SCHAEFFLER

9M

Interim Financial Report
as at September 30, 2019

Mobility for tomorrow

Staying in motion

Schaeffler Group at a glance

Key figures

	1st nine months			
Income statement (in € millions)	**2019**	**2018**		Change
Revenue	10,839	10,714	1.2	%
• at constant currency			-0.1	%
EBIT	795	1,149	-30.8	%
• in % of revenue	7.3	10.7	-3.4	%-pts.
EBIT before special items [1]	883	1,150	-23.2	%
• in % of revenue	8.1	10.7	-2.6	%-pts.
Net income [2]	485	762	-36.4	%
Earnings per common non-voting share (basic/diluted, in €)	0.73	1.15	-36.5	%
Statement of financial position (in € millions)	**09/30/2019**	**12/31/2018**		Change
Total assets	13,127	12,362	6.2	%
Shareholders' equity [3]	2,757	3,060	-303	€ millions
• in % of total assets	21.0	24.8	-3.8	%-pts.
Net financial debt	2,842	2,547	11.6	%
• Net financial debt to EBITDA ratio before special items [1] [4]	1.4	1.2		
• Gearing ratio (Net financial debt to shareholders' equity [3], in %)	103.1	83.2	19.9	%-pts.
	1st nine months			
Statement of cash flows (in € millions)	**2019**	**2018**		Change
EBITDA	1,520	1,754	-13.3	%
Cash flows from operating activities	994	983	10	€ millions
Capital expenditures (capex) [5]	823	857	-34	€ millions
• in % of revenue (capex ratio)	7.6	8.0	-0.4	%-pts.
Free cash flow (FCF) before cash in- and outflows for M&A activities	133	127	5	€ millions
• FCF conversion ratio (ratio of FCF before cash in- and outflows for M&A activities to EBITDA before special items, in %) [1] [4]	19.1	16.9	2.2	%-pts.
Value-based management				Change
Schaeffler Value Added before special items (in € millions) [1] [4]	247	722	-65.7	%
ROCE before special items (in %) [1] [4]	12.9	18.8	-6.0	%-pts.
Employees	**09/30/2019**	**12/31/2018**		Change
Headcount (at end of reporting period)	89,036	92,478	-3.7	%

	1st nine months			
Automotive OEM division [6] (in € millions)	**2019**	**2018**		Change
Revenue	6,768	6,778	-0.2	%
• at constant currency			-1.5	%
EBIT	284	596	-52.3	%
• in % of revenue	4.2	8.8	-4.6	%-pts.
EBIT before special items [1]	371	592	-37.3	%
• in % of revenue	5.5	8.7	-3.3	%-pts.
Automotive Aftermarket division [6] (in € millions)				Change
Revenue	1,386	1,403	-1.2	%
• at constant currency			-1.5	%
EBIT	219	268	-18.3	%
• in % of revenue	15.8	19.1	-3.3	%-pts.
EBIT before special items [1]	219	266	-17.5	%
• in % of revenue	15.8	18.9	-3.1	%-pts.
Industrial division [6] (in € millions)				Change
Revenue	2,685	2,533	6.0	%
• at constant currency			4.3	%
EBIT	292	285	2.4	%
• in % of revenue	10.9	11.3	-0.4	%-pts.
EBIT before special items [1]	292	292	0.1	%
• in % of revenue	10.9	11.5	-0.6	%-pts.

[1] Please refer to pp. 22 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 2019 segment structure.

Highlights 9M 2019

Earnings trend stabilized in Q3

Revenue at EUR **10.8** bn in 9M
(down 0.1% at constant currency)

Earnings quality improved in Q3 compared to H1

EBIT margin before special items **8.1**% in 9M
(prior year: 10.7%)

Free cash flow positive in Q3

Free cash flow before cash in- and outflows for
M&A activities at EUR **133** m in 9M
(prior year: EUR 127 m)

Adjustment measures making an impact

Number of employees reduced by approx. 3,400 to
approx. **89,000** (down 3.7%)

Schaeffler on the capital markets

Recent events

Schaeffler successfully places investment grade bonds

On March 19, 2019, the Schaeffler Group placed investment grade bonds in the capital markets for the first time. The transaction had a total volume of EUR 2.2 bn and consisted of three tranches (EUR 750 m 1.125% coupon, due 2022; EUR 800 m 1.875% coupon, due 2024; EUR 650 m 2.875% coupon, due 2027). The new investment grade bonds were issued under Schaeffler AG's debt issuance program. Net proceeds from the issuance were mainly used to refinance existing debt. Along with prepaying EUR 500 m of the term loan and repaying the amount outstanding under the Revolving Credit Facility at the time, the company also redeemed three bonds issued by Schaeffler Finance B.V. in an aggregate volume of about EUR 1.4 bn on May 15, 2019.

Dividend at prior year level

Schaeffler AG's annual general meeting, which was held on April 24, 2019, passed a resolution to pay a dividend of EUR 0.54 (prior year: EUR 0.54) per common share and EUR 0.55 (prior year: EUR 0.55) per common non-voting share to Schaeffler AG's shareholders for 2018. This represents a dividend payout ratio of 40.1% of net income attributable to shareholders before special items.

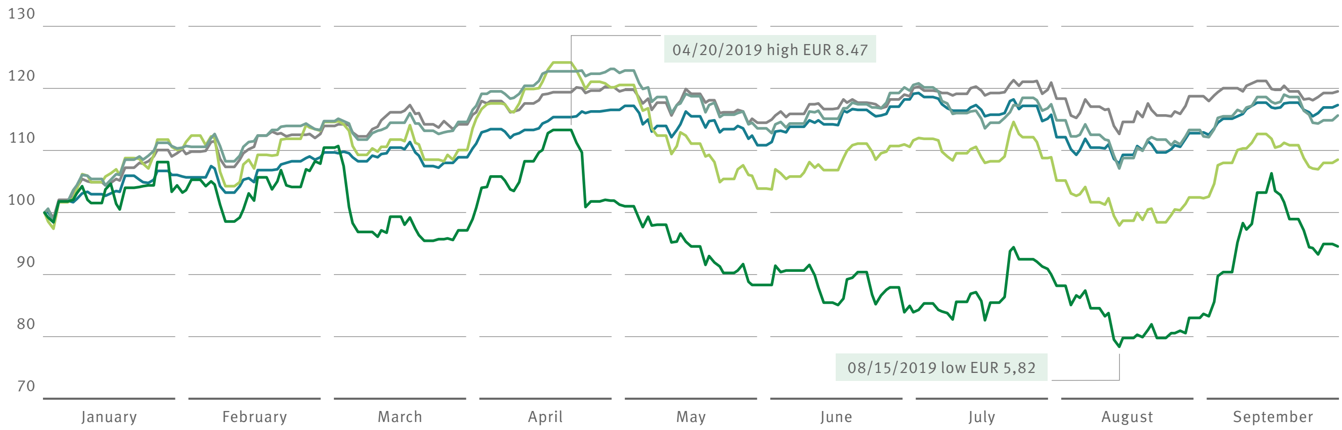
2019 full-year guidance adjusted

On July 29, 2019, Schaeffler AG's Board of Managing Directors decided to adjust the Schaeffler Group's outlook 2019 as a result of the unexpectedly strong decline in automobile production for the full year 2019, which is currently forecasted to continue in the second half of the year as well. In addition, a decrease in estimated requirements of a few major customers of the Automotive Aftermarket division compared to expectations at the beginning of the year has led to a downward revision in this division's revenue guidance. Meanwhile, expected full-year demand in certain sector clusters in the Industrial division has increased from the beginning of the year, leading to a slight upward revision in that division's revenue guidance. As a result, the Schaeffler Group estimates that its revenue growth by -1 to 1% excluding the impact of currency translation in 2019. Based on this, the company further expects to generate an EBIT margin before special items of 7 to 8%. Furthermore, the Schaeffler Group anticipates free cash flow before cash in- and outflows for M&A activities for the full year 2019 of EUR 350 to 400 m.

Fourth Capital Markets Day in Frankfurt

On September 11, 2019, Schaeffler AG held its fourth Capital Markets Day at the dbAccess IAA Cars Conference 2019 in Frankfurt. Presentations focused especially on portfolio management and capital allocation, sample products for drive train electrification, and measures taken to safeguard earnings. A total of about 60 analysts and investors attended the Capital Markets Day.

Schaeffler share price trend 2019
in percent (12/31/2018 = 100)



Source: Bloomberg (closing prices).

Capital market trends

Global capital markets were buoyant during the first nine months of 2019, partly driven by speculation regarding an imminent end to the trade conflict between China and the U.S. early in the year. The global economy continued to deteriorate during the second quarter; however, both the American Federal Reserve Bank (Fed) and the European Central Bank (ECB) signaled a willingness to reduce interest rates or, in the case of the ECB, resume its bond buying program. The statements made by the two central banks were welcomed by the capital markets. In the third quarter, capital markets trended laterally with high volatility, unsettled by the continued deterioration of the global economy and the persisting trade conflict between China and the U.S. The ECB's announcement of a new bond buying program scheduled to start in November 2019 and the reduction of the rate on the ECB's deposit facility to -0.50% had a positive impact on the markets, especially in Europe.

In this context, the global equities markets firmed up considerably overall in the first nine months of 2019. The Euro STOXX 50 rose by 18.9% and the Dow Jones Industrial Average was up 15.4%. The Nikkei 225 index gained 8.7% in value as well. The Deutsche Aktienindex (DAX) increased by 17.7%, rising to a level of 12,428 points as at September 30, 2019.

Schaeffler shares

Schaeffler AG's common non-voting shares lagged behind the benchmark indexes DAX (+17.7% compared to December 31, 2018), MDAX (+19.9%), SDAX (+16.0%), and STOXX Europe 600 Automobiles & Parts (+8.7%) during the first nine months of 2019. On September 30, 2019, the common non-voting shares of Schaeffler AG were quoted at EUR 7.04, 5.6% less than on December 31, 2018. The drop in share price in the first quarter was driven by the decrease in Automotive business earnings quality in the fourth quarter of 2018 and the Automotive divisions' outlook for 2019. Forecasts indicating declining growth in global automobile production and the resulting reduction of the earnings guidance 2019 in the third quarter additionally held back the share price during the remainder of the reporting period.

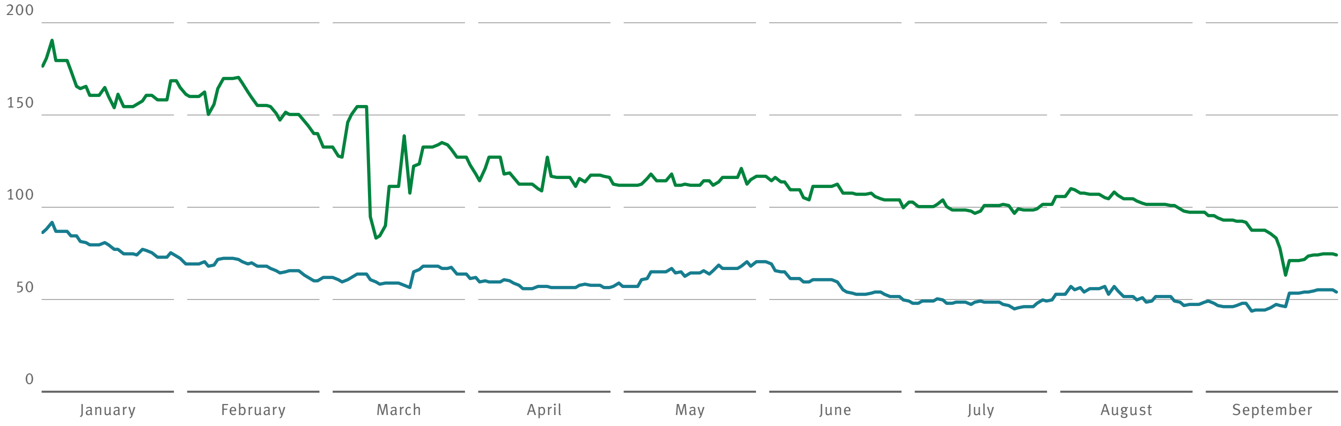
Schaeffler share performance

	1st nine months	
	2019	**2018**
Schaeffler share price 09/30/ (in €) [1]	7.04	11.01
Average trading volume (number of shares)	1,051,109	1,005,907
DAX 09/30/ [1]	12,428	12,247
MDAX 09/30/ [1]	25,887	25,998
SDAX 09/30/ [1]	11,027	11,864
STOXX Europe 600 Automobiles & Parts 09/30/ [1]	480	535
Average number of shares (in millions)		
• Common shares	500	500
• Common non-voting shares	166	166
Earnings per share (in €)		
• Common shares	0.72	1.14
• Common non-voting shares	0.73	1.15

[1] Source: Bloomberg (closing prices).

The daily trading volume averaged 1,051,109 shares in the first nine months of 2019 (prior year: 1,005,907). The trading volume rose, compared to the prior year period, on March 6, 2019 – the day the results for 2018 were published – and the days following that date.

Credit default swap (CDS) price trend 2019
in basis points



Source: Bloomberg (closing prices).

Schaeffler bonds and ratings

The Schaeffler Group had a total of four series of bonds outstanding as at September 30, 2019, all of them denominated in EUR. The investment grade bonds issued on March 19, 2019, were issued by Schaeffler AG. The bond series due in 2025 was issued by Schaeffler Finance B.V. in Barneveld, Netherlands.

The three bond series issued by Schaeffler AG have risen significantly since they were issued on March 19, 2019. The bond series issued by Schaeffler Finance B.V., which will become callable on May 15, 2020, steadily closed in on its contractual redemption price during the first nine months of 2019.

During the third quarter, Schaeffler AG's EUR bond series due in 2022 trended laterally while the bond series with the longer maturities of 2024 and 2027 increased. These trends were helped by the ECB expressing the intention to continue its highly expansive monetary policy and further support it by renewed bond purchases starting in November 2019. The EUR bond series of Schaeffler Finance B.V. due in 2025 continued to close in on its contractual redemption price regardless of general market trends.

Schaeffler AG has been assigned an investment grade rating by all three rating agencies – Fitch, Moody's, and Standard & Poor's. The following summary shows the three rating agencies' ratings as at September 30, 2019:

Schaeffler Group ratings
as at September 30

	2019	2018	2019	2018
		Company		Bonds
Rating agency		Rating/Outlook		Rating
Fitch	BBB-/stable	BBB-/stable	BBB-	BBB-
Moody's	Baa3/stable	Baa3/stable	Baa3	Baa3
Standard & Poor's	BBB-/negative	BBB-/stable	BBB-	BBB-

See back cover for financial calendar

Contents

Special items
In order to facilitate a transparent evaluation of the company's results of operations, the Schaeffler Group reports EBIT, EBITDA, net income, debt to EBITDA ratio, 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 detail elsewhere in the report

1. Report on the economic position

1.1 Economic environment

Global economic growth, which had started to slow last year, continued to lose momentum during the reporting period. Global gross domestic product increased by 2.9% compared to the prior year (Oxford Economics, October 2019) in light of continuing trade conflicts and persistently weak world trade. Growth for the full year 2018 had amounted to 3.6%.

The economic performance of both the euro region and Japan was hampered by weak foreign demand which adversely affected the manufacturing sector in both economies. Japan's economic growth rate rose temporarily in the third quarter of 2019 as a result of accelerated consumer spending driven by an impending increase in value-added tax in October. In the U.S., gross domestic product expanded noticeably faster than in the euro region and Japan. However, indications of an economic slow-down emerged in the second and third quarters, driven by factors including the persistently tense trade relations, especially with China. China saw its economic expansion slow down as well in light of the trade conflict with the U.S. While the country still reported stable growth in gross domestic product in the first quarter, that growth slowed gradually over the remainder of the reporting period.

In this context, the situation of the Schaeffler Group's regions was as follows: Gross domestic product in the Europe region increased by 2.3%, largely driven by the 5.3% growth rate in India, which is also part of the Europe region. Economic output in the Americas region rose by 1.3%, while the Greater China region reported growth of 5.9%. Gross domestic product in the Asia/Pacific region grew by 2.7%.

In the **currency markets**, the euro fell against the U.S. dollar and the Chinese renminbi compared to the prior year period. On average, the euro was valued at USD 1.12 and CNY 7.71, respectively, during the reporting period (prior year: USD 1.19 and CNY 7.78, respectively; European Central Bank).

More on foreign currency translation on pp. 42 et seq.

Preliminary data put **global automobile production**, measured as the number of vehicles up to six tons in weight produced, for the reporting period at 5.9% less than in the prior year (IHS Markit, October 2019). Except for Asia/Pacific, all Schaeffler Group regions experienced declines, especially Greater China. Automobile production in the Europe region was down 7.0% from prior year since all significant markets reported decreases – primarily the euro region (-5.1%), the United Kingdom (-15.8%), and India (-11.6%). The contraction in the euro region was mainly driven by the adverse trend in Germany – automobile production there fell 9.0% short of the prior year due, in particular, to significantly weaker demand for exports. The slump in automobile production in the United Kingdom is attributable to factors including disruptions related to the Brexit process. Restricted access to loans outside of the banking sector contributed to the decrease in India, since such loans are frequently used to purchase vehicles. Automobile production in the Americas region was 2.3% below the prior year level. While production in Brazil was up 1.4%, the region's remaining significant markets reported declines. In the U.S., automobile production fell 2.0% short of its prior year level in the context of weak domestic demand. Mexico (-0.8%) and especially Canada (-4.8%) also reported downward trends. Automobile production in the Greater China region was 11.7% below the prior year level. The significant contraction is attributable to a number of factors, including high inventory levels, deteriorating consumer sentiment given the trade conflict with the U.S., and disruptions related to the – partly early – implementation of a new emissions standard. Automobile production in the Asia/Pacific region rose by 0.7%. Accelerated purchases driven by the impending increase in value-added tax in October, in particular, contributed to the growth experienced by Japan (3.0%). While production in South Korea was flat with prior year, Thailand reported a decline of more than 5%.

Data on the development of the **vehicle population and the average vehicle age** during the first nine months of 2019 are not available. Based on internal estimates, the Schaeffler Group expects the global vehicle population, measured in terms of the number of passenger cars and light commercial vehicles up to 3.5 tons in weight, for the full year 2019 will be less than in 2018, with the average vehicle age remaining nearly unchanged (see annual report 2018). In Europe, the Schaeffler Group's largest Automotive Aftermarket, customer consolidation in the Independent Aftermarket has increased the competitive pressure. In addition, adjustments to inventory levels both in the Independent Aftermarket and in the OES business have hampered European market growth.

Based on preliminary estimates, global **industrial production** for the reporting period, measured as gross value added based on constant prices and exchange rates, was up 2.1% from the prior year level (Oxford Economics, September 2019). Growth for the full year 2018 had amounted to more than 3.5%. The noticeably reduced growth momentum, which has already been evident since the second half of the prior year, is especially due to the persistent international trade conflicts. Other factors adversely affecting growth included uncertainties related to the Brexit process. Industrial production in the Europe region was approximately flat with prior year, growing by 0.1%. The euro region reported a decline of 1.0% that was largely driven by the adverse trend in Germany, where industrial production fell by just under 4%. The main cause of the contraction in Germany was the declining automobile production, which also affected other industrial sectors via the supply chain. In both Spain and Italy, industrial production was slightly below prior year, while France reported slight growth. India saw its growth momentum weaken during the reporting period, with the growth rate falling to 3.4%. In the Americas region, industrial production grew by 2.1%. U.S. industrial production grew by 3.1%; however, strong growth in the first quarter was followed by noticeably slower growth during the remaining reporting period, partly driven by declining investment. In the Greater China region, industrial production rose by 5.7%. The growth rate for the first quarter turned out higher than expected, and growth slowed again in the second and third quarters, with the trade conflict with the U.S. as well as the ongoing transformation into a more sustainable economic model both contributing to this trend. Industrial production in the Asia/Pacific region remained static at a growth rate of 0.1%. Japan experienced a 1.0% decline in light of weak foreign demand. South Korea, however, reported growth of 1.3%.

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). However, trends during the reporting period were mixed. Prices for most hot- and cold-rolled steel closed lower at September 30 than at the beginning of the year. Aluminum and copper prices declined as well, while crude oil became more expensive over the course of the period. Commodity market price trends affect the Schaeffler Group's costs to varying degrees and in some instances with some delay, depending on the terms of the relevant supplier contracts.

1.2 Course of business

Results of operations – first nine months 2019

The Schaeffler Group generated **revenue** of EUR 10,839 m (prior year: EUR 10,714 m), growing by 1.2% (-0.1% at constant currency). Following a 0.8% revenue decline – excluding the impact of currency translation – in the first half of 2019, revenue for the third quarter of 2019 increased by 1.2%, mainly due to increased demand in the Greater China region. Overall, the first nine months of 2019 were characterized by the quite mixed revenue trends of the individual divisions. In the Automotive OEM division, revenue declined by 1.5% driven by both volumes and prices. Global automobile production decreased by 5.9% in the first nine months of 2019. The persistently weak environment in the Chinese and European markets proved especially detrimental. Revenue of the Automotive Aftermarket division was 1.5% below the prior year level as well, mainly due to lower demand in the Europe region. However, despite the weaker momentum in the third quarter of 2019, the Industrial division turned in an encouraging performance for the first nine months, generating 4.3% in additional revenue, excluding the impact of currency translation.

The group's **EBIT margin before special items** for the reporting period amounted to 8.1% (prior year: 10.7%). The Automotive OEM division margin fell to 5.5% (prior year: 8.7%) due to the price- and volume-driven decline in revenue and a change in product mix. The 15.8% margin of the Automotive Aftermarket division also fell considerably short of its prior year level (prior year: 18.9%) and was mainly affected by the volume-driven decrease in revenue as well as higher product costs and administrative expenses during the reporting period. The

Industrial division's margin fell to 10.9% (prior year: 11.5%), due in part to higher selling and administrative expenses.

Free cash flow before cash in- and outflows for M&A activities amounted to EUR 133 m (prior year: EUR 127 m) in the reporting period, approximately flat with prior year despite lower earnings. The main reasons were the impact of amortization, depreciation, impairment losses, and provisions on earnings as well as lower income tax payments. Cash outflows related to expanding working capital of EUR 443 m, on the other hand, were higher than the prior year amount of EUR 342 m. In addition, capital expenditures of EUR 823 m were lower than in the prior year (prior year: EUR 857 m). The capex ratio amounted to 7.6% (prior year: 8.0%) of revenue.

Schaeffler Value Added before special items (SVA) declined considerably, falling to EUR 247 m during the reporting period (prior year: EUR 722 m); return on capital employed **(ROCE)** before special items fell to 12.9% (prior year: 18.8%). This decline was mainly attributable to the significant decline in Automotive OEM division earnings. The increase in average capital employed had a further adverse effect on SVA.

Major events – first nine months 2019

The Schaeffler Group acquired Elmotec Statomat Holding GmbH in a transaction that closed on January 31, 2019. Elmotec Statomat is a manufacturer of production machinery for the high-volume construction of electric motors. The acquisition represented a step toward expanding the Schaeffler Group's manufacturing expertise in the field of construction of electric motors and implementing its electric mobility strategy.

At its meeting on March 1, 2019, the Supervisory Board of Schaeffler AG decided to extend the contract of Matthias Zink, CEO of the Automotive OEM division, by a further five years until December 31, 2024. In addition, the new Regional CEOs for the Americas and Asia/Pacific regions were announced. Marc McGrath will assume the role of CEO for the Americas region from Bruce Warmbold, who will retire at the end of the year. The Asia/Pacific region will be led by Dharmesh Arora, who succeeds Helmut Bode. Helmut Bode will retire at the end of the year as well. Marc McGrath and Dharmesh Arora have taken on their new roles effective October 1, 2019, and have been members of the Executive Board of the Schaeffler Group since that date.

On March 6, 2019, the Schaeffler Group announced its program "RACE" (Regroup Automotive for higher margin and Capital Efficiency), which is designed to sustainably increase the Automotive OEM division's efficiency and optimize its portfolio. Responsibility for the program rests with Automotive OEM division CEO, Matthias Zink. The planned measures will be discussed with employee representatives as agreed to in last year's Future Accord. Both sides are striving for socially responsible solutions without layoffs. The company has recognized a total of EUR 82 m in restructuring expenses in connection with the program.

On March 14, 2019, the Schaeffler Group received a full refund of a penalty of EUR 13 m paid in 2015 in connection with antitrust proceedings in South Korea.

On March 19, 2019, the Schaeffler Group placed investment grade bonds in the capital markets for the first time. The transaction had a total volume of EUR 2.2 bn and consisted of three tranches (EUR 750 m 1.125% coupon, due 2022; EUR 800 m 1.875% coupon, due 2024; EUR 650 m 2.875% coupon, due 2027). The new investment grade bonds were issued under Schaeffler AG's debt issuance program. Net proceeds from the issuance were mainly used to refinance existing debt. (Please refer to chapter 1.4 "Financial position", pp. 24 et seq., for further details.)

Schaeffler AG's annual general meeting, which was held on April 24, 2019, passed a resolution to pay a dividend of EUR 0.54 (prior year: EUR 0.54) per common share and EUR 0.55 (prior year: EUR 0.55) per common non-voting share to Schaeffler AG's shareholders for 2018. This represents a dividend payout ratio of 40.1% of net income attributable to shareholders before special items.

The Schaeffler Group celebrated the opening of its new plant in Bien Hoa, Vietnam, on May 10, 2019. The company has invested over EUR 45 m in the construction of this new production plant. Industrial bearings and components for a wide range of applications will be produced there, including radial insert bearings and needle roller bearings.

On May 31, 2019, the Schaeffler Group closed the sale of its subsidiary The Barden Corporation (UK) Ltd., located in Plymouth, UK, to HQW Holding (UK) Co. Limited that had been agreed to on April 26, 2019. The purchaser is also acquiring the global rights to the Barden brand except for America. In America, the Schaeffler Group will continue to have exclusive use of the Barden brand. The sale represents another step in the reorganization of the Schaeffler Group's UK business activities initiated on October 29, 2018. This reorganization originally called for two of three production locations in the UK to be closed and the production to be relocated as well as two logistics centers to be consolidated at one location. While the closure of the production location in Llanelli has been confirmed and the consolidation of the two logistics centers is progressing as planned, the sale of the Plymouth location has been developed as a positive alternative for all stakeholders.

The Schaeffler Group has obtained control of Xtronic GmbH, based in Böblingen, by entering into an agreement to acquire a 100% interest in Xtronic GmbH on May 3, 2019. Xtronic GmbH is a technology partner that develops customer-specific software and electronics solutions for the international automotive industry. It provides services and solutions for applications in fields such as automated driving and electric mobility. Xtronic possesses core expertise related to the development of the "Space Drive" drive-by-wire technology. The acquisition of Xtronic GmbH provides the Schaeffler Group with further expertise and know-how in the field of steering systems and autonomous driving.

The Schaeffler Group sold Schaeffler Friction Products Hamm GmbH, Hamm, to the company's management team (management buyout) in a transaction that closed on June 30, 2019. The Hamm location mostly produced friction linings for dry double clutch transmissions in the Automotive OEM division. The company decided on the disposal because this business in Hamm has recently shown persistent and considerable declines. Alongside friction linings, the Hamm plant manufactured specialized friction solutions for the Industrial division, including applications for agriculture, lift and hoist systems, electromagnetic brakes, and wind turbines.

On July 29, 2019, Schaeffler AG's Board of Managing Directors decided to adjust the Schaeffler Group's outlook 2019 as a result of the unexpectedly strong decline in automobile production for the full year 2019, which is currently forecasted to continue in the second half of the year as well. In addition, a decrease in estimated requirements of a few major customers of the Automotive Aftermarket division compared to expectations at the beginning of the year has led to a downward revision in this division's revenue guidance. Meanwhile, expected full-year demand in certain sector clusters in the Industrial division has increased from the beginning of the year, leading to a slight upward revision in that division's revenue guidance. As a result, the Schaeffler Group estimates that its revenue growth by -1 to 1% excluding the impact of currency translation in 2019. Based on this, the company further expects to generate an EBIT margin before special items of 7 to 8%. Furthermore, the Schaeffler Group anticipates free cash flow before cash in- and outflows for M&A activities for the full year 2019 of EUR 350 to 400 m.

At its meeting on October 1, 2019, the Supervisory Board of Schaeffler AG bade farewell to Chief Technology Officer and Deputy CEO Prof. Dr.-Ing. Peter Gutzmer. The Supervisory Board of Schaeffler AG appointed Uwe Wagner, currently Head of Research & Development, Automotive OEM and Industrial, as Professor Gutzmer's successor on the Board of Managing Directors for a term of three years, effective October 1, 2019. Uwe Wagner has assumed responsibility for research and development.

Schaeffler Group

Revenue **EUR 10,839 m**

EBIT margin before special items **8.1%**

Revenue at constant currency at prior year level // Q3 constant currency revenue growth at plus 1.2%: Automotive OEM and Automotive Aftermarket division revenue trend stabilized compared to H1 2019; Industrial division growth weaker compared to H1 2019 // Earnings quality below prior year in 9M – EBIT margin before special items at 8.1% (prior year: 10.7%)

Schaeffler Group earnings **No. 001**

	1st nine months			3rd quarter		
in € millions	**2019**	**2018**	Change in %	**2019**	**2018**	Change in %
Revenue	**10,839**	**10,714**	**1.2**	**3,613**	**3,521**	**2.6**
• at constant currency			-0.1			1.2
Revenue by division						
Automotive OEM	6,768	6,778	-0.2	2,254	2,191	2.9
• at constant currency			-1.5			1.4
Automotive Aftermarket	1,386	1,403	-1.2	480	476	0.8
• at constant currency			-1.5			0.1
Industrial	2,685	2,533	6.0	879	854	3.0
• at constant currency			4.3			1.2
Revenue by region 1)						
Europe	5,346	5,533	-3.4	1,707	1,773	-3.7
• at constant currency			-3.6			-4.2
Americas	2,392	2,145	11.5	798	731	9.1
• at constant currency			7.6			5.8
Greater China	1,959	1,927	1.7	728	644	13.2
• at constant currency			0.5			11.5
Asia/Pacific	1,142	1,109	3.0	380	374	1.8
• at constant currency			1.1			0.3
Cost of sales	-8,110	-7,847	3.3	-2,697	-2,588	4.2
Gross profit	**2,729**	**2,867**	**-4.8**	**917**	**934**	**-1.8**
• in % of revenue	25.2	26.8	-	25.4	26.5	-
Research and development expenses	-646	-653	-1.1	-202	-209	-3.5
Selling and administrative expenses	-1,156	-1,101	5.0	-381	-367	4.0
Earnings before financial result, income (loss) from equity-accounted investees, and income taxes (EBIT)	**795**	**1,149**	**-30.8**	**312**	**376**	**-17.0**
• in % of revenue	7.3	10.7	-	8.6	10.7	-
Special items 2)	88	1	> 100	15	-21	-
EBIT before special items	**883**	**1,150**	**-23.2**	**327**	**356**	**-8.0**
• in % of revenue	8.1	10.7	-	9.1	10.1	-
Financial result	-94	-110	-14.8	-13	-25	-48.6
Income (loss) from equity-accounted investees	-12	0	-	-5	0	-
Income taxes	-196	-266	-26.4	-79	-91	-13.0
Net income 3)	485	762	-36.4	212	256	-17.5
Earnings per common non-voting share (basic/diluted, in €)	0.73	1.15	-36.5	0.31	0.38	-18.4

1) Based on market (customer location).
2) Please refer to pp. 22 et seq. for the definition of special items.
3) Attributable to shareholders of the parent company.

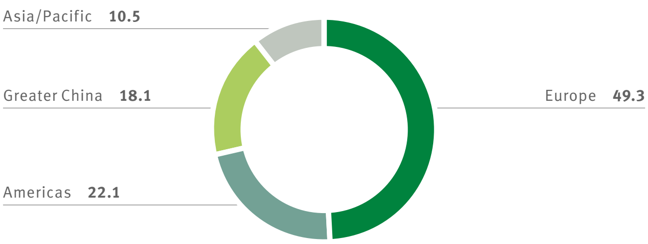
1.3 Earnings

Schaeffler Group earnings

The Schaeffler Group's revenue increased by 1.2% (-0.1% at constant currency) to EUR 10,839 m (prior year: EUR 10,714 m) during the reporting period. In the third quarter of 2019, the Schaeffler Group generated 1.2% in additional revenue excluding the impact of currency translation, while revenue had declined by 0.8% during the first half of 2019. This performance was attributable to the favorable trend in the Automotive OEM division, in particular, where the strong growth trend in the Americas region continued and revenue in the Greater China region increased significantly in the third quarter of 2019. The Industrial division, however, reported considerably slower growth during the same period as compared to the first half of 2019, largely due to weaker performance in several sector clusters.

The revenue trend was characterized by the quite mixed trends of the individual divisions in the first nine months of 2019. The Industrial division reported additional revenue of 4.3% excluding the impact of currency translation, with growth buoyed by the impact of both volumes and pricing. In the Automotive OEM division, revenue declined by 1.5% excluding the impact of currency translation. Along with adverse pricing effects, the decline in revenue was also attributable to lower volumes. In the Automotive Aftermarket division, revenue declined by 1.5%, excluding the impact of currency translation, primarily driven by volumes.

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



The revenue trend in the Schaeffler Group's four regions was also quite mixed. Revenue in the Europe region fell by 3.4% (-3.6% at constant currency). This was attributable to decreased revenue in both Automotive divisions. Industrial division revenue was in line with prior year. The Americas region increased its revenue by a considerable 11.5% (+7.6% at constant currency), thus stabilizing the Schaeffler Group's revenue. All three divisions contributed to this region's revenue growth. Greater China region revenue was up 1.7% (+0.5% at constant currency) as a result of an increase in Industrial division revenue there. The Automotive OEM division, on the other hand, reported a declining trend in Greater China. Revenue in the Asia/Pacific region rose by 3.0% (+1.1% at constant currency), driven by the performance of the Automotive OEM division.

Cost of sales for the reporting period amounted to EUR 8,110 m, EUR 262 m or 3.3% higher than in the prior year period (prior year: EUR 7,847 m). Gross profit declined by EUR 137 m or 4.8% to EUR 2,729 m in the first nine months of 2019 (prior year: EUR 2,867 m) with a corresponding drop in gross margin by 1.6 percentage points to 25.2% (prior year: 26.8%). The lower margin is largely attributable to an adverse impact of selling prices and a change in product mix, partly due to the expanded systems business. In addition, gross margin was adversely affected by higher fixed costs.

Functional costs for the reporting period rose by EUR 48 m or 2.7% to EUR 1,802 m (prior year: EUR 1,754 m), growing by 0.3 percentage points to 16.6% of revenue (prior year: 16.4%). Research and development expenses of EUR 646 m were slightly below the prior year level (-1.1%; prior year: EUR 653 m), representing an R&D ratio of 6.0% of revenue (prior year: 6.1%). Selling and administrative expenses of EUR 1,156 m were EUR 55 m or 5.0% higher than in the prior year (prior year: EUR 1,101 m) because of higher administrative expenses. These were mainly caused by higher expenses for personnel and the program for the future, the "Agenda 4 plus One".

EBIT for the first nine months of 2019 amounted to EUR 795 m (prior year: EUR 1,149 m) and the corresponding EBIT margin was 7.3% (prior year: 10.7%). EBIT for the reporting period was adversely affected by EUR 88 m in special items. These included EUR 82 m in restructuring expenses related to the program "RACE" and EUR 18 m related to the reorganization of the UK business activities. On the other hand, a full refund of a penalty of EUR 13 m paid in 2015 in the Industrial division in connection with antitrust proceedings in South Korea had an offsetting effect on EBIT. The prior year included EUR 22 m in restructuring expenses related to the integration of the internal supplier "Bearing & Components Technologies". Income from the reversal of a provision following the completion of an investigation of a compliance case by the relevant authorities had an offsetting effect on EBIT of EUR 21 m. Based on that, EBIT before special items declined by EUR 267 m or 23.2% to EUR 883 m (prior year: EUR 1,150 m) with a corresponding drop in EBIT margin by 2.6 percentage points to 8.1% (prior year: 10.7%). The decline was primarily due to the decrease in gross margin as described above. The margin trend was also hampered by higher administrative expenses. In addition, an adverse impact from transactions denominated in foreign currency hampered the margin trend compared to the prior year period.

The Schaeffler Group's financial result improved by EUR 16 m to EUR -94 m (prior year: EUR -110 m) in the first nine months of 2019.

Schaeffler Group financial result **No. 003**

	1st nine months	
in € millions	**2019**	**2018**
Interest expense on financial debt [1]	-72	-74
Gains and losses on derivatives and foreign exchange	-14	-2
Fair value changes on embedded derivatives	22	-14
Interest income and expense on pensions and partial retirement obligations	-31	-30
Other	1	10
Total	**-94**	**-110**

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

Interest expense on financial debt amounted to EUR 72 m in the first nine months of 2019 (prior year: EUR 74 m). The slight decrease in interest expense resulted primarily from the improvement in terms and conditions obtained in the refinancing transaction. Interest expense on financial debt includes 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 14 m (prior year: EUR 2 m). These include the impact of translating the financing instruments denominated in U.S. dollars to euros and hedges of these instruments using cross-currency swaps.

Fair value changes on embedded derivatives, primarily prepayment options for external financing instruments, resulted in net gains of EUR 22 m (prior year: net losses of EUR 14 m). These include the fair value gains on the remaining prepayment option, partially offset by losses on the derecognition of prepayment options in connection with the refinancing transaction in March 2019.

Income tax expense for the reporting period amounted to EUR 196 m (prior year: EUR 266 m), representing an effective tax rate of 28.4% (prior year: 25.6%). The increase in the effective tax rate compared to the prior year was primarily the result of a one-time item from taxes related to prior years that occurred in the prior year but not in the current year. A change in the composition of taxable income between countries with higher and lower tax rates had an offsetting effect.

Net income attributable to shareholders of the parent company for the reporting period was EUR 485 m (prior year: EUR 762 m). Net income before special items amounted to EUR 547 m (prior year: EUR 763 m).

Basic and diluted earnings per common share decreased to EUR 0.72 in the first nine months of 2019 (prior year: EUR 1.14). Basic and diluted earnings per common non-voting share amounted to EUR 0.73 (prior year: EUR 1.15). The number of shares used to calculate earnings per common share and earnings per common non-voting share was 500 million (prior year: 500 million) and 166 million (prior year: 166 million), respectively.

Automotive OEM division

Revenue **EUR 6,768 m**

EBIT margin before special items **5.5%**

Revenue decline driven by prices and volumes: down 1.5% at constant currency // Q3 revenue growth at plus 1.4% at constant currency: higher demand in Greater China region; Americas region maintains highly dynamic growth; Europe region still declining // Earnings quality adversely affected by price- and volume-driven revenue decline and a change in product mix

Automotive OEM division earnings **No. 004**

	1st nine months			3rd quarter		
in € millions	**2019**	**2018**	Change in %	**2019**	**2018**	Change in %
Revenue	**6,768**	**6,778**	**-0.2**	**2,254**	**2,191**	**2.9**
• at constant currency			-1.5			1.4
Revenue by business division						
Engine Systems BD	2,087	2,113	-1.2	700	690	1.5
• at constant currency			-2.6			0.0
Transmission Systems BD	3,007	3,147	-4.4	995	995	0.1
• at constant currency			-6.1			-1.7
E-Mobility BD	494	355	39.4	189	131	44.5
• at constant currency			38.8			43.9
Chassis Systems BD	1,180	1,164	1.4	370	376	-1.6
• at constant currency			0.5			-2.5
Revenue by region 1)						
Europe	2,899	3,053	-5.0	898	948	-5.3
• at constant currency			-5.2			-5.6
Americas	1,642	1,456	12.8	553	494	12.1
• at constant currency			8.6			8.7
Greater China	1,357	1,433	-5.3	513	473	8.5
• at constant currency			-6.0			7.1
Asia/Pacific	870	837	3.9	289	276	4.8
• at constant currency			2.1			3.3
Cost of sales	-5,354	-5,180	3.4	-1,775	-1,689	5.1
Gross profit	**1,415**	**1,598**	**-11.5**	**478**	**502**	**-4.8**
• in % of revenue	20.9	23.6	-	21.2	22.9	-
Research and development expenses	-513	-526	-2.5	-158	-168	-5.7
Selling and administrative expenses	-517	-499	3.7	-169	-165	2.2
EBIT	**284**	**596**	**-52.3**	**140**	**180**	**-22.2**
• in % of revenue	4.2	8.8	-	6.2	8.2	-
Special items 2)	87	-3	-	15	-13	-
EBIT before special items	**371**	**592**	**-37.3**	**155**	**167**	**-7.2**
• in % of revenue	5.5	8.7	-	6.9	7.6	-

Prior year information presented based on 2019 segment structure.
1) Based on market (customer location).
2) Please refer to pp. 22 et seq. for the definition of special items.

Automotive OEM division earnings

Automotive OEM division revenue for the reporting period declined by 0.2% (-1.5% at constant currency) to EUR 6,768 m (prior year: EUR 6,778 m), driven by both prices and volumes. Global production volumes dropped by 5.9% during the same period. Following a decline in revenue of 2.9% – excluding the impact of currency translation – in the first half of 2019, the division generated 1.4% in additional revenue in the third quarter of 2019.

In the Europe region, revenue fell by 5.0% (-5.2% at constant currency), declining more slowly than automobile production, which dropped by 7.0% during the reporting period. Despite regional vehicle production declining by 2.3%, the Americas region generated 12.8% in additional revenue (+8.6% at constant currency), a key contribution to Automotive OEM division revenue. This growth was primarily the result of a few major customers' increased requirements due to product ramp-ups. In the Greater China region, the Automotive OEM division could not avoid the downward trend in the automotive sector during the first nine months of 2019 – vehicle production there declined by 11.7% during the reporting period – and experienced a decline in revenue by 5.3% (-6.0% at constant currency). It generated 7.1% in additional revenue in the third quarter of 2019, excluding the impact of currency translation, partly due to the low growth rate in the prior year period. Partly due to an encouraging third quarter, the Asia/Pacific region reported 3.9% in additional revenue (+2.1% at constant currency) while vehicle production increased by 0.7%.

Engine Systems BD revenue for the reporting period fell 1.2% (-2.6% at constant currency) short of its prior year level. While the thermal management module generated significant additional revenue during the reporting period and revenue with camshaft phasing units rose slightly, revenue for the other product groups decreased.

Transmission Systems BD revenue declined by 4.4% (-6.1% at constant currency), due especially to lower demand for components for manual transmissions. Components for automated transmissions, however, reported a considerable improvement over the first nine months of 2018.

The **E-Mobility BD** increased its revenue for the reporting period by a considerable 39.4% (+38.8% at constant currency). This growth was mainly driven by product ramp-ups of primary components for continuously variable transmissions (CVTs) and in the actuators field.

Revenue of the **Chassis Systems BD** increased by 1.4% (+0.5% at constant currency) during the first nine months of 2019, partly due to a favorable revenue trend in the chassis actuators product group.

Automotive OEM division cost of sales increased by EUR 174 m or 3.4% to EUR 5,354 m (prior year: EUR 5,180 m) in the first nine months of 2019. Gross profit declined by EUR 184 m or 11.5% to EUR 1,415 m (prior year: EUR 1,598 m). The gross margin fell by 2.7 percentage points to 20.9% (prior year: 23.6%), mainly due to the price- and volume-driven revenue decline and a change in product mix, partly due to the expanded systems business. In addition, gross margin was adversely affected by higher fixed costs.

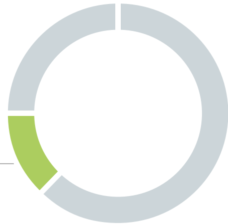
Functional costs rose by EUR 5 m or 0.5% to EUR 1,030 m (prior year: EUR 1,025 m) during the reporting period, increasing from 15.1% to 15.2% of revenue. Research and development expenses of EUR 513 m were below prior year (prior year: EUR 526 m) as a result of a stronger focus on fields key to growth and profitability. Research and development expenses represented an R&D ratio of 7.6% of revenue (prior year: 7.8%). Selling and administrative expenses, however, rose by EUR 18 m or 3.7% to EUR 517 m (prior year: EUR 499 m), mainly due to higher expenses for personnel and the program for the future, the "Agenda 4 plus One".

EBIT for the first nine months of 2019 amounted to EUR 284 m (prior year: EUR 596 m), and the EBIT margin was 4.2% (prior year: 8.8%). EBIT for the reporting period was affected by special items totaling EUR 87 m. These included EUR 82 m representing restructuring expenses related to the program "RACE". Additional restructuring expenses of EUR 5 m were recognized in connection with the reorganization of the company's UK business activities. The prior year included the Automotive OEM division's share of restructuring expenses related to the integration of the internal supplier "Bearing & Components Technologies" amounting to EUR 10 m. Income from the reversal of a provision following the completion of an investigation of a compliance case by the relevant authorities had an offsetting effect on EBIT of EUR 13 m in the prior year. Based on that, EBIT before special items declined considerably, falling by EUR 221 m or 37.3% to EUR 371 m (prior year: EUR 592 m) with a drop in EBIT margin by 3.3 percentage points to 5.5% (prior year: 8.7%). The decline was primarily due to the change in gross margin as described above. The EBIT margin was adversely affected by higher selling and administrative expenses as well. In addition, an adverse impact from transactions denominated in foreign currency hampered the margin trend compared to the prior year period.

Automotive Aftermarket division

Revenue **EUR 1,386 m**

EBIT margin before special items **15.8%**



Volume-driven revenue decline: down 1.5% at constant currency // Demand declined in Europe region; higher demand in Americas region // Q3 revenue at prior year level: Europe region revenue stabilized // Earnings quality adversely affected by lower revenue combined with higher product costs and administrative expenses

Automotive Aftermarket division earnings **No. 005**

	1st nine months			3rd quarter		
in € millions	2019	2018	Change in %	2019	2018	Change in %
Revenue	**1,386**	**1,403**	**-1.2**	**480**	**476**	**0.8**
• at constant currency			-1.5			0.1
Revenue by region 1)						
Europe	1,016	1,056	-3.7	359	355	1.2
• at constant currency			-3.7			0.7
Americas	269	250	7.7	86	88	-2.1
• at constant currency			7.1			-3.7
Greater China	64	58	9.8	22	19	16.6
• at constant currency			8.6			15.2
Asia/Pacific	37	39	-6.8	12	14	-11.1
• at constant currency			-8.9			-12.7
Cost of sales	-914	-902	1.3	-314	-307	2.4
Gross profit	**471**	**500**	**-5.8**	**166**	**170**	**-2.1**
• in % of revenue	34.0	35.7	-	34.6	35.6	-
Research and development expenses	-21	-23	-8.5	-6	-7	-8.7
Selling and administrative expenses	-228	-223	2.2	-76	-76	-0.1
EBIT	**219**	**268**	**-18.3**	**83**	**89**	**-7.3**
• in % of revenue	15.8	19.1	-	17.2	18.8	-
Special items 2)	0	-3	-100	0	-3	-100
EBIT before special items	**219**	**266**	**-17.5**	**83**	**86**	**-4.3**
• in % of revenue	15.8	18.9	-	17.2	18.2	-

Prior year information presented based on 2019 segment structure.
1) Based on market (customer location).
2) Please refer to pp. 22 et seq. for the definition of special items.

Automotive Aftermarket division earnings

Automotive Aftermarket division revenue fell by 1.2% (-1.5% at constant currency) to EUR 1,386 m during the reporting period (prior year: EUR 1,403 m) driven by volumes. Following a decline in revenue of 2.4% – excluding the impact of currency translation – in the first half of 2019 that was primarily attributable to low demand in the Europe region, revenue for the third quarter of 2019 was nearly flat with prior year. The Americas region provided positive impetus during the reporting period. The impact of the Greater China and Asia/Pacific regions on the Automotive Aftermarket division's revenue trend was insignificant during the reporting period.

The **Europe region** experienced a decrease in revenue for the reporting period by 3.7% compared to the prior year period (-3.7% at constant currency), although revenue increased slightly in the third quarter of 2019. The declining revenue trend in the first nine months of 2019 was partly due to a few major customers adjusting inventory levels in Germany and in Western Europe, both in the Independent Aftermarket and in the OES business. The impact of these factors on the revenue trend was slightly mitigated by higher requirements in the Independent Aftermarket in the Central and Eastern Europe & Middle East and Africa subregion.

The **Americas region** reported a 7.7% increase in revenue (+7.1% at constant currency) on the back of increased requirements and business with new customers in the Independent Aftermarket. Revenue growth slowed slightly in the third quarter of 2019, primarily driven by a base effect, since business with a new customer had already resulted in increased demand in the Independent Aftermarket in the second half of 2018.

The **Greater China region** grew its revenue by 9.8% (+8.6% at constant currency) driven by both the Independent Aftermarket and the OES business.

The **Asia/Pacific region** reported a drop in revenue by 6.8% (-8.9% at constant currency) that was attributable to lower OES customers' requirements.

Automotive Aftermarket division cost of sales increased by EUR 12 m or 1.3% to EUR 914 m (prior year: EUR 902 m) in the first nine months of 2019. Gross profit of EUR 471 m fell EUR 29 m or 5.8% short of the prior year level (prior year: EUR 500 m). As a result, the division's gross margin declined by 1.7 percentage points to 34.0% (prior year: 35.7%), largely due to low sales volumes combined with increased product costs.

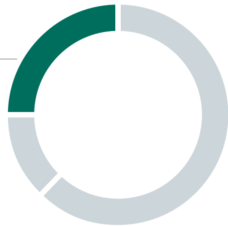
Functional costs increased by EUR 3 m or 1.2% to EUR 249 m during the reporting period (prior year: EUR 246 m), rising to 17.9% of revenue (prior year: 17.5%). Both the decline in revenue during the first nine months of 2019 and the increase in administrative expenses, especially in connection with the company's program for the future, the "Agenda 4 plus One", adversely affected the relative functional cost structure.

EBIT for the first nine months of 2019 decreased to EUR 219 m (prior year: EUR 268 m), and the EBIT margin fell correspondingly to 15.8% (prior year: 19.1%). In the prior year, EBIT included a special item of EUR 3 m representing income from the reversal of the Automotive Aftermarket division's share of a provision following the completion of an investigation of a compliance case by the relevant authorities. Based on that, EBIT before special items declined by a considerable EUR 47 m or 17.5% to EUR 219 m (prior year: EUR 266 m) with a drop in EBIT margin before special items by 3.1 percentage points to 15.8% (prior year: 18.9%). Along with the decrease in gross profit, the EBIT margin was also affected by higher administrative expenses. In addition, an adverse impact from transactions denominated in foreign currency hampered the margin trend compared to the prior year period. Further, favorable non-operating one-time items helped improve the margin in the prior year period.

Industrial division

Revenue **EUR 2,685 m**

EBIT margin before special items **10.9%**



Revenue increase driven by volumes and selling prices: up 4.3% at constant currency // Growth primarily driven by wind sector cluster in the Greater China region and railway sector cluster in the Europe and Greater China regions // Q3 revenue growth weaker at plus 1.2% at constant currency: lower demand especially in industrial automation, power transmission, and offroad sector clusters // Earnings quality hampered: Gross margin increased, EBIT margin before special items below prior year level

Industrial division earnings **No. 006**

	1st nine months			3rd quarter		
in € millions	2019	2018	Change in %	2019	2018	Change in %
Revenue	**2,685**	**2,533**	**6.0**	**879**	**854**	**3.0**
• at constant currency			4.3			1.2
Revenue by region 1)						
Europe	1,430	1,424	0.5	449	469	-4.3
• at constant currency			0.1			-5.0
Americas	481	440	9.3	159	150	6.0
• at constant currency			4.5			1.8
Greater China	539	436	23.4	193	151	27.4
• at constant currency			20.9			24.8
Asia/Pacific	236	233	1.1	79	84	-5.8
• at constant currency			-0.8			-7.4
Cost of sales	-1,842	-1,765	4.4	-607	-592	2.5
Gross profit	**843**	**768**	**9.8**	**272**	**262**	**3.9**
• in % of revenue	31.4	30.3	-	30.9	30.6	-
Research and development expenses	-112	-104	7.6	-37	-34	8.7
Selling and administrative expenses	-411	-380	8.2	-136	-125	8.7
EBIT	**292**	**285**	**2.4**	**89**	**107**	**-16.2**
• in % of revenue	10.9	11.3	-	10.2	12.5	-
Special items 2)	0	7	-100	0	-4	-100
EBIT before special items	**292**	**292**	**0.1**	**89**	**102**	**-12.6**
• in % of revenue	10.9	11.5	-	10.2	12.0	-

Prior year information presented based on 2019 segment structure.
1) Based on market (customer location).
2) Please refer to pp. 22 et seq. for the definition of special items.

Industrial division earnings

Industrial division revenue for the reporting period increased by 6.0% (+4.3% at constant currency) to EUR 2,685 m (prior year: EUR 2,533 m), driven by both volumes and prices. The division experienced subdued growth momentum in the third quarter. Following growth of 5.9% – excluding the impact of currency translation – in the first half of 2019, the growth rate for the third quarter was 1.2%. Mainly declining demand in a few sector clusters hampered the revenue trend in the Europe region.

The additional revenue for the first nine months of 2019 was primarily due to increased demand in the wind sector cluster in the Greater China region. The railway and raw materials sector clusters as well as Industrial Distribution also contributed to growth during the reporting period.

The Industrial business is managed based on regions. On this basis, the Europe, Americas, Greater China, and Asia/Pacific regions operate as profit centers responsible for the Industrial business in their respective markets.

Revenue in the **Europe region** was nearly flat with prior year during the reporting period (+0.5%; +0.1% at constant currency). Positive impetus for growth came especially from the railway and raw materials sector clusters. Industrial Distribution also performed well. Revenue for the industrial automation and power transmission sector clusters declined, however, and the offroad and two-wheelers sector clusters experienced a drop in revenue as well. Especially in the third quarter of 2019, revenue decreased considerably compared to the prior year period.

The **Americas region** increased its revenue by 9.3% during the reporting period (+4.5% at constant currency). This increase was primarily the result of strong growth in the wind and railway sector clusters. The aerospace sector cluster and Industrial Distribution also contributed to the region's growth.

Greater China region revenue maintained its momentum through the third quarter of 2019, rising by 23.4% (+20.9% at constant currency) in total during the reporting period, mainly due to the increase in requirements in the wind sector cluster. The raw materials, railway, and power transmission sector clusters and Industrial Distribution also contributed to revenue growth in the first nine months of 2019.

In the **Asia/Pacific region**, revenue was up 1.1% from the prior year period (-0.8% at constant currency). The decline excluding the impact of currency translation is largely attributable to the offroad sector cluster.

Industrial division cost of sales rose by EUR 77 m or 4.4% to EUR 1,842 m during the reporting period (prior year: EUR 1,765 m). Gross profit increased by EUR 76 m or 9.8% to EUR 843 m (prior year: EUR 768 m). The division's gross margin improved correspondingly, rising by 1.1 percentage points to 31.4% (prior year: 30.3%). The improvement in margin compared to the prior year period was mainly attributable to the impact of volumes and successful price realization in the market.

Functional costs for the reporting period of EUR 523 m were EUR 39 m or 8.1% above the prior year level (prior year: EUR 484 m). Functional costs as a percentage of revenue rose to 19.5% (prior year: 19.1%). Research and development expenses amounted to EUR 112 m (prior year: EUR 104 m). Selling and administrative expenses increased by EUR 31 m or 8.2% to EUR 411 m (prior year: EUR 380 m), partly due to increased personnel and logistics expenses. In addition, the division incurred higher expenses in connection with the company's program for the future, the "Agenda 4 plus One".

EBIT amounted to EUR 292 m during the reporting period (prior year: EUR 285 m) and the EBIT margin was 10.9% (prior year: 11.3%). EBIT for the reporting period was adversely affected by EUR 13 m in restructuring expenses related to the reorganization of the company's UK business activities. On the other hand, the full refund of a penalty previously paid in connection with antitrust proceedings in South Korea also amounting to EUR 13 m had an offsetting effect on EBIT. In the prior year, the division had incurred EUR 7 m in special items. This included EUR 11 m representing the share of restructuring expenses related to the integration of the internal supplier "Bearing & Components Technologies", that was recognized by the Industrial division. Income from the reversal of a provision following the completion of an investigation of a compliance case by the relevant authorities had an offsetting effect on prior year EBIT of EUR 4 m, representing the share recognized by the Industrial division. Based on that, EBIT before special items of EUR 292 m was flat with prior year (prior year: EUR 292 m), with the EBIT margin before special items declining by 0.6 percentage points to 10.9% (prior year: 11.5%). Along with increased functional costs, an adverse impact from transactions denominated in foreign currency hampered the margin trend.

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.

Please refer to pp. 33 et seq. and page 56 of the Schaeffler Group's annual report 2018 for a detailed discussion of performance indicators and special items

Reconciliation No. 007

	1st nine months		1st nine months		1st nine months		1st nine months	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Income statement (in € millions)		Total		Automotive OEM		Automotive Aftermarket		Industrial
EBIT	**795**	**1,149**	**284**	**596**	**219**	**268**	**292**	**285**
• in % of revenue	7.3	10.7	4.2	8.8	15.8	19.1	10.9	11.3
Special items	**88**	**1**	**87**	**-3**	**0**	**-3**	**0**	**7**
• Legal cases	-13	-21	0	-13	0	-3	-13	-4
• Restructuring	101	22	87	10	0	0	13	11
• Other	0	0	0	0	0	0	0	0
EBIT before special items	**883**	**1,150**	**371**	**592**	**219**	**266**	**292**	**292**
• in % of revenue	8.1	10.7	5.5	8.7	15.8	18.9	10.9	11.5
Net income 1)	**485**	**762**						
Special items	**88**	**1**						
• Legal cases	-13	-21						
• Restructuring	101	22						
• Other	0	0						
- Tax effect 2)	-25	0						
Net income before special items 1)	**547**	**763**						
Statement of financial position (in € millions)	**09/30/2019**	**12/31/2018**						
Net financial debt	2,842	2,547						
/ EBITDA LTM	1,941	2,175						
Net financial debt to EBITDA ratio	**1.5**	**1.2**						
Net financial debt	2,842	2,547						
/ EBITDA before special items LTM	2,042	2,202						
Net financial debt to EBITDA ratio before special items	**1.4**	**1.2**						
	1st nine months							
Statement of cash flows (in € millions)	**2019**	**2018**						
EBITDA	**1,520**	**1,754**						
Special items	**75**	**1**						
• Legal cases	-13	-21						
• Restructuring	87	22						
• Other	0	0						
EBITDA before special items	**1,595**	**1,755**						
Free cash flow (FCF)	**31**	**126**						
-/+ Cash in- and outflows for M&A activities	101	1						
FCF before cash in- and outflows for M&A activities	**133**	**127**						
FCF before cash in- and outflows for M&A activities LTM	389	395						
/ EBITDA before special items LTM	2,042	2,340						
FCF conversion ratio (in %)	**19.1**	**16.9**						
Value-based management (in € millions)								
EBIT LTM	999	1,468						
- Cost of capital	867	816						
Schaeffler Value Added (SVA)	**133**	**652**						
EBIT before special items LTM	1,114	1,538						
- Cost of capital	867	816						
SVA before special items	**247**	**722**						
EBIT LTM	999	1,468						
/ Average capital employed	8,666	8,164						
ROCE (in %)	**11.5**	**18.0**						
EBIT before special items LTM	1,114	1,538						
/ Average capital employed	8,666	8,164						
ROCE before special items (in %)	**12.9**	**18.8**						

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

1.4 Financial position

Cash flow and liquidity

The Schaeffler Group generated free cash flow before cash in- and outflows for M&A activities of EUR 133 m during the reporting period (prior year: EUR 127 m).

Cash flow **No. 008**

	1st nine months			3rd quarter		
in € millions	**2019**	**2018**	Change in %	**2019**	**2018**	Change in %
Cash flows from operating activities	994	983	1.1	610	463	31.8
Cash used in investing activities	-918	-857	7.1	-273	-260	5.1
• including cash outflows for the acquisition of subsidiaries	-105	-2	> 100	-40	0	-
• including proceeds from the disposal of subsidiaries	4	0	> 100	0	0	-
Cash provided by (used in) financing activities	-241	-77	> 100	-253	30	-
• including principal repayments on lease liabilities	-44	0	-	-15	0	-
Net increase (decrease) in cash and cash equivalents	**-166**	**49**	**-**	**83**	**232**	**-64.1**
Effects of foreign exchange rate changes on cash and cash equivalents	13	-17	-	6	-9	-
Cash and cash equivalents as at beginning of period	801	698	14.7	559	507	10.2
Cash and cash equivalents	**648**	**731**	**-11.3**	**648**	**731**	**-11.3**
Free cash flow (FCF)	**31**	**126**	**-75.2**	**322**	**203**	**58.7**
Free cash flow (FCF) before cash in- and outflows for M&A activities	**133**	**127**	**4.1**	**362**	**202**	**79.1**

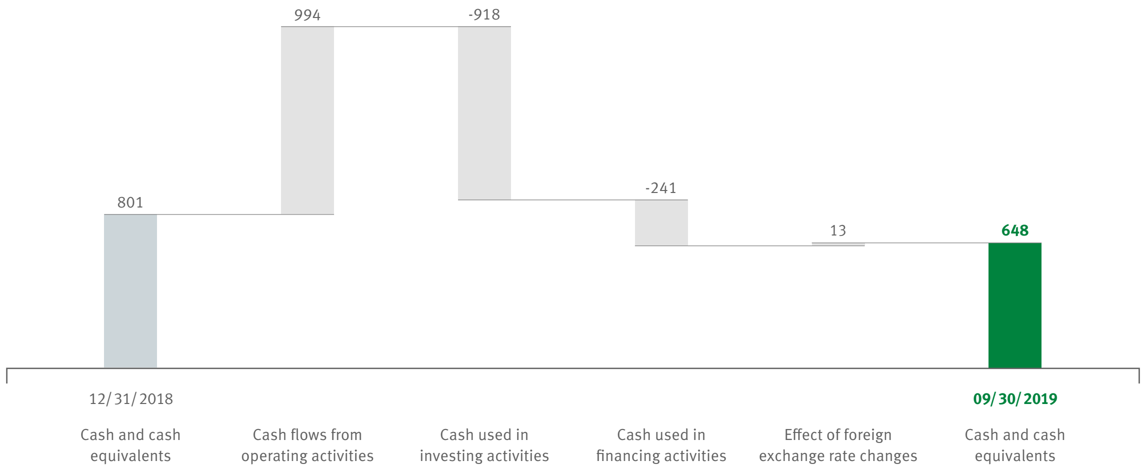
Cash flows from operating activities for the first nine months of 2019 of EUR 994 m (prior year: EUR 983 m) were approximately flat with prior year despite lower earnings. The main reasons were the impact of amortization, depreciation, impairment losses, and provisions on earnings as well as lower income tax payments. Cash outflows related to expanding working capital amounted to EUR 443 m and exceeded the prior year amount of EUR 342 m. The increase in inventories was considerably less pronounced than in the prior year period. Although it did not fully offset the unfavorable changes in trade receivables and trade payables. The working capital ratio, defined as working capital as a percentage of revenue, was 17.9% at September 30, 2019 (prior year: 18.1%).

Capital expenditures on property, plant and equipment and intangible assets (capex) amounted to EUR 823 m (prior year: EUR 857 m) in the reporting period.

The company paid a net amount of EUR 101 m for M&A activities in the first nine months of the year.

EUR 241 m (prior year: EUR 77 m) in cash was used in **financing activities** during the reporting period. EUR 361 m of the dividends paid during the second quarter of 2019 represented the dividends paid to Schaeffler AG's shareholders. The proceeds of three new bond series denominated in EUR that were issued in March 2019 resulted in a cash inflow of EUR 2,190 m. A portion of these proceeds was used in March to prepay EUR 500 m of the existing term loan and to repay the EUR 160 m outstanding under the Revolving Credit Facility at the time. EUR 1,431 m was used during the second quarter to redeem three bond series. In addition, the company terminated cross-currency swaps designed to hedge currency fluctuations, which resulted in a cash inflow of EUR 37 m. Furthermore, the company drew down an additional EUR 35 m of the capital investment loan during the second quarter. Subsidiaries repaid an additional EUR 14 m of their financial debt during the reporting period. Outflows for principal repayments on lease liabilities – presented in financing activities since the beginning of 2019 in accordance with IFRS 16 – amounted to EUR 44 m in the reporting period.

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



Cash and cash equivalents decreased by EUR 152 m to EUR 648 m as at September 30, 2019 (December 31, 2018: EUR 801 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 first nine months of 2019 amounted to EUR 31 m (prior year: EUR 126 m). **Free cash flow before cash in- and outflows for M&A activities** was EUR 133 m (prior year: EUR 127 m).

As at September 30, 2019, cash and cash equivalents consisted primarily of bank balances. EUR 413 m (December 31, 2018: EUR 379 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 1.5 bn (December 31, 2018: EUR 1.3 bn), of which EUR 0 m (December 31, 2018: EUR 160 m) was drawn as at September 30, 2019. Additionally, EUR 31 m of the Revolving Credit Facility was utilized as at September 30, 2019 (December 31, 2018: EUR 13 m), partly in the form of letters of credit.

Capital expenditures by region (capex) **No. 010**

	in € millions	Change in € millions
Europe	**487** 498	-11
Americas	**118** 112	+6
Greater China	**183** 211	-28
Asia/Pacific	**35** 36	-1
Schaeffler Group	**823** 857	-34

9M 2019 9M 2018

Regions reflect the regional structure of the Schaeffler Group.

Capital expenditures

Capital expenditures (capex) for the reporting period of EUR 823 m were below prior year (-4.0%; prior year: EUR 857 m). Capital expenditures amounted to 7.6% (prior year: 8.0%) of revenue (capex ratio). A significant share of total capital expenditures related to the Europe and Greater China regions.

Total additions to intangible assets and property, plant and equipment amounted to EUR 732 m (prior year: EUR 806 m). Approximately 79% of these additions related to the Automotive OEM division, approximately 5% to the Automotive Aftermarket division, and approximately 16% to the Industrial division.

By far the largest share of total capital expenditures related to the Europe region, where the company invested mainly in the "AKO" and "IT 2020" initiatives that are part of the company's program for the future, the "Agenda 4 plus One". The acquisition of real estate in Herzogenaurach represented another significant capital expenditure. In addition, significant funds were invested in new product start-ups in the Automotive OEM division.

Financial debt

The group's net financial debt increased by EUR 295 m to EUR 2,842 m as at September 30, 2019 (December 31, 2018: EUR 2,547 m).

Net financial debt **No. 011**

in € millions	09/30/2019	12/31/2018	Change in %
Bonds	2,780	2,019	37.7
Facilities Agreement	492	1,146	-57.0
Capital investment loan	218	183	19.2
Other financial debt	0	0	0.0
Total financial debt	**3,490**	**3,348**	**4.3**
Cash and cash equivalents	648	801	-19.0
Net financial debt	**2,842**	**2,547**	**11.6**

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 1.5 at September 30, 2019 (December 31, 2018: 1.2). The net debt to EBITDA ratio before special items was 1.4 (December 31, 2018: 1.2).

The gearing ratio, defined as the ratio of net financial debt to shareholders' equity including non-controlling interests, amounted to 103.1% as at September 30, 2019 (December 31, 2018: 83.2%).

The Schaeffler Group was able to have the remaining guarantees provided by subsidiaries to secure the group's debt released on February 28, 2019. Given the previous release of security on September 15, 2018, the Schaeffler Group's debt is now free of any in rem security and guarantees from subsidiaries.

On March 19, 2019, Schaeffler AG issued three bond series denominated in EUR with terms ranging from three to eight years and an aggregate volume of EUR 2.2 bn under its debt issuance program. The 3-year bonds have a volume of EUR 750 m and a coupon of 1.125%, the 5-year bonds have a volume of EUR 800 m and a coupon of 1.875%, and the 8-year bonds have a volume of EUR 650 m and carry a coupon of 2.875%. All three bond series were issued by Schaeffler AG and are listed on the regulated market of the Luxembourg Stock Exchange. The proceeds of the bond issuance were received on March 26, 2019.

An initial portion of the bond proceeds was used to prepay EUR 500 m of the existing term loan on March 26, 2019. At the end of March 2019, a further portion of the issuance proceeds was used to repay the amount outstanding under the Revolving Credit Facility at the time.

The remaining proceeds of the bond issuance were used on May 15, 2019, to redeem three bond series issued by Schaeffler Finance B.V.: the EUR 400 m 2.50% bonds due in 2020, the EUR 500 m 3.50% bonds due in 2022, and the USD 600 m 4.75% bonds due in 2023.

The refinancing transactions triggered the amendments to the EUR 2.3 bn Facilities Agreement and the EUR 250 m capital investment loan agreed to on August 31, 2018, including a reduction in the margins on the term loan and the Revolving Credit Facility, improvements to other credit terms, and an increase in the Revolving Credit Facility to EUR 1.5 bn. All of these amendments became effective on March 26, 2019.

The total amount drawn under the Revolving Credit Facility as at September 30, 2019, was EUR 0 m (December 31, 2018: EUR 160 m).

On August 19, 2019, rating agency Standard & Poor's confirmed its company rating for the Schaeffler Group of BBB- while lowering the outlook for the rating to negative. Standard & Poor's rating for the outstanding bonds issued by Schaeffler AG and Schaeffler Finance B.V. remains unchanged at BBB-.

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:

Schaeffler Group ratings **No. 012**
as at September 30

	2019	2018	2019	2018
		Company		Bonds
Rating agency		Rating/Outlook		Rating
Fitch	BBB-/stable	BBB-/stable	BBB-	BBB-
Moody's	Baa3/stable	Baa3/stable	Baa3	Baa3
Standard & Poor's	BBB-/negative	BBB-/stable	BBB-	BBB-

The Schaeffler Group had the following syndicated loans outstanding at September 30, 2019:

Schaeffler Group loans **No. 013**

		09/30/2019	12/31/2018	09/30/2019	12/31/2018	09/30/2019	12/31/2018	
Tranche	Currency	Principal in millions		Carrying amount in € millions		Coupon		Maturity
Term loan	EUR	500	1,000	488	993	Euribor [1] + 0.80%	Euribor [1] + 1.20%	09/30/2023
Revolving Credit Facility [2]	EUR	1,500	1,300	5	153	Euribor [1] + 0.50%	Euribor [1] + 0.80%	09/30/2023
Capital investment loan [3]	EUR	250	250	218	183	Euribor [1] + 1.00%	Euribor [1] + 1.00%	12/15/2022
Total				**711**	**1,329**			

[1] Euribor floor of 0.00%.
[2] EUR 31 m (December 31, 2018: EUR 173 m) were drawn down as at September 30, 2019, including EUR 21 m in the form of letters of credit.
[3] EUR 219 m (December 31, 2018: EUR 184 m) were drawn down as at September 30, 2019.

In addition, the Schaeffler Group had further lines of credit in the equivalent of approximately EUR 105 m (December 31, 2018: approximately EUR 134 m), primarily in the U.S. and China. Approximately EUR 88 m of these facilities were unutilized as at September 30, 2019 (December 31, 2018: approximately EUR 118 m).

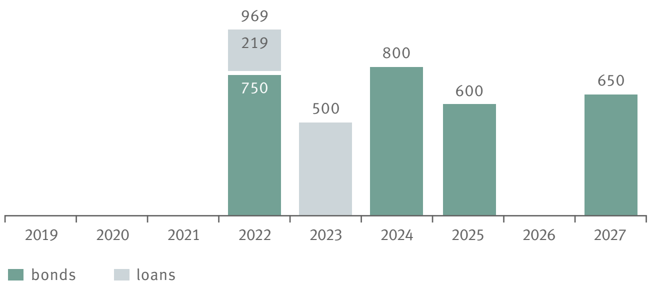
The Schaeffler Group's bonds outstanding at September 30, 2019, are set out below. Schaeffler AG's bonds are listed on the regulated market of the Luxembourg Stock Exchange, while the bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, are traded on the Euro MTF market of the Luxembourg 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 can choose to call the bonds at their contractual redemption price anytime after May 15, 2020.

The company's maturity profile, which consists of the term loan, the capital investment loan, and the bonds issued by Schaeffler AG and Schaeffler Finance B.V., Barneveld, Netherlands, was as follows as at September 30, 2019:

Maturity profile **No. 014**

Principal outstanding as at September 30, 2019, in € millions



Schaeffler Group bonds **No. 015**

			09/30/2019	12/31/2018	09/30/2019	12/31/2018		
ISIN	Issuer	Currency	Principal in millions		Carrying amount in € millions		Coupon	Maturity
XS1212469966	Schaeffler Finance B.V.	EUR	-	400	-	399	2.500%	05/15/2020
XS1067864022	Schaeffler Finance B.V.	EUR	-	500	-	499	3.500%	05/15/2022
US806261AM57	Schaeffler Finance B.V.	USD	-	600	-	525	4.750%	05/15/2023
DE000A2YB699	Schaeffler AG	EUR	750	-	746	-	1.125%	03/26/2022
DE000A2YB7A7	Schaeffler AG	EUR	800	-	793	-	1.875%	03/26/2024
XS1212470972 [1]	Schaeffler Finance B.V.	EUR	600	600	597	596	3.250%	05/15/2025
DE000A2YB7B5	Schaeffler AG	EUR	650	-	644	-	2.875%	03/26/2027
Total					**2,780**	**2,019**		

[1] Bond will reach its first contractual call date on May 15, 2020.

1.5 Net assets and capital structure

The Schaeffler Group's total assets increased by EUR 765 m to EUR 13,127 m as at September 30, 2019 (December 31, 2018: EUR 12,362 m).

Consolidated statement of financial position (abbreviated) **No. 016**

in € millions	09/30/2019	12/31/2018	Change in %
ASSETS			
Non-current assets	7,418	6,827	8.7
Current assets	5,709	5,534	3.1
Total assets	**13,127**	**12,362**	**6.2**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	2,757	3,060	-9.9
Non-current liabilities	7,027	5,780	21.6
Current liabilities	3,343	3,521	-5.1
Total shareholders' equity and liabilities	**13,127**	**12,362**	**6.2**

Non-current assets rose by EUR 591 m to EUR 7,418 m as at September 30, 2019 (December 31, 2018: EUR 6,827 m). The increase was primarily attributable to an increase in deferred tax assets by EUR 206 m and capitalization of EUR 179 m in right-of-use assets under leases as part of the initial application of IFRS 16 (December 31, 2018: EUR 0 m). In addition, property, plant and equipment rose by EUR 108 m and intangible assets by EUR 98 m. The increase in intangible assets is primarily attributable to the acquisitions of the Elmotec Group and Xtronic GmbH.

Current assets rose by EUR 174 m to EUR 5,709 m as at September 30, 2019, (December 31, 2018: EUR 5,534 m), mainly due to increases in trade receivables by EUR 241 m and inventories by EUR 72 m. Other assets were up EUR 27 m as well. These increases were partially offset by a reduction in cash and cash equivalents by EUR 152 m (see "Cash flow and liquidity", pp. 24 et seq.). As at September 30, 2019, trade receivables with a carrying amount of EUR 170 m (December 31, 2018: EUR 166 m) net of retained credit risk had been sold under the ABCP program (asset-backed commercial paper).

Shareholders' equity including non-controlling interests declined by EUR 303 m to EUR 2,757 m as at September 30, 2019 (December 31, 2018: EUR 3,060 m). Net income of EUR 493 m increased shareholders' equity. This contrasted with the EUR 361 m in dividends paid to Schaeffler AG's shareholders. Accumulated other comprehensive income was impacted adversely by EUR 527 m in discount-rate-driven adjustments to pensions and similar obligations and favorably by the EUR 102 m impact of translating the net assets of foreign group companies. The equity ratio was 21.0% as at September 30, 2019 (December 31, 2018: 24.8%).

Non-current liabilities rose by EUR 1,247 m to EUR 7,027 m as at September 30, 2019 (December 31, 2018: EUR 5,780 m). The increase was partly attributable to a discount-rate-driven increase in pensions and similar obligations by EUR 762 m. In addition, three new bond series denominated in EUR with a total volume of EUR 2.2 bn were issued under Schaeffler AG's debt issuance program (see "Financial debt", pp. 26 et seq.). A portion of the bond proceeds was used to prepay EUR 500 m of the existing term loan and to redeem three outstanding bond series issued by Schaeffler Finance B.V. totaling EUR 1.431 m. The recognition of EUR 131 m in lease liabilities (December 31, 2018: EUR 0 m) as part of the initial application of IFRS 16 as well as an additional EUR 35 m drawn under the capital investment loan further increased non-current liabilities.

Current liabilities decreased by EUR 179 m to EUR 3,343 m as at September 30, 2019 (December 31, 2018: EUR 3,521 m). The reduction was partly attributable to a decrease in trade payables by EUR 215 m and the repayment in full of the EUR 160 m outstanding under the Revolving Credit Facility at the time. These decreases were partially offset by the EUR 35 m current portion of the provisions recognized for the program "RACE", an increase in other financial liabilities by EUR 69 m – including EUR 16 m also attributable to the program "RACE" – as well as an increase in other liabilities by EUR 30 m had an offsetting effect. Furthermore, the initial application of IFRS 16 resulted in the recognition of EUR 49 m (December 31, 2018: EUR 0 m) in lease liabilities.

2. Supplementary report

On October 1, 2019, the Board of Managing Directors of Schaeffler AG presented its plans for a voluntary severance scheme to the Supervisory Board. The voluntary severance scheme is aimed at eliminating up to 1,300 jobs – about half from direct and half from indirect areas – in Germany. Two-thirds of these jobs will come from the company's corporate head office in Herzogenaurach and the three divisions' head offices. The voluntary severance scheme is scheduled to start on November 1, 2019.

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, 2019.

3. Report on opportunities and risks

Please refer to pp. 75 et seq. of the Schaeffler Group's annual report 2018 for a discussion of the Schaeffler Group's risk management system and potential opportunities and risks. The statements made in the annual report 2018 regarding the opportunities and risks are largely unchanged.

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

4. Report on expected developments

4.1 Expected economic and sales market trends

The International Monetary Fund (October 2019) now expects the global economy to grow by 3.0% this year. Oxford Economics (October 2019) currently anticipates a growth rate of 2.9%. In light of these forecasts, the Schaeffler Group now expects global economic growth for 2019 of approximately 3% (basis for Schaeffler Group outlook dated February 19, 2019: just under 3.5%).

Please refer to the discussion in the 2018 annual report regarding risks potentially affecting the development of the global economy.

Given the extensive deterioration in market conditions, the Schaeffler Group now estimates that global automobile production will decrease by about 5 to 6% in 2019 (basis for Schaeffler Group outlook dated February 19, 2019: decrease by about 1%; basis for outlook dated July 27, 2019: decrease by about 4%). The global vehicle population is still expected by the Schaeffler Group to grow less than in the prior year, with the average vehicle age remaining nearly unchanged. Due to weaker-than-expected trends in the majority of its regions, the Schaeffler Group now believes that global industrial production will grow by approximately 2% in 2019 (basis for Schaeffler Group outlook dated February 19, 2019: approximately 2.6%).

4.2 Schaeffler Group outlook

Outlook 2019 – group **No. 017**

	Outlook 2019		Actual 9M 2019
Schaeffler Group	Issued 02/19/2019	Issued 07/29/2019	
Revenue growth [1]	1 to 3%	-1 to 1%	-0.1%
EBIT margin before special items [2]	8 to 9%	7 to 8%	8.1%
Free cash flow [3]	approx. EUR 400 m	EUR 350 to 400 m	EUR 133 m

[1] Compared to prior year; excluding the impact of currency translation.
[2] Please refer to pp. 22 et seq. for the definition of special items.
[3] Before cash in- and outflows for M&A activities.

On July 29, 2019, Schaeffler AG's Board of Managing Directors re-evaluated the revenue and earnings trends for the full year 2019. Based on the most recent market trend and results of operations, the company expects to generate revenue growth of -1 to 1%, excluding the impact of currency translation, in 2019.

The group also anticipates generating an EBIT margin before special items of 7 to 8%.

Furthermore, the company expects free cash flow before cash in- and outflows for M&A activities for the full year 2019 of EUR 350 to 400 m.

Outlook 2019 – divisions **No. 018**

	Outlook 2019		Actual 9M 2019
Automotive OEM	Issued 02/19/2019	Issued 07/29/2019	
Revenue growth [1]	1 to 3%	-2 to 0%	-1.5%
EBIT margin before special items [2]	6 to 7%	5 to 6%	5.5%
Automotive Aftermarket			
Revenue growth [1]	1 to 3%	-2 to 0%	-1.5%
EBIT margin before special items [2]	15 to 16%	15 to 16%	15.8%
Industrial			
Revenue growth [1]	1 to 3%	2 to 4%	4.3%
EBIT margin before special items [2]	10 to 11%	10 to 11%	10.9%

[1] Compared to prior year; excluding the impact of currency translation.
[2] Please refer to pp. 22 et seq. for the definition of special items.

For the Automotive OEM division, the Schaeffler Group estimates revenue growth of -2 to 0% in 2019, excluding the impact of currency translation. The Automotive OEM division's EBIT margin before special items for 2019 is estimated at 5 to 6%.

For the Automotive Aftermarket division, the Schaeffler Group now estimates revenue growth of -2 to 0%, excluding the impact of currency translation. The company expects the Automotive Aftermarket division to generate an EBIT margin before special items of 15 to 16%.

Further, the Schaeffler Group expects its Industrial division to generate revenue growth of 2 to 4%, excluding the impact of currency translation, and an EBIT margin before special items of 10 to 11%.

Herzogenaurach, October 28, 2019

The Board of Managing Directors

Consolidated income statement

No. 019

	1st nine months			3rd quarter		
in € millions	**2019**	**2018 1)**	Change in %	**2019**	**2018 1)**	Change in %
Revenue 2)	10,839	10,714	1.2	3,613	3,521	2.6
Cost of sales	-8,110	-7,847	3.3	-2,697	-2,588	4.2
Gross profit	**2,729**	**2,867**	**-4.8**	**917**	**934**	**-1.8**
Research and development expenses	-646	-653	-1.1	-202	-209	-3.5
Selling expenses	-743	-749	-0.9	-241	-250	-3.5
Administrative expenses	-414	-352	17.4	-141	-117	20.1
Other income 2)	60	78	-23.0	9	24	-63.6
Other expenses	-192	-41	> 100	-30	-6	> 100
Earnings before financial result, income (loss) from equity-accounted investees, and income taxes (EBIT)	**795**	**1,149**	**-30.8**	**312**	**376**	**-17.0**
Financial income	44	25	73.8	21	6	> 100
Financial expenses	-137	-135	1.5	-34	-31	8.0
Financial result	**-94**	**-110**	**-14.8**	**-13**	**-25**	**-48.6**
Income (loss) from equity-accounted investees	-12	0	-	-5	0	-
Earnings before income taxes	**689**	**1,039**	**-33.7**	**294**	**351**	**-16.3**
Income taxes	-196	-266	-26.4	-79	-91	-13.0
Net income	**493**	**773**	**-36.2**	**215**	**260**	**-17.4**
Attributable to shareholders of the parent company	485	762	-36.4	212	256	-17.5
Attributable to non-controlling interests	9	11	-19.7	3	4	-15.5
Earnings per common share (basic/diluted, in €)	0.72	1.14	-36.8	0.31	0.38	-18.4
Earnings per common non-voting share (basic/diluted, in €)	0.73	1.15	-36.5	0.31	0.38	-18.4

1) The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See “Basis of preparation” in the condensed notes to the consolidated interim financial statements for further details.
2) See condensed notes to the consolidated interim financial statements for further details.

Consolidated statement of comprehensive income

No. 020

	1st nine months						3rd quarter					
	2019			2018 [1]			2019			2018 [1]		
in € millions	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes
Net income	**689**	**-196**	**493**	**1.039**	**-266**	**773**	**294**	**-79**	**215**	**351**	**-91**	**260**
Foreign currency translation differences for foreign operations	105	0	105	-51	0	-51	65	0	65	-43	0	-43
Net change from hedges of net investments in foreign operations	-1	0	0	-6	2	-4	0	0	0	-1	0	-1
Effective portion of changes in fair value of cash flow hedges	-7	1	-6	-46	12	-34	-25	12	-13	19	-6	13
Net change in fair value of financial assets at fair value through other comprehensive income	-2	0	-2	0	0	0	0	0	0	0	0	0
Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	**95**	**1**	**96**	**-103**	**14**	**-89**	**40**	**12**	**52**	**-26**	**-5**	**-31**
Remeasurement of net defined benefit liability [2]	-731	202	-529	13	-2	11	-329	84	-245	38	-11	27
Total other comprehensive income (loss) that will not be reclassified to profit or loss	**-731**	**202**	**-529**	**13**	**-2**	**11**	**-329**	**84**	**-245**	**38**	**-11**	**27**
Total other comprehensive income (loss)	**-635**	**203**	**-432**	**-90**	**11**	**-78**	**-289**	**96**	**-193**	**13**	**-17**	**-4**
Total comprehensive income (loss)	**54**	**7**	**61**	**950**	**-254**	**695**	**5**	**17**	**22**	**364**	**-108**	**256**
Total comprehensive income (loss) attributable to shareholders of the parent company	37	12	49	942	-248	694	-1	18	17	364	-106	258
Total comprehensive income (loss) attributable to non-controlling interests	17	-5	12	7	-6	1	6	-1	5	0	-2	-2

[1] The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See “Basis of preparation” in the condensed notes to the consolidated interim financial statements for further details.
[2] See condensed notes to the consolidated interim financial statements for further details.

Consolidated statement of financial position

in € millions	09/30/2019	12/31/2018 [1]	09/30/2018 [1] [2]	Change in %
ASSETS				
Intangible assets	725	627	628	15.6
Right-of-use assets under leases [3]	179	0	0	› 100
Property, plant and equipment	5,426	5,318	5,054	2.0
Investments in equity-accounted investees	148	160	2	-7.7
Contract assets	10	11	16	-11.2
Other financial assets	112	106	129	6.2
Other assets	91	85	88	7.7
Deferred tax assets	727	520	524	39.7
Total non-current assets	**7,418**	**6,827**	**6,443**	**8.7**
Inventories	2,256	2,183	2,355	3.3
Contract assets	54	45	45	20.2
Trade receivables	2,245	2,003	2,241	12.1
Other financial assets	119	131	136	-9.3
Other assets	293	267	291	9.9
Income tax receivables	93	102	94	-8.3
Cash and cash equivalents	648	801	731	-19.0
Assets held for sale	0	2	0	- 100
Total current assets	**5,709**	**5,534**	**5,892**	**3.1**
Total assets	**13,127**	**12,362**	**12,336**	**6.2**

[1] The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See “Basis of preparation” in the condensed notes to the consolidated interim financial statements for further details.
[2] See “Basis of preparation” in the condensed notes to the consolidated interim financial statements for further details.
[3] See condensed notes to the consolidated interim financial statements for further details.

No. 021

in € millions	09/30/2019	12/31/2018 [1]	09/30/2018 [1)2]	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	988	866	717	14.0
Accumulated other comprehensive income (loss)	-1,341	-907	-890	47.8
Equity attributable to shareholders of the parent company	**2,661**	**2,973**	**2,841**	**-10.5**
Non-controlling interests	96	87	106	10.2
Total shareholders' equity	**2,757**	**3,060**	**2,948**	**-9.9**
Provisions for pensions and similar obligations [3]	2,935	2,173	2,140	35.1
Provisions [3]	188	172	158	9.4
Financial debt [3]	3,480	3,188	3,137	9.2
Contract liabilities	4	2	2	79.5
Income tax payables	103	103	101	0.1
Other financial liabilities	20	8	9	> 100
Lease liabilities [3]	131	0	0	> 100
Other liabilities	14	3	3	> 100
Deferred tax liabilities	152	131	129	16.4
Total non-current liabilities	**7,027**	**5,780**	**5,679**	**21.6**
Provisions [3]	278	244	240	14.0
Financial debt [3]	10	160	238	-93.7
Contract liabilities	51	45	56	13.4
Trade payables	1,752	1,967	1,924	-11.0
Income tax payables	88	69	130	27.8
Other financial liabilities	550	481	489	14.4
Lease liabilities [3]	49	0	0	> 100
Refund liabilities	215	236	239	-8.7
Other liabilities	350	320	392	9.5
Total current liabilities	**3,343**	**3,521**	**3,709**	**-5.1**
Total shareholders' equity and liabilities	**13,127**	**12,362**	**12,336**	**6.2**

[1] The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
[2] See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
[3] See condensed notes to the consolidated interim financial statements for further details.

Consolidated statement of cash flows

No. 022

in € millions	1st nine months 2019	1st nine months 2018 [1]	Change in %	3rd quarter 2019	3rd quarter 2018 [1]	Change in %
Operating activities						
EBIT	795	1,149	-30.8	312	376	-17.0
Interest paid	-89	-79	12.9	-15	-34	-55.6
Interest received	13	8	61.8	3	3	4.0
Income taxes paid	-156	-284	-45.0	-46	-90	-48.3
Depreciation, amortization, and impairment losses	725	605	19.9	246	207	18.6
(Gains) losses on disposal of assets	-10	-1	> 100	-1	1	-
Changes in:						
• Inventories	-40	-352	-88.6	101	-73	-
• Trade receivables	-266	-109	> 100	-1	71	-
• Trade payables	-137	119	-	-82	19	-
• Provisions for pensions and similar obligations	0	-3	-	0	10	-
• Other assets, liabilities, and provisions	157	-71	-	93	-29	-
Cash flows from operating activities	**994**	**983**	**1.1**	**610**	**463**	**31.8**
Investing activities						
Proceeds from disposals of property, plant and equipment	18	2	> 100	2	1	> 100
Capital expenditures on intangible assets	-11	-8	30.8	-2	-4	-41.6
Capital expenditures on property, plant and equipment	-812	-848	-4.3	-226	-258	-12.2
Acquisition of subsidiaries [2]	-105	-2	> 100	-40	0	-
Proceeds from disposal of subsidiaries [2]	4	0	> 100	0	0	-
Other investing activities	-12	-1	> 100	-7	0	> 100
Cash used in investing activities	**-918**	**-857**	**7.1**	**-273**	**-260**	**5.1**
Financing activities						
Dividends paid to shareholders and non-controlling interests	-364	-363	0.4	0	0	0.0
Receipts from bond issuances and loans [2]	2,235	288	> 100	-237	30	-
Redemption of bonds and repayments of loans [2] [3]	-2,068	-2	> 100	-1	0	> 100
Principal repayments on lease liabilities	-44	0	-	-15	0	-
Cash provided by (used in) financing activities	**-241**	**-77**	**> 100**	**-253**	**30**	**-**
Net increase (decrease) in cash and cash equivalents	**-166**	**49**	**-**	**83**	**232**	**-64.1**
Effects of foreign exchange rate changes on cash and cash equivalents	13	-17	-	6	-9	-
Cash and cash equivalents as at beginning of period	801	698	14.7	559	507	10.2
Cash and cash equivalents as at September 30	**648**	**731**	**-11.3**	**648**	**731**	**-11.3**

[1] The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See “Basis of preparation” in the condensed notes to the consolidated interim financial statements for further details.
[2] See condensed notes to the consolidated interim financial statements for further details.
[3] Incl. EUR 37 m in cash inflows from cross-currency swaps terminated early in connection with the redemption of the USD bond series.

Consolidated statement of changes in equity

No. 023

	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, 2018 before IFRS 9 and IFRS 15 adjustments [2]	**666**	**2,348**	**282**	**-267**	**15**	**0**	**-570**	**-822**	**2,474**	**107**	**2,581**
Adjustments IFRS 9			27						27		27
Adjustments IFRS 15			7						7		7
Balance as at January 01, 2018 [2]	**666**	**2,348**	**316**	**-267**	**15**	**0**	**-570**	**-822**	**2,508**	**107**	**2,615**
Net income			762					0	762	11	773
Other comprehensive income (loss)				-46	-34	0	11	-68	-68	-10	-78
Total comprehensive income (loss)	**0**	**0**	**762**	**-46**	**-34**	**0**	**11**	**-68**	**694**	**1**	**695**
Dividends			-361					0	-361	-2	-363
Total amount of transactions with shareholders			-361						-361	-2	-363
Balance as at September 30, 2018 [2] [3]	**666**	**2,348**	**717**	**-313**	**-18**	**0**	**-559**	**-890**	**2,841**	**106**	**2,948**
Balance as at January 01, 2019 [2]	**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)				102	-6	-2	-529	-435	-435	3	-432
Total comprehensive income (loss)	**0**	**0**	**485**	**102**	**-6**	**-2**	**-529**	**-435**	**49**	**12**	**61**
Dividends			-361					0	-361	-3	-364
Total amount of transactions with shareholders			-361						-361	-3	-364
Changes in the scope of consolidation			-2				2	2	0		0
Balance as at September 30, 2019	**666**	**2,348**	**988**	**-183**	**-33**	**-2**	**-1,122**	**-1,341**	**2,661**	**96**	**2,757**

[1] Equity attributable to shareholders of the parent company.
[2] The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
[3] See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.

Consolidated segment information

(Part of the notes to the consolidated financial statements)

No. 024

	1st nine months		1st nine months		1st nine months		1st nine months	
	2019	**2018 1) 2)**	**2019**	**2018 1) 2)**	**2019**	**2018 1) 2)**	**2019**	**2018 1)**
in € millions	Automotive OEM		Automotive Aftermarket		Industrial		Total	
Revenue	6,768	6,778	1,386	1,403	2,685	2,533	10,839	10,714
EBIT	284	596	219	268	292	285	795	1,149
• in % of revenue	4.2	8.8	15.8	19.1	10.9	11.3	7.3	10.7
EBIT before special items 3)	371	592	219	266	292	292	883	1,150
• in % of revenue	5.5	8.7	15.8	18.9	10.9	11.5	8.1	10.7
Depreciation, amortization, and impairment losses	-570	-486	-29	-20	-126	-99	-725	-605
Working capital 4) 5)	1,324	1,200	407	460	1,018	1,012	2,749	2,672
Additions to intangible assets and property, plant and equipment	578	696	37	14	117	96	732	806

	3rd quarter		3rd quarter		3rd quarter		3rd quarter	
	2019	**2018 1) 2)**	**2019**	**2018 1) 2)**	**2019**	**2018 1) 2)**	**2019**	**2018 1)**
in € millions	Automotive OEM		Automotive Aftermarket		Industrial		Total	
Revenue	2,254	2,191	480	476	879	854	3,613	3,521
EBIT	140	180	83	89	89	107	312	376
• in % of revenue	6.2	8.2	17.2	18.8	10.2	12.5	8.6	10.7
EBIT before special items 3)	155	167	83	86	89	102	327	356
• in % of revenue	6.9	7.6	17.2	18.2	10.2	12.0	9.1	10.1
Depreciation, amortization, and impairment losses	-195	-167	-10	-7	-41	-33	-246	-207
Working capital 4) 5)	1,324	1,200	407	460	1,018	1,012	2,749	2,672
Additions to intangible assets and property, plant and equipment	179	259	-1	-4	52	33	231	288

Prior year information presented based on 2019 segment structure.
1) The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See “Basis of preparation” in the condensed notes to the consolidated interim financial statements for further details.
2) Prior year amounts are based on a retrospective change in segment structure. See condensed notes to the consolidated interim financial statements for further details.
3) EBIT before special items for legal cases, restructuring, and other.
4) Inventories plus trade receivables less trade payables.
5) 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 Industriestr. 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, 2019, 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 globally leading, integrated automotive and industrial supplier.

Basis of preparation

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

The consolidated interim financial statements of Schaeffler AG, Herzogenaurach, for the reporting period ended September 30, 2019, 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 2018 consolidated financial statements, where the latter are discussed in detail. Except for the amendments to and new requirements of IFRS effective starting in 2019, 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. 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, 2018. In addition to the issues disclosed in the consolidated financial statements as at and for the year ended December 31, 2018, the identification of performance obligations under development contracts and alternative uses for customer-specific products is also subject to judgment and estimation uncertainty. The only change relates to the assumptions regarding the discount rate used to measure the company's pension obligations. These assumptions were adjusted to reflect current market trends. The adjustment has led to an increase in pension obligations and a decrease in shareholders' equity. Please refer to "Provisions for pensions and similar obligations" below for more detailed information.

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

Income taxes were determined based on best estimate.

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

Adjustments to comparative information

In 2018, a change in accounting policy for interest and penalties related to income taxes (see Note 1.4 to the consolidated financial statements in the annual report 2018 for further details) and the change in the accounting treatment of contracts with customers (see Note 1.5 to the consolidated financial statements in the annual report 2018 for further details) have resulted in retrospective adjustments to the comparative figures of the consolidated statement of financial position as at September 30, 2018, presented in this interim financial report.

The following summary provides an overview of the retrospective adjustments to the consolidated statement of financial position as at September 30, 2018.

Adjustments to comparative information – consolidated statement of financial position September 30, 2018 **No. 025**

	Before adjustments	Adjustment due to change in accounting policy for		Adjusted
in € millions	09/30/2018	interest and penalties related to income taxes	revenue from contracts with customers	09/30/2018
ASSETS				
Property, plant and equipment	5,057	0	-2	5,054
Contract assets	0	0	16	16
Deferred tax assets	524	0	0	524
Total non-current assets	**6,429**	**0**	**14**	**6,443**
Inventories	2,355	0	0	2,355
Contract assets	43	0	3	45
Total current assets	**5,890**	**0**	**3**	**5,892**
Total assets	**12,319**	**0**	**17**	**12,336**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Other reserves	677	29	11	717
Total shareholders' equity	**2,907**	**29**	**11**	**2,948**
Provisions	143	15	0	158
Income tax payables	145	-44	0	101
Deferred tax liabilities	125	0	5	129
Total non-current liabilities	**5,703**	**-29**	**5**	**5,679**
Provisions	220	23	-3	240
Contract liabilities	21	0	36	56
Income tax payables	154	-23	0	130
Other financial liabilities	729	0	-239	489
Refund liabilities	0	0	239	239
Other liabilities	423	0	-32	392
Total current liabilities	**3,709**	**0**	**1**	**3,709**
Total shareholders' equity and liabilities	**12,319**	**0**	**17**	**12,336**

IFRS 16

In January 2016, the IASB issued IFRS 16 Leases, which replaces the requirements of IAS 17 and the related Interpretations. The Schaeffler Group has initially applied IFRS 16 effective January 1, 2019.

IFRS 16 introduces a uniform lessee accounting model requiring lessees to capitalize leases in their statement of financial position. Lessees capitalize the right to use the leased asset ("right-of-use asset") and recognize a liability representing its obligation to make lease payments. The new standard substantially carries forward the lessor accounting requirements in IAS 17, continuing to require them to classify leases as operating leases or finance leases.

The Schaeffler Group is using the modified retrospective approach to transition to IFRS 16, i.e. the standard is only applied to the most recent reporting period presented in the financial statements (the year 2019). Prior year amounts are not adjusted. Upon initially applying IFRS 16, the company has measured the right-of-use asset at an amount equal to the lease liability, using the discount rate at the date of initial application. The Schaeffler Group's average incremental borrowing rate as at January 1, 2019, amounted to 2.4%.

The company has elected to apply the recognition exemptions for short-term leases with a term of up to twelve months and for leases of low-value assets. The Schaeffler Group also applies additional practical expedients. For all leases except real estate, lease and non-lease components are accounted for as a single lease component. Additionally, for leases not classified as leases under IAS 17 and IFRIC 4, the company does not reassess whether these leases meet the definition of a lease under IFRS 16.

The Schaeffler Group has examined the impact that applying IFRS 16 has on processes, systems, and contracts in a dedicated project. The main impact of transitioning to the new standard results from capitalizing real estate and vehicle leases. Additional categories were identified: machinery, production equipment, and office equipment.

The initial application of IFRS 16 has resulted in the recognition of EUR 190 m in lease liabilities and right-of-use assets in the consolidated statement of financial position as at January 1, 2019. This figure was adjusted retrospectively following the reassessment of certain contracts during the reporting period.

The following summaries provide an overview of the impact of IFRS 16 on the consolidated interim financial statements as at September 30, 2019.

IFRS 16 – impact on consolidated statement of financial position **No. 026**

in € millions	09/30/2019	Impact IFRS 16	09/30/2019 before applying IFRS 16
ASSETS			
Right-of-use assets under leases	179	179	0
Non-current assets	**7,418**	**179**	**7,239**
Current assets	**5,709**	**0**	**5,709**
Total assets	**13,127**	**179**	**12,948**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	**2,757**	**1**	**2,756**
Lease liabilities	131	131	0
Non-current liabilities	**7,027**	**131**	**6,896**
Lease liabilities	49	49	0
Current liabilities	**3,343**	**49**	**3,294**
Total shareholders' equity and liabilities	**13,127**	**179**	**12,948**

IFRS 16 – impact on consolidated income statement **No. 027**

in € millions	1st nine months 2019	Impact IFRS 16	1st nine months 2019 before applying IFRS 16
EBIT	**795**	**4**	**791**
Financial result	**-94**	**-3**	**-91**
Net income	**493**	**1**	**492**

Unrecognized lease obligations as at December 31, 2018, can be reconciled to recognized lease liabilities as at January 1, 2019, as follows:

Reconciliation of unrecognized lease obligations **No. 028**

in € millions	
Operating rental and lease agreements as at December 31, 2018	**141**
Short-term leases with a lease term of up to 12 months	-2
Leases for which the underlying asset is of low value	-3
Operating rental and lease agreements as at January 01, 2019	**136**
Discounted at the incremental borrowing rate as at January 01, 2019	**128**
Extension and termination options reasonably certain to be exercised	62
Lease liabilities resulting from the initial application of IFRS 16 as at January 01, 2019	**190**
Lease liabilities resulting from finance leases as at January 01, 2019	0
Lease liabilities recognized as at January 01, 2019	**190**

Foreign currency translation

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

Selected foreign exchange rates **No. 029**

					1st nine months	
Currencies		**09/30/2019**	12/31/2018	09/30/2018	**2019**	2018
1 € in				Closing rates		Average rates
CNY	China	7.78	7.88	7.97	7.71	7.78
INR	India	77.16	79.73	83.92	78.85	80.22
KRW	South Korea	1,304.83	1,277.93	1,285.75	1,305.77	1,303.58
MXN	Mexico	21.45	22.49	21.78	21.63	22.74
USD	U.S.	1.09	1.15	1.16	1.12	1.20

Scope of consolidation

The consolidated financial statements of Schaeffler AG as at September 30, 2019, cover, in addition to Schaeffler AG, 157 (December 31, 2018: 152) subsidiaries; 54 (December 31, 2018: 51) entities are domiciled in Germany and 103 (December 31, 2018: 101) in other countries.

Elmotec Statomat Holding GmbH, Karben, and its subsidiaries as well as Xtronic GmbH were consolidated for the first time in 2019. The remaining changes are mainly attributable to newly founded entities and the sale of The Barden Corporation (UK), Ltd., Plymouth, and Schaeffler Friction Products Hamm GmbH, Hamm.

In the consolidated financial statements as at September 30, 2019, three (December 31, 2018: three) joint ventures and four associated companies (December 31, 2018: two) are accounted for at equity.

Acquisitions and disposals of subsidiaries

Acquisition of Elmotec Statomat Holding GmbH

The Schaeffler Group acquired a 100% interest in Elmotec Statomat Holding GmbH in a transaction that closed on January 31, 2019. Elmotec Statomat is a manufacturer of production machinery for the high-volume construction of electric motors. The acquisition represents a step toward expanding the Schaeffler Group's manufacturing expertise in the field of construction of electric motors and implementing its electric mobility strategy.

The purchase price paid in the amount of EUR 65 m is preliminary. The consideration for the acquisition, which is payable in cash, depends on the amounts of financial debt, net working capital, and further liabilities and provisions in the closing balance sheet of Elmotec Statomat.

The allocation of the consideration to be transferred to the assets and liabilities acquired is still preliminary. Based on information currently known, total net identifiable assets amount to EUR 21 m. The preliminary purchase price allocation has resulted in goodwill of EUR 44 m and identifiable intangible assets of EUR 30 m (including EUR 26 m in technology assumed).

The purchase agreement with the former shareholders of Elmotec Statomat Holding GmbH includes a value guarantee covering receivables more than 180 days past due. Should no cash be collected on these receivables within two years, the purchase price will be reduced retrospectively by the amount of the uncollectible receivables.

Based on information currently known, the goodwill of EUR 44 m, which cannot be recognized for tax purposes and is therefore not tax-deductible, represents the value of the technology's planned further development.

The amounts contributed by the Elmotec Statomat Group to revenue and net income since the date of acquisition were immaterial.

Acquisition of Xtronic GmbH

The Schaeffler Group has obtained control of Xtronic GmbH by entering into an agreement to acquire a 100% interest in Xtronic GmbH on May 3, 2019. Xtronic GmbH is a technology partner that develops customer-specific software and electronics solutions for the international automotive industry. The acquisition of Xtronic GmbH expands the Schaeffler Group's software and electronics capabilities and strengthens primarily the Chassis Systems and E-Mobility business divisions.

The purchase price of EUR 40 m paid in cash on July 1, 2019, is preliminary. EUR 5 m of this amount was paid into escrow as security for any possible claims the Schaeffler Group might have in connection with the acquisition agreement.

The allocation of the consideration to be transferred to the assets and liabilities acquired is still preliminary. The preliminary purchase price allocation has resulted in goodwill of EUR 40 m.

Based on information currently known, the goodwill of EUR 40 m, which cannot be recognized for tax purposes and is therefore not tax-deductible, represents the value of the technology's planned further development.

The amounts contributed by Xtronic GmbH to revenue and net income since the date of acquisition were immaterial.

Disposals of subsidiaries

An impairment loss of EUR 14 m on assets temporarily held for sale was recognized in other expenses during the reporting period.

The Schaeffler Group sold The Barden Corporation (UK) Ltd., Plymouth, to HQW Holding (UK) Co. Limited in a transaction that closed on May 31, 2019. The Plymouth site mainly produced spindle bearings, machine parts, and specialized bearings in the Schaeffler Group's Industrial division. Production will be partially moved to the Schaeffler Group's existing manufacturing locations in other countries. The disposal decision was mainly aimed at improving the Schaeffler Group's cost structure and logistics network.

The Schaeffler Group sold Schaeffler Friction Products Hamm GmbH, Hamm, to the company's management team (management buyout) in a transaction that closed on June 30, 2019. The Hamm location mostly produced friction linings for dry double clutch transmissions in the Automotive OEM division. The company decided on the disposal because this business in Hamm has recently shown persistent and considerable declines. Alongside friction linings, the Hamm plant manufactured specialized friction solutions for the Industrial division, including applications for agriculture, lift and hoist systems, electromagnetic brakes, and wind turbines.

The two disposals resulted in a loss on disposal of EUR 16 m that has been recognized in other expenses.

Revenue

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

IFRS 15 – analysis of revenue by category **No. 030**

	1st nine months		1st nine months		1st nine months		1st nine months	
	2019	**2018** [1]	**2019**	**2018** [1]	**2019**	**2018** [1]	**2019**	**2018**
in € millions	Automotive OEM		Automotive Aftermarket		Industrial		Total	
Revenue by type								
• Revenue from the sale of goods	6,641	6,648	1,386	1,403	2,655	2,507	10,680	10,557
• Revenue from the sale of tools	86	68	0	0	6	0	92	68
• Revenue from developement services	17	40	0	0	0	0	18	40
• Revenue from other services	24	19	0	0	24	25	48	44
• Other revenue	0	3	0	0	0	1	1	4
Total	**6,768**	**6,778**	**1,386**	**1,403**	**2,685**	**2,533**	**10,839**	**10,714**
Revenue by region [2]								
• Europe	2,899	3,053	1,016	1,056	1,430	1,424	5,346	5,533
• Americas	1,642	1,456	269	250	481	440	2,392	2,145
• Greater China	1,357	1,433	64	58	539	436	1,959	1,927
• Asia/Pacific	870	837	37	39	236	233	1,142	1,109
Total	**6,768**	**6,778**	**1,386**	**1,403**	**2,685**	**2,533**	**10,839**	**10,714**

[1] Prior year information presented based on 2019 segment structure. Prior year amounts are based on a retrospective change in segment structure.
[2] By market (customer location).

Other income

Other income included the refund of a penalty of EUR 13 m paid in 2015 in connection with antitrust proceedings in South Korea. EUR 9 m in gains on the sale of properties and the buildings on them are included here as well.

Provisions

On March 6, 2019, the Schaeffler Group announced its program "RACE" (Regroup Automotive for higher margin and Capital Efficiency), which is designed to sustainably increase the Automotive OEM division's efficiency and optimize its portfolio. Responsibility for the program, which consists of three stages, rests with Matthias Zink, CEO of the Automotive OEM division. As part of the first stage, the division will further consolidate its footprint. The company has recognized a total of EUR 65 m in current and non-current restructuring provisions in connection with the program. A further EUR 7 m was recognized in provisions for personnel expenses in connection with the program "RACE". In total, EUR 21 m of these provisions had been utilized by September 30, 2019.

In addition, a portion of the EUR 9 m restructuring provision recognized in 2018 for the reorganization of the company's UK business activities was reversed, since the production location affected has been sold, resulting in the recognition criteria for this portion of the restructuring provision no longer being met.

Provisions for pensions and similar obligations

Interest rate levels as at September 30, 2019, have decreased significantly compared to December 31, 2018. As a result, the Schaeffler Group has adjusted the discount rate used to value its key pension plans as at the reporting date. The Schaeffler Group's average discount rate as at September 30, 2019, amounted to 0.9% (December 31, 2018: 2.2%). The resulting remeasurement of the company's obligations under defined benefit pension plans resulted in actuarial losses of EUR 728 m as at September 30, 2019, which were recognized in the consolidated statement of comprehensive income and are reported under accumulated other comprehensive income net of deferred taxes.

Current and non-current financial debt

On March 19, 2019, Schaeffler AG issued three bond series denominated in EUR with terms ranging from three to eight years and an aggregate volume of EUR 2.2 bn under its debt issuance program. The 3-year bonds have a volume of EUR 750 m and a coupon of 1.125%, the 5-year bonds have a volume of EUR 800 m and a coupon of 1.875%, and the 8-year bonds have a volume of EUR 650 m and carry a coupon of 2.875%.

A portion of the bond proceeds was used to prepay EUR 500 m of the existing term loan and to repay the amount outstanding under the Revolving Credit Facility at the time. Furthermore, the company redeemed three bond series issued by Schaeffler Finance B.V. early on May 15, 2019: the EUR 400 m 2.50% bonds due in 2020, the EUR 500 m 3.50% bonds due in 2022, and the USD 600 m 4.75% bonds due in 2023.

In addition, the company drew down EUR 35 m of the capital investment loan compared to December 31, 2018. The Revolving Credit Facility was repaid in full as at September 30, 2019.

Financial debt (current/non-current) **No. 031**

	09/30/2019			12/31/2018		
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	2,780	2,780	0	2,019	2,019
Facilities Agreement	10	482	492	160	986	1,146
Capital investment loan	0	218	218	0	183	183
Total	**10**	**3,480**	**3,490**	**160**	**3,188**	**3,348**

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 **No. 032**

			09/30/2019		12/31/2018 [1]		09/30/2018 [1]	
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		2,125	2,125	1,914	1,914	2,163	2,163
Trade receivables – ABCP program	FVTPL	2	120	120	89	89	78	78
Other financial assets								
• Other investments	FVOCI	2	36	36	38	38	38	38
• Marketable securities	FVTPL	1	23	23	17	17	19	19
• Derivatives designated as hedging instruments	n.a.	2	8	8	43	43	39	39
• Derivatives not designated as hedging instruments	FVTPL	2	65	65	31	31	79	79
• Miscellaneous other financial assets	Amortized cost		100	100	108	108	90	90
Cash and cash equivalents	Amortized cost		648	648	801	801	731	731
Financial liabilities, by class								
Financial debt	FLAC	1,2 [2]	3,490	3,669	3,348	3,364	3,375	3,445
Trade payables	FLAC		1,752	1,752	1,967	1,967	1,924	1,924
Refund liabilities	n.a.		215	215	236	236	239	239
Lease liabilities [3]	FLAC		180	-	0	-	0	-
Other financial liabilities								
• Derivatives designated as hedging instruments	n.a.	2	53	53	40	40	29	29
• Derivatives not designated as hedging instruments	FVTPL	2	42	42	27	27	36	36
• Miscellaneous other financial liabilities	FLAC		475	475	422	422	434	434
Summary by category								
Financial assets at amortized cost (Amortized cost)			2,873	2,873	2,823	2,823	2,984	2,984
Financial assets at fair value through profit or loss (FVTPL)			208	208	137	137	176	176
Financial assets (equity instruments) at fair value through other comprehensive income (FVOCI)			36	36	38	38	38	38
Financial liabilities at amortized cost (FLAC)			5,897	5,896	5,737	5,753	5,733	5,803
Financial liabilities at fair value through profit or loss (FVTPL)			42	42	27	27	36	36

[1] The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
[2] Level 1: EUR 2,940 m (December 31, 2018: EUR 2,020 m; September 30, 2018: EUR 2,067 m).
Level 2: EUR 729 m (December 31, 2018: EUR 1,344 m; September 30, 2018: EUR 1,378 m).
[3] Disclosure of fair value omitted in accordance with IFRS 7.29 (d).

The carrying amounts of trade receivables, including the receivables available for sale under the ABCP program, 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.

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

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

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

Contingent liabilities and other obligations

The statements made in the annual report 2018 with respect to contingent liabilities are largely unchanged.

Open commitments under fixed contracts to purchase property, plant and equipment amounted to EUR 374 m as at September 30, 2019 (December 31, 2018: EUR 465 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 divides its business into three divisions – **Automotive OEM**, **Automotive Aftermarket**, and **Industrial**. The Automotive OEM division business is organized into the four **business divisions (BD) Engine Systems**, **Transmission Systems**, **E-Mobility**, 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 is reviewed and adjusted annually. To ensure that the information on the Automotive OEM 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.

The integration of the "Bearing & Components Technologies" (BCT) unit, which had previously acted as an internal supplier, has had a significant impact on the presentation of prior year amounts. Under this reorganization, the functions and plants previously assigned to BCT were integrated directly into the two divisions Automotive OEM and Industrial. In this context, the risk of fluctuations in production costs during the year has been borne exclusively by the two producing divisions Automotive OEM and Industrial starting in 2019, a change designed to strengthen divisional management.

Reconciliation to earnings before income taxes **No. 033**

	1st nine months	
in € millions	**2019**	**2018 1) 2)**
EBIT Automotive OEM 2)	284	596
EBIT Automotive Aftermarket 2)	219	268
EBIT Industrial 2)	292	285
EBIT	**795**	**1,149**
Financial result	-94	-110
Income (loss) from equity-accounted investees	-12	0
Earnings before income taxes	**689**	**1,039**

1) The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
2) Prior year information presented based on 2019 segment structure.

Reconciliation – EBIT to EBIT before special items **No. 034**

	1st nine months		1st nine months		1st nine months		1st nine months	
	2019	**2018 1) 2)**	**2019**	**2018 1) 2)**	**2019**	**2018 1) 2)**	**2019**	**2018 1)**
in € millions	Automotive OEM		Automotive Aftermarket		Industrial		Total	
EBIT	**284**	**596**	**219**	**268**	**292**	**285**	**795**	**1,149**
• in % of revenue	4.2	8.8	15.8	19.1	10.9	11.3	7.3	10.7
Special items	**87**	**-3**	**0**	**-3**	**0**	**7**	**88**	**1**
• Legal cases	0	-13	0	-3	-13	-4	-13	-21
• Restructuring	87	10	0	0	13	11	101	22
• Other	0	0	0	0	0	0	0	0
EBIT before special items	**371**	**592**	**219**	**266**	**292**	**292**	**883**	**1,150**
• in % of revenue	5.5	8.7	15.8	18.9	10.9	11.5	8.1	10.7

1) The Schaeffler Group has initially applied the new standard IFRS 16 effective January 1, 2019, using the modified retrospective approach to transition to the new requirements. Under this approach, prior year amounts are not adjusted. See "Basis of preparation" in the condensed notes to the consolidated interim financial statements for further details.
2) Prior year amounts are based on a retrospective change in segment structure.

Related parties

The extent of transactions with related persons and entities remained largely unchanged compared to the 2018 consolidated financial statements.

On April 24, 2019, the Schaeffler AG annual general meeting passed a resolution to pay a total dividend of EUR 361 m in respect of 2018 (prior year: EUR 361 m), consisting of EUR 270 m (prior year: EUR 270 m) on the common shares held by IHO Verwaltungs GmbH and EUR 91 m (prior year: EUR 91 m) on the common non-voting shares.

Transactions with associated companies and joint ventures in the first nine months of 2019 were insignificant.

Events after the reporting period

On October 1, 2019, the Board of Managing Directors of Schaeffler AG presented its plans for a voluntary severance scheme to the Supervisory Board. The voluntary severance scheme is aimed at eliminating up to 1,300 jobs – about half from direct and half from indirect areas – in Germany. Two-thirds of these jobs will come from the company's corporate head office in Herzogenaurach and the three divisions' head offices. The voluntary severance scheme is scheduled to start on November 1, 2019.

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, 2019.

Herzogenaurach, October 28, 2019

The Board of Managing Directors

List of figures

Forward-looking statements

This document contains forward-looking statements that reflect management's current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond Schaeffler AG's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies, and the actions of government regulators. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. Schaeffler AG does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of this report.

Rounding differences may occur.

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

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

Summary – 1st quarter 2018 to 3rd quarter 2019

	2018				2019		
Income statement (in € millions)	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Revenue	3,551	3,641	3,521	3,527	3,622	3,604	3,613
EBIT	391	382	376	204	230	253	312
• in % of revenue	11.0	10.5	10.7	5.8	6.3	7.0	8.6
EBIT before special items [1]	391	404	356	231	272	284	327
• in % of revenue	11.0	11.1	10.1	6.5	7.5	7.9	9.1
Net income [2]	238	268	256	119	137	136	212
Earnings per common non-voting share (basic/diluted, in €)	0.36	0.41	0.38	0.18	0.21	0.21	0.31
Statement of financial position (in € millions)							
Total assets	11,876	12,023	12,336	12,362	14,561	12,993	13,127
Shareholders' equity [3]	2,778	2,691	2,948	3,060	3,169	2,736	2,757
• in % of total assets	23.4	22.4	23.9	24.8	21.8	21.1	21.0
Net financial debt	2,438	2,834	2,645	2,547	2,805	3,167	2,842
• Net financial debt to EBITDA ratio before special items [1] [4]	1.1	1.2	1.1	1.2	1.3	1.6	1.4
• Gearing ratio (Net financial debt to shareholders' equity, in %)	87.8	105.3	89.7	83.2	88.5	115.8	103.1
Statement of cash flows (in € millions)							
EBITDA	587	584	584	421	472	490	558
Cash flows from operating activities	236	284	463	623	154	229	610
Capital expenditures (capex) [5]	306	289	261	376	373	221	229
• in % of revenue (capex ratio)	8.6	7.9	7.4	10.6	10.3	6.1	6.3
Free cash flow (FCF) before cash in- and outflows for M&A activities	-70	-5	203	257	-235	6	362
• FCF conversion ratio (ratio of FCF before cash in- and outflows for M&A activities to EBITDA before special items, in %) [1] [4]	24.1	22.1	16.9	17.5	10.3	11.3	19.1
Value-based management							
Schaeffler Value Added before special items (in € millions) [1] [4]	742	791	722	557	422	289	247
ROCE before special items (in %) [1] [4]	19.3	19.8	18.8	16.7	15.0	13.4	12.9
Employees							
Headcount (at end of reporting period)	91,414	92,198	92,836	92,478	91,837	90,492	89,036

	2018				2019		
Automotive OEM division (in € millions)	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Revenue	2,280	2,307	2,191	2,218	2,286	2,229	2,254
EBIT	218	197	180	66	59	85	140
• in % of revenue	9.6	8.5	8.2	3.0	2.6	3.8	6.2
EBIT before special items [1]	218	207	167	81	113	103	155
• in % of revenue	9.6	9.0	7.6	3.6	5.0	4.6	6.9
Automotive Aftermarket division (in € millions)							
Revenue	447	480	476	459	441	465	480
EBIT	80	99	89	73	64	73	83
• in % of revenue	18.0	20.6	18.8	15.9	14.4	15.7	17.2
EBIT before special items [1]	80	99	86	73	64	73	83
• in % of revenue	18.0	20.6	18.2	15.9	14.4	15.7	17.2
Industrial division (in € millions)							
Revenue	824	855	854	850	895	911	879
EBIT	92	86	107	66	108	95	89
• in % of revenue	11.2	10.1	12.5	7.7	12.0	10.4	10.2
EBIT before special items [1]	92	98	102	77	95	108	89
• in % of revenue	11.2	11.4	12.0	9.1	10.6	11.9	10.2

Prior year information presented based on 2019 segment structure.
[1] Please refer to pp. 22 et seq. for the definition of special items.
[2] Attributable to shareholders of the parent company.
[3] Including non-controlling interests.
[4] EBIT/ EBITDA based on the last twelve months.
[5] Capital expenditures on intangible assets and property, plant and equipment.

Financial calendar

November 5, 2019

Publication of results for the first nine months 2019

March 10, 2020

Publication of annual results 2019

May 6, 2020

Publication of results for the first three months 2020

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

Imprint

Published by
Schaeffler AG, Industriestr. 1-3
91074 Herzogenaurach, Germany

Responsible for content
Corporate Accounting, Schaeffler AG

Design and layout
Publicis Pixelpark, Erlangen, Germany

Printed by
Eberl Print GmbH, Immenstadt/Allgäu, Germany

Printed on FSC®-certified paper. By using FSC® paper we are actively supporting the preservation of our forests, promoting plant and wildlife protection, and are taking a stand against the exploitation of human beings in the forestry industry.

Date of publication
Tuesday, November 5, 2019

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

You can find up-to-date news about Schaeffler on our website at www.schaeffler.com/ir. You can also download all documents from this site.

MIX
Papier aus verantwortungsvollen Quellen
FSC® C002727
www.fsc.org

carbon neutral
natureOffice.com | DE-141-195925
print production

Schaeffler AG

Industriestr. 1-3
91074 Herzogenaurach
Germany

www.schaeffler.com

SCHAEFFLER