

## TI Fluid Systems plc - Full year results 2018

Released: 20 March 2019



### TI Fluid Systems plc

#### Results for the 12 months ended 31 December 2018

TI Fluid Systems plc, a leading global manufacturer of automotive fluid storage, carrying and delivery systems for light vehicles announces its 2018 results.

#### Group Highlights:

- Successfully executing our hybrid electric vehicle (“HEV”) and electric vehicle (“EV”) strategy creating organic growth opportunities.
  - Significant EV awards and expected additional orders for the design, engineering and supply of thermal products with two leading high volume European Original Equipment Manufacturers (“OEMs”)
    - Lifetime revenue opportunity of approximately €700 million (customer planning volumes)
  - Strategic progress in advancing share position of the HEV pressurised fuel tank market and continuing to win thermal awards on available key EV platforms with Korean and Chinese OEMs
- Strong financial results in 2018
- Revenue growth of 2.0% year over year (at constant currency) or 3.1% above global light vehicle production growth volumes
- Solid Adjusted EBIT of €373.5 million and margin of 10.8%
- Profit for the year growth of €24.9 million to €140.1 million
- Adjusted Net Income growth of €19.2 million or 14.1% to €155.2 million with Adjusted Basic EPS of 29.9 euro cents
- Significant Adjusted Free Cash Flow of €146.2 million
- Final dividend proposal of 5.94 euro cents per share, making 8.96 euro cents for the full year

- Refinanced borrowing facilities repaying 8.75% senior unsecured notes using cash and additional term loan reducing interest expense by ~ €10 million per annum

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

“2018 was a great year for TI Fluid Systems. Despite a slight softening in global light vehicle production growth, we achieved strong organic growth, solid profit margins and free cash flow generation. The excellent progress delivered in executing our HEV and EV strategy in 2018, as well as our approach of continued and disciplined organic growth has positioned the Group well for 2019 and beyond.

We continue to work on new design and engineering thermal management and pressurised tank opportunities with our existing customers as the electric market continues to progress. We are confident that our business model will continue to deliver consistent, strong financial performance along with attractive returns.”

## **Results presentation**

TI Fluid Systems plc is holding a presentation to analysts and investors at 09:00am UK time on 20 March 2019 at the offices of FTI Consulting, 200 Aldersgate Street, London EC1A 4HD.

Analysts wishing to attend should contact FTI Consulting to register. Analysts unable to attend in person may listen to the presentation live by using the details below. Questions will only be taken at the event.

Conference Call Dial-In Details:

UK: +44 (0) 330 336 9105

Conference Code: 9808024

The presentation will be at 7:00am UK time from [www.tiautomotive.com](http://www.tiautomotive.com). An audio recording will be available on our website in due course.

## **Capital Markets Event**

TI Fluid Systems plc is hosting a Capital Markets Event in London at 2:00pm UK time on 17 May 2019.

The event will be hosted by Bill Kozyra, CEO and Timothy Knutson, CFO, and will include product demonstrations as well as presentations from our Executive Vice Presidents of our two segments, Fluid Carrying Systems (“FCS”) and Fuel Tank and Delivery Systems (“FTDS”). The presentations will be available on the TI Fluid Systems website from 2:00pm that day.

## **Enquiries**

TI Fluid Systems plc

Alpna Amar

Investor Relations

Tel: +44 (0)1865 871824

FTI Consulting

Richard Mountain

Nick Hasell

Tel: +44 (0) 20 3727 1340

## **Chief Executive Officer's review:**

2018 was another year of strong organic growth for the Group. Although, global light vehicle production volume slightly declined by 1.1% compared to the prior year, we delivered a solid financial performance in 2018 with revenue of €3,473 million (+2.0% at constant currency), or 3.1% above global light vehicle production growth. If we include the impact of currency translation, revenue slightly declined by 0.5%

We also continued to generate strong Adjusted EBITDA of €484 million (13.9% margin) and Adjusted EBIT of €374 million (10.8% margin). Profit for the year was €140 million (2017: €115 million).

Adjusted Free Cash Flow amounted to €146 million (2017: €119 million). This high level of cash generation supports our strong organic business growth opportunities, deleveraging and return of capital to shareholders through our dividend policy.

## **Strategy Update**

Organic growth opportunities in EVs and HEVs has been a key focus for the Group. We are extremely proud of the significant progress on this strategy in 2018.

### **Utilise the Group's market position strengths in our key product areas**

We are the #1 supplier of brake and fuel lines globally with approximately 34% market share. In 2018, the Group was able to leverage its technology, customer relationships and global footprint in brake and fuel lines to be awarded significant orders for the design, engineering and supply of thermal management products with two leading high volume OEMs for global EV platforms.

Combining these awards with expected orders for thermal products on these OEM platforms, we anticipate that TI Fluid Systems will have approximately 50% share of these combined EV platforms. We believe this represents a total lifetime revenue opportunity of approximately €700 million based on customer planning volumes.

It is worth noting, that these thermal awards are expected to last for the eight to ten year life of the vehicles. A few of these EV platforms are expected to begin production in 2019 and 2020. Beyond these important awards, we have received other EV thermal product awards with Korean and Chinese OEMs.

We continue to advance our thermal system development discussions with key EV OEM producers. For example, we recently completed a thermal system design project focused on light weight nylon components and optimised fluid management for a large European OEM.

These thermal awards demonstrate the Group's competencies as a leading fluid handling supplier and experienced partner to the global OEMs. This strong award level further demonstrates that as the EV market develops, our business strengths should ultimately position us to have similar share in thermal products with the share position in our brake and fuel line business today.

I am very pleased with the progress our company and employees have made in 2018 to demonstrate that we will be a leading supplier of fluid products for HEVs and EVs today and in the future.

We are the #3 supplier of plastic fuel tanks globally with 15% market share. The Group has been able to capitalise on its strong fuel tank technology leadership positions to progress its strategy for plug-in hybrid electric vehicles (PHEV).

In 2018, the Group launched its PHEV pressurised plastic fuel tank for a leading European OEM in China. The plastic fuel tank utilises our proprietary technology to meet the new increased fuel vapour pressure requirements of HEVs. It also minimises permeation by insertion of special components into the tank during the manufacturing process. The total lifetime units of this fuel tank is estimated at 950,000 units based on customer planning volumes.

We are pleased that with our recent wins in pressurised fuel tanks, our PHEV tank share is trending to greater than 20%, which is higher than our existing fuel tank market share.

We are leveraging our fluid system competencies to adapt our products and support electrification trends, which continue to be great growth opportunities for us.

### **Maintain balanced customer, platform, regional and product diversification**

The Group has a diversified base of vehicle platforms and nameplates to which we supply our products. The Group's products are found in most of the highest volume vehicle nameplates across North America, Europe and China.

In 2018, we generated approximately 40% of our revenue in Europe, 30% in North America and 30% in Asia Pacific and Latin America.

We believe that the Group's reputation for engineering and manufacturing high quality, reliable, performance-critical products for the top global OEMs has also generated strong local relationships. The Group has a highly diversified customer base of global and local OEMs with no single customer representing more than 12% of revenue in 2018.

Through our experience and history, we have familiarity with each of our OEM customer's unique engineering, design and development processes. We have long-standing relationships with OEMs and a reputation for developing leading technology and high quality products.

Our geographical diversity combined with our customer diversity and innovative technologies continues to position us to be awarded new and replacement business at higher content levels.

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

The Group has specialised in fluid systems for almost a century and we have advanced technology development centres and regional application engineering centres to focus our research, development and application engineering.

As the requirements of OEMs have continued to advance, the Group has capitalised on its deep knowledge of fluid components, lighter weight material and systems architecture to provide our OEM customers with more advanced designs and products to facilitate meeting consumer expectations and local regulatory requirements for reduced emissions and improved fuel economy.

The Group has introduced a number of first-to-market technologies and received various customer and industry awards.

We are also pleased to announce that the Group has been nominated for a 2019 Automotive News Premier Automotive Suppliers Contribution in Excellence ("PACE") Innovation Award for our pressurised fuel tank addressing the PHEV market.

### **Continued focus on automotive megatrends**

The growing HEV and EV market trends provides significant content expansion opportunities aligned with the Group's strength in fluid systems.

In particular, HEVs typically contain all the standard brake and fuel line components found on a traditional ICE vehicle and also require more advanced low emission pressurised fuel tanks together with additional thermal management systems.

In addition, both HEV and EVs also require these higher content thermal fluid systems to heat and cool the battery, chassis and electronic components. The Group has developed products to address these new requirements e.g. thermal heating and cooling tubes, loops and lightweight nylon materials.

We believe that these advanced components and systems have the potential to significantly increase the fluid handling content in HEV and EVs compared to the content for a more traditional ICE vehicle. Additional thermal management products are also expected and required for autonomous vehicles.

We expect further progress in meeting our HEV and EV goals in 2019.

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

The Group has established trusted relationships over many decades with major OEMs by leveraging its strong technical capabilities, global manufacturing footprint, local management teams and long history as a leading provider of automotive fluid systems. These relationships extend globally as the Group's OEM customers have expanded into emerging markets.

In addition, our extensive low-cost global footprint provides a competitive advantage in winning replacement and new business with a competitive manufacturing model. We have manufacturing facilities near OEM assembly plants in 114 locations across 28 countries in 5 continents. This manufacturing footprint is a distinct advantage for the Group and its customers.

In 2018, 19% of our revenue was generated from China where we have wholly-owned operations in 16 locations and a #1 market position in brake and fuel lines. We continue to use this strong position to generate growth opportunities for our plastic fuel tank and thermal management products.

### **Deliver strong growth, profitability and cash flow generation**

The Group has consistently demonstrated leading financial metrics and performance with strong revenue growth, profitability and cash flow generation. Our experienced management team has a track record of managing volume fluctuations e.g. the impact of the new emissions testing in Europe and lower production in China that the market experienced in the second half of 2018. By successfully adjusting costs in line with our customers' production schedules, we were able to deliver consistent margins and strong cash flow generation for our stakeholders.

### **Looking ahead**

The excellent progress delivered in executing our HEV and EV strategy in 2018, as well as our approach of continued and disciplined organic growth has positioned the Group well for 2019 and beyond.

We continue to work on new design and engineering for thermal management products and pressurised tank opportunities with our customers as the electrification market continues to progress. We are confident that our business model will continue to deliver consistent, leading financial performance along with attractive returns.

### **Our people**

The Group's strong performance is attributed to the dedication of our 28,700 employees across the globe. I would like to thank them for their commitment and contribution throughout the year.

We look forward to reporting our progress over the coming months.

## Chief Financial Officer's Report:

The Group delivered another year of strong performance in 2018. Revenues increased by 2.0% year over year on a constant currency basis to €3.5 billion and exceeded global light vehicle production growth by 3.1%. Revenue slightly declined by 0.5% at reported rates.

We generated solid Adjusted EBIT of €374 million with a margin of 10.8%, which is broadly consistent with the prior year. We delivered Adjusted Net Income of €155.2 million for the year, an increase of 14.1%. Adjusted Basic EPS was 29.9 euro cents, an increase of 14.0%. The Group also achieved strong Adjusted Free Cash Flow of €146.2 million, a year over year increase of 23.3%.

**Table 1: Key performance measures €m**

	<b>2018</b>	2017	<b>Change</b>	<b>% Change</b>	<b>% Change at constant currency</b>
Revenue	<b>3,472.8</b>	3,490.9	(18.1)	(0.5)%	2.0 %
Adjusted EBIT	<b>373.5</b>	383.5	(10.0)	(2.6)%	(0.2)%
Adjusted EBIT margin	<b>10.8%</b>	11.0%	(0.2)%		
Profit for the Year	<b>140.1</b>	115.2	24.9	21.6 %	27.1 %
Adjusted Net Income	<b>155.2</b>	136.0	19.2	14.1 %	
Adjusted Basic EPS (€ cents)	<b>29.9</b>	26.2	3.7	14.0 %	
Adjusted Free Cash Flow	<b>146.2</b>	118.6	27.6	23.3 %	

## Automotive Markets

Global light vehicle production volume remains the most significant factor in our financial performance.

Global and regional light vehicle production volumes softened by 1.1% in 2018 to 94.1 million vehicles compared to the prior year as shown in table 2.

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

	<b>2018</b>	<b>% Change</b>
Europe, including Middle East and Africa	24.5	(1.2)%
Asia Pacific	49.2	(1.4)%
North America	17.0	(0.7)%
Latin America	3.4	3.1 %
<b>Total global volumes</b>	<b>94.1</b>	<b>(1.1)%</b>

Source: IHS Markit, February 2019 and Company estimates.



## Revenue

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

**Table 3: Revenue by region and by segment €m**

	2018	2017	Change	% Change	% Change at constant currency
<b>Total Group Revenue</b>	<b>3,472.8</b>	3,490.9	(18.1)	(0.5)%	2.0%
<b>By Region</b>					
Europe and Africa	<b>1,398.6</b>	1,389.7	8.9	0.6 %	0.8%
Asia Pacific	<b>1,032.2</b>	1,024.6	7.6	0.7 %	3.3%
North America	<b>971.9</b>	995.3	(23.4)	(2.4)%	2.1%
Latin America	<b>70.1</b>	81.3	(11.2)	(13.8)%	6.8%
<b>By segment</b>					
Fluid Carrying Systems ("FCS")	<b>2,026.7</b>	2,057.1	(30.4)	(1.5)%	1.5%
Fuel Tank and Delivery Systems ("FTDS")	<b>1,446.1</b>	1,433.8	12.3	0.9 %	2.8%

Group revenue in 2018 was €3.5 billion, which at constant currency is a 2.0% year over year increase and 310 basis points above year over year reduction in global light vehicle production of 1.1%. Revenue growth above vehicle production changes was solid across all regions primarily due to new business related launches, and favourable ramp impacts.

In Europe and Africa, year over year revenue growth at constant currency was 0.8%, or 200 basis points above year over year change in light vehicle production of (1.2)%. 2018 Europe and Africa revenue growth is mostly attributable to launches of new FTDS business and related favourable ramp impacts including tooling revenue.

In Asia Pacific year over year revenue growth at constant currency was 3.3%, or 470 basis points above year over year change in light vehicle production volume of (1.4)%. While China volumes declined on a year over year basis, revenue increased with new business in tanks and thermal.

In North America, year over year revenue growth at constant currency was 2.1% or 280 basis points above year over year change in light vehicle production volume of (0.7)% . Growth above market was primarily due to powertrain.

On a year over year basis at constant currency growth rates, the Fluid Carrying Systems ("FCS") division's revenue expanded 1.5% to €2,027 million, and the Fuel Tank and Delivery Systems ("FTDS") division's revenue grew 2.8% to €1,446 million.

When comparing 2018 to 2017 changes, currency exchange rates had a net unfavourable impact of €88 million on revenue due mostly to strengthening of the Euro against the US dollar, Chinese renminbi and South Korean won. Accordingly, revenue slightly declined by 0.5% to €3,473 million at reported rates.

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

We use several financial measures to manage our business, including Adjusted EBITDA and Adjusted EBIT, which are non-IFRS measures, but are measures of profitability, that have been used consistently by the Group and are also used as metrics in certain of our compensation plans. Table 4 shows a reconciliation between Profit for the year, Adjusted EBITDA and Adjusted EBIT.

**Table 4: Calculation of Adjusted EBITDA\* and Adjusted EBIT\* €m**

	<b>2018</b>	2017
<b>Profit for the year</b>	<b>140.1</b>	115.2
Income tax expense	<b>77.0</b>	42.8
<b>Profit before tax</b>	<b>217.1</b>	158.0
Net finance expense	<b>64.5</b>	115.3
Share of profit of associates	<b>(0.5)</b>	(0.3)
<b>Operating profit</b>	<b>281.1</b>	273.0
Depreciation and impairment of PP&E	<b>101.5</b>	98.8
Amortisation and impairment of intangible assets	<b>95.6</b>	96.1
Share of profit of associates	<b>0.5</b>	0.3
<b>EBITDA</b>	<b>478.7</b>	468.2
Exceptional items – administrative expenses	—	40.2
Net foreign exchange gains	<b>(1.2)</b>	(24.6)
Bain management fee	—	3.9
Dividend received from associates	<b>0.2</b>	0.4
Restructuring costs	<b>7.1</b>	2.9
Share of profit of associates	<b>(0.5)</b>	(0.3)
<b>Adjusted EBITDA</b>	<b>484.3</b>	490.7
Less:		
Depreciation and impairment of PP&E	<b>(101.5)</b>	(98.8)
Amortisation and impairment of intangible assets	<b>(95.6)</b>	(96.1)
Add back:		
Depreciation uplift arising on purchase accounting	<b>15.7</b>	15.5
Amortisation uplift arising on purchase accounting	<b>70.6</b>	72.2
<b>Adjusted EBIT</b>	<b>373.5</b>	383.5

\* See Non - IFRS measures

Our Adjusted EBITDA and Adjusted EBIT margins for the year were broadly consistent with the prior year.

However, while we continued to see increases in raw material costs such as steel and resin, we were able to successfully offset these with customer pricing and operational efficiencies. The Group was also slightly impacted by the recent US tariffs on steel.

Adjusted EBIT was €374 million and Adjusted EBIT margin was 10.8%, in line with the Group's expectations.

By division, FCS Adjusted EBIT was €241 million with Adjusted EBIT margin of 11.9%. FCS continues to achieve strong margins. The slight year over year decline in margin reflected the impact of ramp ups and launch activity in our North America region which was partially offset by operational efficiencies.

FTDS Adjusted EBIT increased by €20 million to €133 million with Adjusted EBIT margin of 9.2%. The increase in margin reflects the benefit of higher volumes, mix and strong operational performance.

Profit for the year grew by €25 million to €140 million. The principal drivers for the increase were €33 million lower finance expense due to lower post IPO leverage and reduced interest rates, lower net exceptional items of €29 million, partially offset by lower net foreign exchange gains of €23 million.

### 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.

In 2018 we incurred exceptional finance costs of €11.8 million associated with the repayment of the unsecured senior notes and additional term loan debt in July 2018.

During 2017, the majority of exceptional costs were in relation to the IPO. Exceptional administrative costs in 2017 included net IPO costs of €25.7 million, share based payment 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 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 in 2017.

### Table 5: Exchange Rates

Table 5 shows the movement in exchange rates for currencies most relevant to our operations:

Key euro exchange rates	2018 Average	2017 Average	% Change	2018 Year-end	2017 Year-end	% Change
US dollar	<b>1.181</b>	1.129	4.6%	<b>1.147</b>	1.201	(4.5)%
Chinese renminbi	<b>7.805</b>	7.631	2.3%	<b>7.890</b>	7.815	1.0 %
South Korean won	<b>1,299</b>	1,276	1.8%	<b>1,278</b>	1,282	(0.3)%

### Net Foreign Exchange Gains

Net foreign exchange gains were €1.2 million in 2018 compared to €24.6 million in 2017. Foreign exchange gains 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 the extent necessary to mitigate our exposure.

### **Net Finance Expense**

Net finance expense for the year was €64.5 million, a decrease of €50.8 million, or 44.1% compared with 2017. The reduction was largely due to lower exceptional financing charges, the full year impact of the reduced post-IPO leverage as well as the interest savings following the repayment of the 8.75% unsecured senior notes in July 2018.

### **Taxation**

Income tax expense before exceptional items was €77.0 million, an increase of €8.8 million from the prior year.

Accordingly, the 2018 Adjusted Effective Tax Rate increased to 32.2% (2017: 28.8%). The 2017 Adjusted Effective Tax Rate benefited from a credit on the unwind of a deferred tax liability relating to withholding tax in China. Absent this tax benefit, the Adjusted Effective Tax Rate remained largely consistent.

The rate was calculated by adjusting for the impact of UK losses, the prior year tax adjustments and for the year 2017 only, the impact of the US Tax Cuts and Jobs Act 2017.

### **Proforma Adjusted Basic EPS\***

Adjusted Basic Earnings per Share ("EPS") calculation has been presented on a proforma basis, based on Adjusted Net Income and the 519.9 shares in issue at 31 December 2018, as opposed to the statutory measure, which is based on an average including the pre-IPO period. Therefore, the proforma basis is a more relevant metric for shareholders of the Group.

Accordingly, the Proforma Adjusted Basic EPS for 2018 was 29.85 euro cents per share, 14.0% higher than the 26.18 euro cents in 2017.

\*See Non-IFRS measures

## Adjusted Net Income\*

The calculation of Adjusted Net Income is shown in table 6a.

**Table 6a: Adjusted Net Income\* €m**

	<b>2018</b>	2017
Adjusted EBITDA (see table 4)	<b>484.3</b>	490.7
Less:		
Net finance expense before exceptional items	<b>(52.7)</b>	(88.9)
Income tax expense before exceptional items	<b>(77.0)</b>	(68.2)
Depreciation and impairment of PP&E	<b>(101.5)</b>	(98.8)
Amortisation and impairment of intangible assets	<b>(95.6)</b>	(96.1)
Non-controlling interests share of profit	<b>(2.3)</b>	(2.7)
<b>Adjusted Net Income</b>	<b>155.2</b>	136.0

\*See Non-IFRS measures

**Table 6b: Reconciliation of Profit for the Year to Adjusted Net Income\* €m**

	<b>2018</b>	2017
<b>Profit for the year</b>	<b>140.1</b>	115.2
Less:		
Non-controlling interests share of profit	<b>(2.3)</b>	(2.7)
Net foreign exchange gains	<b>(1.2)</b>	(24.6)
Add back:		
Exceptional items - administration expenses	—	40.2
Exceptional items - finance expenses	<b>11.8</b>	26.4
Exceptional items - tax credit	—	(25.4)
Other reconciling items**	<b>6.8</b>	6.9
<b>Adjusted Net Income</b>	<b>155.2</b>	136.0

\*\* Other reconciling items include non-exceptional restructuring charges, the Bain management charge (in 2017) and adjustments for associate income.

Adjusted Net Income was €155.2 million in 2018, an increase of 14.1% from €136.0 million in 2017, driven by higher profit for the year. In 2017, €24.6 million of foreign exchange gains as well as exceptional administration and finance charges of €40.2 million and €26.4 million, respectively, were incurred relating to the IPO and subsequent debt repayment. These have been adjusted for as reflected in Table 6b.

## Dividend

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

Consequently, the Board is recommending a final dividend of 5.94 euro cents per share, amounting to €30.9 million. This final dividend together with the interim dividend of 3.02 euro cents per share paid in August 2018, makes a

total dividend for the 2018 financial year of 8.96 euro cents per share, and amounts to €46.6 million. Subject to shareholder approval at the Annual General Meeting on 16 May 2019, the final dividend will be paid on 31 May 2019. The dividend will be converted to Sterling at a fixed rate on 26 April 2019, the Dividend Record Date.

### Adjusted Free Cash Flow\*

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

**Table 7a: Adjusted Free Cash Flow\* €m**

	<b>2018</b>	2017
Net cash generated from operating activities	<b>297.0</b>	237.4
Net cash used by investing activities	<b>(149.5)</b>	(140.9)
<b>Free Cash Flow</b>	<b>147.5</b>	96.5
Add back: IPO costs (included in net cash generated from operations)	<b>3.1</b>	22.1
Deduct:		
Cash received on settlement of derivatives	<b>(2.7)</b>	—
Amounts received in cash from Financial Assets at FVTPL (included in net cash generated from operations)	<b>(1.7)</b>	—
<b>Adjusted Free Cash Flow</b>	<b>146.2</b>	118.6

**Table 7b: Reconciliation of Adjusted EBITDA to Adjusted Free Cash Flow\* €m**

	<b>2018</b>	2017
Adjusted EBITDA (see note 3)	<b>484.3</b>	490.7
Less:		
Net cash interest paid	<b>(62.5)</b>	(87.7)
Cash taxes paid	<b>(88.2)</b>	(88.9)
Payment for property, plant and equipment	<b>(115.8)</b>	(118.8)
Payment for intangible assets	<b>(35.8)</b>	(25.1)
Movement in working capital	<b>(27.5)</b>	(26.2)
Movement in retirement benefit obligations	<b>(5.2)</b>	(13.4)
Exceptional cash paid (IPO and restructuring)	<b>(3.1)</b>	(25.9)
Movement in provisions and other	<b>1.3</b>	(8.2)
<b>Free Cash Flow</b>	<b>147.5</b>	96.5
Add back:		
Cash received on settlement of derivatives	<b>(2.7)</b>	—
IPO cash costs in Net Cash from Operations	<b>3.1</b>	22.1
Amounts received in cash from Assets at FVTPL	<b>(1.7)</b>	—
<b>Adjusted Free Cash Flow</b>	<b>146.2</b>	118.6

\*See Non-IFRS measures

In 2018, we generated Adjusted Free Cash Flow of €146.2 million, an increase of €27.6 million on the prior year. The cash flow was higher than the Group's expectations. Adjusted Free Cash Flow significantly increased as a result of

operations remaining strongly cash generative, lower interest payments, reduced IPO related exceptional payments and a reduction in retirement benefit obligations and provisions as well as the timing of some customer payments.

### **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, a few allow for future accruals. Our schemes are subject to periodic actuarial valuations. Our net unfunded position decreased by €14.2 million to €148.2 million at the end of 2018 principally due to an increase in US discount rates.

### **Net Debt and Net Leverage**

Net debt as at 31 December 2018 was €822.4 million, a reduction of €68.7 million from 31 December 2017. The Group repaid its 8.75% unsecured senior notes in July 2018 as outlined below. The net leverage ratio was 1.7 times Adjusted EBITDA at the end of 2018, (2017: 1.8 times).

In July 2018, the Group successfully refinanced its borrowing facilities by obtaining additional loans of €115.0 million Euros and \$41.0 million (€35.0 million) USD. With these incremental term loans as well as cash generated from operations we repaid all amounts under the Group's former 8.75% unsecured senior facilities that amounted to \$220.5 million (€188.4 million). The additional term loans have the same rate of interest as the existing term loan and are subject to the same maturity on 30 June 2022. The annualised interest saving is estimated at €10 million.

In addition, the Group was able to successfully extend the maturities of the revolving credit facility and asset backed loan by 3 years to 30 June 2023.

In March 2019, the Group paid down a further \$56.5 million (€50.0 million) against its USD term loan.

### **Liquidity**

Our principal sources of liquidity have historically been cash generated from operating activities and amounts available under our credit facilities, that currently consist of a revolving facility under our cash flow credit agreement of \$125 million (€109.0 million) and an asset backed loan ("ABL") facility of \$100 million (€87.2 million). The availability under both facilities as of 31 December 2018 was €184.6 million.

### **Outlook**

For 2019, we expect revenue growth in excess of global light vehicle production volume levels excluding the impact of currency movements. We expect consistent Adjusted EBIT margin with the prior year and Adjusted Free Cash Flow similar to or slightly lower than the prior year. We plan to reduce net leverage through strong cash flow generation and to maintain a consistent dividend policy.

### **IFRS 16 "Leases"**

For the financial year 2019, a new accounting standard IFRS 16 "Leases" comes into effect.

Under IFRS 16, the concept of operating leases will be eliminated and these leases will be accounted for in the same manner as finance leases. Finance leases are capitalised on the balance sheet. Accordingly, operating lease costs are

expected to decrease whereas depreciation and interest expenses related to the lease liability are expected to increase. The preliminary impact of IFRS 16 is expected to improve Adjusted EBITDA, slightly improve Adjusted EBIT and increase net debt. In addition, the net impact on cash is expected to be nil as lease payments will be unchanged. The Group expects to recognise lease liabilities of between €134 million and €174 million on 1 January 2019.

### **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 EBIT, Adjusted EBITDA, Adjusted Net Income, Adjusted Basic EPS, Adjusted Free Cash Flow and Adjusted Effective Tax Rate. These non-IFRS measures are not recognised measurements of financial performance or liquidity under IFRS, and should be viewed as supplemental and not replacements or substitutes for any IFRS measures. 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 includes adjustments for restructuring costs, the Bain management fee 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, movements in financial assets at fair value through the profit or loss, cash payments related to IPO costs and cash received on settlement of derivatives.

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

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

Adjusted Effective Tax Rate is defined as Adjusted Income Tax before Exceptional Items as a percentage of Adjusted Profit before Income Tax.



## Consolidated Income Statement

For the year ended 31 December

	Notes	2018 €m	2017 €m
<b>Continuing operations</b>			
Revenue	3	<b>3,472.8</b>	3,490.9
Cost of sales		<b>(2,938.2)</b>	(2,928.5)
<b>Gross profit</b>		<b>534.6</b>	562.4
Distribution costs		<b>(102.4)</b>	(103.7)
Administrative expenses before exceptional items		<b>(164.5)</b>	(177.8)
<i>Exceptional items</i>	5	—	(40.2)
Administrative expenses after exceptional items		<b>(164.5)</b>	(218.0)
Other income		<b>12.2</b>	7.7
Net foreign exchange gains		<b>1.2</b>	24.6
<b>Operating profit</b>		<b>281.1</b>	273.0
Finance income	6	<b>14.3</b>	11.2
Finance expense before exceptional items	6	<b>(67.0)</b>	(100.1)
<i>Exceptional items</i>	5	<b>(11.8)</b>	(26.4)
Finance expense after exceptional items	6	<b>(78.8)</b>	(126.5)
Net finance expense after exceptional items	6	<b>(64.5)</b>	(115.3)
Share of profit of associates		<b>0.5</b>	0.3
<b>Profit before income tax</b>		<b>217.1</b>	158.0
Income tax expense before exceptional items	7	<b>(77.0)</b>	(68.2)
<i>Exceptional items</i>	5	—	25.4
Income tax expense after exceptional items	7	<b>(77.0)</b>	(42.8)
<b>Profit for the year</b>		<b>140.1</b>	115.2
Profit for the year attributable to:			
Owners of the Parent Company		<b>137.8</b>	112.5
Non-controlling interests		<b>2.3</b>	2.7
		<b>140.1</b>	115.2
<b>Total earnings per share (euro cents)</b>			
Basic		<b>26.53</b>	29.55
Diluted		<b>26.44</b>	29.52

## Consolidated Statement of Comprehensive Income

For the year ended 31 December

	Notes	2018 €m	2017 €m
<b>Profit for the year</b>		<b>140.1</b>	115.2
<b>Other comprehensive income/(expense)</b>			
<b><i>Items that will not be reclassified to profit or loss</i></b>			
– Re-measurements of retirement benefit obligations		<b>16.9</b>	7.3
– Income tax (expense)/credit on retirement benefit obligations before exceptional items	7	<b>(4.3)</b>	0.1
<i>Exceptional items</i>	7	–	(15.0)
– Income tax expense on retirement benefit obligations after exceptional items		<b>(4.3)</b>	(14.9)
		<b>12.6</b>	(7.6)
<b><i>Items that may be subsequently reclassified to profit or loss</i></b>			
– Currency translation		<b>11.8</b>	(75.2)
– Cash flow hedges		<b>(0.3)</b>	12.1
– Net investment hedges		<b>(7.2)</b>	(3.2)
		<b>4.3</b>	(66.3)
<b>Other comprehensive income/(expense) for the year, net of tax</b>		<b>16.9</b>	(73.9)
<b>Total comprehensive income for the year</b>		<b>157.0</b>	41.3
<b>Attributable to:</b>			
– Owners of the Parent Company		<b>154.6</b>	38.9
– Non-controlling interests		<b>2.4</b>	2.4
<b>Total comprehensive income for the year</b>		<b>157.0</b>	41.3

## Consolidated Balance Sheet

At 31 December

	Notes	2018 €m	2017 €m
<b>Non-current assets</b>			
Intangible assets		1,229.8	1,273.9
Property, plant and equipment		706.5	686.8
Investments in associates		19.6	19.2
Derivative financial instruments		5.4	8.3
Deferred income tax assets	7	34.9	51.0
Trade and other receivables		14.8	13.4
		<b>2,011.0</b>	2,052.6
<b>Current assets</b>			
Inventories		352.8	329.3
Trade and other receivables		578.3	588.3
Current income tax assets		4.4	8.2
Derivative financial instruments		8.5	5.3
Financial assets at fair value through profit and loss		1.2	2.9
Cash and cash equivalents		360.1	287.2
		<b>1,305.3</b>	1,221.2
<b>Total assets</b>		<b>3,316.3</b>	3,273.8
<b>Equity</b>			
Share capital		6.8	6.8
Share premium		1.4	404.3
Other reserves		(126.3)	(130.5)
Accumulated profits		1,175.7	640.9
<b>Equity attributable to owners of the Parent Company</b>		<b>1,057.6</b>	921.5
Non-controlling interests		22.5	20.3
<b>Total equity</b>		<b>1,080.1</b>	941.8
<b>Non-current liabilities</b>			
Trade and other payables		17.1	17.6
Borrowings	9	1,179.3	1,178.2
Derivative financial instruments		45.3	72.4
Deferred income tax liabilities	7	141.6	159.8
Retirement benefit obligations		148.2	162.4
Provisions		4.9	5.5
		<b>1,536.4</b>	1,595.9
<b>Current liabilities</b>			
Trade and other payables		608.4	637.6
Current income tax liabilities		60.2	69.6
Borrowings	9	4.4	3.0
Derivative financial instruments		2.8	3.4
Provisions		24.0	22.5
		<b>699.8</b>	736.1
<b>Total liabilities</b>		<b>2,236.2</b>	2,332.0
<b>Total equity and liabilities</b>		<b>3,316.3</b>	3,273.8

## Consolidated Statement of Changes in Equity

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

	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	(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

## Consolidated Statement of Cash Flows

For the year ended 31 December

	Notes	2018 €m	2017 €m
<b>Cash flows from operating activities</b>			
Cash generated from operations	10	449.6	415.9
Interest paid		(64.4)	(89.6)
Income tax paid		(88.2)	(88.9)
<b>Net cash generated from operating activities</b>		<b>297.0</b>	237.4
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(115.8)	(118.8)
Payment for intangible assets		(35.8)	(25.1)
Proceeds from the sale of property, plant and equipment		0.2	1.1
Interest received		1.9	1.9
<b>Net cash used by investing activities</b>		<b>(149.5)</b>	(140.9)
<b>Cash flows from financing activities</b>			
Proceeds from issue of new share capital		—	424.6
Share capital issuance costs		—	(19.7)
Proceeds from new borrowings		150.0	—
Fees paid on proceeds from new borrowings		(2.2)	—
Fees paid on repricing of loans		—	(1.6)
Voluntary repayments of borrowings		(188.4)	(363.6)
Fees paid on voluntary repayments of borrowings		(8.2)	(17.7)
Scheduled repayments of borrowings		(5.4)	(11.1)
Dividends paid		(22.5)	—
Dividends paid to non-controlling interests		(0.2)	(1.1)
<b>Net cash (used by)/generated from financing activities</b>		<b>(76.9)</b>	9.8
<b>Increase in cash and cash equivalents</b>		<b>70.6</b>	106.3
Cash and cash equivalents at the beginning of the year		287.2	196.2
Currency translation on cash and cash equivalents		2.3	(15.3)
<b>Cash and cash equivalents at the end of the year</b>		<b>360.1</b>	287.2

## Notes

### 1. General Information

On 25 October 2017, TI Fluid System plc's shares were listed on the London Stock Exchange following a global offer of 519.4 million ordinary shares of 255p each.

The Group's full financial statements have been approved by the Board of Directors and reported on by the auditors on 19 March 2019. A copy of the statutory accounts for the year ended 31 December 2017 has been delivered to the Registrar of Companies, and those for the year ended 31 December 2018 will be delivered in due course. The independent auditors' report on the full financial statements for the year ended 31 December 2017 was unqualified and did not contain an emphasis of matter paragraph or any statement under section 498 of the Companies Act 2006.

### 2. Basis of Preparation

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

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

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

IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' were adopted by the Group for the first time have had no material impact on the Group's financial information for the financial reporting year beginning 1 January 2018.

The Group will apply IFRS 16 'Leases' from its mandatory adoption date of 1 January 2019 in the 2019 consolidated financial statements. The simplified transition approach is expected to be applied. Comparative amounts for the year ended 31 December 2018 will not be restated. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The Group intends to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases, in accordance with IAS 17 and IFRIC 4. Lease liabilities of between € 134.0 million and €174.0 million on 1 January 2019 and a net nil deferred tax adjustment are expected to be recognised.

### 3. Segment Reporting

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

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

#### Revenue, Adjusted EBITDA and Adjusted EBIT by Segment:

	2018 €m	2017 €m
<b>Revenue</b>		
– FCS - External	<b>2,026.7</b>	2,057.1
– FTDS - External	<b>1,446.1</b>	1,433.8
<b>Total</b>	<b>3,472.8</b>	3,490.9
<b>Adjusted EBITDA</b>		
– FCS	<b>291.1</b>	319.9
– FTDS	<b>193.2</b>	170.8
<b>Total</b>	<b>484.3</b>	490.7
<b>Adjusted EBITDA % of revenue</b>		
– FCS	<b>14.4%</b>	15.5%
– FTDS	<b>13.4%</b>	11.9%
<b>Total</b>	<b>13.9%</b>	14.1%
<b>Adjusted EBIT</b>		
– FCS	<b>241.0</b>	271.1
– FTDS	<b>132.5</b>	112.4
<b>Total</b>	<b>373.5</b>	383.5
<b>Adjusted EBIT % of revenue</b>		
– FCS	<b>11.9%</b>	13.2%
– FTDS	<b>9.2%</b>	7.8%
<b>Total</b>	<b>10.8%</b>	11.0%

#### 4. Research and development expenditure

Research and development expenditure before third party income, comprised:

	2018 €m	2017 €m
Research and development expenses	40.8	43.0
Capitalised development expenses	35.4	33.6
<b>Total research and development expenditure</b>	<b>76.2</b>	76.6

#### 5. Exceptional Items

	2018 €m	2017 €m
Share option costs prior to the IPO	—	(11.1)
Restructuring costs	—	(3.4)
IPO 2016 expenses	—	1.5
IPO 2017 expenses	—	(27.2)
<b>Administrative expenses</b>	—	(40.2)
Early redemption premium on voluntary repayments of borrowings	(8.2)	(17.7)
Unamortised issuance discounts and fees expensed on voluntary repayments of borrowings	(3.6)	(8.7)
<b>Finance expense</b>	<b>(11.8)</b>	(26.4)
Income tax expense	—	25.4
<b>Total exceptional expense recognised in Income Statement</b>	<b>(11.8)</b>	(41.2)
Income tax benefit recognised in Statement of Comprehensive Income	—	(15.0)
<b>Total exceptional expense</b>	<b>(11.8)</b>	(56.2)

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 prior year relate to the exit of operations in Australia.

IPO expenses for the prior year consist of €27.2 million in relation to costs incurred during 2017, offset by a €1.5 million reversal in the carried forward 2016 accrual. 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 €8.2 million (2017: €17.7 million) and the expense of unamortised issuance discounts and fees of €3.6 million (2017: €8.7 million). See Note 9 for additional details.



As a result of the US Tax Cuts and Jobs Act of 2017, the Group recognised €15 million of exceptional deferred tax benefit in the Statement of Comprehensive Income in 2017.

## 6. Finance Income and Expense

	2018 €m	2017 €m
<b>Finance income</b>		
Interest on short-term deposits, other financial assets and other interest income	1.9	1.9
Fair value gain on derivatives and foreign exchange contracts not in hedged relationships	9.0	9.3
Net interest income on release of specific uncertain tax positions	3.4	—
<b>Finance income</b>	<b>14.3</b>	11.2
<b>Finance expense</b>		
Interest payable on term loans including expensed fees	(51.7)	(56.9)
Interest payable on unsecured senior notes including expensed fees	(9.3)	(33.3)
Net interest expense of retirement benefit obligations	(4.4)	(5.7)
Fair value net losses on financial instruments: ineffectiveness	(0.6)	(3.2)
Utilisation of discount on provisions and other finance expense	(1.0)	(1.0)
<b>Finance expense excluding exceptional items</b>	<b>(67.0)</b>	(100.1)
Early redemption premium on voluntary repayments of borrowings	(8.2)	(17.7)
Unamortised issuance discounts and fees expensed on voluntary repayments of borrowings	(3.6)	(8.7)
<b>Exceptional finance expense</b>	<b>(11.8)</b>	(26.4)
<b>Total finance expense</b>	<b>(78.8)</b>	(126.5)
<b>Total net finance expense after exceptional items</b>	<b>(64.5)</b>	(115.3)

	2018 €m	2017 €m
<b>Fees included in interest payable under the effective interest method</b>		
Fees included in interest payable on term loans	(6.5)	(7.5)
Fees included in interest payable on unsecured senior notes	(0.4)	(1.4)

	2018 €m	2017 €m
<b>Fees expensed in exceptional net finance expense</b>		
Fees expensed in respect of term loans	—	(4.2)
Fees expensed in respect of unsecured senior notes	(3.6)	(4.5)

## 7. Income Tax

### Income Tax Expense

	2018 €m	2017 €m
Current tax on profit for the year	(96.5)	(89.6)
Adjustments in respect of prior years	14.2	(5.1)
<b>Total current tax expense</b>	<b>(82.3)</b>	<b>(94.7)</b>
Origination and reversal of temporary deferred tax differences	5.3	26.5
Exceptional – impact of change in US tax rate	—	25.4
<b>Total deferred tax benefit</b>	<b>5.3</b>	<b>51.9</b>
<b>Income tax expense – Income Statement</b>	<b>(77.0)</b>	<b>(42.8)</b>
Origination and reversal of temporary deferred tax differences	(4.3)	0.1
Exceptional – impact of change in US tax rate	—	(15.0)
<b>Income tax expense – Statement of Comprehensive Income</b>	<b>(4.3)</b>	<b>(14.9)</b>
<b>Total income tax expense</b>	<b>(81.3)</b>	<b>(57.7)</b>
	2018 €m	2017 €m
<b>Previously de-recognised deferred tax assets in the year</b>		
Income Statement	—	4.7
Statement of Comprehensive Income	—	2.0
<b>Previously de-recognised deferred tax assets in the year</b>	<b>—</b>	<b>6.7</b>

Deferred tax assets originating from tax loss carry forwards mainly relate to Canada and France as at 31 December 2018. Forecasts for Canada and France demonstrate several years of continued future profitability and all have consistent expectations of future financial performance. As a result management believe that the current tax losses will be utilised.

For 2017 only, 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 U.S. corporate tax rate of 21% and other tax reform changes, offset by a €0.6 million 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:

	2018 €m	2017 €m
<b>Profit before income tax</b>	<b>217.1</b>	158.0
Income tax calculated at UK statutory tax rate of 19.00% (2017: 19.25%) applicable to profits in respective countries	<b>(41.2)</b>	(30.4)
Tax effects of:		
Overseas tax rates (excluding associates)	<b>(18.9)</b>	(23.1)
Income not subject to tax – other and UK foreign exchange gain	<b>11.3</b>	14.1
Expenses not deductible for tax purposes – other and UK non-deductible interest	<b>(17.1)</b>	(25.7)
Expenses not deductible for tax purposes – transaction costs	—	(9.0)
Temporary differences on unremitted earnings	<b>(3.1)</b>	5.9
Specific tax provisions	<b>(3.5)</b>	(2.2)
Unrecognised deferred tax assets	<b>(11.2)</b>	(7.5)
Other taxes	<b>(9.7)</b>	(11.5)
Adjustment in respect of prior years – current tax adjustments	<b>14.2</b>	(5.1)
Adjustment in respect of prior years – deferred tax adjustments	<b>(1.0)</b>	16.2
Impact of changes in tax rate	<b>0.2</b>	2.2
Exceptional – impact of change in US tax rate	—	25.4
Double tax relief and other tax credits	<b>3.0</b>	7.9
<b>Income tax expense – Income Statement</b>	<b>(77.0)</b>	(42.8)
Deferred tax (expense)/credit on re-measurement of retirement benefit obligations	<b>(4.3)</b>	0.1
Exceptional – impact of change in US tax rate	—	(15.0)
<b>Income tax expense – Statement of Comprehensive Income</b>	<b>(4.3)</b>	(14.9)
<b>Total tax expense</b>	<b>(81.3)</b>	(57.7)

Other taxes comprised various local taxes of €2.4 million (2017: €4.2 million) including US Transition Tax, together with taxes withheld on dividend, interest and royalty remittances totalling €7.3 million (2017: €7.3 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.

#### Deferred Tax Assets and Liabilities

	2018 €m	2017 €m
Deferred tax assets	<b>34.9</b>	51.0
Deferred tax liabilities	<b>(141.6)</b>	(159.8)
<b>Net deferred tax liabilities</b>	<b>(106.7)</b>	(108.8)

## Movement on Net Deferred Tax Liabilities

	2018 €m	2017 €m
<b>At 1 January</b>	<b>(108.8)</b>	(151.6)
Income Statement benefit	5.3	26.5
Exceptional Income Statement benefit – impact of change in US tax rate	—	25.4
Tax on remeasurement of retirement benefit obligations	<b>(4.3)</b>	0.1
Exceptional tax on remeasurement of retirement benefit obligations – impact of change in US tax rate	—	(15.0)
Currency translation	1.1	5.8
<b>At 31 December</b>	<b>(106.7)</b>	(108.8)

## 8. Earnings Per Share

### Pro forma adjusted Adjusted Basic earnings per share

For the purpose of Pro forma Adjusted Basic EPS for the years ended 31 December 2018 and 31 December 2017, the average number of ordinary shares is stated as if the shares issued in the year occurred at the beginning of the 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.

€ (in cents)	2018 (pro forma)	2017 (pro forma)
<b>Pro forma Adjusted Basic Earnings per Share</b>	<b>29.85</b>	26.18

### Earnings used in pro forma adjusted basic earnings per share

€m	2018 (pro forma)	2017 (pro forma)
<b>Earnings used in Pro forma Adjusted Basic EPS</b>	<b>155.2</b>	<b>136.0</b>

### Pro forma adjusted basic weighted average number of ordinary shares

Number of shares (in millions)	2018 (pro forma)	2017 (pro forma)
<b>Pro forma average number of ordinary shares as at 1 January</b>	<b>519.9</b>	519.4
<b>Pro forma average number of ordinary shares as at 31 December</b>	<b>519.9</b>	519.4

## 9. Borrowings

	2018 €m	2017 €m
<b>Non-current:</b>		
Secured loans:		
Main borrowing facilities	1,179.1	996.3
Other loans	0.2	0.2
Unsecured notes	—	179.7
Finance leases	—	2.0
<b>Total non-current borrowings</b>	<b>1,179.3</b>	1,178.2
<b>Current:</b>		
Secured loans:		
Main borrowing facilities	2.3	1.5
Other loans	0.1	0.1
Finance leases	2.0	1.4
<b>Total current borrowings</b>	<b>4.4</b>	3.0
<b>Total borrowings</b>	<b>1,183.7</b>	1,181.2
Main borrowing facilities and unsecured notes	1,181.4	1,177.5
Finance leases and other loans	2.3	3.7
<b>Total borrowings</b>	<b>1,183.7</b>	1,181.2

The main borrowing facilities and unsecured notes are shown net of issuance discounts and fees of €23.8 million (2017: €31.3 million).

### Movement in Total Borrowings

	Term loan €m	Unsecured notes €m	Main borrowing facilities and unsecured notes €m	Finance leases and other loans €m	Total borrowings €m
At 1 January 2018	997.8	179.7	1,177.5	3.7	1,181.2
Accrued interest	45.2	8.9	54.1	0.5	54.6
Scheduled payments	(49.2)	(8.9)	(58.1)	(1.9)	(60.0)
Fees expensed	6.5	0.4	6.9	—	6.9
New borrowings	150.0	—	150.0	—	150.0
Fees paid on proceeds from new borrowings	(2.2)	—	(2.2)	—	(2.2)
Voluntary repayments of borrowings	—	(188.4)	(188.4)	—	(188.4)
Fees expensed on voluntary repayments of borrowings	—	3.6	3.6	—	3.6
Currency translation	33.3	4.7	38.0	—	38.0
<b>At 31 December 2018</b>	<b>1,181.4</b>	<b>—</b>	<b>1,181.4</b>	<b>2.3</b>	<b>1,183.7</b>

	Term loan €m	Unsecured notes €m	Main borrowing facilities and unsecured notes €m	Finance leases 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

### Currency Denomination of Borrowings

	2018 €m	2017 €m
US dollar	759.9	868.0
Euro	423.8	313.2
<b>Total borrowings</b>	<b>1,183.7</b>	<b>1,181.2</b>

### Maturity of borrowings

	2018 €m	2017 €m
Less than one year	4.4	3.0
Between one and five years	1,179.3	998.5
After five years	–	179.7
<b>Total borrowings</b>	<b>1,183.7</b>	<b>1,181.2</b>

## 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:

	2018 €m	2017 €m
<b>Principal outstanding:</b>		
US term loan	776.4	707.5
Euro term loan	428.8	317.7
<b>Main borrowing facilities (term loan)</b>	<b>1,205.2</b>	1,025.2
Unsecured senior notes	—	183.6
<b>Total principal outstanding</b>	<b>1,205.2</b>	1,208.8
Issuance discounts and fees	(23.8)	(31.3)
<b>Main borrowing facilities and unsecured notes</b>	<b>1,181.4</b>	1,177.5

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. On 16 July 2018, the Group successfully executed a repayment and modification of its external borrowings. The balance of 8.75% unsecured senior notes of \$220.5 million (€188.4 million) was repaid using a combination of €115.0 million of additional borrowing under the euro term loan, \$41.0 million (€35.0 million) of additional borrowing under the US term loan and €38.4 million of existing cash. Interest rates and maturity dates of the Euro and US term loans remained unchanged.

The principal outstanding of the US term loan in US dollars at 31 December 2018 was \$890.7 million (2017: \$849.7 million).

The interest payable on the US dollar term loan was US\$ LIBOR (minimum 0.75% p.a.) +2.75% p.a., and the interest payable on the euro term loan was EURIBOR (minimum 0.75% p.a.) +3.0% p.a. until 23 January 2018. On 23 January 2018, the Group met certain borrowings criteria which enabled it to 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 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 was repayable in amounts of €0.8 million per quarter in the prior year and for the first six months of 2018. Following the modification of the Groups' borrowings on 16 July 2018, the euro tranche was increased and is now repayable in amounts of €1.1 million per quarter, with the balance also falling due on 30 June 2022.

On 6 October 2015 the Group entered into hedging transactions with a number of financial institutions which effectively converted borrowings of \$400.0 million at floating interest rates into €355.0 million at a fixed interest

rate of 4.2%, thereby reducing foreign currency exposure for future cash flows and locking in lower long-term Euro fixed interest rates.

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, new fees capitalised in 2017 were €1.6 million; bringing the total fees capitalised under the 2015 agreements to €64.9 million at 31 December, 2017. Following the Group's repayment and modification of its external borrowings on 16 July 2018 as described above, a further €2.2 million of directly attributable incremental fees were capitalised bringing the total fees capitalised to €67.1 million. All capitalised fees are expensed using the effective interest rate method over the remaining terms of the facilities. As a result of the Group's voluntary repayment of its unsecured senior notes in July 2018, unamortised transaction costs of \$4.2 million (€3.6 million) were released and recognised as exceptional finance expenses in the year.

The asset-backed loan (“**ABL**”) provides up to \$100.0 million depending upon the level of inventories and trade receivables in the Group's US and Canadian businesses. The facility is also available to be used to issue letters of credit on behalf of TI Group Automotive Systems LLC, a subsidiary undertaking. Drawings under the facility bear interest at US\$ LIBOR +1.50% p.a. unless the drawings are below \$50.0 million when the rate is US\$ LIBOR +1.25% p.a. The revolving credit agreement provides a facility of up to \$125.0 million. Drawings under this facility bear interest in a range of US\$ LIBOR +3.0% to US\$ LIBOR + 3.5% p.a. depending on the Group's leverage ratios. Following the July 2018 refinancing, both facilities are now due to expire on 23 July 2023.

The net undrawn facilities under the agreements are shown below:

	2018		2017	
	\$m	€m	\$m	€m
Asset-backed loan:				
Availability	89.7	78.2	86.5	72.0
Utilisation for letters of credit	(3.0)	(2.6)	(3.1)	(2.6)
Net undrawn asset-backed loan facility	86.7	75.6	83.4	69.4
Revolving credit agreement	125.0	109.0	125.0	104.1
<b>Main borrowings: net undrawn facilities</b>	<b>211.7</b>	<b>184.6</b>	208.4	173.5

### 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 €0.1 million per annum payable quarterly (2017: €0.2 million). The loan in Italy was fully repaid during the year.



## Total Undrawn Borrowing Facilities

	2018 €m	2017 €m
<b>Floating rate:</b>		
Expiring within one year	6.0	5.8
Expiring after more than one year	184.6	173.5
	<b>190.6</b>	179.3
<b>Fixed rate:</b>		
Expiring within one year	3.9	3.9
	<b>3.9</b>	3.9
<b>Total at the end of the year</b>	<b>194.5</b>	183.2

## Movements in Net Borrowings

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

	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)
<b>Total net borrowings</b>	<b>(1,499.6)</b>	<b>482.6</b>	<b>(17.6)</b>	<b>143.5</b>	<b>(891.1)</b>

## 10. Cash Generated from Operations

	2018 €m	2017 €m
<b>Profit for the year</b>	<b>140.1</b>	115.2
Income tax expense before exceptional items	<b>77.0</b>	68.2
Exceptional income tax benefit	—	(25.4)
<b>Profit before income tax</b>	<b>217.1</b>	158.0
Adjustments for:		
Depreciation, amortisation and impairment charges	<b>197.1</b>	194.9
Losses/(gains) on disposal of PP&E and intangible assets	<b>0.6</b>	(0.2)
Share option cost	<b>4.0</b>	11.3
Shares issued to Directors and certain employees	—	1.0
Net finance expense after exceptional items	<b>64.5</b>	115.3
Unremitted share of profit from associates	<b>(0.3)</b>	0.1
Net foreign exchange gains	<b>(1.2)</b>	(24.6)
Changes in working capital:		
Inventories	<b>(21.7)</b>	(51.4)
Trade and other receivables	<b>17.4</b>	(20.2)
Trade and other payables	<b>(23.2)</b>	45.3
Change in provisions	<b>0.5</b>	(0.2)
Change in retirement benefit obligations	<b>(5.2)</b>	(13.4)
<b>Total</b>	<b>449.6</b>	415.9

## 11. Events After the Balance Sheet Date

In March 2019, the Group paid down \$56.5 million (€50.0 million) against its US dollar term loan.