

Annual Report and Accounts 2018



Company registered number
09402231



TI Fluid Systems plc has almost 100 years of automotive fluid systems expertise with award-winning technologies and products aligned with automotive megatrends, including new product offerings designed for hybrid electric vehicle ('HEV') and electric vehicle ('EV') applications.

We are a leading global supplier of automotive fluid storage, carrying and delivery systems for the light duty automotive market, with strong market positions across all key products.

Overview

- 01 Financial highlights 2018
- 02 At a glance
- 04 Key strengths

Strategic report

- 08 Chairman's statement
- 10 Chief Executive Officer's statement
- 14 Our markets
- 16 Our business model
- 18 Our strategy
- 20 Key performance indicators
- 21 Principal risks and uncertainties
- 24 Corporate responsibility
- 26 Financial review
- 32 Going concern and viability statement

Corporate governance

- 36 Chairman's introduction to Corporate Governance
- 38 Board of Directors
- 40 Corporate Governance report
- 45 Nomination Committee report
- 47 Audit & Risk Committee report
- 53 Annual statement by the Chairman of the Remuneration Committee
- 54 Remuneration in brief
- 55 Annual report on remuneration
- 60 Directors' Remuneration Policy
- 63 Directors' report
- 65 Statement of Directors' responsibilities in respect of the financial statements

Financial statements

- 68 Independent Auditors' report to the members of TI Fluid Systems plc
- 76 Consolidated Income Statement
- 77 Consolidated Statement of Comprehensive Income
- 78 Consolidated Balance Sheet
- 79 Consolidated Statement of Changes in Equity
- 80 Consolidated Statement of Cash Flows
- 81 Notes to the Group Financial Statements
- 130 Company Balance Sheet
- 131 Company Statement of Changes in Equity
- 132 Company Statement of Cash Flows
- 133 Notes to the Company Financial Statements
- 141 Group Financial Record

Shareholder information

- 143 Shareholder information



For more information
about our company go to
tifluidsystems.com

2018 was another positive year adding to our track record of revenue growth at constant currency and solid financial performance including strong cash generation.

Revenue €m

€3,473m

Revenue growth of -0.5% (2.0% at constant currency or +310bps above global light vehicle production volume growth)

Adjusted EBIT €m

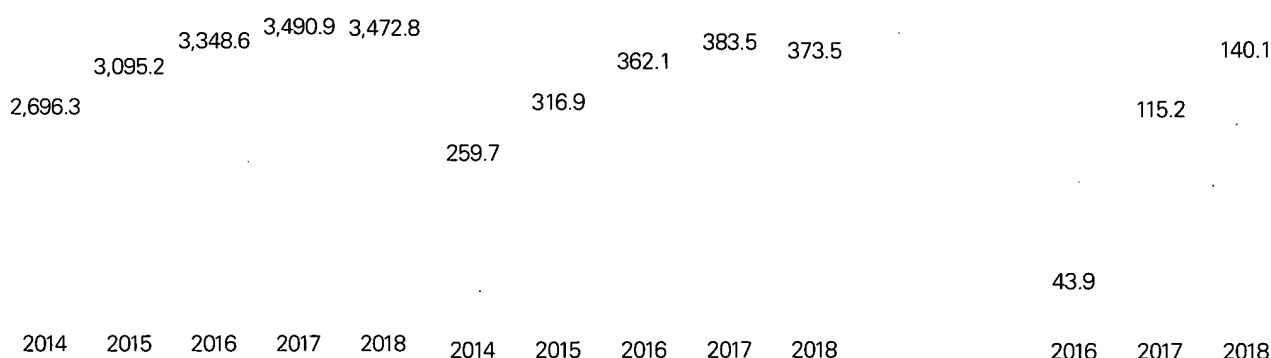
€374m

Adjusted EBIT margin 10.8%

Profit for the Year €m

€140m

Profit for the year grew by €24.9 million to €140.1 million



Adjusted Free Cash Flow €m

€146m

Adjusted Free Cash Flow up €27.6m to €146.2 million

Adjusted Basic EPS € cents

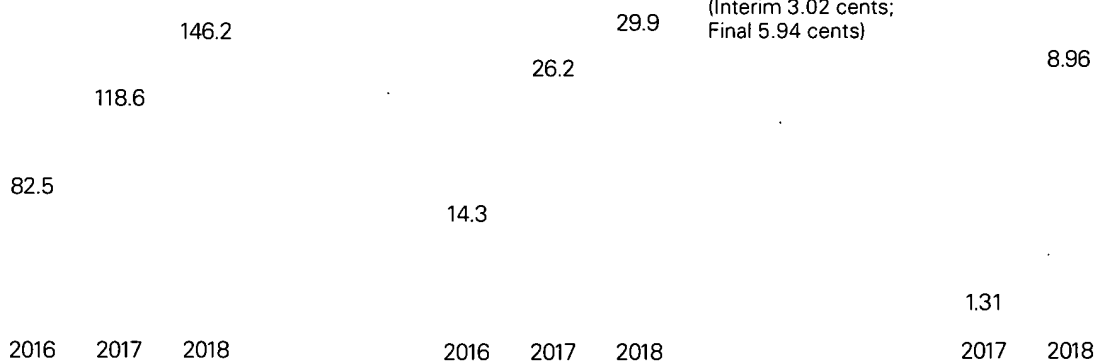
29.9c

Adjusted Basic EPS of 29.9 euro cents

Dividend per share* € cents

8.96c

Dividend per share of 8.96 euro cents (Interim 3.02 cents; Final 5.94 cents)



* 2017 pro rata dividend for post IPO period of two months.

We are strategically located across key global markets.

Fluid carrying systems

Our business manufactures brake and fuel lines and thermal management fluid systems, including HEV and EV thermal management products.

Thermal products

Climate control lines (cabin)

Battery thermal lines (heating and cooling)

Power electronics/ motor drive thermal lines

Brake and fuel lines/chassis bundles

Brake lines

Fuel line with fastening latch

Nylon fuel line

Fuel tank and delivery systems

Our business manufactures plastic fuel tanks, plastic filler pipes and electric fuel pumps and modules.

Fuel tank systems

HEV low pressure fuel tank

Plastic fuel tank

Plastic fuel filler pipe

Pump and module systems

Fuel pump module

Fuel level sensor module

Fuel pump

Global footprint

5

continents

28

countries

114manufacturing
locations**28,700**

employees

TI supplies...

19of the 20 top
selling vehicle
nameplates
in Europe**11**of the 20 top
selling vehicle
nameplates in
North America**10**of the 20 top
selling vehicle
nameplates in
China

North America

7,500

Employees

20

Locations

Latin America

1,200

Employees

6

Locations

Europe & Africa

11,300

Employees

56

Locations

Asia Pacific

8,700

Employees

32

Locations

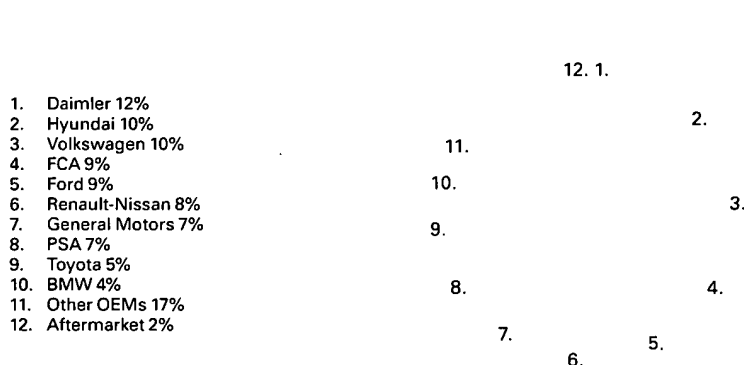
Global market leader with strong market positions and above-market revenue growth.

Revenue by region

€3,473m



Revenue by customer



Revenue by division

2

Divisions

1. Fluid carrying systems 58%
2. Fuel tank and delivery systems 42%

2.

Global market leader with strong market positions and above-market revenue growth

- Customer, platform, regional and product diversity
- Leading supplier of brake and fuel lines, with approximately 34% share of the global brake and fuel line market and #1 market position globally
- Leading supplier of plastic fuel tanks, with approximately 15% of the global plastic fuel tank market
- Embedded, long term global customer relationships and strong close engineering collaboration provide business award opportunities
- Products typically single-sourced for life of programme
- Competitive global manufacturing footprint with flexible cost structure and approximately 69% of employees located in low-cost countries.

Strong customer relationships and global low cost footprint

- Highly diversified customer base
- Facilities in every major automotive manufacturing market
- Low cost footprint includes regional manufacturing centres and assembly locations in close proximity to customers and provides logistics competitiveness
- Significant amount of revenue generated from global OEM platforms (i.e. platforms produced in three or more regions)
- Well positioned through the global manufacturing footprint to cost effectively expand fluid handling content, business and infrastructure to OEMs transitioning to the HEV and EV market
- Locations predominantly managed by local nationals with strong stakeholder relationships and performance responsibility

Technology leader in highly engineered automotive fluid systems

- Award-winning product innovations and technologies aligned with automotive industry megatrends of emissions regulations and fuel efficiency
- Working closely with customers on design and engineering capabilities to maximise product development

- Extensive knowledge of materials and manufacturing processes together with optimal level of vertical integration
- Industry recognised innovation awards for plastic fuel tank technologies e.g. pressurised fuel tanks for HEVs
- Successfully secured design, engineering and supply of thermal management products for EVs with high volume global leading OEMs with a combination of traditional and lightweight material, including nylon
- Well positioned for growth in thermal management systems for HEVs and EVs with global multi-layer nylon line capabilities

Management team with deep automotive experience and long track record of strong revenue growth, profitability and cash flow generation

- History of achieving leading financial metrics:
 - Revenue growth above vehicle production growth;
 - Adjusted EBITDA, Adjusted EBIT, Adjusted Net Income;
 - Adjusted Free Cash Flow
- Strong industry reputation for technology innovation and product quality
- Financial discipline in quoting new contracts and capital allocation
- Continuous focus on business improvement efficiencies and fixed costs

Significant growth opportunities aligned with electrification including our strength in thermal management

- Opportunity to increase content per vehicle in growing HEV and EV markets compared to our content on more traditional internal combustion engine (“ICE”) vehicles
- Ability to leverage pressurised fuel tank and thermal technology for HEVs
- Potential addressable market could increase substantially with EV market development as this would typically require battery, chassis, electric motor and electronics thermal management (heating and cooling) in addition to traditional passenger cabin heating and cooling lines
- Well positioned for growth in thermal management for HEVs and EVs due to:
 - HEVs and EVs require more fluid handling content than ICE vehicles
 - We have existing “know how” and capabilities so no additional research and development cost
 - Our developed technology in nylon lines with significant weight savings over aluminium and rubber
 - Existing nylon extrusion capabilities and capacity in each major region
 - OEM relationships and competitive global footprint
 - HEV and EV business wins validating successful strategy

Long established presence in China

- Operated in China for over 30 years
- Wholly-owned business supplying both global and local OEMs
- 19% of 2018 revenue from operations in China with 16 manufacturing locations
- Key contributor to our consistent above market growth

Our locations:

Baoding	Nanjing
Beijing	Qinhuangdao
Changchun	Shanghai
Changshu	Shenyang
Chongqing	Tianjin
Dongguan	West Shanghai
Fuzhou	Wuhan
Guangzhou	Yantai

Tianjin, China
Fuel line assembly

Strategic report

08	Chairman's statement
10	Chief Executive Officer's statement
14	Our markets
16	Our business model
18	Our strategy
20	Key performance indicators
21	Principal risks and uncertainties
24	Corporate responsibility
26	Financial review
32	Going concern and viability statement

Keeping the Group positioned for success in 2019 and beyond.

Manfred Wennemer
Chairman



For more
information
about our
governance
go to page 36

Dear Shareholder,

I am delighted to present our 2018 Annual Report following our first full year of listing on the London Stock Exchange. In 2018 the Group achieved strong growth and solid financial results despite a slightly softening global light vehicle production environment. The Group also made significant progress with respect to its Electric Vehicle (EV) and Hybrid Electric Vehicle (HEV) strategy with key business awards for the supply of thermal management systems for EV platforms and additionally, pressurised fuel tanks for HEV platforms.

Our consistent performance is the result of the Group having established trusted relationships with our OEM customers, our technology leadership, global manufacturing footprint and strong management team.

2018 performance overview

We have delivered another year of positive financial performance in line with our expectations. Revenue grew by 2.0% at constant currency to €3,473 million (2017: €3,491 million) which is 3.1% above global light vehicle production growth. Adjusted

Net Income grew by €19 million to €155 million (2017: €136 million). Adjusted Free Cash Flow was very strong at €146 million (2017: €119 million).

Corporate developments

In July 2018, the Group successfully refinanced a significant portion of its debt by repaying all of its remaining 8.75% unsecured senior notes using cash and additional borrowing under its term loan facility. The annualised interest saving is estimated at €10 million. As well as reducing the cost of financing, we further strengthened the balance sheet by reducing financial leverage to 1.7 x (net debt to Adjusted EBITDA).

Governance

The Board is committed to strong governance which is the foundation for the long term success of the Group. The Board has worked effectively during the year with a committed, diverse and skilled group of Directors who are engaged in the Group's business activities.

In August 2018, we appointed Elaine Sarsynski to the Board, and she subsequently joined the Board's Remuneration Committee. In March 2019, we also appointed Andrea Dunstan to the Board. I am delighted to welcome Elaine and Andrea to the Board.

As previously announced, Neil Carson, our Senior Independent Director and Deputy Chairman, will be stepping down from the Board following the Group's AGM in May 2019 due to other commitments. We thank Neil for his service and contribution to the Group and wish him well for the future.

In addition, as previously announced, Timothy Knutson, our Chief Financial Officer and an Executive Director, informed the Group that he wishes to pursue other interests outside of the Group. He will remain in his current position while the Group completes an orderly transition to a suitable replacement. The transition process is expected to be completed by the end of 2019.

Dialogue with shareholders

In September 2018, our principal shareholder, BC Omega Holdco Ltd. (managed by Bain Capital), conducted an

orderly sale of just over 10% of their shares to enhance the liquidity in the Company's shares. As a result, BC Omega reduced its shareholding to 54.4% of the Company. The Company is pleased to have a diversified share register of quality institutional investors, the majority of which are from the United Kingdom.

During the year, the Group has directly engaged with a considerable number of institutional investors through a variety of face-to-face meetings and attendance at investor conferences. In May 2019, we plan to hold our first Capital Markets Day in London.

Dividend

The Board targets a dividend policy of approximately 30% of Adjusted Net Income. Accordingly, the Board is recommending a final dividend of 5.94 euro cents per share, bringing the proposed full-year dividend to 8.96 euro cents per share. Subject to shareholder approval at the Annual General Meeting on 16 May 2019, the final dividend will be paid on 31 May 2019 to shareholders on the register on 26 April 2019, the dividend record date.

Our people

The performance of the Group, and our continued success, is as a result of the hard work of all our talented employees worldwide. I wish to thank all our employees for their excellent work over this period.

Outlook

While still relatively early in 2019, we believe the Group is positioned to perform well and continue strong cash generation in the current global light vehicle production environment. The Group has a strong track record of delivering growth, strong profitability and cash flow, and we aim to continue achieving consistent results as a public company. With the significant progress made in 2018 with our EV and HEV strategy and strong financial performance we believe the Group is well positioned for success in 2019 and beyond.



Manfred Wennemer
Chairman

Our business model is well positioned to deliver leading financial metrics and solid returns.

Bill Kozyra

Chief Executive Officer and President



For more
information
about our business
model please
go to page 16

2018 Performance

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

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

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

Strategy update

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

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

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

Combining these awards with expected orders for thermal products on these OEM platforms, we anticipate that TI Fluid Systems will have approximately 50% share of these combined EV platforms. We believe this represents a total lifetime revenue opportunity of approximately €700 million based on customer planning volumes. It is worth noting that these thermal awards are expected to last for the eight to ten year life of the vehicles. A few of these EV platforms are expected to begin production in 2019 and 2020. Beyond these important awards, we have received other EV thermal product awards with Korean and Chinese OEMs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Continued focus on automotive megatrends

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

Chief Executive Officer's statement continued

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

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

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

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

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

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

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

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

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

Looking ahead

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

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

Our people

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

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



Bill Kozyra
Chief Executive Officer and President

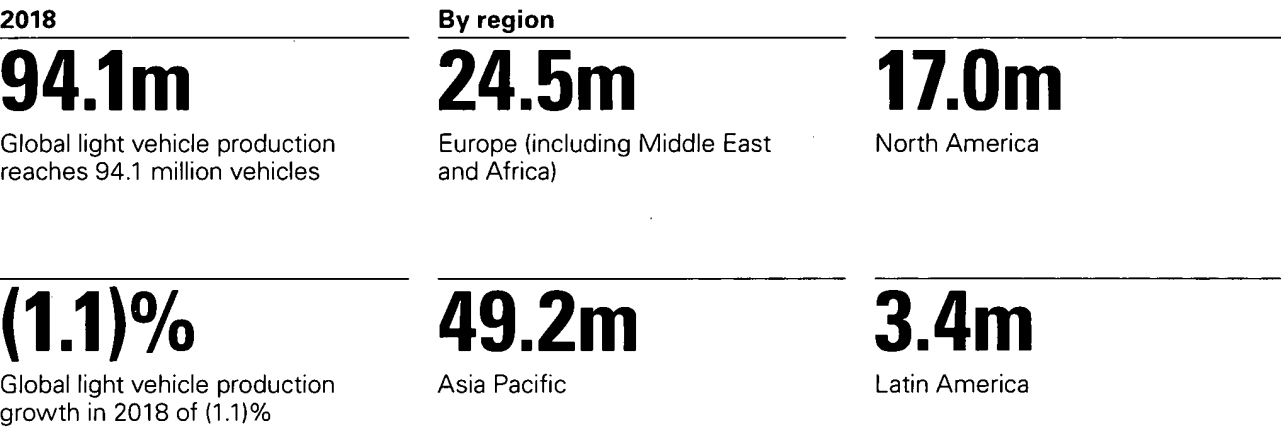


For more information on our strategic objectives go to page 18

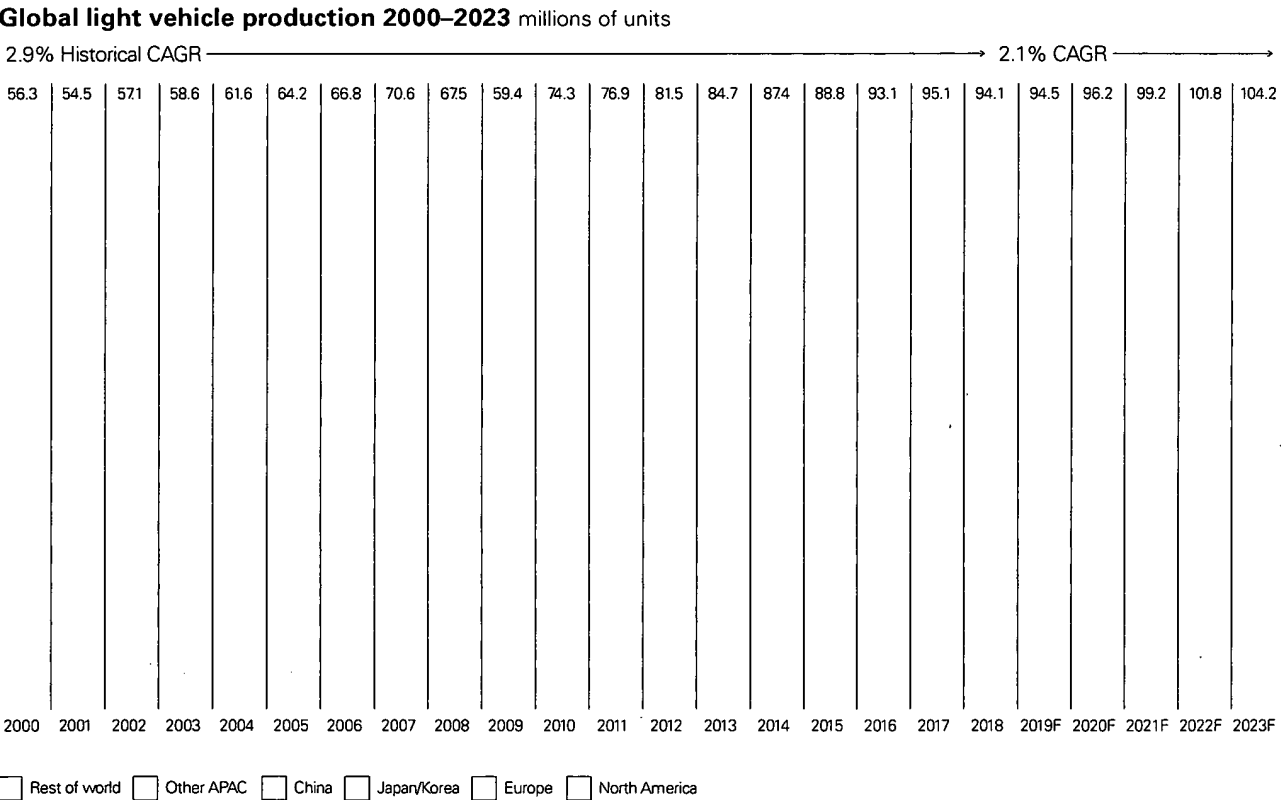
For more information about our 2018 financial performance go to page 26

Global light vehicle production.

Our current market is strong



Expected growth
Expected 2018 to 2023 global light vehicle production CAGR of 2.1%.



Source: IHS Markit, February 2019 and Company estimates.

Megatrends – HEV and EV global vehicle production.

Potential for increase in addressable market

2018

4%

HEV was 4% of the global vehicle production market

2%

EV was 2% of the global vehicle production market

2025 (forecast)

33%

HEV is forecast to be 33% of the market

9%

EV is forecast to be 9% of the market

Expected growth

From 2018 to 2025, HEV CAGR expected to be 37% and EV CAGR expected to be 29%.

Source: IHS Markit, February 2019 and Company estimates.

Rastatt, Germany
Plastic fuel
tank inspection

Creating consistent and long-term value for key stakeholders.

Key resources and relationships

Employees

We employ 28,700 people globally across our 114 manufacturing locations, at our global and regional technical and applications centres and at our headquarters offices.

Customers

Our products are sold to all major global OEMs. We have deep customer relationships with senior purchasing, engineering and management teams.

Suppliers

We purchase raw materials from suppliers including resin, steel and aluminium as well as sub-component parts used in production. Sourcing is dependent on available quality, supply and location. In some instances, our suppliers are directed and mandated by the OEMs.

Technology

We have made and continue to make significant investment in development of our products and manufacturing processes and protecting related intellectual property in our major markets.

Governance

We are subject to a variety of laws, rules and regulations in connection with our global operations. We are committed to ensure that we maintain compliance.

How we create value

Technology and innovation

We seek to improve the quality of existing products and processes and introduce new fluid handling products through innovation and investments in new technology.

Market leadership

Our highly engineered products, long-term customer relationships, employees and global footprint, including China, combine to make the Group highly competitive while delivering strong financial returns.

Manufacturing

Our competitive global footprint with regional manufacturing and small assembly facilities located near OEM assembly plants has been established to deliver quality products, efficient manufacturing, optimised capital allocation and minimised freight costs.

Stakeholders who benefit

Shareholders

We aim to generate progressive shareholder returns in the long-term.

**Global market
and technology
leadership**

Profit growth

**Strong cash
generation**

Employees

We employ 28,700 people in 28 countries and aim to ensure we have a skilled and motivated workforce.

Customers

We provide value to our customers through our leading technology, strong reputation for quality and manufacturing capabilities. We support OEMs to meet increasing regulated emissions and fuel economy requirements globally.

Our strategy enhances our leading global positions.

The Group's core strategy is to enhance its position as a leading global manufacturer of automotive fluid systems to ensure we continue to deliver revenue growth in excess of global light vehicle production together with strong profitability and cash flow generation.

Strategic objective

Use our strength in key products to drive the Group's market share position

- Extend the Group's strong positions in brake and fuel lines and plastic fuel tanks
- Leverage technology, OEM relationships and competitive global footprint to drive organic business growth in thermal by global platforms with leading products

Progress:

- #1 supplier position of brake and fuel lines in all key regions globally
- #3 supplier position of plastic fuel tanks globally
- Trending towards > 20% market share in the plug-in hybrid electric vehicle ("PHEV") fuel tank market
- Significant awards and expected orders for the design, engineering and supply of thermal products with two leading high volume OEMs for global EV platforms:
 - Lifetime revenue opportunity of €700 million based on customer planning volumes
 - Sourced on these awards for the expected 8-10 year life of the vehicles
- Additional awards from other EV thermal products from Korean and Chinese OEMs
- Successful completion of thermal system design project focused on lower weight nylon components and optimised fluid distribution for a large European OEM

No.1

Supplier of brake and fuel lines globally

No.3

Supplier of plastic fuel tanks globally

Strategic objective

Maintain balanced customer, platform, regional and product diversification

- To mitigate the impact of regional market cyclicality and customer concentration, we strive to maintain a balanced level of customer, platform, regional and fluid handling product diversification

Progress:

- Regional diversity with ~40% of revenue in Europe, ~30% in North America and ~30% in Asia and Latin America
- Balanced and diversified customer portfolio with no single customer representing more than 12% of 2018 revenue
- Long standing and co-development relationships with OEMs and a reputation for developing new high quality products including brake and fuel lines, plastic fuel tanks and thermal management systems

114

Manufacturing locations

28

Countries

Strategic objective

Strengthen the Group's position as an advanced technology leader in fluid systems to meet industry megatrends

- Continue to invest in R&D to develop products that facilitate OEMs meeting regulated emissions and fuel economy requirements
- Pursue content expansion in the electric market, where advanced thermal management systems and pressurised tanks have the potential to increase the Group's fluid handling content significantly
- Leverage our existing nylon and light weight "know how" and manufacturing capabilities to target key OEMs with thermal management system requirements for HEVs and EVs
- Continue advancing our market position in pressurised fuel tanks for the increasing HEV market

Progress:

- Advanced technology development centres and regional application engineering centres
- Ongoing design, development and supply of advanced systems and components on a global basis
- Continued focus on products that facilitate OEMs meeting emissions and fuel economy requirements e.g. pressurised fuel tanks and thermal management products
- Nominated for 2019 Automotive News PACE Award for our pressurised plastic fuel tank addressing the HEV market

2019

Automotive News PACE Awards nomination for innovation

Strategic objective

Capitalise on the Group's global scale, footprint and position in China

- Capitalise on the Group's scale, global manufacturing footprint and established position in China and other emerging markets to be the provider of choice on OEMs' global platforms
- Leverage the industry trend of increasing standardisation of OEM platform production through breadth and scale of operations

Progress:

- Significant presence in all of the major geographies for OEM vehicle production
- Manufacturing facilities near OEM assembly plants in 114 locations across 28 countries in 5 continents
- Continued focus on business management philosophy with locally-based nationals in regions and countries, including China with performance responsibility
- Lower business confidence in China combined with strong growth in prior years led to lower light vehicle production volumes in 2018
- Despite lower production, our operations in China continued to perform well with consistent outperformance
- 19% of revenue from China in 2018

19%

Revenue from China operations

Strategic objective

Deliver strong growth, profitability and cash flow generation

- Leadership in technology, global manufacturing footprint and competitive cost structure supporting growth in revenue, Adjusted EBIT and Cash Flow generation
- Continue to prioritise variable and fixed cost management and capital allocation
- Continue to adjust costs in line with OEM production volume fluctuations
- Selectively invest capital in projects that offer attractive rates of return

Progress:

- Revenue growth of 2.0% on a constant currency basis and Adjusted EBIT of €374 million in 2018
- Delivered Adjusted Free Cash Flow of €146 million in 2018 (€119 in 2017)
- Successfully managed costs and profitability with volume fluctuations in 2018 as a result of the introduction of new emissions testing in Europe and lower production in China.
- Managed a difficult launch environment in North America
- Successfully offset most of our material costs increase to deliver consistent margins for the Group

€146m

Adjusted Free Cash Flow generation

Measuring strategic success.

Revenue €m

€3,473m

2,696.3 3,095.2 3,348.6 3,490.9 3,472.8

2014 2015 2016 2017 2018

Definition

Defined as revenue growth excluding the effects of currency translation.

2018 performance

- In 2018, global light vehicle production growth slightly contracted by 1.1% to 94.1 million vehicles.
- We delivered revenue of €3.5 billion (+2.0% growth at constant currency) compared to the prior year.
- 3.1% revenue outperformance at constant currency

Adjusted EBITDA €m

€484m

336.5 412.6 464.7 490.7 484.3

Adjusted EBITDA Margin 12.5% 13.3% 13.9% 14.1% 13.9%

2014 2015 2016 2017 2018

Definition

Defined as profit for the period before income tax expense, net finance expense, depreciation (including PP&E impairment), amortisation (including intangible impairment), exceptional administrative expenses, net foreign exchange losses and (gains) and other reconciling items.

Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by Revenue expressed as a percentage.

2018 performance

- Adjusted EBITDA was €484 million in 2018. Adjusted EBITDA margin was 13.9% in 2018 and remained broadly consistent with the prior year despite a slight softening in global light vehicle production volumes.



For more information about non-IFRS measures go to page 30

For our approach to remuneration go to pages 53 to 62

Adjusted EBIT €m

€374m

259.7 316.9 362.1 383.5 373.5

Adjusted EBIT Margin 9.6% 10.2% 10.8% 11.0% 10.8%

2014 2015 2016 2017 2018

Definition

Defined as Adjusted EBITDA less depreciation (including PP&E impairment), amortisation (including intangible impairment) arising on tangible and intangible assets before adjusting for any purchase price adjustments to fair values arising on acquisitions. Adjusted EBIT Margin is defined as Adjusted EBIT divided by Revenue expressed as a percentage.

2018 performance

- Adjusted EBIT was €374 million in 2018. Adjusted EBIT margin was 10.8% in 2018 and remained broadly consistent with the prior year.

Adjusted Basic EPS € cents

29.9c

26.2 29.9

14.3

2016 2017 2018

Definition

Defined as Adjusted EBITDA less net finance expense before exceptional items, income tax expense before exceptional items, depreciation and amortisation (including PP&E and intangible asset impairments) and non-controlling interests share of profit divided by the number of shares in issue at the current balance sheet date.

2018 performance

- Adjusted EPS was 29.9 euro cents in 2018, representing an increase of +14% over the prior year.

Adjusted Free Cash Flow €m

€146m

146.2

118.6

82.5

2016 2017 2018

Definition

Defined as cash generated from operating activities, less cash used by investing activities, adjusted for acquisitions, movements in financial assets at fair value through the profit and loss, cash payments related to IPO costs and cash received on settlement of derivatives.

2018 performance

- Adjusted Free Cash Flow was €146 million in 2018, representing an increase of 23.3% over the prior year.

Customer satisfaction PPM

<6 PPM

7.5 7.2 5.9

5.0

2015 2016 2017 2018

Definition

Defined as the quantity of pieces rejected by external customers versus pieces sold, measured in parts per million.

2018 performance

- Used as a measure to gauge customer satisfaction and level of product quality delivered. Used to gauge competitiveness relative to industry and world-class standards.

Effective risk management in a complex global environment is critical to the achievement of our strategic objectives.

Principal risks and uncertainties

The Board is responsible for the Group's system of risk management and internal controls. The Audit & Risk Committee supports the Board by advising on the Group's overall risk appetite, tolerance and strategy, current risk exposures and future risk strategy.

A review of the Group's risk management framework used to collate, report and manage business critical risks was presented to the Audit & Risk Committee in March 2019. The Board has concluded that a robust assessment of the Group's principal risks had been undertaken.

TI Fluid Systems' global operations are exposed to a number of risks which could, either on their own, or in combination with others, have an adverse impact on the Group's results, strategy, business performance and reputation which, in turn, could impact upon shareholder returns. The following section highlights the major risks that may affect the Group's ability to deliver the strategy, as set out on pages 18 to 19. The mitigating activities described below will help to reduce the impact or likelihood of the major risk occurring, although the Board recognises it will not be possible to eliminate these risks entirely. The Board recognises there could be risks that may be unknown or that may be judged to be insignificant at present, but may later prove to be significant.

Global light vehicle production volumes

Description

TI Fluid Systems has 114 manufacturing locations in 28 countries on five continents and a substantial amount of its revenue is closely linked to the economic cycle and the general macro-economic environment.

Impact

Historically, there has been close correlation between economic growth and the global light vehicle production volumes. The cost structure of the business, operating across manufacturing facilities in 114 locations, means that a large reduction in revenue will have an impact on profitability.

Controls and mitigation

- TI Fluid Systems' presence in 28 countries supplying a wide range of customers acts as a hedge to neutralise localised economic volatility.
- The Group has an extensive manufacturing presence in emerging and other low-cost markets which currently have relatively low rates of light vehicle penetration per head of population and are believed to have strong growth potential.
- Although the Group's products are primarily for light vehicles, it operates across both a broad geographic footprint and a diversified range of vehicle platforms, brands and models.
- A proportion of the Group's workforce in a number of local markets are employed on temporary contracts, which provides some flexibility in the cost-base.
- The Group monitors closely and responds to any changes in customer demand on a local or group-wide basis.

Principal risks and uncertainties

continued

Product quality

Description

TI Fluid Systems' business is based on the repeatable supply and delivery of components and parts to an agreed specification and time.

Impact

Failure to meet customer requirements or specifications can cause long-term damage to the Group's reputation and have financial consequences, such as the loss of a customer, warranty claims and product liability.

Controls and mitigation

- TI Fluid Systems operates rigorous quality control systems designed to ensure a high-quality standard for all products, including testing and validation during the design and production phases.
- The Group collaborates with key customers to evaluate and improve quality control standards and to confirm the compliance of its manufacturing processes with customers' quality standards.
- Quality systems and processes operated at local manufacturing level are subject to oversight by divisional quality teams.
- Where necessary, the Group's manufacturing facilities maintain relevant industry accreditations, such as TS 16949.
- The Group monitors the field performance of its products in order to seek to continuously improve product quality.

Competition and customer pricing pressure

Description

This risk encompasses a number of identified global trends in the markets in which TI Fluid Systems operates. The Group operates in a dynamic competitive environment and faces competition from other manufacturers and suppliers of automotive components in each of the market segments in which it operates. The Group may be subject to pressure from customers to reduce costs on current contracts. The environment for bidding and securing new contract awards from OEMs is competitive.

Impact

The Group's customers face constant pressure to lower their selling and production costs to be competitive against their peers and may require reductions in the selling price of the Group's systems and components over the term of a vehicle platform or model. Commercial activity by competitors, or changes in their products or technologies, could impact upon the Group's market share and profitability.

Controls and mitigation

- The Group seeks to offset pricing pressure by achieving improved operating efficiencies and cost reductions.
- A growing trend by customers to standardise and globalise vehicle platforms has the potential to minimise the Group's exposure to the cancellation of any single vehicle platform or model.
- TI Fluid Systems has a strong brand and industry leading technology which supports its status as a key supplier to its customers.
- The Group engages in extensive and regular dialogue and has strong commercial and engineering relationships with key customers.
- The Group uses market intelligence and competitor analysis to support its market activities and inform investment decisions.
- Across the Group there is an emphasis on research and development and improving the technical content of products.

Business continuity

Description

TI Fluid Systems' business is based upon achieving assurance in quality and reliability across all its locations and their products. Business continuity encompasses a number of areas of risk to the Group, including key supplier failure, sourcing of raw materials, exposure to price fluctuations of key raw materials, maintaining stable labour relations, and ensuring the reliability of the Group's management systems and IT infrastructure. In addition, the Group is exposed to risks from accidents and incidents arising from health and safety failures.

Impact

A loss of production capability at a facility, or quality failings in products, could lead to an inability to supply customers, reduce volumes and/or increase claims made against the business under warranties. In periods of high demand or in the event of supplier difficulties, availability of raw materials may be constrained which could result in rapid movements in price and have an impact on the profitability of the Group's operations. In certain circumstances the loss of a supplier, or supplier quality failing, could lead to an inability to supply products in a timely or efficient manner or risk impacting adversely on engineering quality.

The loss of systems capability at a Group facility as a result of IT failure, or other events such as strike action by employees, could impact the Group's ability to supply customers. Injuries arising from health and safety incidents could result in lost time, reduce employee morale and possible changes in working practices. Serious incidents can also have a detrimental impact on the Group's reputation.

Controls and mitigation

- The Group continues to expand its business continuity planning (BCP) to enhance the localised continuity planning strategy operated at each facility.
- The Group's global network of facilities provides a degree of backup capacity.
- The Group maintains a scheduled programme of maintenance and inspection of all equipment.
- The wide geographic spread of operations, purchasing and supply chain functions allows the Group to use a range of techniques to address potential supply disruption, such as long-term purchase contracts, dual sourcing and ongoing research and development into alternative materials and solutions.
- In certain markets the Group uses preferred suppliers for major materials.
- The Group maintains business interruption insurance and has added cyber incident coverage.
- The Group participates in a number of works councils and other represented employee forums and seeks to establish and maintain good relationships with its employees and unions.
- The Group continues to assess and strengthen its cyber security programme.
- The Group's decentralised IT systems worldwide provide some resilience against the loss of production or systems capability to the Group as a whole.
- IT has developed and implemented a disruption recovery plan for the organisation.
- The Group has an embedded health and safety culture and operates a global health and safety policy, with local health and safety operations in place in each manufacturing facility.
- Health and safety performance is monitored regularly by each division and by the Group.

Product development and changes in technology

Description

The automotive industry is subject to changes in technology and the Group's products are subject to changes in regulatory requirements to reduce emissions and increase fuel economy. Operating across numerous markets and territories requires compliance with a wide variety of regulations. Changes in consumer demand, e.g. the popularity of a particular vehicle type, model, platform or technology such as HEVs and EVs may also impact on demand for the Group's products. In addition, the Group's products have performance-critical applications and have high levels of technical content and know-how.

Impact

Failure to keep up with changes in technology in the light vehicle automotive industry or in competitive technologies may render certain existing products obsolete or less attractive as well as damaging the Group's market position and brand strength. Failure to comply with all relevant regulatory requirements could affect the Group's reputation and/or its ability to operate in certain markets or territories. Changing environmental regulations could affect demand for certain products. The Group's technologies and intellectual property rights need to be kept current through continuous improvement and research and development and are susceptible to theft, infringement, loss and/or replication by competitors.

Controls and mitigation

- The Group is engaged in continued investment in alternative engineering solutions and the development of more advanced designs and innovative products to ensure compliance with changes to environmental regulations and customer demand.
- TI Fluid Systems has an international network of five technical centres which focus on research and development.
- The Group seeks to maintain close relationships and technical partnerships with key customers.
- The Group has established seven regional application centres which focus on application engineering worldwide.
- Both Group and divisional management monitor and assess relevant regulatory requirements and the likelihood and impact of any changes.
- The Group's products, materials and processes are continually developed and enhanced through research and development and technical input.
- TI Fluid Systems actively registers, manages and enforces its intellectual property rights.

Operating globally and regulatory compliance

Description

TI Fluid Systems has operations globally, with manufacturing facilities in 28 countries across five continents. The markets in which the Group operates are covered by a range of different regulatory systems and complex compliance requirements and may also be subject to cycles, structural change and other external factors, such as changes in tariffs, customs arrangements and other regulations. In addition, operating across a number of territories exposes the Group to currency variations.

Impact

A substantial downturn in one or more key markets could have a material adverse impact on the Group's profitability, cash flow and carrying value of its assets. Significant changes to the different regulatory systems and compliance requirements in and between the countries and regions in which the Group operates may have a negative impact on the Group's operations in a particular country or market. The risks associated with Brexit are not considered material to the Group. High foreign exchange volatility may increase financing costs.

Controls and mitigation

- The Group's international footprint provides some protection against a downturn in particular territories or regions.
- The markets and any changes to the regulatory environment in which TI Fluid Systems operates, including tariffs and trade policies, are continually monitored and assessed.
- Changes to the Group's investment strategy and cross-border relocation might result from a significant change in the regulatory environment in a particular country or region.
- The Group's treasury policy covers, inter alia, the use of currency contracts, investment hedging policy and regular reporting of foreign exchange exposure.
- Focus throughout the Group on adherence to our Code of Business Conduct (COBC), including ongoing training and review of policies and procedures.

Key personnel dependencies

Description

The future success of TI Fluid Systems is dependent upon the continued services of key personnel. Succession is a routine consideration given some of the Group's key global positions at all levels, including business unit, division and Group.

Impact

TI Fluid Systems competes globally to attract and retain personnel in a number of key roles. A lack of new talent, the inability to retain and develop existing talent, or replace retiring senior management could hinder the Group's operations and strategy. A loss of key personnel, with associated intellectual property and know-how, could disrupt our business and strategy. In a number of local markets the Group may experience a shortage of skilled and experienced personnel for certain key roles.

Controls and mitigation

- The Group applies bespoke terms and conditions of employment for key personnel where appropriate.
- The Group has in place incentive arrangements, including bonuses, pensions and long-term incentive plans.
- The Group operates established recruitment and development programmes.
- Succession plans continue to be reviewed for relevant key positions.

We are committed to providing a strong foundation for a responsible business.

Across all our activities, we have robust safety systems in place to protect our people, customers and communities. To this end we remain committed to developing and implementing a corporate responsibility programme that benefits our stakeholders. The values and standards that we subscribe to as a company are embodied and reflected in our Code of Business Conduct and related policies (collectively, the 'COBC').

We aim to:

- Value our employees
- Achieve sustainable profits and cash flows for our shareholders
- Sustain enduring relationships with key stakeholders, especially our customers
- Give something back to our local people and the communities where we operate
- Respect the environment and reduce our carbon footprint

Our corporate responsibility objectives support our Core Values:

Customers

- Ensure that our customers are the focus of our business
- Build a foundation for positive, mutual success

Innovation and improvement

- Stay ahead of business challenges
- Develop new methods and skills that improve our business
- Maintain and strengthen continuous improvement culture in all areas of our business

Employees

- Hire, develop and retain talented people
- Provide a safe, respectful and inclusive working environment
- Foster teamwork through communication

Communities

- Be a responsible member of our communities
- Support local engagement in charitable and other activities that benefit our local communities

Ethics and Compliance

- Comply with all laws that are applicable to our business, operations, workforce and products
- Demonstrate the highest levels of integrity by embracing our COBC
- Continue to expand and enhance our COBC training programme

Environment

- Encourage the prevention of pollution and the conservation of resources

These corporate social responsibility principles are part of the way we operate on a daily basis and reflect the way we interact with our people, customers and the community.

Customers

We promote a customer-focused culture and are proud of the strong and long-standing relationships we have with our customers all around the world. In 2018, as in past years, we received numerous awards from our customers in every region recognising our commitment to quality, delivery, safety and innovation. We have and continue to invest in training and systems to improve customer service.

Employees

Our commitment to our customers is embedded in our recruitment, selection, development and compensation arrangements with our employees across the Group. We seek to attract, motivate and retain the best talent we can, and this underpins our strong customer relationships.

Our people are considered for employment, training, career development and promotion on the basis of their abilities and aptitudes, regardless of age, gender, sexual orientation, religion or ethnic origin.

Our gender split in 2018 across salaried employees of the Group was 2.58:1.00 (Male:Female) with a total global salaried work force of 4,842, as shown in the table below:

Salaried employees
(as at 31 December 2018)

	Male	Female
Executive Directors and Executive Committee (i.e., direct reports to CEO)	7	0
Senior Directors (i.e., direct reports to Executive Committee)	24	12
Other salaried employees	3,459	1,340
Total	3,490	1,352

We seek to ensure that our people benefit from effective communications and engagement, with regular business updates, senior directors briefing sessions and constructive relationships with employee representatives across the Group. We also encourage our management teams to hold regular informal update meetings to keep our employees informed and engaged.

Communities

We operate in 28 countries worldwide. We encourage each of our operations to develop a local strategy to give back to their communities. In 2018, our employees around the globe participated and contributed to over one hundred community and charitable projects and programmes. These took place in Europe, Asia Pacific, Latin America and North America.

Ethics and Compliance

Our Code of Business Conduct (COBC) encapsulates our core values and sets the ethical standards as to how we do business. The COBC applies to the Group on a worldwide basis and covers a wide range of ethical and compliance matters, including compliance with laws and regulations, anti-discrimination, self-dealing, bribery/corruption, sanctions, non-retaliation and anti-trust/competition. The COBC was updated in 2015 and endorsed by the Board. All salaried employees receive regular refresher training. We also provide our employees with ad-hoc training each year at different locations and via online training.

We continue to review our ethics and compliance program to ensure it is consistent with best practices. In 2018 we started the process of updating our ethics and compliance program and this included rolling out specific policies in China, and having Executive Directors and Senior Executives deliver in person training to employees in Asia Pacific, Europe and North America.

Environment, Health and Safety

The health and safety of our employees and environmental guardianship remain central to everything we do. We focus on safe working environments and eliminating work-related injuries and illnesses.

Leadership

The Group has a global Health and Safety Policy which is implemented and overseen by local Health and Safety committees located at each manufacturing facility. Our Global Environmental, Health and Safety Director is responsible for environmental, health and safety matters. Regional managers lead environmental, health and safety matters in each geographic area.

Continuous improvement

We have implemented enhanced systems designed to measure and benchmark health and safety performance and accident frequency rates at each manufacturing facility and within each geographic area. We use this information to compare injury rate, safety culture and levels of engagement for each location. As part of our health and safety strategy, we are in the process of developing more robust reporting and control measures in order to further improve our safety practices.

Our environment

We have procedures and policies in place to monitor compliance with all applicable laws and regulations related to the environment, including air and water discharges and the handling and disposal of waste. We have a global energy monitoring programme which we use to calculate our CO₂ equivalent greenhouse gas emissions with a long-term goal of implementing efficiency programmes to reduce energy consumption and our carbon footprint.

We have been able to benefit from our competitiveness and customer relationships to deliver leading financial metrics.

Tim Knutson
Chief Financial Officer



For more
information
about our
KPIs please go
to page 20

For more
information
about our
market please go
to pages 14 to 15

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

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

Automotive Markets

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

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

Revenue

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

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

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

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

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

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

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

Table 1: Key performance measures €m

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

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

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

Source: IHS Markit, February 2019 and Company estimates. Change percentages calculated using unrounded data.

Table 3: Revenue by region and by segment €m

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

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

We use several financial measures to manage our business, including Adjusted EBITDA and Adjusted EBIT, which are non-IFRS measures, but are measures of profitability that have been used consistently by the Group and are also used as metrics in certain of our compensation plans. Table 5 shows a reconciliation between Profit for the year, Adjusted EBITDA and Adjusted EBIT.

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

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

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

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

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

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

Exceptional Items

Exceptional items are defined as those items that, by virtue of their nature, size and expected frequency, warrant separate additional disclosure in the financial

information in order to fully understand the underlying performance of the Group.

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

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

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

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

Exchange rates

Table 4 shows the movement in exchange rates for currencies most relevant to our operations.

Net Foreign Exchange Gains

Net foreign exchange gains were €1.2 million in 2018 compared to €24.6 million in 2017. Foreign exchange gains include non-trade items related to foreign currency translation and fair value movement in foreign exchange forward contracts. We aim to naturally hedge our operational transactions by earning revenues and incurring costs in the same currency to the extent possible, but will engage in forward foreign exchange contracts to the extent necessary to mitigate our exposure.

Net Finance Expense

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

the repayment of the 8.75% unsecured senior notes in July 2018.

Taxation

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

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

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

Proforma Adjusted Basic EPS*

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

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

*See Non-IFRS measures

Adjusted Net Income*

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

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

*See Non-IFRS measures

Table 4: Exchange Rates

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

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

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

* See Non-IFRS measures

The calculation of Adjusted Net Income is shown below:

Table 6a: Adjusted Net Income* €m

	2018	2017
Adjusted EBITDA (see note 2)	484.3	490.7
less:		
Net finance expense before exceptional items	(52.7)	(88.9)
Income tax expense before exceptional items	(77.0)	(68.2)
Depreciation and impairment of PP&E	(101.5)	(98.8)
Amortisation and impairment of intangible assets	(95.6)	(96.1)
Non-controlling interests share of profit	(2.3)	(2.7)
Adjusted Net Income	155.2	136.0

* See Non-IFRS measures.

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

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

* See Non-IFRS measures.

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

Dividend

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

Consequently, the Board is recommending a final dividend of 5.94 euro cents per share, amounting to €30.9 million. This final dividend together with the interim dividend of 3.02 euro cents per share paid in August 2018, makes a total dividend for the 2018 financial year of 8.96 euro cents per share and amounts to €46.6 million. Subject to shareholder approval at the Annual General Meeting on 16 May 2019, the final dividend will be paid on 31 May 2019. The dividend will be converted to Sterling at a fixed rate on 26 April 2019, the Dividend Record Date.

Adjusted Free Cash Flow*

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

In 2018, we generated Adjusted Free Cash Flow of €146.2 million, an increase of €27.6 million on the prior year. The cash flow was higher than the Group's expectations. Adjusted Free Cash Flow significantly increased as a result of operations remaining strongly cash generative, lower interest payments, reduced IPO related exceptional payments, a reduction in retirement benefit obligations and provisions as well as the timing of some customer payments.

*See Non-IFRS measures

Retirement Benefits

We operate funded and unfunded defined benefit schemes across multiple jurisdictions with the largest being the US pension and retiree healthcare schemes. We also have significant schemes in the UK, Canada and Germany. While all of our significant plans are closed to new entrants, a few allow for future accruals. Our schemes are subject to periodic actuarial valuations. Our net unfunded position decreased by €14.2 million to €148.2 million at the end of 2018 principally due to an increase in US discount rates.

Net Debt and Net Leverage

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

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

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

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

Liquidity

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

Outlook

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

IFRS 16 "Leases"

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

Under IFRS 16, the concept of operating leases will be eliminated and these leases will be accounted for in the same manner as finance leases. Finance leases are capitalised on the balance sheet. Accordingly, operating lease costs are expected to decrease whereas depreciation and interest expenses related to the lease liability are expected to increase. The preliminary impact of IFRS 16 is expected to improve Adjusted EBITDA, slightly improve Adjusted EBIT and increase net debt. In addition, the net impact on cash is expected to be nil as lease payments will be unchanged. The Group expects to recognise lease liabilities of between €134 million and €174 million on 1 January 2019.

Non-IFRS Measures

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

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

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

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

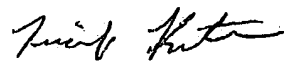
Adjusted Basic EPS is defined as Adjusted Net Income divided by the number of shares in issue at the current balance sheet date.

Adjusted Free Cash Flow is defined as cash generated from operating activities, less cash used by investing activities, adjusted for acquisitions, movements in financial assets at fair value through the profit or loss, cash payments related to IPO costs and cash received on settlement of derivatives.

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

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

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



Timothy Knutson
Chief Financial Officer
19 March 2019

Adjusted Free Cash Flow* €m

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

Table 7a: Adjusted Free Cash Flow* €m

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

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

	2018	2017
Adjusted EBITDA (see note 2)	484.3	490.7
Less:		
Net cash interest paid	(62.5)	(87.7)
Cash taxes paid	(88.2)	(88.9)
Payment for property, plant and equipment	(115.8)	(118.8)
Payment for intangible assets	(35.8)	(25.1)
Movement in working capital	(27.5)	(26.2)
Movement in retirement benefit obligations	(5.2)	(13.4)
Exceptional cash paid (IPO and restructuring)	(3.1)	(25.9)
Movement in provisions and other	1.3	(8.2)
Free Cash Flow	147.5	96.5
Add back:		
Cash received on settlement of derivatives	(2.7)	–
IPO cash costs in Net Cash from Operations	3.1	22.1
Amounts received in cash from Assets at FVTPL	(1.7)	–
Adjusted Free Cash Flow	146.2	118.6

Going Concern and Viability Statement

The Directors have concluded after reviewing the future funding requirements for the Group over the next eighteen months by reference to the headroom on the committed banking facilities and the expected performance of the Group, that it is appropriate for the financial statements to be prepared on a going concern basis.

In accordance with provision c2.2 of the UK Corporate Governance Code 2014, the Directors have assessed the viability of the Group over a three year period to 31 December 2021. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's existing committed finance facilities, the Group's strategy and the potential impact of the principal risks and how these are managed, as detailed in this strategic report.

The Group has a formalised process of budgeting, reporting and review along with procedures to forecast its profitability, capital position, funding requirement and cash flows. These plans provide information to the Directors which are used to ensure the adequacy of resources available to the Group to meet its business objectives, both in the short-term and on a strategic basis. The plans for the period commencing on 1 January 2019 were reviewed and approved by the Board on 14 December 2018.

In making their assessment the Directors' have stress tested the Group's financial projections to 31 December 2021 by modelling the impact of lower global production volumes and the effect of operating margin reductions caused by operational and quality issues, which best reflect the likely impact from the principal risks facing the Group. The downside financial impact of Brexit has also been modelled and is not expected to materially impact the viability of the Group. The Directors' also considered the beneficial impact arising from potential mitigating actions.

Considering the Group's current financial position, the geographic spread of its operations, its established customer relationships, its principal risks, headroom under the committed banking facilities and the Board's assessment of the Group's future, the Directors have a reasonable expectation that the Group will be viable and able to continue in operation meeting its liabilities as they fall due over the period of at least three years to 31 December 2021.

Corporate governance

36	Chairman's introduction to Corporate Governance
38	Board of Directors
40	Corporate Governance report
45	Nomination Committee report
47	Audit & Risk Committee report
53	Annual statement by the Chairman of the Remuneration Committee
54	Remuneration in brief
55	Annual report on remuneration
60	Directors' Remuneration Policy
63	Directors' report
65	Statement of Directors' responsibilities in respect of the financial statements

Tianjin, China
Plastic fuel
tank inspection

As Chairman, it is my responsibility to ensure that TI Fluid Systems is governed and managed with transparency and in the best interests of stakeholders.

Manfred Wennemer
Chairman

Dear Shareholder,

On behalf of the Board, I am pleased to present TI Fluid Systems' Corporate Governance report for the year ended 31 December 2018, our first full year as a listed company. This report aims to provide shareholders and other stakeholders with an understanding of how our Group is managed and the governance and control framework in which TI Fluid Systems operates. We recognise that good governance is essential in enabling our Board to operate effectively in the leadership of the Group and in promoting the success of the Company in the long term.

TI Fluid Systems listed its Ordinary Shares on the Main Market of the London Stock Exchange on 25 October 2017. The Listing Rules of the Financial Conduct Authority, and the UK Corporate Governance Code (the 'Code'), have been applied to the Company throughout the financial year ended 31 December 2018 and as at the date of this report. I am delighted to report we are currently in full compliance with the Code.

There has been a particular focus on developing a robust governance framework to support the organisation and ensure the Board's responsibility is maintained. Understanding how we work and ensuring that the appropriate governance structures, risk and control

frameworks and policies and procedures are in place has been given considerable Board and Executive focus. As noted previously, sound governance structures were in place at TI Fluid Systems prior to the Global Offer and Listing, but we have welcomed the opportunity to strengthen these where necessary.

We have a qualified and capable Board comprised of Directors with a broad range of relevant skills and experience. Full biographies of each of the Directors are set out on pages 38 to 39. As I discussed in greater detail in my Chairman's Statement, our Board constitution continues to evolve, and we continue to seek candidates for appointment to our Board that will contribute to the further diversity and strength of the Board. I am pleased with the addition of two new highly qualified Non-Executive Directors. Elaine Sarsynski was appointed in August 2018 and Andrea Dunstan was recently appointed in March 2019. However, Neil Carson will be departing in May 2019 (as announced in December 2018) due to his other board commitments. We are grateful for Neil's stewardship as Deputy Chairman and Senior Independent Director and wish him well.

To assist the Board in its oversight functions, the Audit & Risk, Nomination and Remuneration Committees have met and carried out their areas of responsibility

noted on pages 42 and 43. I am pleased to report the Board and its Committees are operating effectively. As noted previously, the Board and its Committee performance has been kept under close review, and the Board conducted a self-evaluation of its performance in 2018. The recommendations from that review have been used to ensure that we are focussing on the right issues and adding value. A summary of the key outcomes has been noted on page 45. Next year we plan to carry out an externally facilitated evaluation, which I am sure will help to further enhance the Board programme.

We continue to communicate to investors following our successful Listing and welcoming a new and wider shareholder base. A key priority for the Board is communicating effectively with the owners of the business.

I look forward to working with the Board in driving excellence in governance both in the boardroom and throughout the Group. TI Fluid Systems has an exciting future and we have the right team to take advantage of the opportunities that lie ahead.

Manfred Wennemer
Chairman

The Governance Structure¹²

The Board

Leadership, strategy and development; controls and values.

Manfred Wennemer Independent Non-Executive Chairman	Timothy Knutson Chief Financial Officer	Paul Edgerley Non-Executive Director
William L. Kozyra Chief Executive Officer and President	Neil Carson Deputy Chairman and Senior Independent Director	John Smith Independent Non-Executive Director
Stephen Thomas Non-Executive Director	Jeffrey Vanneste Independent Non-Executive Director	Elaine Sarsynski Independent Non-Executive Director

1. Neil Carson will not be standing for re-election at the AGM as announced on 20 December 2018.
2. Andrea Dunstan was appointed on 8 March 2019.

Nomination Committee

Chairman
Manfred Wennemer

Members

Neil Carson
Paul Edgerley

Key responsibilities

Evaluating the size, structure and composition of the Board

Assisting the Board in relation to the composition of the Board, including evaluating the balance of skills, knowledge, experience and diversity

Consideration to succession planning



More information: Nomination Committee report on page 45

Audit & Risk Committee

Chairman
Jeffrey Vanneste

Members

Neil Carson
John Smith

Key responsibilities

Reviewing and monitoring the integrity of the financial statements

Ensuring effective systems of internal controls, internal audit and risk management are maintained

Advising on the appointment of the external auditors and monitoring non-audit work undertaken by the external auditor



More information: Audit & Risk Committee report on page 47

Remuneration Committee

Chairman
Neil Carson

Members

Elaine Sarsynski
John Smith
Jeffrey Vanneste

Key responsibilities

Setting the Remuneration Policy for all Executive Directors and the Chairman

Determine remuneration packages, including bonuses and awards, for Executive Directors and Senior Management in consultation with the Chairman and Chief Executive Officer, as appropriate



More information: Remuneration Committee report on page 53

The Company adopted the UK Corporate Governance Code 2016 on 25 October 2017 on admission to the UKLA's Official List and Listing on the Main Market of the London Stock Exchange.

For the year ending 31 December 2018, the Company has applied all the main provisions of the Code and has complied with the provisions of the Code save as noted below:

Code Provision B.1.2

Detail – the UK Corporate Governance Code requires that at least half the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent.

Explanation of non-compliance – Until August 2018 the Board was comprised of eight Directors, including the Independent Non-Executive Chairman, the Senior Independent Director, two Independent Non-Executive Directors, two Executive Directors and two Non-Executive Directors. In August 2018 we added an additional Independent Non-Executive Director and, therefore, came into full compliance with the requirements of the UK Corporate Governance Code.

Board of Directors

Manfred Wennemer

Independent Non-Executive Chairman

Appointment
September 2016
Nationality
Germany

Skills and experience

Manfred was appointed as Non-Executive Chairman of TI Fluid Systems in October 2017 having been appointed to the Board in September 2016. He has held a number of positions at Continental, including as Chief Executive Officer and Chairman of ContiTech. Manfred is Chairman of the Supervisory Board of Jost Werke. He is also Chairman of the Shareholder Committee of Hella KGaA Hueck and a member of the Supervisory Board of PIAB International.

William (Bill) L. Kozyra

Chief Executive Officer and President

Appointment
June 2008
Nationality
United States of America

Skills and experience

William was appointed as Chief Executive Officer and President of TI Fluid Systems in June 2008. Prior to joining the Group Bill held a number of senior executive positions, including that of President and Chief Executive Officer of Continental AG North America and a member of the Executive Board of Continental AG and senior roles at ITT Automotive and Bosch Braking Systems. Bill is also a non-executive director of American Axle & Manufacturing Holdings.

Timothy Knutson

Chief Financial Officer

Appointment
November 2008
Nationality
United States of America

Skills and experience

Timothy joined the Group in November 2008 and has served as the Group Chief Financial Officer. Prior to joining TI Fluid Systems, Tim was Chief Financial Officer of Meridian Automotive Systems. Prior to this position, Tim held a number of senior finance positions at Delphi Corporation in both the United States and Europe. He began his career at General Motors.

Neil Carson OBE

Deputy Chairman and Senior Independent Director

Appointment
September 2016
Nationality
United Kingdom

Skills and experience

Neil was appointed as Deputy Chairman and Senior Independent Director of TI Fluid Systems in October 2017 having been appointed to the Board in September 2016. Neil was formerly Chief Executive Officer of Johnson Matthey. Neil is non-executive Chairman of TT Electronics and was appointed Chairman of Oxford Instruments plc in December 2018. Neil was awarded an OBE for services to the Chemical Industry in 2016.

Paul Edgerley

Non-Executive Director

Appointment
July 2015
Nationality
United States of America

Skills and experience

Paul was appointed as a Director of TI Fluid Systems in July 2015 and as a Non-Executive Director of the Company in October 2017. Paul is currently a Senior Advisor to Bain Capital, where he served as a Managing Director from 1990 to 2016. Paul spent five years at Bain & Company and is also Chairman of Sensata Technologies Holding and a non-executive director of APEX Tool Group, AS Roma SpA, Boston Basketball Partners (Boston Celtics), and Hero Motocorp.

Elaine Sarsynski

Independent Non-Executive Director

Appointment
August 2018
Nationality
United States of America

Skills and experience

Elaine was appointed as a Non-Executive Director of TI Fluid Systems in August 2018. Elaine is currently a director on the board and a member of AXA's Audit Committee. Elaine is also a director of Horizon Technology Finance Corporation, and is a member of their Audit, Nominating and Compensation Committees. Elaine was previously President of MassMutual Retirement Services and Chairwoman, CEO and President of MassMutual International.

Stephen Thomas

Non-Executive Director

Appointment
July 2015
Nationality
United States of America

Skills and experience

Stephen was appointed as a Director of TI Fluid Systems in July 2015 and was formally appointed as a Non-Executive Director of the Company in October 2017. Stephen joined Bain Capital in 2007 and has been a Managing Director since 2015. Prior to joining Bain Capital, Stephen was a Manager at Bain & Company. Stephen is a non-executive director of American Trailer Works and Innocor Inc.

John Smith

Independent Non-Executive Director

Appointment
October 2017
Nationality
United States of America

Skills and experience

John was appointed as an Independent Non-Executive Director of TI Fluid Systems in October 2017. John has over 48 years of experience in the automotive industry, including 42 working with General Motors in developing new technologies. John held a range of senior positions with General Motors, most recently as Group Vice President, Corporate Planning & Alliances. John is principal of Eagle Advisors and is also a non-executive director of CEVA Logistics AG and American Axle & Manufacturing Holdings.

Jeffrey Vanneste

Independent Non-Executive Director

Appointment
October 2017
Nationality
United States of America

Skills and experience

Jeffrey was appointed as an Independent Non-Executive Director of TI Fluid Systems in October 2017. Jeffrey is currently Senior Vice President, Chief Financial Officer and a member of the Executive Council of Lear Corporation. Prior to joining Lear, Jeff was Executive Vice President and Chief Financial Officer for International Automotive Components Group. Jeff had previously spent over 15 years working with Lear in various positions. Jeff qualified as an accountant with Coopers & Lybrand (currently, PricewaterhouseCoopers LLP).

Andrea Dunstan

Independent Non-Executive Director

Appointment
March 2019
Nationality
United Kingdom

Skills and experience

Andrea was appointed as an Independent Non-Executive Director of TI Fluid Systems in March 2019. Andrea has been an Executive HR Director for a number of companies, including Wincanton plc, AstraZeneca plc and Barclays Bank plc, and most recently until 2017 was Chief People Officer for Premier Farnell plc. Currently, she is a non-executive director and chair of the remuneration committee at both Macfarlane Group plc and Sumo Group plc as well as an Executive Council member for the University of Salford.

Matthew Paroly

Company Secretary

Appointment
July 2014
Nationality
United States of America

Skills and experience

Matthew was appointed as Chief Legal Officer and Company Secretary of TI Fluid Systems in July 2014. Matthew has more than 20 years of experience in private law practice and in-house executive and legal positions with both public and private companies. Prior to joining TI Fluid Systems Matthew worked with several automotive suppliers and manufacturers, including Nexteer Automotive, Fisker Automotive, Meridian Automotive Systems and Delphi Corporation. Matthew is a member of the State Bar of Michigan.

Committee membership

	Audit & Risk	Remuneration	Nomination
Manfred Wennemer			●
William L. Kozyra			
Timothy Knutson			
Neil Carson	●	●	●
Andrea Dunstan			
Paul Edgerley			●
Elaine Sarsynski		●	
John Smith	●	●	
Stephen Thomas			
Jeffrey Vanneste	●	●	

Key

- Chairman of the Committee
- Member of the Committee

A summary of the main matters reserved for decision by the Board is set out below:

Strategy and management

- Oversight of the Group's operations
- Approval of the long-term objectives and commercial strategy review
- Approval of the annual financial budget and four year Medium Term Plan
- Review of performance in light of the Group's strategic aims, objectives, business plan and budgets

Corporate structure and share capital

- Changes to the Group's capital structure
- Major changes to the Group's corporate structure
- Significant changes to the Group's management and control structure
- Issues of public debt by the Company

Financial reporting and controls

- Approval of financial statements
- Setting the Company's dividend policy
- Approval of significant changes in accounting policy

Internal controls

- Ensuring maintenance of a sound system of internal control and risk management
- Approval of the Group's compliance policies

Contracts

- Approval of major capital projects
- Approval of larger-scale non-standard contracts
- Approval of acquisitions and joint ventures

Board membership

- Changes to the structure, size and composition of the Board
- Appointments to the Board, including selection and appointment of the Chairman, Chief Executive Officer, Senior Independent Director and Company Secretary
- Membership and chairmanship of Board Committees
- Approval of the continuation in office of Directors, including Executive Directors

Remuneration

- Determine the Remuneration Policy for Directors, Chief Executive Officer and other senior executives
- Determine the remuneration of the Non-Executive Directors
- Introduction of new share incentive plans or major changes to existing plans
- Approval of new incentive plans to be put to shareholders for approval

Delegation of authority

- Approval of the written division of responsibilities between the Chairman and the Chief Executive Officer
- Establishing Board Committees, approving their terms of reference and receiving reports from the Board Committees

Corporate governance

- Review the Group's overall corporate governance structure
- Determining the independence of Non-Executive Directors
- Undertaking a formal and rigorous review of the Board's performance, that of its Committees and individual Directors and the division of responsibilities
- Consider the balance of interests between shareholders, employees, customers and the community

Policies

- Approval of policies, including the Code of Business Conduct and Ethics, share dealing code, Health and Safety policy, corporate responsibility policy, anti-bribery policy, anti-slavery policy and anti-money laundering policy

Other areas

- Making of political donations
- Approve the overall levels of insurance for the Group
- Appointment of external auditors
- Shareholder engagement and general meetings
- Annual budgets and financial expenditure and commitments above levels set by the Board

The role and structure of the Board

The Board is responsible for leading and controlling the Group and has overall authority for the management and conduct of the Group's business, strategy and development. The Board is also responsible for ensuring the maintenance of a sound system of internal controls and risk management (including operational, financial and compliance controls) and for reviewing the overall effectiveness of systems in place as well as for the approval of any changes to the capital, corporate and/or management structure of the Group.

The Board operates in accordance with the Company's Articles of Association and the Board's written 'Delegation of Authority' which were approved by the Board in July 2015 and updated in October 2017. The Board has established a number of Committees, as set out on pages 42 to 43. Each Committee has its own terms of reference which are reviewed at least annually.

The Board consists of the Independent Non-Executive Chairman, the Senior Independent Director, four Independent Non-Executive Directors, two Executive Directors and two Non-Executive Directors.

The Board meets formally five times a year, with additional ad-hoc meetings called as and when circumstances require. There is an annual calendar of agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate time in the financial year.

In the period from 1 January 2018 to 31 December 2018 there were five Board meetings, which all Directors attended. In addition, in the same period, there were four meetings of the Audit & Risk Committee, two meetings of the Remuneration Committee and one meeting of the Nomination Committee.

The table below shows the Directors' attendance at meetings of the Board and Committee(s) of which they were members and they were eligible to attend in the period from 1 January 2018 to 31 December 2018:

	Board scheduled meetings	Audit & Risk	Remuneration	Nomination
Manfred Wennemer	5/5	–	–	1/1
William L. Kozyra	5/5	–	–	–
Timothy Knutson	5/5	–	–	–
Neil Carson	5/5	4/4	2/2	1/1
Paul Edgerley	5/5	–	–	1/1
Elaine Sarsynski	2/2	–	1/1	–
John Smith	5/5	4/4	2/2	–
Stephen Thomas	5/5	–	–	–
Jeffrey Vanneste	5/5	4/4	2/2	–

A summary of the key areas of responsibility of the Chairman and Chief Executive Officer are set out below:

Role: Chairman

Responsibilities

- Responsibility for the leadership and effective running of the Board and chairing its meetings
- Ensuring the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives
- Setting the agenda for and frequency of meetings of the Board and ensuring the Board receives accurate, timely and clear information on which to base decisions
- Ensuring that adequate time is available for the Board to consider all agenda items
- Promote a culture of openness and debate and facilitate the effective contribution and active engagement of all directors
- Ensuring there is effective communication between the Group and its shareholders and that the Board understands the views of major investors in the Group
- Promoting the highest standards of integrity, probity and corporate governance
- Ensuring constructive relations between the Non-Executive and Executive Directors
- Regularly considering the Board's succession planning and composition
- Ensuring that the performance of the Board, its Committees and individual Directors are formally and rigorously evaluated at least once a year
- Provide an independent perspective and constructive challenge

Role: Chief Executive Officer

Responsibilities

- Responsible for running the business of the Company and its subsidiaries
- Proposing and developing the Group's strategy and overall commercial objectives
- Regularly reviewing the Group's operational performance, cost control and operating efficiencies and recommending to the Board the annual budget and financial plans for the Group
- Report to the Chairman and the Board on the progress of the strategy, the Group's performance and operational matters
- Maintaining a dialogue with the Chairman and the Board on important and strategic issues facing the Group
- Providing a structure for the timely and accurate disclosure of information
- Ensuring the Board's strategies, objectives and decisions are implemented in a timely and effective manner
- Develop senior talent and succession planning
- Progressing in conjunction with the Chief Financial Officer and, where relevant, the Chairman, the Company's communication programme with its shareholders
- Ensuring effective communication with shareholders, employees and other stakeholders, in order to understand their concerns and communicate issues to the Board
- Promoting and conducting the affairs of the Group with the highest standards of integrity, probity and corporate governance
- Safeguarding the reputation of the Group and managing the Group's risk profile
- Maintain strong relationships with OEM customers

All Directors are expected to attend all meetings of the Board and any Committees of which they are a member and are expected to devote sufficient time to the Company's affairs to fulfil their duties as Directors.

Key Board roles and responsibilities

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer which is written and approved by the Board. The roles of the Chairman and Chief Executive Officer are separately held and the role of each are clear and distinct. The division of responsibilities between the Chairman and Chief Executive Officer are set out in written terms of reference which were adopted by the Board on 24 October 2017.

Senior Independent Director

The UK Corporate Governance Code recommends that the Board of Directors of a company with a premium listing on the Official List should appoint one of the Non-Executive Directors to be the Senior Independent Director to act as a sounding board for the Chairman and to support him in the delivery of his objectives. The Senior Independent Director is also responsible

for leading the Non-Executive Directors in monitoring and evaluating the performance of the Chairman and being available to shareholders if they have any concerns which contact through the normal channels of the Chairman, the Chief Executive Officer or the Chief Financial Officer has failed to resolve or for which such communication is inappropriate. Neil Carson has been appointed as the Company's Senior Independent Non-Executive Director. Following Mr Carson's departure from the Board, the Board will continue its search for a qualified candidate to be appointed to the Board as an additional Independent Non-Executive Director and to serve as Senior Independent Director.

The Audit & Risk Committee

The Audit & Risk Committee is comprised of three Independent Non-Executive Directors. The Audit & Risk Committee Chairman is Jeffrey Vanneste.

The main roles and responsibilities of the Audit & Risk Committee are set out in written terms of reference and are available on the Company's website (tifluidsystems.com).

Details of the Audit & Risk Committee's activities can be found in the Audit & Risk Committee report on pages 47 to 52.

The Remuneration Committee

The Remuneration Committee is comprised of four Independent Non-Executive Directors. The Remuneration Committee Chairman is Neil Carson.

The main roles and responsibilities of the Remuneration Committee are set out in written terms of reference and are available on the Company's website (tifluidsystems.com).

Details of the Remuneration Committee's activities can be found in the Remuneration Committee report on pages 53 to 62.

The Nomination Committee

The Nomination Committee is comprised of the Chairman, the Senior Independent Director and a Non-Executive Director. The Nomination Committee Chairman is Manfred Wennemer.

The main roles and responsibilities of the Nomination Committee are set out in written terms of reference and are available on the Company's website (tifluidsystems.com).

Details of the Nomination Committee's activities can be found in the Nomination Committee report on pages 45 to 46.

Balance and independence

In accordance with the main principle B.1 of the Corporate Governance Code, the Board and its Committees have an appropriate balance of skills, experience and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively. The size and composition of the Board is kept under review by the Nomination Committee to ensure an appropriate balance of skills and experience is maintained.

The Code recommends, in the case of a FTSE 350 company, that at least half the Board of Directors (excluding the Chairman) should comprise 'independent' Non-Executive Directors. The Board comprises the Non-Executive Chairman, who is considered to be independent, two Executive Directors and five independent Non-Executive Directors. The Non-Executive Directors comprise Neil Carson, Senior Independent Director, Paul Edgerley, Elaine Sarsynski, John Smith, Stephen Thomas, Andrea Dunstan and Jeffrey Vanneste. The Non-Executive Directors, Neil Carson, Andrea Dunstan, Elaine Sarsynski, John Smith and Jeffrey Vanneste, are considered to be independent in character and judgement, and free of any business or other relationship which could materially influence their judgement.

The Company intends to appoint additional independent Non-Executive Directors over time in keeping with the Corporate Governance Code. As the Board composition changes over time and when evaluating candidates for the Board membership, candidates are considered on merit, taking account of their relevant skills and experience as well as recognising the benefits of Boardroom diversity including gender, nationality, ethnicity and age.

Disclosure of relationship agreement with Bain

Details of substantial shareholdings in the Company's ordinary share capital are set out in the Directors' report on pages 63-64.

On 25 October 2017, the Company entered into an agreement with its largest shareholders, the funds managed by Bain Capital and BC Omega Holdco, Ltd. (the 'Institutional Shareholders'). The principal purpose of the agreement is to ensure that following the Company's Admission and Listing, the Company is able to carry on its business independently of the Institutional Shareholders and that transactions and relationships between the Company and the Institutional Shareholders are conducted at arm's length and on normal commercial terms. The Board confirms that so far as it is aware the Institutional Shareholders have complied with the undertakings in the agreements and the obligations therein. Inter alia, the Institutional Shareholders have a right to nominate for appointment to the Board (a) two Directors for so long as the Institutional Shareholders and their associates' shareholding in the Company is equal to or more than 25% and (b) one Director for so long as the Institutional Shareholders and their associates' shareholding in the Company is equal to more than 10% but less than 25%.

The terms of the appointment of the Non-Executive Directors does not specify the amount of time they are expected to devote to the Company's business. However, it is estimated they will commit a minimum of one day per month which is calculated based on the time required to prepare for attending Board and Committee meetings, and additional duties such as attendance at the Annual General Meeting and meetings with shareholders.

Length of appointment

Non-Executive Directors are appointed for terms of three years, subject to the particular Director being re-elected by shareholders, for up to the normal maximum of three terms (nine years).

Conflicts of interest

The Company's Articles of Association set out the policy for dealing with Directors' conflicts of interest and are in line with the Companies Act 2006. The Board has a formal system in place for Directors to declare conflicts of interest and for such conflicts to be considered for authorisation.

Training and development

In preparation for admission, all Directors received an induction briefing from the Company's legal advisers on the duties and responsibilities as Directors of a publicly quoted company. In addition, upon their appointment all Directors receive an induction programme arranged by the Company Secretary, including plant visits and meetings with key members of senior management in order to familiarise themselves with the Group.

Information and support

To enable the Board to function effectively and to assist the Directors in discharging their responsibilities, full and timely access is given to all relevant information to the Board. In the case of Board meetings this consists of a formal agenda and a comprehensive set of papers including regular business progress reports. An established procedure is in place to ensure that such information is provided to Directors in a timely manner in advance of meetings. Specific business-related presentations are given by senior management when appropriate.

The Company Secretary works closely with the Chairman, the Chief Executive Officer and the chairs of the Board Committees to ensure that Board procedures, including setting agendas and the timely distribution of papers, are complied with and that there are good communications flows between the Board and its Committees, and between senior management and Non-Executive Directors. The Company Secretary is also available to all Directors to provide advice and support, including facilitating induction programmes. All Directors are able to take independent professional advice at the Company's expense in the furtherance of their duties where considered necessary.

Re-election of Directors

At the forthcoming Annual General Meeting on 16 May 2019 all the Directors will be offering themselves for re-election apart from Neil Carson who will be standing down from the Board after the Meeting.

Whistleblowing

The Company has established procedures by which employees may, in confidence, raise concerns relating to some danger, fraud, or other illegal or unethical conduct in the workplace. The Whistleblowing Policy applies to all employees of the Group. The Audit & Risk Committee is responsible for monitoring the Group's whistleblowing arrangements and the policy is reviewed periodically by the Board.

Dialogue with shareholders

Prior to the IPO the Company's shareholders comprised funds managed by Bain Capital and a number of members of management. As a result of the IPO, a larger shareholder base has developed. Investor relations activity and a review of the shareholder register are regular items in the Board information pack.

The Chairman sent an introductory letter to all the Company's top shareholders in order to ensure open communication. In addition, the Executive Directors have met with a large number of investors and have engaged in active discussions with shareholders and investors, both on an individual basis and through roadshow events. The Company aims to maintain an active dialogue with key stakeholders, including institutional investors, to discuss issues relating to the performance of the Group, including strategy and new developments.

The Company has an investor relations website which is publicly available and provides relevant information to both institutional investors and private shareholders, including performance updates and announcements by the Company.

Annual General Meeting

The Company's Annual General Meeting will take place on 16 May 2019 at The May Fair Hotel, Stratton Street, London W1J 8LT. A separate notice convening the Annual General Meeting is being sent out with this Annual Report and Accounts. Separate votes are held for each proposed resolution. At the Annual General Meeting, after the formal business has been concluded, the Chairman will welcome questions from shareholders. All Directors attend the meeting, at which they have the opportunity to meet with shareholders. Details of the resolutions to be proposed at the Annual General Meeting on 16 May 2019 and an explanation of the items of special business can be found in the circular that contains the notice convening the Annual General Meeting.

Approved by order of the Board

Manfred Wennemer
Chairman
19 March 2019

Nomination Committee report

Manfred Wennemer
Nomination Committee
Chairman

Key highlights

- Review composition of the Board
- The appointment of Elaine Sarsynski on 14 August 2018 and Andrea Dunstan on 8 March 2019
- Development of the Non-Executive Director Induction programme
- Consider further recruitment of additional independent Non-Executive Directors
- Internal Board and Committee evaluation review
- Monitoring of UK Corporate Governance

Dear Shareholder,

During the year, the Nomination Committee, formed prior to the listing in October 2017, made recommendations to ensure that a robust and appropriate Board was maintained. Having completed our first full year in public life, considerable focus has been on enhancing the necessary mix of skills, knowledge, experience and diversity of the Board to drive the strategic objectives of the business.

The 2018 key highlights are noted above and include the annual review of the composition of the Board. This review led to the Non-Executive Director recruitment process, successfully resulting in the appointment of Elaine Sarsynski and Andrea Dunstan in March 2019. Elaine has brought considerable financial services experience as director on the board of AXA SA, the French multinational insurance firm, and her previous experience with Massachusetts Mutual Life Insurance Company. Andrea has brought extensive HR experience with Wincanton plc, AstraZeneca plc and Barclays Bank plc and, until 2017, was Chief People Officer for Premier Farnell plc. Both appointments will further enhance the Board's capabilities and skills.

The Committee also led the Board evaluation process which is conducted each year. The results demonstrated many core strengths and some areas for future development, including incorporating more in-depth strategic planning sessions as well as increased professional development with respect to industry trends and analysis into the annual Board programme for 2019. The Committee also led the Board's review of the revised Corporate Governance Code in order to establish a firm foundation for the additional requirements to be implemented with the application of the revised Code in January 2019.

Membership and Terms of Reference of the Nomination Committee

The Committee was comprised of the Chairman, Manfred Wennemer, the Deputy Chairman and Senior Independent Director, Neil Carson, and the Non-Executive Director, Paul Edgerley. The Board considers the majority of the members of the Nomination Committee to be independent.

The current Terms of Reference of the Nomination Committee, approved in October 2017 and reviewed for appropriateness in December 2018, are available to view on the Company's website (tfluidsystems.com).

Board composition

The Code requires that at least half the Board, excluding the Chairman, should consist of Non-Executive Directors determined by the Board to be independent.

Until August 2018, the Board comprised eight Directors, including the Independent Non-Executive Chairman, the Senior Independent Director, two Independent Non-Executive Directors, two Executive Directors and two Non-Executive Directors. In August 2018, the Company appointed an additional Independent Non-Executive Director, increasing the level of independence and bringing the Board into full compliance with the requirements of the Corporate Governance Code. The further appointment of an Independent Non-Executive Director in March 2019 increases further the level of compliance.

With Neil Carson stepping down following the AGM in May 2019, the Committee will continue to seek candidates for appointment to our Board that will further strengthen the Board in terms of experience, skills, diversity and independence of the Board.

The terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting (for 15 minutes prior to the meeting and during the meeting).

Recruitment process

As noted previously, Elaine Sarsynski was appointed to the Board in August 2018, following her identification as a candidate through our external search. Prior to her appointment, Elaine met the Chairman, Chief Executive Officer and other members of the Board. References were collected and the Committee agreed that Elaine had strong functional expertise in finance, strategy and legal matters. The Committee appointed Spencer Stuart search consultants to lead the searches and the Chairman agreed to the Non-Executive Director profiles and provided input into a shortlists of candidates for the roles. In accordance with the 2016 Corporate Governance Code, the Company confirms that it has no connection to Spencer Stuart. You can see Elaine and Andrea's biographies on pages 38 and 39.

Diversity

With the appointment of Elaine Sarsynski and Andrea Dunstan to the Board, women now comprise 20% of the Board. At 31 December 2018, women represented approximately 28% of the Group's total workforce. At present, the Executive Committee (CEO and his direct reports) does not include any women, but 33% of senior management reporting to the Executive Committee are women. The Board recognises that diversity includes not only the Board but extends beyond the boardroom and, therefore, supports management efforts to build a diverse organisation at all levels. The Company believes in promoting diversity at all levels of the organisation while ensuring appointments are made on merit and there is an appropriate balance of skills and experience both within the Board, senior management and other levels of the organisation.

Key issues reviewed by the Committee in the year

- During the year ended 31 December 2018, the Nomination Committee has met once and considered the following issues:
- A review of the composition of the Board and Committee membership
 - Re-appointment of the Non-Executive Directors at its first AGM
 - Appointment of Elaine Sarsynski as Non-Executive Director and oversight of her induction plan
 - A review of site visits undertaken by Board members
 - Progress on succession planning
 - Updates on diversity and inclusion on the Board and throughout the organisation
 - Annual review of the effectiveness of the Chairman and the Chief Executive Officer, led by the Senior Independent Director and Chairman respectively
 - Annual review of independence of Non-Executive Directors in line with the criteria set by the Code
 - Review the balance of skills, knowledge, experience and diversity on the Board
 - Establishing an induction programme for Non-Executive Directors
 - Arranging the Board evaluation programme and agreement on a development plan.

Action plan for 2019

- Below are some of the issues that the Nomination Committee plans to consider as part of an Action Plan for the year ahead:
- Review of the skills and independence of each of the Non-Executive Directors
 - Recommend the re-election of all Directors apart from Elaine Sarsynski and Andrea Dunstan who are being proposed for initial election following their appointment
 - Consider the appointment of additional independent Non-Executive Directors
 - Promote Board and management diversity
 - Review the Committee Terms of Reference.

Manfred Wennemer

Nomination Committee Chairman
19 March 2019

Audit & Risk Committee report

Jeffrey Vanneste
Audit & Risk Committee
Chairman

Dear Shareholder,

I am pleased to present my second report as Chair of the Audit and Risk Committee which outlines the Committee's composition, main responsibilities and key areas of focus in the Group's first full year as a listed entity.

The core responsibility of the Committee is to provide an independent oversight in relation to the integrity of financial reporting, the extent and effectiveness of internal financial controls and assurance processes; the monitoring of key risk management systems and processes and assessment of the effectiveness and independence of the Group's external auditors. This report covers the activities of the Committee throughout 2018 and up to the date of this report.

The terms of reference of the Audit & Risk Committee are available to view on the Company's website (tifluidsystems.com).

Membership of the Audit & Risk Committee

The Audit & Risk Committee comprises independent Non-Executive Directors of the Company as set out in the table below. Brief biographical information on the members of the Audit & Risk Committee are listed on pages 38 to 39 including details of experience and competence relevant to the sector. The Company Secretary, who is also Chief Legal Officer, acts as secretary to the Committee.

The following table shows the number of meetings held during 2018 and the attendance record of individual members of the Committee:

Name of member	Date of appointment to the Committee	Number of meetings attended	Maximum number of meetings the member could have attended
Jeffrey Vanneste	25 October 2017	4	4
Neil Carson	25 October 2017	4	4
John Smith	25 October 2017	4	4

Following the year-end, the Committee met to review the Group's 2018 Annual Report.

The Audit & Risk Committee is scheduled to meet once a quarter through the year and its agenda is linked to both the Group's external reporting timetable and the internal financial cycle. The Audit & Risk Committee invites the Chief Executive Officer and President, the Chief Financial Officer, the Group Controller and Vice President Risk and other senior finance personnel, together with other senior representatives of the external and internal auditors, to attend certain meetings. All other members of the Board have an open invitation to attend the meetings.

The Committee, when necessary, will meet in private with the internal and external auditors without management present as part of the overall meeting structure. As the Chair of the Committee I had a number of private discussions with the lead external audit partner and all members met with his proposed successor.

The role of the Audit & Risk Committee

The primary function of the Audit & Risk Committee is to assist the Board in discharging its responsibilities with regard to financial reporting and the external and internal audit, including:

- reviewing and monitoring the integrity of the Group's annual and interim financial statements
- advising on the appointment of the external auditors and overseeing the Group's relationship with its external auditors
- reviewing the scope and effectiveness of the external audit process
- reviewing the independence and objectivity of the external auditors
- reviewing and monitoring the extent of the non-audit work undertaken by the Group's external auditors
- making recommendations to the Board on accounting policies
- reviewing the effectiveness of the Group's internal control and risk management programmes
- monitoring the activities and effectiveness of the Group's internal audit function
- receiving reports from the Group's internal and external auditors
- making recommendations to the Board for a resolution to be put to the shareholders for the appointment of the external auditors, approval of their remuneration and terms of their engagement
- review of the Group risk registers and advising the Board on the effectiveness of risk action plans
- reviewing the adequacy and effectiveness of the whistleblowing and anti-bribery policy and procedures.

Oversight of financial reporting

The Committee acts in an oversight role in respect of the Annual Report and other announcements with financial content all of which are prepared by management. The Committee received reports on the Annual and Interim financial statements from management and the external auditor. The auditor's report including a summary of key audit matters is set out on pages 68 to 75.

The Committee has:

- considered the significant accounting judgements and policies adopted in the respect of the Interim and Annual financial statements and agreed their appropriateness
- examined key points of disclosure and presentation to ensure the adequacy, clarity and completeness of the financial statements
- reviewed the content of the proposed news releases issued in conjunction with half year and full year results as well as reviewing, on behalf of the Board, the quarterly Trading Updates issued in May and November 2018, respectively
- discussed audit reports with the external auditors which highlighted key accounting matters and significant judgements in respect of each set of financial statements
- reviewed and discussed reports to support management's assessment of the going concern judgement and the viability statement set out on page 32.
- The Group's risk related to Brexit was reviewed and supported as being limited.

Significant accounting matters

The issues and judgements considered below were identified by the Committee as significant to the preparation of the 2018 Financial Statements:

Key accounting judgements	Work undertaken
Warranty provision The Group is subject to warranty claims in the event that its products fail to perform as per specifications. Warranty provisions are made to cover potential exposures that relate to specific customer claims. Key judgements are made in calculating the provision and these are dependent on the customer, complexity of the issue and the negotiation process. The outcome of claims is often difficult to predict and quantify.	We considered the judgements made by management in assessing the likelihood and quantification of material exposures. This included: – understanding the nature of the specific claims and correspondence with customers – assessing management's evaluation of the likelihood and quantum of exposure and the status of negotiations with the customer. We obtained the external auditor's views in relation to the appropriateness of the approach taken by management. Taking into account the evidence presented and explanations given by management we concluded that the judgements taken in respect of warranty matters were reasonable and appropriate.
Goodwill and intangible assets impairment All cash generating units (CGUs) containing goodwill and intangible assets are tested for impairment annually. The determination of CGUs and the recoverable amount requires judgement by management in both identifying and valuing the relevant CGUs. Key judgements and estimates are involved in completion of impairment reviews including cash flow forecasts, discount rates and long-term growth rates. A change in these assumptions can result in a material change in the valuation of the assets.	As part of the annual impairment review, we considered a summary report from management explaining the methodology, assumptions and results of the impairment test. We specifically reviewed the discount rates used to calculate expected future cash flows at their present value ensuring appropriate consideration of inherent risk and geography had been factored in. Additionally our review considered the disclosures of key estimates and judgements in the financial statements along with the extent and appropriateness of sensitivities performed by management and the extent of disclosures made. The impairment reviews were also an area of focus for PricewaterhouseCoopers LLP and we considered their report. We were satisfied with the approach taken by management and concluded that the judgements and estimates used in the impairment assessment were reasonable and the conclusion of no impairment in 2018 was appropriate.

Key accounting judgements	Work undertaken
Deferred tax asset recognition and provision for uncertain tax positions The Group has a wide geographic footprint and is subject to tax laws in many jurisdictions. Provisions are made for uncertain tax positions which involve judgement and estimates by management as to the likelihood of their realisation. Recognition of deferred tax assets also involves judgement as to their realisation, including whether there will be sufficient taxable profits in future periods to support recognition.	We reviewed summary reports from management in respect of estimates of tax exposures to assess the reasonableness of the Group's tax provisions. Information provided has included specialist tax advice in applicable jurisdictions and updates on specific ongoing audits. The recognition of deferred tax assets have been reviewed to support recognition. PricewaterhouseCoopers LLP also reported to the Committee its findings in this area which have been reviewed and considered. The Committee was satisfied with the judgements, estimates and that disclosures were reasonable and appropriate.

The Committee is satisfied that the judgements made are reasonable and appropriate disclosures have been included in the financial statements.

Other financial reporting matters

Presentation of financial statements

The Board uses adjusted results as the measure of ongoing performance of the Group and its Divisions. This approach necessitates the exclusion of certain items of income or charge that are felt to distort comparability of performance. In considering the presentation of the 2018 financial statements the Committee re-assessed the appropriateness of the non-IFRS measures used by the Group and considered the extent and clarity of explanation supporting the use of these measures. The Committee was satisfied that the 2018 Annual Report disclosures were appropriate.

New accounting standards

2018 has seen the Group adopt IFRS 9 ("Financial Instruments") and IFRS 15 ("Revenue from Contracts with Customers"). In conjunction with the Annual and Interim 2018 Financial Statements the Committee received reports and explanations of the impact of these standards including the details of the necessary disclosures. The Committee considered the appropriateness of disclosures and judgements made with regard to these standards and were satisfied with the approach and treatments adopted.

Additionally at its meetings in August and November 2018 the Committee received updates on the progress being made in preparing the Group to adopt IFRS 16 ("Leases"). These updates included details of the Group's approach to data collection, lease valuation and accounting and reporting. The disclosures given in the 2018 financial statements were reviewed by the Committee and having taken into account points raised by the external auditor these were concluded as acceptable.

External Auditors

The Audit & Risk Committee are very aware the effectiveness and independence of the external auditor is central to ensuring the integrity of the Group's published financial information.

During 2018 the Committee's engagement with the external auditor has mainly focussed on:

- the review and approval of PricewaterhouseCoopers LLP's 2018 audit plan, terms of engagement and fee for the audit of the 2018 financial statements
- review of the independence, objectivity and effectiveness of PricewaterhouseCoopers LLP
- concluding a recommendation to the Board to reappoint PricewaterhouseCoopers LLP
- satisfying ourselves that the level of non-audit services provided by PricewaterhouseCoopers LLP was compliant with external regulation and internal policies
- considering, along with management, the proposed new external audit partner for the 2019 external audit.

The Committee approved the proposed external audit plan and its scope at its meeting in November 2018. Our consideration of the plan involved an assessment of the size of entities covered and the level of risk associated with those entities. The Committee was satisfied that the proposed risk based approach was appropriate and commensurate with the Group's risk appetite in respect of external audit assurance. The key audit matters identified by PricewaterhouseCoopers LLP are set out in its report on page 70 and were reviewed by the Committee in approving the 2018 audit scope and plan.

In assessing the effectiveness of PricewaterhouseCoopers LLP the Committee had regard to a number of factors which included but were not limited to:

- their feedback and insights on the Group's business, internal control systems and attitude towards control
- the planning process and final audit plan for the 2018 financial statements
- the quality of reporting to the Committee
- their performance during the 2018 half-year review process
- feedback from senior management on the quality of engagement with them

In summary the Committee considers both PricewaterhouseCoopers LLP and its audit processes to be effective. PricewaterhouseCoopers LLP have a good understanding of the Group and its businesses including the financial reporting and control challenges facing the Group. This understanding is accompanied by robust challenge of the significant judgements made by management.

Auditor independence and non-audit services

In order to ensure the external auditors' independence, the Committee annually reviews the Company's relationship with its auditors and assesses the level of controls and procedures in place to ensure the required level of independence and that the Company has an objective and professional relationship with PricewaterhouseCoopers LLP. As previously agreed the 2018 audit will be the final audit led by Mr Chris Hibbs, he having reached the tenure limit. During 2018 both management and members of the Committee considered and met candidates to replace Mr Hibbs. The Committee confirmed that it was satisfied with the proposed appointment of Mr Andrew Hammond as the lead audit engagement partner for 2019.

The Committee has received confirmation from PricewaterhouseCoopers LLP that they remained independent and objective within the context of applicable professional standards throughout 2018 and the duration of the 2018 audit appointment.

In order to safeguard auditor independence the Committee has adopted a formal policy governing the engagement of the external auditor. This policy effectively limits the use of the external auditor to work that is of an assurance nature only prohibiting their ability to undertake work in relation to tax and consultancy services.

Any proposed non-audit service engagement has to be approved by the Group Controller & VP Risk on behalf of the Committee and only if it is within acceptable financial parameters and confirmation has been received from PricewaterhouseCoopers LLP that the service does not contravene regulatory independence requirements. There were no significant engagements or categories of engagements of the external auditors for non-audit services during 2018. Details of the fees paid to PricewaterhouseCoopers LLP in 2018 can be found in Note 30 on page 128 of the financial statements. In line with our policy these fees related principally to audit-related assurance services.

Having considering all factors the Committee has concluded that PricewaterhouseCoopers LLP remain appropriately independent.

Taking all matters of effectiveness, independence and objectivity into consideration the Committee has concluded that it was appropriate to recommend to the Board of Directors the reappointment of PricewaterhouseCoopers LLP as the Company's auditors for 2019.

Internal control and risk management

The Group continued in 2018 to refine its processes and controls globally to reflect changes to its internal control framework. The Group's system of internal controls, along with its design and operating effectiveness, is subject to review by the Audit & Risk Committee, in addition to review by the Internal and External auditors. Control deficiencies identified are followed up with action plans that are reviewed by the Audit & Risk Committee. The Board has established policies and procedures, including delegations of authority, which have been communicated across the Group.

In executing the Committee's remit for monitoring the financial reporting process and for reviewing the effectiveness of the Group's system of internal controls the Committee undertook the following review work:

- considered reports from Internal Audit on the outcomes of the 2018 Plan
- discussed the status and actions relating to control issues raised via the Group's whistleblowing hotline
- monitored the feedback from special project reviews performed by Internal Audit
- reviewed and approved the proposed Internal Audit plan for 2019
- discussed with the external audit their findings and perspectives on the Group's internal control framework

Internal audit plays an important role in assessing the effectiveness of internal controls by a programme of reviews of key business risks across the Group. The Group has a dedicated Internal Audit function and a formal audit plan is in place to address the key risks across the Group. The Audit & Risk Committee considers and approves the internal audit plan, which is based on an assessment of the key risks faced by the Group. Progress in respect of the plan is monitored throughout the year and care is taken to ensure that the Internal Audit function has sufficient resource to complete the plan. The audit plan may be reviewed during the year as a result of the ongoing assessment of the key risks or in response to the needs of the Group. The Director of Internal Audit reports ultimately to the Chairman of the Audit & Risk Committee, although he reports on a day-to-day basis to the Chief Financial Officer. A report on completed internal audits is presented to the Committee and, where appropriate, action plans are reviewed.

The system of internal controls is designed to manage, rather than eliminate the risk of failure to achieve business objectives and we can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established a clear organisational structure with defined authority levels. The day-to-day running of the Group's business is delegated to the Executive Directors of the Group.

The Board has overall responsibility for the Group's risk appetite and ensuring there is an effective risk management framework. The Board has delegated responsibility for review of the risk management programme and effectiveness of internal controls to the Audit & Risk Committee. In its first year as a public company, the Group commenced its consideration of a formalised risk management programme including consideration of an appropriate methodology and process design. This framework seeks to identify and correlate the Group's principal risks with mitigating activities and processes. Further work in this area will be undertaken in 2019. Further information on the Group's formative risk management programme and the risks and uncertainties which are judged to have the most significant impact on the Group's long-term performance and prospects are set out on pages 21 to 23.

The Audit & Risk Committee has reviewed the assessment of the Group's principal risks, the impact on the prospects for the Group and the mitigating actions and the Board has confirmed that a robust assessment of the Group's principal risks had been undertaken.

Other matters

During the year the Committee:

- received an overview report on the Group's Insurance programme including details of the 2018 renewal pricing.
- reviewed and approved the Parent Profit and Loss Account for the year on behalf of the Board pursuant to compliance with s408 Companies Act 2006
- had a briefing on the programme to select a new Group-wide financial reporting system
- reviewed and recommended to the Board the proposal for the level of the 2018 Interim dividend
- reviewed and recommended the 2018 debt refinancing proposal made by management.
- reviewed tax positions and rates
- received an update on the Group's cyber security activities including the programme of activities to enhance resilience across the Group in this area.

Jeffrey Vanneste

Audit & Risk Committee Chairman
19 March 2019

Annual statement by the Chairman of the Remuneration Committee

Neil Carson
Remuneration Committee
Chairman

Dear Shareholder,

As Chairman of the Remuneration Committee I am pleased to present the TI Fluid Systems Directors' Remuneration Report.

TI Fluid Systems, a global business, is unique relative to other FTSE 250 companies, where its management team is based in the United States along with several other competing tier one automotive supplier management teams. Given that TI Fluid Systems is the only automotive supply company on the FTSE 250, there is not a significant pool of comparable executives in the United Kingdom with a deep understanding and experience in the automotive industry; which are key success factors.

When the Company was listed, the Remuneration Committee recognised and complied with UK remuneration structure standards while balancing incentive compensation arrangements to reflect the competitive US market in which our Executive Directors operate. We believe this approach balances the compliance and regulatory requirements of a FTSE 250 company while attempting to attract, motivate and retain top automotive expertise to the Company.

When TI Fluid Systems became a UK listed company, variable compensation was reduced and salaries were not increased. We also introduced UK best practice provisions from a UK governance perspective; with bonus deferral, a holding period on the Long Term Incentive Plan (LTIP), structuring the LTIP with solely performance based conditional share awards, shareholding guidelines at 300% of salary and malus and clawback triggers. These elements are not usual US practice and impact the competitiveness of our compensation package to our US management. Furthermore, we have not enhanced the Executive Directors' pension and health care provisions to be consistent with the more generous UK norms.

We have continued to monitor the policy and have engaged with some of our major shareholders and proxy voting bodies over the last year to further explain our rationale for the current structure and why we believe it is fit for purpose.

In the interests of succinct reporting, the Directors' Remuneration Policy, which remains unchanged, is not reproduced in full in this report. An overview of the Policy as well as how it was implemented in 2018 and how it will be implemented in 2019 follows this letter. The Policy can be found in full in our 2017 Annual Report, on our website (tifluidsystems.com).

CFO transition

In January 2019, the Company announced that Timothy Knutson had informed the Group of his intention to step down from the Board. It was agreed that Timothy would remain as the Chief Financial Officer while the Group completes an orderly transition to a suitable replacement. The transition is expected to be completed by the end of 2019.

Corporate Governance

In advance of the Company's Admission, the Remuneration Committee undertook a review of the Remuneration Policy to ensure that it was fit for purpose for the Company going forward. This included ensuring that it was entirely consistent with the provisions of the UK Corporate Governance Code and best market practice at that time.

During the year the Committee reviewed our remuneration arrangements in-light of the revised UK Corporate Governance Code to ensure our continued compliance. As a result of the changes to the Code, the Committee identified a number of areas for consideration including the development of a post-employment shareholding guideline. These are currently under review and will be published in next year's Remuneration Report.

Neil Carson

Chairman of the Remuneration Committee
19 March 2019

Directors' Remuneration report

continued

Remuneration in brief

The table below summarises the Directors' Remuneration Policy, the remuneration outcomes in respect of 2018 and the implementation of the Policy for 2019.

Element and overview of policy	Outcomes in respect of 2018	Implementation for 2019																									
Base salary Set at a level which is market competitive to attract and retain executives and at a level which reflects an individual's experience, role, competency and performance.	No base salary increases were awarded for 2018. Salaries were as follows: <table><tr><th></th><th>2018 €000</th><th>Increase in salary</th></tr><tr><td>Executive Director</td><td></td><td></td></tr><tr><td>William Kozyra</td><td>890</td><td>Nil</td></tr><tr><td>Timothy Knutson</td><td>551</td><td>Nil</td></tr></table> €1 = \$1.18		2018 €000	Increase in salary	Executive Director			William Kozyra	890	Nil	Timothy Knutson	551	Nil	A 3% increase in annual base pay has been approved for the Chief Executive Officer, consistent with the wider US workforce. Salaries effective 1 January 2019 are as follows: <table><tr><th></th><th>2019 €000</th><th>Increase in salary</th></tr><tr><td>Executive Director</td><td></td><td></td></tr><tr><td>William Kozyra</td><td>917</td><td>3%</td></tr><tr><td>Timothy Knutson</td><td>551</td><td>Nil</td></tr></table> €1 = \$1.18		2019 €000	Increase in salary	Executive Director			William Kozyra	917	3%	Timothy Knutson	551	Nil	
	2018 €000	Increase in salary																									
Executive Director																											
William Kozyra	890	Nil																									
Timothy Knutson	551	Nil																									
	2019 €000	Increase in salary																									
Executive Director																											
William Kozyra	917	3%																									
Timothy Knutson	551	Nil																									
Benefits Provide a benefits package in line with practice relative to the Company's comparator group.	Access to existing health insurance, car and perquisite allowance.	No changes for 2019. Benefits remain in line with Remuneration Policy.																									
Pension Nominal matching defined contribution retirement savings plan.	Total matching contribution up to the 401k tax deferral limit, resulting in contributions of €10,487 (€1 = \$1.18) in respect of 2018 for each Executive Director.	No changes for 2019. Pensions remain in line with Remuneration Policy and in line with the wider workforce in the US which are below typical pension provisions in Europe.																									
Annual and Deferred Bonus Annual incentive of up to 300% of base pay based on financial and strategic targets. Up to the first 100% of salary is paid in cash, with any element above 100% of salary deferred into ordinary shares and subject to a holding period of two years.	Maximum opportunity of 300% of salary. <table><tr><th>Metric</th><th>Weight</th><th>Achievement</th></tr><tr><td>Adjusted EBIT</td><td>40%</td><td>0%</td></tr><tr><td>Adjusted Free Cash Flow</td><td>40%</td><td>40%</td></tr><tr><td>Strategic Initiative</td><td>20%</td><td>20%</td></tr><tr><td>Total</td><td>100%</td><td>60%</td></tr></table>	Metric	Weight	Achievement	Adjusted EBIT	40%	0%	Adjusted Free Cash Flow	40%	40%	Strategic Initiative	20%	20%	Total	100%	60%	No change in the maximum opportunity. <table><tr><th>Metric</th><th>Weight</th></tr><tr><td>Adjusted EBIT</td><td>40%</td></tr><tr><td>Adjusted Free Cash Flow</td><td>40%</td></tr><tr><td>Strategic Initiative</td><td>20%</td></tr><tr><td>Total</td><td>100%</td></tr></table>	Metric	Weight	Adjusted EBIT	40%	Adjusted Free Cash Flow	40%	Strategic Initiative	20%	Total	100%
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Adjusted Free Cash Flow	40%																										
Strategic Initiative	20%																										
Total	100%																										
Long-Term Incentive Plan (LTIP) Annual share award of up to 300% of base pay. Vesting is subject to performance conditions measured over a three-year period; with an opportunity to earn up to a further 33% of the maximum award for outperformance (400% of base salary in total). Awards are subject to a post-vesting holding period of two years.	In 2018, grants of 300% of salary were made for the base LTIP subject to the following performance conditions: <table><tr><th>Performance condition</th><th>Weighting</th></tr><tr><td>Adjusted Basic Earnings Per Share Growth</td><td>80%</td></tr><tr><td>Relative Adjusted Total Shareholder Return versus the FTSE 250</td><td>20%</td></tr></table> The CEO & CFO grants for outperformance were 88% and 66% of salary (below guidelines set out in the Remuneration Policy) based on the condition of Adjusted Basic Earnings Per Share Growth.	Performance condition	Weighting	Adjusted Basic Earnings Per Share Growth	80%	Relative Adjusted Total Shareholder Return versus the FTSE 250	20%	Conditional Share Grants in line with Remuneration Policy (300% of base salary) with outperformance grant of up to an additional 100% of base salary. <table><tr><th>Performance condition</th><th>Weighting</th></tr><tr><td>Adjusted Basic Earnings Per Share Growth</td><td>80%</td></tr><tr><td>Relative Adjusted Total Shareholder Return versus the FTSE 250</td><td>20%</td></tr></table>	Performance condition	Weighting	Adjusted Basic Earnings Per Share Growth	80%	Relative Adjusted Total Shareholder Return versus the FTSE 250	20%													
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Relative Adjusted Total Shareholder Return versus the FTSE 250	20%																										

Element and overview of policy	Outcomes in respect of 2018	Implementation for 2019												
Shareholding Guidelines Executive Directors are required to build up to and hold a shareholding equal to 300% of salary.	Both Executive Directors far exceeded the shareholding guidelines.	The shareholding guidelines will continue to apply.												
	<table><tr><td></td><td>Shares owned as percent of base salary</td><td>Shareholding requirement met?</td></tr><tr><td>Executive Director</td><td>Shares beneficially owned</td><td></td></tr><tr><td>William Kozyra</td><td>7,433,622</td><td>1,585%</td></tr><tr><td>Timothy Knutson</td><td>3,568,921</td><td>1,230%</td></tr></table>		Shares owned as percent of base salary	Shareholding requirement met?	Executive Director	Shares beneficially owned		William Kozyra	7,433,622	1,585%	Timothy Knutson	3,568,921	1,230%	
	Shares owned as percent of base salary	Shareholding requirement met?												
Executive Director	Shares beneficially owned													
William Kozyra	7,433,622	1,585%												
Timothy Knutson	3,568,921	1,230%												

Annual report on remuneration

Remuneration – Directors (audited information)

The table below sets out a single figure for the total remuneration received by each Executive and Non-Executive Director for the year ended 31 December 2018 and the prior year:

	Basic Salary/Fees ¹ €000		Taxable Benefits ¹ €000		Annual Bonus ¹ €000		LTIP ^{1,2} €000		Pension ¹ €000		Other ^{1,3,4} €000		Total ¹ €000	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Executive Directors														
William Kozyra	890	890	68	52	1,602	3,743	See notes		10	10	8	3,421	2,578	8,116
Timothy Knutson	551	551	33	31	992	2,495	See notes		10	10	8	2,163	1,594	5,250
Non-Executive Directors														
Manfred Wennemer	341	150	–	–	–	–	–	–	–	–	–	1,023	341	1,173
Neil Carson	133	112	–	–	–	–	–	–	–	–	–	341	133	453
John Smith	107	20	–	–	–	–	–	–	–	–	–	341	107	361
Jeffrey Vanneste	107	20	–	–	–	–	–	–	–	–	–	341	107	361
Elaine Sarsynski ⁵	41	–	–	–	–	–	–	–	–	–	–	–	41	–
Paul Edgerley ⁶	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Stephen Thomas ⁶	–	–	–	–	–	–	–	–	–	–	–	–	–	–

1 Figures in the table above are converted at the following exchange rates: €1 = \$1.18 and €1 = £0.88 except as otherwise noted.

2 As part of the reorganisation of the share capital of the Company prior to the IPO in 2017, the Executive Directors agreed to waive their interests in options previously granted in 2015 to them in connection with the acquisition of the Group by funds managed by Bain Capital (the 'Historic Pre-IPO Options'). As a result, the Historic Pre-IPO Options were cancelled, and ordinary shares with an equivalent economic value were issued to the Executive Directors as consideration for such cancellation. At the time of issue, these ordinary shares had a market value, at Offer Price, of approximately €22.2 million for Mr Kozyra and €11.0 million for Mr Knutson. (If the value of these shares is included as remuneration in 2017, total remuneration for 2017 would have been €30.2 million and €16.3 million, respectively using a € to £ exchange rate of 0.88.)

3 As part of the successful IPO in 2017, awards were granted on Admission to the Chief Executive and Chief Financial Officer to recognise their contribution to the business in the lead up to Admission. William Kozyra and Timothy Knutson were provided with a cash award of €2,542,373 and €1,694,915 respectively (€1 = \$1.18). In addition, a one-off reimbursement of €871,990 and €461,590 (€1 = \$1.18) for the CEO and CFO respectively was paid in respect of associated costs on IPO. The figures for 2018 represents the average cost of medical benefits provided to employees in the United States including Executive Directors.

4 In conjunction with the IPO, Mr Wennemer received a bonus payment of €1,022,722 and Mr Carson, Mr Smith and Mr Vanneste each received a bonus payment of €340,909. Each of these Directors used the net (after tax) proceeds of their bonus to purchase shares at the offer price.

5 Elaine Sarsynski was appointed as an independent Non-Executive Director of the Company on 14 August 2018.

6 Paul Edgerley and Stephen Thomas represent funds managed by Bain Capital, the Company's largest shareholder, and are not remunerated and receive no payment from the Company with respect to their qualifying services as Non-Executive Directors.

Directors' Remuneration report

continued

Executive Directors

Salary

Salary reviews will normally be carried out in December every year and take effect from January in the following year. There were no base salary increases for 2018, nor have the Executive Directors received a base pay increase since 2012.

Executive Director	2018 €000	2017 €000	Increase in salary
William Kozyra	890	890	Nil
Timothy Knutson	551	551	Nil

€1 = \$1.18

Pension

Executive Directors have a nominal matching defined contribution retirement savings plan consistent with the retirement saving plan offered to all staff employees in the United States. For 2018 the total matching contribution resulted in contributions of €10,487 (€1 = \$1.18) for each Executive Director.

Annual bonus for 2018 performance

The operation of the bonus plan for 2018 was consistent with the framework detailed in the Remuneration Policy. Performance against the performance conditions was as follows:

Performance condition	Weighting	Threshold	Target	Maximum	Actual performance	Achievement
Adjusted Earnings Before Interest and Taxes	40%	€376M	€396M	€416M	€374M	0%
Adjusted Free Cash Flow	40%	€110M	€120M	€130M	€146M	40%
Strategic measures	20%				Achieved (see below)	20%
Total	100%					60%

Constant exchange rates used in considering achievements levels.

2018 Annual Bonus Plan (ABP) Strategic Objective

Given the Company's focus on electric vehicles, a single strategic objective, weighted at 20% of the ABP was introduced for 2018. This strategic objective was to achieve new business Thermal awards in 2018 which support the Company's EV strategy with key OEMs on new EV platforms. The Company, with direct personal involvement of the Executive Directors achieved significant awards and expected orders for the design, engineering and supply of thermal products with two leading Original Equipment Manufacturers ("OEMs"). The total lifetime revenue opportunity of these thermal awards is estimated at €700 million based on customer planning volumes, and we anticipate having approximately 50% share on these two EV platforms. These portions of the thermal awards are expected to be for an eight to ten year life of the vehicles. Production for these platforms is expected to launch in 2019 and 2020, although vehicle life and production start dates are subject to change by these OEMs. Taking into account the strong performance against this objective the Remuneration Committee determined that the strategic objective had been achieved in full.

In-line with the Remuneration Policy, the 2018 ABP award consists of a cash payment of up to 100% of base salary, with remaining portion deferred into ordinary shares and subject to a holding period of two years. The final bonuses including the portion deferred into shares were as follows:

	% achievement of maximum	Total Award Amount €000	Annual bonus award	
			Portion Paid in Cash €000	Portion Deferred in Shares €000
Executive Director				
William Kozyra	60%	1,602	890	712
Timothy Knutson	60%	992	551	441

€1 = \$1.18

LTIP Awards

Awards granted during the year

The Remuneration Policy provides for Long Term Conditional Share Award Grants of 300% of base salary, with the potential to increase to 400% of base salary with outperformance. In 2018, Executive Directors received a lower maximum grant (with outperformance) of 388% and 366% of Base Salary for the CEO and CFO respectively. The following table sets out the performance conditions which will be assessed over a three-year performance period (2018 to 2020):

Plan	Performance condition	Weighting	Vesting at threshold	Threshold	Maximum	Number of shares granted		% of base salary at Grant Price of £2.55	
						CEO	CFO	CEO	CFO
Basic	Adjusted Basic Earnings Per Share Growth (Compound Annual Growth Rate)	80%	20%	4%	10%	742,268	459,016	240%	240%
	Relative Adjusted Total Shareholder Return versus the FTSE 250	20%	25%	Median	Upper quartile	185,567	114,754	60%	60%
	Total	100%				927,835	573,770	300%	300%
Outperformance	Adjusted Basic Earnings Per Share Growth (Compound Annual Growth Rate)	100%	N/A	N/A	12%	272,165	126,230	88%	66%
	Total					1,200,000	700,000	388%	366%

Vesting will occur on a straight-line basis between Threshold and Maximum.

The outperformance condition is Adjusted Basic Earnings Per Share Growth of 12% Compound Annual Growth Rate. Achievement of this will trigger an award of 88% and 66% of salary for the CEO and CFO respectively.

A holding period of two years post vesting will be applied to the LTIP awards.

Directors' Remuneration report

continued

Payments to past Directors

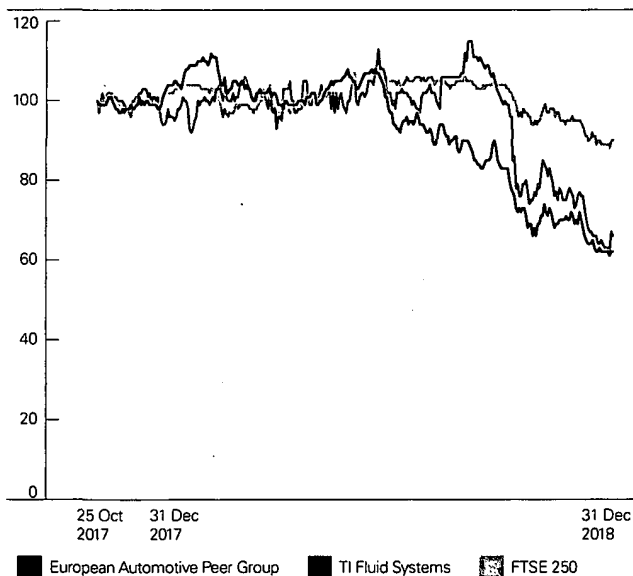
During the year, the Company has not made any payments to past Directors; neither has it made any payments to Directors for loss of office.

Statement of Directors' shareholdings and share interests (audited information)

Interests of the Executive and Non-Executive Directors in the share capital of the Company as at 31 December 2018 are shown in the table below:

	Current Shareholding	Beneficially owned	Shares held directly Deferred shares not subject to performance conditions	Other shares held LTIP interests subject to performance conditions	Vested but unexercised	Options Unvested	% of Salary	Shareholding requirements Shareholding requirement met?
Executive Directors								
William Kozyra	7,433,622	7,433,622	0	1,200,000	0	0	300%	Yes
Timothy Knutson	3,568,921	3,568,921	0	700,000	0	0	300%	Yes
Non-Executive Directors								
Manfred Wennemer	185,364	185,364	0	0	0	0	n/a	
Neil Carson	63,637	63,637	0	0	0	0	n/a	
John Smith	58,483	58,483	0	0	0	0	n/a	
Jeffrey Vanneste	58,483	58,483	0	0	0	0	n/a	
Elaine Sarsynski	0	0	0	0	0	0	n/a	

Value of £100 invested on 25 October 2017



Total Shareholder Return

The chart shows the Company's Total Shareholder Return ("TSR") relative to the FTSE 250 index as well as a set of European automotive peers. The FTSE 250 index was chosen as it is the comparator group against which TSR performance is measured under our LTIP. In addition, we have shown the performance of a set of European automotive peers to provide a relevant sector comparison. The chart shows the total return to investors since the Company listed on the London Stock Exchange on 25 October 2017.

Historical CEO payouts

The following table sets out details of the CEO's single figure and incentive payouts for the last two financial years.

	2018	2017
CEO single figure of total remuneration (€000)	2,578	8,116
Annual Bonus award (% of maximum)	60%	Not applicable
Long term incentives vesting (% of maximum)	0%	Not applicable

See notes under single figure table.

The ABP and LTIP in place prior to the IPO were not subject to a maximum.

Percentage change in the remuneration of the Chief Executive Officer compared with employees

	% increase/(decrease) in remuneration in 2018 compared with remuneration in 2017	
	CEO	All Employees
Base salary	0.0%	6.1%
Annual bonus	(57.2%)	(13.7%)
Benefits	No material change in benefits policy or cost between 2017 and 2018	No material change in benefits policy or cost between 2017 and 2018

Base salary comparator group is all employees globally. Annual bonus comparator group is all annual incentive eligible employees.

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2017 and 2018 financial periods. All figures provided are taken from the relevant Company's accounts.

	Disbursements from profit in 2018 financial year €m	Disbursements from profit in 2017 financial year €m
Profit distribution by way of dividend	22.5	Nil
Overall spend on pay including Executive Directors	834.5	843.7

External Board appointments

Subject to Board approval, the Company will permit its Executive Directors to hold non-executive positions outside of the Company that complement and enhance their current role. Any fees received by the Executive Director may be retained by the Director.

Mr Kozyra has been a Non-Executive Director at American Axle & Manufacturing Holdings, Inc. since January 2015 and he retains fees in respect of this appointment. Total fees for the year 2018 were €200,147 (€1 = \$1.18) including an equivalent value of restricted shares.

Directors' Remuneration report

continued

Implementation of Remuneration Policy for Executive Directors in 2019

The following section summarises how remuneration arrangements will be operated from 1 January 2019 onwards.

Base salary

The Remuneration Committee reviewed Executive Director base pay and agreed to increase the base salary of the CEO by 3%, in line with the base pay increase planned for the US workforce. The table below sets out the annual base salary of the Chief Executive Officer and Chief Financial Officer in 2019, and the comparison with the annual salary received in 2018.

	2019 €000	2018 €000	Increase in salary
Executive Director			
William Kozyra	917	890	3%
Timothy Knutson	551	551	Nil

€1 = \$1.18

Benefits and pension

No changes in Benefit and Pension schemes. Please refer to Remuneration Policy for details. Annual bonus ('ABP')

No changes to the operation of the 2019 bonus plan as compared to 2018.

The maximum opportunity for the year ending 31 December 2019 will be 300% of salary for all Executive Directors.

Consistent with the Remuneration Policy any awards under the ABP will consist of a cash payment of up to 100% of base salary, with the remainder of any bonus payment under the ABP deferred into an award of shares to be held for two years which will also be subject to malus and clawback provisions as detailed in the Policy.

The proposed target levels are challenging with performance conditions comprising of Adjusted Earnings Before Interest and Taxes (40%), Adjusted Free Cash Flow (40%) and Strategic Measures (20%). Specific targets will not be disclosed because the Remuneration Committee consider forward-looking targets to be commercially sensitive. However, the Committee intends to disclose these retrospectively in next year's Remuneration report to the extent that they do not remain commercially sensitive.

Long-Term Incentive Plan ('LTIP')

LTIP Awards

It is intended the Executive Directors will receive an LTIP award in 2019 of 300% of salary (which can increase to 400% of base salary if outperformance is achieved). The following table sets out the performance measures applicable to awards:

Performance condition	Weighting	Vesting at threshold	Threshold	Maximum	Outperformance
Adjusted Basic Earnings Per Share Growth (Compound Annual Growth Rate)	80%	20%	4%	10%	12%
Relative Adjusted Total Shareholder Return versus the FTSE 250	20%	25%	Median	Upper Quartile	Not Applicable

Vesting will occur on a straight-line basis between Threshold and Maximum.

The outperformance condition for the 2019 awards is Adjusted Basic Earnings Per Share Growth of 12% Compound Annual Growth Rate. Achievement of this will trigger an award of 100% of base salary for the CEO and CFO respectively.

All measures are assessed over a three-year performance period (2019 to 2021). A holding period of two years post vesting will be applied to the LTIP awards. This LTIP design is unchanged from prior year.

Implementation of Non-Executive Director Remuneration Policy in 2019

Chairman and Non-Executive Director fees

The fee levels that will apply for 2019 are set out below.

	2019	2018
Base fees		
Chairman	£309,000	£300,000
Senior Independent Director	£120,510	£117,000
Non-Executive Director	£96,820	£94,000
Additional Fees		
Audit & Risk Committee Chair	Included in base fees	Included in base fees
Remuneration Committee Chair	Included in base fees	Included in base fees

Remuneration Committee

Membership

The Remuneration Committee was established on 24 October 2017. Neil Carson is Chairman of the Remuneration Committee. The other members of the Remuneration Committee are Elaine Sarsynski, John Smith and Jeffrey Vanneste. There were two formal meetings of the Committee during the year.

Mr Carson has informed the Company of his decision to step down as a Director of the Company due to other board commitments with effect from the Company's Annual General Meeting in May 2019, when he will not stand for re-election. Mr Carson will continue as Senior Independent Director, Chair of the Remuneration Committee and a member of both the Audit & Risk Committee and the Nomination Committee until the time of the Company's Annual General Meeting in May 2019.

During the year, the Board announced the appointment of Elaine Sarsynski as an independent Non-Executive Director of the Company. Ms Sarsynski was appointed to serve as a member of the Remuneration Committee on 12 December 2018.

The Board considers each Committee member to be independent in accordance with the UK Corporate Governance Code (the 'Code'). The Chairman of the Board, Chief Executive and/or other persons may also attend meetings of the Committee by invitation but will not be present when matters relating to their own remuneration are discussed.

Role of the Remuneration Committee

The Remuneration Committee's responsibilities are set out in its Terms of Reference which are available to shareholders on request and on the Company's website (tifluidsystems.com). Its role includes:

- setting the Remuneration Policy for all Executive Directors of the Company, the Chairman of the Board and senior management;
- within the terms of the Remuneration Policy and in consultation with the Chairman of the Board and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of each Executive Director and the Chairman including bonuses, incentive payments and share option or other share awards;
- approve the design of, and determine targets for, the ABP and LTIP and approve total annual payments made under such schemes;
- ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

In carrying out its duties, the Remuneration Committee takes into account any legal and regulatory requirements, including the UK Corporate Governance Code and the UK Listing Rules. Determining the fees of the Non-Executive Directors is a matter for the Executive Directors and the Chairman.

Directors' Remuneration Report

continued

Advisers to the Committee

The Committee receives advice and guidance on Executive Directors' remuneration from the Chief Human Resources & Communications Officer and the Company Secretary in respect of the UK Corporate Governance Code and share schemes. The Company Secretary acts as Secretary to the Committee and ensures that the Remuneration Committee fulfils its duties under its Terms of Reference and provides regular updates to the Remuneration Committee on relevant regulatory developments in the UK.

Following a competitive tender process the Committee appointed Deloitte LLP as its independent advisers. Deloitte is a founding member of the Remuneration Consultants Group and operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice received from Deloitte is objective and independent.

Total fees for the year in relation to executive remuneration consulting were £19,300. In the year, Deloitte also provided advice in relation to share schemes and employment taxes.

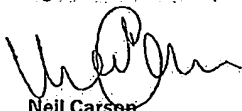
Statement of shareholder voting

The Company's first Annual General Meeting was held on 15 May 2018 and the voting outcomes in respect of the Directors' Remuneration Report and Directors' Remuneration Policy were as follows:

	Votes For	% For	Votes Against	% Against	Total Votes Cast	Votes Withheld
Directors' Remuneration Report	465,833,256	96.36%	17,605,974	3.64%	483,439,230	337,440
Directors' Remuneration Policy	424,188,516	87.68%	59,588,154	12.32%	483,776,670	–

Approval

This report was approved by the Board of Directors, on the recommendation of the Remuneration Committee, on 19 March 2019 and signed on its behalf by:



Neil Carson
Chairman of the Remuneration Committee
19 March 2019

The Directors present their Annual Report and the audited financial statements for the Group for the year ended 31 December 2018. The Directors' report comprises pages 63 to 64 and the sections of the Annual Report incorporated by reference as set out below, which taken together contain the information to be included in the Annual Report, where applicable, under Listing Rule 9.8.4.

Board membership	pages 38–39
Dividends	page 63
Directors' long term incentives	page 60
Corporate governance report	pages 36–52
Future developments of our business and the Group	pages 18–19 (Our Strategy)
Employee equality, diversity and involvement	pages 63–64
Post balance sheet events	page 129
Information to the independent auditor	page 64
Subsidiaries	pages 135–138

General information

The Company was incorporated and registered in England and Wales on 22 January 2015 as a limited company with the name Omega Holdco II Limited and with registered number 09402231. It is domiciled in England and Wales. On 27 September 2016, the Company changed its name to TI Fluid Systems Limited and on 18 October 2017 the Company was re-registered as a public company limited by shares with the name TI Fluid Systems plc. The Company is premium listed on the London Stock Exchange. The Company's registered address is 4650 Kingsgate, Oxford Business Park South, Cascade Way, Oxford OX4 2SU.

Share capital

Details of the Company's share capital are set out on page 111.

Results and dividends

The results for the year are set out in the consolidated statement of comprehensive income on page 77. The Directors recommend a payment of a final dividend of 5.94 euro cents per share on 31 May 2019 subject to approval at the Annual General Meeting on 16 May 2019 with a record date of 26 April 2019.

Directors and Directors' interests

The Directors who served the Company during 2018 and at the date of this report are listed on pages 38 to 39, which include brief biographical details. Their remuneration and interests in the share capital of the Company are set out in the Report on Directors' Remuneration on pages 53 to 62.

The following Board changes have occurred during the year:

Director	Date of appointment
Elaine Sarsynski	14 August 2018

The Company has adopted best practice guidelines and the 2016 UK Corporate Governance Code. Executive and Non-Executive Directors will offer themselves for election and re-election respectively at each Annual General Meeting apart from Neil Carson who will not seek re-election at the AGM.

Details of the Directors' service contracts, letters of appointment and interest in the shares of the Company are shown in the Report on Directors' Remuneration on pages 53 to 62.

Substantial shareholdings

As at 19 March 2019, the following interests in 3% or more of the Company's ordinary share capital had been notified to the Company:

Shareholder	Number of shares	Percentage held (%)
BC Omega Holdco Ltd	282,303,985	54.30
Liontrust Special Situations Fund	19,074,844	3.67
Franklin UK Mid Cap Fund	15,212,630	2.93

Directors' indemnity

The Company's Articles of Association provide, subject to the provision of UK legislation, an indemnity for Directors and officers of the Company and the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liability relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company and the Group.

Directors' and officers' liability insurance cover is in place in respect of all the Company's Directors.

Directors' report continued

Directors' powers

As set out in the Company's Articles of Association, the business of the Company is managed by the Board who may exercise all powers of the Company.

Our people

The Group's policy is to consider all job applications on a fair basis free from discrimination in relation to age, sex, race, ethnicity, religion, sexual orientation or disability not related to job performance. Every consideration is given to applications for employment from disabled persons, where the requirements of the job may be adequately covered by a disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development wherever appropriate.

The Group places considerable value on the involvement of its employees and encourages the development of employee involvement in each of its operating companies through formal and informal meetings. It is the Group's policy to ensure that all employees are made aware of significant matters affecting the performance of the Group through the operation of employee forums, information bulletins, informal meetings, team briefings, internal newsletters and the Group's website and intranet.

Key performance Indicators

Details of the Group's key performance indicators can be found on page 20.

Principal risks and uncertainties

Details of the principal risks and uncertainties faced by the Group can be found in the Strategic Review on pages 21 to 23.

Financial Instruments

An explanation of the Group's treasury policies and existing financial instruments are set out in Note 1.10 on pages 87 to 89 and Note 3 on pages 95 to 96 of the financial statements.

Annual General Meeting

A separate notice convening the Annual General Meeting of the Company to be held at the offices of Latham & Watkins (London) LLP, 99 Bishopsgate, London EC2M 3XF on 16 May 2019 will be sent out with this Annual Report and Accounts.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance report on pages 36 to 52. The Corporate Governance report forms part of this Directors' report and is incorporated into it by cross reference.

Independent Auditors

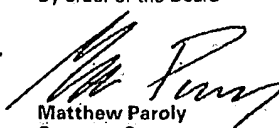
The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness under section 489 of the Companies Act 2006 to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- in so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps he should have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board



Matthew Paroly
Company Secretary
19 March 2019

Statement of Directors' responsibilities in respect of the financial statements

Overview

Strategic report

Corporate governance

Financial statements

Shareholder information

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable IFRS as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and parent company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Board of Directors section of this report confirm that, to the best of their knowledge:

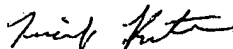
- the parent company financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the company
- the group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the Strategic Review includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.
- In the case of each director in office at the date the Directors' Report is approved:
- so far as the director is aware, there is no relevant audit information of which the group and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and parent company's auditors are aware of that information.

This responsibility statement was approved by the Board of Directors on 19 March 2019 and is signed on its behalf by:

By order of the Board



William L. Kozyra
Chief Executive Officer
and President



Timothy Knutson
Chief Financial Officer

Financial statements

68	Independent Auditors' report to the members of TI Fluid Systems plc
76	Consolidated Income Statement
77	Consolidated Statement of Comprehensive Income
78	
79	Consolidated Statement of Changes in Equity
80	Consolidated Statement of Cash Flows
81	Notes to the Group Financial Statements
130	Company Balance Sheet
131	Company Statement of Changes in Equity
132	Company Statement of Cash Flows
133	Notes to the Company Financial Statements
141	Group Financial Record

Report on the audit of the financial statements

Opinion

In our opinion, TI Fluid Systems plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts 2018 (the "Annual Report"), which comprise: the consolidated and Company balance sheets as at 31 December 2018; the consolidated income statement and statements of comprehensive income, the consolidated and Company statements of cash flows, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit & Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

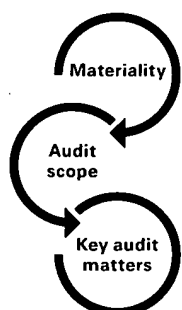
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in Note 30 to the financial statements, we have not provided any other non-audit services to the Group or the Company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview



- Overall Group materiality: €10.5 million (2017: €11.0 million), based on 5% of profit before tax, adjusted for exceptional items.
- Overall Company materiality: €8.9 million (2017: €8.9 million), based on 1% of net assets.

There are no significant components within the Group;

- We performed full scope audit work on 15 components (2017: 15 components) and specified procedures over certain balances on eight components (2017: eight). Areas that are centralised in the corporate office in the US and head office in the UK have been audited by the Group audit team; and
- This provided coverage of 70% (2017: 66%) for revenue, 67% (2017: 61%) for operating profit, and 75% (2017: 82%) for net assets.

- Warranty provision (Group and components).
- Deferred tax asset recognition and provision for uncertain tax positions (Group and components)
- Goodwill and intangible assets impairment (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, the UK tax legislation and equivalent local laws and regulations applicable to component teams, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in relation to judgements and estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, internal audit and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to warranty provision (see related key audit matter below);
- Reading the minutes of the board meetings and Audit & Risk Committee meetings;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to their assessment of impairment of goodwill and intangible assets, warranty provision and deferred tax asset recognition and provision for uncertain tax provisions (see related key audit matters below); identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management;
- We identified and on a sample basis tested journal entries based on specific risk criteria.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the Auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the Auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent Auditors' report to the members of TI Fluid Systems plc
continued

Key audit matter	How our audit addressed the key audit matter
Warranty provision Refer to the Audit & Risk Committee report on page 49, Note 1 (Summary of Significant Accounting Policies) and Note 27 (Provisions). The Group is exposed to warranty claims in the event that its products fail to perform as per specifications. Warranty provisions are made to cover potential exposures that relate to specific customer claims. The warranty provision at 31 December 2018 to cover potential exposures on existing claims is €18.4 million (2017: €19.8 million). As the settlement of specific issues is dependent on the customer, the complexity of the issue and the negotiation process, the outcome of claims is often difficult to predict and quantify. Due to this, warranty provisions involve significant judgement.	We focussed on the judgements made by management in assessing the likelihood and quantification of material exposures. Our procedures, at a Group and component level, were designed to ensure reasonableness of the warranty provision and included: – Understanding the nature of the specific claims through discussions with management and review of correspondence with the customers; – Assessing management's evaluation of the likelihood and quantum of exposure which is based on the terms of the contract with the customer, the underlying issue with the relevant product and the status of negotiations with the customer; – Discussions with senior Group and divisional executives and personnel involved in the negotiation of the specific issues and making enquiries to ensure all material open issues have been assessed for warranty provisions; – Reviewing internal management reporting to ensure all material open issues have been considered for completeness for warranty provisions; – Discussions with Executive Directors to understand the status of negotiations on the specific issues; and – Challenging management and the Executive Directors on the reasonableness of the warranty provision based on information available and evaluating possible scenarios of settlement of the issues. Based on the work performed the warranty provisions are reasonable in the context of the status of the open claims.
Deferred tax asset recognition and provision for uncertain tax positions Refer to the Audit & Risk Committee report on page 50, Note 1 (Summary of Significant Accounting Policies) and Note 12 (Income Tax). The Group has a wide geographic footprint and is subject to tax laws in a number of jurisdictions. The Group has recognised provisions against uncertain tax positions, the valuation of which is an inherently judgemental area. At 31 December 2018, the Group has recorded provisions of €34.7 million in respect of uncertain tax positions (2017: €44.1 million). At 31 December 2018, the Group has recognised €34.9 million (2017: €51.0 million) of deferred tax assets on the balance sheet, the recognition of which involves judgement and estimates by management as to the likelihood of their realisation. The expectation that the benefit of the assets will be realised is dependent on a number of factors including appropriate taxable temporary timing differences and whether there will be sufficient taxable profits in future periods to support recognition.	In conjunction with our tax specialists, we evaluated and challenged management's judgements in respect of estimates of tax exposures to assess the reasonableness of the Group's tax provisions. This included obtaining and evaluating certain third party tax opinions that the Group has obtained to assess the appropriateness of any assumptions used. In understanding and evaluating management's judgements, we considered recent correspondence with relevant tax authorities, complexity and developments in the tax environment in the relevant territories and positions taken by the Group in the tax returns. We assessed the appropriateness of provisions recorded in the financial statements, or the rationale for not recording a provision, by using our specialist tax knowledge, reading the latest correspondence between the Group and the various tax authorities and advisors. These procedures assisted in our corroboration of management's position in respect of significant tax exposures, and with our assessment that the disclosures and provisions recorded in the financial statements, including whether any provisions sufficiently addressed probable penalties and interest, were appropriate and reflected the latest developments in the reporting standards. We evaluated the Directors' assessment as to whether there will be sufficient taxable profits in future periods to support the recognition of deferred tax assets by evaluating the future cash flow forecasts, and the process by which they were drawn up, including testing the underlying calculations and comparing the forecasts to historical performance. Based on the evidence obtained, we considered the level of provisioning for uncertain tax positions, recognition of deferred tax assets recognised and the related disclosures are acceptable in the context of the Group financial statements taken as a whole.

Goodwill and intangible assets impairment

Refer to the Audit & Risk Committee report on page 49, Note 1 (Summary of Significant Accounting Policies) and Note 14 (Intangible Assets).

The Group holds goodwill of €733.3 million (2017: €724.9 million) and intangible assets of €496.5 million (2017: €549.0 million) as at 31 December 2018.

All cash generating units (CGUs) containing goodwill must be tested for impairment annually. The determination of CGUs and the recoverable amount requires judgement by management in both identifying and valuing the relevant CGUs.

There are judgements and estimates involved in management's impairment review including cash flow forecasts, discount rates and long-term growth rates. A change in these assumptions can result in a material change in the valuation of the assets.

We reviewed management's impairment model and focussed our audit on the key judgements and estimates. Procedures performed included:

- In respect of the aggregation of CGUs, we confirmed that this is the lowest level at which management monitors goodwill for internal purposes and that it is consistent with the way in which the Group's results are reported to the Board, the chief operating decision maker and the Executive Team;
- Testing the underlying calculations in management's impairment model and agreeing the cash flow forecasts to the latest medium term plan approved by the Board;
- Evaluating the reasonableness of forecast cash flows through discussions with management and assessing CGU specific cash flow assumptions by considering historical accuracy;
- Engaging our valuation specialists to assess the appropriateness of discount and long-term growth rates considering the risks specific to the geographies and relevant industry of the CGUs being tested for impairment;
- Evaluating management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions and performing independent sensitivity calculations to quantify the downside changes to management's model required to result in impairment; and
- Assessing the appropriateness of the related disclosures in Note 14.

We noted no material exceptions and considered management's key assumptions supporting the asset values to be reasonable. The related disclosures are deemed reasonable given the level of headroom across the CGUs.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group operates across four geographical territories of Europe, North America, Asia Pacific and Latin America and two divisions of Fluid Carrying Systems (FCS) and Fluid Tank Delivery Systems (FTDS). Each division consists of a large number of components spread across a number of countries. Overall, the Group operates in 114 locations across 28 countries.

We did not identify any individually significant components within the Group. We scoped our work to ensure that overall we have sufficient coverage to express the required opinion in compliance with applicable Auditing Standards. We have revised the components in scope for a full-scope audit to ensure we cover components with specific risks and rotate the components in scope to cover a number of components over time.

We have performed full scope audits on the financial information of 15 components (2017: 15 components) and specific audit procedures based on risk and materiality on the financial information of 8 components (2017: 8 components). This is supplemented by analytical procedures across the remainder of the Group. Areas that are centralised in the corporate office in the US and head office in the UK have been audited by the Group audit team.

The coverage for both the current and prior year is in compliance with auditing standards. Our audit involves full scope audits of components in China, Korea, Germany, Belgium, Poland, Czech Republic, Spain and Turkey and specified procedures on the components in the US and Mexico.

Where component auditors performed work, we determined the appropriate level of involvement we needed to have in that audit work to ensure we could conclude that sufficient appropriate audit evidence had been obtained for the Group financial statements as a whole. We issued written instructions to all component auditors and had regular communications with them throughout the audit cycle. The Group audit team maintained supervision and oversight of the local audit teams, which included review of reporting from the components that are in full scope audit and specified procedures. This was supplemented with visits to US, China and Turkey and meetings with the component audit teams, participation in the clearance meetings with local management, and review of the component audit team's key working papers in these countries.

The Group audit team has performed the audit of the Company.

Independent Auditors' report to the members of TI Fluid Systems plc

continued

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	€10.5 million (2017: €11.0 million).	€8.9 million (2017: €8.9 million).
How we determined it	5% of profit before tax, adjusted for exceptional items	1% of net assets
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, profit before tax adjusted for exceptional items is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. Adjusting for exceptional items provides us with a consistent year on year basis for determining materiality.	There is no trading activity within the Company and net assets is therefore an appropriate benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between €1.5 million and €4.6 million (2017: €1.1 million and €5.2 million).

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above €525,000 (Group audit) (2017: €550,000) and €450,000 (Company audit) (2017: €450,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Group's and Company's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our Auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 21 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 32 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Independent Auditors' report to the members of TI Fluid Systems plc

continued

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 65, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 47 to 52 describing the work of the Audit & Risk Committee does not appropriately address matters communicated by us to the Audit & Risk Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the Auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 65, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

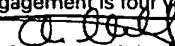
Other required reporting**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.
- We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit & Risk Committee, we were appointed by the Directors on 11 September 2015 to audit the financial statements for the year ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 December 2015 to 31 December 2018.


Christopher Hibbs (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
19 March 2019

Consolidated Income Statement

For the year ended 31 December

	Notes	2018 €m	2017 €m
Continuing operations			
Revenue	4	3,472.8	3,490.9
Cost of sales	5	(2,938.2)	(2,928.5)
Gross profit		534.6	562.4
Distribution costs	5	(102.4)	(103.7)
Administrative expenses before exceptional items		(164.5)	(177.8)
<i>Exceptional items</i>	9	–	(40.2)
Administrative expenses after exceptional items	5	(164.5)	(218.0)
Other income	10	12.2	7.7
Net foreign exchange gains		1.2	24.6
Operating profit		281.1	273.0
Finance income	11	14.3	11.2
Finance expense before exceptional items	11	(67.0)	(100.1)
<i>Exceptional items</i>	9	(11.8)	(26.4)
Finance expense after exceptional items	11	(78.8)	(126.5)
Net finance expense after exceptional items	11	(64.5)	(115.3)
Share of profit of associates	16	0.5	0.3
Profit before income tax		217.1	158.0
Income tax expense before exceptional items	12	(77.0)	(68.2)
<i>Exceptional items</i>	9	–	25.4
Income tax expense after exceptional items	12	(77.0)	(42.8)
Profit for the year		140.1	115.2
Profit for the year attributable to:			
Owners of the Parent Company		137.8	112.5
Non-controlling interests	22	2.3	2.7
		140.1	115.2
Total earnings per share (euro cents)			
Basic	13	26.53	29.55
Diluted	13	26.44	29.52

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	Notes	2018 €m	2017 €m
Profit for the year		140.1	115.2
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
– Re-measurements of retirement benefit obligations	26	16.9	7.3
– Income tax (expense)/credit on retirement benefit obligations before exceptional items	12	(4.3)	0.1
<i>Exceptional items</i>	12	–	(15.0)
– Income tax expense on retirement benefit obligations after exceptional items		(4.3)	(14.9)
		12.6	(7.6)
Items that may be subsequently reclassified to profit or loss			
– Currency translation		11.8	(75.2)
– Cash flow hedges	21	(0.3)	12.1
– Net investment hedges	21	(7.2)	(3.2)
		4.3	(66.3)
Other comprehensive income/(expense) for the year, net of tax		16.9	(73.9)
Total comprehensive income for the year		157.0	41.3
Attributable to:			
– Owners of the Parent Company		154.6	38.9
– Non-controlling interests	22	2.4	2.4
Total comprehensive income for the year		157.0	41.3

Overview

Strategic report

Corporate governance

Financial statements

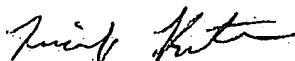
Shareholder information

Consolidated Balance Sheet
At 31 December

	Notes	2018 €m	2017 €m
Non-current assets			
Intangible assets	14	1,229.8	1,273.9
Property, plant and equipment	15	706.5	686.8
Investments in associates	16	19.6	19.2
Derivative financial instruments	25	5.4	8.3
Deferred income tax assets	12.3	34.9	51.0
Trade and other receivables	18	14.8	13.4
		2,011.0	2,052.6
Current assets			
Inventories	17	352.8	329.3
Trade and other receivables	18	578.3	588.3
Current income tax assets	12.2	4.4	8.2
Derivative financial instruments	25	8.5	5.3
Financial assets at fair value through profit and loss	19	1.2	2.9
Cash and cash equivalents	19	360.1	287.2
		1,305.3	1,221.2
Total assets		3,316.3	3,273.8
Equity			
Share capital	20	6.8	6.8
Share premium	20	1.4	404.3
Other reserves	21	(126.3)	(130.5)
Accumulated profits		1,175.7	640.9
Equity attributable to owners of the Parent Company		1,057.6	921.5
Non-controlling interests	22	22.5	20.3
Total equity		1,080.1	941.8
Non-current liabilities			
Trade and other payables	23	17.1	17.6
Borrowings	24	1,179.3	1,178.2
Derivative financial instruments	25	45.3	72.4
Deferred income tax liabilities	12.3	141.6	159.8
Retirement benefit obligations	26	148.2	162.4
Provisions	27	4.9	5.5
		1,536.4	1,595.9
Current liabilities			
Trade and other payables	23	608.4	637.6
Current income tax liabilities	12.2	60.2	69.6
Borrowings	24	4.4	3.0
Derivative financial instruments	25	2.8	3.4
Provisions	27	24.0	22.5
		699.8	736.1
Total liabilities		2,236.2	2,332.0
Total equity and liabilities		3,316.3	3,273.8

The financial statements on pages 76 to 129 were authorised for issue by the Board of Directors on 19 March 2019 and were signed on its behalf by:


William L. Kozyra
Chief Executive Officer and President


Timothy J. Knutson
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Notes	Ordinary shares €m	Share premium €m	Other reserves €m	Accumulated profits €m	Total €m	Non-controlling interests €m	Total equity €m
Balance at 1 January 2018		6.8	404.3	(130.5)	640.9	921.5	20.3	941.8
Profit for the year		–	–	–	137.8	137.8	2.3	140.1
Other comprehensive income for the year		–	–	4.2	12.6	16.8	0.1	16.9
Total comprehensive income for the year		–	–	4.2	150.4	154.6	2.4	157.0
Share option cost		–	–	–	4.0	4.0	–	4.0
Dividends paid		–	–	–	(22.5)	(22.5)	(0.2)	(22.7)
Capital reduction	20	–	(404.3)	–	404.3	–	–	–
Shares issued	20	–	1.4	–	(1.4)	–	–	–
Balance at 31 December 2018		6.8	1.4	(126.3)	1,175.7	1,057.6	22.5	1,080.1

	Notes	Ordinary shares €m	Share premium €m	Other reserves €m	Accumulated profits/(losses) €m	Total €m	Non-controlling interests €m	Total equity €m
Balance at 1 January 2017		493.7	–	(64.5)	36.2	465.4	19.0	484.4
Profit for the year		–	–	–	112.5	112.5	2.7	115.2
Other comprehensive loss for the year		–	–	(66.0)	(7.6)	(73.6)	(0.3)	(73.9)
Total comprehensive (expense)/income for the year		–	–	(66.0)	104.9	38.9	2.4	41.3
Share option cost		–	–	–	11.3	11.3	–	11.3
Dividends paid		–	–	–	–	–	(1.1)	(1.1)
Capital reduction	20	(488.7)	–	–	488.7	–	–	–
Share capital raised on initial public offering		1.6	423.0	–	–	424.6	–	424.6
Shares issued to Directors and certain employees		0.2	1.0	–	(0.2)	1.0	–	1.0
Share capital issuance costs		–	(19.7)	–	–	(19.7)	–	(19.7)
Balance at 31 December 2017		6.8	404.3	(130.5)	640.9	921.5	20.3	941.8

Overview

Strategic report

Corporate governance

Financial statements

Shareholder information

Consolidated Statement of Cash Flows

For the year ended 31 December

	Notes	2018 €m	2017 €m
Cash flows from operating activities			
Cash generated from operations	28	449.6	415.9
Interest paid		(64.4)	(89.6)
Income tax paid		(88.2)	(88.9)
Net cash generated from operating activities		297.0	237.4
Cash flows from investing activities			
Payment for property, plant and equipment		(115.8)	(118.8)
Payment for intangible assets		(35.8)	(25.1)
Proceeds from the sale of property, plant and equipment		0.2	1.1
Interest received		1.9	1.9
Net cash used by investing activities		(149.5)	(140.9)
Cash flows from financing activities			
Proceeds from issue of new share capital		–	424.6
Share capital issuance costs		–	(19.7)
Proceeds from new borrowings		150.0	–
Fees paid on proceeds from new borrowings		(2.2)	–
Fees paid on repricing of loans		–	(1.6)
Voluntary repayments of borrowings		(188.4)	(363.6)
Fees paid on voluntary repayments of borrowings		(8.2)	(17.7)
Scheduled repayments of borrowings		(5.4)	(11.1)
Dividends paid		(22.5)	–
Dividends paid to non-controlling interests		(0.2)	(1.1)
Net cash (used by)/generated from financing activities		(76.9)	9.8
Increase in cash and cash equivalents		70.6	106.3
Cash and cash equivalents at the beginning of the year	19	287.2	196.2
Currency translation on cash and cash equivalents		2.3	(15.3)
Cash and cash equivalents at the end of the year		360.1	287.2

1. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1.1. Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, the UK Companies Act 2006 applicable to companies reporting under IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these consolidated financial statements.

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

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's reasonable knowledge of the amount, event or actions, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 1.4.

1.1.1. Going Concern

After making enquiries, the Directors are of the opinion that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of its consolidated financial statements. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 24.

1.1.2. Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the 'functional currency'). The functional currency of each Group company has been assessed against the underlying transactions and economic conditions in which it operates.

These financial statements are presented in Euro, which is the Group's presentation currency. All financial information presented in Euro has been rounded to the nearest 100,000 except where stated otherwise.

1.1.3. Changes in Accounting Policy and Disclosures

Changes in accounting policies and disclosures are set out below:

1.1.3.1. New and Revised IFRS Affecting Amounts Reported in the Current Year (and/or Prior Years)

IFRS 9 'Financial Instruments'

IFRS 9 issued in November 2009 was revised in July 2014 and finalised the reform of financial instruments accounting. It supersedes IAS 39 'Financial Instruments: Recognition and Measurement' in its entirety.

Key requirements of IFRS 9 are:

- All recognised financial assets that are within the scope of IFRS 9 are to be subsequently measured at amortised cost or fair value.
- The impairment model reflects expected credit losses as opposed to incurred credit losses.
- The types of instruments that qualify as hedging instruments are broader, and the effectiveness test has been revised and is now subject to the principle of an economic relationship.

Financial Assets

The 'hold-to-collect' business model is applied for the majority of financial assets in the financial statements. The cash flows of these financial assets meet the criteria of IFRS 9 (the SPPI test; solely payments of principal interest) and continue to be recognised at amortised cost.

Financial Liabilities

The adoption of IFRS 9 in relation to debt modifications requires that entities recognise a gain or loss at the date of modification of the financial liability. Due to the floating rate interest element in the Group's term loans, the debt is presented at fair value at each reporting period which minimises any such gains or losses in the event of a debt modification. As a result, the transition to IFRS 9 did not result in a material change to processes or reported carrying amounts in the financial statements.

Impairment

IFRS 9 is applied to financial assets measured at amortised cost arising from contract assets that result from IFRS 15. Under IFRS 9, allowance for doubtful debts is measured on the expected credit losses arising as a result from all possible default events over the expected life of the financial instrument. For these items, the transition to IFRS 9 did not result in material differences in previous carrying amounts and carrying amounts as at the beginning of the first reporting period to be recognised in equity, due to the short maturity of receivable balances and the high credit rating of the majority of the Group's OEM customers.

Notes to the Group Financial Statements

continued

1. Summary of Significant Accounting Policies continued

Hedge Accounting

The Group's cost of hedging, the time value of options and forward element of forward contracts is initially recorded in other comprehensive income and subsequently reclassified to profit and loss over time. On adoption of IFRS 9, costs recognised in both other comprehensive income and profit and loss were not materially different to costs as recognised under IAS 39 'Financial Instruments'.

Financial Instruments Policy

Due to the limited impact of the new standard, the 2017 accounting policy in section 1.10 is still largely relevant for the current year. Changes are limited to the following:

- 'Loans and receivables' are now referred to as 'assets at amortised cost'
- The allowance for doubtful debts described in section 1.12 is now calculated using the expected credit loss model

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' establishes a single model to account for revenue arising from contracts with customers, and supersedes IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations.

Having performed a comprehensive review of customer contracts, the Group concluded that the adoption of IFRS 15 on 1 January 2018 would not have a material impact on the amount or timing of revenue recognition. Whilst the fundamental revenue recognition processes remain unchanged, the Group has issued a new accounting policy to conform with the requirements of IFRS 15:

Revenue Recognition Policy

The below policy is relevant to amounts recorded in the current year under IFRS 15 – 'Revenue from Contracts with Customers'. Amounts reported in the prior year in accordance with IAS 18 – 'Revenue' were accounted for under the 2017 policy specified in section 1.17.

Revenue in the course of ordinary activities is measured and recognised using the five-step approach outlined in IFRS 15:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when the entity satisfies the performance obligations

Step 1:

To be recognised as a contract, there must be appropriate approval from both parties and clear identification of each party's rights under the agreement. The payment terms should be evident, with collection of consideration probable.

The Group's customer arrangements take a variety of forms, with typical contractual frameworks comprising: master terms and conditions, program award letters, purchase orders and release orders.

For piece part revenue, volume requirements and mutually enforceable terms are established on the customer issuance of a release order and therefore this is the relevant accounting unit of contract.

Tooling, prototype and development ("TPD") requirements are typically specified in a purchase order or equivalent.

Step 2:

The performance obligation within a piece part release order is to manufacture and deliver the specified volume of requested parts. The performance obligation of a TPD order is to construct or undertake the relevant tooling and development activities. Where the different obligations are separable, in terms of both capability and within the contractual documentation, they are accounted for as distinct performance obligations. Further details regarding the nature of goods and services sold is included in Note 2.

Step 3:

The fair value of consideration receivable is the transaction price specified in the relevant release order or purchase order, net of returns, discounts, sales taxes and volume rebates.

Where uncertainty exists as to the amount of consideration that will ultimately be recognised in the future, the transaction price is constrained until such uncertainty is resolved. Amounts invoiced in excess of the transaction price will be reflected as pricing accruals or revenue deferrals.

Step 4:

The transaction price established in step 3 is allocated to the distinct performance obligations identified in step 2.

Step 5:

Revenue is recognised on satisfaction of the specified performance obligations, consistent with the passing of control of the goods and services.

For piece part revenue, control is deemed to have passed at the point in time delivery of the parts specified in the applicable release order is made.

Where consignment arrangements apply, revenue is only recognised when control of the underlying inventory has passed to the customer.

For TPD activities, control is deemed to have passed once production part approval process ("PPAP") or start of production ("SOP") has been achieved, depending on the specific terms of the agreement. Costs incurred up until this point are recognised as work-in-progress on the Balance Sheet and reviewed regularly for impairment should their future recovery become doubtful. Upfront deposits and progress billings are recorded in deferred revenue, until point of recognition.

Contract Costs

Incremental costs incurred in obtaining a contract are capitalised and amortised over the applicable programme life, with regular review for impairment.

Other pre-contract costs and costs of fulfilment are expensed as incurred unless future economic benefit is evident, or if applicable, within the scope of other standards.

Impairment

Contract assets arise where a performance obligation has been satisfied but amounts due have not been fully recognised within trade receivables. Contract assets are reviewed for impairment in accordance with IFRS 9.

1.1.3.2. New and Revised IFRS in Issue but not yet Effective

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning on or after 1 January 2019, or are not yet effective because they have not yet been endorsed by the EU. These have not been applied in preparing the consolidated financial statements.

The Group has not applied the following new and revised standards that have been issued but are not yet effective or are not yet endorsed by the EU:

Annual improvements 2015–2017 cycle: IFRS 3, IFRS 11, IAS 12 and IAS 23	Clarifications for IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'. ¹
IFRS 16 'Leases'	Provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for most leases. ¹
IFRIC 23 'Uncertainty over Income Tax Treatments'	Addresses the determination of tax-related items when there is uncertainty over income tax treatments under IAS 12. ¹
Amendments to IFRS 9: 'Prepayment Features with Negative Compensation'	This amendment confirms that when a financial liability measured at amortised cost is modified without de-recognition, a gain or loss should be recognised immediately in profit or loss. ¹
Amendments to IAS 19: 'Employee Benefits' on plan amendment, curtailment or settlement	Various updates to assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognition of profit or loss as part of past service cost, or a gain or loss on settlement, or any reduction in a surplus. ¹
Amendments to IAS 28: 'Long-term Interests in Associates and Joint Ventures'	Clarifies that IFRS 9 applies to long-term interests forming part of the investment in an associate or joint venture where the equity method is not applied. ¹
IFRS 17 'Insurance contracts'	IFRS 17 replaces IFRS 4 for all entities that issue contracts and investment contracts with discretionary participation features. ²

¹ Effective for the Group's 2019 financial statements.

² Effective for the Group's 2022 financial statements.

IFRS 16 'Leases'

IFRS 16 'Leases' replaces the existing guidance in IAS 17 'Leases' and IFRIC 4, 'Determining Whether an Arrangement Contains a Lease'. IFRS 16 was issued in January 2016, and eliminates the dual accounting model for lessees. The standard removes the accounting distinction between finance and operating leases and requires that right-of-use assets and liabilities be created for all leases on the balance sheet, unless the lease term is 12 months or less, or the underlying asset has a low value.

Under the new standard, operating lease charges will be replaced with interest payable and depreciation charges. On an individual lease basis, this will result in higher expenses in the Income Statement earlier in the lease term, and correspondingly lower expenses later in the lease term. The standard will affect primarily the accounting for the Group's operating leases.

Notes to the Group Financial Statements

continued

1. Summary of Significant Accounting Policies continued

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The actual impacts of adopting the standard on 1 January 2019 may change because:

- The Group has not finalised the testing and assessment of its new IFRS16 Software
- The new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

The Group expects to increase net debt by the recognition of lease liabilities of between €134 million and €174 million on 1 January 2019, and a net nil deferred tax adjustment.

The Group's activities as a lessor are not significant and hence the Group does not expect any significant impact on the consolidated financial statements from that activity. However, some additional disclosures may be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 January 2019 in the 2019 consolidated financial statements. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year ended 31 December 2018. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Group intends to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases, in accordance with IAS 17 and IFRIC 4.

There are no other standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.2. Consolidation

1.2.1. Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred to the former owners of the acquiree for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and any equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred in accordance with IFRS 3 'Business Combinations'.

Intercompany transactions and balances between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A list of subsidiaries and their countries of incorporation is presented in Note 4 of the Parent Company's financial statements. The term 'Group' means the Company and its consolidated subsidiaries and undertakings.

1.2.2. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, under which the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in the Income Statement, and its share of post-acquisition movements in Other Comprehensive Income is recognised in the Statement of Other Comprehensive Income, both with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that an investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment, which is recognised in the Income Statement, as the difference between the recoverable amount of the associate and its carrying value.

1.3. Foreign Currencies

1.3.1. Foreign Currency Transactions

Transactions in foreign currencies are converted to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted to the functional currency at the exchange rate at that date. Non-monetary items that are measured at historical cost in a foreign currency are converted using the exchange rate at the date of the transaction.

All transactional foreign currency differences are included in the Income Statement.

1.3.2. Foreign Operations

Foreign operations are those subsidiaries whose functional currency is not Euro. For the purposes of consolidation, income and expenses of foreign operations are translated to Euro at average exchange rates for the year, and assets and liabilities of foreign operations are translated to Euro at exchange rates at the reporting date. Foreign currency translation differences are recognised in the Statement of Comprehensive Income.

The average and year-end exchange rates for the Group's principal currencies were:

Key euro exchange rates	2018 Average	2018 Year-end	2017 Average	2017 Year-end
US dollar	1.181	1.147	1.129	1.201
Chinese renminbi	7.805	7.890	7.631	7.815
South Korean won	1,299	1,278	1,276	1,282

1.4. Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates and for management to exercise judgement in applying the Group's accounting policies. Assumptions and accounting estimates are subject to regular review, governed by Group-wide policies and controls. Any revisions required to accounting estimates are recognised in the year in which the revisions are made including all future periods affected.

The areas involving critical accounting judgements or estimates which are significant to the financial statements are disclosed below. These are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

1.4.1. Critical Accounting Estimates

- Costs and obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including discount rates, inflation rates, salary growth and mortality assumptions. Further details, including a sensitivity analysis illustrating how changes in the principal assumptions would impact the total defined benefit obligation are included in Retirement Benefit Obligations. See Note 26.5.
- Fair value estimates of derivatives are based on relevant market information and information about the financial instruments, which are subjective in nature. The fair value of these financial instruments is estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the reporting date, which is a proxy for market price. See Note 25.1.
- The Group is required to estimate income tax due in each of the jurisdictions in which it operates. This requires an estimation of the current tax liability together with an assessment of the temporary differences, which arise because of differing accounting and tax treatments. These temporary differences result in deferred tax assets or liabilities, which are measured using substantively enacted tax rates expected to apply when the temporary differences reverse. The Group is subject to many different tax jurisdictions and tax rules because of its geographic spread and is subject to tax audits, which are often complex and can require several years to conclude. Where appropriate, estimates of interest and penalties are included in these provisions for uncertain tax positions. As amounts set aside in any year could differ from actual tax liabilities, adjustments may be required in subsequent years, which may have a material impact on the Group's Income Statement. See Note 12.
- Costs of project engineering are capitalised as development intangible assets when there is an indication from a customer or market that costs will be recoverable from future business. Expenditure capitalised includes the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Estimates are used in apportioning costs that are directly attributable to each development project. Estimates are reviewed at least annually to ensure that the recoverability of costs is reasonably certain. Revisions to accounting estimates are recognised in the year in which the estimates are revised. See Note 14.
- Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The impairment review requires estimation of the discount rate, long-term growth rate, EBITDA multiple and components of forecast cash flows. See Notes 14 and 15.
- Estimation techniques are employed in the calculation of the amount required to settle product warranty claims, restructuring and other provisions, including determining how likely it is that expenditure will be incurred. This can be complex, especially when there is a wide range of possible outcomes. Reference is made to contractual considerations, historical data and other relevant factors such as specific events with an underlying product. See Note 27.

Notes to the Group Financial Statements

continued

1. Summary of Significant Accounting Policies continued

1.4.2. Critical Accounting Judgements

- The Group is required to estimate income tax due in each of the jurisdictions in which it operates. This requires an estimation of both the current tax liability, and deferred tax assets or liabilities, which arise because of differing accounting and tax treatments for temporary differences. Recognition of deferred tax assets is based on forecast future taxable income and therefore involves the exercise of management's judgement regarding the future financial performance of particular legal entities or tax groups in which the deferred tax assets are recognised. The Group is subject to many different tax jurisdictions and tax rules because of its geographic spread and subject to tax audits, which are often complex and can require several years to conclude. The total accrual for income tax in any year requires the exercise of management judgement in respect of the interpretation of country specific tax law and the likelihood of challenge of uncertain tax positions and their subsequent settlement. Tax benefits are not recognised unless it is probable that the tax positions are sustainable. As amounts set aside in any year could differ from actual tax liabilities, adjustments may be required in subsequent periods, which may have a material impact on the Group's Income Statement and/or cash tax payments. See Note 12.
- Costs of project engineering are capitalised as development intangible assets when there is an indication from a customer or market that costs will be recoverable from future business. Development expenditure is capitalised where the costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete the project and to use or sell the development asset. Assumptions underlying these judgements are reviewed at least annually to ensure that the recoverability of costs is reasonably certain. See Note 14.
- As part of the annual impairment review, judgement is required in determining the cash-generating units ('CGUs') of the Group. These represent the lowest level within the Group at which the non-financial assets are monitored for internal management purposes.
- Judgement is required as to whether or not to apply hedge accounting to derivative financial instruments recorded in the balance sheet. See Note 25.1.

1.5. Goodwill

Initial measurement

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interests over the fair value of net identifiable assets acquired and liabilities assumed. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the Income Statement.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

Goodwill is not amortised, but is subject to impairment testing which is performed annually or when an impairment trigger event occurs. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs of disposal.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ('CGUs') that are expected to benefit from the synergies of the combination which generated the goodwill. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro rata based on the carrying amount of each asset in the CGU. CGUs comprise the two operating segments each sub-divided into four geographic territories.

Any impairment loss for goodwill is recognised as an expense in the Income Statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

1.6. Intangible Assets

Research and development

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised where the costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete the project and to use or sell the development asset. Expenditure capitalised includes the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment charges. Development expenditure, which does not meet the criteria for recognition as an intangible asset, is recognised in the Income Statement as incurred.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Land use rights

Licences for the long-term use of land are capitalised on the basis of the costs incurred to acquire.

Amortisation

Amortisation is recognised in the Income Statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current year are as follows:

- Capitalised development expenses 5-10 years (over the life of the production cycle)
- Computer software and licenses 3-6 years
- Technology 4-8 years
- Customer platforms 11-25 years

Intangible assets that are under development are not amortised until they are brought into use. They are reviewed for indications of impairment to ensure that expectations of future economic benefits remain valid. Where there is any indication to the contrary, capitalisation ceases and costs are expensed.

1.7. Property, Plant and Equipment ("PP&E")

PP&E is stated at historical cost, which includes expenses directly attributable to bringing assets into productive use including finance charges, less accumulated depreciation. Assets acquired as part of the acquisition of the Group are valued at fair value as part of the acquisition accounting. Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. When major components of an item of PP&E have different useful lives, they are accounted for as separate items.

Depreciation of PP&E is calculated using the straight-line method, reflecting expected patterns of consumption of the future economic benefits embodied in the assets, to allocate their cost less residual values over their estimated useful lives, as follows:

- Freehold buildings 30-50 years
- Leased buildings improvements 30-50 years or the period of the lease if shorter
- Plant, machinery and equipment 3-20 years

Depreciation is not charged on assets in the course of construction. Once completed these are transferred to the relevant category above and depreciated accordingly.

Enhancement expenditure of PP&E items is capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced parts is de-recognised. All other repairs and maintenance are charged to the Income Statement as incurred.

Gains and losses on disposals of PP&E are determined by comparing the proceeds from disposal with the carrying amount, and are recognised net within Other income in the Income Statement.

Investment grants received against the cost of acquired PP&E assets are included in payables as deferred income and credited to the Income Statement on a straight-line basis over the useful lives of the relevant assets.

1.8. Impairment of Non-Financial Assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at CGU level, the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have previously been impaired are reviewed for possible reversal of the impairment at each reporting date.

1.9. Leased Assets

Assets held under leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to purchased assets of that asset type and depreciated accordingly.

Each finance lease payment is allocated between the liability and finance charges. The future rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the Income Statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the lease term.

1.10. Financial Instruments

The below policy is relevant to amounts reported in the comparative year under IAS 39 – 'Financial Instruments: Recognition and Measurement'. On 1 January 2018, IFRS 9 – 'Financial Instruments' replaced IAS 39. Amounts reported in the current year have therefore been accounted for in accordance with an updated 2018 policy. The key changes are outlined in Note 1.1.3.1.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at 'fair value through profit or loss' ('FVTPL') are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are expensed as incurred.

Notes to the Group Financial Statements

continued

1. Summary of Significant Accounting Policies continued

1.10.1. Financial Assets

Financial assets are classified into financial assets at FVTPL, 'available-for-sale', and 'loans and receivables'. The classification is determined at the time of initial recognition and depends on the nature and purpose of the financial assets.

Financial assets at FVTPL

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Contracts are marked to market by re-measuring to fair value at the end of each reporting period. The resulting gain or loss is recognised in the Income Statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents'.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that any financial asset is impaired because of one or more loss events that occurred after the initial recognition of the asset, which has an impact on the estimated future cash flows of the asset that can be reliably estimated.

Evidence of impairment may include indications that any debtor is experiencing significant financial difficulty, default or delinquency in payments, the probability that any debtor will enter bankruptcy, or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

A financial asset is impaired and an impairment loss incurred if there is objective evidence that loss events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

1.10.2. Financial Liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'liabilities at amortised cost'.

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when they are so designated or held for trading, including derivatives that are not designated as hedging instruments. The Group enters into conventional derivative financial instruments to manage its exposure to foreign exchange rate risks, mostly foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 25. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently marked to market by re-measuring to their fair value at the end of each reporting period.

Derivatives designated as hedging instruments are accounted for in accordance with IAS 39 hedging requirements.

All financial liabilities are recognised initially on the date at which the Group becomes party to the contractual provisions of the instrument. Financial liabilities not classified at FVTPL, including borrowings, and trade and other payables, are subsequently measured at amortised cost using the effective interest method, which calculates the amortised cost of a financial liability and allocates interest expense over its term. The effective interest rate discounts estimated cash payments (including all issuance discounts and transactions costs) through the expected life of the financial liability, to the net carrying amount on initial recognition.

Borrowings

Borrowings, including extensions to existing agreements, are recognised initially at fair value, net of discounts and transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the net proceeds and the redemption value is recognised in the Income Statement over the term of the borrowings using the effective interest method. Interest arising on financial instruments is recognised on an accruals basis.

In assessing whether a debt alteration is to be treated as a modification or an extinguishment and new arrangement, an evaluation is made of the qualitative factors such as the underlying parties to the transaction and quantitative factors such as the impact on the net present value of remaining cash flows.

1.10.3. Hedge Accounting

The Group enters into derivatives to manage its exposure to foreign currency risk and interest rate risk. Derivatives are initially recognised at their fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value at each Balance Sheet date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction (cash flow hedge);
- Hedges of a net investment in a foreign operation (net investment hedge).

At the inception of a hedging transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking the hedging transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedges

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations and variability in cash flows relating to US dollar borrowings. The Group uses interest rate swaps to hedge the interest rate risk arising from its borrowings, which fix the interest rate for a portion of the borrowings.

The effective portion of changes in the fair value of derivatives that are designated and qualify for hedge accounting, are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement, within finance income or expense.

When a forecasted transaction is no longer expected to occur, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement within finance income or expense.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument, relating to the effective portion of the hedge, is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the Income Statement. Gains and losses accumulated in equity are included in the Income Statement when the foreign operation is partially disposed of or sold.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. The fair values of derivatives, which are not designated as part of a hedging relationship, are classified as current assets or liabilities.

1.11. Inventories

Inventories are valued at the lower of cost, including an appropriate proportion of overheads, and net realisable value, on the first in first out principle. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Tooling that is being manufactured for an external customer or supplier is reported as an item of inventory until complete, and represents the gross amount recoverable from the customer in respect of costs incurred, less progress payments received.

For productive material, cost is standard cost, and for non-productive material (including consumables) cost is actual cost. The standard cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads all at standard, based on normal operating conditions. Cash discounts, trade discounts and rebates are deducted from the costs of purchase. Other costs are included only to the extent that they are incurred in bringing inventories to their present location and condition. Provision is made for slow moving and obsolete inventory.

1.12. Trade and Other Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A loss allowance is recognised at an amount equal to the lifetime expected credit losses over the life of the contract if credit quality of the receivable has declined since initial recognition.

1.13. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

1.14. Share Capital

Ordinary shares of the Company are classified as equity. Costs directly attributable to the issue of ordinary shares are recognised in equity as a deduction, net of any tax effects from the proceeds.

1.15. Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accrued expenses are recognised when ownership of goods or services has been transferred but not invoiced. Trade and other payables are recognised at amortised cost.

Notes to the Group Financial Statements

continued

1. Summary of Significant Accounting Policies continued

1.16. Provisions

A provision is recognised if, because of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense. Provisions are not recognised for future operating losses.

Product warranties

A product warranty provision is recognised when specific events occur with the underlying product. The provision is based on contractual considerations, historical warranty data and expected outcomes against their associated probabilities. Specific claims are provided for reflecting management's best estimates of potential exposure.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Asset retirement obligations

Provisions are recognised for the estimated costs of dismantling and removing PP&E at the end of its operational life. Provisions for site restoration in respect of contamination and lease dilapidations are made in accordance with applicable legal requirements.

1.17. Revenue

The below policy is relevant to amounts reported in the comparative year under IAS 18 – 'Revenue'. On 1 January 2018, IFRS 15 – 'Revenue from Contracts with Customers' replaced IAS 18. Amounts reported in the current year have therefore been accounted for in accordance with an updated 2018 policy outlined in Note 1.1.3.1.

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, discounts, sales taxes and volume rebates. Revenue is recognised when adequate evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

The majority of the Group's revenues are derived from the supply of automotive components where the point of sale is generally ex-works from the Group. Where consignment arrangements apply, title to the goods passes depending upon which party is exposed to the principal risks and rewards associated with ownership.

Revenue from the supply of tooling, prototypes and product development is recognised at the points of sale as specified in each contract. Income from these activities is recognised no later than at completion of contract, except where it is evident that a loss will arise in which case the estimated loss on the contract is recognised immediately.

1.18. Other Income and Net Foreign Exchange Gains and Losses

Other income includes government grants, proceeds from insurance claims, gains and losses on disposals of non-current assets and other miscellaneous items. Other net foreign exchange gains and losses arise on movements in the fair value of foreign exchange forward contracts and the revaluation of Group borrowings. A significant portion of the Group's external borrowings are denominated in US dollars, and are largely on-lent to subsidiaries in the UK, whose functional currency is the Euro. The net foreign exchange movement represents the impact of currency movements on such loans, after the effect of hedging arrangements.

1.19. Employee Benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Accrued paid absence such as holiday pay entitlement is charged to the Income Statement as earned. A liability is recognised for the amount expected to be paid under bonus plans if the Group has a present legal or constructive obligation to pay this amount because of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plans

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts in respect of past service.

Defined benefit plans

A defined benefit plan provides an amount of benefit that an employee will receive at a later date, usually dependent on one or more factors such as age, periods of service and compensation. Defined benefit arrangements in the Group include funded and unfunded pension plans, post-employment healthcare, statutory termination indemnities and long service awards.

The liability recognised in the Balance Sheet in respect of defined benefit plans is the present value of the defined benefit obligation ('DBO') at the end of the reporting period less the fair value of plan assets. Where the fair value of plan assets exceeds the present value of the DBO, an asset is recognised only to the extent of future economic benefits accruing to the Group either as cash refunds or as a reduction in contributions.

The service cost of providing benefits for funded plans accruing during the year and any past service costs are charged as an operating expense. The interest cost or credit arising from the unwinding of the discount on the net actuarial liability or asset is recognised in the Income Statement as finance expense or income. Actuarial gains and losses are recognised in other comprehensive income in the year in which they arise.

The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation.

Defined benefit plans – funded

The Group operates funded pension plans in the US, Canada and UK. The US plans are subject to annual actuarial review, whilst the others are formally valued at least triennially. Assets are held in trusts and are separately administered from the Group's activities. Assets include readily marketable equities, bonds and funds and qualifying insurance policies and are valued at fair value. The Group makes contributions based on actuarial advice sufficient to meet the liabilities of the plans.

Defined benefit plans – unfunded including healthcare

The Group operates unfunded employment benefit plans in certain countries of which the most significant are post-employment healthcare in the US, a closed arrangement, and pension plans in Germany. Other liabilities include statutory termination indemnities and long service awards.

Share-based compensation

The fair value of equity settled payments to employees is determined at the date of grant using the Black-Scholes option-pricing model and the expense is recognised in the Income Statement on the straight-line basis over the period that the employees become entitled to the awards. The credit entry relating to the awards is recorded in equity (Note 7).

The Group reviews the estimate of the number of shares expected to vest at each balance sheet date. The total amount expensed is determined by reference to the fair value of the options granted, including any market performance and any non-vesting conditions, and excluding the impact of any service and non-market performance vesting conditions. Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

1.20. Income Tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income and equity.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Uncertain tax positions

The Group operates in many jurisdictions and is subject to tax audits which are often complex and can take several years to conclude. Therefore, the accrual for current tax includes provisions for uncertain tax positions, which require estimates for each matter and the exercise of judgement in respect of the interpretation of tax laws and the likelihood of challenge to historic positions. Management uses in-house tax experts, professional advisers and previous experience when assessing tax risks. Where appropriate, estimates of interest and penalties are included in these provisions. As amounts provided for in any year could differ from eventual tax liabilities, subsequent adjustments may arise which have a material impact on the Group's tax rate and/or cash tax payments.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable profits. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Notes to the Group Financial Statements

continued

1. Summary of Significant Accounting Policies continued

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority, on either the same taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

1.21. Exceptional Items

Exceptional items are defined as those items that, by virtue of their nature, size and expected frequency, warrant separate additional disclosure in the consolidated financial statements in order to fully understand the underlying performance of the Group. These may include the costs of closure of locations or significant headcount reductions, costs arising from the acquisition or disposal of businesses including related contractual management incentive charges, transaction costs of a significant and non-recurring nature, debt-refinancing costs including early redemption premiums on voluntary repayments of borrowings, impairment charges, share option costs prior to the initial public offering, and the recognition of previously de-recognised deferred tax assets.

1.22. Dividends

Receivable

Dividends from associates and other investments of the Group and dividends receivable by the Company are recognised when the right to receive payment is established.

Payable

Dividends payable to the Company's shareholders are recognised in the Statement of Changes in Equity in the period in which they are approved.

1.23. Deferred Income

Deferred income is recorded when consideration for goods or services provided by the Group is received before the revenue is recognised.

2. Segment reporting

Notes to segment reporting

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

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

Fluid Carrying Systems ('FCS')

FCS products include brake and fuel lines and bundles, thermal management fluid systems (including HEV and EV heating and cooling lines), powertrain components and quick-connectors. There is a high degree of vertical integration from the purchase of raw materials, through tube manufacturing to the assembly of finished products.

Fuel Tank and Delivery Systems ('FTDS')

FTDS products include plastic fuel tanks, filler pipes, pumps and modules, and level sensors.

The Group recognises revenue on a point in time basis, when the performance obligation to manufacture and deliver products has been satisfied and control of the parts has transferred to the customer. Volume requirements and delivery schedules are communicated using frequent release orders with many customers utilising electronic delivery interfaces to transmit such information and self-billing processes to manage their payment obligations. Payment terms are typically between 30 and 60 days from date of invoicing.

Tooling, Prototype and Development ('TPD')

Within both segments, further revenue streams are recognised for distinct TPD services chargeable to a customer.

Revenue recognition for such activities occurs at the point in time control of the goods and services is transferred to the customer. This is typically PPAP or SOP, depending on the specific terms of the agreement, as at this point all agreed upon specifications have been met. Project durations vary depending on the scope and complexity of requirements. Payment terms are typically 30 to 60 days post-customer acceptance.

Allocation of corporate costs

Corporate costs comprise costs of stewardship of the Group. Costs incurred in administrative services performed at the corporate level are allocated to divisions in line with utilisation of the services. Where direct allocation is not possible, costs are allocated based on revenue for the year.

2.1. Revenue, Adjusted EBIT and Depreciation, Amortisation and Impairments by Segment:

	2018 €m	2017 €m
Revenue	3,472.8	3,490.9
Profit for the year	140.1	115.2
Add back:		
Income tax expense – after exceptional items	77.0	42.8
Profit before tax	217.1	158.0
Net finance expense – after exceptional items	64.5	115.3
Share of profit of associates	(0.5)	(0.3)
Operating profit	281.1	273.0
Depreciation and impairment of PP&E	101.5	98.8
Amortisation and impairment of intangible assets	95.6	96.1
Share of profit of associates	0.5	0.3
EBITDA	478.7	468.2
Exceptional items – administrative expenses	–	40.2
Net foreign exchange gains	(1.2)	(24.6)
Bain management fee	–	3.9
Dividend received from associates	0.2	0.4
Restructuring costs	7.1	2.9
Share of profit of associates	(0.5)	(0.3)
Adjusted EBITDA	484.3	490.7
Less:		
Depreciation and impairment of PP&E	(101.5)	(98.8)
Amortisation and impairment of intangible assets	(95.6)	(96.1)
Add back:		
Depreciation uplift arising on purchase accounting (Note 15)	15.7	15.5
Amortisation uplift arising on purchase accounting (Note 14)	70.6	72.2
Adjusted EBIT	373.5	383.5

	2018 €m	2017 €m
Revenue		
– FCS External	2,026.7	2,057.1
– Inter-segment	82.4	81.0
	2,109.1	2,138.1
– FTDS External	1,446.1	1,433.8
– Inter-segment	2.0	0.9
	1,448.1	1,434.7
Inter-segment elimination	(84.4)	(81.9)
Total consolidated revenue	3,472.8	3,490.9
Adjusted EBITDA		
– FCS	291.1	319.9
– FTDS	193.2	170.8
	484.3	490.7
Adjusted EBITDA % of revenue		
– FCS	14.4%	15.5%
– FTDS	13.4%	11.9%
Total	13.9%	14.1%
Adjusted EBIT		
– FCS	241.0	271.1
– FTDS	132.5	112.4
	373.5	383.5
Adjusted EBIT % of revenue		
– FCS	11.9%	13.2%
– FTDS	9.2%	7.8%
Total	10.8%	11.0%

Notes to the Group Financial Statements
continued

2. Segment reporting continued

2.2. Revenue by Geography and Customer Concentrations

	2018 €m	2017 €m
Germany	360.9	369.5
Spain	162.6	158.1
Poland	150.6	151.1
Czech Republic	125.8	122.2
Belgium	111.2	101.1
France	107.6	117.1
Turkey	97.6	105.5
United Kingdom	79.1	82.0
Other	203.2	183.1
Total Europe & Africa	1,398.6	1,389.7
China	674.6	677.6
South Korea	213.6	200.4
Other	144.0	146.6
Total Asia-Pacific	1,032.2	1,024.6
U.S.	746.6	767.4
Mexico	211.3	213.1
Canada	14.0	14.8
Total North America	971.9	995.3
Total Latin America	70.1	81.3
Total	3,472.8	3,490.9

One customer contributed 12.3% of total revenue across both reporting segments in the year (2017: one customer contributed 11.6%).

2.3. Non-Current Assets and Inventories

	FCS €m	FTDS €m	Total €m
31 December 2018			
Intangible assets excluding goodwill	300.7	195.8	496.5
Property, plant and equipment	380.2	326.3	706.5
Inventories	198.1	154.7	352.8
31 December 2017			
Intangible assets excluding goodwill	352.1	196.9	549.0
Property, plant and equipment	375.0	311.8	686.8
Inventories	190.5	138.8	329.3

3. Financial Risk Management

The Board of Directors and key management have overall responsibility for the establishment and oversight of the Group's risk management policies, which are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's capital structure (comprising of debt (Note 24) and equity (Note 20)) is regularly monitored to safeguard its ability to continue as a going concern and to provide returns for shareholders and value added benefits for other stakeholders. The overall debt structure of the Group is designed to meet the strategic objectives of the Company and its shareholders. The level of debt is monitored on an actual and projected basis to ensure compliance with the covenants in the Group's main borrowings facilities.

The Group has exposure to the following significant risks from its activities:

3.1. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The following categories comprise the main credit exposures of the Group:

- Trade and other receivables
- Cash and cash equivalent balances
- Derivatives or other financial instruments

The credit risk for trade and other receivables is normally managed by the operating subsidiaries by reference to credit rating agencies and historic trading experience with customers (further details are available in Note 18).

Cash, which is surplus to normal working capital needs and any approved capital investments in the operating subsidiaries, is managed by Group Treasury.

The use of derivative financial instruments is governed by Group policies and managed by Group Treasury. In most cases, the counterparties are investment grade banks. The portfolio of derivatives is spread across six counterparties with no one dominant financial institution. The credit ratings of the financial institutions used are A3 or better.

Guarantees issued by third parties comprise letters of credit and other bank guarantees, nearly all of which are of a stand-by nature. Most of the issuing banks are rated investment grade and these ratings are monitored. If any of these banks became unable to meet their obligations under a guarantee, it is expected that a similar guarantee could be issued by another bank or alternative security provided to the beneficiary.

3.2. Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due. The Group has access to various forms of funding and these are considered sufficient to meet anticipated liquidity requirements. The Directors believe that there is currently no significant risk that the Group will be unable to fund its planned commitments.

Cash flow forecasts of the Group's liquidity requirements are monitored regularly to ensure there is sufficient cash and undrawn committed borrowing facilities to meet operational needs of the Group over the medium term. Surplus cash generated by the operating entities over and above balances required for normal working capital and any approved investment is managed by Group Treasury.

3.3. Market Risk

Market risk, is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income, expenditure or the value of its holdings of financial instruments. The Group enters into derivative contracts, and incurs financial liabilities, in order to manage market risks.

3.3.1. Foreign Currency Risk

The Group is exposed to currency risk on revenue, purchases, investments and borrowings that are denominated in a currency other than the functional currencies of individual Group entities, which are primarily Euro, US dollars, Chinese renminbi and Korean won. Where possible, business entities sell in prices denominated in the same currency as the majority of their costs, to produce a natural hedge. At the reporting date, the majority of cash and cash equivalents in the Group were denominated in Euro, US dollars and Chinese renminbi.

The Group uses forward foreign exchange contracts to manage much of the residual transactional currency risk.

Derivative instruments used by the Group to manage foreign currency exposure fall under the following main categories:

Notes to the Group Financial Statements

continued

3. Financial Risk Management continued

Forward foreign exchange contracts – not designated in hedge relationships

The nominal value of these derivatives as at 31 December 2018 was €172.7 million (31 December 2017: €135.9 million) and the aggregate fair value was €1.3 million payable (31 December 2017: €1.3 million payable).

Forward foreign exchange contracts – designated in cash flow hedge relationships

In October 2015, the Group entered into a series of forward foreign exchange contracts and US dollar interest rate swaps with a number of financial institutions. In aggregate, these instruments converted a portion of the drawings under the main borrowing facilities of \$400.0 million at floating interest rates into €355.0 million at a fixed interest rate of 4.2%. These contracts hedge foreign exchange exposure on US dollar-based intra-group borrowings, in Euro functional-currency group entities. The average strike price in these contracts is 1.17 US dollar to the Euro. The hedge ratio of this economic relationship is 1:1. The nominal value of the forward foreign exchange contracts in this arrangement as at 31 December 2018 was €590.6 million (31 December 2017: €616.6 million), and their aggregate fair value was €20.8 million payable (31 December 2017: €54.0m payable). A fair value gain of €36.1 million (31 December 2017: €66.8 million loss), was recorded in other comprehensive income in the year, and a €36.6 million gain (31 December 2017: €76.3 million loss) was subsequently recycled to the Income Statement. An ineffectiveness loss of €0.6 million (31 December 2017: €3.2 million loss) was recorded in the Income Statement (Note 11).

Forward foreign exchange contracts – designated in net investment hedges

In October 2015, the Group entered into a series of forward foreign exchange contracts to hedge the net investment in the Group's Korean won subsidiary. The nominal value of these derivatives as at 31 December 2018 was KRW 265,893 million (€186.2 million) (31 December 2017: KRW 265,893 million (€186.2 million); and their aggregate fair value was €17.2 million payable (31 December 2017: €10.0 million payable). A fair value loss of €7.2 million (31 December 2017: loss of €3.2 million) was recorded in other comprehensive income in the year for these contracts. No amounts were recycled during the year and there was no ineffectiveness.

Sensitivity analysis

The Group is primarily exposed to changes in Euro/KRW exchange rates on its hedging derivatives and associated net investments and Euro/US dollar exchange rates on its borrowings and associated hedging instruments.

The Group's exposure to a +/- 1% change in Euro/KRW exchange rate would be a €0.2 million profit/€0.2 million loss arising from those Euro/KRW contracts that do not qualify for investment hedge accounting. Those Euro/KRW contracts that qualified for hedge accounting impact equity; however, that movement would be offset by a substantially equal and opposite movement arising from the Group's exposure to the net investment in KRW subsidiaries.

The sensitivity of profit or loss to changes in the Euro/US dollar exchange rates arises from US dollar denominated intercompany financial instruments, which are partially offset by forward foreign exchange contracts designated as cash flow hedges held at the Balance Sheet date. The profit and loss impact associated with these hedges and the related financial instrument exposure is not significant due to the application of hedge accounting.

The Group's net Income Statement exposure to Euro/US dollar contracts that do not qualify for hedge accounting and the net unhedged intercompany loans subject to Euro/US dollar risk is also insignificant.

The Group's Income Statement exposure to other foreign exchange movements is not significant.

3.3.2. Interest Rate Risk

Most of the Group's interest rate risk arises on its main external borrowing facilities. The interest expense arising from the secured term loans, denominated in US dollars and Euro, are based on floating rates of respectively, one month US dollar LIBOR (minimum 0.75%) +2.5% p.a. and three month EURIBOR (minimum 0.75%) +2.75% p.a both effective from 30 December 2017.

Interest rate swaps

As noted above, the Group has used interest rate swaps to manage the risk and used such contracts, together with the forward foreign exchange contracts to fix in €355.0 million of debt at 4.2%. The notional value of the interest rate swaps as at 31 December 2018 was \$400.0 million (31 December 2017: \$400.0 million) and their fair value was €7.7 million receivable (31 December 2017: €7.0 million receivable). In aggregate, a fair value gain of €2.7 million (31 December 2017: €1.9 million gain) has been recorded in other comprehensive income during the year and a €2.5 million gain (31 December 2017: €0.7 million loss) was subsequently recycled to the income statement. No ineffectiveness was recorded in the Income Statement.

Interest rate floors

The aggregate fair value of these derivatives as at 31 December 2018 was €2.6 million payable (31 December 2017: €3.9 million payable).

Sensitivity analysis

If interest rates had been 100 bps higher or lower with all other variables held constant, after taking account of hedging arrangements, the pre-tax profit or loss on an annual basis would be respectively, €4.3 million lower, or €4.3 million higher. There would be no significant impact on equity.

4. Revenue

4.1. Geographic analysis: Revenue by origin

	2018 €m	2017 €m
Europe and Africa	1,398.6	1,389.7
Asia Pacific	1,032.2	1,024.6
North America	971.9	995.3
Latin America	70.1	81.3
	3,472.8	3,490.9

4.2. Geographic analysis: Revenue by destination

	2018 €m	2017 €m
Europe and Africa	1,393.2	1,382.8
Asia Pacific	1,027.2	1,023.9
North America	978.3	998.2
Latin America	74.1	86.0
	3,472.8	3,490.9

4.3. Transaction price allocated to started but incomplete performance obligations

	2018 €m
Tooling, prototype and development revenue to be recognised in one year	72.5
Tooling, prototype and development revenue to be recognised in more than one year	40.5
	113.0

5. Cost of Sales, Distribution Costs and Administrative Expenses

5.1. Total cost of sales, distribution costs and administrative expenses

	2018 €m	2017 €m
Cost of sales	2,938.2	2,928.5
Distribution costs	102.4	103.7
Administrative expenses	164.5	218.0
Total cost of sales, distribution costs and administrative expenses, including exceptional items	3,205.1	3,250.2

The nature of costs included in cost of sales, distribution costs and administrative expenses is as follows:

	Notes	2018 €m	2017 €m
Materials and other operating costs		1,944.3	1,957.4
Personnel costs	6.1	834.5	843.7
Depreciation, amortisation and impairment charges		197.1	194.9
Operating lease payments		46.6	48.6
Utilities		61.9	60.1
Repairs and maintenance		46.3	49.6
Freight inward, including customs duties		74.4	66.8
Exceptional costs excluding share option costs	9	–	29.1
Total cost of sales, distribution costs and administrative expenses		3,205.1	3,250.2

Personnel costs include share option costs (Note 7).

Administrative expenses comprise the costs of the Group's administration, commercial and finance functions, along with all other corporate operating costs.

Notes to the Group Financial Statements

continued

5. Cost of Sales, Distribution Costs and Administrative Expenses continued

5.2. Research and development expenditure

Research and development expenditure before third party income, comprised:

	Notes	2018 €m	2017 €m
Research and development expenses		40.8	43.0
Capitalised development expenses	14.2	35.4	33.6
Total research and development expenditure		76.2	76.6

6. Personnel Costs and Numbers

6.1. Personnel costs

	Notes	2018 €m	2017 €m
Wages and salaries (including termination benefits)		684.7	688.7
Share-based costs	7	4.0	11.3
Social security costs		132.7	137.4
Pension and other post-employment costs: defined benefit current service cost	26.2	7.4	7.7
Pension and other post-employment costs: defined benefit curtailment gain	26.2	–	(7.7)
Pension and other post-employment costs: defined contribution		5.7	6.3
Total personnel costs		834.5	843.7

Wages and salaries costs in the year include employee severance amounts totalling €7.0 million (2017: €3.0 million).

6.2. Transactions with key management personnel

Key management personnel comprise the Board of Directors and key officers who report directly to the Chief Executive Officer. The total number of key management personnel was 14 (31 December 2017: 13).

At no time during 2018 or 2017 were any loans to key management personnel made by the Group.

	2018 €m	2017 €m
Compensation of key management personnel		
Short-term employee benefits	10.1	12.5
Post-employment benefits	0.1	0.1
Share-based costs	2.0	3.7
Total	12.2	16.3

There was €4.3 million of compensation outstanding at 31 December 2018 (2017: €8.4 million). In addition to salaries, the Group also provides non-cash benefits to key management personnel and contributes to post-employment pension plans on their behalf.

6.3. Personnel numbers

Average monthly number of people employed by function	2018	2017
Direct production	15,220	15,290
Indirect operational	7,876	7,714
Commercial and administration	1,656	1,558
Total	24,752	24,562

In addition to the above, the Group employed an average of 3,921 agency and other temporary workers during the year (2017: 3,529) whose costs were included in other operating costs.

7. Share-based Compensation

The Omega Holdco II Limited 2015 Equity Incentive Plan, as adopted on 30 June 2015, was cancelled in the prior year as part of the October 2017 IPO. The vesting charge up until cancellation was €5.4 million, with a further €4.9 million of accelerated charge arising on cancellation. All share option costs prior to the IPO were recorded as exceptional administrative expenses (Note 5).

At cancellation, option holders were compensated by a combination of shares issued and replacement awards in the form of Restricted Stock Awards (RSAs) or Restricted Stock Units (RSUs).

A total of 1,054,838 RSUs and 2,623,412 RSAs were granted and outstanding in 2017, with 50% vesting on 1 December 2018 and 50% vesting on 1 December 2019, subject to the participants continued employment with the Company. During 2018, 76,284 RSUs were forfeited.

In the current year, the RSAs and RSUs gave rise to a charge of €1.1 million (year ended 31 December 2017: €0.2 million). Since the IPO, all share-based costs are recognised in administrative expenses before exceptional items.

On 24 October 2017, the TI Fluid Systems plc Long Term Incentive Plan was adopted. On 30 April 2018 the Company granted 5,250,000 conditional awards over its shares to selected key executives of the Group. 75,000 conditional awards were forfeited during the year (2017: nil).

The awards comprise two tranches (including an outperformance target for Executive Directors) each with a separate performance condition, as outlined in the below table. Vesting is over three years from date of grant and contingent on continued service and attainment of the applicable performance condition, within the three-year performance period, commencing on 1 January 2018.

Tranche	Percentage of award grant	Performance Condition	Performance Condition Classification
EPS Growth ("EPS")	80%	EPS compound annual growth rate over performance period	Non-market-based
Total Shareholder Return ("TSR")	20%	Rank of the Company's total shareholder return for the performance period against the FTSE 250	Market-based

Executive Directors are entitled to bonus shares of up to 133% of their awards, subject to achieving an enhanced target in relation to the relevant performance condition.

Award holders are entitled to a dividend equivalent payment, in respect of their conditional awards, for all ordinary dividends that are declared and paid between the award date and the settlement date. These may be paid in cash at the date of vesting, or paid in the form of additional conditional awards, subject to the same conditions as the original grant.

As the awards are settled in shares of the Company, or cash at the discretion of the Company, they are accounted for as equity settled awards under IFRS 2 and fair valued at date of grant using the Black-Scholes Option Pricing Model (EPS tranche) and Monte Carlo simulation (TSR tranche). The fair value is recognised in the Income Statement straight line over the vesting period, with the anticipated number of awards vesting adjusted for management's estimate of forfeiture rate and attainment of non-market-based performance conditions. Achievement of market-based performance conditions is reflected in the initial fair value of the award.

The key assumptions used in the calculation for the conditional share awards granted on 30 April 2018 were:

	30 April 2018	
	EPS	TSR
Share price (€)	3.01	3.01
Expected life	3 years	3 years
Expected volatility	32.80%	32.80%
Expected volatility of comparator companies' share price	na	27.90%
Correlation between the Company and competitors' share price	na	23.00%
Expected dividend yield	-%	-%
Risk free interest rate	0.85%	0.85%

The fair value of the awards granted in the year ended 31 December 2018 was €3.01 for the EPS tranche and €1.86 for the TSR tranche.

The expected volatility was based on the historical volatility of the Company's share price since its admission to trading on 25 October 2017.

The expected volatility of the comparator companies' share prices and correlation to TIFS were measured over a three-year period, commensurate with the expected term of the awards.

Notes to the Group Financial Statements

continued

7. Share-based Compensation continued

The risk-free rate of return was based on zero-coupon UK government bond yields corresponding to the expected term.

As award holders are entitled to dividend equivalent compensation during the vesting period, no dividend yield assumption is required in the valuation of these awards.

The total charge for the year for conditional share awards was €2.9 million (2017: €11.1 million).

8. Directors' Remuneration

The Directors' emoluments, fees, payments for service, compensation for cancelled shares under long-term incentive schemes, and pension benefits are disclosed in the Remuneration report. See page 55.

9. Exceptional Items

	Notes	2018 €m	2017 €m
Share option costs prior to the IPO		–	(11.1)
Restructuring costs		–	(3.4)
IPO 2016 expenses		–	1.5
IPO 2017 expenses		–	(27.2)
Administrative expenses		–	(40.2)
Early redemption premium on voluntary repayments of borrowings	24.4	(8.2)	(17.7)
Unamortised issuance discounts and fees expensed on voluntary repayments of borrowings	24.4	(3.6)	(8.7)
Finance expense		(11.8)	(26.4)
Income tax expense	12	–	25.4
Total exceptional expense recognised in Income Statement		(11.8)	(41.2)
Income tax expense recognised in Statement of Comprehensive Income	12	–	(15.0)
Total exceptional expense		(11.8)	(56.2)

The exceptional net finance expense relates to voluntary repayments of borrowings and comprises an early redemption premium of €8.2 million (2017: €17.7 million) and the expense of unamortised issuance discounts and fees of €3.6 million (2017: €8.7 million). See Note 24.4 for additional details.

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

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

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

10. Other Income

	2018 €m	2017 €m
Government grants	2.2	1.4
Insurance claims	0.5	–
(Losses)/gains on disposal of PP&E and intangible assets	(0.6)	0.2
Other miscellaneous items	10.1	6.1
Total other income	12.2	7.7

Other miscellaneous items include €5.3 million in relation to the current year settlement of certain legal claims sought by the Group.

11. Finance Income and Expense

	Notes	2018 €m	2017 €m
Finance income			
Interest on short-term deposits, other financial assets and other interest income		1.9	1.9
Fair value gain on derivatives and foreign exchange contracts not in hedged relationships		9.0	9.3
Net interest income on release of specific uncertain tax positions		3.4	–
Finance income		14.3	11.2
Finance expense			
Interest payable on term loans including expensed fees		(51.7)	(56.9)
Interest payable on unsecured senior notes including expensed fees		(9.3)	(33.3)
Net interest expense of retirement benefit obligations	26.2	(4.4)	(5.7)
Fair value net losses on financial instruments: ineffectiveness		(0.6)	(3.2)
Utilisation of discount on provisions and other finance expense		(1.0)	(1.0)
Finance expense excluding exceptional items		(67.0)	(100.1)
Early redemption premium on voluntary repayments of borrowings	24.4	(8.2)	(17.7)
Unamortised issuance discounts and fees expensed on voluntary repayments of borrowings	24.4	(3.6)	(8.7)
Exceptional finance expense		(11.8)	(26.4)
Total finance expense		(78.8)	(126.5)
Total net finance expense after exceptional items		(64.5)	(115.3)
Fees included in interest payable under the effective interest method		2018 €m	2017 €m
Fees included in interest payable on term loans		(6.5)	(7.5)
Fees included in interest payable on unsecured senior notes		(0.4)	(1.4)
Fees expensed in exceptional net finance expense		2018 €m	2017 €m
Fees expensed in respect of term loans		–	(4.2)
Fees expensed in respect of unsecured senior notes		(3.6)	(4.5)

12. Income Tax

12.1 Income Tax Expense

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

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

Notes to the Group Financial Statements

continued

12. Income Tax continued

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

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

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

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

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

12.2. Current Income Tax Assets and Liabilities

	2018 €m	2017 €m
Current income tax assets	4.4	8.2
Current income tax liabilities	(60.2)	(69.6)
Net current income tax liabilities	(55.8)	(61.4)

Uncertain tax positions

The Group maintains a provision for uncertain tax positions. As at 31 December 2018 the balance was €34.7 million (2017: €44.1 million). The decrease in the balance between 2018 and 2017 is attributable to favourable tax audit resolutions in Spain and in the Czech Republic for which a provision was previously reported for each territory. The Group is aware of an increase in global tax audit scrutiny and therefore continues to closely monitor tax uncertainties in all geographic regions. As each uncertain tax provision is considered more likely than not to materialise, settlement of the issues that have been provided should not result in a material impact to the effective tax rate. However, in the event that a favourable conclusion is reached on an uncertain tax position, release of the provision would have a favourable impact on the Group's effective tax rate. In the event that a conclusion is reached that exceeds the amount provided for an uncertain tax position, there would be an unfavourable impact on the Group's effective tax rate. It is possible that certain tax issues related to the remaining uncertain tax provisions could settle within the next 12 months although the timing of the settlement is not certain.

12.3. Deferred Tax Assets and Liabilities

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

12.3.1. Movement on Net Deferred Tax Liabilities

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

12.3.2. Gross Deferred Tax Assets and Liabilities

The analysis of deferred tax assets and liabilities below represents gross amounts before netting of deferred tax assets and liabilities in certain tax jurisdictions as reflected in the table in 12.3 above.

	Assets				Liabilities					
	Provision for pensions and employee benefits €m	Deferred interest deductions €m	Tax losses €m	Other specific provisions €m	Excess depreciation on fixed assets and goodwill €m	Development intangibles €m	Acquisition related intangible assets €m	Loan fees €m	Unremitted earnings €m	Total €m
Gross deferred tax assets and liabilities										
At 1 January 2018	43.6	15.5	22.4	27.4	(63.6)	(24.5)	(102.8)	(4.9)	(21.9)	(108.8)
Included in the Income Statement	(1.3)	(1.8)	(9.2)	(1.7)	2.3	1.4	17.2	1.1	(2.7)	5.3
Included in other comprehensive income	(4.3)	–	–	–	–	–	–	–	–	(4.3)
Currency translation	1.3	0.7	(0.1)	1.1	(1.1)	(0.1)	(1.4)	(0.2)	0.9	1.1
At 31 December 2018	39.3	14.4	13.1	26.8	(62.4)	(23.2)	(87.0)	(4.0)	(23.7)	(106.7)

Notes to the Group Financial Statements

continued

12. Income Tax continued

Gross deferred tax assets and liabilities	Assets				Liabilities					Total €m
	Provision for pensions and employee benefits €m	Deferred interest deductions €m	Tax losses €m	Other specific provisions €m	Excess depreciation on fixed assets and goodwill €m	Development intangibles €m	Acquisition related intangible assets €m	Loan fees €m	Unremitted earnings €m	
At 1 January 2017	70.3	36.2	21.0	22.4	(86.4)	(25.6)	(150.9)	–	(38.6)	(151.6)
Included in the Income Statement	(2.9)	(8.1)	2.1	7.7	3.1	(2.0)	20.1	(8.1)	14.6	26.5
Exceptional impact of change in US tax rate	(2.7)	(9.2)	–	(0.7)	14.4	2.2	18.5	2.9	–	25.4
Included in other comprehensive income	0.1	–	–	–	–	–	–	–	–	0.1
Exceptional impact in other comprehensive income – impact of change in US tax rate	(15.0)	–	–	–	–	–	–	–	–	(15.0)
Currency translation	(6.2)	(3.4)	(0.7)	(2.0)	5.3	0.9	9.5	0.3	2.1	5.8
At 31 December 2017	43.6	15.5	22.4	27.4	(63.6)	(24.5)	(102.8)	(4.9)	(21.9)	(108.8)

12.4. Unrecognised Deferred Tax Assets

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2018 the Group did not recognise deferred income tax assets (net of specific tax provisions) of €135.5 million (2017: €113.2 million). This is principally represented by gross tax losses in respect of which no deferred income tax asset was recognised (before the netting of specific provisions) amounting to €609.4 million (2017: €549.8 million) that can be carried forward against future taxable income. All tax losses referred to above can be carried forward without time limitation (UK and Brazil).

13. Earnings Per Share

13.1 Basic and Diluted Earnings Per Share

The calculation of earnings per share ('EPS') has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

€ (in cents)	2018	2017
Basic earnings per share	26.53	29.55
Diluted earnings per share	26.44	29.52

Profit attributable to ordinary shareholders

€m	2018	2017
Earnings used in basic EPS	137.8	112.5
Earnings used in diluted EPS	137.8	112.5

Weighted average number of ordinary shares (basic)

Number of shares (in millions)	2018	2017
Number of ordinary shares as at 1 January	519.4	350.1
Effect of new shares issued	0.1	30.6
Weighted average number of ordinary shares as at 31 December	519.5	380.7

Weighted average number of ordinary shares (diluted)

	2018	2017
Number of shares (in millions)		
Weighted average of ordinary shares (basic)	519.5	380.7
Effect of share options outstanding as at 31 December	1.6	0.4
Weighted average number of shares as at 31 December (diluted)	521.1	381.1

13.2 Pro forma Adjusted Basic Earnings per Share

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

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

A reconciliation of Adjusted Net Income can be found in the Financial Review.

€ (in cents)	2018 (Pro forma)	2017 (Pro forma)
Pro forma Adjusted Basic Earnings per Share	29.85	26.18

Earnings used in Pro forma Adjusted Basic Earnings Per Share

€m	2018 (Pro forma)	2017 (Pro forma)
Earnings used in Pro forma Adjusted Basic EPS	155.2	136.0

Pro forma Adjusted Basic weighted average number of ordinary shares

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

14. Intangible Assets

	2018 €m	2017 €m
Goodwill	733.3	724.9
Capitalised development expenses, computer software and licences, technology and customer platforms	496.5	549.0
Total intangible assets	1,229.8	1,273.9

14.1. Goodwill

	€m
Cost at 1 January 2018	724.9
Currency translation	8.4
Cost at 31 December 2018	733.3
Accumulated impairment at 1 January 2018	-
Accumulated impairment at 31 December 2018	-
Net book value at 31 December 2018	733.3

	€m
Cost at 1 January 2017	767.2
Currency translation	(42.3)
Cost at 31 December 2017	724.9
Accumulated impairment at 1 January 2017	-
Accumulated impairment at 31 December 2017	-
Net book value at 31 December 2017	724.9

Notes to the Group Financial Statements

continued

14. Intangible Assets continued

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

	Capitalised development expenses €m	Computer software, and licences €m	Technology €m	Customer Platforms €m	Total €m
Cost at 1 January 2018	168.8	13.4	127.2	461.9	771.3
Accumulated amortisation	(47.5)	(8.0)	(71.3)	(95.5)	(222.3)
Net book value at 1 January 2018	121.3	5.4	55.9	366.4	549.0
Additions	35.4	1.3	–	–	36.7
Disposals	(0.6)	–	–	–	(0.6)
Amortisation charge	(22.4)	(1.6)	(30.1)	(40.5)	(94.6)
Impairments	(1.0)	–	–	–	(1.0)
Currency translation	1.2	0.1	0.7	5.0	7.0
Net book value at 31 December 2018	133.9	5.2	26.5	330.9	496.5
Cost	205.4	15.0	130.7	469.0	820.1
Accumulated amortisation	(71.5)	(9.8)	(104.2)	(138.1)	(323.6)
Net book value at 31 December 2018	133.9	5.2	26.5	330.9	496.5

	Capitalised development expenses €m	Computer software, and licences €m	Technology €m	Customer Platforms €m	Total €m
Cost at 1 January 2017	141.4	10.1	137.2	496.8	785.5
Accumulated amortisation	(27.6)	(5.0)	(46.4)	(60.9)	(139.9)
Net book value at 1 January 2017	113.8	5.1	90.8	435.9	645.6
Additions	33.6	2.1	–	–	35.7
Disposals	(0.5)	–	–	–	(0.5)
Amortisation charge	(20.1)	(2.3)	(30.4)	(41.8)	(94.6)
Impairments	(1.5)	–	–	–	(1.5)
Currency translation	(4.0)	0.5	(4.5)	(27.7)	(35.7)
Net book value at 31 December 2017	121.3	5.4	55.9	366.4	549.0
Cost	168.8	13.4	127.2	461.9	771.3
Accumulated amortisation	(47.5)	(8.0)	(71.3)	(95.5)	(222.3)
Net book value at 31 December 2017	121.3	5.4	55.9	366.4	549.0

The above amortisation charges for 'technology' and 'customer platforms' amounting to €70.6 million (2017: €72.2 million) arise from intangible assets recognised through purchase price accounting.

Amortisation charges are included within cost of sales.

14.3. Impairment Tests for Goodwill and Intangibles

The purchase of TIFS Holdings Ltd ('TIFSHL') on 30 June 2015, which was the previous Parent Company of the Group, and the consequent fair valuation of assets and liabilities, resulted in total goodwill recognition of €711.1 million and intangibles of €663.2 million. The purchase of Millennium Industries Corporation on 16 February 2016 resulted in total goodwill recognition of €57.1 million and intangibles of €72.6 million.

Goodwill and intangibles are monitored by management at the operating division level and then the geographic sub-division level. Goodwill and intangibles amount to €674.0 million and €300.7 million respectively for FCS (31 December 2017: €665.5 million and €351.5 million), and €59.3 million and €195.8 million respectively for FTDS (31 December 2017: €59.4 million and €197.6 million).

The geographic split by cash-generating unit ('CGU') of goodwill within FCS is: Asia Pacific €236.5 million (31 December 2017: €237.9 million), North America €219.1 million (31 December 2017: €209.2 million) and Europe €218.4 million (31 December 2017: €218.4 million).

Goodwill is deemed to have an indefinite useful life. It is currently carried at cost and reviewed annually for impairment. Intangibles assets are amortised over their useful economic life, which range from 3 to 25 years.

The annual impairment test is a comparison of the carrying value of the non-financial assets of a business or CGU to their recoverable amount. Where the recoverable amount is less than the carrying value, an impairment results.

During the year, the non-financial assets of the Group were tested for impairment, with all CGUs demonstrating a recoverable amount in excess of their carrying value and therefore no impairment charge has been recorded.

The recoverable amount for the CGUs has been determined based on a value in use calculation. These calculations use post tax cash flow projections from financial plans approved by the Board, covering a five-year period, plus a terminal value.

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

	2018		2017	
	FCS	FTDS	FCS	FTDS
Discount rates				
North America	11.50%	12.25%	11.75%	12.00%
Europe & Africa	12.50%	12.75%	12.75%	13.00%
Asia Pacific	12.75%	12.75%	13.00%	13.25%
Latin America	19.50%	18.50%	20.25%	19.25%
Long-term growth rates				
North America	3.00%	3.00%	2.50%	2.50%
Europe & Africa	2.50%	2.50%	2.50%	2.50%
Asia Pacific	4.00%	3.50%	4.00%	3.50%
Latin America	8.00%	6.00%	8.00%	6.00%

The Group believes that any reasonably probable change in the assumptions would not cause the carrying value of non-financial assets within the respective CGUs to exceed their recoverable amount.

15. Property, Plant and Equipment

15.1. Movements in Property, Plant and Equipment

	Land and buildings €m	Plant, machinery and equipment €m	Assets in the course of construction €m	Total €m
Cost	167.6	648.1	95.4	911.1
Accumulated depreciation	(13.5)	(210.8)	–	(224.3)
Net book value at 1 January 2018	154.1	437.3	95.4	686.8
Additions	2.0	85.2	29.7	116.9
Disposals	(0.1)	(0.3)	–	(0.4)
Impairments	–	(0.5)	–	(0.5)
Transfers between categories	7.6	22.6	(30.2)	–
Depreciation charge	(6.5)	(94.5)	–	(101.0)
Currency translation	0.9	2.8	1.0	4.7
Net book value at 31 December 2018	158.0	452.6	95.9	706.5
Cost	176.7	754.2	95.9	1,026.8
Accumulated depreciation	(18.7)	(301.6)	–	(320.3)
Net book value at 31 December 2018	158.0	452.6	95.9	706.5

	Land and buildings €m	Plant, machinery and equipment €m	Assets in the course of construction €m	Total €m
Cost	174.8	595.0	69.6	839.4
Accumulated depreciation	(9.0)	(130.7)	–	(139.7)
Net book value at 1 January 2017	165.8	464.3	69.6	699.7
Additions	1.8	54.9	65.6	122.3
Disposals	(0.4)	(0.4)	(0.2)	(1.0)
Impairments	–	(1.1)	–	(1.1)
Transfers between categories	(1.0)	34.7	(33.7)	–
Depreciation charge	(5.2)	(92.5)	–	(97.7)
Currency translation	(6.9)	(22.6)	(5.9)	(35.4)
Net book value at 31 December 2017	154.1	437.3	95.4	686.8
Cost	167.6	648.1	95.4	911.1
Accumulated depreciation	(13.5)	(210.8)	–	(224.3)
Net book value at 31 December 2017	154.1	437.3	95.4	686.8

Notes to the Group Financial Statements

continued

15. Property, Plant and Equipment continued

15.2. Depreciation Charge

The above depreciation charge includes €15.7 million, comprising €1.1 million from 'land and buildings' and €14.6 million from 'plant, machinery, and equipment' in relation to the fair value uplift arising from purchase price accounting (2017: €15.5 million, comprising €1.5 million, from 'land and buildings' and €14.0 million from 'plant, machinery, and equipment')

The total depreciation charge is analysed below:

	2018 €m	2017 €m
Cost of sales	97.8	93.9
Distribution costs	1.1	1.3
Administrative expenses	2.0	2.5
Total depreciation charge	100.9	97.7

15.3. Leased Assets

Leased assets included above comprised:

	2018 €m	2017 €m
Land and buildings		
Cost	19.0	23.4
Accumulated depreciation	(1.9)	(4.5)
At 31 December	17.1	18.9

The depreciation charge for leased assets in the year was €2.1 million (2017: €1.8 million). The Group's obligations under finance leases (Note 24.6) are secured by the lessors' title to the leased assets.

16. Investments in Associates

The Group's only associated undertaking is SeAH FS Co., Ltd ('SeAH FS'). The Group holds 20% of the issued ordinary shares. SeAH FS is registered in South Korea and is engaged in manufacturing and engineering. Its financial year-end is 31 December and its registered address is 180-15 Kebong-Dong Young, Deoungpo-Gu, Seoul. SeAH FS is a private company, and there is no quoted price available for its shares. There are no contingent liabilities relating to the Group's investment.

There were no sales of goods by the Group to SeAH FS in either 2018 or 2017. Purchases of goods by the Group from SeAH FS in the year totalled €13.7 million (2017: €19.6 million).

	2018 €m	2017 €m
Movements in investment in associate		
Balance at 1 January	19.2	19.4
Share of profit for the year	0.5	0.3
Dividends paid	(0.2)	(0.4)
Currency translation	0.1	(0.1)
Balance at 31 December	19.6	19.2

	2018 €m	2017 €m
Group proportional share of associate's net income (20% share)		
Revenue	24.0	24.6
Earnings before interest and income taxes (EBIT)	0.6	0.3
Share of associate net profit for the year	0.5	0.2
Other net (expense)/income for the year	(0.1)	0.1
Comprehensive income for the year recognised in the Group Income Statement	0.4	0.3

	2018 €m	2017 €m
Group proportional share of associate's net assets (20% share)		
Current assets	14.0	13.0
Non-current assets	16.6	17.2
Total assets	30.6	30.2
Current liabilities	(3.3)	(3.1)
Non-current liabilities	(0.9)	(0.9)
Total liabilities	(4.2)	(4.0)
Shareholders' funds (before fair value adjustment on acquisition)	26.4	26.2

The summarised financial information is based on the audited financial statements of SeAH FS for 2017 and the unaudited financial statements of SeAH FS for 2018. The functional currency of SeAH FS is Korean won, which has been converted to Euro at prevailing exchange rates.

17. Inventories

	2018 €m	2017 €m
Raw materials	145.8	136.6
Work-in-progress	40.1	37.2
Finished goods	39.8	39.3
Tooling under development	96.6	85.3
Consumables	30.5	30.9
Total inventories	352.8	329.3

Consignment inventories from external suppliers held on the Group's premises at 31 December 2018 amounted to €19.8 million (2017: €20.4 million) and are excluded from the balances above.

The value of inventories has been assessed on the basis of fair value, in determining that the carrying value is the lower of cost less any related selling costs and net realisable value.

The cost of inventories recognised as an expense in cost of sales during the year was €1,637.0 million (2017: €1,644.8 million), including €8.0 million relating to write-downs of inventory to net realisable value (2017: €6.2 million).

18. Trade and Other Receivables

	2018 €m	2017 €m
Trade receivables	521.3	530.8
Allowance for doubtful debts	(4.0)	(2.7)
Net trade receivables	517.3	528.1
Prepayments	60.8	57.7
Contract assets – accrued income	13.2	12.4
Other receivables	1.8	3.5
Total trade and other receivables	593.1	601.7
Non-current	14.8	13.4
Current	578.3	588.3

Trade receivables disclosed above include amounts that are overdue at the end of the year for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

18.1. Aged Analysis of Net Trade Receivables

	2018 €m	2017 €m
Not overdue	476.5	499.5
Up to three months overdue	37.5	26.4
Three to six months overdue	2.2	1.5
Over six months overdue	1.1	0.7
Net trade receivables	517.3	528.1

18.2. Movement in Allowance for Doubtful Debts

	2018 €m	2017 €m
At 1 January	(2.7)	(2.1)
Receivables provided for as uncollectable	(1.5)	(1.1)
Amounts written off during the year as uncollectible	–	0.5
Amounts recovered during the year	0.2	–
At 31 December	(4.0)	(2.7)

In determining the recoverability of a trade receivable, the Group considers all currently available and forward-looking information to assess the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Receivables provided for as uncollectible and charged to the Income Statement are included in administrative expenses.

A loss allowance is recognised at an amount equal to the lifetime expected credit losses over the life of the contract if credit quality of the receivable has declined since initial recognition.

Notes to the Group Financial Statements

continued

18. Trade and Other Receivables continued

18.3. Credit Quality of Receivables

The Group has a large number of customers and considers credit ratings only in respect of major customers from either Standard and Poor's or Moody's. Those customers that have no credit rating are monitored as part of normal credit control procedures.

Credit rating	2018 €m	2017 €m
A – AAA	148.4	133.3
B – BBB	232.1	234.6
Counterparties without external credit rating	136.8	160.2
Net trade receivables	517.3	528.1

18.4. Currency Risk of Receivables

	2018 €m	2017 €m
Chinese renminbi	173.5	177.8
Euro	169.1	174.6
US dollar	104.5	105.5
Other currencies	72.0	73.7
Total net trade receivables and other receivables	519.1	531.6

18.5. Movement in Accrued Income

	2018 €m
At 1 January 2018	12.4
Unbilled performance	2.3
Transfers to receivables	(2.0)
Other movements	0.3
Currency translation	0.2
As at 31 December 2018	13.2

19. Cash and Liquid Assets

	2018 €m	2017 €m
Cash at bank and in hand	360.1	287.2
Cash and cash equivalents in the Balance Sheet	360.1	287.2
Other deposits	1.2	2.9
Financial assets at FVTPL	1.2	2.9
Total cash and liquid assets	361.3	290.1

Other deposits of €1.2 million include €0.7 million pledged to provide a bank guarantee, as part of a total guarantee of €1.5 million to the Spanish tax authorities in respect of a disputed assessment raised following a tax audit for the period 2013-14. At 31 December 2017, other deposits of €2.9 million included €2.8 million pledged to provide a bank guarantee, as part of a total guarantee of €5.4 million to the Spanish tax authorities in respect of disputed assessments raised following tax audits for the period 2006-11. This collateral was released in 2018 following successful resolution of the dispute.

Financial institution credit rating	2018 €m	2017 €m
A – AA	319.3	257.3
B – BBB or lower	40.8	29.9
Cash and cash equivalents in the Balance Sheet	360.1	287.2

Cash and cash equivalent balances include €2.0 million (2017: €1.7 million) held by subsidiaries as collateral primarily for letters of credit and foreign exchange facilities.

20. Issued Share Capital

	Number of shares	Nominal value of each share	Ordinary shares £m	Ordinary shares £m	Share premium £m	Total £m
At 1 January 2018	519,412,226	£0.01	5.2	6.8	404.3	411.1
Capital reduction	–	£0.01	–	–	(404.3)	(404.3)
Shares issued	489,277	£0.01	–	–	1.4	1.4
At 31 December 2018	519,901,503	£0.01	5.2	6.8	1.4	8.2

	Number of shares	Nominal value of each share	Ordinary shares £m	Ordinary shares £m	Share premium £m	Total £m
At 1 January 2017	350,056,644	£1.00	350.1	493.7	–	493.7
Capital reduction	–	(£0.99)	(346.6)	(488.7)	–	(488.7)
Share capital raised on initial public offering	148,333,333	£0.01	1.5	1.6	423.0	424.6
Shares issued as consideration for the cancellation of certain historic share option plans	20,657,233	£0.01	0.2	0.2	–	0.2
Shares issued to certain Non-Executive Directors	365,016	£0.01	–	–	1.0	1.0
Share capital issuance costs	–	–	–	–	(19.7)	(19.7)
At 31 December 2017	519,412,226	£0.01	5.2	6.8	404.3	411.1

On 9 October 2017, the Board approved a special resolution to reduce the nominal value of the Company's shares from £1.00 to £0.01 per share. This reduced the ordinary share capital by £488.7 million. This resolution was supported by a statement of the solvency of the Company (pursuant to section 641(1)(a) of the Companies Act).

On 25 October 2017, the Company's entire ordinary share capital was listed on to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities under the ticker 'TIFS'. As part of the listing, the Company issued 148,333,333 ordinary shares of new share capital at an Offer Price of 255 pence per ordinary share, which raised £424.6 million (£378.3 million) before issuance costs.

On Admission to trading on the London Stock Exchange, the Company also issued 20,657,233 ordinary shares as consideration for the cancellation of certain outstanding option awards granted to certain members of the Group's management team under historic share plans. The Company also issued a further 365,016 ordinary shares to certain Non-Executive Directors.

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

On 1 December 2018, the Company issued 489,277 ordinary shares in relation to the vesting of RSU awards. See Note 7 Share-based Compensation for further information.

The Company is a public limited company which is incorporated and domiciled in England and Wales, with registered number 09402231.

Notes to the Group Financial Statements

continued

21. Reserves

Other Reserves

Items that may be subsequently reclassified to profit or loss	Forward contracts cash flow hedge reserve	Forward contracts cost of hedging reserve	Net investment hedges	Interest rate swaps	Hedging reserve €m	Currency translation reserve €m	Total €m
At 1 January 2018	–	(25.4)	(10.0)	7.6	(27.8)	(102.7)	(130.5)
Amount recognised in OCI during the year – fair value gains: effective hedges	27.3	8.8	–	2.7	38.8	–	38.8
Amounts recycled from OCI – foreign exchange remeasurement	(27.3)	–	–	–	(27.3)	–	(27.3)
Amortisation	–	(9.3)	–	–	(9.3)	–	(9.3)
Amounts recycled from OCI – interest	–	–	–	(2.5)	(2.5)	–	(2.5)
Movement in fair value of effective cash flow hedges	–	(0.5)	–	0.2	(0.3)	–	(0.3)
Net investment hedge	–	–	(7.2)	–	(7.2)	–	(7.2)
Currency translation attributable to owners of the Parent Company	–	–	–	–	–	11.7	11.7
Items that may be subsequently reclassified to profit or loss	–	(0.5)	(7.2)	0.2	(7.5)	11.7	4.2
At 31 December 2018	–	(25.9)	(17.2)	7.8	(35.3)	(91.0)	(126.3)

Items that may be subsequently reclassified to profit or loss	Hedging reserve €m	Currency translation reserve €m	Total €m
At 1 January 2017	(36.7)	(27.8)	(64.5)
Amount recognised in OCI during the year – fair value losses: effective hedges	(64.9)	–	(64.9)
Amounts recycled from OCI – foreign exchange remeasurement	76.3	–	76.3
Amounts recycled from OCI – interest	0.7	–	0.7
Movement in fair value of effective cash flow hedges	12.1	–	12.1
Net investment hedge	(3.2)	–	(3.2)
Currency translation attributable to owners of the Parent Company	–	(74.9)	(74.9)
Items that may be subsequently reclassified to profit or loss	8.9	(74.9)	(66.0)
At 31 December 2017	(27.8)	(102.7)	(130.5)

22. Non-Controlling Interests

	2018 €m	2017 €m
At 1 January	20.3	19.0
Share of profit for the year	2.3	2.7
Currency translation	0.1	(0.3)
Total comprehensive income for the year	2.4	2.4
Dividends paid	(0.2)	(1.1)
At 31 December	22.5	20.3

The Group holds a 97% interest in Bundy India Ltd and a 73% interest in Hanil Tube Corporation, which is located in South Korea. Non-controlling interests represent the remaining 3% and 27% respectively.

23. Trade and Other Payables

	2018 €m	2017 €m
Trade payables	289.2	284.1
Accrued expenses	173.0	194.4
Contract liabilities – deferred income	93.3	87.5
Social security and other taxes	48.0	52.6
Other payables	20.1	33.6
Amounts due to associates	1.9	3.0
Total trade and other payables	625.5	655.2
Non-current	17.1	17.6
Current	608.4	637.6

Accrued expenses include net capital investment grant balances totalling €2.9 million (2017: €2.1 million).

23.1. Movement in Deferred Income

	2018 €m
At 1 January 2018	87.5
Advance billings	63.4
Amounts recognised as revenue	(47.5)
Reversal of prior year deferred income	(8.2)
Other movements	(2.2)
Currency translation	0.3
As at 31 December 2018	93.3

24. Borrowings

	Notes	2018 €m	2017 €m
Non-current:			
Secured loans:			
Main borrowing facilities	24.4	1,179.1	996.3
Other loans	24.5	0.2	0.2
Unsecured notes	24.4	–	179.7
Finance leases	24.6	–	2.0
Total non-current borrowings		1,179.3	1,178.2
Current:			
Secured loans:			
Main borrowing facilities	24.4	2.3	1.5
Other loans	24.5	0.1	0.1
Finance leases	24.6	2.0	1.4
Total current borrowings		4.4	3.0
Total borrowings		1,183.7	1,181.2
Main borrowing facilities and unsecured notes	24.4	1,181.4	1,177.5
Finance leases and other loans		2.3	3.7
Total borrowings		1,183.7	1,181.2

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

Notes to the Group Financial Statements
continued

24. Borrowings continued

24.1. Movement in Total Borrowings

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

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

24.2. Currency Denomination of Borrowings

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

24.3. Maturity of Borrowings

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

24.4. Main Borrowing Facilities and Unsecured Notes

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

The amounts outstanding under the agreements are:

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

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

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

The interest payable on the US dollar term loan was US\$ LIBOR (minimum 0.75% p.a.) +2.75% p.a., and the interest payable on the Euro term loan was EURIBOR (minimum 0.75% p.a.) +3.0% p.a. until 23 January 2018. On 23 January 2018, the Group met certain borrowings criteria which enabled it to reduce the interest rate payable on the US term loan by 0.25% p.a. to US\$ LIBOR (minimum 0.75% p.a.) +2.5% p.a., and the Euro term loan by 0.25% p.a. to EURIBOR (minimum 0.75% p.a.) +2.75% p.a., both effective from 30 December 2017.

The US dollar tranche was repayable in amounts of \$2.7 million per quarter until 31 October 2017. On 31 October 2017, the Group made a voluntary repayment of this loan of \$194.0 million as a result of which no further capital payments are due on the US dollar tranche until the balance falls due on 30 June 2022. The Euro tranche was repayable in amounts of €0.8 million per quarter in the prior year and first six months of 2018. Following the modification of the Groups' borrowings on 16 July 2018, the Euro tranche was increased and is now repayable in amounts of €1.1 million per quarter, with the balance also falling due on 30 June 2022.

On 6 October 2015, the Group entered into hedging transactions with a number of financial institutions which effectively converted borrowings of \$400.0 million at floating interest rates into €355.0 million at a fixed interest rate of 4.2%, thereby reducing foreign currency exposure for future cash flows and locking in lower long-term Euro fixed interest rates (Note 3.3.2).

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

Maturities of the revolving credit facility and asset-backed loan were extended by three years as part of the repayment and modification of the Group's external borrowings in the year. Both facilities are now due to expire on 23 July 2023.

Notes to the Group Financial Statements

continued

24. Borrowings continued

The net undrawn facilities under the agreements are shown below:

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

Unsecured senior notes

The initial principal amount of the unsecured senior notes was \$450.0 million. On 31 October 2017, the Group redeemed \$229.5 million (€197.1 million) of the notes and paid an early redemption premium, to the noteholders of \$20.6 million (€17.7 million). The aggregate principal amount of the unsecured senior notes remaining at 31 December 2017 was \$220.5 million. On 16 July 2018, the Group successfully executed a further repayment and modification of its external borrowing as described above, resulting in repayment of the remaining outstanding balance on the unsecured senior notes of \$220.5 million (€188.4 million), leaving nothing outstanding at 31 December 2018. The Group paid an early redemption premium of \$9.6 million (€8.2 million) to the noteholders for this exercise. The early redemption premiums are recognised as exceptional finance expense (Note 11). The notes carried an 8.75% coupon payable bi-annually (on a 360-day year basis).

Issuance discounts and fees

Initial issuance discounts and fees of €63.3 million arising from the 2015 agreements were capitalised in 2015. Following the repricing of the term loans on 27 January 2017, new fees capitalised in 2017 were €1.6 million, bringing the total fees capitalised under the 2015 agreements to €64.9 million at 31 December, 2017. Following the Group's repayment and modification of its external borrowings on 16 July 2018 as described above, a further €2.2 million of directly attributable incremental fees were capitalised bringing the total fees capitalised to €67.1 million.

All capitalised fees are expensed using the effective interest rate method over the remaining terms of the facilities.

As a result of the Group extinguishing its remaining unsecured senior notes in July 2018, unamortised transaction costs of \$4.2 million (€3.6 million) were released and recognised as exceptional finance expenses in the year. In 2017, an acceleration of unamortised issuance fees of €8.7 million was recognised in exceptional finance expenses as a result of the voluntary repayments of the US term loan and unsecured notes in October 2017.

24.5. Other Secured Loans

Subsidiaries in Italy and Spain have granted security over certain of their assets in return for credit facilities from their banks. The loans have total amortisation repayments of €0.1 million per annum payable quarterly (2017: €0.2 million). The loan in Italy was fully repaid during the year.

24.6. Finance Leases

The maturity of finance lease liabilities is:

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	2.1	0.1	2.0
Total at 31 December 2018	2.1	0.1	2.0

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	1.6	0.2	1.4
Between one and two years	2.1	0.1	2.0
Total at 31 December 2017	3.7	0.3	3.4

24.7. Total Undrawn Borrowing Facilities

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

24.8. Movements in Net Borrowings

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

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

Borrowings cash flows are analysed below:

	2018 €m	2017 €m
Voluntary repayments of borrowings	188.4	363.6
Scheduled repayments of borrowings	5.4	11.1
Fees paid on repricing of loans	–	1.6
Fees paid on proceeds from new borrowings	2.2	–
Proceeds from borrowings	(150.0)	–
Borrowings cash flows	46.0	376.3

Notes to the Group Financial Statements

continued

25. Fair Values of Financial Assets and Liabilities

25.1. Financial Instruments by Category

As of 31 December 2018:

	Assets at amortised cost €m	Assets in hedged relationships €m	Assets at FVTPL €m	Total €m
Financial assets				
Cash and cash equivalents	360.1	–	–	360.1
Financial assets at FVTPL	–	–	1.2	1.2
Trade and other receivables excluding prepayments	532.3	–	–	532.3
Derivative financial instruments:				
Forward foreign exchange contracts (cash flow hedges)	–	5.2	1.0	6.2
Interest rate swaps (cash flow hedges)	–	7.7	–	7.7
Total at 31 December 2018	892.4	12.9	2.2	907.5

	Liabilities at amortised cost €m	Liabilities in hedged relationships €m	Liabilities at FVTPL €m	Total €m
Financial liabilities				
Trade and other payables excluding deferred income	(532.2)	–	–	(532.2)
Borrowings	(1,183.7)	–	–	(1,183.7)
Derivative financial instruments:				
Forward foreign exchange contracts (cash flow hedges)	–	(26.0)	(2.3)	(28.3)
Forward foreign exchange contracts (net investment hedges)	–	(17.2)	–	(17.2)
Interest rate floor	–	–	(2.6)	(2.6)
Total at 31 December 2018	(1,715.9)	(43.2)	(4.9)	(1,764.0)

As of 31 December 2017:

	Assets at amortised cost (Loans and receivables under IAS 39) €m	Assets in hedged relationships €m	Assets at FVTPL €m	Total €m
Financial assets				
Cash and cash equivalents	287.2	–	–	287.2
Financial assets at FVTPL	–	–	2.9	2.9
Trade and other receivables excluding prepayments	544.0	–	–	544.0
Derivative financial instruments:				
Forward foreign exchange contracts (cash flow hedges)	–	5.2	1.4	6.6
Interest rate swaps (cash flow hedges)	–	7.0	–	7.0
Total at 31 December 2017	831.2	12.2	4.3	847.7

	Liabilities at amortised cost €m	Liabilities in hedged relationships €m	Liabilities at FVTPL €m	Total €m
Financial liabilities				
Trade and other payables excluding deferred income	(567.7)	–	–	(567.7)
Borrowings	(1,181.2)	–	–	(1,181.2)
Derivative financial instruments:				
Forward foreign exchange contracts (cash flow hedges)	–	(59.2)	(2.7)	(61.9)
Forward foreign exchange contracts (net investment hedges)	–	(10.0)	–	(10.0)
Interest rate floor	–	–	(3.9)	(3.9)
Total at 31 December 2017	(1,748.9)	(69.2)	(6.6)	(1,824.7)

Fair value estimates of derivatives are based on relevant market information and information about the financial instruments, which are subjective in nature. The fair value of these financial instruments is estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the reporting date, which is a proxy for market price.

Fair values of financial instruments have been determined by reference to a hierarchy defined as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data.

All derivative items reported are within Level 2 of the fair value hierarchy specified in IFRS 13 'Fair Value Measurement'; their measurement includes inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

The fair values of non-derivative amounts are determined in accordance with generally accepted valuation techniques based on discounted cash flow analysis. For the non-derivative items reported above, it is assumed that by their nature their carrying value approximates their fair value, with the exception of unsecured notes included within borrowings in the prior year. The balance of unsecured senior notes was repaid in the current year. At 31 December 2017, the borrowings figures above includes unsecured notes carried at a book value of €183.6 million before deduction of issuance discounts and fees, and €196.0 million excluding deduction of issuance discounts and fees. These fair values are within Level 2 of the fair value hierarchy specified in IFRS 13 'Fair Value Measurement'. There have been no changes in the measurement of financial assets on transition to IFRS 9 'Financial Instruments'.

25.2. Contracted Maturities of Financial Liabilities

	Less than one year €m	Between one and two years €m	Between two and five years €m	Total €m
As of 31 December 2018:				
Non-derivatives				
Borrowings excluding issuance discounts and fees	6.5	4.5	1,196.5	1,207.5
Interest	54.6	54.5	81.1	190.2
Total borrowings	61.1	59.0	1,277.6	1,397.7
Trade and other payables excluding deferred income	524.2	8.0	–	532.2
Total non-derivatives at 31 December 2018	585.3	67.0	1,277.6	1,929.9
Derivatives				
Cash flow hedging instrument:				
Outflow	1.0	560.3	–	561.3
Inflow	–	(516.6)	–	(516.6)
Interest rate swaps	1.5	1.3	–	2.8
Total derivatives at 31 December 2018	2.5	45.0	–	47.5

	Less than one year €m	Between one and two years €m	Between two and five years €m	Over five years €m	Total €m
As of 31 December 2017:					
Non-derivatives					
Borrowings excluding issuance discounts and fees	4.8	5.3	1,018.8	183.6	1,212.5
Interest	56.4	56.3	148.3	16.1	277.1
Total borrowings	61.2	61.6	1,167.1	199.7	1,489.6
Trade and other payables excluding deferred income	588.4	17.1	–	–	605.5
Total non-derivatives at 31 December 2017	649.6	78.7	1,167.1	199.7	2,095.1
Derivatives					
Cash flow hedging instrument:					
Outflow	1.3	1.3	378.8	–	381.4
Inflow	–	–	(309.8)	–	(309.8)
Interest rate swaps	1.4	1.3	1.2	–	3.9
Total derivatives at 31 December 2017	2.7	2.6	70.2	–	75.5

The cash flow hedging instruments are expected to mature over a period of five years from inception concluding in 2020. These contracts are designed to partially match the interest and principal repayments of US dollar-based debt reported in Note 3.3.2.

Notes to the Group Financial Statements

continued

26. Retirement Benefit Obligations

26.1. Defined Benefit Arrangements

Pension plans

The Group operates funded defined benefit pension plans in the US, Canada and the UK under broadly similar regulatory frameworks. All of the plans provide benefits to members in the form of a guaranteed level of pension payable for life. The level of pensions provided is determined by members' length of service and, for most of these plans, pensionable remuneration. Plan assets are held in trusts from which all benefit payments are made. The plans are governed by local regulations and practice, including the nature of the relationship between their trustees and the Group. Responsibility for governance of the plans, including investment strategy and schedules of contributions, rests primarily with the trustees, some of whom who are appointed by the Group and the remainder by the members in accordance with the rules of each plan.

There are five plans in the US, four of which are closed to both new entrants and future accrual, and one of which is closed to new entrants but permit future accrual. The active members are not required to make contributions to the plans. Pensions in payment are not subject to inflationary increase. The plan in Canada remains open to new entrants, and is contributory. Pensions in payment are subject to discretionary inflationary increase. The UK plan is closed to new entrants but remains open to future accrual. Pensions in payment are subject to annual increase based on the UK Retail Price Index.

Independent accounting valuations of all major defined benefit scheme assets and liabilities were carried out as at 31 December 2018. The US pension plans are subject to annual actuarial valuation, and were most recently valued by independent qualified actuaries as at 1 January 2018. The Canadian plan is subject to actuarial valuation at least triennially, and was most recently formally valued as at 31 December 2017. The UK plan is subject to triennial actuarial valuation, and was most recently formally valued as at 6 April 2018. Employer funding contributions to the US and other pension plans are agreed at each formal valuation, and for the year ended 31 December 2018 totalled €5.3 million (31 December 2017: €5.1 million). Contributions for the 12 months ended 31 December 2019 are expected to amount to €5.0 million.

In this note the US plans are shown separately as 'US pensions', and the Canadian and UK plans are aggregated as 'other pensions'.

Post-employment healthcare

The Group operates post-employment medical benefit schemes in a small number of territories, principally the US where the scheme was closed to new entrants in 1992. These schemes are unfunded. The US scheme is subject to annual actuarial valuation, and was most recently valued by independent qualified actuaries as at 1 January 2018. In this note the US scheme is shown separately as 'US healthcare', and the other healthcare liabilities are aggregated within 'other post-employment liabilities'.

Other post-employment arrangements

The Group operates certain other pension and retirement plans primarily in Germany, France, Italy, Korea, Poland and Belgium, where obligations are either partially funded or unfunded. In this note these plans are aggregated within 'other post-employment liabilities'.

26.2. Defined Benefit Arrangements in the Primary Financial Statements

The net liability for defined benefit arrangements is as follows:

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	(231.0)	(86.2)	(33.1)	(83.4)	(433.7)
Fair value of plan assets	174.2	92.8	–	25.1	292.1
Asset ceiling	–	(6.6)	–	–	(6.6)
Net liability at 31 December 2018	(56.8)	–	(33.1)	(58.3)	(148.2)

Net liability	US pensions €m	Other pensions €m	US healthcare €m	Other post-employment liabilities €m	Total €m
Present value of retirement benefit obligations	(243.3)	(93.2)	(42.4)	(81.3)	(460.2)
Fair value of plan assets	182.4	98.4	–	22.8	303.6
Asset ceiling	–	(5.8)	–	–	(5.8)
Net liability at 31 December 2017	(60.9)	(0.6)	(42.4)	(58.5)	(162.4)

The present value of retirement benefit obligations by member type is as follows:

	2018 €m	2017 €m
Active members	122.8	126.3
Deferred members	110.5	125.5
Retirees	200.4	208.4
Total at 31 December	433.7	460.2

b. Income Statement

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

	US pensions €m	Other pensions €m	US healthcare €m	Other post- employment liabilities €m	Total €m
Net expense					
Current service cost	(0.2)	(1.3)	–	(5.9)	(7.4)
Past service cost	–	(0.3)	–	–	(0.3)
Net interest (expense)/income	(2.1)	0.2	(1.3)	(1.2)	(4.4)
Net expense year ended 31 December 2018	(2.3)	(1.4)	(1.3)	(7.1)	(12.1)

	US pensions €m	Other pensions €m	US healthcare €m	Other post- employment liabilities €m	Total €m
Net expense					
Current service cost	(0.3)	(1.4)	(0.2)	(5.8)	(7.7)
Curtailment gain	0.5	–	7.2	–	7.7
Net interest (expense)/income	(2.6)	0.1	(2.1)	(1.1)	(5.7)
Net (expense)/income year ended 31 December 2017	(2.4)	(1.3)	4.9	(6.9)	(5.7)

During 2017, a curtailment gain of €7.7 million was recognised following the closure of operations in one of the Group's US manufacturing facilities.

c. Statement of Comprehensive Income

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

	US pensions €m	Other pensions €m	US healthcare €m	Other post- employment liabilities €m	Total €m
Income/(expense)					
Return on assets excluding amounts recognised in the Income Statement	(14.0)	(5.6)	–	(0.1)	(19.7)
Changes in demographic assumptions	0.5	0.4	0.1	(0.3)	0.7
Changes in financial assumptions	19.3	4.9	4.8	0.6	29.6
Experience gains/(losses)	1.4	2.5	4.1	(0.7)	7.3
Change in asset ceiling	–	(1.0)	–	–	(1.0)
Total net income/(expense) year ended 31 December 2018	7.2	1.2	9.0	(0.5)	16.9

	US pensions €m	Other pensions €m	US healthcare €m	Other post- employment liabilities €m	Total €m
Income/(expense)					
Return on assets excluding amounts recognised in the Income Statement	18.2	3.6	–	–	21.8
Changes in demographic assumptions	0.5	1.0	0.2	–	1.7
Changes in financial assumptions	(15.3)	(1.3)	0.1	1.8	(14.7)
Experience gains/(losses)	(0.1)	–	0.8	(0.4)	0.3
Change in asset ceiling	–	(1.8)	–	–	(1.8)
Total net income year ended 31 December 2017	3.3	1.5	1.1	1.4	7.3

Notes to the Group Financial Statements
continued

26. Retirement Benefit Obligations continued

26.3. Composition of Plan Assets

Plan assets are comprised as follows:

	US pensions €m	Other pensions €m	Other post- employment liabilities €m	Total €m
Equity securities	78.8	7.5	–	86.3
Multi-asset funds	–	43.6	–	43.6
Debt instruments	94.3	34.6	14.3	143.2
Qualifying insurance policies	–	6.9	10.7	17.6
Cash and cash equivalents	1.1	0.2	0.1	1.4
Fair value at 31 December 2018	174.2	92.8	25.1	292.1

	US pensions €m	Other pensions €m	Other post- employment liabilities €m	Total €m
Equity securities	115.1	7.8	–	122.9
Multi-asset funds	–	36.0	–	36.0
Debt instruments	66.1	46.9	13.0	126.0
Qualifying insurance policies	–	7.4	9.8	17.2
Cash and cash equivalents	1.2	0.3	–	1.5
Fair value at 31 December 2017	182.4	98.4	22.8	303.6

Debt instruments include corporate bonds, government and public sector bonds, and liability driven investments.

26.4. Net Defined Benefit Obligations

	Present value of obligation €m	Fair value of plan assets €m	Net accounting deficit €m	Asset ceiling €m	Total €m
Movements in net defined benefit obligations					
At 1 January 2018	(460.2)	303.6	(156.6)	(5.8)	(162.4)
Current service cost (Note 26.2b)	(7.4)	–	(7.4)	–	(7.4)
Past service cost (Note 26.2b)	(0.3)	–	(0.3)	–	(0.3)
Net interest (expense)/income (Note 26.2b)	(14.1)	9.7	(4.4)	–	(4.4)
Re-measurements (Note 26.2c)	37.6	(19.7)	17.9	(1.0)	16.9
Employer contributions	–	8.8	8.8	–	8.8
Employee contributions	(0.3)	0.3	–	–	–
Benefits and administration expenses paid	21.0	(16.9)	4.1	–	4.1
Currency translation	(10.0)	6.3	(3.7)	0.2	(3.5)
At 31 December 2018	(433.7)	292.1	(141.6)	(6.6)	(148.2)

	Present value of obligation €m	Fair value of plan assets €m	Net accounting deficit €m	Asset ceiling €m	Total €m
Movements in net defined benefit obligations					
At 1 January 2017	(498.7)	309.8	(188.9)	(4.1)	(193.0)
Current service cost (Note 26.2b)	(7.7)	–	(7.7)	–	(7.7)
Curtailment gain (Note 26.2b)	7.7	–	7.7	–	7.7
Net interest (expense)/income (Note 26.2b)	(16.0)	10.3	(5.7)	–	(5.7)
Re-measurements (Note 26.2c)	(12.7)	21.8	9.1	(1.8)	7.3
Employer contributions	–	8.2	8.2	–	8.2
Employee contributions	(0.3)	0.3	–	–	–
Benefits and administration expenses paid	22.7	(17.5)	5.2	–	5.2
Currency translation	44.8	(29.3)	15.5	0.1	15.6
At 31 December 2017	(460.2)	303.6	(156.6)	(5.8)	(162.4)

a. US pensions

	Present value of obligation €m	Fair value of plan assets €m	Total €m
Movements in net defined benefit obligations			
At 1 January 2018	(243.3)	182.4	(60.9)
Current service cost (Note 26.2b)	(0.2)	–	(0.2)
Past service cost (Note 26.2b)	–	–	–
Net interest (expense)/income (Note 26.2b)	(8.6)	6.5	(2.1)
Re-measurements (Note 26.2c)	21.2	(14.0)	7.2
Employer contributions	–	4.2	4.2
Benefits and administration expenses paid	10.6	(12.9)	(2.3)
Currency translation	(10.7)	8.0	(2.7)
At 31 December 2018	(231.0)	174.2	(56.8)

	Present value of obligation €m	Fair value of plan assets €m	Total €m
Movements in net defined benefit obligations			
At 1 January 2017	(263.1)	191.1	(72.0)
Current service cost (Note 26.2b)	(0.3)	–	(0.3)
Curtailment gain (Note 26.2b)	0.5	–	0.5
Net interest (expense)/income (Note 26.2b)	(9.6)	7.0	(2.6)
Re-measurements (Note 26.2c)	(14.9)	18.2	3.3
Employer contributions	–	3.7	3.7
Benefits and administration expenses paid	10.9	(13.2)	(2.3)
Currency translation	33.2	(24.4)	8.8
At 31 December 2017	(243.3)	182.4	(60.9)

b. Other pensions

	Present value of obligation €m	Fair value of plan assets €m	Net accounting surplus €m	Asset ceiling €m	Total €m
Movements in net defined benefit obligations					
At 1 January 2018	(93.2)	98.4	5.2	(5.8)	(0.6)
Current service cost (Note 26.2b)	(1.3)	–	(1.3)	–	(1.3)
Past service cost (Note 26.2b)	(0.3)	–	(0.3)	–	(0.3)
Net interest (expense)/income (Note 26.2b)	(2.5)	2.7	0.2	–	0.2
Re-measurements (Note 26.2c)	7.8	(5.6)	2.2	(1.0)	1.2
Employer contributions	–	1.1	1.1	–	1.1
Employee contributions	(0.3)	0.3	–	–	–
Benefits and administration expenses paid	2.2	(2.3)	(0.1)	–	(0.1)
Currency translation	1.4	(1.8)	(0.4)	0.2	(0.2)
At 31 December 2018	(86.2)	92.8	6.6	(6.6)	–

	Present value of obligation €m	Fair value of plan assets €m	Net accounting surplus €m	Asset ceiling €m	Total €m
Movements in net defined benefit obligations					
At 1 January 2017	(96.1)	98.2	2.1	(4.1)	(2.0)
Current service cost (Note 26.2b)	(1.4)	–	(1.4)	–	(1.4)
Net interest (expense)/income (Note 26.2b)	(2.8)	2.9	0.1	–	0.1
Re-measurements (Note 26.2c)	(0.3)	3.6	3.3	(1.8)	1.5
Employer contributions	–	1.4	1.4	–	1.4
Employee contributions	(0.3)	0.3	–	–	–
Benefits paid	3.4	(3.4)	–	–	–
Currency translation	4.3	(4.6)	(0.3)	0.1	(0.2)
At 31 December 2017	(93.2)	98.4	5.2	(5.8)	(0.6)

The Canadian and two locations of the UK pension plans have accounting surpluses that are not recognised since future economic benefits are not available to the Group either as a cash refund or as a reduction in contributions. The Company has agreed a schedule of additional contributions amounting to €0.4 million to eliminate the funding deficit on the other UK pension plan location by 31 July 2020 including €0.2 million payable by the Company in the next 12 months ended 31 December 2019.

Notes to the Group Financial Statements
continued

26. Retirement Benefit Obligations continued

c. US healthcare and other post-employment liabilities

	Other post-employment liabilities			US healthcare €m	US healthcare €m
	Present value of obligation €m	Fair value of plan assets €m	Total €m		
Movements in net defined benefit obligations					
At 1 January 2018	(81.3)	22.8	(58.5)	(42.4)	(100.9)
Current service cost (Note 26.2b)	(5.9)	–	(5.9)	–	(5.9)
Past service cost (Note 26.2b)	–	–	–	–	–
Net interest (expense)/income (Note 26.2b)	(1.7)	0.5	(1.2)	(1.3)	(2.5)
Re-measurements (Note 26.2c)	(0.4)	(0.1)	(0.5)	9.0	8.5
Employer contributions	–	3.5	3.5	–	3.5
Benefits paid	5.0	(1.7)	3.3	3.2	6.5
Currency translation	0.9	0.1	1.0	(1.6)	(0.6)
At 31 December 2018	(83.4)	25.1	(58.3)	(33.1)	(91.4)

In 2018, the US retiree healthcare changed carriers for both medical and prescription coverage and expects reduced healthcare costs as a result of those contracts.

	Other post-employment liabilities			US healthcare €m	Total €m
	Present value of obligation €m	Fair value of plan assets €m	Total €m		
Movements in net defined benefit obligations					
At 1 January 2017	(80.8)	20.5	(60.3)	(58.7)	(119.0)
Current service cost (Note 26.2b)	(5.8)	–	(5.8)	(0.2)	(6.0)
Curtailment gain (Note 26.2b)	–	–	–	7.2	7.2
Net interest (expense)/income (Note 26.2b)	(1.5)	0.4	(1.1)	(2.1)	(3.2)
Re-measurements (Note 26.2c)	1.4	–	1.4	1.1	2.5
Employer contributions	–	3.1	3.1	–	3.1
Benefits paid	4.8	(0.9)	3.9	3.6	7.5
Currency translation	0.6	(0.3)	0.3	6.7	7.0
At 31 December 2017	(81.3)	22.8	(58.5)	(42.4)	(100.9)

d. Other post-employment liabilities

	2018 €m	2017 €m
Unfunded German pension plans	24.6	24.8
Statutory retiring indemnities in France, Italy and Korea	17.0	16.8
Long service awards in Germany and Poland	9.4	8.7
Unfunded arrangements under the US and UK pension plans	1.5	1.6
Retirement plans in Belgium	1.3	1.7
Other liabilities	4.5	4.9
Total other post-employment liabilities at 31 December	58.3	58.5

26.5. Principal Assumptions

The principal assumptions in measuring plan liabilities are as follows:

US Pensions	2018	2017
Discount rate	4.21%	3.56%
Mortality assumptions: life expectancy from age 65		
<i>Retiring at the end of the current reporting year:</i>		
Males	22	22
Females	23	23
<i>Retiring 20 years after the end of the current reporting year:</i>		
Males	23	23
Females	24	24

For US Pensions, assumptions with regard to life expectancies from retirement at age 65 are based on RP-2014 collar- and gender-specific mortality tables, adjusted and generationally projected by a modified MP-2018 improvement scale.

Other pensions	2018	2017
Discount rate	3.00%	2.70%
Inflation rate	2.90%	2.90%
Salary increases	3.02%	2.96%
Benefit increases	2.32%	2.32%
Mortality assumptions for other pensions: life expectancy from age 65		
<i>Retiring at the end of the current reporting year:</i>		
Males	22	22
Females	24	24
<i>Retiring 20 years after the end of the current reporting year:</i>		
Males	23	23
Females	25	25
US healthcare		
Discount rate	4.10%	3.50%
Healthcare cost trend: Initial rate	6.75%	6.25%
Other post-employment liabilities		
Discount rate	2.14%	2.10%
Inflation rate	1.39%	1.29%
Salary increases	2.63%	2.44%
Benefit increases	1.95%	1.96%

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

	Change in assumption	2018		2017	
		Increase €m	Decrease €m	Increase €m	Decrease €m
Decrease/(increase) in DBO					
Discount rate	0.5%	26.8	(30.9)	30.2	(34.7)
Inflation rate	0.5%	(6.6)	6.4	(8.2)	7.6
Salary growth rate	0.5%	(2.6)	2.4	(2.5)	2.3
Life expectancy	1 year	(12.9)	12.9	(15.0)	15.0
Healthcare cost trend: Initial rate	0.5%	(1.3)	1.2	(3.0)	2.7

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.

26.6. Pension Plans – Risk Analysis

Asset volatility	Plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets were to underperform this yield, this would create a deficit. All the funded plans hold a proportion of equities, which are expected to outperform bonds in the long term, but which are also likely to experience greater price volatility and therefore risk in the short term. As plans mature, the Group's strategy is to reduce the level of investment risk by investing more in assets whose risk profile is a better match for the liabilities.
Changes in bond yields	A decrease in bond yields has the effect of increasing plan liabilities, although this is partially offset by an increase in the value of the plans' bond holdings.
Inflation risk	The Group's pension obligations in Canada, the UK and Germany are inflation linked. Caps on the level of inflationary increases are in place to protect the plans against above normal inflation. The US pension obligations are not inflation indexed. The majority of the plan assets are not directly inflation indexed, meaning that an increase in inflation will tend to increase the deficit.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of each retired member and his/her spouse, so increases in life expectancy result in an increase in the plans' liabilities.

Notes to the Group Financial Statements

continued

26. Retirement Benefit Obligations continued

The investments of the funded plans are managed within an asset-liability matching framework that has been developed to achieve long-term investments that align with the obligations of the plans. One objective is to match assets to the pension obligations by investing in annuities and long-term fixed interest securities with maturities that match the benefit payments as they fall due in the appropriate currency. The plans actively monitor how the duration and the expected yield of the investments match the expected cash outflows arising from the pension obligations. The processes used to manage the risks have not changed from previous years.

Investments are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets consist of bonds and equities, although the plans also hold investment funds and liability driven investments. Equities have been shown to offer the best returns over the long term with an acceptable level of risk.

27. Provisions

Movements in provisions are as follows:

	Product warranty €m	Restructuring €m	Other €m	Total €m
At 1 January 2018	19.8	1.5	6.7	28.0
Provisions made during the year	6.6	5.0	0.8	12.4
Provisions used during the year	(6.9)	(1.8)	(1.0)	(9.7)
Provisions reversed during the year	(1.4)	(0.3)	(0.5)	(2.2)
Utilisation of discount	–	–	0.1	0.1
Currency translation	0.3	–	–	0.3
At 31 December 2018	18.4	4.4	6.1	28.9

	Product warranty €m	Restructuring €m	Other €m	Total €m
At 1 January 2017	21.0	0.3	8.2	29.5
Provisions made during the year	13.9	6.3	0.9	21.1
Provisions used during the year	(11.6)	(5.1)	(1.8)	(18.5)
Provisions reversed during the year	(2.8)	–	–	(2.8)
Utilisation of discount	–	–	0.1	0.1
Currency translation	(0.7)	–	(0.7)	(1.4)
At 31 December 2017	19.8	1.5	6.7	28.0

Total provisions

	2018 €m	2017 €m
Non-current	4.9	5.5
Current	24.0	22.5
Total provisions	28.9	28.0

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 anticipated during 2019.

Restructuring

Restructuring provisions comprise planned headcount reductions and similar costs of balancing production capacity with market requirements. The provision at 31 December 2018 relates to certain of the Group's facilities in Germany and is expected to be utilised in 2019.

Other provisions

Other provisions at 31 December 2018 comprise provisions for disputed claims for indirect taxes totalling €1.4 million (31 December 2017: €2.2 million) and asset retirement obligations and other claims totalling €4.8 million (31 December 2017: €4.5 million).

28. Cash Generated from Operations

	Notes	2018 €m	2017 €m
Profit for the year		140.1	115.2
Income tax expense before exceptional items		77.0	68.2
Exceptional income tax benefit		–	(25.4)
Profit before income tax		217.1	158.0
Adjustments for:			
Depreciation, amortisation and impairment charges	5	197.1	194.9
Losses/(gains) on disposal of PP&E and intangible assets	10	0.6	(0.2)
Share option cost	7	4.0	11.3
Shares issued to Directors and certain employees		–	1.0
Net finance expense after exceptional items	11	64.5	115.3
Unremitted share of profit from associates	16	(0.3)	0.1
Net foreign exchange gains		(1.2)	(24.6)
Changes in working capital:			
Inventories		(21.7)	(51.4)
Trade and other receivables		17.4	(20.2)
Trade and other payables		(23.2)	45.3
Change in provisions		0.5	(0.2)
Change in retirement benefit obligations		(5.2)	(13.4)
Total		449.6	415.9

29. Commitments and Contingencies

29.1. Capital Commitments

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

	2018 €m	2017 €m
Intangible assets	7.9	5.3
Property, plant and equipment	55.4	40.6
Total	63.3	45.9

29.2. Operating Lease Commitments

a. The Group as lessor

Property that is surplus to the Group's requirements may be sub-let to third parties. The future aggregate minimum rentals receivable under non-cancellable operating leases at 31 December 2018 was €0.2 million (31 December 2017: €0.2 million). During the year, a total of €0.6 million of rental income was recognised in the Income Statement (2017: €0.8 million).

b. The Group as lessee

The Group rents buildings, machinery and equipment under operating leases. The future aggregate minimum rentals payable under non-cancellable operating leases were as follows:

	2018 €m	2017 €m
Less than one year	35.2	39.7
Between one year and five years	82.7	104.1
After five years	40.0	36.6
Total	157.9	180.4

Total operating lease payments recognised as an expense in the year were €46.6 million (2017: €48.6 million).

Onerous lease provisions were not recognised in respect of non-cancellable operating leases at 31 December 2017 or 31 December 2018.

Notes to the Group Financial Statements

continued

29. Commitments and Contingencies continued

29.3. Purchase Commitments

As part of its normal business practices, the Group enters into contracts with suppliers for purchases of raw materials, components and services to facilitate adequate supply of these materials and services. These arrangements may contain fixed or minimum quantity purchase requirements. These purchase commitments are off-balance sheet agreements to purchase goods or services that are enforceable and legally binding on the Group.

The table below summarises the contractual purchase commitments as at the end of the year:

	2018 €m	2017 €m
Less than one year	38.0	35.6
Between one year and five years	5.5	8.2
After five years	0.2	–
Total	43.7	43.8

Contingencies

The Group has contingent liabilities relating to legal and tax proceedings arising in the normal course of business. Management reviewed known claims and litigation involving the Company and its subsidiaries at the end of the year. Based on the advice of legal counsel, appropriate provisions have been made to cover the related risks. While the outcome of any proceedings in progress cannot be predicted, the Company does not believe they will have a material impact on the Group's financial position.

30. Auditors' Remuneration

Services provided by the Company's Auditor and its associates

During the year, the Group obtained the following services from PricewaterhouseCoopers LLP, the Company's Auditor:

	2018 €m	2017 €m
Fees payable to the Company's Auditor and its associates for the audit of the Parent Company and the Group financial statements	1.6	1.6
Fees payable to the Company's Auditor and its associates for the audit of the Company's subsidiaries	0.7	0.8
Tax compliance and advisory services	–	0.6
All other services	0.1	2.4
Total	2.4	5.4

All other services of €2.4 million in the prior year relate to specific procedures performed as part of the Company's IPO.

31. Related Party Transactions and Controlling Parties

31.1. Transactions with Affiliates of the funds managed by Bain Capital

The 'funds managed by Bain Capital' represent affiliates of and funds advised by Bain Capital LLC.

During the year, the Group procured products and materials totalling €0.3 million (2017: €0.6 million) from companies in which the funds managed by Bain Capital, the Group's ultimate controlling party since 30 June 2015, had investment interests. These transactions were completed on the basis of normal commercial terms.

Since the IPO in 2017, the Group has not incurred any management charges from Bain (2017: €3.9 million).

31.2. Transactions with Group Companies

Balances and transactions between Group companies have been eliminated on consolidation, and are not disclosed in this note except for subsidiaries that are not wholly owned. Transactions with those companies are made on the Group's standard terms of trade.

The Group holds 73% of the shares in Hanil Tube Corporation ('Hanil') which is located in South Korea. At 31 December 2018, Hanil had trade and loan receivables net of payables from other Group undertakings amounting to €23.6 million (2017: €20.7 million) and made sales within the Group during the year of €7.6 million (2017: €8.7 million).

The Group holds 97% of the shares in Bundy India Ltd. At 31 December 2018, Bundy India Ltd had trade and loan payables net of receivables to other Group undertakings amounting to €7.2 million (2017: €7.6 million) and made sales within the Group during the year of €9.8 million (2017: €8.7 million).

Ultimate controlling party

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

31.3. Transactions with Associates

	2018 €m	2017 €m
Amounts owed to associates	1.9	3.0
Purchases from associates in the year	13.7	19.6

Transactions with related parties other than subsidiaries are attributable solely to the ordinary business activities of the respective company and were conducted on an arm's-length basis.

32. Events After the Balance Sheet Date

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

Company Financial Statements
Company Balance Sheet
At 31 December

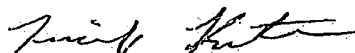
	Notes	2018 €m	2017 €m
Non-current assets			
Investments in subsidiaries	4	903.4	899.4
		903.4	899.4
Current assets			
Loans due from related parties	5	17.0	17.4
Cash and cash equivalents		4.2	9.7
		21.2	27.1
Total assets		924.6	926.5
Equity			
Share capital	6	6.8	6.8
Share premium	6	1.4	404.3
Accumulated profits		884.6	483.0
Total equity		892.8	894.1
Current liabilities			
Trade and other payables	7	1.7	3.1
Loans due to related parties	8	30.1	29.3
		31.8	32.4
Total liabilities		31.8	32.4
Total equity and liabilities		924.6	926.5

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the year. The profit for the year was €17.2 million (2017: €17.2 million loss).

The financial statements were authorised for issue by the Board of Directors on 19 March 2019 and were signed on its behalf by:



William L. Kozyra
Chief Executive Officer and President



Timothy J. Knutson
Chief Financial Officer

Company Statement of Changes in Equity

For the year ended 31 December

	Ordinary shares €m	Share premium €m	Accumulated profits €m	Total equity €m
Balance at 1 January 2018	6.8	404.3	483.0	894.1
Profit for the year	–	–	17.2	17.2
Share option cost	–	–	4.0	4.0
Capital reduction	–	(404.3)	404.3	–
Dividend paid	–	–	(22.5)	(22.5)
Shares issued to certain employees	–	1.4	(1.4)	–
Balance at 31 December 2018	6.8	1.4	884.6	892.8

	Ordinary shares €m	Share premium €m	Accumulated profits €m	Total equity €m
Balance at 1 January 2017	493.7	–	0.4	494.1
Loss for the year	–	–	(17.2)	(17.2)
Share option cost	–	–	11.3	11.3
Capital reduction	(488.7)	–	488.7	–
Share capital raised on initial public offering	1.6	423.0	–	424.6
Shares issued to Non-Executive Directors	0.2	1.0	(0.2)	1.0
Share capital issuance costs	–	(19.7)	–	(19.7)
Balance at 31 December 2017	6.8	404.3	483.0	894.1

Overview

Strategic report

Corporate governance

Financial statements

Shareholder information

Company Statement of Cash Flows

For the year ended 31 December

	Notes	2018 €m	2017 €m
Cash flows from operating activities			
Cash generated by/(used by) operations	9	16.1	(20.3)
Net cash generated by/(used by) operating activities		16.1	(20.3)
Cash flows from investing activities			
Capital contribution to Omega Acquisition Bidco Ltd	4	–	(223.2)
Capital contribution to TI Automotive USA Holdings Ltd	4	–	(158.9)
Net cash used by investing activities		–	(382.1)
Cash flows from financing activities			
Proceeds from issue of new share capital		–	424.6
Share capital issuance costs		–	(19.7)
Dividends paid		(22.5)	0.0
Net borrowings from subsidiary undertakings		1.2	3.0
Net cash (used by)/generated from financing activities		(21.3)	407.9
(Decrease)/increase in cash and cash equivalents		(5.2)	5.5
Cash and cash equivalents at the beginning of the year		9.7	–
Currency translation on cash and cash equivalents		(0.3)	4.2
Cash and cash equivalents at the end of the year		4.2	9.7

1. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1.1. Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, and the UK Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have also been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee ('IFRIC') interpretations issued and effective at the time of preparing these financial statements.

The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss ('FVTPL').

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

1.1.1. Going Concern

After making enquiries, the Directors are of the opinion that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of its financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

1.1.2. Functional and Presentation Currency

These financial statements are presented in Euro, which is the Company's functional currency. All financial information presented in Euro has been rounded to the nearest 100,000 except where stated otherwise.

1.1.3. Changes in Accounting Policy and Disclosures

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning on or after 1 January 2018, or are not yet effective and have not been applied in preparing the Company's financial statements. These are discussed further in the consolidated financial statements.

1.2. Foreign Currencies

Transactions in foreign currencies are converted to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted to the functional currency at the exchange rate at that date. Non-monetary items that are measured at historical cost in a foreign currency are converted using the exchange rate at the date of the transaction.

All transactional foreign currency differences are included in the Income Statement.

The average and year-end exchange rates for the Company's principal currencies are disclosed in the consolidated financial statements.

1.3. Investments in Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are recorded in the Company's balance sheet at cost. The investments are subject to a periodic impairment review, with any resulting diminution of the carrying value recognised in the Income Statement.

Acquisition-related costs are expensed as incurred in accordance with IFRS 3 'Business Combinations'.

1.4. Financial Instruments

The below policy is relevant to amounts reported in the comparative year under IAS 39 – 'Financial Instruments: Recognition and Measurement'. On 1 January 2018, IFRS 9 – 'Financial Instruments' replaced IAS 39. Amounts reported in the current year have therefore been accounted for in accordance with an updated 2018 policy. The key changes are outlined above in Note 1.1.3.1.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at 'fair value through profit or loss' ('FVTPL')) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are expensed as incurred.

1.4.1. Financial Assets

Financial assets are classified into financial assets at 'FVTPL' and 'loans and receivables'. The classification is determined at the time of initial recognition and depends on the nature and purpose of the financial assets.

Financial assets at FVTPL

Financial assets are classified at FVTPL when they are so designated or held for trading, including derivatives that are not designated as hedging instruments.

Notes to the Company Financial Statements

continued

1. Summary of Significant Accounting Policies continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. The Company's loans and receivables comprise 'loans due from related parties' and 'cash and cash equivalents'.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that any financial asset is impaired as a result of one or more events that occurred after the initial recognition of the asset which has an impact on the estimated future cash flows of the asset that can be reliably estimated.

Evidence of impairment may include indications that any debtor is experiencing significant financial difficulty, default or delinquency in payments, the probability that any debtor will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

A financial asset is impaired and an impairment loss incurred if there is objective evidence that loss events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

1.4.2. Financial Liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'liabilities at amortised cost'.

Financial liabilities at FVTPL

Financial liabilities are classified at 'FVTPL' when they are so designated or held for trading, including derivatives that are not designated as hedging instruments.

Liabilities at amortised cost

Liabilities at amortised cost are recognised initially on the date at which the Company becomes party to the contractual provisions of the instrument. Liabilities at amortised cost, including 'loans due to related parties' and trade and other payables, are subsequently measured at amortised cost using the effective interest method, which calculates the amortised cost of a financial liability and allocates interest expense over its term. The effective interest rate discounts estimated cash payments (including all fees, transaction costs and premiums) through the expected life of the financial liability, to the net carrying amount on initial recognition.

1.5. Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accrued expenses are recognised when ownership of goods or services has been transferred but not invoiced. Trade and other payables are recognised at amortised cost.

1.6. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

1.7. Share Capital

Ordinary shares of the Company are classified as equity. Costs directly attributable to the issue of ordinary shares and share options are recognised in equity as a deduction, net of any tax effects from the proceeds.

1.8. Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income and equity.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax

Deferred income tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.9. Exceptional Items

Exceptional items are defined as those items that, by virtue of their nature, size and expected frequency, warrant separate additional disclosure in the financial statements in order to fully understand the underlying performance of the Company. These may include the costs of closure of locations or significant headcount reduction, costs arising from the acquisition or disposal of businesses including related contractual management incentive charges, transaction costs of a significant and non-recurring nature, debt refinancing costs, impairment charges and the recognition of previously derecognised deferred tax assets.

1.10. Dividends

Receivable

Dividends from investments of the Company and dividends receivable by the Company are recognised when the right to receive payment is established.

Payable

Dividends payable to the Company's shareholders are recognised in the Statement of Changes in Equity in the period in which they are approved.

2. Income Statement

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the year. The profit for the year was €17.2 million (2017: €17.2 million loss).

3. Directors' Remuneration

The Company has no employees. Full information on Directors' remuneration is disclosed in the consolidated financial statements. Non-Executive Director costs of €0.7 million (2017: €0.3 million) have been borne by the Company, all other costs have been met by other subsidiaries of the Group.

4. Investments in Subsidiaries

	2018 €m	2017 €m
At 1 January	899.4	506.0
Capital contribution to Omega Acquisition Bidco Ltd	-	223.2
Capital contribution to TI Automotive USA Holdings Ltd	-	158.9
Share option cost	4.0	11.3
At 31 December	903.4	899.4

Investments in subsidiary undertakings are recorded at cost, which was the fair value of the consideration paid. No impairments have been recorded.

The Company's subsidiary undertakings, including its operating and non-operating subsidiaries, are as follows:

		Ownership interest and voting rights held 2018	Ownership interest and voting rights held 2017	Address of registered office
Americas				
TI Group Automotive Systems LLC*	US	100%	100%	2020 Taylor Road, Auburn Hills, MI 48326
TI Automotive LLC*	US	100%	100%	2020 Taylor Road, Auburn Hills, MI 48326
Hanil USA LLC*	US	100%	100%	50 Hanil Drive, Tallassee, Alabama, 36078
Hutchings International Enterprises Inc. (Dormant)	US	100%	100%	2020 Taylor Road, Auburn Hills, MI 48326
Omega Newco Sub Inc.*	US	100%	100%	1209 Orange Street, City of Wilmington, New Castle 19801
TI Automotive Ligonier Corporation*	US	100%	100%	925 North Main Street, Ligonier, IN 46767
TI Automotive Canada Inc.*	Canada	100%	100%	316 Orenda Road, Bramalea, Ontario, Canada, L6T 1G3
TI Group Automotive Systems S de RL de CV	Mexico	100%	100%	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
TI Automotive Reynosa S de RL de CV	Mexico	100%	100%	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780

Notes to the Company Financial Statements

continued

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2018	Ownership interest and voting rights held 2017	Address of registered office
TI-Hanil Mexico S de RL de CV	Mexico	100%	100%	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
Fabricaciones Electromecanicas SA de CV (Dormant)	Mexico	100%	100%	Via Jose Lopez Portillo 8-A, Tultitlan, Estado de Mexico, Mexico 54940
Marwal de Mexico SA de CV	Mexico	100%	100%	Via Jose Lopez Portillo 8-A, Tultitlan, Estado de Mexico, Mexico 54940
TI Brasil Industria e Comercio Ltda	Brazil	100%	100%	Rodovia Presidente Dutra, Km 145,7 Sao Jose dos Campos, SP-Brasil CEP 12220-611
Bundy Colombia SA	Colombia	100%	100%	Carrera 13A No 6-98 Parque Industrial Montana, Mosquero, Cundinamarca, 34225
TI Automotive Argentina SA	Argentina	100%	100%	Uruguay 4351, Victoria, San Fernando, Buenos Aires, Argentina, B1644 HKO
Europe and Africa				
Omega Acquisition Bidco Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Korean Won Hedgco Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Korean Won Hedgco II Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
Omega Newco Sub I Ltd	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
Omega Newco Sub II Ltd	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TIFS Holdings Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Holdings Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Euro Holdings Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive USA Holdings Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (Deeside) Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (UK) Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Canada Holdings Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive (China) Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Czech Holdings (UK) Ltd	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive German Holdings (UK) Ltd*	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
Hanil Tube Holdings Ltd	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Finance plc (Dormant)**	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Nominees Ltd (Dormant)**	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Pension Plan Trustee Ltd (Dormant)**	UK	100%	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU

		Ownership interest and voting rights held 2018	Ownership interest and voting rights held 2017	Address of registered office
TI Group Automotive Systems (Belgium) SA*	Belgium	100%	100%	Rue Wérihet 61, B-4020 Wandre (Liège)
TI Automotive AC sro	Czech Republic	100%	100%	Belgická 4727/17, Rýnovice, 466 05 Jablonec nad Nisou
TI Group Automotive Systems sro	Czech Republic	100%	100%	Belgická 4727/17, Rýnovice, 466 05 Jablonec nad Nisou
TI Automotive France Holdings SAS	France	100%	100%	1, avenue Ampère, Zone Industrielle, 51000 Châlons-en Champagne, France
TI Automotive Fuel Systems SAS	France	100%	100%	1, avenue Ampère, Zone Industrielle, 51000 Châlons-en Champagne, France
TI Group Automotive Systems SAS	France	100%	100%	Z.I. Bld de l'industrie 37530 Nazelles-Négron, France
TI Automotive Holdings GmbH*	Germany	100%	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive (Ettlingen) GmbH*	Germany	100%	100%	Hertzstrasse 24-30, 76275 Ettlingen
TI Automotive (Fuldabruck) GmbH*	Germany	100%	100%	Industriestrasse 3, 34277 Fuldabruck
TI Automotive (Heidelberg) GmbH*	Germany	100%	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive Systems Germany GmbH*	Germany	100%	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive Engineering Centre (Heidelberg) GmbH*	Germany	100%	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive Technology Center GmbH*	Germany	100%	100%	Lochfeldstraße 31, 76437 Rastatt
TI Automotive (Hungary) Kft	Hungary	100%	100%	H-9027, Győr, Körtefa utca, 6.ép
TI Automotive Italia Holdings Srl	Italy	100%	100%	Via Mosè Bianchi, 71-20149 Milano
TI Automotive Cisliano Srl	Italy	100%	100%	Via Abbiategrasso, 20080 Cisliano (MI)
TI Automotive Brindisi Srl	Italy	100%	100%	Via Pinan, 2-16012 Busalla (GE)
TI Group Automotive Systems SpA	Italy	100%	100%	Via Pinan, 2-16012 Busalla (GE)
TI Poland sp. z o.o.*	Poland	100%	100%	Bestwin'ska 143 a, Bielsko-Biala, 43-346, Poland
LLC TI Automotive	Russia	100%	100%	Russian Federation 188643, Leningradskaya region, Vsevolozhsk, Vsevolozhskiy prospect, 113
Hanil RUS LLC	Russia	100%	100%	Russian Federation 188643, Leningradskaya region, Vsevolozhsk, Vsevolozhskiy prospect, 113
TI-Hanil Slovakia s.r.o.	Slovakia	100%	100%	Podzavoz 995, 02201 Cadca
TI Automotive Slovakia s.r.o.	Slovakia	100%	100%	Prilohy 46, Zavar, Slovakia, 91926
TI Automotive proizvodnja avtomobilskih delov, d.o.o.	Slovenia	100%	100%	Belokranjska cesta 4, 8000 Novo mesto
TI Automotive Morocco Sarl	Morocco	100%	100%	Zone Franche D'Exportation, Ilot 62, lot 2, PL1, 90090, Tangier, Morocco
TI Automotive Thermal Morocco Sarl	Morocco	100%	100%	Tangier Automotive City, Lot 111-11bis, Tangier, Morocco
TI Group Automotive Systems (South Africa) (Pty) Ltd	South Africa	100%	100%	62 Palmgate Crescent, Southgate Business Park, Umbogintwini, 4026, South Africa
TI Automotive Fuel Systems (South Africa) (Pty) Ltd	South Africa	100%	100%	Unit AW8, Automotive Supplier Park, East London IDZ, West Bank, East London
TI Automotive Pamplona SL	Spain	100%	100%	Polígono Industrial Comarca 1, calle E, s/n. 31195 Berrioplano (Navarra), Spain

Notes to the Company Financial Statements

continued

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2018	Ownership interest and voting rights held 2017	Address of registered office
TI Group Automotive Systems SA	Spain	100%	100%	Carretera. San Adrián-La Roca, Km. 15,9, 08170 Montornés del Valles, Barcelona, Spain
TI Group Automotive Spain Holdings S.L.	Spain	100%	100%	Carretera. San Adrián-La Roca, Km. 15,9, 08170 Montornés del Valles, Barcelona, Spain
TI Group Automotive Systems AB	Sweden	100%	100%	PO Box 904, 531 19 Lidköping, Sweden
TI Otomotiv Sanayi ve Ticaret Ltd	Turkey	100%	100%	Nosab Sedir Cad. 203. Sok. No: 6 16140 Nilüfer Bursa
Asia Pacific				
Bundy Tubing Co. (Australia) Pty Ltd.	Australia	100%	100%	492 Churchill Rd., Kilburn SA 5084
Bundy Fluid Systems Co Ltd	China	100%	100%	No. 57 Longhai Road ETDZ, Qinhuangdao City
Bundy Fluid Systems (Chongqing) Co Ltd	China	100%	100%	Building C1, Zone C, Number 5 Workshop, Standard Workshop Project Phase 1, Huachao Industrial Park, Cuiyun Road, Northern New District, Chongqing
Bundy Fluid Systems (Shanghai) Co Ltd	China	100%	100%	34 Bundy Workshop, 409 Hua Jing Road, Waigaoqiao FTZ, Shanghai
TI Automotive (Tianjin) Co Ltd	China	100%	100%	No.6 Xiang'an Road, TEDA Tianjin
TI Automotive Systems (Changchun) Co Ltd	China	100%	100%	2599 Zi Bo Rd., Economic Technological Development Zone, Changchun
TI Automotive Systems (Hainan) Co Ltd	China	100%	100%	No 3 Workshop, American Industry Park, No 100 Nanhai Avenue, Haikou City
TI Automotive Systems (Shanghai) Co Ltd	China	100%	100%	Bld 1, Bld 2, No 100 Yin Long Road, Jiading District, Shanghai
Wuhan Bundy Fluid Systems Co Ltd	China	100%	100%	Wuhan Economic & Technological Development Zone
TI Automotive (Hong Kong) Holdings Ltd	Hong Kong	100%	100%	Suite 1B, 8/F., Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong
Bundy India Ltd	India	97%	97%	Plot 2 GIDC Industrial Estate, Makarpura, Baroda, 390010, India
Hanil Tube India Private Ltd	India	100%	100%	B-75, SIPCOT Industrial Area, Chennai 600-058, Tamil Nadu
PT TI Automotive Indonesia	Indonesia	100%	100%	Jl. Cempaka Raya km.37, Jatimulya, Bekasi, Tambun Selatan, Jawa Barat
TI Automotive Japan Gunma K. K.	Japan	100%	100%	1-23-1 Kunisada-Cho, Isezaki-shi, Gunma Pref, Japan, 379-2221
TI Automotive Japan Ltd	Japan	100%	100%	3-29-1 Tsuruya-Cho, Kanagawa-ku, Yokohama-city, Kanagawa Pref, Japan, 221-0835
Hanil Tube Corporation	South Korea	73%	73%	17, Wonjeon-ro, Seo-gu, Incheon, Korea 22744
TI Automotive Ltd	South Korea	100%	100%	708, Baeksuk-Dong, Cheonan City, Chungnam, 330220
TI Automotive (Thailand) Ltd	Thailand	100%	100%	700/652 Moo 1, Amata Nakorn Industrial Estate, Tambon PanThong, Amphur PhanThong, Chonburi, Thailand, 20160
TI Automotive ROH (Thailand) Ltd	Thailand	100%	100%	700/652 Moo 1, Amata Nakorn Industrial Estate, Tambon PanThong, Amphur PhanThong, Chonburi, Thailand, 20160

* Companies identified by an asterisk, together with certain other smaller subsidiaries, are guarantors to the 2015 term loan agreements and unsecured senior notes of TI Group Automotive Systems LLC.

** Companies that are dormant in the UK and are exempt from preparing individual financial statements by virtue of section 394A of Companies Act 2006.

*** Companies in the process of liquidation at the end of the reporting period.

All companies above are incorporated and unless dormant, operate principally in the country indicated. All companies operate in the global automotive component supply sector. Omega Acquisition Bidco Ltd is the only immediate subsidiary of the Company.

5. Loans Due from Related Parties

	2018 €m	2017 €m
Loans due from related parties	17.0	17.4

Loan due from a related party at 31 December 2018 comprised an amount drawn against Euro-denominated intercompany facility agreements from a subsidiary undertaking totalling €17.0 million (2017: €16.4 million) and €nil of invoiced receivables (2017: €1.0 million). The loans are repayable in full on demand and bore interest at six-month EURIBOR plus a margin of 4.15% according to the agreed facility.

6. Issued Share Capital

	Number of shares	Nominal value of each share	Ordinary shares €m	Ordinary shares €m	Share premium €m	Total €m
At 1 January 2018	519,412,226	£0.01	5.2	6.8	404.3	411.1
Capital reduction	–	£0.01	–	–	(404.3)	(404.3)
Shares issued	489,277	£0.01	–	–	1.4	1.4
At 31 December 2018	519,901,503	£0.01	5.2	6.8	1.4	8.2

	Number of shares	Nominal value of each share	Ordinary shares €m	Ordinary shares €m	Share premium €m	Total €m
At 1 January 2017	350,056,644	£1.00	350.1	493.7	–	493.7
Share capital raised on initial public offering	148,333,333	£0.01	1.5	1.6	423.0	424.6
Shares issued as consideration for the cancellation of certain historic share option plans	20,657,233	£0.01	0.2	0.2	–	0.2
Shares issued to certain Non-Executive Directors	365,016	£0.01	–	–	1.0	1.0
Share capital Issuance costs	–	–	–	–	(19.7)	(19.7)
At 31 December 2017	519,412,226	£0.01	5.2	6.8	404.3	411.1

On 9 October 2017, the Board approved a special resolution to reduce the nominal value of the Company's shares from £1.00 to £0.01 per share. This reduced the ordinary share capital by €488.7 million. This resolution was supported by a statement of the solvency of the Company (pursuant to section 641(1)(a) of the Companies Act).

On 25 October 2017, the Company's entire ordinary share capital was listed on to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities under the ticker 'TIFS'. As part of the listing, the Company issued 148,333,333 ordinary shares of new share capital at an Offer Price of 255 pence per ordinary share, which raised €424.6 million (£378.3 million) before issuance costs.

On Admission to trading on the London Stock Exchange, the Company also issued 20,657,233 ordinary shares as consideration for the cancellation of certain outstanding option awards granted to certain members of the Group's management team under historic share plans. The Company also issued a further 365,016 ordinary shares to certain Non-Executive Directors.

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

The Company holds 176,729 shares in an Employee Benefit Trust ("EBT") at a nominal value of £0.01 each totalling £1,767 (£1,965).

On 1 December 2018, the Company issued 489,277 ordinary shares in relation to the vesting of RSU awards.

The Company is a public limited company which is incorporated and domiciled in England and Wales, with registered number 09402231.

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

Notes to the Company Financial Statements

continued

7. Trade and Other Payables

	2018 €m	2017 €m
Other payables	1.1	0.2
Accrued expenses	0.6	2.9
Total trade and other payables	1.7	3.1

8. Loans Due to Related Parties

	2018 €m	2017 €m
Loans due to related parties	30.1	29.3

Loan due to a related party at 31 December 2018 comprised an amount drawn against Euro-denominated intercompany facility agreement from a subsidiary undertaking totalling €30.1 million (2017: €29.3 million). The loan is repayable in full on demand and therefore have been classified as currently payable.

Until 1 July 2017, the loan bore interest at six-month EURIBOR plus a margin of 3.5% according to the agreed facility, and after 1 July 2017 bore interest at six-month EURIBOR plus a margin of 2.75%.

9. Cash Generated by/(Used by) Operations

	2018 €m	2017 €m
Profit/(loss) for the year	17.2	(17.2)
Adjustments for:		
Net finance expense	0.1	–
Net foreign exchange losses/(gains)	0.2	(4.3)
Changes in working capital:		
Trade and other payables	(1.4)	1.2
Total	16.1	(20.3)

10. Events After the Balance Sheet Date

There have been no events after the Balance Sheet date which require disclosure, or adjustment to the Company's year-end financial position.

Combined and Consolidated Income Statement

For the years ended 31 December

	Unaudited				
	2018 €m	2017 €m	2016 €m	2015 €m	2014 €m
Revenue	3,472.8	3,490.9	3,348.6	3,095.2	2,696.3
Cost of sales	(2,938.2)	(2,928.5)	(2,801.1)	(2,580.2)	(2,215.8)
Gross profit	534.6	562.4	547.5	515.0	480.5
Distribution costs	(102.4)	(103.7)	(103.6)	(96.0)	(93.1)
Administrative expenses before exceptional items	(164.5)	(177.8)	(188.6)	(171.1)	(139.1)
Exceptional items	–	(40.2)	(23.2)	(27.7)	(23.7)
Administrative expenses after exceptional items	(164.5)	(218.0)	(211.8)	(198.8)	(162.8)
Other income	12.2	7.7	6.5	7.7	6.8
Net foreign exchange gains/(losses)	1.2	24.6	(2.0)	(72.1)	(99.4)
Operating profit	281.1	273.0	236.6	155.8	132.0
Finance income	14.3	11.2	10.1	8.3	1.5
Finance expense before exceptional items	(67.0)	(100.1)	(115.2)	(87.1)	(50.4)
Exceptional items	(11.8)	(26.4)	–	(23.8)	(20.9)
Finance expense after exceptional items	(78.8)	(126.5)	(115.2)	(110.9)	(71.3)
Net finance expense after exceptional items	(64.5)	(115.3)	(105.1)	(102.6)	(69.8)
Share of profit of associates	0.5	0.3	1.3	1.3	1.2
Profit before income tax	217.1	158.0	132.8	54.5	63.4
Income tax expense before exceptional items	(77.0)	(68.2)	(88.9)	(124.0)	(68.1)
Exceptional items	–	25.4	–	28.9	20.5
Income tax expense after exceptional items	(77.0)	(42.8)	(88.9)	(95.1)	(47.6)
Profit/(loss) for the period	140.1	115.2	43.9	(40.6)	15.8
Profit/(loss) for the period attributable to:					
Owners of the Parent Company	137.8	112.5	42.2	(43.7)	13.4
Non-controlling interests	2.3	2.7	1.7	3.1	2.4
	140.1	115.2	43.9	(40.6)	15.8

Overview

Strategic report

Corporate governance

Financial statements

Shareholder information

Group Financial Record
Combined and Consolidated Balance Sheet
At 31 December

	Unaudited				
	2018 €m	2017 €m	2016 €m	2015 €m	2014 €m
Non-current assets					
Intangible assets	1,229.8	1,273.9	1,412.8	1,345.8	217.8
Property, plant and equipment	706.5	686.8	699.7	675.9	458.7
Investments in associates	19.6	19.2	19.4	18.2	23.1
Derivative financial instruments	5.4	8.3	28.4	24.2	–
Deferred income tax assets	34.9	51.0	69.9	130.0	107.9
Trade and other receivables	14.8	13.4	12.9	7.3	8.1
	2,011.0	2,052.6	2,243.1	2,201.4	815.6
Current assets					
Inventories	352.8	329.3	298.5	263.3	257.0
Trade and other receivables	578.3	588.3	613.1	527.9	500.3
Current income tax assets	4.4	8.2	9.6	4.4	7.7
Derivative financial instruments	8.5	5.3	6.1	4.5	–
Financial assets at fair value through profit and loss	1.2	2.9	2.9	2.8	2.8
Cash and cash equivalents	360.1	287.2	196.2	268.4	173.0
	1,305.3	1,221.2	1,126.4	1,071.3	941.2
Total assets	3,316.3	3,273.8	3,369.5	3,272.7	1,756.8
Equity					
Share capital	6.8	6.8	493.7	493.7	–
Share premium	1.4	404.3	–	–	–
Invested capital	–	–	–	–	(102.6)
Other reserves	(126.3)	(130.5)	(64.5)	(41.8)	–
Accumulated profits/(losses)	1,175.7	640.9	36.2	(10.8)	–
Equity attributable to owners of the Parent Company	1,057.6	921.5	465.4	441.1	102.6
Non-controlling interests	22.5	20.3	19.0	20.2	11.1
Total equity	1,080.1	941.8	484.4	461.3	(95.1)
Non-current liabilities					
Trade and other payables	17.1	17.6	12.1	7.1	6.1
Borrowings	1,179.3	1,178.2	1,695.8	1,657.3	1,012.0
Derivative financial instruments	45.3	72.4	19.2	26.0	–
Deferred income tax liabilities	141.6	159.8	221.5	230.5	26.1
Retirement benefit obligations	148.2	162.4	193.0	187.6	192.6
Provisions	4.9	5.5	7.2	6.9	8.7
	1,536.4	1,595.9	2,148.8	2,115.4	1,245.5
Current liabilities					
Trade and other payables	608.4	637.6	635.2	577.0	516.4
Current income tax liabilities	60.2	69.6	71.3	82.1	52.7
Borrowings	4.4	3.0	2.9	4.3	9.5
Derivative financial instruments	2.8	3.4	4.6	4.8	0.7
Provisions	24.0	22.5	22.3	27.8	23.5
	699.8	736.1	736.3	696.0	602.8
Total liabilities	2,236.2	2,332.0	2,885.1	2,811.4	1,848.3
Total equity and liabilities	3,316.3	3,273.8	3,369.5	3,272.7	1,756.8

The combined and consolidated financial record presents the financial results for those businesses that were part of the Group for the years ended 31 December 2014 to 31 December 2018 inclusive. The information is prepared on a combined and consolidated basis for the year ended 31 December 2015 which represents a departure from IFRS, which does not provide for the preparation of combined and consolidated financial information.

For the purposes of this financial record, the term ('Group') means prior to 22 January 2015, TIFS Holdings Ltd ('TIFSHL') and its consolidated subsidiaries and undertakings, from 23 January 2015 to 30 June 2015, the Company and its subsidiaries combined with the TIFSHL Group, and thereafter, the Company and its consolidated subsidiaries and undertakings. 22 January 2015 is the date of incorporation of the Company and its subsidiaries Omega Acquisition Bidco Ltd, Omega Newco Sub I Ltd and Omega Newco Sub II Ltd. TIFSHL was the previous Parent Company of the Group and was acquired by the Company on 30 June 2015, through its subsidiary Omega Acquisition Bidco Ltd, together with TIFSHL's consolidated subsidiaries and undertakings (the 'TIFSHL Group'). The assets and liabilities of the TIFSHL Group were adjusted to fair value as part of the business combination as at 30 June 2015, which impacts the Group's earnings after this date.

Shareholder information

Company registered number

09402231

Directors

Manfred Wennemer
Non-Executive Chairman

William L. Kozyra
Chief Executive Officer and President

Timothy Knutson
Chief Financial Officer

Neil Carson
Deputy Chairman and Senior Independent Director

Paul Edgerley
Non-Executive Director

Andrea Dunstan
Independent Non-Executive Director

Elaine Sarsynski
Independent Non-Executive Director

John Smith
Independent Non-Executive Director

Stephen Thomas
Non-Executive Director

Jeffrey Vanneste
Independent Non-Executive Director

Company Secretary

Matthew Paroly

Registered office

4650 Kingsgate
Cascade Way
Oxford Business Park South
Oxford OX4 2SU
United Kingdom

Corporate offices

2020 Taylor Road
Auburn Hills
Michigan 48326
United States of America

Independent Auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham B3 2DT

Bankers

HSBC
8 Canada Square
Canary Wharf
London E14 5HQ

Legal advisers to the Company

Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF

Joint corporate brokers

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB

J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

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Corporate calendar

Annual General Meeting
16 May 2019

Announcement of Interim Results
8 August 2019

Announcement of Final Results
March 2020

Overview

Strategic report

Corporate governance

Financial statements

Shareholder information

Cautionary statement regarding forward-looking statements

This Annual Report contains certain forward-looking statements with respect to the financial condition, results of operations and business of TI Fluid Systems plc (the 'Company'). 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 Annual Report. 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 Annual Report should be construed as a profit forecast.

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