Released: 12 March 2024

TI Fluid Systems

Full Year Results 2023

Double-digit revenue growth and Adjusted EPS up 57%

Confidence in achieving mid-term targets

TI Fluid Systems plc ("The Group"), a global industry leader in highly engineered automotive fluid storage, carrying and delivery systems and thermal management products and systems, announces its results for the year ended 31 December 2023.

€ millions

Adjusted Measures*	**2023**	2022	Change	Constant Currency Change
Revenue	**3,516.2**	3,268.3	7.6%	11.1%
Adjusted EBIT	**259.6**	180.0	44.2%	52.3%
Adjusted EBIT Margin %	**7.4%**	5.5%	190bps	
Adjusted Net Income**	**132.8**	84.3	57.5%	
Adjusted Basic Earnings per Share (€ cents)**	**25.8**	16.4	56.8%	
Adjusted Free Cash Flow	**140.7**	78.4	79.5%	

Statutory Measures	**2023**	2022	Change
Revenue	**3,516.2**	3,268.3	7.6%
Operating Profit / (Loss)	**195.8**	(217.0)	
Profit / (Loss) for the Year	**83.6**	(279.0)	
Basic Earnings per Share (€ cents)	**16.2**	(54.4)	
Dividend per Share (€ cents)	**6.83**	2.54	168.9%

*Adjusted measures are non - IFRS metrics and reconciled in Note 4 and defined in the glossary in Note 15
**Adjusted Net Income and Adjusted Basic EPS definition changed to exclude impact of purchase accounting adjustments, consistent with other metrics, see Note 4

Strong financial performance slightly ahead of expectations:

- Revenue growth of 11.1% at constant currency as we capitalised on industry volume growth, launched new programmes and executed our commercial strategy
- Significant Adjusted EBIT margin expansion, up 190 basis points to 7.4% through commercial performance combined with cost reduction actions
- 57% increase in Adjusted Basic EPS driven by higher profitability and a lower effective tax rate

- Strong Adjusted Free Cash Flow conversion of 36% of Adjusted EBITDA[1] as a result of disciplined working capital management
- Value creation demonstrated by a ROCE of 27.6%
- Net leverage[1] reduced to 1.5x Adjusted EBITDA at year end, ahead of plan
- Enhanced focus on shareholder returns delivered through a 169% increase in full year dividend per share to 6.83 € cents and a share buyback programme with 3.8 million shares purchased by year end

Delivering on our strategy for sustainable and profitable growth:

- Bookings secured with lifetime revenue of €3.0 billion, including BEV bookings of €1.3 billion, of which one third in China. First bookings for Integrated Thermal Management modules in China and Europe
- Three further e-Mobility Innovation Centres opened in Asia
- Successful acquisition of Cascade Engineering and collaboration with Sanden to strengthen our EV product offering
- Development of electric coolant valve and pump to complete our thermal mechatronics product set for EVs
- Further footprint and cost optimisation initiatives executed successfully to secure long-term competitiveness, adapt to customer needs and deliver our mid-term targets
- 15% reduction in Scope 1 & 2 carbon emissions compared to 2021. 2030 targets approved by SBTi

Outlook for 2024 - productivity to drive continued progress towards our mid-term objectives:

Our 2024 planning assumptions are based on a modest year-on-year industry volume decline. Automotive production volumes for 2024 are forecast to be slightly higher in North America, flat in China and slightly negative in Europe.

For 2024, we expect flat to low-single digit constant currency revenue growth. Through productivity and efficiency initiatives, we expect to further increase our Adjusted EBIT margin above the 7.4% achieved in 2023. We are targeting strong Adjusted Free Cash Flow conversion of approximately 30% of Adjusted EBITDA.

Building on the significant strides made in 2023, we expect 2024 to be another year of progress towards our goal of achieving revenue of €3.8-4.2 billion[1] by 2026 and returning to a double-digit Adjusted EBIT margin in the mid-term.

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[1] Revenue target at constant currency – average 2022 foreign exchange rates

Hans Dieltjens, Chief Executive Officer and President, commented:

"We delivered a strong 2023 financial performance with double-digit revenue growth at constant currency and significant Adjusted EBIT margin expansion driven by unrelenting operational and commercial execution. I would like to thank the team for successfully navigating three years of transformation and external challenges.

Our strategic initiatives, outlined in our Taking-The-Turn strategy, are delivering results as we capitalise on the strengths of our conventional portfolio and the opportunities of electrification.

We remain committed to driving innovation and delivering value for our customers, while maintaining a strong focus on sustainability. Our efforts in these areas are helping to strengthen our position as a leader in our industry and are driving long-term growth and success.

Looking ahead, we expect to make further progress towards our mid-term targets during 2024 as we further increase our emphasis on operational efficiency and productivity. We will continue to execute on our strategic plan and remain focused on delivering strong results for our stakeholders. We are confident in our ability to achieve our mid-term targets and remain excited about the opportunities that lie ahead."

Notes

1. Adjusted EBITDA and net leverage defined in Note 15 in the glossary

Results presentation

TI Fluid Systems plc will host a webcast and audio conference for investors and analysts at 9.00 am UK time on 12 March 2024.

Webcast Link: https://webcast.openbriefing.com/tifluid-fy23/

Conference Call Dial-In Details:

United Kingdom (local):	+44 20 3936 2999
United States (local):	+1 646 664 1960
All other locations:	Global Dial-In Numbers
Conference Code:	080020

Should you wish to pre-register for the audio conference call, please use 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. An audio recording will be available on our website in due course.

Enquiries

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Chief Executive Officer's review

In 2023, we achieved double-digit revenue growth at constant currency, a significant increase in Adjusted EBIT margin and strong cash generation. We also made important progress on the execution of our 'Taking-the-Turn' strategy further positioning TI for a successful transition to electrification.

Strong 2023 performance and progress

In 2023, TI delivered a strong performance, demonstrating the quality, professionalism and commitment of the wider team as the organisation delivered growth in revenue and profitability. This success is a result of the hard work and dedication of our people, and I would like to thank them all for their contribution.

We have made significant progress towards our mid-term financial targets, with revenue growing at 11.1% at constant currency and our Adjusted EBIT margin increasing by 190 basis points to 7.4% as compared to 2022. Our 36% conversion of Adjusted EBITDA to cash reflects our financial discipline. So all in all, we delivered on our promises, with the full year slightly ahead of expectations, even after upgrading our 2023 financial outlook in August.

We also delivered an improvement in our environmental footprint. TI's success is built on innovating and developing products that reduce vehicle emissions and increase efficiency, and we are committed to manufacturing products in a more sustainable manner. Actions to improve our environmental footprint resulted in a double-digit reduction in our Scope 1 & 2 carbon emissions versus a 2021 baseline and we are on plan for our 50% reduction commitment by 2030.

When I became CEO in late 2021, it was clear that we needed to respond to the accelerating pace of the industry transition to electric vehicles (EV). Since then, our Take-the-Turn strategy has driven a significant step up in EV bookings. As we set out at our Capital Markets Event in September 2023, Taking-the-Turn is the next step to accelerate our strategic execution. We also set mid-term financial targets to grow revenue to €3.8-4.2 billion and return to a double-digit Adjusted EBIT margin. Our Taking-the-Turn strategy and progress towards our financial targets are on track.

Our EV product portfolio leverages our deep expertise in fluid handling and builds on existing technologies, products and strengths. Our product-agnostic portfolio is a key differentiator, particularly brake lines which are truly propulsion agnostic, and our lines and connectors which are used in coolant or refrigerant systems, and where we have decades of experience. Additionally, our connectors, lines and Integrated Thermal Modules support the increased cooling and heating requirements of EVs and are expected to translate into higher EV volume growth in the future.

Finally, conventional products are an integral part of our business, particularly fuel tanks and delivery systems for ICE vehicles. We are focused on maximising their profitability and cash flow, and ensuring we capture the opportunities presented by hybrid vehicles.

EVs are clearly the future, but the shape and pace of the transition are more difficult to predict. We are, therefore, disciplined in how we invest in ICE and EV product lines and are successfully managing the transition within our historic levels of restructuring and capital expenditure.

Our industry

TI operates in a dynamic and rapidly changing industry. In 2023, we again demonstrated our agility by responding to significant industry growth while maintaining our focus on execution. Global light vehicle production volumes recovered sharply, increasing by 9.4% year-on-year to 90.1 million units, driven by strong demand, inventory restocking and easing supply chain shortages.

However, the operating environment was not without its challenges, including persistently high inflation, volatility in customer production schedules, and the UAW strike. Despite this, all regions and propulsion types experienced good growth, with EV volumes increasing 36% year on year, resulting in EVs accounting for 24% of global light vehicle production. BEV production increased 33% to account for 13% of global light vehicle production. Production volumes from the local Chinese OEMs increased 21%, well ahead of overall growth in Chinese light vehicle production of 9.4%.

2023 performance: double-digit revenue growth and significant margin recovery

In 2023, TI achieved 11.1% revenue growth at constant currency, with revenue of €3,516.2 million. This growth was driven by the recovery in industry volumes, inflationary cost recoveries, and the successful launch of new products.

We successfully completed launches across a broad mix of product lines, customers and powertrains across all regions which will drive future growth.

Revenue growth was strongest in Europe & Africa and North America, with constant currency growth rates of 14.2% and 14.3% respectively. In both regions we outperformed light vehicle production (by 300 basis points in Europe & Africa, and by 480 basis points in North America). In Asia Pacific, constant currency revenue growth was 4.5%, again reflecting industry volume growth, inflationary recoveries and launches. We underperformed light vehicle production in the region by 450 basis points, due to China where we have lower share with the local OEMs, creating a negative mix effect. As discussed below, we expect launches in 2023 and plans for 2024 will improve our position with local OEMs.

The key financial highlight of the year was the significant recovery in Adjusted EBIT margin to 7.4%, 190 basis points higher year on year. Adjusted EBIT increased 44.2% to €259.6 million from €180.0 million in 2022. This was due to a strong commercial performance and cost actions.

Despite the working capital investment needs of growth, Adjusted Free Cash Flow conversion was 36% of Adjusted EBITDA, better than our track record and prior outlook.

Delivering on our strategic priorities

At our Capital Markets event in September, we outlined our strategy for sustainable and profitable growth. We set clear financial targets based on delivering revenue growth and a return to double-digit Adjusted EBIT margins:

- Revenue: 2026 target of €3.8-4.2 billion; 2030 target of >€4.5 billion[2]
- Adjusted EBIT margin: mid-term target to return to double digits
- Adjusted Free Cash Flow conversion: circa 30% of Adjusted EBITDA
- Carbon emissions: re-affirmed 2030 targets for a 50% reduction in Scope 1 & 2, and a 30% reduction in Scope 3 versus 2021

We made substantial progress towards achieving these targets in 2023, but the entire team recognises that more work remains to be done.

Sustainable, long-term revenue growth

TI has a clear strategy for achieving sustainable revenue growth. The key strategic building blocks include expanding our fluid handling business for EVs, strengthening our position in Modules & Systems for EVs, enhancing our position in China and maximising the profitability of our conventional portfolio for ICE vehicles.

[2] Revenue target at constant currency – average 2022 foreign exchange rates

- **Expanding our fluid handling business - lines & connectors:**
  - EVs present a tremendous growth opportunity for fluid handling products, particularly lines and connectors. We estimate that BEVs require 4-5x as many connectors and 2-4x as many coolant lines versus a comparable ICE vehicle. In 2023, over 40% of our bookings related to Thermal products largely in this field.

  - Our e-Mobility Innovation Centres (eMICs) are a differentiator in winning new thermal management business for EVs. These centres bring critical design, engineering, and testing capabilities under one roof to drive innovation and enable more effective collaboration with customers. They also provide customers with one-stop shops to tackle their thermal management challenges and accelerate speed to market.

  - A key component of our strategy is to further develop our technologies and capabilities for EVs. We can drive this development organically, but there are also inorganic opportunities. A good example is the acquisition of Cascade Engineering Europe (Cascade), which increases our market share in thermal connectors, broadens our speciality connectors offering, and increases our vertical integration. The business was acquired for a base purchase price of circa €26.2 million.

- **Strengthening our position in Modules & Systems:** Towards the end of 2023, we announced a collaboration with Sanden, a leader in refrigerant and e-compressors. This co-operation accelerates development of our next generation Thermal Refrigerant Modules (ITMrs or Integrated Thermal Module refrigerant) as we now can offer system solutions including the compressor, a critical component. We also secured our first bookings for our ITMas or Integrated Thermal Manifolds for coolant applications with programme awards in Europe and China.

- **Enhancing our position in China:** TI has a long history of operating successfully in China, with strong market positions with global OEMs. We are leveraging this position to increase share with the local OEMs who have had strong growth momentum in the last two years. Our actions in 2023, including the decision to move to a regional model and the opening of an eMIC in Jiading, Shanghai, are already showing results and increased traction. Both improve the agility of the local team to respond quickly to specific local market needs in a region where speed is a critical factor. Our progress can be seen in new launches – 48 in 2023, over half with local OEMs, and a further 81 planned for 2024. BEV bookings

amounted to €0.4 billion (2022: €0.4 billion), with a number of strategic wins. These include an entry point with the largest local OEM with brake lines and PHEV tanks.

- **Maximising our conventional portfolio:** The majority of TI's conventional products are used in ICE vehicles where TI is well-positioned to be the natural choice for platform extensions. This is reflected in bookings, which include extensions for a number of ICE programmes. We are also delivering strong profitability - in 2023, our Fuel Tank Delivery Systems segment grew revenue 10.5% at constant currency, well ahead of growth in its addressable markets (estimated at 6.6%), and generated an Adjusted EBIT margin of 8.8%.

Finally, in 2023 we maintained our focus on bookings, which are a key priority and underpin our future success. We successfully maintained our BEV awards at the same level as 2022 at €1.3 billion (2022: €1.3 billion) of which China represented 33% or €0.4 billion (2022: 35% and €0.4 billion respectively). HEV awards were €0.8 billion (2022: €1.3 billion). This was a good performance, particularly given the commercial organisation's focus on inflationary cost recoveries. Moreover, our bookings demonstrate that our Taking-The-Turn strategy is delivering important key wins in Thermal Management, Modules & Systems and in China.

Returning to double-digit Adjusted EBIT margins

In 2023, we took an important step towards achieving our targeted double-digit Adjusted EBIT margin. This was driven by commercial activity, volume growth and productivity measures. Productivity included actions taken to optimise our footprint, headcount and purchasing, with a less volatile trading environment helping to drive efficiency gains. During the year, we invested €13.4 million (2022: €22.8 million) in restructuring, largely related to headcount reductions and footprint optimisation. Cost recoveries also played an important role as we secured compensation for a fair share of inflation borne by TI.

Looking ahead, the three building blocks of our path to a double-digit Adjusted EBIT margin remain unchanged. Conversion of volume growth and mix, recovering costs and driving productivity remain the key three components, combined with launching and winning new EV product lines at historic margins.

Delivering on our sustainability agenda

Sustainability is at the heart of our purpose, commercial strategy and how we run our business. This starts with our products and a focus on new, cleaner technologies to support customers in producing greener vehicles. In 2023, TI revenues related to battery electric and hybrid vehicles are broadly in-line with the industry, and EV bookings represented over two thirds of total bookings.

Secondly, we improved our own environmental footprint. Greater use of renewable energy and increasing energy efficiency has delivered a double-digit reduction in our Scope 1 & 2 emissions in 2023 compared to a 2021 baseline. We are on track to deliver a planned 50% reduction by 2030.

Thirdly, in 2023, we significantly expanded our safety management system to an additional 27 manufacturing locations. This is building awareness, driving better reporting and improving our health & safety culture.

People and shift to a regional organisation

The regional organisation announced last September improves alignment with customers and industry developments. It is also a better fit with the wider geopolitical environment, including deglobalisation. Our regional leaders are better placed to adapt to changes in their individual markets, particularly the EV transition, which is moving at different speeds in different regions. The regional structure allows a more effective shift in resources between product lines and captures synergies as we transition our portfolio for electrification.

Talent remains a key priority. This starts with developing, retaining and promoting talent from within. At the same time, we seek to bring valuable new skills into the Group through select external appointments. As a result, we have a well-balanced leadership team, with a mix of experienced TI leaders and external appointees with a broad range of skills and diversity of experience.

We continue to embed the 'Six Mindsets for Success' into our culture through consistent reinforcement at internal presentations and alignment with our day-to-day activities. By embracing our Six Mindsets, we will instil a winning culture that is agile and able to adapt in order to ensure success through the industry transition.

Improving returns to shareholders

Our revised capital allocation strategy seeks to optimise shareholder value creation by balancing investment in growth with returns. By moving to a progressive dividend, starting with €35 million, we aim to improve returns and visibility. We are also making progress with the €40 million share buyback announced in August.

Confident in our prospects

Looking ahead, we expect to make further progress in 2024 towards our mid-term financial targets as we continue to execute our strategy. Our flexible business model, committed workforce and propulsion agnostic product portfolio mean we are well-positioned to continue create value for shareholders.

Hans Dieltjens
Chief Executive Officer and President

11 March 2024

Chief Financial Officer's Report

Our strong financial performance demonstrates that we are successfully executing the strategy set out in September. We have achieved double-digit revenue growth at constant currency, a 190 basis point Adjusted EBIT margin expansion, a significant reduction in our tax rate and excellent cash conversion, ahead of target. This ultimately results in an industry-leading return on capital employed of 27.6%.

Additionally, we have advanced strategically through M&A and collaborations. Our balance sheet is strong, with leverage reducing to 1.5x Adjusted EBITDA, and our updated capital allocation policy will ensure we provide more attractive returns whilst maintaining our resilience and flexibility to invest in growth.

With our well-defined strategy, we have a significant opportunity to further create value for shareholders by delivering profitable growth. We have made good progress towards our targets through disciplined execution, and I am confident that we will continue to build on this in 2024.

Double-digit revenue growth

Revenue for the year increased 11.1% at constant currency to €3,516.2 million, driven by industry volume growth, higher prices to compensate for cost inflation and new launches. Growth was broad-based across both segments and all regions. Reported revenue growth was 7.6% due to a foreign exchange headwind from the strengthening of the Euro against key currencies, particularly in the second half.

Revenue by segment and by region €m

	2023	2022	**Change**	**Change at constant currency**	**Light vehicle production growth**
Total Group revenue	**3,516.2**	3,268.3	7.6%	11.1%	9.4%
By segment					
FCS	**2,018.1**	1,869.7	7.9%	11.6%	9.4%
FTDS	**1,498.1**	1,398.6	7.1%	10.5%	9.4%
By region					
Europe and Africa	**1,375.3**	1,207.1	13.9%	14.2%	11.2%
Asia Pacific	**1,087.6**	1,114.3	(2.4)%	4.5%	9.0%
North America	**997.8**	895.8	11.4%	14.3%	9.5%
Latin America	**55.5**	51.1	8.6%	16.4%	3.1%

Revenue by segment: Fluid Carrying Systems (FCS) revenue increased 11.6% at constant currency as a result of industry volume growth, inflationary cost recoveries and successful launches of thermal management programmes for hybrid and battery electric vehicles. Fuel Tanks & Delivery Systems (FTDS) revenue increased 10.5% at constant currency, well ahead of the 6.6% growth in its addressable markets. This was driven by inflationary cost recoveries, and our success on hybrid vehicle platforms.

Revenue by region: in Europe & Africa and North America we delivered mid-teens revenue growth at constant currency. In both regions, growth was a result of industry volume growth, inflationary cost recoveries and launches. These more than offset volatility in customer production schedules, particularly for EVs in Europe towards the end of the year. The impact of the UAW strike on our business in the second half was limited. Both regions outperformed light vehicle production.

In Asia Pacific, revenue growth at constant currency was 4.5%, below light vehicle production volume growth due to negative mix effects, specifically market share gains by local Chinese OEMs with whom we are under-represented.

Foreign exchange reduced reported revenue growth by 350 basis points. This is largely related to the strengthening of the Euro against the US dollar, Korean won and Chinese renminbi. Over half of the Group's revenues are denominated in these currencies.

Significant Adjusted EBIT margin recovery

The Group uses several financial measures to manage the business, including Adjusted EBIT, which is a non-IFRS measure, but which has been consistently used by the Group to monitor and measure the underlying operating performance of the business, and to ensure that decisions taken align with the Group's long-term interests. The metrics are also used in certain of our compensation plans and to communicate to our investors. A reconciliation between the reported and adjusted measures is shown in Note 4.

One of the key financial highlights of the year was the significant recovery of the Group's Adjusted EBIT margin, which increased 190 basis points to 7.4% (2022: 5.5%). Adjusted EBIT increased 44.2% to €259.6 million (2022: €180.0 million) with strong operating leverage, converting 32% of incremental revenue into Adjusted EBIT.

The Group benefited from volume growth, inflationary cost recovery agreements with customers in order to recover a fair share of the cost increases borne by TI since 2021, efficiencies in operations and

restructuring benefits. These were only partially offset by other factors, including foreign exchange movements.

2023 represents significant progress towards our mid-term goal of returning to a double-digit Adjusted EBIT margin. We entered 2024 with a strong focus on productivity and a pipeline of initiatives in areas such as purchasing and fixed costs.

Statutory Operating profit was €195.8 million (2022: €217.0 million loss), with a material year-on-year improvement due to the non-recurrence of a €317.4 million exceptional impairment charge and improved underlying profitability compared to 2022. The key adjusting items excluded from Adjusted EBIT but included in statutory operating profit are set out below.

Reconciliation of Adjusted EBIT to reported operating profit

	2023	**2022**
Statutory operating profit/(loss)	**195.8**	**(217.0)**
Depreciation and amortisation on purchase accounting	45.5	54.3
Restructuring costs	13.4	22.8
Exceptional impairment charge	—	317.4
Other	4.9	2.5
Adjusted EBIT	**259.6**	**180.0**

The largest adjusting item relates to non-cash depreciation and amortisation on purchasing accounting, mainly relating to Bain's acquisition of the Group in 2015. In order to improve our cost structure and address the constantly evolving needs of our customers, we incurred restructuring costs of €13.4 million (2022: €3.3 million). These costs are in-line with historic levels and the majority are cash-related.

In 2022, the Group realised an exceptional impairment charge of €317.4 million relating to the impairment of goodwill arising from the Bain acquisition and other assets, including property, plant and equipment, other intangibles and right-of-use assets. There are no material impairment charges relating to 2023.

Higher net finance expense

Net finance expense was higher year on year at €74.7 million (2022: €58.7 million). This was due to increased interest rates on the Group's term loans, retirement obligations and leases, partially offset by higher interest income.

In August 2023, we repaid €99.2 million of term loan debt. This reduced the term loan interest costs and crystallised an accelerated fee write-off of €2.8 million.

Reducing effective tax rate

The adjusted income tax expense was €52.0 million (2022: €36.9 million), with the adjusted effective tax rate reducing to 28.1% (2022: 30.4%) on Adjusted Profit Before Tax of €184.9 million (2022: €121.3 million). Historical one-off factors which have resulted in a higher effective tax rate in recent years have largely been addressed. This combined with significantly higher profitability has resulted in an adjusted effective tax rate reducing towards the average of the countries in which we operate. The Group's statutory income tax expense was €37.5 million (2022: €23.4 million).

Earnings per share significantly higher

During 2023, we updated our definition of Adjusted Net Income to include an adjustment for depreciation and amortisation arising on purchase accounting, net of tax. This is consistent with the definition of Adjusted EBIT and therefore in Management's view, this change in definition improves consistency within the adjusted performance measures and provides increased transparency into the performance of the Company. The adjustment to the comparative data for 2022 is an increase of €40 million, and the data is presented including this adjustment.

On this basis, Adjusted Net Income and Adjusted Basic EPS increased 57.5% to €132.8 million and 56.8% to 25.8 Euro cents respectively (2022 restated: €84.3 million and 16.4 Euro cents). The weighted average number of shares for 2023 was 515.6 million (2022: 513.1 million).

On a statutory basis, the Group's Profit for the Year was €83.6 million (2022: loss of €279 million), resulting in Basic Earnings per Share ('EPS') of 16.2 Euro cents for the year (2022: loss of 54.4 Euro cents).

Maintaining cash discipline: 36% Adjusted Free Cash Flow conversion

Adjusted Free Cash Flow	**2023 €m**	2022 €m
Net cash generated from operating activities	**236.1**	167.5
Net cash used in investing activities	**(131.9)**	(116.6)
Free Cash Flow	**104.2**	50.9
Cash received on movements of financial assets at FVTPL	**—**	(0.9)
Net restructuring cash spend	**14.3**	23.6
Purchase of Cascade Engineering Europe net of cash acquired and pre-existing relationships effectively settled on acquisition	**18.6**	—
Tax paid on the gain on disposal of associated undertakings	**—**	3.0
Cash spend associated with business acquisitions or disposals	**2.4**	1.8
Cash spent on customisation and configuration costs of significant software as a service (“SaaS”) arrangements	**1.2**	—
Adjusted Free Cash Flow	**140.7**	78.4

The Group uses Adjusted Free Cash Flow as its primary operating measure of cash flow performance. Strong cash flow discipline resulted in Adjusted Free Cash Flow conversion of 36% of Adjusted EBITDA, ahead of the Group's circa 30% target.

Adjusted Free Cash flow increased 79% to €140.7 million (2022: €78.4 million), reflecting strong profitability and excellent working capital management. Our working capital ratio improved significantly to 8.7% (2022: 10.3%) due to receivables and inventory management. As a result, the Group's working capital outflow was only €11.1 million (2022: €22.7 million outflow) despite double-digit revenue growth. Group tax payments increased to €66.5 million (2022: €58.3 million).

Our capex needs are modest, at 3.5% of revenue in 2023, with €124.4 million (2022: €117.9 million) largely consisting of maintenance capex and thermal growth investments. The net cash outflow on restructuring was €14.3 million (2022: €23.6 million), predominantly related to severance payments.

Free cash flows of €104.2 million (2022: €50.9 million) were offset by financing cash outflows of €162.5 million, the largest item being the €99.2 million prepayment of our USD term loan. The €18.6 million cash outflow for acquisitions relates to Cascade Engineering Europe (including payment of an existing trading balance with Cascade). Other financing cash flows include total dividend cash outflow of €19.8 million (2022: €12.6 million) and a further €6.3 million outflow as part of the ongoing share buyback programme announced in August 2023.

Very strong return on capital employed ('ROCE')

The Group's 'ROCE' increased to an industry-leading level of 27.6% (2022:18.3%). This demonstrates our discipline in deploying capital effectively to maximise value creation.

Improving returns for shareholders: progressive dividend and share buyback

Under the Group's revised capital allocation policy, TI has adopted a progressive dividend policy. This seeks to improve the quantum and visibility of shareholder returns, starting with a dividend of €35.0 million for 2023 (2022: €13.1 million). An interim dividend of 2.30 Euro cents per share, or €11.8 million, was paid in September 2023. The Board intends to recommend a final dividend of 4.53 Euro cents per share, or €23.2 million.

The Group has made good progress with its €40.0 million share buyback. As at 31 December 2023, 3.8 million shares had been purchased for a total of €5.8 million and cancelled.

Composition of net debt

		Interest	2023		2022	
Borrowings	**Currency**	**rate exposure**	**Amount**	**€ Equivalent**	**Amount**	**€ Equivalent**
Secured US term loan (2026)	USD	1 month term SOFR + 3.25%	$185.0m	€167.5m	$294.8m	€276.2m
Secured Euro term loan (2026)	EUR	3 month EURIBOR + 3.25%	€257.6m	€257.6m	€260.3m	€260.3m
Unsecured Senior Notes (2029)	EUR	Fixed at 3.75%	€600.0m	€600.0m	€600.0m	€600.0m
Unamortised fees				€(13.4)m		€(20.6)m
Total gross debt drawn at year end				**€1,011.7m**		**€1,115.9m**
Cash and cash equivalents at year end				€(416.7)m		€(491.0)m
Net debt				**€595.0m**		**€624.9m**

Additionally, the Group has a revolving facility of up to €203.7 million expiring in July 2026. This was largely undrawn at year end apart from €4.2 million used to issue letters of credit.

Strong balance sheet and liquidity

Net debt at 31 December 2023 was €595.0 million (2022: €624.9m), with the reduction versus the prior year reflecting cash generation. At year end, the Group’s net leverage ratio reduced to 1.5x Adjusted EBITDA (2022: 1.9x), driven by higher Adjusted EBITDA and lower net debt.

The Group's debt is on attractive terms, secured until 2026 and 2029, and with almost 60% drawn facilities at a fixed rate of 3.75%. As announced in August, the prepayment of €99.2 million of USD term loan using available cash has reduced gross leverage. The Group's strong balance sheet provides flexibility to invest in growth in combination with attractive shareholder returns.

Total available liquidity (cash plus available facilities) on 31 December 2023 was €616.2 million (2022: €699.9 million) with the reduction due primarily to the €99.2 million term loan repayment.

The Group excludes IFRS 16 lease liabilities from its net debt and leverage ratio – if these were included, net debt would be €727.5 million (2022: €774.5 million) and net leverage would be 1.9x times Adjusted EBITDA (2022: 2.3x).

The Group operates funded and unfunded defined benefit schemes across multiple territories. All major plans are closed to new entrants, but a few allow for future accrual. Schemes are subject to periodic actuarial valuations. As at 31 December 2023, the Group's net liability position was €103.9 million (2022: €104.2 million) with asset performance offsetting lower discount rates.

Outlook for 2024 - productivity to drive continued progress towards our mid-term objectives:
Our 2024 planning assumptions are based on a modest year-on-year industry volume decline. Automotive production volumes for 2024 are forecast to be slightly higher in North America, flat in China and slightly negative in Europe.

For 2024, we expect flat to low-single digit constant currency revenue growth. Through productivity and efficiency initiatives, we expect to further increase our Adjusted EBIT margin above the 7.4% achieved in 2023. We are targeting strong Adjusted Free Cash Flow conversion of approximately 30% of adjusted EBITDA.

Building on the significant strides made in 2023, we expect 2024 to be another year of progress towards our goal of achieving revenue of €3.8-4.2 billion[3] by 2026 and returning to a double-digit Adjusted EBIT margin in the mid-term.

Alexander de Bock
Chief Financial Officer
11 March 2024

[3] Revenue target at constant currency – average 2022 foreign exchange rates

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.

September 2023 general meeting results update

In accordance with Provision 4 of the UK Corporate Governance Code, we are providing an update on the feedback received and any actions the company intends to take following the outcome of voting at the September 2023 General Meeting.

The General Meeting was held to seek approval of a Rule 9 Waiver in order to allow the Company to exercise the Buy Back Authority granted by shareholders at the 2023 AGM, specifically in respect of a share buyback programme of up to €40 million which formed part of the Group's revised capital allocation policy.

Approval of the Rule 9 Waiver was granted, with 62.45% of Independent shareholders present and voting at the General Meeting in September voting in favour. Following this, the Company actively engaged with shareholders representing over two thirds of votes cast against. Feedback received indicates that votes cast against reflected, principally, opposition to the granting of Rule 9 waivers in general due to concerns over the resultant risk of creeping control. Whilst the Company acknowledges that certain of its shareholders will be obliged to follow their internal voting guidelines and may have objections to the granting of Rule 9 waivers on principle, the Company considers that it remains in the best interest of shareholders to seek shareholder approval of a Rule 9 waiver at its 2024 AGM in order to complete the current €40 million share buyback programme.

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Group Financial Statements
Consolidated Income Statement
For the year ended 31 December 2023

Continuing operations	Note	**2023 Before and after exceptional items €m**	2022 Before exceptional items €m	2022 Exceptional items €m	2022 After exceptional items €m
Revenue	3	**3,516.2**	3,268.3	—	3,268.3
Cost of sales		**(3,059.0)**	(2,938.0)	(100.3)	(3,038.3)
Gross profit/(loss)		**457.2**	330.3	(100.3)	230.0
Distribution costs		**(109.9)**	(112.1)	—	(112.1)
Administrative expenses		**(155.9)**	(119.0)	(217.1)	(336.1)
Net foreign exchange losses		**(0.2)**	(0.7)	—	(0.7)
Other gains and losses		**4.6**	1.9	—	1.9
Operating profit/(loss)		**195.8**	100.4	(317.4)	(217.0)
Finance income	5	**7.6**	5.7	—	5.7
Finance expense	5	**(82.3)**	(64.4)	—	(64.4)
Net finance expense	5	**(74.7)**	(58.7)	—	(58.7)
Profit/(loss) before income tax		**121.1**	41.7	(317.4)	(275.7)
Income tax (expense)/credit	6	**(37.5)**	(23.4)	20.1	(3.3)
Profit/(loss) for the year		**83.6**	18.3	(297.3)	(279.0)
Profit/(loss) for the year attributable to:					
Owners of the Parent Company		**83.5**	18.2	(297.3)	(279.1)
Non-controlling interests		**0.1**	0.1		0.1
		83.6	18.3	(297.3)	(279.0)
Total earnings per share (Euro, cents)					
Basic	7	**16.19**			(54.39)
Diluted	7	**16.11**			(54.39)

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	**2023** **€m**	2022 €m
Profit/(loss) for the year		**83.6**	(279.0)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
– Re-measurements of retirement benefit obligations		**0.8**	28.0
– Income tax expense on retirement benefit obligations	6	**(0.7)**	(6.9)
		0.1	21.1
Items that may be subsequently reclassified to profit or loss			
– Currency translation		**(54.1)**	6.0
Total other comprehensive income for the year		**(54.0)**	27.1
Total comprehensive income for the year		**29.6**	(251.9)
Attributable to:			
– Owners of the Parent Company		**29.5**	(252.0)
– Non-controlling interests		**0.1**	0.1
Total comprehensive income for the year		**29.6**	(251.9)

Consolidated Balance Sheet

As at 31 December 2023

	Note	**2023 €m**	2022 €m
Non-current assets			
Intangible assets	8	**542.4**	603.9
Right-of-use assets		**97.1**	109.3
Property, plant and equipment		**546.5**	531.4
Deferred income tax assets	6	**126.1**	105.2
Trade and other receivables		**23.4**	20.6
		1,335.5	1,370.4
Current assets			
Inventories		**378.4**	372.0
Trade and other receivables		**551.2**	541.9
Current income tax assets		**9.0**	7.9
Derivative financial instruments		**3.0**	2.8
Cash and cash equivalents		**416.7**	491.0
		1,358.3	1,415.6
Total assets		**2,693.8**	2,786.0
Equity			
Share capital		**6.8**	6.8
Share premium		**2.2**	2.2
Other reserves		**(109.5)**	(55.4)
Retained earnings		**765.7**	722.6
Equity attributable to owners of the Parent Company		**665.2**	676.2
Non-controlling interests		**0.6**	0.5
Total equity		**665.8**	676.7
Non-current liabilities			
Trade and other payables		**15.1**	12.8
Borrowings	11	**1,010.2**	1,114.0
Lease liabilities		**107.6**	121.5
Deferred income tax liabilities	6	**58.7**	80.7
Retirement benefit obligations	12	**103.9**	104.2
Provisions	13	**2.6**	2.6
		1,298.1	1,435.8
Current liabilities			
Trade and other payables		**632.9**	584.8
Current income tax liabilities		**55.4**	44.5
Borrowings	11	**1.5**	1.9
Lease liabilities		**24.9**	28.1
Derivative financial instruments		**0.1**	0.2
Provisions	13	**15.1**	14.0
		729.9	673.5
Total liabilities		**2,028.0**	2,109.3
Total equity and liabilities		**2,693.8**	2,786.0

Consolidated Statement of Changes in Equity
For the year ended 31 December 2023

	Ordinary shares	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	€m	€m	€m	€m	€m	€m	€m
Balance at 1 January 2023	6.8	2.2	(55.4)	722.6	676.2	0.5	676.7
Profit for the year	—	—	—	83.5	83.5	0.1	83.6
Other comprehensive income	—	—	(54.1)	0.1	(54.0)	—	(54.0)
Total comprehensive income for the year	—	—	(54.1)	83.6	29.5	0.1	29.6
Share-based expense	—	—	—	8.6	8.6	—	8.6
Vested share awards				(15.1)	(15.1)		(15.1)
Issue of own shares from employee benefit trust	—	—	—	11.1	11.1	—	11.1
Purchase of Own Shares for Share Buy Back Programme	—	—	—	(6.3)	(6.3)	—	(6.3)
Amounts committed for future purchase of own shares	—	—	—	(19.0)	(19.0)		(19.0)
Dividends paid	—	—	—	(19.8)	(19.8)	—	(19.8)
Transactions with owners recognised directly in equity	—	—	—	(40.5)	(40.5)	—	(40.5)
Balance at 31 December 2023	6.8	2.2	(109.5)	765.7	665.2	0.6	665.8

	Ordinary shares	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	€m	€m	€m	€m	€m	€m	€m
Balance at 1 January 2022	6.8	2.2	(61.4)	995.9	943.5	0.4	943.9
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

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	**2023 €m**	2022 €m
Cash flows from operating activities			
Cash generated from operations	14	**373.3**	282.5
Interest paid		**(70.7)**	(56.7)
Income tax paid on operating activities		**(66.5)**	(58.3)
Net cash generated from operating activities		**236.1**	167.5
Cash flows from investing activities			
Payment for property, plant and equipment		**(105.4)**	(90.8)
Payment for intangible assets		**(19.0)**	(27.1)
Proceeds from the sale of property, plant and equipment		**1.4**	—
Tax paid on the proceeds from the sale of associated undertakings		**—**	(3.0)
Purchase of Cascade Engineering Europe net of cash acquired		**(16.9)**	—
Interest received		**8.0**	4.3
Net cash used in investing activities		**(131.9)**	(116.6)
Net cash generated from operating & investing activities ('Free Cash Flow')	4	**104.2**	50.9
Cash flows from financing activities			
Purchase of own shares into EBT		**—**	(11.4)
Purchase of own shares for share buy back programme		**(6.3)**	—
Scheduled repayments of borrowings		**(4.0)**	(5.5)
Overdrafts repaid on acquisition of Cascade Engineering Europe (CEE)		**(3.2)**	—
Voluntary repayments of borrowings		**(99.2)**	—
Lease principal repayments		**(30.0)**	(32.9)
Dividends paid		**(19.8)**	(12.6)
Net cash used in financing activities		**(162.5)**	(62.4)
Net decrease in cash and cash equivalents		**(58.3)**	(11.5)
Cash and cash equivalents at the beginning of the year		**491.0**	499.1
Currency translation on cash and cash equivalents		**(16.0)**	3.4
Cash and cash equivalents at the end of the year		**416.7**	491.0

1. General Information

The Group's full financial statements have been approved by the Board of Directors and reported on by the auditors on 11 March 2024. 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 2022 has been delivered to the Registrar of Companies, and those for the year ended 31 December 2023 will be delivered in due course. The independent auditors' report on the full financial statements for the year ended 31 December 2022 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 with the requirements of the Companies Act 2006. 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, retirement benefit obligations, 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.

	2023 €m	2022 €m
Revenue		
– FCS - External	**2,018.1**	1,869.7
- Inter-segment	**66.7**	67.0
	2,084.8	1,936.7
– FTDS - External	**1,498.1**	1,398.6
- Inter-segment	**5.6**	2.8
	1,503.7	1,401.4
Inter-segment elimination	**(72.3)**	(69.8)
Total consolidated revenue	**3,516.2**	3,268.3
Adjusted EBITDA		
– FCS	**195.5**	170.4
– FTDS	**197.5**	162.9
	393.0	333.3
Adjusted EBITDA % of revenue		
– FCS	**9.7%**	9.1%
– FTDS	**13.2%**	11.6%
Total	**11.2%**	10.2%
Adjusted EBIT		
– FCS	**127.9**	95.0
– FTDS	**131.7**	85.0
	259.6	180.0
Adjusted EBIT % of revenue		
– FCS	**6.3%**	5.1%
– FTDS	**8.8%**	6.1%
Total	**7.4%**	5.5%

Restructuring costs of €13.4 million (€10.9 million in FCS and €2.5 million in FTDS) (2022: €22.8 million of which €19.8 million in FCS and €3.0 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. Adjusting Items & Alternative Performance Measures

In addition to the results reported under IFRS, Management use certain non-IFRS financial measures to monitor and measure the performance and profitability of the business and operations. 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, Adjusted Free Cash Flow, Adjusted Basic EPS and Return on Capital Employed (ROCE). 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 15 glossary.

The definition of Adjusted Net Income has been updated in the year to adjust for depreciation and amortisation arising on purchase accounting, net of tax. This is consistent with the definition of Adjusted EBIT and therefore in Management's view, this change in definition improves understandability of the adjusted performance measures. In addition to this, the tax impact on adjusting items has been included as a separate line item. Comparative information has been restated accordingly, increasing Adjusted Net Income by €40.8 million, from €43.5 million to €84.3 million.

Adjusted Performance Measures	Note	2023 €m	2022 €m
Adjusted EBIT	4.2	**259.6**	180.0
Adjusted EBITDA	4.2	**393.0**	333.3
Adjusted Net Income*	4.2	**132.8**	84.3
Adjusted Free Cash Flow	4.2	**140.7**	78.4
Adjusted Basic EPS*	7.2	**25.76**	16.43

*Restated

4.1 Adjusting Items

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

Adjusting Items	Note	2023 €m	2022 €m
Restructuring costs	13	**13.4**	22.8
Exceptional impairment charge		**—**	317.4
Depreciation and amortisation arising on purchase accounting		**45.5**	54.3
Net foreign exchange losses		**0.2**	0.7
Costs associated with business acquisitions or disposals		**3.5**	1.8
Customisation and configuration costs of significant software as a service ("SaaS") arrangements		**1.2**	—
		63.8	397.0

Costs associated with business acquisitions or disposals include €1.8 million in relation to the acquisition of Cascade Engineering Europe (CEE) 'Cascade', see Note 10.

Adjusting items represent transactions that in Management's view do not form part of the substance of the trading activities of the Group, such as large-scale reorganisations, system implementations, acquisition costs and certain non-cash accounting measures.

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

The prior year 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 foreign exchange volatility on our adjusted performance measures.

Costs associated with business acquisitions or disposals and customisation and configuration costs of significant SaaS arrangements in relation to initial costs of multi-year system upgrades or implementations have been excluded from the alternative performance measures due to their ad-hoc nature.

4.2 Adjusted Performance Measures

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

Adjusted EBITDA	Note	**2023 €m**	2022 €m
Operating profit/(loss)		**195.8**	(217.0)
Adjusting items	4.1	**63.8**	397.0
Adjusted EBIT		**259.6**	180.0
Depreciation, amortisation and non-exceptional impairments on non-purchase accounting		**133.4**	153.3
Adjusted EBITDA		**393.0**	333.3

Adjusted Net Income	Note	**2023 €m**	Restated 2022 €m
Profit/(loss) for the year		**83.6**	(279.0)
Non-controlling interests' share of profit		**(0.1)**	(0.1)
Adjusting items	4.1	**63.8**	397.0
Tax impact on adjusting items		**(14.5)**	(33.6)
Adjusted Net Income	7.2	**132.8**	84.3

Adjusted Free Cash Flow	Note	**2023 €m**	2022 €m
Net cash generated from operating activities		**236.1**	167.5
Net cash used in investing activities		**(131.9)**	(116.6)
Free Cash Flow		**104.2**	50.9
Cash received on movements of financial assets at FVTPL		**—**	(0.9)
Net restructuring cash spend		**14.3**	23.6
Purchase of Cascade Engineering Europe net of cash acquired and pre-existing relationships effectively settled on acquisition		**18.6**	—
Tax paid on the gain on disposal of associated undertakings		**—**	3.0
Cash spend associated with business acquisitions or disposals		**2.4**	1.8
Cash spent on customisation and configuration costs of significant software as a service ("SaaS") arrangements		**1.2**	—
Adjusted Free Cash Flow		**140.7**	78.4

The Purchase of Cascade Engineering Europe of €18.6 million above includes €1.7m relating to the effective settlement of pre-existing relationships, which are included in net cash generated from operating activities.

ROCE has been introduced in 2023 as one of the Group's key performance indicators as it provides an indication of our ability to deploy capital effectively to create value. It is defined as adjusted EBIT divided by average capital employed. Capital employed is defined as total equity, excluding taxation balances, derivatives, net debt and lease liabilities, restructuring provisions and balances related to Bain acquisition accounting (goodwill, intangible assets and purchase price allocation adjustments). Balances relating to Bain acquisition accounting are excluded as they represent accounting adjustments to the carrying value of the Group's existing asset base at the time of the Bain Capital purchase of TIFS Holdings Ltd (TIFSHL) on 30 June 2015, instead of assets arising from the Group's investments in

acquisition of external businesses. Average capital employed is calculated as the average of opening and closing capital employed of the year.

Return on Capital Employed	Note	**2023 €m**	2022 €m
Adjusted EBIT		**259.6**	180.0
Capital employed			
Total equity		**665.8**	676.7
Net current and deferred tax (assets)/liabilities		**(21.0)**	12.1
Derivative financial instruments		**(2.9)**	(2.6)
Net debt and lease liabilities	11	**727.5**	774.5
Restructuring provisions	13	**4.6**	7.8
Purchase price allocation balances arising on the Bain acquisition		**(448.7)**	(510.9)
Capital employed		**925.3**	957.6
Average capital employed		**941.5**	983.8
Return on Capital Employed		**27.6%**	18.3%

5. Finance Income and Expense

	2023 €m	2022 €m
Finance income		
Interest on short-term deposits, other financial assets and other interest income	**7.5**	3.9
Interest income on indirect tax receivable	**0.1**	—
Fair value gains on derivatives and foreign exchange contracts not in hedged relationships	—	1.8
Finance income	**7.6**	5.7
Finance expense		
Interest payable on term loans before expensed fees	**(37.4)**	(24.8)
Interest payable on term loans: expensed fees	**(3.1)**	(3.5)
Interest payable on term loans: expensed fees on voluntary repayments of borrowings	**(2.8)**	—
Interest payable on unsecured senior notes before expensed fees	**(22.5)**	(22.5)
Interest payable on unsecured senior notes: expensed fees	**(1.1)**	(1.2)
Net interest expense of retirement benefit obligations	**(4.5)**	(2.8)
Net interest expense related to specific uncertain tax positions	—	(0.1)
Interest payable on lease liabilities	**(10.2)**	(9.3)
Other finance expense	**(0.7)**	(0.2)
Finance expense	**(82.3)**	(64.4)
Total net finance expense	**(74.7)**	(58.7)

6. Income Tax

6.1. Income Tax (Expense)/Credit

	2023	2022
	€m	€m
Current tax on profit for the year	**(77.2)**	(66.0)
Adjustments in respect of prior years	**7.4**	8.6
Total current tax expense	**(69.8)**	(57.4)
Origination and reversal of temporary deferred tax differences	**32.3**	34.0
Exceptional - deferred tax impact of impairment charge	**—**	20.1
Total deferred tax benefit	**32.3**	54.1
Income tax expense - Income Statement	**(37.5)**	(3.3)
Origination and reversal of temporary deferred tax differences	**(0.7)**	(6.9)
Income tax expense - Statement of Comprehensive Income	**(0.7)**	(6.9)
Total income tax expense	**(38.2)**	(10.2)

In 2022, the Group reported 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 in the prior year 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.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. This UK legislation implements a domestic top-up tax and a multinational top-up tax (UK Pillar Two taxes), effective for accounting periods starting on or after 31 December 2023. The Group is in scope of the legislation and has performed an assessment of its potential exposure based on the most recent tax filings, country-by-country reporting for 2022 and tax charges included in these 2023 financial statements for the constituent entities in the Group. Based on the assessment, the UK Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%, there are only a limited number of jurisdictions where the transitional safe harbour relief should not apply and the Group does not expect a material exposure to UK Pillar Two taxes in those jurisdictions. The Group has applied the exception under the IAS 12 Paragraph 4A amendment to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

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

	2023	2022		
	Before and after exceptional items	Before exceptional item	Exceptional items	After exceptional items
	€m	€m	€m	€m
Profit before income tax	**121.1**	41.7	(317.4)	(275.7)
Income tax calculated at UK statutory tax rate of 23.5% (2022: 19%) applicable to profits in respective countries	**(28.5)**	(7.9)	60.3	52.4
Tax effects of:				
Overseas tax rates	**0.7**	(3.6)	3.0	(0.6)
Utilisation of government incentives*	**7.2**	2.1	—	2.1
Favourable adjustments for tax purposes*	**17.7**	7.8	—	7.8
Expenses not deductible for tax purposes	**(17.2)**	(17.1)	—	(17.1)
Expenses not deductible for tax purposes - goodwill impairment	**—**	—	(41.2)	(41.2)
Temporary differences on unremitted earnings	**1.0**	0.2	—	0.2
Specific tax provisions	**(8.3)**	(3.6)	—	(3.6)
Unrecognised current year deferred tax assets	**(10.3)**	(9.1)	(2.0)	(11.1)
Adjustment in respect of prior years - current tax adjustments	**7.4**	8.6	—	8.6
Adjustment in respect of prior years - deferred tax adjustments	**0.8**	6.4	—	6.4
Impact of changes in tax rate	**0.4**	(0.4)	—	(0.4)
Other local taxes, National minimum taxes and withholding taxes	**(21.4)**	(10.1)	—	(10.1)
Double Tax Relief and Other Tax Credits	**13.0**	3.3	—	3.3
Income tax (expense)/benefit - Income Statement	**(37.5)**	(23.4)	20.1	(3.3)
Deferred tax expense on re-measurement of retirement benefit obligations	**(0.7)**	(6.9)	—	(6.9)
Income tax expense - Statement of Comprehensive Income	**(0.7)**	(6.9)	—	(6.9)
Total tax (expense)/benefit	**(38.2)**	(30.3)	20.1	(10.2)

*In the prior year, 'Utilisation of government incentives' and 'Favourable adjustments for tax purposes' were combined and presented as 'Income not subject to tax'.

Favourable adjustments for tax purposes comprised various local tax deductions related to foreign exchange movements, inflation adjustments, local taxes and non-taxable interest.

Other taxes comprised various local and national minimum taxes of €5.2 million (2022: €1.7 million) together with taxes withheld on dividend, interest and royalty remittances totalling €16.2 million (2022: €8.4 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 was related to goodwill that does not carry a

deferred tax balance and therefore this portion of the impairment is not tax effected and 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

	2023 €m	2022 €m
Deferred tax assets	**126.1**	105.2
Deferred tax liabilities	**(58.7)**	(80.7)
	67.4	24.5

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

	2023 €m	2022 €m
At 1 January	**24.5**	(25.3)
Income statement benefit	**32.3**	34.0
Exceptional income statement benefit - tax impact of impairment charge	**—**	20.1
Tax on remeasurement of retirement benefit obligations	**(0.7)**	(6.9)
Transfer of uncertain tax position balance from deferred tax to current tax	**6.5**	2.0
Acquisition - deferred tax asset	**0.1**	—
Currency translation	**4.7**	0.6
At 31 December	**67.4**	24.5

7. Earnings Per Share

7.1. Basic and Diluted Earnings Per Share

	2023			2022		
	Profit attributable to shareholders (€m)	**Weighted average number of shares (in millions)**	**Earnings Per Share (€, cents)**	Loss attributable to shareholders (€m)	Weighted average number of shares (in millions)	Earnings Per Share (€, cents)
Basic	**83.5**	**515.6**	**16.19**	(279.1)	513.1	(54.39)
Dilutive potential ordinary shares	**—**	**2.6**	**—**	—	—	—
Diluted	**83.5**	**518.2**	**16.11**	(279.1)	513.1	(54.39)

The potential shares related to the €19.0 million liability included within accrued expenses regarding amounts committed for future own share purchases for subsequent cancellation, have not been included in the calculation of diluted earnings per share in the year because they would be antidilutive.

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.

7.2. Adjusted Earnings Per Share

	2023		2022	
	Adjusted basic	**Adjusted diluted**	Adjusted basic	Adjusted diluted
Adjusted Net Income (€m)*	**132.8**	**132.8**	84.3	84.3
Weighted average number of shares (in millions)	**515.6**	**518.2**	513.1	513.1
Adjusted Earnings Per Share (€, in cents)*	**25.76**	**25.63**	16.43	16.43

Adjusted Net Income is based on the profit for the year attributable to the Parent Company of €83.5 million (2022: €(279.1) million loss), after adding back exceptional items net of tax, and eliminating the impact of net restructuring charges, foreign exchange gains or losses, depreciation and amortisation arising on purchase accounting, customisation and configuration costs of significant SaaS arrangements, the costs associated with any business acquisitions or disposals, and the tax impact on adjusting items, totalling €49.3 million (2022: €363.4 million). Reconciliations of adjusted profit measures to statutory measures are included in Note 4.

8. Intangible Assets

	2023	2022
	€m	€m
Goodwill	**346.2**	353.9
Capitalised development expenses, computer software and licences, technology and customer platforms	**196.2**	250.0
Total intangible assets	**542.4**	603.9

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 2023	**759.0**
Arising on acquisition (Note 10)	**11.6**
Currency translation	**(24.6)**
Cost at 31 December 2023	**746.0**
Accumulated impairment at 1 January 2023	**(405.1)**
Currency translation	**5.3**
Accumulated impairment at 31 December 2023	**(399.8)**
Net book value at 31 December 2023	**346.2**

	€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

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 €m	Computer software and licences €m	Technology €m	Customer platforms* €m	Total €m
Cost at 1 January 2023	**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 1 January 2023	**91.4**	**5.8**	**3.5**	**149.3**	**250.0**
Additions	**21.6**	**0.7**	—	—	**22.3**
Arising on acquisition (Note 10)	—	**0.1**	—	—	**0.1**
Disposals	**(0.3)**	—	—	—	**(0.3)**
Amortisation charge	**(23.4)**	**(2.4)**	**(1.1)**	**(40.9)**	**(67.8)**
Impairments	**(0.5)**	—	—	—	**(0.5)**
Currency translation	**(2.2)**	**(0.3)**	**(0.2)**	**(4.9)**	**(7.6)**
Net book value at 31 December 2023	**86.6**	**3.9**	**2.2**	**103.5**	**196.2**
Cost at 31 December 2023	**280.8**	**26.3**	**10.8**	**476.1**	**794.0**
Accumulated amortisation	**(194.2)**	**(22.4)**	**(8.6)**	**(372.6)**	**(597.8)**
Net book value at 31 December 2023	**86.6**	**3.9**	**2.2**	**103.5**	**196.2**

*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 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

The above amortisation charges for 'technology' and 'customer platforms' amounting to €42.0 million (2022: €44.6 million) arise from intangible assets recognised through purchase price accounting. Amortisation charges are included within cost of sales. During the year part of the Technology intangible became fully amortised and was disposed, with cost €121.2 million and accumulated amortisation €121.2 million, giving net nil impact on net book value.

As at 31 December 2023, goodwill of €346.2 million (2022: €353.9 million), technology of €2.2 million (2022: €3.5 million) and customer platforms of €103.5 million (2022: €149.3 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 acquisition of Cascade Engineering Europe on 2 November 2023 resulted in the recognition of goodwill with a provisional value of €11.6 million (see note 10).

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.

The impairment test for goodwill and intangible assets is conducted at the level at which Management monitor goodwill, which is the intersection between the two operating segments, FCS and FTDS, and the geographic sub-divisions, North America ('NA'), Europe & Africa ('EU'), Asia Pacific ('AP') and Latin America ('LA').

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'.

A further impairment loss of €317.4 million was recognised in 2022, with €217.1 million allocated to goodwill and the remaining €100.3 million apportioned across other assets on a pro rata basis, as required by IAS 36 'Impairment of assets'. This impairment was driven by several factors, including declining trend in volume projections for light vehicle production, supply chain disruptions and semiconductor shortages, the impact of Russia's invasion of Ukraine, challenges on profit margin posed by inflationary increases in input prices and energy costs to customers, and the impact on discount rates from increased interest rates.

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
Property, plant and equipment (PP&E)	52.0
Right-of-use assets	18.4
	317.4

2023 has seen a stabilisation of the driving factors behind the 2022 impairment. External forecasts from S&P Global Mobility has seen some improvement in the volume projections for light vehicle production when compared to 2022 expectations. The business has been successful in passing on some of the increased costs from inflationary pressures to customers through cost recoveries and repricing, which has improved underlying profitability. Declining bond yields during the year which impacted discount rates have had a favourable effect on the headroom of the CGUs in the 2023 impairment test.

The carrying values of goodwill and other intangible assets as at 31 December 2023 are as follows:

	2023		2022	
	Goodwill €m	**Other intangibles €m**	Goodwill €m	Other intangibles €m
FCS				
North America	**80.8**	**47.2**	83.6	63.5
Europe & Africa	**11.6**	**18.5**	—	21.2
Asia Pacific	**229.6**	**42.6**	244.6	61.6
Latin America	—	—	—	—
FTDS				
North America	—	**2.4**	—	5.1
Europe & Africa	—	**53.1**	—	58.6
Asia Pacific	**24.2**	**32.4**	25.7	40.0
Latin America	—	—	—	—
	346.2	**196.2**	353.9	250.0

Goodwill in FCS Europe & Africa arose on acquisition of Cascade Engineering Europe (CEE), see note 10.

The intangible assets above include customer platforms arising on the Bain and Millennium acquisitions with carrying values at 31 December 2023 of €68.8 million and €16.2 million respectively (2022: €114.5 million and €22.1 million) and remaining useful lives of 2.5 and 3.1 years.

2023 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 2023 annual impairment assessment, management considered both value in use and fair value less costs of disposal to determine the recoverable amount. As a result, recoverable amounts are predominantly determined using fair value less costs of disposal, 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 2024-2028 from the Group's latest budget and medium-term plan ('MTP') approved by the Board of Directors, which utilises S&P Global Mobility global light vehicle production forecasts. The Group is forecasting based on global automotive production volumes commencing in 2024 of 88.1 million.

Volume forecasts are 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 enhanced capital expenditure (such as our developing thermal product portfolio), 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, with a further five years extrapolated using the long-term expected growth rate, which 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 2024-2028 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.

The forecast operating cash flows are on a nominal basis and therefore include the effect of inflation. They are then discounted using nominal discount rates.

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 within the impairment model. These include expenditure to reduce the carbon output from the Group's production processes and to increase 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 a 2021 baseline. 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 manufactures. 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 enforce requirements for curtailing the production of ICE vehicles, in order to achieve climate-related commitments.

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 indicate that 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 2029) 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 2023 impairment assessment resulted in no impairments in the year ended 31 December 2023. A limited headroom was observed in FCS-EU (€13.4 million), which is sensitive to reasonably possible changes in key assumptions.

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 2029 to 2036. 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 revenues over the long-term period. Compared to prior year assumptions, the deterioration in ICE and HEV revenues has been offset by significantly improved forecast revenues arising from BEV platforms, which has improved the negative growth rates in the division.

These negative growth rates are then applied in perpetuity and therefore reflected in the expected cash generation from ICE, HEV, and BEV sales from 2029 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:

	2023		2022	
	Post-tax		Post-tax	
	FCS	**FTDS**	FCS	FTDS
Discount rates				
North America	**12.25%**	**15.00%**	13.50%	14.00%
Europe & Africa	**13.50%**	**12.75%**	14.75%	15.25%
Asia Pacific	**16.00%**	**12.75%**	16.25%	13.00%
Latin America	**14.75%**	**n/a**	16.25%	n/a
Long-term growth rates				
North America	**2.00%**	**(5.75%)**	2.00%	(10.00%)
Europe & Africa	**2.75%**	**(9.50%)**	2.75%	(9.75%)
Asia Pacific	**5.00%**	**—%**	5.00%	(0.80%)
Latin America	**4.50%**	**n/a**	4.50%	n/a

The Group ceased operations in FTDS Latin America in 2022.

Sensitivity analysis

Where 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 North America, FCS Asia Pacific, FTDS North America, FTDS Europe & Africa, and FTDS Asia Pacific, management does not believe a reasonably possible change in assumptions would impact the headroom position of the 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. The sensitivity analysis has therefore been focussed on FCS Europe & Africa due to its relatively lower headroom.

The table below demonstrates the impact of changes in the long-term expected growth rates and discount rates, in isolation, as the CGU's headroom is sensitive to such changes.

FCS Europe & Africa is 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 Europe & Africa	**221.7**	**13.50%**	**2.75%**	**(30.0)**	**(20.0)**	**(30.0)**

Should a reasonably possible change in input assumption materialise and trigger a further impairment loss, it would initially be allocated against the goodwill of €11.6 million, with any excess then being allocated across other assets on a pro rata basis.

10. Acquisition

On 2 November 2023, the Group completed a transaction to acquire 100% of the ordinary share capital of Cascade Engineering Europe (CEE) 'Cascade' an automotive company based in Hungary. After the acquisition, the company was renamed TI Fluid Systems Hungary Kft.

The Company has applied purchase accounting to the acquisition and consolidated the activities of Cascade from the date of acquisition. Acquisition-related costs recognised as an expense in the year total €1.8 million and are included in administrative expenses. There are no unexpensed costs borne by the Group. The revenue contributed by Cascade in the year ended 31 December 2023 totalled €4.3 million.

If the business combination had occurred on 1 January 2023, it is estimated that the group's revenue for the year would have been €25.8 million higher, whilst the impact on the group's profit would not be material. This information is not necessarily indicative of the results of the combined operations, if the acquisition had actually occurred on 1 January 2023 and neither is it indicative of the future results of the combined operations.

The purchase consideration for the acquisition is as follows:

	2 November 2023
	€m
Base purchase price	26.2
Working capital adjustments	0.1
Debt acquired settled immediately post-acquisition	(3.2)
Pre-existing relationships effectively settled on acquisition	(1.7)
Consideration	**21.4**
Initial cash consideration paid as shown in the Cash flow statement	16.9
Deferred consideration to be paid	4.5
Consideration	**21.4**

The purchase price before closing working capital adjustments was $27.7 million (€26.2 million). There is no contingent consideration applicable to the transaction and no contingent liabilities have been recognised on the acquisition. Deferred consideration on the transaction totals $4.8 million, (€4.5 million) of which $1.1 million (€1.0 million) will be paid on 2 November 2024 and $3.7 million (€ 3.5 million) on 2 May 2025.

The purchase consideration and provisional amounts of net assets acquired (including goodwill) are shown in the table below. Due to the proximity of the date of acquisition to the year-end, the values of net

assets acquired as shown above are provisional. Upon finalisation of the purchase price allocation, separable acquired intangible assets will be recognised. These are not expected to be material.

	2 November 2023
	€m
Consideration above	**21.4**
Intangible assets	**0.1**
Right-of-use assets	**0.3**
Property, plant and equipment	**9.0**
Inventories	**6.3**
Trade and other receivables	**4.8**
Deferred income tax assets	**0.1**
Trade and other payables	**(7.0)**
Current income tax liabilities	**(0.3)**
Borrowings: bank overdrafts	**(3.2)**
Lease liabilities	**(0.3)**
Net assets acquired	**9.8**
Total goodwill	**11.6**

The goodwill is attributable to the technical and manufacturing expertise of the workforce and the opportunity to leverage this expertise across key product lines across the Group. None of the goodwill is expected to be deductible for tax purposes.

11. Borrowings

	2023 €m	2022 €m
Non-current:		
Unsecured senior notes	**594.0**	592.9
Secured term loans and facilities	**416.2**	521.1
Total non-current borrowings	**1,010.2**	1,114.0
Current:		
Secured term loans and facilities	**1.5**	1.9
Total current borrowings	**1.5**	1.9
Total borrowings	**1,011.7**	1,115.9
Unsecured senior notes	**594.0**	592.9
Secured term loans and facilities	**417.7**	523.0
Total borrowings	**1,011.7**	1,115.9

The main borrowing facilities are shown net of issuance discounts and fees of €13.4 million (2022: €20.6 million).

11.1 Movement in Total Borrowings

	Unsecured senior notes €m	Term loans and facilities €m	Overdrafts €m	Total borrowings €m
At 1 January 2023	**592.9**	**523.0**	—	**1,115.9**
Accrued interest	**22.5**	**37.4**	—	**59.9**
Scheduled payments including interest	**(22.5)**	**(41.4)**	—	**(63.9)**
Scheduled principal repayments of borrowings	—	**(4.0)**	—	**(4.0)**
Overdrafts acquired on acquisition of Cascade Engineering Europe (CEE)	—	—	**3.2**	**3.2**
Overdrafts repaid on acquisition of Cascade Engineering Europe (CEE)	—	—	**(3.2)**	**(3.2)**
Voluntary repayments of borrowings	—	**(99.2)**	—	**(99.2)**
Fees expensed	**1.1**	**3.1**	—	**4.2**
Fees expensed on voluntary repayments of borrowings	—	**2.8**	—	**2.8**
Currency translation	—	**(8.0)**	—	**(8.0)**
31 December 2023	**594.0**	**417.7**	—	**1,011.7**

Accrued interest payable on the borrowings at 31 December 2023 of €4.8 million (31 December 2022: €4.8 million) is included in current trade and other payables. Scheduled principal repayments of borrowings in the year were €4.0 million (2022: €5.5 million) relating to payments on the Group's term loans and facilities.

On 15 August 2023 the Group made a voluntary repayment of the US dollar tranche of the main borrowings of $108.3 million (€99.2 million). The voluntary repayment was treated as a partial extinguishment of the Group's US term loan, and as a result unamortised transaction costs were recognised as a finance expense in the income statement of $3.0 million (€2.8 million), see Note 5.

On 2 November 2023 the Company acquired Cascade which had overdrafts of €3.2 million. As part of the terms of the acquisition the Company settled this indedbtedness.

	Unsecured senior notes €m	Term loans and facilities €m	Total borrowing s €m
At 1 January 2022	591.7	508.6	1,100.3
Accrued interest	22.5	24.8	47.3
Scheduled payments including interest	(22.5)	(30.3)	(52.8)
Scheduled principal repayments of borrowings	—	(5.5)	(5.5)
Fees expensed	1.2	3.5	4.7
Currency translation	—	16.4	16.4
31 December 2022	592.9	523.0	1,115.9

11.2. Currency Denomination of Borrowings

	2023 €m	2022 €m
US dollar	**163.3**	267.1
Euro	**848.4**	848.8
Total borrowings	**1,011.7**	1,115.9

11.3. 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:

	2023 €m	2022 €m
Principal outstanding:		
Unsecured senior notes	**600.0**	600.0
US term loan	**167.5**	276.2
Euro term loan	**257.6**	260.3
Total principal outstanding	**1,025.1**	1,136.5
Issuance discounts and fees	**(13.4)**	(20.6)
Main borrowings facilities	**1,011.7**	1,115.9

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.

US term loan

The principal outstanding of the US term loan in US dollars at 31 December 2023 is $185.0 million (2022: $294.8 million). On 15 August 2023 the Group made a voluntary repayment of the US dollar tranche of the main borrowings of $108.3 million (€99.2 million). The amount repayable per quarter on the loan was $750,000 but following the voluntary repayment, no further repayments of principal are due on the US term loan until the final balance falls due on 16 December 2026.

Benchmark interest rate transition

During the first six months of the year, the US dollar term loan bore interest at US-dollar three-month LIBOR (minimum 0.5% p.a.) +3.25% p.a. On 30 June 2023, the Group's US dollar term loan agreement was amended to replace the interest rate benchmark, previously US-dollar three-month LIBOR, with an adjusted Term Secured Overnight Financing Rate ("Term SOFR"). The other terms of the agreement were unchanged. From that date, the Group's US dollar term loan agreement incurs interest at one-

month Term SOFR + 0.11448% (minimum 0.5% p.a.) +3.25% p.a. The difference in the interest rate between the US-dollar LIBOR and one-month term SOFR replacement rate, at the date of transition, was not significant. The Group amended the small number of intercompany loan agreements impacted by the transition to Term SOFR in the second half of the year. The Group had no derivative arrangements impacted by the transition, and no changes to the interest rate risk management strategy resulted from the transition.

Euro term loan

The rate on the Euro term loan is unchanged on the prior year at three-month EURIBOR (minimum 0.0% p.a.) +3.25% p.a. and the amount repayable per quarter is €662,500 (2022: €662,500 per quarter) 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 (2022: $225.0 million). Drawings under this facility bear interest in a range of SOFR +3.0% to SOFR + 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 2023 and 31 December 2022 (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% p.a. In the event the total net leverage ratio is greater than 3.5:1, the non-utilisation fee will increase to 0.375% p.a.

The net undrawn facilities under the RCF are shown below:

	2023		2022	
	$m	**€m**	$m	€m
RCF Agreement	**225.0**	**203.7**	225.0	210.8
Utilisation for letters of credit	**(4.7)**	**(4.2)**	(2.0)	(1.9)
Net undrawn revolving credit facility	**220.3**	**199.5**	223.0	208.9

Issuance discounts and fees

All capitalised fees are expensed using the effective interest method over the remaining terms of the facilities. Net issuance discounts and fees at 31 December 2023 are €13.4 million (2022: €20.6 million).

11.4. Total Undrawn Borrowing Facilities

	2023 €m	2022 €m
Expiring within one year	**11.2**	11.1
Expiring after more than one year	**199.5**	208.9
Total	**210.7**	220.0

All facilities are at floating rates.

11.5. Movements in Net Debt and Lease Liabilities

	At 1 January 2023 €m	Cash flows €m	changes					At 31 December 2023 €m
			Cascade Net debt and lease liabilities acquired €m	New lease s €m	Fees expensed €m	Currency translatio n €m	Remeas urement and disposal s €m	
Cash and cash equivalents	**491.0**	**(58.3)**	—	—	—	**(16.0)**	—	**416.7**
Borrowings	**(1,115.9**	**106.4**	**(3.2)**	—	**(7.0)**	**8.0**	—	**(1,011.7)**
Total net debt	**(624.9)**	**48.1**	**(3.2)**	—	**(7.0)**	**(8.0)**	—	**(595.0)**
Lease liabilities	**(149.6)**	**30.0**	**(0.3)**	**(14.4)**	—	**3.7**	**(1.9)**	**(132.5)**
Net debt and lease liabilities	**(774.5)**	**78.1**	**(3.5)**	**(14.4)**	**(7.0)**	**(4.3)**	**(1.9)**	**(727.5)**

	At 1 January 2022 €m	Cash flows €m	Non-cash changes				At 31 December 2022 €m
			New leases €m	Fees expensed €m	Currency translation €m	Remeas-urement and disposals €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)

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

	2023 €m	2022 €m
Voluntary repayments of borrowings	**99.2**	—
Scheduled repayments of borrowings	**4.0**	5.5
Overdrafts repaid on acquisition of Cascade Engineering Europe (CEE)	**3.2**	—
Lease principal repayments	**30.0**	32.9
Cash outflows from financing activities arising from changes in financial liabilities	**136.4**	38.4
Borrowings cash flows	**106.4**	5.5
Lease liabilities cash flows	**30.0**	32.9
Cash outflows from financing activities arising from changes in financial liabilities	**136.4**	38.4

12. Retirement Benefit Obligations

12.1 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	**(141.2)**	**(72.5)**	**(22.3)**	**(88.8)**	**(324.8)**
Fair value of plan assets	**116.2**	**77.1**	**—**	**32.2**	**225.5**
Asset ceiling	**—**	**(4.6)**	**—**	**—**	**(4.6)**
Net liability at 31 December 2023	**(25.0)**	**—**	**(22.3)**	**(56.6)**	**(103.9)**

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)

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	—	**(0.6)**	—	**(8.0)**	**(8.6)**
Settlement / curtailment (loss)/gain	—	**(0.4)**	—	**0.3**	**(0.1)**
Net interest (expense)/income	**(1.4)**	**0.5**	**(1.4)**	**(2.2)**	**(4.5)**
Total expense for the year ended 31 December 2023	**(1.4)**	**(0.5)**	**(1.4)**	**(9.9)**	**(13.2)**

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)

Restructuring of the Group's Bramalea Canada facility resulted in a settlement loss of €0.4 million in the year (2022: €0.5 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	**7.6**	**(0.9)**	**—**	**(0.2)**	**6.5**
Changes in demographic assumptions	**0.8**	**0.9**	**0.3**	**0.1**	**2.1**
Changes in financial assumptions	**(4.1)**	**(3.1)**	**2.9**	**(3.7)**	**(8.0)**
Experience gains/(losses)	**0.4**	**(1.4)**	**0.9**	**(3.9)**	**(4.0)**
Change in asset ceiling	**—**	**4.2**	**—**	**—**	**4.2**
Total net Income for the year ended 31 December 2023	**4.7**	**(0.3)**	**4.1**	**(7.7)**	**0.8**

(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

12.2 Sensitivity analysis

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

Decrease/(increase) in DBO		**2023**		2022	
	Change in assumption	**Increase €m**	**Decrease €m**	Increase €m	Decrease €m
Discount rate	0.5%	**15.7**	**(17.3)**	15.7	(17.2)
Inflation rate	0.5%	**(5.3)**	**5.2**	(4.9)	4.9
Salary growth rate	0.5%	**(2.5)**	**2.3**	(2.2)	2.0
Life expectancy	1 year	**(8.3)**	**8.4**	(8.7)	8.8
Healthcare cost trend: Initial rate	0.5%	**(0.7)**	**0.7**	(0.9)	0.8

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.

13. Provisions

Movements in provisions are as follows:

	Product warranty €m	Restructuring €m	Other €m	Total €m
At 1 January 2023	**5.1**	**7.8**	**3.7**	**16.6**
Provisions made during the year	**4.5**	**13.4**	**3.4**	**21.3**
Provisions reversed during the year	**(0.7)**	—	**(0.1)**	**(0.8)**
Provisions used during the year	**(1.7)**	**(15.9)**	**(1.1)**	**(18.7)**
Currency translation	—	**(0.7)**	—	**(0.7)**
At 31 December 2023	**7.2**	**4.6**	**5.9**	**17.7**

Total provisions:

	2023 €m	2022 €m
Non-current	**2.6**	2.6
Current	**15.1**	14.0
Total provisions	**17.7**	**16.6**

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 2024.

Restructuring

Restructuring provisions comprise announced headcount reductions and similar costs of balancing production capacity with market requirements. Provisions made during the year of €13.4 million (2022: €23.1 million) results in a net charge to the Income Statement of €13.4 million (2022: €22.8 million). A significant portion of the balance is expected to be utilised in 2024 with the remaining residual amount in 2025.

Other provisions

Other provisions at 31 December 2023 comprise provisions for disputed claims for indirect taxes totalling €1.0 million (2022: €0.7 million), asset retirement obligations totalling €1.9 million (2022: €3.0 million) and other supplier, customer and employee claims of €3.0 million (2022: nil). Asset retirement

obligations are linked to the useful lives of the underlying assets, with expected utilisation ranging from 2024 to 2026. The indirect tax provisions are expected to be utilised over the next four years. Other claims are expected to be utilised in 2024.

14. Cash Generated from Operations

	2023	2022
	€m	€m
Profit/(loss) for the year	**83.6**	(279.0)
Income tax expense before exceptional items	**37.5**	23.4
Exceptional income tax credit	—	(20.1)
Profit/(loss) before income tax	**121.1**	(275.7)
Adjustments for:		
Depreciation, amortisation and non-exceptional impairment charges	**178.9**	207.6
Exceptional impairment charges	—	317.4
Net losses on disposal of PP&E, intangible and right of use assets	**0.2**	0.3
Loss on disposal of PP&E in restructuring costs	—	3.7
Share-based expense excluding social security costs	**8.6**	9.6
Net finance expense	**74.7**	58.7
Net foreign exchange losses	**0.2**	0.7
Changes in working capital:		
- Inventories	**(11.6)**	(34.0)
- Trade and other receivables	**(25.8)**	(16.3)
- Trade and other payables	**26.3**	27.6
Change in provisions	**1.8**	(14.4)
Change in retirement benefit obligations	**(1.1)**	(2.7)
Total	**373.3**	282.5

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.

15. Glossary of Terms

Adjusting Items

Adjusting items represent transactions that in Management's view do not form part of the substance of the trading activities of the Group, such as large-scale reorganisations, system implementations, acquisition costs and certain non-cash accounting measures. At the reporting date, Adjusting Items comprise: exceptional items, depreciation and amortisation arising on purchase accounting, net foreign exchange losses/(gains), restructuring costs, customisation and configuration costs of significant software as a service ("SaaS") arrangements and costs associated with business acquisitions or disposals.

Adjusted Basic EPS

Adjusted Net Income divided by the weighted average number of shares outstanding.

Adjusted Diluted EPS

Adjusted Net Income divided by the weighted average number of diluted shares outstanding.

Adjusted EBIT

Operating profit excluding Adjusting Items.

Adjusted EBITDA

Adjusted EBIT plus depreciation, amortisation and non-exceptional impairments on non-purchase accounting.

Adjusted Free Cash Flow

Free Cash Flow adjusted for cash movements in financial assets at fair value through Profit or Loss, and the net cash flows arising on Adjusting Items.

Adjusted Net Income

Profit or Loss for the period attributable to ordinary shareholders, excluding Adjusting Items, net of their tax effect.

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 period 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 property, plant and equipment, intangible assets and right-of-use assets.

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 the last 12 months' Adjusted EBITDA.

OEM

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

PHEV

Plug in Hybrid Electric Vehicles.

ROCE

Return on Capital Employed is Adjusted EBIT divided by the two-year trailing average of capital employed, which is defined as total equity, excluding taxation balances, derivatives, net debt and lease liabilities, restructuring provisions and balances related to Bain acquisition accounting (goodwill, intangible assets and purchase price allocation adjustments).

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.