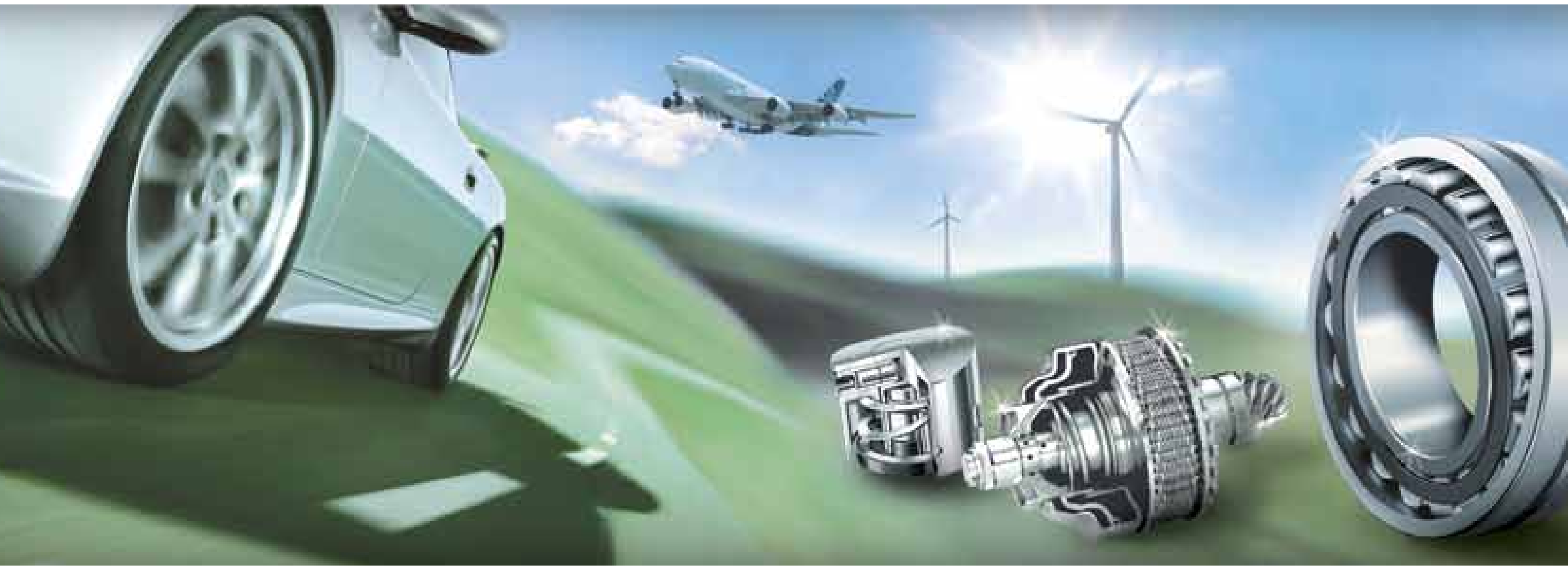
SCHAEFFLER GROUP



INTERIM FINANCIAL REPORT

as of June 30, 2011

LuK INA FAG

KEY FIGURES

In € millions	1st half 2011	1st half 2010	Change	
Earnings				
Revenue	5,379	4,562	17.9	%
EBITDA	1,165	1,037	12.3	%
- in % of revenue	21.7	22.7	-1.0	%-pts.
EBIT	883	739	144	€ millions
- in % of revenue	16.4	16.2	0.2	%-pts.
Net income (loss) 1)	641	-260	901	€ millions
Financial position				
Cash flows from operating activities	371	439	-68	€ millions
Capital expenditures	312	132	180	€ millions
Free cash flow	77	336	-259	€ millions

In € millions	6/30/2011	12/31/2010	Change	
Assets				
Total assets	12,738	13,344	-4.5	%
Shareholders' equity 2)	2,669	3,294	-625	€ millions
- in % of total assets	21.0	24.7	-3.7	%-pts.
Net financial debt	6,069	5,744	5.7	%
- in % of equity	227.4	174.4	53.0	%-pts.
Employees				
Number of employees	71,084	67,509	5.3	%

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

Automotive

In € millions	1st half 2011	1st half 2010	Change	
Revenue	3,591	3,099	15.9	%
EBITDA	754	716	5.3	%
- in % of revenue	21.0	23.1	-2.1	%-pts.
EBIT	563	512	51	€ millions
- in % of revenue	15.7	16.5	-0.8	%-pts.

Industrial

In € millions	1st half 2011	1st half 2010	Change	
Revenue	1,732	1,389	24.7	%
EBITDA	411	321	28.0	%
- in % of revenue	23.7	23.1	0.6	%-pts.
EBIT	320	227	93	€ millions
- in % of revenue	18.5	16.3	2.2	%-pts.

SIX MONTHS
ENDED JUNE 30, 2011

Continuing strong growth:

Revenue for 1st six months up 18 % to around EUR 5.4 bn

High quality earnings:

EBIT grows 20 % to EUR 883 m

Group profit increased further:

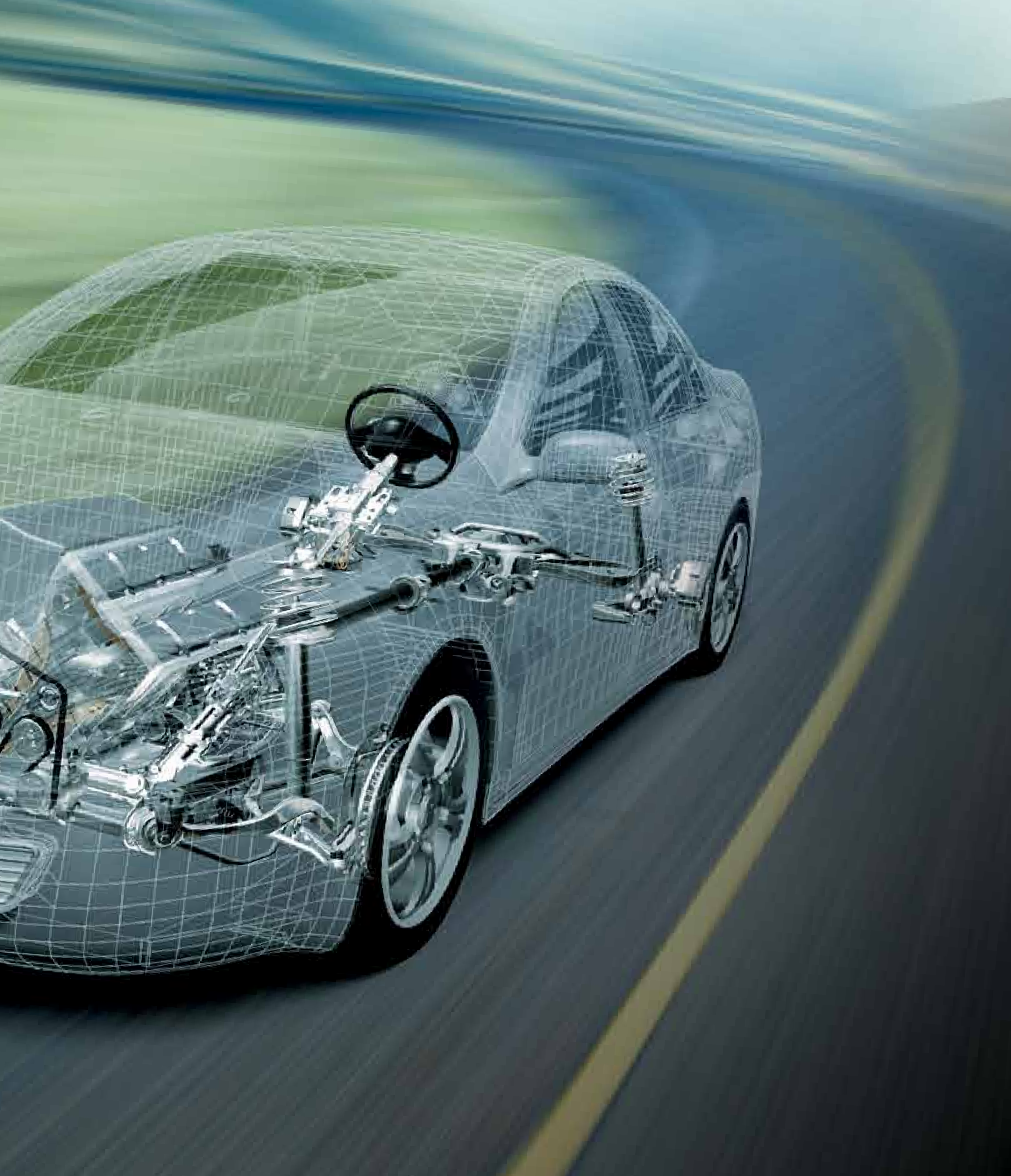
Net income EUR 641 m

Positive cash flow:

Free cash flow EUR 77 m

Net financial debt slightly improved:

Debt to EBITDA ratio 2.7 following 2.8 at end of 1st quarter



Together we move the world

Every excellent performance needs sophisticated technology – in driving just as much as in business. The Schaeffler Group's challenge is: facilitating movement and saving energy, in every part of life and all over the world. With our precision products – from ball bearings for inline skates to entire valve control systems in engines – we are securing our top position among rolling bearing manufacturers and automotive suppliers. We are united with the world's most successful automobile manufacturers in our constant drive to succeed.

CONTENTS

GROUP
INTERIM MANAGEMENT REPORT

Disclaimer in respect of forward-looking statements

This management report contains forward-looking statements that are based on management's current estimation at the time of the creation of this report. Such statements refer to future periods or they are designated by terms such as "to estimate", "to forecast", "to intend", "to predict", "to plan", "to assume", or "to expect". Forward-looking statements bear risks. A variety of these risks and uncertainties are determined by factors not subject to the influence of the Schaeffler Group. Therefore, actual results can deviate substantially from those indicated.

1. Business Environment

1.1 Economic environment

The global economy was marked by strong economic momentum during the first six months of 2011. However, leading economic research institutions currently expect this growth to slow down during the latter half of the year. In its latest forecast, the International Monetary Fund has reduced its estimate of global growth for 2011 slightly by 0.1 percentage points to 4.3 %. Most of the momentum is still provided by the emerging markets, while the industrialized economies are developing less dynamically.

The pace of growth in the economies of the Euro area during the first six months of this year was much faster than in the second half of the previous year. Total gross domestic product for the region was approximately 2.1 % higher than in the comparable prior year period. However, individual member state economies continued to develop at very different rates. While the economic situation in the countries on the European periphery (Greece, Ireland, Portugal and Spain) has deteriorated significantly as a result of strict fiscal consolidation measures, export oriented countries were able to benefit from the positive trend in foreign demand. In Germany and France in particular, economic growth exceeded expectations. In light of this, the International Monetary Fund has increased its forecast of economic growth for the Euro area for the total year 2011 slightly by 0.4 percentage points to 2.0 %.

The US economy has so far performed noticeably below expectations, with an annualized growth in gross domestic product for the first six months of approximately 2 %. As the US have made little progress toward consolidating their budget, the International Monetary Fund has reduced its forecast of economic growth for the US for 2011 by 0.3 percentage points to 2.5 %.

In an effort to slow down the continuing fast pace of economic expansion in China, the government and the central bank are currently implementing restrictive measures, such as reducing public investment and increasing key interest rates. As a result, economic growth for this year is expected to fall short of the prior year's growth rate. The International Monetary Fund expects the Chinese economy to expand by 9.6 % in 2011. In Japan, the natural disaster and the nuclear accident in March significantly impacted economic growth during the second quarter of 2011, although the impact on the global economy currently appears to be limited and short-lived. A more flat economic growth trend is expected for the emerging markets in Asia due to the dampening effect of monetary policy and the diminished momentum in their primary market China.

Against the background of the debt crises in Europe and the United States, the volatility in the international financial markets and the uncertainty about future global economic development have increased during the second quarter. In the opinion of economic research institutions, the high level of US debt, which is largely held outside the country, and the impact of a downgrade of the country's government securities by a leading rating agency represent a considerable challenge for the global economy. In the Euro area it is still uncertain whether the crisis-ridden countries on the periphery can be stabilized and whether the debt crisis can be prevented from spreading to larger member countries.

1.2 Sector development

The worldwide automotive market has stabilized at a high level as at mid-year 2011. Preliminary figures show that the worldwide production of cars and light commercial vehicles increased by 1.0 % from the comparable prior year period (source: CSM). The 39.3 % decrease in production experienced by Japanese auto manufacturers following the natural disaster and nuclear accident in that country were offset by growth in other regions.

In Europe, automobile production for the first six months grew by 4.2 % compared to the corresponding prior year period. In Germany, production has developed positively following the end of the scrapping scheme – automotive manufacturers' production capacities are almost fully utilized.

Automobile production in the US market increased by 7.1 % compared to the first six months of 2010. South America also saw its market rebound, with production growing 6.6 %. In Asia/Pacific, India and China continue to drive the growth in worldwide automobile production, experiencing growth rates of 19.6 % and 10.7 %, respectively, during the first six months of 2011.

As a result of increasing global economic risks, such as the debt crisis both in the Euro area and in the US as well as the slowing growth trend in the Chinese market, we expect demand for automobiles to grow only moderately during the second half of the year, with automobile production growth rates leveling off accordingly. Our current forecast is based on the assumption that the worldwide production of cars and light commercial vehicles will increase by approximately 4 % this year.

According to the German Engineering Federation ("Verband deutscher Maschinen- und Anlagenbau" (VDMA)), global investment activity, which impacts engineering and plant construction, remained high during the first six months of 2011, and the expansion continued in many countries during the second quarter. Particularly in Germany and the US, companies made use of low interest rates to make capital expenditures in order to improve their competitive position. Engineering and plant construction companies around the world have high levels of orders on hand. The VDMA continues to expect engineering and plant construction to continue growing worldwide, although the pace of expansion will likely fall behind that of the first six months and the prior year period.

2. Earnings

2.1 The Schaeffler Group

The Schaeffler Group with its Automotive and Industrial Divisions has maintained the prior quarters' high earnings level in the second quarter.

	1st half			2nd quarter		
In € millions	2011	2010	Change in %	2011	2010	Change in %
Revenue	5,379	4,562	17.9	2,682	2,402	11.7
Cost of sales	-3,720	-3,126	19.0	-1,885	-1,643	14.7
Gross profit	1,659	1,436	15.5	797	759	5.0
Functional expenses 1)	-802	-716	12.0	-407	-373	9.1
EBIT	883	739	19.5	411	404	1.7
- in % of revenue	16.4	16.2	-	15.3	16.8	-
Financial result	-20	-899	-97.8	-125	-240	-47.9
Income taxes	-215	-95	> 100	-79	-64	23.4
Net income (loss) 2)	641	-260	< -100	203	97	> 100

1) Selling, administration and research and development.

2) Attributable to shareholders of the parent company.

The first six months of the year were still characterized by worldwide growth. In a market environment still marked by high innovation and momentum, the Schaeffler Group again saw revenues in both segments increase at rates exceeding market growth. In addition to the continuing positive trend in the automotive sector and still rising demand in the industrial sector, our innovative product offerings have also contributed to our revenue growing by 17.9 % to EUR 5,379 m (prior year: EUR 4,562 m). All regions experienced revenue growth. The Automotive Division was able to exceed the already high levels of revenue generated in the comparable prior year period by 15.9 %. In the Industrial Division, rapid worldwide growth, predominantly in the aftermarket, production machinery and power transmission sectors, continued undiminished, increasing 24.7 % over the first six months of 2010.

Cost of sales increased by 19.0 % to EUR 3,720 m (prior year: EUR 3,126 m) during the first six months of 2011, growing faster than revenue and, therefore, slightly decreasing the gross margin by 0.7 percentage points to 30.8 % (prior year: 31.5 %). Among other reasons, this trend was due to lower selling prices and increased prices for materials such as steel, and was partially offset by economies of scale resulting from higher utilization of production capacities and productivity improvements. Gross profit improved by EUR 223 m over the prior year period to EUR 1,659 m (prior year: EUR 1,436 m).

Research and development expenses grew by 7.5 % to EUR 244 m (prior year: EUR 227 m) for the first six months of 2011 compared to the prior year, reflecting our efforts to expand our technological expertise in energy efficiency and the megatrends CO_2-reduction, mechatronics, and renewable energy.

Selling expenses increased by 15.7 % to EUR 354 m (prior year: EUR 306 m), primarily due to higher sales-related costs such as general freight and logistics expenses.

Administrative expenses grew less than revenue during the first six months of 2011 as a result of the continuing strong cost discipline and economies of scale.

Earnings before financial result and income taxes (EBIT) grew by EUR 144 m to EUR 883 m (prior year: EUR 739 m) for the first six months of 2011 from the prior year. As a result, the EBIT margin increased to 16.4 % (prior year: 16.2 %).

The Schaeffler Group's financial result for the first six months of 2011 of EUR -20 m (prior year: EUR -899 m) was primarily driven by its share of the net income (loss) of associated companies of EUR 195 m (prior year: EUR -349 m) and net interest expense of EUR 215 m (prior year: EUR 550 m).

The share of net income (loss) of associated companies of EUR 195 m relates almost entirely to the 36.14 % investment in Continental AG, which is accounted for in the Schaeffler Group's consolidated financial statements using the equity method. The amount reflects Continental AG's improved earnings for the first six months of 2011, which the company announced on July 29, 2011.

Net interest expense comprises interest income of EUR 22 m (prior year: EUR 30 m) and interest expense of EUR 237 m (prior year: EUR 580 m). Interest income relates in particular to returns on plan assets of funded pension plans and income from discounting various line items in the statement of financial position. Interest expense includes interest on financial debt of EUR 206 m (prior year: EUR 191 m) and compensation payments on interest rate derivatives of approximately EUR 97 m (prior year: EUR 131 m). These include EUR 17 m (prior year: EUR 20 m) in non-cash amortization of transaction costs. This interest expense is offset by approximately EUR 147 m in gains (prior year: losses of EUR 168 m) arising from unrealized non-cash fair value changes of interest rate derivatives. Since the refinancing arrangement was entered into in the fall of 2009, the interest rate hedging instruments no longer qualify for hedge accounting under IFRS, and the related fair value changes are therefore recognized in the income statement. Since they economically relate to interest expense on the Company's financial debt, these gains are presented in interest expense. In addition, the reserve of EUR -286 m accumulated in equity for cash flow hedge accounting up to November 20, 2009 is being amortized to profit or loss. This resulted in the recognition of interest expense of EUR 38 m (prior year: EUR 46 m). Additional expenses of approximately EUR 43 m (prior year: EUR 44 m) are related to provisions for pensions and similar obligations.

Income taxes for the first six months of 2011 amounted to EUR 215 m (prior year: EUR 95 m), consisting of current tax expense of EUR 197 m (prior year: EUR 139 m) and deferred tax expense of EUR 18 m (prior year: tax income of EUR 44 m). Current tax expense of EUR 193 m relates to the current fiscal year, while EUR 4 m relate to prior years.
Income tax expense for prior year periods is mainly affected by significant amounts of interest expense being non-deductible for tax purposes due to the interest deduction cap in effect in Germany since 2008.
Deferred tax assets on EUR 429 m in interest carryforwards from prior years were not recognized because tax planning considerations make their utilization not probable. Interest expense for 2011 includes EUR 70 m that were not tax deductible due to the interest deduction cap.

In total, net income increased by EUR 901 m to EUR 641 m (prior year: net loss of EUR 260 m) during the first half of 2011.

2.2 Schaeffler Group Automotive

In € millions	1st half 2011	1st half 2010	1st half Change in %	2nd quarter 2011	2nd quarter 2010	2nd quarter Change in %
Revenue	3,591	3,099	15.9	1,769	1,608	10.0
Cost of sales	-2,586	-2,194	17.9	-1,291	-1,140	13.2
Gross profit	1,005	905	11.0	478	468	2.1
EBIT	563	512	10.0	261	273	-4.4
- in % of revenue	15.7	16.5	-	14.8	17.0	-

Automotive Division revenue increased 15.9 % to EUR 3,591 m during the first six months of 2011 compared to the prior year (prior year: EUR 3,099 m). Revenue for the second quarter of 2011 grew 10.0 % to EUR 1,769 m (prior year: EUR 1,608 m) compared to the prior year quarter.

This revenue growth was driven by the sustained global economic recovery of the automotive sector and was supported by a continued high level of average monthly order intakes, where projects coming to an end could be replaced with larger volume new and follow-up orders.

During the course of the year to date, revenue growth was driven in particular by the sales markets in Asia (+18 %), Europe (+17 %), and North America (+15 %). Among top-selling product groups, tapered roller bearings, torque converters, hydraulic valve lash adjustment elements, and ball bearings showed above-average growth. In addition, innovative new products such as the dry double clutch, ball screw drives and the fully variable electro-hydraulic valve control system (UniAir/MultiAir) experienced particularly high growth rates.

Cost of sales rose by 17.9 % to EUR 2,586 m (prior year: EUR 2,194 m) in the first six months of 2011. Cost of sales for the second quarter of 2011 increased by 13.2 % to EUR 1,291 m (prior year: EUR 1,140 m). As this increase in cost of sales exceeded the growth in revenue, the gross margin decreased by 1.2 percentage points to 28.0 % (prior year: 29.2 %) for the first six months of 2011 and by 2.1 percentage points to 27.0 % (prior year: 29.1 %) for the second quarter of 2011.

Improvements in productivity and increased production volumes are favorably impacting gross profit. However, this positive impact could not completely offset rising materials and energy costs. This is also reflected in the relatively large increase in cost of sales for the second quarter of 2011 compared to the prior year quarter.

Total Automotive Division earnings before financial result and income taxes (EBIT) grew by EUR 51 m to EUR 563 m (prior year: EUR 512 m) during the first six months of 2011 compared to the prior year. EBIT for the second quarter of 2011 fell by EUR 12 m to EUR 261 m (prior year: EUR 273 m) from the comparable prior year period. The EBIT margin decreased to 15.7 % (prior year: 16.5 %) for the first six months of 2011 and to 14.8 % for the second quarter of 2011 (prior year: 17.0 %).

2.3 Schaeffler Group Industrial

	1st half			2nd quarter		
In € millions	2011	2010	Change in %	2011	2010	Change in %
Revenue	1,732	1,389	24.7	877	748	17.2
Cost of sales	-1,078	-858	25.6	-558	-457	22.1
Gross profit	654	531	23.2	319	291	9.6
EBIT	320	227	41.0	150	131	14.5
- in % of revenue	18.5	16.3	-	17.1	17.5	-

Industrial Division revenue increased by 24.7 % to EUR 1,732 m during the first six months of 2011 compared to the corresponding prior year period (prior year: EUR 1,389 m). Revenue for the second quarter of 2011 grew by 17.2 % to EUR 877 m (prior year: EUR 748 m) from the prior year quarter.

Revenue growth for the first six months was mainly driven by the aftermarket, production machinery and power transmission sectors.

All regions exhibited double-digit revenue growth during the first six months, with Germany (+39 %) at the top, followed by Europe excluding Germany (+26 %) and Asia (+18 %). The growth in revenue was accompanied by continuing high order intake levels.

Industrial Division cost of sales increased slightly stronger than revenue during the first six months of 2011, rising by 25.6 % to EUR 1,078 m compared to the corresponding prior year period (prior year: EUR 858 m). Cost of sales for the second quarter of 2011 increased by 22.1 % to EUR 558 m (prior year: EUR 457 m). As a result, the gross margin fell by 0.4 percentage points to 37.8 % (prior year: 38.2 %) for the first six months of 2011 and by 2.5 percentage points to 36.4 % (prior year: 38.9 %) for the second quarter of 2011.

Total Industrial Division earnings before financial result and income taxes (EBIT) grew by EUR 93 m or 41.0 % to EUR 320 m (prior year: EUR 227 m) during the first six months of 2011 compared to the prior year. This growth was driven by the positive revenue trend combined with a moderate increase in cost of sales and in research and development, selling and administration expenses. EBIT for the second quarter of 2011 increased by EUR 19 m to EUR 150 m (prior year: EUR 131 m) from the comparable prior year period. The EBIT margin increased to 18.5 % (prior year: 16.3 %) in the first six months of 2011. The EBIT margin for the second quarter of 2011 decreased to 17.1 % (prior year: 17.5 %).

3. Assets and Financial Position

3.1 Assets

The financial position as at June 30, 2011 is marked by a decrease in total assets from the previous reporting date.

In € millions	6/30/2011	12/31/2010	6/30/2010
Total assets	12,738	13,344	13,282
Investments in associated companies	4,636	5,252	5,330
Shareholders' equity [1]	2,719	3,341	3,023
- in % of total assets	21.3	25.0	22.8

1) Including non-controlling interests.

Among non-current assets, property, plant and equipment remained nearly unchanged at EUR 3,033 m (December 31, 2010: EUR 3,041 m). Capital expenditures of EUR 305 m were more than offset by depreciation of EUR 262 m, foreign currency translation differences of EUR 42 m and disposals of EUR 9 m. Deferred tax assets fell by EUR 9 m to EUR 280 m (December 31, 2010: EUR 289 m). In addition, investments in associated companies decreased by EUR 616 m to EUR 4,636 m (December 31, 2010: EUR 5,252 m). The decrease of EUR 764 m is due to the distribution of Continental AG shares to the shareholder, Schaeffler Verwaltungs GmbH, as a dividend in kind, partially offset by the share of Continental AG net income for the half year. Other non-current assets remained nearly unchanged at EUR 170 m (December 31, 2010: EUR 166 m).

The increase in inventories and trade receivables by a total of EUR 353 m to EUR 3,278 m (December 31, 2010: EUR 2,925 m) was due to the continuing successful course of business in the first six months of 2011. Other current assets rose by EUR 85 m to EUR 342 m (December 31, 2010: EUR 257 m) as a result of fair value changes on currency derivatives as well as accruals and deferrals made at interim and higher receivables for other taxes.

These increases were largely offset by a decrease in cash and cash equivalents of EUR 380 m to EUR 353 m (December 31, 2010: EUR 733 m), primarily as a result of the EUR 400 m dividend paid to Schaeffler Verwaltungs GmbH, Schaeffler GmbH's sole shareholder, in January 2011.

The decrease in shareholders' equity of EUR 622 m to EUR 2,719 m (December 31, 2010: EUR 3,341 m) is primarily attributable to a total of EUR 1,164 m in dividends paid to the company's shareholder, Schaeffler Verwaltungs GmbH, and to other comprehensive loss of EUR 106 m arising mainly from currency fluctuations. These reductions were partially offset by the net income for the period of EUR 648 m.

Non-current other liabilities decreased by EUR 144 m to EUR 279 m (December 31, 2010: EUR 423 m), almost entirely due to the change in negative fair values of non-current interest rate derivatives, which have improved as a result of rising interest rate expectations.

Current and non-current provisions, however, remained nearly unchanged, increasing by EUR 21 m to EUR 1,576 m (December 31, 2010: EUR 1,555 m).

Trade payables rose by EUR 121 m to EUR 850 m (December 31, 2010: EUR 729 m) in line with the successful course of business during the first six months of 2011.

3.2 Financial Position

	1st half			2nd quarter		
In € millions	2011	2010	Change in %	2011	2010	Change in %
Cash flows from operating activities	371	439	-15.5	246	278	-11.5
Cash flows used in investing activities [1]	-294	-103	> 100	-180	-69	> 100
Cash flows before financing activities (free cash flow)	**77**	**336**	**-77.1**	**66**	**209**	**-68.4**
Financial debt	6,422	6,514	-1.4	6,422	6,514	-1.4
Cash and cash equivalents	353	584	-39.6	353	584	-39.6
Net financial debt	**6,069**	**5,930**	**2.3**	**6,069**	**5,930**	**2.3**

1) Including currency translation effects.

Cash flows from operating activities fell by EUR 68 m to EUR 371 m (prior year: EUR 439 m) during the first six months of 2011 compared to the prior year. The decrease is primarily due to the increase in cash outflows within working capital of EUR 52 m to EUR 301 m (prior year: EUR 249 m) and, as set out in the table below, higher interest and income taxes paid. Cash flows from operating activities include the following cash in- and outflows related to interest and taxes:

	1st half	
In € millions	2011	2010
Interest received	6	3
Interest paid	-315	-305
Income taxes paid	-92	-74

In the first six months of 2011, cash totaling EUR 294 m was used in investing activities (prior year: EUR 103 m).
On this basis, free cash flow amounts to EUR 77 m (prior year: EUR 336 m).

At June 30, 2011, net financial debt had increased by EUR 139 m to EUR 6,069 m (June 30, 2010: EUR 5,930 m), primarily as a result of the decrease in cash and cash equivalents up to the end of the reporting period.

Financial debt as at June 30, 2011 includes liabilities of EUR 6,288 m (December 31, 2010: EUR 6,300 m) related to the Senior Facility Agreement.

The Schaeffler Group made capital expenditures on intangible assets and property, plant and equipment of EUR 312 m during the first six months, significantly more than the EUR 132 m spent during the comparable prior year period due to the expansion of capacity resulting from our growth.

4. Employees

The number of employees rose by 3,575 (5.3 %) during the first six months of 2011 compared to December 31, 2010 and by 7,134 (11.2 %) compared to the prior year reporting date. Increased customer demand across all regions led to the recruitment of new staff, primarily in production and production-related areas.

The regional allocation of employees is as follows:

Number of employees [1]	6/30/2011	12/31/2010	6/30/2010	Change in % [2]
Germany	28,844	27,938	27,278	3.2
Europe excluding Germany	21,198	20,063	18,533	5.7
Asia/Pacific	10,000	9,258	8,409	8.0
North America	6,397	5,866	5,373	9.1
South America	4,645	4,384	4,357	6.0
Schaeffler Group	**71,084**	**67,509**	**63,950**	**5.3**

1) Figures as of end of period.

2) 06/30/2011 compared to 12/31/2010.

5. Significant Events during the Reporting Period

The IHO Group, defined as the consolidated group with the parent company INA-Holding Schaeffler GmbH & Co. KG, and its shareholders agreed with the consortium banks on a comprehensive refinancing of the IHO Group's debt in late March 2011. The main consequences of this agreement for the Schaeffler Group are as follows:

In addition to the cash dividend of EUR 400 m paid in January 2011 for purposes of repaying IHO Group debt, Schaeffler GmbH has distributed 12,043,528 Continental AG shares to Schaeffler Verwaltungs GmbH as a dividend in kind in May 2011 (see management report section 3.1).

Furthermore, on July 1, 2011, Schaeffler GmbH will assume financial debt of EUR 600 m from its parent company Schaeffler Verwaltungs GmbH at the terms underlying the existing Senior Facility Agreement, under an assumption of debt in discharge of the previous debtor (see management report section 6).

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

In return, the liability under par. 133 of the German Reorganization of Companies Act ["Umwandlungsgesetz"] which arose in connection with the hive-down to Schaeffler GmbH that was entered in the Commercial Register on June 28, 2010 will be eliminated.

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

6. Significant Events after the Reporting Period

The assumption of financial debt of EUR 600 m from Schaeffler Verwaltungs GmbH by way of a dividend in kind and assumption of contract was approved in a shareholder's resolution dated July 1, 2011.

No other material events occurred after June 30, 2011 that would have had a significant impact on the company's net assets, financial position and results of operations.

7. Outlook

As a leading global automotive and industrial supplier, we are excellently positioned in our core markets. This outstanding competitive position is based on our technological leadership, innovative and pioneering products, a complete range of standard products, excellent quality, as well as our strong regional presence in the growth markets. On this basis, we see promising opportunities for further growth during the next few years.

Our business has performed very well during the first six months of 2011. We were able to benefit more than proportionally from the economic recovery in our customers' industries in all sectors. We continue to expect robust demand for our components and systems in the second half of 2011, although growth rates will likely be slightly below those of the first six months.

Capital expenditures for new products and capacity expansion form the basis for our growth. Therefore, we are still planning to make capital expenditures of 6 % to 8 % of our revenue in all of 2011. The regional focus of these capital expenditures will be on Asia/Pacific and North America.

As in the past, we continue to rely on strong innovative ability and will again increase our activities in and expenditures on research and development. We continue to expect to spend approximately 5 % of our Group revenue on research and development for new products and processes in 2011.

We see risks from a possible worsening of the debt crisis in Europe and the US and the current turmoil in the financial markets which might negatively impact economic growth. In addition, increasing commodity prices, particularly for steel, and higher labor costs may have a negative effect on our margins.

Based on the excellent performance in the first six months we are slightly increasing our revenue target for the year 2011. We now anticipate revenue to grow by more than 10 %. In the light of planned capacity expansions and expected higher materials and labor costs, we are maintaining our expectation of generating an EBIT margin in excess of 13 %.

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

Herzogenaurach, August 18, 2011

The Executive Management Board

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Consolidated Income Statement

In € millions	1st half 2011	1st half 2010	1st half Change in %	2nd quarter 2011	2nd quarter 2010	2nd quarter Change in %
Revenue	5,379	4,562	17.9	2,682	2,402	11.7
Cost of sales	-3,720	-3,126	19.0	-1,885	-1,643	14.7
Gross profit	**1,659**	**1,436**	**15.5**	**797**	**759**	**5.0**
Research and development expenses	-244	-227	7.5	-123	-122	0.8
Selling expenses	-354	-306	15.7	-181	-159	13.8
Administrative expenses	-204	-183	11.5	-103	-92	12.0
Other income	134	284	-52.8	73	207	-64.7
Other expenses	-108	-265	-59.2	-52	-189	-72.5
Earnings before financial result and income taxes (EBIT)	**883**	**739**	**19.5**	**411**	**404**	**1.7**
Share of net income (loss) of associated companies	195	-349	< -100	89	0	-
Interest income	22	30	-26.7	8	10	-20.0
Interest expense	-237	-580	-59.1	-222	-250	-11.2
Financial result	**-20**	**-899**	**-97.8**	**-125**	**-240**	**-47.9**
Earnings before income taxes	**863**	**-160**	**< -100**	**286**	**164**	**74.4**
Income taxes	-215	-95	> 100	-79	-64	23.4
Net income (loss)	**648**	**-255**	**< -100**	**207**	**100**	**> 100**
Attributable to shareholders of the parent company	641	-260	< -100	203	97	> 100
Attributable to non-controlling interests	7	5	40.0	4	3	33.3

2. Consolidated Statement of Comprehensive Income

	1st half						2nd quarter					
	2011			2010			2011			2010		
In € millions	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes
Net income (loss)	**863**	**-215**	**648**	**-160**	**-95**	**-255**	**286**	**-79**	**207**	**164**	**-64**	**100**
Foreign currency translation differences for foreign operations	-103	0	-103	255	0	255	-7	0	-7	129	0	129
Effective portion of changes in fair value of cash flow hedges	61	-17	44	1	-1	0	13	-3	10	-10	4	-6
Defined benefit plan actuarial gains/losses	-1	0	-1	-38	5	-33	-3	0	-3	-45	6	-39
Other comprehensive income (loss) before associated companies	**-43**	**-17**	**-60**	**218**	**4**	**222**	**3**	**-3**	**0**	**74**	**10**	**84**
Share of other comprehensive income (loss) from associated companies accounted for under the equity method	-42	-5	-47	206	2	208	-9	-2	-11	89	0	89
Total other comprehensive income (loss)	**-85**	**-22**	**-107**	**424**	**6**	**430**	**-6**	**-5**	**-11**	**163**	**10**	**173**
Total comprehensive income (loss) for the period	**778**	**-237**	**541**	**264**	**-89**	**175**	**280**	**-84**	**196**	**327**	**-54**	**273**
Total comprehensive income (loss) attributable to sharehol-ders of the parent company	775	-237	538	254	-89	165	278	-84	194	323	-54	269
Total comprehensive income (loss) attributable to non-con-trolling interests	3	0	3	10	0	10	2	0	2	4	0	4
Total comprehensive income (loss) for the period	**778**	**-237**	**541**	**264**	**-89**	**175**	**280**	**-84**	**196**	**327**	**-54**	**273**

3. Consolidated Statement of Financial Position

In € millions	6/30/2011	12/31/2010	6/30/2010	Change in % 1)
ASSETS				
Intangible assets	562	575	609	-2.3
Property, plant and equipment	3,033	3,041	3,098	-0.3
Investments in associated companies	4,636	5,252	5,330	-11.7
Other investments	7	8	8	-12.5
Other assets	170	166	153	2.4
Deferred tax assets	280	289	308	-3.1
Total non-current assets	**8,688**	**9,331**	**9,506**	**-6.9**
Inventories	1,580	1,482	1,375	6.6
Trade receivables	1,698	1,443	1,550	17.7
Other assets	342	257	228	33.1
Income tax receivables	77	98	39	-21.4
Cash and cash equivalents	353	733	584	-51.8
Total current assets	**4,050**	**4,013**	**3,776**	**0.9**
Total assets	**12,738**	**13,344**	**13,282**	**-4.5**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	500	500	500	0.0
Other reserves	2,279	2,801	2,477	-18.6
Accumulated other comprehensive income (loss)	-110	-7	2	> 100
Equity attributable to shareholders of the parent company	**2,669**	**3,294**	**2,979**	**-19.0**
Non-controlling interests	50	47	44	6.4
Total shareholders' equity	**2,719**	**3,341**	**3,023**	**-18.6**
Provisions for pensions and similar obligations	1,109	1,111	1,161	-0.2
Provisions	126	127	140	-0.8
Financial debt	6,410	6,413	6,421	0.0
Income tax payables	99	102	24	-2.9
Other liabilities	279	423	548	-34.0
Deferred tax liabilities	145	116	81	25.0
Total non-current liabilities	**8,168**	**8,292**	**8,375**	**-1.5**
Provisions	341	317	368	7.6
Financial debt	12	64	93	-81.3
Trade payables	850	729	638	16.6
Income tax payables	192	115	166	67.0
Other liabilities	456	486	619	-6.2
Total current liabilities	**1,851**	**1,711**	**1,884**	**8.2**
Total shareholders' equity and liabilities	**12,738**	**13,344**	**13,282**	**-4.5**

1) 6/30/2011 compared to 12/31/2010.

4. Consolidated Statement of Cash Flows

	1st half			2nd quarter		
In € millions	2011	2010	Change in %	2011	2010	Change in %
Operating activities						
EBIT	883	739	19.5	411	404	1.7
Interest paid	-315	-305	3.3	-144	-151	-4.6
Interest received	6	3	100.0	4	1	> 100
Income taxes paid	-92	-74	24.3	-22	-42	-47.6
Depreciation, amortization and impairments	282	298	-5.4	141	149	-5.4
Gains/losses from the disposal of assets	-1	0	-	0	0	-
Other non-cash items	-22	-18	22.2	-1	1	< -100
Changes in:						
• Inventories	-138	-123	12.2	-47	-58	-19.0
• Trade receivables	-290	-318	-8.8	5	-75	< -100
• Trade payables	127	192	-33.9	26	62	-58.1
• Provisions for pensions and similar obligations	-25	-32	-21.9	-18	-26	-30.8
• Other assets, liabilities and provisions	-44	77	< -100	-109	13	< -100
Cash flows from operating activities [1)]	**371**	**439**	**-15.5**	**246**	**278**	**-11.5**
Investing activities						
Proceeds from disposals of intangible assets and property, plant and equipment	9	8	12.5	3	4	-25.0
Capital expenditures on intangible assets	-7	-16	-56.3	-3	-9	-66.7
Capital expenditures on property, plant and equipment	-301	-107	> 100	-185	-63	> 100
Investments in other investments	-1	-4	-75.0	0	-2	-100.0
Other (de-) investing activities	6	16	-62.5	5	1	> 100
Cash flows from investing activities	**-294**	**-103**	**> 100**	**-180**	**-69**	**> 100**
Financing activities						
Dividends paid to non-controlling interests	-1	-1	0.0	-1	-1	0.0
Receipts from loans	4	2	100.0	-49	0	-
Repayments of loans	-21	-43	-51.2	-11	-13	-15.4
Payments to Schaeffler Verwaltungs GmbH/change in financial allocation account	-400	-134	> 100	0	-118	-100.0
Receipts/payments from other financing activities	-26	50	< -100	-9	47	< -100
Cash flows from financing activities	**-444**	**-126**	**> 100**	**-70**	**-85**	**-17.6**
Net increase/decrease in cash and cash equivalents	**-367**	**210**	**< -100**	**-4**	**124**	**< -100**
Effects of foreign exchange rate changes on cash and cash equivalents	-13	24	< -100	-1	12	< -100
Cash and cash equivalents as of beginning of period	733	350	> 100	358	448	-20.1
Cash and cash equivalents as of end of period	**353**	**584**	**-39.6**	**353**	**584**	**-39.6**

1) Excluding interest payments, cash flows from operating activities for the period 1/1 – 6/30/2011 amount to EUR 686 m (prior year: EUR 744 m).

5. Consolidated Statement of Changes in Shareholders' Equity

including non-controlling interests

In € millions	Share capital	Other reserves	Accumulated other comprehensive income (loss) [1) Translation reserve	Hedging reserve	Fair value reserve	Reserve for actuarial gains and losses	Subtotal	Non-controlling interests	Total
Balance as of January 1, 2010	**0**	**3,239**	**-190**	**-206**	**0**	**-25**	**2,818**	**34**	**2,852**
Net income (loss)		-260					-260	5	-255
Other comprehensive income (loss)			464	-6		-33	425	5	430
Total comprehensive income (loss) for the period	**0**	**-260**	**464**	**-6**	**0**	**-33**	**165**	**10**	**175**
Capital increase	500	-500					0		0
Acquisitions in stages		-6					-6		-6
Other items from associated companies recognized directly in shareholders' equity		4	-2				2		2
Balance as of June 30, 2010	**500**	**2,477**	**272**	**-212**	**0**	**-58**	**2,979**	**44**	**3,023**
Balance as of January 1, 2011	**500**	**2,801**	**179**	**-120**	**1**	**-67**	**3,294**	**47**	**3,341**
Net income (loss)		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 to shareholders		-1,164					-1,164		-1,164
Other items from associated companies recognized directly in shareholders' equity		1					1		1
Balance as of June 30, 2011	**500**	**2,279**	**1**	**-60**	**1**	**-52**	**2,669**	**50**	**2,719**

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

6. Notes to the Consolidated Financial Statements

6.1 Reporting entity

Schaeffler GmbH, Herzogenaurach, is a corporation domiciled in Germany with its registered office located at Industriestrasse 1 – 3, 91074 Herzogenaurach. The company was founded as at September 29, 2009 and is registered in the Commercial Register of the Fuerth Local Court (HRB No. 12116). The condensed consolidated financial statements of Schaeffler GmbH as at June 30, 2011 comprise Schaeffler GmbH and its subsidiaries, investments in associated companies and joint ventures (together referred to as “Schaeffler” or “Schaeffler Group”). Schaeffler is a supplier to automotive, aerospace and other manufacturing customers with operations worldwide.

6.2 Reorganization of Group

The Schaeffler Group with its parent company INA-Holding Schaeffler GmbH & Co. KG was extensively reorganized in terms of its legal structure in 2009 and 2010. The objective of the reorganization was to establish structures suitable for the capital markets, with Schaeffler GmbH as a holding company.

For legal purposes, the Schaeffler Group was created when the hive-down was entered in the Commercial Register on June 28, 2010.

6.3 Basis of preparation and presentation

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and effective at the end of the reporting period and in accordance with the Interpretations by the IFRS Interpretations Committee (IFRIC).
The consolidated interim financial statements of Schaeffler GmbH, Herzogenaurach, for the reporting period ended June 30, 2011 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. In addition, IFRS amendments and new regulations effective as at January 1, 2011 have been applied in these interim financial statements. This had no significant effect on the Schaeffler Group. Therefore, please refer to the 2010 consolidated financial statements of Schaeffler GmbH for a detailed description of these mandatory IFRS amendments and new regulations.

The interim financial statements as of June 30, 2011 do not include all information necessary for a complete set of consolidated financial statements. The consolidated financial statements for the sub-group for the comparative period were derived as a subset of the INA-Holding Schaeffler GmbH & Co. KG Group consolidated financial statements using predecessor accounting. Therefore, these consolidated interim financial statements should be read in conjunction with the consolidated financial statements of INA-Holding Schaeffler GmbH & Co. KG as at and for the year ended December 31, 2009 and the consolidated financial statements of Schaeffler GmbH as at and for the year ended December 31, 2010.

The accounting policies used in these consolidated interim financial statements are the same as those used in the 2010 consolidated financial statements, where they are discussed in detail.

In the preparation of financial statements in accordance with IFRS, management exercises judgment in making estimates and assumptions. Such estimates and judgments are unchanged from those described in the consolidated financial statements of Schaeffler GmbH as at and for the year ended December 31, 2010.

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

Income taxes are determined based on best estimate.

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

6.4 Segment reporting

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

The allocation of customers and products to segments is reviewed regularly and adjusted where necessary. To ensure that segment information is comparable, prior year information is also presented using the current year’s customer and product structure. In addition, the segment reporting structure, including prior year figures, has been adjusted in connection with the legal restructuring of the Schaeffler Group.

In € millions	Automotive		Industrial		Other		Total	
		1st half		1st half		1st half		1st half
	2011	2010	2011	2010	2011	2010	2011	2010
Revenue	3,591	3,099	1,732	1,389	56 1)	74 2)	5,379	4,562
Cost of sales	-2,586	-2,194	-1,078	-858	-56	-74	-3,720	-3,126
Gross profit	1,005	905	654	531	0	0	1,659	1,436
EBIT	563	512	320	227	0	0	883	739
- in % of revenue	15.7	16.5	18.5	16.3	-	-	16.4	16.2
Depreciation, amortization and impairments	-191	-204	-91	-94	0	0	-282	-298
Inventories 3)	881	740	699	635	0	0	1,580	1,375
Trade receivables 3)	1,167	1,061	531	489	0	0	1,698	1,550
Property, plant and equipment 3)	2,002	2,029	1,031	1,069	0	0	3,033	3,098
Capital expenditures	232	99	80	33	0	0	312	132

In € millions	Automotive		Industrial		Other		Total	
		2nd quarter		2nd quarter		2nd quarter		2nd quarter
	2011	2010	2011	2010	2011	2010	2011	2010
Revenue	1,769	1,608	877	748	36 1)	46 2)	2,682	2,402
Cost of sales	-1,291	-1,140	-558	-457	-36	-46	-1,885	-1,643
Gross profit	478	468	319	291	0	0	797	759
EBIT	261	273	150	131	0	0	411	404
- in % of revenue	14.8	17.0	17.1	17.5	-	-	15.3	16.8
Depreciation, amortization and impairments	-95	-102	-46	-47	0	0	-141	-149
Inventories 3)	881	740	699	635	0	0	1,580	1,375
Trade receivables 3)	1,167	1,061	531	489	0	0	1,698	1,550
Property, plant and equipment 3)	2,002	2,029	1,031	1,069	0	0	3,033	3,098
Capital expenditures	142	56	48	19	0	0	190	75

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

2) The amount consists mainly of scrap sales and materials provided to subcontractors.

3) Amounts as of June 30.

Reconciliation to earnings before income taxes		1st half
	2011	2010
EBIT Automotive	563	512
EBIT Industrial	320	227
EBIT	**883**	**739**
Financial result	-20	-899
Earnings before income taxes	**863**	**-160**

6.5 Scope of consolidation

The Schaeffler Group includes, in addition to Schaeffler GmbH, 153 fully consolidated subsidiaries and special purpose entities; 50 companies are domiciled in Germany and 103 are foreign entities.

The following change occurred since December 31, 2010:
The company Schaeffler Ukraine GmbH, Kiev, which was founded late last year, has been included in the consolidation since January 1, 2011, adding one fully consolidated company to the scope of the consolidation.

In addition, nine companies (seven associated companies and two joint ventures) continue to be accounted for using the equity method.

Schaeffler GmbH transferred 12,043,528 Continental AG shares to Schaeffler Verwaltungs GmbH on May 5, 2011, reducing the Schaeffler Group's interest in Continental AG to 36.14 %.

As a result, Schaeffler Group holds 72,290,458 shares or 36.14 % of the voting interest in Continental AG as at June 30, 2011. At no point in time has Schaeffler GmbH held more than the maximum investment of 49.99 % stipulated by the investor agreement. Continental AG is a leading automotive supplier with worldwide operations, headquartered in Hanover, Germany.

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

In € millions	2011	2010
Assets (as of 6/30)	25,293	24,486
Liabilities (as of 6/30)	18,472	18,472
Revenue (1/1 – 6/30)	14,878	12,654
Net income [1] (1/1 – 6/30)	718	386

1) Incl. non-controlling interests.

6.6 Share of net income (loss) of associated companies

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

The share of net income (loss) of associated companies is mainly the result of measuring the investment in Continental AG using the equity method. The Schaeffler Group's pro-rata share of depreciation, amortization and impairments on fair value adjustments and its share of Continental AG's net income, net of offsetting deferred tax effects, result in income after tax of EUR 182 m. The effect on Schaeffler Group net income (loss) for the first six months is as follows:

In € millions	2011	2010
Depreciation, amortization and impairments of fair value adjustments	-139	-149
Share of net income (loss) of Continental AG	275	150
Dilution of ownership interest due to non-participation in Continental AG capital increase	0	-396
Effect on net income (loss) before income taxes	**136**	**-395**
Deferred taxes	39	42
Effect on net income (loss) before non-recurring items [1]	**175**	**-353**
Non-recurring items [1]		
- Reversal of cash flow hedges existing at the time of the PPA	3	0
- Recognition of Continental AG pension obligations at fair value	4	4
Effect on net income (loss) after non-recurring items [1]	**182**	**-349**

1) Realized through purchase price allocation (PPA).

Due to the partial disposal of the Continental AG shares as a dividend in kind on May 5, 2011, EUR 13 m of the Schaeffler Group's share of accumulated other comprehensive income (loss) of Continental AG were reclassified to the statement of income. This has brought the total share of net income (loss) of associated companies to EUR 195 m.
The Schaeffler Group's share of other comprehensive loss of Continental AG amounts to EUR 47 m.

Debt covenants restrict Continental AG's ability to pay dividends. Continental AG paid a dividend of EUR 2 per share for 2007, representing a total dividend distribution of EUR 323 m. Continental AG did not pay any dividends for 2008, 2009 and 2010.

The fair value of the Continental AG shares held by Schaeffler GmbH (36.14 %) on June 30, 2011 was EUR 5,237 m.

6.7 Contingent liabilities and other financial liabilities

At June 30, 2011, the Schaeffler Group had unfulfilled commitments under fixed contracts to purchase property, plant and equipment in the amount of EUR 224 m (December 31, 2010: EUR 101 m). EUR 211 m of the commitments existing at June 30, 2011 are expected to be settled within one year and EUR 13 m within five years.

At June 30, 2011, contingent liabilities amount to EUR 35 m (December 31, 2010: EUR 30 m) and consist primarily of obligations under guarantees and warranties of EUR 19 m (December 31, 2010: EUR 11 m). Other contingent liabilities of EUR 16 m (December 31, 2010: EUR 19 m) mainly consist of claims raised by employees and reassessments from taxation authorities against the Indian companies.

6.8 Related parties

Transactions with Continental Group companies during the period from January 1 to June 30, 2011 were as follows:

In Mio. EUR	6/30/2011	12/31/2010
Receivables	12	12
Liabilities	3	3
	2011	2010
Revenue (1/1 – 6/30)	37	35
Purchases of goods and services (1/1 – 6/30)	13	9

As at June 30, 2011, the Group had liabilities of EUR 6 m (December 31, 2010: EUR 33 m) due to other related companies not consolidated by the Schaeffler Group, consisting of financial debt, as well as other receivables of EUR 16 m (December 31, 2010: nil).

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

6.9 Events after the reporting period

The assumption of financial debt of EUR 600 m from Schaeffler Verwaltungs GmbH by way of a dividend in kind and assumption of contract was approved in a shareholder's resolution dated July 1, 2011.

No other material events occurred after June 30, 2011 that would have had a significant impact on the company's net assets, financial position and results of operations.

Herzogenaurach, August 18, 2011

The Executive Management Board

SUMMARY –
1ST QUARTER 2010 TO 2ND QUARTER 2011

Summary – 1st Quarter 2010 to 2nd Quarter 2011

	2010				2011	
In € millions	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
Income Statement						
Revenue	2,160	2,402	2,452	2,481	2,697	2,682
EBITDA	484	553	545	515	613	552
- in % of revenue	22.4	23.0	22.2	20.8	22.7	20.6
EBIT	335	404	398	372	472	411
- in % of revenue	15.5	16.8	16.2	15.0	17.5	15.3
Net income (loss) 1)	**-357**	**97**	**147**	**176**	**438**	**203**
Statement of Financial Position						
Total assets	12,828	13,282	13,304	13,344	13,372	12,738
Shareholders' equity 2)	2,755	3,023	3,022	3,341	3,288	2,719
- in % of total assets	21.5	22.8	22.7	25.0	24.6	21.3
Net financial debt	6,020	5,930	5,763	5,744	6,124	6,069
- in % of shareholders' equity	218.5	196.2	190.7	171.9	186.3	223.2
Capital expenditures 3)	57	75	70	184	122	190
Statement of Cash Flows						
Free cash flow 4)	127	209	190	40	11	66
Employees						
Headcount (at end of reporting period)	62,626	63,950	66,079	67,509	69,517	71,084

1) Attributable to shareholders of the parent company.

2) Incl. non-controlling interests.

3) Capital expenditures for the quarter.

4) Free cash flow for the quarter.

LEGAL NOTICE

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