SCHAEFFLER

9M Mobility for tomorrow

Interim Financial Report as at September 30, 2016

Technological Expertise and Systems Know-how

Schaeffler Group at a glance

Key figures

Income statement (in € millions)	1st nine months 2016	1st nine months 2015		Change
Revenue	9,977	9,958	0.2	%
• at constant currency			2.7	%
EBIT	1,276	1,251	2.0	%
• in % of revenue	12.8	12.6	0.2	%-pts.
EBIT before special items [1]	1,276	1,258	1.4	%
• in % of revenue	12.8	12.6	0.2	%-pts.
Net income [2]	672	521	29.0	%
Earnings per common non-voting share (basic/diluted, in €) [3]	1.02	1.31	-22.1	%

Statement of financial position (in € millions)	09/30/2016	12/31/2015		Change
Total assets	12,862	12,480	3.1	%
Shareholders' equity [4]	1,554	1,568	-14	€ millions
• in % of total assets	12.1	12.6	-0.5	%-pts.
Net financial debt	2,876	4,889	-41.2	%
• Net financial debt to EBITDA ratio before special items [1) 5)]	1.2	2.1		

Statement of cash flows (in € millions)	1st nine months 2016	1st nine months 2015		Change
EBITDA	1,817	1,765	2.9	%
• in % of revenue	18.2	17.7	0.5	%-pts.
EBITDA before special items [1]	1,817	1,772	2.5	%
• in % of revenue	18.2	17.8	0.4	%-pts.
Cash flows from operating activities	1,305	912	393	€ millions
Capital expenditures (capex) [6]	829	743	86	€ millions
• in % of revenue (capex ratio)	8.3	7.5	0.8	%-pts.
Free cash flow	479	192	287	€ millions

Value added	1st nine months 2016	1st nine months 2015		Change
ROCE before special items (in %) [1) 5)]	21.9	21.9	0.0	%-pts.
Schaeffler Value Added before special items (in € millions) [1) 5)]	920	870	5.7	%
Employees	**09/30/2016**	**09/30/2015**		Change
Headcount	86,029	84,414	1.9	%

1) EBIT, debt to EBITDA ratio, EBITDA. ROCE, and Schaeffler Value Added before special items for legal cases and restructuring.
2) Attributable to shareholders of the parent company.
3) Earnings per share were calculated in accordance with IAS 33, see page 13.
4) Including non-controlling interests.
5) EBIT/EBITDA based on the last twelve months.
6) Capital expenditures on intangible assets and property, plant and equipment.

Automotive (in € millions)	1st nine months 2016	1st nine months 2015		Change
Revenue	7,703	7,511	2.6	%
• at constant currency			5.3	%
EBIT	1,103	1,007	9.5	%
• in % of revenue	14.3	13.4	0.9	%-pts.
EBIT before special items [1]	1,103	1,014	8.8	%
• in % of revenue	14.3	13.5	0.8	%-pts.

Industrie (in € millions)	1st nine months 2016	1st nine months 2015		Change
Revenue	2,274	2,447	-7.1	%
• at constant currency			-5.3	%
EBIT	173	244	-29.1	%
• in % of revenue	7.6	10.0	-2.4	%-pts.
EBIT before special items [1]	173	244	-29.1	%
• in % of revenue	7.6	10.0	-2.4	%-pts.

Prior year information presented based on 2016 segment structure.
1) EBIT before special items for legal cases and restructuring.

Highlights 9M 2016

Revenue at prior year level

Revenue at EUR **10.0** bn
(up 2.7 % at constant currency)

Profitability improved

EBIT margin at **12.8** %
(prior year: 12.6 %)

Net income up significantly from prior year

Net income at EUR **672** m
(prior year: EUR 521 m)

Free cash flow raised considerably

Free cash flow at EUR **479** m
(prior year: EUR 192 m)

Contents

Schaeffler on the capital markets

Recent events – third quarter

Schaeffler AG advances to STOXX Europe 600
Following its quarterly review of its European indexes, STOXX Ltd., a subsidiary of Deutsche Börse AG, decided on August 23, 2016 to include Schaeffler AG in its STOXX Europe 600 index effective as at the close of trading on September 16, 2016. As a result, Schaeffler AG has also become part of the European STOXX Europe 600 Automobiles & Parts sector index.

Investment grade rating obtained
On September 07, 2016, rating agency Moody's upgraded Schaeffler AG's company rating to Baa3 (investment grade). The rating upgrade reflects the refinancing transaction of IHO Holding, a group of holding companies indirectly owned by the Schaeffler family, also announced on that date. As part of the successful refinancing transaction at the IHO Holding level, Schaeffler AG received approximately EUR 1.7 bn when its loan receivable was prepaid in full.

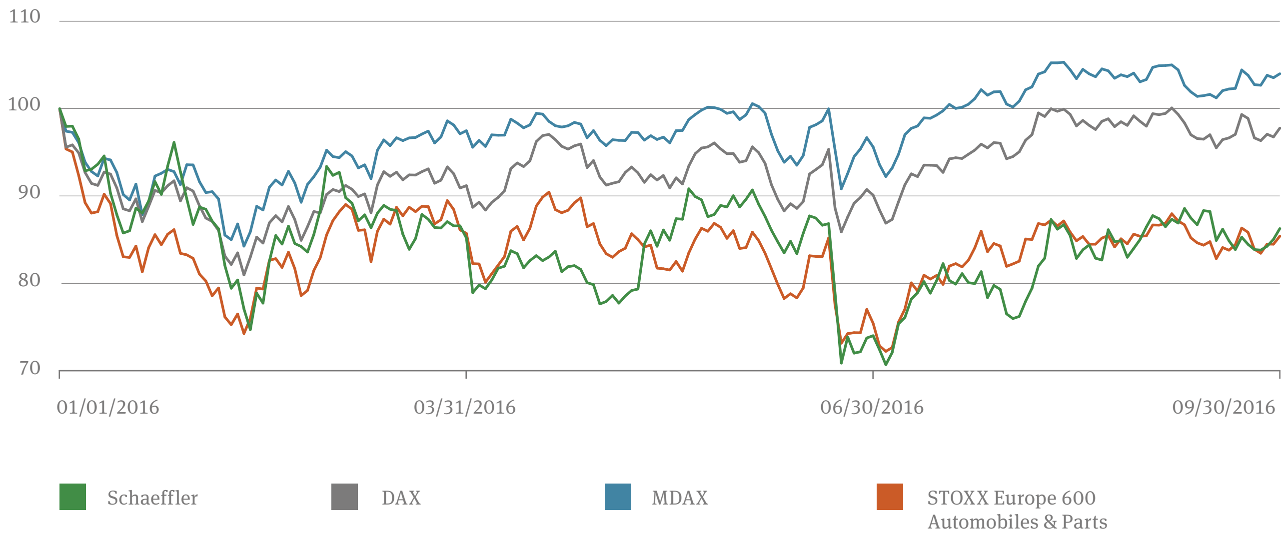
Capital structure improved further
On October 07, 2016, Schaeffler AG fully redeemed the USD bonds with a principal of USD 850 m, a coupon of 4.75 %, and an original maturity of 2021. On October 13, 2016, the company fully redeemed two EUR bond series with a principal of EUR 500 m each, a coupon of 3.25 % and 2.75 %, respectively, and an original maturity of 2019. The redemption was largely funded using the proceeds of the repayment of the loan receivable from IHO Holding referred to above.

Schaeffler shares

International capital market trends were characterized by volatile prices during the first nine months of 2016. The turmoil in the Middle East, and even more so the economic weakness in Asia and the resulting crisis in the international commodity markets led to high volatility. The referendum in the United Kingdom and the planned exit from the European Union also contributed to the turbulence in the capital markets. However, economic data, particularly from Germany and the U.S., that were better than had been expected, had a calming effect on prices. The DAX dropped by a total of 2.2 % during the first nine months of 2016, closing the third quarter of 2016 up 8.6 % from the second quarter of 2016.

Schaeffler share price

in percent (12/31/2015 = 100)



Schaeffler share performance (ISIN: DE000SHA0159)

	1st nine months	
	2016	Change in %
Schaeffler share (Xetra price in €)	14.08	-13.4
DAX	10,511	-2.2
MDAX	21,584	3.9
STOXX Europe 600 Automobiles & Parts	485	-14.2

	1st nine months	
Average number of shares	2016	2015
• Common shares	500,000,000	500,000,000
• Common non-voting shares	166,000,000	100,000,000
Earnings per share [1] (in €)		
• Common shares	1.01	0.78
• Common non-voting shares	1.02	1.31

[1] Earnings per share were calculated in accordance with IAS 33.

On September 30, 2016, the common non-voting shares of Schaeffler AG were quoted at EUR 14.08, approximately 18.8 % higher than on June 30, 2016. Thus, Schaeffler's shares outperformed the STOXX Europe 600 Automobiles & Parts as well as the DAX and MDAX (+14.3 %/ +8.6 % / +8.8 % compared to June 30, 2016) during the third quarter of 2016. The share price reached its high for the third quarter of 2016 on September 09 (EUR 14.45) and its low on July 06 (EUR 11.62).

Schaeffler bonds and ratings

The Schaeffler Group had eight series of bonds outstanding at the end of September 2016, five of them denominated in EUR and three in USD. One of the USD bond series and two EUR bond series were redeemed in October 2016. All of the bonds were issued by Schaeffler Finance B.V., Barneveld, Netherlands. Please refer to pages 21 et seq. for further detail on the company's bonds.

The premium for Schaeffler AG 5-year credit default swaps decreased from 208 basis points at June 30, 2016 to 127 basis points as at September 30, 2016.

On September 07, 2016, rating agency Moody's upgraded Schaeffler AG's company rating to Baa3 (investment grade) with a stable outlook. At the same time, Moody's upgraded the issuance ratings of Schaeffler Finance B.V., Barneveld, Netherlands, from Ba2 to Baa3 for the secured bonds and from Ba3 to Baa3 for the unsecured bond series.

Rating agency Standard & Poor's upgraded the Schaeffler AG company rating to BB+ with a stable outlook on September 21, 2016. At the same time, the issuance ratings of Schaeffler Finance B.V., Barneveld, Netherlands, improved from BB to BB+ for the secured bonds and from B+ to BB- for the unsecured bond series.

Schaeffler Group ratings

	Company		Bonds secured	Bond unsecured [1]
Rating agency	Rating	Outlook	Rating	Rating
Standard & Poor's	BB+	stable	BB+	BB-
Moody's	Baa3	stable	Baa3	Baa3

[1] The rating of the unsecured bond has been withdrawn since the unsecured bonds were redeemed in full on October 13, 2016.

Group interim management report

Impact of currency translation/constant currency

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

Special items

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

1. Report on the economic position

1.1 Economic environment

The global economy continued to grow at a moderate pace in the first nine months of 2016. Overall growth in the U.S. was weak during the reporting period. The recovery in the Euro region persisted although the momentum temporarily slowed somewhat in the second quarter. The Euro region economic trend remained largely unaffected by the outcome of the referendum in the United Kingdom in favor of leaving the European Union. In the United Kingdom itself, the economy proved more robust than expected following the referendum. Buoyed by government intervention, growth in China stabilized in line with the government's annual target during the reporting period.

Compared to the prior year, global gross domestic product[1] grew by 2.9 % during the reporting period (Oxford Economics, October 2016). Europe region[2] gross domestic product increased by 2.9 %, as well. The economy in the Americas region[2] stagnated, generating a growth rate of 0.4 %, while the Greater China region[2] expanded by 6.2 %. Asia/Pacific region[2] gross domestic product was up 2.8 %.

In the currency markets, the Euro rose against the U.S. Dollar and the Chinese Renminbi compared to year-end, closing at USD 1.12 and CNY 7.45, respectively, on September 30, 2016 (December 31, 2015: USD 1.09 and CNY 7.06, respectively; September 30, 2015: USD 1.12 and CNY 7.12, respectively). Please refer to page 35 for additional key exchange rates.

Global automobile production, measured as the number of vehicles up to six tons in weight produced, increased by 3.4 % during the reporting period (IHS, October 2016). Automobile production in the Europe region for the reporting period was up by 4.2 %. Certain countries (including the United Kingdom and Italy) generated double-digit growth rates, while Germany reported weak overall growth. Automobile production in the Americas region fell 0.3 % behind the prior year level during the reporting period, as a slight increase in the U.S. and considerable growth in Canada were offset by a significant contraction in Brazil. Having had a very strong third quarter, automobile production in the Greater China region increased considerably by 10.8 % during the reporting period. In the Asia/Pacific region, automobile production fell by 2.7 % during the reporting period, with declines reported in Japan as well as in South Korea.

Preliminary information shows that global industrial production experienced only little growth during the first nine months of 2016 (Oxford Economics, September 2016, based on constant prices and exchange rates). The economic environment of the Industrial division has deteriorated over the course of 2016, lagging slightly behind expectations for the reporting period. Industrial production in the Europe region rose slightly. Production in the Americas region decreased below the level of the prior year period, with both the U.S. and particularly Brazil reporting declines. Although the Greater China region's industrial production was up significantly, the increase fell short of the trend expected as recently as this spring. The Asia/Pacific region as a whole experienced a slight decline due to a contraction in Japan.

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[1] For gross domestic product and industrial production, quarterly data are available only for selected, representative countries and their aggregates. Furthermore, only preliminary projections are available for all indicators mentioned for the first nine months of 2016, including automobile production.
[2] Schaeffler Group region.

1.2 Course of business

Results of operations for the first nine months of 2016

The Schaeffler Group's **revenue** for the first nine months of 2016 amounted to EUR 9,977 m (0.2 %; prior year: EUR 9,958 m). Numerous currencies weakening against the Euro had an unfavorable impact on the company's revenue trend during the first nine months. Excluding the impact of currency translation, revenue rose by 2.7 %. The Automotive division contributed revenue growth of 5.3 % excluding the impact of currency translation. The Industrial division, on the other hand, reported a decline in revenue of 5.3 % for the first nine months of 2016, excluding the impact of currency translation.

The Schaeffler Group's **EBIT** increased by EUR 25 m or 2.0 % to EUR 1,276 m (prior year: EUR 1,251 m) during the reporting period. The prior year included the unfavorable earnings impact of special items related to legal cases in the amount of EUR 7 m. Prior year EBIT adjusted for special items was EUR 1,258 m. Consequently, Schaeffler's EBIT margin before special items improved by 0.2 percentage points to 12.8 % (prior year: 12.6 %), due, in particular, to a volume- and mix-based increase in the Automotive division's margin to 14.3 % (prior year: 13.5 %). The Industrial division's EBIT margin, however, declined to 7.6 % (prior year: 10.0 %).

Free cash flow for the first nine months of 2016 amounted to EUR 479 m, EUR 287 m higher than the prior year amount of EUR 192 m. The increase was driven by cash flows from operating activities, which rose from EUR 912 m to EUR 1,305 m, mainly due to lower interest payments during the current year. Capital expenditures (capex) rose from EUR 743 m to EUR 829 m during the first nine months of 2016.

ROCE before special items of 21.9 % was flat with prior year (prior year: 21.9 %). An improvement in EBIT before special items for the last twelve months offset the increase in average capital employed.

Major events during the first nine months of 2016

First quarter 2016

At its meeting on March 11, 2016, Schaeffler AG's Supervisory Board appointed Matthias Zink, Global Head of the Transmission Systems business division, to the Board of Managing Directors of Schaeffler AG effective January 01, 2017. Matthias Zink will succeed Norbert Indlekofer, whose contract was not extended at his own request. Norbert Indlekofer will leave the company as at December 31, 2016 and will continue to perform his role as Co-CEO of the Automotive division until that time. The Supervisory Board also decided to extend the contract of Prof. Dr.-Ing. Peter Pleus, also Co-CEO of the Automotive division, by a further two years until December 31, 2018.

Second quarter 2016

On April 05, 2016, IHO Beteiligungs GmbH (until September 28, 2016: Schaeffler Verwaltungs GmbH) sold its remaining holding of common non-voting Schaeffler AG shares, a total of 94.4 million shares. As a result, all of Schaeffler AG's common non-voting bearer shares are now widely held. The placement of these shares has increased the free float from approximately 10.8 % to approximately 24.9 % of Schaeffler AG's total common and common non-voting share capital.

Schaeffler AG's annual general meeting held on April 22, 2016 passed a resolution to pay a dividend of EUR 0.34 per common share and EUR 0.35 per common non-voting share to Schaeffler AG's shareholders for 2015. In addition, the company paid a special dividend for 2015 as previously suggested in connection with the listing. The special dividend amounted to EUR 0.15 per common share and common non-voting share.

Rating agency Standard & Poor's upgraded the Schaeffler AG company rating to BB with a stable outlook on April 28, 2016. The rating for the secured bonds was raised to BB and the rating for the unsecured bonds to B+ at the same time.

Following a review of its mid-cap index, Deutsche Börse decided on June 03, 2016 to include Schaeffler AG in its MDAX index effective June 20, 2016. Schaeffler AG's common non-voting shares were listed on the Frankfurt Stock Exchange on October 09, 2015 and were added to the SDAX last December.

Third quarter 2016

Schaeffler AG signed a new loan agreement on July 18, 2016. The funds were used to repay the previous loan agreement including the two remaining institutional term loans totaling approximately EUR 417 m and to fully redeem EUR bonds totaling EUR 600 m, bearing interest at 4.25 %, and originally due in May 2018. The new loan agreement consists of a EUR 1.0 bn term loan and a EUR 1.3 bn revolving credit facility. Both facilities have a five year maturity plus certain renewal options and are provided by a consortium of 15 international banks. In response, rating agency Moody's upgraded the unsecured bond rating to Ba3 on July 20, 2016.

Following its quarterly review of its European indexes, STOXX Ltd., a subsidiary of Deutsche Börse AG, decided on August 23, 2016 to include Schaeffler AG in its STOXX Europe 600 index effective as at the close of trading on September 16, 2016. As a result, Schaeffler AG has also become part of the European STOXX Europe 600 Automobiles & Parts sector index.

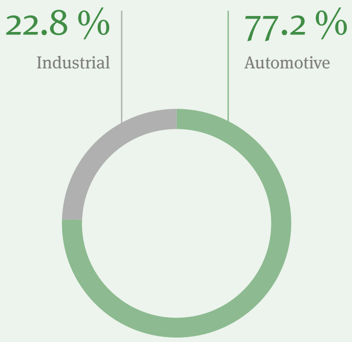
On September 07, 2016, rating agency Moody's upgraded Schaeffler AG's company rating to Baa3 (investment grade). At the same time, Moody's upgraded the issuance ratings of Schaeffler Finance B.V., Barneveld, Netherlands, from Ba2 to Baa3 for secured bonds and from Ba3 to Baa3 for the unsecured bond series. The rating upgrade reflects the refinancing transaction of IHO Holding, a group of holding companies indirectly owned by the Schaeffler family, also announced on that date. As part of the successful refinancing transaction at the IHO Holding level, Schaeffler AG received approximately EUR 1.7 bn when its loan receivable was prepaid in full. The Schaeffler Group has announced that it plans to use these funds to redeem one USD-denominated bond series and two EUR-denominated bond series in October 2016.

Rating agency Standard & Poor's upgraded the Schaeffler AG company rating to BB+ with a stable outlook on September 21, 2016. At the same time, the issuance ratings of Schaeffler Finance B.V., Barneveld, Netherlands, improved from BB to BB+ for the secured bonds and from B+ to BB- for the unsecured bond series.

1.3 Earnings

Schaeffler Group earnings

Revenue EUR 9,977 m



EBIT EUR 1,276 m

Revenue increased slightly at constant currency – up 2.7 % // Revenue growth driven by higher volumes in Automotive – Industrial revenue declines // High earnings quality – EBIT margin 12.8 % // Increasing R&D expenses – stepped-up activities to create new technologies and innovations, including for electric mobility

Schaeffler Group earnings No. 001

in € millions	1st nine months 2016	1st nine months 2015	Change in %	3rd quarter 2016	3rd quarter 2015	Change in %
Revenue	**9,977**	**9,958**	**0.2**	**3,265**	**3,237**	**0.9**
• at constant currency			2.7			2.3
Revenue by division						
Automotive	7,703	7,511	2.6	2,524	2,442	3.4
• Share of revenue in %	77.2	75.4		77.3	75.4	
Industrial	2,274	2,447	-7.1	741	795	-6.8
• Share of revenue in %	22.8	24.6		22.7	24.6	
Revenue by region 1)						
Europe	5,402	5,374	0.5	1,723	1,747	-1.4
• Share of revenue in %	54.2	54.0		52.8	54.0	
Americas	2,117	2,229	-5.0	700	730	-4.1
• Share of revenue in %	21.2	22.4		21.4	22.6	
Greater China	1,430	1,356	5.5	491	425	15.5
• Share of revenue in %	14.3	13.6		15.0	13.1	
Asia/Pacific	1,028	999	2.9	351	335	4.8
• Share of revenue in %	10.3	10.0		10.8	10.3	
Cost of sales	-7,125	-7,153	-0.4	-2,333	-2,316	0.7
Gross profit	2,852	2,805	1.7	932	921	1.2
Functional expenses 2)	-1,565	-1,507	3.8	-519	-488	6.4
Earnings before financial result and income taxes (EBIT)	**1,276**	**1,251**	**2.0**	**417**	**433**	**-3.7**
• in % of revenue	12.8	12.6	-	12.8	13.4	-
EBIT before special items 3)	**1,276**	**1,258**	**1.4**	**417**	**433**	**-3.7**
• in % of revenue	12.8	12.6	-	12.8	13.4	-
Financial result	-320	-462	-30.7	-167	-125	33.6
Income taxes	-275	-256	7.4	-69	-91	-24.2
Net income 4)	672	521	29.0	178	212	-16.0
Earnings per common non-voting share (basic/diluted, in €)	1.02	1.31	-22.1	0.27	0.53	-49.1

1) Based on market (customer location).
2) Research and development, selling and administration.
3) EBIT before special items for legal cases and restructuring.
4) Attributable to shareholders of the parent company.

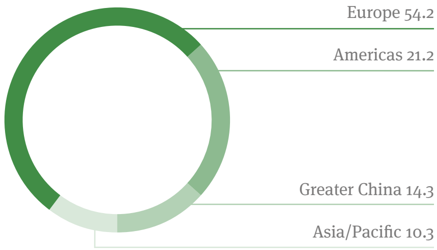
Revenue

EUR 10.0 bn

The Schaeffler Group generated EUR 9,977 m in revenue for the first nine months of 2016 (+0.2 %; prior year: EUR 9,958 m). Excluding the impact of currency translation, revenue grew by 2.7 %. The Automotive division contributed revenue growth of 5.3 % excluding the impact of translation, exceeding global growth in the production of passenger cars and light commercial vehicles of 3.4 %. The Industrial division, on the other hand, reported a decline in revenue of 5.3 % excluding the impact of translation.

Schaeffler Group revenue by region No. 002

in percent by market view



Revenue in Schaeffler's Europe region was up by 0.5 % (+1.7 % at constant currency), with the added revenue in the Automotive division more than offsetting a slight decline in Industrial division revenue. The Americas region reported a drop in revenue of 5.0 % (-0.4 % at constant currency), including, in particular, the adverse impact of currency translation. Lower Industrial revenue, especially in the U.S., also held back revenue. The revenue trend in the Greater China and Asia/Pacific regions remained positive. These regions' revenue increased by a total of 5.5 % (+10.5 % at constant currency) and 2.9 % (+4.4 % at constant currency), respectively, despite the adverse impact of currency translation and a significant decline in the Industrial division.

Cost of sales decreased by 0.4 % to EUR 7,125 m (prior year: EUR 7,153 m) in the first nine months of 2016. Gross profit improved by a total of EUR 47 m or 1.7 % to EUR 2,852 m (prior year: EUR 2,805 m). The company's gross margin of 28.6 % was slightly ahead of the prior year period (prior year: 28.2 %), with Automotive division gross margin increasing to 28.5 % (prior year: 27.5 %), while the Industrial division's gross margin fell 1.6 percentage points to 28.8 % (prior year: 30.4 %).

Research and development expenses increased significantly by 11.0 % to EUR 566 m (prior year: EUR 510 m) or 5.7 % (prior year: 5.1 %) of revenue during the reporting period. Besides inflation-related cost increases, the increase is primarily attributable to a focused expansion of the headcount in product and systems development in the Automotive division, as a result of, among other things, stepped-up activities in the area of electric mobility.

Selling and administrative expenses of EUR 999 m were in line with prior year (prior year: EUR 997 m). Total functional costs rose by 3.8 % to EUR 1,565 m (prior year: EUR 1,507 m), growing to 15.7 % of revenue (prior year: 15.1 %).

EBIT margin

12.8 %

EBIT increased by EUR 25 m or 2.0 % to EUR 1,276 m (prior year: EUR 1,251 m) during the reporting period. The Schaeffler Group's EBIT margin was 12.8 % (prior year 12.6 %). The prior year included the unfavorable earnings impact of a provision for legal cases in the amount of EUR 7 m. Excluding this special item, the company's prior year EBIT amounted to EUR 1,258 m and its prior year EBIT margin to 12.6 %. The EBIT margin improved by 0.2 percentage points to 12.8 % on that basis. The increase in EBIT margin was mainly attributable to higher gross profit in the Automotive division. The decrease in the Industrial division's gross margin had an offsetting effect. Increased research and development expenses also held back earnings.

The Schaeffler Group's financial result improved by EUR 142 m to EUR -320 m (prior year: EUR -462 m) in the first nine months of 2016, and includes EUR 158 m (prior year: EUR 194 m) in one-time charges incurred in connection with refinancing transactions in 2016.

Schaeffler Group financial result No. 003

	1st nine months	
in € millions	**2016**	**2015**
Interest expense on financial debt 1)	-252	-442
Interest income on shareholder loans	49	52
Foreign exchange gains and losses	18	-170
Fair value changes and compensation payments on derivatives	-60	182
Fair value changes on embedded derivatives	-47	-53
Interest income and expense on pensions and partial retirement obligations	-34	-32
Other	6	1
Total	**-320**	**-462**

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

Interest expense on financial debt amounted to EUR 252 m in the first nine months of 2016 (prior year: EUR 442 m) and includes EUR 48 m in prepayment penalties and EUR 31 m in deferred transaction costs derecognized. Please refer to the "Financial debt" chapter for further detail. The prior year amount included a prepayment penalty of EUR 173 m and EUR 21 m in deferred transaction costs derecognized in connection with the early redemption of bonds.

Interest income on loans to shareholders was EUR 49 m (prior year: EUR 52 m).

Net foreign exchange gains on financial assets and liabilities amounted to EUR 18 m (prior year: losses of EUR 170 m) and resulted primarily from translating financing instruments denominated in U.S. Dollar to Euro. The company has hedged these instruments using cross-currency derivatives and reports the resulting losses of EUR 60 m (prior year: gains of EUR 182 m) under "Fair value changes and compensation payments on derivatives". The losses largely relate to the early termination of cross-currency derivatives.

Changes in the fair value of embedded derivatives, primarily prepayment options for external financing instruments, resulted in net losses of EUR 47 m (prior year: EUR 53 m), including EUR 79 m in losses related to prepayment options written off in connection with the refinancing transactions in 2016, partially offset by EUR 32 m in gains resulting from changes in the fair value of the remaining prepayment options.

Income tax expense amounted to EUR 275 m in the first nine months of 2016 (prior year: EUR 256 m), representing an effective tax rate of 28.8 % (prior year: 32.4 %). The effective tax rate declined primarily as a result of the impact of one-time items on the prior year period.

Net income attributable to shareholders of the parent company for the first nine months of 2016 was EUR 672 m (prior year: EUR 521 m).

Basic and diluted earnings per common share for the first nine months of 2016 increased to EUR 1.01 (prior year: EUR 0.78). Basic and diluted earnings per common non-voting share amounted to EUR 1.02 (prior year: EUR 1.31). The number of shares used to calculate earnings per common share and earnings per common non-voting share was 500 million shares (prior year: 500 million shares) and 166 million shares (prior year: 100 million shares), respectively.[3]

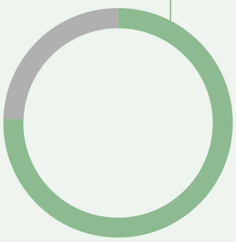
[3] Earnings per share were calculated in accordance with IAS 33. As the common non-voting shares newly issued in October 2015 (66 million shares) participated in profits for the entire year 2015, earnings per common non-voting share for the first nine months of 2015 were calculated using proportionate net income based on 166 million common non-voting shares.

Automotive division

Revenue EUR 7,703 m

EBIT EUR 1,103 m

77.2 %
of group revenue



Revenue growth at constant currency of 5.3 % // Double-digit growth in Greater China revenue // Profitable growth continued // Stepped-up R&D activities, including for electric mobility

Automotive division earnings

No. 004

in € millions	1st nine months 2016	1st nine months 2015	Change in %	3rd quarter 2016	3rd quarter 2015	Change in %
Revenue	**7,703**	**7,511**	**2.6**	**2,524**	**2,442**	**3.4**
• at constant currency			5.3			5.1
Revenue by business division						
BD Engine Systems	1,960	1,946	0.7	636	625	1.8
• Share of revenue in %	25.4	25.9		25.2	25.6	
BD Transmission Systems	3,217	3,150	2.1	1,037	1,009	2.8
• Share of revenue in %	41.8	42.0		41.1	41.3	
BD Chassis Systems	1,142	1,098	4.0	368	352	4.5
• Share of revenue in %	14.8	14.6		14.6	14.4	
BD Automotive Aftermarket	1,384	1,317	5.1	483	456	5.9
• Share of revenue in %	18.0	17.5		19.1	18.7	
Revenue by region 1)						
Europe	4,050	3,992	1.5	1,288	1,296	-0.6
• Share of revenue in %	52.6	53.1		51.0	53.1	
Americas	1,694	1,763	-3.9	561	584	-3.9
• Share of revenue in %	22.0	23.5		22.2	23.9	
Greater China	1,151	995	15.7	398	303	31.4
• Share of revenue in %	14.9	13.3		15.8	12.4	
Asia/Pacific	808	761	6.2	277	259	6.9
• Share of revenue in %	10.5	10.1		11.0	10.6	
Cost of sales	-5,505	-5,449	1.0	-1,807	-1,762	2.6
Gross profit	2,198	2,062	6.6	717	680	5.4
EBIT	**1,103**	**1,007**	**9.5**	**364**	**356**	**2.2**
• in % of revenue	14.3	13.4	-	14.4	14.6	-
EBIT before special items 2)	**1,103**	**1,014**	**8.8**	**364**	**356**	**2.2**
• in % of revenue	14.3	13.5	-	14.4	14.6	-

Prior year information presented based on 2016 segment structure.
1) Based on market (customer location).
2) EBIT before special items for legal cases and restructuring.

Automotive division revenue increased by 2.6 % to EUR 7,703 m (prior year: EUR 7,511 m) in the first nine months of 2016. Excluding the impact of currency translation, the growth rate for the first three quarters of 2016 was 5.3 %. Global production volumes of passenger cars and light commercial vehicles increased by 3.4 % from the prior year comparison period. Thus, the Automotive division's business outpaced the rise in global automobile production, primarily due to the increasing value of Schaeffler products installed per vehicle. From a regional perspective it was primarily high demand in China that contributed to the additional revenue. The Aftermarket was also very successful.

Overall, revenue trends varied widely across market regions in the first nine months of 2016. The Europe region reported 1.5 % (2.6 % at constant currency) in additional revenue, slightly less than average regional growth in production volumes (+4.2 %). The Americas region reported a decline in revenue of 3.9 %, largely due to the adverse impact of currency translation. The region's revenue increased by 1.2 % at constant currency while automobile production remained flat with prior year. The Automotive division once again significantly expanded its revenue in the Greater China region, mainly through product ramp-ups, generating additional revenue of 15.7 % (+21.8 % at constant currency) while that region's vehicle production increased by 10.8 %. The reasons for the increase in Asia/Pacific region revenue by 6.2 % (+7.4 % at constant currency) included product ramp-ups, with vehicle production there declining by 2.7 %.

The Automotive division business is organized in the Engine Systems, Transmission Systems, Chassis Systems, and Automotive Aftermarket business divisions (BD), each of which reported growing revenue at constant currency in the first nine months of 2016.

Revenue for the **Engine Systems BD** rose slightly by 0.7 %. Excluding the impact of currency translation, revenue was up 2.4 %. This growth was primarily buoyed by the camshaft phasing units product group, which reported considerably higher volumes with the start of volume production of the electromechanical camshaft phasing system. The accessory drive product group and the innovative thermal management module, which helps reduce fuel consumption and CO_2 emissions, also generated considerable additional revenue. Fully variable valve train systems, on the other hand, experienced a significant decline in revenue.

Transmission Systems BD revenue rose by 2.1 % (+4.7 % at constant currency), primarily driven by the increase in volumes in the dual-mass flywheel product group. Demand for components for automated transmissions, such as torque converters, also grew significantly.

The **Chassis Systems BD** generated revenue growth of 4.0 % (+6.2 % at constant currency) mainly based on the solid performance of the newest generation of wheel bearings, highly integrated units containing mounting brackets for the brake disk, rim, and wheel carrier that ensure top running accuracy. Volume production of the electromechanical active roll control also considerably increased revenue in the chassis actuators product group.

The **Automotive Aftermarket BD** increased revenue by 5.1 % (+10.3 % at constant currency) in the 2016 reporting period. The increase was primarily due to higher sales in the Americas and Europe regions. Reasons for the additional revenue in Americas include increased requirements of automobile manufacturers (OES customers). In Europe, business expanded particularly in Eastern Europe as well as in Southern and Western Europe. The main reason behind the higher revenue was increased market coverage.

Automotive division cost of sales increased by 1.0 % to EUR 5,505 m (prior year: EUR 5,449 m) in the first nine months of 2016. In total, the Automotive division improved its gross profit by EUR 136 m or 6.6 % to EUR 2,198 m (prior year: EUR 2,062 m). The division's gross margin of 28.5 % was ahead of the prior year comparison period (prior year: 27.5 %). The Automotive division has thus continued its profitable growth, more than offsetting cost increases, primarily due to collectively bargained wage and salary increases, and an adverse impact of foreign currency translation with the positive impact of volumes on fixed costs as well as a more profitable revenue mix. Increased production efficiency and slightly lower raw materials prices also contributed to the margin increase.

Functional costs increased 5.7 % to EUR 1,073 m (prior year: EUR 1,015 m), rising slightly to 13.9 % of revenue (prior year: 13.5 %). The main driver of this increase was the rise in research and development expenses by 12.8 % to EUR 459 m (prior year: EUR 407 m) or 6.0 % (prior year: 5.4 %) of revenue, reflecting increased activities aimed at offering solutions for future mobility concepts for motor vehicles, ranging from chassis innovations and optimizing the classic drive train with an internal combustion engine as well as the transmission through to hybrid solutions and electric mobility applications. Selling and administrative expenses of EUR 614 m were slightly ahead of prior year (+1.0 %; prior year: EUR 608 m).

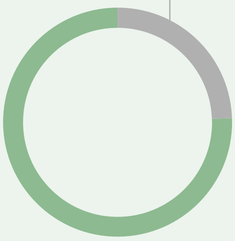
Automotive division EBIT grew by 9.5 % to EUR 1,103 m (prior year: EUR 1,007 m) during the reporting period, and its EBIT margin increased to 14.3 % (prior year: 13.4 %). Expenses for legal cases of EUR 7 m were recognized in the first nine months of 2015. Excluding this special item, prior year EBIT amounted to EUR 1,014 m or 13.5 % of revenue. Consequently, the division's EBIT margin before special items improved by 0.8 percentage points to 14.3 % due, in particular, to a volume- and mix-based increase in gross profit. Research and development expenses had an offsetting effect.

Industrial division

Revenue EUR 2,274 m

EBIT EUR 173 m

22.8 %
of group revenue



Revenue decreased in all regions // Margin trend mainly driven by declining sales volumes

Industrial division earnings No. 005

	1st nine months			3rd quarter		
in € millions	2016	2015	Change in %	2016	2015	Change in %
Revenue	**2,274**	**2,447**	**-7.1**	**741**	**795**	**-6.8**
• at constant currency			-5.3			-6.2
Revenue by region [1]						
Europe	1,352	1,382	-2.2	435	451	-3.5
• Share of revenue in %	59.4	56.5		58.7	56.7	
Americas	423	466	-9.2	139	146	-4.8
• Share of revenue in %	18.6	19.0		18.8	18.4	
Greater China	279	361	-22.7	93	122	-23.8
• Share of revenue in %	12.3	14.8		12.5	15.3	
Asia/Pacific	220	238	-7.6	74	76	-2.6
• Share of revenue in %	9.7	9.7		10.0	9.6	
Cost of sales	-1,620	-1,704	-4.9	-526	-554	-5.1
Gross profit	654	743	-12.0	215	241	-10.8
EBIT	**173**	**244**	**-29.1**	**53**	**77**	**-31.2**
• in % of revenue	7.6	10.0	-	7.2	9.7	-
EBIT before special items [2]	**173**	**244**	**-29.1**	**53**	**77**	**-31.2**
• in % of revenue	7.6	10.0	-	7.2	9.7	-

Prior year information presented based on 2016 segment structure.
[1] Based on market (customer location).
[2] EBIT before special items for legal cases and restructuring.

Industrial division revenue decreased by 7.1 % to EUR 2,274 m (prior year: EUR 2,447 m) in the first nine months of 2016. Excluding the impact of currency translation, revenue fell 5.3 %.

The Industrial business is primarily managed by the regions. On this basis, the Europe, Americas, Greater China, and Asia/Pacific regions operate as profit centers responsible for the Industrial business in their respective markets. Within the regions, the Industrial business is grouped into eight sectors: wind, raw materials, aerospace, rail, offroad, two wheelers, power transmission, and industrial automation. Sales to distributors (Industrial Distribution) round out the Industrial division's regional business.

Low commodity prices and the drastic drop in oil prices combined with economic uncertainties continued to adversely affect customers' investing activities, especially in the raw materials and power transmission sectors. Significant revenue declines in the rail sector also had a considerable adverse effect on the division's revenue trend. Industrial Distribution revenue recovered slightly in the third quarter of 2016 compared to the two prior quarters, but still lagged considerably behind the prior year for the total reporting period. However, the division's wind and two wheelers sectors generated considerable growth rates. The aerospace sector also reported slightly higher revenue.

All regions experienced a decline in revenue from the prior year comparison period.

Revenue in Schaeffler's **Europe region** was down slightly by 2.2 % (-0.9 % at constant currency). Revenue trends varied widely across individual sectors. Especially the persistently low commodity prices and related weakness in the oil, gas, mining, and steel industry considerably reduced revenue in the raw materials sector. The rail and power transmission sectors as well as Industrial Distribution similarly reported considerably lower revenue than in the prior year. The offroad sector was in line with prior year, while industrial automation experienced a slight revenue increase. The wind, aerospace and two wheelers sectors generated double-digit revenue growth.

In the **Americas region**, revenue declined by 9.2 % (-6.4 % at constant currency), primarily driven by considerable declines in revenue in the raw materials, rail, and power transmission sectors. These declines are related to the challenging situation in the U.S. markets, particularly in the oil and gas industry. Despite a slight recovery in the third quarter compared to 2015, revenue for the offroad and industrial automation sectors as well as for Industrial Distribution still fell considerably short of their prior year level for the nine months period. Aerospace sector revenue, on the other hand, was almost in line with prior year. The wind and two wheelers sectors experienced an encouraging trend, generating double-digit growth rates.

The **Greater China region** reported a considerable drop in revenue of 22.7 % (-20.4 % at constant currency). Except for the wind and offroad sectors, all sectors as well as Industrial Distribution saw double-digit declines in revenue at constant currency due to weak market requirements, declining investing activity, and the resulting pressure on market prices.

The decrease in revenue for the **Asia/Pacific region** by 7.6 % (-5.3 % at constant currency) was primarily attributable to Industrial Distribution and the offroad and raw materials sectors.

Industrial division cost of sales decreased by 4.9 % to EUR 1,620 m (prior year: EUR 1,704 m). Gross profit declined by 12.0 % to EUR 654 m (prior year: EUR 743 m) and, consequently, gross margin fell by 1.6 percentage points to 28.8 % (prior year: 30.4 %). The decrease was attributable to lower volumes, the resulting lower utilization of production capacities, and a less profitable revenue mix. However, lower raw materials prices had a slightly positive effect on gross margin.

Functional costs of EUR 492 m (prior year: EUR 492 m) were in line with prior year, rising to 21.6 % of revenue (prior year: 20.1 %) as a result. Research and development expenses increased slightly by EUR 4 m to EUR 107 m (prior year: EUR 103 m), while selling and administrative expenses decreased slightly by EUR 4 m to EUR 385 m (prior year: EUR 389 m).

Industrial division EBIT declined to EUR 173 m (prior year: EUR 244 m) in the first nine months of 2016. The division's EBIT margin before special items amounted to 7.6 % (prior year: 10.0 %). The decrease in EBIT margin was primarily due to a volume-based decline in gross profit. The "CORE" program initiated last year continues to progress on schedule.

Performance indicators and special items

In order to facilitate a transparent evaluation of the company's results of operations, the Schaeffler Group reports EBIT, EBITDA, debt to EBITDA ratio, ROCE, and Schaeffler Value Added before special items (=adjusted). Special items are items whose nature, frequency, and/or size may render the financial indicators less meaningful for evaluating the sustainability of the Schaeffler Group's profitability. 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 figures excluding the impact of currency translation. Revenue figures at constant currency, i.e. excluding the impact of translation, are calculated by translating functional currency revenue using the same exchange rate for both the current and the prior year or comparison reporting period. Please refer to pages 68 et seq. of the Schaeffler Group's annual report 2015 for a detailed discussion.

In 2015 and 2016, special items represent significant issues in the categories legal cases and restructuring.

Reconciliation No. 006

	Total		Automotive		Industrial	
					1st nine months	
in € millions	2016	2015	2016	2015	2016	2015
EBIT	**1,276**	**1,251**	**1,103**	**1,007**	**173**	**244**
• in % of revenue	12.8	12.6	14.3	13.4	7.6	10.0
Special items						
Legal cases	0	7	0	7	0	0
Restructuring	0	0	0	0	0	0
EBIT before special items	**1,276**	**1,258**	**1,103**	**1,014**	**173**	**244**
• in % of revenue	12.8	12.6	14.3	13.5	7.6	10.0
EBITDA	**1,817**	**1,765**				
• in % of revenue	18.2	17.7				
Special items						
Legal cases	0	7				
Restructuring	0	0				
EBITDA before special items	**1,817**	**1,772**				
• in % of revenue	18.2	17.8				
Net financial debt (09/30)	2,876	5,950				
/ EBITDA 1)	2,148	2,234				
Debt to EBITDA ratio (09/30)	**1.3**	**2.7**				
Net financial debt (09/30)	2,876	5,950				
/ EBITDA before special items 1)	2,415	2,291				
Debt to EBITDA ratio before special items (09/30)	**1.2**	**2.6**				
EBIT 1)	1,427	1,544				
/ Average capital employed 1)	7,737	7,310				
ROCE (in %) 1) 2)	**18.4**	**21.1**				
EBIT before special items 1)	1,694	1,601				
/ Average capital employed 1)	7,737	7,310				
ROCE before special items (in %) 1) 2)	**21.9**	**21.9**				
EBIT 1)	1,427	1,544				
– Cost of capital 3)	774	731				
Schaeffler Value Added 1)	**653**	**813**				
EBIT before special items 1)	1,694	1,601				
– Cost of capital 3)	774	731				
Schaeffler Value Added before special items 1)	**920**	**870**				

1) Based on the last twelve months.
2) EBIT in relation to average capital employed (property, plant and equipment + intangible assests + working capital).
3) Cost of capital is calculated by applying a set minimum return of 10 % p.a. (before tax) to average capital employed.

1.4 Financial position

Cash flow and liquidity

The Schaeffler Group generated free cash flow of EUR 479 m (prior year: EUR 192 m) for the first nine months of 2016.

Cash flow No. 007

	1st nine months			3rd quarter		
in € millions	2016	2015	Change in %	2016	2015	Change in %
Cash flows from operating activities	1,305	912	43.1	528	490	7.8
Cash used in investing activities	-826	-720	14.7	-265	-226	17.3
Free cash flow	**479**	**192**	**> 100**	**263**	**264**	**-0.4**
Cash provided by financing activities	1,291	-101	-	1,729	59	> 100
Net increase (decrease) in cash and cash equivalents	**1,770**	**91**	**> 100**	**1,992**	**323**	**> 100**
Effects of foreign exchange rate changes on cash and cash equivalents	-4	-3	33.3	1	-19	-
Cash and cash equivalents as at beginning of period	799	636	25.6	572	420	36.2
Cash and cash equivalents	**2,565**	**724**	**> 100**	**2,565**	**724**	**> 100**

The increase in cash flows from operating activities by EUR 393 m to EUR 1,305 m (prior year: EUR 912 m) was the result of significantly lower interest payments as well as higher EBITDA. Net interest paid and received amounted to EUR -87 m (prior year: EUR -389 m). The company paid EUR 234 m (prior year: EUR 247 m) in income taxes. Cash outflows related to expanding working capital amounted to EUR 303 m (prior year: EUR 273 m) and were higher than in the prior year.

Capital expenditures on property, plant and equipment and intangible assets (capex) amounted to EUR 829 m (prior year: EUR 743 m) in the first nine months of 2016. The capex ratio was 8.3 % (prior year: 7.5 %) of revenue in the first nine months of 2016. EUR 479 m and EUR 170 m of the EUR 829 m in total capital expenditures were made in the Europe and Greater China regions, respectively. In order to strengthen its competitive position, the Schaeffler Group primarily invested in expanding capacity and in equipment and machinery for product start-ups.

Free cash flow

EUR 479 m

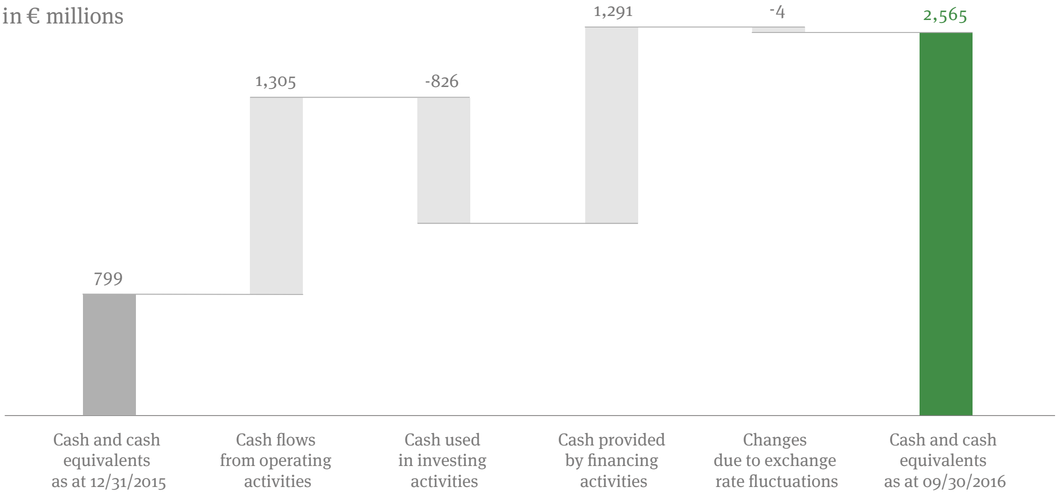
These developments resulted in free cash flow of EUR 479 m (prior year: EUR 192 m) for the first three quarters of 2016.

EUR 1,291 m in cash was provided by financing activities (prior year: cash used of EUR 101 m) during the reporting period, including cash provided by the prepayment in full of a loan that was receivable by Schaeffler AG from IHO Verwaltungs GmbH (until September 27, 2016: Schaeffler Verwaltung Zwei GmbH) of EUR 1,772 m (prior year: EUR 85 m). This inflow was partially offset by EUR 329 m in dividends paid during the year, including EUR 328 m paid to shareholders of Schaeffler AG.

EUR 1.0 bn in cash was provided by a new loan agreement signed in the third quarter of 2016; these funds were used to repay the previous loan agreement, including the two remaining institutional term loans totaling EUR 418 m, and to redeem the EUR 600 m EUR bond series. A total of EUR 135 m in cash was used for additional repayments and to terminate related cross-currency derivatives.

Cash and cash equivalents increased by EUR 1,766 m to EUR 2,565 m as at September 30, 2016 (December 31, 2015: EUR 799 m).

Change in cash and cash equivalents No. 008



At September 30, 2016, cash and cash equivalents amounted to EUR 2,565 m (December 31, 2015: EUR 799 m) and consisted primarily of bank balances. EUR 209 m (December 31, 2015: EUR 198 m) of this amount related to countries with foreign exchange restrictions and other legal restrictions. The high level of cash and cash equivalents resulted from the prepayment of a loan receivable from the company's shareholder IHO Verwaltungs GmbH in September 2016 as described above. In addition, the Schaeffler Group had a revolving line of credit of EUR 1.3 bn (December 31, 2015: EUR 1.0 bn).

Financial debt

Net financial debt decreased to EUR 2,876 m (December 31, 2015: EUR 4,889 m) in the first nine months of 2016.

The debt to EBITDA ratio, defined as the ratio of net financial debt to earnings before financial result, income taxes, depreciation and amortization and impairment losses (EBITDA), amounted to 1.3 at September 30, 2016 (December 31, 2015: 2.3). Excluding special items related to legal cases and restructurings, the net debt to EBITDA ratio was 1.2 (December 31, 2015: 2.1).

Net financial debt No. 009

in € millions	09/30/2016	12/31/2015	Change in %
Bonds	4,453	5,048	-11.8
Facilities Agreement loan tranches	982	632	55.4
Other financial debt	6	8	-25.0
Total financial debt	**5,441**	**5,688**	**-4.3**
Cash and cash equivalents	2,565	799	> 100
Net financial debt	**2,876**	**4,889**	**-41.2**

Schaeffler AG signed a new loan agreement on July 18, 2016. The funds were used to repay the previous loan agreement, including the two remaining institutional term loans totaling EUR 418 m, and to fully redeem EUR bonds totaling EUR 600 m, bearing interest at 4.25 %, and originally due in May 2018.

The new loan agreement consists of a EUR 1.0 bn term loan and a EUR 1.3 bn revolving credit facility. Both facilities have a five year maturity plus certain renewal options and are provided by a consortium of 15 international banks. In addition to offering considerably better interest terms, the new loan agreement especially enhances the Schaeffler Group's operating and financial flexibility by providing for significantly more favorable credit terms and the release of nearly all assets pledged as in rem security, which were subsequently also released from such pledges under the secured bond agreements.

On July 20, 2016, rating agency Moody's upgraded the issuance rating of the unsecured bonds to Ba3. The upgrade reflects the improved position of the unsecured bonds following the release of nearly all assets pledged as in rem security.

In September 2016, IHO Verwaltungs GmbH prepaid a loan payable to Schaeffler AG of approximately EUR 1.7 bn. Schaeffler AG has announced that it will use these funds to redeem its USD-denominated bonds with a principal of USD 850 m, a coupon of 4.75 %, and an original maturity of 2021 and two EUR-denominated bond series with a principal of EUR 500 m each, a coupon of 3.25 % and 2.75 %, respectively, and an original maturity of 2019. The bonds were redeemed subsequent to September 30, 2016 (see supplementary report).

In connection with this refinancing transaction, rating agency Moody's announced the separation of the previous Schaeffler Group company rating into two separate company ratings for Schaeffler AG and IHO Verwaltungs GmbH on September 07, 2016. As a result, the Schaeffler AG company rating has improved to Baa3 (investment grade) with a stable outlook. At the same time, Moody's upgraded the issuance ratings of Schaeffler Finance B.V., Barneveld, Netherlands, from Ba2 to Baa3 for secured bonds and from Ba3 to Baa3 for the unsecured bond series.

Rating agency Standard & Poor's upgraded the Schaeffler AG company rating to BB+ with a stable outlook on September 21, 2016. At the same time, the issuance ratings of Schaeffler Finance B.V., Barneveld, Netherlands, improved from BB to BB+ for the secured bonds and from B+ to BB- for the unsecured bond series.

The Facilities Agreement consists of the following loan tranches at September 30, 2016:

Facilities Agreement loan tranches No. 010

Tranche	Currency	Face value in millions 09/30/2016	Face value in millions 12/31/2015	Carrying amount in € millions 09/30/2016	Carrying amount in € millions 12/31/2015	Coupon 09/30/2016	Coupon 12/31/2015	Maturity
Senior Term Loan B	EUR	0	250	0	251	Euribor + 3.50 % 1)	Euribor + 3.50 % 1)	05/15/2020
Senior Term Loan B	USD	0	440	0	392	Libor + 3.50 % 2)	Libor + 3.50 % 2)	05/15/2020
Senior Term Loan	EUR	1,000	0	992	0	Euribor + 1.45 % 3)	n/a	07/18/2021
Revolving Credit Facility	EUR	0	1,000	0	-11	Euribor + 2.375 %	Euribor + 2.6875 %	10/27/2019
Revolving Credit Facility 4)	EUR	1,300	0	-10	0	Euribor + 1.05 % 3)	n/a	07/18/2021
Total				**982**	**632**			

1) Euribor floor of 0.75 %.
2) Libor floor of 0.75 %.
3) Since August 12, 2016.
4) EUR 14 m (December 31, 2015: EUR 24 m) were drawn down as at September 30, 2016, primarily in the form of letters of credit.

The following bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, were outstanding as at September 30, 2016:

Schaeffler Group bonds No. 011

		09/30/2016	12/31/2015	09/30/2016	12/31/2015		
ISIN	Currency	Face value in millions		Carrying amount in € millions		Coupon	Maturity
XS0923613060 [1]	EUR	0	600	0	597	4.25 %	05/15/2018
XS1067864881 [2] [3]	EUR	500	500	508	497	3.25 %	05/15/2019
XS1067862919 [3]	EUR	500	500	507	497	2.75 %	05/15/2019
XS1212469966	EUR	400	400	397	396	2.50 %	05/15/2020
US806261AJ29	USD	700	700	621	637	4.25 %	05/15/2021
US806261AE32 [4]	USD	850	850	788	777	4.75 %	05/15/2021
XS1067864022	EUR	500	500	498	499	3.50 %	05/15/2022
US806261AM57	USD	600	600	539	553	4.75 %	05/15/2023
XS1212470972	EUR	600	600	595	595	3.25 %	05/15/2025
Total				**4,453**	**5,048**		

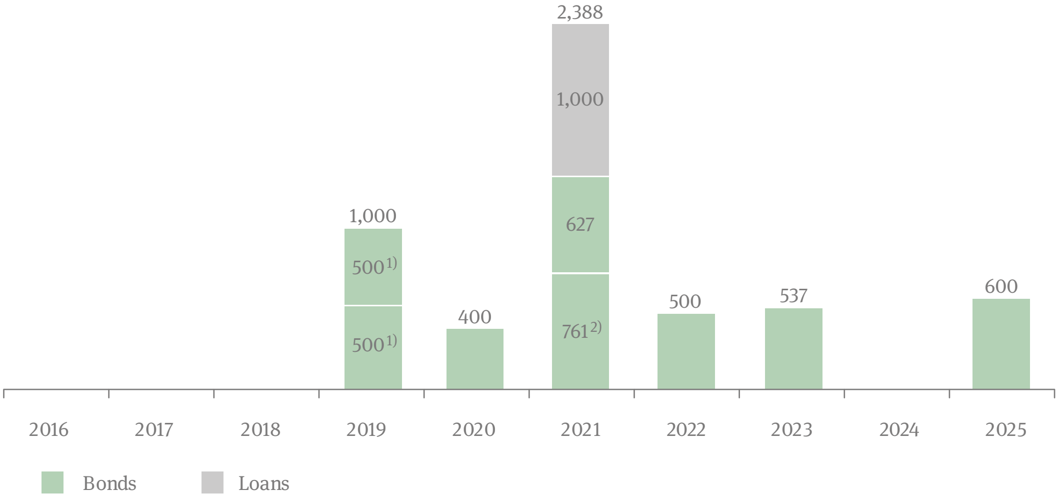
[1] Full repayment on August 18, 2016
[2] Bond is unsecured.
[3] Full repayment on October 13, 2016.
[4] Full repayment on October 07, 2016.

The Schaeffler bonds are listed on the Euro MTF market of the Luxembourg Stock Exchange.

The company's maturity profile, which consists of Schaeffler AG's EUR 1.0 bn term loan and the bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, was as follows as at September 30, 2016:

Maturity profile (principal outstanding as at September 30, 2016) No. 012

in € millions



[1] Full repayment on October 13, 2016.
[2] Full repayment on October 07, 2016.

1.5 Net assets and capital structure

The Schaeffler Group's total assets increased by EUR 382 m to EUR 12,862 m as at September 30, 2016 (December 31, 2015: EUR 12,480 m).

Consolidated statement of financial position (abbreviated) No. 013

in € millions	09/30/2016	12/31/2015	Change in %
Non-current assets	5,711	7,438	-23.2
Current assets	7,151	5,042	41.8
Total assets	**12,862**	**12,480**	**3.1**
Shareholders' equity	1,554	1,568	-0.9
Non-current liabilities	6,569	8,144	-19.3
Current liabilities	4,739	2,768	71.2
Total assets	**12,862**	**12,480**	**3.1**

Non-current assets declined by EUR 1,727 m to EUR 5,711 m as at September 30, 2016 (December 31, 2015: EUR 7,438 m), primarily due to the prepayment of a loan of EUR 1,773 m that was receivable from the company's shareholder IHO Verwaltungs GmbH. The increase was partially offset by a EUR 125 m increase in deferred tax assets. Additions to intangible assets and property, plant and equipment amounted to EUR 715 m and were primarily invested in expanding capacity and in equipment and machinery for product start-ups in the Automotive division. The Automotive division accounted for approximately 80 % of total additions for the reporting period.

Current assets increased by EUR 2,109 m to EUR 7,151 m (December 31, 2015: EUR 5,042 m) during the first nine months of 2016. The increase was largely attributable to the increase in cash and cash equivalents as a result of the loan prepayment received as discussed above (see Cash flow, pages 20 et seq.). Higher inventories and trade receivables also contributed to the increase in current assets.

Shareholders' equity including non-controlling interests declined by EUR 14 m to EUR 1.554 m as at September 30, 2016 (December 31, 2015: EUR 1,568 m). Net income of EUR 681 m increased shareholders' equity. The increase was partially offset by EUR 328 m in dividends paid to Schaeffler AG's shareholders. Shareholders' equity was also reduced by an increase in provisions for pensions and similar obligations due to the reduction in the discount rate to 1.6 % (December 31, 2015: 2.6 %). The equity ratio was 12.1 % at September 30, 2016 (December 31, 2015: 12.6 %).

The decline in **non-current liabilities** by EUR 1,575 m to EUR 6,569 m as at September 30, 2016 (December 31, 2015: EUR 8,144 m), is largely due to the bond redemptions scheduled for October 2016 and the related reclassification from non-current to current financial debt. Voluntary partial prepayments of institutional loan tranches during the first half of 2016 also reduced non-current financial debt. These decreases were partially offset by an increase in provisions for pensions and similar obligations by EUR 529 m, mainly as a result of a discount rate-based adjustment to the company's pension obligations.

Current liabilities increased by EUR 1,971 m to EUR 4,739 m as at September 30, 2016 (December 31, 2015: EUR 2,768 m), largely due to the reclassification from non-current to current financial debt.

2. Supplementary report

On October 07, 2016, the Schaeffler Group fully redeemed the USD bonds with a principal of USD 850 m, a coupon of 4.75 %, and an original maturity of 2021. On October 13, 2016, the company fully redeemed two EUR bond series with a principal of EUR 500 m each, a coupon of 3.25 % and 2.75 %, respectively, and an original maturity of 2019. The redemptions were largely funded using the proceeds of the prepayment in full of a loan receivable from the company's shareholder IHO Verwaltungs GmbH in September 2016.

On November 07, 2016, the Board of Managing Directors of Schaeffler AG has decided to step-up its efficiency measures aimed at revitalizing the Industrial division. Following the first wave of cost reduction measures comprising the "CORE" program, which focus on Germany and have largely been implemented, a second wave of measures will also cover regions outside of Germany as well as functional areas that are not directly part of the Industrial division. The measures are designed to improve the results of the entire Industrial division for the long-term by further streamlining the structure of the Industrial business and reducing production and administrative costs. The company plans to consolidate the plant structures in the Europe and Americas regions and reduce the workforce in Industrial-related administrative departments. The second wave is expected to reduce the workforce by a total of approximately 500 jobs.

No other material events expected to have a significant impact on the results of operations, financial position, or net assets of the Schaeffler Group occurred after September 30, 2016.

3. Report on opportunities and risks

Please refer to pages 93 et seq. of the Schaeffler Group's annual report 2015 for a discussion of Schaeffler's risk management system and potential opportunities and risks. The statements made in the annual report 2015 regarding the opportunities and risks are largely unchanged.

Current and future investigations regarding violations of antitrust law and other compliance violations could have an adverse impact on the net assets, financial position, and results of operations of the Schaeffler Group as well as on its reputation. Possible payment obligations in connection with these investigations and proceedings may result in cash outflows. The Schaeffler Group cooperates with the investigating authorities in current and future investigations as a matter of principle. The imposition of penalties cannot be ruled out. The Schaeffler Group has recognized appropriate provisions. In Spain and Korea, the company has appealed judgments imposing penalties.

In addition, claims for damages have been filed against Schaeffler Group companies as a result of antitrust proceedings. The Schaeffler Group has recognized appropriate provisions for these claims.

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

Both the International Monetary Fund and Oxford Economics (both October 2016) have adjusted their forecasts of global economic growth for the current year slightly downwards. In light of these forecasts, the Schaeffler Group continues to expect a global economic growth rate of approximately 3 % in 2016.

Given the most recent unexpectedly positive trend in the Europe and Greater China regions, the Schaeffler Group now believes that automobile production will grow by approximately 2.5 % in 2016. Industrial production is still only expected to experience slight growth. However, taking into account price and inventory impacts, this is expected to result in a decline in the market volume for the core industrial rolling bearings market in 2016.

Certain commodity prices are subject to large fluctuations worldwide. Particularly higher steel prices may increase the Schaeffler Group's cost.

4.2 Schaeffler Group outlook

Outlook 2016 No. 014

	Outlook 2016	Actual 9M 2016
Revenue growth in % compared with prior year (at constant currency)	3 to 5 %	2.7 %
EBIT margin (before special items)	12 to 13 %	12.8 %
Free cash flow	approx. EUR 600 m	EUR 479 m

The Schaeffler Group confirms its outlook for 2016.

The Schaeffler Group continues to expect its revenue to grow by 3 to 5 % excluding the impact of currency translation in 2016.

The company continues to anticipate an EBIT margin before special items[4] of 12 to 13 %.

The Schaeffler Group still expects to generate approximately EUR 600 m in free cash flow for 2016.

Herzogenaurach, November 07, 2016

The Board of Managing Directors

[4] Please refer to page 19 for the definition of special items.

Consolidated interim financial statements

1. Consolidated income statement

No. 015

in € millions	1st nine months 2016	1st nine months 2015	Change in %	3rd quarter 2016	3rd quarter 2015	Change in %
Revenue	9,977	9,958	0.2	3,265	3,237	0.9
Cost of sales	-7,125	-7,153	-0.4	-2,333	-2,316	0.7
Gross profit	**2,852**	**2,805**	**1.7**	**932**	**921**	**1.2**
Research and development expenses	-566	-510	11.0	-188	-160	17.5
Selling expenses	-677	-687	-1.5	-227	-226	0.4
Administrative expenses	-322	-310	3.9	-104	-102	2.0
Other income	20	28	-28.6	5	9	-44.4
Other expenses	-31	-75	-58.7	-1	-9	-88.9
Earnings before financial result and income taxes (EBIT)	**1,276**	**1,251**	**2.0**	**417**	**433**	**-3.7**
Financial income	230	235	-2.1	118	22	> 100
Financial expenses	-550	-697	-21.1	-285	-147	93.9
Financial result	**-320**	**-462**	**-30.7**	**-167**	**-125**	**33.6**
Earnings before income taxes	**956**	**789**	**21.2**	**250**	**308**	**-18.8**
Income taxes	-275	-256	7.4	-69	-91	-24.2
Net income	**681**	**533**	**27.8**	**181**	**217**	**-16.6**
Attributable to shareholders of the parent company	672	521	29.0	178	212	-16.0
Attributable to non-controlling interests	9	12	-25.0	3	5	-40.0
Earnings per common share (basic/diluted, in €)	1.01	0.78	29.5	0.27	0.32	-15.6
Earnings per common non-voting share (basic/diluted, in €)	1.02	1.31	-22.1	0.27	0.53	-49.1

2. Consolidated statement of comprehensive income

No. 016

	1st nine months						3rd quarter					
	2016			2015			2016			2015		
in € millions	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes
Net income	**956**	**-275**	**681**	**789**	**-256**	**533**	**250**	**-69**	**181**	**308**	**-91**	**217**
Foreign currency translation differences for foreign operations	-27	0	-27	56	0	56	3	0	3	-137	0	-137
Net change from hedges of net investments in foreign operations	17	-5	12	-76	22	-54	3	-1	2	1	0	1
Effective portion of changes in fair value of cash flow hedges	44	-13	31	71	-18	53	40	-12	28	49	-13	36
Net change in fair value of available-for-sale financial assets	0	0	0	-1	0	-1	0	0	0	-1	0	-1
Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	**34**	**-18**	**16**	**50**	**4**	**54**	**46**	**-13**	**33**	**-88**	**-13**	**-101**
Remeasurement of net defined benefit liability	-529	147	-382	53	-16	37	-116	31	-85	-22	5	-17
Total other comprehensive income (loss) that will not be reclassified to profit or loss	**-529**	**147**	**-382**	**53**	**-16**	**37**	**-116**	**31**	**-85**	**-22**	**5**	**-17**
Total other comprehensive income (loss)	**-495**	**129**	**-366**	**103**	**-12**	**91**	**-70**	**18**	**-52**	**-110**	**-8**	**-118**
Total comprehensive income (loss) for the period	**461**	**-146**	**315**	**892**	**-268**	**624**	**180**	**-51**	**129**	**198**	**-99**	**99**
Total comprehensive income (loss) attributable to shareholders of the parent company	450	-141	309	872	-263	609	175	-50	125	194	-98	96
Total comprehensive income (loss) attributable to non-controlling interests	11	-5	6	20	-5	15	5	-1	4	4	-1	3

3. Consolidated statement of financial position

No. 017

in € millions	09/30/2016	12/31/2015	09/30/2015	Change in %
ASSETS				
Intangible assets	584	589	559	-0.8
Property, plant and equipment	4,319	4,180	3,961	3.3
Other financial assets	169	2,123	2,310	-92.0
Other assets	29	57	47	-49.1
Income tax receivables	0	4	6	-100
Deferred tax assets	610	485	508	25.8
Total non-current assets	**5,711**	**7,438**	**7,391**	**-23.2**
Inventories	1,958	1,812	1,813	8.1
Trade receivables	2,250	2,023	2,119	11.2
Other financial assets	97	123	130	-21.1
Other assets	203	211	210	-3.8
Income tax receivables	78	74	63	5.4
Cash and cash equivalents	2,565	799	724	> 100
Total current assets	**7,151**	**5,042**	**5,059**	**41.8**
Total assets	**12,862**	**12,480**	**12,450**	**3.1**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	666	666	600	0.0
Capital reserves	2,348	2,348	1,600	0.0
Other reserves	-591	-935	-1,005	-36.8
Accumulated other comprehensive income (loss)	-962	-599	-649	60.6
Equity attributable to shareholders of the parent company	**1,461**	**1,480**	**546**	**-1.3**
Non-controlling interests	93	88	85	5.7
Total shareholders' equity	**1,554**	**1,568**	**631**	**-0.9**
Provisions for pensions and similar obligations	2,471	1,942	1,959	27.2
Provisions	114	182	71	-37.4
Financial debt	3,636	5,685	6,670	-36.0
Income tax payables	224	210	260	6.7
Other financial liabilities	11	12	12	-8.3
Other liabilities	5	6	7	-16.7
Deferred tax liabilities	108	107	115	0.9
Total non-current liabilities	**6,569**	**8,144**	**9,094**	**-19.3**
Provisions	421	431	254	-2.3
Financial debt	1,805	3	4	> 100
Trade payables	1,406	1,405	1,266	0.1
Income tax payables	127	112	200	13.4
Other financial liabilities	607	512	626	18.6
Other liabilities	373	305	375	22.3
Total current liabilities	**4,739**	**2,768**	**2,725**	**71.2**
Total shareholders' equity and liabilities	**12,862**	**12,480**	**12,450**	**3.1**

4. Consolidated statement of cash flows

No. 018

in € millions	1st nine months 2016	1st nine months 2015	Change in %	3rd quarter 2016	3rd quarter 2015	Change in %
Operating activities						
EBIT	1,276	1,251	2.0	417	433	-3.7
Interest paid	-181	-430	-57.9	-74	-51	45.1
Interest received	94	41	> 100	21	1	> 100
Income taxes paid	-234	-247	-5.3	-73	-89	-18.0
Depreciation, amortization and impairments	541	514	5.3	183	171	7.0
(Gains) losses on disposal of assets	2	1	100	1	1	0.0
Changes in:						
• Inventories	-161	-95	69.5	-49	-54	-9.3
• Trade receivables	-256	-194	32.0	8	51	-84.3
• Trade payables	114	16	> 100	25	-37	-
• Provisions for pensions and similar obligations	-37	-9	> 100	-18	-15	20.0
• Other assets, liabilities and provisions	147	64	> 100	87	79	10.1
Cash flows from operating activities [1]	**1,305**	**912**	**43.1**	**528**	**490**	**7.8**
Investing activities						
Proceeds from disposals of property, plant and equipment	4	22	-81.8	3	14	-78.6
Capital expenditures on intangible assets	-16	-31	-48.4	-6	-13	-53.8
Capital expenditures on property, plant and equipment	-813	-712	14.2	-262	-229	14.4
Other investing activities	-1	1	-	0	2	-100
Cash used in investing activities	**-826**	**-720**	**14.7**	**-265**	**-226**	**17.3**
Financing activities						
Dividends paid to shareholders and non-controlling interests	-329	-251	31.1	0	0	0.0
Receipts from loans	1,001	208	> 100	1,000	-7	-
Repayments of loans [2]	-1,153	-209	> 100	-945	0	-
Other financing activities	1,772	151	> 100	1,674	66	> 100
Cash provided by financing activities	**1,291**	**-101**	**-**	**1,729**	**59**	**> 100**
Net increase (decrease) in cash and cash equivalents	**1,770**	**91**	**> 100**	**1,992**	**323**	**> 100**
Effects of foreign exchange rate changes on cash and cash equivalents	-4	-3	33.3	1	-19	-
Cash and cash equivalents as at beginning of period	799	636	25.6	572	420	36.2
Cash and cash equivalents as at end of period	**2,565**	**724**	**> 100**	**2,565**	**724**	**> 100**

[1] Excluding interest payments, cash flows from operating activities for the period from 01/01 to 09/30/2016 amount to EUR 1,486 m (prior year: EUR 1,342 m).
[2] Including EUR 96 m in cash inflows from cross-currency swaps terminated early in connection with the voluntary prepayment of the loan tranches.

5. Consolidated statement of changes in equity

No. 019

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, 2015	**600**	**1,600**	**-1,276**	**-109**	**-75**	**1**	**-554**	**187**	**71**	**258**
Net income			521					521	12	533
Other comprehensive income (loss)			0	-1	53	-1	37	88	3	91
Total comprehensive income (loss) for the period	**0**	**0**	**521**	**-1**	**53**	**-1**	**37**	**609**	**15**	**624**
Dividends			-250					-250	-1	-251
Total amount of transactions with shareholders	**0**	**0**	**-250**					**-250**	**-1**	**-251**
Balance as at September 30, 2015	**600**	**1,600**	**-1,005**	**-110**	**-22**	**0**	**-517**	**546**	**85**	**631**
Balance as at January 01, 2016	**666**	**2,348**	**-935**	**-79**	**-29**	**0**	**-491**	**1,480**	**88**	**1,568**
Net income			672					672	9	681
Other comprehensive income (loss)				-12	31	0	-382	-363	-3	-366
Total comprehensive income (loss) for the period	**0**	**0**	**672**	**-12**	**31**	**0**	**-382**	**309**	**6**	**315**
Dividends			-328					-328	-1	-329
Total amount of transactions with shareholders	**0**	**0**	**-328**					**-328**	**-1**	**-329**
Balance as at September 30, 2016	**666**	**2,348**	**-591**	**-91**	**2**	**0**	**-873**	**1,461**	**93**	**1,554**

6. Consolidated segment information

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

No. 020

	Automotive		Industrial		Total	
	1st nine months		1st nine months		1st nine months	
in € millions	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue	7,703	7,511	2,274	2,447	9,977	9,958
Cost of sales	-5,505	-5,449	-1,620	-1,704	-7,125	-7,153
Gross profit	2,198	2,062	654	743	2,852	2,805
EBIT	1,103	1,007	173	244	1,276	1,251
• in % of revenue	14.3	13.4	7.6	10.0	12.8	12.6
Depreciation, amortization and impairments	-398	-368	-143	-146	-541	-514
Inventories [1)]	1,254	1,151	704	662	1,958	1,813
Trade receivables [1)]	1,764	1,599	486	520	2,250	2,119
Property, plant and equipment [1)]	3,253	2,948	1,066	1,013	4,319	3,961
Additions to intangible assets and property, plant and equipment	592	564	141	142	733	706

	Automotive		Industrial		Total	
	3rd quarter		3rd quarter		3rd quarter	
in € millions	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue	2,524	2,442	741	795	3,265	3,237
Cost of sales	-1,807	-1,762	-526	-554	-2,333	-2,316
Gross profit	717	680	215	241	932	921
EBIT	364	356	53	77	417	433
• in % of revenue	14.4	14.6	7.2	9.7	12.8	13.4
Depreciation, amortization and impairments	-136	-123	-47	-48	-183	-171
Inventories [1)]	1,254	1,151	704	662	1,958	1,813
Trade receivables [1)]	1,764	1,599	486	520	2,250	2,119
Property, plant and equipment [1)]	3,253	2,948	1,066	1,013	4,319	3,961
Additions to intangible assets and property, plant and equipment	216	213	48	58	264	271

Prior year information presented based on 2016 segment structure.
[1)] Amounts as at September 30.

7. Condensed notes to the consolidated interim financial statements

Reporting entity

Schaeffler AG, Herzogenaurach, is a publicly listed corporation domiciled in Germany with its registered office located at Industriestraße 1–3, 91074 Herzogenaurach. The company was founded on April 19, 1982, and is registered in the Commercial Register of the Fürth Local Court (HRB No. 14738). The condensed consolidated financial statements of Schaeffler AG as at September 30, 2016 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 global integrated automotive and industrial supplier.

Basis of preparation

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

The consolidated interim financial statements of Schaeffler AG, Herzogenaurach, for the reporting period ended September 30, 2016 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 2015 consolidated financial statements, where the latter are discussed in detail. Except as described below, these accounting policies have been applied consistently in these consolidated interim financial statements.

In the past, customer payments for development services were presented in the consolidated income statement as service revenue. Starting in 2016, these customer payments are netted against the related development costs and reported under research and development expenses in the consolidated income statement. Figures for the comparison period, the first nine months of 2015, for revenue (decrease of EUR 24 m) and research and development expenses (decrease of EUR 24 m) were adjusted retrospectively. The change was made to provide better financial information and to bring the presentation into line with common industry practice.

The amendments to and new requirements of IFRS effective starting in 2016 do not have a significant impact on these consolidated interim financial statements.

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, 2015. 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.

Foreign currency translation
The exchange rates between the group's most significant currencies and the Euro are as follows:

Selected foreign exchange rates No. 021

	Closing rates			Average rates	
				1st nine months	
1 Euro equals	09/30/2016	12/31/2015	09/30/2015	2016	2015
BRL (Brazil)	3.63	4.31	4.48	3.97	3.52
CNY (China)	7.45	7.06	7.12	7.34	6.97
USD (U.S.A.)	1.12	1.09	1.12	1.12	1.11
KRW (Korea)	1,233.29	1,280.78	1,328.27	1,296.20	1,251.77
INR (India)	74.56	72.02	73.48	74.91	70.85
MXN (Mexico)	21.75	18.91	18.98	20.41	17.35

Scope of consolidation

The consolidated financial statements of Schaeffler AG as at September 30, 2016 cover, in addition to Schaeffler AG, 152 (December 31, 2015: 153) subsidiaries; 51 (December 31, 2015: 51) entities are domiciled in Germany and 101 (December 31, 2015: 102) in other countries.

The scope of consolidation of Schaeffler AG did not change significantly compared to the consolidated financial statements of the Schaeffler Group as at December 31, 2015.

In the consolidated financial statements as at September 30, 2016, five (December 31, 2015: five) investments (including two joint ventures; December 31, 2015: two) are accounted for at equity.

Current/Non-current financial debt

Financial debt (current/non-current) No. 022

	09/30/2016			12/31/2015		
in € millions	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	984	2	982	635	3	632
Bonds	4,453	1,803	2,650	5,048	0	5,048
Other financial debt	4	0	4	5	0	5
Financial debt	**5,441**	**1,805**	**3,636**	**5,688**	**3**	**5,685**

The decrease in financial debt compared to December 31, 2015 was primarily attributable to prepayments and redemptions as well as refinancing transactions as well as the impact of translating the financial debt denominated in U.S. Dollar to Euro.

In May 2016 Schaeffler AG voluntarily prepaid approximately EUR 229 m of its institutional loan tranches. The company paid off EUR 85 m of its Senior Term Loan B EUR and USD 160 m of its Senior Term Loan B USD.

In July 2016, Schaeffler AG refinanced its institutional loan tranches. The new loan agreement consists of a EUR 1.0 bn term loan and a EUR 1.3 bn revolving credit facility. The funds were used to repay the existing loan tranches totaling approximately EUR 417 m. The company paid off EUR 165 m of its Senior Term Loan B EUR and USD 280 m of its Senior Term Loan B USD. A further portion of the funds was used to fully redeem EUR bonds totaling EUR 600 m originally due in May 2018.

In connection with the early redemption of bonds in October 2016, three bond issues totaling EUR 1.8 bn, including prepayment penalties incurred, were reclassified from non-current to current financial debt. Please refer to the discussion of events after the reporting period for further detail.

Provisions for pensions and similar obligations

Interest rate levels as at September 30, 2016 have declined compared to December 31, 2015. As a result, the Schaeffler Group has adjusted the discount rate used to value its key pension plans as at the reporting date. The Schaeffler Group's average discount rate as at September 30, 2016 amounted to 1.6 % (December 31, 2015: 2.6 %). The resulting remeasurement of the company's obligations under defined benefit pension plans resulted in actuarial losses of EUR 529 m as at September 30, 2016, which were recognized in the consolidated statement of comprehensive income and are reported under accumulated other comprehensive income net of deferred taxes.

Provisions

Non-current provisions decreased by EUR 68 m to EUR 114 m (December 31, 2015: EUR 182 m). The decrease is largely attributable to the reclassification of a portion of non-current provisions to current provisions to reflect their settlement dates.

Current provisions declined by EUR 10 m to EUR 421 m (December 31, 2015: EUR 431 m). The impact of the reclassification described above was offset by utilization of the provision for potential third party claims in connection with the EU antitrust proceedings finalized in March 2014.

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. Investments in associated companies and derivatives subject to hedge accounting are also shown, although they do not fall into any of the IAS 39 measurement categories. No financial instruments were reclassified between categories.

Financial instruments by class and category in accordance with IFRS 7.8 No. 023

			09/30/2016		12/31/2015		09/30/2015	
in € millions	Category per IFRS 7.8	Level per IFRS 13	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets, by class								
Trade receivables	LaR		2,250	2,250	2,023	2,023	2,119	2,119
Other financial assets								
• Investments in associates[1)]	n.a.		3	-	3	-	3	-
• Other investments [2)]	AfS		14	-	17	-	14	-
• Marketable securities	AfS	1	16	16	14	14	12	12
• Derivatives designated as hedging instruments	n.a.	2	61	61	127	127	42	42
• Derivatives not designated as hedging instruments	HfT	2	120	120	235	235	429	429
• Miscellaneous other financial assets	LaR	1 [3)]	52	52	1,850	1,856	1,940	1,941
Cash and cash equivalents	LaR		2,565	2,565	799	799	724	724
Financial liabilities, by class								
Financial debt	FLAC	1, 2 [4)]	5,441	5,573	5,688	5,793	6,674	6,679
Trade payables	FLAC		1,406	1,406	1,405	1,405	1,266	1,266
Other financial liabilities								
• Derivatives designated as hedging instruments	n. a.	2	8	8	16	16	29	29
• Derivatives not designated as hedging instruments	HfT	2	35	35	33	33	35	35
• Miscellaneous other financial liabilities	FLAC		575	575	475	475	574	574
Summary by category								
Available-for-sale financial assets (AfS)			30	-	31	-	26	-
Financial assets held for trading (HfT)			120	-	235	-	429	-
Loans and receivables (LaR)			4,867	-	4,672	-	4,783	-
Financial liabilities at amortized cost (FLAC)			7,422	-	7,568	-	8,514	-
Financial liabilities held for trading (HfT)			35	-	33	-	35	-

1) Equity-accounted investees.
2) Investments accounted for at cost.
3) Non-current loans receivable classified as Level 2: December 31, 2015: EUR 1,773 m and September 30, 2015: EUR 1,885 m.
4) Level 1: EUR 4,567 m (December 31, 2015: EUR 5,069 m; September 30, 2015: EUR 0); Level 2: EUR 1,006 m EUR (December 31, 2015: EUR 724 m; September 30, 2015: EUR 6,679 m).

The carrying amounts of trade receivables, miscellaneous other financial assets and cash and cash equivalents, trade payables, as well as miscellaneous other financial liabilities are assumed to equal their fair value due to the short maturities of these instruments. The fair value of the loan receivable included in miscellaneous other financial assets as at December 31, 2015 (EUR 1,773 m) and September 30, 2015 (EUR 1,885 m) was determined separately.

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. There were no partial disposals of such investments in the first nine months of 2016, and no (partial) disposals are planned in the foreseeable future.

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

- Level 1: The fair value of marketable securities as well as bonds payable included in financial debt is determined using the exchange-quoted price as at the reporting date.
- 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. Embedded derivatives are measured using a Hull-White model. Key inputs to this model are interest rates, volatilities, and credit default swap rates (CDS rates).

  The fair value of financial debt (except for the publicly listed bonds payable) is the present value of expected cash in- or outflows discounted using risk-adjusted discount rates that are appropriate to the term of the item being valued and that are in effect at the end of the reporting period.
- Level 3: The Schaeffler Group does not have any financial instruments in this level.

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

Contingent liabilities

The statements made in the annual report 2015 with respect to contingent liabilities in connection with investigations for possible agreements violating antitrust law and third party claims for damages as well as legal cases are largely unchanged.

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 division and Industrial division segments is comparable, prior year information is also presented using the current year's customer and product structure.

Since January 01, 2016, the Industrial division segment is primarily managed by the regions due to its broad customer and business structure. On the basis, the Europe, Americas, Greater China, and Asia/Pacific regions operate as profit centers responsible for the Industrial business in their respective markets. Within the regions, the Industrial business is grouped into eight sectors: wind, raw materials, aerospace, rail, offroad, two wheelers, power transmission, and industrial automation. Sales to distributors (Industrial Distribution) round out the Industrial division's regional business.

Reconciliation of segment information No. 024

	1st nine months	
Reconciliation to earnings before income taxes in € millions	**2016**	**2015**
EBIT Automotive 1)	1,103	1,007
EBIT Industrial 1)	173	244
EBIT	**1,276**	**1,251**
Financial result	-320	-462
Earnings before income taxes	**956**	**789**

1) Prior year information presented based on 2016 segment structure.

Related parties

Except for the items described below, the extent of transactions with related persons and entities remained largely unchanged compared to the 2015 consolidated financial statements.

The EUR 1,773 m loan receivable from IHO Verwaltungs GmbH (until September 27, 2016: Schaeffler Verwaltung Zwei GmbH) as at December 31, 2015 was fully repaid in two partial payments made in May and September of 2016. Interest income earned on this loan in 2016 amounted to EUR 49 m.

On April 22, 2016, the Schaeffler AG annual general meeting declared a total dividend of EUR 328 m in respect of 2015, including EUR 245 m on the common shares held by IHO Verwaltungs GmbH.

Transactions with associated companies and joint ventures in the first nine months of 2016 were insignificant.

Events after the reporting period

On October 07, 2016, the Schaeffler Group fully redeemed the USD bonds with a principal of USD 850 m, a coupon of 4.75 %, and an original maturity of 2021. On October 13, 2016, the company fully redeemed two EUR bond series with a principal of EUR 500 m each, a coupon of 3.25 % and 2.75 %, respectively, and an original maturity of 2019. The redemptions were largely funded using the proceeds of the prepayment in full of a loan receivable from the company's shareholder IHO Verwaltungs GmbH in September 2016.

On November 07, 2016, the Board of Managing Directors of Schaeffler AG has decided to step-up its efficiency measures aimed at revitalizing the Industrial division. Following the first wave of cost reduction measures comprising the "CORE" program, which focus on Germany and have largely been implemented, a second wave of measures will also cover regions outside of Germany as well as functional areas that are not directly part of the Industrial division. The measures are designed to improve the results of the entire Industrial division for the long-term by further streamlining the structure of the Industrial business and reducing production and administrative costs. The company plans to consolidate the plant structures in the Europe and Americas regions and reduce the workforce in Industrial-related administrative departments. The second wave is expected to reduce the workforce by a total of approximately 500 jobs.

No other material events expected to have a significant impact on the results of operations, financial position, or net assets of the Schaeffler Group occurred after September 30, 2016.

Herzogenaurach, November 07, 2016

The Board of Managing Directors

Additional information

Summary 1st quarter 2015 to 3rd quarter 2016

No. 025

	2015				2016		
Income statement (in € millions)	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Revenue	3,339	3,382	3,237	3,221	3,343	3,369	3,265
EBIT	434	384	433	151	421	438	417
• in % of revenue	13.0	11.4	13.4	4.7	12.6	13.0	12.8
EBIT before special items [1]	441	384	433	418	421	438	417
• in % of revenue	13.2	11.4	13.4	13.0	12.6	13.0	12.8
Net income [2]	167	142	212	70	253	241	178
Earnings per common non-voting share (basic/diluted, in €) [3]	0.42	0.36	0.53	0.11	0.38	0.37	0.27
Statement of financial position (in € millions)							
Total assets	12,844	12,221	12,450	12,480	12,607	12,554	12,862
Shareholders' equity [4]	418	532	631	1,568	1,609	1,425	1,554
• in % of total assets	3.3	4.4	5.1	12.6	12.8	11.4	12.1
Net financial debt	6,190	6,245	5,950	4,889	4,909	4,874	2,876
• Net financial debt to EBITDA ratio before special items [1] [5]	2.7	2.7	2.6	2.1	2.1	2.0	1.2
Statement of cash flows (in € millions)							
EBITDA	604	557	604	331	598	619	600
• in % of revenue	18.1	16.5	18.7	10.3	17.9	18.4	18.4
EBITDA before special item [1]	611	557	604	598	598	619	600
•in % of revenue	18.3	16.5	18.7	18.6	17.9	18.4	18.4
Cash flows from operating activities	184	238	490	460	206	571	528
Capital expenditures (capex) [6]	244	257	242	282	318	243	268
• in % of revenue (capex ratio)	7.3	7.6	7.5	8.8	9.5	7.2	8.2
Free cash flow	-60	-12	264	178	-112	328	263
Value added							
ROCE before special items (in %) [1] [5]	22.8	22.2	21.9	22.5	22.1	22.5	21.9
Schaeffler Value Added before special items [1] [5]	896	878	870	931	906	951	920
Employees							
Headcount (at end of reporting period)	83,331	83,774	84,414	84,198	85,016	85,225	86,029
Automotive (in € millions) [7]							
Revenue	2,515	2,554	2,442	2,466	2,576	2,603	2,524
EBIT	343	308	356	128	372	367	364
• in % of revenue	13.6	12.1	14.6	5.2	14.4	14.1	14.4
EBIT before special items [1]	350	308	356	359	372	367	364
• in % of revenue	13.9	12.1	14.6	14.6	14.4	14.1	14.4
Industrial (in € millions) [7]							
Revenue	824	828	795	755	767	766	741
EBIT	91	76	77	23	49	71	53
• in % of revenue	11.0	9.2	9.7	3.0	6.4	9.3	7.2
EBIT before special items [1]	91	76	77	59	49	71	53
• in % of revenue	11.0	9.2	9.7	7.8	6.4	9.3	7.2

1) EBIT, debt to EBITDA ratio, EBITDA, ROCE, and Schaeffler Value Added before special items for legal cases and restructuring.
2) Attributable to shareholders of the parent company.
3) Earnings per share were calculated in accordance with IAS 33.
4) Including non-controlling interests.
5) EBIT/EBITDA based on the last twelve months.
6) Capital expenditures on intangible assets and property, plant and equipment.
7) Prior year information presented based on 2016 segment structure.

List of figures

Contact details/imprint

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

Both language versions of the interim financial report can be downloaded from the internet at www.schaeffler.com/ir.

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Financial calendar

Publication of results for the first nine months 2016

November 09, 2016

Publication of annual results 2016

March 08, 2017

Publication of results for the first three months 2017

May 11, 2017

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