SCHAEFFLER

Interim Financial Report as at June 30, 2013

Schaeffler AG

LuK INA FAG

Key figures

in € millions	1st six months 2013	2012		Change
Income statement				
Revenue	5,614	5,652	-0.7	%
EBITDA	1,042	1,079	-3.4	%
• in % of revenue	18.6	19.1	-0.5	%-pts.
EBIT	724	780	-7.2	%
• in % of revenue	12.9	13.8	-0.9	%-pts.
Net income 1)	561	504	57	€ millions

in € millions	06/30/2013	12/31/2012		Change
Statement of financial position				
Total assets	14,110	13,546	4.2	%
Shareholders' equity 2)	2,325	2,108	217	€ millions
• in % of total assets	16.5	15.6	0.9	%-pts.
Net financial debt 3)	6,132	6,505	-5.7	%
• Net financial debt to EBITDA ratio 4)	3.1	3.2		
Additions to intangible assets and property, plant and equipment 5)	204	459	-255	€ millions

in € millions	1st six months 2013	2012		Change
Statement of cash flows				
Cash flows from operating activities	606	495	111	€ millions
Free cash flow	386	30	356	€ millions
Employees				
Number of employees	76,840	75,868	1.3	%

1) Attributable to shareholders of the parent company; prior year amount restated for initial application of net interest approach required by IAS 19 (rev. 2011), see condensed notes to consolidated interim financial statements for details.
2) Including non-controlling interests.
3) Excluding shareholder loans.
4) EBITDA based on last twelve months.
5) Additions to intangible assets and property, plant and equipment from January 01 to June 30.

Automotive	1st six months			
in € millions	2013	2012		Change
Revenue	4,076	3,837	6.2	%
EBITDA	803	711	12.9	%
• in % of revenue	19.7	18.5	1.2	%-pts.
EBIT	579	503	15.1	%
• in % of revenue	14.2	13.1	1.1	%-pts.

Prior year information based on 2013 segment structure.

Industrial	1st six months			
in € millions	2013	2012		Change
Revenue	1,538	1,778	-13.5	%
EBITDA	239	368	-35.1	%
• in % of revenue	15.5	20.7	-5.2	%-pts.
EBIT	145	277	-47.7	%
• in % of revenue	9.4	15.6	-6.2	%-pts.

Prior year information based on 2013 segment structure.

Six months ended June 30, 2013

Challenging market environment:

Revenue of EUR **5.6** bn for first six months close to prior year level

Earnings quality stable:

EBIT margin at **12.9** % of revenue

Free cash flow improved significantly:

EUR **386** m free cash flow at June 30, 2013

Capital structure further improved:

Successful placement of additional bonds with coupons of **4.25** % and **4.75** % in April 2013

First six months of 2013 in numbers

Revenue

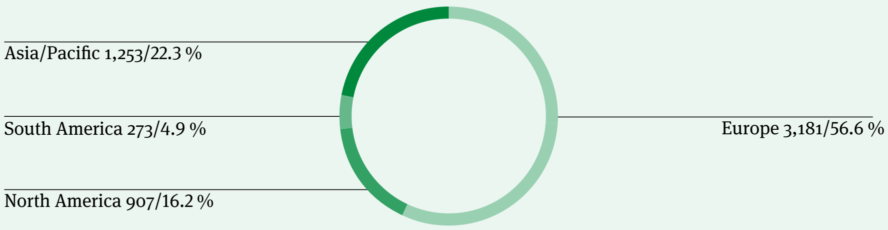
in € millions

Earnings before financial result, share of net income of equity-accounted investees, and income taxes (EBIT)

in € millions

Revenue first six months 2013 by region

Market view (in € millions/in percent)



Together we move the world.

Schaeffler develops and manufactures precision products for everything that moves – in machinery, equipment, and motor vehicles. We provide our customers with customized solutions that help them move the world – with innovation, high quality and sustainability.

Please find further information at
www.schaeffler-group.com

Contents

Schaeffler bonds

Performance of Schaeffler Group bonds

The Schaeffler Group had the following bonds outstanding at June 30, 2013:

ISIN	Currency	Face value in millions	Coupon	Maturity	Issued at (in %)	Price [1] in % 06/30/2013
XS0741938624	EUR	800	7.75 %	02/15/2017	98.981	110.13
US806261AC75	USD	600	7.75 %	02/15/2017	98.981	110.50
XS0801261156	EUR	326	6.75 %	07/01/2017	98.981	106.40
XS0923613060	EUR	600	4.25 %	05/15/2018	100.000	98.45
XS0741939788	EUR	400	8.75 %	02/15/2019	100.000	110.73
US806261AA10	USD	500	8.50 %	02/15/2019	100.000	109.56
US806261AE32	USD	850	4.75 %	05/15/2021	100.000	95.38

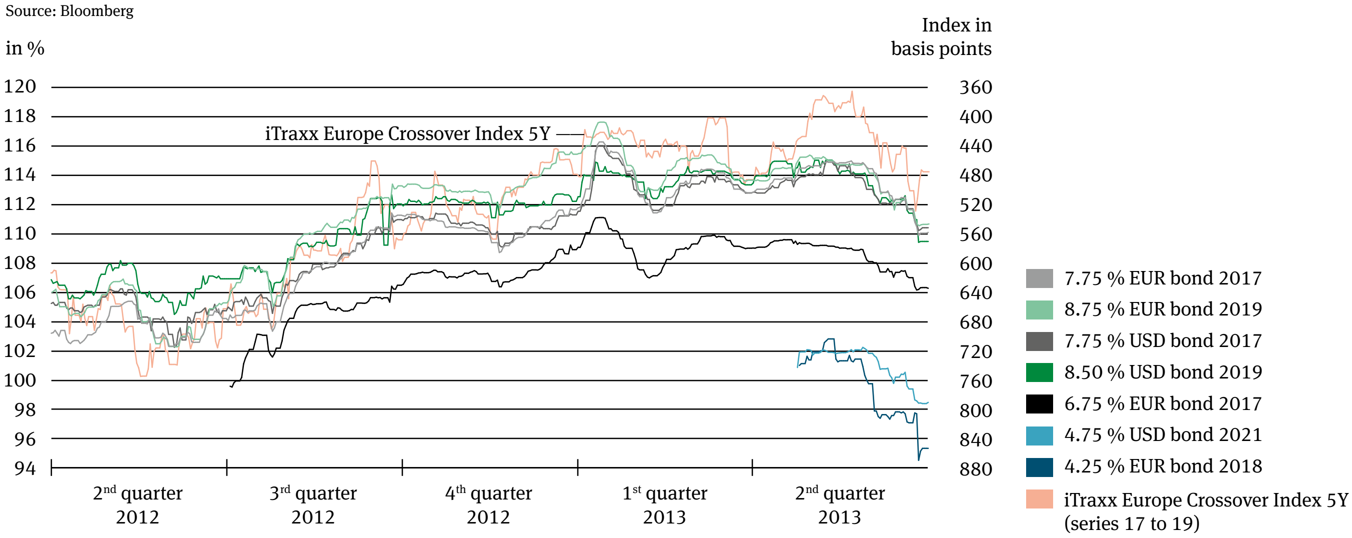
[1] Source: Bloomberg.

According to the PwC study “Primary market Germany”, the total volume of issuances in the German corporate bond market fell considerably by over EUR 28 bn to just under EUR 47 bn during the second quarter of 2013. The average interest coupon rose from 3.09 % to 4.14 %. Thus, the generally positive trend in the German bond markets indicated by increasing issuance volumes early in the year did not continue across all risk classes in the second quarter of 2013.

However, in light of low interest rates for investment grade corporate bonds, the high-yield market continued to experience high levels of cash inflow during the first six months of 2013. The iTraxx Europe Crossover index which measures credit risk premiums of European corporate bonds below investment grade fell by 11 basis points or 2 % from 486 basis points to 475 basis points between April 01 and June 30, 2013. While the two Schaeffler bonds (EUR bond 2018 and USD bond 2021) issued on April 29, 2013 outperformed the market during the period from April 29, 2013 to June 30, 2013, they did suffer slight losses, trading at 98.45 % and 95.38 %, respectively on June 30, 2013. The USD bond (ISIN: US806261AC75) bearing interest at 7.75 % and maturing in 2017 showed the best performance since its February 2012 issue date. It rose by 11.5 percentage points to a price of 110.50 % as at June 30, 2013 compared to the issue price of 98.981 %.

Performance since 2nd quarter 2012

Source: Bloomberg



Schaeffler's ratings

Schaeffler AG has been rated externally by the two rating agencies Moody's and Standard & Poor's since January 2012.

The following summary shows Schaeffler AG's current ratings:

	Company		Bonds
Rating agency	**Rating**	**Outlook**	**Rating**
Moody's	B1	positive	Ba3
Standard & Poor's	B+	stable	B+

Analysts' assessments

During the second quarter of 2013, Deutsche Bank began covering Schaeffler AG in its research activities, bringing the number of banks providing analysis and assessments of the company and its bonds to nine.

Group interim management report

Disclaimer in respect of forward-looking statements

This Group interim management report contains forward-looking statements that are based on management's current estimation at the time of the creation of this interim management report. Such statements refer to future periods or they are designated by terms such as "estimate", "forecast", "intend", "predict", "plan", "assume", or "expect". Forward-looking statements bear risks and uncertainties. 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. The interim financial statements as of June 30, 2013 do not include all information necessary for a complete set of consolidated financial statements.

Economic environment

International economic data showed a mixed picture at mid-year.

The Euro region remained in a recession during the first half of the year. So far, there is no turnaround in sight for the crisis countries Greece, Italy, Portugal, and Spain. Meanwhile, the economic slowdown has now also reached countries such as France, Finland, Belgium, and the Netherlands which had not previously been under pressure to immediately implement structural reforms and consolidate their public finances. Only Germany has seen a somewhat muted recovery, driven primarily by domestic demand. However, the continuing weakness in demand from other European countries and the prospect of growth in China losing momentum has led German companies to be cautious with their plans for investment and employment.

In the U.S., positive economic data confirmed a general upswing, although economic growth was held back by a number of factors, primarily the decrease in public spending. Should the U.S. Federal Reserve Bank (Fed) abandon its expansive monetary policy, that and the expected resulting volatility in the financial markets could interfere with the economic upturn, at least in the short run. The sluggish recovery of the largest economy in South America, Brazil, has been continuing since the beginning of the year. Contrary to previous expectations, the emerging countries in Asia have not continued to act as a strong driver of the global economy so far in 2013. China in particular has been developing less dynamically so far this year than many economists were anticipating at the beginning of the year. Like all large exporting countries, China felt the effect of restrained demand from industrialized countries. The domestic economy has also lost some of its momentum this year. In contrast to the industrial sectors, the automotive market in China has shown a positive development.

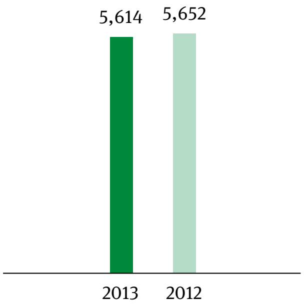
Despite the weakness in Europe, global automobile production increased 1.1 % during the first six months of 2013 compared to the prior year period, reaching a volume of 42.2 million passenger cars and light commercial vehicles produced (source: IHS Global Insight Automotive, July 2013). 2.9 million vehicles were produced in Germany (-3.7 %). Production in Western Europe (including Germany) amounted to 6.6 million vehicles, 6.8 % less than during the prior year period. The North America region (Canada, U.S., Mexico) saw the largest increase with production rising 3.0 % to 8.2 million passenger cars and light commercial vehicles. At 21.4 million vehicles (+2.7 %), the Asia/Pacific region also experienced growth.

In many countries, utilization of industrial capacities was below the long-term average during the first half of 2013, according to information provided by the German Engineering Association ("Verband deutscher Maschinen- und Anlagenbau e.V." – VDMA). Due to the current low demand for industrial goods in most industrial sectors, expenditures on new machines were limited. In addition, companies made only few replacement investments, leading to restrained growth in the global engineering sector during the year-to-date.

Earnings

Schaeffler Group earnings

Revenue (Schaeffler Group)
in € millions (first six months)



The Schaeffler Group generated revenue of EUR 5,614 m (prior year: EUR 5,652 m) during the first six months of 2013, including Automotive division revenue of EUR 4,076 m (prior year: EUR 3,837 m). New customer projects and product innovations enabled the Automotive division to increase its revenue against the general market trend by 6.2 % during the first half of 2013 compared to the prior year period. Industrial division revenue, on the other hand, declined by 13.5 % to EUR 1,538 m (prior year: EUR 1,778 m) due to market-related uncertainties. Thus, the Schaeffler Group's revenue decreased by 0.7 % during the first six months of 2013, including a slightly negative foreign exchange impact. The Schaeffler Group's revenue for the second quarter grew 2.3 % to EUR 2,858 m (prior year: EUR 2,794 m) from the prior year quarter, an increase of 3.7 % compared to the first quarter of 2013.

	1st six months			2nd quarter		
in € millions	**2013**	**2012**	Change in %	**2013**	**2012**	Change in %
Revenue	5,614	5,652	-0.7	2,858	2,794	2.3
Cost of sales	-4,001	-3,933	1.7	-2,036	-1,960	3.9
Gross profit	1,613	1,719	-6.2	822	834	-1.4
Functional expenses 1)	-904	-917	-1.4	-451	-452	-0.2
Earnings before financial result, share of net income of equity-accounted investees, and income taxes (EBIT)	724	780	-7.2	369	379	-2.6
• in % of revenue	12.9	13.8	-	12.9	13.6	-
Financial result 2)	-310	-385	-19.5	-143	-174	-17.8
Share of net income of equity-accounted investees 2)	363	286	26.9	228	150	52.0
Income taxes	-212	-170	24.7	-123	-82	50.0
Net income 3)	561	504	11.3	328	269	21.9

1) Research and development, selling, and administration.
2) In the interim financial report as at June 30, 2012, share of net income of equity-accounted investees was included in financial result. Comparative amounts have been adjusted accordingly. In addition, financial result for the comparative prior year period has been restated for the initial application of IAS 19 (rev. 2011), see condensed notes to the consolidated interim financial statements for details.
3) Attributable to shareholders of the parent company.

Revenue declined by 1.9 % in Europe due to weak revenue in the Industrial division. North America, on the other hand, continued its growth trend, generating an additional 3.7 % in revenue. Thanks to the growth achieved in the second quarter of 2013, revenue levels in the Asia/Pacific and South America regions came close to those of the first half of 2012.

Gross profit fell by EUR 106 m to EUR 1,613 m (prior year: EUR 1,719 m) compared to the prior year period. At the same time, gross margin for the period from January to June 2013 decreased to 28.7 % (prior year: 30.4 %). This change was primarily due to the decrease in revenue in the Industrial division and the resulting residual fixed overheads as well as to the change in revenue mix away from the Industrial toward the Automotive business.

Functional expenses for research and development, selling, and administration amounted to EUR 904 m (prior year: EUR 917 m) in the first six months of 2013.

Research and development expenses rose by 2.0 % to EUR 300 m (prior year: EUR 294 m), increasing research and development expenses as a percentage of revenue to 5.3 % (prior year: 5.2 %). Selling expenses moved almost in line with sales volumes during the first six months of the year, falling 1.0 % to EUR 378 m (prior year: EUR 382 m). The decrease compared to the first six months of 2012 is primarily due to lower revenue-driven costs, such as freight and logistics expenses. Administrative expenses declined to EUR 226 m (prior year: EUR 241 m).

Earnings before financial result, share of net income of equity-accounted investees, and income taxes (EBIT) fell by EUR 56 m from the prior year period to EUR 724 m (prior year: EUR 780 m) for the first six months of 2013. Primarily the positive trend in the Automotive division enabled Schaeffler Group to maintain its EBIT margin (ratio of EBIT to revenue) of 12.9 % (prior year: 13.8 %) at a high level.

The Schaeffler Group’s financial result improved by EUR 75 m to EUR -310 m (prior year: EUR -385 m) during the first half of 2013. Financial result comprises financial income of EUR 23 m (prior year: EUR 19 m) and financial expenses of EUR 333 m (prior year: EUR 404 m).

in € millions	1st six months 2013 Financial expenses	Financial income	Financial result
Interest expense on financial debt [1]	-245	0	-245
Fair value changes and compensation payments on derivatives	-39	10	-29
Foreign exchange gains and losses	-4	0	-4
Amortization of cash flow hedge accounting reserve [2]	-9	0	-9
Interest income and expense on pensions and partial retirement obligations	-26	0	-26
Other	-10	13	3
Total	**-333**	**23**	**-310**

in € millions	1st six months 2012 Financial expenses	Financial income	Financial result
Interest expense on financial debt [1]	-279	0	-279
Fair value changes and compensation payments on derivatives	16	14	30
Foreign exchange gains and losses	-60	0	-60
Amortization of cash flow hedge accounting reserve [2]	-36	0	-36
Interest income and expense on pensions and partial retirement obligations [3]	-28	1	-27
Other	-17	4	-13
Total [3]	**-404**	**19**	**-385**

[1] Incl. transaction costs.
[2] Incl. hedge accounting terminated in connection with the refinancing arrangement in 2009.
[3] Prior year amounts adjusted for initial application of IAS 19 (rev. 2011), see condensed notes to consolidated interim financial statements for details.

Interest expense on financial debt for the first six months of 2013 of EUR 245 m (prior year: EUR 279 m) includes interest paid and accrued on the Group's external financing arrangements of EUR 206 m (prior year: EUR 224 m) and expenses of EUR 32 m (prior year: EUR 40 m) relating to transaction costs. Interest expense on shareholder loans due to Schaeffler Verwaltungs GmbH is also included in this amount.

Changes in the fair value of and compensation payments on derivatives resulted in net losses of EUR 29 m (prior year: gains of EUR 30 m). The amount consists largely of compensation payment expenses of EUR 63 m (prior year: EUR 43 m), EUR 32 m in losses (prior year: EUR 40 m in gains) related to changes in the value of embedded derivatives, and EUR 66 m in gains (prior year: EUR 31 m) related to favorable changes in the value of interest rate and cross-currency derivatives. The losses on the embedded derivatives are primarily the result of the reduction in the margin on Senior Term Loan C related to the repricing in the first quarter of 2013, while the gains on the interest rate and cross-currency derivatives are mainly due to compensation payments settled. Net foreign exchange losses on financial assets and liabilities amounted to EUR 4 m (prior year: EUR 60 m).

Additional expenses of EUR 9 m (prior year: EUR 36 m) arose from amortization of the cash flow hedge accounting reserve related to interest rate hedging instruments. Pensions and partial retirement obligations gave rise to net interest expense of EUR 26 m (prior year: EUR 27 m). Other items generated a net amount of income of EUR 3 m (prior year: expenses of EUR 13 m).

The share of net income of equity-accounted investees for the first six months of 2013 of EUR 363 m (prior year: EUR 286 m) relates almost entirely to the investment in Schaeffler Beteiligungsholding GmbH & Co. KG, which holds a 36.14 % interest in Continental AG.

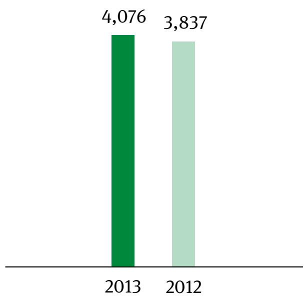
Income taxes for the first six months of 2013 amounted to EUR 212 m (prior year: EUR 170 m), consisting of current tax expense of EUR 182 m (prior year: EUR 189 m) and deferred tax expense of EUR 30 m (prior year: deferred tax benefit of EUR 19 m). Current tax expense of EUR 158 m relates to the current year and EUR 24 m to prior years. Interest expense of EUR 92 m (prior year: EUR 107 m) was not tax deductible in the first half year of 2013 because of the interest deduction cap.

Net income after non-controlling interests increased by EUR 57 m to EUR 561 m (prior year: EUR 504 m) during the first six months of 2013.

Automotive division

Automotive division revenue increased by 6.2 % from the prior year period to EUR 4,076 m (prior year: EUR 3,837 m) during the first six months of 2013. Revenue for the second quarter of 2013 grew 9.7 % from the prior year quarter to EUR 2,088 m (prior year: EUR 1,904 m), an increase of 5.0 % compared to the first quarter of 2013.

Revenue (Automotive)
in € millions (first six months)



The increase is mainly due to new customer projects and related production start-ups. The key growth drivers enabling the Automotive division to grow faster than the market were product innovations which help reduce CO_2-emissions in the drive train. These were partially offset by the impact of minor unfavorable foreign exchange effects.

Over the course of the first half of 2013, revenue growth was driven in particular by the regions Asia/Pacific (+12.9 %) and North America (+8.5 %). Revenue in Europe (+3.7 %) and in South America (+3.3 %) increased as well. Compared to the development of production volumes for passenger vehicles of up to 6 tons (Source: IHS Global Insight), revenue fared much better than market in all regions. However, very significant operational growth in South America was largely offset by negative foreign exchange effects.

	1st six months			2nd quarter		
in € millions	**2013**	**2012**	Change in %	**2013**	**2012**	Change in %
Revenue	4,076	3,837	6.2	2,088	1,904	9.7
Cost of sales	-2,963	-2,781	6.5	-1,511	-1,380	9.5
Gross profit	1,113	1,056	5.4	577	524	10.1
EBIT	579	503	15.1	302	259	16.6
• in % of revenue	14.2	13.1	-	14.5	13.6	-

Prior year information presented based on 2013 segment structure.

The engine systems, transmission systems, and chassis systems business operations and the Automotive aftermarket business all experienced revenue growth during the first six months. The considerable growth in revenue in the engine systems business operation was driven by the top-selling product groups camshaft phasing units and valve train components – ranging from mechanical valve lash adjustment elements to fully variable valve train systems (e.g. UniAir).

Revenue in the transmission systems business operation increased significantly, mainly as a result of the very robust growth generated by dry double clutches. The development of multi-link chains for automatic CVT, also deserves special mention, currently being used in mass-production in cooperation with Subaru and now for the first time at Jatco.

Growth drivers in the chassis systems business operation included the solid performance of ball screw drives used for instance in electromechanical parking brakes and steering systems.

The Automotive aftermarket business reported strong revenue growth compared to the prior year period, particularly during the second quarter of 2013. Reasons for the increase include the significant growth generated by dual-mass flywheels, clutch repair solutions, and wheel bearing kits.

Higher production volumes related to the growth in revenue made a positive overall impact on gross profit, but could not completely offset slightly increased personnel expenses due to, among other things, extra shifts. The cost of raw materials for the first six months of 2013 was slightly below the prior year comparison period. Cost of sales rose 6.5 % due to growth during the first six months of 2013, increasing to EUR 2,963 m (prior year: EUR 2,781 m), which permitted the Automotive division to maintain a stable gross margin for the year 2013 to date of 27.3 % (prior year: 27.5 %).

In order to secure future growth opportunities with the help of additional innovative products, the Automotive division increased its research and development expenses in the first six months of 2013 by 4.7 % to EUR 222 m (prior year: EUR 212 m). The increase resulted primarily from higher personnel expenses as well as the development of additional electric mobility products such as the Schaeffler E-Wheel Drive. The highly integrated wheel hub drive provides significant advantages in terms of maneuverability, driving dynamics and active safety as it is located in the wheel rim, saving a significant amount of space. The concept vehicle developed in cooperation with Ford and presented at the “auto, motor und sport” convention demonstrated the advantages and possible applications of this technology.

On this basis, total Automotive division EBIT rose by EUR 76 m to EUR 579 m in the first six months of 2013 compared to the prior year period (prior year: EUR 503 m). The EBIT margin increased by 1.1 percentage points to 14.2 % (prior year: 13.1 %) in the first six months 2013.

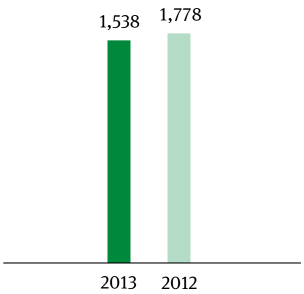
Industrial division

Industrial division revenue for the first six months of 2013 declined 13.5 % to EUR 1,538 m (prior year: EUR 1,778 m). Revenue for the second quarter of 2013 fell by 11.5 % from the prior year quarter to EUR 770 m (prior year: EUR 870 m). Compared to the first quarter of 2013, revenue for the second quarter showed a first slight increase when comparing consecutive quarters.

The situation in the market for investment goods has not turned around in the second quarter. The uncertainties still existing in many countries persisted. Industrial division revenue reflected this trend. Foreign exchange also had a slight negative impact on revenue. Order intake for the period was higher than revenue levels, suggesting a slight economic revival.

A look at regional revenue trends compared to the first half of 2012 showed that North America suffered the smallest decline (-6.3 %), while Europe (-11.3 %), South America (-17.4 %), and Asia/Pacific (-21.4 %) were affected more strongly.

Revenue (Industrial)
in € millions (first six months)



	1st six months			2nd quarter		
in € millions	**2013**	**2012**	Change in %	**2013**	**2012**	Change in %
Revenue	1,538	1,778	-13.5	770	870	-11.5
Cost of sales	-1,038	-1,115	-6.9	-525	-560	-6.3
Gross profit	500	663	-24.6	245	310	-21.0
EBIT	145	277	-47.7	67	120	-44.2
• in % of revenue	9.4	15.6	-	8.7	13.8	-

Prior year information presented based on 2013 segment structure.

The Schaeffler Group's Industrial business consists of the Industrial OEM market and the aftermarket business. Trends in the six key sectors of the OEM market varied. While revenue in the aerospace and heavy industries sectors increased compared to the first six months of the prior year, revenue in the remaining sectors fell short of prior year levels.

- The production machinery sector managed to reverse a trend that had lasted five quarters, reporting a slight increase in revenue for the second quarter of 2013 compared to the first quarter of 2013. However, all subsectors such as machine tools and woodworking, food processing, printing, and textile machinery continued to perform well below prior year levels for the half year period.

- Although the power transmission sector has slightly stabilized its revenue over the last four quarters, revenue remained well below that for the prior year period, particularly in Europe and Asia/Pacific. Customers' high inventory levels and economic uncertainty in both regions prevented a recovery.

- Renewable energy sector revenue for the period fell significantly short of the prior year level. Excess capacity and price competition held back revenue across all regions; in addition, conditions surrounding new investment remained uncertain and financing new projects remained difficult.

- Revenue in the aerospace sector increased primarily for jet engines, since commercial airlines are increasingly investing in new aircraft with fuel-efficient jet engines. However, fiscal cuts in the military sector, particularly in North America, had a dampening effect on revenue.

- Revenue for the off-highway equipment sector declined during the reporting period. Revenue for the construction and agricultural machinery sectors for the first six months of 2013 fell considerably short of prior year levels. In Asia, high levels of inventory on hand at segment distributors held back the recovery of revenue.

- Following increases during 2012, revenue in the heavy industries sector, which is slow to respond to cyclical changes, has been decreasing since the end of the first quarter of 2013 for the first time. Revenue for the half year has increased slightly in comparison to the prior year.

Revenue in the Industrial aftermarket business fell significantly short of the prior year level. Uncertainty about future economic developments led dealers across all regions to be very cautious, ordering only small quantities. The reduction in inventory levels across the entire distribution chain continued, particularly in the Asia/Pacific region.

Cost of sales for the first six months of 2013 declined by 6.9 % to EUR 1,038 m (prior year: EUR 1,115 m). The cost of underutilized production capacity at some of the plants could not be brought fully in line with the lower revenue levels. Gross profit was additionally impacted by warranty expenses. The cost of raw materials was slightly below the prior year comparison period during the first six months of 2013. Since cost of sales fell by less than revenue, gross margin declined by 4.8 percentage points to 32.5 % (prior year: 37.3 %).

In the first six months of 2013, research and development expenses declined by 4.9 % from EUR 82 m to EUR 78 m as a result of cost-cutting measures. Research and activities for new business fields, particularly those related to renewable energy and electric mobility as well as to magnetic bearings, were driving priorities here.

On this basis, Industrial division EBIT fell EUR 132 m to EUR 145 m in the first six months of 2013 compared to the prior year period (prior year: EUR 277 m). The EBIT margin declined by 6.2 percentage points to 9.4 % for the year 2013 to date (prior year: 15.6 %).

Financial position and assets

Cash flow

The Schaeffler Group increased its cash flows from operating activities for the first six months of 2013 considerably by 22.4 % and generated positive free cash flow of EUR 386 m (prior year: EUR 30 m):

	1st six months			2nd quarter		
in € millions	**2013**	**2012**	Change in %	**2013**	**2012**	Change in %
Cash flows from operating activities	606	495	22.4	434	358	21.2
Cash used in investing activities	-220	-465	-52.7	-100	-221	-54.8
Free cash flow	**386**	**30**	**> 100**	**334**	**137**	**> 100**
Cash used in financing activities	-248	-112	> 100	-217	-114	90.4
Financial debt	7,037	7,412	-5.1	7,037	7,412	-5.1
Cash and cash equivalents	562	318	76.7	562	318	76.7
Net financial debt	**6,475**	**7,094**	**-8.7**	**6,475**	**7,094**	**-8.7**
Net financial debt excluding shareholder loans	**6,132**	**6,828**	**-10.2**	**6,132**	**6,828**	**-10.2**

Cash flows from operating activities for the first six months of 2013 rose by EUR 111 m from the prior year period to EUR 606 m (prior year: EUR 495 m). This increase was primarily due to the lower increase in inventories and the increase in trade payables. The dividend of EUR 162 m (prior year: EUR 80 m) paid by Continental AG to Schaeffler AG via Schaeffler Beteiligungsholding GmbH & Co. KG also had a favorable effect. This positive impact was partially offset by a EUR 56 m decrease in EBIT to EUR 724 m (prior year: EUR 780 m) and an increase in interest and income taxes paid of EUR 52 m to EUR 443 m (prior year: EUR 391 m). The increase in interest paid compared to the first six months of 2012 was mainly due to the change in interest payment dates as a result of the refinancing arrangements completed in 2012 and 2013.

Cash totaling EUR 220 m was used in investing activities (prior year: EUR 465 m) during the first six months of 2013. Capital expenditures on intangible assets and property, plant and equipment amounted to EUR 229 m, falling significantly short of the high prior year level of EUR 472 m.

Free cash flow for the first six months of 2013 amounted to EUR 386 m, up EUR 356 m from the prior year amount of EUR 30 m. Capital expenditures on intangible assets and property, plant and equipment were financed entirely out of cash flows from operating activities.

Cash of EUR 248 m (prior year: EUR 112 m) was used in financing activities, primarily to repay loans. The repricing and full prepayment of tranches B2 EUR and B2 USD completed in March 2013 using newly obtained loan tranches C EUR and C USD was largely non-cash in nature. The financing transactions completed in April 2013 to refinance the company's senior loans – placing bonds with institutional investors, replacing existing loans with new loan agreements – were also largely non-cash in nature. Only transaction costs paid for these arrangements are included in cash flows from operating activities.

Net financial debt as at June 30, 2013 decreased by EUR 619 m to EUR 6,475 m (prior year: EUR 7,094 m) compared to the end of the prior year quarter. The reduction resulted mainly from the repayment of bank debt and the increase in liquid funds as at the reporting date.

Capital structure

The Schaeffler Group's shareholders' equity (including non-controlling interests in consolidated subsidiaries) rose by EUR 217 m to EUR 2,325 m during the first six months of 2013 (December 31, 2012: EUR 2,108 m). The equity ratio was 16.5 % at June 30, 2013 (December 31, 2012: 15.6 %).

in € millions	06/30/2013	12/31/2012	Change in %
Shareholders' equity	**2,325**	**2,108**	**10.3**
Provisions for pensions and similar obligations	1,525	1,553	-1.8
Provisions	55	75	-26.7
Financial debt	6,739	7,140	-5.6
Income tax payables	324	267	21.3
Other liabilities	76	240	-68.3
Deferred tax liabilities	191	119	60.5
Total non-current liabilities	**8,910**	**9,394**	**-5.2**
Provisions	238	223	6.7
Financial debt	298	121	> 100
Trade payables	924	794	16.4
Income tax payables	165	232	-28.9
Other liabilities	1,250	674	85.5
Total current liabilities	**2,875**	**2,044**	**40.7**
Total shareholders' equity and liabilities	**14,110**	**13,546**	**4.2**

The increase in shareholders' equity is primarily due to EUR 565 m in net income for the first six months which more than offset other comprehensive loss of EUR 97 m and the dividend of EUR 250 m declared in a resolution passed by the annual general meeting on March 20, 2013 and payable December 15, 2013.

Other comprehensive loss of EUR 97 m resulted mainly from the translation of net assets of foreign group companies (EUR -132 m) and an unfavorable change in the value of hedging instruments (EUR -16 m), partially offset by other comprehensive income resulting from a change in the discount rate for pensions and similar obligations (EUR 56 m).

Total non-current liabilities decreased by EUR 484 m to EUR 8,910 m as at June 30, 2013 (December 31, 2012: EUR 9,394 m). This decrease is primarily due to a partial repayment of non-current financial debt totaling EUR 250 m, consisting of EUR 163 m in dividend income received from Continental AG and a voluntary repayment of EUR 87 m using the company's own funds (see "Financing transactions"). The decline in non-current financial liabilities due to Schaeffler Verwaltungs GmbH, the shareholder of Schaeffler AG, by EUR 181 m was partially offset by the impact of foreign exchange on liabilities denominated in USD and transaction costs of EUR 30 m. The change in other liabilities includes the reclassification of EUR 119 m in interest rate derivatives due June 30, 2014 to current liabilities.

Current liabilities rose by EUR 831 m to EUR 2,875 m (December 31, 2012: EUR 2,044 m). This increase was primarily due to other liabilities arising from the EUR 250 m dividend due December, 2013 referred to above, liabilities of EUR 163 m due to Schaeffler Beteiligungsholding GmbH & Co. KG related to dividends paid by Continental AG, and the reclassification of EUR 119 m in interest rate derivatives due June 30, 2014 as discussed above. The increase in current financial debt by EUR 177 m to EUR 298 m (December 31, 2012: EUR 121 m) reflects the reclassification of financial liabilities due to the company's shareholder Schaeffler Verwaltungs GmbH previously classified as non-current liabilities.

Asset structure

The financial position as at June 30, 2013 is marked by an increase in total assets of EUR 564 m or 4.2 % to EUR 14,110 m (December 31, 2012: EUR 13,546 m).

in € millions	06/30/2013	12/31/2012	Change in %
Intangible assets	546	554	-1.4
Property, plant and equipment	3,385	3,515	-3.7
Investments in equity-accounted investees	5,367	5,040	6.5
Other investments	14	14	0.0
Other assets	132	150	-12.0
Income tax receivables	16	17	-5.9
Deferred tax assets	399	364	9.6
Total non-current assets	**9,859**	**9,654**	**2.1**
Inventories	1,536	1,495	2.7
Trade receivables	1,864	1,626	14.6
Other assets	228	231	-1.3
Income tax receivables	61	107	-43.0
Cash and cash equivalents	562	433	29.8
Total current assets	**4,251**	**3,892**	**9.2**
Total assets	**14,110**	**13,546**	**4.2**

Among non-current assets, property, plant and equipment decreased by EUR 130 m to EUR 3,385 m (December 31, 2012: EUR 3,515 m) due to lower capital spending in the first six months of 2013.

Investments in equity-accounted investees increased by EUR 327 m to EUR 5,367 m (December 31, 2012: EUR 5,040 m) as a result of the impact of measuring the investment in Schaeffler Beteiligungsholding GmbH & Co. KG, Herzogenaurach, at equity as at June 30, 2013. Schaeffler Beteiligungsholding holds a 36.14 % interest in Continental AG, Hanover. Other non-current assets consist primarily of the net pension asset and the positive fair value of embedded options to prepay bank debt and bonds which are presented as financial instruments. Changes in the fair value of these financial derivatives were the main reason behind the decrease in this balance by EUR 18 m to EUR 132 m (December 31, 2012: EUR 150 m).

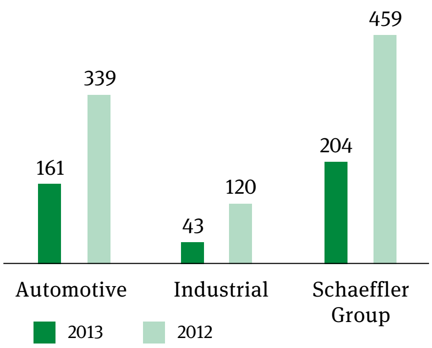
The increase in current assets resulted primarily from inventories growing EUR 41 m to EUR 1,536 m (December 31, 2012: EUR 1,495 m) and trade receivables increasing by EUR 238 m to EUR 1,864 m (December 31, 2012: EUR 1,626 m), both due to higher revenue and production volumes in the second quarter of 2013 compared to the fourth quarter of 2012.

Cash and cash equivalents increased to EUR 562 m (December 31, 2012: EUR 433 m). Positive cash flows from operating activities of EUR 606 m more than offset cash used in investing activities (EUR 220 m) and financing activities (EUR 248 m).

Additions to intangible assets and property, plant and equipment

Additions to intangible assets and property, plant and equipment for the first six months of 2013 amounted to EUR 204 m (prior year: EUR 459 m). Additions to intangible assets and property, plant and equipment as a percentage of consolidated revenue of 3,6 % fell considerably short of the prior year level (8.1 %). This shortfall was due to targeted capacity adjustments.

Additions [1)]
in € millions (first six months)



[1)] Additions to intangible assets and property, plant and equipment from January 01 to June 30.

The Automotive division spent EUR 161 m (prior year: EUR 339 m) and Industrial made additions to intangible assets and property, plant and equipment of EUR 43 m (prior year: EUR 120 m).

During the first six months, the regional focus of Schaeffler's investing activities remained on increasing the proportion of value added locally at the production facilities in the U.S. and China. Another focus remained on creating capacity for new products and technologies in Germany, mainly at the Buehl and Herzogenaurach locations. Further investments in capacity were made at the plants in Slovakia and Romania.

Financing transactions

The steps taken by Schaeffler AG in 2012 to refinance its financial liabilities were supplemented by further refinancing measures in the first two quarters of 2013.

First quarter 2013

On February 21, 2013, Schaeffler AG announced plans to seek a repricing of tranches B2 EUR and B2 USD by repaying them in full and obtaining new loan tranches. Favorable market conditions and encouraging sustainable operating results permitted Schaeffler to significantly improve the terms of new tranches C EUR and C USD. In addition, the volume of tranches C EUR and C USD were increased compared to previous loan tranches B2 EUR and B2 USD and the resulting additional funds of approximately EUR 253 m were used to partially prepay tranche A, which had a shorter maturity. The transaction was completed on March 18, 2013. Maturity, collateral, financial covenants, and other terms contained in the loan agreement remain unchanged.

Second quarter 2013

On April 22, 2013, Schaeffler AG announced another debt refinancing transaction which generated proceeds of EUR 1.25 bn through a placement of additional high-yield bonds with international investors. The company placed one EUR and one USD tranche. The EUR tranche totaling EUR 600 m has a maturity of five years and bears interest at 4.25 %. The USD tranche totaling USD 850 m has a maturity of eight years and bears interest at 4.75 %. The proceeds were used to prepay a portion of the existing bank loans. Tranche B1 totaling EUR 504 m was retired in full. Schaeffler was able to refinance the remaining loan balance of tranche A at more favorable terms and an extended maturity using new tranche D.

In addition, the Schaeffler Group partially prepaid tranche D using EUR 163 m in dividends received from Continental AG. A further voluntary prepayment of EUR 87 m was made out of the company's own funds. These prepayments reduced tranche D by a total of EUR 250 m.

At June 30, 2013, the Syndicated Senior Term Loan and Revolving Credit Facilities Agreement (SFA) consisted of the following tranches:

Tranche		06/30/2013	12/31/2012	06/30/2013	06/30/2013	12/31/2012	
	Currency	Face value in millions	Face value in millions	Carrying amount in € millions	Coupon	Coupon	Maturity
Senior Term Loan B1	EUR	-	504	-	-	Euribor + 4.75 %	-
Senior Term Loan C [1]	EUR	625	525	609	Euribor + 3.75 % [2]	Euribor + 5.00 %	01/27/2017
Senior Term Loan C [3]	USD	1,700	1,500	1,277	Libor + 3.25 % [4]	Libor + 4.75 %	01/27/2017
Senior Term Loan D [5]	EUR	1,204	2,446	1,185	Euribor + 3.375 %	Euribor + 4.00 %	06/30/2016
Revolving Credit Facility [6]	EUR	1,000	1,000	-11	Euribor + 3.375 %	Euribor + 4.00 %	06/30/2016

[1] Since March 18, 2013, previously Senior Term Loan B2 EUR.
[2] Euribor floor of 1.00 % (12/31/2012: 1.50 %).
[3] Since March 18, 2013, previously Senior Term Loan B2 USD.
[4] Libor floor of 1.00 % (12/31/2012: 1.25 %).
[5] Starting April 22, 2013, previously Senior Term Loan A.
[6] EUR 59 m were drawn down as at June 30, 2013, primarily in the form of letters of credit.

The following bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, were outstanding as at June 30, 2013:

			06/30/2013	12/31/2012		
ISIN	Currency	Face value in millions	Carrying amount in € millions	Carrying amount in € millions	Coupon	Maturity
XS0741938624	EUR	800	786	785	7.75 %	02/15/2017
US806261AC75	USD	600	451	446	7.75 %	02/15/2017
XS0801261156	EUR	326	322	322	6.75 %	07/01/2017
XS0923613060	EUR	600	595	-	4.25 %	05/15/2018
XS0741939788	EUR	400	398	398	8.75 %	02/15/2019
US806261AA10	USD	500	381	378	8.50 %	02/15/2019
US806261AE32	USD	850	645	-	4.75 %	05/15/2021

In July 2013 the Schaeffler Holding companies conducted a new loan agreement for EUR 3.875 bn with improved terms and conditions. As part of the transaction, approximately EUR 1.5 bn in high-yield bonds denominated in EUR and USD were issued and the proceeds used to repay bank loans. These steps were taken to reduce financing costs and further improve the capital structure at the level of Schaeffler Holding. The transaction did not directly impact the Schaeffler Group.

Schaeffler Group liquidity

At June 30, 2013, cash and cash equivalents amounted to EUR 562 m (December 31, 2012: EUR 433 m) and consisted primarily of bank balances. In addition, the Schaeffler Group has a revolving line of credit of EUR 1 bn, of which EUR 59 m were utilized at June 30, 2013, primarily in the form of letters of credit.

Research and development

Research and development expenses grew by 2.0 % to EUR 300 m (prior year: EUR 294 m) or 5.3 % of revenue (prior year: 5.2 %) in the first six months of 2013 compared to prior year. EUR 222 m (prior year: EUR 212 m) of this amount or 5.4 % of revenue (prior year: 5.5 %) was directly attributable to the Automotive division and EUR 78 m (prior year: EUR 82 m) or 5.1 % of revenue (prior year: 4.6 %) to the Industrial division.

From April 21 to 29, 2013, the automotive world focused its attention on the motor show in Shanghai, China. At the show, the Schaeffler Group showed a wide range of innovative products for modern mobility. The heart of the Schaeffler booth was the concept study eSolutions, which demonstrated a large number of solutions for electric mobility. The innovations on show included the Schaeffler E-Wheel Drive, a new drive concept with an electric wheel hub motor, and the eDifferential, an electric drive axle with two electric motors, integrated transmission and differential.

As part of its activities in the field of electric mobility, the Schaeffler Group has designed the concept car “Fiesta eWheelDrive” with a wheel hub drive in cooperation with Ford. The possibilities provided by this new drive technology were demonstrated at a trade convention and in a drive event on a test track in Lommel, Belgium. All components of the electric wheel hub drive that are required for driving, deceleration and driving safety are located in the wheel rim. Output of two times up to 40 kW and maximum torque of 1,400 Nm facilitate an impressive driving performance.

In the Industrial division, efficient high-performance rolling and plain bearing components, innovative modules, and comprehensive bearing support and linear guidance systems were the core of Schaeffler’s presentation at the 2013 Hannover Messe, which took place from April 08 to 12. With the FAG Active Magnetic Bearing, Schaeffler Group has developed a complete, standardized cross-system unit comprising magnetic and back-up bearings which is becoming more and more important as an alternative to conventional bearing supports. In addition to the bearing unit, the modular system also includes a proven electronic control system and power electronics as well as a comprehensive range of services, allowing manufacturers of large industrial machinery to benefit from an outstanding magnetic bearing solution.

Procurement and production

Procurement

There were no significant changes in Schaeffler's procurement markets during the first six months of 2013 compared to the prior year period. Suppliers were able to meet slight increases in requirements due to increased demand in certain sectors such as cold rolled strip without any significant difficulties. Supply to the plants was secure at all times.

Under the influence of a still weak general economic environment, prices for raw materials such as iron ore, coking coal, and scrap metal declined again during the second quarter of 2013 following increases early in the year. Prices for steel bar and wire also fell slightly due to the trend in the price of scrap metal. Flat steel products were not affected by changes in raw material prices due to existing contracts.

Production

Production volumes for the first six months of 2013 were above those of the comparable prior year period. As in the first quarter of 2013, the positive trend in demand for Schaeffler products in the Automotive division continued during the second quarter of this year, while the Industrial division continued to suffer low demand.

Schaeffler continued its localization strategy in growth regions during the second quarter of 2013. The company is pursuing the objective of securing the best possible customer satisfaction globally and for the long-term by consistently building and expanding its continuous production network. To further expand this production network, the cornerstone for a Schaeffler plant in Ulyanovsk, Russia, was laid in June 2013. Schaeffler is planning to produce automotive and industrial components for its local customers in Russia at this facility starting in 2014.

Schaeffler Group uses a global standardized reference organization at its production plants to ensure compliance with its high quality and performance standards. For the first time, the Schaeffler Group received the “Excellent Supplier Award” from Geely, one of the aspiring car manufacturers in China. Schaeffler Brazil was named “Supplier of the Year 2012” by General Motors and Schaeffler Germany was able to establish itself as “Preferred Supplier” of Bosch Rexroth.

Production inventory levels were kept low by consistently pursuing Schaeffler's MOVE activities. Continually improving production processes and the planned implementation of improved technologies will permit Schaeffler to continue along this path.

As at June 30, 2013, approximately 70 production locations represented the Schaeffler Group around the world.

Employees

The number of employees as at June 30, 2013 rose by 741 (1.0 %) compared to December 31, 2012 and by 972 (1.3 %) compared to the prior year quarter end. The Schaeffler Group recruited new skilled personnel compared to December 31, 2012 primarily in production and production-related areas – mainly in the Asia/Pacific and North America regions.

Number of employees [1]	06/30/2013	12/31/2012	06/30/2012	Change in % [2]
Europe	51,978	51,847	52,043	0.3
Asia/Pacific	12,934	12,664	12,251	2.1
North America	7,588	7,246	6,997	4.7
South America	4,340	4,342	4,577	0.0
Schaeffler Group	**76,840**	**76,099**	**75,868**	**1.0**

[1] Figures as at period end.
[2] June 30, 2013 compared to December 31, 2012.

Significant events and overall assessment of the 1st six months of 2013

International economic data showed a mixed picture at mid-year. The Euro region remained in a recession during the first half of the year. Economic momentum in the U.S. remained behind the speed of previous upturns. The sluggish recovery of the largest economy in South America, Brazil, has been continuing since the beginning of the year. During the first half of the year, the emerging countries in Asia have not fully lived up to expectations that they would continue to act as a strong driver of the global economy; however, these countries are still reporting high growth rates.

Global automobile production (passenger cars and light commercial vehicles) increased by 1.1 % during the first six months of 2013 compared to the prior year period. Western European markets suffered single-digit percentage declines in production. North America and the Asia/Pacific region reported an increase in production. Growth in the global engineering sector during the year-to-date period was limited due to the current low demand for industrial goods in most industrial sectors.

The Schaeffler Group's revenue decreased by EUR 38 m or 0.7 % to EUR 5,614 m during the period. Apart from the market-related decrease in the Industrial division, currency translation effects also contributed to this decline. Automotive division revenue increased 6.2 % from the prior year period to EUR 4,076 m despite the tense economic situation in European automotive sector markets. Industrial division revenue suffered considerably from low demand in nearly all industrial sectors, declining by EUR 240 m or 13.5 % to EUR 1,538 m.

The decrease in gross profit by EUR 106 m to EUR 1,613 m (prior year: EUR 1,719 m) and the change in gross margin from 30.4 % to 28.7 % are primarily due to the decline in revenue (EUR 38 m) and the resulting residual fixed overheads as well as the change in revenue mix away from the Industrial business toward the Automotive business. At EUR 4,001 m (prior year: EUR 3,933 m), cost of sales were nearly flat with the prior year period 2012.

Other functional expenses were about the same as in the prior year. Expenses for research and development increased slightly to EUR 300 m (prior year: EUR 294 m) or 5.3 % of revenue (prior year: 5.2 %) in connection with future growth opportunities.

At 12.9 % (prior year: 13.8 %), Schaeffler's EBIT margin remained at a high level.

Financial result of EUR -310 m (prior year: EUR -385 m) improved EUR 75 m at June 30, 2013 compared to the prior year period. Apart from changes in fair values, the primary reason for this increase was a EUR 34 m decline in interest expense for financial debt.

Net income after non-controlling interests for the first six months of 2013 amounted to EUR 561 m (prior year: EUR 504 m).

Free cash flow improved to EUR 386 m (prior year: EUR 30 m) in the first six months of 2013. Both the increase in operating cash flow by EUR 111 m and the decrease in capital expenditures on intangible assets and property, plant and equipment to EUR 229 m (EUR 472 m) contributed to this change.

Schaeffler AG placed bonds – one EUR and one USD tranche – with a total volume of EUR 1.25 bn on April 23, 2013. The EUR tranche totaling EUR 600 m has a maturity of five years and bears interest at 4.25 %. The USD tranche totaling USD 850 m has a maturity of eight years and bears interest at 4.75 %. The new high-yield bonds were used to partially prepay existing bank loans. The remaining loan balance was refinanced at more favorable terms and extended maturities. These transactions have further improved the maturity profile of the company's financial liabilities and reduced the company's financing costs.

Report on subsequent events

No material events expected to have a significant impact on the results of operations, financial position, and net assets of the Schaeffler Group occurred after June 30, 2013.

Report on opportunities and risks

Please see pages 88 and 89 et seq. of the Schaeffler Group annual report 2012 for a discussion of Schaeffler Group's risk management system and potential opportunities and risks. The assertions regarding the opportunities and risks described in the annual report 2012 are largely unchanged.

Since 2011, several antitrust authorities have commenced investigations of several manufacturers of rolling and plain bearings, particularly for the automotive and other industrial sectors. The authorities are investigating possible agreements violating antitrust laws. Schaeffler AG and some of its subsidiaries are among the entities subject to these investigations. The Schaeffler Group is cooperating with the investigating authorities and supports their work. The EU antitrust authorities are conducting further detailed investigations; the Schaeffler Group expects further steps in the proceedings in 2013. There is a risk that the antitrust authorities will impose penalties and that third parties may claim damages. Various plaintiffs in the U.S. and in Canada have already filed class action suits. The amount of potential penalties or subsequent claims is uncertain, but could be significant.

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

Report on expected developments

Expected economic environment

The Schaeffler Group expects the global economy to grow by approximately 3 % in 2013. Following a somewhat restrained trend during the first six months, economic data do not indicate a significant increase in momentum for the second half of 2013 either.

Necessary restructuring measures in the countries affected by the crisis will likely continue to hamper economic expansion in the industrialized economies. Future developments in Europe will be marked by the ongoing crisis in the Euro region and its impact on the financial markets and the real economy. As a speedy and sustained improvement of the crisis in the Euro region is still not in sight, the risk of setbacks remains significant. In light of this, the economic momentum in the emerging economies will likely be stronger than that in the industrialized economies, although key countries, above all China, are not expected to be able to fully maintain their high past growth rates.

The Schaeffler Group is still anticipating an increase of approximately 2 % in the worldwide production of passenger vehicles and light commercial vehicles for 2013 as a whole. The Schaeffler Group is not expecting the European automotive markets to recover quickly. For this region, the Group is forecasting a decline in automobile production of approximately 4 % to 5 % compared to the prior year. As a result of the expected reduction in production volumes in certain countries such as South Korea and Japan, the Schaeffler Group estimates that the production of passenger cars and light commercial vehicles in the entire Asia/Pacific region will grow by a total of only around 3 %. In North America, Schaeffler is anticipating a moderate increase in automobile production by approximately 3 %. Growth in South America is expected to be around 4 %.

The Schaeffler Group believes that the global engineering industry will generate only very moderate growth in 2013. Following the significant decrease in production in the spring of this year, the timing and scope of the recovery will be key for the German engineering industry. In Italy, the second largest market in Europe, capital expenditures on plant and machinery are expected to decrease this year due to the banks' tight credit policies.

Based on the expected increase in total industrial production in the U.S., the Schaeffler Group is forecasting slight growth for the U.S. engineering industry in 2013, as well. Primarily the oil and gas industry and the recovering real estate market will likely drive up demand for machinery.

Due to the dynamic development in China, Asia has been the largest manufacturing region in engineering and plant construction for several years. However, the Schaeffler Group is no longer expecting the engineering sector in Asia, particularly in China, to speed up its growth significantly during the latter half of the year. The VDMA believes that increased resource efficiency and stricter environmental requirements will ensure demand for new machines in the long run. The modernization of agriculture and livestock farming in China will continue to drive up demand for agricultural machinery. However, many sectors of the Chinese engineering industry have excess capacity. In addition, it is assumed that the new Chinese government will not provide added government incentives to stimulate the economy to the extent seen in the past. In light of this, growth in the Chinese engineering sector is likely to be in the low single digits this year.

Schaeffler Group outlook

Until now, the Schaeffler Group was expecting to generate revenue growth of approximately 4 % for the year 2013, based on the assumption that the economy would revive significantly during the second half of the year. Given the considerable decrease in revenue in the Industrial sector in the first six months of 2013, the sluggish recovery of the global economy and the weak economic momentum in China, the company now considers this target to be no longer achievable. The Schaeffler Group continues to expect sustainable above market revenue growth for the Automotive division. The company estimates that it will not be able to compensate the weak revenue trend experienced by the Industrial division to date during the latter half of 2013. In light of this, the Schaeffler Group now expects revenue for 2013 as a whole to grow by approximately 1 % to 2 % compared to the prior year.

The company will maintain its development activities at the level of the prior years. The Group plans to invest approximately 5 % of its consolidated revenue in researching and developing new products and processes in 2013.

Due to the stable earnings situation in the Automotive division, the Schaeffler Group continues to expect to generate an EBIT margin of approximately 13 % for the year 2013.

The company's investments in intangible assets and property, plant and equipment for new products and capacity expansions are the foundation of its organic growth. The Schaeffler Group anticipates investments of 5 % to 7 % of revenue in 2013. Based on the high level of investments made in 2012 and 2013 to date, investments as a percentage of revenue will likely fall closer to the lower end of this forecast in 2013.

Based on the positive trend in cash flow during the first six months, the Schaeffler Group is expecting positive free cash flow in the mid-three-digit million range for 2013 as a whole.

Herzogenaurach, August 05, 2013

The Executive Board

Consolidated interim financial statements

Consolidated income statement

in € millions	1st six months 2013	1st six months 2012	Change in %	2nd quarter 2013	2nd quarter 2012	Change in %
Revenue	5,614	5,652	-0.7	2,858	2,794	2.3
Cost of sales	-4,001	-3,933	1.7	-2,036	-1,960	3.9
Gross profit	**1,613**	**1,719**	**-6.2**	**822**	**834**	**-1.4**
Research and development expenses	-300	-294	2.0	-148	-147	0.7
Selling expenses	-378	-382	-1.0	-190	-191	-0.5
Administrative expenses	-226	-241	-6.2	-113	-114	-0.9
Other income	35	17	> 100	11	7	57.1
Other expenses	-20	-39	-48.7	-13	-10	30.0
Earnings before financial result, share of net income of equity-accounted investees, and income taxes (EBIT)	**724**	**780**	**-7.2**	**369**	**379**	**-2.6**
Financial income [1)]	23	19	21.1	-28	-6	> 100
Financial expense [1)]	-333	-404	-17.6	-115	-168	-31.5
Financial result [1)]	**-310**	**-385**	**-19.5**	**-143**	**-174**	**-17.8**
Share of net income of equity-accounted investees	**363**	**286**	**26.9**	**228**	**150**	**52.0**
Earnings before income taxes [1)]	**777**	**681**	**14.1**	**454**	**355**	**27.9**
Income taxes	-212	-170	24.7	-123	-82	50.0
Net income [1)]	**565**	**511**	**10.6**	**331**	**273**	**21.2**
Attributable to shareholders of the parent company [1)]	561	504	11.3	328	269	21.9
Attributable to non-controlling interests	4	7	-42.9	3	4	-25.0

[1)] Prior year amounts restated for initial application of IAS 19 (rev. 2011), see condensed notes to consolidated interim financial statements for details.

Consolidated statement of comprehensive income

	1st six months						2nd quarter					
	2013			2012			2013			2012		
in Mio. EUR	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes
Net income 1)	**777**	**-212**	**565**	**681**	**-170**	**511**	**454**	**-123**	**331**	**355**	**-82**	**273**
Foreign currency translation differences for foreign operations	-76	0	-76	29	0	29	-121	0	-121	54	0	54
Net gain (loss) on hedge of net investment in foreign operations	-2	0	-2	0	0	0	15	0	15	0	0	0
Effective portion of changes in fair value of cash flow hedges	-23	7	-16	15	-6	9	-20	6	-14	-37	8	-29
Net change in fair value of available-for-sale financial assets	0	0	0	1	0	1	0	0	0	1	0	1
Share of other comprehensive income (loss) of equity-accounted investees	-59	0	-59	22	0	22	-89	0	-89	22	1	23
Total other comprehensive income (loss) that will be reclassified subsequently to profit or losss	**-160**	**7**	**-153**	**67**	**-6**	**61**	**-215**	**6**	**-209**	**40**	**9**	**49**
Defined benefit plan actuarial gains (losses) 1)	47	-14	33	-178	42	-136	88	-21	67	-116	27	-89
Share of other comprehensive income (loss) of equity-accounted investees	56	-33	23	0	0	0	30	-3	27	0	0	0
Total other comprehensive income (loss) that will not be reclassified subsequently to profit or loss	**103**	**-47**	**56**	**-178**	**42**	**-136**	**118**	**-24**	**94**	**-116**	**27**	**-89**
Total other comprehensive income (loss)	**-57**	**-40**	**-97**	**-111**	**36**	**-75**	**-97**	**-18**	**-115**	**-76**	**36**	**-40**
Total comprehensive income (loss) for the period	**720**	**-252**	**468**	**570**	**-134**	**436**	**357**	**-141**	**216**	**279**	**-46**	**233**
Total comprehensive income (loss) attributable to shareholders of the parent company	721	-252	469	566	-134	432	362	-141	221	279	-46	233
Total comprehensive income (loss) attributable to non-controlling interests	-1	0	-1	4	0	4	-5	0	-5	0	0	0
Total comprehensive income (loss) for the period	**720**	**-252**	**468**	**570**	**-134**	**436**	**357**	**-141**	**216**	**279**	**-46**	**233**

1) Prior year amounts restated for initial application of IAS 19 (rev. 2011), see condensed notes to consolidated interim financial statements for details.

Consolidated statement of financial position

in € millions	06/30/2013	12/31/2012	06/30/2012	Change in % [1]
ASSETS				
Intangible assets	546	554	556	-1.4
Property, plant and equipment	3,385	3,515	3,510	-3.7
Investments in equity-accounted investees	5,367	5,040	5,067	6.5
Other investments	14	14	14	0.0
Other assets	132	150	109	-12.0
Income tax receivables	16	17	18	-5.9
Deferred tax assets	399	364	384	9.6
Total non-current assets	**9,859**	**9,654**	**9,658**	**2.1**
Inventories	1,536	1,495	1,653	2.7
Trade receivables	1,864	1,626	1,876	14.6
Other assets	228	231	198	-1.3
Income tax receivables	61	107	103	-43.0
Cash and cash equivalents	562	433	318	29.8
Total current assets	**4,251**	**3,892**	**4,148**	**9.2**
Total assets	**14,110**	**13,546**	**13,806**	**4.2**
SHAREHOLDERS’ EQUITY AND LIABILITIES				
Share capital	500	500	500	0.0
Reserves [2]	2,338	2,027	1,530	15.3
Accumulated other comprehensive income (loss) [2]	-571	-479	-222	19.2
Equity attributable to shareholders of the parent company	**2,267**	**2,048**	**1,808**	**10.7**
Non-controlling interests	58	60	57	-3.3
Total shareholders' equity	**2,325**	**2,108**	**1,865**	**10.3**
Provisions for pensions and similar obligations	1,525	1,553	1,391	-1.8
Provisions [2]	55	75	73	-26.7
Financial debt	6,739	7,140	6,869	-5.6
Income tax payables	324	267	204	21.3
Other liabilities	76	240	298	-68.3
Deferred tax liabilities	191	119	102	60.5
Total non-current liabilities	**8,910**	**9,394**	**8,937**	**-5.2**
Provisions	238	223	193	6.7
Financial debt	298	121	543	> 100
Trade payables	924	794	930	16.4
Income tax payables	165	232	195	-28.9
Other liabilities	1,250	674	1,143	85.5
Total current liabilities	**2,875**	**2,044**	**3,004**	**40.7**
Total shareholders’ equity and liabilities	**14,110**	**13,546**	**13,806**	**4.2**

[1] June 30, 2013 compared to December 31, 2012.
[2] Prior year amounts restated for initial application of IAS 19 (rev. 2011), see condensed notes to consolidated interim financial statements for details.

Consolidated statement of cash flows

in € millions	1st six months 2013	1st six months 2012	Change in %	2nd quarter 2013	2nd quarter 2012	Change in %
Operating activities						
EBIT	724	780	-7.2	369	379	-2.6
Interest paid	-290	-259	12.0	-100	-93	7.5
Interest received	3	4	-25.0	1	2	-50.0
Income taxes paid	-153	-132	15.9	-95	-78	21.8
Dividends received	162	80	> 100	162	80	> 100
Depreciation, amortization and impairments	318	299	6.4	161	151	6.6
Gains (losses) on disposal of assets	0	0	0.0	0	1	-100
Other non-cash items	-14	-30	-53.3	-4	-11	-63.6
Changes in:						
• Inventories	-60	-78	-23.1	-31	-24	29.2
• Trade receivables	-259	-252	2.8	-48	38	-
• Trade payables	162	67	> 100	36	-54	-
• Provisions for pensions and similar obligations	-12	-33	-63.6	-3	-25	-88.0
• Other assets, liabilities and provisions	25	49	-49.0	-14	-8	75.0
Cash flows from operating activities [1)]	**606**	**495**	**22.4**	**434**	**358**	**21.2**
Investing activities						
Proceeds from disposals of intangible assets and property, plant and equipment	4	8	-50.0	2	1	100
Capital expenditures on intangible assets	-8	-20	-60.0	-4	-11	-63.6
Capital expenditures on property, plant and equipment	-221	-452	-51.1	-104	-211	-50.7
Investments in other financial investments	-2	-1	100	-1	0	-
Other investing activities	7	0	-	7	1	> 100
Cash used in investing activities	**-220**	**-465**	**-52.7**	**-100**	**-221**	**-54.8**
Financing activities						
Dividends paid to non-controlling interests	-1	-1	0.0	-1	-1	0.0
Receipts from loans	5	170	-97.1	4	0	-
Repayments of loans	-278	-102	> 100	-264	-91	> 100
Acquisitions in stages	0	-13	-100	0	0	0.0
Other financing activities [2)]	26	-166	-	44	-22	-
Cash used in financing activities	**-248**	**-112**	**> 100**	**-217**	**-114**	**90.4**
Net increase (decrease) in cash and cash equivalents	**138**	**-82**	**-**	**117**	**23**	**> 100**
Effects of foreign exchange rate changes on cash and cash equivalents	-9	3	-	-13	4	-
Cash and cash equivalents as at beginning of period	433	397	9.1	458	291	57.4
Cash and cash equivalents as at end of period	**562**	**318**	**76.7**	**562**	**318**	**76.7**

[1)] Excluding interest payments, cash flows from operating activities for the period from 01/01 to 06/30/2013 amount to EUR 896 m (prior year: EUR 754 m).
[2)] Including payments to the shareholder, Schaeffler Verwaltungs GmbH, of EUR m nil (prior year: EUR 165 m).

Consolidated statement of changes in shareholders' equity

in € millions	Share capital	Reserves	Accumulated other comprehensive income (loss) [1]				Subtotal	Non-controlling interests	Total
			Translation reserve	Hedging reserve	Fair value reserve	Reserve for actuarial gains and losses			
Balance as at January 01, 2012 before IAS 19 (rev. 2011) adjustments	**500**	**1,324**	**118**	**-131**	**0**	**-150**	**1,661**	**53**	**1,714**
Change in accounting policy – IAS 19 (rev. 2011)		-13				13	0		0
Balance as at January 01, 2012 after IAS 19 (rev. 2011) adjustments	**500**	**1,311**	**118**	**-131**	**0**	**-137**	**1,661**	**53**	**1,714**
Net income		505					505	7	512
Other comprehensive income (loss)			52	11	1	-137	-73	-3	-76
Change in accounting policy – IAS 19 (rev. 2011)		-1				1	0		0
Total comprehensive income (loss) for the period	**0**	**504**	**52**	**11**	**1**	**-136**	**432**	**4**	**436**
Transactions with shareholders									
Dividends		-300					-300		-300
Total amount of transactions with shareholders		**-300**					**-300**		**-300**
Other items from equity-accounted investees recognized directly in shareholders' equity		15					15		15
Balance as at June 30, 2012	**500**	**1,530**	**170**	**-120**	**1**	**-273**	**1,808**	**57**	**1,865**
Balance as at January 01, 2013 before IAS 19 (rev. 2011) adjustments	**500**	**2,042**	**75**	**-2**	**2**	**-570**	**2,047**	**60**	**2,107**
Change in accounting policy – IAS 19 (rev. 2011)		-15				16	1		1
Balance as at January 01, 2013 after IAS 19 (rev. 2011) adjustments	**500**	**2,027**	**75**	**-2**	**2**	**-554**	**2,048**	**60**	**2,108**
Net income		561					561	4	565
Other comprehensive income (loss)			-132	-16		56	-92	-5	-97
Total comprehensive income (loss) for the period	**0**	**561**	**-132**	**-16**	**0**	**56**	**469**	**-1**	**468**
Transactions with shareholders									
Dividends		-250					-250		-251
Total amount of transactions with shareholders		**-250**					**-250**		**-251**
Balance as at June 30, 2013	**500**	**2,338**	**-57**	**-18**	**2**	**-498**	**2,267**	**58**	**2,325**

[1] Including the effect of equity-accounted investees.

Consolidated segment information

(Part of the condensed notes to the consolidated financial statements)

	Automotive		Industrial		Other		Total	
	1st six months		1st six months		1st six months		1st six months	
in € millions	2013	2012	2013	2012	2013	2012	2013	2012
Revenue	4,076	3,837	1,538	1,778	0	37 1)	5,614	5,652
Cost of sales	-2,963	-2,781	-1,038	-1,115	0	-37 2)	-4,001	-3,933
Gross profit	1,113	1,056	500	663	0	0	1,613	1,719
EBIT	579	503	145	277	0	0	724	780
• in % of revenue	14.2	13.1	9.4	15.6	-	-	12.9	13.8
Depreciation, amortization and impairments	-224	-208	-94	-91	0	0	-318	-299
Inventories 3)	898	920	638	733	0	0	1,536	1,653
Trade receivables 3)	1,353	1,288	511	588	0	0	1,864	1,876
Property, plant and equipment 3)	2,372	2,413	1,013	1,097	0	0	3,385	3,510
Additions to intangible assets and property, plant and equipment	161	339	43	120	0	0	204	459

	Automotive		Industrial		Other		Total	
	2nd quarter		2nd quarter		2nd quarter		2nd quarter	
in € millions	2013	2012	2013	2012	2013	2012	2013	2012
Revenue	2,088	1,904	770	870	0	20 1)	2,858	2,794
Cost of sales	-1,511	-1,380	-525	-560	0	-20 2)	-2,036	-1,960
Gross profit	577	524	245	310	0	0	822	834
EBIT	302	259	67	120	0	0	369	379
• in % of revenue	14.5	13.6	8.7	13.8	-	-	12.9	13.6
Depreciation, amortization and impairments	-113	-106	-48	-45	0	0	-161	-151
Inventories 3)	898	920	638	733	0	0	1,536	1,653
Trade receivables 3)	1,353	1,288	511	588	0	0	1,864	1,876
Property, plant and equipment 3)	2,372	2,413	1,013	1,097	0	0	3,385	3,510
Additions to intangible assets and property, plant and equipment	82	162	19	62	0	0	101	224

Prior year information based on 2013 segment structure.
1) Other revenues not attributable to a segment.
2) Other cost of sales not attributable to a segment.
3) Amounts as at June 30.

Condensed notes to the consolidated financial statements

Reporting entity

Schaeffler AG, 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 June 30, 2013 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 the automotive and manufacturing sectors with operations worldwide.

Basis of preparation of consolidated interim financial statements

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

The consolidated interim financial statements of Schaeffler AG, Herzogenaurach, for the reporting period ended June 30, 2013 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and do not include all information necessary for a complete set of consolidated financial statements.

The accounting policies used in these consolidated interim financial statements are largely based on the accounting policies used in the 2012 consolidated financial statements, where the latter are discussed in detail. The following new or amended IFRS financial reporting standards required to be applied starting in 2013 differ from these policies:

- IAS 19: Change in the measurement of obligations under partial retirement arrangements and in the determination of net interest expense/income,

- IAS 1: Change in the presentation of the consolidated statement of comprehensive income including adjustments to the comparative period,

- IFRS 7 and IFRS 13: Expanded note disclosures on financial instruments, and

- Other IFRS amendments: No effect on these interim financial statements.

Schaeffler has applied the accounting treatment required by IAS 19 (rev. 2011) starting January 01, 2013. The new requirements of IAS 19 (rev. 2011) include replacing expected returns on plan assets and interest expense on the pension obligation by the newly introduced net interest approach. Under this approach, net interest expense or benefit to be recognized in income for the period is arrived at by multiplying the net pension obligation by the discount rate used to measure the gross pension obligation. The transition rules of IAS 19 (rev. 2011) require the amendments to the standard to be applied retrospectively. As a result, adjustments to prior years are shown in the earliest reporting period presented in these consolidated interim financial statements. For the prior period, interest income was reduced by EUR 14 m and the revised income on plan assets of EUR 13 m was offset against interest expense. The resulting difference was recognized in shareholders' equity as a reduction in reserves and an increase in accumulated other comprehensive income. The effect of applying the net interest approach under IAS 19 (rev. 2011) on the first six months of 2013 was insignificant.

Due to the netting of certain exchange gains and losses recognized in profit or loss, prior year figures for other income and other expense were each adjusted by EUR 82 m for comparability. Please refer to the 2012 consolidated financial statements for further 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 the matters described in the consolidated financial statements of the Schaeffler Group as at and for the year ended December 31, 2012.

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 is not 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.

Significant changes in financial statement line items are discussed separately in the Group management report.

Scope of consolidation

The scope of consolidation has not changed since December 31, 2012.

The Schaeffler Group includes, in addition to Schaeffler AG, 159 fully consolidated subsidiaries; 54 companies are domiciled in Germany and 105 are foreign entities.

In the consolidated interim financial statements as at June 30, 2013, nine investments (six associated companies and three joint ventures) are accounted for at equity. As in the prior year, Schaeffler Beteiligungsholding GmbH & Co. KG holds 72,290,458 shares or 36.14 % of the voting interest in Continental AG as at June 30, 2013.

Continental AG is a leading automotive supplier with worldwide operations headquartered in Hanover, Germany. The following table summarizes key financial information about the Continental Group:

in € millions	2013	2012
Revenue (01/01-06/30)	16,574	16,506
Net income [1] (01/01-06/30)	1,186	1,036
Assets [2] (as at 06/30)	27,845	27,222
Liabilities [2] (as at 06/30)	19,068	19,397

[1] Including non-controlling interests.
[2] Prior year amounts restated for initial application of IAS 19 (rev. 2011).

Share of net income 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 of equity-accounted investees relates primarily to shares in Continental AG. The Schaeffler Group's share of depreciation, amortization, and impairments on fair value adjustments and its share of Continental AG's net income result in income of EUR 363 m (prior year: EUR 285 m) net of deferred tax.

Schaeffler's share of net income of equity-accounted investees for the period ending June 30, 2013 consists of the following components:

in € millions	2013	2012
Depreciation, amortization and impairments of fair value adjustments	-69	-119
Share of net income of Continental AG	413	363
Effect before income taxes	**344**	**244**
Deferred taxes	19	33
Effect on income before special items [1]	**363**	**277**
Special items [1]		
• Reversal of cash flow hedges existing at the time of the PPA	0	4
• Recognition of Continental AG pension obligations at fair value	0	4
Effect on income after special items [1]	**363**	**285**

[1] Realized through purchase price allocation (PPA).

The Schaeffler Group's share of other comprehensive loss of Continental AG amounts to EUR 36 m (prior year: other comprehensive income of EUR 22 m).

Debt covenants restrict Continental AG's ability to pay dividends. On May 15, 2013, Continental AG paid a dividend of EUR 2.25 (prior year: EUR 1.50) per share in respect of 2012.

Based on a share price of EUR 102.60 per share (prior year: EUR 65.62 per share), the fair value of the Continental AG shares held by Schaeffler Beteiligungsholding GmbH & Co. KG (36.14 %) was EUR 7,417 m (prior year: EUR 4,744 m) on June 30, 2013.

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 interim 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.

	1st six months	
Reconciliation to earnings before income taxes in € millions	**2013**	**2012**
EBIT Automotive [1]	579	503
EBIT Industrial [1]	145	277
EBIT	**724**	**780**
Financial result [2]	**-310**	**-385**
Share of net income of equity-accounted investees	**363**	**286**
Earnings before income taxes	**777**	**681**

[1] Prior year information presented based on 2013 segment structure.
[2] Prior year amounts restated for initial application of IAS 19 (rev. 2011).

Financial instruments

The carrying amounts and fair values of financial instruments by balance sheet class and by category per IFRS 7.8 are summarized below. Derivatives designated as hedging instruments are also shown, although they do not fall under any of the IAS 39 measurement categories. No financial instruments were reclassified between categories in accordance with IFRS 7.8 during the current or prior year periods.

			06/30/2013		12/31/2012		06/30/2012	
in € millions	Category per IFRS 7.8	Level per IFRS 13	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets, by class								
Trade receivables	LaR	1	1,864	1,864	1,626	1,626	1,876	1,876
Other investments [1]	AfS	1	14	-	14	-	14	-
Other assets								
• Marketable securities	AfS	1	3	3	6	6	5	5
• Other loans receivable [2]	LaR	1	89	89	103	103	95	95
• Derivatives designated as hedging instruments	n.a.	2	19	19	30	30	6	6
• Derivatives not designated as hedging instruments	HfT	2	64	64	84	84	38	38
Cash and cash equivalents	LaR	1	562	562	433	433	318	318
Financial liabilities, by class								
Financial debt	FLAC	2	7,037	7,476	7,261	7,727	7,412	8,301
Trade payables	FLAC	1	924	924	794	794	930	930
Other liabilities								
• Derivatives designated as hedging instruments	n.a.	2	132	132	213	213	293	293
• Derivatives not designated as hedging instruments	HfT	2	65	65	27	27	49	49
• Other liabilities [2]	FLAC	1	637	637	170	170	612	612
Summary by category								
Available-for-sale financial assets (AfS)			17	-	20	-	19	-
Financial assets held for trading (HfT)			64	-	84	-	38	-
Loans and receivables (LaR)			2,515	-	2,162	-	2,289	-
Financial liabilities at amortized cost (FLAC)			8,598	-	8,225	-	8,954	-
Financial liabilities held for trading (HfT)			65	-	27	-	49	-

[1] Investments accounted for at cost.
[2] Includes other assets/liabilities in the scope of IAS 39/IFRS 7.

Financial assets and liabilities measured at fair value have been classified using a fair value hierarchy that reflects the nature of the methods used to arrive at fair value (Level 1 – Level 3). According to the levels of the hierarchy, fair value is determined as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.

- Level 2: Determined using a valuation method for which all significant inputs are based on observable market data.

The fair value of financial debt is the present value of expected future cash flows discounted using risk-adjusted discount rates in effect at the end of the reporting period.

Derivative financial instruments that are foreign exchange contracts, interest rate swaps or cross-currency swaps are measured using exchange rates in effect at the end of the reporting period and risk-adjusted interest and discount rates. Instruments with an option-type structure are measured using a Black-Scholes option pricing model. Key inputs are the relevant volatilities and credit default swap rates (CDS rates).

- Level 3: Determined using a valuation method for which significant inputs are not based on observable market data. The Schaeffler Group does not have any financial instruments in this level.

The company reviews its financial instruments at the end of each reporting period for any required transfers between levels. No transfers were made between the various levels of the fair value hierarchy (Level 1 – 3) during the period.

Other investments include investments (shares in incorporated companies and cooperatives) for which quoted prices in an active market are not available. As a result, the fair value of these instruments cannot be measured reliably. These investments are therefore accounted for at cost. There were no partial disposals of such investments in the first six months of 2013, and no (partial) disposals are planned for the foreseeable future.

The following summary shows derivative financial assets and liabilities subject to an enforceable master netting arrangement or similar agreement as required by IFRS 7.13C:

in € millions	06/30/2013	12/31/2012	06/30/2012
Financial assets			
Gross amount of financial assets	83	114	44
Amounts offset in accordance with IAS 32.42	0	0	0
Gross amount of financial assets	83	114	44
Amounts subject to master netting arrangements	-38	-45	-22
Net amount of financial assets	45	69	22
Financial liabilities			
Gross amount of financial liabilities	-197	-240	-342
Amounts offset in accordance with IAS 32.42	0	0	0
Gross amount of financial liabilities	-197	-240	-342
Amounts subject to master netting arrangements	38	45	22
Net amount of financial liabilities	-159	-195	-320

Contingent liabilities and other financial obligations

At June 30, 2013, the Schaeffler Group had open commitments under fixed contracts to purchase property, plant and equipment of EUR 183 m (December 31, 2012: EUR 164 m). EUR 146 m of the commitments existing at June 30, 2013 are expected to be settled within one year and EUR 37 m in more than one year but within five years.

Contingent liabilities amounted to EUR 18 m at June 30, 2013 (December 31, 2012: EUR 37 m) and consisted primarily of claims raised by employees and reassessments from taxation authorities. The decrease is due to a settlement reached with tax authorities.

Related parties

The Schaeffler Group's related parties are its parent company and the members of that company's governing bodies as well as other companies controlled by the parent company. These companies are referred to as IHO companies (companies with INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, as their group parent company) below.

The Continental AG Group companies are also related to the Schaeffler Group.

Transactions with Continental Group companies during the period from January 01 to June 30, 2013 were as follows:

	Receivables		Payables	
in € millions	06/30/2013	12/31/2012	06/30/2013	12/31/2012
Continental Group companies	14	10	5	4

	Expenses		Income	
in € millions	2013	2012	2013	2012
Continental Group companies (01/01-03/31)	17	16	44	40

Payables to IHO companies were EUR 765 m (December 31, 2012: EUR 324 m) at June 30, 2013 and consisted primarily of EUR 540 m (December 31, 2012: EUR 288 m) in liabilities due to the shareholder, Schaeffler Verwaltungs GmbH, including a dividend of EUR 250 m payable in December 2013.

Events after the reporting period

No material events expected to have a significant impact on the results of operations, financial position, and net assets of the Schaeffler Group occurred after June 30, 2013.

Herzogenaurach, August 05, 2013

The Executive Board

Additional information

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Forward-looking statements

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

Rounding differences may occur.

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

Both language versions of the interim report can be downloaded from the internet at www.schaeffler-group.com/Investor Relations/Publications/Reports.

Summary 1st quarter 2012 to 2nd quarter 2013

in € millions	2012 1st quarter	2012 2nd quarter	2012 3rd quarter	2012 4th quarter	2013 1st quarter	2013 2nd quarter
Income statement						
Revenue	2,858	2,794	2,770	2,703	2,756	2,858
EBITDA	549	530	520	432	512	530
• in % of revenue	19.2	19.0	18.8	16.0	18.6	18.5
EBIT	401	379	364	269	355	369
• in % of revenue	14.0	13.6	13.1	10.0	12.9	12.9
Net income [1]	**235**	**269**	**225**	**140**	**233**	**328**
Statement of financial position						
Total assets	13,449	13,806	13,936	13,546	13,960	14,110
Shareholders' equity [2]	1,617	1,865	2,060	2,108	2,110	2,325
• in % of total assets	12.0	13.5	14.8	15.6	15.1	16.5
Net financial debt [3]	6,884	6,828	6,698	6,505	6,533	6,132
• Net financial debt to EBITDA ratio [4]	3.2	3.2	3.2	3.2	3.3	3.1
Additions to intangible assets and property, plant and equipment [5]	235	224	199	169	103	101
Statement of cash flows						
Free cash flow [6]	-107	137	92	259	52	334
Employees						
Headcount (at end of reporting period)	74,948	75,868	76,656	76,099	76,186	76,840

[1] Attributable to shareholders of the parent company; comparative amounts restated for initial application of IAS 19 (rev. 2011), see condensed notes to consolidated interim financial statements for details.
[2] Including non-controlling interests.
[3] Excluding shareholder loans.
[4] EBITDA based on the last twelve months.
[5] Additions to intangible assets and property, plant and equipment for the quarter.
[6] Free cash flow for the quarter.

Financial calendar 2013

August 28, 2013

Second quarter results 2013

November 19, 2013

Third quarter results 2013

March 20, 2014

Annual Report 2013

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

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