SCHAEFFLER

Q3

Interim Financial Report
as at September 30, 2012

LuK INA FAG

Key Figures

in € millions	1st nine months 2012	1st nine months 2011	Change	
Income statement				
Revenue	8,422	8,082	4.2	%
EBITDA	1,599	1,770	-9.7	%
· in % of revenue	19.0	21.9	-2.9	%-pts.
EBIT	1,144	1,349	-15.2	%
· in % of revenue	13.6	16.7	-3.1	%-pts.
Net income [1]	731	743	-12	€ millions

in € millions	9/30/2012	12/31/2011	Change	
Statement of financial position				
Total assets	13,936	12,989	7.3	%
Shareholders' equity [2]	2,060	1,714	346	€ millions
· in % of total assets	14.8	13.2	1.6	%-pts.
Net financial debt [3]	6,698	6,668	0.4	%
· Financial debt to EBITDA ratio [4]	3.2	3.0	0.2	pts.
Capital expenditures [5]	658	524 *	134	€ millions

in € millions	1st nine months 2012	1st nine months 2011	Change	
Statement of cash flows				
Cash flows from operating activities	783	724	59	€ millions
Free cash flow	122	229	-107	€ millions
Employees				
Number of employees (as at September 30.)	76,656	72,951	5.1	%

[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 September 30, 2011).

in € millions	1st nine months 2012	1st nine months 2011	Change	
Automotive				
Revenue	5,761	5,403	6.6	%
EBITDA	1,081	1,158	-6.6	%
· in % of revenue	18.8	21.4	-2.6	%-pts.
EBIT	764	857	-10.9	%
· in % of revenue	13.3	15.9	-2.6	%-pts.

Prior year information presented based on 2012 segment structure.

in € millions	1st nine months 2012	1st nine months 2011	Change	
Industrial				
Revenue	2,613	2,609	0.2	%
EBITDA	518	612	-15.4	%
· in % of revenue	19.8	23.5	-3.7	%-pts.
EBIT	380	492	-22.8	%
· in % of revenue	14.5	18.9	-4.4	%-pts.

Prior year information presented based on 2012 segment structure.

9 months ended September 30, 2012

Weaker growth due to market conditions:

Revenue for 1st nine months increased **4.2** % to around EUR **8.4** billion

Earnings quality remains high:

EBIT margin at **13.6** % of revenue

Free cash flow positive:

EUR **92** m free cash flow for third quarter

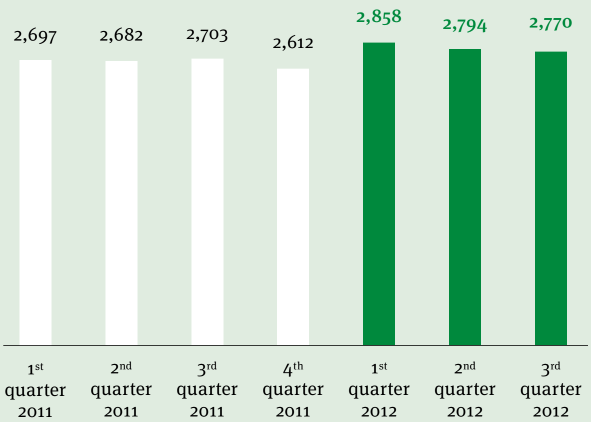
Ratings improved:

Ratings upgraded to B+ with stable outlook (S&P) and B1 with positive outlook (Moody's)

First nine months of 2012 in numbers

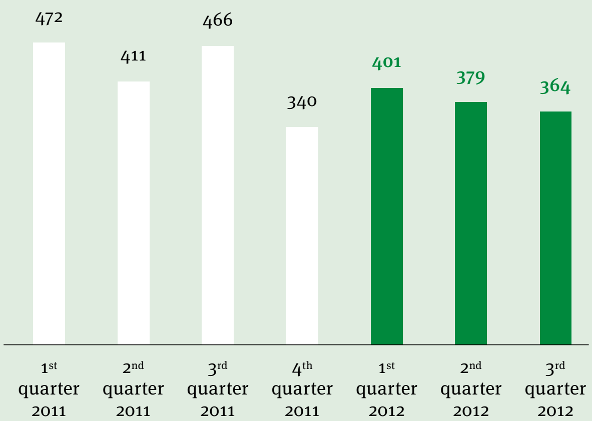
Revenue

in € millions



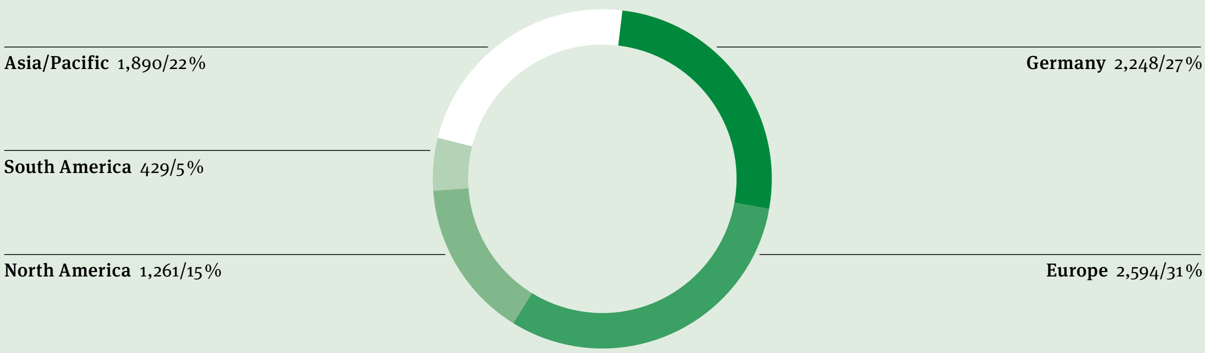
Earnings before financial result and income taxes (EBIT)

in € millions



Revenue 1st nine months 2012 by region

Market view (€ millions/in 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

Performance of Schaeffler Group bonds

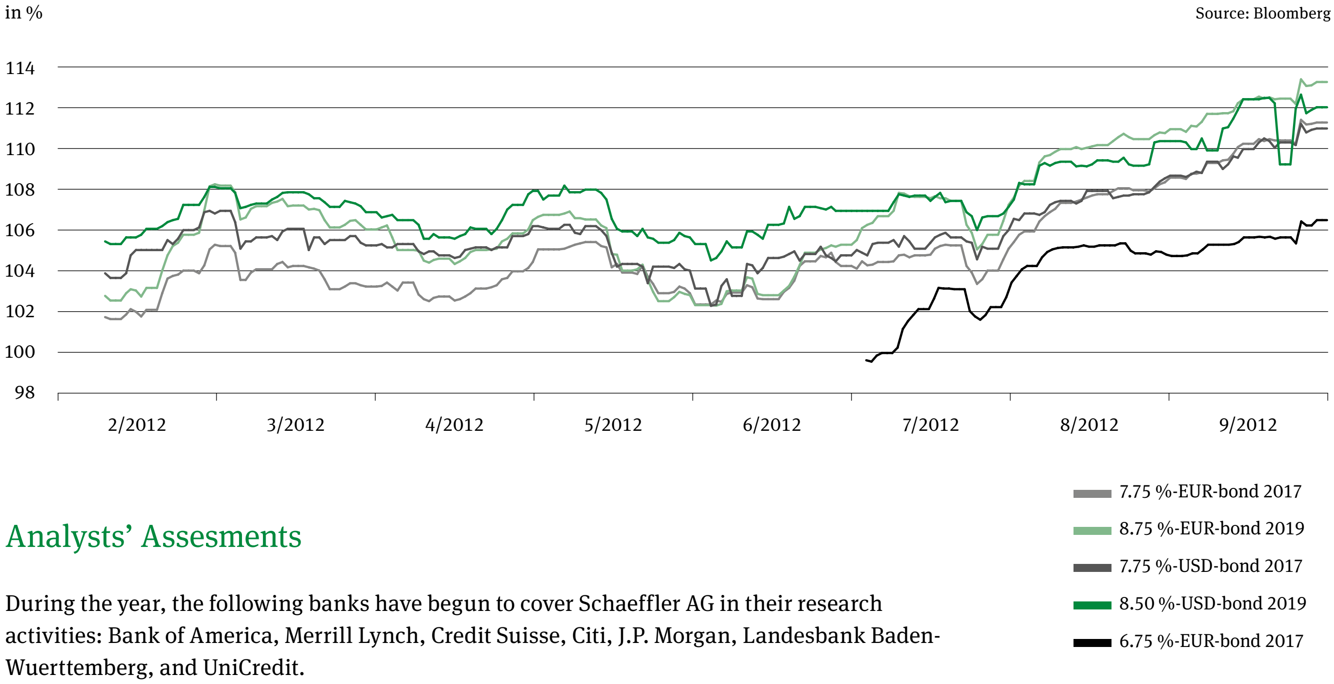
The Schaeffler Group had the following bonds outstanding at September 30, 2012:

ISIN	Currency	Face value in millions	Coupon	Maturity	Issued at (in %)	Price [1] 9/30/2012
XS0741938624	EUR	800	7.75 %	2/15/2017	98.981	111.36
US806261AC75	USD	600	7.75 %	2/15/2017	98.981	111.06
XS0801261156	EUR	326	6.75 %	7/01/2017	98.981	106.56
XS0741939788	EUR	400	8.75 %	2/15/2019	100.000	113.37
US806261AA10	USD	500	8.50 %	2/15/2019	100.000	112.13

[1] Source: Bloomberg.

The third quarter of 2012 was marked by a rising euro and the ECB's plans to acquire additional government bonds. Schaeffler's bonds continued to perform well in this environment. The EUR bond (ISIN: XS0741939788) bearing interest at 8.75 % and maturing in 2019 showed the best performance since its issue date, rising to a price of 113.37 % as at September 30, 2012.

Performance since placement



Analysts' Assesments

During the year, the following banks have begun to cover Schaeffler AG in their research activities: Bank of America, Merrill Lynch, Credit Suisse, Citi, J.P. Morgan, Landesbank Baden-Wuerttemberg, and UniCredit.

Schaeffler's ratings

Moody's upgraded its rating on September 28, 2012 and currently rates Schaeffler AG at "B1" with a positive outlook. S&P has been rating Schaeffler AG at "B+" with a stable outlook since August 9, 2012.

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

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 September 30, 2012 do not include all information necessary for a complete set of consolidated financial statements.

Economic environment

The global economy is currently in a weak phase. Business climate indicators are either stagnating at a low level or declining. Alleviating the sovereign debt crisis in Europe, which the International Monetary Fund (IMF) has called the "epicenter" of the global crisis, is key to reviving global economic activity. In addition, it is becoming clear that the momentum in the emerging countries is not sufficient to offset the slowdown in the industrialized economies. Decreased foreign demand as well as domestic economic problems are negatively impacting the economy of most of the large emerging countries. Further escalation of political unrest in the Middle East and in Northern Africa, both key producers of crude oil and natural gas, could have far-reaching effects on the international commodity and financial markets, with significant negative consequences for the global economy. In light of these uncertainties, the IMF has reduced its forecast of global economic growth for the year 2012 to 3.3 % in its world economic outlook published on October 9. The IMF expects the industrialized nations to grow by only 1.3 % while forecasting growth of 5.3 % for the emerging countries.

The automotive market is currently cooling down, although the pattern varies widely across regions. Based on preliminary figures by market research institute IHS Global Insight Automotive, total global production of passenger cars and light commercial vehicles for the first nine months of 2012 increased to 61.0 million vehicles, up 7.3 % compared to the prior year period. In Europe, the already weak passenger car business continued to deteriorate during the third quarter, primarily due to the significant weakness in demand in Southern European countries. Production in Western Europe fell by 6.8 % during the first nine months, while Germany only experienced a decline of 1.9 %. The automotive market in the U.S., on the other hand, showed an encouraging performance during the first nine months, with production there increasing 19.1 %. In the Asia/Pacific region, production expanded by 12.2 %. 13.4 million vehicles (+6.6 %) were produced in China, representing approximately half of all vehicles manufactured in this region. Production in South America decreased by 2.7 %, mainly as a result of a significant decline in Argentina, while production volumes in Brazil in particular remained stable.
The Schaeffler Group expects global production of passenger vehicles and light commercial vehicles to grow by only approximately 4 % for all of 2012 compared to the prior year. In relation to this lower growth, it is becoming clear that demand will likely decline significantly in the fourth quarter of 2012.

Conditions in the industrial business remain challenging. The worldwide economic slowdown in the engineering sector continued during the third quarter. The highest growth rate – albeit noticeably lower than in the prior quarter - was seen in China. Local growth in the Japanese engineering sector benefitted from the economic upturn following the flood and nuclear disaster there. The U.S. engineering sector experienced comparatively large production increases during the year to date. However, the engineering sector in the weaker euro area countries is in recession. In Germany, as well, order intake in the engineering sector is declining sharply. Overall, engineering sector companies and their customers continue to be affected by the uncertainty around the outcome of the European sovereign debt crisis. Companies' resulting cautious expectations are an indicator that investment in equipment and commercial construction will decline further.

Earnings

Schaeffler Group earnings

The Schaeffler Group continued to grow during the third quarter, despite a significantly deteriorating economic environment.

	1st nine months			3rd quarter		
in € millions	2012	2011	Change in %	2012	2011	Change in %
Revenue	8,422	8,082	4.2	2,770	2,703	2.5
Cost of sales	-5,856	-5,586	4.8	-1,923	-1,866	3.1
Gross profit	2,566	2,496	2.8	847	837	1.2
Functional expenses 1)	-1,371	-1,198	14.4	-454	-396	14.6
EBIT	1,144	1,349	-15.2	364	466	-21.9
· in % of revenue	13.6	16.7	-	13.1	17.2	-
Financial result	-149	-273	-45.4	-51	-253	-79.8
Income taxes	-254	-323	-21.4	-84	-108	-22.2
Net income 2)	731	743	-1.6	226	102	> 100

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

Revenue for the first nine months of 2012 increased 4.2 % to EUR 8,422 m (prior year: EUR 8,082 m) compared to the corresponding prior year period. During the third quarter of 2012, revenue grew by 2.5 % to EUR 2,770 m (prior year: EUR 2,703 m) from the prior year. While the Automotive division continued to experience sound demand, total Industrial division revenue remained at prior year levels. From a regional perspective, revenue for Europe of EUR 4,842 m (prior year: EUR 4,822 m) was flat compared to the prior year. Outside of Europe revenue grew about 9.8 % to EUR 3,580 m (prior year: EUR 3,260 m). Both the Asia/Pacific region and the U.S. market continued their growth trend during the third quarter of 2012 and remained the Schaeffler Group's largest growth markets during the first nine months of 2012.

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 and the resulting increase in production volumes stand out as significant revenue drivers in the Automotive division.

Despite a significant decline in revenue in the wind power and several other sectors, the Industrial division maintained revenue at the same level as that for the first nine months of the prior year. The U.S. market in particular experienced above-average revenue growth in nearly every sector. The aerospace sector, heavy industries, and the aftermarket business all expanded more than proportionatelly.

Schaeffler Group gross profit grew by EUR 70 m to EUR 2,566 m (prior year: EUR 2,496 m) during the first nine months of 2012, mainly driven by higher volumes. This growth was partially offset by higher preproduction costs for future growth and new products as well as relocation activities and capacity expansions to maximize value creation in the global growth markets for the long term. At 30.5 % (prior year: 30.9 %), Schaeffler's gross margin remained nearly unchanged.

Research and development expenses for the third quarter of 2012 were at the same level as those for the first two quarters of the year. In total, the Schaeffler Group increased its research and development expenses by 22.7 % to EUR 444 m (prior year: EUR 362 m) during the first nine months of 2012. As a result, research and development expenses as a percentage of revenue remained at approximately 5.3 %. In addition to the development of other new products, the focus was primarily on significant investments in the promising area of electric mobility.

Selling expenses rose 6.9 % to EUR 574 m (prior year: EUR 537 m) for the first nine months of 2012. The increase is primarily due to higher revenue-driven expenses, such as freight and logistics expenses. Administrative expenses increased to EUR 353 m (prior year: EUR 299 m).

Earnings before financial result and income taxes amounted to EUR 1,144 m (prior year: EUR 1,349 m) for the first nine months of 2012. At 13.6 %, Schaeffler's EBIT margin remained high.

	1st nine months			3rd quarter		
in € millions	2012	2011	Change in %	2012	2011	Change in %
Share of net income of equity-accounted investees	410	229	79.0	124	34	> 100
Interest income	51	34	50.0	18	12	50.0
Interest expense	-610	-536	13.8	-193	-299	-35.5
Net interest expense	**-559**	**-502**	**11.4**	**-175**	**-287**	**-39.0**
Financial result	**-149**	**-273**	**-45.4**	**-51**	**-253**	**-79.8**

The share of net income of equity-accounted investees of EUR 410 m (prior year: EUR 229 m) for the first nine months of 2012 stems almost entirely from the investment in Schaeffler Beteiligungsholding GmbH & Co. KG, which holds a 36.14 % interest in Continental AG.

Net interest expense consists primarily of four components: (1) interest expense on financial debt, (2) expenses for compensation payments on derivative financial instruments, (3) valuation of derivative and non-derivative financial instruments, and (4) net expenses on pension obligations and other financial obligations.

Interest expense on financial debt of EUR 387 m (prior year: EUR 323 m) consists of EUR 309 m in interest paid, EUR 43 m in accrued interest, and EUR 35 m in amortization of transaction costs.

Compensation payments on derivative financial instruments and other interest expense amounted to EUR 73 m (prior year: EUR 131 m) and included EUR 80 m in expenses and EUR 7 m in income.

Valuation of derivative and non-derivative financial instruments and the termination of cash flow hedge accounting in November 2009 resulted in net losses of EUR 39 m (prior year: net gains of EUR 5 m), consisting of losses of EUR 60 m and gains of EUR 21 m.

Total net expenses on pension obligations and other financial obligations were EUR 60 m (prior year: EUR 53 m), including EUR 83 m in expenses and EUR 23 m in income.

	1st nine months 2012		
in € millions	Interest income	Interest expense	Net interest expense
Interest expense on financial debt	-387	-387	0
Payments on derivative financial instruments and other interest expense	-73	-80	7
Gains (losses) on valuation of financial instruments and cash flow hedge accounting	-39	-60	21
Pensions and other provisions	-60	-83	23
Total	**-559**	**-610**	**51**

Income taxes for the first nine months of 2012 amounted to EUR 254 m (prior year: EUR 323 m), consisting of current tax expense of EUR 279 m (prior year: EUR 310 m) and a deferred tax benefit of EUR 25 m (prior year: deferred tax expense of EUR 13 m). Current tax expense of EUR 275 m relates to the current year and EUR 4 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 164 m was not tax deductible in 2012 because of the interest deduction cap.

In total, net income declined by EUR 12 m to EUR 731 m (prior year: EUR 743 m) during the first nine months of 2012.

Automotive division

in € millions	1st nine months 2012	1st nine months 2011	1st nine months Change in %	3rd quarter 2012	3rd quarter 2011	3rd quarter Change in %
Revenue	5,761	5,403	6.6	1,919	1,814	5.8
Cost of sales	-4,157	-3,893	6.8	-1,372	-1,309	4.8
Gross profit	1,604	1,510	6.2	547	505	8.3
EBIT	764	857	-10.9	260	294	-11.6
· in % of revenue	13.3	15.9	-	13.5	16.2	-

Prior year information presented based on 2012 segment structure.

Automotive division revenue increased 6.6 % from the prior year period to EUR 5,761 m (prior year: EUR 5,403 m) during the first nine months of 2012. During the third quarter of 2012, revenue grew by 5.8 % to EUR 1,919 m (prior year: EUR 1,814 m) from the prior year quarter.

In 2012, revenue growth was driven primarily by the sales markets in North America (+21.9 %) and Asia (+20.8 %). While a slight increase in revenue was also generated in Europe (+1.8 %), revenue declined in South America (-14.6 %).

Among the top-selling product groups, dry double clutches, continuously variable transmission systems (CVT), and camshaft phasing units showed above-average growth. Innovative new products such as ball screw drives, which are used for applications in modern electromechanical power-assisted steering systems and chassis solutions, also experienced high growth rates.

Cost of sales for the first nine months of 2012 increased by 6.8 % to EUR 4,157 m (prior year: EUR 3,893 m). Since cost of sales have grown slightly faster than revenue so far this year, gross margin declined slightly by 0.1 percentage points to 27.8 % (prior year: 27.9 %). For the third quarter 2012, cost of sales increased by 4.8 % to EUR 1,372 m (prior year: EUR 1,309 m), growing less than revenue, thus bringing gross margin up to 28.5 %, 0.7 percentage points above that of the prior year quarter (prior year: 27.8 %).

Higher production volumes had a positive general impact on gross profit, but could not completely offset slightly higher materials costs, the increased cost of energy and, in particularly, personnel.

In order to secure future growth opportunities, the Automotive division increased its research and development expenses in the first nine months of 2012 from EUR 265 m to EUR 321 m (+21.1 %). The increase was driven mainly by product initiatives in the area of eMobility, for instance for the Schaeffler eDifferential, an electric drive axle for modern, agile hybrid vehicle models, for the eWheel Drive, and for start-stop technology.

In total, Automotive division earnings before financial result and income taxes (EBIT) declined by EUR 93 m to EUR 764 m (prior year: EUR 857 m) during the first nine months of 2012 compared to prior year. EBIT for the third quarter of 2012 of EUR 260 m also fell short of the very encouraging prior year level (prior year: EUR 294 m). The EBIT margin decreased to 13.3 % (prior year: 15.9 %) during the first nine months of 2012. The EBIT margin for the third quarter was 13.5 % (prior year: 16.2 %).

Industrial division

	1st nine months			3rd quarter		
in € millions	2012	2011	Change in %	2012	2011	Change in %
Revenue	2,613	2,609	0.2	840	876	-4.1
Cost of sales	-1,651	-1,623	1.7	-540	-544	-0.7
Gross profit	962	986	-2.4	300	332	-9.6
EBIT	380	492	-22.8	104	172	-39.5
· in % of revenue	14.5	18.9	-	12.4	19.6	-

Prior year information presented based on 2012 segment structure.

Industrial division revenue for the first nine months of 2012 of EUR 2,613 m was nearly unchanged from the prior year period (prior year: EUR 2,609 m). The decline in demand already perceptible in many industrial sectors during the previous quarter has gained momentum. During the third quarter of 2012, revenue decreased by 4.1 % to EUR 840 m (prior year: EUR 876 m) from the prior year quarter.

Strong revenue growth in North America (+14.8 %) and primarily in Eastern Europe did not fully offset decreasing revenues in the other regions for the year-to-date period. Asia/Pacific (-3.8 %) experienced a marked decline as a result of recent decreases in revenue across nearly all significant sectors.

Although revenue in the heavy industries and aerospace sectors still clearly experienced growth during the first nine months of this year, the overall economic slowdown drove down revenue in other sectors. Wind power generated significantly lower 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 many countries. In addition, the entire wind power sector is suffering from excess capacity and price competition. In production machinery, as well, a still positive trend in machine tools was unable to fully offset declining revenues in printing machinery, textile machinery and electronics manufacturing. Power transmission saw slight declines in revenue in many sectors – in South America especially in agricultural machinery due to the elimination of public investment, in Europe and Asia primarily in the market for construction machinery.

Cost of sales for the first nine months of 2012 increased by 1.7 % to EUR 1,651 m (prior year: EUR 1,623 m). Wind power in particular was not able to fully adapt production capacity to the lower revenue levels. The cost of raw materials was slightly higher than during the prior year comparison period. Since cost of sales grew slightly faster than revenue, gross margin declined slightly by 1.0 percentage points to 36.8 % (prior year: 37.8 %). During the third quarter 2012, cost of sales fell 0.7 % to EUR 540 m (prior year: EUR 544 m). At 35.7 %, gross margin was 2.2 percentage points below the prior year quarter (prior year: 37.9 %).

Research and development expenses increased from EUR 97 m to EUR 123 m (+26.8 %) during the first nine months of 2012. Research and activities for areas including new fields of operation and renewable energy and eMobility, for instance for bicycles and scooters, deserve special mention here.

In total, Industrial division earnings before financial result and income taxes (EBIT) declined by EUR 112 m to EUR 380 m (prior year: EUR 492 m) during the first nine months of 2012 compared to prior year. EBIT for the third quarter of 2012 of EUR 104 m was EUR 68 m below that of the comparable prior year period (prior year: EUR 172 m). The EBIT margin decreased to 14.5 % (prior year: 18.9 %) during the first nine months of 2012. The EBIT margin for the third quarter was 12.4 % (prior year: 19.6 %).

Assets and financial position

Asset structure

in € millions	9/30/2012	12/31/2011	Change in %
Intangible assets	557	553	0.7
Property, plant and equipment	3,532	3,328	6.1
Investments in equity-accounted investees	5,193	4,772	8.8
Other investments	14	14	0.0
Other assets	97	95	2.1
Income tax receivables	15	22	-31.8
Deferred tax assets	392	350	12.0
Total non-current assets	**9,800**	**9,134**	**7.3**
Inventories	1,665	1,562	6.6
Trade receivables	1,819	1,607	13.2
Other assets	228	200	14.0
Income tax receivables	126	89	41.6
Cash and cash equivalents	298	397	-24.9
Total current assets	**4,136**	**3,855**	**7.3**
Total assets	**13,936**	**12,989**	**7.3**

The financial position as at September 30, 2012 is marked by an increase in total assets of EUR 947 m or 7.3 % to EUR 13,936 m (December 31, 2011: EUR 12,989 m). This increase is driven almost equally by current and non-current assets.

Among non-current assets, investments in equity-accounted investees rose EUR 421 m to EUR 5,193 m (December 31, 2011: EUR 4,772 m). The increase reflects the impact of measuring investments at equity for the period ended September 30, 2012.

Property, plant, and equipment grew by EUR 204 m to EUR 3,532 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 103 m to EUR 1,665 m (December 31, 2011: EUR 1,562 m) and trade receivables increasing by EUR 212 m to EUR 1,819 m (December 31, 2011: EUR 1,607 m), both due to the growth in revenue and the related higher sales volumes.

Cash and cash equivalents declined to EUR 298 m (December 31, 2011: EUR 397 m). Cash flows from operating activities of EUR 783 m were more than offset by cash used in investing activities (EUR 661 m) and financing activities (EUR 224 m).

Capital structure

in € millions	9/30/2012	12/31/2011	Change in %
Shareholders' equity	**2,060**	**1,714**	**20.2**
Provisions for pensions and similar obligations	1,488	1,217	22.3
Provisions	71	79	-10.1
Financial debt	7,113	7,168	-0.8
Income tax payables	218	172	26.7
Other liabilities	295	261	13.0
Deferred tax liabilities	109	124	-12.1
Total non-current liabilities	**9,294**	**9,021**	**3.0**
Provisions	208	208	0.0
Financial debt	125	317	-60.6
Trade payables	919	873	5.3
Income tax payables	218	184	18.5
Other liabilities	1,112	672	65.5
Total current liabilities	**2,582**	**2,254**	**14.6**
Total shareholders' equity and liabilities	**13,936**	**12,989**	**7.3**

The Schaeffler Group's shareholders' equity (including non-controlling interests in consolidated subsidiaries) improved by EUR 346 m to EUR 2,060 m as at September 30, 2012 (December 31, 2011: EUR 1,714 m). The equity ratio rose to 14.8 % at September 30, 2012 (December 31, 2011: 13.2 %).

Net income of EUR 741 m has more than offset both the decrease in shareholders' equity resulting from the dividend of EUR 300 m declared in a resolution passed by the annual general meeting on March 16, 2012 and other comprehensive loss of EUR 110 m.

Other comprehensive loss of EUR 110 m resulted mainly from pension obligations and similar obligations (EUR -216 m), partially offset by an increase in the value of hedging instruments (EUR 78 m) and the impact of the translation of net assets of foreign group companies (EUR 27 m).

Non-current liabilities increased by EUR 273 m to EUR 9,294 m as at September 30, 2012 (December 31, 2011: EUR 9,021 m). This increase is due in particular to the increase in provisions for pensions and similar obligations, primarily as a result of changes in the discount rate related to lower interest rate levels.

Current liabilities rose by EUR 328 m to EUR 2,582 m (December 31, 2011: EUR 2,254 m). This increase is driven mainly by the dividend of EUR 300 m referred to above, which is due in December 2012. The increase in other liabilities more than offsets a decrease in current financial debt of EUR 192 m to EUR 125 m (December 31, 2011: EUR 317 m).

Cash Flow

in € millions	1st nine months 2012	1st nine months 2011	Change in %	3rd quarter 2012	3rd quarter 2011	Change in %
Cash flows from operating activities	783	724	8.1	288	353	-18.4
Cash flows used in investing activities [1]	-661	-495	33.5	-196	-201	-2.5
Free cash flow	**122**	**229**	**-46.7**	**92**	**152**	**-39.5**
Financial debt	7,238	7,645	-5.3	7,238	7,645	-5.3
Cash and cash equivalents	298	500	-40.4	298	500	-40.4
Net financial debt	**6,940**	**7,145**	**-2.9**	**6,940**	**7,145**	**-2.9**

[1] Including currency translation effects.

Cash flows from operating activities for the first nine months of 2012 rose by EUR 59 m from the prior year period to EUR 783 m (prior year: EUR 724 m). The increased inflow is primarily due to a dividend of EUR 80 m (prior year: nil) received from Continental AG as well as the decrease in cash outflows related to inventories, trade receivables and trade payables by EUR 157 m to EUR 244 m compared to prior year. The positive impact of these was partially offset by a decrease in EBIT of EUR 205 m to EUR 1,144 m (prior year: EUR 1,349 m) and an increase in income tax payments of EUR 36 m to EUR 205 m (prior year: EUR 169 m).

Cash totaling EUR 661 m was used in investing activities (prior year: EUR 495 m) during the first nine months of 2012. Cash paid for property, plant and equipment and intangible assets during that period totals EUR 672 m (prior year: EUR 514 m); however, capital expenditures for the third quarter of EUR 200 m (prior year: EUR 206 m) were below the prior year level.

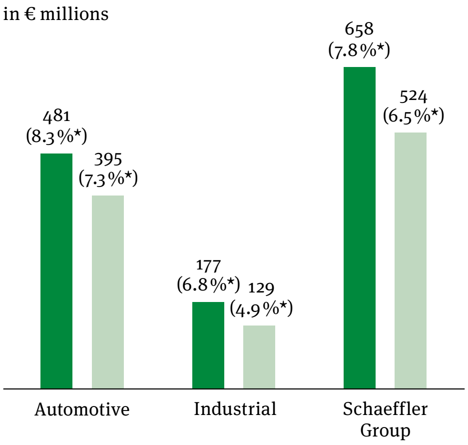
Free cash flow as at September 30, 2012 thus amounted to EUR 122 m (prior year: EUR 229 m).

Despite the lower balance of cash and cash equivalents, net financial debt has decreased by EUR 205 m to EUR 6,940 m (prior year: EUR 7,145 m) at September 30, 2012 compared to the prior year quarter end, primarily as a result of the decrease in financial liabilities related to the company structure and a repayment of bank debt at the reporting date.

Capital expenditures

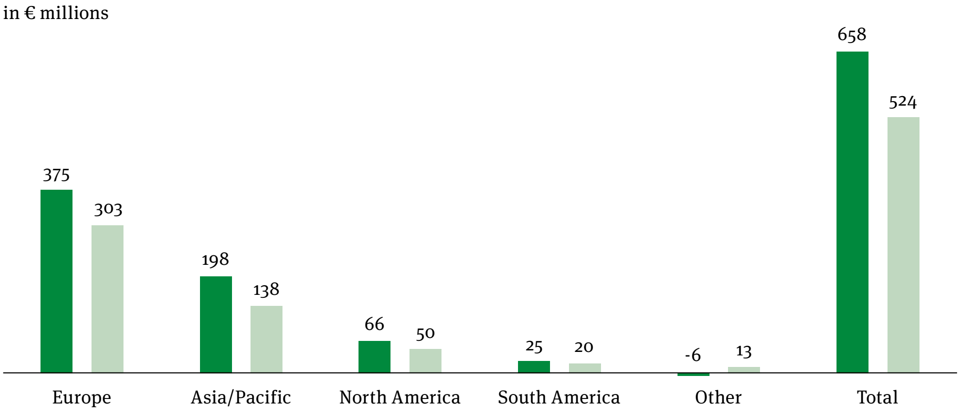
Capital expenditures for the first nine months of 2012 amounted to EUR 658 m (prior year: EUR 524 m). At 7.8 %, capital expenditures as a percentage of consolidated revenue exceeded the level of the comparable prior year period (6.5 %) but came in slightly below those of 2011 as a whole (7.9 %). The Automotive division invested EUR 481 m (prior year: EUR 395 m) and the Industrial division EUR 177 m (prior year: EUR 129 m) in the first nine months of 2012.

Capital expenditures



The regional focus of Schaeffler's capital expenditure 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 investments 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 plants in Slovakia and Romania.

Capital expenditures by region



* of revenue ■ 1st nine months 2012 ■ 1st nine months 2011

Financing

Schaeffler AG has taken extensive measures to refinance its existing financial liabilities during the first nine months of 2012, aimed primarily at diversifying its financing resources by gaining access to the capital markets, expanding and extending the maturity profile, strengthening the existing consortium of banks, and reducing its cost of financing.

In this context, Schaeffler AG entered into an EUR 8 billion loan agreement with eight banks during the first half of 2012 which replaced the previous loan agreements dating back to 2009.

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

Furthermore, three additional banks joined the existing banking consortium providing the Schaeffler Group's debt financing in June 2012, expanding the consortium to a total of eleven banks.

On June 29, 2012, Schaeffler AG announced that it had placed five-year retail bonds with a principal of EUR 200 m and a coupon of 6.75 %. Due to high demand, the bond offer was increased 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. This tranche had a volume of EUR 26 m.

The credit ratings for Schaeffler AG published by the two leading international rating agencies in connection with the refinancing on January 27, 2012 were upgraded during the year. Standard & Poor's (S&P) upgraded its Schaeffler Group ratings from "B" to "B+" on August 9. The outlook for the Schaeffler Group was set to "stable" (previously "positive"). Moody's also assigned a higher rating of "B1" to Schaeffler AG on September 28, 2012 and also upgraded the outlook to "positive" (previously "B2" and "stable").

Liquidity

At September 30, 2012, cash and cash equivalents amount to EUR 298 m (December 31, 2011: EUR 397 m) and consist primarily of bank balances. In addition, the Schaeffler Group has a revolving line of credit of EUR 1.0 billion, of which EUR 53.3 m were drawn down as at September 30, 2012, primarily in the form of letters of credit.

Research and development

Research and development expenses grew by 22.7 % to EUR 444 m (prior year: EUR 362 m) or 5.3 % of revenue (prior year: 4.5 %) during the first nine months of 2012 compared to prior year.

The Automotive division spent EUR 321 m (prior year: EUR 265 m) or 5.6 % of revenue (prior year: 4.9 %) and the Industrial division incurred research and development expenses of EUR 123 m (prior year: EUR 97 m) or 4.7 % of revenue (prior year: 3.7 %).

Close cooperation with universities represents a key success factor for innovation. Schaeffler has consistently followed this approach by signing a memorandum of understanding with renowned Karlsruhe Institute of Technology (KIT). Under a “Company on Campus”-concept, KIT and Schaeffler are establishing the first long-term presence at a university: It will enable them to generate synergies by utilizing the expertise, knowledge networks and infrastructure of both partners. Within research and development, KIT and Schaeffler will investigate future-oriented questions using a cross-disciplinary approach and develop solutions for future mobility.

In the Industrial division, the third quarter was clearly marked by the leading trade fairs HUSUM WindEnergy and InnoTrans in Berlin. The increasing performance of wind power plants and railway technology is driving the need for higher load carrying capacity and reliability of components, which directly impact downtime and repairs and maintenance and, therefore, the plant’s economic efficiency. Comprehensive expertise regarding the entire drive train system is critical to the optimal design of wind power bearings. Schaeffler provides this expertise using, among other things, its custom calculation/simulation software and test rigs developed in-house, such as the large-size bearing test rig “Astraios”.

Procurement

Compared to the prior year quarter, the first signs of a slowdown in momentum in the procurement markets became perceptible during the third quarter of 2012. Reduced worldwide demand for all production materials combined with sufficient supplier capacity to meet requirements even at short notice enabled us to ensure supply for our plants without any significant issues.

Prices for some materials declined during the third quarter 2012 compared to the prior year quarter; however, these decreases have not yet fully impacted the year-to-date reporting period 2012 compared to the prior year.

Some prices for commodities such as iron ore, coal, and scrap metal saw significant declines during the third quarter 2012. However, a time lag in the possible impact on raw materials prices has kept the price basis for steel products largely unchanged from second quarter 2012 levels.

The company's existing e-procurement systems, which are aimed at standardizing and automating procurement process operations, were implemented in the Central and Eastern European and Asian markets. These systems consist of an integrated supplier platform simplifying the exchange of business process data and documents. In addition, standard items from non-product related sourcing areas can be procured via a fully automated catalog ordering system. This change frees up significant resources for strategic procurement issues in these growth regions, as well. A uniform supplier selection process based on quantitative indicators and qualitative criteria ensures full utilization of the opportunities for optimization and rationalization provided by the e-procurement systems.

Under the global cooperation with Continental AG, the first joint local purchasing conference was held in Asia in September 2012. Staff from each of the purchasing organizations in China, Korea, India and various European countries met in Shanghai to generally share experiences and to plan specific projects regarding the joint supplier base and the development of additional potential synergies.

Production

Production volumes for the first nine months of 2012 were approximately 2 % above those for the comparable prior year period.

Schaeffler has been able to maintain the high quality of its products so far this year, despite the large number of various projects started or ramped up and the constantly growing volume of production. During the reporting period, this was confirmed once more by Schaeffler receiving Nissan's "Global Quality Award" for its operating excellence, quality, and innovative strength.

Schaeffler further intensified the integration of new processes and the technical optimization of its manufacturing facilities and production processes during the reporting period. Improving plants and processes resulted in additional efficiency gains.

Key steps to further develop Schaeffler's access to Asian growth markets were again taken in the third quarter. The opening of a new production building continued the expansion of the plant in Yinchuan, China, during the reporting period. The location has a production area of approximately 30,000 sqm and produces mainly deep grove ball bearings.

In stepping up and expanding our "MOVE" program ("Mehr Ohne VErschwendung" – More Without Waste), the main focus is still on sustainably reducing production inventories at the plants.

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

Employees

The number of employees rose by 2,625 (+3.5 %) as at September 30, 2012 compared to December 31, 2011 and by 3,705 (+5.1 %) compared to the prior year quarter end. We recruited skilled personnel primarily in production and production-related areas in the regions Asia/Pacific and North America.

The regional distribution of employees is as follows:

Number of employees [1]	9/30/2012	12/31/2011	9/30/2011	Change in % [2]
Germany	29,980	29,443	29,221	1.8
Europe excluding Germany	22,423	22,004	21,730	1.9
Asia/Pacific	12,620	11,181	10,676	12.9
North America	7,168	6,781	6,614	5.7
South America	4,465	4,622	4,710	-3.4
Schaeffler Group	**76,656**	**74,031**	**72,951**	**3.5**

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

Significant events and overall assessment of the 1st nine months

Despite a slowdown in growth, the upward trend in the markets and sectors relevant for Schaeffler has generally persisted during the first nine months of 2012, although at a lower level than originally expected. Global automobile production increased by 7.3 % compared to the prior year period, but has recently lost some of its momentum. Similarly, production in the investment goods sector, driven by growth in the U.S., China, and Japan, has also grown slightly compared to prior year. In Europe, the sector is clearly declining, which is posing substantial challenges for all suppliers.

The Schaeffler Group was able to grow its revenue for the reporting period by 4.2 %. Automotive revenue rose 6.6 % compared to prior year, while Industrial revenue, remaining nearly flat, was lower than expected due to market conditions.

Profitability decreased from the extraordinarily high prior year level as a result of preproduction costs related to the ongoing capacity expansion. However, at 13.6 %, Schaeffler's EBIT margin remained high.

Net income for the first nine months was EUR 731 m following EUR 743 m in 2011. The company's operating cash flow brought free cash flow for the first nine months of 2012 to EUR 122 m, despite an increase in capital expenditures of approximately 25 % from prior year and transaction costs incurred in the first quarter in connection with financing 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 EUR 2.0 billion in corporate bonds and placed EUR 1.4 billion in loans with institutional investors, partially replacing the new bank loans. Three additional banks joined the new debt financing arrangement mid-year 2012. In addition, Schaeffler Group issued five-year retail bonds with a principal of EUR 326 m and a coupon of 6.75 %. These measures improved the maturity profile of the Group's financial debt and its cost of financing and provided access to new innovative financing resources.

Following a rating upgrade by Standard & Poor's to "B+" (stable) on August 9, 2012, Moody's also upgraded their Schaeffler AG rating to "B1" with a positive outlook as at the end of the reporting period. This has further increased the Schaeffler Group's financial flexibility.

Report on subsequent events

No other events occurred subsequent to the reporting date of September 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 economic environment has weakened further and is marked by the ongoing debt crisis in Europe, the still very volatile situation in the worldwide financial markets and a slowdown in the economic development of the emerging countries.

We do not expect global economic growth to revive during the fourth quarter of 2012. The current uncertainties particularly in the euro area and lower growth in Asia are dampening prospects. The assumptions and indicators relevant to our operating activities have been adjusted downward for 2012 as a whole. Based on the IMF forecast, we anticipate global economic growth of approximately 3 %. As a result of the encouraging trend in the automotive sector in North America and Asia, we are still expecting worldwide production of passenger cars and light commercial vehicles to grow by around 4 %, despite the weakness in the European business. Growth in the global investment goods sector will be weaker than previously expected.

Schaeffler Group outlook

We currently expect the volatile and challenging environment in key market sectors to continue. We are forecasting a further decline in demand in the fourth quarter, which will result in a temporary adjustment to our capacities. In light of this, although we expect the Schaeffler Group to continue growing faster than then market, we no longer expect to meet the annual revenue growth target of more than 5 % for 2012 as a whole. Instead, we now anticipate revenue growth of around 4 % for 2012 as a whole.

We have adjusted our investments in new products and capacity expansions for the decrease in demand, and will reduce them further in the fourth quarter. We expect the volume of capital expenditures for the year 2012 to be within the target range of 6 % to 8 % of revenue.

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

We still expect to generate an EBIT margin in excess of 13 % for 2012, meeting the target for the year.

Net income for 2012 is still burdened by higher one-time financing expenses than in the prior year. As Continental AG is accounted for indirectly at equity in the consolidated financial statements of the Schaeffler Group, the economic performance of Continental AG has a positive impact on our financial result.

Based on the positive trend in free cash flow in the second and third quarter of 2012 we expect to achieve positive free cash flow for 2012 as a whole.

Herzogenaurach, November 5, 2012

The Executive Board

Consolidated interim financial statements

Consolidated income statement

	1st nine months			3rd quarter		
in € millions	**2012**	**2011**	Change in %	**2012**	**2011**	Change in %
Revenue	8,422	8,082	4.2	2,770	2,703	2.5
Cost of sales	-5,856	-5,586	4.8	-1,923	-1,866	3.1
Gross profit	**2,566**	**2,496**	**2.8**	**847**	**837**	**1.2**
Research and development expenses	-444	-362	22.7	-150	-118	27.1
Selling expenses	-574	-537	6.9	-192	-183	4.9
Administrative expenses	-353	-299	18.1	-112	-95	17.9
Other income	154	265	-41.9	55	131	-58.0
Other expenses	-205	-214	-4.2	-84	-106	-20.8
Earnings before financial result and income taxes (EBIT)	**1,144**	**1,349**	**-15.2**	**364**	**466**	**-21.9**
Share of net income of equity-accounted investees	410	229	79.0	124	34	> 100
Interest income	51	34	50.0	18	12	50.0
Interest expense	-610	-536	13.8	-193	-299	-35.5
Financial result	**-149**	**-273**	**-45.4**	**-51**	**-253**	**-79.8**
Earnings before income taxes	**995**	**1,076**	**-7.5**	**313**	**213**	**46.9**
Income taxes	-254	-323	-21.4	-84	-108	-22.2
Net income	**741**	**753**	**-1.6**	**229**	**105**	**> 100**
Attributable to shareholders of the parent company	731	743	-1.6	226	102	> 100
Attributable to non-controlling interests	10	10	0.0	3	3	0.0

Consolidated statement of comprehensive income

	2012		
in € millions	before taxes	taxes	after taxes
Net income	**995**	**-254**	**741**
Foreign currency translation differences for foreign operations	4	0	4
Effective portion of changes in fair value of cash flow hedges	109	-31	78
Net change in fair value of available-for-sale financial assets	1	0	1
Defined benefit plan actuarial gains (losses)	-277	62	-215
Share of other comprehensive income (loss) of equity-accounted investees	21	1	22
Total other comprehensive income (loss)	**-142**	**32**	**-110**
Total comprehensive income (loss) for the period	**853**	**-222**	**631**
Total comprehensive income (loss) attributable to shareholders of the parent company	844	-222	622
Total comprehensive income attributable to non-controlling interests	9	0	9
Total comprehensive income (loss) for the period	**853**	**-222**	**631**

1st nine months			3rd quarter					
2011			2012			2011		
before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes
1.076	**-323**	**753**	**313**	**-84**	**229**	**213**	**-108**	**105**
-115	0	-115	-25	0	-25	-12	0	-12
-4	1	-3	94	-25	69	-65	18	-47
-1	0	-1	0	0	0	-1	0	-1
-93	21	-72	-98	20	-78	-92	21	-71
-35	-9	-44	-1	1	0	7	-4	3
-248	**13**	**-235**	**-30**	**-4**	**-34**	**-163**	**35**	**-128**
828	**-310**	**518**	**283**	**-88**	**195**	**50**	**-73**	**-23**
823	-310	513	278	-88	190	48	-73	-25
5	0	5	5	0	5	2	0	2
828	**-310**	**518**	**283**	**-88**	**195**	**50**	**-73**	**-23**

Consolidated statement of financial position

in € millions	9/30/2012	12/31/2011	9/30/2011	Change in % [1]
ASSETS				
Intangible assets	557	553	557	0.7
Property, plant and equipment	3,532	3,328	3,096	6.1
Investments in equity-accounted investees	5,193	4,772	4,674	8.8
Other investments	14	14	7	0.0
Other assets	97	95	99	2.1
Income tax receivables	15	22	12	-31.8
Deferred tax assets	392	350	330	12.0
Total non-current assets	**9,800**	**9,134**	**8,775**	**7.3**
Inventories	1,665	1,562	1,612	6.6
Trade receivables	1,819	1,607	1,762	13.2
Other assets	228	200	263	14.0
Income tax receivables	126	89	89	41.6
Cash and cash equivalents	298	397	500	-24.9
Total current assets	**4,136**	**3,855**	**4,226**	**7.3**
Total assets	**13,936**	**12,989**	**13,001**	**7.3**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	500	500	500	0.0
Reserves	1,770	1,324	1,183	33.7
Accumulated other comprehensive income (loss)	-272	-163	-237	66.9
Equity attributable to shareholders of the parent company	**1,998**	**1,661**	**1,446**	**20.3**
Non-controlling interests	62	53	52	17.0
Total shareholders' equity	**2,060**	**1,714**	**1,498**	**20.2**
Provisions for pensions and similar obligations	1,488	1,217	1,178	22.3
Provisions	71	79	123	-10.1
Financial debt	7,113	7,168	7,307	-0.8
Income tax payables	218	172	136	26.7
Other liabilities	295	261	338	13.0
Deferred tax liabilities	109	124	147	-12.1
Total non-current liabilities	**9,294**	**9,021**	**9,229**	**3.0**
Provisions	208	208	387	0.0
Financial debt	125	317	338	-60.6
Trade payables	919	873	831	5.3
Income tax payables	218	184	205	18.5
Other liabilities	1,112	672	513	65.5
Total current liabilities	**2,582**	**2,254**	**2,274**	**14.6**
Total shareholders' equity and liabilities	**13,936**	**12,989**	**13,001**	**7.3**

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

Consolidated statement of cash flows

	1st nine months			3rd quarter		
in € millions	2012	2011	Change in %	2012	2011	Change in %
Operating activities						
EBIT	1,144	1,349	-15.2	364	466	-21.9
Interest paid	-461	-467	-1.3	-202	-152	32.9
Interest received	5	9	-44.4	1	3	-66.7
Income taxes paid	-205	-169	21.3	-73	-77	-5.2
Dividends received	81	0	-	1	0	-
Depreciation, amortization and impairments	455	421	8.1	156	139	12.2
Gains/losses on disposal of assets	1	0	-	1	1	0.0
Other non-cash items	-23	-9	> 100	7	13	-46.2
Changes in:						
· Inventories	-99	-164	-39.6	-21	-26	-19.2
· Trade receivables	-201	-341	-41.1	51	-51	< -100
· Trade payables	56	104	-46.2	-11	-23	-52.2
· Provisions for pensions and similar obligations	-46	-63	-27.0	-13	-38	-65.8
· Other assets, liabilities and provisions	76	54	40.7	27	98	-72.4
Cash flows from operating activities [1]	**783**	**724**	**8.1**	**288**	**353**	**-18.4**
Investing activities						
Proceeds from disposals of intangible assets and property, plant and equipment	13	14	-7.1	5	5	0.0
Capital expenditures on intangible assets	-28	-11	> 100	-8	-4	100
Capital expenditures on property, plant and equipment	-644	-503	28.0	-192	-202	-5.0
Investments in other investments	-3	-2	50.0	-2	-1	100
Inflows from other investing activities	1	7	-85.7	1	1	0.0
Cash used in investing activities	**-661**	**-495**	**33.5**	**-196**	**-201**	**-2.5**
Financing activities						
Dividends paid to non-controlling interests	-1	-1	0.0	0	0	-
Receipts from loans	407	18	> 100	237	14	> 100
Repayments of loans	-434	-31	> 100	-332	-10	> 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]	-183	-33	> 100	-17	-7	> 100
Cash used in financing activities	**-224**	**-447**	**-49.9**	**-112**	**-3**	**> 100**
Net increase (decrease) in cash and cash equivalents	**-102**	**-218**	**-53.2**	**-20**	**149**	**< -100**
Effects of foreign exchange rate changes on cash and cash equivalents	3	-15	< -100	0	-2	-100
Cash and cash equivalents at the beginning of period	397	733	-45.8	318	353	-9.9
Cash and cash equivalents at the end of period	**298**	**500**	**-40.4**	**298**	**500**	**-40.4**

[1] Excluding interest payments, cash flows from operating activities for the period from 1/1 to 9/30/2012 amount to EUR 1,244 m (prior year: EUR 1,191 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		743					743	10	753
Other comprehensive income (loss)			-188	14		-56	-230	-5	-235
Total comprehensive income (loss) for the period	**0**	**743**	**-188**	**14**	**0**	**-56**	**513**	**5**	**518**
Dividends		-2,364					-2,364		-2,364
Other items from equity-accounted investees recognized directly in shareholders' equity		3					3		3
Balance as at September 30, 2011	**500**	**1,183**	**-9**	**-106**	**1**	**-123**	**1,446**	**52**	**1,498**
Balance as at January 1, 2012	**500**	**1,324**	**118**	**-131**	**0**	**-150**	**1,661**	**53**	**1,714**
Net income		731					731	10	741
Other comprehensive income (loss)			27	78	2	-216	-109	-1	-110
Total comprehensive income (loss) for the period	**0**	**731**	**27**	**78**	**2**	**-216**	**622**	**9**	**631**
Dividends		-300					-300		-300
Other items from equity-accounted investees recognized directly in shareholders' equity		15					15		15
Balance as at September 30, 2012	**500**	**1,770**	**145**	**-53**	**2**	**-366**	**1,998**	**62**	**2,060**

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

Consolidated segment information

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

	Automotive		Industrial		Other		Total	
	1st nine months		1st nine months		1st nine months		1st nine months	
in € millions	2012	2011	2012	2011	2012	2011	2012	2011
Revenue	5,761	5,403	2,613	2,609	48 1)	70 1)	8,422	8,082
Cost of sales	-4,157	-3,893	-1,651	-1,623	-48	-70	-5,856	-5,586
Gross profit	1,604	1,510	962	986	0	0	2,566	2,496
EBIT	764	857	380	492	0	0	1,144	1,349
· in % of revenue	13.3	15.9	14.5	18.9	-	-	13.6	16.7
Depreciation, amortization and impairments	-317	-301	-138	-120	0	0	-455	-421
Inventories 2)	936	890	729	722	0	0	1,665	1,612
Trade receivables 2)	1,272	1,214	547	548	0	0	1,819	1,762
Property, plant and equipment 2)	2,421	2,081	1,111	1,015	0	0	3,532	3,096
Capital expenditures	481	395	177	129	0	0	658	524

	Automotive		Industrial		Other		Total	
	3rd quarter		3rd quarter		3rd quarter		3rd quarter	
in € millions	2012	2011	2012	2011	2012	2011	2012	2011
Revenue	1,919	1,814	840	876	11 1)	13 1)	2,770	2,703
Cost of sales	-1,372	-1,309	-540	-544	-11	-13	-1,923	-1,866
Gross profit	547	505	300	332	0	0	847	837
EBIT	260	294	104	172	0	0	364	466
· in % of revenue	13.5	16.2	12.4	19.6	-	-	13.1	17.2
Depreciation, amortization and impairments	-110	-99	-46	-40	0	0	-156	-139
Inventories 2)	936	890	729	722	0	0	1,665	1,612
Trade receivables 2)	1,272	1,214	547	548	0	0	1,819	1,762
Property, plant and equipment 2)	2,421	2,081	1,111	1,015	0	0	3,532	3,096
Capital expenditures	143	159	56	53	0	0	199	212

Prior year information presented based on 2012 segment structure.

1) The amount consists mainly of materials provided to subcontractors.
2) Amounts as at September 30.

Condensed notes to the consolidated financial statements

Reporting entity

Schaeffler AG, Herzogenaurach, is a corporation domiciled in Germany with its registered office located at Industriestrasse 1 – 3, 91074 Herzogenaurach. The company was founded as at September 29, 2009 and is registered in the Commercial Register of the Fuerth Local Court (HRB 13202). The condensed consolidated financial statements of Schaeffler AG as at September 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 September 30, 2012 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and do not include all information necessary for a complete set of consolidated financial statements. In addition, IFRS amendments and new regulations effective as at September 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 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	1st nine months	
in € millions	2012	2011
EBIT Automotive	764	857
EBIT Industrial	380	492
EBIT	**1,144**	**1,349**
Financial result	-149	-273
Earnings before income taxes	**995**	**1,076**

Scope of consolidation

The Schaeffler Group includes, in addition to Schaeffler AG, 153 fully consolidated subsidiaries; 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.

Schaeffler Beteiligungsholding GmbH & Co. KG continues to hold 72,290,458 shares or 36.14 % of the voting interest in Continental AG as at September 30, 2012. 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 - 9/30)	24,641	22,593
Net income [1] (1/1 - 9/30)	1,502	946
Assets (as at 9/30)	27,737	26,005
Liabilities (as at 9/30)	18,959	18,943

[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 409 m net of deferred tax. The effect on the Schaeffler Group's net income for the first nine months is as follows:

in € millions	2012	2011
Depreciation, amortization and impairments of fair value adjustments	-178	-202
Share of net income of Continental AG	525	351
Effect before income taxes	**347**	**149**
Deferred taxes	50	57
Effect on income before special items [1]	**397**	**206**
Special items [1]		
· Reversal of cash flow hedges existing at the time of the PPA	5	5
· Recognition of Continental AG pension obligations at fair value	7	5
Effect on income after special items [1]	**409**	**216**

[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 -44 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 nine months of 2011 to EUR 229 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.

Based on a share price of EUR 76.20 per share (prior year: EUR 43.64 per share), the fair value of the Continental AG shares held by Schaeffler Beteiligungsholding GmbH & Co. KG (36.14 %) was EUR 5,509 m on September 30, 2012 (prior year: EUR 3,155 m).

Contingent liabilities and other financial liabilities

At September 30, 2012, the Schaeffler Group had open commitments under fixed contracts to purchase property, plant and equipment of EUR 273 m (December 31, 2011: EUR 261 m). EUR 197 m of the commitments existing at September 30, 2012 are expected to be settled within one year and EUR 76 m in more than one year but within five years.

Contingent liabilities amount to EUR 35 m at September 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 September 30, 2012 were as follows:

	Receivables		Payables	
in € millions	9/30/2012	12/31/2011	9/30/2012	12/31/2011
Continental Group companies	15	10	3	4

	Expenses		Income	
in € millions	2012	2011	2012	2011
Continental Group companies (1/1 - 9/30)	24	18	61	57

Payables to IHO Group companies were EUR 631 m (December 31, 2011: EUR 422 m) at September 30, 2012 and consisted primarily of EUR 547 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).

Events after the reporting period

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

Herzogenaurach, November 5, 2012

The Executive Board

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

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.

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You can also download all documents from this site.

Financial calendar

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

March 21, 2013
Annual financial press conference

May 21, 2013
Quarterly financial report as at March 31, 2013

August 28, 2013
Financial half year report as at June 30, 2013

November 19, 2012
Nine months financial report as at September 30, 2013

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

Summary 1st quarter 2011 to 3rd quarter 2012

	2011				2012		
in € millions	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Income statement							
Revenue	2,697	2,682	2,703	2,612	2,858	2,794	2,770
EBITDA	613	552	605	473	549	530	520
· in % of revenue	22.7	20.6	22.4	18.1	19.2	19.0	18.8
EBIT	472	411	466	340	401	379	364
· in % of revenue	17.5	15.3	17.2	13.0	14.0	13.6	13.1
Net income [1]	**438**	**203**	**102**	**146**	**236**	**269**	**226**
Statement of financial position							
Total assets	13,372	12,738	13,001	12,989	13,449	13,806	13,936
Shareholders' equity [2]	3,288	2,719	1,498	1,714	1,617	1,865	2,060
· in % of total assets	24.6	21.3	11.5	13.2	12.0	13.5	14.8
Net financial debt [3]	6,108	6,063	6,529	6,668	6,884	6,828	6,698
· Financial debt to EBITDA ratio [4]	2.7	2.7	2.9	3.0	3.2	3.2	3.2
Capital expenditures [5]	122	190	212	322	235	224	199
Statement of cash flows							
Free cash flow [6]	11	66	152	90	-107	137	92
Employees							
Headcount (at end of reporting period)	69,517	71,084	72,951	74,031	74,948	75,868	76,656

[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

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