

Q1

Interim Financial Report  
as at March 31, 2020



# Schaeffler Group at a glance

## Key figures

	1 <sup>st</sup> three months			
<b>Income statement</b> (in € millions)	<b>2020</b>	<b>2019</b>		Change
Revenue	3,282	3,622	-9.4	%
• at constant currency			-9.2	%
EBIT	-88	230	-	%
• in % of revenue	-2.7	6.3	-9.0	%-pts.
EBIT before special items <sup>1)</sup>	215	272	-20.9	%
• in % of revenue	6.5	7.5	-1.0	%-pts.
Net income (loss) <sup>2)</sup>	-184	137	-	%
Earnings per common non-voting share (basic/diluted, in €)	-0.27	0.21	-	%
<b>Statement of financial position</b> (in € millions)	<b>03/31/2020</b>	<b>12/31/2019</b>		Change
Total assets	12,395	12,870	-3.7	%
Shareholders' equity <sup>3)</sup>	2,573	2,917	-344	€ millions
• in % of total assets	20.8	22.7	-1.9	%-pts.
Net financial debt	2,414	2,526	-4.4	%
• Net financial debt to EBITDA ratio before special items <sup>1) 4)</sup>	1.2	1.2		
• Gearing ratio (Net financial debt to shareholders' equity <sup>3)</sup> , in %)	93.8	86.6	7.3	%-pts.
<b>Statement of cash flows</b> (in € millions)	<b>2020</b>	<b>2019</b>		Change
EBITDA	405	472	-14.1	%
Cash flows from operating activities	327	154	173	€ millions
Capital expenditures (capex) <sup>5)</sup>	164	373	-210	€ millions
• in % of revenue (capex ratio)	5.0	10.3	-5.3	%-pts.
Free cash flow (FCF) before cash in- and outflows for M&A activities	137	-235	372	€ millions
• FCF conversion ratio (ratio of FCF before cash in- and outflows for M&A activities to EBITDA before special items, in %) <sup>1) 4)</sup>	40.9	10.3	30.6	%-pts.
<b>Value-based management</b>				Change
Schaeffler Value Added before special items (in € millions) <sup>1) 4)</sup>	328	422	-22.3	%
ROCE before special items (in %) <sup>1) 4)</sup>	12.8	15.0	-2.2	%-pts.
<b>Employees</b>	<b>03/31/2020</b>	<b>12/31/2019</b>		Change
Headcount (at end of reporting period)	86,548	87,748	-1.4	%
	1 <sup>st</sup> three months			
<b>Automotive OEM division</b> <sup>6)</sup> (in € millions)	<b>2020</b>	<b>2019</b>		Change
Revenue	2,008	2,285	-12.1	%
• at constant currency			-12.0	%
EBIT	-220	58	-	%
• in % of revenue	-11.0	2.5	-13.5	%-pts.
EBIT before special items <sup>1)</sup>	50	113	-55.7	%
• in % of revenue	2.5	4.9	-2.4	%-pts.
<b>Automotive Aftermarket division</b> <sup>6)</sup> (in € millions)				Change
Revenue	446	443	0.7	%
• at constant currency			1.5	%
EBIT	76	69	11.1	%
• in % of revenue	17.1	15.5	1.6	%-pts.
EBIT before special items <sup>1)</sup>	76	69	11.1	%
• in % of revenue	17.1	15.5	1.6	%-pts.
<b>Industrial division</b> <sup>6)</sup> (in € millions)				Change
Revenue	828	893	-7.3	%
• at constant currency			-7.5	%
EBIT	56	103	-45.6	%
• in % of revenue	6.8	11.5	-4.8	%-pts.
EBIT before special items <sup>1)</sup>	88	90	-1.9	%
• in % of revenue	10.7	10.1	0.6	%-pts.

<sup>1)</sup> Please refer to pp. 14 et seq. for the definition of special items.

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

<sup>3)</sup> Including non-controlling interests.

<sup>4)</sup> Based on the last twelve months.

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

<sup>6)</sup> Prior year information presented based on 2020 segment structure.

# Highlights Q1 2020

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Revenue trend impacted by coronavirus pandemic

Revenue at **EUR 3.3 bn**  
(down 9.2% at constant currency)

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Earnings quality affected by lower revenue

EBIT margin before special items **6.5%**  
(prior year: 7.5%)

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Free cash flow considerably improved in Q1

Free cash flow before cash in- and outflows for  
M&A activities **EUR 137 m**  
(prior year: EUR -235 m)

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Capital expenditures adapted to market in Q1

Capex **EUR 164 m** (prior year: EUR 373 m),  
Capex ratio **5.0%** (prior year: 10.3%)

# Schaeffler on the capital markets


## Recent events

### Proposed dividend slightly below prior year

Schaeffler AG's Board of Managing Directors will propose a dividend of EUR 0.45 per common non-voting share to the annual general meeting. This represents a dividend payout ratio of approximately 43% of net income attributable to shareholders for 2019 before special items. Due to the coronavirus pandemic, the annual general meeting originally scheduled for April 17, 2020, was postponed to May 8, 2020. The annual general meeting will be held as a virtual event without physical presence, but will be broadcast live via the internet for shareholders or their proxies.

### 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.

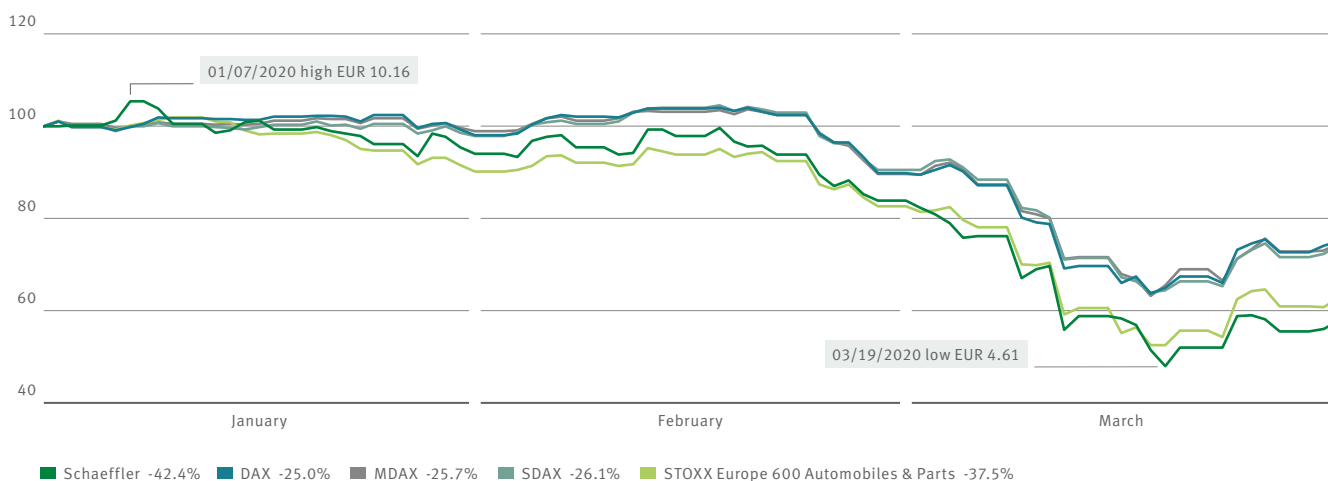
### Strategic Capital Markets Day postponed

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. 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 will be rescheduled as soon as circumstances surrounding the coronavirus pandemic allow.

**Schaeffler share price trend 2020**

in percent (12/31/2019 = 100)



Source: Bloomberg (closing prices).

**Capital market trends**

Global capital markets declined sharply during the first quarter of 2020, mainly due to the rapid spread of the coronavirus pandemic and the resulting adverse implications for the global economy. Especially the spread of the virus in Europe and North America led to large losses on the capital markets. It was not until late in the quarter that prices recovered slightly; this recovery was considered attributable to the announcement of government action to support the economy.

In this context, the global equities markets weakened considerably overall in the first three months of 2020. The Euro STOXX 50 fell 25.6% and the Dow Jones Industrial Average was down 23.2%. The Nikkei 225 index lost 20.0% in value as well. Meanwhile, the Deutsche Aktienindex (DAX) decreased by 25.0%, dropping to a level of 9,936 points as at March 31, 2020.

**Schaeffler shares**

Schaeffler AG's common non-voting shares lagged behind the benchmark indexes DAX (-25.0% compared to December 31, 2019), MDAX (-25.7%), SDAX (-26.1%), and STOXX Europe 600 Automobiles & Parts (-37.5%) during the first quarter of 2020. On March 31, 2020, the common non-voting shares of Schaeffler AG were quoted at EUR 5.55, 42.4% less than on December 31, 2019. The decline was driven by the sharp slump of the capital markets in response to the expected and already observable economic implications of the coronavirus pandemic. Especially the automotive sector saw adverse consequences emerge for both demand and production of passenger cars and light commercial vehicles.

**Schaeffler share performance**

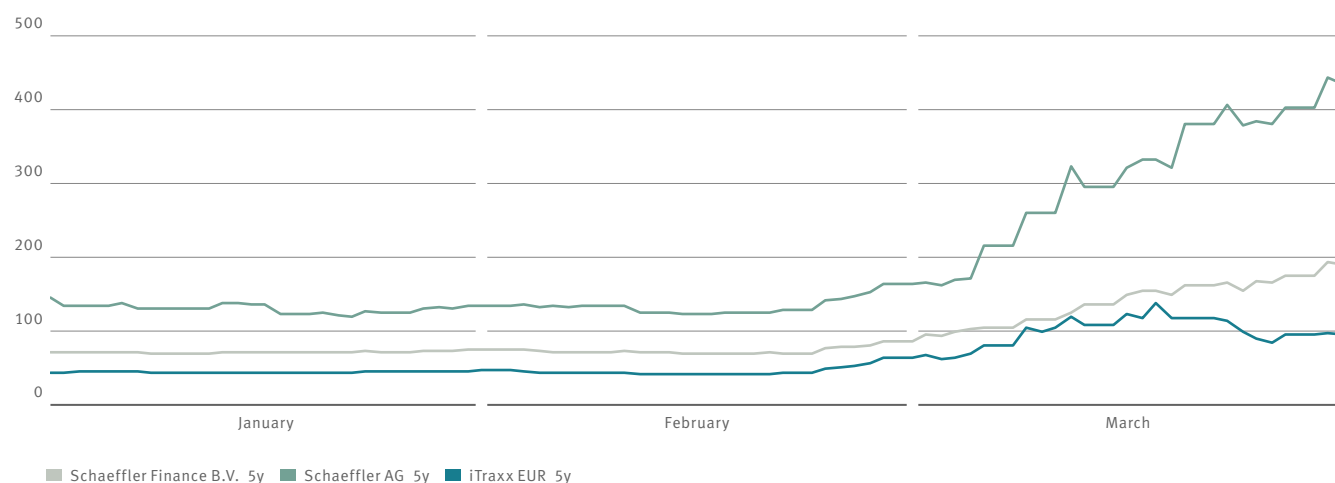
	1 <sup>st</sup> three months	
	2020	2019
Schaeffler share price 03/31/ (in €) <sup>1)</sup>	5.55	7.25
Average trading volume (number of shares)	793,069	1,409,825
DAX 03/31/ <sup>1)</sup>	9,936	11,526
MDAX 03/31/ <sup>1)</sup>	21,041	24,722
SDAX 03/31/ <sup>1)</sup>	9,248	10,932
STOXX Europe 600 Automobiles & Parts 03/31/ <sup>1)</sup>	318	487
Average number of shares (in millions)		
• Common shares	500	500
• Common non-voting shares	166	166
Earnings per share (in €)		
• Common shares	-0.28	0.21
• Common non-voting shares	-0.27	0.21

<sup>1)</sup> Source: Bloomberg (closing prices).

The daily trading volume averaged 793,069 shares in the first three months of 2020 (prior year: 1,409,825). 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 March 31, 2020, all of them denominated in euros. The three investment grade bond series due in 2022, 2024, and 2027 were issued by Schaeffler AG. The bond series due in 2025 was issued by Schaeffler Finance B.V. in Barneveld, Netherlands.

In the first quarter of 2020, the three bond series issued by Schaeffler AG trended laterally until early March. The EUR bond series of Schaeffler Finance B.V. due in 2025 continued to close in on its contractual redemption price. Since the spread of the coronavirus in Europe, all bond series have experienced declines starting in early March. The pandemic severely restricted trading in corporate bonds starting in mid-March. Additionally, the risk premiums in the iTraxx Europe nearly tripled from mid-February to mid-March. The Schaeffler AG bonds due in 2022 closed at 92.50% on March 31, the bonds due in 2024 came in at 89.01%, and the closing price at March 31 of the bonds with the longest maturity, 2027, was 78.97%.

Schaeffler AG has been assigned an investment grade rating by the three rating agencies Fitch, Moody's, and Standard & Poor's. On March 20, 2020, rating agency Fitch changed the outlook from "stable" to "negative" due to expected market trends given the coronavirus pandemic. Moody's announced on March 26, 2020, that it was reviewing Schaeffler AG's ratings for a possible downgrade in light of the economic implications of the coronavirus pandemic.

The following summary shows the three rating agencies' ratings as at March 31, 2020:

**Schaeffler Group ratings**

as at March 31

Rating agency	2020	2019	2020	2019
	Company		Bonds	
	Rating/Outlook		Rating	
Fitch	BBB-/negative	BBB-/stable	BBB-	BBB-
Moody's	Baa3/- <sup>1)</sup>	Baa3/stable	Baa3	Baa3
Standard & Poor's	BBB-/negative	BBB-/stable	BBB-	BBB-

<sup>1)</sup> Rating under review.

See back cover for financial calendar

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## Special items

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

## Impact of currency translation/constant currency

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

## References

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

Rounding differences may occur.

## Navigation aid

 Further detail elsewhere in the report

# 1. Report on the economic position

## 1.1 Economic environment

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 fell approximately 2% below the prior year level in the first quarter of 2020 (Oxford Economics, April 2020). The main reason for the decline were measures, some quite drastic, taken worldwide to contain the coronavirus, since they resulted in extensive economic disruption. The high level of uncertainty among companies, consumers, and investors additionally hampered the global economy.

In China, the country initially hit hardest by the coronavirus, massive containment measures drove the economy into a significant slump in the first quarter of 2020; gross domestic product dropped below the prior year level for the first time in decades. Following a significant decline in new infections in China in late February 2020, the coronavirus began to spread rapidly outside the country 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 reporting period. For instance, in March 2020, significant declines in purchasing managers' indexes were reported for economies such as the euro region, the U.S., Japan, and India; the U.S. also experienced a rapid rise in unemployment.

In this context, the situation in the Schaeffler Group's regions was as follows: Gross domestic product in the Europe region declined by just under 1%. Economic output in both the Americas and Asia/Pacific regions was approximately flat with prior year. In the Greater China region, however, gross domestic product was 8% below the prior year level.

In the **currency markets**, the euro fell against the U.S. dollar compared to the prior year period, while it rose slightly against the Chinese renminbi. On average, the euro was valued at USD 1.10 and CNY 7.70, respectively, during the reporting period (prior year: USD 1.14 and CNY 7.66, 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 in the first quarter of 2020, falling to 24% below the prior year level according to preliminary estimates (IHS Markit, April 2020). Almost all production countries worldwide reported a decline. This negative development 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 subregions. A further coronavirus-related factor hampering production were disruptions in the global supply chain, especially 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 also contributed to a decline in demand – along with mobility restrictions, particularly the expected or already apparent deterioration in consumers' economic situation.



Automobile production in the Europe region dropped by approximately 20%. In the euro region, the number of vehicles produced was down approximately 23% from prior year, with considerable declines in France (-41%), Germany (-20%), and Spain (-17%) weighing heavily on this measure. The United Kingdom (-18%) reported considerably lower production as well. Automobile production in the Americas region was approximately 12% below prior year. Production fell approximately 11% in the U.S., approximately 6% in Mexico, approximately 16% in Brazil, and approximately 18% in Canada. The Greater China region experienced the most significant slump in automobile production by far during the reporting period: Based on available estimates, the number of vehicles produced dropped to nearly 50% below the prior year level. In the Asia/Pacific region, Automobile production declined by approximately 14%. Production in Japan was approximately 9% lower than in the prior year, and approximately 17% lower in South Korea. The strongest decline, 21%, was reported by India.

Based on preliminary estimates, global **industrial production** in the first quarter of 2020, measured as gross value added based on constant prices and exchange rates, was down just under 4% from the prior year level (Oxford Economics, March 2020). The slump is primarily due to disruptions related to the coronavirus pandemic. Temporary factory closures led directly to lost production as well as interruptions in national and global supply chains. In addition, demand for industrial goods fell as well, especially in the countries most affected by the pandemic. Increased uncertainty resulted in declining demand for investment goods and durable consumer goods. A number of economies, especially in the Europe region, experienced declining industrial production even before the coronavirus crisis.

In the Europe region, industrial production dropped by a good 2%. The euro region experienced a considerable slump in production in March 2020, and the level for the entire reporting period was just under 3% less than in the prior year. The considerable contraction in automobile production – especially in Germany – which also affected other industrial sectors via the supply chain, contributed significantly to the negative development. Apart from Germany, mainly Italy and France reported a perceptible decline in industrial production as well. In the Americas region, industrial production was approximately flat with prior year. The U.S. reported a considerable slump in production in March 2020, and the level for the entire reporting period was slightly above that of the prior year. Especially the oil and gas industry contributed to growth in the U.S. Along with the decline in automobile production, which also affected other industrial sectors, primarily the significant drop in production in the aerospace sector had an offsetting adverse effect. In the Greater China region, industrial production contracted considerably, falling more than 10%, with most sectors down significantly from the prior year. Particularly the sharp drop in the production of electric and electronic products disrupted global supply chains

as well. In March 2020, China's industrial production showed signs of stabilizing, mainly because measures taken to contain the coronavirus, some quite drastic, were eased. Industrial production in the Asia/Pacific region fell just under 2%. In Japan, the level for the reporting period was nearly 6% below prior year; similar to the development in the euro region and the U.S., it was particularly in March 2020 that production slumped considerably. Along with disruptions in the supply chain, activity in Japan was hampered primarily by weak demand for exports. In South Korea as well, industrial production was held back by disrupted supply chains and declining foreign demand. However, the country reported growth of just under 3% compared to the weak prior year quarter. In India, industrial production was approximately flat with prior year. A considerable decline in automobile production which also affected other industrial sectors was offset by significant growth in the metal industry.

In the **procurement markets**, average prices for commodities and input materials significant to the Schaeffler Group were almost consistently below the level of the prior year period (Bloomberg; EIA; Platts). Aluminum, copper, and crude oil prices declined. Most prices for hot- and cold-rolled steel in the Schaeffler Group's relevant procurement regions dropped as well. The trend during the reporting period was similar. Prices for aluminum, copper, and crude oil each closed lower at March 31, 2020, than at the beginning of the year. Similarly, prices for hot- and cold-rolled steel mostly dropped over time in the Schaeffler Group's relevant procurement regions. 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 quarter 2020

On December 5, 2019, the Schaeffler Group entered into an agreement to sell its plants in Unna and Kaltennordheim to a consortium of investors led by a restructuring consultant with industry experience. The disposal on February 3, 2020, resulted in a transfer of the business under which the employee's employment contracts were transferred.

At its meeting on March 6, 2020, the Supervisory Board of Schaeffler AG renewed the contract with Michael Söding, CEO Automotive Aftermarket, until December 31, 2023.


Since the start of the coronavirus pandemic, Schaeffler has taken numerous measures to protect the health of its employees while keeping supply chains as intact as possible. Their focus is on protecting employees and containing the pandemic. The company aims to minimize all employees' risk of infection as much as possible. In addition, the company's experts and crisis management teams are working to expand and improve protective measures within plants and office buildings. Business travel and training have been restricted, protective measures have been put in place in work areas and staff rooms, and employees are encouraged to work remotely to the extent possible. The measures taken by the company closely follow recommendations made by international, national, and local authorities.

Based on the worldwide measures aimed at containing the coronavirus and the related social and economic restrictions, the Schaeffler Group is expecting a considerable adverse impact on the overall economic trend. On March 19, 2020, the Schaeffler Group announced to adjust production in the automotive business in response to declining demand for automobiles and temporary plant closures by automobile manufacturers. In addition, current developments affect not only production, but also require capacity adjustments in the corporate functions and at the divisions. Therefore, the company has agreed with employee representatives on a set of measures that provides for a range of different instruments. Along with closure days, using hours in flextime accounts, and plant holidays, the set of measures also comprises short-time work. In addition, the company has initiated further measures designed to reduce expenditures in the short term as well as measures to protect supply chains and to reduce the impact of the pandemic on the Schaeffler Group's customers.

On March 18, 2020, Schaeffler AG announced that it was postponing its annual general meeting, originally scheduled to be held in Nuremberg on April 17, 2020, due to the coronavirus pandemic. As a result, the annual general meeting will be held as a virtual event on May 8, 2020, without physical presence, but will be broadcast live via the internet for shareholders or their proxies. For the year 2019, the Board of Managing Directors and the Supervisory Board will propose a dividend of EUR 0.44 per

common share and EUR 0.45 per common non-voting share to the annual general meeting. This represents a dividend payout ratio of 43.0% of net income attributable to shareholders before special items.

On March 24, 2020, the Board of Managing Directors of Schaeffler AG further 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 during the reporting period.

# Schaeffler Group

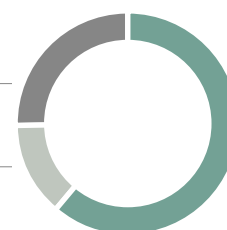
Results of operations adversely affected by coronavirus, especially at Automotive OEM division // Constant-currency revenue decline at minus 9.2% // Automotive OEM and Industrial division revenue significantly below prior year driven by volumes; Automotive Aftermarket slightly ahead of prior year // Considerable revenue decrease in all regions // EUR 302 m in special items due to goodwill impairment in Automotive OEM division and expansion of programs "RACE" and "FIT" // EBIT margin before special items adversely affected by lower revenue

Revenue EUR **3,282 m**

EBIT margin before special items **6.5%**

**25.2%**  
Industrial

**13.6%**  
Automotive Aftermarket



**61.2%**  
Automotive OEM

## Schaeffler Group earnings

in € millions	1 <sup>st</sup> three months		Change in %
	2020	2019	
<b>Revenue</b>	<b>3,282</b>	<b>3,622</b>	<b>-9.4</b>
• at constant currency			-9.2
<b>Revenue by division</b>			
Automotive OEM	2,008	2,285	-12.1
• at constant currency			-12.0
Automotive Aftermarket	446	443	0.7
• at constant currency			1.5
Industrial	828	893	-7.3
• at constant currency			-7.5
<b>Revenue by region <sup>1)</sup></b>			
Europe	1,536	1,715	-10.4
• at constant currency			-10.4
Americas	771	817	-5.5
• at constant currency			-6.0
Greater China	520	586	-11.4
• at constant currency			-11.2
Asia/Pacific	455	504	-9.7
• at constant currency			-9.3
Cost of sales	-2,484	-2,708	-8.3
<b>Gross profit</b>	<b>799</b>	<b>913</b>	<b>-12.6</b>
• in % of revenue	24.3	25.2	-
Research and development expenses	-208	-229	-9.4
Selling and administrative expenses	-369	-392	-5.9
<b>Earnings before financial result, income (loss) from equity-accounted investees, and income taxes (EBIT)</b>	<b>-88</b>	<b>230</b>	<b>-</b>
• in % of revenue	-2.7	6.3	-
Special items <sup>2)</sup>	302	42	> 100
<b>EBIT before special items</b>	<b>215</b>	<b>272</b>	<b>-20.9</b>
• in % of revenue	6.5	7.5	-
Financial result	-57	-38	48.6
Income (loss) from equity-accounted investees	-7	-4	84.8
Income taxes	-31	-47	-35.5
<b>Net income (loss) <sup>3)</sup></b>	<b>-184</b>	<b>137</b>	<b>-</b>
Earnings per common non-voting share (basic/diluted, in €)	-0.27	0.21	-

<sup>1)</sup> Based on market (customer location).

<sup>2)</sup> Please refer to pp. 14 et seq. for the definition of special items.

<sup>3)</sup> Attributable to shareholders of the parent company.

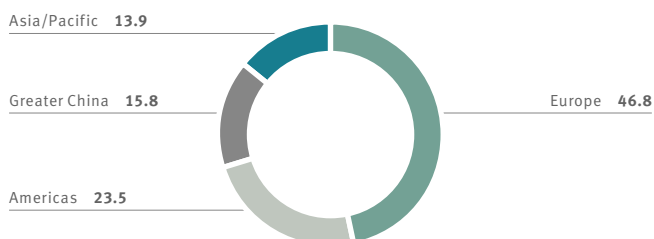
## 1.3 Earnings

### Schaeffler Group earnings

The Schaeffler Group's **revenue** for the first quarter of 2020 declined by 9.4% (-9.2% at constant currency) to EUR 3,282 m (prior year: EUR 3,622 m), mainly driven by volumes. The drop in revenue was primarily caused by the decline in demand and temporary production shutdowns due to the coronavirus pandemic, which mainly hampered results of operations of the Automotive OEM division in the Greater China and Europe regions. Excluding the impact of currency translation, Automotive OEM division revenue declined considerably, falling 12.0% overall. In the Industrial division, revenue declined by 7.5%, excluding the impact of currency translation, driven by volumes. Along with the persistently challenging sector environment, the Industrial division revenue trend was further hampered by the coronavirus pandemic. The Automotive Aftermarket division, however, grew its revenue by 1.5%, excluding the impact of currency translation, driven by volumes. Especially revenue in the Europe region improved over the prior year period.

#### Schaeffler Group revenue by region

in percent by market view



Revenue for the first quarter of 2020 was down from the prior year period in all of the Schaeffler Group's four regions. Revenue in the Europe region decreased by 10.4% (-10.4% at constant currency), mainly driven by the performance of the Automotive OEM division. The spread of the coronavirus resulted in a significant decline in revenue, especially in March 2020. In the Industrial division, revenue declined below the prior year level as well. In contrast, the Automotive Aftermarket division increased its revenue considerably, driven in part by a base effect, since a few major customers had adjusted inventory levels in the prior year period. The Americas region reported a drop in revenue by 5.5% (-6.0% at constant currency) that was attributable to all three divisions. Following a solid start to the year, the spread of the coronavirus impacted the revenue trends of the Automotive OEM and Automotive Aftermarket divisions, primarily in March 2020. In the Greater China region, revenue dropped by 11.4% (-11.2% at constant currency). Despite the encouraging revenue trend in the Industrial division, where revenue in the

wind sector cluster rose considerably compared to the prior year, the region reported the largest revenue decline within the Schaeffler Group. The impact of the coronavirus pandemic has greatly weakened the Automotive OEM division revenue trend, especially in February 2020. In the Automotive Aftermarket division, the coronavirus pandemic left its mark on the revenue trend as well. The Asia/Pacific region reported a revenue decline of 9.7% (-9.3% at constant currency), with revenue down considerably from prior year at all three divisions.

**Cost of sales** decreased by EUR 224 m or 8.3% to EUR 2,484 m during the reporting period (prior year: EUR 2,708 m), partly driven by volumes. **Gross profit** declined by EUR 115 m or 12.6% to EUR 799 m in the first three months of 2020 (prior year: EUR 913 m). The gross margin declined by 0.9 percentage points to 24.3% (prior year: 25.2%). The main reason for this decline was the adverse impact of volumes on fixed costs at the Automotive OEM and Industrial divisions.

Partly as a result of measures taken in the prior year to increase efficiency, **functional costs** for the reporting period declined by EUR 45 m or 7.2% to EUR 577 m (prior year: EUR 622 m), growing slightly by 0.4 percentage points to 17.6% of revenue (prior year: 17.2%). Research and development expenses of EUR 208 m were EUR 22 m or 9.4% below the prior year level (prior year: EUR 229 m). As in the prior year, research and development expenses represented an R&D ratio of 6.3% of revenue (prior year: 6.3%). Selling and administrative expenses decreased by EUR 23 m or 5.9% to EUR 369 m (prior year: EUR 392 m), partly due to decreased logistics expenses resulting from lower volumes.

The Schaeffler Group's **EBIT** for the first quarter of 2020 amounted to EUR -88 m (prior year: EUR 230 m), and the corresponding EBIT margin was -2.7% (prior year: 6.3%). EBIT was adversely affected by EUR 302 m in **special items** (prior year: EUR 42 m). These included an impairment of goodwill allocated to the Automotive OEM division by EUR 249 m 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 53 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 by EUR 57 m or 20.9% to EUR 215 m (prior year: EUR 272 m) with a corresponding drop in EBIT margin by 1.0 percentage point to 6.5% (prior year: 7.5%). The decline was primarily due to the decrease in gross margin as described above. In addition, the relative functional cost structure had an adverse impact on the margin trend as a result of the decrease in revenue. Transactions denominated in foreign currency had a partially offsetting favorable effect on the margin trend compared to the prior year period.

The Schaeffler Group's **financial result** deteriorated by EUR 19 m to EUR -57 m (prior year: EUR -38 m) in the first quarter of 2020.

### Schaeffler Group financial result

in € millions	1 <sup>st</sup> three months	
	2020	2019
Interest expense on financial debt <sup>1)</sup>	-19	-25
Gains and losses on derivatives and foreign exchange	-1	-12
Fair value changes on embedded derivatives	-30	10
Interest income and expense on pensions and partial retirement obligations	-6	-10
Other	0	-1
<b>Total</b>	<b>-57</b>	<b>-38</b>

<sup>1)</sup> Incl. amortization of transaction costs and prepayment penalties.

Interest expense on financial debt for the first quarter of 2020 amounted to EUR 19 m (prior year: EUR 25 m). Ongoing interest expense was in line with 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 1 m (prior year: EUR 12 m).

Fair value changes on embedded derivatives, primarily prepayment options for external financing instruments, resulted in net losses of EUR 30 m (prior year: net gains of EUR 10 m).

**Income tax** expense for the reporting period amounted to EUR 31 m (prior year: EUR 47 m), representing an effective tax rate of -20.3% (prior year: 25.2%). The change in the effective tax rate compared to the prior year was primarily the result of an increase in non-deductible operating expenses and non-creditable withholding taxes, non-recognition of deferred taxes on loss carry-forwards, as well as an impairment of goodwill that is not tax-deductible. Taxes related to prior years and a change in the composition of taxable income between countries with higher and lower tax rates had an offsetting effect.

**Net income (loss)** attributable to shareholders of the parent company for the reporting period declined to EUR -184 m (prior year: EUR 137 m). Net income before special items amounted to EUR 103 m (prior year: EUR 169 m).

Basic and diluted **earnings per common share** decreased to EUR -0.28 (prior year: EUR 0.21) during the reporting period. Basic and diluted **earnings per common non-voting share** amounted to EUR -0.27 (prior year: EUR 0.21). 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 328 m during the reporting period (prior year: EUR 422 m); return on capital employed (ROCE) before special items fell to 12.8% (prior year: 15.0%). The considerable decline in SVA was mainly attributable to the trend in Automotive OEM division EBIT before special items. The increase in average capital employed had a further adverse effect on SVA.

## 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 is based on a long-term cost of capital of 10%. The annual 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. 14 et seq. and page 30 et seq. of the Schaeffler Group's annual report 2019 for a detailed discussion of performance indicators and special items

## Reconciliation

	1 <sup>st</sup> three months		1 <sup>st</sup> three months		1 <sup>st</sup> three months		1 <sup>st</sup> three months	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Income statement (in € millions)</b>	Total		Automotive OEM		Automotive Aftermarket		Industrial	
<b>EBIT</b>	<b>-88</b>	<b>230</b>	<b>-220</b>	<b>58</b>	<b>76</b>	<b>69</b>	<b>56</b>	<b>103</b>
• in % of revenue	-2.7	6.3	-11.0	2.5	17.1	15.5	6.8	11.5
<b>Special items</b>	<b>302</b>	<b>42</b>	<b>270</b>	<b>55</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>-13</b>
• Legal cases	0	-13	0	0	0	0	0	-13
• Restructuring	53	55	21	55	0	0	32	0
- Program "RACE"	21	55	21	55	0	0	0	0
- Program "FIT"	32	0	0	0	0	0	32	0
• Other	249	0	249	0	0	0	0	0
<b>EBIT before special items</b>	<b>215</b>	<b>272</b>	<b>50</b>	<b>113</b>	<b>76</b>	<b>69</b>	<b>88</b>	<b>90</b>
• in % of revenue	6.5	7.5	2.5	4.9	17.1	15.5	10.7	10.1
<b>Net income (loss)<sup>1)</sup></b>	<b>-184</b>	<b>137</b>						
<b>Special items</b>	<b>302</b>	<b>42</b>						
• Legal cases	0	-13						
• Restructuring	53	55						
• Other	249	0						
- Tax effect <sup>2)</sup>	-15	-11						
<b>Net income before special items<sup>1)</sup></b>	<b>103</b>	<b>169</b>						
<b>Statement of financial position (in € millions)</b>	<b>03/31/2020</b>	<b>12/31/2019</b>						
Net financial debt	2,414	2,526						
/ EBITDA LTM	1,703	1,769						
<b>Net financial debt to EBITDA ratio</b>	<b>1.4</b>	<b>1.4</b>						
Net financial debt	2,414	2,526						
/ EBITDA before special items LTM	2,066	2,116						
<b>Net financial debt to EBITDA ratio before special items</b>	<b>1.2</b>	<b>1.2</b>						
<b>Statement of cash flows (in € millions)</b>	<b>2020</b>	<b>2019</b>						
<b>EBITDA</b>	<b>405</b>	<b>472</b>						
<b>Special items</b>	<b>53</b>	<b>37</b>						
• Legal cases	0	-13						
• Restructuring	53	50						
• Other	0	0						
<b>EBITDA before special items</b>	<b>459</b>	<b>509</b>						
<b>Free cash flow (FCF)</b>	<b>138</b>	<b>-300</b>						
-/+ Cash in- and outflows for M&A activities	0	65						
<b>FCF before cash in- and outflows for M&amp;A activities</b>	<b>137</b>	<b>-235</b>						
FCF before cash in- and outflows for M&A activities LTM	845	218						
/ EBITDA before special items LTM	2,066	2,124						
<b>FCF conversion ratio (in %)</b>	<b>40.9</b>	<b>10.3</b>						
<b>Value-based management (in € millions)</b>								
EBIT LTM	472	1,193						
- Cost of capital	776	840						
<b>Schaeffler Value Added (SVA)</b>	<b>-304</b>	<b>352</b>						
EBIT before special items LTM	1,105	1,262						
- Cost of capital	776	840						
<b>SVA before special items</b>	<b>328</b>	<b>422</b>						
EBIT LTM	472	1,193						
/ Average capital employed	8,624	8,405						
<b>ROCE (in %)</b>	<b>5.5</b>	<b>14.2</b>						
EBIT before special items LTM	1,105	1,262						
/ Average capital employed	8,624	8,405						
<b>ROCE before special items (in %)</b>	<b>12.8</b>	<b>15.0</b>						

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

<sup>2)</sup> 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

Worldwide demand heavily affected by coronavirus: global automobile production approximately 24% below prior year // Revenue decline minus 12.0% at constant currency, largely volume-driven // Revenue declines in all regions; especially in Greater China and Europe regions // E-Mobility BD only slightly below prior year; considerable revenue declines in remaining BDs // EUR 270 m in special items due to goodwill impairment and expansion of program “RACE” // EBIT margin before special items adversely affected by lower revenue

Revenue **EUR 2,008 m**

EBIT margin before special items **2.5%**



### Automotive OEM division earnings

in € millions	1 <sup>st</sup> three months		Change in %
	2020	2019	
<b>Revenue</b>	<b>2,008</b>	<b>2,285</b>	<b>-12.1</b>
• at constant currency			-12.0
<b>Revenue by business division</b>			
E-Mobility BD	144	147	-2.0
• at constant currency			-1.8
Engine Systems BD	604	699	-13.6
• at constant currency			-13.8
Transmission Systems BD	902	1,038	-13.2
• at constant currency			-13.5
Chassis Systems BD	359	401	-10.5
• at constant currency			-9.9
<b>Revenue by region <sup>1)</sup></b>			
Europe	835	965	-13.5
• at constant currency			-13.5
Americas	541	566	-4.3
• at constant currency			-5.2
Greater China	316	412	-23.3
• at constant currency			-22.8
Asia/Pacific	316	343	-7.8
• at constant currency			-7.3
Cost of sales	-1,625	-1,801	-9.8
<b>Gross profit</b>	<b>383</b>	<b>484</b>	<b>-20.8</b>
• in % of revenue	19.1	21.2	-
Research and development expenses	-164	-183	-10.4
Selling and administrative expenses	-169	-179	-6.0
<b>EBIT</b>	<b>-220</b>	<b>58</b>	<b>-</b>
• in % of revenue	-11.0	2.5	-
Special items <sup>2)</sup>	270	55	> 100
<b>EBIT before special items</b>	<b>50</b>	<b>113</b>	<b>-55.7</b>
• in % of revenue	2.5	4.9	-

Prior year information presented based on 2020 segment structure.

<sup>1)</sup> Based on market (customer location).

<sup>2)</sup> 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 12.1% (-12.0% at constant currency) to EUR 2,008 m (prior year: EUR 2,285 m), partly driven by volumes. While revenue in the E-Mobility BD was only slightly below the prior year level, the division's remaining business divisions reported considerable declines. The drop in revenue was primarily caused by the impact of the coronavirus pandemic on the automotive sector, significantly reducing Automotive OEM division demand. Temporary production shutdowns and disruptions of global supply chains had a considerable effect on global automobile production for the first quarter of 2020, which declined by approximately 24%. Lost production and the heavy decline in demand had an adverse impact on the Automotive OEM division's revenue trend, especially in the Greater China and Europe regions.

Revenue declined in all four regions during the first quarter of 2020. With automobile production in the Europe region falling by approximately 20%, the region's revenue decreased by 13.5% (-13.5% at constant currency). Having reported only a moderate revenue decline for the first two months of the year, the Europe region saw the spread of the coronavirus significantly affect its revenue trend in March 2020. While regional vehicle production decreased by approximately 12%, the Americas region reported a revenue decline of 4.3% (-5.2% at constant currency). Revenue was slightly ahead of the prior year level during the first two months of the year due to product ramp-ups, but demand fell considerably in March 2020 due to the coronavirus pandemic. Greater China region revenue dropped sharply by 23.3% (-22.8% at constant currency) during the first quarter of 2020 due to the coronavirus pandemic. Vehicle production fell by just under 50% during the reporting period. Especially in February 2020, the coronavirus pandemic brought the Chinese automotive market to a virtual standstill, before production in China was slowly ramped up again in March 2020. The Asia/Pacific region reported a 7.8% decrease in revenue (-7.3% at constant currency) while vehicle production declined by approximately 14%.

**E Mobility BD** revenue for the reporting period declined by 2.0% (-1.8% at constant currency). The sharp decline in revenue from hybrid modules and components for wet double clutches was not fully offset by the other product groups' revenue trends.

**Engine Systems BD** revenue for the reporting period fell 13.6% (-13.8% at constant currency) short of its prior year level, mainly driven by lower revenue in the valve train components and camshaft phasing units product groups. The thermal management module, on the other hand, generated additional revenue.

**Transmission Systems BD** revenue declined by 13.2% (-13.5% at constant currency), with revenue for all significant product groups falling considerably short of the prior year level.

Revenue of the **Chassis Systems BD** decreased by 10.5% (-9.9% at constant currency) during the first quarter of 2020, mainly due to a decline in revenue in the chassis actuators product group.

Automotive OEM division **cost of sales** declined by EUR 176 m or 9.8% to EUR 1,625 m during the first quarter of 2020 (prior year: EUR 1,801 m), primarily driven by volumes. **Gross profit** dropped by EUR 101 m or 20.8% to EUR 383 m (prior year: EUR 484 m). The division's gross margin decreased by 2.1 percentage points to 19.1% (prior year: 21.2%), due especially to the adverse impact of volumes on fixed costs.

**Functional costs** declined by EUR 30 m or 8.2% to EUR 332 m (prior year: EUR 362 m) during the reporting period, partly as a result of measures taken in the prior year to increase efficiency and the focus on significant strategic business fields. Functional costs as a percentage of revenue rose by 0.7 percentage points to 16.6% (prior year: 15.8%). Research and development expenses of EUR 164 m were below prior year (prior year: EUR 183 m), representing an R&D ratio of 8.2% of revenue (prior year: 8.0%). Selling and administrative expenses of EUR 169 m were EUR 11 m or 6.0% lower than in the prior year (prior year: EUR 179 m), partly due to decreased logistics expenses resulting from lower volumes.

**EBIT** for the first quarter of 2020 amounted to EUR -220 m (prior year: EUR 58 m), and the EBIT margin was -11.0% (prior year: 2.5%). EBIT for the reporting period was affected by **special items** totaling EUR 270 m (prior year: EUR 55 m). These included a EUR 249 m impairment of goodwill allocated to the Automotive OEM division, which resulted from the coronavirus pandemic increasing uncertainty regarding the Schaeffler Group's future course of business and, therefore, changing the assumptions used to determine the recoverable amount of groups of cash-generating units. In addition, EUR 21 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 63 m or 55.7% to EUR 50 m (prior year: EUR 113 m) with a drop in EBIT margin before special items by 2.4 percentage points to 2.5% (prior year: 4.9%). The decline was driven by the decrease in gross margin. Additionally, the sharp drop in revenue adversely affected the relative functional cost structure. Transactions denominated in foreign currency had a partially offsetting favorable effect on the margin trend compared to the prior year period.

## Automotive Aftermarket division

Revenue increased driven by volumes: up 1.5% at constant currency // Favorable revenue trend in the Europe region outweighs declining revenue in the remaining regions // Revenue trend for March 2020 noticeably influenced by coronavirus // EBIT margin before special items 17.1%

Revenue **EUR 446 m**

EBIT margin before special items **17.1%**

**13.6%**  
Automotive Aftermarket



### Automotive Aftermarket division earnings

in € millions	1 <sup>st</sup> three months		Change in %
	2020	2019	
<b>Revenue</b>	<b>446</b>	<b>443</b>	<b>0.7</b>
• at constant currency			1.5
<b>Revenue by region <sup>1)</sup></b>			
Europe	329	312	5.5
• at constant currency			5.6
Americas	81	88	-7.9
• at constant currency			-4.7
Greater China	15	20	-25.6
• at constant currency			-24.9
Asia/Pacific	21	23	-10.0
• at constant currency			-9.9
Cost of sales	-288	-291	-1.0
<b>Gross profit</b>	<b>158</b>	<b>152</b>	<b>3.8</b>
• in % of revenue	35.4	34.3	-
Research and development expenses	-6	-7	-3.7
Selling and administrative expenses	-72	-76	-4.9
<b>EBIT</b>	<b>76</b>	<b>69</b>	<b>11.1</b>
• in % of revenue	17.1	15.5	-
Special items <sup>2)</sup>	0	0	0.0
<b>EBIT before special items</b>	<b>76</b>	<b>69</b>	<b>11.1</b>
• in % of revenue	17.1	15.5	-

Prior year information presented based on 2020 segment structure.

<sup>1)</sup> Based on market (customer location).

<sup>2)</sup> Please refer to pp. 14 et seq. for the definition of special items.

## Automotive Aftermarket division earnings

Automotive Aftermarket division **revenue** rose by 0.7% (1.5% at constant currency) to EUR 446 m during the reporting period (prior year: EUR 443 m), driven by volumes. During the initial weeks of the year, particularly the Independent Aftermarket business in Europe rose considerably over the prior year period. However, the coronavirus pandemic, which led to declining demand, has considerably weakened the business in the Greater China region and, toward the end of the period, in the remaining regions as well.

The **Europe region** reported an increase in revenue for the reporting period by 5.5% compared to the prior year period (5.6% at constant currency). Especially the Independent Aftermarket business in the Central and Eastern Europe subregions performed well and contributed to growth in the region. This performance was partly driven by a base effect, since a few major customers had adjusted inventory levels in the prior year period. In the Western Europe subregion, measures to contain the coronavirus significantly weakened the Independent Aftermarket business.

The **Americas region** reported a 7.9% decrease in revenue for the reporting period (-4.7% at constant currency), mainly due to the unfavorable revenue trend of the Independent Aftermarket business in the South America subregion and in the U.S. The South America subregion experienced a significant decline in demand as a result of the spread of the coronavirus, especially in March 2020. The OES business in the U.S., on the other hand, grew – its revenue rose considerably due to increased requirements.

In the **Greater China region**, revenue declined significantly, falling 25.6% (-24.9% at constant currency). Especially in February 2020, Independent Aftermarket business activities in China were heavily affected by the outbreak of the coronavirus. The business started to recover in March 2020, however.

Revenue in the **Asia/Pacific region** declined by 10.0% (-9.9% at constant currency). While a moderate decline was reported early in the year, revenue dropped considerably in March 2020 due to the coronavirus and related measures, especially in the India subregion.

Automotive Aftermarket division **cost of sales** declined by EUR 3 m or 1.0% to EUR 288 m (prior year: EUR 291 m) in the first quarter of 2020. **Gross profit** of EUR 158 m was EUR 6 m or 3.8% ahead of the prior year level (prior year: EUR 152 m). As a result, the division's gross margin rose by 1.1 percentage points to 35.4% (prior year: 34.3%), largely due to higher sales volumes and a change in product mix.

**Functional costs** decreased by EUR 4 m or 4.8% to EUR 78 m (prior year: EUR 82 m) during the reporting period, falling 1.0 percentage point to 17.6% of revenue (prior year: 18.6%). Along with declining selling and administrative expenses, the higher sales volumes had a favorable impact on the relative functional cost structure.

Automotive Aftermarket division **EBIT** rose by EUR 8 m or 11.1% to EUR 76 m during the reporting period (prior year: EUR 69 m), with a corresponding increase in EBIT margin by 1.6 percentage points to 17.1% (prior year: 15.5%). Since 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 76 m (prior year: EUR 69 m) and 17.1% (prior year: 15.5%), respectively, as well. Along with the higher gross margin, the improved functional cost structure also had a favorable impact on the EBIT margin.

## Industrial division

Volume-driven revenue decline: down 7.5% at constant currency // Trend primarily driven by Europe region: declining demand mainly in Industrial Distribution and in industrial automation, offroad, and power transmission sector clusters // In contrast, Greater China region generates significant additional revenue: considerable growth in wind sector cluster // Challenging sector environment additionally affected by coronavirus // EUR 32 m in special items related to expansion of program "FIT" // EBIT margin before special items 10.7%

Revenue **EUR 828 m**

25.2%  
Industrial



EBIT margin before special items **10.7%**

### Industrial division earnings

in € millions	1 <sup>st</sup> three months		Change in %
	2020	2019	
<b>Revenue</b>	<b>828</b>	<b>893</b>	<b>-7.3</b>
• at constant currency			-7.5
<b>Revenue by region <sup>1)</sup></b>			
Europe	372	438	-15.1
• at constant currency			-15.0
Americas	149	162	-8.3
• at constant currency			-9.5
Greater China	189	155	22.2
• at constant currency			21.4
Asia/Pacific	118	138	-14.3
• at constant currency			-14.1
Cost of sales	-571	-616	-7.3
<b>Gross profit</b>	<b>257</b>	<b>277</b>	<b>-7.1</b>
• in % of revenue	31.1	31.0	-
Research and development expenses	-38	-40	-6.2
Selling and administrative expenses	-129	-137	-6.3
<b>EBIT</b>	<b>56</b>	<b>103</b>	<b>-45.6</b>
• in % of revenue	6.8	11.5	-
Special items <sup>2)</sup>	32	-13	-
<b>EBIT before special items</b>	<b>88</b>	<b>90</b>	<b>-1.9</b>
• in % of revenue	10.7	10.1	-

Prior year information presented based on 2020 segment structure.

<sup>1)</sup> Based on market (customer location).

<sup>2)</sup> 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 7.3% (-7.5% at constant currency) to EUR 828 m (prior year: EUR 893 m), driven by volumes. The Europe, Americas, and Asia/Pacific regions reported considerable declines in revenue for the first quarter of 2020, mainly due to the persistently challenging sector environment. The worldwide spread of the coronavirus and the resulting significant decline in demand and temporary production shutdown additionally affected the revenue trend toward the end of the first quarter of 2020. In contrast, positive impetus was provided by the Greater China region, due especially to considerable growth in the wind sector cluster.

Revenue in the **Europe region** declined considerably, falling by 15.1% (-15.0% at constant currency) during the reporting period. The revenue decrease was driven by declining demand in Industrial Distribution and in the industrial automation, offroad, and power transmission sector clusters, while revenue in the wind sector cluster was up significantly from prior year.

The **Americas region** reported a decrease in revenue for the reporting period by 8.3% (-9.5% at constant currency). While revenue in the wind sector cluster increased, especially Industrial Distribution and the industrial automation, raw materials, and power transmission sector clusters contributed to the region's adverse trend.

**Greater China region** revenue rose by 22.2% (+21.4% at constant currency) during the reporting period despite the spread of the coronavirus, driven by higher requirements in the wind sector cluster, which reported significant additional revenue. The power transmission and raw materials sector clusters also contributed to revenue growth in the first quarter of 2020. Revenue for the industrial automation cluster declined significantly, however.

In the **Asia/Pacific region**, revenue was down 14.3% from the prior year period (-14.1% at constant currency). The decline is largely attributable to Industrial Distribution. With the exception of wind, which reported slightly higher revenue, revenue for the sector clusters dropped as well. The revenue trend was influenced especially by the India subregion in March 2020. Factories there closed temporarily on government orders to help contain the coronavirus.

Industrial division **cost of sales** for the reporting period fell by EUR 45 m or 7.3% to EUR 571 m (prior year: EUR 616 m). **Gross profit** decreased by EUR 20 m or 7.1% to EUR 257 m (prior year: EUR 277 m). The division's gross margin improved slightly, rising by 0.1 percentage points to 31.1% (prior year: 31.0%). The adverse impact of volumes on fixed costs was more than offset, mainly by the favorable impact of pricing and currency translation.

**Functional costs** for the reporting period of EUR 166 m were EUR 11 m or 6.3% below the prior year level (prior year: EUR 177 m). Functional costs as a percentage of revenue rose by 0.2 percentage points to 20.1% (prior year: 19.9%). Research and development expenses amounted to EUR 38 m (prior year: EUR 40 m). Selling and administrative expenses declined by EUR 9 m or 6.3% to EUR 129 m (prior year: EUR 137 m), partly due to decreased logistics expenses as a result of lower volumes.

**EBIT** amounted to EUR 56 m during the reporting period (prior year: EUR 103 m), and the EBIT margin was 6.8% (prior year: 11.5%). EBIT for the reporting period was adversely affected by a total of EUR 32 m in **special items** (prior year: EUR -13 m) that were related to the expansion of the program "FIT" and consisted primarily of expenses for downsizing the workforce.

Based on that, **EBIT before special items** decreased by EUR 2 m or 1.9% to EUR 88 m (prior year: EUR 90 m). The division's EBIT margin before special items rose by 0.6 percentage points to 10.7% (prior year: 10.1%). Along with a stable gross margin, transactions denominated in foreign currency had a favorable effect on the margin trend compared to the prior year period.

## 1.4 Financial position

### Cash flow and liquidity

The Schaeffler Group generated positive free cash flow before cash in- and outflows for M&A activities of EUR 137 m during the reporting period (prior year: EUR -235 m).

#### Cash flow

in € millions	1 <sup>st</sup> three months		Change in %
	2020	2019	
Cash flows from operating activities	327	154	> 100
Cash used in investing activities	-175	-440	-60.3
• including cash outflows for the acquisition of subsidiaries	0	-65	-100
• including proceeds from the disposal of subsidiaries	0	0	-
Cash provided by (used in) financing activities	-167	1,541	-
• including principal repayments on lease liabilities	-15	-14	4.1
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-14</b>	<b>1,255</b>	<b>-</b>
Effects of foreign exchange rate changes on cash and cash equivalents	-25	15	-
Cash and cash equivalents as at beginning of period	668	801	-16.6
<b>Cash and cash equivalents</b>	<b>629</b>	<b>2,071</b>	<b>-69.6</b>
<b>Free cash flow (FCF)</b>	<b>138</b>	<b>-300</b>	<b>-</b>
<b>Free cash flow (FCF) before cash in- and outflows for M&amp;A activities</b>	<b>137</b>	<b>-235</b>	<b>-</b>

**Cash flows from operating activities** for the first quarter of 2020 of EUR 327 m (prior year: EUR 154 m) were significantly higher than in the prior year. This increase is primarily attributable to the reduction in trade receivables. The working capital ratio, defined as working capital as a percentage of revenue, was 18.6% at March 31, 2020 (prior year: 17.8%).

**Capital expenditures** on property, plant and equipment and intangible assets (capex) amounted to EUR 164 m (prior year: EUR 373 m) in the reporting period. The decline is partly related to measures taken in the prior year to increase capital efficiency.

The company paid a net amount of EUR 0 m (prior year: EUR 65 m) for M&A activities in the first quarter of the year.

EUR 19 m (prior year: EUR 3 m) used in other investing activities represented loans granted to joint ventures.

EUR 167 m in cash was used in (prior year: EUR 1,541 m provided by) **financing activities** during the reporting period. These outflows were primarily related to short-term financial debt, especially commercial paper. Principal repayments on lease liabilities of EUR 15 m were flat with prior year. The prior year period included cash inflows representing the issue proceeds of three bond series denominated in euros.

**Cash and cash equivalents** decreased by EUR 39 m to EUR 629 m as at March 31, 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 quarter of 2020 amounted to EUR 138 m (prior year: EUR -300 m). Free cash flow before cash in- and outflows for M&A activities amounted to EUR 137 m (prior year: EUR -235 m).

As at March 31, 2020, cash and cash equivalents consisted primarily of bank balances. EUR 408 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 290 m (December 31, 2019: EUR 246 m). EUR 23 m of the Revolving Credit Facility was utilized as at March 31, 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 March 31, 2020, was EUR 12 m (December 31, 2019: EUR 12 m).

## Capital expenditures

Capital expenditures on property, plant and equipment and intangible assets (capex) declined considerably during the reporting period, dropping EUR 210 m to EUR 164 m during the reporting period (prior year: EUR 373 m). The decline is partly related to measures taken in the prior year to increase capital efficiency. Capital expenditures declined significantly to 5.0% (prior year: 10.3%) of revenue (capex ratio). A significant share of total capital expenditures related to the Europe and Greater China regions.

Total additions to intangible assets and property, plant and equipment amounted to EUR 158 m (prior year: EUR 296 m). Approximately 56% of these additions related to the Automotive OEM division, approximately 0% to the Automotive Aftermarket division, and approximately 44% to the Industrial division.

### Capital expenditures by region (capex)

		in € millions	Change in € millions
Europe		74	-150
Americas		35	-18
Greater China		37	-38
Asia/Pacific		18	-3
Schaeffler Group		164	-210

Legend: ■ Q1 2020 ■ Q1 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 start-ups. 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 decreased by EUR 111 m to EUR 2,414 m as at March 31, 2020 (December 31, 2019: EUR 2,526 m).

### Net financial debt

in € millions	03/31/2020	12/31/2019	Change in %
Bonds	2,782	2,781	0.0
Revolving Credit Facility	-3	48	-
Capital investment loan	249	249	0.0
Commercial paper	15	115	-87.0
Other financial debt	0	1	-34.8
<b>Total financial debt</b>	<b>3,044</b>	<b>3,194</b>	<b>-4.7</b>
Cash and cash equivalents	629	668	-5.9
<b>Net financial debt</b>	<b>2,414</b>	<b>2,526</b>	<b>-4.4</b>

The net debt to EBITDA ratio, defined as the ratio of net financial debt to earnings before financial result, income (loss) from equity-accounted investees, income taxes, depreciation, amortization, and impairment losses (EBITDA), amounted to 1.4 at March 31, 2020 (December 31, 2019: 1.4). The net debt to EBITDA ratio before special items was 1.2 (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 93.8% as at March 31, 2020 (December 31, 2019: 86.6%).

On March 20, 2020, rating agency Fitch confirmed its company rating for the Schaeffler Group of BBB- while lowering the outlook for the rating to negative. In addition, rating agency Moody's has been reviewing the Schaeffler Group's company rating for a possible downgrade ("review for downgrade") since March 26, 2020.

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 March 31, 2020:

### Schaeffler Group ratings

as at March 31

	2020	2019	2020	2019
	Company		Bonds	
Rating agency	Rating/Outlook		Rating	
Fitch	BBB-/negative	BBB-/stable	BBB-	BBB-
Moody's	Baa3/- <sup>1)</sup>	Baa3/stable	Baa3	Baa3
Standard & Poor's	BBB-/negative	BBB-/stable	BBB-	BBB-

<sup>1)</sup> Rating under review.

The Schaeffler Group had the following syndicated loans outstanding as at March 31, 2020:

### Schaeffler Group syndicated loans

Tranche	Currency	Principal in millions		Carrying amount in € millions		Coupon		Maturity
		03/31/2020	12/31/2019	03/31/2020	12/31/2019	03/31/2020	12/31/2019	
Revolving Credit Facility <sup>1)</sup>	EUR	1,800	1,800	-3	48	Euribor <sup>2)</sup> + 0.50%	Euribor <sup>2)</sup> + 0.80%	09/30/2023
Capital investment loan	EUR	250	250	249	249	Euribor <sup>2)</sup> + 1.00%	Euribor <sup>2)</sup> + 1.00%	12/15/2022
<b>Total</b>				<b>246</b>	<b>297</b>			

<sup>1)</sup> EUR 23 m (December 31, 2019: EUR 74 m) were drawn down as at March 31, 2020, including EUR 22 m in the form of letters of credit.

<sup>2)</sup> Euribor Floor of 0.00%.

In addition, the company had further committed lines of credit in the equivalent of EUR 290 m (December 31, 2019: EUR 246 m), primarily in Germany and the U.S. EUR 278 m of these facilities were unutilized as at March 31, 2020 (December 31, 2019: EUR 234 m).

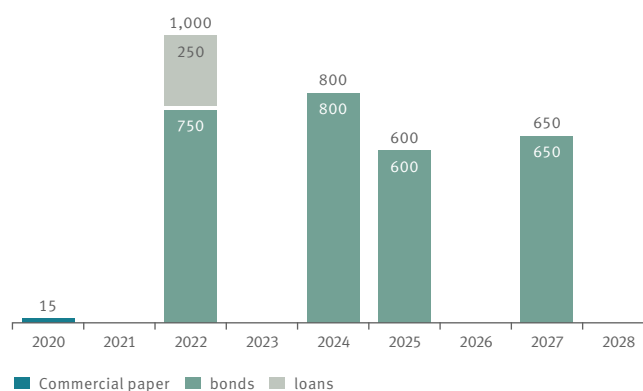
The Schaeffler Group's bonds outstanding at March 31, 2020, are set out below. Schaeffler AG's bonds are listed on the regulated market of the Luxembourg Stock Exchange, while the bond series issued by Schaeffler Finance B.V., Barneveld, Netherlands, is traded on the Euro MTF market of the Luxembourg 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 can choose to call the bonds at their contractual redemption price any time after May 15, 2020.

The company's maturity profile, which consists of commercial paper, the capital investment loan, and the bonds issued by Schaeffler AG and Schaeffler Finance B.V., Barneveld, Netherlands, was as follows as at March 31, 2020:

### Maturity profile

Principal outstanding as at March 31, 2020, in € millions



### Schaeffler Group bonds

ISIN	Issuer	Currency	Principal in millions		Carrying amount in € millions		Coupon	Maturity
			03/31/2020	12/31/2019	03/31/2020	12/31/2019		
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 <sup>1)</sup>	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
<b>Total</b>					<b>2,782</b>	<b>2,781</b>		

<sup>1)</sup> 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 475 m to EUR 12,395 m as at March 31, 2020 (December 31, 2019: EUR 12,870 m).

### Consolidated statement of financial position (abbreviated)

in € millions	03/31/2020	12/31/2019	Change in %
<b>ASSETS</b>			
Non-current assets	6,957	7,387	-5.8
Current assets	5,439	5,483	-0.8
<b>Total assets</b>	<b>12,395</b>	<b>12,870</b>	<b>-3.7</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	2,573	2,917	-11.8
Non-current liabilities	6,300	6,273	0.4
Current liabilities	3,523	3,680	-4.3
<b>Total shareholders' equity and liabilities</b>	<b>12,395</b>	<b>12,870</b>	<b>-3.7</b>

**Non-current assets** fell by EUR 430 m to EUR 6,957 m as at March 31, 2020 (December 31, 2019: EUR 7,387 m). The reduction was primarily attributable to decreases in intangible assets by EUR 250 m and in property, plant and equipment by EUR 157 m. The decrease 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 24 m as well.

**Current assets** declined by EUR 45 m to EUR 5,439 m as at March 31, 2020 (December 31, 2019: EUR 5,483 m). The decline was attributable to a decrease in trade receivables by EUR 156 m and in cash and cash equivalents by EUR 39 m (see "Cash flow and liquidity", pp. 22 et seq.). An increase in inventories by EUR 109 m and in other financial assets by EUR 64 m had an offsetting effect. As at March 31, 2020, trade receivables with a carrying amount of EUR 206 m (December 31, 2019: EUR 178 m) net of retained credit risk had been sold under the ABCP program (asset-backed commercial paper).

**Shareholders' equity** including non-controlling interests fell EUR 344 m to EUR 2,573 m as at March 31, 2020 (December 31, 2019: EUR 2,917 m). The net loss of EUR 181 m reduced shareholders' equity. The decrease in accumulated other comprehensive income resulted mainly from the impact of translating the net assets of foreign group companies of EUR 124 m and the impact of adjustments to pensions and similar obligations of EUR 28 m. The equity ratio was 20.8% as at March 31, 2020 (December 31, 2019: 22.7%).

**Non-current liabilities** rose by EUR 27 m to EUR 6,300 m as at March 31, 2020 (December 31, 2019: EUR 6,273 m). The increase was primarily attributable to an increase in pensions and similar obligations by EUR 54 m.

**Current liabilities** decreased by EUR 157 m to EUR 3,523 m as at March 31, 2020 (December 31, 2019: EUR 3,680 m). The decrease was partly attributable to a reduction in financial debt by EUR 152 m, a decrease in provisions by EUR 78 m, and a reduction in income tax payables by EUR 31 m. Increases in other liabilities of EUR 40 m, other financial liabilities of EUR 37 m, and an increase in trade payables of EUR 31 m had an offsetting effect.

## 2. Supplementary report

On April 3, 2020, rating agency Standard & Poor's announced that it was reviewing the Schaeffler Group's ratings for a possible downgrade ("CreditWatch negative").

On April 9, 2020, Schaeffler AG announced that it had placed its first Schuldschein loan with international investors. The company is raising a total of approximately EUR 350 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". The proceeds of the bond issuance are scheduled to be received on May 11, 2020.

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 March 31, 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 also considered probable, since delays or interruptions of supply chains may occur in 2020 as well as operational disruptions due to part of the workforce potentially falling sick.

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.

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 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 (April 2020), the Schaeffler Group now expects a noticeable decline in global gross domestic product in 2020 (basis for Schaeffler Group outlook dated March 5, 2020: growth of just under 3%). Taking into account the forecasts of IHS Markit (April 2020), the Schaeffler Group now expects a sharp decline in automobile production in 2020 (basis for Schaeffler Group outlook dated March 5, 2020: decrease by about 3 to 5%). Based on the forecast by Oxford Economics (April 2020), the Schaeffler Group now expects a significant decline in industrial production 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, and 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 Q1 2020
		Dated 03/05/2020	Dated 04/29/2020	
<b>Schaeffler Group</b>				
Revenue growth <sup>1)</sup>	0.1%	-2 to 0%	below prior year	-9.2%
EBIT margin before special items <sup>2)</sup>	8.1%	6.5 to 7.5%	below prior year	6.5%
Free cash flow <sup>3)</sup>	EUR 473 m	EUR 300 to 400 m	below prior year	EUR 137 m

<sup>1)</sup> Compared to prior year; excluding the impact of currency translation.

<sup>2)</sup> Please refer to pp. 14 et seq. for the definition of special items.

<sup>3)</sup> 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 worldwide 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, April 29, 2020

The Board of Managing Directors

# Consolidated income statement

in € millions	1 <sup>st</sup> three months		Change in %
	2020	2019	
Revenue <sup>1)</sup>	3,282	3,622	-9.4
Cost of sales	-2,484	-2,708	-8.3
<b>Gross profit</b>	<b>799</b>	<b>913</b>	<b>-12.6</b>
Research and development expenses	-208	-229	-9.4
Selling expenses	-230	-253	-9.1
Administrative expenses	-139	-140	-0.2
Other income	10	28	-64.8
Other expenses	-319	-90	>100
<b>Earnings before financial result, income (loss) from equity-accounted investees, and income taxes (EBIT)</b>	<b>-88</b>	<b>230</b>	<b>-</b>
Financial income	8	26	-68.5
Financial expenses	-65	-64	1.1
<b>Financial result</b>	<b>-57</b>	<b>-38</b>	<b>48.6</b>
Income (loss) from equity-accounted investees	-7	-4	84.8
<b>Earnings before income taxes</b>	<b>-151</b>	<b>188</b>	<b>-</b>
Income taxes	-31	-47	-35.5
<b>Net income (loss)</b>	<b>-181</b>	<b>140</b>	<b>-</b>
Attributable to shareholders of the parent company	-184	137	-
Attributable to non-controlling interests	3	3	-20.3
Earnings per common share (basic/diluted, in €)	-0.28	0.21	-
Earnings per common non-voting share (basic/diluted, in €)	-0.27	0.21	-

<sup>1)</sup> See condensed notes to the consolidated interim financial statements for further details.

# Consolidated statement of comprehensive income

in € millions	1 <sup>st</sup> three months					
	2020			2019		
	before taxes	taxes	after taxes	before taxes	taxes	after taxes
<b>Net income (loss)</b>	<b>-151</b>	<b>-31</b>	<b>-181</b>	<b>188</b>	<b>-47</b>	<b>140</b>
Foreign currency translation differences for foreign operations	-128	0	-128	111	0	111
Net change from hedges of net investments in foreign operations	0	0	0	-1	0	0
Effective portion of changes in fair value of cash flow hedges	-8	1	-7	-18	5	-13
Net change in fair value of financial assets at fair value through other comprehensive income	0	0	0	-2	0	-2
<b>Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss</b>	<b>-136</b>	<b>1</b>	<b>-134</b>	<b>91</b>	<b>5</b>	<b>96</b>
Remeasurement of net defined benefit liability <sup>1)</sup>	-38	10	-28	-178	50	-128
<b>Total other comprehensive income (loss) that will not be reclassified to profit or loss</b>	<b>-38</b>	<b>10</b>	<b>-28</b>	<b>-178</b>	<b>50</b>	<b>-128</b>
<b>Total other comprehensive income (loss)</b>	<b>-174</b>	<b>11</b>	<b>-163</b>	<b>-87</b>	<b>55</b>	<b>-32</b>
<b>Total comprehensive income (loss)</b>	<b>-325</b>	<b>-20</b>	<b>-344</b>	<b>101</b>	<b>8</b>	<b>108</b>
Total comprehensive income (loss) attributable to shareholders of the parent company	-325	-19	-344	93	10	103
Total comprehensive income (loss) attributable to non-controlling interests	0	-1	-1	8	-2	6

<sup>1)</sup> See condensed notes to the consolidated interim financial statements for further details.

# Consolidated statement of financial position

in € millions	03/31/2020	12/31/2019	03/31/2019	Change in %
<b>ASSETS</b>				
Intangible assets <sup>1)</sup>	478	728	718	-34.4
Right-of-use assets under leases	195	193	209	1.0
Property, plant and equipment	5,197	5,355	5,443	-2.9
Investments in equity-accounted investees	137	144	157	-4.5
Contract assets	5	6	11	-16.9
Other financial assets	102	126	89	-19.3
Other assets	115	122	102	-5.8
Deferred tax assets	728	713	585	2.0
<b>Total non-current assets</b>	<b>6,957</b>	<b>7,387</b>	<b>7,315</b>	<b>-5.8</b>
Inventories	2,242	2,132	2,334	5.1
Contract assets	64	66	51	-3.6
Trade receivables	1,974	2,130	2,225	-7.3
Other financial assets	184	120	105	53.4
Other assets	276	273	324	0.9
Income tax receivables	69	89	113	-22.7
Cash and cash equivalents	629	668	2,071	-5.9
Assets held for sale	2	5	25	-61.1
<b>Total current assets</b>	<b>5,439</b>	<b>5,483</b>	<b>7,246</b>	<b>-0.8</b>
<b>Total assets</b>	<b>12,395</b>	<b>12,870</b>	<b>14,561</b>	<b>-3.7</b>

<sup>1)</sup> See condensed notes to the consolidated interim financial statements for further details.



in € millions	03/31/2020	12/31/2019	03/31/2019	Change in %
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Share capital	666	666	666	0.0
Capital reserves	2,348	2,348	2,348	0.0
Other reserves	747	931	1,003	-19.8
Accumulated other comprehensive income (loss)	-1,283	-1,124	-941	14.2
<b>Equity attributable to shareholders of the parent company</b>	<b>2,478</b>	<b>2,822</b>	<b>3,076</b>	<b>-12.2</b>
Non-controlling interests	94	95	93	-0.6
<b>Total shareholders' equity</b>	<b>2,573</b>	<b>2,917</b>	<b>3,169</b>	<b>-11.8</b>
Provisions for pensions and similar obligations <sup>1)</sup>	2,692	2,637	2,362	2.1
Provisions <sup>1)</sup>	167	168	180	-1.0
Financial debt <sup>1)</sup>	3,027	3,026	3,442	0.1
Contract liabilities	5	7	3	-19.2
Income tax payables	98	103	105	-4.8
Other financial liabilities	24	36	29	-33.0
Lease liabilities	146	144	151	1.7
Other liabilities	11	15	3	-24.1
Deferred tax liabilities	129	137	130	-5.9
<b>Total non-current liabilities</b>	<b>6,300</b>	<b>6,273</b>	<b>6,404</b>	<b>0.4</b>
Provisions <sup>1)</sup>	384	462	281	-16.9
Financial debt <sup>1)</sup>	16	168	1,434	-90.4
Contract liabilities	74	60	45	22.3
Trade payables	1,764	1,732	1,980	1.8
Income tax payables	70	101	86	-30.8
Other financial liabilities	582	545	501	6.8
Lease liabilities	50	50	59	-0.3
Refund liabilities	215	232	193	-7.6
Other liabilities	369	329	396	12.1
Liabilities held for sale	0	0	15	0.0
<b>Total current liabilities</b>	<b>3,523</b>	<b>3,680</b>	<b>4,988</b>	<b>-4.3</b>
<b>Total shareholders' equity and liabilities</b>	<b>12,395</b>	<b>12,870</b>	<b>14,561</b>	<b>-3.7</b>

<sup>1)</sup> See condensed notes to the consolidated interim financial statements for further details.

# Consolidated statement of cash flows

in € millions	1 <sup>st</sup> three months		Change in %
	2020	2019	
<b>Operating activities</b>			
EBIT	-88	230	-
Interest paid	-56	-37	52.8
Interest received	3	4	-36.4
Income taxes paid	-73	-57	27.1
Depreciation, amortization, and impairment losses <sup>1)</sup>	493	242	> 100
(Gains) losses on disposal of assets	-2	-1	> 100
Changes in:			
• Inventories	-151	-117	29.2
• Trade receivables	76	-241	-
• Trade payables	62	62	-0.2
• Provisions for pensions and similar obligations	11	2	> 100
• Other assets, liabilities, and provisions	52	66	-21.9
<b>Cash flows from operating activities</b>	<b>327</b>	<b>154</b>	<b>&gt; 100</b>
<b>Investing activities</b>			
Proceeds from disposals of property, plant and equipment	8	3	> 100
Capital expenditures on intangible assets	-3	-3	2.6
Capital expenditures on property, plant and equipment	-161	-371	-56.6
Acquisition of subsidiaries	0	-65	- 100
Other investing activities	-19	-4	> 100
<b>Cash used in investing activities</b>	<b>-175</b>	<b>-440</b>	<b>-60.3</b>
<b>Financing activities</b>			
Receipts from bond issuances and loans <sup>1)</sup>	16	2,190	-99.3
Redemption of bonds and repayments of loans <sup>1) 2)</sup>	-168	-635	-73.5
Principal repayments on lease liabilities	-15	-14	4.1
<b>Cash provided by (used in) financing activities</b>	<b>-167</b>	<b>1,541</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-14</b>	<b>1,255</b>	<b>-</b>
Effects of foreign exchange rate changes on cash and cash equivalents	-25	15	-
Cash and cash equivalents as at beginning of period	668	801	-16.6
<b>Cash and cash equivalents as at March 31</b>	<b>629</b>	<b>2,071</b>	<b>-69.6</b>

<sup>1)</sup> See condensed notes to the consolidated interim financial statements for further details.

<sup>2)</sup> 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 <sup>1)</sup>	Non-controlling interests	Total
				Translation reserve	Hedging reserve	Fair value reserve	Defined benefit plan remeasurement reserve	Total			
in € millions											
<b>Balance as at January 01, 2019</b>	<b>666</b>	<b>2,348</b>	<b>866</b>	<b>-285</b>	<b>-27</b>	<b>0</b>	<b>-595</b>	<b>-907</b>	<b>2,973</b>	<b>87</b>	<b>3,060</b>
Net income			137					0	137	3	140
Other comprehensive income (loss)				109	-13	-2	-128	-35	-35	2	-32
<b>Total comprehensive income (loss)</b>	<b>0</b>	<b>0</b>	<b>137</b>	<b>109</b>	<b>-13</b>	<b>-2</b>	<b>-128</b>	<b>-35</b>	<b>103</b>	<b>6</b>	<b>108</b>
<b>Balance as at March 31, 2019</b>	<b>666</b>	<b>2,348</b>	<b>1,003</b>	<b>-176</b>	<b>-40</b>	<b>-2</b>	<b>-723</b>	<b>-941</b>	<b>3,076</b>	<b>93</b>	<b>3,169</b>
<b>Balance as at January 01, 2020</b>	<b>666</b>	<b>2,348</b>	<b>931</b>	<b>-220</b>	<b>-12</b>	<b>-2</b>	<b>-890</b>	<b>-1,124</b>	<b>2,822</b>	<b>95</b>	<b>2,917</b>
Net income (loss)			-184					0	-184	3	-181
Other comprehensive income (loss)				-124	-7	0	-28	-160	-160	-3	-163
<b>Total comprehensive income (loss)</b>	<b>0</b>	<b>0</b>	<b>-184</b>	<b>-124</b>	<b>-7</b>	<b>0</b>	<b>-28</b>	<b>-160</b>	<b>-344</b>	<b>-1</b>	<b>-344</b>
<b>Balance as at March 31, 2020</b>	<b>666</b>	<b>2,348</b>	<b>747</b>	<b>-344</b>	<b>-18</b>	<b>-2</b>	<b>-918</b>	<b>-1,283</b>	<b>2,478</b>	<b>94</b>	<b>2,573</b>

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

# Consolidated segment information

(Part of the notes to the consolidated financial statements)

	1 <sup>st</sup> three months		1 <sup>st</sup> three months		1 <sup>st</sup> three months		1 <sup>st</sup> three months	
	2020	2019	2020	2019	2020	2019	2020	2019
in € millions	Automotive OEM		Automotive Aftermarket		Industrial		Total	
Revenue	2,008	2,285	446	443	828	893	3,282	3,622
EBIT	-220	58	76	69	56	103	-88	230
• in % of revenue	-11.0	2.5	17.1	15.5	6.8	11.5	-2.7	6.3
EBIT before special items <sup>1)</sup>	50	113	76	69	88	90	215	272
• in % of revenue	2.5	4.9	17.1	15.5	10.7	10.1	6.5	7.5
Depreciation, amortization, and impairment losses <sup>2)</sup>	-444	-187	-8	-8	-41	-47	-493	-242
Working capital <sup>3) 4)</sup>	1,138	1,194	354	378	960	1,008	2,452	2,579
Additions to intangible assets and property, plant and equipment	88	223	1	39	69	34	158	296

Prior year information presented based on 2020 segment structure.

<sup>1)</sup> EBIT before special items for legal cases, restructuring, and other.

<sup>2)</sup> The 2020 reporting period includes a goodwill impairment of EUR 249 m (prior year: EUR 0 m) in the Automotive OEM segment.

<sup>3)</sup> Inventories plus trade receivables less trade payables.

<sup>4)</sup> Amounts as at March 31.

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

# Condensed notes to the consolidated interim financial statements

## Reporting entity

Schaeffler AG, Herzogenaurach, is a publicly listed corporation domiciled in Germany with its registered office located at Industriestr. 1-3, 91074 Herzogenaurach. The company was founded on April 19, 1982, and is registered in the Commercial Register of the Fürth Local Court (HRB No. 14738). The consolidated interim financial statements of Schaeffler AG as at March 31, 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 March 31, 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 and non-current assets have been adjusted. In addition, the assumptions regarding the discount rate used to measure the company’s pension obligations were adjusted to reflect current market trends. The adjustment has led to a decrease in pension obligations and an increase in shareholders’ equity. Please refer to “Provisions for pensions and similar obligations” below for more detailed information.

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

Income taxes were determined based on best estimate.

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

## Foreign currency translation

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

### Selected foreign exchange rates

Currencies		03/31/2020	12/31/2019	03/31/2019	1 <sup>st</sup> three months	
					2020	2019
1 € in				Closing rates	Average rates	
CNY	China	7.78	7.82	7.54	7.69	7.66
INR	India	82.90	80.19	77.72	79.85	80.07
KRW	South Korea	1,341.03	1,296.28	1,276.46	1,315.87	1,278.48
MXN	Mexico	26.18	21.22	21.69	22.04	21.80
USD	U.S.	1.10	1.12	1.12	1.10	1.14

## Scope of consolidation

The consolidated financial statements of Schaeffler AG as at March 31, 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 March 31, 2020, three (December 31, 2019: three) joint ventures and four associated companies (December 31, 2019: four) are accounted for at equity.

## Revenue

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

### IFRS 15 – analysis of revenue by category

in € millions	1 <sup>st</sup> three months		1 <sup>st</sup> three months		1 <sup>st</sup> three months		1 <sup>st</sup> three months	
	2020	2019 <sup>1)</sup>	2020	2019 <sup>1)</sup>	2020	2019 <sup>1)</sup>	2020	2019
	Automotive OEM		Automotive Aftermarket		Industrial		Total	
<b>Revenue by type</b>								
• Revenue from the sale of goods	1,968	2,246	446	443	817	884	3,232	3,573
• Revenue from the sale of tools	23	28	0	0	2	1	24	29
• Revenue from development services	7	5	0	0	0	0	7	5
• Revenue from other services	10	7	0	0	9	8	19	15
• Other revenue	0	0	0	0	0	0	1	0
<b>Total</b>	<b>2,008</b>	<b>2,285</b>	<b>446</b>	<b>443</b>	<b>828</b>	<b>893</b>	<b>3,282</b>	<b>3,622</b>
<b>Revenue by region<sup>2)</sup></b>								
• Europe	835	965	329	312	372	438	1,536	1,715
• Americas	541	566	81	88	149	162	771	817
• Greater China	316	412	15	20	189	155	520	586
• Asia/Pacific	316	343	21	23	118	138	455	504
<b>Total</b>	<b>2,008</b>	<b>2,285</b>	<b>446</b>	<b>443</b>	<b>828</b>	<b>893</b>	<b>3,282</b>	<b>3,622</b>

<sup>1)</sup> Prior year information presented based on 2020 segment structure. Prior year amounts are based on a retrospective change in segment structure.

<sup>2)</sup> By market (customer location).

## Intangible assets

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 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 March 31, 2020.

The recoverable amount of the Automotive OEM segment is 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. Depending on the underlying business and its country of operation, the Schaeffler Group used an assumed pre-tax discount rate of 12,6% (December 31, 2019: 11.8%). 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 equals its recoverable amount. An increase in the discount rate by 0.5% to 13.1% would result 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 result 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 EBIT figures for the various years that were used in the calculation by 5% each would lead to an additional impairment of the carrying amount of the group of the Automotive OEM segment's cash-generating units of EUR 201 m.

## Provisions

Current provisions declined by EUR 78 m to EUR 384 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 to reflect the expansion of the voluntary severance scheme had an offsetting effect of EUR 55 m. 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

Changes in interest rate levels as at March 31, 2020, compared to December 31, 2019, varied slightly across the various regions. 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 March 31, 2020, amounted to 1.3% (December 31, 2019: 1.3%). The resulting remeasurement of the company's obligations under defined benefit pension plans resulted in actuarial gains of EUR 7 m and losses on plan assets of EUR 45 m as at March 31, 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 decrease in financial debt compared to December 31, 2019, was mainly due to a repayment of the Revolving Credit Facility of EUR 52 m and a reduction in commercial paper by EUR 100 m.

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

in € millions	03/31/2020			12/31/2019		
	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	2,782	2,782	0	2,781	2,781
Revolving Credit Facility	1	-4	-3	53	-5	48
Capital investment loan	0	249	249	0	249	249
Commercial paper	15	0	15	115	0	115
Other financial debt	0	0	0	1	0	1
<b>Total</b>	<b>16</b>	<b>3,027</b>	<b>3,044</b>	<b>168</b>	<b>3,026</b>	<b>3,194</b>



## 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

in € millions	Category per IFRS 7.8	Level per IFRS 13	03/31/2020		12/31/2019 <sup>1)</sup>		03/31/2019 <sup>1)</sup>	
			Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets, by class</b>								
Trade receivables	Amortized cost		1,854	1,854	2,098	2,098	2,064	2,064
Trade receivables – ABCP program	FVTPL	2	31	31	32	32	161	161
Other financial assets								
• Other investments	FVOCI	2	37	37	37	37	36	36
• Marketable securities	FVTPL	1	22	22	23	23	20	20
• Derivatives designated as hedging instruments	n.a.	2	19	19	11	11	5	5
• Derivatives not designated as hedging instruments	FVTPL	2	85	85	49	49	47	47
• Miscellaneous other financial assets	Amortized cost		122	122	125	125	86	86
Cash and cash equivalents	Amortized cost		629	629	668	668	2,071	2,071
<b>Financial liabilities, by class</b>								
Financial debt	FLAC	1,2 <sup>1)</sup>	3,044	2,770	3,194	3,357	4,876	4,986
Trade payables	FLAC		1,764	1,764	1,732	1,732	1,980	1,980
Refund liabilities	n.a.		215	215	232	232	193	193
Lease liabilities <sup>2)</sup>	FLAC		196	-	194	-	209	-
Other financial liabilities								
• Derivatives designated as hedging instruments	n.a.	2	43	43	28	28	60	60
• Derivatives not designated as hedging instruments	FVTPL	2	54	54	27	27	41	41
• Miscellaneous other financial liabilities	FLAC		508	508	527	527	428	428
<b>Summary by category</b>								
Financial assets at amortized cost (Amortized cost)			2,605	2,605	2,891	2,891	4,221	4,221
Financial assets at fair value through profit or loss (FVTPL)			138	138	104	104	228	228
Financial assets (equity instruments) at fair value through other comprehensive income (FVOCI)			37	37	37	37	36	36
Financial liabilities at amortized cost (FLAC)			5,512	5,042	5,647	5,616	7,493	7,394
Financial liabilities at fair value through profit or loss (FVTPL)			54	54	27	27	41	41

<sup>1)</sup> Level 1: EUR 2,503 m (December 31, 2019: EUR 2,938 m; March 31, 2019: EUR 4,302 m).

Level 2: EUR 266 m (December 31, 2019: EUR 419 m; March 31, 2019: EUR 684 m).

<sup>2)</sup> Disclosure of fair value omitted in accordance with IFRS 7.29 (d).

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

Other investments included unconsolidated investments (shares in incorporated companies and cooperatives of less than 20%) for which fair value was determined using an EBIT multiple methodology. The company is currently not planning to sell these investments. Marketable securities consist almost entirely of financial instruments in the form of money market fund units with no fixed maturity. These are measured at fair value through profit or loss.

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

- Level 1: Exchange-quoted prices as at the reporting date are used for marketable securities as well as bonds payable included in financial debt.
- Level 2: 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.

## 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 EUR 302 m as at March 31, 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**

in € millions	1 <sup>st</sup> three months	
	2020	2019 <sup>1)</sup>
EBIT Automotive OEM	-220	58
EBIT Automotive Aftermarket	76	69
EBIT Industrial	56	103
<b>EBIT</b>	<b>-88</b>	<b>230</b>
Financial result	-57	-38
Income (loss) from equity-accounted investees	-7	-4
<b>Earnings before income taxes</b>	<b>-151</b>	<b>188</b>

<sup>1)</sup> Prior year information presented based on 2020 segment structure.

**Reconciliation of EBIT to EBIT before special items**

in € millions	1 <sup>st</sup> three months		1 <sup>st</sup> three months		1 <sup>st</sup> three months		1 <sup>st</sup> three months	
	2020	2019 <sup>1)</sup>	2020	2019 <sup>1)</sup>	2020	2019 <sup>1)</sup>	2020	2019
	Automotive OEM		Automotive Aftermarket		Industrial		Total	
<b>EBIT</b>	<b>-220</b>	<b>58</b>	<b>76</b>	<b>69</b>	<b>56</b>	<b>103</b>	<b>-88</b>	<b>230</b>
• in % of revenue	-11.0	2.5	17.1	15.5	6.8	11.5	-2.7	6.3
<b>Special items</b>	<b>270</b>	<b>55</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>-13</b>	<b>302</b>	<b>42</b>
• Legal cases	0	0	0	0	0	-13	0	-13
• Restructuring	21	55	0	0	32	0	53	55
• Other	249	0	0	0	0	0	249	0
<b>EBIT before special items</b>	<b>50</b>	<b>113</b>	<b>76</b>	<b>69</b>	<b>88</b>	<b>90</b>	<b>215</b>	<b>272</b>
• in % of revenue	2.5	4.9	17.1	15.5	10.7	10.1	6.5	7.5

<sup>1)</sup> 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.

The company provided EUR 19 m in loans to associated companies in the first quarter of 2020. Further transactions with associated companies and joint ventures during this period were insignificant.

**Events after the reporting period**

On April 3, 2020, rating agency Standard & Poor's announced that it was reviewing the Schaeffler Group's ratings for a possible downgrade ("CreditWatch negative").

On April 9, 2020, Schaeffler AG announced that it had placed its first Schuldschein loan with international investors. The company is raising a total of approximately EUR 350 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". The proceeds of the bond issuance are scheduled to be received on May 11, 2020.

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 March 31, 2020.

Herzogenaurach, April 29, 2020

The Board of Managing Directors

# Summary – 1<sup>st</sup> quarter 2019 to 1<sup>st</sup> quarter 2020

## Schaeffler Group

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

<sup>1)</sup> Please refer to pp. 14 et seq. for the definition of special items.

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

<sup>3)</sup> Including non-controlling interests.

<sup>4)</sup> Based on the last twelve months.

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

**Automotive OEM division <sup>1)</sup>**

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

**Automotive Aftermarket division <sup>1)</sup>**

<b>Income statement</b>					
Revenue	443	461	482	462	446
• Europe	312	320	351	326	329
• Americas	88	95	86	93	81
• Greater China	20	22	22	18	15
• Asia/Pacific	23	25	23	26	21
Cost of sales	-291	-306	-312	-305	-288
Gross profit	152	155	170	157	158
• in % of revenue	34.3	33.6	35.2	33.9	35.4
Research and development expenses	-7	-7	-6	-7	-6
Selling and administrative expenses	-76	-75	-75	-78	-72
EBIT	69	72	87	62	76
• in % of revenue	15.5	15.6	18.1	13.4	17.1
Special items	0	0	0	15	0
EBIT before special items <sup>2)</sup>	69	72	87	77	76
• in % of revenue	15.5	15.6	18.1	16.7	17.1

**Industrial division <sup>1)</sup>**

<b>Income statement</b>					
Revenue	893	911	877	853	828
• Europe	438	422	388	379	372
• Americas	162	160	159	157	149
• Greater China	155	191	193	184	189
• Asia/Pacific	138	138	138	134	118
Cost of sales	-616	-627	-613	-620	-571
Gross profit	277	284	265	234	257
• in % of revenue	31.0	31.1	30.2	27.4	31.1
Research and development expenses	-40	-38	-39	-34	-38
Selling and administrative expenses	-137	-132	-134	-130	-129
EBIT	103	91	83	-63	56
• in % of revenue	11.5	10.0	9.4	-7.3	6.8
Special items	-13	13	0	147	32
EBIT before special items <sup>2)</sup>	90	104	83	84	88
• in % of revenue	10.1	11.4	9.4	9.9	10.7

<sup>1)</sup> Prior year information presented based on 2020 segment structure.

<sup>2)</sup> Please refer to pp. 14 et seq. for the definition of special items.

# Financial calendar

**May 6, 2020**

Publication of results for the first three months 2020

**May 8, 2020**

Annual general meeting 2020

**August 4, 2020**

Publication of results for the first six months 2020

**November 10, 2020**

Publication of results for the first nine months 2020

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

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