SCHAEFFLER

Q1

Interim Financial Report
as at March 31, 2019

Mobility for tomorrow

Staying in motion

Schaeffler Group at a glance

Key figures

	1st three months			
Income statement (in € millions)	**2019**	**2018**		Change
Revenue	3,622	3,551	2.0	%
• at constant currency			0.4	%
EBIT	230	391	-41.2	%
• in % of revenue	6.3	11.0	-4.7	%-pts.
EBIT before special items [1]	272	391	-30.4	%
• in % of revenue	7.5	11.0	-3.5	%-pts.
Net income [2]	137	238	-42.4	%
Earnings per common non-voting share (basic/diluted, in €)	0.21	0.36	-41.7	%
Statement of financial position (in € millions)	**03/31/2019**	**12/31/2018**		Change
Total assets	14,561	12,362	17.8	%
Shareholders' equity [3]	3,169	3,060	109	€ millions
• in % of total assets	21.8	24.8	-3.0	%-pts.
Net financial debt	2,805	2,547	10.1	%
• Net financial debt to EBITDA ratio before special items [1] [4]	1.3	1.2		
• Gearing ratio (Net financial debt to shareholders' equity [3], in %)	88.5	83.2	5.3	%-pts.
	1st three months			
Statement of cash flows (in € millions)	**2019**	**2018**		Change
EBITDA	472	587	-19.6	%
Cash flows from operating activities	154	237	-83	€ millions
Capital expenditures (capex) [5]	373	306	67	€ millions
• in % of revenue (capex ratio)	10.3	8.6	1.7	%-pts.
Free cash flow (FCF) before cash in- and outflows for M&A activities	-235	-69	-166	€ millions
• FCF conversion ratio (ratio of FCF before cash in- and outflows for M&A activities to EBITDA before special items, in %) [1] [4]	10.3	24.1	-13.8	%-pts.
Value-based management				Change
Schaeffler Value Added before special items (in € millions) [1] [4]	421	743	-43.3	%
ROCE before special items (in %) [1] [4]	15.0	19.3	-4.3	%-pts.
Employees	**03/31/2019**	**12/31/2018**		Change
Headcount (at end of reporting period)	91,837	92,478	-0.7	%

	1st three months			
Automotive OEM division [6] (in € millions)	**2019**	**2018**		Change
Revenue	2,286	2,280	0.3	%
• at constant currency			-1.7	%
EBIT	59	218	-73.1	%
• in % of revenue	2.6	9.6	-7.0	%-pts.
EBIT before special items [1]	113	218	-48.0	%
• in % of revenue	5.0	9.6	-4.6	%-pts.
Automotive Aftermarket division [6] (in € millions)				Change
Revenue	441	447	-1.4	%
• at constant currency			-1.1	%
EBIT	64	81	-21.6	%
• in % of revenue	14.4	18.1	-3.7	%-pts.
EBIT before special items [1]	64	81	-21.6	%
• in % of revenue	14.4	18.1	-3.7	%-pts.
Industrial division [6] (in € millions)				Change
Revenue	895	824	8.6	%
• at constant currency			6.9	%
EBIT	108	92	16.7	%
• in % of revenue	12.0	11.2	0.8	%-pts.
EBIT before special items [1]	95	92	2.9	%
• in % of revenue	10.6	11.2	-0.6	%-pts.

[1] Please refer to pp. 20 et seq. for the definition of special items.
[2] Attributable to shareholders of the parent company.
[3] Including non-controlling interests.
[4] Based on the last twelve months.
[5] Capital expenditures on intangible assets and property, plant and equipment.
[6] Prior year information presented based on 2019 segment structure.

Highlights Q1 2019

Revenue up slightly despite challenging market conditions

Revenue at EUR **3.6** bn
(up 0.4% at constant currency)

Earnings quality stabilized compared to Q4 2018

EBIT margin before special items **7.5**%
(Q4 2018: 6.5%)

Free cash flow affected by earnings quality and strategic capital expenditures

Free cash flow before cash in- and outflows for
M&A activities at EUR **-235** m
(prior year: EUR -69 m)

Financing structure improved

Successful placement of investment grade bonds
with a volume of EUR **2.2** bn

Schaeffler on the capital markets

Recent events

Acquisition of Elmotec Statomat

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

Schaeffler launches program “RACE”

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. The Schaeffler Group's overriding goal for “RACE” is to sustainably improve the Automotive OEM division's margin over the next three to four years and to generate an EBIT margin percentage in the high single digits going forward. 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 European footprint. This will affect four German locations and one additional European location. The planned measures will be discussed with employee representatives as agreed in last year's Future Accord. Both sides are striving for socially responsible solutions without layoffs.

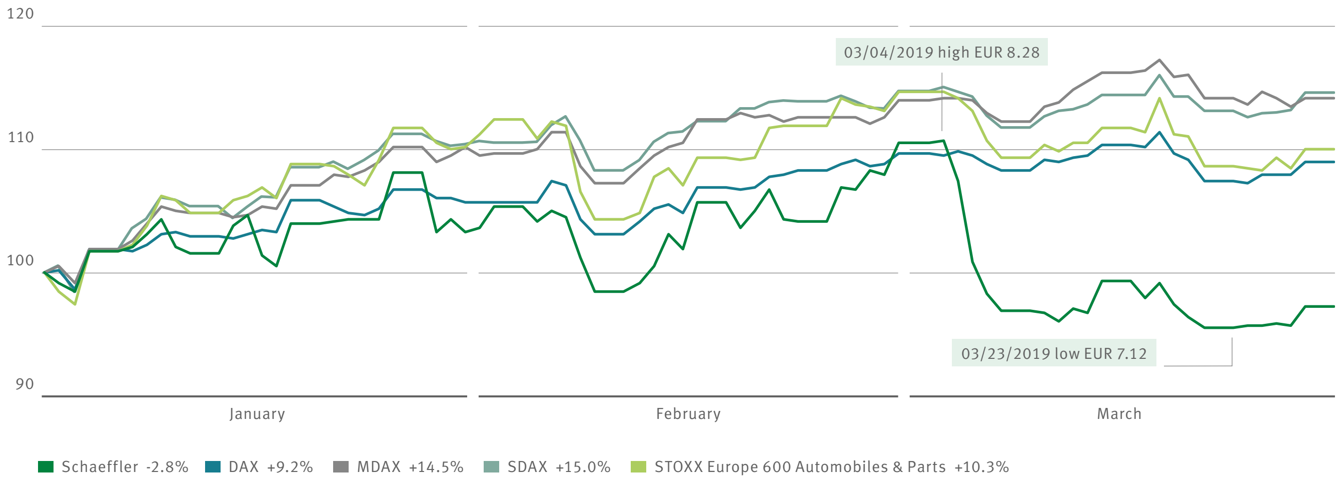
Schaeffler successfully places investment grade bonds

The Schaeffler Group has placed investment grade bonds in the capital markets for the first time. The transaction has a total volume of EUR 2.2 bn and consists 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 will primarily be 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 in late March 2019, the company will also redeem three bonds issued by Schaeffler Finance B.V. in an aggregate volume of about EUR 1.4 bn that were called in late March. The three bond series will be redeemed on May 15, 2019.

Capital market trends

Global capital markets were buoyant in early 2019. This trend is driven, in particular, by better-than-expected economic data for China and the U.S. which have raised hopes for an economic upturn in the latter half of 2019. Speculation regarding an imminent end to the trade conflict between the U.S. and China has boosted capital market trends as well.

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



Source: Bloomberg (closing prices).

In this context, the trend in the global equities markets strengthened significantly in the first quarter of 2019. The Euro STOXX 50 rose by 11.7% and the Dow Jones Industrial was up 11.2%. The Nikkei 225 index gained 6.0% in value as well. The Deutsche Aktienindex (DAX) increased by 9.2%, rising to a level of 11,526 points as at March 31, 2019.

Schaeffler shares

Schaeffler AG's common non-voting shares lagged behind the benchmark indexes DAX (+9.2% compared to December 31, 2018), MDAX (+14.5%), SDAX (+15.0%), and STOXX Europe 600 Automobiles & Parts (+10.3%) during the first quarter of 2019. On March 31, 2019, the common non-voting shares of Schaeffler AG were quoted at EUR 7.25, 2.8% less than on December 31, 2018. The drop in share price was mainly driven by the decrease in the Automotive OEM division's earnings quality in the fourth quarter of 2018 and by the division's outlook for 2019.

The daily trading volume averaged 1,409,825 shares in the first quarter of 2019 (prior year: 1,127,302). The significant rise in trading volume compared to the prior year period is largely due to the publication of the results for 2018 on March 6, 2019. Increased trading volumes were reported on the publication date and the days following that date.

Schaeffler share performance

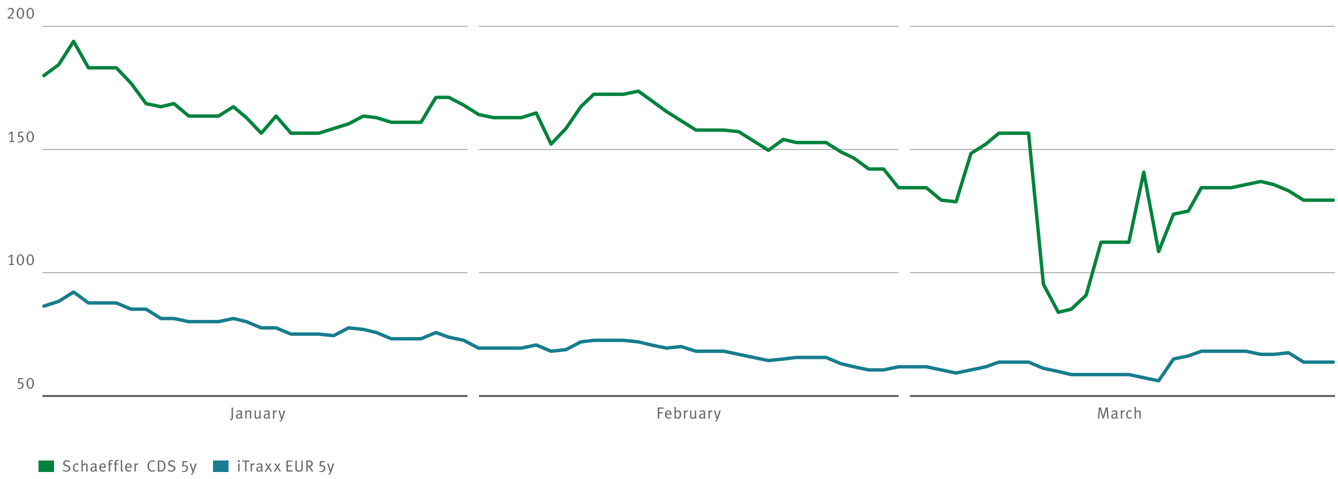
	1st three months	
	2019	**2018**
Schaeffler share price 03/31/ (in €) [1]	7.25	12.54
Average trading volume (number of shares)	1,409,825	1,127,302
DAX 03/31/ [1]	11,526	12,097
MDAX 03/31/ [1]	24,722	25,592
SDAX 03/31/ [1]	10,932	11,928
STOXX Europe 600 Automobiles & Parts 03/31/ [1]	487	627
Average number of shares (in millions)		
• Common shares	500	500
• Common non-voting shares	166	166
Earnings per share (in €)		
• Common shares	0.21	0.36
• Common non-voting shares	0.21	0.36

[1] Source: Bloomberg (closing prices).

Schaeffler bonds and ratings

The Schaeffler Group had a total of seven series of bonds outstanding as at March 31, 2019, six of them denominated in EUR and one in USD. On March 19, 2019, Schaeffler AG issued three investment grade bond series denominated in euros. The remaining three EUR bond series and the USD bonds were issued by Schaeffler Finance B.V. in Barneveld, Netherlands.

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



Source: Bloomberg (closing prices).

The Schaeffler Group had the following bonds outstanding at March 31, 2019:

Schaeffler Group bonds

ISIN	Issuer	Currency	Principal in millions	Coupon	Maturity	Price in % [1] 03/31/2019	Price in % [1] 12/31/2018
XS1212469966 [2]	Schaeffler Finance B.V.	EUR	400	2.500%	05/15/2020	100.28	100.46
XS1067864022 [2]	Schaeffler Finance B.V.	EUR	500	3.500%	05/15/2022	100.58	100.63
US806261AM57 [2]	Schaeffler Finance B.V.	USD	600	4.750%	05/15/2023	101.22	96.98
DE000A2YB699	Schaeffler AG	EUR	750	1.125%	03/26/2022	101.36	-
DE000A2YB7A7	Schaeffler AG	EUR	800	1.875%	03/26/2024	101.92	-
XS1212470972 [3]	Schaeffler Finance B.V.	EUR	600	3.250%	05/15/2025	104.16	102.26
DE000A2YB7B5	Schaeffler AG	EUR	650	2.875%	03/26/2027	103.03	-

[1] Source: Bloomberg (closing prices).
[2] The three bond series that have been called will be redeemed on May 15, 2019.
[3] Bond will reach its first contractual call date on May 15, 2020.

The three EUR bond series newly issued by Schaeffler AG on March 19, 2019, are trading above par. Prices of the two EUR bond series of Schaeffler Finance B.V. due in 2020 and 2022 that have been called mainly trended laterally close to their contractual redemption price in the first quarter of 2019. The USD bond series of Schaeffler Finance B.V. due in 2023 that has also been called rose to a level close to its contractual redemption price as well. The EUR bond series issued by Schaeffler Finance B.V. due in 2025, which has not yet reached its first call date, also gained in value over the course of the first quarter.

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 March 31, 2019:

Schaeffler Group ratings
as at March 31

	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-/stable	BB+/positive	BBB-	BB+

See back cover for financial calendar

Contents

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

Disclaimer in respect of forward-looking statements
This group interim management report contains forward-looking statements that are based on the Board of Managing Directors' current estimation and expectations at the time of the creation of this report. Such statements refer to future developments, future periods, or, for example, they are designated by terms such as "estimate", "forecast", "intend", "predict", "plan", "assume", or "expect". By their nature, forward-looking statements are subject to risks and uncertainties. A variety of these risks and uncertainties are determined by factors not subject to the influence of the Schaeffler Group, such as future market and economic conditions, the behavior of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies, and the actions of government regulators. If these or other risks or uncertainties occur, or if assumptions underlying statements prove incorrect, then actual results may be materially different from those (explicitly or implicitly) described. Schaeffler AG does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of this group interim management report.

Navigation aid
Further detail elsewhere in the report

1. Report on the economic position

1.1 Economic environment

The **global economy** continued to exhibit decreased momentum during the first quarter of 2019, following already slowing growth in the latter half of the prior year. Initial estimates indicate that global gross domestic product increased by 3.2% compared to the prior year level (Oxford Economics, April 2019) in light of persistently weak world trade and ongoing trade conflicts. Growth for the full year 2018 had amounted to 3.6%.

Once again, gross domestic product in both the euro region and Japan grew noticeably less than during the first half of the prior year, largely driven by weakness in foreign demand. The U.S. economy expanded considerably more strongly, although the growth rate slowed, partly due to diminishing fiscal stimuli. Economic output in China increased faster than anticipated – govermental stimulus measures contributed to stable growth in gross domestic product.

In this context, the situation of the Schaeffler Group's regions was as follows: Gross domestic product in the Europe region increased by 2.7%, largely driven by the 6.8% growth rate in India, which is also part of the Europe region. Economic output in the Americas region rose by 1.6%, while the Greater China region reported growth of 5.9%. Gross domestic product in the Asia/Pacific region grew by 2.5%.

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 1.14 and CNY 7.66, respectively, during the first quarter of 2019 (prior year: USD 1.23 and CNY 7.81, respectively; European Central Bank).

More on foreign currency translation on pp. 40 et seq.

Preliminary estimates put **global automobile production**, measured as the number of vehicles up to six tons in weight produced, for the first quarter of 2019 at 6.7% less than in the prior year (IHS Markit, April 2019). All Schaeffler Group regions experienced declines, especially Greater China and Europe. Automobile production in the Europe region was 7.0% below the prior year level. Nearly all significant manufacturing countries reported declines, with production in Germany, Italy, the United Kingdom, and Turkey dropping by more than 10%. The contraction in Germany was exacerbated by partly continuing problems with the changeover to the new emissions testing methodology WLTP as well as by discussions regarding bans on driving in inner city areas which have unsettled consumers. Automobile production in the Americas region was 2.7% below the prior year level, mainly due to the decline in the U.S. (-2.5%) that resulted partly from adjustments to inventory levels. Canada (-6.9%) and Brazil (-1.9%) also reported contractions while production rose slightly in Mexico. The main cause of the decline in Brazil was the economic crisis in Argentina, Brazil's most important export market by far. Automobile production in the Greater China region was 13.7% below the prior year level. Along with high inventory levels, the trend was clearly also affected by delayed purchases, since a previously announced across-the-board decrease in value-added tax became effective April 1, 2019. The Asia/Pacific region experienced a 0.1% decline. While production in Japan and South Korea (both 0.2%) as well as in Thailand (0.5%) rose slightly, Indonesia (-6.1%) saw its production contract considerably.

Data on the development of the **vehicle population** and the **average vehicle age** during the first quarter of 2019 are not available. Based on current IHS Markit forecasts (February 2019), growth in 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 is expected to be less than in 2018, with the average vehicle age remaining nearly unchanged (2018: 3.6% and 9.7 years, respectively).

Based on preliminary estimates, global **industrial production** for the first quarter of 2019, measured as gross value added based on constant prices and exchange rates, exceeded the prior year level by 2.1% (Oxford Economics, March 2019). This growth rate was lower than in previous quarters, especially in the first half of the prior year. Reasons for the slowing momentum include the trend in world trade and uncertainties related to the Brexit process, as well as the ongoing transformation of the Chinese economy. Growth in the Europe region amounted to 0.4%. Industrial production in the euro region was flat with prior year, with Germany, Italy, and Spain experiencing declines while France reported slight growth. Production in the United Kingdom was below the prior year level as well. The trend in India was markedly more favorable – growth there amounted to 3.6%. In the Americas region, industrial production grew by 2.7%. This growth was primarily driven by the trend in the U.S. – total industrial production in that country rose by 3.5% in light of very strong growth rates in the oil and gas sector. In the Greater China region, industrial production rose by 4.6%. The ongoing transformation into a more sustainable economic model and the trade conflict with the U.S. both contributed to this further slowdown in growth. Industrial production in the Asia/Pacific region was 1.9% ahead of the prior year level. Japan reported growth of 1.3%, albeit largely due to the weak prior year quarter. In South Korea, industrial production was up 2.8%.

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 in the first quarter of 2019 (Bloomberg; EIA; Platts). However, trends during the reporting period were mixed. Prices for hot- and cold-rolled steel dropped in the Schaeffler Group's relevant procurement regions between January 1 and March 31. Prices for crude oil as well as aluminum and copper, on the other hand, rose during the course of the first quarter. 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 quarter 2019

The Schaeffler Group has started 2019 largely according to plan and does not expect growth in the Automotive business to gather momentum again until the second half of the year.

The Schaeffler Group increased its **revenue** by 2.0% to EUR 3,622 m during the reporting period (prior year: EUR 3,551 m). Excluding the impact of currency translation, revenue was slightly ahead of the level of the prior year quarter, growing by 0.4%. The first quarter of 2019 was marked by the heterogeneous and challenging environment in the European and Chinese automotive sectors as expected. Aggregate global production volumes of passenger cars and light commercial vehicles declined by 6.7% during the reporting period. The Automotive OEM division could not avoid the persistent decline in the total market; however, with revenue declining by 1.7% excluding the impact of currency translation, the division once again outperformed global automobile production. The favorable trend in the Americas region did not offset revenue declines in the Europe and Greater China regions. Overall, the first quarter of 2019 in the Europe region was still influenced by the changeover to the new emissions testing methodology WLTP as well as by discussions regarding bans on driving in downtown areas which have unsettled consumers. The trend in the Greater China region was significantly marked by the weakness in the total market and by customers' temporary reluctance to buy due to the announced reduction in value-added tax effective April 2019. Automotive Aftermarket division revenue for the first quarter of 2019 dropped slightly by 1.1%, excluding the impact of currency translation, with additional revenue in the Americas region only partially offsetting the revenue decline in the Europe region. While global industrial production slowed, the Industrial division expanded its revenue by 6.9%, excluding the impact of currency translation. All of its regions generated revenue growth.

The group's **EBIT margin** before special items declined to 7.5% (prior year: 11.0%), mainly due to a disproportionately high increase in cost of sales. The Automotive OEM division margin of 5.0% was considerably lower than in the prior year (prior year: 9.6%). At 14.4% (prior year: 18.1%) and 10.6% (prior year: 11.2%), respectively, the Automotive Aftermarket and Industrial divisions also fell short of their prior year levels.

Free cash flow before cash in- and outflows for M&A activities amounted to EUR -235 m in the first quarter of 2019, EUR 166 m below the prior year amount of EUR -69 m. The decrease was caused by cash flow from operating activities falling from EUR 237 m to EUR 154 m, largely as a result of the decrease in earnings quality. In addition, capital expenditures of EUR 373 m were considerably higher than in the prior year comparison period (prior year: EUR 306 m), partly due to strategic capital expenditures. This represents a capex ratio of 10.3% (prior year: 8.6%) of revenue.

Schaeffler Value Added before special items **(SVA)** declined by EUR 322 m to EUR 421 m during the reporting period (prior year: EUR 743 m), corresponding to a return on capital employed **(ROCE)** before special items of 15.0% (prior year: 19.3%). The considerable decline was mainly attributable to the trend in Automotive OEM division EBIT. Furthermore, the increase in average capital employed as a result of higher additions to non-current assets had an adverse effect on SVA as well.

Major events – first quarter 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 represents a further 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 appointed Uwe Wagner, Head of Research and Development Automotive OEM and Industrial, to become a member of the Board of Managing Directors of Schaeffler AG for a period of three years effective January 1, 2020. Uwe Wagner will succeed Chief Technology Officer Prof. Dr.-Ing. Peter Gutzmer, who will retire effective December 31, 2019, at the end of his term of office. The Supervisory Board also 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, new Regional CEOs were appointed for the Americas and Asia/Pacific regions. 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 will take on their new roles and join the Executive Board of the Schaeffler Group over the course of the year 2019.

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. The Schaeffler Group's overriding goal for "RACE" is to sustainably improve the Automotive OEM division's margin over the next three to four years and to generate an EBIT margin percentage in the high single digits going forward. 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 European footprint. This will affect four German locations and one additional European location. The planned measures will be discussed with employee representatives as agreed in last year's Future Accord. Both sides are striving for socially responsible solutions without lay-offs. The company has recognized a total of EUR 50 m in current and non-current restructuring provisions in connection with the program.

On March 14, 2019, Schaeffler AG 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, Schaeffler AG placed investment grade bonds in the capital markets for the first time. The transaction has a total volume of EUR 2.2 bn and consists 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 will primarily be 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 in late March 2019, the company will also redeem three bonds issued by Schaeffler Finance B.V. in an aggregate volume of about EUR 1.4 bn that were called in late March. The three bond series will be redeemed on May 15, 2019.

Schaeffler Group

Revenue **EUR 3,622 m**

EBIT margin before special items **7.5%**

Revenue slightly above prior year, up 0.4% at constant currency // Industrial division growth offset declines in the Automotive divisions // Strong growth in the Americas region // Earnings quality below prior year period in all three divisions

Schaeffler Group earnings **No. 001**

	1st three months		
in € millions	2019	2018	Change in %
Revenue	**3,622**	**3,551**	**2.0**
• at constant currency			0.4
Revenue by division			
Automotive OEM	2,286	2,280	0.3
• at constant currency			-1.7
Automotive Aftermarket	441	447	-1.4
• at constant currency			-1.1
Industrial	895	824	8.6
• at constant currency			6.9
Revenue by region [1]			
Europe	1,846	1,878	-1.7
• at constant currency			-1.5
Americas	817	700	16.7
• at constant currency			11.9
Greater China	586	622	-5.7
• at constant currency			-8.0
Asia/Pacific	373	351	6.3
• at constant currency			2.8
Cost of sales	-2,708	-2,591	4.5
Gross profit	**913**	**960**	**-4.8**
• in % of revenue	25.2	27.0	-
Research and development expenses	-229	-224	2.5
Selling and administrative expenses	-392	-361	8.6
Earnings before financial result, income (loss) from equity-accounted investees, and income taxes (EBIT)	**230**	**391**	**-41.2**
• in % of revenue	6.3	11.0	-
Special items [2]	42	0	-
EBIT before special items	**272**	**391**	**-30.4**
• in % of revenue	7.5	11.0	-
Financial result	-38	-54	-29.1
Income (loss) from equity-accounted investees	-4	0	-
Income taxes	-47	-95	-49.8
Net income [3]	137	238	-42.4
Earnings per common non-voting share (basic/diluted, in €)	0.21	0.36	-41.7

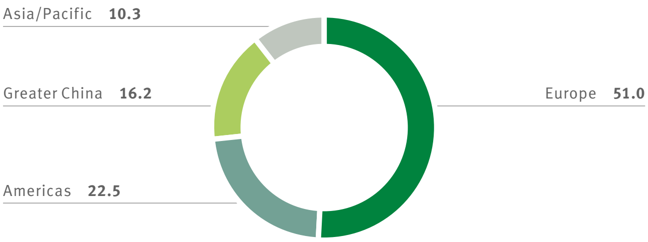
[1] Based on market (customer location).
[2] Please refer to pp. 20 et seq. for the definition of special items.
[3] Attributable to shareholders of the parent company.

1.3 Earnings

Schaeffler Group earnings

The Schaeffler Group generated EUR 3,622 m in revenue in the first quarter of 2019 (+2.0%; prior year: EUR 3,551 m). Excluding the impact of currency translation, revenue was slightly ahead of the level of the prior year quarter, growing by 0.4%. The performance of the individual divisions was mixed. The Industrial division continued its growth trend with reduced momentum and generated 6.9% in additional revenue excluding the impact of currency translation in the first quarter of 2019. All regions contributed to this revenue growth. Automotive OEM division revenue, however, declined by 1.7% excluding the impact of currency translation as a result of weaker economic conditions in the automotive sector. Growth in the Americas region was offset by market-driven declines in the Europe and Greater China regions. In the Automotive Aftermarket division, revenue declined by 1.1% excluding the impact of currency translation. The favorable trend in the Americas region did not fully offset revenue declines in the Europe region that were partly driven by increasing consolidation in the Western European vehicle aftermarket.

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



Revenue in the Europe region fell by 1.7% (-1.5% at constant currency), as the added revenue in the Industrial division only partly offset the revenue decline in the Automotive business. The Americas region increased its revenue considerably by 16.7% (+11.9% at constant currency), thus stabilizing the Schaeffler Group's revenue. All three divisions contributed to this revenue growth. Greater China region revenue fell by 5.7% (-8.0% at constant currency). While the Industrial business continued to perform well in the first quarter of 2019, the Automotive OEM division experienced a marked decline in revenue due to the persistently challenging environment in the automotive sector. Revenue in the Asia/Pacific region rose by 6.3%. Excluding the impact of currency translation, revenue grew by 2.8%, driven by the Automotive OEM and Industrial divisions.

Cost of sales increased by EUR 117 m or 4.5% to EUR 2,708 m (prior year: EUR 2,591 m) in the first three months of 2019. Gross profit declined by EUR 46 m or 4.8% to EUR 913 m in the first quarter of 2019 (prior year: EUR 960 m) with a corresponding drop in gross margin by 1.8 percentage points to 25.2% (prior year: 27.0%). Particularly Automotive OEM division earnings were considerably lower than in the prior year, partly due to the adverse impact of volumes on fixed costs, especially in China, and a less profitable revenue mix. The Automotive Aftermarket division's lower earnings resulted mainly from adverse pricing impacts and increased product costs. The Industrial division generated earnings slightly above the prior year level, largely driven by volume. Exchange rate fluctuations had a favorable impact on the Schaeffler Group's gross profit compared to the prior year period.

Functional costs rose by EUR 37 m or 6.3% to EUR 622 m (prior year: EUR 585 m), growing by 0.7 percentage points to 17.2% of revenue (prior year: 16.5%). Research and development expenses increased slightly by EUR 6 m or 2.5% to EUR 229 m (prior year: EUR 224 m). At 6.3% of revenue (prior year: 6.3%), the R&D ratio was flat with prior year. Selling and administrative expenses rose considerably by EUR 31 m or 8.6% to EUR 392 m (prior year: EUR 361 m), mainly due to higher logistics expenses in sales and increased administrative personnel expenses as well as expenses incurred in connection with the program for the future, the "Agenda 4 plus One".

EBIT for the first quarter of 2019 amounted to EUR 230 m (prior year: EUR 391 m), and the EBIT margin was 6.3% (prior year: 11.0%). EBIT for the reporting period was affected by EUR 42 m in special items. These included EUR 55 m representing restructuring expenses related to the program "RACE" in the Automotive OEM division. 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. There were no special items in the prior year. Based on that, EBIT before special items declined by EUR 119 m or 30.4% to EUR 272 m (prior year: EUR 391 m) with a corresponding drop in EBIT margin by 3.5 percentage points to 7.5% (prior year: 11.0%). The decline was primarily due to the lower gross margin as described above and the increase in selling and administrative expenses.

The Schaeffler Group's financial result improved by EUR 16 m to EUR -38 m (prior year: EUR -54 m) in the first quarter of 2019.

Schaeffler Group financial result **No. 003**

	1st three months	
in € millions	**2019**	**2018**
Interest expense on financial debt [1]	-25	-22
Gains and losses on derivatives and foreign exchange	-12	-4
Fair value changes on embedded derivatives	10	-19
Interest income and expense on pensions and partial retirement obligations	-10	-10
Other	-1	1
Total	**-38**	**-54**

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

Interest expense on financial debt amounted to EUR 25 m in the first quarter of 2019 (prior year: EUR 22 m). The slight increase in interest expense resulted primarily from additional refinancing expenses, especially a prepayment penalty of EUR 6 m.

Net foreign exchange losses on financial assets and liabilities and net losses on derivatives amounted to EUR 12 m (prior year: EUR 4 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 10 m (prior year: losses of EUR 19 m). These include 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 47 m (prior year: EUR 95 m), representing an effective tax rate of 25.2% (prior year: 28.1%). The decrease in the effective tax rate compared to the prior year was primarily attributable to a change in the composition of taxable income between countries with higher and lower tax rates.

Net income attributable to shareholders of the parent company for the reporting period was EUR 137 m (prior year: EUR 238 m). Net income before special items amounted to EUR 169 m (prior year: EUR 238 m).

Basic and diluted earnings per common share declined to EUR 0.21 in the first quarter of 2019 (prior year: EUR 0.36). Basic and diluted earnings per common non-voting share amounted to EUR 0.21 (prior year: EUR 0.36). 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 2,286 m**

EBIT margin before special items **5.0%**

Challenging market environment; global automobile production dropped 6.7% // Revenue decline of 1.7% at constant currency // Strong growth in the Americas region // Earnings quality down from prior year period // Program “RACE” launched to sustainably increase efficiency and optimize portfolio of Automotive OEM division

Automotive OEM division earnings **No. 004**

in € millions	1st three months 2019	2018	Change in %
Revenue	**2,286**	**2,280**	**0.3**
• at constant currency			-1.7
Revenue by business division			
Engine Systems BD	699	710	-1.5
• at constant currency			-3.4
Transmission Systems BD	1,035	1,077	-3.9
• at constant currency			-6.0
E-Mobility BD	145	105	38.0
• at constant currency			33.9
Chassis Systems BD	406	388	4.8
• at constant currency			3.6
Revenue by region 1)			
Europe	1,024	1,058	-3.2
• at constant currency			-3.3
Americas	566	481	17.7
• at constant currency			12.4
Greater China	412	472	-12.7
• at constant currency			-14.5
Asia/Pacific	284	269	5.7
• at constant currency			2.4
Cost of sales	-1,804	-1,728	4.4
Gross profit	**482**	**552**	**-12.7**
• in % of revenue	21.1	24.2	-
Research and development expenses	-184	-182	0.8
Selling and administrative expenses	-176	-164	7.4
EBIT	**59**	**218**	**-73.1**
• in % of revenue	2.6	9.6	-
Special items 2)	55	0	› 100
EBIT before special items	**113**	**218**	**-48.0**
• in % of revenue	5.0	9.6	-

Prior year information presented based on 2019 segment structure.
1) Based on market (customer location).
2) Please refer to pp. 20 et seq. for the definition of special items.

Automotive OEM division earnings

Automotive OEM division revenue of EUR 2,286 m for the reporting period was slightly above the prior year level (+0.3%; prior year: EUR 2,280 m) due to the impact of currency translation. Excluding the impact of currency translation, however, revenue dropped by 1.7%. Although the Automotive OEM division did not avoid the persistent decline in the total market, its revenue once again outperformed global production volumes, which decreased considerably by 6.7% during the reporting period.

Revenue trends varied widely across market regions in the first quarter of 2019. Revenue in the Europe region fell by 3.2% (-3.3% at constant currency) compared to the prior year period. The decline in revenue was partly attributable to the persistent repercussions of the new emissions testing methodology WLTP as well as to discussions regarding bans on driving in downtown areas which have unsettled consumers. Regional automobile production volumes declined by an average of 7.0% in the first quarter of 2019. Revenue in the Americas region increased considerably by 17.7%, a significant contribution to the division's revenue. Excluding the impact of currency translation, the region reported 12.4% in additional revenue, primarily due to a few major customers' increased requirements resulting from product ramp-ups. This growth rate put the division significantly ahead of regional automobile production, which dropped by 2.7%. The Greater China region reported a decrease in revenue by 12.7% (-14.5% at constant currency). This trend was significantly marked by the weakness in the total market and by customers' temporary reluctance to buy due to the impending announced reduction in value-added tax effective April 2019. Automobile production decreased by 13.7% in the first three months of 2019. The Asia/Pacific region reported revenue growth of 5.7% (+2.4% at constant currency) while vehicle production there declined by 0.1%.

Engine Systems BD revenue fell slightly short of prior year (-1.5%). Excluding the impact of currency translation, revenue dropped by 3.4%, mainly driven by lower revenue in the valve train components product group. The thermal management module, on the other hand, generated additional revenue.

Transmission Systems BD revenue declined by 3.9% (-6.0% at constant currency), especially due to lower demand in the clutch and dual-mass flywheel product groups, while product ramp-ups drove the markedly positive trend of the torque converters product group compared to the first quarter of 2018.

The **E-Mobility BD** increased its revenue for the reporting period considerably by 38.0% (+33.9% at constant currency). This growth was mainly driven by product ramp-ups of primary components for continuously variable transmissions (CVTs) and hydrostatic clutch actuators.

Revenue of the **Chassis Systems BD** increased by 4.8% (+3.6% at constant currency) during the first three months of 2019, partly due to a favorable revenue trend in the chassis actuators and ball screw drives product groups.

Cost of sales rose by EUR 76 m or 4.4% to EUR 1,804 m during the reporting period (prior year: EUR 1,728 m). Gross profit decreased by EUR 70 m or 12.7% to EUR 482 m (prior year: EUR 552 m). The division's gross margin fell considerably by 3.1 percentage points to 21.1% (prior year: 24.2%), due especially to the adverse impact of volumes on fixed costs, especially in China, and a less profitable revenue mix. In addition, the division could not yet increase production efficiency sufficiently to offset the adverse impact of pricing, personnel, and materials costs.

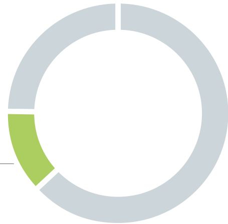
Functional costs rose by EUR 14 m or 4.0% to EUR 360 m (prior year: EUR 346 m) during the reporting period, increasing from 15.2% to 15.7% of revenue. Research and development expenses of EUR 184 m were slightly above the prior year level (+0.8%; prior year: EUR 182 m), representing an R&D ratio of 8.0% of revenue (prior year: 8.0%). Selling and administrative expenses, however, increased considerably by EUR 12 m or 7.4% to EUR 176 m (prior year: EUR 164 m). Higher costs incurred for personnel and the company's future program, the "Agenda 4 plus One", were significant factors underlying this increase.

EBIT for the first three months of 2019 amounted to EUR 59 m (prior year: EUR 218 m), and the EBIT margin was 2.6% (prior year: 9.6%). EBIT for the reporting period was adversely affected by a total of EUR 55 m in special items for restructuring expenses in connection with the program "RACE". There were no special items in the prior year. Based on that, EBIT before special items declined considerably by EUR 105 m or 48.0% to EUR 113 m (prior year: EUR 218 m) with a drop in EBIT margin by 4.6 percentage points to 5.0% (prior year: 9.6%). The decline was primarily due to the lower gross margin as described above and the increase in selling and administrative expenses.

Automotive Aftermarket division

Revenue **EUR 441 m**

EBIT margin before special items **14.4%**



Challenging market environment for the Automotive Aftermarket division; revenue decline of 1.1% at constant currency // Growth in the Americas region was offset by declines in the Europe region // Earnings quality below prior year period

Automotive Aftermarket division earnings **No. 005**

	1st three months		
in € millions	2019	2018	Change in %
Revenue	**441**	**447**	**-1.4**
• at constant currency			-1.1
Revenue by region [1]			
Europe	321	338	-4.9
• at constant currency			-4.2
Americas	88	78	13.1
• at constant currency			14.1
Greater China	20	19	3.0
• at constant currency			1.1
Asia/Pacific	11	12	-5.1
• at constant currency			-9.6
Cost of sales	-292	-288	1.4
Gross profit	**149**	**159**	**-6.6**
• in % of revenue	33.7	35.6	-
Research and development expenses	-8	-8	0.0
Selling and administrative expenses	-76	-73	4.1
EBIT	**64**	**81**	**-21.6**
• in % of revenue	14.4	18.1	-
Special items [2]	0	0	0.0
EBIT before special items	**64**	**81**	**-21.6**
• in % of revenue	14.4	18.1	-

Prior year information presented based on 2019 segment structure.
[1] Based on market (customer location).
[2] Please refer to pp. 20 et seq. for the definition of special items.

Automotive Aftermarket division earnings

Automotive Aftermarket division revenue dropped slightly from EUR 447 m by 1.4% to EUR 441 m (-1.1% at constant currency) during the reporting period, with revenue trends varying widely across regions in the first quarter of 2019. While the Americas region expanded its revenue significantly, the Europe region reported a decline in revenue. The impact of the Greater China and Asia/Pacific regions on the revenue trend of the Automotive Aftermarket division was insignificant.

Revenue in the **Europe region** fell by 5.0% (-4.2% at constant currency) during the first three months of 2019. This decline was mainly attributable to lower revenue with a few major customers, driven in part by increasing consolidation in the Western European vehicle aftermarket, and requirements of OES customers declined from the prior year period as well. The impact of these factors on the Europe region's revenue trend was partially offset by higher requirements in the Independent Aftermarket in the Central and Eastern Europe & Middle East and Africa subregion.

The **Americas region** reported an increase in revenue of 13.1% during the reporting period compared to the prior year quarter. Excluding the impact of currency translation, revenue rose by 14.1%, primarily as a result of higher requirements in the Independent Aftermarket in South America.

The **Greater China region** generated revenue growth of 3.0% (+1.1% at constant currency), particularly due to increased requirements in the Independent Aftermarket.

The **Asia/Pacific region** reported a drop in revenue by 5.1% (-9.6% at constant currency) that was mainly attributable to lower OES customers' requirements.

Automotive Aftermarket division cost of sales increased by EUR 4 m or 1.4% to EUR 292 m (prior year: EUR 288 m). Gross profit of EUR 149 m fell EUR 10 m or 6.6% short of the prior year level (prior year: EUR 159 m). As a result, the division's gross margin declined by 1.9 percentage points to 33.7% (prior year: 35.6%), due especially to adverse pricing impacts and increased product costs.

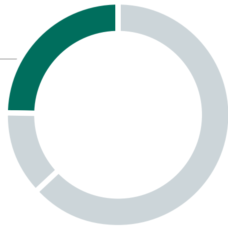
Functional costs increased by EUR 3 m or 3.6% to EUR 84 m (prior year: EUR 81 m), rising considerably to 19.0% of revenue (prior year: 18.1%). Along with the unexpectedly weak revenue trend for the reporting period, the relative functional cost structure was adversely affected mainly by the disproportionately large increase in selling expenses which resulted especially from commissioning distribution centers and establishing new digital sales channels in the Greater China region.

EBIT declined by EUR 17 m or 21.6% to EUR 64 m during the reporting period (prior year: EUR 81 m) with a corresponding drop in EBIT margin by 3.7 percentage points to 14.4% (prior year: 18.1%). As there were no special items during either the current or the prior year period, the EBIT margin before special items amounted to 14.4% (prior year: 18.1%) as well. Along with the decrease in gross profit, the decline in revenue and higher selling and administrative expenses adversely affected the relative functional cost structure. In addition, an adverse impact from transactions denominated in foreign currency hampered the margin trend compared to the prior year period.

Industrial division

Revenue **EUR 895 m**

EBIT margin before special items **10.6%**



Growth trend continued; revenue up 6.9% at constant currency // Revenue increased in all regions // Growth largely driven by Industrial Distribution and the wind and raw materials sector clusters // Earnings quality slightly below prior year

Industrial division earnings **No. 006**

in € millions	1st three months 2019	2018	Change in %
Revenue	**895**	**824**	**8.6**
• at constant currency			6.9
Revenue by region 1)			
Europe	501	482	3.8
• at constant currency			4.4
Americas	162	141	15.2
• at constant currency			9.1
Greater China	155	131	18.3
• at constant currency			14.1
Asia/Pacific	77	70	10.3
• at constant currency			6.3
Cost of sales	-613	-575	6.5
Gross profit	**282**	**249**	**13.6**
• in % of revenue	31.6	30.2	-
Research and development expenses	-38	-34	12.5
Selling and administrative expenses	-140	-124	12.8
EBIT	**108**	**92**	**16.7**
• in % of revenue	12.0	11.2	-
Special items 2)	-13	0	> 100
EBIT before special items	**95**	**92**	**2.9**
• in % of revenue	10.6	11.2	-

Prior year information presented based on 2019 segment structure.
1) Based on market (customer location).
2) Please refer to pp. 20 et seq. for the definition of special items.

Industrial division earnings

With global industrial production losing momentum, the Industrial division expanded its revenue by 8.6% to EUR 895 m (prior year: EUR 824 m), continuing its upward prior year trend slightly less dynamically. Excluding the impact of currency translation, revenue was up 6.9%. The persistent upward revenue trend of the wind and raw materials sector clusters and Industrial Distribution contributed significantly to this growth.

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. Excluding the impact of currency translation, all regions grew their revenue in the reporting period, with the Greater China region once again reporting the highest growth rate.

Revenue in the **Europe region** expanded by 3.8% (+4.4% at constant currency) during the reporting period. This growth was primarily due to higher sales in Industrial Distribution and the railway, raw materials, and wind sector clusters.

The **Americas region** increased its revenue by 15.2% during the reporting period. Excluding the impact of currency translation, revenue rose by 9.1%. This growth was largely driven by Industrial Distribution as well as the aerospace, railway, wind, and raw materials sector clusters.

Greater China region revenue rose by 18.3% (+14.1% at constant currency), mainly due to the increase in requirements in the wind and raw materials sector clusters.

In the **Asia/Pacific region**, revenue was 10.3% up from the prior year quarter. Excluding the impact of currency translation, the region reported 6.3% in additional revenue due to higher volumes, primarily as a result of added revenue in Industrial Distribution and the power transmission sector cluster.

Industrial division cost of sales rose by EUR 37 m or 6.5% to EUR 613 m during the reporting period (prior year: EUR 575 m). Gross profit increased by EUR 34 m or 13.6% to EUR 282 m (prior year: EUR 249 m). The gross margin amounted to 31.6% (prior year: 30.2%). This trend was partly attributable to the favorable impact of pricing, the revenue mix, and economies of scale. These factors were partially offset by the adverse impact of higher raw materials prices.

Functional costs for the reporting period of EUR 178 m were EUR 20 m or 12.7% above the prior year level (prior year: EUR 158 m). Functional costs as a percentage of revenue rose to 19.9% (prior year: 19.2%). Research and development expenses amounted to EUR 38 m (prior year: EUR 34 m). Selling and administrative expenses increased to EUR 140 m (prior year: EUR 124 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".

The Industrial division's EBIT for the reporting period amounted to EUR 108 m (prior year: EUR 92 m), and its EBIT margin was 12.0% (prior year: 11.2%). EBIT for the reporting period benefited from EUR 13 m in income from special items, consisting of the full refund of a penalty of EUR 13 m previously paid in connection with antitrust proceedings in South Korea. There were no special items in the prior year. Based on that, EBIT before special items rose by EUR 3 m or 2.9% to EUR 95 m (prior year: EUR 92 m), while the EBIT margin was down 0.6 percentage points at 10.6% (prior year: 11.2%), due in particular to the disproportionately high increase in selling and administrative expenses. In addition, an adverse impact from transactions denominated in foreign currency hampered the margin trend compared to the prior year period.

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 three months		1st three months		1st three months		1st three months	
	2019	2018	2019	2018	2019	2018	2019	2018
Income statement (in € millions)		Total		Automotive OEM		Automotive Aftermarket		Industrial
EBIT	**230**	**391**	**59**	**218**	**64**	**81**	**108**	**92**
• in % of revenue	6.3	11.0	2.6	9.6	14.4	18.1	12.0	11.2
Special items	**42**	**0**	**55**	**0**	**0**	**0**	**-13**	**0**
• Legal cases	-13	0	0	0	0	0	-13	0
• Restructuring	55	0	55	0	0	0	0	0
• Other	0	0	0	0	0	0	0	0
EBIT before special items	**272**	**391**	**113**	**218**	**64**	**81**	**95**	**92**
• in % of revenue	7.5	11.0	5.0	9.6	14.4	18.1	10.6	11.2

Net income [1]	**137**	**238**
Special items	**42**	**0**
• Legal cases	-13	0
• Restructuring	55	0
• Other	0	0
– Tax effect [2]	-11	0
Net income before special items [1]	**169**	**238**
Statement of financial position (in € millions)	**03/31/2019**	**12/31/2018**
Net financial debt	2,805	2,547
/ EBITDA LTM	2,060	2,175
Net financial debt to EBITDA ratio	**1.4**	**1.2**
Net financial debt	2,805	2,547
/ EBITDA before special items LTM	2,124	2,202
Net financial debt to EBITDA ratio before special items	**1.3**	**1.2**
	1st three months	
Statement of cash flows (in € millions)	**2019**	**2018**
EBITDA	**472**	**587**
Special items	**37**	**0**
• Legal cases	-13	0
• Restructuring	50	0
• Other	0	0
EBITDA before special items	**509**	**587**
Free cash flow (FCF)	**-300**	**-71**
-/+ Cash in- and outflows for M&A activities	65	2
FCF before cash in- and outflows for M&A activities	**-235**	**-69**
FCF before cash in- and outflows for M&A activities LTM	218	557
/ EBITDA before special items LTM	2,124	2,314
FCF conversion ratio (in %)	**10.3**	**24.1**
Value-based management (in € millions)		
EBIT LTM	1,193	1,484
– Cost of capital	841	797
Schaeffler Value Added (SVA)	**352**	**687**
EBIT before special items LTM	1,262	1,540
– Cost of capital	841	797
SVA before special items	**421**	**743**
EBIT LTM	1,193	1,484
/ Average capital employed	8,405	7,972
ROCE (in %)	**14.2**	**18.6**
EBIT before special items LTM	1,262	1,540
/ Average capital employed	8,405	7,972
ROCE before special items (in %)	**15.0**	**19.3**

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 cash flows from operating activities of EUR 154 m (prior year: EUR 237 m) in the first quarter of 2019.

Cash flow **No. 008**

in € millions	1st three months 2019	2018	Change in %
Cash flows from operating activities	154	237	-35.0
Cash used in investing activities	-440	-308	42.9
• including cash outflows for the acquisition of subsidiaries and interests in joint ventures	-65	-2	> 100
• including proceeds from the disposal of subsidiaries and interests in joint ventures	0	0	0.0
Cash provided by financing activities	1,541	55	> 100
• including prinicipal repayments on lease liabilities	-14	0	-
Net increase (decrease) in cash and cash equivalents	**1,255**	**-16**	**-**
Effects of foreign exchange rate changes on cash and cash equivalents	15	-10	-
Cash and cash equivalents as at beginning of period	801	698	14.8
Cash and cash equivalents	**2,071**	**672**	**> 100**
Free cash flow (FCF)	**-300**	**-71**	**> 100**
Free cash flow (FCF) before cash in- and outflows for M&A activities	**-235**	**-69**	**> 100**

Cash flows from operating activities declined by EUR 83 m to EUR 154 m (prior year: EUR 237 m) in the first quarter of 2019, primarily due to weaker earnings during the reporting period. Cash outflows related to expanding working capital amounted to EUR 296 m and were higher than the prior year amount of EUR 212 m. The increase in inventories, which was less than in the prior year period, was more than offset by a larger increase in trade receivables. The working capital ratio, defined as working capital as a percentage of revenue, was 17.8% at March 31, 2019 (prior year: 18.6%).

Capital expenditures on property, plant and equipment and intangible assets (capex) amounted to EUR 373 m (prior year: EUR 306 m) in the reporting period.

The company paid EUR 65 m for M&A activities in the first quarter of 2019.

EUR 1,541 m (prior year: EUR 55 m) in cash was provided by **financing activities** during the reporting period net off principal repayments on lease liabilities of EUR 14 m in accordance with IFRS 16. 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 to prepay EUR 500 m of the existing term loan and to repay the EUR 160 m outstanding under the Revolving Credit Facility. In addition, the company terminated cross-currency swaps designed to hedge currency fluctuations, which resulted in a cash inflow of EUR 37 m. Subsidiaries repaid an additional EUR 12 m of their financial debt.

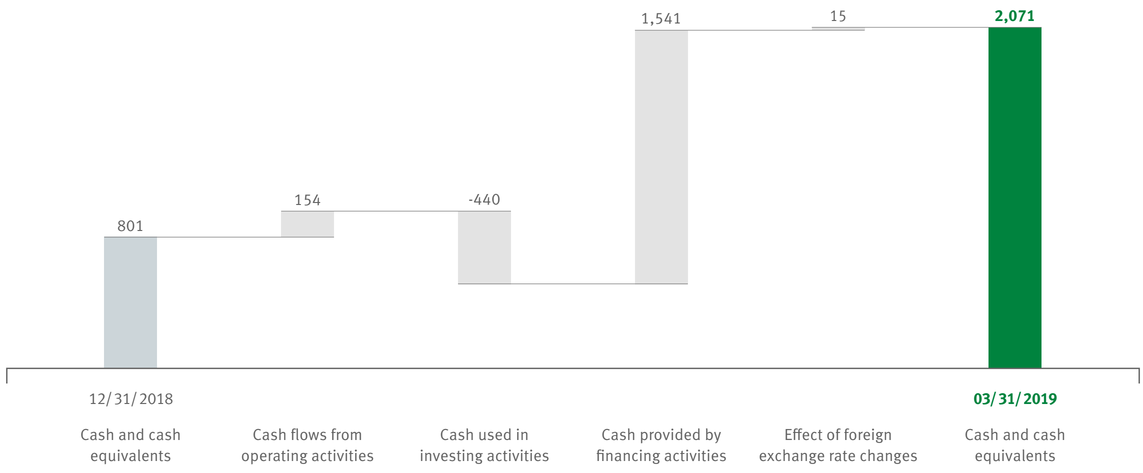
Cash and cash equivalents increased by EUR 1,270 m to EUR 2,071 m as at March 31, 2019 (December 31, 2018: EUR 801 m).

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 quarter of 2019 was negative in the amount of EUR 300 m (prior year: EUR -71 m). Free cash flow before cash in- and outflows for M&A activities amounted to EUR -235 m (prior year: EUR -69 m).

As at March 31, 2019, cash and cash equivalents consisted primarily of bank balances. EUR 362 m (December 31, 2018: EUR 255 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 20 m (December 31, 2018: EUR 13 m) was drawn as at March 31, 2019, primarily in the form of letters of credit.

Change in cash and cash equivalents No. 009

in € millions



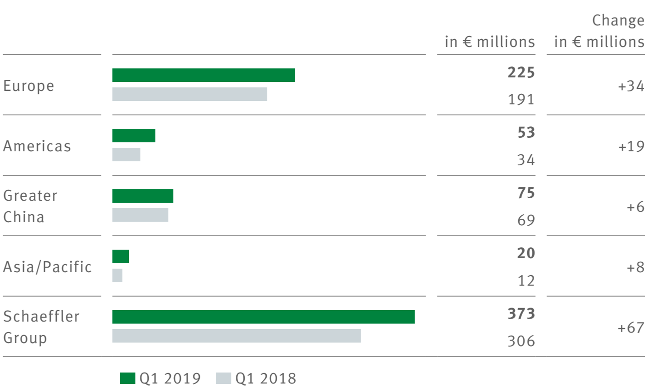
Capital expenditures

Capital expenditures (capex) increased by EUR 67 m or 21.9% to EUR 373 m during the reporting period (prior year: EUR 306 m) representing 10.3% (prior year: 8.6%) 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 296 m (prior year: EUR 234 m). Approximately 76% of these additions related to the Automotive OEM division, approximately 14% to the Automotive Aftermarket division, and approximately 10% 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 “IT 2020” and “AKO” 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, among other things.

Capital expenditures by region (capex) No. 010



Regions reflect the regional structure of the Schaeffler Group.

Financial debt

The group’s net financial debt increased by EUR 258 m to EUR 2,805 m as at March 31, 2019 (December 31, 2018: EUR 2,547 m).

Net financial debt No. 011

in € millions	03/31/2019	12/31/2018	Change in %
Bonds	4,212	2,019	> 100
Facilities Agreement	481	1,146	-58.0
Capital investment loan	183	183	0.0
Other financial debt	0	0	0.0
Total financial debt	**4,876**	**3,348**	**45.6**
Cash and cash equivalents	2,071	801	> 100
Net financial debt	**2,805**	**2,547**	**10.1**

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 1.4 at March 31, 2019 (December 31, 2018: 1.2). The net debt to EBITDA ratio before special items was 1.3 (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 88.5% as at March 31, 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 or 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 that date.

The remaining proceeds of the bond issuance will be used to redeem three outstanding bond series issued by Schaeffler Finance B.V. as announced on March 20, 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. The three bond series will be redeemed on May 15, 2019.

The refinancing transactions triggered the amendments to the EUR 2.3 bn Facilities Agreement and the EUR 250 m capital investment loan agreed 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 March 31, 2019, was EUR 0 m (December 31, 2018: EUR 160 m).

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 March 31:

Schaeffler Group ratings **No. 012**
as at March 31

	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-/stable	BB+/positive	BBB-	BB+

The Schaeffler Group had the following syndicated loans outstanding at March 31, 2019:

Schaeffler Group loans **No. 013**

Tranche	Currency	Principal in millions 03/31/2019	Principal in millions 12/31/2018	Carrying amount in € millions 03/31/2019	Carrying amount in € millions 12/31/2018	Coupon 03/31/2019	Coupon 12/31/2018	Maturity
Term Loan	EUR	500	1,000	487	993	Euribor [1)] + 0.80%	Euribor [1)] + 1.20%	09/30/2023
Revolving Credit Facility [2)]	EUR	1,500	1,300	-6	153	Euribor [1)] + 0.50%	Euribor [1)] + 0.80%	09/30/2023
Capital investment loan [3)]	EUR	250	250	183	183	Euribor [1)] + 1.00%	Euribor [1)] + 1.00%	12/15/2022
Total				**664**	**1,329**			

[1)] Euribor floor of 0.00%.
[2)] EUR 20 m (December 31, 2018: EUR 13 m) were drawn down as at March 31, 2019, primarily in the form of letters of credit.
[3)] EUR 184 m (December 31, 2018: EUR 184 m) were drawn down as at March 31, 2019.

In addition, the Schaeffler Group had further lines of credit in the equivalent of approximately EUR 136 m (December 31, 2018: approximately EUR 134 m), primarily in the U.S. and China. Approximately EUR 119 m of these facilities were unutilized as at March 31, 2019 (December 31, 2018: approximately EUR 118 m).

The Schaeffler Group's bonds outstanding at March 31, 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 bonds issued by Schaeffler Finance B.V. have a contractual call date after which they can be called by the issuer at any time. Three of the four bond series of Schaeffler Finance B.V. had been called by March 31, 2019, and will be redeemed on May 15, 2019. A fourth bond series due in 2025 will reach its first call date on May 15, 2020.

Schaeffler Group bonds **No. 014**

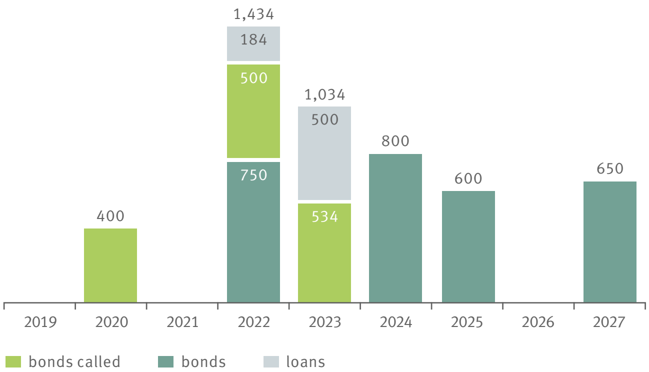
			03/31/2019	12/31/2018	03/31/2019	12/31/2018		
ISIN	Issuer	Currency	Principal in millions		Carrying amount in € millions		Coupon	Maturity
XS1212469966 [1]	Schaeffler Finance B.V.	EUR	400	400	400	399	2.500%	05/15/2020
XS1067864022 [1]	Schaeffler Finance B.V.	EUR	500	500	500	499	3.500%	05/15/2022
US806261AM57 [1]	Schaeffler Finance B.V.	USD	600	600	534	525	4.750%	05/15/2023
DE000A2YB699	Schaeffler AG	EUR	750	-	746	-	1.125%	03/26/2022
DE000A2YB7A7	Schaeffler AG	EUR	800	-	792	-	1.875%	03/26/2024
XS1212470972 [2]	Schaeffler Finance B.V.	EUR	600	600	596	596	3.250%	05/15/2025
DE000A2YB7B5	Schaeffler AG	EUR	650	-	643	-	2.875%	03/26/2027
Total					**4,212**	**2,019**		

[1] The three bond series that have been called will be redeemed on May 15, 2019.
[2] Bond will reach its first contractual call date on 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 March 31, 2019:

Maturity profile **No. 015**

Principal outstanding as at March 31, 2019, in € millions



The three bond series that have been called will be redeemed on May 15, 2019.

1.5 Net assets and capital structure

The Schaeffler Group's **total assets** increased by EUR 2,199 m to EUR 14,561 m as at March 31, 2019 (December 31, 2018: EUR 12,362 m). The balance sheet expanded because only a portion of the proceeds of the bond issuance had been used to repay outstanding financial debt by the end of the reporting period.

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

in € millions	03/31/2019	12/31/2018	Change in %
ASSETS			
Non-current assets	7,315	6,828	7.1
Current assets	7,246	5,534	30.9
Total assets	**14,561**	**12,362**	**17.8**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	3,169	3,060	3.6
Non-current liabilities	6,404	5,780	10.8
Current liabilities	4,988	3,522	41.6
Total shareholders' equity and liabilities	**14,561**	**12,362**	**17.8**

Non-current assets rose by EUR 487 m to EUR 7,315 m as at March 31, 2019 (December 31, 2018: EUR 6,828 m), partly due to property, plant and equipment increasing by EUR 125 m and intangible assets by EUR 91 m. The increase in intangible assets is primarily attributable to the acquisition of the Elmotec Group. Furthermore, the initial application of IFRS 16 resulted in the capitalization of right-of-use assets under leases totaling EUR 209 m (December 31, 2018: EUR 0 m). Deferred tax assets were up EUR 65 m as well.

Current assets increased by EUR 1,712 m to EUR 7,246 m as at March 31, 2019 (December 31, 2018: EUR 5,534 m). The increase was largely attributable to cash and cash equivalents rising by EUR 1,270 m (see "Cash flow and liquidity", pp. 22 et seq.), mainly because only a portion of the proceeds of the bond issuance had been used to repay outstanding financial debt by the end of the reporting period. In addition, inventories rose by EUR 151 m and trade receivables by EUR 221 m. As at March 31, 2019, trade receivables with a carrying amount of EUR 183 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 rose by EUR 109 m to EUR 3,169 m as at March 31, 2019 (December 31, 2018: EUR 3,060 m). Net income of EUR 140 m increased shareholders' equity. The change in accumulated other comprehensive income resulted mainly from the impact of translating the net assets of foreign group companies, which increased accumulated other comprehensive income by EUR 112 m, and an offsetting adverse impact of EUR 128 m in adjustments to pensions and similar obligations. The equity ratio was 21.8% as at March 31, 2019 (December 31, 2018: 24.8%).

Non-current liabilities rose by EUR 624 m to EUR 6,404 m as at March 31, 2019 (December 31, 2018: EUR 5,780 m). The increase was mainly attributable to the issuance of three bond series denominated in EUR with an aggregate volume of EUR 2.2 bn under Schaeffler AG's debt issuance program (see "Financial debt", pp. 23 et seq.) An initial portion of the bond proceeds was used to prepay EUR 500 m of the existing term loan. In addition, EUR 1,434 m representing three outstanding bond series of Schaeffler Finance B.V. that will be redeemed on May 15, 2019, have been reclassified to current liabilities. The increase in provisions for pensions and similar obligations by EUR 190 m and the recognition of EUR 151 m in lease liabilities (December 31, 2018: EUR 0 m) as part of the initial application of IFRS 16 further increased non-current liabilities.

Current liabilities rose by EUR 1,466 m to EUR 4,988 m as at March 31, 2019 (December 31, 2018: EUR 3,522 m). The increase was mainly due to the reclassification of three outstanding bond series of Schaeffler Finance B.V. that will be redeemed on May 15, 2019, to current liabilities. In addition, the issuance proceeds were used to repay the amount outstanding under the Revolving Credit Facility. Additionally, higher balances of accrued vacation and overtime accounts, higher provisions, and the recognition of EUR 59 m in lease liabilities (December 31, 2018: EUR 0 m) as part of the initial application of IFRS 16 further increased current liabilities. Lower refund liabilities had an offsetting effect.

2. Supplementary report

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. The dividend was paid on April 29, 2019.

In addition, Schaeffler AG's annual general meeting, which was held on April 24, 2019, elected the ten shareholder representatives on Schaeffler AG's Supervisory Board as scheduled. With the election, eight members of the Supervisory Board were confirmed in their posts. The following members were re-elected: Maria-Elisabeth Schaeffler-Thumann, Georg F. W. Schaeffler, Prof. Dr.-Ing. Hans-Jörg Bullinger, Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk, Robin Stalker, Prof. KR Ing. Siegfried Wolf, and Prof. Dr.-Ing. Tong Zhang. Sabine Bendiek and Sabrina Soussan were newly elected to the Supervisory Board.

On April 26, 2019, the Schaeffler Group signed an agreement to sell its subsidiary The Barden Corporation (UK), Ltd., located in Plymouth, UK, to HQW Holding (UK) Co. Limited. 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.

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 March 31, 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 (April 2019) now expects the global economy to grow by 3.3% this year. Oxford Economics (April 2019) currently anticipates a growth rate of 3.2%. In light of these forecasts, the Schaeffler Group now expects global economic growth for 2019 of just over 3% (prior year: just under 3.5%).

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

The Schaeffler Group continues to expect that global automobile production will decrease by about 1% in 2019. The global vehicle population is still expected to grow less than in the prior year by the Schaeffler Group, with the average vehicle age remaining nearly unchanged (prior year: 3.6% and 9.7 years, respectively). In light of weaker-than-expected trends in the Europe region, the Schaeffler Group now anticipates that global industrial production will grow by approximately 2% in 2019 (previously: approximately 2.6%).

4.2 Schaeffler Group outlook

Outlook 2019 – group **No. 017**

	Outlook 2019	Actual Q1 2019
Schaeffler Group		
Revenue growth [1]	1 to 3%	0.4%
EBIT margin before special items [2]	8 to 9%	7.5%
Free cash flow [3]	approx. EUR 400 m	EUR -235 m

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

The Schaeffler Group has started 2019 largely according to plan and does not expect growth in the Automotive business to gather momentum again until the second half of the year.

The Schaeffler Group continues to expect its revenue to grow by 1 to 3% excluding the impact of currency translation in 2019.

In addition, the company still anticipates generating an EBIT margin before special items of 8 to 9% in 2019.

The Schaeffler Group's expectation of approximately EUR 400 m in free cash flow before cash in- and outflows for M&A activities for 2019 remains unchanged.

Outlook 2019 – divisions No. 018

	Outlook 2019	Actual Q1 2019
Automotive OEM		
Revenue growth [1]	1 to 3%	-1.7%
EBIT margin before special items [2]	6 to 7%	5.0%
Automotive Aftermarket		
Revenue growth [1]	1 to 3%	-1.1%
EBIT margin before special items [2]	15 to 16%	14.5%
Industrial		
Revenue growth [1]	1 to 3%	6.9%
EBIT margin before special items [2]	10 to 11%	10.6%

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

For the Automotive OEM division, the Schaeffler Group continues to expect revenue growth, excluding the impact of currency translation, of 1 to 3% (2018: 2.1%) in 2019. The company also continues to expect an EBIT margin before special items of between 6 and 7% for 2019 (2018: 7.5%) for the Automotive OEM division.

For the Automotive Aftermarket division, the group continues to expect revenue growth – excluding the impact of currency translation – of 1 to 3% (2018: 2.2%) and an EBIT margin before special items of 15 to 16% (2018: 18.2%) in 2019.

Furthermore, the company still expects its Industrial division to generate 1 to 3% in revenue growth in 2019 (2018: 10.1%), excluding the impact of currency translation. In addition, the Industrial division anticipates generating an EBIT margin before special items of between 10 and 11% (2018: 10.9%) in 2019.

Herzogenaurach, April 29, 2019

The Board of Managing Directors

Consolidated income statement

No. 019

	1st three months		
in € millions	**2019**	**2018** [1]	Change in %
Revenue [2]	3,622	3,551	2.0
Cost of sales	-2,708	-2,591	4.5
Gross profit	**913**	**960**	**-4.8**
Research and development expenses	-229	-224	2.5
Selling expenses	-253	-242	4.3
Administrative expenses	-140	-119	17.2
Other income [2]	28	26	7.8
Other expenses	-90	-10	> 100
Earnings before financial result, income (loss) from equity-accounted investees, and income taxes (EBIT)	**230**	**391**	**-41.2**
Financial income	26	10	> 100
Financial expenses	-64	-64	0.1
Financial result	**-38**	**-54**	**-29.1**
Income (loss) from equity-accounted investees	-4	0	-
Earnings before income taxes	**188**	**337**	**-44.2**
Income taxes	-47	-95	-49.8
Net income	**140**	**242**	**-42.0**
Attributable to shareholders of the parent company	137	238	-42.4
Attributable to non-controlling interests	3	4	-18.3
Earnings per common share (basic/diluted, in €)	0.21	0.36	-41.7
Earnings per common non-voting share (basic/diluted, in €)	0.21	0.36	-41.7

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

Consolidated statement of comprehensive income

No. 020

in € millions	2019 before taxes	2019 taxes	2019 after taxes	2018 [1] before taxes	2018 [1] taxes	2018 [1] after taxes
						1st three months
Net income	**188**	**-47**	**140**	**337**	**-95**	**242**
Foreign currency translation differences for foreign operations	112	0	112	-44	0	-44
Net change from hedges of net investments in foreign operations	0	0	0	4	-1	3
Effective portion of changes in fair value of cash flow hedges	-18	5	-13	-22	6	-16
Net change in fair value of available-for-sale financial assets	-2	0	-2	0	0	0
Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	**92**	**5**	**97**	**-62**	**5**	**-57**
Remeasurement of net defined benefit liability [2]	-178	50	-128	-33	10	-23
Total other comprehensive income (loss) that will not be reclassified to profit or loss	**-178**	**50**	**-128**	**-33**	**10**	**-23**
Total other comprehensive income (loss)	**-86**	**55**	**-31**	**-95**	**15**	**-80**
Total comprehensive income (loss)	**101**	**8**	**109**	**242**	**-80**	**162**
Total comprehensive income (loss) attributable to shareholders of the parent company	93	10	103	243	-78	165
Total comprehensive income (loss) attributable to non-controlling interests	8	-2	6	1	-2	-1

[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	03/31/2019	12/31/2018 [1]	03/31/2018 [1][2]	Change in %
ASSETS				
Intangible assets	718	627	636	14.5
Right-of-use assets under leases [3]	209	0	0	> 100
Property, plant and equipment	5,443	5,318	4,888	2.4
Investments in equity-accounted investees	157	160	3	-2.2
Contract assets	11	11	16	4.6
Other financial assets	89	106	102	-16.3
Other assets	102	86	63	18.6
Deferred tax assets	585	520	538	12.5
Total non-current assets	**7,315**	**6,828**	**6,246**	**7.1**
Inventories	2,334	2,183	2,168	6.9
Contract assets	51	45	30	12.4
Trade receivables	2,225	2,003	2,275	11.1
Other financial assets	105	131	95	-20.3
Other assets	324	267	285	21.3
Income tax receivables	113	102	105	11.3
Cash and cash equivalents	2,071	801	672	> 100
Assets held for sale [3]	25	2	0	> 100
Total current assets	**7,246**	**5,534**	**5,630**	**30.9**
Total assets	**14,561**	**12,362**	**11,876**	**17.8**

[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	03/31/2019	12/31/2018 [1]	03/31/2018 [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	1,003	866	554	15.8
Accumulated other comprehensive income (loss)	-941	-907	-896	3.8
Equity attributable to shareholders of the parent company	**3,076**	**2,973**	**2,672**	**3.5**
Non-controlling interests	93	87	106	6.6
Total shareholders' equity	**3,169**	**3,060**	**2,778**	**3.5**
Provisions for pensions and similar obligations [3]	2,362	2,173	2,167	8.7
Provisions [3]	180	172	182	4.8
Financial debt [3]	3,442	3,188	3,103	8.0
Contract liabilities	3	2	0	24.9
Income tax payables	105	103	98	1.6
Other financial liabilities	29	9	16	> 100
Lease liabilities [3]	151	0	0	> 100
Other liabilities	3	2	6	36.9
Deferred tax liabilities	130	131	120	-0.4
Total non-current liabilities	**6,404**	**5,780**	**5,692**	**10.8**
Provisions [3]	281	244	275	15.0
Financial debt [3]	1,434	160	8	> 100
Contract liabilities	45	45	72	-1.0
Trade payables	1,980	1,967	1,866	0.7
Income tax payables	86	69	187	24.9
Other financial liabilities	501	481	395	4.1
Lease liabilities [3]	59	0	0	> 100
Refund liabilities	193	236	180	-18.0
Other liabilities	396	320	423	23.8
Liabilities held for sale [3]	15	0	0	-
Total current liabilities	**4,988**	**3,522**	**3,406**	**41.6**
Total shareholders' equity and liabilities	**14,561**	**12,362**	**11,876**	**17.8**

[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

	1st three months		
in € millions	**2019**	**2018** [1]	Change in %
Operating activities			
EBIT	230	391	-41.2
Interest paid	-37	-28	32.1
Interest received	4	3	33.3
Income taxes paid	-57	-89	-36.0
Depreciation, amortization, and impairment losses	242	196	23.5
(Gains) losses on disposal of assets	-1	-2	-50.0
Changes in:			
• Inventories	-117	-159	-26.4
• Trade receivables	-241	-132	82.6
• Trade payables	62	79	-21.5
• Provisions for pensions and similar obligations	2	1	100
• Other assets, liabilities, and provisions	67	-23	-
Cash flows from operating activities	**154**	**237**	**-35.0**
Investing activities			
Proceeds from disposals of property, plant and equipment	2	1	100
Capital expenditures on intangible assets	-2	-3	-33.3
Capital expenditures on property, plant and equipment	-371	-303	22.4
Acquisition of subsidiaries [2]	-65	-2	> 100
Other investing activities	-4	-1	> 100
Cash used in investing activities	**-440**	**-308**	**42.9**
Financing activities			
Receipts from bond issuances and loans [2]	2,190	56	> 100
Repayments of loans [2] [3]	-635	-1	> 100
Principal repayments on lease liabilities	-14	0	-
Cash provided by financing activities	**1,541**	**55**	**> 100**
Net increase (decrease) in cash and cash equivalents	**1,255**	**-16**	**-**
Effects of foreign exchange rate changes on cash and cash equivalents	15	-10	-
Cash and cash equivalents as at beginning of period	801	698	14.8
Cash and cash equivalents as at March 31	**2,071**	**672**	**> 100**

[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 planned 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			238						238	4	242
Other comprehensive income (loss)				-35	-16	0	-23	-74	-74	-5	-79
Total comprehensive income (loss)	**0**	**0**	**238**	**-35**	**-16**	**0**	**-23**	**-74**	**164**	**-1**	**163**
Balance as at March 31, 2018 [2] [3]	**666**	**2,348**	**554**	**-302**	**-1**	**0**	**-593**	**-896**	**2,672**	**106**	**2,778**
Balance as at January 01, 2019 [2]	**666**	**2,348**	**866**	**-285**	**-27**	**0**	**-595**	**-907**	**2,973**	**87**	**3,060**
Net income			137						137	3	140
Other comprehensive income (loss)				109	-13	-2	-128	-34	-34	3	-31
Total comprehensive income (loss)	**0**	**0**	**137**	**109**	**-13**	**-2**	**-128**	**-34**	**103**	**6**	**109**
Balance as at March 31, 2019	**666**	**2,348**	**1,003**	**-176**	**-40**	**-2**	**-723**	**-941**	**3,076**	**93**	**3,169**

[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 three months		1st three months		1st three months		1st three 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	2,286	2,280	441	447	895	824	3,622	3,551
EBIT	59	218	64	81	108	92	230	391
• in % of revenue	2.6	9.6	14.4	18.1	12.0	11.2	6.3	11.0
EBIT before special items [3)]	113	218	64	81	95	92	272	391
• in % of revenue	5.0	9.6	14.4	18.1	10.6	11.2	7.5	11.0
Depreciation, amortization, and impairment losses	-187	-157	-10	-7	-46	-32	-242	-196
Working capital [4) 5)]	1,166	1,239	386	418	1,028	920	2,579	2,577
Additions to intangible assets and property, plant and equipment	225	181	40	18	30	35	296	234

Prior year information presented based on 2019 segment structure.
[1)] The Schaeffler Group has initially applied the new standard IFRS 16 effective January 01, 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 March 31.

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

Condensed notes to the consolidated interim financial statements

Reporting entity

Schaeffler AG, Herzogenaurach, is a publicly listed corporation domiciled in Germany with its registered office located at Industriestraße 1-3, 91074 Herzogenaurach. The company was founded on April 19, 1982, and is registered in the Commercial Register of the Fürth Local Court (HRB No. 14738). The consolidated interim financial statements of Schaeffler AG as at March 31, 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 March 31, 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 the Schaeffler AG as at and for the year ended December 31, 2018. 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 March 31, 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 March 31, 2018.

Adjustments to comparative information – consolidated statement of financial position March 31, 2018 **No. 025**

	Before adjustments	Adjustment due to change in accounting policy for		Adjusted
in € millions	03/31/2018	interest and penalties related to income taxes	revenue from contracts with customers	03/31/2018
ASSETS				
Property, plant and equipment	4,890	0	-2	4,888
Contract assets	0	0	16	16
Deferred tax assets	535	0	3	538
Total non-current assets	**6,229**	**0**	**17**	**6,246**
Inventories	2,166	0	2	2,168
Contract assets	28	0	2	30
Total current assets	**5,626**	**0**	**4**	**5,630**
Total assets	**11,855**	**0**	**21**	**11,876**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Other reserves	519	31	4	554
Total shareholders' equity	**2,742**	**31**	**4**	**2,778**
Provisions	170	12	0	182
Income tax payables	141	-43	0	98
Deferred tax liabilities	115	0	5	120
Total non-current liabilities	**5,718**	**-31**	**5**	**5,692**
Provisions	242	36	-2	275
Contract liabilities	23	0	49	72
Income tax payables	223	-36	0	187
Other financial liabilities	575	0	-180	395
Refund liabilities	0	0	180	180
Other liabilities	458	0	-35	423
Total current liabilities	**3,395**	**0**	**12**	**3,406**
Total shareholders' equity and liabilities	**11,855**	**0**	**21**	**11,876**

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 212 m in lease liabilities and right-of-use assets in the consolidated statement of financial position as at January 1, 2019.

The following summaries provide an overview of the impact of IFRS 16 on the consolidated interim financial statements as at March 31, 2019.

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

in € millions	03/31/2019	Impact IFRS 16	03/31/2019 before applying IFRS 16
ASSETS			
Right-of-use assets under leases	209	209	0
Non-current assets	**7,315**	**209**	**7,106**
Current assets	**7,246**	**0**	**7,246**
Total assets	**14,561**	**209**	**14,352**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	**3,169**	**0**	**3,169**
Lease liabilities	151	151	0
Non-current liabilities	**6,404**	**151**	**6,253**
Lease liabilities	59	59	0
Current liabilities	**4,988**	**59**	**4,929**
Total shareholders' equity and liabilities	**14,561**	**209**	**14,352**

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

in € millions	1st three months 2019	Impact IFRS 16	1st three months 2019 before applying IFRS 16
EBIT	**230**	**1**	**229**
Financial result	**-38**	**-1**	**-37**
Net income	**140**	**0**	**140**

Unrecognized lease obligations as at December 31, 2019, 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	84
Lease liabilities resulting from the initial application of IFRS 16 as at January 01, 2019	**212**
Lease liabilities resulting from finance leases as at January 01, 2019	0
Lease liabilities recognized as at January 01, 2019	**212**

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**

Currencies		03/31/2019	12/31/2018	03/31/2018	2019	2018
					1st three months	
1 € in				Closing rates		Average rates
CNY	China	7.54	7.88	7.75	7.66	7.81
INR	India	77.72	79.73	80.30	80.07	79.16
KRW	South Korea	1,276.46	1,277.93	1,310.89	1,278.48	1,317.96
MXN	Mexico	21.69	22.49	22.52	21.80	23.03
USD	U.S.	1.12	1.15	1.23	1.14	1.23

Scope of consolidation

The consolidated financial statements of Schaeffler AG as at March 31, 2019, cover, in addition to Schaeffler AG, 156 (December 31, 2018: 152) subsidiaries; 54 (December 31, 2018: 51) entities are domiciled in Germany and 102 (December 31, 2018: 101) in other countries.

Additions to the scope of consolidation resulted largely from the acquisition of Elmotec Statomat Holding GmbH and its subsidiaries. These companies were consolidated effective January 31, 2019.

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

Acquisition 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 further 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 represents the value of the technology's planned further development.

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

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 three months		1st three months		1st three months		1st three 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	2,242	2,244	441	447	886	818	3,569	3,509
• Revenue from the sale of tools	32	14	0	0	1	0	33	14
• Revenue from developement services	5	13	0	0	0	0	5	13
• Revenue from other services	7	7	0	0	8	5	15	12
• Other revenue	0	2	0	0	0	1	0	3
Total	**2,286**	**2,280**	**441**	**447**	**895**	**824**	**3,622**	**3,551**
Revenue by region 2)								
• Europe	1,024	1,058	321	338	501	482	1,846	1,878
• Americas	566	481	88	78	162	141	817	700
• Greater China	412	472	20	19	155	131	586	622
• Asia/Pacific	284	269	11	12	77	70	373	351
Total	**2,286**	**2,280**	**441**	**447**	**895**	**824**	**3,622**	**3,551**

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.

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

Assets and liabilities held for sale reflect the planned sale of European production locations. The related impairment loss recognized during the year amounted to EUR 14 m.

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. The Schaeffler Group's overriding goal for "RACE" is to sustainably improve the Automotive OEM division's margin over the next three to four years and to generate an EBIT margin percentage in the high single digits going forward. 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 European footprint. This will affect four German locations and one additional European location. The company has recognized a total of EUR 50 m in current and non-current restructuring provisions in connection with the program.

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 company intends to sell one of the production locations affected.

Provisions for pensions and similar obligations

Interest rate levels as at March 31, 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 March 31, 2019, amounted to 1.8% (December 31, 2018: 2.2%). The resulting remeasurement of the company's obligations under defined benefit pension plans resulted in actuarial losses of EUR 178 m as at March 31, 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

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

			03/31/2019			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	1,434	2,778	4,212	0	2,019	2,019
Facilities Agreement	0	481	481	160	986	1,146
Capital investment loan	0	183	183	0	183	183
Total	**1,434**	**3,442**	**4,876**	**160**	**3,188**	**3,348**

On March 19, 2019, Schaeffler AG issued three bond series denominated in EUR with terms ranging from 3 to 8 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. Furthermore, the company announced on March 20, 2019, that it will redeem three outstanding bond series issued by Schaeffler Finance B.V. early: 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 three bond series will be redeemed on May 15, 2019. As a result, the three bond series were reclassified to current financial debt.

The refinancing transactions triggered the amendments to the EUR 2.3 bn Facilities Agreement and the EUR 250 m capital investment loan agreed 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.

Financial instruments

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: 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.

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**

			03/31/2019		12/31/2018 [1]		03/31/2018 [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		2,064	2,064	1,914	1,914	2,139	2,139
Trade receivables – ABCP program	FVTPL	2	161	161	89	89	136	136
Other financial assets								
• Other investments	FVOCI	2	36	36	38	38	38	38
• Marketable securities	FVTPL	1	20	20	17	17	17	17
• Derivatives designated as hedging instruments	n.a.	2	5	5	43	43	33	33
• Derivatives not designated as hedging instruments	FVTPL	2	47	47	31	31	55	55
• Miscellaneous other financial assets	Amortized cost		86	86	108	108	54	54
Cash and cash equivalents	Amortized cost		2,071	2,071	801	801	672	672
Financial liabilities, by class								
Financial debt	FLAC	1,2 [2]	4,876	4,986	3,348	3,364	3,110	3,232
Trade payables	FLAC		1,980	1,980	1,967	1,967	1,866	1,866
Refund liabilities	n.a.		193	193	236	236	180	180
Lease liabilities [3]	FLAC		209	-	0	-	0	-
Other financial liabilities								
• Derivatives designated as hedging instruments	n.a.	2	60	60	40	40	19	19
• Derivatives not designated as hedging instruments	FVTPL	2	41	41	27	27	30	30
• Miscellaneous other financial liabilities	FLAC		429	429	423	423	362	362
Summary by category								
Financial assets at amortized cost (Amortized cost)			4,221	4,221	2,823	2,823	2,865	2,865
Financial assets at fair value through profit or loss (FVTPL)			228	228	137	137	208	208
Financial assets (equity instruments) at fair value through other comprehensive income (FVOCI)			36	36	38	38	38	38
Financial liabilities at amortized cost (FLAC)			7,494	7,395	5,738	5,754	5,338	5,460
Financial liabilities at fair value through profit or loss (FVTPL)			41	41	27	27	30	30

[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 4,302 m (December 31, 2018: EUR 2,020 m; March 31, 2018: EUR 2,083 m).
Level 2: EUR 684 m (December 31, 2018: EUR 1,344 m; March 31, 2018: EUR 1,149 m).
[3] Disclosure of fair value omitted in accordance with IFRS 7.29 (d).

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 429 m as at March 31, 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 cost 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 three months	
in € millions	**2019**	2018 1) 2)
EBIT Automotive OEM 2)	59	218
EBIT Automotive Aftermarket 2)	64	81
EBIT Industrial 2)	108	92
EBIT	**230**	**391**
Financial result	-38	-54
Income (loss) from equity-accounted investees	-4	0
Earnings before income taxes	**188**	**337**

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 three months		1st three months		1st three months		1st three 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	**59**	**218**	**64**	**81**	**108**	**92**	**230**	**391**
• in % of revenue	2.6	9.6	14.4	18.1	12.0	11.2	6.3	11.0
Special items	**55**	**0**	**0**	**0**	**-13**	**0**	**42**	**0**
• Legal cases	0	0	0	0	-13	0	-13	0
• Restructuring	55	0	0	0	0	0	55	0
• Other	0	0	0	0	0	0	0	0
EBIT before special items	**113**	**218**	**64**	**81**	**95**	**92**	**272**	**391**
• in % of revenue	5.0	9.6	14.4	18.1	10.6	11.2	7.5	11.0

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.

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

Events after the reporting period

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. The dividend was paid on April 29, 2019.

In addition, Schaeffler AG's annual general meeting, which was held on April 24, 2019, elected the ten shareholder representatives on Schaeffler AG's Supervisory Board as scheduled. With the election, eight members of the Supervisory Board were confirmed in their posts. The following members were re-elected: Maria-Elisabeth Schaeffler-Thumann, Georg F. W. Schaeffler, Prof. Dr.-Ing. Hans-Jörg Bullinger, Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk, Robin Stalker, Prof. KR Ing. Siegfried Wolf, and Prof. Dr.-Ing. Tong Zhang. Sabine Bendiek and Sabrina Soussan were newly elected to the Supervisory Board.

On April 26, 2019, the Schaeffler Group signed an agreement to sell its subsidiary The Barden Corporation (UK), Ltd., located in Plymouth, UK, to HQW Holding (UK) Co. Limited. 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.

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 March 31, 2019.

Herzogenaurach, April 29, 2019

The Board of Managing Directors

List of figures

Forward-looking statements

This document contains forward-looking statements that are based on the Board of Managing Directors' current estimation and expectations at the time of the creation of this report. Such statements refer to future developments, future periods, or, for example, they are designated by terms such as “estimate”, “forecast”, “intend”, “predict”, “plan”, “assume”, or “expect”. By their nature, forward-looking statements are subject to risks and uncertainties. A variety of these risks and uncertainties are determined by factors not subject to the influence of the Schaeffler Group, such as future market and economic conditions, the behavior of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies, and the actions of government regulators. If these or other risks or uncertainties occur, or if assumptions underlying statements prove incorrect, then actual results may be materially different from those (explicitly or implicitly) described. Schaeffler AG does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of this report.

Rounding differences may occur.

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

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

Summary – 1st quarter 2018 to 1st quarter 2019

	2018				2019
Income statement (in € millions)	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter
Revenue	3,551	3,642	3,521	3,527	3,622
EBIT	391	382	376	205	230
• in % of revenue	11.0	10.5	10.7	5.8	6.3
EBIT before special items [1]	391	404	355	231	272
• in % of revenue	11.0	11.1	10.1	6.5	7.5
Net income [2]	238	268	256	119	137
Earnings per common non-voting share (basic/diluted, in €)	0.36	0.41	0.38	0.18	0.21
Statement of financial position (in € millions)					
Total assets	11,876	12,023	12,336	12,362	14,561
Shareholders' equity [3]	2,778	2,691	2,948	3,060	3,169
• in % of total assets	23.4	22.4	23.9	24.8	21.8
Net financial debt	2,439	2,833	2,644	2,547	2,805
• Net financial debt to EBITDA ratio before special items [1] [4]	1.1	1.2	1.1	1.2	1.3
• Gearing ratio (Net financial debt to shareholders' equity, in %)	87.8	105.3	89.7	83.2	88.5
Statement of cash flows(in € millions)					
EBITDA	587	583	584	421	472
Cash flows from operating activities	237	283	463	623	154
Capital expenditures (capex) [5]	306	289	262	375	373
• in % of revenue (capex ratio)	8.6	7.9	7.4	10.6	10.3
Free cash flow (FCF) before cash in- and outflows for M&A activities	-69	-5	201	257	-235
• 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	17.4	10.3
Value-based management					
Schaeffler Value Added before special items (in € millions) [1] [4]	743	792	721	556	421
ROCE before special items (in %) [1] [4]	19.3	19.8	18.8	16.7	15.0
Employees					
Headcount (at end of reporting period)	91,414	92,198	92,836	92,478	91,837

	2018				2019
Automotive OEM division (in € millions)	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter
Revenue	2,280	2,307	2,191	2,218	2,286
EBIT	218	193	181	70	59
• in % of revenue	9.6	8.4	8.3	3.2	2.6
EBIT before special items [1]	218	203	168	84	113
• in % of revenue	9.6	8.8	7.7	3.8	5.0
Automotive Aftermarket division (in € millions)					
Revenue	447	480	476	459	441
EBIT	81	96	88	76	64
• in % of revenue	18.1	20.0	18.5	16.6	14.4
EBIT before special items [1]	81	96	85	76	64
• in % of revenue	18.1	20.0	17.9	16.6	14.4
Industrial division (in € millions)					
Revenue	824	855	854	850	895
EBIT	92	93	107	59	108
• in % of revenue	11.2	10.9	12.5	6.9	12.0
EBIT before special items [1]	92	105	102	71	95
• in % of revenue	11.2	12.3	11.9	8.4	10.6

Prior year information presented based on 2019 segment structure.
[1] Please refer to pp. 20 et seq. for the definition of special items.
[2] Attributable to shareholders of the parent company.
[3] Including non-controlling interests.
[4] EBIT/ EBITDA based on the last twelve months.
[5] Capital expenditures on intangible assets and property, plant and equipment.

Financial calendar

May 8, 2019

Publication of results for the first three months 2019

August 6, 2019

Publication of results for the first six months 2019

November 5, 2019

Publication of results for the first nine months 2019

All information is subject to correction and
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