SCHAEFFLER GROUP

INTERIM FINANCIAL REPORT
as of March 31, 2011

LuK INA FAG

KEY FIGURES

In € millions	1st quarter 2011	1st quarter 2010	Change	
Earnings				
Revenue	2,697	2,160	24.9	%
EBITDA	613	484	26.7	%
- in % of revenue	22.7	22.4	0.3	%-pts
EBIT	472	335	137	€ millions
- in % of revenue	17.5	15.5	2.0	%-pts
Net income (loss) 1)	438	-357	795	€ millions
Financial position				
Cash flows from operating activities	125	161	-36	€ millions
Capital expenditures	122	57	65	€ millions
Free cash flow	11	127	-116	€ millions

In € millions	3/31/2011	12/31/2010	Change	
Assets				
Total assets	13,372	13,344	0.2	%
Shareholders' equity 2)	3,240	3,294	-54	€ millions
- in % of total assets	24.2	24.7	-0.5	%-pts
Net financial debt	6,124	5,744	6.6	%
- in % of equity	189.0	174.4	14.6	%-pts
Employees				
Number of employees	69,517	67,509	3.0	%

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

Automotive

In € millions	1st quarter 2011	1st quarter 2010	Change	
Revenue	1,822	1,491	22.2	%
EBITDA	398	341	16.7	%
- in % of revenue	21.8	22.9	-1.1	%-pts
EBIT	302	239	63	€ millions
- in % of revenue	16.6	16.0	0.6	%-pts

Industrial

In € millions	1st quarter 2011	1st quarter 2010	Change	
Revenue	855	641	33.4	%
EBITDA	215	143	50.3	%
- in % of revenue	25.1	22.3	2.8	%-pts
EBIT	170	96	74	€ millions
- in % of revenue	19.9	15.0	4.9	%-pts

THREE MONTHS ENDED MARCH 31, 2011

Strong growth continuing:

1st quarter revenue up 25 % to around EUR 2.7 bn

Above average earnings level:

EBIT increases 40 % to EUR 472 m

Significant increase in group profit:

Net income EUR 438 m

Cash flow down but positive:

Free cash flow EUR 11 m

Net financial debt under control:

Debt to EBITDA ratio 2.8 following 2.7 at year-end 2010

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

As forecasted in our annual report 2010, the global economy continued to expand during the spring of 2011. In its forecast published in April, the International Monetary Fund (IMF) still expects worldwide economic growth of 4.4 % for 2011. Overall, with strong growth in emerging markets contrasting with more moderate growth rates in traditional industrialized countries, the global economy will continue to recover at two different rates.

The economic recovery in the Euro area continued to be varied during the first quarter of 2011. Germany and some of its neighboring countries continued to expand, while the Mediterranean region stagnated. In the US, the economic recovery is still less dynamic than the recoveries following previous recessions. Gross domestic product did not return to pre-crisis levels until the fourth quarter of 2010. However, total economic output, which is being supported by economic policy measures, will continue to gain momentum during the first half of 2011. Asia again drove worldwide economic growth during the first quarter of 2011.

The world has been feeling the impact of the natural and nuclear disaster in Japan since mid-March. It will likely be months before the consequences of the disaster have been dealt with and the bottle necks currently hampering production particularly in the electronics and automobile industries have been eliminated. The impact on the global economy is difficult to estimate at present. However, in their current spring assessment, leading German economic research institutions expect the economy outside Japan to be affected only for a short period of time.

The political upheaval in Northern Africa and the Middle East represents another element of uncertainty for the global economy. The price of oil increased sharply in connection with the beginning of the riots in Libya in mid-February. A significant negative shock to the oil supply resulting from further escalation in the Arab region would put considerable pressure on the overall economy of oil-importing countries.

1.2 Sector development

Worldwide automobile production grew by 7.5 % from the prior year period during the first quarter of 2011, reaching a production volume of 19.0 million cars and light commercial vehicles. Asia/Pacific continues to lead global automobile production with 9.2 million vehicles produced. It is currently difficult to estimate the impact of events in Japan on global automobile production during the second and third quarter. Automotive manufacturers and their suppliers are presently working intensively on analyzing the supply chain and determining necessary alternative strategies. At this point, we anticipate that automobile production will return to normal towards the year-end, making up for the shortfall in vehicles produced.

The economic recovery in global engineering and plant construction continued during the first quarter of 2011. The growing global demand for investment goods can be felt in nearly all engineering sectors, according to the German Engineering Federation (“Verband deutscher Maschinen- und Anlagenbau” (VDMA)). However, the VDMA is currently forecasting the present boom to give way to more restrained growth momentum during the course of the year in light of the risks and uncertainties presently affecting the global economy.

2. Earnings

2.1 The Schaeffler Group

The Schaeffler Group and its Automotive and Industrial Divisions have again improved their earnings during the first quarter of 2011.

	1st quarter		
In € millions	2011	2010	Change in %
Revenue	2,697	2,160	24.9
Cost of sales	-1,835	-1,483	23.7
Gross profit	862	677	27.3
Functional expenses [1)]	-395	-343	15.2
EBIT	472	335	40.9
- in % of revenue	17.5	15.5	-
Financial result	105	-658	< -100
Income taxes	-136	-32	> 100
Net income (loss) [2)]	438	-357	< -100

1) Selling, administration and research and development.
2) Attributable to shareholders of the parent company.

The Schaeffler Group experienced significant growth in revenue during the first quarter of 2011. The company was able to increase revenue by 24.9 % to EUR 2,697 m (prior year: EUR 2,160 m). This development is primarily attributable to new orders we were able to win due to our innovative product offerings. As in the past, we are growing faster than the market, benefiting from the continuing positive trend in the automotive sector and the worldwide recovery in the industrial sector. Our industrial business is increasingly turning into a growth driver. Following clear indications of an improving market environment in the industrial business during the second half of 2010, we were able to increase revenue for the first quarter of 2011 by 24,9 % compared to the prior year quarter. This increase was mainly driven by the home market Germany and the growth markets in Asia/Pacific in the distribution, production machinery and power transmission sectors.

Cost of sales for the first quarter of 2011 increased by 23.7 % to EUR 1,835 m (prior year: EUR 1,483 m). As this increase in cost of sales was less than proportionate to the growth in revenue, the gross margin improved by 0.7 percentage points to 32.0 % (prior year: 31.3 %), while gross profit improved by EUR 185 m to EUR 862 m (prior year: EUR 677 m) compared to the prior year period. Gross profit continues to benefit from growth in the volume of business and the resulting higher utilization of production capacities (economies of scale), as well as from ongoing measures to improve productivity and efficiency.

We have again increased our development expenses, investing in product development and innovations for the growth trends of tomorrow in order to strengthen our technological leadership. Research and development expenses grew by 15.2 % to EUR 121 m (prior year: EUR 105 m) for the first quarter of 2011 compared to the prior year. The Schaeffler Group is striving to further expand its technological expertise, particularly in energy efficiency and the megatrends CO_2-reduction, mechatronics, and renewable energy.

The growth in the volume of business during the first quarter of 2011 was accompanied by a less than proportional 17.7 % increase in selling expenses to EUR 173 m (prior year: EUR 147 m), primarily due to higher sales-related costs such as general freight and logistics expenses. Primarily the continuing strong cost discipline and economies of scale resulted in general administrative expenses growing less than revenue during the first quarter of 2011, increasing by 11.0 % to EUR 101 m (prior year: EUR 91 m). Thus, administrative expenses as a percentage of revenue fell to 3.7 % (prior year: 4.2 %).

Earnings before financial result and income taxes (EBIT) grew by EUR 137 m to EUR 472 m (prior year: EUR 335 m) for the first quarter of 2011 compared to the prior year. As a result, the EBIT margin increased to 17.5 % (prior year: 15.5 %).

The Schaeffler Group's financial result for the first quarter of 2011 of EUR 105 m (prior year: EUR -658 m) was primarily driven by its share of the net income (loss) of associated companies of EUR 106 m (prior year: EUR -349 m) and net interest expense of EUR 1 m (prior year: EUR 309 m).

Share of net income (loss) of associated companies of EUR 106 m relates almost entirely to the 42.17 % investment in Continental AG, which is accounted for in the Schaeffler Group's consolidated financial statements using the equity method. The amount reflects Continental AG's improved earnings for the first quarter of 2011, which Continental AG published on May 5.

Net interest expense comprises interest income of EUR 14 m (prior year: EUR 20 m) and interest expense of EUR 15 m (prior year: EUR 329 m). Interest income relates primarily to returns on plan assets related to funded pension plans and income from discounting of various line items in the statement of financial position. Interest expense includes interest on financial debt and compensation payments on interest rate derivatives of approximately EUR 150 m. These include EUR 8 m in non-cash amortization of transaction costs. This interest expense is offset by approximately EUR 174 m in gains arising from unrealized non-cash fair value changes of interest rate derivatives. Since the refinancing arrangement was entered into in the fall of 2009, these 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 up to November 20, 2009 for cash flow hedge accounting is being amortized to profit or loss. This resulted in the recognition of interest expense of EUR 19 m. Additional expenses are related to provisions for pensions and similar obligations (approximately EUR 20 m).

Income taxes for the first quarter of 2011 amounted to EUR 136 m (prior year: EUR 32 m), consisting of current tax expense of EUR 99 m (prior year: EUR 66 m) and deferred tax expense of EUR 37 m (prior year: tax benefit of EUR 34 m). Current tax expense of EUR 101 m relates to the current fiscal year, offset by a tax benefit of EUR 2 m related to prior years.
Income tax expense for prior year periods is mainly affected by significant amounts of interest expense being non-deductible for tax purposes due to the interest deduction cap in effect in Germany since 2008. Deferred tax assets of EUR 120 m on interest carried forward from prior years were not recognized because tax planning considerations make their utilization not probable.

In total, net income increased by EUR 795 m to EUR 438 m (prior year: net loss of EUR 357 m) during the first quarter of 2011.

2.2 Schaeffler Group Automotive

	1st quarter		
In € millions	2011	2010	Change in %
Revenue	1,822	1,491	22.2
Cost of sales	1,295	1,054	22.9
Gross profit	527	437	20.6
EBIT	302	239	26.4
- in % of revenue	16.6	16.0	-

The Automotive Division generated revenue of EUR 1,822 m (prior year: EUR 1,491 m) during the first quarter of 2011, an increase of 22.2 % over the prior year.

This revenue growth was predominantly driven by the sustained global economic recovery of the automotive sector and is supported by a continued high level of average monthly order intake.

Cost of sales rose by 22.9 % to EUR 1,295 m (prior year: EUR 1,054 m) in the first quarter of 2011. As this increase in cost of sales was larger than the growth in revenue, the gross margin fell by 0.4 percentage points to 28.9 % (prior year: 29.3 %) in the first quarter of 2011.

Improvements in productivity and increased production volumes are favorably impacting gross profit. However, we anticipate that this positive impact will increasingly be offset by rising materials and energy costs.

Total Automotive Division earnings before financial result and income taxes (EBIT) grew by EUR 63 m to EUR 302 m (prior year: EUR 239 m) during the first quarter of 2011 compared to the prior year. The EBIT margin for the first quarter of 2011 increased to 16.6 % (prior year: 16.0 %).

2.3 Schaeffler Group Industrial

	1st quarter		
In € millions	2011	2010	Change in %
Revenue	855	641	33.4
Cost of sales	520	401	29.7
Gross profit	335	240	39.6
EBIT	170	96	77.1
- in % of revenue	19.9	15.0	-

At 33.4 %, the Industrial Division reported a significant increase in revenue to EUR 855 m (prior year: EUR 641 m) during the first quarter of 2011 compared to the prior year.

Revenue for the first quarter of 2010 was still characterized by the deep recession of the economic crisis, while the first quarter of 2011 tracked the worldwide economic boom. The growth in revenue was accompanied by continually increasing order intake levels.

Although Industrial Division cost of sales grew considerably by 29.7 % to EUR 520 m (prior year: EUR 401 m) during the first quarter of 2011 compared to the prior year, this growth was less than proportional to the growth in revenue, improving the gross margin for the first quarter of 2011 by 1.8 percentage points to 39.2 % compared to the prior year (prior year: 37.4 %).

The positive trend in gross margin was primarily driven by the considerable improvement in plant utilization during the reporting period compared to the corresponding prior year period, which was still marked by the economic crisis.

Industrial Division earnings before financial result and income taxes (EBIT) grew by EUR 74 m to EUR 170 m (prior year: EUR 96 m) during the first quarter of 2011 compared to the prior year. A low growth in selling and administrative expenses contributed to this increase. The EBIT margin increased to 19.9 % (prior year: 15.0 %) during the first quarter of 2011.

3. Assets and Financial Position

3.1 Assets

The financial position as at March 31, 2011 is marked by total assets being nearly unchanged from the previous reporting date.

In € millions	3/31/2011	12/31/2010	3/31/2010
Total assets	13,372	13,344	12,828
Investments in associated companies	5,324	5,252	5,243
Shareholders' equity [1]	3,288	3,341	2,755
- in % of total assets	24.6	25.0	21.5

1) Including non-controlling interests.

Among non-current assets, property, plant and equipment decreased by EUR 52 m to EUR 2,989 m (December 31, 2010: EUR 3,041 m). Additions of EUR 118 m were more than offset by depreciation of EUR 131 m. Currency fluctuations further reduced this balance. In addition, deferred tax assets fell by EUR 46 m to EUR 243 m (December 31, 2010: EUR 289 m). Investments in associated companies increased by EUR 72 m to EUR 5,324 m (December 31, 2010: EUR 5,252 m) as a result of the share of the net income of Continental AG for the quarter. Fair value changes on the interest cap were the main driver of an increase in other non-current assets by EUR 43 m to EUR 209 m (December 31, 2010: EUR 166 m).

The rise in inventories and trade receivables by a total of EUR 318 m to EUR 3,243 m (December 31, 2010: EUR 2,925 m) was due to the continuing successful course of business during the first quarter of 2011. Other current assets increased by EUR 61 m to EUR 318 m (December 31, 2010: EUR 257 m) as a result of accruals and deferrals made at interim and higher receivables for other taxes.

These increases were almost entirely offset by a decrease in cash and cash equivalents of EUR 375 m to EUR 358 m (December 31, 2010: EUR 733 m), primarily as a result of the EUR 400 m dividend paid to Schaeffler Verwaltungs GmbH, Schaeffler GmbH's only shareholder, in January 2011.

The decrease in shareholders' equity of EUR 53 m to EUR 3,288 m (December 31, 2010: EUR 3,341 m) is primarily attributable to the EUR 400 m dividend paid to the company's shareholder, Schaeffler Verwaltungs GmbH, and to other comprehensive loss of EUR 96 m arising mainly from currency fluctuations. These reductions were largely offset by net income for the quarter of EUR 441 m.

Non-current other liabilities decreased by EUR 133 m to EUR 290 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 improved due to rising market interest rates.

Current and non-current provisions, however, remained practically unchanged, increasing by EUR 25 m to EUR 1,580 m (December 31, 2010: EUR 1,555 m).

Trade payables rose by EUR 94 m to EUR 823 m (December 31, 2010: EUR 729 m) in line with the successful course of business during the first quarter of 2011.

3.2 Financial Position

In € millions	1st quarter 2011	1st quarter 2010
Cash flows from operating activities	125	161
Cash flows used in investing activities 1)	-114	-34
Cash flows before financing activities (free cash flow)	**11**	**127**
Financial debt	6,482	6,468
Cash and cash equivalents	358	448
Net financial debt	**6,124**	**6,020**

1) Including currency translation effects.

Cash flows from operating activities fell by EUR 36 m to EUR 125 m (prior year: EUR 161 m) during the first quarter of 2011 compared to the prior year. The decrease is primarily due to the negative change in working capital and, as set out in the table below, higher interest and income taxes paid. Cash flows from operating activities include the following cash in- and outflows related to interest and taxes:

In € millions	1st quarter 2011	1st quarter 2010
Interest received	2	2
Interest paid	-171	-154
Income taxes paid	-70	-32

In the first quarter of 2011, cash totaling EUR 114 m was used in investing activities (prior year: EUR 34 m). Thus, capital expenditures were within budgeted levels.

On this basis, free cash flow amounts to EUR 11 m (prior year: EUR 127 m).

At March 31, 2011, net financial debt increased by EUR 104 m to EUR 6,124 m (March 31, 2010: EUR 6,020 m), primarily as a result of the decrease in cash and cash equivalents as at the end of the reporting period.

Financial debt as at March 31, 2011 includes liabilities of EUR 6,279 m (December 31, 2010: EUR 6,271 m) related to the Senior Facility Agreement.

The Schaeffler Group incurred capital expenditures on property, plant and equipment and intangible assets of EUR 122 m for the first quarter, significantly more than the corresponding amount for the prior year period of EUR 57 m due to the expansion of capacity resulting from our growth.

Schaeffler is planning to significantly raise the volume of capital expenditures for the Automotive Division in 2011 and subsequent years. The company is investing in new production processes for new projects and product launches and extensive additions to capacity across all product lines in the Engine Components, Transmission Applications, Clutch Systems and Chassis sectors. In the Industrial Division, we will also invest to expand capacity in all sectors, such as Ball Bearings, Needle Roller Bearings, Cylindrical Roller Bearings, and Tapered Roller Bearings.

The regional capital expenditure focus is on Europe, Asia/Pacific, and the US.

4. Employees

The number of employees rose during the first quarter of 2011 by 2,008 (+3.0 %) compared to December 31, 2010 and by 6,891 (+11.0 %) 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 following table analyzes employee numbers by region:

Number of employees [1]	3/31/2011	12/31/2010	3/31/2010	Change in %
Germany	28,495	27,938	26,933	2.0
Europe excluding Germany	20,768	20,063	17,893	3.5
Asia/Pacific	9,582	9,258	8,220	3.5
North America	6,104	5,866	5,220	4.1
South America	4,568	4,384	4,360	4.2
Schaeffler Group	**69,517**	**67,509**	**62,626**	**3.0**

1) Figures as of March 31.

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 have 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 prepayment of EUR 400 m made in January 2011, Schaeffler GmbH will distribute Continental AG shares to Schaeffler Verwaltungs GmbH as a dividend in kind (see management report section 6.). Furthermore, as at July 1, 2011, Schaeffler GmbH will assume 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.

In addition, the declaration of a dividend of up to EUR 600 m payable to Schaeffler Verwaltungs GmbH is intended. As the resulting liability will be converted to a loan, the dividend will not lead to an immediate outflow of liquidity.

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 GmbH that was entered in the Commercial Register on June 28, 2010 will be eliminated.

Furthermore, Schaeffler GmbH will be converted to a joint-stock corporation ["Aktiengesellschaft"] by September 30, 2011.

6. Significant Events after the Reporting Period

On May 4, 2011, Schaeffler GmbH declared a dividend in kind consisting of 12,043,528 Continental AG shares, to be distributed shortly thereafter to Schaeffler Verwaltungs GmbH.

No other material events occurred after March 31, 2011 that would have had a significant impact on the company's net assets, financial position and results of operations.

7. Outlook

As a leading global supplier to the automotive and industrial sectors, the Schaeffler Group is excellently positioned in its core markets. This outstanding competitive position is based on our technology leadership, innovative and pioneering products and a complete range of standard products as well as our strong regional presence. In addition, we are strengthening our competitiveness by creating high customer value in terms of function, quality and performance. This forms the basis for our promising opportunities for continuing growth during the next few years. The expected continuing economic recovery and the resulting market opportunities will also contribute to these opportunities.
Capital expenditures for new products and capacity expansion represent the foundation for our growth. We plan to make capital expenditures of 6 % to 8 % of revenue in 2011. The regional focus of capital expenditures will be on Asia/Pacific and North America. We will supplement existing production capacities in China and India with three additional factories.

Due to planned expansions of capacity and expected higher materials costs, we expect to generate an EBIT margin in excess of 13 % for the fiscal year 2011. Based on earnings for the first quarter, we are confident that we will meet this target.

We continue to believe in strong innovative ability and in research and development, and, as in prior years, we will continue to expand our activities and expenses in this area, again investing more than 5 % of our Group revenue in researching and developing new products and processes in 2011.

Net income for 2011 will continue to be dampened by interest expense for financing the Continental investment. As Continental AG is accounted for at equity in the consolidated financial statements of the Schaeffler Group, the financial result is affected by the economic development of Continental AG.

Herzogenaurach, May 6, 2011

The Executive Management Board

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Consolidated Income Statement

	1st quarter		
In € millions	2011	2010	Change in %
Revenue	2,697	2,160	24.9
Cost of sales	-1,835	-1,483	23.7
Gross profit	**862**	**677**	**27.3**
Research and development expenses	-121	-105	15.2
Selling expenses	-173	-147	17.7
Administrative expenses	-101	-91	11.0
Other income	61	77	-20.8
Other expenses	-56	-76	-26.3
Earnings before financial result and income taxes (EBIT)	**472**	**335**	**40.9**
Share of net income (loss) of associated companies	106	-349	< -100
Interest income	14	20	-30.0
Interest expense	-15	-329	-95.4
Financial result	**105**	**-658**	**< -100**
Earnings before income taxes	**577**	**-323**	**< -100**
Income taxes	-136	-32	> 100
Net income (loss)	**441**	**-355**	**< -100**
Attributable to shareholders of the parent company	438	-357	< -100
Attributable to non-controlling interests	3	2	50.0

2. Consolidated Statement of Comprehensive Income

						1st quarter
			2011			2010
In € millions	before taxes	taxes	after taxes	before taxes	taxes	after taxes
Net income (loss)	577	-136	441	-323	-32	-355
Foreign currency translation differences for foreign operations	-96	0	-96	124	0	124
Effective portion of changes in fair value of cash flow hedges	48	-14	34	11	-5	6
Defined benefit plan actuarial gains / losses	2	0	2	8	-2	6
Other comprehensive income (loss) before associated companies	**-46**	**-14**	**-60**	**143**	**-7**	**136**
Share of other comprehensive income (loss) from associated companies accounted for under the equity method	-33	-3	-36	117	3	120
Total other comprehensive income (loss)	**-79**	**-17**	**-96**	**260**	**-4**	**256**
Total comprehensive income (loss) for the period	**498**	**-153**	**345**	**-63**	**-36**	**-99**
Total comprehensive income (loss) attributable to shareholders of the parent company	497	-153	344	-65	-36	-101
Total comprehensive income (loss) attributable to non-controlling interests	1	0	1	2	0	2
Total comprehensive income (loss) for the period	**498**	**-153**	**345**	**-63**	**-36**	**-99**

3. Consolidated Statement of Financial Position

In € millions	3/31/2011	12/31/2010	3/31/2010	Change in %
ASSETS				
Intangible assets	569	575	612	-1.0
Property, plant and equipment	2,989	3,041	3,115	-1.7
Investments in associated companies	5,324	5,252	5,243	1.4
Other investments	8	8	8	0.0
Other assets	209	166	192	25.9
Deferred tax assets	243	289	276	-15.9
Total non-current assets	**9,342**	**9,331**	**9,446**	**0.1**
Inventories	1,537	1,482	1,269	3.7
Trade receivables	1,706	1,443	1,425	18.2
Other assets	318	257	216	23.7
Income tax receivables	111	98	24	13.3
Cash and cash equivalents	358	733	448	-51.2
Total current assets	**4,030**	**4,013**	**3,382**	**0.4**
Total assets	**13,372**	**13,344**	**12,828**	**0.2**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	500	500	0	0.0
Other reserves	2,841	2,801	2,884	1.4
Accumulated other comprehensive income (loss)	-101	-7	-169	› 100
Equity attributable to shareholders of the parent company	**3,240**	**3,294**	**2,715**	**-1.6**
Non-controlling interests	48	47	40	2.1
Total shareholders' equity	**3,288**	**3,341**	**2,755**	**-1.6**
Provisions for pensions and similar obligations	1,111	1,111	1,124	0.0
Provisions	130	127	135	2.4
Financial debt	6,411	6,413	6,421	0.0
Income tax payables	93	102	24	-8.8
Other liabilities	290	423	539	-31.4
Deferred tax liabilities	123	116	72	6.0
Total non-current liabilities	**8,158**	**8,292**	**8,315**	**-1.6**
Provisions	339	317	349	6.9
Financial debt	71	64	47	10.9
Trade payables	823	729	567	12.9
Income tax payables	159	115	130	38.3
Other liabilities	534	486	665	9.9
Total current liabilities	**1,926**	**1,711**	**1,758**	**12.6**
Total shareholders' equity and liabilities	**13,372**	**13,344**	**12,828**	**0.2**

4. Consolidated Statement of Cash Flows

	1st quarter		
In € millions	2011	2010	Change in %
Operating activities			
EBIT	472	335	40.9
Interest paid	-171	-154	11.0
Interest received	2	2	0.0
Income taxes paid	-70	-32	> 100
Depreciation, amortization and impairments	141	149	-5.4
Gains/losses from the disposal of assets	-1	0	–
Other non-cash items	-21	-19	10.5
Changes in:			
• Inventories	-91	-65	40.0
• Trade receivables	-295	-243	21.4
• Trade payables	101	130	-22.3
• Provisions for pensions and similar obligations	-7	-6	16.7
• Other assets, liabilities and provisions	65	64	1.6
Cash flows from operating activities 1)	**125**	**161**	**-22.4**
Investing activities			
Proceeds from disposals of intangible assets and property, plant and equipment	6	4	50.0
Capital expenditures on intangible assets	-4	-7	-42.9
Capital expenditures on property, plant and equipment	-116	-44	> 100
Investments in other investments	-1	-2	-50.0
Other (de-)investing activities	1	15	-93.3
Cash flows from investing activities	**-114**	**-34**	**> 100**
Financing activities			
Receipts from loans	53	2	> 100
Repayments of loans	-10	-30	-66.7
Payments to Schaeffler Verwaltungs GmbH / change in financial allocation account	-400	-17	> 100
Receipts/payments from other financing activities	-17	4	**< -100**
Cash flows from financing activities	**-374**	**-41**	**> 100**
Net increase/decrease in cash and cash equivalents	**-363**	**86**	**< -100**
Effects of foreign exchange rate changes on cash and cash equivalents	-12	12	< -100
Cash and cash equivalents as of beginning of period	733	350	> 100
Cash and cash equivalents as of end of period	**358**	**448**	**-20.1**

1) Excluding interest payments, cash flows from operating activities for the period 1/1 to 3/31/2011 amount to EUR 296 m (prior year: EUR 315 m).

5. Consolidated Statement of Changes in Shareholders' Equity

including non-controlling interests

In € millions	Share capital	Other reserves	Accumulated other comprehensive income (loss) 1): Translation reserve	Hedging reserve	Fair value reserve	Reserve for actuarial gains and losses	Subtotal	Non-controlling interests	Total
Balance as of January 1, 2010	0	3,239	-190	-206	0	-25	2,818	34	2,852
Net income (loss)		-357					-357	2	-355
Other comprehensive income (loss)			247	-1		6	252	4	256
Total comprehensive income (loss) for the period	0	-357	247	-1	0	6	-105	6	-99
Other items from associated companies recognized directly in shareholders' equity		2					2		2
Balance as of March 31, 2010	0	2,884	57	-207	0	-19	2,715	40	2,755
Balance as of January 1, 2011	500	2,801	179	-120	1	-67	3,294	47	3,341
Net income (loss)		438					438	3	441
Other comprehensive income (loss)			-142	46	0	2	-94	-2	-96
Total comprehensive income (loss) for the period	0	438	-142	46	0	2	344	1	345
Dividends to shareholders		-400					-400		-400
Other items from associated companies recognized directly in shareholders' equity		2					2		2
Balance as of March 31, 2011	500	2,841	37	-74	1	-65	3,240	48	3,288

1) Including the effect of measuring the shares in Continental AG using the equity method.

6. Notes to the Consolidated Financial Statements

6.1 Reporting entity

Schaeffler GmbH, 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. 12116). The condensed consolidated financial statements of Schaeffler GmbH as at March 31, 2011 comprise Schaeffler GmbH 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 GmbH 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 International Financial Reporting Interpretations Committee (IFRIC).
The consolidated interim financial statements of Schaeffler GmbH, Herzogenaurach, for the reporting period ended March 31, 2011 have been prepared in accordance with IAS 34 "Interim Financial Reporting". In addition, IFRS amendments and new regulations effective as at March 31, 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 Schaeffler GmbH for a detailed description of these mandatory IFRS amendments and new regulations.

The interim financial statements as of March 31, 2011 do not include all information necessary for a complete set of consolidated financial statements. The consolidated financial statements for the sub-group for the comparative period were derived as a subset of the INA-Holding Schaeffler GmbH & Co. KG Group consolidated accounts 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 Schaeffler GmbH 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 the same as those described in the consolidated financial statements of Schaeffler GmbH 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 the estimated tax rate for the year; thus, tax effects of significant issues are recognized in the appropriate reporting periods.

As amounts (in millions of Euros) and percentages have been rounded, 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 sub-group financial statements present segment information for the two reportable 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.

	Automotive		Industrial		Other		Total	
	1/1 – 3/31		1/1 – 3/31		1/1 – 3/31		1/1 – 3/31	
In € millions	2011	2010	2011	2010	2011	2010	2011	2010
Revenue	1,822	1,491	855	641	20 [1]	28 [1]	2,697	2,160
Cost of sales	1,295	1,054	520	401	20	28	1,835	1,483
Gross profit	527	437	335	240	0	0	862	677
EBIT	302	239	170	96	0	0	472	335
- in % of revenue	16.6	16.0	19.9	15.0	–	–	17.5	15.5
Depreciation, amortization and impairments	96	102	45	47	0	0	141	149
Inventories [2]	852	691	685	578	0	0	1,537	1,269
Trade receivables [2]	1,191	989	515	436	0	0	1,706	1,425
Property, plant and equipment [2]	1,945	2,021	1,044	1,094	0	0	2,989	3,115
Capital expenditures	90	43	32	14	0	0	122	57

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

2) Amounts as of March 31.

6.5 Scope of consolidation

The Schaeffler Group includes, in addition to Schaeffler GmbH, 153 fully consolidated subsidiaries and special purpose entities; 50 companies are domiciled in Germany and 103 are foreign entities.
The following change 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, adding one fully consolidated company to the scope of the consolidation.
In addition, nine associated companies (including two joint ventures) are again accounted for using the equity method in the consolidated financial statements.

As at March 31, 2011, Schaeffler Group holds 84,333,986 shares or 42.17 % of the voting interest in Continental AG. At no point in time has Schaeffler GmbH 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 3/31)	25,186	24,099
Liabilities (as of 3/31)	18,702	18,418
Revenue (1/1 – 3/31)	7,346	5,997
Net income (loss) (1/1 – 3/31)	385	244

6.6 Share of net income (loss) of associated companies

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 associated companies is mainly the result of measuring the investment in Continental AG using the equity method. 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 an income after tax of EUR 106 m. The effect on Schaeffler Group net income (loss) for the first quarter is as follows:

In € millions	2011	2010
Depreciation, amortization and impairments of fair value adjustments	-73	-76
Share of net income (loss) of Continental AG	155	99
Dilution of ownership interest due to non-participation in Continental AG capital increase	0	-395
Effect on net income (loss) before income taxes	**82**	**-372**
Deferred taxes	20	21
Effect on net income (loss) before non-recurring items [1)]	**102**	**-351**
Non-recurring items [1)]		
Reversal of cash flow hedges existing at the time of the PPA	2	0
Recognition of Continental AG pension obligations at fair value	2	2
Effect on net income (loss) after non-recurring items [1)]	**106**	**-349**

1) Realized through purchase price allocation.

The Schaeffler Group's share of other comprehensive loss of Continental AG amounts to EUR 36 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 GmbH (42.17 %) on March 31, 2011 was EUR 5,370 m.

6.7 Contingent liabilities and other financial liabilities

At March 31, 2011, the Schaeffler Group had unfulfilled commitments under fixed contracts to purchase property, plant and equipment in the amount of EUR 143 m (December 31, 2010: EUR 101 m). EUR 130 m of the commitments existing at March 31, 2011 are expected to be settled within one year. The commitments as at December 31, 2010 of EUR 101 m will be settled within the current year.

At March 31, 2011, contingent liabilities amount to EUR 35 m (December 31, 2010: EUR 30 m) and consist primarily of obligations under warranties and guarantees of EUR 17 m (December 31, 2010: EUR 11 m). Other contingent liabilities include EUR 16 m (December 31, 2010: EUR 18 m) related to the Indian companies, consisting of claims raised by employees and reassessments from taxation authorities.

6.8 Related parties

Transactions with Continental Group companies during the period from January 1 to March 31, 2011 were as follows:

In € millions	2011
Receivables (as of 3/31/2011)	11
Liabilities (as of 3/31/2011)	2
Revenue (1/1/2011 – 3/31/2011)	18
Purchases of goods and services (1/1/2011 – 3/31/2011)	7

As at March 31, 2011, the Group had liabilities due to other related companies not consolidated by the Schaeffler Group of EUR 16 m (December 31, 2010: EUR 33 m), consisting mainly of financial debt.

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

Herzogenaurach, May 6, 2011

The Executive Management Board

SUMMARY – 1ST QUARTER 2010 TO 1ST QUARTER 2011

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

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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