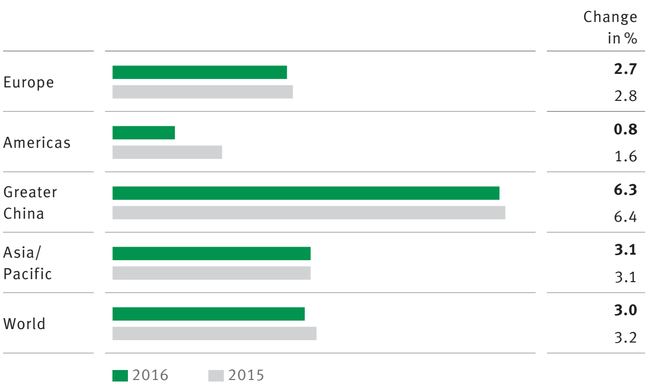
2. Report on the economic position

2.1 Economic environment

Macroeconomic environment

The global economy experienced only moderate overall growth in 2016, despite gathering speed in the latter half of 2016. Global gross domestic product for 2016 was 3.0 % higher than in the prior year (Oxford Economics, January 2017). The Euro region economy continued to recover. Its economic trend remained largely unaffected by the outcome of the referendum in the United Kingdom in favor of leaving the European Union. In the United Kingdom itself, the economy proved more robust than expected following the referendum. Economic activity in the United States improved noticeably during the latter half of 2016, following restrained growth in the first two quarters of the year.

Growth in gross domestic product No. 034



Source: Oxford Economics (January 2017).
Real gross domestic product calculated based on purchasing power parities.
Regions reflect the regional structure of the Schaeffler Group.

In light of further positive employment data and rising inflation, the Fed raised its benchmark interest rate in December 2016. Buoyed by continued government intervention, growth in China stabilized in line with the government's annual target. In Japan, the fundamental economic momentum remained weak.

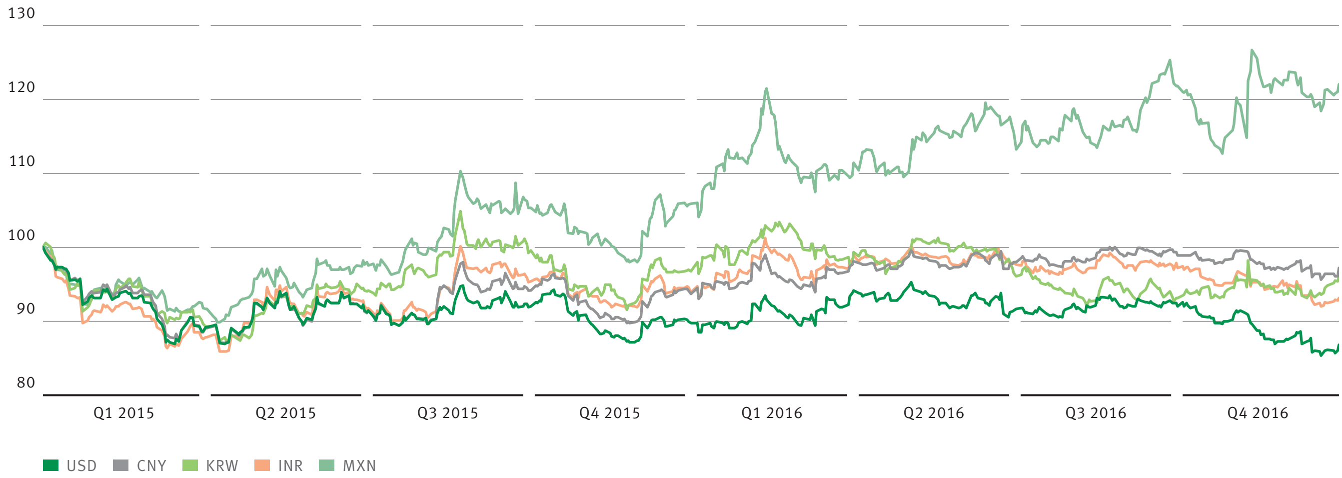
Economic growth in the Schaeffler Group's Europe region amounted to 2.7 % in 2016. The Euro region continued its economic expansion at a moderate but stabilizing pace. In the United Kingdom, growth once again exceeded that of the Euro region, despite the unexpected outcome of the referendum. Germany reported solid and steady economic growth, primarily driven by private consumption. Although the Russian economy contracted once more, there are indications that the economic situation is improving, helped especially by stabilizing raw materials prices. As in previous years, India, also part of the Europe region, continued to expand rapidly.

Economic growth in the Schaeffler Group's Americas region amounted to 0.8 %. Following temporarily weaker momentum in the first half of 2016, growth in gross domestic product in the U.S. dropped below the 2 % threshold for the year as a whole. The Latin American economy continued to contract; however, the recovering raw materials prices, among other things, are indications that the recession is coming to an end.

Growth in the Schaeffler Group's Greater China region came in at 6.3 %, once more falling behind the growth rate of the prior year. The reason for the decline was the continuing gradual slowdown in momentum in China, where gross domestic product leveled off at the 6.7 % growth rate targeted by the government.

Currency market trends No. 035

EUR against selected currencies in percent (12/31/2014 = 100)



Source: Bloomberg.

The economy in the Schaeffler Group's Asia/Pacific region grew by 3.1 %. In Japan, growth in gross domestic product was weak, while South Korea achieved a slightly higher growth rate than in the prior year. The Indonesian economy proved very dynamic.

In the currency markets, the Euro experienced a mix of trends against foreign currencies significant to the Schaeffler Group. The average rate for the year of the common European currency held its own against the U.S. Dollar. However, the Euro rose slightly against the Chinese Renminbi, the South Korean Won, the Indian Rupee, and the Mexican Peso in terms of the annual average exchange rate.

See Notes to the consolidated financial statements, chapter entitled "Summary of significant accounting policies" – "Foreign currency translation" for further detail.

Sector-specific environment

Automobile production

The global business with manufacturers of passenger cars and commercial vehicles represents the group's most important market segment. Global automobile production, measured as the number of vehicles produced, increased considerably, growing 4.8 % to approximately 93.0 million passenger cars and light commercial vehicles in 2016 (IHS, February 2017).

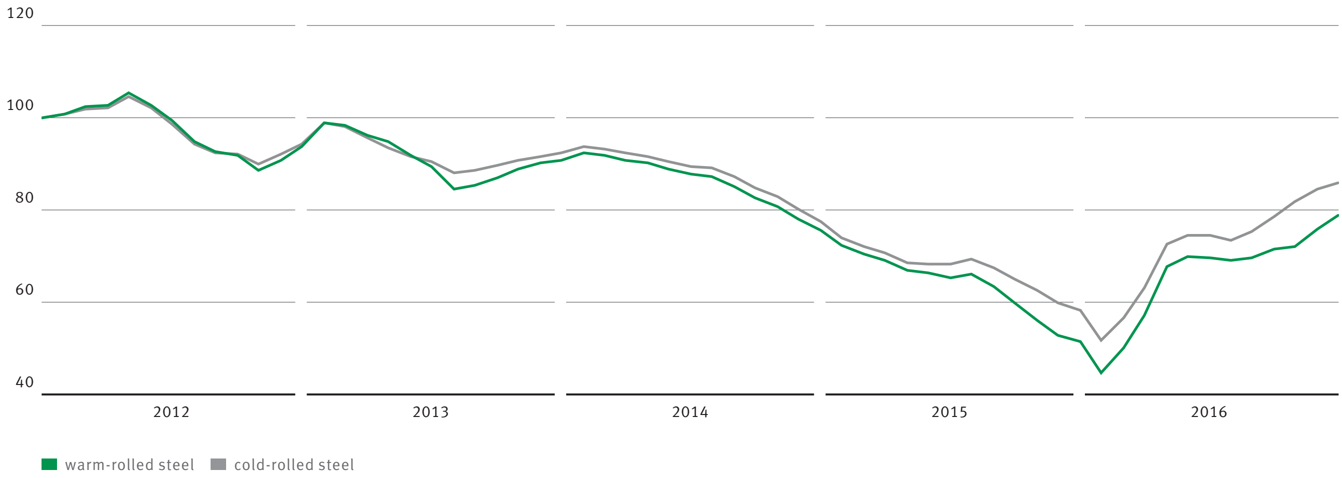
The Europe region grew significantly by 5.2 %. While India, Spain, France and the United Kingdom saw above-average growth, Germany expanded only slightly. The Americas region experienced a flat trend, growing by 0.2 %. While the U.S. did achieve a slight growth rate of 1.2 %, Latin America once again reported a significant decline. Automobile production in the Greater China region grew very rapidly at 13.9 %, due, among other things, to tax incentives provided by the Chinese government. The Asia/Pacific region contracted once more, with automobile production falling 2.8 % short of the prior year. The largest decline was reported by South Korea.

Automobile production No. 036

		Change in %	million units
Europe	2016	**5.2**	**27.9**
	2015	4.7	26.5
Americas	2016	**0.2**	**20.4**
	2015	-1.3	20.4
Greater China	2016	**13.9**	**27.3**
	2015	3.8	24.0
Asia/Pacific	2016	**-2.8**	**17.4**
	2015	-2.4	17.9
World	2016	**4.8**	**93.0**
	2015	1.6	88.7

Source: IHS (February 2017).
Regions reflect the regional structure of the Schaeffler Group.

Prices of selected steels No. 037
in percent (12/31/2011 = 100)



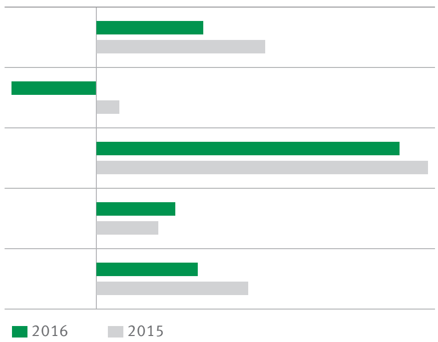
Source: Warm- and cold-rolled coil Europe from IHS ($/metric ton).

Industrial production

Preliminary figures indicate that global industrial production, measured as gross value added based on constant prices and exchange rates, grew only slightly by 1.8 % in 2016 (Oxford Economics, December 2016).

Europe region industrial production increased by 1.9 %. While Germany experienced only a slight growth rate, India reported considerable growth in industrial production. The Americas region (-1.5 %) experienced a contraction as industrial production declined below the prior year level, in the NAFTA countries as well as in Latin America. The Greater China region saw considerable growth of 5.4 %; however, this rate was once again lower than in the prior year. Industrial production in the Asia/Pacific region gained 1.4 % on the prior year, with a decline in Japan being offset by increases in South Korea, Indonesia, and Australia, among others.

Industrial production No. 038



	Change in %
Europe	**1.9** 3.0
Americas	**-1.5** 0.4
Greater China	**5.4** 5.9
Asia/Pacific	**1.4** 1.1
World	**1.8** 2.7

Source: Oxford Economics (December 2016).
Real gross value added in divisions 05 to 39 of the NACE Rev. 2 system.
Regions reflect the regional structure of the Schaeffler Group.

Procurement markets

The Schaeffler Group uses various materials, especially various types of steel, aluminum, zinc, as well as plastics and lubricants. Commodity market price trends generally affect the company's cost via changes in the cost to manufacturers and suppliers, which, depending on the terms of the relevant contracts, can be passed along to the Schaeffler Group to varying degrees and in some instances with some delay.

Prices in the procurement markets for all significant input materials increased during the year. However, comparing annual averages to prior year provides a mixed view.

Depending on the source region, average prices for cold- and hot-rolled steel increased by between approximately 5 to just under 20 % compared to prior year. The price of metallurgical coal, an important input material for steel and especially carbon-based castings, rose by approximately 50 %.

Aluminum is primarily used for pressure die castings and stamped and bent parts, while applications for zinc include coating mechanical components. Copper is mainly required for use in electric motors and mechatronic components. The average price of aluminum for the year declined by a good 3 %, the average copper price by just under 12 %. The price of zinc, on the other hand, was a good 6 % higher than the prior year average.

Apart from steel and non-ferrous metals, the Schaeffler Group also uses plastics and lubricants to manufacture rolling bearings and automotive components. For instance, plastics are used to produce cages for rolling bearings and lubricants are used to reduce friction in components and as preservatives. Plastics and lubricants are often made based on crude oil. Although the crude oil price increased significantly toward the end of the year due to the OPEC agreeing to limit production volumes, its annual average was still more than 10 % below the prior year average. Based on the ICIS Global Petrochemical Index (IPEX), average prices of processed petrochemical products, including the plastics used by the Schaeffler Group, dropped by approximately 4 % compared to the prior year average.

2.2 Course of business

Overview of results of operations 2016

The Schaeffler Group continued moving along its successful course in 2016. Despite the uncertain market environment, the Schaeffler Group continued to grow profitably, maintained its consistently high earnings quality, and significantly increased its free cash flow. The main driver of this performance was the strong Automotive business, which grew faster than the market, i.e. global automobile production of passenger cars and light commercial vehicles. The measures to improve efficiency and reduce costs in the Industrial division were executed as planned.

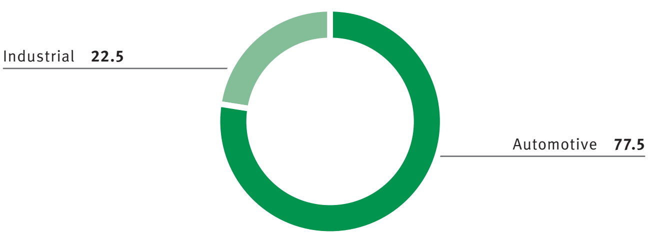
The Schaeffler Group's **revenue** increased by 1.2 % to EUR 13,338 m (prior year: EUR 13,179 m). Numerous currencies weakening against the Euro had an unfavorable effect on the company's revenue trend in 2016. Excluding the impact of currency translation, revenue rose by 3.4 %. From a regional perspective, strong demand in Greater China was the main contributor to this growth.

Automotive division revenue increased by 3.6 % to EUR 10,333 m (prior year: EUR 9,977 m) in 2016. Excluding the impact of currency translation, revenue grew by 6.0 %. Global production volumes of passenger cars and light commercial vehicles increased by 4.8 % from the prior year comparison period. Thus, the Automotive division's business outpaced the rise in global automobile production, primarily due to the increasing value of Schaeffler products installed per vehicle. The Automotive division benefitted from its strong business with customers, which was buoyed especially by the favorable trend in the Greater China region. The Aftermarket was also very successful.

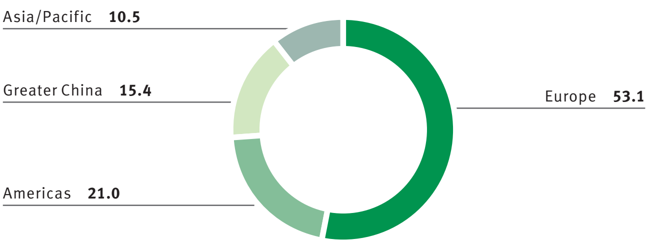
The Industrial division, on the other hand, continued to decline in a weak environment overall. Revenue decreased by 6.2 % to EUR 3,005 m (prior year: EUR 3,202 m) during the reporting period. Excluding the impact of currency translation, revenue fell by 4.8 %. The decrease affected all of the regions. The Greater China region experienced a double-digit decline in revenue, primarily due to weak investing activity in several important sectors.

The Schaeffler Group's **EBIT** grew by EUR 154 m or 11.0 % to EUR 1,556 m (prior year: EUR 1,402 m) during the reporting period, resulting in an EBIT margin of 11.7 % (prior year: 10.6 %). Before special items [3] of EUR 144 m, EBIT amounted to EUR 1,700 m (prior year: EUR 1,676 m). The company's EBIT margin before special items was 12.7 % (prior year: 12.7 %). The decline in the Industrial division's margin to 7.0 % (prior year: 9.5 %) was offset by the operating strength of the Automotive division. This division improved its EBIT margin before special items to 14.4 % (prior year: 13.8 %).

Schaeffler Group revenue by division No. 039
in percent



Schaeffler Group revenue by region No. 040
in percent by market view



[3] Please refer to page 48 for the definition of special items.

Net income increased by 44.1 % from EUR 605 m to EUR 872 m. Excluding net income attributable to non-controlling interests of EUR 13 m (prior year: EUR 14 m), net income attributable to shareholders of the parent company amounted to EUR 859 m, 45.3 % more than in the prior year (prior year: EUR 591 m). Earnings per common share amounted to EUR 1.29 (prior year: EUR 0.88). Earnings per common non-voting share amounted to EUR 1.30 (prior year: EUR 1.28) [4].

The Schaeffler Group generated **free cash flow** of EUR 735 m in 2016, EUR 365 m more than the prior year amount of EUR 370 m. The increase was driven by cash flows from operating activities, which rose from EUR 1,372 m to EUR 1,876 m mainly due to lower interest payments and changes in working capital. Capital expenditures (capex) rose from EUR 1,025 m to EUR 1,146 m (+11.8 %) or 8.6 % of revenue (prior year: 7.8 %) in 2016.

ROCE before special items was 21.7 %, slightly below the prior year (prior year: 22.5 %). An improvement in EBIT before special items for the last twelve months did not fully offset the increase in average capital employed, which was primarily driven by higher property, plant and equipment.

Significant events 2016

Schaeffler shares added to MDAX and STOXX Europe 600

On April 05, 2016, IHO Beteiligungs GmbH (until September 28, 2016: Schaeffler Verwaltungs GmbH) placed 94.4 million common non-voting Schaeffler AG shares in an accelerated bookbuild. Since this transaction was completed, 166 million common non-voting shares representing 100 % common non-voting share capital are widely held. The free float amounts to approximately 25 % of Schaeffler AG's total common and common non-voting share capital.

Due to the extensive volume of shares placed, the Schaeffler shares meet not only the high transparency requirements of the Prime Standard, but also the size criteria regarding market capitalization and liquidity that are relevant for inclusion in the MDAX index. Deutsche Börse included Schaeffler AG in its MDAX index effective June 20, 2016. In addition, STOXX Ltd., a subsidiary of Deutsche Börse AG, has included Schaeffler AG in its STOXX Europe 600 index. This change became effective as of the start of trading on September 19, 2016.

Annual general meeting passes resolution to pay a special dividend

Schaeffler AG's first annual general meeting since the listing, which was held on April 22, 2016, passed a resolution to pay a dividend of EUR 0.34 per common share and EUR 0.35 per common non-voting share to Schaeffler AG's shareholders for 2015. This represents a dividend of 28.9 % of net income attributable to shareholders before special items. In addition, the company paid a special dividend of EUR 0.15 per common share and per common non-voting share for 2015.

Capital structure improved

In connection with the successful refinancing transaction completed at the level of IHO Holding, a group of holding companies owned indirectly by the Schaeffler family, rating agency Moody's upgraded Schaeffler AG's company rating to Baa3 (investment grade) on September 07, 2016. Schaeffler AG received approximately EUR 1.7 bn when its loan receivable from IHO Holding was prepaid in connection with the refinancing transaction. As a result, Schaeffler AG has achieved its objective of reducing its debt to EBITDA ratio (net debt in relation to EBITDA before special items) to less than 1.5x by 2018 two years ahead of schedule and significantly increased its financial flexibility. The proceeds of the loan prepayment referred to above were used to redeem one USD-denominated bond series and two EUR-denominated bond series in October 2016.

Program "CORE"

On November 07, 2016, the Board of Managing Directors of Schaeffler AG decided to step up its efficiency measures aimed at revitalizing the Industrial division. Following the first wave of cost reduction measures comprising the program "CORE", which focus on Germany and have largely been implemented, the second wave of measures initiated in November 2016 also covers regions outside of Germany as well as functional areas that are not directly part of the Industrial division. The measures are designed to improve the results of the entire Industrial division for the long-term by further streamlining its structure and reducing production and administrative costs.

See chapter entitled "Business activities" – Divisions for further detail.

Strategy "Mobility for tomorrow"

On November 09, 2016, Schaeffler AG presented its strategy "Mobility for tomorrow" to the public; the strategy was developed over the course of 2016 and was approved by the Board of Managing Directors and the Supervisory Board.

[4] Earnings per share were calculated in accordance with IAS 33. As the common non-voting shares newly issued in October 2015 (66 million shares) participated in profits for the entire year 2015, earnings per common non-voting share for 2015 were calculated using proportionate net income based on 166 million common non-voting shares.

Based on 4 significant megatrends and the resulting Focus Areas (1) eco-friendly drives, (2) urban mobility, (3) interurban mobility, and (4) energy chain, Schaeffler has defined the other elements of its strategy "Mobility for tomorrow". These elements consist of 8 Strategic Pillars defining the company's scope for strategic action over the years to come, the excellence program "Agenda 4 plus One" comprising 16 Strategic Initiatives that will help execute the strategy, and the Financial Ambitions 2020.

For further detail on the strategy "Mobility for tomorrow" at: www.schaeffler.com

See chapter entitled "Group strategy and management" for further detail.

Business portfolio adjusted

Following the successful realignment of its capital structure and its renewed financial flexibility resulting from the reduced level of debt, the Schaeffler Group will no longer rely only on purely organic growth. The company will generally focus on acquisitions related to the future-oriented fields of E-Mobility, Industry 4.0, and digitalization.

In this vein, Schaeffler acquired electric motor manufacturer Compact Dynamics GmbH from SEMIKRON International GmbH at the end of 2016 with a view to strengthening the company's expertise in order to expand its E-mobility activities. Compact Dynamics GmbH based in Starnberg, Germany, is a development specialist in the field of innovative electric drive concepts with a focus on high-performance drives and integrated lightweight construction in small volume production and motor sport applications. At the same time, Schaeffler and SEMIKRON agreed to cooperate on developing power electronics systems and integrating power electronics components. The acquisition and the collaboration expand Schaeffler's expertise in the field of electric motors and power electronics for developing and manufacturing electric drives, opening up new opportunities for growth. On the other hand, Schaeffler has proactively streamlined its production portfolio by disposing of its fine blanking activities in Switzerland and selling Schaeffler Motorenelemente AG & Co. KG in Magdeburg.

Changes in Board membership

At its meeting on March 11, 2016, Schaeffler AG's Supervisory Board appointed Matthias Zink to the Board of Managing Directors of Schaeffler AG and the position of Co-CEO of the Automotive division effective January 01, 2017. Matthias Zink will succeed Norbert Indlekofer, whose contract was not extended at his own request. The Supervisory Board also decided to extend the contract of Prof. Dr. Peter Pleus, also Co-CEO of the Automotive division, by a further two years until December 31, 2018.

Results of operations compared to outlook 2016

The Schaeffler Group has achieved its outlook for 2016.

Comparison to outlook 2016 No. 041

	Actual 2015	Outlook 2016	Actual 2016
Revenue growth compared with prior year [1]	3.5 %	3 to 5 %	3.4 %
EBIT margin before special items	12.7 %	12 to 13 %	12.7 %
Free cash flow	EUR 370 m	~ EUR 600 m	EUR 735 m

[1] Excluding the impact of currency translation.

The Schaeffler Group had issued guidance regarding revenue growth of 3 to 5 % for 2016, excluding the impact of currency translation. This guidance was based on the expectation that its Automotive division would continue to grow faster than global automobile production of passenger cars and light commercial vehicles in 2016. The company also assumed that its Industrial division would experience flat or slightly declining revenue levels in 2016, as the economic environment in certain sectors was still strained. Excluding the impact of currency translation, the Schaeffler Group's revenue grew by 3.4 % in 2016. Thus, Schaeffler has met its revenue target for 2016. Excluding the impact of currency translation, the Automotive division increased its revenue by 6.0 % from 2015, outpacing the global production of passenger cars and light commercial vehicles which grew by 4.8 % in 2016. The Industrial division, on the other hand, reported a decline in revenue of 4.8 % in 2016, excluding the impact of currency translation.

The Schaeffler Group generated an EBIT margin before special items of 12.7 % in 2016. Thus, the return for 2016 remained high, falling in the top third of the range of 12 to 13 % contained in the outlook.

Free cash flow for 2016 amounted to EUR 735 m, considerably higher than the outlook for 2016 of approximately EUR 600 m. The reason was improved cash flow from operations.

Schaeffler Group

Revenue EUR 13,338 m

22.5 %
Industrial

77.5 %
Automotive

EBIT margin before special items 12.7 %

Group continued along successful course in 2016 // Revenue and operating results increased once more compared to prior year // Revenue growth 3.4 % at constant currency // EBIT before special items at EUR 1.7 bn // Strong year for Automotive division; Industrial division earnings declined // R&D activities for electric mobility expanded considerably

Schaeffler Group earnings No. 042

in € millions	2016	2015	Change in %
Revenue	**13,338**	**13,179**	**1.2**
• at constant currency			3.4
Revenue by division			
Automotive	10,333	9,977	3.6
• at constant currency			6.0
Industrial	3,005	3,202	-6.2
• at constant currency			-4.8
Revenue by region [1]			
Europe	7,077	7,027	0.7
• at constant currency			1.8
Americas	2,800	2,901	-3.5
• at constant currency			0.1
Greater China	2,053	1,898	8.2
• at constant currency			13.3
Asia/Pacific	1,408	1,353	4.1
• at constant currency			4.7
Cost of sales	-9,552	-9,448	1.1
Gross profit	**3,786**	**3,731**	**1.5**
• in % of revenue	28.4	28.3	-
Research and development expenses	-751	-673	11.6
Selling expenses	-915	-920	-0.5
Administrative expenses	-428	-407	5.2
Earnings before financial result and income taxes (EBIT)	**1,556**	**1,402**	**11.0**
• in % of revenue	11.7	10.6	-
Special items [2]	144	274	-47.4
EBIT before special items	**1,700**	**1,676**	**1.4**
• in % of revenue	12.7	12.7	-
Financial result	-341	-547	-37.7
Income taxes	-343	-250	37.2
Net income [3]	859	591	45.3
Earnings per common non-voting share (basic/diluted, in €) [4]	1.30	1.28	1.6

[1] Based on market (customer location).
[2] Please refer to page 48 for the definition of special items.
[3] Attributable to shareholders of the parent company.
[4] Earnings per share were calculated in accordance with IAS 33.

2.3 Earnings

Schaeffler Group earnings

Revenue grew by 1.2 % to EUR 13,338 m in 2016 (prior year: EUR 13,179 m). Excluding the impact of currency translation, revenue grew by 3.4 %. The Automotive division contributed revenue growth of 6.0 % excluding the impact of currency translation, exceeding global growth in the production of passenger cars and light commercial vehicles of 4.8 %. The Industrial division, on the other hand, reported a decline in revenue of 4.8 % excluding the impact of currency translation.

Revenue in Schaeffler's Europe region was up by 0.7 % (+1.8 % at constant currency), with the added revenue in the Automotive division more than offsetting a slight decline in Industrial division revenue. The Americas region reported a drop in revenue of 3.5 %, (+0.1 % at constant currency). Considerably lower Industrial revenue in the U.S., primarily attributable to weak momentum in oil and gas production, held back this region's revenue. The revenue trend in the Greater China and Asia/Pacific regions remained positive. These regions' revenue increased by a total of 8.2 % (+13.3 % at constant currency) in Greater China and 4.1 % (+4.7 % at constant currency) in Asia/Pacific, despite the adverse impact of currency translation and a significant decline in the Industrial division.

Cost of sales increased by 1.1 % to EUR 9,552 m (prior year: EUR 9,448 m) in 2016. Gross profit improved by 1.5 % or EUR 55 m to EUR 3,786 m (prior year: EUR 3,731 m) and, consequently, gross margin of 28.4 % (prior year: 28.3 %) came in slightly above the prior year level. The Automotive division gross margin increased by 0.7 % to 28.5 % (prior year: 27.8 %), while the Industrial division's gross margin fell 2.2 percentage points to 27.8 % (prior year: 30.0 %).

Research and development expenses increased significantly by 11.6 % to EUR 751 m in 2016 (prior year: EUR 673 m) which represents an R&D ratio of 5.6 % (prior year: 5.1 %) of revenue. Apart from inflation-related cost increases, the increase is primarily attributable to a focused expansion of the headcount in connection with the strategic direction of the research and development activities of the Automotive division, as a result of, among other things, stepped-up activities in the field of E-mobility.

Research and development expenses No. 043

	2012	2013	2014	2015	2016
Research and development expenses (in € millions)	593	611	622	673	751
Research and development expenses (in % of revenue)	5.3 %	5.5 %	5.1 %	5.1 %	5.6 %
Number of research and development staff [1]	6,098	6,039	6,387	6,650	7,121

[1] Averages.

Selling and administrative expenses of EUR 1,343 m were slightly above prior year (prior year: EUR 1,327 m). Total functional costs rose by 4.7 % to EUR 2,094 m (prior year: EUR 2,000 m), growing to 15.7 % of revenue (prior year: 15.2 %).

EBIT increased by EUR 154 m or 11.0 % to EUR 1,556 m (prior year: EUR 1,402 m) during the reporting period. The Schaeffler Group's EBIT margin was 11.7 % (prior year: 10.6 %). In 2016, the Schaeffler Group's EBIT was adversely affected by EUR 144 m in special items (prior year: EUR 274 m), including EUR 86 m in special items for legal cases resulting from provisions for claims for damages in antitrust cases and for other compliance cases. In addition, the company recognized restructuring expenses of EUR 45 m for the stepped-up efficiency measures aimed at revitalizing the Industrial division – as part of the second wave of the program "CORE" – in 2016. Streamlining the production portfolio resulted in other special items of EUR 13 m. Prior year EBIT had been adversely affected by a EUR 238 m provision for legal cases recognized for potential third party claims in connection with the EU antitrust proceedings finalized in March 2014. In addition, prior year earnings were adversely affected by EUR 36 m in restructuring expenses related to the realignment of the Industrial division. The company's EBIT before special items amounted to EUR 1,700 m (prior year: EUR 1,676 m) in 2016, and its EBIT margin to 12.7 % (prior year: 12.7 %). An improvement in Automotive division gross margin more than offset the market-driven decline in the Industrial division's return as well as higher research and development expenses.

The Schaeffler Group's financial result improved by EUR 206 m to EUR -341 m (prior year: EUR -547 m) in 2016, and included EUR 158 m (prior year: EUR 196 m) in one-time charges incurred in connection with refinancing transactions in 2016.

Schaeffler Group financial result No. 044

in € millions	2016	2015
Interest expense on financial debt [1)]	-286	-513
Interest income on shareholder loans	49	72
Foreign exchange gains and losses	-12	-224
Fair value changes and compensation payments on derivatives	-21	234
Fair value changes on embedded derivatives	-30	-79
Interest income and expense on pensions and partial retirement obligations	-45	-42
Other	4	5
Total	**-341**	**-547**

[1)] Incl. amortization of transaction costs and prepayment penalties.

Interest expense on financial debt amounted to EUR 286 m in 2016 (prior year: EUR 513 m) and includes EUR 48 m in prepayment penalties and EUR 31 m in deferred transaction costs derecognized. Please refer to the chapter entitled "Financial debt" for further detail. The prior year amount included a prepayment penalty of EUR 173 m and EUR 23 m in deferred transaction costs derecognized in connection with the early redemption of bonds.

Interest income on loans to a shareholder, IHO Verwaltungs GmbH (until September 27, 2016: Schaeffler Verwaltung Zwei GmbH), was EUR 49 m (prior year: EUR 72 m).

Net foreign exchange losses on financial assets and liabilities amounted to EUR 12 m (prior year: EUR 224 m) and resulted primarily from translating financing instruments denominated in U.S. Dollar to Euro. The company has hedged these instruments using cross-currency derivatives and has reported the resulting losses of EUR 21 m (prior year: gains of EUR 234 m) under fair value changes and compensation payments on derivatives. The losses largely related to the early termination of cross-currency derivatives.

Changes in the fair value of embedded derivatives, primarily prepayment options for external financing instruments, resulted in net losses of EUR 30 m (prior year: EUR 79 m), including EUR 79 m in losses related to prepayment options written off in connection with the refinancing transactions in 2016, partially offset by EUR 49 m in gains resulting from changes in the fair value of the remaining prepayment options.

Income tax expense amounted to EUR 343 m in 2016 (prior year: EUR 250 m), resulting in an effective tax rate of 28.2 % (prior year: 29.2 %)

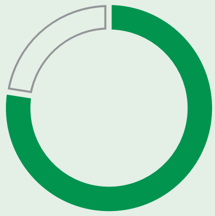
Net income attributable to shareholders of the parent company for 2016 was EUR 859 m (prior year: EUR 591 m). Net income before special items amounted to EUR 962 m (prior year: EUR 785 m). The Board of Managing Directors and the Supervisory Board will propose a dividend for 2016 of EUR 0.49 (prior year: EUR 0.34; special dividend EUR 0.15) per common share and EUR 0.50 (prior year: EUR 0.35; special dividend EUR 0.15) per common non-voting share to the annual general meeting. This represents a dividend of 34.1 % (prior year: 28.9 %) of net income attributable to shareholders before special items.

Basic and diluted earnings per common share increased to EUR 1.29 (prior year: EUR 0.88) in 2016. Basic and diluted earnings per common non-voting share amounted to EUR 1.30 (prior year: EUR 1.28). The number of shares used to calculate earnings per common share and earnings per common non-voting share was 500 million (prior year: 500 million) and 166 million (prior year: 116 million), respectively. [5]

[5] Earnings per share were calculated in accordance with IAS 33. As the common non-voting shares newly issued in October 2015 (66 million shares) participated in profits for the entire year 2015, earnings per common non-voting share for all of 2015 were calculated using proportionate net income based on 166 million common non-voting shares.

Automotive division

Revenue EUR 10,333 m



77.5 %
of group revenue

EBIT margin before special items 14.4 %

Profitable growth continued – both revenue and operating results before special items increased further // Revenue increased by 6.0 % at constant currency // Growth outpaces increase in global production volumes of passenger cars and light commercial vehicles // Revenue growth in all business divisions – strong Aftermarket business // R&D activities for electric mobility expanded considerably

Automotive division earnings No. 045

in € millions	2016	2015	Change in %
Revenue	**10,333**	**9,977**	**3.6**
• at constant currency			6.0
Revenue by business division			
BD Engine Systems	2,643	2,596	1.8
• at constant currency			3.3
BD Transmission Systems	4,349	4,211	3.3
• at constant currency			5.6
BD Chassis Systems	1,531	1,465	4.5
• at constant currency			6.3
BD Automotive Aftermarket	1,810	1,705	6.2
• at constant currency			10.8
Revenue by region 1)			
Europe	5,304	5,211	1.8
• at constant currency			2.9
Americas	2,238	2,301	-2.7
• at constant currency			1.3
Greater China	1,675	1,420	18.0
• at constant currency			24.3
Asia/Pacific	1,116	1,045	6.8
• at constant currency			7.3
Cost of sales	-7,383	-7,206	2.5
Gross profit	**2,950**	**2,771**	**6.5**
• in % of revenue	28.5	27.8	-
Research and development expenses	-613	-536	14.4
Selling and administrative expenses	-828	-814	1.7
EBIT	**1,383**	**1,135**	**21.9**
• in % of revenue	13.4	11.4	-
Special item 2)	108	238	-54.6
EBIT before special items	**1,491**	**1,373**	**8.6**
• in % of revenue	14.4	13.8	-

Prior year information presented based on 2016 segment structure.
1) Based on market (customer location).
2) Please refer to page 48 for the definition of special items.

Automotive division earnings

Automotive division revenue increased by 3.6 % to EUR 10,333 m (prior year: EUR 9,977 m) in 2016. At constant currency, the growth rate was 6.0 %. Thus, the business once again expanded faster than global production volumes for passenger cars and light commercial vehicles, which grew by 4.8 % in 2016. The growth rate in excess of the rise in global automobile production was primarily due to an increase in the value of Schaeffler products installed per vehicle. From a regional perspective, the positive revenue trend was primarily attributable to double-digit growth in Greater China. The Aftermarket was also very successful.

Overall, revenue trends varied widely across market regions in 2016. The Europe region reported 1.8 % (+2.9 % at constant currency) in additional revenue, slightly less than average regional growth in production volumes (+5.2 %). The Americas region reported a decline in revenue of 2.7 % for the reporting period due to the adverse impact of currency translation. The region's revenue increased slightly by 1.3 % at constant currency while automobile production remained flat with prior year. The Automotive division once again significantly expanded its revenue in the Greater China region, mainly as a result of product ramp-ups and higher demand driven by tax incentives provided by the Chinese government. The Automotive division generated 18.0 % (+24.3 % at constant currency) in additional revenue in Greater China while regional vehicle production increased by 13.9 %. The reasons for the increase in Asia/Pacific region revenue by 6.8 % (+7.3 % at constant currency) included product ramp-ups, with vehicle production there declining by 2.8 %.

The Automotive division business is organized in the Engine Systems, Transmission Systems, Chassis Systems, and Automotive Aftermarket business divisions (BD), all of which reported revenue growth in 2016.

The **Engine Systems BD** generated revenue growth of 1.8 % (+3.3 % at constant currency) during the year. This growth was primarily buoyed by the start of volume production of the electromechanical camshaft phasing system within the camshaft phasing units product group. The accessory drive product group and the innovative thermal management module, which helps reduce fuel consumption and CO_2 emissions, also generated considerable additional revenue. Fully variable valve train systems (predominantly Multiair), on the other hand, experienced a significant decline in revenue, primarily as a result of the main customer in North America requiring less volume of this product due to shifts in product mix.

Transmission Systems BD revenue rose by 3.3 % (+5.6 % at constant currency), driven by higher volumes in the dual-mass flywheel product group and for components for automated transmissions, such as torque converters and dual clutches. In addition, the Automotive division also significantly increased sales of clutches and gearing components used in manual transmissions. On the other hand, continuously variable transmissions (CVT) declined, mainly due to the end of a project.

The **Chassis Systems BD** generated revenue growth of 4.5 % (+6.3 % at constant currency) mainly based on the solid performance of the newest generation of wheel bearings, highly integrated units containing mounting brackets for the brake disk, rim, and wheel carrier that ensure top running accuracy. Volume production of the electromechanical active roll control also considerably increased revenue in the chassis actuators product group.

The **Automotive Aftermarket BD** increased revenue by 6.2 % (+10.8 % at constant currency) in 2016. The increase was primarily due to higher sales in the Americas and Europe regions. Reasons for the additional revenue in Americas included increased requirements of automobile manufacturers (OES customers). In Europe, business expanded particularly in Eastern Europe as well as in Southern and Western Europe. The higher revenue was primarily attributable to increased market coverage.

Cost of sales increased by 2.5 % to EUR 7,383 m (prior year: EUR 7,206 m) in 2016. In total, the Automotive division improved its gross profit by EUR 179 m or 6.5 % to EUR 2,950 m (prior year: EUR 2,771 m). The division's gross margin of 28.5 % was ahead of the prior year period (prior year: 27.8 %). The Automotive division has thus continued its profitable growth, more than offsetting cost increases, primarily due to collectively bargained wage and salary increases, and the adverse impact of foreign currency translation with the favorable impact of higher volumes and a better revenue mix as well as lower raw materials costs.

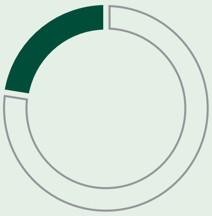
Functional costs increased 6.7 % to EUR 1,441 m (prior year: EUR 1,350 m), rising slightly to 13.9 % of revenue (prior year: 13.5 %). The main driver of this increase was the rise in research and development expenses by 14.4 % to EUR 613 m (prior year: EUR 536 m) or 5.9 % (prior year: 5.4 %) of revenue, reflecting increased activities in the field of electric mobility, which has already won several volume production orders. Selling and administrative expenses of EUR 828 m were slightly ahead of prior year (+1.7 %; prior year: EUR 814 m).

Automotive division EBIT grew by 21.9 % to EUR 1,383 m (prior year: EUR 1,135 m) during the reporting period, and its EBIT margin increased to 13.4 % (prior year: 11.4 %). In 2016, EBIT was adversely affected by EUR 108 m in special items (prior year: EUR 238 m), including EUR 82 m in special items for legal cases resulting from provisions for claims for damages in antitrust cases and other compliance cases. In addition, the division recognized EUR 13 m in restructuring expenses affecting the Automotive division as part of the second wave of the program "CORE" (consolidation of shared functions and plant structures). Streamlining the production portfolio resulted in other special items of EUR 13 m. Prior year EBIT had been adversely affected by a EUR 238 m provision for legal cases recognized for potential third party claims in connection with the EU antitrust proceedings finalized in March 2014. EBIT before special items increased by EUR 118 m to EUR 1,491 m (prior year: EUR 1,373 m), improving the division's EBIT margin by 0.6 percentage points to 14.4 % (prior year: 13.8 %). The increase in EBIT margin before special items was due to the favorable impact of higher volumes and a better revenue mix, partially offset mainly by higher research and development expenses and the adverse impact of currency translation.

Industrial division

Revenue EUR 3,005 m

22.5 %
of group revenue



EBIT margin before special items 7.0 %

Market environment remains strained // Revenue declined by 4.8 % at constant currency // Considerably lower demand in the Greater China region // Low demand, especially in the raw materials and rail sectors // Operating results still adversely affected by low sales volume // EBIT before special items at EUR 209 m // Efficiency and cost saving measures executed as planned // Second wave of program “CORE” initiated

Industrial division earnings No. 046

in € millions	2016	2015	Change in %
Revenue	**3,005**	**3,202**	**-6.2**
• at constant currency			-4.8
Revenue by region [1]			
Europe	1,773	1,816	-2.4
• at constant currency			-1.3
Americas	562	600	-6.3
• at constant currency			-4.6
Greater China	378	478	-20.9
• at constant currency			-18.8
Asia/Pacific	292	308	-5.2
• at constant currency			-4.1
Cost of sales	-2,169	-2,242	-3.3
Gross profit	**836**	**960**	**-12.9**
• in % of revenue	27.8	30.0	-
Research and development expenses	-138	-137	0.7
Selling and administrative expenses	-515	-513	0.4
EBIT	**173**	**267**	**-35.2**
• in % of revenue	5.8	8.3	-
Special items [2]	36	36	0.0
EBIT before special items	**209**	**303**	**-31.0**
• in % of revenue	7.0	9.5	-

Prior year information presented based on 2016 segment structure.
[1] Based on market (customer location).
[2] Please refer to page 48 for the definition of special items.

Industrial division earnings

Industrial division revenue decreased by 6.2 % to EUR 3,005 m (prior year: EUR 3,202 m) in 2016. Excluding the impact of currency translation, the division reported a revenue decline of 4.8 %.

The Industrial business is primarily managed based on regions. On this basis, the Europe, Americas, Greater China, and Asia/Pacific regions operate as profit centers responsible for the Industrial business in their respective markets. Within the regions, the Industrial business is grouped into eight sectors: wind, raw materials, aerospace, rail, offroad, two wheelers, power transmission, and industrial automation. Sales to distributors (Industrial Distribution) round out the Industrial division's regional business.

The market environment of the Industrial division remained strained in 2016. Commodity and oil prices remained relatively low, weakening demand on the customer side and, in turn, adversely affecting the performance of the raw materials and power transmission sectors to a significant degree. Sharp revenue declines in the rail sector also had an adverse effect on the division's revenue trend. Although Industrial Distribution revenue recovered slightly over the course of 2016, it still lagged considerably behind the prior year for the reporting period as a whole. The offroad and industrial automation sectors also reported slightly lower revenue. However, revenue in the division's wind, two wheelers, and aerospace sectors increased.

Revenue in Schaeffler's **Europe region** fell by 2.4 % (-1.3 % at constant currency). Revenue trends varied widely across individual sectors. The raw materials sector business reported considerably lower revenue due to weak market conditions. The rail and power transmission sectors as well as Industrial Distribution similarly reported considerably lower revenue than in the prior year. The offroad and industrial automation sectors were nearly in line with prior year. However, revenue in the wind, two wheelers, and aerospace sectors generated considerable revenue increases. The wind and aerospace sectors generated double-digit growth rates excluding the impact of currency translation.

In the **Americas region**, revenue declined by 6.3 % (-4.6 % at constant currency). This trend was primarily driven by double-digit declines in revenue in the raw materials, rail, and power transmission sectors. These declines are related to the challenging situation in the U.S. markets for these sectors, particularly in the oil and gas industry. Despite recovering somewhat during the year, revenue for the industrial automation sector as well as for Industrial Distribution still fell short of its prior year level. Aerospace sector revenue at constant currency, on the other hand, was almost in line with prior year, and offroad sector revenue rose slightly, excluding the impact of currency translation. The wind and two wheelers sectors generated double-digit growth rates excluding the impact of currency translation.

The **Greater China region** reported a considerable drop in revenue of 20.9 % (-18.8 % at constant currency). Except for the wind sector, which reported only a minor decline in revenue, all significant sectors as well as Industrial Distribution saw double-digit declines in revenue due to weak market requirements, reduced investing activity, and the resulting pressure on market prices.

The decrease in revenue for the **Asia/Pacific region** by 5.2 % (-4.1 % at constant currency) was primarily attributable to Industrial Distribution and the raw materials sector. The aerospace, two wheelers, and industrial automation sectors, on the other hand, reported slightly higher revenue.

Industrial division cost of sales decreased by 3.3 % to EUR 2,169 m (prior year: EUR 2,242 m). Gross profit declined by EUR 124 m or 12.9 % to EUR 836 m (prior year: EUR 960 m) and, consequently, gross margin fell by 2.2 percentage points to 27.8 % (prior year: 30.0 %). The decrease was attributable to lower volumes, the resulting lower utilization of production capacities, and a less profitable revenue mix. However, lower raw materials prices had a positive effect on gross margin.

Functional costs of EUR 653 m (prior year: EUR 650 m) in 2016 were in line with prior year. The cost reduction measures of the program "CORE" approximately offset inflation-related increases in costs, particularly in personnel expenses. Functional costs as a percentage of revenue rose to 21.7 % (prior year: 20.3 %). Research and development expenses amounted to EUR 138 m (prior year: EUR 137 m), and selling and administrative expenses were EUR 515 m (prior year: EUR 513 m).

Industrial division EBIT declined to EUR 173 m (prior year: EUR 267 m) in 2016. The division's EBIT margin deteriorated to 5.8 % (prior year: 8.3 %). In 2016, the division's EBIT was adversely affected by EUR 36 m in special items (prior year: EUR 36 m), including EUR 32 m in restructuring expenses for the stepped-up efficiency measures aimed at revitalizing the Industrial division as part of the second wave of the program "CORE". In addition, the division recognized EUR 4 m in expenses for legal cases in 2016. This compares to EUR 36 m in restructuring expenses recognized in the prior year for the realignment of the Industrial division. The division's EBIT before special items amounted to EUR 209 m (prior year: EUR 303 m) in 2016, and its EBIT margin was 7.0 % (prior year: 9.5 %). The decrease in EBIT was primarily due to the adverse impact of lower volumes and a less favorable revenue mix.

Performance indicators and special items

EBIT, EBITDA, debt to EBITDA ratio, ROCE, and Schaeffler Value Added and the corresponding amounts before special items are indicators that are not defined in International Financial Reporting Standards (IFRS). Therefore, these indicators should be considered supplementary information.

The key indicators used in evaluating the company's operations are EBIT and the EBIT margin. In addition, the company calculates EBITDA, which represents EBIT before amortization of intangible assets, depreciation of property, plant and equipment, and impairment losses. EBITDA is primarily used to calculate the debt to EBITDA ratio. This ratio is used to evaluate the financing structure and is the ratio of net financial debt to EBITDA, where net financial debt is defined as the sum of current and non-current financial debt net of cash and cash equivalents. The Schaeffler Group's key value-based performance indicator is return on capital employed (ROCE) as well as Schaeffler Value Added, which is closely linked to ROCE. ROCE corresponds to EBIT in relation to average capital employed. Average capital employed is calculated as the sum of property, plant and equipment, intangible assets, and working capital, which in turn comprises trade receivables and inventories net of trade payables. The annual average is determined as the mathematical average of the balance at the end of each of the four quarters. Schaeffler Value Added is calculated as EBIT less the cost of capital. Cost of capital is calculated by applying the minimum return of 10 % p.a. (before tax) set by the Board of Managing Directors and the Supervisory Board to the average capital employed during the year.

In order to make the evaluation of the company's results of operations as transparent as possible, the Schaeffler Group reports the indicators described above before special items. Special items are items which the Board of Managing Directors considers to render the financial indicators less meaningful for evaluating the sustainability of the Schaeffler Group's profitability due to their nature, frequency, and/or size. Net income attributable to shareholders of the parent company before special items in EBIT is also presented in order to facilitate calculating the payout ratio. In addition to presenting special items, the company also aims to make the evaluation of the company's results of operations as transparent as possible by presenting its revenue figures excluding the impact of currency translation. Revenue figures at constant currency, i.e. excluding the impact of currency translation, are calculated by translating functional currency revenue using the same exchange rate for both the current and the prior year or comparison reporting period.

In 2016, special items relate primarily to issues in the categories legal cases, restructuring, and other.

Reconciliation No. 047

	Total		Automotive		Industrial	
in € millions	2016	2015	2016	2015	2016	2015
EBIT	**1,556**	**1,402**	**1,383**	**1,135**	**173**	**267**
• in % of revenue	11.7	10.6	13.4	11.4	5.8	8.3
Special items	**144**	**274**	**108**	**238**	**36**	**36**
• Legal cases	86	238	82	238	4	0
• Restructuring	45	36	13	0	32	36
• Other	13	0	13	0	0	0
EBIT before special items	**1,700**	**1,676**	**1,491**	**1,373**	**209**	**303**
• in % of revenue	12.7	12.7	14.4	13.8	7.0	9.5
EBITDA	**2,293**	**2,096**				
Special items	**144**	**274**				
• Legal cases	86	238				
• Restructuring	45	36				
• Other	13	0				
EBITDA before special items	**2,437**	**2,370**				
Net income [1)]	**859**	**591**				
Special items	**144**	**274**				
• Legal cases	86	238				
• Restructuring	45	36				
• Other	13	0				
– Tax effect [2)]	-41	-80				
Net income before special items [1)]	**962**	**785**				
Net financial debt	2,636	4,889				
/ EBITDA	2,293	2,096				
Debt to EBITDA ratio	**1.1**	**2.3**				
Net financial debt	2,636	4,889				
/ EBITDA before special items	2,437	2,370				
Debt to EBITDA ratio before special items	**1.1**	**2.1**				
EBIT	1,556	1,402				
/ Average capital employed	7,848	7,455				
ROCE (in %)	**19.8**	**18.8**				
EBIT before special items	1,700	1,676				
/ Average capital employed	7,848	7,455				
ROCE before special items (in %)	**21.7**	**22.5**				
EBIT	1,556	1,402				
– Cost of capital	785	745				
Schaeffler Value Added	**771**	**657**				
EBIT before special items	1,700	1,676				
– Cost of capital	785	745				
Schaeffler Value Added before special items	**915**	**931**				

1) Attributable to shareholders of the parent company.
2) Based on the groups effective tax rate for the relevant year.

2.4 Financial position and finance management

Cash flow and liquidity

The Schaeffler Group generated free cash flow of EUR 735 m (prior year: EUR 370 m) in 2016.

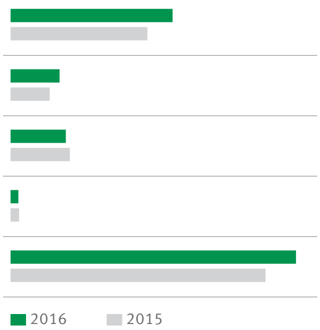
Cash flow No. 048

in € millions	2016	2015	Change in %
Cash flows from operating activities	1,876	1,372	36.7
Cash used in investing activities	-1,141	-1,002	13.9
Free cash flow	**735**	**370**	**98.6**
Cash used in financing activities	-466	-212	› 100
Net increase in cash and cash equivalents	**269**	**158**	**70.3**
Effects of foreign exchange rate changes on cash and cash equivalents	3	5	-40.0
Cash and cash equivalents as at beginning of period	799	636	25.6
Cash and cash equivalents	**1,071**	**799**	**34.0**

The increase in cash flows from operating activities by EUR 504 m to EUR 1,876 m (prior year: EUR 1,372 m) was mainly the result of significantly lower interest payments as well as higher EBITDA. Net interest paid and received amounted to EUR -181 m (prior year: EUR -465 m). The company paid EUR 327 m (prior year: EUR 358 m) in income taxes. Cash outflows related to expanding working capital amounted to EUR 22 m and were lower than the prior year amount of EUR 116 m.

Capital expenditures on property, plant and equipment and intangible assets (capex) amounted to EUR 1,146 m (prior year: EUR 1,025 m) in 2016. The capex ratio was 8.6 % (prior year: 7.8 %) of consolidated revenue in 2016. Capital expenditures of EUR 657 m (prior year: EUR 556 m) related to the Europe Region, EUR 234 m (prior year: EUR 250 m) to Greater China, EUR 209 m (prior year: EUR 170 m) to Americas, and EUR 46 m (prior year: EUR 49 m) to Asia/Pacific. In order to strengthen its competitive position, the Schaeffler Group primarily invested in expanding capacity and in equipment and machinery for product start-ups.

Capital expenditures by region (Capex) No. 049



	in € millions	Change in %
Europe	**657** / 556	18.2
Americas	**209** / 170	22.9
Greater China	**234** / 250	-6.4
Asia/Pacific	**46** / 49	-6.1
Schaeffler Group	**1,146** / 1,025	11.8

Regions reflect the regional structure of the Schaeffler Group.

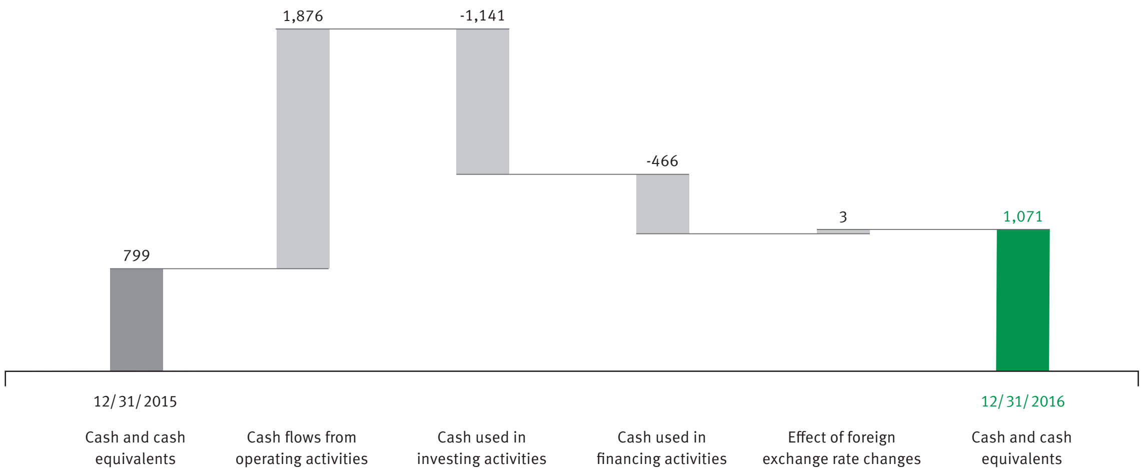
These developments resulted in free cash flow of EUR 735 m (prior year: EUR 370 m) for 2016.

EUR 466 m in net cash was used in financing activities (prior year: EUR 212 m) during the year, including cash provided by the prepayment in full of a loan receivable by Schaeffler AG from its shareholder IHO Verwaltungs GmbH of EUR 1,773 m (prior year: EUR 197 m). These funds were used to redeem bonds with a principal of EUR 1,756 m in the fourth quarter. EUR 1.0 bn in cash was provided to the Schaeffler Group by a new Facilities Agreement signed in the third quarter of 2016; these funds were used to repay the two remaining institutional term loans totaling EUR 418 m, and to redeem the EUR 600 m EUR bond series. A total of EUR 136 m in cash was used for additional repayments and to terminate related cross-currency derivatives. The company paid EUR 329 m in dividends, including EUR 328 m paid to shareholders of Schaeffler AG.

Cash and cash equivalents increased by EUR 272 m to EUR 1,071 m as at December 31, 2016.

Change in cash and cash equivalents No. 050

in € millions



At December 31, 2016, cash and cash equivalents amounted to EUR 1,071 m (prior year: EUR 799 m) and consisted primarily of bank balances. EUR 325 m (prior year: EUR 198 m) of this amount related to countries with foreign exchange restrictions and other legal restrictions. In addition, the Schaeffler Group has a revolving line of credit of EUR 1.3 bn (prior year: EUR 1.0 bn), of which EUR 13 m (EUR 24 m) were utilized at December 31, 2016, primarily in the form of letters of credit.

Financial debt

The group's net financial debt was reduced by EUR 2,253 m to EUR 2,636 m (prior year: EUR 4,889 m), primarily as a result of the prepayment in full of a loan receivable from the company's shareholder IHO Verwaltungs GmbH of EUR 1,674 m in September 2016. In May 2016, IHO Verwaltungs GmbH had already repaid approximately EUR 99 m of this loan. The Schaeffler Group used these funds as well as additional available liquidity to prepay financial debt. A significant improvement in free cash flow further reduced net financial debt.

Net financial debt No. 051

in € millions	12/31/2016	12/31/2015	Change in %
Bonds	2,719	5,048	-46.1
Facilities Agreement	982	632	55.4
Other financial debt	6	8	-25.0
Total financial debt	**3,707**	**5,688**	**-34.8**
Cash and cash equivalents	1,071	799	34.0
Net financial debt	**2,636**	**4,889**	**-46.1**

The debt to EBITDA ratio, defined as the ratio of net financial debt to earnings before financial result, income taxes, depreciation and amortization and impairment losses (EBITDA), amounted to 1.1 at December 31, 2016 (prior year: 2.3). The net debt to EBITDA ratio before special items, was 1.1 (prior year: 2.1).

The gearing ratio, the ratio of net debt to equity, was 132.0 % at December 31, 2016 (prior year: 311.8 %).

In May 2016, Schaeffler AG voluntarily prepaid approximately EUR 229 m of its institutional term loans using the proceeds of a partial prepayment of a loan receivable from the company's shareholder IHO Verwaltungs GmbH of approximately EUR 99 m and additional available liquidity.

Schaeffler AG signed a new Facilities Agreement on July 18, 2016. The funds were used to repay the two institutional term loans totaling approximately EUR 418 m still outstanding at that date and to fully redeem EUR bonds totaling EUR 600 m, bearing interest at 4.25 %, and originally due in 2018.

The new Facilities Agreement consists of a EUR 1.0 bn term loan and a EUR 1.3 bn revolving credit facility. Both facilities have a five year maturity plus certain renewal options and are provided by a consortium of 15 international banks. In addition to offering considerably better interest terms, the new Facilities Agreement especially enhanced the Schaeffler Group's operating and financial flexibility by providing for significantly more favorable credit terms and the release of nearly all assets pledged as in rem security, which were subsequently also released from such pledges under the secured bond agreements.

In September 2016, IHO Verwaltungs GmbH prepaid loans payable to Schaeffler AG of approximately EUR 1,674 m. The Schaeffler Group used these funds together with additional available liquidity to redeem three bond series. On October 07, 2016, the company fully redeemed a USD bond series with a principal of USD 850 m, a coupon of 4.75 %, and an original maturity of 2021. On October 13, 2016, the company fully repaid two EUR bond series with a principal of EUR 500 m each, a coupon of 3.25 % and 2.75 %, respectively, and an original maturity of 2019.

In connection with the refinancing of IHO Verwaltungs GmbH, rating agency Moody's announced the separation of the previous Schaeffler Group company rating into two separate company ratings for Schaeffler AG and IHO Verwaltungs GmbH on September 07, 2016. As a result, the Schaeffler AG company rating has improved to Baa3 (investment grade) with a stable outlook. At the same time, Moody's also upgraded the issuance ratings of all bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, to Baa3.

Having upgraded Schaeffler AG's company rating to BB on April 28, 2016, rating agency Standard & Poor's once again raised the rating to BB+ (outlook: stable) on September 21, 2016 in connection with the refinancing of IHO Verwaltungs GmbH referred to above. The issuance ratings of the secured bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, were also improved to BB+ at the same time.

At December 31, 2016, the Schaeffler Group's Facilities Agreement comprised the following tranches:

Facilities Agreement Schaeffler Group No. 052

Tranche	Currency	Face value in millions 12/31/2016	Face value in millions 12/31/2015	Carrying amount in € millions 12/31/2016	Carrying amount in € millions 12/31/2015	Coupon 12/31/2016	Coupon 12/31/2015	Maturity
Senior Term Loan B	EUR	0	250	0	251	n/a	Euribor[1] + 3.50 %	05/15/2020
Senior Term Loan B	USD	0	440	0	392	n/a	Libor[1] + 3.50 %	05/15/2020
Senior Term Loan	EUR	1,000	0	992	0	Euribor[2] + 1.20 %[3]	n/a	07/18/2021
Revolving Credit Facility[4]	EUR	0	1,000	0	-11	n/a	Euribor + 2.6875 %	10/27/2019
Revolving Credit Facility[4]	EUR	1,300	0	-10	0	Euribor[2] + 0.80 %[3]	n/a	07/18/2021
Total				**982**	**632**			

[1] Euribor/Libor floor of 0.75 %.
[2] Euribor floor of 0.00 %.
[3] Since November 10, 2016.
[4] EUR 13 m (December 31, 2015: EUR 24 m) were drawn down as at December 31, 2016, primarily in the form of letters of credit.

In addition, the Schaeffler Group had further lines of credit in the equivalent of approximately EUR 166 m, primarily for the U.S. and China.

The following bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, were outstanding as at December 31, 2016:

Schaeffler Group bonds No. 053

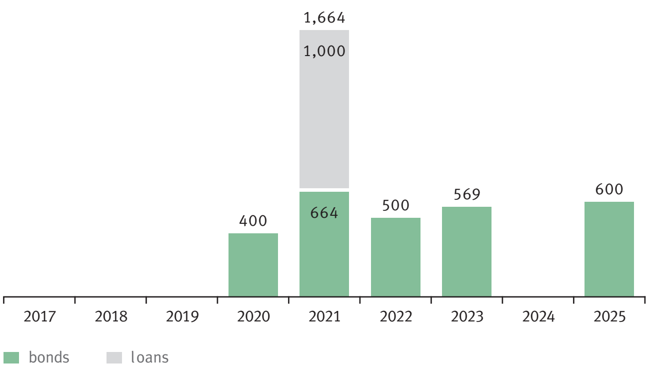
ISIN	Currency	Face value in millions 12/31/2016	Face value in millions 12/31/2015	Carrying amount in € millions 12/31/2016	Carrying amount in € millions 12/31/2015	Coupon	Maturity
XS0923613060 1)	EUR	0	600	0	597	4.25 %	05/15/2018
XS1067864881 2) 3)	EUR	0	500	0	497	3.25 %	05/15/2019
XS1067862919 3)	EUR	0	500	0	497	2.75 %	05/15/2019
XS1212469966	EUR	400	400	397	396	2.50 %	05/15/2020
US806261AJ29	USD	700	700	658	637	4.25 %	05/15/2021
US806261AE32 4)	USD	0	850	0	777	4.75 %	05/15/2021
XS1067864022	EUR	500	500	498	499	3.50 %	05/15/2022
US806261AM57	USD	600	600	571	553	4.75 %	05/15/2023
XS1212470972	EUR	600	600	595	595	3.25 %	05/15/2025
Total				**2,719**	**5,048**		

1) Redeemed in full on August 18, 2016.
2) Bonds are unsecured.
3) Redeemed in full on October 13, 2016.
4) Redeemed in full on October 07, 2016.

The Schaeffler bonds are listed on the Euro MTF market of the Luxembourg Stock Exchange.

The company's maturity profile, which consists of the term loan and the bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, was as follows as at December 31, 2016:

Maturity profile No. 054
Principal outstanding as at December 31, 2016 in € millions



Schaeffler AG's Facilities Agreement requires the group to comply with certain financial covenants. Compliance with these financial covenants is monitored continually and reported to the lending banks on a regular basis. Until Schaeffler AG entered into its new Facilities Agreement on July 18, 2016, the financial covenants consisted of a leverage covenant and an interest cover covenant. The new Facilities Agreement only contains a leverage covenant. The company has complied with the financial covenants as stipulated in the Facilities Agreement throughout 2016.

Finance management

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

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

External group financing is primarily provided by capital market instruments as well as syndicated and bilateral lines of credit from international banks. One such line of credit is a contractually agreed revolving credit facility of EUR 1,300 m available to cover any short- to medium-term liquidity needs. Please refer to section 2.4 “Financial position and finance management” – “Financial debt” for further detail on the various instruments representing the group financing arrangements.

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

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

2.5 Net assets and capital structure

The Schaeffler Group’s total assets decreased by EUR 916 m or 7.3 % to EUR 11,564 m (prior year: EUR 12,480 m) in 2016.

Consolidated statement of financial position (abbreviated) No. 055

in € millions	12/31/2016	12/31/2015	Change in %
Total non-current assets	5,979	7,438	-19.6
Total current assets	5,585	5,042	10.8
Total assets	**11,564**	**12,480**	**-7.3**
Total shareholders equity	1,997	1,568	27.4
Total non-current liabilities	6,361	8,144	-21.9
Total current liabilities	3,206	2,768	15.8
Total assets	**11,564**	**12,480**	**-7.3**

Non-current assets declined by EUR 1,459 m to EUR 5,979 m as at December 31, 2016 (prior year: EUR 7,438 m), primarily due to the prepayment of a loan of EUR 1,773 m that was receivable from the company’s shareholder IHO Verwaltungs GmbH. The decrease was partially offset by a EUR 327 m increase in property, plant and equipment. Additions to intangible assets and property, plant and equipment amounted to EUR 1,115 m and were primarily invested in expanding capacity and in equipment and machinery for product start-ups in the Automotive division. The Automotive division accounted for approximately 81 % of total additions for the reporting period.

Current assets increased by EUR 543 m to EUR 5,585 m (prior year: EUR 5,042 m) in 2016. The increase was largely attributable to the increase in cash and cash equivalents (see “Cash flow”, pp. 49 et seq.). Higher inventories and trade receivables also contributed to the increase in current assets.

Shareholders' equity including non-controlling interests rose by EUR 429 m to EUR 1,997 m as at December 31, 2016 (prior year: EUR 1,568 m). Net income of EUR 872 m increased shareholders' equity. The increase was partially offset by EUR 328 m in dividends paid to Schaeffler AG's shareholders. Shareholders' equity was also reduced by an increase in provisions for pensions and similar obligations due to the reduction in the average discount rate to 2.1 % (December 31, 2015: 2.6 %). The equity ratio was 17.3 % at December 31, 2016 (December 31, 2015: 12.6 %).

Non-current liabilities declined by EUR 1,783 m to EUR 6,361 m as at December 31, 2016 (prior year: EUR 8,144 m), largely due to the redemption in full of a USD bond series with a principal of USD 850 m and two EUR bond series with a principal of EUR 500 m each completed in October 2016. The redemptions were largely funded using the proceeds of the prepayment in full of a loan receivable from the company's shareholder IHO Verwaltungs GmbH as discussed above. Voluntary partial prepayments of institutional loan tranches during the first half of 2016 also reduced non-current financial debt. These decreases were partially offset by an increase in provisions for pensions and similar obligations by EUR 240 m, mainly as a result of lower discount rates.

Current liabilities increased by EUR 438 m to EUR 3,206 m as at December 31, 2016 (prior year: EUR 2,768 m). The increase was largely attributable to higher trade payables and higher other financial liabilities.

The Schaeffler Group's significant off-balance sheet commitments include obligations under operating rental and lease agreements and contingent liabilities. The Schaeffler Group's obligations under non-cancellable operating rental and lease agreements totaled EUR 123 m at December 31, 2016 (prior year: EUR 126 m); obligations under finance leases were insignificant.

2.6 Value management

Ensuring that the Schaeffler Group continues to meet its core business objective of growing profitably in the long-term necessitates a value-based approach to managing its business portfolio. The Schaeffler Group's key value-based performance indicator is return on capital employed (ROCE) as well as Schaeffler Value Added, which is closely linked to ROCE. Neither indicator is directly used in managing the Schaeffler Group's operations, although Schaeffler Value Added represents a key performance criterion within the framework governing the variable short-term remuneration of the Board of Managing Directors and the remuneration at the next-lower levels of management.

See section "Group strategy and management" – "Value-based management" for further detail.

Positive Schaeffler Value Added means that the Schaeffler Group's EBIT exceeds the cost of capital for the period and has added the corresponding amount in value. Cost of capital is calculated by applying the minimum return of 10 % p.a. (before tax) set by the Board of Managing Directors and the Supervisory Board to the average capital employed during the year.

Average capital employed is calculated by adding up the following operating balance sheet items: property, plant and equipment, intangible assets, and working capital, which in turn comprises trade receivables and inventories net of trade payables. The annual average is determined as the mathematical average of the balance at the end of each of the four quarters.

While Schaeffler Value Added is an absolute measure of the value added by the company, return on capital employed – the ratio of EBIT to capital employed – measures the Schaeffler Group's return on capital. Both indicators are determined before special items.

ROCE and Schaeffler Value Added No. 056

	12/31/2016	12/31/2015
EBIT (in EUR m)	1,556	1,402
EBIT before special items (in € millions)	1,700	1,676
Capital employed (in € millions)	7,848	7,455
Cost of capital (in %)	10.0	10.0
Cost of capital (in € millions)	785	745
ROCE (in %)	19.8	18.8
ROCE before special items (in %)	**21.7**	**22.5**
Schaeffler Value Added (in € millions)	771	657
Schaeffler Value Added before special items (in € millions)	**915**	**931**

2.7 Overall assessment of the 2016 business year

The Board of Managing Directors looks back on a successful year 2016. Schaeffler achieved its targets for the three key performance indicators growth, EBIT margin, and free cash flow. The group's revenue growth excluding the impact of currency translation of 3.4 % was within the target corridor of 3 to 5 %. The EBIT margin before special items amounted to 12.7 %, reaching the top third of the targeted range of 12 to 13 %. Free cash flow of EUR 735 m considerably exceeded the target of approximately EUR 600 m.

This encouraging development of the key performance indicators was primarily driven by the strong performance of the Automotive division. This division benefitted from favorable overall conditions in the automotive industry which exceeded expectations, especially in China. In addition, revenue growth in the Automotive division of 6.0 % (at constant currency) outpaced growth in global automobile production. The Automotive EBIT margin before special items increased once again, reaching a very encouraging level of more than 14 %.

The Industrial division, on the other hand, continued to face a challenging market environment marked by declining demand in important sectors, particularly in China. Industrial division revenue declined by 4.8 % excluding the impact of currency translation in 2016. Its EBIT margin before special items declined as well, falling short of the division's plan for 2016 at 7.0 %. Achieving the targeted return for 2018 of 10 to 11 % will be challenging. In light of this, the Board of Managing Directors of Schaeffler AG decided in 2016 to step up its measures for revitalizing the Industrial division – in a second wave of the program "CORE" – in order to put the Industrial division, an integral component of the Schaeffler Group, back on course for long-term success. The measures to improve efficiency and reduce costs initiated in the first wave of the program "CORE" were executed as planned.

In addition, the Board of Managing Directors, cooperating closely with the Schaeffler Group's senior management and the Schaeffler AG Supervisory Board, finalized its strategy discussions and approved the strategy "Mobility for tomorrow" and the "Agenda 4 plus One" excellence program in October 2016. The strategy "Mobility for tomorrow" was backed with ambitious medium-term financial targets for 2020. Since the Schaeffler Group's strategy has been approved, the Board of Managing Directors views key fundamentals for profitable long-term growth and adding value to be in place.

2.8 Net assets, financial position and earnings of Schaeffler AG

Schaeffler AG is a corporation domiciled in Germany with its registered office located at Industriestraße 1-3, 91074 Herzogenaurach. It acts as a management holding company and is responsible for directing the Schaeffler Group and managing its business as well as its financing; it also employs the staff at the Schaeffler Group's corporate head office.

The Board of Managing Directors of Schaeffler AG is responsible for the key management functions of the Schaeffler Group. Schaeffler AG's situation is largely determined by the Schaeffler Group's operating performance.

The following discussion relates to the separate financial statements of Schaeffler AG prepared in accordance with the requirements of the German Commercial Code (HGB) and the German Stock Corporations Act (AktG).

Schaeffler AG earnings

Schaeffler AG earnings No. 057

in € millions	2016	2015	Change in %
Revenue	88	54	63.0
Cost of sales	-84	-51	64.7
Gross profit	**4**	**2**	**100**
General and administrative expenses	-71	-46	54.3
Net other operating income	118	30	>100
Income from equity investments	600	1,119	-46.4
Interest result	-289	-408	-29.2
Income taxes	204	-122	-
Earnings after income tax	**566**	**575**	**-1.6**
Net income for the year	**566**	**575**	**-1.6**
Retained earnings brought forward	0	3,096	- 100
Retained earnings	**566**	**3,671**	**-84.6**

As Schaeffler AG is the ultimate parent company of the Schaeffler Group, it generates revenue from managing the group, including from public relations activities, treasury, legal consulting, tax consulting, compliance, human resources, internal audit, quality management, and general management.

In performing its function as management holding company of the Schaeffler Group, Schaeffler AG incurred EUR 71 m in general and administrative expenses.

The increase in revenue, cost of sales, and administrative expenses over the prior year was due to the transfer of certain employees with group-related responsibilities from a subsidiary to Schaeffler AG.

As part of its financing function, Schaeffler AG performs most of the Schaeffler Group's hedging activities related to currency risk. Foreign exchange gains and losses related to the group's financing arrangements and hedges of currency risk arising from operations represent a significant proportion of net other operating income.

Income from equity investments consisted entirely of the dividend from Schaeffler Technologies AG & Co. KG.

Interest result consists of the following:

Schaeffler AG interest result No. 058

in € millions	2016	2015
Interest expense on financial debt [1]	-329	-543
Fair value changes and compensation payments on derivatives	-10	-14
Interest income and expense on pensions and partial retirement obligations	0	-5
Other	50	154
Total	**-289**	**-408**

[1] Incl. transaction costs.

Interest expense on financial debt amounted to EUR 329 m in 2016 (prior year: EUR 543 m) and included interest paid and accrued on the company's institutional loans of EUR 25 m (prior year: EUR 79 m). The proceeds of the bond issuance, which Schaeffler Finance B.V. transferred to Schaeffler AG via intercompany loans, resulted in interest paid and accrued of EUR 169 m (prior year: EUR 216 m). The prepayment penalty of EUR 48 m (prior year: EUR 177 m) payable in connection with the early redemption of certain bonds was also transferred to Schaeffler AG. Interest expense further included EUR 18 m (prior year: EUR 15 m) in transaction costs and EUR 69 m (prior year: EUR 56 m) in other interest payments. Other included mainly interest income on a loan receivable from the company's shareholder IHO Verwaltungs GmbH.

Income taxes for 2016 amounted to EUR 204 m (prior year: expense of EUR 122 m). This income tax benefit consisted of current tax expense of EUR 109 m (prior year: EUR 58 m) and a deferred tax benefit of EUR 313 m (prior year: expense of EUR 64 m). The deferred tax expense benefit was largely the result of the reduction in deferred tax liabilities recognized on an investment in a partnership within the Schaeffler AG tax group.

Net income for the year amounts to EUR 566 m (prior year: EUR 575 m) in 2016, and equals retained earnings for 2016.

The Board of Managing Directors and the Supervisory Board will propose a dividend for 2016 of EUR 0.49 (prior year: EUR 0.34; special dividend EUR 0.15) per common share and EUR 0.50 (prior year: EUR 0.35; special dividend EUR 0.15) per common non-voting share to the annual general meeting.

Schaeffler AG financial position and net assets

Schaeffler AG financial position and net assets No. 059

in € millions	12/31/2016	12/31/2015	Change in %
ASSETS			
Intangible assets	0	0	0,0
Property, plant and equipment	0	0	0,0
Shares in affiliated companies	14,109	14,109	
Loans receivable from affiliated companies	120	1,798	-93.3
Long-term financial assets	**14,229**	**15,907**	**-10.5**
Fixed assets	**14,229**	**15,907**	**-10.5**
Receivables from affiliated companies	11,506	11,100	3.7
Receivables from entities to which the company is linked by equity ownership	0	0	0.0
Other assets	98	178	-44.9
Receivables and other assets	**11,604**	**11,278**	**2.9**
Cash at banks	**635**	**449**	**41.4**
Current assets	**12,239**	**11,727**	**4.4**
Prepaid expenses and deferred charges	**0**	**0**	**0.0**
Excess of plan assets over post-employment benefit liability	**8**	**6**	**33.3**
Total assets	**26,476**	**27,640**	**-4.2**
SHAREHOLDERS EQUITY AND LIABILITIES			
Share capital	666	666	0.0
Capital reserves	2,359	2,359	0.0
Revenue reserves	3,343	0	-
Retained earnings	566	3,671	-84.6
Shareholders equity	**6,934**	**6,696**	**3.6**
Special reserve	**8**	**10**	**-20.0**
Provisions for pensions and similar obligations	38	23	65.2
Tax provisions	102	79	29.1
Other provisions	128	142	-9.9
Provisions	**268**	**244**	**9.8**
Bank debt	1,000	654	52.9
Trade payables	3	1	> 100
Amounts payable to affiliated companies	18,204	19,604	-7.1
Other liabilities	59	51	15.7
Liabilities	**19,266**	**20,310**	**-5.1**
Deferred income	**0**	**67**	**- 100**
Deferred tax liabilities	**0**	**313**	**- 100**
Total shareholders equity and liabilities	**26,476**	**27,640**	**-4.2**

Shares in affiliated companies consisted primarily of shares in Schaeffler Technologies AG & Co. KG.

Loans receivable from affiliated companies of EUR 120 m (prior year: EUR 1,798 m) declined significantly in 2016, as the company's shareholder IHO Verwaltungs GmbH prepaid a loan receivable of EUR 1.7 bn in full.

Receivables and other assets consisted of the following:

Schaeffler AG receivables and other assets No. 060

			12/31/2016			12/31/2015
in € millions	Due in up to 1 year	Due in 1 to 5 years	Due in more than 5 years	Due in up to 1 year	Due in 1 to 5 years	Due in more than 5 years
Receivables from affiliated companies	11,506	0	0	11,100	0	0
• short-term loans	7,648	0	0	7,699	0	0
• other financial receivables	173	0	0	377	0	0
• trade receivables	82	0	0	24	0	0
• other receivables	3,603	0	0	3,000	0	0
Other assets	35	0	63	79	36	63

Short-term loans and other financial receivables relate to Schaeffler AG's cash pooling function and responsibility for the internal group financing of the Schaeffler Group. Other receivables largely consisted of Schaeffler AG's claim to the net income of Schaeffler Technologies AG & Co. KG of EUR 3,600 m (prior year: EUR 3,000 m) that had not yet been paid out to Schaeffler AG as at December 31, 2016.

Schaeffler AG managed the Schaeffler Group's cash pool and held bank balances of EUR 635 m (prior year: EUR 449 m) at the end of the reporting period.

On April 22, 2016, Schaeffler AG's annual general meeting passed a resolution to pay a dividend of EUR 328 m to shareholders and to add the remaining retained earnings of EUR 3,343 m to revenue reserves.

Provisions rose by EUR 24 m to EUR 268 m (prior year: EUR 244 m), primarily due to higher income tax provisions for expected income tax payments and higher provisions for pensions and similar obligations.

The signing of a new Facilities Agreement increased the company's bank debt by EUR 346 m to EUR 1,000 m (prior year: EUR 654 m) (see section "Financial debt" on page 50 et seq.).

Schaeffler AG liabilities No. 061

			12/31/2016			12/31/2015
in € millions	Due in up to 1 year	Due in 1 to 5 years	Due in more than 5 years	Due in up to 1 year	Due in 1 to 5 years	Due in more than 5 years
Bank debt	0	1,000	0	0	654	0
Trade payables	3	0	0	1	0	0
Amounts payable to affiliated companies	15,471	1,063	1,670	14,558	2,043	3,003
• loans	14,246	1,063	1,670	13,927	2,043	3,003
• other financial debt	1,164	0	0	574	0	0
• trade payables	2	0	0	1	0	0
• other liabilities	59	0	0	56	0	0
Other liabilities	59	0	0	51	0	0

Short-term loans payable to affiliated companies related to Schaeffler AG's cash pooling function and responsibility for the internal group financing of the Schaeffler Group. Amounts payable to affiliated companies included amounts payable to Schaeffler Finance B.V. of EUR 2,772 m (prior year: EUR 5,052 m) largely relating to the transfer of the proceeds from the bond issuances by Schaeffler Finance B.V. In October, Schaeffler Finance B.V. redeemed one USD-denominated bond series and two EUR-denominated bond series. The redemptions were largely funded using the proceeds of the prepayment in full of a loan receivable by Schaeffler AG from the company's shareholder IHO Verwaltungs GmbH. Schaeffler AG subsequently used the proceeds of the prepayment to reduce a loan payable to Schaeffler Finance B.V.

Closing statement on the dependency report

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

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

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

2.9 Other components of the group management report

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

- "Corporate governance report including the corporate governance declaration in accordance with section 289a HGB" beginning on page 74,
- "Governance structure" beginning on page 84,
- "Remuneration report" beginning on page 88, and
- "Governing bodies of the company" beginning on page 100.

Corporate governance report including the corporate governance declaration in accordance with section 289a HGB, which includes the declaration of conformity in accordance with section 161 AktG at: www.schaeffler.com/ir