TI Fluid Systems plc - Full year results 2019

Released: 17 March 2020

TI Fluid Systems plc

Results for the 12 months ended 31 December 2019

TI Fluid Systems plc, a leading global manufacturer of automotive fluid storage, carrying and delivery systems for light vehicles announces its 2019 results.

	Management basis*			As reported		
€m	**2019****	2018	**% Change**	**2019****	2018	**% Change**
Revenue	**3,411.1**	3,472.8	(1.8)%	**3,411.1**	3,472.8	(1.8)%
% Change at constant currency			(3.5)%			
Adjusted EBIT / Operating Profit	**340.4**	373.5	(8.9)%	**258.9**	281.1	(7.9)%
Margin	***10.0%***	*10.8%*	*(80)bps*	*7.6%*	*8.1%*	*(50)bps*
Adjusted Net Income / Profit for the year	**150.3**	155.2	(3.2)%	**144.6**	140.1	3.2 %
Earnings per share	**28.91**	29.87	(3.2)%	**27.24**	26.53	2.7 %
Adjusted Free Cash Flow***	**171.5**	146.2	17.3 %			
Dividend (€ cents)	**8.96**	8.96	— %	**8.96**	8.96	— %

*Management basis metrics are Non - IFRS measures as defined on pages 16 to 17

**Current year results include the impact of applying IFRS 16 whilst the prior year comparatives have not been restated

***IFRS 16 - Leases impact on Adjusted Free Cash Flow totalled €26.8m in 2019. Impacts on other measures are shown on page 18

Group Highlights:

- Successfully continuing to execute our organic growth strategy in the global automotive fluid systems market
    - Strategic investment in a new thermal products facility in Morocco to primarily supply growing battery electric vehicle ('BEV') production
    - Thermal product and system collaboration with key customers for BEVs
    - Continuation of thermal product wins on several smaller regional BEVs
    - First new business win with a Japanese customer using our plastic fuel tank Integrated Transfer System ('ITS') process technology for a large mild hybrid electric vehicle ('HEV') platform in North America
- Global light vehicle production volumes remained challenging, declining 5.6% year on year

- Revenue was 3.5% lower year on year, at constant currency and outperformed global light vehicle production volumes by 2.1%. At actual rates, revenue declined by 1.8% year on year
- Adjusted EBIT margin and operating profit margin primarily impacted by lower volumes, particularly in Fluid Carrying Systems ('FCS') with a weak China environment and cost increases in Europe
- Business strength through strong cash generation
- Adjusted Free Cash Flow of €171.5 million
- Strengthened balance sheet through secured term loan pay down with a €50 million voluntary payment in March 2019
- 2019 final dividend of 5.94 Euro cents per share, maintained at 2018 level, which represents a full year pay-out in excess of our 30% of Adjusted Net Income dividend policy. Dividend cover of 3.2 times Adjusted Basic EPS (2018: 3.3 times)

William L. Kozyra, Chief Executive Officer and President, commented:

“2019 represents steady progress in our organic growth strategy for fluid systems with the award of a high volume HEV fuel tank programme in North America. We also continue to invest in the business with our new thermal products facility in Morocco to primarily supply BEVs. The Group was successful in being awarded additional smaller regional EV programmes along with new collaboration projects with key customers, including in China, to reduce weight, and maximise power efficiency in the vehicle through thermal products and systems. We remain well positioned as a leading partner for our customer’s thermal BEV needs. The Group remains well positioned for the automotive megatrends of reduced emissions and electrification.

The Group continued to outperform global light vehicle production, however, the global automotive market remains challenging given the uncertainty presented by the COVID-19 (coronavirus) outbreak to regional and global economies. We remain confident in our strategy, business model, operating flexibility and strength in our ability to generate positive free cash flow.”

Results presentation

TI Fluid Systems plc will host a teleconference for analysts and investors at 9.00 am UK time on 17 March 2020.

Analysts wishing to join should contact FTI Consulting to register and may listen to the presentation live by using the details below.

Conference Call Dial-In Details:

UK: +44 (0) 330 336 9105

Conference Code: 1931880

The presentation will be available at 7:00 am UK time from www.tifluidsystems.com. An audio recording will be available on our website in due course.

Enquiries

TI Fluid Systems plc

David J Royce

Investor Relations

Tel: +1 (248) 376 8624

FTI Consulting

Richard Mountain

Nick Hasell

Tel: +44 (0)20 3727 1340

Chief Executive Officer's review

Our business continues to be resilient with strong margins and leading cash flow generation.

We are pleased to report overall solid performance in 2019 despite the challenging global vehicle production environment.

2019 performance

Global light vehicle production volume declined by 5.6% in 2019, compared to the prior year. We delivered revenue of €3.4 billion (-3.5% at constant currency), or 2.1% above global light vehicle production. If we include the impact of currency translation, revenue slightly declined by 1.8%.

We also continued to generate strong Adjusted EBITDA of €498 million (14.6% margin) and Adjusted EBIT of €340 million (10.0% margin). Profit for the year was €145 million (2018: €140 million) and Adjusted Free Cash Flow amounted to €172 million (2018: €146 million). These strong results compared well in our sector.

Our ability to maintain our strong financial performance with solid margins and excellent positive cash flow in the face of the prevailing market conditions demonstrates the Group's resilience and the strength of our strategy, business model and management focus.

Strategy update

In 2019, we continued our success as a leading global manufacturer of highly engineered fluid storage, carrying and delivery systems for light vehicles through the execution of our strategy. Our financial performance benefited from our commitment, focus and dedication to designing and producing products for greener vehicles. We also continue to benefit from operational flexibility and our balanced customer, platform and regional profile. We continue to be confident in our focus on electrification and our HEV and BEV strategy which is progressing well.

Use our strength in key product areas to drive the Group's market share

In 2019, we have worked to ensure the successful launch of the two significant high volume thermal product programmes for EV platforms that were awarded to us last year by two leading high volume OEMs. Based on expected orders for thermal products on these two BEV platforms, we anticipate that the Group will have an approximate 50% share of these combined BEV platforms, representing a total lifetime revenue opportunity of approximately €700 million. These thermal programmes are expected to last for the eight to ten year life of the BEV vehicle models. Production is expected to launch in 2020 for the first of these platforms. The Group also launched and won other smaller, regional BEV platforms in 2019.

Earlier this year, the Group set up a new facility in Tangier, Morocco, to support the launch of these and future thermal products for BEVs. The 7,700 square metre facility expanded the Group's extrusion capabilities, expertise and capacity. The Group's investment in Morocco also provides logistics savings as well as a competitive cost structure with access to highly qualified labour. Our expectation is that the business in Morocco will continue to grow with the strength of our longstanding global customers, which value Morocco's competitive export focus and strategic location. The facility marks the Group's second location in Morocco.

In addition, I am very pleased that our strategic investment in Morocco was done within the Group's overall capital expenditure target of 3-4% of revenue.

In 2019, the Group also won a notable programme with a Japanese OEM in North America for the supply of plastic fuel tanks. The total lifetime units of these fuel tanks is estimated at 710,000 based on customer planning volumes. A significant number of these tanks are for HEVs. We are pleased that this award, together with other recent fuel tank business awards, continue to demonstrate that our technology and advanced products are key elements that support the ongoing mission of our OEM customers to meet their stringent emission reduction and fuel efficiency targets. Our HEV fuel tank continues to be well recognised as an industry leading design and manufacturing product. Our win rate of HEV fuel tanks is increasing.

Maintain balanced customer, platform, regional and product diversification

The Group has highly diversified revenue with no dependency on one geography. In 2019, we generated approximately 40% of our revenue in Europe and Africa, 30% in Asia Pacific, 28% in North America and 2% in Latin America. This diversification continues to be a benefit for the Group.

We believe that the Group's long history of engineering and manufacturing high-quality, reliable, performance-critical products for global OEMs has built our positive reputation as an industry leader and allowed us to develop strong and lasting relationships with all of our customers. The Group has a highly diversified customer base of global and local OEMs with only three customers, individually, representing more than 10% of revenue in 2019.

Given our deep industry experience and history, we have gained familiarity with each of our customers' unique engineering, design and development processes. As a result, the Group is viewed as a 'trusted partner' by our OEM customers.

We continue to enhance our strategic position through collaboration and development projects with key customers for the design and engineering of thermal products for HEVs, BEVs and, most recently AEVs. These projects are across different platforms and regions, including China. We continue to work with the OEMs to reduce weight in the vehicle through thermal products and systems that take advantage of our technology and nylon capabilities.

Strengthen the Group's position as an advanced technology leader in fluid systems to meet industry megatrends

As the requirements of OEMs have continued to advance, the Group has capitalised on its knowledge of fluid components, lighter weight material and systems architecture to provide our OEM customers with more advanced designs and products to assist them to meet regulatory requirements and consumer expectations. Most of our products contribute to a cleaner world by making vehicles greener.

The Group continues to invest in its fluid management portfolio to include advanced products that are required to reduce emissions and improve fuel economy in vehicles such as pressurised fuel tanks and thermal management products.

The Group is the only global supplier with a fully integrated design, development, manufacturing and supply capability for the fuel tank system.

Capitalise on the Group's global scale, footprint and position

The Group has significant manufacturing presence in all of the major geographies for OEM vehicle production. In 2019, the Group had 108 locations across 28 countries on 5 continents. Being in close proximity to our OEM customers serves the Group very well.

With respect to China, we were able to successfully flex our cost base to mitigate the impact of the ongoing US-China trade conflict and protect our financial performance, particularly our Fluid Carrying Systems ('FCS') division which has had a large presence in China for decades. Our Fuel Tank & Delivery Systems ('FTDS') division continues to grow in China, benefiting from the ongoing conversion of heavy steel tanks to lighter weight plastic tanks as well as tighter emission standards that are creating higher demand for our partial and zero emission tanks.

In 2019, China made up 19% of the Group's revenue. China remains the world's largest vehicle market despite the short-term volatility in volumes.

Deliver strong growth, profitability and cash flow generation

The Group has a consistent record of delivering strong financial results.

In 2019, we successfully managed our fixed costs and profitability despite lower global light vehicle production volumes, particularly in China. We also successfully managed our net pricing and commodity cost impacts to maintain broadly consistent financial performance despite short-term market headwinds.

Looking ahead

We continue to build on and invest in our leadership in technology, global manufacturing and competitive cost structure to support long-term revenue growth, profitability and cash flow generation.

The impact of the current COVID-19 outbreak is highly uncertain at this time. We are taking a number of mitigation actions but some negative impact in the short-term appears likely. Over the longer term, we expect to benefit not only as global light vehicle production continues to grow, but also from increased demand for our advanced fluid handling products and systems and higher content opportunities driven by the underlying megatrends of emission reduction, increased fuel efficiency and electrification. These megatrends will continue to be front and centre for our sector.

We prioritise variable and fixed cost management and capital allocation to deliver sustainable growth.

We believe the Group's strong customer relationships, extensive global footprint and trusted reputation as a leading fluid systems provider has contributed to thermal BEV collaboration agreements, HEV and BEV production contracts and will support continued growth in these markets for many years to come.

I remain excited about the path we are on and the Group's future.

Our people

The Group relies on the skills and expertise of its excellent employees worldwide, and the results of 2019 would not have been achieved without the commitment and dedication of our entire global team, whom I would like to recognise and sincerely thank.

Protecting the health and safety of our people is our highest priority. We have taken proactive actions around the world, including travel restrictions and flexible work programmes. I am happy to report that, as I am writing this statement, we are not aware of any of our employees that have been infected with COVID-19.

We will continue to manage through the difficult environment in 2020.

Chief Financial Officer's Report

We are well placed to continue outperforming global light vehicle production and delivering strong financial performance.

Table 1: Key Performance measures €m

	Management basis*			As reported		
	2019**	2018	**% Change**	**2019**	2018	**% Change**
Revenue	**3,411.1**	3,472.8	(1.8)%	**3,411.1**	3,472.8	(1.8)%
% Change at constant currency			(3.5)%			
Adjusted EBITDA	**497.8**	484.3	2.8 %			
Margin	***14.6%***	*13.9%*	*70 bps*			
Adjusted EBIT / Operating Profit	**340.4**	373.5	(8.9)%	**258.9**	281.1	(7.9)%
Margin	***10.0%***	*10.8%*	*(80)bps*	*7.6%*	*8.1%*	*(50)bps*
Adjusted Net Income / Profit for the year	**150.3**	155.2	(3.2)%	**144.6**	140.1	3.2 %
Earnings per share	**28.91**	29.87	(3.2)%	**27.24**	26.53	2.7 %
Adjusted Free Cash Flow	**171.5**	146.2	17.3 %			
Dividend (€ cents)	**8.96**	8.96	— %	**8.96**	8.96	— %

*Management basis metrics are Non - IFRS measures as defined on pages 16 to 17

**Current year results include the impact of applying IFRS 16 whilst the prior year comparatives have not been restated. Impacts on our key measures are shown on page 18

Global light vehicle production has a significant influence on the Group's performance. In 2019, global light vehicle production decreased by 5.6% to 88.9 million vehicles compared to the prior year. Our revenue continued to outperform global light vehicle production.

Revenue decreased by €124.1 million, or 3.5% year over year on a constant currency basis, to €3.4 billion and exceeded the global light vehicle production change by 2.1% in 2019. If we include the positive impact of currency of €62.4 million, reported revenue declined by €61.7 million, or 1.8% year over year.

We generated Adjusted EBIT of €340.4 million with a margin of 10.0%, a reduction of 0.8% from the prior year Adjusted EBIT margin. The margin decline was primarily due to lower volumes in our FCS segment, particularly in China.

We delivered Adjusted Net Income of €150.3 million, compared to €155.2 million in the prior year. Profit for the year was €144.6 million compared to €140.1 million in 2018. Basic EPS was 27.24 Euro cents, an increase of 2.7% from the prior year, and Adjusted Basic EPS was 28.91 Euro cents, a decrease of 3.2% from 2018. 2019 was also another year of strong cash flow performance, where we delivered Adjusted Free Cash Flow of €171.5 million, €144.7 million excluding the €26.8 million impact of IFRS 16 - Leases.

The new accounting standard for Leases, IFRS 16, was adopted from 1 January 2019. The Group has applied the modified retrospective approach and therefore has not restated its comparative figures. Accordingly, some of the key performance measures presented above and in this report are not comparable with the prior year. Table 9 on page 18 details the impact of IFRS 16 on individual line items.

Automotive Markets

Global light vehicle production volumes softened by 5.6% in 2019 to 88.9 million vehicles as shown in table 2. The softening was across all major regions.

Table 2: Global light vehicle production volumes: millions of units

	2019	% Change
Europe, including Middle East and Africa	**23.1**	(5.9)%
Asia Pacific	**46.2**	(6.2)%
North America	**16.3**	(3.9)%
Latin America	**3.3**	(4.5)%
Total global volumes	**88.9**	(5.6)%

Source: IHS Markit, February 2020 and Company estimates.
Change percentages calculated using unrounded data.

Revenue

Our revenue in each of the regions and by segment is included in table 3.

Table 3: Revenue by region and by segment €m

	2019	2018	**Change**	**% Change**	**% Change at constant currency**
Total Group Revenue	**3,411.1**	3,472.8	(61.7)	(1.8)%	(3.5)%
By Region					
Europe and Africa	**1,368.6**	1,398.6	(30.0)	(2.1)%	(2.1)%
Asia Pacific	**1,030.6**	1,032.2	(1.6)	(0.2)%	(1.5)%
North America	**936.7**	971.9	(35.2)	(3.6)%	(8.6)%
Latin America	**75.2**	70.1	5.1	7.3 %	15.0 %
By segment					
Fluid Carrying Systems ("FCS")	**1,917.6**	2,026.7	(109.1)	(5.4)%	(7.2)%
Fuel Tank and Delivery Systems ("FTDS")	**1,493.5**	1,446.1	47.4	3.3 %	1.6 %

Group revenue in 2019 was €3.4 billion, a decrease of 3.5% year over year at constant currency and 2.1% better than the change in global light vehicle production. Favourable exchange rate movements of €62.4 million resulted in revenue being 1.8% lower than the prior year.

In Europe and Africa, revenue at constant currency was 2.1% lower than the prior year and outperformed light vehicle production in the region by 3.8%. Europe and Africa light vehicle production declined by 5.9%. Revenue outperformance was primarily due to new business launches and favourable programme ramp up impacts, particularly in FTDS, offset by lower volumes in FCS.

In Asia Pacific, revenue at constant currency declined by 1.5% and outperformed light vehicle production in the region by 4.7%. Asia Pacific light vehicle production declined by 6.2%. The weakness in light vehicle production was most notable for us in China. The Group generates 19% of its revenue in China, driven by our longstanding market position in our brake and fuel lines business within our FCS segment. Accordingly, FCS revenue was impacted by the volume declines in China. Despite this we continued to outperform in the region, primarily through continued new business success with our fuel tanks in FTDS in China where the Group is benefiting from the automotive megatrends of reduced evaporative emissions and fuel efficiency, driven by the ongoing switch from steel to plastic fuel tanks.

In North America, revenue at constant currency was 8.6% lower than the prior year, or 4.7% below light vehicle production volume. North America light vehicle production declined by 3.9%. Revenue was impacted by OEM programme relocations to Europe and China as well as mix, with the Group's lower exposure to SUVs and light truck programmes in this region.

FCS revenue at constant currency declined by 7.2% from the prior year to €1.9 billion. The FCS segment was particularly impacted by lower production in China and mix in North America.

FTDS revenue at constant currency increased by 1.6% to €1.5 billion. FTDS continued to benefit from new wins in Asia Pacific and resilient performance in Europe.

Currency exchange rates had a net favourable impact of €62.4 million on revenue compared with the prior year. This was mostly due to weakening of the Euro against a number of key currencies in countries where the Group has manufacturing operations. Accordingly, revenue declined by 1.8% to €3.4 billion at reported rates. Table 4 below sets out the movement in exchange rates most relevant to our operations.

Table 4: Exchange Rates

Key Euro exchange rates	**2019 Average**	2018 Average	% Change	**2019 year end**	2018 year end	% Change
US dollar	**1.120**	1.181	(5.2)%	**1.122**	1.147	(2.2)%
Chinese renminbi	**7.731**	7.805	(0.9)%	**7.765**	7.890	(1.6)%
South Korean won	**1,304**	1,299	0.4 %	**1,286**	1,278	0.6 %

Operating profit, Adjusted EBITDA* and Adjusted EBIT*

We use several financial measures to manage our business, including Adjusted EBITDA and Adjusted EBIT, which are non-IFRS measures, but are measures of profitability that have been used consistently by the Group. The metrics are also used in certain of our compensation plans and to communicate to our investors. Table 5 shows a reconciliation between the reported measure, operating profit, Adjusted EBITDA and Adjusted EBIT.

Table 5: Calculation of Adjusted EBITDA* and Adjusted EBIT* €m

	2019	2018
Operating profit	**258.9**	281.1
Depreciation and impairment of PP&E	**108.6**	101.5
Depreciation of right-of-use assets	**31.5**	—
Amortisation and impairment of intangible assets	**89.8**	95.6
Share of profit of associates	**0.3**	0.5
EBITDA	**489.1**	478.7
Net foreign exchange gains	**(0.5)**	(1.2)
Dividend received from associates	**0.5**	0.2
Restructuring costs	**9.0**	7.1
Share of profit of associates	**(0.3)**	(0.5)
Adjusted EBITDA	**497.8**	484.3
Less:		
Depreciation and impairment of PP&E	**(108.6)**	(101.5)
Depreciation of right-of-use assets	**(31.5)**	—
Amortisation and impairment of intangible assets	**(89.8)**	(95.6)
Add back:		
Depreciation uplift arising on purchase accounting	**14.5**	15.7
Amortisation uplift arising on purchase accounting	**58.0**	70.6
Adjusted EBIT	**340.4**	373.5

* See Non-IFRS measures

Operating profit of €258.9 million (2018: €281.1 million) was impacted by lower revenue and partially offset by the adoption of IFRS 16 which had a €5.5 million positive impact being the net of the operating lease charges and the additional depreciation on the right of use assets. As part of our ongoing pension management, we executed a voluntary lump sum buyout exercise in the US. This generated a €9.1 million settlement gain. Additionally a definitive ruling on a Brazilian indirect tax matter delivered a €4.8 million benefit to our operating profit. Both these 2019 gains offset higher costs and charges incurred in prior years.

Adjusted EBITDA was €497.8 million (2018: €484.3 million) and Adjusted EBITDA margin was 14.6% (2018: 13.9%) where the lower operating profit as a result of lower revenue was offset by the impact of adopting IFRS 16 which had a €37.2 million benefit due to the reversal of the operating lease charges. The main adjusting item relates to restructuring where we took action in our operations in Europe and North America.

Adjusted EBIT was €340.4 million (2018: €373.5 million) and Adjusted EBIT margin was 10.0% (2018: 10.8%). This change was impacted by conversion on lower revenue, partially offset by reductions in overhead costs and the adoption of IFRS 16. We continue to manage our costs in line with the reduced volumes in order to minimise the impact on margins. Depreciation relating to right-of-use assets recognised as part of IFRS 16 accounted for €31.5 million of the increase in the depreciation and impairment charge of PP&E.

By segment, FCS Adjusted EBIT was €199.4 million (2018: €241.0 million) with Adjusted EBIT margin of 10.4% (2018: 11.9%). FCS continues to achieve double digit margins despite the prevailing market environment. The year over year decline in margin reflected the volume reduction particularly in China, where we have a high market share, as well as increases in resin costs.
FTDS Adjusted EBIT increased by €8.5 million to €141.0 million (2018: €132.5 million) with Adjusted EBIT margin of 9.4% (2018: 9.2%). The increase in margin reflects the benefits of mix and strong operational performance.

Net finance expense

Net finance expense for the year was €57.5 million, a decrease of €7.0 million from the prior year.

We benefited from the full year impact of the interest savings following the repayment of the 8.75% unsecured senior notes in July 2018, and a further €50 million term loan repayment in March 2019. These benefits amounted to €4.5 million. In 2018, we incurred exceptional finance costs of €11.8 million associated with the repayment of the unsecured senior notes and additional term loan debt in July 2018. There was no equivalent charge in 2019. These benefits were partially offset by €10.5 million of interest on lease liabilities, which have been recognised following the adoption of IFRS 16.

Taxation

Income tax expense before exceptional items was €57.1 million (2018: €77.0 million), which represents an Effective Tax Rate of 28.3% (2018: 35.5%). The tax expense was €19.9 million lower than 2018 due to an overall decrease in taxable profits, and the €12.2 million net benefit arising from the completion of a prior year related

Research & Experimentation claim in the US. Recognition of this claim favourably impacts the Effective Tax Rate by 5.2%.

The Adjusted Effective Tax Rate, which was calculated by adjusting for the impact of UK losses where no tax relief is available, and prior year tax movements, including the Research & Experimentation benefit, was 32.3% (2018: 32.2%). This remained largely consistent with the prior year as the global mix of profits and territories in which the Group operated remained broadly the same.

Table 6 shows the calculation of the Adjusted Effective Tax Rate.

Table 6: Calculation of Adjusted Effective Tax rate* €m

	Profit before tax	**Tax charge**	Profit before tax	Tax charge
	2019	**2019**	2018	2018
As reported	**201.7**	**(57.1)**	217.1	(77.0)
Effective Tax Rate		***28.3%***		*35.5%*
Add back:				
UK book loss	**35.0**		62.8	
Prior year deferred tax charge		**5.0**		1.0
Less:				
Prior year tax benefit related to US Research & Experimentation claims		**(12.2)**		—
Prior year corporate tax benefit		**(12.1)**		(14.2)
Adjusted profit before income tax / Tax charge	**236.7**	**(76.4)**	279.9	(90.2)
Adjusted Effective Tax Rate		***32.3%***		*32.2%*

*See Non-IFRS measures

Adjusted Net Income* and profit for the year

Adjusted Net Income is a component of the Adjusted Basic EPS calculation and is also used to guide our dividend calculation. The calculation of Adjusted Net Income is shown in table 7a.

Table 7a: Adjusted Net Income* €m

	2019	2018
Adjusted EBITDA (see table 5)	**497.8**	484.3
Less:		
Net finance expense before exceptional items	**(57.5)**	(52.7)
Income tax expense before exceptional items	**(57.1)**	(77.0)
Depreciation and impairment of PP&E	**(108.6)**	(101.5)
Depreciation of right-of-use assets	**(31.5)**	—
Amortisation and impairment of intangible assets	**(89.8)**	(95.6)
Non-controlling interests share of profit	**(3.0)**	(2.3)
Adjusted Net Income	**150.3**	155.2

Table 7b: Reconciliation of profit for the year to Adjusted Net Income* €m

	2019	2018
Profit for the year	**144.6**	140.1
Less:		
Non-controlling interests share of profit	**(3.0)**	(2.3)
Net foreign exchange gains	**(0.5)**	(1.2)
Add back:		
Exceptional finance expenses	**—**	11.8
Restructuring costs	**9.0**	7.1
Associate income less dividend received	**0.2**	(0.3)
Adjusted Net Income	**150.3**	155.2

*See Non-IFRS measures

Profit for the year increased by €4.5 million to €144.6 million, with lower operating profit as a result of conversion of lower sales, offset by lower fixed costs, finance expense and tax.

Adjusted Net Income was €150.3 million in 2019, a decrease of 3.2% from €155.2 million in 2018, primarily driven by exceptional finance expenses added back to profit in 2018 which did not recur in 2019, and the adoption of IFRS 16. Excluding IFRS 16 impacts, the result was €155.3 million in line with 2018, despite lower revenue. The Group incurred restructuring costs of €9.0 million in the year primarily related to operations in Europe and North America (2018: €7.1 million).

Basic EPS and Adjusted Basic EPS*

On a statutory basis, Basic Earnings per Share ('EPS') was 27.24 Euro cents (2018: 26.53 Euro cents), an increase of 2.7% from the prior year, reflecting the slightly higher statutory profit arising from lower operating profit as a result of lower trading volumes offset by lower net finance expense and tax. Adjusted Basic EPS calculation is based on Adjusted Net Income and the weighted average number of shares in issue. Adjusted Basic EPS was 28.91 Euro cents per share (2018: 29.87 Euro cents per share) reflecting the decrease in Adjusted Net Income as noted above. Weighted average shares outstanding in 2019 were 519.9 million (2018: 519.5 million). The prior year comparative has been re-presented to be consistent with the 2019 number.

*See Non-IFRS measures

Dividend

The Board's dividend policy is to target an annual dividend of approximately 30% of Adjusted Net Income, one third payable following half year results and two thirds following the Group's final results.

The Board has decided to recommend a final dividend of 5.94 Euro cents per share, amounting to €30.9 million. This final dividend together with the interim dividend of 3.02 Euro cents per share paid in August 2019, makes a total dividend for 2019 of 8.96 Euro cents per share and amounts to €46.6 million. The total annual dividend is 31% of Adjusted Net Income (2018: 30%). Subject to shareholder approval at the Annual General Meeting on 14 May 2020, the final dividend will be paid on 29 May 2020. The dividend will be converted to Sterling at a fixed rate on 24 April 2020, the Dividend Record Date.

Adjusted Free Cash Flow*

The Group uses Adjusted Free Cash Flow as its primary operating measure of cash flow performance.

Table 8a: Adjusted Free Cash Flow* €m

	2019	2018
Net cash generated from operating activities	**334.4**	297.0
Net cash used by investing activities	**(157.0)**	(149.5)
Free Cash Flow*	**177.4**	147.5
Add back:		
IPO costs (included in net cash generated from operations)	**—**	3.1
Deduct:		
Cash received on settlement of derivatives	**(5.6)**	(2.7)
Amounts received in cash from Financial Assets at FVTPL (included in net cash generated from operations)	**(0.3)**	(1.7)
Adjusted Free Cash Flow	**171.5**	146.2

Table 8b: Reconciliation of Adjusted EBITDA to Adjusted Free Cash Flow* €m

	2019	2018
Adjusted EBITDA (see note 3)	**497.8**	484.3
Less:		
Net cash interest paid	**(61.6)**	(62.5)
Cash taxes paid	**(79.7)**	(88.2)
Payment for property, plant and equipment	**(119.4)**	(115.8)
Payment for intangible assets	**(39.7)**	(35.8)
Movement in working capital	**2.7**	(27.5)
Movement in retirement benefit obligations	**(12.5)**	(5.2)
Exceptional cash paid (IPO costs)	**—**	(3.1)
Movement in provisions and other	**(10.2)**	1.3
Free Cash Flow*	**177.4**	147.5
Add back:		
IPO cash costs in Net Cash from Operations	**—**	3.1
Less:		
Cash received on settlement of derivatives	**(5.6)**	(2.7)
Amounts received in cash from Assets at FVTPL	**(0.3)**	(1.7)
Adjusted Free Cash Flow	**171.5**	146.2

*See Non-IFRS measures

In 2019, we generated Adjusted Free Cash Flow of €171.5 million (2018: €146.2 million). The adoption of IFRS 16 had a positive €26.8 million impact on Adjusted Free Cash Flow. The Adjusted EBITDA generated by the Group was used to fund increased investment in capital equipment and intangibles. There was a €7.5 million increase in property, plant and equipment and intangibles expenditure primarily related to investment in our HEV and BEV strategy and upcoming programme launches. The increase was offset by lower working capital outflows due to lower revenue. Cash spend on restructuring activities was €6.0 million (2018: €1.7 million).

Retirement benefits

We operate funded and unfunded defined benefit schemes across multiple jurisdictions with the largest being the US pension and retiree healthcare schemes. We also have major schemes in the UK, Canada and Germany. While all of our major plans are closed to new entrants, a few allow for future accrual. Our schemes are subject to periodic actuarial valuations. Our net unfunded position increased by €5.5 million to €153.7 million at the end of 2019 principally due to declining discount rates across many territories, of which all but approximately €13.1 million of the impact was offset by strong pension investment performance. Offsetting this increase was a €9.1 million gain on settlement arising from the voluntary lump sum buyout of two of our retirement plans in the US.

Net debt* and net leverage

Net debt, a non-IFRS measure, at the end of 2019 was €738.3 million, a decrease of €82.1 million from the prior year. In March 2019, the Group made a voluntary payment of $56.5 million (€50.0 million) against its USD term loan using cash from operations. The Group's net leverage ratio was 1.5 times Adjusted EBITDA as at 31 December 2019 (2018: 1.7 times).

The Group excludes IFRS 16 lease liabilities from its net debt and net leverage ratio. If the IFRS 16 lease liabilities were to be included, the Group’s net debt would be €905 million and net leverage ratio would be 1.8 times Adjusted EBITDA.

*See Non-IFRS measures

Liquidity

Our principal sources of liquidity have historically been cash generated from operating activities and amounts available under our credit facilities, that currently consist of a revolving facility under our cash flow credit agreement of $125 million (€111.4 million) and an asset backed loan ('ABL') facility of $100 million (€89.1 million). The availability under both facilities as of 31 December 2019 was €177.2 million.

Outlook

Despite the forecasted decline in global light vehicle production volumes in 2020, we expect that our 2020 revenue will outperform global light vehicle production volumes similar to the prior year, excluding currency movements. We also anticipate that in 2020 our Adjusted EBIT margin will be a high single digit and that Adjusted Free Cash Flow conversion will be similar to the prior year. It is our plan to continue to reduce net leverage while maintaining a consistent dividend policy. However, importantly, our outlook for 2020 does not include the impact of the ongoing COVID-19 (coronavirus) outbreak, which is continuing to evolve. In the event that the COVID-19 outbreak becomes more widespread and/or continues for an extended period of time, the impact to the automotive industry and the Company will be difficult to predict. We will continue to take actions to mitigate the negative impact of COVID-19 as appropriate.

Non-IFRS measures

In addition to the results reported under IFRS, we use certain non-IFRS financial measures to monitor and measure performance of our business and operations and the profitability of our divisions. Such measures are also utilised by the Board as targets in determining compensation of certain executives and key members of management, as well as in our communications with investors. In particular, we use Adjusted EBIT, Adjusted EBITDA, Adjusted Net Income, Adjusted Basic EPS, Adjusted Free Cash Flow and Adjusted Effective Tax Rate. These non-IFRS measures are not recognised measurements of financial performance or liquidity under IFRS, and should be viewed as supplemental and not replacements or substitutes for any IFRS measures.

Adjusted EBITDA is defined as profit for the year adjusted for income tax expense, net finance expense, depreciation, amortisation and impairment of PP&E and intangible assets, net foreign exchange gains / (losses), restructuring costs and adjustment for associate income.

Adjusted EBIT is defined as Adjusted EBITDA less depreciation (including PP&E impairment) and amortisation (including intangibles impairment) arising on tangible and intangible assets before adjusting for any purchase price adjustments to fair values arising on acquisitions.

Operating profit margin is defined as operating profit expressed as a percentage of revenue.
Adjusted Net Income is defined as Adjusted EBITDA less net finance expense before exceptional items, income tax expense before exceptional items, depreciation and amortisation (including PP&E and intangible asset impairments) and non-controlling interests share of profit.

Adjusted Basic EPS is defined as Adjusted Net Income divided by the weighted average number of shares in issue in the year.

Free Cash Flow is defined as the total of net cash generated from operating activities and net cash used by investing activities.

Adjusted Free Cash Flow is defined as free cash flow adjusted for acquisitions, movements in financial assets at fair value through the profit or loss, cash payments related to IPO costs and cash received on settlement of derivatives.

Adjusted Income Tax before Exceptional items is defined as income tax before exceptional items adjusted for the tax impact of prior year tax provisions and adjustments.

Adjusted Profit before Income Tax is defined as profit before income tax adjusted for UK losses.

Adjusted Effective Tax Rate is defined as adjusted income tax before exceptional items as a percentage of adjusted profit before income tax.

Net debt is defined as the total of current and non-current borrowings excluding lease liabilities, net of cash and cash equivalents and financial assets at fair value through the profit and loss.

Impact of adopting IFRS 16 - Leases

Reconciliations of key performance metrics have been shown where appropriate to demonstrate the underlying performance on a like-for-like basis.

Table 9: Impact on 2019 results from adopting IFRS 16 €m

	Pre-IFRS Basis	IFRS 16 Basis	Net Impact
Income statement			
Revenue	—	—	—
Depreciation of right-of-use assets	—	(31.5)	(31.5)
Uncapitalised lease costs	(45.7)	(8.5)	37.2
Net foreign exchange losses on IFRS 16 Leases	—	(0.2)	(0.2)
Operating Profit	**(45.7)**	**(40.2)**	**5.5**
Net finance expense	—	(10.5)	(10.5)
Profit for the Year	(45.7)	(50.7)	**(5.0)**
Balance Sheet			
Right-of-use assets	—	161.4	161.4
Property, Plant & Equipment	1.4	—	(1.4)
Borrowings	(1.8)	—	1.8
Lease liabilities	—	(166.7)	(166.7)
Total Balance Sheet Impact	**(0.4)**	**(5.3)**	**(4.9)**
Cash Flow Statement			
Operating Profit	(45.7)	(40.2)	5.5
Depreciation of right-of-use assets	—	31.5	31.5
Interest paid	—	(10.5)	(10.5)
Net foreign exchange losses on IFRS 16 Leases and Other	—	0.3	0.3
Lease principal repayments	(0.3)	(27.1)	(26.8)
Total cash outflow	**(46.0)**	**(46.0)**	**—**
Other Key performance measures			
Adjusted EBITDA	460.6	497.8	37.2
Adjusted EBITDA margin	13.5%	14.6%	1.1%
Adjusted EBIT	334.9	340.4	5.5
Adjusted EBIT Margin	9.8%	10.0%	0.2%
Adjusted Net Income	155.3	150.3	(5.0)
Adjusted Free Cash Flow	144.7	171.5	26.8

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Group Financial Statements

Consolidated Income Statement

For the year ended 31 December

Continuing operations	Notes	2019 €m	2018 €m
Revenue	3	**3,411.1**	3,472.8
Cost of sales		**(2,922.7)**	(2,938.2)
Gross profit		**488.4**	534.6
Distribution costs		**(95.0)**	(102.4)
Administrative expenses		**(141.7)**	(164.5)
Other income		**6.7**	12.2
Net foreign exchange gains		**0.5**	1.2
Operating profit		**258.9**	281.1
Finance income		**15.0**	14.3
Finance expense		**(72.5)**	(67.0)
Exceptional items		**—**	(11.8)
Finance expense after exceptional items		**(72.5)**	(78.8)
Net finance expense after exceptional items	5	**(57.5)**	(64.5)
Share of profit of associates		**0.3**	0.5
Profit before income tax		**201.7**	217.1
Income tax expense	6	**(57.1)**	(77.0)
Profit for the year		**144.6**	140.1
Profit for the year attributable to:			
Owners of the Parent Company		**141.6**	137.8
Non-controlling interests		**3.0**	2.3
		144.6	140.1
Total earnings per share (Euro, cents)			
Basic	7	**27.24**	26.53
Diluted	7	**27.24**	26.44

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	Notes	**2019 €m**	2018 €m
Profit for the year		**144.6**	140.1
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
– Re-measurements of retirement benefit obligations		**(10.7)**	16.9
– Income tax credit/(expense) on retirement benefit obligations	6	**2.3**	(4.3)
		(8.4)	12.6
Items that may be subsequently reclassified to profit or loss			
– Currency translation		**14.8**	11.8
– Cash flow hedges		**4.9**	(0.3)
– Net investment hedges		**0.3**	(7.2)
		20.0	4.3
Other comprehensive income for the year, net of tax		**11.6**	16.9
Total comprehensive income for the year		**156.2**	157.0
Attributable to:			
– Owners of the Parent Company		**153.4**	154.6
– Non-controlling interests		**2.8**	2.4
Total comprehensive income for the year		**156.2**	157.0

Consolidated Balance Sheet

At 31 December

	Notes	**2019 €m**	2018 €m
Non-current assets			
Intangible assets	8	**1,182.2**	1,229.8
Right-of-use assets	9	**161.4**	—
Property, plant and equipment		**715.0**	706.5
Investments in associates		**19.2**	19.6
Derivative financial instruments		**—**	5.4
Deferred income tax assets	6	**25.1**	34.9
Trade and other receivables		**21.6**	14.8
		2,124.5	2,011.0
Current assets			
Inventories		**367.1**	352.8
Trade and other receivables		**574.5**	578.3
Current income tax assets		**13.7**	4.4
Derivative financial instruments		**18.4**	8.5
Financial assets at fair value through profit and loss		**0.9**	1.2
Cash and cash equivalents		**411.7**	360.1
		1,386.3	1,305.3
Total assets		**3,510.8**	3,316.3
Equity			
Share capital		**6.8**	6.8
Share premium		**2.2**	1.4
Other reserves		**(106.1)**	(126.3)
Accumulated profits		**1,261.7**	1,175.7
Equity attributable to owners of the Parent Company		**1,164.6**	1,057.6
Non-controlling interests		**24.5**	22.5
Total equity		**1,189.1**	1,080.1
Non-current liabilities			
Trade and other payables		**12.3**	17.1
Borrowings	10	**1,148.5**	1,179.3
Lease liabilities	9	**138.0**	—
Derivative financial instruments		**—**	45.3
Deferred income tax liabilities	6	**128.5**	141.6
Retirement benefit obligations	11	**153.7**	148.2
Provisions		**5.0**	4.9
		1,586.0	1,536.4
Current liabilities			
Trade and other payables		**611.2**	608.4
Current income tax liabilities		**48.7**	60.2
Borrowings	10	**2.4**	4.4
Lease liabilities	9	**28.7**	—
Derivative financial instruments		**25.4**	2.8
Provisions		**19.3**	24.0
		735.7	699.8
Total liabilities		**2,321.7**	2,236.2
Total equity and liabilities		**3,510.8**	3,316.3

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Ordinary shares	**Share premium**	**Other reserves**	**Accumulated profits**	**Total**	**Non-controlling interests**	**Total equity**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Balance at 1 January 2019	**6.8**	**1.4**	**(126.3)**	**1,175.7**	**1,057.6**	**22.5**	**1,080.1**
Profit for the year	—	—	—	**141.6**	**141.6**	**3.0**	**144.6**
Other comprehensive income/(expense) for the year	—	—	**20.2**	**(8.4)**	**11.8**	**(0.2)**	**11.6**
Total comprehensive income for the year	—	—	**20.2**	**133.2**	**153.4**	**2.8**	**156.2**
Decrease in share held by non-controlling interests	—	—	—	**0.1**	**0.1**	**(0.1)**	—
Share-based expense	—	—	—	**1.4**	**1.4**	—	**1.4**
Net employee tax settlement from vested shares				**(2.1)**	**(2.1)**	—	**(2.1)**
Dividends paid	—	—	—	**(46.6)**	**(46.6)**	**(0.7)**	**(47.3)**
Shares issued	—	**0.8**	—	—	**0.8**	—	**0.8**
Balance at 31 December 2019	**6.8**	**2.2**	**(106.1)**	**1,261.7**	**1,164.6**	**24.5**	**1,189.1**

	Ordinary shares	Share premium	Other reserves	Accumulated profits	Total	Non-controlling interests	Total equity
	€m	€m	€m	€m	€m	€m	€m
Balance at 1 January 2018	6.8	404.3	(130.5)	640.9	921.5	20.3	941.8
Profit for the year	—	—	—	137.8	137.8	2.3	140.1
Other comprehensive income/(expense) for the year	—	—	4.2	12.6	16.8	0.1	16.9
Total comprehensive income for the year	—	—	4.2	150.4	154.6	2.4	157.0
Share-based expense	—	—	—	4.0	4.0	—	4.0
Dividends paid	—	—	—	(22.5)	(22.5)	(0.2)	(22.7)
Capital reduction	—	(404.3)	—	404.3	—	—	—
Shares issued	—	1.4	—	(1.4)	—	—	—
Balance at 31 December 2018	6.8	1.4	(126.3)	1,175.7	1,057.6	22.5	1,080.1

Consolidated Statement of Cash Flows

For the year ended 31 December

	Notes	**2019 €m**	2018 €m
Cash flows from operating activities			
Cash generated from operations	12	**477.2**	449.6
Interest paid		**(63.1)**	(64.4)
Income tax paid		**(79.7)**	(88.2)
Net cash generated from operating activities		**334.4**	297.0
Cash flows from investing activities			
Payment for property, plant and equipment		**(119.4)**	(115.8)
Payment for intangible assets		**(39.7)**	(35.8)
Proceeds from the sale of property, plant and equipment		**0.6**	0.2
Interest received		**1.5**	1.9
Net cash used by investing activities		**(157.0)**	(149.5)
Cash flows from financing activities			
Proceeds from new borrowings		**—**	150.0
Fees paid on proceeds from new borrowings		**(0.3)**	(2.2)
Voluntary repayments of borrowings	10	**(50.0)**	(188.4)
Fees paid on voluntary repayments of borrowings		**—**	(8.2)
Scheduled repayments of borrowings		**(4.5)**	(5.4)
Lease principal repayments	9	**(27.1)**	—
Dividends paid		**(46.6)**	(22.5)
Dividends paid to non-controlling interests		**(0.7)**	(0.2)
Net cash used by financing activities		**(129.2)**	(76.9)
Increase in cash and cash equivalents		**48.2**	70.6
Cash and cash equivalents at the beginning of the year		**360.1**	287.2
Currency translation on cash and cash equivalents		**3.4**	2.3
Cash and cash equivalents at the end of the year		**411.7**	360.1

1. General Information

The Group's full financial statements have been approved by the Board of Directors and reported on by the auditors on 16 March 2020. A copy of the statutory accounts for the year ended 31 December 2018 has been delivered to the Registrar of Companies, and those for the year ended 31 December 2019 will be delivered in due course. The independent auditors' report on the full financial statements for the year ended 31 December 2018 was unqualified and did not contain an emphasis of matter paragraph or any statement under section 498 of the Companies Act 2006.

2. Basis of Preparation

The consolidated financial information included within this announcement has been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, the UK Companies Act 2006 applicable to companies reporting under IFRS, and International Financial Reporting Interpretations Committee ('IFRS IC') interpretations issued and effective at the time of preparing the financial information. The financial information in this preliminary announcement does not, however comply with all disclosure requirements.

The consolidated financial information has been prepared under the historical cost convention, except for the fair valuation of assets and liabilities of subsidiary companies acquired, and financial assets and liabilities at fair value through profit or loss ('FVTPL') (including derivative instruments not in hedging relationships).

The preparation of the financial information in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's reasonable knowledge of the amount, event or actions, actual results may differ from those estimates.

The Group has applied IFRS 16 'Leases' for the first time in the 2019 consolidated financial statements from its mandatory adoption date of 1 January 2019, using the simplified transition (modified retrospective) approach. Comparative amounts for the year ended 31 December 2018 have not been restated. All right-of-use assets previously treated as operating leases have been measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The Group has applied the practical expedient to grandfather the definition of a lease on transition and has therefore applied IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases, in accordance with IAS 17 and IFRIC 4. The Group recognised right-of-use assets of €146.3 million and lease liabilities of €147.0 million on transition.

3. Segment Reporting

In accordance with the provisions of IFRS 8 'Operating Segments', the Group's segment reporting is based on the management approach with regard to segment identification; under which information regularly provided to the chief operating decision maker ('CODM') for decision making purposes forms the basis of the disclosure. The Company's CODM is the Chief Executive Officer and the Chief Financial Officer. The CODM evaluates the performance of the Company's segments primarily on the basis of revenue, Adjusted EBITDA, and Adjusted EBIT, both non-IFRS measures.

Two operating segments have been identified by the Group: Fluid Carrying Systems ('FCS') and Fuel Tank and Delivery Systems ('FTDS').

Inter-segment revenue is attributable solely to the ordinary business activities of the respective segment and is conducted on an arm's-length basis.

	2019 €m	2018 €m
Revenue		
– FCS - External	**1,917.6**	2,026.7
- Inter-segment	**82.4**	82.4
	2,000.0	2,109.1
– FTDS - External	**1,493.5**	1,446.1
- Inter-segment	**4.8**	2.0
	1,498.3	1,448.1
Inter-segment elimination	**(87.2)**	(84.4)
Total consolidated revenue	**3,411.1**	3,472.8
Adjusted EBITDA		
– FCS	**274.0**	291.1
– FTDS	**223.8**	193.2
	497.8	484.3
Adjusted EBITDA % of revenue		
– FCS	**14.3%**	14.4%
– FTDS	**15.0%**	13.4%
Total	**14.6%**	13.9%
Adjusted EBIT		
– FCS	**199.4**	241.0
– FTDS	**141.0**	132.5
	340.4	373.5
Adjusted EBIT % of revenue		
– FCS	**10.4%**	11.9%
– FTDS	**9.4%**	9.2%
Total	**10.0%**	10.8%

4. Research and Development Expenditure

Research and development expenditure before third party income, comprised:

	2019 €m	2018 €m
Research and development expenses	**45.1**	40.8
Capitalised development costs	**31.7**	35.4
Total research and development expenditure	**76.8**	76.2

5. Finance Income and Expense

	2019 €m	2018 €m
Finance income		
Interest on short-term deposits, other financial assets and other interest income	**2.0**	1.9
Interest income on indirect tax receivable	**2.8**	—
Net interest income on release of specific uncertain tax positions	**—**	3.4
Fair value gain on derivatives and foreign exchange contracts not in hedged relationships	**10.2**	9.0
Finance income	**15.0**	14.3
Finance expense		
Interest payable on term loans including expensed fees	**(56.5)**	(51.7)
Interest payable on unsecured senior notes including expensed fees	**—**	(9.3)
Net interest expense of retirement benefit obligations	**(4.6)**	(4.4)
Fair value net losses on financial instruments: ineffectiveness	**(0.2)**	(0.6)
Net interest expense related to specific uncertain tax positions	**(0.3)**	—
Interest payable on lease liabilities	**(10.5)**	—
Utilisation of discount on provisions and other finance expense	**(0.4)**	(1.0)
Finance expense excluding exceptional items	**(72.5)**	(67.0)
Early redemption premium on voluntary repayments of borrowings	**—**	(8.2)
Unamortised issuance discounts and fees expensed on voluntary repayments of borrowings	**—**	(3.6)
Exceptional finance expense	**—**	(11.8)
Finance expense after exceptional items	**(72.5)**	(78.8)
Total net finance expense after exceptional items	**(57.5)**	(64.5)

Fees included in interest payable under the effective interest method	**2019 €m**	2018 €m
Fees included in interest payable on term loans	**(7.7)**	(6.5)
Fees included in interest payable on unsecured senior notes	**—**	(0.4)

Fees expensed in exceptional net finance expense	**2019 €m**	2018 €m
Fees expensed in respect of unsecured senior notes	**—**	(3.6)

6. Income Tax

6.1. Income Tax Expense

	2019 €m	2018 €m
Current tax on profit for the year	**(83.6)**	(96.5)
Adjustments in respect of prior years	**17.8**	14.2
Total current tax expense	**(65.8)**	(82.3)
Origination and reversal of temporary deferred tax differences	**8.7**	5.3
Total deferred tax benefit	**8.7**	5.3
Income tax expense - Income Statement	**(57.1)**	(77.0)
Origination and reversal of temporary deferred tax differences	**2.3**	(4.3)
Income tax credit/(expense) - Statement of Comprehensive Income	**2.3**	(4.3)
Total income tax expense	**(54.8)**	(81.3)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the UK statutory tax rate applicable to profits of the consolidated entities as follows:

	2019 €m	2018 €m
Profit before income tax	**201.7**	217.1
Income tax calculated at UK statutory tax rate of 19% (2018: 19%) applicable to	**(38.3)**	(41.2)
Tax effects of:		
Overseas tax rates (excluding associates)	**(16.2)**	(18.9)
Income not subject to tax	**6.4**	11.3
Expenses not deductible for tax purposes - other & UK non-deductible interest / expenses	**(13.1)**	(17.1)
Temporary differences on unremitted earnings	**(3.3)**	(3.1)
Specific tax provisions	**(3.1)**	(3.5)
Unrecognised deferred tax assets	**(3.7)**	(11.2)
Other taxes	**(10.6)**	(9.7)
Adjustment in respect of prior years - US R&E tax credit	**12.2**	—
Adjustment in respect of prior years - current tax adjustments	**12.1**	14.2
Adjustment in respect of prior years - deferred tax adjustments	**(5.0)**	(1.0)
Impact of changes in tax rate	**0.3**	0.2
Double Tax Relief and Other Tax Credits	**5.2**	3.0
Income tax expense - Income Statement	**(57.1)**	(77.0)
Deferred tax benefit/(expense) on re-measurement of retirement benefit obligations	**2.3**	(4.3)
Income tax credit/(expense) - Statement of Comprehensive Income	**2.3**	(4.3)
Total tax expense	**(54.8)**	(81.3)

Other taxes comprised taxes withheld on dividend, interest and royalty remittances totalling €7.4 million (2018: €7.3 million) and various local taxes of €3.2 million (2018: €2.4 million).

During 2019, TI Automotive LLC ('TI US') completed a Research and Experimentation ('R&E') study for the years 2011 through 2018. As a result of the R&E study, TI US was able to report a material tax benefit in the 2019 accounts in the amount of €12.2 million net. The R&E tax credit had a material favourable impact on the 2019 effective tax rate for the Group.

Factors that may affect future tax charges include the continued non-recognition of deferred tax assets in certain territories as well as the existence of tax losses in certain territories which could be available to offset future taxable income in certain territories and for which no deferred tax asset is currently recognised.

6.2. Deferred Tax Assets and Liabilities

	2019 €m	2018 €m
Deferred income tax assets	**25.1**	34.9
Deferred income tax liabilities	**(128.5)**	(141.6)
Net deferred income tax liabilities	**(103.4)**	(106.7)

6.2.1. Movement on Net Deferred Tax Liabilities

	2019 €m	2018 €m
At 1 January	**(106.7)**	(108.8)
Income statement benefit	**8.7**	5.3
Tax on remeasurement of retirement benefit obligations	**2.3**	(4.3)
Transfer of uncertain tax position balance from current tax to deferred tax	**(7.3)**	—
Currency translation	**(0.4)**	1.1
At 31 December	**(103.4)**	(106.7)

7. Earnings Per Share

7.1. Basic and Diluted Earnings Per Share

	2019			2018		
	Profit attributable to shareholders (€m)	**Weighted average number of shares (in millions)**	**Earnings Per Share (€, cents)**	Profit attributable to shareholders (€m)	Weighted average number of shares (in millions)	Earnings Per Share (€, cents)
Basic	**141.6**	**519.9**	**27.24**	137.8	519.5	26.53
Dilutive shares	**—**	**—**	**—**	—	1.6	(0.09)
Diluted	**141.6**	**519.9**	**27.24**	137.8	521.1	26.44

7.2. Adjusted Earnings Per Share

	2019		2018	
	Basic	**Diluted**	Basic	Diluted
Adjusted Net Income (€m)	**150.3**	**150.3**	155.2	155.2
Weighted average number of shares (in millions)	**519.9**	**519.9**	519.5	521.1
Adjusted Earnings Per Share (€, in cents)	**28.91**	**28.91**	29.87	29.78

Adjusted Net Income is based on Profit attributable to shareholders €141.6 million (2018: €137.8 million) after adding back net adjustments of €8.7 million (2018: €17.4 million)

8. Intangible Assets

	2019 €m	2018 €m
Goodwill	**739.0**	733.3
Capitalised development expenses, computer software and licences, technology and customer platforms	**443.2**	496.5
Total intangible assets	**1,182.2**	1,229.8

8.1. Goodwill

	€m
Cost at 1 January 2019	**733.3**
Currency translation	**5.7**
Cost at 31 December 2019	**739.0**
Accumulated impairment at 1 January 2019	**—**
Accumulated impairment at 31 December 2019	**—**
Net book value at 31 December 2019	**739.0**

	€m
Cost at 1 January 2018	724.9
Currency translation	8.4
Cost at 31 December 2018	733.3
Accumulated impairment at 1 January 2018	—
Accumulated impairment at 31 December 2018	—
Net book value at 31 December 2018	733.3

8.2. Capitalised Development Expenses, Computer Software and Licences, Technology and Customer Platforms

	Capitalised development expenses	Computer software and licences	Technology	Customer platforms*	Total
	€m	€m	€m	€m	€m
Cost at 1 January 2019	**205.4**	**15.0**	**130.7**	**469.0**	**820.1**
Accumulated amortisation	**(71.5)**	**(9.8)**	**(104.2)**	**(138.1)**	**(323.6)**
Net book value at 1 January 2019	**133.9**	**5.2**	**26.5**	**330.9**	**496.5**
Additions	**31.7**	**1.2**	**—**	**—**	**32.9**
Disposals	**(0.6)**	**—**	**—**	**—**	**(0.6)**
Amortisation charge	**(28.3)**	**(1.5)**	**(16.5)**	**(41.5)**	**(87.8)**
Impairments	**(2.0)**	**—**	**—**	**—**	**(2.0)**
Currency translation	**0.5**	**—**	**0.4**	**3.3**	**4.2**
Net book value at 31 December	**135.2**	**4.9**	**10.4**	**292.7**	**443.2**
Cost at 31 December 2019	**237.4**	**16.2**	**135.9**	**474.4**	**863.9**
Accumulated amortisation	**(102.2)**	**(11.3)**	**(125.5)**	**(181.7)**	**(420.7)**
Net book value at 31 December	**135.2**	**4.9**	**10.4**	**292.7**	**443.2**

*Customer platforms includes intangible assets relating to: customer platforms; aftermarket customer relationships; trade names & trademarks.

	Capitalised development expenses	Computer software and licences	Technology	Customer platforms	Total
	€m	€m	€m	€m	€m
Cost at 1 January 2018	168.8	13.4	127.2	461.9	771.3
Accumulated amortisation	(47.5)	(8.0)	(71.3)	(95.5)	(222.3)
Net book value at 1 January 2018	121.3	5.4	55.9	366.4	549.0
Additions	35.4	1.3	—	—	36.7
Disposals	(0.6)	—	—	—	(0.6)
Amortisation charge	(22.4)	(1.6)	(30.1)	(40.5)	(94.6)
Impairments	(1.0)	—	—	—	(1.0)
Currency translation	1.2	0.1	0.7	5.0	7.0
Net book value at 31 December 2018	133.9	5.2	26.5	330.9	496.5
Cost at 31st December 2018	205.4	15.0	130.7	469.0	820.1
Accumulated amortisation	(71.5)	(9.8)	(104.2)	(138.1)	(323.6)
Net book value at 31 December 2018	133.9	5.2	26.5	330.9	496.5

The above amortisation charges for 'technology' and 'customer platforms' amounting to €58.0 million (2018: €70.6 million) arise from intangible assets recognised through purchase price accounting.

Amortisation charges are included within cost of sales.

9. Leases

The Group has changed its accounting policy for leases and adopted IFRS 16 'Leases' in the year in accordance with the simplified transition approach permitted in the standard. The new rules have been adopted in the current year only, with the cumulative effect of initially applying the new standard recognised on 1 January 2019. The Group has not restated comparative amounts for the year ended 31 December 2018.

9.1. Amounts recognised in the Balance Sheet

The balance sheet at 31 December 2019 shows the following amounts relating to leases:

	2019
	€m
Right-of-Use Assets	**161.4**
Non-current liabilities	
Lease Liabilities	**138.0**
Current liabilities	
Lease Liabilities	**28.7**
Total Lease Liabilities	**166.7**

In the previous year, the Group only recognised lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. These were included as part of the Group's borrowings in 2018 see Note 10, and were reclassified to lease liabilities in the current year, as part of the adoption of IFRS 16.

On adoption of IFRS 16, the Group recognised right-of-use assets of €146.3 million and lease liabilities of €147.0 million on the transition date of 1 January 2019. Property, plant and equipment decreased by €1.4 million as a result of reclassifying leased assets that were previously treated as property, plant and equipment into right-of-use assets. Borrowings decreased by €2.0 million as a result of reclassifying finance lease liabilities that were previously treated as borrowings into lease liabilities. Prepayments also reduced by €0.3 million and accruals by €0.4 million. The net impact on retained earnings on 1 January 2019 of the adoption of IFRS 16 was €nil.

The following reconciliation of the opening balance for lease liabilities as at 1 January 2019 is based on the operating lease commitments at 31 December 2018. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.6%.

The range of incremental borrowing rates applied to lease liabilities in the year by region was:

	2019 Range
Europe & Africa	3.4% - 23.2%
North America	4.9% - 12.6%
Asia Pacific	5.3% - 13.4%
Latin America	8.7% - 18.2%

The Group believes that any reasonably possible change in the weighted average incremental borrowing rate would not cause the carrying value of lease liabilities or the lease interest payable charged to the income statement to be materially different.

A reconciliation of the operating lease commitments disclosed as at 31 December 2018 and the lease liabilities and right-of-use assets recognised at 1 January 2019 is disclosed below:

	2019 €m
Operating lease commitments disclosed as at 31 December 2018	157.9
Less: short-term leases recognised on a straight-line basis as an expense	(2.5)
Less: low-value leases recognised on a straight-line basis as an expense	(1.0)
Less: commitments for which the underlying asset was unavailable for use at 31 December 2018*	(14.7)
Add: adjustments as a result of a different treatment of extension and termination options	49.1
Adjusted operating lease commitments at 31 December 2018	**188.8**
Impact of discounting at the Group's incremental borrowing rates at the date of initial application	(43.8)
Discounted adjusted operating lease commitments at 31 December 2018	**145.0**
Add: finance lease liabilities reclassified from borrowings as at 31 December 2018	2.0
Lease Liabilities recognised at 1 January 2019	**147.0**
Prepaid or accrued lease expenses at 31 December 2018	(0.1)
Less: finance lease liabilities reclassified from borrowings as at 31 December 2018	(2.0)
Add: Leased assets reclassified from Property, Plant & Equipment	1.4
Right-of-Use Assets recognised at 1 January 2019	**146.3**

*Commitments for which the underlying asset was unavailable for use at 31 December 2018 relate to leases that were not commenced at 31 December 2018, to which the Group was already committed.

9.1.1. Right-of-use assets

Movements in right-of-use assets in the year are disclosed below:

	Land and buildings €m	Plant, machinery and equipment €m	Total €m
Balance at 31 December 2018	—	—	—
Change in accounting policy: adoption of IFRS 16	134.0	12.3	146.3
Restated at 1 January 2019	**134.0**	**12.3**	**146.3**
Additions	42.3	5.2	47.5
Disposals	(1.3)	—	(1.3)
Remeasurements	0.4	0.2	0.6
Depreciation charge	(25.8)	(5.7)	(31.5)
Currency translation	(0.2)	—	(0.2)
Net book value at 31 December 2019	**149.4**	**12.0**	**161.4**
Cost	174.5	17.7	192.2
Accumulated depreciation	(25.1)	(5.7)	(30.8)
Net book value at 31 December 2019	**149.4**	**12.0**	**161.4**

9.1.2. Lease liabilities

Movements in lease liabilities in the year are disclosed below:

	Lease liabilities €m
Balance at 31 December 2018	—
Change in accounting policy: adoption of IFRS 16	**147.0**
Restated at 1 January 2019	**147.0**
Additions	**47.5**
Disposals	**(1.3)**
Remeasurements	**0.6**
Accrued interest	**10.5**
Repayments	**(37.6)**
At 31 December 2019	**166.7**
Non-current	**138.0**
Current	**28.7**
At 31 December 2019	**166.7**

The maturity of lease liabilities is:

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	**39.2**	**10.5**	**28.7**
Between one and five years	**109.9**	**26.7**	**83.2**
Over five years	**65.7**	**10.9**	**54.8**
Total at 31 December 2019	**214.8**	**48.1**	**166.7**

The maturity of finance lease liabilities at 31 December 2018, prior to the application of IFRS 16 'Leases' was:

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	2.1	0.1	2.0
Total at 31 December 2018	2.1	0.1	2.0

The currency denomination of lease liabilities is:

	2019 €m
Euro	**75.6**
US dollar	**44.7**
Chinese renminbi	**27.1**
Other	**19.3**
Total lease liabilities	**166.7**

9.2. Amounts recognised in the statements of profit or loss and cash flows

The statement of profit or loss includes the following amounts relating to leases:

	2019 €m
Depreciation charge of right-of-use assets	**31.5**
Interest payable on lease liabilities	**10.5**
Expense relating to short-term and low value leases	**8.5**

The total depreciation charge on right-of-use assets in 2019 is all recognised in cost of sales.

The statement of cash flows includes the following amounts relating to leases:

	2019 €m
Cash paid for short-term and low value leases reported within cash generated from operations	**8.5**
Interest paid on lease liabilities reported within interest paid	**10.5**
Lease principal repayments reported separately in cashflows from financing activities	**27.1**
Total cash outflow for leases	**46.1**

9.3. Leasing Activities

The Group as Lessee

The Group leases various manufacturing facilities, offices, plant & machinery and cars. Rental contracts are typically made for fixed initial periods of 1 to 10 years for manufacturing facilities and offices and 2 to 5 years for plant & machinery and cars. Many agreements also have extension options, as described below, and contain a range of terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Extension options (or periods after termination options) are only included for valuation purposes in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of €51.7 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

10. Borrowings

	2019 €m	2018 €m
Non-current:		
Secured loans:		
- Main borrowing facilities	**1,148.4**	1,179.1
- Other secured loans	**0.1**	0.2
Total non-current borrowings	**1,148.5**	1,179.3
Current:		
Secured loans:		
- Main borrowing facilities	**2.3**	2.3
- Other secured loans	**0.1**	0.1
- Finance leases	**—**	2.0
Total current borrowings	**2.4**	4.4
Total borrowings	**1,150.9**	1,183.7
Main borrowing facilities	**1,150.7**	1,181.4
Other loans	**0.2**	0.3
Finance leases	**—**	2.0
Total borrowings	**1,150.9**	1,183.7

The main borrowing facilities are shown net of issuance discounts and fees of €16.9 million (2018: €23.8 million).

10.1. Movement in Total Borrowings

	Main borrowing facilities €m	Finance leases €m	Other loans €m	Total borrowings €m
At 1 January 2019	**1,181.4**	**2.0**	**0.3**	**1,183.7**
Change in accounting policy: adoption of IFRS 16	**—**	**(2.0)**	**—**	**(2.0)**
Restated at 1 January 2019	**1,181.4**	**—**	**0.3**	**1,181.7**
Accrued interest	**48.8**	**—**	**0.3**	**49.1**
Scheduled payments	**(53.2)**	**—**	**(0.4)**	**(53.6)**
Fees expensed	**7.7**	**—**	**—**	**7.7**
Fees on new borrowings	**(0.3)**	**—**	**—**	**(0.3)**
Voluntary repayments of borrowings	**(50.0)**	**—**	**—**	**(50.0)**
Currency translation	**16.3**	**—**	**—**	**16.3**
At 31 December 2019	**1,150.7**	**—**	**0.2**	**1,150.9**

The Group has adopted IFRS 16 from 1 January 2019 by applying the simplified transition approach, under which the comparatives for the 2018 reporting period are not restated see Note 2 and Note 9. As part of the adoption, finance lease liabilities at 1 January 2019 of €2.0 million have been reclassified from borrowings to lease liabilities.

On 11 March 2019 the Group made a voluntary repayment of $56.5 million (€50.0 million) against the US dollar tranche of its secured term loan.

	Main borrowing facilities and unsecured	Finance leases and other loans	Total borrowings
	€m	€m	€m
At 1 January 2018	1.177.5	3.7	1.181.2
Accrued interest	54.1	0.5	54.6
Scheduled repayments	(58.1)	(1.9)	(60.0)
Fees expensed	6.9	—	6.9
New borrowings	150.0	—	150.0
Fees paid on proceeds from new borrowings	(2.2)	—	(2.2)
Voluntary repayments of borrowings	(188.4)	—	(188.4)
Fees expensed on voluntary repayments of borrowings	3.6	—	3.6
Currency translation	38.0	—	38.0
At 31 December 2018	1.181.4	2.3	1.183.7

10.2. Currency Denomination of Borrowings

	2019	2018
	€m	€m
US dollar	**731.5**	759.9
Euro	**419.4**	423.8
Total borrowings	**1,150.9**	1,183.7

10.3. Maturity of Borrowings

	2019	2018
	€m	€m
Less than one year	**2.4**	4.4
Between one and five years	**1,148.5**	1,179.3
Total borrowings	**1,150.9**	1,183.7

10.4. Main Borrowing Facilities and Unsecured Notes

The main borrowing facilities comprise a package of secured loans consisting of a term loan, an asset-backed loan, and a revolving credit facility.

The amounts outstanding under the agreements are:

	2019	2018
	€m	€m
Principal outstanding:		
US term loan	**743.2**	776.4
Euro term loan	**424.4**	428.8
Main borrowing facilities (term loan)	**1,167.6**	1,205.2
Issuance discounts and fees	**(16.9)**	(23.8)
Main borrowing facilities (term loan)	**1,150.7**	1,181.4

Term loan

The principal outstanding of the US term loan in US dollars at 31 December 2019 is $834.2 million (2018: $890.7 million). On 11 March 2019 the Group made a voluntary repayment of $56.5 million (€50.0 million) against the US dollar tranche of the loan.

The interest rate payable on the US term loan is US$ LIBOR (minimum 0.75% p.a.) +2.5% p.a., and on the Euro term loan is EURIBOR (minimum 0.75% p.a.) +2.75% p.a. No capital payments are due on the US dollar tranche until the balance falls due on 30 June 2022. The Euro tranche is repayable in amounts of €1.1 million per quarter, with the balance also falling due on 30 June 2022.

On 6 October 2015, the Group entered into hedging transactions with a number of financial institutions which effectively converted borrowings of $400.0 million at floating interest rates into €355.0 million at a fixed interest rate of 4.2%, thereby reducing foreign currency exposure for future cash flows and locking in lower long-term Euro fixed interest rates (Note 3.3.2).

Asset-backed loan, and a revolving credit facility

The asset-backed loan ('ABL') provides up to $100.0 million depending upon the level of inventories and trade receivables in the Group's US and Canadian businesses. The facility is also available to be used to issue letters of credit on behalf of TI Group Automotive Systems LLC, a subsidiary undertaking. Drawings under the facility bear interest at US$ LIBOR +1.50% p.a. unless the drawings are below $50.0 million when the rate is US$ LIBOR +1.25% p.a. The revolving credit agreement provides a facility of up to $125.0 million. Drawings under this facility bear interest in a range of US$ LIBOR +3.0% to US$ LIBOR + 3.5% p.a. depending on the Group's leverage ratios.

Maturities of the revolving credit facility and asset-backed loan are due to expire on 16 July 2023.

The net undrawn facilities under the agreements are shown below:

	2019		2018	
	$m	**€m**	$m	€m
Asset backed loan:				
Availability	**77.7**	**69.2**	89.7	78.2
Utilisation for letters of credit	**(3.8)**	**(3.4)**	(3.0)	(2.6)
Net undrawn asset backed loan facility	**73.9**	**65.8**	86.7	75.6
Revolving credit agreement	**125.0**	**111.4**	125.0	109.0
Main borrowings: net undrawn facilities	**198.9**	**177.2**	211.7	184.6

Issuance discounts and fees

Initial issuance discounts and fees from the 2015 agreements, brought forward at 1 January 2018 were €64.9 million. Following the Group's repayment and modification of its external borrowings in the prior year, a further €2.2 million of directly attributable incremental fees were capitalised in 2018 and an additional €0.3 million of fees were capitalised in 2019 bringing the total fees capitalised to €67.4 million at 31 December 2019.

All capitalised fees are expensed using the effective interest rate method over the remaining terms of the facilities.

As a result of the Group extinguishing it's remaining unsecured senior notes in July 2018, unamortised transaction costs of $4.2 million (€3.6 million) were released and recognised as exceptional finance expenses in the prior year (see Note 5**)**.

10.5. Other Secured Loans

A subsidiary in Spain has granted security over certain of its assets in return for credit facilities from its banks. The loan has total amortisation repayments of €54,000 per annum payable quarterly (2018: €54,000).

10.6. Finance Leases

The Group has adopted IFRS 16 from 1 January 2019. As part of the adoption, finance lease liabilities at 1 January 2019 of €2.0 million have been reclassified from borrowings to lease liabilities.

The maturity of finance lease liabilities in the prior year was:

	Total minimum lease	**Interest**	**Principal**
	€m	**€m**	**€m**
Less than one year	**2.1**	**0.1**	**2.0**
Total at 31 December 2018	**2.1**	**0.1**	**2.0**

10.7. Total Undrawn Borrowing Facilities

	2019	2018
	€m	€m
Floating rate:		
Expiring within one year	**6.1**	6.0
Expiring after more than one year	**177.2**	184.6
	183.3	190.6
Fixed rate:		
Expiring within one year	**3.9**	3.9
	3.9	3.9
Total at the end of the year	**187.2**	194.5

10.8. Movements in Net Borrowings and Lease liabilities

	At 1 January 2019	Change in accounting policy: adoption of IFRS 16	Restated at 1 January 2019	Cash flows	Non-cash changes				At 31 December 2019
					New leases	Fees expensed	Currency translation	Re-measure-ment and other	
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Cash and cash equivalents	**360.1**	**—**	**360.1**	**48.2**	**—**	**—**	**3.4**	**—**	**411.7**
Financial assets at FVTPL	**1.2**	**—**	**1.2**	**(0.3)**	**—**	**—**	**—**	**—**	**0.9**
Borrowings	**(1,183.7)**	**2.0**	**(1,181.7)**	**54.8**	**—**	**(7.7)**	**(16.3)**	**—**	**(1,150.9)**
Total net borrowings	**(822.4)**	**2.0**	**(820.4)**	**102.7**	**—**	**(7.7)**	**(12.9)**	**—**	**(738.3)**
Lease liabilities	**—**	**(147.0)**	**(147.0)**	**27.1**	**(47.5)**	**—**	**—**	**0.7**	**(166.7)**
Net borrowings and Lease liabilities	**(822.4)**	**(145.0)**	**(967.4)**	**129.8**	**(47.5)**	**(7.7)**	**(12.9)**	**0.7**	**(905.0)**

	At 1 January 2018	Cash flows	Non-cash changes		At 31 December 2018
			Fees expensed	Currency translation	
	€m	€m	€m	€m	€m
Cash and cash equivalents	287.2	70.6	—	2.3	360.1
Financial assets at FVTPL	2.9	(1.7)	—	—	1.2
Borrowings	(1,181.2)	46.0	(10.5)	(38.0)	(1,183.7)
Total net borrowings	(891.1)	114.9	(10.5)	(35.7)	(822.4)
Lease liabilities	—	—	—	—	—
Net borrowings and lease liabilities	(891.1)	114.9	(10.5)	(35.7)	(822.4)

11. Retirement Benefit Obligations

11.1. Defined Benefit Arrangements in the Primary Financial Statements

a. Balance Sheet

Net liability	**US pensions €m**	**Other pensions €m**	**US healthcare €m**	**Other post employment liabilities €m**	**Total €m**
Present value of retirement benefit obligations	**(222.9)**	**(107.9)**	**(34.0)**	**(92.0)**	**(456.8)**
Fair value of plan assets	**171.7**	**111.9**	**—**	**24.5**	**308.1**
Asset ceiling	**—**	**(5.0)**	**—**	**—**	**(5.0)**
Net liability at 31 December 2019	**(51.2)**	**(1.0)**	**(34.0)**	**(67.5)**	**(153.7)**

Net liability	US pensions €m	Other pensions €m	US healthcare €m	Other post employment liabilities €m	Total €m
Present value of retirement benefit obligations	(231.0)	(86.2)	(33.1)	(83.4)	(433.7)
Fair value of plan assets	174.2	92.8	—	25.1	292.1
Asset ceiling	—	(6.6)	—	—	(6.6)
Net liability at 31 December 2018	(56.8)	—	(33.1)	(58.3)	(148.2)

b. Income Statement

Net (expense)/income recognised in the Income Statement is as follows:

Net expense	**US pensions €m**	**Other pensions €m**	**US healthcare €m**	**Other post employment liabilities €m**	**Total €m**
Current service cost	**(0.1)**	**(1.1)**	**—**	**(6.9)**	**(8.1)**
Settlement gain	**9.1**	**—**	**—**	**0.2**	**9.3**
Net interest (expense)/income	**(2.3)**	**0.2**	**(1.3)**	**(1.2)**	**(4.6)**
Total income/(expense) year ended 31 December 2019	**6.7**	**(0.9)**	**(1.3)**	**(7.9)**	**(3.4)**

During 2019, a settlement gain of €9.1 million was recognised following a buyout offering of two of the Group's US pension plans.

11.2. Sensitivity analysis

Other post-employment liabilities	**2019**	2018
Discount rate	**1.45%**	2.15%
Inflation rate	**1.30%**	1.39%
Salary increases	**2.85%**	2.63%
Benefit increases	**1.95%**	1.95%

Changes in the principal assumptions would decrease/(increase) the total defined benefit obligation (DBO) as follows:

Decrease/(increase) in DBO	**Change in assumption**	**2019**		2018	
		Increase €m	**Decrease €m**	Decrease €m	Increase €m
Discount rate	0.5%	**29.5**	**(34.7)**	26.8	(30.9)
Inflation rate	0.5%	**(8.7)**	**9.7**	(6.6)	6.4
Salary growth rate	0.5%	**(3.3)**	**3.1**	(2.6)	2.4
Life expectancy	1 year	**(15.7)**	**15.2**	(12.9)	12.9
Healthcare cost trend: Initial rate	0.5%	**(1.4)**	**1.3**	(1.3)	1.2

The sensitivity analysis above illustrates the change in each major assumption whilst holding all others constant. The methods of calculating the defined benefit obligation for this purpose are the same as used for calculating the end of year position.

Net expense	US pensions €m	Other pensions €m	US healthcare €m	Other post employment liabilities €m	Total €m
Current service cost	(0.2)	(1.3)	—	(5.9)	(7.4)
Past service cost	—	(0.3)	—	—	(0.3)
Net interest (expense)/income	(2.1)	0.2	(1.3)	(1.2)	(4.4)
Total expense year ended 31 December	(2.3)	(1.4)	(1.3)	(7.1)	(12.1)

12. Cash Generated from Operations

	2019 €m	2018 €m
Profit for the year	**144.6**	140.1
Income tax expense before exceptional items	**57.1**	77.0
Profit before income tax	**201.7**	217.1
Adjustments for:		
Depreciation, amortisation and impairment charges	**229.9**	197.1
Loss on disposal of PP&E and intangible assets	**1.6**	0.6
Share option cost	**1.4**	4.0
Net finance expense	**57.5**	64.5
Unremitted share of profit from associates	**0.2**	(0.3)
Net foreign exchange gains	**(0.5)**	(1.2)
Changes in working capital:		
- Inventories	**(10.8)**	(21.7)
- Trade and other receivables	**(0.4)**	17.4
- Trade and other payables	**13.9**	(23.2)
Change in provisions	**(4.9)**	0.5
Change in retirement benefit obligations	**(12.4)**	(5.2)
Total	**477.2**	449.6