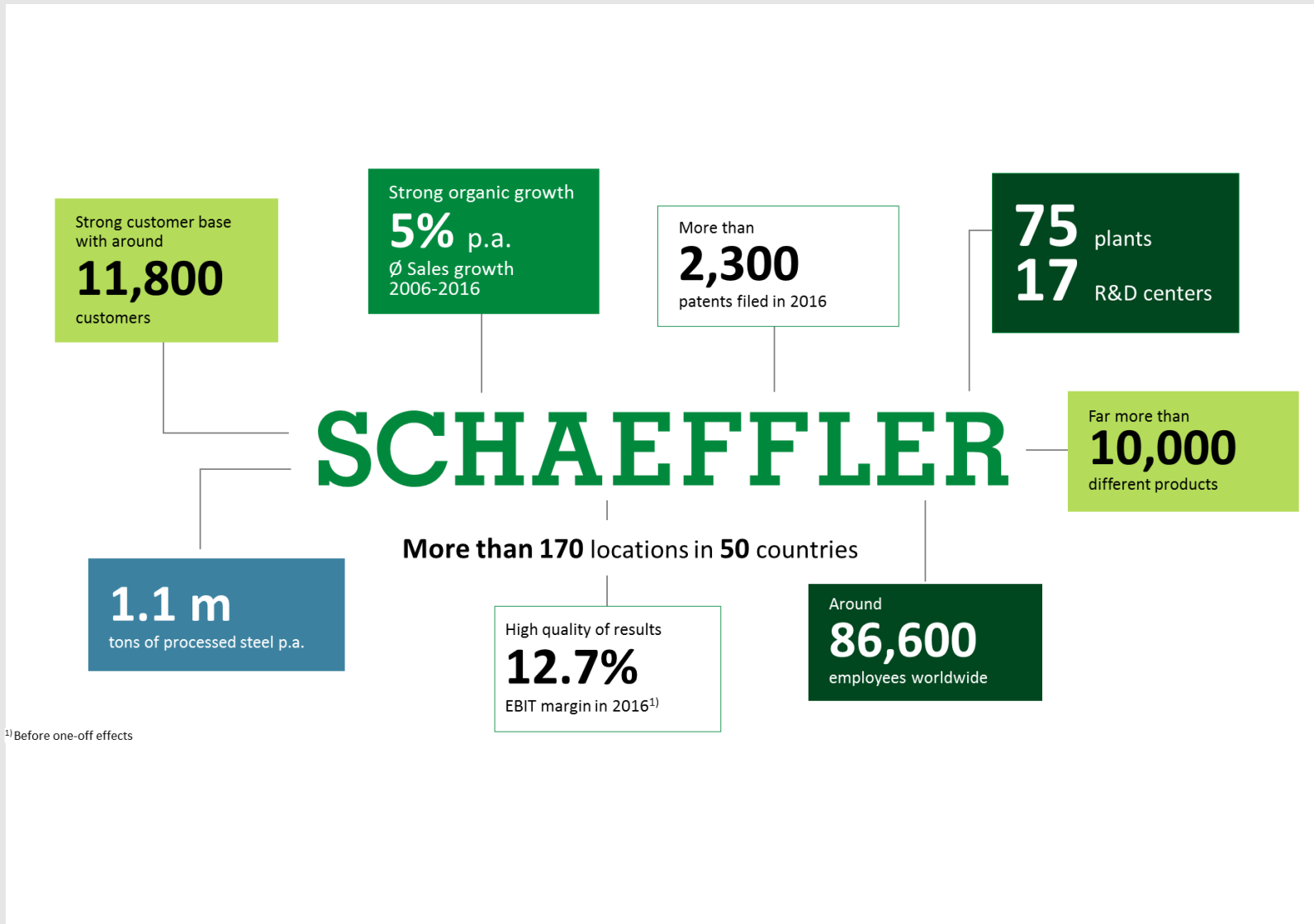




Investor Presentation Creation of 'One Schaeffler India' entity

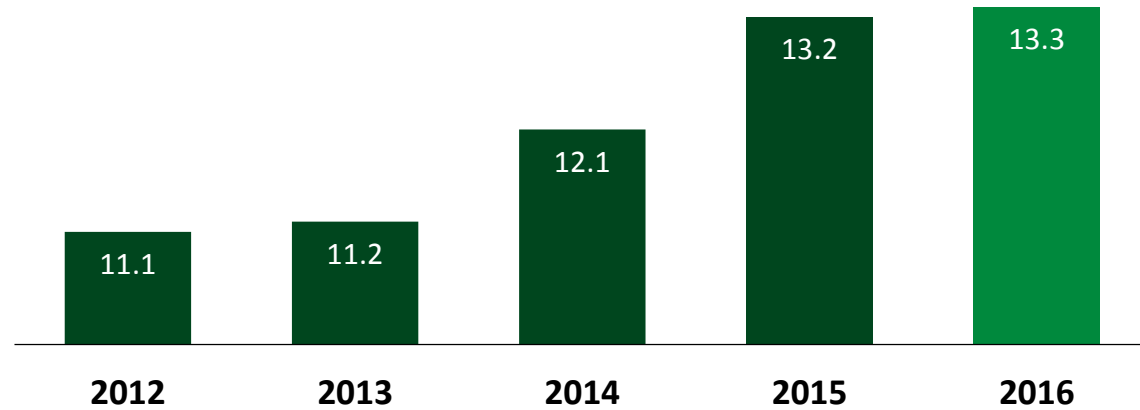
August 30, 2017
Mumbai

- 1** Strategic overview
- 2** Transaction rationale
- 3** Transaction structure
- 4** Pro forma financial profile
- 5** Execution and next steps
- 6** Summary

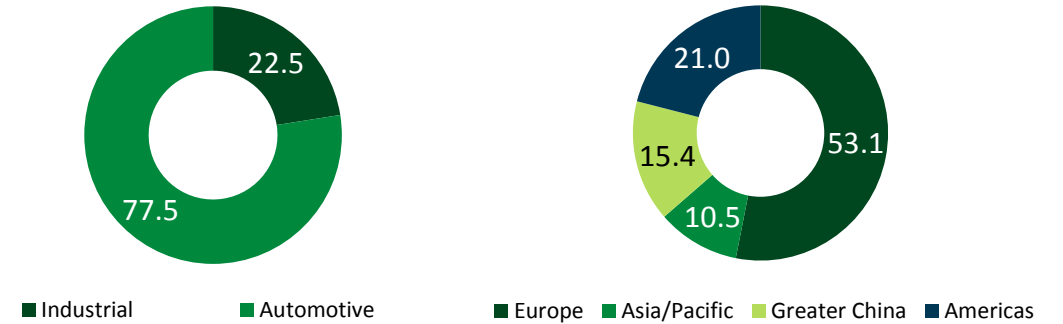


- ▶ Quality, technology and innovation as key success factors
- ▶ Well defined strategy 'Mobility for Tomorrow' with 4 focus areas and 8 strategic pillars
- ▶ Above average growth and profitability with global sales of more than EUR 13 bn in 2016
- ▶ Global footprint with 75 plants and 17 R&D centers
- ▶ Over 50 years of presence in India – with top 3 market positions across different sectors
- ▶ India as one of the key growth markets for the future

Sales growth (in EUR bn)



Sales by division and region in 2016 (in %)

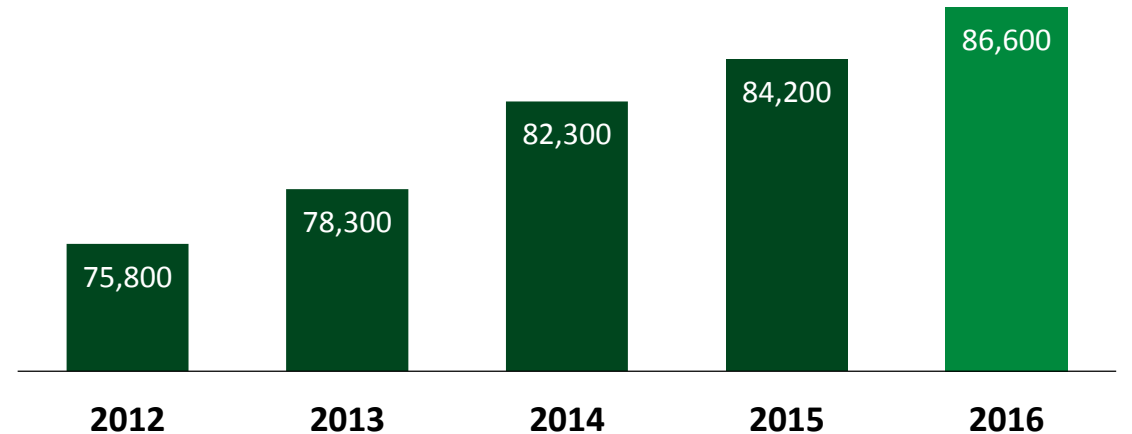


EUROPE: Incl. Germany, Western, Southern and Eastern Europe, Middle East, Africa, Russia and India

Global footprint

	#Plants	#R&D Centers
Europe	48	9
Americas	14	5
Greater China	8	1
Asia / Pacific	5	2
Total	75	17

Employees worldwide



Strategy "Mobility for tomorrow" – 4 key elements

Vision / Mission

Mission

"Guided by the values of a global family business, we work closely together with our customers as true partners to deliver a compelling value proposition through our best-in-class expertise in manufacturing technology and systems know-how. In doing so, we contribute to the success of our customers, the advancement of our employees, and the prosperity of our society."

Vision

"As a leader in technology, we combine a passion for innovation with the highest standards of quality to shape the future of mobility – for a world that will be cleaner, safer, and smarter."



4 Focus areas

Eco-friendly drives

- ▶ Optimized combustion engine
- ▶ Electric vehicles
- ▶ Industrial drives



Urban mobility

- ▶ Two-wheelers
- ▶ Inner-city railways
- ▶ Micro mobiles



Mobility for tomorrow

Interurban mobility

- ▶ Rail vehicles
- ▶ Aircraft
- ▶ Off-highway



Energy chain

- ▶ Wind power
- ▶ Solar power
- ▶ Conventional power generation



8 Strategic pillars

- We want to be the preferred technology partner for our customers.
- We are an Automotive and Industrial supplier.
- We are a global company with a local presence throughout the world.
- We produce components and systems.
- We view E-Mobility, Industry 4.0, and Digitalization as key opportunities for the future.
- We strive for the highest possible quality, efficiency, and delivery performance.
- We want to be an attractive employer.
- We live by the values of a global family business.

16 Strategic initiatives

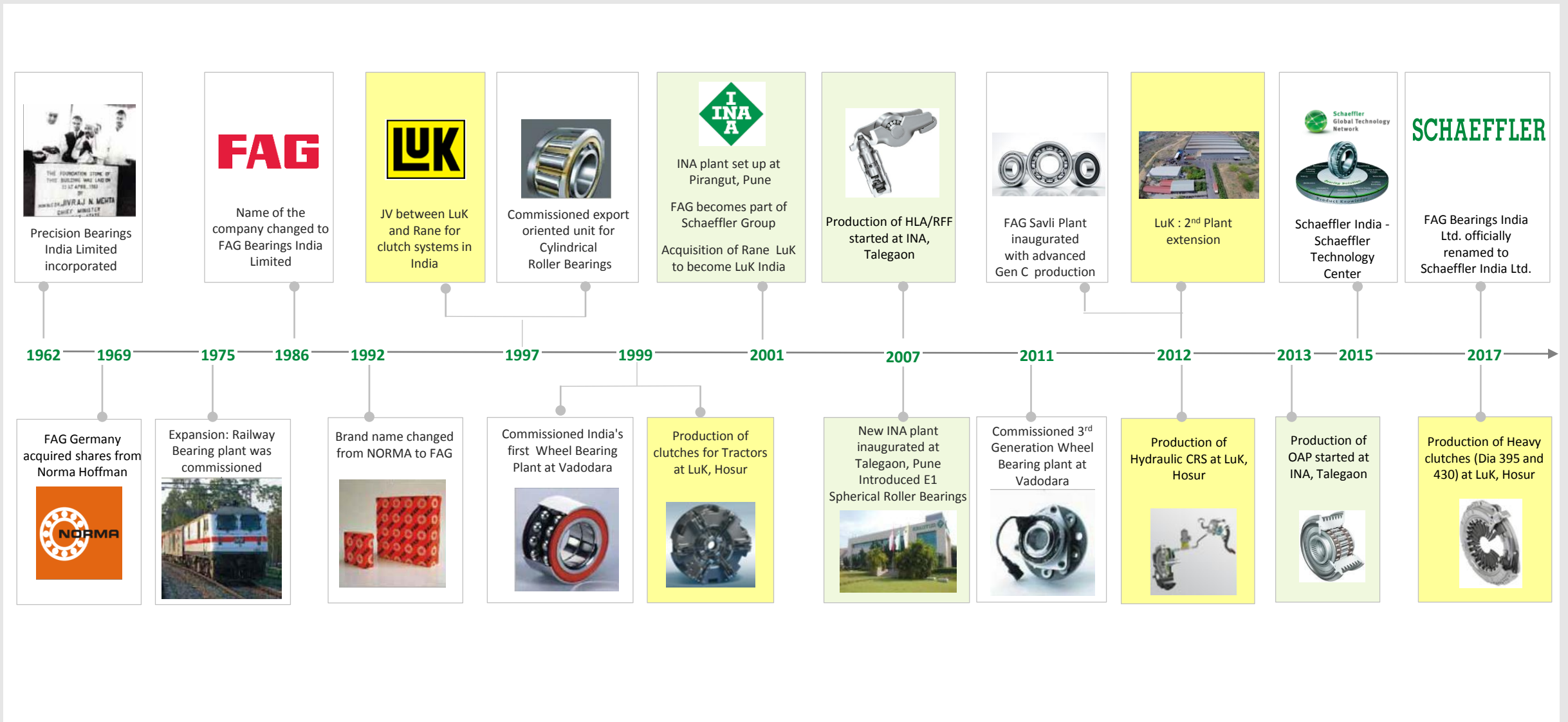
Agenda 4 plus One



Initiatives

Initiatives	Sponsor
1 Customer Excellence	Prof. Pleus / Dr. Spindler Prof. Gutzmer Dr. Spindler
2 E-Mobility	
3 Industry 4.0	
4 Quality for Tomorrow	Rosenfeld
5 Global Footprint	Rosenfeld
6 Factory for Tomorrow	Jung
7 Shared Services	Dr. Hauck
8 Process Excellence	Rosenfeld
9 Working Capital	Dr. Hauck
10 Leadership & Corporate Values	Schittenhelm Schittenhelm Schittenhelm
11 Qualification for Tomorrow	
12 New Work	
13 Program CORE	Dr. Spindler
14 Digital Agenda	Prof. Gutzmer
15 IT 2020	Prof. Gutzmer
16 Global Branding	Rosenfeld

Schaeffler in India – Over 50 years of progress



Schaeffler in India – 3 different entities

Schaeffler India Ltd. (Schaeffler India)



- ▶ Present in India since 1962
- ▶ Schaeffler AG holds 51.33% stake through its wholly owned subsidiaries
- ▶ Ball and Roller bearings of all types for Industrial and Automotive applications
- ▶ Manufacturing facilities at Maneja and Savli, Gujarat
- ▶ Employees – 1,525

INRm	CY16
Revenue	18,139
% growth	5.2%
EBITDA ¹⁾	2,961
% margin	16.3%
PAT	1,945
% margin	10.7%
Net debt	(6,406)
Net worth	14,525

1) Excludes other non-operating income and other income

INA Bearings Pvt. Ltd. (INA)



- ▶ Present in India since 2001
- ▶ Schaeffler AG indirectly holds 100% stake
- ▶ Needle/linear bearings, engine, transmission and chassis precision components for Automotive and Industrial applications
- ▶ Manufacturing facility at Talegaon, Pune
- ▶ Employees – 663

INRm	CY16
Revenue	10,418
% growth	15.1%
EBITDA ¹⁾	1,461
% margin	14.0%
PAT	685
% margin	6.6%
Net debt	1,816
Net worth	1,992

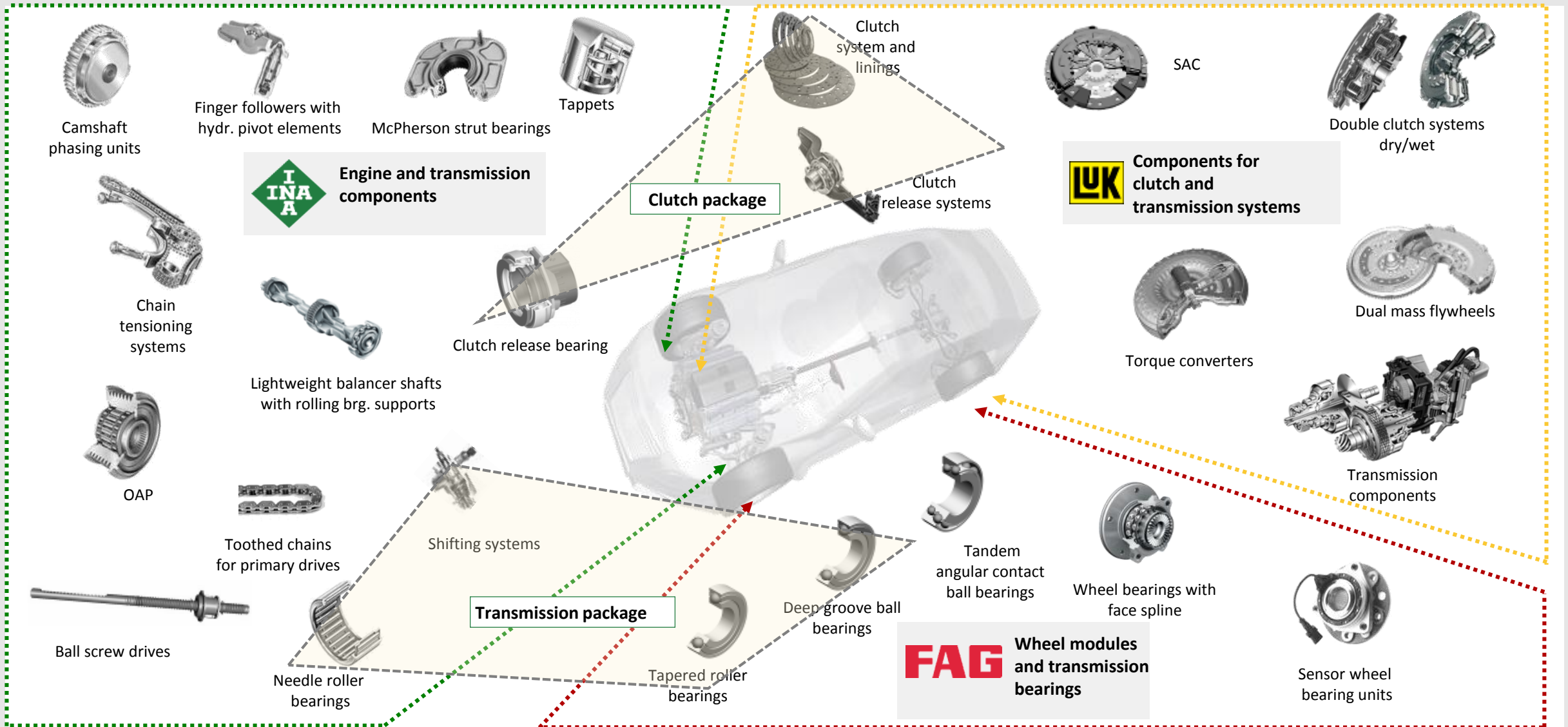
LuK India Pvt. Ltd. (LuK)



- ▶ Present in India since 1997
- ▶ Schaeffler AG indirectly holds 100% stake
- ▶ Clutch and transmission components and systems for Automotive applications
- ▶ Manufacturing facility at Hosur, Tamil Nadu
- ▶ Employees – 757

INRm	CY16
Revenue	7,298
% growth	16.6%
EBITDA ¹⁾	1,262
% margin	17.3%
PAT	611
% margin	8.4%
Net debt	23
Net worth	2,788

Broad product spectrum – Automotive Division



Broad product spectrum – Industrial Division

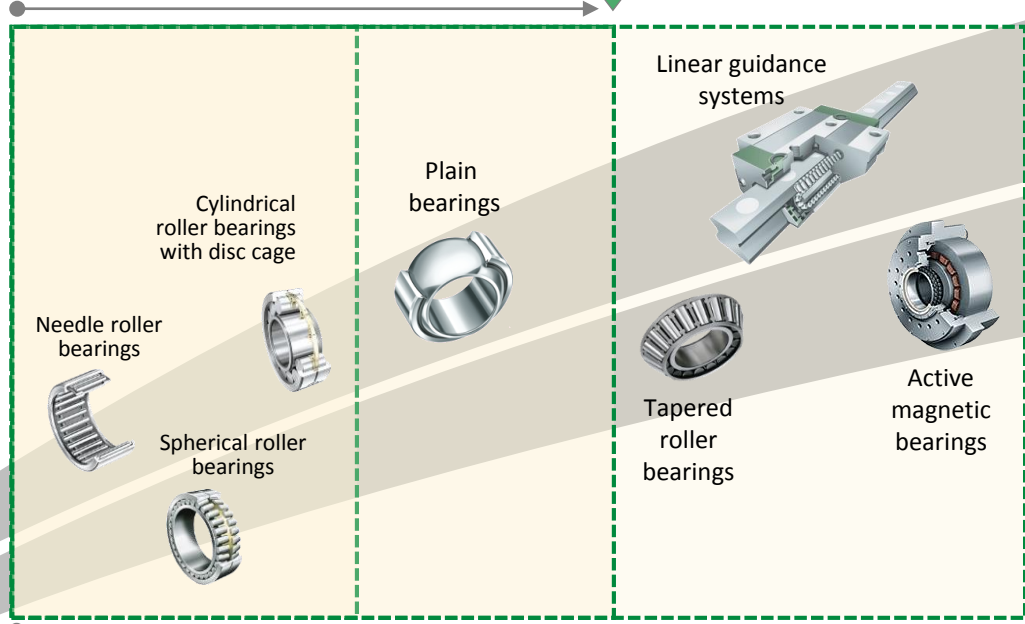


INA-FAG catalog with 40,000 articles



Example Steel Mills:
Continuous Caster applications

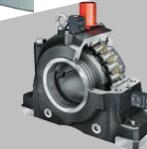
Rotary table bearings with measuring system



Main spindle bearings



Direct drives



Housings



Engine bearings



Axial / radial roller bearings with outside diameter of several meters

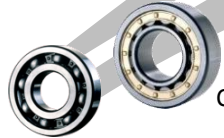


Example Oil and Gas:
Drilling equipment such as Mud Pump

Example Cement:
Various applications such as clinker production, cooler, raw material grinding etc.

Yoke type and stud type track rollers

Radial insert ball bearings



Smallest ball bearing with a 1 mm inside diameter

Cage-guided cylindrical roller bearings

Transaction rationale – Establishing one strong Schaeffler India entity

1 **Leading Indian Automotive and Industrial supplier**

Creating a leading Indian Automotive and Industrial supplier with about INR 35.7 bn in revenues and nearly 3,000 employees

2 **Diversified and high-growth product offering**

Establishing a diversified product offering across the high-growth Automotive and Industrial segments



3 **Revenue and cost synergy potentials**

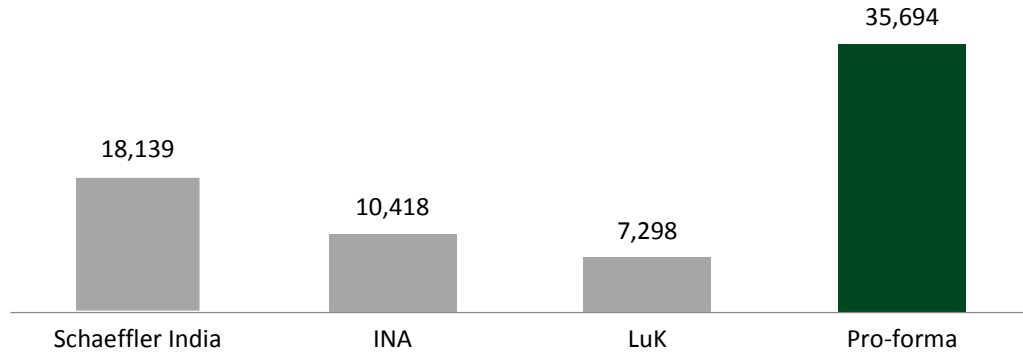
Realizing revenue and cost synergies by bundling the product offerings, leveraging distribution networks and reducing overhead costs

4 **Creating value for all stakeholders**

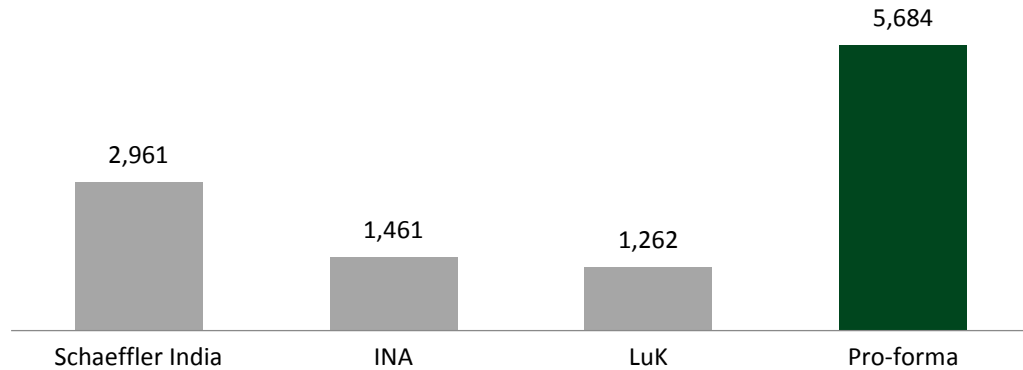
Higher growth and margin expansion to create value for all stakeholders

1 Leading Indian Automotive and Industrial supplier

Revenue (INRm) – CY16



EBITDA¹⁾ (INRm) – CY16



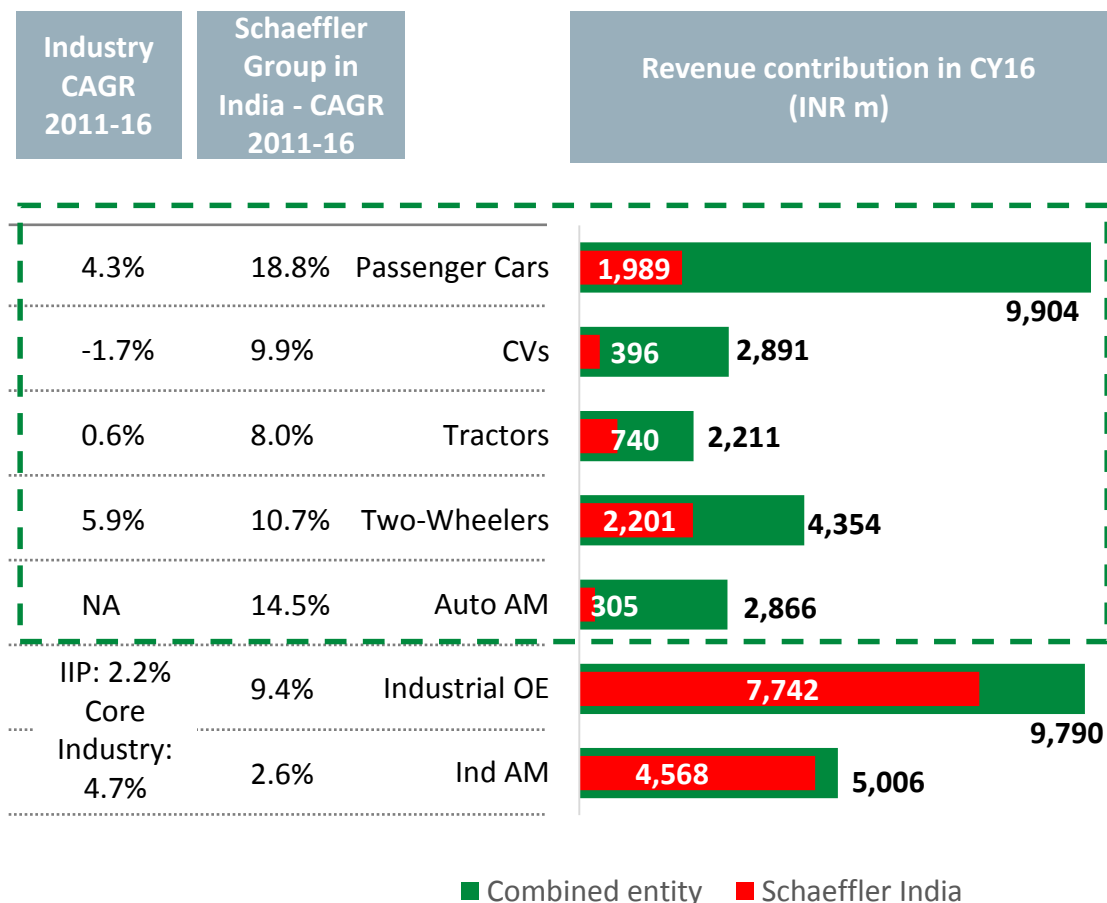
1) Excludes other non-operating income and other income

Leading solutions provider with an all-round presence

- ▶ Combined entity will be one of the biggest automotive component and bearing suppliers in India
- ▶ Within the bearings space, Schaeffler India's range will expand to include needle roller bearings, linear roller bearings and precision spindle bearings
- ▶ On the automotive front, combined entity will have a full range of solutions in engine, transmission and chassis areas
- ▶ Strong capabilities of combined entity to participate in evolving trends of Industry 4.0 and e-mobility through strategy 'Mobility for Tomorrow'

2 Diversified and high-growth product offering – Automotive and Industrial segments (1/2)

Schaeffler India will add high-growth attractive automotive business to its portfolio



Sources: MOSPI, SIAM

Note: CV – Commercial vehicles, AM - Aftermarket

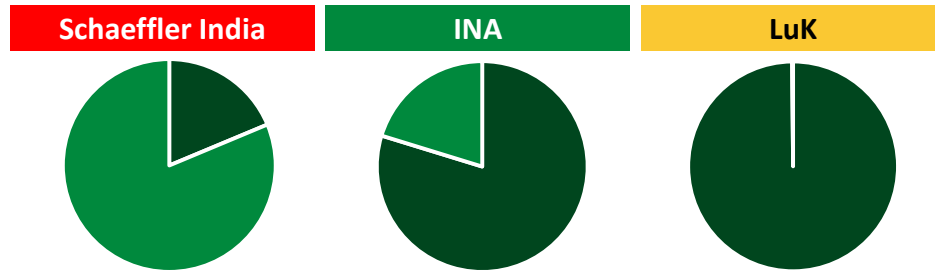
India's focus on infrastructure and domestic manufacturing to drive growth

- ▶ **Fast growing Automotive Industry:** Low penetration coupled with high aspiration will drive growth in passenger vehicles. New emission requirements (BS VI in 2020 for example) and transmission automation provides tremendous opportunities for technology companies like Schaeffler. Indian automobile market will be third largest by 2020, overtaking Germany and Japan
- ▶ **Investment in Railways:** US\$128bn investment plan over 2015-19. Two dedicated freight corridors of 3,300 km with estimated capex of US\$50bn, 5 more (estimated 6,100 km) in the works. 12 cities have operating or under construction metro rail systems. Alstom and GE setting up local locomotives manufacturing units
- ▶ **Renewable energy:** 175 GW target renewable capacity by 2022. Wind capacity target of 60 GW by 2022 from the present 30GW – a 2x increase
- ▶ **Rural focus:** Government's push on rural economy will drive growth in two wheelers and tractors

Sources: IHS Markit Research, Ministry of Power

2 Diversified and high-growth product offering – Automotive and Industrial segments (2/2)

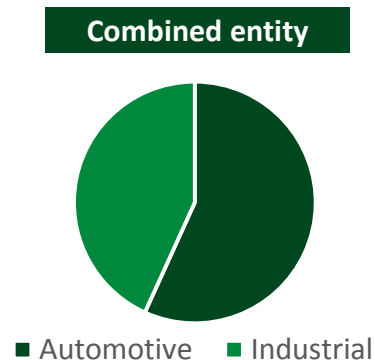
Revenue mix (CY16)



	Schaeffler India	INA	LuK
Passenger cars	11%	59%	24%
Two Wheelers	12%	21%	-
Wind Energy	7%	-	-
Railway	6%	-	-
Tractors	4%	-	19%
CVs	2%	6%	25%
Auto AM	2%	2%	32%
Ind AM	26%	4%	-

Revenue mix for combined entity (CY16)

Passenger cars	28%
Two Wheelers	12%
Wind Energy	3%
Railway	3%
Tractors	6%
CVs	8%
Auto AM	8%
Ind AM	14%



Note: CV – Commercial vehicles, AM - Aftermarket

Top customers

Schaeffler India	INA	LuK

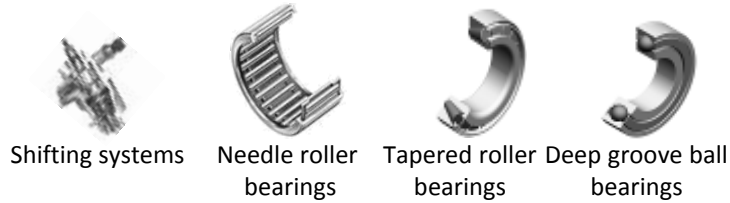
3 Revenue and cost synergy potentials – Product and Distribution

OEM Automotive

Clutch package: Clutch release bearing can be packaged with a clutch and clutch release system



Transmission package: Bearings and related products form transmission can be typically sourced as a package



Industrial

Example Steel Mills: Continuous Caster applications

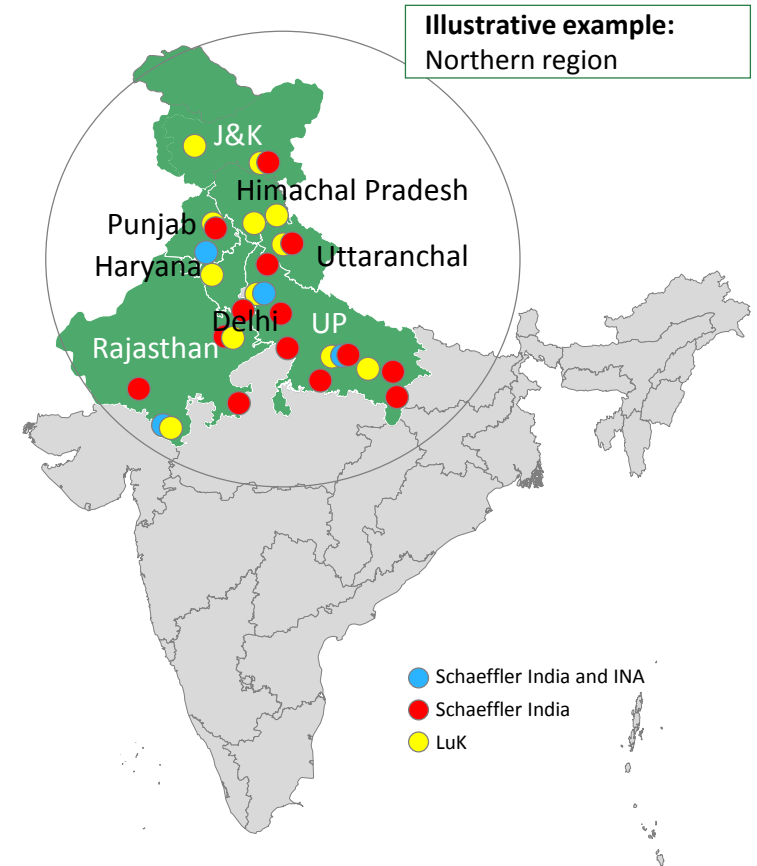


- ▶ Combined entity has better opportunity to bundle its offerings for package deals for OE customers
- ▶ The combined competency allows Schaeffler to demonstrate its system capabilities and participate in evolving trends like e-mobility and Industry 4.0

Aftermarket

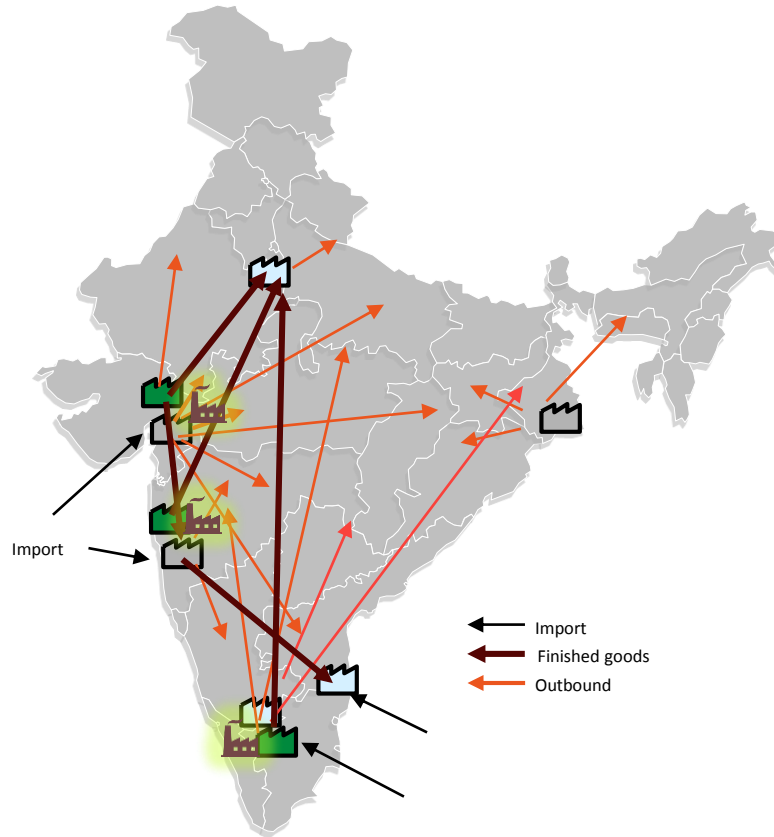
- ▶ Current Distribution network:
- ▶ All 3 entities have dedicated and independent distribution channel
- ▶ Potential to leverage distribution channel to expand the reach

	Schaeffler India	INA	LuK
Industrial	205	30	
Automotive			130

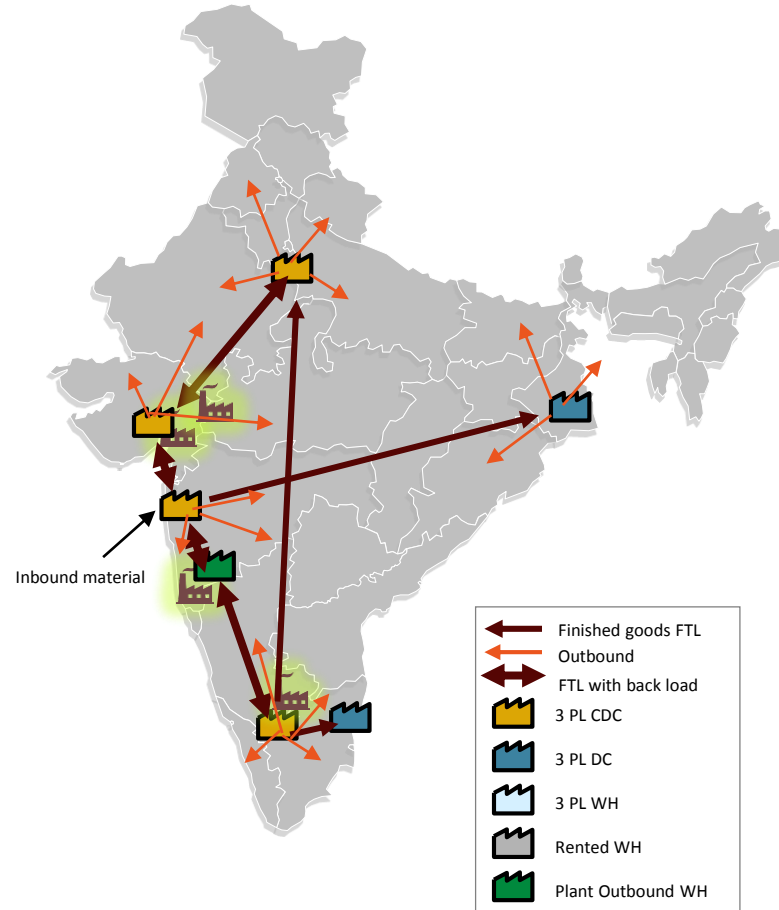


3 Revenue and cost synergy potentials – Optimizing warehousing and freight movement

Current Network



To-Be Network



- ▶ Logistics Concept can be developed by leveraging combined requirements of 3 legal entities and thus creating a positive customer experience through 'One face' approach
- ▶ Consolidation of freight movement, warehouse operations and distribution channels
- ▶ Faster, reliable and reduced costs of freight movements by leveraging volumes of all 3 entities
- ▶ Greater opportunity of maximising Full truck loads, provides control over costs and shipping lead times
- ▶ Operations by 3rd party logistics provider reducing capital investments

Notes: 3 PL – Third party logistics; WH – Warehouse; FTL – Full truckload; DC – Distribution Centre; CDC – Consolidated Distribution Centre

3 Revenue and cost synergy potentials – Efficiency improvements

Sales & Marketing efficiency

- ▶ Re-organization of internal sales team to implement the ‘One Schaeffler India’ and ‘Mobility for Tomorrow’ strategy
- ▶ Field sales force efficiency improvement due to “One face” to customer
- ▶ Consolidated sales offices at major upcountry locations

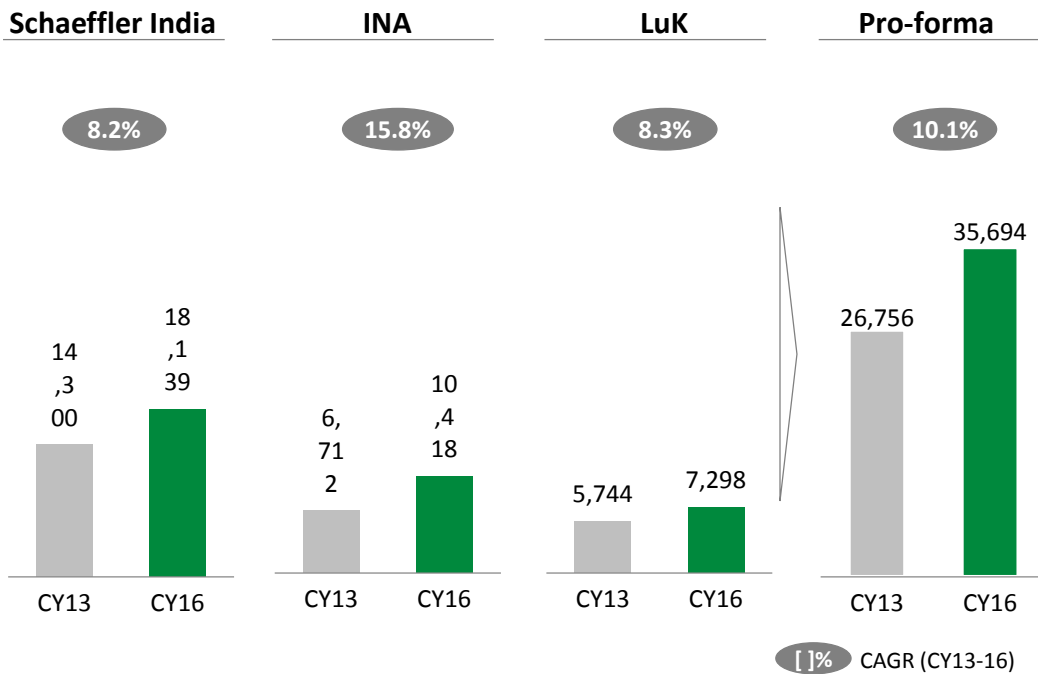
Administrative efficiency

- ▶ Efficiency due to single RfQ, order management, common invoicing and document processing
- ▶ Simplified credit management and sales collection efforts
- ▶ Functional cost efficiency in Finance, HR, IT, procurement and internal sales
- ▶ Ease of implementation of shared services
- ▶ Reduced complexity of compliances due to a single legal entity

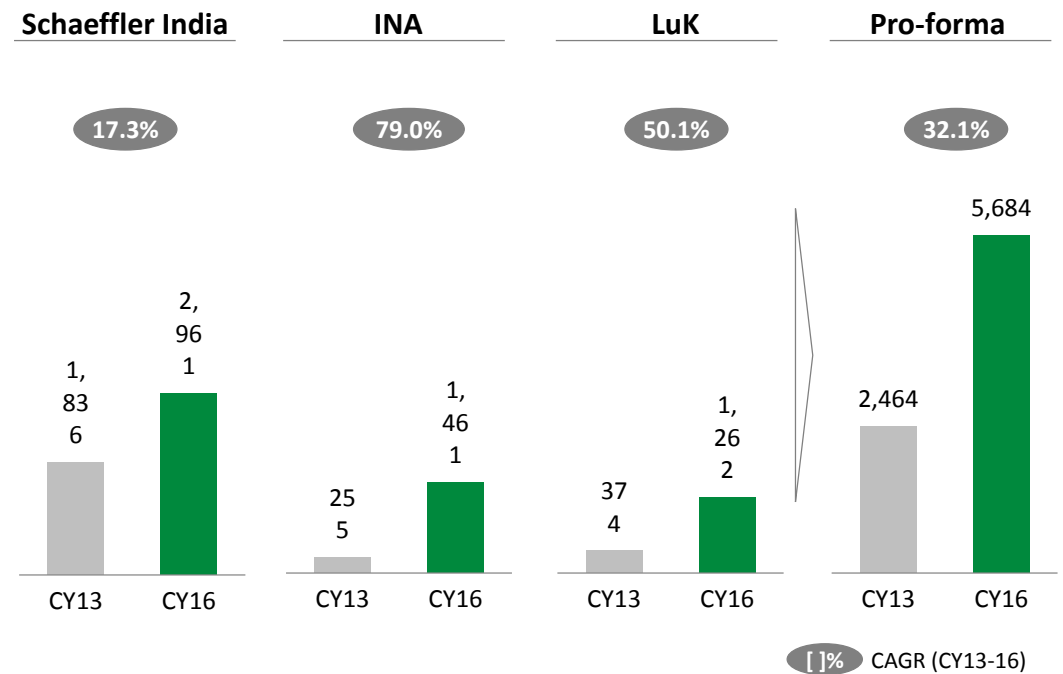
4 Creating value for all stakeholders – Higher growth and margin expansion

- ▶ Combined entity (on pro-forma basis) recorded revenue CAGR of 10.1% over CY13-16
- ▶ EBITDA margins for the combined entity improved from 9.3% in CY13 to 15.9% in CY16

Historical revenue (INR mn)



Historical EBITDA¹⁾ (INR mn)



1) Excludes other non-operating income and other income

Proposal to merge three entities to create "One Schaeffler India" entity

- The Board of Directors of Schaeffler India Ltd, INA Bearings India Pvt Ltd and LuK India Pvt Ltd in their respective meetings on 30th August, 2017 have approved a proposal to merge INA Bearings India Pvt Ltd and LuK India Pvt Ltd with Schaeffler India Ltd

Transaction highlights

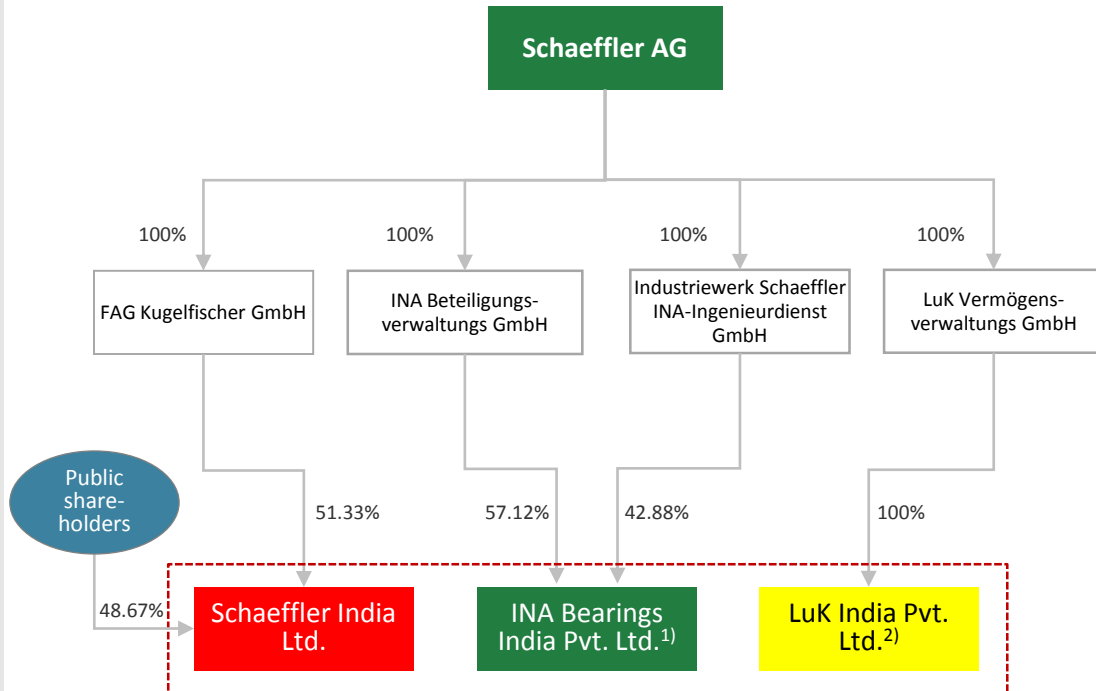
Appointed date	<ul style="list-style-type: none"> ► The appointed date for the proposed merger is 01 January 2018
Swap ratio	<ul style="list-style-type: none"> ► 10 shares of Schaeffler India Ltd (face value of INR 10 each) for every 65 shares of INA Bearings India Pvt Ltd, and ► 10 shares of Schaeffler India Ltd (face value of INR 10 each) for every 35 shares of LuK India Pvt Ltd
Shareholding	<ul style="list-style-type: none"> ► Promoter Group Schaeffler AG holds 51.33% stake in Schaeffler India Ltd and 100% stake in both INA Bearings India Pvt Ltd and LuK India Pvt Ltd ► As per the swap ratio, approximately 8.21 Mio. shares of Schaeffler India Ltd will be issued to shareholders of INA Bearings India Pvt Ltd and 6.43 Mio. shares of Schaeffler India Ltd will be issued to shareholders of LuK India Pvt Ltd ► Resultant shareholding of the Promoter Group post merger will be 74.13%
Approvals and Timeline	<ul style="list-style-type: none"> ► The key approvals required for the proposed merger are: <ul style="list-style-type: none"> – Securities and Exchange Board of India (SEBI); Stock Exchanges (BSE, NSE) – Approval of majority of public shareholders – Approval of majority (in number) of shareholders and creditors representing 75% in value – NCLT (Mumbai and Chennai) ► The merger process is expected to be completed in about 12 months

Valuation analysis has been undertaken by independent chartered accountants, Price Waterhouse & Co LLP (appointed by Schaeffler India Ltd) and Walker & Chandiock Co LLP (jointly appointed by INA Bearings India and LuK India Pvt Ltd); Fairness opinion to the Board of Schaeffler India Ltd has been provided by ICICI Securities

Proposed structure of merged entity

Simplified

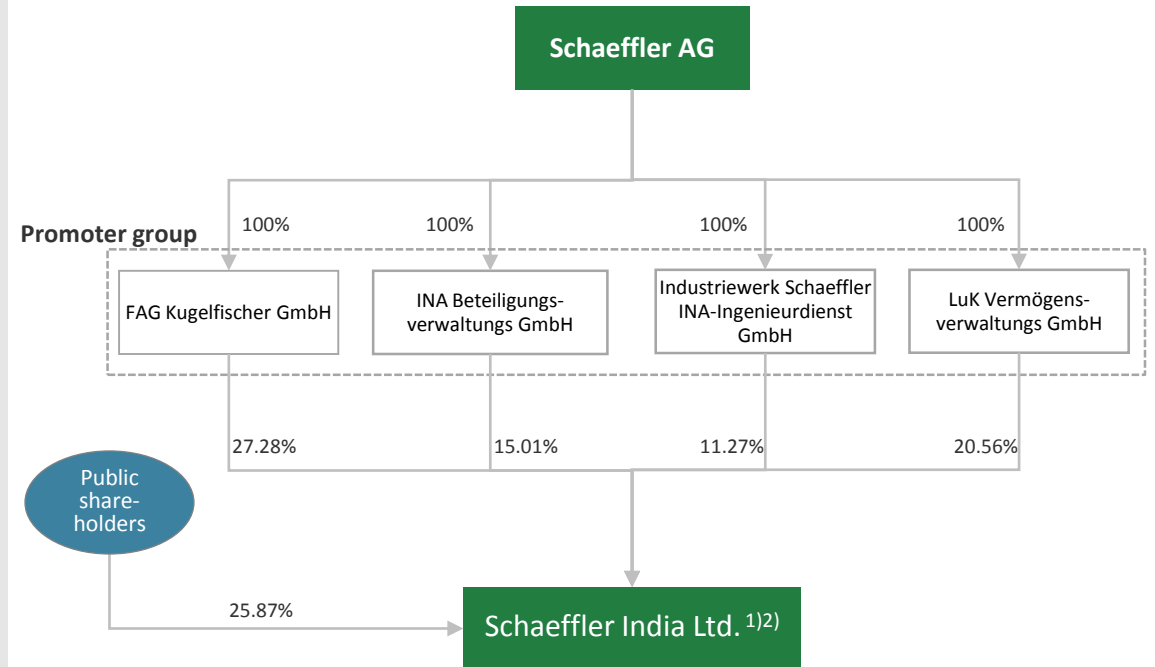
Current structure in India



1) Schaeffler Beteiligungsgesellschaft mbH (wholly owned subsidiary of Schaeffler AG) holds 1 share in INA Bearings India Pvt. Ltd and will continue to hold 1 share in the combined entity post merger.

Simplified

Proposed structure after proposed merger



2) Industrieaufbaugesellschaft Bühl mbH (wholly owned subsidiary of Schaeffler AG) holds 1 share in LuK India Pvt. Ltd and will continue to hold 1 share in the combined entity post merger.

Details of the financial statements of the respective parties and pro-forma post merger

Key financials	Schaeffler India Ltd.		INA Bearings India Pvt. Ltd.		LuK India Pvt. Ltd.		Schaeffler India Ltd. (proforma)	
	CY16	H1CY17 ¹⁾	CY16	H1CY17 ¹⁾	CY16	H1CY17 ¹⁾	CY16	H1CY17
Revenue	18,139	9,205	10,418	5,855	7,298	4,078	35,694	19,077
% growth (y-o-y) ²⁾	5.2%	6.9%	15.1%	17.3%	16.6%	17.3%	10.2%	12.1%
EBITDA ³⁾	2,961	1,746	1,461	892	1,262	684	5,684	3,323
% margin	16.3%	19.0%	14.0%	15.2%	17.3%	16.8%	15.9%	17.4%
PBT	2,985	1,699	997	633	889	509	4,870	2,841
% margin	16.5%	18.5%	9.6%	10.8%	12.2%	12.5%	13.6%	14.9%
PAT	1,945	1,115	685	414	611	353	3,241	1,881
% margin	10.7%	12.1%	6.6%	7.1%	8.4%	8.6%	9.1%	9.9%
Non current liabilities	289	294	1,501	1,263	326	208	1,146	597
- Borrowings	0	0	1,410	1,170	242	113	702	133
Non current Assets	5,520	5,556	2,733	2,659	1,957	1,874	9,244	8,926
Net Working capital ⁴⁾	2,889	3,199	777	808	836	957	4,498	4,959
- % of revenue	15.9%	17.4%	7.5%	6.9%	11.5%	11.7%	12.6%	13.0%
Cash balance	6,406	7,210	38	202	321	518	6,764	7,930

1) Based on limited review of six months financials ending 30th Jun 2017

2) % change over the corresponding period 12 months prior

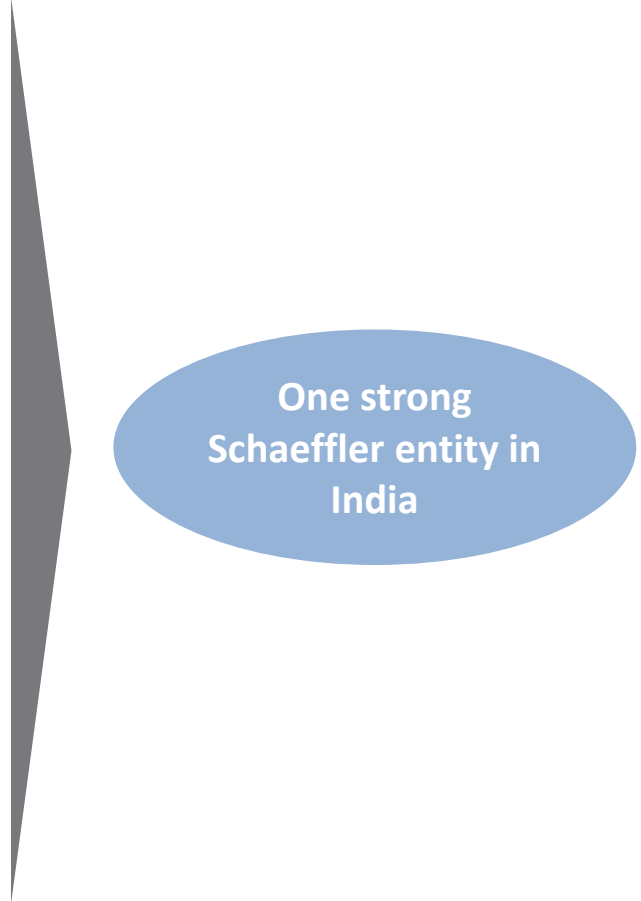
4) Net working capital = Current assets (excl. cash balance) less Current liabilities (excl. Borrowings)

3) Excludes other non-operating income, other income, one-offs

Transaction expected to be completed in 2018

Key events	Expected date
BSE, NSE and SEBI approvals sought	Q3CY17
BSE, NSE and SEBI approvals	Q4CY17
Applications to NCLT (Mumbai and Chennai benches) in India	Q4CY17
Notice to shareholders	Q4CY17
Shareholder approvals <ul style="list-style-type: none"> – Approval of majority public shareholders – Approval of majority (in number) of shareholders and creditors representing 75% in value 	Q1CY18
NCLT approval	Q2CY18
BSE, NSE and SEBI (final) approvals	Q3 CY18
Closing of transaction	Q3 CY18

- 1 Merger to combine the strengths of Schaeffler Group's entities in India and create a unified entity
- 2 In line with our strategy "Mobility for Tomorrow" to position ourselves as a leading Indian Automotive and Industrial supplier
- 3 Add attractive high growth Automotive business for a diversified product offering
- 4 Realize revenue and cost synergy potentials
 - Highly complementary product portfolios across the 3 companies
 - Potential efficiency gains in sales, marketing, distribution and admin functions
- 5 Create value for all stakeholders





Schaeffler India Ltd

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