SCHAEFFLER

H1

Mobility for tomorrow

Interim Financial Report as at June 30, 2017

Digitalization – A Key Opportunity for the Future

Schaeffler Group at a glance

Income statement (in € millions)	1st six months 2017	1st six months 2016		Change
Revenue	7,046	6,712	5.0	%
• at constant currency			3.8	%
EBIT	793	859	-7.7	%
• in % of revenue	11.3	12.8	-1.5	%-pts.
EBIT before special items [1]	780	859	-9.2	%
• in % of revenue	11.1	12.8	-1.7	%-pts.
Net income [2]	485	494	-1.8	%
Earnings per common non-voting share (basic/diluted, in €)	0.73	0.75	-2.7	%
Statement of financial position (in € millions)	**06/30/2017**	**12/31/2016**		Change
Total assets	11,120	11,564	-3.8	%
Shareholders' equity [3]	2,168	1,997	171	€ millions
• in % of total assets	19.5	17.3	2.2	%-pts.
Net financial debt	2,956	2,636	12.1	%
• Net financial debt to EBITDA ratio before special items [1] [4]	1.2	1.1		
• Gearing Ratio (Net financial debt to shareholders' equity, in %)	136.3	132.0	4.3	%-pts.
	1st six months			
Statement of cash flows (in € millions)	**2017**	**2016**		Change
EBITDA	1,175	1,217	-3.5	%
• in % of revenue	16.7	18.1	-1.4	%-pts.
EBITDA before special items [1]	1,162	1,217	-4.5	%
• in % of revenue	16.5	18.1	-1.6	%-pts.
Cash flows from operating activities	506	777	-271	€ millions
Capital expenditures (capex) [5]	594	561	33	€ millions
• in % of revenue (capex ratio)	8.4	8.4	0.0	%-pts.
Free cash flow	-89	216	-305	€ millions
	1st six months			
Value Added	**2017**	**2016**		Change
ROCE before special items (in %) [1] [4]	20.7	23.2	-2.5	%-pts.
Schaeffler Value Added before special items (in € millions) [1] [4]	837	973	-14.0	%
Employees	**06/30/2017**	**12/31/2016**		Change
Headcount	87,937	86,662	1.5	%

[1] Please refer to pp. 17 et seq. for the definition of special items.
[2] Attributable to shareholders of the parent company.
[3] Including non-controlling interests.
[4] EBIT/EBITDA based on the last twelve months.
[5] Capital expenditures on intangible assets and property, plant and equipment.

Automotive (in € millions)	1st six months 2017	1st six months 2016		Change
Revenue	5,455	5,182	5.3	%
• at constant currency			4.2	%
EBIT	657	735	-10.6	%
• in % of revenue	12.0	14.2	-2.2	%-pts.
EBIT before special items [1]	644	735	-12.4	%
• in % of revenue	11.8	14.2	-2.4	%-pts.

Industrial (in € millions)	1st six months 2017	1st six months 2016		Change
Revenue	1,591	1,530	4.0	%
• at constant currency			2.3	%
EBIT	136	124	9.7	%
• in % of revenue	8.5	8.1	0.4	%-pts.
EBIT before special items [1]	136	124	9.7	%
• in % of revenue	8.5	8.1	0.4	%-pts.

Prior year information presented based on 2017 segment structure.
[1] Please refer to pp. 17 et seq. for the definition of special items.

Highlights H1 2017

Revenue increased further in the first half of 2017, earnings below prior year

Revenue at constant currency up **3.8 %**,

EBIT margin before special items at 11.1 %
(prior year: 12.8 %)

Weak results of operations in the Automotive division for the 2nd quarter

Revenue at constant currency up 4.2 %,

EBIT margin before special items at **11.8 %**
(prior year: 14.2 %)

Industrial division back on growth course, EBIT margin further stabilized

Revenue at constant currency up 2.3 %,

EBIT margin before special items at **8.5 %**
(prior year: 8.1 %)

Free cash flow affected, among other things, by non-persistent cash outflows

Free cash flow at **EUR -89 m** (prior year: EUR 216 m)

Revenue guidance confirmed, outlook for EBIT and free cash flow for 2017 adjusted

EBIT margin before special items of **11-12 %**
(previously: 12-13 %),

Free cash flow of ~ EUR 500 m
(previously: ~ EUR 600 m)

Schaeffler on the capital markets

The Schaeffler share price trend for the first half of 2017 was primarily marked by the ad hoc notice issued on June 26, 2017. Other significant events included the announcement of changes to the Executive Board on July 17, 2017, the publication of preliminary key figures for the first half of 2017 on July 18, 2017, and Schaeffler AG's capital markets day in Bühl on July 20, 2017.

Recent events

Fitch rates Schaeffler AG at BBB- (investment grade)

On April 25, 2017, rating agency Fitch Ratings published its first rating of Schaeffler AG. Fitch assigned a rating of BBB- (investment grade) to Schaeffler AG with a stable outlook. The bonds were also rated BBB-.

Dividend – increase to 50 cents per common non-voting share

On April 26, 2017, Schaeffler AG's annual general meeting passed a resolution to pay a dividend of EUR 0.49 per common share (prior year: EUR 0.34; special dividend EUR 0.15) and EUR 0.50 per common non-voting share (prior year: EUR 0.35; special dividend EUR 0.15) to Schaeffler AG's shareholders for 2016. This represents a dividend of 34.1 % of net income attributable to shareholders before special items.

Schaeffler AG reduces its earnings guidance for 2017

On June 26, 2017, the Board of Managing Directors of Schaeffler AG decided to reduce its guidance for the EBIT margin before special items for 2017 as a whole from previously 12 to 13 % to 11 to 12 % due to substantially lower second quarter earnings in the Automotive division in 2017 compared to the prior year. At the same time, the guidance for free cash flow for 2017 as a whole was reduced from approximately EUR 600 m to approximately EUR 500 m. The company confirmed its revenue guidance for the full year 2017. The company continues to expect its revenue to grow by 4 to 5 % excluding the impact of currency translation for the business year 2017.

Strategy Dialog

Schaeffler AG's Strategy Dialog held on July 10 to 13, 2017, was devoted to the necessary decisions on the direction to be taken with respect to certain strategic issues. One of these was the decision to create an independent E-mobility business division to bring together all products and system solutions for hybrid and pure battery electric vehicles as of January 01, 2018. It has also been decided to set up a competence center for E-mobility in China, alongside the existing German units, to accommodate the increasing importance of the Chinese market in the field of E-mobility. In the Industrial division, all mechatronics business plus the digitally driven service business opportunities are also to be combined in an independent organizational unit "Industry 4.0" from January 01, 2018. The strategic decisions were made based on the model of an integrated automotive and industrial supplier and the company's strategy "Mobility for tomorrow" with its three key opportunities for the future – E-mobility, Industry 4.0, and Digitalization.

Changes to the Executive Board

At its meeting on July 17, 2017, the Supervisory Board of Schaeffler AG appointed Dietmar Heinrich, Regional CEO Europe, to the Board of Managing Directors. On August 01, 2017, Mr. Heinrich will take up his role as Chief Financial Officer of Schaeffler AG, replacing Dr. Ulrich Hauck. The Supervisory Board also decided to extend the contract of Dr. Stefan Spindler, CEO Industrial, for a term of five years ending on April 30, 2023. Dietmar Heinrich's successor as a member of the Schaeffler Group's Executive Board and Regional CEO Europe is Jürgen Ziegler. Mr. Ziegler will take up his new position on August 01, 2017.

Publication preliminary key figures 1st half of 2017

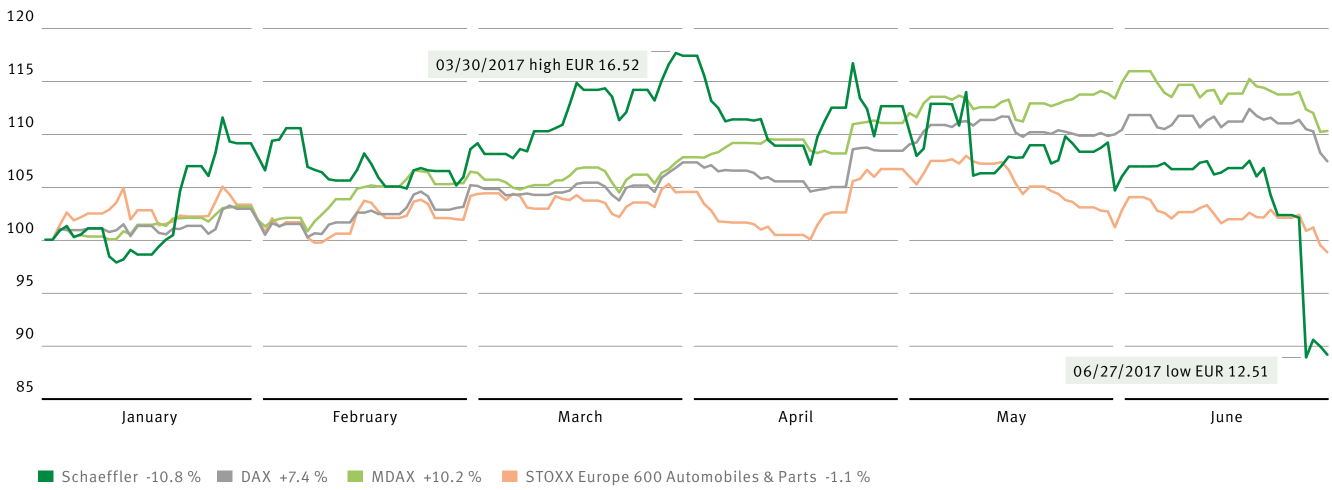
On July 18, 2017, Schaeffler AG published preliminary key figures for the first half of 2017, which were in line with the expectations published in the reduced earnings guidance for 2017 on June 26, 2017. The company also announced that it had adapted the structure of the second wave of cost reductions under its program "CORE" to conditions currently prevailing in the market without significantly changing the extent of the program. The profitability target for the Industrial division of 10 to 11 % of revenue in 2018 was confirmed.

Capital markets day Schaeffler AG

On July 20, 2017, Schaeffler AG held this year's capital markets day at the Bühl location in Germany. The company explained its strategic direction and long-term growth perspectives to about 40 analysts and investors. Schaeffler reinforced the key points of its equity story which is based on three essential drivers: (1) above-market revenue growth in the Automotive division, (2) continuous profitability improvement in the Industrial division, and (3) strong free cash flow generation to finance further organic growth.

Schaeffler share price trend 2017

in percent (12/31/2016 = 100)



Source: Bloomberg.

Schaeffler AG also confirmed its Financial Ambitions 2020. The company intends to achieve organic revenue growth averaging 4 to 6 % p. a. by 2020. Further, it plans to generate an EBIT margin before special items of 12 to 13 % and free cash flow of approximately EUR 900 m in 2020. On this basis, the company is aiming for earnings per share of approximately EUR 2.00 in 2020. In addition, the group intends to sustainably improve the quality of its balance sheet by 2020 and to pay dividends amounting to 30 to 40 % of net income before special items to its shareholders.

Capital market trends

In early 2017, the global capital markets were characterized by uncertainties driven by the U.S. elections, the elections in the Netherlands, and the debate surrounding the withdrawal of the United Kingdom from the EU. However, political uncertainty gradually declined in the European Union during the second quarter, resulting in an overall positive mood in the markets.

While the Euro STOXX 50 gained 4.6 % in the first half of 2017, the Dow Jones Industrial was up 8.0 %, rising to a new all-time high at the end of June 2017. The Nikkei 225 benefited from the weakness in its home currency during the second quarter of 2017, enabling it to increase by a total of 4.8 % during the first six months despite the slight decline in the first quarter.

The Deutsche Aktienindex (DAX) rose 7.4 % in the first half of 2017. In March 2017, the DAX topped 12,000 points for the first time since April 2015. It rose to a new all-time high of 12,889 points in June, then nearly returned to its March 2017 level (+0.1 % compared to March 31, 2017) following a period of consolidation, closing the second quarter at 12,325 points.

Schaeffler shares

Having substantially outperformed the benchmark indexes in the first quarter of 2017 and following a year-to-date high of EUR 16.52 on March 30, 2017, the price of Schaeffler shares dropped considerably late in the second quarter in response to the reduction in the earnings guidance for the business year 2017. The common non-voting shares of Schaeffler AG were quoted at EUR 12.54 on June 30, 2017, approximately 23.9 % less than on March 31, 2017.

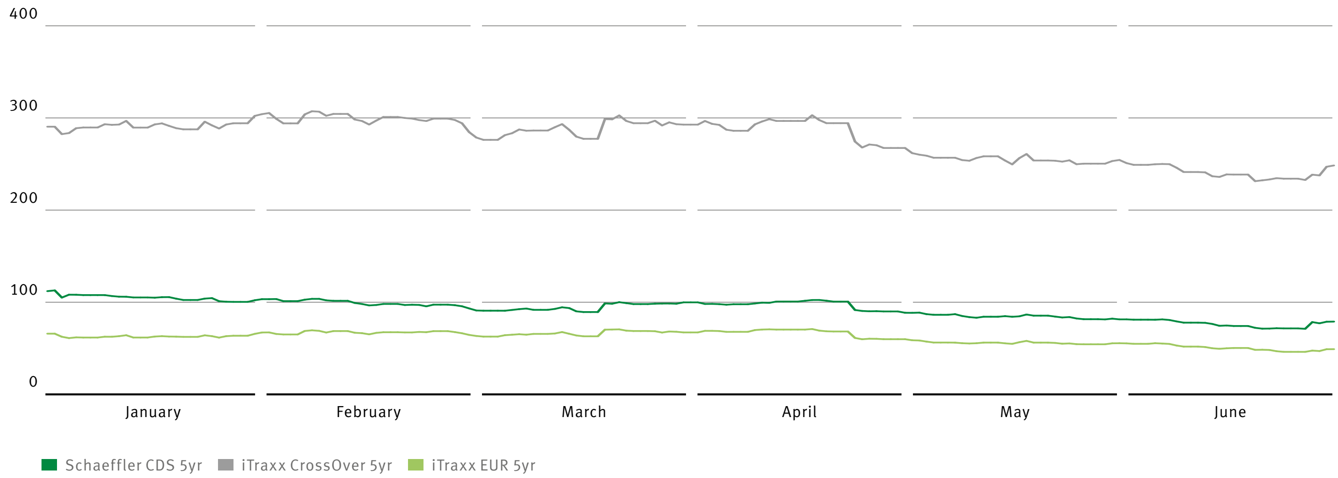
This performance lagged considerably behind that of the benchmark indexes DAX (+0.1 % compared to March 31, 2017) and MDAX (+2.3 %) as well as that of the STOXX Europe 600 Automobiles & Parts sector index (-5.3 %) during the second quarter of 2017.

Schaeffler share performance (ISIN: DE000SHA0159)

	2017	2016
Schaeffler share price (Xetra, in €) [1]	12.54	11.85
Average trading volume (in units)	783,892	702,142
DAX [1]	12,325	9,680
MDAX [1]	24,452	19,843
STOXX Europe 600 Automobiles & Parts [1]	537	424
Average number of shares (in million units)		
• Common shares	500	500
• Common non-voting shares	166	166
Earnings per share (in €)		
• Common shares	0.72	0.74
• Common non-voting shares	0.73	0.75

[1] As at closing on June 30, source: Bloomberg.

Credit default swap (CDS) price trend 2017
in basis points



Source: Bloomberg.

The daily trading volume averaged 783,892 shares in the first half of 2017 (prior year: 702,142). The slight increase in trading volume compared to the prior year period is largely due to the placement of 94.4 million common non-voting shares of Schaeffler AG on April 05, 2016. The free float amounted to approximately 24.9 % as at June 30, 2017.

The company was covered by analysts representing a total of 17 banks as at July 31, 2017. Eight of these banks issued a recommendation of either buy or overweight on Schaeffler AG's common non-voting shares. Their average upside target was EUR 14.71.

Schaeffler bonds and ratings

The Schaeffler Group had four series of bonds outstanding as at June 30, 2017, three of them denominated in EUR and one in USD. All of the bonds were issued by Schaeffler Finance B.V., Barneveld, Netherlands.

Please refer to the chapter entitled "Financial position" – Financial debt for further detail on the company's bonds.

Bond prices remained stable in the first half of 2017. The bond series maturing in 2023 and 2025 rose slightly, which lowered their effective yield. The other two bond series, which mature in 2020 and 2022, declined slightly, approaching the contractual redemption price at which these bond series have been callable since May 15, 2017.

A further bond with a maturity of May 2021, a principal of USD 700 m, and a coupon of 4.25 % was redeemed in full on May 24, 2017. The redemption was funded using available liquidity and a portion of the Revolving Credit Facility.

Compared to December 31, 2016, the premiums for Schaeffler AG 5-year credit default swaps decreased by 32 basis points to 85 basis points as at June 30, 2017. The benchmark indexes iTraxx CrossOver and iTraxx Europe declined by 40 and 16 basis points, respectively, over the same period.

The following summary shows the ratings currently assigned to the Schaeffler Group by the three rating agencies Fitch, Moody's, and Standard & Poor's as at June 30, 2017:

Schaeffler Group ratings
at as June 30, 2017

	Company		Bonds
Rating agency	Rating	Outlook	Rating
Fitch	BBB-	stable	BBB-
Moody's	Baa3	stable	Baa3
Standard & Poor's	BB+	stable	BB+

See back cover for financial calendar.

Contents

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

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

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

Disclaimer in respect of forward-looking statements
This group interim management report contains forward-looking statements that are based on the Board of Managing Directors' current estimation at the time of the creation of this report. Such statements refer to future periods or they are designated by terms such as "estimate", "forecast", "intend", "predict", "plan", "assume", or "expect".
Forward-looking statements bear risks and uncertainties. A variety of these risks and uncertainties are determined by factors not subject to the influence of the Schaeffler Group. Therefore, actual results can deviate substantially from those indicated.

Navigation aid

Further details in the report

Further details online

1. Report on the economic position

1.1 Economic environment

The global economy as a whole continued to grow more dynamically in the first six months of 2017. Compared to the prior year, global gross domestic product[1] increased by 3.5 % during the reporting period (Oxford Economics, July 2017). Following a once again weak first quarter, the U.S. economy gathered momentum over the course of the remainder of the first half of 2017, driven mainly by private consumption. In the Euro region, the economic upturn continued, expanding across sectors and countries. Despite China's strong start to the year, the structural slowdown in growth continued to progress. Japan's economy expanded slightly during the reporting period.

In this context, the situation of the Schaeffler Group's regions during the reporting period was as follows: Gross domestic product in the Europe region increased by 3.2 %, and the economic output of the Americas region rose by 1.8 %. The Greater China region reported a growth rate of 6.5 %, while the Asia/Pacific region economy grew by 3.0 %.

In the currency markets, the Euro rose against the U.S. Dollar and the Chinese Renminbi, closing at USD 1.14 and CNY 7.73, respectively, on June 30, 2017 (December 31, 2016: USD 1.05 and CNY 7.32, respectively; June 30, 2016: USD 1.11 and CNY 7.38, respectively).

See Condensed notes to the consolidated financial statements, chapter entitled "Basis of preparation" – Foreign currency translation for further detail.

Global **automobile production**, measured as the number of vehicles up to six tons in weight produced, increased by 2.6 % during the reporting period (IHS, July 2017), with a strong trend early in the year followed by a considerably lower growth rate during the second quarter of 2017. The Europe region reported a growth rate of 2.3 % for the reporting period. Significant growth in Turkey, India, and the Czech Republic contrasted with declines in countries such as Germany and Spain. The Americas region grew by 1.4 %, as the contraction in the U.S. and Canada was more than offset by significant increases in Mexico and Brazil. Production in the Greater China region expanded by 3.4 %. The Asia/Pacific region also reported a 3.4 % growth rate. While Japan reported significantly higher production levels, South Korea and Thailand experienced declines.

Global **industrial production**, measured as gross value added based on constant prices and exchange rates, grew by 3.3 % in the first half of 2017 (Oxford Economics, June 2017). The Europe region generated a growth rate of 2.0 %. In Germany, the expansion lagged slightly behind the average for the region, while it was significantly above-average in India. Growth in the Americas region amounted to 1.3 %, with the trend in U.S. industrial production slightly weaker than the regional average. The Greater China region experienced a growth rate of 6.1 %. In the Asia/Pacific region, industrial production levels were up 3.5 % from the prior year, primarily driven by the positive trend in Japan.

[1] For gross domestic product and industrial production, quarterly data are available only for selected, representative countries. Furthermore, only preliminary projections are available for all indicators mentioned for the first half of 2017, including automobile production.

In the **procurement markets**, average prices for commodities and input materials significant to the Schaeffler Group exceeded the corresponding levels of the prior year period (Bloomberg, July 2017; IHS, July 2017). However, trends during the reporting period were mixed. The crude oil price was volatile with some considerable declines during the second half of the reporting period, closing lower at June 30, 2017, than at the beginning of the year. Prices for hot- and cold-rolled steel increased in some procurement regions early in the year, easing again across regions during the latter half of the reporting period. Prices for the nonferrous metals aluminum and copper rose during the reporting period. Commodity market price trends affect the Schaeffler Group's cost to varying degrees and in some instances with some delay, depending on the terms of the relevant supplier contracts.

1.2 Course of business

Results of operations – first half 2017

The Schaeffler Group's **revenue** rose by 5.0 % to EUR 7,046 m in the first six months of 2017 (prior year: EUR 6,712 m). Excluding the impact of currency translation, revenue increased by 3.8 %. The Automotive division increased its revenue by 4.2 % excluding the impact of translation in the first half of 2017, once more growing faster than the global production of passenger cars and light commercial vehicles. The Industrial division experienced an encouraging second quarter, reporting revenue growth of 2.3 % excluding the impact of translation for the first six months of 2017.

The Schaeffler Group generated EUR 793 m in **EBIT** for the first six months of 2017 (prior year: EUR 859 m), representing an EBIT margin of 11.3 % (prior year: 12.8 %). As the EBIT was favorably affected by a special item [2] of EUR 13 m, the EBIT margin before special items amounted to 11.1 % (prior year: 12.8 %) during the reporting period. Following a good start to the year with compelling results for the first quarter of 2017, the decline in earnings was in particular due to the weak development of the Automotive division during the second quarter of 2017. This division's EBIT margin before special items declined to 11.8 % during the first half of 2017 (prior year: 14.2 %). In contrast, the Industrial division's earnings continued to develop well in the second quarter of 2017, generating an EBIT margin before special items for the first six months of 2017 of 8.5 % (prior year: 8.1 %).

Free cash flow for the first half of 2017 amounted to EUR -89 m, EUR 305 m less than the high prior year amount of EUR 216 m. The decrease was primarily due to cash flow from operating activities declining from EUR 777 m to EUR 506 m; cash flow from operating activities for the first half of 2017 was affected by factors including lower earnings in the second quarter of 2017 as well as additional non-persistent cash outflows. In addition, capital expenditures (capex) rose from EUR 561 m to EUR 594 m during the first six months of 2017.

ROCE before special items fell to 20.7 % (prior year: 23.2 %). The decline was the result of an increase in average capital employed as well as the weak earnings development of the Automotive division, particularly during the second quarter of 2017.

Major events – first half 2017

On April 25, 2017, rating agency Fitch Ratings published its first rating of Schaeffler AG. Fitch assigned a rating of BBB- (investment grade) to Schaeffler AG with a stable outlook. The bonds were also rated BBB-.

On April 26, 2017, Schaeffler AG's annual general meeting passed a resolution to pay a dividend of EUR 0.49 per common share (prior year: EUR 0.34; special dividend EUR 0.15) and EUR 0.50 per common non-voting share (prior year: EUR 0.35; special dividend EUR 0.15) to Schaeffler AG's shareholders for 2016. This represents a dividend of 34.1 % of net income attributable to shareholders before special items.

On June 26, 2017, the Board of Managing Directors of Schaeffler AG decided to reduce its guidance for the EBIT margin before special items from previously 12 to 13 % to 11 to 12 % for the business year 2017. This is due to a substantially lower earnings development in the Automotive division in the second quarter 2017 compared to the prior year. At the same time, the guidance for free cash flow for 2017 as a whole was reduced from approximately EUR 600 m to approximately EUR 500 m. The company confirmed its revenue guidance for the full year 2017. The company continues to expect its revenue to grow by 4 to 5 % excluding the impact of currency translation for the business year 2017.

[2] Please refer to pp. 17 et seq. for the definition of special items.

Schaeffler Group

Revenue EUR 7,046 m

EBIT margin before special items 11.1 %

Revenue up 3.8 % at constant currency // Weak Automotive division performance impacts EBIT margin // Positive revenue and earnings development in the Industrial division – encouraging second quarter // Double-digit growth in Greater China // R&D activities for E-mobility expanded considerably

Schaeffler Group earnings No. 001

in € millions	1st six months 2017	1st six months 2016	Change in %	2nd quarter 2017	2nd quarter 2016	Change in %
Revenue	**7,046**	**6,712**	**5.0**	**3,472**	**3,369**	**3.1**
• at constant currency			3.8			2.2
Revenue by division						
Automotive	5,455	5,182	5.3	2,664	2,604	2.3
• at constant currency			4.2			1.6
Industrial	1,591	1,530	4.0	808	765	5.6
• at constant currency			2.3			4.5
Revenue by region [1]						
Europe	3,664	3,679	-0.4	1,796	1,863	-3.6
• at constant currency			-0.9			-4.2
Americas	1,523	1,418	7.4	747	712	4.9
• at constant currency			4.1			2.6
Greater China	1,125	939	19.8	562	463	21.4
• at constant currency			21.7			23.8
Asia/Pacific	734	676	8.6	367	331	10.9
• at constant currency			5.0			7.9
Cost of sales	-5,093	-4,792	6.3	-2,551	-2,393	6.6
Gross profit	**1,953**	**1,920**	**1.7**	**921**	**976**	**-5.6**
• in % of revenue	27.7	28.6	-	26.5	29.0	-
Research and development expenses	-428	-378	13.2	-216	-194	11.3
Selling and administrative expenses	-715	-668	7.0	-355	-336	5.7
Earnings before financial result and income taxes (EBIT)	**793**	**859**	**-7.7**	**358**	**438**	**-18.3**
• in % of revenue	11.3	12.8	-	10.3	13.0	-
Special items [2]	-13	0	-	-13	0	-
EBIT before special items	**780**	**859**	**-9.2**	**345**	**438**	**-21.2**
• in % of revenue	11.1	12.8	-	9.9	13.0	-
Financial result	-103	-153	-32.7	-55	-88	-37.5
Income taxes	-196	-206	-4.9	-92	-106	-13.2
Net income [3]	485	494	-1.8	206	241	-14.5
Earnings per common non-voting share (basic/diluted, in €)	0.73	0.75	-2.7	0.31	0.37	-16.2

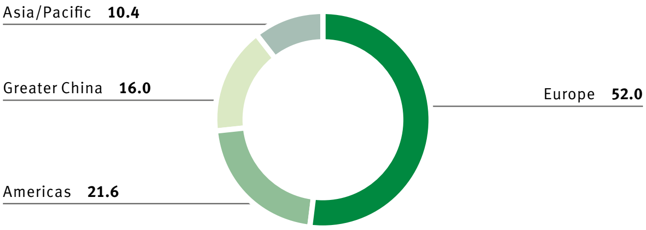
[1] Based on market (customer location).
[2] Please refer to pp. 17 et seq. for the definition of special items.
[3] Attributable to shareholders of the parent company.

1.3 Earnings

Schaeffler Group earnings

The Schaeffler Group increased its revenue by 5.0 % to EUR 7,046 m (prior year: EUR 6,712 m) during the first half of 2017. Excluding the impact of currency translation, revenue grew by 3.8 %. The Automotive division contributed revenue growth of 4.2 % excluding the impact of currency translation. Industrial division revenue grew at a rate of 2.3 % excluding the impact of translation.

Schaeffler Group revenue by region No. 002
in percent by market view



The Schaeffler Group's revenue trend varied widely across regions. While revenue in the Europe region was approximately flat with prior year (-0.4 %; -0.9 % at constant currency), in the Americas region, revenue increased by 7.4 % (+4.1 % at constant currency). The Greater China region once more turned in a strong performance, having already had a very encouraging first quarter. Revenue there rose by 19.8 % (+21.7 % at constant currency) during the first six months of 2017, with both divisions generating double-digit growth rates. In the Asia/Pacific region, revenue increased by 8.6 % (+5.0 % at constant currency). While Automotive division revenue was up, business in the Industrial division declined slightly in the first six months of 2017 excluding the impact of currency translation.

Cost of sales increased by 6.3 % to EUR 5,093 m (prior year: EUR 4,792 m) during the reporting period. Gross profit improved by 1.7 % or EUR 33 m to EUR 1,953 m (prior year: EUR 1,920 m). The company's gross margin declined by 0.9 percentage points to 27.7 % (prior year: 28.6 %). The margin decline was primarily attributable to the weak second quarter performance of the Automotive division. The Automotive division's gross margin fell by 1.4 percentage points to 27.2 % (prior year: 28.6 %) in the first six months of 2017. The gross margin of the Industrial division, however, rose by 0.7 percentage points to 29.4 % (prior year: 28.7 %) as expected.

Research and development expenses increased significantly by 13.2 % to EUR 428 m in the first six months of 2017 (prior year: EUR 378 m), representing an R&D ratio of 6.1 % (prior year: 5.6 %) of revenue. Apart from inflation-related cost increases, reasons for R&D expenses rising more rapidly than revenue include, among other things, higher development cost and other expenses due to additional projects in the field of E-mobility.

Selling and administrative expenses totaled EUR 715 m, 7.0 % ahead of prior year (prior year: EUR 668 m), mainly driven by higher selling expenses (+7.8 %). Apart from inflation-related cost increases, the increase is also attributable to higher logistics expenses driven by greater volumes, due, among other things, to the significant expansion of the business in the Greater China region. Total functional costs rose by 9.3 % to EUR 1,143 m (prior year: EUR 1,046 m), growing to 16.2 % of revenue (prior year: 15.6 %).

The Schaeffler Group generated EUR 793 m in EBIT for the first six months of 2017 (prior year: EUR 859 m). Its EBIT margin amounted to 11.3 % (prior year: 12.8 %). EBIT was favorably affected by EUR 13 m in income from the reversal of a provision for legal cases during the second quarter of 2017. EBIT before this special item declined to EUR 780 m (prior year: EUR 859 m) for the first half of 2017, and the corresponding EBIT margin to 11.1 % (prior year: 12.8 %). The decline was primarily due to the decrease in Automotive division gross margin as described above and the significantly expanded R&D activities, including those in the field of E-mobility. In addition, the EBIT margin was also affected by an adverse impact of currency translation.

The Schaeffler Group's financial result improved by EUR 50 m to EUR -103 m (prior year: EUR -153 m) in the first six months of 2017.

Schaeffler Group financial result No. 003

	1st six months	
in € millions	**2017**	**2016**
Interest expense on financial debt [1]	-76	-145
Interest income on shareholder loans	0	33
Gains and losses on derivatives and foreign exchange	-10	5
Fair value changes on embedded derivatives	0	-28
Interest income and expense on pensions and partial retirement obligations	-19	-22
Other	2	4
Total	**-103**	**-153**

[1] Incl. amortization of transaction costs and prepayment penalties.

Interest expense on financial debt amounted to EUR 76 m in the first six months of 2017 (prior year: EUR 145 m) and included prepayment penalties of EUR 13 m (prior year: EUR 6 m) and EUR 5 m (prior year: EUR 19 m) in deferred transaction costs derecognized.

In 2016, IHO Verwaltungs GmbH prepaid its loans payable to Schaeffler AG in full. As a result, the Schaeffler Group no longer earned any interest income on loans to shareholders in the first six months of 2017 (prior year: EUR 33 m).

Net foreign exchange losses on financial assets and liabilities and net losses on derivatives amounted to EUR 10 m (prior year: gains of EUR 5 m). These include the impact of translating the financing instruments denominated in U.S. Dollar to Euro and hedges of these instruments using cross currency swaps.

Changes in the fair value of embedded derivatives, primarily prepayment options for external financing instruments, netted to EUR 0 m as at June 30, 2017 (prior year: net losses of EUR 28 m).

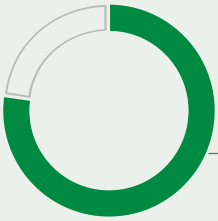
Income tax expense for the first six months of 2017 totaled EUR 196 m (prior year: EUR 206 m), representing an effective tax rate of 28.4 % (prior year: 29.2 %).

Net income attributable to shareholders of the parent company for the reporting period was EUR 485 m (prior year: EUR 494 m).

Basic and diluted earnings per common share amounted to EUR 0.72 in the first half of 2017 (prior year: EUR 0.74). Basic and diluted earnings per common non-voting share amounted to EUR 0.73 (prior year: EUR 0.75).

Automotive division

Revenue EUR 5,455 m



77.4 %
of group revenue

EBIT margin before special items 11.8 %

Revenue up 4.2 % at constant currency // Slight cooling of global automobile production and temporary supply chain shortages in the Aftermarket business // Second quarter earnings less than expected // Earnings affected by adverse pricing effects which could not be compensated by corresponding production cost optimization, as well as by rising costs for new product launches in the OEM business // Higher R&D and other expenses – including in the field of E-mobility

Automotive division earnings No. 004

	1st six months			2nd quarter		
in € millions	2017	2016	Change in %	2017	2016	Change in %
Revenue	**5,455**	**5,182**	**5.3**	**2,664**	**2,604**	**2.3**
• at constant currency			4.2			1.6
Revenue by business division						
BD Engine Systems	1,399	1,324	5.7	684	670	2.1
• at constant currency			4.8			1.6
BD Transmission Systems	2,333	2,179	7.1	1,148	1,073	7.0
• at constant currency			6.3			6.3
BD Chassis Systems	798	775	3.0	390	390	0.0
• at constant currency			1.7			-0.7
BD Automotive Aftermarket	925	904	2.3	442	471	-6.2
• at constant currency			0.8			-7.5
Revenue by region [1)]						
Europe	2,743	2,763	-0.7	1,330	1,404	-5.3
• at constant currency			-1.1			-5.8
Americas	1,222	1,135	7.7	599	573	4.5
• at constant currency			4.4			1.9
Greater China	905	753	20.2	444	369	20.3
• at constant currency			22.5			23.2
Asia/Pacific	585	531	10.2	291	258	12.8
• at constant currency			6.8			10.2
Cost of sales	-3,970	-3,701	7.3	-1,971	-1,854	6.3
Gross profit	**1,485**	**1,481**	**0.3**	**693**	**750**	**-7.6**
• in % of revenue	27.2	28.6	-	26.0	28.8	-
Research and development expenses	-360	-311	15.8	-182	-160	13.8
Selling and administrative expenses	-461	-413	11.6	-228	-209	9.1
EBIT	**657**	**735**	**-10.6**	**290**	**368**	**-21.2**
• in % of revenue	12.0	14.2	-	10.9	14.1	-
Special items [2)]	-13	0		-13	0	
EBIT before special items	**644**	**735**	**-12.4**	**277**	**368**	**-24.7**
• in % of revenue	11.8	14.2	-	10.4	14.1	-

Prior year information presented based on 2017 segment structure.
[1)] Based on market (customer location).
[2)] Please refer to pp. 17 et seq. for the definition of special items.

Automotive division earnings

The Automotive division's revenue growth continued with less momentum in the second quarter of 2017. Following a good start to the year, particularly the considerably lower growth in global automobile production and temporary supply chain shortages in the Aftermarket business in the second quarter of 2017 contributed to this trend. The division's total revenue increased by 5.3 % to EUR 5,455 m in the first six months of 2017 (prior year: EUR 5,182 m). Excluding the impact of currency translation, the growth rate was 4.2 %. Thus, the business once again expanded faster than global production volumes for passenger cars and light commercial vehicles, which grew by 2.6 % during the reporting period. This expansion was largely driven by growth in the OEM business in the Greater China region.

The weak second quarter of 2017 reduced revenue in the Europe region by 0.7 % (-1.1 % at constant currency) during the first six months of 2017, while regional production volumes grew by an average of 2.3 %. The Americas region reported 7.7 % (+4.4 % at constant currency) in additional revenue, growing faster than regional vehicle production, which rose by 1.4 %. The Automotive division once again significantly expanded its revenue in the Greater China region, generating 20.2 % (+22.5 % at constant currency) in additional revenue while that region's vehicle production rose by 3.4 %. The reasons for the increase in Asia/Pacific region revenue of 10.2 % (+6.8 % at constant currency) included product ramp-ups, with vehicle production there rising by 3.4 %.

The Automotive division business is organized in the Engine Systems, Transmission Systems, Chassis Systems, and Automotive Aftermarket business divisions (BD), all of which reported growing revenue in the first half of 2017.

The **Engine Systems BD** generated revenue growth of 5.7 % (+4.8 % at constant currency) during the reporting period, largely driven by the valve train product group. The camshaft phasing units product group also saw significant increases, especially for electric phasing systems.

Transmission Systems BD revenue rose by 7.1 % (+6.3 % at constant currency). Revenue from components for automated transmissions, such as torque converters and dual clutches, saw particularly significant increases. The dual-mass flywheel product group also experienced a positive trend. This growth was driven by the Greater China region.

The **Chassis Systems BD** generated revenue growth of 3.0 % (+1.7 % at constant currency) mainly based on the solid growth in revenue from the newest generation of wheel bearings in the Greater China region.

The **Automotive Aftermarket BD** increased its revenue by 2.3 % (+0.8 % at constant currency) in the first half of 2017. Following strong growth in the first quarter of 2017, revenue declined markedly in the second quarter, primarily due to temporary supply-chain shortages in the Europe region during the second quarter of 2017. In the Americas region, on the other hand, the positive revenue trend continued, mainly due to increased requirements of automobile manufacturers (OES customers) there.

Cost of sales increased by 7.3 % to EUR 3,970 m (prior year: EUR 3,701 m) in the first six months of 2017, growing faster than revenue. Gross profit amounted to EUR 1,485 m (prior year: EUR 1,481 m) and, consequently, gross margin deteriorated by 1.4 percentage points to 27.2 % (prior year: 28.6 %). The decrease in gross margin is primarily due to the following three factors: increased pricing pressure in the Automotive OEM business which could not yet be fully compensated by corresponding production cost optimization, rising costs for new product launches, and temporary supply chain shortages in the Aftermarket business. These adverse earnings impacts are largely temporary and can be partially recovered in the next quarters.

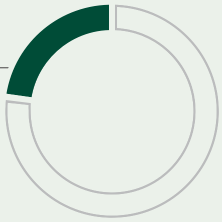
Functional costs increased by 13.4 % to EUR 821 m (prior year: EUR 724 m), rising to 15.1 % of revenue (prior year: 14.0 %). The main driver of this increase was the rise in research and development expenses by 15.8 % to EUR 360 m (prior year: EUR 311 m) or 6.6 % (prior year: 6.0 %) of revenue, reflecting increased activities in the field of E-mobility, which has already won several volume production orders. Selling and administrative expenses of EUR 461 m were ahead of prior year (+11.6 %; prior year: EUR 413 m). The increase is primarily the result of higher logistics expenses driven by higher volumes, due, among other things, to significantly expanded business in the Greater China region.

Automotive division EBIT amounted to EUR 657 m (prior year: EUR 735 m) during the reporting period, and the division's EBIT margin was 12.0 % (prior year: 14.2 %). EBIT was favorably affected by EUR 13 m in income from the reversal of a provision for legal cases during the second quarter of 2017. The division's EBIT before special items declined to EUR 644 m (prior year: EUR 735 m) and the corresponding EBIT margin to 11.8 % (prior year: 14.2 %). Apart from the lower gross margin, reasons for the decline include higher R&D cost and other expenses, for instance in the field of E-mobility. In addition, the EBIT margin was also affected by an adverse impact of currency translation.

Industrial division

Revenue EUR 1,591 m

22.6 %
of group revenue



EBIT margin before special items 8.5 %

Industrial division back on growth course – revenue increases by 2.3 % at constant currency // Largely driven by higher volumes in the Greater China region and in the power transmission and industrial automation sectors // Earnings in line with expectations – margin further stabilized // Cost and efficiency measures are consistently executed and proving effective

Industrial division earnings No. 005

	1st six months			2nd quarter		
in € millions	2017	2016	Change in %	2017	2016	Change in %
Revenue	**1,591**	**1,530**	**4.0**	**808**	**765**	**5.6**
• at constant currency			2.3			4.5
Revenue by region [1]						
Europe	921	916	0.5	466	459	1.5
• at constant currency			-0.3			0.6
Americas	301	283	6.4	148	139	6.5
• at constant currency			2.6			5.1
Greater China	220	186	18.3	118	94	25.5
• at constant currency			18.7			26.3
Asia/Pacific	149	145	2.8	76	73	4.1
• at constant currency			-1.7			0.1
Cost of sales	-1,123	-1,091	2.9	-580	-539	7.6
Gross profit	**468**	**439**	**6.6**	**228**	**226**	**0.9**
• in % of revenue	29.4	28.7	-	28.2	29.5	-
Research and development expenses	-68	-67	1.5	-34	-34	0.0
Selling and administrative expenses	-254	-255	-0.4	-127	-127	0.0
EBIT	**136**	**124**	**9.7**	**68**	**70**	**-2.9**
• in % of revenue	8.5	8.1	-	8.4	9.2	-
Special items [2]	0	0	0.0	0	0	0.0
EBIT before special items	**136**	**124**	**9.7**	**68**	**70**	**-2.9**
• in % of revenue	8.5	8.1	-	8.4	9.2	-

Prior year information presented based on 2017 segment structure.
[1] Based on market (customer location).
[2] Please refer to pp. 17 et seq. for the definition of special items.

Industrial division earnings

Industrial division revenue increased by 4.0 % to EUR 1,591 m (prior year: EUR 1,530 m). Having experienced an encouraging second quarter, the Industrial division grew its total revenue for the first half of 2017 by 2.3 % and has thus returned to a growth course. This trend was mainly driven by significant volume increases in the power transmission and industrial automation sectors. The raw materials, offroad, and aerospace sectors generated revenue growth, as well. The wind, railway, and two wheelers sectors, on the other hand, reported revenue declines.

The Industrial business is primarily managed based on 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; trends varied across these markets in the first half of 2017.

In the **Europe region**, revenue for the reporting period was approximately equivalent to the prior year (+0.5 %; -0.3 % at constant currency). Raw materials sector revenue experienced a double-digit growth rate compared to the weak prior year level, with reasons including higher demand in the mining sector. The power transmission sector reported a positive trend as well, as revenue rose especially on the industrial gears sector. The industrial automation and offroad sectors as well as Industrial Distribution also saw their revenue increase slightly. Revenue in the wind, aerospace, and railway sectors, however, declined from the prior year period. The two wheelers sector was flat with prior year due to the favorable impact of currency translation.

The **Americas region** reported a considerable increase in revenue of 6.4 % (+2.6 % at constant currency) during the reporting period. This trend was mainly driven by an increase in demand in the aerospace, offroad, and power transmission sectors in the second quarter of 2017 compared to the prior year. Industrial Distribution also increased its revenue slightly in the first half of 2017, while revenue in the raw materials and industrial automation sectors remained at the prior year level. The railway, two wheelers, and wind sectors experienced revenue declines in the first six months of 2017.

In the **Greater China region**, revenue increased by 18.3 % (+18.7 % at constant currency) following a very encouraging second quarter of 2017. This double-digit growth over a weak prior year was driven by some high revenue increases in nearly all sectors, with the rise in demand in the power transmission and industrial automation sectors being the most notable. These sectors experienced double-digit revenue growth rates compared to the weak first half of 2016. The power transmission sector mainly profited from stabilized demand in the industrial gears and electric motors sectors. The increase in industrial automation revenue was attributable to additional revenue in the textile machinery and machine tools sectors. Industrial Distribution also grew considerably. Demand in the wind sector remained high and slightly exceeded the prior year level following an encouraging second quarter of 2017. Railway and raw materials also increased their revenue slightly.

In the **Asia/Pacific region**, revenue increased by 2.8 % due to the favorable impact of currency translation. Excluding the impact of currency translation, the region reported a 1.7 % decline in revenue, primarily attributable to the raw materials sector and Industrial Distribution. In contrast, the aerospace and offroad sectors generated double-digit growth rates at a low level.

Industrial division cost of sales rose 2.9 % to EUR 1,123 m (prior year: EUR 1,091 m). In total, the Industrial division improved its gross profit by EUR 29 m or 6.6 % to EUR 468 m (prior year: EUR 439 m). The division's gross margin of 29.4 % was 0.7 percentage points ahead of the prior year level (prior year: 28.7 %). The division offset price reductions as well as cost increases, primarily due to collectively bargained wage and salary increases, with operational improvements in costs and economies of scale. Favorable one-time items also helped improve the gross margin.

Functional costs of EUR 322 m were in line with prior year (prior year: EUR 322 m). The cost reduction measures of the program "CORE" more than offset inflation-related cost increases, particularly in personnel expenses, as well as higher group overheads. Functional costs as a percentage of revenue fell to 20.2 % (prior year: 21.0 %). Research and development expenses amounted to EUR 68 m (prior year: EUR 67 m), and selling and administrative expenses were EUR 254 m (prior year: EUR 255 m).

EBIT for the first six months of 2017 amounted to EUR 136 m (prior year: EUR 124 m), while the division's EBIT margin improved by 0.4 percentage points to 8.5 % (prior year: 8.1 %). As there were no special items during either the current or the prior year reporting period, the EBIT margin before special items amounted to 8.5 % (prior year: 8.1 %), as well. The increase was the result of an increase in gross profit as described above and the success of the program "CORE", with cost and efficiency measures consistently executed and beginning to prove effective for the long-term. Currency translation had an adverse effect on the EBIT margin, however.

Performance indicators and special items

Reconciliation No. 006

	Total		Automotive		Industrial	
	1st six months		1st six months		1st six months	
in € millions	2017	2016	2017	2016	2017	2016
EBIT	**793**	**859**	**657**	**735**	**136**	**124**
• in % of revenue	11.3	12.8	12.0	14.2	8.5	8.1
Special items	**-13**	**0**	**-13**	**0**	**0**	**0**
• Legal cases	-13	0	-13	0	0	0
• Restructuring	0	0	0	0	0	0
• Other	0	0	0	0	0	0
EBIT before special items	**780**	**859**	**644**	**735**	**136**	**124**
• in % of revenue	11.1	12.8	11.8	14.2	8.5	8.1
EBITDA	**1,175**	**1,217**				
Special items	**-13**	**0**				
• Legal cases	-13	0				
• Restructuring	0	0				
• Other	0	0				
EBITDA before special items	**1,162**	**1,217**				
Net income [1)]	**485**	**494**				
Special items	**-13**	**0**				
• Legal cases	-13	0				
• Restructuring	0	0				
• Other	0	0				
– Tax effect [2)]	4	0				
Net income before special items [1)]	**476**	**494**				
Net financial debt [3)]	2,956	2,636				
/ EBITDA [4)]	2,251	2,293				
Debt to EBITDA ratio [3)]	**1.3**	**1.1**				
Net financial debt [3)]	2,956	2,636				
/ EBITDA before special items [4)]	2,382	2,437				
Debt to EBITDA ratio before special items [3)]	**1.2**	**1.1**				
EBIT [4)]	1,490	1,443				
/ Average capital employed [4)]	7,844	7,374				
ROCE (in %) [4)]	**19.0**	**19.6**				
EBIT before special items [4)]	1,621	1,710				
/ Average capital employed [4)]	7,844	7,374				
ROCE before special items (in %) [4)]	**20.7**	**23.2**				
EBIT [4)]	1,490	1,443				
– Cost of capital	784	737				
Schaeffler Value Added [4)]	**706**	**706**				
EBIT before special items [4)]	1,621	1,710				
Cost of capital	784	737				
Schaeffler Value Added before special items [4)]	**837**	**973**				

[1)] Attributable to shareholders of the parent company.
[2)] Based on the groups effective tax rate for the relevant year.
[3)] Amounts as at June 30, 2017, and December 31, 2016, respectively.
[4)] Based on the last twelve months.

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

Special items are items which the Board of Managing Directors considers to render the financial indicators less meaningful for evaluating the sustainability of the Schaeffler Group's profitability due to their nature, frequency, and/or size. Net income attributable to shareholders of the parent company before special items in EBIT is also presented in order to facilitate calculating the payout ratio. Special items are categorized as legal cases, restructuring, and other.

ROCE corresponds to EBIT in relation to average capital employed. Average capital employed is calculated as the sum of property, plant and equipment, intangible assets, and working capital, which in turn comprises trade receivables and inventories net of trade payables. The average is determined as the mathematical average of the balance at the end of each of the most recent four quarters. Schaeffler Value Added is calculated as EBIT less the cost of capital. Cost of capital is calculated by applying the minimum return of 10 % p. a. (before tax) set by the Board of Managing Directors and the Supervisory Board to average capital employed.

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 currency 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 page 48 of the Schaeffler Group's annual report 2016 for a detailed discussion.

1.4 Financial position

Cash flow and liquidity

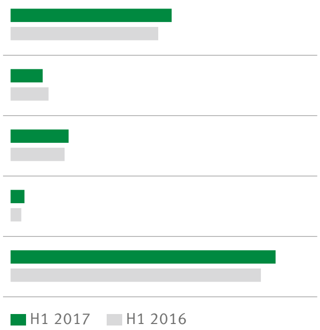
Cash flow No. 007

in € millions	1st six months 2017	1st six months 2016	Change in %	2nd quarter 2017	2nd quarter 2016	Change in %
Cash flows from operating activities	506	777	-34.9	320	571	-44.0
Cash used in investing activities	-595	-561	6.1	-279	-243	14.8
Free cash flow	**-89**	**216**	**-**	**41**	**328**	**-87.5**
Cash used in financing activities	-568	-438	29.7	-566	-452	25.2
Net increase in cash and cash equivalents	**-657**	**-222**	**> 100**	**-525**	**-124**	**> 100**
Effects of foreign exchange rate changes on cash and cash equivalents	-15	-5	> 100	-23	3	-
Cash and cash equivalents as at beginning of period	1,071	799	34.0	947	693	36.7
Cash and cash equivalents as at June 30	**399**	**572**	**-30.2**	**399**	**572**	**-30.2**

Cash flow from operating activities for the first six months of 2017 declined by EUR 271 m to EUR 506 m (prior year: EUR 777 m); reasons also include the earnings trend during the first half of 2017. Non-persistent cash outflows, including payments for income and other taxes and cash outflows related to legal cases and restructuring, also affected cash flow from operating activities. In addition, the prior year period included interest for a twelve-month period received on a loan receivable from IHO Verwaltungs GmbH; the loan was prepaid in full in 2016. As a result, no such interest was received in the first half of 2017.

Capital expenditures on property, plant and equipment and intangible assets (capex) amounted to EUR 594 m (prior year: EUR 561 m) in the reporting period. The capex ratio was 8.4 % (prior year: 8.4 %) of revenue.

Capital expenditures by region (capex) No. 008



	in € millions	Change in € millions
Europe	**361** 331	+30
Americas	**72** 85	-13
Greater China	**130** 121	+9
Asia/ Pacific	**31** 24	+7
Schaeffler Group	**594** 561	+33

Regions reflect the regional structure of the Schaeffler Group.

Of the significant capital expenditures made during the reporting period, EUR 361 m (prior year: EUR 331 m) related to the Europe Region and EUR 130 m (prior year: EUR 121 m) to the Greater China region. In order to strengthen its competitive position, the Schaeffler Group primarily invested in expanding capacity and in equipment and machinery for product start-ups.

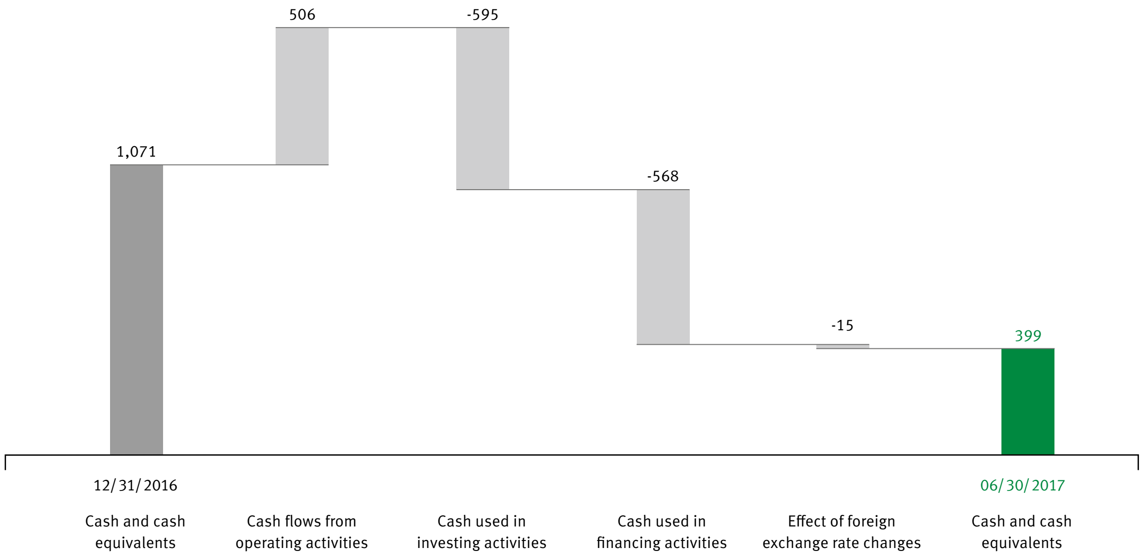
In addition, the acquisition of Compact Dynamics GmbH resulted in a cash outflow of EUR 23 m, while the disposals of Schaeffler Motorenelemente AG & Co. KG and the fine blanking activities in Switzerland led to a cash inflow of EUR 20 m.

These developments resulted in **free cash flow** of EUR -89 m (prior year: positive free cash flow of EUR 216 m).

EUR 568 m in cash was used in **financing activities** (prior year: EUR 438 m) during the reporting period. EUR 328 m of the EUR 330 m in dividends paid during the second quarter of 2017 represented the dividends paid to Schaeffler AG's shareholders. A total of EUR 587 m in cash was used to redeem a USD bond and to terminate the related cross-currency derivatives in May 2017. Cash of EUR 350 m was provided by utilizing a portion of the Revolving Credit Facility.

Cash and cash equivalents decreased by EUR 672 m to EUR 399 m as at June 30, 2017 (December 31, 2016: EUR 1,071 m).

Change in cash and cash equivalents No. 009
in € millions



At June 30, 2017, cash and cash equivalents consisted primarily of bank balances. EUR 230 m (December 31, 2016: EUR 325 m) of this amount related to countries with foreign exchange restrictions and other legal restrictions. In addition, the Schaeffler Group has a Revolving Credit Facility of EUR 1.3 bn (December 31, 2016: EUR 1.3 bn), of which EUR 350 m were utilized at June 30, 2017, as a result of the redemption of the USD bond. Another EUR 11 m (December 31, 2016: EUR 13 m) of the Revolving Credit Facility were also utilized, primarily in the form of letters of credit.

Net financial debt No. 010

in € millions	06/30/2017	12/31/2016	Change in %
Bonds	2,019	2,719	-25.7
Facilities Agreement	1,333	982	35.7
Other financial debt	3	6	-50.0
Total financial debt	**3,355**	**3,707**	**-9.5**
Cash and cash equivalents	399	1,071	-62.7
Net financial debt	**2,956**	**2,636**	**12.1**

Financial debt

The group's net financial debt increased to EUR 2,956 m, up EUR 320 m from December 31, 2016 (December 31, 2016: EUR 2,636 m), primarily due to the dividend payment and the negative free cash flow during the first half of 2017 as described above.

The debt to EBITDA ratio, defined as the ratio of net financial debt to earnings before financial result, income taxes, depreciation and amortization and impairment losses (EBITDA), amounted to 1.3 at June 30, 2017 (December 31, 2016: 1.1). The debt to EBITDA ratio before special items was 1.2 (December 31, 2016: 1.1).

The gearing ratio, the ratio of net financial debt to equity, was 136.3 % at June 30, 2017 (December 31, 2016: 132.0 %).

On May 24, 2017, the Schaeffler Group fully redeemed the bond with a principal of USD 700 m, a coupon of 4.25 %, and an original maturity of May 2021. The redemption was funded using available liquidity and by utilizing EUR 350 m of the Revolving Credit Facility.

On April 25, 2017, rating agency Fitch Ratings published its first rating of Schaeffler AG. Fitch assigned a rating of BBB- (investment grade) to Schaeffler AG with a stable outlook. The bonds were also rated BBB-.

At June 30, 2017, the Schaeffler Group's Facilities Agreement comprised the following tranches:

Facilities Agreement Schaeffler Group No. 011

		06/30/2017	12/31/2016	06/30/2017	12/31/2016	06/30/2017	12/31/2016	
Tranche	Currency	Face value in millions		Carrying amount in € millions		Coupon		Maturity
Senior Term Loan	EUR	1,000	1,000	992	992	Euribor [1] + 1.20 %	Euribor [1] + 1.20 %	07/18/2021
Revolving Credit Facility [2]	EUR	1,300	1,300	341	-10	Euribor [1] + 0.80 %	Euribor [1] + 0.80 %	07/18/2021
Total				**1,333**	**982**			

[1] Euribor floor of 0.00 %.
[2] EUR 361 m were drawn down as at June 30, 2017, including EUR 11 m primarily in the form of letters of credit (December 31, 2016: EUR 13 m).

In addition, the Schaeffler Group had further local lines of credit in the equivalent of approximately EUR 164 m (December 31, 2016: EUR 166 m), of which the equivalent of EUR 38 m were utilized at June 30, 2017, primarily in the form of letters of credit.

The following bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, were outstanding as at June 30, 2017. All bonds are listed on the Euro MTF market of the Luxembourg Stock Exchange.

Schaeffler Group bonds No. 012

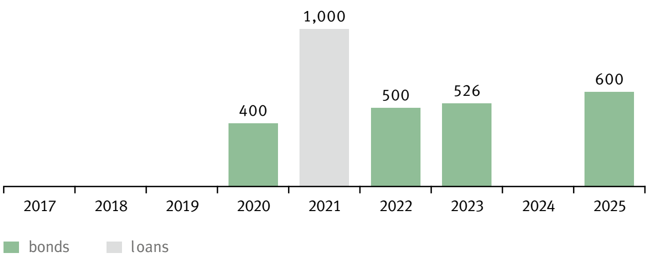
		06/30/2017	12/31/2016	06/30/2017	12/31/2016		
ISIN	Currency	Face value in millions		Carrying amount in € millions		Coupon	Maturity
XS1212469966	EUR	400	400	397	397	2.50 %	05/15/2020
US806261AJ29 [1]	USD	0	700	0	658	4.25 %	05/15/2021
XS1067864022	EUR	500	500	498	498	3.50 %	05/15/2022
US806261AM57	USD	600	600	528	571	4.75 %	05/15/2023
XS1212470972	EUR	600	600	596	595	3.25 %	05/15/2025
Total				**2,019**	**2,719**		

[1] Redeemed in full on May 24, 2017.

The company's maturity profile, which consists of the Senior Term Loan and the bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, was as follows as at June 30, 2017:

Maturity profile No. 013

Principal outstanding as at June 30, 2017, in € millions



Revolving Credit Facility not shown.

1.5 Net assets and capital structure

The Schaeffler Group's total assets decreased by EUR 444 m or 3.8 % to EUR 11,120 m as at June 30, 2017 (December 31, 2016: EUR 11,564 m).

Consolidated statement of financial position (abbreviated) No. 014

in € millions	06/30/2017	12/31/2016	Change in %
Total non-current assets	5,895	5,979	-1.4
Total current assets	5,225	5,585	-6.4
Total assets	**11,120**	**11,564**	**-3.8**
Total shareholders' equity	2,168	1,997	8.6
Total non-current liabilities	5,507	6,361	-13.4
Total current liabilities	3,445	3,206	7.5
Total shareholders' equity and liabilities	**11,120**	**11,564**	**-3.8**

Non-current assets declined by EUR 84 m to EUR 5,895 m as at June 30, 2017 (December 31, 2016: EUR 5,979 m), primarily due to a EUR 84 m reduction in deferred tax assets mainly attributable to a slight increase in the discount rate for pension obligations and the redemption of the USD bond. The termination of the cross-currency swaps in connection with the bond redemption as well as negative changes in the fair value of the remaining non-current derivatives also contributed to the decrease in non-current assets. The decrease was partially offset mainly by property, plant and equipment increasing by EUR 62 m. Additions to intangible assets and property, plant and equipment amounted to EUR 538 m (prior year: EUR 468 m) and were primarily invested in expanding capacity and in equipment and machinery for product start-ups in the Automotive division. The Automotive division accounted for approximately 81 % of total additions for the reporting period.

Current assets fell by EUR 360 m to EUR 5,225 m (December 31, 2016: EUR 5,585 m) during the first six months of 2017. The decrease was largely attributable to the reduction in cash and cash equivalents (see "Cash flow and liquidity", page 19 et seq.), partially offset by higher inventories and trade receivables.

Shareholders' equity including non-controlling interests rose by EUR 171 m to EUR 2,168 m as at June 30, 2017 (December 31, 2016: EUR 1,997 m), mainly due to net income of EUR 494 m which was partially offset by EUR 328 m in dividends paid to Schaeffler AG's shareholders. The adverse impact of foreign currency translation on accumulated other comprehensive income contrasted with the favorable impact of discount rate-driven adjustments to pensions and similar obligations. The equity ratio was 19.5 % at June 30, 2017 (December 31, 2016: 17.3 %).

Non-current liabilities declined by EUR 854 m to EUR 5,507 m as at June 30, 2017 (December 31, 2016: EUR 6,361 m). The decline was largely due to the redemption of the USD bond. The decrease in provisions for pensions and similar obligations by EUR 105 m resulting primarily from a slight increase in the average discount rate to 2.3 % (December 31, 2016: 2.1 %) also contributed to the decline.

Current liabilities increased by EUR 239 m to EUR 3,445 m as at June 30, 2017 (December 31, 2016: EUR 3,206 m), largely due to the utilization of EUR 350 m of the Revolving Credit Facility in connection with the bond redemption referred to above. Higher balances of accrued vacation and overtime accounts also contributed to the rise in current liabilities, which was partially offset by a decline in other financial liabilities.

2. Supplementary report

At its meeting on July 17, 2017, the Supervisory Board of Schaeffler AG appointed Dietmar Heinrich, Regional CEO Europe, to the Board of Managing Directors. On August 01, 2017, Mr. Heinrich will take up his role as Chief Financial Officer of Schaeffler AG, replacing Dr. Ulrich Hauck. The Supervisory Board also decided to extend the contract of Dr. Stefan Spindler, CEO Industrial, for a term of five years ending on April 30, 2023.

Dietmar Heinrich's successor as a member of the Schaeffler Group's Executive Board and Regional CEO Europe is Jürgen Ziegler. Mr. Ziegler will take up his new position on August 01, 2017.

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, 2017.

3. Report on opportunities and risks

The Schaeffler Group's opportunities and risks have not changed significantly compared to the statements made in the annual report 2016. However, concrete risks from increased pricing pressure in the Automotive business and rising purchase prices are affecting the earnings situation, which is apparent in the reduced earnings guidance for the business year 2017.

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. Please refer to pages 61 et seq. of the Schaeffler Group's annual report 2016 for a discussion of Schaeffler's risk management system and potential opportunities and risks.

4. Report on expected developments

4.1 Expected economic and sales market trends

In its current forecast (July 2017), the International Monetary Fund expects the global economy to grow by 3.5 % this year. Oxford Economics (July 2017) anticipates the same growth rate. In light of these forecasts, the Schaeffler Group continues to expect global economic growth of about 3 % in 2017.

Please refer to the discussion in the 2016 annual report regarding risks potentially affecting the development of the global economy.

The Schaeffler Group continues to believe that automobile production will grow by approximately 1.5 % in 2017. Given the positive trends in the Greater China and Asia/Pacific regions, the Schaeffler Group now expects industrial production to grow somewhat more rapidly than originally anticipated at the beginning of the year.

4.2 Schaeffler Group outlook

On June 26, 2017, the Board of Managing Directors of Schaeffler AG decided to reduce its earnings guidance for the business year 2017. This is due to a substantially lower earnings development in the Automotive division in the second quarter 2017 compared to the prior year.

Outlook 2017 No. 015

	Outlook 2017 issued 01/24/2017	Outlook 2017 issued 06/26/2017	Actual H1 2017
Revenue growth [1]	4 to 5 %	4 to 5 %	3.8 %
EBIT margin before special items [2]	12 to 13 %	11 to 12 %	11.1 %
Free cash flow	~ EUR 600 m	~ EUR 500 m	EUR -89 m

[1] Compared with prior year; excluding the impact of currency translation.
[2] Please refer to pp. 17 et seq. for the definition of special items.

Based on these considerations, the company expects to generate an EBIT margin before special items of 11 to 12 % (previously 12 to 13 % before special items) for 2017 as a whole.

The Schaeffler Group now anticipates approximately EUR 500 m (previously EUR 600 m) in free cash flow for 2017.

The Schaeffler Group confirmed its revenue guidance for the full year 2017. The company continues to expect its revenue to grow by 4 to 5 % excluding the impact of currency translation for the business year 2017.

Herzogenaurach, July 31, 2017

The Board of Managing Directors

Consolidated income statement

No. 016

	1st six months			2nd quarter		
in € millions	**2017**	**2016**	Change in %	**2017**	**2016**	Change in %
Revenue	7,046	6,712	5.0	3,472	3,369	3.1
Cost of sales	-5,093	-4,792	6.3	-2,551	-2,393	6.6
Gross profit	**1,953**	**1,920**	**1.7**	**921**	**976**	**-5.6**
Research and development expenses	-428	-378	13.2	-216	-194	11.3
Selling expenses	-485	-450	7.8	-242	-228	6.1
Administrative expenses	-230	-218	5.5	-113	-108	4.6
Other income	42	15	> 100	30	11	> 100
Other expenses	-59	-30	96.7	-22	-19	15.8
Earnings before financial result and income taxes (EBIT)	**793**	**859**	**-7.7**	**358**	**438**	**-18.3**
Financial income	87	112	-22.3	86	10	> 100
Financial expenses	-190	-265	-28.3	-141	-98	43.9
Financial result	**-103**	**-153**	**-32.7**	**-55**	**-88**	**-37.5**
Earnings before income taxes	**690**	**706**	**-2.3**	**303**	**350**	**-13.4**
Income taxes	-196	-206	-4.9	-92	-106	-13.2
Net income	**494**	**500**	**-1.2**	**211**	**244**	**-13.5**
Attributable to shareholders of the parent company	485	494	-1.8	206	241	-14.5
Attributable to non-controlling interests	9	6	50.0	5	3	66.7
Earnings per common share (basic/diluted, in €)	0.72	0.74	-2.7	0.30	0.36	-16.7
Earnings per common non-voting share (basic/diluted, in €)	0.73	0.75	-2.7	0.31	0.37	-16.2

Consolidated statement of comprehensive income

No. 017

	1st six months						2nd quarter					
	2017			2016			2017			2016		
in € millions	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes
Net income	**690**	**-196**	**494**	**706**	**-206**	**500**	**303**	**-92**	**211**	**350**	**-106**	**244**
Foreign currency translation differences for foreign operations	-176	0	-176	-30	0	-30	-213	0	-213	48	0	48
Net change from hedges of net investments in foreign operations	25	-7	18	14	-4	10	19	-5	14	-18	5	-13
Effective portion of changes in fair value of cash flow hedges	84	-23	61	4	-1	3	78	-21	57	-17	5	-12
Net change in fair value of available-for-sale financial assets	0	0	0	0	0	0	0	0	0	0	0	0
Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	**-67**	**-30**	**-97**	**-12**	**-5**	**-17**	**-116**	**-26**	**-142**	**13**	**10**	**23**
Remeasurement of net defined benefit liability	145	-41	104	-413	116	-297	42	-13	29	-168	46	-122
Total other comprehensive income (loss) that will not be reclassified to profit or loss	**145**	**-41**	**104**	**-413**	**116**	**-297**	**42**	**-13**	**29**	**-168**	**46**	**-122**
Total other comprehensive income (loss)	**78**	**-71**	**7**	**-425**	**111**	**-314**	**-74**	**-39**	**-113**	**-155**	**56**	**-99**
Total comprehensive income (loss) for the period	**768**	**-267**	**501**	**281**	**-95**	**186**	**229**	**-131**	**98**	**195**	**-50**	**145**
Total comprehensive income (loss) attributable to shareholders of the parent company	758	-263	495	275	-91	184	229	-129	100	190	-48	142
Total comprehensive income (loss) attributable to non-controlling interests	10	-4	6	6	-4	2	0	-2	-2	5	-2	3

Consolidated statement of financial position

No. 018

in € millions	06/30/2017	12/31/2016	06/30/2016	Change in %
ASSETS				
Intangible assets	631	632	585	-0.2
Property, plant and equipment	4,569	4,507	4,242	1.4
Other financial assets	147	217	1,922	-32.3
Other assets	60	51	41	17.6
Income tax receivables	0	0	4	0.0
Deferred tax assets	488	572	603	-14.7
Total non-current assets	**5,895**	**5,979**	**7,397**	**-1.4**
Inventories	2,010	1,905	1,914	5.5
Trade receivables	2,327	2,218	2,266	4.9
Other financial assets	85	55	119	54.5
Other assets	293	218	222	34.4
Income tax receivables	111	93	64	19.4
Cash and cash equivalents	399	1,071	572	-62.7
Assets held for sale	0	25	0	-100
Total current assets	**5,225**	**5,585**	**5,157**	**-6.4**
Total assets	**11,120**	**11,564**	**12,554**	**-3.8**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	666	666	666	0.0
Capital reserves	2,348	2,348	2,348	0.0
Other reserves	-247	-404	-769	-38.9
Accumulated other comprehensive income (loss)	-703	-713	-909	-1.4
Equity attributable to shareholders of the parent company	**2,064**	**1,897**	**1,336**	**8.8**
Non-controlling interests	104	100	89	4.0
Total shareholders' equity	**2,168**	**1,997**	**1,425**	**8.6**
Provisions for pensions and similar obligations	2,077	2,182	2,358	-4.8
Provisions	88	96	138	-8.3
Financial debt	3,003	3,704	5,442	-18.9
Income tax payables	141	163	219	-13.5
Other financial liabilities	55	86	7	-36.0
Other liabilities	7	6	6	16.7
Deferred tax liabilities	136	124	116	9.7
Total non-current liabilities	**5,507**	**6,361**	**8,286**	**-13.4**
Provisions	300	354	419	-15.3
Financial debt	352	3	4	> 100
Trade payables	1,581	1,625	1,384	-2.7
Income tax payables	198	176	135	12.5
Other financial liabilities	593	696	506	-14.8
Other liabilities	421	344	395	22.4
Liabilities held for sale	0	8	0	-100
Total current liabilities	**3,445**	**3,206**	**2,843**	**7.5**
Total shareholders' equity and liabilities	**11,120**	**11,564**	**12,554**	**-3.8**

Consolidated statement of cash flows

No. 019

	1st six months			2nd quarter		
in € millions	**2017**	**2016**	Change in %	**2017**	**2016**	Change in %
Operating activities						
EBIT	793	859	-7.7	358	438	-18.3
Interest paid	-77	-107	-28.0	-47	-72	-34.7
Interest received	4	73	-94.5	1	70	-98.6
Income taxes paid	-181	-161	12.4	-100	-62	61.3
Depreciation, amortization and impairments	382	358	6.7	193	181	6.6
(Gains) losses on disposal of assets	1	1	0.0	1	0	-
Changes in:						
• Inventories	-161	-112	43.8	-68	-36	88.9
• Trade receivables	-174	-264	-34.1	57	-38	-
• Trade payables	38	89	-57.3	-2	37	-
• Provisions for pensions and similar obligations	26	-19	-	9	-11	-
• Other assets, liabilities and provisions	-145	60	-	-82	64	-
Cash flows from operating activities	**506**	**777**	**-34.9**	**320**	**571**	**-44.0**
Investing activities						
Proceeds from disposals of property, plant and equipment	3	1	> 100	1	0	-
Capital expenditures on intangible assets	-14	-10	40.0	-7	-5	40.0
Capital expenditures on property, plant and equipment	-580	-551	5.3	-288	-238	21.0
Aquisition of subsidiaries	-23	0	-	0	0	
Proceeds from disposal of subsidiaries	20	0	-	16	0	
Other investing activities	-1	-1	0.0	-1	0	-
Cash used in investing activities	**-595**	**-561**	**6.1**	**-279**	**-243**	**14.8**
Financing activities						
Dividends paid to shareholders and non-controlling interests	-330	-329	0.3	-330	-329	0.3
Receipts from loans	350	1	> 100	350	-14	-
Repayments of loans [1)]	-588	-208	> 100	-586	-207	> 100
Other financing activities	0	98	-100	0	98	-100
Cash used in financing activities	**-568**	**-438**	**29.7**	**-566**	**-452**	**25.2**
Net increase (decrease) in cash and cash equivalents	**-657**	**-222**	**> 100**	**-525**	**-124**	**> 100**
Effects of foreign exchange rate changes on cash and cash equivalents	-15	-5	> 100	-23	3	-
Cash and cash equivalents as at beginning of period	1,071	799	34.0	947	693	36.7
Cash and cash equivalents as at June 30	**399**	**572**	**-30.2**	**399**	**572**	**-30.2**

[1)] Incl. EUR 38 m in cash inflows from cross-currency derivatives terminated early in connection with the redemption of the USD bonds.

Consolidated statement of changes in equity

No. 020

	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 remeasure-ment reserve			
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	0	-297	-310	-4	-314
Total comprehensive income (loss) for the period			**494**	**-16**	**3**	**0**	**-297**	**184**	**2**	**186**
Dividends			-328					-328	-1	-329
Total amount of transactions with shareholders			**-328**					**-328**	**-1**	**-329**
Balance as at June 30, 2016	**666**	**2,348**	**-769**	**-95**	**-26**	**0**	**-788**	**1,336**	**89**	**1,425**
Balance as at January 01, 2017	**666**	**2,348**	**-404**	**-27**	**-35**	**0**	**-651**	**1,897**	**100**	**1,997**
Net income			485					485	9	494
Other comprehensive income (loss)				-155	61	0	104	10	-3	7
Total comprehensive income (loss) for the period			**485**	**-155**	**61**	**0**	**104**	**495**	**6**	**501**
Dividends			-328					-328	-2	-330
Total amount of transactions with shareholders			**-328**					**-328**	**-2**	**-330**
Balance as at June 30, 2017	**666**	**2,348**	**-247**	**-182**	**26**	**0**	**-547**	**2,064**	**104**	**2,168**

Consolidated segment information

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

No. 021

	Automotive		Industrial		Total	
	1st six months		1st six months		1st six months	
in € millions	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Revenue	5,455	5,182	1,591	1,530	7,046	6,712
Cost of sales	-3,970	-3,701	-1,123	-1,091	-5,093	-4,792
Gross profit	1,485	1,481	468	439	1,953	1,920
EBIT	657	735	136	124	793	859
• in % of revenue	12.0	14.2	8.5	8.1	11.3	12.8
Depreciation, amortization and impairments	-289	-262	-93	-96	-382	-358
Inventories [1]	1,284	1,225	726	689	2,010	1,914
Trade receivables [1]	1,808	1,752	519	514	2,327	2,266
Property, plant and equipment [1]	3,525	3,189	1,044	1,053	4,569	4,242
Additions to intangible assets and property, plant and equipment	437	375	101	93	538	468

	Automotive		Industrial		Total	
	2nd quarter		2nd quarter		2nd quarter	
in € millions	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Revenue	2,664	2,604	808	765	3,472	3,369
Cost of sales	-1,971	-1,854	-580	-539	-2,551	-2,393
Gross profit	693	750	228	226	921	976
EBIT	290	368	68	70	358	438
• in % of revenue	10.9	14.1	8.4	9.2	10.3	13.0
Depreciation, amortization and impairments	-147	-133	-46	-48	-193	-181
Inventories [1]	1,284	1,225	726	689	2,010	1,914
Trade receivables [1]	1,808	1,752	519	514	2,327	2,266
Property, plant and equipment [1]	3,525	3,189	1,044	1,053	4,569	4,242
Additions to intangible assets and property, plant and equipment	211	201	48	50	259	251

Prior year information presented based on 2017 segment structure.
[1] Amounts as at June 30.

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 interim financial statements of Schaeffler AG as at June 30, 2017, 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 global automotive and industrial supplier.

Basis of preparation

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

The consolidated interim financial statements of Schaeffler AG, Herzogenaurach, for the reporting period ended June 30, 2017, have been compiled in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". They do not include all information necessary for a complete set of consolidated financial statements.

The accounting policies used in these consolidated interim financial statements are largely based on the accounting policies used in the 2016 consolidated financial statements, where the latter are discussed in detail. These accounting policies have been applied consistently in these consolidated interim financial statements.

The amendments to and new requirements of IFRS effective starting in 2017 do not have a significant impact on these consolidated interim financial statements. Please see the discussion on IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments, which are applicable effective January 01, 2018, in the notes to the consolidated financial statements contained in the 2016 annual report for information on the impact these standards' initial application is currently expected to have. To date, the ongoing implementation projects have not led to any significant changes to the assessments set out in that discussion.

In compiling 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, 2016. 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 a reduction in pension obligations and an increase in shareholders' equity. Please refer to "Provisions for pensions and similar obligations" below for more detailed information.

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

Income taxes were determined based on best estimate.

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

Foreign currency translation

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

Selected foreign exchange rates No. 022

Currencies		Closing rates			Average rates 1st six months	
1 € in		06/30/2017	12/31/2016	06/30/2016	2017	2016
CNY	China	7.73	7.32	7.38	7.44	7.29
INR	India	73.93	71.45	75.09	71.15	74.99
KRW	South Korea	1,307.25	1,270.57	1,278.00	1,235.41	1,318.99
MXN	Mexico	20.57	21.79	20.64	21.03	20.16
USD	U.S.A.	1.14	1.05	1.11	1.08	1.12

Scope of consolidation

The consolidated financial statements of Schaeffler AG as at June 30, 2017, cover, in addition to Schaeffler AG, 153 (December 31, 2016: 152) subsidiaries; 51 (December 31, 2016: 51) entities are domiciled in Germany and 102 (December 31, 2016: 101) in other countries.

The scope of consolidation of Schaeffler AG did not change significantly compared to December 31, 2016.

In the consolidated financial statements as at June 30, 2017, five (December 31, 2016: five) investments (including two joint ventures; December 31, 2016: two) are accounted for at equity.

Current and non-current financial debt

The decrease in financial debt compared to December 31, 2016, resulted primarily from the early redemption of the USD bond with a principal of USD 700 m, a coupon of 4.25 %, and an original maturity of 2021 in full in May 2017. The redemption was funded using available liquidity and by utilizing EUR 350 m of the Revolving Credit Facility.

Financial debt (current/non-current) No. 023

			06/30/2017			12/31/2016
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
Bonds	2,019	0	2,019	2,719	0	2,719
Facilities Agreement	1,333	350	983	982	0	982
Other financial debt	3	2	1	6	3	3
Financial debt	**3,355**	**352**	**3,003**	**3,707**	**3**	**3,704**

Provisions for pensions and similar obligations

Interest rate levels as at June 30, 2017, have increased slightly compared to December 31, 2016. 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, 2017, amounted to 2.3 % (December 31, 2016: 2.1 %). The resulting remeasurement of the company's obligations under defined benefit pension plans resulted in actuarial gains of EUR 145 m as at June 30, 2017, which were recognized in the consolidated statement of comprehensive income and are reported under accumulated other comprehensive income net of deferred taxes.

Financial instruments

The carrying amounts and fair values of financial instruments by class of the consolidated statement of financial position and by category per IFRS 7.8 are summarized below. Investments in associated companies and derivatives subject to hedge accounting are also shown, although they do not fall into any of the IAS 39 measurement categories. No financial instruments were reclassified between categories.

Financial instruments by class and category in accordance with IFRS 7.8 No. 024

			06/30/2017		12/31/2016		06/30/2016	
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		2,327	2,327	2,218	2,218	2,266	2,266
Other financial assets								
• Investments in associates [1]	n.a.		3	-	3	-	3	-
• Other investments [2]	AfS		14	-	14	-	14	-
• Marketable securities	AfS	1	17	17	17	17	15	15
• Derivatives designated as hedging instruments	n.a.	2	83	83	63	63	47	47
• Derivatives not designated as hedging instruments	HfT	2	85	85	141	141	252	252
• Miscellaneous other financial assets	LaR		30	30	34	34	1,710	1,728
Cash and cash equivalents	LaR		399	399	1,071	1,071	572	572
Financial liabilities, by class								
Financial debt	FLAC	1, 2 [3]	3,355	3,643	3,707	3,820	5,446	5,521
Trade payables	FLAC		1,581	1,581	1,625	1,625	1,384	1,384
Other financial liabilities								
• Derivatives designated as hedging instruments	n.a.	2	8	8	40	40	17	17
• Derivatives not designated as hedging instruments	HfT	2	31	31	35	35	41	41
• Miscellaneous other financial liabilities	FLAC		609	609	707	707	455	455
Summary by category								
Available-for-sale financial assets (AfS)			31	-	31	-	29	-
Financial assets held for trading (HfT)			85	-	141	-	252	-
Loans and receivables (LaR)			2,756	-	3,323	-	4,548	-
Financial liabilities at amortized cost (FLAC)			5,545	-	6,039	-	7,285	-
Financial liabilities held for trading (HfT)			31	-	35	-	41	-

[1] Equity-accounted investees.
[2] Investments accounted for at cost.
[3] Level 1: EUR 2,287 m (December 31, 2016: EUR 2,813 m; June 30, 2016: EUR 5,082 m); Level 2: EUR 1,356 m (December 31, 2016: EUR 1,007 m; June 30, 2016: EUR 439 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.

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 2017, and no (partial) disposals are planned in the foreseeable future. Marketable securities consist almost entirely of equity instruments in the form of money market fund units.

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

- Level 1: Exchange-quoted prices as at the reporting date are used for marketable securities as well as bonds payable included in financial debt.
- Level 2: Cross-currency swaps and foreign exchange contracts are measured using discounted cash flow valuation models and the exchange rates in effect at the end of the reporting period as well as risk-adjusted interest and discount rates appropriate to the instruments' terms. These models take into account counterparty credit risk via credit value adjustments. Embedded derivatives are measured using a Hull-White model. Key inputs to this model are interest rates, volatilities, and credit default swap rates (CDS rates).
  The fair value of financial debt (except for the publicly listed bonds payable) is the present value of expected cash in- or outflows discounted using risk-adjusted discount rates that are appropriate to the term of the item being valued and that are in effect at the end of the reporting period.
- Level 3: The Schaeffler Group does not have any financial instruments in this level.

The company reviews its financial instruments at the end of each reporting period for any required transfers between fair value levels. No transfers between levels were made during the period.

Contingent liabilities and other obligations

The statements made in the annual report 2016 with respect to contingent liabilities are largely unchanged.

Open commitments under fixed contracts to purchase property, plant and equipment amounted to EUR 406 m as at June 30, 2017 (December 31, 2016: EUR 320 m).

Segment reporting

The allocation of customers and products to segments and the allocation of indirect expenses are 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.

Reconciliation to earnings before income taxes No. 025

	1st six months	
in € millions	**2017**	**2016**
EBIT Automotive [1]	657	735
EBIT Industrial [1]	136	124
EBIT	**793**	**859**
Financial result	-103	-153
Earnings before income taxes	**690**	**706**

[1] Prior year information presented based on 2017 segment structure.

Related parties

The extent of transactions with related persons and entities remained largely unchanged compared to the 2016 consolidated financial statements.

On April 26, 2017, the Schaeffler AG annual general meeting passed a resolution to pay a total dividend of EUR 328 m in respect of 2016, including EUR 245 m on the common shares held by IHO Verwaltungs GmbH.

Transactions with associated companies and joint ventures in the first six months of 2017 were insignificant.

Events after the reporting period

At its meeting on July 17, 2017, the Supervisory Board of Schaeffler AG appointed Dietmar Heinrich, Regional CEO Europe, to the Board of Managing Directors. On August 01, 2017, Mr. Heinrich will take up his role as Chief Financial Officer of Schaeffler AG, replacing Dr. Ulrich Hauck. The Supervisory Board also decided to extend the contract of Dr. Stefan Spindler, CEO Industrial, for a term of five years ending on April 30, 2023. Dietmar Heinrich's successor as a member of the Schaeffler Group's Executive Board and Regional CEO Europe is Jürgen Ziegler. Mr. Ziegler will take up his new position on August 01, 2017.

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, 2017.

Herzogenaurach, July 31, 2017

The Board of Managing Directors

Review report

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, 2017 that are part of the semi annual financial report according to § 37w 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 01, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Alt-Scherer Wirtschaftsprüferin	Koeplin Wirtschaftsprüfer

Responsibility statement by the company's legal representatives

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

Herzogenaurach, July 31, 2017

Schaeffler Aktiengesellschaft
The Board of Managing Directors

Klaus Rosenfeld
Chief Executive Officer

Prof. Dr.-Ing. Peter Gutzmer

Dr. Ulrich Hauck

Oliver Jung

Prof. Dr. Peter Pleus

Corinna Schittenhelm

Dr. Stefan Spindler

Matthias Zink

List of figures

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 AG’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 AG 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.

For better readability, this report generally uses only the masculine form when referring to groups of persons. Unless indicated otherwise, these statements should not be construed to refer to a specific gender.

Summary – 1st quarter 2016 to 2nd quarter 2017

	2016				2017	
Income statement (in € millions)	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
Revenue	3,343	3,369	3,265	3,361	3,574	3,472
EBIT	421	438	417	280	435	358
• in % of revenue	12.6	13.0	12.8	8.3	12.2	10.3
EBIT before special items 1)	421	438	417	424	435	345
• in % of revenue	12.6	13.0	12.8	12.6	12.2	9.9
Net income 2)	253	241	178	187	279	206
Earnings per common non-voting share (basic/diluted, in €)	0.38	0.37	0.27	0.28	0.42	0.31
Statement of financial position (in € millions)						
Total assets	12,607	12,554	12,862	11,564	11,941	11,120
Shareholders' equity 3)	1,609	1,425	1,554	1,997	2,400	2,168
• in % of total assets	12.8	11.4	12.1	17.3	20.1	19.5
Net financial debt	4,909	4,874	2,876	2,636	2,742	2,956
• Net financial debt to EBITDA ratio before special items 1) 4)	2.1	2.0	1.2	1.1	1.1	1.2
• Gearing Ratio (Net financial debt to shareholders' equity, in %)	305.1	342.0	185.1	132.0	114.3	136.3
Statement of cash flows (in € millions)						
EBITDA	598	619	600	476	624	551
• in % of revenue	17.9	18.4	18.4	14.2	17.5	15.9
EBITDA before special items 1)	598	619	600	620	624	538
• in % of revenue	17.9	18.4	18.4	18.4	17.5	15.5
Cash flows from operating activities	206	571	528	571	186	320
Capital expenditures (capex) 5)	318	243	268	317	299	295
• in % of revenue (capex ratio)	9.5	7.2	8.2	9.4	8.4	8.5
Free cash flow	-112	328	263	256	-130	41
Value Added						
ROCE before special items (in %) 1) 4)	22.8	23.2	22.6	22.3	22.1	20.7
Schaeffler Value Added before special items (in € millions) 1) 4)	928	973	944	939	938	837
Employees						
Headcount (at end of reporting period)	85,016	85,225	86,029	86,662	87,341	87,937

1) Please refer to pp. 17 et seq. for the definition of special items.
2) Attributable to shareholders of the parent company.
3) Including non-controlling interests.
4) EBIT/EBITDA based on the last twelve months.
5) Capital expenditures on intangible assets and property, plant and equipment.

	2016				2017	
Automotive (in € millions)	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
Revenue	2,578	2,604	2,525	2,631	2,791	2,664
EBIT	367	368	362	276	367	290
• in % of revenue	14.2	14.1	14.3	10.5	13.1	10.9
EBIT before special items 1)	367	368	362	384	367	277
• in % of revenue	14.2	14.1	14.3	14.6	13.1	10.4
Industrial (in € millions)						
Revenue	765	765	740	730	783	808
EBIT	54	70	55	4	68	68
• in % of revenue	7.1	9.2	7.4	0.5	8.7	8.4
EBIT before special items 1)	54	70	55	40	68	68
• in % of revenue	7.1	9.2	7.4	5.5	8.7	8.4

Prior year information presented based on 2017 segment structure.
1) Please refer to pp. 17 et seq. for the definition of special items.

Financial calendar

August 08, 2017

Publication of results for the first six months 2017

November 08, 2017

Publication of results for the first nine months 2017

March 07, 2018

Publication of annual results 2017

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

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

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Schaeffler AG

Industriestr. 1-3
91074 Herzogenaurach
Germany

www.schaeffler.com

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