

SOGEFI

FULL YEAR 2018 RESULTS

Milano – February 25th, 2019

Laurent HEBENSTREIT - Chief Executive Officer

Yann ALBRAND - Chief Financial Officer

Stefano Canu - Investor Relations

2018 Highlights

- Revenues at € 1,623.8m, at constant exchange and accounting principles up by 2.4%, outperforming the market (-1.0%)
- Q4 revenues below expectation mainly due to Q4 market in Europe (-5.4%) and China (-15.2%)
- EBITDA at € 190.0m at 11.7% on sales (12.6% in 2017)
- EBIT at € 61.9m at 3.8% on sales (5.2% in 2017) impacted by IAS29 and write-downs
- Net result at € 14.0m (€ 26.6m in 2017)
- Free cash flow at + € 2.9m (+€ 34.4m in 2017) reflecting investments in India and Morocco.
- Q4 2018 FCF at +€ 25.7m recovering Q3 temporary unfavourable working capital
- Debt/EBITDA ratio at 1,4

FY 2018 results at current exchange rate reflect a stronger Euro

FY 2018 results are presented according to IFRS 15 and IAS29 (Hyperinflation)

Revenues by Business Unit

At constant exchange and accounting principles all BU grew in 2018 despite a weak Q4

€m	Q4 2017	Q4 2018	reported change	constant exchange rates	Δ constant exchange & accounting principles
Air&Cooling	121.4	120.9	-0.5%	-0.3%	-0.3%
Filtration	128.6	132.6	3.1%	7.2%	3.2%
Suspensions	156.5	151.1	-3.5%	2.2%	-3.5%
Intercompany eliminations	-0.9	-0.5			
Total	405.5	404.0	-0.4%	3.1%	-0.3%

2017	2018	reported change	constant exchange rates	Δ constant exchange & accounting principles
496.2	486.6	-1.9%	0.5%	0.5%
546.4	537.2	-1.7%	4.1%	3.2%
609.4	602.6	-1.1%	4.5%	3.0%
-4.2	-2.6			
1647.8	1623.8	-1.5%	3.2%	2.4%

The accounting standard IAS29 (hyperinflation) was applied to Argentina. Positive effect on revenues of € 13.5m, € 8.5 million for Suspensions and € 5.0 million on Filtration

Revenues by Geographical Area

With the exception of Europe all areas grew at constant exchange rate in 2018

€m	Q4 2017	Q4 2018	reported change	constant exchange rates	Δ constant exchange & accounting principles	reference market production	2017	2018	reported change	constant exchange rates	Δ constant exchange & accounting principles	reference market production	weight based on 2018
Europe	251.7	240.4	-4.5%	-4.5%		-5.4%	1013.2	997.5	-1.5%	-1.4%		-2.0%	61.4%
North America	69.2	75.1	8.5%	7.1%		2.1%	292.2	294.7	0.9%	5.7%		-0.6%	18.2%
South America	45.2	54.0	19.3%	68.6%	26.6%	-9.2%	195.2	182.0	-6.8%	28.0%	18.5%	3.2%	11.2%
Asia	42.0	37.1	-11.7%	-8.4%		-13.8%	161.4	160.9	-0.3%	4.8%		-2.3%	9.9%
Intercompany eliminations	-2.6	-2.5					-14.3	-11.4					
Total	405.5	404.0	-0.4%	3.1%	-0.3%	-5.4%	1647.8	1623.8	-1.5%	3.2%	2.4%	-1.0%	100.0%

The accounting standard IAS29 (hyperinflation) was applied to Argentina. Positive effect on revenues of € 13.5m

Source: Sogefi and IHS data

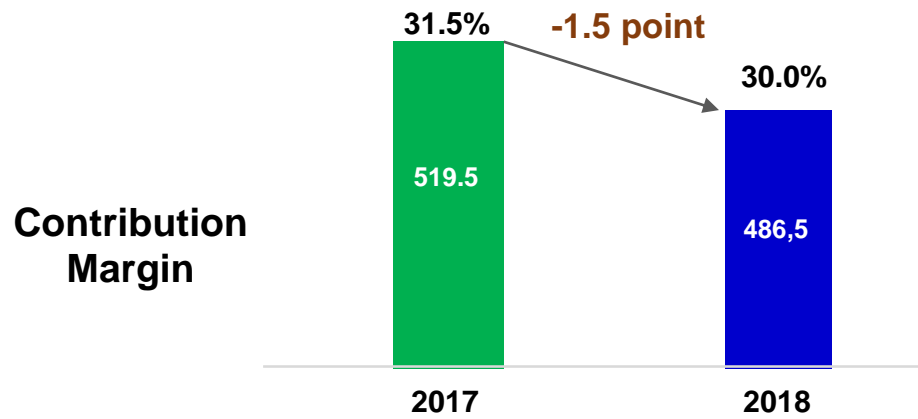
LCV production by quarter and 2019 expectation

€m	2018 - Production				IHS Forecast
	Q1	Q2	Q3	Q4	2019
Europe	-0.7%	4.8%	-7.3%	-5.4%	-0.3%
North America	-3.3%	-2.2%	1.3%	2.1%	-0.5%
South America	11.9%	9.5%	2.5%	-9.2%	6.4%
Asia	-0.2%	11.3%	-2.8%	-13.8%	2.2%
- of which China	-1.8%	10.9%	-4.5%	-15.2%	1.6%
Total	-0.1%	4.7%	-2.9%	-5.4%	1.0%

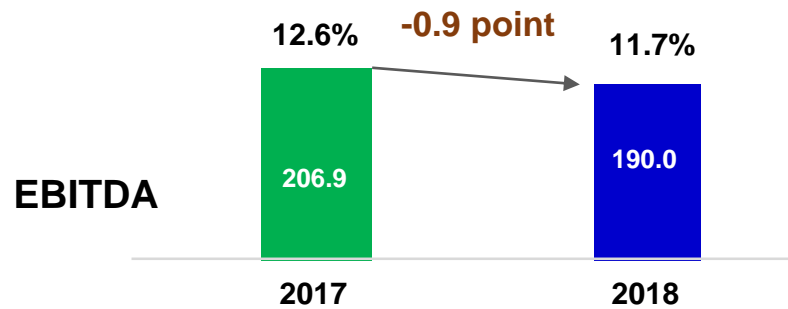
Source: Sogefi and IHS data. Passenger cars and Light commercial vehicles only

Profitability reflecting forex, higher steel prices and non-recurring

€m / % sales



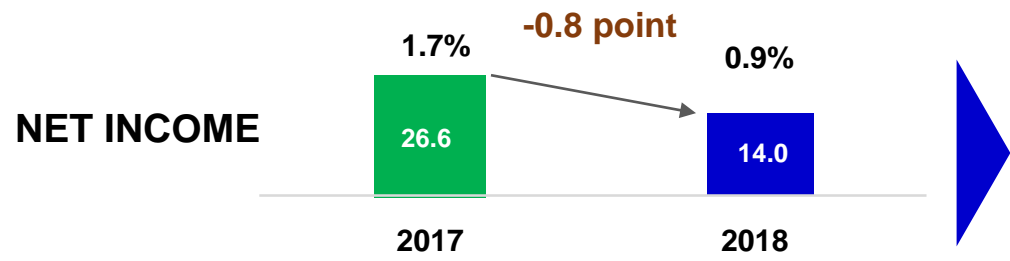
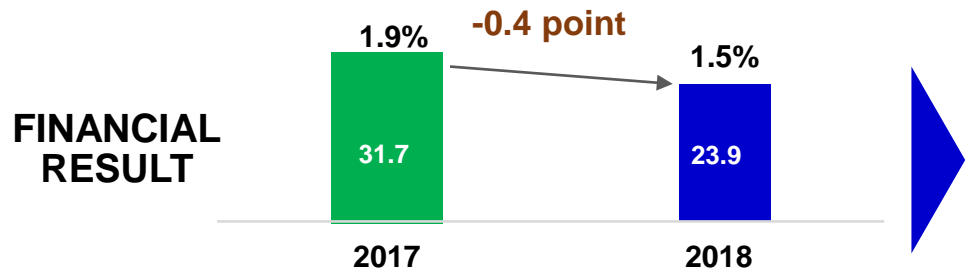
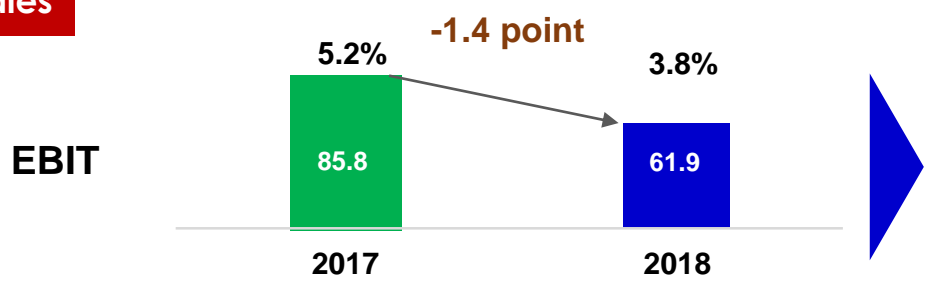
- Contribution margin mainly impacted by higher material costs
- Higher steel prices impacted the Suspensions result around -€ 12.0 million



- Favorable one-offs mainly claims settlement (+€ 6.6 million)
- Exchange rates with a -€ 6.2 million impact

Profitability reflecting forex, higher steel prices and non-recurring

€m / % sales



- EBIT after non-recurring factors:
 - -€ 2.6 million: application of IAS29 (hyperinflation in Argentina)
 - -€ 5.2 million: write-down of the asset of the Fraize plant in France, now held for sale

- Interests down from 22.0m€ in 2017 to 21.4m€ in 2018 (cash interests down € 4.3m)

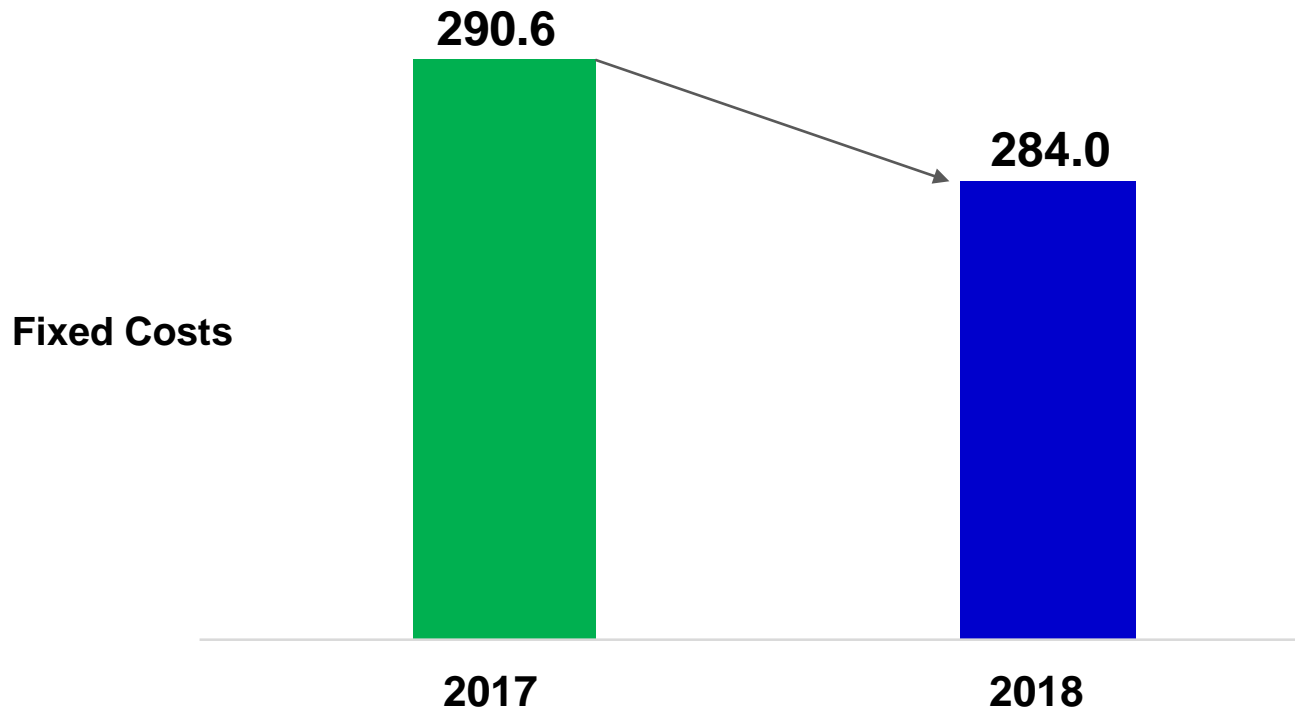
- 4.2 m€ less fair value of Indian subsidiary put option and 3.0m€ less hedging costs

- After € 20.7m of tax expense in 2018 vs € 23.4m in 2017.

- 54% tax rate due to non booking of deferred tax assets on companies in losses or in inception on top of non-tax deductible charges (IAS29/fair value of India)

Fixed costs reduction reduction in 2018

€m



FCF Highlights - Cash Flow generation

€m	2017	2018
FUNDS PROVIDED BY OPERATIONS	165.8	136.2
Working Capital	9.3	5.8
Capex	(68.1)	(58.1)
Purchase of the Indian minorities shareholders and Others	0.0	(16.7)
Intangibles & IFRS15	(76.0)	(74.7)
Others	3.4	10.4
FREE CASH FLOW (NET)	34.4	2.9
NET DEBT	264.0	260.5

Including Morocco start-up costs

Q4 FCF +€ 25.7m recovering Q3 temporary unfavourable WC

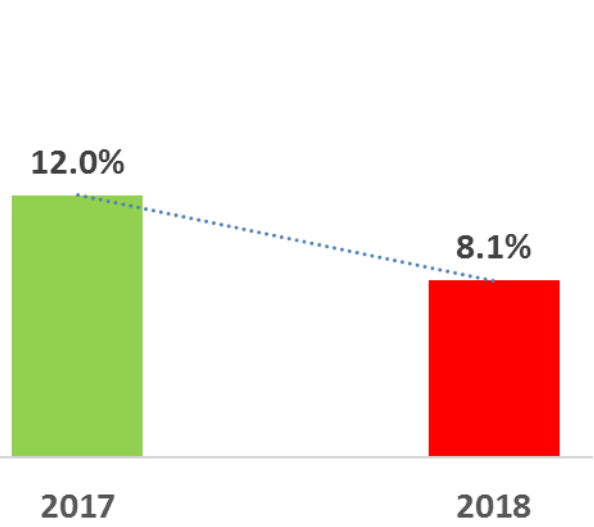
After € 10m capex reduction despite € 8m for the new plant

Acquisition of 30% minority

Down € 3.5m vs FY 2017

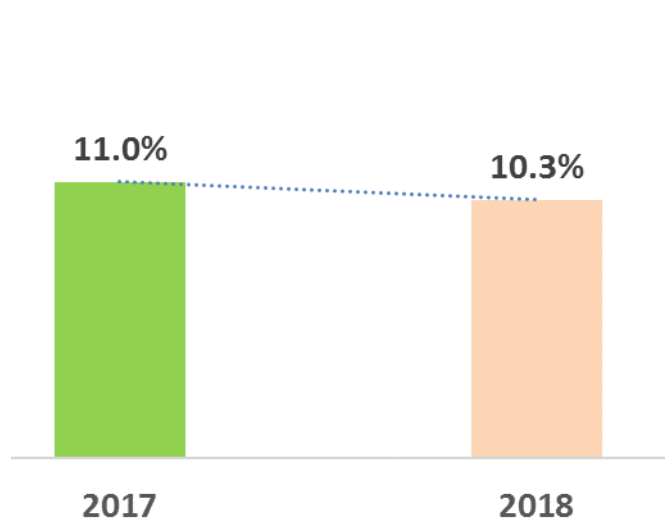
Factoring at € 99.2m end 2018 vs € 94.9m end 2017 and € 98.9m end 2016

EBITDA margin – BU Breakdown



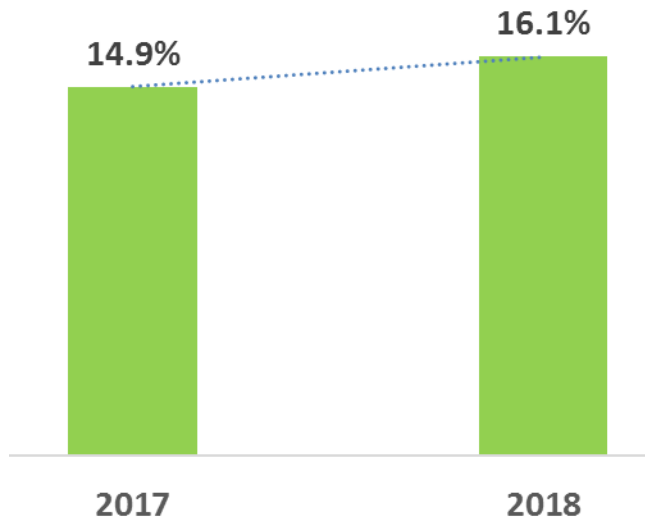
Suspensions

- Negative impact of steel prices increases of 12 M€
- Sales impacted by Foreign Exchange and weak Q4



Filtration

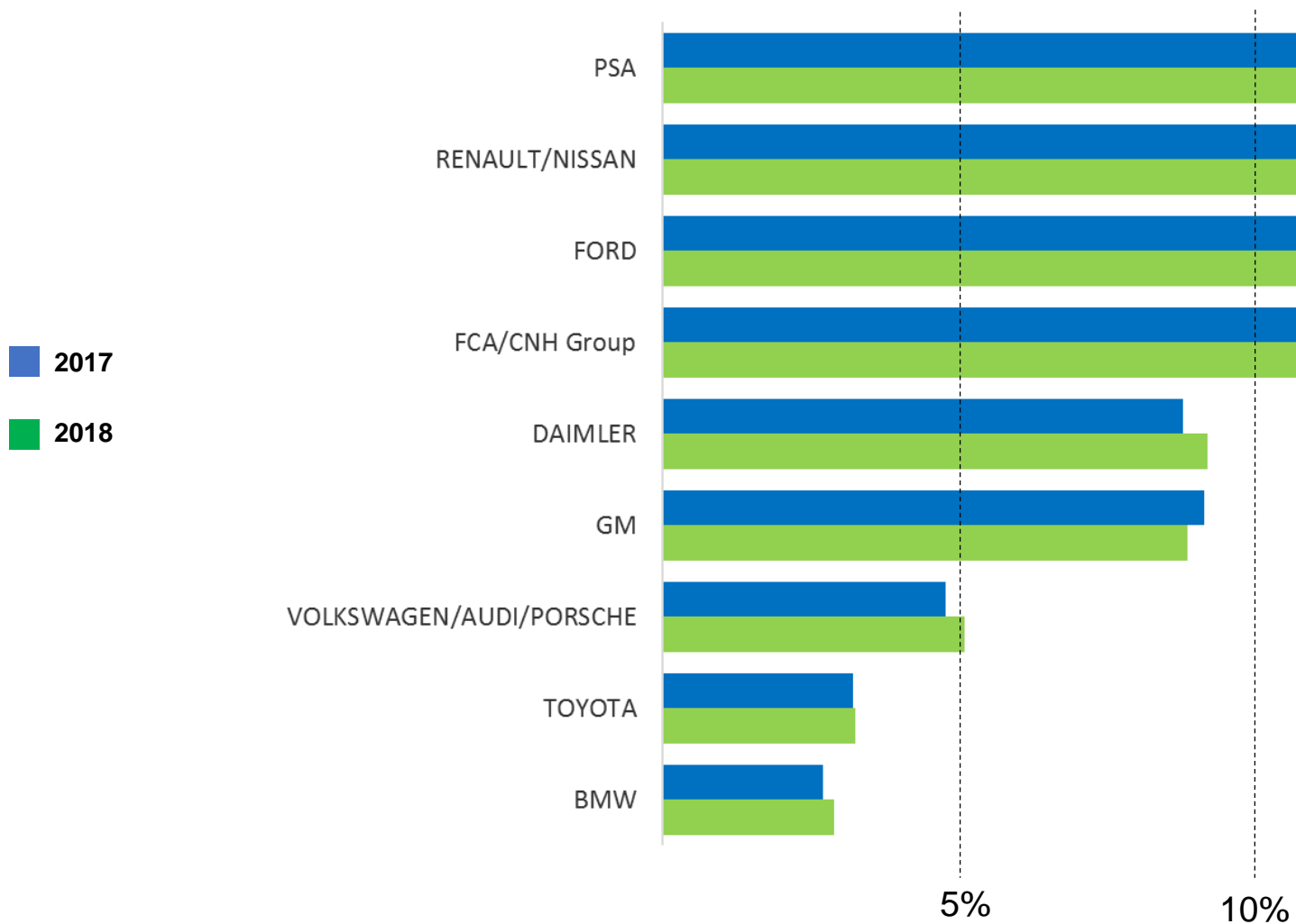
- IAS29 negative effect 0.3% on EBITDA
- Includes Morocco start-up costs (~€ 2 million)



Air & Cooling

- Gross margin improvement
- Focus on high margin products

Well balanced clients mix and growth with Premium OEMs



2019 OUTLOOK

- According to the sources generally used at sector level, it is expected that car production in 2019 will be in line with that of 2018, with a decline in the first half due mainly to China, and a recovery in the second half of the year
- It should however be stressed that there is a lack of visibility at present as to how the year will evolve, and there is also a very high level of volatility in the markets
- Uncertainty also remains as to how the prices of raw materials will evolve
- In such a climate, Sogefi expects revenues to evolve in line with the market, and is committed to recovering profitability particularly in the Suspensions sector

CONTACTS

Yann Albrand, Group CFO

Stefano Canu, Investor Relations

SOGEFI

Via Ciovassino, 1/a

20121 Milano – Italia

Tel: +39 02 46750214

Fax: +39 02 43511348

Mail: ir@sogefigroup.com

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APPENDIX

- In the last quarter of the year, the accounting standard IAS29 (hyperinflation) was applied to the subsidiaries in Argentina, which had:
 - ✓ a positive effect on revenues of €13.5 million, of which € 8.5 million for Suspensions and € 5.0 million for Filtration
 - ✓ A negative in terms of EBITDA (-€1.1) and EBIT (-€2.1)
- Adoption of IAS 29 requires assets and liabilities and income statement restatement to reflect the changes in the general pricing power and financial statements to be converted in euro using the closing exchange rate of the relevant period.

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