SCHAEFFLER

Q1 | Mobility for tomorrow

Interim Financial Report as at March 31, 2014

Key figures

in € millions	1st three months 2014	2013		Change
Income statement				
Revenue	2,976	2,756	8.0	%
EBITDA	569	512	11.1	%
• in % of revenue	19.1	18.6	0.5	%-pts.
Adjusted EBITDA [1]	560	512	9.4	%
• in % of revenue	18.8	18.6	0.2	%-pts.
EBIT	414	355	16.6	%
• in % of revenue	13.9	12.9	1.0	%-pts.
Adjusted EBIT [2]	405	355	14.1	%
• in % of revenue	13.6	12.9	0.7	%-pts.
Net income [3]	382	233	149	€ millions

in € millions	03/31/2014	12/31/2013		Change
Statement of financial position				
Total assets	13,836	13,427	3.0	%
Shareholders' equity [4]	2,527	2,491	36	€ millions
• in % of total assets	18.3	18.6	-0.3	%-pts.
Net financial debt [5]	5,527	5,447	1.5	%
• Net financial debt to EBITDA ratio [6] [7]	2.6	2.6		
Additions to intangible assets and property, plant and equipment [8]	127	103	24	€ millions

in € millions	1st three months 2014	2013		Change
Statement of cash flows				
Cash flows from operating activities	134	172	-38	€ millions
Free cash flow	-19	52	-71	€ millions
Employees				
Number of employees	79,686	76,186	4.6	%

[1] Adjusted EBITDA – excluding special item (reversal of EUR 9.5 m of the provision for EU antitrust proceedings through profit or loss in Q1 2014).
[2] Adjusted EBIT – excluding special item (see footnote 1).
[3] Attributable to shareholders of the parent company.
[4] Including non-controlling interests.
[5] Excluding shareholder loans.
[6] Net financial debt to adjusted EBITDA ratio – excluding special items (personnel-related structural measures of EUR 48 m in Q3 2013, provision for EU antitrust proceedings of EUR 380 m in Q4 2013, and reversal of EUR 9.5 m of the provision for EU antitrust proceedings through profit or loss in Q1 2014). Financial debt to unadjusted EBITDA ratio as at March 31, 2014 is 3.3. (December 31, 2013: 3.3).
[7] EBITDA based on the last twelve months. Adjusted EBITDA – excluding special items (personnel-related structural measures of EUR 48 m in Q3 2013, provision for EU antitrust proceedings of EUR 380 m in Q4 2013, and reversal of EUR 9.5 m of the provision for EU antitrust proceedings through profit or loss in Q1 2014).
[8] Additions to intangible assets and property, plant and equipment from January 01 to March 31.

Automotive in € millions	1st three months 2014	2013		Change
Revenue	2,212	1,987	11.3	%
EBIT	322	260	23.8	%
• in % of revenue	14.6	13.1	1.5	%-pts.
Adjusted EBIT [1]	313	260	20.4	%
• in % of revenue	14.2	13.1	1.1	%-pts.

Prior year information based on 2014 segment structure.
[1] Adjusted EBIT – excluding special item (reversal of EUR 9.5 m of the provision for EU antitrust proceedings through profit or loss in Q1 2014).

Industrial in € millions	1st three months 2014	2013		Change
Revenue	764	769	-0.7	%
EBIT	92	95	-3.2	%
• in % of revenue	12.0	12.4	-0.4	%-pts.
Adjusted EBIT [1]	92	95	-3.2	%
• in % of revenue	12.0	12.4	-0.4	%-pts.

Prior year information based on 2014 segment structure.
[1] No special items in Q1 2014.

Three months ended March 31, 2014

New year off to a strong start:

Revenue up **8.0 %**, **11.2 %** at constant currency

Earnings quality improved:

Adjusted EBIT margin increased to **13.6 %** (unadjusted EBIT margin at **13.9 %** of revenue)

Working capital and capital expenditures increasing:

Free cash flow for 1^{st} quarter at **EUR -19 m**

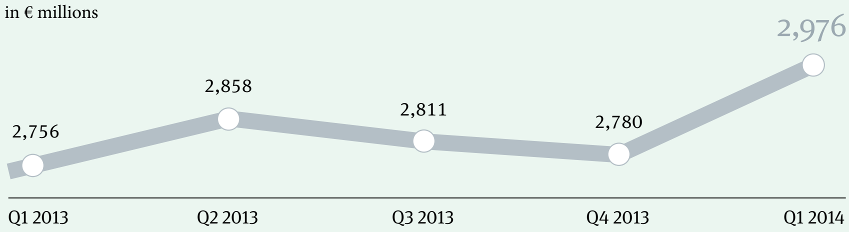
Refinancing transactions making long-term impact:

Interest expense for financial debt significantly reduced; debt to EBITDA ratio maintained at **2.6**

Q1 2014 in numbers

Revenue

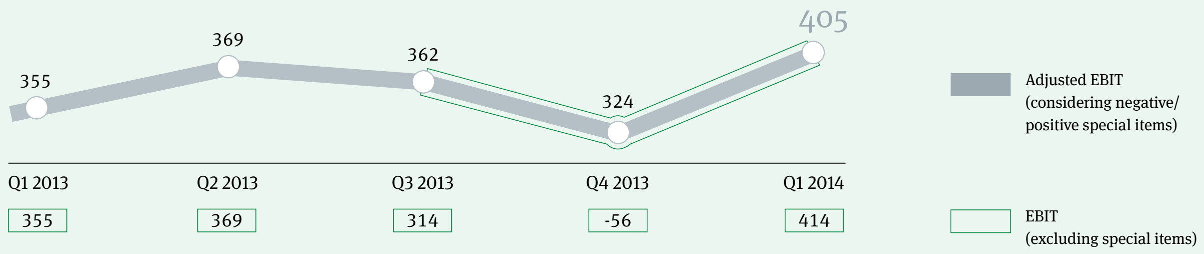
in € millions



+8.0 % revenue growth (vs. Q1 2013); +11.2 % at constant currency

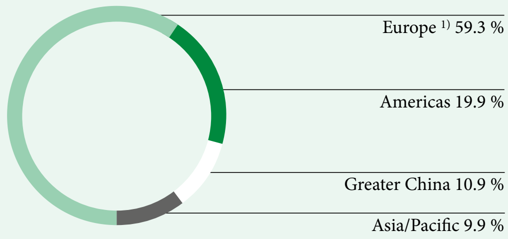
Earnings before financial result, income from equity-accounted investees, and income taxes (EBIT)

in € millions



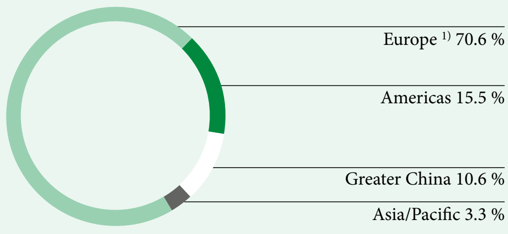
Revenue by region

in percent by market view



Headcount by region

in percent as at March 31, 2014



[1] incl. Germany, Middle East, Africa, Russia, and India

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

Contents

Key figures U2
Schaeffler bonds 6

Group interim management report

Report on the economic position 10
- Course of business 10
- Earnings 12
  - Schaeffler Group earnings 12
  - Automotive division 16
  - Industrial division 18
- Schaeffler Group financial position and net assets 20
  - Cash flow 20
  - Capital structure 21
  - Asset structure 23
  - Additions to intangible assets and property, plant and equipment 25
  - Financing 27
  - Liquidity 28

Supplementary report 29
Report on opportunities and risks 30
Report on expected developments 31

Consolidated interim financial statements

Consolidated income statement 34
Consolidated statement of comprehensive income 35
Consolidated statement of financial position 36
Consolidated statement of cash flows 37
Consolidated statement of changes in shareholders' equity 38
Consolidated segment information 39
Condensed notes to the consolidated financial statements 40

Additional information

Imprint 50
Summary 1st quarter 2013 to 1st quarter 2014 52
Financial calendar 2014 53
Contact details 54

Schaeffler bonds

Performance of Schaeffler bonds

The Schaeffler Group had the following bonds outstanding as at March 31, 2014:

ISIN	Currency	Face value in millions	Coupon	Maturity	Issued at (in %)	Price in % [1] 03/31/2014
XS0741938624	EUR	800	7.75 %	02/15/2017	98.981	115.55
US806261AC75	USD	600	7.75 %	02/15/2017	98.981	113.50
XS0801261156	EUR	326	6.75 %	07/01/2017	98.981	107.11
XS0923613060	EUR	600	4.25 %	05/15/2018	100.000	104.45
XS0741939788	EUR	400	8.75 %	02/15/2019	100.000	112.59
US806261AA10	USD	500	8.50 %	02/15/2019	100.000	111.99
US806261AE32	USD	850	4.75 %	05/15/2021	100.000	101.91

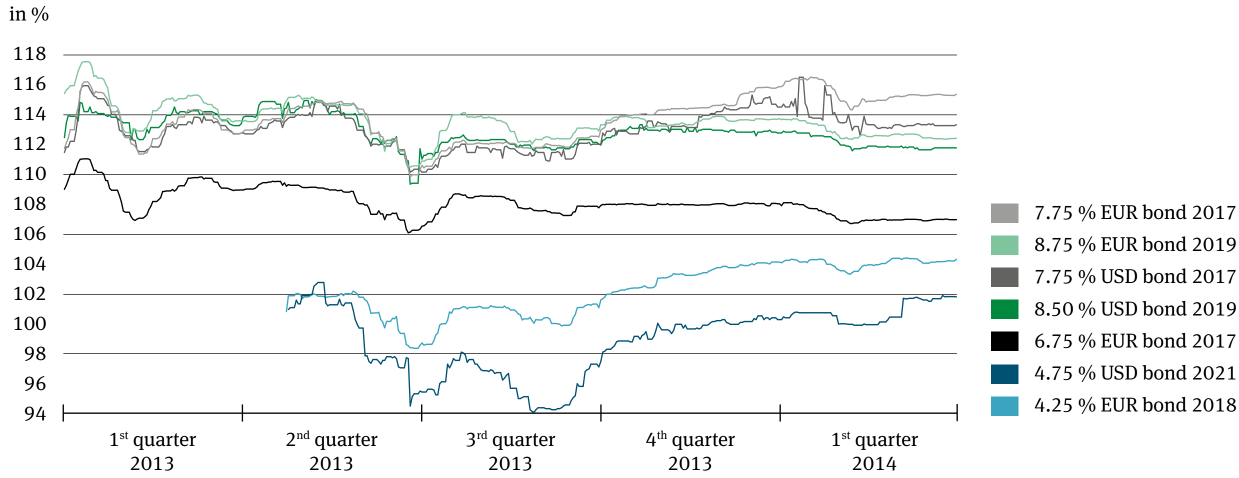
[1] Source: Bloomberg.

Investor demand for both investment grade and high-yield bonds remained high during the first quarter of 2014. With EUR 18 bn (prior year: EUR 23 bn) in new issues, the European high-yield market was robust during the first quarter.

The Schaeffler Group's bonds did well in this environment. The EUR bond (ISIN: XS0741938624) bearing interest at 7.75 % and maturing in 2017 showed the best performance, rising to a price of 115.55 % as at March 31, 2014.

Performance since 1st quarter 2013

Source: Bloomberg.



On April 11, 2014, Schaeffler announced that it would exercise the redemption option for its 8.75 % Senior Secured Notes due 2019 (ISIN: XS0741939788), its 8.5 % Senior Secured Notes due 2019 (ISIN: USN77608AA00) and its 6.75 % Senior Secured Notes due 2017 (ISIN: XS0801261156), all of which were issued in 2012. Please refer to the supplementary report on page 29 of the Group interim management report for further information.

Schaeffler's ratings

The following summary shows the Schaeffler Group's current ratings by the two rating agencies Moody's and Standard & Poor's (S&P):

			03/31/2014
	Company		Bonds
Rating agency	Rating	Outlook	Rating
Moody's	Ba3	stable	Ba2
Standard & Poor's	BB-	stable	BB-

Analysts' assessments

During the first quarter of 2014, IKB Deutsche Industriebank began covering Schaeffler AG in its research activities, bringing the number of banks providing assessments of the company and its bonds to nine.

Group interim management report

Report on the economic position 10
Course of business 10
Earnings 12
Schaeffler Group earnings 12
Automotive division 16
Industrial division 18
Schaeffler Group financial position and net assets 20
Cash flow 20
Capital structure 21
Asset structure 23
Additions to intangible assets and property, plant and equipment 25
Financing 27
Liquidity 28
Supplementary report 29
Report on opportunities and risks 30
Report on expected developments 31

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" for instance. 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 March 31, 2014 do not include all information necessary for a complete set of consolidated financial statements.

Impact of currency translation

Revenue and earnings figures are adjusted for currency fluctuations by translating revenue and earnings using the same exchange rate for both the current and the prior year or comparison reporting period.

Report on the economic position

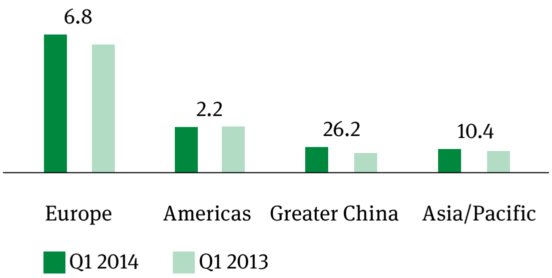
Course of business

The information provided in this interim report of the Schaeffler Group is based on the new organizational and management structure implemented by the executive board as of January 01, 2014, and the related management approach. Please refer to chapter “Business activities and group structure” on page 56 et seq. in the company’s 2013 annual report for further detail.

Events and trends in the 1st three months of 2014

Revenue trend by region

Change in %



The global economy continued to recover at a moderate speed during the first quarter of 2014. The economy of the Euro region has entered a phase of gradual recovery. Its slight growth is primarily driven by the core Euro region countries. Germany in particular managed to start the current year off well. Production in the manufacturing industry continued to rise and the industrial and construction sectors reported higher order volumes. Following this trend, the Schaeffler Group significantly exceeded prior year revenue in the Europe region, growing 6.8 %. India, which is part of Schaeffler’s Europe region, saw its economy recovering slightly in the first quarter of 2014. Both Schaeffler divisions benefitted from this trend in the form of higher demand. However, currency translation adversely affected the revenue trend.

The Americas region economy grew modestly during the first quarter of 2014. The U.S. are experiencing a moderate upturn. Although industrial production declined in January due to the severe winter, order volumes continued to show a positive trend in recent months. At 2.2 %, demand for the Schaeffler Group’s products in the Americas region was slightly higher than in the first quarter of the prior year. Currency translation had a significant adverse impact on the revenue trend.

The performance of the Asian economy was mixed. The Chinese economy got off to a sluggish start in 2014, benefitting little from the increased demand of the industrialized countries so far this year. The Schaeffler Group fared much better. Its revenue in the Greater China region for the first quarter of 2014 increased by 26.2 %, significantly exceeding that of the prior year comparison period.
Industrial production in Japan continued its upward trend in early 2014. As a result, the Schaeffler Group was able to grow its revenue in the Asia/Pacific region, which includes Japan, by 10.4 % from the prior year; the Automotive division was key to this performance.

The first quarter of 2014 saw the Schaeffler Group continuing along its impressive growth path. Revenue of EUR 2,976 m (prior year: EUR 2,756 m) represented an increase of 8.0 % from the prior year period. Excluding the adverse impact of currency translation of 3.2 %, the Group's operational revenue growth was 11.2 %. Again, the Automotive division was the key driver of this encouraging revenue trend, which also had a favorable impact on earnings before financial result, income from equity-accounted investees, and income taxes (EBIT). The EBIT margin increased to 13.9 % (prior year: 12.9 %). The Group's earnings are discussed in more detail beginning on page 12.

As reported last year, the Schaeffler Group had recognized provisions of approximately EUR 380 m for an impending penalty in connection with the ongoing antitrust proceedings of the European Commission. On March 19, 2014, the European Commission imposed a penalty of EUR 370.5 m on certain Schaeffler Group companies for agreements violating antitrust law in connection with the sale of rolling bearings for the automotive sector. The penalty is due in the second quarter of 2014.

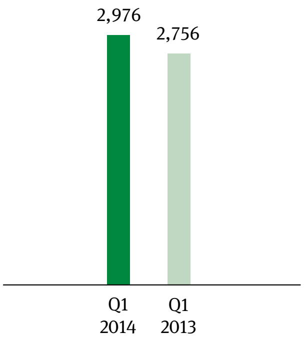
Business performance compared to the forecast for 2014

Due to the good performance of the Automotive division in the first quarter of 2014, the Schaeffler Group has raised its revenue forecast for 2014 as a whole from previously 5 to 7 % to more than 7 %. In arriving at its forecast, Schaeffler has assumed largely constant exchange rates. Earnings were in line with the forecast for 2014 as a whole made in the annual report 2013. Please refer to "Schaeffler Group outlook" on page 126 et seq. of the annual report 2013 for a detailed discussion of the Group's targets.

Earnings

Schaeffler Group earnings

Revenue (Schaeffler Group)
in € millions



The Schaeffler Group generated revenue of EUR 2,976 m in the first quarter of 2014, an increase of 8.0 % compared to the prior year period (prior year: EUR 2,756 m). Excluding the adverse impact of currency translation of 3.2 %, the Group's revenue growth was 11.2 %. The Automotive division which, growing significantly faster than global vehicle production, expanded its revenue by 11.3 % to EUR 2,212 m (prior year: EUR 1,987 m) was key in driving this revenue growth. The increase in revenue is due to higher demand across all Schaeffler regions. Industrial division revenue of EUR 764 m was 0.7 % below the prior year period (prior year: EUR 769 m). The reasons include an adverse impact from currency translation.

	1st three months		
in € millions	2014	2013	Change in %
Revenue	2,976	2,756	8.0
Cost of sales	-2,109	-1,965	7.3
Gross profit	867	791	9.6
Functional expenses [1]	-462	-453	2.0
Earnings before financial result, income from equity-accounted investees, and income taxes (EBIT)	414	355	16.6
• in % of revenue	13.9	12.9	-
Adjusted EBIT [2]	405	355	14.1
• in % of revenue	13.6	12.9	-
Financial result	-115	-167	-31.1
Income from equity-accounted investees	180	135	33.3
Income taxes	-95	-89	6.7
Net income [3]	382	233	63.9

[1] Research and development, selling and administration.
[2] Adjusted EBIT – excluding special item (reversal of EUR 9.5 m of the provision for EU antitrust proceedings through profit or loss in Q1 2014).
[3] Attributable to shareholders of the parent company.

Cost of sales increased EUR 144 m to EUR 2,109 m (prior year: EUR 1,965 m) during the first three months of 2014, growing more slowly than revenue. While variable cost of sales moved in line with revenue, the significant increase in volume improved capacity utilization and, as a result, gross profit. In addition, raw material prices were slightly below the prior year. The number of employees in production and production-related areas rose by 4.7 % compared to March 31, 2013. The largest increase in headcount, 27.0 %, occurred in the Schaeffler's Greater China region.

Gross profit increased EUR 76 m to EUR 867 m (prior year: EUR 791 m) during the first three months of 2014 compared to the prior year period, while gross margin for the reporting period grew to 29.1 % (prior year: 28.7 %). While volume growth drove Automotive division revenue up by 1.2 percentage points compared to the prior year, Industrial division revenue fell by 1.3 percentage points. This is due to the as yet still sluggish order volumes in the industrial market and the resulting residual fixed overheads.

In order to secure future growth opportunities with the help of additional innovative products, the Schaeffler Group increased its research and development expenses by 2.6 % to EUR 156 m (prior year: EUR 152 m) in the first three months of 2014. This puts research and development expenses at 5.2 % of revenue (prior year: 5.5 %), slightly less than in the prior year.

Selling expenses increased by 2.1 % to EUR 192 m (prior year: EUR 188 m) in the first quarter of 2014, primarily due to higher personnel expenses. Administrative expenses merely increased by EUR 1 m to EUR 114 m (prior year: EUR 113 m).

Earnings before financial result, income from equity-accounted investees, and income taxes (EBIT) rose by EUR 59 m from the prior year period to EUR 414 m (prior year: EUR 355 m) during the first three months of 2014. The EBIT margin improved by 1.0 percentage point to 13.9 % (prior year: 12.9 %). This improvement was primarily due to the growth in Automotive division revenue. Additionally, EUR 9.5 m of the provision recognized in 2013 for the ongoing EU antitrust proceedings were reversed through profit or loss upon reclassification from provisions to current liabilities. Excluding this special item, the adjusted EBIT was EUR 405 m, the adjusted EBIT margin 13.6 %.

The Schaeffler Group's financial result improved by EUR 52 m to EUR -115 m (prior year: EUR -167 m) during the first quarter of 2014. Financial result comprises financial income of EUR 27 m (prior year: EUR 51 m) and financial expenses of EUR 142 m (prior year: EUR 218 m).

in € millions	1st three months 2014 Financial expenses	Financial income	Financial result
Interest expense on financial debt [1]	-107	0	-107
Fair value changes and compensation payments on derivatives	-15	26	11
Foreign exchange gains and losses	-7	0	-7
Amortization of cash flow hedge accounting reserve	3	0	3
Interest income and expense on pensions and partial retirement obligations	-13	0	-13
Other	-3	1	-2
Total	**-142**	**27**	**-115**

in € millions	1st three months 2013 Financial expenses	Financial income	Financial result
Interest expense on financial debt [1]	-128	0	-128
Fair value changes and compensation payments on derivatives	-21	42	21
Foreign exchange gains and losses	-45	7	-38
Amortization of cash flow hedge accounting reserve	-14	0	-14
Interest income and expense on pensions and partial retirement obligations	-13	0	-13
Other	3	2	5
Total	**-218**	**51**	**-167**

[1] Incl. transaction costs.

Interest expense on financial debt of EUR 107 m (prior year: EUR 128 m) for the first three months of 2014 includes interest paid and accrued on the Group's external financing arrangements of EUR 85 m (prior year: EUR 108) and expenses of EUR 6 m (prior year: EUR 13 m) relating to transaction costs. Interest expense on shareholder loans due to Schaeffler Verwaltungs GmbH is also included in this amount. The decrease in interest expense compared to the prior year is mainly due to principal repayments and improvements in debt terms in connection with the refinancing transactions completed in 2013.

Changes in the fair value of and compensation payments on derivatives resulted in net gains of EUR 11 m (prior year: EUR 21 m). The amount consists largely of changes in the value of embedded derivatives.

Translating financial assets and liabilities denominated in foreign currency resulted in net losses of EUR 7 m (prior year: EUR 38 m).

Additional income of EUR 3 m (prior year: expenses of EUR 14 m) arose from amortizing the cash flow hedge accounting reserve related to interest rate hedging instruments. As this income is economically related to the interest expense on the Group's financial debt, it is also presented within interest expense.

Pensions and partial retirement obligations gave rise to net interest expense of EUR 13 m (prior year: EUR 13 m). Other items generated net expenses of EUR 2 m (prior year: income of EUR 5 m).

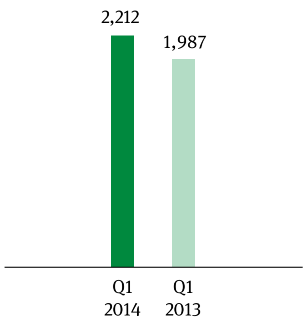
Income from equity-accounted investees of EUR 180 m (prior year: EUR 135 m) for the first quarter of 2014 relates almost entirely to the investment in Continental AG held via Schaeffler Beteiligungsholding GmbH & Co. KG.

Income taxes for the first three months of 2014 amounted to EUR 95 m (prior year: EUR 89 m), consisting of current tax expense of EUR 106 m (prior year: EUR 83 m) and a deferred tax benefit of EUR 11 m (prior year: expense of EUR 6 m). Current tax expense consists of tax expense of EUR 110 m for the current year and a tax benefit of EUR 4 m related to prior years. Interest expense of EUR 8 m (prior year: EUR 61 m) was not tax deductible in 2014 because of the interest deduction cap.

Net income after non-controlling interests increased by EUR 149 m to EUR 382 m (prior year: EUR 233 m) during the first three months of 2014.

Automotive division

Revenue (Automotive)
in € millions



Automotive division revenue increased by 11.3 % from the prior year period to EUR 2,212 m (prior year: EUR 1,987 m) during the first three months of 2014. The adverse impact of currency translation reduced revenue growth by 3.1 percentage points in the 2014 reporting period. Excluding this currency translation impact, Automotive division revenue increased by 14.4 %.

The overall 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 primarily included the dry double clutch, dual-mass flywheels, camshaft phasing units, and valve train components product groups which help increase the efficiency of drive trains based on internal combustion engines, in turn significantly reducing CO_2-emissions.

During the first three months of 2014, Automotive division revenue for all regions grew faster than regional production volumes for passenger vehicles of up to 6 tons (Source: IHS Global Insight, April 2014). Especially the Greater China region continued along its recent long-term growth path – its growth rate of 26.5 % significantly exceeded the 9.5 % increase in the region's vehicle production. The markets in Asia/Pacific (15.2 %) and Europe (10.1 %) also generated double-digit revenue growth, while the production of passenger cars and light commercial vehicles in these regions expanded by 3.5 % and 2.3 %, respectively. The Americas region reported strong growth compared to the prior year, as well – the 7.3 % increase in this region's revenue outperformed the growth in automobile production of 4.0 %.

Existing volume supply agreements with OEM customers of the Automotive division led to nearly full utilization of current production capacity in the first quarter of 2014. This is documented by binding supply orders from OEM customers recorded at short notice on the one hand and on the other hand by annual ranges of delivery quantities contractually agreed in some cases.

	1st three months		
in € millions	**2014**	**2013**	Change in %
Revenue	2,212	1,987	11.3
Cost of sales	-1,590	-1,453	9.4
Gross profit	622	534	16.5
EBIT	322	260	23.8
• in % of revenue	14.6	13.1	-
Adjusted EBIT 1)	313	260	20.4
• in % of revenue	14.2	13.1	-

Prior year information presented based on 2014 segment structure.
1) Adjusted EBIT – excluding special item (reversal of EUR 9.5 m of the provision for EU antitrust proceedings in Q1 2014).

The Automotive division business is divided into the Engine Systems, Transmission Systems, Chassis Systems and Automotive Aftermarket business divisions (BD), all of which reported growing revenue in the first three months of 2014.

The above-market revenue growth in the **BD Engine Systems** was driven not only 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) – primarily in the Americas, Greater China and Europe regions, but also by above-market growth resulting from production start-ups for accessory drive product groups.

BD Transmission Systems revenue increased primarily as a result of the positive growth generated by dry double clutches. The top-selling continuously variable transmission systems (CVT), tapered roller bearings, and dual-mass flywheels product groups also experienced a significant volume increase. The growth in revenue was driven by all four Schaeffler regions.

Revenue growth in the **BD Chassis Systems** was mainly based on the solid performance of ball screw drives used for instance in electromechanical power steering systems and chassis solutions (e.g. in electromechanical parking brakes). The recovery of the commercial vehicle market resulted in significantly more products being sold in the top-selling tapered roller bearings product group. The driver of this positive trend was mainly the Europe region.

The **BD Automotive Aftermarket** continued to develop well in the first quarter of 2014. The reasons for the considerable increase in revenue there include higher sales of service kits for belt tensioners and wheel bearings as well as repair solutions for dual-mass flywheels.

Higher production volumes related to revenue growth favorably impacted gross profit overall. In addition, raw materials prices were slightly below the prior year comparison period during the first three months of 2014.

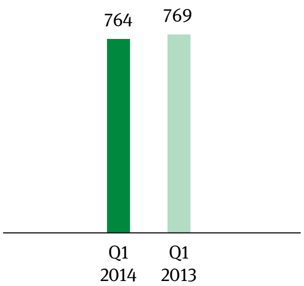
Cost of sales for the first quarter of 2014 increased by 9.4 % to EUR 1,590 m (prior year: EUR 1,453 m). Driven by the increase in revenue, gross profit rose by EUR 88 m to EUR 622 m (prior year: EUR 534 m) compared to the prior year. As a result, gross margin of 28.1 % (prior year: 26.9 %) for the year 2014 to date exceeded that of the prior year period.

Research and development expenses increased by 8.6 % to EUR 126 m (prior year: EUR 116 m) during the first three months of 2014. Currently, research priorities include advancements of certain products such as the roll stabilizer, the electronic camshaft phasing unit and the hybrid double clutch transmission. The new concept vehicles presented in the first quarter of 2014 have highlighted the excellent position of the Automotive division with respect to new products for reducing CO_2-emissions.

Based on these developments, Automotive division EBIT rose by EUR 62 m to EUR 322 m (prior year: EUR 260 m) during the first three months of 2014 compared to the prior year period. The EBIT margin increased by 1.5 percentage points to 14.6 % (prior year: 13.1 %) for the year 2014 to date. Excluding the reversal of EUR 9.5 m of the provision for the EU antitrust proceedings through profit or loss in the first quarter of 2014, adjusted EBIT amounted to EUR 313 m and the adjusted EBIT margin was 14.2 %.

Industrial division

Revenue (Industrial)
in € millions



Industrial division revenue for the first three months of 2014 declined slightly by 0.7 % to EUR 764 m (prior year: EUR 769 m) compared to the prior year period. Excluding the adverse impact of currency translation on revenue of 3.8 %, Industrial division revenue increased by 3.1 % from the prior year period.

Looking at the market regions of the Industrial division shows significant divergence in revenue trends. The Greater China region reported strong growth of 24.9 % for the first quarter of 2014 while Europe was nearly flat with prior year – its revenues increased by 0.2 %. Revenue in the Asia/Pacific (-3.4 %) and Americas (-10.3 %) regions, on the other hand, declined, being considerably affected by the adverse impact of currency translation.

	1st three months		
in € millions	2014	2013	Change in %
Revenue	764	769	-0.7
Cost of sales	-519	-512	1.4
Gross profit	245	257	-4.7
EBIT	92	95	-3.2
• in % of revenue	12.0	12.4	-
Adjusted EBIT [1]	92	95	-3.2
• in % of revenue	12.0	12.4	-

Prior year information presented based on 2014 segment structure.
[1] No special items in Q1 2014.

The Industrial division's operations are divided into two business divisions (BD): The BD Industrial OEM, which consists of the Industrial OEM business, and the BD Industrial Aftermarket. Revenue in the BD Industrial OEM was slightly below the first quarter of 2013, while the BD Industrial Aftermarket reported a marginal improvement. Order intake showed a significantly positive trend quarter on quarter, and orders on hand are even with the prior year level.

Revenue trends in the key sectors of the **BD Industrial OEM** varied widely.

The Power Transmission sector was able to significantly increase its revenue for the first quarter of 2014 compared to the comparison period, driven by considerable growth in the pumps, ventilation engineering, and electric motors subsectors.

In the Production Machinery sector, revenue for the current reporting period was slightly above that of the first quarter of 2013. The machine tools, printing, and textile machinery subsectors reported significant increases in revenue compared to the first three months of the prior year. The other subsectors such as woodworking, food processing, and packaging machinery experienced slight declines compared to the first quarter of 2013.

Renewable Energy sector revenue for the period was considerably higher than in the comparison period 2013. The transition to renewable energy provided positive momentum for the European business. China reported a general upward trend in the wind business and will continue to drive the entire market.

The revenue trend in the Aerospace sector was adversely impacted mainly by currency translation. Revenue in the Europe region was also adversely affected by political developments in Eastern Europe and the resulting liquidity issues.

Although revenue for the Off-Highway Equipment sector declined steadily during the course of 2013, this sector reported a strong increase in revenue for the first quarter of 2014 compared to the fourth quarter of 2013. However, revenue for the period fell slightly short of the prior year level. Especially the construction machinery market has not yet begun to recover from the low prior year level. The agricultural machinery subsector reported strong revenue growth in the first quarter of 2014 compared to the fourth quarter of 2013, and also came in slightly above the prior year level.

Revenue in the **BD Industrial Aftermarket** for the current year reporting period was marginally higher than in the comparison period 2013. The Europe region was the only region experiencing slight revenue growth; revenue in all other regions fell short of the prior year period. The reduction in inventory levels along the entire distribution chain continued in the Asia/Pacific and Greater China regions.

Cost of sales for the first three months of 2014 increased by 1.4 % to EUR 519 m (prior year: EUR 512 m). Raw materials prices were slightly below the prior year comparison period in the first three months of 2014. Gross profit fell by EUR 12 m to EUR 245 m (prior year: EUR 257 m) from the prior year, bringing the gross profit margin down by 1.3 percentage points to 32.1 % (prior year: 33.4 %).

In the first three months of 2014, research and development expenses declined by 16.7 % from EUR 36 m to EUR 30 m, primarily as a result of targeted capacity adjustments. Research and development activities are currently focused on innovative products for the agricultural machinery sector, including a mechatronic coating system for measuring torque and a mobile vibration monitoring system covering the entire drive train of wind power plants. Another priority is on comprehensively networking production. Projects for Industrial 4.0 combine individualized manufacturing using highly flexible production machinery with the integration of customers and partners in the value creation process.

Industrial division EBIT declined by EUR 3 m to EUR 92 m in the first three months of 2014 compared to the prior year period (prior year: EUR 95 m). The EBIT margin fell by 0.4 percentage points to 12.0 % during the year 2014 to date (prior year: 12.4 %). There was no adjustment for special items in the Industrial division in the first quarter of 2014.

Schaeffler Group financial position and net assets

Cash flow

The Schaeffler Group generated cash flows from operating activities of EUR 134 m (prior year: EUR 172 m) for the first three months of 2014, a decrease of 22.1 % compared to the prior year.

	1st three months		
in € millions	**2014**	**2013**	Change in %
Cash flows from operating activities	134	172	-22.1
Cash used in investing activities	-153	-120	27.5
Free cash flow	**-19**	**52**	**-**
Cash used in financing activities	-58	-31	87.1
	03/31/2014	**12/31/2013**	Change in %
Financial debt	6,395	6,190	3.3
Cash and cash equivalents	223	300	-25.7
Net financial debt	**6,172**	**5,890**	**4.8**
Shareholder loans	645	443	45.6
Net financial debt excluding shareholder loans	**5,527**	**5,447**	**1.5**

Cash flows from operating activities for the first three months of 2014 fell by EUR 38 m from the prior year period to EUR 134 m (prior year: EUR 172 m). The favorable impact of the EUR 59 m increase in EBIT to EUR 414 m (prior year: EUR 355 m) and significantly lower interest payments of EUR 111 m (prior year: EUR 190 m), primarily due to principal repayments, improvements in debt terms, and the adjustments made to the interest rate hedging portfolio in connection with the refinancing transactions completed in 2013, were more than offset primarily by the net increase in funds required for inventories and trade receivables and payables of EUR 207 m.

Driven by higher capital expenditures on intangible assets and property, plant and equipment, cash used in investing activities (see “Additions to intangible assets and property, plant and equipment” below) rose to EUR 153 m (prior year: EUR 120 m) during the first three months of 2014.

The above developments resulted in free cash flow of EUR -19 m (prior year: EUR 52 m) for the first three months of 2014.

Cash of EUR 58 m (prior year: EUR 31 m) was used in financing activities, primarily for payments to the shareholder, Schaeffler Verwaltungs GmbH.

The Schaeffler Group’s net financial debt increased by EUR 80 m to EUR 5,527 m (December 31, 2013: EUR 5,447 m) during the first three months of 2014.

The debt to EBITDA ratio, defined as the ratio of net financial debt (excluding shareholder loans) to adjusted earnings before financial result, income from equity-accounted investees, income taxes, depreciation, amortization, and impairment losses (EBITDA) remained at 3.3 as at March 31, 2014 (December 31, 2013: 3.3). The debt to adjusted EBITDA ratio was 2.6 as at March 31, 2014 (December 31, 2013: 2.6).

Capital structure

The Schaeffler Group's shareholders' equity (including non-controlling interests in consolidated subsidiaries) rose by EUR 36 m to EUR 2,527 m (December 31, 2013: EUR 2,491 m). The change in shareholders' equity is primarily due to net income of EUR 384 m and the offsetting effect of the dividend of EUR 250 m as well as other comprehensive loss totaling EUR 98 m. The equity ratio was 18.3 % as at March 31, 2014 (December 31, 2013: 18.6 %).

in € millions	03/31/2014	12/31/2013	Change in %
Shareholders' equity	**2,527**	**2,491**	**1.4**
Provisions for pensions and similar obligations	1,584	1,516	4.5
Provisions	102	96	6.3
Financial debt	6,174	5,965	3.5
Income tax payables	324	340	-4.7
Other financial liabilities	165	162	1.9
Other liabilities	5	5	0.0
Deferred tax liabilities	151	154	-1.9
Total non-current liabilities	**8,505**	**8,238**	**3.2**
Provisions	218	599	-63.6
Financial debt	221	225	-1.8
Trade payables	1,032	1,014	1.8
Income tax payables	220	155	41.9
Other financial liabilities	376	419	-10.3
Other liabilities	737	286	> 100
Total current liabilities	**2,804**	**2,698**	**3.9**
Total shareholders' equity and liabilities	**13,836**	**13,427**	**3.0**

Other comprehensive loss of EUR 98 m resulted mainly from the translation of net assets of foreign group companies (EUR -17 m), an unfavorable change in the value of hedging instruments (EUR -14 m), and from changes in the carrying value of pensions and similar obligations (EUR -70 m).

Total non-current liabilities increased by EUR 267 m to EUR 8,505 m as at March 31, 2014 (December 31, 2013: EUR 8,238 m), largely due to the change in non-current financial debt and the increase in provisions for pensions and similar obligations.

Non-current financial debt rose EUR 209 m to EUR 6,174 m (prior year: EUR 5,965 m) primarily as a result of the higher balance of the loan due to the company's sole shareholder, Schaeffler Verwaltungs GmbH, resulting from the dividend declared in March 2014.
Provisions for pensions and similar obligations increased by EUR 68 m to EUR 1,584 m (prior year: EUR 1,516 m) primarily as a result of adjusting the discount rate to current interest rate levels.

Current liabilities rose by EUR 106 m to EUR 2,804 m (December 31, 2013: EUR 2,698 m).
The main drivers of this increase were higher amounts payable to staff and other taxes payable.

The amount of the antitrust penalty assessed by the European Commission authorities was reclassified from provisions to other liabilities when the penalty was imposed in March 2014.

Asset structure

The company's financial position as at March 31, 2014 is marked by an increase in total assets of EUR 409 m or 3.0 % to EUR 13,836 m (December 31, 2013: EUR 13,427 m).

in € millions	03/31/2014	12/31/2013	Change in %
Intangible assets	535	538	-0.6
Property, plant and equipment	3,330	3,369	-1.2
Investments in equity-accounted investees	5,234	5,085	2.9
Other investments	14	14	0.0
Other financial assets	217	206	5.3
Other assets	59	59	0.0
Income tax receivables	12	12	0.0
Deferred tax assets	257	230	11.7
Total non-current assets	**9,658**	**9,513**	**1.5**
Inventories	1,617	1,536	5.3
Trade receivables	1,957	1,676	16.8
Other financial assets	83	119	-30.3
Other assets	150	141	6.4
Income tax receivables	148	142	4.2
Cash and cash equivalents	223	300	-25.7
Total current assets	**4,178**	**3,914**	**6.7**
Total assets	**13,836**	**13,427**	**3.0**

Among non-current assets, property, plant and equipment decreased by EUR 39 m to EUR 3,330 m (December 31, 2013: EUR 3,369 m) due to restrained capital spending in the first quarter of 2014 which did not fully offset depreciation and amortization expense. The impact of currency translation also reduced the carrying amount of property, plant and equipment.

Investments in equity-accounted investees increased by EUR 149 m to EUR 5,234 m (December 31, 2013: EUR 5,085 m) almost entirely due to measuring the interest in Continental AG, which is held via Schaeffler Beteiligungsholding GmbH & Co. KG, at equity.

Schaeffler Beteiligungsholding held a 34.19 % (December 31, 2013: 34.19 %) interest in Continental AG, Hanover, as at March 31, 2014. The articles of incorporation stipulate that all income and losses as well as all assets of Schaeffler Beteiligungsholding GmbH & Co. KG are attributable to Schaeffler AG. Based on a share price of EUR 173.90 per share (December 31, 2013: EUR 159.40 per share), the fair value of the Continental AG shares held by Schaeffler Beteiligungsholding GmbH & Co. KG was EUR 11,893 m (December 31, 2013: EUR 10,901 m) as at March 31, 2014.

Other non-current financial assets mainly consist of options to prepay bank debt and bonds. These options were obtained in connection with the refinancing transactions completed in 2012 and 2013. Favorable changes in the fair value of these financial derivatives were the main reason for the EUR 11 m increase in this balance to EUR 217 m (December 31, 2013: EUR 206 m).

The increase in current assets resulted primarily from inventories growing EUR 81 m to EUR 1,617 m (December 31, 2013: EUR 1,536 m) and trade receivables increasing by EUR 281 m to EUR 1,957 m (December 31, 2013: EUR 1,676 m), both due to higher revenue and production volumes in the first quarter of 2014 compared to the fourth quarter of 2013. The increase in inventories and trade receivables was partially offset by the adverse impact of currency translation.

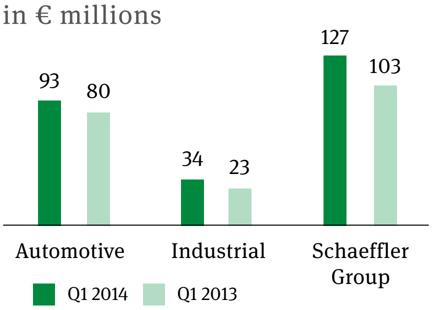
Other current financial assets fell by EUR 36 m to EUR 83 m (prior year: EUR 119 m), primarily due to unfavorable changes in the fair value of financial derivatives.

Cash and cash equivalents decreased to EUR 223 m as at March 31, 2014 (December 31, 2013: EUR 300 m).

Additions to intangible assets and property, plant and equipment

Since the Schaeffler Group is a technology-oriented high-growth company, investing in intangible assets and property, plant and equipment is a key component of its growth strategy.

Additions to intangible assets and property, plant and equipment [1)]
in € millions

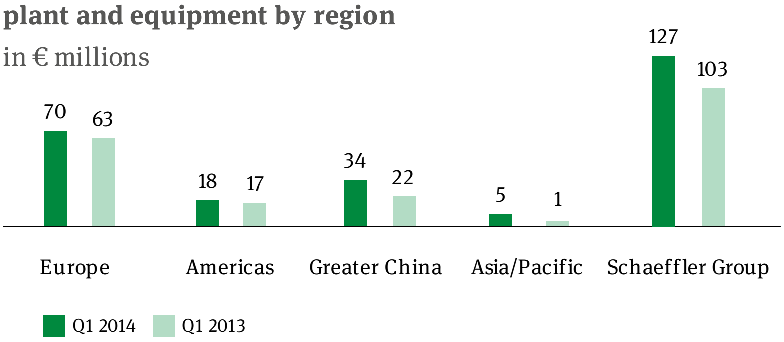


[1)] Additions to intangible assets and property, plant and equipment from January 01 to March 31.

At EUR 127 m, additions to intangible assets and property, plant and equipment for the first three months of 2014 exceeded the prior year amount of EUR 103 m. In the statement of cash flows, these amounts are adjusted for non-cash transactions and the impact of currency translation. Schaeffler primarily invested in new machinery concepts to strengthen its innovative ability, in creating production capacity in Asia/Pacific and in Greater China, as well as in the construction of the new plant in Ulyanovsk, Russia. In addition, the Group acquired a logistics building in Carisio, Italy, in the first quarter of 2014 as part of its “European Distribution Center” (EDC) project. At 4.3 %, additions to intangible assets and property, plant and equipment as a percentage of consolidated revenue were also higher than in the prior year (3.7 %).

At March 31, 2014, the Schaeffler Group also had open commitments under fixed contracts to purchase property, plant and equipment in the amount of EUR 213 m (December 31, 2013: EUR 177 m).

Additions to intangible assets and property, plant and equipment by region
in € millions



The majority of additions to intangible assets and property, plant and equipment, EUR 93 m (prior year: EUR 80 m), were made by the Automotive division, while Industrial invested EUR 34 m (prior year: EUR 23 m).

As in previous months, the capital expenditure strategy remained focused on strengthening the company’s competitive position by expanding capacity at manufacturing locations in the Schaeffler Group’s growth regions in the first three months of 2014. To secure future growth and customer proximity, additions to intangible assets and property, plant and equipment were primarily made for production start-ups, expanding capacity, and localization.

In addition, Schaeffler invested EUR 41 m to replace equipment, rationalize, and add functionalities to maintain its excellent quality and reliability of supply during the first quarter of 2014. This enabled Schaeffler to replace technologically outdated machinery with innovative and more efficient equipment, mainly in Europe.

EUR 70 m of EUR 127 m in total additions to intangible assets and property, plant and equipment were made in Europe. In order to strengthen its innovative ability for new products and technologies, Schaeffler mainly invested in new machinery concepts. These will lead to an improved cost structure and secure the Schaeffler Group's competitive position.

EUR 39 m were invested in locations in the Asia/Pacific and Greater China regions during the first quarter of 2014. Most of this amount went towards creating manufacturing capacities to secure Schaeffler's ability to supply customers in accordance with their needs. The amount also includes planned additions of functionalities and rationalizations.

The Americas region's EUR 18 m in additions to intangible assets and property, plant and equipment were almost flat with prior year (prior year: EUR 17 m).

Financing

The Schaeffler Group has taken extensive measures to refinance its existing financial liabilities in previous years. These transactions diversified the Group's financing resources, extended the maturity profile of its debt, and lowered its borrowing cost.

First quarter 2014

No financing transactions were completed during the first quarter of 2014.

As at March 31, 2014, the Syndicated Senior Term Loan and Revolving Credit Facilities Agreement (SFA) consisted of the following tranches:

		03/31/2014	03/31/2014	12/31/2013	03/31/2014	12/31/2013	
Tranche	Currency	Face value in millions	Carrying amount in € millions		Coupon		Maturity
Senior Term Loan C [1]	EUR	299	293	292	Euribor + 3.75 % [2]	Euribor + 3.75 %	01/27/2017
Senior Term Loan C [3]	USD	1,699	1,215	1,213	Libor + 3.25 % [4]	Libor + 3.25 %	01/27/2017
Senior Term Loan D [5]	EUR	730	715	713	Euribor + 2.875 % [6]	Euribor + 2.875 %	06/30/2016
Revolving Credit Facility [7]	EUR	1,000	-8	-9	Euribor + 2.875 % [6]	Euribor + 2.875 %	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] Since April 22, 2013, previously Senior Term Loan A.
[6] Since November 21, 2013 (December 31, 2012: 4.00 %).
[7] EUR 36 m (December 31, 2013: EUR 49 m) were drawn down as at March 31, 2014, primarily in the form of letters of credit.

The following bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, were outstanding as at March 31, 2014:

		03/31/2014	03/31/2014	12/31/2013		
ISIN	Currency	Face value in millions	Carrying amount in € millions		Coupon	Maturity
XS0741938624	EUR	800	789	788	7.75 %	02/15/2017
US806261AC75	USD	600	429	428	7.75 %	02/15/2017
XS0801261156	EUR	326	323	323	6.75 %	07/01/2017
XS0923613060	EUR	600	596	595	4.25 %	05/15/2018
XS0741939788	EUR	400	398	398	8.75 %	02/15/2019
US806261AA10	USD	500	361	361	8.50 %	02/15/2019
US806261AE32	USD	850	613	612	4.75 %	05/15/2021

Schaeffler Group liquidity

At March 31, 2014, cash and cash equivalents amounted to EUR 223 m (December 31, 2013: EUR 300 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 36 m were utilized as at March 31, 2014, primarily in the form of letters of credit.

Supplementary report

In statements made on April 11, April 24, May 06, and May 08, 2014, the Schaeffler Group announced a refinancing of approximately EUR 3.5 bn of its financial debt. As part of this transaction, Schaeffler is redeeming its 8.75 % Senior Secured Notes due in 2019 (ISIN: XS0741939788), its 8.5 % Senior Secured Notes due in 2019 (ISIN: USN77608AA00) and its 6.75 % Senior Secured Notes due in 2017 (ISIN: XS0801261156), all of which were issued in 2012. In addition, the company has replaced its institutional loan tranche C (Euro/U.S. Dollar) equivalent to approximately EUR 1.5 bn with new tranche E (Euro/U.S. Dollar) with a longer term maturing in May 2020 and improved terms and conditions. The replacement transaction also includes an amendment of certain terms and conditions of the existing Syndicated Term Loan and Revolving Credit Facilities Agreement (SFA). Finally, the company will place four new bond issues totaling approximately EUR 2.0 bn denominated in Euro and U.S. Dollar with terms of five, seven, and eight years on May 14, 2014. The proceeds of the bond issues will be used to redeem the Senior Secured Notes issued in 2012 as discussed above, to partially pre-pay tranche D (Euro) due in 2016, and to finance the European Commission's antitrust penalty due in June 2014.

No other material events expected to have a significant impact on the results of operations, financial position, and net assets of the Schaeffler Group occurred after March 31, 2014.

Report on opportunities and risks

Please refer to pages 112 et seq. of the Schaeffler annual report 2013 for a discussion of Schaeffler's risk management system and potential opportunities and risks. The statements made in the annual report 2013 regarding the opportunities and risks are largely unchanged.

Given the antitrust penalty imposed by the European Commission, there is a risk that third parties may claim damages. Other antitrust authorities are still investigating possible agreements violating antitrust law. 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

Based on the forecast issued by the International Monetary Fund in April 2014, the Schaeffler Group continues to expect that the global economy will grow by approximately 3 to 4 % in 2014. In this favorable economic environment, the Schaeffler Group still expects stable and profitable growth for the current year. Please refer to pages 125 and 126 of Schaeffler's annual report 2013 for a more detailed discussion.

Schaeffler Group outlook

Following the good start to the new year and the strong growth of the Automotive division in the first quarter of 2014, the Schaeffler Group has raised its revenue forecast for the year. The company expects to generate revenue growth of more than 7 % (previously: 5 to 7 %). In arriving at its forecast, Schaeffler has assumed largely constant exchange rates. The Group continues to anticipate an EBIT margin of 12 to 13 % in 2014. The Schaeffler Group is also expecting to generate positive free cash flow in 2014.

Herzogenaurach, May 12, 2014

The Executive Board

Consolidated interim financial statements

Consolidated income statement 34
Consolidated statement of comprehensive income 35
Consolidated statement of financial position 36
Consolidated statement of cash flows 37
Consolidated statement of changes in shareholders' equity 38
Consolidated segment information 39
Condensed notes to the consolidated financial statements 40

Consolidated income statement

in € millions	1st three months 2014	2013	Change in %
Revenue	2,976	2,756	8.0
Cost of sales	-2,109	-1,965	7.3
Gross profit	**867**	**791**	**9.6**
Research and development expenses	-156	-152	2.6
Selling expenses	-192	-188	2.1
Administrative expenses	-114	-113	0.9
Other income	18	24	-25.0
Other expenses	-9	-7	28.6
Earnings before financial result, income from equity-accounted investees, and income taxes (EBIT)	**414**	**355**	**16.6**
Financial income	27	51	-47.1
Financial expenses	-142	-218	-34.9
Financial result	**-115**	**-167**	**-31.1**
Income from equity-accounted investees	**180**	**135**	**33.3**
Earnings before income taxes	**479**	**323**	**48.3**
Income taxes	-95	-89	6.7
Net income	**384**	**234**	**64.1**
Attributable to shareholders of the parent company	382	233	63.9
Attributable to non-controlling interests	2	1	100

Consolidated statement of comprehensive income

	1st three months					
			2014			2013
in € millions	before taxes	taxes	after taxes	before taxes	taxes	after taxes
Net income	**479**	**-95**	**384**	**323**	**-89**	**234**
Foreign currency translation differences for foreign operations	-4	0	-4	45	0	45
Net gain (loss) on hedge of net investment in foreign operations	0	0	0	-17	0	-17
Effective portion of changes in fair value of cash flow hedges	-19	5	-14	-3	1	-2
Share of other comprehensive income (loss) of equity-accounted investees	-11	0	-11	30	0	30
Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	**-34**	**5**	**-29**	**55**	**1**	**56**
Defined benefit plan actuarial gains (losses)	-62	14	-48	-41	7	-34
Income (loss) of equity-accounted investees	-32	11	-21	26	-30	-4
Total other comprehensive income (loss) that will not be reclassified to profit or loss	**-94**	**25**	**-69**	**-15**	**-23**	**-38**
Total other comprehensive income (loss)	**-128**	**30**	**-98**	**40**	**-22**	**18**
Total comprehensive income (loss) for the period	**351**	**-65**	**286**	**363**	**-111**	**252**
Total comprehensive income (loss) attributable to shareholders of the parent company	347	-65	282	359	-111	248
Total comprehensive income (loss) attributable to non-controlling interests	4	0	4	4	0	4
Total comprehensive income (loss) for the period	**351**	**-65**	**286**	**363**	**-111**	**252**

Consolidated statement of financial position

in € millions	03/31/2014	12/31/2013	03/31/2013	Change in % [1]
ASSETS				
Intangible assets	535	538	549	-0.6
Property, plant and equipment	3,330	3,369	3,500	-1.2
Investments in equity-accounted investees	5,234	5,085	5,200	2.9
Other investments	14	14	14	0.0
Other financial assets	217	206	89	5.3
Other assets	59	59	66	0.0
Income tax receivables	12	12	16	0.0
Deferred tax assets	257	230	398	11.7
Total non-current assets	**9,658**	**9,513**	**9,832**	**1.5**
Inventories	1,617	1,536	1,543	5.3
Trade receivables	1,957	1,676	1,855	16.8
Other financial assets	83	119	85	-30.3
Other assets	150	141	135	6.4
Income tax receivables	148	142	52	4.2
Cash and cash equivalents	223	300	458	-25.7
Total current assets	**4,178**	**3,914**	**4,128**	**6.7**
Total assets	**13,836**	**13,427**	**13,960**	**3.0**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	500	500	500	0.0
Reserves	2,775	2,643	2,010	5.0
Accumulated other comprehensive income (loss)	-809	-709	-464	14.1
Equity attributable to shareholders of the parent company	**2,466**	**2,434**	**2,046**	**1.3**
Non-controlling interests	61	57	64	7.0
Total shareholders' equity	**2,527**	**2,491**	**2,110**	**1.4**
Provisions for pensions and similar obligations	1,584	1,516	1,608	4.5
Provisions	102	96	60	6.3
Financial debt	6,174	5,965	7,088	3.5
Income tax payables	324	340	281	-4.7
Other financial liabilities	165	162	171	1.9
Other liabilities	5	5	4	0.0
Deferred tax liabilities	151	154	145	-1.9
Total non-current liabilities	**8,505**	**8,238**	**9,357**	**3.2**
Provisions	218	599	237	-63.6
Financial debt	221	225	204	-1.8
Trade payables	1,032	1,014	908	1.8
Income tax payables	220	155	192	41.9
Other financial liabilities	376	419	374	-10.3
Other liabilities	737	286	578	> 100
Total current liabilities	**2,804**	**2,698**	**2,493**	**3.9**
Total shareholders' equity and liabilities	**13,836**	**13,427**	**13,960**	**3.0**

[1] March 31, 2014, compared to December 31, 2013.

Consolidated statement of cash flows

in € millions	1st three months 2014	1st three months 2013	Change in %
Operating activities			
EBIT	414	355	16.6
Interest paid	-111	-190	-41.6
Interest received	1	2	-50.0
Income taxes paid	-60	-58	3.4
Depreciation, amortization and impairments	155	157	-1.3
Gains (losses) on disposal of assets	0	0	0.0
Other non-cash items	-8	-10	-20.0
Changes in:			
• Inventories	-83	-29	> 100
• Trade receivables	-285	-211	35.1
• Trade payables	47	126	-62.7
• Provisions for pensions and similar obligations	-7	-9	-22.2
• Other assets, liabilities and provisions	71	39	82.1
Cash flows from operating activities [1]	**134**	**172**	**-22.1**
Investing activities			
Proceeds from disposals of intangible assets and property, plant and equipment	2	2	0.0
Capital expenditures on intangible assets	-4	-4	0.0
Capital expenditures on property, plant and equipment	-151	-117	29.1
Investments in other financial investments	0	-1	-100
Cash used in investing activities	**-153**	**-120**	**27.5**
Financing activities			
Receipts from loans	0	1	-100
Repayments of loans	-2	-14	-85.7
Other financing activities [2]	-56	-18	> 100
Cash used in financing activities	**-58**	**-31**	**87.1**
Net increase (decrease) in cash and cash equivalents	**-77**	**21**	**-**
Effects of foreign exchange rate changes on cash and cash equivalents	0	4	-100
Cash and cash equivalents as at beginning of period	300	433	-30.7
Cash and cash equivalents as at end of period	**223**	**458**	**-51.3**

[1] Excluding interest payments, cash flows from operating activities for the period from January 01 to March 31, 2014, amount to EUR 245 m (prior year: EUR 362 m).
[2] Including payments to the shareholder, Schaeffler Verwaltungs GmbH, of EUR 50 m (prior year: EUR 0 m).

Consolidated statement of changes in shareholders' equity

in € millions	Share capital	Reserves	Accumulated other comprehensive income (loss) [1]				Subtotal	Non-controlling interests	Total
			Translation reserve	Hedging reserve	Fair value reserve	Reserve for actuarial gains and losses			
Balance as at January 01, 2013	**500**	**2,027**	**75**	**-2**	**2**	**-554**	**2,048**	**60**	**2,108**
Net income		233					233	1	234
Other comprehensive income (loss)			55	-2	0	-38	15	3	18
Total comprehensive income (loss) for the period	**0**	**233**	**55**	**-2**	**0**	**-38**	**248**	**4**	**252**
Transactions with shareholders									
Dividends		-250					-250		-250
Total amount of transactions with shareholders		**-250**					**-250**		**-250**
Balance as at March 31, 2013	**500**	**2,010**	**130**	**-4**	**2**	**-592**	**2,046**	**64**	**2,110**
Balance as at January 01, 2014	**500**	**2,643**	**-249**	**-6**	**1**	**-455**	**2,434**	**57**	**2,491**
Net income		382					382	2	384
Other comprehensive income (loss)			-17	-14	1	-70	-100	2	-98
Total comprehensive income (loss) for the period	**0**	**382**	**-17**	**-14**	**1**	**-70**	**282**	**4**	**286**
Transactions with shareholders									
Dividends		-250					-250	0	-250
Total amount of transactions with shareholders		**-250**					**-250**		**-250**
Balance as at March 31, 2014	**500**	**2,775**	**-266**	**-20**	**2**	**-525**	**2,466**	**61**	**2,527**

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

Consolidated segment information

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

	Automotive		Industrial		Total	
	1st three months		1st three months		1st three months	
in € millions	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue	2,212	1,987	764	769	2,976	2,756
Cost of sales	-1,590	-1,453	-519	-512	-2,109	-1,965
Gross profit	622	534	245	257	867	791
EBIT	322	260	92	95	414	355
• in % of revenue	14.6	13.1	12.0	12.4	13.9	12.9
Depreciation, amortization and impairments	-109	-112	-46	-45	-155	-157
Inventories [1)]	950	909	667	634	1,617	1,543
Trade receivables [1)]	1,439	1,325	518	530	1,957	1,855
Property, plant and equipment [1)]	2,364	2,430	966	1,070	3,330	3,500
Additions to intangible assets and property, plant and equipment	93	80	34	23	127	103

Prior year information based on 2014 segment structure.
[1)] Amounts as at March 31.

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 March 31, 2014, 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 March 31, 2014 have been prepared on a condensed basis in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”. They do not include all information necessary for a complete set of consolidated financial statements.

The accounting policies used in these consolidated interim financial statements are largely based on the accounting policies used in the 2013 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 2014 differ from these policies:

- IFRS 10 “Consolidated Financial Statements”: Introduces a consistent definition of control for consolidation purposes. The initial application of this standard did not impact the scope of consolidation of Schaeffler AG.

- IFRS 11 “Joint Arrangements”: Joint arrangements will now be classified and accounted for based on the economic substance of the cooperation. IFRS 11 replaces IAS 31 “Interests in Joint Ventures”. Its initial application did not have a significant impact on these consolidated interim financial statements.

- IAS 28 “Investments in Associates and Joint Ventures (revised 2011)”: Amends and renames the previous standard IAS 28 “Investments in Associates”. Expands the scope of the standard to include accounting for joint ventures using the equity method and incorporates the guidance contained in Standing Interpretations Committee (SIC) 13 Interpretation “Jointly

Controlled Entities – Non-Monetary Contributions by Venturers". The initial application of these amendments has not had any significant impact on these consolidated interim financial statements.

- IAS 32 "Financial Instruments: Presentation": Provides certain clarifications regarding offsetting financial assets and liabilities. The initial application of these amendments has not had any significant impact on these consolidated interim financial statements.

- IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting": Eliminates the requirement to discontinue hedge accounting upon novation under certain conditions. The amendments have not impacted these consolidated interim financial statements.

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, 2013.

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, 2013: 158); 55 companies are domiciled in Germany (December 31, 2013: 55) and 103 are foreign entities (December 31, 2013: 103).

The following changes have occurred since December 31, 2013:
Schaeffler Peru S.A.C., Lima, founded in late 2013, was consolidated for the first time. One company was removed from consolidation during the reporting period due to the liquidation of INA Mexico S.A. de C.V., Mexico City.

In the consolidated interim financial statements as at March 31, 2014, seven investments (four associates 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, 2013: 68,390,458 shares) or 34.19 % (December 31, 2013: 34.19 %) of the voting interest in Continental AG as at March 31, 2014.

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	2014	2013
Revenue (01/01-03/31)	8,390	8,033
Net income [1] (01/01-03/31)	608	463
Assets (as at 03/31)	27,795	28,256
Liabilities (as at 03/31)	17,973	19,518

[1] Including non-controlling interests.

Income from 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.

Income from equity-accounted investees totaling EUR 180 m (prior year: EUR 135 m) results almost entirely from measuring the investment in Continental AG (held indirectly) using the equity method. The Schaeffler Group's share of depreciation, amortization, and impairments on fair value adjustments and its share of Continental AG's net income, net of deferred tax, result in income after tax of EUR 180 m (prior year: EUR 135 m).

The effect on Schaeffler AG's net income as at March 31, 2014, is as follows:

in € millions	2014	2013
Depreciation, amortization and impairments of fair value adjustments	-32	-35
Share of net income of Continental AG	201	160
Effect before income taxes	**169**	**125**
Deferred taxes	10	10
Effect on net income before special items [1]	**179**	**135**
Special items [1]		
• Adjustment of impairment losses on investments in associated companies	1	0
Effect on net income after special items [1]	**180**	**135**

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

The Schaeffler Group's share of other comprehensive loss of Continental AG amounts to EUR -32 m (prior year: other comprehensive income of EUR 25 m).

Due to the improvement in its rating, Continental AG's ability to pay dividends was not restricted by debt covenants as at December 31, 2013. On April 28, 2014, Continental AG paid a dividend of EUR 2.50 (prior year: EUR 2.25) per share in respect of 2013.

Based on a share price of EUR 173.90 per share (prior year: EUR 93.27 per share), the fair value of the Continental AG shares held by Schaeffler Beteiligungsholding GmbH & Co. KG (34.19 %) was EUR 11,893 m (prior year: EUR 6,743 m) on March 31, 2014.

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 three months	
Reconciliation to earnings before income taxes in € millions	**2014**	**2013**
EBIT Automotive [1]	322	260
EBIT Industrial [1]	92	95
EBIT	**414**	**355**
Financial result	**-115**	**-167**
Income from equity-accounted investees	**180**	**135**
Earnings before income taxes	**479**	**323**

[1] Prior year information presented based on 2014 segment structure.

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.

			03/31/2014		12/31/2013		03/31/2013	
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	1,957	1,957	1,676	1,676	1,855	1,855
Other investments [1]	AfS	1	14	-	14	-	14	-
Other financial assets								
• Marketable securities	AfS	1	9	9	9	9	3	3
• Other loans receivable [2]	LaR	1	45	45	68	68	38	77
• Derivatives designated as hedging instruments	n/a	2	32	32	42	42	10	10
• Derivatives not designated as hedging instruments	HfT	2	214	214	207	207	84	84
Cash and cash equivalents	LaR	1	223	223	300	300	458	458
Financial liabilities, by class								
Financial debt	FLAC	2	6,395	7,050	6,190	6,761	7,292	7,906
Trade payables	FLAC	1	1,032	1,032	1,014	1,014	908	908
Other financial liabilities								
• Derivatives designated as hedging instruments	n/a	2	112	112	104	104	160	160
• Derivatives not designated as hedging instruments	HfT	2	59	59	63	63	24	24
• Other financial liabilities [2]	FLAC	1	371	371	414	414	361	361
Summary by category								
Available-for-sale financial assets (AfS)			23	-	23	-	17	-
Financial assets held for trading (HfT)			214	-	207	-	84	-
Loans and receivables (LaR)			2,225	-	2,044	-	2,351	-
Financial liabilities at amortized cost (FLAC)			7,798	-	7,618	-	8,561	-
Financial liabilities held for trading (HfT)			59	-	63	-	24	-

[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 1-3). 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 caps 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 during the first three months of 2014, and no (partial) disposals are planned for the foreseeable future.

Contingent liabilities and other financial obligations

At March 31, 2014, the Schaeffler Group had open commitments under fixed contracts to purchase property, plant and equipment of EUR 213 m (December 31, 2013: EUR 177 m). EUR 187 m of the commitments existing at March 31, 2014, are expected to be settled within one year and EUR 26 m in more than one year but within five years.

Contingent liabilities amounted to EUR 22 m at March 31, 2014, (December 31, 2013: EUR 19 m) and consisted primarily of claims raised by employees and reassessments from taxation authorities. The potential repayment resulting from the change in the surcharge following the amendment of the Renewable Energy Law amounted to EUR 7 m.

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 March 31, 2014, were as follows:

	Receivables		Payables	
in € millions	**03/31/2014**	**12/31/2013**	**03/31/2014**	**12/31/2013**
Continental Group companies	18	12	9	12

	Expenses		Income	
in € millions	**2014**	**2013**	**2014**	**2013**
Continental Group companies (01/01-03/31)	13	8	25	21

Payables to IHO companies were EUR 653 m (December 31, 2013: EUR 446 m) at March 31, 2014, and consisted primarily of EUR 652 m (December 31, 2013: EUR 440 m) in liabilities due to the shareholder, Schaeffler Verwaltungs GmbH. The increase was primarily due to the higher balance of the loan due to the company's sole shareholder due to the dividend declared in March 2014.

Events after the reporting period

In statements made on April 11, April 24, May 06, and May 08, 2014, the Schaeffler Group announced a refinancing of approximately EUR 3.5 bn of its financial debt. As part of this transaction, Schaeffler is redeeming its 8.75 % Senior Secured Notes due in 2019 (ISIN: XS0741939788), its 8.5 % Senior Secured Notes due in 2019 (ISIN: USN77608AA00) and its 6.75 % Senior Secured Notes due in 2017 (ISIN: XS0801261156), all of which were issued in 2012. In addition, the company has replaced its institutional loan tranche C (Euro/U.S. Dollar) equivalent to approximately EUR 1.5 bn with new tranche E (Euro/U.S. Dollar) with a longer term maturing in May 2020 and improved terms and conditions. The replacement transaction also includes an amendment of certain terms and conditions of the existing Syndicated Term Loan and Revolving Credit Facilities Agreement (SFA). Finally, the company will place four new bond issues totaling approximately EUR 2.0 bn denominated in Euro and U.S. Dollar with terms of five, seven, and eight years on May 14, 2014. The proceeds of the bond issues will be used to redeem the Senior Secured Notes issued in 2012 as discussed above, to partially pre-pay tranche D (Euro) due in 2016, and to finance the European Commission's antitrust penalty due in June 2014.

No other material events expected to have a significant impact on the results of operations, financial position, and net assets of the Schaeffler Group occurred after March 31, 2014.

Herzogenaurach, May 12, 2014

The Executive Board

Additional information

Imprint 50
Summary 1st quarter 2013 to 1st quarter 2014 51
Financial calendar 2014 52
Contact details 53

Imprint

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

Responsible for content:
Financial Communications, Schaeffler AG, Herzogenaurach

Coordination/Editor:
Financial Communications, 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.

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

May 2014

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 2013 to 1st quarter 2014

in € millions	2013 1st quarter	2013 2nd quarter	2013 3rd quarter	2013 4th quarter	2014 1st quarter
Income statement					
Revenue	2,756	2,858	2,811	2,780	2,976
EBITDA	512	530	472	120	569
• in % of revenue	18.6	18.5	16.8	4.3	19.1
Adjusted EBITDA [1)]			520	500	560
• in % of revenue			18.5	18.0	18.8
EBIT	355	369	314	-56	414
• in % of revenue	12.9	12.9	11.2	-2.0	13.9
Adjusted EBIT [2)]			362	324	405
• in % of revenue			12.9	11.7	13.6
Net income [3)]	**233**	**328**	**459**	**-155**	**382**
Statement of financial position					
Total assets	13,960	14,110	13,661	13,427	13,836
Shareholders' equity [4)]	2,110	2,325	2,706	2,491	2,527
• in % of total assets	15.1	16.5	19.8	18.6	18.3
Net financial debt [5)]	6,533	6,132	5,445	5,447	5,527
• Net financial debt to EBITDA ratio [6)]	3.3	3.1	2.8	3.3	3.3
• Net financial debt to adjusted EBITDA ratio [6), 7)]			2.7	2.6	2.6
Additions to intangible assets and property, plant and equipment [8)]	103	101	116	253	127
Statement of cash flows					
Free cash flow [9)]	52	334	203	40	-19
Employees					
Headcount (at end of reporting period)	76,186	76,840	77,850	78,559	79,686

1) Adjusted EBITDA – excluding special items (personnel-related structural measures of EUR 48 m in Q3 2013, provision EU antitrust proceedings of EUR 380 m in Q4 2013, and reversal of EUR 9.5 m of the provisions for the EU antitrust proceedings through profit or loss in Q1 2014).
2) Adjusted EBIT – excluding special items (see footnote 1).
3) Attributable to shareholders of the parent company.
4) Including non-controlling interests.
5) Excluding shareholder loans.
6) EBITDA based on the last twelve months.
7) Adjusted financial debt to EBITDA ratio – excluding special items (see footnote 1).
8) Additions to intangible assets and property, plant and equipment for the quarter.
9) Free cash flow for the quarter.

Financial calendar 2014

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

Financial Communications

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