SCHAEFFLER GROUP

INTERIM FINANCIAL REPORT

as of September 30, 2011

LuK INA FAG

KEY FIGURES

In € millions	1st nine months 2011	1st nine months 2010	Change	
Earnings				
Revenue	8,082	7,014	15.2	%
EBITDA	1,770	1,582	11.9	%
- in % of revenue	21.9	22.6	-0.7	%-pts.
EBIT	1,349	1,137	212	€ millions
- in % of revenue	16.7	16.2	0.5	%-pts.
Net income (loss) [1]	743	-113	856	€ millions
Financial position				
Cash flows from operating activities	724	693	31	€ millions
Capital expenditures	524	202	322	€ millions
Free cash flow	229	526	-297	€ millions

In € millions	9/30/2011	12/31/2010	Change	
Assets				
Total assets	13,001	13,344	-2.6	%
Shareholders' equity [2]	1,446	3,294	-1,848	€ millions
- in % of total assets	11.1	24.7	-13.6	%-pts.
Net financial debt	7,145	5,744	24.4	%
- in % of equity	494.1	174.4	319.7	%-pts.
Employees				
Number of employees	72,951	67,509	8.1	%

1) Attributable to shareholders of the parent company.
2) Equity attributable to shareholders of the parent company.

Automotive

In € millions	1st nine months 2011	1st nine months 2010	Change	
Revenue	5,405	4,697	15.1	%
EBITDA	1,142	1,065	7.2	%
- in % of revenue	21.1	22.7	-1.6	%-pts.
EBIT	857	761	96	€ millions
- in % of revenue	15.9	16.2	-0.3	%-pts.

Industrial

In € millions	1st nine months 2011	1st nine months 2010	Change	
Revenue	2,608	2,199	18.6	%
EBITDA	628	517	21.5	%
- in % of revenue	24.1	23.5	0.6	%-pts.
EBIT	492	376	116	€ millions
- in % of revenue	18.9	17.1	1.8	%-pts.

NINE MONTHS ENDED SEPTEMBER 30, 2011

Continuing strong growth:

Revenue increases 15 % to around EUR 8.1 bn

Sustained high quality earnings:

EBIT grows 19 % to EUR 1,349 m

Group profit increased:

Net income EUR 743 m

Cash flow improved further:

Free cash flow EUR 229 m

March refinancing fully implemented:

Debt to EBITDA ratio 3.1

Together we move the world

Every excellent performance needs sophisticated technology – in driving just as much as in business. The Schaeffler Group's challenge is: facilitating movement and saving energy, in every part of life and all over the world. With our precision products – from ball bearings for inline skates to entire valve control systems in engines – we are securing our top position among rolling bearing manufacturers and automotive suppliers. We are united with the world's most successful automobile manufacturers in our constant drive to succeed.

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GROUP
INTERIM MANAGEMENT REPORT

Disclaimer in respect of forward-looking statements

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

1. Business Environment

1.1 Economic environment

The economic outlook has deteriorated during the third quarter of 2011. In light of economic indicators suggesting a slowing of the economic recovery in the US and Europe and the political efforts to come to a sustainable solution to the sovereign debt problem, the financial markets have been experiencing significant turmoil since August. Share prices have dropped significantly. The currency markets saw considerable upward pressure on several currencies. Following strong demand for the Swiss Franc, the Swiss National Bank announced on September 6th that it was targeting a minimum exchange rate of 1.20 Euro for the time being. Based on these developments, the International Monetary Fund has adjusted its estimate of global growth downward slightly by 0.3 percentage points to 4.0 % in its September forecast for 2011.

The overall economy in the Euro area has recently cooled down noticeably. Economic and business climate indicators of the European Union and the OECD signify lower growth rates and deteriorating consumer confidence. In Germany, the ifo-business climate index deteriorated considerably during the third quarter. In addition, the changes made to the bailout packages for the countries on the European periphery (Greece, Ireland, Portugal, and Spain) were not able to eliminate the uncertainty in the capital markets. At the same time, the cut back measures taken by the countries that have already resorted to the European bailout facility EFSF have had limited success. The International Monetary Fund has reduced its forecast of economic growth for the Euro area for 2011 by 0.4 percentage points to 1.6 %.

The economic recovery in the US continues to be muted as a result of high consumer debt, continued high unemployment and the ongoing depression in the real estate market. The continued expansionary monetary policy of the US Federal Reserve is intended to support a stronger recovery. The negotiations on raising the debt ceiling were casting a shadow over fiscal politics. Shortly after an agreement was reached to raise that ceiling, a rating agency lowered the US credit rating, further increasing tension in the international financial markets. Due to the disappointing economic development during the course of the year, the International Monetary Fund has reduced its forecast of economic growth for the US for 2011 by 1.0 percentage points to 1.5 %.

The economy of the emerging markets has slowed down somewhat due to lower demand from the developed economies and as a result of a more restrictive economic policy. However, aggregate production, particularly in China, is still growing. The International Monetary Fund has only reduced its forecast of economic growth for China for 2011 by 0.1 percentage points to 9.5 %. Supply chains in Japan have largely been restored following the natural disaster and nuclear accident in March. The slump in gross domestic product during the first half of the year has largely been compensated, primarily by the reconstruction efforts. The International Monetary Fund expects the Japanese gross domestic product for 2011 to fall by 0.5%.
Further turmoil in the financial markets is expected in the coming months due to the lack of momentum and high level of uncertainty related to the future development of the global economy. This turmoil may further depress the confidence of companies and consumers and put pressure on demand in the real economy. While the economic research institutions are not anticipating a dramatic downward spiral of the global economy of the scale seen three years ago, they do expect only weak worldwide economic growth until well into next year.

1.2 Sector development

The overall economic uncertainty has not yet affected the global automobile production. According to the German Association of the Automotive Industry (“Verband der Automobilindustrie” (VDA)), the current sentiment in the automotive industry continues to be positive. Preliminary figures show that the worldwide production of cars and light commercial vehicles increased by 3.9 % during the reporting period compared to the prior year period (source: IHS Global Insight Automotive).

In Europe, automobile production for the first nine months of 2011 grew by 7.4 % compared to the corresponding prior year period. Production capacities of automobile manufacturers in Germany were again almost fully utilized in the third quarter. Many manufacturers shortened their vacation plant shutdown during the summer months due to full order books. Total production of cars and light commercial vehicles in Germany increased by 7.1 % during the first nine months.

Automobile production in the US market increased by 7.7 % during the first nine months compared to the prior year period. South America experienced production growth of 5.9 %. In China, 6.0 % more cars and light commercial vehicles were produced during the reporting period than during the same period in 2010. In India, the upward trend was bolstered by strong domestic demand, which saw the automobile production growing by 16.7 % during the first nine months. The Japanese automobile production during the third quarter largely recovered from the natural disaster and nuclear accident last March. Production only declined by 2.9 % compared to the third quarter of the prior year, bringing total automobile production in Japan for the first nine months to a level 20.2 % below that of the prior year period.

Despite indications of a deteriorating consumer confidence and the recent turmoil in the financial markets we do not anticipate a slump in the global automobile production during the remainder of the year. Our growth forecast for the global automobile production for 2011 as a whole remains at 4 %.

At the end of the third quarter, worldwide engineering and plant construction provided a mixed picture that was characterized by regional and sector differences. While lagging sectors such as large plant construction are still benefiting from the recovery, certain early-cyclical sectors such as the semiconductor industry are experiencing slight declines in order intake.

In Germany, the engineering sector did not seem to be affected by the turmoil in the financial markets or concerns about the economy, according to information provided by the German Engineering Federation ("Verband Deutscher Maschinen- und Anlagenbau" (VDMA)). However, lower growth rates indicate that growth has continued to slow down as expected. In September, orders in the German engineering sector were again higher than in the prior year, although only by a mere 1 %. Total order intake for the period from January to September was 18 % above that for the corresponding prior year period.
In its preliminary forecast issued in September, the VDMA is anticipating total global engineering and plant construction revenues to grow by approximately 13 % in 2011.

2. Earnings

2.1 The Schaeffler Group

During the third quarter 2011, the Schaeffler Group was able to further grow both revenue and net income and again improved its EBIT-margin compared to the first six months of 2011.

	1st nine months			3rd quarter		
In € millions	2011	2010	Change in %	2011	2010	Change in %
Revenue	8,082	7,014	15.2	2,703	2,452	10.2
Cost of sales	-5,586	-4,769	17.1	-1,866	-1,643	13.6
Gross profit	2,496	2,245	11.2	837	809	3.5
Functional expenses 1)	-1,198	-1,078	11.1	-396	-362	9.4
EBIT	1,349	1,137	18.6	466	398	17.1
- in % of revenue	16.7	16.2	-	17.2	16.2	-
Financial result	-273	-1,084	-74.8	-253	-185	36.8
Income taxes	-323	-159	> 100	-108	-64	68.8
Net income (loss) 2)	743	-113	< -100	102	147	-30.6

1) Selling, administration and research and development.

2) Attributable to shareholders of the parent company.

At EUR 2,703 m (prior year: EUR 2,452 m) in the third quarter, the Schaeffler Group generated the highest quarterly revenue in the history of the company, despite the uncertain macroeconomic situation. In a market environment still characterized by high innovative ability, Schaeffler was able to increase revenue by 10.2 % compared to the third quarter of 2010. Both segments, Automotive and Industrial, saw revenues increase at rates that were again significantly higher than the corresponding market growth rates for the third quarter.

Total revenue increased by 15.2 % to EUR 8,082 m during the first nine months of 2011 compared to the corresponding prior year period (prior year: EUR 7,014 m).
With revenue growing by 15.1 %, the Automotive Division again significantly exceeded the already high levels of revenue generated in the comparable prior year period. In the Industrial Division, rapid worldwide growth continued undiminished, predominantly in the aftermarket, machine tools and production systems, and power transmission sectors, with revenue increasing 18.6 % over the first nine months of 2010.

Cost of sales increased by 17.1 % to EUR 5,586 m (prior year: EUR 4,769 m) during the first nine months of 2011, growing faster than revenue and, therefore, slightly decreasing gross margin by 1.1 percentage points to 30.9 % (prior year: 32.0 %). The slight decline in gross margin is due in particular to prices for materials increasing as expected. Gross profit improved by EUR 251 m over the prior year period to EUR 2,496 m (prior year: EUR 2,245 m).

Research and development expenses grew by 8.1 % to EUR 362 m (prior year: EUR 335 m) for the first nine months of 2011 compared to the prior year. This trend reflects the fact that, as co-creators of future-oriented mobility, we are guided by the needs of our customers and changing market conditions in the areas of energy efficiency and the megatrends CO_2-reduction, mechatronics and renewable energy.

Selling expenses rose less than sales, increasing by 13.8 % to EUR 537 m (prior year: EUR 472 m). This increase was primarily due to higher sales-related costs such as freight and logistics expenses.

Administrative expenses grew less than revenue during the first nine months of 2011 as a result of the continuing strong cost discipline and economies of scale.

Earnings before financial result and income taxes (EBIT) grew by EUR 212 m to EUR 1,349 m (prior year: EUR 1,137 m) for the first three quarters of 2011 from the prior year. As a result, the EBIT margin increased to 16.7 % (prior year: 16.2 %).

The Schaeffler Group's financial result for the first nine months of 2011 of EUR -273 m (prior year: EUR -1,084 m) was driven by its share of the net income (loss) of equity-accounted investees of EUR 229 m (prior year: EUR -393 m) and net interest expense of EUR 502 m (prior year: EUR 691 m).

The share of the net income (loss) of equity-accounted investees of EUR 229 m relates to the investment in Schaeffler Beteiligungsholding GmbH & Co. KG, to which the 36.14 % investment in Continental AG was transferred on September 30, 2011, and which is accounted for in the Schaeffler Group's consolidated financial statements using the equity method. The exclusively share of net income (loss) from equity-accounted investees represents Continental AG's earnings for the first nine months of 2011, which the company announced on November 3, 2011.

Net interest expense comprises interest income of EUR 34 m (prior year: EUR 38 m) and interest expense of EUR 536 m (prior year: EUR 729 m). Interest income relates primarily to returns on plan assets of funded pension plans and income from discounting various line items in the statement of financial position. Interest expense includes interest on financial debt of EUR 323 m (prior year: EUR 291 m) and compensation payments on interest rate derivatives of approximately EUR 139 m (prior year: EUR 194 m). These include EUR 24 m (prior year: EUR 29 m) in non-cash amortization of transaction costs. This interest expense is offset by approximately EUR 62 m in gains (prior year: losses of EUR 111 m) arising from unrealized non-cash fair value changes of interest rate derivatives. Since the refinancing arrangement was entered into in the fall of 2009, the interest rate hedging instruments no longer qualify for hedge accounting under IFRS, and the related fair value changes are therefore recognized in the income statement. Since they economically relate to interest expense on the Company's financial debt, these gains are presented in interest expense. In addition, the reserve of EUR -286 m accumulated in equity for cash flow hedge accounting up to November 20, 2009 is being amortized to profit or loss. This resulted in the recognition of interest expense of EUR 57 m (prior year: EUR 69 m). Additional expenses of approximately EUR 79 m (prior year: EUR 64 m) are related to provisions for pensions and similar obligations.

Income taxes for the first nine months of 2011 amounted to EUR 323 m (prior year: EUR 159 m), consisting of current tax expense of EUR 310 m (prior year: EUR 244 m) and deferred tax expense of EUR 13 m (prior year: tax benefit of EUR 85 m). Current tax expense of EUR 301 m relates to the current fiscal year, while EUR 9 m relate to prior years.
Deferred tax assets on the remaining EUR 303 m in interest carryforwards from prior years were not recognized because tax planning considerations make their utilization not probable. Interest expense for 2011 includes EUR 87 m that were not tax deductible due to the interest deduction cap.

In total, net income increased by EUR 856 m to EUR 743 m (prior year: net loss of EUR 113 m) during the first nine months of 2011.

2.2 Schaeffler Group Automotive

In € millions	1st nine months 2011	1st nine months 2010	Change in %	3rd quarter 2011	3rd quarter 2010	Change in %
Revenue	5,405	4,697	15.1	1,814	1,598	13.5
Cost of sales	-3,895	-3,300	18.0	-1,309	-1,106	18.4
Gross profit	1,510	1,397	8.1	505	492	2.6
EBIT	857	761	12.6	294	249	18.1
- in % of revenue	15.9	16.2	-	16.2	15.6	-

Automotive Division revenue increased 15.1 % to EUR 5,405 m during the first nine months of 2011 compared to the prior year (prior year: EUR 4,697 m). Revenue for the third quarter of 2011 grew by 13.5 % to EUR 1,814 m (prior year: EUR 1,598 m) compared to the prior year quarter.

The growth in revenue was driven by the continuing positive market situation of the automotive sector globally and increases significantly in excess of market growth rates due to new customer projects despite the turmoil in the financial markets during the third quarter. This was bolstered by a high level of average monthly order intake, where it was possible to replace projects coming to an end with larger volume new and follow-up orders.

During the year to date, revenue growth was driven in particular by the sales markets in Asia (+20 %), Europe (+16 %), and North America (+13 %). Top-selling product groups showing above-average growth included torque converters (+25 %), tapered roller bearings (+19 %), ball bearings (+18 %), and hydraulic valve lash adjustment elements (+16 %). In addition, innovative new products such as the dry double clutch, ball screw drives and the fully variable electro-hydraulic valve control system (UniAir/MultiAir) experienced particularly high growth rates.

Cost of sales rose by 18.0 % to EUR 3,895 m (prior year: EUR 3,300 m) in the first nine months of 2011. Cost of sales for the third quarter of 2011 increased by 18.4 % to EUR 1,309 m (prior year: EUR 1,106 m). As this increase in cost of sales exceeded the growth in revenue, gross margin decreased by 1.8 percentage points to 27.9 % (prior year: 29.7 %) for the year 2011 to date and by 3.0 percentage points to 27.8 % (prior year: 30.8 %) for the third quarter of 2011.

Increased production volumes and an improvement in productivity favorably impacted gross profit. However, this positive impact could not completely offset rising materials and energy costs. This is also reflected in the relatively large increase in cost of sales for the third quarter of 2011 compared to the prior year quarter.

Total Automotive Division earnings before financial result and income taxes (EBIT) grew by EUR 96 m to EUR 857 m (prior year: EUR 761 m) during the first nine months of 2011 compared to the prior year. EBIT for the third quarter of 2011 increased by EUR 45 m to EUR 294 m (prior year: EUR 249 m) from the comparable prior year period. The EBIT margin declined slightly to 15.9 % (prior year: 16.2 %) during the year 2011 to date. The EBIT margin for the third quarter of 2011 increased to 16.2 % (prior year: 15.6 %).

2.3 Schaeffler Group Industrial

	1st nine months			3rd quarter		
In € millions	2011	2010	Change in %	2011	2010	Change in %
Revenue	2,608	2,199	18.6	876	810	8.1
Cost of sales	-1,622	-1,351	20.1	-544	-493	10.3
Gross profit	986	848	16.3	332	317	4.7
EBIT	492	376	30.9	172	149	15.4
- in % of revenue	18.9	17.1	-	19.6	18.4	-

Industrial Division revenue increased 18.6 % to EUR 2,608 m during the first nine months of 2011 compared to the prior year (prior year: EUR 2,199 m). Revenue for the third quarter of 2011 grew by 8.1 % to EUR 876 m (prior year: EUR 810 m) compared to the prior year quarter.

Except for wind power, all sectors contributed to the growth in revenue during the first nine months compared to the prior year, with the production machinery and power transmission sectors as well as the aftermarket business performing particularly well.

All regions exhibited double-digit revenue growth during the year to date, with Germany (+30 %) at the top, followed by Europe excluding Germany (+21 %) and South America (+20 %). The growth in revenue was accompanied by continuing high order intake levels.

Industrial Division cost of sales increased slightly more than revenue during the first nine months of 2011, rising by 20.1 % to EUR 1,622 m compared to the corresponding prior year period (prior year: EUR 1,351 m). As a result, gross margin fell by 0.8 percentage points to 37.8 % (prior year: 38.6 %) compared to the prior year and by 1.2 percentage points to 37.9 % (prior year: 39.1 %) for the third quarter of 2011 compared to the prior year quarter. High plant utilization ensured the continuation of economies of scale; while rising raw materials and energy costs impacted margin development slightly negatively.

Total Industrial Division earnings before financial result and income taxes (EBIT) rose by EUR 116 m or 30.9 % to EUR 492 m during the first nine months of 2011 compared to the prior year period (prior year: EUR 376 m). EBIT for the third quarter of 2011 increased by EUR 23 m to EUR 172 m (prior year: EUR 149 m) from the comparable prior year period. This growth was driven by the positive revenue trend combined with a moderate increase in cost of sales and in research and development, selling and administration expenses. The EBIT margin increased to 18.9 % (prior year: 17.1 %) in the first nine months of 2011. The EBIT margin for the third quarter of 2011 improved to 19.6 % (prior year: 18.4 %).

3. Assets and Financial Position

3.1 Assets

The financial position as at September 30, 2011 is marked by a decrease in total assets from the previous reporting date.

In € millions	9/30/2011	12/31/2010	9/30/2010
Total assets	13,001	13,344	13,304
Investments in equity-accounted investees	4,674	5,252	5,223
Shareholders' equity [1]	1,498	3,341	3,022
- in % of total assets	11.5	25.0	22.7

1) Including non-controlling interests.

Among non-current assets, property, plant and equipment increased by EUR 55 m to EUR 3,096 m (December 31, 2010: EUR 3,041 m). Capital expenditures of EUR 514 m were partially offset by depreciation of EUR 393 m, foreign currency translation differences of EUR 52 m and disposals of EUR 14 m. In contrast, intangible assets decreased by EUR 18 m to EUR 557 m (December 31, 2010: EUR 575 m). Deferred tax assets rose by EUR 41 m to EUR 330 m (December 31, 2010: EUR 289 m). Investments in equity-accounted investees declined by EUR 578 m to EUR 4,674 m (December 31, 2010: EUR 5,252 m). A reduction of EUR 764 m due to the distribution of Continental AG shares to the shareholder, Schaeffler Verwaltungs GmbH, as a dividend in kind was partially offset by the share of Continental AG net income for the first nine months. Other non-current assets decreased by EUR 55 m to EUR 111 m (December 31, 2010: EUR 166 m). EUR 36 m of this decrease represent changes in the fair value of financial derivatives used to hedge interest rate risk.

The increase in inventories and trade receivables by a total of EUR 449 m to EUR 3,374 m (December 31, 2010: EUR 2,925 m) was due to the continuing successful course of business in the first nine months of 2011. Other current assets remained largely unchanged at EUR 263 m (December 31, 2010: EUR 257 m).

Cash and cash equivalents, on the other hand, decreased by EUR 233 m to EUR 500 m (December 31, 2010: EUR 733 m), primarily as a result of the EUR 400 m dividend paid to Schaeffler Verwaltungs GmbH, the sole shareholder of Schaeffler AG (formerly Schaeffler GmbH, referred to as Schaeffler AG below), in January 2011.

The decrease in shareholders' equity of EUR 1,843 m to EUR 1,498 m (December 31, 2010: EUR 3,341 m) was primarily caused by dividends totaling EUR 2,364 m to the company's shareholder, Schaeffler Verwaltungs GmbH, and by other comprehensive loss of EUR 232 m arising mainly from currency fluctuations and increases in pension obligations related to discount rate adjustments that were recognized in equity. This reduction was partially offset by net income for the period of EUR 753 m.

Current and non-current financial debt combined increased by EUR 1,168 m to EUR 7,645 m (December 31, 2010: EUR 6,477 m). The increase relates primarily to two dividends in kind of EUR 600 m each to the Group's sole shareholder Schaeffler Verwaltungs GmbH: One took the form of an assumption of financial debt and the other was recognized as a loan payable to Schaeffler Verwaltungs GmbH. Other non-current liabilities declined by EUR 85 m to EUR 338 m (December 31, 2010: EUR 423 m), almost entirely due to the change in negative fair values of non-current interest rate derivatives, which have decreased as a result of rising expected interest rates.

Current and non-current provisions increased by EUR 133 m to EUR 1,688 m (December 31, 2010: EUR 1,555 m), primarily as a result of discount rate adjustments on pension obligations and other staff-related obligations.

In addition, trade payables rose by EUR 102 m to EUR 831 m (December 31, 2010: EUR 729 m) in line with the successful course of business during the first nine months of 2011. Improved earnings also led to an increase in current income tax payables by EUR 90 m to EUR 205 m (December 31, 2010: EUR 115 m).

3.2 Financial Position

	1st nine months			3rd quarter		
In € millions	2011	2010	Change in %	2011	2010	Change in %
Cash flows from operating activities	724	693	4.5	353	254	39.0
Cash flows used in investing activities [1]	-495	-167	› 100	-201	-64	› 100
Cash flows before financing activities (free cash flow)	**229**	**526**	**-56.5**	**152**	**190**	**-20.0**
Financial debt	7,645	6,503	17.6	7,645	6,503	17.6
Cash and cash equivalents	500	740	-32.4	500	740	-32.4
Net financial debt	**7,145**	**5,763**	**24.0**	**7,145**	**5,763**	**24.0**

1) Including currency translation effects.

Cash inflow from operating activities rose by EUR 31 m from the prior year to EUR 724 m in the first nine months of 2011. The reason for the increase was the positive impact of earnings before interest and taxes, partially offset by cash outflows within working capital. Cash flows from operating activities include the following cash in- and outflows related to interest and taxes:

	1st nine months	
In € millions	2011	2010
Interest received	9	7
Interest paid	-467	-458
Income taxes paid	-169	-180

In the first nine months of 2011, cash totaling EUR 495 m was used in investing activities (prior year: EUR 167 m).

On this basis, free cash flow amounts to EUR 229 m (prior year: EUR 526 m).

At September 30, 2011, net financial debt had increased by EUR 1,382 m to EUR 7,145 m (September 30, 2010: EUR 5,763 m), primarily as a result of the increase in financial debt due to the company structure and to the decrease in cash and cash equivalents as at the end of the reporting period.

Financial debt as at September 30, 2011 includes liabilities of EUR 6,896 m (December 31, 2010: EUR 6,300 m) related to the Senior Facility Agreement.

The Schaeffler Group made capital expenditures on intangible assets and property, plant and equipment of EUR 524 m during the first nine months, again significantly more than the EUR 202 m spent during the comparable prior year period due to the expansion of capacity in response to our growth.

4. Employees

The number of employees rose by 5,442 (+8.1 %) as at September 30, 2011 compared to December 31, 2010 and by 6,872 (+10.4 %) compared to the prior year reporting date. Increased customer demand across all regions led to the recruitment of new staff, primarily in production and production-related areas.

The regional allocation of employees is as follows:

Number of employees [1]	9/30/2011	12/31/2010	9/30/2010	Change in % [2]
Germany	29,221	27,938	27,679	4.6
Europe excluding Germany	21,730	20,063	19,576	8.3
Asia/Pacific	10,676	9,258	8,892	15.3
North America	6,614	5,866	5,559	12.8
South America	4,710	4,384	4,373	7.4
Schaeffler Group	**72,951**	**67,509**	**66,079**	**8.1**

1) Figures as of end of period.

2) 9/30/2011 compared to 12/31/2010.

5. Significant Events during the Reporting Period

The IHO Group, defined as the consolidated group with the parent company INA-Holding Schaeffler GmbH & Co. KG, and its shareholders agreed with the consortium banks on a comprehensive refinancing of the IHO Group's debt in late March 2011. The main consequences of this agreement for the Schaeffler Group are as follows:

In addition to the cash dividend of EUR 400 m paid in January 2011 for purposes of repaying IHO Group debt, Schaeffler AG distributed 12,043,528 Continental AG shares to Schaeffler Verwaltungs GmbH as a dividend in kind in May 2011 (see management report section 3.1).

Furthermore, on July 1, 2011, Schaeffler AG assumed financial debt of EUR 600 m from its parent company Schaeffler Verwaltungs GmbH at the terms underlying the existing Senior Facility Agreement, under an assumption of debt in discharge of the previous debtor (see management report section 3.1).

Moreover, a dividend of EUR 600 m payable to Schaeffler Verwaltungs GmbH was declared on September 22, 2011. As the resulting obligation was immediately converted to a loan, this dividend did not lead to an immediate outflow of liquidity (see management report section 3.1).

In return, the liability under par. 133 of the German Reorganization of Companies Act ["Umwandlungsgesetz"] which arose in connection with the hive-down to Schaeffler AG (then still named Schaeffler GmbH) that was entered in the Commercial Register on June 28, 2010 was eliminated.

In addition, it was agreed that Schaeffler GmbH would be converted to a stock corporation (see management report section 6).

6. Significant Events after the Reporting Period

The conversion of Schaeffler GmbH to a stock corporation became effective upon entry in the Commercial Register on October 13, 2011.

The European Commission as well as the US Department of Justice have commenced antitrust investigations of various manufacturers of rolling bearings, including Schaeffler. Subject to the investigations in Europe and the US is whether manufacturers of rolling bearings participated in unlawful agreements and/or concerted practices concerning rolling or plain bearings.

No other material events occurred after September 30, 2011 that would have had a significant impact on the company's net assets, financial position and results of operations.

7. Outlook

Following the encouraging performance of our business during the first nine months of 2011 and in light of our continuing sound order intake we continue to expect demand for our components, modules and systems to be stable for the rest of the year. We currently anticipate revenue for the fourth quarter to increase slightly over the prior year. For 2011 as a whole, we are still expecting revenue growth of more than 10 %.

Our capital expenditures for new products and capacity expansion will fall within the forecasted target range of 6 % to 8 % of revenue. We are currently planning to make capital expenditures of around 7 % of revenue for all of 2011. We also continue to expect to spend approximately 5 % of Group revenue on research and development. On this basis, we are confident that we will achieve our forecast of generating an EBIT margin exceeding 13 % for 2011 as a whole.

Net income for 2011 will continue to be negatively impacted by interest expense incurred to finance the Continental AG investment. As Continental AG is accounted for at equity in the consolidated financial statements of the Schaeffler Group, the performance of Continental AG affects the financial result.

Continuing turmoil in the financial markets and a further deepening of the debt crisis in Europe and the US may have a sustained negative impact on economic growth. In addition, increasing commodity prices, particularly for steel, and higher labor costs may affect our margins negatively.

As a leading global automotive and industrial supplier, we benefit particularly from our technological leadership, innovative products, excellent quality, as well as our strong regional presence in the growth markets. On this basis we expect to be able to generate revenue growth in excess of that of the relevant markets during the next few years, despite an increasingly difficult market environment.

Herzogenaurach, November 11, 2011

The Executive Management Board

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Consolidated Income Statement

In € millions	1st nine months 2011	1st nine months 2010	Change in %	3rd quarter 2011	3rd quarter 2010	Change in %
Revenue	8,082	7,014	15.2	2,703	2,452	10.2
Cost of sales	-5,586	-4,769	17.1	-1,866	-1,643	13.6
Gross profit	**2,496**	**2,245**	**11.2**	**837**	**809**	**3.5**
Research and development expenses	-362	-335	8.1	-118	-108	9.3
Selling expenses	-537	-472	13.8	-183	-166	10.2
Administrative expenses	-299	-271	10.3	-95	-88	8.0
Other income	265	287	-7.7	131	3	› 100
Other expenses	-214	-317	-32.5	-106	-52	› 100
Earnings before financial result and income taxes (EBIT)	**1,349**	**1,137**	**18.6**	**466**	**398**	**17.1**
Share of net income (loss) of equity-accounted investees	229	-393	‹ -100	34	-44	‹ -100
Interest income	34	38	-10.5	12	8	50.0
Interest expense	-536	-729	-26.5	-299	-149	› 100
Financial result	**-273**	**-1,084**	**-74.8**	**-253**	**-185**	**36.8**
Earnings before income taxes	**1,076**	**53**	**› 100**	**213**	**213**	**0.0**
Income taxes	-323	-159	› 100	-108	-64	68.8
Net income (loss)	**753**	**-106**	**‹ -100**	**105**	**149**	**-29.5**
Attributable to shareholders of the parent company	743	-113	‹ -100	102	147	-30.6
Attributable to non-controlling interests	10	7	42.9	3	2	50.0

2. Consolidated Statement of Comprehensive Income

	1st nine months						3rd quarter					
	2011			2010			2011			2010		
In € millions	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes
Net income (loss)	**1,076**	**-323**	**753**	**53**	**-159**	**-106**	**213**	**-108**	**105**	**213**	**-64**	**149**
Foreign currency translation differences for foreign operations	-115	0	-115	129	0	129	-12	0	-12	-126	0	-126
Effective portion of changes in fair value of cash flow hedges	-4	1	-3	109	-30	79	-65	18	-47	108	-29	79
Net change in fair value of available-for-sale financial assets	-1	0	-1	0	0	0	-1	0	-1	1	0	1
Defined benefit plan actuarial gains/losses	-93	21	-72	-98	23	-75	-92	21	-71	-61	18	-43
Other comprehensive income (loss) before equity-accounted investees	**-213**	**22**	**-191**	**140**	**-7**	**133**	**-170**	**39**	**-131**	**-78**	**-11**	**-89**
Share of other comprehensive income (loss) of equity-accounted investees	-35	-9	-44	145	-1	144	7	-4	3	-61	-3	-64
Total other comprehensive income (loss)	**-248**	**13**	**-235**	**285**	**-8**	**277**	**-163**	**35**	**-128**	**-139**	**-14**	**-153**
Total comprehensive income (loss) for the period	**828**	**-310**	**518**	**338**	**-167**	**171**	**50**	**-73**	**-23**	**74**	**-78**	**-4**
Total comprehensive income (loss) attributable to shareholders of the parent company	823	-310	513	328	-167	161	48	-73	-25	74	-78	-4
Total comprehensive income (loss) attributable to non-controlling interests	5	0	5	10	0	10	2	0	2	0	0	0
Total comprehensive income (loss) for the period	**828**	**-310**	**518**	**338**	**-167**	**171**	**50**	**-73**	**-23**	**74**	**-78**	**-4**

3. Consolidated Statement of Financial Position

In € millions	9/30/2011	12/31/2010	9/30/2010	Change in % [1]
ASSETS				
Intangible assets	557	575	598	-3.1
Property, plant and equipment	3,096	3,041	2,964	1.8
Investments in equity-accounted investees	4,674	5,252	5,223	-11.0
Other investments	7	8	8	-12.5
Other assets	111	166	138	-33.1
Deferred tax assets	330	289	329	14.2
Total non-current assets	**8,775**	**9,331**	**9,260**	**-6.0**
Inventories	1,612	1,482	1,424	8.8
Trade receivables	1,762	1,443	1,538	22.1
Other assets	263	257	271	2.3
Income tax receivables	89	98	71	-9.2
Cash and cash equivalents	500	733	740	-31.8
Total current assets	**4,226**	**4,013**	**4,044**	**5.3**
Total assets	**13,001**	**13,344**	**13,304**	**-2.6**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	500	500	500	0.0
Other reserves	1,183	2,801	2,625	-57.8
Accumulated other comprehensive income (loss)	-237	-7	-147	> 100
Equity attributable to shareholders of the parent company	**1,446**	**3,294**	**2,978**	**-56.1**
Non-controlling interests	52	47	44	10.6
Total shareholders' equity	**1,498**	**3,341**	**3,022**	**-55.2**
Provisions for pensions and similar obligations	1,178	1,111	1,203	6.0
Provisions	123	127	133	-3.1
Financial debt	7,307	6,413	6,423	13.9
Income tax payables	136	102	25	33.3
Other liabilities	338	423	483	-20.1
Deferred tax liabilities	147	116	76	26.7
Total non-current liabilities	**9,229**	**8,292**	**8,343**	**11.3**
Provisions	387	317	427	22.1
Financial debt	338	64	80	> 100
Trade payables	831	729	688	14.0
Income tax payables	205	115	194	78.3
Other liabilities	513	486	550	5.6
Total current liabilities	**2,274**	**1,711**	**1,939**	**32.9**
Total shareholders' equity and liabilities	**13,001**	**13,344**	**13,304**	**-2.6**

1) 9/30/2011 compared to 12/31/2010.

4. Consolidated Statement of Cash Flows

	1st nine months			3rd quarter		
In € millions	2011	2010	Change in %	2011	2010	Change in %
Operating activities						
EBIT	1,349	1,137	18.6	466	398	17.1
Interest paid	-467	-458	2.0	-152	-153	-0.7
Interest received	9	7	28.6	3	4	-25.0
Income taxes paid	-169	-180	-6.1	-77	-106	-27.4
Depreciation, amortization and impairments	421	445	-5.4	139	147	-5.4
Gains/losses from the disposal of assets	0	-2	-100.0	1	-2	< -100
Other non-cash items	-9	-6	50.0	13	12	8.3
Changes in: • Inventories	-164	-223	-26.5	-26	-100	-74.0
• Trade receivables	-341	-356	-4.2	-51	-38	34.2
• Trade payables	104	266	-60.9	-23	74	< -100
• Provisions for pensions and similar obligations	-63	-58	8.6	-38	-26	46.2
• Other assets, liabilities and provisions	54	121	-55.4	98	44	> 100
Cash flows from operating activities [1)]	**724**	**693**	**4.5**	**353**	**254**	**39.0**
Investing activities						
Proceeds from disposals of intangible assets and property, plant and equipment	14	20	-30.0	5	12	-58.3
Capital expenditures on intangible assets	-11	-22	-50.0	-4	-6	-33.3
Capital expenditures on property, plant and equipment	-503	-177	> 100	-202	-70	> 100
Investments in other investments	-2	-4	-50.0	-1	0	-
Other (de-) investing activities	7	16	-56.3	1	0	-
Cash flows from investing activities	**-495**	**-167**	**> 100**	**-201**	**-64**	**> 100**
Financing activities						
Dividends paid to non-controlling interests	-1	-1	0.0	0	0	-
Receipts from loans	18	13	38.5	14	11	27.3
Repayments of loans	-31	-60	-48.3	-10	-17	-41.2
Payments to Schaeffler Verwaltungs GmbH/change in financial allocation account	-400	-134	> 100	0	0	-
Receipts/payments from other financing activities	-33	37	< -100	-7	-13	-46.2
Cash flows from financing activities	**-447**	**-145**	**> 100**	**-3**	**-19**	**-84.2**
Net increase/decrease in cash and cash equivalents	**-218**	**381**	**< -100**	**149**	**171**	**-12.9**
Effects of foreign exchange rate changes on cash and cash equivalents	-15	9	< -100	-2	-15	-86.7
Cash and cash equivalents as of beginning of period	733	350	> 100	353	584	-39.6
Cash and cash equivalents as of end of period	**500**	**740**	**-32.4**	**500**	**740**	**-32.4**

1) Excluding interest payments, cash flows from operating activities for the period 1/1 – 9/30/2011 amount to EUR 1,191 m (prior year: EUR 1,151 m).

5. Consolidated Statement of Changes in Shareholders' Equity

including non-controlling interests

	Share capital	Other reserves	Accumulated other comprehensive income (loss) [1]				Subtotal	Non-controlling interests	Total
In € millions			Translation reserve	Hedging reserve	Fair value reserve	Reserve for actuarial gains and losses			
Balance as of January 1, 2010	**0**	**3,239**	**-190**	**-206**	**0**	**-25**	**2,818**	**34**	**2,852**
Net income (loss)		-113					-113	7	-106
Other comprehensive income (loss)			267	81	1	-75	274	3	277
Total comprehensive income (loss) for the period	**0**	**-113**	**267**	**81**	**1**	**-75**	**161**	**10**	**171**
Capital increase	500	-500					0		0
Acquisitions in stages		-6					-6		-6
Other items from equity-accounted investees recognized directly in shareholders' equity		5					5		5
Balance as of September 30, 2010	**500**	**2,625**	**77**	**-125**	**1**	**-100**	**2,978**	**44**	**3,022**
Balance as of January 1, 2011	**500**	**2,801**	**179**	**-120**	**1**	**-67**	**3,294**	**47**	**3,341**
Net income (loss)		743					743	10	753
Other comprehensive income (loss)			-188	14		-56	-230	-5	-235
Total comprehensive income (loss) for the period	**0**	**743**	**-188**	**14**	**0**	**-56**	**513**	**5**	**518**
Dividends to shareholders		-2,364					-2,364		-2,364
Other items from equity-accounted investees recognized directly in shareholders' equity		3					3		3
Balance as of September 30, 2011	**500**	**1,183**	**-9**	**-106**	**1**	**-123**	**1,446**	**52**	**1,498**

1) Including the effect of equity-accounted investees (incl. Continental AG).

6. Condensed Notes to the Consolidated Financial Statements

6.1 Reporting entity

Schaeffler AG (Schaeffler GmbH until October 13, 2011, referred to as Schaeffler AG below), Herzogenaurach, is a corporation domiciled in Germany with its registered office located at Industriestrasse 1–3, 91074 Herzogenaurach. The company was founded as at September 29, 2009 and is registered in the Commercial Register of the Fuerth Local Court (HRB No. 13202). The condensed consolidated financial statements of Schaeffler AG as at September 30, 2011 comprise Schaeffler AG and its subsidiaries, investments in associated companies and joint ventures (together referred to as "Schaeffler" or "Schaeffler Group"). Schaeffler is a supplier to automotive, aerospace and other manufacturing customers with operations worldwide.

6.2 Reorganization of Group

The Schaeffler Group with its parent company INA-Holding Schaeffler GmbH & Co. KG was extensively reorganized in terms of its legal structure in 2009 and 2010. The objective of the reorganization was to establish structures suitable for the capital markets, with Schaeffler AG as a holding company.

For legal purposes, the Schaeffler Group was created when the hive-down was entered in the Commercial Register on June 28, 2010.

6.3 Basis of preparation and presentation

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and effective at the end of the reporting period and in accordance with the Interpretations by the IFRS Interpretations Committee (IFRIC).
The consolidated interim financial statements of Schaeffler AG, Herzogenaurach, for the reporting period ended September 30, 2011 have been prepared in accordance with IAS 34 "Interim Financial Reporting". In addition, IFRS amendments and new regulations effective as at January 1, 2011 have been applied in these interim financial statements. This had no significant effect on the Schaeffler Group. Therefore, please refer to the 2010 consolidated financial statements of the Schaeffler Group for a detailed description of these mandatory IFRS amendments and new regulations.

The interim financial statements as at September 30, 2011 do not include all information necessary for a complete set of consolidated financial statements.

The legal creation of the Schaeffler Group's structure on June 28, 2010 falls in the comparative prior year period. The financial information for the portion of that comparative period before this date was derived from the INA-Holding Schaeffler GmbH & Co. KG Group consolidated financial statements using predecessor accounting. Therefore, these consolidated interim financial statements should be read in conjunction with the consolidated financial statements of INA-Holding Schaeffler GmbH & Co. KG as at and for the year ended December 31, 2009 and the consolidated financial statements of the Schaeffler Group as at and for the year ended December 31, 2010.

The accounting policies used in these consolidated interim financial statements are the same as those used in the 2010 consolidated financial statements, where they are discussed in detail.

In the preparation of financial statements in accordance with IFRS, management exercises judgment in making estimates and assumptions. Such estimates and judgments are unchanged from those described in the consolidated financial statements of the Schaeffler Group as at and for the year ended December 31, 2010.

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 quarterly financial statements has not been significantly affected by seasonality.

Income taxes are determined based on best estimate.

As amounts (in millions of Euros) and percentages have been rounded, minor rounding differences may occur.

6.4 Segment reporting

Segment reporting under IFRS 8, which follows the management approach, is based on the internal reporting structure of the Schaeffler Group. As a result, these consolidated financial statements present segment information for the two segments Automotive and Industrial.

The allocation of customers and products to segments is reviewed regularly and adjusted where necessary. To ensure that segment information is comparable, prior year information is also presented using the current year's customer and product structure. In addition, the segment reporting structure, including prior year figures, has been adjusted in connection with the legal restructuring of the Schaeffler Group.

In € millions	Automotive 1st nine months 2011	2010	Industrial 1st nine months 2011	2010	Other 1st nine months 2011	2010	Total 1st nine months 2011	2010
Revenue	5,405	4,697	2,608	2,199	69 1)	118 2)	8,082	7,014
Cost of sales	-3,895	-3,300	-1,622	-1,351	-69	-118	-5,586	-4,769
Gross profit	1,510	1,397	986	848	0	0	2,496	2,245
EBIT	857	761	492	376	0	0	1,349	1,137
- in % of revenue	15.9	16.2	18.9	17.1	-	-	16.7	16.2
Depreciation, amortization and impairments	-285	-304	-136	-141	0	0	-421	-445
Inventories 3)	885	788	727	636	0	0	1,612	1,424
Trade receivables 3)	1,214	1,059	548	479	0	0	1,762	1,538
Property, plant and equipment 3)	2,068	1,940	1,028	1,024	0	0	3,096	2,964
Capital expenditures	389	148	135	54	0	0	524	202

In € millions	Automotive 3rd quarter 2011	2010	Industrial 3rd quarter 2011	2010	Other 3rd quarter 2011	2010	Total 3rd quarter 2011	2010
Revenue	1,814	1,598	876	810	13 1)	44 2)	2,703	2,452
Cost of sales	-1,309	-1,106	-544	-493	-13	-44	-1,866	-1,643
Gross profit	505	492	332	317	0	0	837	809
EBIT	294	249	172	149	0	0	466	398
- in % of revenue	16.2	15.6	19.6	18.4	-	-	17.2	16.2
Depreciation, amortization and impairments	-94	-100	-45	-47	0	0	-139	-147
Inventories 3)	885	788	727	636	0	0	1,612	1,424
Trade receivables 3)	1,214	1,059	548	479	0	0	1,762	1,538
Property, plant and equipment 3)	2,068	1,940	1,028	1,024	0	0	3,096	2,964
Capital expenditures	157	49	55	21	0	0	212	70

1) The amount consists mainly of materials provided to subcontractors.

2) The amount consists mainly of scrap sales and materials provided to subcontractors.

3) Amounts as of September 30.

Reconciliation to earnings before income taxes	1st nine months 2011	2010
EBIT Automotive	857	761
EBIT Industrial	492	376
EBIT	**1,349**	**1,137**
Financial result	-273	-1,084
Earnings before income taxes	**1,076**	**53**

6.5 Scope of consolidation

The Schaeffler Group includes, in addition to Schaeffler AG, 154 fully consolidated subsidiaries and special purpose entities; 50 companies are domiciled in Germany and 104 are foreign entities. In addition, ten companies (seven associated companies and three joint ventures) are accounted for using the equity method.

The following changes have occurred since December 31, 2010: The company Schaeffler Ukraine GmbH, Kiev, which was founded late last year, has been included in the consolidation since January 1, 2011. In addition, the newly founded company Schaeffler Manufacturing (Thailand) Co. Ltd., Rayong, Thailand, was added to the scope of consolidation during the third quarter. These changes have increased the number of consolidated companies by two. Furthermore, the newly founded company Schaeffler Beteiligungsholding GmbH & Co. KG, Herzogenaurach, was accounted for using the equity method for the first time.

Schaeffler GmbH transferred 12,043,528 Continental AG shares to Schaeffler Verwaltungs GmbH on May 5, 2011, reducing the Schaeffler Group's interest in Continental AG to 36.14 %.

The shares in Continental AG were transferred to Schaeffler Beteiligungsholding GmbH & Co. KG on September 30, 2011. Schaeffler Beteiligungsholding GmbH & Co. KG is a joint venture as defined in IAS 31 and is accounted for at equity in the consolidated financial statements of Schaeffler AG. As Schaeffler AG is the limited partner and holds 100 % of the shares, the transfer of the Continental AG shares does not change the underlying economics of this investment. For this reason, the accounting treatment and presentation in the report were carried forward unchanged.

As a result, Schaeffler Beteiligungsholding GmbH & Co. KG holds 72,290,458 shares or 36.14 % of the voting interest in Continental AG as at September 30, 2011. At no point in time have Schaeffler AG or Schaeffler Beteiligungsholding GmbH & Co. KG held more than the maximum investment of 49.99 % stipulated by the investor agreement. Continental AG is a leading automotive supplier with worldwide operations headquartered in Hanover, Germany.

The following table summarizes significant financial information about the Continental Group:

In € millions	2011	2010
Assets (as of 9/30)	26,005	24,112
Liabilities (as of 9/30)	18,943	18,245
Revenue (1/1 – 9/30)	22,593	19,144
Net income [1] (1/1 – 9/30)	946	413

1) Incl. non-controlling interests.

6.6 Share of net income (loss) of equity-accounted investees

In accordance with the equity method, the acquisition cost of the Schaeffler Group's interest was allocated based on the fair value of the assets and liabilities of Continental AG.

The share of net income (loss) of equity-accounted investees relates to the investment in Continental AG. The Schaeffler Group's pro-rata share of depreciation, amortization and impairments on fair value adjustments and its share of Continental AG's net income, net of offsetting deferred tax effects, result in income after tax of EUR 216 m. The effect on Schaeffler Group net income (loss) for the first nine months is as follows:

In € millions	2011	2010
Depreciation, amortization and impairments of fair value adjustments	-202	-222
Share of net income (loss) of Continental AG	351	156
Dilution of ownership interest due to non-participation in Continental AG capital increase	0	-396
Effect on net income (loss) before income taxes	**149**	**-462**
Deferred taxes	57	62
Effect on net income (loss) before non-recurring items [1]	**206**	**-400**
Non-recurring items [1]		
- Reversal of cash flow hedges existing at the time of the PPA	5	0
- Recognition of Continental AG pension obligations at fair value	5	6
Effect on net income (loss) after non-recurring items [1]	**216**	**-394**

1) Realized through purchase price allocation (PPA).

Due to the partial disposal of the Continental AG shares as a dividend in kind on May 5, 2011, EUR 13 m of the Schaeffler Group's share of the accumulated other comprehensive income (loss) of Continental AG were reclassified to the income statement. This has brought the total share of net income (loss) of equity-accounted investees to EUR 229 m.
The Schaeffler Group's share of other comprehensive loss of Continental AG amounts to EUR 44 m.

Debt covenants restrict Continental AG's ability to pay dividends. Continental AG paid a dividend of EUR 2 per share for 2007, representing a total dividend distribution of EUR 323 m. Continental AG did not pay any dividends for 2008, 2009, and 2010.

The fair value of the Continental AG shares held by Schaeffler Beteiligungsholding GmbH & Co. KG (36.14 %) on September 30, 2011 was EUR 3,155 m.

6.7 Contingent liabilities and other financial liabilities

At September 30, 2011, the Schaeffler Group had unfulfilled commitments under fixed contracts to purchase property, plant and equipment in the amount of EUR 257 m (December 31, 2010: EUR 101 m). EUR 177 m of the commitments existing at September 30, 2011 are expected to be settled within one year and EUR 80 m within five years.

At September 30, 2011, contingent liabilities amount to EUR 28 m (December 31, 2010: EUR 30 m) and consist primarily of obligations under guarantees and warranties of EUR 13 m (December 31, 2010: EUR 11 m). Other contingent liabilities of EUR 15 m (December 31, 2010: EUR 19 m) mainly consist of claims raised by employees and reassessments from taxation authorities against the Indian companies.

6.8 Related parties

Transactions with Continental Group companies during the period from January 1 to September 30, 2011 were as follows:

In € millions	9/30/2011	12/31/2010
Receivables	12	12
Liabilities	2	3
	2011	2010
Revenue (1/1 – 9/30)	57	52
Purchases of goods and services (1/1 – 9/30)	18	14

At September 30, 2011, the Schaeffler Group had liabilities and debt due to other related entities that are not included in the Schaeffler Group's financial statements.

The Group has financial debt of EUR 616 m (December 31, 2010: EUR 33 m) consisting mainly of a dividend in kind of EUR 600 m that was recognized as a loan due to Schaeffler Verwaltungs GmbH.

In addition, financial receivables of EUR 16 m (December 31, 2010: nil) in the form of loans are due from Schaeffler Verwaltungs GmbH.

There were no significant changes in transactions with related parties compared to the previous reporting period.

6.9 Events after the reporting period

The conversion of Schaeffler GmbH to a stock corporation became effective when it was entered in the Commercial Register on October 13, 2011.

The European Commission as well as the US Department of Justice have commenced antitrust investigations of various manufacturers of rolling bearings, including Schaeffler. Subject to the investigations in Europe and the US is whether manufacturers of rolling bearings participated in unlawful agreements and/or concerted practices concerning rolling or plain bearings.

No other material events occurred after September 30, 2011 that would have had a significant impact on the company's net assets, financial position and results of operations.

Herzogenaurach, November 11, 2011

The Executive Management Board

SUMMARY –
1ST QUARTER 2010 TO 3RD QUARTER 2011

Summary – 1st Quarter 2010 to 3rd Quarter 2011

In € millions	2010 1st quarter	2010 2nd quarter	2010 3rd quarter	2010 4th quarter	2011 1st quarter	2011 2nd quarter	2011 3rd quarter
Income Statement							
Revenue	2,160	2,402	2,452	2,481	2,697	2,682	2,703
EBITDA	484	553	545	515	613	552	605
- in % of revenue	22.4	23.0	22.2	20.8	22.7	20.6	22.4
EBIT	335	404	398	372	472	411	466
- in % of revenue	15.5	16.8	16.2	15.0	17.5	15.3	17.2
Net income (loss) 1)	**-357**	**97**	**147**	**176**	**438**	**203**	**102**
Statement of Financial Position							
Total assets	12,828	13,282	13,304	13,344	13,372	12,738	13,001
Shareholders' equity 2)	2,755	3,023	3,022	3,341	3,288	2,719	1,498
- in % of total assets	21.5	22.8	22.7	25.0	24.6	21.3	11.5
Net financial debt	6,020	5,930	5,763	5,744	6,124	6,069	7,145
- in % of shareholders' equity	218.5	196.2	190.7	171.9	186.3	223.2	477.0
Capital expenditures 3)	57	75	70	184	122	190	212
Statement of Cash Flows							
Free Cash Flow 4)	127	209	190	40	11	66	152
Employees							
Headcount (at end of reporting period)	62,626	63,950	66,079	67,509	69,517	71,084	72,951

1) Attributable to shareholders of the parent company.

2) Incl. non-controlling interests.

3) Capital expenditures for the quarter.

4) Free cash flow for the quarter.

LEGAL NOTICE

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