TI Fluid Systems plc - Full year results 2022
Released: 16 March 2023

TI Fluid Systems plc
Results for the year ended 31 December 2022

Strong EV bookings confirm strategic pivot to electrification

TI Fluid Systems plc (TIFS), a leading global manufacturer of automotive fluid storage, carrying, delivery, and thermal management products and systems for light vehicles, announces its results for the year ended 31 December 2022.

€ millions

Adjusted Measures*	**2022**	2021	Change	Constant Currency Change
Revenue	**3,268.3**	2,956.6	10.5 %	5.2 %
Adjusted EBIT	**180.0**	212.6		
Adjusted EBIT Margin %	**5.5 %**	7.2 %		
Adjusted Net Income	**43.5**	58.3		
Adjusted Basic Earnings per Share	**8.48**	11.23		
Adjusted Free Cash Flow	**78.4**	117.3		

Statutory Measures	**2022**	2021	Change
Revenue	**3,268.3**	2,956.6	10.5 %
Operating (Loss) / Profit	**(217.0)**	126.8	
(Loss) / Profit for the Year	**(279.0)**	16.0	
Basic Earnings per Share (€ cents)	**(54.39)**	2.76	
Dividend (€ cents)	**2.54**	3.39	

*Adjusted measures are non - IFRS metrics and reconciled in Note 4 and defined in the glossary in Note 14

Group Highlights:

- New business bookings on a lifetime revenue basis of €1.3 billion for BEV platforms and €1.3 billion for HEV platforms, strengthening our conviction in our strategic pivot to electrification; 35% or €0.44 billion of BEV bookings were in China
- Revenue of €3,268.3 million, up 10.5% at actual exchange rates and 5.2% at constant currency
- Adjusted EBIT of €180.0 million
- Adjusted Free Cash Flow generation of €78.4 million

- Strong balance sheet and liquidity; cash position of €491.0 million at 31 December 2022; term loans mature in 2026 and unsecured senior notes in 2029
- Statutory Operating Loss of €217.0 million includes a €317.4 million non-cash exceptional impairment charge
- Net cash generated from operating activities of €167.5 million

Proposed FY2022 final dividend of 1.54 euro cents per share, which when combined with the interim dividend of 1.00 euro per share, represents a full year pay-out in line with our 30% of Adjusted Net Income dividend policy.

Accelerating execution of the T^3 - Take the Turn strategy:

- Technology investment accelerated and bringing benefits with the launch of the e-Mobility Innovation Centre concept which is being rolled out across our key markets, and strong growth in new business awards on EV platforms;
- Transforming our business to embrace environmental, social and governance (ESG) best practices as shown by progress on our sustainability journey. Further commitments to CO_2(e) reductions based on science-based targets of 50% reduction of Scope 1 and 2 emissions and a 30% reduction in Scope 3 emissions by 2030 based on absolute 2021 emission levels; improvements in diversity; and
- Talent development has been accelerated by the adoption of the six mindsets for success across the Group to ensure the organisation is ready to embrace the knowledge and behaviour transition required to grow the business profitably and sustainably

Hans Dieltjens, Chief Executive Officer and President, commented:

"2022 was our centennial year during which continued to lay the foundations for securing the Group's future with 37% of our booking awards on BEV vehicles, in addition to year-on-year revenue growth. The execution of our Take the Turn strategy is gaining momentum with the establishment of the first of five e-Mobility Innovation Centres in Germany, but even more so by our customers' enthusiasm for our enhanced product offerings. These form strong indicators of how the Group is building a leadership position in the automotive industry pivot to electrification over the medium term. Notwithstanding our good progress in the BEV business, the Group remains strong in its hybrid and internal combustion business, both from a bookings and revenue perspective.

"In 2022 our businesses in North America, Europe and Asia Pacific excluding China, showed revenue outperformance at constant currency compared to GLVP growth. The underperformance in China was a reflection of strong growth in domestic OEM production, where our representation is lower, but growing, and low growth from Global OEMs in China where our presence is stronger, ahead of important launches in 2023. The adverse mix and phasing effect was exacerbated by the Chinese authorities unexpected and abrupt change in COVID-19 policy towards the end of the year. However, the Group expects the situation in China to stabilise and return to outperformance during 2023, supported by several new EV launches with both Chinese and Global OEMs. Global production volumes continued to recover from the pandemic years of 2020 and 2021, a

positive trend as supply constraints eased. The Group's overall financial performance was adversely affected by continued operational volatility and most significantly by inflationary cost increases despite recoveries from customers at levels in line with our industry.

"The team maintained focus through another difficult year and successfully balanced recoveries from customers with winning new business on electrified platforms. Our balance sheet, liquidity and cash position remain robust, and provides scope for accelerating development of the Group.

"In addition to our purpose to help make vehicles cleaner and greener to protect the environment and make our world a better place to live, we are committed to doing so sustainably. The Board has recently approved targets to reduce Scope 1, 2 and 3 emissions in line with the science-based target initiative (SBTi) by 2030, enhancing our previous commitment on Scope 1 and 2 emissions, from 37% reduction by 2039 on a 2019 base to a 50% reduction of scope 1 and 2 emissions and introducing a 30% reduction of scope 3 emissions both by 2030 on an absolute basis from a 2021 base.

"As production continues to recover to pre-pandemic levels, the Group is well positioned in the medium term to drive growth, build profitability back to historic levels, and increase market share in the expanding thermal management market. The Group remains confident in the execution of our strategy to implement technology improvements, ensure the transition to a sustainable business model, and to invest in our talent to create value for our shareholders."

Outlook

The current S&P Global Mobility estimate for GLVP in 2023 is 85.1 million units although the Group remains slightly more cautious anticipating circa 83.0 million units due to the potential for demand moderation combined with ongoing supply constraints. The Group expects the first quarter of 2023 to be impacted by the disrupted situation in China, but expect this to resolve for a stronger second half of the year. Mindful of the geopolitical uncertainty, and the ongoing but improving global supply constraints, the Group expects revenue growth at constant currency to return to outperformance compared to GLVP volume growth this year. With a strong focus on cost management, cost recoveries, and a more stable production environment, the Group expects Adjusted EBIT margin to expand above 6% this year. Adjusted Free Cash Flow is expected to return to approximately 30% of Adjusted EBITDA. Looking to the medium term, the Group is well placed to use its good position in the automotive industry transition to electric vehicles and expects strong new business bookings driving future revenue growth and outperformance, in addition to returning to historic profit margins.

Results presentation

TI Fluid Systems plc will host a teleconference for analysts and investors at 8.00 am UK time on 16 March 2023. Analysts wishing to join may listen to the presentation live by using the details below.

Conference Call Dial-In Details:

United Kingdom	0800 640 6441
United Kingdom (Local)	020 3936 2999
United States	1 855 9796 654
United States (Local)	1 646 664 1960
All other locations	+44 20 3936 2999
Access code:	191254

You can pre-register using this link to receive a unique PIN to dial directly into the call.

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

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Chief Executive Officer's review

I am pleased and proud to give my first full year report as the CEO of TI Fluid Systems. It is especially meaningful given that 2022 was our Company's historic centennial year. I remain grateful for the opportunity to lead this great Company at such a pivotal time.

First and foremost, in 2022, the Group has enhanced, strengthened, and continued to progress our Take the Turn strategy that charts our path into vehicle electrification. In 2022, electric vehicles (EVs) were 19% of total light vehicle production. By 2030, EVs are expected to represent 62% of light vehicle production, a CAGR of 18.1% for EVs compared to an overall production CAGR of 2.1%. Of course, this tremendous EV growth means declining production of traditional internal combustion engine (ICE) vehicles. However, our plans show that we can profitably manage our ICE business during the transition to EVs. We believe that our content per vehicle potential for battery electric vehicles (BEVs) is higher than for ICE vehicles and that our potential content per vehicle for hybrid electric vehicles (HEVs), which are an important bridge from ICE vehicles to BEVs, is significantly higher than for traditional ICE vehicles. Therefore, capitalising on EV growth is the Group's biggest opportunity and our key strategic focus.

To position the Group to realise long-term benefits from the transition to EVs, we have developed a range of products specifically for EVs. In particular, our work on modular thermal systems to heat and cool EV batteries as well as weight-saving plastic refrigerant and coolant lines has progressed significantly as evidenced by the fact that 76% of our new business bookings in 2022 were for EVs (totalling €2.6 billion of lifetime sales). Importantly, China, currently the world's largest market for battery electric vehicles (BEVs), represented 35% of our 2022 bookings for BEV platforms.

In addition, with our eye on the longer term, we opened the first of our five planned e-Mobility Innovation Centres (eMICs) in April 2022 in Rastatt, Germany. By 2024, we will have an eMIC in every major automotive region (Germany, China, Japan, Korea, and the US) in order to bring together key design, engineering and testing capabilities under one roof to support EV product innovation in collaboration with our OEM customers around the world for the next decade.

While we continue to look to a bright EV future, our financial performance in 2022 was below our high expectations. However, 2022 results must be viewed in the context of high inflation, global supply disruptions, labour shortages, and volatile customer orders. Our experienced management team, supported by the hard work and dedication of our entire workforce, did very well under the circumstances to deliver the level of financial performance achieved in 2022. Importantly, I am convinced that the fundamental strengths of our business - an experienced management team, advanced product technology, diverse customer base, and a global footprint – remain and position the Group to realize improved financial performance as market conditions recover.

For the Group's 2023 Outlook, see the CFO's Report. In summary, for 2023, our expectation is that production volumes will be modestly higher than 2022 and that our revenue growth (at constant currency) will outperform the growth in production volumes. With a strong focus on cost management, cost recoveries, and a more stable production environment, we expect Adjusted EBIT margin to expand above 6% and Adjusted Free Cash Flow to return to the rate of approximately 30% of Adjusted EBITDA.

In the longer term, the Group is well positioned to be a winner in the transition to electrification, and we expect new EV business bookings to continue to increase, driving revenue growth and margin improvement.

Market conditions

In 2022, the automotive market was characterised by the current impacts of inflation, challenging operating conditions, and a sluggish production volume recovery set against a backdrop of ongoing acceleration of the long-term trend of vehicle electrification with 77% more global BEV production, mainly in China.

Persistent inflationary pressures in 2022 caused significant cost increases throughout the value chain, including raw materials, energy, and labour costs. The Russian invasion of Ukraine and the lingering effects of the COVID-19 pandemic resulted in production volatility, supply chain disruptions, labour shortages, and manufacturing instabilities. Our management team responded by addressing cost inflation through negotiation of recoveries with our OEM customers and further executing on our restructuring programmes together with performance enhancement initiatives to offset some of the post-pandemic impacts. Despite achieving customer recoveries to offset approximately 70% of the cost inflation (in line with peers), 2022 margins were impacted.

Global light vehicle production volumes increased 6.7% in 2022 to 82.4 million units (still 7.8% less than 2019), far less than initially expected. Furthermore, production growth was not uniform across regions or powertrains. North America production volume was up 9.7% in 2022, but production volumes in Europe were only 0.6% higher than 2021, being negatively impacted by the conflict in Ukraine. Production volumes in Asia Pacific, by far the largest automotive market, were 8.2% higher than 2021, driven primarily from the increased production and adoption of BEVs in China which increased by 93% year on year, mostly BEVs produced by domestic Chinese OEMs. S&P Global Mobility show that global production volume is now forecast to grow at a 2.1% CAGR from 2022–2030, including a gradual return to 2019 levels by 2025.

Beyond the challenging operating environment, 2022 clearly reflected the sustained, long-term automotive trend of EV growth. More EVs were produced by our OEM customers in 2022 than prior years, with HEVs representing 8.7% of total production and BEVs representing 10.7%. Business awards and sourcing in 2022 were also dominated by new EV platforms.

In 2022 it also became evident that, while our OEM customers are focused on launching and producing many 'early generation' EV platforms, they are also working to rapidly progress the design and engineering of their

EVs in order to reduce costs and improve performance, both of which are necessary to support increased consumer adoption of EVs. In particular, more efficient and cost-effective thermal management solutions must be developed and deployed for EVs, with a desire for modular solutions rather than components.

2022 performance

Overall, the team at TI Fluid Systems is not content with the results achieved in 2022, but is committed and focused on improvement in 2023, driving cost savings and ongoing customer recoveries for inflation and benefiting from potential market stabilisation and volume increases.

The Group delivered revenue of €3.3 billion (+10.5% vs. 2021 and +5.2% at constant currency) representing a 1.5% underperformance of global light vehicle production, which increased 6.7% from 2021. The Group's underperformance was almost entirely related to Asia Pacific, where we had underperformance of 8.7% compared to production volumes due to COVID-19-related closures in China as well as production growth in China coming predominately from BEVs produced by domestic Chinese OEMs.

In 2022, the Group experienced inflationary cost increases of €143 million for the full year, partially offset by customer recoveries. Adjusted EBITDA was €333.3 million (10.2% margin), Adjusted EBIT was €180.0 million (5.5% margin), and Adjusted Free Cash Flow amounted to €78.4 million. The Statutory Loss for the year was €(279.0) million was impacted by the exceptional impairment charge after tax of €297.3 million which reflects the reduction in medium-term GLVP growth, impact of cost pressures, and increase in discount rates, all of which act to reduce the current value of future cash flows. The majority of impairment was applied to the goodwill.

The Group also continued its restructuring initiatives to optimise fixed costs, closing six facilities and downsized another seven in 2022.

Amidst the difficult operating environment, the transition to vehicle electrification continued at an accelerating pace. As such, we were pleased that 31% of the BEV launches in 2022 included TIFS content. We were also pleased that EV bookings represented 76% of the Group's total bookings in 2022 (based on lifetime revenue), with our 2022 EV bookings totalling €2.6 billion (BEV awards of €1.3 billion and HEV awards of €1.3 billion). Our accelerated focus on China's growth market through our light weight and energy saving product lines for Thermal management resulted in BEV booking awards of €0.44 billion lifetime sales, with a majority allocated to domestic Chinese OEMs. I can also confirm that these new business awards should produce similar margins to our historic, ICE platform awards.

Strategy update

Our OEM customers have all introduced ambitious plans to launch a record number of HEV and BEV programmes in the next few years. HEVs and BEVs are forecast to become a significant portion of the global light vehicle market – from 19% of total production volume in 2022 (16 million units) to 62% in 2030 (60 million

units). As previously mentioned, in order to support increased EV production, our OEM customers are working to rapidly progress the design and engineering of their EVs in order to reduce costs and improve performance, both of which are necessary to support increased consumer adoption of EVs. In particular, more efficient and cost-effective thermal management solutions must be developed and deployed for EVs.

In response, our Take the Turn strategy charts the Group's own path to realise significant EV growth opportunities by developing innovative, cost-efficient thermal fluid management components, modules and systems solutions in collaboration with our OEM customers to reduce costs and improve EV performance in both the near-term and long-term. An important statement is 'in collaboration with our OEM customers' as standards have not been set and regional differences occur both in technology and in speed of adaptation. To do so, we will leverage the Group's existing strengths – our deep customer relationships, especially in engineering, our global footprint, and our fluid management expertise in manufacturing and design capabilities. Furthermore, to support this collaborative development and product expansion, the Group is establishing a global network of e-Mobility Innovation Centres (eMICs), which are collaborative engineering and lab spaces, close to the customer base, where digitalisation is key. At an eMIC, we will be able to work with our customers to simulate, design, process, prototype, product test and vehicle test thermal systems for EVs and take into consideration the local requirements and needs from our customer base.

A key area of focus in the near-term is the application of plastic line and hose solutions for cabin comfort systems (i.e. passenger heating and air conditioning). These systems, for both ICE vehicles and EVs, are currently constructed using a range of aluminium and rubber components, which can be replaced with thermoplastic refrigerant lines (TPRL) developed by the Group to generate important weight and cost savings.

With regards to product solutions for the thermal management of EV batteries, the Group is developing plastic line solutions for current coolant and refrigerant systems in the near-term to mid-term.

The Group is working with our OEM customers on the development of modular thermal management solutions for EVs, including manifolds and modules for both coolant and refrigerant systems, given the increasing importance of the space, weight and cost savings these modular product lines offer.

As BEV platforms increase, revenues from our ICE products are expected to decline. In the near-term, that decline will be moderated by the fact that HEVs will continue to require significant ICE content. In the longer-term, the decline is expected to be offset by a significant opportunity to increase the Group's revenue on BEVs, especially thermal products, to manage the heating and cooling of batteries, and other EV components. Nonetheless, at all phases of the transition, we must carefully manage the operation of our ICE-related assets.

While the Group's overall level of capital investment (capital assets plus research and development) is expected to remain at 4% to 5% of revenue, the allocation will shift to support investments in the EV thermal fluid management business with a tight control on assets related to ICE. The Group has sufficient capacity installed

to accommodate the expected life of ICE products, so that any investment in future ICE programmes is expected to be limited and linked to specific customer requirements and volume commitments. In addition, there will be the opportunity to repurpose some of the blow moulding machines used to manufacture fuel tanks to produce integrated thermal manifold assemblies (ITMa) for EVs. As fewer engineers and other personnel are needed to support ICE-related projects, they will be reassigned to support the growth of the thermal fluid management business for EV platforms.

Sustainability update

Our Take the Turn strategy reflects three main pillars that combine to drive sustainable growth: Technology (Electrification), Transformation (Sustainability), and Talent (Learning). In other words, our Take the Turn strategy addresses not only the transitional risks and opportunities associated with vehicle electrification but also the need to operate our business in a more sustainable manner to address climate change and maintain a diverse and talented workforce.

The Group is taking climate change impacts very seriously and has performed extensive analysis of the ways that our business can support the effort to limit global warming. We have determined that our previously announced CO_2(e) emissions reduction target (37% reduction of Scope 1 and 2 emissions from 2019 to 2039) is no longer in line with the current expectations. The COP27 Conference held in November 2022 clearly demonstrated the critical need for both the public and private sectors to take urgent action by 2030, to limit global warming to 1.5 degrees Celsius, using science-based targets as a first, critical step to a longer-term net zero world. So, consistent with the science-based target initiative (SBTi), we have now committed to a 50% reduction of our Scope 1 and 2 emissions and a 30% reduction of our Scope 3 emissions, in each case on an absolute basis by 2030 from a 2021 baseline.

We have developed achievement plans that include significantly increased use of renewable electricity, extensive energy efficiency improvements, and supplier engagement. Importantly, these initiatives have been modelled and incorporated into our budget process in terms of operational costs, capital investments and human resources. In addition, we are working on plans to eliminate landfill waste and conserve water.

In addition to environmental stewardship, we recognise that the Group's success and sustainability is also directly linked to our ability to recruit, retain, motivate, educate and develop a diverse and talented workforce. We are committed to creating a safe and inclusive workplace culture in which diversity is valued, and diverse experiences are appreciated.

To those ends, the Group has implemented a formal Diversity Policy together with diversity and inclusion training for all senior managers within the business. The Group's recruitment processes have been reviewed and guidance issued to all locations to minimise unconscious bias and promote diverse hiring. Our progress will be tracked by monitoring against diversity targets based on local university graduation rates. A women's

mentorship programme has also been established to support and guide women within the organisation and advise on strategies for success.

To prepare the next generation of women to succeed in the automotive industry, the Group has awarded 55 scholarships at leading universities in Germany, Poland, Mexico, the US and China, for female students enrolling to study STEM subjects to help with the costs of tuition, room, board and other educational costs. In addition, these scholarship recipients are connected to local TI facilities for internships and other extracurricular learning opportunities.

Ultimately, we aspire to be a company that is environmentally and socially responsible and a valued member of our local communities around the globe.

Looking ahead

Despite lower margins in 2022, the Group is confident that we will return to its historic margin levels in the mid term.

Our path to achieving historic Adjusted EBIT margins has three main components: (i) production volume recovery, (ii) pricing economics, and (iii) enhanced productivity.

In the near term, the Group will benefit from upside margin conversion on revenue growth which will come from general global production volume increases as well as the Group having an improved BEV business mix in China over the next few years as our global OEM customers increase their BEV production in China and by the Group pursuing increased BEV content with domestic Chinese OEMs.

In addition, we will maintain our focus on pricing economics, including customer recoveries to offset the impacts of cost inflation and continued efficiency initiatives, and restructuring to optimise fixed costs.

Finally, the Group will realise productivity benefits from more stable volumes, less volatile customer ordering, diminishing supply disruptions, and series production on new products.

In the longer term, the Group will leverage its strengths, including deep and diversified customer engineering relationships, and a global footprint, to develop innovative, cost-efficient thermal fluid management products and system solutions in collaboration with our OEM customers to improve performance and realise significant EV growth opportunities.

The Group's most immediate financial priorities for 2023 are to increase pricing and customer recoveries to offset the impacts of cost inflation, to continue cost rationalisation efforts, to optimise fixed and other costs, and to complete new launches at the right price and cost level using indices where possible.

At the same time, it is imperative that we continue in 2023 to lay the foundation for future EV growth by furthering our activities with our OEM customers to develop cost-efficient thermal fluid management products

and system solutions. To do so, we will expand our global network of e-Mobility Innovation Centres (eMICs) so we can work with our customers to simulate, design, process, prototype, product test and vehicle test thermal systems for EVs.

Leadership changes

In November 2022, Ron Hundzinski announced his retirement from the Group as its Chief Financial Officer and he will leave during 2023. Ron joined the Group in January 2020, just before the COVID-19 pandemic threw the world into turmoil. We are all grateful to Ron, and wish him well for his retirement. His years of experience were pivotal in ensuring the Group survived an exceptionally difficult period, remaining well positioned to pivot through the industry change to electrification.

Replacing Ron will be Alexander de Bock who will be joining on 31 March 2023 from ZF Friedrichshafen AG where he was the CFO and Senior Vice President of Commercial Vehicles. Prior to joining ZF, Alexander had been CFO of WABCO Holdings Inc (NYSE: WBC), a publicly listed leading global supplier of vehicle controls systems to the Commercial Vehicle industry. Alexander brings with him a broad range of finance experience and will play a key role in executing the Group's strategy to embrace the industry change to electrification.

Hans Dieltjens
Chief Executive Officer and President

15 March 2023

Chief Financial Officer's Report

Our revenue grew year over year despite some unfavourable mix impacts in China, and we have made significant progress in our cost recovery efforts and maintained cash generation even with prolonged pressures on working capital. Our balance sheet remains strong, and our liquidity position is healthy.

The Group continued to focus on strengthening operational performance and its underlying business, which will improve results in the medium and longer term. Notably, we continue to make impressive bookings in our BEV and HEV orders, recording €1.3 billion of lifetime revenue in each category in 2022, representing 76% of the total new business wins.

Our margin profile reflects the inflationary pressures that were present in all areas of our cost base, but an approximately 70% recovery of these costs from our customer base offset a large portion.

Table 1: Key performance measures

€ millions

Adjusted Measures*	**2022**	2021	Change	Constant Currency Change
Revenue	**3,268.3**	2,956.6	10.5 %	5.2 %
Adjusted EBITDA	**333.3**	352.9		
Adjusted EBITDA Margin %	**10.2 %**	11.9 %		
Adjusted EBIT	**180.0**	212.6		
Adjusted EBIT Margin %	**5.5 %**	7.2 %		
Adjusted Net Income	**43.5**	58.3		
Adjusted Basic Earnings per Share	**8.48**	11.23		
Adjusted Free Cash Flow	**78.4**	117.3		

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(Loss) / Profit for the Year	**(279.0)**	16.0	
Basic Earnings per Share (€ cents)	**(54.39)**	2.76	
Dividend (€ cents)	**2.54**	3.39	

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Global light vehicle production (GLVP) remains a principal driver of the Group's performance, and in 2022 increased to 82.4 million vehicles or by 6.7% compared to the prior year. Post-pandemic volume recovery in the industry continues to be uneven, with different regions experiencing different supply chain constraints in addition to challenging global macroeconomic conditions. Russia's invasion of Ukraine created supply chain

issues in the automotive industry during the first half of the year and this adversely impacted light vehicle production in Europe.

2022 revenue at actual rates increased by €311.7 million, or 10.5% year over year to €3,268.3 million, with growth in every significant region except China, where the product mix was affected by the rapid transition to BEV platforms from domestic OEMs fuelled by government incentives and unexpected COVID-19 related closures. Growth included a positive currency impact of €149.9 million, mainly as a result of a stronger US dollar exchange rate against the Euro throughout 2022. On a constant currency basis, revenue increased by €161.8 million or 5.2% year over year, providing slightly lower growth in comparison to GLVP volumes at 150 bps in the year.

We generated Adjusted EBIT of €180.0 million with an adjusted margin of 5.5%. The adjusted margin is a reflection of the significant global inflationary pressures, which resulted in higher operating costs, the impact of COVID-19 in China, and the volatility caused by continuing semi-conductor shortages. Operating loss of €217.0 million (2021: €126.8 million profit) includes an exceptional impairment charge of €317.4 million. This is covered in more detail in the Operating Profit, Adjusted EBITDA and Adjusted EBIT discussion in this report.

Adjusted Net Income was €43.5 million, compared to €58.3 million in the prior year. The reported loss for the year was €279.0 million compared to €16.0 million profit in 2021, with 2022 being impacted by the €297.3 million exceptional impairment charge net of tax. Basic EPS was (54.39) Euro cents (2021: 2.76 Euro cents) and Adjusted Basic EPS was 8.48 Euro cents, compared with 11.23 Euro cents in 2021.

The Group delivered Adjusted Free Cash Flow of €78.4 million (2021: €117.3 million). With financing net cash outflows amounting to €62.4 million (2021: €122.5 million), including €12.6 million (2021: €45.0 million) in respect of dividend payments and a favourable currency impact of €3.4 million (2021: €24.3 million), year-end net debt was €624.9 million (2021: €600.3 million), inclusive of cash balances of €491.0 million (2021: €499.1 million).

Automotive markets

Global light vehicle production volumes increased by 6.7% in 2022 to 82.4 million vehicles as shown in Table 2, with Europe impacted by the conflict in Ukraine, and Asia Pacific benefiting from the accelerated adoption of local BEVs in China due to time-limited government incentives.

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

	2022	**% Change**
Europe, including Middle East and Africa	**18.1**	0.6%
Asia Pacific	**47.2**	8.2%
North America	**14.3**	9.7%
Latin America	**2.8**	8.4%
Total global volumes	**82.4**	6.7%

Sources: S&P Global Mobility February 2023 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

	2022	2021	**Change**	**% Change**	**% Change at constant currency**	**Constant currency growth vs LVP growth**
Total Group revenue	**3,268.3**	2,956.6	311.7	10.5 %	5.2%	(150) bps
By segment						
FCS	**1,869.7**	1,603.5	266.2	16.6 %	10.3%	360 bps
FTDS	**1,398.6**	1,353.1	45.5	3.4 %	-0.9%	(760) bps
By region						
Europe and Africa	**1,207.1**	1,138.4	68.7	6.0 %	5.8%	520 bps
Asia Pacific	**1,114.3**	1,058.1	56.2	5.3 %	-0.5%	(870) bps
North America	**895.8**	713.6	182.2	25.5 %	12.9%	320 bps
Latin America	**51.1**	46.5	4.6	9.9 %	-2.6%	(1,100) bps

In Europe and Africa, where we ceased operations in Russia due to its invasion of Ukraine, revenue at constant currency increased by 5.8% year over year compared to a light vehicle production (LVP) volume change of 0.6%, giving an outperformance of 520 bps. This outperformance was driven by the successful launch of new HEV/BEV programmes for both FTDS and FCS.

In Asia Pacific, revenue at constant currency decreased by 0.5% year over year compared to an LVP increase of 8.2%, giving an underperformance of 870 bps. Underperformance in the region was entirely in China and was impacted by the transition to BEVs by domestic OEMs, as previously highlighted and compounded by COVID-19 related closures towards the end of the year.

In North America, revenue at constant currency increased by 12.9% year over year compared to an LVP increase of 9.7%, reflecting an outperformance of 320 bps. Outperformance in this region was mainly driven by strong growth in FCS due to thermal business launches and ramp ups. FCS outperformed the market in that region by 660 bps.

FCS revenue increased by €174.8 million, or 10.3% at constant currency from the prior year to €1,869.7 million, giving an outperformance of 360 bps when compared to GLVP growth. The strong FCS revenue increase is driven by successful launches of thermal programmes in Europe and North America, as well as cost recoveries from customers.

FTDS revenue at constant currency decreased by 0.9% to €1,398.6 million, underperforming GLVP growth by 760 bps, primarily driven by the growth in BEV production which reduced the addressable market, and the impact of the COVID-19 related shutdowns in China, where key manufacturing facilities are located. Revenue was also impacted by the planned exit of part of the business in Latin America.

Revenue at actual rates increased by 10.5% to €3,268.3 million due to a net positive currency exchange rate impact of €149.9 million compared with the prior year, in addition to the regional volume differences. Compared to the same period last year, the US Dollar depreciated by 11% against the Euro, and the Chinese Renminbi by 7.2%. With just under half of the Group's revenue denominated in these currencies, these foreign exchange rate movements against the Euro had a significant positive impact on the Group's revenue performance. On a constant currency basis, revenue increased by 5.2%.

Operating loss, 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 underlying operating performance of the business. The metrics are also used in certain of our compensation plans and to communicate to our investors. A reconciliation between the reported measures and Adjusted EBITDA and Adjusted EBIT is shown in Note 4.

* See Non-IFRS measures in Note 4 and defined in the glossary in Note 14

The operating loss of €217.0 million (2021: €126.8 million profit) was principally due to the exceptional impairment charge of €317.4 million. This was recognised following a full impairment review triggered by a reduction in the projected GLVP volumes over the five-year review period, and rising discount rates. Our full impairment review is included in Note 9 and shows that goodwill arising from the Bain acquisition of €217.1 million was impaired and other assets including property, plant and equipment, other intangibles and right of use assets of €100.3 million were also impaired. The impairment was primarily caused by the reduction of medium-term GLVP forecasts, impact of cost pressures, and increases in discount rates arising from the increase in interest rates. Operating profit before exceptional items was €100.4 million, €26.4 million lower

than last year (2021: €126.8 million), where the operating gains from higher revenues were more than offset by the impact of the adverse macroeconomic pressures that we continue to face, most notably the inflationary effects on raw materials and energy costs not fully recovered from customers.

The Group continues its business rationalisation programme, with the cost saving activity started in 2020 continuing into 2022, and in this regard, we incurred further restructuring charges of €22.8 million related to permanent headcount reductions across all our businesses and the planned closure and downsizing of manufacturing plants in Europe, North America and Latin America. At the end of 2022, there was a restructuring provision of €7.8 million (2021: €15.8 million). The closure of two plants in Russia were included as part of the restructuring activities.

Adjusted EBITDA was €333.3 million (2021: €352.9 million) and Adjusted EBITDA margin was 10.2% (2021: 11.9%), impacted by higher input costs due to rapid and high levels of inflation, which added €143.0 million of commodities, energy, freight and labour costs, which were offset by customer recoveries of €101.0 million, an approximately 70% recovery rate. The operating costs have been impacted by macroeconomic challenges relating to inflationary cost pressures, the conflict in Ukraine, which has adversely affected the supply chain, as well as persistent global semi-conductor shortages.

Adjusted EBIT was €180.0 million (2021: €212.6 million) and Adjusted EBIT margin was 5.5% (2021: 7.2%), mainly reflecting the cost pressures discussed above. During the year there were programme-specific impairment charges of €1.4 million (2021: €2.0 million).

By segment, FCS Adjusted EBIT was €95.0 million (2021: €117.9 million) with an Adjusted EBIT margin of 5.1% (2021: 7.4%). This reflects the adverse macroeconomic conditions experienced in the year, particularly rising material and labour costs, which were only partially offset by savings from restructuring activities and manufacturing efficiencies.

FTDS Adjusted EBIT was €85.0 million (2021: €94.7 million) with an Adjusted EBIT margin of 6.1% (2021: 7.0%). The margin reflects the tough operating conditions, particularly inflationary pressures, some of which was partially mitigated by having customer contracts with indexing clauses for resin cost changes.

Net finance expense

Net finance expense, before exceptional items for the year was €58.7 million, an improvement of €1.3 million from the prior year excluding exceptional items. This was mainly due to lower capitalised fee amortisation expense following the refinancing carried out in April 2021, and higher interest income due to higher interest rates, which was partially offset by higher interest expense, particularly on the US Term Loan due to higher base lending rates for the US LIBOR. The exceptional finance expense in 2021 related to the write-off of previously capitalised fees upon refinancing in April 2021.

Taxation

The Group income tax charge, before exceptional items, is €23.4 million, down €17.5 million from 2021. This lower income tax charge results in a decrease in the Effective Tax Rate to 56.1% (2021: 62.0%) on revised Group Profit Before Tax of €41.7 million (2021: €67.0 million). The high effective tax rate is reflective of the mix effect of the increase in the level of profits generating a tax charge and an increase in the level of losses where no deferred tax asset is recognised. See Note 6 for more details.

The 2022 exceptional impairment charge of €317.4 million has an associated deferred tax credit of €20.1 million, which results in an effective tax rate of 6.3%. The lower 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.

For 2021, the Group reported an exceptional US refinancing charge of €11.8 million with a corporate tax benefit of €1.8 million and a deferred tax benefit of €1.0 million, which results in an exceptional effective tax rate of 23.7% (the US 2021 effective tax rate).

Adjusted Net Income* and Loss for the year

Adjusted Net Income is a component of the Adjusted Basic EPS calculation and is also used to guide our dividend policy calculation.

Adjusted Net Income was €43.5 million in 2022, compared to €58.3 million in 2021, primarily driven by the unrecovered inflationary cost increases discussed. The loss for the year was €279.0 million (2021: €16.0 million profit) reflecting the lower operating performance and the exceptional impairment charge, net of tax of €297.3 million (2021: €9.0 million charge relating to refinancing).

*See Non-IFRS measures in Note 4 and defined in the glossary in Note 14

Basic EPS and Adjusted Basic EPS*

On a statutory basis, Basic Earnings per Share ('EPS') was (54.39) Euro cents for the year (2021: 2.76 Euro cents), reflecting the significant impairment charge booked in the year. Adjusted Basic EPS was 8.48 Euro cents per share for the year (2021: 11.23 Euro cents per share) reflecting the decrease in Adjusted Net Income as noted above.

*See EPS Note 7 and defined in the glossary in Note 14

Dividend

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

The Board has decided to recommend a final dividend of 1.54 Euro cents per share amounting to €7.9 million. This final dividend, together with the 2022 interim dividend of 1.00 Euro cents per share paid in September 2022, makes a total dividend for 2022 of 2.54 Euro cents per share, totalling €13.0 million. The total dividend is 30% of Adjusted Net Income. Subject to shareholder approval at the Annual General Meeting on 16 May 2023, the final dividend will be paid on 23 June 2023 to those on the register on 26 May 2023, the Dividend Record Date and will be converted to Sterling at a fixed rate on the same date.

The Group continues to remain confident in its business model, cost flexibility, strong cash generation, experienced management team, and successful transition to electrification.

Cash flow performance

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

In 2022, we generated Adjusted Free Cash Flow of €78.4 million (2021: €117.3 million). The Adjusted EBITDA generated by the Group was used to fund investment in capital equipment and intangibles. There was a €5.7 million decrease in property, plant and equipment and intangibles expenditure and tax cash payments were €4.2 million higher. The outflow from working capital of €22.7 million was driven by the increase in working capital balances arising from higher sales and also the adverse impact from the prolonged challenges in the macroeconomic environment, and the increasing inventory valuation driven by raw materials inflation. The net cash outflow on restructuring was €23.6 million, predominantly severance payments (2021: €21.3 million).

Free cash flows of €50.9 million (2021: €111.5 million) were offset by cash outflows from financing of €62.4 million (2021: €122.5 million), resulting in a reported decrease in cash and cash equivalents of €11.5 million (2021: €11.0 million). Financing outflows include €11.4 million for the Group's purchase of its own shares (2021: €8.3 million) associated with the Group's liabilities under the long-term incentive plans, scheduled repayments of borrowing €5.5 million (2021: €22.1 million including the net impact of the 2022 refinancing), and €32.9 million (2021: €31.6 million) lease principal repayments. In December 2021, the Associate holding in SeAH FS Co. Ltd was sold for €15.5 million; the proceeds of this transaction are excluded from the calculation of Adjusted Free Cash Flow.

The 2022 total dividend cash outflow amounted to €12.6 million (2021: €45.0 million).

Retirement benefits

We operate funded and unfunded defined benefit schemes across multiple territories with the largest being the US pension and retiree healthcare schemes, which represent 53% of our net unfunded position at 31 December 2022 (2021: 52%), and Germany pension and retiree schemes 19% (2021: 20%). We also have funded schemes in the UK and Canada, which were fully funded at 31 December 2022 (2021: 1%). While all 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 improved by €23.9 million from 31 December 2021 to €104.2 million at 31 December 2022, primarily due to discount rates differential year-on-year and overall pension investment performance.

Net debt* and net leverage*

Net debt, a non-IFRS measure, as at 31 December 2022 was €624.9 million, an increase of €24.6 million from the prior year-end mainly due to foreign exchange movements on the US dollar Term Loan of €16.4 million and lower cash compared to the prior year.

The Group's net leverage ratio, also a non-IFRS measure, was 1.9 times Adjusted EBITDA as at 31 December 2022 (31 December 2021: 1.7 times), reflecting the lower Adjusted EBITDA and higher Net Debt.

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 €774.5 million (31 December 2021: €750.2 million) and net leverage ratio would be 2.3 times Adjusted EBITDA (31 December 2021: 2.1 times).

*Defined in the glossary Note 14

Liquidity

Our principal sources of liquidity have historically been cash generated from operating activities and amounts available under our credit facilities, which consist of a revolving facility under our cash flow credit agreement of $225.0 million (€210.8 million). Total available liquidity (cash plus available facilities) on 31 December 2022 was €699.9 million (31 December 2021: €695.3 million).

Outlook

The current S&P Global Mobility estimate for GLVP in 2023 is 85.1 million units although the Group remains slightly more cautious anticipating circa 83.0 million units due to the potential for demand moderation combined with ongoing supply constraints. The Group expects the first quarter of 2023 to be impacted by the disrupted situation in China, but expect this to resolve for a stronger second half of the year. Mindful of the geopolitical uncertainty, and the ongoing but improving global supply constraints, the Group expects revenue growth at constant currency to return to outperformance compared to GLVP volume growth this year. With a strong focus on cost management, cost recoveries, and a more stable production environment, the Group expects Adjusted EBIT margin to expand above 6% this year. Adjusted Free Cash Flow is expected to return to

approximately 30% of Adjusted EBITDA. Looking to the medium term, the Group is well placed to use its good position in the automotive industry transition to electric vehicles and expects strong new business bookings driving future revenue growth and outperformance, in addition to returning to historic profit margins.

Ronald Hundzinski

Chief Financial Officer

15 March 2023

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.

TABLE OF CONTENTS

GROUP FINANCIAL STATEMENTS

Consolidated Income Statement
Consolidated Statement of Comprehensive Income
Consolidated Balance Sheet
Consolidated Statement of Changes in Equity
Consolidated Statement of Cash Flows

NOTES TO THE GROUP FINANCIAL STATEMENTS

1 General Information
2 Basis of Preparation
3 Segment Reporting
4 Alternative Performance Measures
5 Finance Income and Expense
6 Income Tax
7 Earnings Per Share
8 Intangible Assets
9 Impairments
10 Borrowings
11 Retirement Benefit Obligations
12 Provisions
13 Cash Generated from Operations
14 Glossary of terms

Group Financial Statements
Consolidated Income Statement

For the year ended 31 December

Continuing operations	Note	**2022 Before exceptional items €m**	**2022 Exceptional items €m**	**2022 After exceptional items €m**	2021 Before exceptional items €m	2021 Exceptional items €m	2021 After exceptional items €m
Revenue	3	**3,268.3**	**—**	**3,268.3**	2,956.6	—	2,956.6
Cost of sales		**(2,938.0)**	**(100.3)**	**(3,038.3)**	(2,626.8)	—	(2,626.8)
Gross profit/(loss)		**330.3**	**(100.3)**	**230.0**	329.8	—	329.8
Distribution costs		**(112.1)**	**—**	**(112.1)**	(93.9)	—	(93.9)
Administrative expenses		**(119.0)**	**(217.1)**	**(336.1)**	(105.8)	—	(105.8)
Net foreign exchange losses		**(0.7)**	**—**	**(0.7)**	(6.9)	—	(6.9)
Other gains and losses		**1.9**	**—**	**1.9**	3.6	—	3.6
Operating profit/(loss)		**100.4**	**(317.4)**	**(217.0)**	126.8	—	126.8
Finance income	5	**5.7**	**—**	**5.7**	3.1	—	3.1
Finance expense	5	**(64.4)**	**—**	**(64.4)**	(63.1)	(11.8)	(74.9)
Net finance expense	5	**(58.7)**	**—**	**(58.7)**	(60.0)	(11.8)	(71.8)
Share of loss of associate		**—**	**—**	**—**	(0.9)	—	(0.9)
Profit/(loss) before income tax		**41.7**	**(317.4)**	**(275.7)**	65.9	(11.8)	54.1
Income tax (expense)/credit	6	**(23.4)**	**20.1**	**(3.3)**	(40.9)	2.8	(38.1)
Profit/(loss) for the year		**18.3**	**(297.3)**	**(279.0)**	25.0	(9.0)	16.0
Profit/(loss) for the year attributable to:							
Owners of the Parent Company		**18.2**	**(297.3)**	**(279.1)**	23.3	(9.0)	14.3
Non-controlling interests		**0.1**	**—**	**0.1**	1.7	—	1.7
		18.3	**(297.3)**	**(279.0)**	25.0	(9.0)	16.0
Total earnings per share (Euro, cents)							
Basic	7			**(54.39)**			2.76
Diluted	7			**(54.39)**			2.73

Refer to Note 4 for reconciliation to adjusted performance measures (APMs).

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	Note	**2022 €m**	2021 €m
(Loss)/profit for the year		**(279.0)**	16.0
Other comprehensive income			
Items that will not be reclassified to profit or loss			
– Re-measurements of retirement benefit obligations		**28.0**	36.3
– Income tax expense on retirement benefit obligations	6	**(6.9)**	(6.8)
		21.1	29.5
Items that may be subsequently reclassified to profit or loss			
– Currency translation		**6.0**	75.1
– Net investment hedges		**—**	0.9
		6.0	76.0
Total other comprehensive income for the year		**27.1**	105.5
Total comprehensive income for the year		**(251.9)**	121.5
Attributable to:			
– Owners of the Parent Company		**(252.0)**	120.1
– Non-controlling interests		**0.1**	1.4
Total comprehensive income for the year		**(251.9)**	121.5

Consolidated Balance Sheet

As at 31 December

	Note	**2022 €m**	2021 €m
Non-current assets			
Intangible assets	8	**603.9**	884.8
Right-of-use assets		**109.3**	125.2
Property, plant and equipment		**531.4**	595.4
Deferred income tax assets	6	**105.2**	70.5
Trade and other receivables		**20.6**	19.2
		1,370.4	1,695.1
Current assets			
Inventories		**372.0**	332.3
Trade and other receivables		**541.9**	520.5
Current income tax assets		**7.9**	11.4
Derivative financial instruments		**2.8**	0.9
Financial assets at fair value through profit or loss		**—**	0.9
Cash and cash equivalents		**491.0**	499.1
		1,415.6	1,365.1
Total assets		**2,786.0**	3,060.2
Equity			
Share capital		**6.8**	6.8
Share premium		**2.2**	2.2
Other reserves		**(55.4)**	(61.4)
Retained earnings		**722.6**	995.9
Equity attributable to owners of the Parent Company		**676.2**	943.5
Non-controlling interests		**0.5**	0.4
Total equity		**676.7**	943.9
Non-current liabilities			
Trade and other payables		**12.8**	14.6
Borrowings	10	**1,114.0**	1,098.5
Lease liabilities		**121.5**	119.8
Deferred income tax liabilities	6	**80.7**	95.8
Retirement benefit obligations	11	**104.2**	128.1
Provisions	12	**2.6**	2.6
		1,435.8	1,459.4
Current liabilities			
Trade and other payables		**584.8**	546.1
Current income tax liabilities	6	**44.5**	49.9
Borrowings	10	**1.9**	1.8
Lease liabilities		**28.1**	30.1
Derivative financial instruments		**0.2**	0.3
Provisions	12	**14.0**	28.7
		673.5	656.9
Total liabilities		**2,109.3**	2,116.3
Total equity and liabilities		**2,786.0**	3,060.2

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Ordinary shares €m	Share premium €m	Other reserves €m	Retained earnings €m	Total €m	Non-controlling interests €m	Total equity €m
Balance at 1 January 2022	**6.8**	**2.2**	**(61.4)**	**995.9**	**943.5**	**0.4**	**943.9**
(Loss)/profit for the year	—	—	—	**(279.1)**	**(279.1)**	**0.1**	**(279.0)**
Total other comprehensive income for the year	—	—	**6.0**	**21.1**	**27.1**	—	**27.1**
Total comprehensive income for the year	—	—	**6.0**	**(258.0)**	**(252.0)**	**0.1**	**(251.9)**
Share-based expense	—	—	—	**9.6**	**9.6**	—	**9.6**
Issue of own shares from Employee Benefit Trust	—	—	—	**1.0**	**1.0**	—	**1.0**
Vested share awards	—	—	—	**(1.9)**	**(1.9)**	—	**(1.9)**
Purchase of own shares	—	—	—	**(11.4)**	**(11.4)**	—	**(11.4)**
Dividends paid	—	—	—	**(12.6)**	**(12.6)**		**(12.6)**
Transactions with owners recognised directly in equity	—	—	—	**(15.3)**	**(15.3)**	—	**(15.3)**
Balance at 31 December 2022	**6.8**	**2.2**	**(55.4)**	**722.6**	**676.2**	**0.5**	**676.7**

	Ordinary shares €m	Share premium €m	Other reserves €m	Retained earnings €m	Total €m	Non-controlling interests €m	Total equity €m
Balance at 1 January 2021	6.8	2.2	(137.7)	987.7	859.0	25.2	884.2
Profit for the year	—	—	—	14.3	14.3	1.7	16.0
Total other comprehensive income for the year	—	—	76.3	29.5	105.8	(0.3)	105.5
Total comprehensive income for the year	—	—	76.3	43.8	120.1	1.4	121.5
Decrease in share held by Non-controlling interests	—	—	—	26.2	26.2	(26.2)	—
Purchase of NCI	—	—	—	(15.5)	(15.5)	—	(15.5)
Share-based expense	—	—	—	6.8	6.8	—	6.8
Issue of own shares from Employee Benefit Trust				1.1	1.1		1.1
Vested share awards				(0.9)	(0.9)		(0.9)
Purchase of own shares	—	—	—	(8.3)	(8.3)	—	(8.3)
Dividends	—	—	—	(45.0)	(45.0)		(45.0)
Transactions with owners recognised directly in equity	—	—	—	(35.6)	(35.6)	(26.2)	(61.8)
Balance at 31 December 2021	6.8	2.2	(61.4)	995.9	943.5	0.4	943.9

Consolidated Statement of Cash Flows

For the year ended 31 December

	Note	**2022 €m**	2021 €m
Cash flows from operating activities			
Cash generated from operations	13	**282.5**	319.8
Interest paid		**(56.7)**	(50.6)
Income tax paid on operating activities		**(58.3)**	(54.1)
Net cash generated from operating activities		**167.5**	215.1
Cash flows from investing activities			
Payment for property, plant and equipment		**(90.8)**	(88.2)
Payment for intangible assets		**(27.1)**	(35.4)
Proceeds from the sale of property, plant and equipment		**—**	1.4
Proceeds from the sale of associated undertakings		**—**	15.5
Tax paid on the proceeds from the sale of associated undertakings		**(3.0)**	—
Interest received		**4.3**	3.1
Net cash used in investing activities		**(116.6)**	(103.6)
Net cash generated from operating & investing activities ('Free Cash Flow')	4	**50.9**	111.5
Cash flows from financing activities			
Purchase of own shares		**(11.4)**	(8.3)
Purchase of non-controlling interests		**—**	(15.5)
Proceeds from new borrowings	10	**—**	600.0
Fees paid on proceeds from new borrowings	10	**—**	(15.3)
Voluntary repayments of borrowings	10	**—**	(600.0)
Scheduled repayments of borrowings	10	**(5.5)**	(6.8)
Lease principal repayments		**(32.9)**	(31.6)
Dividends paid		**(12.6)**	(45.0)
Net cash used in financing activities		**(62.4)**	(122.5)
Net decrease in cash and cash equivalents		**(11.5)**	(11.0)
Cash and cash equivalents at the beginning of the year		**499.1**	485.8
Currency translation on cash and cash equivalents		**3.4**	24.3
Cash and cash equivalents at the end of the year		**491.0**	499.1

1. General Information

The Group's full financial statements have been approved by the Board of Directors and reported on by the auditors on 15 March 2023. These condensed consolidated financial statements for the current and prior years do 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 2021 has been delivered to the Registrar of Companies, and those for the year ended 31 December 2022 will be delivered in due course. The independent auditors' report on the full financial statements for the year ended 31 December 2021 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 condensed consolidated financial statements included within this announcement have been prepared in accordance with UK-adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006 and the Disclosure and Transparency Rules of the Financial Conduct Authority.

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

The preparation of financial statements in conformity with UK-adopted International Accounting Standards 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, actual results may differ from those estimates.

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 makers ('CODM') for decision-making purposes forms the basis of the disclosure. The Company's CODM is the Chief Executive Officer ('CEO'), Chief Operating 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 (see note 4).

Two operating segments have been identified by the Group: Fluid Carrying Systems ('FCS') and Fuel Tank and Delivery Systems ('FTDS'). Inter-segment revenue is attributable solely to the ordinary business activities of the respective segment and is conducted on an arm's-length basis.

	2022 €m	2021 €m
Revenue		
– FCS - External	**1,869.7**	1,603.5
- Inter-segment	**67.0**	63.1
	1,936.7	1,666.6
– FTDS - External	**1,398.6**	1,353.1
- Inter-segment	**2.8**	2.5
	1,401.4	1,355.6
Inter-segment elimination	**(69.8)**	(65.6)
Total consolidated revenue	**3,268.3**	2,956.6
Adjusted EBITDA		
– FCS	**170.4**	177.1
– FTDS	**162.9**	175.8
	333.3	352.9
Adjusted EBITDA % of revenue		
– FCS	**9.1 %**	11.0 %
– FTDS	**11.6 %**	13.0 %
Total	**10.2 %**	11.9 %
Adjusted EBIT		
– FCS	**95.0**	117.9
– FTDS	**85.0**	94.7
	180.0	212.6
Adjusted EBIT % of revenue		
– FCS	**5.1 %**	7.4 %
– FTDS	**6.1 %**	7.0 %
Total	**5.5 %**	7.2 %

Restructuring costs of €22.8 million (€19.8 million in FCS and €3.0 million in FTDS) (2021: €26.8 million of which €15.3 million in FCS and €11.5 million in FTDS) comprise announced headcount reductions and related costs of balancing production capacity with market requirements. Please refer to Alternative Performance Measures (Note 4) for reconciliation to Income Statement.

4. Alternative Performance Measures

In addition to the results reported under IFRS, Management use certain non-IFRS financial measures to monitor and measure the performance of the business and operations and the profitability of the 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 communications with investors. In particular, Management use Adjusted EBIT, Adjusted EBITDA, Adjusted Net Income, and Adjusted Free Cash Flow. 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.

Definitions for alternative performance measures are included in the Note 14 glossary.

Adjusted Performance Measures	**2022 €m**	2021 €m
Adjusted EBIT	**180.0**	212.6
Adjusted EBITDA	**333.3**	352.9
Adjusted net income	**43.5**	58.3
Adjusted free cash flow	**78.4**	117.3

For Adjusted basic EPS please refer to Note 7.

4.1 Adjusting Items

Management exclude certain items in the derivation of alternative performance measures, as shown below:

Adjusting Items	Note	**2022 €m**	2021 €m
Restructuring costs	12	**22.8**	26.8
Exceptional impairment charge	9	**317.4**	—
Net foreign exchange losses		**0.7**	6.9
Costs associated with business acquisitions or disposals		**1.8**	—
Loss on disposal of associate and other		**—**	0.4
		342.7	34.1

Restructuring costs comprise announced headcount reductions and related costs of balancing production capacity with market requirements.

The exceptional impairment charge relates to the write-down of goodwill, intangible assets, property, plant and equipment and right-of-use assets, following the outcome of the 2022 annual impairment test. As a significant, non-recurring item, this charge has been excluded from our alternative performance measures.

Net foreign exchange gains/losses on the foreign currency revaluation of intercompany loan and cash balances are included in adjusting items to remove the impact of market volatility on our adjusted performance measures.

Costs associated with business acquisitions or disposals and, in the prior year, the loss on disposal of associate, have been excluded from the alternative performance measures due to their ad-hoc non-recurring nature.

4.2 Adjusted Performance Measures

Reconciliations of adjusted performance measures to their statutory GAAP equivalent measures are provided below.

Adjusted EBITDA	Note	**2022 €m**	2021 €m
Operating (loss)/profit		**(217.0)**	126.8
Depreciation and amortisation arising on purchase accounting		**54.3**	51.7
Adjusting items	4.1	**342.7**	34.1
Adjusted EBIT		**180.0**	212.6
Depreciation, amortisation and non-exceptional impairments on non-purchase accounting		**153.3**	140.3
Adjusted EBITDA		**333.3**	352.9

Adjusted Net Income	Note	**2022 €m**	2021 €m
(Loss)/profit for the year		**(279.0)**	16.0
Non-controlling interests' share of profit		**(0.1)**	(1.7)
Share of loss of associate		**—**	0.9
Exceptional tax credit	6	**(20.1)**	(2.8)
Exceptional finance expense	5	**—**	11.8
Adjusting items	4.1	**342.7**	34.1
Adjusted Net Income		**43.5**	58.3

Adjusted Free Cash Flow	Notes	2022 €m	2021 €m
Net cash generated from operating activities		**167.5**	215.1
Net cash used in investing activities		**(116.6)**	(103.6)
Free Cash Flow		**50.9**	111.5
Proceeds from the sale of associate		**—**	(15.5)
Cash received on movements of financial assets at FVTPL		**(0.9)**	—
Net restructuring cash spend		**23.6**	21.3
Tax paid on the gain on disposal of associated undertakings		**3.0**	—
Costs associated with business acquisitions or disposals		**1.8**	—
Adjusted Free Cash Flow		**78.4**	117.3

5. Finance Income and Expense

	2022 €m	2021 €m
Finance income		
Interest on short-term deposits, other financial assets and other interest income	**3.9**	2.6
Fair value gains on derivatives and foreign exchange contracts not in hedged relationships	**1.8**	0.5
Finance income	**5.7**	3.1
Finance expense		
Interest payable on term loans including expensed fees	**(28.3)**	(33.5)
Interest payable on unsecured senior notes including expensed fees	**(23.7)**	(16.7)
Net interest expense of retirement benefit obligations	**(2.8)**	(2.5)
Net interest expense related to specific uncertain tax positions	**(0.1)**	(0.6)
Interest payable on lease liabilities	**(9.3)**	(9.8)
Other finance expense	**(0.2)**	—
Finance expense before exceptional items	**(64.4)**	(63.1)
Unamortised transaction costs expensed on voluntary repayments of borrowings	**—**	(11.8)
Exceptional finance expense	**—**	(11.8)
Finance expense after exceptional items	**(64.4)**	(74.9)
Total net finance expense after exceptional items	**(58.7)**	(71.8)

Fees included in interest payable under the effective interest method	2022 €m	2021 €m
Fees included in interest payable on term loans	**(3.5)**	(4.4)
Fees included in interest payable on unsecured senior notes	**(1.2)**	(0.8)

Fees expensed in exceptional finance expense	2022 €m	2021 €m
Fees expensed in respect of term loans	**—**	(11.8)

Exceptional finance expenses in the prior year of €11.8 million relates to the expensing to the income statement of unamortised transaction costs following the voluntary repayment and partial extinguishment of the Group's Euro and US dollar term loans.

6. Income Tax

6.1. Income Tax (Expense)/Credit

	2022	2021
	€m	€m
Current tax on profit for the year	**(66.0)**	(68.1)
Exceptional - Current tax impact of US refinancing costs	**—**	1.8
Adjustments in respect of prior years	**8.6**	2.7
Total current tax expense	**(57.4)**	(63.6)
Origination and reversal of temporary deferred tax differences	**34.0**	24.5
Exceptional - deferred tax impact of US refinancing charge	**—**	1.0
Exceptional - deferred tax impact of impairment charge	**20.1**	—
Total deferred tax benefit	**54.1**	25.5
Income tax expense - Income Statement	**(3.3)**	(38.1)
Origination and reversal of temporary deferred tax differences	**(6.9)**	(6.8)
Income tax expense - Statement of Comprehensive Income	**(6.9)**	(6.8)
Total income tax expense	**(10.2)**	(44.9)

In 2022, the Group is reporting an exceptional impairment charge of €317.4 million with a deferred tax benefit of €20.1 million which results in an exceptional effective tax rate of 6.3%. 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.

In 2021, the Group reported an exceptional US refinancing charge of €11.8 million with a current corporate tax benefit of €1.8 million and a deferred tax benefit of €1.0 million which resulted in an exceptional effective tax rate of 23.7% (the US 2021 effective tax rate).

The table below analyses the constituent elements of the Group income tax charge separately identifying the tax charges recognised in respect of entities that ordinarily pay tax or where the recognition of deferred tax assets is appropriate, the impact of entities where the level of tax losses limits the payment of tax or restricts the deferred tax recognition in respect of the losses, the impact of withholding taxes suffered in the Group, tax charges recognised in respect of unremitted overseas distributable reserves and the impact of purchase accounting adjustments.

	2022		2021	
	Profit before tax	**Tax charge**	Profit before tax	Tax charge
	€m	**€m**	€m	€m
Results excluding exceptional items	**41.7**	**(23.4)**	65.9	(40.9)
Adjustments:				
Disposal of associated undertaking impact	**—**	**—**	0.2	3.1
Share of associate losses	**—**	**—**	0.9	—
	41.7	**(23.4)**	67.0	(37.8)
Analysed as:				
Tax charges (including deferred tax assets) recognised	**160.4**	**(27.1)**	166.7	(43.8)
Tax losses where no deferred tax assets recognised	**(64.4)**	**(1.5)**	(46.9)	(0.3)
Withholding tax and tax on unremitted distributable reserves	**—**	**(8.3)**	—	(6.1)
Annual amortisation and depreciation of assets with historic purchase price accounting adjustments	**(54.3)**	**13.5**	(52.8)	12.4
	41.7	**(23.4)**	67.0	(37.8)

The tax on the Group's profit/(loss) 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:

	2022			2021		
	Before exceptional items €m	**Exceptional items €m**	**After exceptional items €m**	Before exceptional item €m	Exceptional items €m	After exceptional items €m
Profit/(loss) before income tax	**41.7**	**(317.4)**	**(275.7)**	65.9	(11.8)	54.1
Income tax calculated at UK statutory tax rate of 19% (2021: 19%) applicable to profits in respective countries	**(7.9)**	**60.3**	**52.4**	(12.5)	2.2	(10.3)
Tax effects of:						
Overseas tax rates (excluding associates)	**(3.6)**	**3.0**	**(0.6)**	(5.9)	0.6	(5.3)
Income not subject to tax	**9.9**	**—**	**9.9**	7.1	—	7.1
Expenses not deductible for tax purposes - other & UK non-deductible interest/expenses	**(17.1)**	**—**	**(17.1)**	(16.6)	—	(16.6)
Expenses not deductible for tax purposes - goodwill impairment	**—**	**(41.2)**	**(41.2)**	—	—	—
Temporary differences on unremitted earnings	**0.2**	**—**	**0.2**	0.6	—	0.6
Specific tax provisions	**(3.6)**	**—**	**(3.6)**	(2.9)	—	(2.9)
Unrecognised current year deferred tax assets	**(9.1)**	**(2.0)**	**(11.1)**	(7.1)	—	(7.1)
Other taxes	**(10.1)**	**—**	**(10.1)**	(10.7)	—	(10.7)
Adjustment in respect of prior years - current tax adjustments	**8.6**	**—**	**8.6**	2.7	—	2.7
Adjustment in respect of prior years - deferred tax adjustments	**6.4**	**—**	**6.4**	(0.3)	—	(0.3)
Impact of changes in tax rate	**(0.4)**	**—**	**(0.4)**	1.5	—	1.5
Double Tax Relief and Other Tax Credits	**3.3**	**—**	**3.3**	3.2	—	3.2
Income tax (expense)/benefit - Income Statement	**(23.4)**	**20.1**	**(3.3)**	(40.9)	2.8	(38.1)
Deferred tax expense on re-measurement of retirement benefit obligations	**(6.9)**	**—**	**(6.9)**	(6.8)	—	(6.8)
Income tax expense - Statement of Comprehensive Income	**(6.9)**	**—**	**(6.9)**	(6.8)	—	(6.8)
Total tax (expense)/benefit	**(30.3)**	**20.1**	**(10.2)**	(47.7)	2.8	(44.9)

Other taxes comprised various local taxes of €1.7 million (2021: €2.2 million) together with taxes withheld on dividend, interest and royalty remittances totalling €8.4 million (2021: €8.5 million).

In 2022, the Group reported an exceptional impairment charge of €317.4 million with a deferred tax benefit of €20.1 million. The majority of the impairment charge is related to goodwill which is not tax deductible, and this results in a material unfavourable permanent tax adjustment.

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

6.2. Deferred Tax Assets and Liabilities

	2022	2021
	€m	€m
Deferred tax assets	**105.2**	70.5
Deferred tax liabilities	**(80.7)**	(95.8)
	24.5	(25.3)

6.2.1. Movement on Net Deferred Tax Assets/(Liabilities)

	2022	2021
	€m	€m
At 1 January	**(25.3)**	(41.9)
Income statement benefit	**34.0**	24.5
Exceptional income statement benefit - tax impact of impairment charge	**20.1**	—
Exceptional income statement benefit - tax impact of US refinancing charge	**—**	1.0
Tax on remeasurement of retirement benefit obligations	**(6.9)**	(6.8)
Transfer of uncertain tax position balance from deferred tax to current tax	**2.0**	0.6
Currency translation	**0.6**	(2.7)
At 31 December	**24.5**	(25.3)

7. Earnings Per Share

7.1. Basic and Diluted Earnings Per Share

	2022			2021		
	Loss 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	**(279.1)**	**513.1**	**(54.39)**	14.3	519.1	2.76
Dilutive potential ordinary shares	**—**	**—**	**—**	—	5.5	—
Diluted	**(279.1)**	**513.1**	**(54.39)**	14.3	524.6	2.73

In 2022, dilutive potential ordinary shares of 7.3 million were not included in the calculation of diluted earnings per share in the year because they were antidilutive, but could potentially dilute basic earnings in the future. below.

7.2. Adjusted Earnings Per Share

	2022		2021	
	Adjusted basic	**Adjusted diluted**	Basic	Diluted
Adjusted Net Income (€m)	**43.5**	**43.5**	58.3	58.3
Weighted average number of shares (in millions)	**513.1**	**513.1**	519.1	524.6
Adjusted Earnings Per Share (€, in cents)	**8.48**	**8.48**	11.23	11.11

Adjusted Net Income is based on the loss for the year attributable to shareholders of €279.1 million (2021: €14.3 million profit), after adding back exceptional items net of tax, associate dividends received and eliminating the impact of net restructuring charges, foreign exchange gains or losses, and the impact of any business acquisitions or disposals, totalling €322.6 million (2021: €44.0 million). These different profit measures are fully reconciled in Note 4.

8. Intangible Assets

	2022	2021
	€m	€m
Goodwill	**353.9**	564.3
Capitalised development expenses, computer software and licences, technology and customer platforms	**250.0**	320.5
Total intangible assets	**603.9**	884.8

8.1. Goodwill

Goodwill is deemed to have an indefinite useful life. It is carried at cost and reviewed annually for impairment.

	€m
Cost at 1 January 2022	**747.6**
Currency translation	**11.4**
Cost at 31 December 2022	**759.0**
Accumulated impairment at 1 January 2022	**(183.3)**
Impairment - exceptional charge	**(217.1)**
Currency translation	**(4.7)**
Accumulated impairment at 31 December 2022	**(405.1)**
Net book value at 31 December 2022	**353.9**

	€m
Cost at 1 January 2021	714.2
Currency translation	33.4
Cost at 31 December 2021	747.6
Accumulated impairment at 1 January 2021	(178.3)
Currency translation	(5.0)
Accumulated impairment at 31 December 2021	(183.3)
Net book value at 31 December 2021	564.3

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

Intangible assets are amortised over their useful economic life, which range from three to 25 years.

	Capitalised development expenses	Computer software and licences	Technology	Customer platforms*	Total
	€m	€m	€m	€m	€m
Cost at 1 January 2022	**267.2**	**24.9**	**137.8**	**481.9**	**911.8**
Accumulated amortisation	**(161.0)**	**(15.4)**	**(132.6)**	**(282.3)**	**(591.3)**
Net book value at 1 January 2022	**106.2**	**9.5**	**5.2**	**199.6**	**320.5**
Additions	**23.3**	**1.0**	**—**	**—**	**24.3**
Disposals	**(1.8)**	**—**	**—**	**—**	**(1.8)**
Amortisation charge	**(26.2)**	**(4.3)**	**(2.0)**	**(42.6)**	**(75.1)**
Impairments - exceptional charge	**(11.1)**	**(0.6)**	**—**	**(11.9)**	**(23.6)**
Currency translation	**1.0**	**0.2**	**0.3**	**4.2**	**5.7**
Net book value at 31 December 2022	**91.4**	**5.8**	**3.5**	**149.3**	**250.0**
Cost at 31 December 2022	**270.5**	**25.7**	**138.5**	**492.2**	**926.9**
Accumulated amortisation	**(179.1)**	**(19.9)**	**(135.0)**	**(342.9)**	**(676.9)**
Net book value at 31 December 2022	**91.4**	**5.8**	**3.5**	**149.3**	**250.0**

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

	Capitalised development expenses	Computer software and licences	Technology	Customer platforms*	Total
	€m	€m	€m	€m	€m
Cost at 1 January 2021	254.4	23.3	126.7	455.2	859.6
Accumulated amortisation	(151.5)	(12.7)	(119.8)	(227.7)	(511.7)
Net book value at 1 January 2021	102.9	10.6	6.9	227.5	347.9
Additions	27.4	1.8	—	—	29.2
Disposals	(0.5)	—	—	—	(0.5)
Amortisation charge	(25.7)	(3.4)	(2.1)	(39.0)	(70.2)
Currency translation	2.1	0.5	0.4	11.1	14.1
Net book value at 31 December 2021	106.2	9.5	5.2	199.6	320.5
Cost at 31 December 2021	267.2	24.9	137.8	481.9	911.8
Accumulated amortisation	(161.0)	(15.4)	(132.6)	(282.3)	(591.3)
Net book value at 31 December 2021	106.2	9.5	5.2	199.6	320.5

The above amortisation charges for 'technology' and 'customer platforms' amounting to €44.6 million (2021: €41.1 million) arise from intangible assets recognised through purchase price accounting. Amortisation charges are included within cost of sales.

As at 31 December 2022, goodwill of €353.9 million (2021: €564.3 million), technology of €3.5 million (2021: €5.2 million) and customer platforms of €149.3 million (2021: €199.6 million) relate to assets that arose from purchase price allocations following historic acquisitions.

9. Impairments

9.1. Impairment Tests for Goodwill and Intangibles

As part of the Bain Capital acquisition, the purchase of TIFS Holdings Ltd ('TIFSHL') on 30 June 2015, being the previous parent company of the Group, and the consequent fair valuation of assets and liabilities, resulted in recognition of goodwill of €711.1 million and other intangible assets of €663.2 million. The purchase of Millennium Industries Corporation on 16 February 2016 resulted in recognition of goodwill of €57.1 million and other intangible assets of €72.6 million, included in the FCS North Americas CGU.

The non-goodwill intangible assets recognised from the acquisitions outlined above included €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.

During 2020, an impairment loss of €304.6 million was recognised due to volume deterioration driven by the COVID-19 pandemic, with €184.2 million allocated to goodwill and the remaining €120.4 million apportioned across other assets on a pro rata basis, as required by IAS 36 'Impairment of assets'.

The impairment test for goodwill and intangible assets is conducted at the CGU level, which the Group defines as the intersection between the two operating segments, FCS and FTDS, and the geographic sub-divisions, North America ('NA'), Europe and Africa ('EU'), Asia Pacific ('AP') and Latin America ('LA'). This is the level at which goodwill is monitored by management.

As observed in the external forecasts from S&P Global Mobility, since 2020, declining volume projections persisted for light vehicle production, driven by reduction in production expectations of internal combustion engine ('ICE') light vehicles which exceeds the growth of BEV platform production. Supply chain disruptions and semiconductor shortage issue remained, as well as the continued impact of the COVID-19 pandemic (notably in China) and Russia’s invasion of Ukraine. The businesses have also faced significant inflationary pressures on input prices and energy costs, and challenges in passing these on to customers, which has impacted our business and operating profit margin significantly. In 2022, increases in general levels of interest rates impacted the discount rates. This together with increases in cost of living in several countries significantly impacted the level of consumer demand. The collective impact of these adverse events (particularly the disruptive effect of Russia's invasion, interest rate increases and cost of living crisis) became pronounced in the second half of 2022.

In the light of these factors and the limited level of headroom since the recognition of the impairment loss in June 2020, the results of the 2022 impairment test indicated that the carrying values of CGU assets were higher than their recoverable amounts for four of the CGUs, resulting in the following impairment loss being recognised at 31 December 2022:

	Recoverable amount €m	Impairment of goodwill €m	Impairment of other assets €m	Total exceptional impairment charge €m
FCS North America	309.3	76.4	—	76.4
FCS Europe & Africa	159.0	140.7	78.4	219.1
FCS Latin America	—	—	1.8	1.8
FTDS Europe & Africa	285.8	—	20.1	20.1
	754.1	**217.1**	**100.3**	**317.4**

The 'other asset' impairment loss of €100.3 million was apportioned across the respective CGU asset categories on a pro rata basis, resulting in the following asset class allocation:

	2022 impairment charge €m
Goodwill	217.1
Capitalised development expenses	11.1
Computer software and licences	0.6
Other intangible assets	11.9
Land & buildings	6.3
PP&E	52.0
Right-of-use assets	18.4
	317.4

Following the impairment, the carrying values of goodwill and other intangible assets as at 31 December 2022 were as follows:

	2022		2021	
	Goodwill €m	**Other intangibles €m**	Goodwill €m	Other intangibles €m
FCS				
North America	**83.6**	**63.5**	150.1	73.1
Europe and Africa	**—**	**21.2**	140.7	42.3
Asia Pacific	**244.6**	**61.6**	247.4	77.2
Latin America	**—**	**—**	—	0.1
FTDS				
North America	**—**	**5.1**	—	6.6
Europe and Africa	**—**	**58.6**	—	76.0
Asia Pacific	**25.7**	**40.0**	26.1	45.2
Latin America	**—**	**—**	—	—
	353.9	**250.0**	564.3	320.5

The intangible assets above include customer platforms arising on the Bain and Millennium acquisitions with carrying values at 31 December 2022 of €114.5 million and €22.1 million respectively (2021: €145.8 million and €25.8 million) with remaining useful lives of 3.5 and 4.1 years.

9.2. 2022 Impairment Assessment

IAS 36 'Impairment of assets' requires the recoverable amount to be determined based on the higher of value in use and fair value less costs of disposal. In carrying out the 2022 annual impairment assessment, management considered both value in use and fair value less costs of disposal to determine the recoverable amount. The resultant impairment loss is based on fair value less costs of disposal of the CGUs (prior year assessment was based on value in use which indicated no impairment), which were estimated with the input of external experts, using a weighted combination of the discounted cash flow method at 75%, and guideline public company method at 25% (where fair values are determined by referring to the historical and/or anticipated financial metrics of the CGUs by multiples, such as enterprise value to EBITDA, derived from an analysis of certain guideline companies). These fair values are classified as Level 3 fair value measurement within the fair value hierarchy.

The basis of the fair value less costs of disposal valuation is forecast operating cash flows covering the years 2023-2027 from the Group's latest budget and medium-term plan ('MTP') approved by the Board of Directors, which utilises November 2022 S&P Global Mobility global light vehicle production forecasts.

The S&P Global Mobility forecasts have been moderated to capture management's best assessment of potential estimation error, in light of the ongoing impact of global semiconductor shortages on the automotive manufacturing process and other macroeconomic factors. The Group is therefore forecasting based on global automotive production volumes of 83.0 million in 2023, with a similar reduction from S&P Global Mobility maintained across the MTP to 2027. This adjustment draws on management's experience and judgement, with consideration given to variances between historic forecasting and subsequent actual volumes retrospectively observed during periods of fluctuating growth / decline in the market.

Volume forecasts are further adjusted for product mix, pricing assumptions and market outperformance to establish forecast sales values. Contribution margin, fixed cost, research and development expenditure, capital expenditure and working capital management estimates are then applied to arrive at the forecast operating cash flows for inclusion in the model. In following this approach, management carefully assessed the cost recovery rates that are expected to be achieved in the future taking into consideration historical experiences. In addition, the impact of cost increases arising from the continued effect of decarbonisation of the supply chain or carbon taxes, is assumed to be recovered from the customer base.

Cash flows resulting from restructuring activities and cash flows that are generated from enhanced capital expenditure are reflected in the forecasts. Cash flows from the Corporate function are allocated to CGUs based on their respective proportion of total Group revenue.

The five year operating cash flows were taken from the MTP and a further five years (extrapolated using the long-term expected growth rate), were then discounted to present value using CGU specific discount rates and combined with a perpetuity value calculated by applying the long-term expected growth rate to the terminal year cash flow forecast.

A single base set of 2023-2027 volume forecasts has been utilised, with a specific FTDS long term expected negative growth rate being applied in the long-term cash flow estimation, as further explained below.

Management have considered the potential impacts of climate change on the impairment assessment. Cost implications of managing the impact of climate change have been incorporated into the forecast operating cash flows used in the impairment model. These include capital investments to reduce the carbon output from the Group's production processes and additional budget for increasing the mix of renewable energy within the Group's electricity consumption, in line with our commitment to a 50% reduction of Scope 1 and 2 emissions and a 30% reduction in Scope 3 emissions by 2030 based on absolute 2021 emission levels. As previously noted, other costs arising from the effects of climate change are assumed to be recovered from customers.

Climate change also poses transitional risks to the products that the Group currently manufacture. This is particularly evident in the FTDS division, where existing products predominantly cater for internal combustion engine (ICE) vehicle platforms. The impact of climate change on environmental regimes and automotive market trends has a significant bearing on the rate of transition to battery electric vehicle (BEV) platforms. In some jurisdictions this transition will be mandated, as governments announce deadlines for curtailing the production of ICE vehicles, in order to achieve commitments on emissions.

Whilst an increase in hybrid electric vehicle (HEV) production and their need for higher margin pressurised fuel tanks, offers mid-term opportunities for the FTDS division, the eventual transition to BEV will result in a declining market for existing FTDS products. Management's forecasts suggest the peak in ICE and HEV vehicle production will occur in the mid-to late-2020s with BEV platforms subsequently driving future growth in the automotive market.

The risk to future cash flows that can be achieved from the current FTDS technology and asset base has been captured in the impairment model by applying a negative growth rate to the terminal year perpetuity calculation. This is to account for the expected decline in the volumes of ICE and HEV vehicle after the MTP period (i.e. from 2028) due to the current climate change commitment from the COP21 Paris Agreement to limit global temperature increases over the next century to 1.5 to 2 degrees Celsius and associated climate change mitigations, coupled with changing customer behaviour in the future.

As the FCS division is less susceptible to future changes in platform mix that may arise as a result of climate change, it was not deemed appropriate to apply a negative growth rate, and a conventional positive long-term expected growth rate is used in the perpetuity calculation.

The 2022 impairment assessment resulted in impairment losses in four CGUs, being FCS North America, FCS Europe & Africa, FCS Latin America and FTDS Europe & Africa. These impairment losses are sensitive to reasonably possible changes in key assumptions. A low headroom was observed in FTDS North America (€7.2 million), primarily impacted by the use of negative growth rates in the terminal year perpetuity formula in response to the long-term forecast decline in ICE and HEV vehicle production.

The key assumptions used in the fair value less costs of disposal calculations are as follows:

- forecast operating cash flows
- long-term expected growth rates
- discount rates

Forecast operating cash flows are established as described above, based upon the Budget and MTP approved by the Board of Directors which were prepared using external forecast volume data from S&P Global Mobility.

Long-term expected growth rates and discount rates are determined with input from external 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. As described above, for FTDS specifically, negative growth rates have been used in the terminal year perpetuity calculation to reflect the impact climate change may have on the rate of market transition to BEVs.

The negative growth rates utilise a long-term forecast prepared by management in conjunction with information from external sources, covering the period from 2028 to 2035. Based on this, a long-term negative compound annual growth rate (CAGR) was calculated for each of the FTDS CGUs, reflecting a forecast decline in ICE and HEV volumes to 35.8 million in 2035 (a reduction from the 39.9 million utilised in the 2021 impairment test).

These negative growth rates are then applied in perpetuity and therefore reflected in the expected cash generation from ICE and HEV sales from 2028 onwards.

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, and reflecting an appropriate company specific risk premium, with input from external experts.

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

	2022		2021		
	Post-tax		Pre-tax		
	FCS	**FTDS**	FCS	FTDS Base	FTDS Down
Discount rates					
North America	**13.50%**	**14.00%**	15.25%	16.00%	16.00%
Europe and Africa	**14.75%**	**15.25%**	15.00%	15.25%	15.25%
Asia Pacific	**16.25%**	**13.00%**	13.75%	16.40%	16.40%
Latin America	**16.25%**	**n/a**	23.75%	23.00%	23.00%
Long-term growth rates					
North America	**2.00%**	**(10.00%)**	2.00%	(8.30%)	(19.70%)
Europe and Africa	**2.75%**	**(9.75%)**	2.75%	(8.80%)	(20.90%)
Asia Pacific	**5.00%**	**(0.80%)**	5.00%	(5.00%)	(11.50%)
Latin America	**4.50%**	**n/a**	4.50%	n/a	n/a

Discount rates used in the current year fair value less costs of disposal model were post-tax (prior year value in use model used pre-tax discount rates). Discount rates and long-term growth rates are not applicable for FTDS Latin America as its cash flow model is based on forecast cash flows ending in 2022, as the Group has ceased operations in this CGU.

For the prior year value in use model, Management prepared two negative growth rate scenarios in FTDS, to reflect potential variations in the rate of market transition to BEV platforms. A probability weighted average of these two scenarios was then used to establish recoverable amount. In the current year fair value less costs of disposal model, a single negative growth rate scenario has been used to establish recoverable amount. The estimation risk associated with this single scenario has been captured through sensitivity analysis, as outlined below.

Management considers the assumptions used in the impairment model to be critical accounting estimates, as there is a significant risk of a material adjustment in the next twelve months to the carrying value of CGU net assets resulting from changes in these assumptions.

Sensitivity analysis

Where management believes a reasonably possible change in assumption could result in the recognition of additional impairment charges, or in the reversal of previously recognised impairment charges, sensitivity analysis has been performed.

Based on the level of headroom in FCS Asia Pacific and FTDS Asia Pacific, management does not believe a reasonably possible change in assumptions would impact the carrying value of CGU assets.

The Latin America CGUs in both FCS and FTDS were fully impaired in 2020 due to forecast operating losses, with a further minor impairment loss in 2022. Although restructuring activities were subsequently implemented to mitigate these negative cash flows, uncertainty over the longer-term economic viability of operations in this region lead management to conclude that it is appropriate to recognise the impairment losses.

Further sensitivity analysis has therefore been performed for FCS North America, FCS Europe & Africa, FTDS North America and FTDS Europe & Africa.

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

For FCS North America, should a reasonably possible change in input assumption trigger further impairment losses, this would initially be allocated to the carrying value of goodwill of €83.6 million, with any excess then being allocated across other CGU assets on a pro rata basis.

FCS North America, FCS Europe & Africa, FTDS North America and FTDS Europe & Africa are also sensitive to changes in forecast operating cash flows, which could be driven by factors such as reduced demand for products, failure to recover inflationary cost increases and other potential cost pressures, such as the future

imposition of carbon taxes. The table also demonstrates the impact of an isolated 10% reduction in operating cash flow annually and into perpetuity.

		Assumption		Impact of 100 bps change		Impact of 10% change
	Recoverable amount €m	**Post-tax discount rate**	**Long-term expected growth rate**	**Discount rate €m**	**Long-term expected growth rate €m**	**Operating cash flow €m**
FCS North America	**309.3**	**13.50 %**	**2.00 %**	**(30.0)**	**(20.0)**	**(40.0)**
FCS Europe & Africa	**159.0**	**14.75 %**	**2.75 %**	**(20.0)**	**(10.0)**	**(30.0)**
FTDS North America	**31.0**	**14.00 %**	**(10.00)%**	**(3.0)**	**-***	**(8.0)**
FTDS Europe & Africa	**285.8**	**15.25 %**	**(9.75)%**	**(10.0)**	**-***	**(20.0)**

Specific to FTDS, the risks to the division beyond 2027 arising from climate change and the associated rate of consumer transition to BEV vehicles has been captured by using the negative perpetuity growth rate discussed above. If we assume the 2035 volumes used in the CAGR calculations are reached in 2031 and as such the negative trend is accelerated, this would result in the following impact on headroom/(impairment):

	As calculated €m	**Accelerated decline €m**	**Impact €m**
FTDS North America	**7.2**	**5.2**	**(2.0)**
FTDS Europe & Africa	**(20.1)**	**(40.1)**	**(20.0)**

This result highlights the sensitivity of the above CGUs to the rate of decline in long-term ICE and HEV sales, particularly in FTDS Europe & Africa.

10. Borrowings

	2022 €m	2021 €m
Non-current:		
Unsecured senior notes	**592.9**	591.7
Secured term loans and facilities	**521.1**	506.8
Total non-current borrowings	**1,114.0**	1,098.5
Current:		
Secured term loans and facilities	**1.9**	1.8
Total current borrowings	**1.9**	1.8
Total borrowings	**1,115.9**	1,100.3
Unsecured senior notes	**592.9**	591.7
Secured term loans and facilities	**523.0**	508.6
Total borrowings	**1,115.9**	1,100.3

The main borrowing facilities are shown net of issuance discounts and fees of €20.6 million (2021: €24.6 million).

10.1. Movement in Total Borrowings

	Unsecured senior notes	**Term loans and facilities**	**Total borrowings**
	€m	**€m**	**€m**
At 1 January 2022	**591.7**	**508.6**	**1,100.3**
Accrued interest	**22.5**	**24.8**	**47.3**
Scheduled payments	**(22.5)**	**(30.3)**	**(52.8)**
Fees expensed	**1.2**	**3.5**	**4.7**
Currency translation	**—**	**16.4**	**16.4**
31 December 2022	**592.9**	**523.0**	**1,115.9**

	Unsecured senior notes	Term loans and facilities	Other loans	Total borrowings
	€m	€m	€m	€m
At 1 January 2021	—	1,076.6	0.1	1,076.7
Accrued interest	15.9	29.1	—	45.0
Scheduled payments	(15.9)	(35.8)	(0.1)	(51.8)
Fees expensed	0.8	4.4	—	5.2
New borrowings	600.0	—	—	600.0
Fees on new borrowings	(9.1)	(6.2)	—	(15.3)
Voluntary repayments of borrowings	—	(600.0)	—	(600.0)
Fees expensed on voluntary repayments of borrowings	—	11.8	—	11.8
Currency translation	—	28.7	—	28.7
31 December 2021	591.7	508.6	—	1,100.3

In the prior year, the Group successfully executed a refinancing of its external borrowings. It issued €600.0 million unsecured Senior Notes maturing on 15 April 2029 and bearing an interest rate of 3.75% per annum, and its Euro and US dollar term loans were partly repaid and extended to 16 December 2026. The margins on the term loans were also reduced. The refinancing was treated as a partial extinguishment of the Group's term loans, and as a result unamortised transaction costs were recognised as an exceptional finance expense in the prior year's income statement of €11.8 million.

10.2. Currency Denomination of Borrowings

	2022	2021
	€m	€m
US dollar	**267.1**	251.1
Euro	**848.8**	849.2
Total borrowings	**1,115.9**	1,100.3

10.3. Main Borrowing Facilities

The main borrowing facilities are comprised of unsecured Senior Notes and a package of secured loans consisting of a Euro term loan, a US dollar term loan, and a revolving credit facility (which was undrawn during the year except for letters of credit).

The amounts outstanding under the agreements are:

	2022 **€m**	2021 €m
Principal outstanding:		
Unsecured senior notes	**600.0**	600.0
US term loan	**276.2**	261.9
Euro term loan	**260.3**	263.0
Total principal outstanding	**1,136.5**	1,124.9
Issuance discounts and fees	**(20.6)**	(24.6)
Main borrowings facilities	**1,115.9**	1,100.3

Unsecured Senior Notes

The unsecured Senior Notes bear an interest rate of 3.75% per annum and mature on 15 April 2029. Interest on the Notes is payable semi-annually in arrears on 15 April and 15 October of each year.

Term loan

The principal outstanding of the US term loan in US dollars at 31 December 2022 is $294.8 million (2021: $297.8 million). The interest rate on the loan is US-dollar three-month LIBOR (minimum 0.5% p.a.) +3.25% p.a and the amount repayable per quarter on the loan is $750,000 until the final balance falls due on 16 December 2026.

The rate on the Euro term loan is three-month EURIBOR (minimum 0.0% p.a.) +3.25% p.a. and the amount repayable per quarter is €662,500 until the final balance falls due on 16 December 2026.

Revolving Credit Facility

The revolving credit agreement provides a facility of up to $225.0 million. Drawings under this facility bear interest in a range of US-dollar LIBOR +3.0% to US-dollar LIBOR + 3.75% p.a. depending on the Group's total net leverage ratio. The facility is available to be used to issue letters of credit on behalf of TI Group Automotive Systems LLC, a subsidiary undertaking. The facility was undrawn at 31 December 2022 and 31 December 2021 (except for letters of credit see below). The revolving credit facility ('RCF') expires on 16 July 2026 and the non-utilisation fee is 0.25%. In the event the total net leverage ratio is greater than 3.5:1, the non-utilisation fee will increase to 0.375%.

The net undrawn facilities under the RCF are shown below:

	2022		2021	
	$m	**€m**	$m	€m
RCF Agreement	**225.0**	**210.8**	225.0	197.9
Utilisation for letters of credit	**(2.0)**	**(1.9)**	(1.9)	(1.7)
Net undrawn revolving credit facility	**223.0**	**208.9**	223.1	196.2

Issuance discounts and fees

All capitalised fees are expensed using the effective interest rate method over the remaining terms of the facilities. Net issuance discounts and fees at 31 December 2022 are €20.6 million (2021: €24.6 million).

10.4. Other Secured Loans

A subsidiary in Spain granted security over certain of its assets in return for credit facilities from its banks. The loan had total amortisation repayments of €27,000 payable every six months. The facility expired on 15 June 2022 and there is therefore no balance outstanding at 31 December 2022 (2021: €27,000).

10.5. Total Undrawn Borrowing Facilities

	2022 €m	2021 €m
Expiring within one year	**11.1**	10.8
Expiring after more than one year	**208.9**	196.2
Total at floating rate	**220.0**	207.0

All facilities are at floating rates.

10.6. Movements in Net Debt and Lease Liabilities

			Non-cash changes				
	At 1 January 2022 **€m**	**Cash flows** **€m**	**New leases** **€m**	**Fees expensed** **€m**	**Currency translation** **€m**	**Remeas-urement and disposals** **€m**	**At 31 December 2022** **€m**
Cash and cash equivalents	**499.1**	**(11.5)**	**—**	**—**	**3.4**	**—**	**491.0**
Financial assets at FVTPL	**0.9**	**(0.9)**	**—**	**—**	**—**	**—**	**—**
Borrowings	**(1,100.3)**	**5.5**	**—**	**(4.7)**	**(16.4)**	**—**	**(1,115.9)**
Total net debt	**(600.3)**	**(6.9)**	**—**	**(4.7)**	**(13.0)**	**—**	**(624.9)**
Lease liabilities	**(149.9)**	**32.9**	**(42.6)**	**—**	**(3.0)**	**13.0**	**(149.6)**
Net debt and lease liabilities	**(750.2)**	**26.0**	**(42.6)**	**(4.7)**	**(16.0)**	**13.0**	**(774.5)**

	At 1 January 2021 €m	Cash flows €m	Non-cash changes: New leases €m	Fees expensed €m	Currency translation €m	Remeasurement and disposals €m	At 31 December 2021 €m
Cash and cash equivalents	485.8	(11.0)	—	—	24.3	—	499.1
Financial assets at FVTPL	0.9	—	—	—	—	—	0.9
Borrowings	(1,076.7)	22.1	—	(17.0)	(28.7)	—	(1,100.3)
Total net debt	(590.0)	11.1	—	(17.0)	(4.4)	—	(600.3)
Lease liabilities	(151.0)	31.6	(18.1)	—	(5.3)	(7.1)	(149.9)
Net debt and lease liabilities	(741.0)	42.7	(18.1)	(17.0)	(9.7)	(7.1)	(750.2)

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

	2022 €m	2021 €m
Proceeds from new borrowings	**—**	(600.0)
Fees paid on proceeds from new borrowings	**—**	15.3
Voluntary repayments of borrowings	**—**	600.0
Scheduled repayments of borrowings	**5.5**	6.8
Lease principal repayments	**32.9**	31.6
Cash outflows from financing activities arising from changes in financial liabilities	**38.4**	53.7
Borrowings cash flows	**5.5**	22.1
Lease liabilities cash flows	**32.9**	31.6
Cash outflows from financing activities arising from changes in financial liabilities	**38.4**	53.7

11. Retirement Benefit Obligations

11.1. Defined Benefit Arrangements in the Primary Financial Statements

a. Balance Sheet

Net liability	**US pensions €m**	**Other pensions €m**	**US healthcare €m**	**Other post-employment liabilities €m**	**Total €m**
Present value of retirement benefit obligations	**(145.5)**	**(68.9)**	**(28.0)**	**(79.7)**	**(322.1)**
Fair value of plan assets	**117.9**	**77.7**	**—**	**31.1**	**226.7**
Asset ceiling	**—**	**(8.8)**	**—**	**—**	**(8.8)**
Net liability at 31 December 2022	**(27.6)**	**—**	**(28.0)**	**(48.6)**	**(104.2)**

Net liability	US pensions €m	Other pensions €m	US healthcare €m	Other post-employment liabilities €m	Total €m
Present value of retirement benefit obligations	(184.5)	(117.7)	(33.4)	(88.2)	(423.8)
Fair value of plan assets	150.7	126.5	—	27.8	305.0
Asset ceiling	—	(9.3)	—	—	(9.3)
Net liability at 31 December 2021	(33.8)	(0.5)	(33.4)	(60.4)	(128.1)

b. Income Statement

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

Net expense /(income)	**US pensions €m**	**Other pensions €m**	**US healthcare €m**	**Other post employment liabilities €m**	**Total €m**
Current service cost	**—**	**(1.5)**	**—**	**(6.4)**	**(7.9)**
Past service cost	**—**	**—**	**—**	**(0.3)**	**(0.3)**
Settlement / curtailment loss	**—**	**(0.5)**	**—**	**—**	**(0.5)**
Net interest (expense)/income	**(1.0)**	**0.2**	**(0.9)**	**(1.1)**	**(2.8)**
Total expense for the year ended 31 December 2022	**(1.0)**	**(1.8)**	**(0.9)**	**(7.8)**	**(11.5)**

Net expense /(income)	US pensions €m	Other pensions €m	US healthcare €m	Other post employment liabilities €m	Total €m
Current service cost	—	(1.6)	—	(4.3)	(5.9)
Past service cost	—	—	—	0.6	0.6
Settlement/curtailment (loss)/gain	(0.4)	(0.9)	—	0.6	(0.7)
Net interest expense	(1.2)	—	(0.7)	(0.6)	(2.5)
Total expense for the year ended 31 December 2021	(1.6)	(2.5)	(0.7)	(3.7)	(8.5)

Restructuring of the Group's Bramalea Canada facility resulted in a settlement loss of €0.5 million in the year (2021: €0.9 million loss).

c. Statement of Comprehensive Income

Re-measurements of retirement benefit obligations included in the Statement of Comprehensive Income are as follows:

(Expense)/income	**US pensions €m**	**Other pensions €m**	**US healthcare €m**	**Other post employment liabilities €m**	**Total €m**
Return on assets excluding amounts recognised in the Income Statement	**(37.3)**	**(43.5)**	**—**	**—**	**(80.8)**
Changes in demographic assumptions	**—**	**(0.8)**	**—**	**0.3**	**(0.5)**
Changes in financial assumptions	**46.0**	**49.1**	**5.2**	**13.2**	**113.5**
Experience gains/(losses)	**1.3**	**(3.2)**	**1.4**	**(3.9)**	**(4.4)**
Change in asset ceiling	**—**	**0.2**	**—**	**—**	**0.2**
Total net Income for the year ended 31 December 2022	**10.0**	**1.8**	**6.6**	**9.6**	**28.0**

Income/(expense)	US pensions €m	Other pensions €m	US healthcare €m	Other post employment liabilities €m	Total €m
Return on assets excluding amounts recognised in the Income Statement	13.7	3.0	—	0.1	16.8
Changes in demographic assumptions	(0.7)	1.4	(0.2)	—	0.5
Changes in financial assumptions	11.0	4.9	0.5	3.4	19.8
Experience gains/(losses)	(1.3)	3.6	1.3	0.9	4.5
Change in asset ceiling	—	(5.3)	—	—	(5.3)
Total net income for the year ended 31 December 2021	22.7	7.6	1.6	4.4	36.3

11.2. Sensitivity analysis

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

		2022		2021	
Decrease/(increase) in DBO	**Change in assumption**	**Increase €m**	**Decrease €m**	Increase €m	Decrease €m
Discount rate	0.5 %	**15.7**	**(17.2)**	26.9	(30.2)
Inflation rate	0.5 %	**(4.9)**	**4.9**	(9.4)	8.8
Salary growth rate	0.5 %	**(2.2)**	**2.0**	(2.9)	2.9
Life expectancy	1 year	**(8.7)**	**8.8**	(15.1)	15.1
Healthcare cost trend: Initial rate	0.5 %	**(0.9)**	**0.8**	(1.3)	1.3

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

12. Provisions

Movements in provisions are as follows:

	Product warranty €m	**Restructuring €m**	**Other €m**	**Total €m**
At 1 January 2022	**10.7**	**15.8**	**4.8**	**31.3**
Provisions made during the year	**2.4**	**23.1**	**0.4**	**25.9**
Provisions reversed during the year	**(6.3)**	**(0.3)**	**(0.4)**	**(7.0)**
Provisions used during the year	**(2.1)**	**(30.0)**	**(1.2)**	**(33.3)**
Currency translation	**0.4**	**(0.8)**	**0.1**	**(0.3)**
At 31 December 2022	**5.1**	**7.8**	**3.7**	**16.6**

Total provisions:

	2022	2021
	€m	€m
Non-current	**2.6**	2.6
Current	**14.0**	28.7
Total provisions	**16.6**	31.3

Product warranty

The majority of product warranty provisions relate to specific customer issues, and are based upon open negotiations and past customer claims experience. Utilisation of the warranty provision is expected in 2023.

Restructuring

Restructuring provisions comprise announced headcount reductions and similar costs of balancing production capacity with market requirements. Provisions made during the year of €23.1 million, less provisions reversed during the year of €0.3 million results in a net charge to Income Statement of €22.8 million (2021: €26.8 million). A significant portion of the balance is expected to be utilised in 2023 with the remaining residual amount in 2024.

Other provisions

Other provisions at 31 December 2022 comprise provisions for disputed claims for indirect taxes totalling €0.7 million (2021: €0.7 million) and asset retirement obligations totalling €3.0 million (2021: €4.1 million). Asset retirement obligations are linked to the useful lives of the underlying assets, with expected utilisation ranging from 2023 to 2025. The indirect tax provisions are expected to be utilised over the next five years.

13. Cash Generated from Operations

	2022	2021
	€m	€m
(Loss)/profit for the year	**(279.0)**	16.0
Income tax expense before exceptional items	**23.4**	40.9
Exceptional income tax credit	**(20.1)**	(2.8)
(Loss)/profit before income tax	**(275.7)**	54.1
Adjustments for:		
Depreciation, amortisation and non-exceptional impairment charges	**207.6**	192.0
Exceptional impairment charges	**317.4**	—
Net losses on disposal of PP&E, intangible and right of use assets	**0.3**	0.6
Loss on disposal of PP&E in restructuring costs	**3.7**	—
Loss on disposal of investment in associate before income tax	**—**	0.2
Share-based expense excluding social security costs	**9.6**	6.8
Net finance expense	**58.7**	71.8
Unremitted share of loss from associates	**—**	0.9
Net foreign exchange losses	**0.7**	6.9
Changes in working capital:		
- Inventories	**(34.0)**	34.4
- Trade and other receivables	**(16.3)**	39.3
- Trade and other payables	**27.6**	(83.0)
Change in provisions	**(14.4)**	0.4
Change in retirement benefit obligations	**(2.7)**	(4.6)
Total	**282.5**	319.8

The changes in working capital (movements in inventories, trade and other receivables and trade and other payables) reflect a number of non-cash transactions. The most significant of these arises from movements due to changes in foreign exchange rates, on translation of the Group's overseas operations into the Group's presentation currency, Euro.

14. Glossary of Terms

Adjusted Basic EPS

Adjusted Net Income divided by the weighted average number of shares in issue in the year.

Adjusted EBIT

is defined as Adjusted EBITDA less depreciation, amortisation and non-exceptional impairment on tangible and intangible assets net of depreciation and amortisation on purchase price accounting.

Adjusted EBITDA

EBITDA adjusted for exceptional operating costs, net foreign exchange gains/(losses), net restructuring charges, associate share of profits or losses, associate dividends received and the impact of any business acquisitions or disposals.

Adjusted Free Cash Flow

Free Cash Flow adjusted for cash movements in financial assets at fair value through the profit or loss, net cash flows relating to restructuring, settlement of derivatives and the impact of any business acquisitions or disposals. The restructuring cash adjustment is made to align the treatment of restructuring with the other adjusted measures.

Adjusted Net Income

Profit or Loss for the year attributable to the ordinary shareholders before exceptional items adjusted to reflect associate dividends received and eliminate the impact of net restructuring charges, foreign exchange gains or losses and the impact of any business acquisitions or disposals.

BEV

Battery Electric Vehicles.

CGU

Cash Generating Unit, being the management level of the Group, for example FCS North America.

Constant currency

The remeasurement of prior year results at current exchange rates to eliminate fluctuations in translation rates and achieve a like-for-like comparison.

EBITDA

Profit or loss before tax, net finance expense, depreciation, amortisation and impairment of tangible and intangible assets, and associate share of profits or losses.

EV

Electric Vehicles including BEV and HEV.

FCS

Fluid Carrying Systems, a division of the Group which supplies Brake & Fuel lines and Thermal products.

FHEV

Full Hybrid Electric vehicles, includes PHEV and self-charging HEV.

Free Cash Flow

The total of net cash generated from operating activities and net cash used by investing activities.

FTDS

Fuel Tanks and Delivery Systems, a division of the Group that supplies fuel tanks and fuel pumps and modules.

GLVP

Global Light Vehicle Production of light vehicles.

HEV

Hybrid Electric Vehicles, excluding mild hybrid vehicles.

ICE

Internal Combustion Engine vehicles.

LVP

Light Vehicle production used as a reference when referring to regional data.

MHEV

Mild Hybrid Electric Vehicles, which only have modest electrification.

Net debt

The total of current and non-current borrowings excluding lease liabilities, net of cash and cash equivalents and financial assets at fair value through profit or loss.

Net leverage

Net debt divided by last 12 months' Adjusted EBITDA.

OEM

Original Equipment Manufacturer, used to refer to vehicle manufacturers the main customers of the Group.

Operating profit margin

Operating profit expressed as a percentage of revenue.

PHEV

Plug in Hybrid Electric Vehicles.

Revenue outperformance

The growth in revenue at constant currency compared to the growth in global light vehicle production volumes.

SBTi

Science-Based Target Initiative which is used to refer to the climate change targets aligned to the Paris Agreement targets.