SCHAEFFLER

H1 Interim Financial Report
as at June 30, 2020

Schaeffler Group at a glance

Key figures

	1st six months			
Income statement (in € millions)	**2020**	**2019**		Change
Revenue	5,574	7,226	-22.9	%
• at constant currency			-21.8	%
EBIT	-223	483	-	%
• in % of revenue	-4.0	6.7	-10.7	%-pts.
EBIT before special items [1]	65	556	-88.3	%
• in % of revenue	1.2	7.7	-6.5	%-pts.
Net income (loss) [2]	-353	273	-	%
Earnings per common non-voting share (basic/diluted, in €)	-0.52	0.42	-	%
Statement of financial position (in € millions)	**06/30/2020**	**12/31/2019**		Change
Total assets	12,301	12,870	-4.4	%
Shareholders' equity [3]	1,883	2,917	-1,034	€ millions
• in % of total assets	15.3	22.7	-7.4	%-pts.
Net financial debt	3,002	2,526	18.9	%
• Net financial debt to EBITDA ratio before special items [1] [4]	1.8	1.2		
• Gearing ratio (Net financial debt to shareholders' equity [3], in %)	159.5	86.6	72.9	%-pts.
	1st six months			
Statement of cash flows (in € millions)	**2020**	**2019**		Change
EBITDA	513	962	-46.7	%
Cash flows from operating activities	197	384	-186	€ millions
Capital expenditures (capex) [5]	300	594	-294	€ millions
• in % of revenue (capex ratio)	5.4	8.2	-2.8	%-pts.
Free cash flow (FCF) before cash in- and outflows for M&A activities	-148	-229	81	€ millions
• FCF conversion ratio (ratio of FCF before cash in- and outflows for M&A activities to EBITDA before special items, in %) [1] [4]	33.7	11.3	22.5	%-pts.
Value-based management				Change
Schaeffler Value Added before special items (in € millions) [1] [4]	-89	289	-130.7	%
ROCE before special items (in %) [1] [4]	7.9	13.4	-5.4	%-pts.
Employees	**06/30/2020**	**12/31/2019**		Change
Headcount (at end of reporting period)	84,223	87,748	-4.0	%

	1st six months			
Automotive OEM division [6] (in € millions)	**2020**	**2019**		Change
Revenue	3,264	4,517	-27.7	%
• at constant currency			-26.8	%
EBIT	-445	149	-	%
• in % of revenue	-13.6	3.3	-16.9	%-pts.
EBIT before special items [1]	-179	221	-	%
• in % of revenue	-5.5	4.9	-10.4	%-pts.
Automotive Aftermarket division [6] (in € millions)				Change
Revenue	747	904	-17.3	%
• at constant currency			-14.8	%
EBIT	103	141	-26.4	%
• in % of revenue	13.8	15.6	-1.7	%-pts.
EBIT before special items [1]	103	141	-26.4	%
• in % of revenue	13.8	15.6	-1.7	%-pts.
Industrial division [6] (in € millions)				Change
Revenue	1,562	1,804	-13.4	%
• at constant currency			-12.8	%
EBIT	119	194	-38.7	%
• in % of revenue	7.6	10.7	-3.1	%-pts.
EBIT before special items [1]	141	194	-27.4	%
• in % of revenue	9.0	10.8	-1.7	%-pts.

1) Please refer to pp. 14 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 2020 segment structure.

Highlights H1 2020

Coronavirus pandemic results in significant revenue decline

Revenue at EUR **5.6** bn (down 21.8% at constant currency)
(prior year: EUR 7.2 bn)

EBIT before special items positive despite coronavirus pandemic

EBIT before special items EUR **65** m
(prior year: EUR 556 m)

Free cash flow managed proactively

Free cash flow before cash in- and outflows for
M&A activities at EUR **-148** m
(prior year: EUR -229 m)

Strong liquidity position

Available liquidity of approx. EUR **2.4** bn
(approx. 19% of revenue LTM)

Schaeffler on the capital markets

Recent events

2020 full-year guidance suspended

On March 24, 2020, the Board of Managing Directors of Schaeffler AG suspended the full-year guidance for 2020 for the Schaeffler Group and its divisions that had been published on March 10, 2020, due to the worldwide spread of the coronavirus pandemic and the resulting implications for the company's results of operations. Currently, neither the future course of the pandemic nor the economic implications can be reliably estimated.

More on the current guidance in the report on expected developments on pp. 28 et seq.

Strategic Capital Markets Day postponed

In connection with the spread of the coronavirus pandemic and the resulting implications for the company's results of operations, Schaeffler AG's Board of Managing Directors postponed the strategic Capital Markets Day scheduled for March 24, 2020, until further notice. Instead, the company updated investors and analysts on the implications of the pandemic for the company's current results of operations in a "Capital Markets Update Call" with members of the Board of Managing Directors on that date.

Placement of first green Schuldschein

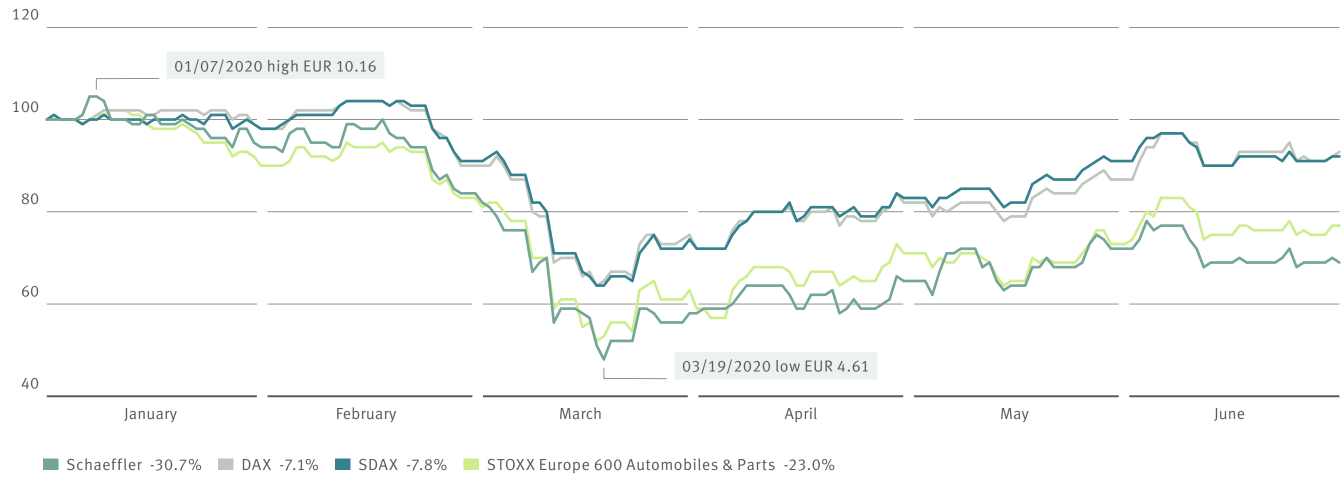
On April 9, 2020, Schaeffler AG announced that it had placed its first Schuldschein loan with international investors. The company raised a total of EUR 347 m in connection with this placement. EUR 300 m of these funds will be used exclusively to refinance a portfolio of sustainable projects in accordance with the Schaeffler Group's "Green Finance Framework". Further Schuldschein tranches totaling EUR 160 m were issued durng the second quarter of 2020. The proceeds of these placements were received in May and June 2020.

Dividend below prior year

Schaeffler AG's virtual annual general meeting, which was held on May 8, 2020, passed a resolution to pay a dividend of EUR 0.44 (prior year: EUR 0.54) per common share and EUR 0.45 (prior year: EUR 0.55) per common non-voting share to Schaeffler AG's shareholders for 2019. This represents a dividend payout ratio of 43.0% of net income attributable to shareholders before special items.

Schaeffler share price trend 2020

in percent (12/31/2019 = 100)



Source: Bloomberg (closing prices).

Capital market trends

In the first half of 2020, the capital markets were marked by high volatility caused by the coronavirus pandemic. Due to the rapid spread of the coronavirus pandemic and the resulting adverse implications for the global economy, prices declined sharply in February and March 2020. Prices began to recover late in the first quarter of 2020, mainly in response to the announcement of government action to support the economy. Additionally, various central bank programs increased liquidity in the market, nourishing the rebound.

In this context, the global equities markets trended weaker overall in the first half of 2020. The Euro STOXX 50 fell 13.6% and the Dow Jones Industrial Average was down 9.6%. The Nikkei 225 index lost 5.8% in value as well. Meanwhile, the Deutsche Aktienindex (DAX) decreased by 7.1%, dropping to a level of 12,311 points as at June 30, 2020.

Schaeffler shares

Schaeffler AG's common non-voting shares lagged behind the benchmark indexes DAX (-7.1% compared to December 31, 2019), SDAX (-7.8%), and STOXX Europe 600 Automobiles & Parts (-23.0%) during the first half of 2020. On June 30, 2020, the common non-voting shares of Schaeffler AG were quoted at EUR 6.67, 30.7% less than on December 31, 2019. The Schaeffler shares' weakness is attributable to the coronavirus pandemic, with particularly the automotive sector seeing considerable adverse consequences emerging for both demand and production of passenger cars and light commercial vehicles.

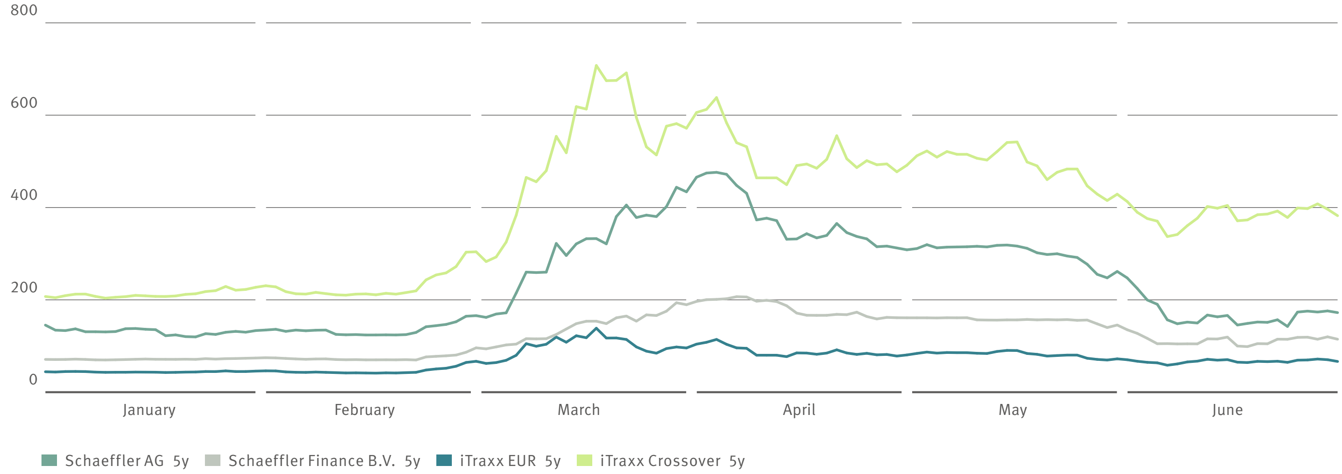
Schaeffler share performance

	1st six months	
	2020	**2019**
Schaeffler share price 06/30 (in €) [1]	6.67	6.54
Average trading volume (number of shares)	752,589	1,174,863
DAX 06/30 [1]	12,311	12,399
SDAX 06/30 [1]	11,536	11,378
STOXX Europe 600 Automobiles & Parts 06/30 [1]	392	490
Average number of shares (in millions)		
• Common shares	500	500
• Common non-voting shares	166	166
Earnings per share (in €)		
• Common shares	-0.53	0.41
• Common non-voting shares	-0.52	0.42

[1] Source: Bloomberg (closing prices).

The daily trading volume averaged 752,589 shares in the first half of 2020 (prior year: 1,174,863). The decline in trading volume compared to the prior year period is mainly due to less trading activity in the months of January and February.

Credit default swap (CDS) price trend 2020
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, 2020, all of them denominated in EUR. Schaeffler AG issued three bond series due in 2022, 2024, and 2027. The bond series due in 2025 was issued by Schaeffler Finance B.V. in Barneveld, Netherlands.

In January and February, the four bond series trended laterally. Starting in early March, all bond series have experienced declines since the spread of the coronavirus pandemic in Europe. Beginning in mid-March, trading in corporate bonds was severely restricted for several weeks. Having bottomed out in early April, bond markets stabilized over the course of the second quarter of 2020, albeit at a lower level than at the beginning of the year.

The Schaeffler AG bonds due in 2022 closed at 97.52% on June 30, the bonds due in 2024 came in at 97.29%, and the closing price at June 30 of the bonds with the longest maturity, 2027, was 99.63%. The bond series due in 2025 issued by Schaeffler Finance B.V. which has been callable since May 15, 2020, closed at 99.55% on June 30.

Schaeffler AG holds ratings by the three rating agencies Fitch, Moody's, and Standard & Poor's. On April 3, 2020, rating agency Standard & Poor's announced that it was reviewing Schaeffler AG's rating for a possible downgrade ("CreditWatch negative"). In light of the economic implications of the coronavirus pandemic, Moody's downgraded the issuer and instrument ratings from "Baa3" to "Ba1" on June 15, 2020.

The following summary shows the three rating agencies' ratings as at June 30, 2020:

Schaeffler Group ratings
as at June 30

	2020	2019	2020	2019
	Company		Bonds	
Rating agency	Rating/Outlook		Rating	
Fitch	BBB-/negative	BBB-/stable	BBB-	BBB-
Moody's	Ba1/stable	Baa3/stable	Ba1	Baa3
Standard & Poor's	BBB-/- [1]	BBB-/stable	BBB-	BBB-

[1] CreditWatch negative.

More on the current ratings in the supplementary report on p. 26

Contents

Schaeffler Group at a glance		2
Highlights H1 2020		3
Schaeffler on the capital markets		4

Group interim management report

1.	Report on the economic position	8
1.1	Economic environment	8
1.2	Major events – first half 2020	10
1.3	Earnings	11
1.4	Financial position	22
1.5	Net assets and capital structure	25
2.	Supplementary report	26
3.	Report on opportunities and risks	27
4.	Report on expected developments	28
4.1	Expected economic and sales market trends	28
4.2	Schaeffler Group outlook	28

Consolidated interim financial statements

Consolidated income statement	30
Consolidated statement of comprehensive income	31
Consolidated statement of financial position	32
Consolidated statement of cash flows	34
Consolidated statement of changes in equity	35
Consolidated segment information	36
Condensed notes to the consolidated interim financial statements	37
Review report	45
Responsibility statement by the company's legal representatives	46

Additional information

Summary 1st quarter 2019 to 2nd quarter 2020	47
Financial calendar	49

Special items
In order to facilitate a transparent evaluation of the company's results of operations, the Schaeffler Group reports EBIT, EBITDA, net income, net 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 details in the report

1. Report on the economic position

1.1 Economic environment

In early 2020, the **global economy** initially showed signs of stabilizing. Over the course of the reporting period, however, the spread of the new coronavirus SARS-CoV-2, which eventually developed into a global pandemic, led to a worldwide health and economic crisis. Based on preliminary estimates, global gross domestic product for the reporting period fell approximately 5% below the prior year level (Oxford Economics, July 2020). While global gross domestic product fell short of the prior year level in both quarters of the reporting period, the contraction in the second quarter was considerably more severe than in the first. The main reason for the global economic crisis were measures, some quite drastic, taken worldwide to contain the coronavirus. These measures led to a severe decline in economic activity. The high level of uncertainty among companies, consumers, and investors further hampered the global economy.

In China, the country initially hit hardest by the coronavirus, partly drastic containment measures were initiated in late January. As new infections were decreasing significantly, China started to gradually ease its containment measures in mid-March and completed this process by early April in most of the country. Against this backdrop, economic activity increased noticeably in the second quarter, following a heavy slump in gross domestic product in the first quarter. In March, the coronavirus began to spread rapidly outside China and across continents. These developments and the related containment measures put in place in numerous countries resulted in considerable economic disruption worldwide toward the end of the first quarter and especially over the course of the second quarter. Numerous economies – including the euro region, the U.S., Japan, and India – plunged into a recession, with some experiencing historically unprecedented slumps in economic activity.

Several economies eased their containment measures in May and June after their numbers of new coronavirus infections had dropped. In light of this, the global economy showed tentative signs of stabilizing toward the end of the reporting period.

In this context, the situation of the Schaeffler Group's regions was as follows: Gross domestic product in the Europe region decreased by approximately 8% while economic output in the Americas region declined by approximately 6%. In the Greater China region, gross domestic product was approximately 2% below the prior year level, and the Asia/Pacific region's economic output fell by approximately 5%.

In the currency markets, the euro fell against the U.S. dollar compared to the prior year period, while it rose against the Chinese renminbi. On average, the euro was valued at USD 1.10 and CNY 7.75, respectively, during the reporting period (prior year: USD 1.13 and CNY 7.67, respectively; European Central Bank).

More on foreign currency translation on page 38

Global **automobile production**, measured as the number of vehicles up to six tons in weight produced, slumped significantly during the reporting period, falling to 33% below the prior year level according to preliminary estimates (IHS Markit, July 2020). The quite pronounced decline in the first quarter was followed by an even more severe slump in the second quarter. Nearly all significant production countries worldwide and all Schaeffler Group regions experienced a similar development, with the exception of Greater China. The slump in global automobile production was largely driven by the coronavirus pandemic. For instance, over the course of the reporting period, plants in the automotive industry were temporarily closed worldwide and in all of the Schaeffler Group's regions, some for several months. Where production resumed, stricter health protecion measures contributed to plants not reaching their original capacity in some cases. A further coronavirus pandemic-related factor hampering production were temporary disruptions in the global supply chain, including with respect to intermediate products from China. Additionally, sales of passenger cars decreased noticeably during the reporting period, with some countries temporarily closing car dealerships due to the pandemic. Meanwhile, a number of factors contributed to a decline in demand as well – along with mobility restrictions, particularly the expected or already apparent deterioration in consumers' economic situation.

Automobile production in the Europe region dropped by approximately 39%. In the euro region, the number of vehicles produced was down approximately 43% from prior year, with considerable declines in France (-56%), Italy (-50%), Germany (-40%), and Spain (-41%) weighing heavily on output. The United Kingdom (-42%) reported considerably less production as well. Automobile production in the Americas region was approximately 41% below prior year. In both the U.S. and Mexico, automobile production declined by approximately 39%. Canada (-47%) and Brazil (-51%) experienced even sharper decreases. In the Greater China region, the number of vehicles produced fell approximately 20% short of the prior year level. Unlike the Schaeffler Group's remaining regions, Greater China reported an increase in the second quarter of 2020. This is partly due to the weak level for the prior year quarter; however, the positive development is also the result of the country resuming production comparatively early and an improvement in consumer sentiment. In the Asia/Pacific region, automobile production declined by approximately 34%. The sharpest decreases were reported by India (-51%) and Thailand (-46%). Production in Japan was approximately 28% less than in the prior year, and approximately 22% less than in the prior year in South Korea.

Based on preliminary estimates, global **industrial production** for the reporting period, measured as gross value added based on constant prices and exchange rates, was down approximately 7% from the prior year level (Oxford Economics, June 2020). While global industrial production declined in both quarters within the reporting period, the decrease was much more pronounced in the second quarter than in the first; most significant industrialized nations and emerging markets experienced a similar development. The slump in global industrial production is primarily due to disruptions related to the coronavirus pandemic. Containment measures taken worldwide, some even including temporary factory closures, led directly to lost production as well as disruptions in national and global supply chains. At the same time, demand for industrial goods fell as well, partly due to containment measures but also, among other factors, due to increased uncertainty among companies and consumers. From a sector perspective industrial production was considerably hampered by the significant slump of the automobile sector, which also affected other industrial sectors because of close interdependencies along the value chain. A number of economies, especially in the Europe region, experienced declining industrial production even before the coronavirus pandemic.

In the Europe region, industrial production fell by approximately 10% during the reporting period, with the decline already seen in the first quarter growing considerably worse in the second quarter. The euro region experienced a similar trend, with industrial production for the reporting period there dropping by approximately 12% in total compared to the prior year level. The considerable contraction in automobile production, which also affected other industrial sectors via the supply chain, contributed significantly to the negative development in the euro region. Italy (-19%) reported the most severe decline in industrial production; further significant contractions were also experienced in Germany (-12%) and France (-13%). Industrial production in the United Kingdom dropped by approximately 8% compared to the prior year. Industrial production in both the Americas region and especially in the U.S., the region's most significant sales market, was approximately 8% below the prior year level; in both cases, industrial production for the first quarter was flat with prior year followed by a significant contraction in the second quarter. The U.S. were particularly adversely affected by the significant decline in automobile production, which radiated to other industrial sectors. Additionally, the U.S. experienced a considerable slump in production in the aerospace sector as well, largely driven by a massive worldwide decline in air traffic due to the coronavirus pandemic. Industrial production in the Greater China region was approximately 3% below the prior year level, with a considerable contraction in the first quarter followed by slight growth in the second quarter. The positive development in the second quarter was mainly driven by measures to contain the coronavirus being eased, some as early as in March. Additionally, extensive measures taken by the government to support the economy contributed to the growth in industrial production. In the Asia/Pacific region, industrial production fell approximately 6% short of the prior year level. A slight decline in the first quarter was followed by a considerable contraction in the second quarter. Compared to the prior year level, industrial production in Japan and India fell by a total of approximately 8% during the reporting period, each reporting a significant slump in the second quarter. In both countries, the decline in automobile production, which affected other industrial sectors, contributed considerably to the negative development in the reporting period. In South Korea on the other hand, industrial production was approximately flat with prior year since the decline in the second quarter was offset by growth in the first quarter.

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 (Bloomberg; EIA; Platts). The prices of aluminum, copper, and crude oil declined, as did the prices of hot- and cold-rolled steel in the Schaeffler Group's relevant procurement regions. The trend during the reporting period was similar – prices quoted as at June 30 were consistently lower than those at the beginning of the year. Commodity market price trends affect the Schaeffler Group's cost to varying degrees and in some instances with some delay, depending on the terms of the relevant supplier contracts.

1.2 Major events – first half 2020

On February 3, 2020, the business of the plants in Unna and Kaltennordheim transferred to a consortium of investors. The employee's employment contracts were assumed by the new owners as part of that transfer as well. The agreement to sell the two plants was entered into on December 5, 2019.

At its meeting on March 6, 2020, the Supervisory Board of Schaeffler AG renewed the contract of Michael Söding, CEO Automotive Aftermarkt, until December 31, 2023. Additionally, at its meeting on May 8, 2020, the Supervisory Board of Schaeffler AG decided to extend the contract with Chief Operating Officer Andreas Schick for a further five years to March 31, 2026.

Since the start of the coronavirus pandemic, the Schaeffler Group has taken comprehensive measures to protect the health of its employees, keep supply chains intact, and safeguard the financial stability of the company. In doing so, the Schaeffler Group follows the recommendations made by national, international, and local authorities. For instance, business travel and training has been restricted and employees in many areas are temporarily working remotely.

Given the low utilization of its production capacity, especially in the automotive business, the Schaeffler Group has taken measures to adapt its costs to changing market conditions. In this context, the company has agreed on a set of measures for direct and indirect areas with employee representatives. Along with closure days, using hours in flexitime accounts, and plant holidays, the measures also comprise short-time work. To further safeguard the company's financial stability, investing activities were further adapted to current results of operations in line with the Schaeffler Group's capital allocation management framework. To keep supply chains intact, requirements and capacities are proactively and closely coordinated with both customers and suppliers.

On March 24, 2020, the Board of Managing Directors of Schaeffler AG announced that it was suspending the full-year guidance for 2020 for the Schaeffler Group and its divisions that had been published on March 10, 2020, due to the worldwide spread of the coronavirus pandemic and the resulting implications for the company's results of operations.

More on the current guidance in the report on expected developments on pp. 28 et seq.

The strategic Capital Markets Day scheduled for March 24, 2020, was postponed as well. Instead, the company updated investors and analysts on the implications of the pandemic for the company's current results of operations in a "Capital Markets Update Call" with members of the Board of Managing Directors on that date. The strategic Capital Markets Day, including the planned publication of the company's new strategy, will be rescheduled as soon as circumstances surrounding the coronavirus pandemic allow.

The coronavirus pandemic and the measures taken worldwide to contain it have led to increased uncertainty regarding the Schaeffler Group's future course of business and, therefore, to changes in the assumptions used to determine the recoverable amount of groups of cash-generating units. As a result, goodwill allocated to the Automotive OEM division was impaired by EUR 249 m as at March 31, 2020.

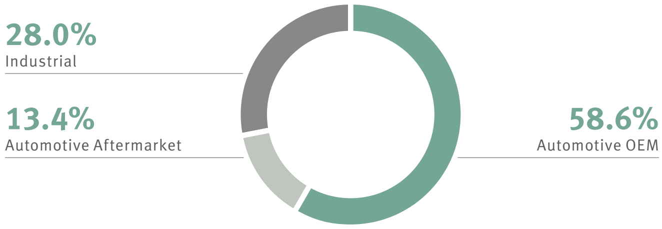
Schaeffler AG's virtual annual general meeting, which was held on May 8, 2020, passed a resolution to pay a dividend of EUR 0.44 (prior year: EUR 0.54) per common share and EUR 0.45 (prior year: EUR 0.55) per common non-voting share to Schaeffler AG's shareholders for 2019. This represents a dividend payout ratio of 43.0% of net income attributable to shareholders before special items.

Schaeffler Group

Coronavirus pandemic results in significant revenue decline: down 21.8% at constant currency // All divisions' revenue considerably below prior year // Heavy decreases in second-quarter revenue in the Europe, Americas, and Asia/Pacific regions; however, Greater China demand increased in Q2 // EUR 288 m in special items mainly due to goodwill impairment in Automotive OEM division // EBIT before special items positive despite coronavirus pandemic // Programs "RACE", "GRIP", and "FIT" proving effective

Revenue **EUR 5,574 m**

EBIT margin before special items **1.2%**



Schaeffler Group earnings

	1st six months			2nd quarter		
in € millions	2020	2019	Change in %	2020	2019	Change in %
Revenue	**5,574**	**7,226**	**-22.9**	**2,292**	**3,604**	**-36.4**
• at constant currency			-21.8			-34.5
Revenue by division						
Automotive OEM	3,264	4,517	-27.7	1,256	2,232	-43.7
• at constant currency			-26.8			-42.0
Automotive Aftermarket	747	904	-17.3	301	461	-34.6
• at constant currency			-14.8			-30.5
Industrial	1,562	1,804	-13.4	734	911	-19.4
• at constant currency			-12.8			-18.1
Revenue by region [1]						
Europe	2,422	3,379	-28.3	886	1,664	-46.7
• at constant currency			-27.8			-45.8
Americas	1,137	1,594	-28.7	366	777	-53.0
• at constant currency			-28.0			-51.1
Greater China	1,257	1,231	2.1	737	645	14.3
• at constant currency			3.0			15.9
Asia/Pacific	758	1,022	-25.8	303	518	-41.6
• at constant currency			-24.6			-39.5
Cost of sales	-4,437	-5,413	-18.0	-1,953	-2,705	-27.8
Gross profit	**1,138**	**1,813**	**-37.3**	**339**	**899**	**-62.3**
• in % of revenue	20.4	25.1	-	14.8	25.0	-
Research and development expenses	-387	-444	-12.9	-179	-215	-16.6
Selling and administrative expenses	-664	-775	-14.3	-294	-383	-23.0
Earnings before financial result, income (loss) from equity-accounted investees, and income taxes (EBIT)	**-223**	**483**	**-**	**-135**	**253**	**-**
• in % of revenue	-4.0	6.7	-	-5.9	7.0	-
Special items [2]	288	73	> 100	-15	31	-
EBIT before special items	**65**	**556**	**-88.3**	**-150**	**284**	**-**
• in % of revenue	1.2	7.7	-	-6.5	7.9	-
Financial result	-90	-81	11.5	-33	-43	-21.7
Income (loss) from equity-accounted investees	-14	-7	> 100	-8	-3	> 100
Income taxes	-24	-116	-79.0	6	-69	-
Net income (loss) [3]	-353	273	-	-168	136	-
Earnings per common non-voting share (basic/diluted, in €)	-0.52	0.42	-	-0.25	0.21	-

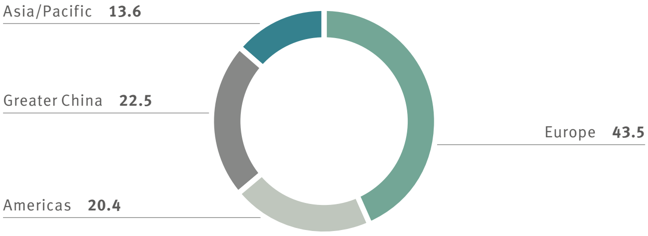
[1] Based on market (customer location).
[2] Please refer to pp. 14 et seq. for the definition of special items.
[3] Attributable to shareholders of the parent company.

1.3 Earnings

Schaeffler Group earnings

The Schaeffler Group's **revenue** for the first half of 2020 declined by 22.9% (-21.8% at constant currency) to EUR 5,574 m (prior year: EUR 7,226 m) due to the coronavirus pandemic. Following an already considerable decline in the first quarter – mainly as a result of lower demand in Greater China – revenue for the second quarter slumped by approximately one third compared to the prior year, which is attributable to the Europe, Americas, and Asia/Pacific regions. In Greater China, however, demand was up considerably in the second quarter. Overall, the Schaeffler Group's revenue improved perceptibly in June compared to April and May.

Schaeffler Group revenue by region
in percent by market view



Trends varied widely across the Schaeffler Group's regions during the reporting period, depending on when the coronavirus spread. The Greater China region was severely affected by the consequences of the coronavirus as early as February, but the pandemic later spread to the other regions as well. Revenue in the Europe region fell considerably, dropping by 28.3% (-27.8% at constant currency). This region's revenue decreased in all three divisions, with the Automotive OEM division affected especially severely by the decline in demand. The Americas region reported a drop in revenue by 28.7% (-28.0% at constant currency) that was attributable to all three divisions. Following a solid start to the year, revenue declined heavily, especially in the second quarter. In contrast, revenue in the Greater China region grew slightly by 2.1% (+3.0% at constant currency) during the reporting period. Along with the encouraging revenue trend in the Industrial division, where revenue in the wind sector cluster rose considerably compared to the prior year, the Automotive OEM division reported improved demand in the second quarter following a severe decline in revenue in February and March. The revenue decrease in the Automotive Aftermarket division was driven by weak demand in the first quarter in particular. The Asia/Pacific region reported a revenue decline of 25.8% (-24.6% at constant currency). Following a moderate drop in revenue in the first quarter, significant revenue was lost in all three divisions in the second quarter.

Cost of sales decreased by EUR 976 m or 18.0% to EUR 4,437 m during the reporting period (prior year: EUR 5,413 m) driven by the impact of volumes, adaptation of personnel and other costs to changed market conditions, and lower raw materials prices. Structural and efficiency measures initiated in the prior year helped reduce cost of sales as well. **Gross profit** decreased by EUR 675 m or 37.3% to EUR 1,138 m during the first half of 2020 (prior year: EUR 1,813 m), mainly driven by volumes. The gross margin dropped by 4.7 percentage points to 20.4% (prior year: 25.1%) in the first half of 2020, primarily due to the impact of fixed costs.

Functional costs for the reporting period declined by EUR 169 m or 13.8% to EUR 1,050 m (prior year: EUR 1,219 m), mainly as a result of the adaptation of personnel and other costs to the changed market conditions, partly driven by measures taken in the prior year to increase efficiency. As a percentage of revenue, however, functional costs rose by 2.0 percentage points to 18.8% (prior year: 16.9%). Research and development expenses of EUR 387 m were EUR 57 m or 12.9% below the prior year level (prior year: EUR 444 m). Research and development expenses represented an R&D ratio of 6.9% of revenue (prior year: 6.1%). Selling and administrative expenses declined by EUR 111 m or 14.3% to EUR 664 m (prior year: EUR 775 m), primarily due to decreased logistics expenses.

The Schaeffler Group's **EBIT** for the first half of 2020 amounted to EUR -223 m (prior year: EUR 483 m), and the corresponding EBIT margin was -4.0% (prior year: 6.7%). EBIT was adversely affected by EUR 288 m in **special items** (prior year: EUR 73 m). These included an impairment of goodwill allocated to the Automotive OEM division by EUR 249 m as at March 31, 2020, since the coronavirus pandemic has led to increased uncertainty regarding the Schaeffler Group's future course of business and, therefore, to changes in the assumptions used to determine the recoverable amount of groups of cash-generating units. In addition, EUR 39 m was recognized for the expansion of the programs “RACE” and “FIT”, especially in connection with downsizing the workforce.

Based on that, **EBIT before special items** declined considerably, falling by EUR 491 m or 88.3% to EUR 65 m (prior year: EUR 556 m) with a corresponding drop in EBIT margin by 6.5 percentage point to 1.2% (prior year: 7.7%).

The Schaeffler Group's **financial result** deteriorated by EUR 9 m to EUR -90 m (prior year: EUR -81 m) in the first six months of 2020.

Schaeffler Group financial result

	1st six months	
in € millions	2020	2019
Interest expense on financial debt 1)	-37	-51
Gains and losses on derivatives and foreign exchange	-2	-14
Fair value changes on embedded derivatives	-17	6
Interest income and expense on pensions and partial retirement obligations	-13	-21
Other	-21	-1
Total	**-90**	**-81**

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

Interest expense on financial debt amounted to EUR 37 m in the first six months of 2020 (prior year: EUR 51 m). Refinancing the bonds at more favorable terms in 2019 helped reduce ongoing interest expense compared to the prior year. Interest expense on financial debt for 2019 included a prepayment penalty of EUR 6 m that was incurred in connection with the refinancing transaction.

Net foreign exchange losses on financial assets and liabilities and net losses on derivatives amounted to EUR 2 m (prior year: EUR 14 m).

Fair value changes on embedded derivatives, primarily prepayment options for external financing instruments, resulted in net losses of EUR 17 m (prior year: net gains of EUR 6 m).

An impairment of EUR 21 m (prior year: EUR 0 m) on an outstanding convertible loan receivable from a joint venture was included in "Other" in the reporting period.

Income tax expense for the reporting period amounted to EUR 24 m (prior year: EUR 116 m), representing an effective tax rate of -7.5% (prior year: 29.4%). The change in the effective tax rate compared to the prior year was primarily the result of an impairment of goodwill that is not tax-deductible as well as from unrecognized deferred taxes on loss and interest carryforwards. Deferred taxes on a few group companies' loss and interest carryforwards were not recognized in full, as it is currently not considered probable that they will be fully utilized.

Net income attributable to shareholders of the parent company for the reporting period declined to EUR -353 m (prior year: EUR 273 m). Net income before special items amounted to EUR -76 m (prior year: EUR 324 m).

Basic and diluted **earnings per common share** decreased to EUR -0.53 (prior year: EUR 0.41) during the reporting period. Basic and diluted **earnings per common non-voting share** amounted to EUR -0.52 (prior year: EUR 0.42). 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.

Schaeffler Value Added before special items (SVA) declined to EUR -89 m during the reporting period (prior year: EUR 289 m); return on capital employed (ROCE) before special items fell to 7.9% (prior year: 13.4%). The considerable decline in SVA was mainly attributable to the trend in Automotive OEM division EBIT before special items.

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. The restructuring category mainly includes expenses related to restructurings as defined in IAS 37 as well as expenses closely related to these restructurings, such as termination benefits as defined in IAS 19. The other category specifically comprises impairments in accordance with IAS 36.

Starting in 2020, the company uses a long-term cost of capital of 9% to calculate SVA based on the last twelve months. For periods up to the end of 2019, the calculation was based on a long-term cost of capital of 10%. The annual average of average capital employed is determined as the arithmetic mean of the balance at the end of each of the four quarters.

Please refer to pp. 33 et seq. and page 56 of the Schaeffler Group's annual report 2019 for a detailed discussion of performance indicators and special items

Reconciliation

	1st six months		1st six months		1st six months		1st six months	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Income statement (in € millions)		Total		Automotive OEM	Automotive Aftermarket			Industrial
EBIT	**-223**	**483**	**-445**	**149**	**103**	**141**	**119**	**194**
• in % of revenue	-4.0	6.7	-13.6	3.3	13.8	15.6	7.6	10.7
Special items	**288**	**73**	**265**	**73**	**0**	**0**	**22**	**0**
• Legal cases	0	-13	0	0	0	0	0	-13
• Restructuring	39	86	16	73	0	0	22	13
- Program “RACE”	16	73	16	73	0	0	0	0
- Program “FIT”	22	0	0	0	0	0	22	0
- Reorganization UK business activities	0	13	0	0	0	0	0	13
• Other	249	0	249	0	0	0	0	0
EBIT before special items	**65**	**556**	**-179**	**221**	**103**	**141**	**141**	**194**
• in % of revenue	1.2	7.7	-5.5	4.9	13.8	15.6	9.0	10.8

Net income (loss) [1]	**-353**	**273**
Special items	**288**	**73**
• Legal cases	0	-13
• Restructuring	39	86
• Other	249	0
- Tax effect [2]	-11	-22
Net income before special items [1]	**-76**	**324**
Statement of financial position (in € millions)	**06/30/2020**	**12/31/2019**
Net financial debt	3,002	2,526
/ EBITDA LTM	1,320	1,769
Net financial debt to EBITDA ratio	**2.3**	**1.4**
Net financial debt	3,002	2,526
/ EBITDA before special items LTM	1,644	2,116
Net financial debt to EBITDA ratio before special items	**1.8**	**1.2**
	1st six months	
Statement of cash flows (in € millions)	**2020**	**2019**
EBITDA	**513**	**962**
Special items	**39**	**61**
• Legal cases	0	-13
• Restructuring	39	74
• Other	0	0
EBITDA before special items	**551**	**1,023**
Free cash flow (FCF)	**-148**	**-290**
-/+ Cash in- and outflows for M&A activities	0	61
FCF before cash in- and outflows for M&A activities	**-148**	**-229**
FCF before cash in- and outflows for M&A activities LTM	555	229
/ EBITDA before special items LTM	1,644	2,034
FCF conversion ratio (in %)	**33.7**	**11.3**
Value-based management (in € millions)		
EBIT LTM	84	1,064
– Cost of capital	760	853
Schaeffler Value Added (SVA)	-675	211
EBIT before special items LTM	671	1,142
– Cost of capital	760	853
SVA before special items	**-89**	**289**
EBIT LTM	84	1,064
/ Average capital employed	8,441	8,530
ROCE (in %)	**1.0**	**12.5**
EBIT before special items LTM	**671**	**1,142**
/ Average capital employed	8,441	8,530
ROCE before special items (in %)	**7.9**	**13.4**

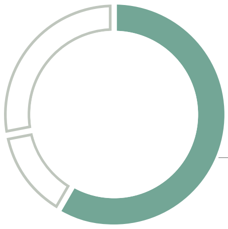
[1] Attributable to shareholders of the parent company.
[2] Based on the group’s effective tax rate for the relevant year; calculated on the special items in the legal cases and restructuring categories. (The goodwill impairment included in other is not tax-deductible.)
LTM = Based on the last twelve months.

Automotive OEM division

Coronavirus pandemic results in constant-currency revenue decline of 26.8% while global automobile production slumps by approximately 33% // Revenue declines in all regions in H1; Greater China exceeds prior year in Q2 // Electric axle and thermal management module show revenue growth despite coronavirus pandemic // EUR 265 m in special items mainly due to goodwill impairment // Earnings quality considerably affected by revenue decrease // Program “RACE” proving effective

Revenue **EUR 3,264 m**

EBIT margin before special items **-5.5%**



Automotive OEM division earnings

in € millions	1st six months 2020	1st six months 2019	Change in %	2nd quarter 2020	2nd quarter 2019	Change in %
Revenue	**3,264**	**4,517**	**-27.7**	**1,256**	**2,232**	**-43.7**
• at constant currency			-26.8			-42.0
Revenue by business division						
E-Mobility BD	271	306	-11.2	128	159	-19.6
• at constant currency			-10.6			-18.8
Engine Systems BD	988	1,388	-28.8	384	689	-44.2
• at constant currency			-28.6			-43.6
Transmission Systems BD	1,450	2,026	-28.4	548	987	-44.5
• at constant currency			-27.9			-43.1
Chassis Systems BD	555	798	-30.4	196	397	-50.5
• at constant currency			-29.4			-49.1
Revenue by region [1]						
Europe	1,202	1,887	-36.3	367	922	-60.2
• at constant currency			-36.0			-59.5
Americas	732	1,088	-32.8	190	523	-63.6
• at constant currency			-32.6			-62.5
Greater China	815	844	-3.5	499	432	15.4
• at constant currency			-2.2			17.3
Asia/Pacific	516	698	-26.0	200	355	-43.6
• at constant currency			-24.9			-41.9
Cost of sales	-2,833	-3,572	-20.7	-1,208	-1,771	-31.8
Gross profit	**431**	**945**	**-54.3**	**48**	**461**	**-89.6**
• in % of revenue	13.2	20.9	-	3.8	20.6	-
Research and development expenses	-305	-352	-13.5	-141	-170	-16.9
Selling and administrative expenses	-300	-355	-15.5	-131	-175	-25.1
EBIT	**-445**	**149**	**-**	**-225**	**90**	**-**
• in % of revenue	-13.6	3.3	-	-17.9	4.1	-
Special items [2]	265	73	› 100	-5	18	-
EBIT before special items	**-179**	**221**	**-**	**-229**	**108**	**-**
• in % of revenue	-5.5	4.9	-	-18.2	4.9	-

Prior year information presented based on 2020 segment structure.
[1] Based on market (customer location).
[2] Please refer to pp. 14 et seq. for the definition of special items.

Automotive OEM division earnings

Automotive OEM division **revenue** for the reporting period declined by 27.7% to EUR 3,264 m (prior year: EUR 4,517 m) due to the implications of the coronavirus pandemic. Excluding the impact of currency translation, revenue for the first half of 2020 was 26.8% below the prior year level, while global automobile production fell by approximately 33% during the same period. Following an already considerable decline in revenue in the first quarter as a result of the adverse consequences the coronavirus pandemic had on the automotive sector, revenue for the second quarter was approximately 42% below that of the prior year, excluding the impact of currency translation, while automobile production declined by approximately 45%.

Regional revenue trends varied widely in the first half of 2020. With automobile production in the Europe region falling by approximately 39%, the region's revenue decreased significantly, dropping by 36.3% (-36.0% at constant currency). Especially in the second quarter, the severe decline in automobile production by approximately two-thirds significantly affected the revenue trend. While regional vehicle production decreased by approximately 41%, the Americas region reported a revenue decline of 32.8% (-32.6% at constant currency). Revenue was still slightly ahead of the prior year level during the first two months of the year due to product ramp-ups, but the second-quarter revenue trend was then impacted considerably by low demand resulting from the declining automobile production for the same period, which fell by approximately three-quarters compared to the prior year. The Greater China region reported a decrease in revenue by 3.5% (-2.2% at constant currency) in the first half of 2020. Vehicle production fell by approximately 20% during the same period. Following very weak demand in the first quarter, the automotive sector began to recover significantly in April, resulting in considerable additional revenue in the second quarter. The Asia/Pacific region reported a 26.0% decrease in revenue (-24.9% at constant currency) while vehicle production declined by approximately 34%.

E Mobility BD revenue for the reporting period declined by 11.2% (-10.6% at constant currency). Going against the global market trend, the actuators product group – driven by strong demand in Greater China – and the electric axle drives product group reported revenue growth due to project start-ups.

Engine Systems BD revenue for the reporting period was 28.8% (-28.6% at constant currency) lower than in the prior year. In this BD, the thermal management module went against the general market trend by growing as a result of projects ramping up.

Transmission Systems BD revenue declined by 28.4% (-27.9% at constant currency), which is attributable to all product groups' revenue trend.

The **Chassis Systems BD** reported a revenue decline of 30.4% (-29.4% at constant currency). All product groups' revenue decreased from that of the prior year period.

Automotive OEM division **cost of sales** fell by EUR 739 m or 20.7% to EUR 2,833 m (prior year: EUR 3,572 m), driven by the impact of volumes, structural and efficiency measures that are part of the program "RACE", adaptation of personnel and other costs to changed market conditions, and lower raw materials prices. **Gross profit** decreased by EUR 514 m or 54.3% to EUR 431 m during the first half of 2020 (prior year: EUR 945 m), mainly driven by volumes. The gross margin dropped considerably in the first half of 2020, falling by 7.7 percentage points to 13.2% (prior year: 20.9%) primarily due to the impact of fixed costs.

Functional costs for the reporting period declined by EUR 102 m or 14.5% to EUR 604 m (prior year: EUR 707 m), mainly as a result of the adaptation of personnel and other costs to the changed market conditions that was partly due to measures taken in the prior year to increase efficiency under the program "RACE". However, functional costs as a percentage of revenue rose by 2.9 percentage points to 18.5% (prior year: 15.6%) due to the significant decline in revenue. Research and development expenses decreased to EUR 305 m (prior year: EUR 352 m), partly as a result of the yet stronger focus on significant strategic business fields. Research and development expenses represented an R&D ratio of 9.3% of revenue (prior year: 7.8%). Selling and administrative expenses of EUR 300 m were EUR 55 m or 15.5% lower than in the prior year (prior year: EUR 355 m).

EBIT for the first half of 2020 amounted to EUR -445 m (prior year: EUR 149 m), and the EBIT margin was -13.6% (prior year: 3.3%). EBIT for the reporting period was affected by **special items** totaling EUR 265 m (prior year: EUR 73 m). These included an impairment of goodwill allocated to the Automotive OEM division by EUR 249 m as at March 31, 2020, since the coronavirus pandemic has led to increased uncertainty regarding the Schaeffler Group's future course of business and, therefore, to changes in the assumptions used to determine the recoverable amount of groups of cash-generating units. In addition, EUR 16 m was recognized for the expansion of the program "RACE", primarily in relation to downsizing the workforce.

Based on that, **EBIT before special items** declined considerably by EUR 400 m or 181.1% to EUR -179 m (prior year: EUR 221 m) with a drop in EBIT margin before special items by 10.4 percentage points to -5.5% (prior year: 4.9%).

Automotive Aftermarket division

Coronavirus pandemic results in constant-currency revenue decline of 14.8% // Considerable revenue decrease in all regions // EBIT margin before special items of 13.8% robust despite lower volumes // Program “GRIP” proving effective

Revenue **EUR 747 m**

EBIT margin before special items **13.8%**

Automotive Aftermarket division earnings

in € millions	1st six months 2020	1st six months 2019	Change in %	2nd quarter 2020	2nd quarter 2019	Change in %
Revenue	**747**	**904**	**-17.3**	**301**	**461**	**-34.6**
• at constant currency			-14.8			-30.5
Revenue by region [1]						
Europe	541	632	-14.4	212	320	-33.9
• at constant currency			-13.3			-31.7
Americas	137	183	-25.2	56	95	-41.3
• at constant currency			-19.5			-33.3
Greater China	35	41	-14.1	21	22	-3.6
• at constant currency			-12.3			-0.8
Asia/Pacific	34	48	-28.5	13	25	-46.1
• at constant currency			-27.0			-43.4
Cost of sales	-498	-597	-16.6	-210	-306	-31.4
Gross profit	**249**	**307**	**-18.8**	**91**	**155**	**-41.0**
• in % of revenue	33.4	34.0	-	30.3	33.6	-
Research and development expenses	-11	-13	-14.0	-5	-7	-24.5
Selling and administrative expenses	-129	-151	-14.8	-57	-75	-24.8
EBIT	**103**	**141**	**-26.4**	**27**	**72**	**-62.3**
• in % of revenue	13.8	15.6	-	9.0	15.6	-
Special items [2]	0	0	0.0	0	0	0.0
EBIT before special items	**103**	**141**	**-26.4**	**27**	**72**	**-62.3**
• in % of revenue	13.8	15.6	-	9.0	15.6	-

Prior year information presented based on 2020 segment structure.
[1] Based on market (customer location).
[2] Please refer to pp. 14 et seq. for the definition of special items.

Automotive Aftermarket division earnings

Automotive Aftermarket division revenue declined by 17.3% (-14.8% at constant currency) to EUR 747 m during the reporting period (prior year: EUR 904 m), driven by volumes. Following a considerable increase especially in Independent Aftermarket business in Europe in the first two months of the year compared to the prior year, revenue declined considerably in the Europe, Americas, and Asia/Pacific regions over the course of the remaining reporting period. The primary reason for the decline was falling demand due to the consequences of the coronavirus pandemic.

The **Europe region** reported a decrease in revenue for the first half of 2020 by 14.4% compared to the prior year period (-13.3% at constant currency). Following slight additional revenue in the first quarter, demand fell significantly below the prior year level in the second quarter. The Western Europe subregion – where revenue dropped by more than half – and the Germany subregion experienced the largest declines in demand.

The **Americas region** reported a decrease in revenue for the reporting period by 25.2% (-19.5% at constant currency). In the first quarter, demand dropped mainly in the South America subregion. Over the remainder of the reporting period, the U.S. & Canada and Mexico subregions experienced significant revenue declines as well.

In the **Greater China region**, revenue dropped by 14.1% (-12.3% at constant currency). In this region, which was especially severely affected by the consequences of the coronavirus pandemic in the first quarter with revenue falling by approximately 25%, demand returned to its prior year level in the second quarter.

Revenue in the **Asia/Pacific region** declined by 28.5% (-27.0% at constant currency). At the beginning of the year, the region initially reported a moderate decline. However, revenue decreased significantly in the second quarter, particularly in the India subregion.

Automotive Aftermarket division **cost of sales** declined by EUR 99 m or 16.6% to EUR 498 m during the first half of 2020 (prior year: EUR 597 m), primarily driven by volumes. **Gross profit** of EUR 249 m fell EUR 58 m or 18.8% short of the prior year level (prior year: EUR 307 m). The gross margin declined by 0.6 percentage points to 33.4% (prior year: 34.0%).

Functional costs decreased by EUR 24 m or 14.7% to EUR 140 m (prior year: EUR 164 m) during the reporting period, mainly due to the adaptation of personnel and other costs to changed market conditions, especially selling expenses. These adjustments were partly the result of measures initiated in the prior year as part of the program “GRIP”. Functional costs as a percentage of revenue rose by 0.6 percentage points to 18.7% (prior year: 18.2%) due to considerably lower revenue.

Automotive Aftermarket division **EBIT** fell by EUR 37 m or 26.4% to EUR 103 m during the reporting period (prior year: EUR 141 m) and the EBIT margin by 1.7 percentage points to 13.8% (prior year: 15.6%). As there were no **special items** during either the current or the prior year period, **EBIT before special items** and the EBIT margin before special items amounted to EUR 103 m (prior year: EUR 141 m) and 13.8% (prior year: 15.6%), respectively, as well.

Industrial division

Coronavirus pandemic results in constant-currency revenue decline of 12.8% // Industrial Distribution and industrial automation sector cluster in particular report significantly lower revenue // Wind sector cluster generates noticeable additional revenue // EBIT margin before special items of 9.0% robust despite lower volumes // Program “FIT” proving effective

Revenue **EUR 1,562 m**

EBIT margin before special items **9.0%**

Industrial division earnings

	1st six months			2nd quarter		
in € millions	2020	2019	Change in %	2020	2019	Change in %
Revenue	**1,562**	**1,804**	**-13.4**	**734**	**911**	**-19.4**
• at constant currency			-12.8			-18.1
Revenue by region[1]						
Europe	680	860	-20.9	308	422	-27.0
• at constant currency			-20.6			-26.5
Americas	269	322	-16.7	120	160	-25.1
• at constant currency			-16.8			-24.2
Greater China	407	346	17.7	218	191	14.0
• at constant currency			17.6			14.6
Asia/Pacific	207	276	-25.0	89	138	-35.7
• at constant currency			-23.4			-32.7
Cost of sales	-1,106	-1,243	-11.1	-535	-627	-14.7
Gross profit	**457**	**561**	**-18.5**	**199**	**284**	**-29.7**
• in % of revenue	29.2	31.1	-	27.2	31.1	-
Research and development expenses	-71	-79	-10.1	-33	-38	-14.3
Selling and administrative expenses	-235	-269	-12.6	-107	-132	-19.2
EBIT	**119**	**194**	**-38.7**	**63**	**91**	**-31.0**
• in % of revenue	7.6	10.7	-	8.5	10.0	-
Special items[2]	22	0	> 100	-10	13	-
EBIT before special items	**141**	**194**	**-27.4**	**52**	**104**	**-49.5**
• in % of revenue	9.0	10.8	-	7.1	11.4	-

Prior year information presented based on 2020 segment structure.
1) Based on market (customer location).
2) Please refer to pp. 14 et seq. for the definition of special items.

Industrial division earnings

Industrial division **revenue** for the reporting period decreased by 13.4% (-12.8% at constant currency) to EUR 1,562 m (prior year: EUR 1,804 m), driven by volumes. Demand having already been adversely affected by the persistently challenging sector environment in the Europe, Americas, and Asia/Pacific regions early in the year, the coronavirus pandemic led to a significant deterioration of these regions' revenue trend in the second quarter. Despite the challenging market environment, the Greater China region increased its revenue due to high demand in the wind sector cluster.

Revenue in the **Europe region** declined significantly, falling by 20.9% (-20.6% at constant currency) during the reporting period. The decline is largely attributable to Industrial Distribution. With the exception of wind, which reported higher revenue than in the prior year, sector cluster revenue fell considerably as well, driven in particular by low demand in the second quarter.

The **Americas region** reported a heavy decrease in revenue for the reporting period by 16.7% (-16.8% at constant currency). The revenue trend for the first half of 2020 was primarily affected by the decline in demand in the second quarter that impacted Industrial Distribution in particular. Additionally, revenue declined in all sector clusters except wind.

Greater China region revenue rose by 17.7% (+17.6% at constant currency) during the reporting period despite the spread of the coronavirus, driven by growth in the wind sector cluster. The power transmission sector cluster contributed to revenue growth in the first half of 2020 as well. On the other hand, declining demand, especially in the industrial automation and railway sector clusters, had an adverse impact on the revenue trend.

In the **Asia/Pacific region**, revenue was down significantly from the prior year period, falling by 25.0% (-23.4% at constant currency). The revenue decrease is largely due to the decline in Industrial Distribution revenue in the India subregion as a result of the spread of the coronavirus. Revenue there dropped by nearly half in March before business activities temporarily came to a halt in April. Demand improved slightly over the remaining course of the reporting period.

Industrial division **cost of sales** for the reporting period fell by EUR 138 m or 11.1% to EUR 1,106 m (prior year: EUR 1,243 m). The decrease was driven by the impact of volumes, structural and efficiency measures that are part of the program "FIT", the adaptation of personnel and other costs to changed market conditions, and lower raw materials prices. **Gross profit** decreased by EUR 104 m or 18.5% to EUR 457 m during the reporting period (prior year: EUR 561 m), mainly driven by volumes. The gross margin dropped by 1.9 percentage points to 29.2% (prior year: 31.1%) in the first half of 2020, primarily due to the impact of fixed costs.

Functional costs declined by EUR 42 m or 12.1% to EUR 306 m (prior year: EUR 348 m) during the reporting period, largely as a result of reduced logistics expenses attributable to lower volumes and the adaptation of personnel and other costs to changed market conditions. However, due to the considerable decline in revenue, functional costs as a percentage of revenue rose by 0.3 percentage points to 19.6% (prior year: 19.3%). Research and development expenses amounted to EUR 71 m (prior year: EUR 79 m). Selling and administrative expenses fell by EUR 34 m or 12.6% to EUR 235 m (prior year: EUR 269 m).

EBIT amounted to EUR 119 m during the reporting period (prior year: EUR 194 m), and the EBIT margin was 7.6% (prior year: 10.7%). EBIT for the reporting period was adversely affected by a total of EUR 22 m in **special items** (prior year: EUR 0 m) that were related to the expansion of the program "FIT". They included primarily expenses related to downsizing the workforce.

Based on that, **EBIT before special items** decreased by EUR 53 m or 27.4% to EUR 141 m (prior year: EUR 194 m). The division's EBIT margin before special items declined by 1.7 percentage points to 9.0% (prior year: 10.8%).

1.4 Financial position

Cash flow and liquidity

Free cash flow for the reporting period before cash in- and outflows for M&A activities amounted to EUR -148 m (prior year: EUR -229 m).

Cash flow

	1st six months			2nd quarter		
in € millions	2020	2019	Change in %	2020	2019	Change in %
Cash flows from operating activities	197	384	-48.6	-130	229	-
Cash used in investing activities	-316	-645	-51.0	-141	-205	-31.1
• including cash outflows for the acquisition of subsidiaries	0	-65	- 100	0	0	0.0
• including proceeds from the disposal of subsidiaries	0	4	-88.4	0	4	- 100
Cash provided by (used in) financing activities	403	12	> 100	569	-1,529	-
• including principal repayments on lease liabilities	-29	-29	-0.7	-14	-15	-5.2
Net increase (decrease) in cash and cash equivalents	**284**	**-249**	**-**	**298**	**-1,504**	**-**
Effects of foreign exchange rate changes on cash and cash equivalents	-33	7	-	-8	-8	8.3
Cash and cash equivalents as at beginning of period	668	801	-16.6	629	2,071	-69.6
Cash and cash equivalents	**919**	**559**	**64.5**	**919**	**559**	**64.4**
Free cash flow (FCF)	**-148**	**-290**	**-49.2**	**-285**	**10**	**-**
Free cash flow (FCF) before cash in- and outflows for M&A activities	**-148**	**-229**	**-35.5**	**-285**	**6**	**-**

Cash flows from operating activities for the first half of 2020 of EUR 197 m (prior year: EUR 384 m) were significantly lower than in the prior year. This decline is primarily attributable to decreased EBITDA. Driven by the results of operations, cash outflows for working capital of EUR 153 m fell considerably short of the comparable prior year amount of EUR 460 m. This decrease was especially due to the impact of the extensive reduction in trade receivables. The working capital ratio, defined as working capital as a percentage of revenue, was 20.2% as at June 30, 2020 (prior year: 17.9%). A reduction of the volume of the ABCP program (asset-backed commercial paper program) in the second quarter resulted in a cash outflow of EUR 50 m.

Capital expenditures on property, plant and equipment and intangible assets (capex) declined by EUR 294 m to EUR 300 m during the reporting period (prior year: EUR 594 m). In addition to measures initiated in the prior year to increase the company's capital efficiency, investing activities were further adapted to the results of operations during the reporting period.

The company paid a net amount of EUR 0 m (prior year: net amount of EUR 61 m) for M&A activities in the first half of the year.

EUR 26 m (prior year: EUR 5 m) used in other investing activities represented loans granted to joint ventures.

EUR 403 m (prior year: EUR 12 m) in cash was provided by **financing activities** during the reporting period, primarily in connection with the placement of Schuldschein loans of EUR 507 m, the issuance of commercial paper totaling EUR 297 m, and EUR 100 m drawn under the Revolving Credit Facility. In addition, EUR 181 m was used to repay financial debt. EUR 295 m of the dividends paid during the second quarter of 2020 represented the dividends paid to Schaeffler AG's shareholders. Principal repayments on lease liabilities of EUR 29 m were flat with prior year.

Cash and cash equivalents increased by EUR 251 m to EUR 919 m as at June 30, 2020 (December 31, 2019: EUR 668 m).

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 half of 2020 amounted to EUR -148 m (prior year: EUR -290 m). **Free cash flow before cash in- and outflows for M&A activities** was EUR -148 m (prior year: EUR -229 m).

As at June 30, 2020, cash and cash equivalents consisted primarily of bank balances. EUR 428 m (December 31, 2019: EUR 413 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 1.8 bn (December 31, 2019: EUR 1.8 bn) and further committed bilateral lines of credit totaling EUR 289 m (December 31, 2019: EUR 246 m). EUR 24 m of the Revolving Credit Facility was utilized as at June 30, 2020 (December 31, 2019: EUR 74 m), mainly in the form of letters of credit. The total amount drawn under bilateral lines of credit as at June 30, 2020, was EUR 15 m (December 31, 2019: EUR 12 m). Deducting bank balances in countries with foreign exchange restrictions and other legal and contractual restrictions results in total available liquidity of EUR 2,367 m.

Capital expenditures

Capital expenditures on property, plant and equipment and intangible assets (capex) declined considerably during the reporting period, dropping EUR 294 m to EUR 300 m (prior year: EUR 594 m). The decline is partly related to measures taken in the prior year to increase capital efficiency. Capital expenditures declined significantly to 5.4% (prior year: 8.2%) of revenue (capex ratio). Approximately 50% of total capital expenditures related to the Europe region.

Total additions to intangible assets and property, plant and equipment amounted to EUR 288 m (prior year: EUR 501 m). Approximately 57% of these additions related to the Automotive OEM division, approximately 1% to the Automotive Aftermarket division, and approximately 42% to the Industrial division.

Capital expenditures by region (capex)

	in € millions	Change in € millions
Europe	**158** 346	-188
Americas	**46** 81	-35
Greater China	**67** 133	-66
Asia/ Pacific	**28** 34	-6
Schaeffler Group	**300** 594	-294

H1 2020 H1 2019

Regions reflect the regional structure of the Schaeffler Group.

The largest share of total capital expenditures related to the Europe and Greater China regions. In the Automotive OEM division, funds were mainly invested in new product ramp-ups and to expand capacity. In the Industrial division, the Schaeffler Group's capital expenditures focused on expanding capacity in the large-size bearings product group as well as on localization.

Financial debt

The group's net financial debt increased by EUR 477 m to EUR 3,002 m as at June 30, 2020 (December 31, 2019: EUR 2,526 m).

Net financial debt

in € millions	06/30/2020	12/31/2019	Change in %
Bonds	2,783	2,781	0.1
Schuldschein loans	505	0	-
Revolving Credit Facility	96	48	99.8
Capital investment loan	237	249	-5.0
Commercial paper	297	115	> 100
Other financial debt	4	1	> 100
Total financial debt	**3,921**	**3,194**	**22.8**
Cash and cash equivalents	919	668	37.5
Net financial debt	**3,002**	**2,526**	**18.9**

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 2.3 at June 30, 2020 (December 31, 2019: 1.4). The net debt to EBITDA ratio before special items was 1.8 (December 31, 2019: 1.2).

The gearing ratio, defined as the ratio of net financial debt to shareholders' equity including non-controlling interests, amounted to 159.5% as at June 30, 2020 (prior year: 86.6%).

On April 3, 2020, rating agency Standard & Poor's announced that it was reviewing Schaeffler AG's ratings for a possible downgrade ("CreditWatch negative"). In addition, rating agency Moody's downgraded the Schaeffler Group's ratings to Ba1 on June 15, 2020. Moody's rated the outlook stable.

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, 2020:

Schaeffler Group ratings

as at June 30

	2020	2019	2020	2019
	Company		Bonds	
Rating agency	Rating/Outlook		Rating	
Fitch	BBB-/negative	BBB-/stable	BBB-	BBB-
Moody's	Ba1/stable	Baa3/stable	Ba1	Baa3
Standard & Poor's	BBB-/-[1]	BBB-/stable	BBB-	BBB-

[1] CreditWatch negative.

More on the current ratings in the supplementary report on p. 26

The Schaeffler Group had the following syndicated loans outstanding as at June 30, 2020:

Schaeffler Group syndicated loans

		06/30/2020	12/31/2019	06/30/2020	12/31/2019	06/30/2020	12/31/2019	
Tranche	Currency	Principal in millions		Carrying amount in € millions		Coupon		Maturity
Revolving Credit Facility [1]	EUR	1,800	1,800	96	48	Euribor [2] + 0.50 %	Euribor [2] + 0.80 %	09/30/2023
Capital investment loan	EUR	238	250	237	249	Euribor [2] + 1.00 %	Euribor [2] + 1.00 %	12/15/2022
Total				**333**	**297**			

[1] EUR 24 m (December 31, 2019: EUR 74 m) were drawn down as at June 30, 2020, primarily in the form of letters of credit.
[2] Euribor Floor of 0.00%.

In the second quarter of 2020, the Schaeffler Group placed its first Schuldschein loans with a total principal of EUR 507 m (December 31, 2019: EUR 0 m) due in 2023, 2025, and 2028. EUR 300 m of these funds will be used to refinance a portfolio of sustainable projects in accordance with the Schaeffler Group's "Green Finance Framework".

In addition, the company had further committed lines of credit in the equivalent of EUR 289 m (December 31, 2019: EUR 246 m), primarily in Germany and the U.S. EUR 274 m of these facilities were unutilized as at June 30, 2020 (December 31, 2019: EUR 234 m).

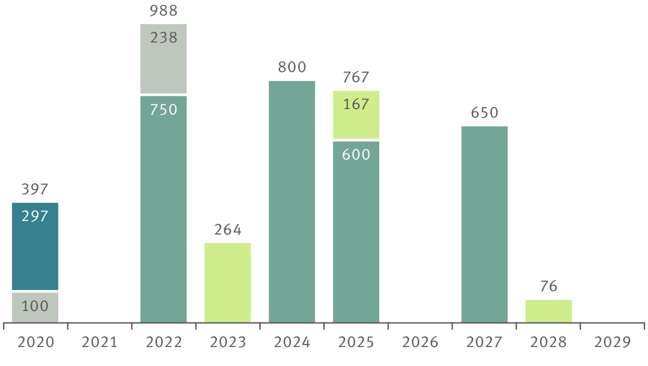
The Schaeffler Group's bonds outstanding at June 30, 2020, are set out below. Schaeffler AG's bonds are listed on the regulated market of the Luxembourg Stock Exchange while the bond series issued by Schaeffler Finance B.V., Barneveld, Netherlands, is traded on the Euro MTF market of the Luxembourg Stock 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's option to call the bonds at their contractual redemption price at any time has been in effect since May 15, 2020.

The company's maturity profile, which consists of commercial paper, the drawings under the Revolving Credit Facility, the capital investment loan, the Schuldschein loans, and the bonds issued by Schaeffler AG and Schaeffler Finance B.V., Barneveld, Netherlands, was as follows as at June 30, 2020:

Maturity profile

Principal outstanding as at June 30, 2020, in € millions



Schaeffler Group bonds

			06/30/2020	12/31/2019	06/30/2020	12/31/2019		
ISIN	Issuer	Currency	Principal in millions		Carrying amount in € millions		Coupon	Maturity
DE000A2YB699	Schaeffler AG	EUR	750	750	747	747	1.125 %	03/26/2022
DE000A2YB7A7	Schaeffler AG	EUR	800	800	794	793	1.875 %	03/26/2024
XS1212470972 [1]	Schaeffler Finance B.V.	EUR	600	600	597	597	3.250 %	05/15/2025
DE000A2YB7B5	Schaeffler AG	EUR	650	650	644	644	2.875 %	03/26/2027
Total					**2,783**	**2,781**		

[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** decreased by EUR 569 m to EUR 12,301 m as at June 30, 2020 (December 31, 2019: EUR 12,870 m).

Consolidated statement of financial position (abbreviated)

in € millions	06/30/2020	12/31/2019	Change in %
ASSETS			
Non-current assets	6,894	7,387	-6.7
Current assets	5,407	5,483	-1.4
Total assets	**12,301**	**12,870**	**-4.4**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	1,883	2,917	-35.5
Non-current liabilities	7,067	6,273	12.7
Current liabilities	3,351	3,680	-9.0
Total shareholders' equity and liabilities	**12,301**	**12,870**	**-4.4**

Non-current assets fell by EUR 493 m to EUR 6,894 m as at June 30, 2020 (December 31, 2019: EUR 7,387 m). The reduction was primarily attributable to decreases in intangible assets by EUR 256 m and in property, plant and equipment by EUR 287 m. The decline in intangible assets was mainly due to an impairment of goodwill allocated to the Automotive OEM segment of EUR 249 m. Other financial assets were down EUR 32 m as well. These decreases were partially offset by an increase in deferred tax assets by EUR 113 m.

Current assets declined by EUR 76 m to EUR 5,407 m as at June 30, 2020 (December 31, 2019: EUR 5,483 m). The decline was attributable to a decrease in trade receivables by EUR 417 m and was partially offset by an increase in cash and cash equivalents by EUR 251 m (see "Cash flow and liquidity", pp. 22 et seq.) and in inventories by EUR 97 m. As at June 30, 2020, trade receivables with a carrying amount of EUR 159 m (December 31, 2019: EUR 178 m) net of retained credit risk had been sold under the ABCP program (asset-backed commercial paper program).

Shareholders' equity including non-controlling interests fell EUR 1,034 m to EUR 1,883 m as at June 30, 2020 (December 31, 2019: EUR 2,917 m). The net loss of EUR 351 m and the EUR 295 m in dividends paid to Schaeffler AG's shareholders reduced shareholders' equity. Accumulated other comprehensive income – and hence shareholders' equity – was reduced mainly by EUR 215 m in adjustments to provisions for pensions and similar obligations and by the EUR 180 m impact of translating the net assets of foreign group companies. The equity ratio was 15.3% as at June 30, 2020 (December 31, 2019: 22.7%).

Non-current liabilities rose by EUR 795 m to EUR 7,067 m as at June 30, 2020 (December 31, 2019: EUR 6,273 m). The increase was mainly attributable to the placement of the company's first Schuldschein loans of EUR 507 m and an increase in pensions and similar obligations by EUR 318 m.

Current liabilities declined by EUR 330 m to EUR 3,351 m as at June 30, 2020 (December 31, 2019: EUR 3,680 m). The decline was partly attributable to a decrease in trade payables by EUR 374 m, a decrease in provisions by EUR 143 m, and a reduction in refund liabilities by EUR 72 m. An increase in financial debt by EUR 232 m and in other liabilities by EUR 66 m had an offsetting effect.

2. Supplementary report

On July 20, 2020, the rating agency Standard & Poor’s downgraded its ratings for the Schaeffler Group from previously BBB- to BB+. Standard & Poor’s considers the outlook for the ratings to be “stable”.

On July 20, 2020, the Supervisory Board of Schaeffler AG appointed Dr. Klaus Patzak as a member of the Board of Managing Directors of Schaeffler AG for a three-year term of office effective from August 1, 2020. Dr. Patzak assumes the position of CFO, which includes responsibility for the Finance and IT functions, as the successor to Dietmar Heinrich, who will leave Schaeffler AG as agreed on July 31, 2020, in order to pursue new challenges in his career.

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, 2020.

3. Report on opportunities and risks

Please refer to pp. 48 et seq. of the Schaeffler Group's annual report 2019 for a discussion of the Schaeffler Group's risk management system and potential opportunities and risks. In addition to the disclosures made therein, the coronavirus pandemic has increased uncertainty regarding the development of the global economy, the markets relevant to the Schaeffler Group, and the company's future results of operations.

In this context, the Schaeffler Group considers it highly probable that a declining market will adversely affect demand for the company's products in 2020. The occurrence of production risks is considered highly probable as well.

Depending on the future course of the pandemic as well as the duration, extent, and effectiveness of worldwide containment measures, market risk and production risk may give rise to a high adverse impact on the Schaeffler Group's net assets, financial position, and earnings in 2020.

Additionally, the current consequences of the coronavirus pandemic point to a possible adverse medium-term trend in the Schaeffler Group's relevant sales markets in the timeframe beyond 2020. This may lead to an adverse impact on the company's net assets, financial position, and earnings as well. This situation has further strengthened the Schaeffler Group's resolve to continue to press ahead with the transformation process it has initiated and to maintain its strategic direction in order to hold its own in a challenging market and competitive environment and to permanently safeguard the company's strong liquidity position.

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 global economic slump as a result of the coronavirus pandemic has led to a drastic deterioration of the economic full-year outlook for 2020, with respect to both the overall economic trend and the sales markets relevant to the Schaeffler Group.

Taking into account the forecast by Oxford Economics (July 2020), the Schaeffler Group now expects global gross domestic product to decline by at least 4% in 2020 (basis for Schaeffler Group outlook dated March 5, 2020: growth of just under 3%). Taking into account the forecast of research institute IHS Markit (July 2020), the Schaeffler Group now expects global automobile production to decrease by 20 to 25% in 2020 (basis for Schaeffler Group outlook dated March 5, 2020: decrease by about 3 to 5%). Based on the forecast by Oxford Economics (June 2020), the Schaeffler Group now expects a decline in global industrial production by at least 6% in 2020 (basis for Schaeffler Group outlook dated March 5, 2020: growth of less than 1%).

The development of the global economy and of the markets relevant to the Schaeffler Group depends to a significant extent on a number of factors related to the coronavirus pandemic that are difficult to forecast and some of which are interrelated. These include, in particular, the future course of the pandemic, the extent, duration, and effectiveness of containment measures, as well as progress in developing vaccines and therapies. As a result, the full-year outlook for 2020 is subject to a high degree of uncertainty.

4.2 Schaeffler Group outlook

Outlook 2020 – group

	Actual 2019	Outlook 2020		Actual H1 2020
Schaeffler Group		Issued 03/05/2020	Issued 04/29/2020	
Revenue growth [1]	0.1 %	-2 to 0 %	below prior year	-21.8 %
EBIT margin before special items [2]	8.1 %	6.5 to 7.5 %	below prior year	1.2 %
Free cash flow [3]	EUR 473 m	EUR 300 to 400 m	below prior year	EUR -148 m

1) Compared to prior year; excluding the impact of currency translation.
2) Please refer to pp. 14 et seq. for the definition of special items.
3) Before cash in- and outflows for M&A activities.

On March 24, 2020, the Board of Managing Directors of Schaeffler AG announced that it suspends the full-year guidance for 2020 for the Schaeffler Group and its divisions that had been published on March 10, 2020, due to the world-wide spread of the coronavirus and the resulting measures and restrictions. It is currently impossible to reliably predict the future course of the pandemic, the duration and extent of containment measures, and the resulting overall implications for the global economy.

The unusual circumstances surrounding the coronavirus pandemic have resulted in exceptional uncertainty regarding the course of the company's business during the period covered by the outlook. As a result, the company's ability to forecast customer requirements, the measures needed to protect the company's workforce, and the possible implications of the pandemic for global supply chains for all three of the Schaeffler Group's divisions during the period covered by the outlook is currently extremely limited.

The Schaeffler Group currently expects its revenue growth excluding the impact of currency translation, EBIT margin before special items, and free cash flow before cash inflows and outflows for M&A activities for the full year 2020 to be below the corresponding prior year level.

Herzogenaurach, July 27, 2020

The Board of Managing Directors

Consolidated income statement

	1st six months			2nd quarter		
in € millions	2020	2019	Change in %	2020	2019	Change in %
Revenue [1]	5,574	7,226	-22.9	2,292	3,604	-36.4
Cost of sales	-4,437	-5,413	-18.0	-1,953	-2,705	-27.8
Gross profit	**1,138**	**1,813**	**-37.3**	**339**	**899**	**-62.3**
Research and development expenses	-387	-444	-12.9	-179	-215	-16.6
Selling expenses	-419	-502	-16.6	-189	-249	-24.2
Administrative expenses	-245	-273	-10.2	-106	-133	-20.8
Other income	25	51	-50.4	15	23	-32.9
Other expenses	-335	-162	› 100	-16	-72	-77.9
Earnings before financial result, income (loss) from equity-accounted investees, and income taxes (EBIT)	**-223**	**483**	**-**	**-135**	**253**	**-**
Financial income	20	23	-11.5	12	-3	-
Financial expenses	-110	-104	6.4	-46	-40	15.0
Financial result	**-90**	**-81**	**11.5**	**-33**	**-43**	**-21.7**
Income (loss) from equity-accounted investees	-14	-7	› 100	-8	-3	› 100
Earnings before income taxes	**-327**	**395**	**-**	**-176**	**207**	**-**
Income taxes	-24	-116	-79.0	6	-69	-
Net income (loss)	**-351**	**279**	**-**	**-170**	**138**	**-**
Attributable to shareholders of the parent company	-353	273	-	-168	136	-
Attributable to non-controlling interests	1	6	-79.3	-1	2	-
Earnings per common share (basic/diluted, in €)	-0.53	0.41	-	-0.25	0.20	-
Earnings per common non-voting share (basic/diluted, in €)	-0.52	0.42	-	-0.25	0.21	-

[1] See condensed notes to the consolidated interim financial statements for further details.

Consolidated statement of comprehensive income

	1st six months						2nd quarter					
	2020			2019			2020			2019		
in € millions	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes
Net income (loss)	**-327**	**-24**	**-351**	**395**	**-116**	**279**	**-176**	**6**	**-170**	**207**	**-69**	**138**
Foreign currency translation differences for foreign operations	-185	0	-185	40	0	40	-57	0	-57	-71	0	-71
Net change from hedges of net investments in foreign operations	0	0	0	-1	0	0	0	0	0	0	0	0
Effective portion of changes in fair value of cash flow hedges	16	-5	11	18	-11	7	24	-6	18	36	-16	20
Net change in fair value of financial assets at fair value through other comprehensive income	0	0	0	-2	0	-2	0	0	0	0	0	0
Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	**-168**	**-5**	**-173**	**56**	**-11**	**45**	**-33**	**-6**	**-39**	**-35**	**-16**	**-52**
Remeasurement of net defined benefit liability [1)]	-295	81	-215	-402	118	-284	-257	71	-187	-223	68	-156
Changes in scope of consolidation - defined benefit pension and other benefit plans	0	0	0	2	0	2	0	0	0	2	0	2
Total other comprehensive income (loss) that will not be reclassified to profit or loss	**-295**	**81**	**-215**	**-400**	**118**	**-282**	**-257**	**71**	**-187**	**-222**	**68**	**-154**
Total other comprehensive income (loss)	**-464**	**75**	**-388**	**-344**	**107**	**-238**	**-290**	**64**	**-226**	**-257**	**52**	**-205**
Total comprehensive income (loss)	**-791**	**51**	**-740**	**51**	**-10**	**41**	**-466**	**71**	**-395**	**-50**	**-17**	**-67**
Total comprehensive income (loss) attributable to shareholders of the parent company	-787	52	-735	40	-6	34	**-463**	**70**	**-393**	-57	-13	-70
Total comprehensive income (loss) attributable to non-controlling interests	-3	-1	-4	11	-4	7	-4	0	-4	7	-4	3

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

Consolidated statement of financial position

in € millions	06/30/2020	12/31/2019	06/30/2019	Change in %
ASSETS				
Intangible assets [1]	472	728	731	-35.2
Right-of-use assets under leases	195	193	187	1.0
Property, plant and equipment	5,068	5,355	5,393	-5.4
Investments in equity-accounted investees	130	144	153	-9.9
Contract assets	3	6	11	-44.7
Other financial assets	94	126	93	-25.6
Other assets	106	122	93	-13.6
Deferred tax assets	827	713	638	15.9
Total non-current assets	**6,894**	**7,387**	**7,300**	**-6.7**
Inventories	2,229	2,132	2,338	4.5
Contract assets	41	66	52	-37.7
Trade receivables	1,713	2,130	2,222	-19.6
Other financial assets	148	120	106	23.5
Other assets	283	273	335	3.3
Income tax receivables	64	89	82	-28.0
Cash and cash equivalents	919	668	559	37.5
Assets held for sale	10	5	0	› 100
Total current assets	**5,407**	**5,483**	**5,693**	**-1.4**
Total assets	**12,301**	**12,870**	**12,993**	**-4.4**

[1] See condensed notes to the consolidated interim financial statements for further details.

in € millions	06/30/2020	12/31/2019	06/30/2019	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	284	931	776	-69.5
Accumulated other comprehensive income (loss)	-1,507	-1,124	-1,146	34.1
Equity attributable to shareholders of the parent company	**1,791**	**2,822**	**2,644**	**-36.5**
Non-controlling interests	91	95	91	-4.0
Total shareholders' equity	**1,883**	**2,917**	**2,736**	**-35.5**
Provisions for pensions and similar obligations [1)]	2,956	2,637	2,594	12.1
Provisions [1)]	174	168	181	3.6
Financial debt [1)]	3,521	3,026	3,479	16.4
Contract liabilities	6	7	4	-11.9
Income tax payables	98	103	103	-4.8
Other financial liabilities	21	36	16	-41.8
Lease liabilities	147	144	141	1.8
Other liabilities	15	15	14	-4.1
Deferred tax liabilities	130	137	145	-4.5
Total non-current liabilities	**7,067**	**6,273**	**6,676**	**12.7**
Provisions [1)]	319	462	281	-30.9
Financial debt [1)]	400	168	247	> 100
Contract liabilities	74	60	56	23.1
Trade payables	1,358	1,732	1,825	-21.6
Income tax payables	73	101	60	-28.0
Other financial liabilities	518	545	498	-5.1
Lease liabilities	51	50	46	1.5
Refund liabilities	161	232	187	-30.9
Other liabilities	395	329	382	20.1
Liabilities held for sale	2	0	0	-
Total current liabilities	**3,351**	**3,680**	**3,582**	**-9.0**
Total shareholders' equity and liabilities	**12,301**	**12,870**	**12,993**	**-4.4**

[1)] See condensed notes to the consolidated interim financial statements for further details.

Consolidated statement of cash flows

	1st six months			2nd quarter		
in € millions	2020	2019	Change in %	2020	2019	Change in %
Operating activities						
EBIT	-223	483	-	-135	253	-
Interest paid	-62	-73	-16.0	-5	-36	-85.7
Interest received	6	10	-41.6	3	6	-45.7
Income taxes paid	-93	-110	-15.0	-20	-52	-61.0
Depreciation, amortization, and impairment losses [1]	735	479	53.4	242	237	2.3
(Gains) losses on disposal of assets	-3	-9	-71.8	-1	-8	-90.6
Changes in:						
• Inventories	-152	-141	7.9	-1	-24	-94.1
• Trade receivables	331	-264	-	255	-23	-
• Trade payables	-332	-55	> 100	-394	-118	> 100
• Provisions for pensions and similar obligations	10	0	> 100	0	-2	-75.6
• Other assets, liabilities, and provisions	-21	64	-	-72	-2	> 100
Cash flows from operating activities	**197**	**384**	**-48.6**	**-130**	**229**	**-**
Investing activities						
Proceeds from disposals of property, plant and equipment	11	16	-31.7	3	13	-76.6
Capital expenditures on intangible assets	-13	-9	41.9	-10	-6	58.1
Capital expenditures on property, plant and equipment	-287	-585	-51.0	-126	-214	-41.2
Acquisition of subsidiaries	0	-65	- 100	0	0	0.0
Proceeds from disposal of subsidiaries	0	4	-88.4	0	4	- 100
Other investing activities [1]	-28	-6	> 100	-8	-2	> 100
Cash used in investing activities	**-316**	**-645**	**-51.0**	**-141**	**-205**	**-31.1**
Financing activities						
Dividends paid to shareholders and non-controlling interests	-295	-364	-19.1	-295	-364	-19.1
Receipts from bond issuances and loans [1]	907	2,472	-63.3	891	282	> 100
Redemption of bonds and repayments of loans [1] [2]	-181	-2,066	-91.3	-13	-1,431	-99.1
Principal repayments on lease liabilities	-29	-29	-0.7	-14	-15	-5.2
Cash provided by (used in) financing activities	**403**	**12**	**> 100**	**569**	**-1,529**	**-**
Net increase (decrease) in cash and cash equivalents	**284**	**-249**	**-**	**298**	**-1,504**	**-**
Effects of foreign exchange rate changes on cash and cash equivalents	-33	7	-	-8	-8	8.3
Cash and cash equivalents as at beginning of period	668	801	-16.6	629	2,071	-69.6
Cash and cash equivalents as at June 30	**919**	**559**	**64.5**	**919**	**559**	**64.5**

[1] See condensed notes to the consolidated interim financial statements for further details.
[2] Incl. EUR 37 m in cash inflows from cross-currency swaps terminated early in connection with the planned redemption of the USD bond series.

Consolidated statement of changes in equity

	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, 2019	**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) [2]				38	7	-2	-282	-239	-239	2	-238
Total comprehensive income (loss)	**0**	**0**	**273**	**38**	**7**	**-2**	**-282**	**-239**	**34**	**7**	**41**
Dividends			-361					0	-361	-3	-364
Total amount of transactions with shareholders			**-361**						**-361**	**-3**	**-364**
Changes in the scope of consolidation			-2					0	-2		-2
Balance as at June 30, 2019	**666**	**2,348**	**776**	**-247**	**-20**	**-2**	**-877**	**-1,146**	**2,644**	**91**	**2,736**
Balance as at January 01, 2020	**666**	**2,348**	**931**	**-220**	**-12**	**-2**	**-890**	**-1,124**	**2,822**	**95**	**2,917**
Net income (loss)			-353					0	-353	1	-351
Other comprehensive income (loss)				-180	11	0	-215	-383	-383	-5	-388
Total comprehensive income (loss)	**0**	**0**	**-353**	**-180**	**11**	**0**	**-215**	**-383**	**-736**	**-4**	**-740**
Dividends			-295					0	-295	0	-295
Total amount of transactions with shareholders			**-295**						**-295**	**0**	**-295**
Balance as at June 30, 2020	**666**	**2,348**	**284**	**-399**	**0**	**-2**	**-1,105**	**-1,507**	**1,791**	**91**	**1,883**

[1] Equity attributable to shareholders of the parent company.
[2] Including the impact of defined benefit pension and other benefit plans of EUR 2 m due to changes in scope of consolidation.

Consolidated segment information

(Part of the notes to the consolidated financial statements)

	1st six months		1st six months		1st six months		1st six months	
	2020	2019	2020	2019	2020	2019	2020	2019
in € millions	Automotive OEM		Automotive Aftermarket		Industrial		Total	
Revenue	3,264	4,517	747	904	1,562	1,804	5,574	7,226
EBIT	-445	149	103	141	119	194	-223	483
• in % of revenue	-13.6	3.3	13.8	15.6	7.6	10.7	-4.0	6.7
EBIT before special items [1]	-179	221	103	141	141	194	65	556
• in % of revenue	-5.5	4.9	13.8	15.6	9.0	10.8	1.2	7.7
Depreciation, amortization, and impairment losses [2]	-637	-374	-17	-17	-82	-89	-735	-479
Working capital [3] [4]	1,228	1,271	361	435	994	1,028	2,584	2,734
Additions to intangible assets and property, plant and equipment [5]	164	390	2	38	122	74	288	501

	2nd quarter		2nd quarter		2nd quarter		2nd quarter	
	2020	2019	2020	2019	2020	2019	2020	2019
in € millions	Automotive OEM		Automotive Aftermarket		Industrial		Total	
Revenue	1,256	2,232	301	461	734	911	2,292	3,604
EBIT	-225	90	27	72	63	91	-135	253
• in % of revenue	-17.9	4.1	9.0	15.6	8.5	10.0	-5.9	7.0
EBIT before special items [1]	-229	108	27	72	52	104	-150	284
• in % of revenue	-18.2	4.9	9.0	15.6	7.1	11.4	-6.5	7.9
Depreciation, amortization, and impairment losses [2]	-192	-187	-9	-9	-41	-42	-242	-237
Working capital [3] [4]	1,228	1,271	361	435	994	1,028	2,584	2,734
Additions to intangible assets and property, plant and equipment	76	167	1	-2	53	41	130	205

Prior year information presented based on 2020 segment structure.
[1] EBIT before special items for legal cases, restructuring, and other.
[2] The 2020 reporting period includes a goodwill impairment of EUR 249 m (prior year: EUR 0 m) in the Automotive OEM segment.
[3] Working capital defined as inventories plus trade receivables less trade payables.
[4] 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 Industriestraße 1-3, 91074 Herzogenaurach. The company was founded on April 19, 1982, and is registered in the Commercial Register of the Fürth Local Court (HRB No. 14738). The consolidated interim financial statements of Schaeffler AG as at June 30, 2020, 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 global automotive and industrial supplier.

Basis of preparation

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

The consolidated interim financial statements of Schaeffler AG, Herzogenaurach, for the reporting period ended June 30, 2020, 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 2019 consolidated financial statements, where the latter are discussed in detail. 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. Except for the adjustments described below, 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, 2019. Certain assumptions used to determine recoverable amount for purposes of impairment tests of goodwill have been adjusted. Please refer to "Intangible assets" below for more detailed information. In addition, the assumptions regarding the discount rate used to measure the company's pension obligations were adjusted to reflect current market trends. The decline in the discount rate 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. In addition, the provision for the voluntary severance scheme in Germany was adjusted to reflect current information. As at June 30, 2020, estimation uncertainty arises from increased uncertainty regarding the development of the global economy, the markets relevant to the Schaeffler Group, and the company's future results of operations as a result of the coronavirus pandemic.

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

Income taxes were determined based on best estimate.

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

Foreign currency translation

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

Selected foreign exchange rates

Currencies		06/30/2020	12/31/2019	06/30/2019	1st six months 2020	1st six months 2019
€ 1 in				Closing rates		Average rates
CNY	China	7.92	7.82	7.82	7.75	7.67
INR	India	84.62	80.19	78.52	81.68	79.12
KRW	South Korea	1,345.83	1,296.28	1,315.35	1,329.28	1,294.91
MXN	Mexico	25.95	21.22	21.82	23.86	21.65
USD	U.S.	1.12	1.12	1.14	1.10	1.13

Scope of consolidation

The consolidated financial statements of Schaeffler AG as at June 30, 2020, cover, in addition to Schaeffler AG, 152 (December 31, 2019: 152) subsidiaries; 53 (December 31, 2019: 53) entities are domiciled in Germany and 99 (December 31, 2019: 99) in other countries.

In the consolidated financial statements as at June 30, 2020, three (December 31, 2019: three) joint ventures and four associated companies (December 31, 2019: four) are accounted for at equity.

Government grants

The consolidated income statement includes EUR 31 m (prior year: EUR 6 m) in government grants. In the reporting period, these grants were mainly related to refunds of social security contributions in connection with the coronavirus pandemic and to research and development activities. Government grants are recognized if there is reasonable assurance that the company will comply with the conditions attaching to the grants and that the grants will be received. These monetary grants, which are not directly attributable to non-current assets, have been offset against the corresponding expenses.

Revenue

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

IFRS 15 – analysis of revenue by category

	1st six months		1st six months		1st six months		1st six months	
	2020	2019 [1]	2020	2019 [1]	2020	2019 [1]	2020	2019
in € millions		Automotive OEM		Automotive Aftermarket		Industrial		Total
Revenue by type								
• Revenue from the sale of goods	3,189	4,447	747	904	1,547	1,784	5,484	7,135
• Revenue from the sale of tools	40	46	0	0	2	3	42	49
• Revenue from development services	14	9	0	0	0	0	14	9
• Revenue from other services	21	15	0	0	12	16	34	31
• Other revenue	1	1	0	0	0	0	1	1
Total	**3,264**	**4,517**	**747**	**904**	**1,562**	**1,804**	**5,574**	**7,226**
Revenue by region [2]								
• Europe	1,202	1,887	541	632	680	860	2,422	3,379
• Americas	732	1,088	137	183	269	322	1,137	1,594
• Greater China	815	844	35	41	407	346	1,257	1,231
• Asia/Pacific	516	698	34	48	207	276	758	1,022
Total	**3,264**	**4,517**	**747**	**904**	**1,562**	**1,804**	**5,574**	**7,226**

[1] Prior year information presented based on 2020 segment structure. Prior year amounts are based on a retrospective change in segment structure.
[2] By market (customer location).

Intangible assets

The carrying amounts of goodwill allocated to the groups of cash-generating units to which goodwill has been allocated were EUR 70 m for the Automotive OEM segment (December 31, 2019: EUR 319 m), EUR 76 m for the Automotive Aftermarket segment (December 31, 2019: EUR 76 m), and EUR 211 m (December 31, 2019: EUR 211 m) for the Industrial segment as at June 30, 2020.

The Schaeffler Group tests goodwill, other intangible assets, and property, plant and equipment for impairment when there is an indication (triggering event).

The coronavirus pandemic and the resulting containment measures and restrictions put in place worldwide are decreasing demand, affecting supply chains, and reducing the volume of global trade, thus significantly impacting especially the automotive sector (triggering event). As a result, the Schaeffler Group has tested the goodwill of the Automotive OEM segment for impairment as at March 31, 2020. The impairment test, performed by comparing the carrying amount of the group of cash-generating units with its recoverable amount, identified that the recoverable amount of the Automotive OEM segment of EUR 4,988 m, determined based on the assumptions made, was below the segment's carrying amount. The resulting impairment of goodwill allocated to the Automotive OEM segment of EUR 249 m has been recognized in other expenses during the period.

The recoverable amount of the Automotive OEM segment as at March 31, 2020, was its value in use. The cash flows used to determine value in use of the Automotive OEM segment reflect considerations regarding the adverse consequences of the coronavirus pandemic for the period up to 2024. Cash flows beyond 2024 are based on an annual long-term growth rate of 0.5% (prior year: 1.0%). In light of the coronavirus pandemic, the company reflected the risks inherent in the market environment, term, purchasing power, and currency – expressed in terms of cash flows and discount rate – in deriving the cash flows for the forecasting period up to 2024, the long-term growth rate, and the discount rate. The Schaeffler Group used an assumed average pre-tax discount rate of 12.6% (December 31, 2019: 11.8%), weighted based on the underlying business and its country of operation. This represented a post-tax discount rate of 9.5% (December 31, 2019: 8.7%).

Following recognition of the impairment, the carrying amount of the Automotive OEM segment as at March 31, 2020, equaled its recoverable amount. An increase in the discount rate by 0.5% to 13.1% would have resulted in an additional impairment of the carrying amount of the group of the Automotive OEM segment's cash-generating units of EUR 237 m. A reduction in the long-term growth rate by 0.5% to 0.0% would have resulted in an additional impairment of the carrying amount of the group of the Automotive OEM segment's cash-generating units of EUR 36 m. In addition, a reduction in the amount of sustainable EBIT used in the calculation by 5% would have led to an additional impairment of the carrying amount of the group of the Automotive OEM segment's cash-generating units of EUR 201 m.

A further impairment test of the goodwill of the Automotive OEM segment performed as at June 30, 2020, did not result in an additional impairment loss. The cash flows used to determine value in use of the Automotive OEM segment reflect considerations regarding the adverse consequences of the coronavirus pandemic for the period up to 2024. Cash flows beyond 2024 are based on an annual long-term growth rate of 0.5% (prior year: 1.0%). In light of the coronavirus pandemic, the company reflected the risks inherent in the market environment, term, purchasing power, and currency – expressed in terms of cash flows and discount rate – in deriving the cash flows for the forecasting period up to 2024, the long-term growth rate, and the discount rate. The Schaeffler Group used an assumed average pre-tax discount rate of 11.3% (December 31, 2019: 11.8%), weighted based on the underlying business and its country of operation. This represented a post-tax discount rate of 8.7% (December 31, 2019: 8.7%).

Based on the assumptions made, the recoverable amount of EUR 4,972 m determined for the Automotive OEM segment as at June 30, 2020, exceeded its carrying amount by EUR 289 m. If the discount rate was increased to 11.9%, the recoverable amount would equal the carrying amount of the group of the Automotive OEM segment's cash-generating units. A reduction in the long-term growth rate by 0.5% to 0.0% would not result in an impairment of the carrying amount of the group of the Automotive OEM segment's cash-generating units. In addition, if the amount of sustainable EBIT used in the calculation was decreased by 6.2%, the recoverable amount would equal the carrying amount of the group of the Automotive OEM segment's cash-generating units.

Trade receivables

As at June 30, 2020, trade receivables outstanding with a carrying amount of EUR 159 m (December 31, 2019: EUR 178 m) net of retained credit risk had been sold under the ABCP program (asset-backed commercial paper program).

The volume of the ABCP program of revolving sales of trade receivables was reduced to EUR 150 m effective June 12, 2020 (December 31, 2020: EUR 200 m). The reduction resulted in a cash outflow of EUR 50 m (prior year: EUR 0 m) included in cash flows from operating activities.

Assets held for sale and liabilities associated with assets held for sale

Assets and liabilities held for sale were related to the intended disposal of a subsidiary as well as real estate. The related impairment loss recognized during the reporting period amounted to EUR 4 m.

Provisions

Current provisions declined by EUR 143 m to EUR 319 m compared to December 31, 2019 (December 31, 2019: EUR 462 m). The decline was mainly attributable to utilization of the provision for the voluntary severance scheme in Germany. An addition to this provision recognized in the first quarter of 2020 to reflect the expansion of the voluntary severance scheme had an offsetting effect of EUR 55 m. EUR 25 m of this addition was reversed as at June 30, 2020. The voluntary severance scheme operates as part of the efficiency programs “RACE” in the Automotive OEM division, “GRIP” in the Automotive Aftermarket division, and “FIT” in the Industrial division.

Provisions for pensions and similar obligations

Interest rate levels as at June 30, 2020, have decreased compared to December 31, 2019. On this basis, 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, 2020, amounted to 0.9% (December 31, 2019: 1.3%). The resulting remeasurement of the company’s obligations under defined benefit pension plans resulted in actuarial losses of EUR 312 m and gains on plan assets of EUR 16 m as at June 30, 2020, 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

The increase in financial debt compared to December 31, 2019, is primarily attributable to the placement of EUR 507 m in Schuldschein loans due in 2023, 2025, and 2028 in the second quarter, the issuance of an additional EUR 182 m in commercial paper, and an additional EUR 47 m drawn under the Revolving Credit Facility.

Financial debt (current/non-current)

			06/30/2020			12/31/2019
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	2,783	2,783	0	2,781	2,781
Schuldschein loans	0	505	505	0	0	0
Revolving Credit Facility	100	-4	96	53	-5	48
Capital investment loan	0	237	237	0	249	249
Commercial paper	297	0	297	115	0	115
Other financial debt	4	0	4	1	0	1
Total	**400**	**3,521**	**3,921**	**168**	**3,026**	**3,194**

Financial instruments

The carrying amounts and fair values of financial instruments by class of the consolidated statement of financial position and by category per IFRS 7.8 are summarized below.

Financial instruments by class and category in accordance with IFRS 7.8

			06/30/2020		12/31/2019		06/30/2019	
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		1,634	1,634	2,098	2,098	2,099	2,099
Trade receivables – ABCP program	FVTPL	2	33	33	32	32	123	123
Trade receivables – customer receivables and notes receivable available for sale	FVOCI	2	46	46	0	0	0	0
Other financial assets								
• Other investments	FVOCI	2	37	37	37	37	36	36
• Marketable securities	FVTPL	1	25	25	23	23	21	21
• Derivatives designated as hedging instruments	n.a.	2	15	15	11	11	13	13
• Derivatives not designated as hedging instruments	FVTPL	2.3 [1]	53	53	49	49	38	38
• Miscellaneous other financial assets	Amortized cost, FVTPL	3 [2]	112	112	125	125	91	91
Cash and cash equivalents	Amortized cost		919	919	668	668	559	559
Financial liabilities, by class								
Financial debt	FLAC	1.2 [3]	3,921	3,888	3,194	3,357	3,725	3,897
Trade payables	FLAC		1,358	1,358	1,732	1,732	1,825	1,825
Refund liabilities	n.a.		161	161	232	232	187	187
Lease liabilities [4]	FLAC		197	0	194	0	187	0
Other financial liabilities								
• Derivatives designated as hedging instruments	n.a.	2	15	15	28	28	33	33
• Derivatives not designated as hedging instruments	FVTPL	2.3 [5]	31	31	27	27	34	34
• Miscellaneous other financial liabilities	FLAC		493	493	527	527	447	447
Summary by category								
Financial assets at amortized cost (Amortized cost)			2,665	2,665	2,891	2,891	2,749	2,749
Financial assets at fair value through profit or loss (FVTPL)			111	111	104	104	182	182
Financial assets (equity instruments) at fair value through other comprehensive income (FVOCI)			83	83	37	37	36	36
Financial liabilities at amortized cost (FLAC)			5,969	5,739	5,647	5,616	6,184	6,169
Financial liabilities at fair value through profit or loss (FVTPL)			31	31	27	27	34	34

[1] Level 2: EUR 53 m (December 31, 2019: EUR 48 m; June 30, 2019: EUR 37 m).
Level 3: EUR 0 m (December 31, 2019: EUR 1 m; June 30, 2019: EUR 0 m).
[2] Level 3: EUR 3 m (December 31, 2019: EUR 10 m; June 30, 2019: EUR 0 m).
[3] Level 1: EUR 2,744 m (December 31, 2019: EUR 2,938 m; June 30, 2019: EUR 2,931 m).
Level 2: EUR 1,144 m (December 31, 2019: EUR 419 m; June 30, 2019: EUR 966 m).
[4] Disclosure of fair value omitted in accordance with IFRS 7.29 (d).
[5] Level 2: EUR 31 m (December 31, 2019: EUR 26 m; June 30, 2019: EUR 34 m).
Level 3: EUR 0 m (December 31, 2019: EUR 1 m; June 30, 2019: EUR 0 m).

The carrying amounts of trade receivables, including the receivables available for sale under the ABCP program (asset-backed commercial paper program) as well as other customer receivables and notes receivable available for sale, 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 debt instruments in the form of money market fund units with no fixed maturity. These are measured at fair value through profit or loss.

As at June 30, 2020, EUR 46 m in trade receivables previously categorized as “at amortized cost (Amortized cost)” were reclassified to “at fair value through other comprehensive income (FVOCI)” following reevaluation of the business model for certain customer receivables and notes receivable. The company plans to either sell these receivables or collect their contractual cash flows.

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: Cross-currency swaps and foreign exchange contracts are measured using discounted cash flow valuation models and the exchange rates in effect at the end of the reporting period, as well as risk-adjusted interest and discount rates appropriate to the instruments’ terms. These models take into account counterparty credit risk via credit value adjustments. Derivatives embedded in bond agreements 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 derivatives embedded in a convertible loan and the loan issued with a conversion right are measured based on option pricing models. Inputs to the model include data from the company’s plans and budgets, market information, and management expectations.

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.

Change in assets and liabilities measured at fair value in level 3

			2020
in € millions	Financial assets – derivatives not designated as hedging instruments	Miscellaneous other financial assets	Financial liabilities – derivatives not designated as hedging instruments
Balance as at January 01	**1**	**10**	**1**
Additions	0	13	0
• Financial income	0	0	-1
• Financial expense	1	21	0
Balance as at June 30	**0**	**3**	**0**

Financial assets and liabilities for which fair value is determined based on inputs unobservable in the market (level 3) are continually monitored and reviewed for changes in value. The key factor driving fair value changes is the enterprise value of the debtor of the loan. This enterprise value is determined using data from the company’s plans and budgets, management expectations, and market information.

Contingent liabilities and other obligations

The statements made in the annual report 2019 with respect to contingent liabilities are largely unchanged.

Open commitments under fixed contracts to purchase property, plant and equipment amounted to a total of EUR 264 m as at June 30, 2020 (December 31, 2019: EUR 288 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's business is managed based on the three divisions – **Automotive OEM, Automotive Aftermarket,** and **Industrial** – which also represent the reportable segments. The Automotive OEM division business is organized into the four business divisions **E-Mobility, Engine Systems, Transmission Systems,** 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 was reviewed and adjusted during the year. 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.

Reconciliation to earnings before income taxes

	1st six months	
in € millions	**2020**	**2019 1)**
EBIT Automotive OEM	-445	149
EBIT Automotive Aftermarket	103	141
EBIT Industrial	119	194
EBIT	**-223**	**483**
Financial result	-90	-81
Income (loss) from equity-accounted investees	-14	-7
Earnings before income taxes	**-327**	**395**

1) Prior year information presented based on 2020 segment structure.

Reconciliation of EBIT to EBIT before special items

	1st six months		1st six months		1st six months		1st six months	
	2020	**2019 1)**	**2020**	**2019 1)**	**2020**	**2019 1)**	**2020**	**2019**
in € millions	Automotive OEM		Automotive Aftermarket		Industrial		Total	
EBIT	**-445**	**149**	**103**	**141**	**119**	**194**	**-223**	**483**
• in % of revenue	-13.6	3.3	13.8	15.6	7.6	10.7	-4.0	6.7
Special items	**265**	**73**	**0**	**0**	**22**	**0**	**288**	**73**
• Legal cases	0	0	0	0	0	-13	0	-13
• Restructuring	16	73	0	0	22	13	39	86
• Other	249	0	0	0	0	0	249	0
EBIT before special items	**-179**	**221**	**103**	**141**	**141**	**194**	**65**	**556**
• in % of revenue	-5.5	4.9	13.8	15.6	9.0	10.8	1.2	7.7

1) 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 2019 consolidated financial statements.

On May 8, 2020, the Schaeffler AG annual general meeting passed a resolution to pay a total dividend of EUR 295 m in respect of 2019 (prior year: EUR 361 m), consisting of EUR 220 m (prior year: EUR 270 m) on the common shares held by IHO Verwaltungs GmbH and EUR 75 m (prior year: EUR 91 m) on the common non-voting shares.

The company provided a further EUR 26 m in loans to associated companies in the first six months of 2020. As at June 30, 2020, loans receivable had a carrying amount of EUR 31 m. An impairment of EUR 21 m was recognized on an outstanding convertible loan receivable from a joint venture during the reporting period.

Further transactions with associated companies and joint ventures during this period were insignificant.

Events after the reporting period

On July 20, 2020, the rating agency Standard & Poor's downgraded its ratings for the Schaeffler Group from previously BBB- to BB+. Standard & Poor's considers the outlook for the ratings to be "stable".

On July 20, 2020, the Supervisory Board of Schaeffler AG appointed Dr. Klaus Patzak as a member of the Board of Managing Directors of Schaeffler AG for a three-year term of office effective from August 1, 2020. Dr. Patzak assumes the position of CFO, which includes responsibility for the Finance and IT functions, as the successor to Dietmar Heinrich, who will leave Schaeffler AG as agreed on July 31, 2020, in order to pursue new challenges in his career.

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, 2020.

Herzogenaurach, July 27, 2020

The Board of Managing Directors

Review report

To Schaeffler AG, Herzogenaurach

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, 2020 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.

Nuremberg, July 28, 2020

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 27, 2020

Schaeffler Aktiengesellschaft
The Board of Managing Directors

Klaus Rosenfeld
Chief Executive Officer

Dietmar Heinrich

Andreas Schick

Corinna Schittenhelm

Michael Söding

Dr. Stefan Spindler

Uwe Wagner

Matthias Zink

Summary 1st quarter 2019 to 2nd quarter 2020

Schaeffler Group

	2019				2020	
in € millions	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
Income statement						
Revenue	3,622	3,604	3,613	3,588	3,282	2,292
• Europe	1,715	1,664	1,590	1,538	1,536	886
• Americas	817	777	798	763	771	366
• Greater China	586	645	728	804	520	737
• Asia/Pacific	504	518	498	483	455	303
Cost of sales	-2,708	-2,705	-2,697	-2,743	-2,484	-1,953
Gross profit	913	899	917	844	799	339
• in % of revenue	25.2	25.0	25.4	23.5	24.3	14.8
Research and development expenses	-229	-215	-202	-204	-208	-179
Selling and administrative expenses	-392	-383	-381	-377	-369	-294
EBIT	230	253	312	-5	-88	-135
• in % of revenue	6.3	7.0	8.6	-0.2	-2.7	-5.9
Special items	42	31	15	284	302	-15
EBIT before special items [1]	272	284	327	279	215	-150
• in % of revenue	7.5	7.9	9.1	7.8	6.5	-6.5
Net income (loss) [2]	137	136	212	-56	-184	-168
Earnings per common non-voting share (basic/diluted, in €)	0.21	0.21	0.31	-0.08	-0.27	-0.25
Statement of financial position (in € millions)						
Total assets	14,561	12,993	13,127	12,870	12,395	12,301
Shareholders' equity [3]	3,169	2,736	2,757	2,917	2,573	1,883
• in % of total assets	21.8	21.1	21.0	22.7	20.8	15.3
Net financial debt	2,805	3,167	2,842	2,526	2,414	3,002
• Net financial debt to EBITDA ratio before special items [1,4]	1.3	1.6	1.4	1.2	1.2	1.8
• Gearing ratio (Net financial debt to shareholders' equity [3], in %)	88.5	115.8	103.1	86.6	93.8	159.5
Statement of cash flows (in € millions)						
EBITDA	472	490	558	249	405	107
Cash flows from operating activities	154	229	610	585	327	-130
Capital expenditures (capex) [5]	373	221	229	222	164	136
• in % of revenue (capex ratio)	10.3	6.1	6.3	6.2	5.0	5.9
Free cash flow (FCF) before cash in- and outflows for M&A activities	-235	6	362	340	137	-285
• FCF conversion ratio (ratio of FCF before cash in- and outflows for M&A activities to EBITDA before special items, in %) [1,4]	10.3	11.3	19.1	22.4	40.9	33.7
Value-based management						
Schaeffler Value Added before special items (in € millions) [1,4]	422	289	247	284	328	-89
ROCE before special items (in %) [1,4]	15	13.4	12.9	13.2	12.8	7.9
Employees						
Headcount (at end of reporting period)	91,837	90,492	89,036	87,748	86,548	84,223

[1] Please refer to pp. 14 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.

Automotive OEM division 1)

in € millions	2019 1st quarter	2019 2nd quarter	2019 3rd quarter	2019 4th quarter	2020 1st quarter	2020 2nd quarter
Income statement						
Revenue	2,285	2,232	2,254	2,272	2,008	1,256
• E-Mobility BD	147	159	190	186	144	128
• Engine Systems BD	699	689	700	705	604	384
• Transmission Systems BD	1,038	987	995	1,002	902	548
• Chassis Systems BD	401	397	369	380	359	196
• Europe	965	922	851	833	835	367
• Americas	566	523	553	513	541	190
• Greater China	412	432	513	602	316	499
• Asia/Pacific	343	355	338	324	316	200
Cost of sales	-1,801	-1,771	-1,772	-1,818	-1,625	-1,208
Gross profit	484	461	482	454	383	48
• in % of revenue	21.2	20.6	21.4	20.0	19.1	3.8
Research and development expenses	-183	-170	-157	-163	-164	-141
Selling and administrative expenses	-179	-175	-172	-169	-169	-131
EBIT	58	90	143	-5	-220	-225
• in % of revenue	2.5	4.1	6.3	-0.2	-11.0	-17.9
Special items	55	18	15	122	270	-5
EBIT before special items 2)	113	108	158	117	50	-229
• in % of revenue	4.9	4.9	7.0	5.1	2.5	-18.2

Automotive Aftermarket division 1)

in € millions	2019 1st quarter	2019 2nd quarter	2019 3rd quarter	2019 4th quarter	2020 1st quarter	2020 2nd quarter
Income statement						
Revenue	443	461	482	462	446	301
• Europe	312	320	351	326	329	212
• Americas	88	95	86	93	81	56
• Greater China	20	22	22	18	15	21
• Asia/Pacific	23	25	23	26	21	13
Cost of sales	-291	-306	-312	-305	-288	-210
Gross profit	152	155	170	157	158	91
• in % of revenue	34.3	33.6	35.2	33.9	35.4	30.3
Research and development expenses	-7	-7	-6	-7	-6	-5
Selling and administrative expenses	-76	-75	-75	-78	-72	-57
EBIT	69	72	87	62	76	27
• in % of revenue	15.5	15.6	18.1	13.4	17.1	9.0
Special items	0	0	0	15	0	0
EBIT before special items 2)	69	72	87	77	76	27
• in % of revenue	15.5	15.6	18.1	16.7	17.1	9.0

Industrial division 1)

in € millions	2019 1st quarter	2019 2nd quarter	2019 3rd quarter	2019 4th quarter	2020 1st quarter	2020 2nd quarter
Income statement						
Revenue	893	911	877	853	828	734
• Europe	438	422	388	379	372	308
• Americas	162	160	159	157	149	120
• Greater China	155	191	193	184	189	218
• Asia/Pacific	138	138	138	134	118	89
Cost of sales	-616	-627	-613	-620	-571	-535
Gross profit	277	284	265	234	257	199
• in % of revenue	31.0	31.1	30.2	27.4	31.1	27.2
Research and development expenses	-40	-38	-39	-34	-38	-33
Selling and administrative expenses	-137	-132	-134	-130	-129	-107
EBIT	103	91	83	-63	56	63
• in % of revenue	11.5	10.0	9.4	-7.3	6.8	8.5
Special items	-13	13	0	147	32	-10
EBIT before special items 2)	90	104	83	84	88	52
• in % of revenue	10.1	11.4	9.4	9.9	10.7	7.1

1) Prior year information presented based on 2020 segment structure.
2) Please refer to pp. 14 et seq. for the definition of special items.

Financial calendar

August 4, 2020

Publication of results for the first six months 2020

November 10, 2020

Publication of results for the first nine months 2020

March 4, 2021

Publication of annual results 2020

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

Imprint

Published by
Schaeffler AG, Industriestr. 1-3,
91074 Herzogenaurach, Germany

Responsible for content
Corporate Accounting, Schaeffler AG

Date of publication
Tuesday, August 4, 2020

Investor Relations
phone: +49 (0)9132 82-4440
fax: +49 (0)9132 82-4444
e-mail: ir@schaeffler.com

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

Schaeffler AG

Industriestr. 1-3
91074 Herzogenaurach
Germany

www.schaeffler.com

SCHAEFFLER