SCHAEFFLER

H1 | Mobility for tomorrow

Interim Financial Report as at June 30, 2014

Key figures

in € millions	1st six months 2014	2013		Change
Income statement				
Revenue	5,990	5,614	6.7	%
EBITDA	1,099	1,042	5.5	%
• in % of revenue	18.3	18.6	-0.3	%-pts.
Adjusted EBITDA [1]	1,101	1,042	5.7	%
• in % of revenue	18.4	18.6	-0.2	%-pts.
EBIT	787	724	8.7	%
• in % of revenue	13.1	12.9	0.2	%-pts.
Adjusted EBIT [2]	789	724	9.0	%
• in % of revenue	13.2	12.9	0.3	%-pts.
Net income [3]	574	561	13	€ millions

in € millions	06/30/2014	12/31/2013		Change
Statement of financial position				
Total assets	14,251	13,427	6.1	%
Shareholders' equity [4]	2,728	2,491	237	€ millions
• in % of total assets	19.1	18.6	0.5	%-pts.
Net financial debt [5]	5,755	5,447	5.7	%
• Net financial debt to EBITDA ratio [6], [7]	2.7	2.6		
Additions to intangible assets and property, plant and equipment [8]	276	204	72	€ millions

in € millions	1st six months 2014	2013		Change
Statement of cash flows				
Cash flows from operating activities [9]	117	606	-489	€ millions
Free cash flow [10]	-179	386	-565	€ millions
Employees				
Headcount	80,373	76,840	4.6	%

[1] Adjusted EBITDA – excluding special items in 1st six months of 2014 (reversal of EUR 9.5 m of the provision for EU antitrust proceedings through profit or loss in Q1 2014 and compensation expense of EUR 11 m in Q2 2014).
[2] Adjusted EBIT – excluding special items in 1st six months of 2014 (see footnote 1).
[3] Attributable to shareholders of the parent company.
[4] Including non-controlling interests.
[5] Excluding shareholder loans.
[6] Net financial debt to adjusted EBITDA ratio – excluding special items (personnel-related structural measures of EUR 48 m in Q3 2013, provision for EU antitrust proceedings of EUR 380 m in Q4 2013, reversal of EUR 9.5 m of the provision for EU antitrust proceedings through profit or loss in Q1 2014, and compensation expense of EUR 11 m in Q2 2014). Financial debt to unadjusted EBITDA ratio as at June 30, 2014 is 3.4 (December 31, 2013: 3.3).
[7] EBITDA based on the last twelve months. Adjusted EBITDA – excluding special items (see footnote 6).
[8] Additions to intangible assets and property, plant and equipment from January 01 to June 30, 2014.
[9] Cash flows from operating activities January 01 to June 30, 2014 including special item (payment of EU antitrust penalty of EUR 370.5 m in Q2 2014).
[10] Free cash flow January 01 to June 30, 2014 including special item (payment of EU antitrust penalty of EUR 370.5 m in Q2 2014).

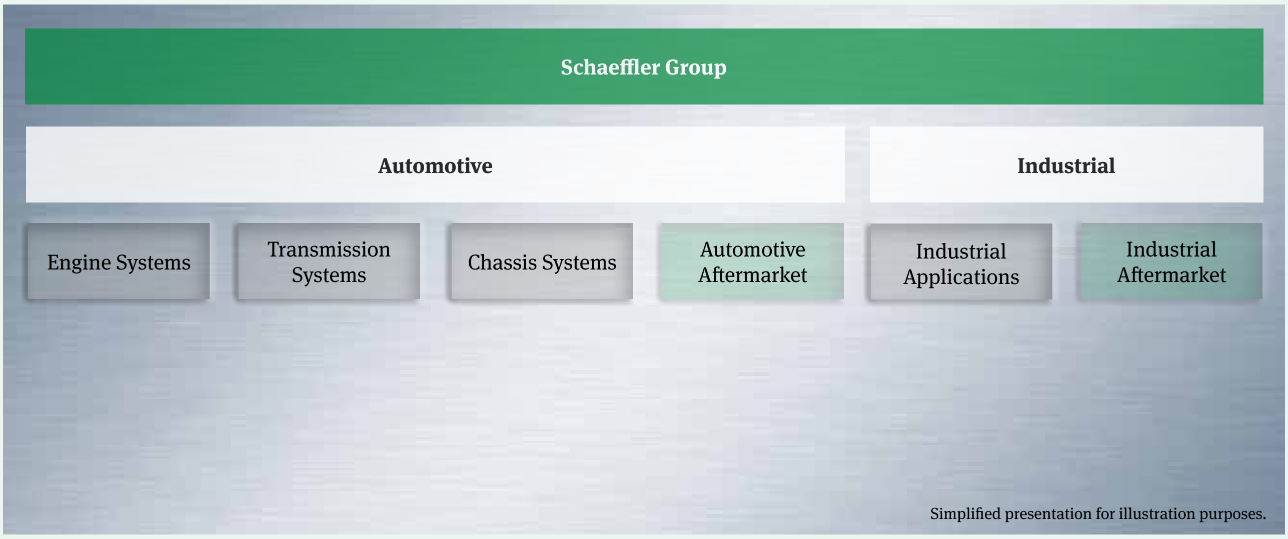
Automotive	1st six months			
in € millions	2014	2013		Change
Revenue	4,437	4,075	8.9	%
EBIT	614	546	12.5	%
• in % of revenue	13.8	13.4	0.4	%-pts.
Adjusted EBIT [1)]	613	546	12.2	%
• in % of revenue	13.8	13.4	0.4	%-pts.

Prior year information based on 2014 segment structure.
1) Adjusted EBIT – excluding special items in 1st six months of 2014 (reversal of EUR 9.5 m of the provision for EU antitrust proceedings through profit or loss in Q1 2014 and compensation expense of EUR 8 m in Q2 2014).

Industrial	1st six months			
in € millions	2014	2013		Change
Revenue	1,553	1,539	0.9	%
EBIT	173	178	-2.8	%
• in % of revenue	11.1	11.6	-0.5	%-pts.
Adjusted EBIT [1)]	176	178	-1.1	%
• in % of revenue	11.3	11.6	-0.3	%-pts.

Prior year information based on 2014 segment structure.
1) Adjusted EBIT – excluding special item in 1st six months of 2014 (compensation expense of EUR 3 m in Q2 2014).

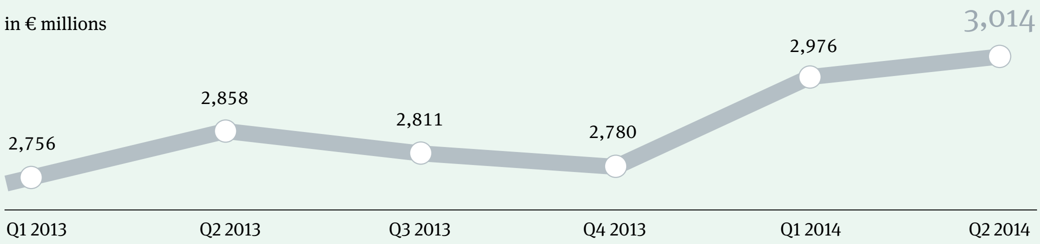
Schaeffler Group divisions and business divisions



1st half of 2014 in numbers

Revenue

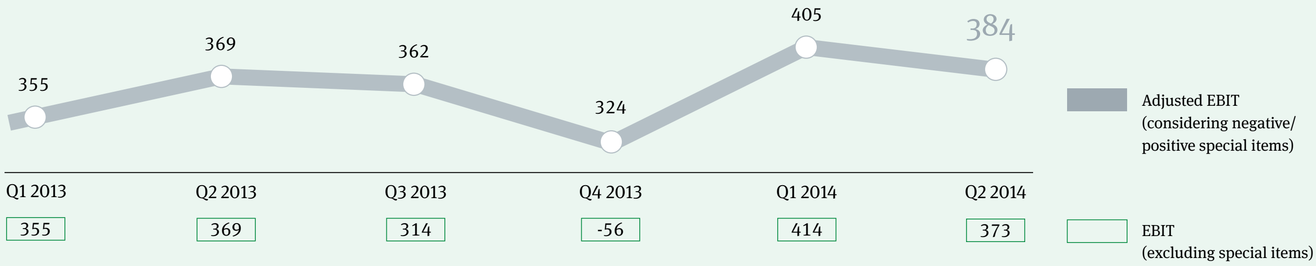
in € millions



+6.7 % revenue growth (vs. H1 2013); +9.6 % at constant currency

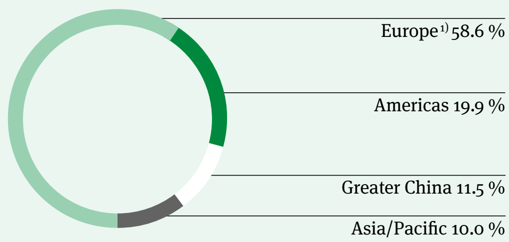
Adjusted earnings before financial result, income from equity-accounted investees, and income taxes (EBIT)

in € millions



Revenue by region

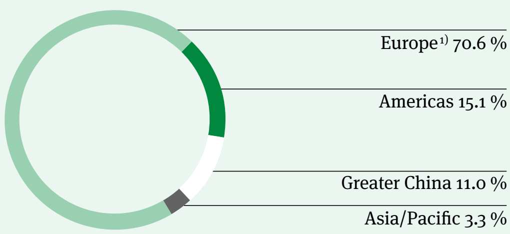
in percent by market view



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

Headcount by region

in percent as at June 30, 2014



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

1st half of 2014

Continuing along growth path in the second quarter:

Revenue for first six months at record high of approximately **EUR 6.0 bn;** growth rate 9.6 % at constant currency

Earnings quality stable at high level:

Adjusted EBIT margin for the first half year at **13.2 %** of revenue (unadjusted EBIT margin at 13.1 % of revenue)

Free cash flow adversely affected by special item:

Free cash flow for first six months negative at **EUR -179 m** due to one-time outflow of EUR 371 m

Capital structure further improved:

Interest rate on new 5-year EUR bond at **2.75 %** p.a.

Contents

Schaeffler bonds

Performance of Schaeffler bonds

The Schaeffler Group successfully completed its refinancing of EUR 3.5 bn of existing debt on May 08, 2014. As part of this transaction, Schaeffler redeemed its 8.75 % Senior Secured Notes due in 2019 (ISIN: XS0741939788), its 8.5 % Senior Secured Notes due in 2019 (ISIN: USN77608AA00) and its 6.75 % Senior Secured Notes due in 2017 (ISIN: XS0801261156), all of which were issued in 2012. In addition, the company placed four new bond issues with a total principal of approximately EUR 2.0 bn, including three secured bond tranches but also the company's first unsecured bond tranche. The key terms of the bonds are as follows:

- Principal EUR 500 m; maturity 5 years; interest rate 2.75 %; secured
- Principal EUR 500 m; maturity 5 years; interest rate 3.25 %; unsecured
- Principal EUR 500 m; maturity 8 years; interest rate 3.50 %; secured
- Principal USD 700 m; maturity 7 years; interest rate 4.25 %; secured

The bonds were issued by Schaeffler Finance B.V. and are listed on the Euro MTF market of the Luxembourg Stock Exchange. The secured bonds are guaranteed by Schaeffler AG and certain of its subsidiaries. The unsecured tranche is guaranteed by Schaeffler AG.

The Schaeffler Group had the following bonds outstanding as at June 30, 2014:

ISIN	Currency	Face value in millions	Coupon	Maturity	Issued at (in %)	Price in % [1] 06/30/2014
XS0741938624	EUR	800	7.75 %	02/15/2017	98.981	114.39
US806261AC75	USD	600	7.75 %	02/15/2017	98.981	112.88
XS0923613060	EUR	600	4.25 %	05/15/2018	100.000	103.60
XS1067864881	EUR	500	3.25 %	05/15/2019	99.429	100.59
XS1067862919	EUR	500	2.75 %	05/15/2019	99.421	100.27
US806261AJ29	USD	700	4.25 %	05/15/2021	99.253	100.06
US806261AE32	USD	850	4.75 %	05/15/2021	100.000	103.50
XS1067864022	EUR	500	3.50 %	05/15/2022	100.000	100.71

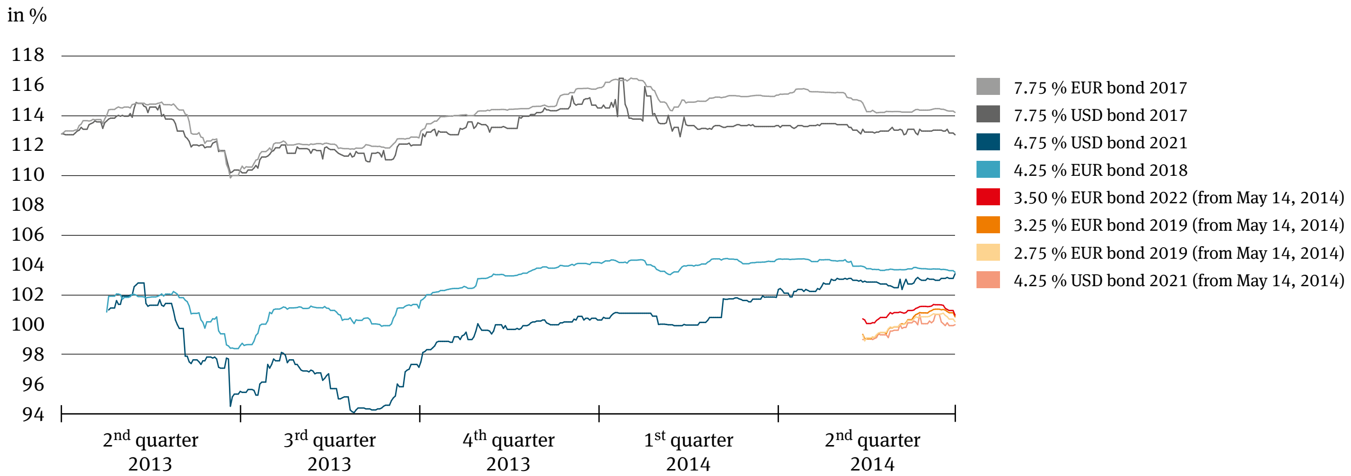
[1] Source: Bloomberg.

Corporate bonds continued their positive trend from the first quarter of 2014. According to a PwC study, a total of EUR 131 bn in corporate bonds were issued in the German market during the second quarter, a significant increase of EUR 48 bn compared to the prior quarter. The volume almost tripled in comparison to the prior year period. The average interest coupon rose from 3.12 % in the prior quarter to 3.34 % in the second quarter of 2014.

The Schaeffler Group's bonds fared well in this environment. The EUR bond (ISIN: XS0741938624) bearing interest at 7.75 % and maturing in 2017 showed the best performance, rising to a price of 114.39 % as at June 30, 2014.

Performance since 2nd quarter 2013

Source: Bloomberg.



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

				06/30/2014
		Company	Bonds secured	Bonds unsecured
Rating agency	Rating	Outlook	Rating	Rating
Moody's	Ba3	stable	Ba2	B1
Standard & Poor's	BB-	stable	BB-	B

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 June 30, 2014 do not include all information necessary for a complete set of consolidated financial statements.

Impact of currency translation

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

Report on the economic position

Course of business

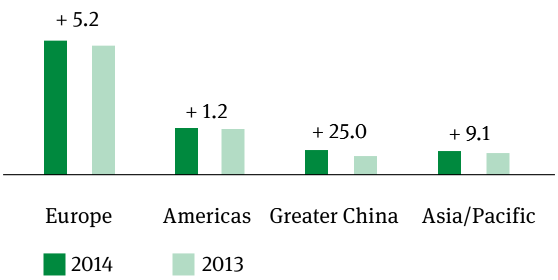
The Schaeffler Group continued following along its growth path in the first six months of 2014. The Schaeffler Group's operating business continued to perform well, with revenue of EUR 5,990 m (prior year: EUR 5,614 m) representing an increase of 6.7 % from the prior year period. Excluding the adverse impact of currency translation of 2.9 % of revenue, the Group's operational revenue growth was 9.6 %. Again, the Automotive division was the key driver of this encouraging revenue trend in the first half of 2014, which also had a favorable impact on earnings before financial result, income from equity-accounted investees, and income taxes (EBIT). The Schaeffler Group's EBIT margin increased to 13.1 % (prior year: 12.9 %). Special items, such as the reversal of EUR 9.5 m of the provision for the EU antitrust proceedings through profit or loss in the first quarter of 2014 and EUR 11 m in compensation expense incurred in the second quarter of 2014 did not have a significant impact on the Schaeffler Group's EBIT. Schaeffler's adjusted EBIT margin was 13.2 % (prior year: 12.9 %). The Group's earnings are discussed in more detail beginning on page 15.

Macroeconomic environment

The first half of 2014 was characterized by a slight recovery of the global economy. The economic upturn in the Euro region continued. Positive momentum was provided by both private consumption and a noticeable recovery of capital investment. The upswing was widespread throughout the entire Euro area, although the various member countries' trends still varied widely. Following this trend, the Schaeffler Group significantly exceeded prior year revenue in the Europe region, generating growth of 5.2 %. However, currency translation adversely affected the revenue trend, particularly in India, which is part of Schaeffler's Europe region.

Revenue trend by region

Change in % (1st six months)



The Americas region saw overall economic growth during the first six months of 2014. In the U.S., especially the second quarter was characterized by significantly increasing private consumption and industrial production. South America is still marked by very restrained economic growth. Especially in Brazil, recurring political unrest held back private propensity to invest. At 1.2 %, demand for the Schaeffler Group's products in the Americas region was slightly higher than in the first half of 2013. Currency translation had a significant adverse impact on the revenue trend.

The Chinese economy weakened in the spring, as exports and a low level of capital investment were key in dampening economic expansion. The Schaeffler Group fared much better: Its revenue in the Greater China region for the first six months increased by 25.0 %, significantly exceeding that of the prior year comparison period.

Economic trends in the remaining Asian countries varied in the first half of 2014. Economic growth in the emerging countries in South East Asia slowed down slightly, while the economy in South Korea gained momentum bolstered by that country's strong foreign trade, which was mainly driven by higher exports to the U.S. The Schaeffler Group was able to grow its revenue in the Asia/Pacific region by 9.1 % from the prior year; the Automotive division was key to this performance.

Course of business and significant events in the 1st six months of 2014

In May 2014, the Schaeffler Group successfully refinanced another EUR 3.5 bn of its debt. As part of this transaction, the company placed new bond issues totaling approximately EUR 2.0 bn and replaced institutional loans totaling approximately EUR 1.5 bn with new loan tranches carrying more attractive terms. All tranches were significantly oversubscribed. Please refer to the chapter entitled “Financing” starting on page 32 for further detail of these transactions.

The total negative impact of the refinancing transaction in May 2014 on the Schaeffler Group’s financial result was EUR 235 m, including the payment of a EUR 114 m prepayment penalty. In addition, the payment of the EU antitrust penalty of EUR 370.5 m, which the EU Commission imposed on Schaeffler Group companies on March 19, 2014 for agreements violating antitrust law in connection with the sale of rolling bearings for the automotive sector, had a negative impact on cash flow in the second quarter of 2014.

The dividend paid by Continental AG to Schaeffler AG via Schaeffler Beteiligungsholding GmbH & Co. KG during the first six months of 2014 amounted to EUR 168 m and was primarily used to repay bank debt. Please refer to the discussion of the Group’s earnings, financial position, and net assets beginning on page 15 for further detail.

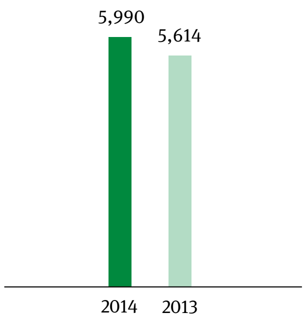
At its meeting on June 18, 2014, Schaeffler AG’s supervisory board appointed Klaus Rosenfeld Chief Executive Officer of Schaeffler AG for a five-year term effective July 01, 2014. Prof. Dr.-Ing. Peter Gutzmer was appointed Deputy Chief Executive Officer of Schaeffler AG. His contract was extended by five years effective January 01, 2015. Following the relevant approvals, the contract with Klaus Deller, who was originally intended to assume the position of chief executive officer of Schaeffler AG, was terminated by mutual agreement. In addition, the annual general meeting of Schaeffler AG has elected Prof. KR Ing. Siegfried Wolf, chairman of the board of directors of Russian Machines OJSC, to succeed Dr Eckhard Cordes as member of the supervisory board effective July 01, 2014.

Earnings

Schaeffler Group earnings

The Schaeffler Group generated revenue of EUR 5,990 m in the first six months of 2014, an increase of 6.7 % compared to the prior year period (prior year: EUR 5,614 m). Excluding the adverse impact of currency translation of 2.9 %, the Group's revenue grew by 9.6 %. The Automotive division which, growing significantly faster than global vehicle production, expanded its revenue by 8.9 % to EUR 4,437 m (prior year: EUR 4,075 m), was key in driving this revenue growth. The reason for the increase in revenue is stronger demand across all Schaeffler regions. The Industrial division also reported growth in revenue compared to the prior year period, with revenue rising 0.9 % to EUR 1,553 m (prior year: EUR 1,539 m), a trend that was affected by the adverse impact of currency translation.

Revenue (Schaeffler Group)
in € millions (1st six months)



	1st six months			2nd quarter		
in € millions	**2014**	**2013**	Change in %	**2014**	**2013**	Change in %
Revenue	5,990	5,614	6.7	3,014	2,858	5.5
Cost of sales	-4,275	-4,001	6.8	-2,166	-2,036	6.4
Gross profit	1,715	1,613	6.3	848	822	3.2
Functional expenses 1)	-940	-904	4.0	-478	-451	6.0
Earnings before financial result, income from equity-accounted investees, and income taxes (EBIT)	787	724	8.7	373	369	1.1
• in % of revenue	13.1	12.9	-	12.4	12.9	-
Adjusted EBIT 2)	789	724	9.0	384	369	4.1
• in % of revenue	13.2	12.9	-	12.7	12.9	-
Financial result	-500	-310	61.3	-385	-143	> 100
Income from equity-accounted investees	401	363	10.5	221	228	-3.1
Income taxes	-110	-212	-48.1	-15	-123	-87.8
Net income 3)	574	561	2.3	192	328	-41.5

1) Research and development, selling and administration.
2) Adjusted EBIT – excluding special items in 1st six months of 2014 (reversal of EUR 9.5 m of the provision for EU antitrust proceedings in Q1 2014 and compensation expense of EUR 11 m in Q2 2014).
3) Attributable to shareholders of the parent company.

Cost of sales increased EUR 274 m to EUR 4,275 m (prior year: EUR 4,001 m) during the first six months of 2014, growing slightly faster than revenue, primarily due to the impact of currency translation. While variable cost of sales moved in line with revenue, the significant increase in volume improved capacity utilization and, as a result, gross profit. In addition, raw materials prices were slightly below the prior year. The number of employees in production and production-related areas rose by 4.6 % compared to June 30, 2013. The largest increase in headcount, 28.8 %, occurred in Schaeffler's Greater China region.

Gross profit increased EUR 102 m to EUR 1,715 m (prior year: EUR 1,613 m) during the first six months of 2014 compared to the prior year period, while the company's gross margin for the reporting period declined to 28.6 % (prior year: 28.7 %) due to the adverse impact of currency translation. While volume growth drove Automotive division gross margin up by 0.4 percentage points compared to the prior year, Industrial division gross margin fell by 1.1 percentage points. This is due to the adverse impact of currency translation as well as to the as yet still sluggish order volumes in the industrial market and the resulting residual fixed overheads.

In order to secure future growth opportunities with the help of additional innovative products, the Schaeffler Group increased its research and development expenses by 5.7 % to EUR 317 m (prior year: EUR 300 m) in the first six months of 2014. This puts research and development expenses at 5.3 % of revenue (prior year: 5.3 %), the same level as in the prior year.

Selling expenses increased by 5.3 % to EUR 398 m (prior year: EUR 378 m) in the first half of 2014, primarily due to higher personnel expenses. Administrative expenses for the first six months of 2014 amounted to EUR 225 m (prior year: EUR 226 m).

Earnings before financial result, income from equity-accounted investees, and income taxes (EBIT) rose by EUR 63 m from the prior year period to EUR 787 m (prior year: EUR 724 m) during the first six months of 2014, while the EBIT margin improved by 0.2 percentage points to 13.1 % (prior year: 12.9 %). This improvement was primarily due to the growth in Automotive division revenue. The reversal of EUR 9.5 m of the provision for the EU antitrust proceedings through profit or loss in the first quarter of 2014 and compensation expense of EUR 11 m incurred in the second quarter brought the company's adjusted EBIT for the first half to EUR 789 m and the adjusted EBIT margin to 13.2 %.

The Schaeffler Group's financial result declined by EUR -190 m to EUR -500 m (prior year: EUR -310 m) during the first six months of 2014 and was adversely affected by the significant impact of the refinancing transaction completed in the second quarter of 2014. Financial result comprises financial income of EUR 17 m (prior year: EUR 23 m) and financial expenses of EUR 517 m (prior year: EUR 333 m).

in € millions	1st six months 2014 Financial expenses	Financial income	Financial result
Interest expense on financial debt [1)]	-331	0	-331
Fair value changes and compensation payments on derivatives	-119	14	-105
Foreign exchange gains and losses	-27	0	-27
Amortization of cash flow hedge accounting reserve	-4	0	-4
Interest income and expense on pensions and partial retirement obligations	-25	0	-25
Other	-11	3	-8
Total	**-517**	**17**	**-500**

in € millions	1st six months 2013 Financial expenses	Financial income	Financial result
Interest expense on financial debt [1)]	-245	0	-245
Fair value changes and compensation payments on derivatives	-39	10	-29
Foreign exchange gains and losses	-4	0	-4
Amortization of cash flow hedge accounting reserve	-9	0	-9
Interest income and expense on pensions and partial retirement obligations	-26	0	-26
Other	-10	13	3
Total	**-333**	**23**	**-310**

1) Incl. transaction costs.

Interest expense on financial debt of EUR 331 m (prior year: EUR 245 m) for the first six months of 2014 includes interest paid and accrued on the Group's external financing arrangements of EUR 166 m (prior year: EUR 206) and expenses of EUR 25 m (prior year: EUR 32 m) relating to transaction costs. The latter include EUR 14 m (prior year: EUR nil) related to the refinancing transaction completed in the second quarter of 2014, which also resulted in a prepayment penalty of EUR 114 m (prior year: EUR nil). The remainder of this amount primarily represents interest expense on shareholder loans due to Schaeffler Verwaltungs GmbH. Thus, the increase in interest expense compared to the prior year period is entirely due to fees related to the refinancing transactions completed in the second quarter of 2014.

Changes in the fair value and compensation payments on derivatives resulted in net losses of EUR 105 m (prior year: EUR 29 m). The derecognition of the redemption options related to the bonds that were redeemed in connection with the refinancing transaction in the second quarter of 2014 as well as the expenses incurred due to the amendment of the terms of the prepayment options related to the institutional loan tranches resulted in expenses of EUR 107 m.

Translating financial assets and liabilities denominated in foreign currency resulted in net losses of EUR 27 m (prior year: EUR 4 m).

Additional expenses of EUR 4 m (prior year: EUR 9 m) arose from amortizing 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 25 m (prior year: EUR 26 m). Other items generated net expenses of EUR 8 m (prior year: income of EUR 3 m).

Income from equity-accounted investees of EUR 401 m (prior year: EUR 363 m) for the first six months of 2014 related almost entirely to the investment in Continental AG held via Schaeffler Beteiligungsholding GmbH & Co. KG.

Income taxes for the first six months of 2014 amounted to EUR 110 m (prior year: EUR 212 m), consisting of current tax expense of EUR 215 m (prior year: EUR 182 m) and a deferred tax benefit of EUR 105 m (prior year: deferred tax expense of EUR 30 m). Current tax expense comprises tax expense of EUR 219 m for the current year and a tax benefit of EUR 4 m related to prior years. Interest expense of EUR 19 m (prior year: EUR 92 m) was not tax deductible in 2014 because of the interest deduction cap.

Net income after non-controlling interests increased by EUR 13 m to EUR 574 m (prior year: EUR 561 m) during the first six months of 2014.

Automotive division

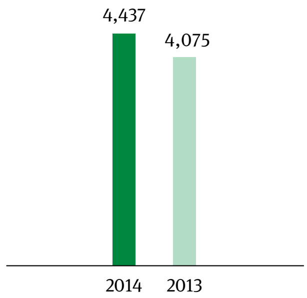
Automotive division revenue increased by 8.9 % from the prior year period to EUR 4,437 m (prior year: EUR 4,075 m) during the first six months of 2014. The adverse impact of currency translation reduced revenue growth by 2.8 percentage points in the 2014 reporting period. Excluding this impact, Automotive division revenue increased by 11.7 %.

The overall increase is primarily due to new customer projects and related production start-ups. The key drivers enabling the Automotive division to grow faster than the market primarily included the dry double clutch, dual-mass flywheels, camshaft phasing units, valve train components, and actuators product groups which help increase the efficiency of drive trains based on internal combustion engines, in turn significantly reducing CO_2 emissions.

During the first six months of 2014, Automotive division revenue for all regions grew faster than regional production volumes for passenger vehicles of up to 6 tons (Source: IHS Global Insight, June 2014). Especially the Greater China region continued along its recent sustainable growth path – its growth rate of 26.5 % significantly exceeded the 9.6 % increase in the region's vehicle production. Asia/Pacific (12.2 %) also generated double-digit revenue growth, while the production of passenger cars and light commercial vehicles in this region only expanded by 1.2 %. The Europe (6.5 %) and Americas (5.8 %) regions also reported strong growth compared to the prior year – the increases in these regions' revenue outperformed the growth in automobile production of 3.4 % and 0.2 %, respectively.

Existing volume supply agreements with OEM customers led to nearly full utilization of current production capacity in the first half of 2014. Binding supply orders from OEM customers recorded at short notice supplemented the annual ranges of delivery quantities contractually agreed in some cases.

Revenue (Automotive)
in € millions (1st six months)



	1st six months			2nd quarter		
in € millions	**2014**	**2013**	Change in %	**2014**	**2013**	Change in %
Revenue	4,437	4,075	8.9	2,225	2,088	6.6
Cost of sales	-3,212	-2,966	8.3	-1,622	-1,513	7.2
Gross profit	1,225	1,109	10.5	603	575	4.9
EBIT	614	546	12.5	292	286	2.1
• in % of revenue	13.8	13.4	-	13.1	13.7	-
Adjusted EBIT [1)]	613	546	12.3	300	286	4.9
• in % of revenue	13.8	13.4	-	13.5	13.7	-

Prior year information presented based on 2014 segment structure.
[1)] Adjusted EBIT – excluding special items in 1st six months of 2014 (reversal of EUR 9.5 m of the provision for EU antitrust proceedings in Q1 2014 and compensation expense of EUR 8 m in Q2 2014).

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

The **BD Engine Systems** reported a EUR 100 m rise in revenue to EUR 1,116 m (prior year: EUR 1,016 m). This significant growth was driven by the top-selling product groups camshaft phasing units and valve train components – ranging from mechanical valve lash adjustment elements to fully variable valve train systems (e. g. UniAir) – across all regions. In addition, production start-ups in the accessory drive product groups also contributed to the BD's above-market growth.

BD Transmission Systems revenue increased by 13.1 % to EUR 1,877 m (prior year: EUR 1,659 m) compared to the prior year period, primarily as a result of growth generated by dry double clutches. The top-selling actuators, tapered roller bearings, and dual-mass flywheels product groups also experienced a significant increase in volume. The growth in revenue was reflected in all four Schaeffler regions.

The **BD Chassis Systems** reported revenue growth of 4.4 % to EUR 686 m (prior year: EUR 657 m), mainly based on the solid performance of ball screw drives such as those used in electromechanical power steering systems and chassis solutions (e. g. in electromechanical parking brakes). The Europe and Greater China regions were the main drivers of this positive trend.

The **BD Automotive Aftermarket** continued to develop well in the first half of 2014. Total revenue rose to EUR 758 m (prior year: EUR 743 m), an increase of 2.0 % over the prior year period. The reasons for this increase include higher sales of service kits for belt tensioners as well as repair solutions for dual-mass flywheels and clutches.

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

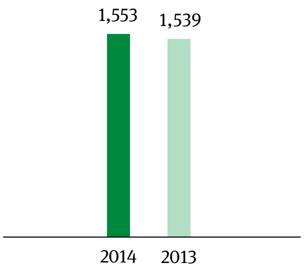
Cost of sales for the first six months of 2014 increased by 8.3 % to EUR 3,212 m (prior year: EUR 2,966 m). Driven by the increase in revenue, gross profit rose by EUR 116 m to EUR 1,225 m (prior year: EUR 1,109 m) compared to the prior year. As a result, Schaeffler's gross margin of 27.6 % (prior year: 27.2 %) for the year 2014 to date exceeded that of the prior year period, despite of the adverse impact of currency translation.

In the first half of 2014, research and development expenses rose by 9.0 % to EUR 254 m (prior year: EUR 233 m). During the first six months, Schaeffler's research focus remained on developing innovative products that are oriented towards future mobility trends. An example is the fuel-saving torque converter with centrifugal pendulum-type absorber for reducing torsional vibrations, which received the PACE award 2014 (Premier Automotive Suppliers' Contribution to Excellence) in the "Products" category. In addition, the Schaeffler Group received the "Innovation of the Year" award from "Auto Test" for its electric wheel hub drive. The Schaeffler E-Wheel Drive is a highly integrated electric wheel hub drive that is ideally suited to driving compact electric city vehicles.

Based on these developments, Automotive division EBIT rose by EUR 68 m to EUR 614 m (prior year: EUR 546 m) during the first six months of 2014 compared to the prior year period. The EBIT margin increased by 0.4 percentage points to 13.8 % (prior year: 13.4 %) for the year 2014 to date. Excluding the reversal of EUR 9.5 m of the provision for the EU antitrust proceedings through profit or loss in the first quarter of 2014 and compensation expense of EUR 8.0 m incurred in the second quarter, adjusted EBIT amounted to EUR 613 m; the adjusted EBIT margin was 13.8 %.

Industrial division

Revenue (Industrial)
in € millions (1st six months)



Industrial division revenue for the first six months of 2014 increased slightly by 0.9 % to EUR 1,553 m (prior year: EUR 1,539 m) compared to the prior year period. Currency translation had an adverse impact on revenue of 3.4 percentage points this reporting period. Excluding this impact, Industrial division revenue increased by 4.3 % over the prior year period.

A look at the market regions of the Industrial division reveals significant divergence in revenue trends. The Greater China region reported strong growth of 21.7 % for the first half of 2014, while Europe and Asia/Pacific were slightly above the prior year level – their revenue increased by 1.7 % and 1.3 %, respectively. Revenue in the Americas region, on the other hand, declined by 10.7 %, having been considerably held back by the impact of currency translation.

	1st six months			2nd quarter		
in € millions	**2014**	**2013**	Change in %	**2014**	**2013**	Change in %
Revenue	1,553	1,539	0.9	789	770	2.5
Cost of sales	-1,063	-1,035	2.7	-544	-523	4.0
Gross profit	490	504	-2.8	245	247	-0.8
EBIT	173	178	-2.8	81	83	-2.4
• in % of revenue	11.1	11.6	-	10.3	10.8	-
Adjusted EBIT [1]	176	178	-1.1	84	83	1.2
• in % of revenue	11.3	11.6	-	10.6	10.8	-

Prior year information presented based on 2014 segment structure.
[1] Adjusted EBIT – excluding special item in 1st six months of 2014 (compensation expense of EUR 3 m in Q2 2014).

The Industrial division's operations are divided into two business divisions (BD): The BD Industrial Applications, which consists of the OEM business in the industrial sector, and the BD Industrial Aftermarket, which represents the spare parts and service business. Both business divisions reported marginally higher revenue than in the 2013 reporting period. Order intake for the six-months-period showed a positive trend year-on-year, and orders on hand were slightly above the prior year level.

BD Industrial Applications revenue increased by 0.5 % to EUR 976 m (prior year: EUR 971 m). Given the large number of sectors, however, the revenue trends reported by the mobility, production machinery, energy & raw materials, and aerospace sectors varied.

The mobility sector was able to significantly increase its revenue for the first half of 2014 compared to the comparison period, driven primarily by growth in the rail vehicle and industrial gears sectors. New projects to expand the rail network in China brought higher revenue with customers in China itself and with European suppliers.

In the production machinery sector, revenue for the current reporting period increased slightly over that of the first six months of 2013. The machine tool subsector reported strong growth, while the remaining subsectors such as food processing, packaging, textile, and printing machinery as well as medical systems experienced slight declines compared to the first half of 2013.

Revenue in the energy & raw materials sector for the current reporting period was slightly below the comparison period 2013. The energy revolution in Europe and the strong upward trend in the Chinese wind business drove the strong growth in the renewable energy sector, while revenue in the heavy industries sector had an offsetting effect. The steel sector in Europe and the mining business in the Americas region, which are dependent on the cyclical project business, experienced significant decreases.

The aerospace sector reported declining revenue. Europe region revenue was hampered by political developments in Eastern Europe and the resulting liquidity shortage. Currency translation had an additional negative impact, primarily in the Americas region.

Revenue in the **BD Industrial Aftermarket** for the current year reporting period of EUR 577 m (prior year: EUR 568 m) was marginally higher than in the comparison period 2013. The Europe region experienced marginal revenue growth, while revenue in all other regions fell short of the prior year period. Revenue in the Americas region did not yet reflect the anticipated economic turnaround, while in the Asia/Pacific and Greater China regions, the reduction in inventory levels along the entire distribution chain continued.

Cost of sales for the first six months of 2014 increased by 2.7 % to EUR 1,063 m (prior year: EUR 1,035 m). Raw materials prices were slightly below the prior year comparison period in the first six months of 2014. Gross profit fell by EUR 14 m to EUR 490 m (prior year: EUR 504 m) compared to the prior year, and the company's gross margin declined by 1.1 percentage points to 31.6 % (prior year: 32.7 %). This is due to the adverse impact of currency translation as well as to as yet still sluggish order volumes in the industrial market and the resulting residual fixed overheads.

Research and development expenses decreased by 6.0 % from EUR 67 m to EUR 63 m during the first half of 2014. A newly established key innovation area saw the successful start of projects for tractors, motorcycles, and machine tools (Industrial 4.0). The projects were initiated as part of an innovation roadmap calling for the R&D activities of the Industrial division to be combined in the long run.

Industrial division EBIT declined marginally by EUR 5 m to EUR 173 m in the first six months of 2014 compared to the prior year period (prior year: EUR 178 m). The EBIT margin fell 0.5 percentage points to 11.1 % for the year 2014 to date (prior year: 11.6 %), due in part to the adverse impact of currency translation. Excluding the compensation expense incurred in the second quarter, adjusted EBIT was EUR 176 m, the adjusted EBIT margin 11.3 %.

Schaeffler Group financial position and net assets

Cash flow

The Schaeffler Group generated positive cash flows from operating activities of EUR 117 m (prior year: EUR 606 m) for the first six months of 2014.

	1st six months			2nd quarter		
in € millions	2014	2013	Change in %	2014	2013	Change in %
Cash flows from operating activities 1)	117	606	-80.7	-17	434	-
Cash used in investing activities	-296	-220	34.5	-143	-100	43.0
Free cash flow 2)	**-179**	**386**	**-**	**-160**	**334**	**-**
Cash used in financing activities	345	-248	-	403	-217	-
	06/30/2014	12/31/2013	Change in %	06/30/2014	12/31/2013	Change in %
Financial debt	6,833	6,190	10.4	6,833	6,190	10.4
Cash and cash equivalents	471	300	57.0	471	300	57.0
Net financial debt	**6,362**	**5,890**	**8.0**	**6,362**	**5,890**	**8.0**
Shareholder loans	607	443	37.0	607	443	37.0
Net financial debt excluding shareholder loans	**5,755**	**5,447**	**5.7**	**5,755**	**5,447**	**5.7**

1) Cash flows from operating activities January 01 to June 30, 2014 including special item (payment of EU antitrust penalty of EUR 370.5 m in Q2 2014).
2) Free cash flow January 01 to June 30, 2014 including special item (payment of EU antitrust penalty of EUR 370.5 m in Q2 2014).

Cash flows from operating activities for the first half of 2014 fell by EUR 489 m from the prior year period. The favorable impact of the EUR 63 m increase in EBIT to EUR 787 m (prior year: EUR 724 m) was more than offset by the net increase in funds required for inventories and trade receivables and trade payables of EUR 226 m. The payment of the EU antitrust penalty of EUR 370.5 m and the prepayment penalty of EUR 114 m paid in connection with the refinancing transaction completed in May 2014, in particular, had a negative impact on cash flows from operating activities.

Driven by higher capital expenditures on intangible assets and property, plant and equipment, cash used in investing activities (see “Additions to intangible assets and property, plant and equipment”) rose to EUR 296 m (prior year: EUR 220 m) during the first six months of 2014.

This led to negative free cash flow of EUR -179 m (prior year: EUR 386 m) for the first half of 2014. The main reason for this are the cash outflows for the EU antitrust penalty as well as for the prepayment penalty related to the refinancing transaction as discussed above.

Cash of EUR 345 m was provided by financing activities (prior year: EUR 248 m used in financing activities). As part of the refinancing transaction completed in May 2014, the company placed new bond issues with a total principal of approximately EUR 2.0 bn. In addition, it replaced institutional loans totaling EUR 1.5 bn with new loan tranches carrying more attractive terms and an improved maturity profile. This refinancing transaction was for the most part non-cash in nature. The company received EUR 606 m in cash inflows from loans and paid EUR 171 m in partial prepayment of loan tranche D, mainly financed by the dividend of EUR 168 m paid by Continental AG to Schaeffler AG via Schaeffler Beteiligungsholding GmbH & Co. KG. The interest, prepayment penalty, and transaction costs paid for the refinancing arrangement are included in cash flows from operating activities.

The Schaeffler Group's net financial debt increased by EUR 308 m to EUR 5,755 m (December 31, 2013: EUR 5,447 m) during the first six months of 2014.

The debt to EBITDA ratio, defined as the ratio of net financial debt (excluding shareholder loans) to earnings before financial result, income from equity-accounted investees, income taxes, depreciation, amortization, and impairment losses (EBITDA) amounted to 3.4 at June 30, 2014 (December 31, 2013: 3.3). The debt to adjusted EBITDA ratio was 2.7 as at June 30, 2014 (December 31, 2013: 2.6).

Capital structure

The Schaeffler Group's shareholders' equity (including non-controlling interests in consolidated subsidiaries) rose by EUR 237 m to EUR 2,728 m (December 31, 2013: EUR 2,491 m). The change in shareholders' equity is primarily due to net income of EUR 578 m and the offsetting effects of the dividend of EUR 250 m declared by Schaeffler AG and other comprehensive loss of EUR 90 m. The equity ratio was 19.1 % at June 30, 2014 (December 31, 2013: 18.6 %).

in € millions	06/30/2014	12/31/2013	Change in %
Shareholders' equity	**2,728**	**2,491**	**9.5**
Provisions for pensions and similar obligations	1,669	1,516	10.1
Provisions	100	96	4.2
Financial debt	6,592	5,965	10.5
Income tax payables	344	340	1.2
Other financial liabilities	160	162	-1.2
Other liabilities	6	5	20.0
Deferred tax liabilities	116	154	-24.7
Total non-current liabilities	**8,987**	**8,238**	**9.1**
Provisions	236	599	-60.6
Financial debt	241	225	7.1
Trade payables	1,034	1,014	2.0
Income tax payables	255	155	64.5
Other financial liabilities	387	419	-7.6
Other liabilities	383	286	33.9
Total current liabilities	**2,536**	**2,698**	**-6.0**
Total shareholders' equity and liabilities	**14,251**	**13,427**	**6.1**

Other comprehensive loss of EUR 90 m resulted mainly from the translation of net assets of foreign group companies (EUR 83 m), a change in the value of hedging instruments (EUR -12 m), and from changes in the carrying amount of pensions and similar obligations (EUR -167 m).

Total non-current liabilities rose by EUR 749 m to EUR 8,987 m as at June 30, 2014 (December 31, 2013: EUR 8,238 m), largely due to the increase in non-current financial debt by EUR 627 m to EUR 6,592 m (prior year: EUR 5,965 m).
This increase in financial debt resulted primarily from the refinancing transaction completed in the second quarter and from the higher balance of the loan due to the company's sole shareholder, Schaeffler Verwaltungs GmbH, resulting from the dividend declared in March 2014.
In addition, provisions for pensions and similar obligations rose by EUR 153 m to EUR 1,669 m (prior year: EUR 1,516 m), primarily as a result of adjusting the discount rate to lower current interest rate levels.

Current liabilities declined by EUR 162 m to EUR 2,536 m (December 31, 2013: EUR 2,698 m). The main reason for this change is the utilization of provisions in connection with the payment of the antitrust penalty imposed by the European Commission, partially offset by increases in other liabilities and income tax payables.

Asset structure

The company's financial position as at June 30, 2014 is marked by an increase in total assets of EUR 824 m or 6.1 % to EUR 14,251 m (December 31, 2013: EUR 13,427 m).

in € millions	06/30/2014	12/31/2013	Change in %
Intangible assets	532	538	-1.1
Property, plant and equipment	3,357	3,369	-0.4
Investments in equity-accounted investees	5,294	5,085	4.1
Other investments	14	14	0.0
Other financial assets	112	206	-45.6
Other assets	56	59	-5.1
Income tax receivables	12	12	0.0
Deferred tax assets	336	230	46.1
Total non-current assets	**9,713**	**9,513**	**2.1**
Inventories	1,706	1,536	11.1
Trade receivables	1,957	1,676	16.8
Other financial assets	68	119	-42.9
Other assets	167	141	18.4
Income tax receivables	169	142	19.0
Cash and cash equivalents	471	300	57.0
Total current assets	**4,538**	**3,914**	**15.9**
Total assets	**14,251**	**13,427**	**6.1**

Among non-current assets, property, plant and equipment decreased by EUR 12 m to EUR 3,357 m (December 31, 2013: EUR 3,369 m) despite the positive impact of currency translation. The primary reason for this change within the first half year was depreciation more than offsetting additions.

Investments in equity-accounted investees increased by EUR 209 m to EUR 5,294 m (December 31, 2013: EUR 5,085 m) almost entirely due to measuring the interest in Continental AG, which is held via Schaeffler Beteiligungsholding GmbH & Co. KG, at equity.

Schaeffler Beteiligungsholding GmbH & Co. KG held a 34.19 % (December 31, 2013: 34.19 %) interest in Continental AG, Hanover, as at June 30, 2014. The articles of incorporation stipulate that all income and losses as well as all assets of Schaeffler Beteiligungsholding GmbH & Co. KG are attributable to Schaeffler AG. Based on a share price of EUR 169.15 per share (December 31, 2013: EUR 159.40 per share), the fair value of the Continental AG shares held by Schaeffler Beteiligungsholding GmbH & Co. KG was EUR 11,568 m (December 31, 2013: EUR 10,901 m) on June 30, 2014.

Other non-current financial assets declined by EUR 94 m to EUR 112 m (December 31, 2013: EUR 206 m), primarily as a result of the change in options to prepay bank debt and redeem bonds included in this balance. Schaeffler exercised certain of these redemption and prepayment options in the second quarter of 2014 as part of the refinancing transaction.

The increase in current assets resulted primarily from inventories growing EUR 170 m to EUR 1,706 m (December 31, 2013: EUR 1,536 m) and trade receivables increasing by EUR 281 m to EUR 1,957 m (December 31, 2013: EUR 1,676 m). Both increases were due to higher revenue and production volumes in the second quarter of 2014 compared to the fourth quarter of 2013 as well as the positive impact of currency translation.

Other current financial assets fell by EUR 51 m to EUR 68 m (prior year: EUR 119 m), primarily due to unfavorable changes in the fair value of financial derivatives and damage claims received.

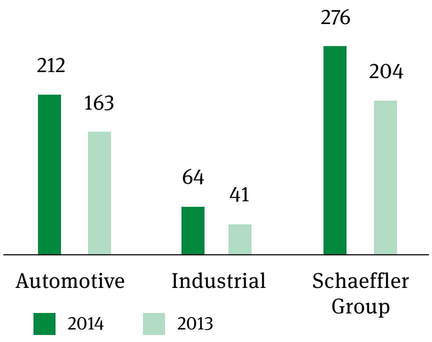
Cash and cash equivalents increased to EUR 471 m as at June 30, 2014 (December 31, 2013: EUR 300 m), mainly as a result of funds obtained in the refinancing transaction.

Additions to intangible assets and property, plant and equipment

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

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

in € millions (1st six months)



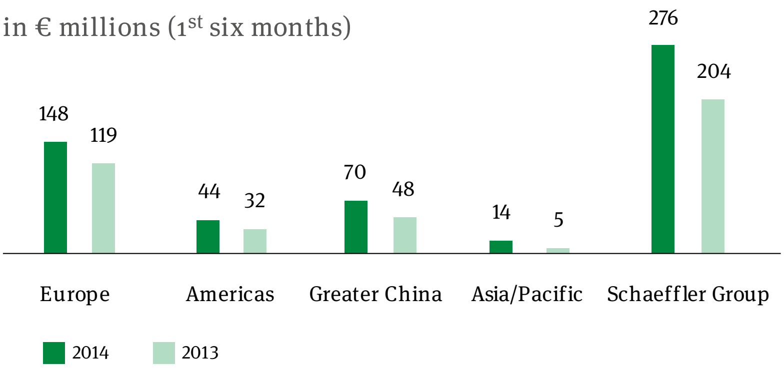
[1)] Additions to intangible assets and property, plant and equipment from January 01 to June 30.

At EUR 276 m, additions to intangible assets and property, plant and equipment for the first six months of 2014 exceeded the prior year amount of EUR 204 m. In the statement of cash flows, these amounts are adjusted for non-cash transactions and the impact of currency translation. Schaeffler primarily invested in new machinery concepts to strengthen its innovative ability and in creating production capacity in Greater China and in Asia/Pacific. Further, the Group made additional investments in connection with its "European Distribution Center" (EDC) project in the first half of 2014. At 4.6 %, additions to intangible assets and property, plant and equipment as a percentage of consolidated revenue exceeded those of the prior year (3.6 %).

At June 30, 2014 the Schaeffler Group also had open commitments under fixed contracts to purchase property, plant and equipment in the amount of EUR 278 m (December 31, 2013: EUR 177 m).

Additions to intangible assets and property, plant and equipment by region

in € millions (1st six months)



The majority of additions to intangible assets and property, plant and equipment, EUR 212 m (prior year: EUR 163 m), were made by the Automotive division, while Industrial invested EUR 64 m (prior year: EUR 41 m).

The Group's main additions to property, plant and equipment and intangible assets during the first half of 2014 were approximately EUR 100 m that were invested in expanding capacity and approximately EUR 80 m incurred to replace equipment, rationalize, and add functionalities. These steps were taken to maintain Schaeffler's excellent quality and reliability of supply, and enabled Schaeffler to replace technologically outdated machinery with innovative and more efficient equipment, mainly in Europe. EUR 148 m of the EUR 276 m in total additions to intangible assets and property, plant and equipment were made in Europe.

The Schaeffler Group invested EUR 84 m at locations in the Asia/Pacific and Greater China regions during the first six months of 2014. Most of this amount went towards creating manufacturing capacity to secure Schaeffler's ability to supply customers in accordance with their needs. The amount also includes planned additions of functionalities and rationalizations.

The Americas region's additions to intangible assets and property, plant and equipment of EUR 44 m were significantly higher than those of the first half of 2013 (prior year: EUR 32 m). The focus here was primarily on IT structures and on strengthening the production location in Mexico for its future emphasis on the Automotive division.

Financing

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

First quarter 2014

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

Second quarter 2014

On May 08, 2014, the Schaeffler Group announced that it had successfully completed a EUR 3.5 bn refinancing transaction. As part of the transaction, the company placed new bond issues with a total principal of approximately EUR 2.0 bn. In addition, it replaced institutional loans totaling EUR 1.5 bn with new loan tranches carrying more attractive terms and an improved maturity profile.

The company placed a total of four new bond issues on May 14, 2014; three issues, including the company's first unsecured bond, were denominated in Euro and one in U.S. Dollar. The unsecured EUR bond with a principal of EUR 500 m has a maturity of five years and bears interest at 3.25 %. The secured five-year EUR bond with a principal of EUR 500 m bears interest at 2.75 %. The third bond, which is also secured and has a principal of EUR 500 m as well as a maturity of eight years, carries an interest rate of 3.50 %. The secured USD bond with a principal of USD 700 m has a term of seven years and bears interest at 4.25 %.

The bonds were issued by Schaeffler Finance B.V. and are listed on the Euro MTF market of the Luxembourg Stock Exchange. The secured bonds are guaranteed by Schaeffler AG and certain of its subsidiaries. The unsecured tranche is guaranteed by Schaeffler AG only. The rating agencies Standard & Poor's and Moody's have rated the secured bonds BB-/Ba2 and the unsecured bond issue B/B1.

In addition, the Schaeffler Group has completed a repricing of tranches C EUR and C USD by repaying them in full and obtaining new loan tranches E EUR and E USD. Tranche E EUR with a principal of EUR 375 m and a maturity of six years bears interest at Euribor + 3.00 %, while tranche E USD totaling USD 1.6 bn with a maturity of six years bears interest at Libor + 3.00 %. Both loan tranches are secured and carry an interest rate floor of 0.75 %.

The proceeds of the new bonds and loans were primarily used to redeem existing bonds: The company redeemed the 2017 EUR retail bond bearing interest at 6.75 % and the 2019 EUR and USD bonds with interest rates of 8.75 % and 8.5 %, respectively. The Schaeffler Group also prepaid the two institutional loan tranches and EUR 309 m of tranche D of the bank loan. Proceeds from the transaction were also used to finance general corporate purposes.

In May, the Schaeffler Group also made a partial prepayment of EUR 171 m on tranche D, mainly financed by the dividend of EUR 168 m paid by Continental AG to Schaeffler AG via Schaeffler Beteiligungsholding GmbH & Co. KG. The prepayment reduced the outstanding principal of tranche D to EUR 250 m.

At June 30, 2014, the Syndicated Senior Term Loan and Revolving Credit Facilities Agreement (SFA) consisted of the following tranches:

Tranche	Currency	Face value in millions 06/30/2014	Face value in millions 12/31/2013	Carrying amount in € millions 06/30/2014	Carrying amount in € millions 12/31/2013	Coupon 06/30/2014	Coupon 12/31/2013	Maturity
Senior Term Loan C	EUR	0	299	0	292	-	Euribor + 3.75 %	01/27/2017
Senior Term Loan C	USD	0	1,699	0	1,213	-	Libor + 3.25 %	01/27/2017
Senior Term Loan E [1]	EUR	375	0	372	0	Euribor + 3.00 % [2]	-	05/15/2020
Senior Term Loan E [3]	USD	1,600	0	1,150	0	Libor + 3.00 % [4]	-	05/15/2020
Senior Term Loan D	EUR	250	730	245	713	Euribor + 2.75 % [5]	Euribor + 2.875 %	06/30/2016
Revolving Credit Facility [6]	EUR	1,000	1,000	-7	-9	Euribor + 2.75 % [5]	Euribor + 2.875 %	06/30/2016

[1] Since May 14, 2014, previously Senior Term Loan C EUR.
[2] Euribor floor of 0.75 % since May 14, 2014.
[3] Since May 14, 2014, previously Senior Term Loan C USD.
[4] Libor floor of 0.75 % since May 14, 2014.
[5] Since May 21, 2014 (December 31, 2013: 2.875 %).
[6] EUR 40 m (December 31, 2013: EUR 49 m) were drawn down as at June 30, 2014, primarily in the form of letters of credit.

The following bonds issued by Schaeffler Finance B.V., Barneveld, Netherlands, were outstanding as at June 30, 2014:

ISIN	Currency	Face value in millions 06/30/2014	Carrying amount in € millions 06/30/2014	Carrying amount in € millions 12/31/2013	Coupon	Maturity
XS0741938624	EUR	800	790	788	7.75 %	02/15/2017
US806261AC75	USD	600	434	428	7.75 %	02/15/2017
XS0923613060	EUR	600	596	595	4.25 %	05/15/2018
XS1067864881	EUR	500	495	-	3.25 %	05/15/2019
XS1067862919	EUR	500	495	-	2.75 %	05/15/2019
US806261AJ29	USD	700	507	-	4.25 %	05/15/2021
US806261AE32	USD	850	619	612	4.75 %	05/15/2021
XS1067864022	EUR	500	499	-	3.50 %	05/15/2022
XS0801261156	EUR	326	-	323	6.75 %	07/01/2017 [1]
XS0741939788	EUR	400	-	398	8.75 %	02/15/2019 [1]
US806261AA10	USD	500	-	361	8.50 %	02/15/2019 [1]

[1] Redeemed early on May 14, 2014.

Schaeffler Group liquidity

At June 30, 2014, cash and cash equivalents amounted to EUR 471 m (December 31, 2013: EUR 300 m) and consisted primarily of bank balances. In addition, the Schaeffler Group has a revolving line of credit of EUR 1.0 bn, of which EUR 40 m were utilized at June 30, 2014, primarily in the form of letters of credit.

Supplementary report

No material events expected to have a significant impact on the results of operations, financial position, and net assets of the Schaeffler Group occurred after June 30, 2014.

Report on opportunities and risks

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

Given the antitrust penalty imposed by the European Commission, there is a risk that third parties may claim damages. Other antitrust authorities are still investigating possible agreements violating antitrust law. The amount of potential penalties or subsequent claims is uncertain, but could be significant.

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

Report on expected developments

Expected economic environment

The International Monetary Fund (IMF) is anticipating a recovery of the global economy in the second half of 2014, a trend that the IMF also expects to continue in 2015. Based on this IMF forecast, the Schaeffler Group continues to believe that the global economy will grow approximately 3 to 4 % in 2014. In this favorable economic environment, the Schaeffler Group still expects stable and profitable growth for the current year. Please refer to pages 125 and 126 of Schaeffler's annual report 2013 for a more detailed discussion.

Schaeffler Group outlook

Following the good start to the new year, the Schaeffler Group had raised its revenue guidance in the first quarter of 2014. Due to the current trend and the strong growth of the Automotive division, the company continues to expect to generate revenue growth above 7 % for the year 2014. This guidance is based on the assumption that exchange rates will remain largely unchanged. The Group's guidance regarding its EBIT margin remains at 12 to 13 %. Despite the one-time outflow of EUR 370.5 m in the second quarter of 2014, the Schaeffler Group expects to generate positive free cash flow for 2014 as a whole.

Herzogenaurach, August 04, 2014

The Executive Board

Consolidated interim financial statements

Consolidated income statement

in € millions	1st six months 2014	1st six months 2013	Change in %	2nd quarter 2014	2nd quarter 2013	Change in %
Revenue	5,990	5,614	6.7	3,014	2,858	5.5
Cost of sales	-4,275	-4,001	6.8	-2,166	-2,036	6.4
Gross profit	**1,715**	**1,613**	**6.3**	**848**	**822**	**3.2**
Research and development expenses	-317	-300	5.7	-161	-148	8.8
Selling expenses	-398	-378	5.3	-206	-190	8.4
Administrative expenses	-225	-226	-0.4	-111	-113	-1.8
Other income	33	35	-5.7	15	11	36.4
Other expenses	-21	-20	5.0	-12	-13	-7.7
Earnings before financial result, income from equity-accounted investees, and income taxes (EBIT)	**787**	**724**	**8.7**	**373**	**369**	**1.1**
Financial income	17	23	-26.1	-10	-28	-64.3
Financial expenses	-517	-333	55.3	-375	-115	> 100
Financial result	**-500**	**-310**	**61.3**	**-385**	**-143**	**> 100**
Income from equity-accounted investees	**401**	**363**	**10.5**	**221**	**228**	**-3.1**
Earnings before income taxes	**688**	**777**	**-11.5**	**209**	**454**	**-54.0**
Income taxes	-110	-212	-48.1	-15	-123	-87.8
Net income	**578**	**565**	**2.3**	**194**	**331**	**-41.4**
Attributable to shareholders of the parent company	574	561	2.3	192	328	-41.5
Attributable to non-controlling interests	4	4	0.0	2	3	-33.3

Consolidated statement of comprehensive income

	1st six months						2nd quarter					
			2014			2013			2014			2013
in € millions	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes	before taxes	taxes	after taxes
Net income	**688**	**-110**	**578**	**777**	**-212**	**565**	**209**	**-15**	**194**	**454**	**-123**	**331**
Foreign currency translation differences for foreign operations	59	0	59	-76	0	-76	63	0	63	-121	0	-121
Net gain (loss) on hedge of net investment in foreign operations	-5	0	-5	-2	0	-2	-5	0	-5	15	0	15
Effective portion of changes in fair value of cash flow hedges	-19	8	-11	-23	7	-16	0	3	3	-20	6	-14
Net change in fair value of available-for-sale financial assets	2	-1	1	0	0	0	2	-1	1	0	0	0
Share of other comprehensive income (loss) of equity-accounted investees	34	-1	33	-59	0	-59	45	-1	44	-89	0	-89
Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	**71**	**6**	**77**	**-160**	**7**	**-153**	**105**	**1**	**106**	**-215**	**6**	**-209**
Defined benefit plan actuarial gains (losses)	-142	32	-110	47	-14	33	-80	18	-62	88	-21	67
Share of other comprehensive income (loss) of equity-accounted investees	-84	27	-57	56	-33	23	-52	16	-36	30	-3	27
Total other comprehensive income (loss) that will not be reclassified to profit or loss	**-226**	**59**	**-167**	**103**	**-47**	**56**	**-132**	**34**	**-98**	**118**	**-24**	**94**
Total other comprehensive income (loss)	**-155**	**65**	**-90**	**-57**	**-40**	**-97**	**-27**	**35**	**8**	**-97**	**-18**	**-115**
Total comprehensive income (loss) for the period	**533**	**-45**	**488**	**720**	**-252**	**468**	**182**	**20**	**202**	**357**	**-141**	**216**
Total comprehensive income (loss) attributable to shareholders of the parent company	526	-45	481	721	-252	469	179	20	199	362	-141	221
Total comprehensive income (loss) attributable to non-controlling interests	7	0	7	-1	0	-1	3	0	3	-5	0	-5
Total comprehensive income (loss) for the period	**533**	**-45**	**488**	**720**	**-252**	**468**	**182**	**20**	**202**	**357**	**-141**	**216**

Consolidated statement of financial position

in € millions	06/30/2014	12/31/2013	06/30/2013	Change in % [1]
ASSETS				
Intangible assets	532	538	546	-1.1
Property, plant and equipment	3,357	3,369	3,385	-0.4
Investments in equity-accounted investees	5,294	5,085	5,367	4.1
Other investments	14	14	14	0.0
Other financial assets	112	206	68	-45.6
Other assets	56	59	64	-5.1
Income tax receivables	12	12	16	0.0
Deferred tax assets	336	230	399	46.1
Total non-current assets	**9,713**	**9,513**	**9,859**	**2.1**
Inventories	1,706	1,536	1,536	11.1
Trade receivables	1,957	1,676	1,864	16.8
Other financial assets	68	119	90	-42.9
Other assets	167	141	138	18.4
Income tax receivables	169	142	61	19.0
Cash and cash equivalents	471	300	562	57.0
Total current assets	**4,538**	**3,914**	**4,251**	**15.9**
Total assets	**14,251**	**13,427**	**14,110**	**6.1**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	500	500	500	0.0
Reserves	2,967	2,643	2,338	12.3
Accumulated other comprehensive income (loss)	-802	-709	-571	13.1
Equity attributable to shareholders of the parent company	**2,665**	**2,434**	**2,267**	**9.5**
Non-controlling interests	63	57	58	10.5
Total shareholders' equity	**2,728**	**2,491**	**2,325**	**9.5**
Provisions for pensions and similar obligations	1,669	1,516	1,525	10.1
Provisions	100	96	55	4.2
Financial debt	6,592	5,965	6,739	10.5
Income tax payables	344	340	324	1.2
Other financial liabilities	160	162	72	-1.2
Other liabilities	6	5	4	20.0
Deferred tax liabilities	116	154	191	-24.7
Total non-current liabilities	**8,987**	**8,238**	**8,910**	**9.1**
Provisions	236	599	238	-60.6
Financial debt	241	225	298	7.1
Trade payables	1,034	1,014	924	2.0
Income tax payables	255	155	165	64.5
Other financial liabilities	387	419	488	-7.6
Other liabilities	383	286	762	33.9
Total current liabilities	**2,536**	**2,698**	**2,875**	**-6.0**
Total shareholders’ equity and liabilities	**14,251**	**13,427**	**14,110**	**6.1**

[1] June 30, 2014 compared to December 31, 2013.

Consolidated statement of cash flows

in € millions	1st six months 2014	1st six months 2013	Change in %	2nd quarter 2014	2nd quarter 2013	Change in %
Operating activities						
EBIT	787	724	8.7	373	369	1.1
Interest paid	-319	-290	10.0	-208	-100	> 100
Interest received	2	3	-33.3	1	1	0.0
Income taxes paid	-142	-153	-7.2	-82	-95	-13.7
Dividends received	168	162	3.7	168	162	3.7
Depreciation, amortization and impairments	312	318	-1.9	157	161	-2.5
Other non-cash items	-20	-14	42.9	-12	-4	> 100
Changes in:						
• Inventories	-153	-60	> 100	-70	-31	> 100
• Trade receivables	-264	-259	1.9	21	-48	-
• Trade payables	34	162	-79.0	-13	36	-
• Provisions for pensions and similar obligations	-17	-12	41.7	-10	-3	> 100
• Other assets, liabilities and provisions	-271	25	-	-342	-14	> 100
Cash flows from operating activities [1]	**117**	**606**	**-80.7**	**-17**	**434**	**-**
Investing activities						
Proceeds from disposals of intangible assets and property, plant and equipment	4	4	0.0	2	2	0.0
Capital expenditures on intangible assets	-9	-8	12.5	-5	-4	25.0
Capital expenditures on property, plant and equipment	-289	-221	30.8	-138	-104	32.7
Investments in other financial investments	-1	-2	-50.0	-1	-1	0.0
Other investing activities	-1	7	-	-1	7	-
Cash used in investing activities	**-296**	**-220**	**34.5**	**-143**	**-100**	**43.0**
Financing activities						
Dividends paid to non-controlling interests	-1	-1	0.0	-1	-1	0.0
Receipts from loans	609	5	> 100	609	4	> 100
Repayments of loans	-173	-278	-37.8	-171	-264	-35.2
Other financing activities [2]	-90	26	-	-34	44	-
Cash used in financing activities	**345**	**-248**	**-**	**403**	**-217**	**-**
Net increase (decrease) in cash and cash equivalents	**166**	**138**	**20.3**	**243**	**117**	**> 100**
Effects of foreign exchange rate changes on cash and cash equivalents	5	-9	-	5	-13	-
Cash and cash equivalents as at beginning of period	300	433	-30.7	223	458	-51.3
Cash and cash equivalents as at end of period	**471**	**562**	**-16.2**	**471**	**562**	**-16.2**

[1] Excluding interest payments, cash flows from operating activities for the period from January 01 to June 30, 2014 amount to EUR 436 m (prior year: EUR 896 m).
[2] Including payments to the shareholder, Schaeffler Verwaltungs GmbH, of EUR 84 m (prior year: EUR 0 m).

Consolidated statement of changes in shareholders' equity

in € millions	Share capital	Reserves	Accumulated other comprehensive income (loss) [1]				Subtotal	Non-controlling interests	Total
			Translation reserve	Hedging reserve	Fair value reserve	Reserve for actuarial gains and losses			
Balance as at January 01, 2013	**500**	**2,027**	**75**	**-2**	**2**	**-554**	**2,048**	**60**	**2,108**
Net income		561					561	4	565
Other comprehensive income (loss)			-132	-16	0	56	-92	-5	-97
Total comprehensive income (loss) for the period	**0**	**561**	**-132**	**-16**	**0**	**56**	**469**	**-1**	**468**
Transactions with shareholders									
Dividends		-250					-250	-1	-251
Total amount of transactions with shareholders		**-250**					**-250**	**-1**	**-251**
Balance as at June 30, 2013	**500**	**2,338**	**-57**	**-18**	**2**	**-498**	**2,267**	**58**	**2,325**
Balance as at January 01, 2014	**500**	**2,643**	**-249**	**-6**	**1**	**-455**	**2,434**	**57**	**2,491**
Net income		574					574	4	578
Other comprehensive income (loss)			83	-12	3	-167	-93	3	-90
Total comprehensive income (loss) for the period	**0**	**574**	**83**	**-12**	**3**	**-167**	**481**	**7**	**488**
Transactions with shareholders									
Dividends		-250					-250	-1	-251
Total amount of transactions with shareholders		**-250**					**-250**	**-1**	**-251**
Balance as at June 30, 2014	**500**	**2,967**	**-166**	**-18**	**4**	**-622**	**2,665**	**63**	**2,728**

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

Consolidated segment information

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

	Automotive		Industrial		Total	
	1st six months		1st six months		1st six months	
in € millions	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue	4,437	4,075	1,553	1,539	5,990	5,614
Cost of sales	-3,212	-2,966	-1,063	-1,035	-4,275	-4,001
Gross profit	1,225	1,109	490	504	1,715	1,613
EBIT	614	546	173	178	787	724
• in % of revenue	13.8	13.4	11.1	11.6	13.1	12.9
Depreciation, amortization and impairments	-219	-226	-93	-92	-312	-318
Inventories [1]	1,007	907	699	629	1,706	1,536
Trade receivables [1]	1,441	1,354	516	510	1,957	1,864
Property, plant and equipment [1]	2,392	2,358	965	1,027	3,357	3,385
Additions to intangible assets and property, plant and equipment	212	163	64	41	276	204

	Automotive		Industrial		Total	
	2nd quarter		2nd quarter		2nd quarter	
in € millions	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue	2,225	2,088	789	770	3,014	2,858
Cost of sales	-1,622	-1,513	-544	-523	-2,166	-2,036
Gross profit	603	575	245	247	848	822
EBIT	292	286	81	83	373	369
• in % of revenue	13.1	13.7	10.3	10.8	12.4	12.9
Depreciation, amortization and impairments	-110	-114	-47	-47	-157	-161
Inventories [1]	1,007	907	699	629	1,706	1,536
Trade receivables [1]	1,441	1,354	516	510	1,957	1,864
Property, plant and equipment [1]	2,392	2,358	965	1,027	3,357	3,385
Additions to intangible assets and property, plant and equipment	119	83	30	18	149	101

Prior year information based on 2014 segment structure.
[1] Amounts as at June 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 No. 13202). The condensed consolidated financial statements of Schaeffler AG as at June 30, 2014 comprise Schaeffler AG and its subsidiaries, investments in associated companies, and joint ventures (together referred to as "Schaeffler" or "Schaeffler Group"). Schaeffler is a supplier to the automotive and manufacturing sectors with operations worldwide.

Basis of preparation of consolidated interim financial statements

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

The consolidated interim financial statements of Schaeffler AG, Herzogenaurach, for the reporting period ended June 30, 2014 have been prepared on a condensed basis in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". They do not include all information necessary for a complete set of consolidated financial statements.

The accounting policies used in these consolidated interim financial statements are largely based on the accounting policies used in the 2013 consolidated financial statements, where the latter are discussed in detail. The following new or amended IFRS financial reporting standards required to be applied starting in 2014 differ from these policies:

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

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

- IAS 28 “Investments in Associates and Joint Ventures (revised 2011)”: Amends and renames the previous standard IAS 28 “Investments in Associates”. Expands the scope of the standard to include accounting for joint ventures using the equity method and incorporates the guidance contained in Standing Interpretations Committee Interpretation (SIC)-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. The initial application of these amendments has not had any significant impact on these consolidated interim financial statements.

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

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

In the preparation of financial statements in accordance with IFRS, management exercises judgment in making estimates and assumptions. Such estimates and judgments are unchanged from the matters described in the consolidated financial statements of the Schaeffler Group as at and for the year ended December 31, 2013.

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

Income taxes are determined based on best estimate.

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

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

Scope of consolidation

The Schaeffler Group includes, in addition to Schaeffler AG, 158 fully consolidated subsidiaries (December 31, 2013: 158); 55 companies are domiciled in Germany (December 31, 2013: 55) and 103 are foreign entities (December 31, 2013: 103).

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

In the consolidated interim financial statements as at June 30, 2014, seven investments (four associates and three joint ventures) are accounted for at equity.

Investments in equity-accounted investees

Schaeffler Beteiligungsholding GmbH & Co. KG holds 68,390,458 shares (December 31, 2013: 68,390,458 shares) or 34.19 % (December 31, 2013: 34.19 %) of the voting interest in Continental AG as at June 30, 2014.

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

in € millions	2014	2013
Revenue (01/01-06/30)	16,918	16,574
Net income [1] (01/01-06/30)	1,346	1,186
Assets (as at 06/30)	28,241	27,845
Liabilities (as at 06/30)	18,165	19,068

[1] Including non-controlling interests.

Income from equity-accounted investees

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

Income from equity-accounted investees totaling EUR 401 m (prior year: EUR 363 m) resulted almost entirely from measuring the investment in Continental AG (held indirectly) using the equity method. The Schaeffler Group's share of depreciation, amortization, and impairments on fair value adjustments and its share of Continental AG's net income, net of deferred tax, resulted in income after tax of EUR 402 m (prior year: EUR 363 m).

The effect on Schaeffler AG's consolidated net income as at June 30, 2014 was as follows:

in € millions	2014	2013
Depreciation, amortization and impairments of fair value adjustments	-65	-69
Share of net income of Continental AG	446	413
Effect before income taxes	**381**	**344**
Deferred taxes	20	19
Effect on net income before special items [1)]	**401**	**363**
Special items [1)]		
• Adjustment of impairment losses on investments in associated companies	1	0
Effect on net income after special items [1)]	**402**	**363**

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

The Schaeffler Group's share of other comprehensive loss of Continental AG amounted to EUR 24 m (prior year: EUR 36 m).

On April 28, 2014, Continental AG paid a dividend of EUR 2.50 (prior year: EUR 2.25) per share in respect of 2013.

Based on a share price of EUR 169.15 per share (December 31, 2013: EUR 159.40 per share), the fair value of the Continental AG shares held by Schaeffler Beteiligungsholding GmbH & Co. KG (34.19 %; December 31, 2013: 34.19 %) was EUR 11,568 m (December 31, 2013: EUR 10,901 m) on June 30, 2014.

Segment reporting

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

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

	1st six months	
Reconciliation to earnings before income taxes in € millions	**2014**	**2013**
EBIT Automotive [1)]	614	546
EBIT Industrial [1)]	173	178
EBIT	**787**	**724**
Financial result	**-500**	**-310**
Income from equity-accounted investees	**401**	**363**
Earnings before income taxes	**688**	**777**

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

Current and non-current financial debt

	06/30/2014			**12/31/2013**		
in € millions	Total	Due in up to 1 year	Due in more than 1 year	Total	Due in up to 1 year	Due in more than 1 year
Financial debt	6,833	241	6,592	6,190	225	5,965

On June 30, 2014, the Schaeffler Group had financial debt of EUR 6,833 m (December 31, 2013: EUR 6,190 m), consisting of EUR 6,592 m (December 31, 2013: EUR 5,965 m) in non-current financial debt and EUR 241 m (December 31, 2013: EUR 225 m) in current financial debt, both accounted for at amortized cost. The increase in financial debt compared to December 31, 2013 resulted primarily from the refinancing transaction completed in the second quarter of 2014 and from the increase in the shareholder loan due to Schaeffler Verwaltungs GmbH.

Please refer to the Group management report for a detailed discussion of the impact of the refinancing transaction completed in the second quarter on the Schaeffler Group's earnings, financial position, and net assets.

Provisions for pensions and similar obligation

A further decline in interest rate levels required a further reduction in the discount rate used to value the Schaeffler Group's key pension plans as at June 30, 2014. As a result, the Schaeffler Group's average discount rate was reduced to 3.2 % as at the reporting date (December 31, 2013: 3.7 %). The resulting revaluation of the company's obligations under defined benefit pension plans resulted in actuarial losses of EUR 142 m as at June 30, 2014, which were recognized in other comprehensive income without impacting earnings.

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.

			06/30/2014		12/31/2013		06/30/2013	
in € millions	Category per IFRS 7.8	Level per IFRS 13	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets, by class								
Trade receivables	LaR	1	1,957	1,957	1,676	1,676	1,864	1,864
Other investments [1]	AfS	1	14	-	14	-	14	-
Other financial assets								
• Marketable securities	AfS	1	12	12	9	9	3	3
• Derivatives designated as hedging instruments	n/a	2	25	25	42	42	19	19
• Derivatives not designated as hedging instruments	HfT	2	99	99	207	207	64	64
• Miscellaneous financial assets	LaR	1	44	44	68	68	72	72
Cash and cash equivalents	LaR	1	471	471	300	300	562	562
Financial liabilities, by class								
Financial debt	FLAC	2	6,833	7,214	6,190	6,761	7,037	7,476
Trade payables	FLAC	1	1,034	1,034	1,014	1,014	924	924
Other financial liabilities								
• Derivatives designated as hedging instruments	n/a	2	88	88	104	104	132	132
• Derivatives not designated as hedging instruments	HfT	2	83	83	63	63	65	65
• Miscellaneous financial liabilities	FLAC	1	376	376	414	414	363	363
Summary by category								
Available-for-sale financial assets (AfS)			26	-	23	-	17	-
Financial assets held for trading (HfT)			99	-	207	-	64	-
Loans and receivables (LaR)			2,472	-	2,044	-	2,498	-
Financial liabilities at amortized cost (FLAC)			8,243	-	7,618	-	8,324	-
Financial liabilities held for trading (HfT)			83	-	63	-	65	-

[1] Investments accounted for at cost.

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

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

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

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

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

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

The company reviews its financial instruments at the end of each reporting period for any required transfers between levels. No transfers were made between the various levels of the fair value hierarchy (Level 1-3) during the period.

Other investments include investments (shares in incorporated companies and cooperatives) for which quoted prices in an active market are not available. As a result, the fair value of these instruments cannot be measured reliably. These investments are therefore accounted for at cost. There were no partial disposals of such investments in the first six months of 2014, and no (partial) disposals are planned for the foreseeable future.

Contingent liabilities and other financial obligations

At June 30, 2014, the Schaeffler Group had open commitments under fixed contracts to purchase property, plant and equipment of EUR 278 m (December 31, 2013: EUR 177 m). EUR 253 m of the commitments existing at June 30, 2014 are expected to be settled within one year and EUR 25 m in more than one year but within five years.

Contingent liabilities amounted to EUR 26 m at June 30, 2014 (December 31, 2013: EUR 19 m) and consisted primarily of claims raised by employees and reassessments from taxation authorities. The amendment of the surcharge under the Renewable Energy Law may result in a repayment of EUR 8 m.

Related parties

The Schaeffler Group's related parties are its parent company and the members of that company's governing bodies as well as other companies controlled by the parent company. These companies are referred to as IHO companies (companies with INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, as their group parent company) below.

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

Transactions with Continental Group companies during the period from January 01 to June 30, 2014 were as follows:

	Receivables		Payables	
in € millions	**06/30/2014**	**12/31/2013**	**06/30/2014**	**12/31/2013**
Continental Group companies	18	12	7	12

	Expenses		Income	
in € millions	**2014**	**2013**	**2014**	**2013**
Continental Group companies (01/01-06/30)	28	17	51	44

Payables to IHO companies amounted to EUR 626 m (December 31, 2013: EUR 446 m) at June 30, 2014 and consisted entirely (December 31, 2013: EUR 440 m) of liabilities due to the shareholder, Schaeffler Verwaltungs GmbH. The increase resulted primarily from the higher balance of the loan payable to the company's sole shareholder due to the dividend declared in March 2014.

Events after the reporting period

No material events expected to have a significant impact on the results of operations, financial position, and net assets of the Schaeffler Group occurred after June 30, 2014.

Herzogenaurach, August 04, 2014

The Executive Board

Additional information

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Forward-looking statements

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

Rounding differences may occur.

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

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

Summary 1st quarter 2013 to 2nd quarter 2014

	2013				2014	
in € millions	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
Income statement						
Revenue	2,756	2,858	2,811	2,780	2,976	3,014
EBITDA	512	530	472	120	569	530
• in % of revenue	18.6	18.5	16.8	4.3	19.1	17.6
Adjusted EBITDA [1)]			520	500	560	541
• in % of revenue			18.5	18.0	18.8	17.9
EBIT	355	369	314	-56	414	373
• in % of revenue	12.9	12.9	11.2	-2.0	13.9	12.4
Adjusted EBIT [2)]			362	324	405	384
• in % of revenue			12.9	11.7	13.6	12.7
Net income [3)]	**233**	**328**	**459**	**-155**	**382**	**192**
Statement of financial position						
Total assets	13,960	14,110	13,661	13,427	13,836	14,251
Shareholders' equity [4)]	2,110	2,325	2,706	2,491	2,527	2,728
• in % of total assets	15.1	16.5	19.8	18.6	18.3	19.1
Net financial debt [5)]	6,533	6,132	5,445	5,447	5,527	5,755
• Net financial debt to EBITDA ratio [6)]	3.3	3.1	2.8	3.3	3.3	3.4
• Net financial debt to adjusted EBITDA ratio [6), 7)]			2.7	2.6	2.6	2.7
Additions to intangible assets and property, plant and equipment [8)]	103	101	116	253	127	149
Statement of cash flows						
Free cash flow [9)]	52	334	203	40	-19	-160
Employees						
Headcount (at end of reporting period)	76,186	76,840	77,850	78,559	79,686	80,373

1) Adjusted EBITDA – excluding special items (personnel-related structural measures of EUR 48 m in Q3 2013, provision EU antitrust proceedings of EUR 380 m in Q4 2013, reversal of EUR 9.5 m of the provisions for the EU antitrust proceedings through profit or loss in Q1 2014, and compensation expense of EUR 11 m in Q2 2014).
2) Adjusted EBIT – excluding special items (see footnote 1).
3) Attributable to shareholders of the parent company.
4) Including non-controlling interests.
5) Excluding shareholder loans.
6) EBITDA based on the last twelve months.
7) Adjusted financial debt to EBITDA ratio – excluding special items (see footnote 1).
8) Additions to intangible assets and property, plant and equipment for the quarter.
9) Free cash flow for the quarter. Free cash flow Q2 2014 including special item (payment of EU antitrust penalty of EUR 370.5 m in Q2 2014).

Financial calendar 2014 and 2015

August 27, 2014

Results for the first six months 2014

November 20, 2014

Results for the first nine months 2014

March 26, 2015

Full Year Results 2014

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

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