SCHAEFFLER

9M Interim Financial Report

as at September 30, 2020

Schaeffler Group at a glance

Key figures

	1st nine months			
Income statement (in € millions)	**2020**	**2019**		Change
Revenue	8,971	10,839	-17.2	%
• at constant currency			-15.4	%
EBIT	-413	795	-	%
• in % of revenue	-4.6	7.3	-11.9	%-pts.
EBIT before special items [1]	385	883	-56.4	%
• in % of revenue	4.3	8.1	-3.9	%-pts.
Net income (loss) [2]	-525	485	-	%
Earnings per common non-voting share (basic/diluted, in €)	-0.78	0.73	-	%
Statement of financial position (in € millions)	**09/30/2020**	**12/31/2019**		Change
Total assets	12,877	12,870	0.1	%
Shareholders' equity [3]	1,582	2,917	-1,334	€ millions
• in % of total assets	12.3	22.7	-10.4	%-pts.
Net financial debt	2,688	2,526	6.4	%
• Net financial debt to EBITDA ratio before special items [1] [4]	1.6	1.2		
• Gearing ratio (Net financial debt to shareholders' equity [3], in %)	169.9	86.6	83.3	%-pts.

	1st nine months			
Statement of cash flows (in € millions)	**2020**	**2019**		Change
EBITDA	595	1,520	-60.8	%
Cash flows from operating activities	730	994	-264	€ millions
Capital expenditures (capex) [5]	481	823	-342	€ millions
• in % of revenue (capex ratio)	5.4	7.6	-2.2	%-pts.
Free cash flow (FCF) before cash in- and outflows for M&A activities	185	133	52	€ millions
• FCF conversion ratio (ratio of FCF before cash in- and outflows for M&A activities to EBITDA before special items, in %) [1] [4]	31.9	19.1	12.9	%-pts.
Value-based management				Change
Schaeffler Value Added before special items (in € millions) [1] [4]	-75	247	-	%
ROCE before special items (in %) [1] [4]	8.1	12.9	-4.8	%-pts.
Employees	**09/30/2020**	**12/31/2019**		Change
Headcount (at end of reporting period)	83,711	87,748	-4.6	%

	1st nine months			
Automotive Technologies division [6] (in € millions)	**2020**	**2019**		Change
Revenue	5,429	6,772	-19.8	%
• at constant currency			-18.2	%
EBIT	-516	291	-	%
• in % of revenue	-9.5	4.3	-13.8	%-pts.
EBIT before special items [1]	0	379	-99.9	%
• in % of revenue	0.0	5.6	-5.6	%-pts.
Automotive Aftermarket division [6] (in € millions)				Change
Revenue	1,203	1,386	-13.2	%
• at constant currency			-9.7	%
EBIT	166	228	-27.0	%
• in % of revenue	13.8	16.4	-2.6	%-pts.
EBIT before special items [1]	189	228	-16.8	%
• in % of revenue	15.7	16.4	-0.7	%-pts.
Industrial division [6] (in € millions)				Change
Revenue	2,338	2,681	-12.8	%
• at constant currency			-11.3	%
EBIT	-63	276	-	%
• in % of revenue	-2.7	10.3	-13.0	%-pts.
EBIT before special items [1]	195	277	-29.4	%
• in % of revenue	8.4	10.3	-2.0	%-pts.

[1] Please refer to pp. 15 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 2020 segment structure.

Highlights 9M 2020

Coronavirus pandemic results in heavy revenue decline;
improvement in Q3 compared to H1
H1: -21.8% // Q3: -2.6%

Revenue at EUR **9.0** bn
(down 15.4% at constant currency)

Q3 earnings improved sequentially and compared to prior year
H1: 1.2% // Q3: 9.4% (prior year: 9.1%)

EBIT margin before special items **4.3**%
(prior year: 8.1%)

Free cash flow ahead of prior year

Free cash flow before cash in- and outflows for
M&A activities at EUR **185** m
(prior year: EUR 133 m)

Transformation accelerated further

Comprehensive package of measures adopted to
strengthen competitiveness and realize future
opportunities for the long term

Schaeffler on the capital markets

Recent events

On March 24, 2020, the Board of Managing Directors of Schaeffler AG announced that it was suspending the full-year guidance for 2020 for the Schaeffler Group and its divisions that had been published on March 10, 2020, due to the worldwide spread of the coronavirus and the resulting measures and restrictions. Since April 27, 2020, the Schaeffler Group had been expecting its revenue growth at constant currency, EBIT margin before special items, and free cash flow before cash inflows and outflows for M&A activities for the full year 2020 to be below the corresponding prior year level. The unusual circumstances surrounding the coronavirus pandemic were resulting in exceptional uncertainty regarding the course of the company's business and that of its three divisions during the period covered by the outlook.

On November 9, 2020, the Board of Managing Directors of Schaeffler AG agreed on a new full-year outlook for 2020 based on current information concerning the course of business in the fourth quarter. The outlook is based on the assumption that the sales markets relevant to the Schaeffler Group will continue to recover in the fourth quarter of 2020 and, specifically, that the coronavirus pandemic will not result in any significant new adverse implications for the company's results of operations. Nevertheless, the environment remains marked by volatility and uncertainty.

The Schaeffler Group now expects to generate revenue growth of -13.0 to -11.5% excluding the impact of currency translation, an EBIT margin before special items of 4.5 to 5.5%, and free cash flow before cash in- and outflows for M&A activities of EUR 500 to 600 m for the full year 2020.

More on the current guidance for the Schaeffler Group and its divisions in the report on expected developments on pp. 30 et seq.

Strategic Capital Markets Day rescheduled

In connection with the spread of the coronavirus pandemic and the resulting implications for the company's results of operations, Schaeffler AG's Board of Managing Directors had postponed the strategic Capital Markets Day scheduled for March 24, 2020, and has now rescheduled it for November 18, 2020. On March 24, 2020, the company updated investors and analysts on the implications of the pandemic for the company's current results of operations in a "Capital Markets Update Call" with members of the Board of Managing Directors instead.

Placement of first green Schuldschein

On April 9, 2020, Schaeffler AG announced that it had placed its first Schuldschein loan with international investors. The company raised a total of EUR 347 m in connection with this placement. EUR 300 m of these funds will be used exclusively to refinance a portfolio of sustainable projects in accordance with the Schaeffler Group's "Green Finance Framework". Further Schuldschein tranches totaling EUR 160 m were issued during the second quarter of 2020. The proceeds of these placements were received in May and June 2020.

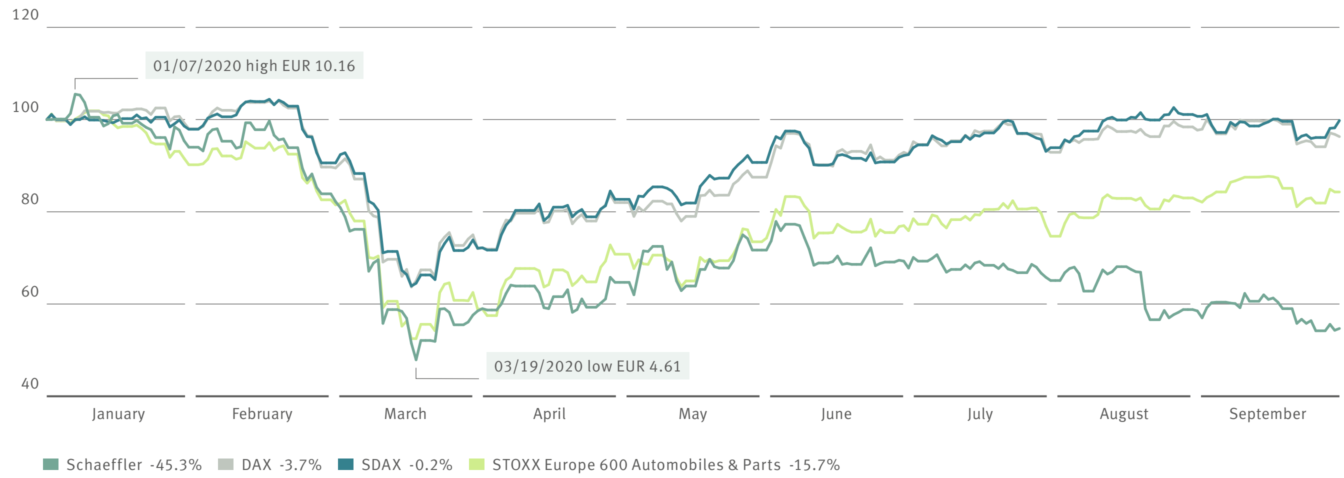
Dividend below prior year

Schaeffler AG's virtual annual general meeting, which was held on May 8, 2020, passed a resolution to pay a dividend of EUR 0.44 (prior year: EUR 0.54) per common share and EUR 0.45 (prior year: EUR 0.55) per common non-voting share to Schaeffler AG's shareholders for 2019. This represents a dividend payout ratio of 43.0% of net income attributable to shareholders before special items.

Schaeffler accelerates transformation and strengthens competitiveness

On September 9, 2020, the Board of Managing Directors of Schaeffler AG adopted additional structural measures to further transform the Schaeffler Group and strengthen its ability to compete and realize future opportunities for the long term. These measures are expected to result in approximately EUR 700 m in transformation expenses. EUR 485 m of these expenses were recognized within the programs "RACE", "GRIP", and "FIT" during the reporting period. The package of measures has two broad aims: The first is to adjust excess structural capacity by downsizing the workforce and consolidate Schaeffler's locations in Europe, especially in Germany. All three of the group's divisions and all of its corporate functions will contribute to the measures, and they will be implemented in the most socially responsible manner possible on the basis of the Future Accord agreed with the IG Metall trade union in 2018. The company is currently engaged in constructive dialog with employee

Schaeffler share price trend 2020
in percent (12/31/2019 = 100)



Source: Bloomberg (closing prices).

representatives with the aim of implementing the structural measures using a diverse mix of tools. The second aim is to strengthen the company's competitiveness and expand local capabilities. Plans include siting a capability center for hydrogen technology in Herzogenaurach and expanding the capability center for electric mobility and electric-motor mass production in Buehl, where the company's Automotive Technologies division is headquartered. In this manner, the Schaeffler Group continuously adapts its structures to changing market conditions.

Extraordinary general meeting

The virtual extraordinary general meeting of Schaeffler AG held on September 15, 2020, approved the creation of authorized capital of up to 200 million shares. This authorization permits the issue of common non-voting shares only and expires on August 31, 2025. The authorization does not permit an exclusion of subscription rights. This anticipatory resolution makes it possible to strengthen the company's capital base as needed by way of a capital increase in order to drive forward the Schaeffler Group's transformation and utilize potential growth opportunities.

Capital market trends

In the first nine months of 2020, the capital markets were marked by high volatility caused by the coronavirus pandemic. Due to the rapid spread of the coronavirus pandemic and the resulting adverse implications for the global economy, prices declined sharply, especially in February and March 2020. Prices began to recover late in the first quarter of 2020, mainly in response to the announcement of government action to support the economy. Additionally, various central bank programs increased liquidity in the market, nourishing the rebound.

Toward the end of the reporting period, infection levels were once more on the rise and, along with the related measures aimed at containing the coronavirus, led to renewed uncertainty and persistently high volatility in the capital markets.

In this context, the global equities markets weakened slightly overall in the first nine months of 2020. The Euro STOXX 50 fell 14.7% and the Dow Jones Industrial Average was down 2.7%. The Nikkei 225 index lost 2.0% in value as well. Meanwhile, the Deutsche Aktienindex (DAX) decreased by 3.7%, dropping to a level of 12,761 points as at September 30, 2020.

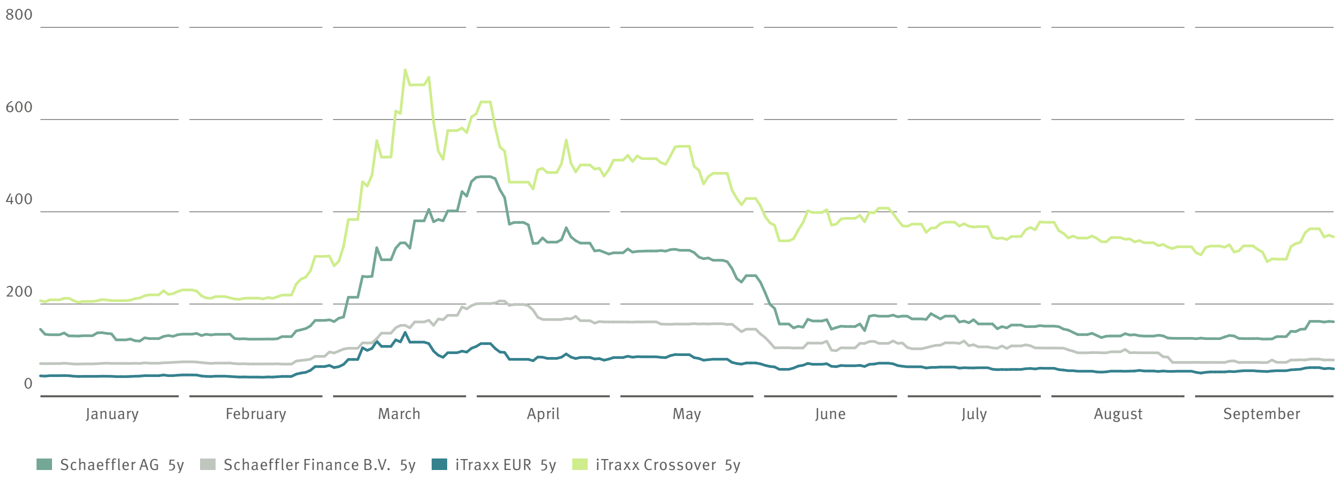
Schaeffler shares

Schaeffler share performance

	1st nine months	
	2020	**2019**
Schaeffler share price 09/30 (in €) [1]	5.27	7.04
Average trading volume (number of shares)	714,117	1,051,109
DAX 09/30 [1]	12,761	12,428
SDAX 09/30 [1]	12,488	11,027
STOXX Europe 600 Automobiles & Parts 09/30 [1]	429	480
Average number of shares (in millions)		
• Common shares	500	500
• Common non-voting shares	166	166
Earnings per share (in €)		
• Common shares	-0.79	0.72
• Common non-voting shares	-0.78	0.73

[1] Source: Bloomberg (closing prices).

Credit default swap (CDS) price trend 2020
in basis points



Source: Bloomberg (closing prices).

Schaeffler AG's common non-voting shares lagged behind the benchmark indexes DAX (-3.7% compared to December 31, 2019), SDAX (-0.2%), and STOXX Europe 600 Automobiles & Parts (-15.7%) during the first nine months of 2020. On September 30, 2020, the common non-voting shares of Schaeffler AG were quoted at EUR 5.27, 45.3% less than on December 31, 2019. The Schaeffler shares' weakness is partly due to the implications of the coronavirus pandemic and its consequences for the company's results of operations. The automotive sector in particular saw considerable adverse consequences emerge for both demand and production of passenger cars and light commercial vehicles, mainly during the first half of 2020. The creation of authorized capital had an additional adverse impact.

The daily trading volume averaged 714,117 shares in the first nine months of 2020 (prior year: 1,051,109). The decline in trading volume compared to the prior year period is mainly due to less trading activity in the months of January and February.

Schaeffler bonds and ratings

The Schaeffler Group had a total of four series of bonds outstanding as at September 30, 2020, all of them denominated in EUR. Schaeffler AG issued three bond series due in 2022, 2024, and 2027. The bond series originally due in 2025 was issued by Schaeffler Finance B.V. in Barneveld, Netherlands. Schaeffler Finance B.V. called this bond series on October 5, 2020, with redemption scheduled for November 4, 2020.

The four bond series trended laterally early in the year. Starting in early March, they declined in connection with the spread of the coronavirus pandemic in Europe, and trading in corporate bonds was severely restricted for several weeks beginning in mid-March. Having bottomed out in early April, bond markets stabilized over the course of the second and third quarter of 2020, albeit at a lower level than at the beginning of the year.

The Schaeffler AG bonds due in 2022 closed at 98.25% on September 30, the bonds due in 2024 came in at 98.12%, and the closing price at September 30 of the bonds with the longest maturity, 2027, was 100.13%. The bond series issued by Schaeffler Finance B.V. closed at 100.32% on September 30.

Schaeffler AG holds ratings by the three rating agencies Fitch, Moody's, and Standard & Poor's. In light of the economic implications of the coronavirus pandemic, rating agencies Moody's and Standard & Poor's downgraded their issuer rating for Schaeffler AG and the instrument ratings for the outstanding bonds in June and July. Moody's downgraded the Schaeffler Group's ratings from "Baa3" to "Ba1" on June 15, 2020. Moody's rates the outlook "stable". On July 20, 2020, the rating agency Standard & Poor's downgraded its ratings for the Schaeffler Group from "BBB-" to "BB+". Standard & Poor's considers the outlook for the ratings to be "stable". Fitch continues to assign an investment grade rating of "BBB-" to the Schaeffler Group with a "negative outlook".

More on the current ratings on p. 25

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, net debt to EBITDA ratio, Schaeffler Value Added, and ROCE 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.

Navigation aid

Further details in the report

1. Report on the economic position

1.1 Economic environment

In early 2020, the **global economy** initially showed signs of stabilizing. Over the course of the reporting period, however, the spread of the coronavirus SARS-CoV-2, which eventually developed into a global pandemic, led to a worldwide health and economic crisis. Based on preliminary estimates, global gross domestic product for the reporting period fell approximately 5% below the prior year level (Oxford Economics, October 2020). While global gross domestic product fell short of the prior year level throughout the reporting period, the contraction in the second quarter was the most severe by far. The main reason for the global economic crisis were measures, some quite drastic, taken to contain the coronavirus – initially in China and then worldwide. These measures led to a severe decline in economic activity combined with significant disruption in international labor markets. Meanwhile, the high level of uncertainty among companies and consumers hampered the global economy as well. In May, many countries around the world began to ease containment measures after their numbers of new infections had dropped. As a result, the global economy started to recover in the third quarter; however, information currently available indicates that this recovery lost some of its momentum towards the end of the reporting period.

Containment measures – some very extensive – were initiated in late January in China, the country initially hit hardest by the coronavirus. Easing of containment measures began in mid-March after numbers of new infections had dropped considerably. In light of this, the Chinese economy returned to a growth course as early as in the second quarter, having experienced a heavy slump in the first. Outside China, the coronavirus began to spread rapidly and across continents in March. These developments and the related containment measures put in place in many countries resulted in considerable economic disruption worldwide toward the end of the first quarter and especially over the course of the second quarter. Numerous economies – including the euro region, the U.S., Japan, and India – experienced a drastic slump in economic activity in the second quarter, some of historic proportion. In the third quarter, a recovery was visible in the majority of economies outside China as well, due especially to the previous easing of containment measures. However, this recovery varied in strength across countries, and, additionally, economic output for the third quarter was below prior year in nearly all cases.

In this context, the situation of the Schaeffler Group’s regions was as follows: Gross domestic product in the Europe region decreased by approximately 7% while economic output in the Americas region declined by approximately 5%. In the Greater China region, gross domestic product rose by approximately 1%, while the Asia/Pacific region’s economic output fell by approximately 7%.

In the currency markets, the euro remained constant against the U.S. dollar on average, while it rose slightly against the Chinese renminbi. On average, the euro was valued at USD 1.12 and CNY 7.86, respectively, during the reporting period (prior year: USD 1.12 and CNY 7.71, respectively; European Central Bank).

More on foreign currency translation on page 40

Global **automobile production**, measured as the number of vehicles up to six tons in weight produced, slumped during the reporting period, falling to 23% below the prior year level according to preliminary estimates (IHS Markit, October 2020). While global automobile production declined throughout the reporting period, the most severe contraction by far was reported for the second quarter. The majority of all significant production countries and all Schaeffler Group regions experienced a similar trend, with the exception of Greater China. The slump in global automobile production was driven by the coronavirus pandemic. For one thing, over the course of the reporting period, plants in the automotive industry were temporarily closed worldwide and in all of the Schaeffler Group’s regions, some for several months.

A further adverse coronavirus pandemic-related factor were temporary disruptions in the global supply chain, including with respect to intermediate products from China. Additionally, sales of passenger cars decreased noticeably over the course of the reporting period. For one thing, several countries temporarily closed car dealerships due to the pandemic. Meanwhile, a number of factors contributed to a decline in demand as well – along with mobility restrictions, particularly the expected or already apparent deterioration in consumers' economic situation. The global automotive industry started to recover towards the end of the second quarter and that recovery persisted in the third quarter as well; production levels still fell short of the prior year's, however. The key driver of this development was the easing of containment measures worldwide as it released the pent-up demand for passenger vehicles, partly in combination with buying incentives and/or government stimulus measures. At the same time, automobile production plants reopened worldwide as well, although strict health protection measures contributed to plants not reaching their original production capacity in some cases.

Automobile production in the Europe region slumped by approximately 28%, with the number of vehicles produced in the euro region falling to approximately 33% less than the prior year level. Automobile production in the Americas region slumped by approximately 29%. The number of vehicles produced in the U.S. fell by approximately 24% compared to the level of the previous year and by approximately 28% in Mexico. Brazil (-41%) experienced an even heavier slump in production. In the Greater China region, automobile production fell by approximately 9% compared to the level of the previous year. However, given the comparatively early easing of containment measures and reopening of automobile production plants, the Greater China region – in contrast to the Schaeffler Group's remaining regions – reported positive year-on-year growth in both the second and third quarter. In the first quarter, volumes had dropped by nearly half. In the Asia/Pacific region, automobile production slumped by approximately 28%. Production in Japan fell by approximately 23% compared to the previous year and by approximately 16% in South Korea. A much sharper decrease was reported by India (-38%).

Based on preliminary estimates, global **industrial production** for the reporting period, measured as gross value added based on constant prices and exchange rates, was down approximately 5% from the prior year level (Oxford Economics, September 2020). While global industrial production declined throughout the reporting period, the clearly most severe contraction was reported for the second quarter. The slump in global industrial production is primarily due to disruptions related to the coronavirus pandemic. Containment measures taken worldwide over the course of the first half of 2020, some even including temporary factory closures, led directly to lost production as well as disruptions in national and global supply chains. At the same time, demand for industrial goods fell as well, partly due to containment measures but also, among other factors, due to increased uncertainty among companies and consumers. Global industrial activity recovered considerably towards the end of the second quarter and during the third quarter as containment measures were being eased in numerous countries; production levels still fell short of the prior year's, however. From a sector perspective, industrial production for the reporting period was considerably hampered by the heavy slump of the automotive sector which also affected other industrial sectors because of close interdependencies along the value chain. A number of economies, especially in the Europe region, experienced declining industrial production even before the coronavirus pandemic.

In the Europe region, industrial production fell by approximately 10% during the reporting period, declining throughout the reporting period, but most significantly by far in the second quarter. The euro region experienced a similar trend, with industrial production for the reporting period there dropping by approximately 11% in total compared to the prior year level. The pronounced contraction in automobile production, which also affected other industrial sectors via the supply chain, contributed significantly to the adverse trend in the euro region. The considerable decline in mechanical engineering output hampered industrial production as well. Industrial production in the Americas region was approximately 8% below the prior year level while the U.S., the region's most significant sales market, experienced a decline of approximately 6%. In both cases, stagnation or slight growth in the first quarter was followed by a considerable contraction in the remainder of the reporting period, particularly in the second quarter. The U.S. were adversely affected mainly by the sharp decline in automobile production, which affected other industrial sectors. Additionally, the U.S. experienced a considerable slump in production in the aerospace sector as well. Industrial production in the Greater China region rose by approximately 2% from the prior year level since a contraction in the first quarter was followed by growth in the second and third quarter. The growth experienced subsequently to the first quarter was mainly driven by measures to contain the coronavirus being eased comparatively early. Additionally, measures taken by the government to support the economy contributed to the growth in industrial production. In the Asia/Pacific region, industrial production fell approximately 9% short of the prior year level. Following a slight decline in the first quarter, a considerable contraction was reported for the remainder of the reporting period, especially in the second quarter. Industrial production in Japan fell by approximately 11% during the reporting period, and by approximately 17% in India. The decline in automobile production which affected other industrial sectors, especially in Japan, contributed significantly to the adverse trend in both countries. In South Korea, industrial production fell by approximately 1% compared to the level of the previous year.

In the **procurement markets**, average prices for commodities and input materials significant to the Schaeffler Group were consistently below the level of the prior year period (Bloomberg; EIA; Platts). Trends during the reporting period were mixed. Prices for aluminum and crude oil both closed lower at September 30, 2020, than at the beginning of the year. However, most prices for hot- and cold-rolled steel in the Schaeffler Group's relevant procurement regions increased compared to the beginning of the year. Additionally, the price of copper rose over the course of the reporting period as well. Commodity market price trends affect the Schaeffler Group's cost to varying degrees and in some instances with some delay, depending on the terms of the relevant supplier contracts.

1.2 Major events – first nine months 2020

Schaeffler responds to coronavirus pandemic

Since the start of the coronavirus pandemic, the Schaeffler Group has taken comprehensive measures to protect the health of its employees, keep supply chains intact, and safeguard the financial stability of the company. In doing so, the Schaeffler Group follows the recommendations made by national, international, and local authorities. For instance, business travel and training has been restricted and employees in many areas are temporarily working remotely.

Given the low utilization of its production capacity, the Schaeffler Group took measures to adapt its costs to the abruptly changed market conditions in March 2020. In this context, the company has agreed on a set of measures for direct and indirect areas with employee representatives. Along with closure days, using hours in flexitime accounts, and plant holidays, the measures also comprise short-time work. To further safeguard the company's financial stability, investing activities were further adapted to current results of operations, in line with the Schaeffler Group's capital allocation management framework. To keep supply chains intact, requirements and capacities are proactively and closely coordinated with both customers and suppliers.

On March 24, 2020, the Board of Managing Directors of Schaeffler AG announced that it was suspending the full-year guidance for 2020 for the Schaeffler Group and its divisions that had been published on March 10, 2020, due to the worldwide spread of the coronavirus pandemic and the resulting implications for the company's results of operations.

More on the current guidance for the Schaeffler Group and its divisions in the report on expected developments on pp. 30 et seq.

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The coronavirus pandemic and the measures taken worldwide to contain it have led to increased uncertainty regarding the Schaeffler Group's future course of business and, therefore, to changes in the assumptions used to determine the recoverable amount of groups of cash-generating units. As a result, goodwill allocated to the Automotive Technologies division was impaired by EUR 249 m as at March 31, 2020.

Schaeffler accelerates transformation and strengthens competitiveness

On February 3, 2020, the business of the plants in Unna and Kaltennordheim transferred to a consortium of investors. The employee's employment contracts were assumed by the new owners as part of that transfer, as well. The agreement to sell the two plants was entered into on December 5, 2019.

On September 9, 2020, the Board of Managing Directors of Schaeffler AG adopted additional structural measures to further transform the Schaeffler Group and strengthen its ability to compete and realize future opportunities for the long term. These measures are expected to result in approximately EUR 700 m in transformation expenses. EUR 485 m of these expenses were recognized within the programs "RACE", "GRIP", and "FIT" during the reporting period. The package of measures has two broad aims: The first is to adjust excess structural capacity by downsizing the workforce and consolidate Schaeffler's locations in Europe, especially in Germany. All three of the group's divisions and all of its corporate functions will contribute to the measures, and they will be implemented in the most socially responsible manner possible on the basis of the Future Accord agreed with the IG Metall trade union in 2018. The company is currently engaged in constructive dialog with employee representatives with the aim of implementing the structural measures using a diverse mix of tools. The second aim is to strengthen the company's competitiveness and expand local capabilities. Plans include siting a capability center for hydrogen technology in Herzogenaurach and expanding the capability center for electric mobility and electric-motor mass production in Buehl, where the company's Automotive Technologies division is headquartered. In this manner, the Schaeffler Group continuously adapts its structures to changing market conditions.

Schaeffler strengthens team of Board of Managing Directors

At its meeting on March 6, 2020, the Supervisory Board of Schaeffler AG renewed the contract of Michael Söding, CEO Automotive Aftermarket, until December 31, 2023.

Additionally, at its meeting on May 8, 2020, the Supervisory Board of Schaeffler AG decided to extend the contract with Chief Operating Officer Andreas Schick for a further five years to March 31, 2026.

On July 20, 2020, the Supervisory Board of Schaeffler AG appointed Dr. Klaus Patzak as a member of the Board of Managing Directors of Schaeffler AG effective from August 1, 2020, for a three-year term of office ending on July 31, 2023. Dr. Patzak has assumed the position of CFO, which includes responsibility for the Finance and IT functions, as the successor to Dietmar Heinrich, who has left Schaeffler AG at the end of his term of office on July 31, 2020, in order to pursue new challenges in his career.

Schaeffler holds two virtual general meetings

Schaeffler AG's virtual annual general meeting, which was held on May 8, 2020, passed a resolution to pay a dividend of EUR 0.44 (prior year: EUR 0.54) per common share and EUR 0.45 (prior year: EUR 0.55) per common non-voting share to Schaeffler AG's shareholders for 2019. This represents a dividend payout ratio of 43.0% of net income attributable to shareholders before special items.

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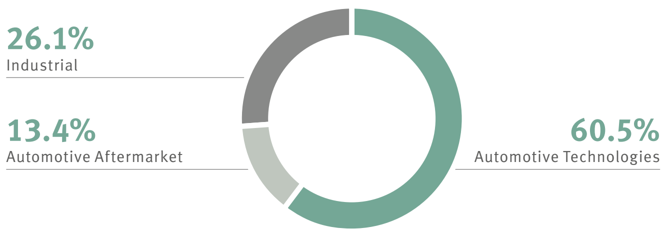
Schaeffler Group

Coronavirus pandemic results in significant revenue decline: down 15.4% at constant currency // All divisions' revenue considerably below prior year // Greater China region generates revenue growth; remaining regions considerably below prior year // Revenue trend for Q3 improved compared to H1, primarily in the Automotive Technologies and Automotive Aftermarket divisions // EUR 798 m in special items mainly to expand programs "RACE", "GRIP", and "FIT" and goodwill impairment in Automotive Technologies division // Earnings adversely affected by revenue decline; programs "RACE", "GRIP", and "FIT" and cost reductions mitigate impact of volumes // Earnings improved sequentially in Q3: Along with higher volumes, the measures initiated at the beginning of the year to adapt expenses are proving effective

Revenue **EUR 8,971 m**

EBIT margin before special items **4.3%**



Schaeffler Group earnings

in € millions	1st nine months 2020	1st nine months 2019	Change in%	3rd quarter 2020	3rd quarter 2019	Change in%
Revenue	**8,971**	**10,839**	**-17.2**	**3,396**	**3,613**	**-6.0**
• at constant currency			-15.4			-2.6
Revenue by division						
Automotive Technologies	5,429	6,772	-19.8	2,165	2,254	-4.0
• at constant currency			-18.2			-1.1
Automotive Aftermarket	1,203	1,386	-13.2	456	482	-5.5
• at constant currency			-9.7			-0.2
Industrial	2,338	2,681	-12.8	776	877	-11.5
• at constant currency			-11.3			-8.0
Revenue by region [1]						
Europe	3,834	4,968	-22.8	1,412	1,590	-11.2
• at constant currency			-22.6			-11.4
Americas	1,871	2,391	-21.8	734	798	-8.0
• at constant currency			-18.4			0.8
Greater China	2,077	1,959	6.0	820	728	12.5
• at constant currency			8.1			16.5
Asia/Pacific	1,188	1,520	-21.8	431	498	-13.5
• at constant currency			-19.3			-8.3
Cost of sales	-7,023	-8,110	-13.4	-2,586	-2,697	-4.1
Gross profit	**1,947**	**2,729**	**-28.7**	**810**	**917**	**-11.6**
• in % of revenue	21.7	25.2	-	23.8	25.4	-
Research and development expenses	-574	-646	-11.2	-187	-202	-7.4
Selling and administrative expenses	-988	-1,156	-14.5	-324	-381	-14.9
Earnings before financial result, income (loss) from equity-accounted investees, and income taxes (EBIT)	**-413**	**795**	**-**	**-191**	**312**	**-**
• in % of revenue	-4.6	7.3	-	-5.6	8.6	-
Special items [2]	798	88	› 100	511	15	› 100
EBIT before special items	**385**	**883**	**-56.4**	**320**	**327**	**-2.2**
• in % of revenue	4.3	8.1	-	9.4	9.1	-
Financial result	-114	-94	21.6	-24	-13	85.2
Income (loss) from equity-accounted investees	-23	-12	83.9	-8	-5	55.9
Income taxes	30	-196	-	54	-79	-
Net income (loss) [3]	-525	485	-	-172	212	-
Earnings per common non-voting share (basic/diluted, in €)	-0.78	0.73	-	-0.26	0.31	-

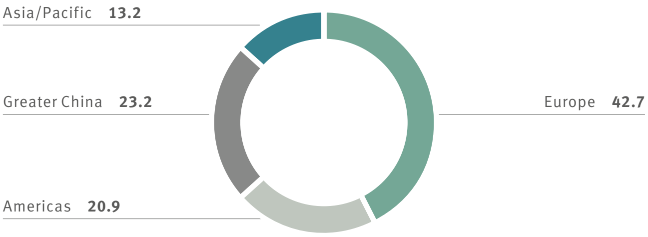
[1] Based on market (customer location).
[2] Please refer to pp. 15 et seq. for the definition of special items.
[3] Attributable to shareholders of the parent company.

1.3 Earnings

Schaeffler Group earnings

The Schaeffler Group's **revenue** for the first nine months of 2020 declined by 17.2% (-15.4% at constant currency) to EUR 8,971 m (prior year: EUR 10,839 m), largely driven by volumes. Following a decline in revenue by a considerable 21.8% excluding the impact of currency translation in the first half of 2020 as a result of the coronavirus pandemic, the revenue trend for the third quarter improved compared to the first six months despite still challenging conditions and revenue fell 2.6% short of the prior year quarter, excluding the impact of currency translation. This improvement was attributable to the revenue trend in the Automotive Technologies and Automotive Aftermarket divisions, in particular.

Schaeffler Group revenue by region
in percent by market view



The significant decline in revenue for the first nine months of 2020 affected all regions except for Greater China. In the Europe region, revenue declined considerably, dropping by 22.8% (-22.6% at constant currency). Following a decline in revenue for the first six months by 27.8% excluding the impact of currency translation, the revenue trend improved slightly in the third quarter, albeit still falling by 11.4% excluding the impact of currency translation. In the Americas region, revenue declined by 21.8% (-18.4% at constant currency). Having decreased by 28.0% excluding the impact of currency translation in the first six months, revenue for the third quarter was slightly ahead of the prior year level (+0.8% at constant currency). This trend was primarily driven by the business of the Automotive Technologies and Automotive Aftermarket divisions. Revenue in the Greater China region grew by 6.0% (+8.1% at constant currency) during the first nine months. Having already generated revenue growth of 3.0% excluding the impact of currency translation in the first six months, this region reported 16.5% in additional revenue for the third quarter excluding the impact of currency translation. The determining factors for this growth were the still dynamic business of the wind sector cluster within the Industrial division and the positive results of the Automotive Technologies division. Revenue in the Asia/Pacific region declined by 21.8% (-19.3% at constant currency) during the reporting period. Having decreased by 24.6% excluding the impact of currency translation in the first six months, revenue trended considerably more robustly over the remaining course of the reporting period. The loss in revenue, excluding the impact of currency translation, amounted to 8.3% in the third quarter, which was attributable to the tendencies toward recovery at all three divisions.

Cost of sales decreased by EUR 1,086 m or 13.4% to EUR 7,023 m during the first nine months of 2020 (prior year: EUR 8,110 m) driven by the impact of volumes, structural and efficiency measures that are part of the three divisional programs – some initiated already last year as well as adaptation of costs to changes in demand, for instance by short-time work. Expenses related to adjusting the capacity of non-current assets and non-personnel provisions had an offsetting effect. **Gross profit** decreased by EUR 782 m or 28.7% to EUR 1,947 m during the reporting period (prior year: EUR 2,729 m), mainly driven by volumes. The gross margin dropped by 3.5 percentage points to 21.7% (prior year: 25.2%) in the first nine months of 2020, primarily due to the impact of fixed costs.

Functional costs decreased by EUR 240 m or 13.3% to EUR 1,562 m (prior year: EUR 1,802 m) during the first nine months of 2020, mainly due to the adaptation of costs to changes in demand, for instance by short-time work. Measures taken in the prior year to increase efficiency made an additional impact. As a percentage of revenue, however, functional costs rose by 0.8 percentage points to 17.4% (prior year: 16.6%). Research and development expenses of EUR 574 m were EUR 72 m or 11.2% below the prior year level (prior year: EUR 646 m). Research and development expenses represented an R&D ratio of 6.4% of revenue (prior year: 6.0%). Selling and administrative expenses declined by EUR 168 m or 14.5% to EUR 988 m (prior year: EUR 1,156 m), due to, along with the factors discussed above, volume-related decreases in logistics expenses.

The Schaeffler Group's **EBIT** for the first nine months of 2020 amounted to EUR -413 m (prior year: EUR 795 m), and the corresponding EBIT margin was -4.6% (prior year: 7.3%). EBIT was adversely affected by EUR 798 m in **special items** (prior year: EUR 88 m), most of which was recognized in other income and expenses with a minor portion included in cost of sales and functional costs. The amount includes EUR 549 m in expenses incurred to expand the programs "RACE", "GRIP", and "FIT", especially in connection with downsizing the workforce to adjust excess structural capacity. EUR 485 m of these expenses relate to the package of measures adopted in September 2020. In addition, the company recognized an impairment of goodwill allocated to the Automotive Technologies division by EUR 249 m as at March 31, 2020, since the coronavirus pandemic has led to increased uncertainty regarding the Schaeffler Group's future course of business and, therefore, to changes in the assumptions used to determine the recoverable amount of groups of cash-generating units.

Based on that, **EBIT before special items** declined considerably, falling by EUR 498 m or 56.4% to EUR 385 m (prior year: EUR 883 m) with a corresponding drop in EBIT margin before special items by 3.9 percentage points to 4.3% (prior year: 8.1%).

The Schaeffler Group's **financial result** deteriorated by EUR 20 m to EUR -114 m (prior year: EUR -94 m) in the first nine months of 2020.

Schaeffler Group financial result

	1st nine months	
in € millions	2020	2019
Interest expense on financial debt [1]	-58	-72
Gains and losses on derivatives and foreign exchange	-8	-14
Fair value changes on embedded derivatives	-6	22
Interest income and expense on pensions and partial retirement obligations	-20	-31
Other	-22	1
Total	**-114**	**-94**

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

Interest expense on financial debt of EUR 58 m in the first nine months of 2020 was in line with prior year (prior year: EUR 72 m). Interest expense on financial debt for 2019 included a prepayment penalty of EUR 6 m that was incurred in connection with the refinancing transaction.

Net foreign exchange losses on financial assets and liabilities and net losses on derivatives amounted to EUR 8 m (prior year: EUR 14 m).

Fair value changes on embedded derivatives, primarily prepayment options for external financing instruments, resulted in net losses of EUR 6 m (prior year: net gains of EUR 22 m).

Interest on pensions and partial retirement obligations gave rise to expenses of EUR 20 m (prior year: EUR 31 m).

An impairment of EUR 21 m on an outstanding convertible loan receivable from a joint venture was included in "Other" in the reporting period.

Income tax expense for the reporting period amounted to EUR -30 m (prior year: EUR 196 m), representing an effective tax rate of 5.4% (prior year: 28.4%). The change in the effective tax rate compared to the prior year was primarily the result of an impairment of goodwill that is not tax-deductible as well as from only partial recognition of deferred taxes on loss and interest carryforwards. Deferred taxes on a few group companies' loss carryforwards were not recognized in full, as it is currently not considered probable that they will be fully utilized.

Net income attributable to shareholders of the parent company for the reporting period declined to EUR -525 m (prior year: EUR 485 m). Net income before special items amounted to EUR 139 m (prior year: EUR 547 m).

Basic and diluted **earnings per common share** decreased to EUR -0.79 (prior year: EUR 0.72) during the reporting period. Basic and diluted **earnings per common non-voting share** amounted to EUR -0.78 (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.

Schaeffler Value Added before special items (SVA) declined to EUR -75 m during the reporting period (prior year: EUR 247 m); return on capital employed (ROCE) before special items fell to 8.1% (prior year: 12.9%). The considerable decline in SVA was attributable to the trend in all three divisions' EBIT before special items. The decline in average capital employed had an offsetting favorable effect on SVA.

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 EBIT, EBITDA, the net debt to EBITDA ratio, SVA, and ROCE.

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 is also presented in order to facilitate calculating the dividend payout ratio.

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

Free cash flow (FCF) is calculated as the sum of cash flows from operating activities and cash flows from investing activities as well as principal repayments on lease liabilities. The company also reports free cash flow 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.

Special items are categorized as legal cases, restructuring, and other. The restructuring category mainly includes expenses related to restructurings as defined in IAS 37 as well as expenses closely related to these restructurings, such as termination benefits as defined in IAS 19. The other category specifically comprises impairments in accordance with IAS 36.

Starting in 2020, the company uses a long-term cost of capital of 9% to calculate SVA based on the last twelve months. For periods up to the end of 2019, the calculation was based on a long-term cost of capital of 10%. The annual average of average capital employed is determined as the arithmetic mean of the balance at the end of each of the four quarters.

Please refer to pp. 33 et seq. and page 56 of the Schaeffler Group's annual report 2019 for a detailed discussion of performance indicators and special items

Reconciliation

	1st nine months		1st nine months		1st nine months		1st nine months	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Income statement (in € millions)		Total	Automotive Technologies		Automotive Aftermarket			Industrial
EBIT	**-413**	**795**	**-516**	**291**	**166**	**228**	**-63**	**276**
• in % of revenue	-4.6	7.3	-9.5	4.3	13.8	16.4	-2.7	10.3
Special items	**798**	**88**	**517**	**87**	**23**	**0**	**258**	**0**
• Legal cases	0	-13	0	0	0	0	0	-13
• Restructuring	549	101	268	87	23	0	258	13
- Program "RACE"	268	82	268	82	0	0	0	0
- Program "GRIP"	23	0	0	0	23	0	0	0
- Program "FIT"	258	0	0	0	0	0	258	0
- Reorganization UK business activities	0	18	0	5	0	0	0	13
• Other	249	0	249	0	0	0	0	0
EBIT before special items	**385**	**883**	**0**	**379**	**189**	**228**	**195**	**277**
• in % of revenue	4.3	8.1	0.0	5.6	15.7	16.4	8.4	10.3
Net income (loss) [1]	**-525**	**485**						
Special items	**798**	**88**						
• Legal cases	0	-13						
• Restructuring	549	101						
• Other	249	0						
- Tax effect [2]	-135	-25						
Net income before special items [1]	**139**	**547**						
Statement of financial position (in € millions)	**09/30/2020**	**12/31/2019**						
Net financial debt	2,688	2,526						
/ EBITDA LTM	844	1,769						
Net financial debt to EBITDA ratio	**3.2**	**1.4**						
Net financial debt	2,688	2,526						
/ EBITDA before special items LTM	1,646	2,116						
Net financial debt to EBITDA ratio before special items	**1.6**	**1.2**						
	1st nine months							
Statement of cash flows (in € millions)	**2020**	**2019**						
EBITDA	**595**	**1,520**						
Special items	**529**	**75**						
• Legal cases	0	-13						
• Restructuring	529	87						
• Other	0	0						
EBITDA before special items	**1,125**	**1,595**						
Free cash flow (FCF)	**185**	**31**						
-/+ Cash in- and outflows for M&A activities	0	101						
FCF before cash in- and outflows for M&A activities	**185**	**133**						
FCF before cash in- and outflows for M&A activities LTM	525	389						
/ EBITDA before special items LTM	1,646	2,042						
FCF conversion ratio (in %)	**31.9**	**19.1**						
Value-based management (in € millions)								
EBIT LTM	-419	999						
– Cost of capital	739	867						
Schaeffler Value Added (SVA)	-1,158	133						
EBIT before special items LTM	664	1,114						
– Cost of capital	739	867						
SVA before special items	**-75**	**247**						
EBIT LTM	-419	999						
/ Average capital employed	8,211	8,666						
ROCE (in %)	**-5.1**	**11.5**						
EBIT before special items LTM	**664**	**1,114**						
/ Average capital employed	8,211	8,666						
ROCE before special items (in %)	**8.1**	**12.9**						

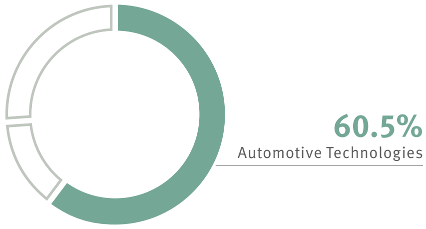
1) Attributable to shareholders of the parent company.
2) Based on the group's effective tax rate of 28.7% (prior year: 28.6%) or the company-specific tax rates reflecting country-specific tax-related circumstances; calculated on the special items in the "legal cases" and "restructuring" categories (the goodwill impairment included in "other" is not tax-deductible).
LTM = Based on the last twelve months.

Automotive Technologies division

Coronavirus pandemic results in significant revenue decline: down 18.2% at constant currency; global automobile production approximately 23% below prior year; outperformance approximately 5 percentage points // All BDs considerably below prior year // Greater China region generates revenue growth; remaining regions considerably below prior year // Revenue trend for Q3 improved compared to H1 across all BDs; Transmission Systems BD reports slight growth // EUR 517 m in special items due to expansion of program “RACE” and goodwill impairment // Earnings adversely affected by revenue decline; program “RACE” and cost reductions mitigate impact of volumes // Cost-covering revenue for 9M due to strong Q3 // Earnings improved sequentially in Q3: Along with higher volumes, the measures initiated at the beginning of the year to adapt expenses are proving effective

Revenue **EUR 5,429 m**

EBIT margin before special items **0.0%**



Automotive Technologies division earnings

	1st nine months			3rd quarter		
in € millions	2020	2019	Change in%	2020	2019	Change in%
Revenue	**5,429**	**6,772**	**-19.8**	**2,165**	**2,254**	**-4.0**
• at constant currency			-18.2			-1.1
Revenue by business division						
E-Mobility BD	451	496	-8.9	180	190	-5.3
• at constant currency			-8.0			-3.9
Engine Systems BD	1,638	2,088	-21.6	650	700	-7.2
• at constant currency			-20.6			-4.8
Transmission Systems BD	2,438	3,021	-19.3	988	995	-0.7
• at constant currency			-17.8			2.8
Chassis Systems BD	902	1,167	-22.7	347	369	-6.0
• at constant currency			-21.0			-2.9
Revenue by region [1]						
Europe	1,984	2,738	-27.5	782	851	-8.1
• at constant currency			-27.7			-9.3
Americas	1,259	1,641	-23.3	527	553	-4.7
• at constant currency			-20.7			2.9
Greater China	1,382	1,357	1.8	567	513	10.5
• at constant currency			4.1			14.2
Asia/Pacific	805	1,036	-22.3	288	338	-14.7
• at constant currency			-20.1			-10.1
Cost of sales	-4,525	-5,344	-15.3	-1,692	-1,772	-4.5
Gross profit	**904**	**1,427**	**-36.6**	**473**	**482**	**-1.9**
• in % of revenue	16.7	21.1	-	21.9	21.4	-
Research and development expenses	-452	-509	-11.2	-148	-157	-6.0
Selling and administrative expenses	-441	-526	-16.1	-141	-172	-17.5
EBIT	**-516**	**291**	**-**	**-72**	**143**	**-**
• in % of revenue	-9.5	4.3	-	-3.3	6.3	-
Special items [2]	517	87	> 100	252	15	> 100
EBIT before special items	**0**	**379**	**-99.9**	**180**	**158**	**14.1**
• in % of revenue	0.0	5.6	-	8.3	7.0	-

Prior year information presented based on 2020 segment structure.
[1] Based on market (customer location).
[2] Please refer to pp. 15 et seq. for the definition of special items.

Automotive Technologies division earnings

The Automotive Technologies division's **revenue** decreased by 19.8% to EUR 5,429 m (prior year: EUR 6,772 m) in the first nine months of 2020 mainly driven by volumes. Excluding the impact of currency translation, revenue for the reporting period was 18.2% below the prior year level, while global automobile production fell by approximately 23% during the same period. Following a slump in global automobile production in the first half of 2020 as a result of the coronavirus pandemic and a resulting drop in revenue by 26.8% excluding the impact of currency translation, the revenue trend for the third quarter improved compared to the first six months so that revenue was slightly below the prior year quarter (-1.1% at constant currency). This improvement was attributable to the revenue trend in the Greater China and Americas regions, in particular.

The significant decline in revenue for the first nine months of 2020 affected all regions except Greater China. With automobile production in the Europe region shrinking by approximately 28%, the region's revenue for the reporting period decreased significantly, dropping by 27.5% (-27.7% at constant currency). Following a slump in revenue by a massive 36.0% excluding the impact of currency translation in the first six months, the 9.3% decline for the third quarter was much less marked. The Americas region reported a decrease in revenue for the first nine months by 23.3% (-20.7% at constant currency). Vehicle production fell by approximately 29% during the same period. Having declined by 32.6% excluding the impact of currency translation in the first six months, revenue for the third quarter went against the market trend by rising to a level 2.9% ahead of the prior year quarter, primarily due to growth in the Transmission Systems and E-Mobility BDs. With vehicle production in the Greater China region falling by approximately 9%, the region's revenue increased by 1.8% (+4.1% at constant currency). Following a slight decline in revenue of 2.2% excluding the impact of currency translation in the first six months, revenue for the third quarter rose by 14.2% excluding the impact of currency translation. The Asia/Pacific region reported a 22.3% decrease in revenue (-20.1% at constant currency) while vehicle production declined by approximately 28%. Although revenue continued to be adversely affected by the coronavirus pandemic in the third quarter and dropped by 10.1% excluding the impact of currency translation, the decline was less pronounced than in the first six months (-24.9% at constant currency).

E Mobility BD revenue for the reporting period declined by 8.9% (-8.0% at constant currency), mainly driven by primary components for continuously variable transmissions (CVTs). In contrast, revenue from wet double clutches, driven by a strong revenue trend in Greater China, and electric axle drives in Europe was ahead of the prior year period, growing against the general market trend.

Engine Systems BD revenue for the reporting period was 21.6% (-20.6% at constant currency) lower than in the prior year. In this BD, revenue from the thermal management module product group grew slightly against the general market trend as a result of projects ramping up.

Transmission Systems BD revenue declined by 19.3% (-17.8% at constant currency), which is attributable to all product groups' revenue trend.

The **Chassis Systems BD** reported a revenue decline of 22.7% (-21.0% at constant currency). All significant product groups' revenue was down from the prior year period.

Automotive Technologies division **cost of sales** decreased by EUR 820 m or 15.3% to EUR 4,525 m (prior year: EUR 5,344 m) in the first nine months of 2020. The decrease was driven by the impact of volumes, structural and efficiency measures that are part of the program "RACE" – some initiated already last year as well as the adaptation of costs to changes in demand, for instance by short-time work. Expenses related to adjusting the capacity of non-current assets and non-personnel provisions had an offsetting effect. **Gross profit** decreased by EUR 523 m or 36.6% to EUR 904 m during the reporting period (prior year: EUR 1,427 m), mainly driven by volumes. The gross margin fell by a considerable 4.4 percentage points to 16.7% (prior year: 21.1%) in the first nine months of 2020, primarily due to the impact of fixed costs.

Functional costs declined by EUR 142 m or 13.7% to EUR 893 m (prior year: EUR 1,035 m) during the reporting period. The decline was mainly the result of adapting costs to changes in demand, for instance by short-time work. Measures taken in the prior year to increase efficiency as part of the program "RACE" made an additional impact. However, functional costs as a percentage of revenue rose by 1.2 percentage points to 16.5% (prior year: 15.3%) due to the significant decline in revenue. Research and development expenses decreased to EUR 452 m (prior year: EUR 509 m), partly as a result of the yet stronger focus on significant strategic business fields as well as delays in certain customer projects due to the coronavirus pandemic. Research and development expenses represented an R&D ratio of 8.3% of revenue (prior year: 7.5%). Selling and administrative expenses of EUR 441 m were EUR 85 m or 16.1% lower than in the prior year (prior year: EUR 526 m), due to, along with the factors discussed above, volume-related decreases in logistics expenses.

EBIT for the first nine months of 2020 amounted to EUR -516 m (prior year: EUR 291 m), and the EBIT margin was -9.5% (prior year: 4.3%). EBIT for the reporting period was adversely affected by a total of EUR 517 m in **special items** (prior year: EUR 87 m), most of which was recognized in other income and expenses with a minor portion included in cost of sales and functional costs. The amount includes EUR 268 m in expenses incurred to expand the program "RACE", especially in connection with downsizing the workforce to adjust excess structural capacity.

EUR 248 m of these expenses relate to the package of measures adopted in September 2020. In addition, the company recognized an impairment of goodwill allocated to the Automotive Technologies division by EUR 249 m as at March 31, 2020, since the coronavirus pandemic has led to increased uncertainty regarding the Schaeffler Group's future course of business and, therefore, to changes in the assumptions used to determine the recoverable amount of groups of cash-generating units.

Based on that, **EBIT before special items** declined considerably by EUR 378 m to EUR 0 m (prior year: EUR 379 m) with a drop in EBIT margin before special items by 5.6 percentage points to 0.0% (prior year: 5.6%).

Automotive Aftermarket division

Coronavirus pandemic results in significant revenue decline: down 9.7% at constant currency // All regions considerably below prior year // Revenue trend for Q3 improved compared to H1 across all divisions, especially in the Independent Aftermarket // EUR 23 m in special items for expansion of program “GRIP” // EBIT margin before special items of 15.7% robust despite lower volumes // Program “GRIP” proving effective

Revenue **EUR 1,203 m**

EBIT margin before special items **15.7%**

13.4%
Automotive Aftermarket

Automotive Aftermarket division earnings

in € millions	1st nine months 2020	1st nine months 2019	Change in %	3rd quarter 2020	3rd quarter 2019	Change in %
Revenue	**1,203**	**1,386**	**-13.2**	**456**	**482**	**-5.5**
• at constant currency			-9.7			-0.2
Revenue by region [1]						
Europe	874	983	-11.0	334	351	-4.9
• at constant currency			-9.7			-3.4
Americas	216	269	-19.6	80	86	-7.8
• at constant currency			-9.1			12.9
Greater China	57	64	-10.9	21	22	-5.1
• at constant currency			-8.0			-0.2
Asia/Pacific	56	71	-21.1	21	23	-5.3
• at constant currency			-17.8			2.0
Cost of sales	-795	-909	-12.6	-297	-312	-4.9
Gross profit	**408**	**477**	**-14.4**	**159**	**170**	**-6.5**
• in % of revenue	33.9	34.4	-	34.8	35.2	-
Research and development expenses	-17	-19	-14.0	-5	-6	-13.9
Selling and administrative expenses	-198	-226	-12.5	-69	-75	-7.8
EBIT	**166**	**228**	**-27.0**	**63**	**87**	**-28.0**
• in % of revenue	13.8	16.4	-	13.8	18.1	-
Special items [2]	23	0	-	23	0	-
EBIT before special items	**189**	**228**	**-16.8**	**86**	**87**	**-1.4**
• in % of revenue	15.7	16.4	-	18.9	18.1	-

Prior year information presented based on 2020 segment structure.
[1] Based on market (customer location).
[2] Please refer to pp. 15 et seq. for the definition of special items.

Automotive Aftermarket division earnings

Automotive Aftermarket division **revenue** fell by 13.2% (-9.7% at constant currency) to EUR 1,203 m during the reporting period (prior year: EUR 1,386 m) driven by volumes. Having declined by 14.8% excluding the impact of currency translation in the first six months, mainly due to the coronavirus pandemic, revenue for the third quarter improved compared to the first six months. Total revenue for the third quarter of 2020 was close to flat with prior year (-0.2% at constant currency).

The **Europe region** reported a decrease in revenue for the first nine months of 2020 by 11.0% (-9.7% at constant currency). Following a decline in revenue of 13.3% excluding the impact of currency translation in the first six months, revenue for the third quarter fell slightly, decreasing by 3.4% from the prior year quarter excluding the impact of currency translation. The clear recovery tendencies were primarily driven by the revenue trend of the Independent Aftermarket business in the Western Europe and Central and Eastern Europe subregions.

The **Americas region** reported a decrease in revenue for the reporting period by 19.6% (-9.1% at constant currency). Having experienced a 19.5% decline in revenue excluding the impact of currency translation in the first half of 2020, this region generated 12.9% in additional revenue for the third quarter compared to the prior year quarter excluding the impact of currency translation. Especially the Independent Aftermarket business in the South America subregion reported considerable third-quarter revenue growth.

In the **Greater China region**, revenue dropped by 10.9% (-8.0% at constant currency). Following a 12.3% decline in revenue for the first six months excluding the impact of currency translation, revenue for the third quarter was close to flat with the prior year quarter (-0.2% at constant currency) and thus maintained its second quarter recovery trend, driven especially by the Independent Aftermarket business.

Revenue in the **Asia/Pacific region** declined by 21.1% (-17.8% at constant currency). Having experienced a 27.0% decline in revenue excluding the impact of currency translation in the first six months, this region generated 2.0% in additional revenue for the third quarter, largely resulting from the Independent Aftermarket business in the India subregion.

Automotive Aftermarket division **cost of sales** declined by EUR 114 m or 12.6% to EUR 795 m (prior year: EUR 909 m) in the first nine months of 2020, primarily driven by volumes.
Gross profit decreased by EUR 69 m or 14.4% to EUR 408 m (prior year: EUR 477 m). The gross margin declined only slightly to 33.9% (prior year: 34.4%).

Functional costs decreased by EUR 31 m or 12.6% to EUR 215 m (prior year: EUR 246 m) during the first nine months of 2020. Along with volume-related reductions, it was especially measures initiated in the prior year as part of the program “GRIP” that helped adjust personnel and other costs. Costs ramping up as a result of the AKO commencing operations had an offsetting impact in the third quarter. Functional costs as a percentage of revenue of 17.9% were close to flat with their prior year level (prior year: 17.7%).

Automotive Aftermarket division **EBIT** fell by EUR 62 m or 27.0% to EUR 166 m during the first nine months of 2020 (prior year: EUR 228 m) and the EBIT margin fell by 2.6 percentage points to 13.8% (prior year: 16.4%). EBIT for the reporting period was adversely affected by a total of EUR 23 m in **special items** (prior year: EUR 0 m), most of which was recognized in other income and expenses with a minor portion included in functional costs. These special items represented expenses incurred to expand the program “GRIP”, especially in connection with downsizing the workforce to adjust excess structural capacity. EUR 21 m of these expenses relate to the package of measures adopted in September 2020.

Based on that, **EBIT before special items** and the EBIT margin before special items declined to EUR 189 m (prior year: EUR 228 m) and 15.7% (prior year: 16.4%), respectively.

Industrial division

Coronavirus pandemic results in significant revenue decline: down 11.3% at constant currency // Greater China generates considerable additional revenue; remaining regions considerably below prior year // Wind sector cluster generates considerable additional revenue // Industrial Distribution and industrial automation sector cluster report significantly lower volumes // Revenue trend for Q3 improved slightly compared to H1; Greater China maintains considerable additional revenue in wind sector cluster // EUR 258 m in special items for expansion of program "FIT" // Earnings adversely affected by revenue decline; program "FIT" and cost reductions mitigate impact of volumes

Revenue **EUR 2,338 m**

EBIT margin before special items **8.4%**

Industrial division earnings

	1st nine months			3rd quarter		
in € millions	**2020**	**2019**	Change in %	**2020**	**2019**	Change in %
Revenue	**2,338**	**2,681**	**-12.8**	**776**	**877**	**-11.5**
• at constant currency			-11.3			-8.0
Revenue by region [1]						
Europe	976	1,248	-21.8	296	388	-23.6
• at constant currency			-21.5			-23.4
Americas	396	481	-17.7	127	159	-19.7
• at constant currency			-15.5			-12.9
Greater China	638	539	18.5	231	193	19.9
• at constant currency			20.2			24.6
Asia/Pacific	328	414	-20.7	121	138	-12.1
• at constant currency			-17.5			-5.7
Cost of sales	-1,703	-1,856	-8.2	-598	-613	-2.4
Gross profit	**635**	**825**	**-23.1**	**178**	**265**	**-32.6**
• in % of revenue	27.2	30.8	-	23.0	30.2	-
Research and development expenses	-105	-117	-10.8	-34	-39	-12.1
Selling and administrative expenses	-349	-404	-13.6	-114	-134	-15.5
EBIT	**-63**	**276**	**-**	**-182**	**83**	**-**
• in % of revenue	-2.7	10.3	-	-23.4	9.4	-
Special items [2]	258	0	› 100	236	0	-
EBIT before special items	**195**	**277**	**-29.4**	**54**	**83**	**-34.1**
• in % of revenue	8.4	10.3	-	7.0	9.4	-

Prior year information presented based on 2020 segment structure.
1) Based on market (customer location).
2) Please refer to pp. 15 et seq. for the definition of special items.

Industrial division earnings

Industrial division **revenue** for the reporting period decreased by 12.8% (-11.3% at constant currency) to EUR 2,338 m (prior year: EUR 2,681 m) driven by volumes. Having declined by 12.8% excluding the impact of currency translation in the first six months largely due to the coronavirus pandemic, revenue trended somewhat more robustly in the third quarter, decreasing 8.0% from the prior year quarter excluding the impact of currency translation. Particularly the still considerable revenue growth in the Greater China region's wind sector cluster and the revenue trend of the Americas and Asia/Pacific regions contributed to this.

Revenue for the reporting period in the **Europe region** was down by a considerable 21.8% (-21.5% at constant currency), mainly driven by Industrial Distribution and the industrial automation sector cluster. With the exception of wind, which reported slightly higher revenue, revenue for the remaining sector clusters dropped considerably as well. The decline in demand that had already made itself felt in the form of a 20.6% decrease in revenue in the first six months, excluding the impact of currency translation, intensified in the third quarter. Revenue was down 23.4% from the prior year quarter excluding the impact of currency translation. This decrease affected nearly all sector clusters, with Industrial Distribution and the industrial automation sector cluster experiencing the most severe declines.

The **Americas region** reported a heavy decrease in revenue for the reporting period by 17.7% (-15.5% at constant currency). The revenue trend was primarily affected by the considerable decline experienced by Industrial Distribution and the raw materials sector cluster. Additionally, revenue also declined in all other sector clusters except wind. Although, following a decline in revenue of 16.8% excluding the impact of currency translation in the first six months, revenue for the third quarter had improved slightly across all sector clusters and Industrial Distribution, revenue fell by a considerable 12.9% from the prior year quarter excluding the impact of currency translation.

Greater China region revenue rose by 18.5% (+20.2% at constant currency) during the first nine months, mainly due to the encouraging performance of the wind and power transmission sector clusters. On the other hand, declining revenue in the railway sector cluster, in particular, had an adverse impact on the region's revenue trend. Having already generated 17.6% in additional revenue excluding the impact of currency translation in the first six months, this region grew significantly once more in the third quarter, increasing its revenue by 24.6% from the prior year quarter excluding the impact of currency translation.

In the **Asia/Pacific region**, revenue was down significantly from the prior year period, falling by 20.7% (-17.5% at constant currency). The decline is mainly attributable to Industrial Distribution and the two-wheelers sector cluster. Following a decline in revenue of 23.4% excluding the impact of currency translation in the first six months, revenue for the third quarter fell by 5.7% excluding the impact of currency translation. Particularly Industrial Distribution and the two-wheelers sector cluster reflected the improved revenue trend.

Industrial division **cost of sales** declined by EUR 152 m or 8.2% to EUR 1,703 m (prior year: EUR 1,856 m) in the first nine months of 2020. The decrease was driven by the impact of volumes, structural and efficiency measures that are part of the program "FIT" – some initiated as early as last year –, as well as the adaptation of costs to changes in demand, for instance by short-time work. Expenses related to adjusting the capacity of non-current assets and non-personnel provisions had an offsetting effect, especially in the third quarter. **Gross profit** decreased by EUR 190 m or 23.1% to EUR 635 m during the reporting period (prior year: EUR 825 m), mainly driven by volumes. The gross margin declined by 3.6 percentage points to 27.2% (prior year: 30.8%).

Functional costs declined by EUR 68 m or 13.0% to EUR 453 m (prior year: EUR 521 m) during the reporting period. The decline was primarily the result of the adaptation of costs to changes in demand, for instance by short-time work. Functional costs as a percentage of revenue of 19.4% were close to flat with their prior year level (prior year: 19.4%). Research and development expenses amounted to EUR 105 m (prior year: EUR 117 m). Selling and administrative expenses declined by EUR 55 m or 13.6% to EUR 349 m (prior year: EUR 404 m), due to, along with the factors discussed above, volume-related decreases in logistics expenses.

EBIT for the first nine months of 2020 amounted to EUR -63 m (prior year: EUR 276 m), and the EBIT margin was -2.7% (prior year: 10.3%). EBIT for the reporting period was adversely affected by a total of EUR 258 m in **special items** (prior year: EUR 0 m), most of which was recognized in other income and expenses with a minor portion included in cost of sales. These special items represented expenses incurred to expand the program "FIT", especially in connection with downsizing the workforce to adjust excess structural capacity. EUR 216 m of these expenses relate to the package of measures adopted in September 2020.

Based on that, **EBIT before special items** decreased by EUR 81 m or 29.4% to EUR 195 m (prior year: EUR 277 m). The division's EBIT margin before special items declined by 2.0 percentage points to 8.4% (prior year: 10.3%).

1.4 Financial position

Cash flow and liquidity

Free cash flow for the reporting period before cash in- and outflows for M&A activities amounted to EUR 185 m (prior year: EUR 133 m).

Cash flow

in € millions	1st nine months 2020	1st nine months 2019	Change in %	3rd quarter 2020	3rd quarter 2019	Change in %
Cash flows from operating activities	730	994	-26.5	533	610	-12.7
Cash used in investing activities	-501	-918	-45.4	-186	-273	-32.1
• including cash outflows for the acquisition of subsidiaries	0	-105	-100	0	-40	-100
• including proceeds from the disposal of subsidiaries	0	4	-87.3	0	0	-100
Cash provided by (used in) financing activities	376	-241	-	-27	-253	-89.5
• including principal repayments on lease liabilities	-43	-44	-2.5	-14	-15	-6.0
Net increase (decrease) in cash and cash equivalents	**604**	**-166**	**-**	**320**	**83**	**> 100**
Effects of foreign exchange rate changes on cash and cash equivalents	-47	13	-	-14	6	-
Cash and cash equivalents as at beginning of period	668	801	-16.6	919	559	64.5
Cash and cash equivalents	**1.226**	**648**	**89.0**	**1.226**	**648**	**89.0**
Free cash flow (FCF)	**185**	**31**	**> 100**	**333**	**322**	**3.5**
Free cash flow (FCF) before cash in- and outflows for M&A activities	**185**	**133**	**39.2**	**333**	**362**	**-8.1**

Cash flows from operating activities for the first nine months of 2020 of EUR 730 m (prior year: EUR 994 m) were significantly lower than in the prior year. This decline is primarily attributable to decreased EBITDA. Non-cash additions to provisions had an offsetting effect, however. Driven by declining results of operations, cash outflows for working capital of EUR 188 m fell considerably short of the prior year amount of EUR 443 m as well. The working capital ratio, defined as working capital as a percentage of revenue, was 20.2% as at September 30, 2020 (prior year: 17.9%). A reduction of the volume of the ABCP program (asset-backed commercial paper program) in the second quarter resulted in a cash outflow of EUR 50 m.

Capital expenditures on property, plant and equipment and intangible assets (capex) declined by EUR 342 m to EUR 481 m during the reporting period (prior year: EUR 823 m). In addition to measures initiated in the prior year to increase the company's capital efficiency, investing activities were further adapted to the results of operations during the reporting period.

The company paid a net amount of EUR 0 m (prior year: net amount of EUR 101 m) for M&A activities in the reporting period.

EUR 33 m (prior year: EUR 9 m) used in other investing activities represented loans granted to joint ventures.

EUR 376 m in cash was provided by (prior year: EUR 241 m used in) **financing activities** during the reporting period, primarily in connection with the placement of Schuldschein loans of EUR 557 m and the issuance of commercial paper totaling EUR 341 m. In addition, EUR 181 m was used to repay financial debt. EUR 295 m of the dividends paid in 2020 represented the dividends paid to Schaeffler AG's shareholders in the second quarter of 2020. Principal repayments on lease liabilities of EUR 43 m were flat with prior year.

Cash and cash equivalents increased by EUR 557 m to EUR 1,226 m as at September 30, 2020 (December 31, 2019: EUR 668 m).

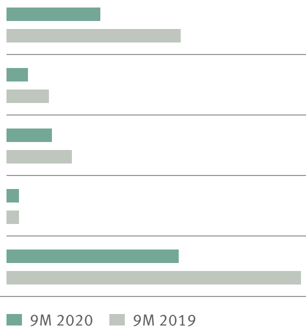
Free cash flow is calculated as the sum of cash flows from operating activities and cash flows from investing activities as well as principal repayments on lease liabilities. Free cash flow for the reporting period amounted to EUR 185 m (prior year: EUR 31 m). **Free cash flow before cash in- and outflows for M&A activities** was EUR 185 m (prior year: EUR 133 m).

As at September 30, 2020, cash and cash equivalents consisted primarily of bank balances. EUR 431 m (December 31, 2019: EUR 413 m) of this amount related to countries with foreign exchange restrictions and other legal and contractual restrictions. In addition, the Schaeffler Group has a Revolving Credit Facility of EUR 1.8 bn (December 31, 2019: EUR 1.8 bn) and further committed bilateral lines of credit totaling EUR 286 m (December 31, 2019: EUR 246 m). EUR 24 m of the Revolving Credit Facility was utilized as at September 30, 2020 (December 31, 2019: EUR 74 m), mainly in the form of letters of credit. The total amount drawn under bilateral lines of credit as at September 30, 2020, was EUR 11 m (December 31, 2019: EUR 12 m). Deducting bank balances in countries with foreign exchange restrictions and other legal and contractual restrictions results in total available liquidity of EUR 2,771 m.

Capital expenditures

Capital expenditures on property, plant and equipment and intangible assets (capex) declined considerably during the reporting period, dropping EUR 342 m to EUR 481 m (prior year: EUR 823 m). The decline is partly related to measures taken in the prior year to increase capital efficiency. Capital expenditures declined significantly to 5.4% (prior year: 7.6%) of revenue (capex ratio). Approximately 54% of total capital expenditures related to the Europe region.

Capital expenditures by region (capex)



	in € millions	Change in € millions
Europe	**261** 487	-226
Americas	**59** 118	-59
Greater China	**126** 183	-57
Asia/Pacific	**35** 35	0
Schaeffler Group	**481** 823	-342

Regions reflect the regional structure of the Schaeffler Group.

Total additions to intangible assets and property, plant and equipment amounted to EUR 459 m (prior year: EUR 732 m). Approximately 52% of these additions related to the Automotive Technologies division, approximately 4% to the Automotive Aftermarket division, and approximately 43% to the Industrial division.

The largest share of total capital expenditures related to the Europe and Greater China regions. In the Automotive Technologies division, funds were mainly invested in new product start-ups. In the Industrial division, the Schaeffler Group's capital expenditures focused on expanding capacity in the large-size bearings product group as well as on localization.

Financial debt

The group's net financial debt increased by EUR 162 m to EUR 2,688 m as at September 30, 2020 (December 31, 2019: EUR 2,526 m).

Net financial debt

in € millions	09/30/2020	12/31/2019	Change in %
Bonds	2,784	2,781	0.1
Schuldschein loans	554	0	-
Revolving Credit Facility	-3	48	-
Capital investment loan	237	249	-5.0
Commercial paper	341	115	> 100
Other financial debt	0	1	-38.0
Total financial debt	**3,914**	**3,194**	**22.5**
Cash and cash equivalents	1,226	668	83.4
Net financial debt	**2,688**	**2,526**	**6.4**

The net debt to EBITDA ratio, defined as the ratio of net financial debt to earnings before financial result, income (loss) from equity-accounted investees, income taxes, depreciation, amortization, and impairment losses (EBITDA), amounted to 3.2 at September 30, 2020 (December 31, 2019: 1.4). The net debt to EBITDA ratio before special items was 1.6 (December 31, 2019: 1.2).

The gearing ratio, defined as the ratio of net financial debt to shareholders' equity including non-controlling interests, amounted to 169.9% as at September 30, 2020 (prior year: 86.6%).

Rating agency Moody's downgraded the Schaeffler Group's ratings to "Ba1" on June 15, 2020. Moody's rated the outlook "stable". On July 20, 2020, the rating agency Standard & Poor's downgraded its ratings for the Schaeffler Group from previously "BBB-" to "BB+". Standard & Poor's considers the outlook for the ratings to be "stable". Fitch continues to assign an investment grade rating of "BBB-" to the Schaeffler Group with a "negative outlook".

The following summary shows the ratings assigned to the Schaeffler Group by the three rating agencies Fitch, Moody's, and Standard & Poor's as at September 30, 2020:

Schaeffler Group ratings

as at September 30

	2020	2019	2020	2019
	Company		Bonds	
Rating agency	Rating/Outlook		Rating	
Fitch	BBB-/negative	BBB-/stable	BBB-	BBB-
Moody's	Ba1/stable	Baa3/stable	Ba1	Baa3
Standard & Poor's	BB+/stable	BBB-/negative	BB+	BBB-

In the second quarter of 2020, the Schaeffler Group placed its first Schuldschein loans with a total principal of EUR 507 m (December 31, 2019: EUR 0 m) due in 2023, 2025, and 2028. EUR 300 m of these funds will be used to refinance a portfolio of sustainable projects in accordance with the Schaeffler Group's “Green Finance Framework”.

In the third quarter of 2020, the Schaeffler Group placed additional Schuldschein loans with a principal of EUR 50 m due in 2030.

In addition, the company had further committed lines of credit in the equivalent of EUR 286 m (December 31, 2019: EUR 246 m), primarily in the U.S. EUR 275 m of these facilities were unutilized as at September 30, 2020 (December 31, 2019: EUR 234 m).

The Schaeffler Group had the following syndicated loans outstanding as at September 30, 2020:

Schaeffler Group syndicated loans

Tranche	Currency	Principal in millions 09/30/2020	Principal in millions 12/31/2019	Carrying amount in € millions 09/30/2020	Carrying amount in € millions 12/31/2019	Coupon 09/30/2020	Coupon 12/31/2019	Maturity
Revolving Credit Facility [1]	EUR	1,800	1,800	-3	48	Euribor [2] + 0.65%	Euribor [2] + 0.50%	09/30/2023
Capital investment loan [3]	EUR	238	250	237	249	Euribor [2] + 1.15%	Euribor [2] + 1.00%	12/15/2022
Total				**234**	**297**			

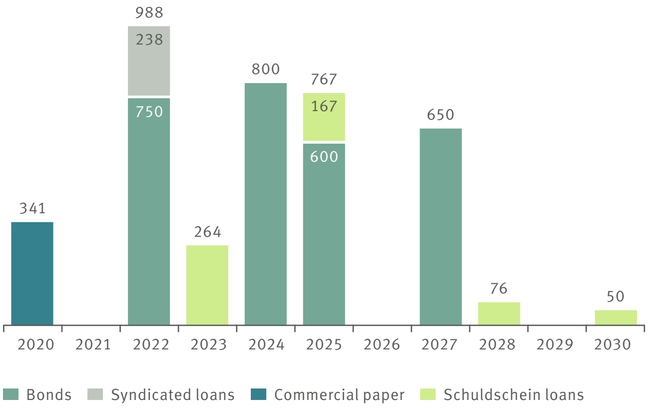
[1] EUR 24 m (December 31, 2019: EUR 74 m) were drawn down as at September 30, 2020, primarily in the form of letters of credit.
[2] Euribor Floor of 0.00%.
[3] On October 7, 2020, the company announced that repayment of the capital investment loan was scheduled for October 14, 2020.

The Schaeffler Group's bonds outstanding at September 30, 2020, are set out below. Schaeffler AG's bonds are listed on the regulated market of the Luxembourg Stock Exchange while the bond series issued by Schaeffler Finance B.V., Barneveld, Netherlands, is traded on the Euro MTF market of the Luxembourg Stock Exchange.

The bond series due May 15, 2025, issued by Schaeffler Finance B.V. carries a unilateral call option exercisable by the issuer. The issuer's option to call the bonds at their contractual redemption price at any time has been in effect since May 15, 2020. Schaeffler Finance B.V. called this bond series on October 5, 2020, with redemption scheduled for November 4, 2020.

The company's maturity profile, which consists of commercial paper, the drawings under the Revolving Credit Facility, the capital investment loan, the Schuldschein loans, and the bonds issued by Schaeffler AG and Schaeffler Finance B.V., Barneveld, Netherlands, was as follows as at September 30, 2020:

Maturity profile
Principal outstanding as at September 30, 2020, in € millions



Schaeffler Group bonds

ISIN	Issuer	Currency	Principal in millions 09/30/2020	Principal in millions 12/31/2019	Carrying amount in € millions 09/30/2020	Carrying amount in € millions 12/31/2019	Coupon	Maturity
DE000A2YB699 [1]	Schaeffler AG	EUR	750	750	748	747	1.125%	03/26/2022
DE000A2YB7A7	Schaeffler AG	EUR	800	800	794	793	1.875%	03/26/2024
XS1212470972 [2]	Schaeffler Finance B.V.	EUR	600	600	597	597	3.250%	05/15/2025
DE000A2YB7B5	Schaeffler AG	EUR	650	650	645	644	2.875%	03/26/2027
Total					**2,784**	**2,781**		

[1] Principal outstanding: EUR 544,668,000 (since October 14, 2020).
[2] On October 5, 2020, the issuer announced that redemption of this bond series is scheduled for November 4, 2020.

1.5 Net assets and capital structure

The Schaeffler Group's **total assets** increased by EUR 7 m to EUR 12,877 m as at September 30, 2020 (December 31, 2019: EUR 12,870 m).

Consolidated statement of financial position (abbreviated)

in € millions	09/30/2020	12/31/2019	Change in %
ASSETS			
Non-current assets	6,917	7,387	-6.4
Current assets	5,961	5,483	8.7
Total assets	**12,877**	**12,870**	**0.1**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	1,582	2,917	-45.7
Non-current liabilities	7,480	6,273	19.2
Current liabilities	3,815	3,680	3.7
Total shareholders' equity and liabilities	**12,877**	**12,870**	**0.1**

Non-current assets fell by EUR 470 m to EUR 6,917 m as at September 30, 2020 (December 31, 2019: EUR 7,387 m). The reduction was primarily attributable to decreases in property, plant and equipment by EUR 428 m and in intangible assets by EUR 255 m. The decline in intangible assets was mainly due to an impairment of goodwill allocated to the Automotive Technologies segment of EUR 249 m. These decreases were partially offset by an increase in deferred tax assets by EUR 269 m.

Current assets rose by EUR 478 m to EUR 5,961 m as at September 30, 2020 (December 31, 2019: EUR 5,483 m), primarily due to an increase in cash and cash equivalents by EUR 557 m (see "Cash flow and liquidity", pp. 24 et seq.). This increase was partially offset by a reduction of inventories by EUR 120 m. As at September 30, 2020, trade receivables with a carrying amount of EUR 148 m (December 31, 2019: EUR 178 m) net of retained credit risk had been sold under the ABCP program (asset-backed commercial paper program).

Shareholders' equity including non-controlling interests fell EUR 1,334 m to EUR 1,582 m as at September 30, 2020 (December 31, 2019: EUR 2,917 m). The net loss of EUR 520 m and the EUR 295 m in dividends paid to Schaeffler AG's shareholders reduced shareholders' equity. The decrease in accumulated other comprehensive income resulted mainly from the impact of translating the net assets of foreign group companies of EUR 275 m and the impact of adjustments to provisions for pensions and similar obligations of EUR 263 m. The equity ratio was 12.3% as at September 30, 2020 (December 31, 2019: 22.7%).

Non-current liabilities rose by EUR 1,207 m to EUR 7,480 m as at September 30, 2020 (December 31, 2019: EUR 6,273 m). The increase was mainly attributable to the placement of the company's first Schuldschein loans of EUR 557 m and an increase in provisions for pensions and similar obligations by EUR 382 m. Additionally, provisions rose by EUR 301 m particularly in connection with the programs "RACE", "GRIP", and "FIT".

Current liabilities rose by EUR 135 m to EUR 3,815 m as at September 30, 2020 (December 31, 2019: EUR 3,680 m), partly due to an increase in financial debt by EUR 173 m and in provisions by EUR 103 m. The higher provisions were mainly related to the programs "RACE", "GRIP", and "FIT". These increases were partially offset by trade payables declining by EUR 148 m.

2. Supplementary report

On October 5, 2020, the Schaeffler Group placed bonds with an aggregate volume of EUR 1.5 bn in the capital markets. The bond issue comprised two tranches of EUR 750 m each. The 5-year bonds carry a coupon of 2.750% and the 8-year bonds carry a coupon of 3.375%. The proceeds from the issuance are being used to refinance existing debt. On October 14, 2020, the company prepaid the capital investment loan of EUR 238 m in full and redeemed a EUR 205 m portion of Schaeffler AG's bond series due in 2022. Additionally, the company redeemed the final outstanding EUR 600 m bond series issued by Schaeffler Finance B.V. on November 4, 2020.

On October 15, 2020, the Schaeffler Group signed an agreement with Micromobility services and solutions GmbH for the sale of all of its shares in Schaeffler Bio-Hybrid GmbH. The transaction is expected to close in the near future.

Jürgen Ziegler, Regional CEO Europe and a member of the Schaeffler Group's Executive Board since August 1, 2017, will retire in the first quarter of 2021.

On October 26, 2020, the Schaeffler Group started the process of renaming the "Automotive OEM" division "Automotive Technologies". The change will be made gradually at all locations worldwide and does not affect the organizational structure or existing relationships with customers or suppliers. The new name is designed to convey the company's role as technology partner to all customers requiring components as well as mechanical and mechatronic systems on the basis of comprehensive manufacturing expertise.

On March 24, 2020, the Board of Managing Directors of Schaeffler AG announced that it was suspending the full-year guidance for 2020 for the Schaeffler Group and its divisions that had been published on March 10, 2020, due to the worldwide spread of the coronavirus and the resulting measures and restrictions. Since April 27, 2020, the Schaeffler Group had been expecting its revenue growth at constant currency, EBIT margin before special items, and free cash flow before cash inflows and outflows for M&A activities for the full year 2020 to be below the corresponding prior year level. The unusual circumstances surrounding the coronavirus pandemic were resulting in exceptional uncertainty regarding the course of the company's business and that of its three divisions during the period covered by the outlook.

On November 9, 2020, the Board of Managing Directors of Schaeffler AG agreed on a new full-year outlook for 2020 based on current information concerning the course of business in the fourth quarter. The outlook is based on the assumption that the sales markets relevant to the Schaeffler Group will continue to recover in the fourth quarter of 2020 and, specifically, that the coronavirus pandemic will not result in any significant new adverse implications for the company's results of operations. Nevertheless, the environment remains marked by volatility and uncertainty.

The Schaeffler Group now expects to generate revenue growth of -13.0 to -11.5% excluding the impact of currency translation, an EBIT margin before special items of 4.5 to 5.5%, and free cash flow before cash in- and outflows for M&A activities of EUR 500 to 600 m for the full year 2020.

More on the current guidance for the Schaeffler Group and its divisions in the report on expected developments on pp. 30 et seq.

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 September 30, 2020.

3. Report on opportunities and risks

Please refer to pp. 48 et seq. of the Schaeffler Group's annual report 2019 for a discussion of the Schaeffler Group's risk management system and potential opportunities and risks. In addition to the disclosures made therein, the coronavirus pandemic has increased uncertainty regarding the development of the global economy, the markets relevant to the Schaeffler Group, and the company's future results of operations.

In this context, the Schaeffler Group considers it highly probable that a declining market will adversely affect demand for the company's products in 2020. The occurrence of production risks is considered highly probable as well.

Depending on the future course of the pandemic as well as the duration, extent, and effectiveness of worldwide containment measures, market risk and production risk may give rise to a high adverse impact on the Schaeffler Group's net assets, financial position, and earnings in 2020.

Additionally, the current consequences of the coronavirus pandemic point to a possible adverse medium-term trend in the Schaeffler Group's relevant sales markets in the time frame beyond 2020. This may lead to an adverse impact on the company's net assets, financial position, and earnings as well. This situation has further strengthened the Schaeffler Group's resolve to continue to press ahead with the transformation process it has initiated and to maintain its strategic direction in order to hold its own in a challenging market and competitive environment and to permanently safeguard the company's strong liquidity position.

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

4. Report on expected developments

4.1 Expected economic and sales market trends

The global economic slump as a result of the coronavirus pandemic has led to a drastic deterioration of the economic full-year outlook for 2020 with respect to both the overall economic trend and the sales markets relevant to the Schaeffler Group.

Taking into account the forecast by Oxford Economics (October 2020), the Schaeffler Group now expects global gross domestic product to decline by at least 4% in 2020 (basis for Schaeffler Group outlook dated March 5, 2020: growth of just under 3%). Taking into account the forecast by IHS Markit (October 2020), the Schaeffler Group now expects global automobile production to decrease by 18 to 20% in 2020 (basis for Schaeffler Group outlook dated March 5, 2020: decrease by about 3 to 5%). Based on the forecast by Oxford Economics (September 2020), the Schaeffler Group now expects a decline in global industrial production by approximately 5% in 2020 (basis for Schaeffler Group outlook dated March 5, 2020: growth of less than 1%).

The trend of the global economy and of the markets relevant to the Schaeffler Group depends to a significant extent on a number of factors related to the coronavirus pandemic that are difficult to forecast and some of which are interrelated. These include, in particular, the future course of the pandemic, the extent, duration, and effectiveness of containment measures, as well as progress in developing vaccines and therapies. As a result, the full-year outlook for 2020 is subject to a high degree of uncertainty.

Besides the coronavirus pandemic, there are further risks to the development of the global economy. For one thing, the growing uncertainty regarding future trade relations between the United Kingdom and the EU could lead to an appreciable deterioration of market conditions, especially in the Europe region. Following a transition period, the United Kingdom will leave the EU's internal market and customs union on January 1, 2021. If the currently ongoing negotiations on a trade agreement fail, substantial tariff and non-tariff barriers will go into effect between the United Kingdom and the EU at the end of the transition period. In addition, heightened political uncertainty in the U.S., especially regarding the presidential elections, could lead to economic disruption as well.

4.2 Schaeffler Group outlook

Outlook 2020 – group

	Actual 2019			Outlook 2020	Actual 9M 2020
Schaeffler Group		Issued 03/05/2020	Issued 04/27/2020	Issued 11/09/2020	
Revenue growth [1]	0.1%	-2 to 0%	below prior year	-13.0 to -11.5 %	-15.4%
EBIT margin before special items [2]	8.1%	6.5 to 7.5%	below prior year	4.5 to 5.5 %	4.3%
Free cash flow [3]	EUR 473 m	EUR 300 to 400 m	below prior year	EUR 500 to 600 m	EUR 185 m

1) Compared to prior year; excluding the impact of currency translation.
2) Please refer to pp. 15 et seq. for the definition of special items.
3) Before cash in- and outflows for M&A activities.

On March 24, 2020, the Board of Managing Directors of Schaeffler AG announced that it was suspending the full-year guidance for 2020 for the Schaeffler Group and its divisions that had been published on March 10, 2020, due to the worldwide spread of the coronavirus and the resulting measures and restrictions.

Since April 27, 2020, the Schaeffler Group had been expecting its revenue growth at constant currency, EBIT margin before special items, and free cash flow before cash inflows and outflows for M&A activities for the full year 2020 to be below the corresponding prior year level. The unusual circumstances surrounding the coronavirus pandemic were resulting in exceptional uncertainty regarding the course of the company's business and that of its three divisions during the period covered by the outlook.

On November 9, 2020, the Board of Managing Directors of Schaeffler AG agreed on a new full-year outlook for 2020 based on current information concerning the course of business in the fourth quarter. The outlook is based on the assumption that the sales markets relevant to the Schaeffler Group will continue to recover in the fourth quarter of 2020 and, specifically, that the coronavirus pandemic will not result in any significant new adverse implications for the company's results of operations. Nevertheless, the environment remains marked by volatility and uncertainty.

The Schaeffler Group now expects to generate revenue growth of -13.0 to -11.5% excluding the impact of currency translation, an EBIT margin before special items of 4.5 to 5.5%, and free cash flow before cash in- and outflows for M&A activities of EUR 500 to 600 m for the full year 2020.

Outlook 2020 – divisions

	Actual 2019			**Outlook 2020**	**Actual 9M 2020**
Automotive Technologies		Issued 03/05/2020	Issued 04/27/2020 [1]	Issued 11/09/2020	
Revenue growth [2]	-0.8 %	-2 to 0 %	-	-14.5 to -13.0 %	-18.2 %
EBIT margin before special items [3]	5.5 % [4]	4.5 to 5.5 %	-	1.0 to 2.0 %	0.0 %
Automotive Aftermarket					
Revenue growth [2]	-1.1 %	0 to 2 %	-	-8.0 to -6.5 %	-9.7 %
EBIT margin before special items [3]	16.5 % [4]	13 to 14 %	-	14.5 to 15.5 %	15.7 %
Industrial					
Revenue growth [2]	3.1 %	-2 to 0 %	-	-10.0 to -9.0 %	-11.3 %
EBIT margin before special items [3]	10.2 % [4]	9.5 to 10.5 %	-	7.5 to 8.5 %	8.4 %

1) Outlook provided for group only.
2) Compared to prior year; excluding the impact of currency translation.
3) Please refer to pp. 15 et seq. for the definition of special items.
4) Comparative figure based on 2020 segment structure.

The company expects its Automotive Technologies division to generate revenue growth of -14.5 to -13.0% excluding the impact of currency translation and an EBIT margin before special items of 1.0 to 2.0%.

For its Automotive Aftermarket division, the company anticipates revenue growth of -8.0 to -6.5% excluding the impact of currency translation and an EBIT margin before special items of 14.5 to 15.5%.

For its Industrial division, the company anticipates revenue growth of -10.0 to -9.0% excluding the impact of currency translation and an EBIT margin before special items of 7.5 to 8.5%.

Herzogenaurach, November 9, 2020

The Board of Managing Directors

Consolidated income statement

in € millions	1st nine months 2020	1st nine months 2019	Change in %	3rd quarter 2020	3rd quarter 2019	Change in %
Revenue [1]	8,971	10,839	-17.2	3,396	3,613	-6.0
Cost of sales	-7,023	-8,110	-13.4	-2,586	-2,697	-4.1
Gross profit	**1,947**	**2,729**	**-28.7**	**810**	**917**	**-11.6**
Research and development expenses	-574	-646	-11.2	-187	-202	-7.4
Selling expenses	-627	-743	-15.6	-208	-241	-13.6
Administrative expenses	-361	-414	-12.6	-116	-141	-17.3
Other income	73	60	22.2	48	9	› 100
Other expenses	-872	-192	› 100	-537	-30	› 100
Earnings before financial result, income (loss) from equity-accounted investees, and income taxes (EBIT)	**-413**	**795**	**-**	**-191**	**312**	**-**
Financial income	34	44	-20.8	14	21	-32.6
Financial expenses	-148	-137	8.1	-38	-34	11.8
Financial result	**-114**	**-94**	**21.6**	**-24**	**-13**	**85.2**
Income (loss) from equity-accounted investees	-23	-12	83.9	-8	-5	55.9
Earnings before income taxes	**-550**	**689**	**-**	**-223**	**294**	**-**
Income taxes	30	-196	-	54	-79	-
Net income (loss)	**-520**	**493**	**-**	**-169**	**215**	**-**
Attributable to shareholders of the parent company	-525	485	-	-172	212	-
Attributable to non-controlling interests	5	9	-46.6	4	3	12.5
Earnings per common share (basic/diluted, in €)	-0.79	0.72	-	-0.26	0.31	-
Earnings per common non-voting share (basic/diluted, in €)	-0.78	0.73	-	-0.26	0.31	-

[1] See condensed notes to the consolidated interim financial statements for further details.

Consolidated statement of comprehensive income

	1st nine months						3rd quarter					
	2020			2019			2020			2019		
in € millions	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes
Net income (loss)	**-550**	**30**	**-520**	**689**	**-196**	**493**	**-223**	**54**	**-169**	**294**	**-79**	**215**
Foreign currency translation differences for foreign operations	-282	0	-282	105	0	105	-97	0	-97	65	0	65
Net change from hedges of net investments in foreign operations	0	0	0	-1	0	0	0	0	0	0	0	0
Effective portion of changes in fair value of cash flow hedges	40	-11	28	-7	1	-6	23	-6	17	-25	12	-13
Net change in fair value of financial assets at fair value through other comprehensive income	0	0	0	-2	0	-2	0	0	0	0	0	0
Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	**-242**	**-11**	**-253**	**95**	**1**	**96**	**-74**	**-6**	**-80**	**40**	**12**	**52**
Remeasurement of net defined benefit liability [1)]	-361	98	-263	-731	202	-529	-66	18	-48	-329	85	-244
Changes in scope of consolidation - defined benefit pension and other benefit plans	0	0	0	2	0	2	0	0	0	0	0	0
Total other comprehensive income (loss) that will not be reclassified to profit or loss	**-361**	**98**	**-263**	**-729**	**202**	**-527**	**-66**	**18**	**-48**	**-329**	**85**	**-244**
Total other comprehensive income (loss)	**-603**	**87**	**-516**	**-634**	**203**	**-431**	**-139**	**11**	**-128**	**-289**	**97**	**-192**
Total comprehensive income (loss)	**-1,153**	**117**	**-1,036**	**55**	**7**	**63**	**-362**	**66**	**-297**	**5**	**18**	**22**
Total comprehensive income (loss) attributable to shareholders of the parent company	-1,153	119	-1,034	38	12	50	-365	67	-298	-1	18	17
Total comprehensive income (loss) attributable to non-controlling interests	0	-2	-2	17	-5	12	3	-1	2	6	-1	5

1) See condensed notes to the consolidated interim financial statements for further details.

Consolidated statement of financial position

in € millions	09/30/2020	12/31/2019	09/30/2019	Change in %
ASSETS				
Intangible assets [1]	473	728	725	-35.0
Right-of-use assets under leases	195	193	179	1.1
Property, plant and equipment	4,926	5,355	5,426	-8.0
Investments in equity-accounted investees	121	144	148	-15.8
Contract assets	3	6	10	-45.0
Other financial assets	103	126	112	-18.1
Other assets	112	122	91	-8.7
Income tax receivables	1	0	0	› 100
Deferred tax assets	982	713	727	37.7
Total non-current assets	**6,917**	**7,387**	**7,418**	**-6.4**
Inventories	2,013	2,132	2,256	-5.6
Contract assets	52	66	54	-21.3
Trade receivables	2,153	2,130	2,245	1.1
Other financial assets	176	120	119	47.6
Other assets	282	273	293	3.1
Income tax receivables	49	89	93	-45.0
Cash and cash equivalents	1,226	668	648	83.4
Assets held for sale	10	5	0	› 100
Total current assets	**5,961**	**5,483**	**5,709**	**8.7**
Total assets	**12,877**	**12,870**	**13,127**	**0.1**

[1] See condensed notes to the consolidated interim financial statements for further details.

in € millions	09/30/2020	12/31/2019	09/30/2019	Change in %
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	666	666	666	0.0
Capital reserves	2,348	2,348	2,348	0.0
Other reserves	112	931	988	-88.0
Accumulated other comprehensive income (loss)	-1,633	-1,124	-1,341	45.3
Equity attributable to shareholders of the parent company	**1,493**	**2,822**	**2,661**	**-47.1**
Non-controlling interests	90	95	96	-5.6
Total shareholders' equity	**1,582**	**2,917**	**2,757**	**-45.7**
Provisions for pensions and similar obligations [1]	3,020	2,637	2,935	14.5
Provisions [1]	469	168	188	> 100
Financial debt [1]	3,572	3,026	3,480	18.1
Contract liabilities	5	7	4	-28.0
Income tax payables	95	103	103	-7.9
Other financial liabilities	24	36	20	-32.3
Lease liabilities	147	144	131	1.8
Other liabilities	18	15	14	19.5
Deferred tax liabilities	130	137	152	-4.7
Total non-current liabilities	**7,480**	**6,273**	**7,027**	**19.2**
Provisions [1]	565	462	278	22.3
Financial debt [1]	341	168	10	> 100
Contract liabilities	74	60	51	22.4
Trade payables	1,585	1,732	1,752	-8.5
Income tax payables	78	101	88	-22.9
Other financial liabilities	579	545	550	6.3
Lease liabilities	51	50	49	1.5
Refund liabilities	217	232	215	-6.6
Other liabilities	324	329	350	-1.5
Liabilities held for sale	1	0	0	-
Total current liabilities	**3,815**	**3,680**	**3,343**	**3.7**
Total shareholders' equity and liabilities	**12,877**	**12,870**	**13,127**	**0.1**

[1] See condensed notes to the consolidated interim financial statements for further details.

Consolidated statement of cash flows

	1st nine months			3rd quarter		
in € millions	2020	2019	Change in %	2020	2019	Change in %
Operating activities						
EBIT	-413	795	-	-191	312	-
Interest paid	-75	-89	-15.4	-13	-15	-12.6
Interest received	6	13	-52.2	1	3	-84.2
Income taxes paid	-168	-156	7.4	-74	-46	60.5
Depreciation, amortization, and impairment losses [1]	1,009	725	39.1	273	246	11.1
(Gains) losses on disposal of assets	-1	-10	-94.2	2	-1	-
Changes in:						
• Inventories	39	-40	-	191	101	89.2
• Trade receivables	-148	-266	-44.1	-479	-1	› 100
• Trade payables	-78	-137	-42.8	254	-82	-
• Provisions for pensions and similar obligations	3	0	› 100	-7	0	› 100
• Other assets, liabilities, and provisions	556	157	› 100	577	93	› 100
Cash flows from operating activities	**730**	**994**	**-26.5**	**533**	**610**	**-12.7**
Investing activities						
Proceeds from disposals of property, plant and equipment	13	18	-27.7	2	2	1.7
Capital expenditures on intangible assets	-19	-11	70.1	-6	-2	› 100
Capital expenditures on property, plant and equipment	-462	-812	-43.1	-175	-226	-22.7
Acquisition of subsidiaries	0	-105	-100	0	-40	-100
Proceeds from disposal of subsidiaries	0	4	-87.3	0	0	-100
Other investing activities [1]	-34	-12	› 100	-7	-7	5.0
Cash used in investing activities	**-501**	**-918**	**-45.4**	**-186**	**-273**	**-32.1**
Financing activities						
Dividends paid to shareholders and non-controlling interests	-298	-364	-18.2	-3	0	-
Receipts from bond issuances and loans [1]	898	2,235	-59.8	-9	-237	-96.1
Redemption of bonds and repayments of loans [1] [2]	-181	-2,068	-91.3	0	-1	-
Principal repayments on lease liabilities	-43	-44	-2.5	-14	-15	-6.0
Cash provided by (used in) financing activities	**376**	**-241**	**-**	**-27**	**-253**	**-89.5**
Net increase (decrease) in cash and cash equivalents	**604**	**-166**	**-**	**320**	**83**	**› 100**
Effects of foreign exchange rate changes on cash and cash equivalents	-47	13	-	-14	6	-
Cash and cash equivalents as at beginning of period	668	801	-16.6	919	559	64.5
Cash and cash equivalents as at September 30	**1,226**	**648**	**89.0**	**1,226**	**648**	**89.0**

[1] See condensed notes to the consolidated interim financial statements for further details.
[2] Incl. EUR 37 m in cash inflows from cross-currency swaps terminated early in connection with the planned redemption of the USD bond series.

Consolidated statement of changes in equity

	Share capital	Capital reserves	Other reserves	Accumulated other comprehensive income (loss)					Equity attributable to shareholders [1]	Non-controlling interests	Total
in € millions				Translation reserve	Hedging reserve	Fair value reserve	Defined benefit plan remeasurement reserve	Total			
Balance as at January 01, 2019	**666**	**2,348**	**866**	**-285**	**-27**	**0**	**-595**	**-907**	**2,973**	**87**	**3,060**
Net income			485					0	485	9	493
Other comprehensive income (loss) [2]				102	-6	-2	-527	-434	-434	3	-431
Total comprehensive income (loss)	**0**	**0**	**485**	**102**	**-6**	**-2**	**-527**	**-434**	**51**	**12**	**63**
Dividends			-361					0	-361	-3	-364
Total amount of transactions with shareholders			**-361**						**-361**	**-3**	**-364**
Changes in the scope of consolidation			-2					0	-2		-2
Balance as at September 30, 2019	**666**	**2,348**	**988**	**-183**	**-33**	**-2**	**-1,122**	**-1,341**	**2,661**	**96**	**2,757**
Balance as at January 01, 2020	**666**	**2,348**	**931**	**-220**	**-12**	**-2**	**-890**	**-1,124**	**2,822**	**95**	**2,917**
Net income (loss)			-525					0	-525	5	-520
Other comprehensive income (loss)				-275	28	0	-263	-510	-510	-7	-516
Total comprehensive income (loss)	**0**	**0**	**-525**	**-275**	**28**	**0**	**-263**	**-510**	**-1,034**	**-2**	**-1,036**
Dividends			-295					0	-295	-3	-298
Total amount of transactions with shareholders			**-295**						**-295**	**-3**	**-298**
Balance as at September 30, 2020	**666**	**2,348**	**112**	**-495**	**17**	**-2**	**-1,153**	**-1,633**	**1,493**	**90**	**1,582**

[1] Equity attributable to shareholders of the parent company.
[2] Including the impact of defined benefit pension and other benefit plans of EUR 2 m due to changes in scope of consolidation.

Consolidated segment information

(Part of the notes to the consolidated financial statements)

	1st nine months		1st nine months		1st nine months		1st nine months	
	2020	2019	2020	2019	2020	2019	2020	2019
in € millions	Automotive Technologies		Automotive Aftermarket		Industrial		Total	
Revenue	5,429	6,772	1,203	1,386	2,338	2,681	8,971	10,839
EBIT	-516	291	166	228	-63	276	-413	795
• in % of revenue	-9.5	4.3	13.8	16.4	-2.7	10.3	-4.6	7.3
EBIT before special items [1]	0	379	189	228	195	277	385	883
• in % of revenue	0.0	5.6	15.7	16.4	8.4	10.3	4.3	8.1
Depreciation, amortization, and impairment losses [2]	-840	-569	-26	-25	-142	-131	-1,009	-725
Working capital [3] [4]	1,305	1,354	367	391	909	1,004	2,581	2,749
Additions to intangible assets and property, plant and equipment	241	556	20	37	199	139	459	732

	3rd quarter		3rd quarter		3rd quarter		3rd quarter	
	2020	2019	2020	2019	2020	2019	2020	2019
in € millions	Automotive Technologies		Automotive Aftermarket		Industrial		Total	
Revenue	2,165	2,254	456	482	776	877	3,396	3,613
EBIT	-72	143	63	87	-182	83	-191	312
• in % of revenue	-3.3	6.3	13.8	18.1	-23.4	9.4	-5.6	8.6
EBIT before special items [1]	180	158	86	87	54	83	320	327
• in % of revenue	8.3	7.0	18.9	18.1	7.0	9.4	9.4	9.1
Depreciation, amortization, and impairment losses [2]	-204	-195	-9	-9	-60	-43	-273	-246
Working capital [3] [4]	1,305	1,354	367	391	909	1,004	2,581	2,749
Additions to intangible assets and property, plant and equipment	77	167	18	-1	77	64	171	231

Prior year information presented based on 2020 segment structure.
[1] EBIT before special items for legal cases, restructuring, and other.
[2] The 2020 reporting period includes a goodwill impairment of EUR 249 m (prior year: EUR 0 m) in the Automotive Technologies segment. An additional EUR 38 m (prior year: EUR 17 m) in impairments on property, plant and equipment were recognized, comprising EUR 18 m related to the Automotive Technologies division and EUR 20 m related to the Industrial division.
[3] Working capital defined as inventories plus trade receivables less trade payables.
[4] Amounts as at September 30.

See condensed notes to the consolidated interim financial statements for further details.

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 September 30, 2020, comprise Schaeffler AG and its subsidiaries, investments in associated companies, and joint ventures (together referred to as the “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 September 30, 2020, 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 2019 consolidated financial statements, where the latter are discussed in detail. These accounting policies have been applied consistently in these consolidated interim financial statements.

In compiling financial statements in accordance with IFRS, management exercises judgment in making estimates and assumptions. Except for the adjustments described below, such estimates and judgments are unchanged from the matters described in the consolidated financial statements of Schaeffler AG as at and for the year ended December 31, 2019. Certain assumptions used to determine recoverable amount for purposes of impairment tests of goodwill have been adjusted. Please refer to “Intangible assets” below for more detailed information. The assumptions regarding the discount rate used to measure the company’s pension obligations were adjusted to reflect current market trends. The decline in the discount rate 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. In addition, the provision for the previous voluntary severance scheme in Germany was adjusted to reflect current information. Please refer to “Provisions” below for detailed information. As at September 30, 2020, estimation uncertainty arises from increased uncertainty regarding the development of the global economy, the markets relevant to the Schaeffler Group, and the company’s future results of operations as a result of the coronavirus pandemic.

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

Income taxes were determined based on best estimate.

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

Foreign currency translation

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

Selected foreign exchange rates

Currencies		09/30/2020	12/31/2019	09/30/2019	1st six months 2020	2019
€ 1 in				Closing rates		Average rates
CNY	China	7.97	7.82	7.78	7.86	7.71
INR	India	86.30	80.19	77.16	83.44	78.85
KRW	South Korea	1,368.51	1,296.28	1,304.83	1,349.11	1,305.77
MXN	Mexico	26.18	21.22	21.45	24.52	21.63
USD	U.S.	1.17	1.12	1.09	1.12	1.12

Scope of consolidation

The consolidated financial statements of Schaeffler AG as at September 30, 2020, cover, in addition to Schaeffler AG, 151 (December 31, 2019: 152) subsidiaries; 53 (December 31, 2019: 53) entities are domiciled in Germany and 98 (December 31, 2019: 99) in other countries.

In the consolidated financial statements as at September 30, 2020, three (December 31, 2019: three) joint ventures and four associated companies (December 31, 2019: four) 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

	1st nine months		1st nine months		1st nine months		1st nine months	
	2020	2019 [1]	2020	2019 [1]	2020	2019 [1]	2020	2019
in € millions	Automotive Technologies		Automotive Aftermarket		Industrial		Total	
Revenue by type								
• Revenue from the sale of goods	5,312	6,653	1,203	1,386	2,317	2,651	8,831	10,689
• Revenue from the sale of tools	57	77	0	0	4	6	61	83
• Revenue from development services	25	18	0	0	0	0	25	18
• Revenue from other services	34	24	0	0	18	24	52	48
• Other revenue	1	1	0	0	0	0	1	1
Total	**5,429**	**6,772**	**1,203**	**1,386**	**2,338**	**2,681**	**8,971**	**10,839**
Revenue by region [2]								
• Europe	1,984	2,738	874	983	976	1,248	3,834	4,968
• Americas	1,259	1,641	216	269	396	481	1,871	2,391
• Greater China	1,382	1,357	57	64	638	539	2,077	1,959
• Asia/Pacific	805	1,036	56	71	328	414	1,188	1,520
Total	**5,429**	**6,772**	**1,203**	**1,386**	**2,338**	**2,681**	**8,971**	**10,839**

[1] Prior year information presented based on 2020 segment structure. Prior year amounts are based on a retrospective change in segment structure.
[2] By market (customer location).

Government grants

The consolidated income statement includes EUR 56 m (prior year: EUR 14 m) in government grants. In the reporting period, these grants were mainly related to refunds of social security contributions in connection with the coronavirus pandemic and to research and development activities. Government grants are recognized if there is reasonable assurance that the company will comply with the conditions attaching to the grants and that the grants will be received. These monetary grants, which are not directly attributable to non-current assets, have been offset against the corresponding expenses.

Intangible assets

The carrying amounts of goodwill allocated to the groups of cash-generating units to which goodwill has been allocated were EUR 70 m for the Automotive Technologies segment (December 31, 2019: EUR 319 m), EUR 76 m for the Automotive Aftermarket segment (December 31, 2019: EUR 76 m), and EUR 211 m (December 31, 2019: EUR 211 m) for the Industrial segment as at September 30, 2020.

The Schaeffler Group tests goodwill, other intangible assets, and property, plant and equipment for impairment when there is an indication (triggering event).

The coronavirus pandemic and the resulting containment measures and restrictions put in place worldwide are decreasing demand, affecting supply chains, and reducing the volume of global trade, thus significantly impacting especially the automotive sector (triggering event). As a result, the Schaeffler Group has tested the goodwill of the Automotive Technologies segment for impairment as at March 31, 2020. The impairment test, performed by comparing the carrying amount of the group of cash-generating units with its recoverable amount, identified that the recoverable amount of the Automotive Technologies segment of EUR 4,988 m, determined based on the assumptions made, was below the segment's carrying amount. The resulting impairment of goodwill allocated to the Automotive Technologies segment of EUR 249 m has been recognized in other expenses during the period.

The recoverable amount of the Automotive Technologies segment as at March 31, 2020, was its value in use. The cash flows used to determine value in use of the Automotive Technologies segment reflect considerations regarding the adverse consequences of the coronavirus pandemic for the period up to 2024. Cash flows beyond 2024 are based on an annual long-term growth rate of 0.5% (prior year: 1.0%). In light of the coronavirus pandemic, the company reflected the risks inherent in the market environment, term, purchasing power, and currency – expressed in terms of cash flows and discount rate – in deriving the cash flows for the forecasting period up to 2024, the long-term growth rate, and the discount rate. The Schaeffler Group used an assumed average pre-tax discount rate of 12.6% (December 31, 2019: 11.8%), weighted based on the underlying business and its country of operation. This represented a post-tax discount rate of 9.5% (December 31, 2019: 8.7%).

Following recognition of the impairment, the carrying amount of the Automotive Technologies segment as at March 31, 2020, equaled its recoverable amount. An increase in the discount rate by 0.5% to 13.1% would have resulted in an additional impairment of the carrying amount of the group of the Automotive Technologies segment's cash-generating units of EUR 237 m. A reduction in the long-term growth rate by 0.5% to 0.0% would have resulted in an additional impairment of the carrying amount of the group of the Automotive Technologies segment's cash-generating units of EUR 36 m. In addition, a reduction in the amount of sustainable EBIT used in the calculation by 5% would have led to an additional impairment of the carrying amount of the group of the Automotive Technologies segment's cash-generating units of EUR 201 m.

A further impairment test of the goodwill of the Automotive Technologies segment performed as at June 30, 2020, did not result in an additional impairment loss. The cash flows used to determine value in use of the Automotive Technologies segment reflect considerations regarding the adverse consequences of the coronavirus pandemic for the period up to 2024. Cash flows beyond 2024 are based on an annual long-term growth rate of 0.5% (prior year: 1.0%). In light of the coronavirus pandemic, the company reflected the risks inherent in the market environment, term, purchasing power, and currency – expressed in terms of cash flows and discount rate – in deriving the cash flows for the forecasting period up to 2024, the long-term growth rate, and the discount rate. The Schaeffler Group used an assumed average pre-tax discount rate of 11.3% (December 31, 2019: 11.8%), weighted based on the underlying business and its country of operation. This represented a post-tax discount rate of 8.7% (December 31, 2019: 8.7%).

Based on the assumptions made, the recoverable amount of EUR 4,972 m determined for the Automotive Technologies segment as at June 30, 2020, exceeded its carrying amount by EUR 289 m. If the discount rate was increased to 11.9%, the recoverable amount would equal the carrying amount of the group of the Automotive Technologies segment's cash-generating units. A reduction in the long-term growth rate by 0.5% to 0.0% would not result in an impairment of the carrying amount of the group of the Automotive Technologies segment's cash-generating units. In addition, if the amount of sustainable EBIT used in the calculation was decreased by 6.2%, the recoverable amount would equal the carrying amount of the group of the Automotive Technologies segment's cash-generating units.

As there were no indications of impairment (triggering event) as at September 30, 2020, a renewed impairment test of all assets within the scope of IAS 36 was not required and there is no further impairment.

Trade receivables

As at September 30, 2020, trade receivables outstanding with a carrying amount of EUR 148 m (December 31, 2019: EUR 178 m) net of retained credit risk had been sold under the ABCP program (asset-backed commercial paper program).

The volume of the ABCP program of revolving sales of trade receivables was reduced to EUR 150 m effective June 12, 2020 (December 31, 2020: EUR 200 m). The reduction resulted in a cash outflow of EUR 50 m (prior year: EUR 0 m) included in cash flows from operating activities.

Assets held for sale and liabilities associated with assets held for sale

Assets and liabilities held for sale were related to the intended disposal of a subsidiary as well as real estate. The related impairment loss recognized during the reporting period amounted to EUR 4 m.

Provisions

Current provisions rose by EUR 103 m to EUR 565 m compared to December 31, 2019 (December 31, 2019: EUR 462 m). Moreover, non-current provisions increased by EUR 301 m to EUR 469 m compared to December 31, 2019 (December 31, 2019: EUR 168 m). The increase in provisions is mainly attributable to EUR 505 m for additional structural measures adopted by Schaeffler AG's Board of Managing Directors in the third quarter as part of the three programs “RACE” in the Automotive Technologies division, “GRIP” in the Automotive Aftermarket division, and “FIT” in the Industrial division.

The company had already recognized an addition of EUR 55 m in the first quarter of 2020 to reflect the expansion of the voluntary severance scheme in Germany. EUR 25 m of this addition was reversed as at June 30, 2020. Like the structural measures referred to above, the voluntary severance scheme is being executed as part of the three programs “RACE”, “GRIP”, and “FIT”.

The increase was partially offset by the utilization of the provisions for the three programs.

Additionally, warranty provisions rose by EUR 36 m to EUR 139 m compared to December 31, 2019 (December 31, 2019: EUR 103 m).

Provisions for pensions and similar obligations

Interest rate levels as at September 30, 2020, have decreased compared to December 31, 2019. On this basis, the Schaeffler Group has adjusted the discount rate used to value its key pension plans as at the reporting date. The Schaeffler Group's average discount rate as at September 30, 2020, amounted to 0.8% (December 31, 2019: 1.3%). The resulting remeasurement of the company's obligations under defined benefit pension plans resulted in actuarial losses of EUR 378 m and gains on plan assets of EUR 16 m as at September 30, 2020, which were recognized in the consolidated statement of comprehensive income and are reported under accumulated other comprehensive income net of deferred taxes. The workforce reduction planned in the third quarter as part of the restructuring measures described in the "Provisions" chapter has decreased the present value of the German defined benefit obligations for pensions. The resulting past service cost of EUR 20 m (gain) was recognized in other income.

Current and non-current financial debt

Financial debt (current/non-current)

			09/30/2020			12/31/2019
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	2,784	2,784	0	2,781	2,781
Schuldschein loans	0	554	554	0	0	0
Revolving Credit Facility	0	-3	-3	53	-5	48
Capital investment loan	0	237	237	0	249	249
Commercial paper	341	0	341	115	0	115
Other financial debt	0	0	0	1	0	1
Total	**341**	**3,572**	**3,914**	**168**	**3,026**	**3,194**

The increase in financial debt compared to December 31, 2019, is primarily attributable to the placement of EUR 557 m in Schuldschein loans due in 2023, 2025, 2028, and 2030 in the second and third quarter and the issuance of an additional EUR 226 m in commercial paper. The Revolving Credit Facility of EUR 53 m was repaid in full.

Financial instruments

The carrying amounts and fair values of financial instruments by class of the consolidated statement of financial position and by category per IFRS 7.8 are summarized below.

Financial instruments by class and category in accordance with IFRS 7.8

			09/30/2020		12/31/2019		09/30/2019	
in € millions	Category per IFRS 7.8	Level per IFRS 13	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets, by class								
Trade receivables	Amortized cost		1,955	1,955	2,098	2,098	2,125	2,125
Trade receivables – ABCP program	FVTPL	2	94	94	32	32	120	120
Trade receivables – customer receivables and notes receivable available for sale	FVOCI	2	104	104	0	0	0	0
Other financial assets								
• Other investments	FVOCI	2	37	37	37	37	36	36
• Marketable securities	FVTPL	1	24	24	23	23	23	23
• Derivatives designated as hedging instruments	n.a.	2	40	40	11	11	8	8
• Derivatives not designated as hedging instruments	FVTPL	2,3 [1)]	62	62	49	49	65	65
• Miscellaneous other financial assets	Amortized cost, FVTPL	3 [2)]	117	117	125	125	100	100
Cash and cash equivalents	Amortized cost		1,226	1,226	668	668	648	648
Financial liabilities, by class								
Financial debt	FLAC	1,2 [3)]	3,914	3,887	3,194	3,357	3,490	3,669
Trade payables	FLAC		1,585	1,585	1,732	1,732	1,752	1,752
Refund liabilities	n.a.		217	217	232	232	215	215
Lease liabilities [4)]	FLAC		197	0	194	0	180	0
Other financial liabilities								
• Derivatives designated as hedging instruments	n.a.	2	17	17	28	28	53	53
• Derivatives not designated as hedging instruments	FVTPL	2,3 [5)]	38	38	27	27	42	42
• Miscellaneous other financial liabilities	FLAC		549	549	527	527	475	475
Summary by category								
Financial assets at amortized cost (Amortized cost)			3,298	3,298	2,891	2,891	2,873	2,873
Financial assets at fair value through profit or loss (FVTPL)			180	180	104	104	208	208
Financial assets (equity instruments) at fair value through other comprehensive income (FVOCI)			141	141	37	37	36	36
Financial liabilities at amortized cost (FLAC)			6,245	6,021	5,647	5,616	5,897	5,896
Financial liabilities at fair value through profit or loss (FVTPL)			38	38	27	27	42	42

1) Level 2: EUR 62 m (December 31, 2019: EUR 48 m; September 30, 2019: EUR 65 m).
Level 3: EUR 0 m (December 31, 2019: EUR 1 m; September 30, 2019: EUR 0 m).
2) Level 3: EUR 1 m (December 31, 2019: EUR 10 m; September 30, 2019: EUR 0 m).
3) Level 1: EUR 2,749 m (December 31, 2019: EUR 2,938 m; September 30, 2019: EUR 2,940 m).
Level 2: EUR 1,139 m (December 31, 2019: EUR 419 m; September 30, 2019: EUR 729 m).
4) Disclosure of fair value omitted in accordance with IFRS 7.29 (d).
5) Level 2: EUR 38 m (December 31, 2019: EUR 26 m; September 30, 2019: EUR 42 m).
Level 3: EUR 0 m (December 31, 2019: EUR 1 m; September 30, 2019: EUR 0 m).

The carrying amounts of trade receivables, including the receivables available for sale under the ABCP program (asset-backed commercial paper program) as well as other customer receivables and notes receivable available for sale, miscellaneous other financial assets, cash and cash equivalents, trade payables, refund liabilities, 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 unconsolidated investments (shares in incorporated companies and cooperatives of less than 20%) for which fair value was determined using an EBIT multiple methodology. The company is currently not planning to sell these investments. Marketable securities consist almost entirely of financial instruments in the form of money market fund units without fixed maturities. These are measured at fair value through profit or loss.

In 2020, trade receivables previously categorized as “at amortized cost (Amortized cost)” were reclassified to “at fair value through other comprehensive income (FVOCI)” following reevaluation of the business model for certain customer receivables and notes receivable. The company plans to either sell these receivables or collect their contractual cash flows.

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. Derivatives embedded in bond agreements are measured using a Hull-White model. Key inputs to this model are interest rates, volatilities, and credit default swap rates (CDS rates).
  The fair value of financial debt (except for the publicly listed bonds payable) is the present value of expected cash in- or outflows discounted using risk-adjusted discount rates that are appropriate to the term of the item being valued and that are in effect at the end of the reporting period.
- Level 3: The derivatives embedded in a convertible loan and the loan issued with a conversion right are measured based on option pricing models. Inputs to the model include data from the company’s plans and budgets, market information, and management expectations.

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

Change in assets and liabilities measured at fair value in level 3

			2020
in € millions	Financial assets – derivatives not designated as hedging instruments	Miscellaneous other financial assets	Financial liabilities – derivatives not designated as hedging instruments
Balance as at January 01	**1**	**10**	**1**
Additions	0	13	0
• Financial income	0	0	-1
• Financial expense	1	22	0
Balance as at September 30	**0**	**1**	**0**

Financial assets and liabilities for which fair value is determined based on inputs unobservable in the market (level 3) are continually monitored and reviewed for changes in value. The key factor driving fair value changes is the enterprise value of the debtor of the loan. This enterprise value is determined using data from the company’s plans and budgets, management expectations, and market information.

Contingent liabilities and other obligations

The statements made in the annual report 2019 with respect to contingent liabilities are largely unchanged.

Open commitments under fixed contracts to purchase property, plant and equipment amounted to a total of EUR 199 m as at September 30, 2020 (December 31, 2019: EUR 288 m).

Segment information

In accordance with IFRS 8, segment information is reported under the management approach, reflecting the internal organizational and management structure including the internal reporting system to the Schaeffler AG Board of Managing Directors. The Schaeffler Group engages in business activities (1) from which it may earn revenues and incur expenses, (2) whose EBIT is regularly reviewed by the Schaeffler Group's Board of Managing Directors and used as a basis for future decisions on how to allocate resources to the segments and to assess their performance, and (3) for which discrete financial information is available.

The Schaeffler Group's business is managed based on the three divisions – **Automotive Technologies, Automotive Aftermarket,** and **Industrial** – which also represent the reportable segments. The Automotive Technologies division business is organized into the four business divisions **E-Mobility, Engine Systems, Transmission Systems,** and **Chassis Systems.** The Automotive Aftermarket and Industrial divisions are managed regionally, based on the regions **Europe, Americas, Greater China, and Asia/Pacific.**

The segments offer different products and services and are managed separately because they require different technology and marketing strategies. Each segment focuses on a specific worldwide group of customers. Consequently, the amounts for revenue, EBIT, assets, additions to intangible assets and property, plant and equipment, as well as amortization, depreciation, and impairment losses are reported based on the current allocation of customers to divisions. The allocation of customers to segments and the allocation of indirect expenses was reviewed and adjusted during the year. To ensure that the information on the Automotive Technologies division, Automotive Aftermarket division, and Industrial division segments is comparable, prior year information was also presented using the current year's customer structure. Revenue related to transactions between operating segments is not included.

Reconciliation to earnings before income taxes

	1st nine months	
in € millions	2020	2019 [1]
EBIT Automotive Technologies	-516	291
EBIT Automotive Aftermarket	166	228
EBIT Industrial	-63	276
EBIT	**-413**	**795**
Financial result	-114	-94
Income (loss) from equity-accounted investees	-23	-12
Earnings before income taxes	**-550**	**689**

[1] Prior year information presented based on 2020 segment structure.

Reconciliation of EBIT to EBIT before special items

	1st nine months		1st nine months		1st nine months		1st nine months	
	2020	2019 [1]	2020	2019 [1]	2020	2019 [1]	2020	2019
in € millions	Automotive Technologies		Automotive Aftermarket		Industrial		Total	
EBIT	**-516**	**291**	**166**	**228**	**-63**	**276**	**-413**	**795**
• in % of revenue	-9.5	4.3	13.8	16.4	-2.7	10.3	-4.6	7.3
Special items	**517**	**87**	**23**	**0**	**258**	**0**	**798**	**88**
• Legal cases	0	0	0	0	0	-13	0	-13
• Restructuring	268	87	23	0	258	13	549	101
• Other	249	0	0	0	0	0	249	0
EBIT before special items	**0**	**379**	**189**	**228**	**195**	**277**	**385**	**883**
• in % of revenue	0.0	5.6	15.7	16.4	8.4	10.3	4.3	8.1

[1] 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 2019 consolidated financial statements.

On May 8, 2020, the Schaeffler AG annual general meeting passed a resolution to pay a total dividend of EUR 295 m in respect of 2019 (prior year: EUR 361 m), consisting of EUR 220 m (prior year: EUR 270 m) on the common shares held by IHO Verwaltungs GmbH and EUR 75 m (prior year: EUR 91 m) on the common non-voting shares.

The company provided a further EUR 33 m in loans to associated companies in the first nine months of 2020. As at September 30, 2020, loans receivable had a carrying amount of EUR 37 m. An impairment of EUR 21 m was recognized on an outstanding convertible loan receivable from a joint venture in the reporting period.

Further transactions with associated companies and joint ventures during this period were insignificant.

Events after the reporting period

On October 5, 2020, the Schaeffler Group placed bonds with an aggregate volume of EUR 1.5 bn in the capital markets. The bond issue comprised two tranches of EUR 750 m each. The 5-year bonds carry a coupon of 2.750% and the 8-year bonds carry a coupon of 3.375%. The proceeds from the issuance are being used to refinance existing debt. On October 14, 2020, the company prepaid the capital investment loan of EUR 238 m in full and redeemed a EUR 205 m portion of Schaeffler AG’s bond series due in 2022. Additionally, the company redeemed the final outstanding EUR 600 m bond series issued by Schaeffler Finance B.V. on November 4, 2020.

On October 15, 2020, the Schaeffler Group signed an agreement with Micromobility services and solutions GmbH for the sale of all of its shares in Schaeffler Bio-Hybrid GmbH. The transaction is expected to close in the near future.

Jürgen Ziegler, Regional CEO Europe and a member of the Schaeffler Group’s Executive Board since August 1, 2017, will retire in the first quarter of 2021.

On October 26, 2020, the Schaeffler Group started the process of renaming the “Automotive OEM” division “Automotive Technologies”. The change will be made gradually at all locations worldwide and does not affect the organizational structure or existing relationships with customers or suppliers. The new name is designed to convey the company’s role as technology partner to all customers requiring components as well as mechanical and mechatronic systems on the basis of comprehensive manufacturing expertise.

On March 24, 2020, the Board of Managing Directors of Schaeffler AG announced that it was suspending the full-year guidance for 2020 for the Schaeffler Group and its divisions that had been published on March 10, 2020, due to the worldwide spread of the coronavirus and the resulting measures and restrictions. Since April 27, 2020, the Schaeffler Group had been expecting its revenue growth at constant currency, EBIT margin before special items, and free cash flow before cash inflows and outflows for M&A activities for the full year 2020 to be below the corresponding prior year level. The unusual circumstances surrounding the coronavirus pandemic were resulting in exceptional uncertainty regarding the course of the company’s business and that of its three divisions during the period covered by the outlook.

On November 9, 2020, the Board of Managing Directors of Schaeffler AG agreed on a new full-year outlook for 2020 based on current information concerning the course of business in the fourth quarter. The outlook is based on the assumption that the sales markets relevant to the Schaeffler Group will continue to recover in the fourth quarter of 2020 and, specifically, that the coronavirus pandemic will not result in any significant new adverse implications for the company’s results of operations. Nevertheless, the environment remains marked by volatility and uncertainty.

The Schaeffler Group now expects to generate revenue growth of -13.0 to -11.5% excluding the impact of currency translation, an EBIT margin before special items of 4.5 to 5.5%, and free cash flow before cash in- and outflows for M&A activities of EUR 500 to 600 m for the full year 2020.

The company expects its Automotive Technologies division to generate revenue growth of -14.5 to -13.0% excluding the impact of currency translation and an EBIT margin before special items of 1.0 to 2.0%.

For its Automotive Aftermarket division, the company anticipates revenue growth of -8.0 to -6.5% excluding the impact of currency translation and an EBIT margin before special items of 14.5 to 15.5%.

For its Industrial division, the company anticipates revenue growth of -10.0 to -9.0% excluding the impact of currency translation and an EBIT margin before special items of 7.5 to 8.5%.

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 September 30, 2020.

Herzogenaurach, November 9, 2020

The Board of Managing Directors

Summary 1st quarter 2019 to 3rd quarter 2020

Schaeffler Group

	2019				2020		
in € millions	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Income statement							
Revenue	3,622	3,604	3,613	3,588	3,282	2,292	3,396
• Europe	1,715	1,664	1,590	1,538	1,536	886	1,412
• Americas	817	777	798	763	771	366	734
• Greater China	586	645	728	804	520	737	820
• Asia/Pacific	504	518	498	483	455	303	431
Cost of sales	-2,708	-2,705	-2,697	-2,743	-2,484	-1,953	-2,586
Gross profit	913	899	917	844	799	339	810
• in % of revenue	25.2	25.0	25.4	23.5	24.3	14.8	23.8
Research and development expenses	-229	-215	-202	-204	-208	-179	-187
Selling and administrative expenses	-392	-383	-381	-377	-369	-294	-324
EBIT	230	253	312	-5	-88	-135	-191
• in % of revenue	6.3	7.0	8.6	-0.2	-2.7	-5.9	-5.6
Special items	42	31	15	284	302	-15	511
EBIT before special items [1]	272	284	327	279	215	-150	320
• in % of revenue	7.5	7.9	9.1	7.8	6.5	-6.5	9.4
Net income (loss) [2]	137	136	212	-56	-184	-168	-172
Earnings per common non-voting share (basic/diluted, in €)	0.21	0.21	0.31	-0.08	-0.27	-0.25	-0.26
Statement of financial position (in € millions)							
Total assets	14,561	12,993	13,127	12,870	12,395	12,301	12,877
Shareholders' equity [3]	3,169	2,736	2,757	2,917	2,573	1,883	1,582
• in % of total assets	21.8	21.1	21.0	22.7	20.8	15.3	12.3
Net financial debt	2,805	3,167	2,842	2,526	2,414	3,002	2,688
• Net financial debt to EBITDA ratio before special items [1][4]	1.3	1.6	1.4	1.2	1.2	1.8	1.6
• Gearing ratio (Net financial debt to shareholders' equity [3], in %)	88.5	115.8	103.1	86.6	93.8	159.5	169.9
Statement of cash flows (in € millions)							
EBITDA	472	490	558	249	405	107	82
Cash flows from operating activities	154	229	610	585	327	-130	533
Capital expenditures (capex) [5]	373	221	229	222	164	136	181
• in % of revenue (capex ratio)	10.3	6.1	6.3	6.2	5.0	5.9	5.3
Free cash flow (FCF) before cash in- and outflows for M&A activities	-235	6	362	340	137	-285	333
• FCF conversion ratio (ratio of FCF before cash in- and outflows for M&A activities to EBITDA before special items, in %) [1][4]	10.3	11.3	19.1	22.4	40.9	33.7	31.9
Value-based management							
Schaeffler Value Added before special items (in € millions) [1][4]	422	289	247	284	328	-89	-75
ROCE before special items (in %) [1][4]	15	13.4	12.9	13.2	12.8	7.9	8.1
Employees							
Headcount (at end of reporting period)	91,837	90,492	89,036	87,748	86,548	84,223	83,711

[1] Please refer to pp. 15 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.

Automotive Technologies division [1]

	2019				2020		
in € millions	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Income statement							
Revenue	2,285	2,232	2,254	2,272	2,008	1,256	2,165
• E-Mobility BD	147	159	190	186	144	128	180
• Engine Systems BD	699	689	700	705	604	384	650
• Transmission Systems BD	1,038	987	995	1,002	902	548	988
• Chassis Systems BD	401	397	369	380	359	196	347
• Europe	965	922	851	833	835	367	782
• Americas	566	523	553	513	541	190	527
• Greater China	412	432	513	602	316	499	567
• Asia/Pacific	343	355	338	324	316	200	288
Cost of sales	-1,801	-1,771	-1,772	-1,818	-1,625	-1,208	-1,692
Gross profit	484	461	482	454	383	48	473
• in % of revenue	21.2	20.6	21.4	20.0	19.1	3.8	21.9
Research and development expenses	-183	-170	-157	-163	-164	-141	-148
Selling and administrative expenses	-179	-175	-172	-169	-169	-131	-141
EBIT	58	90	143	-5	-220	-225	-72
• in % of revenue	2.5	4.1	6.3	-0.2	-11.0	-17.9	-3.3
Special items	55	18	15	122	270	-5	252
EBIT before special items [2]	113	108	158	117	50	-229	180
• in % of revenue	4.9	4.9	7.0	5.1	2.5	-18.2	8.3

Automotive Aftermarket division [1]

Income statement							
Revenue	443	461	482	462	446	301	456
• Europe	312	320	351	326	329	212	334
• Americas	88	95	86	93	81	56	80
• Greater China	20	22	22	18	15	21	21
• Asia/Pacific	23	25	23	26	21	13	21
Cost of sales	-291	-306	-312	-305	-288	-210	-297
Gross profit	152	155	170	157	158	91	159
• in % of revenue	34.3	33.6	35.2	33.9	35.4	30.3	34.8
Research and development expenses	-7	-7	-6	-7	-6	-5	-5
Selling and administrative expenses	-76	-75	-75	-78	-72	-57	-69
EBIT	69	72	87	62	76	27	63
• in % of revenue	15.5	15.6	18.1	13.4	17.1	9.0	13.8
Special items	0	0	0	15	0	0	23
EBIT before special items [2]	69	72	87	77	76	27	86
• in % of revenue	15.5	15.6	18.1	16.7	17.1	9.0	18.9

Industrial division [1]

Income statement							
Revenue	893	911	877	853	828	734	776
• Europe	438	422	388	379	372	308	296
• Americas	162	160	159	157	149	120	127
• Greater China	155	191	193	184	189	218	231
• Asia/Pacific	138	138	138	134	118	89	121
Cost of sales	-616	-627	-613	-620	-571	-535	-598
Gross profit	277	284	265	234	257	199	178
• in % of revenue	31.0	31.1	30.2	27.4	31.1	27.2	23.0
Research and development expenses	-40	-38	-39	-34	-38	-33	-34
Selling and administrative expenses	-137	-132	-134	-130	-129	-107	-114
EBIT	103	91	83	-63	56	63	-182
• in % of revenue	11.5	10.0	9.4	-7.3	6.8	8.5	-23.4
Special items	-13	13	0	147	32	-10	236
EBIT before special items [2]	90	104	83	84	88	52	54
• in % of revenue	10.1	11.4	9.4	9.9	10.7	7.1	7.0

[1] Prior year information presented based on 2020 segment structure.
[2] Please refer to pp. 15 et seq. for the definition of special items.

Financial calendar

November 10, 2020

Publication of results for the first nine months 2020

November 18, 2020

Capital Markets Day

March 4, 2021

Publication of annual results 2020

May 6, 2021

Publication of results for the first three months 2021

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