
# Interim Financial Report as at March 31, 2013

Schaeffler AG

# Key figures

| in € millions | 1st quarter 2013 | 2012 | | Change |
|---|---|---|---|---|
| **Income statement** | | | | |
| Revenue | 2,756 | 2,858 | -3.6 | % |
| EBITDA | 512 | 549 | -6.7 | % |
| • in % of revenue | 18.6 | 19.2 | -0.6 | %-pts. |
| EBIT | 355 | 401 | -46 | € millions |
| • in % of revenue | 12.9 | 14.0 | -1.1 | %-pts. |
| Net income [1)] | 233 | 235 | -2 | € millions |

| in € millions | 03/31/2013 | 12/31/2012 | | Change |
|---|---|---|---|---|
| **Statement of financial position** | | | | |
| Total assets | 13,960 | 13,546 | 3.1 | % |
| Shareholders' equity [2)] | 2,110 | 2,108 | 2 | € millions |
| • in % of total assets | 15.1 | 15.6 | -0.5 | %-pts. |
| Net financial debt [3)] | 6,533 | 6,505 | 0.4 | % |
| • Net financial debt to EBITDA ratio [4)] | 3.3 | 3.2 | | |
| Additions to intangible assets and property, plant and equipment [5)] | 103 | 235 | -132 | € millions |

| in € millions | 1st quarter 2013 | 2012 | | Change |
|---|---|---|---|---|
| **Statement of cash flows** | | | | |
| Cash flow from operating activities | 172 | 137 | 35 | € millions |
| Free cash flow | 52 | -107 | 159 | € millions |

| **Employees** | | | | |
|---|---|---|---|---|
| Number of employees | 76,186 | 74,948 | 1.7 | % |

[1)] Attributable to shareholders of the parent company; prior year amount restated for initial application of net interest approach required by IAS 19 (rev. 2011), see condensed notes to consolidated interim financial statements for details.
[2)] Including non-controlling interests.
[3)] Excluding shareholder loans.
[4)] EBITDA based on last twelve months.
[5)] Additions from January 1 to March 31.

| **Automotive** | 1st quarter | | | |
|---|---|---|---|---|
| in € millions | 2013 | 2012 | | Change |
| Revenue | 1,988 | 1,933 | 2.8 | % |
| EBITDA | 388 | 346 | 12.1 | % |
| • in % of revenue | 19.5 | 17.9 | 1.6 | %-pts. |
| EBIT | 277 | 244 | 33 | € millions |
| • in % of revenue | 13.9 | 12.6 | 1.3 | %-pts. |

Prior year information based on 2013 segment structure.

| **Industrial** | 1st quarter | | | |
|---|---|---|---|---|
| in € millions | 2013 | 2012 | | Change |
| Revenue | 768 | 908 | -15.4 | % |
| EBITDA | 124 | 203 | -38.9 | % |
| • in % of revenue | 16.1 | 22.4 | -6.3 | %-pts. |
| EBIT | 78 | 157 | -79 | € millions |
| • in % of revenue | 10.2 | 17.3 | -7.1 | %-pts. |

Prior year information based on 2013 segment structure.

# January 01 to March 31, 2013

Weaker revenue due to market conditions:

Revenue for 1st three months decreased **3.6** % to EUR **2,756** m

Earnings quality remains high:

EBIT Margin at **12.9** % of revenue

Free cash flow positive:

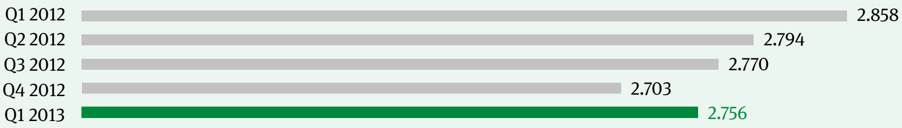
EUR **52** m free cash flow for the 1st quarter

Capital structure further improved:

Interest rates of institutional loans reduced

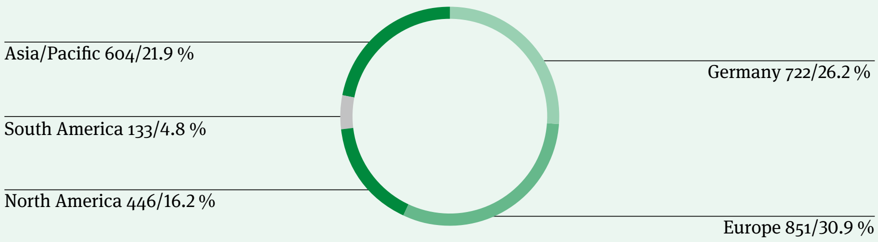
# Q1 2013 in numbers

## Revenue
in € millions




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


## Revenue Q1 2013 by region
Market view (in € millions/in percent)




**Together we move the world.**

Schaeffler develops and manufactures precision products for everything that moves – in machinery, equipment, and motor vehicles. We provide our customers with customized solutions that help them move the world – with innovation, high quality, and sustainability.

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

# Contents

# Schaeffler bonds

## Performance of Schaeffler Group bonds

Bonds issued by the Schaeffler Group:

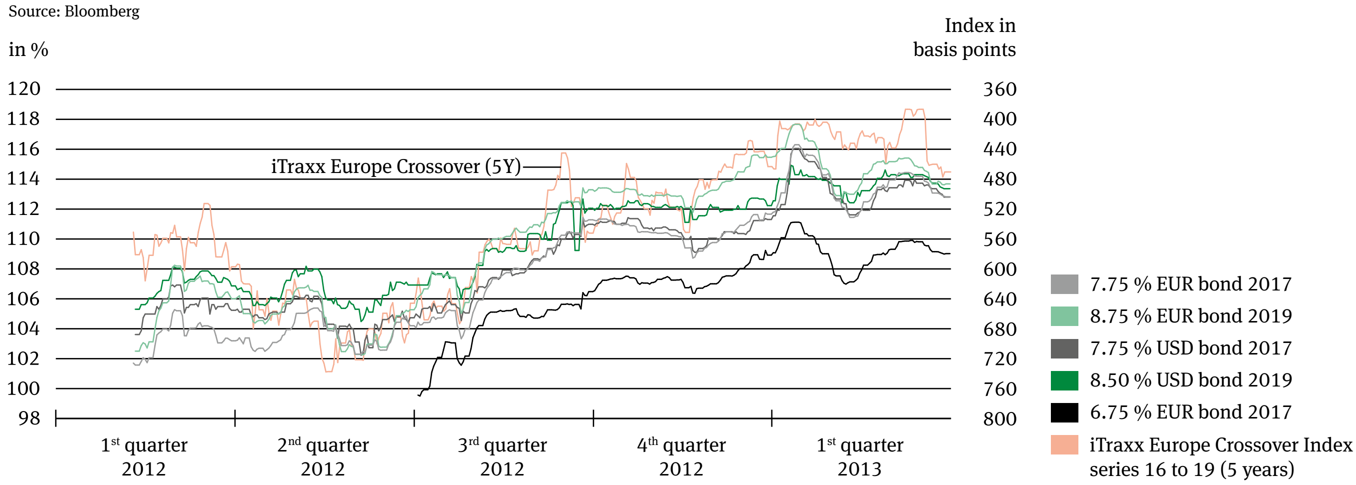
| ISIN | Currency | Face value in millions | Coupon | Maturity | Issued at (in %) | Price [1] in % 03/31/2013 |
|---|---|---|---|---|---|---|
| XS0741938624 | EUR | 800 | 7.75 % | 02/15/2017 | 98.981 | 112.90 |
| US806261AC75 | USD | 600 | 7.75 % | 02/15/2017 | 98.981 | 112.88 |
| XS0801261156 | EUR | 326 | 6.75 % | 07/01/2017 | 98.981 | 109.10 |
| XS0741939788 | EUR | 400 | 8.75 % | 02/15/2019 | 100.000 | 113.76 |
| US806261AA10 | USD | 500 | 8.50 % | 02/15/2019 | 100.000 | 113.44 |

[1] Source: Bloomberg.

Trends in the equity and bond markets differed significantly across regions. While equity indices in the U.S. and Japan reported double-digit percentage growth and the German stock index DAX was up slightly, the European stock index EURO STOXX 50 experienced a slight decline. This compares to a slight rise in the iTraxx Europe Crossover bond index, which is composed of sub-investment grade credits. Schaeffler's bonds continued to perform well in this environment. Between January 2, 2013 and March 31, 2013, the Euro bond (ISIN: XS0741938624) bearing interest at 7.75 % and maturing in 2017 rose by 1.0 % to a price of 112.90 %. The Euro bond (ISIN: XS0741939788) bearing interest at 8.75 % and maturing in 2019 showed the best performance since the February 2012 issue date, rising to a price of 113.76 % as at March 31, 2013.

**Performance since 1st quarter 2012**

Source: Bloomberg




## Placement of approximately EUR 1.25 bn in additional bonds

Schaeffler AG placed additional bonds totaling approximately EUR 1.25 bn on April 22, 2013. The bonds were oversubscribed several times. The offer was increased from initially EUR 1 bn by approximately EUR 253 m. The issue consisted of one Euro and one U.S. Dollar tranche. The Euro tranche (ISIN: XS0923613060) totaling EUR 600 m has a maturity of five years and bears interest at 4.25 %. The U.S. Dollar tranche (ISIN: US806261AE32) totaling USD 850 m has a maturity of eight years and bears interest at 4.75 %.

The bonds were issued by Schaeffler Finance B.V., Netherlands, and guaranteed by Schaeffler AG and selected subsidiaries. They were admitted to the open market of the Luxembourg Stock Exchange on April 29, 2013.

## Schaeffler's ratings

Schaeffler AG has been rated externally by the two rating agencies Moody's and Standard & Poor's (S&P) since January 2012.

The following summary shows Schaeffler AG's current ratings:

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

## Analysts' assessments

During the first quarter, Société Générale began covering Schaeffler AG in its research activities, bringing the number of banks providing assessments of the company and its bonds to eight.

# Group interim management report



**Disclaimer in respect of forward-looking statements**

This Group interim management report contains forward-looking statements that are based on management's current estimation at the time of the creation of this interim management report. Such statements refer to future periods or they are designated by terms such as "estimate", "forecast", "intend", "predict", "plan", "assume", or "expect". Forward-looking statements bear risks and uncertainties. A variety of these risks and uncertainties are determined by factors not subject to the influence of the Schaeffler Group. Therefore, actual results can deviate substantially from those indicated. The interim financial statements as of March 31, 2013 do not include all information necessary for a complete set of consolidated financial statements.

# Economic environment

As expected, economic uncertainty and heterogeneous trends continued to characterize the global economy during the initial months of 2013. Structural obstacles continued to have a dampening effect on the established economies, while the emerging countries reported a largely robust economic momentum according to the International Monetary Fund (IMF).

In Germany, the mood in the business community has improved slightly since last fall (source: Joint Economic Forecast Spring 2013). Consumer confidence remained moderate during the first quarter of 2013. Against a backdrop of continually increasing employment and a slight rise in demand for capital goods, the German economy was still stable overall in the first quarter. Consumer confidence in the Euro region was still held back by the sovereign debt crisis during the first quarter. Although indicators did reflect a slight improvement in the expectations of private households and companies, these still lingered at a very low level and did not yet point towards a lasting positive trend. Political uncertainties in connection with the election in Italy and the banking crisis in Cyprus demonstrated again that there is still a significant risk of the crisis deteriorating again.

The economic trend in the U.S. has been overshadowed by the fiscal debate in recent months. However, recent figures for private consumption and order intake for capital goods indicate that the economy has gained momentum slightly at the beginning of the year (source: Joint Economic Forecast Spring 2013). The unemployment rate also improved slightly. In Brazil, the largest economy in South America, the recovery, which began in the fourth quarter of 2012 and was mainly driven by economic policy stimuli, continued in the first quarter of 2013. According to the IMF, economic activity in Asia stabilized during the first quarter. Particularly in China, exports have increased slightly due to higher foreign demand. Domestic demand also revived slightly, although China, too, fell short of expectations with respect to investment goods.

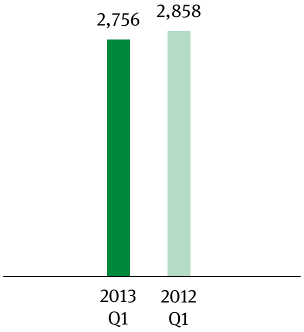
Global automobile production fell 1.4 % during the first quarter of 2013 compared to the prior year period, reaching a volume of 20.8 million passenger cars and light commercial vehicles produced (source: IHS Global Insight Automotive, April 2013). In Germany, 1.4 million vehicles were produced during the first quarter (-10.1 %). Western Europe had another very weak quarter with production falling to 3.2 million vehicles (-13.4 %). Production in the North America region decreased slightly by 0.8 % to 3.9 million vehicles. Production in the Asia/Pacific region rose 2.4 % to 10.8 million vehicles.

Growing slightly, worldwide industrial production had a restrained overall start this year. This growth was driven solely by the emerging countries in Asia. Industrial production in the established economies declined noticeably, primarily due to decreases in the Euro region. Only Germany saw orders increase, by one percent, during the months of December 2012 to February 2013. However, order intake does not yet provide any indication that the trend in Euro region industrial production is reversing. Stable economic activity in the U.S. has led to a slight increase in capital spending on construction and machinery there.

# Earnings

## Schaeffler Group earnings

**Revenue (Schaeffler Group)**
in € millions




The Schaeffler Group generated revenue of EUR 2,756 m (prior year: EUR 2,858 m) during the first quarter of 2013, including Automotive division revenue of EUR 1,988 m (prior year: EUR 1,933 m). The Automotive division increased its revenue by 2.8 % during the first quarter of 2013 compared to the prior year quarter against the general market trend. Industrial division revenue, on the other hand, declined by 15.4 % to EUR 768 m (prior year: EUR 908 m) given the slowdown in economic momentum in the emerging countries and in Europe. Thus, the Schaeffler Group's revenue decreased by 3.6 % during the first three months of 2013, including a negative foreign exchange impact.

| | 1st quarter | | |
|---|---|---|---|
| in € millions | **2013** | **2012** | Change in % |
| Revenue | 2,756 | 2,858 | -3.6 |
| Cost of sales | -1,965 | -1,973 | -0.4 |
| Gross profit | 791 | 885 | -10.6 |
| Functional expenses [1)] | -453 | -465 | -2.6 |
| Earnings before financial result, share of net income of equity-accounted investees, and income taxes (EBIT) | 355 | 401 | -11.5 |
| • in % of revenue | 12.9 | 14.0 | - |
| Financial result [2)] | -167 | -211 | -20.9 |
| Share of net income of equity-accounted investees [2)] | 135 | 136 | -0.7 |
| Income taxes | -89 | -88 | 1.1 |
| Net income [3)] | 233 | 235 | -0.9 |

1) Research and development, selling, and administration.
2) In the interim financial report as at March 31, 2012, share of net income of equity-accounted investees was included in financial result. Comparative amounts have been adjusted accordingly. In addition, financial result for the comparative prior year period has been restated for the initial application of IAS 19 (rev. 2011), see condensed notes to the consolidated interim financial statements for details.
3) Attributable to shareholders of the parent company.

Looking at the regions, Europe, Asia/Pacific and South America reported decreasing revenue, mainly due to the weak revenue trend in the Industrial division. North America, on the other hand, continued its encouraging trend, generating revenue growth of 2.3 %.

Gross profit fell by a total of EUR 94 m to EUR 791 m (prior year: EUR 885 m) compared to the prior year period. At the same time, gross margin for the period from January to March 2013 decreased to 28.7 % (prior year: 31.0 %). This change was due to the decrease in revenue in the Industrial division and the resulting residual fixed overheads as well as to the change in revenue mix away from the Industrial toward the Automotive business.

Functional expenses for research and development, selling, and administration amounted to EUR 453 m (prior year: EUR 465 m) in the first quarter of 2013.

Further activities to secure future growth opportunities drove up research and development expenses by 3.4 % to EUR 152 m (prior year: EUR 147 m), increasing research and development expenses as a percentage of revenue to 5.5 % (prior year: 5.1 %). Selling expenses moved in line with sales volumes, falling 1.6 % to EUR 188 m (prior year: EUR 191 m) during the first three months of the year. The slight decrease compared to the prior year quarter is primarily due to lower revenue-driven costs, such as freight and logistics expenses. Administrative expenses decreased to EUR 113 m (prior year: EUR 127 m), mainly due to lower consulting costs in connection with the refinancing compared to the prior year quarter.

Earnings before financial result, share of net income of equity-accounted investees, and income taxes (EBIT) fell by EUR 46 m from the first quarter of 2012 to EUR 355 m (prior year: EUR 401 m) for the first quarter of 2013. It was primarily the positive trend in the Automotive division that enabled the Schaeffler Group to maintain its EBIT margin (ratio of EBIT to revenue) of 12.9 % (prior year: 14.0 %) at a high level.

The Schaeffler Group's financial result improved by EUR 44 m to EUR -167 m (prior year: EUR -211 m) during the first quarter of 2013. Financial result comprises financial income of EUR 51 m (prior year: EUR 25 m) and financial expenses of EUR 218 m (prior year: EUR 236 m).

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

| in € millions | 1st quarter 2012 Financial expenses | Financial income | Financial result |
|---|---|---|---|
| Interest expense on financial debt [1] | -177 | 0 | -177 |
| Fair value changes and compensation payments on derivatives | -16 | 6 | -10 |
| Foreign exchange gains and losses | 0 | 16 | 16 |
| Amortization of cash flow hedge accounting reserve [2] | -18 | 0 | -18 |
| Interest income and expense on pensions and partial retirement obligations [3] | -14 | 0 | -14 |
| Other | -11 | 3 | -8 |
| **Total [3]** | **-236** | **25** | **-211** |

[1] Incl. transaction costs.
[2] Hedge accounting terminated in connection with the refinancing arrangement in 2009.
[3] Prior year amounts adjusted for initial application of IAS 19 (rev. 2011), see condensed notes to consolidated interim financial statements for details.

Interest expense on financial debt of EUR 128 m (prior year: EUR 177 m) for the first quarter of 2013 includes interest paid and accrued on the Group's financing arrangements of EUR 108 m (prior year: EUR 110 m) and expenses of EUR 13 m (prior year: EUR 60 m) relating to transaction costs. Interest expense on shareholder loans due to Schaeffler Verwaltungs GmbH is also included here.

Changes in the fair value of and compensation payments on derivatives resulted in net gains of EUR 21 m (prior year: losses of EUR 10 m). The amount consists largely of compensation payment expenses of EUR 31 m (prior year: EUR 14 m), EUR 13 m in losses (prior year: EUR 50 m in gains) related to changes in the value of embedded derivatives and EUR 65 m in gains (prior year: EUR 46 m in losses) related to favorable changes in the value of interest rate and cross-currency derivatives. The losses on the embedded derivatives are primarily the result of the reduction in the margin on the Senior Term Loan C in connection with the repricing, while the gains on the interest rate and cross-currency derivatives are mainly due to changes in the U.S. Dollar exchange rate. These exchange rate changes led to offsetting net foreign exchange losses on financial assets and liabilities of EUR 38 m (prior year: gains of EUR 16 m).

Additional expenses of EUR 14 m (prior year: EUR 18 m) arose from the amortization of the cash flow hedge accounting reserve related to interest rate hedging instruments. Pensions and partial retirement obligations gave rise to net interest expense of EUR 13 m (prior year: EUR 14 m). Other items gave rise to a net amount of income of EUR 5 m (prior year: expenses of EUR 8 m) and include primarily interest income of EUR 2 m (prior year: EUR 2 m) on loans and receivables, impairment losses on loans of EUR 0 m (prior year: EUR 7 m), and other financial income of EUR 3 m (prior year: expenses of EUR 3 m).

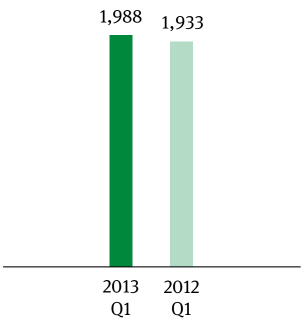
The share of net income of equity-accounted investees for the first quarter of 2013 of EUR 135 m (prior year: EUR 136 m) relates almost entirely to the investment in Schaeffler Beteiligungsholding GmbH & Co. KG, which holds a 36.14 % interest in Continental AG.

Income taxes for the first three months of 2013 amounted to EUR 89 m (prior year: EUR 88 m), consisting of current tax expense of EUR 83 m (prior year: EUR 107 m) and deferred tax expense of EUR 6 m (prior year: deferred tax benefit of EUR 19 m). Current tax expense of EUR 79 m relates to the current year and EUR 4 m to prior years. Interest expense of EUR 61 m (prior year: EUR 75 m) was not tax deductible in the first quarter of 2013 because of the interest deduction cap.

Net income after non-controlling interests decreased by EUR 2 m to EUR 233 m (prior year: EUR 235 m) during the first three months of 2013.

## Automotive division

**Revenue (Automotive)**
in € millions




Automotive division revenue increased by 2.8 % from the prior year period to EUR 1,988 m (prior year: EUR 1,933 m) during the first three months of 2013. The increase is primarily due to new customer projects and related production start-ups. The key growth drivers enabling us to again grow faster than the market are the product innovations which help reduce drive train $CO_2$-emissions. These were partially offset by the impact of the economic situation in the European automotive markets as well as minor unfavorable foreign exchange effects.

| | 1st quarter | | |
|---|---|---|---|
| in € millions | **2013** | **2012** | Change in % |
| Revenue | 1,988 | 1,933 | 2.8 |
| Cost of sales | -1,452 | -1,401 | 3.6 |
| Gross profit | 536 | 532 | 0.8 |
| EBIT | 277 | 244 | 13.5 |
| • in % of revenue | 13.9 | 12.6 | - |

Prior year information presented based on 2013 segment structure.

During the course of 2013 to date, revenue growth was driven in particular by the regions Asia/Pacific (+11.5 %) and North America (+6.3 %). Revenue in Europe (-0.8 %) and in South America (-1.6 %) declined slightly. Compared to the development of production volumes for passenger vehicles of up to 6 tons (Source: IHS Global Insight), revenue in the various regions fared much better than market. Significant operational growth in South America was considerably more than offset by negative foreign exchange effects. In Europe, revenue decreased significantly less than production volumes for passenger vehicles.

Among the top-selling product groups, dry double clutches and camshaft phasing units continued to be the growth drivers. The product groups valve train components – from mechanical valve lash adjustment elements to fully variable valve train systems (UniAir), balancer shafts with rolling bearing supports, chain tensioning systems, and clutch release systems, as well as gearshift components – also performed significantly better than the market. Innovative new products such as the thermal management module used to improve the emissions performance of combustion engines experienced high growth rates, as well.

Higher production volumes driven by growth in revenue had a general positive impact on gross profit, but could not completely offset slightly increased personnel expenses. The cost of raw materials was slightly below the prior year comparison period. Cost of sales for the first quarter of 2013 increased slightly by 3.6 % to EUR 1,452 m (prior year: EUR 1,401 m). Since cost of sales have grown slightly faster than revenue so far this year, gross margin declined by 0.5 percentage points to 27.0 % (prior year: 27.5 %).

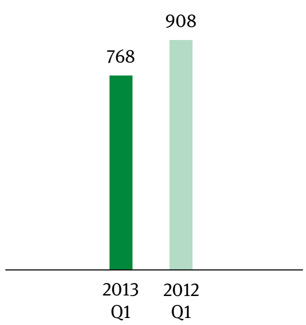
In order to secure future growth opportunities, the Automotive division increased its research and development expenses in the first three months of 2013 by 3.7 % from EUR 107 m to EUR 111 m. The increase was driven primarily by higher personnel expenses as well as the development of additional products and solutions for improving energy efficiency under the heading “Efficient Future Mobility” to meet the specific needs of certain regions. The concept vehicles presented in Detroit, U.S., and Pune, India, enabled the Schaeffler Group to again demonstrate to its customers solutions such as tailored stop/start technologies and the Schaeffler AWD disconnect clutch for the American market which help reduce fuel consumption and emissions.

On this basis, total Automotive division EBIT rose by EUR 33 m to EUR 277 m (prior year: EUR 244 m) in the first quarter of 2013 compared to the prior year period. The EBIT margin increased by 1.3 percentage points to 13.9 % (prior year: 12.6 %) for the year 2013 to date.

## Industrial division

Industrial division revenue for the first three months of 2013 fell short of the level of the prior year period, declining 15.4 % to EUR 768 m (prior year: EUR 908 m). The considerable decrease in revenue compared to the first quarter of 2012, which had seen an all-time high in Industrial division revenue, was the result of the weak market trends in certain emerging countries and the restrictive commercial and public investment and spending policies due to the continuing worldwide financial crisis. Foreign exchange effects also had a negative impact on revenue. However, revenue for the first quarter of 2013 was nearly flat with revenue for the fourth quarter of 2012 of EUR 788 m, which indicates, as does the slight improvement in order intake, that the revenue trend may be stabilizing.

**Revenue (Industrial)**
in € millions




| | 1st quarter | | |
|---|---|---|---|
| in € millions | **2013** | **2012** | Change in % |
| Revenue | 768 | 908 | -15.4 |
| Cost of sales | -513 | -555 | -7.6 |
| Gross profit | 255 | 353 | -27.8 |
| EBIT | 78 | 157 | -50.3 |
| • in % of revenue | 10.2 | 17.3 | - |

Prior year information presented based on 2013 segment structure.

During the first quarter of 2013, revenue declined from the prior year quarter across all regions. The largest decrease occurred in South America (-27.1 %), followed by the Asia/Pacific region (-24.3 %) and Europe (-13.2 %). In North America, revenue fell by 6.1 %. Compared to the fourth quarter of 2012, revenue in Europe and North America was up, while revenue continued to decline in the Asia/Pacific region and in South America.

The amount of revenue generated by the production machinery sector in the first quarter of 2013 was the lowest in more than a year, due in particular to the weak momentum in the manufacturing and textile machinery sectors. Although the power transmission sector was able to halt the negative revenue trend of the prior year during the last two quarters, it fell considerably behind the revenue levels generated in the first quarter of 2012. Revenue in the aerospace sector increased primarily for jet engines as a result of significant capital spending on new aircraft by commercial airlines. However, public spending cuts in some countries had a dampening effect on revenue. Revenue in the wind power sector continued to fall considerably compared to the prior year quarter, primarily in Germany and the Asia/Pacific region. The entire wind power sector is still suffering from excess capacity and price competition as well as the uncertain environment for investing and financing in this sector. In the off-highway equipment sector, revenue declined compared to the prior year quarter as a result of the weakness in the construction industry worldwide. Revenue in the Industrial Aftermarket business fell significantly across all regions compared to the prior year period. Declining demand by end customers around the world caused dealers to reduce their inventory levels and, consequently, to significantly reduce their order volumes.

Cost of sales for the first quarter of 2013 decreased by 7.6 % to EUR 513 m (prior year: EUR 555 m). Some of the plants have not yet been able to fully adapt production capacity to the lower revenue levels. The cost of raw materials was slightly below the prior year comparative period. Since cost of sales fell more slowly than revenue, gross margin declined by 5.7 percentage points to 33.2 % (prior year: 38.9 %).

Research and development expenses increased from EUR 40 m to EUR 41 m (change of 2.5 %) during the first three months of 2013. Research and activities for new business fields, particularly those related to renewable energy and eMobility, for instance for bicycles and scooters, as well as to magnetic bearings, are driving priorities here.

On this basis, Industrial division EBIT fell EUR 79 m to EUR 78 m (prior year: EUR 157 m) in the first quarter of 2013 compared to the prior year quarter. The EBIT margin declined by 7.1 percentage points to 10.2 % (prior year: 17.3 %) for the year 2013 to date.

# Financial position and assets

## Cash flow

The Schaeffler Group generated positive free cash flow of EUR 52 m (prior year: negative free cash flow of EUR 107 m) for the first quarter of 2013.

| | 1st quarter | | |
|---|---|---|---|
| in € millions | **2013** | **2012** | Change in % |
| Cash flows from operating activities | 172 | 137 | 25.5 |
| Cash used in investing activities | -120 | -244 | -50.8 |
| **Free cash flow** | **52** | **-107** | **-** |
| Cash used in financing activities | -31 | 2 | - |
| Financial debt | 7,292 | 7,455 | -2.2 |
| Cash and cash equivalents | 458 | 291 | 57.4 |
| **Net financial debt** | **6,834** | **7,164** | **-4.6** |

Cash flows from operating activities for the first three months of 2013 rose EUR 35 m from the prior year period to EUR 172 m (prior year: EUR 137 m), primarily as a result of lower increases in inventory levels and trade receivables. This positive impact totaling EUR 104 m was partially offset by a EUR 46 m decrease in EBIT to EUR 355 m (prior year: EUR 401 m) and an increase in interest paid of EUR 24 m to EUR 190 m (prior year: EUR 166 m). The increase in interest paid compared to the prior year quarter was mainly due to the change in interest payment dates as a result of the refinancing arrangement completed in early 2012.

Cash totaling EUR 120 m was used in investing activities (prior year: EUR 244 m) during the first three months of 2013. Capital expenditures on intangible assets and property, plant and equipment amounted to EUR 121 m, falling EUR 129 m short of the high prior year level of EUR 250 m, as expected.

Free cash flow for the first quarter of 2013 amounted to EUR 52 m, improving by EUR 159 m from the prior year amount of EUR -107 m. Capital expenditures on intangible assets and property, plant and equipment was financed entirely out of cash flows from operating activities.

Cash of EUR 31 m was used in (prior year: EUR 2 m provided by) financing activities, primarily to repay loans and for other financing activities. The repricing and full prepayment of tranches B2 EUR and B2 USD completed in March 2013 using newly obtained loan tranches C EUR and C USD was largely non-cash in nature. Only transaction costs paid are included in cash flows from operating activities.

Net financial debt as at March 31, 2013 decreased by EUR 330 m to EUR 6,834 m (prior year: EUR 7,164 m) compared to the end of the prior year quarter. The reduction resulted mainly from the repayment of bank debt and the increase in liquid funds as at the reporting date.

## Capital structure

The Schaeffler Group's shareholders' equity (including non-controlling interests in consolidated subsidiaries) as at March 31, 2013 remained nearly unchanged at EUR 2,110 m (December 31, 2012: EUR 2,108 m).

| in € millions | 03/31/2013 | 12/31/2012 | Change in % |
|---|---|---|---|
| **Shareholders' equity** | **2,110** | **2,108** | **0.1** |
| Provisions for pensions and similar obligations | 1,608 | 1,553 | 3.5 |
| Provisions | 60 | 75 | -20.0 |
| Financial debt | 7,088 | 7,140 | -0.7 |
| Income tax payables | 281 | 267 | 5.2 |
| Other liabilities | 175 | 240 | -27.1 |
| Deferred tax liabilities | 145 | 119 | 21.8 |
| **Total non-current liabilities** | **9,357** | **9,394** | **-0.4** |
| Provisions | 237 | 223 | 6.3 |
| Financial debt | 204 | 121 | 68.6 |
| Trade payables | 908 | 794 | 14.4 |
| Income tax payables | 192 | 232 | -17.2 |
| Other liabilities | 952 | 674 | 41.2 |
| **Total current liabilities** | **2,493** | **2,044** | **22.0** |
| **Total shareholders' equity and liabilities** | **13,960** | **13,546** | **3.1** |

Net income for the first quarter of EUR 234 m and other comprehensive income of EUR 18 m offset the dividend of EUR 250 m declared by the annual general meeting on March 20, 2013 and payable December 15, 2013. The equity ratio was 15.1 % at March 31, 2013 (December 31, 2012: 15.6 %).

Other comprehensive income of EUR 18 m resulted primarily from the translation of net assets of foreign group companies (EUR 55 m). This was partially offset by changes in the value of pensions and partial retirement obligations (EUR -38 m) and hedging instruments (EUR -2 m).

Total non-current liabilities decreased by EUR 37 m to EUR 9,357 m as at March 31, 2013 (December 31, 2012: EUR 9,394 m). This decrease was primarily due to a favorable change in the value of hedging instruments (EUR 66 m) included in other liabilities. Non-current financial debt fell by EUR 52 m to EUR 7,088 m (December 31, 2012: EUR 7,140 m) mainly as a result of the reclassification of the EUR 113 m current portion of financial liabilities due to Schaeffler Verwaltungs GmbH, the shareholder of Schaeffler AG, and partially offset by the impact of foreign currency translation of EUR 58 m mostly related to liabilities denominated in U.S. Dollars. The Schaeffler Group obtained new loan tranches with nominal amounts of EUR 625 m and USD 1,700 m at more favorable terms during the first quarter of 2013, partially prepaying existing non-current loan tranches (see “Schaeffler Group financing transactions”). Provisions for pensions and similar obligations increased, primarily as a result of changes in the discount rate related to lower interest rate levels.

Current liabilities rose by EUR 449 m to EUR 2,493 m (December 31, 2012: EUR 2,044 m). This increase is driven mainly by the dividend of EUR 250 m referred to above which is due in December 2013 and is included in other liabilities. The increase in current financial debt by EUR 83 m to EUR 204 m (December 31, 2012: EUR 121 m) is related to the reclassification of financial liabilities due to Schaeffler Verwaltungs GmbH, the shareholder of Schaeffler AG, that were previously classified as non-current liabilities.

## Asset structure

The financial position as at March 31, 2013 was marked by an increase in total assets of EUR 414 m or 3.1 % to EUR 13,960 m (December 31, 2012: EUR 13,546 m).

| in € millions | 03/31/2013 | 12/31/2012 | Change in % |
|---|---|---|---|
| Intangible assets | 549 | 554 | -0.9 |
| Property, plant and equipment | 3,500 | 3,515 | -0.4 |
| Investments in equity-accounted investees | 5,200 | 5,040 | 3.2 |
| Other investments | 14 | 14 | 0.0 |
| Other assets | 155 | 150 | 3.3 |
| Income tax receivables | 16 | 17 | -5.9 |
| Deferred tax assets | 398 | 364 | 9.3 |
| **Total non-current assets** | **9,832** | **9,654** | **1.8** |
| Inventories | 1,543 | 1,495 | 3.2 |
| Trade receivables | 1,855 | 1,626 | 14.1 |
| Other assets | 220 | 231 | -4.8 |
| Income tax receivables | 52 | 107 | -51.4 |
| Cash and cash equivalents | 458 | 433 | 5.8 |
| **Total current assets** | **4,128** | **3,892** | **6.1** |
| **Total assets** | **13,960** | **13,546** | **3.1** |

Among non-current assets, property, plant and equipment remained nearly unchanged, decreasing EUR 15 m to EUR 3,500 m (December 31, 2012: EUR 3,515 m).

Investments in equity-accounted investees increased by EUR 160 m to EUR 5,200 m (December 31, 2012: EUR 5,040 m) as a result of the impact of measuring the investment in Schaeffler Beteiligungsholding GmbH & Co. KG, Herzogenaurach, at equity as at March 31, 2013. Schaeffler Beteiligungsholding holds a 36.14 % interest in Continental AG, Hanover. Other non-current assets consist primarily of the net pension asset and the positive fair value of cross-currency swaps and embedded options to prepay bank debt and bonds. Changes in the fair value of these financial derivatives were the main reason for the increase in this balance by EUR 5 m to EUR 155 m (December 31, 2012: EUR 150 m).

The increase in current assets resulted primarily from inventories growing EUR 48 m to EUR 1,543 m (December 31, 2012: EUR 1,495 m) and trade receivables increasing by EUR 229 m to EUR 1,855 m (December 31, 2012: EUR 1,626 m), both due to higher revenue and production volumes in the first quarter of 2013 compared to the fourth quarter of 2012.

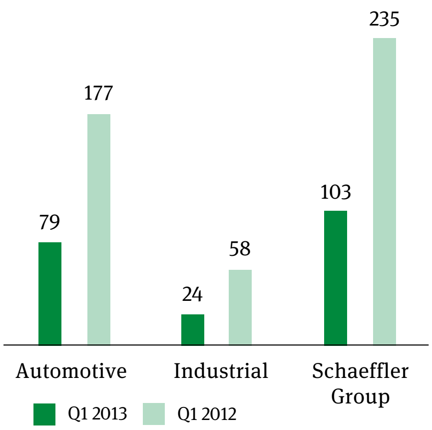
Cash and cash equivalents increased to EUR 458 m (December 31, 2012: EUR 433 m). Positive cash flows from operating activities of EUR 172 m more than offset cash used in investing activities (EUR 120 m) and financing activities (EUR 31 m).

## Additions to intangible assets and property, plant and equipment

Additions to intangible assets and property, plant and equipment for the first three months of 2013 amounted to EUR 103 m (prior year: EUR 235 m). Additions to intangible assets and property, plant and equipment as a percentage of consolidated revenue of 3.7 % were below the level of the prior year period (8.2 %). The decrease in this ratio is the result of targeted capacity adjustments.

The Automotive division spent EUR 79 m (prior year: EUR 177 m) and Industrial made additions to intangible assets and property, plant and equipment of EUR 24 m (prior year: EUR 58 m).

**Additions**
in € millions




During the first three months, the regional focus of Schaeffler's investing activities remained on increasing the proportion of value added locally at the production facilities in the U.S. and China. Another focus remains on creating capacity for new products and technologies in Germany, mainly at the Buehl and Herzogenaurach locations. Further additions to intangible assets and property, plant and equipment were made at the plants in Slovakia and Romania.

## Schaeffler Group financing transactions

The steps taken by Schaeffler AG in 2012 to refinance its existing financial liabilities were supplemented by further successful refinancing measures in the first quarter of 2013.

### First quarter 2013

On February 21, 2013, Schaeffler AG announced plans to seek a repricing of tranches B2 EUR and B2 USD by repaying them in full and obtaining new loan tranches. Favorable market conditions and the encouraging sustainable operating results have permitted Schaeffler to improve the terms of new tranches C EUR and C USD. In addition, tranches C EUR and C USD were increased compared to the previous loan tranches B2 EUR and B2 USD and the resulting additional funds of approximately EUR 253 m were used to partially prepay tranche A, which has a shorter maturity. The transaction was completed on March 18, 2013. Maturity, collateral, financial covenants, and other terms contained in the loan agreement remain unchanged.

At March 31, 2013, the Syndicated Senior Term Loan and Revolving Credit Facilities Agreement (SFA) consisted of the following tranches:

| Tranche | | 03/31/2013 | 12/31/2012 | 03/31/2013 | 03/31/2013 | 12/31/2012 | |
|---|---|---|---|---|---|---|---|
| | Currency | Face value in millions | Face value in millions | Carrying amount in € millions | Coupon | Coupon | Maturity |
| Senior Term Loan A | EUR | 2,193 | 2,446 | 2,165 | Euribor + 4,00 % | Euribor + 4,00 % | 01/27/2015 |
| Senior Term Loan B1 | EUR | 504 | 504 | 502 | Euribor + 4,75 % | Euribor + 4,75 % | 01/27/2017 |
| Senior Term Loan C [1] | EUR | 625 | 525 | 608 | Euribor + 3,75 % [2] | Euribor + 5,00 % | 01/27/2017 |
| Senior Term Loan C [3] | USD | 1,700 | 1,500 | 1,303 | Libor + 3,25 % [4] | Libor + 4,75 % | 01/27/2017 |
| Revolving Credit Facility [5] | EUR | 1,000 | 1,000 | -9 | Euribor + 4,00 % | Euribor + 4,00 % | 01/27/2015 |

[1] Starting March 18, 2013, previously Senior Term Loan B2 EUR.
[2] Euribor floor of 1.00 % (12/31/2012: 1.50 %).
[3] Starting March 18, 2013, previously Senior Term Loan B2 USD.
[4] Libor floor of 1.00 % (12/31/2012: 1.25 %).
[5] EUR 57 m were drawn down as at March 31, 2013, primarily in the form of letters of credit.

The following bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, were outstanding as at March 31, 2013:

| | | | 03/31/2013 | 12/31/2012 | | |
|---|---|---|---|---|---|---|
| ISIN | Currency | Face value in millions | Carrying amount in € millions | Carrying amount in € millions | Coupon | Maturity |
| XS0741938624 | EUR | 800 | 786 | 785 | 7.75 % | 02/15/2017 |
| US806261AC75 | USD | 600 | 460 | 446 | 7.75 % | 02/15/2017 |
| XS0801261156 | EUR | 326 | 322 | 322 | 6.75 % | 07/01/2017 |
| XS0741939788 | EUR | 400 | 398 | 398 | 8.75 % | 02/15/2019 |
| US806261AA10 | USD | 500 | 389 | 378 | 8.50 % | 02/15/2019 |

Please refer to the report on subsequent events for further detail.

## Schaeffler Group liquidity

At March 31, 2013, cash and cash equivalents amounted to EUR 458 m (March 31, 2012: EUR 291 m) and consisted primarily of bank balances. In addition, the Schaeffler Group has a revolving line of credit of EUR 1.0 bn, of which EUR 57 m were utilized at March 31, 2013, primarily in the form of letters of credit.

# Research and development

Research and development expenses grew by 3.4 % to EUR 152 m (prior year: EUR 147 m) or 5.5 % of revenue (prior year: 5.1 %) in the first quarter of 2013 compared to prior year. The Automotive division spent EUR 111 m (prior year: EUR 107 m) or 5.6 % of revenue (prior year: 5.5 %) and the Industrial division incurred research and development expenses of EUR 41 m (prior year: EUR 40 m) or 5.3 % of revenue (prior year: 4.4 %).

In late February 2013, the German Patent and Trademark Office ("Deutsches Patent- und Markenamt" – DPMA) issued the official patent statistics for the year 2012 which indicate that the Schaeffler Group filed 1,854 patents with the DPMA in 2012. Hence, Schaeffler was able to maintain the high level achieved in the prior year (1,832 patents), which in turn puts Schaeffler in fourth place in the DPMA's ranking of most innovative companies. This again demonstrated the Schaeffler Group's top competitive position and innovative power.

The first quarter of 2013 was also marked by the North American International Auto Show (NAIAS) in Detroit and the Innovation Days in Pune, India. The innovations for the drive train presented in the demonstration vehicle „Efficient Future Mobility North America" resulting in efficiency improvements of up to approximately 15 % primarily reflect requirements specific to the North American market. Engine and transmission technologies developed specifically for India were presented at the Innovation Days and met with a very positive response from customers. In one demonstration vehicle, Schaeffler facilitated a reduction in fuel consumption of up to 10 %.
As one of the leading suppliers to the motorbike and bicycle market, Schaeffler also presented a concept bike for the Asian and South American markets. New technologies can reduce fuel consumption very reliably and efficiently.

# Procurement

The increasingly complex products for the automotive sector which have evolved from components via modules into complete systems are posing new procurement challenges with respect to purchasing components. On the other hand, as the company continues to rely on a high degree of vertical integration and in-house expertise, particularly in the field of industrial products, procuring raw materials will remain a significant purchasing area in the future. Developing new suppliers in the growth regions in order to drive forward the localization of our product portfolio represents another challenge.

Compared to the prior year quarter, Schaeffler felt the slowdown in momentum in the procurement markets during the first quarter of 2013, particularly in Europe. Even at short notice, suppliers did not have any issues meeting the company's supply requirements, which remain reduced. Thus, the Schaeffler Group did not have any difficulties in supplying its production facilities.

Under the influence of a weak general economic environment, prices for production materials, primarily steel, declined again slightly during the first quarter of 2013 as forecasted. The trend in the price of scrap metal, which drives prices for steel bar and wire, remained stable during the first quarter. However, there were isolated increases in prices for raw materials for flat steel products, primarily for iron ore and coking coal as well as some alloy materials.

The European procurement markets are still of key significance to the Schaeffler Group as they represent approximately two thirds of the Group's purchasing volume in terms of value. As a result of the high degree of localization raw material requirements, the region Asia/Pacific, primarily the People's Republic of China, is the second most important procurement market.

# Production

As expected, production volumes for the first quarter of 2013 were slightly below those of the comparable prior year period. While production in the Automotive division benefited from the sustained growth in demand for Schaeffler products, the Industrial division continued to feel the impact of persistently sluggish demand, primarily for capital goods, on production volumes, mainly in the European plants.

Localization in the growth markets was further expanded during the first quarter of 2013. This helped increase production volumes in the Asia/Pacific region (approximately 10 %). Production outside Germany represented approximately 58 % (prior year: approximately 55 %) of total production for the first quarter.

The localization strategy not only helps secure customer proximity and availability of components and systems worldwide, but also allows Schaeffler to tap additional potential along the value chain.

In addition, Schaeffler's group-wide uniform MOVE activities permitted the company to maintain low levels of production inventories at the plants and to drive forward the integration of new processes and technological improvement of manufacturing facilities and production methods.

As at March 31, 2013, approximately 70 production locations represented the Schaeffler Group around the world.

# Employees

The number of employees rose by 87 (0.1 %) as at March 31, 2013 compared to December 31, 2012 and by 1,238 (1.7 %) compared to the prior year quarter end. The Schaeffler Group recruited skilled personnel primarily in production and production-related areas – compared to December 31, 2012 mainly in the North America region.

| Number of employees [1] | **03/31/2013** | **12/31/2012** | **03/31/2012** | Change in % [2] |
|---|---|---|---|---|
| Germany | 29,793 | 29,778 | 29,718 | 0.1 |
| Europe excluding Germany | 22,068 | 22,069 | 22,147 | 0.0 |
| Asia/Pacific | 12,590 | 12,664 | 11,420 | -0.6 |
| North America | 7,372 | 7,246 | 6,936 | 1.7 |
| South America | 4,363 | 4,342 | 4,727 | 0.5 |
| **Schaeffler Group** | **76,186** | **76,099** | **74,948** | **0.1** |

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

# Significant events and overall assessment of the 1st quarter of 2013

The global economy grew modestly during the first three months of 2013. The continuing crisis facing public budgets in the Euro region and the restrictive spending policy in the U.S. were the primary dampers of economic growth. Although exports in the Asia/Pacific region have increased again slightly due to higher foreign demand, growth there, too, fell short of expectations.

In total, global automobile production (passenger cars and light commercial vehicles) decreased by 1.4 % compared to the prior year period. Western European markets had to accept double-digit percentage declines in production. Production in North America was almost flat with prior year. The Asia/Pacific region reported a 2.4 % increase in production.

Worldwide industrial production had a very restrained overall start this year. Production of capital goods was clearly down in the industrialized economies, primarily in the Euro region, and so far there are no indications of a potential reversal of that trend. Production grew slightly in the regions Asia/Pacific and North America, benefiting from factors such as increased capital spending on construction and machinery.

The Schaeffler Group's revenue decreased by EUR 102 m or 3.6 % to EUR 2,756 m during the period. Apart from the market-related decrease in the Industrial division, currency translation effects were the primary reason for this decline.

Automotive division revenue increased 2.8 % from the prior year despite the difficult market situation in Europe and South America, primarily due to impulses provided by the more than proportional growth in the Asia/Pacific and North America regions.

Industrial divison revenue suffered from weaker growth in the emerging countries and restrictive private and public sector spending in Europe, declining by EUR 140 m or 15.4 % to EUR 768 m.

The decrease in gross profit by EUR 94 m to EUR 791 m (prior year: EUR 885 m) and the change in gross margin from 31.0 % to 28.7 % are primarily due to the decline in revenue (EUR 102 m), the resulting residual fixed overheads and the change in revenue mix away from the Industrial business toward the Automotive business. At EUR 1,965 m (prior year: EUR 1,973 m), cost of sales were nearly flat with the same quarter of 2012.

Other functional expenses were about the same as in the prior year. Expenses for research and development primarily related to future growth opportunities grew slightly to EUR 152 m (prior year: EUR 147 m) or 5.5 % of revenue (prior year: 5.1 %).

At 12.9 % (prior year: 14.0 %), Schaeffler's EBIT margin remained at a high level.

Financial result of EUR -167 m was EUR 44 m higher than in the prior year quarter, primarily due to a EUR 47 m reduction in transaction costs included in interest expense on financial debt following the impact of a comprehensive refinancing in the prior year quarter.

Net income for the first three months was EUR 233 m in 2013 compared to EUR 235 m in 2012.

Free cash flow improved to EUR 52 m (prior year: EUR -107 m) in the first quarter of 2013. Apart from the increase in operating cash flow by EUR 35 m, the decreases in capital expenditures on intangible assets and property, plant and equipment to EUR 121 m (prior year: EUR 250 m) and in cash paid for transaction costs, which had had a significant negative effect on free cash flow for the first quarter of 2012, contributed to this change.

On February 21, 2013, the Schaeffler Group announced a repricing of a Euro and a U.S. Dollar loan tranche with carrying amounts equivalent to EUR 1.6 bn by way of repaying them and obtaining new loan tranches. By the time the transaction was completed in mid-March 2013, the Schaeffler Group had negotiated both a new Euro and a new U.S. Dollar tranche with significantly higher nominal amounts and reduced interest rates. The additional funds of approximately EUR 253 m were used to partially prepay tranche A, which has a remaining term that is two years shorter. The remaining terms and conditions of the loan agreement remain unchanged. These measures further improved the maturity profile of the Group's financial debt and its cost of financing.

# Report on subsequent events

On April 22, 2013, the Schaeffler Group announced that it had again refinanced part of its financial debt by placing the equivalent of approximately EUR 1.25 bn in secured high-yield bonds denominated in Euros and in U.S. Dollars with five- and eight-year terms with institutional investors and using the proceeds to prepay a portion of its existing financial debt (Senior Term Loan A and B1). The outstanding balance of Senior Term Loan A remaining after this partial prepayment and the existing revolving credit facility were refinanced at improved terms and extended maturities. These transactions have again significantly improved the maturity profile of the financial debt and further reduced the company's borrowing costs. Rating agencies have rated the high-yield bonds B+ (Standard & Poor's) and Ba3 (Moody's).

No other material events expected to have a significant impact on the results of operations, financial position, and net assets of the Schaeffler Group occurred after March 31, 2013.

# Report on opportunities and risks

Please see pages 88 and 89 et seq. of the Schaeffler annual report 2012 for a discussion of Schaeffler's risk management system and potential opportunities and risks. The assertions regarding the opportunities and risks described in the annual report 2012 are largely unchanged.

Since 2011, several antitrust authorities have commenced investigations of several manufacturers of rolling and plain bearings, particularly for the automotive and other industrial sectors. The authorities are investigating possible agreements violating antitrust laws. Schaeffler AG and some of its subsidiaries are among the entities subject to these investigations. The Schaeffler Group is cooperating with the investigating authorities and supports their work. The EU antitrust authorities are conducting further detailed investigations; the Schaeffler Group expects further steps in the proceedings in 2013. There is a risk that the antitrust authorities will impose penalties and that third parties may claim damages. Various plaintiffs in the U.S. and in Canada have already filed class action suits. The amount of potential penalties or subsequent claims is uncertain, but could be significant.

The Schaeffler Group's risks are limited, both individually and in combination with other risks, and, according to current estimates, do not jeopardize the continued existence of the company.

# Report on expected developments



## Expected economic environment

The Schaeffler Group expects, based on the forecast issued by the International Monetary Fund in April 2013, that the global economy will grow by 3.3 % in 2013. The forecast was reduced by 0.2 percentage points from the January 2013 forecast (3.5 %) due to weaker economic data. This growth forecast is based on the sustained robust economic momentum in North America, the continuing positive development of the emerging countries, and the expectation, that the global economy will gain momentum again, particularly starting in the latter half of 2013. However, this forecast is subject to considerable risk. Particularly a slowing or even failure of the reform efforts in the European crisis countries could lead to a further deterioration of the debt crisis and affect the economic momentum of the other regions.

The company is still anticipating an increase of approximately 2 % in the worldwide production of passenger vehicles and light commercial vehicles for 2013 as a whole. The Schaeffler Group is not expecting the European automotive markets to recover quickly. For this region, the Group forecasts a decline in automobile production of approximately 2-3 % compared to the prior year. As a result of the expected reduction in production volumes in certain countries such as South Korea and Japan, the Schaeffler Group is anticipates the production of passenger cars and light commercial vehicles in the entire region Asia/Pacific to grow by a total of only around 3 %. China and India remain the drivers of growth in that region: The company is expecting production there to expand by around 7 % and 8 %, respectively. In North America, Schaeffler is anticipating automobile production to increase moderately by approximately 3 %. Growth in South America is expected to be around 4 %.

The Schaeffler Group believes that the global engineering industry will likely only generate very moderate growth in 2013. Based on its own estimates and the analyses issued by the forecasting institute Oxford Economics, the company is expecting production in the industrialized countries to only reach prior year levels, given its weak start in 2013. More impetus is expected from the emerging countries, where the Schaeffler Group anticipates engineering production to grow by approximately 5-6 %. This forecast assumes that the engineering sector in China in particular will gain momentum during the latter half of the year, responding to government incentives.

## Schaeffler Group outlook

In its medium-term forecast, which is based on the assumptions described under "Economic environment" (see the management report in the interim financial report as at March 31, 2013 and in the annual report 2012), the Schaeffler Group expects revenue growth of approximately 4 % for 2013. Following the decrease in revenue in the first quarter of 2013, special efforts will be required during the remainder of the year to achieve this target. A definite prerequisite for achieving this target is a significant increase in economic momentum worldwide in the latter half of 2013. The company will maintain its development activities at the level of the prior years. The Group plans to invest approximately 5 % of its consolidated revenue in researching and developing new products and processes in 2013.

As of the first quarter, the Schaeffler Group expects to generate an EBIT margin of approximately 13 % for the year 2013.

Our investments in intangible assets and property, plant and equipment for new products and capacity expansions are the foundation of our organic growth of Schaeffler Group. The Schaeffler Group anticipates investing 5 % to 7 % of revenue in intangible assets and property, plant and equipment in 2013. Based on the high level of investments in intangible assets and property, plant and equipment made in 2012 and investments made in 2013 to date, investments in intangible assets and property, plant and equipment as a percentage of revenue will likely fall closer to the lower end of this range in 2013.

The Schaeffler Group is expecting positive free cash flow in the three-digit million range in 2013.

Herzogenaurach, May 13, 2013

The Executive Board

# Consolidated interim financial statements

# Consolidated income statement

| | 1st quarter | | |
|---|---|---|---|
| in € millions | **2013** | **2012** | Change in % |
| Revenue | 2,756 | 2,858 | -3.6 |
| Cost of sales | -1,965 | -1,973 | -0.4 |
| **Gross profit** | **791** | **885** | **-10.6** |
| Research and development expenses | -152 | -147 | 3.4 |
| Selling expenses | -188 | -191 | -1.6 |
| Administrative expenses | -113 | -127 | -11.0 |
| Other income | 24 | 10 | > 100 |
| Other expenses | -7 | -29 | -75.9 |
| **Earnings before financial result, share of net income of equity-accounted investees, and income taxes (EBIT)** | **355** | **401** | **-11.5** |
| Financial income [1)] | 51 | 25 | > 100 |
| Financial expense [1)] | -218 | -236 | -7.6 |
| **Financial result [1)]** | **-167** | **-211** | **-20.9** |
| **Share of net income of equity-accounted investees** | **135** | **136** | **-0.7** |
| **Earnings before income taxes [1)]** | **323** | **326** | **-0.9** |
| Income taxes | -89 | -88 | 1.1 |
| **Net income [1)]** | **234** | **238** | **-1.7** |
| Attributable to shareholders of the parent company [1)] | 233 | 235 | -0.9 |
| Attributable to non-controlling interests | 1 | 3 | -66.7 |

[1)] Prior year amounts restated for initial application of IAS 19 (rev. 2011), see condensed notes to consolidated interim financial statements for details.

# Consolidated statement of comprehensive income

| | 1st quarter | | | | | |
|---|---|---|---|---|---|---|
| | | | 2013 | | | 2012 |
| in € millions | before taxes | taxes | after taxes | before taxes | taxes | after taxes |
| **Net income** [1] | **323** | **-89** | **234** | **326** | **-88** | **238** |
| Foreign currency translation differences for foreign operations | 45 | 0 | 45 | -25 | 0 | -25 |
| Net loss on hedge of net investment in foreign operation | -17 | 0 | -17 | 0 | 0 | 0 |
| Effective portion of changes in fair value of cash flow hedges | -3 | 1 | -2 | 52 | -14 | 38 |
| Share of other comprehensive income (loss) of equity-accounted investees | 30 | 0 | 30 | 0 | -1 | -1 |
| **Total other comprehensive income (loss) that will be reclassified subsequently to profit or losss** | **55** | **1** | **56** | **27** | **-15** | **12** |
| Defined benefit plan actuarial gains (losses) [1] | -41 | 7 | -34 | -62 | 15 | -47 |
| Share of other comprehensive income (loss) of equity-accounted investees | 26 | -30 | -4 | 0 | 0 | 0 |
| **Total other comprehensive income (loss) that will not be reclassified subsequently to profit or loss** | **-15** | **-23** | **-38** | **-62** | **15** | **-47** |
| **Total other comprehensive income (loss)** | **40** | **-22** | **18** | **-35** | **0** | **-35** |
| **Total comprehensive income (loss) for the period** | **363** | **-111** | **252** | **291** | **-88** | **203** |
| Total comprehensive income (loss) attributable to shareholders of the parent company | 359 | -111 | 248 | 287 | -88 | 199 |
| Total comprehensive income (loss) attributable to non-controlling interests | 4 | 0 | 4 | 4 | 0 | 4 |
| **Total comprehensive income (loss) for the period** | **363** | **-111** | **252** | **291** | **-88** | **203** |

[1] Prior year amounts restated for initial application of IAS 19 (rev. 2011), see condensed notes to consolidated interim financial statements for details.

# Consolidated statement of financial position

| in € millions | 03/31/2013 | 12/31/2012 | 03/31/2012 | Change in % [1] |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Intangible assets | 549 | 554 | 554 | -0.9 |
| Property, plant and equipment | 3,500 | 3,515 | 3,392 | -0.4 |
| Investments in equity-accounted investees | 5,200 | 5,040 | 4,908 | 3.2 |
| Other investments | 14 | 14 | 14 | 0.0 |
| Other assets | 155 | 150 | 116 | 3.3 |
| Income tax receivables | 16 | 17 | 24 | -5.9 |
| Deferred tax assets | 398 | 364 | 366 | 9.3 |
| **Total non-current assets** | **9,832** | **9,654** | **9,374** | **1.8** |
| Inventories | 1,543 | 1,495 | 1,603 | 3.2 |
| Trade receivables | 1,855 | 1,626 | 1,885 | 14.1 |
| Other assets | 220 | 231 | 221 | -4.8 |
| Income tax receivables | 52 | 107 | 75 | -51.4 |
| Cash and cash equivalents | 458 | 433 | 291 | 5.8 |
| **Total current assets** | **4,128** | **3,892** | **4,075** | **6.1** |
| **Total assets** | **13,960** | **13,546** | **13,449** | **3.1** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | | |
| Share capital | 500 | 500 | 500 | 0.0 |
| Reserves [2] | 2,010 | 2,027 | 1,246 | -0.8 |
| Accumulated other comprehensive income (loss) [2] | -464 | -479 | -186 | -3.1 |
| **Equity attributable to shareholders of the parent company** | **2,046** | **2,048** | **1,560** | **-0.1** |
| Non-controlling interests | 64 | 60 | 57 | 6.7 |
| **Total shareholders' equity** | **2,110** | **2,108** | **1,617** | **0.1** |
| Provisions for pensions and similar obligations | 1,608 | 1,553 | 1,282 | 3.5 |
| Provisions [2] | 60 | 75 | 75 | -20.0 |
| Financial debt | 7,088 | 7,140 | 7,155 | -0.7 |
| Income tax payables | 281 | 267 | 187 | 5.2 |
| Other liabilities | 175 | 240 | 341 | -27.1 |
| Deferred tax liabilities | 145 | 119 | 122 | 21.8 |
| **Total non-current liabilities** | **9,357** | **9,394** | **9,162** | **-0.4** |
| Provisions | 237 | 223 | 203 | 6.3 |
| Financial debt | 204 | 121 | 300 | 68.6 |
| Trade payables | 908 | 794 | 976 | 14.4 |
| Income tax payables | 192 | 232 | 202 | -17.2 |
| Other liabilities | 952 | 674 | 989 | 41.2 |
| **Total current liabilities** | **2,493** | **2,044** | **2,670** | **22.0** |
| **Total shareholders‘ equity and liabilities** | **13,960** | **13,546** | **13,449** | **3.1** |

[1] March 31, 2013 compared to December 31, 2012.
[2] Prior year amounts restated for initial application of IAS 19 (rev. 2011), see condensed notes to consolidated interim financial statements for details.

# Consolidated statement of cash flows

| | 1st quarter | | |
|---|---|---|---|
| in € millions | 2013 | 2012 | Change in % |
| **Operating activities** | | | |
| EBIT | 355 | 401 | -11.5 |
| Interest paid | -190 | -166 | 14.5 |
| Interest received | 2 | 2 | 0.0 |
| Income taxes paid | -58 | -54 | 7.4 |
| Depreciation, amortization and impairments | 157 | 148 | 6.1 |
| Gains (losses) on disposal of assets | 0 | -1 | -100 |
| Other non-cash items | -10 | -19 | -47.4 |
| Changes in: | | | |
| • Inventories | -29 | -54 | -46.3 |
| • Trade receivables | -211 | -290 | -27.2 |
| • Trade payables | 126 | 121 | 4.1 |
| • Provisions for pensions and similar obligations | -9 | -8 | 12.5 |
| • Other assets, liabilities and provisions | 39 | 57 | -31.6 |
| **Cash flows from operating activities [1]** | **172** | **137** | **25.5** |
| **Investing activities** | | | |
| Proceeds from disposals of intangible assets and property, plant and equipment | 2 | 7 | -71.4 |
| Capital expenditures on intangible assets | -4 | -9 | -55.6 |
| Capital expenditures on property, plant and equipment | -117 | -241 | -51.5 |
| Investments in other financial investments | -1 | -1 | 0.0 |
| **Cash used in investing activities** | **-120** | **-244** | **-50.8** |
| **Financing activities** | | | |
| Receipts from loans | 1 | 170 | -99.4 |
| Repayments of loans | -14 | -11 | 27.3 |
| Acquisitions in stages | 0 | -13 | -100 |
| Other financing activities [2] | -18 | -144 | -87.5 |
| **Cash used in financing activities** | **-31** | **2** | **-** |
| **Net increase (decrease) in cash and cash equivalents** | **21** | **-105** | **-** |
| Effects of foreign exchange rate changes on cash and cash equivalents | 4 | -1 | - |
| Cash and cash equivalents as of beginning of period | 433 | 397 | 9.1 |
| **Cash and cash equivalents as at end of period** | **458** | **291** | **57.4** |

[1] Excluding interest payments, cash flows from operating activities for the period from 01/01 to 03/31/2013 amount to EUR 362 m (prior year: EUR 303 m).
[2] Including payments to the shareholder, Schaeffler Verwaltungs GmbH, of EUR 0 m (prior year: EUR 150 m).

# Consolidated statement of changes in shareholders' equity

| in € millions | Share capital | Reserves | Accumulated other comprehensive income (loss) 1) | | | | Subtotal | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | Translation reserve | Hedging reserve | Fair value reserve | Reserve for actuarial gains and losses | | | |
| **Balance as at January 1, 2012 before IAS 19 (rev. 2011) adjustments** | **500** | **1,324** | **118** | **-131** | **0** | **-150** | **1,661** | **53** | **1,714** |
| Change in accounting policy - IAS 19 (rev. 2011) | | -13 | | | | 13 | 0 | | 0 |
| **Balance as at January 1, 2012 after IAS 19 (rev. 2011) adjustments** | **500** | **1,311** | **118** | **-131** | **0** | **-137** | **1,661** | **53** | **1,714** |
| Net income | | 236 | | | | | 236 | 3 | 239 |
| Other comprehensive income (loss) | | | -27 | 38 | 1 | -49 | -37 | 1 | -36 |
| Change in accounting policy - IAS 19 (rev. 2011) | | -1 | | | | 1 | 0 | | 0 |
| **Total comprehensive income (loss) for the period** | **0** | **235** | **-27** | **38** | **1** | **-48** | **199** | **4** | **203** |
| **Transactions with shareholders** | | | | | | | | | |
| Dividends | | -300 | | | | | -300 | | -300 |
| **Total amount of transactions with shareholders** | | **-300** | | | | | **-300** | | **-300** |
| **Balance as at March 31, 2012** | **500** | **1,246** | **91** | **-93** | **1** | **-185** | **1,560** | **57** | **1,617** |
| **Balance as at January 1, 2013 before IAS 19 (rev. 2011) adjustments** | **500** | **2,042** | **75** | **-2** | **2** | **-570** | **2,047** | **60** | **2,107** |
| Change in accounting policy - IAS 19 (rev. 2011) | | -15 | | | | 16 | 1 | | 1 |
| **Balance as at January 1, 2013 after IAS 19 (rev. 2011) adjustments** | **500** | **2,027** | **75** | **-2** | **2** | **-554** | **2,048** | **60** | **2,108** |
| Net income | | 233 | | | | | 233 | 1 | 234 |
| Other comprehensive income (loss) | | | 55 | -2 | | -38 | 15 | 3 | 18 |
| **Total comprehensive income (loss) for the period** | **0** | **233** | **55** | **-2** | **0** | **-38** | **248** | **4** | **252** |
| **Transactions with shareholders** | | | | | | | | | |
| Dividends | | -250 | | | | | -250 | | -250 |
| **Total amount of transactions with shareholders** | | **-250** | | | | | **-250** | | **-250** |
| **Balance as at March 31, 2013** | **500** | **2,010** | **130** | **-4** | **2** | **-592** | **2,046** | **64** | **2,110** |

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 quarter | | 1st quarter | | 1st quarter | | 1st quarter | |
| in € millions | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| Revenue | 1,988 | 1,933 | 768 | 908 | 0 | 17 [1] | 2,756 | 2,858 |
| Cost of sales | -1,452 | -1,401 | -513 | -555 | 0 | -17 [2] | -1,965 | -1,973 |
| Gross profit | 536 | 532 | 255 | 353 | 0 | 0 | 791 | 885 |
| EBIT | 277 | 244 | 78 | 157 | 0 | 0 | 355 | 401 |
| • in % of revenue | 13.9 | 12.6 | 10.2 | 17.3 | - | - | 12.9 | 14.0 |
| Depreciation, amortization and impairments | -111 | -102 | -46 | -46 | 0 | 0 | -157 | -148 |
| Inventories [3] | 897 | 894 | 646 | 709 | 0 | 0 | 1,543 | 1,603 |
| Trade receivables [3] | 1,325 | 1,307 | 530 | 578 | 0 | 0 | 1,855 | 1,885 |
| Property, plant and equipment [3] | 2,462 | 2,319 | 1,038 | 1,073 | 0 | 0 | 3,500 | 3,392 |
| Additions to intangible assets and property, plant and equipment | 79 | 177 | 24 | 58 | 0 | 0 | 103 | 235 |

Prior year information based on 2013 segment structure.
[1] Other revenues not attributable to a segment.
[2] Other costs not attributable to a segment.
[3] Amounts as at March 31.

# Condensed notes to the consolidated financial statements

## Reporting entity

Schaeffler AG, Herzogenaurach, is a corporation domiciled in Germany with its registered office located at Industriestrasse 1-3, 91074 Herzogenaurach. The company was founded as at September 29, 2009 and is registered in the Commercial Register of the Fuerth Local Court (HRB No. 13202). The condensed consolidated interim financial statements of Schaeffler AG as at March 31, 2013 comprise Schaeffler AG and its subsidiaries, investments in associated companies, and joint ventures (together referred to as "Schaeffler" or "Schaeffler Group"). Schaeffler is a supplier to the automotive and manufacturing sectors with operations worldwide.

## Basis of preparation of consolidated interim financial statements

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union and effective at the end of the reporting period and in accordance with the Interpretations by the IFRS Interpretations Committee (IFRIC).

The consolidated interim financial statements of Schaeffler AG, Herzogenaurach, for the reporting period ended March 31, 2013 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and do not include all information necessary for a complete set of consolidated financial statements.

The accounting policies used in these consolidated interim financial statements are in principle the same as those used in the 2012 consolidated financial statements, where they are discussed in detail. The following IFRS amendments and new regulations have been initially applied in these interim financial statements as required as at March 31, 2013:

- IAS 19: Change in the measurement of obligations under partial retirement arrangements and in the determination of net interest expense/income,

- IAS 1: Change in the presentation of the consolidated statement of comprehensive income including adjustments to the comparative period,

- IFRS 7 and IFRS 13: Expanded note disclosures on financial instruments, and

- Other IFRS amendments: No effect on these interim financial statements.

The Schaeffler Group has applied the accounting treatment required by IAS 19 (rev. 2011) starting January 1, 2013. The new requirements of IAS 19 (rev. 2011) include replacing expected returns on plan assets and interest expense on the pension obligation by the newly introduced net interest approach. Under this approach, net interest expense or benefit to be recognized in income for the period is arrived at by multiplying the net pension obligation by the discount rate used to measure the gross pension obligation. The transition rules of IAS 19 (rev. 2011) require the amendments to the standard to be applied retrospectively. As a result, adjustments to prior years are shown in the earliest reporting period presented in these consolidated interim financial statements. For the prior period, interest income was reduced by EUR 7 m and the revised income on plan assets of EUR 6 m was offset against interest expense. The resulting difference was recognized in shareholders' equity as a reduction in reserves and an increase in accumulated other comprehensive income. The effect of applying the net interest approach under IAS 19 (rev. 2011) on the first quarter of 2013 was insignificant.

Due to the allocation and netting of certain exchange gains and losses recognized in profit or loss, prior year figures for other income and other expense were each adjusted by EUR 17 m for comparability. Please refer to the 2012 consolidated financial statements for further detail.

In the preparation of financial statements in accordance with IFRS, management exercises judgment in making estimates and assumptions. Such estimates and judgments are unchanged from the matters described in the consolidated financial statements of the Schaeffler Group as at and for the year ended December 31, 2012.

Processes and systems of Group companies ensure appropriate recognition of income and expenses on the accrual basis. Due to the nature of the Schaeffler Group's business, the comparability of 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 Group management report.

## Scope of consolidation

The scope of consolidation has not changed since December 31, 2012.

The Schaeffler Group includes, in addition to Schaeffler AG, 159 fully consolidated subsidiaries; 54 companies are domiciled in Germany and 105 are foreign entities.

In the consolidated interim financial statements as at March 31, 2013, nine investments (six associated companies and three joint ventures) are accounted for at equity. As in the prior year, Schaeffler Beteiligungsholding GmbH & Co. KG holds 72,290,458 shares or 36.14 % of the voting interest in Continental AG as at March 31, 2013.

Continental AG is a leading automotive supplier with worldwide operations, headquartered in Hanover, Germany. The following table summarizes key financial information about the Continental Group:

| in € millions | 2013 | 2012 |
|---|---|---|
| Revenue (01/01-03/31) | 8,033 | 8,320 |
| Net income [1] (01/01-03/31) | 463 | 501 |
| Assets [2] (as at 03/31) | 28,256 | 26,785 |
| Liabilities [2] (as at 03/31) | 19,518 | 19,260 |

[1] Including non-controlling interests.
[2] Prior year amounts restated for initial application of IAS 19 (rev. 2011).

## Share of net income of equity-accounted investees

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

The share of net income of equity-accounted investees relates primarily 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 resulted in income of EUR 135 m (prior year: EUR 136 m) net of deferred tax.

Schaeffler's share of net income of equity-accounted investees for the period ending March 31, 2013 consists of the following components:

| in € millions | 2013 | 2012 |
|---|---|---|
| Depreciation, amortization and impairments of fair value adjustments | -35 | -59 |
| Share of net income of Continental AG | 160 | 174 |
| **Effect before income taxes** | **125** | **115** |
| Deferred taxes | 10 | 17 |
| **Effect on income before special items [1]** | **135** | **132** |
| Special items [1] | | |
| • Reversal of cash flow hedges existing at the time of the PPA | 0 | 2 |
| • Recognition of Continental AG pension obligations at fair value | 0 | 2 |
| **Effect on income after special items [1]** | **135** | **136** |

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

The Schaeffler Group's share of other comprehensive income of Continental AG amounts to EUR 25 m (prior year: EUR -1 m).

Debt covenants restrict Continental AG's ability to pay dividends. 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 93.27 per share (prior year: EUR 70.77 per share), the fair value of the Continental AG shares held by Schaeffler Beteiligungsholding GmbH & Co. KG (36.14 %) was EUR 6,743 m (prior year: EUR 5,116 m) on March 31, 2013.

## Segment Reporting

Segment reporting under IFRS 8, which follows the management approach, is based on the internal reporting structure of the Schaeffler Group. As a result, these interim 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.

| | 1st quarter | |
|---|---|---|
| Reconciliation to earnings before income taxes in € millions | 2013 | 2012 |
| EBIT Automotive [1] | 277 | 244 |
| EBIT Industrial [1] | 78 | 157 |
| **EBIT** | **355** | **401** |
| **Financial result** | **-167** | **-211** |
| **Share of net income of equity-accounted investees** | **135** | **136** |
| **Earnings before income taxes** | **323** | **326** |

[1] Prior year information presented based on 2013 segment structure.

## Financial instruments

The carrying amounts and fair values of financial instruments by balance sheet class and by category per IFRS 7.8 are summarized below. Derivatives designated as hedging instruments are also shown, although they do not fall under any of the IAS 39 measurement categories. No financial instruments were reclassified between categories in accordance with IFRS 7.8 during the current or prior year periods.

| | | | 03/31/2013 | | 12/31/2012 | | 03/31/2012 | |
|---|---|---|---|---|---|---|---|---|
| in € millions | Category per IFRS 7.8 | Level per IFRS 13 | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial assets, by class** | | | | | | | | |
| Trade receivables | LaR | 1 | 1,855 | 1,855 | 1,626 | 1,626 | 1,885 | 1,885 |
| Other investments [1] | AfS | 1 | 14 | - | 14 | - | 14 | - |
| Other assets | | | | | | | | |
| • Marketable securities | AfS | 1 | 3 | 3 | 6 | 6 | 5 | 5 |
| • Other loans receivable [2] | LaR | 1 | 95 | 95 | 103 | 103 | 113 | 113 |
| • Derivatives designated as hedging instruments | n.a. | 2 | 10 | 10 | 30 | 30 | 0 | 0 |
| • Derivatives not designated as hedging instruments | HfT | 2 | 84 | 84 | 84 | 84 | 26 | 26 |
| Cash and cash equivalents | LaR | 1 | 458 | 458 | 433 | 433 | 291 | 291 |
| **Financial liabilities, by class** | | | | | | | | |
| Financial debt | FLAC | 2 | 7,292 | 7,906 | 7,261 | 7,727 | 7,455 | 7,669 |
| Trade payables | FLAC | 1 | 908 | 908 | 794 | 794 | 976 | 976 |
| Other liabilities | | | | | | | | |
| • Derivatives designated as hedging instruments | n.a. | 2 | 160 | 160 | 213 | 213 | 295 | 295 |
| • Derivatives not designated as hedging instruments | HfT | 2 | 24 | 24 | 27 | 27 | 61 | 61 |
| • Other liabilities [2] | FLAC | 1 | 417 | 416 | 170 | 170 | 428 | 427 |
| **Summary by category** | | | | | | | | |
| Available-for-sale financial assets (AfS) | | | 17 | - | 20 | - | 19 | - |
| Financial assets held for trading (HfT) | | | 84 | - | 84 | - | 26 | - |
| Loans and receivables (LaR) | | | 2,408 | - | 2,162 | - | 2,289 | - |
| Financial liabilities at amortized cost (FLAC) | | | 8,617 | - | 8,225 | - | 8,859 | - |
| Financial liabilities held for trading (HfT) | | | 24 | - | 27 | - | 61 | - |

[1] Investments accounted for at cost.
[2] Includes other assets/liabilities in the scope of IAS 39/IFRS 7.

Financial assets and liabilities measured at fair value have been classified using a fair value hierarchy that reflects the nature of the methods used to arrive at fair value (Level 1 – Level 3). According to the levels of the hierarchy, fair value is determined as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.

- Level 2: Determined using a valuation method for which all significant inputs are based on observable market data.

The fair value of financial debt is the present value of expected future cash flows discounted using risk-adjusted discount rates in effect at the end of the reporting period.

Derivative financial instruments that are foreign exchange contracts, interest rate swaps or cross-currency swaps are measured using exchange rates in effect at the end of the reporting period and risk-adjusted interest and discount rates. Instruments with an option-type structure are measured using a Black-Scholes option pricing model. Key inputs are the relevant volatilities and credit default swap rates (CDS rates).

- Level 3: Determined using a valuation method for which significant inputs are not based on observable market data. The Schaeffler Group does not have any financial instruments in this level.

No transfers were made between the various levels of the fair value hierarchy (Level 1 – 3). Other investments include investments (shares in companies and cooperatives) for which quoted prices in an active market are not available. As a result, the fair value of these instruments cannot be measured reliably. These investments are therefore accounted for at cost. There were no partial disposals of such investments in the first quarter of 2013, and no (partial) disposals are planned for the foreseeable future.

The following summary shows amounts as required by IFRS 7.13C subject to an enforceable master netting arrangement or similar agreement that are not set off in the statement of financial position:

| in € millions | 03/31/2013 | 12/31/2012 | 03/31/2012 |
|---|---|---|---|
| **Financial assets** | | | |
| Gross amount of financial assets | 94 | 114 | 26 |
| Amounts offset in accordance with IAS 32.42 | 0 | 0 | 0 |
| Gross amount of financial assets | 94 | 114 | 26 |
| Amounts subject to master netting arrangements | -33 | -45 | -5 |
| Net amount of financial assets | 61 | 69 | 21 |
| **Financial liabilities** | | | |
| Gross amount of financial liabilities | -184 | -240 | -356 |
| Amounts offset in accordance with IAS 32.42 | 0 | 0 | 0 |
| Gross amount of financial liabilities | -184 | -240 | -356 |
| Amounts subject to master netting arrangements | 33 | 45 | 5 |
| Net amount of financial liabilities | -151 | -195 | -351 |

## Contingent liabilities and other financial obligations

At March 31, 2013, the Schaeffler Group had open commitments under fixed contracts to purchase property, plant and equipment of EUR 164 m (December 31, 2012: EUR 164 m). EUR 131 m of the commitments existing at March 31, 2013 are expected to be settled within one year and EUR 33 m in more than one year but within five years.

Contingent liabilities amount to EUR 36 m at March 31, 2013 (December 31, 2012: EUR 37 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 companies are referred to as IHO companies (companies with INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, as their group parent company) below.

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

Transactions with Continental Group companies during the period from January 1 to March 31, 2013 were as follows:

| in € millions | Receivables | | Payables | |
|---|---|---|---|---|
| | 03/31/2013 | 12/31/2012 | 03/31/2013 | 12/31/2012 |
| Continental Group companies | 15 | 10 | 4 | 4 |

| in € millions | Expenses | | Income | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Continental Group companies (01/01-03/31) | 8 | 9 | 21 | 20 |

Payables to IHO companies were EUR 556 m (December 31, 2012: EUR 324 m) at March 31, 2013 and consisted primarily of EUR 537 m (December 31, 2012: EUR 288 m) in liabilities due to the shareholder, Schaeffler Verwaltungs GmbH, including a dividend of EUR 250 m payable in December 2013.

## Events after the reporting period

On April 22, 2013, the Schaeffler Group announced that it had again refinanced part of its financial debt by placing with institutional investors the equivalent of approximately EUR 1.25 bn in secured high-yield bonds denominated in Euros and in U.S. Dollars with five- and eight-year terms and using the proceeds to prepay a portion of its existing financial debt (Senior Term Loan A and B1). The outstanding balance of Senior Term Loan A remaining after this partial prepayment and the existing revolving credit facility were refinanced with more favorable terms and extended maturities. These transactions have again significantly improved the maturity profile of the financial debt and further reduced the company's borrowing costs. Rating agencies have rated the high-yield bonds B+ (Standard & Poor's) and Ba3 (Moody's).

No other material events expected to have a significant impact on the results of operations, financial position, and net assets of the Schaeffler Group occurred after March 31, 2013.

Herzogenaurach, May 13, 2013

The Executive Board

# Additional information

# Imprint

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May 2013

**Forward-looking statements**

This document contains forward-looking statements that reflect management's current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond Schaeffler's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies and the actions of government regulators. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. Schaeffler does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of this report.

Rounding differences may occur.

This English version of the interim report is a translation of the original German version; in the event of variances, the German version shall take precedence over the English translation.

Both language versions of the interim report can be downloaded from the internet at www.schaeffler-group.com/Investor Relations/Publications/Reports.

# Summary 1st quarter 2012 to 1st quarter 2013

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

1) Attributable to shareholders of the parent company; comparative amounts have been adjusted in connection with the initial application of IAS 19 (rev. 2011).
2) Including non-controlling interests.
3) Excluding shareholder loans.
4) EBITDA based on the last twelve months.
5) Additions to intangible assets and property, plant and equipment for the quarter.
6) Free cash flow for the quarter.

# Financial calendar 2013

## May 21, 2013

First quarter results 2013

## August 28, 2013

Second quarter results 2013

## November 19, 2013

Third quarter results 2013

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

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