SCHAEFFLER

Interim Financial Report as at September 30, 2013

Schaeffler AG

LuK INA FAG

Key figures

in € millions	1st nine months 2013	2012		Change
Income statement				
Revenue	8,425	8,422	0.0	%
EBITDA	1,514	1,599	-5.3	%
• in % of revenue	18.0	19.0	-1.0	%-pts.
EBIT	1,038	1,144	-9.3	%
• in % of revenue	12.3	13.6	-1.3	%-pts.
Net income [1]	1,020	729	291	€ millions

in € millions	09/30/2013	12/31/2012		Change
Statement of financial position				
Total assets	13,661	13,546	0.8	%
Shareholders' equity [2]	2,706	2,108	598	€ millions
• in % of total assets	19.8	15.6	4.2	%-pts.
Net financial debt [3]	5,445	6,505	-16.3	%
• Net financial debt to EBITDA ratio [4]	2.8	3.2		
Additions to intangible assets and property, plant and equipment [5]	320	658	-338	€ millions

in € millions	1st nine months 2013	2012		Change
Statement of cash flows				
Cash flows from operating activities	919	783	136	€ millions
Free cash flow	589	122	467	€ millions
Employees				
Number of employees	77,850	76,656	1.6	%

[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 September 30.

Automotive in € millions	1st nine months 2013	2012		Change
Revenue	6,129	5,755	6.5	%
EBITDA	1,186	1,080	9.8	%
• in % of revenue	19.4	18.8	0.6	%-pts.
EBIT	851	763	11.5	%
• in % of revenue	13.9	13.3	0.6	%-pts.

Prior year information based on 2013 segment structure.

Industrial in € millions	1st nine months 2013	2012		Change
Revenue	2,296	2,617	-12.3	%
EBITDA	328	519	-36.8	%
• in % of revenue	14.3	19.8	-5.5	%-pts.
EBIT	187	381	-50.9	%
• in % of revenue	8.1	14.6	-6.5	%-pts.

Prior year information based on 2013 segment structure.

Nine months ended September 30, 2013

Revenue of EUR 8.4 bn at prior year level:

Automotive up **6.5** %, Industrial down **12.3** %

EBIT affected by personnel-related structural measures:

EBIT margin before one-time charges for personnel-related structural measures stable at **12.9** %

Free cash flow increased to EUR 589 m:

Cash flow from operations up **17.4** % from prior year

Capital structure further improved:

Net debt reduced by EUR **1.1** bn to EUR **5.7** bn

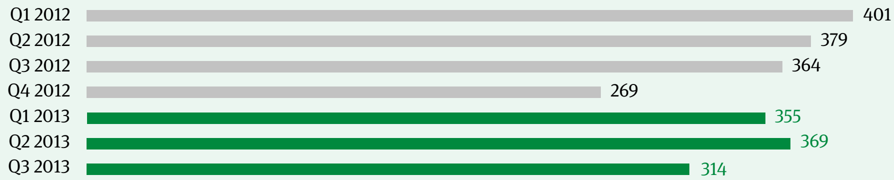
First nine months of 2013 in numbers

Revenue

in € millions

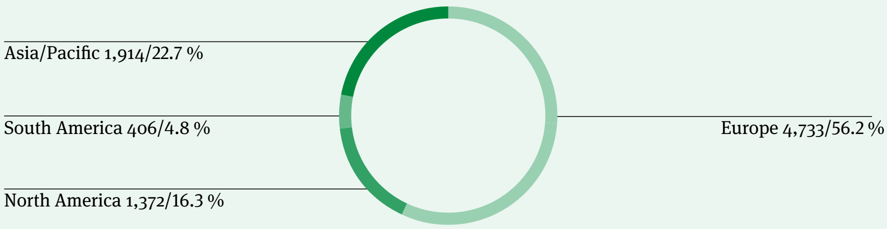
Earnings before financial result, share of net income of equity-accounted investees, and income taxes (EBIT)

in € millions



Revenue first nine 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 September 30, 2013:

ISIN	Currency	Face value in millions	Coupon	Maturity	Issued at (in %)	Price [1] in % 09/30/2013
XS0741938624	EUR	800	7.75 %	02/15/2017	98.981	112.67
US806261AC75	USD	600	7.75 %	02/15/2017	98.981	112.19
XS0801261156	EUR	326	6.75 %	07/01/2017	98.981	107.91
XS0923613060	EUR	600	4.25 %	05/15/2018	100.000	101.18
XS0741939788	EUR	400	8.75 %	02/15/2019	100.000	113.08
US806261AA10	USD	500	8.50 %	02/15/2019	100.000	112.19
US806261AE32	USD	850	4.75 %	05/15/2021	100.000	97.19

[1] Source: Bloomberg.

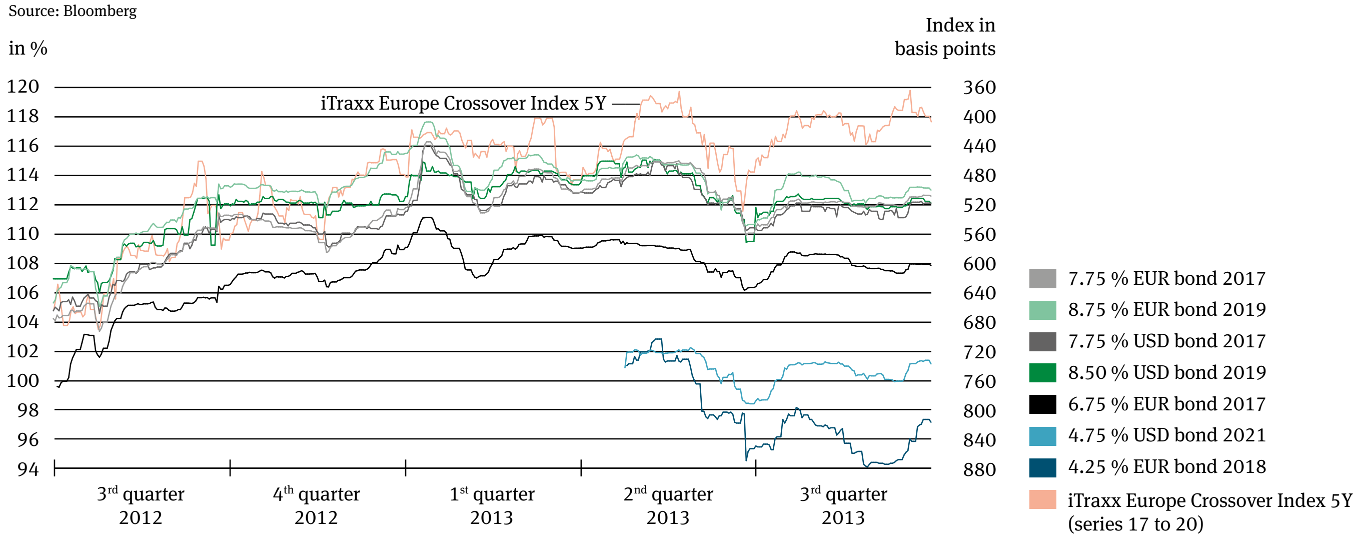
According to the PwC study "Primary market Germany", the total volume of issuances in the German corporate bond market fell by approximately EUR 8 bn to just under EUR 39 bn during the third quarter of 2013, continuing the downward trend for new issues that emerged during the second quarter of 2012. In contrast, a total of EUR 75 bn were issued during the first quarter of this year. Despite this trend, the average interest coupon decreased from 4.14 % during the second quarter to 3.84 %.

High-yield bonds remained attractive during the third quarter. According to investment experts, the segment continues to benefit from solid fundamental data and default rates below the historic average. In addition, primary market demand for new issuances is brisk, as investors are attempting to maximize returns in the current low-interest environment.

The iTraxx Europe Crossover Index which measures credit risk premiums of European corporate bonds below investment grade fell by 52 basis points or 11.3 % from 459 basis points to 407 basis points during the period from July to September 2013. The Schaeffler Group's bonds also did well in this environment. The EUR bond (ISIN: XS0741938624) bearing interest at 7.75 % and maturing in 2017 showed the best performance since its February 2012 issue date. It rose 13.7 percentage points from its issue price of 98.981 % to a price of 112.67 % as at September 30, 2013.

Performance since 3rd quarter 2012

Source: Bloomberg



Schaeffler's ratings

The Schaeffler Group has been rated externally by the two rating agencies Moody's and Standard & Poor's (S&P) since January 2012. Moody's increased its Schaeffler Group rating to "Ba3" with a stable outlook on September 19, 2013. On October 01, 2013, S&P upgraded the Schaeffler Group to a "BB-" rating, also with a stable outlook.

The following summary shows the Schaeffler Group's current ratings:

	Company		Bonds
Rating agency	**Rating**	**Outlook**	**Rating**
Moody's	Ba3	stable	Ba2
Standard & Poor's	BB-	stable	BB-

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 September 30, 2013 do not include all information necessary for a complete set of consolidated financial statements.

Economic environment

Following a somewhat subdued first half of 2013, the global economy developed slightly more momentum over the course of the third quarter of 2013. Particularly the industrialized economies have recently begun emitting positive signals. The Euro region has now left the past two years' recession behind. Public consumption and exports were the key drivers of this development, although private consumption and capital spending on machinery have also improved slightly recently. In light of the stabilizing Euro region economy, the mood in Germany has also brightened somewhat.

In the U.S., the economy has noticeably gathered speed during the course of the year to date. The continued expansive monetary policy of the U.S. Federal Reserve has brought the U.S. Dollar down to its lowest levels in several months. Meanwhile, the economic momentum in the large emerging countries has slowed significantly. The reasons for this development were primarily a declining demand for exports and the discontinuation of extensive economic recovery programs. In addition, the expectation that the U.S. Federal Reserve could gradually tighten its expansive monetary policy led to a flight of capital from the emerging markets during the summer months, which negatively affected these countries' financial markets. While the U.S. Federal Reserve did decide in mid-September to continue its securities buy-back program for the time being, the uncertainty regarding the timing of a departure from its expansive monetary policy continued to weigh heavily on growth expectations for the emerging countries. China currently represents an exception due to tax relief for small and mid-sized entities enacted there in July.

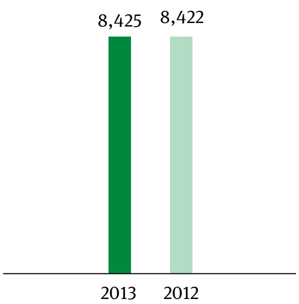
Global automobile production of passenger cars and light commercial vehicles increased 2.1% during the first nine months of 2013 compared to the prior year period, reaching a production volume of 62.3 million (source: IHS Global Insight Automotive, October 2013). In Germany, production declined by 1.3%. In total, production in Western Europe (including Germany) experienced a decrease of 4.0% to 9.5 million vehicles. Production in the North America region (Canada, U.S.A., Mexico) rose 4.7% to 12.2 million passenger cars and light commercial vehicles. A total of 31.7 million vehicles were produced in the Asia/Pacific region, 3.0% more than during the prior year period. Production in China increased by 11.0% to 14.9 million vehicles.

In contrast to the positive trend in global automobile production, momentum in the investment goods sector has continued to slow over the course of the year to date according to market research institute Oxford Economics (Autumn 2013 Forecast). Due to the current low level of demand for industrial goods in most industrial sectors, expenditure on new machinery was limited. In addition, companies only made few replacement investments, leading to very limited growth in the global engineering sector during the year-to-date period.

Earnings

Schaeffler Group earnings

Revenue (Schaeffler Group)
in € millions (01/01-09/30)



The Schaeffler Group generated revenue of EUR 8,425 m (prior year: EUR 8,422 m) during the first nine months of 2013, including Automotive division revenue of EUR 6,129 m (prior year: EUR 5,755 m). New customer projects and product innovations enabled the Automotive division to increase its revenue by 6.5% against the general market trend during the first nine months of 2013 compared to the prior year period. Industrial division revenue, on the other hand, declined by 12.3% to EUR 2,296 m (prior year: EUR 2,617 m) due to market-related uncertainties and the persistently weak investment climate. Foreign currency translation negatively affected revenue. Excluding the impact of foreign currency translation, revenue for the first nine months of 2013 increased by 1.8%. The Schaeffler Group's revenue for the third quarter of 2013 grew 1.5% to EUR 2,811 m (prior year: EUR 2,770 m) from the prior year quarter.

	1st nine months			3rd quarter		
in € millions	**2013**	**2012**	Change in %	**2013**	**2012**	Change in %
Revenue	8,425	8,422	0.0	2,811	2,770	1.5
Cost of sales	-6,048	-5,856	3.3	-2,047	-1,923	6.4
Gross profit	2,377	2,566	-7.4	764	847	-9.8
Functional expenses [1]	-1,359	-1,371	-0.9	-455	-454	0.2
Earnings before financial result, share of net income of equity-accounted investees, and income taxes (EBIT)	1,038	1,144	-9.3	314	364	-13.7
• in % of revenue	12.3	13.6	-	11.2	13.1	-
Financial result [2]	-384	-562	-31.7	-74	-177	-58.2
Share of net income of equity-accounted investees [2]	682	410	66.3	319	124	> 100
Income taxes [2]	-310	-253	22.5	-98	-83	18.1
Net income [2], [3]	1,020	729	39.9	459	225	> 100

[1] Research and development, selling, and administration.
[2] In the interim financial report as at September 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 in Europe declined by 0.8 % due to low order volumes in the Industrial division. In the South America region, foreign currency translation negatively affected revenue. Despite increased sales volumes, total revenue fell by 5.4 % in this region compared to the prior year. North America, on the other hand, continued its growth trend, generating an additional 3.3 % in revenue. Thanks to the growth achieved in the third quarter of 2013, revenue levels in the Asia/Pacific region exceeded those of the first nine months of 2012 by 1.1 %.

Gross profit fell by EUR 189 m to EUR 2,377 m (prior year: EUR 2,566 m) compared to the prior year period. Gross margin for the period from January to September 2013 decreased to 28.2 % (prior year: 30.5 %). This change was primarily due to the decline in revenue in the Industrial division, which tends to generate higher margins, and the resulting residual fixed overheads. In addition, cost of sales for the third quarter of 2013 include EUR 48 m in personnel expenses incurred in connection with personnel-related structural measures at the Schweinfurt and Wuppertal production locations which affected both the Automotive and the Industrial divisions. These efficiency improvement programs are aimed at making capacities more competitive, creating future oriented products, and improving the company’s organizational and cost structures. Excluding these one-time charges, gross margin for the first nine months of 2013 amounted to 28.8 % of revenue.

Functional expenses for research and development, selling, and administration totaled EUR 1,359 m (prior year: EUR 1,371 m) for the first nine months of 2013.

Research and development expenses rose by 1.8 % to EUR 452 m (prior year: EUR 444 m), increasing research and development expenses as a percentage of revenue to 5.4 % (prior year: 5.3 %). Selling expenses fell 1.6 % to EUR 565 m (prior year: EUR 574 m) for the first nine months of 2013. Administrative expenses declined to EUR 342 m (prior year: EUR 353 m).

Earnings before financial result, share of net income of equity-accounted investees, and income taxes (EBIT) fell by EUR 106 m from the prior year period to EUR 1,038 m (prior year: EUR 1,144 m) for the first nine months of 2013. In addition to the negative revenue trend in the Industrial division, expenses incurred in connection with personnel-related structural measures of EUR 48 m were the primary reason for the decrease in the first nine months of 2013. The EBIT margin (EBIT as a percentage of revenue) was 12.3 % (prior year: 13.6 %). Excluding the expenses for personnel-related structural measures of EUR 48 m, EBIT amounted to EUR 1,086 m and the corresponding margin was 12.9 %.

The Schaeffler Group’s financial result improved by EUR 178 m to EUR -384 m (prior year: EUR -562 m) during the first nine months of 2013. Financial result comprises financial income of EUR 84 m (prior year: EUR 29 m) and financial expenses of EUR 468 m (prior year: EUR 591 m).

in € millions	1st nine months 2013 Financial expenses	Financial income	Financial result
Interest expense on financial debt [1]	-359	0	-359
Fair value changes and compensation payments on derivatives	-57	26	-31
Foreign exchange gains and losses	2	44	46
Amortization of cash flow hedge accounting reserve [2]	-1	0	-1
Interest income and expense on pensions and partial retirement obligations	-37	0	-37
Other	-16	14	-2
Total	**-468**	**84**	**-384**

in € millions	1st nine months 2012 Financial expenses	Financial income	Financial result
Interest expense on financial debt [1]	-392	0	-392
Fair value changes and compensation payments on derivatives	-49	22	-27
Foreign exchange gains and losses	-31	0	-31
Amortization of cash flow hedge accounting reserve [2]	-54	0	-54
Interest income and expense on pensions and partial retirement obligations [3]	-44	0	-44
Other	-21	7	-14
Total [3]	**-591**	**29**	**-562**

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 nine months of 2013 of EUR 359 m (prior year: EUR 392 m) includes interest paid and accrued on the Group's external financing arrangements of EUR 304 m (prior year: EUR 339 m) and expenses of EUR 46 m (prior year: EUR 35 m) relating to transaction costs. Interest expense on shareholder loans due to Schaeffler Verwaltungs GmbH is also included here.

Changes in the fair value of and compensation payments on derivatives resulted in net losses of EUR 31 m (prior year: EUR 27 m). The amount consists largely of expenses for compensation payments and changes in the value of interest rate and cross-currency derivatives of EUR 53 m (prior year: EUR 70 m) and gains on changes in the value of embedded derivatives of EUR 22 m (prior year: EUR 43 m). Net foreign exchange gains on financial assets and liabilities amounted to EUR 46 m (prior year: losses of EUR 31 m) and resulted primarily from exchange rate fluctuations of the U.S. Dollar against the Euro.

Additional expenses of EUR 1 m (prior year: EUR 54 m) arose from the 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 37 m (prior year: EUR 44 m). Other items generated net expenses of EUR 2 m (prior year: EUR 14 m).

Schaeffler's share of net income of equity-accounted investees for the first nine months of 2013 of EUR 682 m (prior year: EUR 410 m) relates almost entirely to the interest in Continental AG held via Schaeffler Beteiligungs GmbH & Co. KG and includes the EUR 187 m gain on the disposal of a 1.95 % interest in Continental AG held by the Schaeffler Group during the third quarter of 2013.

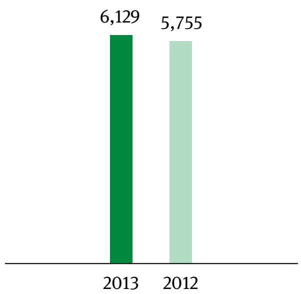
Income taxes for the first nine months of 2013 amounted to EUR 310 m (prior year: EUR 253 m), consisting of current tax expense of EUR 258 m (prior year: EUR 278 m) and deferred tax expense of EUR 52 m (prior year: deferred tax benefit of EUR 25 m). Current tax expense of EUR 247 m relates to the current year and EUR 11 m to prior years. Interest expense of EUR 150 m (prior year: EUR 164 m) was not tax deductible in 2013 because of the interest deduction cap.

Net income after non-controlling interests increased by EUR 291 m to EUR 1,020 m (prior year: EUR 729 m) during the first nine months of 2013.

Automotive division

Automotive division revenue increased by 6.5 % from the prior year period to EUR 6,129 m (prior year: EUR 5,755 m) during the first nine months of 2013. During the third quarter of 2013, revenue grew by 7.0 % to EUR 2,053 m (prior year: EUR 1,918 m) from the prior year quarter.

Revenue (Automotive)
in € millions (01/01-09/30)



The increase is primarily due to new customer projects and related production start-ups. The key growth drivers enabling the Automotive division to grow faster than the market included product innovations which help optimize drive trains based on combustion engines, in turn reducing CO_2-emissions. These were partially offset by the impact of minor unfavorable foreign currency translation effects.

During the course of 2013 to date, revenue growth was again driven primarily by the regions Asia/Pacific (+13.2 %) and North America (+8.8 %). Europe (+4.2 %) also reported a positive revenue trend. Revenue in South America (-0.7 %) declined slightly compared to the prior year due to significant negative foreign currency translation effects. Compared to the development of production volumes for passenger vehicles of up to 6 tons (Source: IHS Global Insight), revenue in the Asia/Pacific, North America, and Europe regions fared much better than market. Solely South America came in slightly below market despite its very strong operating performance.

	1st nine months			3rd quarter		
in € millions	**2013**	**2012**	Change in %	**2013**	**2012**	Change in %
Revenue	6,129	5,755	6.5	2,053	1,918	7.0
Cost of sales	-4,469	-4,152	7.6	-1,506	-1,371	9.8
Gross profit	1,660	1,603	3.6	547	547	0.0
EBIT	851	763	11.5	272	260	4.6
• in % of revenue	13.9	13.3	-	13.2	13.6	-

Prior year information presented based on 2013 segment structure.

The engine systems, transmission systems, and chassis systems sectors and the Automotive Aftermarket business all generated revenue growth during the first nine months of 2013. The considerable growth in revenue in the engine systems sector 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 sector increased significantly, primarily as a result of the very robust growth generated by dry double clutches and continuously variable transmission systems (CVT). In addition, the top-selling product groups tapered roller bearings and clutch components also experienced a significant increase in revenue.

Revenue growth in the chassis systems sector was again driven by the solid performance of ball screw drives used for instance in electromechanical parking brakes and steering systems.

The third quarter of 2013 confirmed the strong trend in the Automotive Aftermarket business compared to the prior year period. The reasons for the considerable increase in revenue include strong sales of service kits for dual-mass flywheels, clutches, belt tensioners and wheel bearings.

Higher production volumes related to revenue growth generally had a favorable effect on gross profit. The cost of raw materials for the first nine months of 2013 was slightly below the prior year comparison period.

Cost of sales for the first nine months of 2013 saw a growth-related increase of 7.6 % to EUR 4,469 m (prior year: EUR 4,152 m). Gross profit for the third quarter of 2013 was negatively affected by EUR 14.7 m in expenses for measures to improve efficiency at the production facility in Schweinfurt relating to the plan to relocate volume production of wheel bearings to Kysuce (Slovakia) and volume production of release bearings to Skalica (Slovakia). As a result, gross margin of 27.1 % (prior year: 27.9 %) for the year 2013 to date fell slightly behind the prior year period. Excluding expenses for personnel-related structural measures incurred in connection with wheel and release bearings, gross margin was 27.3 %.

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 nine months of 2013 by 4.4 % to EUR 335 m (prior year: EUR 321 m). The increase was driven primarily by higher personnel expenses as well as development of additional products in the field of electric mobility and hybridization of vehicles, such as those demonstrated in the tradeshow exhibit “System 48 Volts” shown at the Frankfurt Motor Show IAA.

Based on these developments, Automotive division EBIT rose by EUR 88 m to EUR 851 m (prior year: EUR 763 m) during the first nine months of 2013 compared to the prior year period. The EBIT margin increased by 0.6 percentage points to 13.9 % (prior year: 13.3 %) for the year 2013 to date. Excluding expenses for personnel-related structural measures incurred in connection with wheel and release bearings, the EBIT margin was 14.1 %.

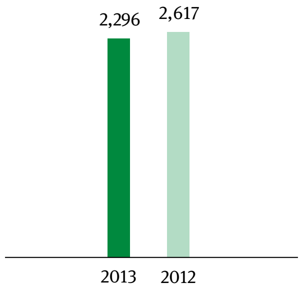
Industrial division

Industrial division revenue for the first nine months of 2013 declined 12.3 % to EUR 2,296 m (prior year: EUR 2,617 m) compared to the prior year period. During the third quarter of 2013, revenue fell by 9.7 % to EUR 758 m (prior year: EUR 839 m) from the prior year quarter.

The situation in the market for investment goods has not turned around so far this year. Economic and political uncertainty in many countries persisted and affected Industrial division revenue. Foreign currency translation also had a slight negative effect on revenue. Although order intake for the period was slightly higher than revenue levels, a strong increase during the first quarter of 2013 was followed by a slight downward trend during the remainder of the year.

With its decrease in revenue of 8.5 %, North America reported the smallest decrease during the period on a regional basis. Revenue in Europe (-9.5 %), Asia/Pacific (-19.0 %) and South America (-19.3 %) declined more heavily. Particularly the business in Asia/Pacific fell considerably short of expectations.

Revenue (Industrial)
in € millions (01/01-09/30)



	1st nine months			3rd quarter		
in € millions	**2013**	**2012**	Change in %	**2013**	**2012**	Change in %
Revenue	2,296	2,617	-12.3	758	839	-9.7
Cost of sales	-1,579	-1,654	-4.5	-541	-539	0.4
Gross profit	717	963	-25.5	217	300	-27.7
EBIT	187	381	-50.9	42	104	-59.6
• in % of revenue	8.1	14.6	-	5.5	12.4	-

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. Except for the aerospace sector, revenue in the six key sectors fell clearly short of prior year levels.

- In the production machinery sector, revenue for all subsectors such as machine tools and woodworking, food processing, printing, and textile machinery continued to fall well behind prior year levels. The machine tool sector reported high revenue in the market sector equipment for the automotive sector, while other market sectors experienced lower levels of revenue resulting from the continuing capital expenditure back-log in the machinery manufacturing sector following the record years 2011 and 2012.

- Although the power transmission sector has stabilized its revenue over the first nine months of 2013, revenue continued to remain well below that for the prior year period, particularly in the key regions Europe and Asia/Pacific. Customers' high inventory levels and economic uncertainty in both regions kept revenue levels from recovering.

- Renewable energy sector revenue for the period fell only slightly short of the prior year level. This sector suffered from excess capacity, price competition, the uncertain political environment and restrictive financing conditions for new projects. However, an increase in order intake indicates a positive trend in revenue in subsequent quarters.

- Revenue in the aerospace sector rose primarily for jet engine components for commercial passenger aircraft. Stricter environmental requirements and increasing fuel prices have resulted in increased capital expenditures on new aircraft with fuel-efficient and quieter jet engines. The regions Europe and Asia/Pacific reported considerable revenue growth for the period; 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 first nine months of 2013. The construction machinery market, in particular, reported significant declines in revenue. Revenue for the agricultural machinery sector for the second and third quarters of 2013 combined was slightly higher than for the prior year quarters. In Asia/Pacific, distributors' high inventory levels held back the recovery of revenue in both of these key subsectors.

- Following increases in 2012, revenue in the heavy industries sector, which is typically project-based and slow to respond to cyclical changes, has been decreasing considerably since the end of the first quarter of 2013. While revenue for the metal production and processing subsector was still above prior year levels during the period, the mining machinery, mining and processing, and drilling equipment and conveyor systems sectors reported significant declines in revenue.

Revenue in the Industrial Aftermarket business fell significantly short of the prior year level. Uncertainty about future economic trends made dealers across all regions extremely cautious in placing orders. The ongoing reduction in inventory levels along the entire distribution chain held back revenue in the Aftermarket business, particularly in the Asia/Pacific region.

Cost of sales for the first nine months of 2013 declined by 4.5% to EUR 1,579 m (prior year: EUR 1,654 m). The cost of underutilized production capacity at some of the plants has not yet been brought fully in line with the lower revenue levels. The cost of raw materials for the first nine months of 2013 was slightly below the prior year comparison period. In addition, provisions of EUR 33.5 m were recognized for personnel-related structural measures in connection with measures aimed at increasing efficiency at the Wuppertal production location. Since cost of sales fell less than revenue, gross margin declined by 5.6 percentage points to 31.2% (prior year: 36.8%). Excluding expenses for personnel-related structural measures at the company's Wuppertal plant, gross margin was 32.7%.

In the first nine months of 2013, research and development expenses declined by 4.9% from EUR 123 m to EUR 117 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.

Based on these developments, Industrial division EBIT fell by EUR 194 m to EUR 187 m in the first nine months of 2013 compared to the prior year period (prior year: EUR 381 m). The EBIT margin declined by 6.5 percentage points to 8.1% for the year 2013 to date (prior year: 14.6%). Excluding expenses for personnel-related structural measures at the company's Wuppertal plant, the EBIT margin was 9.6%.

Financial position and assets

Cash flow

The Schaeffler Group considerably increased its cash flows from operating activities for the first nine months of 2013 by 17.4 % and generated positive free cash flow of EUR 589 m (prior year: EUR 122 m).

	1st nine months			3rd quarter		
in € millions	**2013**	**2012**	Change in %	**2013**	**2012**	Change in %
Cash flows from operating activities	919	783	17.4	313	288	8.7
Cash used in investing activities	-330	-661	-50.1	-110	-196	-43.9
Free cash flow	**589**	**122**	**> 100**	**203**	**92**	**> 100**
Cash used in financing activities	-646	-224	> 100	-398	-112	> 100
Financial debt	6,089	7,238	-15.9	6,089	7,238	-15.9
Cash and cash equivalents	360	298	20.8	360	298	20.8
Net financial debt	**5,729**	**6,940**	**-17.4**	**5,729**	**6,940**	**-17.4**
Net financial debt excluding shareholder loans	**5,445**	**6,698**	**-18.7**	**5,445**	**6,698**	**-18.7**

Cash flows from operating activities for the first nine months of 2013 rose by EUR 136 m from the prior year period to EUR 919 m (prior year: EUR 783 m). Both the EUR 162 m dividend (prior year: EUR 80 m) paid by Continental AG to Schaeffler AG via Schaeffler Beteiligungsholding GmbH & Co. KG and the slight decrease in interest paid compared to the prior year had a favorable effect on cash flows from operating activities. This favorable impact was partially offset by the EUR 106 m decrease in EBIT to EUR 1,038 m (prior year: EUR 1,144 m).

Cash totaling EUR 330 m (prior year: EUR 661 m) was used in investing activities during the first nine months of 2013. Capital expenditures on intangible assets and property, plant and equipment amounted to EUR 343 m, falling significantly short of the prior year level of EUR 672 m. The decline from prior year was the result of Schaeffler selectively aligning its investing activities with current market conditions.

As a result of these trends, free cash flow for the first nine months of 2013 amounted to EUR 589 m, improving by EUR 467 m from the prior year amount of EUR 122 m. Capital expenditures on intangible assets and property, plant and equipment were financed entirely out of cash flows from operating activities.

Cash of EUR 646 m (prior year: EUR 224 m) was used in financing activities, primarily to prepay loans. The most significant cash outflows were prepayments of EUR 412 m made by INA Beteiligungsgesellschaft mbH from unrestricted funds. The disposal of a 1.95 % interest in Continental AG in September 2013 and the prepayment of loans financed using the proceeds of that transaction were carried out via Schaeffler Beteiligungsholding GmbH & Co. KG which is accounted for as an associated company. 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 – such as placing bonds with institutional investors and 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 September 30, 2013 decreased by EUR 1,211 m to EUR 5,729 m (prior year: EUR 6,940 m) compared to the end of the prior year quarter. The total reduction of EUR 1,211 m was primarily due to the prepayment of bank debt using the dividend received from Continental AG of EUR 163 m, prepayments from unrestricted funds of EUR 412 m, as well as the prepayment of EUR 476 m due to the sale of a 1.95 % interest in Continental AG.

Capital structure

The Schaeffler Group's shareholders' equity (including non-controlling interests in consolidated subsidiaries) rose by EUR 598 m to EUR 2,706 m during the first nine months of 2013 (December 31, 2012: EUR 2,108 m). The equity ratio was 19.8 % at September 30, 2013 (December 31, 2012: 15.6 %).

in € millions	09/30/2013	12/31/2012	Change in %
Shareholders' equity	**2,706**	**2,108**	**28.4**
Provisions for pensions and similar obligations	1,528	1,553	-1.6
Provisions	84	75	12.0
Financial debt	5,829	7,140	-18.4
Income tax payables	340	267	27.3
Other liabilities	129	240	-46.3
Deferred tax liabilities	203	119	70.6
Total non-current liabilities	**8,113**	**9,394**	**-13.6**
Provisions	268	223	20.2
Financial debt	260	121	> 100
Trade payables	891	794	12.2
Income tax payables	169	232	-27.2
Other liabilities	1,254	674	86.1
Total current liabilities	**2,842**	**2,044**	**39.0**
Total shareholders' equity and liabilities	**13,661**	**13,546**	**0.8**

The increase in shareholders' equity is primarily due to net income of EUR 1,026 m in which considerably more than offset other comprehensive loss of EUR 178 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 178 m resulted mainly from the translation of net assets of foreign group companies (EUR -210 m) and an unfavorable change in the value of hedging instruments (EUR -14 m), partially offset by other comprehensive income resulting from a change in the discount rate for pensions and similar obligations (EUR 59 m).

Total non-current liabilities decreased by EUR 1,281 m to EUR 8,113 m as at September 30, 2013 (December 31, 2012: EUR 9,394 m). This reduction was primarily driven by prepayments of non-current financial debt made using EUR 163 m in dividends received from Continental AG and the proceeds on the disposal of the interest in Continental AG totaling EUR 476 m, as well as EUR 412 m in prepayments made from unrestricted funds (see "Financing transactions").

Non-current financial debt due to the shareholder, Schaeffler Verwaltungs GmbH, declined by EUR 217 m.
The increase in provisions by EUR 9 m to EUR 84 m (prior year: EUR 75 m) was primarily a reflection of personnel-related structural measures at the company's Schweinfurt and Wuppertal locations totaling EUR 30 m (see "Earnings"). The change in partial retirement obligations of EUR 20 m had an offsetting impact.
The change in other liabilities relates mainly to the reclassification of EUR 90 m in interest rate derivatives due June 30, 2014 to current liabilities in 2013. In contrast, income tax payables increased by EUR 73 m to EUR 340 m (prior year: EUR 267 m) and deferred tax liabilities rose by EUR 84 m to EUR 203 m (prior year: EUR 119 m).

Current liabilities rose by EUR 798 m to EUR 2,842 m (December 31, 2012: EUR 2,044 m). This increase was primarily due to other liabilities related to the EUR 250 m dividend due in 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 90 m in interest rate derivatives due June 30, 2014 as discussed above. The increase in current financial debt by EUR 139 m to EUR 260 m (December 31, 2012: EUR 121 m) reflects the reclassification of financial liabilities due to Schaeffler Verwaltungs GmbH, the company's shareholder, previously classified as non-current liabilities.
Provisions include the current portion of the personnel-related structural measures discussed above of EUR 18 m.

Asset structure

The company’s financial position as at September 30, 2013 is marked by an increase in total assets of EUR 115 m or 0.8 % to EUR 13,661 m (December 31, 2012: EUR 13,546 m).

in € millions	09/30/2013	12/31/2012	Change in %
Intangible assets	540	554	-2.5
Property, plant and equipment	3,310	3,515	-5.8
Investments in equity-accounted investees	5,160	5,040	2.4
Other investments	16	14	14.3
Other assets	186	150	24.0
Income tax receivables	14	17	-17.6
Deferred tax assets	371	364	1.9
Total non-current assets	**9,597**	**9,654**	**-0.6**
Inventories	1,558	1,495	4.2
Trade receivables	1,846	1,626	13.5
Other assets	241	231	4.3
Income tax receivables	59	107	-44.9
Cash and cash equivalents	360	433	-16.9
Total current assets	**4,064**	**3,892**	**4.4**
Total assets	**13,661**	**13,546**	**0.8**

Among non-current assets, property, plant and equipment decreased by EUR 205 m to EUR 3,310 m (December 31, 2012: EUR 3,515 m) due to lower capital spending in 2013.

Investments in equity-accounted investees increased by EUR 120 m to EUR 5,160 m (December 31, 2012: EUR 5,040 m). The change is the net result of the impact of measuring the investment in Continental AG held via Schaeffler Beteiligungsholding GmbH & Co. KG, Herzogenaurach, at equity, which increased the carrying amount by EUR 414 m, and the placement of a 1.95 % interest in Continental AG (3.9 million shares) completed on September 19, 2013, which in turn reduced the carrying amount by EUR 294 m.
Following this disposal, Schaeffler Beteiligungsholding holds a 34.19 % (December 31, 2012: 36.14 %) interest in Continental AG, Hanover, as at September 30, 2013. 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 for the increase in this balance by EUR 36 m to EUR 186 m (December 31, 2012: EUR 150 m).

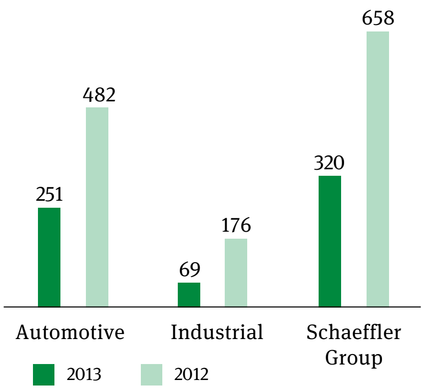
The increase in current assets resulted primarily from inventories growing EUR 63 m to EUR 1,558 m (December 31, 2012: EUR 1,495 m) and trade receivables increasing by EUR 220 m to EUR 1,846 m (December 31, 2012: EUR 1,626 m), both due to higher revenue and production volumes in the third quarter of 2013 compared to the fourth quarter of 2012.

Cash and cash equivalents decreased to EUR 360 m (December 31, 2012: EUR 433 m). The decrease includes additional prepayments from unrestricted funds totaling EUR 412 m consist of EUR 87 m paid in the second quarter and EUR 325 m paid in the third quarter of 2013. Positive cash flows from operating activities of EUR 919 m was more than offset by cash used in investing activities (EUR 330 m) and financing activities (EUR 646 m).

Additions to intangible assets and property, plant and equipment

Additions to intangible assets and property, plant and equipment for the first nine months of 2013 amounted to EUR 320 m (prior year: EUR 658 m). At 3.8 %, additions to intangible assets and property, plant and equipment as a percentage of consolidated revenue again fell considerably short of the prior year level (prior year: 7.8 %). This decrease was due to selective capacity adjustments.

Additions [1]
in € millions



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

The Automotive division spent EUR 251 m (prior year: EUR 482 m) and Industrial made additions to intangible assets and property, plant and equipment of EUR 69 m (prior year: EUR 176 m).

During the first nine months of 2013, the focus of Schaeffler's investing activities remained on increasing the proportion of value added locally by the production facilities, particularly in the Asia/Pacific region. The Schaeffler Group's capital expenditure strategy remained "In the region – for the region".

Financing transactions

The steps taken by Schaeffler AG in 2012 to refinance its financial liabilities were supplemented by further refinancing measures in the first nine months 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 has 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.

Group interim management report
Consolidated interim financial statements
Additional information

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 Euro 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.

Third quarter 2013

In simultaneous transactions, the IHO companies (Schaeffler Verwaltungs GmbH) and the Schaeffler Group successfully disposed of interests in Continental AG, Hanover, totaling 3.9 % on September 19, 2013. Included in this transaction were 1.95 % or 3.9 million shares held by the Schaeffler Group which were sold at a price of EUR 122.50 per share. Proceeds on the sale were EUR 476 m. Combined with a prepayment of EUR 325 m from unrestricted funds, the Schaeffler Group thus prepaid loan tranches of EUR 801 m. The Schaeffler Group was able to reduce its non-current financial debt from a total of EUR 6.7 bn in mid-2013 to EUR 5.8 bn as at September 30, 2013, primarily by making the prepayments discussed above. The Schaeffler Group's interest in Continental AG, Hanover, amounts to 34.19 % of the outstanding shares as at September 30, 2013.

Following this transaction, the two rating agencies Moody's and Standard & Poor's raised the Schaeffler Group's credit ratings. Moody's has been rating the Schaeffler Group as "Ba3" since September 19, 2013 with a stable outlook (previously "B1" and "positive"). The bonds issued by Schaeffler Finance B.V., were also upgraded and are now rated "Ba2" (previously "Ba3"). Standard & Poor's raised its Schaeffler Group rating from "B+" to "BB-" on October 01, 2013. The outlook remains stable. The rating for the bonds issued by Schaeffler Finance B.V. was also increased and is now at "BB-" (previously "B+").

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

Tranche		09/30/2013	12/31/2012	09/30/2013	09/30/2013	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	299	525	292	Euribor + 3.75 % [2]	Euribor + 5.00 %	01/27/2017
Senior Term Loan C [3]	USD	1,699	1,500	1,237	Libor + 3.25 % [4]	Libor + 4.75 %	01/27/2017
Senior Term Loan D [5]	EUR	730	2,446	712	Euribor + 3.1875 % [6]	Euribor + 4.00 %	06/30/2016
Revolving Credit Facility [7]	EUR	1,000	1,000	-10	Euribor + 3.1875 % [6]	Euribor + 4.00 %	06/30/2016

[1] Since March 18, 2013, previously Senior Term Loan B2 EUR.
[2] Euribor floor of 1.00 % (December 31, 2012: 1.50 %).
[3] Since March 18, 2013, previously Senior Term Loan B2 USD.
[4] Libor floor of 1.00 % (December 31, 2012: 1.25 %).
[5] Starting April 22, 2013, previously Senior Term Loan A.
[6] Since September 26, 2013 (December 31, 2012: 4.00 %)
[7] EUR 43 m were drawn down as at September 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 September 30, 2013:

			09/30/2013	12/31/2012		
ISIN	Currency	Face value in millions	Carrying amount in € millions	Carrying amount in € millions	Coupon	Maturity
XS0741938624	EUR	800	787	785	7.75 %	02/15/2017
US806261AC75	USD	600	437	446	7.75 %	02/15/2017
XS0801261156	EUR	326	323	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	369	378	8.50 %	02/15/2019
US806261AE32	USD	850	625	-	4.75 %	05/15/2021

Schaeffler Group liquidity

At September 30, 2013, cash and cash equivalents amounted to EUR 360 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 1.0 bn, of which EUR 43 m were utilized at September 30, 2013, primarily in the form of letters of credit.

Research and development

Research and development expenses grew by 1.8 % to EUR 452 m (prior year: EUR 444 m) or 5.4 % of revenue (prior year: 5.3 %) in the first nine months of 2013 compared to prior year. EUR 335 m (prior year: EUR 321 m) of this amount or 5.5 % of revenue (prior year: 5.6 %) was directly attributable to the Automotive division and EUR 117 m (prior year: EUR 123 m) or 5.1 % of revenue (prior year: 4.7 %) to the Industrial division.

The International Motor Show IAA was held in Frankfurt am Main from September 12 to 22, 2013. Every two years, the automotive industry presents the latest technological developments and provides insights into the automotive future. Schaeffler presented its product portfolio ranging from products for optimizing drive trains based on internal combustion engines through to electric mobility under the title “Efficient Future Mobility”. Schaeffler offers various solutions for comfortable high-performance engine start-stop functions, hybrid clutches and hybrid modules through to drive solutions for hybrid vehicles. The focus was on the “System 48 Volt” exhibit which combines many of Schaeffler’s ideas for hybrid vehicles with a high-performance low-voltage electric system. The key element is a 48-volt drive module which has an output of up to 12 kilowatts and can reduce CO_2-emissions by up to 15 %. The 48-volt electric system also allows for the integration of additional high-performance innovations such as rapid-reaction actuators facilitating regulation of roll stiffness and ground clearance which in turn has a positive effect on the vehicle’s aerodynamics and thus on fuel consumption.

System solutions for feed spindles, main spindles, rotary and linear axes as well as condition monitoring were at the center of Schaeffler’s presentation at the EMO 2013 in Hanover, which opened its doors from September 16 to 21, 2013. With the “Transparent Machine Tool” exhibit, Schaeffler highlighted its strategy of using its comprehensive systems expertise to develop products and solutions that are ideally suited to customer demands both from a technological and a business perspective. The presentation included an inductive angular measuring system that is integrated in the bearing and matched to the requirements of directly driven, highly-dynamic and precision rotary axes in machine tools. This measuring system combines high measuring speeds and precision with a reduction of required installation space and robustness.

Procurement and production

Procurement

Requirements increased further during the first nine months of 2013 compared to the prior year period. Although the supply situation for key products can still be considered comfortable, Schaeffler experienced some delays in the supply of several cold rolled strip products due to the high level of utilization of existing manufacturing capacities. Overall, supply to the plants was secure at all times.

The still sluggish economy in combination with nearly unchanged prices for ore and coal and a significant reduction in the price of scrap metal contributed to a continued moderate decline in the price of steel.

Production

Similar to the trend during the first six months of 2013, production volumes for the first nine months of 2013 were above those for the comparable prior year period. Due to the difference in trends in the Automotive and Industrial division, utilization of the plants varied.

During the third quarter of 2013, Schaeffler decided to take certain personnel-related structural measures at the production locations in Wuppertal and Schweinfurt aimed at making capacities more competitive and improving its organizational and cost structures. Excess capacity will be eliminated by means of socially responsible measures wherever possible in order to safeguard these locations.

Schaeffler continued to press ahead with the expansion of its global standardized reference organization for all production plants during the third quarter of 2013 in order to focus all plants even more on compliance with the Schaeffler Group's high quality and performance standards.

Consistently pursuing activities under its efficiency program MOVE allowed Schaeffler to continue to keep production inventory levels low during the third quarter of 2013.

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

Employees

The number of employees as at September 30, 2013 rose by 1,751 (2.3 %) compared to December 31, 2012 and by 1,194 (1.6 %) compared to the prior year quarter end. Schaeffler recruited new personnel compared to December 31, 2012 primarily in production and production-related areas – mainly in the Asia/Pacific, Eastern Europe, and North America regions.

Number of employees [1]	09/30/2013	12/31/2012	09/30/2012	Change in % [2]
Europe	52,327	51,847	52,403	0.9
Asia/Pacific	13,455	12,664	12,620	6.2
North America	7,757	7,246	7,168	7.1
South America	4,311	4,342	4,465	-0.7
Schaeffler Group	**77,850**	**76,099**	**76,656**	**2.3**

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

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

Following a somewhat subdued first half of 2013, the global economy developed slightly more momentum over the course of the third quarter. Particularly the industrialized economies have recently begun emitting positive signals. The Euro region has now left the past two years' recession behind. In the U.S., as well, the economy has noticeably gathered speed during the course of the year to date. Meanwhile, the economic momentum in the large emerging countries has slowed significantly. The reasons for this development were primarily a declining demand for exports and the discontinuation of extensive economic recovery programs.

Global automobile production (passenger cars and light commercial vehicles) increased by 2.1 % during the first nine months of 2013 compared to the prior year period. Production in Western Europe (including Germany) declined. In the North America (Canada, U.S.A., Mexico) and Asia/Pacific regions, more vehicles were produced during the first nine months. In contrast, 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 generated revenue of EUR 8,425 m (prior year: EUR 8,422 m) during the first nine months of 2013, including Automotive division revenue of EUR 6,129 m. New customer projects and product innovations enabled the Automotive division to achieve significantly higher revenue growth (6.5 %) than the global markets during the first nine months of 2013 compared to the prior year period. Industrial division revenue, on the other hand, declined by EUR 321 m or 12.3 % to EUR 2,296 m due to market-related uncertainties and the persistently weak investment climate.

The decrease in gross profit by EUR 189 m to EUR 2,377 m (prior year: EUR 2,566 m) and the change in gross margin from 30.5 % to 28.2 % are primarily due to the decline in revenue and the resulting residual overheads as well as the change in revenue mix away from the Industrial business toward the Automotive business. At EUR 6,048 m (prior year: EUR 5,856 m), cost of sales were nearly flat with the prior year period. Cost of sales for the third quarter of 2013 include EUR 48 m in personnel expenses incurred in connection with personnel-related structural measures at the Schweinfurt and Wuppertal production locations which affected both the Automotive and the Industrial divisions. Excluding the one-time charges for these efficiency improvement programs, gross margin for the first nine months of 2013 amounted to 28.8 % of revenue.

Other functional expenses were about the same as in the prior year. Research and development expenses increased slightly to EUR 452 m (prior year: EUR 444 m) or 5.4 % of revenue (prior year: 5.3 %).

Earnings before financial result, share of net income of equity-accounted investees, and income taxes (EBIT) amounted to EUR 1,038 m (prior year: EUR 1,144 m). At 12.3 % (prior year: 13.6 %), Schaeffler's EBIT margin remained at a high level. Excluding the EUR 48 m in expenses for personnel-related structural measures at the company's production locations in Schweinfurt and Wuppertal, EBIT was EUR 1,086 m and the corresponding margin was 12.9 %.

The Schaeffler Group's financial result improved by EUR 178 m to EUR -384 m (prior year: EUR -562 m) during the first nine months of 2013 due to lower interest expense on financial debt, the impact of amortizing the cash flow hedge accounting reserve related to interest rate hedging instruments, as well as foreign currency translation.

Net income after non-controlling interests for the first nine months of 2013 amounted to EUR 1,020 m (prior year: EUR 729 m).

Free cash flow improved to EUR 589 m (prior year: EUR 122 m) in the first nine months of 2013. Both the increase in operating cash flow by EUR 136 m and the decrease in capital expenditures on intangible assets and property, plant and equipment to EUR 343 m (prior year: EUR 672 m) contributed to this change.

The Schaeffler Group successfully placed 1.95 % of the shares in Continental AG on September 19, 2013 in return for proceeds of EUR 476 m which were used to prepay debt. This prepayment and a prepayment of EUR 325 m from unrestricted funds reduced the company's debt by a total of EUR 801 m. Following these transactions, Schaeffler holds a total interest of 46.0 % in Continental AG, with Schaeffler AG holding 34.19 % and Schaeffler Verwaltungs GmbH 11.81 % of the outstanding shares.

Report on subsequent events

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

Report on opportunities and risks

Please see pages 88 and 89 et seq. of the Schaeffler annual report 2012 for a discussion of Schaeffler'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 continues to expect global economic growth of approximately 3 % this year.

However, the risk of set-backs remains high. The instable overall situation in the Middle East could pose a significant threat to the impending recovery of the global economy. In addition, there is still a possibility that the U.S. Federal Reserve might tighten up its easy money policy during the remainder of the year, which could significantly affect the financial markets. The crisis in the Euro region, as well, can by no means be considered resolved, despite a recent lack of negative messages from the Southern European countries. Renewed irritations could lead to economic set-backs, as has been the case in recent history.

The Schaeffler Group anticipates an increase of approximately 2 % in 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. Despite recent initial indications of a slight recovery, the company is forecasting a decline in automobile production for this region of approximately 4 % to 5 % compared to the prior year. The Schaeffler Group anticipates production of passenger cars and light commercial vehicles in the entire region Asia/Pacific to grow by a total of around 3 %. In North America, Schaeffler is expecting automobile production to increase by approximately 3 % to 4 %. The Group expects growth in South America to be around 6 %.

Due to governments' and companies' persisting low propensity to invest, the Schaeffler Group continues to believe that the global engineering industry will only generate very moderate growth in 2013.

Schaeffler Group outlook

The Schaeffler Group continues to expect the Automotive division's revenue to grow significantly above the level of the market. As a result, the company anticipates revenue growth of the Automotive division for 2013 as a whole to remain at the high level seen during the first nine months. In contrast, the industrial goods market did not recover as had been anticipated up until the mid-year point. Recovery of demand in the industrial sectors is not expected over the fourth quarter of 2013, particularly not in Europe and the Asia/Pacific region. As a result, the Industrial division is forecasting a significant market-related decline in revenue compared to the prior year. However, the company estimates that revenue levels in the Industrial division will continue to stabilize towards the end of the year. Against this backdrop, the Schaeffler Group expects operational revenue to grow by approximately 1 % to 2 % in 2013 compared to the prior year. When accounting for the impact of foreign exchange rates, the company is forecasting revenue at the same level as the prior year.

The company will maintain its expenditures on research and development unchanged 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.

Based on the stable earnings of the Automotive division and despite the persistent weakness of the market for industrial goods, the company is still expecting an EBIT margin, excluding the one-time cost of the personnel-related structural measures, of around 13 % for 2013, thus meeting the target for this year.

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. Since the Schaeffler Group anticipates increased investing activities in the fourth quarter, it continues to expect investments in intangible assets and property, plant and equipment to be approximately 5 % of revenue for 2013 as a whole.

Based on the positive trend in free cash flow in the second and third quarter, the Schaeffler Group expects to generate positive free cash flow in the mid-three-digit million range for 2013 as a whole.

Herzogenaurach, November 08, 2013

The Executive Board

Consolidated interim financial statements

Consolidated income statement

in € millions	1st nine months 2013	1st nine months 2012	Change in %	3rd quarter 2013	3rd quarter 2012	Change in %
Revenue	8,425	8,422	0.0	2,811	2,770	1.5
Cost of sales	-6,048	-5,856	3.3	-2,047	-1,923	6.4
Gross profit	**2,377**	**2,566**	**-7.4**	**764**	**847**	**-9.8**
Research and development expenses	-452	-444	1.8	-152	-150	1.3
Selling expenses	-565	-574	-1.6	-187	-192	-2.6
Administrative expenses	-342	-353	-3.1	-116	-112	3.6
Other income	43	22	95.5	8	5	60.0
Other expenses	-23	-73	-68.5	-3	-34	-91.2
Earnings before financial result, share of net income of equity-accounted investees, and income taxes (EBIT)	**1,038**	**1,144**	**-9.3**	**314**	**364**	**-13.7**
Financial income [1)]	84	29	> 100	61	10	> 100
Financial expense [1)]	-468	-591	-20.8	-135	-187	-27.8
Financial result [1)]	**-384**	**-562**	**-31.7**	**-74**	**-177**	**-58.2**
Share of net income of equity-accounted investees	**682**	**410**	**66.3**	**319**	**124**	**> 100**
Earnings before income taxes [1)]	**1,336**	**992**	**34.7**	**559**	**311**	**79.7**
Income taxes [1)]	-310	-253	22.5	-98	-83	18.1
Net income [1)]	**1,026**	**739**	**38.8**	**461**	**228**	**> 100**
Attributable to shareholders of the parent company [1)]	1,020	729	39.9	459	225	> 100
Attributable to non-controlling interests	6	10	-40.0	2	3	-33.3

[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

in Mio. EUR	1st nine months 2013 before taxes	taxes	after taxes	1st nine months 2012 before taxes	taxes	after taxes	3rd quarter 2013 before taxes	taxes	after taxes	3rd quarter 2012 before taxes	taxes	after taxes
Net income [1)]	**1,336**	**-310**	**1,026**	**992**	**-253**	**739**	**559**	**-98**	**461**	**312**	**-84**	**228**
Foreign currency translation differences for foreign operations	-127	0	-127	4	0	4	-52	0	-52	-25	0	-25
Net gain (loss) on hedge of net investment in foreign operations	21	0	21	0	0	0	23	0	23	0	0	0
Effective portion of changes in fair value of cash flow hedges	-6	-9	-15	109	-31	78	17	-16	1	94	-25	69
Net change in fair value of available-for-sale financial assets	-1	0	-1	1	0	1	-1	0	-1	0	0	0
Share of other comprehensive income (loss) of equity-accounted investees	-113	0	-113	21	1	22	-54	0	-54	-1	1	0
Total other comprehensive income (loss) that will be reclassified subsequently to profit or losss	**-226**	**-9**	**-235**	**135**	**-30**	**105**	**-67**	**-16**	**-83**	**68**	**-24**	**44**
Defined benefit plan actuarial gains (losses) [1)]	42	-11	31	-275	62	-213	-5	3	-2	-97	20	-77
Share of other comprehensive income (loss) of equity-accounted investees	64	-36	28	0	0	0	8	-3	5	0	0	0
Total other comprehensive income (loss) that will not be reclassified subsequently to profit or loss	**106**	**-47**	**59**	**-275**	**62**	**-213**	**3**	**0**	**3**	**-97**	**20**	**-77**
Total other comprehensive income (loss)	**-120**	**-56**	**-176**	**-140**	**32**	**-108**	**-64**	**-16**	**-80**	**-29**	**-4**	**-33**
Total comprehensive income (loss) for the period	**1,216**	**-366**	**850**	**852**	**-221**	**631**	**495**	**-114**	**381**	**283**	**-88**	**195**
Total comprehensive income (loss) attributable to shareholders of the parent company	1,220	-366	854	844	-222	622	498	-114	384	278	-88	190
Total comprehensive income (loss) attributable to non-controlling interests	-4	0	-4	9	0	9	-3	0	-3	5	0	5
Total comprehensive income (loss) for the period	**1,216**	**-366**	**850**	**853**	**-222**	**631**	**495**	**-114**	**381**	**283**	**-88**	**195**

[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	09/30/2013	12/31/2012	09/30/2012	Change in % [1]
ASSETS				
Intangible assets	540	554	557	-2.5
Property, plant and equipment	3,310	3,515	3,532	-5.8
Investments in equity-accounted investees	5,160	5,040	5,193	2.4
Other investments	16	14	14	14.3
Other assets	186	150	97	24.0
Income tax receivables	14	17	15	-17.6
Deferred tax assets	371	364	392	1.9
Total non-current assets	**9,597**	**9,654**	**9,800**	**-0.6**
Inventories	1,558	1,495	1,665	4.2
Trade receivables	1,846	1,626	1,819	13.5
Other assets	241	231	228	4.3
Income tax receivables	59	107	126	-44.9
Cash and cash equivalents	360	433	298	-16.9
Total current assets	**4,064**	**3,892**	**4,136**	**4.4**
Total assets	**13,661**	**13,546**	**13,936**	**0.8**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	500	500	500	0.0
Reserves [2]	2,782	2,027	1,754	37.2
Accumulated other comprehensive income (loss) [2]	-631	-479	-256	31.7
Equity attributable to shareholders of the parent company	**2,651**	**2,048**	**1,998**	**29.4**
Non-controlling interests	55	60	62	-8.3
Total shareholders' equity	**2,706**	**2,108**	**2,060**	**28.4**
Provisions for pensions and similar obligations	1,528	1,553	1,488	-1.6
Provisions [2]	84	75	71	12.0
Financial debt	5,829	7,140	7,113	-18.4
Income tax payables	340	267	218	27.3
Other liabilities	129	240	295	-46.3
Deferred tax liabilities	203	119	109	70.6
Total non-current liabilities	**8,113**	**9,394**	**9,294**	**-13.6**
Provisions	268	223	208	20.2
Financial debt	260	121	125	> 100
Trade payables	891	794	919	12.2
Income tax payables	169	232	218	-27.2
Other liabilities	1,254	674	1,112	86.1
Total current liabilities	**2,842**	**2,044**	**2,582**	**39.0**
Total shareholders' equity and liabilities	**13,661**	**13,546**	**13,936**	**0.8**

[1] September 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 nine months 2013	1st nine months 2012	Change in %	3rd quarter 2013	3rd quarter 2012	Change in %
Operating activities						
EBIT	1,038	1,144	-9.3	314	364	-13.7
Interest paid	-444	-461	-3.7	-154	-202	-23.8
Interest received	5	5	0.0	2	1	100
Income taxes paid	-207	-205	1.0	-54	-73	-26.0
Dividends received	163	81	> 100	1	1	0.0
Depreciation, amortization and impairments	476	455	4.6	158	156	1.3
Gains (losses) on disposal of assets	0	1	-100	0	1	-100
Other non-cash items	-7	-23	-69.6	7	7	0.0
Changes in:						
• Inventories	-106	-99	7.1	-46	-21	> 100
• Trade receivables	-263	-201	30.8	-4	51	-
• Trade payables	131	56	> 100	-31	-11	> 100
• Provisions for pensions and similar obligations	-25	-46	-45.7	-13	-13	0.0
• Other assets, liabilities and provisions	158	76	> 100	133	27	> 100
Cash flows from operating activities [1]	**919**	**783**	**17.4**	**313**	**288**	**8.7**
Investing activities						
Proceeds from disposals of intangible assets and property, plant and equipment	10	13	-23.1	6	5	20.0
Capital expenditures on intangible assets	-11	-28	-60.7	-3	-8	-62.5
Capital expenditures on property, plant and equipment	-332	-644	-48.4	-111	-192	-42.2
Investments in other financial investments	-4	-3	33.3	-2	-2	0.0
Other investing activities	7	1	> 100	0	1	-100
Cash used in investing activities	**-330**	**-661**	**-50.1**	**-110**	**-196**	**-43.9**
Financing activities						
Dividends paid to non-controlling interests	-1	-1	0.0	0	0	0.0
Receipts from loans	2	407	-99.5	-3	237	-
Repayments of loans	-616	-434	41.9	-338	-332	1.8
Acquisitions in stages	0	-13	-100	0	0	0.0
Other financing activities [2]	-31	-183	-83.1	-57	-17	> 100
Cash used in financing activities	**-646**	**-224**	**> 100**	**-398**	**-112**	**> 100**
Net increase (decrease) in cash and cash equivalents	**-57**	**-102**	**-44.1**	**-195**	**-20**	**> 100**
Effects of foreign exchange rate changes on cash and cash equivalents	-16	3	-	-7	0	-
Cash and cash equivalents as at beginning of period	433	397	9.1	562	318	76.7
Cash and cash equivalents as at end of period	**360**	**298**	**20.8**	**360**	**298**	**20.8**

[1] Excluding interest payments, cash flows from operating activities for the period from 01/01 to 09/30/2013 amount to EUR 1,363 m (prior year: EUR 1,244 m)
[2] Including payments to the shareholder, Schaeffler Verwaltungs GmbH, of EUR 45 m (prior year: EUR 183 m).

Consolidated statement of changes in shareholders’ equity

	Share capital	Reserves	Accumulated other comprehensive income (loss) [1]				Subtotal	Non-controlling interests	Total
in € millions			Translation reserve	Hedging reserve	Fair value reserve	Reserve for actuarial gains and losses			
Balance as 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		731					731	10	741
Other comprehensive income (loss)			27	78	2	-216	-109	-1	-110
Change in accounting policy – IAS 19 (rev. 2011)		-2				2	0		0
Total comprehensive income (loss) for the period	**0**	**729**	**27**	**78**	**2**	**-214**	**622**	**9**	**631**
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 September 30, 2012	**500**	**1,755**	**145**	**-53**	**2**	**-351**	**1,998**	**62**	**2,060**
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		1,020					1,020	6	1,026
Other comprehensive income (loss)			-210	-14	-1	59	-166	-10	-176
Total comprehensive income (loss) for the period	**0**	**1,020**	**-210**	**-14**	**-1**	**59**	**854**	**-4**	**850**
Transactions with shareholders									
Dividends		-250					-250	-1	-251
Total amount of transactions with shareholders		**-250**					**-250**	**-1**	**-251**
Other items from equity-accounted investees recognized directly in shareholders’ equity		-15				14	-1		-1
Balance as at September 30, 2013	**500**	**2,782**	**-135**	**-16**	**1**	**-481**	**2,651**	**55**	**2,706**

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

Consolidated segment information

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

in € millions	Automotive 1st nine months 2013	Automotive 1st nine months 2012	Industrial 1st nine months 2013	Industrial 1st nine months 2012	Other 1st nine months 2013	Other 1st nine months 2012	Total 1st nine months 2013	Total 1st nine months 2012
Revenue	6,129	5,755	2,296	2,617	0	50 [1]	8,425	8,422
Cost of sales	-4,469	-4,152	-1,579	-1,654	0	-50 [2]	-6,048	-5,856
Gross profit	1,660	1,603	717	963	0	0	2,377	2,566
EBIT	851	763	187	381	0	0	1,038	1,144
• in % of revenue	13.9	13.3	8.1	14.6	-	-	12.3	13.6
Depreciation, amortization and impairments	-335	-317	-141	-138	0	0	-476	-455
Inventories [3]	919	933	639	732	0	0	1,558	1,665
Trade receivables [3]	1,352	1,269	494	550	0	0	1,846	1,819
Property, plant and equipment [3]	2,323	2,413	987	1,119	0	0	3,310	3,532
Additions to intangible assets and property, plant and equipment	251	482	69	176	0	0	320	658

in € millions	Automotive 3rd quarter 2013	Automotive 3rd quarter 2012	Industrial 3rd quarter 2013	Industrial 3rd quarter 2012	Other 3rd quarter 2013	Other 3rd quarter 2012	Total 3rd quarter 2013	Total 3rd quarter 2012
Revenue	2,053	1,918	758	839	0	13 [1]	2,811	2,770
Cost of sales	-1,506	-1,371	-541	-539	0	-13 [2]	-2,047	-1,923
Gross profit	547	547	217	300	0	0	764	847
EBIT	272	260	42	104	0	0	314	364
• in % of revenue	13.2	13.6	5.5	12.4	-	-	11.2	13.1
Depreciation, amortization and impairments	-111	-109	-47	-47	0	0	-158	-156
Inventories [3]	919	933	639	732	0	0	1,558	1,665
Trade receivables [3]	1,352	1,269	494	550	0	0	1,846	1,819
Property, plant and equipment [3]	2,323	2,413	987	1,119	0	0	3,310	3,532
Additions to intangible assets and property, plant and equipment	90	143	26	56	0	0	116	199

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 September 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 September 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 September 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 interim consolidated financial statements. For the prior period, interest income was reduced by EUR 22 m and the revised income on plan assets of EUR 19 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 nine 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 132 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 its consolidated interim 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 Schaeffler Group includes, in addition to Schaeffler AG, 158 fully consolidated subsidiaries (December 31, 2012: 159); 54 companies are domiciled in Germany (December 31, 2012: 54) and 104 are foreign entities (December 31, 2012: 105).

The following change has occurred since December 31, 2012:
The liquidation of LUK-Aftermarket Service s.r.o., Prague (Czech Republic), has reduced the scope of consolidation by one fully consolidated subsidiary as at September 30, 2013.

In the consolidated interim financial statements as at September 30, 2013, nine investments (six associated companies and three joint ventures) are accounted for at equity.

Investments in equity-accounted investees

Schaeffler Beteiligungsholding GmbH & Co. KG holds 68,390,458 shares (December 31, 2012: 72,290,458 shares) or 34.19 % (December 31, 2012: 36.14 %) of the voting interest in Continental AG as at September 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 (01/01-09/30)	24,924	24,641
Net income [1] (01/01-09/30)	1,649	1,502
Assets [2] (as at 09/30)	28,205	27,742
Liabilities [2] (as at 09/30)	19,131	19,934

[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 totaling EUR 682 m (prior year: EUR 410 m) mainly relates to the Schaeffler Group's interest 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 494 m (prior year: EUR 409 m) net of deferred tax.

The effect on Schaeffler AG's net income as at September 30, 2013 is as follows:

in € millions	2013	2012
Depreciation, amortization and impairments of fair value adjustments	-103	-178
Share of net income of Continental AG	568	525
Effect before income taxes	**465**	**347**
Deferred taxes	29	50
Effect on income before special items [1]	**494**	**397**
Special items [1]		
• Reversal of cash flow hedges existing at the time of the PPA	0	5
• Recognition of Continental AG pension obligations at fair value	0	7
Effect on income after special items [1]	**494**	**409**

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

In September 2013, the Schaeffler Group sold 3.9 million shares in Continental AG at a price of EUR 122.50 per share, resulting in a gain on sale of EUR 187 m.

The Schaeffler Group's share of other comprehensive loss of Continental AG amounts to EUR 85 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 125.30 per share (prior year: EUR 76.20 per share), the fair value of the Continental AG shares held by Schaeffler Beteiligungsholding GmbH & Co. KG (34.19 %) was EUR 8,569 m (prior year: EUR 5,509 m) on September 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 nine months	
Reconciliation to earnings before income taxes in € millions	**2013**	**2012**
EBIT Automotive [1]	851	763
EBIT Industrial [1]	187	381
EBIT	**1,038**	**1,144**
Financial result [2]	**-384**	**-562**
Share of net income of equity-accounted investees	**682**	**410**
Earnings before income taxes [2]	**1,336**	**992**

[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.

			09/30/2013		12/31/2012		09/30/2012	
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	1,846	1,846	1,626	1,626	1,819	1,819
Other investments [1]	AfS	1	16	-	14	-	14	-
Other assets								
• Marketable securities	AfS	1	4	4	6	6	6	6
• Other loans receivable [2]	LaR	1	90	90	103	103	101	101
• Derivatives designated as hedging instruments	n/a	2	45	45	30	30	15	15
• Derivatives not designated as hedging instruments	HfT	2	115	115	84	84	35	35
Cash and cash equivalents	LaR	1	360	360	433	433	298	298
Financial liabilities, by class								
Financial debt	FLAC	2	6,089	6,308	7,261	7,727	7,238	7,682
Trade payables	FLAC	1	891	891	794	794	919	919
Other liabilities								
• Derivatives designated as hedging instruments	n/a	2	124	124	213	213	247	247
• Derivatives not designated as hedging instruments	HfT	2	96	96	27	27	67	67
• Other liabilities [2]	FLAC	1	634	634	170	170	592	592
Summary by category								
Available-for-sale financial assets (AfS)			20	-	20	-	20	-
Financial assets held for trading (HfT)			115	-	84	-	35	-
Loans and receivables (LaR)			2,296	-	2,162	-	2,218	-
Financial liabilities at amortized cost (FLAC)			7,614	-	8,225	-	8,749	-
Financial liabilities held for trading (HfT)			96	-	27	-	67	-

[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 nine 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	09/30/2013	12/31/2012	09/30/2012
Financial assets			
Gross amount of financial assets	160	114	50
Amounts offset in accordance with IAS 32.42	0	0	0
Gross amount of financial assets	160	114	50
Amounts subject to master netting arrangements	-15	-45	-21
Net amount of financial assets	145	69	29
Financial liabilities			
Gross amount of financial liabilities	-220	-240	-314
Amounts offset in accordance with IAS 32.42	0	0	0
Gross amount of financial liabilities	-220	-240	-314
Amounts subject to master netting arrangements	15	45	21
Net amount of financial liabilities	-205	-195	-293

Contingent liabilities and other financial obligations

At September 30, 2013, the Schaeffler Group had open commitments under fixed contracts to purchase property, plant and equipment of EUR 201 m (December 31, 2012: EUR 164 m). EUR 179 m of the commitments existing at September 30, 2013 are expected to be settled within one year and EUR 22 m in more than one year but within five years.

Contingent liabilities amounted to EUR 16 m at September 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 September 30, 2013 were as follows:

	Receivables		Payables	
in € millions	09/30/2013	12/31/2012	09/30/2013	12/31/2012
Continental Group companies	16	10	5	4

	Expenses		Income	
in € millions	2013	2012	2013	2012
Continental Group companies (01/01-09/30)	29	24	69	61

Payables to IHO companies were EUR 711 m at September 30, 2013 (December 31, 2012: EUR 324 m) and consisted primarily of EUR 499 m (December 31, 2012: EUR 288 m) in liabilities due to the shareholder, Schaeffler Verwaltungs GmbH, including a dividend declared 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 September 30, 2013.

Herzogenaurach, November 08, 2013

The Executive Board

Additional information

Imprint

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

Responsible for content:
Investor Relations, Schaeffler AG, Herzogenaurach

Coordination/Editor:
Investor Relations, Schaeffler AG, Herzogenaurach
Corporate Accounting, Schaeffler AG, Herzogenaurach

Design and layout:
Publicis Pro, Erlangen

Printed by:
Wuensch Offset-Druck GmbH, Neumarkt

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

RECYCLED
Papier aus Recyclingmaterial
FSC www.fsc.org
FSC® C043899

English translation by:
Alix von Reibnitz, Hamburg

November 2013

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 3rd quarter 2013

	2012				2013		
in € millions	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Income statement							
Revenue	2,858	2,794	2,770	2,703	2,756	2,858	2,811
EBITDA	549	530	520	432	512	530	472
• in % of revenue	19.2	19.0	18.8	16.0	18.6	18.5	16.8
EBIT	401	379	364	269	355	369	314
• in % of revenue	14.0	13.6	13.1	10.0	12.9	12.9	11.2
Net income [1]	**235**	**269**	**225**	**140**	**233**	**328**	**459**
Statement of financial position							
Total assets	13,449	13,806	13,936	13,546	13,960	14,110	13,661
Shareholders' equity [2]	1,617	1,865	2,060	2,108	2,110	2,325	2,706
• in % of total assets	12.0	13.5	14.8	15.6	15.1	16.5	19.8
Net financial debt [3]	6,884	6,828	6,698	6,505	6,533	6,132	5,445
• Net financial debt to EBITDA ratio [4]	3.2	3.2	3.2	3.2	3.3	3.1	2.8
Additions to intangible assets and property, plant and equipment [5]	235	224	199	169	103	101	116
Statement of cash flows							
Free cash flow [6]	-107	137	92	259	52	334	203
Employees							
Headcount (at end of reporting period)	74,948	75,868	76,656	76,099	76,186	76,840	77,850

[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 and 2014

November 11, 2013

Results for the first nine months 2013

March 20, 2014

Annual Report 2013

May 21, 2014

Results for the first three months 2014

August 27, 2014

Results for the first six months 2014

November 20, 2014

Results for the first nine months 2014

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

Contact details

Schaeffler AG
Industriestr. 1-3
91074 Herzogenaurach
Germany

Investor Relations

tel.: +49 (0)9132 82-4440
fax: +49 (0)9132 82-4444
email: ir@schaeffler.com

Schaeffler online

www.schaeffler-group.com

Schaeffler website for mobile devices

m.schaeffler.com

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

Schaeffler AG

Industriestr. 1-3
91074 Herzogenaurach
Germany

www.schaeffler-group.com