SCHAEFFLER

H1 | Mobility for tomorrow

Interim Financial Report as at June 30, 2016

Technological Expertise and Systems Know-how

Schaeffler Group at a glance

Key figures

Income statement (in € millions)	1st six months 2016	2015		Change
Revenue	6,712	6,721	-0.1	%
• at constant currency			2.9	%
EBIT	859	818	5.0	%
• in % of revenue	12.8	12.2	0.6	%-pts.
EBIT before special items [1]	859	825	4.1	%
• in % of revenue	12.8	12.3	0.5	%-pts.
Net income [2]	494	309	59.9	%
Earnings per common non-voting share (basic/diluted, in €) [3]	0.75	0.78	-3.8	%
Statement of financial position (in € millions)	**06/30/2016**	**12/31/2015**		Change
Total assets	12,554	12,480	0.6	%
Shareholders' equity [4]	1,425	1,568	-143	€ millions
• in % of total assets	11.4	12.6	-1.2	%-pts.
Net financial debt	4,874	4,889	-0.3	%
• Net financial debt to EBITDA ratio before special items) [1) 5)]	2.0	2.1		

Statement of cash flows (in € millions)	1st six months 2016	2015		Change
EBITDA	1,217	1,161	4.8	%
• in % of revenue	18.1	17.3	0.8	%-pts.
EBITDA before special items [1]	1,217	1,168	4.2	%
• in % of revenue	18.1	17.4	0.7	%-pts.
Cash flows from operating activities	777	422	355	€ millions
Capital expenditures (capex) [6]	561	501	60	€ millions
• in % of revenue (capex ratio)	8.4	7.5	0.9	%-pts.
Free cash flow	216	-72	288	€ millions

Value added	1st six months 2016	2015		Change
ROCE (return on capital employed, in %) [5]	19.0	21.4	-2.4	%-pts.
ROCE before special items (in %) [1) 5)]	22.5	22.2	0.3	%-pts.
Schaeffler Value Added [5]	684	821	-16.7	%
Schaeffler Value Added before special items [1) 5)]	951	878	8.3	%
Employees	**06/30/2016**	**06/30/2015**		Change
Headcount	85,225	83,774	1.7	%

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.

Automotive (in € millions)	1st six months 2016	2015		Change
Revenue	5,179	5,069	2.2	%
• at constant currency			5.4	%
EBIT	739	651	13.5	%
• in % of revenue	14.3	12.8	1.5	%-pts.
EBIT before special items [1]	739	658	12.3	%
• in % of revenue	14.3	13.0	1.3	%-pts.

Industrie (in € millions)	1st six months 2016	2015		Change
Revenue	1,533	1,652	-7.2	%
• at constant currency			-4.9	%
EBIT	120	167	-28.1	%
• in % of revenue	7.8	10.1	-2.3	%-pts.
EBIT before special items [1]	120	167	-28.1	%
• in % of revenue	7.8	10.1	-2.3	%-pts.

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

Highlights H1 2016

Revenue increased slightly

Revenue at EUR **6.7** bn
(2.9 % at constant currency)

Earnings quality strong

EBIT margin at **12.8** %
(prior year: 12.3 % before special items)

Free cash flow raised considerably

Free cash flow at EUR **216** m
(prior year: EUR -72 m)

Implementation of CORE project on schedule

Industrial EBIT margin for 2nd quarter improved to **9.3** % (1st quarter: 6.4 %)

Contents

Schaeffler on the capital markets

Recent events – second quarter

Schaeffler AG advances to MDAX
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.

Capital structure improved, rating upgraded
Schaeffler AG entered into a new loan agreement with significantly improved terms on July 18, 2016. The funds will be used to repay the previous loan agreement and to redeem the EUR-denominated bonds 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 and is provided by a consortium of 15 international banks. In addition to offering considerably lower interest rates and significantly better credit terms, the new loan agreement also allows for the release of nearly all assets pledged as in rem security, reflecting the continued improvement in the Schaeffler Group's credit standing.

Schaeffler AG is targeting an investment grade rating in the medium term. This objective was first communicated at the annual general meeting on April 22, 2016.

Schaeffler AG's first capital markets day
At its first capital markets day since its successful listing in October 2015, which was held on July 20, 2016, Schaeffler AG presented its plans for growth and its financial ambitions for the coming years. The group stated that it plans to increase revenue before the impact of currency translation by an average of 4 to 6 % per year by 2020. The targeted EBIT margin of 12 to 13 % is designed to maintain the company's high earnings quality. The company also intends to consistently further deleverage using internal sources. It is targeting an investment grade rating in the medium term.

Schaeffler shares

International capital market trends were characterized by volatile prices during the first half of 2016. The turmoil in the Middle East, but even more so the economic weakness in Asia and the resulting crisis in the international commodity markets, led to falling prices. The referendum in the United Kingdom and the planned exit from the European Union also contributed to the turbulence in the capital markets. In this environment, the DAX closed the second quarter of 2016 down 2.9 % from the first quarter of 2016.

Schaeffler share performance (ISIN: DE000SHA0159)

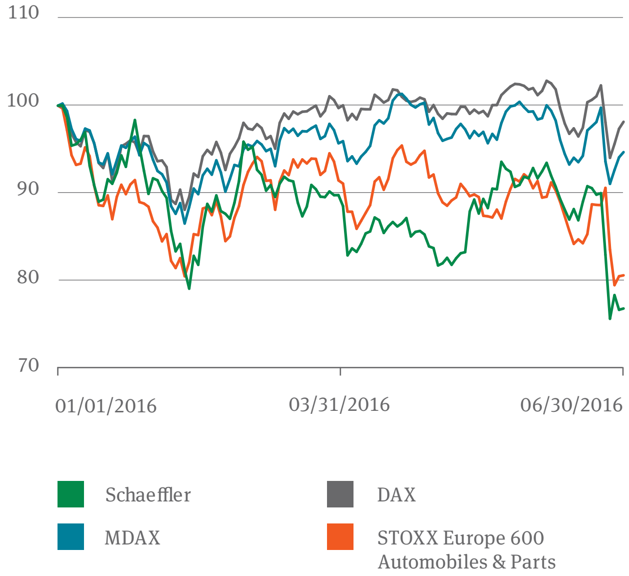
	1st six months	
	2016	Change in %
Schaeffler share (Xetra price in €)	11.85	-27.1
DAX	9,680	-9.9
SDAX	19,843	-4.5
STOXX Europe 600 Automobiles & Parts	424	-25.0

	1st six 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	0.74	0.46
• Common non-voting shares	0.75	0.78

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

Schaeffler share price

in percent (12/31/2015 = 100)



On June 30, 2016, the common non-voting shares of Schaeffler AG were quoted at EUR 11.85, approximately 16.1 % less than on March 31, 2016. Schaeffler's shares did not escape the below-average trend in automotive sector equities compared to the DAX and the MDAX and performed approximately in line with the European Euro Stoxx Automobiles & Parts sector index (-15.5 % compared to March 31, 2016). The share price reached its high on May 24, 2016 (EUR 14.80) and its low on June 27, 2016 (EUR 11.65). The Schaeffler shares were quoted at EUR 13.05 on July 29, 2016.

Schaeffler bonds and ratings

The Schaeffler Group has nine series of bonds outstanding at the end of June 2016, six of them denominated in EUR and three in USD. The EUR bonds with a maturity of May 2018 are scheduled for redemption on August 18, 2016. All of the bonds were issued by Schaeffler Finance B.V., Barneveld, Netherlands. Please refer to pages 20 et seq. for further detail on the company's bonds.

The premium for Schaeffler AG 5-year credit default swaps decreased slightly from 225 basis points at March 31, 2016, to 208 basis points as at June 30, 2016.

The rating agency Standard & Poor's upgraded the Schaeffler AG's company rating to BB with a stable outlook on April 28, 2016, while the rating for the secured bonds was raised to BB and the rating for the unsecured bonds to B+. On July 20, 2016, rating agency Moody's upgraded the unsecured bond rating to Ba3. The upgrade reflects the improved position of the unsecured bonds following the release of nearly all assets pledged as in rem security under the secured bond agreements. The release of such security was agreed upon in connection with the new loan agreement entered into on July 18, 2016.

Schaeffler Group ratings

	Company		Bonds secured	Bond unsecured
Schaeffler Group ratings	Rating	Outlook	Rating	Rating
Standard & Poor's	BB	stable	BB	B+
Moody's	Ba2	stable	Ba2	Ba3

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 experienced weakened and more fragile momentum overall during the first half of 2016. In the U.S., the weak start to the year was more recently followed by indications of an economic upturn. The moderate recovery in the Euro region persisted during the early months of this year, while preliminary information indicates a somewhat less dynamic economic momentum in the second quarter. The gradual slowing of the economy in China continued during the reporting period.

Compared to the prior year, global gross domestic product[1] grew by 3.0 % during the reporting period (Oxford Economics, July 2016). Europe region[2] gross domestic product increased by 3.0 %, as well. The economy in the Americas region[2] stagnated, generating a growth rate of 0.9 %, while the Greater China region[2] expanded by 6.1 %. Asia/Pacific region[2] gross domestic product was up 2.6 %.

In the currency markets, the Euro rose against the U.S. Dollar and the Chinese Renminbi, closing at USD 1.11 on June 30, 2016 (December 31, 2015: USD 1.09; June 30, 2015: USD 1.12). Please refer to page 34 for additional key exchange rates.

Global automobile production, measured as the number of vehicles up to six tons in weight produced, increased by 2.2 % during the reporting period (IHS, July 2016). Automobile production in Schaeffler's Europe region for the reporting period was up 4.3 %. Certain countries (including Spain, the United Kingdom, and Turkey) generated double-digit growth rates, while Germany only grew slightly faster overall than the regional average, despite a strong second quarter. Automobile production in the Americas region stagnated at the prior year level during the reporting period, as an encouraging trend in the U.S. and Canada was offset by a decline in Mexico and especially in Brazil. Automobile production in the Greater China region increased by 6.0 % during the reporting period. In the Asia/Pacific region, automobile production fell by 3.3 % during the reporting period, with declines reported in Japan as well as in South Korea.

According to preliminary information, global industrial production only reported a low growth rate during the first half of 2016 (Oxford Economics, June 2016, based on constant prices and exchange rates), which was in line with expectations for the year 2016 as a whole. Industrial production in the Europe region rose slightly. Production in the Americas region decreased below the level of the prior year period, as the U.S. and particularly Brazil reported declines. The Greater China region's industrial production was up significantly, while the Asia/Pacific region as a whole saw a slight decline due to a contraction in Japan.

1.2 Course of business

Results of operations – first half 2016

The Schaeffler Group's **revenue** for the first half of 2016 amounted to EUR 6,712 m (-0.1 %; prior year: EUR 6,721 m). Numerous currencies weakening against the Euro had an unfavorable effect on the company's revenue trend during the first six months. Excluding the impact of currency translation, revenue rose by 2.9 %. The Automotive division contributed revenue growth of 5.4 %, excluding the impact of currency translation. The Industrial division, on the other hand, reported a decline in revenue of 4.9 % for the first half of 2016, excluding the impact of translation.

The Schaeffler Group's **EBIT** increased by EUR 41 m or 5.0 % to EUR 859 m during the reporting period (prior year: EUR 818 m). 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 825 m.

[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 half of 2016, including automobile production.
[2] Schaeffler Group region.

Consequently, Schaeffler's adjusted EBIT margin improved by 0.5 percentage points to 12.8 % (prior year: 12.3 %), due primarily to the volume- and mix-based increase in the Automotive division's margin to 14.3 %. The Industrial division's EBIT margin, however, declined to 7.8 %.

Free cash flow for the first six months of 2016 amounted to EUR 216 m, EUR 288 m more than the prior year amount of EUR -72 m. This increase was driven by cash flows from operating activities, which rose from EUR 422 m to EUR 777 m. However, the prior year amount was affected by the prepayment penalty of EUR 173 m paid in connection with the refinancing transactions. Capital expenditures (capex) increased from EUR 501 m to EUR 561 m for the first half of 2016.

Return on average capital employed (ROCE), based on the last twelve months, amounted to 19.0 % (prior year: 21.4 %). ROCE before special items was 22.5 %, higher than in the prior year (prior year: 22.2 %). The increase is primarily due to an improvement in adjusted EBIT.

Major events – first half 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.

On April 05, 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.

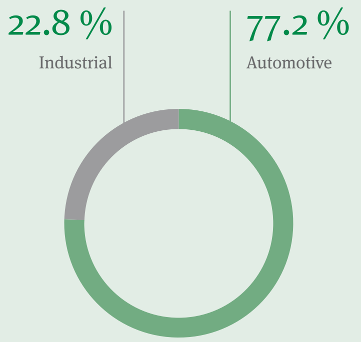
The rating agency Standard & Poor's upgraded the Schaeffler AG's company rating to BB with a stable outlook on April 28, 2016, while the rating for the secured bonds was raised to BB and the rating for the unsecured bonds to B+.

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 have been listed on the Frankfurt Stock Exchange since October 09, 2015, and were added to the SDAX last December.

1.3 Earnings

Schaeffler Group earnings

Revenue EUR 6,712 m



EBIT before special items EUR 859 m

Revenue up 2.9 % at constant currency // Revenue growth largely driven by higher volumes in Automotive // Increased R&D activities to create new technologies and innovations

Schaeffler Group earnings No. 001

	1st six months			2nd quarter		
in € millions	**2016**	**2015**	Change in %	**2016**	**2015**	Change in %
Revenue	**6,712**	**6,721**	**-0.1**	**3,369**	**3,382**	**-0.4**
• at constant currency			2.9			3.3
Revenue by division						
Automotive	5,179	5,069	2.2	2,603	2,554	1.9
• Share of revenue in %	77.2	75.4		77.3	75.5	
Industrial	1,533	1,652	-7.2	766	828	-7.5
• Share of revenue in %	22.8	24.6		22.7	24.5	
Revenue by region 1)						
Europe	3,679	3,627	1.4	1,863	1,801	3.4
• Share of revenue in %	54.8	54.0		55.3	53.3	
Americas	1,417	1,499	-5.5	711	751	-5.3
• Share of revenue in %	21.1	22.3		21.1	22.2	
Greater China	939	931	0.9	463	480	-3.5
• Share of revenue in %	14.0	13.8		13.7	14.2	
Asia/Pacific	677	664	2.0	332	350	-5.1
• Share of revenue in %	10.1	9.9		9.9	10.3	
Cost of sales	-4,792	-4,837	-0.9	-2,393	-2,439	-1.9
Gross profit	1,920	1,884	1.9	976	943	3.5
Functional expenses 2)	-1,046	-1,019	2.6	-530	-517	2.5
Earnings before financial result and income taxes (EBIT)	**859**	**818**	**5.0**	**438**	**384**	**14.1**
• in % of revenue	12.8	12.2	-	13.0	11.4	-
EBIT before special items 3)	**859**	**825**	**4.1**	**438**	**384**	**14.1**
• in % of revenue	12.8	12.3	-	13.0	11.4	-
Financial result	-153	-337	-54.6	-88	-161	-45.3
Income taxes	-206	-165	24.8	-106	-76	39.5
Net income 4)	494	309	59.9	241	142	69.7
Earnings per common non-voting share (basic/diluted, in €)	0.75	0.78	-3.8	0.37	0.36	2.8

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 6.7 bn

The Schaeffler Group generated EUR 6,712 m (-0.1 %; prior year: EUR 6,721 m) in revenue in the first half of 2016. Excluding the impact of currency translation, revenue grew by 2.9 %. The Automotive division contributed revenue growth of 5.4 % excluding the impact of translation, exceeding global growth in the production of passenger cars and light commercial vehicles of 2.2 %. The Industrial division, on the other hand, reported a decline in revenue of 4.9 % for the first half of the year, excluding the impact of translation.

Schaeffler Group revenue by region No. 002

in percent by market view

Trends in the four Schaeffler Group regions' revenue differed. Revenue in Schaeffler's Europe region was up slightly by 1.4 % (+2.7 % 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 5.5 % (+0.3 % at constant currency), including, in particular, the unfavorable impact of currency translation. The declining business in Brazil and lower Industrial revenue in the U.S. also held back revenue. The revenue trend in the Greater China and Asia/Pacific regions remained positive. Despite the unfavorable impact of currency translation, these regions' revenue increased by 0.9 % (+5.3 % at constant currency) and 2.0 % (+5.9 % at constant currency), respectively, driven by the Automotive division in both regions.

Cost of sales decreased by 0.9 % to EUR 4,792 m (prior year: EUR 4,837 m) in the first half of 2016. Gross profit improved by a total of EUR 36 m or 1.9 % to EUR 1,920 m (prior year: EUR 1,884 m). The company's gross margin of 28.6 % was ahead of the prior year period (prior year: 28.0 %), with cost increases, largely due to collectively bargained wage increases, more than offset primarily by the positive impact of volumes on fixed costs and by increased production efficiency. Lower raw materials prices also had a positive effect on gross margin.

Research and development expenses increased by 8.0 % to EUR 378 m (prior year: EUR 350 m) or 5.6 % (prior year: 5.2 %) of revenue during the reporting period. Besides cost increases due to inflation, the increase is primarily due to a focused increase in headcount in product and systems development in the Automotive division.

Selling and administrative expenses of EUR 668 m were in line with prior year (prior year: EUR 669 m). Total functional costs rose by 2.6 % to EUR 1,046 m (prior year: EUR 1,019 m), growing to 15.6 % of revenue (prior year: 15.2 %).

EBIT margin

12.8 %

EBIT increased by EUR 41 m or 5.0 % to EUR 859 m (prior year: EUR 818 m) during the reporting period. The Schaeffler Group's EBIT margin was 12.8 % (prior year: 12.2 %). 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 825 m and its prior year EBIT margin to 12.3 %. Adjusted for special items, the EBIT margin improved by 0.5 percentage points to 12.8 %. The increase in EBIT margin was attributable to higher gross profit, driven primarily by higher volumes and lower production cost. Functional costs, particularly research and development expenses, had an offsetting effect.

The Schaeffler Group's financial result improved by EUR 184 m to EUR -153 m (prior year: EUR -337 m) in the first six months of 2016.

Schaeffler Group financial result No. 003

	1st six months	
in € millions	**2016**	**2015**
Interest expense on financial debt 1)	-145	-362
Interest income on shareholder loans	33	32
Foreign exchange gains and losses	26	-153
Fair value changes and compensation payments on derivatives	-21	174
Fair value changes on embedded derivatives	-28	-11
Interest income and expense on pensions and partial retirement obligations	-22	-21
Other	4	4
Total	**-153**	**-337**

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

Interest expense on financial debt amounted to EUR 145 m in the first six months of 2016 (prior year: EUR 362 m) and includes EUR 25 m in amortization of transaction costs and prepayment penalties related to the refinancing transaction in July 2016. Please refer to the supplementary report for further detail. The prior year amount included a prepayment penalty of EUR 173 m for the early redemption of bonds.

Interest income on loans to shareholders was EUR 33 m (prior year: EUR 32 m).

Foreign exchange gains on financial assets and liabilities amounted to EUR 26 m (prior year: losses of EUR 153 m) and resulted primarily from translating financing instruments denominated in U.S. Dollar to Euro (see condensed notes to the consolidated interim financial statements Current and non-current financial debt). The company has hedged this financial debt using cross-currency derivatives and reports the resulting offsetting impact of EUR -21 m (prior year: EUR 174 m) under fair value changes and compensation payments on derivatives.

Fair value changes on embedded derivatives, primarily prepayment options for external financing instruments, resulted in net losses of EUR 28 m (prior year: EUR 11 m).

Income tax expense amounted to EUR 206 m in the first six months of 2016 (prior year: EUR 165 m), representing an effective tax rate of 29.2 % (prior year: 34.3 %). The decrease in the tax rate is primarily due to lower non-deductible expenses and the one-time effect of a refinancing transaction in the prior year.

Net income attributable to shareholders of the parent company for the first half of 2016 amounted EUR 494 m (prior year: EUR 309 m).

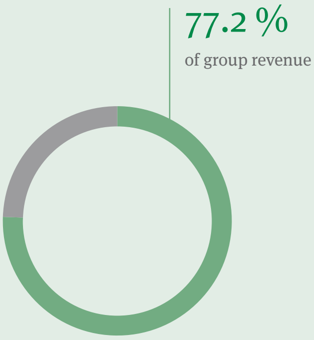
Basic and diluted earnings per common share for the first six months increased to EUR 0.74 (prior year: EUR 0.46) in 2016. Basic and diluted earnings per common non-voting share amounted to EUR 0.75 (prior year: EUR 0.78). The number of shares used to calculate earnings per common share and earnings 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 six months of 2015 were calculated using proportionate net income based on 166 million common non-voting shares.

Automotive division

Revenue EUR 5,179 m

EBIT before special items EUR 739 m



Revenue growth outpaced increase in global automobile production // Above-average increase in Aftermarket revenue // Higher gross margin reflects profitable growth // Increased R&D activities to create new technologies and innovations

Automotive division earnings No. 004

in € millions	1st six months 2016	1st six months 2015	Change in %	2nd quarter 2016	2nd quarter 2015	Change in %
Revenue	**5,179**	**5,069**	**2.2**	**2,603**	**2,554**	**1.9**
• at constant currency			5.4			5.8
Revenue by business division						
BD Engine Systems	1,324	1,321	0.2	671	661	1.5
• Share of revenue in %	25.6	26.1		25.8	25.9	
BD Transmission Systems	2,180	2,141	1.8	1,074	1,076	-0.2
• Share of revenue in %	42.1	42.2		41.3	42.1	
BD Chassis Systems	774	746	3.8	389	369	5.4
• Share of revenue in %	14.9	14.7		14.9	14.5	
BD Automotive Aftermarket	901	861	4.6	469	448	4.7
• Share of revenue in %	17.4	17.0		18.0	17.5	
Revenue by region 1)						
Europe	2,762	2,696	2.4	1,404	1,340	4.8
• Share of revenue in %	53.3	53.2		53.9	52.4	
Americas	1,133	1,179	-3.9	572	594	-3.7
• Share of revenue in %	21.9	23.3		22.0	23.3	
Greater China	753	692	8.8	369	354	4.2
• Share of revenue in %	14.5	13.6		14.2	13.9	
Asia/Pacific	531	502	5.8	258	266	-3.0
• Share of revenue in %	10.3	9.9		9.9	10.4	
Cost of sales	-3,698	-3,687	0.3	-1,853	-1,862	-0.5
Gross profit	1,481	1,382	7.2	750	692	8.4
EBIT	**739**	**651**	**13.5**	**367**	**308**	**19.2**
• in % of revenue	14.3	12.8	-	14.1	12.1	-
EBIT before special items 2)	**739**	**658**	**12.3**	**367**	**308**	**19.2**
• in % of revenue	14.3	13.0	-	14.1	12.1	-

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 2.2 % to EUR 5,179 m (prior year: EUR 5,069 m) in the first six months of 2016. Excluding the impact of currency translation, the growth rate for the first half of 2016 was 5.4 %. Second-quarter growth amounted to 5.8 %, following 5.0 % in the first quarter of 2016. Global production volumes of passenger cars and light commercial vehicles increased by 2.2 % 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 six months of 2016. The Europe region reported 2.4 % (+3.7 % at constant currency) in additional revenue, slightly less than average regional growth in production volumes (+4.3 %). This was primarily due to projects winding down that were not fully offset by start-ups. The Americas region reported a decline in revenue of 3.9 %, largely due to the unfavorable impact of currency translation. The region's revenue increased by 2.4 % at constant currency while automobile production remained flat with prior year. The Automotive division also expanded its revenue significantly in the Greater China region, mainly through ramp-ups, generating additional revenue of 8.8 % (+14.2 % at constant currency) while that region's vehicle production increased by 6.0 %. The reasons for the increase in Asia/Pacific region revenue by 5.8 % (+9.4 % at constant currency) included ramp-ups, with vehicle production there declining by 3.3 %.

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 half of 2016.

Revenue for the **Engine Systems BD** rose slightly by 0.2 %. Excluding the impact of currency translation, revenue was up 2.4 %. This growth was primarily driven 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. Revenue for the timing drive and valve train components product groups, on the other hand, was below that of the prior year comparison period.

Transmission Systems BD revenue rose by 1.8 % (+4.8 % 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 3.8 % (+6.6 % 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** grew its revenue by 4.6 % (+10.6 % at constant currency) in the first half of 2016. 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). Europe not only reported strong growth in Southern and Western Europe, but also generated considerable additional revenue in Central and Eastern Europe. The main reason behind the higher revenue was increased market coverage as a result of an expanded customer base.

Cost of sales increased by 0.3 % to EUR 3,698 m in the first half of 2016 (prior year: EUR 3,687 m). In total, the Automotive division improved its gross profit by EUR 99 m or 7.2 % to EUR 1,481 m (prior year: EUR 1,382 m). The division's gross margin of 28.6 % was ahead of the prior year comparison period (prior year: 27.3 %). The Automotive division has thus continued its profitable growth, more than offsetting cost increases, primarily due to collectively bargained wage and salary increases, with consistent cost improvements and a more profitable revenue mix. Slightly lower raw materials prices also had a positive effect on gross margin.

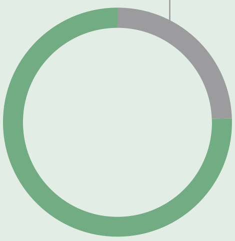
Functional costs increased 4.2 % to EUR 719 m (prior year: EUR 690 m), rising slightly to 13.9 % of revenue (prior year: 13.6 %). The main driver of this increase was the rise in research and development expenses by 10.0 % to EUR 308 m (prior year: EUR 280 m) or 5.9 % (prior year: 5.5 %) of revenue, 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 to hybrid solutions and electric mobility applications. Selling and administrative expenses of EUR 411 m were in line with prior year (+0.2 %; prior year: EUR 410 m).

Automotive division EBIT grew by 13.5 % to EUR 739 m (prior year: EUR 651 m) during the reporting period, and its EBIT margin increased to 14.3 % (prior year: 12.8 %). Expenses for legal cases of EUR 7 m were recognized in the first half of 2015. Excluding this special item, prior year EBIT amounted to EUR 658 m or 13.0 % of revenue. The EBIT margin adjusted for special items thus improved by 1.3 percentage points to 14.3 %, primarily due to the volume- and mix-based improvement in gross margin. Enhanced production efficiency and lower raw materials expenses also contributed to the increase. Functional costs, particularly research and development expenses, had an offsetting effect.

Industrial division

Revenue EUR 1,533 m

EBIT before special items EUR 120 m



Revenue at constant currency decreased in all regions // Margin decline mainly driven by lower sales volumes and less profitable revenue mix

Industrial division earnings

No. 005

in € millions	1st six months 2016	1st six months 2015	Change in %	2nd quarter 2016	2nd quarter 2015	Change in %
Revenue	**1,533**	**1,652**	**-7.2**	**766**	**828**	**-7.5**
• at constant currency			-4.9			-4.3
Revenue by region [1]						
Europe	917	931	-1.5	459	461	-0.4
• Share of revenue in %	59.8	56.3		59.9	55.7	
Americas	284	320	-11.3	139	157	-11.5
• Share of revenue in %	18.6	19.4		18.1	19.0	
Greater China	186	239	-22.2	94	126	-25.4
• Share of revenue in %	12.1	14.5		12.3	15.2	
Asia/Pacific	146	162	-9.9	74	84	-11.9
• Share of revenue in %	9.5	9.8		9.7	10.1	
Cost of sales	-1,094	-1,150	-4.9	-540	-577	-6.4
Gross profit	439	502	-12.5	226	251	-10.0
EBIT	**120**	**167**	**-28.1**	**71**	**76**	**-6.6**
• in % of revenue	7.8	10.1	-	9.3	9.2	-
EBIT before special items [2]	**120**	**167**	**-28.1**	**71**	**76**	**-6.6**
• in % of revenue	7.8	10.1	-	9.3	9.2	-

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 declined by 7.2 % to EUR 1,533 m (prior year: EUR 1,652 m) in the first half of 2016. Excluding the impact of currency translation, revenue fell 4.9 %.

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 negatively affected customers' investing activities, especially in the raw materials and power transmission sectors. Significant declines in revenue in the rail sector and in Industrial Distribution also had a considerable effect on the division's revenue trend. However, the wind and two wheelers sectors generated double-digit growth rates, excluding the impact of currency translation. The aerospace sector also reported considerable additional revenue, excluding the impact of currency translation.

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

Revenue in the division's **Europe region** was down slightly by 1.5 %. Excluding the impact of currency translation, revenue was nearly in line with prior year at -0.2 %. 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 and power transmission sectors. Rail sector and Industrial Distribution revenue similarly lagged considerably behind the prior year, while the aerospace, industrial automation and offroad sectors reported revenue increases. The wind and two wheelers sectors reported double-digit positive growth rates at constant currency.

In the **Americas region**, revenue declined by 11.3 % (-7.3 % at constant currency). The negative trend was primarily driven by double-digit declines in revenue in the raw materials, power transmission, rail, offroad, and industrial automation sectors. These declines were attributable to the challenging situation in the U.S. markets, particularly in the oil and gas industry. Industrial Distribution also experienced percentage revenue declines in the double-digits. Excluding the impact of currency translation, aerospace sector revenue rose slightly. The wind and two wheelers sectors experienced an encouraging trend, generating double-digit growth rates at constant currency.

The **Greater China region** reported a considerable drop in revenue of 22.2 % (-20.1 % at constant currency). Except for the wind and aerospace 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 9.9 % (-4.9 % at constant currency) was primarily attributable to Industrial Distribution and the offroad sector.

Industrial division cost of sales decreased by 4.9 % to EUR 1,094 m (prior year: EUR 1,150 m). Gross profit declined by 12.5 % to EUR 439 m (prior year: EUR 502 m) and, consequently, gross margin fell by 1.8 percentage points to 28.6 % (prior year: 30.4 %). The decrease was driven by the unfavorable impact of volumes on fixed costs, a less profitable revenue mix, and the unfavorable impact of currency translation.

Functional costs decreased slightly by EUR 2 m to EUR 327 m (prior year: EUR 329 m) during the first half of 2016, and rose to 21.3 % of revenue (prior year: 19.9 %). Research and development expenses of EUR 70 m were in line with prior year (prior year: EUR 70 m). Selling and administrative expenses decreased slightly by EUR 2 m to EUR 257 m (prior year: EUR 259 m).

Industrial division EBIT decreased to EUR 120 m (prior year: EUR 167 m) during the first half of 2016. The division's EBIT margin adjusted for special items amounted to 7.8 % for the first six months of 2016 (prior year: 10.1 %). The second-quarter EBIT margin was 9.3 %, following 6.4 % in the first quarter of 2016. The decline in the second half of 2016 compared to the prior year was primarily attributable to lower volumes, the resulting lower utilization of production capacities, and a less profitable revenue mix. The "CORE" program initiated last year is progressing on schedule and is beginning to make a positive impact.

In a market environment characterized by low growth rates, the Industrial division is aiming for an EBIT margin of 10 to 11 % by 2018. This represents a margin improvement of 2 to 3 percentage points from the current level. The Industrial division plans to increase the EBIT margin to a level of 11 to 13 % by 2020.

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 six months	
in € millions	**2016**	2015	**2016**	2015	**2016**	2015
EBIT	**859**	**818**	**739**	**651**	**120**	**167**
• in % of revenue	12.8	12.2	14.3	12.8	7.8	10.1
Special items						
Legal cases	0	7	0	7	0	0
Restructuring	0	0	0	0	0	0
EBIT before special items	**859**	**825**	**739**	**658**	**120**	**167**
• in % of revenue	12.8	12.3	14.3	13.0	7.8	10.1
EBITDA	**1,217**	**1,161**				
• in % of revenue	18.1	17.3				
Special items						
Legal cases	0	7				
Restructuring	0	0				
EBITDA before special items	**1,217**	**1,168**				
• in % of revenue	18.1	17.4				
Net financial debt (06/30)	4,874	6,245				
/ EBITDA [1]	2,152	2,220				
Debt to EBITDA ratio (06/30)	**2.3**	**2.8**				
Net financial debt (06/30)	4,874	6,245				
/ EBITDA before special items [1]	2,419	2,277				
Debt to EBITDA ratio before special items (06/30)	**2.0**	**2.7**				
EBIT [1]	1,443	1,540				
/ Average capital employed [1]	7,594	7,195				
ROCE (in %) [1] [2]	**19.0**	**21.4**				
EBIT before special items [1]	1,710	1,597				
/ Average capital employed [1]	7,594	7,195				
ROCE before special items (in %) [1] [2]	**22.5**	**22.2**				
EBIT [1]	1,443	1,540				
– Cost of capital [3]	759	719				
Schaeffler Value Added [1]	**684**	**821**				
EBIT before special items [1]	1,710	1,597				
– Cost of capital [3]	759	719				
Schaeffler Value Added before special items [1]	**951**	**878**				

[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 216 m (prior year: EUR -72 m) for the first half of 2016.

Cash flow No. 007

	1st six months			2nd quarter		
in € millions	**2016**	**2015**	Change in %	**2016**	**2015**	Change in %
Cash flows from operating activities	777	422	84.1	571	238	> 100
Cash used in investing activities	-561	-494	13.6	-243	-250	-2.8
Free cash flow	**216**	**-72**	**-**	**328**	**-12**	**-**
Cash provided by financing activities	-438	-160	> 100	-452	-168	> 100
Net increase (decrease) in cash and cash equivalents	**-222**	**-232**	**-4.3**	**-124**	**-180**	**-31.1**
Effects of foreign exchange rate changes on cash and cash equivalents	-5	16	-	3	-9	-
Cash and cash equivalents as at beginning of period	799	636	25.6	693	609	13.8
Cash and cash equivalents	**572**	**420**	**36.2**	**572**	**420**	**36.2**

The increase in cash flows from operating activities by EUR 355 m to EUR 777 m (prior year: EUR 422 m) was the result of significantly lower interest payments as well as higher EBITDA. Interest payments dropped to EUR 107 m (prior year: EUR 379 m). The prior year amount included a prepayment penalty of EUR 173 m for the early redemption of bonds. The company paid EUR 161 m (prior year: EUR 158 m) in income taxes. Cash outflows of EUR 287 m (prior year: EUR 233 m) related to expanding working capital were higher than in the prior year period.

Capital expenditures on property, plant and equipment and intangible assets (capex) amounted to EUR 561 m (prior year: EUR 501 m) in the first six months of 2016. The capex ratio was 8.4 % of revenue in the first half of 2016 (prior year: 7.5 %). EUR 331 m and EUR 121 m of the EUR 561 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 new product start-ups.

These developments resulted in free cash flow of EUR 216 m (prior year: EUR -72 m) for the first half of 2016.

Free Cash Flow

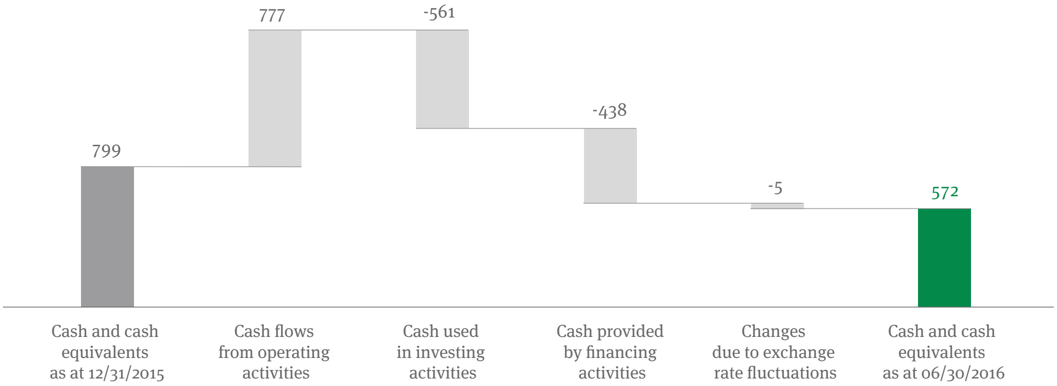
EUR 216 m

EUR 438 m in cash was used in financing activities (prior year: EUR 160 m) during the reporting period. EUR 328 m of the EUR 329 m in dividends paid during the second quarter of 2016 represented the dividends paid to Schaeffler AG's shareholders. EUR 207 m in cash was used to partially prepay the institutional loan tranches and to terminate the related cross-currency derivatives in May 2016. Furthermore, other financing activities include a cash inflow of EUR 98 m received by Schaeffler AG from its shareholder Schaeffler Verwaltung Zwei GmbH in partial repayment of an outstanding loan receivable.

Cash and cash equivalents decreased by EUR 227 m to EUR 572 m as at June 30, 2016 (December 31, 2015: EUR 799 m).

Change in cash and cash equivalents No. 008

in € millions



At June 30, 2016, cash and cash equivalents amounted to EUR 572 m (December 31, 2015: EUR 799 m) and consisted primarily of bank balances. EUR 242 m (December 31, 2015: EUR 198 m) of this amount related to countries with foreign exchange restrictions and other legal restrictions. In addition, the Schaeffler Group had a revolving credit facility of EUR 1.0 bn (December 31, 2015: EUR 1.0 bn), of which EUR 13 m (December 31, 2015: EUR 24 m) were utilized at June 30, 2016, primarily in the form of letters of credit.

Financial debt

Net financial debt decreased slightly to EUR 4,874 m (December 31, 2015: EUR 4,889 m) in the first half 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 2.3 at June 30, 2016 (December 31, 2015: 2.3). Excluding special items related to legal cases and restructurings, the net debt to EBITDA ratio was 2.0 (December 31, 2015: 2.1).

Net financial debt No. 009

in € millions	06/30/2016	12/31/2015	Change in %
Bonds	5,020	5,048	-0.6
Facilities Agreement loan tranches	417	632	-34.0
Other financial debt	9	8	12.5
Total financial debt	**5,446**	**5,688**	**-4.3**
Cash and cash equivalents	572	799	-28.4
Net financial debt	**4,874**	**4,889**	**-0.3**

The Schaeffler Group has taken extensive measures to refinance its existing financial liabilities in previous years. These transactions have diversified the Group's financing resources, extended the maturity profile of its debt, and lowered its borrowing cost. No refinancing transactions occurred in the first half of 2016. Please refer to the supplementary report for refinancing transactions completed after June 30, 2016.

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.

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

Facilities Agreement loan tranches No. 010

Tranche	Currency	Face value in millions 06/30/2016	Face value in millions 12/31/2015	Carrying amount in € millions 06/30/2016	Carrying amount in € millions 12/31/2015	Coupon 06/30/2016	Coupon 12/31/2015	Maturity
Senior Term Loan B	EUR	165	250	165	251	Euribor + 3.50 % 1)	Euribor + 3.50 % 1)	05/15/2020
Senior Term Loan B	USD	280	440	252	392	Libor + 3.50 % 2)	Libor + 3.50 % 2)	05/15/2020
Revolving Credit Facility 3)	EUR	1,000	1,000	0	-11	Euribor + 2.375 % 4)	Euribor + 2.6875 % 4)	10/27/2019
Total				**417**	**632**			

1) Euribor floor of 0.75 %.
2) Libor floor of 0.75 %.
3) EUR 13 m (December 31, 2015: EUR 24 m) were drawn down as at June 30, 2016, primarily in the form of letters of credit.
4) Since May 20, 2016.

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

Schaeffler Group bonds No. 011

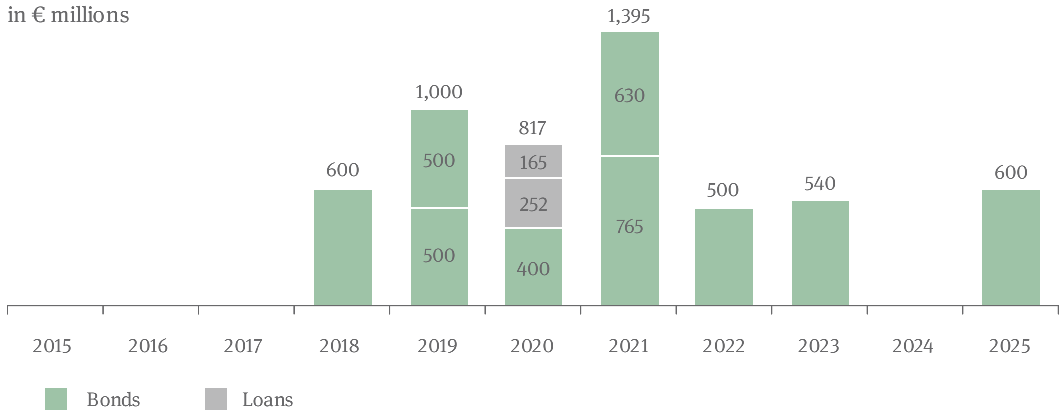
ISIN	Currency	Face value in millions 06/30/2016	Face value in millions 12/31/2015	Carrying amount in € millions 06/30/2016	Carrying amount in € millions 12/31/2015	Coupon	Maturity
XS0923613060 1)	EUR	600	600	606	597	4.25 %	05/15/2018
XS1067864881 2)	EUR	500	500	497	497	3.25 %	05/15/2019
XS1067862919	EUR	500	500	497	497	2.75 %	05/15/2019
XS1212469966	EUR	400	400	397	396	2.50 %	05/15/2020
US806261AJ29	USD	700	700	625	637	4.25 %	05/15/2021
US806261AE32	USD	850	850	762	777	4.75 %	05/15/2021
XS1067864022	EUR	500	500	499	499	3.50 %	05/15/2022
US806261AM57	USD	600	600	542	553	4.75 %	05/15/2023
XS1212470972	EUR	600	600	595	595	3.25 %	05/15/2025
Total				**5,020**	**5,048**		

1) Carrying amount includes a prepayment penalty of EUR 6 m due to the planned redemption on August 18, 2016.
2) Bond is unsecured.

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

The company's maturity profile, which consists of the two institutional loan tranches and the bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, was as follows as at June 30, 2016:

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



1.5 Net assets and capital structure

The Schaeffler Group's total assets increased by EUR 74 m to EUR 12,554 m as at June 30, 2016 (December 31, 2015: EUR 12,480 m).

Consolidated statement of financial position (abbreviated) No. 013

in € millions	06/30/2016	12/31/2015	Change in %
Non-current assets	7,397	7,438	-0.6
Current assets	5,157	5,042	2.3
Total assets	**12,554**	**12,480**	**0.6**
Shareholders' equity	1,425	1,568	-9.1
Non-current liabilities	8,286	8,144	1.7
Current liabilities	2,843	2,768	2.7
Total assets	**12,554**	**12,480**	**0.6**

Non-current assets declined by EUR 41 m to EUR 7,397 m as at June 30, 2016 (December 31, 2015: EUR 7,438 m), primarily due to a voluntary partial loan repayment of EUR 98 m received from the company's shareholder Schaeffler Verwaltung Zwei GmbH; the remaining loan balance amounted to EUR 1,674 m as at June 30, 2016. The increase was partially offset mainly by a EUR 118 m increase in deferred tax assets due to a reduction in the discount rate for pension obligations compared to December 31, 2015. Additions to intangible assets and property, plant and equipment amounted to EUR 456 m and were primarily made to expand capacity and to realize new product start-ups in the Automotive division. In the first half of 2016, the Automotive division accounted for approximately 80 % of total additions.

Current assets increased by EUR 115 m to EUR 5,157 m as at June 30, 2016 (December 31, 2015: EUR 5,042 m). The increase in inventories and trade receivables was partially offset by the decrease in cash and cash equivalents (see Cash flow, pages 19 et seq.).

Shareholders' equity including non-controlling interests declined by EUR 143 m to EUR 1.425 m as at June 30, 2016 (December 31, 2015: EUR 1,568 m). Net income of EUR 500 m increased shareholders' equity. The increase was partially offset primarily by the payment of the dividend and the special dividend – previously suggested in connection with the listing – totaling EUR 328 m to Schaeffler AG's shareholders. Other comprehensive loss on the largely discount-rate-driven remeasurement of pensions and similar obligations (EUR 297 m) also reduced shareholders' equity. The equity ratio was 11.4 % at June 30, 2016 (December 31, 2015: 12.6 %).

Non-current liabilities increased by EUR 142 m to EUR 8,286 m as at June 30, 2016 (December 31, 2015: EUR 8,144 m). The increase resulted from an increase in provisions for pensions and similar obligations by EUR 416 m, mainly as a result of the reduction in the discount rate for the company's pension obligations to 1.8 % (December 31, 2015: 2.6 %). The increase was partially offset by the reduction in non-current financial debt as a result of the voluntary prepayment of the 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.

Current liabilities increased by EUR 75 m to EUR 2,843 m as at June 30, 2016 (December 31, 2015: EUR 2,768 m), primarily driven by higher accrued vacation and overtime accounts.

2. Supplementary report

Schaeffler AG signed a new loan agreement on July 18, 2016. The funds were first used to repay the previous loan agreement including the two remaining institutional term loans totaling approximately EUR 417 m. In a second step, the company plans to redeem on August 18, 2016, the EUR bonds with a principal of EUR 600 m, a coupon of 4.25 %, and an original maturity of 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 general credit terms and the release of nearly all assets pledged as in rem security, which will subsequently also be released from such pledges under the secured bond agreements.

On July 20, 2016, rating agency Moody's upgraded the unsecured bond rating to Ba3. The upgrade reflects the improved position of the unsecured bonds following the release of nearly all assets pledged as in rem security under the secured bond agreements. The release of such security was agreed upon in connection with the new loan agreement entered into on July 18, 2016.

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 June 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

The outcome of the referendum in the United Kingdom in favor of leaving the European Union has increased economic uncertainty. In the short term, any significant negative impact is expected to primarily affect the United Kingdom itself. During the latter half of 2016, the British economy will likely suffer considerably due to reduced investment, among other things.

The International Monetary Fund (IMF) had anticipated a global economy growth of 3.2 % this year in its spring forecast (April 2016) and has since (July 2016) lowered that expectation slightly to 3.1 %. Oxford Economics (July 2016), however, is still expecting growth of 3.0 %. In light of these forecasts, the Schaeffler Group continues to expect a global economic growth rate of approximately 3 % in 2016.

The current forecast of automobile production does not contain any significant changes compared to the forecasts in the 2015 annual report. Therefore, the Schaeffler Group continues to believe that automobile production will grow by approximately 2 % in 2016. Industrial production is still expected to grow only slightly. However, for the core business with industrial rolling bearings, this is expected to result in a declining trend in the global industrial rolling bearing market in 2016, due, among other things, to volatility related to inventory reductions.

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

4.2 Schaeffler Group outlook

Outlook 2016 No. 014

	Outlook 2016	Actual H1 2016
Revenue growth in % compared with prior year (at constant currency)	3 to 5 %	2.9 %
EBIT margin (before special items)	12 to 13 %	12.8 %
Free cash flow	approx. EUR 600 m	EUR 216 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. This outlook is based on the assumption that global automobile production will expand by approximately 2 % and worldwide industrial production will grow slightly.

Based on these considerations, the company continues to anticipate an EBIT margin before special item[4] of 12 to 13 %.

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

Herzogenaurach, August 08, 2016

The Board of Managing Directors

[4] Please refer to page 18 for further detail of special items.

Consolidated interim financial statements

1. Consolidated income statement

No. 015

	1st six months			2nd quarter		
in € millions	**2016**	**2015**	Change in %	**2016**	**2015**	Change in %
Revenue	6,712	6,721	-0.1	3,369	3,382	-0.4
Cost of sales	-4,792	-4,837	-0.9	-2,393	-2,439	-1.9
Gross profit	**1,920**	**1,884**	**1.9**	**976**	**943**	**3.5**
Research and development expenses	-378	-350	8.0	-194	-174	11.5
Selling expenses	-450	-461	-2.4	-228	-241	-5.4
Administrative expenses	-218	-208	4.8	-108	-102	5.9
Other income	15	19	-21.1	11	3	> 100
Other expenses	-30	-66	-54.5	-19	-45	-57.8
Earnings before financial result and income taxes (EBIT)	**859**	**818**	**5.0**	**438**	**384**	**14.1**
Financial income	112	213	-47.4	10	-153	-
Financial expenses	-265	-550	-51.8	-98	-8	> 100
Financial result	**-153**	**-337**	**-54.6**	**-88**	**-161**	**-45.3**
Earnings before income taxes	**706**	**481**	**46.8**	**350**	**223**	**57.0**
Income taxes	-206	-165	24.8	-106	-76	39.5
Net income	**500**	**316**	**58.2**	**244**	**147**	**66.0**
Attributable to shareholders of the parent company	494	309	59.9	241	142	69.7
Attributable to non-controlling interests	6	7	-14.3	3	5	-40.0
Earnings per common share (basic/diluted, in €)	0.74	0.46	60.9	0.36	0.21	71.4
Earnings per common non-voting share (basic/diluted, in €)	0.75	0.78	-3.8	0.37	0.36	2.8

2. Consolidated statement of comprehensive income

No. 016

	1st six months						2nd 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	**706**	**-206**	**500**	**481**	**-165**	**316**	**350**	**-106**	**244**	**223**	**-76**	**147**
Foreign currency translation differences for foreign operations	-30	0	-30	193	0	193	48	0	48	-104	0	-104
Net change from hedges of net investments in foreign operations	14	-4	10	-77	22	-55	-18	5	-13	22	-6	16
Effective portion of changes in fair value of cash flow hedges	4	-1	3	22	-5	17	-17	5	-12	42	-12	30
Net change in fair value of available-for-sale financial assets	0	0	0	0	0	0	0	0	0	-1	0	-1
Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	**-12**	**-5**	**-17**	**138**	**17**	**155**	**13**	**10**	**23**	**-41**	**-18**	**-59**
Remeasurement of net defined benefit liability	-413	116	-297	75	-21	54	-168	46	-122	377	-101	276
Total other comprehensive income (loss) that will not be reclassified to profit or loss	**-413**	**116**	**-297**	**75**	**-21**	**54**	**-168**	**46**	**-122**	**377**	**-101**	**276**
Total other comprehensive income (loss)	**-425**	**111**	**-314**	**213**	**-4**	**209**	**-155**	**56**	**-99**	**336**	**-119**	**217**
Total comprehensive income (loss) for the period	**281**	**-95**	**186**	**694**	**-169**	**525**	**195**	**-50**	**145**	**559**	**-195**	**364**
Total comprehensive income (loss) attributable to shareholders of the parent company	275	-91	184	678	-165	513	190	-48	142	556	-192	364
Total comprehensive income (loss) attributable to non-controlling interests	6	-4	2	16	-4	12	5	-2	3	3	-3	0

3. Consolidated statement of financial position

No. 017

in € millions	06/30/2016	12/31/2015	06/30/2015	Change in %
ASSETS				
Intangible assets	585	589	566	-0.7
Property, plant and equipment	4,242	4,180	3,942	1.5
Other financial assets	1,922	2,123	2,064	-9.5
Other assets	41	57	56	-28.1
Income tax receivables	4	4	8	0.0
Deferred tax assets	603	485	493	24.3
Total non-current assets	**7,397**	**7,438**	**7,129**	**-0.6**
Inventories	1,914	1,812	1,810	5.6
Trade receivables	2,266	2,023	2,215	12.0
Other financial assets	119	123	362	-3.3
Other assets	222	211	228	5.2
Income tax receivables	64	74	57	-13.5
Cash and cash equivalents	572	799	420	-28.4
Total current assets	**5,157**	**5,042**	**5,092**	**2.3**
Total assets	**12,554**	**12,480**	**12,221**	**0.6**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	666	666	600	0.0
Capital reserves	2,348	2,348	1,600	0.0
Other reserves	-769	-935	-1,217	-17.8
Accumulated other comprehensive income (loss)	-909	-599	-533	51.8
Equity attributable to shareholders of the parent company	**1,336**	**1,480**	**450**	**-9.7**
Non-controlling interests	89	88	82	1.1
Total shareholders' equity	**1,425**	**1,568**	**532**	**-9.1**
Provisions for pensions and similar obligations	2,358	1,942	1,945	21.4
Provisions	138	182	72	-24.2
Financial debt	5,442	5,685	6,653	-4.3
Income tax payables	219	210	254	4.3
Other financial liabilities	7	12	13	-41.7
Other liabilities	6	6	7	0.0
Deferred tax liabilities	116	107	95	8.4
Total non-current liabilities	**8,286**	**8,144**	**9,039**	**1.7**
Provisions	419	431	289	-2.8
Financial debt	4	3	12	33.3
Trade payables	1,384	1,405	1,287	-1.5
Income tax payables	135	112	203	20.5
Other financial liabilities	506	512	476	-1.2
Other liabilities	395	305	383	29.5
Total current liabilities	**2,843**	**2,768**	**2,650**	**2.7**
Total shareholders' equity and liabilities	**12,554**	**12,480**	**12,221**	**0.6**

4. Consolidated statement of cash flows

No. 018

in € millions	1st six months 2016	1st six months 2015	Change in %	2nd quarter 2016	2nd quarter 2015	Change in %
Operating activities						
EBIT	859	818	5.0	438	384	14.1
Interest paid	-107	-379	-71.8	-72	-304	-76.3
Interest received	73	40	82.5	70	38	84.2
Income taxes paid	-161	-158	1.9	-62	-73	-15.1
Depreciation, amortization and impairments	358	343	4.4	181	173	4.6
(Gains) losses on disposal of assets	1	0	-	0	-1	-100
Changes in:						
• Inventories	-112	-41	> 100	-36	-27	33.3
• Trade receivables	-264	-245	7.8	-38	24	-
• Trade payables	89	53	67.9	37	16	> 100
• Provisions for pensions and similar obligations	-19	6	-	-11	12	-
• Other assets, liabilities and provisions	60	-15	-	64	-4	-
Cash flows from operating activities [1]	**777**	**422**	**84.1**	**571**	**238**	**> 100**
Investing activities						
Proceeds from disposals of property, plant and equipment	1	8	-87.5	0	7	-100
Capital expenditures on intangible assets	-10	-18	-44.4	-5	-11	-54.5
Capital expenditures on property, plant and equipment	-551	-483	14.1	-238	-246	-3.3
Other investing activities	-1	-1	0.0	0	0	0.0
Cash used in investing activities	**-561**	**-494**	**13.6**	**-243**	**-250**	**-2.8**
Financing activities						
Dividends paid to shareholders and non-controlling interests	-329	-251	31.1	-329	-251	31.1
Receipts from loans	1	215	-99.5	-14	207	-
Repayments of loans [2]	-208	-209	-0.5	-207	-209	-1.0
Other financing activities	98	85	15.3	98	85	15.3
Cash provided by financing activities	**-438**	**-160**	**> 100**	**-452**	**-168**	**> 100**
Net increase (decrease) in cash and cash equivalents	**-222**	**-232**	**-4.3**	**-124**	**-180**	**-31.1**
Effects of foreign exchange rate changes on cash and cash equivalents	-5	16	-	3	-9	-
Cash and cash equivalents as at beginning of period	799	636	25.6	693	609	13.8
Cash and cash equivalents as at end of period	**572**	**420**	**36.2**	**572**	**420**	**36.2**

[1] Excluding interest payments, cash flows from operating activities for the period from 01/01 to 06/30/2016 amount to EUR 884 m (prior year: EUR 801 m).
[2] Including EUR 21 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

	Share capital	Capital reserves	Other reserves	Accumulated other comprehensive income (loss)				Subtotal	Non-controlling interests	Total
in € millions				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			309					309	7	316
Other comprehensive income (loss)				133	17		54	204	5	209
Total comprehensive income (loss) for the period	**0**	**0**	**309**	**133**	**17**	**0**	**54**	**513**	**12**	**525**
Dividends		0	-250					-250	-1	-251
Total amount of transactions with shareholders	**0**	**0**	**-250**					**-250**	**-1**	**-251**
Balance as at June 30, 2015	**600**	**1,600**	**-1,217**	**24**	**-58**	**1**	**-500**	**450**	**82**	**532**
Balance as at January 01, 2016	**666**	**2,348**	**-935**	**-79**	**-29**	**0**	**-491**	**1,480**	**88**	**1,568**
Net income			494					494	6	500
Other comprehensive income (loss)				-16	3		-297	-310	-4	-314
Total comprehensive income (loss) for the period	**0**	**0**	**494**	**-16**	**3**	**0**	**-297**	**184**	**2**	**186**
Dividends			-328					-328	-1	-329
Total amount of transactions with shareholders	**0**	**0**	**-328**					**-328**	**-1**	**-329**
Balance as at June 30, 2016	**666**	**2,348**	**-769**	**-95**	**-26**	**0**	**-788**	**1,336**	**89**	**1,425**

6. Consolidated segment information

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

No. 020

	Automotive		Industrial		Total	
	1st six months		1st six months		1st six months	
in € millions	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue	5,179	5,069	1,533	1,652	6,712	6,721
Cost of sales	-3,698	-3,687	-1,094	-1,150	-4,792	-4,837
Gross profit	1,481	1,382	439	502	1,920	1,884
EBIT	739	651	120	167	859	818
• in % of revenue	14.3	12.8	7.8	10.1	12.8	12.2
Depreciation, amortization and impairments	-262	-245	-96	-98	-358	-343
Inventories [1)]	1,221	1,148	693	662	1,914	1,810
Trade receivables [1)]	1,752	1,661	514	554	2,266	2,215
Property, plant and equipment [1)]	3,185	2,927	1,057	1,015	4,242	3,942
Additions to intangible assets and property, plant and equipment	376	351	93	84	469	435

	Automotive		Industrial		Total	
	2nd quarter		2nd quarter		2nd quarter	
in € millions	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue	2,603	2,554	766	828	3,369	3,382
Cost of sales	-1,853	-1,862	-540	-577	-2,393	-2,439
Gross profit	750	692	226	251	976	943
EBIT	367	308	71	76	438	384
• in % of revenue	14.1	12.1	9.3	9.2	13.0	11.4
Depreciation, amortization and impairments	-133	-124	-48	-49	-181	-173
Inventories [1)]	1,221	1,148	693	662	1,914	1,810
Trade receivables [1)]	1,752	1,661	514	554	2,266	2,215
Property, plant and equipment [1)]	3,185	2,927	1,057	1,015	4,242	3,942
Additions to intangible assets and property, plant and equipment	202	194	50	54	252	248

Prior year information presented based on 2016 segment structure.
[1)] Amounts as at June 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 June 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 June 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 half of 2015, for revenue (decrease of EUR 11 m) and research and development expenses (decrease of EUR 11 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 six months	
1 Euro equals	06/30/2016	12/31/2015	06/30/2015	2016	2015
BRL (Brazil)	3.62	4.31	3.47	4.14	3.31
CNY (China)	7.38	7.06	6.94	7.29	6.94
USD (U.S.A.)	1.11	1.09	1.12	1.12	1.12
KRW (Korea)	1,278.00	1,280.78	1,251.27	1,318.99	1,227.07
INR (India)	75.09	72.02	71.19	74.99	70.15
MXN (Mexico)	20.64	18.92	17.53	20.16	16.89

Scope of consolidation

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

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

In the consolidated financial statements as at June 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

	06/30/2016			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	421	4	417	635	3	632
Bonds	5,020	0	5,020	5,048	0	5,048
Other financial debt	5	0	5	5	0	5
Financial debt	**5,446**	**4**	**5,442**	**5,688**	**3**	**5,685**

The decrease in financial debt compared to December 31, 2015, was primarily attributable to the prepayment of institutional loan tranches and 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, paying off EUR 85 m of its Senior Term Loan B EUR and USD 160 m of its Senior Term Loan B USD.

Transaction costs related to the refinancing transaction in July 2016 have increased financial debt by EUR 25 m. 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 June 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 June 30, 2016, amounted to 1.8 % (December 31, 2015: 2.6 %). The resulting remeasurement of the company's obligations under defined benefit pension plans resulted in actuarial losses of EUR 413 m as at June 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 44 m to EUR 138 m (December 31, 2015: EUR 182 m), primarily because certain non-current provisions were reclassified to current provisions as they had become current.

Current provisions decreased by EUR 12 m to EUR 419 m (December 31, 2015: EUR 431 m), since the impact of the reclassification described was offset by the utilization of a 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 under 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

			06/30/2016		12/31/2015		06/30/2015	
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		2,266	2,266	2,023	2,023	2,215	2,215
Other financial assets								
• Investments in associates[1]	n. a.		3	-	3	-	3	-
• Other investments [2]	AfS		14	-	17	-	14	-
• Marketable securities	AfS	1	15	15	14	14	14	14
• Derivatives designated as hedging instruments	n. a.	2	47	47	127	127	97	97
• Derivatives not designated as hedging instruments	HfT	2	252	252	235	235	374	374
• Miscellaneous other financial assets	LaR	2 [3]	1,710	1,728	1,850	1,856	1,924	1,863
Cash and cash equivalents	LaR		572	572	799	799	420	420
Financial liabilities, by class								
Financial debt	FLAC	1, 2 [4]	5,446	5,521	5,688	5,793	6,665	6,863
Trade payables	FLAC		1,384	1,384	1,405	1,405	1,287	1,287
Other financial liabilities								
• Derivatives designated as hedging instruments	n. a.	2	17	17	16	16	56	56
• Derivatives not designated as hedging instruments	HfT	2	41	41	33	33	35	35
• Miscellaneous other financial liabilities	FLAC		455	455	475	475	398	398
Summary by category								
Available-for-sale financial assets (AfS)			29	-	31	-	28	-
Financial assets held for trading (HfT)			252	-	235	-	374	-
Loans and receivables (LaR)			4,548	-	4,672	-	4,559	-
Financial liabilities at amortized cost (FLAC)			7,285	-	7,568	-	8,350	-
Financial liabilities held for trading (HfT)			41	-	33	-	35	-

[1] Equity-accounted investees.
[2] Investments accounted for at cost.
[3] Level shown based on long-term loan receivable of EUR 1,674 m (December 31, 2015: EUR 1,773 m).
[4] Level 1: EUR 5,082 m (December 31, 2015: EUR 5,069 m; June 30, 2015: EUR 0 m); Level 2: EUR 439 m (December 31, 2015: EUR 724 m; June 30, 2015: EUR 6,863 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. However, this does not apply to loans receivable of EUR 1,674 m (December 31, 2015: EUR 1,773 m) included in miscellaneous other financial assets, which mature in December 2024.

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 six 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 miscellaneous other financial assets and 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 six months	
Reconciliation to earnings before income taxes in € millions	**2016**	**2015**
EBIT Automotive [1)]	739	651
EBIT Industrial [1)]	120	167
EBIT	**859**	**818**
Financial result	-153	-337
Earnings before income taxes	**706**	**481**

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

Related parties

The extent of transactions with related persons and entities remained largely unchanged compared to the 2015 consolidated financial statements.

Due to a partial repayment of EUR 98 m, the balance of loans receivable from Schaeffler Verwaltung Zwei GmbH declined to EUR 1,674 m (December 31, 2015: EUR 1,773 m). Interest income earned on these loans in 2016 amounted to EUR 33 m.

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

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

Events after the reporting period

Schaeffler AG signed a new loan agreement on July 18, 2016. The funds were first used to repay the previous loan agreement including the two remaining institutional term loans totaling approximately EUR 417 m. In a second step, the company plans to redeem on August 18, 2016, the EUR bonds with a principal of EUR 600 m, a coupon of 4.25 %, and an original maturity of 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 general credit terms and the release of nearly all assets pledged as in rem security, which will subsequently also be released from such pledges under the secured bond agreements.

On July 20, 2016, rating agency Moody's upgraded the unsecured bond rating to Ba3. The upgrade reflects the improved position of the unsecured bonds following the release of nearly all assets pledged as in rem security under the secured bond agreements. The release of such security was agreed upon in connection with the new loan agreement entered into on July 18, 2016.

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 June 30, 2016.

Herzogenaurach, August 08, 2016

The Board of Managing Directors

Review Report

To Schaeffler AG, Herzogenaurach

We have reviewed the condensed interim consolidated financial statements of the Schaeffler AG – comprising the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Shareholders' Equity and condensed Notes – together with the interim group management report of the Schaeffler AG, for the period from January 1 to June 30, 2016 that are part of the semi annual financial report according to § 37 w WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Munich, August 09, 2016

KPMG AG

Wirtschaftsprüfungsgesellschaft

Alt-Scherer	Koeplin
Wirtschaftsprüferin	Wirtschaftsprüfer

Responsibility statement by the company's legal representatives

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

Herzogenaurach, August 08, 2016

Schaeffler Aktiengesellschaft

The Board of Mananging Directors

Klaus Rosenfeld
Chief Executive Officer

Prof. Dr.-Ing. Peter Gutzmer

Dr. Ulrich Hauck

Norbert Indlekofer

Oliver Jung

Prof. Dr. Peter Pleus

Corinna Schittenhelm

Dr. Stefan Spindler

Summary 1st quarter 2015 to 2nd quarter 2016

No. 025

	2015				2016	
Income statement (in € millions)	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
Revenue	3,339	3,382	3,237	3,221	3,343	3,369
EBIT	434	384	433	151	421	438
• in % of revenue	13.0	11.4	13.4	4.7	12.6	13.0
EBIT before special items [1]	441	384	433	418	421	438
• in % of revenue	13.2	11.4	13.4	13.0	12.6	13.0
Net income [2]	167	142	212	70	253	241
Earnings per common non-voting share (basic/diluted, in €) [3]	0.42	0.36	0.53	0.11	0.38	0.37
Statement of financial position (in € millions)						
Total assets	12,844	12,221	12,450	12,480	12,607	12,554
Shareholders' equity [4]	418	532	631	1,568	1,609	1,425
• in % of total assets	3.3	4.4	5.1	12.6	12.8	11.4
Net financial debt	6,190	6,245	5,950	4,889	4,909	4,874
• Net financial debt to EBITDA ratio before special items [1) 5)]	2.7	2.7	2.6	2.1	2.1	2.0
Statement of cash flows (in € millions)						
EBITDA	604	557	604	331	598	619
• in % of revenue	18.1	16.5	18.7	10.3	17.9	18.4
EBITDA before special item [1]	611	557	604	598	598	619
•in % of revenue	18.3	16.5	18.7	18.6	17.9	18.4
Cash flows from operating activities	184	238	490	460	206	571
Capital expenditures (capex) [6]	244	257	242	282	318	243
• in % of revenue (capex ratio)	7.3	7.6	7.5	8.8	9.5	7.2
Free cash flow	-60	-12	264	178	-112	328
Value added						
ROCE (return on capital employed, in %) [5]	22.0	21.4	21.1	18.8	18.5	19.0
ROCE before special items (in %) [1) 5)]	22.8	22.2	21.9	22.5	22.1	22.5
Schaeffler Value Added [5]	839	821	813	657	639	684
Schaeffler Value Added before special items [1) 5)]	896	878	870	931	906	951
Employees						
Headcount (at end of reporting period)	83,331	83,774	84,414	84,198	85,016	85,225
Automotive (in € millions) [7]						
Revenue	2,515	2,554	2,442	2,466	2,576	2,603
EBIT	343	308	356	128	372	367
• in % of revenue	13.6	12.1	14.6	5.2	14.4	14.1
EBIT before special items [1]	350	308	356	359	372	367
• in % of revenue	13.9	12.1	14.6	14.6	14.4	14.1
Industrial (in € millions) [7]						
Revenue	824	828	795	755	767	766
EBIT	91	76	77	23	49	71
• in % of revenue	11.0	9.2	9.7	3.0	6.4	9.3
EBIT before special items [1]	91	76	77	59	49	71
• in % of revenue	11.0	9.2	9.7	7.8	6.4	9.3

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 six months 2016

August 11, 2016

Publication of results for the first nine months 2016

November 10, 2016

Publication of annual results 2016

March 08, 2017

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