

SCHAEFFLER

Q1 | Mobility for tomorrow
Interim Financial Report as at March 31, 2015

**Quality
Technology
Innovation**

Key figures

in € millions	1 st three months			Change
	2015	2014		
Income statement				
Revenue	3,345	2,976	12.4	%
• growth rate at constant currency			5.3	%
EBITDA	604	572	5.6	%
• in % of revenue	18.1	19.2	-1.1	%-pts.
EBIT	434	418	3.8	%
• in % of revenue	13.0	14.0	-1.0	%-pts.
Net income ¹⁾	167	220	-53	€ millions

in € millions	03/31/2015		12/31/2014		Change
Statement of financial position					
Total assets	12,844	11,617	10.6	%	
Shareholders' equity ²⁾	418	258	160	€ millions	
• in % of total assets	3.3	2.2	1.1	% -pts.	
Net financial debt	6,190	5,778	7.1	%	
• Net financial debt to EBITDA ratio ³⁾	2.8	2.7			

in € millions	1 st three months			Change
	2015	2014		
Statement of cash flows				
Cash flows from operating activities	184	134	50	€ millions
Capital expenditures (capex) ⁴⁾	244	155	89	€ millions
• in % of revenue (capex ratio)	7.3	5.2	2.1	%-pts.
Free cash flow	-60	-19	-41	€ millions
Employees				
Headcount	83,331	79,369	5.0	%

¹⁾ Attributable to shareholders of the parent company.

²⁾ Including non-controlling interests.

³⁾ EBITDA based on the last twelve months.

⁴⁾ Capital expenditures on intangible assets and property, plant and equipment.

Automotive	1 st three months			Change
	2015	2014		
in € millions				
Revenue	2,510	2,212	13.5	%
• growth rate at constant currency			6.7	%
EBIT	342	326	4.9	%
• in % of revenue	13.6	14.7	-1.1	%-pts.

Prior year information based on 2015 segment structure.

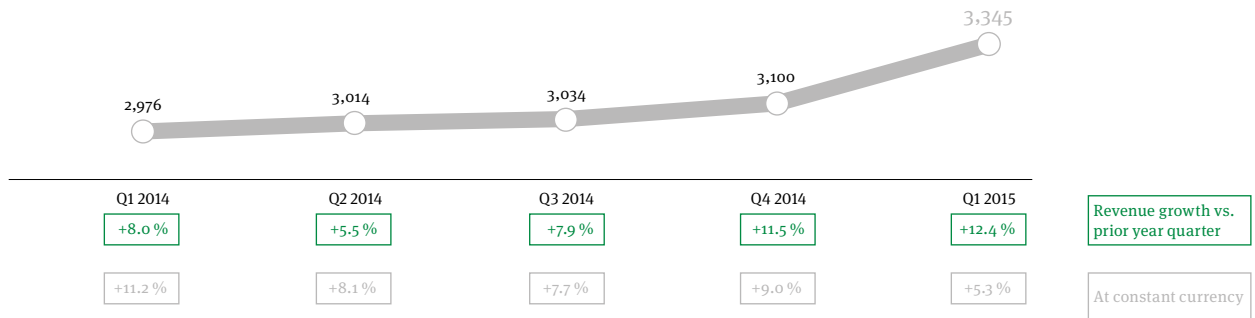
Industrial	1 st three months			Change
	2015	2014		
in € millions				
Revenue	835	764	9.3	%
• growth rate at constant currency			1.3	%
EBIT	92	92	0.0	%
• in % of revenue	11.0	12.0	-1.0	%-pts.

Prior year information based on 2015 segment structure.

First three month 2015 in numbers

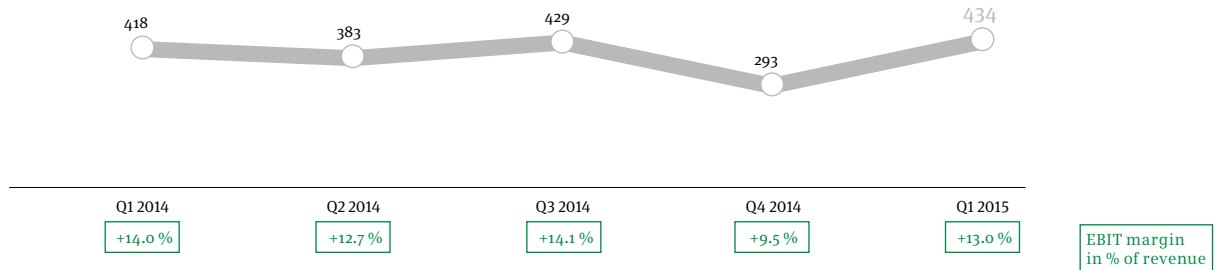
Revenue trend

in € millions



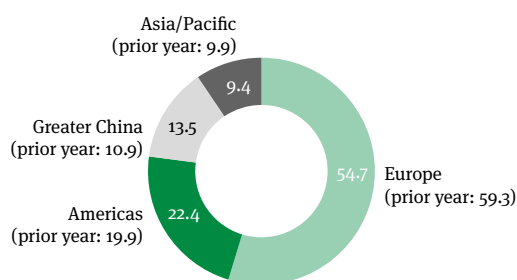
EBIT trend (earnings before financial result, income from equity-accounted investees, and income taxes)

in € millions



Revenue by region

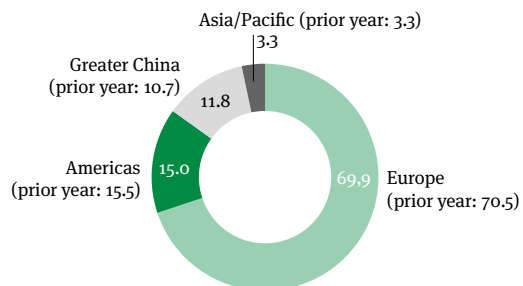
in percent by market view



Revenue: EUR 3,345 m ; +12.4 %

Headcount by region

in percent at March 31, 2015



Employees: 83,331; +5.0 %

Schaeffler Group at a glance

Highlights for the three months ended March 31, 2015

Positive revenue trend continues:

Revenue at **EUR 3,345 bn**; fx-adjusted growth of **5.3 %**

EBIT stays high:

EBIT margin at **13.0 %** of revenue (prior year: 14.0 %)

Free cash flow negative:

Free cash flow **EUR -60 m** (prior year: EUR -19 m);
however, operating cash flow increased to **EUR 184 m** (prior year: EUR 134 m)

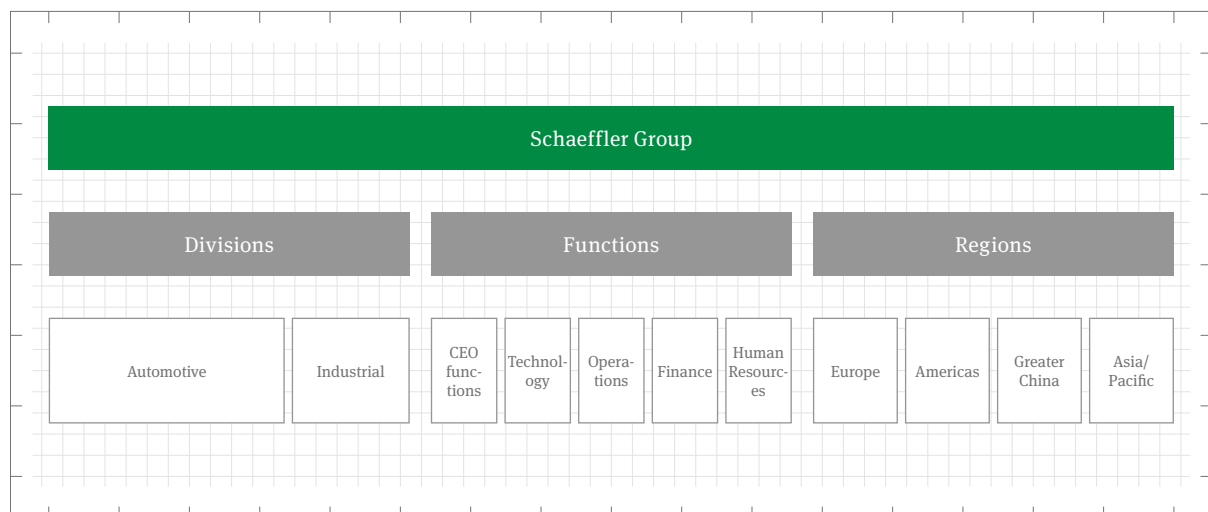
Capacity expansion continued:

Capex¹ at **EUR 244 m** (prior year: EUR 155 m);
Capex ratio at **7.3 %** of revenue (prior year: 5.2 %)

Company profile

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

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



¹ Capital expenditures.

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Schaeffler on the capital markets

Both the equities and the corporate bond markets were marked by the European Central Bank's (ECB's) extensive purchasing program for bonds – the Deutsche Aktienindex (DAX) rose 22 % compared to December 31, 2014. The ECB's program continued to drive up bond prices and reduce yields in the European high yield market. The iTraxx CrossOver (5 year maturity), an indicator of credit risk in the European high yield market, closed the first quarter at 264 basis points compared to 346 basis points on December 31, 2014.

The Schaeffler Group's bonds fared well in this environment. The prices of most of Schaeffler's bonds continued to trend upward, and yields to maturity declined correspondingly (by an average of 51 basis points across all EUR and USD bonds compared to December 31, 2014).

Premiums for Schaeffler AG credit default swaps (CDS) continued to come down in the first quarter of 2015. Compared to December 31, 2014, the five-year CDS on Schaeffler AG declined by approximately 50 basis points to 128 basis points. The seven-year CDS fell by approximately 61 basis points to 160.7 basis points.

Performance of Schaeffler bonds

The Schaeffler Group had the following bonds outstanding at March 31, 2015:

Bonds issued by the Schaeffler Group

ISIN	Currency	Face value in millions	Coupon	Maturity	Issued at (in %)	Price in % ¹⁾ 03/31/2015
XS0741938624 ²⁾	EUR	800	7.75 %	02/15/2017	98.981	113.73
US806261AC75 ²⁾	USD	600	7.75 %	02/15/2017	98.981	111.90
XS0923613060	EUR	600	4.25 %	05/15/2018	100.000	102.54
XS1067864881	EUR	500	3.25 %	05/15/2019	99.429	102.54
XS1067862919	EUR	500	2.75 %	05/15/2019	99.421	101.64
US806261AJ29	USD	700	4.25 %	05/15/2021	99.253	99.56
US806261AE32	USD	850	4.75 %	05/15/2021	100.000	101.81
XS1067864022	EUR	500	3.50 %	05/15/2022	100.000	103.24

¹⁾ Source: Bloomberg.

²⁾ Bond was redeemed early on April 27, 2015.

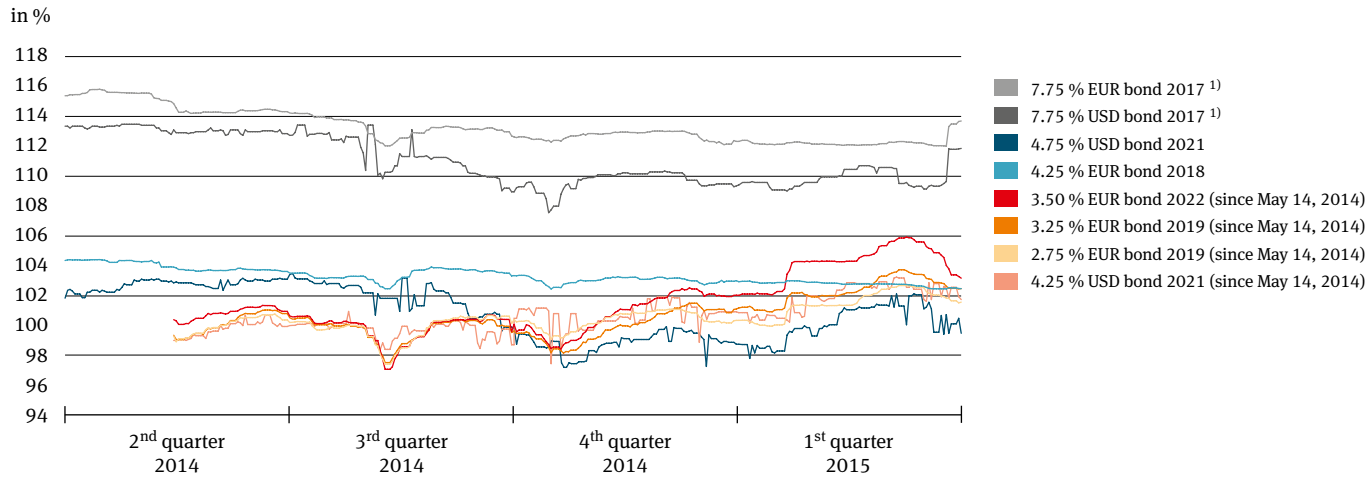
On March 26, 2015, the Schaeffler Group announced another refinancing transaction of approximately EUR 1.5 bn.

The company placed a total of three bond issues. The placement comprised two secured EUR and one secured USD bond issue. The first EUR bond, which has a principal of EUR 400 m, bears interest at 2.50 % and carries a term of five years. The second EUR bond with a principal of EUR 600 m and a term of ten years bears interest at 3.25 %. The USD bond with a principal of USD 600 m has a term of eight years and bears interest at 4.75 %. The rating agencies Standard & Poor's and Moody's have rated the bonds BB- and Ba2.

Please refer to the supplementary report in the group interim management report on page 27 for further detail.

Performance since 2nd quarter 2014

Source: Bloomberg.



Schaeffler's ratings

The Schaeffler Group's ratings by rating agencies Standard & Poor's and Moody's are unchanged from the prior year. The following summary shows the Schaeffler Group's current ratings by the two rating agencies:

Schaeffler Group ratings

03/31/2015				
Rating agency	Company		Bonds secured	Bonds unsecured
	Rating	Outlook	Rating	Rating
Standard & Poor's	BB-	stable	BB-	B
Moody's	Ba3	stable	Ba2	B1

Group interim management report

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Prior year figures

Schaeffler AG (previously INA Beteiligungsgesellschaft mit beschränkter Haftung) is issuing its first consolidated interim financial statements and group interim management report as at March 31, 2015. As these documents were not prepared on the same formal basis as the prior year consolidated financial statements and group management report of Schaeffler AG as at March 31, 2014 (now Schaeffler Verwaltung Zwei GmbH), they are not fully comparable to those prior year documents. Please refer to the Schaeffler Group's annual report 2014 for further detail.

Impact of currency translation

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

1. Report on the economic position

1.1 Economic environment and course of business

According to information provided by the Kiel Institute for the World Economy [Institut für Weltwirtschaft (IFW)], the global economy has been developing as expected since the summer of 2014, albeit with considerable fluctuations in certain key determinants of economic growth. These include the trend in crude oil prices and changed levels of exchange rates between the major industrialized economies. The Euro again declined considerably against the U.S. Dollar and other key currencies such as the Chinese Renminbi during the first quarter of 2015; the Euro exchange rate in terms of the U.S. Dollar (EUR 1 = USD) closed at USD 1.08 on March 31, 2015 (December 31, 2014: USD 1.21). Monetary policy remains expansive worldwide (source: IFW, March 2015).

The euro region is experiencing an economic recovery, with private household spending acting as a key driver of this growth (source: Oxford Economics, April 2015). According to information published by the IFW in March 2015, Germany started the new year with plenty of momentum, and, based on the OECD's April 2015 Composite Leading Indicator (CLI), its growth is accelerating, as are France's and Italy's. The CLI for India indicates that the country's growth is becoming more robust. Based on preliminary data, automobile production in the Europe region², measured as the number of vehicles up to six tons in weight produced, increased by approximately 2.8 % compared to the prior year, primarily due to positive trends in India and Spain (source: IHS, April 2015). Also based on preliminary figures, industrial production³, measured as gross value added for selected sectors relevant to the Schaeffler Group, experienced percentage growth rates compared to the prior year in the low single digits (source: Oxford Economics, March 2015). Revenue for the Schaeffler Group's Europe region was up by 3.6 % from the prior year period (2.6 % at constant currency).

The U.S. economy was off to a disappointing start in 2015, according to information provided by Oxford Economics in April 2015. The institution estimates real gross domestic product growth compared to the prior year of only 1.4 % for the first three months. Oxford Economics nevertheless considers the U.S. to have a solid basis for growth to gather speed during the remainder of the year. Many Latin American countries are facing low economic momentum, rising inflation, and structural problems. The Brazilian central bank is raising interest rates in an attempt to prevent an excessive decline of the Real, stop the continuing flight of capital, and rein in inflation (source: IFW, March 2015). Based on preliminary figures, automobile production in the Americas region² declined by 1.3 % due to weak performance in Brazil and Canada. This region's industrial production is dominated by the U.S. trend and has likely been influenced by that country's general economic environment. Revenue for the Schaeffler Group's Americas region increased significantly by 26.4 % (11.9 % at constant currency) compared to the prior year period.

² Schaeffler Group region.

³ As certain statistical bases are not available during the year, only preliminary indicative data on the industrial production of selected countries are available.

In China, initial data suggest that growth has slowed down in the first quarter of 2015. Preliminary data show that automobile production expanded by only 5.2 %. Based on monthly indicators for January and February, industrial production⁴ has experienced the lowest growth rate since early 2009 despite an increase in exports, indicating weakening domestic demand (Oxford Economics, April 2015). Demand for the Schaeffler Group's products in its Greater China region continued to be very encouraging, with revenue exceeding that of the prior year period by 39.6 % (16.7 % at constant currency).

Economic trends in the remaining Asian countries varied. Oxford Economics estimates a decline in the Japanese gross domestic product of 1.5 % from the prior year quarter during the first quarter of 2015. The increase in the value-added tax rate in Japan in 2014 continues to put a strain on real income. However, an additional increase in value-added tax has been postponed to 2017 to avoid a further negative impact. The export trade is currently considered the Japanese economy's bright spot. In South Korea, the relatively robust external value of the Korean Won in terms of U.S. dollars is holding back exports. The March 2015 Purchasing Managers' Index (PMI) indicates that the manufacturing sector is contracting. The central bank is expected to be hesitant in reducing key interest rates to increase demand due to the high levels of debt of private households (Oxford Economics, April 2015). Driven by weaknesses in Japan and South Korea, automobile production in the Asia/Pacific⁵ region declined considerably by 5.5 %, and industrial production is also presumed to have decreased. The favorable impact of currency translation drove the Schaeffler Group's revenue for the Asia/Pacific region up by 7.1 % (-5.4 % at constant currency), which puts this region's revenue growth about at par with the market.

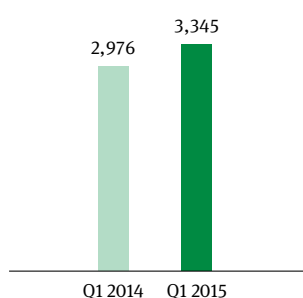
⁴ Broad macroeconomic definition of industrial production which comprises more than the sectors relevant to Schaeffler, including significant parts of the secondary sector.

⁵ Schaeffler Group region.

1.2 Earnings

Schaeffler Group

Revenue (Schaeffler Group)
in € millions



The Schaeffler Group's revenue for the first quarter of 2015 rose to EUR 3,345 m (prior year: EUR 2,976 m), an increase of 12.4 % over the prior year period. Excluding the impact of currency translation of 7.1 %, revenue grew by 5.3 %. Both divisions – Automotive and Industrial – reported growth excluding the impact of currency translation, as well. This revenue growth was driven by the sustained high level of demand for Schaeffler products by the international automotive sector and the gradual recovery of other key industrial sectors.

Schaeffler Group earnings

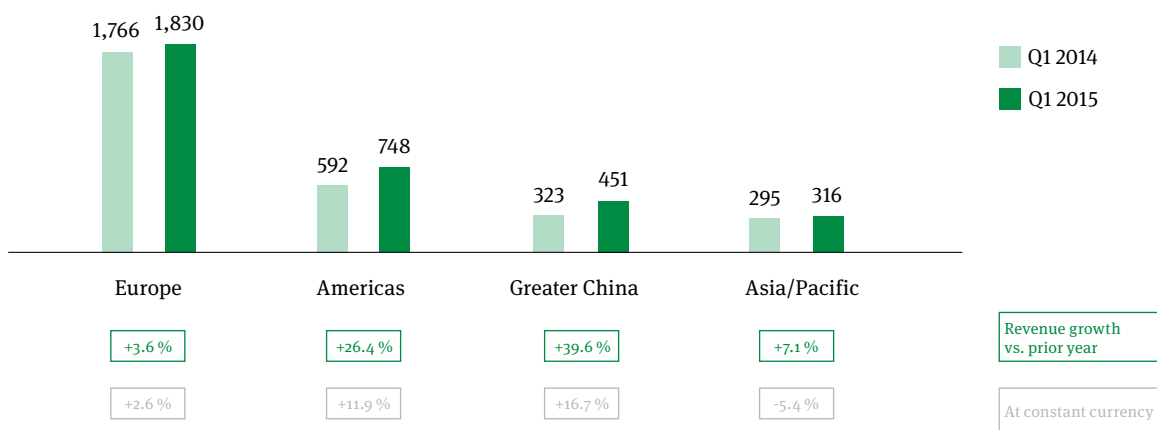
in € millions	1 st three months		Change in %
	2015	2014	
Revenue	3,345	2,976	12.4
Cost of sales	-2,398	-2,122	13.0
Gross profit	947	854	10.9
Functional expenses ¹⁾	-508	-441	15.2
Earnings before financial result, income from equity-accounted investees, and income taxes (EBIT)	434	418	3.8
• in % of revenue	13.0	14.0	-
Financial result	-176	-100	76.0
Income taxes	-89	-96	-7.3
Net income ²⁾	167	220	-24.1

¹⁾ Research and development, selling and administration.

²⁾ Attributable to shareholders of the parent company.

All four of the Schaeffler Group's regions generated revenue growth, albeit bolstered by a considerable favorable impact of currency translation, particularly outside of the Euro region. However, regional growth rates varied widely once more in the first quarter of 2015. Revenue increases of 39.6 % (16.7 % at constant currency) in the Greater China region and 26.4 % (11.9 % at constant currency) in the Americas region were particularly significant. In Europe, the Schaeffler Group generated growth of 3.6 % (2.6 % at constant currency), while Asia/Pacific region revenue increased by 7.1 % (-5.4 % at constant currency) due to the favorable impact of currency translation.

Revenue trend by region



Cost of sales for the first quarter of 2015 rose by 13.0 % to EUR 2,398 m (prior year: EUR 2,122 m). Gross profit increased by 10.9 % to EUR 947 m (prior year: EUR 854 m), driven by once more significantly higher volumes in the Automotive division as well as the favorable impact of currency translation. Declining raw materials prices had an additional slightly positive impact on the Schaeffler Group's profitability. At 28.3 %, the company's gross margin was slightly below the prior year level of 28.7 %.

The ongoing expansion of Schaeffler's research and development activities was reflected in higher expenses, which amounted to EUR 182 m for the first quarter of 2015 (prior year: EUR 155 m, +17.4 %). At 5.4 % of revenue, research and development expenses were slightly higher than in the prior year (prior year: 5.2 %).

Selling expenses increased by 15.8 % to EUR 220 m (prior year: EUR 190 m) for the first three months of 2015, mainly due to revenue-related freight and logistics expenses and higher personnel expenses. Administrative expenses for the first quarter of 2015 amounted to EUR 106 m (prior year: EUR 96 m).

EBIT for the first quarter of 2015 improved by 3.8 % to EUR 434 m (prior year: EUR 418 m), primarily driven by increased earnings in the Automotive division. Industrial division EBIT was in line with that of the prior year quarter. The Schaeffler Group's EBIT margin of 13.0 % (prior year: 14.0 %) remained high, albeit slightly below prior year. The decline in the margin is largely due to higher research and development and selling expenses.

The Schaeffler Group's financial result declined by EUR 76 m to EUR -176 m (prior year: EUR -100 m) during the first quarter of 2015 and was adversely affected by the significant impact of the planned early redemption of two outstanding bond issues denominated in EUR and USD.

Schaeffler Group financial result

in € millions	1 st three months 2015		
	Financial expenses	Financial income	Financial result
Interest expense on financial debt ¹⁾	-275	0	-275
Fair value changes and compensation payments on derivatives	1	346	347
Foreign exchange gains and losses	-252	0	-252
Amortization of cash flow hedge accounting reserve	0	0	0
Interest income and expense on pensions and partial retirement obligations	-11	0	-11
Other	-5	20	15
Total	-542	366	-176

in € millions	1 st three months 2014		
	Financial expenses	Financial income	Financial result
Interest expense on financial debt ¹⁾	-93	0	-93
Fair value changes and compensation payments on derivatives	-15	26	11
Foreign exchange gains and losses	-7	0	-7
Amortization of cash flow hedge accounting reserve	3	0	3
Interest income and expense on pensions and partial retirement obligations	-12	0	-12
Other	-3	1	-2
Total	-127	27	-100

¹⁾ Incl. transaction costs.

Interest expense on financial debt of EUR 275 m (prior year: EUR 93 m) for the first three months of 2015 includes interest paid and accrued on the Group's external financing arrangements of EUR 83 m (prior year: EUR 85 m) as well as a prepayment penalty of EUR 173 m (prior year: EUR 0 m) related to the planned early redemption of two bond issues denominated in EUR and USD.

Changes in the fair value of and compensation payments on derivatives resulted in net gains of EUR 347 m (prior year: EUR 11 m). The amount consists largely of net gains on interest rate and cross-currency derivatives of EUR 262 m (prior year: EUR 0 m) and net gains on embedded derivatives of EUR 84 m (prior year: EUR 11 m).

Net foreign exchange losses on financial assets and liabilities amounted to EUR 252 m (prior year: EUR 7 m) and resulted primarily from translating financing instruments denominated in USD to Euro. The company has hedged this financial debt using cross-currency derivatives and reports the resulting offsetting impact of EUR 262 m under fair value changes and compensation payments on derivatives.

Pensions and partial retirement obligations gave rise to net interest expense of EUR 11 m (prior year: EUR 12 m). Other items amounted to net gains of EUR 15 m (prior year: net losses of EUR 2 m), resulting primarily from loans receivable from Schaeffler Verwaltung Zwei GmbH and Schaeffler Beteiligungsholding GmbH & Co. KG.

Income taxes for the first quarter of 2015 amounted to EUR 89 m (prior year: EUR 96 m), consisting of current tax expense of EUR 108 m (prior year: EUR 106 m) and a deferred tax benefit of EUR 19 m (prior year: EUR 10 m). EUR 114 m of current tax expense relates to the current year and EUR -6 m (tax benefit) to prior years. Interest expense of EUR 152 m (prior year: EUR 0 m) was not tax deductible in the first quarter of 2015 due to the interest deduction cap. Since it is considered probable that these interest carryforwards will be utilized in the future, EUR 38 m in related deferred tax assets were recognized.

Net income after non-controlling interests decreased by EUR 53 m to EUR 167 m (prior year: EUR 220 m) during the first quarter of 2015.

Automotive division

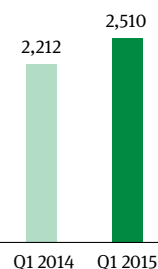
Compared to the prior year period, Automotive division revenue increased by 13.5 % to EUR 2,510 m (prior year: EUR 2,212 m) during the first quarter of 2015. Excluding the impact of currency translation, revenue grew by 6.7 %. Thus, the Automotive division business expanded considerably faster than global production volumes for passenger cars and light commercial vehicles⁶, which only grew by 0.6 % during the same period. Product ramp-ups, new customer projects, and capacity expansions at manufacturing locations in the various growth regions were the key factors contributing to this expansion.

Automotive division earnings

in € millions	1 st three months		Change in %
	2015	2014	
Revenue	2,510	2,212	13.5
Cost of sales	-1,818	-1,599	13.7
Gross profit	692	613	12.9
EBIT	342	326	4.9
• in % of revenue	13.6	14.7	-

Prior year information presented based on 2015 segment structure.

Revenue (Automotive)
in € millions



⁶ Source: IHS Global Insight, March 2015.

Revenue trends varied widely between the market regions of the Automotive division during the first quarter of 2015. The Greater China region continued along its sustainable growth path – its growth rate of 39.1 % (16.6 % at constant currency) significantly exceeded the 5.2 % increase in the region's vehicle production. The Americas region also reported strong first quarter growth compared to the prior year – this region's revenue increased by 30.6 % (16.5 % at constant currency) despite the 1.3 % decline in automobile production. The Europe region generated 4.2 % (3.5 % at constant currency) in additional revenue, similarly exceeding average regional growth in production volumes (+2.8 %). The favorable impact of currency translation drove revenue for the Asia/Pacific region up by 5.4 % (-6.3 % at constant currency). Vehicle production for the same period fell by 5.5 %.

Existing volume supply agreements with OEM customers led to nearly full utilization of production capacity in the first three months of 2015. Binding supply orders from OEM customers received at short notice confirmed the annual ranges of delivery quantities contractually agreed in some cases.

The Automotive division business is organized in the Engine Systems, Transmission Systems, Chassis Systems, and Automotive Aftermarket business divisions (BD), all of which reported growing revenue in the first quarter of 2015.

Automotive division revenue by business division

in € millions	1 st three months		Change in %	Share of revenue 2015 in %
	2015	2014		
BD Engine Systems	654	550	18.9	26.0
BD Transmission Systems	1,069	934	14.5	42.6
BD Chassis Systems	376	344	9.3	15.0
BD Automotive Aftermarket	411	384	7.0	16.4
Automotive division	2,510	2,212	13.5	

Prior year information presented based on 2015 segment structure.

The **Engine Systems BD** generated revenue growth of 18.9 % (9.4 % at constant currency) during the reporting period. This above-market growth was primarily buoyed by the camshaft phasing units, valve train components, and accessory drive product groups. In addition, production start-ups generated considerably higher revenue from the innovative thermal management module, which is key to reducing fuel consumption and CO₂ emissions by up to 4 %.

Transmission Systems BD revenue rose by 14.5 % (7.2 % at constant currency) compared to the prior year period, largely driven by significant demand for components for automated transmissions, such as torque converters. The Automotive division also increased sales of release systems and gearing components used in automated manual transmissions. In addition, the dual-mass flywheel product group also experienced a significant increase in volume.

The **Chassis Systems BD** generated revenue growth of 9.3 % (3.2 % at constant currency) mainly based on the solid performance of the newest generation of wheel bearings, a highly integrated unit containing mounting brackets for the brake disk, rim, and wheelcarrier that ensures the highest running accuracy. Revenue from sales of ball screw drives used for instance in electromechanical power steering systems and chassis solutions (e.g. in electromechanical parking brakes) also continued to grow.

The **Automotive Aftermarket BD** continued its solid development in the first quarter of 2015, with revenue increasing by 7.0 % (4.5 % at constant currency) compared to the prior year period. The reasons for this increase include higher sales of service kits and repair solutions primarily in the Schaeffler Group's Europe and Americas regions.

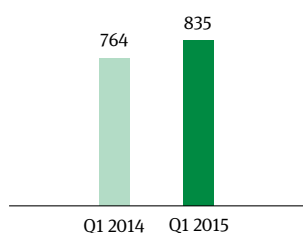
Cost of sales for the first quarter of 2015 increased 13.7 % to EUR 1,818 m (prior year: EUR 1,599 m), approximately in line with the growth in revenue. Automotive division gross profit rose by a total of EUR 79 m to EUR 692 m (prior year: EUR 613 m). As a result, Schaeffler's gross margin of 27.6 % was in line with the prior year (prior year: 27.7 %). Increased costs, primarily due to collectively bargained increases in wages and salaries, were almost entirely offset by slightly lower raw materials prices and the growing proportion of value added locally in the growth markets.

In the first three months of 2015, research and development expenses rose by 18.4 % to EUR 148 m (prior year: EUR 125 m), reflecting increased activities aimed at offering solutions for future mobility concepts for motor vehicles, ranging from optimizing the classic internal combustion engine to hybrid solutions and electric mobility applications.

Total Automotive division EBIT rose by EUR 16 m to EUR 342 m (prior year: EUR 326 m) during the first quarter of 2015 compared to the prior year period. However, Schaeffler's EBIT margin declined by 1.1 percentage points to 13.6 % (prior year: 14.7 %).

Industrial division

Revenue (Industrial)
in € millions



Industrial division revenue for the first quarter of 2015 increased by 9.3 % to EUR 835 m (prior year: EUR 764 m) compared to the prior year period. Currency translation had a favorable impact on revenue of 8.0 % during the reporting period. Excluding this impact, Industrial division revenue increased by 1.3 % over the prior year period.

Industrial division earnings

in € millions	1 st three months		Change in %
	2015	2014	
Revenue	835	764	9.3
Cost of sales	-580	-523	10.9
Gross profit	255	241	5.8
EBIT	92	92	0.0
• in % of revenue	11.0	12.0	-

Prior year information presented based on 2015 segment structure.

Revenue trends varied widely across the regional markets of the Industrial division during the first quarter of 2015. The Greater China region reported very strong growth of 41.3 % (16.9 % at constant currency) for the first quarter of 2015. The favorable impact of currency translation drove revenue for the Americas and Asia/Pacific regions up by 13.5 % (-2.0 % at constant currency) and 12.7 % (-2.8 % at constant currency), respectively. Revenue in Schaeffler's Europe region was up slightly by 1.9 % (0.2 % at constant currency).

The Industrial division's operations are divided into two business divisions (BD): The Industrial Applications BD, which consists of the OEM business in the industrial sector, and the Industrial Aftermarket BD, which represents the spare parts and service business. Both business divisions reported significantly higher revenue than in the corresponding reporting period in 2014, mainly due to the favorable impact of currency translation. Order intake for the first quarter of 2015 was approximately in line with revenue for the period, while orders on hand exceeded those on hand at the end of the prior quarter.

Industrial division revenue by business division

in € millions	1 st three months		Change in %	Share of revenue 2015 in %
	2015	2014		
BD Industrial Applications	537	492	9.1	64.3
BD Industrial Aftermarket	298	272	9.6	35.7
Industrial division	835	764	9.3	

Prior year information presented based on 2015 segment structure.

The **Industrial Applications BD** grew its revenue to EUR 537 m (prior year: EUR 492 m), an increase of 9.1 % (1.2 % at constant currency) compared to the prior year period. The revenue trends reported by the mobility, production machinery, energy & raw materials, and aerospace sectors varied.

The mobility sector was able to considerably increase revenue over the comparison period, primarily due to the favorable impact of currency translation. The increase was bolstered by the motorcycle and rail vehicles, in particular. Particularly in India, which is part of Schaeffler's Europe region, the motorcycle sector reported strong growth. New projects to expand the rail system in the Greater China region generated higher revenue both from Chinese customers and from European suppliers.

The production machinery sector experienced a slight increase in revenue compared to the first quarter of 2015 due to the positive impact of currency translation.

Revenue in the energy and raw materials sector for the current reporting period was significantly higher than in the 2014 comparison period. The energy revolution in the Europe region and the strong upward trend in the Greater China region wind business drove the significant growth in the renewable energy sector. The raw materials sector reported slight growth due to the favorable impact of currency translation.

The slight increase in revenue compared to the 2014 comparison period in the aerospace sector was attributable to currency translation.

Revenue in the **Industrial Aftermarket BD** for the 2015 reporting period amounted to EUR 298 m (prior year: EUR 272 m), 9.6 % (1.5 % at constant currency) higher than in the 2014 comparison period.

Industrial division cost of sales for the first quarter of 2015 increased 10.9 % to EUR 580 m (prior year: EUR 523 m). Raw materials prices were slightly below the prior year during the first quarter of 2015. Gross profit grew by 5.8 % to EUR 255 m (prior year: EUR 241 m) compared to the prior year, and the company's gross margin declined by 1.0 percentage point to 30.5 % (prior year: 31.5 %).

In the first three months of 2015, research and development expenses rose by 13.3 % to EUR 34 m (prior year: EUR 30 m). Development focused on the issues of "increasing digitization" and "Industry 4.0".

Industrial division EBIT of EUR 92 m for the first quarter of 2015 was flat with the prior year (prior year: EUR 92 m). The division's EBIT margin declined by 1.0 percentage point to 11.0 % (prior year: 12.0 %) as a result of a change in the revenue mix.

1.3 Financial position and net assets

Cash flow

The Schaeffler Group generated cash flows from operating activities of EUR 184 m (prior year: EUR 134 m) for the first quarter of 2015, driven largely by higher EBITDA and lower interest payments, which were partially offset by higher cash outflows for income taxes. Cash outflows attributable to increases in working capital were lower than those of the prior year.

Cash flow and liquidity

in € millions	1 st three months		Change in %
	2015	2014	
Cash flows from operating activities	184	134	37.3
Cash used in investing activities	-244	-153	59.5
Free cash flow	-60	-19	> 100
Cash provided by financing activities	8	-59	-
	03/31/2015	12/31/2014	Change in %
Cash and cash equivalents	609	636	-4.2

Driven by higher capital expenditures on intangible assets and property, plant and equipment, cash used in investing activities (see “Additions to intangible assets and property, plant and equipment”) rose to EUR 244 m during the first quarter of 2015, considerably exceeding the prior year level of EUR 153 m. The capex ratio for intangible assets and property, plant and equipment was 7.3 % (prior year: 5.2 %) of consolidated revenue in the first quarter of 2015.

These developments resulted in negative free cash flow of EUR -60 m (prior year: EUR -19 m) for the first quarter of 2015.

Cash of EUR 8 m was provided by financing activities (prior year: EUR 59 m used in financing activities).

Cash and cash equivalents of EUR 609 m at March 31, 2015 were approximately in line with the level at the end of the prior quarter.

Capital structure

The Schaeffler Group's shareholders' equity (including non-controlling interests in consolidated subsidiaries) rose by EUR 160 m to EUR 418 m (December 31, 2014: EUR 258 m), mainly as a result of net income of EUR 169 m. The equity ratio was 3.3 % at March 31, 2015 (December 31, 2014: 2.2 %).

Capital structure

in € millions	03/31/2015	12/31/2014	Change in %
Shareholders' equity	418	258	62.0
Provisions for pensions and similar obligations	2,304	1,984	16.1
Provisions	75	70	7.1
Financial debt	5,433	6,413	-15.3
Income tax payables	248	237	4.6
Other financial liabilities	12	21	-42.9
Other liabilities	7	8	-12.5
Deferred tax liabilities	94	106	-11.3
Total non-current liabilities	8,173	8,839	-7.5
Provisions	265	232	14.2
Financial debt	1,366	1	> 100
Trade payables	1,284	1,261	1.8
Income tax payables	186	155	20.0
Other financial liabilities	760	558	36.2
Other liabilities	392	313	25.2
Total current liabilities	4,253	2,520	68.8
Total shareholders' equity and liabilities	12,844	11,617	10.6

Net other comprehensive loss for the first quarter of 2015 amounts to EUR -9 m and includes primarily the favorable impact of translating net assets of foreign group companies (EUR 225 m) and the adverse impact of remeasurements of pension obligations and similar obligations (EUR -222 m) and cash flow hedges (EUR -13 m).

Provisions for pensions and similar obligations increased by EUR 320 m to EUR 2,304 m (December 31, 2014: EUR 1,984 m) primarily as a result of another reduction in the discount rate for the company's pension obligations to reflect the further decline in interest rate levels.

The decrease in the Schaeffler Group's non-current financial debt by EUR 980 m to EUR 5,433 m (December 31, 2014: EUR 6,413 m) is primarily due to the early redemption of bonds planned for April 27, 2015, which has resulted in the reclassification of two bond issues with a carrying amount of EUR 1,357 m from non-current financial debt to current financial debt as at March 31, 2015. The unfavorable impact of currency translation had an increasing effect on the level of the company's debt.

The increase in other current financial liabilities by EUR 202 m to EUR 760 m (December 31, 2014: EUR 558 m) is largely the result of the prepayment penalty of EUR 173 m (December 31, 2014: EUR 114 m) related to the planned redemption of bonds as well as changes in the fair value of current financial derivatives used to hedge currency risk.

Other current liabilities increased by EUR 79 m to EUR 392 m (December 31, 2014: EUR 313 m), primarily due to higher amounts payable to staff.

Net financial debt

	03/31/2015	12/31/2014	Change in %
Non current financial debt	5,433	6,413	-15.3
Current financial debt	1,366	1	> 100
Total financial debt	6,799	6,414	6.0
Cash and cash equivalents	609	636	-4.2
Net financial debt	6,190	5,778	7.1

The Schaeffler Group's net financial debt increased by EUR 412 m to EUR 6,190 m as at March 31, 2015 (December 31, 2014: EUR 5,778 m), largely due to the impact of currency translation related to non-current financial debt.

The debt to EBITDA ratio, defined as the ratio of net financial debt to earnings before financial result, income from equity-accounted investees, income taxes, depreciation, amortization, and impairment losses (EBITDA) amounted to 2.8 at March 31, 2015 (December 31, 2014: 2.7).

Asset structure

Total assets increased by EUR 1,227 m or 10.6 % to EUR 12,844 m as at March 31, 2015 (December 31, 2014: EUR 11,617 m).

Asset structure

in € millions	03/31/2015	12/31/2014	Change in %
Intangible assets	563	555	1.4
Property, plant and equipment	3,950	3,748	5.4
Investments in equity-accounted investees	3	4	-25.0
Other investments	14	14	0.0
Other financial assets	2,313	1,960	18.0
Other assets	49	58	-15.5
Income tax receivables	8	8	0.0
Deferred tax assets	591	455	29.9
Total non-current assets	7,491	6,802	10.1
Inventories	1,822	1,713	6.4
Trade receivables	2,282	1,900	20.1
Other financial assets	380	343	10.8
Other assets	204	181	12.7
Income tax receivables	56	42	33.3
Cash and cash equivalents	609	636	-4.2
Total current assets	5,353	4,815	11.2
Total assets	12,844	11,617	10.6

Among non-current assets, property, plant and equipment rose by EUR 202 m to EUR 3,950 m (December 31, 2014: EUR 3,748 m), largely due to the impact of currency translation which increased property, plant and equipment.

Other non-current financial assets rose by EUR 353 m to EUR 2,313 m (December 31, 2014: EUR 1,960 m), primarily as a result of favorable changes in the fair value of non-current derivatives. These derivatives include cross-currency derivatives used for hedging and prepayment options on financial debt.

Deferred tax assets increased by EUR 136 m to EUR 591 m (December 31, 2014: EUR 455 m) primarily due to higher deferred taxes with respect to pension obligations.

Inventories rose by EUR 109 m to EUR 1,822 m (December 31, 2014: EUR 1,713 m) mainly due to the impact of currency translation.

The increase in trade receivables of EUR 382 m to EUR 2,282 m (December 31, 2014: EUR 1,900 m) is mainly attributable to business growth in the first quarter of 2015 as well as the impact of currency translation.

Cash and cash equivalents decreased to EUR 609 m at March 31, 2015 (December 31, 2014: EUR 636 m).

Additions to intangible assets and property, plant and equipment

Since the Schaeffler Group is a technology-oriented high-growth company, investing in intangible assets and property, plant and equipment is a key component of its growth strategy.

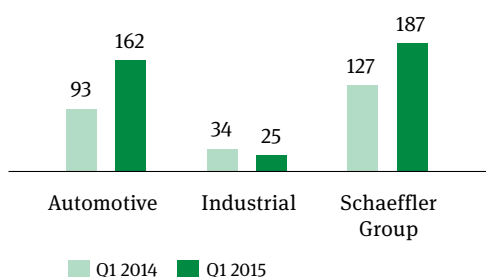
At EUR 187 m, additions to intangible assets and property, plant and equipment in the balance sheet for the first quarter of 2015 significantly exceeded the prior year amount of EUR 127 m. These additions differ from capex (capital expenditures) by EUR 57 m (prior year: EUR 28 m) due to cash outflows for additions intangible assets and property, plant and equipment of other periods. Amortization and depreciation as a percentage of consolidated revenue amounted to 5.1 % (prior year: 5.2 %) in the first quarter of 2015. At March 31, 2015, the Schaeffler Group had open commitments under fixed contracts to purchase property, plant and equipment of EUR 338 m (December 31, 2014: EUR 262 m).

The majority of additions to intangible assets and property, plant and equipment, EUR 162 m (prior year: EUR 93 m), were made by the Automotive division, while Industrial invested EUR 25 m (prior year: EUR 34 m).

EUR 110 m of the EUR 187 m in total additions to intangible assets and property, plant and equipment were made in the Europe region. Schaeffler's Greater China, Americas, and Asia/Pacific regions invested EUR 41 m, EUR 29 m, and EUR 7 m, respectively.

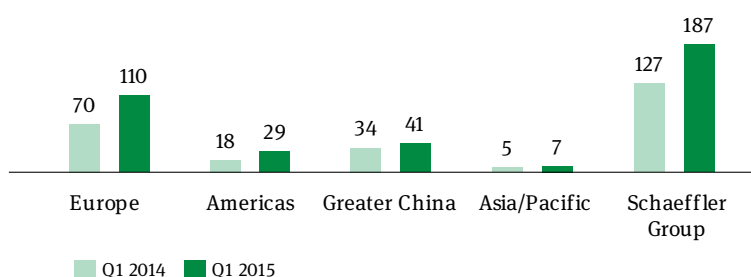
Additions to intangible assets and property, plant and equipment

in € millions



Additions by region

in € millions



During the first quarter of 2015, investing activities focused on creating and expanding production capacity (approximately 38 %) and on production start ups (approximately 34 %). Approximately 22 % were invested to replace equipment and add functionalities.

Financing

The Schaeffler Group has taken extensive measures to refinance its existing financial liabilities in previous years. These transactions diversified the Group's financing resources, extended the maturity profile of its debt, and lowered its borrowing cost.

First quarter 2015

On March 26, 2015, the Schaeffler Group announced another refinancing transaction of approximately EUR 1.5 bn involving the planned issuance of new bonds and the planned redemption of two outstanding bond issues denominated in EUR and USD. Please refer to the supplementary report on page 27 for a detailed discussion of these transactions.

The Facilities Agreement consists of the following loan tranches at March 31, 2015:

Facility agreement loan tranches

Tranche	Currency	03/31/2015		12/31/2014		03/31/2015		12/31/2014		Maturity
		Face value in millions	Carrying amount in € millions	Coupon						
Senior Term Loan B	EUR	750	750	757	757	Euribor + 3.50 % ¹⁾	Euribor + 3.50 %			05/15/2020
Senior Term Loan B	USD	1,300	1,300	1,166	1,031	Libor + 3.50 % ²⁾	Libor + 3.50 %			05/15/2020
Revolving Credit Facility ³⁾	EUR	1,000	1,000	-14	-14	Euribor + 2.875 %	Euribor + 2.875 %			10/27/2019

¹⁾ Euribor floor of 0.75 %.

²⁾ Libor floor of 0.75 %.

³⁾ EUR 23 m (December 31, 2014: EUR 34 m) were drawn down as at March 31, 2015, primarily in the form of letters of credit.

The following bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, were outstanding as at March 31, 2015:

Bonds issued by the Schaeffler Group

ISIN	Currency	03/31/2015		12/31/2014		03/31/2015		12/31/2014		Maturity
		Face value in millions	Carrying amount in € millions	Coupon						
XS0741938624 ¹⁾	EUR	800	800	800	791	7.75 %				02/15/2017
US806261AC75 ¹⁾	USD	600	600	557	489	7.75 %				02/15/2017
XS0923613060	EUR	600	600	597	596	4.25 %				05/15/2018
XS1067864881	EUR	500	500	496	496	3.25 %				05/15/2019
XS1067862919	EUR	500	500	496	496	2.75 %				05/15/2019
US806261AJ29	USD	700	700	645	571	4.25 %				05/15/2021
US806261AE32	USD	850	850	786	696	4.75 %				05/15/2021
XS1067864022	EUR	500	500	499	499	3.50 %				05/15/2022

¹⁾ Bond was redeemed early on April 27, 2015.

Liquidity

At March 31, 2015, cash and cash equivalents amounted to EUR 609 m (December 31, 2014: EUR 636 m) and consisted primarily of bank balances. In addition, the Schaeffler Group has a revolving line of credit of EUR 1.0 bn, of which EUR 23 m were utilized at March 31, 2015, primarily in the form of letters of credit.

2. Supplementary report

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

The Schaeffler Group issued a total of three series of bonds and received the proceeds of these issues on April 13, 2015. The placement comprised two secured EUR and one secured USD bond issues. The first EUR bond, which has a principal of EUR 400 m, bears interest at 2.50 % and carries a term of five years. The second EUR bond, with a principal of EUR 600 m and a term of ten years, bears interest at 3.25 %. The USD bond with a principal of USD 600 m has a term of eight years and bears interest at 4.75 %. When it announced the new bond issues, the Schaeffler Group also announced that it would redeem two outstanding bond issues denominated in EUR and USD.

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

The proceeds of the new bond issues were largely used to redeem the two outstanding series of bonds. The company redeemed the EUR 800 m EUR bond and the USD 600 m USD bond, both bearing interest at 7.75 % and due in February 2017. The bonds were redeemed on April 27, 2015. The transaction proceeds were also used to finance the related transaction costs, primarily the prepayment penalty for the bonds redeemed.

On April 14, 2015, the Schaeffler AG annual general meeting declared a dividend of EUR 250 m in respect of 2014. The dividend was paid to the shareholder, Schaeffler Verwaltung Zwei GmbH, on April 15, 2015.

No other material events expected to have a significant impact on the net assets, financial position, and results of operations of the Schaeffler Group occurred after March 31, 2015.

3. Report on opportunities and risks

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

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

Certain Schaeffler Group companies are still subject to ongoing antitrust investigations in Korea and Brazil. The Schaeffler Group is cooperating with the investigating authorities. The Korean antitrust authorities have imposed an antitrust penalty of EUR 5 m against Schaeffler Korea in April 2015. The imposition of further penalties cannot be ruled out. The Brazilian authorities, as well, may impose a penalty in the near future.

In addition, third parties have claimed damages as a result of antitrust proceedings. The Schaeffler Group has recognized provisions with respect to these matters to the extent any obligations can be estimated reliably.

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

4. Report on expected developments

Expected economic environment

In the April 2015 issue of its World Economic Outlook, the International Monetary Fund (IMF) expects the global economy to grow by 3.5 % this year. This forecast is unchanged from the IWF's January forecast. In its March 2015 economic forecast, the German Council of Economic Experts⁷ confirms the expectation contained in its annual forecast 2014/2015 that global gross domestic product will grow by 2.9 % in real terms in 2015. Based on these forecasts, the Schaeffler Group continues to believe that the global economy will grow by approximately 3 % in 2015. In light of this environment, the Schaeffler Group still expects stable and profitable growth for the current year. Please refer to pages 127 et seq. of Schaeffler's annual report 2014 for a more detailed discussion.

Schaeffler Group outlook

The encouraging trend during the first three months of 2015 confirms the Schaeffler Group's guidance on the course of business in 2015. For 2015 as a whole, the company continues to expect to generate revenue growth, excluding the impact of currency translation, of between 5 and 7 % and an EBIT margin of 12 to 13 %. The Schaeffler Group's guidance regarding its capex ratio remains at 6 to 8 % of revenue. For 2015, the company continues to anticipate positive free cash flow exceeding that of the prior year.

Herzogenaurach, May 11, 2015

The Board of Managing Directors

⁷ Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung.

Consolidated interim financial statements

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1. Consolidated income statement

in € millions	1 st three months		Change in %
	2015	2014	
Revenue	3,345	2,976	12.4
Cost of sales	-2,398	-2,122	13.0
Gross profit	947	854	10.9
Research and development expenses	-182	-155	17.4
Selling expenses	-220	-190	15.8
Administrative expenses	-106	-96	10.4
Other income	16	18	-11.1
Other expenses	-21	-13	61.5
Earnings before financial result, income from equity-accounted investees, and income taxes (EBIT)	434	418	3.8
Financial income	366	27	> 100
Financial expenses	-542	-127	> 100
Financial result	-176	-100	76.0
Earnings before income taxes	258	318	-18.9
Income taxes	-89	-96	-7.3
Net income	169	222	-23.9
Attributable to shareholders of the parent company	167	220	-24.1
Attributable to non-controlling interests	2	2	0.0

2. Consolidated statement of comprehensive income

in € millions	1 st three months					
	2015			2014		
	before taxes	taxes	after taxes	before taxes	taxes	after taxes
Net income	258	-89	169	318	-96	222
Foreign currency translation differences for foreign operations	297	0	297	-3	0	-3
Net change from hedges of net investments in foreign operations	-100	28	-72	0	0	0
Effective portion of changes in fair value of cash flow hedges	-20	7	-13	-19	5	-14
Net change in fair value of available-for-sale financial assets	1	0	1	0	0	0
Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	178	35	213	-22	5	-17
Remeasurement of net defined benefit liability	-302	80	-222	-60	13	-47
Total other comprehensive income (loss) that will not be reclassified to profit or loss	-302	80	-222	-60	13	-47
Total other comprehensive income (loss)	-124	115	-9	-82	18	-64
Total comprehensive income (loss) for the period	134	26	160	236	-78	158
Total comprehensive income (loss) attributable to shareholders of the parent company	121	27	148	232	-78	154
Total comprehensive income (loss) attributable to non-controlling interests	13	-1	12	4	0	4
Total comprehensive income (loss) for the period	134	26	160	236	-78	158

3. Consolidated statement of financial position

in € millions	03/31/2015	12/31/2014	03/31/2014	Change in % ¹⁾
ASSETS				
Intangible assets	563	555	535	1.4
Property, plant and equipment	3,950	3,748	3,330	5.4
Investments in equity-accounted investees	3	4	3	-25.0
Other investments	14	14	14	0.0
Other financial assets	2,313	1,960	213	18.0
Other assets	49	58	57	-15.5
Income tax receivables	8	8	12	0.0
Deferred tax assets	591	455	242	29.9
Total non-current assets	7,491	6,802	4,406	10.1
Inventories	1,822	1,713	1,617	6.4
Trade receivables	2,282	1,900	1,965	20.1
Other financial assets	380	343	247	10.8
Other assets	204	181	150	12.7
Income tax receivables	56	42	97	33.3
Cash and cash equivalents	609	636	222	-4.2
Total current assets	5,353	4,815	4,298	11.2
Total assets	12,844	11,617	8,704	10.6
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	600	600	500	0.0
Capital reserves	1,600	1,600	0	0.0
Other reserves	-1,109	-1,276	-1,811	-13.1
Accumulated other comprehensive income (loss)	-756	-737	-558	2.6
Equity attributable to shareholders of the parent company	335	187	-1,869	79.1
Non-controlling interests	83	71	61	16.9
Total shareholders' equity	418	258	-1,808	62.0
Provisions for pensions and similar obligations	2,304	1,984	1,577	16.1
Provisions	75	70	99	7.1
Financial debt	5,433	6,413	5,727	-15.3
Income tax payables	248	237	219	4.6
Other financial liabilities	12	21	165	-42.9
Other liabilities	7	8	5	-12.5
Deferred tax liabilities	94	106	138	-11.3
Total non-current liabilities	8,173	8,839	7,930	-7.5
Provisions	265	232	207	14.2
Financial debt	1,366	1	24	> 100
Trade payables	1,284	1,261	1,042	1.8
Income tax payables	186	155	217	20.0
Other financial liabilities	760	558	369	36.2
Other liabilities	392	313	723	25.2
Total current liabilities	4,253	2,520	2,582	68.8
Total shareholders' equity and liabilities	12,844	11,617	8,704	10.6

¹⁾ March 31, 2015 compared to December 31, 2014.

4. Consolidated statement of cash flows

in € millions	1 st three months		Change in %
	2015	2014	
Operating activities			
EBIT	434	418	3.8
Interest paid	-75	-111	-32.4
Interest received	2	1	100
Income taxes paid	-85	-59	44.1
Depreciation, amortization and impairments	170	154	10.4
Gains (losses) on disposal of assets	1	0	-
Changes in:			
• Inventories	-14	-83	-83.1
• Trade receivables	-269	-293	-8.2
• Trade payables	37	50	-26.0
• Provisions for pensions and similar obligations	-6	-5	20.0
• Other assets, liabilities and provisions	-11	62	-
Cash flows from operating activities ¹⁾	184	134	37.3
Investing activities			
Proceeds from disposals of intangible assets and property, plant and equipment	1	2	-50.0
Capital expenditures on intangible assets	-7	-4	75.0
Capital expenditures on property, plant and equipment	-237	-151	57.0
Other investing activities	-1	0	-
Cash used in investing activities	-244	-153	59.5
Financing activities			
Receipts from loans	8	0	-
Repayments of loans	0	-2	-100
Other financing activities	0	-57	-100
Cash provided by (used in) financing activities	8	-59	-
Net increase (decrease) in cash and cash equivalents	-52	-78	-33.3
Effects of foreign exchange rate changes on cash and cash equivalents	25	0	-
Cash and cash equivalents as at beginning of period	636	300	> 100
Cash and cash equivalents as at end of period	609	222	> 100

¹⁾ Excluding interest payments, cash flows from operating activities for the period from January 01 to March 31, 2015 amount to EUR 259 m (prior year: EUR 245 m).

5. Consolidated statement of changes in shareholders' equity

in € millions	Share capital	Capital reserves	Other reserves	Accumulated other comprehensive income (loss)				Subtotal	Non-controlling interests	Total
				Translation reserve	Hedging reserve	Fair value reserve	Defined benefit plan remeasurement reserve			
Balance as at January 01, 2014	500	0	-2,031	-249	-5	0	-238	-2,023	57	-1,966
Net income		0	220					220	2	222
Other comprehensive income (loss)				-5	-14	0	-47	-66	2	-64
Total comprehensive income (loss) for the period	0	0	220	-5	-14	0	-47	154	4	158
Balance as at March 31, 2014	500	0	-1,811	-254	-19	0	-285	-1,869	61	-1,808
Balance as at January 01, 2015	600	1,600	-1,276	-109	-75	1	-554	187	71	258
Net income			167					167	2	169
Other comprehensive income (loss)		0	0	215	-13	1	-222	-19	10	-9
Total comprehensive income (loss) for the period	0	0	167	215	-13	1	-222	148	12	160
Other changes		0	0				0	0		0
Balance as at March 31, 2015	600	1,600	-1,109	106	-88	2	-776	335	83	418

6. Consolidated segment information

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

in € millions	Automotive		Industrial		Total	
	1 st three months		1 st three months		1 st three months	
	2015	2014	2015	2014	2015	2014
Revenue	2,510	2,212	835	764	3,345	2,976
Cost of sales	-1,818	-1,599	-580	-523	-2,398	-2,122
Gross profit	692	613	255	241	947	854
EBIT	342	326	92	92	434	418
• in % of revenue	13.6	14.7	11.0	12.0	13.0	14.0
Depreciation, amortization and impairments	-123	-108	-47	-46	-170	-154
Inventories ¹⁾	1,084	934	738	683	1,822	1,617
Trade receivables ¹⁾	1,707	1,444	575	521	2,282	1,965
Property, plant and equipment ¹⁾	2,938	2,367	1,012	963	3,950	3,330
Additions to intangible assets and property, plant and equipment	162	93	25	34	187	127

Prior year information based on 2015 segment structure.

¹⁾ Amounts as at March 31.

7. Condensed notes to the consolidated financial statements

Reporting entity

Schaeffler AG, Herzogenaurach, is a corporation domiciled in Germany with its registered office located at Industriestrasse 1-3, 91074 Herzogenaurach. The company was founded on April 19, 1982 and is registered in the Commercial Register of the Fürth Local Court (HRB No. 14738). The condensed consolidated financial statements of Schaeffler AG as at March 31, 2015 comprise Schaeffler AG and its subsidiaries, investments in associated companies, and joint ventures (together referred to as “Schaeffler” or “Schaeffler Group”). The Schaeffler Group is a leading integrated global supplier to the automotive and industrial sectors.

Basis of preparation of consolidated interim financial statements

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

The consolidated interim financial statements of Schaeffler AG, Herzogenaurach, for the reporting period ended March 31, 2015 have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”. They do not include all information necessary for a complete set of consolidated financial statements.

The accounting policies used in these consolidated interim financial statements are largely based on the accounting policies used in the 2014 consolidated financial statements, where the latter are discussed in detail. Except for the two instances described below, these accounting policies have been applied consistently in these consolidated interim financial statements.

Purchasing and quality assurance expenses were included in research and development expenses, selling expenses, and administrative expenses in the consolidated income statement in the past. They are reported as cost of sales in their entirety beginning in 2015. During the period, the company also changed its method of determining intercompany profits and losses to be eliminated upon consolidation. Neither of these changes has had a significant impact on the consolidated interim financial statements as at March 31, 2015.

In the preparation of financial statements in accordance with IFRS, management exercises judgment in making estimates and assumptions. Such estimates and judgments are unchanged from the matters described in the consolidated financial statements of the Schaeffler Group as at and for the year ended December 31, 2014. The only change relates to the assumptions regarding the discount rate used to measure the company's pension obligations. These assumptions were adjusted to reflect current market trends. The adjustment has led to an increase in pension obligations and a reduction in shareholders' equity. Please refer to "Provisions for pensions and similar obligations" below for more detailed information.

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

Income taxes were determined based on best estimate.

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

Scope of consolidation

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

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

In the consolidated interim financial statements as at March 31, 2015, five investments (including two joint ventures) are accounted for at equity.

Provisions for pensions and similar obligations

A further decline in interest rate levels required another reduction in the discount rate used to value the Schaeffler Group's key pension plans as at March 31, 2015. As a result, the Schaeffler Group's average discount rate was reduced to 1.8 % as at the reporting date (December 31, 2014: 2.5 %). The resulting remeasurement of the company's obligations under defined benefit pension plans resulted in actuarial losses of EUR 302 m as at March 31, 2015, which were recognized in the consolidated statement of comprehensive income and are reported under accumulated other comprehensive income net of deferred taxes.

Current and non-current financial debt

Financial debt (current/non-current)

in € millions	03/31/2015			12/31/2014		
	Total	Due in up to 1 year	Due in more than 1 year	Total	Due in up to 1 year	Due in more than 1 year
Bank and institutional loans	1,918	9	1,909	1,775	1	1,774
Bonds	4,876	1,357	3,519	4,634	0	4,634
Other financial debt	5	0	5	5	0	5
Financial debt	6,799	1,366	5,433	6,414	1	6,413

Total financial debt rose by EUR 385 m compared to December 31, 2014 largely due to the impact of currency translation.

The increase in current financial debt is due to the redemption of two bond issues on April 27, 2015 as part of a further refinancing transaction announced on March 26, 2015.

Other financial liabilities include a prepayment penalty of EUR 173 m related to this planned redemption of two outstanding EUR and USD bond issues.

Financial instruments

The carrying amounts and fair values of financial instruments by class of the consolidated statement of financial position and by category per IFRS 7.8 are summarized below. No financial instruments were reclassified between categories.

Financial instruments by class and category in accordance with IFRS 7.8

in € millions	Category per IFRS 7.8	Level per IFRS 13	03/31/2015		12/31/2014		03/31/2014	
			Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets, by class								
Trade receivables	LaR		2,282	2,282	1,900	1,900	1,965	1,965
Other investments ¹⁾	AfS		14	-	14	-	14	-
Other financial assets								
• Marketable securities	AfS	1	15	15	12	12	9	9
• Derivatives designated as hedging instruments	n.a.	2	66	66	24	24	32	32
• Derivatives not designated as hedging instruments	HfT	2	584	584	245	245	214	214
• Miscellaneous financial assets	LaR	2 ²⁾	2,028	2,608	2,022	2,036	205	205
Cash and cash equivalents	LaR		609	609	636	636	222	222
Financial liabilities, by class								
Financial debt								
Trade payables	FLAC	2	6,799	7,332	6,414	6,846	5,751	6,399
Other financial liabilities								
• Derivatives designated as hedging instruments	n.a.	2	92	92	64	64	112	112
• Derivatives not designated as hedging instruments	HfT	2	56	56	23	23	59	59
• Miscellaneous financial liabilities	FLAC		624	624	492	492	363	363
Summary by category								
Available-for-sale financial assets (AfS)			29	-	23	-	23	-
Financial assets held for trading (HfT)			584	-	207	-	214	-
Loans and receivables (LaR)			4,919	-	2,044	-	2,392	-
Financial liabilities at amortized cost (FLAC)			8,707	-	7,618	-	7,156	-
Financial liabilities held for trading (HfT)			56	-	63	-	59	-

¹⁾ Investments accounted for at cost.

²⁾ Level shown based on long-term loan receivable of EUR 1,700 m.

Other investments include investments (shares in incorporated companies and cooperatives) for which quoted prices in an active market are not available. As a result, the fair value of these instruments cannot be measured reliably. These investments are therefore accounted for at cost. No partial disposals of such investments occurred during the first quarter of 2015, and no (partial) disposals are planned for the foreseeable future.

The company reviews its financial instruments at the end of each reporting period for any required transfers between levels in accordance with IFRS 13. No such transfers were made between the various levels of the fair value hierarchy (Level 1-3) during the period.

Please refer to the Schaeffler Group's annual report 2014 for further detail.

Contingent liabilities and other financial obligations

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

At March 31, 2015, the Schaeffler Group had open commitments under fixed contracts to purchase property, plant and equipment of EUR 338 m (December 31, 2014: EUR 262 m).

Segment reporting

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

Reconciliation to earnings before income taxes

	1 st three months	
in € millions	2015	2014
EBIT Automotive ¹⁾	342	326
EBIT Industrial ¹⁾	92	92
EBIT	434	418
Financial result	-176	-100
Earnings before income taxes	258	318

¹⁾ Prior year information presented based on 2015 segment structure.

Related parties

Transactions with related entities during the period from January 01 to March 31, 2015 were as follows:

Receivables and payables from transaction with related entities

in € millions	Receivables		Payables	
	03/31/2015	12/31/2014	03/31/2015	12/31/2014
Related entities	1,988	1,990	9	21

Income and expenses from transaction with related entities

in € millions	Expenses		Income	
	2015	2014	2015	2014
Related entities (01/01-03/31)	18	32	44	26

As transactions with significant subsidiaries have been eliminated upon consolidation, they are not discussed any further. Transactions with associated companies and joint ventures were insignificant in the first quarter of 2015.

Herzogenaurach, May 11, 2015

The Board of Managing Directors

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Imprint

Published by:
Schaeffler AG
Industriestr. 1-3
91074 Herzogenaurach

Responsible for content:
Corporate Accounting, Schaeffler AG, Herzogenaurach

Design and layout:
Publicis Pixelpark, Erlangen

Printed by:
Wünsch Druck GmbH, Neumarkt

Printed on FSC-certified paper. By using FSC paper we are actively supporting the preservation of our forests, promoting plant and wildlife protection, and are taking a stand against the exploitation of human beings in the forestry industry.



May 2015

Forward-looking statements

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

Rounding differences may occur.

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

Both language versions of the interim report can be downloaded from the internet at [www.schaeffler-group.com/Investor Relations/Publications/Reports](http://www.schaeffler-group.com/Investor%20Relations/Publications/Reports).

Summary 1st quarter 2014 to 1st quarter 2015

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

¹⁾ Attributable to shareholders of the parent company.

²⁾ Including non-controlling interests.

³⁾ EBITDA based on the last twelve months.

⁴⁾ Capital expenditures on intangible assets and property, plant and equipment.

Financial calendar 2015

May 21, 2015

Results for the first three months 2015

August 20, 2015

Results for the first six months 2015

November 19, 2015

Results for the first nine months 2015

Combined interim
management report

Consolidated interim
financial statements

Additional information



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You can also download all documents from this site.

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