TI Fluid Systems plc - Half year results 2020
For release: 18 August 2020

TI Fluid Systems plc
Results for the six months ended 30 June 2020

TI Fluid Systems plc, a leading global manufacturer of automotive fluid storage, carrying and delivery systems for light vehicles announces its results for the six-month period ended 30 June 2020.

	Management basis*			As reported		
€m	**H1 2020**	H1 2019	Change	**H1 2020**	H1 2019	Change
Revenue	**1,183.1**	1,708.1	(525.0)	**1,183.1**	1,708.1	(525.0)
% Change at constant currency			(30.7)%			
Adjusted EBIT / Operating Profit or (Loss)	**27.6**	173.1	(145.5)	**(311.9)**	123.4	(435.3)
Margin	**2.3 %**	10.1 %	(7.8)%	**(26.4)%**	7.2 %	(33.6)%
Adjusted Net Income / (Loss) or Profit for the period	**(39.7)**	64.5	(104.2)	**(320.8)**	59.9	(380.7)
Adjusted Free Cash Flow**	**34.9**	19.2	15.7			
Dividend (€ cents)	—	3.02		—	3.02	

*Management basis metrics are Non - IFRS measures as defined on pages 18 to 19
** No equivalent GAAP measure - see table 8a for reconciliation to statutory cash flow items

Group Highlights:

- Successfully demonstrating the Group's resilient performance in face of an unprecedented global COVID-19 pandemic and related economic downturn
    - Revenue of €1,183.1 million outperformed global light vehicle production by 2.5%
    - Positive Adjusted EBIT margin of 2.3% despite sharply lower volumes
    - Significant Adjusted Free Cash Flow generation of €34.9 million and net cash generated from operating activities of €92.5 million
    - Strong balance sheet and liquidity with cash position of €543.4 million at 30 June 2020
- Instituted a significant cost savings and aggressive cash preservation programme to ensure the sustainability of the Group's near term viability
    - Significant savings in both cost and cash areas
    - Global initiative, experienced senior manager ownership
    - Actions across manufacturing, staff labour, purchasing, fixed and corporate costs

- A structural fixed cost reduction programme was initiated in the period to address long term viability resulting from a potential prolonged reduction of global light vehicle production
  - Expecting to reduce workforce by approximately 1,000 associates, 6 full plant closures and 2 partial closures
  - Cumulative cash expenditures across 2020 and 2021 of ~ €47 million
  - Cumulative cash savings across 2020 through 2022 of ~ €94 million
- A non-cash charge of €304.6 million impacting goodwill, intangibles and fixed assets primarily relating to the 2015 Bain purchase of TI Automotive resulted in a reported loss of €(320.8) million for the period
- Continued execution of our organic growth strategy and strategic focus on battery electric vehicles (“BEVs”) and hybrid electric vehicles (“HEVs”) in light of the significant challenges in the first half of 2020
  - We started production of thermal products for the two major BEV awards announced in 2018, and continue to win additional BEV programmes and engage in system collaboration with key customers for additional BEV product and technology opportunities
  - The Group estimates to have its product content on more than two thirds of 46 key BEVs recently identified to come to market between 2020 and 2022. Approximately 50% of these BEVs have TIFS thermal product content*
  - Awarded a new pressure resistant fuel tank programme for a large HEV platform in Europe with a European customer using our Integrated Transfer System (“ITS”) process technology

*Company estimates/ JP Morgan Europe Equity Research: EV Deep Dive: European Focus 10 July 2020

- Awarded the London Stock Exchange Green Economy Mark recognising that the Group generates over 50% of its revenue from environmentally positive products, an endorsement of TI Fluid System technologies that are helping vehicles become greener and making the world a better place to live

COVID-19 Response

Global light vehicle production volumes were significantly lower due to the unprecedented impact of COVID-19 with year on year declines of ~20% in China, ~40% in Europe and North America. In light of this growing pandemic, the Group took a number of steps early on to protect and prioritise the safety of our employees, their families and our communities. This response consisted of a global travel ban and the transition to a remote work environment for all applicable staff employees, as well the closing of certain production facilities as our OEM customers closed their assembly plants. The Group also implemented a detailed return to work protocol with enhanced workplace and manufacturing measures such as social distancing, improved hygiene procedures and modified shift patterns. As of 30 June 2020 all of the Group’s production facilities have re-opened.

In addition, to provide humanitarian support to front line health workers, the Group collaborated with Ford Motor Co. and 3M to prototype, develop and produce air flex tube assemblies for powered air-purifying respiratory systems (PAPR). The Group was able to rapidly leverage its design and manufacturing capabilities to mass produce quick connectors and a new ‘one size fits all’ air flex tube solution for the PAPR system to meet the demand of much needed protection for health care workers.

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

“The first six months of 2020 saw the impacts of an unprecedented global economic downturn resulting from the widening of the COVID-19 pandemic. The Group acted quickly beginning in March to initiate both humanitarian safeguards for our employees, cost savings and cash preservation measures to protect the health of the company. Our actions were early and meaningful and these cost reduction and cash preservation measures encompassed nearly every aspect of our business. We continued to deliver solid revenue outperformance, positive profit and solid positive free cash flow generation despite the significant headwinds. Our balance sheet, liquidity and cash positions remain strong. These actions and initiatives are significant and will assist the Group's financial performance in 2020 and beyond. We are pleased to have been awarded the London Stock Exchange’s Green Economy Mark as further recognition of the environmental impact our product technologies are providing to help make cars greener. Environmental, Social and Governance ("ESG") remains central to our strategy and company purpose. We continue to make steady progress in our growth strategy for fluid systems and continue to win significant regional BEV programmes with multiple global customers and in turn continue to gain share in HEV fuel tanks with the award of a high volume pressure resistant HEV fuel tank programme with a European OEM customer in Europe. We are well positioned on BEVs launching in the market today and over 2020-2022 have a solid share of new thermal product content on key BEV programs coming to market. We continue with new collaboration projects with key customers, including in China, to reduce weight, and maximise efficiency in the vehicle through integrated thermal products and systems. The Group remains well positioned for the automotive megatrends of reduced emissions and electrification.

The Group continued to demonstrate its ability to outperform global light vehicle production in H1 2020, during the biggest declines the global automotive market has faced in modern history. We remain confident in our strategy, business model resilience, operating flexibility and strength in our ability to generate positive profit and positive free cash flow in H1 2020.”

Outlook

As the Group communicated in its Q1 2020 Trading Update on 11 May 2020, the current global economic environment remains highly uncertain and the continuing impacts of the COVID-19 pandemic remain unknown, including the outlook for consumer demand adversely impacting global light vehicle production. As a result, the Group will not be providing full year 2020 financial outlook at this time.

TI Fluid Systems plc will host a presentation for analysts and investors at 9.00am UK time 18 August 2020.

Conference Call Dial-In Details:

UK: +44 (0)330 336 9105

Conference Code: 6387682

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

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Chief Executive Officer's review

In the face of an unprecedented global pandemic which drove significantly lower levels of business activity, we are able to report robust performance for the first half of 2020 despite the sharp fall in the vehicle production environment. Management took early and meaningful actions to protect the business and as a result it was profitable and cash generative in the first half of the year. We have instituted a significant cost savings and cash preservation programme and are also executing a significant restructuring initiative that will make the Group even stronger competitively in the future.

Half year 2020 performance

Global light vehicle production volume declined by 33.2% in the first six months of 2020, compared to the first half of 2019. We delivered revenue of €1,183.1 million (-30.7% at constant currency), or 2.5% above global light vehicle production. If we include the impact of currency translation, revenue declined by the same 30.7%.

We also continued to generate strong positive Adjusted EBITDA of €109.7 million (9.3% margin) and positive Adjusted EBIT of €27.6 million (2.3% margin). Adjusted Net Loss for the period was €39.7 million (H1 2019: €64.5 million profit) and positive Adjusted Free Cash Flow amounted to €34.9 million (H1 2019: €19.2 million). These solid results benefitted from our significant cost reduction and cash preservation actions initiated early in March 2020. Reported net loss for the period of €(320.8) million (H1 2019: €59.9 million) was influenced by the exceptional impairment charge of €304.6 million in addition to the lower trading volumes.

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

Strategy update

In 2020, we expect to continue our success as a leading global manufacturer of highly engineered fluid storage, carrying and delivery systems for light vehicles through the execution of our strategy. Our financial performance benefits from our commitment, focus and dedication to designing and producing products that help make vehicles greener, the environment cleaner and the world a better place to live. This is core to our business model and strategy. We also continue to benefit from operational flexibility and our balanced and diversified customer, platform and regional profile. We remain confident in our focus on electrification and our HEV and BEV strategy which is progressing very well and is clearly evidenced by our ability to have product content on more than two thirds of the 46 key BEV platforms identified to come to market between 2020 and 2022. This further demonstrates our successful transition to an electrified world by validating the Group having thermal products content on approximately 50% of these 46 BEVs. We are proud of this accomplishment and trajectory.

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

The impact of the current COVID-19 outbreak remains challenging and we are taking a number of mitigation actions and fixed cost structural measures to prepare the Group for a potential multi-year recovery of light vehicle production levels. This fixed cost reduction plan includes the elimination of plants and associates with cash expenditures in 2020 and 2021 and cash savings and payback across 2020 through 2022. These fixed and variable cost reductions are necessary and over the longer term, we expect to benefit not only as global light vehicle production returns to growth, but also from increased demand for our advanced fluid handling products and systems and higher content opportunities driven by the underlying megatrends of emission reduction, increased fuel efficiency and electrification. These megatrends have been and will continue to be front and centre for our sector.

We will continue to prioritise variable and fixed cost management and capital allocation to deliver sustainable growth and continued solid financial performance.

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

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

Our people

The Group relies on the skills and expertise of its excellent employees worldwide, and the H1 2020 results would not have been achieved without the commitment and dedication of our entire global team. We are proud to have a strong senior management team whose deep experience, leadership and determination remains critical during these continued uncertain times. I would like to recognise, sincerely thank and continue to hope all can stay healthy and safe through these challenging times.

Protecting the health and safety of our people is our highest priority. We took significant proactive actions early, including travel restrictions, flexible work programmes and as we returned to work, installed specific return to work protocols. I am confident that with the efforts of the Group and each of our individual employees we can limit the impact of the COVID-19 pandemic. Our experienced management team has a track record of execution and delivery and will continue to manage through the difficult environment in 2020.

Bill Kozyra

Chief Executive Officer and President

Chief Financial Officer's Report

We are well placed to continue outperforming global light vehicle production and delivering strong financial performance in spite of the challenging global light vehicle production decline in volumes.

Table 1: Key Performance measures €m

	Management basis*			As reported		
	H1 2020	H1 2019	**Change**	**H1 2020**	H1 2019	**Change**
Revenue	**1,183.1**	1,708.1	(525.0)	**1,183.1**	1,708.1	(525.0)
% Change at constant currency			(30.7)%			
Adjusted EBITDA	**109.7**	245.9	(136.2)			
Margin	***9.3 %***	*14.4 %*	*(5.1)%*			
Adjusted EBIT / Operating (Loss) or Profit	**27.6**	173.1	(145.5)	**(311.9)**	123.4	(435.3)
Margin	***2.3 %***	*10.1 %*	(7.8)%	***(26.4)%***	*7.2 %*	*(33.6)%*
Adjusted Net Income / (Loss) Profit for the period	**(39.7)**	64.5	(104.2)	**(320.8)**	59.9	(380.7)
Earnings per share	**(7.61)**	12.40	(20.0)	**(61.66)**	11.25	(72.9)
Adjusted Free Cash Flow **	**34.9**	19.2	15.7			
Dividend (€ cents)	**—**	3.02		**—**	3.02	

*Management basis metrics are Non - IFRS measures as defined on pages 18 to 19
**No equivalent GAAP measure - see table 8a for reconciliation to statutory cash flow items

Global light vehicle production is the principal driver of the Group's performance. In the first six months of 2020, global light vehicle production decreased significantly to 30.1 million vehicles or by 33.2% lower compared to the prior period. Even with the challenging market our revenue continued to outperform global light vehicle production.

Revenue decreased by €523.4 million, or 30.7% period over period on a constant currency basis, to €1,183.1 million and exceeded the global light vehicle production by 2.5% in H1 2020. If we include the negative impact of currency of €1.6 million, reported revenue declined by €525.0 million, also 30.7% period over period.

We generated Adjusted EBIT of €27.6 million with a margin of 2.3%, a reduction of 780bps from the prior period Adjusted EBIT margin. The decline in margin is directly related to the conversion of lower sales arising from the impacts of COVID-19.

We delivered Adjusted Net Income of €(39.7) million, compared to €64.5 million in the prior period. Loss for H1 2020 was €(320.8) million compared to €59.9 million profit in H1 2019. Basic EPS was (61.66) Euro cents, a decrease of 648.1% from the prior period, and Adjusted Basic EPS was (7.61) Euro cents, a decrease of 161.4% from H1 2019. In spite of the lower global light vehicle production volumes, H1 2020 was also another period of strong cash flow performance, where we delivered Adjusted Free Cash Flow of €34.9 million (H1 2019: €19.2

million). There is no equivalent GAAP measure for Adjusted Free Cash Flow as it derived from net cash generated from operating activities less net cash used by investing activities.

Automotive Markets

Global light vehicle production volumes declined significantly by 33.2% in H1 2020 to 30.1 million vehicles as shown in table 2 - an unprecedented fall due to the impact of COVID-19. The reduction was across all major regions with the deepest decline occurring in the month of April at -61.4%.

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

	H1 2020	**% Change**
Europe, including Middle East and Africa	**7.5**	(38.8)%
Asia Pacific	**16.7**	(26.3)%
North America	**5.1**	(39.9)%
Latin America	**0.8**	(51.0)%
Total global volumes	**30.1**	(33.2)%

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

Revenue

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

Table 3: Revenue by region and by segment €m

	H1 2020	H1 2019	**Change**	**% Change**	**% Change at constant currency**
Total Group Revenue	**1,183.1**	1,708.1	(525.0)	(30.7)%	(30.7)%
By Region					
Europe and Africa	**453.5**	705.7	(252.2)	(35.7)%	(35.6)%
Asia Pacific	**415.9**	487.1	(71.2)	(14.6)%	(13.7)%
North America	**298.4**	480.9	(182.5)	(37.9)%	(39.5)%
Latin America	**15.3**	34.4	(19.1)	(55.5)%	(44.3)%
By segment					
Fluid Carrying Systems ("FCS")	**651.0**	964.2	(313.2)	(32.5)%	(32.3)%
Fuel Tank and Delivery Systems ("FTDS")	**532.1**	743.9	(211.8)	(28.5)%	(28.5)%

Group revenue in 2020 was €1,183.1 million, a decrease of 30.7% period over period at constant currency and 2.5% better than the change in global light vehicle production.

In Europe and Africa, revenue at constant currency declined by 35.6% period over period compared to light vehicle production decline of 38.8%. This represents an outperformance of 3.2% mainly driven by the successful launch of new business and favourable mix. In the region we aligned with our customers and closed factories to minimise risk to employee well-being and also control costs. Plants are now open and production volumes are beginning to recover.

In Asia Pacific, revenue at constant currency declined by 13.7% period over period compared to light vehicle production decline of 26.3%. Asia Pacific outperformed the market by 12.6%. The Group generates 22.8% of its revenue in China, driven by our long-standing market position in our brake and fuel lines business within our FCS segment and continued growth in fuel tank business with the FTDS segment. Accordingly, FCS revenue was impacted by the volume declines in China. Despite this we continue to outperform in the region, primarily through successful business launches and continuous growth in our FTDS segment in China where revenue was marginally up period over period.

In North America, revenue at constant currency declined by 39.5% period over period compared to light vehicle production decline of 39.9%. North America outperformed the market by 0.4%. Although revenue was impacted by extended OEM factory closures due to COVID-19, the favourable impact of new business launches and favourable mix offset the overall decline in revenue.

FCS revenue at constant currency declined by 32.3% from the prior period to €651.0 million. FTDS revenue at constant currency decreased by 28.5% to €532.1 million. Revenue outperformance in both segments was mainly driven by successful business launches and program ramp ups in Asia Pacific and Europe regions.

Currency exchange rates had a minor net adverse impact of €1.6 million on revenue compared with the prior period. This was mostly due to strengthening of the Euro against other key currencies in countries where the Group has manufacturing operations partially offset by the weakening of the Euro against the US Dollar. Accordingly, revenue declined by 30.7% to €1,183.1 million at reported rates. Table 4 below sets out the movement in exchange rates most relevant to our operations.

Table 4: Exchange Rates

Key Euro exchange rates	**2020 Average**	2019 Average	% Change	**30 June 2020 period end**	30 June 2019 period end	% Change
US dollar	**1.102**	1.130	(2.5)%	**1.124**	1.137	(1.1)%
Chinese renminbi	**7.747**	7.664	1.1 %	**7.941**	7.804	1.8 %
South Korean won	**1,328**	1,294	2.6 %	**1,349**	1,313	2.7 %

Operating profit, Adjusted EBITDA* and Adjusted EBIT*

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

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

	H1 2020	H1 2019
Operating (loss) / profit	**(311.9)**	123.4
Depreciation and impairment of PP&E	**54.3**	52.7
Depreciation of right-of-use assets	**16.9**	14.7
Amortisation and impairment of intangible assets	**39.4**	49.0
Share of (loss)/profit of associates	**(0.1)**	0.1
Exceptional impairment	**304.6**	—
EBITDA	**103.2**	239.9
Net foreign exchange losses / (gains)	**(0.7)**	(0.9)
Dividend received from associates	**0.5**	0.5
Restructuring costs	**6.6**	6.5
Share of loss/(profit) of associates	**0.1**	(0.1)
Adjusted EBITDA	**109.7**	245.9
Less:		
Depreciation and impairment of PP&E	**(54.3)**	(52.7)
Depreciation of right-of-use assets	**(16.9)**	(14.7)
Amortisation and impairment of intangible assets	**(39.4)**	(49.0)
Add back:		
Depreciation uplift arising on purchase accounting	**6.5**	7.5
Amortisation uplift arising on purchase accounting	**22.0**	36.1
Adjusted EBIT	**27.6**	173.1

* See Non-IFRS measures

The operating loss of €311.9 million (H1 2019: €123.4 million profit) was impacted by conversion on the lower revenues caused by the COVID-19 related market impacts. The other major factor was the exceptional charge of €304.6 million relating to the impairment of certain assets as a result of a review of future trading volumes by management in light of the prolonged recovery of light vehicle production in the medium term. Amortisation of intangible assets was €9.6 million lower due to some of the assets recognised on the Bain acquisition becoming fully amortised in the prior period. The net finance expense was €10.6 million higher as a result of hedge ineffectiveness of €7.1 million (H1 2019: nil), fair value net gains on derivatives and foreign exchange contracts not in hedged relationships in 2019 not repeating in 2020 (H1 2019: €5.1 million) offset by lower term loan interest €27.0 million (H1 2019: €28.7 million).

Adjusted EBITDA was €109.7 million (H1 2019: €245.9 million) and Adjusted EBITDA margin was 9.3% (H1 2019: 14.4%) where major impact was the lower operating profit as a result of conversion on lower revenue, partially offset by reduction in overhead costs as a result of cost saving measures in response to COVID-19. We continue to manage our costs in line with the reduced volumes in order to minimise the impact on margins. The main adjusting item relates to restructuring where we took action in our operations in Europe and North America.

Adjusted EBIT was €27.6 million (H1 2019: €173.1 million) and Adjusted EBIT margin was 2.3% (H1 2019: 10.1%). This change was impacted by lower Adjusted EBITDA as described previously and increased depreciation and amortisation net of purchase accounting adjustments of €82.1 million (H1 2019: 72.8 million). During the period there were non-exceptional impairments of €4.1 million (H1 2019: €0.4 million).

By segment, FCS Adjusted EBIT was €14.1 million (H1 2019: €100.2 million) with Adjusted EBIT margin of 2.2% (H1 2019: 10.4%). FCS continues to achieve positive margins despite the prevailing market environment. The period over period decline in margin reflected the volume reduction particularly in Europe and North America. Asia Pacific margin remains strong as the region recovered earlier from factory shutdowns compared to other regions.

FTDS Adjusted EBIT decreased by €59.4 million to €13.5 million (H1 2019: €72.9 million) with Adjusted EBIT margin of 2.5% (H1 2019: 9.8%). The decrease in margin reflects the conversion of the significant reduction in revenues as a result of COVID-19. Asia Pacific margin also remains strong benefiting from new business launches in the fuel tanks business.

Net finance expense

Net finance expense for the period was €40.7 million, an increase of €10.6 million from the prior period. The increase was a result of hedge ineffectiveness of €7.1 million (H1 2019: nil), fair value net gains on derivatives and foreign exchange contracts not in hedged relationships in 2019 not repeating in 2020 (H1 2019: €5.1 million) offset by lower term loan interest €27.0 million (H1 2019: €28.7 million). The early close out of certain cash flow hedges which accelerated ineffectiveness charges into H1 2020, also gave rise to a realised cash gain of €16.6 million.

Taxation

Income tax credit is €2.7 million a period over period decrease of €36.2 million in tax charge, primarily due to a significant period over period decrease in profit, resulting in an overall ordinary Group loss of €48.1 million. There were no significant changes to uncertain tax positions during the period (partial release in period to 30 June 2019).

The H1 2020 Adjusted Effective Tax Rate is 40.1% (H1 2019: 31.0%). The Adjusted Effective Tax Rate, was calculated by adjusting for the impact of UK losses, and prior period tax movements. After the add back of the significant UK accounting loss of €43.1m, deferred tax assets at the local effective tax rate have been recognised in the principal operating territories, offsetting the effects of the tax charges in profitable territories. The increased Adjusted Effective Tax Rate reflects the overall credit of €2.0m on a residual global loss of €5.0m. As the residual amount of adjusted global loss is low, the Adjusted Effective Tax Rate is magnified by the effects of certain tax adjustments, mainly related to favourable foreign exchange movements in H1 2020. Therefore small changes to the credit have a material impact on the Adjusted Effective Tax Rate.

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

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

Amounts in the table below do not include the exceptional impairment charge of €304.6 million and exceptional tax benefit of €29.2 million.

	Loss before tax	**Tax credit**	Profit before tax	Tax charge
	H1 2020	**H1 2020**	H1 2019	H1 2019
As reported	**(48.1)**	**2.7**	93.4	(33.5)
Effective Tax Rate		***5.6 %***		*35.8 %*
Add back:				
UK accounting loss**	**43.1**		24.5	
Less:				
Prior year tax benefit		**(0.1)**		
Prior year corporate tax benefit		**(0.6)**		(3.0)
Adjusted	**(5.0)**	**2.0**	117.9	(36.5)
Adjusted Effective Tax Rate		***40.1 %***		*31.0 %*

*See Non-IFRS measures
** UK accounting loss is not tax effected due to the UK historical tax loss position

Adjusted Net Income* and profit for the period

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

Table 7a: Adjusted Net Income* €m

	H1 2020	H1 2019
Adjusted EBITDA (see table 5)	**109.7**	245.9
Less:		
Net finance expense before exceptional items	**(40.7)**	(30.1)
Income tax credit/(expense) before exceptional items	**2.7**	(33.5)
Depreciation and impairment of PP&E	**(54.3)**	(52.7)
Depreciation of right-of-use assets	**(16.9)**	(14.7)
Amortisation and impairment of intangible assets	**(39.4)**	(49.0)
Non-controlling interests share of profit	**(0.8)**	(1.4)
Adjusted Net Income	**(39.7)**	64.5

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

	H1 2020	H1 2019
(Loss) / Profit for the period	**(320.8)**	59.9
Less:		
Non-controlling interests share of profit	**(0.8)**	(1.4)
Net foreign exchange gains	**(0.7)**	(0.9)
Exceptional deferred tax credit	**(29.2)**	—
Add back:		
Exceptional asset impairment cost	**304.6**	—
Restructuring costs	**6.6**	6.5
Associate income less dividend received	**0.6**	0.4
Adjusted Net Income	**(39.7)**	64.5

*See Non-IFRS measures

In the first six months of 2020 there was a loss of €320.8 million, compared to a profit of €59.9 million in the corresponding period in 2019, with lower operating profit as a result of conversion of lower sales caused by COVID-19 and higher finance expense, offset by lower fixed costs and tax. In addition, the company reviewed its asset base in response to the lower projected global light vehicle production volumes over the medium term which resulted in an exceptional impairment charge of €304.6 million (H1 2019: nil).

Adjusted Net Income was a loss of €39.7 million in H1 2020, a decrease of 161.6% from a profit of €64.5 million in H1 2019, primarily driven by the flow through of lower revenues as a result of the reduced light vehicle production volumes. The Group incurred restructuring costs of €6.6 million in the period primarily related to operations in Europe and North America (H1 2019: €6.5 million).

Basic EPS and Adjusted Basic EPS*

On a statutory basis, Basic Earnings per Share ('EPS') was (61.66) Euro cents for the period (H1 2019: 11.25 Euro cents), a decrease of (648.1)% from the prior period, reflecting the significant statutory loss arising from lower operating loss as a result of lower trading volumes and the exceptional impairment charge, higher net finance expense offset by lower tax and the exceptional deferred tax credit. Adjusted Basic EPS calculation is based on Adjusted Net Income and the weighted average number of shares in issue. Adjusted Basic EPS was (7.61) Euro cents per share for the period (H1 2019: 12.40 Euro cents per share) reflecting the decrease in Adjusted Net Income as noted above. Weighted average shares outstanding on 30 June 2020 were 521.6 million (30 June 2019: 520.3 million). The prior period comparative has been re-presented to be consistent with the 2020 figure.

*See Non-IFRS measures

Dividend

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

The Board has decided not to recommend a 2020 interim dividend during the ongoing exceptional circumstances.

Adjusted Free Cash Flow*

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

Table 8a: Adjusted Free Cash Flow* €m

	H1 2020	H1 2019
Net cash generated from operating activities	**92.5**	106.2
Net cash used by investing activities	**(48.6)**	(86.3)
Free Cash Flow*	**43.9**	19.9
Deduct:		
Cash received on settlement of derivatives	**(16.6)**	(2.8)
Amounts received in cash from Financial Assets at FVTPL (included in net cash generated from operations)	**—**	(0.3)
Add back: Restructuring cash spend	**7.6**	2.4
Adjusted Free Cash Flow	**34.9**	19.2

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

	H1 2020	H1 2019
Adjusted EBITDA (see note 2)	**109.7**	245.9
Less:		
Net cash interest paid	**(27.8)**	(30.8)
Cash taxes paid	**(20.9)**	(45.6)
Payment for property, plant and equipment	**(36.3)**	(59.5)
Payment for intangible assets	**(14.3)**	(28.5)
Movement in working capital	**42.8**	(56.6)
Movement in retirement benefit obligations	**0.7**	(0.7)
Movement in provisions and other	**(10.0)**	(4.3)
Free Cash Flow*	**43.9**	19.9
Deduct:		
Cash received on settlement of derivatives	**(16.6)**	(2.8)
Amounts received in cash from Assets at FVTPL	**—**	(0.3)
Add back: Restructuring cash spend	**7.6**	2.4
Adjusted Free Cash Flow	**34.9**	19.2

*See Non-IFRS measures

In H1 2020, we generated Adjusted Free Cash Flow of €34.9 million (H1 2019: €19.2 million). The Adjusted EBITDA generated by the Group was used to fund investment in capital equipment and intangibles. There was a €37.2 million decrease in property, plant and equipment and intangibles expenditure primarily due to tight control of the expenditure to preserve cash. Tax cash payments were €24.7 million lower due to lower taxable profits and proactive deferral of taxes to minimise cash outflows during the period. Movement in working capital of €42.8 million was driven by the natural unwind of working capital balances. Cash spend on restructuring activities was €7.6 million (H1 2019: €2.4 million). The restructuring cash adjustment has been made to align the treatment of restructuring with the other Adjusted measures and has been applied retrospectively.

Retirement benefits

We operate funded and unfunded defined benefit schemes across multiple jurisdictions with the largest being the US pension and retiree healthcare schemes. We also have major schemes in the UK, Canada and Germany. While all of our major plans are closed to new entrants, a few allow for future accrual. Our schemes are subject to periodic actuarial valuations. Our net unfunded position increased by €24.0 million to €177.7 million at 30 June 2020 due to declining discount rates across many territories, coupled with the weak overall pension asset performance resulting from the unprecedented global COVID-19 pandemic which disrupted markets.

Net debt* and net leverage*

Net debt, a non-IFRS measure, as at 30 June 2020 was €718.0 million, a decrease of €20.3 million from the prior year end. The Group's net leverage ratio, also a non-IFRS measure was 2.0 times Last Twelve Months ("LTM") Adjusted EBITDA as at 30 June 2020 (31 December 2019: 1.5 times), the increase reflects the fall in the LTM Adjusted EBITDA due to the lower trading conditions.

The Group excludes IFRS 16 lease liabilities from its net debt and net leverage ratio. If the IFRS 16 lease liabilities were to be included, the Group’s net debt would be €877.2 million and net leverage ratio would be 2.4 times LTM Adjusted EBITDA (31 December 2019: 1.8 times).

*See Non-IFRS measures

Liquidity and Going Concern

Our principal sources of liquidity have historically been cash generated from operating activities and amounts available under our credit facilities, that currently consist of a revolving facility under our cash flow credit agreement of $125 million (€111.2 million) and an asset backed loan ('ABL') facility of $100 million (€89.1 million). Management took the decision to fully draw the revolving facility in March 2020 as a pre-emptive action to minimise the risk that the funds would not be available due to the risk of banking liquidity. For going concern modelling purposes, it was anticipated that these drawings would be repaid in 2020. The availability under the ABL facility as of 30 June 2020 was €55.4 million which reflects the reduction in the North America receivables and inventory over which the facility is secured. Total available liquidity (cash plus available facilities) on 30 June 2020 was €598.8m (31 December 2019: €589.9 million).

In making their assessment, the Directors' have reviewed a base case forecast to 31 December 2021 prepared using the current global light vehicle production volumes forecast which takes account of the challenges associated with COVID-19. The base case showed liquidity of €635 million at the end of the review period. A downside model to recognise further COVID-19 impact and a more general economic slowdown was also prepared which assumed a further severe but plausible reduction in global light vehicle production volumes to 60.0m in 2020 and 67.8m in 2021, 12.2% and 14.0% respectively lower than the data used for the base model. The ongoing benefits of the restructuring programme were also reduced by 50%. The impact of this scenario would be to reduce available liquidity to €497 million at the end of the review period. In both the base case and the severe but plausible downside scenarios, there were no covenant breaches.

The Directors have concluded after reviewing the future funding requirements for the Group over the next 12 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. Through the first half of the year the company remained cash generative.

Principal Risks and Uncertainties

The COVID-19 outbreak continues to represent an operating performance challenge for us and the automotive industry generally. The Directors continue to monitor the impact of COVID-19 and have considered potential emerging risks stemming from the pandemic. Particularly the Directors have considered risks relating to health and safety of our global workforce, recent projections for global light vehicle production volumes, our liquidity and our business continuity plans. However, we continue to believe in terms of our assessment of our principal risks and uncertainties, that the continued impact from COVID-19 manifests itself in the risks previously identified in the 2019 Annual Report and Accounts available on our website www.tifluidsystems.com and therefore, remain unchanged for the remainder of the year.

Outlook

The current global economic environment remains highly uncertain and the continuing impacts of the COVID-19 pandemic remain unknown, including the outlook for consumer demand adversely impacting global light vehicle production. As a result, the Group will not be providing full year 2020 financial outlook at this time.

Non-IFRS measures

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

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

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

Operating profit margin is defined as operating profit expressed as a percentage of revenue.

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

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

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

Adjusted Free Cash Flow is defined as free cash flow adjusted for acquisitions, movements in financial assets at fair value through the profit or loss, cash payments related to IPO costs, cash received on settlement of derivatives and restructuring cash spend. The restructuring cash adjustment is made to align the treatment of restructuring with the other Adjusted measures and is applied retrospectively.

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

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

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

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

Net leverage is defined as net debt divided by last twelve months Adjusted EBITDA.

Ronald Hundzinski

Chief Financial Officer

17 August 2020

Cautionary Statement

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of TI Fluid Systems plc (the “Group”). The words “believe”, “expect”, “anticipate”, “intend”, “estimate”, “forecast”, “project”, “will”, “may”, “should” and similar expressions identify forward-looking statements. Others can be identified from the context in which they are made. By their nature, forward-looking statements involve risks and uncertainties, and such forward-looking statements are made only as of the date of this presentation. Accordingly, no assurance can be given that the forward-looking statements will prove to be accurate and you are cautioned not to place undue reliance on forward-looking statements due to the inherent uncertainty therein. Past performance of the Company cannot be relied on as a guide to future performance. Nothing in this announcement should be construed as a profit forecast.

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Group Financial Statements
Consolidated Income Statement

For the period ended 30 June

Continuing operations	Notes	Unaudited 2020 Before exceptional item €m	Unaudited Exceptional item €m	Unaudited 2020 €m	Unaudited 2019 €m
Revenue	2	**1,183.1**	**—**	**1,183.1**	1,708.1
Cost of sales		**(1,090.0)**	**(120.4)**	**(1,210.4)**	(1,460.9)
Gross profit/(loss)		**93.1**	**(120.4)**	**(27.3)**	247.2
Distribution costs		**(35.5)**	**—**	**(35.5)**	(47.5)
Administrative expenses		**(70.0)**	**(184.2)**	**(254.2)**	(84.6)
Other income		**4.4**	**—**	**4.4**	7.4
Net foreign exchange gains		**0.7**	**—**	**0.7**	0.9
Operating (loss)/profit		**(7.3)**	**(304.6)**	**(311.9)**	123.4
Finance income	3	**1.0**	**—**	**1.0**	6.0
Finance expense	3	**(41.7)**	**—**	**(41.7)**	(36.1)
Net finance expense	3	**(40.7)**	**—**	**(40.7)**	(30.1)
Share of (loss)/profit of associates		**(0.1)**	**—**	**(0.1)**	0.1
(Loss)/profit before income tax		**(48.1)**	**(304.6)**	**(352.7)**	93.4
Income tax credit/(expense)	4	**2.7**	**29.2**	**31.9**	(33.5)
(Loss)/profit for the period		**(45.4)**	**(275.4)**	**(320.8)**	59.9
(Loss)/profit for the period attributable to:					
Owners of the parent company		**(46.2)**	**(275.4)**	**(321.6)**	58.5
Non-controlling interests		**0.8**	**—**	**0.8**	1.4
		(45.4)	**(275.4)**	**(320.8)**	59.9
Total earnings per share (Euro, cents)					
Basic	5	**(0.09)**		**(61.66)**	11.25
Diluted	5	**(0.09)**		**(61.66)**	11.24

Consolidated Statement of Comprehensive Income

For the period ended 30 June

	Unaudited 2020 €m	Unaudited 2019 €m
(Loss)/profit for the period	**(320.8)**	59.9
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss		
– Re-measurements of retirement benefit obligations	**(23.7)**	(1.5)
– Income tax credit on retirement benefit obligations	**5.2**	—
	(18.5)	(1.5)
Items that may be subsequently reclassified to profit or loss		
– Currency translation	**(23.8)**	6.8
– Cash flow hedges	**12.2**	1.9
– Net investment hedges	**6.9**	4.5
	(4.7)	13.2
Other comprehensive (expense)/income for the period	**(23.2)**	11.7
Total comprehensive (expense)/income for the period	**(344.0)**	71.6
Attributable to:		
– Owners of the parent company	**(343.9)**	70.8
– Non-controlling interests	**(0.1)**	0.8
Total comprehensive (expense)/income for the period	**(344.0)**	71.6

Consolidated Balance Sheet

	Notes	Unaudited 30 June 2020 €m	31 December 2019 €m
Non-current assets			
Intangible assets	8	**921.7**	1,182.2
Right-of-use assets	7	**131.6**	161.4
Property, plant and equipment	6	**614.0**	715.0
Investments in associates		**17.8**	19.2
Deferred income tax assets	4	**45.0**	25.1
Trade and other receivables		**18.8**	21.6
		1,748.9	2,124.5
Current assets			
Inventories		**372.3**	367.1
Trade and other receivables		**446.9**	574.5
Current income tax assets	4	**14.7**	13.7
Derivative financial instruments	10	**—**	18.4
Financial assets at fair value through profit and loss	10	**0.9**	0.9
Cash and cash equivalents		**543.4**	411.7
		1,378.2	1,386.3
Total assets		**3,127.1**	3,510.8
Equity			
Share capital		**6.8**	6.8
Share premium		**2.2**	2.2
Other reserves		**(109.9)**	(106.1)
Accumulated profits		**919.3**	1,261.7
Equity attributable to owners of the Parent Company		**818.4**	1,164.6
Non-controlling interests		**23.9**	24.5
Total equity		**842.3**	1,189.1
Non-current liabilities			
Trade and other payables		**12.2**	12.3
Borrowings	9	**1,148.7**	1,148.5
Lease liabilities	7	**128.1**	138.0
Deferred income tax liabilities	4	**90.4**	128.5
Retirement benefit obligations	11	**177.7**	153.7
Provisions	12	**4.6**	5.0
		1,561.7	1,586.0
Current liabilities			
Trade and other payables		**512.3**	611.2
Current income tax liabilities	4	**47.7**	48.7
Borrowings	9	**113.6**	2.4
Lease liabilities	7	**31.1**	28.7
Derivative financial instruments	10	**1.6**	25.4
Provisions	12	**16.8**	19.3
		723.1	735.7
Total liabilities		**2,284.8**	2,321.7
Total equity and liabilities		**3,127.1**	3,510.8

Consolidated Statement of Changes in Equity

For the period ended 30 June

(Unaudited)	**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 2020	**6.8**	**2.2**	**(106.1)**	**1,261.7**	**1,164.6**	**24.5**	**1,189.1**
(Loss)/profit for the period	**—**	**—**	**—**	**(321.6)**	**(321.6)**	**0.8**	**(320.8)**
Other comprehensive expense for the period	**—**	**—**	**(3.8)**	**(18.5)**	**(22.3)**	**(0.9)**	**(23.2)**
Total comprehensive expense for the period	**—**	**—**	**(3.8)**	**(340.1)**	**(343.9)**	**(0.1)**	**(344.0)**
Share-based credit	**—**	**—**	**—**	**(2.3)**	**(2.3)**	**—**	**(2.3)**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**(0.5)**	**(0.5)**
Balance at 30 June 2020	**6.8**	**2.2**	**(109.9)**	**919.3**	**818.4**	**23.9**	**842.3**

(Unaudited)	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 2019	6.8	1.4	(126.3)	1,175.7	1,057.6	22.5	1,080.1
Profit for the period	—	—	—	58.5	58.5	1.4	59.9
Other comprehensive income/(expense) for the period	—	—	13.8	(1.5)	12.3	(0.6)	11.7
Total comprehensive income for the period	—	—	13.8	57.0	70.8	0.8	71.6
Share-based expense	—	—	—	2.5	2.5	—	2.5
Dividends paid	—	—	—	(30.9)	(30.9)	(0.7)	(31.6)
Shares issued	—	0.8	—	—	0.8	—	0.8
Balance at 30 June 2019	6.8	2.2	(112.5)	1,204.3	1,100.8	22.6	1,123.4

Consolidated Statement of Cash Flows

For the period ended 30 June

	Notes	**Unaudited 2020 €m**	Unaudited 2019 €m
Cash flows from operating activities			
Cash generated from operations	13	**142.0**	183.5
Interest paid		**(28.6)**	(31.7)
Income tax paid		**(20.9)**	(45.6)
Net cash generated from operating activities		**92.5**	106.2
Cash flows from investing activities			
Payment for property, plant and equipment		**(36.3)**	(59.5)
Payment for intangible assets		**(14.3)**	(28.5)
Proceeds from the sale of property, plant and equipment		**1.2**	0.8
Interest received		**0.8**	0.9
Net cash used by investing activities		**(48.6)**	(86.3)
Cash flows from financing activities			
Proceeds from new borrowings	9	**135.6**	—
Fees paid on proceeds from new borrowings	9	**—**	(0.3)
Voluntary repayments of borrowings	9	**(22.7)**	(50.0)
Scheduled repayments of borrowings	9	**(2.2)**	(2.2)
Lease principal repayments		**(12.8)**	(12.8)
Dividends paid		**—**	(30.9)
Dividends paid to non-controlling interests		**(0.5)**	(0.7)
Net cash generated from/(used by) financing activities		**97.4**	(96.9)
Increase/(decrease) in cash and cash equivalents		**141.3**	(77.0)
Cash and cash equivalents at the beginning of the period		**411.7**	360.1
Currency translation on cash and cash equivalents		**(9.6)**	2.2
Cash and cash equivalents at the end of the period		**543.4**	285.3

1. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these half year condensed group financial statements are the same as those applied in the audited consolidated financial statements for the year ended 31 December 2019.

1.1. Basis of Preparation

These half year condensed group financial statements have been prepared on the going concern basis as set out in Note 1.2 below. These half year condensed group financial statements do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019 have been filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. These half year condensed group financial statements have been reviewed, not audited.

These half year condensed group financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the Financial Conduct Authority.

1.2. Going Concern

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 these half year condensed group financial statements.

In making their assessment, the Directors have reviewed a base case forecast to 31 December 2021 prepared using the current global light vehicle production volumes forecast, taking account of the challenges associated with COVID-19. The base case showed liquidity of €635 million at the end of the review period.

A downside model to recognise further COVID-19 impact and a more general economic slowdown was also prepared which assumed a further severe but plausible reduction in global light vehicle production volumes to 60.0m in 2020 and 67.8m in 2021, 12.2% and 14.0% respectively lower than the data used for the base model. The benefits of the restructuring programme were also reduced by 50%. The impact of this scenario would be to reduce available liquidity to €497 million at the end of the review period.

The Group therefore continues to adopt the going concern basis in preparing its half year condensed group financial statements. Further information on the Group's borrowings is given in Note 9.

1.3. New and Revised IFRS Affecting Amounts Reported in the Current Period (and/or Prior Periods)

There are no new standards or IFRS IC interpretations effective in the period that have a material impact on the Group.

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 2021, or are not yet effective because they have not yet been endorsed by the EU. These include an unendorsed amendment to IFRS 16 'Lease's Covid 19-Related Rent Concessions', issued on 28 May 2020, which is effective for annual periods beginning on or after 1 January 2021, but for which earlier application is permitted. These have not been applied in preparing the consolidated financial statements. There are no standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.4. Critical Accounting Estimates and Judgements

The preparation of these financial statements requires the use of accounting estimates, and management judgement in applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to these financial statements are: post employment obligations, impairments of assets and recognition of deferred tax assets.

Further details of the Group's critical accounting estimates around post employment obligations can be found in Note 1.4.1 of the audited consolidated financial statements for the year ended 31 December 2019.

Due to the COVID-19 pandemic, global automotive production volumes are expected to be significantly impacted. Management consider this to be an indicator of impairment and have therefore performed a full impairment test as at 30 June 2020. Management have designated certain input assumptions to the group impairment test as being critical estimates.

Management have applied judgement in establishing four volume forecast scenarios, from which operating cash flows over a five year budget horizon were derived. Further judgement has then been applied in assigning relative probabilities to these scenarios, such that weighted average operating cash flows could be calculated for use in the discounted cash flow model. As the scenarios were designed to cover all reasonably conceivable outcomes, the key source of estimation uncertainty in arriving at the forecast operating cash flows is deemed to be the allocation of scenario probabilities. The resulting CGU recoverable amounts, as calculated using the discounted cash flow model, are then in turn sensitive to the use of discount rates and long term expected growth rates.

Further discussion regarding how these critical estimates have been made and sensitivity analysis of CGU recoverable amounts to changes in these assumptions can be found in Note 8.

Due to the COVID-19 pandemic, global automotive production volumes in the period have been significantly impacted and caused trading losses. 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. Management have looked at short and medium term production volume forecasts to assess the trading profits to support recognition of the assets.

2. 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 and Adjusted EBITDA, and Adjusted EBIT, both non-IFRS measures.

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

	Unaudited Half year 2020 €m	Unaudited Half year 2019 €m
Revenue		
– FCS - External	**651.0**	964.2
- Inter-segment	**28.7**	41.2
	679.7	1,005.4
– FTDS - External	**532.1**	743.9
- Inter-segment	**1.7**	2.3
	533.8	746.2
Inter-segment elimination	**(30.4)**	(43.5)
Total consolidated revenue	**1,183.1**	1,708.1
Adjusted EBITDA		
– FCS	**53.3**	135.1
– FTDS	**56.4**	110.8
	109.7	245.9
Adjusted EBITDA % of revenue		
– FCS	**8.2 %**	14.0 %
– FTDS	**10.6 %**	14.9 %
Total	**9.3 %**	14.4 %
Adjusted EBIT		
– FCS	**14.1**	100.2

– FTDS	**13.5**	72.9
	27.6	173.1
Adjusted EBIT % of revenue		
– FCS	**2.2 %**	10.4 %
– FTDS	**2.5 %**	9.8 %
Total	**2.3 %**	10.1 %

3. Finance Income and Expenditure

	Notes	**Unaudited Half year 2020 €m**	Unaudited Half year 2019 €m
Finance income			
Interest on short-term deposits, other financial assets and other interest income		**1.0**	0.9
Fair value net gains on derivatives and foreign exchange contracts not in hedged relationships		**—**	5.1
Finance income		**1.0**	6.0
Finance expense			
Interest payable on term loans including expensed fees	9	**(27.0)**	(28.7)
Net interest expense of retirement benefit obligations	11	**(1.5)**	(2.3)
Fair value net losses on derivatives and foreign exchange contracts not in hedged relationships		**(0.5)**	—
Fair value net losses on financial instruments: ineffectiveness		**(7.1)**	—
Interest payable on lease liabilities		**(5.4)**	(4.9)
Utilisation of discount on provisions and other finance expense		**(0.2)**	(0.2)
Finance expense		**(41.7)**	(36.1)
Total net finance expense		**(40.7)**	(30.1)

In March 2020, the group terminated all its forward foreign exchange contracts designated in cash flow hedge relationships, its forward foreign exchange contracts designated in net investment hedges, and all its interest rate swaps. Termination of the hedges resulted in the recognition of ineffectiveness of €7.0 million.

4. Income Tax

Income tax expense is recognised based on Management's estimate of the effective income tax rate expected for the full financial year in each jurisdiction in which the Group has operations.

This has resulted in an ordinary effective tax rate of 5.6% for the half year ended 30 June 2020 (35.8% for the half year ended 30 June 2019). The effective tax rate is impacted by the UK book loss of €43.1 million for the half year ended 30 June 2020 (€24.5 million for the half year ended 30 June 2019). This is not tax effected due to the projected and historical tax loss position in the UK and therefore has a material impact on the effective tax rate for both periods.

The UK book loss incurred to 30 June 2020 is due to net interest and financing expense in the amount of €21.1 million (30 June 2019: €10.8 million); net foreign exchange loss of €11.2 million (30 June 2019: net foreign exchange gain of €(1.3) million) based on fluctuations in the US dollar to Euro exchange rates related to US dollar denominated intercompany loans and other operating expenses of €10.8 million (30 June 2019: €15.0 million).

When the UK book loss of €43.1 million for the half year ended 30 June 2020 (€24.5 million loss for the half year ended 30 June 2019) and prior period tax adjustments are not considered, the effective tax rate is adjusted to 40.1% for the half year to 30 June 2020 (31.0% for the half year ended 30 June 2019).

The effective tax rate has decreased to 5.6% (half year to 30 June 2019 35.8%). This represents a small tax credit on an overall loss for the period. The low credit is primarily due to the non recognition of the UK losses discussed above.

The Group is also reporting an exceptional impairment charge of €304.6 million for the half year ended 30 June 2020 with a deferred tax benefit of €29.2 million which results in an exceptional effective tax rate of 9.6%. The low exceptional effective tax rate is due to the fact that the majority of the impairment is related to goodwill that does not carry a deferred tax balance and therefore this portion of the impairment is not tax effected.

5. Earnings Per Share

5.1. Basic and Diluted Earnings Per Share

	2020			2019		
Unaudited	**Profit attributable to shareholders (€m)**	**Weighted average number of shares (in millions)**	**Earnings Per Share (€, cents)**	Profit attributable to shareholders (€m)	Weighted average number of shares (in millions)	Earnings Per Share (€, cents)
Basic	**(321.6)**	**521.6**	**(61.66)**	58.5	520.1	11.25
Dilutive shares	**—**	**—**	**—**	—	0.5	(0.01)
Diluted	**(321.6)**	**521.6**	**(61.66)**	58.5	520.6	11.24

5.2. Adjusted Earnings Per Share

	2020		2019	
Unaudited	**Basic**	**Diluted**	Basic	Diluted
Adjusted Net Income (€m)	**(39.7)**	**(39.7)**	64.5	64.5
Weighted average number of shares (in millions)	**521.6**	**521.6**	520.1	520.6
Adjusted Earnings Per Share (€, in cents)	**(7.61)**	**(7.61)**	12.40	12.39

Adjusted Net Income is based on Loss for the period attributable to shareholders €39.7 million (2019: €59.9 million profit) after adding back net adjustments of €281.1 million (2019: €4.6 million).

6. Property, Plant and Equipment

During the period the Group made PP&E additions of €28.0 million (2019: €47.4 million). Assets with a carrying value of €1.4 million (2019: €1.2 million) were disposed of during the period.

Exceptional impairment charges of €66.1 million were recognised in the period in relation to PP&E.

7. Leases

The balance sheet at 30 June 2020 shows the following amounts relating to leases:

	Unaudited 30 June 2020 €m	31 December 2019 €m
Right-of-Use Assets	**131.6**	161.4
Non-current Lease liabilities	**128.1**	138.0
Current Lease liabilities	**31.1**	28.7
Total Lease Liabilities	**159.2**	166.7

The Group has a significant number of leases for land, buildings, plant, machinery and equipment. A number of these lease terms were renegotiated during the period as a result of the COVID-19 pandemic, to either reduce the rent on a temporary basis "rent forgiveness", or to reduce the rent on a temporary basis, and increase later payments, so that the total overall payments are unchanged "rent holidays". IFRS 16 has been revised to permit Companies not to assess whether particular COVID-19 related rent concessions are lease modifications and, instead, account for those concessions as if they were not lease modifications. This expedient has not yet been endorsed by the EU. Rent holidays that have been negotiated are not considered to be lease modifications.

Due to the COVID-19 pandemic, global automotive production volumes are expected to be significantly impacted. Management consider this to be an indicator of impairment and have therefore performed a full impairment test on Right-of-use Assets as at 30 June 2020. This resulted in an impairment to Right-of-use of Assets in the period of €16.8 million.

8. Intangible assets and impairments

8.1. Intangible Assets

	Unaudited 30 June 2020 €m	31 December 2019 €m
Goodwill	**548.5**	739.0
Capitalised development expenses, computer software and licences, technology and customer platforms	**373.2**	443.2
Total intangible assets	**921.7**	1,182.2

8.2. Goodwill

Unaudited	**€m**
Cost at 1 January 2020	**739.0**
Currency translation	**(6.3)**
Cost at 30 June 2020	**732.7**
Accumulated impairment at 1 January 2020	**—**
Exceptional impairment charge	**(184.2)**
Accumulated impairment at 30 June 2020	**(184.2)**
Net book value at 30 June 2020	**548.5**

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

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

Unaudited	**Capitalised development expenses €m**	**Computer software and licences €m**	**Technology €m**	**Customer platforms* €m**	**Total €m**
Cost at 1 January 2020	**237.4**	**16.2**	**135.9**	**474.4**	**863.9**
Accumulated amortisation	**(102.2)**	**(11.3)**	**(125.5)**	**(181.7)**	**(420.7)**
Net book value at 1 January 2020	**135.2**	**4.9**	**10.4**	**292.7**	**443.2**
Additions	**9.9**	**0.3**	**—**	**—**	**10.2**
Disposals	**—**	**—**	**—**	**—**	**—**
Amortisation charge	**(14.3)**	**(0.5)**	**(1.2)**	**(20.8)**	**(36.8)**
Impairments - exceptional charge	**(21.3)**	**(0.5)**	**(0.5)**	**(15.3)**	**(37.6)**
- other charges	**(2.5)**	**—**	**—**	**—**	**(2.5)**
Currency translation	**(0.8)**	**—**	**—**	**(2.5)**	**(3.3)**
Net book value at 30 June 2020	**106.2**	**4.2**	**8.7**	**254.1**	**373.2**
Cost at 30 June 2020	**245.9**	**16.5**	**134.6**	**469.8**	**866.8**
Accumulated amortisation	**(139.7)**	**(12.3)**	**(125.9)**	**(215.7)**	**(493.6)**
Net book value at 30 June 2020	**106.2**	**4.2**	**8.7**	**254.1**	**373.2**

*Customer platforms includes intangible assets relating to: customer platforms (€209.4 million); aftermarket customer relationships (€39.0 million}; trade names & trademarks (€5.1 million); non-compete arrangements (€0.6 million).

The above amortisation charges for "technology" and "customer platforms" amounting to €22.0 million arise from intangible assets recognised through purchase price accounting. Amortisation charges are included in cost of sales.

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

*Customer platforms includes intangible assets relating to: customer platforms (€243.1 million); aftermarket customer relationships (€43.0 million}; trade names & trademarks (€5.6 million); non-compete arrangements (€1.0 million).

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

8.4. 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.

The intangible assets recognised from acquisitions, as outlined above, include €369.7 million and €57.1 million in relation to customer platforms arising on the Bain and Millennium acquisitions respectively. These assets reflect the future revenue expected to arise from customer platforms existing at the date of acquisition, based on platform lives and probabilities of renewals. The carrying value at 30 June 2020 of these customer platforms is €177.3 million and €31.8 million respectively (year ended 31 December 2019: €206.7 million and €36.4 million) with a remaining useful life of 6.0 and 6.7 years respectively.

Goodwill and intangible assets are monitored by management at the operating division level and then the geographic sub-division level. The distribution across each cash generating units ("CGU") is as follows:

	Unaudited 30 June 2020 €m		31 December 2019 €m	
	Goodwill	**Intangibles**	Goodwill	Intangibles
FCS				
North America	**151.9**	**94.2**	223.9	102.5
Europe & Africa	**140.7**	**49.0**	218.4	53.9
Asia Pacific	**231.6**	**91.0**	237.1	100.6
Latin America	**—**	**—**	—	0.2
FTDS				
North America	**—**	**9.1**	—	41.5
Europe & Africa	**—**	**83.1**	34.8	95.5
Asia-Pacific	**24.3**	**46.8**	24.8	48.7
Latin America	**—**	**—**	—	0.3
	548.5	**373.2**	739.0	443.2

Goodwill is deemed to have an indefinite useful life. It is 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 Group ordinarily carries out its annual impairment test, a comparison of the carrying value of the non-financial assets of a CGU to their recoverable amount, as at 31 December. Where the recoverable amount is less than the carrying value, an impairment results.

During H1 2020, forecasts for global automotive production volumes in the near and medium term have been significantly negatively impacted when compared to equivalent forecasts that underpinned the Group's 2019 annual impairment assessment, where no impairment was recognised. The scale of this volume deterioration, which was beyond what was reasonably estimable in early 2020 has been the trigger for the Group to conduct a full impairment test as at 30 June 2020. This resulted in the following impairments being recorded as at 30 June 2020:

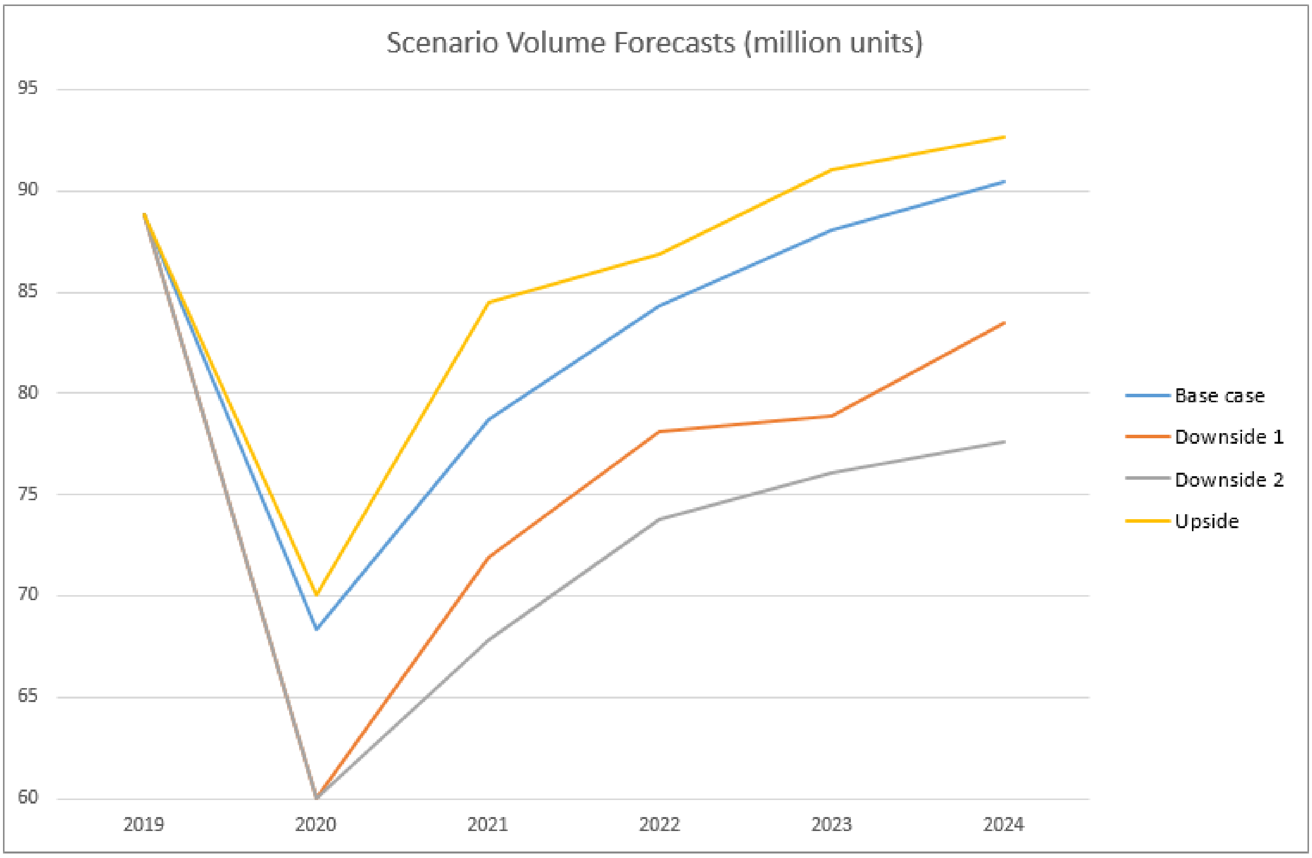
	Recoverable amount €m	**Impairment of goodwill €m**	**Impairment of other CGU assets €m**	**Total impairment €m**
FCS-NA	437.2	71.7	—	71.7
FCS-EU	421.5	77.7	—	77.7
FCS-LA	—	—	6.3	6.3
FTDS-NA	68.1	—	88.8	88.8
FTDS-EU	273.2	34.8	22.2	57.0
FTDS-LA	—	—	3.1	3.1
	1,200.0	**184.2**	**120.4**	**304.6**

The recoverable amount for the CGUs has been determined based on a value-in-use calculation. Due to the high level of uncertainty over future global automotive production volumes, management elected to use an "expected cash flow" approach described in IAS 36 to determine their estimate of future operating cash flows for each of the CGUs. To determine the expected cash flows, the Group established four volume scenarios which covered the period from 30 June 2020 to 30 June 2025, with relative probabilities then assigned to the operating cash flows arising from these scenarios. Weighted average operating cash flows across the scenarios are then calculated for inclusion in the discounted cash flow model.

To reflect the high level of uncertainty in future volume projections, the four scenarios demonstrate alternative profiles in terms of the likely future volumes and the rate of market volume recovery.

The base case scenario utilises the May 2020 IHS global light vehicles production forecast. This forecast exhibits a significant reduction in 2020 production units versus 2019, with a subsequent recovery profile that returns volumes to 2019 levels in 2024, a compound annual growth rate (CAGR) of 0.4%.

The three additional scenarios reflect two downside volume profiles relative to the base scenario and one upside volume profile. These scenarios were prepared by reflecting factors such as historical external forecasting accuracy, geographical distributions of volume and different potential rates of market volume recovery, as demonstrated in the graph below.



The table below outlines the respective probabilities assigned to each of these scenarios as well as the 2019 actual production volumes and 2020 forecast production volumes, with corresponding growths rates over this period.

Scenario	Assigned probability	2019 global light vehicle production (million units)	2020 global light vehicle production management forecast (million units)	2019-2024 CAGR
Base case	70 %	88.9	68.3	0.4 %
Downside 1	15 %	88.9	60.0	(1.2)%
Downside 2	10 %	88.9	60.0	(2.7)%
Upside	5 %	88.9	70.0	0.8 %

The probabilities have been selected by management with consideration to global economic forecasts, and the perceived likelihood of plausible outcomes.

Assumptions

The key assumptions used in the value in use calculations are:

- Forecast operating cash flows
- Long-term expected growth rates
- Discount rates

As outlined above, the forecast operating cash flows were established using the respective volume scenarios and the resultant forecast demand for our products given those volumes. Product mix, pricing assumptions, market outperformance and working capital management actions, which remain broadly consistent with those that underpinned the 2019 impairment review, were then applied to the forecast sales profiles.

Long-term expected growth rates and discount rates are determined using the services of third party valuation experts and utilise externally available sources of information, adjusted where relevant for industry specific factors. Long-term growth rates are based on long-term economic forecasts for growth in the automotive sector in the geographical regions in which the CGUs operate. Discount rates are calculated for each division using a weighted average cost of capital specific to the geographical regions from which the cash flows are derived.

The range of discount and growth rates used were as follows:

	2020		2019	
	FCS	**FTDS**	FCS	FTDS
Pre-tax discount rates				
North America	**15.25 %**	**16.25 %**	13.75 %	14.75 %
Europe & Africa	**16.00 %**	**17.00 %**	15.50 %	16.50 %
Asia Pacific	**16.00 %**	**16.50 %**	15.50 %	15.75 %
Latin America	**27.00 %**	**26.50 %**	26.25 %	27.00 %
Long-term growth rates				
North America	**2.00 %**	**3.00 %**	2.50 %	3.50 %
Europe & Africa	**2.75 %**	**2.50 %**	3.25 %	3.00 %
Asia-Pacific	**5.00 %**	**4.75 %**	5.50 %	5.25 %
Latin America	**4.50 %**	**3.50 %**	5.00 %	4.00 %

Sensitivity analysis

The H1 2020 impairment review necessitated that the recoverable amount attributable to the FCS-LA and FTDS-LA assets, within the scope of IAS 36, be fully impaired. Each scenario modelled resulted in operating cash outflows. The Latin American CGUs have therefore been excluded from the following sensitivity analysis, as management do not believe reasonably possible changes in input assumptions would alter this result.

Management consider the input assumptions to the impairment model to be critical estimates, as there is a significant risk of a material adjustment to the carrying value of CGU net assets resulting from changes in these assumptions.

Where the current period impairment test has resulted in an impairment, or where management believe a reasonably possible change in assumption would cause a future impairment, sensitivity testing has been performed.

The following table demonstrates the impact of changes in long-term expected growth rates and discount rates for CGUs deemed to be sensitive to such changes.

		Existing assumption		Impact of 100 BPS change	
	Recoverable amount €m	Discount rate	Long-term expected growth rate	Discount rate €m	Long-term expected growth rate €m
FCS-NA	437.2	15.3 %	2.0 %	32.7	20.1
FCS-EU	421.5	16.0 %	2.8 %	36.4	22.9
FTDS-NA	68.1	16.3 %	3.0 %	7.2	4.5
FTDS-EU	273.2	17.0 %	2.5 %	20.4	12.1

Potential variability in the amount and timing of operating cash flows has been incorporated in the calculation of forecast operating cash flows, using the expected cash flow approach and four scenarios outlined above.

Assuming 100% probability weightings to each of the four scenarios would result in the following impairments:

	As recorded	100% Base Case	100% Downside 1	100% Downside 2	100% Upside
FCS-NA	71.7	38.2	147.3	221.3	14.2
FCS-EU	77.7	33.1	208.0	237.7	0.0
FCS-LA	6.3	6.3	6.3	6.3	6.3
FTDS-NA	88.8	81.6	111.5	132.3	33.7
FTDS-EU	57.0	45.8	105.1	127.2	0.0
FTDS-LA	3.1	3.1	3.1	3.1	3.1
	304.6	**208.1**	**581.3**	**727.9**	**57.3**

No impairments have been recorded in FCS-AP and FTDS-AP due to more resilient production volume forecasts in the Asia Pacific region. Applying a 100% weighting to the Downside 2 scenario would still result in recoverable amounts that exceed CGU net assets.

In response to the COVID-19 pandemic, management have initiated a number of mitigating cost reduction schemes, including global restructuring programmes. Only savings from restructuring events that were appropriately authorised by management and communicated to the affected employees on or before 30 June 2020 have been reflected in forecast operating cash flows. Further restructuring activities will be undertaken in the second half of 2020, which it is anticipated will have a favourable impact on future cash flows not yet reflected in the current impairment modelling.

9. Borrowings

	Notes	Unaudited 30 June 2020 €m	31 December 2019 €m
Non-current:			
Secured loans:			
- Main borrowing facilities	9.2	**1,148.6**	1,148.4
- Other secured loans		**0.1**	0.1
Total non-current borrowings		**1,148.7**	1,148.5
Current:			
Secured loans:			
- Main borrowing facilities	9.2	**113.5**	2.3
- Other secured loans		**0.1**	0.1
Total current borrowings		**113.6**	2.4
Total borrowings		**1,262.3**	1,150.9
Main borrowing facilities	9.2	**1,262.1**	1,150.7
Other loans		**0.2**	0.2
Total borrowings		**1,262.3**	1,150.9

The main borrowing facilities are shown net of issuance discounts and fees of €13.5 million (2019: €16.9 million).

9.1. Movement in Total Borrowings

Unaudited	**Main borrowing facilities €m**	**Other loans €m**	**Total borrowings €m**
At 1 January 2020	**1,150.7**	**0.2**	**1,150.9**
Accrued interest	**23.6**	**—**	**23.6**
Scheduled payments	**(25.8)**	**—**	**(25.8)**
Fees expensed	**3.4**	**—**	**3.4**
New borrowings	**135.6**	**—**	**135.6**
Voluntary repayments of borrowings	**(22.7)**	**—**	**(22.7)**
Currency translation	**(2.7)**	**—**	**(2.7)**
At 30 June 2020	**1,262.1**	**0.2**	**1,262.3**

On 27 March 2020 the Group drew down US$125.0 million (€112.9 million) of its revolving credit facility ("RCF"). Drawings are available up to US$125.0 million under this facility, and bear interest in a range of US$ LIBOR +3.0% to US$ LIBOR + 3.5% p.a. depending on the Group's leverage ratios. The RCF whilst drawn was bearing interest of US$ LIBOR +3.25%. The facility was repaid in full on 29th July 2020.

On 27 March 2020 the Group also drew down US$25.0 million (€22.7 million) of its asset backed loan ("ABL"). The ABL was previously zero. The ABL is a facility of up to US$100.0 million depending upon the level of inventories and trade receivables in the Group's US and Canadian businesses. Drawings under the facility bear interest at US$ LIBOR +1.25% p.a, unless the drawings are $50.0 million or above, when the rate is US$ LIBOR +1.50% p.a. The ABL was repaid in full on 21 May 2020.

	Main borrowing facilities and unsecured notes €m	Other loans €m	Total borrowings €m
At 1 January 2019	1,181.4	0.3	1,181.7
Accrued interest	48.8	0.3	49.1
Scheduled payments	(53.2)	(0.4)	(53.6)
Fees expensed	7.7	—	7.7
Fees on new borrowings	(0.3)	—	(0.3)
Voluntary repayments of borrowings	(50.0)	—	(50.0)
Currency translation	16.3	—	16.3
At 31 December 2019	1,150.7	0.2	1,150.9

9.2. Main Borrowing Facilities

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

The amounts outstanding under the agreements are:

	Unaudited 30 June 2020 €m	31 December 2019 €m
Principal outstanding:		
US term loan	**742.2**	743.2
Euro term loan	**422.2**	424.4
Revolving credit facility	**111.2**	—
Main borrowing facilities	**1,275.6**	1,167.6
Issuance discounts and fees	**(13.5)**	(16.9)
Main borrowing facilities	**1,262.1**	1,150.7

9.3. Movements in Net Borrowings and Lease liabilities

			Non-cash changes				
Unaudited	**At 1 January 2020 €m**	**Cash flows €m**	**New leases €m**	**Fees expensed €m**	**Currency translation €m**	**Remeasurement and disposals €m**	**At 30 June 2020 €m**
Cash and cash equivalents	**411.7**	**141.3**	—	**—**	**(9.6)**	—	**543.4**

Financial assets at FVTPL	**0.9**	**—**	—	**—**	**—**	—	**0.9**
Borrowings	**(1,150.9)**	**(110.7)**	—	**(3.4)**	**2.7**	—	**(1,262.3)**
Total net borrowings	**(738.3)**	**30.6**	**—**	**(3.4)**	**(6.9)**	**—**	**(718.0)**
Lease liabilities	**(166.7)**	**12.8**	**(6.2)**	**—**	**2.2**	**(1.3)**	**(159.2)**
Net borrowings and Lease liabilities	**(905.0)**	**43.4**	**(6.2)**	**(3.4)**	**(4.7)**	**(1.3)**	**(877.2)**

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

Cash flows from financing activities arising from changes in financial liabilities are analysed below:

	Unaudited Half year 2020 €m	Unaudited Half year 2019 €m
Proceeds from new borrowings	**(135.6)**	—
Fees paid on proceeds from new borrowings	**—**	0.3
Voluntary repayments of borrowings	**22.7**	50.0
Scheduled repayments of borrowings	**2.2**	2.2
Lease principal repayments	**12.8**	12.8
Cash (inflows)/outflows from financing activities arising from changes in financial liabilities	**(97.9)**	65.3
Borrowings cash flows	**(110.7)**	52.5
Lease liabilities cash flows	**12.8**	12.8
Cash (inflows)/outflows from financing activities arising from changes in financial liabilities	**(97.9)**	65.3

10. Fair Values of Financial Assets and Liabilities

Financial Instruments by Category

As at 30 June 2020:

Unaudited **Financial assets**	**Assets at amortised cost** **€m**	**Assets at FVTPL** **€m**	**Total** **€m**
Cash and cash equivalents	**543.4**	**—**	**543.4**
Financial assets at FVTPL	**—**	**0.9**	**0.9**
Trade and other receivables excluding prepayments	**405.4**	**—**	**405.4**
Total at 30 June 2020	**948.8**	**0.9**	**949.7**

Unaudited **Financial liabilities**	**Liabilities at amortised cost** **€m**	**Liabilities at FVTPL** **€m**	**Total** **€m**
Trade and other payables excluding deferred income	**(395.4)**	**—**	**(395.4)**
Borrowings	**(1,262.3)**	**—**	**(1,262.3)**
Lease liabilities	**(159.2)**	**—**	**(159.2)**
Derivative financial instruments:- Forward foreign exchange contracts (cash flow hedges)	**—**	**(1.6)**	**(1.6)**
Total at 30 June 2020	**(1,816.9)**	**(1.6)**	**(1,818.5)**

As at 31 December 2019:

Financial assets	Assets at amortised cost €m	Assets in hedged relationships €m	Assets at FVTPL €m	Total €m
Cash and cash equivalents	411.7	—	—	411.7
Financial assets at FVTPL	—	—	0.9	0.9
Trade and other receivables excluding prepayments	528.4	—	—	528.4
Derivative financial instruments:				
- Forward foreign exchange contracts (cash flow hedges)	—	14.2	3.1	17.3
- Interest rate swaps (cash flow hedges)	—	1.1	—	1.1
Total at 31 December 2019	940.1	15.3	4.0	959.4

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	(507.3)	—	—	(507.3)
Borrowings	(1,150.9)	—	—	(1,150.9)
Lease liabilities	(166.7)	—	—	(166.7)
Derivative financial instruments:				
- Forward foreign exchange contracts (cash flow hedges)	—	(5.4)	(1.7)	(7.1)
- Forward foreign exchange contracts (net investment hedges)	—	(17.0)	—	(17.0)
- Interest rate floor	—	—	(1.3)	(1.3)
Total at 31 December 2019	(1,824.9)	(22.4)	(3.0)	(1,850.3)

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. 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.

11. Retirement Benefit Obligations

Balance Sheet

The net liability for defined benefit arrangements is as follows:

Unaudited **Net liability**	**US pensions** **€m**	**Other pensions** **€m**	**US healthcare** **€m**	**Other post-employment liabilities** **€m**	**Total** **€m**
Present value of retirement benefit obligations	**(233.6)**	**(108.9)**	**(35.0)**	**(92.5)**	**(470.0)**
Fair value of plan assets	**161.8**	**107.5**	**—**	**24.2**	**293.5**
Asset ceiling	**—**	**(1.2)**	**—**	**—**	**(1.2)**
Net liability at 30 June 2020	**(71.8)**	**(2.6)**	**(35.0)**	**(68.3)**	**(177.7)**

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

Income Statement

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

Unaudited **Net expense**	**US pensions** **€m**	**Other pensions €m** **€m**	**US healthcare** **€m**	**Other post-employment liabilities** **€m**	**Total** **€m**
Current service cost	**(0.1)**	**(0.6)**	**—**	**(3.7)**	**(4.4)**
Net interest expense	**(0.7)**	**—**	**(0.4)**	**(0.4)**	**(1.5)**
Total expense for the period ended 30 June 2020	**(0.8)**	**(0.6)**	**(0.4)**	**(4.1)**	**(5.9)**

Unaudited Net expense	US pensions €m	Other pensions €m	US healthcare €m	Other post-employment liabilities €m	Total €m
Current service cost	(0.1)	(0.4)	—	(3.3)	(3.8)
Net interest (expense)/income	(1.2)	0.1	(0.7)	(0.5)	(2.3)
Total income/(expense) for the period ended 30 June 2019	(1.3)	(0.3)	(0.7)	(3.8)	(6.1)

At 31 May 2020 the Group reviewed the discount rates relating to the most significant retirement benefit obligations and determined for US pension obligations the discount rate was 2.75% (3.20%, at 31 December 2019). As there was no material change in rates during June, these May rates were used at 30 June 2020.

Changes resulting from these US benchmark indexes in the first-half of 2020 coupled with weak overall pension asset performance in the same period increased the net US pension liability by €20.6 million resulting from the unprecedented global COVID-19 pandemic which disrupted markets.

The decrease/(increase) in the total retirement benefit obligations due to a +50bp/-50bp change in the discount rate is €31.0m/(€36.1m) for all plans combined.

12. Provisions

Movements in provisions are as follows:

Unaudited	**Product warranty €m**	**Restructuring €m**	**Other €m**	**Total €m**
At 1 January 2020	**13.9**	**5.1**	**5.3**	**24.3**
Provisions made during the period	**4.4**	**6.6**	**—**	**11.0**
Provisions used during the period	**(4.1)**	**(7.6)**	**(0.1)**	**(11.8)**
Provisions reversed during the period	**(1.7)**	**—**	**—**	**(1.7)**
Currency translation	**(0.1)**	**(0.1)**	**(0.2)**	**(0.4)**
At 30 June 2020	**12.4**	**4.0**	**5.0**	**21.4**

	Product warranty €m	Restructuring €m	Other €m	Total €m
At 1 January 2019	18.4	4.4	6.1	28.9
Provisions made during the year	14.3	9.0	—	23.3
Provisions used during the year	(17.3)	(8.5)	(0.4)	(26.2)
Provisions reversed during the year	(1.6)	—	(0.4)	(2.0)
Utilisation of discount	—	0.2	—	0.2
Currency translation	0.1	—	—	0.1
At 31 December 2019	13.9	5.1	5.3	24.3

The restructuring charge of €6.6 million in the period comprises €4.4 million in relation to the FCS division and €2.2 million in relation to FTDS (year ended 31 December 2019: €6.4 million and €2.6 million respectively).

13. Cash Generated from Operations

	Unaudited Half year 2020 €m	Unaudited Half year 2019 €m
(Loss)/ profit for the period	**(320.8)**	59.9
Income tax (credit)/expense before exceptional items	**(2.7)**	33.5
Exceptional income tax credit	**(29.2)**	—
(Loss)/profit before income tax	**(352.7)**	93.4
Adjustments for:		
Depreciation, amortisation and impairment charges	**110.6**	116.4
Exceptional impairment charges	**304.6**	—
Loss on disposal of PP&E and intangible assets	**0.2**	0.2
Share-based (credit)/expense	**(2.3)**	2.7
Net finance expense	**40.7**	30.1
Unremitted share of loss/profit from associates	**0.6**	0.4
Net foreign exchange gains	**(0.7)**	(0.9)
Changes in working capital:		
- Inventories	**(11.5)**	(38.1)
- Trade and other receivables	**181.9**	(17.0)
- Trade and other payables	**(127.7)**	(1.5)
Change in provisions	**(2.4)**	(1.5)
Change in retirement benefit obligations	**0.7**	(0.7)
Total	**142.0**	183.5

14. Commitments and Contingencies

Capital Commitments

Expenditure on non-current assets authorised and contracted for at the end of the period but not yet incurred is as below:

	Unaudited 30 June 2020 €m	31 December 2019 €m
Intangible assets	**10.7**	7.3
Property, plant and equipment	**48.3**	46.9
Total	**59.0**	54.2

15. Related Party Transactions

15.1. 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.

There have been no significant changes in the nature of transactions between subsidiaries that are not wholly owned, or associates, and other group companies that have materially affected the condensed group financial statements in the period.

15.2. Ultimate controlling party

The funds managed by Bain Capital have been the Company's ultimate controlling party since its incorporation.

Independent review report to TI Fluid Systems plc

Report on the half year condensed group financial statements

Our conclusion

We have reviewed TI Fluid Systems plc's half year condensed group financial statements (the "interim financial statements") in the interim report of TI Fluid Systems plc for the 6 month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 30 June 2020;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Statement of Cash Flows for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Birmingham
17 August 2020

Directors' Responsibility Statement

The Directors of the Company confirm that these half year condensed group financial statements have been prepared in accordance with the basis of preparation (Note 1.1) and that they include a fair review of the information required, namely:

- An indication of important events that have occurred during the first six months and their impact on the half year condensed group financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report for the year ended 31 December 2019.

By order of the Board

Bill Kozyra

President and CEO

17 August 2020

Ronald Hundzinski

Chief Financial Officer

17 August 2020