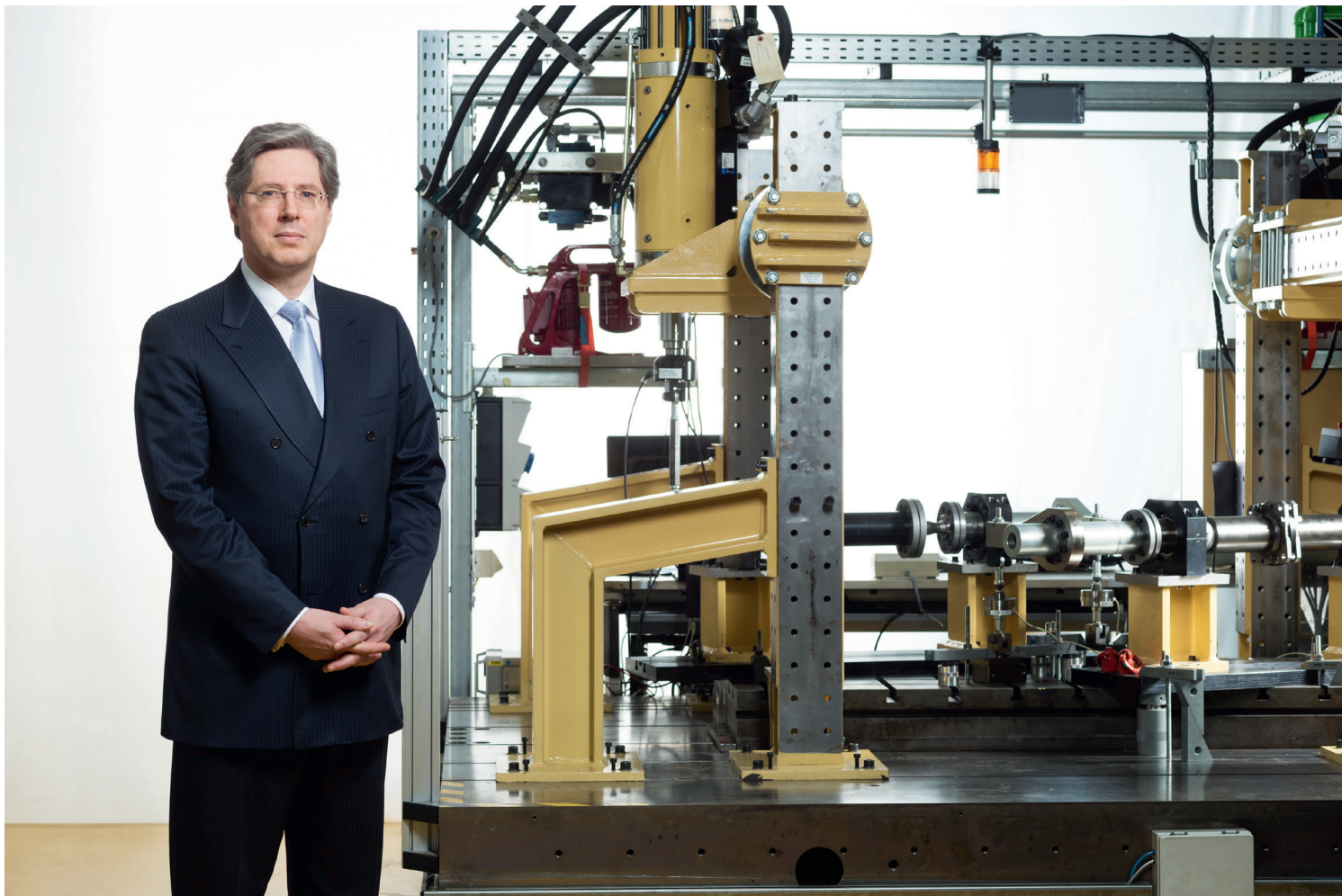


# Report of the Supervisory Board

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**Georg F. W. Schaeffler**

# Ladies and Gentlemen,

During a challenging year, the Supervisory Board has performed the duties mandated by law, the company's articles of association, and its internal rules of procedure and has provided advice to the Board of Managing Directors and supervised its activities. It was directly involved on a timely basis in all decisions that were of fundamental importance to the company. The Board of Managing Directors regularly informed the Supervisory Board in written and oral reports about the company's strategy, the status of strategy implementation, the company's results of operations, and about significant transactions as well as the related risks and opportunities. In addition, relevant short- and long-term planning and budgeting matters as well as compliance and risk management matters were discussed. The Supervisory Board was updated in detail about the development of revenue and earnings of the group and the divisions as well as about the financial position.

The members of the Supervisory Board were also available for consultation with the Board of Managing Directors between meetings. The Chairman of the Supervisory Board regularly kept in close contact with the Board of Managing Directors and particularly with the Chief Executive Officer, and ensured that he was kept informed about all current matters and developments on an ongoing basis.

There were no conflicts of interests related to members of the Board of Managing Directors or the Supervisory Board in 2015.

## **Elections to the Supervisory Board**

Elections for the employee representatives on the Supervisory Board were held on November 19, 2015 to replace the employee representatives appointed by the court on December 02, 2014. Norbert Lenhard, Dr. Reinold Mittag, Yvonne Münch, Barbara Resch, Stefanie Schmidt, Dirk Spindler, Jürgen Stolz, Salvatore Vicari, Jürgen Wechsler, and Jürgen Worrich were elected.

Due to this election, elections had to be held for the office of the Deputy Chairman of the Supervisory Board in accordance with section 27 German Co-Determination Act ("Mitbestimmungsgesetz" – MitbestG) and for the employee representatives on the committees. Jürgen Wechsler was re-elected Deputy Chairman of the Supervisory Board. Norbert Lenhard, Barbara Resch, and Jürgen Wechsler were elected to the executive committee. Dr. Reinold Mittag, Salvatore Vicari, and Jürgen Worrich were elected to the audit committee. The employee representative on the committee established in accordance with section 27 (3) German Co-Determination Act is Norbert Lenhard.

### **Committees**

The committees of the Supervisory Board currently consist of the following members:

- Mediation committee established in accordance with section 27 (3) German Co-Determination Act:  
Georg F. W. Schaeffler (Chairman),  
Maria-Elisabeth Schaeffler-Thumann, Norbert Lenhard, Jürgen Wechsler
- Executive committee:  
Georg F. W. Schaeffler (Chairman),  
Maria-Elisabeth Schaeffler-Thumann, Norbert Lenhard, Barbara Resch, Jürgen Wechsler,  
Prof. KR Ing. Siegfried Wolf
- Audit committee:  
Dr. Siegfried Luther (Chairman),  
Georg F. W. Schaeffler, Dr. Reinold Mittag, Robin Stalker, Salvatore Vicari, Jürgen Worrich
- Nomination committee:  
Georg F. W. Schaeffler (Chairman),  
Maria-Elisabeth Schaeffler-Thumann, Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk

The Supervisory Board is of the opinion that it has a sufficient number of independent members (as defined in the German Corporate Governance Code).

### **Appointments to the Board of Managing Directors**

The company's Board of Managing Directors consists of Klaus Rosenfeld (Chief Executive Officer), Prof. Dr.-Ing. Peter Gutzmer (Deputy Chief Executive Officer), Dr. Ulrich Hauck, Norbert Indlekofer, Oliver Jung, Prof. Dr. Peter Pleus, Corinna Schittenhelm, and Dr. Stefan Spindler.

Dr. Ulrich Hauck was appointed by the Supervisory Board on December 12, 2014 and took over as Chief Financial Officer on April 01, 2015. Dr. Stefan Spindler was appointed by the Supervisory Board on April 27, 2015 and took over the Industrial division on May 01, 2015. Corinna Schittenhelm took over her new responsibilities as Chief Human Resources Officer on January 01, 2016, having been appointed by the Supervisory Board on October 01, 2015.

In accordance with the internal rules of procedure of the Board of Managing Directors, Klaus Rosenfeld is responsible for the CEO functions and Dr. Ulrich Hauck for Finance, Prof. Dr.-Ing. Peter Gutzmer for Technology, Prof. Dr. Peter Pleus and Norbert Indlekofer for the Automotive division, Dr. Stefan Spindler for the Industrial division, Oliver Jung for Operations, and Corinna Schittenhelm is responsible for Human Resources.

**Main activities**

The Supervisory Board held four regular meetings and two extraordinary meetings in 2015. It also passed three resolutions in writing.

At its meeting on March 25, 2015, the Supervisory Board dealt with personnel issues and with the Schaeffler Group's results of operations. It also adopted the separate financial statements for 2014 and approved the consolidated financial statements. In addition, it approved the report of the Supervisory Board and approved the Supervisory Board's proposed agenda items for the annual general meeting on April 14, 2015. There was also a report on the Europe region.

On April 27, 2015, the Supervisory Board appointed Dr. Stefan Spindler to the Board of Managing Directors by a resolution passed in writing.

The meeting on May 20, 2015 dealt with the Schaeffler Group's latest results of operations, the results for the first quarter of 2015 and the interim report as at March 31, 2015. There was also a report on the Americas region.

The Schaeffler Group's listing was the topic of two extraordinary Supervisory Board meetings on September 01, 2015 and September 08, 2015. Measures taken in connection with the listing were approved on September 08, 2015 and corresponding proposals submitted to the general meeting for decision. In addition, an ad hoc committee was established and the internal rules of procedure of the Supervisory Board amended to conform to the German Corporate Governance Code. The Supervisory Board also approved the new remuneration scheme for the Board of Managing Directors.

In a resolution passed in writing on September 30, 2015, the Supervisory Board decided, in accordance with section 111 (5) German Stock Corporations Act, that the Board of Managing Directors has to have at least one female member by June 30, 2017.

At its regular meeting on October 01, 2015, the Supervisory Board dealt with the Schaeffler Group's latest results of operations as well as the results for the first half of 2015 and the interim report as at June 30, 2015. There was also a report on the "CORE" program and the Schaeffler Automotive Aftermarket.

In a resolution passed in writing on November 25, 2015, the Supervisory Board appointed a new Deputy Chairman pursuant to section 27 (1) German Co-Determination Act as well as the employee representatives to the executive and audit committees and the committee in accordance with section 27 (3) German Co-Determination Act (mediation committee).

At its last regular meeting in 2015 on December 11, 2015, the Supervisory Board approved the budget for 2016 and the long-range plan for the years 2016 to 2020 (including the capital expenditure plan). The Board also appointed the members of the nomination committee, approved the declaration of conformity in accordance with section 161 German Stock Corporations Act, and made additional determinations in accordance with section 5 German Corporate Governance Code (details are discussed in the corporate governance report). In addition, it discussed personnel issues, results of operations, and the results for the third quarter of 2015 and the interim report as at September 30, 2015.

The employee representatives objected to joint compliance with the gender quota on the Supervisory Board in accordance with section 96 paragraph 2 sentence 3 German Stock Corporations Act based on a resolution passed by a majority vote on December 10, 2015.

The executive committee of the Supervisory Board held four regular meetings and three extraordinary meetings in 2015. Each meeting was used to prepare the subsequent meeting of the full Supervisory Board. In addition, the executive committee addressed the “CORE” program and the “EDC” project and discussed the new remuneration scheme for the Board of Managing Directors in preparation for a resolution to be passed by the Supervisory Board.

The audit committee held four regular meetings in 2015. At these meetings, “compliance”, “internal audit”, and the “risk management system” were reported on on a regular basis. The audit committee also addressed the separate and consolidated financial statements of the Schaeffler Group for 2014, the quarterly report as at March 31, 2015, the semiannual report as at June 30, 2015, and the quarterly report as at September 30, 2015. At its meeting on March 24, 2015, it recommended to the annual general meeting that it appoint KPMG AG auditors of the separate and consolidated financial statements. The audit committee also engaged KPMG AG as auditors and determined areas of focus for the audit. In addition, the audit committee dealt with the issues of transfer pricing and hedging currency risk.

There was no need to convene the nomination committee or the mediation committee.

#### **Separate and consolidated financial statements 2015**

KPMG has audited the separate financial statements and the combined management report as at December 31, 2015 prepared by the Board of Managing Directors in accordance with German commercial law, including the accounting records and the accounting-related internal control system as well as the early warning risk identification system.

KPMG has also audited the report on relations with affiliated companies (“dependency report”) prepared by the Board of Managing Directors in accordance with section 312 German Stock Corporations Act. The report covers the period from January 01, 2015 to December 31, 2015.

The consolidated financial statements of Schaeffler AG as at and for the year ended December 31, 2015 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of German commercial law pursuant to section 315a (1) German Commercial Code. The consolidated financial statements were also audited by KPMG.

The auditors have issued unqualified audit opinions on the separate financial statements and the consolidated financial statements. They also found that the Board of Managing Directors has made the arrangements required by section 91 (2) German Stock Corporations Act for the timely identification of risks, and that the early warning risk identification system is suitable for identifying on a timely basis any developments jeopardizing the existence of the company as a going concern. has issued the following unqualified audit opinion on the dependency report in accordance with section 313 (3) German Stock Corporations Act

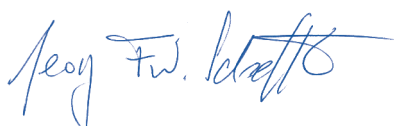
“In accordance with our conscientious audit and assessment, we confirm that the statements of fact in the report are correct, the consideration given by the company in the course of the transactions listed in the report was not unreasonably high, and the measures listed in the report are not an occasion for an assessment substantially different from that of the Board of Managing Directors”.

The audit committee discussed the financial statement documents, the dependency report, and the long-form audit reports with the Board of Managing Directors and the auditors on March 10, 2016. The audit committee scrutinized the development of earnings for 2015, the financial position and net assets as at the reporting date and, particularly, provisions for risks. These issues were also dealt with in the Supervisory Board meeting convened to approve the financial statements on March 11, 2016. The required documents had been distributed to all members of the audit committee and the Supervisory Board in due time before these meetings to give the members sufficient opportunity to examine them. The auditor was present during the discussion. He reported on significant audit findings and was available to provide additional information to the audit committee and the Supervisory Board. Based on its own examinations of the separate financial statements, the dependency report (including the closing statement of the Board of Managing Directors), and the consolidated financial statements together with the combined management report, and based on recommendations made by the audit committee, the Supervisory Board concurs with the result of the auditors' audits. There was no cause for objection, including objection to the closing statement on the dependency report prepared by the Board of Managing Directors. The Supervisory Board has approved the separate financial statements and the consolidated financial statements. The separate financial statements have thus been adopted.

The Supervisory Board has reviewed the appropriation of retained earnings proposed by the Board of Managing Directors and will, together with the Board of Managing Directors, propose to the annual general meeting the payment of a dividend of EUR 0.34 per common share and EUR 0.35 per common non-voting share as well as the payment of a special dividend of EUR 0.15 per share.

The listing, in particular, made 2015 an extremely challenging year for the Schaeffler Group and all of its employees, who coped with it with extraordinary commitment and dedication. On behalf of the Supervisory Board, I would like to express my sincere gratitude to the members of the Board of Managing Directors, to the management, and to all employees of Schaeffler AG and the group companies for their dedication and their constructive teamwork.

On behalf of the Supervisory Board



Georg F. W. Schaeffler

Chairman

Herzogenaurach, March 11, 2016