

SO/GEFI

STAR CONFERENCE 2019

Milano – March 20th, 2019

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Agenda

- 1 2018 Results and 2019 Outlook**
- 2 Technology**
- 3 Growth Perspectives**

2018 Results and 2019 Outlook



2018 Highlights

- Revenues at € 1,624m, 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 € 190m at 11.7% on sales (12.6% in 2017)
- EBIT at € 62m at 3.8% on sales (5.2% in 2017) impacted by IAS29 and write-downs
- Net result at € 14m (€ 27m in 2017)
- Free cash flow at + € 3m (+€ 34m in 2017) reflecting investments in India and Morocco.
- Q4 2018 FCF at +€ 26m 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

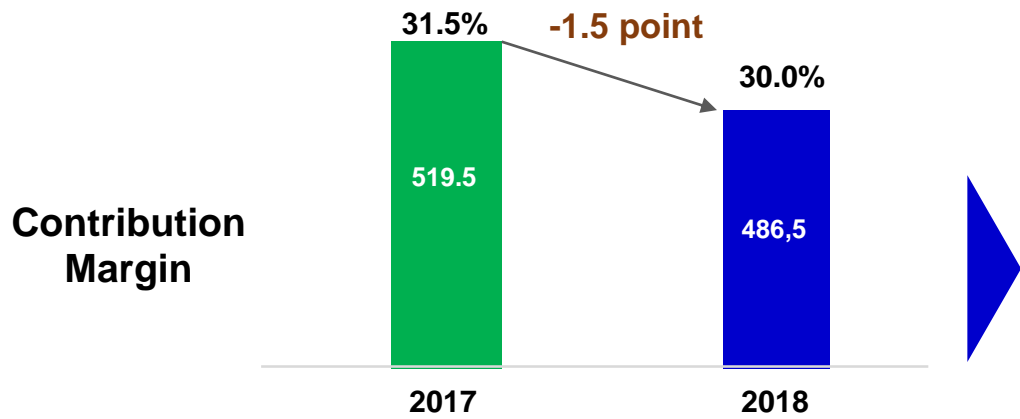
LCV production by quarter and 2019 expectation

| €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% |

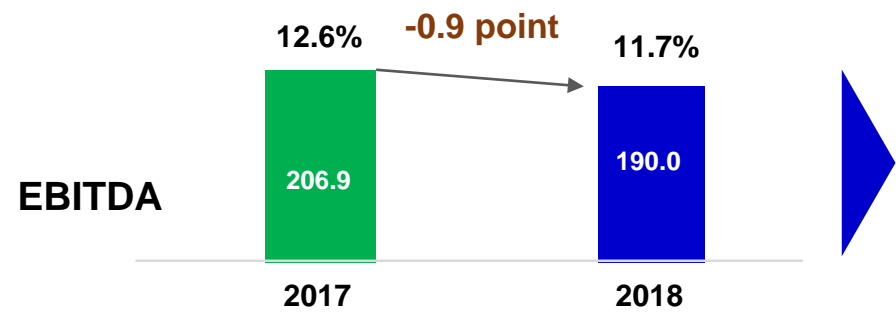
Source: Sogefi and IHS data. Passenger cars and Light commercial vehicles only

Profitability reflecting forex, higher steel prices and non-recurring

€m / % sales



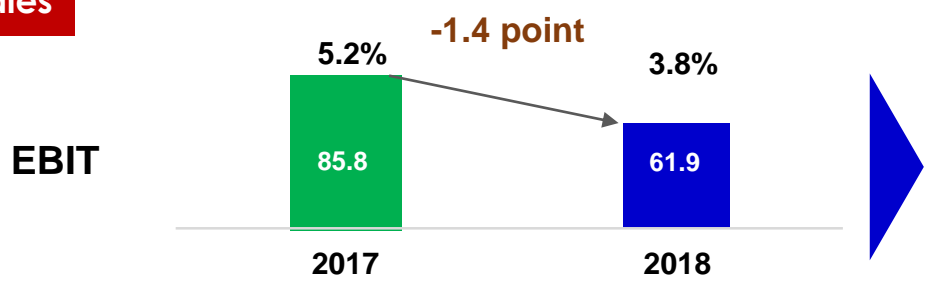
- Contribution margin mainly impacted by higher material costs
- Higher steel prices impacted the Suspensions result around -€ 12.0 million



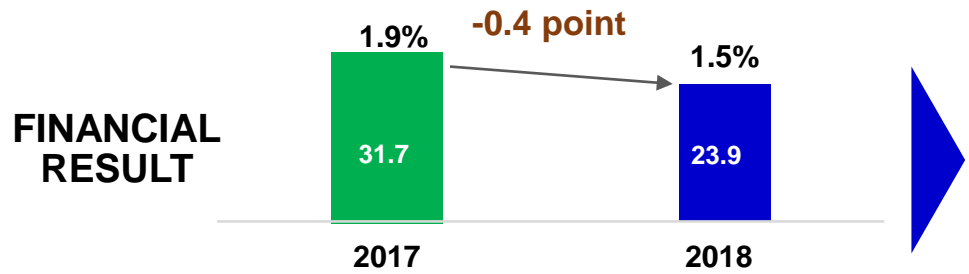
- Favorable one-offs mainly claims settlement (+€ 6.6 million)
- Exchange rates with a -€ 6.2 million impact

Profitability reflecting forex, higher steel prices and non-recurring

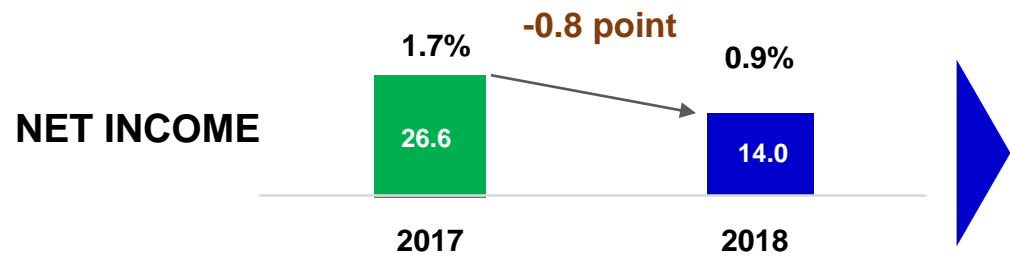
€m / % sales



- 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



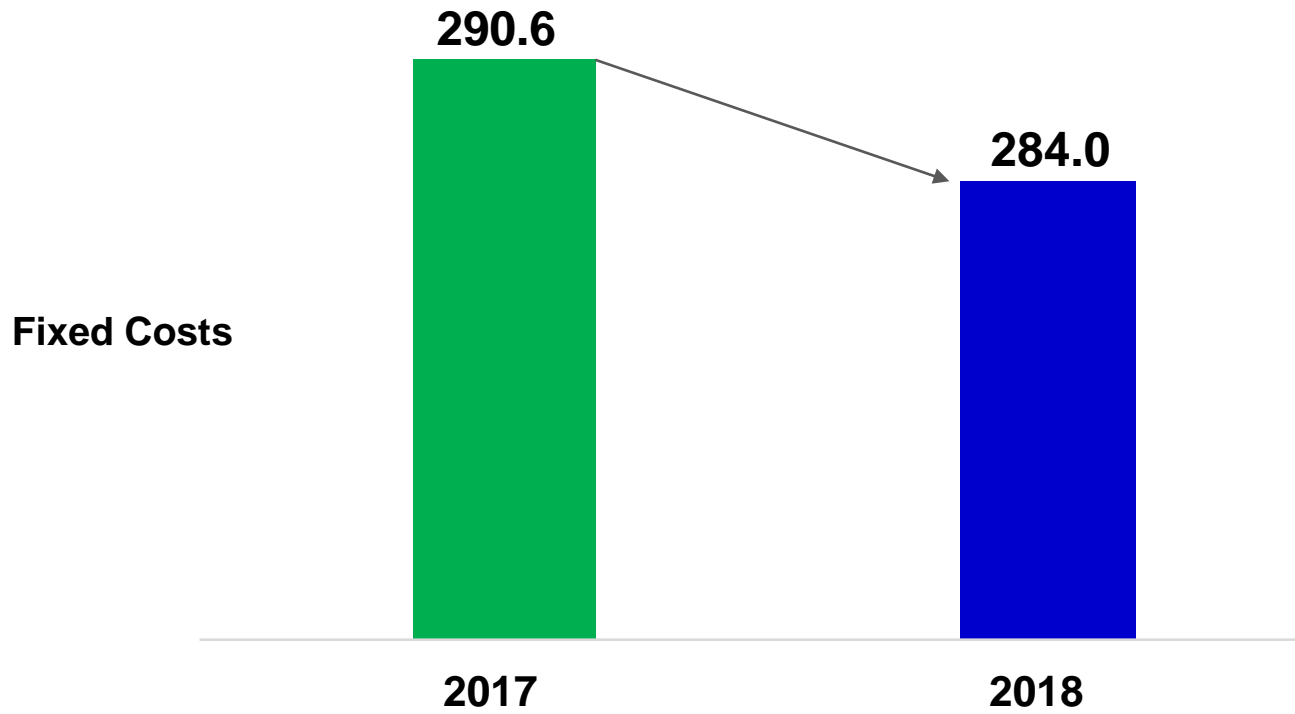
- Interests down from 22.0m€ in 2017 to 21.4m€ in 2018 (cash interests down € 4.3m)
- 4.2 m€ less fair value of Indian subsidiary put option and 3.0m€ less hedging costs



- 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 in 2018

€m

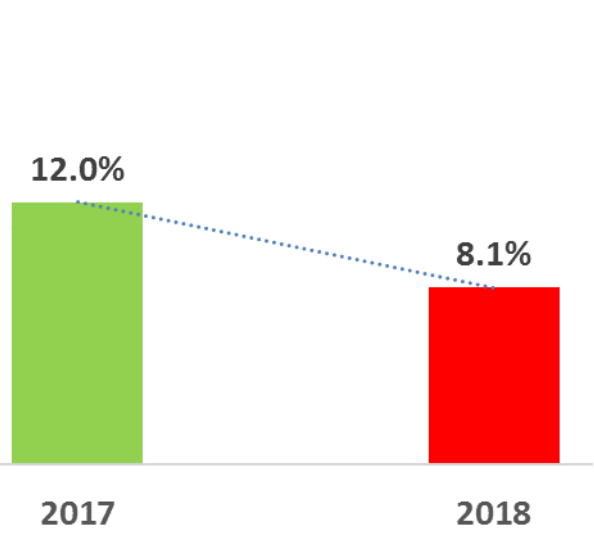


FCF Highlights - Cash Flow generation

| €m | 2017 | 2018 | |
|---|--------------|--------------|--|
| FUNDS PROVIDED BY OPERATIONS | 165.8 | 136.2 | Including Morocco start-up costs |
| Working Capital | 9.3 | 5.8 | Q4 FCF +€ 25.7m recovering Q3 temporary unfavourable WC |
| Capex | (68.1) | (58.1) | After € 10m capex reduction despite € 8m for the new plant |
| Purchase of the Indian minorities shareholders and Others | 0.0 | (16.7) | Acquisition of 30% minority |
| 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 | Down € 3.5m vs FY 2017 |

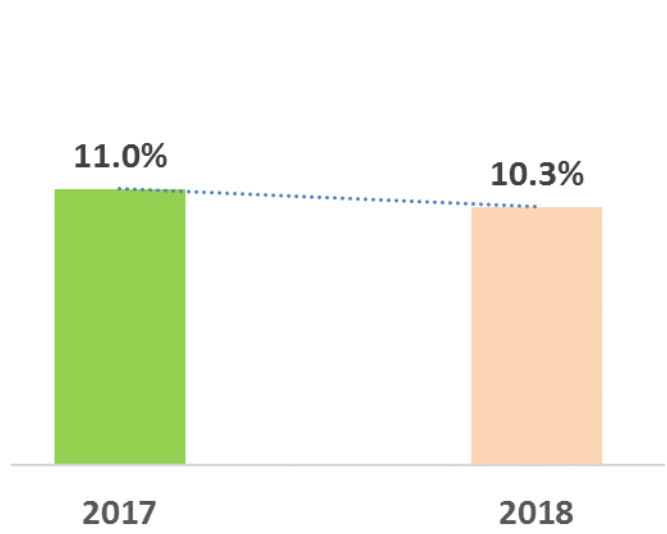
Factoring at € 99.2m end 2018 vs € 94.9m end 2017 and € 98.9m end 2016

EBITDA margin – BU Breakdown



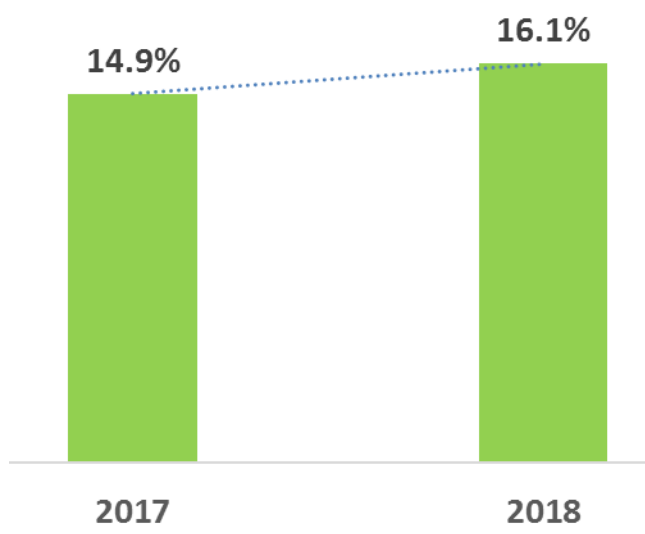
Suspensions

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



Filtration

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

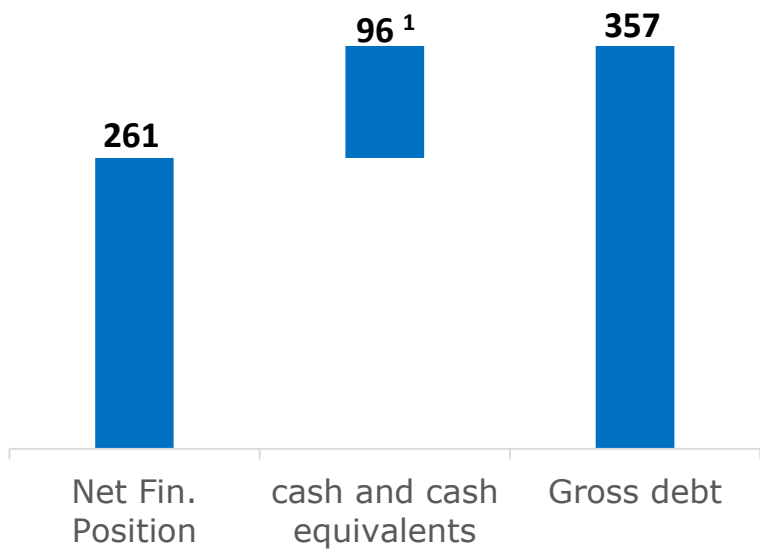


Air & Cooling

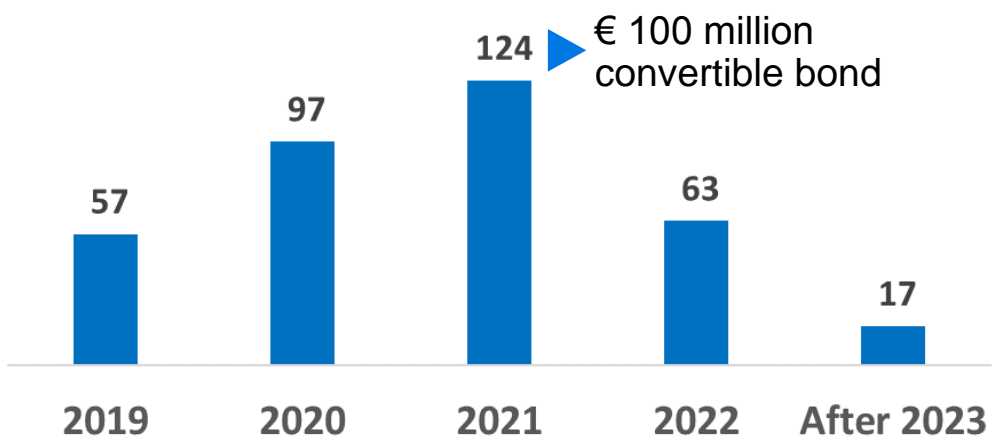
- Gross margin improvement
- Focus on high margin products

Debt Repayment Schedule

Net/gross financial position



Debt (€ 357m) Repayment Schedule



- Factoring at € 99.2m end 2018 vs € 94.9m end 2017 and € 98.9m end 2016
- In 2017/2018 credit lines renegotiated further reducing financial charges and extending debt maturity

1) Including Fair Value on derivatives

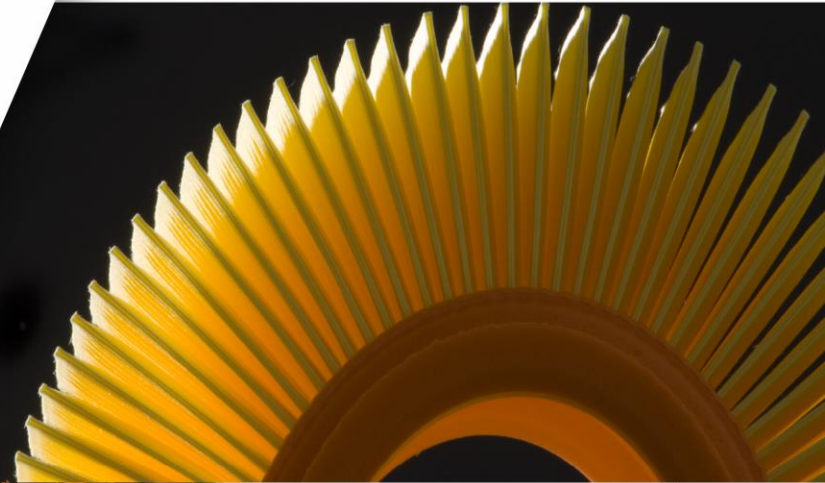
Perimeter change

- The main activity of the Fraize plant is the production of blow-molded air ducts considered as no longer part of the group's core businesses
- Sogefi is working on the finalization of the disposal of its Fraize plant in France
- The activity now is presented as asset held for sale
- Closing is expected in the coming months

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

Technology




soGEFI

4 Disruptive Future Trends

- 1  CONNECTIVITY
- 2  AUTONOMOUS DRIVING
- 3  SHARED MOBILITY



4  **ELECTRIFICATION** ○ **Powertrain electrification: a key trend for Filtration and Air & Cooling**

Higher technology requirements

New Vehicles Production Forecast close to Sogefi Base Case

EV and Hybrid each forecasted to capture half of the growth
Total ICE forecasted to keep growing

| | 2018 Actual | 2026 Forecast |
|---------------------------------|----------------|------------------|
| Total Vehicles (M units) | 91 | 107 |
| EV | 1 | 10 |
| Hybrid | 3 | 13 |
| ICE Diesel | 15 | 13 |
| ICE Gasoline | 72 | 72 |
| Total ICE | 90 | 97 |

Source : IHS 02/2019, Production Light Vehicles <3.5T

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 2026.**
- **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

Hybrid Powertrain



Air & Cooling



Manifold



Coolant Pump



+ E Pump



Coolant Outlet Housing



Battery Pack Coolant Manifold



Coolant Valve



Oil Filter



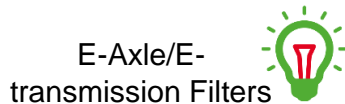
Engine Air



Fuel Filter



High performance Cabin Air Filter



E-Axle/E-transmission Filters





Coolant Filter



Battery/E-Motor and Power electronic Filters




Volume Effect 
New Product 


Filtration

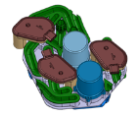
BEV Powertrain




Air & Cooling



Battery Pack Coolant Manifold Module 



Coolant Module 





Electric Coolant Pump 

Coolant Outlet Housing

Coolant Valve 



Volume Effect 
New Product 


Filtration



High performance Cabin Air Filter

E-Axle/E-
transmission Filters 

Coolant Filter 

Battery/E-Motor and
Power electronic Filters 



Air & Cooling



Electric Coolant Pump



Coolant Outlet Housing



Coolant Valve



Hydrogen Manifold



New Product

Filtration



Fuel Cell Air Filter



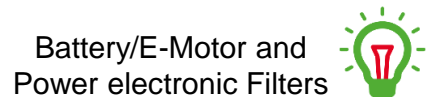
Deionisation Filter



Water Separator







High performance Cabin Air Filter



Battery/E-Motor and Power electronic Filters

Recent business awarded

| <u>Customer</u> | <u>Technology</u> | <u>Geo/SOP</u> | <u>Product</u> | <u>Volumes</u> | <u>Description</u> |
|--------------------------------|---|------------------|------------------------------------|----------------|---|
| VOLVO | Hybrid  | China (2019) | Engine Coolant Pump | ↑↑ | Distribute the coolant to the engine |
| RENAULT- NISSAN BEV | BEV  | Europe (2021) | Battery Pack Cooling Manifold | ↑ | Distribute coolant in the battery pack (thermal regulation of the battery) |
| German Sport Cars | BEV  | Europe (2019) | Coolant Module | ↑ | Distribute the coolant to the battery, the electric motor and the power electronics |
| OEMs | FCEV  | Nafta (2021) | Hydrogen intake manifold & exhaust | ↑ | Hydrogen, Air and Cooling components |

Growth Perspectives



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Product Strategies – Harvest, Challenger, Leader

- Harvest ✓
- Challenger ✓
- Leader ✓

Filtration

Air & Cooling

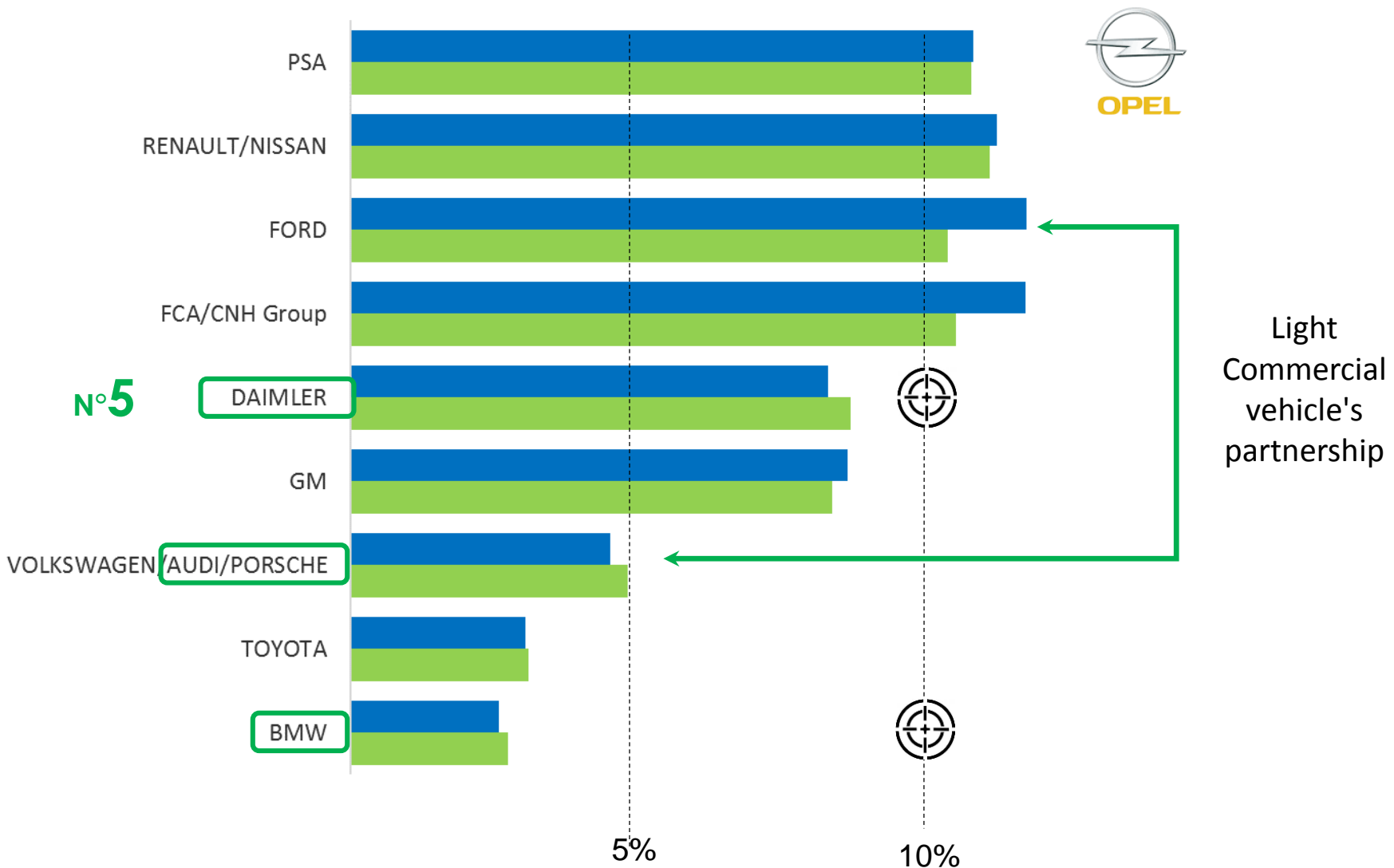
Suspensions

| OEM | AFTERMARKET |
|---|--|
|  Oil Filter ✓ ^{N°4} Worldwide |     European Car Park 10 years average age |
|  Engine Air ✓ | |
|  Fuel Filter ✓ | |
|  Cabin Air Filter ✓ | |
|  N°1 France | |

| |
|---|
|  Manifold ✓ ^{N°2} Worldwide |
|  Coolant Pump ✓ |
|  Coolant Outlet Housing ✓ |

| |
|--|
|  Stabilizer Bar ✓ ^{N°2} Europe |
|  Coil Spring ✓ |

Client perspectives



Geographic footprint

North America

| | |
|------------|------------|
| Production | Sogefi |
| 18% | 18% |

Europe

| | |
|------------|------------|
| Production | Sogefi |
| 23% | 61% |

Asia

| | |
|------------|------------|
| Production | Sogefi |
| 53% | 10% |

South America

| | |
|------------|------------|
| Production | Sogefi |
| 4% | 11% |

Rest of the World

| | |
|------------|----------|
| Production | Sogefi |
| 2% | - |



Sogefi Production sites ■

Source: 2018 Sogefi and IHS data

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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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