SCHAEFFLER

Q2

Interim Financial Report

as at June 30, 2012

LuK INA FAG

Key Figures

in € millions	1st six months 2012	1st six months 2011	Change	
Income statement				
Revenue	5,652	5,379	5.1	%
EBITDA	1,079	1,165	-7.4	%
· in % of revenue	19.1	21.7	-2.6	%-pts.
EBIT	780	883	-11.7	%
· in % of revenue	13.8	16.4	-2.6	%-pts.
Net income [1]	505	641	-136	€ millions

in € millions	6/30/2012	12/31/2011	Change	
Statement of financial position				
Total assets	13,806	12,989	6.3	%
Shareholders' equity [2]	1,865	1,714	151	€ millions
· in % of total assets	13.5	13.2	0.3	%-pts.
Net financial debt [3]	6,828	6,668	2.4	%
· Financial debt to EBITDA ratio [4]	3.2	3.0	0.2	pts.
Capital expenditures [5]	459	312 *	147	€ millions

in € millions	1st six months 2012	1st six months 2011	Change	
Statement of cash flows				
Cash flows from operating activities	495	371	124	€ millions
Free cash flow	30	77	-47	€ millions
Employees				
Number of employees (as at June 30.)	75,868	71,084	6.7	%

[1] Attributable to shareholders of the parent company.
[2] Including non-controlling interests.
[3] Excluding shareholder loans.
[4] EBITDA based on last twelve months.
[5] Additions (*2011: For period ended June 30, 2011).

in € millions	1st six months 2012	1st six months 2011	Change	
Automotive				
Revenue	3,842	3,589	7.0	%
EBITDA	711	765	-7.1	%
· in % of revenue	18.5	21.3	-2.8	%-pts.
EBIT	504	563	-10.5	%
· in % of revenue	13.1	15.7	-2.6	%-pts.

Prior year information presented based on 2012 segment structure.

in € millions	1st six months 2012	1st six months 2011	Change	
Industrial				
Revenue	1,773	1,733	2.3	%
EBITDA	368	400	-8.0	%
· in % of revenue	20.8	23.1	-2.3	%-pts.
EBIT	276	320	-13.8	%
· in % of revenue	15.6	18.5	-2.9	%-pts.

Prior year information presented based on 2012 segment structure.

Six months ended June 30, 2012

Growth continued:

Revenue for 1st six months up **5.1** % to around EUR **5.7** bn

Earnings quality maintained:

EBIT margin at **13.8** % of revenue

Operating cash flow improved:

EUR **137** m free cash flow for second quarter

Consolidated net earnings positive:

Net income EUR **505** m

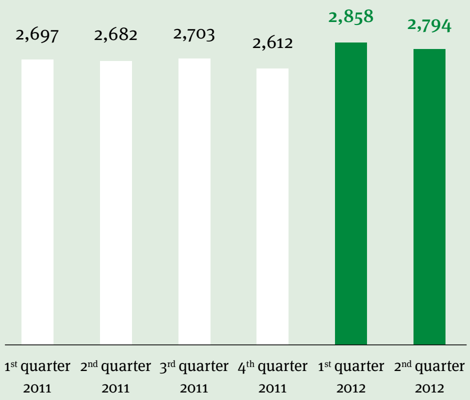
Capital structure further improved:

Successful placement of EUR **300** m high yield bond in late June

First six months of 2012 in numbers

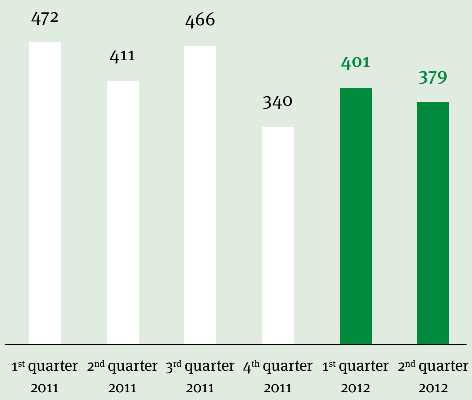
Revenue

in € millions



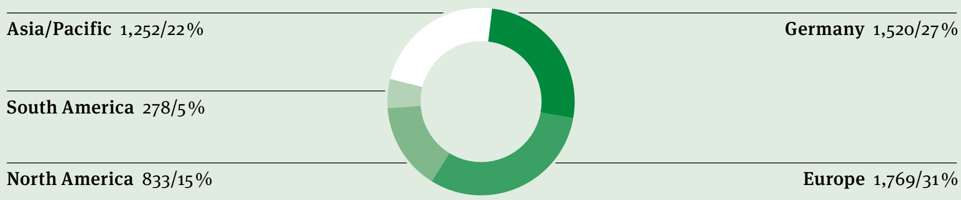
Earnings before financial result and income taxes (EBIT)

in € millions



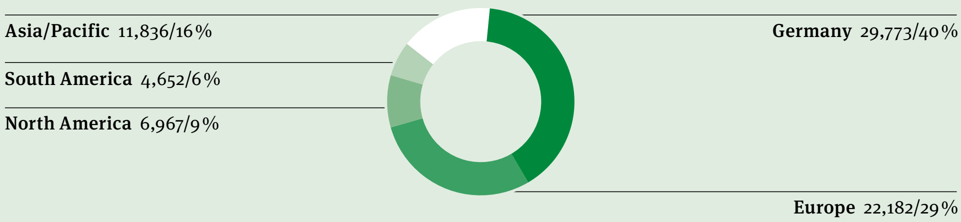
Revenue 1st six months 2012 by region

Market view (€ millions/in percent)



Headcount 1st six months 2012 by region

Averages (numbers/percent)



Together we move the world.
Schaeffler AG develops and manufactures precision products for all applications with moving technology – in machinery, plants and motor vehicles. We provide our customers with customized solutions that help them move the world – around the world. Schaeffler's operating business is divided into the two segments Automotive and Industrial.

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

Contents

Schaeffler-Bonds

Bonds issued by the Schaeffler Group

ISIN	Currency	Face value in millions	Coupon	Maturity	Price [1] 7/31/2012
XS0801261156	EUR	326	6.75 %	7/01/2017	103.48
XS0741938624	EUR	800	7.75 %	2/15/2017	105.15
US806261AC75	USD	600	7.75 %	2/15/2017	106.06
XS0741939788	EUR	400	8.75 %	2/15/2019	107.31
US806261AA10	USD	500	8.50 %	2/15/2019	107.19

[1] Source: Bloomberg.

On June 29, 2012, Schaeffler Finance B.V., Netherlands, placed a bond (ISIN: XS0801261156) in denominations of EUR 1,000 with retail and institutional investors in Germany and Luxemburg as well as institutional investors in other countries in Europe. The bond started trading on July 4, 2012 on the regulated market of the Luxemburg Stock Exchange. It has a term of five years and bears interest at 6.75 %. The issue price was approximately 99 %. The bond is guaranteed by Schaeffler AG and selected subsidiaries. In issuing this bond, Schaeffler has expanded into a new market segment and further diversified its investor base. At the same time, the bond helps to further improve the maturity profile of the company's debt.

Despite the volatile market situation, the bond was oversubscribed four times. In light of high demand, the offer was increased from initially EUR 200 m to EUR 300 m. In addition, employees in Germany had the opportunity to subscribe for the bond during a separate, longer subscription period in July 2012. With this innovative offering, the Schaeffler Group for the first time gave its employees in Germany the opportunity to purchase a bond issued by their own company. This additional employee tranche had a volume of approximately EUR 26 m, bringing the total amount of the bond offer to around EUR 326 m.

In February 2012, Schaeffler AG had placed bonds totaling EUR 2.0 billion as part of its debt refinancing arrangement. The issue consisted of two tranches denominated in Euros and two in US-dollars. The two Euro-tranches, which total EUR 1.2 billion, have maturities of five and seven years and bear interest at 7.75 % and 8.75 %. The two Dollar-tranches, which total USD 1.1 billion, also have maturities of five and seven years and carry interest rates of 7.75 % and 8.50 %. The bonds were issued by Schaeffler Finance B.V. and are guaranteed by Schaeffler AG and selected subsidiaries.

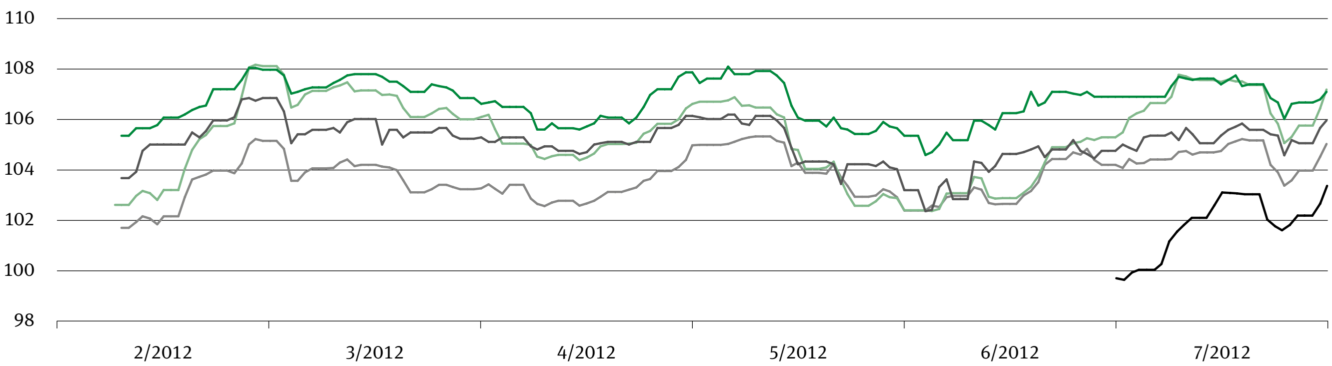
Performance of Schaeffler Group bonds

Persisting risks have left the international money and capital markets volatile during the first six months of 2012. Schaeffler's bonds fared very well in this difficult environment. The EUR bond (ISIN: XS0741939788) bearing interest at 8.75 % and maturing in 2019 showed the best performance among the Schaeffler Group bonds during the nearly six months since it was issued. It had risen 7.3 percentage points by July 31, 2012.

Performance since placement

in %

Source: Bloomberg



Schaeffler's rating

Schaeffler AG has been rated externally by the two agencies Moody's and Standard & Poor's (S&P) since January 2012. Moody's currently rates Schaeffler AG at B2 with a stable outlook and has assigned a B1 rating to the bonds. S&P has upgraded Schaeffler AG's rating from B to B+ on August 9, 2012. The outlook is stable. S&P's rating for the bonds has also been upgraded from B to B+.

	Company		Bonds
Rating agency	**Rating**	**Outlook**	**Rating**
Standard & Poor's	B+	stable	B+
Moody's	B2	stable	B1

Group interim management report

Disclaimer

This management report contains forward-looking statements that are based on management's current estimation at the time of the creation of this report. Such statements refer to future periods or they are designated by terms such as "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 at June 30, 2012 do not include all information necessary for a complete set of consolidated financial statements.

Economic environment

At the half-year mark 2012, the global economy is in a phase of weakness affecting nearly all regions to a greater or lesser extent. The positive developments expected during the early months of this year did not materialize. The deciding factor in this is primarily the significant uncertainty felt by consumers and investors as a result of the renewed escalation of the European debt crisis, but also low expected growth in important Asian markets and lasting economic uncertainty in the U.S.

Compared to the other euro area countries, the economy in Germany proved remarkably robust during the first six months of 2012. However, recent business climate indicators are now also pointing towards a deterioration of the German economy. The real economy is increasingly being hampered by uncertainty regarding further developments in the debt crisis, the volatile situation in the financial markets, and concerns about an extensive economic downturn affecting important trading partners. In the U.S., economic recovery has continued, although there, too, a decrease in momentum is noticeable. The deteriorating situation in the labor market and uncertainty regarding fiscal policy are curbing the increase in private consumption. Economic growth in China has slowed down since early 2012. Key reasons for this are lower spending on housing construction and lower foreign demand as a result of the European debt crisis. Despite this, global economic growth of approximately 3 % is expected for the current year. Difficult-to-predict political decisions are currently influencing economic trends more strongly than usual.

Global automobile production grew 8.6 % during the first six months of 2012 compared to the prior year period, reaching a volume of 41.3 million passenger cars and light commercial vehicles produced (source: IHS Global Insight Automotive). In the U.S., improved consumer confidence supported demand for passenger cars and light commercial vehicles. This led to an increase in production of 24.7 % compared to the first six months of the prior year. In Western Europe, uncertainties caused by the sovereign debt crisis have also impacted the automotive market. Production fell 7.3 % to 6.9 million vehicles. Germany remains the anchor of stability in Western Europe, producing 3.0 million passenger cars and light commercial vehicles. Similar to Germany, the British automotive market also proved to be in surprisingly good condition. In South America, the automotive market is feeling the negative impact of economic turmoil and a strongly regulatory and protectionist industrial policy. Automobile production there declined by 5.9 % during the first six months. Production in Asia increased 14.9 % to 20.6 million vehicles for the first six months. In addition to the growth drivers China and India, this expansion is primarily due to encouraging development in Thailand and an above-average growth rate in Japan. Japan experienced very low production levels during the first six months of the prior year due to the natural and nuclear disaster, resulting in an increase in its automobile production by more than 50 % during the first six months of this year. In our most recent forecast, we are still anticipating production of passenger vehicles and light commercial vehicles to grow by approximately 4 % in 2012.

Our Industrial business also faces significant challenges. Following the dynamic recovery of the past two years, the engineering market has cooled down worldwide towards mid-year and is now in a phase of weaker growth. In Europe, trends in investment activity varied during the first six months: While production rates in the engineering sector in Spain, Portugal, Italy, and Greece decreased slightly, machinery construction in Germany has still exhibited growth despite recent declines in order intake, according to the German Engineering Association ("Verband deutscher Maschinen- und Anlagenbau e.V." – VDMA). The main reason was orders that were postponed in 2008 and 2009 and were now being processed. U.S. machine tool manufacturers experienced above-average growth as a result of brisk investment activity. In China, demand for investment goods has declined compared to the high growth figures seen in 2011.

For 2012 as a whole, the VDMA expects the engineering sector worldwide to grow by around 5 %, provided China remains the key growth driver, although to an increasingly weaker extent.

Earnings

Schaeffler Group earnings

The Schaeffler Group and its divisions Automotive and Industrial continued to perform well despite the difficult economic situation.

	1st six months			2nd quarter		
in € millions	2012	2011	Change in %	2012	2011	Change in %
Revenue	5,652	5,379	5.1	2,794	2,682	4.2
Cost of sales	-3,933	-3,720	5.7	-1,960	-1,885	4.0
Gross profit	1,719	1,659	3.6	834	797	4.6
Functional expenses [1]	-917	-802	14.3	-452	-407	11.1
EBIT	780	883	-11.7	379	411	-7.8
· in % of revenue	13.8	16.4	-	13.6	15.3	-
Financial result	-98	-20	> 100	-24	-125	-80.8
Income taxes	-170	-215	-20.9	-82	-79	3.8
Net income [2]	505	641	-21.2	269	203	32.5

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

Revenue for the first six months of 2012 increased around 5 % to EUR 5,652 m (prior year: EUR 5,379 m) compared to the corresponding prior year period. Not only the continuing sound demand in the Automotive division and in key sectors in the Industrial division, but also particularly our excellent position in growth markets has been driving the growth in revenue. Thus, the U.S. market and the Asia/Pacific region continued on their dynamic growth path during the second quarter of 2012. Both regions remained the Schaeffler Group's largest growth markets during the first six months of 2012.

The domestic market in Germany was stable during the first six months and managed to once more exceed the prior year's high level by a small margin in the second quarter 2012. Meanwhile, revenue in the rest of Europe declined again slightly during the second quarter of 2012, primarily due to the difficult economic situation in certain countries.

Not only above-average growth of top-selling product groups such as cam shaft phasing units, torque converters, continuously variable transmission systems, chain drives, and axial needle roller bearings, but increasingly also new orders acquired for our innovative new products – for instance ball screw drives or double clutches – and the resulting increase in production volumes stand out as significant revenue drivers in the Automotive division.

While our Automotive division was able to increase its revenue by 7.0 % to EUR 3,842 m (prior year: EUR 3,589 m), Industrial division revenue grew 2.3 % to EUR 1,773 m (prior year: EUR 1,733 m). Although the U.S. market experienced a more than proportional increase in volume, primarily in the Aftermarket business and in the aerospace sector, Asia, in particular, saw significant declines in revenue in the wind power sector, which had a significant impact on the overall Industrial division revenue trend, particularly for the second quarter.

Schaeffler Group gross profit grew by EUR 60 m to EUR 1,719 m during the first six months of 2012. The positive trend is not only the result of higher volumes, but primarily of cost savings resulting from continual improvements in our production processes. This is contrasted by higher preproduction costs for future growth and new products as well as slightly increased materials prices. Since cost of sales grew slightly more than revenue, gross margin declined to 30.4 % (prior year: 30.8 %).

Research and development expenses for the second quarter of 2012 were at the same level as those for the first three months of the year. In total, the Schaeffler Group increased its research and development expenses by 20.5 % to EUR 294 m (prior year: EUR 244 m) during the first six months of 2012. In addition to the development of a large number of new products and production methods, the focus remained primarily on development activities around future-oriented vehicle technologies, particularly eMobility, during the second quarter of 2012.

Selling expenses rose 7.9 % to EUR 382 m (prior year: EUR 354 m) for the first six months of 2012. The increase is primarily due to higher revenue-related expenses such as freight and logistics expenses. Administrative expenses increased to EUR 241 m.

Earnings before financial result and income taxes amounted to EUR 780 m (prior year: EUR 883 m) for the first six months of 2012. At 13.6 %, Schaeffler was able to maintain its EBIT margin for the second quarter of 2012 nearly unchanged from that for the first three months of the year.

	1st six months			2nd quarter		
in € millions	2012	2011	Change in %	2012	2011	Change in %
Share of net income of equity-accounted investees	286	195	46.7	150	89	68.5
Interest income	33	22	50.0	1	8	-87.5
Interest expense	-417	-237	75.9	-175	-222	-21.2
Net interest expense	**-384**	**-215**	**78.6**	**-174**	**-214**	**-18.7**
Financial result	**-98**	**-20**	**> 100**	**-24**	**-125**	**-80.8**

The share of net income of equity-accounted investees of EUR 286 m (prior year: EUR 195 m) for the first six months of 2012 results almost entirely from the investment in Schaeffler Beteiligungsholding GmbH & Co. KG, to which Schaeffler AG transferred its 36.14 % interest in Continental AG on September 30, 2011.

Net interest expense of EUR 384 m (prior year: EUR 215 m) includes interest expense on financial debt of EUR 275 m (prior year: EUR 206 m), including amortization of transaction costs of EUR 40 m (prior year: EUR 17 m).

The remaining interest expense on financial debt of EUR 235 m (prior year: EUR 189 m) consists of EUR 144 m (prior year: EUR 187 m) in interest paid and EUR 91 m (prior year: EUR 2 m) in accrued interest.

Expenses for compensation payments on derivative financial instruments and other interest of EUR 45 m (prior year: EUR 92 m) also had a significant impact.

Valuation of derivative and non-derivative financial instruments and termination of cash flow hedge accounting in November 2009 resulted in net losses of EUR 24 m (prior year: net gains of EUR 109 m), consisting of losses of EUR 38 m and gains of EUR 14 m.

In addition, Schaeffler incurred net expenses of EUR 40 m (prior year: EUR 26 m) primarily related to pensions and other provisions and consisting of EUR 56 m (prior year: EUR 43 m) in expenses partially offset by EUR 16 m (prior year: EUR 17 m) in income.

Income taxes for the first six months of 2012 amounted to EUR 170 m (prior year: EUR 215 m), consisting of current tax expense of EUR 189 m (prior year: EUR 197 m) and a deferred tax benefit of EUR 19 m (prior year: deferred tax expense of EUR 18 m). Current tax expense of EUR 182 m relates to the current year and EUR 7 m relate to prior years. As it is not probable that the interest carryforwards from prior years (EUR 481 m) will be utilized, no deferred tax assets were recognized on these interest carryforwards. Interest expense of EUR 107 m was not tax deductible in 2012 because of the interest deduction cap.

In total, net income declined by EUR 136 m to EUR 505 m (prior year: EUR 641 m) during the first six months of 2012.

Automotive division

	1st six months			2nd quarter		
in € millions	2012	2011	Change in %	2012	2011	Change in %
Revenue	3,842	3,589	7.0	1,904	1,768	7.7
Cost of sales	-2,785	-2,584	7.8	-1,380	-1,289	7.1
Gross profit	1,057	1,005	5.2	524	479	9.4
EBIT	504	563	-10.5	259	262	-1.1
· in % of revenue	13.1	15.7	-	13.6	14.8	-

Prior year information presented based on 2012 segment structure.

Automotive division revenue increased 7.0 % from the prior year period to EUR 3,842 m (prior year: EUR 3,589 m) during the first six months of 2012. During the second quarter of 2012, revenue grew by 7.7 % to EUR 1,904 m (prior year: EUR 1,768 m) from the prior year quarter.

In 2012, revenue growth has been driven in particular by the sales markets in Asia (+25 %) and North America (+21 %). While a slight increase in revenue was also generated in Europe (+2 %), revenue declined in South America (-15 %).

Among the top-selling product groups, the dry double clutch, camshaft phasing units, and torque converters showed above-average growth. Innovative new products such as ball screw drives also experienced high growth rates, as did the product groups continuously variable transmission systems (CVT), chain drives, axial needle roller bearings, and ball bearings.

Cost of sales for the first six months of 2012 increased by 7.8 % to EUR 2,785 m (prior year: EUR 2,584 m), growing slightly more than revenue and, therefore, decreasing gross margin for the year-to-date 2012 by 0.5 percentage points to 27.5 % (prior year: 28.0 %). For the second quarter 2012, cost of sales increased by 7.1 % to EUR 1,380 m (prior year: EUR 1,289 m), growing slightly less than revenue, and thus brought gross margin up to 27.5 %, 0.4 percentage points above that of the prior year quarter (prior year: 27.1 %).

Higher production volumes had a positive effect on gross profit, but could not completely offset higher materials costs and increased energy and personnel costs.

In order to secure future growth opportunities, Automotive division research and development costs increased from EUR 179 m to EUR 212 m (+18.4 %), driven in particular by new product initiatives in the area of eMobility.

In total, Automotive division earnings before financial result and income taxes (EBIT) declined by EUR 59 m to EUR 504 m (prior year: EUR 563 m) during the first six months of 2012 compared to prior year. EBIT for the second quarter of 2012 of EUR 259 m was almost unchanged from the comparable prior year period (prior year: EUR 262 m). The EBIT margin decreased to 13.1 % (prior year: 15.7 %) during the first six months of 2012. The EBIT margin for the second quarter was 13.6 % (prior year: 14.8 %).

Industrial division

	1st six months			2nd quarter		
in € millions	**2012**	**2011**	Change in %	**2012**	**2011**	Change in %
Revenue	1,773	1,733	2.3	868	877	-1.0
Cost of sales	-1,111	-1,079	3.0	-558	-559	-0.2
Gross profit	662	654	1.2	310	318	-2.5
EBIT	276	320	-13.8	120	149	-19.5
· in % of revenue	15.6	18.5	-	13.8	17.0	-

Prior year information presented based on 2012 segment structure.

Industrial division revenue increased 2.3 % during the first six months of 2012 to EUR 1,773 m (prior year: EUR 1,733 m) compared to the prior year period. During the second quarter of 2012, revenue declined by 1.0 % to EUR 868 m (prior year: EUR 877 m) compared to the prior year quarter.

Revenue growth was strongest in North America (+17 %) and Germany (+3 %), while the other regions experienced slight declines in revenue.

Although revenue exceeded prior year in many sectors, the overall economic slowdown resulted in lower revenue growth than in the prior year. The wind power sector experienced significantly decreased revenue for reasons including the delay in grid expansion in key markets and increasing difficulties in obtaining financing as a result of high levels of national debt. In addition, the entire wind power sector is suffering from excess capacity and price competition. The production machinery sector, as well, was unable to fully offset declining revenues in the printing machinery, textile machinery and electronics manufacturing sub-sectors.

Cost of sales for the first six months of 2012 increased by 3.0 % to EUR 1,111 m (prior year: EUR 1,079 m). Since cost of sales grew slightly faster than revenue, gross margin declined slightly by 0.4 percentage points to 37.3 % (prior year: 37.7 %). During the second quarter 2012, cost of sales fell 0.2 % to EUR 558 m (prior year: EUR 559 m). At 35.7 %, gross margin was 0.6 percentage points below the prior year quarter (prior year: 36.3 %).

Although high production capacity utilization in general helped to recover fixed costs, the wind power sector in particular was unable to fully adapt existing manufacturing capacities to decreased sales volumes. The cost of raw materials was slightly higher than during the prior year comparison period.

In order to secure future growth opportunities, the Industrial division increased particularly its research and development expenses more than proportionally from EUR 65 m to EUR 82 m (+26.2 %).

In total, Industrial division earnings before financial result and income taxes (EBIT) declined by EUR 44 m to EUR 276 m during the first six months of 2012 compared to prior year (prior year: EUR 320 m). EBIT for the second quarter of 2012 of EUR 120 m was EUR 29 m below the level of the comparable prior year period (prior year: EUR 149 m). The EBIT margin decreased to 15.6 % (prior year: 18.5 %) during the first six months of 2012. The EBIT margin for the second quarter was 13.8 % (prior year: 17.0 %).

Assets and financial position

Asset structure

in € millions	6/30/2012	12/31/2011	Change in %
Intangible assets	556	553	0.5
Property, plant and equipment	3,510	3,328	5.5
Investments in equity-accounted investees	5,067	4,772	6.2
Other investments	14	14	0.0
Other assets	109	95	14.7
Income tax receivables	18	22	-18.2
Deferred tax assets	384	350	9.7
Total non-current assets	**9,658**	**9,134**	**5.7**
Inventories	1,653	1,562	5.8
Trade receivables	1,876	1,607	16.7
Other assets	198	200	-1.0
Income tax receivables	103	89	15.7
Cash and cash equivalents	318	397	-19.9
Total current assets	**4,148**	**3,855**	**7.6**
Total assets	**13,806**	**12,989**	**6.3**

The financial position as at June 30, 2012 is marked by an increase in total assets of EUR 817 m or 6.3 % to EUR 13,806 m (December 31, 2011: EUR 12,989 m). At 5.7 %, non-current assets grew slightly less than current assets, which increased 7.6 %.

Among non-current assets, investments in equity-accounted investees rose EUR 295 m to EUR 5,067 m (December 31, 2011: EUR 4,772 m). The increase results from the impact of measuring investments at equity during the first six months of 2012.

Property, plant, and equipment grew by EUR 182 m to EUR 3,510 m (December 31, 2011: EUR 3,328 m) as a result of the high level of capital expenditures.

The increase in current assets resulted primarily from inventories growing by EUR 91 m to EUR 1,653 m (December 31, 2011: EUR 1,562 m) and trade receivables increasing by EUR 269 m to EUR 1,876 m (December 31, 2011: EUR 1,607 m), both due to the positive course of business and related higher revenue.

Cash and cash equivalents declined to EUR 318 m (December 31, 2011: EUR 397 m). Cash flows from operating activities of EUR 495 m were more than offset by cash used in investing activities (EUR -465 m) and financing activities (EUR -112 m).

Capital structure

in € millions	6/30/2012	12/31/2011	Change in %
Shareholders' equity	**1,865**	**1,714**	**8.8**
Provisions for pensions and similar obligations	1,391	1,217	14.3
Provisions	73	79	-7.6
Financial debt	6,869	7,168	-4.2
Income tax payables	204	172	18.6
Other liabilities	298	261	14.2
Deferred tax liabilities	102	124	-17.7
Total non-current liabilities	**8,937**	**9,021**	**-0.9**
Provisions	193	208	-7.2
Financial debt	543	317	71.3
Trade payables	930	873	6.5
Income tax payables	195	184	6.0
Other liabilities	1,143	672	70.1
Total current liabilities	**3,004**	**2,254**	**33.3**
Total shareholders' equity and liabilities	**13,806**	**12,989**	**6.3**

The Schaeffler Group's shareholders' equity (including non-controlling interests in consolidated subsidiaries) improved by EUR 151 m to EUR 1,865 m as at June 30, 2012 (December 31, 2011: EUR 1,714 m). The equity ratio was 13.5 % at June 30, 2012 (December 31, 2011: 13.2 %).

Already at mid-year 2012, net income of EUR 512 m has more than offset both the decrease in shareholders' equity resulting from the dividend of EUR 300 m to Schaeffler Verwaltungs GmbH, Schaeffler AG's shareholder, declared in a resolution passed by the annual general meeting on March 16, 2012, and other comprehensive loss of EUR 76 m.

Other comprehensive loss of EUR 76 m resulted mainly from pension obligations and similar obligations (EUR -137 m), partially offset by the translation of net assets of foreign group companies (EUR 52 m) and an increase in the value of hedging instruments (EUR 11 m).

At EUR 8,937 m, non-current liabilities remained nearly unchanged as at June 30, 2012 (December 31, 2011: EUR 9,021 m). Provisions for pensions and similar obligations increased primarily due to changes in the discount rate, while non-current financial debt decreased since the due date of a portion of the company's financial debt was brought forward, resulting in reclassification as current.

Current liabilities rose by EUR 750 m to EUR 3,004 m (December 31, 2011: EUR 2,254 m). The increase in current financial debt of EUR 226 m to EUR 543 m (December 31, 2011: EUR 317 m) is related to the changed due date of a portion of the company's previously non-current financial debt, which was brought forward as a result of the issuance of the corporate bond in June 2012.

The dividend of EUR 300 m payable to the company's shareholder Schaeffler Verwaltungs GmbH in December 2012 discussed above is presented in other liabilities. Other liabilities also include EUR 82 m in interest payable representing accrued interest on issued US-dollar and Euro bonds and on loans.

Cash Flow

	1st six months			2nd quarter		
in € millions	2012	2011	Change in %	2012	2011	Change in %
Cash flows from operating activities	495	371	33.4	358	246	45.5
Cash flows used in investing activities [1]	-465	-294	58.2	-221	-180	22.8
Free cash flow	**30**	**77**	**-61.0**	**137**	**66**	**> 100**
Financial debt	7,412	6,422	15.4	7,412	6,422	15.4
Cash and cash equivalents	318	353	-9.9	318	353	-9.9
Net financial debt	**7,094**	**6,069**	**16.9**	**7,094**	**6,069**	**16.9**

[1] Including currency translation effects.

Cash flows from operating activities for the first six months of 2012 rose by EUR 124 m from the prior year period to EUR 495 m (prior year: EUR 371 m). This inflow is primarily due to a dividend of EUR 80 m (prior year: nil) received from Continental AG, lower cash outflows in working capital which have decreased EUR 38 m to EUR 263 m (prior year: EUR 301 m), and lower interest payments.

Cash totaling EUR 465 m was used in investing activities (prior year: EUR 294 m) during the first six months of 2012. Cash paid for property, plant and equipment and intangible assets totals EUR 472 m compared to EUR 308 m in the prior year.

Free cash flow for the second quarter of 2012, which benefitted from the EUR 80 m dividend received, was EUR 137 m following EUR -107 m for the first quarter, which was marked by the impact of the comprehensive refinancing arrangement. Free cash flow for the first six months of 2012 thus amounted to EUR 30 m (prior year: EUR 77 m).

	1st six months	
in € millions	2012	2011
Interest received	4	6
Interest paid	-259	-315
Income taxes paid	-132	-92

Non-cash interest and income tax primarily relate to initial interest payments on corporate bonds due in mid-August and additional finance costs accrued using the effective interest method as well as to taxes reversing in future quarters.

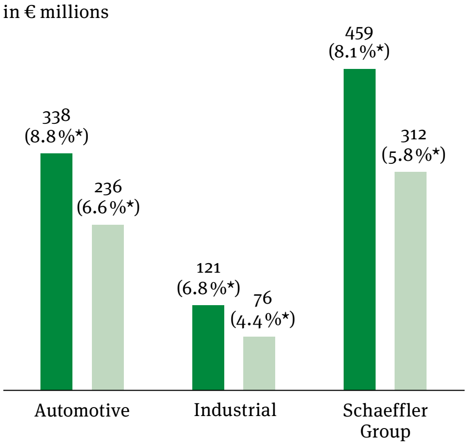
At June 30, 2012, net financial debt has increased by EUR 1,025 m to EUR 7,094 m (prior year: EUR 6,069 m) compared to the prior year quarter end, primarily as a result of the increase in financial liabilities due to the company structure and the decrease in cash and cash equivalents as at the end of the reporting period.

Capital expenditures

Capital expenditures for the first six months of 2012 amounted to EUR 459 m (prior year: EUR 312 m). At 8.1 %, capital expenditures as a percentage of consolidated revenue exceeded the level of both the comparable prior year period (5.8 %) and 2011 as a whole (7.9 %).

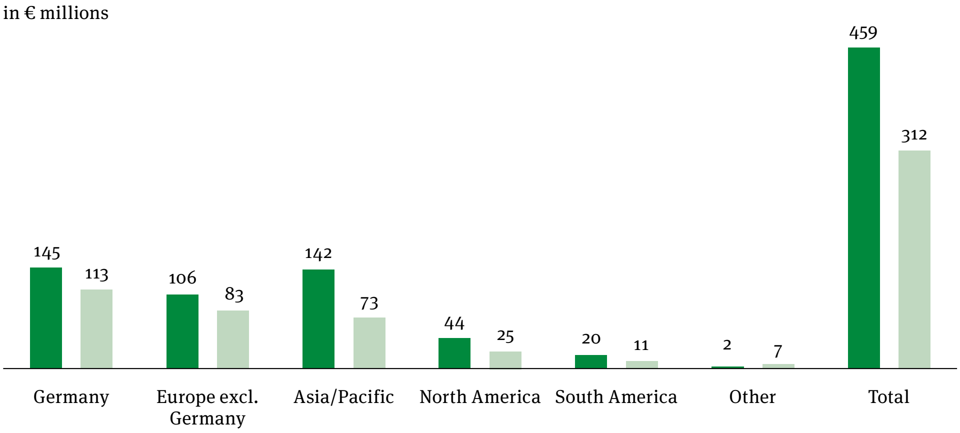
The Automotive division invested EUR 338 m (prior year: EUR 236 m) and the Industrial division EUR 121 m (prior year: EUR 76 m) in the first six months of 2012.

Capital expenditures



The regional focus of Schaeffler's investment activities was on continuing the projects started at the production facilities in Asia, mainly in China and India, as well as in the U.S. and Mexico. These capital expenditures form the basis for further strengthening the proportion of value added locally. Another focus remains on creating capacity for new products and technologies in Germany, mainly at the Herzogenaurach, Schweinfurt, and Buehl locations. Additional significant capital expenditures were made on the Eastern European plants in Slovakia and Romania.

Capital expenditures by region



* of revenue 1st six months 2012 1st six months 2011

Financing

On January 27, 2012, Schaeffler AG entered into a new EUR 8.0 billion loan agreement with eight banks that replaced the previous loan agreements entered into in November 2009. Its wider investor base, maturity profile and decreased finance cost improved the company's debt financing.

The new loan agreement included EUR 5.0 billion in loans repayable at maturity (Term Loans), a tranche to be replaced by corporate bonds, and a revolving credit facility of EUR 1.0 billion. The loans have staggered maturities of up to five years.

When the new loan agreement became effective on February 9, 2012, the Schaeffler Group also announced that it had successfully issued corporate bonds with a total volume of approximately EUR 2.0 billion.

Since June 15, 2012, three additional banks have been participating in the Schaeffler Group's debt financing, expanding the existing banking consortium to a total of eleven banks. The addition of these banks completed the syndication process.

On June 29, 2012, Schaeffler AG announced that it had placed five-year retail bonds with a coupon of 6.75 %. Due to high demand, the bond offer was increased from EUR 200 m to EUR 300 m. In addition, Schaeffler AG gave its employees in Germany the opportunity to purchase a separate tranche of the bonds on a preferential basis. The employee tranche had a volume of EUR 26 m. All corporate bonds were rated B (since August 9, 2012: B+) by Standard & Poor's and B1 by Moody's.

The credit ratings for Schaeffler AG published by the two leading international rating agencies in connection with the refinancing on January 27, 2012 were unchanged as at June 30, 2012. Standard & Poor's assigned a B+ rating with a stable outlook (previously B with a positive outlook confirmed at June 30, 2012) to Schaeffler AG on August 9, 2012, while Moody's continues to rate Schaeffler AG at B2 with a stable outlook.

Liquidity

At June 30, 2012, cash and cash equivalents amount to EUR 318 m and consist primarily of bank balances. In addition, the Schaeffler Group has a revolving credit facility of EUR 1.0 billion, of which EUR 100.0 m and another EUR 53.3 m (ancillary facilities) were drawn down as at June 30, 2012.

Research and development

In 2011, the German Patent and Trademark Office ("Deutsches Patent- und Markenamt" – DPMA) granted 1,832 patents to Schaeffler, an average of seven inventions per business day. The increase of 11.6 % compared to prior year again puts Schaeffler in fourth place in the DPMA statistical ranking of most innovative companies in 2012, once more demonstrating Schaeffler's innovative strength, a deciding factor contributing to the company's competitive position. The PACE award Schaeffler received for its valve control system UniAir and the Steel Innovation Award received for the centrifugal pendulum-type absorber in 2012 underlines the fact that innovation is deeply rooted within "Schaeffler's DNA".

Schaeffler was able to demonstrate the maturity of its innovative eDifferential at the first Lake Constance Elektromobil Rallye. Schaeffler took its place on the starting grid of AutoBild magazine's Elektromobil Rallye with its all-electric ACTIVeDRIVE test vehicle, which is powered by two active electric differentials. Being one of the most powerful vehicles in the rally, the ACTIVeDRIVE managed to complete the five leg course covering 400 kilometers by winning a special stage, representing another chapter in the success story of this groundbreaking drive technology.

The worlds largest and most powerful large-size bearing test rig "Astraios" won the title of "Selected Landmark in the Land of Ideas" for the Schaeffler location in Schweinfurt in 2012. "Astraios" was honored in the competition "365 Landmarks in the Land of Ideas", an initiative under the patronage of the German Federal President, and has also been nominated for national champion in the category "environment" in acknowledgment of its contribution to Germany's sustainability.

Research and development expenses grew by 20.5 % to EUR 294 m (prior year: EUR 244 m) or 5.2 % of revenue (prior year: 4.5 %) during the first six months of 2012 compared to prior year.

The Automotive division spent EUR 212 m (prior year: EUR 179 m) or 5.5 % of revenue (prior year: 5.0 %) and the Industrial division incurred research and development expenses of EUR 82 m (prior year: EUR 65 m) or 4.6 % of revenue (prior year: 3.8 %).

Procurement

Worldwide procurement markets were in a phase of consolidation during the first six months of 2012; the outlook for the future remained uncertain.

The cost of our raw materials was slightly higher during the first six months than during the prior year comparison period. Increasing prices during the first six months of 2011 and decreases during the second quarter of 2012 resulted in almost identical average prices for each of the two six-months-periods. Six-months- or annual contracts delay the impact of price fluctuations; thus, raw materials expenses increased slightly during the first six months of 2012.

Prices of significant commodities used in the production of steel, such as coking coal, iron ore and scrap metal, have now stabilized or decreased slightly.

Prices for oils, fats, and chemicals, still stable during the first quarter 2012, increased markedly towards the end of the second quarter.

Production

Production volumes for the first six months of 2012 were approximately 3 % higher than for the comparable prior year period.

Despite the large number of various projects started or ramped up and the growing volume of production, Schaeffler was able to maintain its high level of quality this year.

The first six months of 2012 were dominated by the expansion of capacities in our growth markets, particularly in the Asia/Pacific region, as well as the integration of new processes and technological improvements to our manufacturing facilities.

In Savli, India, the first production facilities have come on stream in a new plant for state-of-the-art ball bearings. The facility will be expanded further during the second half of 2012. In addition, we expanded the LuK location in Hosur, India. This facility will primarily house the machining of cast iron components and clutch assembly lines. The expansion of these production capacities is one of the cornerstones of our expected growth in India.

The new assembly plant for clutches and clutch discs in Rayong, Thailand, came on stream in February, offering our customers advantages in terms of service level and shorter delivery times in Asia. In addition, it significantly extends our product range and our presence in the local market.

In Ansan, Korea, we have laid the groundwork for the acquisition of a new property and the resulting investment in additional production plants. The extension of this location is the foundation of our continued expansion path in Asia, particularly in the Automotive division. Construction is scheduled to begin in 2012.

April 2012 saw the completion of the move of Schaeffler Friction Products, Suzhou, China to its new production facilities. The plant in Suzhou is considered to lead the market for clutch linings in China and is steadily expanding. The new building and related expansion of capacity are our response to growing market needs in China.

As at June 30, 2012, approximately 70 production locations represented the Schaeffler Group around the world.

Employees

The number of employees rose by 1,837 (+2.5 %) as at June 30, 2012 compared to December 31, 2011 and by 4,784 (+6.7 %) compared to the prior year quarter end. We recruited new staff as part of our growth strategy due to increased demand for skilled personnel across all regions, in Asia/Pacific and North America in particular, primarily in production and production-related areas.

The regional allocation of employees is as follows:

Number of employees [1]	6/30/2012	12/31/2011	6/30/2011	Change in % [2]
Germany	29,827	29,443	28,844	1.3
Europe excluding Germany	22,216	22,004	21,198	1.0
Asia/Pacific	12,251	11,181	10,000	9.6
North America	6,997	6,781	6,397	3.2
South America	4,577	4,622	4,645	-1.0
Schaeffler Group	**75,868**	**74,031**	**71,084**	**2.5**

[1] Figures as at June 30.
[2] June 30, 2012 compared to December 31, 2011.

Significant events and overall assessment of the 1st six months

The upward trend of the customer sectors relevant to the Schaeffler Group persisted during the first six months of 2012. Global automobile production increased by 8.6 % compared to the prior year period. Global machinery construction, driven primarily by growth in Germany, the U.S., and China, also increased slightly from prior year.

Based on that, the Schaeffler Group was able to grow its revenue for the first six months of 2012 by a total of 5 %, with Automotive and Industrial revenue growing approximately 7 % and 2 %, respectively, compared to prior year.

Profitability decreased slightly during the first half of 2012 from the extraordinarily high prior year level due to necessary preproduction costs of the ongoing capacity expansion. At 13.8 %, Schaeffler's EBIT margin remained high. Net income was EUR 505 m. The company's strong operating cash flow brought free cash flow for the first six months of 2012 to EUR 30 m, despite significant increases in capital expenditures and transaction costs related to refinancing arrangements.

Schaeffler AG reached an agreement with eight banks on January 27, 2012 to comprehensively refinance its financial debt. Following that, the Schaeffler Group issued corporate bonds with a total volume of EUR 2.0 billion and obtained loans of approximately EUR 1.4 billion from institutional investors, replacing parts of the new bank loans.

Three additional banks have been participating in the new debt financing arrangement since mid-June 2012.

On June 29, 2012, the Schaeffler Group announced the issue of another five-year retail bond with a coupon of 6.75 %. An additional tranche was offered to Schaeffler Group employees in Germany for the first time. The total amount of the bond is EUR 326 m.

The measures described above have improved the maturity profile and financing cost of the company's financial debt and have provided new financing resources, further increasing the Schaeffler Group's financial flexibility.

Report on subsequent events

Following the placement of approximately EUR 300 m in five-year retail bonds with a coupon of 6.75 % on June 29, 2012, Schaeffler AG gave its employees in Germany the opportunity to purchase a separate tranche of the bonds on a preferential basis in July 2012. This employee tranche had a volume of EUR 26 m.

No other events occurred subsequent to the reporting date of June 30, 2012 that have a significant impact on net assets, financial position or results of operations.

Risk report

Please see pages 68 et seq. of our annual report 2011 for a discussion of our risk management system and potential risks. The assertions regarding the risks described in the annual report are largely unchanged.

Several antitrust authorities have commenced investigations of several manufacturers of rolling and plain bearings for the automotive and other industrial sectors, including Schaeffler AG and certain of its subsidiaries. The authorities are investigating possible agreements violating antitrust law. Schaeffler is cooperating with the investigating authorities and supports their work. The investigations have not yet been completed. There is a risk that the antitrust authorities will impose penalties and that third parties may claim damages. Various plaintiffs in the U.S. have filed class action suits. The amount of potential penalties or subsequent claims is uncertain, but could be significant. A customer claim in the wind power sector has been provided for. We are in constructive discussions with our customer.

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 ongoing European debt crisis, the volatile situation in the financial markets, the deteriorating situation in labor markets around the world and the concerns regarding a significant economic downturn have unsettled both consumers and investors. In light of this, a lower rate of global economic growth is expected for the coming quarters. We are currently anticipating global economic growth of approximately 3 % in 2012, with difficult-to-predict political decisions currently influencing structural risks to the global economy more strongly than usual.

We are still anticipating an increase of approximately 4 % in the worldwide production of passenger vehicles and light commercial vehicles for 2012 as a whole. While above-average growth is expected for the automobile production in North America and Asia, we are forecasting a marked decline in production in Europe. Worldwide sales in the engineering sector are forecasted to increase by up to 5 % in 2012.

Schaeffler Group outlook

We are maintaining our previous forecast for the Schaeffler Group despite deteriorating economic conditions. We continue to expect revenue growth of more than 5 % and an EBIT margin in excess of 13 % for the year 2012. This forecast is based on the assumptions described under "Economic environment" (see management report in the interim financial report as at June 30, 2012; the statements made in the annual report 2011 are unchanged). Our capital expenditures on new products and capacity expansions are the foundation of our organic growth. Capital expenditures for the year 2012 will be within the target range of 6 % to 8 % of revenue.

We will maintain our expenditures on research and development at the prior years' level, again investing approximately 5 % of our consolidated revenue in researching and developing new products and processes.

Net income for 2012 will continue to be marked by significant interest expense. As Continental AG is accounted for indirectly at equity in the consolidated financial statements of the Schaeffler Group, our financial result is affected by the economic performance of Continental AG.

The positive trend in free cash flow in the second quarter of 2012 leaves us optimistic that we will also achieve positive free cash flow for 2012 as a whole.

Herzogenaurach, August 14, 2012

The Executive Board

Consolidated interim financial statements

Consolidated income statement

in € millions	1st six months 2012	1st six months 2011	Change in %	2nd quarter 2012	2nd quarter 2011	Change in %
Revenue	5,652	5,379	5.1	2,794	2,682	4.2
Cost of sales	-3,933	-3,720	5.7	-1,960	-1,885	4.0
Gross profit	**1,719**	**1,659**	**3.6**	**834**	**797**	**4.6**
Research and development expenses	-294	-244	20.5	-147	-123	19.5
Selling expenses	-382	-354	7.9	-191	-181	5.5
Administrative expenses	-241	-204	18.1	-114	-103	10.7
Other income	99	134	-26.1	72	73	-1.4
Other expenses	-121	-108	12.0	-75	-52	44.2
Earnings before financial result and income taxes (EBIT)	**780**	**883**	**-11.7**	**379**	**411**	**-7.8**
Share of net income of equity-accounted investees	286	195	46.7	150	89	68.5
Interest income	33	22	50.0	1	8	-87.5
Interest expense	-417	-237	75.9	-175	-222	-21.2
Financial result	**-98**	**-20**	**> 100**	**-24**	**-125**	**-80.8**
Earnings before income taxes	**682**	**863**	**-21.0**	**355**	**286**	**24.1**
Income taxes	-170	-215	-20.9	-82	-79	3.8
Net income	**512**	**648**	**-21.0**	**273**	**207**	**31.9**
Attributable to shareholders of the parent company	505	641	-21.2	269	203	32.5
Attributable to non-controlling interests	7	7	0.0	4	4	0.0

Consolidated statement of comprehensive income

in € millions	2012 before taxes	2012 taxes	2012 after taxes
Net income	**682**	**-170**	**512**
Foreign currency translation differences for foreign operations	29	0	29
Effective portion of changes in fair value of cash flow hedges	15	-6	9
Net change in fair value of available-for-sale financial assets	1	0	1
Defined benefit plan actuarial gains (losses)	-179	42	-137
Share of other comprehensive income (loss) of equity-accounted investees	22	0	22
Total other comprehensive income (loss)	**-112**	**36**	**-76**
Total comprehensive income (loss) for the period	**570**	**-134**	**436**
Total comprehensive income (loss) attributable to shareholders of the parent company	566	-134	432
Total comprehensive income attributable to non-controlling interests	4	0	4
Total comprehensive income (loss) for the period	**570**	**-134**	**436**

1st six months								2nd quarter
		2011			2012			2011
before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes
863	**-215**	**648**	**355**	**-82**	**273**	**286**	**-79**	**207**
-103	0	-103	54	0	54	-7	0	-7
61	-17	44	-37	8	-29	13	-3	10
0	0	0	1	0	1	0	0	0
-1	0	-1	-116	27	-89	-3	0	-3
-42	-5	-47	22	1	23	-9	-2	-11
-85	**-22**	**-107**	**-76**	**36**	**-40**	**-6**	**-5**	**-11**
778	**-237**	**541**	**279**	**-46**	**233**	**280**	**-84**	**196**
775	-237	538	279	-46	233	278	-84	194
3	0	3	0	0	0	2	0	2
778	**-237**	**541**	**279**	**-46**	**233**	**280**	**-84**	**196**

Consolidated statement of financial position

in € millions	6/30/2012	12/31/2011	6/30/2011	Change in % [1]
ASSETS				
Intangible assets	556	553	562	0.5
Property, plant and equipment	3,510	3,328	3,033	5.5
Investments in equity-accounted investees	5,067	4,772	4,636	6.2
Other investments	14	14	7	0.0
Other assets	109	95	170	14.7
Income tax receivables	18	22	0	-18.2
Deferred tax assets	384	350	280	9.7
Total non-current assets	**9,658**	**9,134**	**8,688**	**5.7**
Inventories	1,653	1,562	1,580	5.8
Trade receivables	1,876	1,607	1,698	16.7
Other assets	198	200	342	-1.0
Income tax receivables	103	89	77	15.7
Cash and cash equivalents	318	397	353	-19.9
Total current assets	**4,148**	**3,855**	**4,050**	**7.6**
Total assets	**13,806**	**12,989**	**12,738**	**6.3**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	500	500	500	0.0
Reserves	1,544	1,324	2,279	16.6
Accumulated other comprehensive income (loss)	-236	-163	-110	44.8
Equity attributable to shareholders of the parent company	**1,808**	**1,661**	**2,669**	**8.9**
Non-controlling interests	57	53	50	7.5
Total shareholders' equity	**1,865**	**1,714**	**2,719**	**8.8**
Provisions for pensions and similar obligations	1,391	1,217	1,109	14.3
Provisions	73	79	126	-7.6
Financial debt	6,869	7,168	6,410	-4.2
Income tax payables	204	172	99	18.6
Other liabilities	298	261	279	14.2
Deferred tax liabilities	102	124	145	-17.7
Total non-current liabilities	**8,937**	**9,021**	**8,168**	**-0.9**
Provisions	193	208	341	-7.2
Financial debt	543	317	12	71.3
Trade payables	930	873	850	6.5
Income tax payables	195	184	192	6.0
Other liabilities	1,143	672	456	70.1
Total current liabilities	**3,004**	**2,254**	**1,851**	**33.3**
Total shareholders' equity and liabilities	**13,806**	**12,989**	**12,738**	**6.3**

[1] June 30, 2012 compared to December 31, 2011.

Consolidated statement of cash flows

in € millions	1st six months 2012	1st six months 2011	Change in %	2nd quarter 2012	2nd quarter 2011	Change in %
Operating activities						
EBIT	780	883	-11.7	379	411	-7.8
Interest paid	-259	-315	-17.8	-93	-144	-35.4
Interest received	4	6	-33.3	2	4	-50.0
Income taxes paid	-132	-92	43.5	-78	-22	> 100
Dividends received	80	0	-	80	0	-
Depreciation, amortization and impairments	299	282	6.0	151	141	7.1
Gains (losses) on disposal of assets	0	-1	-100	1	0	-
Other non-cash items	-30	-22	36.4	-11	-1	> 100
Changes in:						
· Inventories	-78	-138	-43.5	-24	-47	-48.9
· Trade receivables	-252	-290	-13.1	38	5	> 100
· Trade payables	67	127	-47.2	-54	26	< -100
· Provisions for pensions and similar obligations	-33	-25	32.0	-25	-18	38.9
· Other assets, liabilities and provisions	49	-44	< -100	-8	-109	-92.7
Cash flows from operating activities [1]	**495**	**371**	**33.4**	**358**	**246**	**45.5**
Investing activities						
Proceeds from disposals of intangible assets and property, plant and equipment	8	9	-11.1	1	3	-66.7
Capital expenditures on intangible assets	-20	-7	> 100	-11	-3	> 100
Capital expenditures on property, plant and equipment	-452	-301	50.2	-211	-185	14.1
Investments in other investments	-1	-1	0.0	0	0	-
Inflows from other investing activities	0	6	-100	0	5	-100
Cash used in investing activities	**-465**	**-294**	**58.2**	**-221**	**-180**	**22.8**
Financing activities						
Dividends paid to non-controlling interests	-1	-1	0.0	-1	-1	0.0
Receipts from loans	170	4	> 100	0	-49	-100
Repayments of loans	-102	-21	> 100	-91	-11	> 100
Acquisitions in stages	-13	0	-	0	0	-
Dividends paid to Schaeffler Verwaltungs GmbH	0	-400	-100	0	0	-
Payments made for other financing activities [2]	-166	-26	> 100	-22	-9	> 100
Cash used in financing activities	**-112**	**-444**	**-74.8**	**-114**	**-70**	**62.9**
Net increase (decrease) in cash and cash equivalents	**-82**	**-367**	**-77.7**	**23**	**-4**	**< -100**
Effects of foreign exchange rate changes on cash and cash equivalents	3	-13	< -100	4	-1	< -100
Cash and cash equivalents at the beginning of period	397	733	-45.8	291	358	-18.7
Cash and cash equivalents at the end of period	**318**	**353**	**-9.9**	**318**	**353**	**-9.9**

[1] Excluding interest payments, cash flows from operating activities for the period from 1/1 to 6/30/2012 amount to EUR 754 m (prior year: EUR 686 m).
[2] 2012: to parent company.

Consolidated statement of changes in shareholders' equity

in € millions	Share capital	Reserves	Accumulated other comprehensive income (loss) [1] Translation reserve	Hedging reserve	Fair value reserve	Reserve for actuarial gains and losses	Subtotal	Non-controlling interests	Total
Balance as at January 1, 2011	**500**	**2,801**	**179**	**-120**	**1**	**-67**	**3,294**	**47**	**3,341**
Net income		641					641	7	648
Other comprehensive income (loss)			-178	60	0	15	-103	-4	-107
Total comprehensive income (loss) for the period	**0**	**641**	**-178**	**60**	**0**	**15**	**538**	**3**	**541**
Dividends		-1,164					-1,164		-1,164
Other items from equity-accounted investees recognized directly in shareholders' equity		1					1		1
Balance as at June 30, 2011	**500**	**2,279**	**1**	**-60**	**1**	**-52**	**2,669**	**50**	**2,719**
Balance as at January 1, 2012	**500**	**1,324**	**118**	**-131**	**0**	**-150**	**1,661**	**53**	**1,714**
Net income		505					505	7	512
Other comprehensive income (loss)			52	11	1	-137	-73	-3	-76
Total comprehensive income (loss) for the period	**0**	**505**	**52**	**11**	**1**	**-137**	**432**	**4**	**436**
Dividends		-300					-300		-300
Other items from equity-accounted investees recognized directly in shareholders' equity		15					15		15
Balance as at June 30, 2012	**500**	**1,544**	**170**	**-120**	**1**	**-287**	**1,808**	**57**	**1,865**

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

Consolidated segment information

in € millions	Automotive 1st six months 2012	Automotive 1st six months 2011	Industrial 1st six months 2012	Industrial 1st six months 2011	Other 1st six months 2012	Other 1st six months 2011	Total 1st six months 2012	Total 1st six months 2011
Revenue	3,842	3,589	1,773	1,733	37 [1]	57 [1]	5,652	5,379
Cost of sales	-2,785	-2,584	-1,111	-1,079	-37	-57	-3,933	-3,720
Gross profit	1,057	1,005	662	654	0	0	1,719	1,659
EBIT	504	563	276	320	0	0	780	883
· in % of revenue	13.1	15.7	15.6	18.5	-	-	13.8	16.4
Depreciation, amortization and impairments	-207	-202	-92	-80	0	0	-299	-282
Inventories [2]	923	886	730	694	0	0	1,653	1,580
Trade receivables [2]	1,293	1,167	583	531	0	0	1,876	1,698
Property, plant and equipment [2]	2,418	2,026	1,092	1,007	0	0	3,510	3,033
Capital expenditures	338	236	121	76	0	0	459	312

in € millions	Automotive 2nd quarter 2012	Automotive 2nd quarter 2011	Industrial 2nd quarter 2012	Industrial 2nd quarter 2011	Other 2nd quarter 2012	Other 2nd quarter 2011	Total 2nd quarter 2012	Total 2nd quarter 2011
Revenue	1,904	1,768	868	877	22 [1]	37 [1]	2,794	2,682
Cost of sales	-1,380	-1,289	-558	-559	-22	-37	-1,960	-1,885
Gross profit	524	479	310	318	0	0	834	797
EBIT	259	262	120	149	0	0	379	411
· in % of revenue	13.6	14.8	13.8	17.0	-	-	13.6	15.3
Depreciation, amortization and impairments	-104	-101	-47	-40	0	0	-151	-141
Inventories [2]	923	886	730	694	0	0	1,653	1,580
Trade receivables [2]	1,293	1,167	583	531	0	0	1,876	1,698
Property, plant and equipment [2]	2,418	2,026	1,092	1,007	0	0	3,510	3,033
Capital expenditures	161	145	63	45	0	0	224	190

Prior year information presented based on 2012 segment structure.

[1] The amount consists mainly of materials provided to subcontractors.
[2] Amounts as at June 30.

Condenses 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 13202). The condensed consolidated financial statements of Schaeffler AG as at June 30, 2012 comprise Schaeffler AG and its subsidiaries, investments in associated companies and joint ventures (together referred to as "Schaeffler" or "Schaeffler Group"). Schaeffler is a supplier to automotive, aerospace and other manufacturing customers with operations worldwide.

Basis of preparation of consolidated interim financial statements

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union and effective at the end of the reporting period and in accordance with the Interpretations by the IFRS Interpretations Committee (IFRIC). The consolidated interim financial statements of Schaeffler AG, Herzogenaurach, for the reporting period ended June 30, 2012 have been prepared in accordance with IAS 34 "Interim Financial Reporting". In addition, IFRS amendments and new regulations effective as at June 30, 2012 have been applied in these interim financial statements. This had no effect on the Schaeffler Group. Please refer to the 2011 consolidated financial statements of the Schaeffler Group for a detailed description of these mandatory IFRS amendments and new regulations.

The interim financial statements as at June 30, 2012 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 the same as those used in the 2011 consolidated financial statements, where they are discussed in detail.

In the preparation of financial statements in accordance with IFRS, management exercises judgment in making estimates and assumptions. Such estimates and judgments are unchanged from those described in the consolidated financial statements of the Schaeffler Group as at and for the year ended December 31, 2011.

Processes and systems of Group companies ensure appropriate recognition of income and expenses on the accrual basis. Due to the nature of the Schaeffler Group's business, the comparability of quarterly financial statements is not significantly affected by seasonality.

Income taxes are determined based on best estimate.

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

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

Segment reporting

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

The allocation of customers and products to segments is reviewed regularly and adjusted where necessary. To ensure that segment information is comparable, prior year information is also presented using the current year's customer and product structure.

Reconciliation to earnings before income taxes in € millions	1st six months	
	2012	2011
EBIT Automotive	504	563
EBIT Industrial	276	320
EBIT	780	**883**
Financial result	-98	-20
Earnings before income taxes	682	**863**

Scope of consolidation

The Schaeffler Group includes, in addition to Schaeffler AG, 153 fully consolidated subsidiaries and special purpose entities; 50 companies are domiciled in Germany and 103 are foreign entities.In addition, nine companies (six associated companies and three joint ventures) are accounted for using the equity method.

The liquidation of FAG Servicos Industriais Ltda., São Paulo (Brazil) has reduced the number of fully consolidated companies by one.

Schaeffler Beteiligungsholding GmbH & Co. KG continues to hold 72,290,458 shares or 36.14 % of the voting interest in Continental AG as at June 30, 2012. At no point in time have Schaeffler AG or Schaeffler Beteiligungsholding GmbH & Co. KG held more than the maximum investment of 49.99 % stipulated by the investor agreement. Continental AG is a leading automotive supplier with worldwide operations, headquartered in Hanover, Germany.

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

in € millions	2012	2011
Revenue (1/1 - 6/30)	16,506	14,878
Net income [1] (1/1 - 6/30)	1,036	718
Assets (as at 6/30)	27,280	25,293
Liabilities (as at 6/30)	18,962	18,472

[1] Including non-controlling interests.

Share of net income of equity-accounted investees

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

The share of net income of equity-accounted investees relates to shares in Continental AG. The Schaeffler Group's share of depreciation, amortization, and impairments on fair value adjustments and its share of Continental AG's net income result in income of EUR 285 m net of deferred tax. The effect on the Schaeffler Group's net income for the first six months is as follows:

in € millions	2012	2011
Depreciation, amortization and impairments of fair value adjustments	-119	-139
Share of net income of Continental AG	363	275
Effect before income taxes	**244**	**136**
Deferred taxes	33	39
Effect on income before special items [1]	**277**	**175**
Special items [1]		
· Reversal of cash flow hedges existing at the time of the PPA	4	3
· Recognition of Continental AG pension obligations at fair value	4	4
Effect on income after special items [1]	**285**	**182**

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

The Schaeffler Group's share of other comprehensive income of Continental AG amounts to EUR 22 m (prior year: EUR -47 m). Due to the partial disposal of Continental AG shares by distribution as a dividend in kind on May 5, 2011, EUR 13 m of the Schaeffler Group's share of the accumulated other comprehensive income (loss) of Continental AG were reclassified to the income statement in the prior year. This brought the total share of net income of equity-accounted investees for the first six months of 2011 to EUR 195 m.

Debt covenants restrict Continental AG's ability to pay dividends. Continental AG did not pay any dividends for 2008, 2009 and 2010. On April 30, 2012, Continental AG paid a dividend of EUR 1.50 per share in respect of 2011.

The fair value of the Continental AG shares held by Schaeffler Beteiligungsholding GmbH & Co. KG (36.14 %) was EUR 4,744 m on June 30, 2012.

Contingent liabilities and other financial liabilities

At June 30, 2012, the Schaeffler Group had open commitments under fixed contracts to purchase property, plant and equipment of EUR 267 m (December 31, 2011: EUR 261 m). EUR 238 m of the commitments existing at June 30, 2012 are expected to be settled within one year and EUR 29 m in more than one year but within five years.

Contingent liabilities amount to EUR 37 m at June 30, 2012 (December 31, 2011: EUR 44 m) and consist primarily of claims raised by employees and reassessments from taxation 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 related companies are referred to as "IHO companies"[1] below.

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

Transactions with Continental Group companies during the period from January 1 to June 30, 2012 were as follows:

	Receivables		Payables	
in € millions	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Continental Group companies	13	10	4	4

	Expenses		Income	
in € millions	2012	2011	2012	2011
Continental Group companies (1/1 - 6/30)	16	13	40	37

Payables to IHO Group companies were EUR 646 m (December 31, 2011: EUR 422 m) at June 30, 2012 and consisted primarily of EUR 563 m (December 31, 2011: EUR 419 m) in liabilities due to the shareholder, Schaeffler Verwaltungs GmbH, including a dividend of EUR 300 m payable in December 2012 (December 31, 2011: nil).

[1] Companies with INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, as their group parent company.

Events after the reporting period

Following the placement of approximately EUR 300 m in five-year retail bonds with a coupon of 6.75 % on June 29, 2012, Schaeffler AG gave its employees in Germany the opportunity to purchase a separate tranche of the bonds on a preferential basis in July 2012. This employee tranche had a volume of EUR 26 m.

No other events occurred subsequent to the reporting date of June 30, 2012 that have a significant impact on net assets, financial position or results of operations.

Herzogenaurach, August 14, 2012

The Executive Board

Additional information

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Both language versions of the Interim Financial Report can be downloaded from the internet at www.schaeffler-group.com/Investor Relations/Publications/Reports. An online version of the Interim Financial Report is also available on our website.

Contact details

Schaeffler AG
Industriestrasse 1–3
91074 Herzogenaurach
Germany

Investor Relations
tel: +49 (0)9132 82-4440
fax: +49 (0)9132 82-4444
e-mail: ir@schaeffler.com

Corporate Communications
tel: +49 (0)9132 82-3135
fax: +49 (0)9132 82-4994
e-mail: presse@schaeffler.com

Schaeffler online
www.schaeffler-group.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.

Financial calendar 2012

August 28, 2012
Financial half year report as at June 30, 2012

November 20, 2012
Nine months financial report as at September 30, 2012

March 21, 2013
Annual financial press conference

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

Summary 1st quarter 2011 to 2nd quarter 2012

	2011				2012	
in € millions	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
Income statement						
Revenue	2,697	2,682	2,703	2,612	2,858	2,794
EBITDA	613	552	605	473	549	530
· in % of revenue	22.7	20.6	22.4	18.1	19.2	19.0
EBIT	472	411	466	340	401	379
· in % of revenue	17.5	15.3	17.2	13.0	14.0	13.6
Net income [1)]	**438**	**203**	**102**	**146**	**236**	**269**
Statement of financial position						
Total assets	13,372	12,738	13,001	12,989	13,449	13,806
Shareholders' equity [2)]	3,288	2,719	1,498	1,714	1,617	1,865
· in % of total assets	24.6	21.3	11.5	13.2	12.0	13.5
Net financial debt [3)]	6,108	6,063	6,529	6,668	6,884	6,828
· Financial debt to EBITDA ratio [4)]	2.7	2.7	2.9	3.0	3.2	3.2
Capital expenditures [5)]	122	190	212	322	235	224
Statement of cash flows						
Free cash flow [6)]	11	66	152	90	-107	137
Employees						
Headcount (at end of reporting period)	69,517	71,084	72,951	74,031	74,948	75,868

1) Attributable to shareholders of the parent company.
2) Including non-controlling interests.
3) Excluding shareholder loans.
4) EBITDA based on the last 12 months.
5) Capital expenditures for the quarter.
6) Free cash flow for the quarter.

Schaeffler AG

Industriestr. 1–3
91074 Herzogenaurach
Deutschland

www.schaeffler-gruppe.de