TI Fluid Systems plc - Full year results 2017

Released: 20 March 2018

TI Fluid Systems plc

Results for the 12 months ended 31 December 2017

TI Fluid Systems plc, a leading global manufacturer of highly engineered automotive fluid storage, carrying and delivery systems for light vehicles announces its 2017 results.

Group Highlights:

- Strong financial results in 2017 and in line with expectations
- Revenue growth of 5.4% year over year (at constant currency) or 330bps above global light vehicle production volume growth
  - 4.2% year over year on a reported basis
- Adjusted EBIT growth of €22 million or 5.9% to €384 million and Adjusted EBIT margin expansion to 11.0% (+ 20 bps year over year)
- Profit for the year grew by €71 million to €115 million
- Continued strong cash generation with Adjusted Free Cash Flow of €119 million
- Adjusted Basic EPS of 26.2 euro cents
- Final dividend proposal of 1.31 euro cents per share
- Successful listing on the London Stock Exchange in October 2017
- Net proceeds of IPO and positive free cash flow used to reduce the Group's leverage ratio to 1.8x 2017 Adjusted EBITDA

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

"We continued to deliver above market growth with solid revenue, profitability and cash flow generation.

As promised during the IPO, our dedicated team has continued to strengthen our global position by driving new technologies and products and enhancing our outstanding relationships with customers throughout the world. The Group remains well placed to capitalise on the automotive megatrends of reduced emissions and improved fuel economy, and we believe that the expected growth of hybrid electric vehicles ("HEV"), electric vehicles ("EV") and autonomous vehicles will be positive for the Group.

The Group's strategy of organic revenue growth, financial performance and focus on automotive megatrends remains at the core of the business. We look forward to executing our plan and delivering attractive returns as a public company."

- Light vehicles means passenger cars, crossover vehicles, SUVs, vans and light trucks with a gross vehicle weight of six US tonnes or less
- A reconciliation to non-IFRS measures is provided in table 4

Results presentation

TI Fluid Systems plc is holding a presentation to analysts and investors at 0900 today at the offices of Goldman Sachs International, Peterborough Court, 133 Fleet Street, London EC4A 2BB. Analysts wishing to attend should contact FTI Consulting to register.

Analysts unable to attend in person may listen to the presentation live by using the details below. Questions will only be taken at the event.

Conference Call Dial-In Details:

UK: +44 (0) 330 336 9411

Conference Code: 5736626

The presentation will be placed on TI Automotive's website at 0700 today.

The audio recording will be available on www.tiautomotive.com later today.

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Chief Executive Officer's review:

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

2017 Performance

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

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

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

Strategy Update

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

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

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

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

Maintain balanced customer, platform, regional and product diversification

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

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

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

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

Continued focus on automotive megatrends

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

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

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

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

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

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

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

Deliver strong growth, profitability and cash flow generation

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

Looking ahead

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

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

Chief Financial Officer's Report:

Table 1: Key performance measures €m	2017	2016	Change	% Change
Revenue	3,490.9	3,348.6	142.3	4.2%
Adjusted EBIT	383.5	362.1	21.4	5.9%
Adjusted EBIT margin	11.0%	10.8%	0.2%	
Adjusted EBITDA	490.7	464.7	26.0	5.6%
Adjusted EBITDA margin	14.1%	13.9%	0.2%	
Profit for the Year	115.2	43.9	71.3	162.4%

Automotive Markets

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

Table 2 sets out global and regional light vehicle production volumes for the year as well as the change from 2016. Overall global production of light vehicles increased 2.1% in 2017 to 95.1 million vehicles.

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

Table 2: Global light vehicle production volumes: millions of units	2017	% Change
Europe, including Middle East and Africa	24.8	4.0 %
Asia Pacific	49.9	2.6 %
North America	17.1	(4.3)%
Latin America	3.3	20.1 %
Total Global Volumes	**95.1**	**2.1 %**

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

Revenue

Our revenue in each of the regions is included in table 3

Table 3: Revenue by region € m	2017	2016	Change	% Change
Europe and Africa	1,389.7	1,365.8	23.9	1.7 %
Asia Pacific	1,024.6	959.6	65.0	6.8 %
North America	995.3	952.7	42.6	4.5 %
Latin America	81.3	70.5	10.8	15.3 %
Total Group Revenue	**3,490.9**	**3,348.6**	**142.3**	**4.2 %**

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

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

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

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

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

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

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

We use both Adjusted EBITDA and Adjusted EBIT, which are non-IFRS measures, as a measure of profitability and as a metric in certain of our compensation plans. Table 4 shows a reconciliation between profit for the year and Adjusted EBITDA and Adjusted EBIT.

Table 4: Calculation of Adjusted EBITDA* and Adjusted EBIT* €m	**2017**	**2016**
Profit for the year	**115.2**	43.9
Add back:		
Income tax expense - after exceptional items	**42.8**	88.9
Net finance expense - after exceptional items	**115.3**	105.1
Depreciation, amortisation and impairment of PP&E and intangible assets	**194.9**	194.9
Exceptional items - administrative expenses	**40.2**	23.2
Net foreign exchange (gains)/losses	**(24.6)**	2.0
Other reconciling items **	**6.9**	6.7
Adjusted EBITDA	**490.7**	464.7
Less:		
Depreciation, amortisation and impairment of PP&E and intangible assets	**(194.9)**	(194.9)
Add back:		
Depreciation and amortisation uplift arising on purchase accounting	**87.7**	92.3
Adjusted EBIT	**383.5**	362.1

*See Non-IFRS measures

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

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

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

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

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

IPO Costs

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

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

Exceptional Items

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

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

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

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

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

Net Foreign Exchange Gains and Losses

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

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

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

Net Finance Expense

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

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

Taxation

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

Pro forma Adjusted Basic EPS*

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

The calculation of Adjusted Net Income is shown below:

Table 5: Adjusted Net Income* €m	**2017**	**2016**
Adjusted EBITDA	490.7	464.7
less:		
Net finance expense before exceptional items	(88.9)	(105.1)
Income tax expense before exceptional items	(68.2)	(88.9)
Depreciation and impairment of PP&E	(98.8)	(102.0)
Amortisation and impairment of intangible assets	(96.1)	(92.9)
Non-controlling interests share of profit	(2.7)	(1.7)
Adjusted Net Income	**136.0**	**74.1**

*See Non-IFRS measures

Dividend

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

Adjusted Free Cash Flow*

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

Table 6a: Adjusted Free Cash Flow* €m	**2017**	**2016**
Net cash generated from operating activities	237.4	204.0
Net cash used by investing activities	(140.9)	(258.4)
Free Cash Flow	**96.5**	**(54.4)**
Add back: Payment for acquisition	—	125.0
Add back: IPO costs (included in net cash generated from operations)	22.1	11.9
Adjusted Free Cash Flow	**118.6**	**82.5**

Table 6b: Reconciliation of Adjusted EBITDA to Adjusted Free Cash Flow €m	**2017**	**2016**
Adjusted EBITDA	490.7	464.7
Less:		
Net Cash interest paid	(87.7)	(96.0)
Cash tax paid	(88.9)	(84.2)
Payment for property, plant and equipment	(118.8)	(109.5)
Payment for intangible assets	(25.1)	(26.5)
Movement in working capital	(26.2)	(45.5)
Movement in provisions and other	(47.5)	(32.4)
Payment for acquisition of subsidiary	—	(125.0)
Free Cash Flow	**96.5**	**(54.4)**
Add back:		
Payment for acquisition of subsidiary	—	125.0
IPO cash costs in Net Cash from Operations	22.1	11.9
Adjusted Free Cash Flow	**118.6**	**82.5**

*See Non-IFRS measures

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

Retirement Benefits

We operate funded and unfunded defined benefit schemes across multiple jurisdictions with the largest being the US pension and retiree healthcare schemes. We also have significant schemes in the UK, Canada and Germany. While all of our significant plans are closed to new entrants, certain of them do allow for future accruals. Our schemes are subject to periodic actuarial valuations. Our net unfunded position decreased €30.6 million from 2016 to €162.4 million at the end of 2017.

Net Debt and Net Leverage

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

Liquidity

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

Outlook

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

Non-IFRS Measures

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

Adjusted EBITDA is defined as profit for the year adjusted for income tax expense, net finance expense, depreciation, amortisation and impairment of PP&E and intangible assets, net foreign exchange gains/ losses and other reconciling items. Other reconciling items include adjustments for restructuring charges, the Bain management fees and adjustment for associate income.

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

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

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

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

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

Adjusted Income Tax before Exceptional Items is Income Tax before Exceptional Items including adjustments in respect of prior years.

Adjusted Profit before Income Tax is Profit before Income Tax adjusted for UK losses.

Consolidated Income Statement

		2017	2016
Continuing operations	Notes	**€m**	€m
Revenue	3	**3,490.9**	3,348.6
Cost of sales		**(2,928.5)**	(2,801.1)
Gross profit		**562.4**	547.5
Distribution costs		**(103.7)**	(103.6)
Administrative expenses before exceptional items		**(177.8)**	(188.6)
Exceptional items	5	**(40.2)**	(23.2)
Administrative expenses after exceptional items		**(218.0)**	**(211.8)**
Other income		**7.7**	**6.5**
Net foreign exchange gains / (losses)		**24.6**	(2.0)
Operating profit		**273.0**	236.6
Finance income	6	**11.2**	10.1
Finance expense before exceptional items	6	**(100.1)**	(115.2)
Exceptional items	5	**(26.4)**	—
Finance expense after exceptional items	6	**(126.5)**	(115.2)
Net finance expense after exceptional items	6	**(115.3)**	(105.1)
Share of profit of associates		**0.3**	1.3
Profit before income tax		**158.0**	132.8
Income tax expense before exceptional items	7	**(68.2)**	(88.9)
Exceptional items	5	**25.4**	—
Income tax expense after exceptional items	7	**(42.8)**	(88.9)
Profit for the year		**115.2**	43.9
Profit for the year attributable to:			
Owners of the Parent Company		**112.5**	42.2
Non-controlling interests		**2.7**	1.7
		115.2	43.9
Total earnings per share (euro cents)			
Basic		**29.55**	12.05
Diluted		**29.52**	11.52

Consolidated Statement of Comprehensive Income

	Notes	2017 €m	2016 €m
Profit for the year		**115.2**	43.9
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
- Remeasurements of retirement benefit obligations		**7.3**	(0.6)
- Income tax expense on retirement benefit obligations before exceptional items	7	**0.1**	(2.0)
- *Exceptional items*	7	**(15.0)**	—
- Income tax expense on retirement benefit obligations after exceptional items		**(14.9)**	(2.0)
		(7.6)	(2.6)
Items that may be subsequently reclassified to profit or loss			
- Currency translation		**(75.2)**	(11.3)
- Cash flow hedges		**12.1**	(11.3)
- Net investment hedge		**(3.2)**	(0.1)
		(66.3)	(22.7)
Other comprehensive loss for the year, net of tax		**(73.9)**	(25.3)
Total comprehensive income for the year		**41.3**	18.6
Attributable to:			
- Owners of the Parent Company		**38.9**	16.9
- Non-controlling interests		**2.4**	1.7
Total comprehensive income for the year		**41.3**	18.6

Consolidated Balance Sheet

	Notes	2017 €m	2016 €m
Non-current assets			
Intangible assets		**1,273.9**	1,412.8
Property, plant and equipment		**686.8**	699.7
Investments in associates		**19.2**	19.4
Derivative financial instruments		**8.3**	28.4
Deferred income tax assets	7	**51.0**	69.9
Trade and other receivables		**13.4**	12.9
		2,052.6	2,243.1
Current assets			
Inventories		**329.3**	298.5
Trade and other receivables		**588.3**	613.1
Current income tax assets		**8.2**	9.6
Derivative financial instruments		**5.3**	6.1
Financial assets at fair value through profit & loss		**2.9**	2.9
Cash and cash equivalents		**287.2**	196.2
		1,221.2	1,126.4
Total assets		**3,273.8**	3,369.5
Equity			
Share capital		**6.8**	493.7
Share premium		**404.3**	—
Other reserves		**(130.5)**	(64.5)
Accumulated profits		**640.9**	36.2
Equity attributable to owners of the Parent Company		**921.5**	465.4
Non-controlling interests		**20.3**	19.0
Total equity		**941.8**	484.4
Non-current liabilities			
Trade and other payables		**17.6**	12.1
Borrowings	9	**1,178.2**	1,695.8
Derivative financial instruments		**72.4**	19.2
Deferred income tax liabilities	7	**159.8**	221.5
Retirement benefit obligations		**162.4**	193.0
Provisions		**5.5**	7.2
		1,595.9	2,148.8
Current liabilities			
Trade and other payables		**637.6**	635.2
Current income tax liabilities		**69.6**	71.3
Borrowings	9	**3.0**	2.9
Derivative financial instruments		**3.4**	4.6
Provisions		**22.5**	22.3
		736.1	736.3
Total liabilities		**2,332.0**	2,885.1
Total equity and liabilities		**3,273.8**	3,369.5

Consolidated Statement of Changes in Equity

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

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

Consolidated Statement of Cash Flows

	Notes	**2017 €m**	2016 €m
Cash flows from operating activities			
Cash generated from operations	10	415.9	386.0
Interest paid		(89.6)	(97.8)
Income tax paid		(88.9)	(84.2)
Net cash generated from operating activities		237.4	204.0
Cash flows from investing activities			
Payment for acquisition of subsidiary net of cash received		—	(125.0)
Payment for property, plant & equipment		(118.8)	(109.5)
Payment for intangible assets		(25.1)	(26.5)
Proceeds from the sale of property, plant & equipment		1.1	0.8
Interest received		1.9	1.8
Net cash used by investing activities		(140.9)	(258.4)
Cash flows from financing activities			
Proceeds from issue of new share capital		424.6	—
Share capital issuance costs		(19.7)	—
Fees paid on repricing of loans		(1.6)	—
Voluntary repayments of borrowings		(363.6)	—
Scheduled repayments of borrowings		(11.1)	(13.6)
Fees paid on voluntary repayments of borrowings		(17.7)	—
Dividends paid to non-controlling interests		(1.1)	(2.9)
Net cash generated from/(used by) financing activities		9.8	(16.5)
Increase/(decrease) in cash and cash equivalents		106.3	(70.9)
Cash and cash equivalents at the beginning of the year		196.2	268.4
Currency translation on cash and cash equivalents		(15.3)	(1.3)
Cash and cash equivalents at the end of the year		287.2	196.2

Notes

1. General Information

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

The consolidated financial information herein does not constitute statutory accounts within the meaning of s43 of the Companies Act 2006 for the years ended 31 December 2017 and 2016.

The Group's full financial statements will be approved by the Board of Directors and reported on by the auditors in March 2018. Accordingly, the financial information for 2017 is presented unaudited in the preliminary announcement. The financial information for the year ended 31 December 2016 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2016 have been delivered to the Registrar of Companies, and those for the year ended 31 December 2017 will be delivered in due course. The independent auditors' report on the full financial statements for the year ended 31 December 2016 was unqualified and did not contain an emphasis of matter paragraph or any statement under section 498 of the Companies Act 2006.

2. Basis of Preparation

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

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

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

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

3. Segment Reporting

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

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

Revenue, Adjusted EBITDA and Adjusted EBIT by Segment:

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

4. Research and development expenditure

Research and development expenditure before third party income, comprised:

	2017 €m	2016 €m
Research and development expenses	**43.0**	46.9
Capitalised development expenses	**33.6**	26.1
Total research and development expenditure	**76.6**	73.0

5. Exceptional Items

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

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

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

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

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

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

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

6. Finance Income and Expense

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

Fees included in interest payable under the effective interest method	2017 €m	2016 €m
Fees included in interest payable on term loans	**(7.5)**	(7.5)
Fees included in interest payable on unsecured senior notes	**(1.4)**	(1.6)

Fees expensed in exceptional net finance expense	2017 €m	2016 €m
Fees expensed in respect of term loans	**(4.2)**	—
Fees expensed in respect of unsecured senior notes	**(4.5)**	—

7. Income Tax

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

Previously de-recognised deferred tax assets in the year	2017 €m	2016 €m
Income statement	**4.7**	0.5
Statement of Comprehensive income	**2.0**	(0.5)
Previously de-recognised deferred tax assets in the year	**6.7**	—

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

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

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

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

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

Deferred Tax Assets and Liabilities

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

Movement on Net Deferred Tax Liabilities

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

8. Earnings Per Share

Pro forma Adjusted Basic earnings per share

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

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

€ (in cents)	**2017 (pro forma)**	2016 (pro forma)
Pro forma Adjusted Basic earnings per share	**26.18**	14.27

Earnings used in pro forma Adjusted Basic earnings per share

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

Pro forma adjusted basic weighted average number of ordinary shares

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

9. Borrowings

	2017 €m	2016 €m
Non-current:		
Secured loans:		
Main borrowing facilities	**996.3**	1,275.6
Other loans	**0.2**	0.4
Unsecured senior notes	**179.7**	416.3
Finance leases	**2.0**	3.5
Total non-current borrowings	**1,178.2**	1,695.8
Current:		
Secured loans:		
Main borrowing facilities	**1.5**	2.2
Other loans	**0.1**	0.2
Finance leases	**1.4**	0.5
Total current borrowings	**3.0**	2.9
Total borrowings	**1,181.2**	1,698.7
Main borrowing facilities and unsecured senior notes	**1,177.5**	1,694.1
Finance leases and other loans	**3.7**	4.6
Total borrowings	**1,181.2**	1,698.7

The main borrowing facilities and unsecured senior notes above are shown net of issuance discounts and fees of €31.3 million (2016: €51.9 million).

Movement in Total Borrowings

	Term loan €m	**Unsecured senior notes €m**	**Main borrowing facilities and unsecured senior notes €m**	**Finance leases, secured overdrafts and other loans €m**	**Total borrowings €m**
At 1 January 2017	**1,277.8**	**416.3**	**1,694.1**	**4.6**	**1,698.7**
Accrued interest	**49.4**	**31.9**	**81.3**	**0.8**	**82.1**
Scheduled payments	**(59.6)**	**(31.9)**	**(91.5)**	**(1.7)**	**(93.2)**
Fees expensed	**7.5**	**1.4**	**8.9**	—	**8.9**
Fees on repricing of loans	**(1.6)**	—	**(1.6)**	—	**(1.6)**
Voluntary repayments of borrowings	**(166.5)**	**(197.1)**	**(363.6)**	—	**(363.6)**
Fees expensed on voluntary repayments of borrowings	**4.2**	**4.5**	**8.7**	—	**8.7**
Currency translation	**(113.4)**	**(45.4)**	**(158.8)**	—	**(158.8)**
At 31 December 2017	**997.8**	**179.7**	**1,177.5**	**3.7**	**1,181.2**

	Term loan €m	Unsecured senior notes €m	Main borrowing facilities and unsecured senior notes €m	Finance leases, secured overdrafts and other loans €m	Total borrowings €m
At 1 January 2016	1,254.1	402.2	1,656.3	5.3	1,661.6
Accrued interest	61.8	35.6	97.4	0.7	98.1
Scheduled payments	(74.7)	(35.6)	(110.3)	(1.4)	(111.7)
Fees expensed	7.5	1.6	9.1	—	9.1
Currency translation	29.1	12.5	41.6	—	41.6
At 31 December 2016	1,277.8	416.3	1,694.1	4.6	1,698.7

Currency denomination of borrowings

	2017 €m	2016 €m
US dollar	**868.0**	1,382.9
Euro	**313.2**	315.8
Total borrowings	**1,181.2**	1,698.7

Maturity of borrowings

	2017 €m	2016 €m
Less than one year	**3.0**	2.9
Between one and five years	**998.5**	13.4
After five years	**179.7**	1,682.4
Total borrowings	**1,181.2**	1,698.7

2015 agreements

The 2015 agreements comprise a package of secured loans (consisting of a term loan, an asset backed loan, and a revolving credit facility) and unsecured senior notes.

The amounts outstanding under the agreements are:

	2017 €m	2016 €m
Principal outstanding:		
US term loan	**707.5**	998.0
Euro term loan	**317.7**	320.9
Main borrowing facilities (term loan)	**1,025.2**	1,318.9
Unsecured senior notes	**183.6**	427.1
Total principal outstanding	**1,208.8**	1,746.0
Issuance discounts and fees	**(31.3)**	(51.9)
Main borrowing facilities and unsecured senior notes	**1,177.5**	1,694.1

The term loan initially comprised tranches of $1,065.0 million and €325.0 million. On 31 October 2017, the Group voluntarily repaid $194.0 million (€166.5 million) of its US term loan. No penalties were incurred as a result of the early payment. The principal outstanding of the US term loan in US dollars at 31 December 2017 is $849.7 million (2016: $1,051.7 million).

The US dollar tranche bore interest at US$ LIBOR (minimum 1.0% p.a.) +3.5% p.a., and the Euro tranche bore interest at Euro LIBOR (minimum 1.0% p.a.) +3.5% p.a until 27 January 2017. On 27 January 2017, the Group concluded a repricing of its term loans. As a result of the repricing, the interest payable on the US dollar term loan was reduced to US$ LIBOR (minimum 0.75% p.a.) +2.75% p.a., and the interest payable on the Euro term loan was reduced to EURIBOR (minimum 0.75% p.a.) +3.0% p.a.

The US dollar tranche was repayable in amounts of $2.7 million per quarter until 31 October 2017. On 31 October 2017, the Group made a voluntary repayment of this loan of $194.0 million as a result of which no further capital payments are due on the US dollar tranche until the balance falls due on 30 June 2022. The Euro tranche is repayable in amounts of €0.8 million per quarter, with the balance also falling due on 30 June 2022.

On 23 January 2018, the Group met certain additional borrowings criteria which enabled it to further reduce the interest rate payable on the US term loan by 0.25% p.a. to US$ LIBOR (minimum 0.75% p.a.) +2.5% p.a, and the Euro term loan by 0.25% p.a. to EURIBOR (minimum 0.75% p.a.) +2.75% p.a., both effective from 30 December 2017.

The initial principal amount of the unsecured senior notes was $450.0 million. On 10 October 2017, the Company announced a tender offer to redeem up to 51% of the Group's unsecured senior notes. The tender offer was accepted by the noteholders and the Company redeemed $229.5 million (€197.1 million) of these notes on 31 October 2017. As part of the offer, an early redemption premium in accordance with the terms of the senior notes, was made to the noteholders of $20.6 million (€17.7 million) in exchange for the offer. The aggregate principal amount of the unsecured senior notes at 31 December 2017 is $220.5 million (2016: $450.0 million). The notes carry an 8.75% coupon payable bi-annually (on a 360-day year basis) commencing on 15 January 2016, and are redeemable in full on 15 July 2023.

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

Initial issuance discounts and fees of €63.3 million arising from the 2015 agreements were capitalised in 2015. Following the repricing of the term loans on 27 January 2017 (accounted for as a modification to existing agreements), new fees capitalised in the year ended 31 December 2017 were €1.6 million; bringing the total fees capitalised under the 2015 agreements to €64.9 million. All capitalised fees are expensed using the effective interest rate method over the remaining terms of the facilities. As a result of the voluntary repayments of the US term loan and unsecured senior notes in October 2017, an additional acceleration of unamortised issuance fees was expensed in the income statement in the year of €8.7 million.

The asset-backed loan ("**ABL**") provides up to $100.0 million depending upon the level of inventories and trade receivables in the Group's US and Canadian businesses. The facility is also available to be used to issue letters of credit on behalf of TIGAS LLC. Drawings under the facility bear interest at US$ LIBOR +1.75% p.a. unless the drawings are below $50.0 million when the rate is US$ LIBOR +1.5% p.a. The revolving credit agreement provides a facility of up to $125.0 million. Drawings under this facility bear interest in a range of US$ LIBOR +3.0% to US$ LIBOR + 3.5% p.a. depending on the group's leverage ratios. Both facilities are due to expire on 30 June 2020.

The net undrawn facilities under the agreements are shown below:

	2017		2016	
	$m	**€m**	$m	€m
Asset backed loan:				
Availability	**86.5**	**72.0**	85.3	81.0
Utilisation for letters of credit	**(3.1)**	**(2.6)**	(2.9)	(2.8)
Net undrawn asset backed loan facility	**83.4**	**69.4**	82.4	78.2
Revolving credit agreement	**125.0**	**104.1**	125.0	118.6
Main borrowings: net undrawn facilities	**208.4**	**173.5**	207.4	196.8

Other Secured Loans

Subsidiaries in Italy and Spain have granted security over certain of their assets in return for credit facilities from their banks. The loans have total amortisation repayments of €0.2 million per annum payable quarterly (2016: €0.2 million).

Total Undrawn borrowing facilities

	2017 €m	2016 €m
Floating rate:		
Expiring within one year	**5.8**	10.3
Expiring after more than one year	**173.5**	196.8
	179.3	207.1
Fixed rate:		
Expiring within one year	**3.9**	—
	3.9	—
Total at the end of the year	**183.2**	207.1

Movements in Net Borrowings

€m	**At 1 January 2017**	**Cash flows**	**Non-cash changes**		**At 31 December 2017**
			Fees expensed	**Currency translation**	
Cash and cash equivalents	**196.2**	**106.3**	**—**	**(15.3)**	**287.2**
Financial assets at FVTPL	**2.9**	**—**	**—**	**—**	**2.9**
Borrowings	**(1,698.7)**	**376.3**	**(17.6)**	**158.8**	**(1,181.2)**
Total net borrowings	**(1,499.6)**	**482.6**	**(17.6)**	**143.5**	**(891.1)**

Borrowings cash flows in the year of €376.3 million comprise voluntary repayments of borrowings of €363.6 million, repayments of borrowings of €11.1 million and fees paid on repricing of loans of €1.6 million.

	At 1 January 2016 €m	Cash flows €m	Non-cash changes		At 31 December 2016 €m
			Fees expensed €m	Currency translation €m	
Cash and cash equivalents	268.4	(70.9)	—	(1.3)	196.2
Financial assets at FVTPL	2.8	0.1	—	—	2.9
Borrowings	(1,661.6)	13.6	(9.1)	(41.6)	(1,698.7)
Total net borrowings	(1,390.4)	(57.2)	(9.1)	(42.9)	(1,499.6)

10. Cash Generated from Operations

	2017 €m	2016 €m
Profit for the year	**115.2**	43.9
Income tax expense before exceptional items	**68.2**	88.9
Exceptional income tax benefit	**(25.4)**	—
Profit before income tax	**158.0**	132.8
Adjustments for:		
Depreciation, amortisation and impairment charges	**194.9**	194.9
(Gain)/Loss on disposal of PP&E and intangible assets	**(0.2)**	0.3
Share option cost	**11.3**	7.4
Shares issued to directors and certain employees	**1.0**	—
Net finance expense	**115.3**	105.1
Unremitted share of profit from associates	**0.1**	(1.1)
Net foreign exchange (gains)/losses	**(24.6)**	2.0
Inventory uplift unwind	**—**	0.4
Changes in working capital:		
- Inventories	**(51.4)**	(17.1)
- Trade and other receivables	**(20.2)**	(81.9)
- Trade and other payables	**45.3**	53.5
Change in provisions	**(0.2)**	(5.9)
Change in retirement benefit obligations	**(13.4)**	(4.4)
Total	**415.9**	386.0

11. Events After the Balance Sheet Date

On 16 January 2018, the Company undertook a court-approved capital reduction, which had the effect of cancelling the share premium account of €404.3 million and increasing the balance on accumulated profits by the same amount.