plans in the United Kingdom and in the U.S. at regular intervals, and the investment policy of each fund is based on the applicable study and any local legal requirements.

Comprehensive income

The following summarizes the various amounts recognized in comprehensive income for defined benefit plans:

Comprehensive income related to defined benefit pension plans No. 102

	2015				
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Current service cost	56	2	0	17	75
Past service cost	0	0	0	5	5
• plan amendments	0	0	0	5	5
Gains (-)/losses (+) on settlements	0	-1	0	-2	-3
Service cost	**56**	**1**	**0**	**20**	**77**
Interest cost	41	9	8	8	66
Interest income	-3	-7	-9	-6	-25
Net interest on net defined benefit liability/asset	**38**	**2**	**-1**	**2**	**41**
Gains (-)/losses (+) - changes in financial assumptions	-72	-8	-7	-5	-92
Gains (-)/losses (+) - changes in demographic assumptions	0	-4	-7	0	-11
Gains (-)/losses (+) - experience adjustments	1	-4	1	5	3
Return on plan assets excluding interest income	-5	11	8	-1	13
Remeasurements of net defined benefit liability/asset	**-76**	**-5**	**-5**	**-1**	**-87**
Total comprehensive income on defined benefit obligations	**18**	**-2**	**-6**	**21**	**31**

	2014				
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Current service cost	30	0	0	13	43
Past service cost	0	0	0	5	5
• plan amendments	0	0	0	5	5
Gains (-)/losses on settlements	0	-1	0	0	-1
Service cost	**30**	**-1**	**0**	**18**	**47**
Interest cost	52	8	7	8	75
Interest income	-5	-6	-7	-6	-24
Net interest on net defined benefit liability/asset	**47**	**2**	**0**	**2**	**51**
Gains (-)/losses (+) - changes in financial assumptions	401	23	24	36	484
Gains (-)/losses (+) - changes in demographic assumptions	0	14	0	3	17
Gains (-)/losses (+) - experience adjustments	2	1	0	-2	1
Return on plan assets excluding interest income	-5	-10	-24	-16	-55
Impact of asset ceiling	0	0	0	-3	-3
Remeasurements of net defined benefit liability/asset	**398**	**28**	**0**	**18**	**444**
Total comprehensive income on defined benefit obligations	**475**	**29**	**0**	**38**	**542**

Service cost and interest on the net defined benefit liability are included in the following line items of the consolidated income statement:

Net pension expense in the income statement No. 103

					2015
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Cost of sales	31	-1	0	16	46
Research and development expenses	10	0	0	1	11
Selling expenses	4	0	0	2	6
Administrative expenses	11	2	0	1	14
Included in EBIT	**56**	**1**	**0**	**20**	**77**
Interest expense	41	9	8	8	66
Interest income on plan assets	-3	-7	-9	-6	-25
Included in financial result	**38**	**2**	**-1**	**2**	**41**
Total	**94**	**3**	**-1**	**22**	**118**

					2014
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Cost of sales	18	-1	0	14	31
Research and development expenses	6	0	0	1	7
Selling expenses	2	0	0	2	4
Administrative expenses	4	0	0	1	5
Included in EBIT	**30**	**-1**	**0**	**18**	**47**
Interest expense	52	8	7	8	75
Interest income on plan assets	-5	-6	-7	-6	-24
Included in financial result	**47**	**2**	**0**	**2**	**51**
Total	**77**	**1**	**0**	**20**	**98**

Duration

The weighted average duration of defined benefit obligations is 18.1 years (prior year: 18.7 years) at year-end. In the most significant countries Germany, the U.S., and the United Kingdom, the duration averages 18.6 years (prior year: 19.2 years), 12.1 years (prior year: 13.1 years), and 24.9 years (prior year: 25.5 years), respectively.

Actuarial assumptions

At each reporting date, defined benefit obligations are measured based on certain actuarial assumptions.

The assumptions used, in particular discount rates, future salary increases, and future pension increases, are determined separately for each country.

The weighted averages of the principal actuarial assumptions for the Schaeffler Group are as follows:

Actuarial assumptions No. 104

	2015				
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Discount rate as at December 31	2.3 %	4.2 %	4.1 %	2.6 %	2.6 %
Future salary increases	3.3 %	n.a. [1]	n.a. [1]	3,2 %	3.3 %
Future pension increases	1.8 %	2.5 %	3.2 %	0.3 %	1.9 %

	2014				
in € millions	Germany	U.S.A.	United Kingdom	Other countries	Total
Discount rate as at December 31	2.1 %	3.9 %	3.9 %	2.6 %	2.5 %
Future salary increases	3.3 %	n.a. [1]	n.a. [1]	3,1 %	3.2 %
Future pension increases	1.8 %	2.5 %	3.2 %	1.1 %	1.9 %

[1] The pension plans in the U.S. and in the United Kingdom have been closed since 2006 and 2009, respectively, and structured such that future salary increases will not affect the amount of the net liability.

Mortality assumptions are based on published statistics and country-specific mortality tables. The “RICHTTAFELN 2005 G” mortality tables developed by Prof. Dr. Klaus Heubeck and published by HEUBECK-RICHTTAFELN-GmbH are used for the German plans. These tables are generation tables, which specifically include appropriate assumptions to take into account future increases in life expectancy.

Sensitivity analysis

Selecting the assumptions discussed above is key to the calculation of the present value of the defined benefit obligation. The following table shows the sensitivity of the present value of the defined benefit obligation to changes in one of the key assumptions.

Sensitivity analysis of present value of defined benefit obligation No. 105

						2015
in € millions		Germany	U.S.A.	United Kingdom	Other countries	Total
Discount rate	Plus 1.0 %	-296	-25	-42	-29	-392
	Minus 1.0 %	408	30	58	35	531
Future salary increases	Plus 1.0 %	41	n.a. [1]	n.a. [1]	19	60
	Minus 1.0 %	-36	n.a. [1]	n.a. [1]	-17	-53
Future pension increases	Plus 1.0 %	199	0	25	5	229
	Minus 1.0 %	-166	0	-21	-2	-189

						2014
in € millions		Germany	U.S.A.	United Kingdom	Other countries	Total
Discount rate	Plus 1.0 %	-311	-26	-41	-37	-415
	Minus 1.0 %	426	32	57	46	561
Future salary increases	Plus 1.0 %	44	n.a. [1]	n.a. [1]	18	62
	Minus 1.0 %	-38	n.a. [1]	n.a. [1]	-16	-54
Future pension increases	Plus 1.0 %	215	0	24	16	255
	Minus 1.0 %	-179	0	-20	-10	-209

[1] The pension plans in the U.S. and in the United Kingdom have been closed since 2006 and 2009, respectively, and structured such that future salary increases will not affect the amount of the net liability.

Another key parameter in the measurement of the Schaeffler Group's pension obligations is life expectancy. An increase in life expectancy in the most significant countries by one year would lead to an increase in the present value of the corresponding obligation by EUR 90 m (prior year: EUR 94 m) in Germany, EUR 6 m (prior year: EUR 7 m) in the U.S., and EUR 7 m (prior year: EUR 7 m) in the United Kingdom.

As in the prior year, the above sensitivities were calculated using the same method as for the present value of the pension obligations as at the balance sheet date. The sensitivities presented above do not take into account interaction between assumptions; rather, the analysis assumes that each assumption changes separately. In practice, this would be unusual, as assumptions are frequently correlated.

Risk and risk management

The existing defined benefit plans expose the Schaeffler Group to the usual actuarial risks.

The existing plan assets are managed independently on a decentralized basis in the various countries.

Defined contribution pension plans

In 2015, Schaeffler incurred EUR 18 m (prior year: EUR 10 m) in expenses related to defined contribution plans. At EUR 12 m (prior year: EUR 6 m), the majority of this amount relates to plans in the U.S.

4.11 Provisions

Provisions No. 106

in € millions	Employee benefits	Restructuring	Warranties	Other taxes	Other	Total
Balance as at January 01, 2015	**96**	**0**	**64**	**30**	**112**	**302**
Additions	37	42	52	5	299	435
Utilization	-30	0	-28	-11	-39	-108
Reversals	0	0	-7	-2	-10	-19
Interest expense	0	0	0	0	0	0
Foreign currency translation	0	0	2	0	1	3
Balance as at December 31, 2015	**103**	**42**	**83**	**22**	**363**	**613**

Provisions consisted of the following current and non-current portions. Non-current provisions are due in one to five years.

Provisions (current/non-current) No. 107

	12/31/2015			12/31/2014		
in € millions	Non-current	Current	Total	Non-current	Current	Total
Employee benefits	43	60	103	55	41	96
Restructuring	28	14	42	0	0	0
Warranties	0	83	83	0	64	64
Other taxes	0	22	22	0	30	30
Other	111	252	363	15	97	112
Total	**182**	**431**	**613**	**70**	**232**	**302**

Provisions for employee benefits consisted primarily of EUR 54 m (prior year: EUR 50 m) in provisions for long-time service awards and partial retirement programs and EUR 23 m (prior year: EUR 25 m) in provisions for personnel-related structural measures at the Schweinfurt and Wuppertal locations.

Restructuring provisions primarily included provisions of EUR 36 m related to the realignment of the Industrial division ("CORE" program). Estimating future restructuring costs is subject to significant uncertainty, particularly because it requires making assumptions about future costs on the basis of historical experience and the expected duration of restructuring measures.

Provisions for other taxes primarily comprised land transfer tax related to internal reorganizations of the group structure.

The increase in **other provisions** is primarily attributable to a provision for potential third party claims in connection with the EU antitrust proceedings finalized in March 2014. Non-current provisions include EUR 95 m of this provision and EUR 143 m is included in current provisions. Estimating future costs of litigation and other judicial proceedings as a rule raises complex issues and is subject to many uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each suit is brought, and differences in applicable law. The outcomes of currently pending and future proceedings cannot be predicted. As a result of a judgment in court proceedings or the conclusion of a settlement, the Schaeffler Group may incur charges which exceed presently recognized provisions.

4.12 Other financial liabilities and other liabilities

Other financial liabilities (current/non-current) No. 108

	12/31/2015			12/31/2014		
in € millions	Non-current	Current	Total	Non-current	Current	Total
Other financial liabilities						
Amounts payable to staff	0	227	227	0	240	240
Derivative financial liabilities	3	46	49	10	77	87
Miscellaneous financial liabilities	9	239	248	11	241	252
Total	**12**	**512**	**524**	**21**	**558**	**579**

Amounts payable to staff primarily included profit sharing accruals.

Derivative financial liabilities included forward exchange contracts used to hedge the Schaeffler Group's currency risk. The decrease was primarily caused by the increase in the fair value of the forward exchange contracts and the cross-currency swaps, which were included in this balance in the prior year but had a positive fair value at the reporting date.

Miscellaneous other financial liabilities mainly included accrued selling costs (customer bonuses, rebates, early-payment discounts) and accrued bond interest.

The Schaeffler Group's exposure to currency and liquidity risk related to other financial liabilities is disclosed in Note 4.13.

Other liabilities (current/non-current) No. 109

	12/31/2015			12/31/2014		
in € millions	Non-current	Current	Total	Non-current	Current	Total
Other liabilities						
Social security contributions payable	2	38	40	3	40	43
Advance payments received	0	29	29	0	31	31
Other tax payables	0	102	102	0	84	84
Miscellaneous liabilities	4	136	140	5	158	163
Total	**6**	**305**	**311**	**8**	**313**	**321**

Social security contributions payable consisted mainly of unpaid contributions to social security schemes.

Other tax payables included, in particular, value-added taxes payable and payroll withholding taxes payable.

Miscellaneous other liabilities primarily contained accrued vacation and overtime accounts.

4.13 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. Investments in associated companies are also shown, although they do not fall under any of the IAS 39 measurement categories. No financial instruments were reclassified between categories.

Financial instruments by class and category in accordance with IFRS 7.8 No. 110

in € millions	Category per IFRS 7.8	12/31/2015 Carrying amount	12/31/2015 Fair value	12/31/2014 Carrying amount	12/31/2014 Fair value
Financial assets, by class					
Trade receivables	LaR	2,023	2,023	1,900	1,900
Other financial assets					
• Investments in associates [1)]	n.a.	3	-	4	-
• Other investments [2)]	AfS	17	-	14	-
• Marketable securities	AfS	14	14	12	12
• Derivatives designated as hedging instruments	n.a.	127	127	24	24
• Derivatives not designated as hedging instruments	HfT	235	235	245	245
• Miscellaneous financial assets	LaR	1,850	1,856	2,022	2,036
Cash and cash equivalents	LaR	799	799	636	636
Financial liabilities, by class					
Financial debt	FLAC	5,688	5,793	6,414	6,846
Trade payables	FLAC	1,405	1,405	1,261	1,261
Other financial liabilities					
• Derivatives designated as hedging instruments	n.a.	16	16	64	64
• Derivatives not designated as hedging instruments	HfT	33	33	23	23
• Miscellaneous financial liabilities	FLAC	475	475	492	492
Summary by category					
Available-for-sale financial assets (AfS)		31	-	26	-
Financial assets held for trading (HfT)		235	-	245	-
Loans and receivables (LaR)		4,672	-	4,558	-
Financial liabilities at amortized cost (FLAC)		7,568	-	8,167	-
Financial liabilities held for trading (HfT)		33	-	23	-

1) At equity-accounted investees.
2) Investments accounted for at cost.

The carrying amounts of trade receivables, miscellaneous other financial assets and cash and cash equivalents, trade payables, as well as miscellaneous other financial liabilities are assumed to equal their fair value due to the short maturities of these instruments. However, this does not apply to loans receivable of EUR 1,773 m (prior year: EUR 1,700 m) included in miscellaneous other financial assets, which mature in December 2024.

Other investments include investments (shares in incorporated companies and cooperatives) for which quoted prices in an active market are not available. As a result, the fair value of these instruments cannot be measured reliably. These investments are therefore accounted for at cost. There were no partial disposals of such investments in 2015, and no (partial) disposals are planned in the foreseeable future. Marketable securities consist almost entirely of equity instruments in the form of money market fund units.

Hedge accounting is only applied to derivatives designated as hedges of currency risk in cash flow hedges. The Schaeffler Group uses cross-currency swaps and forward exchange contracts as hedging instruments here.

Please refer to the notes on the various balance sheet line items for the amount of financial assets pledged as collateral. Financial and non-financial assets of the Schaeffler Group have been pledged on the basis of the Facilities Agreement and the bond agreements (see Note 4.9). Collateral has generally been provided for the term of the loan and bond agreements and may be enforced if the creditors are entitled to call the debt, for instance if financial covenants are not met.

The fair values of financial assets and liabilities that are either measured at fair value or for which fair value is disclosed in the notes to the consolidated financial statements were determined using the following valuation methods and inputs:

- Level 1: The fair value of marketable securities is determined using the exchange-quoted price at the end of the reporting period. The fair value of bonds payable included in financial debt is determined using the exchange-quoted price.
- 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. Embedded derivatives are measured using a Hull-White model. Key inputs to this model are interest rates, volatilities and credit default swap rates (CDS rates).
  The fair value of miscellaneous other financial assets and 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 Schaeffler Group does not have any financial instruments in this level.

The following table summarizes the fair values and levels of financial assets and liabilities. Financial assets and liabilities whose carrying amount is assumed to represent their fair value have been omitted.

Financial assets and liabilities by fair value hierarchy level No. 111

in € millions	Level 1	Level 2	Total
December 31, 2015			
Marketable securities	14	-	14
Derivatives designated as hedging instruments	-	127	127
Derivatives not designated as hedging instruments	-	235	235
Other financial assets	-	1,779	1,779
Total financial assets	**14**	**2,141**	**2,155**
Financial debt	5,069	724	5,793
Derivatives designated as hedging instruments	0	16	16
Derivatives not designated as hedging instruments	0	33	33
Total financial liabilities	**5,069**	**773**	**5,842**
December 31, 2014			
Marketable securities	12	-	12
Derivatives designated as hedging instruments	-	24	24
Derivatives not designated as hedging instruments	-	245	245
Other financial assets	-	1,714	1,714
Total financial assets	**12**	**1,983**	**1,995**
Financial debt	0	6,846	6,846
Derivatives designated as hedging instruments	-	64	64
Derivatives not designated as hedging instruments	-	23	23
Total financial liabilities	**0**	**6,933**	**6,933**

The company reviews its financial instruments at the end of each reporting period for any required transfers between levels. The company transferred certain financial instruments between levels during the period. The publicly listed bonds previously shown in Level 2 were included in Level 1 as at December 31, 2015. Their fair value was previously determined using the exchange-quoted price of the bonds adjusted for the embedded derivatives. Effective December 31, 2015, fair value is based on the exchange-quoted price without adjustment, since the price of the bonds quoted in an active market is considered more reliable evidence of fair value.

Net gains and losses by category of financial instruments in accordance with IFRS 7.20 are as follows:

Net gains and losses by category of financial instruments in accordance with IFRS 7.20 No. 112

	Subsequent measurement				Net income (loss)	
in € millions	Interest and dividends	at fair value	Impairment loss	Foreign currency translation	**2015**	**2014**
Available-for-sale financial assets	-	2	-	-	2	1
Financial assets and liabilities held for trading	97	-13	-	-	84	172
Loans and receivables	81	-	-3	38	116	34
Financial liabilities at amortized cost	-517	-	-	-238	-755	-749
Total	**-339**	**-11**	**-3**	**-200**	**-553**	**-542**

Interest income and expense on financial assets and liabilities accounted for at amortized cost is included in interest income on financial assets and in interest expense on financial debt, respectively (see Note 3.5).

The net gain on financial assets and liabilities held for trading of EUR 84 m (prior year: EUR 172 m) relates entirely to derivatives. EUR 168 m (prior year: EUR 190 m) of this net gain is included in financial result. Fair value changes on bifurcated embedded derivatives resulted in losses of EUR 79 m (prior year: EUR 55 m).

The impairment loss on financial assets classified as loans and receivables consisted of an impairment reversal of EUR 3 m (prior year: EUR 5 m) and an impairment loss of EUR 6 m (prior year: EUR 6 m) and related entirely to the trade receivables class in 2015.

Financial risk management

Its financial instruments expose the Schaeffler Group to various risks.

Schaeffler's Board of Managing Directors has the overall responsibility for establishing and overseeing the group's risk management system. The finance organization is responsible for developing and monitoring this risk management system and regularly reports to the Schaeffler Group's Chief Financial Officer on its activities in this area.

Group-wide risk management policies are in place to identify and analyze Schaeffler's risks, set appropriate risk limits and controls, monitor risks, and adhere to the limits. Risk management procedures and systems are reviewed on a regular basis to reflect changes in market conditions and the Schaeffler Group's activities.

The Schaeffler Group has guidelines for the use of hedging instruments, and compliance with these guidelines is reviewed on a regular basis. Internal execution risk is minimized by strict segregation of duties.

Please refer to the report on opportunities and risks in the combined management report for further details on the group's financial risk management.

The Schaeffler Group distinguishes between liquidity risk, counterparty risk, and market risk (interest rate, currency, and other price risk).

Liquidity risk

The risk that the Schaeffler Group will not be able to meet its payment obligations as they come due is referred to as liquidity risk. The Schaeffler Group's approach to managing liquidity risk is to ensure that there is always sufficient liquidity available to meet liabilities as they come due without incurring unacceptable losses or risking damage to Schaeffler's reputation.

Liquidity risk is monitored and managed using a rolling liquidity budget with a forecasting period of up to 12 months. Both liquidity status and liquidity forecast are reported regularly to the Chief Financial Officer.

The Schaeffler Group uses equity, cash pooling arrangements, intercompany loans and existing lines of credit based on the relevant legal and tax regulations to ensure it can meet the financing requirements of its operations and financial obligations. To this end, the Schaeffler Group has access to a revolving credit facility of EUR 1 bn bearing interest at Euribor plus 2.6875 % as well as other bilateral lines of credit.

The Schaeffler Group's contractual payments of interest and principal on financial liabilities and derivative liabilities are summarized as follows:

Cash flows related to non-derivative and derivative financial liabilities No. 113

in € millions	Carrying amount	Contractual cash flows	Up to 1 year	1-5 years	More than 5 years
December 31, 2015					
Non-derivative financial liabilities	**7,568**	**8,895**	**2,117**	**3,480**	**3,298**
• Financial debt	5,688	7,014	236	3,480	3,298
• Trade payables	1,405	1,405	1,405	0	0
• Other non-derivative financial liabilities	475	476	476	0	0
Derivative financial liabilities	**49**	**49**	**46**	**3**	**0**
Total	**7,617**	**8,944**	**2,163**	**3,483**	**3,298**
December 31, 2014					
Non-derivative financial liabilities	**8,167**	**9,703**	**2,066**	**3,879**	**3,758**
• Financial debt	6,414	7,949	320	3,871	3,758
• Trade payables	1,261	1,261	1,261	0	0
• Other non-derivative financial liabilities	492	493	485	8	0
Derivative financial liabilities	**87**	**17**	**74**	**-11**	**-46**
Total	**8,254**	**9,720**	**2,140**	**3,868**	**3,712**

Contractual cash flows for financial debt include expected interest as well as the settlement amount of the loans. Contractual cash flows for derivative financial liabilities consist of the undiscounted expected cash flows translated at closing rates.

Counterparty risk

The risk that the Schaeffler Group will incur a financial loss as a result of a customer or business partner defaulting is called counterparty risk. This risk is primarily inherent in trade receivables and miscellaneous other financial assets.

Counterparty risk arising on trade receivables is managed by constantly monitoring customers' financial status, creditworthiness and payment history. Additional measures to manage counterparty risk include efficient collection procedures and the use of commercial credit insurance. All relevant rules are outlined in a Schaeffler Group guideline.

Counterparty risk inherent in derivative financial instruments is the risk that counterparties will fail to meet their payment obligations in full. To mitigate this risk, such contracts are only entered into with selected banks.

The counterparty risk inherent in Schaeffler's long-term loans receivable from related companies of EUR 1.773 m (prior year: EUR 1,700 m) is limited as Schaeffler Verwaltung Zwei GmbH has pledged shares in Continental AG with a market value (reference XETRA, December 12, 2014 and August 31, 2015) equal to twice the loan principal as collateral.

The maximum counterparty risk at the reporting date, excluding collateral, is represented by the carrying amount of the corresponding financial asset.

The Schaeffler Group's Board of Managing Directors does not have any indications that the debtors will not meet their payment obligations with respect to trade receivables that are neither past due nor impaired. Except for amounts recognized in impairment provisions, there are no indications that the counterparties to other financial assets, i.e. marketable securities, derivative financial assets, and miscellaneous other financial assets, will be unable to meet their future contractual obligation.

Trade receivables in the Automotive division are subject to a concentration of risk on several OEMs (see Note 5.4). Receivables from ten OEMs make up 42.0 % of trade receivables.

Interest rate risk

Variable interest features give rise to the risk of rising interest rates on financial liabilities and falling interest rates on financial assets. This risk is measured, assessed and, where necessary, hedged using derivative interest rate hedging instruments. The hedged item is the Schaeffler Group's interest-bearing net financial debt.

Schaeffler's financial debt can be summarized by type of interest as follows:

Variable and fixed interest financial debt No. 114

in € millions	12/31/2015	12/31/2014
Variable interest instruments	**635**	**1,775**
• Financial debt	635	1,775
Fixed interest instruments	**5,053**	**4,639**
• Financial debt	5,053	4,639

IFRS 7 requires the disclosure of the impact of financial instruments on net income and shareholders' equity as a result of changes in interest rates in the form of sensitivity analyses.

The sensitivity calculation assumes that all other variables, particularly exchange rates, remain constant and that contractual arrangements prevent interest rates from falling below 0 %. With regard to variable interest instruments, a shift in the yield curve of 100 basis points (Bp) as at December 31, 2015 would affect (increase/decrease) net income and shareholder's equity as follows:

Sensitivity analysis: Shift in yield curve No. 115

	Net income (loss)		Shareholders' equity	
in € millions	Plus 100 Bp	Minus 100 Bp	Plus 100 Bp	Minus 100 Bp
As at December 31, 2015				
Variable interest instruments	-3	0	0	0
Interest rate derivatives designated as hedging instruments	0	0	-4	4
Interest rate derivatives not designated as hedging instruments	-10	51	0	0
Total	**-13**	**51**	**-4**	**4**
As at December 31, 2014				
Variable interest instruments	-7	0	0	0
Interest rate derivatives designated as hedging instruments	0	0	2	-2
Interest rate derivatives not designated as hedging instruments	-3	2	0	0
Total	**-10**	**2**	**2**	**-2**

The impact of variable interest instruments is solely due to an increase or decrease in the interest charge.

Currency risk

The Schaeffler Group is exposed to currency risk on sales, purchases, loans payable and receivable, as well as financial debt that are denominated in a currency other than the functional currency of the relevant Schaeffler Group entity.

Currency risk from operations

The international nature of the Schaeffler Group's operations involves the flow of goods and cash in a wide range of currencies. This gives rise to currency risk, as the value of assets denominated in a currency with a falling exchange rate declines while the value of liabilities denominated in a currency whose exchange rate is rising will increase.

The Schaeffler Group's significant currency risk exposures from operations by currency based on face values as of the end of each reporting period are as follows:

Currency risk from operations No. 116

in € millions	USD	CNY	RON	HUF
December 31, 2015				
Estimated currency risk from operations	740	491	-211	-123
Forward exchange contracts	-622	-336	156	92
Remaining currency risk from operations	**118**	**155**	**-55**	**-31**
December 31, 2014				
Estimated currency risk from operations	1,197	181	-194	-114
Forward exchange contracts	-476	0	76	68
Remaining currency risk from operations	**721**	**181**	**-118**	**-46**

Estimated currency risk from operations represents the currency risk from operating and investing activities within twelve months after the end of each reporting period. The remaining currency risk from operations reflects the combined exposure of all Schaeffler Group entities not subject to local restrictions on foreign exchange transactions with Schaeffler's finance organization. Thus, this exposure represents the difference between hedged items, both recognized and in the form of expected future foreign currency cash flows that have not yet been recognized, on the one hand and hedging instruments that have been recognized in the statement of financial position on the other hand. Currency risk in countries with foreign exchange restrictions (see Note 4.7) is monitored by Schaeffler's finance organization. The most significant currency risk exposure in these countries arises on the U.S. Dollar and amounts to an estimated EUR 36 m (prior year: EUR -321 m).

At any point in time the Schaeffler Group hedges a major portion of its estimated currency risk from operations in respect of forecasted sales and purchases over the next twelve months using forward exchange contracts.

IFRS 7 requires entities to disclose the impact of hypothetical changes in exchange rates on net income and shareholders' equity using sensitivity analyses. Exchange rate changes are applied to all of the Schaeffler Group's financial instruments as at the end of the reporting date. The analysis covers foreign currency trade receivables and payables as well as derivative financial instruments used to hedge foreign currency risk.

The sensitivity analysis for currency risk from operations is based on a hypothetical 10 % weakening of the Euro against each of the significant foreign currencies as of December 31, 2015, assuming all other variables, particularly interest rates, remain constant.

The following table shows the effect on net income and shareholders' equity of translating balances at the closing rate and of measuring instruments at fair value:

Sensitivity analysis: Changes in foreign exchange rates – operations No. 117

	12/31/2015		12/31/2014	
in € millions	Net income (loss)	Shareholders' equity	Net income (loss)	Shareholders' equity
USD	16	-67	15	-45
CNY	14	-25	10	0
HUF	1	9	1	5
RON	1	13	-2	9

Conversely, a 10 % rise in the Euro against the significant foreign currencies as at December 31, 2015 would have had the same but opposite effect, again holding all other variables constant.

Currency risk from financing

Loans and deposits between Schaeffler Group companies denominated in a currency other than the functional currency of the entities are fully hedged on a net basis using forward exchange contracts.

A portion of the company's external financial debt denominated in a currency other than the functional currency is hedged using cross-currency swaps with notional amounts totaling USD 1,800 m (prior year: USD 2,510 m). Changes in the fair value of those cross-currency swaps not subject to hedge accounting (notional amount of USD 800 m; prior year: USD 1,510 m) were recognized directly in profit or loss in 2015. The Schaeffler Group also uses additional forward exchange contracts in these hedging activities.

The sensitivity analysis for currency risk from financing activities is based on a hypothetical 10 % weakening of the Euro against the U.S. Dollar as at December 31, 2015. The analysis covers foreign currency financial debt and derivative financial instruments used to hedge foreign currency risk related to financing and assumes that all other variables, particularly interest rates, remain constant.

Sensitivity analysis: Changes in foreign exchange rates – financing activities No. 118

	12/31/2015		12/31/2014	
in € millions	Net income (loss)	Shareholders' equity	Net income (loss)	Shareholders' equity
Foreign exchange gains and losses on financial debt	-165	-72	-207	-77
Foreign exchange gains and losses on derivatives	170	16	211	14
Total	**5**	**-56**	**4**	**-63**

Foreign exchange gains and losses on financial debt affecting shareholders' equity relate to a hedge of a net investment in a foreign operation.

Other price risk: Other price risk normally includes the risk of changes in stock-market prices and stock price indices as well as changes in commodity prices to the extent purchase agreements for commodities are treated as financial instruments due to the requirements of IAS 39, which is not the case for the Schaeffler Group. Commodity price risk is hedged using long-term supply agreements that include price adjustment clauses.

Risks related to stock-market prices and stock price indices only arise from marketable securities. In light of the size of the Schaeffler Group's holdings of such financial instruments, the price risk related to these items is considered insignificant.

Derivative financial instruments and hedging relationships

Using derivative financial instruments to manage risk is one component of the Schaeffler Group's risk management system. Nominal values and fair values of derivative financial instruments as at the reporting date were as follows:

Summary of derivative financial instruments No. 119

	12/31/2015		12/31/2014	
in € millions	Nominal value	Fair value	Nominal value	Fair value
Financial assets				
Currency hedging				
Forward exchange contracts	2,050	53	975	27
thereof: hedge accounting	599	18	159	9
Cross currency swaps	1,653	214	1,376	79
thereof: hedge accounting	919	108	305	15
Financial liabilities				
Currency hedging				
Forward exchange contracts	2,187	49	1,238	77
thereof: hedge accounting	797	16	566	55
Cross currency swaps	0	0	537	10
thereof: hedge accounting	0	0	461	10

The Schaeffler Group applies hedge accounting to certain hedging relationships using the cash flow and net investment hedge accounting models. The Group does not apply fair value hedge accounting.

Cash flow hedges

A portion of Schaeffler's forward exchange contracts in certain currencies are accounted for as cash flow hedges with perfect effectiveness. Changes in the fair value of these derivatives are recognized in other comprehensive income. Gains and losses on hedging instruments are reclassified to the income statement when the hedged transaction (hedged item) affects net income. Both the majority of the forecasted transactions and the resulting impact on net income occur within one year of the end of the reporting period.

The portion of the hedging reserve in accumulated other comprehensive income that relates to hedges of currency risk from operations changed as follows:

Reconciliation of hedging reserve related to currency risk – operations No. 120

in € millions	2015	2014
Balance as at January 01	**-45**	**37**
Additions	3	-45
Reclassified to income statement		
to financial income	0	-37
to financial expense	45	0
Balance as at December 31	**3**	**-45**

The Schaeffler Group also applies cash flow hedge accounting to the foreign currency hedge of its bonds issued in U.S. Dollar using cross-currency swaps with a nominal value of USD 1,000 m (prior year: USD 1,000 m). As a result, accumulated gains of EUR 14 m (prior year: losses of EUR 9 m) representing the effective portion of fair value changes on designated financial instruments were recognized in other comprehensive income and reported in accumulated other comprehensive income as at December 31, 2015. There was no ineffectiveness. The foreign exchange effects hedged will be recognized in profit or loss in the years 2016 to 2021.

The portion of the hedging reserve in accumulated other comprehensive income that relates to hedges of currency risk from financing activities changed as follows:

Reconciliation of hedging reserve related to currency risk – financing activities No. 121

in € millions	2015	2014
Balance as at January 01	**-56**	**-47**
Additions	75	81
Reclassified to income statement		
to financial income	-61	-90
to financial expense	0	0
Balance as at December 31	**-42**	**-56**

Net investment hedge

The Schaeffler Group hedges the currency risk of part of its net investments in its U.S. subsidiaries using a portion of its financial debt denominated in U.S. Dollars (principal of USD 790 m; prior year: USD 940 m) under a net investment hedge. This mitigates the group's translation risk on the U.S. subsidiaries. As a result, foreign exchange losses of EUR 95 m (prior year: EUR 105 m) on designated financial debt were recognized in other comprehensive income and reported in accumulated other comprehensive income in 2015. The hedging relationship did not produce any ineffectiveness that would have had to be recognized separately. Investments in the group's other subsidiaries are not hedged.

Offsetting financial assets and financial liabilities

Certain Schaeffler Group companies enter into derivatives based on the German Master Agreement for Financial Forward Transactions ("Deutscher Rahmenvertrag für Finanztermingeschäfte" – DRV) or on the master agreement of the International Swaps and Derivatives Associations (ISDA). These agreements permit each counterparty to combine all amounts relating to outstanding transactions due on the same date and in the same currency, arriving at one net amount to be paid by one of the parties to the other. In certain cases, for instance when a credit event such as default occurs, all transactions outstanding under this agreement are terminated, their fair value upon termination is determined, and only a single net amount is payable in settlement of all of these transactions.

The German Master Agreements and ISDA agreements do not meet the criteria for offsetting in the consolidated statement of financial position, as the Schaeffler Group does not currently have a legal right to settle the recognized amounts on a net basis. The right to settle net is only legally enforceable upon the occurrence of future events such as the insolvency of one of the parties to the contract. Hedging transactions entered into directly by Schaeffler Group subsidiaries do not permit net settlement, either.

The carrying amounts of the financial assets and liabilities subject to these agreements are as follows:

Offsetting financial assets and financial liabilities No. 122

in € millions	12/31/2015	12/31/2014
Financial assets		
Gross amount of financial assets	362	269
Amounts offset in accordance with IAS 32.42	0	0
Net amount of financial assets	362	269
Amounts subject to master netting arrangements		
Derivatives	-47	-59
Net amount of financial assets	315	210
Financial liabilities		
Gross amount of financial liabilities	49	87
Amounts offset in accordance with IAS 32.42	0	0
Net amount of financial liabilities	49	87
Amounts subject to master netting arrangements		
Derivatives	-47	-59
Net amount of financial liabilities	2	28

4.14 Share-based payment

In connection with the Schaeffler AG listing in October 2015, the company implemented its first share-based payment instrument in the form of a Performance Share Unit Plan (PSUP) for members of Schaeffler AG's Board of Managing Directors. The virtual shares granted (known as Performance Share Units, PSUs) entitle the holder to a cash payment equal to the average share price of Schaeffler AG's common non-voting shares on the vesting date. The PSUs are granted in annual tranches. Each tranche has a performance period of four years beginning on January 01 of the year in which the tranche is granted. Thus, the performance period of the 2015 tranche starts retroactively on January 01, 2015. Due to the listing, the grant date is October 09, 2015.

Vesting of PSUs is linked to the following three conditions:

- 50 % of PSUs are granted subject to a service condition (base number). The base number is only paid out if the member of the Board of Managing Directors remains employed as a member of a governing body of Schaeffler AG and is not under notice of termination at the end of the performance period.
- 25 % of the PSUs are granted subject to a long-term performance target based on free cash flow (FCF), which involves a comparison of accumulated FCF for the performance period to the target FCF.
- 25 % of the PSUs are granted subject to a relative performance target based on total shareholder return (TSR) (share price performance including dividends). To determine vesting, TSR for Schaeffler AG's common non-voting shares is compared to the TSR of companies in the benchmark group (MDAX) over the vesting period.

The number of PSUs actually payable at the end of the performance period depends on the extent to which the performance targets have been achieved and whether the service condition has been met and can vary between 0 % and 100 %. The amount payable per PSU is capped at double the underlying price of Schaeffler AG common non-voting shares at the grant date.

In 2015, Schaeffler AG granted a total of 474,016 PSUs (prior year: none) under the PSUP; 237,004 PSUs are subject to a service condition (base number) and 118,506 each are subject to the FCF-based performance target and the TSR-based performance target, respectively. All PSUs granted in 2015 were still outstanding as at December 31, 2015. As at December 31, 2015, the PSUs granted as part of the 2015 tranche have a remaining performance period of three years.

Each PSU in the base number or with an FCF-based performance target had a fair value of EUR 14.21 as at December 31, 2015. This amount was determined based on the price of the Schaeffler AG common non-voting share taking into account the present value of dividends, which beneficiaries are not entitled to during the vesting period, as well as the cap.

The fair value per PSU with a TSR-based performance target as at December 31, 2015 was EUR 10.09 and was determined using a binomial model. The valuation model used takes into account the terms of the contract under which the PSUs were granted (including payment floors and caps, target range for the TRS-based performance target, dividends expected to be paid on Schaeffler AG common non-voting shares, as well as the volatility of Schaeffler AG common non-voting shares and the benchmark index MDAX). The valuation as at December 31, 2015 reflects the following input parameters:

- risk-free interest rate for the remaining performance period of 0.11 %,
- expected dividend yield of Schaeffler AG common non-voting shares over the performance period of 2.15 %,
- expected volatility of Schaeffler AG common non-voting shares of 33.02 %,
- expected volatility of the benchmark index of 19.53 %,
- expected correlation between the benchmark index and Schaeffler AG common non-voting shares of 0.43.

Expected future volatilities and the correlation between Schaeffler AG common non-voting shares and the benchmark group (MDAX) were estimated based on the daily closing prices of Schaeffler AG common non-voting shares and the benchmark group (MDAX) in the XETRA trading system of the German Stock Exchange.

Obligations under the PSUP as at December 31, 2015 amounted to EUR 0.7 m (prior year: none) and were included in non-current provisions. Expenses arising from the PSUP for 2015 totaled EUR 0.7 m (prior year: none).

4.15 Capital management

The Schaeffler Group has a long-term strategy of pursuing profitable growth. Actively managing capital provides the necessary financial resources, ensures the availability of liquidity, and secures the Schaeffler Group's credit standing. Capital management also administers and continually improves the company's existing financial debt consisting of its external group financing arrangements. To this end, the Schaeffler Group has laid the groundwork for obtaining debt and equity funding via the capital markets. The Schaeffler Group's management will continue to focus on the group's ability to place financial instruments with a broad range of investors and to further improve financing terms.

Under its existing debt financing agreements, the Schaeffler Group is subject to certain constraints including a requirement to meet certain financial covenants (see Note 4.9). Compliance with these financial covenants is continually monitored at group level. The inputs to the calculation of the financial covenants are defined in detail in the loan agreements and cannot be derived directly from amounts in the consolidated financial statements.

As in the prior year, the company has complied with the financial covenants in 2015 as stipulated in the debt agreements. Based on its forecast, the Schaeffler Group also expects to comply with these covenants in subsequent years.

In addition to the financial covenants contained in the financing agreements, the Schaeffler Group regularly calculates further financial indicators. One such further indicator is the ratio of net debt to EBITDA (earnings before financial result, income taxes, depreciation, amortization, and impairment losses), which is determined as follows:

Net financial debt to EBITDA ratio No. 123

in € millions	12/31/2015	12/31/2014
Current financial debt	3	1
Non-current financial debt	5,685	6,413
Total financial debt	**5,688**	**6,414**
Cash and cash equivalents	799	636
Total net financial debt	**4,889**	**5,778**
Earnings before financial result, income taxes, depreciation and amortization (EBITDA) [1]	**2,096**	**2,172**
Net financial debt to EBITDA ratio [2]	**2.3**	**2.7**

[1] EBITDA incl. EUR 274 m (prior year: EUR 38 m) in special items for legal cases and restructuring.
[2] Debt to EBITDA ratio incl. special items (footnote 1) see section 2.3 of group management report.

5. Other disclosures

5.1 Leases

Future minimum lease payments under non-cancellable operating rental and lease agreements are due as follows:

Leases No. 124

in € millions	12/31/2015	12/31/2014
Less than one year	56	54
Between one and five years	64	59
More than five years	6	7
Total	**126**	**120**

The obligations consisted primarily of rental agreements for real estate and lease agreements relating to company vehicles and IT and logistics.

In 2015, the Schaeffler Group recognized EUR 84 m in expenses related to operating rental and lease agreements in profit or loss (prior year: EUR 75 m).

5.2 Contingent liabilities

At December 31, 2015, the Schaeffler Group had contingent liabilities of EUR 23 m (prior year: EUR 19 m) consisting primarily of claims raised by current and former employees as well as possible reassessments issued by taxation authorities. Due to the remote probability of an outflow of resources in these cases, they do not meet the conditions for recognition of a provision.

In addition, several antitrust authorities have been investigating several manufacturers of rolling bearings and other vendor parts, particularly for the automotive and other industrial sectors, since 2011. The authorities are investigating possible agreements violating antitrust laws. Schaeffler Group companies are among the entities subject to these investigations. In addition, there is a risk that third parties may claim damages resulting from antitrust proceedings that are either ongoing or have been finalized. As at the end of the reporting period, the Schaeffler Group has recognized provisions for a portion of these investigations and potential claims for damages. Additional penalties or claims for damages cannot be ruled out, but can currently not be estimated.

5.3 Additional disclosures on the consolidated statement of cash flows

Changes in balance sheet items shown in the consolidated statement of cash flows cannot be derived directly from the consolidated statement of financial position as they have been adjusted for the impact of foreign currency translation.

EUR 204 m in receipts from loans were related to the refinancing arrangement completed in the second quarter of 2015 and were used to finance transaction costs and prepayment penalties for the redeemed bonds. The cash outflows for the prepayment penalty and transaction costs are included in cash flows from operating activities. All other transactions under the refinancing arrangements were non-cash in nature (see Note 4.9 for further detail).

Proceeds from issuing shares represent gross proceeds of EUR 825 m partially offset by transaction costs of EUR 15 m.

In connection with the voluntary partial prepayment of its institutional loan tranches, Schaeffler AG also terminated a portion of the cross-currency swaps designed to hedge the USD tranche against currency fluctuations before maturity. Termination involved an exchange of principal and resulted in cash inflows of EUR 92 m due to exchange rate changes. These cash inflows from the hedging instrument as well as the cash inflows from the hedged item are presented under repayments of loans.

Recognition of a provision of EUR 238 m for potential third party claims in connection with the EU antitrust proceedings finalized in March of 2014 has impacted EBIT and other provisions, and did not affect cash flows from operating activities in 2015.

5.4 Segment reporting

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 Group Board of Managing Directors. Schaeffler 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.

Schaeffler's operating segments are reported in a manner consistent with the internal reports provided to the Schaeffler Group's Board of Managing Directors. The Schaeffler Group is divided into the two segments Automotive division and Industrial division as described below, each focusing on a specific worldwide group of customers. The segments offer different products and services and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each of the Schaeffler Group's two reportable segments:

Automotive: product and service business with customers in the automotive sector. These include primarily manufacturers of passenger cars and commercial vehicles (OEM), automotive suppliers (Tier 1 and Tier 2), as well as companies focusing on the distribution of spare parts for passenger cars and commercial vehicles (aftermarket). Products range from wheel bearings as well as chassis and steering components through transmission systems and developments to engine components and valve control systems.

Industrial: product and service business with manufacturers of investment goods. Specifically, these customers operate in the production machinery, drive technology, wind power, construction machinery/tractors, consumer goods, heavy industries, rail traffic, and power transmission sectors as well as in the industrial aftermarket. The business with customers in the aerospace industry is also included in this segment. This segment's key products are rolling and plain bearings, linear guidance systems, and direct drives.

Information on the operating activities of the two reportable segments is included below. Performance is measured based on EBIT as the Board of Managing Directors believes that this information is most relevant in evaluating the results of the segments in relation to other entities that operate within these industries.

The amounts for revenue, EBIT, assets, additions to intangible assets and property, plant and equipment, as well as amortization, depreciation, and impairments are reported based on the current allocation of customers to divisions. The allocation of customers to divisions is reviewed at least once every year and adjusted where necessary. To ensure that segment information is comparable, prior year information is also presented using the current year's customer structure. Revenue related to transactions between operating segments is not included.

Reconciliation of segment information

No. 125

Reconciliation to earnings before income taxes in € millions	2015	2014
EBIT Automotive [1]	1,124	1,238
EBIT Industrial [1]	278	285
EBIT	1,402	1,523
Financial result	-547	-619
Earnings before income taxes	**855**	**904**

[1] Prior year information presented based on 2015 segment structure.

The reportable segments Automotive division and Industrial division are managed on a global basis and operate production and distribution facilities in the geographical areas Europe, Americas, Greater China, and Asia/Pacific.

In 2015, the Schaeffler Group generated revenue of EUR 1,535 m (prior year: EUR 1,573 m) from one key customer, representing approximately 11.6 % (prior year: 13.0 %) of total group revenue and approximately 15.3 % (prior year: 17.5 %) of Automotive segment revenue.

The Schaeffler Group's operations are geographically divided into the regions Europe, Americas, Greater China, and Asia/Pacific. Revenue and non-current assets of the four regions were as follows in 2015:

Information about geographical areas No. 126

	Revenue [1]		Non-current assets [2]	
in € millions	**2015**	**2014**	**12/31/2015**	**12/31/2014**
Europe	7,054	6,908	2,843	2,688
Americas	2,905	2,473	706	613
Asia/Pacific	1,365	1,203	341	293
Greater China	1,902	1,540	879	709
Total	**13,226**	**12,124**	**4,769**	**4,303**

[1] Revenue by market (customer locations). Prior year information presented based on 2015 segment structure.
[2] Non-current assets by Schaeffler location. Non-current assets consist of intangible assets and property, plant and equipment.

Germany, the U.S., and China had revenue of EUR 2,948 m (prior year: EUR 2,977 m), EUR 1,873 m (prior year: EUR 1,432 m), and EUR 1,814 m (prior year: EUR 1,467 m) as well as non-current assets of EUR 1,634 m (prior year: EUR 1,573 m), EUR 399 m (prior year: EUR 316 m), and EUR 878 m (prior year: EUR 708 m), respectively.

5.5 Related parties

Related persons
All common shares in Schaeffler AG are indirectly held by Maria-Elisabeth Schaeffler-Thumann and Georg F. W. Schaeffler. Under the definitions of IAS 24, Maria-Elisabeth Schaeffler-Thumann and Georg F. W. Schaeffler and the close members of their family are related parties of the Schaeffler Group.

The Schaeffler Group does not have any significant direct business relations with Maria-Elisabeth Schaeffler Thumann and Georg F. W. Schaeffler.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Schaeffler Group, directly or indirectly. For the Schaeffler Group, the members of the Board of Managing Directors and the Supervisory Board of Schaeffler AG represent key management personnel, making them and the close members of their family related parties of Schaeffler AG. In addition, the managing directors of the legal predecessor of Schaeffler AG, INA Beteiligungsgesellschaft mit beschränkter Haftung (IBH), and the close members of their family were related parties of Schaeffler AG in the prior year. As Schaeffler AG's Board of Managing Directors was not appointed until October 24, 2014, the following information for 2015 is not fully comparable to the prior year figures.

The remuneration of the Board of Managing Directors of Schaeffler AG for the year totaled EUR 21 m (prior year: EUR 2 m), including EUR 16 m (prior year: EUR 1 m) in short-term benefits. Expenses of EUR 3 m (prior year: EUR 1 m) were recognized for post-employment benefits. Termination benefits amounted to EUR 0.3 m (prior year: nil), and share-based payments totaled EUR 0.7 m (prior year: nil).

Total remuneration of the Board of Managing Directors in accordance with section 314 (1) (6a) (1-3) HGB amounted to EUR 21 m (prior year: EUR 2 m) in 2015.

In addition, the following share-based remuneration was granted to members of the Board of Managing Directors in 2015 under the Performance Share Unit Plan (PSUP) implemented in 2015: 237,004 Performance Share Units (PSU) subject to a service condition (fair value per PSU at grant date of EUR 11.58), 118,506 PSUs subject to an FCF-based performance target (fair value per PSU at grant date of EUR 11.58), and 118,506 PSUs with a TSR-based performance target (fair value per PSU at grant date of EUR 6.96). Please refer to the remuneration report for a detailed discussion of the PSUP.

Certain members of the Board of Managing Directors have received advances on their variable short-term remuneration in connection with the change in the remuneration system or adjustment of their fixed remuneration. Advances paid in 2015 amounted to EUR 525 thousand.

Short-term benefits paid to members of Schaeffler AG's Supervisory Board, which became operational in early December 2014, amounted to EUR 1.9 m (prior year: EUR 0.2 m).

The company did not pay any other benefits to its key management personnel.

The remuneration system for the Board of Managing Directors and the Supervisory Board of Schaeffler AG is outlined in the remuneration report. The remuneration report also includes information on the remuneration of individual members of the Board of Managing Directors and additional information required by section 314 (1) (6) HGB.

Former members of the Board of Managing Directors (and their surviving dependents) of Schaeffler AG and its legal predecessors received remuneration of EUR 0.3 m in 2015 (prior year: EUR 1 m).

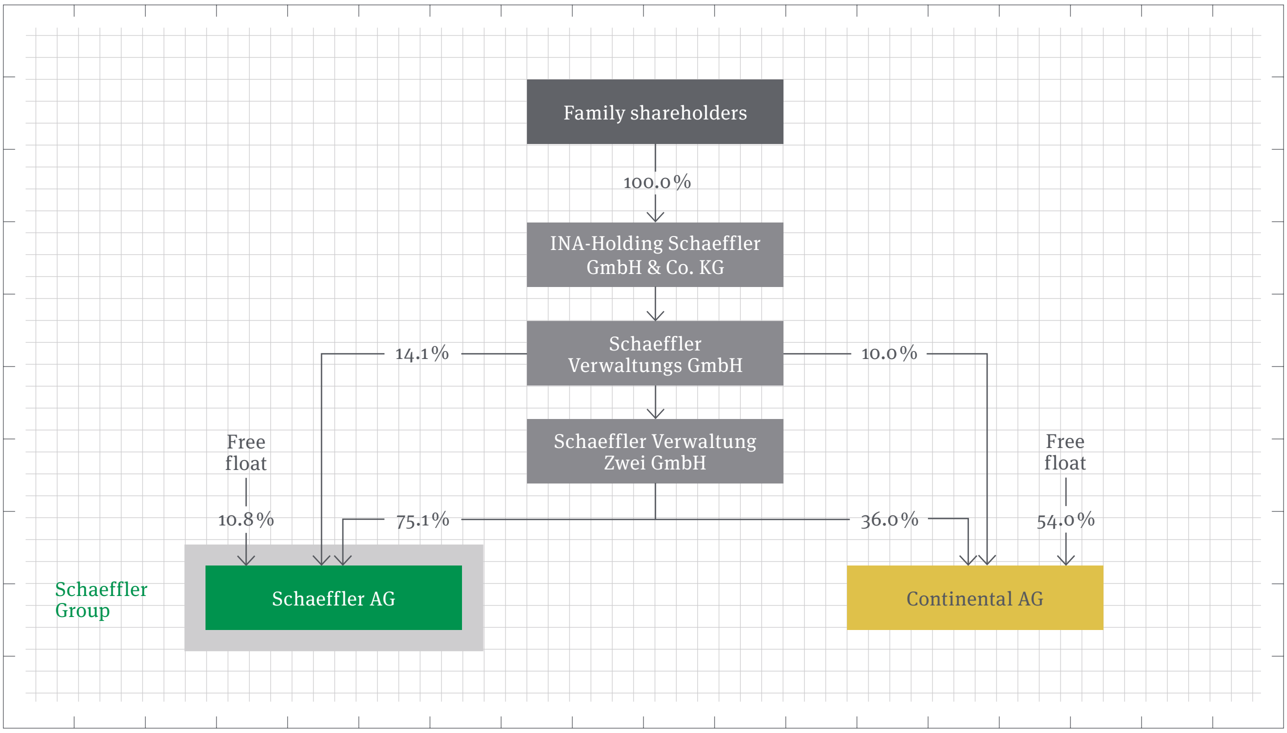
Provisions for pensions and similar obligations for former members of the Board of Managing Directors (and their surviving dependents) of Schaeffler AG and its legal predecessors, before netting of related plan assets, amounted to EUR 8 m at December 31, 2015 (prior year: EUR 1 m).

Members of the Board of Managing Directors and the Supervisory Board of Schaeffler AG as well as close members of their family have acquired bonds issued in 2015 by Schaeffler Finance B.V. totaling EUR 1 m (prior year: EUR 2 m including managing directors of the company's legal predecessor IBH). Additionally, bonds issued in prior years with a value of EUR 1 m (prior year: EUR 1 m including managing directors of the company's legal predecessor IBH) held by key management personnel and close members of their family were redeemed in 2015. At December 31, 2015, members of the Board of Managing Directors and the Supervisory Board of Schaeffler AG and close members of their family held bonds issued by Schaeffler Finance B.V. with a principal totaling EUR 6 m (prior year: EUR 6 m including managing directors of the company's legal predecessor IBH). Key management personnel and close members of their family received interest of EUR 0.2 m (prior year: EUR 0.3 m including managing directors of the company's legal predecessor IBH) on these bonds.

Related entities

Pursuant to IAS 24, the Schaeffler Group's related entities consist of the entities controlled or jointly controlled by Schaeffler AG's ultimate parent company, INA-Holding Schaeffler GmbH & Co. KG, or over which INA-Holding Schaeffler GmbH & Co. KG has significant influence.

Simplified ownership structure as at December 31, 2015 No. 127



As transactions with significant subsidiaries of Schaeffler AG have been eliminated upon consolidation, they need not be discussed here. Transactions with associated companies and joint ventures were insignificant in 2015.

In 2015 and 2014, Schaeffler Group companies had various business relationships with the group's related entities.

On April 14, 2015, the Schaeffler AG annual general meeting declared a dividend of EUR 250 m payable to Schaeffler Verwaltung Zwei GmbH in respect of 2014.

The company had a loan receivable from Schaeffler Verwaltung Zwei GmbH of EUR 1,071 m and from Schaeffler Beteiligungsholding GmbH & Co. KG of EUR 629 m as a result of the capital increase by way of a contribution in kind completed as part of the realignment of the Schaeffler Group's structure in December 2014. Schaeffler Verwaltung Zwei GmbH assumed the obligations under the loan receivable by Schaeffler AG from Schaeffler Beteiligungsholding GmbH & Co. KG by way of an assumption of debt in discharge of the previous debtor effective September 01, 2015. The loan remained secured by the shares in Continental AG held by Schaeffler Beteiligungsholding GmbH & Co. KG. Schaeffler Beteiligungsholding GmbH & Co. KG was absorbed by Schaeffler Verwaltung Zwei GmbH effective December 31, 2015. The loans mature in December 2024 and bore interest at 4.0 % p.a. in 2015.

The EUR 236 m short-term receivable from Schaeffler Verwaltung Zwei GmbH, which arose in connection with Schaeffler AG taking on the cash pooling function, was converted to a long-term loan of EUR 270 m as at August 31, 2015. The loan matures in December 2024 and bore interest at 4.0 % p.a. in 2015. The terms of this loan relating to the payment of interest stipulate that Schaeffler Verwaltung Zwei GmbH has the option of capitalizing the interest accrued during any one interest period rather than paying such interest to Schaeffler AG. Interest on the entire loan balance, including the interest capitalized, is then calculated at the rate applicable to the original loan plus an interest premium, for a total rate of between 4.75 % and 6.0 %.

It was agreed that shares in Continental AG with a market value (reference XETRA, August 31, 2015) equal to twice the loan principal would be pledged as collateral for the loan within 30 working days after closing of the loan agreement. The Continental AG shares serving as collateral are held by Schaeffler Verwaltung Zwei GmbH (until December 31, 2015: Schaeffler Beteiligungsholding GmbH & Co. KG).

Two partial repayments of EUR 85 m and EUR 112 m, respectively, have reduced the total principal of the loans receivable from Schaeffler Verwaltung Zwei GmbH to EUR 1,773 m (prior year: EUR 1,071 m). Interest income earned on these loans in 2015 amounted to EUR 72 m (prior year: EUR 4 m).

Business relationships with Continental Group companies existed in the form of supply of vehicle components and tools, rendering of development and other services, and leases of commercial real estate. The transactions with the Continental Group were entered into at arm's length conditions.

The following table summarizes all income and expenses from transactions with related Continental Group companies recognized in the Schaeffler Group consolidated financial statements. The summary also shows receivables and payables related to such transactions included in the consolidated financial statements as at the end of each reporting period.

Receivables and payables from transactions with related entities No. 128

	Receivables		Payables	
in € millions	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Related entities	1,787	1,985	8	21

Expenses and income from transactions with related entities No. 129

	Expenses		Income	
in € millions	2015	2014	2015	2014
Related entities	78	136	176	107

5.6 Auditors' fees

Fees paid to the group auditors and their related companies for services rendered in 2015 and required by section 314 (1)(9) HGB to be disclosed total EUR 5.6 m (prior year: EUR 3.6 m) and consist of EUR 2.5 m (prior year: EUR 2.2 m) for financial statement audit services, EUR 1.1 m (prior year: EUR 0.3 m) for other attestation services, EUR 0.8 m (prior year: EUR 0.8 m) for tax advisory services, and EUR 1.2 m (prior year: EUR 0.3 m) for other services.

These fees were paid for services rendered to Schaeffler AG and its German subsidiaries. KPMG AG Wirtschaftsprüfungsgesellschaft is considered the auditor.

5.7 Exemptions under section 264 (3) HGB and section 264b HGB

The following domestic subsidiaries meet the requirements of section 264 (3) HGB or 264b HGB to be eligible for these exemptions for 2015 and are availing themselves of these exemptions:

- AS Auslandsholding GmbH, Bühl
- Dürkopp Maschinenbau GmbH, Schweinfurt
- Egon von Ruville GmbH, Hamburg
- FAG Industrial Services GmbH, Herzogenrath
- FAG Kugelfischer GmbH, Schweinfurt
- Gesellschaft für Arbeitsmedizin und Umweltschutz mbH – AMUS, Homburg
- IAB Holding GmbH, Herzogenaurach
- IAB Verwaltungs GmbH, Herzogenaurach
- INA Automotive GmbH, Herzogenaurach
- INA Beteiligungsverwaltungs GmbH, Herzogenaurach
- Industrieaufbaugesellschaft Bühl mbH, Bühl
- Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Herzogenaurach
- LuK Auslandsholding GmbH, Bühl
- LuK Beteiligungsgesellschaft mbH, Bühl
- LuK Vermögensverwaltungsgesellschaft mbH, Bühl
- PD Qualifizierung und Beschäftigung GmbH, Schweinfurt
- Schaeffler Beteiligungsverwaltungs GmbH, Herzogenaurach
- Schaeffler Engineering GmbH, Werdohl
- Schaeffler Europa Logistik GmbH, Herzogenaurach
- Schaeffler Versicherungs-Vermittlungs GmbH, Herzogenaurach
- Schaeffler Verwaltungsholding Eins GmbH, Herzogenaurach
- Schaeffler Verwaltungsholding Zwei GmbH, Herzogenaurach
- Schaeffler Verwaltungsholding Drei GmbH, Herzogenaurach
- CVT Verwaltungs GmbH & Co. Patentverwertungs KG, Bühl
- FAG Aerospace GmbH & Co. KG, Schweinfurt
- INA – Drives & Mechatronics AG & Co. KG, Suhl
- LuK GmbH & Co. KG, Bühl
- LuK Truckparts GmbH & Co. KG, Kaltennordheim
- LuK Unna GmbH & Co. KG, Unna
- Schaeffler Automotive Aftermarket GmbH & Co. KG, Langen
- Schaeffler Elfershausen AG & Co. KG, Herzogenaurach
- Schaeffler Immobilien AG & Co. KG, Herzogenaurach
- Schaeffler Motorenelemente AG & Co. KG, Herzogenaurach
- Schaeffler Technologies AG & Co. KG, Herzogenaurach
- WPB Water Pump Bearing GmbH & Co. KG, Herzogenaurach

5.8 Declaration of conformity with the German Corporate Governance Code

Schaeffler AG's Board of Managing Directors and the Supervisory Board issued the declaration of conformity with the German Corporate Governance Code required by section 161 AktG in December 2015 and have made it publicly available on the Schaeffler Group's website (www.schaeffler.com/ir).

5.9 Events after the reporting period

No material events expected to have a significant impact on the results of operations, financial position, or net assets of the Schaeffler Group occurred after December 31, 2015.

5.10 List of shareholdings required by section 313 (2) HGB

The parent company is Schaeffler AG, which is based in Herzogenaurach.

List of shareholdings No. 130

Entity	Location	Country code	Group ownership interest in %
A. Entities fully consolidated			
I. Germany (51)			
AS Auslandsholding GmbH	Buehl	DE	100.00
CBF Europe GmbH	Wuppertal	DE	100.00
CVT Beteiligungsverwaltungs GmbH	Buehl	DE	100.00
CVT Verwaltungs GmbH & Co. Patentverwertungs KG	Buehl	DE	100.00
Dürkopp Maschinenbau GmbH	Schweinfurt	DE	100.00
Egon von Ruville GmbH	Hamburg	DE	100.00
FAG Aerospace GmbH	Schweinfurt	DE	100.00
FAG Aerospace GmbH & Co. KG	Schweinfurt	DE	100.00
FAG Industrial Services GmbH	Herzogenrath	DE	100.00
FAG Kugelfischer GmbH	Schweinfurt	DE	100.00
Gesellschaft für Arbeitsmedizin und Umweltschutz mbH – AMUS	Homburg	DE	100.00
IAB Grundstücksverwaltungsgesellschaft mbH	Buehl	DE	100.00
IAB Holding GmbH	Herzogenaurach	DE	100.00
IAB Verwaltungs GmbH	Herzogenaurach	DE	100.00
IDAM Beteiligungs GmbH	Herzogenaurach	DE	100.00
INA - Drives & Mechatronics AG & Co. KG	Suhl	DE	100.00
INA Automotive GmbH	Herzogenaurach	DE	100.00
INA Beteiligungsverwaltungs GmbH	Herzogenaurach	DE	100.00
Industrieaufbaugesellschaft Bühl mbH	Buehl	DE	100.00
Industriewerk Schaeffler INA-Ingenieurdienst GmbH	Herzogenaurach	DE	100.00
KWK Verwaltungs GmbH	Langen	DE	100.00
LuK ASG GmbH	Buehl	DE	100.00
LuK Auslandsholding GmbH	Buehl	DE	100.00
LuK Beteiligungsgesellschaft mbH	Buehl	DE	100.00
LuK GmbH & Co. KG	Buehl	DE	100.00
LuK Management GmbH	Buehl	DE	100.00
LuK Truckparts GmbH & Co. KG	Kaltennordheim	DE	100.00
LuK Unna GmbH & Co. KG	Unna	DE	100.00

LuK Vermögensverwaltungsgesellschaft mbH	Buehl	DE	100.00
MEDUSA Beteiligungsverwaltungs-Gesellschaft Nr. 64 mbH	Buehl	DE	100.00
PD Qualifizierung und Beschäftigung GmbH	Schweinfurt	DE	100.00
Raytech Composites Europe GmbH	Morbach	DE	100.00
Schaeffler Automotive Aftermarket GmbH & Co. KG	Langen	DE	100.00
Schaeffler Beteiligungsgesellschaft mbH	Herzogenaurach	DE	100.00
Schaeffler Beteiligungsverwaltungs GmbH	Herzogenaurach	DE	100.00
Schaeffler Elfershausen AG & Co. KG	Herzogenaurach	DE	100.00
Schaeffler Engineering GmbH	Werdohl	DE	100.00
Schaeffler Europa Logistik GmbH	Herzogenaurach	DE	100.00
Schaeffler Friction Products GmbH	Morbach	DE	100.00
Schaeffler Friction Products Hamm GmbH	Hamm/Sieg	DE	100.00
Schaeffler Immobilien AG & Co. KG	Herzogenaurach	DE	100.00
Schaeffler Motorenelemente AG & Co. KG	Herzogenaurach	DE	100.00
Schaeffler Technologies AG & Co. KG	Herzogenaurach	DE	100.00
Schaeffler Versicherungs-Vermittlungs GmbH	Herzogenaurach	DE	100.00
Schaeffler Verwaltungsholding Drei GmbH	Herzogenaurach	DE	100.00
Schaeffler Verwaltungsholding Eins GmbH	Herzogenaurach	DE	100.00
Schaeffler Verwaltungsholding Vier GmbH	Herzogenaurach	DE	100.00
Schaeffler Verwaltungsholding Zwei GmbH	Herzogenaurach	DE	100.00
Unterstützungskasse der FAG Kugelfischer e. V.	Schweinfurt	DE	100.00
WPB Water Pump Bearing Beteiligungsgesellschaft mbH	Herzogenaurach	DE	100.00
WPB Water Pump Bearing GmbH & Co. KG	Herzogenaurach	DE	100.00

II. Foreign (102)

Schaeffler Middle East FZE	Jebel Ali	AE	100.00
Schaeffler Argentina S.R.L.	Buenos Aires	AR	100.00
Schaeffler Austria GmbH	Berndorf-St. Veit	AT	100.00
Schaeffler Australia Pty Ltd.	Frenchs Forest	AU	100.00
Schaeffler Belgium SPRL	Braine L'Alleud	BE	100.00
Schaeffler Bulgaria OOD	Sofia	BG	100.00
LuK do Brasil Embreagens Ltda.	Sorocaba	BR	100.00
Schaeffler Brasil Ltda.	Sorocaba	BR	100.00
Schaeffler Belrus OOO	Minsk	BY	100.00
FAG Aerospace Inc.	Stratford	CA	100.00
Schaeffler Canada Inc.	Oakville	CA	100.00
Grico Invest GmbH	Chur	CH	100.00
Hydrel GmbH	Romanshorn	CH	100.00
INA Invest GmbH	Horn	CH	100.00
Octon G.m.b.H.	Horn	CH	100.00
Schaeffler Chile Rodamientos Ltda.	Santiago	CL	100.00

Schaeffler (China) Co., Ltd.	Taicang	CN	100.00
Schaeffler (Nanjing) Co., Ltd.	Nanjing City	CN	100.00
Schaeffler (Ningxia) Co., Ltd.	Yinchuan	CN	100.00
Schaeffler Aerospace Bearings (Taicang) Co., Ltd.	Taicang	CN	100.00
Schaeffler Friction Products (Suzhou) Co., Ltd.	Suzhou	CN	100.00
Schaeffler Holding (China) Co., Ltd.	Shanghai	CN	100.00
Schaeffler Trading (Shanghai) Co., Ltd.	Shanghai	CN	100.00
Schaeffler Colombia Ltda.	Bogotá	CO	100.00
INA Lanskroun, s.r.o.	Lanskroun	CZ	100.00
Schaeffler CZ s.r.o.	Prague	CZ	100.00
Schaeffler Danmark ApS	Aarhus	DK	100.00
Schaeffler Iberia, S.L.U.	Elgoibar	ES	100.00
Schaeffler Finland Oy	Espoo	FI	100.00
Schaeffler Chain Drive Systems SAS	Calais	FR	100.00
Schaeffler France SAS	Haguenau	FR	100.00
LuK (UK) Limited	Sheffield	GB	100.00
LuK Leamington Limited	Sheffield	GB	100.00
Schaeffler (UK) Limited	Sutton Coldfield	GB	100.00
Schaeffler Automotive Aftermarket (UK) Limited	Sheffield	GB	100.00
Schaeffler Trading (UK) Limited	Sutton Coldfield	GB	100.00
Stocklook Limited	Swansea	GB	100.00
The Barden Corporation (UK) Ltd.	Plymouth	GB	100.00
Schaeffler Greece Automotive and Industrial Products and Services M.E.P.E.	Halandri	GR	100.00
Schaeffler Hong Kong Company Limited	Hong Kong	HK	100.00
Schaeffler Hrvatska d.o.o.	Zagreb	HR	100.00
FAG Magyarorszag Ipari Kft.	Debrecen	HU	100.00
LuK Savaria Kft.	Szombathely	HU	100.00
Schaeffler Magyarorszag Ipari Kft.	Budapest	HU	100.00
Schaeffler Bearings Indonesia, PT	Jakarta	ID	100.00
Schaeffler Israel Ltd.	Yokneam Illit	IL	100.00
FAG Bearings India Ltd.	Mumbai	IN	51.33
INA Bearings India Private Limited	Pune	IN	100.00
LuK India Private Limited	Hosur	IN	100.00
FAG Railway Products G.e.i.e.	Milan	IT	75.00
Schaeffler Italia S.r.l.	Momo	IT	100.00
Schaeffler Japan Co., Ltd.	Yokohama	JP	100.00
Schaeffler Ansan Corporation	Ansan-shi	KR	100.00
Schaeffler Korea Corporation	Changwon-si	KR	100.00
LuK Puebla, S. de R.L. de C.V.	Puebla	MX	100.00
Rodamientos FAG S.A. de C.V.	Mexico City	MX	100.00
Schaeffler Automotive Aftermarket Mexico, S. de R.L. de C.V.	Puebla	MX	100.00

Schaeffler Mexico Holding, S. de R.L. de C.V.	Irapuato	MX	100.00
Schaeffler Mexico Servicios, S. de R.L. de C.V.	Guanajuato	MX	100.00
Schaeffler Mexico, S. de R.L. de C.V.	Guanajuato	MX	100.00
Schaeffler Bearings (Malaysia) Sdn. Bhd.	Kuala Lumpur	MY	100.00
Radine B.V.	Barneveld	NL	100.00
Schaeffler Finance B.V.	Barneveld	NL	100.00
Schaeffler Nederland B.V.	Barneveld	NL	100.00
Schaeffler Nederland Holding B.V.	Barneveld	NL	100.00
LuK Norge AS	Kongsberg	NO	100.00
Schaeffler Norge AS	Oslo	NO	100.00
Schaeffler Peru S.A.C.	Lima	PE	100.00
Schaeffler Philippines Inc.	Makati City	PH	100.00
Schaeffler Polska Sp. z.o.o.	Warsaw	PL	100.00
Schaeffler Portugal Unipessoal, Lda.	Caldas da Rainha	PT	100.00
Schaeffler Romania S.R.L.	Brasov	RO	100.00
Schaeffler Manufacturing Rus OOO	Ulyanovsk	RU	100.00
Schaeffler Russland GmbH	Moscow	RU	100.00
Schaeffler Sverige AB	Arlandastad	SE	100.00
Schaeffler (Singapore) Pte. Ltd.	Singapore	SG	100.00
FAG Aerospace (Singapore) Pte. Ltd.	Singapore	SG	100.00
Schaeffler Slovenija d.o.o.	Maribor	SI	100.00
INA Kysuce, spol. s.r.o.	Kysucke Nove Mesto	SK	100.00
INA Skalica spol. s.r.o.	Skalica	SK	100.00
Schaeffler Slovensko spol s.r.o.	Kysucke Nove Mesto	SK	100.00
Schaeffler (Thailand) Co., Ltd.	Bangkok	TH	49.00
Schaeffler Holding (Thailand) Co., Ltd.	Bangkok	TH	49.00
Schaeffler Manufacturing (Thailand) Co., Ltd.	Rayong	TH	100.00
Schaeffler Rulmanlari Ticaret Ltd. Sti.	Istanbul	TR	100.00
Schaeffler Taiwan Co., Ltd.	Taipei	TW	100.00
Schaeffler Ukraine GmbH	Kiev	UA	100.00
FAG Bearings LLC	Danbury	US	100.00
FAG Holding LLC	Danbury	US	100.00
FAG Interamericana A.G.	Miami	US	100.00
LMC Bridgeport, Inc.	Danbury	US	100.00
LuK Clutch Systems, LLC	Wooster	US	100.00
LuK Transmission Systems LLC	Wooster	US	100.00
LuK USA LLC	Wooster	US	100.00
LuK-Aftermarket Services, LLC	Valley City	US	100.00
Roland Corporate Housing LLC	Cheraw	US	100.00
Schaeffler Group USA, Inc.	Fort Mill	US	100.00
The Barden Corporation	Danbury	US	100.00
Schaeffler Venezuela, C.A.	Valencia	VE	100.00

Schaeffler Vietnam Co., Ltd.	Bien Hoa City	VN	100.00
INA Bearing (Pty) Ltd.	Port Elizabeth	ZA	100.00
Schaeffler South Africa (Pty.) Ltd.	Johannesburg	ZA	100.00

B. Associated companies/Joint ventures

I. Germany (3)

Contitech-INA Beteiligungsgesellschaft mbH [1)]	Hanover	DE	50.00
Contitech-INA GmbH & Co. KG [1)]	Hanover	DE	50.00
PStec Automation and Service GmbH	Niederwerrn	DE	40.00

II. Foreign (2)

Colinx, LLC	Greenville	US	20.00
Eurings Zrt.	Debrecen	HU	37.00

1) Joint ventures accounted for using the equity method.

C. Unconsolidated entities (1)

NACO Technologies SIA [2)]	Riga	LV	100.00

2) The company is insignificant to the Schaeffler Group's results of operations, financial position, and net assets as at the reporting date.

5.11 Members of the Supervisory Board and of the Board of Managing Directors

Members of the Supervisory Board
Georg F. W. Schaeffler (Chairman), Maria-Elisabeth Schaeffler-Thumann (Deputy Chairperson), Jürgen Wechsler* (Deputy Chairman), Prof. Dr. Hans-Jörg Bullinger, Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk, Norbert Lenhard*, Dr. Siegfried Luther, Dr. Reinold Mittag*, Yvonne Münch* (since November 19, 2015), Barbara Resch* (since November 19, 2015), Stefanie Schmidt*, Dirk Spindler*, Robin Stalker, Jürgen Stolz*, Salvatore Vicari*, Dr. Otto Wiesheu, Prof. KR Ing. Siegfried Wolf, Jürgen Worrich*, Prof. Dr.-Ing. Tong Zhang

The following members left the Supervisory Board during the year:
Jürgen Bänsch (until November 19, 2015), Thomas Mölkner (until November 19, 2015)

Supervisory Board committees
Mediation committee: Georg F. W. Schaeffler (Chairman), Maria-Elisabeth Schaeffler-Thumann, Norbert Lenhard, and Jürgen Wechsler

Executive committee: Georg F. W. Schaeffler (Chairman), Norbert Lenhard, Barbara Resch, Maria-Elisabeth Schaeffler-Thumann, Jürgen Wechsler, and Prof. KR Ing. Siegfried Wolf

Audit committee: Dr. Siegfried Luther (Chairman), Dr. Reinold Mittag, Georg F. W. Schaeffler, Robin Stalker, Salvatore Vicari, and Jürgen Worrich

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

Members of the Board of Managing Directors
Klaus Rosenfeld (Chief Executive Officer),

Prof. Dr.-Ing. Peter Gutzmer (Deputy Chief Executive Officer and Chief Technology Officer),

Dr. Ulrich Hauck (Chief Financial Officer; since April 01, 2015),

Norbert Indlekofer (CEO Automotive),

Oliver Jung (Chief Operating Officer),

Prof. Dr. Peter Pleus (CEO Automotive),

Corinna Schittenhelm (Chief Human Resources Officer; since January 01, 2016),

Dr. Stefan Spindler (CEO Industrial; since May 01, 2015)

The following members left the Board of Managing Directors during the year:
Kurt Mirlach (until December 31, 2015), Robert Schullan (until April 30, 2015)

* Employee representative

5.12 Preparation of consolidated financial statements

The Board of Managing Directors of Schaeffler AG prepared the consolidated financial statements on February 22, 2016 and released them for submission to the Supervisory Board of Schaeffler AG. The Supervisory Board of Schaeffler AG is responsible for examining and approving the consolidated financial statements.

Herzogenaurach, February 22, 2016

Schaeffler Aktiengesellschaft

The Board of Managing Directors

Independent Auditors' Report

This Auditors' Report, prepared in accordance with § 322 HGB ("Handelsgesetzbuch": "German Commercial Code"), refers to the complete Consolidated Financial Statements, comprising the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Shareholders' Equity and the Notes to the Consolidated Financial Statements, together with its report on the position of the Company and the Group for the business year from January 1, 2015 to December 31, 2015. The above-mentioned Auditors' Report and Consolidated Financial Statements are both translations of the respective German-language documents.

We have audited the consolidated financial statements prepared by the Schaeffler AG, Herzogenaurach, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the statement of changes in shareholders' equity and the notes to the consolidated financial statements, and its report on the position of the Company and the Group for the business year from January 01, 2015 to December 31, 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, February 23, 2016

KPMG AG

Wirtschaftsprüfungsgesellschaft

Alt-Scherer	Koeplin
Wirtschaftsprüferin	Wirtschaftsprüfer

Responsibility statement by the company’s legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements provide a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Herzogenaurach, February 22, 2016

Schaeffler Aktiengesellschaft

The Board of Managing Directors

Klaus Rosenfeld Chief Executive Officer	Prof. Dr.-Ing. Peter Gutzmer
Dr. Ulrich Hauck	Norbert Indlekofer
Oliver Jung	Prof. Dr. Peter Pleus
Corinna Schittenhelm	Dr. Stefan Spindler