SCHAEFFLER

Q1

Mobility for tomorrow

Interim Financial Report as at March 31, 2017

Digitalization – A Key Opportunity for the Future

Schaeffler Group at a glance

	1st three months			
Income statement (in € millions)	**2017**	**2016**		Change
Revenue	3,574	3,343	6.9	%
• at constant currency			5.4	%
EBIT	435	421	3.3	%
• in % of revenue	12.2	12.6	-0.4	%-pts.
EBIT before special items 1)	435	421	3.3	%
• in % of revenue	12.2	12.6	-0.4	%-pts.
Net income 2)	279	253	10.3	%
Earnings per common non-voting share (basic/diluted, in €)	0.42	0.38	10.5	%
Statement of financial position (in € millions)	**03/31/2017**	**12/31/2016**		Change
Total assets	11,941	11,564	3.3	%
Shareholders' equity 3)	2,400	1,997	403	€ millions
• in % of total assets	20.1	17.3	2.8	%-pts.
Net financial debt	2,742	2,636	4.0	%
• Net financial debt to EBITDA ratio before special items 1) 4)	1.1	1.1		
• Gearing Ratio (Net financial debt to shareholders' equity, in %)	114.3	132.0	-17.7	%-pts.
	1st three months			
Statement of cash flows (in € millions)	**2017**	**2016**		Change
EBITDA	624	598	4.3	%
• in % of revenue	17.5	17.9	-0.4	%-pts.
EBITDA before special items 1)	624	598	4.3	%
• in % of revenue	17.5	17.9	-0.4	%-pts.
Cash flows from operating activities	186	206	-20	€ millions
Capital expenditures (capex) 5)	299	318	-19	€ millions
• in % of revenue (capex ratio)	8.4	9.5	-1.1	%-pts.
Free cash flow	-130	-112	-18	€ millions
	1st three months			
Value Added	**2017**	**2016**		Change
ROCE before special items (in %) 1) 4)	22.1	22.8	-0.7	%-pts.
Schaeffler Value Added before special items (in € millions) 1) 4)	938	928	1.1	%
Employees	**03/31/2017**	**12/31/2016**		Change
Headcount	87,341	86,662	0.8	%

1) Please refer to page 16 for the definition of special items.
2) Attributable to shareholders of the parent company.
3) Including non-controlling interests.
4) EBIT/ EBITDA based on the last twelve months.
5) Capital expenditures on intangible assets and property, plant and equipment.

	1st three months			
Automotive (in € millions)	**2017**	**2016**		Change
Revenue	2,791	2,578	8.3	%
• at constant currency			7.0	%
EBIT	367	367	0.0	%
• in % of revenue	13.1	14.2	-1.1	%-pts.
EBIT before special items 1)	367	367	0.0	%
• in % of revenue	13.1	14.2	-1.1	%-pts.
	1st three months			
Industrial (in € millions)	**2017**	**2016**		Change
Revenue	783	765	2.4	%
• at constant currency			0.2	%
EBIT	68	54	25.9	%
• in % of revenue	8.7	7.1	1.6	%-pts.
EBIT before special items 1)	68	54	25.9	%
• in % of revenue	8.7	7.1	1.6	%-pts.

Prior year information presented based on 2017 segment structure.
1) Please refer to page 16 for the definition of special items.

Highlights Q1 2017

Revenue increased significantly in the first quarter

Revenue at **EUR 3.6 bn**
(up 5.4 % at constant currency)

Slight decline in earnings quality

EBIT margin before special items at **12.2 %**
(prior year: 12.6 %)

Free cash flow seasonally negative

Free cash flow at **EUR -130 m**
(prior year: EUR -112 m)

Net income increased by 10 %

Net income at **EUR 279 m**
(prior year: EUR 253 m)

Schaeffler on the capital markets

Recent events

Dividend – increase to 50 cents per common non-voting share

On April 26, 2017, Schaeffler AG's annual general meeting passed a resolution to pay a dividend of EUR 0.49 per common share (prior year: EUR 0.34; special dividend EUR 0.15) and EUR 0.50 per common non-voting share (prior year: EUR 0.35; special dividend EUR 0.15) to Schaeffler AG's shareholders for 2016. This represents a dividend of 34.1 % of net income attributable to shareholders before special items.

Capital market trends

In early 2017, the global capital markets were characterized by uncertainties driven by the elections in the U.S., the elections in the Netherlands, and the debate surrounding the withdrawal of the United Kingdom from the EU.

The global equities markets experienced a positive overall trend in the first quarter of 2017. While the Euro STOXX 50 gained 6.4 % on the back of the robust economy in Europe, the Dow Jones Industrial was up 4.6 %, rising to a new all-time high in the first quarter. In contrast to the positive trends of these two indexes, the Nikkei 225 fell slightly by 1.1 %.

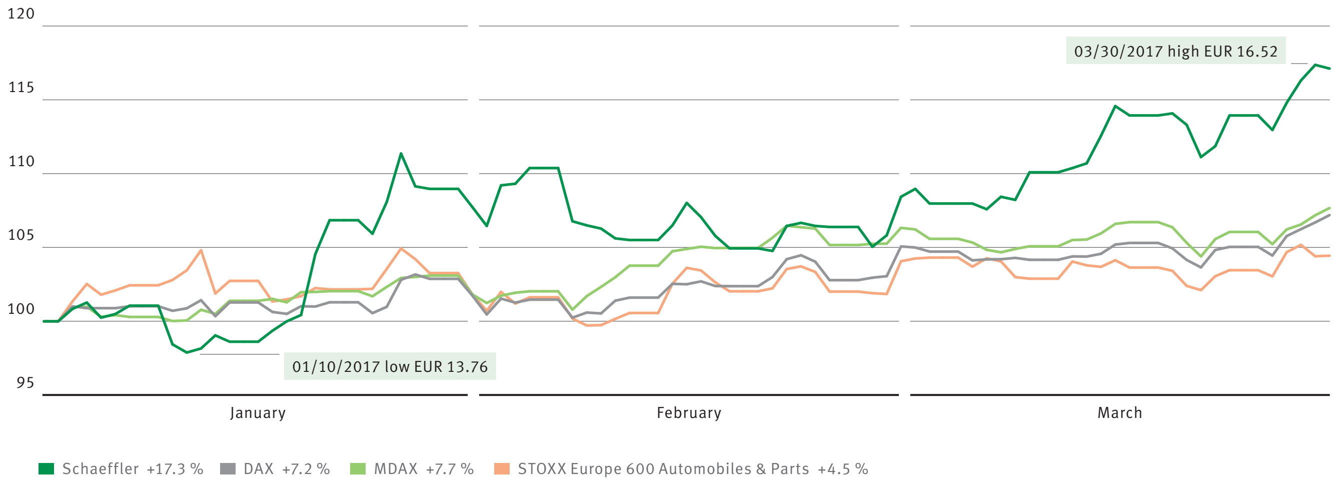
The Deutsche Aktienindex (DAX) rose 7.2 % in the first quarter of 2017. The continuing expansive monetary policy of the European Central Bank, the weak Euro and uncertainty subsiding following the elections in the Netherlands were the main drivers behind this increase. As a result, the DAX topped 12,000 points in March 2017 for the first time since April 2015, closing the first quarter of 2017 at a level of 12,313 points.

Schaeffler shares

On March 31, 2017, the common non-voting shares of Schaeffler AG were quoted at EUR 16.48, approximately 17.3 % higher than on December 31, 2016. This performance considerably exceeded that of the benchmark indexes DAX (+7.2 % compared to December 31, 2016) and MDAX (+7.7 %) as well as that of the STOXX Europe 600 Automobiles & Parts sector index (+4.5 %) during the comparison period. The share price reached its high on March 30, 2017 (EUR 16.52) and its low on January 10, 2017 (EUR 13.76). The daily trading volume averaged 617,911 shares in the first quarter of 2017 (prior year: 201,270). The considerable increase in trading volume compared to the prior year period is largely due to the placement of 94.4 million common non-voting shares of Schaeffler AG on April 05, 2016. The free float amounted to approximately 24.9 % as at March 31, 2017.

The company was covered by analysts representing a total of 16 banks as at March 31, 2017. Nine of these banks issued a recommendation of either buy or overweight on Schaeffler AG's common non-voting shares. Their average upside target was EUR 16.25.

Schaeffler share price trend 2017
in percent (12/31/2016 = 100)



Source: Bloomberg.

Schaeffler share performance (ISIN: DE000SHA0159)

	2017	2016
Schaeffler share price (Xetra, in €) [1]	16.48	14.13
Average trading volume (in units)	617,911	201,270
DAX [1]	12,313	9,966
MDAX [1]	23,904	20,398
STOXX Europe 600 Automobiles & Parts [1]	567	502
Average number of shares (in million units)		
• Common shares	500	500
• Common non-voting shares	166	166
Earnings per share (in €)		
• Common shares	0.42	0.38
• Common non-voting shares	0.42	0.38

[1] As at closing on March 31, source: Bloomberg.

Schaeffler bonds and ratings

The Schaeffler Group had five series of bonds outstanding as at March 31, 2017, three of them denominated in EUR and two in USD. All of the bonds were issued by Schaeffler Finance B.V., Barneveld, Netherlands.

Please refer to the chapter entitled “Financial position” – Financial debt for further detail on the company’s bonds.

Bond prices remained stable in the first quarter of 2017. The bond series maturing in 2023 and 2025 rose slightly, which lowered their effective yield. The other three bond series, which mature in 2020, 2021, and 2022, declined slightly, approaching the contractual redemption price at which these three bond series are callable beginning on May 15, 2017.

On April 24, 2017, the Schaeffler Group announced that it would fully redeem the bond with a maturity of 2021, a principal of USD 700 m, and a coupon of 4.25 %. The redemption is scheduled for May 24, 2017. The redemption will be funded using available liquidity and part of the revolving credit facility.

Premiums for Schaeffler AG 5-year credit default swaps decreased slightly from 117 basis points at December 31, 2016 to 105 basis points as at March 31, 2017, outperforming the benchmark indexes iTraxx CrossOver (up 2 basis points) and iTraxx Europe (up 1 basis point).

The Schaeffler Group’s ratings by rating agencies Standard & Poor’s and Moody’s are unchanged from December 31, 2016.

On April 25, 2017, rating agency Fitch Ratings published its first rating of Schaeffler AG. Fitch currently rates Schaeffler AG at BBB- (investment grade) with a stable outlook. The bonds were also assigned a BBB- rating.

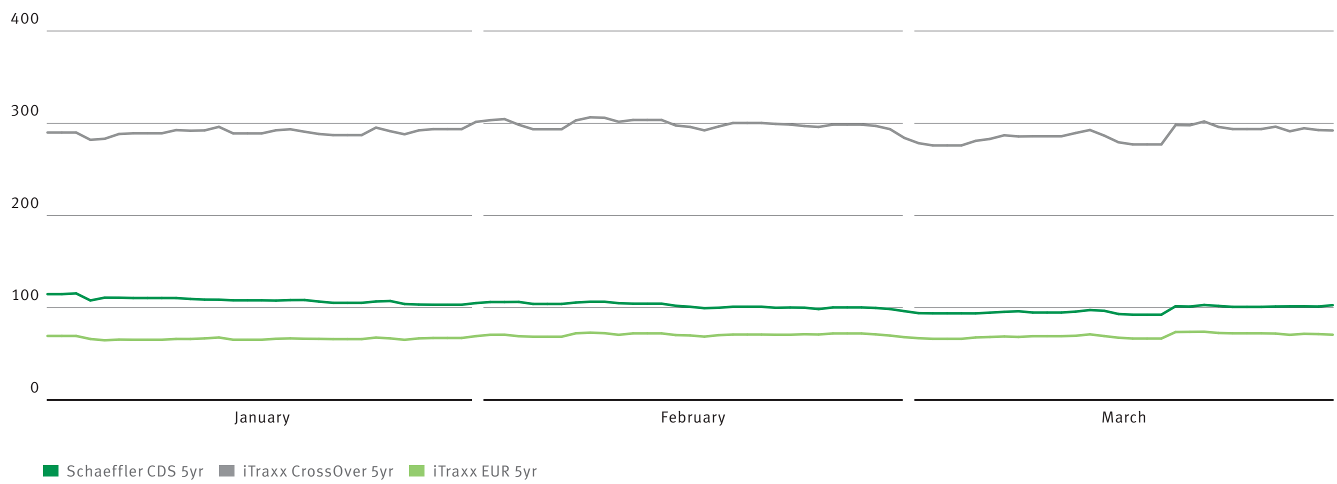
The following summary shows the three rating agencies’ current ratings:

Schaeffler Group ratings

	Company		Bonds
Rating agency	Rating	Outlook	Rating
Standard & Poor’s	BB+	stable	BB+
Moody’s	Baa3	stable	Baa3
Fitch	BBB-	stable	BBB-

See back cover for financial calendar.

Credit default swap (CDS) price trend 2017
in basis points



Source: Bloomberg.

Contents

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

Impact of currency translation/constant currency
Revenue figures at constant currency, i.e. excluding the impact of currency translation, are calculated by translating revenue using the same exchange rate for both the current and the prior year or comparison reporting period.

References
Content of websites referenced in the group interim management report merely provides further information and is not part of the group interim management report.

Disclaimer in respect of forward-looking statements
This group interim management report contains forward-looking statements that are based on the Board of Managing Directors' current estimation at the time of the creation of this report. Such statements refer to future periods or they are designated by terms such as "estimate", "forecast", "intend", "predict", "plan", "assume", or "expect".
Forward-looking statements bear risks and uncertainties. A variety of these risks and uncertainties are determined by factors not subject to the influence of the Schaeffler Group. Therefore, actual results can deviate substantially from those indicated.

Navigation aid

Further details in the report

Further details online

1. Report on the economic position

1.1 Economic environment

The global economy as a whole continued to grow more dynamically in the first quarter of 2017. Compared to the prior year, global gross domestic product[1] increased by 3.2 % during the reporting period (Oxford Economics, April 2017). In the U.S., weakening growth in consumer spending was among the reasons the expansion was less pronounced than anticipated. The economic output of the Euro region grew slightly. China experienced strong economic momentum during the reporting period, driven by considerably higher exports and a robust real estate sector. Higher industrial production and increasing exports played a role in the rise in economic activity in Japan.

In this context, the situation of the Schaeffler Group's regions during the reporting period was as follows: The Europe region generated growth of 3.0 %, and the economic output of the Americas region increased by 1.3 %. The Greater China region reported a growth rate of 6.5 %, while the Asia/Pacific region economy expanded by 3.0 %.

In the currency markets, the Euro experienced volatility against the U.S. Dollar and the Chinese Renminbi, closing slightly higher against both at the end of the reporting period at rates of USD 1.07 and CNY 7.36, respectively, on March 31, 2017 (December 31, 2016: USD 1.05 and CNY 7.32, respectively; March 31, 2016: USD 1.14 and CNY 7.35, respectively).

See Condensed notes to the consolidated financial statements, chapter entitled "Basis of preparation" – Foreign currency translation for further detail.

Global **automobile production**, measured as the number of vehicles up to six tons in weight produced, increased by 4.2 % during the reporting period (IHS, April 2017). Growth in the Europe region was 6.5 %. Especially Turkey, but other countries such as the Czech Republic and Italy, as well, generated very significant growth rates. The increase in Germany lagged slightly behind the regional average. Production levels in the Americas region were up 2.7 % compared to prior year, with significant growth in Mexico and Brazil compensating decreases in the U.S. and Canada. The Greater China region experienced a growth rate of 3.5 %. The Asia/Pacific region reported an increase of 3.0 %, as a contraction in South Korea and Thailand was more than offset by notably higher production levels in Japan.

Global **industrial production**, measured as gross value added based on constant prices and exchange rates, grew by 2.6 % in the first quarter of 2017 (Oxford Economics, March 2017). Growth in the Europe region was 1.3 %. The trend in Germany's industrial production was somewhat weaker than the regional average. The Americas region experienced a flat trend, growing by 0.5 %. While the U.S. reported a slightly higher growth rate, Mexico and Canada saw a slight contraction. Industrial production levels in the Greater China region were up 5.7 % over the prior year. The Asia/Pacific region generated growth of 2.7 %, primarily driven by a positive trend in Japan.

In the **procurement markets**, average prices for commodities and input materials significant to the Schaeffler Group consistently exceeded the level of the prior year period (Bloomberg, April 2017; IHS, April 2017). However, trends during the reporting period were mixed. The crude oil price was volatile and closed lower at March 31, 2017 than at the beginning of the year. In contrast, prices for hot- and cold-rolled steel were higher in most procurement regions at quarter-end. Moreover, prices for the nonferrous metals aluminum and copper, among others, rose as well.

[1] For gross domestic product and industrial production, quarterly data are available only for selected, representative countries. Furthermore, only preliminary projections are available for all indicators mentioned for the first quarter of 2017, including automobile production.

1.2 Course of business

Results of operations first quarter 2017

The Schaeffler Group's **revenue** rose by 6.9 % to EUR 3,574 m in the first quarter of 2017 (prior year: EUR 3,343 m). Excluding the impact of currency translation, revenue increased by 5.4 %. This increase was driven by the continued robust results of operations of the Automotive division, which generated revenue growth of 7.0 % excluding the impact of currency translation. Also excluding the impact of translation, Industrial division revenue for the first three months of 2017 came in slightly above prior year (+0.2 %).

The Schaeffler Group's **EBIT** increased by EUR 14 m or 3.3 % to EUR 435 m (prior year: EUR 421 m) during the reporting period. Its EBIT margin amounted to 12.2 % (prior year: 12.6 %). As there were no special items during either the current or the prior year reporting period, the EBIT margin before special items amounted to 12.2 % (prior year: 12.6 %), as well. The Automotive division margin declined to 13.1 % (prior year: 14.2 %). Gross profit was stable, and earnings were held back especially by higher research and development expenses. The Industrial division's EBIT margin, however, rose to 8.7 % (prior year: 7.1 %) as gross profit improved.

Free cash flow for the first quarter of 2017 was seasonally at EUR -130 m (prior year: EUR -112 m) and includes a revenue-driven increase in working capital.

ROCE before special items was 22.1 %, slightly below the prior year (prior year: 22.8 %). The decline was the result of an increase in average capital employed. The growth in capital employed is primarily due to an increase in property, plant and equipment, as the Schaeffler Group primarily invested in expanding capacity and in equipment and machinery for product start-ups in order to strengthen its competitive position.

Schaeffler Group

Revenue EUR 3,574 m

EBIT margin before special items 12.2 %

Positive revenue trend continued in Q1 2017 – plus 5.4 % at constant currency // Largely driven by higher volumes in Automotive – Industrial division slightly above prior year // Revenue growth in all Schaeffler Group regions // Volume-driven increase in gross margin // Higher expenses for R&D – especially for electric mobility – and selling

Schaeffler Group earnings No. 001

	1st three months		
in € millions	2017	2016	Change in %
Revenue	**3,574**	**3,343**	**6.9**
• at constant currency			5.4
Revenue by division			
Automotive	2,791	2,578	8.3
• at constant currency			7.0
Industrial	783	765	2.4
• at constant currency			0.2
Revenue by region [1]			
Europe	1,868	1,816	2.9
• at constant currency			2.2
Americas	776	706	9.9
• at constant currency			5.5
Greater China	563	476	18.3
• at constant currency			19.0
Asia/Pacific	367	345	6.4
• at constant currency			2.2
Cost of sales	-2,542	-2,399	6.0
Gross profit	**1,032**	**944**	**9.3**
• in % of revenue	28.9	28.2	-
Research and development expenses	-212	-184	15.2
Selling and administrative expenses	-360	-332	8.4
Earnings before financial result and income taxes (EBIT)	**435**	**421**	**3.3**
• in % of revenue	12.2	12.6	-
Special items [2]	0	0	0.0
EBIT before special items	**435**	**421**	**3.3**
• in % of revenue	12.2	12.6	-
Financial result	-48	-65	-26.2
Income taxes	-104	-100	4.0
Net income [3]	279	253	10.3
Earnings per common non-voting share (basic/diluted, in €)	0.42	0.38	10.5

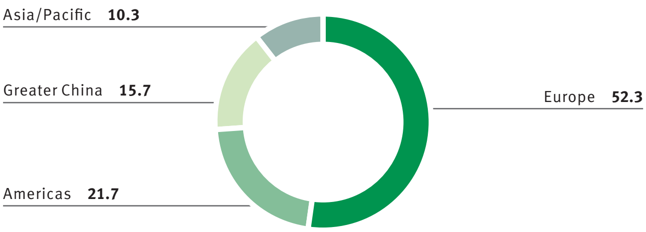
[1] Based on market (customer location).
[2] Please refer to page 16 for the definition of special items.
[3] Attributable to shareholders of the parent company.

1.3 Earnings

Schaeffler Group earnings

Revenue increased by 6.9 % to EUR 3,574 m in the first three months of 2017 (prior year: EUR 3,343 m). Excluding the impact of currency translation, revenue grew by 5.4 %. The Automotive division contributed revenue growth of 7.0 % excluding the impact of translation, exceeding global growth in the production of passenger cars and light commercial vehicles of 4.2 %. In a stabilized market environment, Industrial division revenue grew by 0.2 % excluding the impact of translation.

Schaeffler Group revenue by region No. 002
in percent by market view



All four of the Schaeffler Group's regions generated revenue growth in the first three months of 2017, with a largely favorable impact of currency translation. Revenue in Schaeffler's Europe region was up by 2.9 % (+2.2 % at constant currency), with the Automotive division generating significant increases while Industrial division revenue declined slightly. In the Americas region, revenue rose considerably by 9.9 % (+5.5 % at constant currency). Apart from the favorable impact of currency translation, especially the Automotive division generated significant additional revenue. Business in the Greater China region was encouraging. Revenue rose by 18.3 % (+19.0 % at constant currency). Both divisions experienced double-digit revenue growth rates, albeit compared to a weak prior year quarter in the Industrial division. In the Asia/Pacific region, revenue increased by 6.4 % (+2.2 % at constant currency). While Automotive division revenue was up, business in the Industrial division declined in the first three months of 2017 excluding the impact of currency translation.

Cost of sales increased by 6.0 % to EUR 2,542 m (prior year: EUR 2,399 m) in the reporting period. Gross profit improved by 9.3 % or EUR 88 m to EUR 1,032 m (prior year: EUR 944 m). The company's gross margin of 28.9 % was ahead of the prior year period (prior year: 28.2 %). The increase is primarily due to the improvement in manufacturing cost driven by higher volumes.

Research and development expenses increased significantly by 15.2 % to EUR 212 m in the first three months of 2017 (prior year: EUR 184 m) which represents an R&D ratio of 5.9 % (prior year: 5.5 %) of revenue. Apart from inflation-related cost increases, the increase is primarily due to significantly expanded activities in the field of E-mobility.

Selling and administrative expenses totaled EUR 360 m, 8.4 % ahead of prior year (prior year: EUR 332 m), mainly driven by higher selling expenses (+9.5 %). Apart from inflation-related cost increases, the increase is primarily the result of higher logistics expenses driven by increased volumes, due, among other things, to the significant expansion of the business in the Greater China region. Total functional costs rose by 10.9 % to EUR 572 m (prior year: EUR 516 m), growing to 16.0 % of revenue (prior year: 15.4 %).

The Schaeffler Group generated EUR 435 m in EBIT for the first three months of 2017 (prior year: EUR 421 m). Its EBIT margin amounted to 12.2 % (prior year: 12.6 %). As there were no special items during either the current or the prior year reporting period, the EBIT margin before special items amounted to 12.2 % (prior year: 12.6 %), as well. The decrease in EBIT margin was primarily attributable to an improvement in gross profit that was more than offset by a more rapid increase in functional costs of the Automotive division. The EBIT margin was also affected by an adverse impact of currency translation.

The Schaeffler Group's financial result improved by EUR 17 m to EUR -48 m (prior year: EUR -65 m) in the first quarter of 2017.

Schaeffler Group financial result No. 003

	1st three months	
in € millions	**2017**	**2016**
Interest expense on financial debt	-29	-57
Interest income on shareholder loans	0	19
Fair value changes and compensation payments on derivatives	-8	-8
Fair value changes on embedded derivatives	-3	-7
Interest income and expense on pensions and partial retirement obligations	-10	-11
Other	2	-1
Total	**-48**	**-65**

Interest expense on financial debt amounted to EUR 29 m in the first quarter of 2017 (prior year: EUR 57 m). The decrease in interest expense is largely due to the reduction in financial debt and improved terms of the group's financing arrangements.

In 2016, IHO Verwaltungs GmbH prepaid its loans payable to Schaeffler AG in full. As a result, the Schaeffler Group did not earn any interest income on loans to shareholders in the first quarter of 2017 (prior year: EUR 19 m).

Net foreign exchange losses on financial assets and liabilities as well as on derivatives amounted to EUR 8 m (prior year: EUR 8 m). These include the impact of translating the financing instruments denominated in U.S. Dollar to Euro and hedges of these instruments using cross-currency swaps.

Changes in the fair value of embedded derivatives, primarily prepayment options for external financing instruments, resulted in net losses of EUR 3 m (prior year: EUR 7 m).

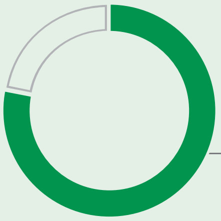
Income tax expense amounted to EUR 104 m in the first three months of 2017 (prior year: EUR 100 m), representing an effective tax rate of 26.9 % (prior year: 28.1 %). Reasons for the reduction in the effective tax rate include deviations in local tax rates.

Net income attributable to shareholders of the parent company for the reporting period was EUR 279 m (prior year: EUR 253 m).

Basic and diluted earnings per common share increased to EUR 0.42 in the first quarter of 2017 (prior year: EUR 0.38). Basic and diluted earnings per common non-voting share also amounted to EUR 0.42 (prior year: EUR 0.38).

Automotive division

Revenue EUR **2,791** m



78.1 %
of group revenue

EBIT margin before special items **13.1** %

Automotive division continues along growth path – growth rate of 7.0 % at constant currency // Additional revenue in all business divisions and regions – high momentum in the Aftermarket and China business// Earnings quality remains high: EBIT margin at 13.1 % // R&D activities for electric mobility expanded considerably

Automotive division earnings No. 004

in € millions	1st three months 2017	1st three months 2016	Change in %
Revenue	**2,791**	**2,578**	**8.3**
• at constant currency			7.0
Revenue by business division			
BD Engine Systems	715	654	9.3
• at constant currency			8.1
BD Transmission Systems	1,185	1,106	7.1
• at constant currency			6.4
BD Chassis Systems	408	385	6.0
• at constant currency			4.2
BD Automotive Aftermarket	483	433	11.5
• at constant currency			9.9
Revenue by region 1)			
Europe	1,413	1,359	4.0
• at constant currency			3.5
Americas	623	562	10.9
• at constant currency			7.0
Greater China	461	384	20.1
• at constant currency			21.9
Asia/Pacific	294	273	7.7
• at constant currency			3.7
Cost of sales	-1,999	-1,847	8.2
Gross profit	**792**	**731**	**8.3**
• in % of revenue	28.4	28.4	-
Research and development expenses	-178	-151	17.9
Selling and administrative expenses	-233	-204	14.2
EBIT	**367**	**367**	**0.0**
• in % of revenue	13.1	14.2	-
Special items 2)	0	0	0.0
EBIT before special items	**367**	**367**	**0.0**
• in % of revenue	13.1	14.2	-

Prior year information presented based on 2017 segment structure.
1) Based on market (customer location).
2) Please refer to page 16 for the definition of special items.

Automotive division earnings

The Automotive division generated an encouraging increase in revenue of 8.3 % to EUR 2,791 m (prior year: EUR 2,578 m) in the first three months of 2017. Excluding the impact of currency translation, the growth rate was 7.0 %. Thus, the business once again expanded faster than global production volumes for passenger cars and light commercial vehicles, which grew by 4.2 % during the reporting period. The above-average revenue growth was largely driven by the expanding OEM business in the Greater China and Americas regions and the successful trend in the Aftermarket business in the Europe and Americas regions.

The Europe region reported 4.0 % (+3.5 % at constant currency) in additional revenue, less than average regional growth in production volumes (+6.5 %). The Americas region reported an increase in revenue of 10.9 % (+7.0 % at constant currency), while regional vehicle production rose by 2.7 %. The Automotive division once again significantly expanded its revenue in the Greater China region, generating 20.1 % (+21.9 % at constant currency) in additional revenue while that region's vehicle production increased by 3.5 %. The reasons for the increase in Asia/Pacific region revenue of 7.7 % (+3.7 % at constant currency) included product ramp-ups, with vehicle production there rising by 3.0 %.

The Automotive division business is organized in the Engine Systems, Transmission Systems, Chassis Systems, and Automotive Aftermarket business divisions (BD), all of which reported growing revenue in the first quarter of 2017.

The **Engine Systems BD** generated revenue growth of 9.3 % (+8.1 % at constant currency) during the reporting period, largely driven by the valve train components product group. The camshaft phasing units product group also saw significant increases, especially for electric phasing systems. The accessory drive product group, the innovative thermal management module, and fully variable valve train systems also generated considerable additional revenue.

Transmission Systems BD revenue rose by 7.1 % (+6.4 % at constant currency). Especially the higher volumes in the dual-mass flywheel product group and of components for automated transmissions, such as torque converters and dual clutches, helped increase revenue significantly. The Greater China region was the main driver of this growth.

The **Chassis Systems BD** generated revenue growth of 6.0 % (+4.2 % at constant currency) mainly based on the solid growth in revenue from the newest generation of wheel bearings in the Greater China region.

The **Automotive Aftermarket BD** increased revenue by 11.5 % (+9.9 % at constant currency) in the first quarter of 2017. The increase was primarily due to higher sales in the Americas and Europe regions. Increased requirements of automobile manufacturers (OES customers) were the main reason for the additional revenue in Americas. In Europe, business expanded particularly in Eastern and Western Europe. The higher revenue there was primarily attributable to increased market coverage.

Cost of sales increased by 8.2 % to EUR 1,999 m (prior year: EUR 1,847 m) in the first three months of 2017. In total, the Automotive division improved its gross profit by EUR 61 m or 8.3 % to EUR 792 m (prior year: EUR 731 m). Gross profit came in at 28.4 %, thus remaining at its high prior year level. Cost increases primarily due to collectively bargained wage and salary increases were offset by improvements in manufacturing cost and a more profitable revenue mix.

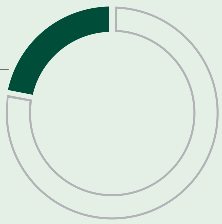
Functional costs increased by 15.8 % to EUR 411 m (prior year: EUR 355 m), rising to 14.7 % of revenue (prior year: 13.8 %). The main driver of this increase was the rise in research and development expenses by 17.9 % to EUR 178 m (prior year: EUR 151 m) or 6.4 % (prior year: 5.9 %) of revenue, reflecting increased activities in the field of electric mobility, which has already won several volume production orders. Selling and administrative expenses of EUR 233 m were ahead of prior year (+14.2 %; prior year: EUR 204 m). The increase is primarily the result of higher logistics expenses driven by higher volumes, due, among other things, to the significant expansion of the business in the Greater China region.

Automotive division EBIT of EUR 367 m was in line with prior year (prior year: EUR 367 m), while its EBIT margin declined to 13.1 % (prior year: 14.2 %). As there were no special items during either the current or the prior year reporting period, the EBIT margin before special items amounted to 13.1 % (prior year: 14.2 %), as well. The decrease was primarily attributable to gross profit remaining stable while functional costs increased significantly. In addition, the EBIT margin was also affected by an adverse impact of currency translation.

Industrial division

Revenue EUR 783 m

21.9 %
of group revenue



EBIT margin before special items 8.7 %

Revenue trend stabilized – slight increase in revenue at constant currency // Significant additional revenue in the Greater China region – especially in the power transmission and industrial automation sectors // EBIT margin increased considerably // Efficiency and cost savings measures continue to proceed as planned

Industrial division earnings No. 005

in € millions	1st three months 2017	2016	Change in %
Revenue	**783**	**765**	**2.4**
• at constant currency			0.2
Revenue by region 1)			
Europe	455	457	-0.4
• at constant currency			-1.6
Americas	153	144	6.3
• at constant currency			0.1
Greater China	102	92	10.9
• at constant currency			10.8
Asia/Pacific	73	72	1.4
• at constant currency			-3.5
Cost of sales	-543	-552	-1.6
Gross profit	**240**	**213**	**12.7**
• in % of revenue	30.7	27.8	-
Research and development expenses	-34	-33	3.0
Selling and administrative expenses	-127	-128	-0.8
EBIT	**68**	**54**	**25.9**
• in % of revenue	8.7	7.1	-
Special items 2)	0	0	0.0
EBIT before special items	**68**	**54**	**25.9**
• in % of revenue	8.7	7.1	-

Prior year information presented based on 2017 segment structure.
1) Based on market (customer location).
2) Please refer to page 16 for the definition of special items.

Industrial division earnings

Industrial division revenue increased by 2.4 % to EUR 783 m (prior year: EUR 765 m) in the first three months of 2017. Excluding the impact of currency translation, revenue was up 0.2 %. Apart from stable revenues in the aerospace, offroad, and raw materials sectors, this growth was mainly driven by significant volume increases in the power transmission and industrial automation sectors, partly due to the low prior year quarter. Industrial Distribution also increased its revenue slightly. The wind, railway, and two wheelers sectors reported revenue declines.

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; trends varied across these markets in the first three months of 2017.

In the **Europe region** revenue was down slightly by 0.4 % (-1.6 % at constant currency) in the reporting period. Raw materials sector revenue reported a double-digit growth rate compared to the weak prior year quarter, mainly due to higher demand in the mining sector. The power transmission sector also saw a positive trend, with revenue stabilizing especially in the industrial gears sector. Revenue also increased in the industrial automation and offroad sectors, while Industrial Distribution revenue was approximately at par with the prior year level. Revenue in the wind, aerospace, railway, and two wheelers sectors, however, declined from the prior year quarter.

The **Americas region** reported an increase in revenue of 6.3 %, largely due to the favorable impact of currency translation. Excluding the impact of currency translation, revenue was in line with prior year (+0.1 %), with declines in the two wheelers, raw materials, and wind sectors offset by considerable growth in offroad, power transmission, and Industrial Distribution. The aerospace and industrial automation sectors experienced revenue growth, as well.

In the **Greater China region**, revenue expanded by 10.9 % (+10.8 % at constant currency). The main reason for the significantly higher revenue was stronger demand in the power transmission and industrial automation sectors, which reported revenue growth rates in the double-digits compared to the weak prior year quarter. The power transmission sector mainly profited from stabilized demand in the industrial gears and electric motors sectors. The increase in industrial automation was attributable to additional revenue in the textile machinery and machine tools sectors. Demand in the wind sector remained high, albeit not quite achieving the high level of the prior year quarter. Railway was stable, while raw materials grew slightly.

In the **Asia/Pacific region**, revenue increased by 1.4 % due to the favorable impact of currency translation. Excluding the impact of currency translation, the region reported a 3.5 % decline in revenue, primarily attributable to the raw materials sector and Industrial Distribution. In contrast, the aerospace sector generated a double-digit growth rate at a low level.

Industrial division cost of sales decreased by 1.6 % to EUR 543 m (prior year: EUR 552 m). Gross profit rose by EUR 27 m or 12.7 % to EUR 240 m (prior year: EUR 213 m) and, consequently, gross margin improved by 2.9 percentage points to 30.7 % (prior year: 27.8 %). The division offset price reductions as well as cost increases, primarily due to collectively bargained wage and salary increases, mainly with operational improvements in costs. Favorable one-time items also helped improve the gross margin.

Functional costs for the reporting period came in at the prior year level of EUR 161 m. The cost reduction measures of the program “CORE” more than offset inflation-related cost increases, particularly in personnel expenses, as well as higher group overheads. Functional costs as a percentage of revenue fell to 20.6 % (prior year: 21.0 %). Research and development expenses amounted to EUR 34 m (prior year: EUR 33 m), and selling and administrative expenses were EUR 127 m (prior year: EUR 128 m).

EBIT for the first three months of 2017 amounted to EUR 68 m (prior year: EUR 54 m), while the division’s EBIT margin improved by 1.6 percentage points to 8.7 % (prior year: 7.1 %). As there were no special items during either the current or the prior year reporting period, the EBIT margin before special items amounted to 8.7 % (prior year 7.1 %), as well. The increase was the result of higher gross profit and the success of the program “CORE”, while currency translation had an adverse impact on the EBIT margin.

Performance indicators and special items

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

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. Special items are categorized as legal cases, restructuring, and other.

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 average is determined as the mathematical average of the balance at the end of each of the most recent 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 average capital employed.

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. Please refer to page 48 of the Schaeffler Group's annual report 2016 for a detailed discussion.

Reconciliation No. 006

	Total 1st three months		Automotive 1st three months		Industrial 1st three months	
in € millions	2017	2016	2017	2016	2017	2016
EBIT	**435**	**421**	**367**	**367**	**68**	**54**
• in % of revenue	12.2	12.6	13.1	14.2	8.7	7.1
Special items	**0**	**0**	**0**	**0**	**0**	**0**
• Legal cases	0	0	0	0	0	0
• Restructuring	0	0	0	0	0	0
• Other	0	0	0	0	0	0
EBIT before special items	**435**	**421**	**367**	**367**	**68**	**54**
• in % of revenue	12.2	12.6	13.1	14.2	8.7	7.1
EBITDA	**624**	**598**				
Special items	**0**	**0**				
• Legal cases	0	0				
• Restructuring	0	0				
• Other	0	0				
EBITDA before special items	**624**	**598**				
Net income [1]	**279**	**253**				
Special items	**0**	**0**				
• Legal cases	0	0				
• Restructuring	0	0				
• Other	0	0				
– Tax effect [2]	0	0				
Net income before special items [1]	**279**	**253**				
Net financial debt [3]	2,742	2,636				
/ EBITDA [4]	2,319	2,293				
Debt to EBITDA ratio [3]	**1.2**	**1.1**				
Net financial debt [3]	2,742	2,636				
/ EBITDA before special items [4]	2,463	2,437				
Debt to EBITDA ratio before special items [3]	**1.1**	**1.1**				
EBIT [4]	1,570	1,389				
/ Average capital employed [4]	7,760	7,279				
ROCE (in %) [4]	**20.2**	**19.1**				
EBIT before special items [4]	1,714	1,656				
/ Average capital employed [4]	7,760	7,279				
ROCE before special items (in %) [4]	**22.1**	**22.8**				
EBIT [4]	1,570	1,389				
– Cost of capital	776	728				
Schaeffler Value Added [4]	**794**	**661**				
EBIT before special items [4]	1,714	1,656				
Cost of capital	776	728				
Schaeffler Value Added before special items [4]	**938**	**928**				

[1] Attributable to shareholders of the parent company.
[2] Based on the groups effective tax rate for the relevant year.
[3] Amounts as at March 31, 2017 and December 31, 2016, respectively.
[4] Based on the last twelve months.

1.4 Financial position

Cash flow and liquidity

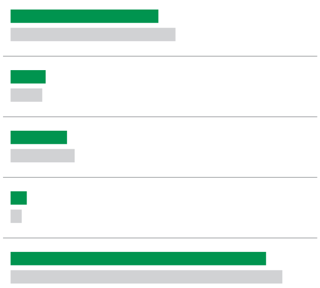
Cash flow No. 007

in € millions	1st three months 2017	2016	Change in %
Cash flows from operating activities	186	206	-9.7
Cash used in investing activities	-316	-318	-0.6
Free cash flow	**-130**	**-112**	**16.1**
Cash used in financing activities	-2	14	-
Net increase in cash and cash equivalents	**-132**	**-98**	**34.7**
Effects of foreign exchange rate changes on cash and cash equivalents	8	-8	-
Cash and cash equivalents as at beginning of period	1,071	799	34.0
Cash and cash equivalents as at March 31	**947**	**693**	**36.7**

The Schaeffler Group generated **cash flows from operating activities** of EUR 186 m (prior year: EUR 206 m) in the first quarter of 2017. The decrease was primarily attributable to higher outflows related to the seasonal expansion of working capital. These outflows amounted to EUR 284 m, exceeding the prior year amount of EUR 250 m. The company paid a total of EUR 111 m (prior year: EUR 134 m) in interest and income taxes.

Capital expenditures on property, plant and equipment and intangible assets (capex) amounted to EUR 299 m (prior year: EUR 318 m) in the reporting period. The capex ratio was 8.4 % (prior year: 9.5 %) of revenue.

Capital expenditures by region (capex) No. 008



	in € millions	Change in %
Europe	**173** 193	-10.4
Americas	**41** 37	10.8
Greater China	**66** 75	-12.0
Asia/ Pacific	**19** 13	46.2
Schaeffler Group	**299** 318	-6.0

Q1 2017 Q1 2016

Regions reflect the regional structure of the Schaeffler Group.

Of the significant capital expenditures made during the reporting period, EUR 173 m (prior year: EUR 193 m) related to the Europe Region and EUR 66 m (prior year: EUR 75 m) to Greater China. In order to strengthen its competitive position, the Schaeffler Group primarily invested in expanding capacity and in equipment and machinery for product start-ups.

In addition, the acquisition of Compact Dynamics GmbH and the disposal of Schaeffler Motorenelemente AG & Co. KG in the first quarter of 2017 resulted in a net cash outflow of EUR 19 m.

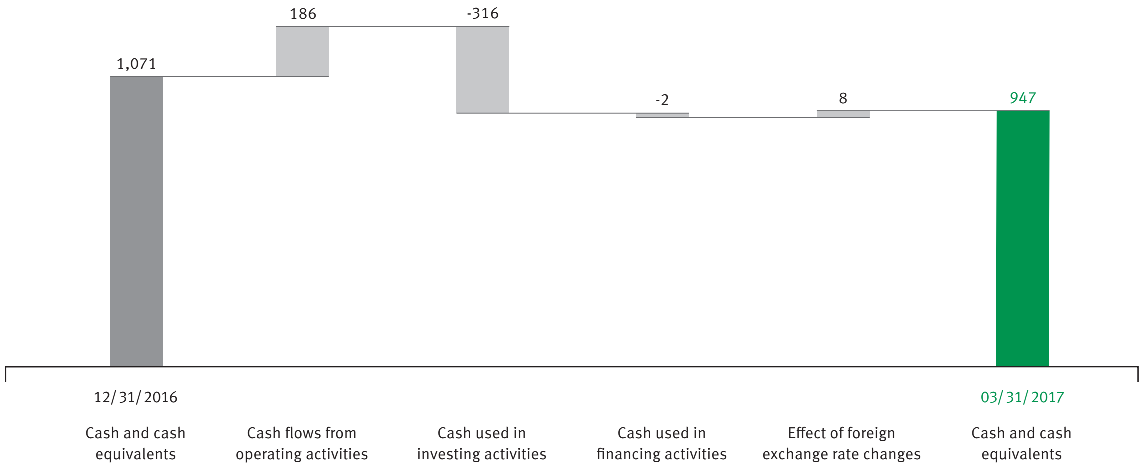
These developments resulted in negative **free cash flow** of EUR 130 m (prior year: EUR 112 m) for the first quarter of 2017.

EUR 2 m in cash was used in **financing activities** (prior year: cash provided of EUR 14 m) during the reporting period.

Cash and cash equivalents decreased by EUR 124 m to EUR 947 m as at March 31, 2017 (December 31, 2016: EUR 1,071 m).

Change in cash and cash equivalents No. 009

in € millions



At March 31, 2017, cash and cash equivalents amounted to EUR 947 m (December 31, 2016: EUR 1,071 m) and consisted primarily of bank balances. EUR 260 m (December 31, 2016: EUR 325 m) of this amount related to countries with foreign exchange restrictions and other legal restrictions. In addition, the Schaeffler Group has a revolving credit facility of EUR 1.3 bn (December 31, 2016: EUR 1.3 bn), of which EUR 12 m (December 31, 2016: EUR 13 m) were utilized at March 31, 2017, primarily in the form of letters of credit.

Financial debt

The group's net financial debt increased by EUR 106 m to EUR 2,742 m as at March 31, 2017 (December 31, 2016: EUR 2,636 m), primarily due to the seasonally negative free cash flow in the first quarter of 2017.

Net financial debt No. 010

in € millions	03/31/2017	12/31/2016	Change in %
Bonds	2,703	2,719	-0.6
Facilities Agreement	982	982	0.0
Other financial debt	4	6	-33.3
Total financial debt	**3,689**	**3,707**	**-0.5**
Cash and cash equivalents	947	1,071	-11.6
Net financial debt	**2,742**	**2,636**	**4.0**

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 1.2 at March 31, 2017 (December 31, 2016: 1.1). The debt to EBITDA ratio before special items was 1.1 (December 31, 2016: 1.1).

The gearing ratio, the ratio of net financial debt to equity, was 114.3 % at March 31, 2017 (prior year: 132.0 %).

Please refer to the supplementary report on page 21 for events after March 31, 2017.

At March 31, 2017, the Schaeffler Group's Facilities Agreement comprised the following tranches:

Facilities Agreement Schaeffler Group No. 011

Tranche	Currency	Face value in millions 03/31/2017	Face value in millions 12/31/2016	Carrying amount in € million 03/31/2017	Carrying amount in € million 12/31/2016	Coupon 03/31/2017	Coupon 12/31/2016	Maturity
Senior Term Loan	EUR	1,000	1,000	991	992	Euribor [1] + 1.20 %	Euribor [1] + 1.20 %	07/18/2021
Revolving Credit Facility [2]	EUR	1,300	1,300	-9	-10	Euribor [1] + 0.80 %	Euribor [1] + 0.80 %	07/18/2021
Total				**982**	**982**			

[1] Euribor floor of 0.00 %.
[2] EUR 12 m (December 31, 2016: EUR 13 m) were drawn down as at March 31, 2017, primarily in the form of letters of credit.

In addition, the Schaeffler Group had further lines of credit in the equivalent of approximately EUR 165 m (prior year: EUR 166 m), primarily regarding the U.S. and China, that were largely unutilized.

The following bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, were outstanding as at March 31, 2017. All bonds are listed on the Euro MTF market of the Luxembourg Stock Exchange.

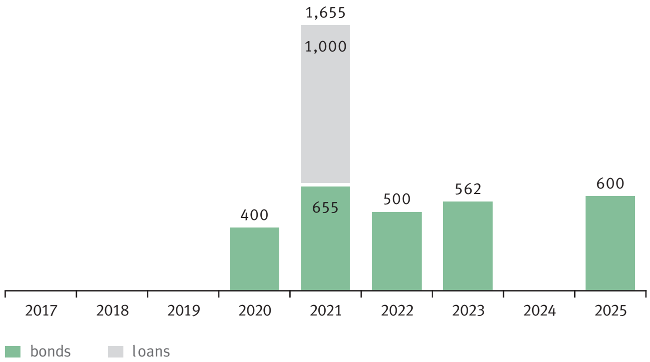
Schaeffler Group bonds No. 012

ISIN	Currency	Face value in millions 03/31/2017	Face value in millions 12/31/2016	Carrying amount in € million 03/31/2017	Carrying amount in € million 12/31/2016	Coupon	Maturity
XS1212469966	EUR	400	400	397	397	2.50 %	05/15/2020
US806261AJ29	USD	700	700	650	658	4.25 %	05/15/2021
XS1067864022	EUR	500	500	498	498	3.50 %	05/15/2022
US806261AM57	USD	600	600	563	571	4.75 %	05/15/2023
XS1212470972	EUR	600	600	595	595	3.25 %	05/15/2025
Total				**2,703**	**2,719**		

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 March 31, 2017:

Maturity profile No. 013

Principal outstanding as at March 31, 2017 in € millions



1.5 Net assets and capital structure

The Schaeffler Group's total assets increased by EUR 377 m or 3.3 % to EUR 11,941 m as at March 31, 2017 (December 31, 2016: EUR 11,564 m).

Consolidated statement of financial position (abbreviated) No. 014

in € millions	03/31/2017	12/31/2016	Change in %
Total non-current assets	6,082	5,979	1.7
Total current assets	5,859	5,585	4.9
Total assets	**11,941**	**11,564**	**3.3**
Total shareholders' equity	2,400	1,997	20.2
Total non-current liabilities	6,233	6,361	-2.0
Total current liabilities	3,308	3,206	3.2
Total shareholders' equity and liabilities	**11,941**	**11,564**	**3.3**

Non-current assets rose by EUR 103 m to EUR 6,082 m as at March 31, 2017 (December 31, 2016: EUR 5,979 m), primarily due to an increase in property, plant and equipment of EUR 115 m. Additions to intangible assets and property, plant and equipment amounted to EUR 279 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 274 m to EUR 5,859 m (December 31, 2016: EUR 5,585 m) during the first three months of 2017. The increase was largely attributable to higher inventories and trade receivables, partially offset mainly by a decrease in cash and cash equivalents (see "Cash flow and liquidity", page 17).

Shareholders' equity including non-controlling interests rose by EUR 403 m to EUR 2,400 m as at March 31, 2017 (December 31, 2016: EUR 1,997 m). Net income of EUR 283 m and other comprehensive income of EUR 120 m increased shareholders' equity. The latter was largely attributable to an increase in the average discount rate for pension obligations to 2.2 % (December 31, 2016: 2.1 %). The equity ratio was 20.1 % at March 31, 2017 (December 31, 2016: 17.3 %).

Non-current liabilities declined by EUR 128 m to EUR 6,233 m as at March 31, 2017 (December 31, 2016: EUR 6,361 m), largely due to the decrease in provisions for pensions and similar obligations by EUR 75 m primarily resulting from a slight increase in the average discount rate.

Current liabilities increased by EUR 102 m to EUR 3,308 m as at March 31, 2017 (December 31, 2016: EUR 3,206 m), largely due to higher vacation accruals. Increased trade payables also contributed to the rise in current liabilities, partially offset by a decline in other financial liabilities due to, among other things, the payment of the consideration payable for the 51 % interest in Compact Dynamics acquired in December 2016.

2. Supplementary report

On April 24, 2017, the Schaeffler Group announced that it would fully redeem the bond with a principal of USD 700 m, a coupon of 4.25 %, and an original maturity of 2021. The redemption is scheduled for May 24, 2017. The redemption will be funded using available liquidity and part of the revolving credit facility.

On April 25, 2017, rating agency Fitch Ratings published its first rating of Schaeffler AG. Fitch currently rates Schaeffler AG at BBB- (investment grade) with a stable outlook. The bonds were also assigned a BBB- rating.

Schaeffler AG's annual general meeting, which was held on April 26, 2017, passed a resolution to pay a dividend 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 Schaeffler AG's shareholders for 2016.

No other material events expected to have a significant impact on the results of operations, financial position, or net assets of the Schaeffler Group occurred after March 31, 2017.

3. Report on opportunities and risks

Please refer to pages 61 et seq. of the Schaeffler Group's annual report 2016 for a discussion of Schaeffler's risk management system and potential opportunities and risks. The statements made in the annual report 2016 regarding the opportunities and risks are largely unchanged.

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

4. Report on expected development

4.1 Expected economic and sales market trends

In its current forecast (April 2017), the International Monetary Fund expects the global economy to grow by 3.5 % this year. Oxford Economics (April 2017) anticipates a growth rate of 3.4 %. In light of these forecasts, the Schaeffler Group continues to expect global economic growth of about 3 % in 2017.

Please refer to the discussion in the 2016 annual report regarding risks potentially affecting the development of the global economy.

The current forecast of automobile and industrial production does not contain any significant changes compared to the forecasts in the 2016 annual report. Therefore, the Schaeffler Group continues to anticipate that automobile production will grow by approximately 1.5 % in 2017, while growth in industrial production is still expected to slightly exceed that of the prior year.

4.2 Schaeffler Group outlook

The Schaeffler Group confirms its outlook for 2017.

Outlook 2017 No. 015

	Outlook 2017	Actual Q1 2017
Revenue growth compared with prior year [1]	4 to 5 %	5.4 %
EBIT margin before special items [2]	12 to 13 %	12.2 %
Free cash flow	~ EUR 600 m	EUR -130 m

[1] Excluding the impact of currency translation.
[2] Please refer to page 16 for further detail on special items.

The Schaeffler Group continues to expect its revenue to grow by 4 to 5 % excluding the impact of currency translation in 2017. This outlook is based on the assumption that global automobile production will expand by approximately 1.5 % and worldwide industrial production will grow slightly.

Based on these considerations, the company continues to expect to generate an EBIT margin before special items of 12 to 13 %.

The Schaeffler Group still expects approximately EUR 600 m in free cash flow for 2017.

Herzogenaurach, May 02, 2017

The Board of Managing Directors

Consolidated income statement

No. 016

in € millions	1st three months 2017	1st three months 2016	Change in %
Revenue	3,574	3,343	6.9
Cost of sales	-2,542	-2,399	6.0
Gross profit	**1,032**	**944**	**9.3**
Research and development expenses	-212	-184	15.2
Selling expenses	-243	-222	9.5
Administrative expenses	-117	-110	6.4
Other income	12	4	> 100
Other expenses	-37	-11	> 100
Earnings before financial result and income taxes (EBIT)	**435**	**421**	**3.3**
Financial income	1	102	-99.0
Financial expenses	-49	-167	-70.7
Financial result	**-48**	**-65**	**-26.2**
Earnings before income taxes	**387**	**356**	**8.7**
Income taxes	-104	-100	4.0
Net income	**283**	**256**	**10.5**
Attributable to shareholders of the parent company	279	253	10.3
Attributable to non-controlling interests	4	3	33.3
Earnings per common share (basic/diluted, in €)	0.42	0.38	10.5
Earnings per common non-voting share (basic/diluted, in €)	0.42	0.38	10.5

Consolidated statement of comprehensive income

No. 017

	1st three months					
			2017			2016
in € millions	before taxes	taxes	after taxes	before taxes	taxes	after taxes
Net income	**387**	**-104**	**283**	**356**	**-100**	**256**
Foreign currency translation differences for foreign operations	37	0	37	-78	0	-78
Net change from hedges of net investments in foreign operations	6	-2	4	32	-9	23
Effective portion of changes in fair value of cash flow hedges	6	-2	4	21	-6	15
Net change in fair value of available-for-sale financial assets	0	0	0	0	0	0
Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	**49**	**-4**	**45**	**-25**	**-15**	**-40**
Remeasurement of net defined benefit liability	103	-28	75	-245	70	-175
Total other comprehensive income (loss) that will not be reclassified to profit or loss	**103**	**-28**	**75**	**-245**	**70**	**-175**
Total other comprehensive income (loss)	**152**	**-32**	**120**	**-270**	**55**	**-215**
Total comprehensive income (loss) for the period	**539**	**-136**	**403**	**86**	**-45**	**41**
Total comprehensive income (loss) attributable to shareholders of the parent company	529	-134	395	85	-43	42
Total comprehensive income (loss) attributable to non-controlling interests	10	-2	8	1	-2	-1

Consolidated statement of financial position

No. 018

in € millions	03/31/2017	12/31/2016	03/31/2016	Change in %
ASSETS				
Intangible assets	634	632	587	0.3
Property, plant and equipment	4,622	4,507	4,159	2.6
Other financial assets	210	217	1,993	-3.2
Other assets	59	51	52	15.7
Income tax receivables	0	0	4	0.0
Deferred tax assets	557	572	544	-2.6
Total non-current assets	**6,082**	**5,979**	**7,339**	**1.7**
Inventories	2,011	1,905	1,861	5.6
Trade receivables	2,462	2,218	2,215	11.0
Other financial assets	54	55	194	-1.8
Other assets	271	218	230	24.3
Income tax receivables	90	93	75	-3.2
Cash and cash equivalents	947	1,071	693	-11.6
Assets held for sale	24	25	0	-4.0
Total current assets	**5,859**	**5,585**	**5,268**	**4.9**
Total assets	**11,941**	**11,564**	**12,607**	**3.3**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	666	666	666	0.0
Capital reserves	2,348	2,348	2,348	0.0
Other reserves	-125	-404	-682	-69.1
Accumulated other comprehensive income (loss)	-597	-713	-810	-16.3
Equity attributable to shareholders of the parent company	**2,292**	**1,897**	**1,522**	**20.8**
Non-controlling interests	108	100	87	8.0
Total shareholders' equity	**2,400**	**1,997**	**1,609**	**20.2**
Provisions for pensions and similar obligations	2,107	2,182	2,187	-3.4
Provisions	97	96	185	1.0
Financial debt	3,687	3,704	5,584	-0.5
Income tax payables	137	163	215	-16.0
Other financial liabilities	76	86	9	-11.6
Other liabilities	6	6	5	0.0
Deferred tax liabilities	123	124	121	-0.8
Total non-current liabilities	**6,233**	**6,361**	**8,306**	**-2.0**
Provisions	341	354	396	-3.7
Financial debt	2	3	18	-33.3
Trade payables	1,653	1,625	1,336	1.7
Income tax payables	232	176	102	31.8
Other financial liabilities	654	696	459	-6.0
Other liabilities	418	344	381	21.5
Liabilities held for sale	8	8	0	0.0
Total current liabilities	**3,308**	**3,206**	**2,692**	**3.2**
Total shareholders' equity and liabilities	**11,941**	**11,564**	**12,607**	**3.3**

Consolidated statement of cash flows

No. 019

in € millions	1st three months 2017	2016	Change in %
Operating activities			
EBIT	435	421	3.3
Interest paid	-30	-35	-14.3
Interest received	3	3	0.0
Income taxes paid	-81	-99	-18.2
Depreciation, amortization and impairments	189	177	6.8
(Gains) losses on disposal of assets	0	1	-100
Changes in:			
• Inventories	-93	-76	22.4
• Trade receivables	-231	-226	2.2
• Trade payables	40	52	-23.1
• Provisions for pensions and similar obligations	17	-8	-
• Other assets, liabilities and provisions	-63	-4	› 100
Cash flows from operating activities	**186**	**206**	**-9.7**
Investing activities			
Proceeds from disposals of property, plant and equipment	2	1	100
Capital expenditures on intangible assets	-7	-5	40.0
Capital expenditures on property, plant and equipment	-292	-313	-6.7
Aquisition of subsidiaries	-23	0	-
Proceeds from disposal of subsidiaries	4	0	-
Other investing activities	0	-1	-100
Cash used in investing activities	**-316**	**-318**	**-0.6**
Financing activities			
Receipts from loans	0	15	-100
Repayments of loans	-2	-1	100
Other financing activities	0	0	0.0
Cash used in financing activities	**-2**	**14**	**-**
Net increase (decrease) in cash and cash equivalents	**-132**	**-98**	**34.7**
Effects of foreign exchange rate changes on cash and cash equivalents	8	-8	-
Cash and cash equivalents as at beginning of period	1,071	799	34.0
Cash and cash equivalents as at March 31	**947**	**693**	**36.7**

Consolidated statement of changes in equity

No. 020

in € millions	Share capital	Capital reserves	Other reserves	Accumulated other comprehensive income (loss) Translation reserve	Hedging reserve	Fair value reserve	Defined benefit plan remeasure-ment reserve	Subtotal	Non-controlling interests	Total
Balance as at January 01, 2016	**666**	**2,348**	**-935**	**-79**	**-29**	**0**	**-491**	**1,480**	**88**	**1,568**
Net income			253					253	3	256
Other comprehensive income (loss)				-52	16	0	-175	-211	-4	-215
Total comprehensive income (loss) for the period	**0**	**0**	**253**	**-52**	**16**	**0**	**-175**	**42**	**-1**	**41**
Balance as at March 31, 2016	**666**	**2,348**	**-682**	**-131**	**-13**	**0**	**-666**	**1,522**	**87**	**1,609**
Balance as at January 01, 2017	**666**	**2,348**	**-404**	**-27**	**-35**	**0**	**-651**	**1,897**	**100**	**1,997**
Net income			279					279	4	283
Other comprehensive income (loss)				37	4	0	75	116	4	120
Total comprehensive income (loss) for the period	**0**	**0**	**279**	**37**	**4**	**0**	**75**	**395**	**8**	**403**
Balance as at March 31, 2017	**666**	**2,348**	**-125**	**10**	**-31**	**0**	**-576**	**2,292**	**108**	**2,400**

Consolidated segment information

(Part of the condensed notes to the consolidated interim financial statements)

No. 021

	Automotive		Industrial		Total	
	1st three months		1st three months		1st three months	
in € millions	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Revenue	2,791	2,578	783	765	3,574	3,343
Cost of sales	-1,999	-1,847	-543	-552	-2,542	-2,399
Gross profit	792	731	240	213	1,032	944
EBIT	367	367	68	54	435	421
• in % of revenue	13.1	14.2	8.7	7.1	12.2	12.6
Depreciation, amortization and impairments	-142	-129	-47	-48	-189	-177
Inventories 1)	1,288	1,185	723	676	2,011	1,861
Trade receivables 1)	1,946	1,713	516	502	2,462	2,215
Property, plant and equipment 1)	3,543	3,107	1,079	1,052	4,622	4,159
Additions to intangible assets and property, plant and equipment	226	174	53	43	279	217

Prior year information presented based on 2017 segment structure.
1) Amounts as at March 31.

Condensed notes to the consolidated interim financial statements

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 condensed consolidated financial statements of Schaeffler AG as at March 31, 2017 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 global automotive and industrial supplier.

Basis of preparation

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

The consolidated interim financial statements of Schaeffler AG, Herzogenaurach, for the reporting period ended March 31, 2017 have been compiled in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”. They do not include all information necessary for a complete set of consolidated financial statements.

The accounting policies used in these consolidated interim financial statements are largely based on the accounting policies used in the 2016 consolidated financial statements, where the latter are discussed in detail. These accounting policies have been applied consistently in these consolidated interim financial statements.

The amendments to and new requirements of IFRS effective starting in 2017 do not have a significant impact on these consolidated interim financial statements. Please see the discussion on IFRS 15 Revenue from Contracts with Customers, which is applicable effective January 01, 2018, in the notes to the consolidated financial statements contained in the 2016 annual report for information on the impact this standard’s initial application is currently expected to have. To date, the ongoing implementation project has not led to any significant changes to the assessments set out in that discussion.

In compiling financial statements in accordance with IFRS, management exercises judgment in making estimates and assumptions. Such estimates and judgments are unchanged from the matters described in the consolidated financial statements of the Schaeffler Group as at and for the year ended December 31, 2016. The only change relates to the assumptions regarding the discount rate used to measure the company’s pension obligations. These assumptions were adjusted to reflect current market trends. The adjustment has led to a reduction in pension obligations and an increase in shareholders’ equity. Please refer to “Provisions for pensions and similar obligations” below for more detailed information.

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

Income taxes were determined based on best estimate.

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

Foreign currency translation

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

Selected foreign exchange rates No. 022

Currencies		Closing rates			Average rates 1st three months	
1 € in		**03/31/2017**	**12/31/2016**	**03/31/2016**	**2017**	**2016**
CNY	China	7.36	7.32	7.35	7.33	7.21
INR	India	69.33	71.45	75.43	71.37	74.41
KRW	South Korea	1,194.94	1,270.57	1,294.88	1,227.97	1,323.88
MXN	Mexico	20.02	21.79	19.59	21.64	19.90
USD	U.S.A.	1.07	1.05	1.14	1.06	1.10

Scope of consolidation

The consolidated financial statements of Schaeffler AG as at March 31, 2017 cover, in addition to Schaeffler AG, 153 (December 31, 2016: 152) subsidiaries; 51 (December 31, 2016: 51) entities are domiciled in Germany and 102 (December 31, 2016: 101) in other countries.

The scope of consolidation of Schaeffler AG did not change significantly compared to December 31, 2016.

In the consolidated financial statements as at March 31, 2017, five (December 31, 2016: five) investments (including two joint ventures; December 31, 2016: two) are accounted for at equity.

Current and non-current financial debt

The decrease in financial debt compared to December 31, 2016 resulted primarily from the impact of translating the financial debt denominated in U.S. Dollar to Euro.

Financial debt (current/non-current) No. 023

	03/31/2017			**12/31/2016**		
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
Bonds	2,703	0	2,703	2,719	0	2,719
Facilities Agreement	982	0	982	982	0	982
Other financial debt	4	2	2	6	3	3
Financial debt	**3,689**	**2**	**3,687**	**3,707**	**3**	**3,704**

Provisions for pensions and similar obligations

Interest rate levels as at March 31, 2017 have increased slightly compared to December 31, 2016. As a result, the Schaeffler Group has adjusted the discount rate used to value its key pension plans as at the reporting date. The Schaeffler Group's average discount rate as at March 31, 2017 amounted to 2.2 % (December 31, 2016: 2.1 %). The resulting remeasurement of the company's obligations under defined benefit pension plans resulted in actuarial gains of EUR 103 m as at March 31, 2017, which were recognized in the consolidated statement of comprehensive income and are reported under accumulated other comprehensive income net of deferred taxes.

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 and derivatives subject to hedge accounting are also shown, although they do not fall into 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. 024

			03/31/2017		12/31/2016		03/31/2016	
in € millions	Category per IFRS 7.8	Level per IFRS 13	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets, by class								
Trade receivables	LaR		2,462	2,462	2,218	2,218	2,215	2,215
Other financial assets								
• Investments in associates [1]	n.a.		3	-	3	-	3	-
• Other investments [2]	AfS		14	-	14	-	14	-
• Marketable securities	AfS	1	18	18	17	17	15	15
• Derivatives designated as hedging instruments	n.a.	2	59	59	63	63	71	71
• Derivatives not designated as hedging instruments	HfT	2	132	132	141	141	225	225
• Miscellaneous other financial assets	LaR		38	38	34	34	1,859	1,949
Cash and cash equivalents	LaR		947	947	1,071	1,071	693	693
Financial liabilities, by class								
Financial debt	FLAC	1, 2 [3]	3,689	3,856	3,707	3,820	5,602	5,770
Trade payables	FLAC		1,653	1,653	1,625	1,625	1,336	1,336
Other financial liabilities								
• Derivatives designated as hedging instruments	n.a.	2	38	38	40	40	5	5
• Derivatives not designated as hedging instruments	HfT	2	44	44	35	35	40	40
• Miscellaneous other financial liabilities	FLAC		648	648	707	707	423	423
Summary by category								
Available-for-sale financial assets (AfS)			32	-	31	-	29	-
Financial assets held for trading (HfT)			132	-	141	-	225	-
Loans and receivables (LaR)			3,447	-	3,323	-	4,767	-
Financial liabilities at amortized cost (FLAC)			5,990	-	6,039	-	7,361	-
Financial liabilities held for trading (HfT)			44	-	35	-	40	-

[1] Equity-accounted investees.
[2] Investments accounted for at cost.
[3] Level 1: EUR 2,801 m (December 31, 2016: EUR 2,813 m; March 31, 2016: EUR 5,082 m); level 2: EUR 1,055 m (December 31, 2016: EUR 1,007 m; March 31, 2016: EUR 688 m).

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.

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 the first three months of 2017, 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.

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 interim financial statements were determined using the following valuation methods and inputs:

- Level 1: Exchange-quoted prices as at the reporting date are used for marketable securities as well as bonds payable included in financial debt.
- Level 2: Cross-currency swaps and foreign exchange contracts are measured using discounted cash flow valuation models and the exchange rates in effect at the end of the reporting period as well as risk-adjusted interest and discount rates appropriate to the instruments' terms. These models take into account counterparty credit risk via credit value adjustments. 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 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 company reviews its financial instruments at the end of each reporting period for any required transfers between fair value levels. No transfers between levels were made during the period.

Contingent liabilities and other obligations

At March 31, 2017, the Schaeffler Group had contingent liabilities of EUR 120 m (December 31, 2016: EUR 46 m). These consisted primarily of risks related to potential reassessments by tax authorities.

Open commitments under fixed contracts to purchase property, plant and equipment amounted to EUR 363 m as at March 31, 2017 (December 31, 2016: EUR 320 m).

Segment reporting

The allocation of customers and products to segments and the allocation of indirect expenses are reviewed regularly and adjusted where necessary. To ensure that the information on the Automotive division and Industrial division segments is comparable, prior year information is also presented using the current year's customer and product structure.

Reconciliation to earnings before income taxes No. 025

	1st three months	
in € millions	**2017**	**2016**
EBIT Automotive [1]	367	367
EBIT Industrial [1]	68	54
EBIT	**435**	**421**
Financial result	-48	-65
Earnings before income taxes	**387**	**356**

[1] Prior year information presented based on 2017 segment structure.

Related parties

The extent of transactions with related persons and entities remained largely unchanged compared to the 2016 consolidated financial statements.

Transactions with associated companies and joint ventures in the first three months of 2017 were insignificant.

Events after the reporting period

On April 24, 2017, the Schaeffler Group announced that it would fully redeem the bond with a principal of USD 700 m, a coupon of 4.25 %, and an original maturity of 2021. The redemption is scheduled for May 24, 2017. The redemption will be funded using available liquidity and part of the revolving credit facility.

On April 25, 2017, rating agency Fitch Ratings published its first rating of Schaeffler AG. Fitch currently rates Schaeffler AG at BBB- (investment grade) with a stable outlook. The bonds were also assigned a BBB- rating.

Schaeffler AG's annual general meeting, which was held on April 26, 2017, passed a resolution to pay a dividend 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 Schaeffler AG's shareholders for 2016.

No other material events expected to have a significant impact on the results of operations, financial position, or net assets of the Schaeffler Group occurred after March 31, 2017.

Herzogenaurach, May 02, 2017

The Board of Managing Directors

List of figures

Forward-looking statements
This document contains forward-looking statements that reflect management's current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond Schaeffler AG's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies, and the actions of government regulators. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. Schaeffler AG does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of this report.

Rounding differences may occur.

This English version of the interim financial report is a translation of the original German version; in the event of variances, the German version shall take precedence over the English translation.

For better readability, this report generally uses only the masculine form when referring to groups of persons. Unless indicated otherwise, these statements should not be construed to refer to a specific gender.

Summary – 1st quarter 2016 to 1st quarter 2017

	2016				2017
Income statement (in € millions)	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter
Revenue	3,343	3,369	3,265	3,361	3,574
EBIT	421	438	417	280	435
• in % of revenue	12.6	13.0	12.8	8.3	12.2
EBIT before special items [1]	421	438	417	424	435
• in % of revenue	12.6	13.0	12.8	12.6	12.2
Net income [2]	253	241	178	187	279
Earnings per common non-voting share (basic/diluted, in €)	0.38	0.37	0.27	0.28	0.42
Statement of financial position (in € millions)					
Total assets	12,607	12,554	12,862	11,564	11,941
Shareholders' equity [3]	1,609	1,425	1,554	1,997	2,400
• in % of total assets	12.8	11.4	12.1	17.3	20.1
Net financial debt	4,909	4,874	2,876	2,636	2,742
• Net financial debt to EBITDA ratio before special items [1] [4]	2.1	2.0	1.2	1.1	1.1
• Gearing Ratio (Net financial debt to shareholders' equity, in %)	305.1	342.0	185.1	132.0	114.3
Statement of cash flows (in € millions)					
EBITDA	598	619	600	476	624
• in % of revenue	17.9	18.4	18.4	14.2	17.5
EBITDA before special items [1]	598	619	600	620	624
• in % of revenue	17.9	18.4	18.4	18.4	17.5
Cash flows from operating activities	206	571	528	571	186
Capital expenditures (capex) [5]	318	243	268	317	299
• in % of revenue (capex ratio)	9.5	7.2	8.2	9.4	-8.4
Free cash flow	-112	328	263	256	-130
Value Added					
ROCE before special items (in %) [1] [4]	22.8	23.2	22.6	22.3	22.1
Schaeffler Value Added before special items (in € millions) [1] [4]	928	973	944	939	938
Employees					
Headcount (at end of reporting period)	85,016	85,225	86,029	86,662	87,341

[1] Please refer to page 16 for the definition of special items.
[2] Attributable to shareholders of the parent company.
[3] Including non-controlling interests.
[4] EBIT/ EBITDA based on the last twelve months.
[5] Capital expenditures on intangible assets and property, plant and equipment.

	2016				2017
Automotive (in € millions)	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter
Revenue	2,578	2,604	2,525	2,631	2,791
EBIT	367	367	362	276	367
• in % of revenue	14.2	14.1	14.3	10.5	13.1
EBIT before special items [1]	367	367	362	384	367
• in % of revenue	14.2	14.1	14.3	14.6	13.1
Industrial (in € millions)					
Revenue	765	765	740	730	783
EBIT	54	71	55	4	68
• in % of revenue	7.1	9.3	7.4	0.5	8.7
EBIT before special items [1]	54	71	55	40	68
• in % of revenue	7.1	9.3	7.4	5.5	8.7

Prior year information presented based on 2017 segment structure.
[1] Please refer to page 16 for the definition of special items.

Financial calendar

May 11, 2017

Publication of results for the first three months 2017

August 08, 2017

Publication of results for the first six months 2017

November 08, 2017

Publication of results for the first nine months 2017

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

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