SCHAEFFLER

9M | Mobility for tomorrow

Interim Financial Report as at September 30, 2014

Key figures

in € millions	1st nine months 2014	2013		Change
Income statement				
Revenue	9,024	8,425	7.1	%
EBITDA	1,688	1,514	11.5	%
• in % of revenue	18.7	18.0	0.7	%-pts.
Adjusted EBITDA [1]	1,690	1,562	8.2	%
• in % of revenue	18.7	18.5	0.2	%-pts.
EBIT	1,215	1,038	17.1	%
• in % of revenue	13.5	12.3	1.2	%-pts.
Adjusted EBIT [2]	1,217	1,086	12.1	%
• in % of revenue	13.5	12.9	0.6	%-pts.
Net income [3]	936	1,020	-84	€ millions

in € millions	09/30/2014	12/31/2013		Change
Statement of financial position				
Total assets	14,992	13,427	11.7	%
Shareholders' equity [4]	3,091	2,491	600	€ millions
• in % of total assets	20.6	18.6	2.0	%-pts.
Net financial debt [5]	5,769	5,447	5.9	%
• Net financial debt to EBITDA ratio [6, 7]	2.6	2.6		
Additions to intangible assets and property, plant and equipment [8]	512	320	192	€ millions

in € millions	1st nine months 2014	2013		Change
Statement of cash flows				
Cash flows from operating activities [9]	600	919	-319	€ millions
Free cash flow [10]	103	589	-486	€ millions
Employees				
Headcount	81,670	77,850	4.9	%

1) Adjusted EBITDA – excluding special items in 1st nine months (personnel-related structural measures of EUR 48 m in Q3 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).
2) Adjusted EBIT – excluding special items in 1st nine months (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 September 30, 2014 is 3.2 (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 September 30, 2014.
9) Cash flows from operating activities January 01 to September 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 September 30, 2014 including special item (payment of EU antitrust penalty of EUR 370.5 m in Q2 2014).

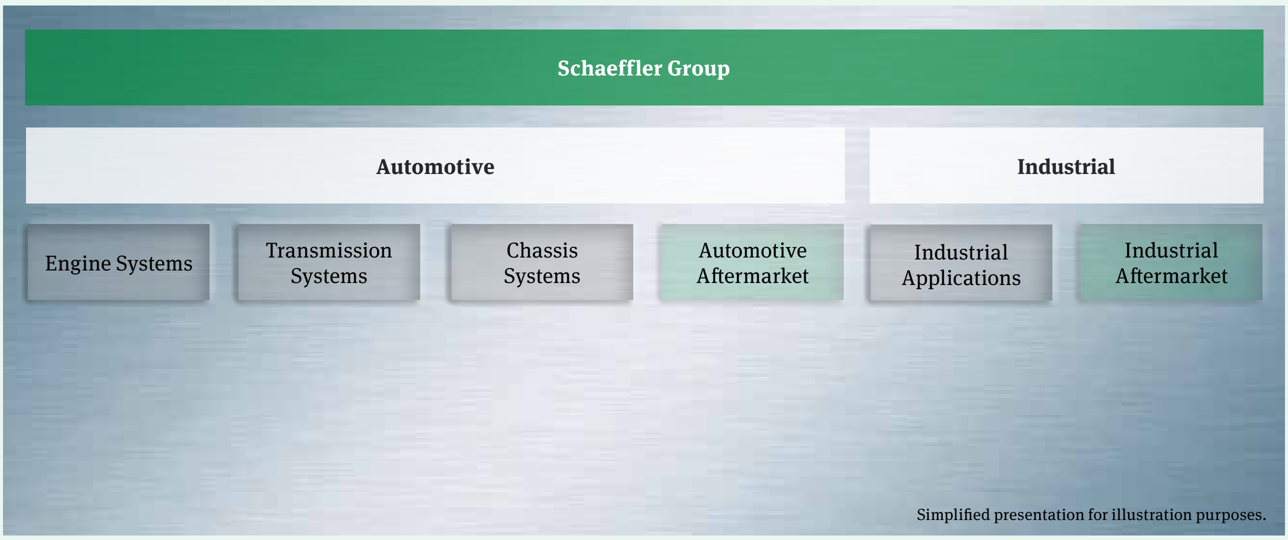
Automotive	1st nine months			
in € millions	**2014**	**2013**		Change
Revenue	6,667	6,129	8.8	%
EBIT	932	800	16.5	%
• in % of revenue	14.0	13.1	0.9	%-pts.
Adjusted EBIT [1]	931	815	14.2	%
• in % of revenue	14.0	13.3	0.7	%-pts.

Prior year information based on 2014 segment structure.
[1] Adjusted EBIT – excluding special items in 1st nine months (personnel-related structural measures of EUR 14.7 m in Q3 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 8 m in Q2 2014).

Industrial	1st nine months			
in € millions	**2014**	**2013**		Change
Revenue	2,357	2,296	2.7	%
EBIT	283	238	18.9	%
• in % of revenue	12.0	10.4	1.6	%-pts.
Adjusted EBIT [1]	286	271	5.5	%
• in % of revenue	12.1	11.8	0.3	%-pts.

Prior year information based on 2014 segment structure.
[1] Adjusted EBIT – excluding special items in 1st nine months (personnel-related structural measures of EUR 33.5 m in Q3 2013, compensation expense of EUR 3 m in Q2 2014).

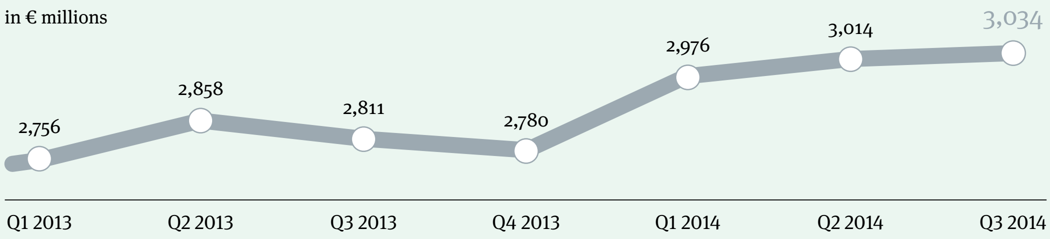
Schaeffler Group divisions and business divisions



First nine months of 2014 in numbers

Revenue

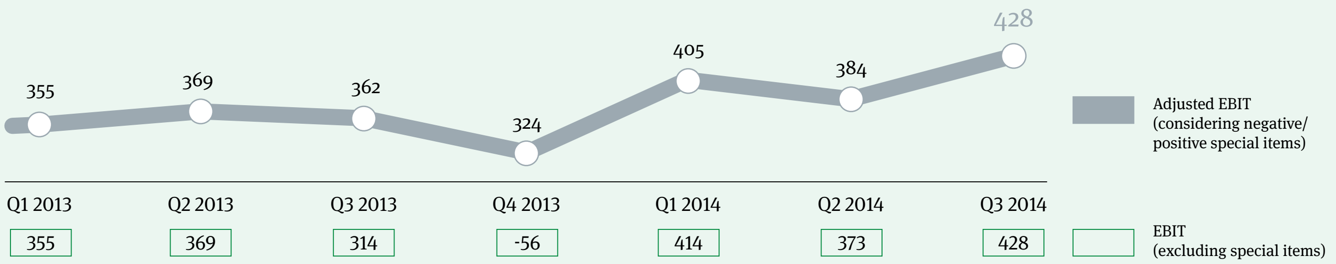
in € millions



+7.1 % revenue growth (vs. first 9M 2013);
+9.0 % at constant currency

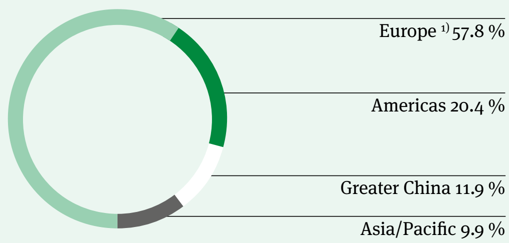
Earnings before financial result, income from equity-accounted investees, and income taxes (EBIT)

in € millions



Revenue by region

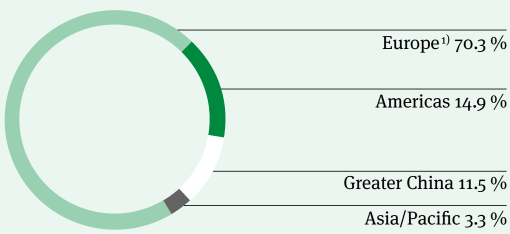
in percent by market view



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

Headcount by region

in percent as at September 30, 2014



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

First nine months of 2014

Schaeffler Group continues along its growth path:

Revenue increases to more than **EUR 9 bn**, growth rate of 9 % at constant currency

Earnings quality improved:

EBIT margin at **13.5 %** of revenue (prior year: 12.3 %)

Increased additions to intangible assets and property, plant and equipment:

Worldwide additions of **EUR 512 m** significantly above prior year (prior year: EUR 320 m); additions at **5.7 %** of revenue

3rd quarter free cash flow up significantly:

Free cash flow for the first nine months at **EUR 103 m** (EUR 474 m before one-time outflow)

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Schaeffler bonds

Performance of Schaeffler bonds

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

ISIN	Currency	Face value in millions	Coupon	Maturity	Issued at (in %)	Price in % [1] 09/30/2014
XS0741938624	EUR	800	7.75 %	02/15/2017	98.981	112.76
US806261AC75	USD	600	7.75 %	02/15/2017	98.981	109.06
XS0923613060	EUR	600	4.25 %	05/15/2018	100.000	103.42
XS1067864881	EUR	500	3.25 %	05/15/2019	99.429	99.59
XS1067862919	EUR	500	2.75 %	05/15/2019	99.421	100.44
US806261AJ29	USD	700	4.25 %	05/15/2021	99.253	98.75
US806261AE32	USD	850	4.75 %	05/15/2021	100.000	99.88
XS1067864022	EUR	500	3.50 %	05/15/2022	100.000	99.97

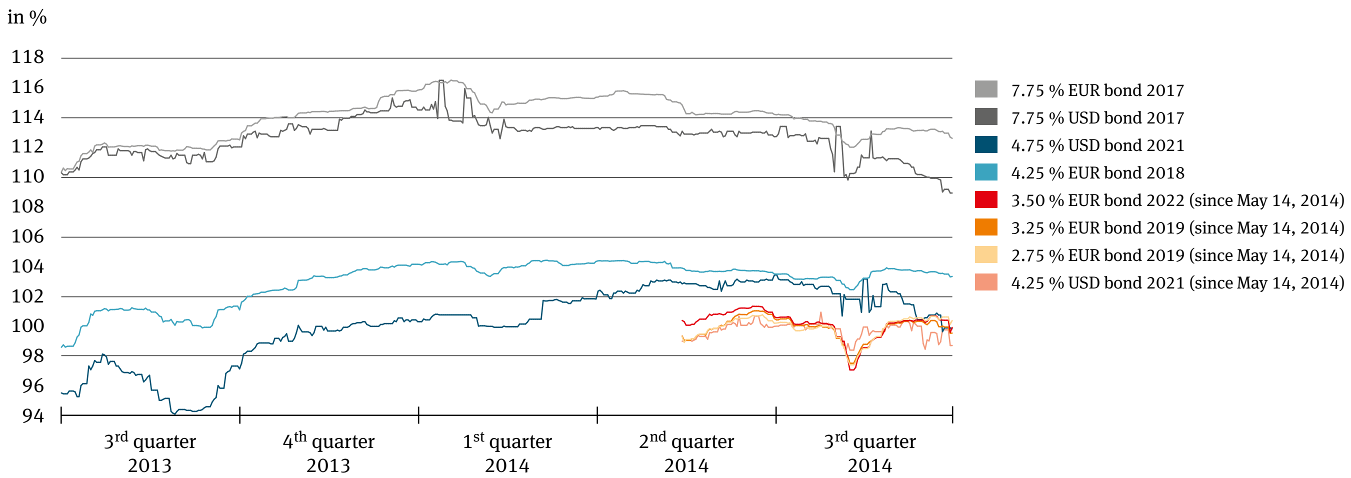
[1] Source: Bloomberg.

A high volume of new issues continued to characterize the corporate bond market following the first half of the year. According to a PwC study, a total of EUR 122 bn in corporate bonds were issued in the German markets during the third quarter – a slight decrease of EUR 9 bn compared to the prior quarter, but more than triple the volume of the prior year period. The average interest coupon rose from 3.34 % in the prior quarter to 4.07 % in the third quarter of 2014.

The Schaeffler Group's bonds fared well in this environment. The EUR bond (ISIN: XS1067862919) bearing interest at 2.75 % and issued on May 08, 2014 as part of the agreement to refinance the company's financial debt rose by 0.2 % to 100.44 % during the period from July 01, 2014 to September 30, 2014. The top-performer since its February 2012 issue date was the EUR bond (ISIN: XS0741938624) bearing interest at 7.75 % and maturing in 2017. It rose 13.8 percentage-points from its issue price of 98.981 % to a price of 112.76 % as at September 30, 2014.

Performance since 3rd quarter 2013

Source: Bloomberg.



Schaeffler's ratings

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

				09/30/2014
		Company	Bonds secured	Bond unsecured
Rating agency	Rating	Outlook	Rating	Rating
Moody's	Ba3	stable	Ba2	B1
Standard & Poor's	BB-	stable	BB-	B

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Information on this report

Schaeffler AG was changed to a limited liability company ("Gesellschaft mit beschränkter Haftung") on October 23, 2014. The company was renamed Schaeffler Verwaltung Zwei GmbH. Please refer to the supplementary report on page 34 and to page 46 of the notes to the consolidated financial statements for further detail.

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 September 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

Following the positive trend during the first six months, the Schaeffler Group continued its successful course of business during the third quarter of 2014. Revenue of EUR 9,024 m (prior year: EUR 8,425 m) represented an increase of 7.1 % over the prior year period. Excluding the adverse impact of currency translation of 1.9 % of revenue, the Group's operational revenue growth was 9.0 %. The Automotive division was once more the key driver of this encouraging revenue trend, 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 13.5 % (prior year: 12.3 %). The net impact of 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, on the Schaeffler Group's EBIT was not significant. Schaeffler's adjusted EBIT margin was 13.5 % (prior year: 12.9 %). The Group's earnings are discussed in more detail beginning on page 15.

Macroeconomic environment

The global economy stabilized at a moderate growth level during the first nine months of 2014. The economic upturn in Europe was less dynamic than expected. The upswing in private and public consumption in the Euro region was accompanied by a cooling investment climate. Trends varied across regions: While the expansion in Spain and Portugal gained momentum, the Italian and Greek economies were stagnant. The Russian economy was held back by the impact of the Ukrainian crisis. The Schaeffler Group outperformed the overall economic trend in its Europe region, generating growth of 5.1 %. However, currency translation adversely affected the revenue trend, particularly in India, which is part of Schaeffler's Europe region.

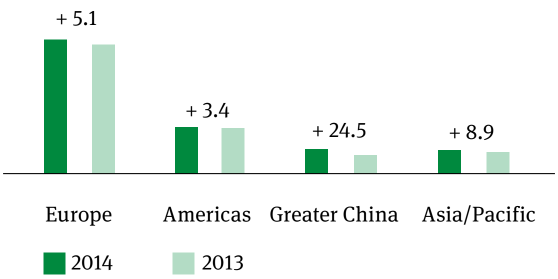
North and South America as a whole experienced economic growth during the first nine months of 2014. In the U.S., significantly higher private consumption and industrial production were the main drivers of the positive economic trend. South America is still marked by very restrained economic growth. Recessionary tendencies are becoming noticeable in Brazil, where particularly the decrease in capital investment weighed heavily on the economic climate. The Schaeffler Group's revenue in its Americas region was 3.4 % higher compared to the prior year period. Foreign currency translation had an adverse impact on revenue.

In China, the expansion lost momentum in the spring of 2014. Economic growth improved during the second quarter of 2014, mainly driven by fiscal measures. The third quarter of 2014 saw a return to falling growth rates. Demand for the Schaeffler Group's products in its Greater China region continued to experience a very encouraging trend, with revenue significantly exceeding that of the prior year period by 24.5 %. Foreign currency translation had an adverse impact on revenue.

Economic trends in the other Asian countries varied in the first nine months of 2014. The trend in the industrialized Asian economies was marked by significant fluctuations in economic activity in Japan, where an increase in the value-added tax led to a slump in demand in the second quarter of 2014. South Korean economic growth slowed over the course of the year, primarily due to the decline in private demand. The Schaeffler Group was able to increase revenue in its Asia/Pacific region by 8.9 % from the prior year, with the Automotive division being key to this performance.

Revenue trend by region

Change in % (1st nine months)



Significant events in the first nine months of 2014

In May 2014, the Schaeffler Group successfully refinanced 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 transactions” starting on page 31 for further detail on 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.

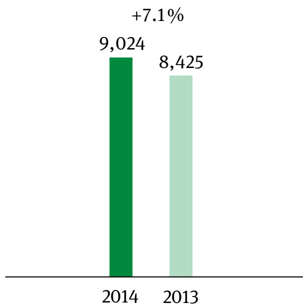
The dividend paid by Continental AG to Schaeffler Verwaltung Zwei GmbH (until October 23, 2014: Schaeffler AG) via Schaeffler Beteiligungsholding GmbH & Co. KG during the first half of 2014 amounted to EUR 168 m and was primarily used to repay bank debt. Please refer to the discussion of the Group’s earnings, financial position, and net assets beginning on page 15 for further detail.

Earnings

Schaeffler Group earnings

The Schaeffler Group generated revenue of EUR 9,024 m in the first nine months of 2014, an increase of 7.1 % compared to the prior year period (prior year: EUR 8,425 m). Excluding the adverse impact of currency translation of 1.9 %, the Group's revenue grew by 9.0 %. The Automotive division – growing significantly faster than global vehicle production – expanded its revenue by 8.8 % to EUR 6,667 m (prior year: EUR 6,129 m) making it 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 revenue growth compared to the prior year period, with revenue rising 2.7 % to EUR 2,357 m (prior year: EUR 2,296 m), a trend that was adversely impacted by currency translation.

Revenue (Schaeffler Group)
in € millions (9M)



	1st nine months			3rd quarter		
in € millions	**2014**	**2013**	Change in %	**2014**	**2013**	Change in %
Revenue	9,024	8,425	7.1	3,034	2,811	7.9
Cost of sales	-6,420	-6,048	6.2	-2,145	-2,047	4.8
Gross profit	2,604	2,377	9.5	889	764	16.4
Functional expenses 1)	-1,420	-1,359	4.5	-480	-455	5.5
Earnings before financial result, income from equity-accounted investees, and income taxes (EBIT)	1,215	1,038	17.1	428	314	36.3
• in % of revenue	13.5	12.3	-	14.1	11.2	-
Adjusted EBIT 2)	1,217	1,086	12.1	428	362	18.2
• in % of revenue	13.5	12.9	-	14.1	12.9	-
Financial result	-631	-384	64.3	-131	-74	77.0
Income from equity-accounted investees	548	682	-19.6	147	319	-53.9
Income taxes	-191	-310	-38.4	-81	-98	-17.3
Net income 3)	936	1,020	-8.2	362	459	-21.1

1) Research and development, selling and administration.
2) Adjusted EBIT – excluding special items in 1st nine months (personnel-related structural measures of EUR 48 m in Q3 2013, 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 for the first nine months of 2014 increased by EUR 372 m to EUR 6,420 m (prior year: EUR 6,048 m). It should be noted that the third quarter of 2013 includes one-time outflows of EUR 48 m for personnel-related structural measures at the production locations in Schweinfurt and Wuppertal. Cost of sales grew less than revenue. In addition to this slower growth in variable cost of sales, the significant increase in volume, improving capacity utilization, also made a positive impact on gross profit. In addition, raw materials prices were slightly below the prior year level. The number of employees in production and production-related areas rose by 5.0 % compared to September 30, 2013. Consistent with the current market trend, the largest increase in headcount, 27.6 %, occurred in Schaeffler's Greater China region.

Gross profit for the first nine months of 2014 improved by EUR 227 m to EUR 2,604 m (prior year: EUR 2,377 m) compared to the prior year period. Gross margin increased 0.7 percentage points to 28.9 % (prior year: 28.2 %), with currency translation adversely affecting gross margin growth. Excluding one-time outflows for personnel-related structural measures in the prior year period results in an increase in gross margin of only 0.1 percentage points. The Automotive division reported an increase in gross profit margin of 0.8 percentage points, driven primarily by the increase in volume.

Research and development expenses rose by 5.5 % to EUR 477 m (prior year: EUR 452 m) during the first nine months of 2014. At 5.3 % of revenue, these expenses were slightly below the prior year (5.4 %). Schaeffler pressed ahead with further improvements to its most recent demonstration vehicles and transferred similar mobility concepts to the Industrial division. These activities further strengthened Schaeffler's systems expertise in order to expand the Group's technological leadership.

Selling expenses increased by 6.5 % to EUR 602 m (prior year: EUR 565 m) for the year to date, mainly due to revenue-driven costs such as other personnel expenses and transportation costs. Administrative expenses for the first nine months of 2014 amounted to EUR 341 m (prior year: EUR 342 m).

EBIT rose by EUR 177 m from the prior year period to EUR 1,215 m (prior year: EUR 1,038 m) for the first nine months of 2014, while the EBIT margin improved by 1.2 percentage points to 13.5 % (prior year: 12.3 %). Excluding the one-time outflow of EUR 48 m incurred in the prior year, the adjusted EBIT margin increased by 0.6 percentage points. EBIT improved primarily due to the growth in Automotive division revenue and the actively managed cautious increase in research and development, selling, and administrative expenses. 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 of 2014 brought the company's adjusted EBIT for the first three quarters of 2014 to EUR 1,217 m and the adjusted EBIT margin to 13.5 %.

The Schaeffler Group's financial result declined by EUR 247 m to EUR -631 m (prior year: EUR -384 m) during the first nine 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 164 m (prior year: EUR 84 m) and financial expenses of EUR 795 m (prior year: EUR 468 m).

in € millions	Financial expenses	Financial income	Financial result
	1st nine months 2014		
Interest expense on financial debt [1]	-421	0	-421
Fair value changes and compensation payments on derivatives	-137	158	21
Foreign exchange gains and losses	-177	0	-177
Amortization of cash flow hedge accounting reserve	-4	0	-4
Interest income and expense on pensions and partial retirement obligations	-38	0	-38
Other	-18	6	-12
Total	**-795**	**164**	**-631**

in € millions	Financial expenses	Financial income	Financial result
	1st nine months 2013		
Interest expense on financial debt [1]	-359	0	-359
Fair value changes and compensation payments on derivatives	-57	26	-31
Foreign exchange gains and losses	2	44	46
Amortization of cash flow hedge accounting reserve	-1	0	-1
Interest income and expense on pensions and partial retirement obligations	-37	0	-37
Other	-16	14	-2
Total	**-468**	**84**	**-384**

[1] Incl. transaction costs.

Interest expense on financial debt of EUR 421 m (prior year: EUR 359 m) for the first nine months of 2014 includes interest paid and accrued on the Group's external financing arrangements of EUR 241 m (prior year: EUR 304 m) as well as EUR 128 m (prior year: EUR nil) in expenses related to the refinancing transaction completed in the second quarter of 2014 and interest expense on shareholder loans due to Schaeffler Verwaltungs GmbH.

Changes in the fair value of and compensation payments on derivatives resulted in net gains of EUR 21 m (prior year: net losses of EUR 31 m). The amount consists largely of net gains on interest rate and cross-currency derivatives of EUR 152 m (prior year: net losses of EUR 53 m) and net losses on embedded derivatives of EUR 131 m (prior year: net gains of EUR 22 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 losses of EUR 107 m.

Net foreign exchange losses on financial assets and liabilities amounted to EUR 177 m (prior year: net gains of EUR 46 m) and resulted primarily from translating financing instruments denominated in U.S. Dollar to Euro. The company has hedged this financial debt using cross-currency derivatives and reports the resulting offsetting impact of EUR 152 m under "Fair value changes and compensation payments on derivatives".

Additional expenses of EUR 4 m (prior year: EUR 1 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 38 m (prior year: EUR 37 m). Other items generated net expenses of EUR 12 m (prior year: EUR 2 m).

Income from equity-accounted investees of EUR 548 m (prior year: EUR 682 m) for the first nine months of 2014 relates almost entirely to the investment in Continental AG held via Schaeffler Beteiligungsholding GmbH & Co. KG.

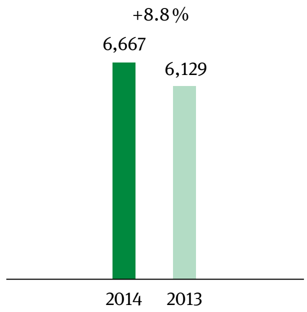
Income taxes for the first nine months of 2014 amounted to EUR 191 m (prior year: EUR 310 m), consisting of current tax expense of EUR 329 m (prior year: EUR 258 m) and a deferred tax benefit of EUR 138 m (prior year: deferred tax expense of EUR 52 m). Current tax expense comprises tax expense of EUR 332 m for the current year and a tax benefit of EUR 3 m related to prior years. Interest expense of EUR 29 m (prior year: EUR 150 m) was not tax deductible in 2014 because of the interest deduction cap, while the company utilized interest carryforwards of EUR 21 m (prior year: EUR nil).

Net income after non-controlling interests decreased by EUR 84 m to EUR 936 m (prior year: EUR 1,020 m) during the first nine months of 2014.

Automotive division

Compared to the prior year period, Automotive division revenue increased by 8.8 % to EUR 6,667 m (prior year: EUR 6,129 m) during the first nine months of 2014. Currency translation had an offsetting impact of 1.7 percentage points. Excluding this impact, Automotive division revenue rose by 10.5 %. New customer projects and the related production start-ups were primarily responsible for the positive overall trend.

Revenue (Automotive)
in € millions (9M)



Automotive division revenue across all of Schaeffler's regions grew faster than regional production volumes for passenger vehicles of up to 6 tons (Source: IHS Global Insight, September 2014). Especially the Greater China region continued along its recent sustainable growth path – its growth rate of 27.0 % significantly exceeded the 10.0 % increase in the region's vehicle production. Asia/Pacific (10.1 %) also generated double-digit revenue growth, while the production of passenger cars and light commercial vehicles in this region only expanded by 1.7 %. The Europe (6.5 %) and Americas (6.9 %) regions also reported strong growth compared to the prior year – the increases in these regions' revenue outperformed the growth in automobile production of 3.9 % and 0.5 %, respectively.

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

	1st nine months			3rd quarter		
in € millions	**2014**	**2013**	Change in %	**2014**	**2013**	Change in %
Revenue	6,667	6,129	8.8	2,230	2,054	8.6
Cost of sales	-4,817	-4,478	7.6	-1,605	-1,512	6.2
Gross profit	1,850	1,651	12.1	625	542	15.3
EBIT	932	800	16.5	318	254	25.2
• in % of revenue	14.0	13.1	-	14.3	12.4	-
Adjusted EBIT [1)]	931	815	14.2	318	269	18.2
• in % of revenue	14.0	13.3	-	14.3	13.1	-

Prior year information presented based on 2014 segment structure.
[1)] Adjusted EBIT – excluding special items in 1st nine months (personnel-related structural measures of EUR 14.7 m in Q3 2013, 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 business 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 nine months of 2014.

The **Engine Systems BD** generated revenue of EUR 1,673 m (prior year: EUR 1,521 m), an increase of EUR 152 m or 10 %. 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) – contributed to this growth across all regions. In addition, production start-ups in the accessory drive product groups also contributed to the BD's above-market growth.

Transmission Systems BD revenue increased by 13.7 % to EUR 2,815 m (prior year: EUR 2,476 m) compared to the prior year period, primarily as a result of growth generated by dry double clutches and actuator products. The top-selling tapered roller bearings, dual-mass flywheels, and torque converters product groups also experienced a significant increase in volume. All four Schaeffler regions reported revenue growth.

The **Chassis Systems BD** reported an increase in revenue of 3.1 % to EUR 1,017 m (prior year: EUR 986 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). Especially the Greater China region but the Europe and Asia/Pacific regions, as well, were the main drivers of this positive trend.

The **Automotive Aftermarket BD** continued its solid development in the first three quarters of 2014. Revenue rose to EUR 1,162 m (prior year: EUR 1,146 m), an increase of 1.4 % 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 driven by revenue growth favorably impacted gross profit. In addition, raw materials prices were slightly below the prior year comparison period during the first nine months of 2014, which also contributed to an improved gross profit.

Cost of sales for the first nine months of 2014 increased 7.6 % to EUR 4,817 m (prior year: EUR 4,478 m). Driven by the higher revenue, gross profit rose by EUR 199 m to EUR 1,850 m (prior year: EUR 1,651 m) compared to the prior year. As a result, Schaeffler's gross margin of 27.7 % (prior year: 26.9 %) for the year 2014 to date exceeded that of the prior year period despite the adverse impact of currency translation.

In the first nine months of 2014, research and development expenses rose by 9.4 % to EUR 384 m (prior year: EUR 351 m). The company's research focus remains on developing innovative products to help shape the mobility of tomorrow. For instance, preparations are under way for volume production of e.g. the world's first fully variable valve train system, the Schaeffler UniAir. Similarly, preparations for volume production of electro-mechanical camshaft phasing systems (ECP systems) are ongoing. Advancing the electrification of the car is one of the key issues for the future. Schaeffler is among the leading innovators in this field.

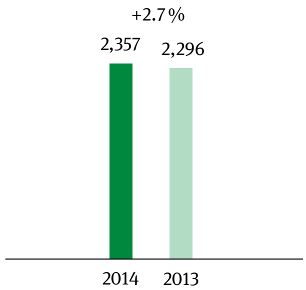
Total Automotive division EBIT rose by EUR 132 m to EUR 932 m (prior year: EUR 800 m) during the first nine months of 2014 compared to the prior year period. The EBIT margin increased by 0.9 percentage points to 14.0 % (prior year: 13.1 %) for the year 2014 to date. Excluding the reversal of EUR 9.5 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 of 2014, adjusted EBIT amounted to EUR 931 m; the adjusted EBIT margin was 14.0 %.

Industrial division

Industrial division revenue for the first nine months of 2014 increased slightly by 2.7 % to EUR 2,357 m (prior year: EUR 2,296 m) compared to the prior year period. Currency translation had an adverse impact on revenue of 2.2 percentage points this reporting period. Excluding this impact, Industrial division revenue increased by 4.9 % over the prior year period. The positive overall trend was primarily driven by Industrial Aftermarket.

Revenue trends varied widely between market regions. The Greater China region reported strong growth of 18.1 % for the first nine months of 2014, while Asia/Pacific and Europe were slightly above the prior year level – their revenue increased by 5.4 % and 2.8 %, respectively. Revenue in the Americas region, on the other hand, declined by 5.9 %, having been considerably held back by the impact of currency translation.

Revenue (Industrial)
in € millions (9M)



	1st nine months			3rd quarter		
in € millions	**2014**	**2013**	Change in %	**2014**	**2013**	Change in %
Revenue	2,357	2,296	2.7	804	757	6.2
Cost of sales	-1,603	-1,570	2.1	-540	-535	0.9
Gross profit	754	726	3.9	264	222	18.9
EBIT	283	238	18.9	110	60	83.3
• in % of revenue	12.0	10.4	-	13.7	7.9	-
Adjusted EBIT 1)	286	271	5.5	110	93	18.3
• in % of revenue	12.1	11.8	-	13.7	12.3	-

Prior year information presented based on 2014 segment structure.
1) Adjusted EBIT – excluding special items in 1st nine months (personnel-related structural measures of EUR 33.5 m in Q3 2013, compensation expense of EUR 3 m in Q2 2014).

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

The **Industrial Applications BD** grew its revenue by 1.2 % to EUR 1,463 m (prior year: EUR 1,445 m). Due to 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 slightly increase revenue over the comparison period, bolstered primarily by growth in the rail vehicle and industrial gears sectors. New projects to expand the rail system in China generated higher revenue both from local customers and from European suppliers.

In the production machinery sector, revenue for the current reporting period increased slightly compared to the first nine months of 2013. Machine tools was the only subsector reporting strong growth, while the remaining subsectors such as food processing, packaging, textile, printing machinery, and medical systems experienced slight declines compared to the prior year period.

Revenue in the renewable energy & raw materials sector for the current reporting period was flat with the comparison period 2013. The energy revolution in Europe and the strong upward trend in the Chinese wind business drove the marked growth in the renewable energy sector, while the heavy industries sector reported a decline in revenue. The steel sector in Europe and the mining business in the Americas region experienced the most significant decreases. New project business was also down due to the uncertain economic outlook.

The aerospace sector experienced declining revenue. Europe region revenue was hampered by political developments in Eastern Europe and the resulting liquidity shortage. In the Americas region, changes in some customers' production program were among the factors adversely affecting revenue.

Revenue in the **Industrial Aftermarket BD** for the current year reporting period was EUR 894 m (prior year: EUR 851 m), 5.1 % higher than in the comparison period 2013. Currency translation had a slightly negative impact on Aftermarket revenue. All regions generated slight to significant revenue growth, with the largest growth rates reported by the Europe and Greater China regions. Order intake grew significantly this reporting period.

Cost of sales for the first nine months of 2014 increased by 2.1 % to EUR 1,603 m (prior year: EUR 1,570 m). Raw materials prices were slightly below the prior year in the first nine months of 2014. Gross profit rose by EUR 28 m to EUR 754 m (prior year: EUR 726 m) compared to the prior year, and the company's gross margin increased by 0.4 percentage points to 32.0 % (prior year: 31.6 %). Currency translation and reductions in selling prices had an adverse impact on the margin for the current reporting period.

Research and development expenses decreased by 7.9 % from EUR 101 m to EUR 93 m during the first nine months of 2014. Schaeffler's research focused on innovative products such as the automatic bicycle gearshift system FAG VELOMATIC, which was chosen as the winner of the "Components" category of the Eurobike Award 2014. In addition, monitoring product life-cycle cost is increasingly gaining in importance. The rolling bearing component with numerous integrated functionalities is increasingly becoming a mechatronic component consistently improving cost-effectiveness and reliability of, for instance, rail vehicles.

Industrial division EBIT improved by EUR 45 m to EUR 283 m in the first nine months of 2014 compared to the prior year period (prior year: EUR 238 m). The EBIT margin rose by 1.6 percentage points to 12.0 % for the year 2014 to date (prior year: 10.4 %). Selling and administrative expenses for the current reporting period were slightly below the prior year level. Excluding the compensation expense incurred in the second quarter 2014, adjusted EBIT was EUR 286 m, the adjusted EBIT margin was 12.1 %.

Schaeffler Group financial position and net assets

Cash flow

The Schaeffler Group generated positive cash flows from operating activities of EUR 600 m (prior year: EUR 919 m) for the first nine months of 2014.

	1st nine months			3rd quarter		
in € millions	2014	2013	Change in %	2014	2013	Change in %
Cash flows from operating activities [1]	600	919	-34.7	483	313	54.3
Cash used in investing activities	-497	-330	50.6	-201	-110	82.7
Free cash flow [1]	**103**	**589**	**-82.5**	**282**	**203**	**38.9**
Cash provided by financing activities	258	-646	-	-87	-398	-78.1
	09/30/2014	12/31/2013	Change in %	09/30/2014	12/31/2013	Change in %
Financial debt	6,981	6,190	12.8	6,981	6,190	12.8
Cash and cash equivalents	675	300	> 100	675	300	> 100
Net financial debt	**6,306**	**5,890**	**7.1**	**6,306**	**5,890**	**7.1**
Shareholder loans	537	443	21.2	537	443	21.2
Net financial debt excluding shareholder loans	**5,769**	**5,447**	**5.9**	**5,769**	**5,447**	**5.9**

[1] Including special item of EUR 370.5 m (payment of EU antitrust penalty in Q2 2014).

During the period from January 01 to September 30, 2014, cash flows from operating activities fell by EUR 319 m to EUR 600 m compared to the prior year period. The favorable impact of the EUR 177 m increase in EBIT to EUR 1,215 m (prior year: EUR 1,038 m) and the EUR 106 m decrease in interest and taxes paid was partially offset by the net increase in funds required for inventories and receivables of EUR 102 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 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 497 m during the first nine months of 2014, exceeding the prior year level of EUR 330 m.

These factors resulted in free cash flow of EUR 103 m (prior year: EUR 589 m) for the first three quarters of 2014.

Cash of EUR 258 m was provided by financing activities (prior year: EUR 646 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 610 m in cash inflows from loans, including EUR 606 m in connection with this refinancing, 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 Verwaltung Zwei GmbH 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. In addition, cash of EUR 159 m was used in other financing activities, including EUR 154 m in cash paid to the shareholder, Schaeffler Verwaltungs GmbH.

The Schaeffler Group's net financial debt increased by EUR 322 m to EUR 5,769 m as at September 30, 2014 (December 31, 2013: EUR 5,447 m).

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 3.2 at September 30, 2014 (December 31, 2013: 3.3). The debt to adjusted EBITDA ratio was 2.6 as at September 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 600 m to EUR 3,091 m (December 31, 2013: EUR 2,491 m). The change in shareholders' equity is primarily due to net income of EUR 941 m and the offsetting effects of the dividend of EUR 250 m declared by Schaeffler Verwaltung Zwei GmbH during the second quarter and other comprehensive loss of EUR 90 m. The equity ratio was 20.6 % at September 30, 2014 (December 31, 2013: 18.6 %).

in € millions	09/30/2014	12/31/2013	Change in %
Shareholders' equity	**3,091**	**2,491**	**24.1**
Provisions for pensions and similar obligations	1,828	1,516	20.6
Provisions	108	96	12.5
Financial debt	6,784	5,965	13.7
Income tax payables	352	340	3.5
Other financial liabilities	59	162	-63.6
Other liabilities	6	5	20.0
Deferred tax liabilities	115	154	-25.3
Total non-current liabilities	**9,252**	**8,238**	**12.3**
Provisions	235	599	-60.8
Financial debt	197	225	-12.4
Trade payables	1,095	1,014	8.0
Income tax payables	225	155	45.2
Other financial liabilities	528	419	26.0
Other liabilities	369	286	29.0
Total current liabilities	**2,649**	**2,698**	**-1.8**
Total shareholders' equity and liabilities	**14,992**	**13,427**	**11.7**

Other comprehensive loss of EUR 90 m resulted mainly from the translation of net assets of foreign group companies (EUR 263 m), a change in the value of hedging instruments (EUR -63 m), and from changes in the carrying amount of pensions and similar obligations (EUR -296 m).

Total non-current liabilities rose by EUR 1,014 m to EUR 9,252 m as at September 30, 2014 (December 31, 2013: EUR 8,238 m), largely due to the increase in non-current financial debt by EUR 819 m to EUR 6,784 m (December 31, 2013: EUR 5,965 m).

The increase in financial debt resulted from the refinancing transaction completed in the second quarter of 2014, the higher loan balance due to the company’s sole shareholder, Schaeffler Verwaltungs GmbH, resulting from the dividend declared in March 2014, and the impact of foreign currency translation.
In addition, provisions for pensions and similar obligations rose by EUR 312 m to EUR 1,828 m (December 31, 2013: EUR 1,516 m), primarily as a result of adjusting the discount rate to lower current interest rate levels.

Current liabilities declined by EUR 49 m to EUR 2,649 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 September 30, 2014 is marked by an increase in total assets of EUR 1,565 m or 11.7 % to EUR 14,992 m (December 31, 2013: EUR 13,427 m).

in € millions	09/30/2014	12/31/2013	Change in %
Intangible assets	532	538	-1.1
Property, plant and equipment	3,511	3,369	4.2
Investments in equity-accounted investees	5,526	5,085	8.7
Other investments	14	14	0.0
Other financial assets	118	206	-42.7
Other assets	56	59	-5.1
Income tax receivables	8	12	-33.3
Deferred tax assets	448	230	94.8
Total non-current assets	**10,213**	**9,513**	**7.4**
Inventories	1,812	1,536	18.0
Trade receivables	2,016	1,676	20.3
Other financial assets	53	119	-55.5
Other assets	180	141	27.7
Income tax receivables	43	142	-69.7
Cash and cash equivalents	675	300	> 100
Total current assets	**4,779**	**3,914**	**22.1**
Total assets	**14,992**	**13,427**	**11.7**

Among non-current assets, property, plant and equipment rose by EUR 142 m to EUR 3,511 m (December 31, 2013: EUR 3,369 m), primarily due to the impact of currency translation, which increased property, plant and equipment, and additions in excess of depreciation in 2014.

Investments in equity-accounted investees increased by EUR 441 m to EUR 5,526 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 September 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 Verwaltung Zwei GmbH. Based on a share price of EUR 150.65 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 10.303 m (December 31, 2013: EUR 10,901 m) on September 30, 2014.

Other non-current financial assets declined by EUR 88 m to EUR 118 m (December 31, 2013: EUR 206 m), primarily as a result of the change in options to prepay financial debt which are included in this balance. Schaeffler exercised certain of these redemption and prepayment options in 2014 as part of the refinancing transaction.

The increase in current assets resulted primarily from inventories growing EUR 276 m to EUR 1,812 m (December 31, 2013: EUR 1,536 m) and trade receivables increasing by EUR 340 m to EUR 2,016 m (December 31, 2013: EUR 1,676 m). Both increases were due to higher revenue and production volumes in the third 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 66 m to EUR 53 m (prior year: EUR 119 m), primarily due to unfavorable changes in the fair value of financial derivatives and damage claims received.

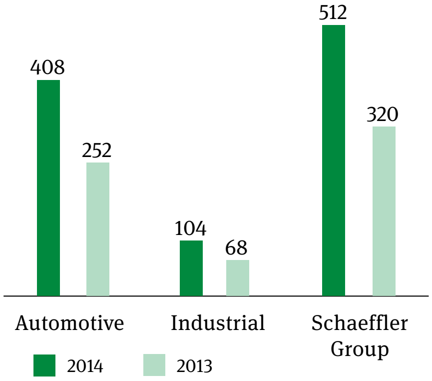
Cash and cash equivalents increased to EUR 675 m as at September 30, 2014 (December 31, 2013: EUR 300 m), mainly as a result of cash inflows from operating activities.

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 (9M)



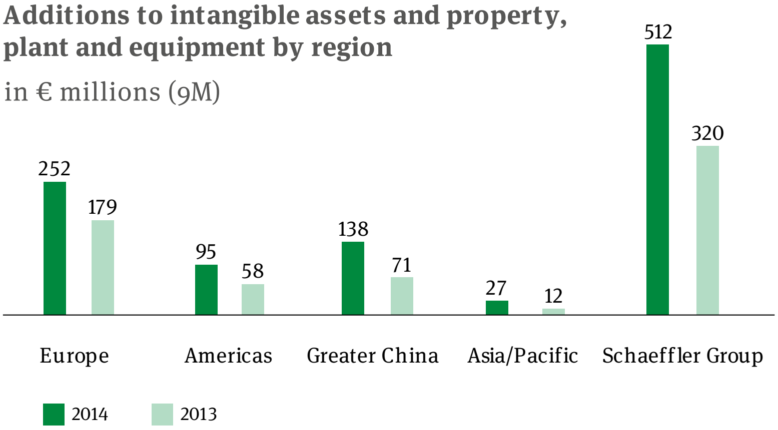
[1)] Additions to intangible assets and property, plant and equipment from January 01 to September 30.

At EUR 512 m, additions to intangible assets and property, plant and equipment for the first nine months of 2014 significantly exceeded the prior year amount of EUR 320 m. In the statement of cash flows, these amounts are adjusted for non-cash transactions and the impact of currency translation. Key additions related primarily to creating further production capacity, with Schaeffler investing proportionately more heavily in its Greater China and Asia/Pacific regions as well as quite significantly in its Europe region still. Further, the Group made additional investments in connection with its “European Distribution Center” (EDC) project during the period from January to September 2014. At 5.7 %, additions to intangible assets and property, plant and equipment as a percentage of consolidated revenue also significantly exceeded those of the prior year (3.8 %), although they still fell short of the annual target of 6 to 8 % of revenue. At September 30, 2014 the Schaeffler Group also had open commitments under fixed contracts to purchase property, plant and equipment totaling EUR 319 m (December 31, 2013: EUR 177 m).

The majority of additions to intangible assets and property, plant and equipment, EUR 408 m (prior year: EUR 252 m), were made by the Automotive division, while Industrial invested EUR 104 m (prior year: EUR 68 m).

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

in € millions (9M)



The Group's main additions to property, plant and equipment and intangible assets during the first nine months of 2014 were approximately EUR 175 m that were invested in expanding capacity and approximately EUR 150 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 512 m of the EUR 252 m in total additions to intangible assets and property, plant and equipment were made in Europe.

The Schaeffler Group invested EUR 165 m at locations in the Asia/Pacific and Greater China regions during the first nine 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 95 m were significantly higher than those of the comparison period in 2013 (prior year: EUR 58 m). The focus here was primarily on investing in the company's IT infrastructure 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 Verwaltung Zwei GmbH and certain of its subsidiaries. The unsecured tranche is guaranteed by Schaeffler Verwaltung Zwei GmbH 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 Verwaltung Zwei GmbH via Schaeffler Beteiligungsholding GmbH & Co. KG. The prepayment reduced the outstanding principal of tranche D to EUR 250 m.

Third quarter 2014

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

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

		09/30/2014	12/31/2013	09/30/2014	12/31/2013	09/30/2014	12/31/2013	
Tranche	Currency	Face value in millions		Carrying amount in € millions		Coupon		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	1,249	0	Libor + 3.00 % [4]	-	05/15/2020
Senior Term Loan D	EUR	250	730	246	713	Euribor + 2.875 % [5]	Euribor + 2.875 %	06/30/2016
Revolving Credit Facility [6]	EUR	1,000	1,000	-6	-9	Euribor + 2.875 % [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 August 21, 2014; from May 21, 2014 until August 20, 2014: 2.75 %.
6) EUR 35 m (December 31, 2013: EUR 49 m) were drawn down as at September 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 September 30, 2014:

		09/30/2014	09/30/2014	12/31/2013		
ISIN	Currency	Face value in millions	Carrying amount in € millions		Coupon	Maturity
XS0741938624	EUR	800	790	788	7.75 %	02/15/2017
US806261AC75	USD	600	471	428	7.75 %	02/15/2017
XS0923613060	EUR	600	596	595	4.25 %	05/15/2018
XS1067864881	EUR	500	496	-	3.25 %	05/15/2019
XS1067862919	EUR	500	495	-	2.75 %	05/15/2019
US806261AJ29	USD	700	550	-	4.25 %	05/15/2021
US806261AE32	USD	850	671	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.

Liquidity

At September 30, 2014, cash and cash equivalents amounted to EUR 675 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 35 m were utilized at September 30, 2014, primarily in the form of letters of credit.

Supplementary report

Adjustment of financing structure

On October 16, 2014, the Schaeffler Group announced that it had successfully completed another refinancing transaction of approximately EUR 1.9 bn. As part of this transaction, the company replaced institutional loans totaling approximately EUR 1.6 bn and bank loans of EUR 250 m with new loan tranches.

Previous loan tranches E EUR and E USD were repaid using new loan tranches B EUR and B USD. New tranche B EUR with a principal of EUR 750 m bears interest at Euribor + 3.50 %, while new tranche B USD totaling USD 1.3 bn carries an interest rate of Libor + 3.50 %. Both loan tranches are subject to an interest rate floor of 0.75 % and are due in May 2020. As part of the transaction, the Schaeffler Group also paid off previous tranche D of the bank loan of EUR 250 m. At the same time, the company obtained a new revolving credit facility of EUR 1.0 bn with a maturity of five years, replacing the previous revolving credit facility.

In parallel with this refinancing transaction, the Schaeffler Group and Schaeffler Verwaltungs GmbH have obtained the approvals necessary to make certain changes to the terms and conditions of the existing bonds issued by Schaeffler Finance B.V. and Schaeffler Holding Finance B.V. The changes were aimed at harmonizing the terms and conditions of the bonds and increasing the company's financial flexibility. The bondholders' approvals were received on October 15, 2014.

Since completion of these steps, the interest in Continental AG held by the Schaeffler Group no longer serves directly as collateral of the Group's financial debt. The previous pledge of an approximately 17.1 % interest in Continental AG as collateral has been released in connection with the refinancing measures taken.

In addition to the Schaeffler Group's financing measures, the Schaeffler Verwaltungs GmbH announced on October 21, 2014 that it had successfully completed an extensive refinancing arrangement of a portion of its debt totaling approximately EUR 1.9 bn. As part of this refinancing transaction, the company placed bond issues denominated in EUR and USD with a value of approximately EUR 1.25 bn and entered into a new loan agreement totaling EUR 700 m. The proceeds of the partial refinancing arrangement were used to fully repay the previous loan agreement of approximately EUR 1.9 bn, thus further lowering borrowing costs at the level of the Schaeffler Verwaltungs GmbH, extending its debt maturities, and improving the terms and conditions of the loan agreement.

The Schaeffler Group's credit rating as well as the ratings for the bonds issued by Schaeffler Finance B.V. and Schaeffler Holding Finance B.V. are unchanged from September 30, 2014.

Adjustment of Group structure

Schaeffler AG (previously the Schaeffler Group's parent company) was changed to a limited liability company ("Gesellschaft mit beschränkter Haftung") on October 23, 2014. The company was renamed Schaeffler Verwaltung Zwei GmbH. All executive board functions were transferred to its subsidiary INA Beteiligungsgesellschaft mit beschränkter Haftung on October 24, 2014. At the same time, INA Beteiligungsgesellschaft mit beschränkter Haftung was changed to a stock corporation („Aktiengesellschaft") and renamed Schaeffler AG.

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 September 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. In addition, the Brazilian antitrust authority commenced investigations against a Brazilian subsidiary of the Schaeffler Group for possible agreements violating antitrust law in September 2014. The company immediately initiated an internal investigation. In Spain and Korea, the authorities have put forward their complaints. The Schaeffler Group companies concerned have submitted their counter-arguments. The Schaeffler Group is cooperating with the investigating authorities in all cases and expects further steps to be taken in the coming months. 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) anticipates a recovery of the global economy by 3.3 % in 2014 and a further upturn of 3.8 % in 2015. Expectations for both years are slightly lower than in the previous forecast. Based on this IMF forecast, the Schaeffler Group continues to believe that the global economy will grow approximately 3 to 4 % in 2014. In light of this 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

The encouraging trend during the first nine months of 2014 confirms the Schaeffler Group's guidance on the course of business in 2014, which the Group had raised in the first quarter 2014. 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, November 14, 2014

The Executive Management Board

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Consolidated income statement

	1st nine months			3rd quarter		
in € millions	**2014**	**2013**	Change in %	**2014**	**2013**	Change in %
Revenue	9,024	8,425	7.1	3,034	2,811	7.9
Cost of sales	-6,420	-6,048	6.2	-2,145	-2,047	4.8
Gross profit	**2,604**	**2,377**	**9.5**	**889**	**764**	**16.4**
Research and development expenses	-477	-452	5.5	-160	-152	5.3
Selling expenses	-602	-565	6.5	-204	-187	9.1
Administrative expenses	-341	-342	-0.3	-116	-116	0.0
Other income	53	43	23.3	20	8	> 100
Other expenses	-22	-23	-4.3	-1	-3	-66.7
Earnings before financial result, income from equity-accounted investees, and income taxes (EBIT)	**1,215**	**1,038**	**17.1**	**428**	**314**	**36.3**
Financial income	164	84	95.2	147	61	> 100
Financial expenses	-795	-468	69.9	-278	-135	> 100
Financial result	**-631**	**-384**	**64.3**	**-131**	**-74**	**77.0**
Income from equity-accounted investees	**548**	**682**	**-19.6**	**147**	**319**	**-53.9**
Earnings before income taxes	**1,132**	**1,336**	**-15.3**	**444**	**559**	**-20.6**
Income taxes	-191	-310	-38.4	-81	-98	-17.3
Net income	**941**	**1,026**	**-8.3**	**363**	**461**	**-21.3**
Attributable to shareholders of the parent company	936	1,020	-8.2	362	459	-21.1
Attributable to non-controlling interests	5	6	-16.7	1	2	-50.0

Consolidated statement of comprehensive income

	1st nine months						3rd 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	**1,132**	**-191**	**941**	**1,336**	**-310**	**1,026**	**444**	**-81**	**363**	**559**	**-98**	**461**
Foreign currency translation differences for foreign operations	203	0	203	-127	0	-127	144	0	144	-52	0	-52
Net income on hedge of net investment in foreign operations	-70	0	-70	21	0	21	-65	0	-65	23	0	23
Effective portion of changes in fair value of cash flow hedging instruments	-91	28	-63	-6	-9	-15	-72	20	-52	17	-16	1
Net change in fair value of available-for-sale financial assets	0	0	0	-1	0	-1	-2	1	-1	-1	0	-1
Share of other comprehensive income (loss) of equity-accounted investees	140	-2	138	-113	0	-113	106	-1	105	-54	0	-54
Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	**182**	**26**	**208**	**-226**	**-9**	**-235**	**111**	**20**	**131**	**-67**	**-16**	**-83**
Defined benefit plan actuarial gains (losses)	-301	80	-221	42	-11	31	-159	48	-111	-5	3	-2
Share of other comprehensive income (loss) of equity-accounted investees	-149	72	-77	64	-36	28	-65	45	-20	8	-3	5
Total other comprehensive income (loss) that will not be reclassified to profit or loss	**-450**	**152**	**-298**	**106**	**-47**	**59**	**-224**	**93**	**-131**	**3**	**0**	**3**
Total other comprehensive income (loss)	**-268**	**178**	**-90**	**-120**	**-56**	**-176**	**-113**	**113**	**0**	**-64**	**-16**	**-80**
Total comprehensive income (loss) for the period	**864**	**-13**	**851**	**1,216**	**-366**	**850**	**331**	**32**	**363**	**495**	**-114**	**381**
Total comprehensive income (loss) attributable to shareholders of the parent company	850	-10	840	1,220	-366	854	324	35	359	498	-114	384
Total comprehensive income (loss) attributable to non-controlling interests	14	-3	11	-4	0	-4	7	-3	4	-3	0	-3
Total comprehensive income (loss) for the period	**864**	**-13**	**851**	**1,216**	**-366**	**850**	**331**	**32**	**363**	**495**	**-114**	**381**

Consolidated statement of financial position

in € millions	09/30/2014	12/31/2013	09/30/2013	Change in % [1]
ASSETS				
Intangible assets	532	538	540	-1.1
Property, plant and equipment	3,511	3,369	3,310	4.2
Investments in equity-accounted investees	5,526	5,085	5,160	8.7
Other investments	14	14	16	0.0
Other financial assets	118	206	127	-42.7
Other assets	56	59	59	-5.1
Income tax receivables	8	12	14	-33.3
Deferred tax assets	448	230	371	94.8
Total non-current assets	**10,213**	**9,513**	**9,597**	**7.4**
Inventories	1,812	1,536	1,558	18.0
Trade receivables	2,016	1,676	1,846	20.3
Other financial assets	53	119	104	-55.5
Other assets	180	141	137	27.7
Income tax receivables	43	142	59	-69.7
Cash and cash equivalents	675	300	360	> 100
Total current assets	**4,779**	**3,914**	**4,064**	**22.1**
Total assets	**14,992**	**13,427**	**13,661**	**11.7**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	500	500	500	0.0
Reserves	3,327	2,643	2,782	25.9
Accumulated other comprehensive income (loss)	-803	-709	-631	13.3
Equity attributable to shareholders of the parent company	**3,024**	**2,434**	**2,651**	**24.2**
Non-controlling interests	67	57	55	17.5
Total shareholders' equity	**3,091**	**2,491**	**2,706**	**24.1**
Provisions for pensions and similar obligations	1,828	1,516	1,528	20.6
Provisions	108	96	84	12.5
Financial debt	6,784	5,965	5,829	13.7
Income tax payables	352	340	340	3.5
Other financial liabilities	59	162	126	-63.6
Other liabilities	6	5	3	20.0
Deferred tax liabilities	115	154	203	-25.3
Total non-current liabilities	**9,252**	**8,238**	**8,113**	**12.3**
Provisions	235	599	268	-60.8
Financial debt	197	225	260	-12.4
Trade payables	1,095	1,014	891	8.0
Income tax payables	225	155	169	45.2
Other financial liabilities	528	419	507	26.0
Other liabilities	369	286	747	29.0
Total current liabilities	**2,649**	**2,698**	**2,842**	**-1.8**
Total shareholders' equity and liabilities	**14,992**	**13,427**	**13,661**	**11.7**

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

Consolidated statement of cash flows

	1st nine months			3rd quarter		
in € millions	**2014**	**2013**	Change in %	**2014**	**2013**	Change in %
Operating activities						
EBIT	1,215	1,038	17.1	428	314	36.3
Interest paid	-390	-444	-12.2	-71	-154	-53.9
Interest received	5	5	0.0	3	2	50.0
Income taxes paid	-155	-207	-25.1	-13	-54	-75.9
Dividends received	168	163	3.1	0	1	-100
Depreciation, amortization and impairments	473	476	-0.6	161	158	1.9
Other non-cash items	-18	-7	> 100	2	7	-71.4
Changes in:						
• Inventories	-206	-106	94.3	-53	-46	15.2
• Trade receivables	-265	-263	0.8	-1	-4	-75.0
• Trade payables	47	131	-64.1	13	-31	-
• Provisions for pensions and similar obligations	-32	-25	28.0	-15	-13	15.4
• Other assets, liabilities and provisions	-242	158	-	29	133	-78.2
Cash flows from operating activities [1]	**600**	**919**	**-34.7**	**483**	**313**	**54.3**
Investing activities						
Proceeds from disposals of intangible assets and property, plant and equipment	5	10	-50.0	1	6	-83.3
Capital expenditures on intangible assets	-17	-11	54.5	-8	-3	> 100
Capital expenditures on property, plant and equipment	-483	-332	45.5	-194	-111	74.8
Investments in other financial investments	-1	-4	-75.0	0	-2	-100
Other investing activities	-1	7	-	0	0	0.0
Cash used in investing activities	**-497**	**-330**	**50.6**	**-201**	**-110**	**82.7**
Financing activities						
Dividends paid to non-controlling interests	-1	-1	0.0	0	0	0.0
Receipts from loans	610	2	> 100	1	-3	-
Repayments of loans	-192	-616	-68.8	-19	-338	-94.4
Other financing activities [2]	-159	-31	> 100	-69	-57	21.1
Cash provided by financing activities	**258**	**-646**	**-**	**-87**	**-398**	**-78.1**
Net increase (decrease) in cash and cash equivalents	**361**	**-57**	**-**	**195**	**-195**	**-**
Effects of foreign exchange rate changes on cash and cash equivalents	14	-16	-	9	-7	-
Cash and cash equivalents as at beginning of period	300	433	-30.7	471	562	-16.2
Cash and cash equivalents as at end of period	**675**	**360**	**87.5**	**675**	**360**	**87.5**

[1] Excluding interest payments, cash flows from operating activities for the period from January 01 to September 30, 2014 amount to EUR 990 m (prior year: EUR 1.363 m).
[2] Including payments to the shareholder, Schaeffler Verwaltungs GmbH, of EUR 154 m (prior year: EUR 45 m).

Consolidated statement of changes in shareholders' equity

	Share capital	Reserves	Accumulated other comprehensive income (loss) [1]				Subtotal	Non-controlling interests	Total
in € millions			Translation reserve	Hedging reserve	Fair value reserve	Defined benefit plan remea-surement reserve			
Balance as at January 01, 2013	**500**	**2,027**	**75**	**-2**	**2**	**-554**	**2,048**	**60**	**2,108**
Net income		1,020					1,020	6	1,026
Other comprehensive income (loss)			-210	-14	-1	59	-166	-10	-176
Total comprehensive income (loss) for the period	**0**	**1,020**	**-210**	**-14**	**-1**	**59**	**854**	**-4**	**850**
Transactions with shareholders									
Dividends		-250					-250	-1	-251
Total amount of transactions with shareholders		**-250**					**-250**	**-1**	**-251**
Other items from equity-accounted investees recognized directly in shareholders' equity		**-15**				**14**	**-1**		**-1**
Balance as at September 30, 2013	**500**	**2,782**	**-135**	**-16**	**1**	**-481**	**2,651**	**55**	**2,706**
Balance as at January 01, 2014	**500**	**2,643**	**-249**	**-6**	**1**	**-455**	**2,434**	**57**	**2,491**
Net income		936					936	5	941
Other comprehensive income (loss)		-2	263	-63	2	-296	-96	6	-90
Total comprehensive income (loss) for the period	**0**	**934**	**263**	**-63**	**2**	**-296**	**840**	**11**	**851**
Transactions with shareholders									
Dividends		-250					-250	-1	-251
Total amount of transactions with shareholders		**-250**					**-250**	**-1**	**-251**
Balance as at September 30, 2014	**500**	**3,327**	**14**	**-69**	**3**	**-751**	**3,024**	**67**	**3,091**

[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 nine months		1st nine months		1st nine months	
in € millions	2014	2013	2014	2013	2014	2013
Revenue	6,667	6,129	2,357	2,296	9,024	8,425
Cost of sales	-4,817	-4,478	-1,603	-1,570	-6,420	-6,048
Gross profit	1,850	1,651	754	726	2,604	2,377
EBIT	932	800	283	238	1,215	1,038
• in % of revenue	14.0	13.1	12.0	10.4	13.5	12.3
Depreciation, amortization and impairments	-332	-339	-141	-137	-473	-476
Inventories [1)]	1,074	926	738	632	1,812	1,558
Trade receivables [1)]	1,477	1,352	539	494	2,016	1,846
Property, plant and equipment [1)]	2,545	2,310	966	1,000	3,511	3,310
Additions to intangible assets and property, plant and equipment	408	252	104	68	512	320

	Automotive		Industrial		Total	
	3rd quarter		3rd quarter		3rd quarter	
in € millions	2014	2013	2014	2013	2014	2013
Revenue	2,230	2,054	804	757	3,034	2,811
Cost of sales	-1,605	-1,512	-540	-535	-2,145	-2,047
Gross profit	625	542	264	222	889	764
EBIT	318	254	110	60	428	314
• in % of revenue	14.3	12.4	13.7	7.9	14.1	11.2
Depreciation, amortization and impairments	-113	-113	-48	-45	-161	-158
Inventories [1)]	1,074	926	738	632	1,812	1,558
Trade receivables [1)]	1,477	1,352	539	494	2,016	1,846
Property, plant and equipment [1)]	2,545	2,310	966	1,000	3,511	3,310
Additions to intangible assets and property, plant and equipment	196	89	40	27	236	116

Prior year information based on 2014 segment structure.
[1)] Amounts as at September 30.

Condensed notes to the consolidated financial statements

Reporting entity

Schaeffler Verwaltung Zwei GmbH, Herzogenaurach, (until October 23, 2014: Schaeffler AG) 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. 14734). Schaeffler Verwaltung Zwei GmbH is managed by an executive management board consisting of Klaus Rosenfeld and Klaus Deissenberger. The condensed consolidated financial statements of Schaeffler Verwaltung Zwei GmbH as at September 30, 2014 comprise Schaeffler Verwaltung Zwei GmbH 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 Verwaltung Zwei GmbH, Herzogenaurach, for the reporting period ended September 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 Verwaltung Zwei GmbH.

- 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”. The revisions to IAS 28 expand the scope of the standard to include accounting for joint ventures using the equity method and incorporate the guidance contained in Standing Interpretations Committee Interpretation (SIC)-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. The initial application of these amendments had no 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 had no 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 generally unchanged from the matters described in the consolidated financial statements of Schaeffler Verwaltung Zwei GmbH as at and for the year ended December 31, 2013. The only change relates to the assumptions regarding the discount rate used to measure the company’s pension obligations. These assumptions were adjusted to reflect current market trends. The adjustment has led to an increase in pension obligations and a reduction in shareholders’ equity. Please refer to “Provisions for pensions and similar obligations” below for more detailed information.

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.

Scope of consolidation

The Schaeffler Group includes, in addition to Schaeffler Verwaltung Zwei GmbH, 156 fully consolidated subsidiaries (December 31, 2013: 158); 55 companies are domiciled in Germany (December 31, 2013: 55) and 101 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.
INA Mexico S.A. de C.V., Mexico City, and ABCOM Holdings (Proprietary) Limited, Port Elizabeth (South Africa), were liquidated and RODISA, S.L., Elgoibar (Spain), was merged with another Schaeffler Group company.

In the consolidated interim financial statements as at September 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 September 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 (01/01-09/30)	25,588	24,924
Net income [1] (01/01-09/30)	1,861	1,649
Assets (as at 09/30)	29,668	28,205
Liabilities (as at 09/30)	18,816	19,131

[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 548 m (prior year: EUR 682 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 549 m (prior year: EUR 494 m).

The effect on the Schaeffler Group's net income as at September 30, 2014 was as follows:

in € millions	2014	2013
Depreciation, amortization and impairments of fair value adjustments	-97	-103
Share of net income of Continental AG	615	568
Effect before income taxes	**518**	**465**
Deferred taxes	30	29
Effect on net income before special items [1)]	**548**	**494**
Special items [1)]		
• Adjustment of impairment losses on investments in associated companies	1	0
Effect on net income after special items [1)]	**549**	**494**

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

The Schaeffler Group's share of other comprehensive income of Continental AG amounts to EUR 61 m (prior year: share of other comprehensive loss of EUR 85 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 150.65 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 10,303 m (December 31, 2013: EUR 10,901 m) on September 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.

Reconciliation to earnings before income taxes in € millions	1st nine months 2014	 2013
EBIT Automotive [1]	932	800
EBIT Industrial [1]	283	238
EBIT	**1,215**	**1,038**
Financial result	**-631**	**-384**
Income from equity-accounted investees	**548**	**682**
Earnings before income taxes	**1,132**	**1,336**

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

Current and non-current financial debt

	09/30/2014			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	6,981	197	6,784	6,190	225	5,965

On September 30, 2014, the Schaeffler Group had financial debt of EUR 6,981 m (December 31, 2013: EUR 6,190 m), consisting of EUR 6,784 m (December 31, 2013: EUR 5,965 m) in non-current financial debt and EUR 197 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 the increase in the shareholder loan due to Schaeffler Verwaltungs GmbH, and the impact of foreign currency translation.

Please refer to the Group interim management report for a detailed discussion of the impact of the refinancing transaction completed in the second quarter of 2014 on the Schaeffler Group's earnings, financial position, and net assets.

Provisions for pensions and similar obligations

A further decline in interest rate levels required another reduction in the discount rate used to value the Schaeffler Group's key pension plans as at September 30, 2014. As a result, the Schaeffler Group's average discount rate was reduced to 2.8 % 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 301 m as at September 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.

			09/30/2014		12/31/2013		09/30/2013	
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		2,016	2,016	1,676	1,676	1,846	1,846
Other investments [1]	AfS		14	-	14	-	16	-
Other financial assets								
• Marketable securities	AfS	1	11	11	9	9	4	4
• Derivatives designated as hedging instruments	n/a	2	4	4	42	42	45	45
• Derivatives not designated as hedging instruments	HfT	2	113	113	207	207	115	115
• Miscellaneous financial assets	LaR		43	43	68	68	67	67
Cash and cash equivalents	LaR		675	675	300	300	360	360
Financial liabilities, by class								
Financial debt	FLAC	2	6,981	7,271	6,190	6,761	6,089	6,308
Trade payables	FLAC		1,095	1,095	1,014	1,014	891	891
Other financial liabilities								
• Derivatives designated as hedging instruments	n/a	2	76	76	104	104	124	124
• Derivatives not designated as hedging instruments	HfT	2	34	34	63	63	96	96
• Miscellaneous financial liabilities	FLAC		477	477	414	414	413	413
Summary by category								
Available-for-sale financial assets (AfS)			25	-	23	-	20	-
Financial assets held for trading (HfT)			113	-	207	-	115	-
Loans and receivables (LaR)			2,734	-	2,044	-	2,273	-
Financial liabilities at amortized cost (FLAC)			8,553	-	7,618	-	7,393	-
Financial liabilities held for trading (HfT)			34	-	63	-	96	-

[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 three quarters of 2014, and no (partial) disposals are planned for the foreseeable future.

Contingent liabilities and other financial obligations

At September 30, 2014, the Schaeffler Group had open commitments under fixed contracts to purchase property, plant and equipment of EUR 319 m (December 31, 2013: EUR 177 m). EUR 280 m of the commitments existing at September 30, 2014 are expected to be settled within one year and EUR 39 m in more than one year but within five years.

Contingent liabilities amounted to EUR 31 m at September 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 10 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 September 30, 2014 were as follows:

	Receivables		Payables	
in € millions	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Continental Group companies	18	12	6	12

	Expenses		Income	
in € millions	2014	2013	2014	2013
Continental Group companies (01/01-09/30)	41	29	77	69

Payables to IHO companies amounted to EUR 567 m (December 31, 2013: EUR 446 m) at September 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

Adjustment of financing structure
On October 16, 2014, the Schaeffler Group announced that it had successfully completed another refinancing transaction of approximately EUR 1.9 bn. As part of this transaction, the company replaced institutional loans totaling approximately EUR 1.6 bn and bank loans of EUR 250 m with new loan tranches.

Previous loan tranches E EUR and E USD were repaid using new loan tranches B EUR and B USD. New tranche B EUR with a principal of EUR 750 m bears interest at Euribor + 3.50 %, while new tranche B USD totaling USD 1.3 bn carries an interest rate of Libor + 3.50 %. Both loan tranches are subject to an interest rate floor of 0.75 % and are due in May 2020. As part of the transaction, the Schaeffler Group also paid off previous tranche D of the bank loan of EUR 250 m. At the same time, the company obtained a new revolving credit facility of EUR 1.0 bn with a maturity of five years, replacing the previous revolving credit facility.

In parallel with this refinancing transaction, the Schaeffler Group and Schaeffler Verwaltungs GmbH have obtained the approvals necessary to make certain changes to the terms and conditions of the existing bonds issued by Schaeffler Finance B.V. and Schaeffler Holding Finance B.V. The changes were aimed at harmonizing the terms and conditions of the bonds and increasing the company's financial flexibility. The bondholders' approvals were received on October 15, 2014.

Since completion of these steps, the interest in Continental AG held by the Schaeffler Group no longer serves directly as collateral of the Group's financial debt. The previous pledge of an approximately 17.1 % interest in Continental AG as collateral has been released in connection with the refinancing measures taken.

In addition to the Schaeffler Group's financing measures, Schaeffler Verwaltungs GmbH announced on October 21, 2014 that it had successfully completed an extensive refinancing arrangement of a portion of its debt totaling approximately EUR 1.9 bn. As part of this refinancing transaction, the company placed bond issues denominated in EUR and USD with a value of approximately EUR 1.25 bn and entered into a new loan agreement totaling EUR 700 m. The proceeds of the partial refinancing arrangement were used to fully repay the previous loan agreement of approximately EUR 1.9 bn, thus further lowering borrowing costs at the level of Schaeffler Verwaltungs GmbH, extending its debt maturities, and improving the terms and conditions of the loan agreement.

The Schaeffler Group's credit rating as well as the ratings for the bonds issued by Schaeffler Finance B.V. and Schaeffler Holding Finance B.V. are unchanged from September 30, 2014.

Adjustment of Group structure

Schaeffler AG (previously the Schaeffler Group's parent company) was changed to a limited liability company ("Gesellschaft mit beschränkter Haftung") on October 23, 2014. The company was renamed Schaeffler Verwaltung Zwei GmbH. All executive board functions were transferred to its subsidiary INA Beteiligungsgesellschaft mit beschränkter Haftung on October 24, 2014. At the same time, INA Beteiligungsgesellschaft mit beschränkter Haftung was changed to a stock corporation („Aktiengesellschaft") and renamed Schaeffler AG.

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 September 30, 2014.

Herzogenaurach, November 14, 2014

The Executive Management Board

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Imprint

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November 2014

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 3rd quarter 2014

in € millions	2013 1st quarter	2013 2nd quarter	2013 3rd quarter	2013 4th quarter	2014 1st quarter	2014 2nd quarter	2014 3rd quarter
Income statement							
Revenue	2,756	2,858	2,811	2,780	2,976	3,014	3,034
EBITDA	512	530	472	120	569	530	589
• in % of revenue	18.6	18.5	16.8	4.3	19.1	17.6	19.4
Adjusted EBITDA [1]			520	500	560	541	589
• in % of revenue			18.5	18.0	18.8	17.9	19.4
EBIT	355	369	314	-56	414	373	428
• in % of revenue	12.9	12.9	11.2	-2.0	13.9	12.4	14.1
Adjusted EBIT [2]			362	324	405	384	428
• in % of revenue			12.9	11.7	13.6	12.7	14.1
Net income [3]	**233**	**328**	**459**	**-155**	**382**	**192**	**362**
Statement of financial position							
Total assets	13,960	14,110	13,661	13,427	13,836	14,251	14,992
Shareholders' equity [4]	2,110	2,325	2,706	2,491	2,527	2,728	3,091
• in % of total assets	15.1	16.5	19.8	18.6	18.3	19.1	20.6
Net financial debt [5]	6,533	6,132	5,445	5,447	5,527	5,755	5,769
• Net financial debt to EBITDA ratio [6]	3.3	3.1	2.8	3.3	3.3	3.4	3.2
• Net financial debt to adjusted EBITDA ratio [6, 7]			2.7	2.6	2.6	2.7	2.6
Additions to intangible assets and property, plant and equipment [8]	103	101	116	253	127	149	236
Statement of cash flows							
Free cash flow [9]	52	334	203	40	-19	-160	282
Employees							
Headcount (at end of reporting period)	76,186	76,840	77,850	78,559	79,686	80,373	81,670

[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

November 20, 2014

Results for the first nine months 2014

March 26, 2015

Full Year Results 2014

May 21, 2015

Results for the first three months 2015

August 20, 2015

Results for the first six months 2015

November 19, 2015

Results for the first nine months 2015

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

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