SCHAEFFLER

H1

Interim Financial Report
as at June 30, 2019

Mobility for tomorrow

Staying in motion

Schaeffler Group at a glance

Key figures

	1st six months			
Income statement (in € millions)	**2019**	**2018**		Change
Revenue	7,226	7,193	0.5	%
• at constant currency			-0.8	%
EBIT	483	773	-37.5	%
• in % of revenue	6.7	10.7	-4.1	%-pts.
EBIT before special items [1]	556	794	-30.0	%
• in % of revenue	7.7	11.0	-3.4	%-pts.
Net income [2]	273	506	-46.1	%
Earnings per common non-voting share (basic/diluted, in €)	0.42	0.77	-45.5	%
Statement of financial position (in € millions)	**06/30/2019**	**12/31/2018**		Change
Total assets	12,993	12,362	5.1	%
Shareholders' equity [3]	2,736	3,060	-325	€ millions
• in % of total assets	21.1	24.8	-3.6	%-pts.
Net financial debt	3,167	2,547	24.3	%
• Net financial debt to EBITDA ratio before special items [1] [4]	1.6	1.2		
• Gearing ratio (Net financial debt to shareholders' equity [3], in %)	115.8	83.2	32.5	%-pts.
	1st six months			
Statement of cash flows (in € millions)	**2019**	**2018**		Change
EBITDA	962	1,170	-17.8	%
Cash flows from operating activities	384	520	-137	€ millions
Capital expenditures (capex) [5]	594	595	-1	€ millions
• in % of revenue (capex ratio)	8.2	8.3	-0.1	%-pts.
Free cash flow (FCF) before cash in- and outflows for M&A activities	-229	-75	-155	€ millions
• FCF conversion ratio (ratio of FCF before cash in- and outflows for M&A activities to EBITDA before special items, in %) [1] [4]	11.3	22.1	-10.8	%-pts.
Value-based management				Change
Schaeffler Value Added before special items (in € millions) [1] [4]	289	791	-63.4	%
ROCE before special items (in %) [1] [4]	13.4	19.8	-6.4	%-pts.
Employees	**06/30/2019**	**12/31/2018**		Change
Headcount (at end of reporting period)	90,492	92,478	-2.1	%

	1st six months			
Automotive OEM division [6] (in € millions)	**2019**	**2018**		Change
Revenue	4,514	4,587	-1.6	%
• at constant currency			-2.9	%
EBIT	144	415	-65.4	%
• in % of revenue	3.2	9.1	-5.9	%-pts.
EBIT before special items [1]	216	425	-49.1	%
• in % of revenue	4.8	9.3	-4.5	%-pts.
Automotive Aftermarket division [6] (in € millions)				Change
Revenue	905	926	-2.3	%
• at constant currency			-2.4	%
EBIT	136	179	-23.8	%
• in % of revenue	15.1	19.3	-4.3	%-pts.
EBIT before special items [1]	136	179	-23.9	%
• in % of revenue	15.1	19.3	-4.3	%-pts.
Industrial division [6] (in € millions)				Change
Revenue	1,806	1,679	7.6	%
• at constant currency			5.9	%
EBIT	203	179	13.5	%
• in % of revenue	11.2	10.6	0.6	%-pts.
EBIT before special items [1]	203	190	6.9	%
• in % of revenue	11.2	11.3	-0.1	%-pts.

[1] Please refer to pp. 22 et seq. for the definition of special items.
[2] Attributable to shareholders of the parent company.
[3] Including non-controlling interests.
[4] Based on the last twelve months.
[5] Capital expenditures on intangible assets and property, plant and equipment.
[6] Prior year information presented based on 2019 segment structure.

Highlights H1 2019

Revenue down slightly at constant currency in challenging market environment

Revenue at EUR **7.2** bn in H1
(down 0.8% at constant currency)

Earnings quality improved in Q2 compared to Q1

EBIT margin before special items **7.7**% in H1
(prior year: 11.0%)

Free cash flow positive in Q2

Free cash flow before cash in- and outflows for
M&A activities at EUR **-229** m in H1
(prior year: EUR -75 m)

Capital management efficiency increased in Q2

Capex ratio at **8.2**% in H1 // 6.1% in Q2

Schaeffler on the capital markets

Recent events

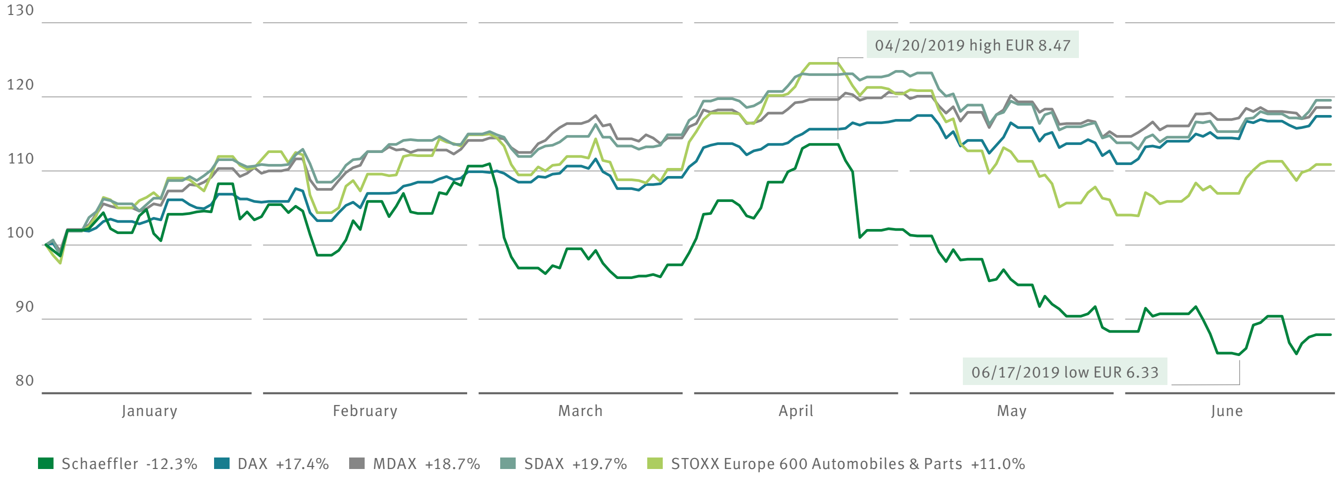
Schaeffler successfully places investment grade bonds

On March 19, 2019, the Schaeffler Group placed investment grade bonds in the capital markets for the first time. The transaction had a total volume of EUR 2.2 bn and consisted of three tranches (EUR 750 m 1.125% coupon, due 2022; EUR 800 m 1.875% coupon, due 2024; EUR 650 m 2.875% coupon, due 2027). The new investment grade bonds were issued under Schaeffler AG's debt issuance program. Net proceeds from the issuance were mainly used to refinance existing debt. Along with prepaying EUR 500 m of the term loan and repaying the amount outstanding under the Revolving Credit Facility, the company also redeemed three bonds issued by Schaeffler Finance B.V. in an aggregate volume of about EUR 1.4 bn on May 15, 2019.

Dividend at prior year level

Schaeffler AG's annual general meeting, which was held on April 24, 2019, passed a resolution to pay a dividend of EUR 0.54 (prior year: EUR 0.54) per common share and EUR 0.55 (prior year: EUR 0.55) per common non-voting share to Schaeffler AG's shareholders for 2018. This represents a dividend payout ratio of 40.1% of net income attributable to shareholders before special items.

Schaeffler share price trend 2019
in percent (12/31/2018 = 100)



Source: Bloomberg (closing prices).

Capital market trends

Global capital markets were buoyant during the first half of 2019, partly driven by speculation regarding an imminent end to the trade conflict between China and the U.S. early in the year. The economy continued to deteriorate during the second quarter; however, both the American Federal Reserve Bank (Fed) and the European Central Bank (ECB) signaled a willingness to reduce interest rates or, in the case of the ECB, resume its bond buying program. The statements made by the two central banks were welcomed by the capital markets. In this context, the global equities markets firmed up considerably in the first half of 2019. The Euro STOXX 50 rose by 15.7% and the Dow Jones Industrial was up 14.0%. The Nikkei 225 index gained 6.3% in value as well. The Deutsche Aktienindex (DAX) increased by 17.4%, rising to a level of 12,399 points as at June 30, 2019.

Schaeffler shares

Schaeffler AG's common non-voting shares lagged behind the benchmark indexes DAX (+17.4% compared to December 31, 2018), MDAX (+18.7%), SDAX (+19.7%), and STOXX Europe 600 Automobiles & Parts (+11.0%) during the first half of 2019. On June 30, 2019, the common non-voting shares of Schaeffler AG were quoted at EUR 6.54, 12.3% less than on December 31, 2018. The drop in share price in the first quarter was driven by the decrease in Automotive business earnings quality in the fourth quarter of 2018 and the Automotive divisions' outlook for 2019. Forecasts indicating declining growth in global automobile production, particularly in the Greater China region, additionally held back the share price during the remainder of the reporting period.

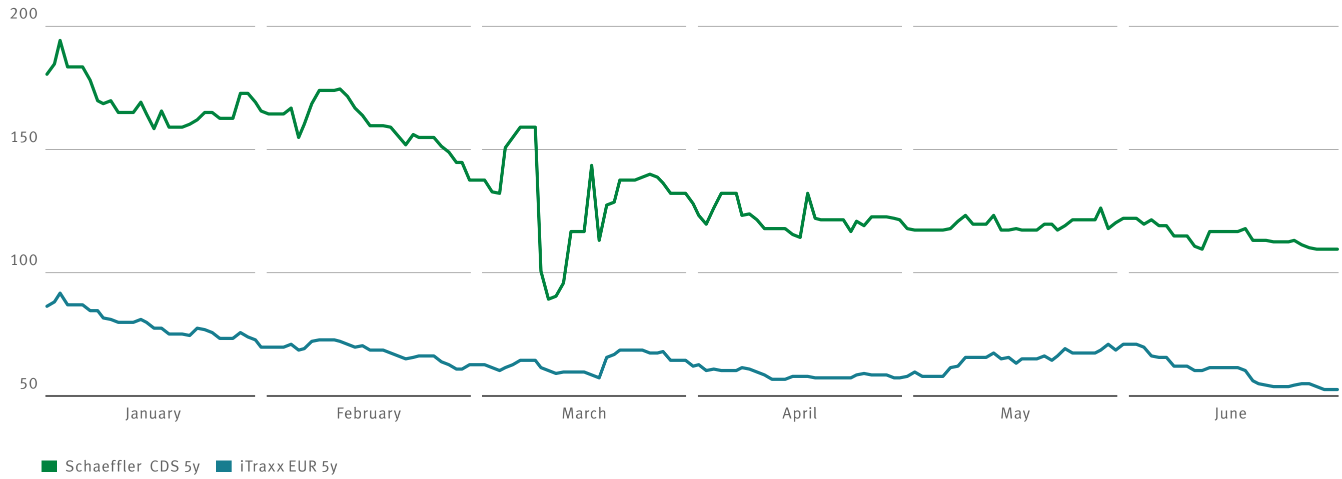
The daily trading volume averaged 1,174,863 shares in the first half of 2019 (prior year: 991,600). The significant rise in trading volume compared to the prior year period is largely due to the publication of the results for 2018 on March 6, 2019. Increased trading volumes were reported on the publication date and the days following that date.

Schaeffler share performance

	1st six months	
	2019	**2018**
Schaeffler share price 06/30/ (in €) [1]	6.54	11.15
Average trading volume (number of shares)	1,174,863	991,600
DAX 06/30/ [1]	12,399	12,306
MDAX 06/30/ [1]	25,620	25,854
SDAX 06/30/ [1]	11,378	11,950
STOXX Europe 600 Automobiles & Parts 06/30/ [1]	490	547
Average number of shares (in millions)		
• Common shares	500	500
• Common non-voting shares	166	166
Earnings per share (in €)		
• Common shares	0.41	0.76
• Common non-voting shares	0.42	0.77

[1] Source: Bloomberg (closing prices).

Credit default swap (CDS) price trend 2019
in basis points



Source: Bloomberg (closing prices).

Schaeffler bonds and ratings

The Schaeffler Group had a total of four series of bonds outstanding as at June 30, 2019, all of them denominated in EUR. The investment grade bonds issued on March 19, 2019, were issued by Schaeffler AG. The bond series due in 2025 was issued by Schaeffler Finance B.V. in Barneveld, Netherlands.

The three EUR bond series issued by Schaeffler AG rose significantly over the course of the second quarter. This trend was supported by the intention expressed by the ECB to continue its highly expansive monetary policy, possibly additionally supporting it by renewing its bond buying programs. The EUR bond series of Schaeffler Finance B.V. due in 2025, which will become callable on May 15, 2020, closed in on its contractual redemption price regardless of general market trends.

Schaeffler AG has been assigned an investment grade rating by all three rating agencies – Fitch, Moody's, and Standard & Poor's. The following summary shows the three rating agencies' ratings as at June 30, 2019:

Schaeffler Group ratings
as at June 30

	2019	2018	2019	2018
	Company		Bonds	
Rating agency	Rating/Outlook		Rating	
Fitch	BBB-/stable	BBB-/stable	BBB-	BBB-
Moody's	Baa3/stable	Baa3/stable	Baa3	Baa3
Standard & Poor's	BBB-/stable	BB+/positive	BBB-	BB+

See back cover for financial calendar

Contents

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

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

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

Rounding differences may occur.

Navigation aid

Further detail elsewhere in the report

1. Report on the economic position

1.1 Economic environment

Global economic growth, which had started to slow last year, continued to lose momentum during the first half of 2019, although economic data for the first quarter reported by a few economies were better than expected. Initial estimates indicate that global gross domestic product increased by 3.0% compared to the prior year (Oxford Economics, July 2019) in light of trade conflicts remaining unresolved and persistently weak world trade. Growth for the full year 2018 had amounted to 3.6%.

The economic performance of the euro region continued to be hampered by weak foreign demand which adversely affected especially the manufacturing sector. In the U.S., growth in gross domestic product rose to 3.2% during the first quarter, its highest level since the first half of 2015. However, this was partly due to temporary factors such as changes in inventory levels and declining imports; information currently available suggests a noticeably lower growth rate for the second quarter. In China, policy measures by the government supported stable growth in gross domestic product at the beginning of the year. However, economic momentum slowed in the second quarter, held back especially by the trade conflict with the U.S. In Japan, economic momentum remained low overall during the reporting period, although economic growth during the first quarter was stronger than expected as a result of one-off factors.

In this context, the situation of the Schaeffler Group's regions was as follows: Gross domestic product in the Europe region increased by 2.4%, largely driven by the 6.0% growth rate in India, which is also part of the Europe region. Economic output in the Americas region rose by 1.8%, while the Greater China region reported growth of 5.9%. Gross domestic product in the Asia/Pacific region grew by 2.5%.

In the **currency markets**, the euro fell against the U.S. dollar and the Chinese renminbi compared to the prior year period. On average, the euro was valued at USD 1.13 and CNY 7.67, respectively, during the first half of 2019 (prior year: USD 1.21 and CNY 7.71, respectively; European Central Bank).

More on foreign currency translation on pp. 42 et seq.

Preliminary estimates put **global automobile production**, measured as the number of vehicles up to six tons in weight produced, for the first half of 2019 at 6.7% less than in the prior year (IHS Markit, July 2019). Except for Asia/Pacific, all Schaeffler Group regions experienced declines. Automobile production in the Europe region was down 7.9% from prior year, since the majority of significant manufacturing countries reported decreases, including Germany, the United Kingdom, Italy, and India. Within the European Union, production was adversely affected by both weaker exports and weaker domestic demand. Restricted access to loans outside of the banking sector contributed significantly to the contraction in India, since such loans are frequently used to purchase vehicles. Automobile production in the Americas region was 2.5% below the prior year level, mainly due to the decline in the U.S. (-2.6%) in the context of weakening domestic demand. Canada (-8.0%) reported a contraction as well, while Mexico (1.1%) and Brazil (1.1%) both saw their production rise slightly. Automobile production in the Greater China region was 13.7% below the prior year level. The significant contraction is attributable to a number of factors, including high inventory levels, deteriorating consumer sentiment given the trade conflict with the U.S., and disruptions related to the – partly early – implementation of a new emissions standard. Automobile production in the Asia/Pacific region rose by 1.3%, mainly driven by a 2.4% growth rate in Japan resulting from both domestic sales as well as exports. South Korea (1.0%) saw its production rise slightly while Thailand (-2.1%) reported a decline.

Data on the development of the **vehicle population and the average vehicle age** during the first half of 2019 are not available. Based on current IHS Markit forecasts (May 2019), growth in global vehicle population, measured in terms of the number of passenger cars and light commercial vehicles up to 3.5 tons in weight, for the full year 2019 is expected to be less than in 2018, with the average vehicle age remaining nearly unchanged (2018: 3.7% and 9.7 years, respectively).

Based on preliminary estimates, global **industrial production** for the first half of 2019, measured as gross value added based on constant prices and exchange rates, was up 1.9% from the prior year level (Oxford Economics, June 2019). Growth for the full year 2018 had amounted to more than 3%. The noticeably slower momentum, which has already been evident since the second half of the prior year, is especially due to the persistent international trade conflicts. Other factors adversely affecting growth included uncertainties related to the Brexit process. Growth in the Europe region amounted to 0.4%. Industrial production in the euro region was flat with prior year, with Germany and Italy experiencing declines while France reported slight growth. India experienced significantly reduced activity; however, its growth rate of 2.9% remained above average. In the Americas region, industrial production grew by 1.6%. The 2.5% growth rate in the U.S. was ahead of the average for the region, although it did not reach its high prior-year level. In the Greater China region, industrial production rose by 5.9%. Nonrecurring economic factors drove the growth rate for the first quarter to a higher level than expected. The second quarter saw the growth momentum slowing down once more overall, with the ongoing transformation into a more sustainable economic model as well as the trade conflict with the U.S. both contributing to this trend. Automobile production in the Asia/Pacific region was 0.3% below the prior year level, mainly due to production declining in Japan (-1.1%) in the context of weak foreign demand. In South Korea, industrial production remained flat with the prior year.

In the **procurement markets**, average prices for commodities and input materials significant to the Schaeffler Group were consistently below the level of the prior year period in the first half of 2019 (Bloomberg; EIA; Platts). However, trends during the reporting period were mixed. Prices for hot- and cold-rolled steel declined over the course of the first half of the year in some of the Schaeffler Group's relevant procurement regions. The aluminum price also closed lower at the end of June than at the beginning of the year. Prices for crude oil as well as copper, on the other hand, rose during the course of the first six months. Commodity market price trends affect the Schaeffler Group's costs to varying degrees and in some instances with some delay, depending on the terms of the relevant supplier contracts.

1.2 Course of business

Results of operations – first half 2019

The Schaeffler Group's **revenue** increased by 0.5% to EUR 7,226 m during the reporting period (prior year: EUR 7,193 m). Excluding the impact of currency translation, revenue for the first half of 2019 dropped by 0.8%, falling slightly short of prior year.

The Schaeffler Group's performance for the first half of 2019 was primarily influenced by the still very challenging market environment in the automotive sector. The decline in global automobile production already seen in the second half of 2018 persisted during the first half of 2019, resulting in lower demand in the Automotive OEM division in the reporting period. The trends in the Europe and Greater China regions proved especially detrimental. Global automobile production declined by 6.7% overall in the first half of 2019. However, with revenue declining by 2.9% excluding the impact of currency translation, the division once again outperformed global automobile production. The Automotive Aftermarket division also fell short of original expectations during the reporting period – its revenue was down 2.4% mainly due to lower demand in the Europe region. The Industrial division, however, turned in an encouraging performance for the first six months, generating 5.9% in additional revenue excluding the impact of currency translation despite the weaker momentum of global industrial production.

The group's **EBIT margin** before special items for the reporting period amounted to 7.7% (prior year: 11.0%). The Automotive OEM division margin of 4.8% was considerably lower than in the prior year (prior year: 9.3%). The lower Automotive OEM division margin is largely due to reduced sales volumes and an adverse impact of pricing combined with increased production costs. The increase in production costs is partly due to higher fixed costs as well as impacts from personnel expenses and the cost of materials. The 15.1% margin of the Automotive Aftermarket division also fell considerably short of its prior year level (prior year:

19.3%) and was mainly affected by the decrease in revenue and higher product costs and administrative expenses. The Industrial division's margin of 11.2% (prior year: 11.3%) was slightly below prior year.

Free cash flow before cash in- and outflows for M&A activities for the first half of 2019 amounted to EUR -229 m, representing an increase in net cash outflow by EUR 155 m from the prior year (prior year: EUR -75 m). Along with the decline in earnings, this trend was also attributable to a more extensive expansion of working capital compared to the prior year. This expansion was mainly driven by the increase in trade receivables as well as the decline in trade payables. Capital expenditures of EUR 594 m (prior year: EUR 595 m) were flat with prior year. The capex ratio amounted to 8.2% (prior year: 8.3%) of revenue.

Schaeffler Value Added before special items (SVA) declined considerably to EUR 289 m during the reporting period (prior year: EUR 791 m); return on capital employed **(ROCE)** before special items fell to 13.4% (prior year: 19.8%). This adverse trend was mainly attributable to the significant decline in Automotive OEM division earnings. The increase in average capital employed had a further adverse effect on SVA.

Major events – first half 2019

The Schaeffler Group acquired Elmotec Statomat Holding GmbH in a transaction that closed on January 31, 2019. Elmotec Statomat is a manufacturer of production machinery for the high-volume construction of electric motors. The acquisition represents a further step toward expanding the Schaeffler Group's manufacturing expertise in the field of construction of electric motors and implementing its electric mobility strategy.

At its meeting on March 1, 2019, the Supervisory Board of Schaeffler AG appointed Uwe Wagner, Head of Research and Development Automotive OEM and Industrial, to become member of the Board of Managing Directors of Schaeffler AG for a period of three years effective January 1, 2020. Uwe Wagner will succeed Chief Technology Officer Prof. Dr.-Ing. Peter Gutzmer, who will retire effective December 31, 2019, at the end of his term of office. The Supervisory Board also decided to extend the contract of Matthias Zink, CEO of the Automotive OEM division, by a further five years until December 31, 2024.

In addition, the new Regional CEOs for the Americas and Asia/Pacific regions were announced. Marc McGrath will assume the role of CEO for the Americas region from Bruce Warmbold, who will retire at the end of the year. The Asia/Pacific region will be led by Dharmesh Arora, who succeeds Helmut Bode. Helmut Bode will retire at the end of the year as well. Marc McGrath and Dharmesh Arora will take on their new roles and join the Executive Board of the Schaeffler Group over the course of the year 2019.

On March 6, 2019, the Schaeffler Group announced its program "RACE" (Regroup Automotive for higher margin and Capital Efficiency), which is designed to sustainably increase the Automotive OEM division's efficiency and optimize its portfolio. The Schaeffler Group's overriding goal for "RACE" is to sustainably improve the Automotive OEM division's margin over the next three to four years and to generate an EBIT margin percentage in the high single digits going forward. Responsibility for the program rests with Automotive OEM division CEO Matthias Zink. The planned measures will be discussed with employee representatives as agreed in last year's Future Accord. Both sides are striving for socially responsible solutions without layoffs. The company has recognized a total of EUR 73 m in restructuring expenses in connection with the program.

On March 14, 2019, the Schaeffler Group received a full refund of a penalty of EUR 13 m paid in 2015 in connection with antitrust proceedings in South Korea.

On March 19, 2019, the Schaeffler Group placed investment grade bonds in the capital markets for the first time. The transaction had a total volume of EUR 2.2 bn and consists of three tranches (EUR 750 m 1.125% coupon, due 2022; EUR 800 m 1.875% coupon, due 2024; EUR 650 m 2.875% coupon, due 2027). The new investment grade bonds were issued under Schaeffler AG's debt issuance program. Net proceeds from the issuance were mainly used to refinance existing debt. (Please refer to chapter 1.4 "Financial position", pp. 24 et seq., for further details.)

Schaeffler AG's annual general meeting, which was held on April 24, 2019, passed a resolution to pay a dividend of EUR 0.54 (prior year: EUR 0.54) per common share and EUR 0.55 (prior year: EUR 0.55) per common non-voting share to Schaeffler AG's shareholders for 2018. This represents a dividend payout ratio of 40.1% of net income attributable to shareholders before special items.

The Schaeffler Group celebrated the opening of its new plant in Bien Hoa, Vietnam, on May 10, 2019. The company has invested over EUR 45 m in the construction of this new production plant. Industrial bearings and components for a wide range of applications will be produced there, including radial insert bearings and needle roller bearings.

On May 31, 2019, the Schaeffler Group closed the sale of its subsidiary The Barden Corporation (UK), Ltd., located in Plymouth, UK, to HQW Holding (UK) Co. Limited that had been agreed on April 26, 2019. The purchaser is also acquiring the global rights to the Barden brand except for America. In America, the Schaeffler Group will continue to have exclusive use of the Barden brand. The sale represents another step in the reorganization of the Schaeffler Group's UK business activities initiated on October 29, 2018. This reorganization originally called for two of three production locations in the UK to be closed and the production to be relocated as well as two logistics centers to be consolidated at one location. While the closure of the production location in Llanelli has been confirmed and the consolidation of the two logistics centers is progressing as planned, the sale of the Plymouth location has been developed as a positive alternative for all stakeholders.

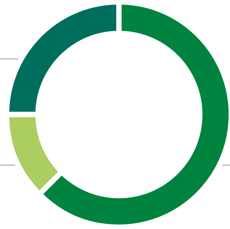
The Schaeffler Group has obtained control of Xtronic GmbH, based in Böblingen, by entering into an agreement to acquire a 100% interest in Xtronic GmbH (referred to as Xtronic below) on May 3, 2019. Xtronic is a technology partner that develops customer-specific software and electronics solutions for the international automotive industry. It provides services and solutions for applications in fields such as automated driving and electric mobility. Xtronic possesses core expertise related to the development of the "Space Drive" drive-by-wire technology. The acquisition of Xtronic GmbH provides the Schaeffler Group with further expertise and know-how in the field of steering systems and autonomous driving.

The Schaeffler Group sold Schaeffler Friction Products Hamm GmbH, Hamm, to the company's management team (management buyout) in a transaction that closed on June 30, 2019. The Hamm location mostly produced friction linings for dry double clutch transmissions in the Automotive OEM division. The company decided on the disposal because this business in Hamm has recently shown persistent and considerable declines. Alongside friction linings, the Hamm plant manufactured specialized friction solutions for the Industrial division, including applications for agriculture, lift and hoist systems, electromagnetic brakes, and wind turbines.

Schaeffler Group

Revenue **EUR 7,226 m**

EBIT margin before special items **7.7%**



H1 revenue down slightly at constant currency in a difficult market environment // Market environment in both automotive divisions remains very challenging; Industrial business revenue grows considerably in H1 despite weaker momentum of global industrial production // Earnings quality H1 below prior year – EBIT margin before special items at 7.7% (prior year: 11.0%)

Schaeffler Group earnings **No. 001**

	1st six months			2nd quarter		
in € millions	**2019**	**2018**	Change in %	**2019**	**2018**	Change in %
Revenue	**7,226**	**7,193**	**0.5**	**3,604**	**3,641**	**-1.0**
• at constant currency			-0.8			-2.0
Revenue by division						
Automotive OEM	4,514	4,587	-1.6	2,229	2,307	-3.4
• at constant currency			-2.9			-4.2
Automotive Aftermarket	905	926	-2.3	465	480	-3.1
• at constant currency			-2.4			-3.6
Industrial	1,806	1,679	7.6	911	855	6.5
• at constant currency			5.9			5.0
Revenue by region [1]						
Europe	3,639	3,760	-3.2	1,793	1,882	-4.8
• at constant currency			-3.3			-5.0
Americas	1,594	1,414	12.7	777	714	8.8
• at constant currency			8.5			5.1
Greater China	1,231	1,283	-4.1	645	661	-2.4
• at constant currency			-5.0			-2.2
Asia/Pacific	762	735	3.6	389	384	1.3
• at constant currency			1.6			0.4
Cost of sales	-5,413	-5,260	2.9	-2,705	-2,668	1.4
Gross profit	**1,813**	**1,933**	**-6.2**	**899**	**973**	**-7.6**
• in % of revenue	25.1	26.9	-	25.0	26.7	-
Research and development expenses	-444	-444	0.1	-215	-220	-2.4
Selling and administrative expenses	-775	-735	5.5	-383	-373	2.4
Earnings before financial result, income (loss) from equity-accounted investees, and income taxes (EBIT)	**483**	**773**	**-37.5**	**253**	**382**	**-33.8**
• in % of revenue	6.7	10.7	-	7.0	10.5	-
Special items [2]	73	22	> 100	31	22	44.2
EBIT before special items	**556**	**794**	**-30.0**	**284**	**404**	**-29.7**
• in % of revenue	7.7	11.0	-	7.9	11.1	-
Financial result	-81	-85	-4.9	-43	-31	37.1
Income (loss) from equity-accounted investees	-7	0	-	-3	0	-
Income taxes	-116	-175	-33.4	-69	-80	-14.1
Net income [3]	273	506	-46.1	136	268	-49.3
Earnings per common non-voting share (basic/diluted, in €)	0.42	0.77	-45.5	0.21	0.41	-48.8

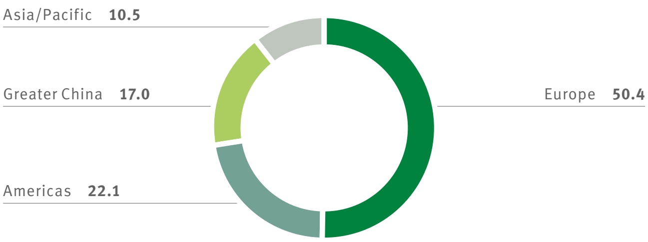
[1] Based on market (customer location).
[2] Please refer to pp. 22 et seq. for the definition of special items.
[3] Attributable to shareholders of the parent company.

1.3 Earnings

Schaeffler Group earnings

The Schaeffler Group generated EUR 7,226 m in revenue in the first half of 2019 (+0.5%; prior year: EUR 7,193 m). Excluding the impact of currency translation, revenue dropped by 0.8% from the prior year period. The performance of the individual divisions was mixed. The Industrial division continued its growth trend with less momentum than in the prior year and generated 5.9% in additional revenue for the first half of 2019, excluding the impact of currency translation. All regions contributed to this revenue growth. Automotive OEM division revenue, however, declined by 2.9% excluding the impact of currency translation, largely due to the generally weak market environment in the automotive industry during the first half of 2019, with sales and production figures decreasing worldwide. Along with the volume-driven decline, the revenue trend was also hampered by adverse pricing effects. In the Automotive Aftermarket division, revenue declined by 2.4% during the reporting period, excluding the impact of currency translation. The decline was primarily attributable to lower demand from a few major European customers than in the prior year period, partly driven by reductions in inventory levels.

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



Revenue in the Europe region was down 3.2% (-3.3% at constant currency), primarily as a result of the weak market environment in the two Automotive divisions. The Industrial division, on the other hand, provided impetus for growth. The Americas region increased its revenue considerably by 12.7% (+8.5% at constant currency), thus stabilizing the Schaeffler Group's revenue. All three divisions contributed to this revenue growth. Greater China region revenue fell by 4.1% (-5.0% at constant currency) due to the considerable decline in Automotive OEM division revenue. This decline was mainly due to the weak environment of the Chinese automotive industry, which saw sales and production figures drop considerably in the first half of 2019. The Industrial division, on the other hand, continued to perform well. Revenue in the Asia/Pacific region rose by 3.6%. Excluding the impact of currency translation, revenue grew by 1.6%, driven by the Automotive OEM and Industrial divisions.

Cost of sales rose by EUR 153 m or 2.9% to EUR 5,413 m during the reporting period (prior year: EUR 5,260 m). Gross profit declined by EUR 120 m or 6.2% to EUR 1,813 m in the first half of 2019 (prior year: EUR 1,933 m) with a corresponding drop in gross margin by 1.8 percentage points to 25.1% (prior year: 26.9%). The lower margin is largely due to lower revenue in both Automotive divisions combined with increased production costs. The decline in Automotive OEM division revenue was driven by both volumes and selling prices. The increase in production costs is partly due to higher fixed costs as well as impacts from personnel expenses and the cost of materials.

Functional costs rose by EUR 40 m or 3.4% to EUR 1,219 m (prior year: EUR 1,179 m), growing by 0.5% to 16.9% of revenue (prior year: 16.4%). Research and development expenses of EUR 444 m were flat with prior year (prior year: EUR 444 m), thus representing an R&D ratio of 6.1% of revenue (prior year: 6.2%). Selling and administrative expenses of EUR 775 m were EUR 40 m or 5.5% higher than in the prior year (prior year: EUR 735 m) because of higher administrative expenses. These were mainly caused by cost increases related to the program for the future, "Agenda 4 plus One", and higher personnel expenses.

EBIT for the first half of 2019 amounted to EUR 483 m (prior year: EUR 773 m), and the EBIT margin was 6.7% (prior year: 10.7%). EBIT for the reporting period was adversely affected by EUR 73 m in special items. These included EUR 73 m in restructuring expenses related to the program "RACE" in the Automotive OEM division and EUR 13 m related to the reorganization of the Industrial division's UK business activities. On the other hand, a full refund of a penalty of EUR 13 m paid in 2015 in the Industrial division in connection with antitrust proceedings in South Korea had an offsetting effect on EBIT. The prior year included EUR 22 m in restructuring expenses related to the integration of the internal supplier "Bearing & Components Technologies". Based on that, EBIT before special items declined by EUR 239 m or 30.0% to EUR 556 m (prior year: EUR 794 m) with a corresponding drop in EBIT margin by 3.4 percentage points to 7.7% (prior year: 11.0%). The decline was primarily due to the decrease in gross margin as described above. The margin trend was also hampered by higher selling and administrative expenses. Foreign exchange losses included in other operating income and expense had a considerable adverse impact on the EBIT margin as well.

The Schaeffler Group's financial result improved by EUR 4 m to EUR -81 m (prior year: EUR -85 m) in the first six months of 2019.

Schaeffler Group financial result **No. 003**

	1st six months	
in € millions	**2019**	**2018**
Interest expense on financial debt [1]	-51	-46
Gains and losses on derivatives and foreign exchange	-14	2
Fair value changes on embedded derivatives	6	-31
Interest income and expense on pensions and partial retirement obligations	-21	-20
Other	-1	10
Total	**-81**	**-85**

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

Interest expense on financial debt amounted to EUR 51 m in the first six months of 2019 (prior year: EUR 46 m). The slight increase in interest expense resulted primarily from additional refinancing expenses, especially a prepayment penalty of EUR 6 m.

Net foreign exchange losses on financial assets and liabilities and net losses on derivatives amounted to EUR 14 m (prior year: net gains of EUR 2 m). These include the impact of translating the financing instruments denominated in U.S. dollars to euros and hedges of these instruments using cross-currency swaps.

Fair value changes on embedded derivatives, primarily prepayment options for external financing instruments, resulted in net gains of EUR 6 m (prior year: net losses of EUR 31 m). These include the fair value gains on the remaining prepayment option, partially offset by losses on the derecognition of prepayment options in connection with the refinancing transaction in March 2019.

Income tax expense for the reporting period amounted to EUR 116 m (prior year: EUR 175 m), representing an effective tax rate of 29.4% (prior year: 25.4%). The increase in the effective tax rate compared to the prior year was primarily the result of a one-time item from taxes related to prior years that occurred in the prior year period but not in the reporting period and of charges for withholding taxes on dividends.

Net income attributable to shareholders of the parent company for the reporting period was EUR 273 m (prior year: EUR 506 m). Net income before special items amounted to EUR 324 m (prior year: EUR 522 m).

Basic and diluted earnings per common share declined to EUR 0.41 in the first half of 2019 (prior year: EUR 0.76). Basic and diluted earnings per common non-voting share amounted to EUR 0.42 (prior year: EUR 0.77). The number of shares used to calculate earnings per common share and earnings per common non-voting share was 500 million (prior year: 500 million) and 166 million (prior year: 166 million), respectively.

Automotive OEM division

Revenue **EUR 4,514 m**

EBIT margin before special items **4.8%**

Revenue trend primarily influenced by declining automobile production in the Europe and Greater China regions // Strong growth in the Americas region in H1 // Earnings quality adversely affected by volume- and price-driven revenue decline combined with higher production costs // Disposal of Schaeffler Friction Products Hamm GmbH as part of the program “RACE”

Automotive OEM division earnings **No. 004**

	1st six months			2nd quarter		
in € millions	**2019**	**2018**	Change in %	**2019**	**2018**	Change in %
Revenue	**4,514**	**4,587**	**-1.6**	**2,229**	**2,307**	**-3.4**
• at constant currency			-2.9			-4.2
Revenue by business division						
Engine Systems BD	1,387	1,423	-2.5	688	713	-3.4
• at constant currency			-3.9			-4.4
Transmission Systems BD	2,012	2,152	-6.5	976	1,075	-9.2
• at constant currency			-8.2			-10.4
E-Mobility BD	305	224	36.4	160	119	35.0
• at constant currency			35.8			37.6
Chassis Systems BD	810	789	2.8	404	401	0.7
• at constant currency			1.9			0.3
Revenue by region [1]						
Europe	2,001	2,105	-4.9	977	1,047	-6.7
• at constant currency			-5.0			-6.8
Americas	1,089	962	13.2	523	482	8.6
• at constant currency			8.6			4.7
Greater China	844	960	-12.0	432	487	-11.3
• at constant currency			-12.6			-10.7
Asia/Pacific	580	561	3.5	296	291	1.7
• at constant currency			1.6			0.8
Cost of sales	-3,578	-3,491	2.5	-1,775	-1,763	0.7
Gross profit	**936**	**1,096**	**-14.6**	**454**	**544**	**-16.6**
• in % of revenue	20.7	23.9	-	20.4	23.6	-
Research and development expenses	-355	-358	-0.9	-171	-176	-2.8
Selling and administrative expenses	-348	-333	4.4	-172	-169	1.4
EBIT	**144**	**415**	**-65.4**	**85**	**197**	**-56.9**
• in % of revenue	3.2	9.1	-	3.8	8.5	-
Special items [2]	73	10	> 100	18	10	80.4
EBIT before special items	**216**	**425**	**-49.1**	**103**	**207**	**-50.3**
• in % of revenue	4.8	9.3	-	4.6	9.0	-

Prior year information presented based on 2019 segment structure.
[1] Based on market (customer location).
[2] Please refer to pp. 22 et seq. for the definition of special items.

Automotive OEM division earnings

The significantly weaker-than-expected global automobile production has had a considerable adverse impact on the performance of the Automotive OEM division in the first half of 2019, especially in the Europe and Greater China regions. Revenue of EUR 4,514 m was 1.6% below the level of the prior year period (prior year: EUR 4,587 m). Excluding the impact of currency translation, revenue decreased by 2.9% due to the adverse impact of both volumes and pricing. However, the division once again outperformed global automobile production, which declined considerably during the reporting period, decreasing by 6.7%.

Europe region revenue fell 4.9% (-5.0% at constant currency) short of the prior year level, while automobile production for the first half of 2019 was down 7.9% from the prior year period. Impetus for growth came from the Americas region, however. With regional vehicle production declining by 2.5%, revenue increased considerably by 13.2%, a key contribution to the division's revenue. Excluding the impact of currency translation, the region reported 8.6% in additional revenue, primarily due to a few major customers' increased requirements resulting from product ramp-ups. The Greater China region saw the significant decline in automobile production reported in the second half of 2018 persist during the first half of 2019 as well. Revenue declined by 12.0% (-12.6% at constant currency) while vehicle production there fell significantly, decreasing by 13.7%. The Asia/Pacific region reported 3.5% in revenue growth (+1.6% at constant currency) while vehicle production increased by 1.3%.

Engine Systems BD revenue for the first half of 2019 fell 2.5% short of its prior year level. Excluding the impact of currency translation, revenue dropped by 3.9%. While the thermal management module generated significant additional revenue, revenue for the other product groups fell.

Transmission Systems BD revenue declined by 6.5% (-8.2% at constant currency), due especially to lower demand for components for manual transmissions. Components for automated transmissions, however, reported a considerable improvement over the first half of 2018.

The **E Mobility BD** increased its revenue for the reporting period considerably by 36.4% (+35.8% at constant currency). This growth was mainly driven by product ramp-ups of primary components for continuously variable transmissions (CVTs) and in the actuators field.

Revenue of the **Chassis Systems BD** increased by 2.8% (+1.9% at constant currency) during the reporting period, partly due to a favorable revenue trend in the chassis actuators and ball screw drives product groups.

Cost of sales rose by EUR 87 m or 2.5% to EUR 3,578 m during the first half of 2019 (prior year: EUR 3,491 m). Gross profit decreased by EUR 160 m or 14.6% to EUR 936 m (prior year: EUR 1,096 m). The division's gross margin declined considerably, falling by 3.2 percentage points to 20.7% (prior year: 23.9%). The lower margin was attributable to lower sales volumes combined with increased production costs. The increase in production costs is due to higher fixed costs as well as impacts from personnel expenses and the cost of materials. Additionally, gross margin was affected by an adverse impact of pricing as well as a less profitable revenue mix.

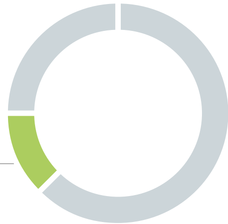
Functional costs rose by EUR 11 m or 1.6% to EUR 703 m (prior year: EUR 692 m) during the reporting period, increasing from 15.1% to 15.6% of revenue. Research and development expenses of EUR 355 m were just under the prior year level (prior year: EUR 358 m), representing an R&D ratio of 7.9% of revenue (prior year: 7.8%). Selling and administrative expenses, however, increased considerably by EUR 15 m or 4.4% to EUR 348 m (prior year: EUR 333 m). Higher costs incurred for personnel and the company's future program, the "Agenda 4 plus One", were significant factors underlying this increase.

EBIT for the first half of 2019 amounted to EUR 144 m (prior year: EUR 415 m), and the EBIT margin was 3.2% (prior year: 9.1%). EBIT for the reporting period was adversely affected by a total of EUR 73 m in special items for restructuring expenses in connection with the program "RACE". The prior year included the Automotive OEM division's share of restructuring expenses related to the integration of the internal supplier "Bearing & Components Technologies" amounting to EUR 10 m. Based on that, EBIT before special items declined considerably by EUR 209 m or 49.1% to EUR 216 m (prior year: EUR 425 m) with a drop in EBIT margin by 4.5 percentage points to 4.8% (prior year: 9.3%). The decline was primarily due to the lower gross margin as described above. The EBIT margin was adversely affected by higher selling and administrative expenses as well. In addition, an adverse impact from transactions denominated in foreign currency hampered the margin trend compared to the prior year period.

Automotive Aftermarket division

Revenue **EUR 905 m**

EBIT margin before special items **15.1%**



Revenue decline driven by challenging market environment in the Europe region // Impetus for growth from the Americas region // Earnings quality adversely affected by lower revenue and higher product costs and administrative expenses

Automotive Aftermarket division earnings **No. 005**

in € millions	1st six months 2019	1st six months 2018	Change in %	2nd quarter 2019	2nd quarter 2018	Change in %
Revenue	**905**	**926**	**-2.3**	**465**	**480**	**-3.1**
• at constant currency			-2.4			-3.6
Revenue by region 1)						
Europe	657	701	-6.2	335	363	-7.6
• at constant currency			-6.0			-7.7
Americas	183	162	13.1	95	84	13.3
• at constant currency			13.0			12.1
Greater China	41	39	6.4	22	20	10.0
• at constant currency			5.4			9.6
Asia/Pacific	24	25	-4.3	13	13	-2.4
• at constant currency			-6.8			-4.1
Cost of sales	-600	-596	0.7	-308	-308	0.1
Gross profit	**305**	**331**	**-7.7**	**156**	**172**	**-8.8**
• in % of revenue	33.7	35.7	-	33.7	35.8	-
Research and development expenses	-14	-15	-8.4	-7	-8	-14.8
Selling and administrative expenses	-152	-147	3.5	-76	-74	2.2
EBIT	**136**	**179**	**-23.8**	**73**	**99**	**-26.1**
• in % of revenue	15.1	19.3	-	15.7	20.6	-
Special items 2)	0	0	0.0	0	0	0.0
EBIT before special items	**136**	**179**	**-23.9**	**73**	**99**	**-26.3**
• in % of revenue	15.1	19.3	-	15.7	20.6	-

Prior year information presented based on 2019 segment structure.
1) Based on market (customer location).
2) Please refer to pp. 22 et seq. for the definition of special items.

Automotive Aftermarket division earnings

Automotive Aftermarket division revenue dropped from EUR 926 m by 2.3% to EUR 905 m (-2.4% at constant currency) during the reporting period as a result of a considerable revenue decline in the Europe region. Impetus for growth came from the Americas region, however. The impact of the Greater China and Asia/Pacific regions on the revenue trend of the Automotive Aftermarket division was insignificant.

Revenue in the **Europe region** fell by 6.2% (-6.0% at constant currency) during the first six months of 2019. This decline was partly due to a few major customers adjusting inventory levels both in the Independent Aftermarket and in the OES business. The impact of these factors on the Europe region's revenue trend was slightly mitigated by higher requirements in the Independent Aftermarket in the Central and Eastern Europe & Middle East and Africa subregion.

The **Americas region** reported an increase in revenue of 13.1% during the reporting period compared to the prior year period. Excluding the impact of currency translation, revenue rose by +13.0% on the back of higher requirements and business with new customers in the Independent Aftermarket.

The **Greater China region** generated revenue growth of 6.4% (+5.4% at constant currency) as a result of increased demand in the Independent Aftermarket.

The **Asia/Pacific region** reported a drop in revenue by 4.3% (-6.8% at constant currency) that was attributable to lower OES customers' requirements.

Automotive Aftermarket division cost of sales increased by EUR 4 m or 0.7% to EUR 600 m during the first half of 2019 (prior year: EUR 596 m). Gross profit of EUR 305 m fell EUR 26 m or 7.7% short of the prior year level (prior year: EUR 331 m). As a result, the division's gross margin declined by 2.0 percentage points to 33.7% (prior year: 35.7%), largely due to lower sales volumes combined with increased product costs.

Functional costs increased by EUR 4 m or 2.3% to EUR 166 m during the reporting period (prior year: EUR 162 m), rising to 18.4% of revenue (prior year: 17.5%). Both the decline in revenue during the first half of 2019 and the increase in administrative expenses, partly related to the company's program for the future, the "Agenda 4 plus One", adversely affected the relative functional cost structure.

EBIT declined by EUR 43 m or 23.8% to EUR 136 m during the first half of 2019 (prior year: EUR 179 m) with a corresponding drop in EBIT margin by 4.3 percentage points to 15.1% (prior year: 19.3%). EBIT before special items amounted to EUR 136 m (prior year: EUR 179 m) and the EBIT margin before special items was 15.1% (prior year: 19.3%). Along with the decrease in gross profit, the EBIT margin was also affected by higher administrative expenses. In addition, an adverse impact from transactions denominated in foreign currency hampered the margin trend compared to the prior year period. Further, favorable non-operating one-time items helped improve the margin in the prior year period.

Industrial division

Revenue **EUR 1,806 m**

EBIT margin before special items **11.2%**

Growth trend continued despite weaker momentum in Industrial environment: revenue up 5.9% at constant currency // Revenue growth in all regions // Growth largely driven by Industrial Distribution and the wind, raw materials, and railway sector clusters // Gross margin increased, EBIT margin before special items slightly below prior year period

Industrial division earnings — No. 006

	1st six months			2nd quarter		
in € millions	2019	2018	Change in %	2019	2018	Change in %
Revenue	**1,806**	**1,679**	**7.6**	**911**	**855**	**6.5**
• at constant currency			5.9			5.0
Revenue by region 1)						
Europe	981	954	2.8	480	473	1.6
• at constant currency			2.6			0.9
Americas	322	290	11.1	160	149	7.2
• at constant currency			5.9			2.8
Greater China	346	285	21.3	191	154	24.1
• at constant currency			18.9			23.0
Asia/Pacific	157	149	5.0	80	79	0.6
• at constant currency			2.9			-0.2
Cost of sales	-1,234	-1,173	5.3	-622	-597	4.1
Gross profit	**572**	**506**	**12.9**	**289**	**258**	**12.2**
• in % of revenue	31.6	30.2	-	31.7	30.1	-
Research and development expenses	-75	-70	7.0	-37	-36	1.9
Selling and administrative expenses	-275	-254	8.0	-135	-130	3.9
EBIT	**203**	**179**	**13.5**	**95**	**86**	**10.0**
• in % of revenue	11.2	10.6	-	10.4	10.1	-
Special items 2)	0	11	> 100	13	11	15.4
EBIT before special items	**203**	**190**	**6.9**	**108**	**98**	**10.7**
• in % of revenue	11.2	11.3	-	11.9	11.4	-

Prior year information presented based on 2019 segment structure.
1) Based on market (customer location).
2) Please refer to pp. 22 et seq. for the definition of special items.

Industrial division earnings

Despite weaker momentum in global industrial production, the Industrial division expanded its revenue by 7.6% to EUR 1,806 m (prior year: EUR 1,679 m), continuing its upward prior year trend slightly less dynamically. Excluding the impact of currency translation, revenue for the reporting period was up 5.9%, bolstered by the impact of both volumes and pricing. The wind, raw materials, and railway sector clusters as well as Industrial Distribution contributed significantly to this upward trend in revenue.

The Industrial business is managed based on regions. On this basis, the Europe, Americas, Greater China, and Asia/Pacific regions operate as profit centers responsible for the Industrial business in their respective markets. Excluding the impact of currency translation, all regions grew their revenue in the reporting period, with the Greater China region once again reporting the highest growth rate.

Revenue in the **Europe region** expanded by 2.8% (+2.6% at constant currency) during the reporting period. This growth was buoyed especially by the railway and raw materials sector clusters as well as by Industrial Distribution.

The **Americas region** increased its revenue by 11.1% during the reporting period. Excluding the impact of currency translation, revenue rose by 5.9%. This growth was largely driven by Industrial Distribution as well as the wind, aerospace, and railway sector clusters.

Greater China region revenue rose by 21.3% (+18.9% at constant currency), mainly due to the increase in requirements in the wind sector cluster. The raw materials, power transmission, and industrial automation sector clusters contributed to revenue growth as well.

In the **Asia/Pacific region**, revenue was up 5.0% from the prior year period. Excluding the impact of currency translation, the region reported 2.9% in additional revenue, largely due to increased requirements in Industrial Distribution.

Industrial division cost of sales rose by EUR 62 m or 5.3% to EUR 1,234 m during the reporting period (prior year: EUR 1,173 m). Gross profit increased by EUR 65 m or 12.9% to EUR 572 m (prior year: EUR 506 m). The division's gross margin improved by 1.5 percentage points to 31.6% (prior year: 30.2%). The growth in margin compared to the prior year period was mainly attributable to successful price realization in the market.

Functional costs for the reporting period of EUR 350 m were EUR 25 m or 7.8% above the prior year level (prior year: EUR 325 m). Functional costs as a percentage of revenue of 19.4% (prior year: 19.3%) were nearly flat with prior year. Research and development expenses amounted to EUR 75 m (prior year: EUR 70 m). Selling and administrative expenses increased considerably, rising by EUR 20 m or 8.0% to EUR 275 m (prior year: EUR 254 m), partly due to increased personnel and logistics expenses. In addition, the division incurred higher expenses in connection with the company's program for the future, the “Agenda 4 plus One”.

Industrial division EBIT rose by EUR 24 m to EUR 203 m during the reporting period (prior year: EUR 179 m) and the EBIT margin by 0.6 percentage points to 11.2% (prior year: 10.6%). EBIT for the reporting period was adversely affected by EUR 13 m in restructuring expenses related to the reorganization of the company's UK business activities. On the other hand, the full refund of a penalty previously paid in connection with antitrust proceedings in South Korea also amounting to EUR 13 m had an offsetting effect on EBIT. In the prior year, the division incurred EUR 11 m in special items, representing the share of restructuring expenses related to the integration of the internal supplier “Bearing & Components Technologies” (BCT), that was recognized by the Industrial division. On this basis, the EBIT margin before special items was 11.2% (prior year: 11.3%), with the operational improvement in earnings more than offset, mainly by an adverse impact from transactions denominated in foreign currency.

Performance indicators and special items

The information on the Schaeffler Group's earnings, net assets, and financial position is based on the requirements of International Financial Reporting Standards (IFRS) and, where applicable, German commercial law and German Accounting Standards (GAS).

In addition to the disclosures required by these standards, the Schaeffler Group also discloses certain performance indicators that are not defined in the relevant financial reporting standards. The company presents these measures in accordance with the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority, ESMA. Therefore, these indicators should be considered supplementary information. They are designed to provide comparability over time and across sectors and are calculated by making certain adjustments to, or calculating ratios between, line items contained in the income statement, statement of financial position, or statement of cash flows prepared in accordance with applicable financial reporting standards. These performance indicators include EBIT, EBITDA, the net debt to EBITDA ratio, SVA, and ROCE.

In order to make the evaluation of the company's results of operations as transparent as possible, the Schaeffler Group reports the indicators described above before special items (=adjusted). Special items are items that the Board of Managing Directors considers to render the financial indicators less meaningful for evaluating the sustainability of the Schaeffler Group's profitability due to their nature, frequency, and/or size. Net income attributable to shareholders of the parent company before special items is also presented in order to facilitate calculating the dividend payout ratio.

In addition to presenting special items, the company also aims to make the evaluation of the company's results of operations as transparent as possible by presenting its revenue growth excluding the impact of currency translation. Revenue growth at constant currency, i.e. excluding the impact of currency translation, is calculated by translating functional currency revenue using the same exchange rate for both the current and the prior year or comparison reporting period.

Free cash flow (FCF) is calculated as the sum of cash flows from operating activities and cash flows from investing activities, as well as principal repayments on lease liabilities. The company also reports free cash flow before cash in- and outflows for M&A activities. M&A activities consist of acquisitions and disposals of companies and business units. To facilitate evaluation of the cash conversion cycle, the company determines the FCF conversion ratio, which represents the ratio of FCF before cash in- and outflows for M&A activities to EBITDA before special items.

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

Please refer to pp. 33 et seq. and page 56 of the Schaeffler Group's annual report 2018 for a detailed discussion of performance indicators and special items

Reconciliation **No. 007**

	1st six months		1st six months		1st six months		1st six months	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Income statement (in € millions)		Total		Automotive OEM		Automotive Aftermarket		Industrial
EBIT	**483**	**773**	**144**	**415**	**136**	**179**	**203**	**179**
• in % of revenue	6.7	10.7	3.2	9.1	15.1	19.3	11.2	10.6
Special items	**73**	**22**	**73**	**10**	**0**	**0**	**0**	**11**
• Legal cases	-13	0	0	0	0	0	-13	0
• Restructuring	86	22	73	10	0	0	13	11
• Other	0	0	0	0	0	0	0	0
EBIT before special items	**556**	**794**	**216**	**425**	**136**	**179**	**203**	**190**
• in % of revenue	7.7	11.0	4.8	9.3	15.1	19.3	11.2	11.3
Net income [1]	**273**	**506**						
Special items	**73**	**22**						
• Legal cases	-13	0						
• Restructuring	86	22						
• Other	0	0						
- Tax effect [2]	-22	-5						
Net income before special items [1]	**324**	**522**						
Statement of financial position (in € millions)	**06/30/2019**	**12/31/2018**						
Net financial debt	3,167	2,547						
/ EBITDA LTM	1,966	2,175						
Net financial debt to EBITDA ratio	**1.6**	**1.2**						
Net financial debt	3,167	2,547						
/ EBITDA before special items LTM	2,034	2,202						
Net financial debt to EBITDA ratio before special items	**1.6**	**1.2**						
	1st six months							
Statement of cash flows (in € millions)	**2019**	**2018**						
EBITDA	**962**	**1,170**						
Special items	**61**	**22**						
• Legal cases	-13	0						
• Restructuring	74	22						
• Other	0	0						
EBITDA before special items	**1,023**	**1,192**						
Free cash flow (FCF)	**-290**	**-76**						
-/+ Cash in- and outflows for M&A activities	61	2						
FCF before cash in- and outflows for M&A activities	**-229**	**-75**						
FCF before cash in- and outflows for M&A activities LTM	229	526						
/ EBITDA before special items LTM	2,034	2,382						
FCF conversion ratio (in %)	**11.3**	**22.1**						
Value-based management (in € millions)								
EBIT LTM	1,064	1,508						
- Cost of capital	853	807						
Schaeffler Value Added (SVA)	**211**	**700**						
EBIT before special items LTM	1,142	1,599						
- Cost of capital	853	807						
SVA before special items	**289**	**791**						
EBIT LTM	1,064	1,508						
/ Average capital employed	8,530	8,072						
ROCE (in %)	**12.5**	**18.7**						
EBIT before special items LTM	1,142	1,599						
/ Average capital employed	8,530	8,072						
ROCE before special items (in %)	**13.4**	**19.8**						

LTM = Based on the last twelve months.
[1] Attributable to shareholders of the parent company.
[2] Based on the group's effective tax rate for the relevant year.

1.4 Financial position

Cash flow and liquidity

The Schaeffler Group generated cash flows from operating activities of EUR 384 m (prior year: EUR 520 m) in the first half of 2019.

Cash flow **No. 008**

in € millions	1st six months 2019	1st six months 2018	Change in %	2nd quarter 2019	2nd quarter 2018	Change in %
Cash flows from operating activities	384	520	-26.3	229	284	-19.3
Cash used in investing activities	-645	-597	8.0	-205	-289	-29.1
• including cash outflows for the acquisition of subsidiaries	-65	-2	› 100	0	0	0.0
• including proceeds from the disposal of subsidiaries	4	0	-	4	0	-
Cash provided by (used in) financing activities	12	-107	-	-1,529	-161	› 100
• including principal repayments on lease liabilities	-29	0	-	-15	0	-
Net increase (decrease) in cash and cash equivalents	**-249**	**-183**	**36.0**	**-1,504**	**-166**	**› 100**
Effects of foreign exchange rate changes on cash and cash equivalents	7	-8	-	-8	1	-
Cash and cash equivalents as at beginning of period	801	698	14.7	2,071	672	› 100
Cash and cash equivalents	**559**	**507**	**10.2**	**559**	**507**	**10.2**
Free cash flow (FCF)	**-290**	**-76**	**› 100**	**10**	**-5**	**-**
Free cash flow (FCF) before cash in- and outflows for M&A activities	**-229**	**-75**	**› 100**	**6**	**-5**	**-**

Cash flows from operating activities declined by EUR 137 m to EUR 384 m (prior year: EUR 520 m) in the first half of 2019, primarily due to weaker earnings during the reporting period. Cash outflows related to expanding working capital amounted to EUR 461 m and were higher than the prior year amount of EUR 361 m. The increase in trade receivables, which was less than in the prior year period, was only partially offset by the reduced increase in inventories. The working capital ratio, defined as working capital as a percentage of revenue, was 17.9% at June 30, 2019 (prior year: 18.3%).

Capital expenditures on property, plant and equipment and intangible assets (capex) amounted to EUR 594 m (prior year: EUR 595 m) in the reporting period.

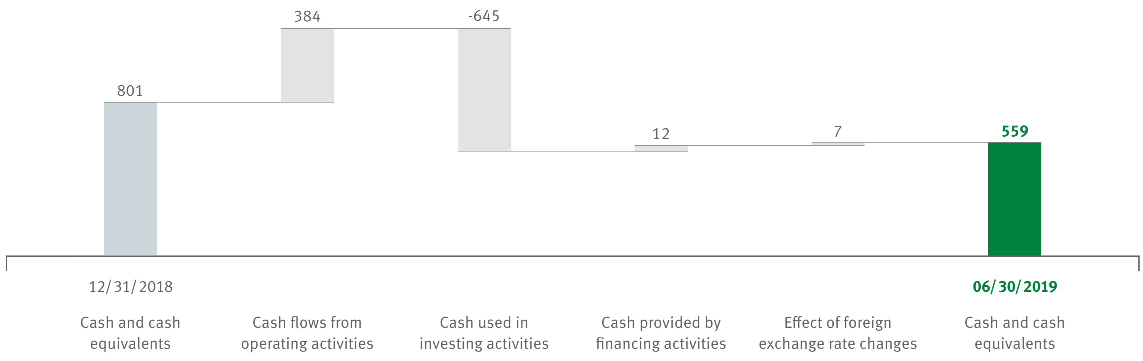
The company paid a net amount of EUR 61 m for M&A activities in the first six months of the year.

EUR 12 m in cash was provided by **financing activities** (prior year: cash used of EUR 107 m) during the reporting period. EUR 361 m of the dividends paid during the second quarter of 2019 represented the dividends paid to Schaeffler AG's shareholders. The proceeds of three new bond series denominated in EUR that were issued in March 2019 resulted in a cash inflow of EUR 2,190 m. A portion of these proceeds was used in March to prepay EUR 500 m of the existing term loan and to repay the EUR 160 m outstanding under the Revolving Credit Facility. EUR 1,431 m was used during the second quarter to redeem three bond series. In addition, the company terminated cross-currency swaps designed to hedge currency fluctuations, which resulted in a cash inflow of EUR 37 m. Subsidiaries repaid an additional EUR 12 m of their financial debt. In addition, the company drew down an additional EUR 35 m of the capital investment loan and EUR 225 m of the Revolving Credit Facility during the second quarter. Principal repayments on lease liabilities – presented in financing activities since the beginning of 2019 in accordance with IFRS 16 – amounted to EUR 29 m in the first half of 2019.

Cash and cash equivalents decreased by EUR 242 m to EUR 559 m as at June 30, 2019 (December 31, 2018: EUR 801 m).

Change in cash and cash equivalents **No. 009**

in € millions



Free cash flow is calculated as the sum of cash flows from operating activities and cash flows from investing activities, as well as principal repayments on lease liabilities. **Free cash flow** for the first six months of 2019 was negative in the amount of EUR 290 m (prior year: EUR -76 m). Free cash flow before cash in- and outflows for M&A activities amounted to EUR -229 m (prior year: EUR -75 m).

As at June 30, 2019, cash and cash equivalents consisted primarily of bank balances. EUR 357 m (December 31, 2018: EUR 379 m) of this amount related to countries with foreign exchange restrictions and other legal and contractual restrictions. In addition, the Schaeffler Group has a Revolving Credit Facility of EUR 1.5 bn (December 31, 2018: EUR 1.3 bn), of which EUR 225 m (December 31, 2018: EUR 13 m) was drawn as at June 30, 2019. An additional EUR 41 m of the Revolving Credit Facility was utilized as at June 30, 2019, partly in the form of letters of credit.

Capital expenditures by region (capex) **No. 010**

	in € millions	Change in € millions
Europe	**346** 363	-17
Americas	**81** 70	+11
Greater China	**133** 141	-8
Asia/Pacific	**34** 21	+13
Schaeffler Group	**594** 595	-1

H1 2019 H1 2018

Regions reflect the regional structure of the Schaeffler Group.

Capital expenditures

Capital expenditures (capex) of EUR 594 m were nearly flat with prior year during the reporting period (-0.2%; prior year: EUR 595 m). Capital expenditures amounted to 8.2% (prior year: 8.3%) of revenue (capex ratio). A significant share of total capital expenditures related to the Europe and Greater China regions.

Total additions to intangible assets and property, plant and equipment amounted to EUR 501 m (prior year: EUR 518 m). Approximately 80% of these additions related to the Automotive OEM division, approximately 7% to the Automotive Aftermarket division, and approximately 13% to the Industrial division.

By far the largest share of total capital expenditures related to the Europe region, where the company invested mainly in the "IT 2020" and "AKO" initiatives that are part of the company's program for the future, the "Agenda 4 plus One". The acquisition of real estate in Herzogenaurach represented another significant capital expenditure. In addition, significant funds were invested in new product start-ups in the Automotive OEM division, among other things.

Financial debt

The group's net financial debt increased by EUR 619 m to EUR 3,167 m as at June 30, 2019 (December 31, 2018: EUR 2,547 m).

Net financial debt **No. 011**

in € millions	06/30/2019	12/31/2018	Change in %
Bonds	2,779	2,019	37.6
Facilities Agreement	728	1,146	-36.4
Capital investment loan	218	183	19.3
Other financial debt	0	0	› 100
Total financial debt	**3,725**	**3,348**	**11.3**
Cash and cash equivalents	559	801	-30.2
Net financial debt	**3,167**	**2,547**	**24.3**

The net debt to EBITDA ratio, defined as the ratio of net financial debt to earnings before financial result, income (loss) from equity-accounted investees, income taxes, depreciation, amortization, and impairment losses (EBITDA), amounted to 1.6 at June 30, 2019 (December 31, 2018: 1.2). The net debt to EBITDA ratio before special items was 1.6 (December 31, 2018: 1.2).

The gearing ratio, defined as the ratio of net financial debt to shareholders' equity including non-controlling interests, amounted to 115.8% as at June 30, 2019 (December 31, 2018: 83.2%).

The Schaeffler Group was able to have the remaining guarantees provided by subsidiaries to secure the group's debt released on February 28, 2019. Given the previous release of security on September 15, 2018, the Schaeffler Group's debt is now free of any in rem security and guarantees from subsidiaries.

On March 19, 2019, Schaeffler AG issued three bond series denominated in EUR with terms ranging from three to eight years and an aggregate volume of EUR 2.2 bn under its debt issuance program. The 3-year bonds have a volume of EUR 750 m and a coupon of 1.125%, the 5-year bonds have a volume of EUR 800 m and a coupon of 1.875%, and the 8-year bonds have a volume of EUR 650 m and carry a coupon of 2.875%. All three bond series were issued by Schaeffler AG and are listed on the regulated market of the Luxembourg Stock Exchange. The proceeds of the bond issuance were received on March 26, 2019.

An initial portion of the bond proceeds was used to prepay EUR 500 m of the existing term loan on March 26, 2019. At the end of March 2019, a further portion of the issuance proceeds was used to repay the amount outstanding under the Revolving Credit Facility at that date.

The remaining proceeds of the bond issuance were used on May 15, 2019, to redeem three bond series issued by Schaeffler Finance B.V.: the EUR 400 m 2.50% bonds due in 2020, the EUR 500 m 3.50% bonds due in 2022, and the USD 600 m 4.75% bonds due in 2023.

The refinancing transactions triggered the amendments to the EUR 2.3 bn Facilities Agreement and the EUR 250 m capital investment loan agreed on August 31, 2018, including a reduction in the margins on the term loan and the Revolving Credit Facility, improvements to other credit terms, and an increase in the Revolving Credit Facility to EUR 1.5 bn. All of these amendments became effective on March 26, 2019.

The total amount drawn under the Revolving Credit Facility as at June 30, 2019, was EUR 225 m (December 31, 2018: EUR 160 m).

The following summary shows the ratings assigned to the Schaeffler Group by the three rating agencies Fitch, Moody's, and Standard & Poor's as at June 30:

Schaeffler Group ratings **No. 012**
as at June 30

	2019	2018	2019	2018
	Company		Bonds	
Rating agency	Rating/Outlook		Rating	
Fitch	BBB-/stable	BBB-/stable	BBB-	BBB-
Moody's	Baa3/stable	Baa3/stable	Baa3	Baa3
Standard & Poor's	BBB-/stable	BB+/positive	BBB-	BB+

The Schaeffler Group had the following syndicated loans outstanding at June 30, 2019:

Schaeffler Group loans **No. 013**

		06/30/2019	12/31/2018	06/30/2019	12/31/2018	06/30/2019	12/31/2018	
Tranche	Currency	Principal in millions		Carrying amount in € millions		Coupon		Maturity
Term Loan	EUR	500	1,000	487	993	Euribor[1] + 0.80%	Euribor[1] + 1.20%	09/30/2023
Revolving Credit Facility[2]	EUR	1,500	1,300	241	153	Euribor[1] + 0.50%	Euribor[1] + 0.80%	09/30/2023
Capital investment loan[3]	EUR	250	250	218	183	Euribor[1] + 1.00%	Euribor[1] + 1.00%	12/15/2022
Total				**947**	**1,329**			

[1] Euribor floor of 0.00%.
[2] EUR 266 m (December 31, 2018: EUR 173 m) were drawn down as at June 30, 2019, including EUR 19 m in the form of letters of credit.
[3] EUR 219 m (December 31, 2018: EUR 184 m) were drawn down as at June 30, 2019.

In addition, the Schaeffler Group had further lines of credit in the equivalent of approximately EUR 109 m (December 31, 2018: approximately EUR 134 m), primarily in the U.S. Approximately EUR 94 m of these facilities were unutilized as at June 30, 2019 (December 31, 2018: approximately EUR 118 m).

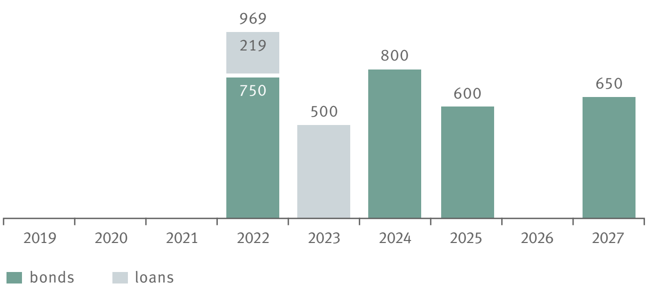
The Schaeffler Group's bonds outstanding at June 30, 2019, are set out below. Schaeffler AG's bonds are listed on the regulated market of the Luxembourg Stock Exchange, while the bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, are traded on the Euro MTF market of the Luxembourg Stock Exchange.

The bond series due May 15, 2025, issued by Schaeffler Finance B.V. carries a unilateral call option exercisable by the issuer. The issuer can choose to call the bonds at their contractual redemption price anytime after May 15, 2020.

The company's maturity profile, which consists of the term loan, the capital investment loan, and the bonds issued by Schaeffler AG and Schaeffler Finance B.V., Barneveld, Netherlands, was as follows as at June 30, 2019:

Maturity profile **No. 014**

Principal outstanding as at June 30, 2019, in € millions



Schaeffler Group bonds **No. 015**

			06/30/2019	12/31/2018	06/30/2019	12/31/2018		
ISIN	Issuer	Currency	Principal in millions		Carrying amount in € millions		Coupon	Maturity
XS1212469966	Schaeffler Finance B.V.	EUR	-	400	-	399	2.500%	05/15/2020
XS1067864022	Schaeffler Finance B.V.	EUR	-	500	-	499	3.500%	05/15/2022
US806261AM57	Schaeffler Finance B.V.	USD	-	600	-	525	4.750%	05/15/2023
DE000A2YB699	Schaeffler AG	EUR	750	-	746	-	1.125%	03/26/2022
DE000A2YB7A7	Schaeffler AG	EUR	800	-	793	-	1.875%	03/26/2024
XS1212470972[1]	Schaeffler Finance B.V.	EUR	600	600	597	596	3.250%	05/15/2025
DE000A2YB7B5	Schaeffler AG	EUR	650	-	644	-	2.875%	03/26/2027
Total					**2,779**	**2,019**		

[1] Bond will reach its first contractual call date on May 15, 2020.

1.5 Net assets and capital structure

The Schaeffler Group's **total assets** increased by EUR 632 m to EUR 12,993 m as at June 30, 2019 (December 31, 2018: EUR 12,362 m).

Consolidated statement of financial position (abbreviated) **No. 016**

in € millions	06/30/2019	12/31/2018	Change in %
ASSETS			
Non-current assets	7,300	6,827	6.9
Current assets	5,693	5,534	2.9
Total assets	**12,993**	**12,362**	**5.1**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	2,736	3,060	-10.6
Non-current liabilities	6,676	5,780	15.5
Current liabilities	3,582	3,521	1.7
Total shareholders' equity and liabilities	**12,993**	**12,362**	**5.1**

Non-current assets rose by EUR 473 m to EUR 7,300 m as at June 30, 2019 (December 31, 2018: EUR 6,827 m), partly due to property, plant and equipment increasing by EUR 75 m and intangible assets by EUR 104 m. The increase in intangible assets is primarily attributable to the acquisitions of the Elmotec Group and Xtronic GmbH. Furthermore, the initial application of IFRS 16 resulted in the capitalization of right-of-use assets under leases totaling EUR 187 m (December 31, 2018: EUR 0 m). Deferred tax assets were up EUR 118 m as well.

Current assets rose by EUR 159 m to EUR 5,693 m as at June 30, 2019 (December 31, 2018: EUR 5,534 m), mainly due to increases in inventories by EUR 154 m and trade receivables by EUR 218 m. Other assets were up EUR 68 m as well. These increases were partially offset by a reduction in cash and cash equivalents by EUR 242 m (see "Cash flow and liquidity", pp. 24 et seq.). As at June 30, 2019, trade receivables with a carrying amount of EUR 169 m (December 31, 2018: EUR 166 m) net of retained credit risk had been sold under the ABCP program (asset-backed commercial paper).

Shareholders' equity including non-controlling interests declined by EUR 325 m to EUR 2.736 m as at June 30, 2019 (December 31, 2018: EUR 3,060 m). Net income of EUR 279 m increased shareholders' equity. This contrasted with the EUR 361 m in dividends paid to Schaeffler AG's shareholders. Accumulated other comprehensive income was impacted adversely by EUR 282 m in discount rate-driven adjustments to pensions and similar obligations and favorably by the EUR 38 m impact of translating the net assets of foreign group companies. The equity ratio was 21.1% as at June 30, 2019 (December 31, 2018: 24.8%).

Non-current liabilities rose by EUR 896 m to EUR 6,676 m as at June 30, 2019 (December 31, 2018: EUR 5,780 m). The increase was partly attributable to the increase in provisions for pensions and similar obligations by EUR 421 m and the issuance of three bond series denominated in EUR with an aggregate volume of EUR 2.2 bn under Schaeffler AG's debt issuance program (see "Financial debt", pp. 26 et seq.). An initial portion of the bond proceeds was used to prepay EUR 500 m of the existing term loan. In addition, three outstanding bond series of Schaeffler Finance B.V. totaling EUR 1,431 m were redeemed early. The recognition of EUR 141 m in lease liabilities (December 31, 2018: EUR 0 m) as part of the initial application of IFRS 16 as well as an additional EUR 35 m drawn under the capital investment loan further increased non-current liabilities.

Current liabilities rose by EUR 61 m to EUR 3,582 m as at June 30, 2019 (December 31, 2018: EUR 3,521 m). The increase was primarily caused by an additional drawdown under the Revolving Credit Facility of EUR 65 m and the recognition of the current portion of the restructuring provision related to the program "RACE" of EUR 49 m. Additionally, an increase of EUR 62 m in other liabilities, the recognition of EUR 46 m in lease liabilities (December 31, 2018: EUR 0 m) as part of the initial application of IFRS 16, and the purchase price liability for the acquisition of Xtronic GmbH further increased current liabilities. These increases were partially offset by a reduction in trade payables by EUR 142 m and in refund liabilities by EUR 49 m.

2. Supplementary report

On July 29, 2019, Schaeffler AG's Board of Managing Directors decided to adjust the Schaeffler Group's outlook 2019 as a result of the unexpectedly strong decline in automobile production for the full year 2019, which is currently forecasted to continue in the second half of the year as well. In addition, a decrease in estimated requirements of a few major customers of the Automotive Aftermarket division compared to expectations at the beginning of the year has led to a downward revision in this division's revenue guidance. Meanwhile, expected full-year demand in certain sector clusters in the Industrial division has increased from the beginning of the year, leading to a slight upward revision in that division's revenue guidance. As a result, the Schaeffler Group now estimates that its revenue will grow by -1 to 1% excluding the impact of currency translation in 2019. Based on this, the company further expects to generate an EBIT margin before special items of 7 to 8%. Furthermore, the Schaeffler Group now anticipates free cash flow before cash in- and outflows for M&A activities for the full year 2019 of EUR 350 to 400 m.

For the Automotive OEM division, the Schaeffler Group now estimates revenue growth of -2 to 0% in 2019, excluding the impact of currency translation, due to the decline in global automobile production. The Automotive OEM division's EBIT margin before special items for 2019 is estimated at 5 to 6%. For the Automotive Aftermarket division, the Schaeffler Group now estimates revenue growth of -2 to 0% excluding the impact of currency translation, since requirements of a few major customers' for the full year 2019 are now expected to be lower than originally anticipated at the beginning of the year. The company still expects the Automotive Aftermarket division to generate an EBIT margin before special items of 15 to 16% in 2019. Furthermore, the Schaeffler Group now anticipates that its Industrial division will generate higher revenue growth in 2019 than originally assumed, since it expects certain sector clusters to experience higher demand than previously anticipated at the beginning of the year. The group's Industrial division now estimates that its revenue will grow by 2 to 4%, excluding the impact of currency translation, and expects to generate an EBIT margin before special items of 10 to 11%.

No other material events expected to have a significant impact on the net assets, financial position, or results of operations of the Schaeffler Group occurred after June 30, 2019.

3. Report on opportunities and risks

Please refer to pp. 75 et seq. of the Schaeffler Group's annual report 2018 for a discussion of the Schaeffler Group's risk management system and potential opportunities and risks. The statements made in the annual report 2018 regarding the opportunities and risks are largely unchanged.

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

4. Report on expected developments

4.1 Expected economic and sales market trends

The International Monetary Fund (April 2019) now expects the global economy to grow by 3.3% this year. Oxford Economics (July 2019) currently anticipates a growth rate of 3.0%. In light of these forecasts, the Schaeffler Group now expects global economic growth for 2019 of just over 3% (previously: just under 3.5%).

Please refer to the discussion in the 2018 annual report regarding risks potentially affecting the development of the global economy.

Given the extensive deterioration in market conditions, the Schaeffler Group now estimates that global automobile production will decrease by about 4% (previously: decrease by about 1%) in 2019. The global vehicle population is still expected by the Schaeffler Group to grow less than in the prior year, with the average vehicle age remaining nearly unchanged (prior year: 3.7% and 9.7 years, respectively). Due to weaker-than-expected trends in the majority of its regions, the Schaeffler Group now believes that global industrial production will grow by approximately 2% in 2019 (previously: approximately 2.6%).

4.2 Schaeffler Group outlook

Outlook 2019 – group **No. 017**

	Outlook 2019		Actual H1 2019
Schaeffler Group	Issued 02/19/2019	Issued 07/29/2019	
Revenue growth [1]	1 to 3%	-1 to 1%	-0.8%
EBIT margin before special items [2]	8 to 9%	7 to 8%	7.7%
Free cash flow [3]	approx. EUR 400 m	EUR 350 to 400 m	EUR -229 m

[1] Compared to prior year; excluding the impact of currency translation.
[2] Please refer to pp. 22 et seq. for the definition of special items.
[3] Before cash in- and outflows for M&A activities.

On July 29, 2019, Schaeffler AG's Board of Managing Directors decided to adjust the Schaeffler Group's outlook 2019 as a result of the unexpectedly strong decline in automobile production for the full year 2019, which is currently forecasted to continue in the second half of the year as well.

In addition, a decrease in estimated requirements of a few major customers of the Automotive Aftermarket division compared to expectations at the beginning of the year has led to a downward revision in this division's revenue guidance. Meanwhile, expected full-year demand in certain sector clusters in the Industrial division has increased from the beginning of the year, leading to a slight upward revision in that division's revenue guidance.

As a result, the Schaeffler Group now estimates that its revenue will grow by -1 to 1% excluding the impact of currency translation in 2019.

Based on this, the company further expects to generate an EBIT margin before special items of 7 to 8%.

Furthermore, the Schaeffler Group now anticipates free cash flow before cash in- and outflows for M&A activities for the full year 2019 of EUR 350 to 400 m.

Outlook 2019 – divisions **No. 018**

	Outlook 2019		Actual H1 2019
Automotive OEM	Issued 02/19/2019	Issued 07/29/2019	
Revenue growth [1]	1 to 3%	-2 to 0%	-2.9%
EBIT margin before special items [2]	6 to 7%	5 to 6%	4.8%
Automotive Aftermarket			
Revenue growth [1]	1 to 3%	-2 to 0%	-2.4%
EBIT margin before special items [2]	15 to 16%	15 to 16%	15.1%
Industrial			
Revenue growth [1]	1 to 3%	2 to 4%	5.9%
EBIT margin before special items [2]	10 to 11%	10 to 11%	11.2%

[1] Compared to prior year; excluding the impact of currency translation.
[2] Please refer to pp. 22 et seq. for the definition of special items.

For the Automotive OEM division, the Schaeffler Group now estimates revenue growth of -2 to 0% in 2019, excluding the impact of currency translation, due to the decline in global automobile production. The Automotive OEM division's EBIT margin before special items for 2019 is estimated at 5 to 6%.

For the Automotive Aftermarket division, the Schaeffler Group now estimates revenue growth of -2 to 0% excluding the impact of currency translation, since requirements of a few major customers for the full year 2019 are now expected to be lower than originally anticipated at the beginning of the year. The company still expects the Automotive Aftermarket division to generate an EBIT margin before special items of 15 to 16% in 2019.

Furthermore, the Schaeffler Group now anticipates that its Industrial division will generate higher revenue growth in 2019 than originally assumed, since it expects certain sector clusters to experience higher demand than previously anticipated at the beginning of the year. The group's Industrial division now estimates that its revenue will grow by 2 to 4%, excluding the impact of currency translation, and expects to generate an EBIT margin before special items of 10 to 11%.

Herzogenaurach, July 29, 2019

The Board of Managing Directors

Consolidated income statement

No. 019

	1st six months			2nd quarter		
in € millions	**2019**	**2018** [1]	Change in %	**2019**	**2018** [1]	Change in %
Revenue [2]	7,226	7,193	0.5	3,604	3,641	-1.0
Cost of sales	-5,413	-5,260	2.9	-2,705	-2,668	1.4
Gross profit	**1,813**	**1,933**	**-6.2**	**899**	**973**	**-7.6**
Research and development expenses	-444	-444	0.1	-215	-220	-2.4
Selling expenses	-502	-500	0.4	-249	-257	-3.2
Administrative expenses	-273	-235	16.1	-133	-116	15.0
Other income [2]	51	53	-4.5	23	27	-16.2
Other expenses	-162	-35	> 100	-72	-25	> 100
Earnings before financial result, income (loss) from equity-accounted investees, and income taxes (EBIT)	**483**	**773**	**-37.5**	**253**	**382**	**-33.8**
Financial income	23	19	22.0	-3	9	-
Financial expenses	-104	-104	0.0	-40	-40	-0.2
Financial result	**-81**	**-85**	**-4.9**	**-43**	**-31**	**37.1**
Income (loss) from equity-accounted investees	-7	0	-	-3	0	-
Earnings before income taxes	**395**	**688**	**-42.6**	**207**	**351**	**-41.1**
Income taxes	-116	-175	-33.4	-69	-80	-14.1
Net income	**279**	**513**	**-45.7**	**138**	**271**	**-49.0**
Attributable to shareholders of the parent company	273	506	-46.1	136	268	-49.3
Attributable to non-controlling interests	6	7	-21.8	2	3	-26.0
Earnings per common share (basic/diluted, in €)	0.41	0.76	-46.1	0.20	0.40	-50.0
Earnings per common non-voting share (basic/diluted, in €)	0.42	0.77	-45.5	0.21	0.41	-48.8

[1] The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
[2] See condensed notes to the consolidated interim financial statements for further details.

Consolidated statement of comprehensive income

No. 020

	1st six months						2nd quarter					
	2019			2018 1)			2019			2018 1)		
in € millions	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes
Net income	**395**	**-116**	**279**	**688**	**-175**	**513**	**207**	**-69**	**138**	**351**	**-80**	**271**
Foreign currency translation differences for foreign operations	40	0	40	-8	0	-8	-71	0	-71	36	0	36
Net change from hedges of net investments in foreign operations	-1	0	0	-5	1	-3	0	0	0	-9	3	-7
Effective portion of changes in fair value of cash flow hedges	18	-11	7	-65	18	-47	36	-16	20	-42	11	-31
Net change in fair value of financial assets at fair value through other comprehensive income	-2	0	-2	0	0	0	0	0	0	0	0	0
Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	**56**	**-11**	**45**	**-77**	**19**	**-58**	**-35**	**-16**	**-52**	**-16**	**14**	**-2**
Remeasurement of net defined benefit liability 2)	-402	118	-284	-25	9	-16	-223	68	-156	8	-1	7
Total other comprehensive income (loss) that will not be reclassified to profit or loss	**-402**	**118**	**-284**	**-25**	**9**	**-16**	**-223**	**68**	**-156**	**8**	**-1**	**7**
Total other comprehensive income (loss)	**-346**	**107**	**-239**	**-102**	**28**	**-74**	**-259**	**52**	**-207**	**-8**	**13**	**5**
Total comprehensive income (loss)	**49**	**-10**	**40**	**586**	**-147**	**439**	**-52**	**-17**	**-69**	**343**	**-67**	**276**
Total comprehensive income (loss) attributable to shareholders of the parent company	38	-5	33	579	-143	436	-59	-12	-71	337	-65	272
Total comprehensive income (loss) attributable to non-controlling interests	11	-4	7	7	-4	3	7	-4	3	6	-2	4

1) The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See “Basis of preparation” in the condensed notes to the consolidated interim financial statements for further details.
2) See condensed notes to the consolidated interim financial statements for further details.

Consolidated statement of financial position

in € millions	06/30/2019	12/31/2018 [1]	06/30/2018 [1][2]	Change in %
ASSETS				
Intangible assets	731	627	632	16.6
Right-of-use assets under leases [3]	187	0	0	> 100
Property, plant and equipment	5,393	5,318	4,989	1.4
Investments in equity-accounted investees	153	160	3	-4.3
Contract assets	11	11	16	3.3
Other financial assets	93	106	112	-12.5
Other assets	93	85	79	9.9
Deferred tax assets	638	520	550	22.7
Total non-current assets	**7,300**	**6,827**	**6,381**	**6.9**
Inventories	2,338	2,183	2,295	7.1
Contract assets	52	45	36	15.7
Trade receivables	2,222	2,003	2,329	10.9
Other financial assets	106	131	100	-19.2
Other assets	335	267	278	25.5
Income tax receivables	82	102	97	-18.8
Cash and cash equivalents	559	801	507	-30.2
Assets held for sale	0	2	0	- 100
Total current assets	**5,693**	**5,534**	**5,642**	**2.9**
Total assets	**12,993**	**12,362**	**12,023**	**5.1**

[1] The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
[2] See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
[3] See condensed notes to the consolidated interim financial statements for further details.

No. 021

in € millions	06/30/2019	12/31/2018 [1]	06/30/2018 [1)2]	Change in %
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	666	666	666	0.0
Capital reserves	2,348	2,348	2,348	0.0
Other reserves	776	866	461	-10.4
Accumulated other comprehensive income (loss)	-1,146	-907	-892	26.4
Equity attributable to shareholders of the parent company	**2,644**	**2,973**	**2,583**	**-11.1**
Non-controlling interests	91	87	108	4.8
Total shareholders' equity	**2,736**	**3,060**	**2,691**	**-10.6**
Provisions for pensions and similar obligations [3]	2,594	2,173	2,157	19.4
Provisions [3]	181	172	180	5.3
Financial debt [3]	3,479	3,188	3,132	9.1
Contract liabilities	4	2	1	63.7
Income tax payables	103	103	100	0.1
Other financial liabilities	16	8	8	84.4
Lease liabilities [3]	141	0	0	> 100
Other liabilities	14	3	6	> 100
Deferred tax liabilities	145	131	123	10.8
Total non-current liabilities	**6,676**	**5,780**	**5,707**	**15.5**
Provisions [3]	281	244	255	15.0
Financial debt [3]	247	160	208	54.2
Contract liabilities	56	45	69	23.8
Trade payables	1,825	1,967	1,886	-7.2
Income tax payables	60	69	147	-12.5
Other financial liabilities	498	481	435	3.7
Lease liabilities [3]	46	0	0	> 100
Refund liabilities	187	236	207	-20.7
Other liabilities	382	320	416	19.3
Total current liabilities	**3,582**	**3,521**	**3,624**	**1.7**
Total shareholders' equity and liabilities	**12,993**	**12,362**	**12,023**	**5.1**

[1] The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
[2] See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
[3] See condensed notes to the consolidated interim financial statements for further details.

Consolidated statement of cash flows

No. 022

	1st six months			2nd quarter		
in € millions	**2019**	**2018 1)**	Change in %	**2019**	**2018 1)**	Change in %
Operating activities						
EBIT	483	773	-37.5	253	382	-33.8
Interest paid	-73	-44	66.2	-36	-16	> 100
Interest received	10	5	98.4	6	2	> 100
Income taxes paid	-110	-194	-43.5	-52	-105	-49.9
Depreciation, amortization, and impairment losses	479	397	20.6	237	201	17.6
(Gains) losses on disposal of assets	-9	-2	> 100	-8	0	-
Changes in:						
• Inventories	-141	-279	-49.6	-24	-120	-79.7
• Trade receivables	-264	-180	46.7	-23	-49	-52.8
• Trade payables	-55	99	-	-118	20	-
• Provisions for pensions and similar obligations	0	-13	-	-2	-14	-86.2
• Other assets, liabilities, and provisions	64	-41	-	-2	-19	-89.7
Cash flows from operating activities	**384**	**520**	**-26.3**	**229**	**284**	**-19.3**
Investing activities						
Proceeds from disposals of property, plant and equipment	16	1	> 100	13	0	> 100
Capital expenditures on intangible assets	-9	-5	84.2	-6	-2	> 100
Capital expenditures on property, plant and equipment	-585	-591	-0.9	-214	-288	-25.5
Acquisition of subsidiaries 2)	-65	-2	> 100	0	0	0.0
Proceeds from disposal of subsidiaries 2)	4	0	-	4	0	-
Other investing activities	-6	-1	> 100	-2	0	-
Cash used in investing activities	**-645**	**-597**	**8.0**	**-205**	**-289**	**-29.1**
Financing activities						
Dividends paid to shareholders and non-controlling interests	-364	-363	0.4	-364	-363	0.4
Receipts from bond issuances and loans 2)	2,472	258	> 100	282	203	38.8
Redemption of bonds and repayments of loans 2) 3)	-2,066	-2	> 100	-1,431	-1	> 100
Principal repayments on lease liabilities	-29	0	-	-15	0	-
Cash provided by (used in) financing activities	**12**	**-107**	**-**	**-1,529**	**-161**	**> 100**
Net increase (decrease) in cash and cash equivalents	**-249**	**-183**	**36.0**	**-1,504**	**-166**	**> 100**
Effects of foreign exchange rate changes on cash and cash equivalents	7	-8	-	-8	1	-
Cash and cash equivalents as at beginning of period	801	698	14.7	2,071	672	> 100
Cash and cash equivalents as at June 30	**559**	**507**	**10.2**	**559**	**507**	**10.2**

1) The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See “Basis of preparation” in the condensed notes to the consolidated interim financial statements for further details.
2) See condensed notes to the consolidated interim financial statements for further details.
3) Incl. EUR 37 m in cash inflows from cross-currency swaps terminated early in connection with the redemption of the USD bond series.

Consolidated statement of changes in equity

No. 023

	Share capital	Capital reserves	Other reserves	Accumulated other comprehensive income (loss)					Equity attributable to shareholders [1]	Non-controlling interests	Total
in € millions				Translation reserve	Hedging reserve	Fair value reserve	Defined benefit plan remeasurement reserve	Total			
Balance as at January 01, 2018 before IFRS 9 and IFRS 15 adjustments [2]	**666**	**2,348**	**282**	**-267**	**15**	**0**	**-570**	**-822**	**2,474**	**107**	**2,581**
Adjustments IFRS 9			27						27		27
Adjustments IFRS 15			7						7		7
Balance as at January 01, 2018 [2]	**666**	**2,348**	**316**	**-267**	**15**	**0**	**-570**	**-822**	**2,508**	**107**	**2,615**
Net income			506					0	506	7	513
Other comprehensive income (loss)				-7	-47	0	-16	-70	-70	-4	-74
Total comprehensive income (loss)	**0**	**0**	**506**	**-7**	**-47**	**0**	**-16**	**-70**	**436**	**3**	**439**
Dividends			-361					0	-361	-2	-363
Total amount of transactions with shareholders			-361						-361	-2	-363
Balance as at June 30, 2018 [2] [3]	**666**	**2,348**	**461**	**-274**	**-32**	**0**	**-586**	**-892**	**2,583**	**108**	**2,691**
Balance as at January 01, 2019 [2]	**666**	**2,348**	**866**	**-285**	**-27**	**0**	**-595**	**-907**	**2,973**	**87**	**3,060**
Net income			273					0	273	6	279
Other comprehensive income (loss)				38	7	-2	-284	-241	-241	2	-239
Total comprehensive income (loss)	**0**	**0**	**273**	**38**	**7**	**-2**	**-284**	**-241**	**32**	**7**	**40**
Dividends			-361					0	-361	-3	-364
Total amount of transactions with shareholders			-361						-361	-3	-364
Changes in the scope of consolidation			-2				2	2	0		0
Balance as at June 30, 2019	**666**	**2,348**	**776**	**-247**	**-20**	**-2**	**-877**	**-1,146**	**2,644**	**91**	**2,736**

[1] Equity attributable to shareholders of the parent company.
[2] The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
[3] See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.

Consolidated segment information

(Part of the notes to the consolidated financial statements)

No. 024

	1st six months		1st six months		1st six months		1st six months	
	2019	**2018 1) 2)**	**2019**	**2018 1) 2)**	**2019**	**2018 1) 2)**	**2019**	**2018 1)**
in € millions	Automotive OEM		Automotive Aftermarket		Industrial		Total	
Revenue	4,514	4,587	905	926	1,806	1,679	7,226	7,193
EBIT	144	415	136	179	203	179	483	773
• in % of revenue	3.2	9.1	15.1	19.3	11.2	10.6	6.7	10.7
EBIT before special items 3)	216	425	136	179	203	190	556	794
• in % of revenue	4.8	9.3	15.1	19.3	11.2	11.3	7.7	11.0
Depreciation, amortization, and impairment losses	-375	-318	-19	-13	-85	-66	-479	-397
Working capital 4) 5)	1,239	1,277	450	447	1,045	1,015	2,734	2,738
Additions to intangible assets and property, plant and equipment	399	437	38	19	65	63	501	518

	2nd quarter		2nd quarter		2nd quarter		2nd quarter	
	2019	**2018 1) 2)**	**2019**	**2018 1) 2)**	**2019**	**2018 1) 2)**	**2019**	**2018 1)**
in € millions	Automotive OEM		Automotive Aftermarket		Industrial		Total	
Revenue	2,229	2,307	465	480	911	855	3,604	3,641
EBIT	85	197	73	99	95	86	253	382
• in % of revenue	3.8	8.5	15.7	20.6	10.4	10.1	7.0	10.5
EBIT before special items 3)	103	207	73	99	108	98	284	404
• in % of revenue	4.6	9.0	15.7	20.6	11.9	11.4	7.9	11.1
Depreciation, amortization, and impairment losses	-188	-162	-10	-7	-39	-33	-237	-201
Working capital 4) 5)	1,239	1,277	450	447	1,045	1,015	2,734	2,738
Additions to intangible assets and property, plant and equipment	174	255	-3	1	34	27	205	283

Prior year information presented based on 2019 segment structure.
1) The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
2) Prior year amounts are based on a retrospective change in segment structure. See condensed notes to the consolidated interim financial statements for further details.
3) EBIT before special items for legal cases, restructuring, and other.
4) Inventories plus trade receivables less trade payables.
5) Amounts as at June 30.

See condensed notes to the consolidated interim financial statements for further details

Condensed notes to the consolidated interim financial statements

Reporting entity

Schaeffler AG, Herzogenaurach, is a publicly listed corporation domiciled in Germany with its registered office located at Industriestr. 1-3, 91074 Herzogenaurach. The company was founded on April 19, 1982, and is registered in the Commercial Register of the Fürth Local Court (HRB No. 14738). The consolidated interim financial statements of Schaeffler AG as at June 30, 2019, comprise Schaeffler AG and its subsidiaries, investments in associated companies, and joint ventures (together referred to as the "Schaeffler Group"). The Schaeffler Group is a globally leading, integrated automotive and industrial supplier.

Basis of preparation

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

The consolidated interim financial statements of Schaeffler AG, Herzogenaurach, for the reporting period ended June 30, 2019, have been compiled in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". They do not include all information necessary for a complete set of consolidated financial statements.

The accounting policies used in these consolidated interim financial statements are largely based on the accounting policies used in the 2018 consolidated financial statements, where the latter are discussed in detail. Except for the amendments to and new requirements of IFRS effective starting in 2019, these accounting policies have been applied consistently in these consolidated interim financial statements.

In compiling financial statements in accordance with IFRS, management exercises judgment in making estimates and assumptions. Such estimates and judgments are unchanged from the matters described in the consolidated financial statements of Schaeffler AG as at and for the year ended December 31, 2018. In addition to the issues disclosed in the consolidated financial statements as at and for the year ended December 31, 2018, the identification of performance obligations under development contracts and alternative uses for customer-specific products is also subject to judgment and estimation uncertainty. 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 an increase in pension obligations and a decrease 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.

Adjustments to comparative information

In 2018, a change in accounting policy for interest and penalties related to income taxes (see Note 1.4 to the consolidated financial statements in the annual report 2018 for further details) and the change in the accounting treatment of contracts with customers (see Note 1.5 to the consolidated financial statements in the annual report 2018 for further details) have resulted in retrospective adjustments to the comparative figures of the consolidated statement of financial position as at June 30, 2018, presented in this interim financial report.

The following summary provides an overview of the retrospective adjustments to the consolidated statement of financial position as at June 30, 2018.

Adjustments to comparative information – consolidated statement of financial position June 30, 2018 **No. 025**

	Before adjustments	Adjustment due to change in accounting policy for		Adjusted
in € millions	06/30/2018	interest and penalties related to income taxes	revenue from contracts with customers	06/30/2018
ASSETS				
Property, plant and equipment	4,991	0	-2	4,989
Contract assets	0	0	16	16
Deferred tax assets	547	0	3	550
Total non-current assets	**6,364**	**0**	**17**	**6,381**
Inventories	2,294	0	1	2,295
Contract assets	34	0	3	36
Total current assets	**5,638**	**0**	**4**	**5,642**
Total assets	**12,002**	**0**	**21**	**12,023**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Other reserves	427	30	4	461
Total shareholders' equity	**2,657**	**30**	**4**	**2,691**
Provisions	167	13	0	180
Income tax payables	143	-43	0	100
Deferred tax liabilities	118	0	5	123
Total non-current liabilities	**5,733**	**-30**	**5**	**5,707**
Provisions	233	25	-3	255
Contract liabilities	19	0	50	69
Income tax payables	172	-25	0	147
Other financial liabilities	642	0	-207	435
Refund liabilities	0	0	207	207
Other liabilities	452	0	-35	416
Total current liabilities	**3,612**	**0**	**12**	**3,624**
Total shareholders' equity and liabilities	**12,002**	**0**	**21**	**12,023**

IFRS 16

In January 2016, the IASB issued IFRS 16 Leases, which replaces the requirements of IAS 17 and the related Interpretations. The Schaeffler Group has initially applied IFRS 16 effective January 1, 2019.

IFRS 16 introduces a uniform lessee accounting model requiring lessees to capitalize leases in their statement of financial position. Lessees capitalize the right to use the leased asset ("right-of-use asset") and recognize a liability representing its obligation to make lease payments. The new standard substantially carries forward the lessor accounting requirements in IAS 17, continuing to require them to classify leases as operating leases or finance leases.

The Schaeffler Group is using the modified retrospective approach to transition to IFRS 16, i.e. the standard is only applied to the most recent reporting period presented in the financial statements (the year 2019). Prior year amounts are not adjusted. Upon initially applying IFRS 16, the company has measured the right-of-use asset at an amount equal to the lease liability, using the discount rate at the date of initial application. The Schaeffler Group's average incremental borrowing rate as at January 1, 2019, amounted to 2.4%.

The company has elected to apply the recognition exemptions for short-term leases with a term of up to twelve months and for leases of low-value assets. The Schaeffler Group also applies additional practical expedients. For all leases except real estate, lease and non-lease components are accounted for as a single lease component. Additionally, for leases not classified as leases under IAS 17 and IFRIC 4, the company does not reassess whether these leases meet the definition of a lease under IFRS 16.

The Schaeffler Group has examined the impact that applying IFRS 16 has on processes, systems, and contracts in a dedicated project. The main impact of transitioning to the new standard results from capitalizing real estate and vehicle leases. Additional categories were identified: machinery, production equipment, and office equipment.

The initial application of IFRS 16 has resulted in the recognition of EUR 193 m in lease liabilities and right-of-use assets in the consolidated statement of financial position as at January 1, 2019. This figure was adjusted retrospectively following the reassessment of certain contracts during the reporting period.

The following summaries provide an overview of the impact of IFRS 16 on the consolidated interim financial statements as at June 30, 2019.

IFRS 16 – impact on consolidated statement of financial position **No. 026**

in € millions	06/30/2019	Impact IFRS 16	06/30/2019 before applying IFRS 16
ASSETS			
Right-of-use assets under leases	187	187	0
Non-current assets	**7,300**	**187**	**7,113**
Current assets	**5,693**	**0**	**5,693**
Total assets	**12,993**	**187**	**12,806**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	**2,736**	**0**	**2,736**
Lease liabilities	141	141	0
Non-current liabilities	**6,676**	**141**	**6,535**
Lease liabilities	46	46	0
Current liabilities	**3,582**	**46**	**3,536**
Total shareholders' equity and liabilities	**12,993**	**187**	**12,806**

IFRS 16 – impact on consolidated income statement **No. 027**

in € millions	1st six months 2019	Impact IFRS 16	1st six months 2019 before applying IFRS 16
EBIT	**483**	**2**	**481**
Financial result	**-81**	**-2**	**-79**
Net income	**279**	**0**	**279**

Unrecognized lease obligations as at December 31, 2019, can be reconciled to recognized lease liabilities as at January 1, 2019, as follows:

Reconciliation of unrecognized lease obligations **No. 028**

in € millions	
Operating rental and lease agreements as at December 31, 2018	**141**
Short-term leases with a lease term of up to 12 months	-2
Leases for which the underlying asset is of low value	-3
Operating rental and lease agreements as at January 01, 2019	**136**
Discounted at the incremental borrowing rate as at January 01, 2019	**128**
Extension and termination options reasonably certain to be exercised	65
Lease liabilities resulting from the initial application of IFRS 16 as at January 01, 2019	**193**
Lease liabilities resulting from finance leases as at January 01, 2019	0
Lease liabilities recognized as at January 01, 2019	**193**

Foreign currency translation

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

Selected foreign exchange rates **No. 029**

Currencies		06/30/2019	12/31/2018	06/30/2018	1st six months 2019	1st six months 2018
1 € in				Closing rates		Average rates
CNY	China	7.82	7.88	7.72	7.67	7.71
INR	India	78.52	79.73	79.81	79.12	79.51
KRW	South Korea	1,315.35	1,277.93	1,296.72	1,294.91	1,302.99
MXN	Mexico	21.82	22.49	22.88	21.65	23.07
USD	U.S.	1.14	1.15	1.17	1.13	1.21

Scope of consolidation

The consolidated financial statements of Schaeffler AG as at June 30, 2019, cover, in addition to Schaeffler AG, 155 (December 31, 2018: 152) subsidiaries; 55 (December 31, 2018: 51) entities are domiciled in Germany and 100 (December 31, 2018: 101) in other countries.

Elmotec Statomat Holding GmbH, Karben, and its subsidiaries were consolidated for the first time in 2019. Reductions in the number of entities consolidated are mainly attributable to the sale of The Barden Corporation (UK), Ltd., Plymouth, and Schaeffler Friction Products Hamm GmbH, Hamm.

In the consolidated financial statements as at June 30, 2019, three (December 31, 2018: three) joint ventures and four associated companies (December 31, 2018: two) are accounted for at equity.

Acquisitions and disposals of subsidiaries

Acquisition of Elmotec Statomat Holding GmbH

The Schaeffler Group acquired a 100% interest in Elmotec Statomat Holding GmbH in a transaction that closed on January 31, 2019. Elmotec Statomat is a manufacturer of production machinery for the high-volume construction of electric motors. The acquisition represents a further step toward expanding the Schaeffler Group's manufacturing expertise in the field of construction of electric motors and implementing its electric mobility strategy.

The purchase price paid in the amount of EUR 65 m is preliminary. The consideration for the acquisition, which is payable in cash, depends on the amounts of financial debt, net working capital, and further liabilities and provisions in the closing balance sheet of Elmotec Statomat.

The allocation of the consideration to be transferred to the assets and liabilities acquired is still preliminary. Based on information currently known, total net identifiable assets amount to EUR 21 m. The preliminary purchase price allocation has resulted in goodwill of EUR 44 m and identifiable intangible assets of EUR 30 m (including EUR 26 m in technology assumed).

The purchase agreement with the former shareholders of Elmotec Statomat Holding GmbH includes a value guarantee covering receivables more than 180 days past due. Should no cash be collected on these receivables within two years, the purchase price will be reduced retrospectively by the amount of the uncollectible receivables.

Based on information currently known, the goodwill of EUR 44 m, which cannot be recognized for tax purposes and is therefore not tax-deductible, represents the value of the technology's planned further development.

The amounts contributed by the Elmotec Statomat Group to revenue and net income before tax since the date of acquisition were immaterial.

Acquisition of Xtronic GmbH

The Schaeffler Group has obtained control of Xtronic GmbH by entering into an agreement to acquire a 100% interest in Xtronic GmbH on May 3, 2019. Xtronic GmbH is a technology partner that develops customer-specific software and electronics solutions for the international automotive industry. The acquisition of Xtronic GmbH expands the Schaeffler Group's software and electronics capabilities and strengthens primarily the Chassis Systems and E-Mobility business divisions.

The purchase price of EUR 40 m paid in cash on July 1, 2019, is preliminary and was recognized in other financial liabilities as at June 30, 2019. EUR 5 m of this amount was paid into escrow as security for any possible claims the Schaeffler Group might have in connection with the acquisition agreement.

The allocation of the consideration to be transferred to the assets and liabilities acquired is still preliminary. The preliminary purchase price allocation has resulted in goodwill of EUR 40 m.

Based on information currently known, the goodwill of EUR 40 m, which cannot be recognized for tax purposes and is therefore not tax-deductible, represents the value of the technology's planned further development.

The amounts contributed by Xtronic GmbH to revenue and net income before tax since the date of acquisition were immaterial.

Disposals of subsidiaries

An impairment loss of EUR 14 m on assets temporarily held for sale was recognized in other expenses during the reporting period.

The Schaeffler Group sold The Barden Corporation (UK), Ltd., Plymouth, to HQW Holding (UK) Co. Limited in a transaction that closed on May 31, 2019. The Plymouth site mainly produced spindle bearings, machine parts, and specialized bearings in the Schaeffler Group's Industrial division. Production will be partially moved to the Schaeffler Group's existing manufacturing locations in other countries. The disposal decision was mainly aimed at improving the Schaeffler Group's cost structure and logistics network.

The Schaeffler Group sold Schaeffler Friction Products Hamm GmbH, Hamm, to the company's management team (management buyout) in a transaction that closed on June 30, 2019. The Hamm location mostly produced friction linings for dry double clutch transmissions in the Automotive OEM division. The company decided on the disposal because this business in Hamm has recently shown persistent and considerable declines. Alongside friction linings, the Hamm plant manufactured specialized friction solutions for the Industrial division, including applications for agriculture, lift and hoist systems, electromagnetic brakes, and wind turbines.

The two disposals resulted in a loss on disposal of EUR 16 m that has been recognized in other expenses.

Revenue

Revenue from contracts with customers can be analyzed by category and segment as follows:

IFRS 15 – analysis of revenue by category No. 030

	1st six months		1st six months		1st six months		1st six months	
	2019	**2018** [1]	**2019**	**2018** [1]	**2019**	**2018** [1]	**2019**	**2018**
in € millions	Automotive OEM		Automotive Aftermarket		Industrial		Total	
Revenue by type								
• Revenue from the sale of goods	4,439	4,513	905	926	1,787	1,661	7,132	7,100
• Revenue from the sale of tools	51	40	0	0	3	0	54	40
• Revenue from developement services	9	20	0	0	0	0	9	20
• Revenue from other services	14	12	0	0	16	17	30	29
• Other revenue	1	2	0	0	0	1	1	4
Total	**4,514**	**4,587**	**905**	**926**	**1,806**	**1,679**	**7,226**	**7,193**
Revenue by region [2]								
• Europe	2,001	2,105	657	701	981	954	3,639	3,760
• Americas	1,089	962	183	162	322	290	1,594	1,414
• Greater China	844	960	41	39	346	285	1,231	1,283
• Asia/Pacific	580	561	24	25	157	149	762	735
Total	**4,514**	**4,587**	**905**	**926**	**1,806**	**1,679**	**7,226**	**7,193**

[1] Prior year information presented based on 2019 segment structure. Prior year amounts are based on a retrospective change in segment structure.
[2] By market (customer location).

Other income

Other income included the refund of a penalty of EUR 13 m paid in 2015 in connection with antitrust proceedings in South Korea. EUR 9 m in gains on the sale of properties and the buildings on them are included here as well.

Provisions

On March 6, 2019, the Schaeffler Group announced its program "RACE" (Regroup Automotive for higher margin and Capital Efficiency), which is designed to sustainably increase the Automotive OEM division's efficiency and optimize its portfolio. The Schaeffler Group's overriding goal for "RACE" is to sustainably improve the Automotive OEM division's margin over the next three to four years and to generate an EBIT margin percentage in the high single digits going forward. Responsibility for the program, which consists of three stages, rests with Matthias Zink, CEO of the Automotive OEM division. As part of the first stage, the division will further consolidate its footprint. The company has recognized a total of EUR 65 m in current and non-current restructuring provisions in connection with the program.

In addition, a portion of the EUR 9 m restructuring provision recognized in 2018 for the reorganization of the company's UK business activities was reversed, since the production location affected has been sold, resulting in the recognition criteria for this portion of the restructuring provision no longer being met.

Provisions for pensions and similar obligations

Interest rate levels as at June 30, 2019, have decreased significantly compared to December 31, 2018. As a result, the Schaeffler Group has adjusted the discount rate used to value its key pension plans as at the reporting date. The Schaeffler Group's average discount rate as at June 30, 2019, amounted to 1.4% (December 31, 2018: 2.2%). The resulting remeasurement of the company's obligations under defined benefit pension plans resulted in actuarial losses of EUR 399 m as at June 30, 2019, 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) **No. 031**

			06/30/2019			12/31/2018
in € millions	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	Total
Bonds	0	2,779	2,779	0	2,019	2,019
Facilities Agreement	247	482	728	160	986	1,146
Capital investment loan	0	218	218	0	183	183
Total	**247**	**3,479**	**3,725**	**160**	**3,188**	**3,348**

On March 19, 2019, Schaeffler AG issued three bond series denominated in EUR with terms ranging from 3 to 8 years and an aggregate volume of EUR 2.2 bn under its debt issuance program. The 3-year bonds have a volume of EUR 750 m and a coupon of 1.125%, the 5-year bonds have a volume of EUR 800 m and a coupon of 1.875%, and the 8-year bonds have a volume of EUR 650 m and carry a coupon of 2.875%.

A portion of the bond proceeds was used to prepay EUR 500 m of the existing term loan and to repay the amount outstanding under the Revolving Credit Facility. Furthermore, the company redeemed three bond series issued by Schaeffler Finance B.V. early on May 15, 2019: the EUR 400 m 2.50% bonds due in 2020, the EUR 500 m 3.50% bonds due in 2022, and the USD 600 m 4.75% bonds due in 2023.

In addition, the company drew down an additional EUR 65 m of the Revolving Credit Facility and EUR 35 m of the capital investment loan compared to December 31, 2018.

Financial instruments

The carrying amounts of trade receivables, including the receivables available for sale under the ABCP program, miscellaneous other financial assets, cash and cash equivalents, trade payables, refund liabilities, as well as miscellaneous other financial liabilities, are assumed to equal their fair value due to the short maturities of these instruments.

Other investments included unconsolidated investments (shares in incorporated companies and cooperatives of less than 20%) for which fair value was determined using an EBIT multiple methodology. The company is currently not planning to sell these investments. Marketable securities consist almost entirely of financial instruments in the form of money market fund units without fixed maturities. These are measured at fair value through profit or loss.

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

- Level 1: Exchange-quoted prices as at the reporting date are used for marketable securities as well as bonds payable included in financial debt.
- Level 2: Foreign exchange contracts are measured using discounted cash flow valuation models and the exchange rates in effect at the end of the reporting period, as well as risk-adjusted interest and discount rates appropriate to the instruments' terms. These models take into account counterparty credit risk via credit value adjustments. Embedded derivatives are measured using a Hull-White model. Key inputs to this model are interest rates, volatilities, and credit default swap rates (CDS rates).
  The fair value of financial debt (except for the publicly listed bonds payable) is the present value of expected cash in- or outflows discounted using risk-adjusted discount rates that are appropriate to the term of the item being valued and that are in effect at the end of the reporting period.
- Level 3: The Schaeffler Group does not have any financial instruments in this level.

The company reviews its financial instruments at the end of each reporting period for any required transfers between levels. No transfers between levels were made during the period.

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.

Financial instruments by class and category in accordance with IFRS 7.8 **No. 032**

			06/30/2019		12/31/2018 [1]		06/30/2018 [1]	
in € millions	Category per IFRS 7.8	Level per IFRS 13	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets, by class								
Trade receivables	Amortized cost		2,099	2,099	1,914	1,914	2,193	2,193
Trade receivables – ABCP program	FVTPL	2	123	123	89	89	136	136
Other financial assets								
• Other investments	FVOCI	2	36	36	38	38	38	38
• Marketable securities	FVTPL	1	21	21	17	17	18	18
• Derivatives designated as hedging instruments	n.a.	2	13	13	43	43	33	33
• Derivatives not designated as hedging instruments	FVTPL	2	37	37	31	31	62	62
• Miscellaneous other financial assets	Amortized cost		91	91	108	108	61	61
Cash and cash equivalents	Amortized cost		559	559	801	801	507	507
Financial liabilities, by class								
Financial debt	FLAC	1,2 [2]	3,725	3,897	3,348	3,364	3,341	3,405
Trade payables	FLAC		1,825	1,825	1,967	1,967	1,886	1,886
Refund liabilities	n.a.		187	187	236	236	207	207
Lease liabilities [3]	FLAC		187	-	0	-	0	-
Other financial liabilities								
• Derivatives designated as hedging instruments	n.a.	2	33	33	40	40	43	43
• Derivatives not designated as hedging instruments	FVTPL	2	34	34	27	27	30	30
• Miscellaneous other financial liabilities	FLAC		447	447	422	422	371	371
Summary by category								
Financial assets at amortized cost (Amortized cost)			2,749	2,749	2,823	2,823	2,761	2,761
Financial assets at fair value through profit or loss (FVTPL)			181	181	137	137	216	216
Financial assets (equity instruments) at fair value through other comprehensive income (FVOCI)			36	36	38	38	38	38
Financial liabilities at amortized cost (FLAC)			6,184	6,169	5,737	5,753	5,598	5,662
Financial liabilities at fair value through profit or loss (FVTPL)			34	34	27	27	30	30

[1] The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See “Basis of preparation” in the condensed notes to the consolidated interim financial statements for further details.

[2] Level 1: EUR 2,931 m (December 31, 2018: EUR 2,020 m; June 30, 2018: EUR 2,054 m).
Level 2: EUR 966 m (December 31, 2018: EUR 1,344 m; June 30, 2018: EUR 1,351 m).

[3] Disclosure of fair value omitted in accordance with IFRS 7.29 (d).

Contingent liabilities and other obligations

The statements made in the annual report 2018 with respect to contingent liabilities are largely unchanged.

Open commitments under fixed contracts to purchase property, plant and equipment amounted to EUR 374 m as at June 30, 2019 (December 31, 2018: EUR 465 m).

Segment information

In accordance with IFRS 8, segment information is reported under the management approach, reflecting the internal organizational and management structure including the internal reporting system to the Schaeffler AG Board of Managing Directors. The Schaeffler Group engages in business activities (1) from which it may earn revenues and incur expenses, (2) whose EBIT is regularly reviewed by the Schaeffler Group's Board of Managing Directors and used as a basis for future decisions on how to allocate resources to the segments and to assess their performance, and (3) for which discrete financial information is available.

The Schaeffler Group divides its business into three divisions – **Automotive OEM, Automotive Aftermarket,** and **Industrial**. The Automotive OEM division business is organized into the four **business divisions (BD) Engine Systems, Transmission Systems, E-Mobility,** and **Chassis Systems**. The Automotive Aftermarket and Industrial divisions are managed regionally, based on the **regions Europe, Americas, Greater China,** and **Asia/Pacific**.

The segments offer different products and services and are managed separately because they require different technology and marketing strategies. Each segment focuses on a specific worldwide group of customers. Consequently, the amounts for revenue, EBIT, assets, additions to intangible assets and property, plant and equipment, as well as amortization, depreciation, and impairment losses are reported based on the current allocation of customers to divisions. The allocation of customers to segments and the allocation of indirect expenses is reviewed and adjusted annually. To ensure that the information on the Automotive OEM division, Automotive Aftermarket division, and Industrial division segments is comparable, prior year information was also presented using the current year's customer structure. Revenue related to transactions between operating segments is not included.

The integration of the "Bearing & Components Technologies" (BCT) unit, which had previously acted as an internal supplier, has had a significant impact on the presentation of prior year amounts. Under this reorganization, the functions and plants previously assigned to BCT were integrated directly into the two divisions Automotive OEM and Industrial. In this context, the risk of fluctuations in production costs during the year has been borne exclusively by the two producing divisions Automotive OEM and Industrial starting in 2019, a change designed to strengthen divisional management.

Reconciliation to earnings before income taxes **No. 033**

	1st six months	
in € millions	**2019**	**2018** [1) 2)]
EBIT Automotive OEM [2)]	144	415
EBIT Automotive Aftermarket [2)]	136	179
EBIT Industrial [2)]	203	179
EBIT	**483**	**773**
Financial result	-81	-85
Income (loss) from equity-accounted investees	-7	0
Earnings before income taxes	**395**	**688**

1) The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
2) Prior year information presented based on 2019 segment structure.

Reconciliation EBIT to EBIT before special items **No. 034**

	1st six months		1st six months		1st six months		1st six months	
	2019	**2018** [1) 2)]	**2019**	**2018** [1) 2)]	**2019**	**2018** [1) 2)]	**2019**	**2018** [1)]
in € millions	Automotive OEM		Automotive Aftermarket		Industrial		Total	
EBIT	**144**	**415**	**136**	**179**	**203**	**179**	**483**	**773**
• in % of revenue	3.2	9.1	15.1	19.3	11.2	10.6	6.7	10.7
Special items	**73**	**10**	**0**	**0**	**0**	**11**	**73**	**22**
• Legal cases	0	0	0	0	-13	0	-13	0
• Restructuring	73	10	0	0	13	11	86	22
• Other	0	0	0	0	0	0	0	0
EBIT before special items	**216**	**425**	**136**	**179**	**203**	**190**	**556**	**794**
• in % of revenue	4.8	9.3	15.1	19.3	11.2	11.3	7.7	11.0

1) The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
2) Prior year amounts are based on a retrospective change in segment structure.

Related parties

The extent of transactions with related persons and entities remained largely unchanged compared to the 2018 consolidated financial statements.

On April 24, 2019, the Schaeffler AG annual general meeting passed a resolution to pay a total dividend of EUR 361 m in respect of 2018 (prior year: EUR 361 m), consisting of EUR 270 m (prior year: EUR 270 m) on the common shares held by IHO Verwaltungs GmbH and EUR 91 m (prior year: EUR 91 m) on the common non-voting shares.

Transactions with associated companies and joint ventures in the first six months of 2019 were insignificant.

Events after the reporting period

On July 29, 2019, Schaeffler AG's Board of Managing Directors decided to adjust the Schaeffler Group's outlook 2019 as a result of the unexpectedly strong decline in automobile production for the full year 2019, which is currently forecasted to continue in the second half of the year as well. In addition, a decrease in estimated requirements of a few major customers of the Automotive Aftermarket division compared to expectations at the beginning of the year has led to a downward revision in this division's revenue guidance. Meanwhile, expected full-year demand in certain sector clusters in the Industrial division has increased from the beginning of the year, leading to a slight upward revision in that division's revenue guidance. As a result, the Schaeffler Group now estimates that its revenue will grow by -1 to 1% excluding the impact of currency translation in 2019. Based on this, the company further expects to generate an EBIT margin before special items of 7 to 8%. Furthermore, the Schaeffler Group now anticipates free cash flow before cash in- and outflows for M&A activities for the full year 2019 of EUR 350 to 400 m.

For the Automotive OEM division, the Schaeffler Group now estimates revenue growth of -2 to 0% in 2019, excluding the impact of currency translation, due to the decline in global automobile production. The Automotive OEM division's EBIT margin before special items for 2019 is estimated at 5 to 6%. For the Automotive Aftermarket division, the Schaeffler Group now estimates revenue growth of -2 to 0% excluding the impact of currency translation, since requirements of a few major customers for the full year 2019 are now expected to be lower than originally anticipated at the beginning of the year. The company still expects the Automotive Aftermarket division to generate an EBIT margin before special items of 15 to 16% in 2019. Furthermore, the Schaeffler Group now anticipates that its Industrial division will generate higher revenue growth in 2019 than originally assumed, since it expects certain sector clusters to experience higher demand than previously anticipated at the beginning of the year. The group's Industrial division now estimates that its revenue will grow by 2 to 4%, excluding the impact of currency translation, and expects to generate an EBIT margin before special items of 10 to 11%.

No other material events expected to have a significant impact on the net assets, financial position, or results of operations of the Schaeffler Group occurred after June 30, 2019.

Herzogenaurach, July 29, 2019

The Board of Managing Directors

Review report

We have reviewed the condensed interim consolidated financial statements of the Schaeffler AG – comprising the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Shareholders' Equity and condensed Notes – together with the interim group management report of the Schaeffler AG, Herzogenaurach for the period from January 1 to June 30, 2019 that are part of the semi annual financial report according to § 115 WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, July 31, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

Alt-Scherer	Koeplin
Wirtschaftsprüferin	Wirtschaftsprüfer

Responsibility statement by the company's legal representatives

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

Herzogenaurach, July 29, 2019

Schaeffler Aktiengesellschaft
The Board of Managing Directors

Klaus Rosenfeld
Chief Executive Officer

Prof. Dr.-Ing. Peter Gutzmer

Dietmar Heinrich

Andreas Schick

Corinna Schittenhelm

Michael Söding

Dr. Stefan Spindler

Matthias Zink

List of figures

Forward-looking statements

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

Rounding differences may occur.

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

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

Summary – 1st quarter 2018 to 2nd quarter 2019

	2018				2019	
Income statement (in € millions)	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
Revenue	3,551	3,641	3,521	3,527	3,622	3,604
EBIT	391	382	376	204	230	253
• in % of revenue	11.0	10.5	10.7	5.8	6.3	7.0
EBIT before special items 1)	391	404	356	231	272	284
• in % of revenue	11.0	11.1	10.1	6.5	7.5	7.9
Net income 2)	238	268	256	119	137	136
Earnings per common non-voting share (basic/diluted, in €)	0.36	0.41	0.38	0.18	0.21	0.21
Statement of financial position (in € millions)						
Total assets	11,876	12,023	12,336	12,362	14,561	12,993
Shareholders' equity 3)	2,778	2,691	2,948	3,060	3,169	2,736
• in % of total assets	23.4	22.4	23.9	24.8	21.8	21.1
Net financial debt	2,438	2,834	2,645	2,547	2,805	3,167
• Net financial debt to EBITDA ratio before special items 1) 4)	1.1	1.2	1.1	1.2	1.3	1.6
• Gearing ratio (Net financial debt to shareholders' equity, in %)	87.8	105.3	89.7	83.2	88.5	115.8
Statement of cash flows (in € millions)						
EBITDA	587	584	584	421	472	490
Cash flows from operating activities	236	284	463	623	154	229
Capital expenditures (capex) 5)	306	289	261	376	373	221
• in % of revenue (capex ratio)	8.6	7.9	7.4	10.6	10.3	6.1
Free cash flow (FCF) before cash in- and outflows for M&A activities	-70	-5	203	257	-235	6
• FCF conversion ratio (ratio of FCF before cash in- and outflows for M&A activities to EBITDA before special items, in %) 1) 4)	24.1	22.1	16.9	17.5	10.3	11.3
Value-based management						
Schaeffler Value Added before special items (in € millions) 1) 4)	742	791	722	557	422	289
ROCE before special items (in %) 1) 4)	19.3	19.8	18.8	16.7	15.0	13.4
Employees						
Headcount (at end of reporting period)	91,414	92,198	92,836	92,478	91,837	90,492

	2018				2019	
Automotive OEM division (in € millions)	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
Revenue	2,280	2,307	2,191	2,218	2,286	2,229
EBIT	218	197	180	66	59	85
• in % of revenue	9.6	8.5	8.2	3.0	2.6	3.8
EBIT before special items 1)	218	207	167	81	113	103
• in % of revenue	9.6	9.0	7.6	3.6	5.0	4.6
Automotive Aftermarket division (in € millions)						
Revenue	447	480	476	459	441	465
EBIT	80	99	89	73	64	73
• in % of revenue	18.0	20.6	18.8	15.9	14.4	15.7
EBIT before special items 1)	80	99	86	73	64	73
• in % of revenue	18.0	20.6	18.2	15.9	14.4	15.7
Industrial division (in € millions)						
Revenue	824	855	854	850	895	911
EBIT	92	86	107	66	108	95
• in % of revenue	11.2	10.1	12.5	7.7	12.0	10.4
EBIT before special items 1)	92	98	102	77	95	108
• in % of revenue	11.2	11.4	12.0	9.1	10.6	11.9

Prior year information presented based on 2019 segment structure.
1) Please refer to pp. 22 et seq. for the definition of special items.
2) Attributable to shareholders of the parent company.
3) Including non-controlling interests.
4) EBIT/ EBITDA based on the last twelve months.
5) Capital expenditures on intangible assets and property, plant and equipment.

Financial calendar

August 6, 2019
Publication of results for the first six months 2019

November 5, 2019
Publication of results for the first nine months 2019

March 10, 2020
Publication of annual results 2019

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

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