

TI Fluid Systems is a leading global manufacturer of fluid storage, carrying and delivery systems.

With almost 100 years of automotive fluid systems experience, we have manufacturing facilities in 118 locations across 28 countries serving all major global OEMs.

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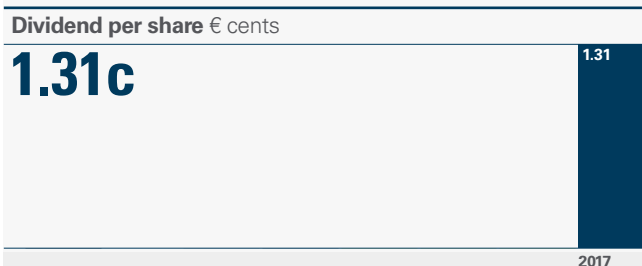
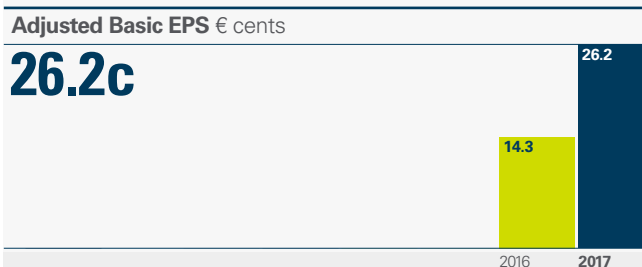
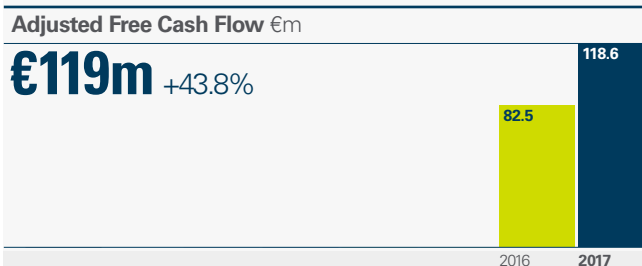
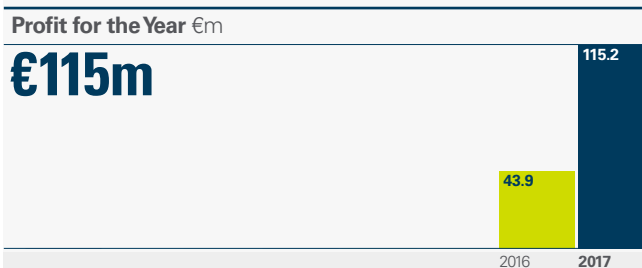
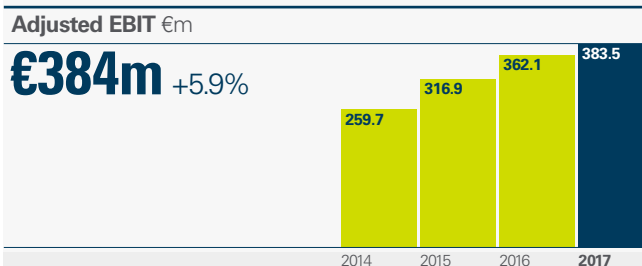
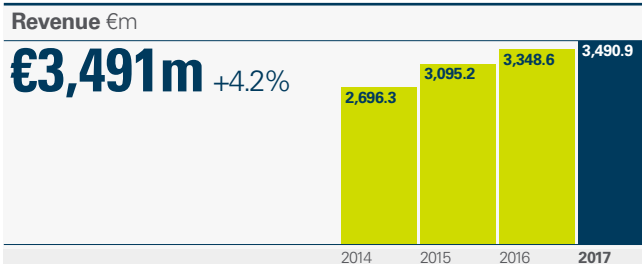
- 136 Shareholder information



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2017 was another strong year adding to our track record of revenue growth above global light vehicle production growth and solid financial performance

- Revenue growth of 4.2% (5.4% at constant currency or +330 bps above global light vehicle production volume growth)
- Adjusted EBIT margin expansion to 11.0% (+20 bps)
- Profit for the year grew by €71.3 million to €115.2 million
- Adjusted Free Cash Flow of €119 million
- Adjusted Basic EPS of 26.2 euro cents
- Dividend per share of 1.31 euro cents
- Net debt of €891 million or 1.8 x Adjusted EBITDA
- Strong results confirm confidence in our business model



Global business

TI Fluid Systems plc has almost 100 years of automotive fluid systems expertise with award-winning technologies and products aligned with automotive megatrends, including new product offerings designed for hybrid electric vehicle ('HEV') and electric vehicle ('EV') applications.

We are a leading global supplier of automotive fluid storage, carrying and delivery systems for the light duty automotive market, with strong market positions across all key products.

Fluid carrying systems

Our business manufactures brake and fuel lines and thermal management fluid systems, including HEV and EV thermal management products.

Thermal products



Refrigerant line

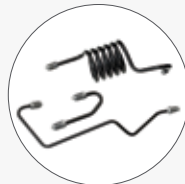


Glycol coolant lines



HEV battery, power electronic and motor thermal circuit

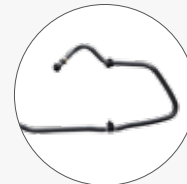
Brake and fuel lines/chassis bundles



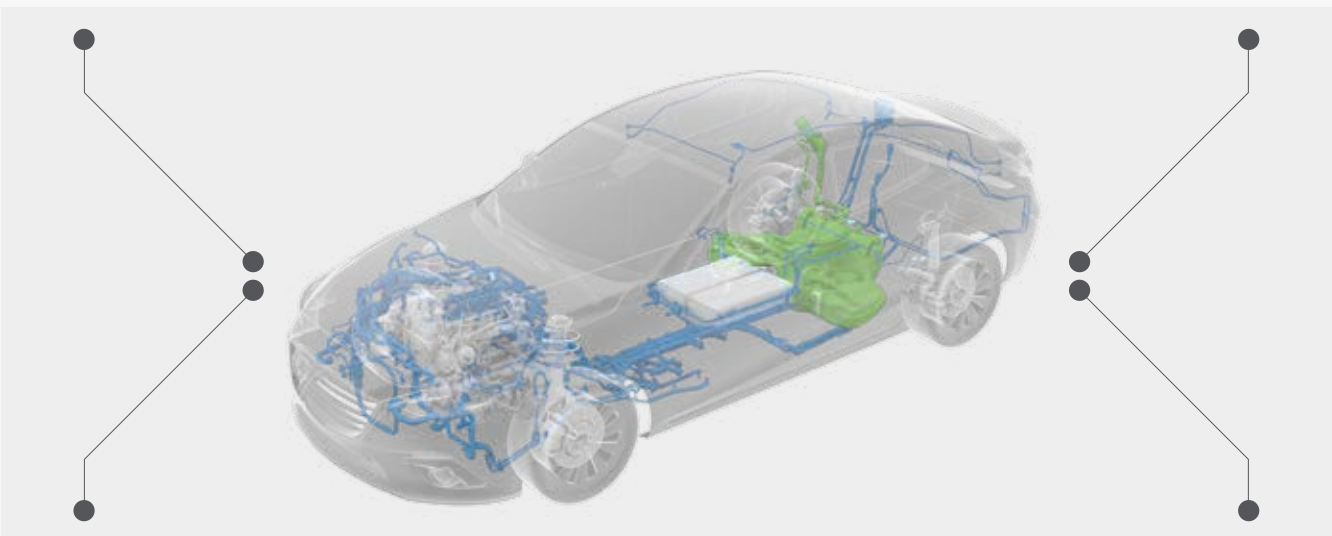
Brake lines



Fuel line with fastening latch



Nylon fuel line



Fuel tank systems



HEV low pressure fuel tank



Plastic fuel tank



Plastic fuel filler pipe

Pump and module systems



Fuel pump module



Fuel level sensor module



Fuel pump

Fuel tank and delivery systems

Our business manufactures plastic fuel tanks, plastic filler pipes and electric fuel pumps and modules.

Global platforms and content

Global footprint

TI supplies...

18
18 of the 20 top selling vehicle nameplates in Europe

28,000
Employees

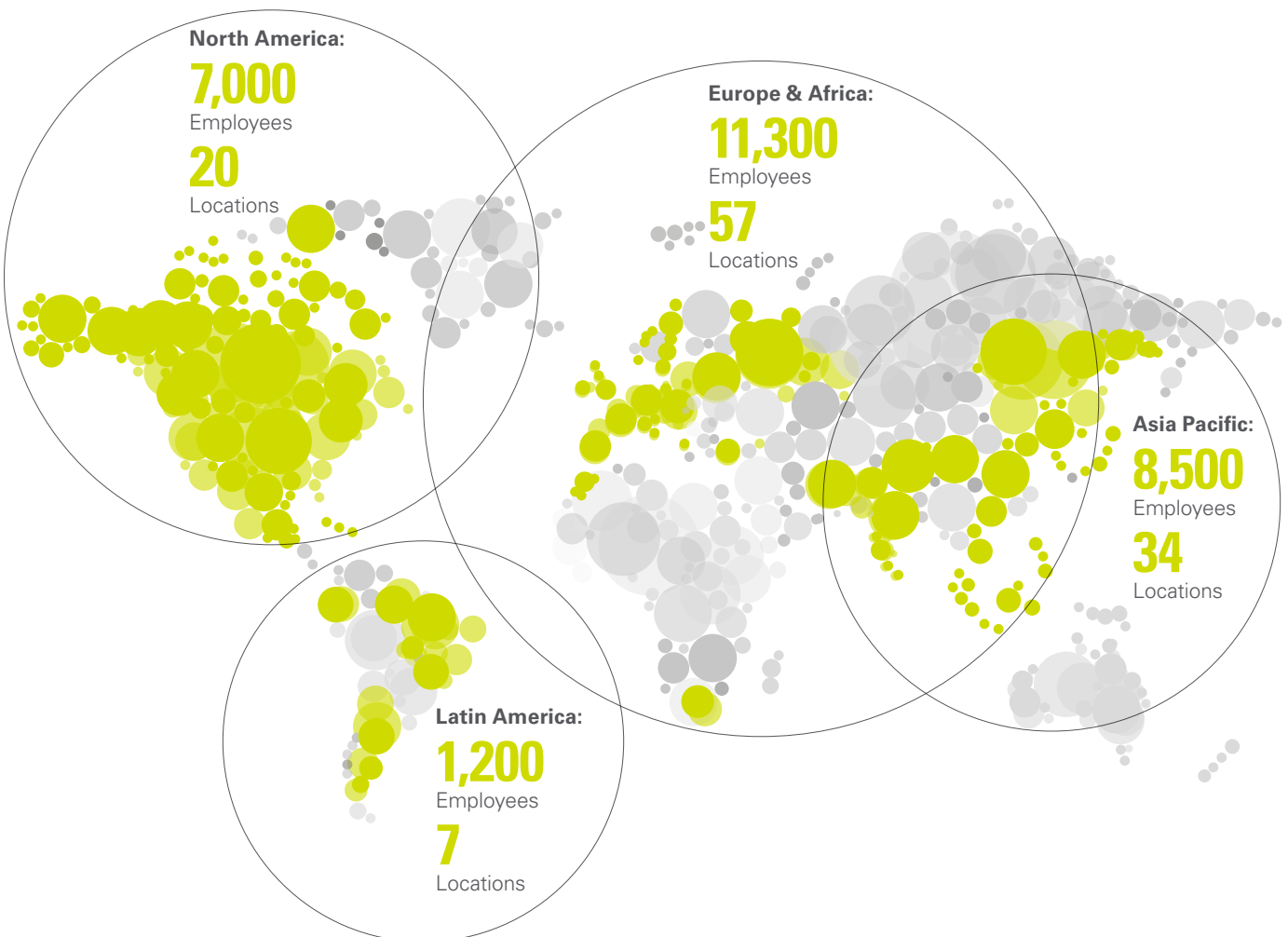
28
Countries

12
12 of the 20 top selling vehicle nameplates in North America

13
13 of the 20 top selling vehicle nameplates in China

118
Manufacturing locations

5
Continents



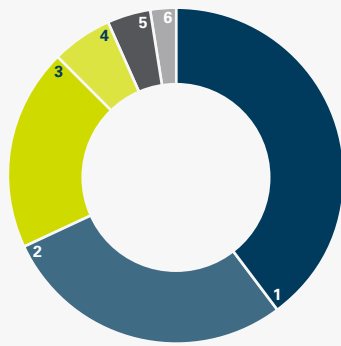
Key strengths

Global market leader with strong market positions and above-market growth

- Broadly-based customer, platform, regional and product diversity
- Leading supplier of brake and fuel lines and bundles, with approximately 35% share of the global brake and fuel line market in 2017, and a leading supplier of plastic fuel tanks, with approximately 15% of the global plastic fuel tank market
- #1 supplier of brake and fuel lines in all key regions globally, including North America, Europe, Asia Pacific and Latin America
- Embedded, long term global customer relationships and close engineering collaboration provide business award opportunities
- Products typically single-sourced for life of programme
- Competitive global manufacturing footprint with flexible cost structure and approximately 67% of employees located in low-cost countries

Revenue by region

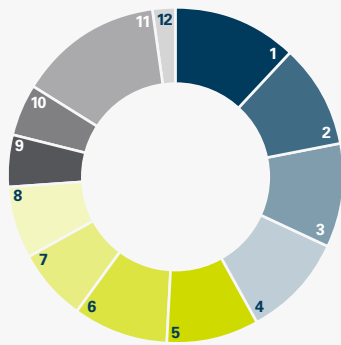
€3,491m +4.2%



1. Europe and Africa €1,389.7m
2. North America €995.3m
3. China €677.6m
4. South Korea €200.4m
5. Other Asia Pacific €146.6m
6. Latin America €81.3m

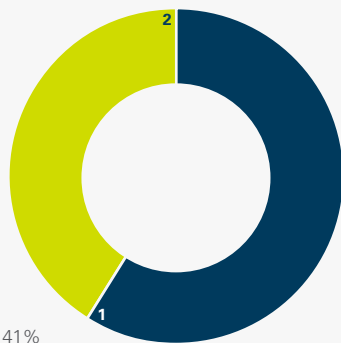
Revenue by customer

1. Daimler 12%
2. Ford 10%
3. Hyundai 10%
4. VW 10%
5. FCA 9%
6. Renault-Nissan 9%
7. General Motors 7%
8. PSA 7%
9. BMW 5%
10. Toyota 5%
11. Other OEMs 14%
12. Aftermarket 2%



Revenue by division

2 divisions



- % of revenues
1. Fluid carrying systems 59%
 2. Fuel tank and delivery systems 41%

Strong customer relationships and global low cost footprint

- TI Fluid Systems has facilities in every major automotive manufacturing market
- Low-cost footprint includes regional manufacturing centres and assembly locations in close proximity to customers
- Significant amount of revenue generated from global OEM platforms (i.e. platforms produced in three or more regions)
- Well positioned through the global manufacturing footprint to continue to cost-effectively expand fluid product offering, business and infrastructure including OEM transitioning to HEV and EV offerings
- Business philosophy for locations to be predominantly managed by local nationals with strong stakeholder relationships and financial performance ownership

Well placed – manufacturing



Well placed – regional technology centres





Stainless steel fuel line connector
Joining mechanism in fuel line system

Fuel line with fastening latch
Used for the transfer of fuel

Long established presence in China

- TI Fluid Systems has operated in China for over 30 years with a wholly-owned business supplying both global and local OEMs
- 19% of 2017 revenue from operations in China with 18 manufacturing locations
- Key contributor to our consistent above-market growth

China – the fastest growing market




Manufacturing locations

- | | |
|-----------|---------------|
| Baoding | Nanjing |
| Beijing | Qinhuangdao |
| Changchun | Shanghai |
| Changshu | Shenyang |
| Chongqing | Tianjin |
| Dongguan | West Shanghai |
| Fuzhou | Wuhan |
| Guangzhou | Xiangyang |
| Haikou | Yantai |

30
Years of experience
in the China market

100%
Wholly-owned
business in China

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Technology leader in highly engineered automotive fluid systems

- History and culture of offering award-winning product innovations and technologies aligned with automotive industry megatrends of fuel efficiency and emissions regulations
- Working closely with customers on design and engineering to maximise product development
- Extensive knowledge of materials and manufacturing processes together with optimal level of vertical integration
- Industry recognised innovation awards for plastic fuel tank technologies addressing existing and future fuel economy and emissions regulations
- Other leading products supporting fuel economy include high pressure gasoline and diesel, gas directed injection and turbocharger lines

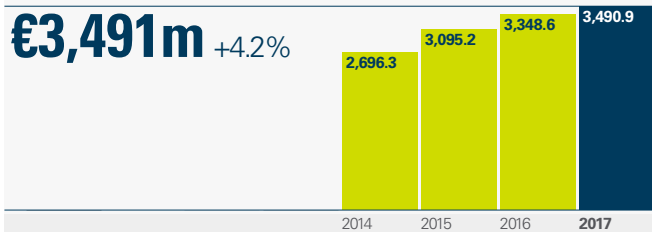


Management team with deep automotive experience and long track record of strong revenue growth, profitability and cash flow generation

- History of achieving leading returns and financial KPIs e.g. revenue growth above market, Adjusted EBITDA, Adjusted EBIT and Adjusted Free Cash Flow
- Strong industry reputation for technology innovation and product quality. Supports business awards at positive margins
- Targeting vehicle and platforms which we believe are likely to be successful based on global and regional trends
- Disciplined approach to quoting new contracts and capital allocation
- Strict fixed cost control and continuous focus on business improvement efficiencies

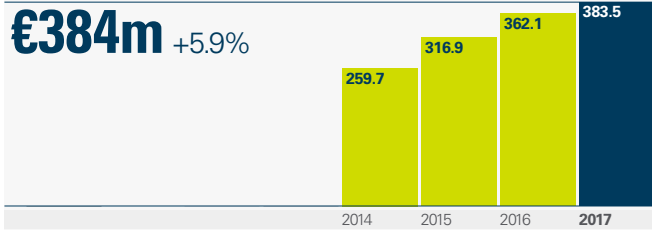
Revenue €m

€3,491m +4.2%



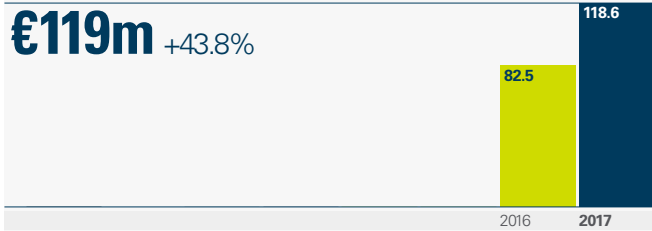
Adjusted EBIT €m

€384m +5.9%



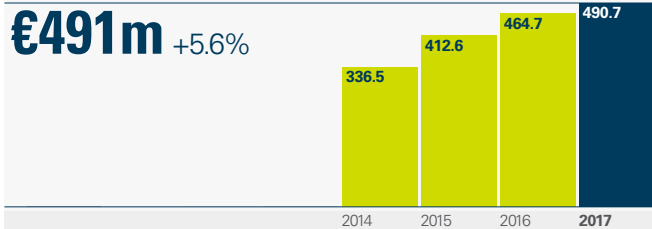
Adjusted Free Cash Flow €m

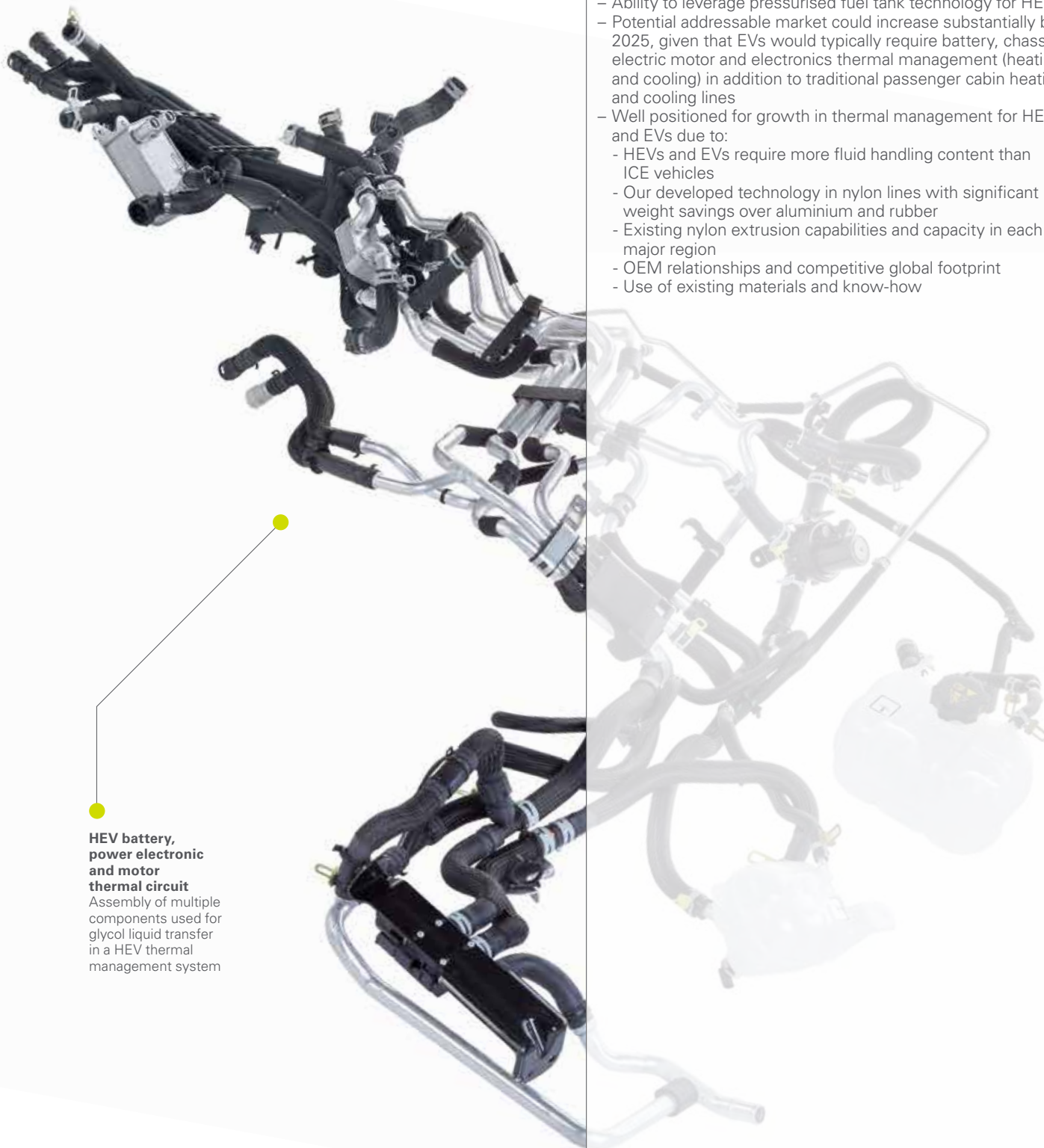
€119m +43.8%



Adjusted EBITDA €m

€491m +5.6%





**HEV battery,
power electronic
and motor
thermal circuit**

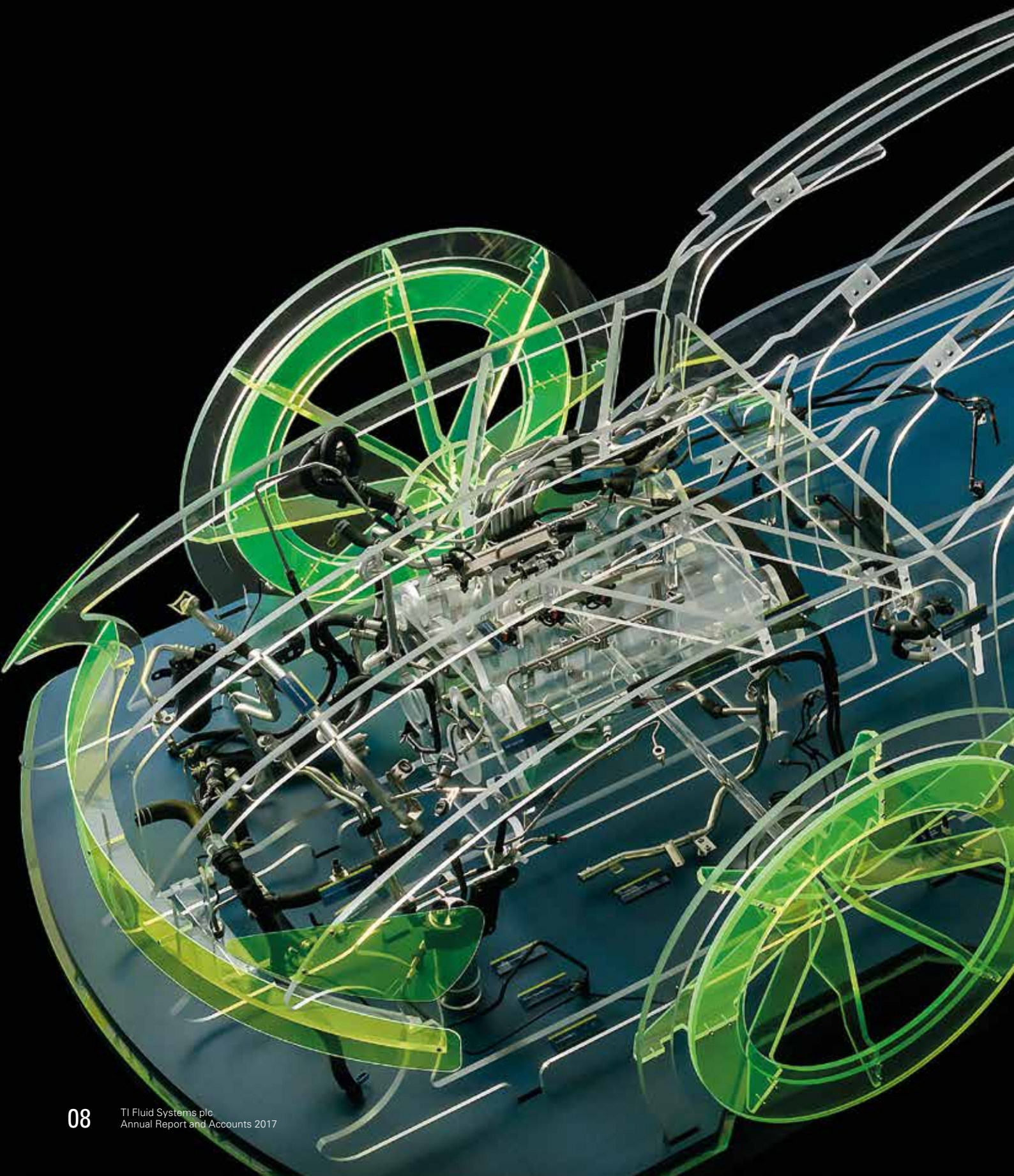
Assembly of multiple components used for glycol liquid transfer in a HEV thermal management system

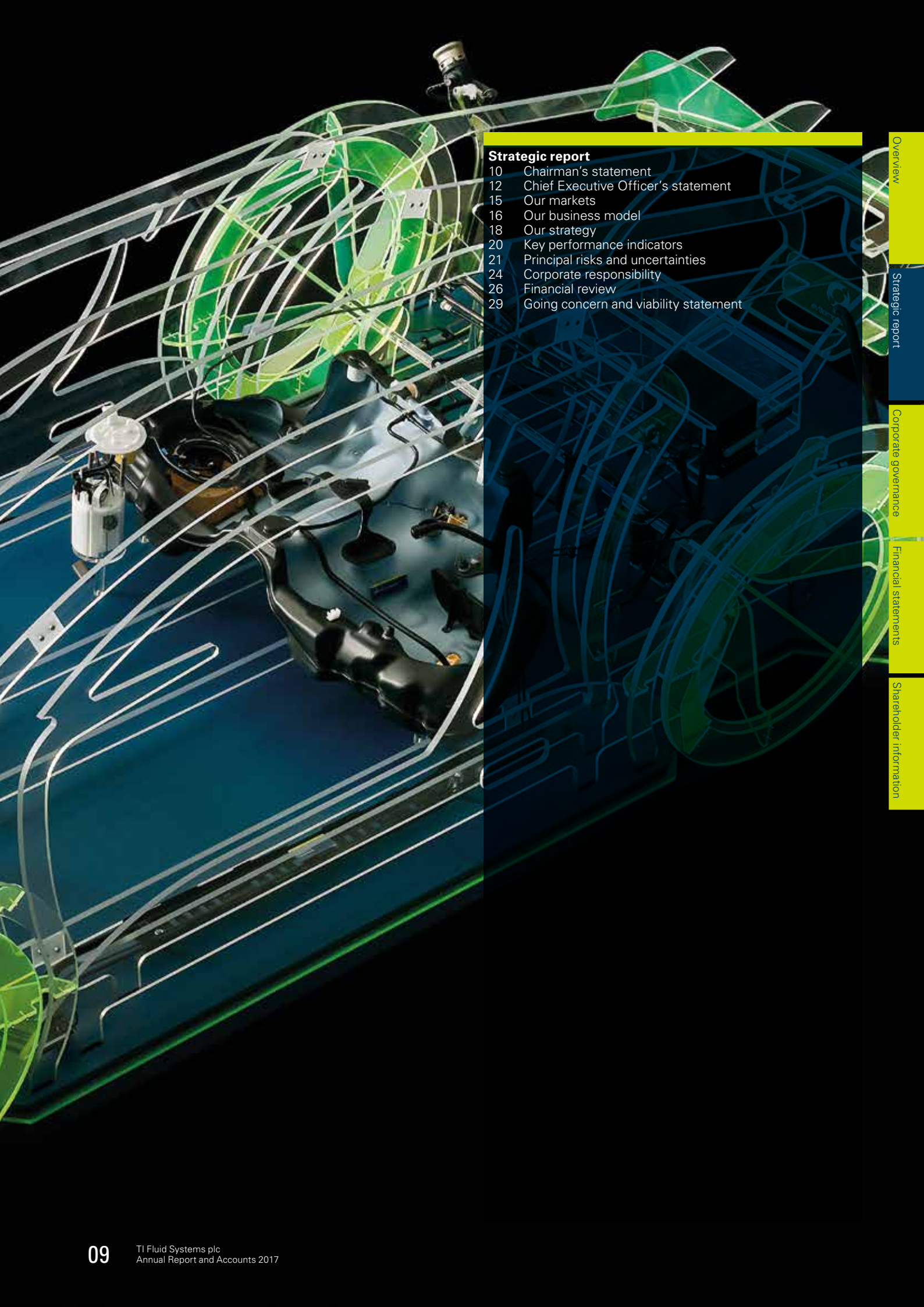
Significant growth opportunities aligned with electrification and our strength in thermal management

- Opportunity to increase content per vehicle in growing HEV and EV markets compared to the content for more traditional internal combustion engine ('ICE') vehicles
- Ability to leverage pressurised fuel tank technology for HEVs
- Potential addressable market could increase substantially by 2025, given that EVs would typically require battery, chassis, electric motor and electronics thermal management (heating and cooling) in addition to traditional passenger cabin heating and cooling lines
- Well positioned for growth in thermal management for HEVs and EVs due to:
 - HEVs and EVs require more fluid handling content than ICE vehicles
 - Our developed technology in nylon lines with significant weight savings over aluminium and rubber
 - Existing nylon extrusion capabilities and capacity in each major region
 - OEM relationships and competitive global footprint
 - Use of existing materials and know-how



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Shareholder information

Welcome to TI Fluid Systems plc – a historic year.

Manfred Wennemer
Chairman



Dear Shareholder,

I am pleased to report we delivered strong operational and financial performance during a year of important strategic initiatives. In addition to our successful listing on the London Stock Exchange, we continue to make progress against our strategic objectives. Our continued focus on strong customer relationships, engineering excellence and growing our business in markets where we have deep experience and capabilities lies at the heart of our success.

2017 performance overview

The Group has delivered positive annual results for 2017, which were fully in line with the Board's expectations. Reported revenue grew by 4.2% to €3,491 million (2016: €3,349 million) and by 5.4% at constant currency. Profit for the year grew by €71 million to €115 million (2016: €44 million). Adjusted Free Cash Flow was €119 million (2016: €83 million).

Corporate developments

We were extremely pleased with the success of our Global Offer and the listing of our shares on the London Stock Exchange. The Global Offer raised net proceeds of approximately €360 million, which together with positive free cash flow generation were used to reduce financial leverage to facilitate achievement of a 1.8 x net debt to Adjusted EBITDA ratio and reduce the cost of financing. Our strengthened balance sheet positions us well to continue delivering our strategy and strong stakeholder returns.

Governance

Sound corporate governance structures have always formed part of the culture of TI Fluid Systems. The business is run by an experienced and well respected management team including Bill Kozyra, Chief Executive Officer and President, and Timothy Knutson, Chief Financial Officer. Together they have advanced the business through changing markets.

The Corporate Governance report on pages 32 to 43 sets out and explains the processes we have put in place that will assist the Board in the delivery of long-term, sustainable value to our shareholders and other stakeholders.

Becoming a listed company has necessitated some governance enhancements, including changes to our Board. We were pleased to strengthen the Board with the appointment of two new Independent Non-Executive Directors, John Smith and Jeffrey Vanneste.

Dialogue with shareholders

I would like to thank all our shareholders for their support during and following our IPO. This is our first Annual Report as a public company and over time our reporting will evolve to encompass a broader range of issues related to your Company.

Dividend

The Board has adopted a dividend policy that targets a dividend pay-out ratio of approximately 30% of the Group's Adjusted Net Income. Accordingly, the Board is recommending an initial dividend of 1.31 euro cents per share, to cover the period from the date of listing on 25 October 2017 to 31 December 2017. Subject to shareholder approval, the dividend will be paid on 1 June 2018 to shareholders on the register on 27 April 2018.

Our people

The progress we made in 2017 was due to the commitment of all our employees. On behalf of the Board, I would like to thank all of our employees for their hard work and contribution to this year's performance. We are proud of our record of investing in our people, giving them the skills they need to deliver for our customers and advance their careers.

Outlook

While still relatively early in 2018, we are encouraged by the continued progress of the Group. TI Fluid Systems has a strong track record of delivering sustained growth, strong profitability and cash flow generation. As the megatrend of hybrid electric vehicle ('HEV') and electric vehicle ('EV') growth begins to accelerate, we expect success addressing those markets with our existing and new product offerings. Global markets continue to be strong and the Board is confident about our prospects for continued success in 2018 and beyond.

Manfred Wennemer
Chairman



**For more information
about our governance
go to page 32**

Our history

TI Fluid Systems plc traces its heritage back to the Bundy Corporation, which was founded as Harry Bundy & Company in Detroit, Michigan, in 1922 and supplied fuel lines for the Ford Model T.

1929

Bundy introduces 'Bundyweld' tube, a double-walled steel tube using brazed copper rather than solder to join the tubing seams

1930-1987

Bundy expands its fuel and brake line business, including through various joint ventures in Europe and Asia

1987

TI Group plc acquired Armco International Corporation's European tubing business in France and the UK

1988

TI Group plc acquires the Bundy Corporation (USA)

1991

TI Group plc acquires Huron Products Industries Inc (USA), manufacturer of fuel lines and quick connectors

1996

TI Group plc acquires Technoflow Tube Systems GmbH (Germany), manufacturer of plastic extruded multi-layer fuel lines

1998

TI Group plc acquires S&H Fabrication & Engineering Inc (USA), manufacturer of air conditioning tube and hose assemblies

1999

TI Group plc acquires Walbro Engine Management LLC (USA), manufacturer of plastic fuel tanks, fuel pumps and modules

1999

TI Group plc acquires Marwal Systems SAS (France), manufacturer of fuel pumps and modules

2000

TI Group plc and Smiths Industries plc merged to form Smiths Group plc

2001

Demerger results in TI Automotive Limited acquiring the automotive business of Smiths Group

2002

TI Automotive acquires the fuel pump operations of Pierburg GmbH (Germany)

2003

TI Automotive acquires a 73% interest in Hanil Tube Co. Limited (Korea), a manufacturer of brake and fuel line products

2008

William (Bill) L. Kozyra appointed President and Chief Executive Officer. Timothy Knutson, Chief Financial Officer, joined the Group

2009

TI Automotive awarded an *Automotive News PACE Award* for its partial zero emissions 'Ship-in-a-Bottle' manufacturing method for plastic fuel tanks

2010

TI Automotive awarded an *Automotive News PACE Award* for its Dual Channel Single Stage Pump Technology

2014

TI Automotive awarded an *Automotive News PACE Award* for its Tank Advanced Process Technology for double-moulded plastic fuel tanks

2015

TI Automotive acquired by Bain Capital

2017

TI Automotive awarded an *Automotive News PACE Award* for its innovative Port Fuel Direct Injection System (in collaboration with Ford and Bosch)

Global Offer and Listing of TI Fluid Systems plc on the London Stock Exchange

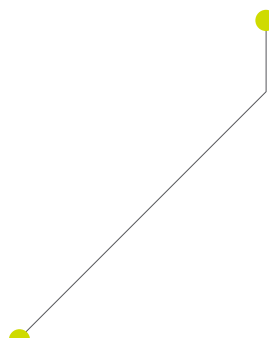
Glycol coolant lines and quick connectors

Used for glycol liquid transfer for the thermal management of vehicle interior cabin heating, HEV/EV battery, power electronic and motors




For more information about our company go to www.tiautomotive.com

TI Fluid Systems plc delivered strong performance in 2017.



Glycol coolant lines and quick connectors
Used for glycol liquid transfer for the thermal management of vehicle interior cabin heating, HEV/EV battery, power electronic and motors



As this is our first Annual Report as a public company, I am delighted to welcome you as a shareholder.

As set out at the time of the IPO in October 2017, we have delivered another year of strong business performance in line with expectations. This reiterates the attractiveness of the markets we operate in and our position as a leading global Tier 1 automotive supplier of fluid handling systems.



For more information on our strategic objectives go to page 18

For more information about our 2017 financial performance go to page 26

William (Bill) Kozyra
President and CEO



2017 Performance

Global light vehicle production has a significant influence on our financial performance. In 2017, global light vehicle production volume increased in all markets except North America and reached 95.1 million vehicles, representing an increase of 2.1% compared to the same period the prior year.

We continued to deliver revenue growth above global light vehicle production growth with solid profitability and cash flow generation. We generated revenue of €3,491 million (+5.4% at constant currency), Adjusted EBIT of €384 million (11.0% margin) and Adjusted Free Cash Flow of €119 million.

We have continued to grow revenue in excess of global light vehicle production growth as a result of being a global market and technology leader in highly engineered automotive fluid systems, our strong customer relationships, and our global low cost manufacturing footprint including our wholly owned operations in China. We are well positioned with our products and process capabilities to benefit from the continuing demand for light vehicles and the megatrend of electrification.

Strategy update

The Group's strategy of organic revenue growth, financial performance and focus on megatrends remains at the core of the business.

Continue with the Group's market position strengths in key products

We continue to be the #1 supplier of brake and fuel lines in all key regions globally and #3 supplier of plastic fuel tanks. Our customer and product focus has served to develop our strong market positions.

Together with our established global manufacturing footprint and level of vertical integration, we have achieved expansion by securing new business awards including on global vehicle platforms. This success is carrying through to our thermal management products, systems and plastic pressurised tank modules where we are strongly positioned for the HEV, EV and autonomous vehicle growth trends.

Maintain balanced customer, platform, regional and product diversification

With manufacturing facilities and assembly plants in 118 locations across 28 countries and a balanced customer portfolio, we continue to mitigate the impact of regional market cyclicality and customer concentration.

In addition, our expertise across a range of fluid handling products has supported our ability to efficiently expand into complementary components and systems with high growth. We specifically target vehicles and platforms that support our strong diversification.

Continue enhancing the Group's position as an advanced technology leader in automotive fluid systems to meet industry megatrend changes

We have continued to invest in R&D to develop products that facilitate our OEM customers meeting regulated emissions and fuel economy requirements. We have industry recognised innovation awards for plastic fuel tank technologies addressing emissions regulations and continue to see demand for our gasoline, diesel and turbocharger lines that support increasing regulatory requirements.

Continued focus on automotive megatrends

The growing HEV and EV market provides significant growth opportunities aligned with our strength in thermal management products and systems, plastic pressurised fuel tank modules and light weight (including nylon) materials.

Our addressable market could increase substantially especially for thermal management, given that EVs would typically require battery, chassis, electric motor and electronics thermal management (heating and cooling) in addition to traditional passenger cabin heating and cooling lines. Additional thermal management products and systems are expected for autonomous vehicles. We continue to pursue, with increasing confidence, organic HEV and EV opportunities with our existing customers on the larger volume EV programmes.

Our business model continues to be successful and we believe further progress can be achieved by meeting our goals in 2018.

Chief Executive Officer's statement
continued

Capitalise on the Group's strong customer relationships, global footprint and excellent position in China

With significant presence in all of the major geographies for OEM vehicle production and a well established global footprint within close proximity to OEM assembly facilities, we aim to be the supplier of choice on OEM global platforms.

A significant amount of our revenue was generated from OEM global platforms (i.e. platforms produced in three or more regions) and we expect this global platform growth trend to continue.

19% of our 2017 revenue was from operations in China where we have a long established presence and wholly-owned operations.

Deliver strong growth, profitability and cash flow generation

For a long period of time, this management team with the strength of our people worldwide has achieved excellent and consistent financial performance with strong revenue growth, profitability and cash flow generation. Our proven track record of financial performance has continued in 2017.

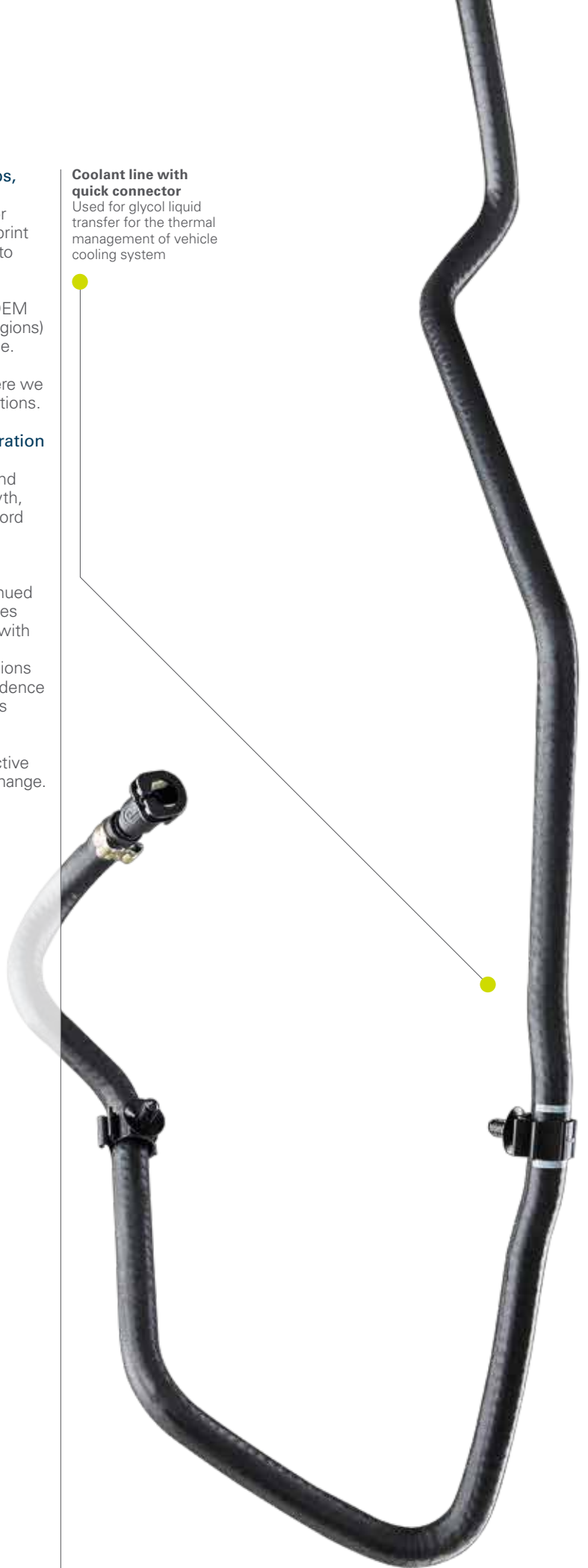
Looking ahead

As promised during the IPO, our dedicated team has continued to strengthen our global position by driving new technologies and products and enhancing our outstanding relationships with customers worldwide. The Group remains well placed to capitalise on the automotive megatrends of reduced emissions and improved fuel economy and we continue to have confidence that the trend towards HEV, EV and autonomous vehicles is positive for the Group.

We look forward to executing our plan and delivering attractive returns as a public company listed on the London Stock Exchange.

Bill Kozyra
Chief Executive Officer and President

Coolant line with quick connector
Used for glycol liquid transfer for the thermal management of vehicle cooling system



Global light vehicle production

Our current market is strong

2017

95.1m

Global light vehicle production reaches 95.1 million vehicles

2.1%

Global light vehicle production growth in 2017 of 2.1%

Light vehicle production by region

24.8m

Europe (including Middle East and Africa)

49.9m

Asia Pacific

17.1m

North America

3.3m

Latin America

Expected growth

Expected 2017 to 2022 global light vehicle production CAGR of 2.0%.

Source: IHS Markit, February 2018 and Company estimates.

HEV and EV global vehicle production

Potential for increase in addressable market

2017

3%

HEV was 3% of the global vehicle production market

1%

EV was 1% of the global vehicle production market

2025 (forecast)

31%

HEV is forecast to be 31% of the market

5%

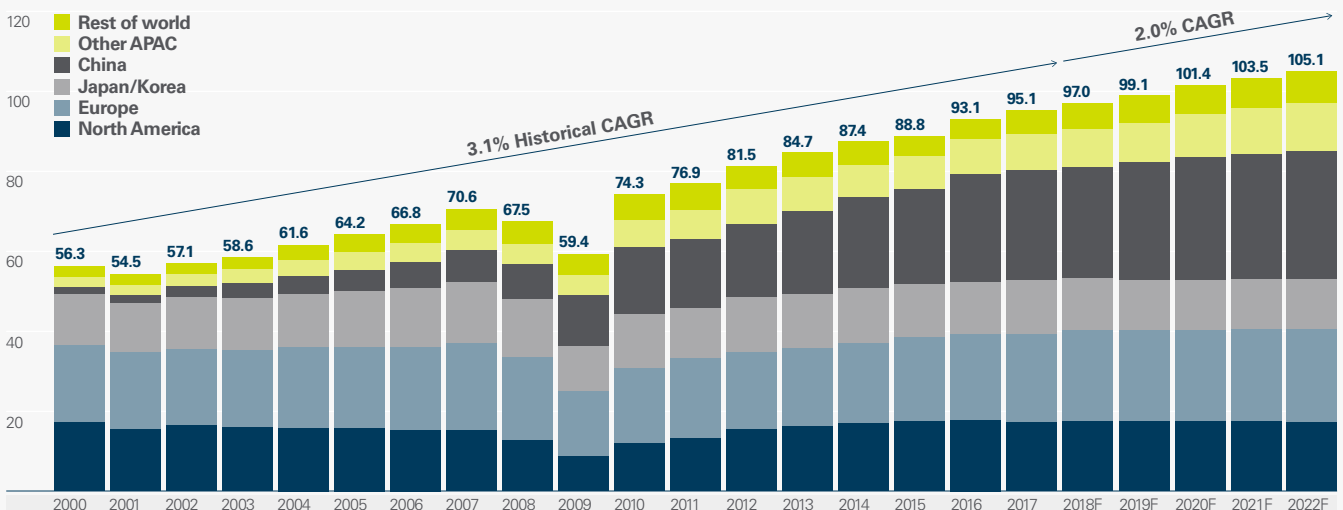
EV is forecast to be 5% of the market

Expected growth

From 2017 to 2025, HEV CAGR expected to be 34% and EV CAGR expected to be 27%.

Source: IHS Markit, February 2018 and Company estimates.

Global light vehicle production 2000–2022 millions of units



Source: IHS Markit, February 2018 and Company estimates.

Creating consistent and long term value for key stakeholders.



Brake and fuel line bundle

Brake lines used for the transfer of hydraulic liquid in brake systems.
Fuel lines used for the transfer of fuel in internal combustion engine applications

Key resources and relationships

Employees

We employ 28,000 people globally across our 118 manufacturing locations, at our global and regional technical and applications centres and at our headquarters offices.

Customers

Our products are sold to all major global OEMs. We have deep customer relationships with senior purchasing, engineering and management teams.

Suppliers

We purchase raw materials from suppliers including resin, steel and aluminium as well as sub-component parts used in production. Sourcing is dependent on available quality, supply and location. In some instances, our suppliers are directed and mandated by the OEMs.

Technology

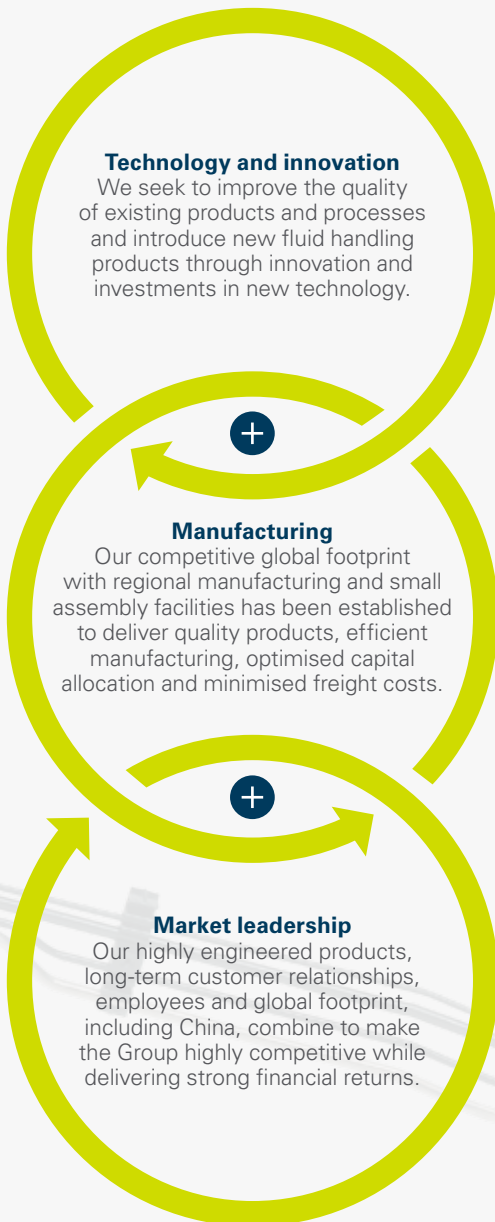
We have made and continue to make significant investment in development of our products and manufacturing processes and protecting related intellectual property in our major markets.

Governance

We are subject to a variety of laws, rules and regulations in connection with our global operations. We are committed to ensure that we maintain compliance.

How we create value

- Global market and technology leadership
- Profit growth
- Strong cash generation



Stakeholders who benefit

Shareholders

We aim to generate progressive shareholder returns in the long term.

Employees

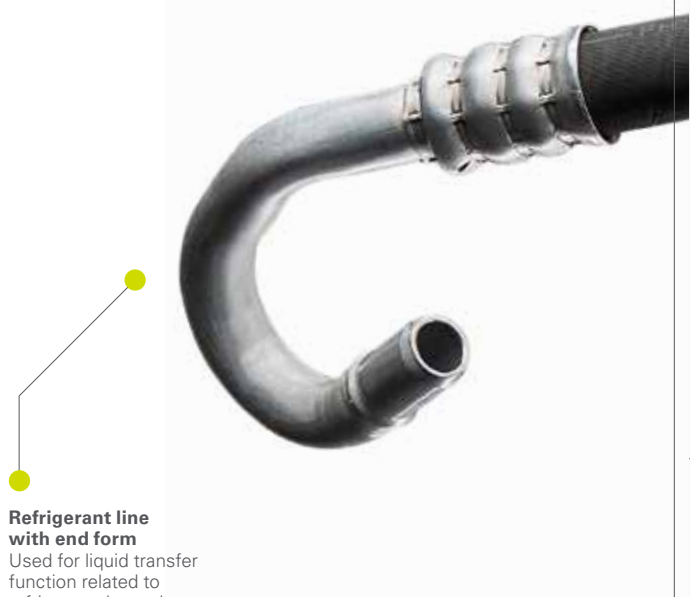
We employ 28,000 people in 28 countries and aim to ensure we have a skilled and motivated workforce.

Customers

We provide value to our customers through our leading technology, strong reputation for quality and manufacturing capabilities. We support OEMs to meet regulated emissions and fuel economy requirements.

The Group's core strategy is to enhance its position as a leading global manufacturer of automotive fluid systems to ensure we continue to deliver revenue growth in excess of global light vehicle production together with strong profitability and cash flow generation.

The key elements of the Group's strategy are:



Refrigerant line with end form
Used for liquid transfer function related to refrigerant thermal management systems for the vehicle cabin, or HEV/EV thermal chiller plate heat exchanger

Strategic objective

Use our strength in key products to drive the Group's market share position

- Extend the Group's strong positions in brake and fuel lines and plastic fuel tanks
- Leverage technology, OEM relationships and competitive global footprint to drive organic business growth in thermal management systems and global platforms with leading products

Progress:

- #1 supplier of brake and fuel lines in all key regions globally including North America, Europe, Asia Pacific and Latin America
- #3 supplier of plastic fuel tanks globally
- Key product strength with significant momentum in product and system offerings for the HEV/EV market

No.1
Supplier of brake and fuel lines globally

No.3
Supplier of plastic fuel tanks globally

Strategic objective

Maintain balanced customer, platform, regional and product diversification

- To mitigate the impact of regional market cyclicality and customer concentration, we aim to maintain a balanced customer, platform, regional and fluid handling product diversification

Progress:

- 118 manufacturing locations across 28 countries
- Balanced customer portfolio with no single customer representing more than 12% of revenue in 2017
- Highly engineered and extensive offering in fluid handling products including brake and fuel lines, plastic fuel tanks and thermal management systems

118
Manufacturing locations

28
Countries

Strategic objective

Strengthen the Group's position as an advanced technology leader in automotive fluid systems

- Continue to invest in R&D to develop products that help OEMs meet regulated emissions and fuel economy requirements
- Pursue content expansion in HEVs and EVs, where advanced thermal management components and systems have the potential to increase the Group's fluid handling content significantly
- Leverage our existing nylon manufacturing capabilities to target OEMs with thermal management systems for chassis, battery and electronics systems in HEVs and EVs
- Continue advancing our market position in pressurised tanks for the increasing HEV market

Progress:

- Continued focus on products that help OEMs to meet emissions and fuel economy requirements, such as zero emission vehicle plastic fuel tanks, pressurised and double-moulded fuel tanks and thermal lines
- Ongoing design, development and supply of advanced systems and components on a global basis
- Thermal and high pressure tank design advantages, including nylon capability, are driving increased quoting and customer development opportunities

4

Automotive News PACE Awards for innovation since 2009

Strategic objective

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

- Capitalise on the Group's scale, global manufacturing footprint and established position in China and other emerging markets to be the provider of choice on OEMs' global platforms
- Leverage the industry trend of increasing standardisation of OEM platform production through breadth and scale of operations

Progress:

- Significant presence in all of the major geographies for OEM vehicle production
- Well established global footprint within close proximity to OEM assembly facilities
- Continued focus on business management philosophy with locally-based nationals in regions and countries, including China
- 19% of 2017 revenue from operations in China

19%

Revenue from China operations

Strategic objective

Deliver strong growth, profitability and cash flow generation

- Leadership in technology, global manufacturing footprint and competitive cost structure supporting growth in revenue, Adjusted EBIT and Cash Flow generation in the medium term
- Continue to prioritise variable and fixed cost management and capital allocation
- Continue to adjust costs in line with OEM production volume fluctuations
- Selectively invest capital in projects that offer attractive rates of return

Progress:

- Established long-term record of achieving revenue growth, attractive profitability and strong cash flow generation
- In 2017, revenue growth of 5.4% on a constant currency basis and adjusted EBIT of €384 million
- Net proceeds from the IPO used to repay part of indebtedness and facilitate reducing leverage
- Achieved target Net Debt to Adjusted EBITDA ratio of 1.8 x at the end of 2017
- Delivered Adjusted Free Cash Flow of €119 million in 2017

+5.4%

Revenue growth on a constant currency basis

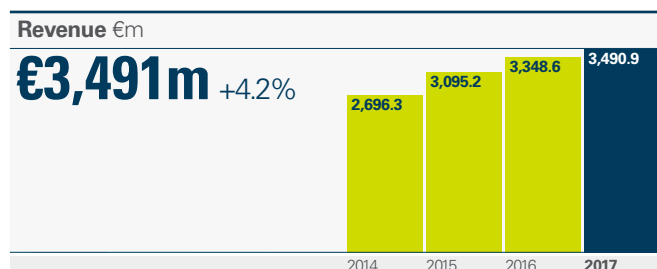
€384m
Adjusted EBIT

Refrigerant line with end form

Used for liquid transfer function related to refrigerant thermal management systems for the vehicle cabin, or HEV/EV thermal chiller plate heat exchanger

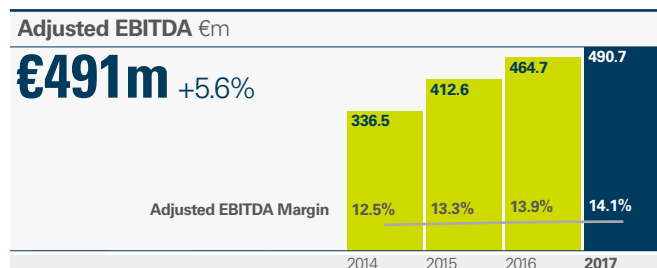


Measuring strategic success.



Definition
Defined as revenue growth excluding the effects of currency translation.

2017 performance
Total revenue and revenue growth – in 2017, global light vehicle production increased by 2.1% to 95.1 million vehicles. We delivered revenue of €3.5 billion, an increase of 4.2% (or +5.4% growth at constant currency) compared to 2016.

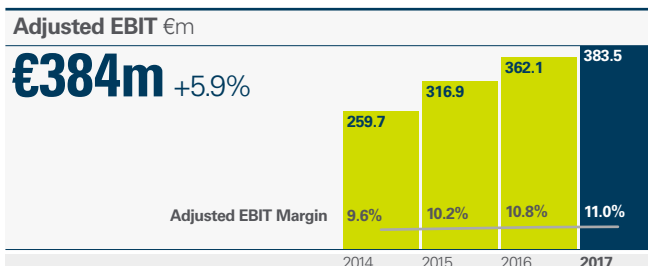


Definition
Defined as profit for the period before income tax expense, net finance expense, depreciation (including PP&E impairment), amortisation (including intangible impairment), exceptional administrative expenses, net foreign exchange losses and (gains) and other reconciling items. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by Revenue expressed as a percentage.

2017 performance
Adjusted EBITDA was €491 million in 2017, representing an increase of €26 million or 5.6% over the prior year. Adjusted EBITDA margin was 14.1% in 2017, representing a 20 basis point improvement over the prior year.

For more information about non-IFRS measures go to page 29

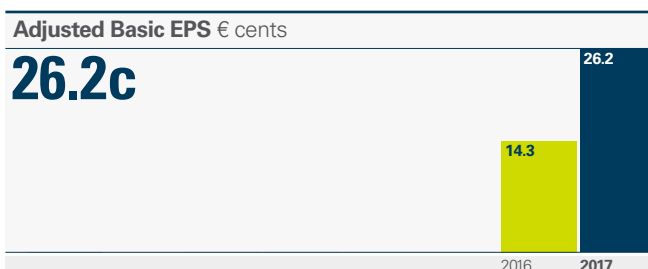
For our approach to remuneration go to pages 44 to 47



Definition
Defined as Adjusted EBITDA less depreciation (including PP&E impairment), amortisation (including intangible impairment) arising on tangible and intangible assets before adjusting for any purchase price adjustments to fair values arising on acquisitions. Adjusted EBIT Margin is defined as Adjusted EBIT divided by Revenue expressed as a percentage.

2017 performance
Adjusted EBIT was €384 million in 2017, representing an increase of €21 million or 5.9% over the prior year. Adjusted EBIT margin was 11.0% in 2017, representing a 20 basis point improvement over the prior year.

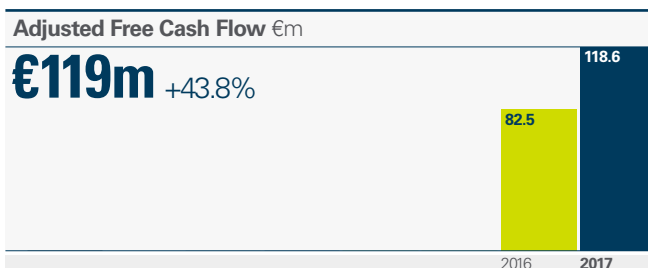
Linked to Remuneration ✓



Definition
Defined as Adjusted EBITDA less income tax expense, net finance expense, depreciation (including PP&E impairment), amortisation (including intangible impairment) further adjusted to eliminate the impact of certain exceptional IPO costs and the exceptional US tax reform credit divided by the number of shares in issue at the current balance sheet date.

2017 performance
Adjusted EPS was 26.2 euro cents in 2017, representing an increase of 83.2% over the prior year.

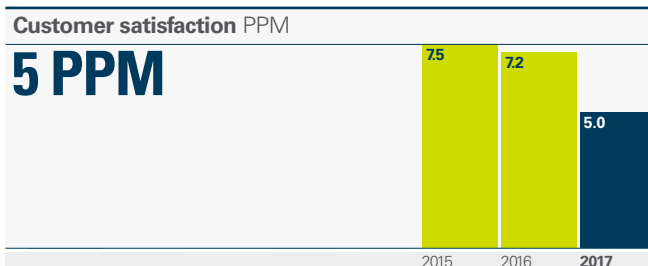
Linked to Remuneration ✓



Definition
Defined as cash generated from operations, less cash used by Investing activities, adjusted for acquisitions and cash payments related to IPO costs.

2017 performance
Adjusted Free Cash Flow was €119 million in 2017, representing an increase of 43.8% over the prior year.

Linked to Remuneration ✓



Definition
The quantity of pieces rejected by external customers versus pieces sold, measured in parts per million.

Purpose
Used as a measure to gauge customer satisfaction and level of product quality delivered. Used to gauge competitiveness relative to industry and world-class standards.

We operate in a complex global environment where risks offer both opportunities and challenges.

Effective risk management is critical to the achievement of our strategic objectives.

Principal risks and uncertainties

The Board is responsible for the Group's system of risk management and internal controls. The Audit & Risk Committee supports the Board by advising on the Group's overall risk appetite, tolerance and strategy, current risk exposures and future risk strategy. Further information on the Group's approach to risk management is set out on page 43.

A review of the Group's risk management framework used to collate, report and manage business critical risks was presented to the Audit & Risk Committee in March 2018. The Board has concluded that a robust assessment of the Group's principal risks had been undertaken.

TI Fluid Systems' global operations are exposed to a number of risks which could, either on their own, or in combination with others, have an adverse impact on the Group's results, strategy, business performance and reputation which, in turn, could impact upon shareholder returns. The following section highlights the major risks that may affect the Group's ability to deliver the strategy, as set out on page 18 to 19. The mitigating activities described below will help to reduce the impact or likelihood of the major risk occurring, although the Board recognises it will not be possible to eliminate these risks entirely. The Board recognises there could be risks that may be unknown or that may be judged to be insignificant at present, but may later prove to be significant.



For more information about our strategy go to page 18

Global light vehicle production volumes

Description

TI Fluid Systems has 118 manufacturing locations in 28 countries on five continents and a substantial amount of its revenue is closely linked to the economic cycle and the general macro-economic environment.

Impact

Historically, there has been close correlation between economic growth and the global light vehicle production volumes. The high-fixed costs nature of the business, operating across manufacturing facilities in 118 locations, means that a reduction in revenue will have a significant impact on profitability.

Controls and mitigation

- TI Fluid Systems' presence in 28 countries supplying a wide range of customers acts as a hedge to neutralise localised economic volatility.
- The Group has an extensive manufacturing presence in emerging and other low-cost markets which currently have relatively low rates of light vehicle penetration per head of population and are believed to have strong growth potential.
- Although the Group's products are primarily for light vehicles, it operates across both a broad geographic footprint and a diversified range of vehicle platforms, brands and models.
- A proportion of the Group's workforce in a number of local markets are employed on temporary contracts, which provides some flexibility in the cost-base.
- The Group monitors closely and responds to any changes in customer demand on a local or group-wide basis.

Product quality

Description

TI Fluid Systems' business is based on the repeatable supply and delivery of components and parts to an agreed specification and time.

Impact

Failure to meet customer requirements or specifications can cause long-term damage to the Group's reputation and have financial consequences, such as the loss of a customer, warranty claims and product liability.

Controls and mitigation

- TI Fluid Systems operates rigorous quality control systems designed to ensure a high-quality standard for all products.
- The Group collaborates with key customers to evaluate and improve quality control standards and to confirm the compliance of its manufacturing processes with customers' quality standards.
- Quality systems and processes operated at local manufacturing level are subject to oversight by divisional quality teams.
- Where necessary, the Group's manufacturing facilities maintain relevant industry accreditations, such as TS 16949.

Business continuity

Description

TI Fluid Systems' business is based upon achieving assurance in quality and reliability across all our locations and their products. Business continuity encompasses a number of areas of risk to the Group, including key supplier failure, sourcing of raw materials, exposure to price fluctuations of key raw materials, maintaining stable labour relations, and ensuring the reliability of the Group's management systems and IT infrastructure. In addition, the Group is exposed to risks from accidents and incidents arising from health and safety failures.

Impact

A loss of production capability at a facility, or quality failings in products, could affect reputation and accreditation, lead to an inability to supply customers, reduce volumes and/or increase claims made against the business under warranties. In periods of high demand or in the event of supplier difficulties, availability of raw materials may be constrained which could result in rapid movements in price and have an impact on the profitability of the Group's operations. In certain circumstances the loss of a supplier, or supplier quality failing, could lead to an inability to supply products in a timely or efficient manner or risk impacting adversely on engineering quality.

The loss of systems capability at a Group facility as a result of IT failure, or other events such as strike action by employees, could affect the reputation and impact the Group's ability to supply customers. Injuries arising from health and safety incidents could result in lost time, reduce employee morale and possible changes in working practices. Serious incidents can also have a detrimental impact on the Group's reputation.

Controls and mitigation

- The Group operates a localised continuity planning strategy and its global network of facilities provides a degree of backup capacity.
- The Group maintains a scheduled programme of maintenance and inspection of all equipment.
- The wide geographic spread of operations, purchasing and supply chain functions allows the Group to use a range of techniques to address potential supply disruption, such as long-term purchase contracts, dual sourcing and ongoing research and development into alternative materials and solutions.
- In certain markets the Group uses preferred suppliers for major materials.
- The Group maintains business interruption insurance.
- The Group participates in a number of works councils and other represented employee forums and seeks to establish and maintain good relationships with its employees and unions.
- The Group's cyber security programme and decentralised IT systems worldwide provide some resilience against the loss of production or systems capability to the Group as a whole.
- The Group has an embedded health and safety culture and operates a global health and safety policy, with local health and safety operations in place in each manufacturing facility.
- Health and safety performance is monitored regularly by each division and by the Group.

Competition and customer pricing pressure

Description

This risk encompasses a number of identified global trends in the markets in which TI Fluid Systems operates. The Group operates in a dynamic competitive environment and faces competition from other manufacturers and suppliers of automotive components in each of the market segments in which it operates. The Group may be subject to pressure from customers to reduce costs on current contracts. The environment for bidding and securing new contract awards from OEMs is competitive.

Impact

The Group's customers face constant pressure to lower their selling and production costs to be competitive against their peers and may require reductions in the selling price of the Group's systems and components over the term of a vehicle platform or model. Commercial activity by competitors, or changes in their products or technologies, could impact upon the Group's market share and profitability.

Controls and mitigation

- The Group seeks to offset pricing pressure by achieving improved operating efficiencies and cost reductions.
- A growing trend by customers to standardise and globalise vehicle platforms has the potential to minimise the Group's exposure to the cancellation of any single vehicle platform or model.
- TI Fluid Systems has a strong brand and industry leading technology which supports its Tier 1 supplier status with its key customers.
- The Group engages in extensive and regular dialogue and has strong commercial and engineering relationships with key customers.
- The Group uses market intelligence and competitor analysis to support its market activities and inform investment decisions.
- Across the Group there is an emphasis on research and development and improving the technical content of products.

Product development and changes in technology

Description

The automotive industry is subject to changes in technology and the Group's products are subject to changes in regulatory requirements to reduce emissions and increase fuel economy. Operating across numerous markets and territories requires compliance with a wide variety of regulations. Changes in consumer demand, e.g. the popularity of a particular vehicle type, model, platform or technology such as HEVs and EVs may also impact on demand for the Group's products. In addition, the Group's products have performance-critical applications and have high levels of technical content and know-how.

Impact

Failure to keep up with changes in technology in the light vehicle automotive industry or in competitive technologies may render certain existing products obsolete or less attractive as well as damaging the Group's market position and brand strength. Failure to comply with all relevant regulatory requirements could affect the Group's reputation and/or its ability to operate in certain markets or territories. Changing environmental regulations could affect demand for certain products. The Group's technologies and intellectual property rights need to be kept current through continuous improvement and research and development and are susceptible to theft, infringement, loss and/or replication by competitors.

Controls and mitigation

- The Group is engaged in continued investment in alternative engineering solutions and the development of more advanced designs and innovative products to ensure compliance with changes to environmental regulations and customer demand.
- TI Fluid Systems has an international network of five technical centres which focus on research and development.
- The Group seeks to maintain close relationships and technical partnerships with key customers.
- The Group has established seven regional application centres which focus on applications engineering worldwide.
- Both Group and divisional management monitor and assess relevant regulatory requirements and the likelihood and impact of any changes.
- The Group's products, materials and processes are continually developed and enhanced through research and development and technical input.
- TI Fluid Systems actively registers, manages and enforces its intellectual property rights.

Operating globally

Description

TI Fluid Systems has operations globally, with manufacturing facilities in 28 countries across five continents. The markets in which the Group operates are covered by a range of different regulatory systems and complex compliance requirements and may also be subject to cycles, structural change and other external factors, such as changes in tariffs, customs arrangements and other regulations. In addition, operating across a number of territories exposes the Group to currency variations.

Impact

A substantial downturn in one or more key markets could have a material adverse impact on the Group's profitability, cash flow and carrying value of its assets. Significant changes to the different regulatory systems and compliance requirements in and between the countries and regions in which the Group operates may have a negative impact on the Group's operations in a particular country or market. The risks associated with Brexit are not considered material to the Group. High foreign exchange volatility may increase financing costs.

Controls and mitigation

- The Group's international footprint provides some protection against a downturn in particular territories or regions.
- The markets and any changes to the regulatory environment in which TI Fluid Systems operates are continually monitored and assessed.
- Changes to the Group's investment strategy and cross-border relocation might result from a significant change in the regulatory environment in a particular country or region.
- The Group's treasury policy covers, *inter alia*, the use of currency contracts, investment hedging policy and regular reporting of foreign exchange exposure.
- Focus throughout the Group on adherence to our Code of Business Conduct (COBC).

Key personnel dependencies

Description

The future success of TI Fluid Systems is dependent upon the continued services of key personnel. Succession is a routine consideration given some of the Group's key global positions at all levels, including business unit, division and Group.

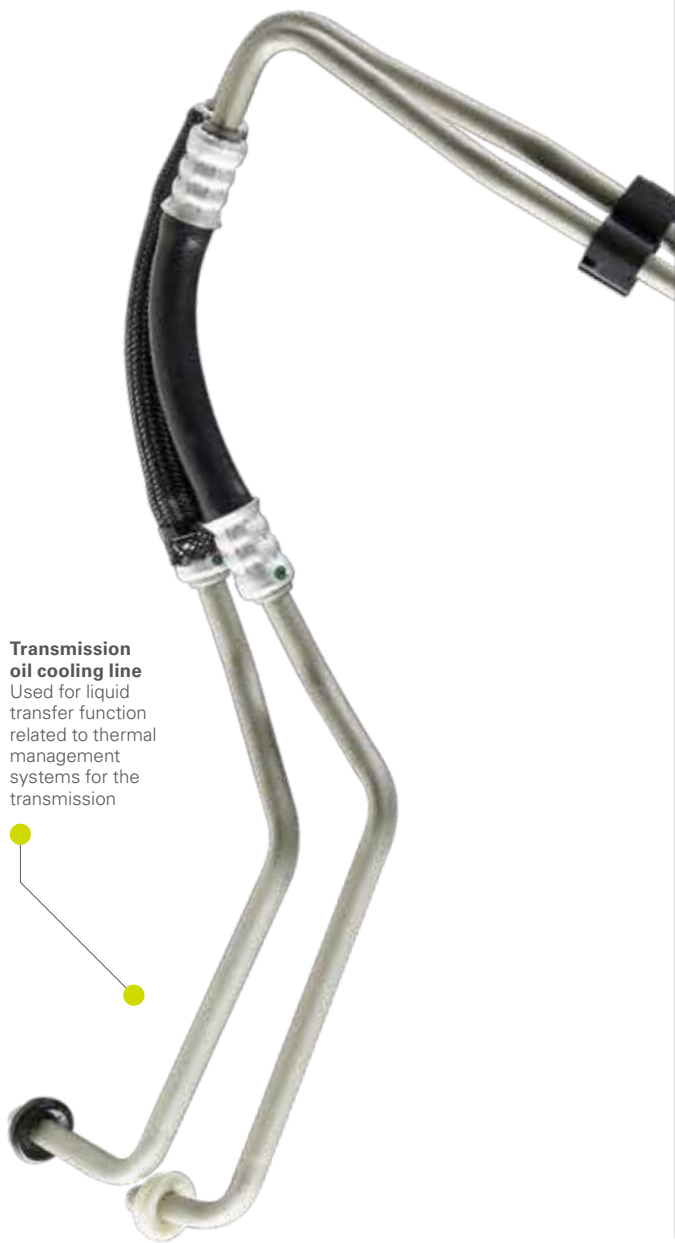
Impact

TI Fluid Systems competes globally to attract and retain personnel in a number of key roles. A lack of new talent, the inability to retain and develop existing talent, or replace retiring senior management could hinder the Group's operations and strategy. A loss of key personnel, with associated intellectual property and know how, could disrupt our business and strategy. In a number of local markets the Group may experience a shortage of skilled and experienced personnel for certain key roles.

Controls and mitigation

- The Group applies bespoke terms and conditions of employment for key personnel where appropriate.
- The Group has in place incentive arrangements, including bonuses, pensions and long-term incentive plans.
- The Group operates established recruitment and development programmes.
- Succession plans have been developed for relevant key positions.

Our business reputation, together with the trust and confidence of the people we do business with, is a core asset and one which we strive to protect.



Transmission oil cooling line
Used for liquid transfer function related to thermal management systems for the transmission

We believe that a successful business must also be a responsible business, and we are committed to developing and implementing a successful corporate responsibility programme that benefits our stakeholders. The values and standards that we subscribe to as a company are embodied and reflected in our Code of Business Conduct and related policies (collectively, the 'COBC').

We aim to:

- Achieve sustainable profits for our shareholders
- Build enduring relationships with key stakeholders, especially our customers
- Value our employees
- Give something back to our local communities
- Respect the environment

Our corporate responsibility objectives support our Core Values:

Customers

- Ensure that our customers are the focus of our business
- Build a foundation for positive, mutual success

Innovation and improvement

- Stay ahead of business challenges
- Develop new methods and skills that improve our business
- Maintain and strengthen continuous improvement culture in all areas of our business

Employees

- Hire, develop and retain talented people
- Provide a safe, respectful and inclusive working environment
- Foster teamwork through communication

Communities

- Be a responsible member of our communities
- Support local engagement in charitable and other activities that benefit our communities

Compliance

- Comply with all laws that are applicable to our business, operations, workforce and products
- Demonstrate the highest levels of integrity by embracing our COBC

Environment

- Encourage the prevention of pollution and the conservation of resources

These corporate social responsibility principles are part of the way we operate on a daily basis and reflect the way we interact with customers, our people and the community.

Customers

We promote a customer-focused culture and are proud of the strong and long-standing relationships we have with our customers all around the world. In 2017, as in past years, we received dozens of awards from our customers in every region recognising our commitment to quality, delivery, safety and innovation.

Employees

Our commitment to customer service is embedded in our recruitment, selection, development and compensation arrangements with our employees across the Group. We seek to attract, motivate and retain the best talent we can, and this underpins our delivery of consistently high customer service.

Our people are considered for employment, training, career development and promotion on the basis of their abilities and aptitudes, regardless of age, gender, sexual orientation, religion or ethnic origin.

Our gender split in 2017 across salaried employees of the Group was 2.62:1.00 (Male:Female) with a total global salaried work force of 4,777, as shown in the table below:

Salaried employees (as at 31 December 2017)

| | Male | Female |
|---|--------------|--------------|
| Executive Directors and senior Executives | 7 | 0 |
| Senior Directors | 62 | 11 |
| Other salaried employees | 3,387 | 1,310 |
| Total | 3,456 | 1,321 |

We seek to ensure that our people benefit from effective communications and engagement, with regular business updates, senior directors briefing sessions and constructive relationships with employee representatives across the Group. We also encourage our management teams to hold regular informal update meetings to keep our employees informed and engaged.

Our COBC applies to the Group on a worldwide basis and covers a wide range of ethical and compliance matters, including anti-discrimination, self-dealing, bribery/corruption, sanctions and anti-trust/competition. The COBC was updated in 2015. All salaried employees receive annual refresher training.

Community

We operate in 28 countries worldwide. Each of our operations are encouraged to develop a local strategy to give back to the communities in which we work and live. Last year our local employees participated and contributed to over one hundred community and charitable projects and programmes. These took place in Europe, Asia Pacific, Latin America and North America.

Environment, Health and Safety

The health and safety of our employees and environmental guardianship remain central to everything we do. We focus on safe working environments and eliminating work-related injuries and illnesses.

Leadership

The Group has a global Health and Safety Policy which is implemented and overseen by local Health and Safety committees located at each manufacturing facility. Our Global Environmental, Health and Safety Director is responsible for environmental, health and safety matters. Regional managers lead environmental, health and safety matters in each geographic area.

Continuous improvement

Since 2016, we have implemented enhanced systems designed to measure and benchmark health and safety performance and accident frequency rates at each manufacturing facility and within each geographic area. We use this information to compare injury rate, safety culture and levels of engagement for each location. As part of our health and safety strategy, we are in the process of developing more robust reporting and control measures in order to further improve our safety practices.

Our environment

We have procedures and policies in place to monitor compliance with all applicable laws and regulations related to the environment, including air and water discharges and the handling and disposal of waste. We have a global energy monitoring programme which we use to calculate our CO₂ equivalent greenhouse gas emissions with a long-term goal of implementing efficiency programmes to reduce energy consumption and our carbon footprint.



Tim Knutson
Chief Financial Officer



2017 saw revenue growth of 3.3% at constant currency, above market growth, and also Adjusted EBIT and Adjusted EBITDA margin improvement.

The successful IPO in October together with strong free cash generation enabled the company to reduce its net leverage to 1.8 times Adjusted EBITDA.

Group performance €m

| | 2017 | 2016 | Change | % change |
|------------------------|----------------|---------|--------|----------|
| Revenue | 3,490.9 | 3,348.6 | 142.3 | 4.2% |
| Adjusted EBIT | 383.5 | 362.1 | 21.4 | 5.9% |
| Adjusted EBIT margin | 11.0% | 10.8% | 0.2% | |
| Adjusted EBITDA | 490.7 | 464.7 | 26.0 | 5.6% |
| Adjusted EBITDA margin | 14.1% | 13.9% | 0.2% | |
| Profit for the year | 115.2 | 43.9 | 71.3 | 162.4% |

Automotive markets

Global light vehicle production volume is the most significant and influential factor in our overall performance. With our balanced global presence, we have been able to benefit from the continuing strength of the automotive market on a global basis.

The table below sets out global and regional light vehicle production volumes for the year as well as the change from 2016. Overall global production of light vehicles increased 2.1% in 2017 to 95.1 million vehicles.

While North American light vehicle production volumes incurred a small retraction, this was more than offset by strong European and Asia Pacific increases.

Global light vehicle production volumes millions of units

| | 2017 | % change |
|--|-------------|----------|
| Europe, including Middle East and Africa | 24.8 | 4.0% |
| Asia Pacific | 49.9 | 2.6% |
| North America | 17.1 | (4.3)% |
| Latin America | 3.3 | 20.1% |
| Total global volumes | 95.1 | 2.1% |

Source: IHS Markit, February 2018 and Company estimates. Change percentages calculated using unrounded data.

Revenue

Our revenue in each of the regions is included in the table below.

Revenue by region €m

| | 2017 | 2016 | Change | % change |
|----------------------------|----------------|---------|--------|----------|
| Europe and Africa | 1,389.7 | 1,365.8 | 23.9 | 1.7% |
| Asia Pacific | 1,024.6 | 959.6 | 65.0 | 6.8% |
| North America | 995.3 | 952.7 | 42.6 | 4.5% |
| Latin America | 81.3 | 70.5 | 10.8 | 15.3% |
| Total Group Revenue | 3,490.9 | 3,348.6 | 142.3 | 4.2% |



Nylon fuel line with quick connectors
Used for the transfer of fuel in internal combustion engine applications

Revenue in 2017 increased €142.3 million, or 4.2% compared to 2016. The increase is driven primarily by new business, volume and mix. On a constant currency basis, revenue increased by 5.4%, which exceeded growth in global light vehicle production by 330 basis points.

In Asia Pacific, our revenue at constant currency grew 9.3%, or 6.7% above light vehicle production volume growth.

Despite the slight decline in North America light vehicle production volumes, we saw our revenue in this region increase 6.6% on a constant currency basis, or 10.9% above the light vehicle production volume growth.

In Europe and Africa, our revenue at constant currency grew 1.5%, which was below light vehicle production growth due to the timing gap of certain vehicle programmes approaching end of life and new programmes launching.

In 2017, we generated 40% of our revenue in Europe and Africa, 29% of our revenue in Asia Pacific, 29% in North America and 2% in Latin America.

The Fluid Carrying Systems ('FCS') division revenue grew 5.8% to €2,057.1 million with strong growth in North America and Asia Pacific (at constant currency the growth was 6.9%). The Fuel Tank and Delivery Systems ('FTDS') division revenue grew 2.2% to €1,433.8 million, which included new business growth in Asia Pacific (at constant currency the growth was 3.3%).

Adjusted EBITDA*, Adjusted EBIT* and Profit for the Year

We use both Adjusted EBITDA and Adjusted EBIT, which are non-IFRS measures, as a measure of profitability and as a metric in certain of our compensation plans. The table below shows a reconciliation between profit for the year and Adjusted EBITDA and Adjusted EBIT.

Calculation of Adjusted EBITDA* and Adjusted EBIT* €m

| | 2017 | 2016 |
|---|----------------|---------|
| Profit for the year | 115.2 | 43.9 |
| Add back: | | |
| Income tax expense – after exceptional items | 42.8 | 88.9 |
| Net finance expense – after exceptional items | 115.3 | 105.1 |
| Depreciation, amortisation and impairment of PP&E and intangible assets | 194.9 | 194.9 |
| Exceptional items – administrative expenses | 40.2 | 23.2 |
| Net foreign exchange (gains)/losses | (24.6) | 2.0 |
| Other reconciling items** | 6.9 | 6.7 |
| Adjusted EBITDA | 490.7 | 464.7 |
| Less: | | |
| Depreciation, amortisation and impairment of PP&E and intangible assets | (194.9) | (194.9) |
| Add back: | | |
| Depreciation and amortisation uplift arising on purchase accounting | 87.7 | 92.3 |
| Adjusted EBIT | 383.5 | 362.1 |

* See Non-IFRS measures.

** Other reconciling items include restructuring charges, the Bain management fees and adjustments for associate income.

We continue to see absolute growth in both of these measures as well as improved margins. Our revenue mix and ability to favourably convert on the higher volumes have been the catalysts for these increases.

While we saw increases in certain commodity costs (namely steel and resin) we were able to largely offset these with customer pricing and other efficiencies in order to minimise the impact on our profit and cash flow.

Adjusted EBIT was €383.5 million, an increase of €21.4 million or 5.9% compared to 2016. Adjusted EBIT margin was 11.0%, a solid 20 basis point improvement. By division, FCS Adjusted EBIT increased €8.7 million to €271.1 million with Adjusted EBIT margin of 13.2%, and FTDS Adjusted EBIT increased €12.7 million to €112.4 million with Adjusted EBIT margin of 7.8%.

Profit for the year grew by €71.3 million to €115.2 million. The increase is due to higher operating profit, lower income tax expense offset partially by an increase in net finance expense. Operating profit increased primarily due to net foreign exchange gains in the year, higher gross profit offset partially by an increase in administrative expenses.

IPO Costs

In support of the October 2017 listing of the Company's shares on the London Stock Exchange, we incurred €64.6 million in costs, of which we capitalised €19.7 million, while expensing €44.9 million. All costs recorded as an expense were considered exceptional and recorded as either administrative or finance costs.

Cash payments of €22.1 million associated with IPO costs have been classified within cash generated from operations. Cash associated with capitalised costs of €19.7 million and cash associated with the repayment of the unsecured senior notes of €17.7 million are shown within cash generated from financing activities.

Exceptional Items

Exceptional items are defined as those items that, by virtue of their nature, size and expected frequency, warrant separate additional disclosure in the financial information in order to fully understand the underlying performance of the Group.

During 2017 and 2016, the substantial majority of exceptional costs were in relation to the IPO. Exceptional administrative costs in 2017 included net IPO costs of €25.7 million, share option costs prior to the IPO of €11.1 million and restructuring costs of €3.4 million related to the exit of our operations in Australia.

In addition to IPO costs of €13.4 million in 2016, exceptional administrative costs included €2.4 million in acquisition and other transaction costs, which were primarily related to the February 2016 acquisition of Millennium Industries and €7.4 million of share option costs.

In 2017 we also incurred exceptional finance costs of €17.7 million associated with the repayment premium related to the unsecured senior notes and an €8.7 million non-cash charge associated with previously capitalised debt issuance fees in connection with the debt principal amounts paid down with a portion of the IPO proceeds.

As a result of the US Tax Cuts and Jobs Act of 2017, we recognised an exceptional deferred tax asset of €25.4 million.

Net Foreign Exchange Gains and Losses

Net foreign exchange gains were €24.6 million in 2017 compared to losses of €2.0 million in 2016. Foreign exchange gains and losses include non-trade items related to foreign currency translation and fair value movement in foreign exchange forward contracts.

We aim to naturally hedge our operational transactions by earning revenues and incurring costs in the same currency to the extent possible, but will engage in forward foreign exchange contracts to mitigate a portion of our remaining exposure.

Our primary exposure, net of hedge arrangements is related to the Group's external borrowings that are denominated in US Dollars and are largely loaned to subsidiaries in the UK, whose functional currency is euro. Following the use of a portion of the IPO proceeds to repay €363.6 million (or \$423.5 million) of the US Dollar debt, the exposure has been significantly reduced.

Net Finance Expense

Net finance expense of €115.3 million in 2017 increased €10.2 million, or 9.7% compared with 2016. The increase was driven by exceptional finance costs of €26.4 million, which included €17.7 million of repayment premium and €8.7 million of debt issuance fees written off following the debt repayment from the IPO proceeds.

The increase in finance costs was partially offset by €16.3 million interest savings resulting from the repricing of the term loan debt in January 2017 and reduction in debt following the IPO.

Taxation

Income tax expense before exceptional items decreased to €68.2 million from €88.9 million in 2016.

The 2017 Adjusted Effective Tax Rate decreased to 28.8% (2016: 34.0%) due to the partial release of the provision on uncertain tax positions and the recognition of tax incentives in certain jurisdictions. The rate was calculated by adjusting for the impact of UK losses, the prior year tax adjustments and the impact of the US Tax Cuts and Jobs Act of 2017, where we have recognised €25.4 million of exceptional deferred tax benefit in the income statement that reflects the new US corporate tax rate of 21%.

Pro forma Adjusted Basic EPS*

As the IPO occurred in October 2017 and led to a significant change in the shares in issue, and given the one-off costs incurred in the year, an Adjusted Basic EPS calculation is a more appropriate measure as it is based on Adjusted Net Income and the 519.4 million ordinary shares in issue at 31 December 2017. Accordingly, 2017 saw an Adjusted Basic EPS of 26.18 euro cents up from 14.27 euro cents in 2016 on a pro forma basis.

The calculation of Adjusted Net Income is shown below:

Adjusted Net Income* €m

| | 2017 | 2016 |
|--|--------|---------|
| Adjusted EBITDA | 490.7 | 464.7 |
| Less: | | |
| Net finance expense before exceptional items | (88.9) | (105.1) |
| Income tax expense before exceptional items | (68.2) | (88.9) |
| Depreciation and impairment of PP&E | (98.8) | (102.0) |
| Amortisation and impairment of intangible assets | (96.1) | (92.9) |
| Non-controlling interests share of profit | (2.7) | (1.7) |
| Adjusted Net Income | 136.0 | 74.1 |

* See Non-IFRS measures.

Dividend

The Directors have recommended a final dividend of 1.31 euro cents per share, amounting to €6.8 million. The amount is calculated based on Adjusted Net Income and has been pro rated to reflect the period since the Company's shares were listed. Subject to shareholder approval at the Annual General Meeting on 17 May 2018, the final dividend will be paid on 1 June 2018. The dividend will be converted to Sterling at a fixed rate on 27 April 2018, the Dividend Record Date.

Adjusted Free Cash Flow*

We also use Adjusted Free Cash flow as operating measure of our cash flows.

Adjusted Free Cash Flow* €m

| | 2017 | 2016 |
|--|--------------|---------|
| Net cash generated from operating activities | 237.4 | 204.0 |
| Net cash used by investing activities | (140.9) | (258.4) |
| Free Cash Flow | 96.5 | (54.4) |
| Add back: Payment for acquisition | – | 125.0 |
| Add back: IPO costs (included in net cash generated from operations) | 22.1 | 11.9 |
| Adjusted Free Cash Flow | 118.6 | 82.5 |

Reconciliation of Adjusted EBITDA to Adjusted Free Cash Flow €m

| | 2017 | 2016 |
|--|--------------|---------|
| Adjusted EBITDA | 490.7 | 464.7 |
| Less: | | |
| Net Cash interest paid | (87.7) | (96.0) |
| Cash tax paid | (88.9) | (84.2) |
| Payment for property, plant and equipment | (118.8) | (109.5) |
| Payment for intangible assets | (25.1) | (26.5) |
| Movement in working capital | (26.2) | (45.5) |
| Movement in provisions and other | (47.5) | (32.4) |
| Payment for acquisition of subsidiary | – | (125.0) |
| Free Cash Flow | 96.5 | (54.4) |
| Add back: | | |
| Payment for acquisition of subsidiary | – | 125.0 |
| IPO cash costs in Net Cash from Operations | 22.1 | 11.9 |
| Adjusted Free Cash Flow | 118.6 | 82.5 |

* See Non-IFRS measures.

In 2017, our Adjusted Free Cash Flow increased by €36.1 million compared to 2016, or 43.8%, to €118.6 million. The increase is a result of higher profits before tax and lower interest paid, and lower working capital movements that offset higher payments for property, plant and equipment and taxation.

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 significant schemes in the UK, Canada and Germany. While all of our significant plans are closed to new entrants, certain of them do allow for future accruals. Our schemes are subject to periodic actuarial valuations. Our net unfunded position decreased €30.6 million from 2016 to €162.4 million at the end of 2017.

Net Debt and Net Leverage

Net debt as at 31 December 2017 was €891.1 million, which is a reduction of €608.5 million since 31 December 2016. Cash generated from operations and the IPO was used to repay €376.3 million of borrowings. There was also favourable foreign exchange movement of €143.5 million and a reduction in capitalised fees of €17.6m. The reduction in net debt resulted in a net leverage ratio of 1.8 times Adjusted EBITDA at the end of 2017, compared to 3.2 times Adjusted EBITDA at the end of 2016.

Liquidity

Our principal sources of liquidity have historically been cash generated from operating activities and commitments available under our credit facilities, which currently consist of a revolving facility under our cash flow credit agreement of \$125 million (€104.1 million) and an asset backed loan (ABL) facility of \$100 million (€83.3 million). The availability under both facilities as of 31 December 2017 was €173.5 million.

Outlook

For 2018, excluding the impact of currency movements, we expect continued revenue growth in excess of global light vehicle production volume growth with Adjusted EBIT margin and Adjusted Free Cash Flow consistent with prior year levels. We plan to reduce net leverage through earnings growth and cash flow generation and to maintain a consistent dividend policy.

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. In particular, we use Adjusted EBITDA, Adjusted EBIT, 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. Such measures are also utilised by the Board of Directors as targets in determining compensation of certain executives and key members of management.

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 and other reconciling items. Other reconciling items include adjustments for restructuring charges, the Bain management fees and adjustment for associate income.

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

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 number of shares in issue at the current balance sheet date.

Adjusted Free Cash Flow is defined as cash generated from operating activities, less cash used by investing activities, adjusted for acquisitions and cash payments related to IPO costs.

Adjusted Effective Tax Rate is defined as Adjusted Income Tax before exceptional items as a percentage of Adjusted Profit before Income Tax.

Timothy Knutson

Chief Financial Officer
29 March 2018

Going concern and viability statement

The Directors have concluded after reviewing the future funding requirements for the Group over the next eighteen months by reference to the headroom on the committed banking facilities and the expected performance of the Group, that it is appropriate for the financial statements to be prepared on a going concern basis.

In accordance with provision c2.2 of the UK Corporate Governance Code 2014, the Directors have assessed the viability of the Group over a three year period to 31 December 2020. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's existing committed finance facilities, the Group's strategy and the potential impact of the principal risks and how these are managed, as detailed in this strategic report.

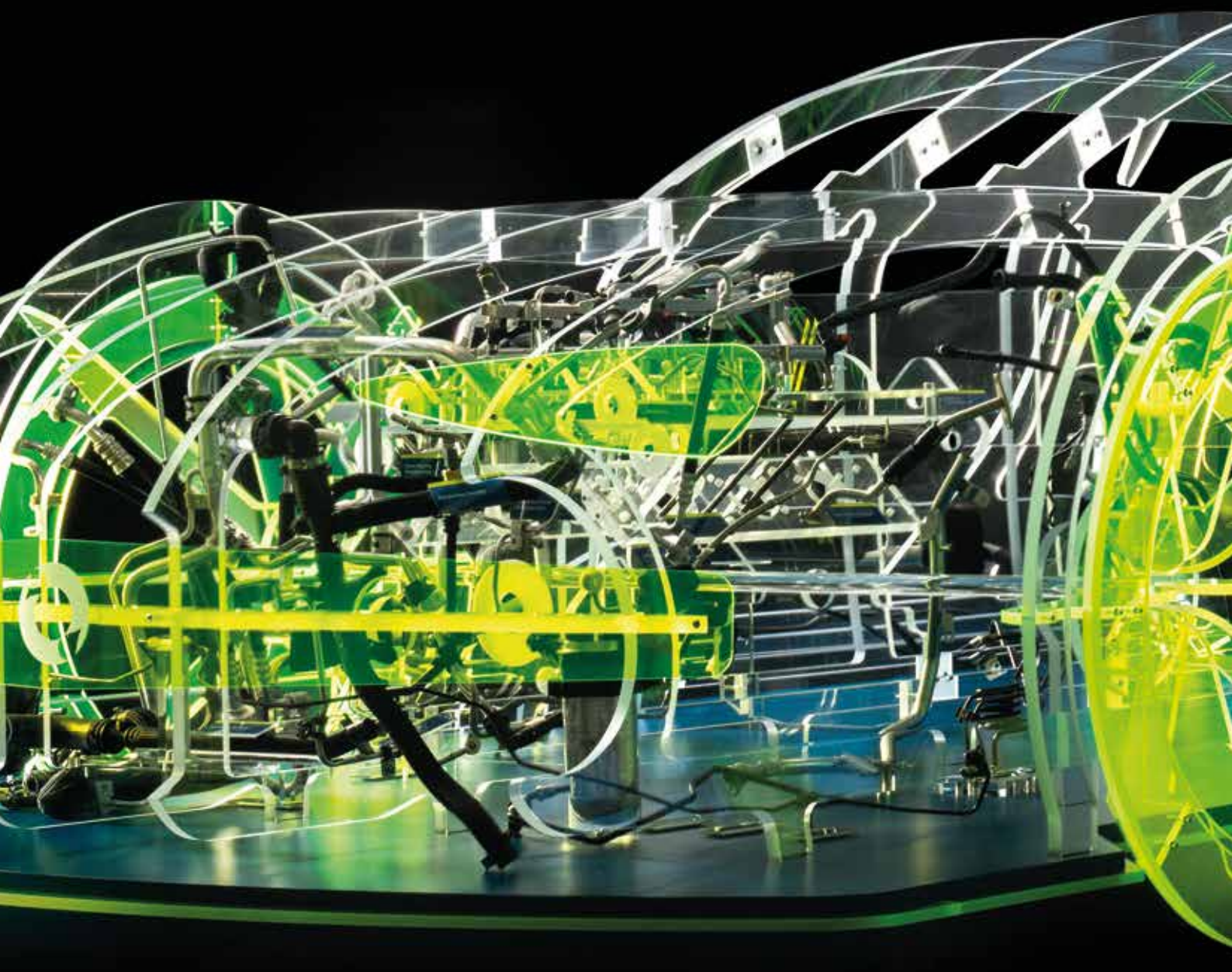
The Group has a formalised process of budgeting, reporting and review along with procedures to forecast its profitability, capital position, funding requirement and cash flows. These plans provide information to the Directors which are used to ensure the adequacy of resources available to the Group to meet its business objectives, both in the short-term and on a strategic basis. The plans for the period commencing on 1 January 2018 were reviewed and approved by the Board on 12 December 2017.

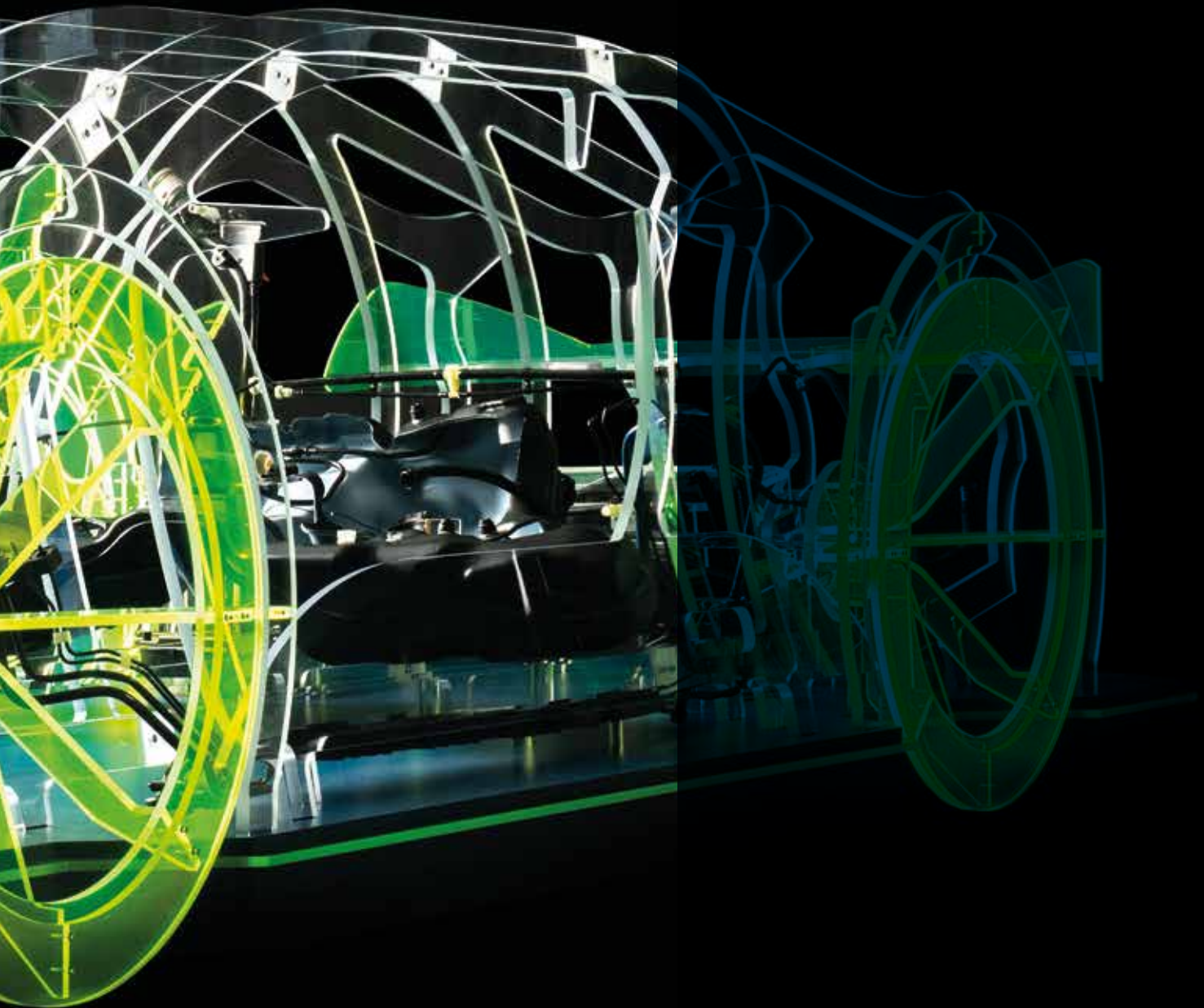
In making their assessment the Directors' have stress tested the Group's financial projections to 31 December 2020 by modelling the impact of lower global production volumes and the effect of operating margin reductions caused by operational and quality issues, which best reflect the likely impact from the principal risks facing the Group. The Directors' also considered the beneficial impact arising from potential mitigating actions.

Considering the Group's current financial position, the geographic spread of its operations, its established customer relationships, its principal risks, headroom under the committed banking facilities and the Board's assessment of the Group's future, the Directors have a reasonable expectation that the Group will be viable and able to continue in operation meeting its liabilities as they fall due over the period of at least three years to 31 December 2020.



For more information
about our company go to
www.tiautomotive.com





Corporate governance

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As Chairman, it is my responsibility to ensure that TI Fluid Systems is governed and managed with transparency and in the best interests of stakeholders.

Manfred Wennemer
Chairman



Dear Shareholder,

On behalf of the Board, I am pleased to present TI Fluid Systems' Corporate Governance report for the year ended 31 December 2017, our first year as a listed company. This report aims to provide shareholders and other stakeholders with an appreciation of how our Group is managed and the governance and control framework in which TI Fluid Systems operates. Good governance is essential for enabling our Board to operate effectively in the leadership of the Group and in promoting the success of the Company in the long term.

TI Fluid Systems listed its Ordinary Shares on the Main Market of the London Stock Exchange on 25 October 2017. The Listing Rules of the Financial Conduct Authority, and the UK Corporate Governance Code (the 'Code'), have therefore only applied to the Company since that date.

Inevitably, there has been a particular focus this year on establishing governance structures, risk and control frameworks and policies and procedures that are appropriate for a company of our size and reputation. Sound governance structures were in place at TI Fluid Systems prior to the Global Offer and Listing, but we have welcomed the opportunity to strengthen these where necessary. I am delighted to be able to report close to full compliance with the Code for the period since we became a listed company.

Having been appointed as an Independent Non-Executive Director of the Company in September 2016, I was appointed as Non-Executive Chairman of the Company in October 2017. In the lead-up to the Global Offering and Listing, the Company appointed two new Independent Non-Executive Directors, John Smith and Jeffrey Vanneste, both of whom bring a wealth of experience and knowledge to the Board. In addition, Neil Carson, who was appointed as an Independent Non-Executive Director of the Company in September 2016, was appointed as Deputy Chairman and Senior Independent Director in October 2017. Furthermore, Paul Edgerley and Stephen Thomas, who were both Directors of the Company, were formally appointed as Non-Executive Directors in October 2017. Biographies of each of the Directors are set out on pages 34 to 35.

To assist the Board in its oversight functions, during the year we established the Audit & Risk, Nomination and Remuneration Committees. I am pleased to report the Board and its Committees are operating effectively. We intend to keep the Board and its Committee performance under close review and it is the Board's intention to conduct a formal performance review exercise during the course of 2018.

Following the successful outcome of our Global Offering and Listing, we now have a new and wider shareholder base. A key priority for the Board is communicating effectively with the owners of the business.

Manfred Wennemer
Chairman

UK Corporate Governance Code – Compliance statement

The Company adopted the UK Corporate Governance Code 2016 on 25 October 2017 on admission to the UKLA's Official List and Listing on the Main Market of the London Stock Exchange.

From the date of listing to 31 December 2017, the Company has applied all the main provisions of the Code and has complied with the provisions of the Code save as noted below:

Code Provision B.1.2

Detail – the UK Corporate Governance Code requires that at least half the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent.




Explanation of non-compliance – The Board comprises eight directors, including the Independent Non-Executive Chairman, the Senior Independent Director, two Independent Non-Executive Directors, two Executive Directors and two Non-Executive Directors. The Company regards this as an appropriate Board structure. However, the Company intends to appoint additional independent Non-Executive Directors within a reasonable period of time to comply with the requirements of the UK Corporate Governance Code.

Code Provision B.6.1 and B.7.2

Detail – the Board did not undertake an annual evaluation of its own performance and that of its Committees and individual directors.

Explanation of non-compliance – in the short period of time from admission to the Company's year end of 31 December 2017 it was considered too early for the Board to undertake an evaluation of its own performance. During the coming year it is intended that an internal performance evaluation will be undertaken.

The Governance Structure

| The Board | | | |
|---|--|---|---|
| Leadership, strategy and development; controls and values. | | | |
| Manfred Wennemer Independent Non-Executive Chairman | Timothy Knutson Chief Financial Officer | Paul Edgerley Non-Executive Director | Stephen Thomas Non-Executive Director |
| William L. Kozyra Chief Executive Officer and President | Neil Carson Deputy Chairman and Senior Independent Director | John Smith Independent Non-Executive Director | Jeffrey Vanneste Independent Non-Executive Director |
| Nomination Committee Chairman Manfred Wennemer | Audit & Risk Committee Chairman Jeffrey Vanneste | Remuneration Committee Chairman Neil Carson | |
| Members Neil Carson Paul Edgerley | Members Neil Carson John Smith | Members John Smith Jeffrey Vanneste | |
| Key responsibilities Evaluating the size, structure and composition of the Board Assisting the Board in relation to the composition of the Board, including evaluating the balance of skills, knowledge and experience Consideration to succession planning | Key responsibilities Reviewing and monitoring the integrity of the financial statements Ensuring effective systems of internal controls, internal audit and risk management are maintained Advising on the appointment of the external auditors and monitoring non-audit work undertaken by the external auditor | Key responsibilities Setting the Remuneration Policy for all Executive Directors and the Chairman Administering, together with the CEO, the grant of awards under the Company's Annual Bonus Plan and Long Term Incentive Plan | |
|  More information: Nomination Committee report on page 40 |  More information: Audit & Risk Committee report on page 41 |  More information: Remuneration Committee report on page 44 | |

Board of Directors

Manfred Wennemer

Independent Non-Executive Chairman

Appointment

September 2016

Nationality

Germany



Skills and experience

Manfred was appointed as Non-Executive Chairman of TI Fluid Systems in October 2017 having been appointed to the Board in September 2016. He has held a number of positions at Continental, including as Chief Executive Officer and Chairman of ContiTech. Manfred is Chairman of the Supervisory Boards of Jost Werke and Apleona. He is also Chairman of the Shareholder Committee of Hella KGaA Hueck, a member of the Supervisory Board of Allianz Deutschland AG and a non-executive director of EuroChem Group and PIAB International.

William (Bill) L. Kozyra

Chief Executive Officer and President

Appointment

June 2008

Nationality

United States of America



Skills and experience

William was appointed as Chief Executive Officer and President of TI Fluid Systems in June 2008. Prior to joining the Group Bill held a number of senior executive positions, including that of President and Chief Executive Officer of Continental AG North America and a member of the Executive Board of Continental and senior roles at ITT Automotive and Bosch Braking Systems. Bill is also a non-executive director of American Axle & Manufacturing Holdings.

Timothy Knutson

Chief Financial Officer

Appointment

November 2008

Nationality

United States of America



Skills and experience

Timothy joined the Group in November 2008 and has served as the Group Chief Financial Officer. Prior to joining TI Fluid Systems Tim was Chief Financial Officer of Meridian Automotive Systems. Prior to this position, Tim held a number of senior finance positions at Delphi Corporation in both the United States and Europe. He began his career at General Motors.

Neil Carson OBE

Deputy Chairman and Senior Independent Director

Appointment

September 2016

Nationality

United Kingdom



Skills and experience

Neil was appointed as Deputy Chairman and Senior Independent Director of TI Fluid Systems in October 2017 having been appointed to the Board in September 2016. Neil was formerly Chief Executive Officer of Johnson Matthey. Neil is non-executive Chairman of TT Electronics and is a former non-executive director of Amec Foster Wheeler and Paypoint. Neil currently serves as Honorary President of the Society for the Chemical Industry. Neil was awarded an OBE for services to the Chemical Industry in 2016.

Paul Edgerley

Non-Executive Director

Appointment

July 2015

Nationality

United States of America



Skills and experience

Paul was appointed as a Director of TI Fluid Systems in July 2015 and was formally appointed as a Non-Executive Director of the Company in October 2017. Paul is currently a Senior Advisor to Bain Capital, having served as a Managing Director of Bain Capital from 1990–2016. Prior to joining Bain Capital, Paul spent five years at Bain & Company and previously worked as a Certified Public Accountant at Peat Marwick Mitchell & Company. Paul is also Chairman of Sensata Technologies Holding and a non-executive director of APEX Tool Group, AS Roma SpA, Boston Basketball Partners (Boston Celtics), and Hero Motocorp.

Stephen Thomas

Non-Executive Director

Appointment

July 2015

Nationality

United States of America



Skills and experience

Stephen was appointed as a Director of TI Fluid Systems in July 2015 and was formally appointed as a Non-Executive Director of the Company in October 2017. Stephen joined Bain Capital in 2007 and has been a Managing Director since 2015. Prior to joining Bain Capital, Stephen was a Manager at Bain & Company. Stephen is a non-executive director of American Trailer Works, Innocor Inc. and Diversey.

John Smith
Independent Non-Executive Director



Appointment
October 2017

Nationality
United States of America

Skills and experience

John was appointed as an Independent Non-Executive Director of TI Fluid Systems in October 2017. John has over 48 years of experience in the automotive industry, including 42 working with General Motors in developing new technologies. John held a range of senior positions with General Motors, most recently as Group Vice President, Corporate Planning & Alliances and spent a number of years in its European operations and working closely with General Motors' Japanese, Korean and Chinese partners. John is principal of Eagle Advisors and is also a non-executive director of CEVA Holdings and American Axle & Manufacturing Holdings.

Jeffrey Vanneste
Independent Non-Executive Director



Appointment
October 2017

Nationality
United States of America

Skills and experience

Jeffrey was appointed as an Independent Non-Executive Director of TI Fluid Systems in October 2017. Jeffrey is currently Senior Vice President, Chief Financial Officer and a member of the Executive Council of Lear Corporation. Prior to joining Lear, Jeff was Executive Vice President and Chief Financial Officer for International Automotive Components Group. Jeff had previously spent over 15 years working with Lear in various positions. Jeff qualified as an accountant with Coopers & Lybrand (currently, PricewaterhouseCoopers LLP).

Matthew Paroly
Company Secretary



Appointment
July 2014

Nationality
United States of America

Skills and experience

Matthew was appointed as Chief Legal Officer and Company Secretary of TI Fluid Systems in July 2014. Matthew has more than 20 years of experience in private law practice and in-house executive and legal positions with both public and private companies. Prior to joining TI Fluid Systems Matthew worked with several automotive suppliers and manufacturers, including Nexteer Automotive, Fisker Automotive, Meridian Automotive and Delphi Corporation. Matthew is a member of the State Bar of Michigan.

Committee membership

| | Audit & Risk | Remuneration | Nomination |
|-------------------|--------------|--------------|------------|
| Manfred Wennemer | | | ● |
| William L. Kozyra | | | |
| Timothy Knutson | | | |
| Neil Carson | ● | ● | ● |
| Paul Edgerley | | | ● |
| John Smith | ● | ● | |
| Stephen Thomas | | | |
| Jeffrey Vanneste | ● | ● | |

Key
● Chairman of the Committee
● Member of the Committee

A summary of the main matters reserved for decision by the Board is set out below:

Strategy and management

- Oversight of the Group's operations
- Approval of the long-term objectives and commercial strategy review
- Approval of the annual operating and capital expenditure budgets and 4-year Medium Term Plan
- Review of performance in light of the Group's strategic aims, objectives, business plan and budgets

Corporate structure and share capital

- Changes to the Group's capital structure
- Major changes to the Group's corporate structure
- Significant changes to the Group's management and control structure
- Issues of public debt by the Company

Financial reporting and controls

- Approval of financial statements
- Setting the Company's dividend policy
- Approval of significant changes in accounting policy

Internal controls

- Ensuring maintenance of a sound system of internal control and risk management
- Approval of the Group's compliance policies

Contracts

- Approval of major capital projects
- Approval of larger-scale non-standard new customer and non-OEM supplier contracts
- Approval of acquisitions and joint ventures

Board membership

- Changes to the structure, size and composition of the Board
- Appointments to the Board, including selection and appointment of the Chairman, Chief Executive Officer, Senior Independent Director and Company Secretary
- Membership and chairmanship of Board Committees
- Approval of the continuation in office of Directors, including Executive Directors

Remuneration

- Determine the Remuneration Policy for Directors, Chief Executive Officer and other senior executives
- Determine the remuneration of the Non-Executive Directors
- Introduction of new share incentive plans or major changes to existing plans
- Approval of new incentive plans to be put to shareholders for approval

Delegation of authority

- Approval of the written division of responsibilities between the Chairman and the Chief Executive Officer
- Establishing Board Committees, approving their terms of reference and receiving reports from the Board Committees

Corporate governance

- Review the Group's overall corporate governance structure
- Determining the independence of Non-Executive Directors
- Undertaking a formal and rigorous review of the Board's performance, that of its Committees and individual Directors and the division of responsibilities
- Consider the balance of interests between shareholders, employees, customers and the community

Policies

- Approval of policies, including the Code of Business Conduct and Ethics, share dealing code, Health and Safety policy, corporate responsibility policy, anti-bribery policy, anti-slavery policy and anti-money laundering policy

Other areas

- Making of political donations
- Approve the overall levels of insurance for the Group
- Appointment of external auditors

The role and structure of the Board

The Board is responsible for leading and controlling the Group and has overall authority for the management and conduct of the Group's business, strategy and development. The Board is also responsible for ensuring the maintenance of a sound system of internal controls and risk management (including operational, financial and compliance controls) and for reviewing the overall effectiveness of systems in place as well as for the approval of any changes to the capital, corporate and/or management structure of the Group.

The Board operates in accordance with the Company's Articles of Association and the Board's written 'Delegation of Authority' which were approved by the Board in July 2015 and updated in October 2017. The Board has established a number of Committees, as set out on pages 37 to 38. Each Committee has its own terms of reference which are reviewed at least annually.

The Board consists of the Independent Non-Executive Chairman, the Senior Independent Director, two Independent Non-Executive Directors, two Executive Directors and two Non-Executive Directors.

The Board meets formally five times a year, with additional ad-hoc meetings called as and when circumstances require. There is an annual calendar of agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate time in the financial year.

In the period from 25 October 2017 to 31 December 2017 there was one Board meeting, which all Directors attended. In addition in the period from 25 October 2017 to 31 December 2017 there was a meeting of the Audit & Risk Committee.

The table below shows the Directors' attendance at meetings of the Board and Committee(s) of which they were members and they were eligible to attend in the period from 25 October 2017 to 31 December 2017:

| | Board scheduled meetings | Audit & Risk | Remuneration | Nomination |
|-------------------|--------------------------------|-----------------|--------------|------------|
| Manfred Wennemer | 1/1 | – | – | – |
| William L. Kozyra | 1/1 | – | – | – |
| Timothy Knutson | 1/1 | – | – | – |
| Neil Carson | 1/1 | 1/1 | – | – |
| Paul Edgerley | 1/1 | – | – | – |
| John Smith | 1/1 | 1/1 | – | – |
| Stephen Thomas | 1/1 | – | – | – |
| Jeffrey Vanneste | 1/1 | 1/1 | – | – |

A summary of the key areas of responsibility of the Chairman and Chief Executive Officer are set out below:

Role: Chairman Responsibilities

- Responsibility for the leadership and effective running of the Board and chairing its meetings
- Ensuring the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives
- Setting the agenda for and frequency of meetings of the Board and ensuring the Board receives accurate, timely and clear information on which to base decisions
- Ensuring that adequate time is available for the Board to consider all agenda items
- Promote a culture of openness and debate and facilitate the effective contribution and active engagement of all directors
- Ensuring there is effective communication between the Group and its shareholders and that the Board understands the views of major investors in the Group
- Promoting the highest standards of integrity, probity and corporate governance
- Ensuring constructive relations between the Non-Executive and Executive Directors
- Regularly considering the Board's succession planning and composition
- Ensuring that the performance of the Board, its Committees and individual directors are formally and rigorously evaluated at least once a year
- Provide an independent perspective and constructive challenge

Role: Chief Executive Officer Responsibilities

- Responsible for running the business of the Company and its subsidiaries
- Proposing and developing the Group's strategy and overall commercial objectives
- Regularly reviewing the Group's operational performance, cost control and operating efficiencies and recommending to the Board the annual budget and financial plans for the Group
- Report to the Chairman and the Board on the progress of the strategy, the Group's performance and operational matters
- Maintaining a dialogue with the Chairman and the Board on important and strategic issues facing the Group
- Providing a structure for the timely and accurate disclosure of information
- Ensuring the Board's strategies, objectives and decisions are implemented in a timely and effective manner
- Develop senior talent and succession planning
- Progressing in conjunction with the Chief Financial Officer and, where relevant, the Chairman, the Company's communication programme with its shareholders
- Ensuring effective communication with shareholders, employees and other stakeholders, in order to understand their concerns and communicate issues to the Board
- Promoting and conducting the affairs of the Group with the highest standards of integrity, probity and corporate governance
- Safeguarding the reputation of the Group and managing the Group's risk profile
- Maintain strong relationships with OEM customers

All Directors are expected to attend all meetings of the Board and any Committees of which they are a member and are expected to devote sufficient time to the Company's affairs to fulfil their duties as Directors.

Key Board roles and responsibilities

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer which is written and approved by the Board. The roles of the Chairman and Chief Executive Officer are separately held and the role of each is clear and distinct. The Division of Responsibilities between the Chairman and Chief Executive Officer are set out in written terms of reference which were adopted by the Board on 24 October 2017.

Senior Independent Director

The UK Corporate Governance Code recommends that the Board of Directors of a company with a premium listing on the Official List should appoint one of the Non-Executive Directors to be the Senior Independent Director to act as a sounding board for the Chairman and to support him in the delivery of his objectives. The Senior Independent Director is also responsible for leading the Non-Executive Directors in monitoring and evaluating the performance of the Chairman and being available to shareholders if they have any concerns which contact through the normal channels of the Chairman, the Chief Executive Officer or the Chief Financial Officer has failed to resolve or for which such communication is inappropriate. Neil Carson has been appointed as the Company's Senior Independent Non-Executive Director.

The Audit & Risk Committee

The Audit & Risk Committee is comprised of three Independent Non-Executive Directors. The Audit & Risk Committee Chairman is Jeffrey Vanneste. The Audit & Risk Committee will meet not less than four times a year.

The main roles and responsibilities of the Audit & Risk Committee are set out in written terms of reference and are available on the Company's website at:

<http://investors.tiautomotive.com/~media/Files/T/Tiautomotive-IR/documents/audit-and-risk-committee-terms-of-reference.pdf>

Details of the Audit & Risk Committee's activities can be found in the Audit & Risk Committee report on pages 41 to 43.

The Remuneration Committee

The Remuneration Committee is comprised of three Independent Non-Executive Directors. The Remuneration Committee Chairman is Neil Carson. The Remuneration Committee will meet not less than two times a year.

The main roles and responsibilities of the Remuneration Committee are set out in written terms of reference and are available on the Company's website at:

<http://investors.tiautomotive.com/~media/Files/T/Tiautomotive-IR/documents/remuneration-committee-terms-of-reference.pdf>

Details of the Remuneration Committee's activities can be found in the Remuneration Committee report on pages 44 to 58.

The Nomination Committee

The Nomination Committee is comprised of the Chairman, the Senior Independent Director and a Non-Executive Director. The Nomination Committee Chairman is Manfred Wennemer. The Nomination Committee will meet not less than two times a year.

The main roles and responsibilities of the Nomination Committee are set out in written terms of reference and are available on the Company's website at:

<http://investors.tiautomotive.com/~media/Files/T/Tiautomotive-IR/documents/nomination-committee-terms-of-reference.pdf>

Details of the Nomination Committee's activities can be found in the Nomination Committee report on page 40.

Balance and independence

In accordance with the main principle B.1 of the Corporate Governance Code, the Board and its Committees have an appropriate balance of skills, experience and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively. The size and composition of the Board is kept under review by the Nomination Committee to ensure an appropriate balance of skills and experience is maintained.

The Code recommends, in the case of a FTSE 350 company, that at least half the Board of Directors (excluding the Chairman) should comprise 'independent' Non-Executive Directors. The Board comprises the Non-Executive Chairman, who is considered to be independent, two Executive Directors and five Non-Executive Directors. The Non-Executive Directors comprise Neil Carson, Senior Independent Director, Paul Edgerley, John Smith, Stephen Thomas and Jeffrey Vanneste. The Non-Executive Directors, Neil Carson, John Smith and Jeffrey Vanneste, are considered to be independent in character and judgement, and free of any business or other relationship which could materially influence their judgement.

The Company intends to appoint additional independent Non-Executive Directors within a reasonable period of time to comply with the requirements of the Corporate Governance Code concerning the number of independent Non-Executive Directors the Company should have. As the Board composition changes over time and when evaluating candidates for the Board membership, candidates are considered on merit, taking account of their relevant skills and experience as well as recognising the benefits of Boardroom diversity including gender, nationality, ethnicity and age.

Disclosure of relationship agreement with Bain

Details of substantial shareholdings in the Company's ordinary share capital is set out in the Directors Report on page 59.

On 25 October 2017 the Company entered into an agreement with its largest shareholders, the funds managed by Bain Capital and BC Omega Holdco, Ltd. (the 'Institutional Shareholders'). The principal purpose of the agreement is to ensure that following the Company's Admission and Listing, the Company is able to carry on its business independently of the Institutional Shareholders and that transactions and relationships between the Company and the Institutional Shareholders are conducted at arm's length and on normal commercial terms. The Board confirms that so far as it is aware in the period to 29 March 2018 the Institutional Shareholders have complied with the undertakings in the agreements and the obligations therein. *Inter alia*, the Institutional Shareholders have a right to nominate for appointment to the Board (a) two directors for so long as the Institutional Shareholders and their associates' shareholding in the Company is equal to or more than 25% and (b) one director for so long as the Institutional Shareholders and their associates' shareholding in the Company is equal to more than 10% but less than 25%.

The terms of the appointment of the Non-Executive Directors does not specify the amount of time they are expected to devote to the Company's business. However, it is estimated they will commit a minimum of one day per month which is calculated based on the time required to prepare for attending Board and Committee meetings, and additional duties such as attendance at the Annual General Meeting and meetings with shareholders.

Length of appointment

Non-Executive Directors are appointed for terms of three years, subject to the particular Director being re-elected by shareholders, for up to the normal maximum of three terms (nine years).

Conflicts of interest

The Company's Articles of Association set out the policy for dealing with Directors' conflicts of interest and are in line with the Companies Act 2006. The Board has a formal system in place for Directors to declare conflicts of interest and for such conflicts to be considered for authorisation.

Training and development

In preparation for admission, all Directors received an induction briefing from the Company's legal advisers on the duties and responsibilities as Directors of a publicly quoted company. In addition, upon their appointment all Directors receive an induction programme arranged by the Company Secretary, including plant visits and meetings with key members of senior management in order to familiarise themselves with the Group.

Information and support

To enable the Board to function effectively and to assist the Directors in discharging their responsibilities, full and timely access is given to all relevant information to the Board. In the case of Board meetings this consists of a formal agenda and a comprehensive set of papers including regular business progress reports. An established procedure is in place to ensure that such information is provided to Directors in a timely manner in advance of meetings. Specific business-related presentations are given by senior management when appropriate.

The Company Secretary works closely with the Chairman, the Chief Executive Officer and the chairs of the Board Committees to ensure that Board procedures, including setting agendas and the timely distribution of papers, are complied with and that there are good communications flows between the Board and its Committees, and between senior management and Non-Executive Directors. The Company Secretary is also available to all Directors to provide advice and support, including facilitating induction programmes. All Directors are able to take independent professional advice at the Company's expense in the furtherance of their duties where considered necessary.

Re-election of Directors

At the forthcoming Annual General Meeting on 17 May 2018 all the Directors will be offering themselves for re-election.

Whistleblowing

The Company has established procedures by which employees may, in confidence, raise concerns relating to some danger, fraud, or other illegal or unethical conduct in the workplace. The Whistleblowing Policy applies to all employees of the Group. The Audit & Risk Committee is responsible for monitoring the Group's whistleblowing arrangements and the policy is reviewed periodically by the Board.

Dialogue with shareholders

Prior to the IPO the Company's shareholders comprised funds managed by Bain Capital and a number of members of management. As a result of the IPO, a larger shareholder base has developed. Investor relations activity and a review of the shareholder register are regular items in the Board information pack.

As part of the IPO 'roadshow' in 2017 and in the period since the IPO, the Executive Directors have met with a large number of investors and have engaged in active discussions with shareholders and investors, both on an individual basis and through roadshow events. The Company aims to maintain an active dialogue with key stakeholders, including institutional investors, to discuss issues relating to the performance of the Group, including strategy and new developments. As indicated above, the Senior Independent Director is available to discuss any matter shareholders might wish to raise and attends meetings with shareholders as required.

The Company has an investor relations website which is publicly available and provides relevant information to both institutional investors and private shareholders, including performance updates and announcements by the Company.

Annual General Meeting

The Company's Annual General Meeting will take place on 17 May 2018 at the offices of Latham & Watkins (London) LLP, 99 Bishopsgate, London EC2M 3XF. A separate notice convening the Annual General Meeting is being sent out with this Annual Report and Accounts. Separate votes are held for each proposed resolution. At the Annual General Meeting, after the formal business has been concluded, the Chairman will welcome questions from shareholders. All Directors attend the meeting, at which they have the opportunity to meet with shareholders. Details of the resolutions to be proposed at the Annual General Meeting on 17 May 2018 and an explanation of the items of special business can be found in the circular that contains the notice convening the Annual General Meeting.

Approved by order of the Board

Manfred Wennemer

Chairman
29 March 2018

Nomination Committee report

Manfred Wennemer

Nomination Committee Chairman



Dear Shareholder,

The Nomination Committee was formed prior to the listing of TI Fluid System plc shares to the London Stock Exchange on 25 October 2017.

This is TI Fluid Systems' first year in public life and consequently there has been considerable focus on establishing a robust Board with the necessary mix of skills, knowledge, experience and diversity to drive the strategic objectives of the business. The Nomination Committee is responsible for leading this process and making recommendations to the Board.

The Nomination Committee will also lead the process of Board Evaluation which will commence in 2018, our first full year as a public company.

Membership of the Nomination Committee and attendance during the year

The Nomination Committee comprises the Chairman, the Deputy Chairman and Senior Independent Director, Neil Carson, and the Non-Executive Director, Paul Edgerley. The Board considers the majority of the members of the Nomination Committee to be independent.

The Terms of Reference of the Nomination Committee are available to view at <http://investors.tiautomotive.com/~media/Files/TIautomotive-IR/documents/nomination-committee-terms-of-reference.pdf>

The terms and conditions of 'appointment' of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting (for 15 minutes prior to the meeting and during the meeting).

Recruitment process

In preparation for the IPO and prior to the appointment of a Nomination Committee, the Board undertook a thorough process, with the assistance of advisers, to identify appropriate Non-Executive Directors with the correct balance of skills, knowledge and experience to be relevant to the Group and to drive the Company forward and the process included candidates meeting ongoing Directors prior to the recommendation for appointment to the Board.

The UK Corporate Governance Code requires that at least half the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent. The Board comprises eight Directors, including the Independent Non-Executive Chairman, the Senior Independent Director, two Independent Non-Executive Directors, two Executive Directors and two Non-Executive Directors. The Company regards this as an appropriate Board structure. However, the Company intends to appoint additional independent Non-Executive Directors within a reasonable period of time to comply with the requirements of the Corporate Governance Code.

Diversity

The Board acknowledges that diversity extends beyond the boardroom and supports management efforts to build a diverse organisation. The Company believes in promoting diversity at all levels of the organisation. 28% of TI Fluid Systems' employees are women. At present 14% of our senior management are women. However, we currently do not have any female directors on the Board. In the coming year, when reviewing the composition of the Board, we will endeavour to achieve appropriate levels of diversity, while at the same time ensuring appointments are made on merit and there is an appropriate balance of skills and experience within the Board.

Key issues reviewed by the Committee in the year

In the period since the year ended 31 December 2017 the Nomination Committee has met and considered the following issues:

- Review the balance of skills, knowledge, experience and diversity on the Board
- Establishing an induction programme for Non-Executive Directors
- Planning for Board evaluation and review of succession planning
- Review of the skills and independence of each of the Non-Executive Directors and recommendation that each of them be re-elected at the Company's first Annual General Meeting on 17 May 2018.

Action plan for 2018

2018 will be TI Fluid Systems' first full year as a public company. It is intended the Nomination Committee will meet twice a year. Below are some of the issues that the Nomination Committee plan to consider as part of an Action Plan for the year:

- Undertake a Board performance evaluation and look to implement any recommended changes
- Review development and induction programmes for Board members
- Continue to review succession planning for the Board and key roles across the business and identification of a future talent pipeline in the business
- Appoint additional independent Non-Executive Directors in order to be compliant with the Code.

Manfred Wennemer

Nomination Committee Chairman
29 March 2018

Audit & Risk Committee report

Jeffrey Vanneste

Audit & Risk Committee Chairman



Dear Shareholder,

The Audit & Risk Committee was formed prior to the listing of TI Fluid Systems plc shares to the London Stock Exchange on 25 October 2017. This report focuses on matters considered by the Committee since its formation, in particular the work undertaken to transition TI Fluid Systems from being a private company to a plc, its first Annual Report as a listed company and the Committee's priorities for the future.

Membership of the Audit & Risk Committee

The Audit & Risk Committee comprises independent Non-Executive Directors of the Company, Neil Carson, John Smith and Jeffrey Vanneste. The Audit & Risk Committee is chaired by Jeffrey Vanneste, who has recent and relevant financial experience. He has many years' experience as a chief financial officer and he is Senior Vice President and Chief Financial Officer of Lear Corporation, a global supplier of automotive seating systems and electrical systems. Brief biographical information on the members of the Audit & Risk Committee are listed on pages 34 to 35 including details of experience and competence relevant to the sector.

The following table shows the number of meetings held during the period from 25 October 2017 to 31 December 2017 and the attendance record of individual members of the Committee:

| Name of member | Date of appointment to the Committee | Number of meetings attended | Maximum number of meetings the member could have attended |
|------------------|--------------------------------------|-----------------------------|---|
| Jeffrey Vanneste | 25 October 2017 | 1 | 1 |
| Neil Carson | 25 October 2017 | 1 | 1 |
| John Smith | 25 October 2017 | 1 | 1 |

Following the year-end, the Committee has met to approve the Group's Annual Report and Financial Statement.

The Audit & Risk Committee is scheduled to meet regularly throughout the year and its agenda is linked to events in the Group's financial calendar. The Audit & Risk Committee invites the Chief Executive Officer & President, the Chief Financial Officer, the Vice President Risk & Global Controller and other senior finance personnel, together with other senior representatives of the external and internal Auditors, to attend certain meetings. The Company Secretary acts as secretary to the Committee. In addition, the Committee will meet in private with the internal and external Auditors without management present.

The terms of reference of the Audit & Risk Committee are available to view at

<http://investors.tiautomotive.com/~media/Files/T/Tiautomotive-IR/documents/audit-and-risk-committee-terms-of-reference.pdf>

The role of the Audit & Risk Committee

The primary function of the Audit & Risk Committee is to assist the Board in discharging its responsibilities with regard to financial reporting and the external and internal audit, including:

- reviewing and monitoring the integrity of the Group's annual and interim financial statements
- advising on the appointment of the external Auditors and overseeing the Group's relationship with its external Auditors
- reviewing the scope and effectiveness of the external audit process
- reviewing the independence and objectivity of its Auditors
- reviewing and monitoring the extent of the non-audit work undertaken by the Group's external Auditors
- making recommendations to the Board on accounting policies
- reviewing the effectiveness of the Group's internal control and risk management programmes
- monitoring the activities and effectiveness of the Group's internal audit function
- receiving reports from the Group's internal and external Auditors
- making recommendations to the Board for a resolution to be put to the shareholders for the appointment of the external Auditors, approval of their remuneration and terms of their engagement
- review of the Group risk registers and advising the Board on the effectiveness of risk action plans and
- reviewing the adequacy and effectiveness of the whistleblowing and anti-bribery policy and procedures.

Preparing for the IPO

As part of completing the Group's Financial Position and Prospects Procedures report during the IPO process, the Directors, supported by PricewaterhouseCoopers LLP, undertook a detailed assessment of the following areas:

- Board and Committee governance and the procedure for assessing the Group's key risks
- the management accounting process and the information provided to the Board
- external financial reporting procedures, audit arrangements and reporting standards
- internal control environments
- the Group's information systems
- forecasting and budgeting procedures and controls.

Significant accounting matters

The significant issues and accounting judgements considered by the Committee in the preparation of the Annual Report and Financial Statements were:

| Key accounting judgements | Work undertaken |
|--|--|
| <p>Warranty provision The Group is subject to warranty claims in the event that its products fail to perform as per specifications. Warranty provisions are made to cover potential exposures that relate to specific customer claims.</p> <p>Key judgements are made in calculating the provision and these are dependent on the customer, complexity of the issue and the negotiation process. The outcome of claims is often difficult to predict and quantify.</p> | <p>We considered the judgements made by management in assessing the likelihood and quantification of material exposures. This included:</p> <ul style="list-style-type: none"> – understanding the nature of the specific claims and correspondence with customers – assessing management’s evaluation of the likelihood and quantum of exposure and the status of negotiations with the customer <p>We concluded the judgements were reasonable.</p> |
| <p>Goodwill and intangible assets impairment All cash generating units (CGUs) containing goodwill and intangible assets are tested for impairment annually. The determination of CGUs and the recoverable amount requires judgement by management in both identifying and valuing the relevant CGUs.</p> <p>Key judgements and estimates are involved in completion of impairment reviews including cash flow forecasts, discount rates and long-term growth rates. A change in these assumptions can result in a material change in the valuation of the assets.</p> | <p>As part of the annual impairment review, we considered a summary report from management explaining the methodology, assumptions and results of the impairment test.</p> <p>There were no indications of impairment as there was headroom over the carrying value of the CGUs.</p> <p>The impairment reviews were also an area of focus for PricewaterhouseCoopers LLP and we considered their report.</p> <p>We concluded that the judgements and estimates used in the impairment test were reasonable.</p> |
| <p>Accounting for hedging arrangements The Group has exposure to movements in interest rates and exchange rates and uses financial derivatives to mitigate the risk.</p> <p>Significant judgement and estimation are involved in assessing whether the financial instruments qualify for hedge accounting and in determining the fair value of forward exchange contracts and interest rate swaps.</p> | <p>We considered management updates and the assistance provided by Chatham Financial, a specialist financial instruments company, in assessing the management of hedging arrangements.</p> <p>We also noted PricewaterhouseCoopers LLP’s work and use of subject matter experts in relation to hedging arrangements.</p> <p>Having considered the use of specialists and the external auditors report, the Committee was satisfied with the judgements and estimates used.</p> |
| <p>Deferred tax asset recognition and provision for uncertain tax positions The Group has a wide geographic footprint and is subject to tax laws in many jurisdictions.</p> <p>Provisions are made for uncertain tax positions which involve judgement and estimates by management as to the likelihood of their realisation.</p> <p>Recognition of deferred tax assets also involves judgement as to their realisation, including whether there will be sufficient taxable profits in future periods to support recognition.</p> | <p>We reviewed summary reports from management in respect of estimates of tax exposures to assess the reasonableness of the Group’s tax provisions. Information provided has included specialist tax advice in applicable jurisdictions and updates on specific ongoing audits.</p> <p>The recognition of deferred tax assets have been reviewed to support recognition.</p> <p>PricewaterhouseCoopers LLP also reported to the Committee its findings in this area which have been reviewed and considered.</p> <p>The Committee was satisfied with the judgements, estimates and that disclosures were reasonable and appropriate.</p> |

The Committee is satisfied that the judgements made are reasonable and appropriate disclosures have been included in the accounts.

Other Financial Reporting Matters

Presentation of financial statements

The Audit & Risk Committee has reviewed the presentation of the financial statements, in particular the presentation of non-GAAP measures. The Committee has concluded that this presentation is appropriate.

External Auditors

A principal duty of the Audit & Risk Committee is to make recommendations to the Board in relation to the appointment of the external auditor. PricewaterhouseCoopers LLP were first appointed as auditor to the Group in 2001 and as auditor to TI Fluid Systems plc in September 2015. PricewaterhouseCoopers LLP are subject to annual reappointment by shareholders.

The Audit & Risk Committee are very aware the effectiveness and independence of the external auditor is central to ensuring the integrity of the Group's published financial information. The effectiveness and independence of the external auditor has been assessed by the Board and confirmed. Prior to the commencement of the audit, the Audit & Risk Committee reviewed and approved the audit plan to ensure it was appropriately focused.

In order to ensure the external auditors' independence, the Committee annually reviews the Company's relationship with its auditors and assesses the level of controls and procedures in place to ensure the required level of independence and that the Company has an objective and professional relationship with PricewaterhouseCoopers LLP. Auditor rotation rules for a listed Company require the Group audit partner and audit partners of material components to rotate off after five years in the role unless there are circumstances that justify an extension. Chris Hibbs and the audit partners of components in the US, Korea and Germany have been in their roles for more than five years. To ensure the audit quality and the level of service as the Group transitions to a listed Company, professional standards allow Chris Hibbs to continue as the Group audit partner up to the year ending 31 December 2018 and for the audit partners in the US, Korea and Germany for the year ending 31 December 2017. The matter was discussed and agreed with the Audit & Risk Committee.

During the year ended 31 December 2017 a competitive audit tender process was undertaken and following a formal process of proposal documents and presentations the decision was taken to reappoint PricewaterhouseCoopers LLP as external auditor to the Group. In order to meet the requirements set out by the Competition and Markets Authority and the European Commission, the Company will hold an audit tender at the latest after the current external auditor has been in place for a period of 10 years.

The Company confirms that it complied with the provisions of the Competition and Markets Authority order for the financial year under review.

Non-Audit services

The Audit & Risk Committee has adopted a formal policy governing the engagement of the external auditors to provide non-audit services. This policy describes the circumstances in which the auditor may be engaged to undertake non-audit work for the Group. The Committee recognises that the auditors may be best placed to undertake certain non-audit work and engagements for non-audit services that are not prohibited are subject to formal review by the Audit & Risk Committee based on the level of fees involved. In the year to 31 December 2017, non-audit fees totalled €3.0 million and audit fees totalled €2.4 million. Non-audit fees represented 56% of the total fees paid to the external auditor of €5.4 million. Non-audit fees in part reflect the services and advice provided, including as Reporting Accountants, in connection with the Global Offering. Non-Audit Fees in the year to 31 December 2017 are detailed in the following table:

| Nature of service | €m |
|---|------------|
| Global-offer related corporate finance services | 2.3 |
| Tax compliance and advisory fees | 0.6 |
| Other | 0.1 |
| Total non-audit services | 3.0 |

Risk Management and Internal Controls

The Group has updated its internal control framework and continues to refine its processes and controls globally to reflect changes to the framework. The Group's system of internal controls, along with its design and operating effectiveness, is subject to review by the Audit & Risk Committee, in addition to review by the Internal and External auditors. Control deficiencies identified are followed up with action plans that are reviewed by the Audit & Risk Committee. The Board has established policies and procedures, including delegations of authority, which have been communicated across the Group.

The Audit & Risk Committee is responsible for monitoring the financial reporting process and for reviewing the effectiveness of the Group's system of internal controls. The system of internal controls is designed to manage, rather than eliminate the risk of failure to achieve business objectives and we can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established a clear organisational structure with defined authority levels. The day-to-day running of the Group's business is delegated to the Executive Directors of the Group.

The Board has overall responsibility for the Group's risk appetite and ensuring there is an effective risk management framework. The Board has delegated responsibility for review of the risk management programme and effectiveness of internal controls to the Audit & Risk Committee. In its first year as a public company, the Group is implementing a formal risk management programme and has adopted the methodology and process design. As part of the preparation for the Global Offer and Listing, an assessment of the Group's principal risks and mitigating activities was undertaken. The Audit & Risk Committee has reviewed the assessment of the Group's principal risks, the impact on the prospects for the Group and the mitigating actions and the Board has confirmed that a robust assessment of the Group's principal risks had been undertaken.

Further information on the Group's risk management programme and the risks and uncertainties which are judged to have the most significant impact on the Group's long-term performance and prospects are set out on pages 21 to 23.

Internal Audit

Internal audit plays an important role in assessing the effectiveness of internal controls by a programme of reviews of key business risks across the Group. The Group has a dedicated Internal Audit function and a formal audit plan is in place to address the key risks across the Group.

The Audit & Risk Committee considers and approves the internal audit plan, which is based on an assessment of the key risks faced by the Group. Progress in respect of the plan is monitored throughout the year and care is taken to ensure that the internal audit function has sufficient resource to complete the plan. The audit plan may be reviewed during the year as a result of the ongoing assessment of the key risks or in response to the needs of the Group. The Director of Internal Audit reports ultimately to the Chairman of the Audit & Risk Committee, although he reports on a day-to-day basis to the Chief Financial Officer. He attends most meetings of the Committee. A report on completed internal audits is presented to the Committee and, where appropriate, action plans are reviewed.

Jeffrey Vanneste

Audit & Risk Committee Chairman
29 March 2018

Annual statement by the Chairman of the Remuneration Committee

Neil Carson OBE

Deputy Chairman and Senior Independent Director



Dear Shareholder,

As Chairman of the Remuneration Committee I am pleased to introduce our first Directors' Remuneration report as a listed company.

The Remuneration Policy which is set out on pages 46 to 54 of this report will be submitted to shareholders for approval at our Annual General Meeting on 17 May 2018 and is consistent with the disclosure in the IPO prospectus issued in October 2017.

Our approach to the Remuneration Policy

As this is the first Directors' Remuneration report for TI Fluid Systems as a listed company, the Remuneration Committee have sought to put into place a remuneration structure consistent with UK corporate governance requirements and guidance, whilst focusing on attracting, retaining and motivating an international management team. We started our work as a Remuneration Committee prior to the IPO and, since the listing, have built on this work to develop our first Remuneration Policy.

TI Fluid Systems has in place a senior leadership team with significant experience and a long-proven track-record of performance in the competitive automotive industry. The Remuneration Committee's aim is to have a Policy which supports the Company's key strategic objectives described on pages 18 to 19.

This Remuneration Policy aligns the Executive Directors' interests with the long-term interests of shareholders and is designed to attract, retain and motivate a global talent base with key senior management based in the US.

The Policy:

- maintains a UK listed company remuneration structure, while recognising the need to maintain competitive benefits in the Directors' country of residence, which at this time is the United States;
- supports a high-performance culture with appropriate reward for superior performance without creating incentives that encourage excessive risk taking or unsustainable Company performance; and
- recognises the significant equity ownership position held by the current Executive Directors.

This is underpinned through the implementation and operation of our two incentive plans: the Annual and Deferred Bonus Plan ('ABP') and the Long-Term Incentive Plan ('LTIP').

This Report lays out the core principles of our Directors' Remuneration Policy and details of our pre-IPO remuneration practice as a private company. I trust we have done this with the transparency and clarity that aids your understanding of both our intent and our actions.

The Remuneration Policy

In anticipation of Admission, the Company commissioned a review of its Remuneration Policy. The objective of the review was to ensure that our remuneration structures for Directors and other senior employees would be fit for purpose as a listed company whilst also retaining certain key features, such as simplicity and transparency. We believe that the incentive plans that form part of our new Remuneration Policy fit within UK corporate governance requirements. The plans in summary are:

| | |
|---|--|
| Base salary | Set at a level which is market competitive to attract and retain executives and at a level which reflects an individual's experience, role, competency and performance. |
| Benefits | Access to existing health insurance, car and perquisite allowance. |
| Pension | Our Executive Directors have a nominal matching defined contribution retirement savings plan customary in the United States which, contrary to UK norms, is subject to a cap of approximately €10k annually. |
| Annual and Deferred Bonus Plan ('ABP') | Annual incentives of up to 300% of base pay may be awarded for the achievement of financial and strategic targets linked to our strategy. Consistent with UK governance and guidance, bonus of up to the first 100% of salary is paid in cash, with any element above 100% of salary deferred into ordinary shares and held for two years. Previously, as a private company, the short-term incentive plan was uncapped and paid in full in cash. |
| Long-Term Incentive Plan ('LTIP') | Executive Directors will receive annual share awards of up to 300% of base pay under the Long-Term Incentive Plan, the first of which is proposed to be awarded prior to the Annual General Meeting in May 2018. Vesting of these shares is subject to performance conditions measured over a three-year period; with an opportunity to earn up to 133% of maximum award for exceptional performance (400% of base salary in total). Similar US-based automotive companies have maximum long-term incentive opportunities of up to 595% base salary for the Chief Executive Officer. |
| Recovery and withholding provisions | These are in place for the ABP and LTIP to safeguard shareholders' interests in the event of an overpayment. |
| Shareholder Guidelines | At the 2017 year end and at the time of publishing this report, the CEO and CFO held shares equivalent to approximately 24 times and 19 times of base salary respectively; however, a requirement primarily for new Executive Directors to build up and retain a significant holding of TI Fluid Systems shares has been introduced. |

Further details on the Remuneration Policy can be found on page 46.

Remuneration Committee decisions made and activity following the IPO

The Group's remuneration policies and practices were reviewed in preparation for the IPO to ensure appropriate remuneration arrangements were in place to support the Group's strategy following the listing of the Company.

The Remuneration Committee's key activities during 2017 and in the period since the IPO were focused on:

- agreement of the Remuneration Committee's terms of reference;
- formulation and finalisation of the Directors' Remuneration Policy as a listed company;
- setting the policy for Non-Executive Directors' fees;
- designing the Company's new ABP and LTIP;
- determining the level of short and long-term bonus payments in respect of the 2017 financial year; and
- drafting the Company's first Annual Report on Remuneration as a listed company.

Shareholder engagement

We are committed to active engagement with our shareholders. As part of the preparation for the IPO we clearly disclosed remuneration details in the Global Offer prospectus. We have also sought feedback from our major shareholders in advance of the publication of the Remuneration Policy, to explain our approach in addressing Executive Directors' remuneration.

The remainder of the Remuneration report is split into two parts in line with legislative reporting requirements:

- **Remuneration Policy.** This sets out the Remuneration Policy for the Directors. The Remuneration Policy is subject to a binding vote of the shareholders at the Annual General Meeting. If approved by shareholders, the Remuneration Policy will come into effect on 17 May 2018, and will be effective from the beginning of the current financial year. If there is any change to the Remuneration Policy, a new policy will be submitted to shareholders for approval.
- **Annual report on remuneration.** This sets out payments made to the Executive Directors during the year and details the link between Company performance and remuneration for that period. This is subject to an annual advisory vote of shareholders. For clarity, the remuneration for the period prior to IPO, detailed in the Annual report on remuneration, was not subject to the Remuneration Policy set out on the following pages.

Neil Carson

Chairman of the Remuneration Committee
29 March 2018

Directors' Remuneration Policy

Introduction

This part of the Directors' Remuneration report sets out the details of the Remuneration Policy (the 'Policy') for Executive and Non-Executive Directors of the Company and will be proposed for approval by shareholders by way of a binding vote at the Annual General Meeting on 17 May 2018. It is proposed that the Policy will apply for the period of three years from the date of approval. Unless it is changed before then and subject to shareholder approval, it is proposed the Policy as set out below will operate up until the Company's Annual General Meeting to be held in 2021.

Remuneration Policy summary

The Remuneration Committee is responsible for determining the Remuneration Policy for the Executive Directors, Non-Executive Directors and Chairman for current and future years. In setting the Policy, the Remuneration Committee has sought to ensure that it is sufficiently flexible to take account of future changes in the Company's business environment and in remuneration practice.

The Policy is designed around the following key principles:

- alignment with the long-term interests of shareholders;
- competitive remuneration which is set at an appropriate level to attract, retain and motivate executive management in the United States, United Kingdom and other countries;

- strategic alignment – having regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals;
- encouraging and supporting a high-performance culture with appropriate reward for superior performance; and
- avoiding the creation of incentives that will encourage excessive risk taking or unsustainable Company performance.

The Remuneration Committee will review and approve annually the remuneration arrangements for the Executive Directors and review for alignment the remuneration arrangements of other key senior management taking into consideration:

- overall corporate performance;
- market conditions affecting the Company;
- the recruitment market;
- business strategy over the period; and
- changing practice in the markets where the Company competes for talent.

The following table sets out each element of remuneration for Executive Directors and how it supports the Company's short and long-term strategic objectives.

Remuneration Policy table

The table below and accompanying notes summarise the key elements of the Directors' Remuneration Policy.

| Element and link to strategy | Operation of element | Potential value of element and performance measure |
|---|--|---|
| <p>Base salary Provide salaries that support the Company to acquire and retain the Executive Directors with the experience and expertise required to develop and implement the Company's strategy.</p> | <p>An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers:</p> <ul style="list-style-type: none"> – individual degree of responsibility and experience of the Director; – remuneration structures in companies that are comparable in terms of business activities, complexity and size; and – wider remuneration practices within the Company. | <p>The Committee ensures that maximum salary and fee levels are positioned with consideration of:</p> <ul style="list-style-type: none"> – the need to acquire and retain Executives with the skills and experience to develop and implement the Company's strategy; – companies that are comparable in terms of business activities, complexity and size to the Company, which the Company would compete for talent against; and – the norms within the country in which the executive resides. <p>In general, increases for Executive Directors will be in line with the increase for employees.</p> <p>The Company sets out in the section headed 'Implementation of Remuneration Policy' the salaries for the next year for each of the Executive Directors.</p> |
| <p>Benefits Provide a benefits package in line with practice relative to the Company's comparator group to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Company's strategy.</p> | <p>The Executive Directors are eligible to receive Company-provided benefits coverage in the jurisdiction they reside in. These benefits include: medical, life and disability income protection insurance, executive medical assessments, perquisite allowances, car allowance/Company paid vehicle lease, relocation support and benefits when applicable, tax advice and tax return fees, incremental overseas tax of the Executive Directors as well as other customary benefits which are afforded to employees in the same jurisdiction. In some cases, the Company may pay the tax on these services.</p> <p>The Remuneration Committee recognises the need to maintain flexibility in the benefits provided to Executive Directors to ensure it is able to support the objective of attracting and retaining key personnel in order to deliver the Company's strategy. Additional benefits may therefore be offered at the discretion of the Remuneration Committee.</p> | <p>Benefits do not generally represent a significant portion of the total remuneration package of Executive Directors.</p> <p>Medical benefits cover is provided through the Company's US-based self-insured medical plan and is available to all US-based employees. The cost of providing this benefit varies on utilisation.</p> <p>Perquisite allowances will not exceed €28k per year.</p> <p>Car allowances will not exceed €17k per year.</p> <p>Tax advice and tax return fees are met by the Company.</p> <p>Qualified disability cover is 100% of base pay for six months. Qualified long-term disability cover is 60% of base pay (up to €15k per month) until the age of 65.</p> |

| Element and link to strategy | Operation of element | Potential value of element and performance measure |
|---|---|--|
| <p>Pensions Provides a pension provision in line with competitive practice to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Company's strategy.</p> | <p>Pension arrangements are provided in line with practice relative to the country in which the Executive Director resides.</p> <p>The Company operates a defined contribution (DC) scheme for all US employees. Employees who contribute into the Company's 401(k) pension scheme receive matching Company contributions subject to limits.</p> <p>If appropriate and at the discretion of the Remuneration Committee a competitive pension arrangement or cash alternative may be implemented provided that the terms and value of the arrangements are consistent with custom and practice of the jurisdiction in which it is to be applied.</p> | <p>The Company's 401(k) pension scheme includes a Company matching defined contribution customary in the United States which is subject to a cap of approximately €10k per year. The cap is subject to change in accordance with US IRS Code 401(k).</p> <p>In the event that a non-US-based Executive Director is engaged, a pension arrangement or alternative cash scheme may be implemented consistent with custom and practice in the jurisdiction in which the Executive Director is employed and will not exceed 20% of base salary.</p> <p>The Company sets out in the section headed 'Implementation of Remuneration Policy' the pension contributions for the next year for each of the Executive Directors.</p> |
| <p>Annual and Deferred Bonus Plan ('ABP') The ABP provides an incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders.</p> <p>The Remuneration Committee, at its discretion, can further align (when appropriate) the Executive Directors with shareholders through deferral and the increased equity ownership of management in the Company.</p> | <p>The Remuneration Committee will determine the bonus to be awarded following the end of the relevant financial year based on the performance measures set at the beginning of the performance period.</p> <p>The Company will set out in the Remuneration report in the following financial year, the nature of the targets and their weighting.</p> <p>Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual report on remuneration to the extent that they are not commercially sensitive.</p> <p>The Committee can determine that part of the bonus earned under the ABP is provided as an award of shares.</p> <p>Typically, the first 100% of salary bonus will be paid fully in cash, with any element payable above 100% of salary deferred into ordinary shares of the Company, for two years with no further performance conditions.</p> <p>The Company will set out in the Remuneration report in the following financial year, the nature of the deferral mechanism being operated for the annual bonus for the awards to be made in that financial year.</p> <p>The Committee may at its discretion award dividend equivalents on those deferred shares to plan participants to the extent and until vesting.</p> | <p>The maximum bonus (including any part of the bonus that is deferred) will not exceed 300% of an Executive Director's annual base salary.</p> <p>The Remuneration Committee may use different performance conditions and weightings for each performance cycle as appropriate, in line with the strategic needs of the business.</p> <p>The percentage of the bonus earned for levels of performance will be: – Threshold: 30% of maximum bonus award – Target: 70% of maximum bonus award – Maximum: 100% of maximum bonus award</p> <p>The performance measures for 2018 will be Adjusted Earnings Before Interest and Taxes (weighted 40%), Adjusted Free Cash Flow (weighted 40%) and strategic measures (weighted 20%). Awards will be calculated using a straight-line scale between Threshold and Target, and Target and Maximum.</p> |

| Element and link to strategy | Operation of element | Potential value of element and performance measure |
|---|---|--|
| <p>Long-Term Incentive Plan ('LTIP') The purpose of the LTIP is to incentivise and reward Executive Directors in relation to long-term performance and achievement of the Company's strategy and to act as a retention mechanism.</p> <p>The Award is designed to incentivise Executive Directors to grow their shareholding in the Company and create value by successfully delivering the Company's strategy and increasing total shareholder value, assessed via share price and earnings growth.</p> | <p>Awards are granted annually to Executive Directors in the form of either a conditional share award, nil cost option or restricted share award. Details of the performance conditions for grants made in the year will be set out in the Remuneration report.</p> <p>These awards will vest over three years subject to: – the Executive Director's continued employment at the date of vesting; and – satisfaction of the performance conditions.</p> <p>The Committee may award dividend equivalents on awards in either shares or cash to the extent that these LTIP awards vest.</p> <p>The Committee will apply a holding period of two years post vesting to the LTIP unless exceptional circumstances arise.</p> <p>The Committee will include an override provision in each LTIP grant, which will give the Committee the discretion, acting fairly and reasonably, to determine that vesting can be reduced if there are circumstances (relating to the Company's overall performance or otherwise) which make vesting when calculated by reference to the performance conditions alone inappropriate.</p> <p>The Committee reserves the right to amend the performance conditions where there is a significant change in economic circumstances or accounting standards and also reserves the power to adjust the number of LTIP shares on the occurrence of a corporate event or other reorganisation and are not materially less challenging to satisfy the original conditions.</p> | <p>Normal maximum grant value of up to 300% of salary based on the market value at the date of grant set in accordance with the rules of the Plan.</p> <p>100% of the LTIP award will vest based on the achievement of the performance target with up to 133% vesting (i.e. 400% of salary) based on exceptional performance as measured by the achievement of the outperformance target.</p> <p>The maximum grant, in exceptional circumstances (such as recruitment) can be 450% of base salary, however this does not apply to the current Executive Directors given their agreed terms.</p> <p>The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance period if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate.</p> <p>The performance measures for 2018–2020 will be Adjusted Basic Earnings Per Share Growth (weighted 80%) and Relative Adjusted Total Shareholder Return against the FTSE 250 (weighted 20%). Vesting will be calculated using a straight-line scale between Threshold and Maximum.</p> <p>The outperformance measure for 2018–2020 will be Basic Adjusted Earnings Per Share Growth and will fully trigger on the outperformance achievement.</p> |
| <p>Malus and clawback</p> | <p>The Annual and Deferred Bonus Plan ('ABP') and the Long-Term Incentive Plan ('LTIP') include standard practice malus and clawback provisions.</p> <p>Malus is the adjustment of unpaid bonus and deferred share awards under the ABP and outstanding LTIP awards as a result of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil.</p> <p>Clawback is the recovery of payments or vested awards under the ABP and vested LTIP awards as a result of the occurrence of one or more circumstances listed below. Clawback may apply to all or part of a participant's award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.</p> <p>The circumstances in which malus and clawback could apply are as follows: – discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company, – discovery that the assessment of any performance condition or condition in respect of an ABP and LTIP award was based on error, or inaccurate or misleading information, – the discovery that any information used to determine the cash payment under the ABP or the number of shares subject to an ABP or LTIP award was based on error, or inaccurate or misleading information; – action or conduct of a participant which amounts to fraud or gross misconduct, or – events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant.</p> <p>Malus provisions may be applied to the ABP up to the date of payment of a cash bonus and to the end of the two-year deferral period. This provision may also be applied to the end of the three-year vesting period of the LTIP.</p> <p>Clawback provisions may be applied to the LTIP for the two years post vesting.</p> <p>The Committee believes that the rules of the plans provide sufficient powers to enforce malus and clawback where required.</p> | |

| Element and link to strategy | Operation of element | Potential value of element and performance measure | | | | |
|---|---|--|------|---|---------------------|------|
| Discretion | The Remuneration Committee has discretion in several areas of Policy as set out in the Directors' Remuneration report. The Remuneration Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Remuneration Committee has discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Remuneration Committee, disproportionate to seek or await shareholder approval. | | | | | |
| Minimum shareholding requirement | <p>The Committee has adopted formal shareholding guidelines that will encourage Executive Directors to build up over a five-year period and then subsequently hold a shareholding equivalent to a percentage of the Executive Director's base salary. Adherence to these guidelines is a condition of continued participation in the Company's equity incentive arrangements. This policy ensures that the interests of Executive Directors and those of shareholders are closely aligned.</p> <p>The following table sets out the minimum shareholding requirements:</p> <table border="1"> <thead> <tr> <th>Role</th> <th>Shareholding requirement (percentage of salary)</th> </tr> </thead> <tbody> <tr> <td>Executive Directors</td> <td>300%</td> </tr> </tbody> </table> <p>The Committee retains the discretion to increase the shareholding requirement.</p> | | Role | Shareholding requirement (percentage of salary) | Executive Directors | 300% |
| Role | Shareholding requirement (percentage of salary) | | | | | |
| Executive Directors | 300% | | | | | |
| Non-Executive Director fees Provides a level of fees to support recruitment and retention of high-calibre Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives. | <p>The Board is responsible for setting the remuneration of the Non-Executive Directors.</p> <p>Non-Executive Directors receive an annual fee, paid quarterly in arrears.</p> <p>Fees are reviewed annually in line with the review policy for the Executive Directors.</p> <p>Non-Executive Directors do not participate in any variable remuneration or benefits arrangements.</p> | <p>The fees for Non-Executive Directors are competitive and are outlined on page 58.</p> <p>In general the level of fee increase for the Non-Executive Directors will be set taking into account any change in responsibility and the general increase in Non-Executive Director's fees in the UK market.</p> <p>The Company will pay reasonable expenses incurred by the Non-Executive Directors and may settle any tax incurred in relation to these. The Company may also assist with the fees for preparation of annual tax returns.</p> | | | | |

Historic awards

There are no outstanding share awards under any previous share schemes operated by the Company.

Selection of performance targets

The table below sets out the performance targets to be applied to the 2018 ABP and LTIP for Executive Directors.

| | |
|---------------------------------------|--|
| Annual and Deferred Bonus Plan | Financial performance targets under the ABP are set by the Remuneration Committee, ensuring the levels to achieve threshold, target or maximum pay out are appropriately challenging. The performance targets for 2018 are set to ensure delivery of current operational plans and operational efficiency. Commercial sensitivity precludes the advance publication of the actual bonus targets, but these targets will be retrospectively published in the Remuneration report for 2018 to the extent that they are no longer commercially sensitive. |
| Long-Term Incentive Plan | <p>The targets under the LTIP are set to reflect the Company's longer-term growth objectives at a level where the maximum and outperformance represents exceptional performance over the long term. Underlying Basic EPS is considered a simple and clear measure of absolute growth in line with the Company's strategy. Total Shareholder Return versus a peer group is considered an important focus for the Company in order to align the management team with shareholders.</p> <p>The Company sets out in the section headed 'Implementation of Remuneration Policy' the specifics of the 2018 LTIP for the Executive Directors.</p> |

Group employee considerations

The Remuneration Committee considers the Executive Directors' remuneration in the context of the wider employee population and is kept regularly updated on pay and conditions across the Group. Increases in base salary for Executive Directors will take into account the level of salary increases granted to employees within the Group and the competitive environment of the employing country.

TI Fluid Systems seeks to pay a competitive package of base pay and benefits in each market and at all job levels to attract and retain high-quality employees. The proportion of variable pay increases with progression through management levels with the highest proportion of variable pay at Executive Director level, as defined by the Remuneration Policy.

Selected senior management and key employees participate in formal short-term and/or long-term incentive programmes that are based on financial and other strategic outcomes. In a number of countries in which the Group operates, due to custom and practice or the Company's desire to apply flexible compensation arrangements, an annual local bonus may be granted to employees based on the achievement of both financial and non-financial Key Performance Indicators.

The key element of remuneration for those below senior management grades is base salary and it is the Group's practice to ensure that base salaries are competitive in the local markets. General pay increases take local salary norms and business conditions into account.

Recruitment policy

The section below sets out the Remuneration Committee's approach to recruitment remuneration of Executive Directors.

The Company's principle objective is that the remuneration of a new Executive Director will be assessed in line with the same principles as for the Executive Directors, as set out in the Remuneration Policy table above. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role.

In setting the remuneration for a new Executive Director, the Committee will have regard to guidelines and shareholder sentiment, when using its discretion, regarding one-off or enhanced short-term or long-term incentive payments, as well as giving consideration for the appropriateness of any performance measures associated with an award.

The Company's policy when setting remuneration for the appointment of a new Executive Director is summarised in the table below.

| Remuneration element | Recruitment policy |
|--|---|
| Salary, benefits and pension | These will be set in line with the Policy set on page 46. |
| Annual and Deferred Bonus Plan | Maximum annual participation will be set in line with the Company's Policy on page 47 consistent with existing Executive Directors and will not exceed 300% of salary. |
| Long-Term Incentive Plan | Maximum annual participation will be set in line with the Company's Policy on page 48 or up to 450% of salary in circumstances the Board considers to be exceptional. |
| 'Buyout' of incentives forfeited on cessation of employment | <p>Where the Remuneration Committee determines that the individual circumstances of recruitment justify the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated considering the following:</p> <ul style="list-style-type: none"> – the proportion of the performance period completed on the date of the Executive Director's cessation of employment; – the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and – any other terms and conditions having a material effect on their value ('lapsed value'). <p>The Remuneration Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it is not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement will be used as permitted under the LSE Listing Rules (9.4.2).</p> <p>In the event relocation is required, the Remuneration Committee will use its discretion in determining the financial limits of relocation assistance considering the needs and location requirements of the Executive Director and Company.</p> |

Where an existing employee is appointed to the Board as an Executive Director, the Policy set out above will apply from the date of promotion but there will be no retrospective application of the Policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee will be honoured and form part of the ongoing remuneration of the person concerned. These will be disclosed to shareholders in the Remuneration report for the relevant financial year.

The Company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors.

Service contracts and payment for loss of office

The section below sets out the Remuneration Committee's approach to service contracts and policy on termination payments.

The Remuneration Committee will honour Executive Directors' contractual entitlements. The Executive Directors' service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There is no agreement between the Company and its Executive Directors or employees providing for compensation for loss of office or employment that occurs because of a Change of Control.

The Remuneration Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

| Date of service agreement | William L. Kozyra 23 October 2017 | Timothy Knutson 23 October 2017 |
|---|---|--|
| Employing company | TI Group Automotive Systems L.L.C. | |
| Contract duration | Until 1 July 2021 | Until 1 July 2021 Automatically renews annually without notice. |
| Notice period | <p>For Executive Directors, if employment is terminated by the Executive Director without 'good reason', a six-month notice period is required. If employment is terminated with 'good reason', a 30-day notice period is required.</p> <p>Post 1 July 2021, the Chief Financial Officer may cancel renewal of his contract with 60 days notice.</p> <p>The Company is not required to provide notice for termination of the Executive Directors' contracts.</p> | |
| Post-termination restrictions | Each Executive Director is subject to a confidentiality undertaking without limitation in time and to non-compete, non-solicit, and non-interference restrictive covenants for a period post termination of 18 months in the case of the Chief Executive Officer and 12 months in the case of the Chief Financial Officer. | |
| Summary termination | <p>The employment of each Executive Director is terminable for 'cause' on 10 business days' notice, without payment of any severance or additional benefits.</p> <p>There will be no entitlement to receive a bonus or be granted an LTIP award and all unvested deferred bonus shares and awards granted under the LTIP will lapse.</p> | |
| Termination – Severance payments | <p>In the event of termination without 'cause', the Executive Directors will be entitled to the following payments:</p> <p>In the case of the Chief Executive Officer, (i) payment of salary up to the termination date; (ii) any unpaid bonus in respect of the previous financial year; (iii) a pro rata bonus for the current financial year; (iv) a pro rata portion of any outstanding and unvested annual LTIP grants for the year of termination (and all his annual LTIP grants will fully time vest upon a termination without cause on or after the second anniversary of Admission) but where vesting will in all circumstances be subject to the achievement of the applicable performance metrics; (v) an amount equal to 1.5 times the sum of (x) his annual basic salary plus (y) 75% of his annual basic salary for the year in which the termination occurs, payable in equal instalments over an 18-month period.</p> <p>In the case of the Chief Financial Officer, (i) payment of salary up to the termination date; (ii) any unpaid bonus in respect of the previous financial year; (iii) a pro rata bonus for the current financial year; (iv) a pro rata portion of any outstanding and unvested LTIP grants for the year of termination; (v) an amount equal to the sum of his annual basic salary and his target annual bonus, payable in equal instalments over a 12-month period.</p> | |
| Termination – Benefits | In the event that the Executive Director is terminated without 'cause', health benefits will be provided for a further 18 months in the case of the CEO and 12 months in the case of the CFO. | |

Termination – Treatment of ABP Cash and Deferred Share Awards

Good leaver reason

- Performance conditions will be measured at the bonus measurement date. Bonus payments will normally be pro rated for the period worked during the financial year.
- All subsisting deferred share awards will vest in full on cessation of employment.

Other

- No bonus payable for year of cessation.
- Lapse of any unvested deferred share awards.

Change of Control

- In the event of a Change of Control occurring during the Term of Employment, the employee shall be entitled to a pro rata bonus, paid in cash upon consummation of the Change of Control, provided that the employee is employed by the Company through the consummation of the Change of Control.
- Deferred shares are released from restrictions at a Change of Control event.

Discretion

The Committee has the following elements of discretion:

- To determine that an Executive Director is a good leaver – It is the Remuneration Committee's intention only to use this discretion in circumstances where there is an appropriate business case. The reasons for the use of discretion if applied will subsequently be disclosed to shareholders;
- To determine whether to pro rate the bonus for time – The Remuneration Committee's policy is that it will pro rate bonus for time. It is the Remuneration Committee's intention to use discretion not to pro rate only in circumstances where there is an appropriate business case. The reasons for the use of discretion if applied will subsequently be disclosed to shareholders;
- To allow vesting of deferred shares at the end of the original deferral period or at the date of cessation – The Remuneration Committee will make this determination depending on the good leaver reason resulting in the cessation; and
- To determine whether to pro rate the maximum number of deferred shares to the time from the date of grant to the date of cessation – The Remuneration Committee's policy is that it will not pro rate awards for time. The Remuneration Committee will determine whether or not to pro rate based on the circumstances of the Executive Director's departure.

Malus and Clawback

- Malus and Clawback provisions apply to awards under the ABP.

Termination – Treatment of LTIP

Good leaver reason

- Pro rated for time and performance in respect of each subsisting LTIP award.

Other

- Lapse of any unvested LTIP awards.

Change of Control

- In the event of a Change of Control occurring during the Term of Employment, the Executive Director shall be entitled to a pro rata annual LTIP grant, paid in cash upon consummation of the Change of Control, provided that the employee is employed by the Company through the consummation of the Change of Control.

Discretion

The Committee has the following elements of discretion:

- To determine that an Executive is a good leaver – It is the Remuneration Committee's intention only to use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders;
- To measure performance over the original performance period or at the date of cessation – The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and
- To determine whether to pro rate the maximum number of shares to the time from the date of grant to the date of cessation – the Remuneration Committee's policy is that it will pro rate awards for time. It is the Remuneration Committee's intention only to use discretion to not pro rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.

Malus and Clawback

- Malus and Clawback provisions apply to awards under the LTIP.

A 'good leaver reason' is defined as cessation in the following circumstances:

- death;
- ill-health;
- injury or disability;
- redundancy;
- retirement;
- employing company ceasing to be a Group company;
- 'good reason';
- in other circumstances set forth in the LTIP agreement;
- transfer of employment to a company which is not a Group company; and
- any other circumstances at the discretion of the Committee (as described above), except for dishonesty, fraud, misconduct or any other circumstances justifying summary dismissal.

Cessation of employment in circumstances other than those set out above is cessation for 'other' reasons.

Circumstances constituting 'good reason' for an Executive Director are defined as including:

- (i) a material diminution in his title, duties or responsibilities (including reporting responsibilities) or removal from the Board;
- (ii) a material reduction in his annual basic salary or target annual bonus opportunity (in each case, other than a reduction of not more than 10% pursuant to an across-the-board reduction applicable to all similarly situated executives);
- (iii) a significant relocation of his principal place of employment; or
- (iv) TI Group Automotive Systems L.L.C.'s failure to fulfil certain obligations under the service agreement.

Upon resignation for 'good reason', each Executive Director generally is entitled to the same payments and benefits as upon a termination without 'cause', provided that: (a) in the case of Mr Kozyra, his outstanding and unvested annual performance share grants will fully vest for time, if he resigns due to not being re-nominated to the Board; and (b) in the case of Mr Knutson, his cash severance will be increased to an amount equal to two times the sum of his annual basic salary and his target annual bonus, payable in equal instalments over an 18 month period, if the Board's first appointment of a Chief Executive Officer following the termination of Mr Kozyra's service as Chief Executive Officer is unacceptable to him.

If Mr Kozyra resigns from his position as Chief Executive Officer after 30 June 2019 and before 1 July 2021, without 'good reason', he will be entitled to a payment of salary up to the termination date, any unpaid annual bonus for the prior fiscal year, a pro rata bonus for the fiscal year of termination, and a pro rata portion of any outstanding and unvested annual performance share grants (provided that, if he continues to serve as a Board member following his resignation, all of his outstanding and unvested annual performance share grants will remain outstanding, and will continue to vest during such Board service; provided, further, if his resignation occurs simultaneously therewith or at some point thereafter as a result of: (a) the Group's request for him not to serve on the Board or to resign from the Board; or (b) any action (or inaction) by the Board to remove him from the Board or not to re-nominate him to the Board, his outstanding and unvested annual performance share grants will fully time vest). In all cases, vesting of the annual performance share grants remains subject to achievement of the applicable performance metrics.

Non-Executive Directors

The Non-Executive Directors of the Company do not have service contracts, but are appointed by letter of appointment. Each Non-Executive Director's term of office runs for an initial period of three years unless terminated earlier upon written notice or upon their resignation.

The terms of the Non-Executive Directors' appointments are subject to their re-election by the Company's shareholders at the Annual General Meeting scheduled to be held on 17 May 2018 and to re-election at any subsequent Annual General Meeting at which the Non-Executive Directors stand for re-election.

The details of each Non-Executive Director's current term are set out below:

| Name | Date of appointment | Committee Membership | Current term (full years) | Notice periods by Company (months) | Notice periods by Director (months) |
|------------------|---------------------|----------------------|---------------------------|------------------------------------|-------------------------------------|
| Manfred Wennemer | 18 September 2016 | N | 3 | 1 | 1 |
| Neil Carson | 16 September 2016 | A, R, N | 3 | 1 | 1 |
| John Smith | 24 October 2017 | A, R | 3 | 1 | 1 |
| Jeffrey Vanneste | 24 October 2017 | A, R | 3 | 1 | 1 |
| Paul Edgerley | 24 October 2017 | N | | See note below | |
| Stephen Thomas | 24 October 2017 | | | See note below | |

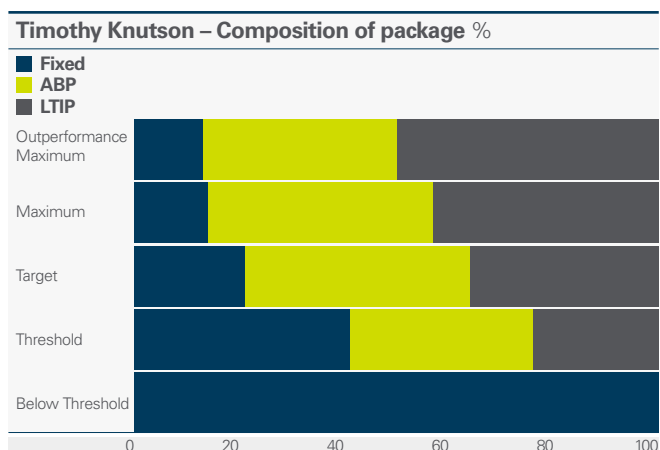
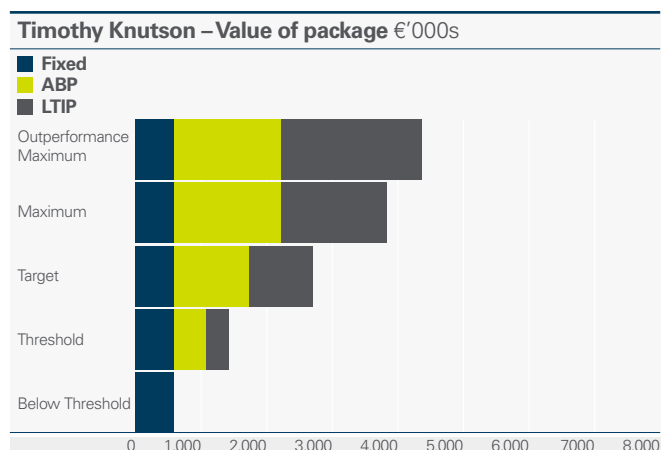
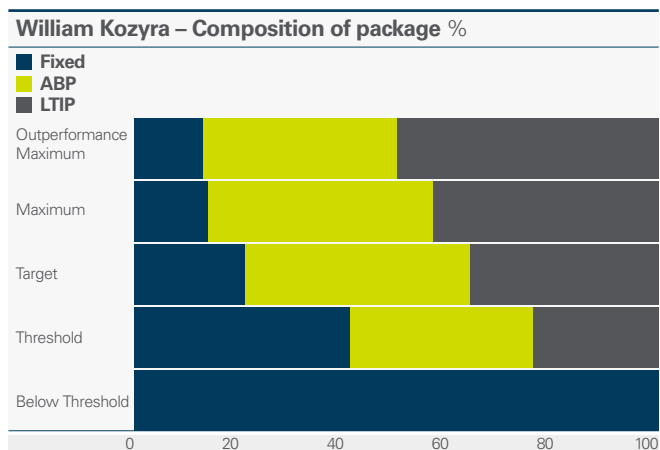
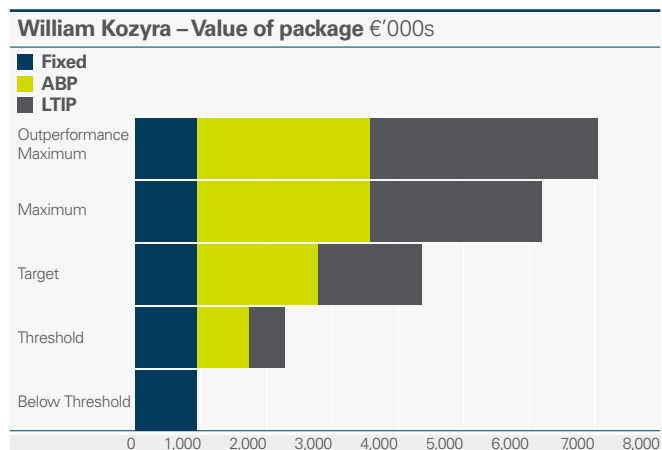
A: Audit & Risk Committee. R: Remuneration Committee. N: Nomination Committee.

Paul Edgerley and Stephen Thomas represent one of the Company's shareholders and their appointment will terminate in accordance with the Relationship Agreement; further details are set out in the Corporate Governance report on pages 32 to 43.

Remuneration scenarios

The charts below illustrate the remuneration that would be paid to each of the Executive Directors, based on current salaries under five different performance scenarios: (i) Below Threshold; (ii) Threshold; (iii) Target; (iv) Maximum; (v) Outperformance Maximum. The elements of remuneration have been categorised into three components: (i) Fixed; (ii) ABP; and (iii) LTIP.

In accordance with the regulations share price growth has not been included.



Statement of conditions elsewhere in the Company

The Remuneration Committee considers pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. The Remuneration Committee considers the range of base pay increases across the Group. While the Company does not directly consult with employees as part of the process of reviewing executive pay and formulating the Remuneration Policy set out in this report, the Company does receive updates from the Executive Directors on their discussions and reviews with senior management and employees.

Consideration of shareholder views

The Company welcomes dialogue with its shareholders, and the Remuneration Committee will consult with key shareholders prior to any significant changes to its Remuneration Policy.

Annual report on remuneration

Introduction

This section sets out details of the remuneration of the Executive and Non-Executive Directors received during the financial year ended 31 December 2017 and also describes the operation of the Remuneration Committee.

For clarity, some elements of Executive Directors' remuneration set out in the following report includes payments made prior to the Company's listing and were not subject to the Remuneration Policy.

The Annual report on remuneration will, together with the Annual statement by the Chairman of the Remuneration Committee on pages 44 to 45, be proposed for an advisory vote by shareholders at the forthcoming Annual General Meeting to be held on 17 May 2018. In preparing this report consideration has been given to the GC100 and Investor Group Directors' Remuneration Reporting Guidance.

Remuneration Committee

Membership

The Remuneration Committee was established on 24 October 2017. Neil Carson is Chairman of the Remuneration Committee. The other members of the Remuneration Committee are John Smith and Jeffrey Vanneste. There were no formal meetings of the Committee during the year and the Committee has met once between IPO and the publication of this report.

The Board considers each of the members of the Committee to be independent in accordance with the UK Corporate Governance Code (the 'Code'). The Chairman of the Board, Chief Executive and/or other persons may also attend meetings of the Committee by invitation but will not be present when matters relating to their own remuneration are discussed.

Role of the Remuneration Committee

The Remuneration Committee's responsibilities are set out in its Terms of Reference which are available to shareholders on request and on the Company's website (www.tiautomotive.com). Its role includes:

- setting the Remuneration Policy for all Executive Directors of the Company, the Chairman of the Board and senior management;
- within the terms of the Remuneration Policy and in consultation with the Chairman of the Board and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of each Executive Director, Non-Executive Director and the Chairman including bonuses, incentive payments and share option or other share awards;
- approve the design of, and determine targets for, the ABP and LTIP and approve total annual payments made under such schemes; and
- ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

In carrying out its duties the Remuneration Committee takes into account any legal and regulatory requirements, including the UK Corporate Governance Code and the UK Listing Rules. Determining the fees of the Non-Executive Directors is a matter for the Executive Directors and the Chairman as a whole.

Advisers to the Committee

The Committee receives advice and guidance on Executive Directors' remuneration from the Chief HR Officer, and the Company Secretary in respect of the UK Corporate Governance Code and share schemes. The Company Secretary acts as Secretary to the Committee and ensures that the Remuneration Committee fulfils its duties under its Terms of Reference and provides regular updates to the Remuneration Committee on relevant regulatory developments in the UK.

Directors' Remuneration report

continued

Remuneration – Directors (audited information)

The table below sets out a single figure for the total remuneration received by each Executive and Non-Executive Director for the year ended 31 December 2017 and the prior year:

| | Basic salary fees ¹ €000 | | Taxable benefits ¹ €000 | | Annual bonus ¹ €000 | | LTIP ⁷ €000 | | Pension ^{1,7} €000 | | Other ² €000 | | Total ^{1,3,4} before share based transactions €000 | |
|--------------------------------|--|------|---------------------------------------|------|-----------------------------------|-------|---------------------------|-------------------|--------------------------------|------|----------------------------|------|---|-------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 ³ | 2016 ⁴ | 2017 | 2016 | 2017 ^{2,5} | 2016 | 2017 | 2016 |
| Executive Directors | | | | | | | | | | | | | | |
| William Kozyra | 875 | 875 | 51 | 47 | 3,681 | 3,954 | See notes | | 10 | 10 | 3,364 | 7 | 7,981 | 4,893 |
| Timothy Knutson | 542 | 542 | 30 | 29 | 2,453 | 2,450 | See notes | | 10 | 10 | 2,127 | 7 | 5,162 | 3,038 |
| Non-Executive Directors | | | | | | | | | | | | | | |
| Manfred Wennemer | 150 | – | – | – | – | – | – | – | – | – | 1,023 | – | 1,173 | – |
| Neil Carson | 112 | – | – | – | – | – | – | – | – | – | 341 | – | 453 | – |
| John Smith | 20 | – | – | – | – | – | – | – | – | – | 341 | – | 361 | – |
| Jeffrey Vanneste | 20 | – | – | – | – | – | – | – | – | – | 341 | – | 361 | – |
| Paul Edgerley ⁶ | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Stephen Thomas ⁶ | – | – | – | – | – | – | – | – | – | – | – | – | – | – |

¹ Figures in the table above are converted at the following exchange rates: €1 = \$1.2 and €1 = £0.89, except as otherwise noted.

² As part of the successful IPO, awards were granted on Admission to the Chief Executive and Chief Financial Officer to recognise their contribution to the business in the lead up to Admission. William Kozyra and Timothy Knutson were provided with a cash award of €2,500,000 and €1,666,667 respectively. In addition, a one-off reimbursement of €857,457 and €454,897 for the CEO and CFO respectively was paid.

³ As part of the reorganisation of the share capital of the Company prior to the IPO, the Executive Directors agreed to waive their interests in options previously granted in 2015 to them in connection with the acquisition of the Group by funds managed by Bain Capital (the 'Historic Pre-IPO Options'). As a result, the Historic Pre-IPO Options were cancelled, and ordinary shares with an equivalent economic value were issued to the Executive Directors as consideration for such cancellation. At the time of issue, these ordinary shares had a market value, at Offer Price, of approximately €21.9 million for Mr Kozyra and €10.9 million for Mr Knutson. (If the value of these shares is included as remuneration in 2017, total remuneration for 2017 would have been €29.9 million and €16.1 million, respectively.)

⁴ A portion of the Historic Pre-IPO Options vested in 2016 having a value of €2.0 million for Mr Kozyra and €1.0 million for Mr Knutson, based on 2016 fair market valuation and using a € to £ exchange rate of 0.88.

⁵ In conjunction with the IPO, Mr Wennemer received a bonus payment of €1,022,722 and Mr Carson, Mr Smith and Mr Vanneste each received a bonus payment of €340,909. Each of these Directors use the net (after tax) proceeds of their bonus to purchase shares at the offer price.

⁶ Paul Edgerley and Stephen Thomas represent funds managed by Bain Capital, the Company's largest shareholders, and are not remunerated and receive no payment from the Company with respect to their qualifying services as Non-Executive Directors.

⁷ Non-Executive Directors are not eligible to participate in any of the Company's share schemes and are not eligible to join a Company pension scheme.

Executive Directors' pension (audited information)

See table above for Executive Directors pension information. Neither of the Executive Directors are entitled to a defined benefit pension.

Executive Directors

Annual bonus for 2017 performance (audited)

In respect of the 2017 financial year, the bonus awards payable to the Executive Directors were agreed by the Remuneration Committee having reviewed the Group's results. Bonus awards in 2017 were based on a share of Adjusted EBITDA, payable at a rate of 0.75% and 0.5% to William Kozyra and Timothy Knutson, respectively. Based on the above, in the year to 31 December 2017 annual bonus awards of €3,681k (\$4,417k) will be paid to William Kozyra and €2,453k (\$2,944k) will be paid to Timothy Knutson, based on Company reporting Adjusted EBITDA of €490.7m.

The 2017 bonus scheme was put in place prior to the IPO with the entire bonus to be paid in cash, consistent with previous year's practice as a private company. The structure of the 2018 bonus scheme is set out in the Remuneration Policy.

Payments to past Directors

During the year, the Company has not made any payments to past Directors; neither has it made any payments to Directors for loss of office.

Statement of Directors' shareholdings and share interests (audited information)

Interests of the Executive and Non-Executive Directors in the share capital of the Company as at 31 December 2017 are shown in the table below:

| | Shares held directly | | Other shares held | | Options | | Shareholding requirement | |
|--------------------------------|----------------------|--------------------|---|--|------------------------|----------|--------------------------|-------------------------------|
| | Current shareholding | Beneficially owned | Deferred shares not subject to performance conditions | LTIP interests subject to performance conditions | Vested but unexercised | Unvested | % of salary | Shareholding requirement met? |
| Executive Directors | | | | | | | | |
| William Kozyra | 7,433,622 | 7,433,622 | 0 | 0 | 0 | 0 | 300% | Yes |
| Timothy Knutson | 3,568,921 | 3,568,921 | 0 | 0 | 0 | 0 | 300% | Yes |
| Non-Executive Directors | | | | | | | | |
| Manfred Wennemer | 185,364 | 185,364 | 0 | 0 | 0 | 0 | n/a | |
| Neil Carson | 62,686 | 62,686 | 0 | 0 | 0 | 0 | n/a | |
| John Smith | 58,483 | 58,483 | 0 | 0 | 0 | 0 | n/a | |
| Jeffrey Vanneste | 58,483 | 58,483 | 0 | 0 | 0 | 0 | n/a | |

Total shareholder return

TI Fluid Systems plc was listed on the London Stock Exchange on 25 October 2017 and given the short trading period to 31 December 2017 it is not felt to be appropriate to present a comparison of performance versus a comparator in the report this year. A Total Shareholder Return chart will be provided in next year's Remuneration report.

Comparison of Company performance and CEO remuneration over five-year period

As this is the Company's first Annual Report since its listing on 25 October 2017, historic CEO data is reported for 2016 and 2017 consistent with disclosures made in the IPO prospectus.

Percentage change in the remuneration of the Chief Executive Officer compared with employees

| | % increase/(decrease) in remuneration in 2017 compared with remuneration in 2016 | |
|--------------|--|---|
| | CEO | All employees |
| Salary | 0% | 2.4% |
| Annual bonus | (6.9%) | (8.9%) |
| Benefits | No material change in benefits policy or cost between 2016 and 2017 | No material change in benefits policy or cost between 2016 and 2017 |

Note: 'All employee' comparator group consists of all employees globally.

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2016 and 2017 financial periods. All figures provided are taken from the relevant Company's accounts.

| | Disbursements from profit in 2017 financial year €m | Disbursements from profit in 2016 financial year €m |
|--|--|--|
| Profit distributed by way of dividend | Nil | Nil |
| Overall spend on pay including Executive Directors | 843.7 | 806.5 |

Implementation of Remuneration Policy for Executive Directors in 2018

The following section summarises how remuneration arrangements will be operated from 1 January 2018 onwards.

Salary

Salary reviews will normally be carried out in December every year and take effect from January in the following year. No base salary increases are proposed for 2018.

The table below sets out the annual salary of the Chief Executive Officer and Chief Financial Officer in 2018, and the comparison with the annual salary received in 2017.

| | 2018 €000 | 2017 €000 | Increase in salary |
|--------------------|--------------|--------------|--------------------|
| Executive Director | | | |
| William Kozyra | 875 | 875 | Nil |
| Timothy Knutson | 542 | 542 | Nil |

Exchange rate €1 = \$1.2.

Benefits and pension

No changes are proposed to benefits or pension arrangements in 2018, with the exception of the defined contribution match cap increasing by €188 (exchange rate €1 = \$1.2).

Annual bonus ('ABP')

The operation of the bonus plan for 2018 will be consistent with the framework detailed in the Remuneration Policy section of this report. The maximum opportunity for the year ending 31 December 2018 will be 300% of salary for all Executive Directors.

Up to the first 100% of salary will be paid in cash, with the remainder of any bonus payment under the ABP deferred into an award of shares to be held for two years and will also be subject to malus and clawback provisions as detailed in the Policy.

The proposed target levels are challenging with performance conditions comprising of Adjusted Earnings Before Interest and Taxes (40%), Adjusted Free Cash Flow (40%) and Strategic Measures (20%). Specific targets will not be disclosed because the Remuneration Committee consider forward-looking targets to be commercially sensitive. However, the Committee intends to disclose these retrospectively in next year's Remuneration report to the extent that they do not remain commercially sensitive.

Long-Term Incentive Plan ('LTIP')

LTIP Awards

It is intended the Executive Directors will receive an LTIP award in 2018 of 300% of salary (which can increase to 133% if outperformance is achieved), i.e. 400% of salary in total.

Consistent with the framework detailed in the Remuneration Policy section of this report the performance measures (and weighting) of the 2018 LTIP are Adjusted Basic Earnings Per Share Growth (80%), Relative Adjusted Total Shareholder Return versus the FTSE 250 (20%). The sole outperformance measure for up to 133% of maximum is Adjusted Basic Earnings Per Share Growth.

The Adjusted Basic Earnings Per Share Growth performance conditions are 4% Compound Annual Growth Rate at Threshold which will vest at 20% of Maximum; and 10% Compound Annual Growth Rate which will vest at Maximum. Vesting will occur on a straight-line basis between Threshold and Maximum.

The Relative Adjusted Total Shareholder Return performance conditions are Median Rank at Threshold which will vest at 25% of Maximum; and Upper Quartile Rank at Maximum. Vesting will occur on a straight-line basis between Threshold and Maximum.

The Adjusted Basic Earnings Per Share Growth outperformance condition is 12% Compound Annual Growth Rate, which will trigger an award of 133% of the award earned under the previous two performance measures.

All measures are assessed over a three-year performance period.

The LTIP contains malus and clawback provisions. Please refer to page 48 for further details.

External Board appointments

Subject to Board approval, the Company will permit its Executive Directors to hold non-executive positions outside of the Company that complement and enhance their current role. Any fees received by the Executive Director may be retained by the Director.

William Kozyra has been a non-executive at American Axle & Manufacturing Holdings, Inc since January 2015 and he retains fees in respect of this appointment. Fees for the year 2017 were €197,935 including an equivalent value of restricted shares.

Implementation of Non-Executive Director Remuneration Policy

Chairman and Non-Executive Director fees

The annual fees for serving as a Non-Executive Director were reviewed and agreed by the Board prior to the IPO. The fee levels that will apply during 2018 are set out below.

| Base fees | 2018 fees |
|------------------------------|-----------------------|
| Chairman | £300,000 |
| Senior Independent Director | £117,000 |
| Non-Executive Director | £94,000 |
| Additional fees | |
| Audit & Risk Committee Chair | Included in base fees |
| Remuneration Committee Chair | Included in base fees |

Approval

This report was approved by the Board of Directors, on the recommendation of the Remuneration Committee, on 29 March 2018 and signed on its behalf by:

Neil Carson

Chairman of the Remuneration Committee
29 March 2018

Directors' report

The Directors present their Annual Report and the audited financial statements for the Group for the year ended 31 December 2017. The Directors' report comprises pages 59 to 60 and the sections of the Annual Report incorporated by reference as set out below, which taken together contain the information to be included in the Annual Report, where applicable, under Listing Rule 9.8.4.

| | |
|---|----------------------------|
| Board membership | pages 34–35 |
| Dividends | page 59 |
| Directors' long term incentives | page 58 |
| Initial Public offering and share placing | page 105 (Note 20) |
| Corporate governance report | pages 32–43 |
| Future developments of our business and the Group | pages 18–19 (Our Strategy) |
| Employee equality, diversity and involvement | pages 59–60 |
| Post balance sheet events | page 122 |
| Information to the independent auditor | page 60 |
| Subsidiaries | pages 128–131 |

General information

The Company was incorporated and registered in England and Wales on 22 January 2015 as a limited company with the name Omega Holdco II Limited and with registered number 09402231. It is domiciled in the UK. On 27 September 2016, the Company changed its name to TI Fluid Systems Limited and on 18 October 2017 the Company was re-registered as a public company limited by shares with the name TI Fluid Systems plc. The Company is premium listed on the London Stock Exchange. The Company's registered address is 4650 Kingsgate, Oxford Business Park South, Cascade Way, Oxford OX4 2SU.

Share capital

Details of the Company's share capital are set out on page 105.

Results and dividends

The results for the year are set out in the consolidated statement of comprehensive income on page 71. The Directors recommend a payment of a final dividend of 1.31 euro cents per share on 1 June 2018 subject to approval at the Annual General Meeting on 17 May 2018 with a record date of 27 April 2018.

Directors and Directors' interests

The Directors who served the Company during 2017 and at the date of this report are listed on pages 34 to 35, which include brief biographical details. Their remuneration and interests in the share capital of the Company are set out in the Report on Directors' Remuneration on pages 55 to 58.

The following Board changes have occurred during the year:

| | |
|------------------|---------------------------|
| John Smith | appointed 24 October 2017 |
| Jeffrey Vanneste | appointed 24 October 2017 |
| Todd Cook | resigned 4 October 2017 |

The Company has adopted best practice guidelines and the 2016 UK Corporate Governance Code. Executive and Non-Executive Directors will offer themselves for re-election at each Annual General Meeting.

Details of the Directors' service contracts, letters of appointment and interest in the shares of the Company are shown in the Report on Directors' Remuneration on pages 55 to 58.

Substantial shareholdings

As at 16 March 2018, the following interests in 3% or more of the Company's ordinary share capital had been notified to the Company:

| | Number of shares | Percentage held (%) |
|---|------------------|---------------------|
| DB London (Investor Services) | | |
| Nominee Limited | 342,303,985 | 65.90 |
| Wealth Nominees Limited | 17,630,585 | 3.39 |
| Morgan Stanley Client Securities Nominees Limited | 17,099,995 | 3.29 |

Directors' indemnity

The Company's Articles of Association provide, subject to the provision of UK legislation, an indemnity for Directors and officers of the Company and the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liability relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company and the Group.

Directors' and officers' liability insurance cover is in place in respect of all the Company's Directors.

Directors' powers

As set out in the Company's Articles of Association, the business of the Company is managed by the Board who may exercise all powers of the Company.

Our people

The Group's policy is to consider all job applications on a fair basis free from discrimination in relation to age, sex, race, ethnicity, religion, sexual orientation or disability not related to job performance. Every consideration is given to applications for employment from disabled persons, where the requirements of the job may be adequately covered by a disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development wherever appropriate.

Directors' report

continued

The Group places considerable value on the involvement of its employees and encourages the development of employee involvement in each of its operating companies through formal and informal meetings. It is the Group's policy to ensure that all employees are made aware of significant matters affecting the performance of the Group through the operation of employee forums, information bulletins, informal meetings, team briefings, internal newsletters and the Group's website and intranet.

Key performance indicators

Details of the Group's key performance indicators can be found on page 20.

Principal risks and uncertainties

Details of the principal risks and uncertainties faced by the Group can be found in the Strategic Review on pages 21 to 23.

Financial instruments

An explanation of the Group's treasury policies and existing financial instruments are set out in Note 1.10 on pages 82 to 83 and Note 3 on pages 89 to 91 of the financial statements.

Annual General Meeting

A separate notice convening the Annual General Meeting of the Company to be held at the offices of Latham & Watkins (London) LLP, 99 Bishopsgate, London EC2M 3XF on 17 May 2018 will be sent out with this Annual Report and Accounts.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance report on pages 32 to 43. The Corporate Governance report forms part of this Directors' report and is incorporated into it by cross reference.

Independent Auditors

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness under section 489 of the Companies Act 2006 to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- in so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps he should have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board

Matthew Paroly

Company Secretary
29 March 2018

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors section of this report confirm that, to the best of their knowledge:

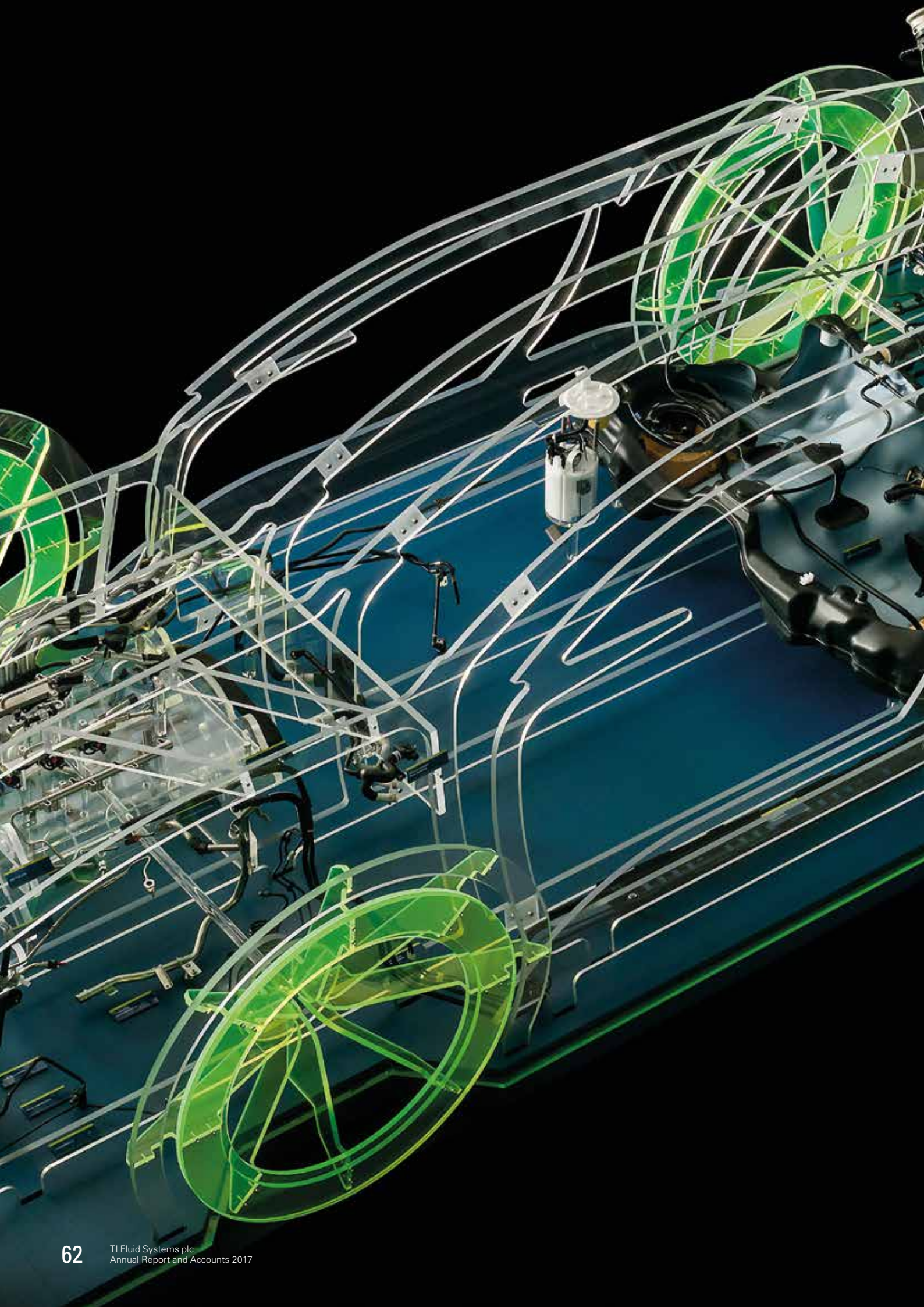
- the Parent Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Review includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

This responsibility statement was approved by the Board of Directors on 29 March 2018 and is signed on its behalf by:

By order of the Board

William L. Kozyra
Chief Executive Officer
and President

Timothy Knutson
Chief Financial Officer





Financial statements

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Independent Auditors' report to the members of TI Fluid Systems plc

Report on the audit of the financial statements

Opinion

In our opinion, TI Fluid Systems plc's ('the Group') group financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2017 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and Company balance sheets as at 31 December 2017; the consolidated income statement and statement of comprehensive income, the consolidated and Company statements of cash flows, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit & Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence


We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in Note 31 to the financial statements, we have not provided any other non-audit services to the Group or the Company in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview

| | |
|---|--|
|  | – Overall group materiality: €11.0 million (2016: €7.0 million), based on 5% of profit before tax, adjusted for exceptional items. |
| | – Overall company materiality: €8.9 million (2016: €4.9 million), based on 1% of net assets. |
| | – There were no significant components within the Group; |
| | – We performed full scope audit work on 15 components (2016: 16 components) and specified procedures over certain balances on eight components (2016: eight components). Areas that are centralised at the US and UK head offices have been audited by the group audit team; and |
| | – This provided coverage of 66% (2016: 65%) for revenue, 61% (2016: 66%) for operating profit, and 82% (2016: 83%) for net assets. |
| | – Warranty provision (Group). |
| | – Goodwill and intangible assets impairment (Group). |
| | – Accounting for hedging arrangements (Group). |
| | – Deferred tax asset recognition and provision for uncertain tax positions (Group). |

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group, which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, UK tax legislation and equivalent local laws and regulations applicable to component teams. Our tests included, but were not limited to, enquiries of management, review of correspondence with legal advisors, review of component auditors' work and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the Auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the Auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <p>Warranty provision Refer to the Audit & Risk Committee report on page 42, Note 1 (Summary of Significant Accounting policies including Critical Accounting Estimates and Judgements) and Note 27 (Provisions).</p> <p>The Group is exposed to warranty claims in the event that its products fail to perform to specifications. Warranty provisions are made to cover potential exposures that relate to specific customer claims. The warranty provision at 31 December 2017 to cover potential exposures on existing claims is €19.8 million (2016: £21.0 million).</p> <p>As the settlement of specific issues is dependent on the customer, complexity of the issue and the negotiation process, the outcome of claims is often difficult to predict and quantify. Due to this, warranty provisions involve significant judgement.</p> | <p>We focused on the judgements made by management in assessing the likelihood and quantification of material exposures. Our procedures were designed to ensure reasonableness of the warranty provision included:</p> <ul style="list-style-type: none"> – Understanding the nature of the specific claims through discussions with management and review of correspondence with the customers; – Assessing management's evaluation of the likelihood and quantum of exposure which is based on the terms of the contract with the customer, underlying issue with the relevant product and the status of negotiations with the customer; – Discussions with senior divisional executives and personnel involved in the negotiation of the specific issues and making enquiries to ensure all material open issues have been assessed for warranty provisions; – Review of internal management reporting to ensure all material open issues have been considered for completeness for warranty provisions; – Discussions with Executive Directors to understand the status of negotiations on the specific issues; and – Challenging management and the executive directors on the reasonableness of the warranty provision based on information available and evaluating possible scenarios of settlement of the issues. <p>Based on the work performed the warranty provisions are reasonable in the context of the status of the open claims.</p> |
| <p>Goodwill and intangible assets impairment Refer to the Audit & Risk Committee report on page 42, Note 1 (Summary of Significant Accounting policies) and Note 14 (Intangible assets).</p> <p>The Group holds goodwill of €724.9 million (2016: €767.2 million) and intangible assets of €549.0 million (€645.6 million) as at 31 December 2017.</p> <p>All cash generating units (CGUs) containing goodwill must be tested for impairment annually. Assets are grouped at a CGU level, the lowest level for which there are separately identifiable cash flows. The determination of CGUs and the recoverable amount requires judgement by management in both identifying and valuing the relevant CGUs.</p> <p>There are judgements and estimates involved in management's impairment review including cash flow forecasts, discount rates and long-term growth rates. A change in these assumptions can result in a material change in the valuation of the assets.</p> | <p>We reviewed management's impairment model and focused our audit on the key judgements and estimates. Procedures performed included:</p> <ul style="list-style-type: none"> – In respect of the identification of CGUs, we confirmed that this is the lowest level at which management monitors goodwill for internal purposes and that it is consistent with the way in which the Group's results are reported to the Board and the Executive Team; – Testing the underlying calculations in management's impairment model and agreeing the cash flow forecasts to the latest medium-term plan approved by the Board; – Evaluating the reasonableness of forecast cash flows by ensuring consistency with the latest Board approved medium-term plan, discussions with the Group's commercial and financial management, challenging material changes to the forecasts year on year, assessing reasonableness of growth assumptions with reference to market information and assessing the accuracy of historical cash flows to build in reasonable sensitivities into our overall impairment assessment; – Engaging our valuation specialists to assess the appropriateness of discount and long-term growth rates considering the risk profiles of the CGUs being tested for impairment; – Evaluating management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions and performing independent sensitivity calculations to quantify the downside changes to management's models required to result in an impairment; – For FCS Latin America, assessing the carrying value under the fair value less costs of disposal model to further support the carrying value; and – Assessing the appropriateness and completeness of the related disclosures in Note 14. <p>We noted no material exceptions and considered management's key assumptions supporting the asset values to be reasonable. The related disclosures are deemed acceptable.</p> |

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p>Accounting for hedging arrangements Refer to the Audit & Risk Committee report on page 42, Note 1 (Summary of Significant Accounting policies), Note 3 (Financial risk management), and Note 25 (Fair values of financial assets and liabilities).</p> <p>The Group has exposure to movements in interest rates and exchange rates and uses financial derivatives to mitigate the risk of these exposures.</p> <p>Significant judgement and estimation are involved in assessing whether the financial instruments qualify for hedge accounting and in determining the fair value of forward exchange contracts and interest rate swaps. The fair value of forward exchange contracts and interest rate swaps is determined by discounting the future cash flows using market rates prevailing at the reporting date.</p> | <p>We engage subject matter experts to consider the accounting treatment of new and continuing derivative arrangements including a review of the appropriateness of the disclosures included in the financial statements.</p> <p>Our procedures to audit the appropriateness of hedge accounting included the following procedures, on a sample basis:</p> <ul style="list-style-type: none"> – Reviewing hedge documentation to ensure compliance with IAS 39; – Reviewing the hedge effectiveness tests performed by management to ensure the hedging arrangements meet the criteria for the application of hedge accounting; and – Independently valuing the derivative fair values. <p>We have considered management's accounting, valuation and presentation of derivative financial instruments and have not noted any material issues</p> |
| <p>Deferred tax asset recognition and provision for uncertain tax positions Refer to the Audit & Risk Committee report on page 42, Note 1 (Summary of Significant Accounting Policies) and Note 12 (Income Tax).</p> <p>The Group has a wide geographic footprint and is subject to tax laws in a number of jurisdictions. The Group has recognised provisions against uncertain tax positions, the valuation of which is an inherently judgemental area. At 31 December 2017, the Group has recorded provisions of €44.1 million in respect of uncertain tax positions (2016: €53.6 million).</p> <p>At 31 December 2017, the Group has recognised €51.0 million (2016: €69.9 million) of deferred tax assets on the balance sheet, the recognition of which involves judgement and estimates by management as to the likelihood of their realisation. The expectation that the benefit of the assets will be realised is dependent on a number of factors including appropriate taxable temporary timing differences and whether there will be sufficient taxable profits in future periods to support recognition.</p> | <p>In conjunction with our tax specialists, we evaluated and challenged management's judgements in respect of estimates of tax exposures to assess the reasonableness of the Group's tax provisions. This included obtaining and evaluating certain third party tax opinions that the Group has obtained to assess the appropriateness of any assumptions used.</p> <p>In understanding and evaluating management's judgements, we considered recent correspondence with relevant tax authorities, complexity and developments in the tax environment in the relevant territories and positions taken by the Group in the tax returns. We assessed the appropriateness of provisions recorded in the financial statements, or the rationale for not recording a provision, by using our specialist tax knowledge, reading the latest correspondence between the Group and the various tax authorities and advisors.</p> <p>These procedures assisted in our corroboration of management's position in respect of significant tax exposures, and with our assessment that the disclosures and provisions recorded in the financial statements, including whether any provisions sufficiently addressed probable penalties and interest, were appropriate and reflected the latest developments in the reporting standards.</p> <p>We evaluated the Directors' assessment as to whether there will be sufficient taxable profits in future periods to support the recognition of deferred tax assets by evaluating the future cash flow forecasts, and the process by which they were drawn up, including testing the underlying calculations and comparing the forecasts to historical performance.</p> <p>Based on the evidence obtained we considered the level of provisioning for uncertain tax positions, recognition of deferred tax assets recognised and the related disclosures are acceptable in the context of the Group financial statements taken as a whole.</p> |

We determined that there were no key audit matters applicable to the Company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group operates across four geographical territories of Europe, North America, Asia Pacific and Latin America and two divisions of Fluid Carrying Systems (FCS) and Fuel Tank and Delivery Systems (FTDS). Each division consists of a large number of components spread across a number of countries. Overall, the Group operates in 118 manufacturing locations across 28 countries.

We did not identify any individually significant components within the Group. We scoped our work to ensure that overall we have sufficient coverage to express the required opinion in compliance with applicable Auditing Standards. In 2017, we have revised the components in scope for a full-scope audit to ensure we cover components with specific risks, and rotate the components in scope to cover a number of components over time.

We have performed full scope audits on the financial information of 15 components (2016: 16 components) and specific audit procedures based on risk and materiality on the financial information of eight components (2016: eight components). Areas that are centralised at the US and UK head offices, including hedging arrangements, goodwill and intangible assets impairment assessment and accounting for head office companies have been audited by the group audit team. This is supplemented by analytical procedures across the remainder of the Group. The coverage for both the current and prior year is sufficient for us to comply with auditing standards.

Where component auditors performed work, we determined the appropriate level of involvement we needed to have in that audit work to ensure we could conclude that sufficient appropriate audit evidence had been obtained for the Group financial statements as a whole. We issued written instructions to all component auditors and had regular communications with them throughout the audit cycle. The group audit team maintained supervision and oversight of the local audit teams, which included review of component team reporting, and visits to local audit teams in the US, China, Belgium, Spain and the UK to review relevant working papers and attend meetings with local management.

The group audit team has performed the audit of the Company.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Company financial statements |
|--|--|---|
| Overall materiality | €11.0 million (2016: €7.0 million). | €8.9 million (2016: €4.9 million). |
| How we determined it | 5% of profit before tax, adjusted for exceptional items. | 1% of net assets |
| Rationale for benchmark applied | Based on the benchmarks used in the Annual Report, profit before tax adjusted for exceptional items is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. Adjusting for exceptional items provides us with a consistent year on year basis for determining materiality. | There is no trading activity within the Company and net assets is therefore an appropriate benchmark. |

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between €1.1 million and €5.2 million.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above €550,000 (group audit) (2016: €350,000) and €450,000 (company audit) (2016: €250,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

| Reporting obligation | Outcome |
|---|---|
| We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements. | We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. |
| We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit. | We have nothing to report. |

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our Auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 21 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 29 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 61, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 41, 42 and 43 describing the work of the Audit & Risk Committee does not appropriately address matters communicated by us to the Audit & Risk Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the Auditors.

Directors' remuneration

In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 61, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit & Risk Committee, the Directors appointed us on 11 September 2015 to audit the financial statements for the period ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is three financial years, covering the years ended 31 December 2015 to 31 December 2017.

Christopher Hibbs

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

29 March 2018

Consolidated Income Statement

For the year ended 31 December

| | Notes | 2017 €m | 2016 €m |
|--|-------|------------------|------------|
| Continuing operations | | | |
| Revenue | 4 | 3,490.9 | 3,348.6 |
| Cost of sales | 5 | (2,928.5) | (2,801.1) |
| Gross profit | | 562.4 | 547.5 |
| Distribution costs | 5 | (103.7) | (103.6) |
| Administrative expenses before exceptional items | | (177.8) | (188.6) |
| <i>Exceptional items</i> | 9 | (40.2) | (23.2) |
| Administrative expenses after exceptional items | 5 | (218.0) | (211.8) |
| Other income | 10 | 7.7 | 6.5 |
| Net foreign exchange gains/(losses) | | 24.6 | (2.0) |
| Operating profit | | 273.0 | 236.6 |
| Finance income | 11 | 11.2 | 10.1 |
| Finance expense before exceptional items | 11 | (100.1) | (115.2) |
| <i>Exceptional items</i> | 9 | (26.4) | – |
| Finance expense after exceptional items | 11 | (126.5) | (115.2) |
| Net finance expense after exceptional items | 11 | (115.3) | (105.1) |
| Share of profit of associates | 16 | 0.3 | 1.3 |
| Profit before income tax | | 158.0 | 132.8 |
| Income tax expense before exceptional items | 12 | (68.2) | (88.9) |
| <i>Exceptional items</i> | 9 | 25.4 | – |
| Income tax expense after exceptional items | 12 | (42.8) | (88.9) |
| Profit for the year | | 115.2 | 43.9 |
| Profit for the year attributable to: | | | |
| Owners of the Parent Company | 21 | 112.5 | 42.2 |
| Non-controlling interests | 22 | 2.7 | 1.7 |
| | | 115.2 | 43.9 |
| Total earnings per share (euro cents) | | | |
| Basic | 13 | 29.55 | 12.05 |
| Diluted | 13 | 29.52 | 11.52 |

Consolidated Statement of Comprehensive Income

For the year ended 31 December

| | Notes | 2017 €m | 2016 €m |
|---|-------|---------------|------------|
| Profit for the year | | 115.2 | 43.9 |
| Other comprehensive loss | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| – Remeasurements of retirement benefit obligations | 26 | 7.3 | (0.6) |
| – Income tax expense on retirement benefit obligations before exceptional items | 12 | 0.1 | (2.0) |
| – <i>Exceptional items</i> | 12 | (15.0) | – |
| – Income tax expense on retirement benefit obligations after exceptional items | | (14.9) | (2.0) |
| | | (7.6) | (2.6) |
| <i>Items that may be subsequently reclassified to profit or loss</i> | | | |
| – Currency translation | | (75.2) | (11.3) |
| – Cash flow hedges | 21 | 12.1 | (11.3) |
| – Net investment hedge | 21 | (3.2) | (0.1) |
| | | (66.3) | (22.7) |
| Other comprehensive loss for the year, net of tax | | (73.9) | (25.3) |
| Total comprehensive income for the year | | 41.3 | 18.6 |
| Attributable to: | | | |
| – Owners of the Parent Company | | 38.9 | 16.9 |
| – Non-controlling interests | 22 | 2.4 | 1.7 |
| Total comprehensive income for the year | | 41.3 | 18.6 |

Consolidated Balance Sheet

At 31 December

| | Notes | 2017 €m | 2016 €m |
|--|-------|----------------|------------|
| Non-current assets | | | |
| Intangible assets | 14 | 1,273.9 | 1,412.8 |
| Property, plant and equipment | 15 | 686.8 | 699.7 |
| Investments in associates | 16 | 19.2 | 19.4 |
| Derivative financial instruments | 25 | 8.3 | 28.4 |
| Deferred income tax assets | 12.3 | 51.0 | 69.9 |
| Trade and other receivables | 18 | 13.4 | 12.9 |
| | | 2,052.6 | 2,243.1 |
| Current assets | | | |
| Inventories | 17 | 329.3 | 298.5 |
| Trade and other receivables | 18 | 588.3 | 613.1 |
| Current income tax assets | 12.2 | 8.2 | 9.6 |
| Derivative financial instruments | 25 | 5.3 | 6.1 |
| Financial assets at fair value through profit and loss | 19 | 2.9 | 2.9 |
| Cash and cash equivalents | 19 | 287.2 | 196.2 |
| | | 1,221.2 | 1,126.4 |
| Total assets | | 3,273.8 | 3,369.5 |
| Equity | | | |
| Share capital | 20 | 6.8 | 493.7 |
| Share premium | 20 | 404.3 | – |
| Other reserves | 21 | (130.5) | (64.5) |
| Accumulated profits | | 640.9 | 36.2 |
| Equity attributable to owners of the Parent Company | | 921.5 | 465.4 |
| Non-controlling interests | 22 | 20.3 | 19.0 |
| Total equity | | 941.8 | 484.4 |
| Non-current liabilities | | | |
| Trade and other payables | 23 | 17.6 | 12.1 |
| Borrowings | 24 | 1,178.2 | 1,695.8 |
| Derivative financial instruments | 25 | 72.4 | 19.2 |
| Deferred income tax liabilities | 12.3 | 159.8 | 221.5 |
| Retirement benefit obligations | 26 | 162.4 | 193.0 |
| Provisions | 27 | 5.5 | 7.2 |
| | | 1,595.9 | 2,148.8 |
| Current liabilities | | | |
| Trade and other payables | 23 | 637.6 | 635.2 |
| Current income tax liabilities | 12.2 | 69.6 | 71.3 |
| Borrowings | 24 | 3.0 | 2.9 |
| Derivative financial instruments | 25 | 3.4 | 4.6 |
| Provisions | 27 | 22.5 | 22.3 |
| | | 736.1 | 736.3 |
| Total liabilities | | 2,332.0 | 2,885.1 |
| Total equity and liabilities | | 3,273.8 | 3,369.5 |

The financial statements on pages 70 to 122 were authorised for issue by the Board of Directors on 29 March 2018 and were signed on its behalf by:

William L. Kozyra
Chief Executive Officer and President

Timothy J. Knutson
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December

| | Notes | Ordinary shares €m | Share premium €m | Other reserves €m | Accumulated profits/ (losses) €m | Total €m | Non-controlling interests €m | Total equity €m |
|--|-------|-----------------------|---------------------|----------------------|--|--------------|---------------------------------|--------------------|
| Balance at 1 January 2017 | | 493.7 | – | (64.5) | 36.2 | 465.4 | 19.0 | 484.4 |
| Profit for the year | | – | – | – | 112.5 | 112.5 | 2.7 | 115.2 |
| Other comprehensive loss for the year | | – | – | (66.0) | (7.6) | (73.6) | (0.3) | (73.9) |
| Total comprehensive (expense)/income for the year | | – | – | (66.0) | 104.9 | 38.9 | 2.4 | 41.3 |
| Share option cost | | – | – | – | 11.3 | 11.3 | – | 11.3 |
| Dividends paid | | – | – | – | – | – | (1.1) | (1.1) |
| Capital reduction | 20 | (488.7) | – | – | 488.7 | – | – | – |
| Share capital raised on initial public offering | | 1.6 | 423.0 | – | – | 424.6 | – | 424.6 |
| Shares issued to Directors and certain employees | | 0.2 | 1.0 | – | (0.2) | 1.0 | – | 1.0 |
| Share capital issuance costs | | – | (19.7) | – | – | (19.7) | – | (19.7) |
| Balance at 31 December 2017 | | 6.8 | 404.3 | (130.5) | 640.9 | 921.5 | 20.3 | 941.8 |

| | Ordinary shares €m | Other reserves €m | Accumulated profits/ (losses) €m | Total €m | Non-controlling interests €m | Total equity €m |
|---|-----------------------|----------------------|--|-------------|---------------------------------|--------------------|
| Balance at 1 January 2016 | 493.7 | (41.8) | (10.8) | 441.1 | 20.2 | 461.3 |
| Profit for the year | – | – | 42.2 | 42.2 | 1.7 | 43.9 |
| Other comprehensive expense for the year | – | (22.7) | (2.6) | (25.3) | – | (25.3) |
| Total comprehensive (expense)/income for the year | – | (22.7) | 39.6 | 16.9 | 1.7 | 18.6 |
| Share option cost | – | – | 7.4 | 7.4 | – | 7.4 |
| Dividends paid | – | – | – | – | (2.9) | (2.9) |
| Balance at 31 December 2016 | 493.7 | (64.5) | 36.2 | 465.4 | 19.0 | 484.4 |

Consolidated Statement of Cash Flows

For the year ended 31 December

| | Notes | 2017 €m | 2016 €m |
|---|-------|----------------|----------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 28 | 415.9 | 386.0 |
| Interest paid | | (89.6) | (97.8) |
| Income tax paid | | (88.9) | (84.2) |
| Net cash generated from operating activities | | 237.4 | 204.0 |
| Cash flows from investing activities | | | |
| Payment for acquisition of subsidiary net of cash received | | – | (125.0) |
| Payment for property, plant and equipment | | (118.8) | (109.5) |
| Payment for intangible assets | | (25.1) | (26.5) |
| Proceeds from the sale of property, plant and equipment | | 1.1 | 0.8 |
| Interest received | | 1.9 | 1.8 |
| Net cash used by investing activities | | (140.9) | (258.4) |
| Cash flows from financing activities | | | |
| Proceeds from issue of new share capital | | 424.6 | – |
| Share capital issuance costs | | (19.7) | – |
| Fees paid on repricing of loans | | (1.6) | – |
| Voluntary repayments of borrowings | | (363.6) | – |
| Scheduled repayments of borrowings | | (11.1) | (13.6) |
| Fees paid on voluntary repayments of borrowings | | (17.7) | – |
| Dividends paid to non-controlling interests | | (1.1) | (2.9) |
| Net cash generated from/(used by) financing activities | | 9.8 | (16.5) |
| Increase/(decrease) in cash and cash equivalents | | 106.3 | (70.9) |
| Cash and cash equivalents at the beginning of the year | 19 | 196.2 | 268.4 |
| Currency translation on cash and cash equivalents | | (15.3) | (1.3) |
| Cash and cash equivalents at the end of the year | | 287.2 | 196.2 |

Notes to the Group Financial Statements

1. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1.1. Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, and the UK Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have also been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee ('IFRIC') interpretations issued and effective at the time of preparing these accounts.

The consolidated financial statements have 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 financial statements 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 1.4.

1.1.1. Going Concern

After making enquiries, the Directors are of the opinion that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of its consolidated financial statements. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 24.

1.1.2. Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the 'functional currency'). The functional currency of each Group company has been assessed against the underlying transactions and economic conditions in which it operates.

These financial statements are presented in euro, which is the Group's presentation currency. All financial information presented in euro has been rounded to the nearest 100,000 except where stated otherwise.

1.1.3. Changes in Accounting Policy and Disclosures

Changes in accounting policies and disclosures are set out below:

1.1.3.1. New and Revised IFRS Affecting Amounts Reported in the Current Year (and/or Prior Years)

There are no amendments to standards or new standards where adoption by the Group for the first time has had a material impact on the Group's financial statements for the financial reporting year beginning 1 January 2017.

1.1.3.2. New Interpretation

During September 2017, the IFRS Interpretations Committee issued an agenda decision on interest and penalties related to income taxes. The decision refers to previous agenda decisions regarding what is an income tax and also states that any interest and penalty related to income tax should be accounted for in accordance with either IAS 12 'Income taxes' or IAS 37 'Provisions, contingent liabilities and contingent assets'. Following a review of the Group's uncertain tax positions and taking into consideration the comments from the agenda decision, the Group determined that €4.8m of interest payable related to the uncertain tax positions should be reclassified on the balance sheet from the current tax payable account to the interest payable account. Therefore, the balance sheet at 31 December 2017 reflects this position.

1. Summary of Significant Accounting Policies continued

1.1.3.3. New and Revised IFRS in Issue but not yet Effective

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning on or after 1 January 2018, or are not yet effective because they have not yet been endorsed by the EU. These have not been applied in preparing the consolidated financial statements.

The Group has not applied the following new and revised standards that have been issued but are not yet effective or are not yet endorsed by the EU:

| | |
|--|--|
| Annual improvements 2014–2016 cycle: IFRS 12 | Clarifications for IFRS 12 'Disclosure of interests in other entities'. ¹ |
| Annual improvements 2014–2016 cycle: IFRS 1 and IAS 28 | Clarifications for IFRS 1 'First time adoption of IFRS' and IAS 28 'Investment in associates and joint ventures'. ² |
| Amendments to IFRS 2 'Share-based Payments' | Various clarification amendments in relation to the accounting for share-based compensation transactions. ² |
| Amendments to IAS 40 'Investment Property' | These amendments clarify that to transfer to, or from, investment properties, there must be evidence of a change in use. ² |
| IFRIC 22 'Foreign Currency Transactions and Advance Consideration' | Addresses foreign currency transactions where consideration is denominated or priced in a foreign currency. ² |
| IFRS 9 'Financial Instruments' | Introduces new requirements for recognising, classifying, measuring and impairing financial assets and liabilities and provides a new hedge accounting model. ³ |
| IFRS 15 'Revenue from Contracts with Customers' | Provides a single, principles based, five-step model to be applied to all contracts with customers. ³ |
| IFRS 16 'Leases' | Provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for most leases. ⁴ |
| IFRIC 23 'Uncertainty over Income Tax Treatments' | Addresses the determination of tax-related items when there is uncertainty over income tax treatments under IAS 12. ⁴ |
| Amendments to IFRS 9: 'Prepayment Features with Negative Compensation' | This amendment confirms that when a financial liability measured at amortised cost is modified without de-recognition, a gain or loss should be recognised immediately in profit or loss. ⁴ |
| Amendments to IAS 28: 'Long-term Interests in Associates and Joint Ventures' | Clarifies that IFRS 9 applies to long-term interests forming part of the investment in an associate or joint venture where the equity method is not applied. ⁴ |
| Annual Improvements to IFRS Standards 2015-2017 Cycle | Clarifications for IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'. ⁴ |

¹ Effective for the Group's 2017 financial statements, but not endorsed by the EU at 31 December 2017.

² Effective for the Group's 2018 financial statements, but not endorsed by the EU at 31 December 2017.

³ Effective for the Group's 2018 financial statements.

⁴ Effective for the Group's 2019 financial statements.

None of these is expected to have a significant impact on the consolidated financial statements of the Group except for IFRS 9, IFRS 15 and IFRS 16 as detailed below.

IFRS 9 'Financial Instruments'

IFRS 9 issued in November 2009 was revised in July 2014 and finalised the reform of financial instruments accounting. It will supersede IAS 39 'Financial Instruments: Recognition and Measurement' in its entirety.

Key requirements of IFRS 9 are:

- All recognised financial assets that are within the scope of IFRS 9 are to be subsequently measured at amortised cost or fair value.
- The impairment model reflects expected credit losses as opposed to incurred credit losses.
- The types of instruments that qualify as hedging instruments are broader, and the effectiveness test has been revised and is now subject to the principle of an economic relationship.

IFRS 9 'Financial Instruments', which becomes mandatory for the Group's 2018 consolidated financial statements is not expected to have a material impact on the Group's financial statements.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' establishes a single comprehensive model to account for revenue arising from contracts with customers, and supersedes IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. The new standard has a single model to account for revenue. The main implications are:

- A customer is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities, in exchange for consideration.
- Unlike IAS 18 the recognition and measurement of interest income and dividend income from debt and equity investments are not within the scope of IFRS 15 and are instead within the scope of IFRS 9.
- There is a new five-step approach to revenue recognition and measurement:
 - Identify the contract with the customer
 - Identify the performance obligations in the contract
 - Determine the transaction price
 - Allocate the transaction price to the performance obligations in the contract
 - Recognise revenue when the entity satisfies the performance obligations.
- IFRS 15 has more prescriptive guidance as to how and when revenue should be recognised. Revenue is recognised either at a point in time or over time depending on when control transfers.
- Variable consideration, such as a transaction price affected by discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements, is required to satisfy specific criteria to be recognised as revenue.
- Costs incurred to obtain a contract and costs to fulfil a contract may only be capitalised in certain situations.
- Extensive disclosures are required to provide greater insight into both revenue that has been recognised, and revenue that is expected to be recognised in the future from existing contracts.

IFRS 15 becomes mandatory for the Group's 2018 consolidated financial statements. Having reviewed key customer contractual frameworks, management have concluded that the new standard will have an immaterial impact on the recognition, measurement and timing of revenue, resulting in the majority of the Group's revenue continuing to be recognised at the point in time customer release orders are satisfied. As required by the standard, the Group expects to make additional revenue related disclosures.

IFRS 16 'Leases'

IFRS 16 'Leases' replaces the existing guidance in IAS 17 'Leases' and IFRIC 4, 'Determining Whether an Arrangement Contains a Lease'. IFRS 16 was issued in January 2016, and eliminates the dual accounting model for lessees. The standard removes the accounting distinction between finance and operating leases and requires that right-of-use assets and liabilities be created for all leases on the balance sheet, unless the lease term is 12 months or less, or the underlying asset has a low value.

Under the new standard, operating lease charges will be replaced with interest payable and depreciation charges. On an individual lease basis, this will result in higher expenses in the Income Statement earlier in the lease term, and correspondingly lower expenses later in the lease term. It is expected that application of the standard will have a significant impact on the Group. The full impact of future adoption is still being assessed.

IFRS 16 becomes mandatory for the Group's 2019 consolidated financial statements.

There are no other standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1. Summary of Significant Accounting Policies continued

1.2. Consolidation

1.2.1. Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred to the former owners of the acquiree for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and any equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred in accordance with IFRS 3 'Business Combinations'.

Intercompany transactions and balances between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A list of subsidiaries and their countries of incorporation is presented in Note 4 of the Parent Company's financial statements. The term 'Group' means the Company and its consolidated subsidiaries and undertakings.

1.2.2. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, under which the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in the Income Statement, and its share of post-acquisition movements in Other Comprehensive Income is recognised in the Statement of Other Comprehensive Income, both with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that an investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment, which is recognised in the Income Statement, as the difference between the recoverable amount of the associate and its carrying value.

1.3. Foreign Currencies

1.3.1. Foreign Currency Transactions

Transactions in foreign currencies are converted to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted to the functional currency at the exchange rate at that date. Non-monetary items that are measured at historical cost in a foreign currency are converted using the exchange rate at the date of the transaction.

All transactional foreign currency differences are included in the Income Statement.

1.3.2. Foreign Operations

Foreign operations are those subsidiaries whose functional currency is not euro. For the purposes of consolidation, income and expenses of foreign operations are translated to euro at average exchange rates for the year, and assets and liabilities of foreign operations are translated to euro at exchange rates at the reporting date. Foreign currency translation differences are recognised in the Statement of Comprehensive Income.

The average and year-end exchange rates for the Group's principal currencies were:

| Key euro exchange rates | 2017 Average | 2017 Year-end | 2016 Average | 2016 Year-end |
|-------------------------|-----------------|------------------|-----------------|------------------|
| US dollar | 1.129 | 1.201 | 1.106 | 1.054 |
| Chinese renminbi | 7.631 | 7.815 | 7.355 | 7.318 |
| South Korean won | 1,276 | 1,282 | 1,281 | 1,272 |

1.4. Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates and for management to exercise judgement in applying the Group's accounting policies. Assumptions and accounting estimates are subject to regular review, governed by Group wide policies and controls. Any revisions required to accounting estimates are recognised in the year in which the revisions are made including all future periods affected.

The areas involving critical accounting judgements or estimates which are significant to the financial information are disclosed below. These are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

1.4.1. Critical Accounting Estimates

- Costs and obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including discount rates, inflation rates, salary growth and mortality assumptions. Further details, including a sensitivity analysis illustrating how changes in the principal assumptions would impact the total defined benefit obligation are included in the Retirement Benefit Obligations Note. See Note 26.5.
- Fair value estimates of derivatives are based on relevant market information and information about the financial instruments, which are subjective in nature. The fair value of these financial instruments is estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the reporting date, which is a proxy for market price. See Note 25.1.
- The Group is required to estimate income tax due in each of the jurisdictions in which it operates. This requires an estimation of the current tax liability together with an assessment of the temporary differences, which arise because of differing accounting and tax treatments. These temporary differences result in deferred tax assets or liabilities, which are measured using substantively enacted tax rates expected to apply when the temporary differences reverse. The Group is subject to many different tax jurisdictions and tax rules because of its geographic spread and is subject to tax audits, which are often complex and can require several years to conclude. Where appropriate, estimates of interest and penalties are included in these provisions for uncertain tax positions. As amounts set aside in any year could differ from actual tax liabilities, adjustments may be required in subsequent years, which may have a material impact on the Group's Income Statement. See Note 12.
- Costs of project engineering are capitalised as development intangible assets when there is an indication from a customer or market that costs will be recoverable from future business. Expenditure capitalised includes the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Estimates are used in apportioning costs that are directly attributable to each development project. Estimates are reviewed at least annually to ensure that the recoverability of costs is reasonably certain. Revisions to accounting estimates are recognised in the year in which the estimates are revised. See Note 14.
- Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The impairment review requires estimation of the discount rate, long-term growth rate, EBITDA multiple and components of forecast cash flows. See Notes 14 and 15.
- Estimation techniques are employed in the calculation of the amount required to settle product warranty claims, restructuring and other provisions, including determining how likely it is that expenditure will be incurred. This can be complex, especially when there is a wide range of possible outcomes. Reference is made to contractual considerations, historical data and other relevant factors such as specific events with an underlying product. See Note 27.

1.4.2. Critical Accounting Judgements

- The Group is required to estimate income tax due in each of the jurisdictions in which it operates. This requires an estimation of both the current tax liability, and deferred tax assets or liabilities, which arise because of differing accounting and tax treatments for temporary differences. Recognition of deferred tax assets is based on forecast future taxable income and therefore involves the exercise of management's judgement regarding the future financial performance of particular legal entities or tax groups in which the deferred tax assets are recognised. The Group is subject to many different tax jurisdictions and tax rules because of its geographic spread and subject to tax audits, which are often complex and can require several years to conclude. The total accrual for income tax in any year requires the exercise of management judgement in respect of the interpretation of country specific tax law and the likelihood of challenge of uncertain tax positions and their subsequent settlement. Tax benefits are not recognised unless it is probable that the tax positions are sustainable. As amounts set aside in any year could differ from actual tax liabilities, adjustments may be required in subsequent periods, which may have a material impact on the Group's Income Statement and/or cash tax payments. See Note 12.
- Costs of project engineering are capitalised as development intangible assets when there is an indication from a customer or market that costs will be recoverable from future business. Development expenditure is capitalised where the costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete the project and to use or sell the development asset. Assumptions underlying these judgements are reviewed at least annually to ensure that the recoverability of costs is reasonably certain. See Note 14.
- As part of the annual impairment review, judgement is required in determining the cash-generating units ('CGUs') of the Group. These represent the lowest level within the Group at which the non-financial assets are monitored for internal management purposes.
- Judgement is required as to whether or not to apply hedge accounting to derivative financial instruments recorded in the balance sheet. See Note 25.1.

1. Summary of Significant Accounting Policies continued

1.5. Goodwill

Initial measurement

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interests over the fair value of net identifiable assets acquired and liabilities assumed. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the Income Statement.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

Goodwill is not amortised, but is subject to impairment testing which is performed annually or when an impairment trigger event occurs. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs to sell.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units ('CGUs') that are expected to benefit from the synergies of the combination which generated the goodwill. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro rata based on the carrying amount of each asset in the CGU. CGUs comprise the two operating segments each sub-divided into four geographic territories.

Any impairment loss for goodwill is recognised as an expense in the Income Statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

1.6. Intangible Assets

Research and development

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised where the costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete the project and to use or sell the development asset. Expenditure capitalised includes the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment charges. Development expenditure, which does not meet the criteria for recognition as an intangible asset, is recognised in the Income Statement as incurred.

Computer software and licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Land use rights

Licences for the long-term use of land are capitalised on the basis of the costs incurred to acquire.

Amortisation

Amortisation is recognised in the Income Statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current year are as follows:

| | |
|---------------------------------|--|
| – Capitalised development costs | 5-10 years (over the life of the production cycle) |
| – Computer software | 3-5 years |
| – Technology | 4-8 years |
| – Customer platforms | 11-25 years |

Intangible assets that are under development are not amortised until they are brought into use. They are reviewed for indications of impairment to ensure that expectations of future economic benefits remain valid. Where there is any indication to the contrary, capitalisation ceases and costs are expensed.

1.7. Property, Plant and Equipment (PP&E)

PP&E is stated at historical cost, which includes expenses directly attributable to bringing assets into productive use including finance charges, less accumulated depreciation. Assets acquired as part of the acquisition of the Group are valued at fair value as part of the acquisition accounting. Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. When major components of an item of PP&E have different useful lives, they are accounted for as separate items.

Depreciation of PP&E is calculated using the straight-line method reflecting expected patterns of consumption of the future economic benefits embodied in the assets to allocate their cost to their residual values over their estimated useful lives, as follows:

- Freehold buildings 30-50 years
- Leased buildings improvements 30-50 years or the period of the lease if shorter
- Plant, machinery and equipment 3-12 years

Depreciation is not charged on assets in the course of construction. Once completed these are transferred to the relevant category above and depreciated accordingly. Spare parts are not depreciated until they are brought into use but are subject to annual impairment testing.

Enhancement expenditure of PP&E items is capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced parts is de-recognised. All other repairs and maintenance are charged to the Income Statement as incurred.

Gains and losses on disposals of PP&E are determined by comparing the proceeds from disposal with the carrying amount, and are recognised net within other income in the Income Statement.

Investment grants received against the cost of acquired PP&E assets are included in payables as deferred income and credited to the Income Statement on a straight-line basis over the useful lives of the relevant assets.

1.8. Impairment of Non-Financial Assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at CGU level, the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have previously been impaired are reviewed for possible reversal of the impairment at each reporting date.

1.9. Leased Assets

Assets held under leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to purchased assets of that asset type and depreciated accordingly.

Each finance lease payment is allocated between the liability and finance charges. The future rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the Income Statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the lease term.

1. Summary of Significant Accounting Policies continued

1.10. Financial Instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at 'fair value through profit or loss' ('FVTPL')) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are expensed as incurred.

1.10.1. Financial Assets

Financial assets are classified into financial assets at FVTPL, 'available-for-sale', and 'loans and receivables'. The classification is determined at the time of initial recognition and depends on the nature and purpose of the financial assets.

Financial assets at FVTPL

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Contracts are marked to market by re-measuring to fair value at the end of each reporting period. The resulting gain or loss is recognised in the Income Statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents'.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that any financial asset is impaired because of one or more loss events that occurred after the initial recognition of the asset, which has an impact on the estimated future cash flows of the asset that can be reliably estimated.

Evidence of impairment may include indications that any debtor is experiencing significant financial difficulty, default or delinquency in payments, the probability that any debtor will enter bankruptcy, or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

A financial asset is impaired and an impairment loss incurred if there is objective evidence that loss events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

1.10.2. Financial Liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when they are so designated or held for trading, including derivatives that are not designated as hedging instruments. The Group enters into conventional derivative financial instruments to manage its exposure to foreign exchange rate risks, mostly foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 25. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently marked to market by re-measuring to their fair value at the end of each reporting period.

Derivatives designated as hedging instruments are accounted for in accordance with IAS 39 hedging requirements.

All financial liabilities are recognised initially on the date at which the Group becomes party to the contractual provisions of the instrument. Financial liabilities not classified at FVTPL, including borrowings, and trade and other payables, are subsequently measured at amortised cost using the effective interest method, which calculates the amortised cost of a financial liability and allocates interest expense over its term. The effective interest rate discounts estimated cash payments (including all issuance discounts and transactions costs) through the expected life of the financial liability, to the net carrying amount on initial recognition.

Borrowings

Borrowings, including extensions to existing agreements, are recognised initially at fair value, net of discounts and transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the net proceeds and the redemption value is recognised in the Income Statement over the term of the borrowings using the effective interest method. Interest arising on financial instruments is recognised on an accruals basis.

In assessing whether a debt alteration is to be treated as a modification or an extinguishment and new arrangement, an evaluation is made of the qualitative factors such as the underlying parties to the transaction and quantitative factors such as the impact on the net present value of remaining cash flows.

1.10.3. Hedge Accounting

The Group enters into derivatives to manage its exposure to foreign currency risk and interest rate risk. Derivatives are initially recognised at their fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value at each Balance Sheet date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction (cash flow hedge);
- Hedges of a net investment in a foreign operation (net investment hedge).

At the inception of a hedging transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking the hedging transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedges

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations and variability in cash flows relating to US dollar borrowings. The Group uses interest rate swaps to hedge the interest rate risk arising from its borrowings, which fix the interest rate for a portion of the borrowings.

The effective portion of changes in the fair value of derivatives that are designated and qualify for hedge accounting, are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement, within finance income or expense.

When a forecasted transaction is no longer expected to occur, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement within finance income or expense.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument, relating to the effective portion of the hedge, is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the Income Statement. Gains and losses accumulated in equity are included in the Income Statement when the foreign operation is partially disposed of or sold.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. The fair values of derivatives, which are not designated as part of a hedging relationship, are classified as current assets or liabilities.

1.11. Inventories

Inventories are valued at the lower of cost, including an appropriate proportion of overheads, and net realisable value, on the first in first out principle. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Tooling that is being manufactured for an external customer or supplier is reported as an item of inventory until invoiced, and represents the gross amount recoverable from the customer in respect of costs incurred, less progress payments received.

For productive material, cost is standard cost, and for non-productive material (including consumables) cost is actual cost. The standard cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads all at standard, based on normal operating conditions. Cash discounts, trade discounts and rebates are deducted from the costs of purchase. Other costs are included only to the extent that they are incurred in bringing inventories to their present location and condition. Provision is made for slow moving and obsolete inventory.

1.12. Trade and Other Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Impairment is recognised when there is evidence that the Group will not be able to collect all amounts due under the original contractual terms.

1.13. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

1.14. Share Capital

Ordinary shares of the Company are classified as equity. Costs directly attributable to the issue of ordinary shares and share options are recognised in equity as a deduction, net of any tax effects from the proceeds.

1.15. Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accrued expenses are recognised when ownership of goods or services has been transferred but not invoiced. Trade and other payables are recognised at amortised cost.

1. Summary of Significant Accounting Policies continued

1.16. Provisions

A provision is recognised if, because of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense. Provisions are not recognised for future operating losses.

Product warranties

A product warranty provision is recognised when specific events occur with the underlying product. The provision is based on contractual considerations, historical warranty data and expected outcomes against their associated probabilities. Specific claims are provided for reflecting management's best estimates of potential exposure.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Asset retirement obligations

Provisions are recognised for the estimated costs of dismantling and removing PP&E at the end of its operational life. Provisions for site restoration in respect of contamination and lease dilapidations are made in accordance with applicable legal requirements.

Onerous contracts

Present obligations arising under onerous contracts are measured and recognised as provisions. An onerous contract exists where the unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

1.17. Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, discounts, sales taxes and volume rebates. Revenue is recognised when adequate evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

The majority of the Group's revenues are derived from the supply of automotive components where the point of sale is generally ex-works from the Group. Where consignment arrangements apply, title to the goods passes depending upon which party is exposed to the principal risks and rewards associated with ownership.

Revenue from the supply of tooling, prototypes and product development is recognised at the points of sale as specified in each contract. Income from these activities is recognised no later than at completion of contract, except where it is evident that a loss will arise in which case the estimated loss on the contract is recognised immediately.

1.18. Other Income and Other Gains and Losses

Other income includes government grants, proceeds from insurance claims, gains and losses on disposals of non-current assets and other miscellaneous items. Other gains and losses includes net foreign exchange movements and movements in fair value on foreign exchange forward contracts. The Group's reporting currency is the euro. A significant portion of the Group's external borrowings are denominated in US dollars, and are largely on-lent to subsidiaries in the UK, whose functional currency is the euro. The net foreign exchange movement represents the impact of currency movements on intercompany loans after the effect of hedging arrangements.

1.19. Employee Benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Accrued paid absence such as holiday pay entitlement is charged to the Income Statement as earned. A liability is recognised for the amount expected to be paid under bonus plans if the Group has a present legal or constructive obligation to pay this amount because of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plans

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts in respect of past service.

Defined benefit plans

A defined benefit plan provides an amount of benefit that an employee will receive at a later date, usually dependent on one or more factors such as age, periods of service and compensation. Defined benefit arrangements in the Group include funded and unfunded pension plans, post-employment healthcare, statutory termination indemnities and long service awards.

The liability recognised in the Balance Sheet in respect of defined benefit plans is the present value of the defined benefit obligation ('DBO') at the end of the reporting period less the fair value of plan assets. Where the fair value of plan assets exceeds the present value of the DBO, an asset is recognised only to the extent of future economic benefits accruing to the Group either as cash refunds or as a reduction in contributions.

The service cost of providing benefits for funded plans accruing during the year and any past service costs are charged as an operating expense. The interest cost or credit arising from the unwinding of the discount on the net actuarial liability or asset is recognised in the Income Statement as finance expense or income. Actuarial gains and losses are recognised in other comprehensive income in the year in which they arise.

The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation.

Defined benefit plans – funded

The Group operates funded pension plans in the US, Canada and UK. The US plans are subject to annual actuarial review, whilst the others are formally valued at least triennially. Assets are held in trusts and are separately administered from the Group's activities. Assets include readily marketable equities, bonds and funds and qualifying insurance policies and are valued at fair value. The Group makes contributions based on actuarial advice sufficient to meet the liabilities of the plans.

Defined benefit plans – unfunded including healthcare

The Group operates unfunded employment benefit plans in certain countries of which the most significant are post-employment healthcare in the US, a closed arrangement, and pension plans in Germany. Other liabilities include statutory termination indemnities and long service awards.

Share-based compensation

The fair value of equity settled payments to employees is determined at the date of grant using the Black-Scholes option-pricing model and the expense is recognised in the Income Statement on the straight-line basis over the period that the employees become entitled to the awards. The credit entry relating to the awards is recorded in equity (Note 7).

The Group reviews the estimate of the number of shares expected to vest at each balance sheet date. The total amount expensed is determined by reference to the fair value of the options granted, including any market performance and any non-vesting conditions, and excluding the impact of any service and non-market performance vesting conditions. Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

1.20. Income Tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income and equity.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Uncertain tax positions

The Group operates in many jurisdictions and is subject to tax audits which are often complex and can take several years to conclude. Therefore, the accrual for current tax includes provisions for uncertain tax positions, which require estimates for each matter and the exercise of judgement in respect of the interpretation of tax laws and the likelihood of challenge to historic positions. Management uses in-house tax experts, professional advisers and previous experience when assessing tax risks. Where appropriate, estimates of interest and penalties are included in these provisions. As amounts provided for in any year could differ from eventual tax liabilities, subsequent adjustments may arise which have a material impact on the Group's tax rate and/or cash tax payments.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable profits. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1. Summary of Significant Accounting Policies continued

Deferred tax

Deferred income tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority, on either the same taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

1.21. Exceptional Items

Exceptional items are defined as those items that, by virtue of their nature, size and expected frequency, warrant separate additional disclosure in the consolidated financial statements in order to fully understand the underlying performance of the Group. These may include the costs of closure of locations or significant headcount reduction, costs arising from the acquisition or disposal of businesses including related contractual management incentive charges, transaction costs of a significant and non-recurring nature, debt-refinancing costs including early redemption premiums on voluntary repayments of borrowings, impairment charges, share option costs prior to the initial public offering, and the recognition of previously derecognised deferred tax assets.

1.22. Dividends

Receivable

Dividends from associates and other investments of the Group and dividends receivable by the Company are recognised when the right to receive payment is established.

Payable

Dividends payable to the Company's shareholders are recognised in the Statement of Changes in Equity in the period in which they are approved.

1.23. Deferred Income

Deferred income is recorded when consideration for goods or services provided by the Group is received before the revenue is recognised.

2. Segment reporting

Notes to 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 is considered decisive. 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 Company: Fluid Carrying Systems ('FCS') and Fuel Tank and Delivery Systems ('FTDS').

Fluid Carrying Systems ('FCS')

FCS products include brake and fuel lines and bundles, tank top lines, vacuum booster lines, quick connectors, air-conditioning tube and hose assemblies, accumulators and receiver dryers, coaxial or tube-in-tube assemblies, thermal products and powertrain components. There is a high degree of vertical integration from the creation of steel strip from rolled steel, through tube manufacturing to the assembly of finished products.

Fuel Tank and Delivery Systems ('FTDS')

FTDS products include plastic fuel tanks, fuel filler pipes, fuel pumps and modules, level sensors and additive dosing systems. These products are sold as original equipment and in the aftermarket.

Allocation of corporate costs

Corporate costs comprise costs of stewardship of the Group. Costs incurred in administrative services performed at the corporate level are allocated to divisions in line with utilisation of the services. Where direct allocation is not possible, costs are allocated based on revenue for the year.

2.1. Revenue, Adjusted EBIT and Depreciation, Amortisation and Impairments by Segment:

| | 2017 €m | 2016 €m |
|--|----------------|------------|
| Revenue | 3,490.9 | 3,348.6 |
| Profit for the year | 115.2 | 43.9 |
| Add back: | | |
| Income tax expense – after exceptional items | 42.8 | 88.9 |
| Net finance expense – after exceptional items | 115.3 | 105.1 |
| Depreciation and impairment of PP&E | 98.8 | 102.0 |
| Amortisation and impairment of intangible assets | 96.1 | 92.9 |
| Exceptional items – administrative expenses | 40.2 | 23.2 |
| Net foreign exchange (gains)/losses | (24.6) | 2.0 |
| Inventory uplift unwind | – | 0.4 |
| Bain management fee | 3.9 | 4.8 |
| Share of profit of associates | (0.3) | (1.3) |
| Dividend received from associates | 0.4 | 0.2 |
| Restructuring costs | 2.9 | 2.6 |
| Adjusted EBITDA | 490.7 | 464.7 |
| Less: | | |
| Depreciation and impairment of PP&E | (98.8) | (102.0) |
| Amortisation and impairment of intangible assets | (96.1) | (92.9) |
| Add back: | | |
| Depreciation uplift arising on purchase accounting | 15.5 | 21.1 |
| Amortisation uplift arising on purchase accounting | 72.2 | 71.2 |
| Adjusted EBIT | 383.5 | 362.1 |

| | 2017 €m | 2016 €m |
|-------------------------------------|----------------|------------|
| Revenue | | |
| – FCS | 2,057.1 | 1,945.2 |
| – FTDS | 1,433.8 | 1,403.4 |
| | 3,490.9 | 3,348.6 |
| Adjusted EBITDA | | |
| – FCS | 319.9 | 310.1 |
| – FTDS | 170.8 | 154.6 |
| | 490.7 | 464.7 |
| Adjusted EBITDA % of revenue | | |
| – FCS | 15.5% | 15.9% |
| – FTDS | 11.9% | 11.0% |
| – Total | 14.1% | 13.9% |
| Adjusted EBIT | | |
| – FCS | 271.1 | 262.4 |
| – FTDS | 112.4 | 99.7 |
| | 383.5 | 362.1 |
| Adjusted EBIT % of revenue | | |
| – FCS | 13.2% | 13.5% |
| – FTDS | 7.8% | 7.1% |
| – Total | 11.0% | 10.8% |

2. Segment reporting continued

2.2. Revenue by Geography & Customer Concentrations

| | 2017 €m | 2016 €m |
|----------------------------------|----------------|----------------|
| Germany | 369.5 | 382.7 |
| Spain | 158.1 | 176.4 |
| Poland | 151.1 | 159.3 |
| Czech Republic | 122.2 | 107.4 |
| France | 117.1 | 108.2 |
| Turkey | 105.5 | 84.2 |
| Belgium | 101.1 | 75.6 |
| United Kingdom | 82.0 | 100.5 |
| Other | 183.1 | 171.5 |
| Total Europe & Africa | 1,389.7 | 1,365.8 |
| China | 677.6 | 621.9 |
| South Korea | 200.4 | 203.0 |
| Other | 146.6 | 134.7 |
| Total Asia-Pacific | 1,024.6 | 959.6 |
| U.S. | 767.4 | 773.8 |
| Mexico | 213.1 | 161.6 |
| Canada | 14.8 | 17.3 |
| Total North America | 995.3 | 952.7 |
| Total Latin America | 81.3 | 70.5 |
| Total | 3,490.9 | 3,348.6 |

One customer contributed 11.6% of total revenue, across both reporting segments in the year (2016: two customers contributed 10.5% and 11.1%).

2.3. Non-Current Assets and Inventories

| | FCS €m | FTDS €m | Total €m |
|--------------------------------------|-----------|------------|-------------|
| 31 December 2017 | | | |
| Intangible assets excluding goodwill | 352.1 | 196.9 | 549.0 |
| Property, plant and equipment | 375.0 | 311.8 | 686.8 |
| Inventories | 190.5 | 138.8 | 329.3 |
| | | | |
| 31 December 2016 | FCS €m | FTDS €m | Total €m |
| Intangible assets excluding goodwill | 439.2 | 206.4 | 645.6 |
| Property, plant and equipment | 391.0 | 308.7 | 699.7 |
| Inventories | 176.1 | 122.4 | 298.5 |

3. Financial Risk Management

The Board of Directors and key management have overall responsibility for the establishment and oversight of the Group's risk management policies, which are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's capital structure (comprising of debt (Note 24) and equity (Note 20)) is regularly monitored to safeguard its ability to continue as a going concern and to provide returns for shareholders and value added benefits for other stakeholders. The overall debt structure of the Group is designed to meet the strategic objectives of the Company and its shareholders. The level of debt is monitored on an actual and projected basis to ensure compliance with the covenants in the Group's main borrowings facilities.

The Group has exposure to the following significant risks from its activities:

3.1. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The following categories comprise the main credit exposures of the Group:

- Trade and other receivables
- Cash and cash equivalent balances
- Derivatives or other financial instruments

The credit risk for trade and other receivables is normally managed by the operating subsidiaries by reference to credit rating agencies and historic trading experience with customers (further details are available in Note 18).

Cash, which is surplus to normal working capital needs and any approved capital investments in the operating subsidiaries, is managed by Group Treasury.

The use of derivative financial instruments is governed by Group policies and managed by Group Treasury. In most cases, the counterparties are investment grade banks. The portfolio of derivatives is spread across six counterparties with no one dominant financial institution. The credit ratings of the financial institutions used are Baa2 or better.

Guarantees issued by third parties comprise letters of credit and other bank guarantees, nearly all of which are of a stand-by nature. Most of the issuing banks are rated investment grade and these ratings are monitored. If any of these banks became unable to meet their obligations under a guarantee, it is expected that a similar guarantee could be issued by another bank or alternative security provided to the beneficiary.

3.2. Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due. The Group has access to various forms of funding and these are considered sufficient to meet anticipated liquidity requirements. The Directors believe that there is currently no significant risk that the Group will be unable to fund its planned commitments.

Cash flow forecasts of the Group's liquidity requirements are monitored regularly to ensure there is sufficient cash and undrawn committed borrowing facilities to meet operational needs of the Group over the medium term. Surplus cash generated by the operating entities over and above balances required for normal working capital and any approved investment is managed by Group Treasury.

3. Financial Risk Management continued

3.3. Market Risk

Market risk, is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income, expenditure or the value of its holdings of financial instruments. The Group enters into derivative contracts, and incurs financial liabilities, in order to manage market risks.

3.3.1. Foreign Currency Risk

The Group is exposed to currency risk on revenue, purchases, investments and borrowings that are denominated in a currency other than the functional currencies of individual Group entities, which are primarily euro, US dollars, Chinese renminbi and Korean won. Where possible, business entities sell in prices denominated in the same currency as the majority of their costs, to produce a natural hedge. At the reporting date, the majority of cash and cash equivalents in the Group were denominated in Chinese renminbi, euro and US dollars.

The Group uses forward foreign exchange contracts to manage much of the residual transactional currency risk.

Derivative instruments used by the Group to manage foreign currency exposure fall under the following main categories:

Forward foreign exchange contracts – not designated in hedge relationships

The nominal value of these derivatives as at 31 December 2017 was €135.9 million (31 December 2016: €186.9 million) and the aggregate fair value was €1.3 million payable (31 December 2016: €3.1 million payable).

Forward foreign exchange contracts – designated in cash flow hedge relationships

In October 2015, the Group entered into a series of forward foreign exchange contracts and US dollar interest rate swaps with a number of financial institutions. In aggregate, these instruments converted a portion of the drawings under the main borrowing facilities of \$400.0 million at floating interest rates into €355.0 million at a fixed interest rate of 4.2%. The nominal value of the forward foreign exchange contracts in this arrangement as at 31 December 2017 was €616.6 million (31 December 2016: €642.3 million), and their aggregate fair value was €54.0 million payable (31 December 2016: €20.0m receivable). A fair value loss of €66.8 million (31 December 2016: €18.4 million gain), was recorded in other comprehensive income in the year, and a €76.3 million loss (31 December 2016: €30.7 million gain) was subsequently recycled to the income statement. An ineffectiveness loss of €3.2 million (31 December 2016: €1.9 million loss) was recorded in the Income Statement (Note 11).

Forward foreign exchange contracts – designated in net investment hedges

In October 2015, the Group entered into a series of forward foreign exchange contracts to hedge the net investment in the Group's Korean won subsidiary. The nominal value of these derivatives as at 31 December 2017 was KRW 265,893 million (€186.2 million) (31 December 2016: KRW 265,893 million (€186.2 million); and their aggregate fair value was €10.0 million payable (31 December 2016: €6.9 million payable). A fair value loss of €3.2 million (31 December 2016: loss of €0.1 million) was recorded in other comprehensive income in the year for these contracts. No amounts were recycled during the year and there was no ineffectiveness.

Sensitivity analysis

The Group is primarily exposed to changes in euro/KRW exchange rates on its hedging derivatives and associated net investments and euro/US dollar exchange rates on its borrowings and associated hedging instruments.

The Group's exposure to a +/- 1% change in euro/KRW exchange rate would be a €0.3 million profit/€0.3 million loss arising from those euro/KRW contracts that do not qualify for investment hedge accounting. Those euro/KRW contracts that qualified for hedge accounting impact equity; however, that movement would be offset by a substantially equal and opposite movement arising from the Group's exposure to the net investment in KRW subsidiaries.

The sensitivity of profit or loss to changes in the euro/US dollar exchange rates arises from US dollar denominated intercompany financial instruments, which are partially offset by forward foreign exchange contracts designated as cash flow hedges held at the Balance Sheet date. The profit and loss impact associated with these hedges and the related financial instrument exposure is not significant due to the application of hedge accounting.

The Group's net Income Statement exposure to euro/US dollar contracts that do not qualify for hedge accounting and the net unhedged intercompany loans subject to euro/US dollar risk is also insignificant. The sensitivity of the income statement to changes in the euro/US dollar exchange rate has significantly reduced compared to the sensitivity at 31 December 2016, of a €3.6 million profit/€3.6 million loss per 1% change in the euro/US dollar exchange rate. This is due to a large reduction in the Group's unhedged US dollar denominated intercompany loans in the year, which were partially settled from the proceeds of the issue of new share capital.

The Group's Income Statement exposure to other foreign exchange movements is not significant.

3.3.2. Interest Rate Risk

Most of the Group's interest rate risk arises on its main external borrowing facilities. The interest expense arising from the secured term loans, denominated in US dollars and euro, are based on floating rates of respectively, one month US dollar LIBOR (minimum 0.75%) +2.75% p.a. and three month EURIBOR (minimum 0.75%) +3.0% p.a. The interest expense arising from unsecured US dollar notes has a fixed coupon of 8.75%. On 23 January 2018, the Group met certain additional borrowings criteria which enabled it to further reduce the interest rate payable on the US term loan by 0.25% p.a. to US\$ LIBOR (minimum 0.75% p.a.) +2.5% p.a., and the euro term loan by 0.25% p.a. to EURIBOR (minimum 0.75% p.a.) +2.75% p.a., both effective from 30 December 2017.

Interest rate swaps

As noted above, the Group has used interest rate swaps to manage the risk and used such contracts, together with the forward foreign exchange contracts to fix in €355.0 million of debt at 4.2%. The notional value of the interest rate swaps as at 31 December 2017 was \$400.0 million (31 December 2016: \$400.0 million) and their fair value was €7.0 million receivable (31 December 2016: €5.2 million receivable). In aggregate, a fair value gain of €1.9 million (31 December 2016: €1.9 million loss) has been recorded in other comprehensive income during the year and a €0.7 million loss (31 December 2016: €2.9 million loss) was subsequently recycled to the income statement. No ineffectiveness was recorded in the income statement.

Interest rate floors

The aggregate fair value of these derivatives as at 31 December 2017 was €3.9 million payable (31 December 2016: €4.5 million payable).

Sensitivity analysis

If interest rates had been 100 bps higher or lower with all other variables held constant, after taking account of hedging arrangements, the pre-tax profit or loss on an annual basis would be respectively, €3.7 million lower, or €3.0 million higher. There would be no significant impact on equity.

4. Revenue

4.1. Geographic analysis: Revenue by origin

| | 2017 €m | 2016 €m |
|-------------------|----------------|----------------|
| Europe and Africa | 1,389.7 | 1,365.8 |
| Asia Pacific | 1,024.6 | 959.6 |
| North America | 995.3 | 952.7 |
| Latin America | 81.3 | 70.5 |
| | 3,490.9 | 3,348.6 |

4.2. Geographic analysis: Revenue by destination

| | 2017 €m | 2016 €m |
|-------------------|----------------|----------------|
| Europe and Africa | 1,382.8 | 1,356.2 |
| Asia Pacific | 1,023.9 | 964.6 |
| North America | 998.2 | 953.0 |
| Latin America | 86.0 | 74.8 |
| | 3,490.9 | 3,348.6 |

5. Cost of Sales, Distribution Costs and Administrative Expenses

5.1. Total cost of sales, distribution costs and administrative expenses

| | 2017 €m | 2016 €m |
|---|----------------|------------|
| Cost of sales | 2,928.5 | 2,801.1 |
| Distribution costs | 103.7 | 103.6 |
| Administrative expenses | 218.0 | 211.8 |
| Total cost of sales, distribution costs and administrative expenses, including exceptional items | 3,250.2 | 3,116.5 |

The nature of costs included in cost of sales, distribution costs and administrative expenses is as follows:

| | Notes | 2017 €m | 2016 €m |
|--|-------|----------------|------------|
| Materials and other operating costs | | 1,957.4 | 1,880.7 |
| Personnel costs | 6.1 | 843.7 | 806.5 |
| Depreciation, amortisation and impairment charges | | 194.9 | 194.9 |
| Operating lease payments | | 48.6 | 45.7 |
| Utilities | | 60.1 | 57.7 |
| Repairs and maintenance | | 49.6 | 56.0 |
| Freight inward, including customs duties | | 66.8 | 59.2 |
| Exceptional costs excluding share option costs | 9 | 29.1 | 15.8 |
| Total cost of sales, distribution costs and administrative expenses | | 3,250.2 | 3,116.5 |

Personnel costs include share option costs (Note 7).

Administrative expenses comprise the costs of the Group's administration, commercial and finance functions, along with all other corporate operating costs.

5.2. Research and development expenditure

Research and development expenditure before third party income, comprised:

| | Notes | 2017 €m | 2016 €m |
|---|-------|-------------|------------|
| Research and development expenses | | 43.0 | 46.9 |
| Capitalised development expenses | 14.2 | 33.6 | 26.1 |
| Total research and development expenditure | | 76.6 | 73.0 |

6. Personnel Costs and Numbers

6.1. Personnel costs

| | Notes | 2017 €m | 2016 €m |
|---|-------|--------------|------------|
| Wages and salaries (including termination benefits) | | 688.7 | 661.2 |
| Share option costs | 7 | 11.3 | 7.4 |
| Social security costs | | 137.4 | 124.4 |
| Pension and other post-employment costs: defined benefit current service cost | 26.2 | 7.7 | 7.0 |
| Pension and other post-employment costs: defined benefit curtailment gain | 26.2 | (7.7) | – |
| Pension and other post-employment costs: defined contribution | | 6.3 | 6.5 |
| Total personnel costs | | 843.7 | 806.5 |

Wages and salaries costs in the year include employee severance amounts totalling €3.0 million (2016: €2.6 million).

6.2. Transactions with Key Management Personnel

Key management personnel comprise the Board of Directors and key officers who report directly to the Chief Executive Officer. The total number of key management personnel was 14 (31 December 2016: 13).

At no time during 2017 or 2016 were any loans to key management personnel made by the Group.

| | 2017 €m | 2016 €m |
|--|-------------|-------------|
| Compensation of key management personnel | | |
| Short-term employee benefits | 12.5 | 12.9 |
| Post-employment benefits | 0.1 | 0.1 |
| Share option cost | 3.7 | 6.0 |
| Total | 16.3 | 19.0 |

There was €8.4 million of compensation outstanding at 31 December 2017 (2016: €9.0 million). In addition to salaries, the Group also provides non-cash benefits to key management personnel and contributes to post-employment pension plans on their behalf.

In addition to the above compensation, key management personnel received one-off IPO-related remuneration totalling €8.6 million, resulting in total short-term remuneration for 2017 of €21.1 million. Similarly, due to the IPO, the share option cost of €4.3 million was accelerated, resulting in a total share option cost for 2017 of €8.0 million.

6.3. Personnel numbers

| | 2017 | 2016 |
|---|---------------|---------------|
| Average monthly number of people employed by function | | |
| Direct production | 15,290 | 14,739 |
| Indirect operational | 7,714 | 7,438 |
| Commercial and administration | 1,558 | 1,525 |
| Total | 24,562 | 23,702 |

In addition to the above, the Group employed an average of 3,529 agency and other temporary workers during the year (2016: 3,330) whose costs were included in other operating costs.

7. Share-based Compensation

The Omega Holdco II Ltd 2015 Equity Incentive Plan (the 'Plan') was adopted on 30 June 2015 under which the Company granted options over its shares to selected key executives of the Group. The contractual life of an option is 10 years. The options are split equally between those with time-based vesting features and those with both time-based and performance-based vesting features. Time-based options have a five-year vesting period with 20% of the options vesting on the first anniversary of a grant made under the Plan and 1.6667% monthly thereafter. Performance-based options have the same vesting period as time-based options, subject to certain performance conditions occurring such that the sponsor, the 'funds managed by Bain Capital' (affiliates of and funds advised by Bain Capital LLC) achieves two times cash proceeds relative to its equity investment, provided that such return is measurable in cash or marketable securities.

Exercise of an option is subject to certain employment and other related conditions. Options were valued using the Black-Scholes option-pricing model.

At the start of the year total share options outstanding were 35,495,935. During the year 2,667,097 were granted and 980,550 forfeited up to the Initial Public Offering (the 'IPO').

Prior to the IPO, the Plan was cancelled by form of an agreement with all option holders. At cancellation option holders were compensated by a mix of shares issued or replacement awards in the form of Restricted Stock Awards ('RSA') or Restricted Stock Units ('RSU').

A total of 2,623,412 RSAs and 1,054,838 RSUs were granted and outstanding at the end of the year and represent the only remaining element of the share incentive scheme. These replacement awards will vest in 50% equal allocations on 1 December 2018 and 1 December 2019, subject to the participants continued employment with the Company through the applicable vesting date.

In accordance with IFRS 2, the Replacement Awards have been Fair Valued at date of replacement and compared to the Fair Value of the Plan options on cancellation. No incremental additional charge was required. The remaining share option cost will be charged over the vesting period of the Replacement Awards.

The total charge for the year for share option awards was €11.3 million (2016: €7.4 million). This included an accelerated cost €5.9 million on the cancellation of the Plan. All share option costs, including accelerated costs, up to the point of IPO are included in exceptional administrative expenses (Note 9), post IPO share option costs are treated as an operating expense.

8. Directors' Remuneration

The Directors' emoluments, fees, payments for service, compensation for cancelled shares under long-term incentive schemes, and pension benefits are disclosed in the Remuneration report. See page 56.

9. Exceptional Items

| | Notes | 2017 €m | 2016 €m |
|--|-------|---------------|------------|
| Share option costs prior to the IPO | | (11.1) | (7.4) |
| Restructuring costs | | (3.4) | – |
| Transaction costs | | – | (0.7) |
| Acquisition costs | | – | (1.7) |
| IPO 2016 expenses | | 1.5 | (13.4) |
| IPO 2017 expenses | | (27.2) | – |
| Administrative expenses | | (40.2) | (23.2) |
| Early redemption premium on voluntary repayments of borrowings | 24.4 | (17.7) | – |
| Unamortised issuance discounts and fees expensed on voluntary repayments of borrowings | 24.4 | (8.7) | – |
| Finance expense | | (26.4) | – |
| Income tax benefit | 12 | 25.4 | – |
| Total exceptional expense recognised in Income Statement | | (41.2) | (23.2) |
| Income tax expense recognised in Statement of Comprehensive Income | 12 | (15.0) | – |
| Total exceptional expense | | (56.2) | (23.2) |

Share option costs incurred prior to the IPO in October 2017 are considered exceptional as they represent compensation arrangements made to incentivise staff in relation to transactions undertaken by the Group and its shareholders.

Restructuring costs of €3.4 million in the year relate to the exit of operations in Australia.

Acquisition costs for the year ended 31 December 2016 comprise €1.7 million in relation to the acquisition of Millennium Industries Corporation.

IPO expenses for the year consist of €27.2 million in relation to costs incurred during 2017, offset by a €1.5 million reversal in the prior year accrual (2016: €13.4 million). These costs were incurred in preparing the Company for the IPO.

The exceptional net finance expense relates to voluntary repayments of borrowings and comprises an early redemption premium of €17.7 million and the expense of unamortised issuance discounts and fees of €8.7 million (see Note 24.4).

As a result of the US Tax Cuts and Jobs Act of 2017, the Group recognised €25.4 million of exceptional deferred tax benefit in the Income Statement and €15.0 million of exceptional deferred tax charge in the Statement of Comprehensive Income to reflect the new US corporate tax rate of 21% and other tax reform changes, offset by €0.6 million of one-time transition tax on accumulated foreign earnings.

10. Other Income

| | 2017 €m | 2016 €m |
|--|------------|------------|
| Government grants | 1.4 | 1.5 |
| Insurance claims | – | 1.7 |
| Gains/(losses) on disposal of non-current assets | 0.2 | (0.3) |
| Other miscellaneous items | 6.1 | 3.6 |
| Total other income | 7.7 | 6.5 |

11. Finance Income and Expense

| | Notes | 2017 €m | 2016 €m |
|---|-------|----------------|----------------|
| Finance income | | | |
| Interest on short-term deposits, other financial assets and other interest income | | 1.9 | 1.6 |
| Fair value gain on derivatives and foreign exchange contracts not in hedged relationships | | 9.3 | 8.5 |
| Finance income | | 11.2 | 10.1 |
| Finance expense | | | |
| Interest payable on term loans including expensed fees | | (56.9) | (69.3) |
| Interest payable on unsecured senior notes including expensed fees | | (33.3) | (37.2) |
| Net interest expense of retirement benefit obligations | 26.2 | (5.7) | (5.8) |
| Fair value net losses on financial instruments: ineffectiveness | | (3.2) | (1.9) |
| Utilisation of discount on provisions and other finance expense | | (1.0) | (1.0) |
| Finance expense excluding exceptional items | | (100.1) | (115.2) |
| Early redemption premium on voluntary repayments of borrowings | 24.4 | (17.7) | – |
| Unamortised issuance discounts and fees expensed on voluntary repayments of borrowings | 24.4 | (8.7) | – |
| Exceptional finance expense | | (26.4) | – |
| Total finance expense | | (126.5) | (115.2) |
| Total net finance expense after exceptional items | | (115.3) | (105.1) |
| | | | |
| Fees included in interest payable under the effective interest method | | €m | €m |
| Fees included in interest payable on term loans | | (7.5) | (7.5) |
| Fees included in interest payable on unsecured senior notes | | (1.4) | (1.6) |
| | | | |
| Fees expensed in exceptional net finance expense | | €m | €m |
| Fees expensed in respect of term loans | | (4.2) | – |
| Fees expensed in respect of unsecured senior notes | | (4.5) | – |

12. Income Tax

12.1. Income Tax Expense

| | 2017 €m | 2016 €m |
|---|---------------|---------------|
| Current tax on profit for the year | (89.6) | (76.2) |
| Adjustments in respect of prior years | (5.1) | 6.2 |
| Total current tax expense | (94.7) | (70.0) |
| Origination and reversal of temporary deferred tax differences | 26.5 | (18.9) |
| Exceptional – Impact of change in US tax rate | 25.4 | – |
| Total deferred tax benefit/(expense) | 51.9 | (18.9) |
| Income tax expense – Income Statement | (42.8) | (88.9) |
| Origination and reversal of temporary deferred tax differences | 0.1 | (2.0) |
| Exceptional – Impact of change in US tax rate | (15.0) | – |
| Income tax expense – Statement of Comprehensive Income | (14.9) | (2.0) |
| Total income tax expense | (57.7) | (90.9) |
| Previously de-recognised deferred tax assets in the year | | |
| | 2017 €m | 2016 €m |
| Income statement | 4.7 | 0.5 |
| Statement of Comprehensive Income | 2.0 | (0.5) |
| Previously de-recognised deferred tax assets in the year | 6.7 | – |

Deferred tax assets originating from tax loss carry forwards mainly relate to Canada and France as at 31 December 2017. Forecasts for Canada and France demonstrate several years of continued future profitability and both have consistent expectations of future financial performance. As a result management believe that the current tax losses will be utilised.

As a result of the US Tax Cuts and Jobs Act of 2017, the Group recognised €25.4 million of exceptional deferred tax benefit in the Income Statement and €15.0 million of exceptional deferred tax charge in the Statement of Comprehensive Income to reflect the new US corporate tax rate of 21% and other tax reform changes, offset by €0.6 million of one-time transition tax on accumulated foreign earnings.

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:

| | 2017 €m | 2016 €m |
|--|---------------|---------------|
| Profit before income tax | 158.0 | 132.8 |
| Income tax calculated at UK statutory tax rate of 19.25% (2016: 20%) applicable to profits in respective countries | (30.4) | (26.6) |
| Tax effects of: | | |
| Overseas tax rates (excluding associates) | (23.1) | (19.3) |
| Income not subject to tax – other and UK foreign exchange gain | 14.1 | 7.1 |
| Expenses not deductible for tax purposes – other and UK non-deductible interest | (25.7) | (14.2) |
| Expenses not deductible for tax purposes – transaction costs | (9.0) | (2.9) |
| Temporary differences on unremitted earnings | 5.9 | (10.9) |
| Specific tax provisions | (2.2) | (3.3) |
| Unrecognised deferred tax assets | (7.5) | (16.3) |
| Other taxes | (11.5) | (6.8) |
| Adjustment in respect of prior years – current tax adjustments | (5.1) | 6.2 |
| Adjustment in respect of prior years – deferred tax adjustments | 16.2 | (5.2) |
| Impact of changes in tax rate | 2.2 | 0.5 |
| Exceptional – impact of change in US tax rate | 25.4 | – |
| Double Tax Relief and Other Tax Credits | 7.9 | 2.8 |
| Income tax expense – Income Statement | (42.8) | (88.9) |
| Deferred tax credit/(expense) on re-measurement of retirement benefit obligations | 0.1 | (2.0) |
| Exceptional – impact of change in US tax rate | (15.0) | – |
| Income tax expense – Statement of Comprehensive Income | (14.9) | (2.0) |
| Total tax expense | (57.7) | (90.9) |

Other taxes comprised various local taxes of €4.2 million (2016: €3.0 million), including US Transition Tax for 2017, together with taxes withheld on dividend, interest and royalty remittances totalling €7.3 million (2016: €3.8 million).

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.

12.2. Current Income Tax Assets and Liabilities

| | 2017 €m | 2016 €m |
|------------------------------------|------------|------------|
| Current income tax assets | 8.2 | 9.6 |
| Current income tax liabilities | (69.6) | (71.3) |
| Net current income tax liabilities | (61.4) | (61.7) |

IFRIC agenda decision

During September 2017, the IFRS Interpretations Committee issued an agenda decision on interest and penalties related to income taxes. The decision refers to previous agenda decisions regarding what is an income tax and also states that any interest and penalty related to income tax should be accounted for in accordance with either IAS 12 'Income taxes' or IAS 37 'Provisions, contingent liabilities and contingent assets'. Following a review of the Group's uncertain tax positions and taking into consideration the comments from the agenda decision, the Group determined that €4.8 million of interest payable related to the uncertain tax positions should be reclassified on the balance sheet from the current tax payable account to the interest payable account. Therefore, the balance sheet at 31 December 2017 reflects this position.

Uncertain tax positions

The Group maintains a provision for uncertain tax positions. At 31 December 2017, the balance stands at €44.1 million after reclassification of €4.8 million of interest payable (2016: €53.6 million). As each uncertain tax provision is considered more likely than not to materialise, settlement of the issues that have been provided should not result in a material impact to the effective tax rate. In the event that a favourable/unfavourable conclusion is reached on an uncertain tax position, this would have a favourable/unfavourable impact on the Group's effective tax rate.

12.3. Deferred Tax Assets and Liabilities

| | 2017 €m | 2016 €m |
|------------------------------|------------|------------|
| Deferred tax assets | 51.0 | 69.9 |
| Deferred tax liabilities | (159.8) | (221.5) |
| Net deferred tax liabilities | (108.8) | (151.6) |

12.3.1. Movement on Net Deferred Tax Liabilities

| | 2017 €m | 2016 €m |
|--|----------------|----------------|
| At 1 January | (151.6) | (100.5) |
| Deferred tax liability on Millennium acquisition uplifts (Note 29.1) | – | (30.0) |
| Income statement benefit/(expense) | 26.5 | (18.9) |
| Exceptional income statement benefit – impact of change in US tax rate | 25.4 | – |
| Tax on remeasurement of retirement benefit obligations | 0.1 | (2.0) |
| Exceptional tax on remeasurement of retirement benefit obligations – impact of change in US tax rate | (15.0) | – |
| Currency translation | 5.8 | (0.2) |
| At 31 December | (108.8) | (151.6) |

Notes to the Group financial statements

continued

12. Income Tax continued

12.3.2. Gross Deferred Tax Assets and Liabilities

The analysis of deferred tax assets and liabilities below represents gross amounts before netting of deferred tax assets and liabilities in certain tax jurisdictions as reflected in the table in 12.3 above.

| Gross deferred tax assets and liabilities | Assets | | | | Liabilities | | | | | Total €m |
|--|--|------------------------------------|------------------|---------------------------------|--|-------------------------------|---|-----------------|---------------------------|-------------|
| | Provision for pensions and employee benefits €m | Deferred interest deductions €m | Tax losses €m | Other specific provisions €m | Excess depreciation on fixed assets and goodwill €m | Development intangibles €m | Acquisition related intangible assets €m | Loan fees €m | Unremitted earnings €m | |
| At 1 January 2017 | 70.3 | 36.2 | 21.0 | 22.4 | (86.4) | (25.6) | (150.9) | – | (38.6) | (151.6) |
| Included in the Income Statement | (2.9) | (8.1) | 2.1 | 7.7 | 3.1 | (2.0) | 20.1 | (8.1) | 14.6 | 26.5 |
| Exceptional impact of change in US tax rate | (2.7) | (9.2) | – | (0.7) | 14.4 | 2.2 | 18.5 | 2.9 | – | 25.4 |
| Included in other comprehensive income | 0.1 | – | – | – | – | – | – | – | – | 0.1 |
| Exceptional impact in other comprehensive income – impact of change in US tax rate | (15.0) | – | – | – | – | – | – | – | – | (15.0) |
| Currency translation | (6.2) | (3.4) | (0.7) | (2.0) | 5.3 | 0.9 | 9.5 | 0.3 | 2.1 | 5.8 |
| At 31 December 2017 | 43.6 | 15.5 | 22.4 | 27.4 | (63.6) | (24.5) | (102.8) | (4.9) | (21.9) | (108.8) |

| Gross deferred tax assets and liabilities | Assets | | | | Liabilities | | | | | Total €m |
|--|--|------------------------------------|------------------|---------------------------------|--|-------------------------------|---|-----------------|---------------------------|-------------|
| | Provision for pensions and employee benefits €m | Deferred interest deductions €m | Tax losses €m | Other specific provisions €m | Excess depreciation on fixed assets and goodwill €m | Development intangibles €m | Acquisition related intangible assets €m | Loan fees €m | Unremitted earnings €m | |
| At 1 January 2016 | 70.2 | 47.0 | 31.5 | 29.0 | (83.0) | (25.5) | (143.7) | – | (26.0) | (100.5) |
| Deferred tax on Millennium acquisition uplifts | – | – | – | (0.2) | (2.3) | – | (27.5) | – | – | (30.0) |
| Included in the Income Statement | 0.4 | (11.7) | (11.0) | (6.0) | 0.6 | 0.1 | 21.3 | – | (12.6) | (18.9) |
| Included in other comprehensive income | (2.0) | – | – | – | – | – | – | – | – | (2.0) |
| Currency translation | 1.7 | 0.9 | 0.5 | (0.4) | (1.7) | (0.2) | (1.0) | – | – | (0.2) |
| At 31 December 2016 | 70.3 | 36.2 | 21.0 | 22.4 | (86.4) | (25.6) | (150.9) | – | (38.6) | (151.6) |

12.4. Unrecognised Deferred Tax Assets

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2017, the Group did not recognise deferred income tax assets (net of specific tax provisions) of €113.2 million (31 December 2016: €115.8 million). This is principally represented by gross tax losses in respect of which no deferred income tax asset was recognised (before the netting of specific provisions) amounting to €549.8 million (31 December 2016: €560.3 million) that can be carried forward against future taxable income. All tax losses referred to above can be carried forward without time limitation (UK, Brazil and Australia).

13. Earnings Per Share

13.1. Basic and Diluted Earnings Per Share

The calculation of earnings per share ('EPS') has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

| € (in cents) | 2017 | 2016 |
|-----------------------------------|--------------|-------|
| Basic earnings per share | 29.55 | 12.05 |
| Diluted earnings per share | 29.52 | 11.52 |

Profit attributable to ordinary shareholders

| €m | 2017 | 2016 |
|-------------------------------------|--------------|------|
| Earnings used in basic EPS | 112.5 | 42.2 |
| Earnings used in diluted EPS | 112.5 | 42.2 |

Weighted average number of ordinary shares (basic)

| Number of shares (in millions) | 2017 | 2016 |
|---|--------------|-------|
| Weighted average number of ordinary shares as at 1 January | 350.1 | 350.1 |
| Effect of new shares issued on IPO | 30.6 | – |
| Weighted average number of ordinary shares as at 31 December | 380.7 | 350.1 |

Weighted average number of ordinary shares (diluted)

| Number of shares (in millions) | 2017 | 2016 |
|--|--------------|-------|
| Weighted average of ordinary shares (basic) | 380.7 | 350.1 |
| Effect of share options outstanding as at 31 December | 0.4 | 16.3 |
| Weighted average number of shares as at 31 December (diluted) | 381.1 | 366.4 |

13.2. Pro forma Adjusted Basic Earnings per Share

For the purpose of Pro forma Adjusted Basic EPS for the years ended 31 December 2017 and 31 December 2016, the average number of ordinary shares is stated as if the IPO had occurred at the beginning of the 2016 financial year.

Pro forma Adjusted Basic EPS is defined as Adjusted Net Income divided by the number of shares in issue at the current balance sheet date.

A reconciliation of Adjusted Net Income can be found in the Financial Review.

| € (in cents) | 2017 (pro forma) | 2016 (pro forma) |
|--|---------------------|---------------------|
| Pro forma Adjusted Basic Earnings Per Share | 26.18 | 14.27 |

Earnings used in Pro forma Adjusted Basic Earnings Per Share

| €m | 2017 (pro forma) | 2016 (pro forma) |
|--|---------------------|---------------------|
| Earnings used in Pro forma Adjusted Basic EPS | 136.0 | 74.1 |

Pro forma Adjusted Basic weighted average number of ordinary shares

| Number of shares (in millions) | 2017 (pro forma) | 2016 (pro forma) |
|--|---------------------|---------------------|
| Pro forma average number of ordinary shares as at 1 January | 519.4 | 519.4 |
| Pro forma average number of ordinary shares as at 31 December | 519.4 | 519.4 |

14. Intangible Assets

| | 2017 €m | 2016 €m |
|---|----------------|----------------|
| Goodwill | 724.9 | 767.2 |
| Capitalised development expenses, computer software and licences, technology and customer platforms | 549.0 | 645.6 |
| Total intangible assets | 1,273.9 | 1,412.8 |

14.1. Goodwill

| | €m |
|---|--------------|
| Cost at 1 January 2017 | 767.2 |
| Currency translation | (42.3) |
| Cost at 31 December 2017 | 724.9 |
| Accumulated impairment at 1 January 2017 | – |
| Accumulated impairment at 31 December 2017 | – |
| Net book value at 31 December 2017 | 724.9 |

| | €m |
|--|-------|
| Cost at 1 January 2016 | 707.5 |
| Arising on acquisition (Note 29) | 57.1 |
| Currency translation | 2.6 |
| Cost at 31 December 2016 | 767.2 |
| Accumulated impairment at 1 January 2016 | – |
| Accumulated impairment at 31 December 2016 | – |
| Net book value at 31 December 2016 | 767.2 |

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

| | Capitalised development expenses €m | Computer software, and licences €m | Technology €m | Customer Platforms €m | Total €m |
|---|--|---------------------------------------|------------------|--------------------------|--------------|
| Cost at 1 January 2017 | 141.4 | 10.1 | 137.2 | 496.8 | 785.5 |
| Accumulated amortisation | (27.6) | (5.0) | (46.4) | (60.9) | (139.9) |
| Net book value at 1 January 2017 | 113.8 | 5.1 | 90.8 | 435.9 | 645.6 |
| Additions | 33.6 | 2.1 | – | – | 35.7 |
| Disposals | (0.5) | – | – | – | (0.5) |
| Amortisation charge | (20.0) | (2.3) | (30.5) | (41.8) | (94.6) |
| Impairments | (1.5) | – | – | – | (1.5) |
| Currency translation | (4.1) | 0.5 | (4.4) | (27.7) | (35.7) |
| Net book value at 31 December 2017 | 121.3 | 5.4 | 55.9 | 366.4 | 549.0 |
| Cost at 31 December 2017 | 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 31 December 2017 | 121.3 | 5.4 | 55.9 | 366.4 | 549.0 |

| | Capitalised development expenses €m | Computer software, and licences €m | Technology €m | Customer Platforms €m | Total €m |
|------------------------------------|--|---------------------------------------|------------------|--------------------------|-------------|
| Cost at 1 January 2016 | 114.2 | 5.4 | 127.9 | 433.4 | 680.9 |
| Accumulated amortisation | (8.3) | (0.8) | (15.2) | (18.3) | (42.6) |
| Net book value at 1 January 2016 | 105.9 | 4.6 | 112.7 | 415.1 | 638.3 |
| Acquisition of Millennium | – | – | 10.8 | 61.8 | 72.6 |
| Additions | 26.1 | 1.5 | – | – | 27.6 |
| Amortisation charge | (18.6) | (2.6) | (30.8) | (40.4) | (92.4) |
| Impairments | (0.5) | – | – | – | (0.5) |
| Currency translation | 0.9 | 1.6 | (1.9) | (0.6) | – |
| Net book value at 31 December 2016 | 113.8 | 5.1 | 90.8 | 435.9 | 645.6 |
| Cost at 31 December 2016 | 141.4 | 10.1 | 137.2 | 496.8 | 785.5 |
| Accumulated amortisation | (27.6) | (5.0) | (46.4) | (60.9) | (139.9) |
| Net book value at 31 December 2016 | 113.8 | 5.1 | 90.8 | 435.9 | 645.6 |

The above amortisation charge was included within cost of sales.

14.3. Impairment Tests for Goodwill and Intangibles

The purchase of TIFS Holdings Ltd ('TIFSHL') on 30 June 2015, which was the previous Parent Company of the Group, and the consequent fair valuation of assets and liabilities, resulted in total goodwill recognition of €711.1 million and intangibles of €663.2 million. The purchase of Millennium Industries Corporation on 16 February 2016 resulted in total goodwill recognition of €57.1 million and intangibles of €72.6 million (see Note 29).

Goodwill and intangibles are monitored by management at the operating division level and then the geographic sub-division level. Goodwill and intangibles amount to €665.5 million and €351.5 million respectively for FCS (31 December 2016: €706.4 million and €439.2 million), and €59.4 million and €197.6 million respectively for FTDS (31 December 2016: €60.8 million and €206.4 million).

The geographic split by cash-generating unit ('CGU') of goodwill within FCS is: Asia Pacific €237.9 million (31 December 2016: €249.5 million), North America €209.2 million (31 December 2016: €238.5 million) and Europe €218.4 million (31 December 2016: €218.4 million).

Goodwill is deemed to have an indefinite useful life. It is currently carried at cost and reviewed annually for impairment. Intangibles assets are amortised over their useful economic life, which range from 3 to 25 years.

The annual impairment test is a comparison of the carrying value of the non-financial assets of a business or CGU to their recoverable amount. Where the recoverable amount is less than the carrying value, an impairment results.

During the year, the non-financial assets of the Group were tested for impairment, with all CGUs demonstrating a recoverable amount in excess of their carrying value and therefore no impairment charge has been recorded.

The recoverable amount for the CGUs has been determined based on a value in use calculation. These calculations use post tax cash flow projections from financial plans approved by the Board, covering a five-year period, plus a terminal value.

The range of discount and growth rates used were as follows:

| Range of rates % | 2017 | 2016 |
|-------------------------------|---------------------|--------------|
| Discount rates | | |
| – FCS | 11.75–20.25% | 11.00–21.00% |
| – FTDS | 12.00–19.25% | 11.50–18.00% |
| Long-term growth rates | | |
| – FCS | 2.50–8.00% | 2.50–8.00% |
| – FTDS | 2.50–6.00% | 2.50–6.00% |

For FCS Latin America, management also estimated the carrying value under the fair value less costs of disposal model, using industry bench-marked EBITDA multiples. The Group believes that any reasonably probable change in the assumptions would not cause the carrying value of non-financial assets within the respective CGUs to exceed their recoverable amount.

15. Property, Plant and Equipment

15.1. Movements in Property, Plant and Equipment

| | Land and buildings €m | Plant, machinery and equipment €m | Assets in the course of construction €m | Total €m |
|---|--------------------------|--------------------------------------|--|--------------|
| Cost | 174.8 | 595.0 | 69.6 | 839.4 |
| Accumulated depreciation | (9.0) | (130.7) | – | (139.7) |
| Net book value at 1 January 2017 | 165.8 | 464.3 | 69.6 | 699.7 |
| Additions | 1.8 | 54.9 | 65.6 | 122.3 |
| Disposals | (0.4) | (0.4) | (0.2) | (1.0) |
| Impairments | – | (1.1) | – | (1.1) |
| Transfers between categories | (1.0) | 34.7 | (33.7) | – |
| Depreciation charge | (5.2) | (92.5) | – | (97.7) |
| Currency translation | (6.9) | (22.6) | (5.9) | (35.4) |
| Net book value at 31 December 2017 | 154.1 | 437.3 | 95.4 | 686.8 |
| Cost | 167.6 | 648.1 | 95.4 | 911.1 |
| Accumulated depreciation | (13.5) | (210.8) | – | (224.3) |
| Net book value at 31 December 2017 | 154.1 | 437.3 | 95.4 | 686.8 |

| | Land and buildings €m | Plant, machinery and equipment €m | Assets in the course of construction €m | Total €m |
|------------------------------------|--------------------------|--------------------------------------|--|-------------|
| Cost | 168.7 | 484.9 | 67.9 | 721.5 |
| Accumulated depreciation | (3.3) | (42.3) | – | (45.6) |
| Net book value at 1 January 2016 | 165.4 | 442.6 | 67.9 | 675.9 |
| Acquisition of Millennium | 1.4 | 9.8 | – | 11.2 |
| Additions | 3.0 | 82.6 | 23.7 | 109.3 |
| Disposals | (0.1) | (0.7) | (0.4) | (1.2) |
| Impairments | – | (0.2) | – | (0.2) |
| Transfers between categories | 2.9 | 20.1 | (23.0) | – |
| Depreciation charge | (8.2) | (93.6) | – | (101.8) |
| Currency translation | 1.4 | 3.7 | 1.4 | 6.5 |
| Net book value at 31 December 2016 | 165.8 | 464.3 | 69.6 | 699.7 |
| Cost | 174.8 | 595.0 | 69.6 | 839.4 |
| Accumulated depreciation | (9.0) | (130.7) | – | (139.7) |
| Net book value at 31 December 2016 | 165.8 | 464.3 | 69.6 | 699.7 |

15.2. Depreciation Charge

The depreciation charge is analysed below:

| | 2017 €m | 2016 €m |
|----------------------------------|-------------|--------------|
| Cost of sales | 93.9 | 98.3 |
| Distribution costs | 1.3 | 1.2 |
| Administrative expenses | 2.5 | 2.3 |
| Total depreciation charge | 97.7 | 101.8 |

15.3. Leased Assets

Leased assets included above comprised:

| | 2017 €m | 2016 €m |
|---------------------------|-------------|-------------|
| Land and buildings | | |
| Cost | 23.4 | 25.1 |
| Accumulated depreciation | (4.5) | (4.1) |
| At 31 December | 18.9 | 21.0 |

The depreciation charge for leased assets in the year was €1.8 million (2016: €4.2 million). The Group's obligations under finance leases (Note 24.6) are secured by the lessors' title to the leased assets.

16. Investments in Associates

The Group's only associated undertaking is SeAH FS Co., Ltd ('SeAH FS'). The Group holds 20% of the issued ordinary shares. SeAH FS is registered in South Korea and is engaged in manufacturing and engineering. Its financial year-end is 31 December and its registered address is 180-15 Kebong-Dong Young, Deoungpo-Gu, Seoul. SeAH FS is a private company, and there is no quoted price available for its shares. There are no contingent liabilities relating to the Group's investment.

There were no sales of goods by the Group to SeAH FS in either 2017 or 2016. Purchases of goods by the Group from SeAH FS in the year totalled €19.6 million (2016: €21.6 million).

| | 2017 €m | 2016 €m |
|---|--------------|------------|
| Movements in investment in associate | | |
| Balance at 1 January | 19.4 | 18.2 |
| Share of profit for the year | 0.3 | 1.3 |
| Dividends paid | (0.4) | (0.2) |
| Currency translation | (0.1) | 0.1 |
| Balance at 31 December | 19.2 | 19.4 |

| | 2017 €m | 2016 €m |
|--|-------------|------------|
| Group proportional share of associate's net income (20% share) | | |
| Revenue | 24.6 | 25.9 |
| Earnings before interest and income taxes (EBIT) | 0.3 | 1.5 |
| Share of associate net profit for the year | 0.2 | 1.2 |
| Other net income for the year | 0.1 | 0.1 |
| Comprehensive income for the year recognised in the Group Income Statement | 0.3 | 1.3 |

| | 2017 €m | 2016 €m |
|--|--------------|------------|
| Group proportional share of associate's net assets (20% share) | | |
| Current assets | 13.0 | 14.1 |
| Non-current assets | 17.2 | 17.9 |
| Total assets | 30.2 | 32.0 |
| Current liabilities | (3.1) | (4.4) |
| Non-current liabilities | (0.9) | (1.0) |
| Total liabilities | (4.0) | (5.4) |
| Shareholders' funds (before fair value adjustment on acquisition) | 26.2 | 26.6 |

The summarised financial information is based on the audited financial statements of SeAH FS for 2016 and the unaudited financial statements of SeAH FS for 2017. The functional currency of SeAH FS is Korean won, which has been converted to euro at prevailing exchange rates.

17. Inventories

| | 2017 €m | 2016 €m |
|---------------------------|--------------|------------|
| Raw materials | 136.6 | 135.0 |
| Work-in-progress | 37.2 | 32.9 |
| Finished goods | 39.3 | 39.0 |
| Tooling under development | 85.3 | 61.8 |
| Consumables | 30.9 | 29.8 |
| Total inventories | 329.3 | 298.5 |

Consignment inventories from external suppliers held on the Group's premises at 31 December 2017 amounted to €20.4 million (2016: €19.7 million) and are excluded from the balances above.

The value of inventories has been assessed on the basis of fair value, in determining that the carrying value is the lower of cost less any related selling costs and net realisable value.

The cost of inventories recognised as an expense in cost of sales during the year was €1,644.8 million (2016: €1,550.4 million), including €6.2 million relating to write-downs of inventory to net realisable value (2016: €4.7 million).

18. Trade and Other Receivables

| | 2017 €m | 2016 €m |
|-----------------------------------|--------------|--------------|
| Trade receivables | 530.8 | 552.6 |
| Allowance for doubtful debts | (2.7) | (2.1) |
| Net trade receivables | 528.1 | 550.5 |
| Prepayments | 70.1 | 71.7 |
| Other receivables | 3.5 | 3.8 |
| Total trade and other receivables | 601.7 | 626.0 |
| Non-current | 13.4 | 12.9 |
| Current | 588.3 | 613.1 |

Trade receivables disclosed above include amounts that are overdue at the end of the year for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

18.1. Aged Analysis of Net Trade Receivables

| | 2017 €m | 2016 €m |
|------------------------------|--------------|--------------|
| Not overdue | 499.5 | 515.9 |
| Up to three months overdue | 26.4 | 31.0 |
| Three to six months overdue | 1.5 | 3.3 |
| Over six months overdue | 0.7 | 0.3 |
| Net trade receivables | 528.1 | 550.5 |

18.2. Movement in Allowance for Doubtful Debts

| | 2017 €m | 2016 €m |
|--|--------------|--------------|
| At 1 January | (2.1) | (2.5) |
| Receivables provided for as uncollectable | (1.1) | (0.4) |
| Amounts written off during the year as uncollectable | 0.5 | 0.5 |
| Amounts recovered during the year | – | 0.3 |
| At 31 December | (2.7) | (2.1) |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Receivables provided for as uncollectable and charged to the Income Statement are included in administrative expenses.

18.3. Credit Quality of Receivables

The Group has a large number of customers and considers credit ratings only in respect of major customers from either Standard and Poor's or Moody's. Those customers that have no credit rating are monitored as part of normal credit control procedures.

| Credit rating | 2017 €m | 2016 €m |
|---|--------------|--------------|
| A – AAA | 133.3 | 148.5 |
| B – BBB | 234.6 | 259.0 |
| Counterparties without external credit rating | 160.2 | 143.0 |
| Net trade receivables | 528.1 | 550.5 |

18.4. Currency Risk of Receivables

| | 2017 €m | 2016 €m |
|--|--------------|--------------|
| Chinese renminbi | 177.8 | 185.7 |
| Euro | 174.6 | 180.7 |
| US dollar | 105.5 | 112.0 |
| Other currencies | 73.7 | 75.9 |
| Total net trade receivables and other receivables | 531.6 | 554.3 |

19. Cash and Liquid Assets

| | 2017 €m | 2016 €m |
|---|--------------|------------|
| Cash at bank and in hand | 287.2 | 196.2 |
| Cash and cash equivalents in the Balance Sheet | 287.2 | 196.2 |
| Other deposits | 2.9 | 2.9 |
| Financial assets at FVTPL | 2.9 | 2.9 |
| Total cash and liquid assets | 290.1 | 199.1 |

Other deposits of €2.9 million (2016: €2.9 million) include €2.8 million (2016: €2.8 million) pledged to provide a bank guarantee, as part of a total guarantee of €5.4 million, to the Spanish tax authorities in respect of disputed assessments raised following tax audits for the period 2006-11.

| Financial institution credit rating | 2017 €m | 2016 €m |
|---|--------------|------------|
| A – AAA | 257.3 | 154.6 |
| B – BBB or lower | 29.9 | 41.6 |
| Cash and cash equivalents in the Balance Sheet | 287.2 | 196.2 |

Cash and cash equivalent balances include €nil (2016: €1.6 million) held by subsidiaries which operate in countries where exchange control restrictions prevent the funds being available for general use by the Group, and also €1.7 million (2016: €0.8 million) held by subsidiaries as collateral primarily for letters of credit and foreign exchange facilities.

20. Issued Share Capital

| | Number of shares | Nominal value of each share | Ordinary shares £m | Ordinary shares €m | Share premium €m | Total €m |
|--|--------------------|-----------------------------|--------------------|--------------------|------------------|--------------|
| At 1 January 2017 | 350,056,644 | £1.00 | 350.1 | 493.7 | – | 493.7 |
| Capital reduction | – | (£0.99) | (346.6) | (488.7) | – | (488.7) |
| | 350,056,644 | £0.01 | 3.5 | 5.0 | – | 5.0 |
| Share capital raised on initial public offering | 148,333,333 | £0.01 | 1.5 | 1.6 | 423.0 | 424.6 |
| Shares issued as consideration for the cancellation of certain historic share option plans | 20,657,233 | £0.01 | 0.2 | 0.2 | – | 0.2 |
| Shares issued to certain Non-Executive Directors | 365,016 | £0.01 | – | – | 1.0 | 1.0 |
| Share capital issuance costs | – | – | – | – | (19.7) | (19.7) |
| At 31 December 2017 | 519,412,226 | £0.01 | 5.2 | 6.8 | 404.3 | 411.1 |

| | Number of shares | Nominal value of each share | Ordinary shares £m | Ordinary shares €m | Share premium €m | Total €m |
|---------------------|------------------|-----------------------------|--------------------|--------------------|------------------|----------|
| At 1 January 2016 | 350,056,644 | £1.00 | 350.1 | 493.7 | – | 493.7 |
| At 31 December 2016 | 350,056,644 | £1.00 | 350.1 | 493.7 | – | 493.7 |

On 9 October 2017, the Board approved a special resolution to reduce the nominal value of the Company's shares from £1.00 to £0.01 per share. This reduced the ordinary share capital by €488.7 million. This resolution was supported by a statement of the solvency of the Company (pursuant to section 641(1)(a) of the Companies Act).

On 25 October 2017, the Company's entire ordinary share capital was listed on to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities under the ticker 'TIFS'. As part of the listing, the Company issued 148,333,333 ordinary shares of new share capital at an Offer Price of 255 pence per ordinary share, which raised €424.6 million (£378.3 million) before issuance costs.

On Admission to trading on the London Stock Exchange, the Company also issued 20,657,233 ordinary shares as consideration for the cancellation of certain outstanding option awards granted to certain members of the Group's management team under historic share plans. The Company also issued a further 365,016 ordinary shares to certain Non-Executive Directors.

On 16 January 2018, the Company undertook a court-approved capital reduction, which had the effect of cancelling the share premium account of €404.3 million and increasing the balance on accumulated profits by the same amount.

The Company is a public limited company which is incorporated and domiciled in England and Wales, with registered number 09402231.

21. Reserves

Other Reserves

| | Hedging reserve €m | Currency translation reserve €m | Total €m |
|--|--------------------------|--|----------------|
| Items that may be subsequently reclassified to profit or loss | | | |
| At 1 January 2017 | (36.7) | (27.8) | (64.5) |
| Amount recognised in OCI during the year – fair value losses: effective hedges | (64.9) | – | (64.9) |
| Amounts recycled from OCI – foreign exchange remeasurement | 76.3 | – | 76.3 |
| Amounts recycled from OCI – interest | 0.7 | – | 0.7 |
| Movement in fair value of effective cash flow hedges | 12.1 | – | 12.1 |
| Net investment hedge | (3.2) | – | (3.2) |
| Currency translation attributable to owners of the Parent Company | – | (74.9) | (74.9) |
| Items that may be subsequently reclassified to profit or loss | 8.9 | (74.9) | (66.0) |
| At 31 December 2017 | (27.8) | (102.7) | (130.5) |

| | Hedging reserve €m | Currency translation reserve €m | Total €m |
|---|--------------------------|--|-------------|
| Items that may be subsequently reclassified to profit or loss | | | |
| At 1 January 2016 | (25.3) | (16.5) | (41.8) |
| Amount recognised in OCI during the year – fair value gains: effective hedges | 16.5 | – | 16.5 |
| Amounts recycled from OCI – foreign exchange remeasurement | (30.7) | – | (30.7) |
| Amounts recycled from OCI – interest | 2.9 | – | 2.9 |
| Movement in fair value of effective cash flow hedges | (11.3) | – | (11.3) |
| Net investment hedge | (0.1) | – | (0.1) |
| Currency translation attributable to owners of the Parent Company | – | (11.3) | (11.3) |
| Items that may be subsequently reclassified to profit or loss | (11.4) | (11.3) | (22.7) |
| At 31 December 2016 | (36.7) | (27.8) | (64.5) |

22. Non-Controlling Interests

| | 2017 €m | 2016 €m |
|---|-------------|-------------|
| At 1 January | 19.0 | 20.2 |
| Share of profit for the year | 2.7 | 1.7 |
| Currency translation | (0.3) | – |
| Total comprehensive income for the year | 2.4 | 1.7 |
| Dividends paid | (1.1) | (2.9) |
| At 31 December | 20.3 | 19.0 |

The Group holds a 97% interest in Bundy India Ltd and a 73% interest in Hanil Tube Corporation, which is located in South Korea. Non-controlling interests represent the remaining 3% and 27% respectively.

23. Trade and Other Payables

| | 2017 €m | 2016 €m |
|---------------------------------------|--------------|--------------|
| Trade payables | 284.1 | 288.6 |
| Accrued expenses and deferred income | 281.9 | 277.2 |
| Social security and other taxes | 52.6 | 51.9 |
| Other payables | 33.6 | 26.8 |
| Amounts due to associates | 3.0 | 2.8 |
| Total trade and other payables | 655.2 | 647.3 |
| Non-current | 17.6 | 12.1 |
| Current | 637.6 | 635.2 |

Accrued expenses and deferred income include net capital investment grant balances totalling €2.1 million (2016: €2.3 million).

24. Borrowings

| | Notes | 2017 €m | 2016 €m |
|---|-------|----------------|------------|
| Non-current: | | | |
| Secured loans: | | | |
| Main borrowing facilities | 24.4 | 996.3 | 1,275.6 |
| Other loans | 24.5 | 0.2 | 0.4 |
| Unsecured notes | 24.4 | 179.7 | 416.3 |
| Finance leases | 24.6 | 2.0 | 3.5 |
| Total non-current borrowings | | 1,178.2 | 1,695.8 |
| Current: | | | |
| Secured loans: | | | |
| Main borrowing facilities | 24.4 | 1.5 | 2.2 |
| Other loans | 24.5 | 0.1 | 0.2 |
| Finance leases | 24.6 | 1.4 | 0.5 |
| Total current borrowings | | 3.0 | 2.9 |
| Total borrowings | | 1,181.2 | 1,698.7 |
| Main borrowing facilities and unsecured notes | 24.4 | 1,177.5 | 1,694.1 |
| Finance leases and other loans | | 3.7 | 4.6 |
| Total borrowings | | 1,181.2 | 1,698.7 |

The main borrowing facilities and unsecured notes above are shown net of issuance discounts and fees of €31.3 million (2016: €51.9 million).

24.1. Movement in Total Borrowings

| | Term loan €m | Unsecured notes €m | Main borrowing facilities and unsecured notes €m | Finance leases, secured overdrafts and other loans €m | Total borrowings €m |
|---|-----------------|--------------------------|---|---|---------------------------|
| At 1 January 2017 | 1,277.8 | 416.3 | 1,694.1 | 4.6 | 1,698.7 |
| Accrued interest | 49.4 | 31.9 | 81.3 | 0.8 | 82.1 |
| Scheduled payments | (59.6) | (31.9) | (91.5) | (1.7) | (93.2) |
| Fees expensed | 7.5 | 1.4 | 8.9 | – | 8.9 |
| Fees on repricing of loans | (1.6) | – | (1.6) | – | (1.6) |
| Voluntary repayments of borrowings | (166.5) | (197.1) | (363.6) | – | (363.6) |
| Fees expensed on voluntary repayments of borrowings | 4.2 | 4.5 | 8.7 | – | 8.7 |
| Currency translation | (113.4) | (45.4) | (158.8) | – | (158.8) |
| At 31 December 2017 | 997.8 | 179.7 | 1,177.5 | 3.7 | 1,181.2 |

| | Term loan €m | Unsecured notes €m | Main borrowing facilities and unsecured notes €m | Finance leases, secured overdrafts and other loans €m | Total borrowings €m |
|----------------------|-----------------|--------------------------|---|---|---------------------------|
| At 1 January 2016 | 1,254.1 | 402.2 | 1,656.3 | 5.3 | 1,661.6 |
| Accrued interest | 61.8 | 35.6 | 97.4 | 0.7 | 98.1 |
| Scheduled payments | (74.7) | (35.6) | (110.3) | (1.4) | (111.7) |
| Fees expensed | 7.5 | 1.6 | 9.1 | – | 9.1 |
| Currency translation | 29.1 | 12.5 | 41.6 | – | 41.6 |
| At 31 December 2016 | 1,277.8 | 416.3 | 1,694.1 | 4.6 | 1,698.7 |

24.2. Currency Denomination of Borrowings

| | 2017 €m | 2016 €m |
|-------------------------|----------------|------------|
| US dollar | 868.0 | 1,382.9 |
| Euro | 313.2 | 315.8 |
| Total borrowings | 1,181.2 | 1,698.7 |

Notes to the Group Financial Statements

continued

24. Borrowings continued

24.3. Maturity of Borrowings

| | 2017 €m | 2016 €m |
|----------------------------|----------------|----------------|
| Less than one year | 3.0 | 2.9 |
| Between one and five years | 998.5 | 13.4 |
| After five years | 179.7 | 1,682.4 |
| Total borrowings | 1,181.2 | 1,698.7 |

24.4. Main Borrowing Facilities and Unsecured Notes

2015 agreements

The 2015 agreements comprise a package of secured loans (consisting of a term loan, an asset-backed loan, and a revolving credit facility) and unsecured senior notes.

The amounts outstanding under the agreements are:

| | 2017 €m | 2016 €m |
|--|----------------|----------------|
| Principal outstanding: | | |
| US term loan | 707.5 | 998.0 |
| Euro term loan | 317.7 | 320.9 |
| Main borrowing facilities (term loan) | 1,025.2 | 1,318.9 |
| Unsecured senior notes | 183.6 | 427.1 |
| Total principal outstanding | 1,208.8 | 1,746.0 |
| Issuance discounts and fees | (31.3) | (51.9) |
| Main borrowing facilities and unsecured notes | 1,177.5 | 1,694.1 |

The term loan initially comprised tranches of \$1,065.0 million and €325.0 million. On 31 October 2017, the Group voluntarily repaid \$194.0 million (€166.5 million) of its US term loan. No penalties were incurred as a result of the early payment. The principal outstanding of the US term loan in US dollars at 31 December 2017 is \$849.7 million (2016: \$1,051.7 million).

The US dollar tranche bore interest at US\$ LIBOR (minimum 1.0% p.a.) +3.5% p.a., and the euro tranche bore interest at euro LIBOR (minimum 1.0% p.a.) +3.5% p.a. until 27 January 2017. On 27 January 2017, the Group concluded a repricing of its term loans. As a result of the repricing, the interest payable on the US dollar term loan was reduced to US\$ LIBOR (minimum 0.75% p.a.) +2.75% p.a., and the interest payable on the euro term loan was reduced to EURIBOR (minimum 0.75% p.a.) +3.0% p.a.

The US dollar tranche was repayable in amounts of \$2.7 million per quarter until 31 October 2017. On 31 October 2017, the Group made a voluntary repayment of this loan of \$194.0 million as a result of which no further 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 €0.8 million per quarter, with the balance also falling due on 30 June 2022.

On 23 January 2018, the Group met certain additional borrowings criteria which enabled it to further reduce the interest rate payable on the US term loan by 0.25% p.a. to US\$ LIBOR (minimum 0.75% p.a.) +2.5% p.a., and the euro term loan by 0.25% p.a. to EURIBOR (minimum 0.75% p.a.) +2.75% p.a., both effective from 30 December 2017.

The initial principal amount of the unsecured senior notes was \$450.0 million. On 10 October 2017, the Company announced a tender offer to redeem up to 51% of the Group's unsecured senior notes. The tender offer was accepted by the noteholders and the Company redeemed \$229.5 million (€197.1 million) of these notes on 31 October 2017. As part of the offer, an early redemption premium, in accordance with the terms of the senior notes, was made to the noteholders of \$20.6 million (€17.7 million) in exchange for the offer. The aggregate principal amount of the unsecured senior notes at 31 December 2017 is \$220.5 million (2016: \$450.0 million). The notes carry an 8.75% coupon payable bi-annually (on a 360-day year basis) commencing on 15 January 2016, and are redeemable in full on 15 July 2023.

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).

Initial issuance discounts and fees of €63.3 million arising from the 2015 agreements were capitalised in 2015. Following the repricing of the term loans on 27 January 2017 (accounted for as a modification to existing agreements), new fees capitalised in the year ended 31 December 2017 were €1.6 million; bringing the total fees capitalised under the 2015 agreements to €64.9 million. All capitalised fees are expensed using the effective interest rate method over the remaining terms of the facilities. As a result of the voluntary repayments of the US term loan and unsecured notes in October 2017, an additional acceleration of unamortised issuance fees was expensed in the income statement in the year of €8.7 million.

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 TIGAS LLC. Drawings under the facility bear interest at US\$ LIBOR +1.75% p.a. unless the drawings are below \$50.0 million when the rate is US\$ LIBOR +1.5% 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. Both facilities are due to expire on 30 June 2020.

The net undrawn facilities under the agreements are shown below:

| | 2017 | | 2016 | |
|--|--------------|--------------|-------|-------|
| | \$m | €m | \$m | €m |
| Asset backed loan: | | | | |
| Availability | 86.5 | 72.0 | 85.3 | 81.0 |
| Utilisation for letters of credit | (3.1) | (2.6) | (2.9) | (2.8) |
| Net undrawn asset backed loan facility | 83.4 | 69.4 | 82.4 | 78.2 |
| Revolving credit agreement | 125.0 | 104.1 | 125.0 | 118.6 |
| Main borrowings: net undrawn facilities | 208.4 | 173.5 | 207.4 | 196.8 |

24.5. Other Secured Loans

Subsidiaries in Italy and Spain have granted security over certain of their assets in return for credit facilities from their banks. The loans have total amortisation repayments of €0.2 million per annum payable quarterly (2016: €0.2 million).

24.6. Finance Leases

The maturity of finance lease liabilities is:

| | Total minimum lease payments €m | Interest €m | Principal €m |
|----------------------------------|------------------------------------|----------------|-----------------|
| Less than one year | 1.6 | 0.2 | 1.4 |
| Between one and two years | 2.1 | 0.1 | 2.0 |
| Total at 31 December 2017 | 3.7 | 0.3 | 3.4 |

| | Total minimum lease payments €m | Interest €m | Principal €m |
|----------------------------|------------------------------------|----------------|-----------------|
| Less than one year | 0.7 | 0.2 | 0.5 |
| Between one and two years | 1.6 | 0.1 | 1.5 |
| Between two and five years | 2.1 | 0.1 | 2.0 |
| Total at 31 December 2016 | 4.4 | 0.4 | 4.0 |

24.7. Total Undrawn Borrowing Facilities

| | 2017 €m | 2016 €m |
|-------------------------------------|--------------|------------|
| Floating rate: | | |
| Expiring within one year | 5.8 | 10.3 |
| Expiring after more than one year | 173.5 | 196.8 |
| | 179.3 | 207.1 |
| Fixed rate: | | |
| Expiring within one year | 3.9 | – |
| | 3.9 | – |
| Total at the end of the year | 183.2 | 207.1 |

24.8. Movements in Net Borrowings

| | At 1 January 2017 €m | Cash flows €m | Non-cash changes | | At 31 December 2017 €m |
|-----------------------------|----------------------------|------------------|------------------------|-------------------------------|---------------------------------|
| | | | Fees expensed €m | Currency translation €m | |
| Cash and cash equivalents | 196.2 | 106.3 | – | (15.3) | 287.2 |
| Financial assets at FVTPL | 2.9 | – | – | – | 2.9 |
| Borrowings | (1,698.7) | 376.3 | (17.6) | 158.8 | (1,181.2) |
| Total net borrowings | (1,499.6) | 482.6 | (17.6) | 143.5 | (891.1) |

Borrowings cash flows in the year of €376.3 million comprise voluntary repayments of borrowings of €363.6 million, repayments of borrowings of €11.1 million and fees paid on repricing of loans of €1.6 million.

| | At 1 January 2016 €m | Cash flows €m | Non-cash changes | | At 31 December 2016 €m |
|---------------------------|----------------------------|------------------|------------------------|-------------------------------|---------------------------------|
| | | | Fees expensed €m | Currency translation €m | |
| Cash and cash equivalents | 268.4 | (70.9) | – | (1.3) | 196.2 |
| Financial assets at FVTPL | 2.8 | 0.1 | – | – | 2.9 |
| Borrowings | (1,661.6) | 13.6 | (9.1) | (41.6) | (1,698.7) |
| Total net borrowings | (1,390.4) | (57.2) | (9.1) | (42.9) | (1,499.6) |

25. Fair Values of Financial Assets and Liabilities

25.1. Financial Instruments by Category

As of 31 December 2017:

| Financial assets | Loans and receivables €m | Assets in hedged relationships €m | Assets at FVTPL €m | Total €m |
|---|-----------------------------|--------------------------------------|-----------------------|--------------|
| Cash and cash equivalents | 287.2 | – | – | 287.2 |
| Financial assets at FVTPL | – | – | 2.9 | 2.9 |
| Trade and other receivables excluding prepayments | 531.6 | – | – | 531.6 |
| Derivative financial instruments: | | | | |
| – Forward foreign exchange contracts (cash flow hedges) | – | 5.2 | 1.4 | 6.6 |
| – Interest rate swaps (cash flow hedges) | – | 7.0 | – | 7.0 |
| Total at 31 December 2017 | 818.8 | 12.2 | 4.3 | 835.3 |

| Financial liabilities | Liabilities at amortised cost €m | Liabilities in hedged relationships €m | Liabilities at FVTPL €m | Total €m |
|--|-------------------------------------|---|----------------------------|------------------|
| Trade and other payables excluding deferred income | (605.5) | – | – | (605.5) |
| Borrowings | (1,181.2) | – | – | (1,181.2) |
| Derivative financial instruments: | | | | |
| – Forward foreign exchange contracts (cash flow hedges) | – | (59.2) | (2.7) | (61.9) |
| – Forward foreign exchange contracts (net investment hedges) | – | (10.0) | – | (10.0) |
| – Interest rate floor | – | – | (3.9) | (3.9) |
| Total at 31 December 2017 | (1,786.7) | (69.2) | (6.6) | (1,862.5) |

As of 31 December 2016:

| Financial assets | Loans and receivables €m | Assets in hedged relationships €m | Assets at FVTPL €m | Total €m |
|---|-----------------------------|--------------------------------------|-----------------------|--------------|
| Cash and cash equivalents | 196.2 | – | – | 196.2 |
| Financial assets at FVTPL | – | – | 2.9 | 2.9 |
| Trade and other receivables excluding prepayments | 554.3 | – | – | 554.3 |
| Derivative financial instruments: | | | | |
| – Forward foreign exchange contracts (cash flow hedges) | – | 27.5 | 0.7 | 28.2 |
| – Interest rate swaps (cash flow hedges) | – | 6.3 | – | 6.3 |
| Total at 31 December 2016 | 750.5 | 33.8 | 3.6 | 787.9 |

| Financial liabilities | Liabilities at amortised cost €m | Liabilities in hedged relationships €m | Liabilities at FVTPL €m | Total €m |
|--|-------------------------------------|---|----------------------------|------------------|
| Trade and other payables excluding deferred income | (597.9) | – | – | (597.9) |
| Borrowings | (1,698.7) | – | – | (1,698.7) |
| Derivative financial instruments: | | | | |
| – Forward foreign exchange contracts (cash flow hedges) | – | (7.5) | (3.8) | (11.3) |
| – Forward foreign exchange contracts (net investment hedges) | – | (6.9) | – | (6.9) |
| – Interest rate swaps (cash flow hedges) | – | (1.1) | – | (1.1) |
| – Interest rate floor | – | – | (4.5) | (4.5) |
| Total at 31 December 2016 | (2,296.6) | (15.5) | (8.3) | (2,320.4) |

Fair value estimates of derivatives are based on relevant market information and information about the financial instruments, which are subjective in nature. The fair value of these financial instruments is estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the reporting date, which is a proxy for market price.

Fair values of financial instruments have been determined by reference to a hierarchy defined as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data.

All derivative items reported are within Level 2 of the fair value hierarchy specified in IFRS 13 'Fair Value Measurement'; their measurement includes inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

The fair values of non-derivative amounts are determined in accordance with generally accepted valuation techniques based on discounted cash flow analysis. For the non-derivative items reported above, it is assumed that by their nature their carrying value approximates their fair value, with the exception of unsecured notes included within borrowings. At 31 December 2017, the borrowings figures above include unsecured notes carried at a book value of €183.6 million before deduction of issuance discounts and fees. The fair value of these notes excluding deduction of issuance discounts and fees is €196.0 million at 31 December 2017 (2016: book value of €427.1 million and fair value of €448.5 million). These fair values are within Level 2 of the fair value hierarchy specified in IFRS 13 'Fair Value Measurement'.

25.2. Contracted Maturities of Financial Liabilities

| As of 31 December 2017: | Less than one year €m | Between one and two years €m | Between two and five years €m | Over five years €m | Total €m |
|--|--------------------------|---------------------------------|----------------------------------|-----------------------|----------------|
| Non-derivatives | | | | | |
| Borrowings excluding issuance discounts and fees | 4.8 | 5.3 | 1,018.8 | 183.6 | 1,212.5 |
| – Interest | 56.4 | 56.3 | 148.3 | 16.1 | 277.1 |
| Total borrowings | 61.2 | 61.6 | 1,167.1 | 199.7 | 1,489.6 |
| Trade and other payables excluding deferred income | 588.4 | 17.1 | – | – | 605.5 |
| Total non-derivatives at 31 December 2017 | 649.6 | 78.7 | 1,167.1 | 199.7 | 2,095.1 |
| Derivatives | | | | | |
| Cash flow hedging instrument: | | | | | |
| – Outflow | 1.3 | 1.3 | 378.8 | – | 381.4 |
| – Inflow | – | – | (309.8) | – | (309.8) |
| Interest rate swaps | 1.4 | 1.3 | 1.2 | – | 3.9 |
| Total derivatives at 31 December 2017 | 2.7 | 2.6 | 70.2 | – | 75.5 |
| As of 31 December 2016: | | | | | |
| Non-derivatives | | | | | |
| Borrowings excluding issuance discounts and fees | 13.3 | 13.1 | 38.8 | 1,680.8 | 1,746.0 |
| – Interest | 97.3 | 96.7 | 286.7 | 103.1 | 583.8 |
| Total borrowings | 110.6 | 109.8 | 325.5 | 1,783.9 | 2,329.8 |
| Trade and other payables excluding deferred income | 587.7 | 10.2 | – | – | 597.9 |
| Total non-derivatives at 31 December 2016 | 698.3 | 120.0 | 325.5 | 1,783.9 | 2,927.7 |
| Derivatives | | | | | |
| Cash flow hedging instrument: | | | | | |
| –Outflow | 0.7 | 0.6 | 378.9 | – | 380.2 |
| –Inflow | – | – | (346.2) | – | (346.2) |
| Interest rate swaps | 1.3 | 1.7 | 3.1 | – | 6.1 |
| Total derivatives at 31 December 2016 | 2.0 | 2.3 | 35.8 | – | 40.1 |

The cash flow hedging instruments are expected to mature over a period of five years from inception concluding in 2020. These contracts are designed to partially match the interest and principal repayments of US dollar based debt reported in Note 3.3.2.

26. Retirement Benefit Obligations

26.1. Defined Benefit Arrangements

Pension plans

The Group operates funded defined benefit pension plans in the US, Canada and the UK under broadly similar regulatory frameworks. All of the plans provide benefits to members in the form of a guaranteed level of pension payable for life. The level of pensions provided is determined by members' length of service and, for most of these plans, pensionable remuneration. Plan assets are held in trusts from which all benefit payments are made. The plans are governed by local regulations and practice, including the nature of the relationship between their trustees and the Group. Responsibility for governance of the plans, including investment strategy and schedules of contributions, rests primarily with the trustees, some of whom who are appointed by the Group and the remainder by the members in accordance with the rules of each plan.

There are five plans in the US, four of which are closed to both new entrants and future accrual, and one of which is closed to new entrants but permit future accrual. The active members are not required to make contributions to the plans. Pensions in payment are not subject to inflationary increase. The plan in Canada remains open to new entrants, and is contributory. Pensions in payment are subject to discretionary inflationary increase. The UK plan is closed to new entrants but remains open to future accrual. Pensions in payment are subject to annual increase based on the UK Retail Price Index.

Independent accounting valuations of all major defined benefit scheme assets and liabilities were carried out as at 31 December 2017. The US pension plans are subject to annual actuarial valuation, and were most recently valued by independent qualified actuaries as at 1 January 2017. The Canadian plan is subject to actuarial valuation at least triennially, and was most recently formally valued as at 1 July 2017. The UK plan is subject to triennial actuarial valuation, and was most recently formally valued as at 6 April 2015. Employer funding contributions to the US and other pension plans are agreed at each formal valuation, and for the year ended 31 December 2017 totalled €5.1 million (31 December 2016: €2.7 million). Contributions for the 12 months ended 31 December 2018 are expected to amount to €5.6 million.

In this note the US plans are shown separately as 'US pensions', and the Canadian and UK plans are aggregated as 'other pensions'.

Post-employment healthcare

The Group operates post-employment medical benefit schemes in a small number of territories, principally the US where the scheme was closed to new entrants in 1992. These schemes are unfunded. The US scheme is subject to annual actuarial valuation, and was most recently valued by independent qualified actuaries as at 1 January 2017. In this note the US scheme is shown separately as 'US healthcare', and the other healthcare liabilities are aggregated within 'other post-employment liabilities'.

Other post-employment arrangements

The Group operates certain other pension and retirement plans primarily in Germany, France, Italy, Korea, Poland and Belgium, where obligations are either partially funded or unfunded. In this note these plans are aggregated within 'other post-employment liabilities'.

26.2. Defined Benefit Arrangements in the Primary Financial Statements

The net liability for defined benefit arrangements is as follows:

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 | (243.3) | (93.2) | (42.4) | (81.3) | (460.2) |
| Fair value of plan assets | 182.4 | 98.4 | – | 22.8 | 303.6 |
| Asset ceiling | – | (5.8) | – | – | (5.8) |
| Net liability at 31 December 2017 | (60.9) | (0.6) | (42.4) | (58.5) | (162.4) |

| Net liability | US pensions €m | Other pensions €m | US healthcare €m | Other post-employment liabilities €m | Total €m |
|---|-------------------|----------------------|---------------------|---|----------------|
| Present value of retirement benefit obligations | (263.1) | (96.1) | (58.7) | (80.8) | (498.7) |
| Fair value of plan assets | 191.1 | 98.2 | – | 20.5 | 309.8 |
| Asset ceiling | – | (4.1) | – | – | (4.1) |
| Net liability at 31 December 2016 | (72.0) | (2.0) | (58.7) | (60.3) | (193.0) |

The present value of retirement benefit obligations by member type is as follows:

| | 2017 €m | 2016 €m |
|-----------------------------|--------------|--------------|
| Active members | 126.3 | 141.9 |
| Deferred members | 125.5 | 127.4 |
| Retirees | 208.4 | 229.4 |
| Total at 31 December | 460.2 | 498.7 |

b. Income Statement

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

| | US pensions €m | Other pensions €m | US healthcare €m | Other post- employment liabilities €m | Total €m |
|---|----------------------|-------------------------|------------------------|--|--------------|
| Net expense | | | | | |
| Current service cost | (0.3) | (1.4) | (0.2) | (5.8) | (7.7) |
| Curtailment gain | 0.5 | – | 7.2 | – | 7.7 |
| Net interest (expense)/income | (2.6) | 0.1 | (2.1) | (1.1) | (5.7) |
| Net (expense)/income year ended 31 December 2017 | (2.4) | (1.3) | 4.9 | (6.9) | (5.7) |

During the year a curtailment gain of €7.7 million was recognised following the closure of operations in one of the Group's US manufacturing facilities.

| | US pensions €m | Other pensions €m | US healthcare €m | Other post- employment liabilities €m | Total €m |
|---|----------------------|-------------------------|------------------------|--|-------------|
| Net expense | | | | | |
| Current service cost | (0.3) | (1.1) | (0.2) | (5.4) | (7.0) |
| Net interest (expense)/income | (2.8) | 0.6 | (2.4) | (1.2) | (5.8) |
| Net expense year ended 31 December 2016 | (3.1) | (0.5) | (2.6) | (6.6) | (12.8) |

c. Statement of Comprehensive Income

Re-measurements of retirement benefit obligations included in the Statement of Comprehensive Income are as follows:

| | US pensions €m | Other pensions €m | US healthcare €m | Other post- employment liabilities €m | Total €m |
|---|----------------------|-------------------------|------------------------|--|-------------|
| Income/(expense) | | | | | |
| Return on assets excluding amounts recognised in the Income Statement | 18.2 | 3.6 | – | – | 21.8 |
| Changes in demographic assumptions | 0.5 | 1.0 | 0.2 | – | 1.7 |
| Changes in financial assumptions | (15.3) | (1.3) | 0.1 | 1.8 | (14.7) |
| Experience gains/(losses) | (0.1) | – | 0.8 | (0.4) | 0.3 |
| Change in asset ceiling | – | (1.8) | – | – | (1.8) |
| Total net income year ended 31 December 2017 | 3.3 | 1.5 | 1.1 | 1.4 | 7.3 |

| | US pensions €m | Other pensions €m | US healthcare €m | Other post- employment liabilities €m | Total €m |
|---|----------------------|-------------------------|------------------------|--|-------------|
| Income/(expense) | | | | | |
| Return on assets excluding amounts recognised in the Income Statement | 4.9 | 7.2 | – | – | 12.1 |
| Change in demographic assumptions | 4.1 | – | 1.6 | – | 5.7 |
| Changes in financial assumptions | (8.0) | (20.2) | 1.3 | (2.6) | (29.5) |
| Experience gains/(losses) | 1.7 | 0.5 | 1.3 | (2.3) | 1.2 |
| Change in asset ceiling | – | 9.9 | – | – | 9.9 |
| Total net income/(expense) year ended 31 December 2016 | 2.7 | (2.6) | 4.2 | (4.9) | (0.6) |

26. Retirement Benefit Obligations continued

26.3. Composition of Plan Assets

Plan assets are comprised as follows:

| | US pensions €m | Other pensions €m | Other post- employment liabilities €m | Total €m |
|---------------------------------------|----------------------|-------------------------|--|--------------|
| Equity securities | 115.1 | 7.8 | – | 122.9 |
| Multi-asset funds | – | 36.0 | – | 36.0 |
| Debt instruments | 66.1 | 46.9 | 13.0 | 126.0 |
| Qualifying insurance policies | – | 7.4 | 9.8 | 17.2 |
| Cash and cash equivalents | 1.2 | 0.3 | – | 1.5 |
| Fair value at 31 December 2017 | 182.4 | 98.4 | 22.8 | 303.6 |

| | US pensions €m | Other pensions €m | Other post- employment liabilities €m | Total €m |
|--------------------------------|----------------------|-------------------------|--|-------------|
| Equity securities | 116.9 | 7.3 | – | 124.2 |
| Multi-asset funds | – | 34.9 | – | 34.9 |
| Debt instruments | 72.9 | 48.2 | 11.8 | 132.9 |
| Qualifying insurance policies | – | 7.6 | 8.7 | 16.3 |
| Cash and cash equivalents | 1.3 | 0.2 | – | 1.5 |
| Fair value at 31 December 2016 | 191.1 | 98.2 | 20.5 | 309.8 |

Debt instruments include corporate bonds, government and public sector bonds, and liability driven investments.

26.4. Net Defined Benefit Obligation

| | Present value of obligation €m | Fair value of plan assets €m | Net accounting deficit €m | Asset ceiling €m | Total €m |
|---|---|---------------------------------------|------------------------------------|------------------------|----------------|
| Movements in net defined benefit obligations | | | | | |
| At 1 January 2017 | (498.7) | 309.8 | (188.9) | (4.1) | (193.0) |
| Current service cost (Note 26.2b) | (7.7) | – | (7.7) | – | (7.7) |
| Curtailed gain (Note 26.2b) | 7.7 | – | 7.7 | – | 7.7 |
| Net interest (expense)/income (Note 26.2b) | (16.0) | 10.3 | (5.7) | – | (5.7) |
| Re-measurements (Note 26.2c) | (12.7) | 21.8 | 9.1 | (1.8) | 7.3 |
| Employer contributions | – | 8.2 | 8.2 | – | 8.2 |
| Employee contributions | (0.3) | 0.3 | – | – | – |
| Benefits and administration expenses paid | 22.7 | (17.5) | 5.2 | – | 5.2 |
| Currency translation | 44.8 | (29.3) | 15.5 | 0.1 | 15.6 |
| At 31 December 2017 | (460.2) | 303.6 | (156.6) | (5.8) | (162.4) |

| | Present value of obligation €m | Fair value of plan assets €m | Net accounting deficit €m | Asset ceiling €m | Total €m |
|--|---|---------------------------------------|------------------------------------|------------------------|-------------|
| Movements in net defined benefit obligations | | | | | |
| At 1 January 2016 | (474.7) | 302.3 | (172.4) | (15.2) | (187.6) |
| Current service cost (Note 26.2b) | (7.0) | – | (7.0) | – | (7.0) |
| Net interest (expense)/income (Note 26.2b) | (17.3) | 11.5 | (5.8) | – | (5.8) |
| Re-measurements (Note 26.2c) | (22.6) | 12.1 | (10.5) | 9.9 | (0.6) |
| Employer contributions | – | 5.7 | 5.7 | – | 5.7 |
| Employee contributions | (0.3) | 0.3 | – | – | – |
| Benefits and administration expenses paid | 23.0 | (15.1) | 7.9 | – | 7.9 |
| Currency translation | 0.2 | (7.0) | (6.8) | 1.2 | (5.6) |
| At 31 December 2016 | (498.7) | 309.8 | (188.9) | (4.1) | (193.0) |

a. US pensions

| | Present value of obligation €m | Fair value of plan assets €m | Total €m |
|---|-----------------------------------|---------------------------------|---------------|
| Movements in net defined benefit obligations | | | |
| At 1 January 2017 | (263.1) | 191.1 | (72.0) |
| Current service cost (Note 26.2b) | (0.3) | – | (0.3) |
| Curtailement gain (Note 26.2b) | 0.5 | – | 0.5 |
| Net interest (expense)/income (Note 26.2b) | (9.6) | 7.0 | (2.6) |
| Re-measurements (Note 26.2c) | (14.9) | 18.2 | 3.3 |
| Employer contributions | – | 3.7 | 3.7 |
| Benefits and administration expenses paid | 10.9 | (13.2) | (2.3) |
| Currency translation | 33.2 | (24.4) | 8.8 |
| At 31 December 2017 | (243.3) | 182.4 | (60.9) |

| | Present value of obligation €m | Fair value of plan assets €m | Total €m |
|--|-----------------------------------|---------------------------------|-------------|
| Movements in net defined benefit obligations | | | |
| At 1 January 2016 | (253.6) | 184.6 | (69.0) |
| Current service cost (Note 26.2b) | (0.3) | – | (0.3) |
| Net interest (expense)/income (Note 26.2b) | (10.3) | 7.5 | (2.8) |
| Re-measurements (Note 26.2c) | (2.2) | 4.9 | 2.7 |
| Employer contributions | – | 1.5 | 1.5 |
| Benefits and administration expenses paid | 11.3 | (11.3) | – |
| Currency translation | (8.0) | 3.9 | (4.1) |
| At 31 December 2016 | (263.1) | 191.1 | (72.0) |

b. Other pensions

| | Present value of obligation €m | Fair value of plan assets €m | Net accounting surplus €m | Asset ceiling €m | Total €m |
|---|-----------------------------------|---------------------------------|------------------------------|---------------------|--------------|
| Movements in net defined benefit obligations | | | | | |
| At 1 January 2017 | (96.1) | 98.2 | 2.1 | (4.1) | (2.0) |
| Current service cost (Note 26.2b) | (1.4) | – | (1.4) | – | (1.4) |
| Net interest (expense)/income (Note 26.2b) | (2.8) | 2.9 | 0.1 | – | 0.1 |
| Re-measurements (Note 26.2c) | (0.3) | 3.6 | 3.3 | (1.8) | 1.5 |
| Employer contributions | – | 1.4 | 1.4 | – | 1.4 |
| Employee contributions | (0.3) | 0.3 | – | – | – |
| Benefits paid | 3.4 | (3.4) | – | – | – |
| Currency translation | 4.3 | (4.6) | (0.3) | 0.1 | (0.2) |
| At 31 December 2017 | (93.2) | 98.4 | 5.2 | (5.8) | (0.6) |

| | Present value of obligation €m | Fair value of plan assets €m | Net accounting surplus €m | Asset ceiling €m | Total €m |
|--|-----------------------------------|---------------------------------|------------------------------|---------------------|-------------|
| Movements in net defined benefit obligations | | | | | |
| At 1 January 2016 | (84.3) | 99.5 | 15.2 | (15.2) | – |
| Current service cost (Note 26.2b) | (1.1) | – | (1.1) | – | (1.1) |
| Net interest (expense)/income (Note 26.2b) | (3.0) | 3.6 | 0.6 | – | 0.6 |
| Re-measurements (Note 26.2c) | (19.7) | 7.2 | (12.5) | 9.9 | (2.6) |
| Employer contributions | – | 1.2 | 1.2 | – | 1.2 |
| Employee contributions | (0.3) | 0.3 | – | – | – |
| Benefits paid | 3.0 | (3.0) | – | – | – |
| Currency translation | 9.3 | (10.6) | (1.3) | 1.2 | (0.1) |
| At 31 December 2016 | (96.1) | 98.2 | 2.1 | (4.1) | (2.0) |

The Canadian and two locations of the UK pension plans have accounting surpluses that are not recognised since future economic benefits are not available to the Group either as a cash refund or as a reduction in contributions. The Company has agreed a schedule of additional contributions amounting to €0.7 million to eliminate the funding deficit on the other UK pension plan location by 31 July 2020 including €0.2 million payable by the Company in the next 12 months ended 31 December 2018.

26. Retirement Benefit Obligations continued

c. US healthcare and other post-employment liabilities

| Movements in net defined benefit obligations | Other post-employment liabilities | | | | |
|--|-----------------------------------|---------------------------------|---------------|---------------------|----------------|
| | Present value of obligation €m | Fair value of plan assets €m | Total €m | US healthcare €m | Total €m |
| At 1 January 2017 | (80.8) | 20.5 | (60.3) | (58.7) | (119.0) |
| Current service cost (Note 26.2b) | (5.8) | – | (5.8) | (0.2) | (6.0) |
| Curtailement gain (Note 26.2b) | – | – | – | 7.2 | 7.2 |
| Net interest (expense)/income (Note 26.2b) | (1.5) | 0.4 | (1.1) | (2.1) | (3.2) |
| Re-measurements (Note 26.2c) | 1.4 | – | 1.4 | 1.1 | 2.5 |
| Employer contributions | – | 3.1 | 3.1 | – | 3.1 |
| Benefits paid | 4.8 | (0.9) | 3.9 | 3.6 | 7.5 |
| Currency translation | 0.6 | (0.3) | 0.3 | 6.7 | 7.0 |
| At 31 December 2017 | (81.3) | 22.8 | (58.5) | (42.4) | (100.9) |

| Movements in net defined benefit obligations | Other post-employment liabilities | | | | |
|--|-----------------------------------|---------------------------------|-------------|---------------------|-------------|
| | Present value of obligation €m | Fair value of plan assets €m | Total €m | US healthcare €m | Total €m |
| At 1 January 2016 | (74.0) | 18.2 | (55.8) | (62.8) | (118.6) |
| Current service cost (Note 26.2b) | (5.4) | – | (5.4) | (0.2) | (5.6) |
| Net interest (expense)/income (Note 26.2b) | (1.6) | 0.4 | (1.2) | (2.4) | (3.6) |
| Re-measurements (Note 26.2c) | (4.9) | – | (4.9) | 4.2 | (0.7) |
| Employer contributions | – | 3.0 | 3.0 | – | 3.0 |
| Benefits paid | 4.5 | (0.8) | 3.7 | 4.2 | 7.9 |
| Currency translation | 0.6 | (0.3) | 0.3 | (1.7) | (1.4) |
| At 31 December 2016 | (80.8) | 20.5 | (60.3) | (58.7) | (119.0) |

Other post-employment liabilities

| | 2017 €m | 2016 €m |
|---|-------------|-------------|
| Unfunded German pension plans | 24.8 | 25.8 |
| Statutory retiring indemnities in France, Italy and Korea | 16.8 | 17.6 |
| Long service awards in Germany and Poland | 8.7 | 7.9 |
| Retirement plans in Belgium | 1.7 | 1.7 |
| Unfunded arrangements under the US and UK pension plans | 1.6 | 1.8 |
| Other liabilities | 4.9 | 5.5 |
| Total other post-employment liabilities at 31 December | 58.5 | 60.3 |

26.5. Principal Assumptions

The principal assumptions in measuring plan liabilities are as follows:

| US Pensions | 2017 | 2016 |
|---|--------------|-------|
| Discount rate | 3.56% | 4.02% |
| Mortality assumptions: life expectancy from age 65 | | |
| <i>Retiring at the end of the current reporting year:</i> | | |
| Males | 22 | 21 |
| Females | 23 | 23 |
| <i>Retiring 20 years after the end of the current reporting year:</i> | | |
| Males | 23 | 23 |
| Females | 24 | 24 |

For US Pensions, assumptions with regard to life expectancies from retirement at age 65 are based on RP-2014 collar- and gender-specific mortality tables, adjusted and generationally projected by a modified MP-2017 improvement scale.

| Other pensions | 2017 | 2016 |
|--|--------------|-------|
| Discount rate | 2.70% | 3.08% |
| Inflation rate | 2.90% | 3.16% |
| Salary increases | 2.96% | 3.34% |
| Benefit increases | 2.32% | 2.62% |
| Mortality assumptions for other pensions: life expectancy from age 65 | | |
| <i>Retiring at the end of the current reporting year:</i> | | |
| Males | 22 | 22 |
| Females | 24 | 24 |
| <i>Retiring 20 years after the end of the current reporting year:</i> | | |
| Males | 22 | 23 |
| Females | 25 | 25 |

| US healthcare | 2017 | 2016 |
|-------------------------------------|--------------|-------|
| Discount rate | 3.50% | 3.95% |
| Healthcare cost trend: Initial rate | 6.25% | 6.50% |

| Other post-employment liabilities | 2017 | 2016 |
|--|--------------|-------|
| Discount rate | 2.10% | 2.03% |
| Inflation rate | 1.29% | 1.56% |
| Salary increases | 2.44% | 2.50% |
| Benefit increases | 1.96% | 1.90% |

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

| Decrease/(increase) in DBO | Change in assumption | 2017 | | 2016 | |
|-------------------------------------|----------------------|------------------------|------------------------|----------------|----------------|
| | | Increase €m | Decrease €m | Increase €m | Decrease €m |
| Discount rate | 0.5% | 30.2 | (34.7) | 30.1 | (34.5) |
| Inflation rate | 0.5% | (8.2) | 7.6 | (7.4) | 7.4 |
| Salary growth rate | 0.5% | (2.5) | 2.3 | (2.1) | 1.9 |
| Life expectancy | 1 year | (15.0) | 15.0 | (15.6) | 15.5 |
| Healthcare cost trend: Initial rate | 0.5% | (3.0) | 2.7 | (4.2) | 3.7 |

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.

26. Retirement Benefit Obligations continued

26.6. Pension Plans – Risk Analysis

| | |
|------------------------|---|
| Asset volatility | Plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets were to underperform this yield, this would create a deficit. All the funded plans hold a proportion of equities, which are expected to outperform bonds in the long term, but which are also likely to experience greater price volatility and therefore risk in the short term. As plans mature, the Group's strategy is to reduce the level of investment risk by investing more in assets whose risk profile is a better match for the liabilities. |
| Changes in bond yields | A decrease in bond yields has the effect of increasing plan liabilities, although this is partially offset by an increase in the value of the plans' bond holdings. |
| Inflation risk | The Group's pension obligations in Canada, the UK and Germany are inflation linked. Caps on the level of inflationary increases are in place to protect the plans against above normal inflation. The US pension obligations are not inflation indexed. The majority of the plan assets are not directly inflation indexed, meaning that an increase in inflation will tend to increase the deficit. |
| Life expectancy | The majority of the plans' obligations are to provide benefits for the life of each retired member and his/her spouse, so increases in life expectancy result in an increase in the plans' liabilities. |

The investments of the funded plans are managed within an asset-liability matching framework that has been developed to achieve long-term investments that align with the obligations of the plans. One objective is to match assets to the pension obligations by investing in annuities and long-term fixed interest securities with maturities that match the benefit payments as they fall due in the appropriate currency. The plans actively monitor how the duration and the expected yield of the investments match the expected cash outflows arising from the pension obligations. The processes used to manage the risks have not changed from previous years.

Investments are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets consist of bonds and equities, although the plans also hold investment funds and liability driven investments. Equities have been shown to offer the best returns over the long term with an acceptable level of risk.

27. Provisions

Movements in provisions are as follows:

| | Product warranty €m | Restructuring €m | Other €m | Total €m |
|-------------------------------------|------------------------|---------------------|-------------|-------------|
| At 1 January 2017 | 21.0 | 0.3 | 8.2 | 29.5 |
| Provisions made during the year | 13.9 | 6.3 | 0.9 | 21.1 |
| Provisions used during the year | (11.6) | (5.1) | (1.8) | (18.5) |
| Provisions reversed during the year | (2.8) | – | – | (2.8) |
| Utilisation of discount | – | – | 0.1 | 0.1 |
| Currency translation | (0.7) | – | (0.7) | (1.4) |
| At 31 December 2017 | 19.8 | 1.5 | 6.7 | 28.0 |

| | Product warranty €m | Restructuring €m | Other €m | Total €m |
|-------------------------------------|------------------------|---------------------|-------------|-------------|
| At 1 January 2016 | 25.1 | 1.3 | 8.3 | 34.7 |
| Provisions made during the year | 11.6 | – | 0.3 | 11.9 |
| Provisions used during the year | (13.6) | (0.9) | (0.5) | (15.0) |
| Provisions reversed during the year | (2.3) | – | (0.5) | (2.8) |
| Utilisation of discount | – | – | 0.2 | 0.2 |
| Currency translation | 0.2 | (0.1) | 0.4 | 0.5 |
| At 31 December 2016 | 21.0 | 0.3 | 8.2 | 29.5 |

Total provisions

| | 2017 €m | 2016 €m |
|-------------------------|-------------|------------|
| Non-current | 5.5 | 7.2 |
| Current | 22.5 | 22.3 |
| Total provisions | 28.0 | 29.5 |

Product warranty

The majority of product warranty provisions relate to specific customer issues, and are based upon open negotiations and past customer claims experience. Utilisation of the warranty provision is anticipated during 2018.

Restructuring

Restructuring provisions comprise planned headcount reductions and similar costs of balancing production capacity with market requirements. The provision at 31 December 2017 relates to certain of the Group's facilities in Australia, Germany and Italy, and is expected to be utilised in 2018.

Other provisions

Other provisions at 31 December 2017 comprise provisions for disputed claims for indirect taxes totalling €2.2 million (31 December 2016: €3.4 million) and asset retirement obligations and other claims totalling €4.5 million (31 December 2016: €4.8 million).

28. Cash Generated from Operations

| | Notes | 2017 €m | 2016 €m |
|---|-------|--------------|------------|
| Profit for the year | | 115.2 | 43.9 |
| Income tax expense before exceptional items | | 68.2 | 88.9 |
| Exceptional income tax benefit | | (25.4) | – |
| Profit before income tax | | 158.0 | 132.8 |
| Adjustments for: | | | |
| Depreciation, amortisation and impairment charges | 5 | 194.9 | 194.9 |
| (Gain)/loss on disposal of PP&E and intangible assets | 10 | (0.2) | 0.3 |
| Share option cost | 7 | 11.3 | 7.4 |
| Shares issued to Directors and certain employees | | 1.0 | – |
| Net finance expense | 11 | 115.3 | 105.1 |
| Unremitted share of profit from associates | 16 | 0.1 | (1.1) |
| Net foreign exchange (gains)/losses | | (24.6) | 2.0 |
| Inventory uplift unwind | | – | 0.4 |
| Changes in working capital: | | | |
| – Inventories | | (51.4) | (17.1) |
| – Trade and other receivables | | (20.2) | (81.9) |
| – Trade and other payables | | 45.3 | 53.5 |
| Change in provisions | | (0.2) | (5.9) |
| Change in retirement benefit obligations | | (13.4) | (4.4) |
| Total | | 415.9 | 386.0 |

29. Acquisitions

29.1. Acquisition of Millennium Industries Corporation

On 16 February 2016, the Group completed a transaction to acquire 100% of the ordinary share capital of Millennium Industries Corporation, a US-based provider of powertrain fuel rails and engine compartment components.

The acquisition was reported with fair values as below:

| | Notes | 16 February 2016 €m |
|---------------------------------|-------|---------------------------|
| Consideration | | 126.2 |
| Intangible assets | 14.2 | 72.6 |
| Property, plant and equipment | 15.1 | 11.2 |
| Trade and other receivables | | 11.2 |
| Inventories | | 14.5 |
| Cash and cash equivalents | | 1.2 |
| Trade and other payables | | (11.6) |
| Deferred income tax liabilities | | (30.0) |
| Net assets acquired | | 69.1 |
| Total goodwill | 14.1 | 57.1 |

The fair value of consideration was \$139.0 million (€126.2 million) of cash paid, or €125.0 million net of cash acquired. There is no contingent consideration applicable to the transaction. The goodwill is attributable to the workforce and the profitability of the acquired business.

The Company applied purchase accounting to the acquisition and consolidated the activities of Millennium from the date of acquisition. None of the goodwill is expected to be deductible for tax purposes.

29.2. Accounting for Acquisitions

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The Group applies the acquisition method to account for business combination.

The consideration transferred to the former owners of the acquiree for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and any equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred in accordance with IFRS 3 'Business Combinations'. Intercompany transactions and balances between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Fair values on acquisition

The fair values of intangible assets were estimated using various income approaches including the multi-period excess earnings method (customer platforms and aftermarket customer relationships) and the relief from royalty method (trade names, trademarks and technology).

Under the multi-period excess earnings method, an intangible asset's fair value is equal to the present value of the incremental after-tax cash flows attributable solely to the intangible asset over its remaining useful life. Under the relief from royalty method, fair value is measured by estimating future revenue associated with the intangible asset over its useful life and applying a royalty rate to the revenue estimate. These intangible assets enable the Company to develop new products to meet the evolving business needs as well as competitively produce its existing products.

The fair value of rental properties and property, plant and equipment acquired was based on the consideration of their highest and best use in the market. A combination of sales comparison and cost approaches were used in determining the fair value of rental property. The fair values of property, plant, and equipment, other than rental properties, were based on the consideration that unless otherwise identified, they will continue to be used 'as is' and as part of the ongoing business. A combination of cost and market approaches was used to determine the fair values of property, plant and equipment.

30. Commitments and Contingencies

30.1. Capital Commitments

Expenditure on non-current assets authorised and contracted for at the end of the year but not yet incurred is as below:

| | 2017 €m | 2016 €m |
|-------------------------------|-------------|-------------|
| Intangible assets | 5.3 | 2.3 |
| Property, plant and equipment | 40.6 | 28.1 |
| Total | 45.9 | 30.4 |

30.2. Operating Lease Commitments

a. The Group as lessor

Property that is surplus to the Group's requirements may be sub-let to third parties. The future aggregate minimum rentals receivable under non-cancellable operating leases at 31 December 2017 was €0.2 million (31 December 2016: €0.4 million). During the year, a total of €0.8 million of rental income was recognised in the Income Statement (2016: €0.9 million).

b. The Group as lessee

The Group rents buildings, machinery and equipment under operating leases. The future aggregate minimum rentals payable under non-cancellable operating leases were as follows:

| | 2017 €m | 2016 €m |
|---------------------------------|--------------|--------------|
| Less than one year | 39.7 | 35.5 |
| Between one year and five years | 104.1 | 92.8 |
| After five years | 36.6 | 40.9 |
| Total | 180.4 | 169.2 |

Total operating lease payments recognised as an expense in the year were €48.6 million (2016: €45.7 million).

Onerous lease provisions recognised in respect of non-cancellable operating leases were €nil (31 December 2016: €0.1 million).

30.3. Purchase Commitments

As part of its normal business practices, the Group enters into contracts with suppliers for purchases of raw materials, components and services to facilitate adequate supply of these materials and services. These arrangements may contain fixed or minimum quantity purchase requirements. These purchase commitments are off-balance sheet agreements to purchase goods or services that are enforceable and legally binding on the Group.

The table below summarises the contractual purchase commitments as at the end of the year:

| | 2017 €m | 2016 €m |
|---------------------------------|-------------|-------------|
| Less than one year | 35.6 | 44.9 |
| Between one year and five years | 8.2 | 15.9 |
| After five years | – | 0.7 |
| Total | 43.8 | 61.5 |

Contingencies

The Group has contingent liabilities relating to legal and tax proceedings arising in the normal course of business. Management reviewed known claims and litigation involving the Company and its subsidiaries at the end of the year. Based on the advice of legal counsel, appropriate provisions have been made to cover the related risks. While the outcome of any proceedings in progress cannot be predicted, the Company does not believe they will have a material impact on the Group's financial position.

31. Auditors' Remuneration

Services provided by the Company's Auditor and its associates

During the year, the Group obtained the following services from PricewaterhouseCoopers LLP, the Company's Auditor:

| | 2017 €m | 2016 €m |
|---|------------|------------|
| Fees payable to the Company's Auditor and its associates for the audit of the Parent Company and the Group financial statements | 1.6 | 1.6 |
| Fees payable to the Company's Auditor and its associates for the audit of the Company's subsidiaries | 0.8 | 0.4 |
| Tax compliance and advisory services | 0.6 | 0.6 |
| All other services | 2.4 | 4.8 |
| Total | 5.4 | 7.4 |

The 'all other services' remuneration of €2.4 million (2016: €4.8 million) includes efforts to enhance compliance and internal control, professional services transaction costs, accounting advice and other assurance services.

32. Related Party Transactions and Controlling Parties

32.1. Transactions with Affiliates of the funds managed by Bain Capital

The 'funds managed by Bain Capital' represent affiliates of and funds advised by Bain Capital LLC.

During the year, the Group procured products and materials totalling €0.6 million (2016: €0.7 million) from companies in which the funds managed by Bain Capital, the Group's ultimate controlling party since 30 June 2015, had investment interests. These transactions were completed on the basis of normal commercial terms.

During the year, the Group incurred Bain management charges totalling €3.9 million (2016: €4.8 million). The Group paid Bain €6.7 million on successful completion of the Company's IPO. The IPO costs are included in exceptional administrative expenses (Note 9).

32.2. Transactions with Group Companies

Balances and transactions between Group companies have been eliminated on consolidation, and are not disclosed in this Note except for subsidiaries that are not wholly owned. Transactions with those companies are made on the Group's standard terms of trade.

The Group holds 73% of the shares in Hanil Tube Corporation ('Hanil') which is located in South Korea. At 31 December 2017, Hanil had trade and loan receivables net of payables from other Group undertakings amounting to €20.7 million (2016: €16.0 million) and made sales within the Group during the year of €8.7 million (2016: €10.8 million).

The Group holds 97% of the shares in Bundy India Ltd. At 31 December 2017, Bundy India Ltd had trade and loan payables net of receivables to other Group undertakings amounting to €7.6 million (2016: €8.6 million) and made sales within the Group during the year of €8.7 million (2016: €6.3 million).

Ultimate controlling party

The funds managed by Bain Capital have been the Company's ultimate controlling party since its incorporation.

32.3. Transactions with Associates

| | 2017 €m | 2016 €m |
|---------------------------------------|------------|------------|
| Amounts owed to associates | 3.0 | 2.8 |
| Purchases from associates in the year | 19.6 | 21.6 |

Transactions with related parties other than subsidiaries are attributable solely to the ordinary business activities of the respective company and were conducted on an arm's-length basis.

33. Events After the Balance Sheet Date

On 16 January 2018, the Company undertook a court-approved capital reduction, which had the effect of cancelling the share premium account of €404.3 million and increasing the balance on accumulated profits by the same amount.

Company Financial Statements
Company Balance Sheet
 At 31 December

| | Notes | 2017 €m | 2016 €m |
|-------------------------------------|-------|--------------|------------|
| Non-current assets | | | |
| Investments in subsidiaries | 4 | 899.4 | 506.0 |
| | | 899.4 | 506.0 |
| Current assets | | | |
| Loans due from related parties | 5 | 17.4 | 26.6 |
| Cash and cash equivalents | | 9.7 | – |
| | | 27.1 | 26.6 |
| Total assets | | 926.5 | 532.6 |
| Equity | | | |
| Share capital | 6 | 6.8 | 493.7 |
| Share premium | 6 | 404.3 | – |
| Accumulated profits | | 483.0 | 0.4 |
| Total equity | | 894.1 | 494.1 |
| Current liabilities | | | |
| Trade and other payables | 7 | 3.1 | 1.8 |
| Loans due to related parties | 8 | 29.3 | 36.7 |
| | | 32.4 | 38.5 |
| Total liabilities | | 32.4 | 38.5 |
| Total equity and liabilities | | 926.5 | 532.6 |

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the year. The loss for the year was €17.2 million (2016: €11.9 million loss).

The financial statements were authorised for issue by the Board of Directors on 29 March 2018 and were signed on its behalf by:

William L. Kozyra
 Chief Executive Officer and President

Timothy J. Knutson
 Chief Financial Officer

Company Statement of Changes in Equity

For the year ended 31 December

| | Ordinary shares €m | Share premium €m | Accumulated profits €m | Total equity €m |
|--|--------------------------|------------------------|------------------------------|-----------------------|
| Balance at 1 January 2017 | 493.7 | – | 0.4 | 494.1 |
| Loss for the year | – | – | (17.2) | (17.2) |
| Share option cost | – | – | 11.3 | 11.3 |
| Capital reduction | (488.7) | – | 488.7 | – |
| Share capital raised on initial public offering | 1.6 | 423.0 | – | 424.6 |
| Shares issued to Directors and certain employees | 0.2 | 1.0 | (0.2) | 1.0 |
| Share capital issuance costs | – | (19.7) | – | (19.7) |
| Balance at 31 December 2017 | 6.8 | 404.3 | 483.0 | 894.1 |

| | Ordinary shares €m | Accumulated profits €m | Total equity €m |
|-----------------------------|--------------------------|------------------------------|-----------------------|
| Balance at 1 January 2016 | 493.7 | 4.9 | 498.6 |
| Loss for the year | – | (11.9) | (11.9) |
| Share option cost | – | 7.4 | 7.4 |
| Balance at 31 December 2016 | 493.7 | 0.4 | 494.1 |

Company Statement of Cash Flows

For the year ended 31 December

| | Notes | 2017 €m | 2016 €m |
|---|-------|----------------|---------------|
| Cash flows from operating activities | | | |
| Cash used by operations | 9 | (20.3) | (10.1) |
| Net cash used by operating activities | | (20.3) | (10.1) |
| Cash flows from investing activities | | | |
| Capital contribution to Omega Acquisition Bidco Ltd | 4 | (223.2) | – |
| Capital contribution to TI Automotive USA Holdings Ltd | 4 | (158.9) | – |
| Net cash used by investing activities | | (382.1) | – |
| Cash flows from financing activities | | | |
| Proceeds from issue of new share capital | | 424.6 | – |
| Share capital issuance costs | | (19.7) | – |
| Net borrowings from subsidiary undertakings | | 3.0 | 10.1 |
| Net cash generated from financing activities | | 407.9 | 10.1 |
| Increase in cash and cash equivalents | | 5.5 | – |
| Cash and cash equivalents at the beginning of the year | | – | – |
| Currency translation on cash and cash equivalents | | 4.2 | – |
| Cash and cash equivalents at the end of the year | | 9.7 | – |

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Notes to the Company Financial Statements

1. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1.1. Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, and the UK Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have also been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee ('IFRIC') interpretations issued and effective at the time of preparing these accounts.

The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss ('FVTPL').

The preparation of financial statements 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.

1.1.1. Going Concern

After making enquiries, the Directors are of the opinion that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of its financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

1.1.2. Functional and Presentation Currency

These financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest 100,000 except where stated otherwise.

1.1.3. Changes in Accounting Policy and Disclosures

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning on or after 1 January 2018, or are not yet effective and have not been applied in preparing the Company's financial statements. These are discussed further in the consolidated financial statements.

1.2. Foreign Currencies

Transactions in foreign currencies are converted to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted to the functional currency at the exchange rate at that date. Non-monetary items that are measured at historical cost in a foreign currency are converted using the exchange rate at the date of the transaction.

All transactional foreign currency differences are included in the Income Statement.

The average and year-end exchange rates for the Company's principal currencies are disclosed in the consolidated financial statements.

1.3. Investments in Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are recorded in the Company's balance sheet at cost. The investments are subject to a periodic impairment review, with any resulting diminution of the carrying value recognised in the Income Statement.

Acquisition-related costs are expensed as incurred in accordance with IFRS 3 'Business Combinations'.

1.4. Financial Instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at 'fair value through profit or loss' ('FVTPL')) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are expensed as incurred.

1.4.1. Financial Assets

Financial assets are classified into financial assets at 'FVTPL' and 'loans and receivables'. The classification is determined at the time of initial recognition and depends on the nature and purpose of the financial assets.

Financial assets at FVTPL

Financial assets are classified at FVTPL when they are so designated or held for trading, including derivatives that are not designated as hedging instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. The Company's loans and receivables comprise 'loans due from related parties' and 'cash and cash equivalents'.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that any financial asset is impaired as a result of one or more events that occurred after the initial recognition of the asset which has an impact on the estimated future cash flows of the asset that can be reliably estimated.

Evidence of impairment may include indications that any debtor is experiencing significant financial difficulty, default or delinquency in payments, the probability that any debtor will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

A financial asset is impaired and an impairment loss incurred if there is objective evidence that loss events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

1.4.2. Financial Liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified at 'FVTPL' when they are so designated or held for trading, including derivatives that are not designated as hedging instruments.

Other financial liabilities

All other financial liabilities are recognised initially on the date at which the Company becomes party to the contractual provisions of the instrument. Other financial liabilities including 'loans due to related parties' and trade and other payables, are subsequently measured at amortised cost using the effective interest method, which calculates the amortised cost of a financial liability and allocates interest expense over its term. The effective interest rate discounts estimated cash payments (including all fees, transaction costs and premiums) through the expected life of the financial liability, to the net carrying amount on initial recognition.

1.5. Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accrued expenses are recognised when ownership of goods or services has been transferred but not invoiced. Trade and other payables are recognised at amortised cost.

1.6. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

1.7. Share Capital

Ordinary shares of the Company are classified as equity. Costs directly attributable to the issue of ordinary shares and share options are recognised in equity as a deduction, net of any tax effects from the proceeds.

1.8. Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income and equity.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax

Deferred income tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1. Summary of Significant Accounting Policies continued

1.9. Exceptional Items

Exceptional items are defined as those items that, by virtue of their nature, size and expected frequency, warrant separate additional disclosure in the financial statements in order to fully understand the underlying performance of the Company. These may include the costs of closure of locations or significant headcount reduction, costs arising from the acquisition or disposal of businesses including related contractual management incentive charges, transaction costs of a significant and non-recurring nature, debt refinancing costs, impairment charges and the recognition of previously derecognised deferred tax assets.

1.10. Dividends

Receivable

Dividends from investments of the Company and dividends receivable by the Company are recognised when the right to receive payment is established.

Payable

Dividends payable to the Company's shareholders are recognised in the Statement of Changes in Equity in the period in which they are approved.

2. Income Statement

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the year. The loss for the year was €17.2 million (2016: €11.9 million loss).

3. Directors' Remuneration

The Company has no employees. Full information on Directors' remuneration is disclosed in the consolidated financial statements. Non-Executive Director costs of €0.3million (2016: €Nil) have been borne by the Company, all other costs have been met by other subsidiaries of the Group.

4. Investments in Subsidiaries

| | 2017 €m | 2016 €m |
|--|--------------|--------------|
| At 1 January | 506.0 | 498.6 |
| Capital contribution to Omega Acquisition Bidco Ltd | 223.2 | – |
| Capital contribution to TI Automotive USA Holdings Ltd | 158.9 | – |
| Share option cost | 11.3 | 7.4 |
| At 31 December | 899.4 | 506.0 |

Investments in subsidiary undertakings are recorded at cost, which was the fair value of the consideration paid. No impairments have been recorded.

The Company's subsidiary undertakings, including its operating and non-operating subsidiaries, are as follows:

| | | Ownership interest and voting rights held 2017 | Ownership interest and voting rights held 2016 | Address of registered office |
|--|--------|--|--|--|
| Americas | | | | |
| TI Group Automotive Systems LLC* | US | 100% | 100% | 2020 Taylor Road, Auburn Hills, MI 48326 |
| TI Automotive LLC* | US | 100% | 100% | 2020 Taylor Road, Auburn Hills, MI 48326 |
| Hanil USA LLC* | US | 100% | 100% | 50 Hanil Drive, Tallassee, Alabama, 36078 |
| Hutchings International Enterprises Inc. (Dormant) | US | 100% | 100% | 2020 Taylor Road, Auburn Hills, MI 48326 |
| Omega Newco Sub Inc.* | US | 100% | 100% | 1209 Orange Street, City of Wilmington, New Castle 19801 |
| TI Automotive Ligonier Corporation (formerly Millennium Industries Corporation)* | US | 100% | 100% | 925 North Main Street, Ligonier, IN 46767 |
| TI Automotive Canada Inc.* | Canada | 100% | 100% | 316 Orenda Road, Bramalea, Ontario, Canada, L6T 1G3 |

| | | Ownership interest and voting rights held 2017 | Ownership interest and voting rights held 2016 | Address of registered office |
|---|-----------|---|--|--|
| TI Group Automotive Systems S de RL de CV | Mexico | 100% | 100% | Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780 |
| TI Automotive Reynosa S de RL de CV | Mexico | 100% | 100% | Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780 |
| TI-Hanil Mexico S de RL de CV | Mexico | 100% | 100% | Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780 |
| Fabricaciones Electromecanicas SA de CV (Dormant) | Mexico | 100% | 100% | Via Jose Lopez Portillo 8-A, Tultitlan, Estado de Mexico, Mexico 54940 |
| Marwal de Mexico SA de CV | Mexico | 100% | 100% | Via Jose Lopez Portillo 8-A, Tultitlan, Estado de Mexico, Mexico 54940 |
| TI Brasil Industria e Comercio Ltda | Brazil | 100% | 100% | Rodovia Presidente Dutra, Km 145,7 Sao Jose dos Campos, SP-Brasil CEP 12220-611 |
| Bundy Colombia SA | Colombia | 100% | 100% | Carrera 13A No 6-98 Parque Industrial Montana, Mosquero, Cundinamarca, 34225 |
| TI Automotive Argentina SA | Argentina | 100% | 100% | Uruguay 4351, Victoria, San Fernando, Buenos Aires, Argentina, B1644 HKO |
| Metalunion CA (Dormant)*** | Venezuela | 100% | 100% | La Zona Industrial San Vicente II Maracay, Estado Aragua |
| TI Group Automotive Systems de Venezuela CA*** | Venezuela | 100% | 100% | Zona Ind. Municipal Norte Av. Avenida Este – Oeste #6 Valencia, Venezuela |
| TI Automotive Fuel System Venezuela CA | Venezuela | 100% | 100% | Avenida Este – Oeste #6 Zona Industrial la Quizanda, Valencia, Estado, Carabobo |
| Europe and Africa | | | | |
| Omega Acquisition Bidco Ltd* | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TI Automotive Korean Won Hedgco Ltd* | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TI Automotive Korean Won Hedgco II Ltd* | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| Omega Newco Sub I Ltd | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| Omega Newco Sub II Ltd | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TIFS Holdings Ltd* | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TI Automotive Ltd* | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TI Automotive Holdings Ltd* | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TI Automotive Euro Holdings Ltd* | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TI Automotive USA Holdings Ltd* | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TI Group Automotive Systems Ltd* | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TI Group Automotive Systems (Deeside) Ltd* | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TI Group Automotive Systems (UK) Ltd* | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TI Automotive Canada Holdings Ltd* | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TI Automotive (China) Ltd* | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TI Automotive Czech Holdings (UK) Ltd | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TI Automotive German Holdings (UK) Ltd* | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| Hanil Tube Holdings Ltd | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |

4. Investments in Subsidiaries continued

| | | Ownership interest and voting rights held 2017 | Ownership interest and voting rights held 2016 | Address of registered office |
|---|----------------|---|--|--|
| TI Automotive Finance plc (Dormant)** | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TI Automotive Nominees Ltd (Dormant)** | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TI Automotive Pension Plan Trustee Ltd (Dormant)** | UK | 100% | 100% | 4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU |
| TI Group Automotive Systems (Belgium) SA* | Belgium | 100% | 100% | Rue Wérihet 61, B-4020 Wandre (Liège) |
| TI Automotive AC sro | Czech Republic | 100% | 100% | Belgická 4727/17, Rýnovice, 466 05 Jablonec nad Nisou |
| TI Group Automotive Systems sro | Czech Republic | 100% | 100% | Belgická 4727/17, Rýnovice, 466 05 Jablonec nad Nisou |
| TI Automotive France Holdings SA | France | 100% | 100% | 1, avenue Ampère, Zone Industrielle, 51000 Châlons-en Champagne, France |
| TI Automotive Fuel Systems SAS | France | 100% | 100% | 1, avenue Ampère, Zone Industrielle, 51000 Châlons-en Champagne, France |
| TI Group Automotive Systems SAS | France | 100% | 100% | Z.I. Bld de l'industrie 37530 Nazelles-Negrin, France |
| TI Automotive Holdings GmbH* | Germany | 100% | 100% | Dischingerstr. 11, 69123 Heidelberg |
| TI Automotive (Ettlingen) GmbH* | Germany | 100% | 100% | Hertzstrasse 24-30, 76275 Ettlingen |
| TI Automotive (Fuldabruck) GmbH* | Germany | 100% | 100% | Industriestrasse 3, 34277 Fuldabruck |
| TI Automotive (Heidelberg) GmbH* | Germany | 100% | 100% | Dischingerstr. 11, 69123 Heidelberg |
| TI Automotive Systems Germany GmbH* | Germany | 100% | 100% | Dischingerstr. 11, 69123 Heidelberg |
| TI Automotive Engineering Centre (Heidelberg) GmbH* | Germany | 100% | 100% | Dischingerstr. 11, 69123 Heidelberg |
| TI Automotive Technology Center GmbH* | Germany | 100% | 100% | Lochfeldstraße 31, 76437 Rastatt |
| TI Automotive (Hungary) Kft | Hungary | 100% | 100% | H-9027, Győr, Körtefa utca, 6.ép |
| TI Automotive Italia Holdings Srl | Italy | 100% | 100% | Via Mosè Bianchi, 71-20149 Milano |
| TI Automotive Cisliano Srl | Italy | 100% | 100% | Via Abbiategrasso, 20080 Cisliano (MI) |
| TI Automotive Brindisi Srl | Italy | 100% | 100% | Via Pinan, 2-16012 Busalla (GE) |
| TI Group Automotive Systems SpA | Italy | 100% | 100% | Via Pinan, 2-16012 Busalla (GE) |
| TI Poland sp.zo.o* | Poland | 100% | 100% | Bestwin'ska 143 a, Bielsko-Biala, 43-346, Poland |
| LLC TI Automotive | Russia | 100% | 100% | Russian Federation 188640, Leningradskaya region, Vsevolozhsk, Vsevolozhskiy prospect, 113 |
| Hanil RUS LLC | Russia | 100% | 100% | Russian Federation 188640, Leningradskaya region, Vsevolozhsk, Vsevolozhskiy prospect, 113 |
| TI-Hanil Slovakia s.r.o. | Slovakia | 100% | 100% | Podzavoz 995, 02201 Cadca |
| TI Automotive Slovakia s.r.o. | Slovakia | 100% | 100% | Prilohy 46, Zavar, Slovakia, 91926 |
| TI Automotive proizvodnja avtomobilskih delov, d.o.o. | Slovenia | 100% | 100% | Belokranjska cesta 4, 8000 Novo mesto |
| TI Automotive Morocco Sarl | Morocco | 100% | 100% | Zone Franche D'Exportation, Ilot 62, lot 2, PL1, 90090, Tangier, Morocco |

| | | Ownership interest and voting rights held 2017 | Ownership interest and voting rights held 2016 | Address of registered office |
|--|--------------|--|--|---|
| TI Group Automotive Systems (South Africa) (Pty) Ltd | South Africa | 100% | 100% | 62 Palmgate Crescent, Southgate Business Park, Umbogintwini, 4026, South Africa |
| TI Automotive Fuel Systems (South Africa) (Pty) Ltd | South Africa | 100% | 100% | Unit AW8, Automotive Supplier Park, East London IDZ, West Bank, East London |
| TI Automotive Pamplona SL | Spain | 100% | 100% | Polígono Industrial Comarca 1, calle E, s/n. 31195 Berrioplano (Navarra), Spain |
| TI Group Automotive Systems SA | Spain | 100% | 100% | Carretera. San Adrián-La Roca, Km. 15,9, 08170 Montornés del Valles, Barcelona, Spain |
| TI Group Automotive Spain Holdings S.L. | Spain | 100% | 100% | Carretera. San Adrián-La Roca, Km. 15,9, 08170 Montornés del Valles, Barcelona, Spain |
| TI Group Automotive Systems AB | Sweden | 100% | 100% | PO Box 904, 531 19 Lidköping, Sweden |
| TI Otomotiv Sanayi ve Ticaret Ltd | Turkey | 100% | 100% | Nosab Sedir Cad. 203. Sok. No: 6 16140 Nilüfer Bursa |
| Asia Pacific | | | | |
| Bundy Tubing Co. (Australia) Pty Ltd. | Australia | 100% | 100% | 492 Churchill Rd., Kilburn SA 5084 |
| Bundy Fluid Systems Co Ltd | China | 100% | 100% | No. 57 Longhai Road ETDZ, Qinhuangdao City |
| Bundy Fluid Systems (Chongqing) Co Ltd | China | 100% | 100% | Building C1, Zone C, Number 5 Workshop, Standard Workshop Project Phase 1, Huachao Industrial Park, Cuiyun Road, Northern New District, Chongqing |
| Bundy Fluid Systems (Shanghai) Co Ltd | China | 100% | 100% | 34 Bundy Workshop, 409 Hua Jing Road, Waigaoqiao FTZ, Shanghai |
| TI Automotive (Tianjin) Co Ltd | China | 100% | 100% | No.6 Xiang'an Road, TEDA Tianjin |
| TI Automotive Systems (Changchun) Co Ltd | China | 100% | 100% | 2599 Zi Bo Rd., Economic Technological Development Zone, Changchun |
| TI Automotive Systems (Hainan) Co Ltd | China | 100% | 100% | No 3 Workshop, American Industry Park, No 100 Nanhai Avenue, Haikou City |
| TI Automotive Systems (Shanghai) Co Ltd | China | 100% | 100% | Bld 1, Bld 2, No 100 Yin Long Road, Jiading District, Shanghai |
| Wuhan Bundy Fluid Systems Co Ltd | China | 100% | 100% | Wuhan Economic & Technological Development Zone |
| TI Automotive (Hong Kong) Holdings Ltd | Hong Kong | 100% | 100% | Suite 1B, 8/F., Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong |
| Bundy India Ltd | India | 97% | 97% | Plot 2 GIDC Industrial Estate, Makarpura, Baroda, 390010, India |
| Hanil Tube India Private Ltd | India | 100% | 100% | B-75, SIPCOT Industrial Area, Chennai 600-058, Tamu Nadu |
| PT TI Automotive Ltd | Indonesia | 100% | 100% | Regency (Kabupaten), Purwakarta, West Java, Indonesia |
| TI Automotive Japan Gunma K. K. | Japan | 100% | 100% | 1-23-1 Kunisada-Cho, Isezaki-shi, Gunma Pref, Japan, 379-2221 |
| TI Automotive Japan Ltd | Japan | 100% | 100% | 3-29-1-1 Tsuruya-Cho, Kanagawa-ku, Yokohama-city, Kanagawa Pref, Japan, 221-0835 |
| Hanil Tube Corporation | South Korea | 73% | 73% | 17, Wonjeon-ro, Seo-gu, Incheon, Korea 22744 |
| TI Automotive Ltd (Korea) | South Korea | 100% | 100% | 708, Baeksuk-Dong, Cheonan City, Chungnam, 330220 |
| TI Automotive (Thailand) Ltd | Thailand | 100% | 100% | 700/652 Moo 1, Amata Nakorn Industrial Estate, Tambon PanThong, Amphur PhanThong, Chonburi, Thailand, 20160 |
| TI Automotive ROH (Thailand) Ltd | Thailand | 100% | 100% | 700/652 Moo 1, Amata Nakorn Industrial Estate, Tambon PanThong, Amphur PhanThong, Chonburi, Thailand, 20160 |

* Companies identified by an asterisk, together with certain other smaller subsidiaries, are guarantors to the 2015 term loan agreements and unsecured senior notes of TI Group Automotive Systems LLC.

** Companies that are dormant in the UK and are exempt from preparing individual financial statements by virtue of s394A of Companies Act 2006.

*** Companies in the process of liquidation at the end of the reporting period.

All companies above are incorporated and unless dormant, operate principally in the country indicated. All companies operate in the global automotive component supply sector. Omega Acquisition Bidco Ltd is the only immediate subsidiary of the Company.

5. Loans Due from Related Parties

| | 2017 €m | 2016 €m |
|---------------------------------------|-------------|-------------|
| Loans due from related parties | 17.4 | 26.6 |

Loans due from related parties at 31 December 2017 comprise amounts drawn against euro-denominated intercompany facility agreements from subsidiary undertakings, plus accrued and unpaid interest totalling €16.4 million (2016: €26.6 million) and €1.0 million of invoiced receivables (2016: €nil). The loans are repayable in full on demand and bore interest at six-month EURIBOR plus a margin of either 4.9% or 4.15% according to the agreed facility.

6. Issued Share Capital

| | Number of shares | Nominal value of each share | Ordinary shares €m | Ordinary shares €m | Share premium €m | Total €m |
|--|---------------------|-----------------------------------|--------------------------|--------------------------|------------------------|--------------|
| At 1 January 2017 | 350,056,644 | £1.00 | 350.1 | 493.7 | – | 493.7 |
| Capital reduction | – | (£0.99) | (346.6) | (488.7) | – | (488.7) |
| | 350,056,644 | £0.01 | 3.5 | 5.0 | – | 5.0 |
| Share capital raised on initial public offering | 148,333,333 | £0.01 | 1.5 | 1.6 | 423.0 | 424.6 |
| Shares issued as consideration for the cancellation of certain historic share option plans | 20,657,233 | £0.01 | 0.2 | 0.2 | – | 0.2 |
| Shares issued to certain Non-Executive Directors | 365,016 | £0.01 | – | – | 1.0 | 1.0 |
| Share capital issuance costs | – | – | – | – | (19.7) | (19.7) |
| At 31 December 2017 | 519,412,226 | £0.01 | 5.2 | 6.8 | 404.3 | 411.1 |

| | Number of shares | Nominal value of each share | Ordinary shares €m | Ordinary shares €m | Share premium €m | Total €m |
|---------------------|---------------------|-----------------------------------|--------------------------|--------------------------|------------------------|-------------|
| At 1 January 2016 | 350,056,644 | £1.00 | 350.1 | 493.7 | – | 493.7 |
| At 31 December 2016 | 350,056,644 | £1.00 | 350.1 | 493.7 | – | 493.7 |

On 9 October 2017, the Board approved a special resolution to reduce the nominal value of the Company's shares from £1.00 to £0.01 per share. This reduced the ordinary share capital by €488.7 million. This resolution was supported by a statement of the solvency of the Company (pursuant to section 641(1)(a) of the Companies Act).

On 25 October 2017, the Company's entire ordinary share capital was listed on to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities under the ticker 'TIFS'. As part of the listing, the Company issued 148,333,333 ordinary shares of new share capital at an Offer Price of 255 pence per ordinary share, which raised €424.6 million (£378.3 million) before issuance costs.

On Admission to trading on the London Stock Exchange, the Company also issued 20,657,233 ordinary shares as consideration for the cancellation of certain outstanding option awards granted to certain members of the Group's management team under historic share plans. The Company also issued a further 365,016 ordinary shares to certain Non-Executive Directors.

The Company holds 2,623,412 RSAs as treasury shares at a nominal value of £0.01 each totalling £26,234 (€23,503; 2016: £nil).

The Company is a public limited company which is incorporated and domiciled in England and Wales, with registered number 09402231.

The funds managed by Bain Capital have been the Company's ultimate controlling party since its incorporation.

7. Trade and Other Payables

| | 2017 €m | 2016 €m |
|---------------------------------------|------------|------------|
| Other payables | 0.2 | 0.3 |
| Accrued expenses | 2.9 | 1.5 |
| Total trade and other payables | 3.1 | 1.8 |

8. Loans Due to Related Parties

| | 2017 €m | 2016 €m |
|-------------------------------------|-------------|-------------|
| Loans due to related parties | 29.3 | 36.7 |

Loans due to related parties at 31 December 2017 comprise amounts drawn against euro-denominated intercompany facility agreements from subsidiary undertakings, plus accrued and unpaid interest totalling €29.3 million (2016: €36.7 million). The loans are repayable in full on demand and therefore have been classified as currently payable.

Until 1 July 2017, they bore interest at six-month EURIBOR plus a margin of either 3.5% or 4.9% according to the agreed facility, and after 1 July 2017 they bore interest at six-month EURIBOR plus a margin of 2.75%.

9. Cash Used by Operations

| | 2017 €m | 2016 €m |
|-----------------------------|---------------|---------------|
| Loss for the year | (17.2) | (11.9) |
| Adjustments for: | | |
| Net foreign exchange gains | (4.3) | – |
| Changes in working capital: | | |
| – Trade and other payables | 1.2 | 1.8 |
| Total | (20.3) | (10.1) |

10. Events After the Balance Sheet Date

On 16 January 2018, the Company undertook a court-approved capital reduction, which had the effect of cancelling the share premium account of €404.3 million and increasing the balance on accumulated profits by the same amount.

Combined and Consolidated Income Statement

For the years ended 31 December

| | 2017 €m | Unaudited | | |
|--|------------------|------------|------------|------------|
| | | 2016 €m | 2015 €m | 2014 €m |
| Revenue | 3,490.9 | 3,348.6 | 3,095.2 | 2,696.3 |
| Cost of sales | (2,928.5) | (2,801.1) | (2,580.2) | (2,215.8) |
| Gross profit | 562.4 | 547.5 | 515.0 | 480.5 |
| Distribution costs | (103.7) | (103.6) | (96.0) | (93.1) |
| Administrative expenses before exceptional items | (177.8) | (188.6) | (171.1) | (139.1) |
| <i>Exceptional items</i> | (40.2) | (23.2) | (27.7) | (23.7) |
| Administrative expenses after exceptional items | (218.0) | (211.8) | (198.8) | (162.8) |
| Other income | 7.7 | 6.5 | 7.7 | 6.8 |
| Net foreign exchange gains/(losses) | 24.6 | (2.0) | (72.1) | (99.4) |
| Operating profit | 273.0 | 236.6 | 155.8 | 132.0 |
| Finance income before exceptional items | 11.2 | 10.1 | 8.3 | 1.5 |
| Finance expense before exceptional items | (100.1) | (115.2) | (87.1) | (50.4) |
| <i>Exceptional items</i> | (26.4) | – | (23.8) | (20.9) |
| Finance expense after exceptional items | (126.5) | (115.2) | (110.9) | (71.3) |
| Net finance expense after exceptional items | (115.3) | (105.1) | (102.6) | (69.8) |
| Share of profit of associates | 0.3 | 1.3 | 1.3 | 1.2 |
| Profit before income tax | 158.0 | 132.8 | 54.5 | 63.4 |
| Income tax expense before exceptional items | (68.2) | (88.9) | (124.0) | (68.1) |
| <i>Exceptional items</i> | 25.4 | – | 28.9 | 20.5 |
| Income tax expense after exceptional items | (42.8) | (88.9) | (95.1) | (47.6) |
| Profit/(loss) for the period | 115.2 | 43.9 | (40.6) | 15.8 |
| Profit/(loss) for the period attributable to: | | | | |
| Owners of the Parent Company | 112.5 | 42.2 | (43.7) | 13.4 |
| Non-controlling interests | 2.7 | 1.7 | 3.1 | 2.4 |
| | 115.2 | 43.9 | (40.6) | 15.8 |

Combined and Consolidated Balance Sheet

At 31 December

| | Unaudited | | | |
|--|----------------|----------------|----------------|----------------|
| | 2017 €m | 2016 €m | 2015 €m | 2014 €m |
| Non-current assets | | | | |
| Intangible assets | 1,273.9 | 1,412.8 | 1,345.8 | 217.8 |
| Property, plant and equipment | 686.8 | 699.7 | 675.9 | 458.7 |
| Investments in associates | 19.2 | 19.4 | 18.2 | 23.1 |
| Derivative financial instruments | 8.3 | 28.4 | 24.2 | – |
| Deferred income tax assets | 51.0 | 69.9 | 130.0 | 107.9 |
| Trade and other receivables | 13.4 | 12.9 | 7.3 | 8.1 |
| | 2,052.6 | 2,243.1 | 2,201.4 | 815.6 |
| Current assets | | | | |
| Inventories | 329.3 | 298.5 | 263.3 | 257.0 |
| Trade and other receivables | 588.3 | 613.1 | 527.9 | 500.3 |
| Current income tax assets | 8.2 | 9.6 | 4.4 | 7.7 |
| Derivative financial instruments | 5.3 | 6.1 | 4.5 | – |
| Financial assets at fair value through profit and loss | 2.9 | 2.9 | 2.8 | 2.8 |
| Cash and cash equivalents | 287.2 | 196.2 | 268.4 | 173.0 |
| Non-current assets held for sale | – | – | – | 0.4 |
| | 1,221.2 | 1,126.4 | 1,071.3 | 941.2 |
| Total assets | 3,273.8 | 3,369.5 | 3,272.7 | 1,756.8 |
| Equity | | | | |
| Ordinary shares | 6.8 | 493.7 | 493.7 | – |
| Share premium | 404.3 | – | – | – |
| Invested capital | – | – | – | (102.6) |
| Other reserves | (130.5) | (64.5) | (41.8) | – |
| Accumulated (losses)/profits | 640.9 | 36.2 | (10.8) | – |
| Equity attributable to owners of the Parent Company | 921.5 | 465.4 | 441.1 | (102.6) |
| Non-controlling interests | 20.3 | 19.0 | 20.2 | 11.1 |
| Total equity | 941.8 | 484.4 | 461.3 | (91.5) |
| Non-current liabilities | | | | |
| Trade and other payables | 17.6 | 12.1 | 7.1 | 6.1 |
| Borrowings | 1,178.2 | 1,695.8 | 1,657.3 | 1,012.0 |
| Derivative financial instruments | 72.4 | 19.2 | 26.0 | – |
| Deferred income tax liabilities | 159.8 | 221.5 | 230.5 | 26.1 |
| Retirement benefit obligations | 162.4 | 193.0 | 187.6 | 192.6 |
| Provisions | 5.5 | 7.2 | 6.9 | 8.7 |
| | 1,595.9 | 2,148.8 | 2,115.4 | 1,245.5 |
| Current liabilities | | | | |
| Trade and other payables | 637.6 | 635.2 | 577.0 | 516.4 |
| Current income tax liabilities | 69.6 | 71.3 | 82.1 | 52.7 |
| Borrowings | 3.0 | 2.9 | 4.3 | 9.5 |
| Derivative financial instruments | 3.4 | 4.6 | 4.8 | 0.7 |
| Provisions | 22.5 | 22.3 | 27.8 | 23.5 |
| | 736.1 | 736.3 | 696.0 | 602.8 |
| Total liabilities | 2,332.0 | 2,885.1 | 2,811.4 | 1,848.3 |
| Total equity and liabilities | 3,273.8 | 3,369.5 | 3,272.7 | 1,756.8 |

The combined and consolidated financial record above presents the financial results for those businesses that were part of the Group for the years ended 31 December 2014 to 31 December 2017 inclusive. The information is prepared on a combined and consolidated basis for the year ended 31 December 2015 which represents a departure from IFRS, which does not provide for the preparation of combined and consolidated financial information.

For the purposes of this financial record, the term ('Group') means prior to 22 January 2015, TIFS Holdings Ltd ('TIFSHL') and its consolidated subsidiaries and undertakings, from 23 January 2015 to 30 June 2015, the Company and its subsidiaries combined with the TIFSHL Group, and thereafter, the Company and its consolidated subsidiaries and undertakings. 22 January 2015 is the date of incorporation of the Company and its subsidiaries Omega Acquisition Bidco Ltd, Omega Newco Sub I Ltd and Omega Newco Sub II Ltd. TIFSHL was the previous Parent Company of the Group and was acquired by the Company on 30 June 2015, through its subsidiary Omega Acquisition Bidco Ltd, together with TIFSHL's consolidated subsidiaries and undertakings (the 'TIFSHL Group'). The assets and liabilities of the TIFSHL Group were adjusted to fair value as part of the business combination as at 30 June 2015, which impacts the Group's earnings after this date.

Shareholder information

Company registered number

09402231

Directors

Manfred Wennemer

Non-Executive Chairman

William L. Kozyra

Chief Executive Officer and President

Timothy Knutson

Chief Financial Officer

Neil Carson

Deputy Chairman and Senior Independent Director

Paul Edgerley

Non-Executive Director

John Smith

Independent Non-Executive Director

Stephen Thomas

Non-Executive Director

Jeffrey Vanneste

Independent Non-Executive Director

Company Secretary

Matthew Paroly

Registered office

4650 Kingsgate
Cascade Way
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Oxford OX4 2SU
United Kingdom

Corporate offices

2020 Taylor Road
Auburn Hills
Michigan 48326
United States of America

Independent Auditors

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Cornwall Court
19 Cornwall Street
Birmingham B3 2DT

Principal bankers

HSBC

8 Canada Square
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London E14 5HQ

Legal advisers to the Company

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99 Bishopsgate
London EC2M 3XF

Joint corporate brokers

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB

J.P. Morgan Cazenove

25 Bank Street
Canary Wharf
London E14 5JP

Registrars

Equiniti Limited

Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Corporate calendar

Annual General Meeting

17 May 2018

Announcement of Interim Results

August 2018

Announcement of Final Results

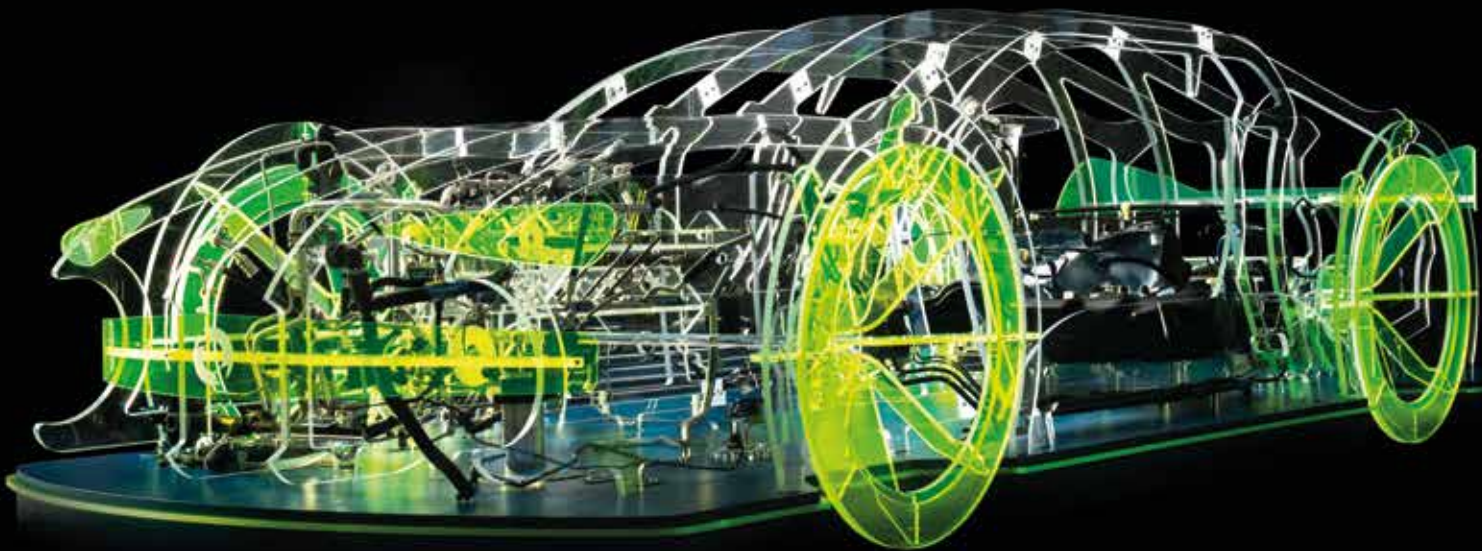
March 2019

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United Kingdom

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Incorporated and domiciled in England and Wales
Registered number 09402231

