

**SCHAEFFLER**

**9M** | Mobility for tomorrow  
Interim Financial Report as at September 30, 2015

**Quality  
Technology  
Innovation**

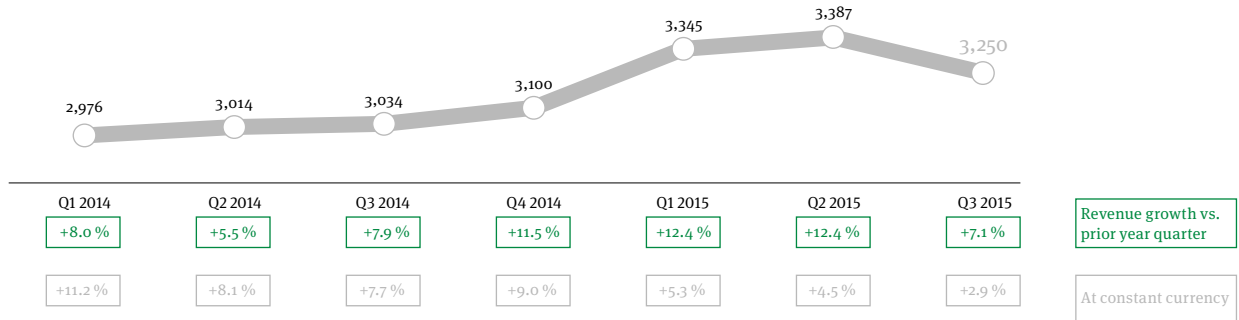
# Key figures

in € millions	1 <sup>st</sup> nine months		Change
	2015	2014	
<b>Consolidated statement of income</b>			
Revenue	9,982	9,024	10.6 %
• at constant currency			4.2 %
EBITDA	1,765	1,703	3.6 %
• in % of revenue	17.7	18.9	-1.2 %-pts.
EBIT	1,251	1,230	1.7 %
• in % of revenue	12.5	13.6	-1.1 %-pts.
Net income <sup>1)</sup>	521	439	18.7 %
Basic and diluted earnings per common share (in €)	0.87	0.88	-1.1 %
in € millions	09/30/2015	12/31/2014	Change
<b>Consolidated statement of financial position</b>			
Total assets	12,450	11,617	7.2 %
Shareholders' equity <sup>2)</sup>	631	258	373 € millions
• in % of total assets	5.1	2.2	2.9 %-pts.
Net financial debt	5,950	5,778	3.0 %
• Net financial debt to EBITDA ratio <sup>3)</sup>	2.7	2.7	
in € millions	2015	2014	Change
<b>Consolidated statement of cash flows</b>			
Cash flows from operating activities <sup>4)</sup>	912	410	502 € millions
Capital expenditures (capex) <sup>5)</sup>	743	500	243 € millions
• in % of revenue (capex ratio)	7.4	5.5	1.9 %-pts.
Free cash flow <sup>4)</sup>	192	-87	279 € millions
<b>Employees</b>			
Headcount	84,414	81,353	3.8 %
<sup>1)</sup> Attributable to shareholders of the parent company. <sup>2)</sup> Including non-controlling interests. <sup>3)</sup> EBITDA based on the last twelve months. <sup>4)</sup> Including a one-time outflow of EUR 371 m for the EU antitrust penalty in the 2 <sup>nd</sup> quarter of 2014. <sup>5)</sup> Capital expenditures on intangible assets and property, plant and equipment.			
<b>Automotive</b>			
in € millions	2015	2014	Change
Revenue	7,511	6,670	12.6 %
• at constant currency			6.5 %
EBIT	999	946	5.6 %
• in % of revenue	13.3	14.2	-0.9 %-pts.
Prior year information based on 2015 segment structure.			
<b>Industrial</b>			
in € millions	2015	2014	Change
Revenue	2,471	2,354	5.0 %
• at constant currency			-2.2 %
EBIT	252	284	-11.3 %
• in % of revenue	10.2	12.1	-1.9 %-pts.
Prior year information based on 2015 segment structure.			

# 9M 2015 in numbers

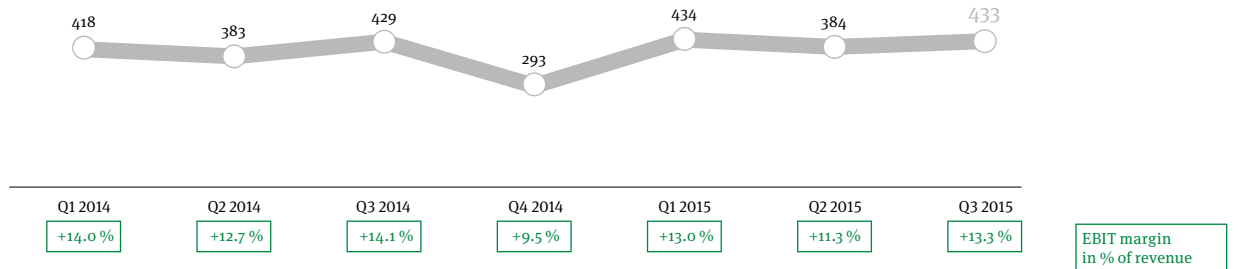
## Revenue trend

in € millions



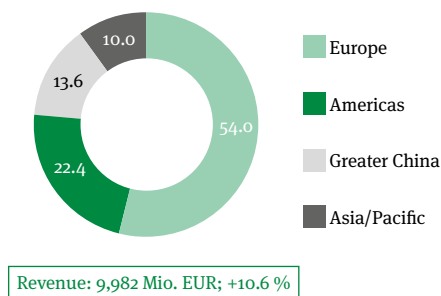
## EBIT trend (earnings before financial result, income from equity-accounted investees, and income taxes)

in € millions



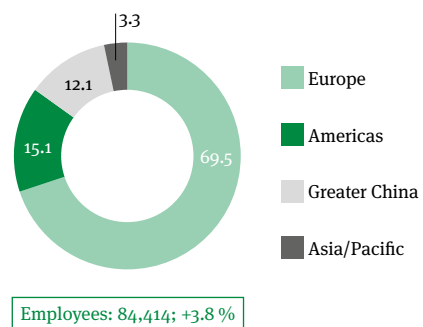
## Revenue by region

in percent by market view



## Headcount by region

in percent at September 30, 2015



# Schaeffler Group at a glance

## Highlights of the first nine months of 2015

Positive revenue trend continued:

Revenue at **EUR 9,982 m**; growth of **10.6 % p.a.** (fx-adjusted growth 4.2 %)

High earnings quality:

EBIT margin at **12.5 %** of revenue (prior year: 13.6 %)

Strong free cash flow in the 3<sup>rd</sup> quarter:

Free cash flow for the first nine months at **EUR 192 m** (prior year: EUR -87 m)

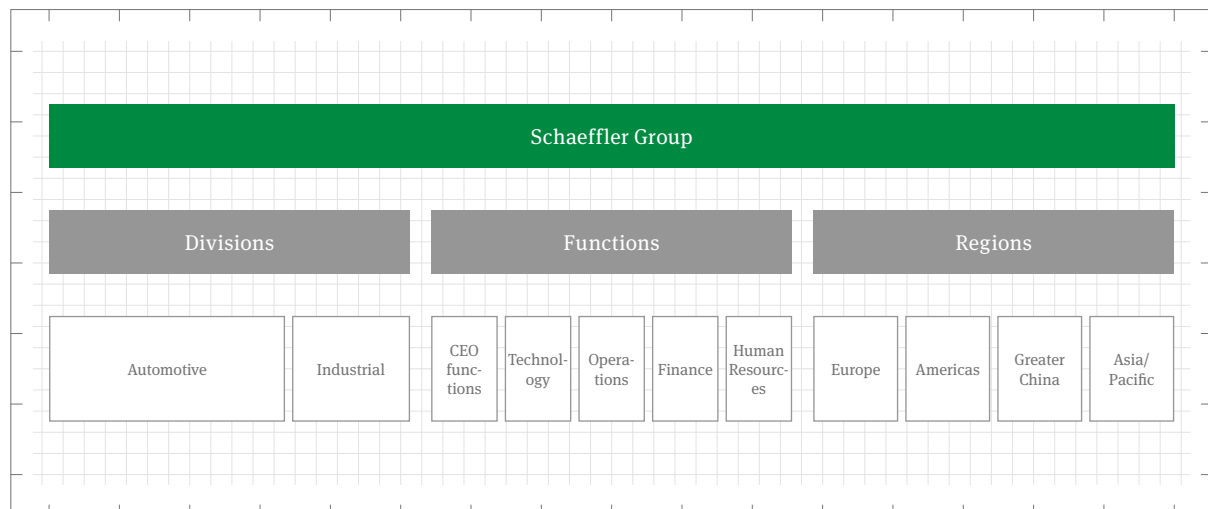
Listing completed successfully in October:

Proceeds of **EUR 825 m<sup>1</sup>** used to repay debt in the 4<sup>th</sup> quarter;  
Debt to EBITDA ratio reduced to 2.3x<sup>2</sup>

## Company profile

The Schaeffler Group is a leading integrated global supplier to the automotive and industrial sectors. The company stands for top quality, outstanding technology and strong innovative ability. Its precision components and systems for engines, transmissions, and chassis as well as rolling and plain bearing solutions for numerous industrial applications make the Schaeffler Group a key contributor to the “Mobility for tomorrow.”

The Schaeffler Group manages its business using a multi-dimensional matrix consisting of two divisions, various functions, and four regions.



<sup>1</sup> Realization in October 2015.

<sup>2</sup> Pro forma calculation as of September 30, 2015.

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# Schaeffler on the capital markets

The European capital markets were marked by concerns regarding growth in the emerging markets, particularly in China, in the third quarter of 2015. The resulting downturn in the global commodities markets and uncertainty surrounding the anticipated increase in interest rates by the U.S. Federal Reserve also had an adverse effect on the European debt and equity markets – the Deutsche Aktienindex (DAX) lost 12 % in market capitalization compared to June 30, 2015, and the European sector index Stoxx 600 Automobiles & Parts fell by as much as 24 %. The iTraxx Crossover (5 year maturity), an indicator of credit risk and the cost of credit in the European high yield market, closed the third quarter of 2015 at 373 basis points compared to 329 basis points on June 30, 2015 (up 44 basis points).

## Schaeffler AG listing

Schaeffler AG was listed on the stock exchange on October 09, 2015. The listing represents an important component of the realignment of the company's capital and corporate structure and forms the basis for the Schaeffler Group's continuing profitable growth. Schaeffler AG will remain largely family-owned in the future, under a structure with a strategically focused holding company at the top.

A total of 166 million common non-voting shares were admitted for trading. Despite the challenging environment, a total of 75 million common non-voting shares were placed with institutional investors, with the order book oversubscribed several times. 66 million of these shares were issued in connection with a Schaeffler AG capital increase and 9 million shares were sold by Schaeffler Verwaltungs GmbH. The company intends to also float the remaining common non-voting shares held by Schaeffler Verwaltungs GmbH with institutional investors at some point in the future.

The placement price for the common non-voting shares was set at EUR 12.50 per share. The proceeds of the transaction were used to reduce Schaeffler AG's debt, improving the Schaeffler Group's financial strength for the long term.

Schaeffler AG's share capital consists of both the 166 million common non-voting shares and a further 500 million common shares; the latter are held by Schaeffler Verwaltung Zwei GmbH and are not listed on the stock exchange. The free float currently amounts to around 11 % of total share capital; approximately 43 % (approximately 72 million shares) of the listed common non-voting shares are widely held.

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

## Performance of Schaeffler share

Schaeffler AG's shares have been trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) under the ticker symbol SHA, the German Securities Identification Number (WKN) SHA015 and the International Securities Identification Number (ISIN) DE000SHA0159 since October 09, 2015.

The first price quoted for the Schaeffler share on October 09, 2015, was EUR 13.50. In a volatile market environment marked by key competitors issuing profit warnings, the Schaeffler share temporarily dropped below its issue price during the following weeks, but quickly recovered to close at EUR 12.76 on November 09, 2015.

Please refer to the supplementary report on page 30 for further detail on the listing.

## Performance of Schaeffler bonds

The price of the Schaeffler Group's bonds declined slightly from their June 30, 2015 level. Premiums for Schaeffler AG credit default swaps (CDS) rose in line with the market during the third quarter of 2015. The five-year CDS on Schaeffler AG rose by approximately 36 basis points to 214 basis points compared to June 30, 2015.

The Schaeffler Group had the following bonds outstanding at September 30, 2015:

#### Bonds issued by the Schaeffler Group

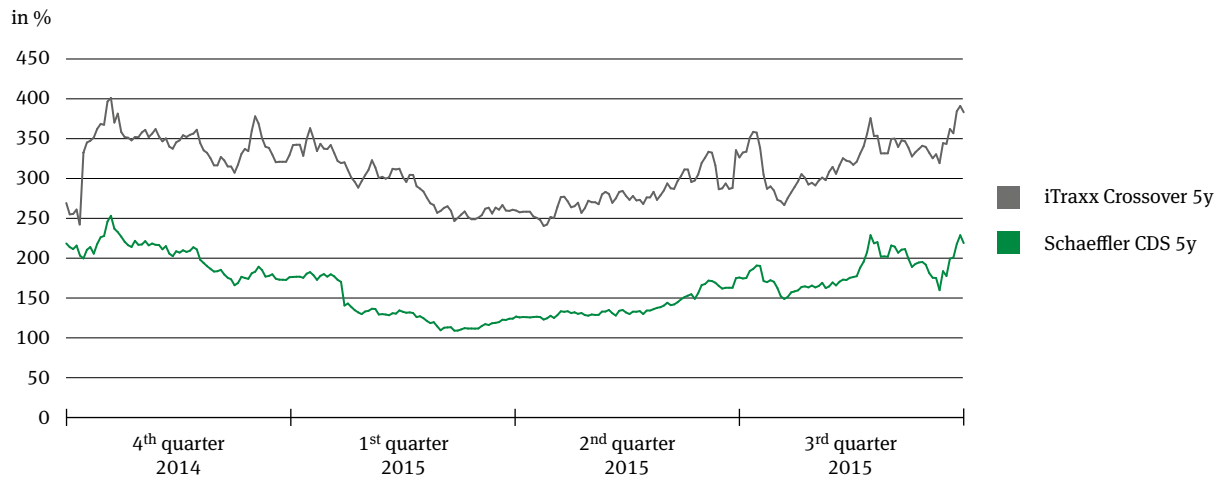
ISIN	Currency	Face value in millions	Coupon	Maturity	Price in % <sup>1)</sup> 09/30/2015	Price in % <sup>1)</sup> 06/30/2015
XS0923613060	EUR	600	4.25%	05/15/2018	102.23	102.28
XS1067864881 <sup>2)</sup>	EUR	500	3.25%	05/15/2019	98.71	100.97
XS1067862919	EUR	500	2.75%	05/15/2019	98.01	100.59
XS1212469966	EUR	400	2.50%	05/15/2020	95.82	98.15
US806261AJ29	USD	700	4.25%	05/15/2021	96.00	98.38
US806261AE32	USD	850	4.75%	05/15/2021	98.00	100.31
XS1067864022	EUR	500	3.50%	05/15/2022	99.45	100.70
US806261AM57	USD	600	4.75%	05/15/2023	96.75	97.94
XS1212470972	EUR	600	3.25%	05/15/2025	93.83	94.68

<sup>1)</sup> Source: Bloomberg.

<sup>2)</sup> Bond is unsecured.

#### Credit default swap price trend since the 4<sup>th</sup> quarter of 2014

Source: Bloomberg.



## Schaeffler's ratings

The Schaeffler Group's ratings by rating agency Standard & Poor's are unchanged from June 30, 2015. The rating agency Moody's upgraded Schaeffler AG's company rating to Ba2 on October 09, 2015, as a result of the listing. The bond rating was confirmed, the outlook is stable. The following summary shows the Schaeffler Group's current ratings by the two rating agencies:

#### Schaeffler Group ratings

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





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# Group interim management report

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## Prior year figures

The consolidated interim financial statements and group interim management report of Schaeffler AG (until October 23, 2014: INA Beteiligungsgesellschaft mit beschränkter Haftung) as at September 30, 2015 are not fully comparable to the prior year consolidated financial statements and group management report of Schaeffler AG (since October 23, 2014: Schaeffler Verwaltung Zwei GmbH), as they were not prepared on the same formal basis as the latter. Please refer to the Schaeffler Group's annual report 2014 for further detail.

## Impact of currency translation

Revenue and earnings figures are adjusted for currency fluctuations by translating revenue and earnings using the same exchange rate for both the current and the prior year or comparison reporting period.

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# 1. Report on the economic position

## 1.1 Economic environment and course of business

The global economy developed less dynamically than expected during the first nine months of 2015. Global gross domestic product<sup>3</sup> grew by 3 % compared to the prior year period (Oxford Economics, October 2015). Regional trends varied widely: While the economy expanded at a moderate pace in most of the industrialized economies, such as the U.S. and the Euro region, several emerging countries experienced a significant economic slowdown. A key reason for the economic weakness of numerous emerging countries, particularly in Eastern Asia, is the slowing growth in China caused by the structural change in that country, which has resulted in a reduced demand for imports. In addition, the significant decline in the price of crude oil and industrial raw materials affected emerging countries that rely on exports, while, in contrast, most developed economies benefitted from the lower prices, as they are net importers of these goods.

In the currency markets, certain exchange rates fluctuated significantly during the reporting period. The Euro declined considerably against the U.S. Dollar during the first nine months of 2015; the exchange rate closed at USD 1.12 on September 30, 2015 (December 31, 2014: USD 1.21; September 30, 2014: USD 1.27). Additionally, the Chinese central bank significantly devalued the Renminbi in terms of the U.S. Dollar in August.

Global automobile production, measured as the number of vehicles up to six tons in weight produced, only grew by a relatively low 1.2 % (IHS, October 2015). Trends for the various industrial market regions and sectors differed widely. Worldwide industrial production, measured as gross value added for selected sectors relevant to the Schaeffler Group, saw only low growth rates during the reporting period (Oxford Economics, September 2015). The Schaeffler Group's revenue was up 10.6 % from the prior year period (4.2 % at constant currency).

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<sup>3</sup> For gross domestic product and industrial production, quarterly data for 2015 are available only for selected, representative countries and their aggregates. Furthermore, only preliminary projections are available for all indicators mentioned for the third quarter of 2015, including automobile production.

Economic growth in the Europe region<sup>4</sup> was characterized by significant geographic variation during the reporting period. The Euro region economy recovered, expanding moderately. Russia is experiencing an economic crisis, primarily due to falling oil prices as well as the sanctions and uncertainty related to the Ukraine conflict. India, also part of the Europe region, was able to continue its expansion. Preliminary figures indicate that automobile production in the Europe region was up 5.7 % in the reporting period, driven by high growth rates in Italy, Spain, and Turkey. Industrial production in the Europe region varied across countries and was disappointing overall. Positive trends, such as that in India, contrasted with stagnation in Germany and France and declines in, among others, the United Kingdom, Spain, and especially in Russia. Revenue for the Schaeffler Group's Europe region was up 3.4 % from the prior year period (2.2 % at constant currency).

The economic trend in the Americas region<sup>5</sup> was mixed. While the U.S. recovered following its weak start to the year, reporting moderate growth for the reporting period as a whole, the Latin American economy shrank under the influence of falling raw materials prices and the negative impact of the deep recession in Brazil. Based on preliminary figures, automobile production in the Americas region declined by 0.5 % during the reporting period, driven by decreases in both Brazil and Canada. Industrial production expanded only slightly in the Americas region. Revenue for the Americas region increased by 21.2 % from the prior year period (9.8 % at constant currency).

In the Greater China region<sup>6</sup> the slowdown in economic momentum that had emerged in early 2015 continued. China was unable to match the growth rates it has been experiencing recently. Automobile production in China also lost momentum, even more so than the overall economy: Total Greater China region growth came in at 1.0 %, falling significantly behind the growth rates seen recently. Industrial production also grew more moderately during the reporting period than in previous years. In its Greater China region, the Schaeffler Group reported an increase in revenue over prior year of 26.3 % (5.8 % at constant currency).

The economic trend in the Asia/Pacific region<sup>7</sup> was mixed during the reporting period. Japan showed indications of a cautious recovery. The South Korean economy experienced moderate growth; Indonesian economic growth remained considerable despite a slowdown in momentum. Automobile production in the Asia/Pacific region fell by 3.1 % with declines reported everywhere except in Thailand and Malaysia. The fall in automobile production in Japan and Indonesia was especially pronounced. Industrial production expanded only slightly. Revenue for the Schaeffler Group's Asia/Pacific region was up 12.1 % from the prior year period (2.4 % at constant currency).

<sup>4</sup> Schaeffler Group region.

<sup>5</sup> Schaeffler Group region.

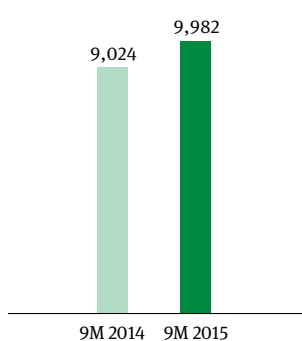
<sup>6</sup> Schaeffler Group region.

<sup>7</sup> Schaeffler Group region.

## 1.2 Earnings

### Schaeffler Group

Revenue (Schaeffler Group)  
in € millions



The Schaeffler Group's revenue for the first nine months of 2015 rose to EUR 9,982 m (prior year: EUR 9,024 m), an increase of 10.6 % over the prior year period. Excluding the impact of currency translation, revenue grew by 4.2 %. While the Automotive division was able to significantly raise its revenue, even at constant currency, due to the high level of demand in the U.S. and strong growth in China in the first six months, the Industrial division reported a decrease in revenue at constant currency compared to the prior year period.

#### Schaeffler Group earnings

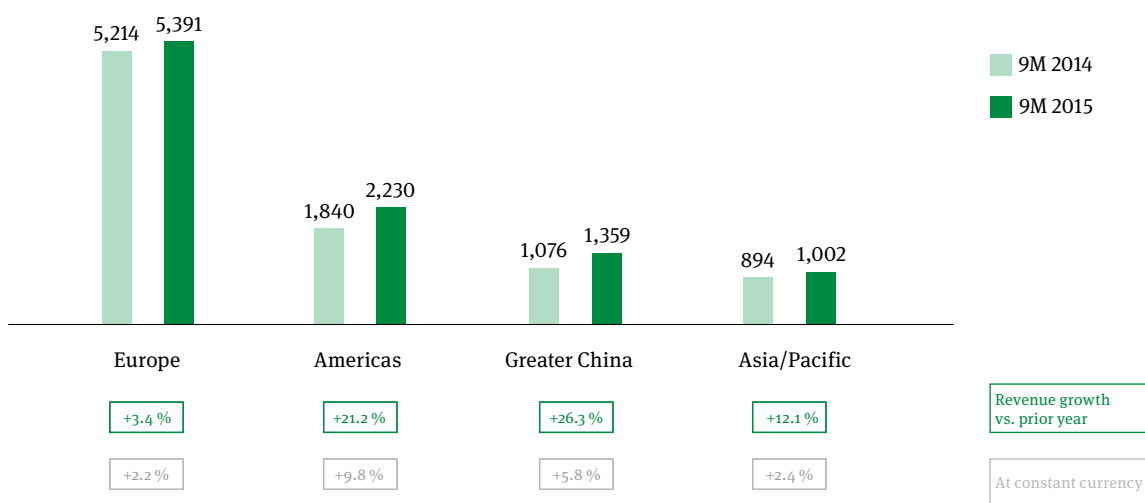
in € millions	1 <sup>st</sup> nine months			3 <sup>rd</sup> quarter		
	2015	2014	Change in %	2015	2014	Change in %
Revenue	9,982	9,024	10.6	3,250	3,034	7.1
Cost of sales	-7,153	-6,460	10.7	-2,316	-2,158	7.3
Gross profit	2,829	2,564	10.3	934	876	6.6
Functional expenses <sup>1)</sup>	-1,531	-1,363	12.3	-501	-462	8.4
Earnings before financial result, income from equity-accounted investees, and income taxes (EBIT)	1,251	1,230	1.7	433	429	0.9
• in % of revenue	12.5	13.6	-	13.3	14.1	-
Financial result	-462	-597	-22.6	-125	-122	2.5
Income taxes	-256	-189	35.4	-91	-77	18.2
Net income <sup>2)</sup>	521	439	18.7	212	229	-7.4
Basic earnings per common share (in €)	0.87	0.88	-1.1	0.35	0.46	-23.9
Diluted earnings per common share (in €)	0.87	0.88	-1.1	0.35	0.46	-23.9

<sup>1)</sup> Research and development, selling and administration.

<sup>2)</sup> Attributable to shareholders of the parent company.

All four of the Schaeffler Group’s regions generated revenue growth, albeit bolstered by a considerable favorable impact of currency translation. In Europe, the Schaeffler Group’s revenue grew by 3.4 % (2.2 % at constant currency). Revenue increases of 21.2 % (9.8 % at constant currency) in the Americas region and 26.3 % (5.8 % at constant currency) in the Greater China region were particularly significant. The Asia/Pacific region reported growth of 12.1 % (2.4 % at constant currency).

### Revenue trend by region



Cost of sales rose by 10.7 % to EUR 7,153 m (prior year: EUR 6,460 m) during the first nine months of 2015. Gross profit grew by 10.3 % to EUR 2,829 m (prior year: EUR 2,564 m), and the company’s gross margin of 28.3 % was nearly at par with the prior year (prior year: 28.4 %). While the Automotive division raised its gross margin slightly to 27.6 %, the margin in the Industrial division declined by 1.0 percentage point to 30.5 %.

Functional costs increased 12.3 % to EUR 1,531 m (prior year: EUR 1,363 m), growing to 15.3 % of revenue (prior year: 15.1 %). In the first nine months of 2015, research and development expenses rose by 12.9 % to EUR 534 m (prior year: EUR 473 m). Considerably more extensive research and development activities have contributed to this increase. Selling expenses were up 15.3 % to EUR 687 m (prior year: EUR 596 m), primarily due to a focused strengthening of the Automotive division’s selling functions as well as higher freight costs. Administrative expenses for the first nine months of 2015 amounted to EUR 310 m (prior year: EUR 294 m; +5.4 %).

EBIT rose by EUR 21 m or 1.7 % to EUR 1,251 m (prior year: EUR 1,230 m) during the first nine months of 2015. The increase in the volume of business in the Automotive division was the main driver of the higher earnings. The Schaeffler Group's EBIT margin of 12.5 % was below the prior year level of 13.6 %. In addition to the lower gross margin in the Industrial business, the 1.1 percentage point decline in the margin by is due to higher functional costs and to special items related to antitrust cases which were recognized during the first half of 2015.

The Schaeffler Group's financial result improved by EUR 135 m to EUR -462 m (prior year: EUR 597 m) during the first nine months of 2015.

#### Schaeffler Group financial result

in € millions	1 <sup>st</sup> nine months 2015		
	Financial expenses	Financial income	Financial result
Interest expense on financial debt <sup>1)</sup>	-442	0	-442
Interest income on shareholder loans	0	52	52
Foreign exchange gains and losses	-170	0	-170
Fair value changes and compensation payments on derivatives	7	175	182
Fair value changes on embedded derivatives	-53	0	-53
Interest income and expense on pensions and partial retirement obligations	-32	0	-32
Other	-7	8	1
<b>Total</b>	<b>-697</b>	<b>235</b>	<b>-462</b>

in € millions	1 <sup>st</sup> nine months 2014		
	Financial expenses	Financial income	Financial result
Interest expense on financial debt <sup>1)</sup>	-389	0	-389
Interest income on shareholder loans	0	0	0
Foreign exchange gains and losses	-177	0	-177
Fair value changes and compensation payments on derivatives	-6	158	152
Fair value changes on embedded derivatives	-131	0	-131
Interest income and expense on pensions and partial retirement obligations	-38	0	-38
Other	-20	6	-14
<b>Total</b>	<b>-761</b>	<b>164</b>	<b>-597</b>

<sup>1)</sup> Incl. transaction costs.

Interest expense on financial debt of EUR 442 m (prior year: EUR 389 m) for the first nine months of 2015 includes interest of EUR 231 m (prior year: EUR 241 m) paid and accrued on the group's external financing arrangements, prepayment penalties of EUR 173 m (prior year: EUR 114 m) for the redemption of bonds, and amortization of transaction costs incurred in connection with past refinancing transactions of EUR 36 m (prior year: EUR 31 m), including EUR 10 m related to the prepayment of institutional loans in October 2015.

Interest income on shareholder loans, which resulted from loans provided to Schaeffler Verwaltungs Zwei GmbH, amounted to EUR 52 m (prior year: EUR 0 m).

Foreign exchange losses on financial assets and liabilities amounted to EUR 170 m (prior year: EUR 177 m) and resulted primarily from translating financing instruments denominated in USD to Euro. The company has hedged this financial debt using cross-currency derivatives and reports the resulting offsetting impact of EUR 182 m (prior year: EUR 152 m) under "Fair value changes and compensation payments on derivatives".

Changes in the fair value of embedded derivatives, primarily prepayment options for external financing instruments, resulted in net losses of EUR 53 m (prior year: EUR 131 m).

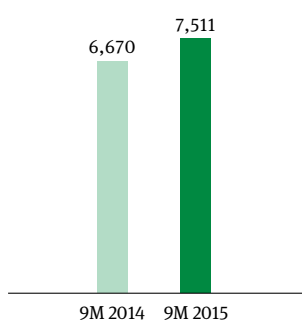
Pensions and partial retirement obligations gave rise to net interest expense of EUR 32 m (prior year: EUR 38 m). Other items resulted in net gains of EUR 1 m (prior year: net expenses of EUR 14 m).

Income taxes for the first nine months of 2015 amounted to EUR 256 m (prior year: EUR 189 m), consisting of current tax expense of EUR 309 m (prior year: EUR 328 m) and a deferred tax benefit of EUR 53 m (prior year: EUR 139 m). EUR 316 m of current tax expense relates to the current year and EUR -7 m (tax benefit) to prior years. Interest expense of EUR 113 m (prior year: EUR 0 m) was not tax deductible in the first nine months of 2015 due to the interest deduction cap. Since it is considered probable that these interest carryforwards will be utilized in the future, the company recognized EUR 28 m in related deferred tax assets.

Net income attributable to shareholders of the parent company increased by EUR 82 m or 18.7 % to EUR 521 m (prior year: EUR 439 m) during the first nine months of 2015.

Basic and diluted earnings per share for the first nine months of 2015 amounted to EUR 0.87 (prior year: EUR 0.88). The average number of common shares outstanding as at September 30, 2015 was 600 million (prior year: 500 million).

Revenue (Automotive)  
in € millions



## Automotive division

Compared to the prior year period, Automotive division revenue increased by 12.6 % to EUR 7,511 m (prior year: EUR 6,670 m) during the first nine months of 2015. Excluding the impact of currency translation, revenue grew by 6.5 %. Thus, the Automotive division business once more expanded considerably faster than production volumes for passenger cars and light commercial vehicles<sup>8</sup>, which only rose 1.2 % during the first nine months of 2015. Product ramp-ups, new customer projects, and capacity expansions at manufacturing locations in the various growth regions were the drivers of this expansion.

### Automotive division earnings

in € millions	1 <sup>st</sup> nine months			3 <sup>rd</sup> quarter		
	2015	2014	Change in %	2015	2014	Change in %
Revenue	7,511	6,670	12.6	2,447	2,231	9.7
Cost of sales	-5,436	-4,847	12.2	-1,758	-1,615	8.9
Gross profit	2,075	1,823	13.8	689	616	11.9
EBIT	999	946	5.6	352	319	10.3
• in % of revenue	13.3	14.2	-	14.4	14.3	-

Prior year information presented based on 2015 segment structure.

Revenue trends varied widely between the market regions of the Automotive division during the reporting period. The Europe region generated 4.6 % in additional revenue (3.6 % at constant currency), less than the average regional growth in production volumes (+5.7 %). The Americas region continued along its growth path and generated 25.7 % in additional revenue (14.9 % at constant currency) during the first nine months of 2015, despite a 0.5 % decline in the number of automobiles produced. The Greater China region's growth rate of 25.0 % (5.2 % at constant currency) significantly exceeded the 1.0 % increase in the region's vehicle production. Revenue in the Asia/Pacific region was up 16.5 % (6.7 % at constant currency), while vehicle production there declined by 3.1 %.

<sup>8</sup> Source: IHS, October 2015.



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 nine months of 2015.

#### Automotive division revenue by business division

in € millions	1 <sup>st</sup> nine months		Change in %	Share of revenue 2015 in %
	2015	2014		
BD Engine Systems	1,937	1,674	15.7	25.8
BD Transmission Systems	3,164	2,814	12.4	42.1
BD Chassis Systems	1,098	1,014	8.3	14.6
BD Automotive Aftermarket	1,312	1,168	12.3	17.5
<b>Automotive division</b>	<b>7,511</b>	<b>6,670</b>	<b>12.6</b>	

Prior year information presented based on 2015 segment structure.

The **Engine Systems BD** generated revenue growth of 15.7 % (6.8 % at constant currency) during the first nine months of 2015. This growth was primarily buoyed by the valve train components and accessory drive product groups. Production start-ups, for instance of the innovative thermal management module, also generated considerable additional revenue. This module helps reduce fuel consumption and CO<sub>2</sub> emissions.

**Transmission Systems BD** revenue rose by 12.4 % (5.8 % at constant currency), largely driven by significant demand for components for automated transmissions, such as torque converters. The Automotive division also increased sales of clutches and gearing components used in manual transmissions. In addition, the dual-mass flywheel product group also experienced a significant increase in volume.

The **Chassis Systems BD** generated revenue growth of 8.3 % (3.0 % 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. Revenue from sales of ball screw drives, used for instance in electromechanical power steering systems and chassis solutions (e.g. in electromechanical parking brakes), was up, as well.

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The **Automotive Aftermarket BD** increased revenue by 12.3 % (10.8 % at constant currency) in the first nine months of 2015. Reasons for this increase include higher sales of service kits and repair solutions primarily in the Europe region.

Cost of sales for the first nine months of 2015 increased 12.2 % to EUR 5,436 m (prior year: EUR 4,847 m), growing slightly less than revenue. Automotive division gross profit rose by a total of EUR 252 m or 13.8 % to EUR 2,075 m (prior year: EUR 1,823 m). The division's gross margin of 27.6 % was slightly above prior year (prior year: 27.3 %). Increased costs, primarily due to collectively bargained increases in wages and salaries, were more than offset by slightly lower raw materials prices and the growing proportion of value added locally in the growth markets.

Functional costs increased 14.7 % to EUR 1,035 m (prior year: EUR 902 m), growing slightly to 13.8 % of revenue (prior year: 13.5 %). Reasons for this increase include research and development expenses rising by 13.6 % to EUR 434 m (prior year: EUR 382 m), reflecting increased activities aimed at offering solutions for future mobility concepts for motor vehicles, ranging from chassis innovations and optimizing the classic drive train with an internal combustion engine as well as the transmission to hybrid solutions and electric mobility applications. Selling expenses increased by 18.3 % to EUR 381 m (prior year: EUR 322 m), primarily due to a focused strengthening of the Automotive division's selling functions as well as higher freight costs. Administrative expenses rose by 11.1 % to EUR 220 m (prior year: EUR 198 m).

The Automotive division raised its EBIT by 5.6 % to EUR 999 m (prior year: EUR 946 m) during the first nine months of 2015. However, the division's EBIT margin declined by 0.9 percentage points to 13.3 % (prior year: 14.2 %). Higher functional costs contributed 0.3 % to this margin decline, and special items related to antitrust cases recognized during the first half of 2015 also added to the decline.

## Industrial division

Industrial division revenue for the first nine months of 2015 increased by 5.0 % to EUR 2,471 m (prior year: EUR 2,354 m) compared to the prior year period. Excluding the impact of currency translation, Industrial division revenue declined by 2.2 %.

### Industrial division earnings

in € millions	1 <sup>st</sup> nine months			3 <sup>rd</sup> quarter		
	2015	2014	Change in %	2015	2014	Change in %
Revenue	2,471	2,354	5.0	803	803	0.0
Cost of sales	-1,717	-1,613	6.4	-558	-543	2.8
Gross profit	754	741	1.8	245	260	-5.8
EBIT	252	284	-11.3	81	110	-26.4
• in % of revenue	10.2	12.1	-	10.1	13.7	-

Prior year information presented based on 2015 segment structure.

Revenue trends varied widely between the market regions of the Industrial division during the 2015 reporting period. Revenue in the division's Europe region was up slightly by 0.1 % (-1.8 % at constant currency). Americas region revenue was up 7.2 % (-5.7 % at constant currency), while the Greater China region generated strong growth of 30.1 % (7.7 % at constant currency) in the first nine months of 2015. Revenue in the Asia/Pacific region matched the prior year level (-9.6 % at constant currency).

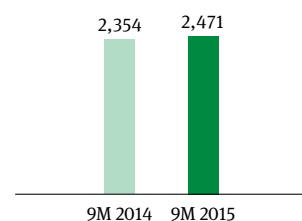
The Industrial division's operations are divided into two business divisions (BD): the Industrial Applications BD, which consists of the OEM business in the industrial sector, and the Industrial Aftermarket BD, which represents the spare parts and service business.

### Industrial division revenue by business division

in € millions	1 <sup>st</sup> nine months		Change in %	Share of revenue 2015 in %
	2015	2014		
BD Industrial Applications	1,571	1,489	5.5	63.6
BD Industrial Aftermarket	900	865	4.0	36.4
<b>Industrial division</b>	<b>2,471</b>	<b>2,354</b>	<b>5.0</b>	

Prior year information presented based on 2015 segment structure.

Revenue (Industrial)  
in € millions



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The **Industrial Applications BD** generated EUR 1,571 m in revenue (prior year: EUR 1,489 m) during the first nine months of 2015, up 5.5 % (-1.7 % at constant currency). The mobility, production machinery, energy & raw materials, and aerospace sectors reported varying revenue trends.

The higher revenue reported by the mobility sector was solely attributable to the impact of currency translation. Particularly the motorcycle and rail vehicles sectors contributed to this revenue growth, also growing at constant currency, while especially agricultural engineering and household appliances sector revenue declined despite the favorable impact of currency translation.

The production machinery sector reported a slight increase in revenue compared to the prior year period 2014, due only to the favorable impact of currency translation. Higher revenue in the machine tool and woodworking machinery sectors, in particular, contributed to this increase. While revenue for the woodworking machinery sector rose even at constant currency, the higher revenue in the machine tool sector was entirely from the favorable impact of currency translation. The textile machinery and medical systems reported declining revenue despite a favorable impact of currency translation.

Revenue in the energy and raw materials sector was considerably above that of the prior year, primarily due to the favorable impact of currency translation. The increase was buoyed by business growth in the wind power sector in the Greater China and Europe regions. The mining sector, however, reported revenue significantly below prior year, despite the favorable impact of currency translation.

The aerospace sector reported revenue growth merely due to the favorable impact of currency translation. Changes in certain important customers' production programs held back the revenue trend in Europe, which was offset by revenue growth in the Americas region.

**Industrial Aftermarket BD** revenue rose by 4.0 % (-2.9 % at constant currency) to EUR 900 m (prior year: EUR 865 m) during the 2015 reporting period. The significant growth generated in the Greater China region was partly due to the positive impact of currency translation. In Europe, the impact of currency translation increased revenue slightly. The Americas region reported higher revenue due to the impact of currency translation, while revenue in the Asia/Pacific region fell slightly behind prior year despite a positive impact of currency translation.

Industrial division cost of sales rose by 6.4 % to EUR 1,717 m (prior year: EUR 1,613 m) during the first nine months of 2015. Gross profit grew by 1.8 % to EUR 754 m (prior year: EUR 741 m), while the division's gross margin declined by 1.0 percentage point to 30.5 % (prior year: 31.5 %), due in part to changes in the sales mix. Raw materials prices were slightly below the prior year during the 2015 reporting period.

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Functional costs increased by 7.6 % to EUR 496 m (prior year: EUR 461 m), driven by higher research and development and selling expenses. In the first nine months of 2015, research and development expenses rose by 9.9 % to EUR 100 m (prior year: EUR 91 m). Selling expenses increased by 11.7 % to EUR 306 m (prior year: EUR 274 m), while administrative expenses fell by 6.3 % to EUR 90 m (prior year: EUR 96 m). At 20.1 % (prior year: 19.6 %), functional costs as a percentage of revenue were slightly above the prior year level.

Industrial division EBIT of EUR 252 m for the first nine months of 2015 was below prior year (prior year: EUR 284 m). The division's EBIT margin declined by 1.9 percentage points to 10.2 % (prior year: 12.1 %).

In August 2015, the company created the CORE program, an organizational realignment of the Industrial division aimed at improving the efficiency and competitive position of the Industrial business for the long term. The key elements of this program are increased sales growth, enhanced delivery performance and service quality, stronger customer orientation as well as cost savings and efficiency improvements. As part of this program, the company currently expects to reduce the Industrial division workforce by up to 500 jobs in a socially acceptable manner, most of them in Germany and Europe.

## 1.3 Financial position and net assets

### Cash flow

The Schaeffler Group generated cash flows from operating activities of EUR 912 m (prior year: EUR 410 m) for the first nine months of 2015. The prior year amount was affected by the payment of the EU antitrust penalty of EUR 371 m. The Schaeffler Group's higher EBIT and lower increases in working capital, in particular, also helped increase cash flows from operating activities, but were partially offset by higher interest and income tax payments.

#### Cash flow and liquidity

in € millions	1 <sup>st</sup> nine months			3 <sup>rd</sup> quarter		
	2015	2014	Change in %	2015	2014	Change in %
Cash flows from operating activities	912	410	> 100	490	439	11.6
Cash used in investing activities	-720	-497	44.9	-226	-201	12.4
<b>Free cash flow</b>	<b>192</b>	<b>-87</b>	-	<b>264</b>	<b>238</b>	<b>10.9</b>
Cash provided by (used in) financing activities	-101	448	-	59	-43	-
	<b>09/30/2015</b>	<b>12/31/2014</b>	Change in %			
<b>Cash and cash equivalents</b>	<b>724</b>	<b>636</b>	<b>13.8</b>			

Driven by higher expenditures on property, plant and equipment, cash used in investing activities (see "Additions to intangible assets and property, plant and equipment") rose to EUR 720 m during the first nine months of 2015, considerably exceeding the prior year level of EUR 497 m. The capex ratio for intangible assets and property, plant and equipment was 7.4 % (prior year: 5.5 %) of consolidated revenue in the first nine months of 2015. Investing activities during the first nine months of 2015 took place according to plan.

Free cash flow for the first nine months of 2015 amounted to EUR 192 m (prior year: negative free cash flow of EUR 87 m).

Cash totaling EUR 101 m was used in financing activities (prior year: EUR 448 m provided by financing activities). The refinancing transaction completed in April 2015 resulted in cash inflows of EUR 204 m that were used to finance transaction costs and the prepayment penalty for the redemption of the bonds. The prepayment penalty paid is included in cash flows from operating activities. EUR 250 m of the dividends paid represent the dividend paid to Schaeffler Verwaltung Zwei GmbH. Cash of approximately EUR 210 m was used to partially repay the institutional loan tranches. Other financing activities include a cash inflow of EUR 85 m received by

Schaeffler AG from Schaeffler Verwaltung Zwei GmbH in partial repayment of an outstanding loan receivable as well as the inflow of the EUR 66 m contribution received in connection with the capital increase performed in October 2015.

Cash and cash equivalents increased by EUR 88 m from year-end and amounted to EUR 724 m at September 30, 2015.

## Capital structure

The Schaeffler Group's shareholders' equity (including non-controlling interests) increased by EUR 373 m to EUR 631 m as at September 30, 2015 (December 31, 2014: EUR 258 m). The change in shareholders' equity is primarily due to net income of EUR 533 m and other comprehensive income of EUR 91 m, partially offset primarily by a dividend payment of EUR 250 m to the company's shareholder, Schaeffler Verwaltung Zwei GmbH. The company had an equity ratio of 5.1 % at September 30, 2015 (December 31, 2014: 2.2 %).

### Capital structure

in € millions	09/30/2015	12/31/2014	Change in %
<b>Shareholders' equity</b>	<b>631</b>	<b>258</b>	<b>&gt; 100</b>
Provisions for pensions and similar obligations	1,959	1,984	-1.3
Provisions	71	70	1.4
Financial debt	6,670	6,413	4.0
Income tax payables	260	237	9.7
Other financial liabilities	12	21	-42.9
Other liabilities	7	8	-12.5
Deferred tax liabilities	115	106	8.5
<b>Total non-current liabilities</b>	<b>9,094</b>	<b>8,839</b>	<b>2.9</b>
Provisions	254	232	9.5
Financial debt	4	1	> 100
Trade payables	1,266	1,261	0.4
Income tax payables	200	155	29.0
Other financial liabilities	626	558	12.2
Other liabilities	375	313	19.8
<b>Total current liabilities</b>	<b>2,725</b>	<b>2,520</b>	<b>8.1</b>
<b>Total shareholders' equity and liabilities</b>	<b>12,450</b>	<b>11,617</b>	<b>7.2</b>

Total other comprehensive income totaled EUR 91 m (prior year: other comprehensive loss of EUR 143 m) as at September 30, 2015, and consists primarily of the impact of remeasurements of pensions and similar obligations (EUR 37 m) and of cash flow hedges (EUR 53 m).

Provisions for pensions and similar obligations decreased by EUR 25 m to EUR 1,959 m (December 31, 2014: EUR 1,984 m), partly as a result of a slight increase in the discount rate applied to the company's pension obligations compared to December 31, 2014. The Schaeffler Group's average discount rate was 2.6 % as at September 30, 2015 (December 31, 2014: 2.5 %).

The EUR 257 m increase in the group's financial debt to EUR 6,670 m from December 31, 2014 (December 31, 2014: EUR 6,413 m) was largely attributable to the impact of translating financial debt denominated in U.S. Dollar to Euro. In addition, the Schaeffler Group completed another refinancing transaction in the first half of 2015. The company placed a total of three bond issues. The proceeds of the new bond issues were largely used to redeem two outstanding series of bonds as well as to finance transaction costs and the prepayment penalty for the redemption of the bonds. On June 30, 2015, Schaeffler AG voluntarily prepaid part of its institutional loan tranches (see Financing, page 28).

The increase in other current financial liabilities by EUR 68 m to EUR 626 m (December 31, 2014: EUR 558 m) was primarily attributable to the contribution received in the capital increase of EUR 66 m.

Higher accrued vacation and overtime accounts were the main reason for the increase in other current liabilities by EUR 62 m to EUR 375 m (December 31, 2014: EUR 313 m).

#### Net financial debt

in € millions	09/30/2015	12/31/2014	Change in %
Non current financial debt	6,670	6,413	4.0
Current financial debt	4	1	> 100
<b>Total financial debt</b>	<b>6,674</b>	<b>6,414</b>	<b>4.1</b>
Cash and cash equivalents	724	636	13.8
<b>Net financial debt</b>	<b>5,950</b>	<b>5,778</b>	<b>3.0</b>

The Schaeffler Group's net financial debt increased by EUR 172 m to EUR 5,950 m as at September 30, 2015 (December 31, 2014: EUR 5,778 m), largely due to the impact of currency translation on financial debt.

The debt to EBITDA ratio, defined as the ratio of net financial debt to earnings before financial result, income from equity-accounted investees, income taxes, depreciation, amortization, and impairment losses (EBITDA) amounted to 2.7 at September 30, 2015 (December 31, 2014: 2.7).



## Asset structure

Total assets increased by EUR 833 m or 7.2 % to EUR 12,450 m as at September 30, 2015 (December 31, 2014: EUR 11,617 m).

### Asset structure

in € millions	09/30/2015	12/31/2014	Change in %
Intangible assets	559	555	0.7
Property, plant and equipment	3,961	3,748	5.7
Investments in equity-accounted investees	3	4	-25.0
Other investments	14	14	0.0
Other financial assets	2,293	1,960	17.0
Other assets	47	58	-19.0
Income tax receivables	6	8	-25.0
Deferred tax assets	508	455	11.6
<b>Total non-current assets</b>	<b>7,391</b>	<b>6,802</b>	<b>8.7</b>
Inventories	1,813	1,713	5.8
Trade receivables	2,119	1,900	11.5
Other financial assets	130	343	-62.1
Other assets	210	181	16.0
Income tax receivables	63	42	50.0
Cash and cash equivalents	724	636	13.8
<b>Total current assets</b>	<b>5,059</b>	<b>4,815</b>	<b>5.1</b>
<b>Total assets</b>	<b>12,450</b>	<b>11,617</b>	<b>7.2</b>

Property, plant and equipment rose by EUR 213 m to EUR 3,961 m (December 31, 2014: EUR 3,748 m) due to additions in excess of depreciation and to currency translation increasing property, plant and equipment.

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Other non-current financial assets amounted to EUR 2,293 m as at September 30, 2015 (December 31, 2014: EUR 1,960 m). This balance includes EUR 1,885 m in loans receivable from Schaeffler Verwaltung Zwei GmbH, including a loan receivable from Schaeffler Verwaltung Zwei GmbH of EUR 270 m which arose in connection with Schaeffler AG taking on the cash pooling function and was converted from a short-term loan to a long-term loan receivable. The increase in other non-current financial assets by EUR 333 m is primarily due to the resulting reclassification from current to non-current, and favorable changes in the fair value of cross-currency derivatives used for hedging also contributed to the increase. These increases were partially offset by a voluntary partial repayment of EUR 85 m received from the company's shareholder, Schaeffler Verwaltung Zwei GmbH, during the first half of 2015.

Deferred tax assets increased by EUR 53 m to EUR 508 m (December 31, 2014: EUR 455 m) and include higher deferred taxes on interest carryforwards expected to be utilized in the future, in particular.

Inventories rose by EUR 100 m to EUR 1,813 m (December 31, 2014: EUR 1,713 m), largely in the course of business.

The increase in trade receivables of EUR 219 m to EUR 2,119 m (December 31, 2014: EUR 1,900 m) is primarily attributable to business growth in the first nine months of 2015 as well as the impact of currency translation.

Other current financial assets decreased by EUR 213 m to EUR 130 m (December 31, 2014: EUR 343 m), primarily as a result of the impacts described above.

Cash and cash equivalents increased to EUR 724 m at September 30, 2015 (December 31, 2014: EUR 636 m) (see "Cash flow", page 22).

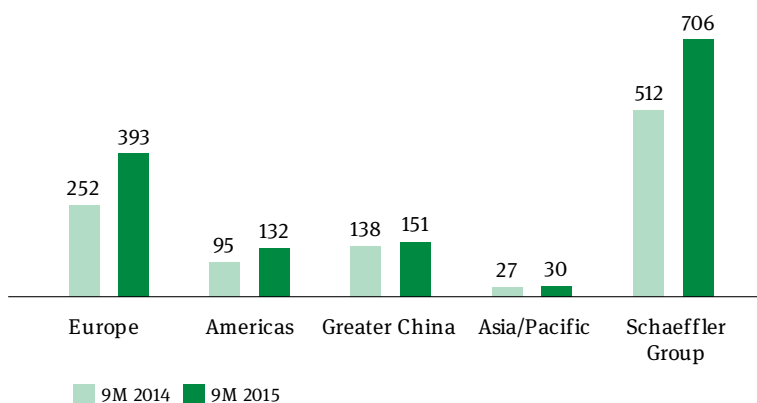
## Additions to intangible assets and property, plant and equipment

Investing in intangible assets and property, plant and equipment is a key component of the Schaeffler Group's growth strategy. The resulting additions to intangible assets and property, plant and equipment for the first nine months of 2015 amounted to EUR 706 m (prior year: EUR 512 m) and occurred according to plan. These amounts differ from capex (capital expenditures) of EUR 743 m by EUR 37 m (prior year: EUR -12 m) due to cash outflows for additions to intangible assets and property, plant and equipment of other periods. Amortization and depreciation as a percentage of revenue amounted to 5.1 % (prior year: 5.2 %) in the first nine months of 2015. At September 30, 2015, the Schaeffler Group had open commitments under fixed contracts to purchase property, plant and equipment of EUR 423 m (December 31, 2014: EUR 262 m).

Additions to intangible assets and property, plant and equipment focused on the Automotive division, with additions in this division amounting to EUR 586 m, 43.3 % more than the prior year amount of EUR 409 m. Industrial division additions rose by 16.5 % to EUR 120 m (prior year: EUR 103 m). EUR 393 m of the EUR 706 m in total additions to intangible assets and property, plant and equipment were made in the Europe region. Schaeffler's Americas, Greater China, and Asia/Pacific regions invested EUR 132 m, EUR 151 m, and EUR 30 m, respectively.

### Additions by region

in € millions



Approximately 38 % of the additions made during the first nine months of 2015 related to creating and expanding capacity and approximately 34 % to production start ups. Approximately 23 % were invested to replace equipment and add functionalities, and approximately 5 % were made for other purposes.

## Financing

On March 26, 2015, the Schaeffler Group had announced a further refinancing transaction of approximately EUR 1.5 bn which was completed on April 27, 2015.

The company placed a total of three bond issues. The placement comprised two secured EUR and one secured USD bond issues. The first EUR bond, which has a principal of EUR 400 m, bears interest at 2.50 % and carries a term of five years. The second EUR bond, with a principal of EUR 600 m and a term of ten years, bears interest at 3.25 %. The USD bond with a principal of USD 600 m has a term of eight years and bears interest at 4.75 %.

The new bonds were issued by Schaeffler Finance B.V. and are listed on the Euro MTF market of the Luxembourg Stock Exchange; they were guaranteed by Schaeffler Verwaltung Zwei GmbH and certain of its subsidiaries when they were issued. The rating agencies Standard & Poor's and Moody's have rated the bonds BB- and Ba2.

The proceeds of the new bond issues were largely used to redeem two outstanding series of bonds. The company redeemed the EUR 800 m EUR bonds and the USD 600 m USD bonds, both bearing interest at 7.75 % and due in February 2017. In addition, the proceeds of the transaction were also used to finance the related transaction costs, primarily the prepayment penalty for the bonds redeemed.

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

The Facilities Agreement consisted of the following loan tranches at September 30, 2015:

### Facility agreement loan tranches

Tranche	Currency	Face value in millions		Carrying amount in € millions		Coupon		Maturity
		09/30/2015	12/31/2014	09/30/2015	12/31/2014	09/30/2015	12/31/2014	
Senior Term Loan B	EUR	675	750	677	757	Euribor + 3.50 % <sup>1)</sup>	Euribor + 3.50 % <sup>1)</sup>	05/15/2020
Senior Term Loan B	USD	1,150	1,300	1,009	1,031	Libor + 3.50 % <sup>2)</sup>	Libor + 3.50 % <sup>2)</sup>	05/15/2020
Revolving Credit Facility <sup>3)</sup>	EUR	1,000	1,000	-12	-14	Euribor + 2.75 % <sup>4)</sup>	Euribor + 2.875 %	10/27/2019

<sup>1)</sup> Euribor floor of 0.75 %.

<sup>2)</sup> Libor floor of 0.75 %.

<sup>3)</sup> EUR 24 m (December 31, 2014; EUR 34 m) were drawn down as at September 30, 2015, primarily in the form of letters of credit.

<sup>4)</sup> Since April 30, 2015.

The following bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, were outstanding as at September 30, 2015:

#### Bonds issued by the Schaeffler Group

ISIN	Cur- rency	Face value in millions		Carrying amount in € millions		Coupon	Maturity
		09/30/2015	12/31/2014	09/30/2015	12/31/2014		
XS0923613060	EUR	600	600	597	596	4.25 %	05/15/2018
XS1067864881 <sup>1)</sup>	EUR	500	500	496	496	3.25 %	05/15/2019
XS1067862919	EUR	500	500	496	496	2.75 %	05/15/2019
XS1212469966	EUR	400	0	396	0	2.50 %	05/15/2020
US806261AJ29	USD	700	700	619	571	4.25 %	05/15/2021
US806261AE32	USD	850	850	755	696	4.75 %	05/15/2021
XS1067864022	EUR	500	500	499	499	3.50 %	05/15/2022
US806261AM57	USD	600	0	537	0	4.75 %	05/15/2023
XS1212470972	EUR	600	0	595	0	3.25 %	05/15/2025
XS0741938624 <sup>2)</sup>	EUR	0	800	0	791	7.75 %	02/15/2017
US806261AC75 <sup>2)</sup>	USD	0	600	0	489	7.75 %	02/15/2017

<sup>1)</sup> Bond is unsecured.

<sup>2)</sup> Bonds were redeemed early on April 27, 2015.

Please refer to the supplementary report on page 30 for details of the listing.

## Liquidity

At September 30, 2015, cash and cash equivalents amounted to EUR 724 m (December 31, 2014: EUR 636 m) and consisted primarily of bank balances. In addition, the Schaeffler Group has a revolving line of credit of EUR 1.0 bn, of which EUR 24 m were utilized at September 30, 2015, primarily in the form of letters of credit.

## 2. Supplementary report

Schaeffler AG was listed on the stock exchange on October 09, 2015. The listing forms the basis for the Schaeffler Group's continuing profitable growth. The listing also represents an important component of the realignment of the company's capital and corporate structure, which is aimed at further reducing debt levels and improving the capital structure for the long term. This will, among other things, lead to a significantly improved equity ratio and a reduction in the debt to EBITDA ratio. Details of the transaction are as follows:

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

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

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

On September 21, 2015, Schaeffler AG and Schaeffler Verwaltungs GmbH announced their intention to place up to 166 million new and existing common non-voting shares (100 million shares to be sold by Schaeffler Verwaltungs GmbH and 66 million shares issued in connection with Schaeffler AG's capital increase) with German and foreign institutional investors and to have Schaeffler AG's shares listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange and on the Luxembourg Stock Exchange.

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Schaeffler AG and Schaeffler Verwaltungs GmbH began placing the shares on October 05, 2015. The offer consisted of 66 million shares issued in connection with Schaeffler AG's capital increase and 9 million shares to be sold by Schaeffler Verwaltungs GmbH, totaling approximately 11 % of total share capital. The placement price for the shares offered in the listing was set at EUR 12.50 per share on October 08, 2015. Schaeffler's common non-voting shares started trading on October 09, 2015. Schaeffler AG received gross proceeds of EUR 825 m from the placement.

The capital increase and the listing strengthened Schaeffler AG's equity base. The guarantees issued by Schaeffler Verwaltung Zwei GmbH and Schaeffler Beteiligungsholding GmbH & Co. KG to the Schaeffler Group's financing banks were released on October 09, 2015.

Schaeffler AG used the gross proceeds from the placement of the new shares to partially prepay EUR 330 m of its Senior Term Loan B EUR tranche and USD 560 m of its Senior Term Loan B USD tranche on October 16, 2015.

Following the listing, one of the underwriting banks acquired a total of approximately 3.4 million Schaeffler AG shares by the end of the stabilization period on November 07, 2015 in order to stabilize the share price. The bank put these shares to Schaeffler Verwaltungs GmbH on November 09, 2015 under an option written by that company. Following the exercise of this option, the free float amounts to 10.8 % of Schaeffler AG's share capital.

Reflecting the reduction of financial debt using funds from the listing, rating agency Moody's upgraded Schaeffler AG's company rating from Ba3 to Ba2 on October 09, 2015. Moody's also confirmed Schaeffler AG's Senior Term Loan B rating and Schaeffler Finance B.V.'s secured bond ratings of Ba2 and unsecured bond ratings of B1. The outlook on all ratings is stable.

In connection with the listing, Schaeffler AG's Supervisory Board approved an improvement to the remuneration system for the members of the Board of Managing Directors. The remuneration of each member of the Board of Managing Directors consists of a base amount as well as short- and long-term variable components. The long-term variable component was cast in the form of a share-based payment instrument in order to align the interests of the Board of Managing Directors with those of the shareholders and to strengthen Schaeffler AG's focus on long-term corporate development.

No other material events expected to have a significant impact on the net assets, financial position, and results of operations of the Schaeffler Group occurred after September 30, 2015.

### 3. Report on opportunities and risks

Please refer to pages 115 et seq. of the Schaeffler Group's annual report 2014 for a discussion of Schaeffler's risk management system and potential opportunities and risks. The statements made in the annual report 2014 regarding the opportunities and risks are largely unchanged.

As discussed in the company's report on the economic position, the Schaeffler Group's key exchange rates remain volatile. Specifically, the Euro has continued to decline significantly against the U.S. Dollar in the first nine months of 2015. Should this trend persist, the Euro-equivalent amount of the company's financial debt denominated in U.S. Dollar will continue to increase. On the other hand, transaction and translation gains resulting from the weakening of the Euro favorably impact the group's EBIT.

Current and future investigations regarding violations of antitrust law and other instances of non-compliance could have a significant impact on the net assets, financial position, and results of operations of the Schaeffler Group as well as its reputation. Cash outflows may occur for possible payment obligations, including potential additional tax payments, in connection with these investigations and proceedings. A Schaeffler Group company is still subject to an antitrust investigation in Brazil. The Schaeffler Group is cooperating with the investigating authorities. The imposition of further penalties cannot be ruled out. In addition, a local subsidiary in Korea is subject to legal proceedings, as well. The Schaeffler Group has recognized appropriate provisions. In addition, claims for damages have been filed against Schaeffler Group companies as a result of antitrust proceedings. The Schaeffler Group has recognized provisions with respect to these matters to the extent obligations have been incurred and could be estimated reliably.

The Schaeffler Group's largest customer is being investigated. It is currently not entirely clear what consequences this will have. No Schaeffler Group companies are involved in these investigations. Should this automotive customer experience a loss of market share, the Schaeffler Group's revenue from this customer might decline. The Schaeffler Group would likely be able to partially offset any such loss in revenue with increased revenue from other customers. The impact of this issue on the Schaeffler Group's net assets, financial position, and results of operations is expected to be not material.

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



## 4. Report on expected developments

### Expected economic environment

In its spring forecast (April 2015), the International Monetary Fund (IMF) still expected the global economy to grow by 3.5 % this year, but has since (October 2015) reduced this forecast to 3.1 %. In light of this, the Schaeffler Group continues to believe that the global economy will grow by approximately 3 % in 2015. Any turmoil resulting from the anticipated increase in key interest rates in the U.S. and from an unexpected economic slump in China could negatively affect the expected general economic trend.

The current outlook for automobile production also includes a marked downward adjustment, the expected growth rate for 2015 is currently a mere 0.8 % (spring forecast: 3.6 %). Recent information from Oxford Economics suggests that industrial production growth rates for 2015 will likely be significantly lower than previously anticipated.

### Schaeffler Group outlook

On September 21, 2015, the Schaeffler Group adjusted its revenue guidance for 2015 as a whole to reflect the current situation in the market. Based on a weaker-than-expected market trend during the summer months, primarily in the Automotive business in China and worldwide in the Industrial business, the company now expects to generate revenue growth, excluding the impact of currency translation, of 4 to 5 % (previously 5 to 7 %). The Schaeffler Group continues to expect to achieve an EBIT margin of 12 to 13 %, excluding special items such as provisions for claims for damages due to antitrust cases and restructurings. The Schaeffler Group's guidance regarding its capex ratio remains at 6 to 8 % of revenue. For 2015, the company continues to anticipate positive free cash flow exceeding that of the prior year.

Herzogenaurach, November 09, 2015

The Board of Managing Directors



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# Consolidated interim financial statements

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## 1. Consolidated income statement

in € millions	1 <sup>st</sup> nine months			3 <sup>rd</sup> quarter		
	2015	2014	Change in %	2015	2014	Change in %
Revenue	9,982	9,024	10.6	3,250	3,034	7.1
Cost of sales	-7,153	-6,460	10.7	-2,316	-2,158	7.3
<b>Gross profit</b>	<b>2,829</b>	<b>2,564</b>	<b>10.3</b>	<b>934</b>	<b>876</b>	<b>6.6</b>
Research and development expenses	-534	-473	12.9	-173	-159	8.8
Selling expenses	-687	-596	15.3	-226	-201	12.4
Administrative expenses	-310	-294	5.4	-102	-102	0.0
Other income	28	54	-48.1	9	20	-55.0
Other expenses	-75	-25	> 100	-9	-5	80.0
<b>Earnings before financial result, income from equity-accounted investees, and income taxes (EBIT)</b>	<b>1,251</b>	<b>1,230</b>	<b>1.7</b>	<b>433</b>	<b>429</b>	<b>0.9</b>
Financial income	235	164	43.3	22	147	-85.0
Financial expenses	-697	-761	-8.4	-147	-269	-45.4
<b>Financial result</b>	<b>-462</b>	<b>-597</b>	<b>-22.6</b>	<b>-125</b>	<b>-122</b>	<b>2.5</b>
<b>Earnings before income taxes</b>	<b>789</b>	<b>633</b>	<b>24.6</b>	<b>308</b>	<b>307</b>	<b>0.3</b>
Income taxes	-256	-189	35.4	-91	-77	18.2
<b>Net income</b>	<b>533</b>	<b>444</b>	<b>20.0</b>	<b>217</b>	<b>230</b>	<b>-5.7</b>
Attributable to shareholders of the parent company	521	439	18.7	212	229	-7.4
Attributable to non-controlling interests	12	5	> 100	5	1	> 100
Basic earnings per common share (in €)	0.87	0.88	-1.1	0.35	0.46	-23.9
Diluted earnings per common share (in €)	0.87	0.88	-1.1	0.35	0.46	-23.9

## 2. Consolidated statement of comprehensive income

in € millions	1 <sup>st</sup> nine months									3 <sup>rd</sup> quarter		
	2015			2014			2015			2014		
	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes
<b>Net income</b>	<b>789</b>	<b>-256</b>	<b>533</b>	<b>633</b>	<b>-189</b>	<b>444</b>	<b>308</b>	<b>-91</b>	<b>217</b>	<b>307</b>	<b>-77</b>	<b>230</b>
Foreign currency translation differences for foreign operations	56	0	56	203	0	203	-137	0	-137	143	0	143
Net change from hedges of net investments in foreign operations	-76	22	-54	-78	8	-70	1	0	1	-72	7	-65
Effective portion of changes in fair value of cash flow hedges	71	-18	53	-91	28	-63	49	-13	36	-72	20	-52
Net change in fair value of available-for-sale financial assets	-1	0	-1	0	0	0	-1	0	-1	-2	1	-1
<b>Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss</b>	<b>50</b>	<b>4</b>	<b>54</b>	<b>34</b>	<b>36</b>	<b>70</b>	<b>-88</b>	<b>-13</b>	<b>-101</b>	<b>-3</b>	<b>28</b>	<b>25</b>
Remeasurement of net defined benefit liability	53	-16	37	-290	77	-213	-22	5	-17	-151	45	-106
<b>Total other comprehensive income (loss) that will not be reclassified to profit or loss</b>	<b>53</b>	<b>-16</b>	<b>37</b>	<b>-290</b>	<b>77</b>	<b>-213</b>	<b>-22</b>	<b>5</b>	<b>-17</b>	<b>-151</b>	<b>45</b>	<b>-106</b>
<b>Total other comprehensive income (loss)</b>	<b>103</b>	<b>-12</b>	<b>91</b>	<b>-256</b>	<b>113</b>	<b>-143</b>	<b>-110</b>	<b>-8</b>	<b>-118</b>	<b>-154</b>	<b>73</b>	<b>-81</b>
<b>Total comprehensive income (loss) for the period</b>	<b>892</b>	<b>-268</b>	<b>624</b>	<b>377</b>	<b>-76</b>	<b>301</b>	<b>198</b>	<b>-99</b>	<b>99</b>	<b>153</b>	<b>-4</b>	<b>149</b>
Total comprehensive income (loss) attributable to shareholders of the parent company	872	-263	609	363	-73	290	194	-98	96	146	-1	145
Total comprehensive income (loss) attributable to non-controlling interests	20	-5	15	14	-3	11	4	-1	3	7	-3	4
<b>Total comprehensive income (loss) for the period</b>	<b>892</b>	<b>-268</b>	<b>624</b>	<b>377</b>	<b>-76</b>	<b>301</b>	<b>198</b>	<b>-99</b>	<b>99</b>	<b>153</b>	<b>-4</b>	<b>149</b>

### 3. Consolidated statement of financial position

in € millions	09/30/2015	12/31/2014	09/30/2014	Change in % <sup>1)</sup>
<b>ASSETS</b>				
Intangible assets	559	555	532	0.7
Property, plant and equipment	3,961	3,748	3,511	5.7
Investments in equity-accounted investees	3	4	3	-25.0
Other investments	14	14	14	0.0
Other financial assets	2,293	1,960	113	17.0
Other assets	47	58	55	-19.0
Income tax receivables	6	8	8	-25.0
Deferred tax assets	508	455	434	11.6
<b>Total non-current assets</b>	<b>7,391</b>	<b>6,802</b>	<b>4,670</b>	<b>8.7</b>
Inventories	1,813	1,713	1,812	5.8
Trade receivables	2,119	1,900	2,016	11.5
Other financial assets	130	343	297	-62.1
Other assets	210	181	166	16.0
Income tax receivables	63	42	39	50.0
Cash and cash equivalents	724	636	675	13.8
<b>Total current assets</b>	<b>5,059</b>	<b>4,815</b>	<b>5,005</b>	<b>5.1</b>
<b>Total assets</b>	<b>12,450</b>	<b>11,617</b>	<b>9,675</b>	<b>7.2</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Share capital	600	600	500	0.0
Capital reserves	1,600	1,600	0	0.0
Other reserves	-1,005	-1,276	-1,592	-21.2
Accumulated other comprehensive income (loss)	-649	-737	-641	-11.9
<b>Equity attributable to shareholders of the parent company</b>	<b>546</b>	<b>187</b>	<b>-1,733</b>	<b>&gt; 100</b>
Non-controlling interests	85	71	67	19.7
<b>Total shareholders' equity</b>	<b>631</b>	<b>258</b>	<b>-1,666</b>	<b>&gt; 100</b>
Provisions for pensions and similar obligations	1,959	1,984	1,813	-1.3
Provisions	71	70	105	1.4
Financial debt	6,670	6,413	6,434	4.0
Income tax payables	260	237	246	9.7
Other financial liabilities	12	21	59	-42.9
Other liabilities	7	8	6	-12.5
Deferred tax liabilities	115	106	101	8.5
<b>Total non-current liabilities</b>	<b>9,094</b>	<b>8,839</b>	<b>8,764</b>	<b>2.9</b>
Provisions	254	232	226	9.5
Financial debt	4	1	177	> 100
Trade payables	1,266	1,261	1,099	0.4
Income tax payables	200	155	224	29.0
Other financial liabilities	626	558	512	12.2
Other liabilities	375	313	339	19.8
<b>Total current liabilities</b>	<b>2,725</b>	<b>2,520</b>	<b>2,577</b>	<b>8.1</b>
<b>Total shareholders' equity and liabilities</b>	<b>12,450</b>	<b>11,617</b>	<b>9,675</b>	<b>7.2</b>

<sup>1)</sup> September 30, 2015 compared to December 31, 2014.

## 4. Consolidated statement of cash flows

in € millions	1 <sup>st</sup> nine months			3 <sup>rd</sup> quarter		
	2015	2014	Change in %	2015	2014	Change in %
<b>Operating activities</b>						
EBIT	1,251	1,230	1.7	433	429	0.9
Interest paid	-430	-388	10.8	-51	-71	-28.2
Interest received	41	4	> 100	1	2	-50.0
Income taxes paid	-247	-197	25.4	-89	-57	56.1
Depreciation, amortization and impairments	514	473	8.7	171	161	6.2
Gains (losses) on disposal of assets	1	0	-	1	0	-
Changes in:						
• Inventories	-95	-206	-53.9	-54	-53	1.9
• Trade receivables	-194	-265	-26.8	51	0	-
• Trade payables	16	43	-62.8	-37	9	-
• Provisions for pensions and similar obligations	-9	-29	-69.0	-15	-16	-6.3
• Other assets, liabilities and provisions	64	-255	-	79	35	> 100
<b>Cash flows from operating activities <sup>1)</sup></b>	<b>912</b>	<b>410</b>	<b>&gt; 100</b>	<b>490</b>	<b>439</b>	<b>11.6</b>
<b>Investing activities</b>						
Proceeds from disposals of property, plant and equipment	22	5	> 100	14	1	> 100
Capital expenditures on intangible assets	-31	-17	82.4	-13	-8	62.5
Capital expenditures on property, plant and equipment	-712	-483	47.4	-229	-194	18.0
Other investing activities	1	-2	-	2	0	-
<b>Cash used in investing activities</b>	<b>-720</b>	<b>-497</b>	<b>44.9</b>	<b>-226</b>	<b>-201</b>	<b>12.4</b>
<b>Financing activities</b>						
Dividends paid to shareholders and non-controlling interests	-251	-1	> 100	0	0	0.0
Receipts from loans	208	610	-65.9	-7	1	-
Repayments of loans	-209	-192	8.9	0	-19	-100
Other financing activities	151	31	> 100	66	-25	-
<b>Cash provided by (used in) financing activities</b>	<b>-101</b>	<b>448</b>	<b>-</b>	<b>59</b>	<b>-43</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>91</b>	<b>361</b>	<b>-74.8</b>	<b>323</b>	<b>195</b>	<b>65.6</b>
Effects of foreign exchange rate changes on cash and cash equivalents	-3	14	-	-19	9	-
Cash and cash equivalents as at beginning of period	636	300	> 100	420	471	-10.8
<b>Cash and cash equivalents as at end of period</b>	<b>724</b>	<b>675</b>	<b>7.3</b>	<b>724</b>	<b>675</b>	<b>7.3</b>

<sup>1)</sup> Excluding interest payments, cash flows from operating activities for the period from January 01 to September 30, 2015 amount to EUR 1,342 m (prior year: EUR 798 m).

## 5. Consolidated statement of changes in shareholders' equity

in € millions	Share capital	Capital reserves	Other reserves	Accumulated other comprehensive income (loss)				Subtotal	Non-controlling interests	Total
				Translation reserve	Hedging reserve	Fair value reserve	Defined benefit plan remeasurement reserve			
<b>Balance as at January 01, 2014</b>	500	0	-2,031	-249	-5	0	-238	-2,023	57	-1,966
Net income			439					439	5	444
Other comprehensive income (loss)				127	-63	0	-213	-149	6	-143
<b>Total comprehensive income (loss) for the period</b>	<b>0</b>	<b>0</b>	<b>439</b>	<b>127</b>	<b>-63</b>	<b>0</b>	<b>-213</b>	<b>290</b>	<b>11</b>	<b>301</b>
<b>Transactions with shareholders</b>										
Dividends		0	0					0	-1	-1
<b>Total amount of transactions with shareholders</b>	<b>0</b>	<b>0</b>	<b>0</b>					<b>0</b>	<b>-1</b>	<b>-1</b>
<b>Balance as at September 30, 2014</b>	<b>500</b>	<b>0</b>	<b>-1,592</b>	<b>-122</b>	<b>-68</b>	<b>0</b>	<b>-451</b>	<b>-1,733</b>	<b>67</b>	<b>-1,666</b>
<b>Balance as at January 01, 2015</b>	<b>600</b>	<b>1,600</b>	<b>-1,276</b>	<b>-109</b>	<b>-75</b>	<b>1</b>	<b>-554</b>	<b>187</b>	<b>71</b>	<b>258</b>
Net income			521					521	12	533
Other comprehensive income (loss)		0	0	-1	53	-1	37	88	3	91
<b>Total comprehensive income (loss) for the period</b>	<b>0</b>	<b>0</b>	<b>521</b>	<b>-1</b>	<b>53</b>	<b>-1</b>	<b>37</b>	<b>609</b>	<b>15</b>	<b>624</b>
<b>Transactions with shareholders</b>										
Dividends		0	-250					-250	-1	-251
<b>Total amount of transactions with shareholders</b>			<b>-250</b>					<b>-250</b>	<b>-1</b>	<b>-251</b>
<b>Balance as at September 30, 2015</b>	<b>600</b>	<b>1,600</b>	<b>-1,005</b>	<b>-110</b>	<b>-22</b>	<b>0</b>	<b>-517</b>	<b>546</b>	<b>85</b>	<b>631</b>



## 6. Consolidated segment information

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

in € millions	Automotive		Industrial		Total	
	1 <sup>st</sup> nine months		1 <sup>st</sup> nine months		1 <sup>st</sup> nine months	
	2015	2014	2015	2014	2015	2014
Revenue	7,511	6,670	2,471	2,354	9,982	9,024
Cost of sales	-5,436	-4,847	-1,717	-1,613	-7,153	-6,460
Gross profit	2,075	1,823	754	741	2,829	2,564
EBIT	999	946	252	284	1,251	1,230
• in % of revenue	13.3	14.2	10.2	12.1	12.5	13.6
Depreciation, amortization and impairments	-374	-330	-140	-143	-514	-473
Inventories <sup>1)</sup>	1,090	1,053	723	759	1,813	1,812
Trade receivables <sup>1)</sup>	1,599	1,477	520	539	2,119	2,016
Property, plant and equipment <sup>1)</sup>	2,982	2,541	979	970	3,961	3,511
Additions to intangible assets and property, plant and equipment	586	409	120	103	706	512

in € millions	Automotive		Industrial		Total	
	3 <sup>rd</sup> quarter		3 <sup>rd</sup> quarter		3 <sup>rd</sup> quarter	
	2015	2014	2015	2014	2015	2014
Revenue	2,447	2,231	803	803	3,250	3,034
Cost of sales	-1,758	-1,615	-558	-543	-2,316	-2,158
Gross profit	689	616	245	260	934	876
EBIT	352	319	81	110	433	429
• in % of revenue	14.4	14.3	10.1	13.7	13.3	14.1
Depreciation, amortization and impairments	-125	-112	-46	-49	-171	-161
Inventories <sup>1)</sup>	1,090	1,053	723	759	1,813	1,812
Trade receivables <sup>1)</sup>	1,599	1,477	520	539	2,119	2,016
Property, plant and equipment <sup>1)</sup>	2,982	2,541	979	970	3,961	3,511
Additions to intangible assets and property, plant and equipment	223	197	48	39	271	236

Prior year information based on 2015 segment structure.

<sup>1)</sup> Amounts as at September 30.

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## 7. Condensed notes to the consolidated financial statements

### Reporting entity

Schaeffler AG, Herzogenaurach, is a 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 September 30, 2015 comprise Schaeffler AG and its subsidiaries, investments in associated companies, and joint ventures (together referred to as “Schaeffler” or “Schaeffler Group”). The Schaeffler Group is a leading integrated global supplier to the automotive and industrial sectors.

### Basis of preparation of consolidated interim financial statements

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 September 30, 2015 have been prepared 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 2014 consolidated financial statements, where the latter are discussed in detail. Except for the two instances described below, these accounting policies have been applied consistently in these consolidated interim financial statements.

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Expenses of the purchasing function and quality assurance expenses were included in research and development expenses, selling expenses, and administrative expenses in the consolidated income statement in the past. They are reported as cost of sales in their entirety beginning in 2015. During the period, the company also refined the parameters it uses to determine inter-company profits and losses to be eliminated upon consolidation. Neither of these items has had a significant impact on the consolidated interim financial statements as at September 30, 2015.

Schaeffler AG applied for a listing on the Frankfurt Stock Exchange on September 22, 2015; as a result, Schaeffler AG is considered to be oriented towards the capital markets at September 30, 2015 and has to disclose earnings per share. In accordance with IAS 33 (Earnings per Share), earnings per share are calculated by dividing net income attributable to Schaeffler AG's shareholders by the weighted average number of common shares outstanding during the reporting period. There were no dilutive items at September 30, 2015 or in the prior year. Diluted earnings per share equal basic earnings per share.

The new and amended IFRS requirements that are effective starting in 2015 do not have any significant impact on these consolidated interim financial statements.

In the preparation of 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, 2014. 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.

## Scope of consolidation

The Schaeffler Group includes, in addition to Schaeffler AG, 155 subsidiaries as at September 30, 2015 (December 31, 2014: 155); 52 entities are domiciled in Germany (December 31, 2014: 53) and 103 are foreign entities (December 31, 2014: 102).

The scope of consolidation has not changed significantly since December 31, 2014.

As in the prior year, five investments (including two joint ventures, December 31, 2014: two) are accounted for at equity in the consolidated interim financial statements as at September 30, 2015.

## Earnings per share

### Schaeffler Group earnings per share

in € millions	1 <sup>st</sup> nine months			3 <sup>rd</sup> quarter		
	2015	2014	Change in %	2015	2014	Change in %
Net income	533	444	20.0	217	230	-5.7
Net income attributable to shareholders of the parent company	521	439	18.7	212	229	-7.4
Weighted average number of common shares issued (in millions)	600	500	20.0	600	500	20.0
Basic earnings per common share (in €)	0.87	0.88	-1.1	0.35	0.46	-23.9
Diluted earnings per common share (in €)	0.87	0.88	-1.1	0.35	0.46	-23.9

Schaeffler AG's share capital amounted to EUR 600 m at September 30, 2015 and was divided into 60 million common shares. On September 08, 2015, the extraordinary shareholder meeting passed a resolution to split the shares 10-for-1. Each no-par-value share representing an interest in share capital of EUR 10.00 was replaced by 10 no-par-value shares representing an interest in share capital of EUR 1.00. The share split was entered in the Commercial Register on October 05, 2015. Due to the share split, earnings per share were adjusted retrospectively for all periods presented as required by IAS 33. Thus, the number of shares used to calculate earnings per common share was 600 million (prior year: 500 million).

## Provisions for pensions and similar obligations

Interest rates as at September 30, 2015 have increased slightly compared to those at December 31, 2014. As a result, the Schaeffler Group adjusted the discount rate used to value its key pension plans as at the reporting date. The Schaeffler Group's average discount rate was 2.6 % as at September 30, 2015 (December 31, 2014: 2.5 %). The resulting remeasurement of the company's obligations under defined benefit pension plans resulted in actuarial gains of EUR 53 m as at the reporting date, which were recognized in the consolidated statement of comprehensive income and are reported under accumulated other comprehensive income net of deferred taxes.

## Current and non-current financial debt

### Financial debt (current/non-current)

in € millions	09/30/2015			12/31/2014		
	Total	Due in up to 1 year	Due in more than 1 year	Total	Due in up to 1 year	Due in more than 1 year
Bank and institutional loans	1,678	4	1,674	1,775	1	1,774
Bonds	4,991	0	4,991	4,634	0	4,634
Other financial debt	5	0	5	5	0	5
<b>Financial debt</b>	<b>6,674</b>	<b>4</b>	<b>6,670</b>	<b>6,414</b>	<b>1</b>	<b>6,413</b>

The group's financial debt rose by EUR 260 m compared to December 31, 2014, largely due to the impact of currency translation.

Financial debt also increased as a result of bond issues placed in April 2015 as part of another refinancing transaction. The placement comprised three new bonds – two secured EUR and one secured USD bond issues. The two EUR bonds with a total principal of EUR 1.0 bn have five- and ten-year terms. The USD bond has a principal of USD 600 m and a term of eight years. The proceeds of the new bond issues were largely used to redeem two outstanding series of bonds as well as to finance the transaction costs and the prepayment penalty (EUR 173 m). The company redeemed the EUR 800 m EUR bonds and the USD 600 m USD bonds, both due in February 2017.

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

## 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. No financial instruments were reclassified between categories.

### Financial instruments by class and category in accordance with IFRS 7.8

in € millions	Category per IFRS 7.8	Level per IFRS 13	09/30/2015		12/31/2014		09/30/2014	
			Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets, by class</b>								
Trade receivables	LaR		2,119	2,119	1,900	1,900	2,016	2,016
Other investments <sup>1)</sup>	AFS		14	-	14	-	14	-
Other financial assets								
• Marketable securities	AFS	1	12	12	12	12	11	11
• Derivatives designated as hedging instruments	n.a.	2	42	42	24	24	4	4
• Derivatives not designated as hedging instruments	HFT	2	429	429	245	245	113	113
• Miscellaneous financial assets	LaR	2 <sup>2)</sup>	1,940	1,941	2,022	2,036	282	283
Cash and cash equivalents	LaR		724	724	636	636	675	675
<b>Financial liabilities, by class</b>								
Financial debt	FLAC	2	6,674	6,679	6,414	6,846	6,611	6,903
Trade payables	FLAC		1,266	1,266	1,261	1,261	1,099	1,099
Other financial liabilities								
• Derivatives designated as hedging instruments	n.a.	2	29	29	64	64	76	76
• Derivatives not designated as hedging instruments	HFT	2	35	35	23	23	34	34
• Miscellaneous financial liabilities	FLAC		574	574	492	492	461	461
<b>Summary by category</b>								
Available-for-sale financial assets (AFS)			26	-	26	-	25	-
Financial assets held for trading (HFT)			429	-	245	-	113	-
Loans and receivables (LaR)			4,783	-	4,558	-	2,973	-
Financial liabilities at amortized cost (FLAC)			8,514	-	8,167	-	8,171	-
Financial liabilities held for trading (HFT)			35	-	23	-	34	-

<sup>1)</sup> Investments accounted for at cost.

<sup>2)</sup> Level shown based on long-term loan receivable of EUR 1,885 m (December 31, 2014: EUR 1,700 m).

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The carrying amounts of trade receivables, miscellaneous financial assets, cash and cash equivalents, trade payables, and miscellaneous financial liabilities are assumed to represent their fair value due to the short maturities of these instruments. This does not apply to loans receivable of EUR 1,885 m included in other financial assets, which have terms of 9 and 10 years.

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 nine months of 2015, and no (partial) disposals are planned for the foreseeable future.

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

**Level 1:** The fair value of marketable securities is determined using the exchange-quoted price at the end of the reporting period.

**Level 2:** Cross-currency swaps and foreign exchange contracts are measured using discounted cash flow valuation models and the exchange rates in effect at the end of the reporting period as well as risk-adjusted interest and discount rates appropriate to the instruments' terms. These models take into account counterparty credit risk via credit value adjustments. Embedded derivatives are measured using a Hull-White model. Key inputs to this model are interest rates, volatilities and credit default swap rates (CDS rates).

The fair value of miscellaneous other financial assets and of financial debt is the present value of future 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. As the embedded derivatives have been bifurcated and are being accounted for separately, the exchange-quoted price of the bonds is not used as fair value.

**Level 3:** The Schaeffler Group does not have any financial instruments in this level.

As part of its determination of fair values, the company reviews its financial instruments for any required transfers between levels at the end of each reporting period. No transfers were made between the various levels of the fair value hierarchy (levels 1-3) during the period.

## Contingent liabilities and other obligations

The statements made in the annual report 2014 with respect to contingent liabilities regarding investigations for possible agreements violating antitrust law are largely unchanged.

## Segment reporting

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

### Reconciliation to earnings before income taxes

	1 <sup>st</sup> nine months	
in € millions	2015	2014
EBIT Automotive <sup>1)</sup>	999	946
EBIT Industrial <sup>1)</sup>	252	284
<b>EBIT</b>	<b>1,251</b>	<b>1,230</b>
<b>Financial result</b>	<b>-462</b>	<b>-597</b>
<b>Earnings before income taxes</b>	<b>789</b>	<b>633</b>

<sup>1)</sup> Prior year information presented based on 2015 segment structure.



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## Related parties

Except for the following, the extent of related party relationships has not changed significantly compared to the consolidated financial statements 2014.

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

A partial repayment of EUR 85 m on June 29, 2015 has reduced the principal of a loan receivable from Schaeffler Verwaltung Zwei GmbH to EUR 986 m (December 31, 2014: EUR 1,071 m).

The EUR 236 m short-term receivable from Schaeffler Verwaltung Zwei GmbH, which arose in connection with Schaeffler AG taking on the cash pooling function, was converted to a long-term loan as at August 31, 2015 and is now presented within non-current financial assets at an amount of EUR 270 m.

Schaeffler AG assumed from Schaeffler Verwaltung Zwei GmbH a loan receivable from Schaeffler Beteiligungsholding GmbH & Co. KG with a principal of EUR 629 m by way of an assumption of debt in discharge of the previous debtor effective September 01, 2015. The loan remains secured by the shares in Continental AG held by Schaeffler Beteiligungsholding GmbH & Co. KG.

Loans receivable from Schaeffler Verwaltung Zwei GmbH totaled EUR 1,885 m as at September 30, 2015.

Transactions with associated companies and joint ventures were insignificant in the first nine months of 2015.

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## Events after the reporting period

Schaeffler AG was listed on the stock exchange on October 09, 2015. The listing forms the basis for the Schaeffler Group's continuing profitable growth. The listing also represents an important component of the realignment of the company's capital and corporate structure, which is aimed at further reducing debt levels and improving the capital structure for the long term. This will, among other things, lead to a significantly improved equity ratio and a reduction in the debt to EBITDA ratio. Details of the transaction are as follows:

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

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

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

On September 21, 2015, Schaeffler AG and Schaeffler Verwaltungs GmbH announced their intention to place up to 166 million new and existing common non-voting shares (100 million shares to be sold by Schaeffler Verwaltungs GmbH and 66 million shares issued in connection with Schaeffler AG's capital increase) with German and foreign institutional investors and to have Schaeffler AG's shares listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange and on the Luxembourg Stock Exchange.

Schaeffler AG and Schaeffler Verwaltungs GmbH began placing the shares on October 05, 2015. The offer consisted of 66 million shares issued in connection with Schaeffler AG's capital increase and 9 million shares to be sold by Schaeffler Verwaltungs GmbH, totaling approximately 11 % of total share capital. The placement price for the shares offered in the listing was set at EUR 12.50 per share on October 08, 2015. Schaeffler's common non-voting shares started trading on October 09, 2015. Schaeffler AG received gross proceeds of EUR 825 m from the placement.

The capital increase and the listing strengthened Schaeffler AG's equity base. The guarantees issued by Schaeffler Verwaltung Zwei GmbH and Schaeffler Beteiligungsholding GmbH & Co. KG to the Schaeffler Group's financing banks were released on October 09, 2015.

Schaeffler AG used the gross proceeds from the placement of the new shares to partially prepay EUR 330 m of its Senior Term Loan B EUR tranche and USD 560 m of its Senior Term Loan B USD tranche on October 16, 2015.

Following the listing, one of the underwriting banks acquired a total of approximately 3.4 million Schaeffler AG shares by the end of the stabilization period on November 07, 2015 in order to stabilize the share price. The bank put these shares to Schaeffler Verwaltungs GmbH on November 09, 2015 under an option written by that company. Following the exercise of this option, the free float amounts to 10.8 % of Schaeffler AG's share capital.

Reflecting the reduction of financial debt using funds from the listing, rating agency Moody's upgraded Schaeffler AG's company rating from Ba3 to Ba2 on October 09, 2015. Moody's also confirmed Schaeffler AG's Senior Term Loan B rating and Schaeffler Finance B.V.'s secured bond ratings of Ba2 and unsecured bond ratings of B1. The outlook on all ratings is stable.

In connection with the listing, Schaeffler AG's Supervisory Board approved an improvement to the remuneration system for the members of the Board of Managing Directors. The remuneration of each member of the Board of Managing Directors consists of a base amount as well as short- and long-term variable components. The long-term variable component was cast in the form of a share-based payment instrument in order to align the interests of the Board of Managing Directors with those of the shareholders and to strengthen Schaeffler AG's focus on long-term corporate development.

No other material events expected to have a significant impact on the net assets, financial position, and results of operations of the Schaeffler Group occurred after September 30, 2015.

Herzogenaurach, November 09, 2015

The Board of Managing Directors



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# Additional information

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# Imprint

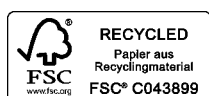
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November 2015

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

Both language versions of the interim report can be downloaded from the internet at [www.schaeffler.com/ir](http://www.schaeffler.com/ir).

## Summary 1<sup>st</sup> quarter 2014 to 3<sup>rd</sup> quarter 2015

in € millions	2014				2015		
	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter
<b>Consolidated income statement</b>							
Revenue	2,976	3,014	3,034	3,100	3,345	3,387	3,250
EBITDA	572	541	590	469	604	557	604
• in % of revenue	19.2	17.9	19.4	15.1	18.1	16.4	18.6
EBIT	418	383	429	293	434	384	433
• in % of revenue	14.0	12.7	14.1	9.5	13.0	11.3	13.3
<b>Net income <sup>1)</sup></b>	<b>220</b>	<b>-10</b>	<b>229</b>	<b>215</b>	<b>167</b>	<b>142</b>	<b>212</b>
<b>Consolidated statement of financial position</b>							
Total assets	8,704	9,095	9,675	11,617	12,844	12,221	12,450
Shareholders' equity <sup>2)</sup>	-1,808	-1,815	-1,666	258	418	532	631
• in % of total assets	-20.8	-20.0	-17.2	2.2	3.3	4.4	5.1
Net financial debt	5,529	5,755	5,768	5,778	6,190	6,245	5,950
• Net financial debt to EBITDA ratio <sup>3)</sup>	3.2	3.4	3.2	2.7	2.8	2.8	2.7
<b>Consolidated statement of cash flows</b>							
Cash flows from operating activities <sup>4)</sup>	134	-163	439	490	184	238	490
Capital expenditures (capex) <sup>5)</sup>	155	143	202	357	244	257	242
• in % of revenue (capex ratio)	5.2	4.7	6.7	11.5	7.3	7.6	7.4
Free cash flow <sup>4)</sup>	-19	-306	238	135	-60	-12	264
<b>Employees</b>							
Headcount (at end of reporting period)	79,369	80,054	81,353	82,294	83,331	83,774	84,414

<sup>1)</sup> Attributable to shareholders of the parent company.

<sup>2)</sup> Including non-controlling interests.

<sup>3)</sup> EBITDA based on the last twelve months.

<sup>4)</sup> Including a one-time outflow of EUR 371 m for the EU antitrust penalty in the 2<sup>nd</sup> quarter of 2014.

<sup>5)</sup> Capital expenditures on intangible assets and property, plant and equipment.



## Financial calendar

**November 19, 2015**

Results for the first nine months 2015

**March 15, 2016**

Publication of annual results 2015

**April 22, 2016**

Annual general meeting 2016

Group interim  
management report

Consolidated interim  
financial statements

Additional information

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You can find up-to-date news about Schaeffler on our website at [www.schaeffler.com/ir](http://www.schaeffler.com/ir).  
You can also download all documents from this site.



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