

SO/GEFI

STAR CONFERENCE 2018

Milano – March 27-28th, 2018

Laurent HEBENSTREIT - Chief Executive Officer

Yann ALBRAND - Chief Financial Officer

Stefano Canu - Investor Relations

- 1 Full Year 2017 Results**
- 2 Technology**
- 3 Profitable and Sustainable Growth Strategy**

2017 Highlights

- Revenues up by 6.2% at € 1.672m (+7.3% at constant exchange rates), outperforming the market
- EBITDA at € 165.8m up 8.6%, i.e. 9.9% on sales
- EBIT at € 85.4m up 14.6%, i.e. 5.1% on sales.
- Net result at € 26.6m (vs € 9.3m in 2016)
- Free cash flow at + € 34.4m (vs € 31.2m in 2016)
- Cash generation (FCF + Capex) for the first time above € 100m

3 Business Units

Suspensions



MAIN PRODUCTS

- Stabilizer Bars
- Coil Springs

€ 1.672M
2017 Sales

€ 607M
36%

Filtration



- Oil Filters
- Engine Air Filters
- Fuel Filters
- Cabin Air Filters

€ 566M
34%

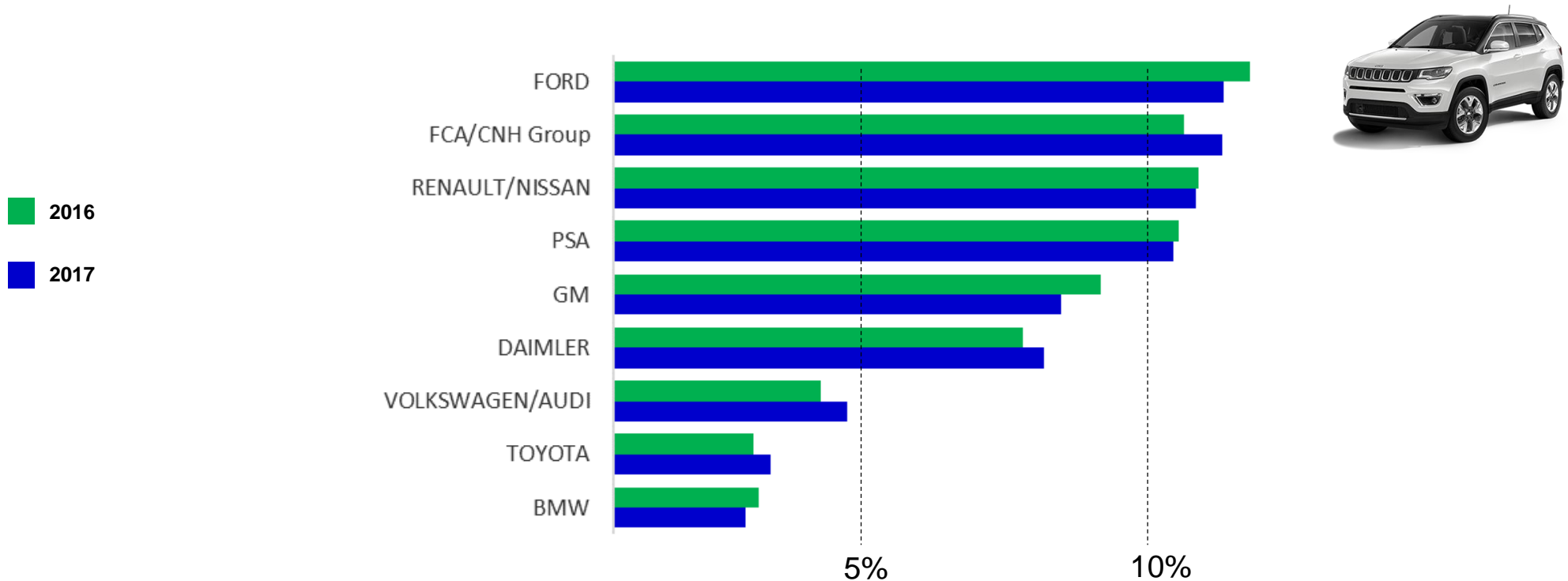
Air & Cooling



- Manifolds
- Coolant Pumps
- Coolant Outlet Housings

€ 504M
30%

Well balanced clients mix



Growth with FCA is mainly driven for Sogefi Suspensions by Jeep Compass in Europe, in China and in the new plant in Mexico

Revenues by Business Unit

Positive performance for all three business units

€m	Q4 2017	Q4 2016	reported change	constant exchange rates	FY 2017	FY 2016	reported change	constant exchange rates
Air&Cooling	124.9	120.3	3.8%	6.8%	504.0	480.2	5.0%	5.6%
Filtration	135.1	132.1	2.3%	6.3%	565.7	535.1	5.7%	7.1%
Suspensions	156.9	141.0	11.2%	14.5%	606.8	562.8	7.8%	8.9%
Intercompany eliminations	-0.9	-0.9			-4.1	-4.0		
Total	415.9	392.5	6.0%	9.4%	1672.4	1574.1	6.2%	7.3%

Revenues by Geographical Area

All geographical areas contributed to sales growth (+6.2%, +7.3% at constant exchange rates) outperforming the market in most areas

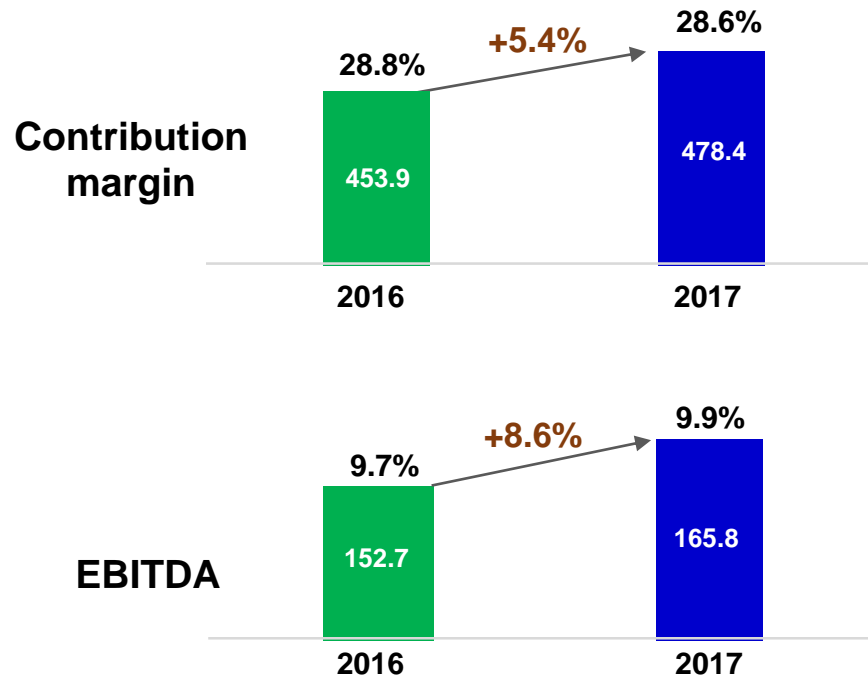
€m	Q4 2017	Q4 2016	reported change	reference market production	constant exchange rates	FY 2017	FY 2016	reported change	reference market production	constant exchange rates	weight based on FY 2017
Europe	258.2	236.7	9.1%	6.0%	9.3%	1031.7	988.9	4.3%	1.1%	5.0%	61.7%
North America	71.8	72.8	-1.4%	-4.2%	5.2%	296.7	290.6	2.1%	-4.0%	3.3%	17.7%
South America	45.5	47.5	-4.1%	15.4%	8.9%	195.0	172.2	13.2%	20.9%	15.1%	11.7%
Asia	43.0	39.0	10.3%	0.1%	15.9%	163.2	135.0	20.9%	2.7%	23.3%	9.8%
Intercompany eliminations	-2.6	-3.5				-14.2	-12.6				
Total	415.9	392.5	6.0%	0.4%	9.4%	1672.4	1574.1	6.2%	2.1%	7.3%	100.0%

€m	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Europe	8.2%	-2.7%	3.3%	9.1%
North America	15.4%	7.9%	-12.2%	-1.4%
South America	30.6%	22.0%	9.0%	-4.1%
Asia	26.4%	38.2%	13.1%	10.3%
Total reported	12.6%	4.5%	2.0%	6.0%
Total at constant exchange	11.0%	4.6%	4.2%	9.4%

Source: Sogefi and IHS data

Strong Profitability Increase

€m / % sales

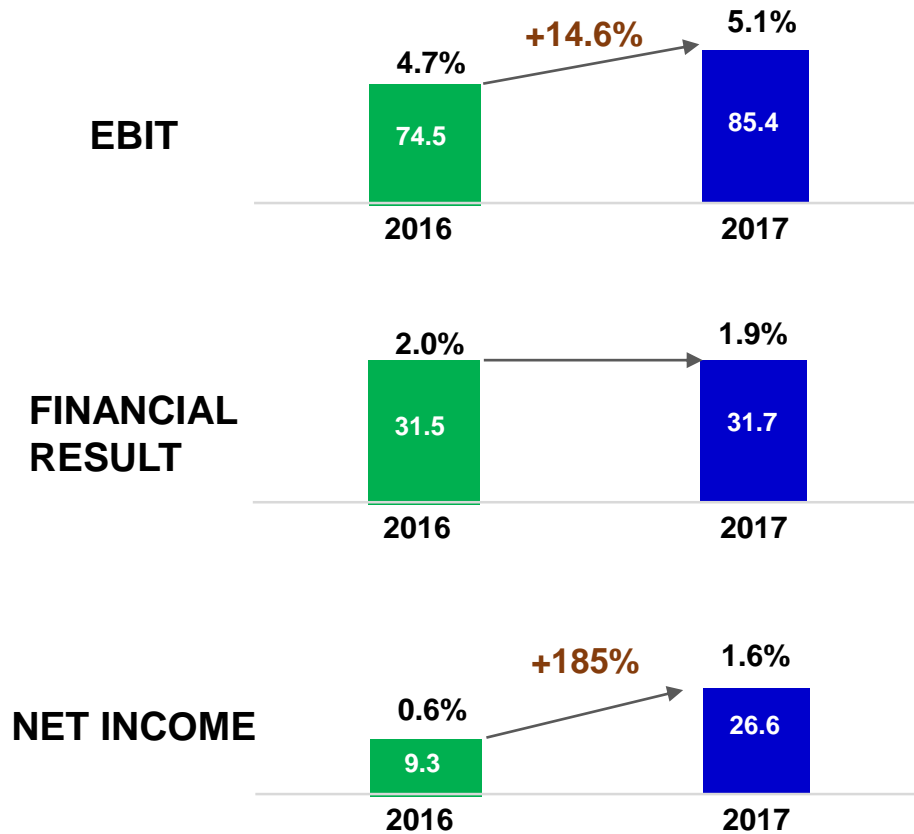


2017 Ebitda improvement mostly driven by:

- Contribution margin impacted by € 13m linked to the higher cost of steel
- Better fixed costs absorption (from 18.9% to 18.5%)
- Reduction of total labour costs % to sales from 21.4% to 20.8%
- Ebitda includes:
 - Higher restructuring costs (€11.2 million vs €5.3 million in 2016)
 - €3 million of non-ordinary accrual (administrative litigation on past activities in Filtration)

Strong Profitability Increase

€m / % sales



- EBIT after write-downs of Brazilian operations fixed assets (€ 6.2m in 2017 vs € 4.8m in 2016)
- 2017 financial result includes € 6.0m charge due to the fair value of India put option. Cash interests are down € 5.3m
- Net income after € 22.9m of tax expense in 2017 vs € 32.6m in 2016 (including € 6.7m of tax charge for claims in 2016)

FCF Highlights - Strong Free Cash Flow generation

€m	2016	2017
OPERATING CASH FLOW	56.0	69.7
Warranty claims	9.6	0.4
Tax disputes	5.7	0.0
Other	0.7	0.0
Non ordinary items	16.0	0.4
Taxes	(13.6)	(13.6)
Interests	(27.2)	(22.1)
FREE CASH FLOW	31.2	34.4
FREE CASH FLOW w/o non ordinary items	15.2	34.0
NET DEBT	299.0	264.0

After € 68.1m of tangible CAPEX vs € 58.8m in 2016 (+16%)

FY16 including € 15.3m of positive one-offs from warranty claims and tax disputes

Thanks to lower interest rates

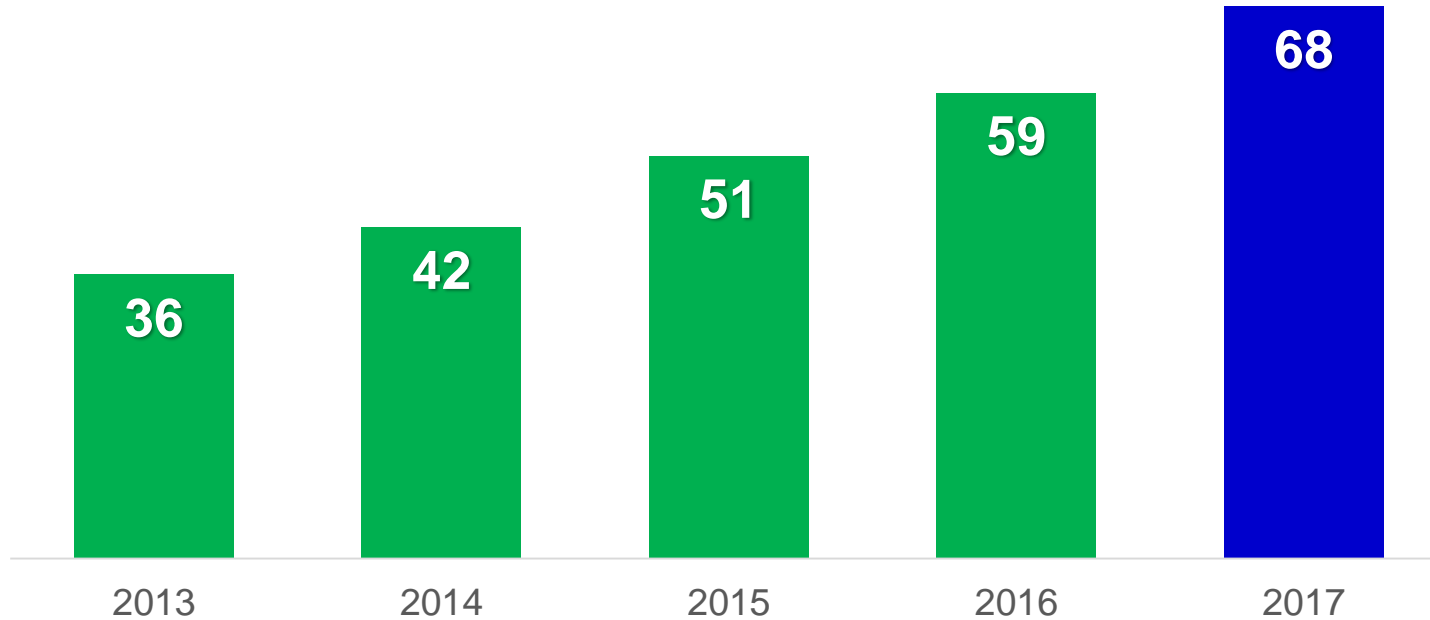
FCF represents 2.1% of sales

Down € 35m vs FY 2016

Factoring at € 94.9m end 2017 vs € 98.9m end 2016 and € 89.0m end 2015

Tangible Investments 2013-2017

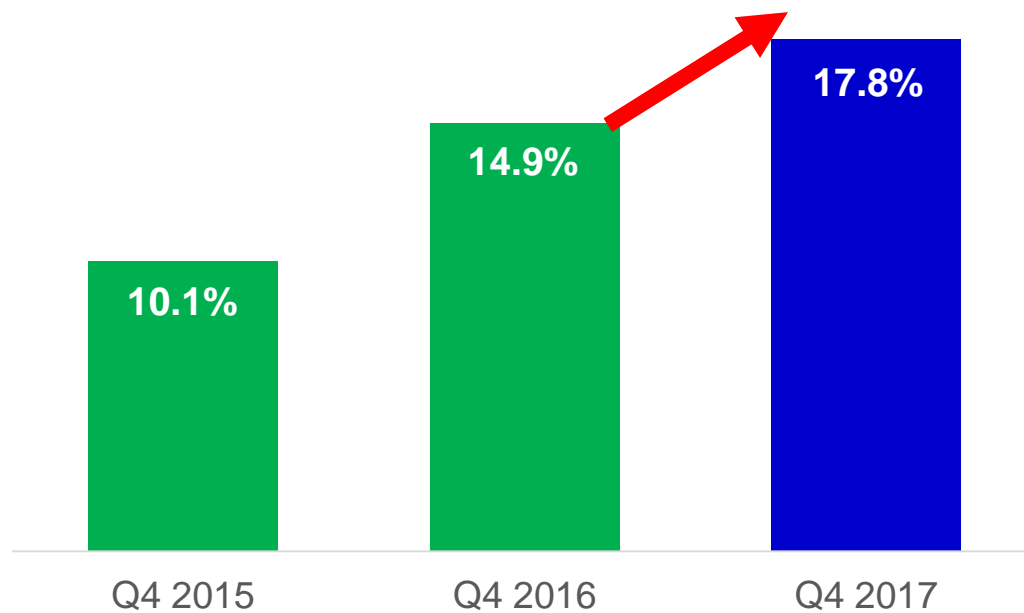
€m



Health & Safety, Quality, Capacity increase, Efficiency, New products, New plants

Value Creation Through ROCE Increase

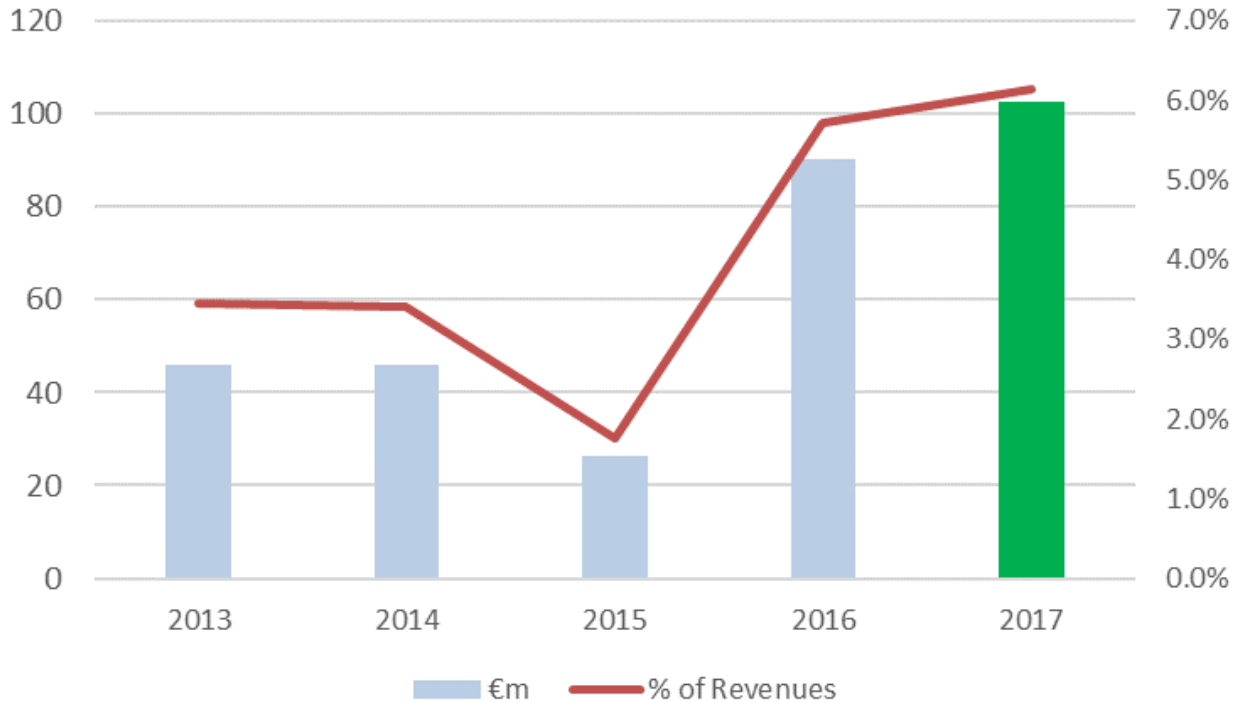
in %



Operational Improvement - Cash Generation

€m & % of revenues

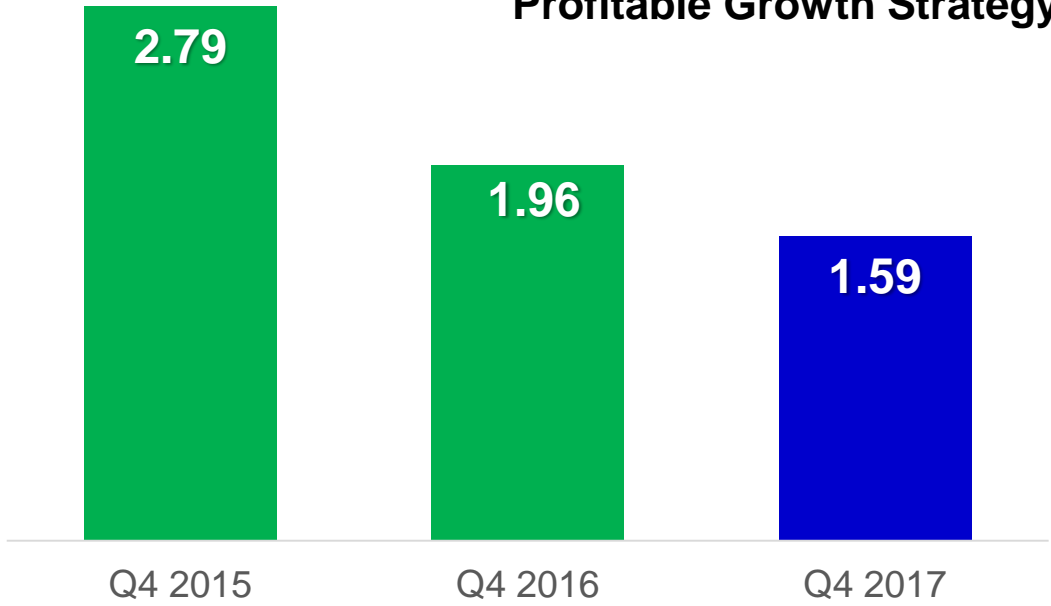
Free Cash Flow + Tangible Investments



- 2017 was a record cash generation year both in term of
 - Total amount for the first time above € 100m
 - In % of revenues higher than 6%

DEBT/EBITDA Ratio Improved

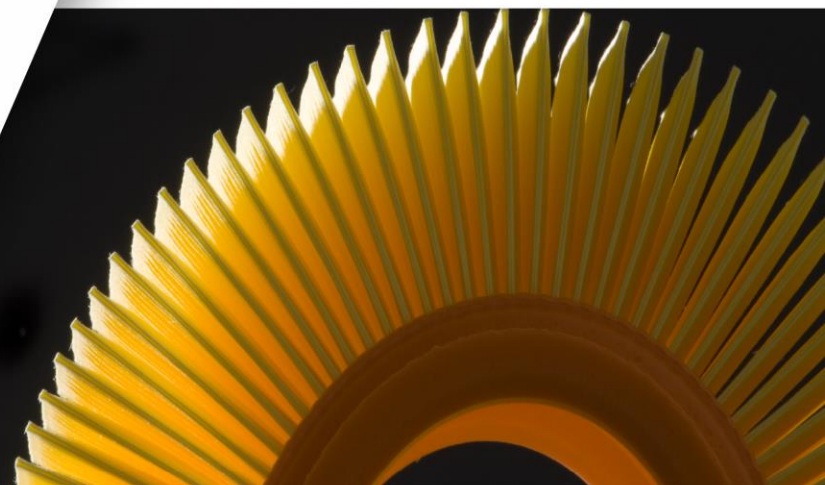
Leverage now supports
Profitable Growth Strategy



DEBT: Net debt (end of period)
EBITDA: 12 months rolling

2.

Technology




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Current Trends



Air Quality
Fine Particles
Reduction



CO₂ Emissions
Reduction
Fuel Consumption
Reduction



Weight
Reduction

Higher technology requirements



Filtration



Filtration

Air & Cooling



Filtration

Air & Cooling

Suspensions

4 Disruptive Future Trends


1  CONNECTIVITY

2  AUTONOMOUS DRIVING

3  SHARED MOBILITY



○ Connected, Autonomous and Shared trends have **limited direct impact** for Sogefi

4  **ELECTRIFICATION**

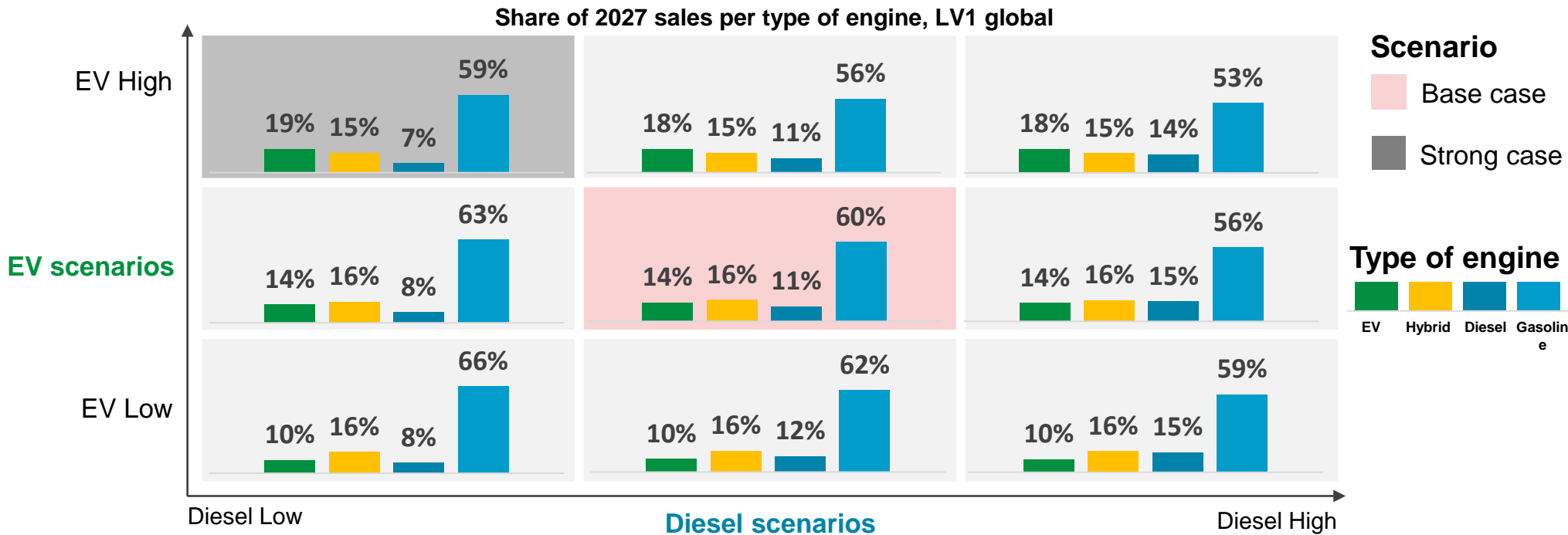


- **Powertrain electrification is a key trend** for Filtration and Air & Cooling
- Sogefi developed with Mc Kinsey support a detailed **world data base and model to create alternative powertrain scenarios**

Higher technology requirements

2027 Sogefi Forecast

All scenarios predict a reduction of ICE to reach 86% in Base Case and 81% in Strong Case in 2027



Source: Sogefi Technology presentation and Mc Kinsey

¹ including PC and LCV (<3.5 tons)

Light Vehicles Sales Forecast (Sogefi Base Case)

- Strong growth of Hybrid powertrains and Electric Vehicles (EV)
- But total Internal Combustion Engine (ICE) remains flat

	2017	2022	2027	CAGR 17/22	CAGR 22/27
Total Vehicles (M units)	92	99	110	1.4%	2.1%
EV	1	6	15	35%	19%
Hybrid	4	9	17	19%	14%
ICE Diesel	15	14	12	-2%	-2%
ICE Gasoline	72	70	66	0%	-1%
Total ICE	91	93	95	0.4%	0.5%

Source: Sogefi Technology presentation and Mc Kinsey

Volume including Passenger Car (PC) and Light Commercial Vehicle (LCV) < 3.5T

Sogefi Filtration / Air&Cooling Main Products

Filtration

OEM



Oil Filter



Engine Air



Fuel Filter



Cabin Air Filter

AFTERMARKET



European Car Park
10 years average age

Air & Cooling



Manifold



Coolant Pump



Coolant Outlet Housing

Hybrid Powertrain



Air & Cooling

VOLUME X2



Manifold



Coolant Pump



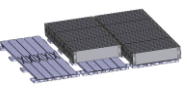
Coolant Outlet Housing



Battery Pack



Battery Pack coolant Manifold



Thermal Pack



Coolant Valve



Filtration



Oil Filter



Engine Air



Fuel Filter



High performance Cabin Air Filter

Volume Effect



New Product





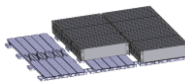
Air & Cooling



Battery Pack



Battery Pack Coolant Manifold **Module**



Battery Thermal Pack



Electric Cooling Module



VOLUME X2



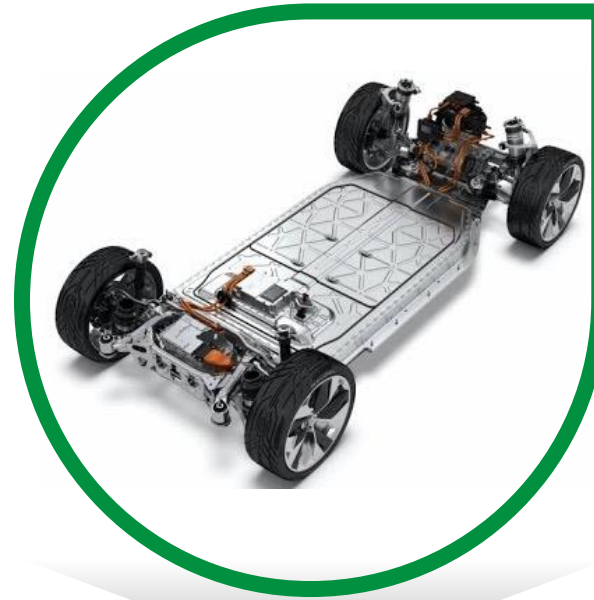
Electric Coolant Pump



Coolant Outlet Housing



Coolant Valve



Volume Effect



New Product



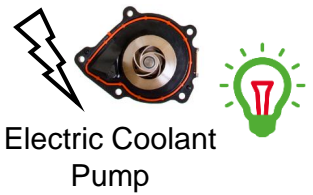
Filtration



High performance Cabin Air Filter



Air & Cooling



Electric Coolant Pump



Coolant Outlet Housing



Coolant Valve

Filtration



Fuel Cell Air Filter



Fuel Cell Filters



Water Separator



High performance Cabin Air Filter



New Product

SOGEFI on Hybrid and Electric Powertrain



Sogefi Filtration / Air&Cooling products offer opportunities

- Even if all scenarios predict an increase of EV, **the total ICE powertrains could remain flat or a substantial part of the market until 2027.**
- **Hybrid powertrain** is a first step towards a world of **multiple powertrains.**
- The rise of **EV is depending on key evolving factors** (vehicle range, battery costs, infrastructures development,...)
- The rise of **Hybrid, BEV and FCEV offers opportunities** for SOGEFI.



More volume of Cooling products



New Sogefi products



Higher content for existing Sogefi products

At Top Level in term of R&D Investments



Italy

Europe

World

Total R&D Investment



- ✓ N°14
- ✓ N°292
- ✓ N°1407

Source: Il Sole 24 ore, "The 2017 Eu Industrial R&D Investment Scoreboard"

3.

Profitable and Sustainable Growth Strategy











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Growth Strategies : Harvest, Challenger, Leader

- Harvest ✓
- Challenger ✓
- Leader ✓

Filtration

Air & Cooling

OEM	AFTERMARKET
 <p>Oil Filter</p> <p>✓ N°4 Worldwide</p>	 <p>✓ N°1 France</p>
 <p>Engine Air</p> <p>✓</p>	 <p>✓</p>
 <p>Fuel Filter</p> <p>✓</p>	 <p>✓</p>
 <p>Cabin Air Filter</p> <p>✓</p>	 <p>✓</p>
<p>European Car Park 10 years average age</p>	

 <p>Manifold</p> <p>✓ N°2 Worldwide</p>
 <p>Coolant Pump</p> <p>✓</p>
 <p>Coolant Outlet Housing</p> <p>✓</p>

Profitability improvement plan

5 performance drivers to increase operational efficiency

1 PURCHASING

- Cost reduction through technical modifications
- Pluriannual price and productivity negotiations
- Low Cost Country sourcing

2 SHOPFLOOR

- Inventory and Scrap reduction
- Direct labor productivity
 - Higher automatization
 - Shorter reaction times to deviations
- Indirect labor productivity increase
 - Lean organizations

3 PROGRAM MANAGEMENT

- Price increases for technical modifications
- Systematic price increases for volume fluctuations
- Development and tooling cash payment

4 INDIRECT COSTS REDUCTION

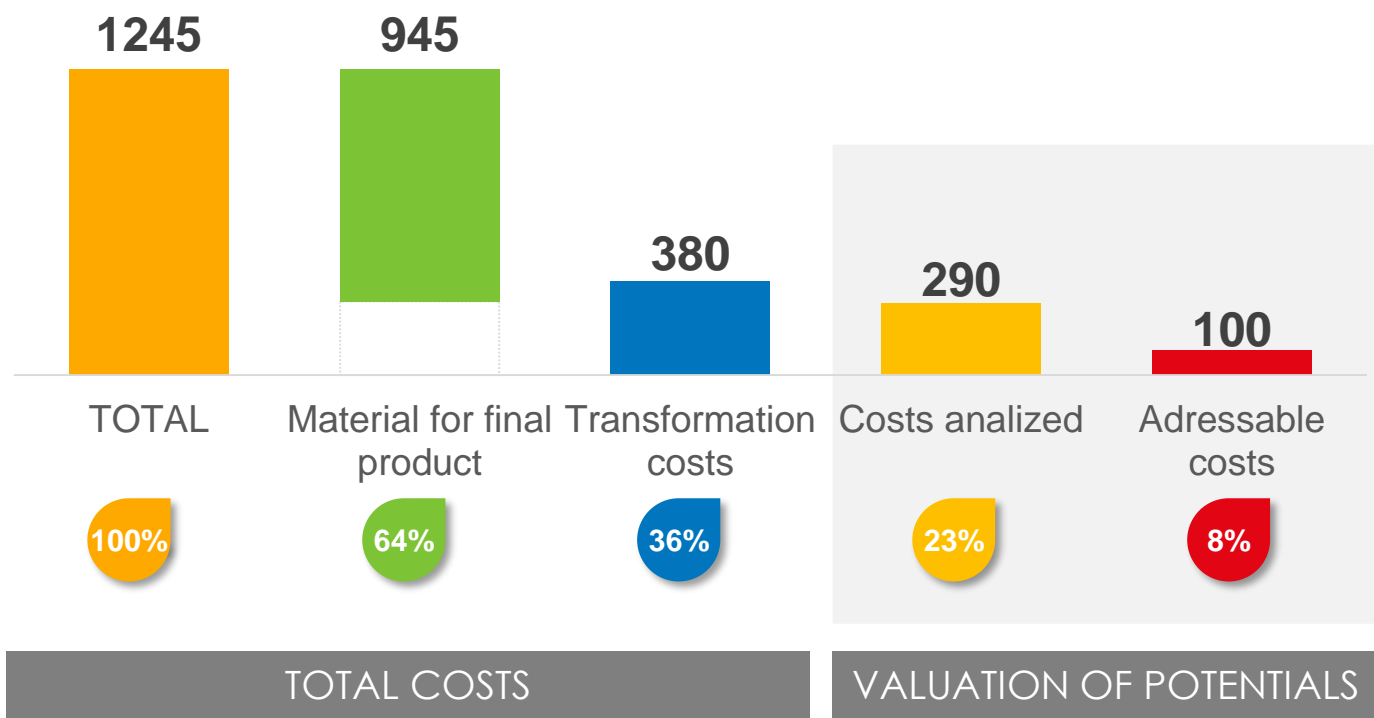
- Polyvalence and Polycompetence
- Process redesign

5 COMPETITIVE FOOTPRINT

- Industrial excellence
- Plant competitiveness plan

Sogefi Excellence System

Strategic cost reduction initiative



- A deep analysis of the cost base has been done
- On € 100m addressable costs some productivity potential have been identified with expected saving in the next 3 years

Data: 2016 cost base

Profitability Levers – Update on Shopfloor

2. Shopfloor

- 11 Group Industrial KPIs identified to drive performance level
- Already achieved material improvement in 2017

	KPI	2017
Safety	Accident Frequency Rate	-33%
Quality	Customer Claim Rate	-22%
	Customer Line Return	-63%
	Supplier Return	=
	Scrap of Total Product Sales	-3%
Delivery	Customer Miss Deliveries	-35%
	Supplier Miss Deliveries	-24%
People	Direct Absenteeism Rate	-5%
Productivity	Direct Worker Efficiency	+2,2%
	Yield Rate of Equipment	+9%
Inventory	Days of Production Inventory	-11%

Mexico and Morocco projects are contributing to the growth

5. Competitive Footprint

Mexico



Filtration

Suspensions

Air & Cooling

- Building ready in Q1 2016
- Start of production in 2016 mainly in Filtration and Air & Cooling
- 2018 growth mainly related to Suspensions
- € 60m of additional sales after start up phase (€ 17m investments)

Morocco

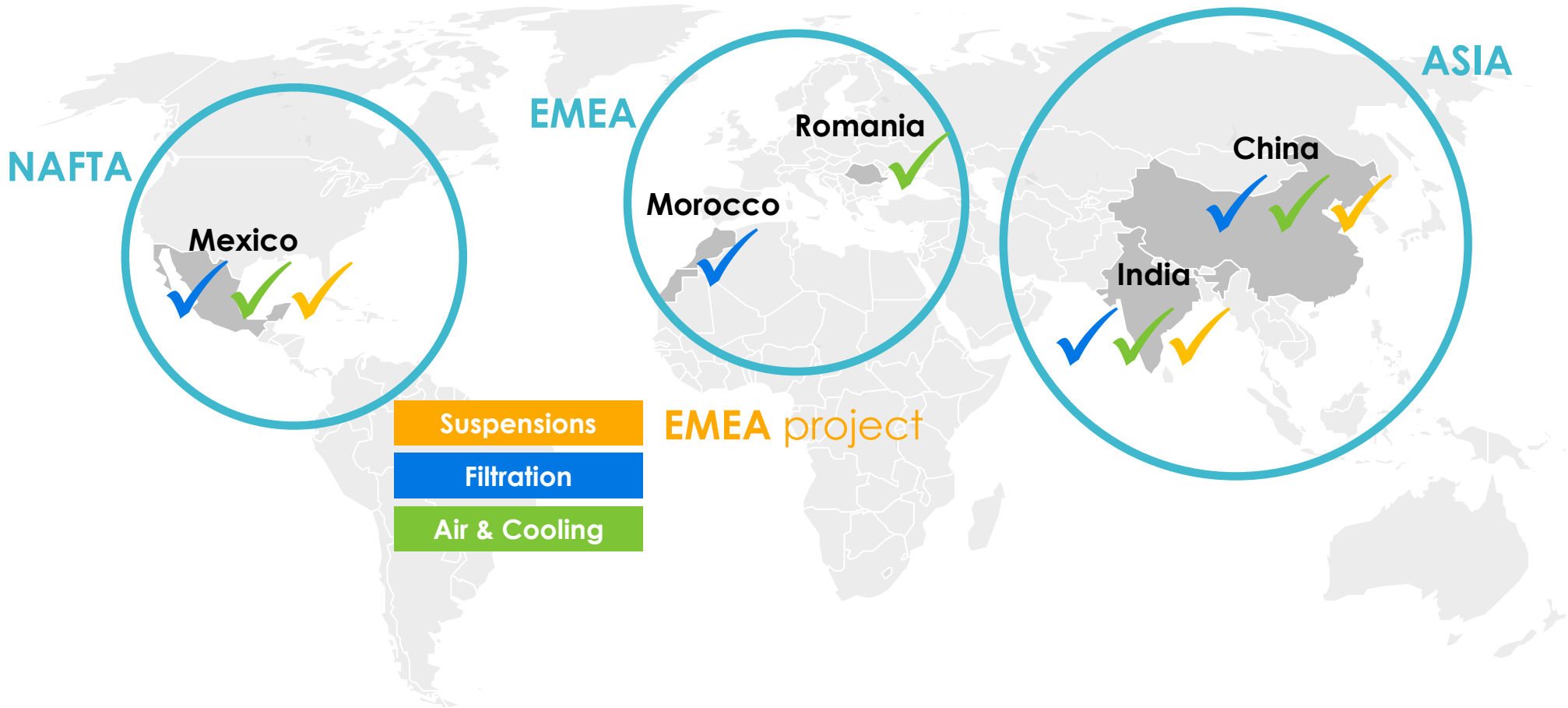


Filtration

- Project start in March 2017
- Building construction start July 2017
- Building ready (for line installation) January 2018
- Filter production line installed and injection presses installation in progress
- Start of production Q3 2018
- Additional annual sales of € 30 million from 2020 (€ 10m investments in a full-scale scenario)

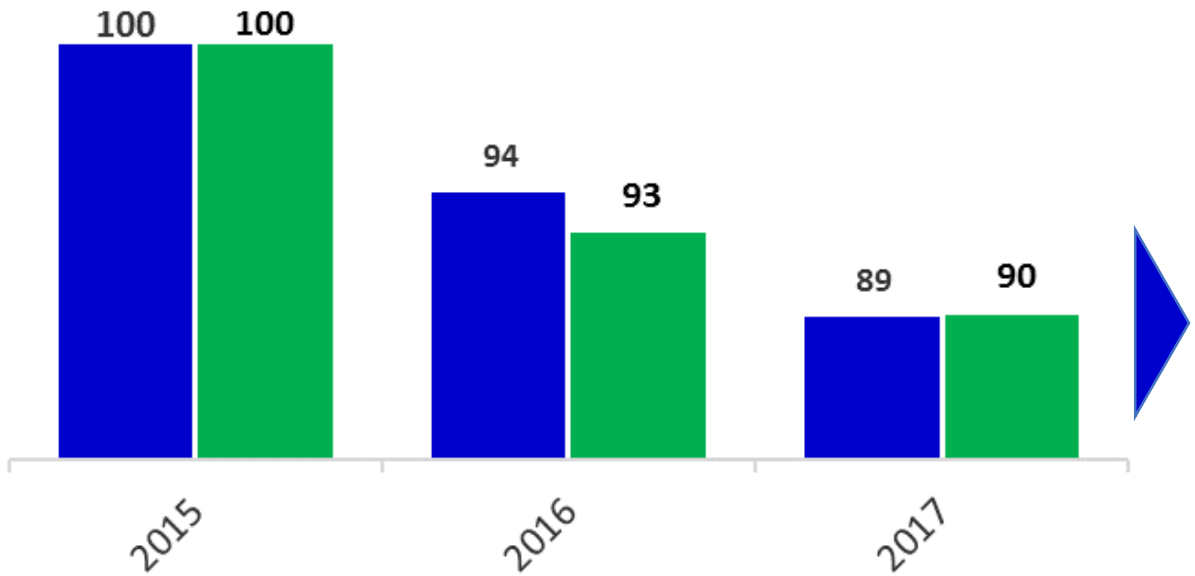
Geographical Expansion and cost competitive footprint

5. Competitive Footprint



Sustainability is part of Sogefy strategy

Energy intensity
GHG emissions intensity



- Strong commitment to substantiality
 - Reduction in Energy intensity = Sogefi energy consumption to sales ratio)
 - Greenhouse Gas (GHG) emission reduction = total Sogefi gas emissions expressed as carbon dioxide equivalent (CO2e)

Index Number

2018 OUTLOOK

- In 2018 the global automotive market is expected to grow by around 1.5%
- In this scenario Sogefi is expecting to moderately outperform the market at constant exchange rates, thanks particularly to the growth initiatives in Mexico and Morocco and a higher result, despite the further increase in steel costs

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