SCHAEFFLER

H1

Mobility for tomorrow

Interim Financial Report as at June 30, 2018

Leading into the future

Schaeffler Group at a glance

	1st six months			
Income statement (in € millions)	**2018**	**2017**		Change
Revenue	7,193	7,046	2.1	%
• at constant currency			5.8	%
EBIT	773	793	-2.5	%
• in % of revenue	10.7	11.3	-0.6	%-pts.
EBIT before special items [1]	795	780	1.9	%
• in % of revenue	11.1	11.1	0.0	%-pts.
Net income [2]	509	485	4.9	%
Earnings per common non-voting share (basic/diluted, in €)	0.77	0.73	5.5	%
Statement of financial position (in € millions)	**06/30/2018**	**12/31/2017**		Change
Total assets	12,002	11,537	4.0	%
Shareholders' equity [3]	2,657	2,548	109	€ millions
• in % of total assets	22.1	22.1	0.0	%-pts.
Net financial debt	2,833	2,370	19.5	%
• Net financial debt to EBITDA ratio before special items [1] [4]	1.2	1.0		
• Gearing ratio (Net financial debt to shareholders' equity [3], in %)	106.6	93.0	13.6	%-pts.
	1st six months			
Statement of cash flows (in € millions)	**2018**	**2017**		Change
EBITDA	1,170	1,175	-0.4	%
Cash flows from operating activities	520	506	14	€ millions
Capital expenditures (capex) [5]	595	594	1	€ millions
• in % of revenue (capex ratio)	8.3	8.4	-0.1	%-pts.
Free cash flow (FCF) before cash in- and outflows for M&A activities	-74	-86	12	€ millions
• FCF conversion ratio (ratio of FCF before cash in- and outflows for M&A activities to EBITDA, in %) [1] [4]	22.1	18.1	4.0	%-pts.
Value-based management				Change
ROCE before special items (in %) [1] [4]	19.8	20.7	-0.9	%-pts.
Schaeffler Value Added before special items (in € millions) [1] [4]	792	837	-5.4	%
Employees	**06/30/2018**	**12/31/2017**		Change
Headcount	92,198	90,151	2.3	%

	1st six months			
Automotive OEM division [6] (in € millions)	**2018**	**2017**		Change
Revenue	4,587	4,528	1.3	%
• at constant currency			4.8	%
EBIT	414	496	-16.5	%
• in % of revenue	9.0	11.0	-2.0	%-pts.
EBIT before special items [1]	424	483	-12.2	%
• in % of revenue	9.2	10.7	-1.5	%-pts.
Automotive Aftermarket division [6] (in € millions)				Change
Revenue	925	928	-0.3	%
• at constant currency			3.6	%
EBIT	176	161	9.3	%
• in % of revenue	19.0	17.3	1.7	%-pts.
EBIT before special items [1]	176	161	9.3	%
• in % of revenue	19.0	17.3	1.7	%-pts.
Industrial division [6] (in € millions)				Change
Revenue	1,681	1,590	5.7	%
• at constant currency			10.0	%
EBIT	183	136	34.6	%
• in % of revenue	10.9	8.6	2.3	%-pts.
EBIT before special items [1]	195	136	43.4	%
• in % of revenue	11.6	8.6	3.0	%-pts.

[1] Please refer to pp. 20 et seq. for the definition of special items.
[2] Attributable to shareholders of the parent company.
[3] Including non-controlling interests.
[4] Based on the last twelve months.
[5] Capital expenditures on intangible assets and property, plant and equipment.
[6] Prior year information presented based on 2018 segment structure.

Highlights H1 2018

Accelerated revenue growth in 2nd quarter

Revenue at **EUR 7.2 bn**
(up 5.8% at constant currency)

EBIT margin before special items in line with outlook 2018

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

Free cash flow improved slightly from prior year

Free cash flow before M&A activities at **EUR -74 m**
(prior year: EUR -86 m)

Encouraging trend continued in 2nd quarter

Outlook for 2018 confirmed

Schaeffler on the capital markets

Recent events

Dividend – increase to 55 cents per common non-voting share

On April 20, 2018, Schaeffler AG's annual general meeting passed a resolution to pay a dividend of EUR 0.54 (prior year: EUR 0.49) per common share and EUR 0.55 (prior year: EUR 0.50) per common non-voting share to Schaeffler AG's shareholders for 2017. This represents a dividend payout ratio of 35.4% of net income attributable to shareholders before special items.

One Schaeffler India

On March 20, 2018, the shareholders and creditors of Schaeffler India Limited consented to the merger of the two unlisted entities, INA Bearings India Private Limited and LuK India Private Limited, with Schaeffler India Limited. The transaction is now pending final approval by the Indian authorities and is expected to close in 2018. Once the merger has been completed, the Schaeffler Group will have only one subsidiary, the listed company Schaeffler India Limited, in India. The transaction will increase Schaeffler AG's indirect interest in Schaeffler India Ltd. from currently approx. 51% to approx. 74%. The objective of the transaction is to simplify the existing structure, reduce complexity, and create a strong Schaeffler entity in India in order to better realize the potential for future growth in India. This step also documents that the Automotive and Industrial activities – in line with the "One Schaeffler" approach – are closely linked and strengthen and complement one another.

Program for the future "Agenda 4 plus One"

As part of its program for the future, the "Agenda 4 plus One", the Schaeffler Group celebrated the opening of its new European Distribution Center (EDC) in Kitzingen on June 04, 2018. The Schaeffler Group invested approx. EUR 110 m in the construction of this new location, which will distribute the Industrial division's products to the European market.

On June 15, 2018, the Automotive Aftermarket division started construction of its Aftermarket Kitting Operation (AKO) in Halle (Saale), another milestone of the implementation of the "Agenda 4 plus One". With capital expenditures totaling approx. EUR 180 m, the construction of this state-of-the-art assembly and packaging center represents the Schaeffler Group's Automotive Aftermarket division's largest single capital investment project to date. The AKO will commence operations in the first quarter of 2020.

Both of these initiatives will directly help improve the Schaeffler Group's delivery performance and secure its competitiveness.

On April 16, 2018, the company's Board of Managing Directors, Works Council, and the IG Metall trade union signed a Future Accord. The parties' intention in signing the Accord was to jointly and collaboratively manage and drive the ongoing development and transformation of the Schaeffler Group – with particular regard to the three key future trends of E-Mobility, Industry 4.0, and Digitalization – in the interests of the company and of its employees. Under the Future Accord, the Schaeffler Group will make available a EUR 50 m innovation fund over a period of five years. The purpose of the fund is to foster innovation and thereby to actively harness the great innovative capacity of Schaeffler's employees and to achieve sustainable value creation.

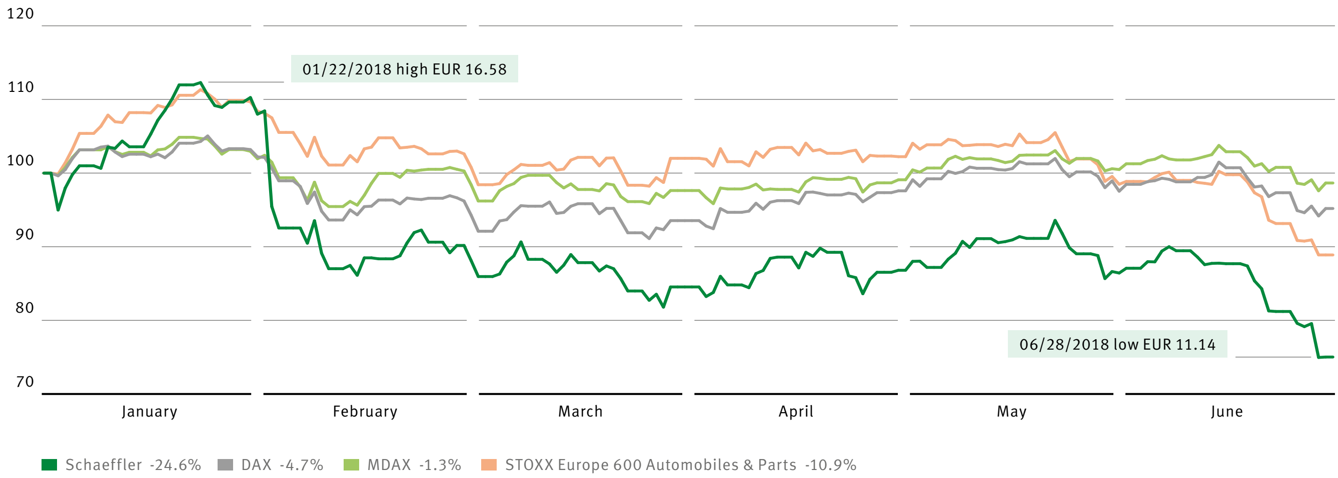
11th Schaeffler Symposium

Schaeffler AG presented numerous technological innovations to more than 400 customers at the 11th Schaeffler Symposium in Baden-Baden on April 12 and 13, 2018, ranging from components and system solutions for optimizing the drive train based on an internal combustion engine and electrifying the automotive drive train of hybrid vehicles and electric vehicles through to new vehicle designs. Schaeffler introduced the "Schaeffler Mover" and a cargo version of the "Bio-Hybrid", two concrete concept vehicles designed for future urban mobility.

Integration of the BCT unit into the divisions

On May 07, 2018, the company announced that the Board of Managing Directors of Schaeffler AG has decided, with the approval of the Supervisory Board's executive committee, to disband the company's "Bearing & Components Technologies" (BCT) unit, which had previously acted as an internal supplier. Under this reorganization, the plants previously assigned to BCT and the Operations function will be integrated into the Automotive OEM and Industrial divisions. The reorganization is

Schaeffler share price trend 2018
in percent (12/31/2017 = 100)



Source: Bloomberg (closing prices).

designed to eliminate duplicate structures and leverage further efficiencies. As a first step toward implementing the change, the BCT organization has been transferred to a starting organization effective July 01, 2018, that will then be replaced by the target organization to be implemented effective January 01, 2019. A restructuring provision of EUR 22 m has been recognized for this first step of the implementation.

Strategy Dialogue

The Schaeffler Group's Strategy Dialogue held from July 09 to 11, 2018, was dedicated to the implementation of the Schaeffler Group's medium-term strategic objectives for the major strategic challenges E-Mobility and Industry 4.0. Participants extensively discussed issues including positioning the Schaeffler Group in the chassis field, the direction of the company's IT infrastructure in view of the implementation of the Digital Agenda, and the "Global Supply Chain" initiative.

Capital market trends

In early 2018, the global capital markets were largely characterized by speculation regarding future interest rate policy, especially that of the Fed and the ECB, rising geopolitical tensions, increasing trade protectionism, and emerging concerns about inflation. During the second quarter, political uncertainty continued to rise due to the international trade conflict, resulting in highly volatile financial markets.

In this context, the trend in the global equities markets weakened in the first half of 2018. While the Euro STOXX 50 dropped by 3.1%, the Dow Jones Industrial fell by 1.8%. The Nikkei 225 index lost 2.0% of its value. The Deutsche Aktienindex (DAX) declined by 4.7% in the first half of 2018, falling to a level of 12,306 points as at June 30, 2018.

Schaeffler shares

On June 30, 2018, the common non-voting shares of Schaeffler AG were quoted at EUR 11.15, 24.6% less than on December 31, 2017. This performance fell short of that of the benchmark indexes DAX (-4.7% compared to December 31, 2017) and MDAX (-1.3%) as well as that of the STOXX Europe 600 Automobiles & Parts sector index (-10.9%) during the reporting period.

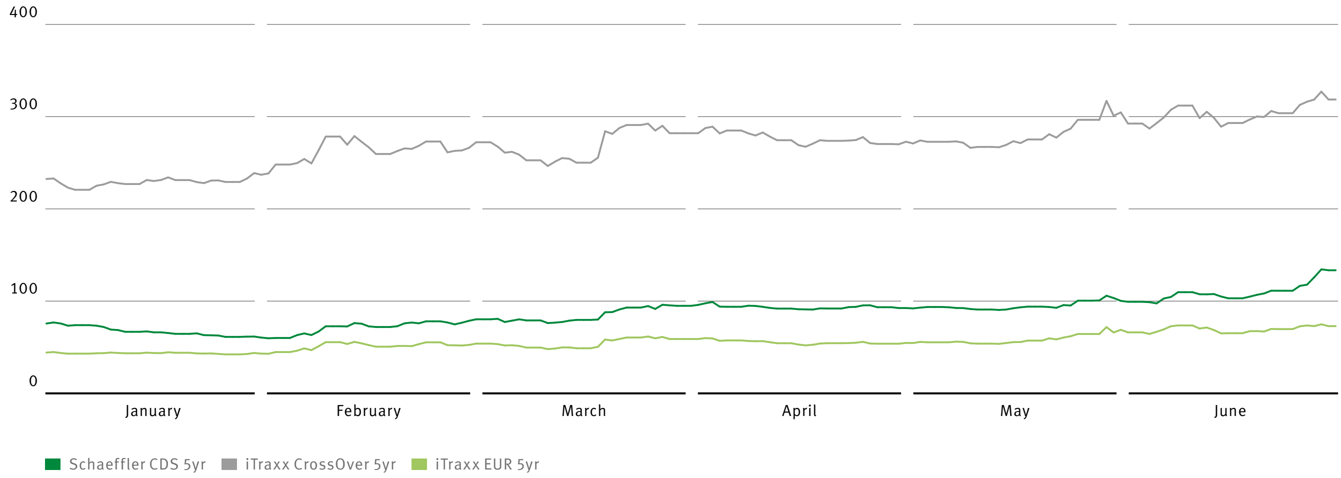
This underperformance was largely related to the publication of key figures for 2017 and of the outlook for 2018 on February 01, 2018. The outlook was affected, among other things, by additional investments made to accelerate the implementation of the company's program for the future, the "Agenda 4 plus One", which is designed to help strengthen the profitability of the Schaeffler Group's operations for the long term. The public debate regarding stricter

Schaeffler share performance (ISIN: DE000SHA0159)

	1st six months	
	2018	2017
Schaeffler share price 06/30 (in €) [1]	11.15	12.54
Average trading volume (in units)	991,600	742,439
DAX 06/30 [1]	12,306	12,325
MDAX 06/30 [1]	25,854	24,452
STOXX Europe 600 Automobiles & Parts 06/30 [1]	547	537
Average number of shares (in million units)		
• Common shares	500	500
• Common non-voting shares	166	166
Earnings per share (in €)		
• Common shares	0.76	0.72
• Common non-voting shares	0.77	0.73

[1] Source: Bloomberg (closing prices).

Credit default swap (CDS) price trend 2018
in basis points



Source: Bloomberg (closing prices).

exhaust and emissions laws and the persistent international trade conflict put additional pressure on shares during the second quarter, particularly those of the automotive sector.

Schaeffler AG's share price reached its high on January 22, 2018 (EUR 16.58), and its low on June 28, 2018 (EUR 11.14). The daily trading volume averaged 991,600 shares in the first half of 2018 (prior year: 742,439). The free float amounted to approx. 24.9% as at June 30, 2018.

As at July 30, 2018, the company was covered by analysts representing a total of 20 banks, with ten of these banks issuing a recommendation of either buy or overweight on Schaeffler AG's common non-voting shares. Their average upside target was EUR 15.07.

Schaeffler bonds and ratings

The Schaeffler Group had four series of bonds outstanding as at June 30, 2018, three of them denominated in EUR and one in USD. All of the bonds were issued by Schaeffler Finance B.V., Barneveld, the Netherlands.

More on the bonds on page 24

Bond prices remained relatively stable in the first half of 2018. The two bond series maturing in 2023 and 2025 declined slightly, which increased their effective yield. The 2023 bond series denominated in USD that has been callable since May 15, 2018, was approaching its contractual redemption price, closing slightly below this redemption price on June 30, 2018, due to higher interest rate levels in the U.S., among other things. The other two bond series, which mature in 2020 and 2022, were trading at a relatively stable level around their contractual redemption price at which these bond series have been callable since May 15, 2017.

The premiums for Schaeffler AG 5-year credit default swaps increased from 76 basis points as at December 31, 2017, to 134 basis points as at June 30, 2018. The benchmark indexes iTraxx Cross-Over and iTraxx Europe declined by 86 basis points and 29 basis points, respectively, over the same period.

The Schaeffler Group's ratings by the three rating agencies, Fitch, Moody's, and Standard & Poor's, are unchanged from December 31, 2017. The following summary shows the three rating agencies' ratings as at June 30:

Schaeffler Group ratings
as at June, 30

	2018	2017	2018	2017
		Company		Bonds
Rating agency		Rating/Outlook		Rating
Fitch	BBB-/stable	BBB-/stable	BBB-	BBB-
Moody's	Baa3/stable	Baa3/stable	Baa3	Baa3
Standard & Poor's	BB+/positive	BB+/stable	BB+	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.

Rounding differences may occur.

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 and expectations at the time of the creation of this report. Such statements refer to future developments, future periods, or, for example, they are designated by terms such as "estimate", "forecast", "intend", "predict", "plan", "assume", or "expect". By their nature, forward-looking statements are subject to risks and uncertainties. A variety of these risks and uncertainties are determined by factors not subject to the influence of the Schaeffler Group, 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 these or other risks or uncertainties occur, or if assumptions underlying statements prove incorrect, then actual results may be materially different from those (explicitly or implicitly) described. 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 group interim management report.

Navigation aid

Further detail elsewhere in the report

Further detail online

1. Report on the economic position

1.1 Economic environment

Global economic growth remained robust overall in the first half of 2018, despite increasing international trade conflicts. Preliminary estimates indicate that the global gross domestic product[1] rose by 3.9% compared to the prior year (Oxford Economics, July 2018), while the economies of certain industrialized nations, in particular, proved less dynamic than in the last quarter of the prior year.

Both the euro region and Japan saw their growth momentum decline during the initial months of the year, primarily due to weak exports in the euro region and subdued domestic demand in Japan. However, preliminary indicators suggest that economic activity in both economies has partially stabilized or recovered during the second quarter. Although economic output in the U.S. in early 2018 was lower than expected, information currently available suggests that activity has increased significantly in the second quarter due to the stimulation provided by the country's most recent tax reform, among other things. The Chinese economy proved surprisingly strong in the initial months of the year; however, current assessments show this momentum gradually slowing recently as expected.

Against this background, the Schaeffler Group's regions developed as follows: Gross domestic product in the Europe region rose by 3.7%, largely driven by the 7.7% growth rate in India, which is also part of the Europe region. The Americas region reported growth of 2.5%, while economic output in the Greater China region increased by 6.4%. This contrasted with the Asia/Pacific region, where gross domestic product rose by 3.3%.

In the **currency markets**, the euro was up against the U.S. dollar and the Chinese renminbi compared to the prior year period. On average, the euro was valued at USD 1.21 and CNY 7.71, respectively, during the first half of 2018 (prior year: USD 1.08 and CNY 7.44, respectively; Bloomberg).

Please refer to the condensed notes to the consolidated financial statements on page 39 for further details on foreign currency translation

Preliminary estimates put global **automobile production**, measured as the number of vehicles up to six tons in weight produced, for the first half of 2018 at 1.7% above the prior year level (IHS, July 2018), with a decline in the first quarter of 2018 followed by noticeable growth in the second quarter. In the Europe region, automobile production rose by 3.6%. While countries such as Russia, India, and France reported considerable growth, countries experiencing declines included Germany, Italy, and the United Kingdom. Automobile production in the Americas region was down 1.2% compared to prior year, since the contraction in the U.S. and Canada was not fully offset by the increases in Mexico and Brazil. Automobile production in the Greater China region rose by 3.3%, with a decline in the first quarter of 2018 more than offset by considerable growth in the second quarter. Automobile production in the Asia/Pacific region was 0.2% below the prior year level as a result of a slight contraction in the first quarter followed by only marginal growth in the second quarter. While Japan reported little growth, Thailand experienced a significant increase. South Korea, however, saw its automobile production fall noticeably short of the prior year level.

[1] For gross domestic product and industrial production, quarterly data is available only for selected, representative countries. Furthermore, for the first half of 2018, only preliminary projections are available for gross domestic product as well as for automobile and industrial production.

Data on the development of the **vehicle population and the average vehicle age** during the first half of 2018 is not available. Based on current IHS forecasts (May 2018), full-year growth in the global vehicle population will be slightly lower in 2018 compared to 2017 (prior year: 3.7%, IHS May 2018), with the average vehicle age remaining nearly unchanged.

Based on preliminary estimates, global **industrial production**, measured as gross value added based on constant prices and exchange rates, expanded by 3.8% in the first half of 2018 (Oxford Economics, June 2018). The Europe region saw a 3.5% increase in industrial production, with the strongest growth reported by India. In Germany, the expansion was slightly ahead of the average for the region, while Russia experienced a contraction. Growth in industrial production in the Americas region amounted to 3.8%, mainly driven by the above-average growth rate in the U.S. The Greater China region saw its industrial production grow by 5.6%, with growth stronger early in the year than in the second quarter. Industrial production levels in the Asia/Pacific region were up 2.3% over the prior year. While Japan also reported this growth rate, South Korea's growth was below the regional average.

In the **procurement markets**, average prices for commodities and input materials significant to the Schaeffler Group nearly consistently exceeded the level of the prior year period by a significant margin in the first half of 2018 (Bloomberg; EIA). However, trends during the reporting period were mixed. The crude oil price closed higher at June 30, 2018, than at the beginning of the year. In most of the Schaeffler Group's relevant procurement regions, prices for hot- and cold-rolled steel rose as well, while the price of aluminum and copper declined overall over the course of the period. Commodity market price trends affect the Schaeffler Group's costs 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 2018

The Schaeffler Group's **revenue** increased by 2.1% to EUR 7,193 m (prior year: EUR 7,046 m) during the reporting period. The adverse impact of currency translation due to the significant rise in the euro had a considerable unfavorable effect on the revenue trend. Excluding the impact of currency translation, the Schaeffler Group generated 5.8% in additional revenue. The Greater China region once again reported the highest growth rate.

The Automotive OEM division generated revenue growth of 4.8% excluding the impact of currency translation, thus consistently continuing to grow faster than the market. The Automotive Aftermarket division experienced an encouraging second quarter, generated revenue growth totaling 3.6% in the first half of 2018, excluding the impact of currency translation. The Industrial division continued its growth trend in the second quarter and achieved additional revenue totaling a considerable 10.0%, excluding the impact of currency translation, during the reporting period.

The Schaeffler Group's earnings before financial result and income taxes (EBIT) decreased by EUR 20 m or 2.5% to EUR 773 m (prior year: EUR 793 m) during the reporting period. Its EBIT margin amounted to 10.7% (prior year: 11.3%). Before special items of EUR 22 m (prior year: EUR -13 m), EBIT amounted to EUR 795 m (prior year: EUR 780 m). The group's **EBIT margin** before special items amounted to 11.1% (prior year: 11.1%), with the Automotive OEM division's EBIT margin before special items declining to 9.2% (prior year: 10.7%) while the margins of the Automotive Aftermarket and Industrial divisions improved to 19.0% (prior year: 17.3%) and 11.6% (prior year: 8.6%), respectively.

Free cash flow before cash in- and outflows for M&A activities was at EUR -74 m in the first half of 2018, EUR 12 m higher than the prior year amount of EUR -86 m. Lower interest payments had a favorable impact on cash flows from operating activities for the reporting period, while cash outflows related to the expansion of working capital had an offsetting effect. Capital expenditures on property, plant and equipment and intangible assets of EUR 595 m were flat with prior year (prior year: EUR 594 m).

Schaeffler Value Added before special items **(SVA)** amounted to EUR 792 m (prior year: EUR 837 m), representing a return on capital employed before special items **(ROCE)** of 19.8% (prior year: 20.7%). The decline was the result of weaker earnings compared to the prior year as well as an increase in average capital employed.

Major events – first half 2018

At its meeting on March 02, 2018, the Supervisory Board of Schaeffler AG appointed Andreas Schick (previously Regional CEO Asia-Pacific) to become Member of the Board of Managing Directors of Schaeffler AG as of April 01, 2018. Andreas Schick is taking over the role as Chief Operating Officer of Schaeffler AG from Oliver Jung, who left Schaeffler AG as of March 31, 2018. Also at that meeting, the contract of Corinna Schittenhelm, Chief Human Resources Officer, was extended for a term of five years ending on December 31, 2023. Helmut Bode will replace Andreas Schick as Regional CEO Asia-Pacific and was appointed to the Executive Board effective April 01, 2018.

On March 20, 2018, the shareholders and creditors of Schaeffler India Limited consented to the merger of the two unlisted entities, INA Bearings India Private Limited and LuK India Private Limited, with Schaeffler India Limited. The transaction is now pending final approval by the Indian authorities and is expected to close in 2018. Once the merger has been completed, the Schaeffler Group will have only one subsidiary, the listed company Schaeffler India Limited, in India. The transaction will increase Schaeffler AG's indirect interest in Schaeffler India Ltd. from currently approx. 51% to approx. 74%. The objective of the transaction is to simplify the existing structure, reduce complexity, and create a strong Schaeffler entity in India in order to better realize the potential for future growth in India. This step also documents that the Automotive and Industrial activities – in line with the "One Schaeffler" approach – are closely linked and strengthen and complement one another.

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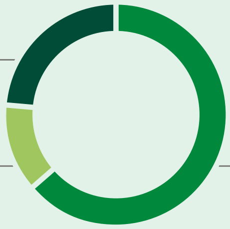
Schaeffler AG's annual general meeting, which was held on April 20, 2018, passed a resolution to pay a dividend of EUR 0.54 (prior year: EUR 0.49) per common share and EUR 0.55 (prior year: EUR 0.50) per common non-voting share to Schaeffler AG's shareholders for 2017.

On May 07, 2018, the company announced that the Board of Managing Directors of Schaeffler AG has decided, with the approval of the Supervisory Board's executive committee, to disband the company's "Bearing & Components Technologies" (BCT) unit, which had previously acted as an internal supplier. Under this reorganization, the plants previously assigned to BCT and the Operations function will be integrated into the Automotive OEM and Industrial divisions. The reorganization is designed to eliminate duplicate structures and leverage further efficiencies. As a first step toward implementing the change, the BCT organization has been transferred to a starting organization effective July 01, 2018, that will be replaced by the target organization to be implemented effective January 01, 2019. A restructuring provision of EUR 22 m has been recognized for this first step of the implementation.

Schaeffler Group

Revenue EUR 7,193 m



EBIT margin before special items 11.1%

Revenue up 5.8% at constant currency – revenue growth at 7.9% in Q2 // All three divisions contributing to growth trend // Highest revenue growth once again in the Greater China region // EBIT margin before special items of 11.1% flat with prior year // Earnings per common non-voting share at EUR 0.77 (prior year: EUR 0.73)

Schaeffler Group earnings No. 001

	1st six months			2nd quarter		
in € millions	2018	2017	Change in %	2018	2017	Change in %
Revenue	**7,193**	**7,046**	**2.1**	**3,642**	**3,472**	**4.9**
• at constant currency			5.8			7.9
Revenue by division						
Automotive OEM	4,587	4,528	1.3	2,308	2,220	4.0
• at constant currency			4.8			6.5
Automotive Aftermarket	925	928	-0.3	479	444	7.9
• at constant currency			3.6			12.3
Industrial	1,681	1,590	5.7	855	808	5.8
• at constant currency			10.0			9.3
Revenue by region [1)]						
Europe	3,760	3,664	2.6	1,882	1,796	4.8
• at constant currency			3.8			6.3
Americas	1,413	1,523	-7.2	714	747	-4.4
• at constant currency			2.7			4.1
Greater China	1,284	1,125	14.1	662	562	17.8
• at constant currency			18.7			19.2
Asia/Pacific	736	734	0.3	384	367	4.6
• at constant currency			4.9			8.4
Cost of sales	-5,260	-5,093	3.3	-2,669	-2,551	4.6
Gross profit	**1,933**	**1,953**	**-1.0**	**973**	**921**	**5.6**
• in % of revenue	26.9	27.7	-	26.7	26.5	-
Research and development expenses	-444	-428	3.7	-220	-216	1.9
Selling and administrative expenses	-735	-715	2.8	-374	-355	5.4
Earnings before financial result and income taxes (EBIT)	**773**	**793**	**-2.5**	**382**	**358**	**6.7**
• in % of revenue	10.7	11.3	-	10.5	10.3	-
Special items [2)]	22	-13	-	22	-13	-
EBIT before special items	**795**	**780**	**1.9**	**404**	**345**	**17.1**
• in % of revenue	11.1	11.1	-	11.1	9.9	-
Financial result	-82	-103	-20.4	-30	-55	-45.5
Income taxes	-175	-196	-10.7	-80	-92	-13.0
Net income [3)]	509	485	4.9	269	206	30.6
Earnings per common non-voting share (basic/diluted, in €)	0.77	0.73	5.5	0.41	0.31	32.3

Prior year information presented based on 2018 segment structure.
[1)] By market view (customer location).
[2)] Please refer to pp. 20 et seq. for the definition of special items.
[3)] Attributable to shareholders of the parent company.

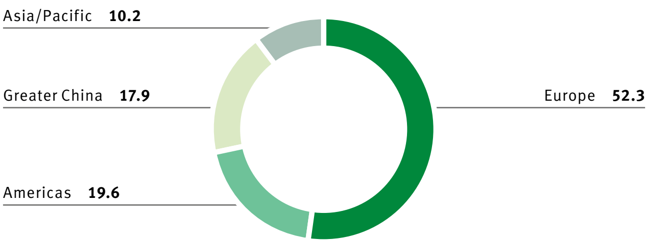
1.3 Earnings

Schaeffler Group earnings

Until December 31, 2017, the Schaeffler Group divided its business into the two divisions Automotive and Industrial. In order to make the company even more customer-oriented in a fast-changing market and competitive environment, the Automotive Aftermarket was separated from the Automotive division of Schaeffler AG and set up as a stand-alone division with its own CEO as of January 01, 2018. As a consequence, the Schaeffler Group has been dividing its business into three divisions – Automotive OEM, Automotive Aftermarket, and Industrial – since January 01, 2018.

The Schaeffler Group increased its revenue by 2.1% to EUR 7,193 m (prior year: EUR 7,046 m) during the first half of 2018, with a considerable adverse impact of currency translation on the revenue trend. Excluding the impact of currency translation, revenue rose by 5.8%. While the Automotive OEM division expanded its revenue by 4.8% excluding the impact of currency translation, global automobile production for the same period rose by 1.7%. The Automotive Aftermarket division grew its revenue by 3.6% during the reporting period, excluding the impact of currency translation. The Industrial division continued its growth trend in the second quarter of 2018 as well and generated a considerable 10.0% in additional revenue during the first half of 2018, excluding the impact of currency translation.

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



Revenue in the Europe region was up 2.6% (+3.8% at constant currency). In the Americas region, revenue declined by 7.2% (+2.7% at constant currency) due to the considerable adverse impact of currency translation. The revenue trend in the Greater China region remained encouraging, with revenue increasing by 14.1% (+18.7% at constant currency) despite an adverse impact of currency translation. Revenue in the Asia/Pacific region was up only slightly due to the adverse impact of currency translation, rising by 0.3% (+4.9% at constant currency).

Cost of sales increased by EUR 167 m or 3.3% to EUR 5,260 m (prior year: EUR 5,093 m) during the reporting period. Gross profit declined by EUR 20 m or 1.0% to EUR 1,933 m (prior year: EUR 1,953 m) with a corresponding drop in gross margin by 0.8 percentage points to 26.9% (prior year: 27.7%). The decline was mainly attributable to the adverse impact of pricing and currency translation as well as to initial expenses and project ramp-ups, including the field of E-Mobility, which were not fully offset by economies of scale and related product cost optimization.

In order to position the company for success in meeting the challenges of the future, thus laying the foundation for continued profitable long-term growth, the Schaeffler Group has accelerated implementation of its program for the future, the "Agenda 4 plus One". Among other things, this resulted in an increase in research and development expenses by 3.7% to EUR 444 m (prior year: EUR 428 m), representing a R&D ratio of 6.2% (prior year: 6.1%) of revenue. The initial application of the new IFRS 15 standard during the reporting period has resulted in, among other things, a change in the presentation of certain development services, as the new standard requires them to be classified within gross margin, thus decreasing research and development expenses. Selling and administrative expenses of EUR 735 m were above the prior year level (+2.8%; prior year: EUR 715 m). Total functional costs rose by EUR 36 m or 3.1% to EUR 1,179 m (prior year: EUR 1,143 m), growing to 16.4% of revenue (prior year: 16.2%).

EBIT amounted to EUR 773 m during the reporting period (prior year: EUR 793 m) and the EBIT margin was 10.7% (prior year: 11.3%). EBIT for the reporting period was adversely affected by special items of EUR 22 m representing restructuring expenses related to the integration of the internal supplier, "Bearing & Components Technologies" (BCT), while income from the reversal of a provision for legal cases had increased EBIT by EUR 13 m in the prior year period. EBIT before special items improved slightly during the reporting period, increasing by EUR 15 m or 1.9% to EUR 795 m (prior year: EUR 780 m). The group's EBIT margin before special items of 11.1% (prior year: 11.1%) was flat with prior year. The decline in gross margin described above, due to in part the adverse impact of currency translation, and higher functional costs were partially offset by gains on foreign currency transactions, among other things.

The Schaeffler Group's financial result improved by EUR 21 m to EUR -82 m (prior year: EUR -103 m) in the first six months of 2018 compared to the prior year.

Schaeffler Group financial result No. 003

	1st six months	
in € millions	**2018**	**2017**
Interest expense on financial debt [1]	-46	-76
Gains and losses on derivatives and foreign exchange	2	-10
Fair value changes on embedded derivatives	-31	0
Interest income and expense on pensions and partial retirement obligations	-20	-19
Other	13	2
Total	**-82**	**-103**

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

Interest expense on financial debt amounted to EUR 46 m in the first six months of 2018 (prior year: EUR 76 m). The decrease in interest expense is largely due to the reduction in financial debt compared to the prior year. The prior year included the prepayment penalty of EUR 13 m and EUR 5 m in deferred transaction costs derecognized.

Net foreign exchange gains on financial assets and liabilities and net gains on derivatives amounted to EUR 2 m (prior year: losses of EUR 10 m). These include the impact of translating the financing instruments denominated in U.S. dollars to euros and hedges of these instruments using cross-currency swaps.

Changes in the fair value of embedded derivatives, primarily prepayment options for external financing instruments, resulted in net losses of EUR 31 m (prior year: EUR 0 m).

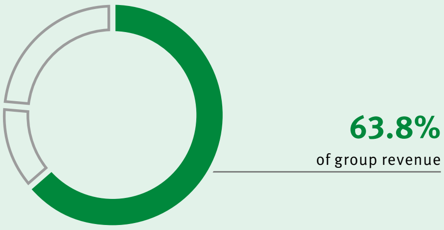
Income tax expense for the first six months of 2018 amounted to EUR 175 m (prior year: EUR 196 m), representing an effective tax rate of 25.3% (prior year: 28.4%). The decrease in the effective tax rate compared to the prior year was primarily attributable to one-time items arising from taxes related to prior years and to a shift in the differing country-specific tax burdens of German and foreign companies.

Net income attributable to shareholders of the parent company for the reporting period was EUR 509 m (prior year: EUR 485 m).

Basic and diluted earnings per common share increased to EUR 0.76 in the first half of 2018 (prior year: EUR 0.72). Basic and diluted earnings per common non-voting share amounted to EUR 0.77 (prior year: EUR 0.73). The number of shares used to calculate earnings per common share and earnings per common non-voting share was 500 million (prior year: 500 million) and 166 million (prior year: 166 million), respectively.

Automotive OEM division

Revenue EUR 4,587 m



EBIT margin before special items 9.2%

Revenue up 4.8% at constant currency – revenue growth at 6.5% in Q2 // Encouraging revenue trend backed by high order intake in H1 // Revenue growth at constant currency in all BDs and in all regions // Q2 earnings below prior year – R&D activities stepped up further, particularly for E-Mobility // Increased volumes and efficiency cannot fully compensate for offsetting effect // Certain major projects not yet fully ramped up, mainly in China

Automotive OEM division earnings No. 004

	1st six months			2nd quarter		
in € millions	2018	2017	Change in %	2018	2017	Change in %
Revenue	**4,587**	**4,528**	**1.3**	**2,308**	**2,220**	**4.0**
• at constant currency			4.8			6.5
Revenue by business division						
Engine Systems BD	1,422	1,398	1.7	713	682	4.5
• at constant currency			5.7			7.3
Transmission Systems BD	2,152	2,125	1.3	1,077	1,041	3.5
• at constant currency			5.2			6.5
E-Mobility BD	221	208	6.3	117	107	9.3
• at constant currency			7.7			8.8
Chassis Systems BD	792	797	-0.6	401	390	2.8
• at constant currency			2.4			5.2
Revenue by region 1)						
Europe	2,105	2,071	1.6	1,048	1,009	3.9
• at constant currency			2.4			4.6
Americas	961	1,018	-5.6	481	502	-4.2
• at constant currency			3.7			3.7
Greater China	960	876	9.6	488	429	13.8
• at constant currency			13.4			14.5
Asia/Pacific	561	563	-0.4	291	280	3.9
• at constant currency			4.0			7.6
Cost of sales	-3,495	-3,370	3.7	-1,765	-1,677	5.2
Gross profit	**1,092**	**1,158**	**-5.7**	**543**	**543**	**0.0**
• in % of revenue	23.8	25.6	-	23.5	24.5	-
Research and development expenses	-358	-346	3.5	-176	-175	0.6
Selling and administrative expenses	-330	-317	4.1	-167	-156	7.1
EBIT	**414**	**496**	**-16.5**	**197**	**221**	**-10.9**
• in % of revenue	9.0	11.0	-	8.5	10.0	-
Special items 2)	10	-13	-176.9	10	-13	-176.9
EBIT before special items	**424**	**483**	**-12.2**	**207**	**208**	**-0.5**
• in % of revenue	9.2	10.7	-	9.0	9.4	-

Prior year information presented based on 2018 segment structure.
1) By market view (customer location).
2) Please refer to pp. 20 et seq. for the definition of special items.

Automotive OEM division earnings

The Automotive division, which existed until December 31, 2017, organized its business into the four business divisions (BD) Engine Systems, Transmission Systems, Chassis Systems, as well as Automotive Aftermarket. Since the Automotive Aftermarket BD was set up as the third division effective January 01, 2018, the Automotive OEM business has been organized in the Automotive OEM division. In addition, the new E-Mobility BD was created within the Automotive OEM division, also effective January 01, 2018. On this basis, the new Automotive OEM division is subdivided into the four BDs Engine Systems, Transmission Systems, E-Mobility, and Chassis Systems.

The Automotive OEM division increased its revenue by 1.3% to EUR 4,587 m (prior year: EUR 4,528 m) during the first half of 2018. Excluding the impact of currency translation, revenue for the reporting period was up 4.8%. Global production volumes for passenger cars and light commercial vehicles rose by 1.7% during the first half of 2018. The encouraging revenue trend is backed by orders won in the first half of 2018, known as lifetime sales. The book-to-bill ratio increased to 1.8x during the first half of 2018.

Revenue for the Europe region was up 1.6% (+2.4% at constant currency), while the region's vehicle production grew by 3.6% during the reporting period. In the Americas region, revenue declined by 5.6% (+3.7% at constant currency) due to the adverse impact of currency translation. Regional automobile production there declined by 1.2%. The Automotive OEM division continued to expand its revenue in the Greater China region, generating 9.6% (+13.4% at constant currency) in additional revenue, while that region's vehicle production rose by 3.3%. The Asia/Pacific region reported a slight drop in revenue of 0.4% (+4.0% at constant currency) compared to a 0.2% decrease in regional vehicle production for the reporting period.

The **Engine Systems BD** reported a 1.7% increase in revenue during the period. Excluding the impact of currency translation, revenue was up 5.7%. This growth was mainly driven by the switchable and the fully variable valve train product groups such as the fully variable electro-hydraulic valve train system UniAir. The innovative thermal management module also generated considerable additional revenue.

Transmission Systems BD revenue rose slightly by 1.3% (+5.2% at constant currency). The growth in revenue excluding the impact of currency translation was driven especially by higher volumes of components for automated transmissions, such as torque converters and dry dual clutches.

The new **E-Mobility BD** combines all components and system solutions for hybrid and purely battery-electric vehicles. The product portfolio includes hybrid modules, primary components for continuously variable transmissions (CVTs), electric axles, hydrostatic clutch actuators, and electric wheel hub motors. The E-Mobility BD increased its revenue by 6.3% (+7.7% at constant currency) in the reporting period. The encouraging revenue trend was backed by a high order intake in the second quarter of 2018.

The **Chassis Systems BD** reported a revenue decline of 0.6%. Excluding the impact of currency translation, however, revenue rose by 2.4%, primarily on the back of higher volumes in the wheel bearings and chassis actuators product groups in the second quarter of 2018.

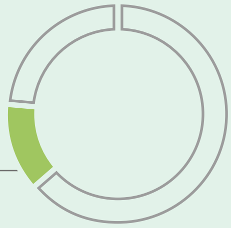
Automotive OEM division cost of sales increased by 3.7% to EUR 3,495 m (prior year: EUR 3,370 m) in the first six months of 2018. Gross profit declined by EUR 66 m or 5.7% to EUR 1,092 m (prior year: EUR 1,158 m). The division's gross margin fell 1.8 percentage points to 23.8% (prior year: 25.6%), with initial expenses and project ramp-ups in the field of E-Mobility as well as the revenue mix adversely affecting gross margin. In addition, certain major projects have not yet been fully ramped up, mainly in China. Additionally, the adverse impact of pricing and currency translation was not fully offset by corresponding production cost optimization.

Functional costs increased by 3.8% to EUR 688 m (prior year: EUR 663 m), rising to 15.0% of revenue (prior year: 14.6%). Research and development expenses grew by 3.5% to EUR 358 m (prior year: EUR 346 m) or 7.8% (prior year: 7.6%) of revenue during the reporting period, reflecting, among other things, the activities to further develop hybrid modules and electric axles. The initial application of the new IFRS 15 standard during the reporting period has resulted in, among other things, a change in the presentation of certain development services, as the new standard requires them to be classified within gross margin, thus decreasing research and development expenses. Selling and administrative expenses of EUR 330 m were 4.1% higher than in the prior year (prior year: EUR 317 m) due to significantly expanded business in the Greater China region, among other things.

Automotive OEM division EBIT of EUR 414 m was below the prior year level (prior year: EUR 496 m), and its EBIT margin declined to 9.0% (prior year: 11.0%). EBIT for the reporting period was adversely affected by EUR 10 m in special items representing the share of restructuring expenses related to the integration of the internal supplier, "Bearing & Components Technologies" (BCT) that was recognized by the Automotive OEM division. In contrast, income from the reversal of a provision for legal cases had increased EBIT for the second quarter of 2017 by EUR 13 m. Based on that, EBIT before special items declined to EUR 424 m (prior year: EUR 483 m) and the EBIT margin before special items to 9.2% (prior year: 10.7%), primarily due to the lower gross margin and increasing development and other expenses. Gains on foreign currency transactions had a compensating effect on the adverse impact of currency translation on gross profit.

Automotive Aftermarket division

Revenue EUR 925 m



EBIT margin before special items 19.0%

Revenue growth of 3.6% at constant currency // Significant additional revenue of 12.3% in Q2 – largely driven by the Europe region // China business maintains highly dynamic growth // Earnings above prior year

Automotive Aftermarket division earnings No. 005

in € millions	1st six months 2018	1st six months 2017	Change in %	2nd quarter 2018	2nd quarter 2017	Change in %
Revenue	**925**	**928**	**-0.3**	**479**	**444**	**7.9**
• at constant currency			3.6			12.3
Revenue by region [1]						
Europe	699	672	4.0	362	320	13.1
• at constant currency			5.4			15.2
Americas	162	204	-20.6	84	97	-13.4
• at constant currency			-8.9			-0.7
Greater China	39	29	34.5	20	15	33.3
• at constant currency			39.8			38.8
Asia/Pacific	25	23	8.7	13	12	8.3
• at constant currency			15.9			15.7
Cost of sales	-596	-601	-0.8	-310	-294	5.4
Gross profit	**329**	**327**	**0.6**	**169**	**150**	**12.7**
• in % of revenue	35.6	35.2	-	35.3	33.8	-
Research and development expenses	-15	-14	7.1	-8	-7	14.3
Selling and administrative expenses	-149	-144	3.5	-76	-72	5.6
EBIT	**176**	**161**	**9.3**	**96**	**68**	**41.2**
• in % of revenue	19.0	17.3	-	20.0	15.3	-
Special items [2]	0	0	0.0	0	0	0.0
EBIT before special items	**176**	**161**	**9.3**	**96**	**68**	**41.2**
• in % of revenue	19.0	17.3	-	20.0	15.3	-

Prior year information presented based on 2018 segment structure.
[1] By market view (customer location).
[2] Please refer to pp. 20 et seq. for the definition of special items.

Automotive Aftermarket division earnings

Effective January 01, 2018, the former Automotive Aftermarket business division was set up as a third stand-alone division of the Schaeffler Group with its own CEO. This step reflects the increased significance of the Automotive Aftermarket business to the Schaeffler Group. The management model of the new division follows a regional approach based on the Europe, Americas, Greater China, and Asia/Pacific regions. Within each region and the related subregions, the division uses two distribution channels to sell its products and services: the Original Equipment Service (OES) and the open (independent) market, known as the Independent Aftermarket (IAM). The OES comprises the automobile manufacturers' spare parts business, that is, supplying original spare parts and services to branded repair shops, i.e. those that are authorized by automobile manufacturers. IAM, on the other hand, supplies independent repair shops that are not tied to any one vehicle brand with spare parts and services via the various distribution levels.

The Automotive Aftermarket division's revenue for the first half of 2018 of EUR 925 m was nearly flat with prior year (-0.3%; prior year: EUR 928 m). Currency translation had a considerable adverse impact on the revenue trend. Excluding the impact of currency translation, revenue was up 3.6%. Following a decline in revenue in the first quarter of 2018, the division generated considerable revenue growth in the second quarter of 2018, excluding the impact of currency translation. This growth was attributable, among other things, to the low prior year quarter, which had been affected by temporary supply chain shortages in the Europe region.

In the **Europe region**, revenue for the reporting period was up 4.0% (+5.4% at constant currency). The increase in revenue was mainly attributable to the Independent Aftermarket in the Central and Eastern Europe & Middle East and Africa subregion as well as Western and Southern Europe in the second quarter of 2018, with reasons including the low prior year quarter, which had been affected by temporary supply chain shortages.

The **Americas region** reported considerably lower revenue for the reporting period, 20.6% less than the high prior year level – a revenue trend that was affected by a substantial adverse impact of currency translation. Excluding the impact of currency translation, revenue fell by 8.9%, due to especially non-recurring additional requirements of an OES customer in the prior year period.

The division continued to make good headway in developing its Chinese market. The **Greater China region** generated revenue growth of 34.5% (+39.8% at constant currency), with reasons including higher OES customers' requirements.

In the **Asia/Pacific region**, revenue rose by 8.7%. Excluding the impact of currency translation, the region generated 15.9% in additional revenue, with a positive impact coming from growth in Independent Aftermarket revenue in the Southeast Asia subregion as well as from increased requirements of OES customers.

Automotive Aftermarket division cost of sales fell by EUR 5 m or 0.8% to EUR 596 m (prior year: EUR 601 m). Gross profit of EUR 329 m was nearly flat with prior year (prior year: EUR 327 m), and gross margin improved slightly by 0.4 percentage points to 35.6% (prior year: 35.2%), due to primarily the favorable impact of economies of scale and the revenue mix, which more than offset the adverse impact of pricing and currency translation.

Functional costs, mainly consisting of selling expenses, rose by 3.8% to EUR 164 m (prior year: EUR 158 m), growing to 17.7% of revenue (prior year: 17.0%).

EBIT and EBIT before special items for the first six months of 2018 amounted to EUR 176 m (prior year: EUR 161 m), while the margin rose 1.7 percentage points to 19.0% (prior year: 17.3%). Non-operating one-time items contributed to this increase. The slight increase in gross profit was partially offset by higher functional costs, including those incurred to expand the logistics network, also in connection with the "Agenda 4 plus One". In addition, gains on foreign currency transactions had a compensating effect on the adverse impact of currency translation on gross profit.

Industrial division

Revenue EUR 1,681 m

23.4%
of group revenue

EBIT margin before special items 11.6%

Revenue up 10.0% at constant currency // Revenue growth in all regions – Greater China maintains highly dynamic growth // Double-digit growth rates in the railway, raw materials, offroad, and power transmission sector clusters // Earnings increased over prior year // Program “CORE” cost and efficiency measures proving sustainably effective

Industrial division earnings No. 006

	1st six months			2nd quarter		
in € millions	2018	2017	Change in %	2018	2017	Change in %
Revenue	**1,681**	**1,590**	**5.7**	**855**	**808**	**5.8**
• at constant currency			10.0			9.3
Revenue by region [1]						
Europe	956	921	3.8	472	467	1.1
• at constant currency			5.9			3.7
Americas	290	301	-3.7	149	148	0.7
• at constant currency			6.9			8.4
Greater China	285	220	29.5	154	118	30.5
• at constant currency			36.7			34.0
Asia/Pacific	150	148	1.4	80	75	6.7
• at constant currency			6.7			10.1
Cost of sales	-1,169	-1,122	4.2	-594	-580	2.4
Gross profit	**512**	**468**	**9.4**	**261**	**228**	**14.5**
• in % of revenue	30.5	29.4	-	30.5	28.2	-
Research and development expenses	-71	-68	4.4	-36	-34	5.9
Selling and administrative expenses	-256	-254	0.8	-131	-127	3.1
EBIT	**183**	**136**	**34.6**	**89**	**69**	**29.0**
• in % of revenue	10.9	8.6	-	10.4	8.5	-
Special items [2]	12	0	>100	12	0	>100
EBIT before special items	**195**	**136**	**43.4**	**101**	**69**	**46.4**
• in % of revenue	11.6	8.6	-	11.8	8.5	-

Prior year information presented based on 2018 segment structure.
[1] By market view (customer location).
[2] Please refer to pp. 20 et seq. for the definition of special items.

Industrial division earnings

The Industrial division increased its revenue by 5.7% to EUR 1,681 m (prior year: EUR 1,590 m) during the first half of 2018. Excluding the impact of currency translation, revenue was up 10.0%. The increase was primarily driven by Industrial Distribution. The railway, raw materials, offroad, and power transmission sector clusters also contributed to the considerable revenue growth.

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 2018.

Revenue in the **Europe region** grew by 3.8% (+5.9% at constant currency) during the reporting period. This growth was primarily due to higher sales in Industrial Distribution. The railway, offroad, and two-wheelers sector clusters reported considerably higher revenue as well. Revenue also rose in the power transmission and industrial automation sector clusters, while the raw materials and aerospace sector clusters reported slight revenue declines. Revenue dropped considerably in the wind sector cluster.

The **Americas region** reported a decrease in revenue of 3.7% due to the adverse impact of currency translation. Excluding the impact of currency translation, the region's revenue grew by 6.9%. This growth was largely driven by the power transmission and raw materials sector clusters as well as by Industrial Distribution. The offroad, industrial automation, two-wheelers, railway, and aerospace sector clusters generated revenue growth as well, excluding the impact of currency translation, while the wind sector cluster experienced a considerable decline in demand.

In the **Greater China region**, revenue rose by 29.5% (+36.7% at constant currency). All sector clusters as well as Industrial Distribution generated double-digit revenue growth, excluding the impact of currency translation. Particularly the considerable increase in volumes in the raw materials, wind, and railway sector clusters contributed to this region's growth, with the offroad, power transmission, and industrial automation sector clusters and Industrial Distribution generating considerable increases in revenue as well.

In the **Asia/Pacific region**, revenue increased slightly by 1.4%. Excluding the impact of currency translation, the region generated 6.7% in additional revenue due to higher volumes. Industrial Distribution as well as all sector clusters except for raw materials grew their revenue. The growth in the region's revenue was largely driven by Industrial Distribution and the offroad sector cluster.

Industrial division cost of sales rose 4.2% to EUR 1,169 m (prior year: EUR 1,122 m). Gross profit increased by EUR 44 m or 9.4% to EUR 512 m (prior year: EUR 468 m). The division's gross margin improved by 1.1 percentage points to 30.5% (prior year: 29.4%), since an adverse impact of currency translation and inflation-related cost increases were offset by economies of scale. Favorable one-time items also contributed to improvement in the gross margin.

Functional costs of EUR 327 m were slightly above the prior year level (prior year: EUR 322 m). The cost reduction measures under the program "CORE" more than offset inflation-related cost increases, particularly in personnel expenses. Functional costs as a percentage of revenue fell to 19.5% (prior year: 20.3%). Research and development expenses amounted to EUR 71 m (prior year: EUR 68 m), and selling and administrative expenses were EUR 256 m (prior year: EUR 254 m).

EBIT for the first half of 2018 amounted to EUR 183 m (prior year: EUR 136 m), while the division's EBIT margin improved by 2.3 percentage points to 10.9% (prior year: 8.6%). EBIT for the reporting period was adversely affected by EUR 12 m in special items representing the industrial divisions share of restructuring expenses related to the integration of the internal supplier, "Bearing & Components Technologies" (BCT). There were no special items in the prior year. EBIT before special items increased to EUR 195 m (prior year: EUR 136 m), and the EBIT margin before special items rose to 11.6% (prior year: 8.6%). Along with the higher gross profit, the improved margin was mainly attributable to non-operating one-time items and the improvements in the functional cost structure as a result of the program "CORE". Progress in implementing the measures of the second wave and the – now full – potential of the measures of the first wave of the program "CORE" are proving effective. In addition, gains on foreign currency transactions had a compensating effect on the adverse impact of currency translation on gross profit.

Performance indicators and special items

Please refer to pp. 30 et seq. and page 61 of the Schaeffler Group's annual report 2017 for a detailed discussion of performance indicators and special items.

The information on the Schaeffler Group's earnings, net assets, and financial position is based on the requirements of International Financial Reporting Standards (IFRS) and, where applicable, German commercial law and German Accounting Standards (GAS).

In addition to the disclosures required by these standards, the Schaeffler Group also discloses certain performance indicators that are not defined in the relevant financial reporting standards. The company presents these measures in accordance with the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority, ESMA. Therefore, these indicators should be considered supplementary information. They are designed to provide comparability over time and across sectors and are calculated by making certain adjustments to, or calculating ratios between, line items contained in the income statement, statement of financial position, or statement of cash flows prepared in accordance with applicable financial reporting standards. These performance indicators include, among others, EBIT, earnings before financial result, income taxes, depreciation, amortization, and impairment losses (EBITDA), the net debt to EBITDA ratio, ROCE, and SVA.

In order to make the evaluation of the company's results of operations as transparent as possible, the Schaeffler Group reports the indicators described above before special items (= adjusted). Special items are items that the Board of Managing Directors considers to render the financial indicators less meaningful for evaluating the sustainability of the Schaeffler Group's profitability due to their nature, frequency, and/or size. Net income attributable to shareholders of the parent company before special items in EBIT is also presented in order to facilitate calculating the dividend payout ratio. Special items are categorized as legal cases, restructuring, and other.

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. Starting in 2018, the company also reports free cash flow (FCF) before cash in- and outflows for M&A activities. M&A activities consist of acquisitions and disposals of companies and business units. To facilitate evaluation of the cash conversion cycle, the company determines the FCF conversion ratio, which represents the ratio of FCF before cash in- and outflows for M&A activities to EBITDA before special items.

Reconciliation No. 007

	1st six months		1st six months		1st six months		1st six months	
	2018	2017	2018	2017	2018	2017	2018	2017
Income statement (in € millions)		Total		Automotive OEM		Automotive Aftermarket		Industrial
EBIT	**773**	**793**	**414**	**496**	**176**	**161**	**183**	**136**
• in % of revenue	10.7	11.3	9.0	11.0	19.0	17.3	10.9	8.6
Special items	**22**	**-13**	**10**	**-13**	**0**	**0**	**12**	**0**
• Legal cases	0	-13	0	-13	0	0	0	0
• Restructuring	22	0	10	0	0	0	12	0
• Other	0	0	0	0	0	0	0	0
EBIT before special items	**795**	**780**	**424**	**483**	**176**	**161**	**195**	**136**
• in % of revenue	11.1	11.1	9.2	10.7	19.0	17.3	11.6	8.6
Net income [1]	**509**	**485**						
Special items	**22**	**-13**						
• Legal cases	0	-13						
• Restructuring	22	0						
• Other	0	0						
– Tax effect [2]	-6	4						
Net income before special items [1]	**525**	**476**						
Statement of financial position (in € millions)	**06/30/2018**	**12/31/2017**						
Net financial debt	2,833	2,370						
/ EBITDA LTM	2,290	2,295						
Net financial debt to EBITDA ratio	**1.2**	**1.0**						
Net financial debt	2,833	2,370						
/ EBITDA before special items LTM	2,381	2,351						
Net financial debt to EBITDA ratio before special items	**1.2**	**1.0**						
	1st six months							
Statement of cash flows (in € millions)	**2018**	**2017**						
EBITDA	**1,170**	**1,175**						
Special items	**22**	**-13**						
• Legal cases	0	-13						
• Restructuring	22	0						
• Other	0	0						
EBITDA before special items	**1,192**	**1,162**						
Free cash flow (FCF)	**-76**	**-89**						
-/+ Cash in- and outflows for M&A activities	2	3						
Free cash flow before cash in- and outflows for M&A activities	**-74**	**-86**						
Free cash flow before cash in- and outflows for M&A activities LTM	527	431						
/ EBITDA before special items LTM	2,381	2,382						
FCF conversion ratio (in %)	**22.1**	**18.1**						
Value-based management (in € millions)								
EBIT LTM	1,508	1,490						
/ Average capital employed	8,073	7,844						
ROCE (in %)	**18.7**	**19.0**						
EBIT before special items LTM	1,599	1,621						
/ Average capital employed	8,073	7,844						
ROCE before special items (in %)	**19.8**	**20.7**						
EBIT LTM	1,508	1,490						
– Cost of capital	807	784						
Schaeffler Value Added (SVA)	**701**	**706**						
EBIT before special items LTM	1,599	1,621						
– Cost of capital	807	784						
SVA before special items	**792**	**837**						

LTM = based on the last twelve months.
[1] Attributable to shareholders of the parent company.
[2] Based on the group's effective tax rate for the relevant year.

1.4 Financial position

Cash flow and liquidity

Cash flow No. 008

in € millions	1st six months 2018	1st six months 2017	Change in %	2nd quarter 2018	2nd quarter 2017	Change in %
Cash flows from operating activities	520	506	2.8	283	320	-11.6
Cash used in investing activities	-596	-595	0.2	-288	-279	3.2
Free cash flow	**-76**	**-89**	**-14.6**	**-5**	**41**	**-**
Cash used in financing activities	-107	-568	-81.2	-162	-566	-71.4
Net decrease in cash and cash equivalents	**-183**	**-657**	**-72.1**	**-167**	**-525**	**-68.2**
Effects of foreign exchange rate changes on cash and cash equivalents	-8	-15	-46.7	2	-23	-
Cash and cash equivalents as at beginning of period	698	1,071	-34.8	672	947	-29.0
Cash and cash equivalents as at June 30	**507**	**399**	**27.1**	**507**	**399**	**27.1**

The Schaeffler Group generated **cash flows from operating activities** of EUR 520 m (prior year: EUR 506 m) in the first six months of 2018, slightly more than in the prior year period. Lower interest payments had a favorable impact on cash flows from operating activities for the reporting period, while cash outflows related to the expansion of working capital had an offsetting effect. The latter amounted to EUR 361 m, higher than the prior year amount of EUR 297 m. The increase in trade payables did not fully offset the significantly larger increase in inventories. The working capital ratio, defined as working capital as a percentage of revenue, was 18.3% as at June 30, 2018 (prior year: 19.9%).

Capital expenditures on property, plant and equipment and intangible assets (capex) of EUR 595 m were flat with prior year (prior year: EUR 594 m). The first half of 2018 included net cash outflows for M&A activities of EUR 2 m (prior year: EUR 3 m).

These developments resulted in negative free cash flow of EUR -76 m (prior year: EUR -89 m) for the first six months of 2018. Excluding net cash outflows for M&A activities, **free cash flow** amounted to EUR -74 m (prior year: EUR -86 m). The free cash flow conversion ratio, defined as the ratio of free cash flow before cash in- and outflows for M&A activities to EBITDA before special items, was 22.1% as at June 30, 2018 (prior year: 18.1%).

EUR 107 m (prior year: EUR 568 m) in cash was used in **financing activities** during the reporting period. EUR 361 m of the EUR 363 m in dividends paid during the second quarter of 2018 represented the dividends paid to Schaeffler AG's shareholders. Cash of EUR 200 m was provided by utilizing a portion of the Revolving Credit Facility and obtaining a short-term loan. An additional EUR 50 m was drawn under the loan agreement obtained to finance long-term logistics projects.

Cash and cash equivalents decreased by EUR 191 m to EUR 507 m as at June 30, 2018 (December 31, 2017: EUR 698 m). As at June 30, 2018, cash and cash equivalents consisted primarily of bank balances. EUR 313 m (December 31, 2017: EUR 293 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, 2017: EUR 1.3 bn), of which EUR 125 m was drawn as at June 30, 2018. In addition, EUR 22 m of the Revolving Credit Facility was utilized as at June 30, 2018 (December 31, 2017: EUR 12 m), primarily in the form of letters of credit.

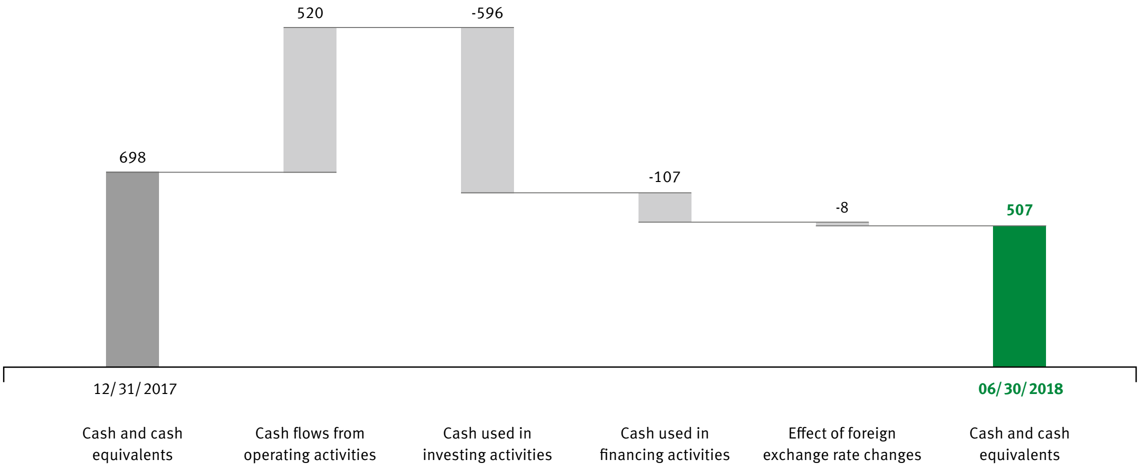
Capital expenditures

Investing in intangible assets and property, plant and equipment is key to driving the Schaeffler Group's growth. Capital expenditures on property, plant and equipment and intangible assets for the first half of 2018 of EUR 595 m were flat with prior year (prior year: EUR 594 m). Capital expenditures amounted to 8.3% (prior year: 8.4%) of revenue (capex ratio).

Total additions to intangible assets and property, plant and equipment amounted to EUR 518 m (prior year: EUR 538 m). Approx. 79% of these additions related to the Automotive OEM division, approx. 4% to the Automotive Aftermarket division, and approx. 17% to the Industrial division.

Change in cash and cash equivalents No. 009

in € millions



By far the largest share of total capital expenditures related to the Europe (EUR 363 m; prior year: EUR 361 m) and Greater China regions (EUR 141 m; prior year: EUR 130 m). In these regions, the company made targeted investments in expanding capacity and to realize new product ramp-ups of future electrified drive concepts in the Automotive OEM division. The Industrial division invested mainly in expanding capacity and in measures aimed at reducing shifts. A further significant share of capital expenditures made in the Europe region related to the state-of-the-art integrated assembly and packaging center of the Automotive Aftermarket division, the "Aftermarket Kitting Operation" (AKO). The AKO, an initiative under the program for the future, the "Agenda 4 plus One", is designed to further optimize Automotive Aftermarket distribution processes and generate sustained improvements in delivery quality.

Financial debt

The group's net financial debt increased by EUR 463 m to EUR 2,833 m as at June 30, 2018 (December 31, 2017: EUR 2,370 m), due to a reduction in cash and cash equivalents as well as the utilization of credit facilities.

The debt to EBITDA ratio, defined as the ratio of net financial debt to EBITDA, amounted to 1.2 as at June 30, 2018 (December 31, 2017: 1.0). The net debt to EBITDA ratio before special items was 1.2 (December 31, 2017: 1.0) as well.

The gearing ratio, defined as the ratio of net financial debt to shareholders' equity including non-controlling interests, increased to 106.6% as at June 30, 2018 (December 31, 2017: 93.0%).

Capital expenditures by region (capex) No. 010

	in € millions	Change in € millions
Europe	**363** 361	+2
Americas	**70** 72	-2
Greater China	**141** 130	+11
Asia/Pacific	**21** 31	-10
Schaeffler Group	**595** 594	+1

H1 2018 H1 2017

Regions reflect the regional structure of the Schaeffler Group.

Net financial debt No. 011

in € millions	06/30/2018	12/31/2017	Change in %
Bonds	2,009	1,994	0.8
Facilities Agreement	1,109	983	12.8
Capital investment loan	139	89	56.2
Other financial debt	83	2	>100
Total financial debt	**3,340**	**3,068**	**8.9**
Cash and cash equivalents	507	698	-27.4
Net financial debt	**2,833**	**2,370**	**19.5**

As at June 30, 2018, a total of EUR 140 m (December 31, 2017: EUR 90 m) was drawn under the capital investment loan obtained to finance the long-term logistics projects.

The total amount drawn under the Revolving Credit Facility as at June 30, 2018, was EUR 125 m (December 31, 2017: EUR 0 m).

The Schaeffler Group had the following syndicated loans outstanding as at June 30, 2018:

Schaeffler Group syndicated loans No. 012

		06/30/2018	12/31/2017	06/30/2018	12/31/2017	06/30/2018	12/31/2017	
Tranche	Currency	Principal in millions		Carrying amount in € millions		Coupon		Maturity
Term Loan	EUR	1,000	1,000	991	991	Euribor [1] + 1.20%	Euribor [1] + 1.20%	07/18/2021
Revolving Credit Facility [2]	EUR	1,300	1,300	119	-8	Euribor [1] + 0.80%	Euribor [1] + 0.80%	07/18/2021
Capital investment loan [3]	EUR	250	250	139	89	Euribor [1] + 1.00%	Euribor [1] + 1.00%	12/15/2022
Total				**1,249**	**1,072**			

[1] Euribor floor of 0.00 %.
[2] EUR 147 m were drawn down as at June 30, 2018 (December 31, 2017: EUR 12 m), including EUR 22 m in the form of ancillary facilities such as letters of credit.
[3] EUR 140 m were drawn down as at June 30, 2018 (December 31, 2017: EUR 90 m).

In addition, the Schaeffler Group had further lines of credit in the equivalent of approx. EUR 135 m (December 31, 2017: approx. EUR 154 m), primarily in the U.S. and China. Approx. EUR 94 m of these facilities were unutilized as at June 30, 2018 (December 31, 2017: approx. EUR 111 m). The company had an additional short-term loan of EUR 75 m as at June 30, 2018 (December 31, 2017: EUR 0 m).

The following bonds issued by Schaeffler Finance B.V., Barneveld, the Netherlands, were outstanding as at June 30, 2018. All bonds are listed on the Euro MTF market of the Luxembourg Stock Exchange.

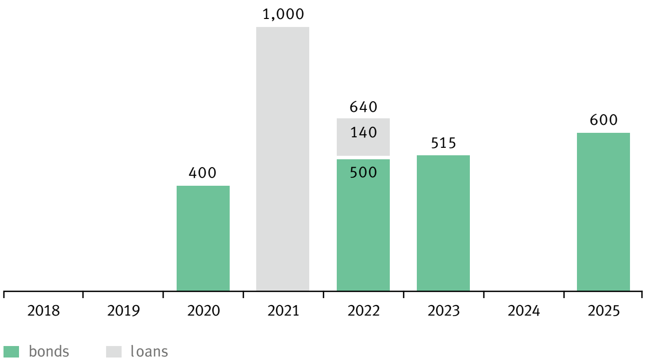
Schaeffler Group bonds No. 013

		06/30/2018	12/31/2017	06/30/2018	12/31/2017		
ISIN	Currency	Principal in millions		Carrying amount in € millions		Coupon	Maturity
XS1212469966	EUR	400	400	398	398	2.50%	05/15/2020
XS1067864022	EUR	500	500	499	498	3.50%	05/15/2022
US806261AM57	USD	600	600	516	502	4.75%	05/15/2023
XS1212470972	EUR	600	600	596	596	3.25%	05/15/2025
Total				**2,009**	**1,994**		

The company's maturity profile, which consists of the term loan, the capital investment loan, and the bonds issued by Schaeffler Finance B.V., Barneveld, the Netherlands, was as follows as at June 30, 2018:

Maturity profile No. 014

Principal outstanding as at June 30, 2018, in € millions



1.5 Net assets and capital structure

The Schaeffler Group's **total assets** increased by EUR 465 m or 4.0% to EUR 12,002 m as at June 30, 2018 (December 31, 2017: EUR 11,537 m).

Consolidated statement of financial position (abbreviated) No. 015

in € millions	06/30/2018	12/31/2017	Change in %
ASSETS			
Total non-current assets	6,364	6,178	3.0
Total current assets	5,638	5,359	5.2
Total assets	**12,002**	**11,537**	**4.0**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Total shareholders' equity	2,657	2,548	4.3
Total non-current liabilities	5,733	5,676	1.0
Total current liabilities	3,612	3,313	9.0
Total shareholders' equity and liabilities	**12,002**	**11,537**	**4.0**

Non-current assets rose by EUR 186 m to EUR 6,364 m as at June 30, 2018 (December 31, 2017: EUR 6,178 m), primarily due to an increase in property, plant and equipment of EUR 126 m. In addition, deferred tax assets increased by EUR 55 m, mainly as a result of higher interest carryforwards and a slight decrease in the discount rate for pension obligations. Furthermore, the initial application of IFRS 9 has increased other investments by EUR 24 m. Negative changes in the fair value of non-current derivatives had an offsetting effect.

Current assets increased by EUR 279 m to EUR 5,638 m (December 31, 2017: EUR 5,359 m) during the first half of 2018, mainly due to increases in inventories and trade receivables. As at June 30, 2018, trade receivables with a carrying amount of EUR 128 m (December 31, 2017: EUR 123 m) net of retained default risks had been sold under an ABCP program (asset-backed commercial paper). Furthermore, the initial application of IFRS 15 has increased contract assets by EUR 34 m (December 31, 2017: EUR 0 m). Other assets increased as well. These increases were partially offset by a reduction in cash and cash equivalents (see "Cash flow and liquidity", page 22).

Shareholders' equity including non-controlling interests rose by EUR 109 m to EUR 2,657 m as at June 30, 2018 (December 31, 2017: EUR 2,548 m), mainly due to net income of EUR 516 m which was partially offset by EUR 361 m in dividends paid to Schaeffler AG's shareholders. IFRS 9 and IFRS 15, the new financial reporting standards applicable effective in 2018, increased other reserves by EUR 30 m. The impact of cash flow hedges and of discount rate-driven adjustments to pensions and similar obligations reduced accumulated other comprehensive income and, therefore, shareholders' equity. The equity ratio was 22.1% as at June 30, 2018 (December 31, 2017: 22.1%).

Non-current liabilities rose by EUR 57 m to EUR 5,733 m as at June 30, 2018 (December 31, 2017: EUR 5,676 m). This change was mainly attributable to the increase in provisions for pensions and similar obligations by EUR 33 m which resulted primarily from a slight decrease in the average discount rate to 2.1% (December 31, 2017: 2.2%), and the utilization of an additional EUR 50 m of the capital investment loan. These factors were partially offset by, in particular, lower non-current income tax payables and deferred tax liabilities.

Current liabilities increased by EUR 299 m to EUR 3,612 m as at June 30, 2018 (December 31, 2017: EUR 3,313 m). The increase was primarily caused by EUR 125 m in drawings under the Revolving Credit Facility and a short-term loan of EUR 75 m. In addition, higher balances of accrued vacation and overtime accounts increased other current liabilities. The initial recognition of EUR 19 m (December 31, 2017: EUR 0 m) in contract liabilities in accordance with IFRS 15 increased current liabilities as well. A decrease in other financial liabilities had an offsetting effect.

2. Supplementary report

On July 25, 2018, the relevant authorities completed their investigation of a compliance case for which the Schaeffler Group had previously recognized a provision. EUR 21 m of this provision will be reversed to profit or loss subsequent to June 30, 2018.

On July 30, 2018, Schaeffler AG's Board of Managing Directors decided to increase the revenue guidance for the Industrial division for the full year 2018 in light of this division's significantly stronger revenue trend for the first half of 2018 compared to the prior year. At the same time, the company confirmed the outlook for the Schaeffler Group for the full year 2018.

No other material events expected to have a significant impact on the net assets, financial position, or results of operations of the Schaeffler Group occurred after June 30, 2018.

3. Report on opportunities and risks

Please refer to pp. 71 et seq. of the Schaeffler Group's annual report 2017 for a discussion of the Schaeffler Group's risk management system and potential opportunities and risks. The statements made in the annual report 2017 regarding the opportunities and risks are largely unchanged.

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

4. Report on expected developments

4.1 Expected economic and sales market trends

In its current forecast (July 2018), the International Monetary Fund expects the global economy to grow by 3.9% this year. Oxford Economics (July 2018) currently anticipates a growth rate of 3.8%. In light of these forecasts, the Schaeffler Group continues to expect global economic growth of just under 4% in 2018.

Please refer to the discussion in the 2017 annual report regarding risks potentially affecting the development of the global economy.

The current forecasts regarding automobile and industrial production, vehicle population, and average vehicle age do not contain any significant changes compared to the forecasts in the 2017 annual report. Therefore, the Schaeffler Group continues to anticipate that automobile production will grow by approx. 2% in 2018, while the vehicle population is still expected to grow slightly less than in the prior year, with the average vehicle age remaining nearly unchanged (prior year: 3.7% and 9.6 years, respectively). The Schaeffler Group continues to expect industrial production to grow at a rate similar to the prior year's (prior year: 3.6%).

4.2 Schaeffler Group outlook

On July 30, 2018, Schaeffler AG's Board of Managing Directors decided to increase the revenue guidance for the Industrial division for the full year 2018 in light of this division's significantly stronger revenue trend for the first half of 2018 compared to the prior year.

In connection with this decision, the company confirms the outlook for the Schaeffler Group for the full year 2018.

Outlook 2018 – group No. 016

	Outlook 2018		Actual H1 2018
	issued 02/19/2018	issued 07/30/2018	
Schaeffler Gruppe			
Revenue growth (in %) [1]	5 to 6	5 to 6	5.8
EBIT margin before special items (in %) [2]	10.5 to 11.5	10.5 to 11.5	11.1
Free cash flow (in € millions) [3]	~ 450	~ 450	-74

[1] Compared to prior year; excluding the impact of currency translation.
[2] Please refer to pp. 20 et seq. for the definition of special items.
[3] Before cash in- and outflows for M&A activities.

The Schaeffler Group continues to expect its revenue to grow by 5 to 6% excluding the impact of currency translation in 2018.

In addition, the company still expects to generate an EBIT margin before special items of 10.5 to 11.5% in 2018.

The Schaeffler Group's expectation of approx. EUR 450 m in free cash flow before cash in- and outflows for M&A activities for 2018 remains unchanged.

Outlook 2018 – divisions No. 017

	Outlook 2018		Actual H1 2018
	issued 02/19/2018	issued 07/30/2018	
Automotive OEM			
Revenue growth (in %) 1)	6 to 7	6 to 7	4.8
EBIT margin before special items (in %) 2)	9.5 to 10.5	9.5 to 10.5	9.2
Automotive Aftermarket			
Revenue growth (in %) 1)	3 to 4	3 to 4	3.6
EBIT margin before special items (in %) 2)	16.5 to 17.5	16.5 to 17.5	19.0
Industrial			
Revenue growth (in %) 1)	3 to 4	6 to 7	10.0
EBIT margin before special items (in %) 2)	9 to 10	9 to 10	11.6

1) Compared to prior year; excluding the impact of currency translation.
2) Please refer to pp. 20 et seq. for the definition of special items.

For the Automotive OEM division, the Schaeffler Group continues to expect revenue growth, excluding the impact of currency translation, of 6 to 7% in 2018. The company also still expects an EBIT margin before special items of between 9.5 and 10.5% for 2018 for the Automotive OEM division.

For the Automotive Aftermarket division, the group continues to expect revenue growth – excluding the impact of currency translation – of 3 to 4% and an EBIT margin before special items of 16.5 to 17.5% in 2018.

Furthermore, based on current assessments, the company now expects its Industrial division to generate 6 to 7% in revenue growth in 2018, excluding the impact of currency translation. The Industrial division's EBIT margin before special items between 9 and 10% for 2018 was confirmed.

Herzogenaurach, July 30, 2018

The Board of Managing Directors

Consolidated income statement

No. 018

in € millions	1st six months 2018	1st six months 2017 1)	Change in %	2nd quarter 2018	2nd quarter 2017 1)	Change in %
Revenue	7,193	7,046	2.1	3,642	3,472	4.9
Cost of sales	-5,260	-5,093	3.3	-2,669	-2,551	4.6
Gross profit	**1,933**	**1,953**	**-1.0**	**973**	**921**	**5.6**
Research and development expenses	-444	-428	3.7	-220	-216	1.9
Selling expenses	-500	-485	3.1	-258	-242	6.6
Administrative expenses	-235	-230	2.2	-116	-113	2.7
Other income	53	42	26.2	27	30	-10.0
Other expenses	-34	-59	-42.4	-24	-22	9.1
Earnings before financial result and income taxes (EBIT)	**773**	**793**	**-2.5**	**382**	**358**	**6.7**
Financial income	21	87	-75.9	5	86	-94.2
Financial expenses	-103	-190	-45.8	-35	-141	-75.2
Financial result	**-82**	**-103**	**-20.4**	**-30**	**-55**	**-45.5**
Earnings before income taxes	**691**	**690**	**0.1**	**352**	**303**	**16.2**
Income taxes	-175	-196	-10.7	-80	-92	-13.0
Net income	**516**	**494**	**4.5**	**272**	**211**	**28.9**
Attributable to shareholders of the parent company	509	485	4.9	269	206	30.6
Attributable to non-controlling interests	7	9	-22.2	3	5	-40.0
Earnings per common share (basic/diluted, in €)	0.76	0.72	5.6	0.40	0.30	33.3
Earnings per common non-voting share (basic/diluted, in €)	0.77	0.73	5.5	0.41	0.31	32.3

1) The Schaeffler Group has initially applied the new standards IFRS 9 and IFRS 15 effective January 01, 2018, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See “Basis of preparation” in the condensed notes to the consolidated interim financial statements for further details.

Consolidated statement of comprehensive income

No. 019

	1st six months						2nd quarter					
	2018			2017 1)			2018			2017 1)		
in € millions	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes
Net income	**691**	**-175**	**516**	**690**	**-196**	**494**	**352**	**-80**	**272**	**303**	**-92**	**211**
Foreign currency translation differences for foreign operations	-8	0	-8	-176	0	-176	36	0	36	-213	0	-213
Net change from hedges of net investments in foreign operations	-5	2	-3	25	-7	18	-9	3	-6	19	-5	14
Effective portion of changes in fair value of cash flow hedges	-65	18	-47	84	-23	61	-43	12	-31	78	-21	57
Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	**-78**	**20**	**-58**	**-67**	**-30**	**-97**	**-16**	**15**	**-1**	**-116**	**-26**	**-142**
Remeasurement of net defined benefit liability	-25	9	-16	145	-41	104	8	-1	7	42	-13	29
Total other comprehensive income (loss) that will not be reclassified to profit or loss	**-25**	**9**	**-16**	**145**	**-41**	**104**	**8**	**-1**	**7**	**42**	**-13**	**29**
Total other comprehensive income (loss)	**-103**	**29**	**-74**	**78**	**-71**	**7**	**-8**	**14**	**6**	**-74**	**-39**	**-113**
Total comprehensive income (loss) for the period	**588**	**-146**	**442**	**768**	**-267**	**501**	**344**	**-66**	**278**	**229**	**-131**	**98**
Total comprehensive income (loss) attributable to shareholders of the parent company	581	-142	439	758	-263	495	338	-64	274	229	-129	100
Total comprehensive income (loss) attributable to non-controlling interests	7	-4	3	10	-4	6	6	-2	4	0	-2	-2

1) The Schaeffler Group has initially applied the new standards IFRS 9 and IFRS 15 effective January 01, 2018, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See “Basis of preparation” in the condensed notes to the consolidated interim financial statements for further details.

Consolidated statement of financial position

No. 020

in € millions	06/30/2018	12/31/2017 [1]	06/30/2017 [1]	Change in %
ASSETS				
Intangible assets	632	636	631	-0.6
Property, plant and equipment	4,991	4,865	4,569	2.6
Other financial assets	115	114	147	0.9
Other assets	79	71	60	11.3
Deferred tax assets	547	492	488	11.2
Total non-current assets	**6,364**	**6,178**	**5,895**	**3.0**
Inventories	2,294	2,017	2,010	13.7
Contract assets	34	0	0	-
Trade receivables	2,329	2,192	2,327	6.3
Other financial assets	100	111	85	-9.9
Other assets	277	236	293	17.4
Income tax receivables	97	102	111	-4.9
Cash and cash equivalents	507	698	399	-27.4
Assets held for sale	0	3	0	-100
Total current assets	**5,638**	**5,359**	**5,225**	**5.2**
Total assets	**12,002**	**11,537**	**11,120**	**4.0**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	666	666	666	0.0
Capital reserves	2,348	2,348	2,348	0.0
Other reserves	427	249	-247	71.5
Accumulated other comprehensive income (loss)	-892	-822	-703	8.5
Equity attributable to shareholders of the parent company	**2,549**	**2,441**	**2,064**	**4.4**
Non-controlling interests	108	107	104	0.9
Total shareholders' equity	**2,657**	**2,548**	**2,168**	**4.3**
Provisions for pensions and similar obligations	2,157	2,124	2,077	1.6
Provisions	167	173	88	-3.5
Financial debt	3,132	3,066	3,003	2.2
Contract liabilities	1	0	0	-
Income tax payables	143	153	141	-6.5
Other financial liabilities	8	24	55	-66.7
Other liabilities	7	7	7	0.0
Deferred tax liabilities	118	129	136	-8.5
Total non-current liabilities	**5,733**	**5,676**	**5,507**	**1.0**
Provisions	233	233	300	0.0
Financial debt	208	2	352	> 100
Contract liabilities	19	0	0	-
Trade payables	1,886	1,867	1,581	1.0
Income tax payables	172	162	198	6.2
Other financial liabilities	642	682	593	-5.9
Other liabilities	452	367	421	23.2
Total current liabilities	**3,612**	**3,313**	**3,445**	**9.0**
Total shareholders' equity and liabilities	**12,002**	**11,537**	**11,120**	**4.0**

[1] The Schaeffler Group has initially applied the new standards IFRS 9 and IFRS 15 effective January 01, 2018, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.

Consolidated statement of cash flows

No. 021

	1st six months			2nd quarter		
in € millions	2018	2017 1)	Change in %	2018	2017 1)	Change in %
Operating activities						
EBIT	773	793	-2.5	382	358	6.7
Interest paid	-44	-77	-42.9	-16	-47	-66.0
Interest received	5	4	25.0	2	1	100
Income taxes paid	-194	-181	7.2	-105	-100	5.0
Depreciation, amortization, and impairment losses	397	382	3.9	201	193	4.1
(Gains) losses on disposal of assets	-2	1	-	0	1	-100
Changes in:						
• Inventories	-280	-161	73.9	-121	-68	77.9
• Trade receivables	-180	-174	3.4	-48	57	-
• Trade payables	99	38	> 100	20	-2	-
• Provisions for pensions and similar obligations	-13	26	-	-14	9	-
• Other assets, liabilities, and provisions	-41	-145	-71.7	-18	-82	-78.0
Cash flows from operating activities	**520**	**506**	**2.8**	**283**	**320**	**-11.6**
Investing activities						
Proceeds from disposals of property, plant and equipment	2	3	-33.3	1	1	0.0
Capital expenditures on intangible assets	-5	-14	-64.3	-2	-7	-71.4
Capital expenditures on property, plant and equipment	-590	-580	1.7	-287	-288	-0.3
Acquisition of subsidiaries	-2	-23	-91.3	0	0	-
Proceeds from disposal of subsidiaries	0	20	-100	0	16	-100
Other investing activities	-1	-1	0.0	0	-1	-100
Cash used in investing activities	**-596**	**-595**	**0.2**	**-288**	**-279**	**3.2**
Financing activities						
Dividends paid to shareholders and non-controlling interests	-363	-330	10.0	-363	-330	10.0
Receipts from loans	258	350	-26.3	202	350	-42.3
Repayments of loans 2)	-2	-588	-99.7	-1	-586	-99.8
Cash used in financing activities	**-107**	**-568**	**-81.2**	**-162**	**-566**	**-71.4**
Net decrease in cash and cash equivalents	**-183**	**-657**	**-72.1**	**-167**	**-525**	**-68.2**
Effects of foreign exchange rate changes on cash and cash equivalents	-8	-15	-46.7	2	-23	-
Cash and cash equivalents as at beginning of period	698	1,071	-34.8	672	947	-29.0
Cash and cash equivalents as at June 30	**507**	**399**	**27.1**	**507**	**399**	**27.1**

1) The Schaeffler Group has initially applied the new standards IFRS 9 and IFRS 15 effective January 01, 2018, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
2) The prior year includes 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. 022

in € millions	Share capital	Capital reserves	Other reserves	Accumulated other comprehensive income (loss): Translation reserve	Hedging reserve	Defined benefit plan remeasure-ment reserve	Total	Equity attribut-able to share-holders [1]	Non-controlling interests	Total
Balance as at January 01, 2017 [2]	**666**	**2,348**	**-404**	**-27**	**-35**	**-651**	**-713**	**1,897**	**100**	**1,997**
Net income			485					485	9	494
Other comprehensive income				-155	61	104	10	10	-3	7
Total comprehensive income			**485**	**-155**	**61**	**104**	**10**	**495**	**6**	**501**
Dividends			-328					-328	-2	-330
Total amount of transactions with shareholders			**-328**					**-328**	**-2**	**-330**
Balance as at June 30, 2017 [2]	**666**	**2,348**	**-247**	**-182**	**26**	**-547**	**-703**	**2,064**	**104**	**2,168**
Balance as at January 01, 2018 before IFRS 9 and IFRS 15 adjustments [2]	**666**	**2,348**	**249**	**-267**	**15**	**-570**	**-822**	**2,441**	**107**	**2,548**
Adjustments IFRS 9			27					27		27
Adjustments IFRS 15			3					3		3
Balance as at January 01, 2018	**666**	**2,348**	**279**	**-267**	**15**	**-570**	**-822**	**2,471**	**107**	**2,578**
Net income			509					509	7	516
Other comprehensive loss				-7	-47	-16	-70	-70	-4	-74
Total comprehensive income (loss)			**509**	**-7**	**-47**	**-16**	**-70**	**439**	**3**	**442**
Dividends			-361					-361	-2	-363
Total amount of transactions with shareholders			**-361**					**-361**	**-2**	**-363**
Balance as at June 30, 2018	**666**	**2,348**	**427**	**-274**	**-32**	**-586**	**-892**	**2,549**	**108**	**2,657**

[1] Equity attributable to shareholders of the parent company.
[2] The Schaeffler Group has initially applied the new standards IFRS 9 and IFRS 15 effective January 01, 2018, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.

Consolidated segment information

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

No. 023

	1st six months		1st six months		1st six months		1st six months	
	2018	**2017 1) 2)**	**2018**	**2017 1) 2)**	**2018**	**2017 1) 2)**	**2018**	**2017 1)**
in € millions	Automotive OEM		Automotive Aftermarket		Industrial		Total	
Revenue	4,587	4,528	925	928	1,681	1,590	7,193	7,046
EBIT	414	496	176	161	183	136	773	793
• in % of revenue	9.0	11.0	19.0	17.3	10.9	8.6	10.7	11.3
EBIT before special items 3)	424	483	176	161	195	136	795	780
• in % of revenue	9.2	10.7	19.0	17.3	11.6	8.6	11.1	11.1
Depreciation, amortization, and impairment losses	-307	-287	-3	-3	-87	-92	-397	-382
Working capital 4) 5)	1,302	1,383	432	443	1,003	930	2,737	2,756
Additions to intangible assets and property, plant and equipment	406	433	22	3	90	102	518	538

	2nd quarter		2nd quarter		2nd quarter		2nd quarter	
	2018	**2017 1) 2)**	**2018**	**2017 1) 2)**	**2018**	**2017 1) 2)**	**2018**	**2017 1)**
in € millions	Automotive OEM		Automotive Aftermarket		Industrial		Total	
Revenue	2,308	2,220	479	444	855	808	3,642	3,472
EBIT	197	221	96	68	89	69	382	358
• in % of revenue	8.5	10.0	20.0	15.3	10.4	8.5	10.5	10.3
EBIT before special items 3)	207	208	96	68	101	69	404	345
• in % of revenue	9.0	9.4	20.0	15.3	11.8	8.5	11.1	9.9
Depreciation, amortization, and impairment losses	-156	-145	-1	-2	-44	-46	-201	-193
Working capital 4) 5)	1,302	1,383	432	443	1,003	930	2,737	2,756
Additions to intangible assets and property, plant and equipment	228	210	9	1	47	48	284	259

Prior year information presented based on 2018 segment structure.

1) The Schaeffler Group has initially applied the new standards IFRS 9 and IFRS 15 effective January 01, 2018, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See “Basis of preparation” in the condensed notes to the consolidated interim financial statements for further details.

2) Prior year amounts are based on a retrospective change in segment structure. See “Segment information” in the condensed notes to the consolidated interim financial statements for further details.

3) EBIT before special items for legal cases, restructuring, and other. See “Segment information” in the condensed notes to the consolidated interim financial statements for further details.

4) Inventories plus trade receivables less trade payables.

5) 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 consolidated interim financial statements of Schaeffler AG as at June 30, 2018, comprise Schaeffler AG and its subsidiaries, investments in associated companies, and joint ventures (together referred to as "Schaeffler Group"). The Schaeffler Group is a global automotive and industrial supplier.

Basis of preparation

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

The consolidated interim financial statements of Schaeffler AG, Herzogenaurach, for the reporting period ended June 30, 2018, 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 2017 consolidated financial statements, where the latter are discussed in detail. Except for the amendments to and new requirements of IFRS effective starting in 2018, these accounting policies have been applied consistently in these consolidated interim financial statements. Please see the discussion on IFRS 16 Leases, which is applicable effective January 01, 2019, in the notes to the consolidated financial statements contained in the 2017 annual report for information on the impact this standard's initial application is expected to have. To date, the ongoing implementation project has not led to any significant changes to the assessment 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, 2017. The only change relates to the assumptions regarding the discount rate used to measure the company's pension obligations. These assumptions were adjusted to reflect current market trends. The adjustment has led to an increase in pension obligations and a decrease 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.

The effects of applying IFRS 9 and IFRS 15 effective January 01, 2018, which are discussed below, have resulted in a change in accounting policy. The Schaeffler Group has chosen the modified retrospective transition approach for both IFRS 9 and IFRS 15.

IFRS 9

Classification and measurement of financial assets

Classification and measurement of the part of the portfolio of trade receivables that is available for sale under the ABCP program (asset-backed commercial paper), has changed from the previous measurement base, amortized cost (AC), to measurement at fair value through profit or loss (FVTPL). Investments previously measured at amortized cost under the exception allowed by IAS 39 because their fair value was not reliably determinable are now accounted for at fair value through other comprehensive income (FVOCI).

Impairment model for financial assets

IFRS 9 has also introduced a new impairment model for financial assets accounted for at amortized cost. The standard has replaced the previous incurred loss model with an expected loss model.

Hedge accounting

In accordance with the option provided for hedge accounting in the transition requirements of IFRS 9, the Schaeffler Group will continue to apply the hedge accounting requirements of IAS 39 and intends to initially apply IFRS 9 at a later date, i.e. after January 01, 2018.

Initial application of these changes has increased the Schaeffler Group's other reserves as at January 01, 2018, by EUR 27 m.

Financial instruments by class and category in accordance with IFRS 7.8 [1] No. 024

		06/30/2018	01/01/2018		12/31/2017
in € millions	Category IFRS 7.8 per IFRS 9	Carrying amount	Carrying amount	Category IFRS 7.8 per IAS 39	Carrying amount
Financial assets, by class					
Trade receivables [1]	Amortised cost	2,193	2,131	LaR	2,127
Trade receivables – ABCP program [2]	FVTPL	136	65	LaR	65
Other financial assets					
• Investments in associates [3]	n.a.	3	3	n.a.	3
• Other investments [1]	FVOCI	38	41	AfS	17
• Marketable securities	FVTPL	18	16	AfS	16
• Derivatives designated as hedging instruments	n.a.	32	58	n.a.	58
• Derivatives not designated as hedging instruments	FVTPL	62	85	HfT	85
• Miscellaneous other financial assets	Amortised cost	62	46	LaR	46
Cash and cash equivalents	Amortised cost	507	698	LaR	698
Financial liabilities, by class					
Financial debt	FLAC	3,340	3,068	FLAC	3,068
Trade payables	FLAC	1,886	1,867	FLAC	1,867
Other financial liabilities					
• Derivatives designated as hedging instruments	n.a.	43	11	n.a.	11
• Derivatives not designated as hedging instruments	FVTPL	30	25	HfT	25
• Miscellaneous other financial liabilities	FLAC	577	670	FLAC	670
Summary by category					
Financial assets at amortized cost (Amortized cost)		2,762	2,871	LaR	2,936
Financial assets at fair value through profit or loss (FVTPL)		216	166	HfT	85
Financial assets (equity instruments) at fair value through other comprehensive income (FVOCI)		38	41	AfS	33
Financial liabilities at amortized cost (FLAC)		5,803	5,605	FLAC	5,605
Financial liabilities at fair value through profit or loss (FVTPL)		30	25	HfT	25

[1] The change in measurement basis as a result of IFRS 9 affects trade receivables and other investments.
[2] The reclassification under IFRS 9 relates to trade receivables that are available for sale under the ABCP program.
[3] Equity-accounted investees.

The carrying amounts of financial instruments by class of the consolidated statement of financial position and by category per IFRS 9 can be reconciled to the categories previously used under IAS 39 as shown in figure No. 024 on the previous page.

IFRS 15

Customer tools

The new requirements regarding customers obtaining control have resulted in changes regarding tools for initial series production as at January 01, 2018. Under the new requirements, certain contracts regarding tools for initial series production result in a separate performance obligation vis-à-vis the customer, therefore requiring the Schaeffler Group to recognize revenue when the customer obtains control. The related costs incurred are expensed as cost of sales when revenue is recognized.

Development services

Since January 01, 2018, revenue is recognized for development services that represent a distinct, separately identifiable performance obligation vis-à-vis the customer and for which the Schaeffler Group is entitled to consideration under the contract. This consideration is recognized as revenue when the customer obtains control of the completed development services. The related expenses are expensed as cost of sales when revenue is recognized.

Customer-specific products

Since January 01, 2018, revenue is recognized over time for products that have no alternative use due to their specifications, provided the Schaeffler Group has an enforceable right to payment from the customer for these products amounting to at least any costs of performance completed to date plus a reasonable profit margin.

Initial application of these changes has increased the Schaeffler Group's other reserves as at January 01, 2018, by EUR 3 m.

The following summaries provide an overview of the impact of IFRS 15 on the consolidated interim financial statements as at June 30, 2018.

IFRS 15 – impact on consolidated statement of financial position No. 025

in € millions	06/30/2018	Impact IFRS 15	06/30/2018 before applying IFRS 15
ASSETS			
Property, plant and equipment	4,991	-1	4,992
• Customer tools		-1	
Deferred taxes	547	1	546
Non-current assets	**6,364**	**0**	**6,364**
Inventories	2,294	1	2,293
• Customer tools		1	
• Development services		22	
• Customer-specific products		-22	
Contract assets	34	34	0
• Customer-specific products		34	
Current assets	**5,638**	**35**	**5,603**
Total assets	**12,002**	**35**	**11,967**
SHAREHOLDERS' EQUITY AND LIABILITIES			
• Other reserves	427	11	416
Shareholders' equity	**2,657**	**11**	**2,646**
Contract liabilities	1	1	0
• Development services		1	
Deferred tax liabilities	118	4	114
Non-current liabilities	**5,733**	**5**	**5,728**
Contract liabilities	19	19	0
• Development services		19	
Current liabilities	**3,612**	**19**	**3,593**
Total shareholders' equity and liabilities	**12,002**	**35**	**11,967**

IFRS 15 – impact on consolidated income statement No. 026

in € millions	01/01-06/30/2018	Impact IFRS 15	01/01-06/30/2018 before applying IFRS 15
Revenue	7,193	25	7,168
Cost of sales	-5,260	-40	-5,220
Gross profit	**1,933**	**-15**	**1,948**
Research and development expenses	-444	26	-470
EBIT	**773**	**11**	**762**
Income taxes	-175	-3	-172
Net income	**516**	**8**	**508**
Earnings per common share (basic/diluted, in €)	0.76	0.01	0.75
Earnings per common non-voting share (basic/diluted, in €)	0.77	0.01	0.76

Foreign currency translation

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

Selected foreign exchange rates No. 027

Currencies		06/30/2018	12/31/2017	06/30/2017	1st six months 2018	1st six months 2017
1 € in				Closing rates		Average rates
CNY	China	7.72	7.80	7.73	7.71	7.44
INR	India	79.81	76.61	73.93	79.51	71.15
KRW	South Korea	1,296.72	1,279.61	1,307.25	1,302.99	1,235.41
MXN	Mexico	22.88	23.66	20.57	23.07	21.03
USD	U.S.	1.17	1.20	1.14	1.21	1.08

Scope of consolidation

The consolidated financial statements of Schaeffler AG as at June 30, 2018, cover, in addition to Schaeffler AG, 155 subsidiaries (December 31, 2017: 151); 53 entities are domiciled in Germany (December 31, 2017: 50) and 102 in other countries (December 31, 2017: 101).

The companies acquired in 2017, autinity systems GmbH and afr-consulting GmbH (both Chemnitz), were consolidated for the first time effective January 01, 2018. The impact of these companies on the Schaeffler Group's net assets, financial position, and earnings is insignificant. The remaining changes in the scope of consolidation were the result of additions in the form of newly founded companies and the elimination of one company following its merger with another group company.

In the consolidated financial statements as at June 30, 2018, five (December 31, 2017: five) investments (including two joint ventures; December 31, 2017: two) are accounted for at equity.

Revenue

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

IFRS 15 – analysis of revenue by category No. 028

	1st six months 2018	1st six months 2017 [1]	1st six months 2018	1st six months 2017 [1]	1st six months 2018	1st six months 2017 [1]	1st six months 2018	1st six months 2017 [1]
in € millions		Automotive OEM		Automotive Aftermarket		Industrial		Total
Revenue by type								
• Revenue from the sale of goods	4,512	4,465	924	927	1,659	1,571	7,095	6,963
• Other revenue	75	63	1	1	22	19	98	83
Total	**4,587**	**4,528**	**925**	**928**	**1,681**	**1,590**	**7,193**	**7,046**
Revenue by region [2]								
• Europe	2,105	2,071	699	672	956	921	3,760	3,664
• Americas	961	1,018	162	204	290	301	1,413	1,523
• Greater China	960	876	39	29	285	220	1,284	1,125
• Asia/Pacific	561	563	25	23	150	148	736	734
Total	**4,587**	**4,528**	**925**	**928**	**1,681**	**1,590**	**7,193**	**7,046**

[1] The Schaeffler Group has initially applied the new standards IFRS 9 and IFRS 15 effective January 01, 2018, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
[2] By market (customer location).

Current and non-current financial debt

Financial debt (current/non-current) No. 029

			06/30/2018			12/31/2017
in € millions	Due in up to 1 year	Due in more than 1 year	Total	Due in up to 1 year	Due in more than 1 year	Total
Bonds	0	2,009	2,009	0	1,994	1,994
Facilities Agreement	125	984	1,109	0	983	983
Capital investment loan	0	139	139	0	89	89
Other financial debt	83	0	83	2	0	2
Financial debt	**208**	**3,132**	**3,340**	**2**	**3,066**	**3,068**

The increase in financial debt compared to December 31, 2017, consisted primarily of EUR 125 m drawn under the Revolving Credit Facility, a new short-term loan of EUR 75 m, and an additional EUR 50 m drawn under the capital investment loan.

Provisions for pensions and similar obligations

Interest rate levels as at June 30, 2018, have decreased slightly compared to December 31, 2017. 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, 2018, amounted to 2.1% (December 31, 2017: 2.2%). The resulting remeasurement of the company's obligations under defined benefit pension plans resulted in actuarial losses of EUR 25 m as at June 30, 2018, which were recognized in the consolidated statement of comprehensive income and are reported under accumulated other comprehensive income net of deferred taxes.

Provisions

The company has accrued EUR 22 m in restructuring expenses under current provisions in connection with a first step taken to reorganize the "Bearing & Components Technologies" unit (BCT), and integrate it in to the Automotive OEM and Industrial divisions. BCT previously acted as an internal supplier.

Financial instruments

The carrying amounts of trade receivables (except for those available for sale under the ABCP program), 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 included minority investments (shares in incorporated companies and cooperatives of less than 20%) for which fair value was determined using an EBIT multiple methodology. Since these equity instruments are classified as at fair value through other comprehensive income, any changes in fair value are not reclassified to the consolidated income statement. The company is currently not planning to sell these investments. Marketable securities consist almost entirely of financial instruments in the form of investment fund units without fixed maturities. These are measured at fair value through profit or loss.

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

- Level 1: Exchange-quoted prices as at the reporting date are used for marketable securities as well as bonds payable included in financial debt.
- Level 2: Cross-currency swaps and foreign exchange contracts are measured using discounted cash flow valuation models and the exchange rates in effect at the end of the reporting period, as well as risk-adjusted interest and discount rates appropriate to the instruments' terms. These models take into account counterparty credit risk via credit value adjustments. 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). Minority investments are measured using an EBIT multiple methodology.
  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 reporting period.

The carrying amounts and fair values of financial instruments per IFRS 7.25-30 are summarized by class of the consolidated statement of financial position below.

Disclosure of fair value of financial instruments in accordance with IFRS 7.25-30 No. 030

		06/30/2018		12/31/2017 [1]		06/30/2017 [1]	
in € millions	Level per IFRS 13	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets, by class							
Trade receivables		2.193	2.193	2.127	2.127	2.327	2.327
Trade receivables – ABCP program	2	136	136	65	65	0	0
Other financial assets							
• Investments in associates		3	0	3	0	3	0
• Other investments	2	38	38	17	17	14	0
• Marketable securities	1	18	18	16	16	17	17
• Derivatives designated as hedging instruments	2	32	32	58	58	83	83
• Derivatives not designated as hedging instruments	2	62	62	85	85	85	85
• Miscellaneous other financial assets		62	62	46	46	30	30
Cash and cash equivalents		507	507	698	698	399	399
Financial liabilities, by class							
Financial debt	1, 2 [2]	3.340	3.405	3.068	3.165	3.355	3.643
Trade payables		1.886	1.886	1.867	1.867	1.581	1.581
Other financial liabilities							
• Derivatives designated as hedging instruments	2	43	43	11	11	8	8
• Derivatives not designated as hedging instruments	2	30	30	25	25	31	31
• Miscellaneous other financial liabilities		577	577	670	670	609	609

[1] The Schaeffler Group has initially applied the new standards IFRS 9 and IFRS 15 effective January 01, 2018, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
[2] Level 1: EUR 2,054 m (December 31, 2017: EUR 2,071 m; June 31, 2017: EUR 2,287 m);
Level 2: EUR 1,351 m (December 31, 2017: EUR 1,094 m; June 31, 2017: EUR 1,356 m).

Contingent liabilities and other obligations

The statements made in the annual report 2017 with respect to contingent liabilities are largely unchanged.

Open commitments under fixed contracts to purchase property, plant and equipment amounted to EUR 606 m as at June 30, 2018 (December 31, 2017: EUR 451 m).

Segment information

In accordance with IFRS 8, the Schaeffler Group reports segment information under the management approach, reflecting the internal organizational and management structure including the internal reporting system to the Schaeffler AG Board of Managing Directors.

Effective January 01, 2018, the Automotive Aftermarket was separated from the Automotive division of Schaeffler AG and set up as a third stand-alone division with its own CEO. As a consequence, the Schaeffler Group has been dividing its business into three segments – Automotive OEM division, Automotive Aftermarket division, and Industrial division – since January 01, 2018.

The allocation of customers to the three segments and the allocation of indirect expenses are reviewed annually and adjusted. To ensure that the information on the Automotive OEM division, Automotive Aftermarket division, and Industrial division segments is comparable, prior year information was presented using the current year's customer structure. Revenue related to transactions between operating segments is not included.

Segment information has been adjusted to reflect a change in internal reports.

Reconciliation to earnings before income taxes No. 031

	1st six months	
in € millions	2018	2017 1) 2)
EBIT Automotive OEM	414	496
EBIT Automotive Aftermarket	176	161
EBIT Industrial	183	136
EBIT	**773**	**793**
Financial result	-82	-103
Earnings before income taxes	**691**	**690**

Prior year information presented based on 2018 segment structure.
1) The Schaeffler Group has initially applied the new standards IFRS 9 and IFRS 15 effective January 01, 2018, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
2) Prior year amounts are based on a retrospective change in segment structure.

In order to make the evaluation of the company's results of operations as transparent as possible, the Schaeffler Group reports EBIT before special items (= adjusted). Special items are items which the Board of Managing Directors considers to render this indicator less meaningful due to their nature, frequency, and/or size. Special items are categorized as legal cases, restructuring, and other.

Reconciliation EBIT to EBIT before special items No. 032

	1st six months		1st six months		1st six months		1st six months	
	2018	2017 1) 2)	2018	2017 1) 2)	2018	2017 1) 2)	2018	2017 1)
in € millions	Automotive OEM		Automotive Aftermarket		Industrial		Total	
EBIT	**414**	**496**	**176**	**161**	**183**	**136**	**773**	**793**
• in % of revenue	9.0	11.0	19.0	17.3	10.9	8.6	10.7	11.3
Special items	**10**	**-13**	**0**	**0**	**12**	**0**	**22**	**-13**
• Legal cases	0	-13	0	0	0	0	0	-13
• Restructuring	10	0	0	0	12	0	22	0
• Other	0	0	0	0	0	0	0	0
EBIT before special items	**424**	**483**	**176**	**161**	**195**	**136**	**795**	**780**
• in % of revenue	9.2	10.7	19.0	17.3	11.6	8.6	11.1	11.1

1) The Schaeffler Group has initially applied the new standards IFRS 9 and IFRS 15 effective January 01, 2018, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
2) Prior year amounts are based on a retrospective change in segment structure.

Related parties

The extent of transactions with related persons and entities remained largely unchanged compared to the 2017 consolidated financial statements.

On April 20, 2018, the Schaeffler AG annual general meeting passed a resolution to pay a total dividend of EUR 361 m in respect of 2017 (prior year: EUR 328 m), consisting of EUR 270 m (prior year: EUR 245 m) on the common shares held by IHO Verwaltungs GmbH and EUR 91 m (prior year: EUR 83 m) on the common non-voting shares.

Transactions with associated companies and joint ventures in the first six months of 2018 were insignificant.

Events after the reporting period

On July 25, 2018, the relevant authorities completed their investigation of a compliance case for which the Schaeffler Group had previously recognized a provision. EUR 21 m of this provision will be reversed to profit or loss subsequent to June 30, 2018.

On July 30, 2018, Schaeffler AG's Board of Managing Directors decided to increase the revenue guidance for the Industrial division for the full year 2018 in light of this division's significantly stronger revenue trend for the first half of 2018 compared to the prior year. At the same time, the company confirmed the outlook for the Schaeffler Group for the full year 2018.

No other material events expected to have a significant impact on the net assets, financial position, or results of operations of the Schaeffler Group occurred after June 30, 2018.

Herzogenaurach, July 30, 2018

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, 2018 that are part of the semi annual financial report according to § 115 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, July 31, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Alt-Scherer	Koeplin
Wirtschaftsprüferin	Wirtschaftsprüfer

Responsibility statement by the company's legal representatives

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

Herzogenaurach, July 30, 2018

Schaeffler Aktiengesellschaft
The Board of Managing Directors

Klaus Rosenfeld
Chief Executive Officer

Prof. Dr.-Ing. Peter Gutzmer

Dietmar Heinrich

Prof. Dr. Peter Pleus

Andreas Schick

Corinna Schittenhelm

Michael Söding

Dr. Stefan Spindler

Matthias Zink

List of figures

Forward-looking statements

This document contains forward-looking statements that are based on the Board of Managing Directors' current estimation and expectations at the time of the creation of this report. Such statements refer to future developments, future periods, or, for example, they are designated by terms such as "estimate", "forecast", "intend", "predict", "plan", "assume", or "expect". By their nature, forward-looking statements are subject to risks and uncertainties. A variety of these risks and uncertainties are determined by factors not subject to the influence of the Schaeffler Group, 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 these or other risks or uncertainties occur, or if assumptions underlying statements prove incorrect, then actual results may be materially different from those (explicitly or implicitly) described. 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 2017 to 2nd quarter 2018

	2017				2018	
Income statement (in € millions)	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
Revenue	3,574	3,472	3,434	3,541	3,551	3,642
EBIT	435	358	416	319	391	382
• in % of revenue	12.2	10.3	12.1	9.0	11.0	10.5
EBIT before special items [1]	435	345	416	388	391	404
• in % of revenue	12.2	9.9	12.1	11.0	11.0	11.1
Net income [2]	279	206	306	189	240	269
Earnings per common non-voting share (basic/diluted, in €)	0.42	0.31	0.46	0.29	0.36	0.41
Statement of financial position (in € millions)						
Total assets	11,941	11,120	11,536	11,537	11,855	12,002
Shareholders' equity [3]	2,400	2,168	2,401	2,548	2,742	2,657
• in % of total assets	20.1	19.5	20.8	22.1	23.1	22.1
Net financial debt	2,742	2,956	2,620	2,370	2,439	2,833
• Net financial debt to EBITDA ratio before special items [1) 4)]	1.1	1.2	1.1	1.0	1.1	1.2
• Gearing ratio (Net financial debt to shareholders' equity [3], in %)	114.3	136.3	109.1	93.0	88.9	106.6
Statement of cash flows (in € millions)						
EBITDA	624	551	605	515	587	583
Cash flows from operating activities	186	320	610	662	237	283
Capital expenditures (capex) [5]	299	295	279	400	306	289
• in % of revenue (capex ratio)	8.4	8.5	8.1	11.3	8.6	7.9
Free cash flow (FCF) before cash in- and outflows for M&A activities	-111	25	333	268	-69	-5
• FCF conversion ratio (ratio of FCF before cash in- and outflows for M&A activities to EBITDA, in %) [1) 4)]	29.8	18.1	21.0	21.9	24.1	22.1
Value-based management						
ROCE before special items (in %) [1) 4)]	22.1	20.7	20.5	19.9	19.3	19.8
Schaeffler Value Added before special items (in € millions) [1) 4)]	938	837	829	787	743	792
Employees						
Headcount (at end of reporting period)	87,341	87,937	89,359	90,151	91,414	92,198

	2017				2018	
Automotive OEM division [6] (in € millions)	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
Revenue	2,308	2,220	2,138	2,325	2,279	2,308
EBIT	275	221	229	226	217	197
• in % of revenue	11.9	10.0	10.7	9.7	9.5	8.5
EBIT before special items [1]	275	208	229	261	217	207
• in % of revenue	11.9	9.4	10.7	11.2	9.5	9.0
Automotive Aftermarket division [6] (in € millions)						
Revenue	484	444	506	446	446	479
EBIT	93	68	117	55	80	96
• in % of revenue	19.2	15.3	23.1	12.3	17.9	20.0
EBIT before special items [1]	93	68	117	80	80	96
• in % of revenue	19.2	15.3	23.1	17.9	17.9	20.0
Industrial division [6] (in € millions)						
Revenue	782	808	790	770	826	855
EBIT	67	69	70	38	94	89
• in % of revenue	8.6	8.5	8.9	4.9	11.4	10.4
EBIT before special items [1]	67	69	70	47	94	101
• in % of revenue	8.6	8.5	8.9	6.1	11.4	11.8

[1] Please refer to pp. 20 et seq. for the definition of special items.
[2] Attributable to shareholders of the parent company.
[3] Including non-controlling interests.
[4] Based on the last twelve months.
[5] Capital expenditures on intangible assets and property, plant and equipment.
[6] Prior year information presented based on 2018 segment structure.

Financial calendar

August 07, 2018

Publication of results for the first six months 2018

November 07, 2018

Publication of results for the first nine months 2018

March 06, 2019

Publication of annual results 2018

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

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