TI Fluid Systems plc - Full year results 2020
Released: 16 March 2021

TI Fluid Systems plc
Results for the 12 months ended 31 December 2020

TI Fluid Systems plc, a leading global manufacturer of automotive fluid storage, carrying and delivery systems and thermal management products and systems for light vehicles announces its 2020 results.

	Management basis*			As reported		
€m	**2020**	2019	Change	**2020**	2019	Change
Revenue	**2,814.5**	3,411.1	(596.6)	**2,814.5**	3,411.1	(596.6)
% Change at constant currency			(15.9)%			
Adjusted EBIT / Operating Profit or (Loss)	**173.3**	340.4	(167.1)	**(176.3)**	258.9	(435.2)
Margin	**6.2 %**	10.0 %	(3.8)%	**(6.3 %)**	7.6 %	(13.9)%
Adjusted Net Income or (Loss) / Profit for the year	**13.7**	150.3	(136.6)	**(252.2)**	144.6	(396.8)
Earnings per share	**2.64**	28.91	(26.27)	**(48.88)**	27.24	(76.12)
Adjusted Free Cash Flow**	**148.2**	180.2	(32.0)			
Dividend (€ cents)	**6.74**	3.02	3.72	**6.74**	3.02	3.72

*Management basis metrics are Non - IFRS measures as defined on pages 24 to 25
** No equivalent GAAP measure - see table 8a for reconciliation to statutory cash flow items

Group Highlights:

- Demonstrated resilience through the unprecedented global COVID-19 pandemic and ability to respond quickly as markets recovered following one of the sharpest volume drops in the history of automotive production
- Results reflect continued delivery of the Group's proven model with revenue performance broadly in line with market whilst demonstrating effective cost flexibility, positive margins and strong free cash generation despite volatile market dynamics:
    - Revenue broadly in line with global light vehicle production, with revenue 15.9% lower year on year at constant currency compared to a decline of 16.1% in global light vehicle production volumes. At actual rates, revenue declined by 17.5% year on year
    - Solid Adjusted EBIT margin of 6.2% as a result of swift action to control costs and despite revenue reduction; the Operating Loss and margin reflected the exceptional impairment charge taken at the half year

    - Outstanding Adjusted Free Cash Flow generation of €148.2 million and net cash generated from operating activities of €374.4 million, supported by highly effective cash preservation programme
    - Strong balance sheet and liquidity with cash position of €485.8 million at 31 December 2020
    - Refinancing of term loan and revolving credit facilities, extending the term from 2022 to 2024
- A structural fixed cost reduction programme was announced and commenced in the period to enhance the long term returns profile resulting from a rebasing of the global light vehicle production forecasts to lower levels in the short to medium term
- A non-cash charge of €304.6 million impacting goodwill, intangibles and fixed assets primarily relating to the 2015 Bain purchase of TI Automotive resulted in a reported loss of €252.2 million for the period
- Continued commitment to, and successful execution of, our organic growth strategy and strategic focus on battery electric vehicles ('BEVs') and hybrid electric vehicles ('HEVs')
    - Q4 2020 launches of Volkswagen's newly released ID.3 and ID.4 battery electric vehicles and additional new BEV business wins with attractive content per vehicle ('CPV')
    - The Group estimates to have its product content on more than two thirds of 46 key BEVs recently identified to come to market between 2020 and 2022 with approximately 50% of these BEVs having TIFS thermal product content*
    - Continued growth in the awarded CPV for BEVs from an average of €120 per vehicle (€400 maximum) in 2018 to €135 (€480 maximum) in 2020

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

- Awarded the London Stock Exchange Green Economy Mark, recognising that the Group generates over 50% of its revenue from environmentally positive products, an endorsement of our technologies and products that are helping vehicles become greener and making the world a better place to live
- Commitment to disciplined and proactive capital allocation to drive strategy and shareholder returns:
    - Continued investment into product development in support of electrification strategy
    - Payment of an interim dividend of 6.74 Euro cents per share, reflecting the Group's resilience and recovery in the year
    - Commitment to resume annual dividend payments for fiscal year 2021 in accordance with policy

COVID-19 Response

In response to the COVID-19 pandemic, the Group took a number of steps early on to protect and prioritise the safety of our employees, their families and our communities. This response consisted of a global travel ban and the transition to remote work for all applicable staff employees as well sequentially closing production facilities as the pandemic spread to different regions and our OEM customers closed their assembly plants. The Group also implemented a detailed return to work protocol with enhanced workplace and manufacturing measures such as social distancing, improved hygiene procedures and modified shift patterns which allowed us to safely re-open our facilities in order to support and supply our OEM customers. As of 30 June 2020 all of the Group's production facilities have re-opened.

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

William L. Kozyra, Chief Executive Officer and President, commented:
"2020 saw the impacts of an unprecedented global economic downturn resulting from the widening of the COVID-19 pandemic. The Group acted quickly, beginning in early March, to implement safeguards to protect the health of our employees together with cost savings and cash preservation measures to protect the viability of our business. Our actions were executed quickly and encompassed every aspect of our business. In 2020, we delivered revenue broadly in line with global light vehicle production, positive margins and strong free cash flow generation despite the significant headwinds. Our balance sheet, liquidity and cash positions remain strong. These actions and initiatives were significant and will continue to assist the Group's financial performance beyond 2020. We are pleased to have been awarded the London Stock Exchange's Green Economy Mark as further recognition of the positive environmental impact our product technologies are providing to help make cars greener and the world cleaner. Environmental, Social and Governance ('ESG') remains central to our strategy and company purpose. This year we also made steady progress on our electrification strategy and continue to win significant thermal business for regional BEV programmes with multiple global customers and gain share in HEV fuel tanks with the award of a high volume pressure resistant HEV fuel tank programme with a European OEM customer in Europe. The Group is well positioned on BEVs launching in the market today and over 2020-2022 has a solid share of new thermal product content on key BEV programs coming to market. We have initiated many new collaboration projects with key customers, including in China, to reduce weight, and maximise efficiency, through integrated thermal products and systems. The Group is well positioned for the automotive megatrends of reduced emissions and electrification.

The Group demonstrated its business resilience in 2020 during one of the biggest declines the global automotive market has faced in modern history. We remain confident in our strategy, business model resilience, operating flexibility and strength in our ability to generate positive profit and positive free cash flow in 2021."

Results presentation

TI Fluid Systems plc will host a teleconference for analysts and investors at 9.00 am UK time on 16 March 2021.

Analysts wishing to join may listen to the presentation live by using the details below.

Conference Call Dial-In Details:

UK: +44 (0) 330 336 9105

Conference Code: 5196922

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

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Chief Executive Officer's review

We are pleased to report overall solid performance in 2020 despite what has proven to be one of the most challenging years in the history of global vehicle production and as every business and person across the globe has had to manage through the effects of the COVID-19 health pandemic.

COVID-19 response

The World Health Organization declared the COVID-19 outbreak a pandemic in March 2020 with the virus then spreading to more than 200 countries, resulting in severe public health and economic consequences. The Group's priority from the onset of COVID-19 was to secure the health and safety of our employees and preserve the viability of our business. Early in March we implemented a global work from home mandate together with a global travel ban, well ahead of other auto suppliers and OEMs. We also quickly upgraded our IT systems to ensure that our employees could work remotely to continue to effectively and safely manage our business.

We sequentially closed our manufacturing facilities around the world in accordance with local public health orders and in close coordination with our OEM customers. We then re-opened those facilities safely with enhanced health and safety protocols such as temperature checks, protective face coverings, social distancing, improved hygiene procedures and modified work proximities and altered shift patterns. These efforts greatly limited the impact of COVID-19 infection among our employees and enabled all of the Group's production facilities to operate safely and to continue to supply our OEM customers with only very minor disruptions.

Thanks to these steps, no COVID-19 infections have been traced to TI Fluid Systems facilities. The health and safety of our workforce remains our number one priority.

In addition, in March 2020, our management team implemented aggressive cost reduction and cash preservation measures to safeguard the Group's 2020 financial performance and cash balances.

Our COVID-19 response extended beyond our employees with the donation of protective face masks, hand sanitation supplies and other personal protection equipment to support those communities where we operate. We also are proud to have participated in the accelerated development and supply of our 'one size fits all' air flex tube solution for the Ford/3M powered air-purifying respiratory systems ('PAPR') which helped meet the need for protective equipment for front line health care workers in the United States.

2020 performance

Global light vehicle production volume declined significantly by 16.1% in 2020, compared to the prior year. We delivered revenue of €2.8 billion (-15.9% at constant currency), or 0.2% outperformance of global light vehicle production. If we include the impact of currency translation, revenue declined by 17.5%.

We also continued to generate strong Adjusted EBITDA of €331 million (11.8% margin) and Adjusted EBIT of €173 million (6.2% margin). Loss for the year was €252 million (2019: €145 million Profit) and Adjusted Free Cash Flow amounted to €148 million (2019: €180 million). These strong results compared well in our sector.

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

Strategy update

In 2020, while managing through the COVID-19 crisis, we continued the successful execution of our business strategy. Our financial performance benefited from our commitment, focus and dedication to designing and producing products and systems for greener vehicles. We also continue to benefit from operational flexibility and our balanced customer, platform and regional profile. We continue to be confident in our focus on electrification and on delivering our hybrid electric vehicle ('HEV') and battery electric vehicle ('BEV') strategy which is progressing very well and continuing our commitment to helping make vehicles greener and the world a greener, cleaner and better place to live.

Use our strength in key product areas to drive the Group's market position in the BEV market

In 2020, we were pleased to see the continued results of the successful execution of our organic growth strategy and focus on the transition to BEVs.

We were proud to announce at the half year that the Group estimates to have significant content representation on key BEV platforms. Specifically, we estimate that the Group has product content on more than 30 of 46 key BEV programmes recently announced to go into production between 2020 and 2022. Importantly, approximately 50% of these BEVs will have thermal product content supplied by the Group.

Of particular note, in the fourth quarter of 2020, we launched production of a range of products for thermal fluid management on Volkswagen's newly introduced ID.3 and ID.4 BEVs. In addition to supplying Volkswagen various thermal coolant assemblies, we are also proud to be the sole supplier of the cabin comfort CO_2 heat pump valve unit assembly on this BEV platform, an exciting new technology which delivers increased operating efficiency and supports extended EV driving range over that of a traditional refrigeration-based cabin comfort system.

As further evidence of the Group's positive transition to electrification, we are pleased to see the continued growth in our awarded content per vehicle ('CPV') for BEVs. CPV for new BEV business wins have increased from an average of €120 per vehicle and a maximum of €400 per vehicle in 2018 to an average of €135 per vehicle and maximum of €480 per vehicle in 2020, clearly illustrating the upside contribution to the Group's growth provided by the transition to electrification.

The Group also continues to win new business awards for BEV programmes with a wide range of global and regional OEMs across all three major light vehicle production regions. These continued wins further demonstrate our ability to meet the fluid handling and thermal management needs of all propulsion modes including electrification.

I am confident that the Group is now, and will continue to be, a market leader in providing EV fluid handling solutions.

Use our technology to support the growing hybrid electric vehicle (HEV) market

In 2020, the Group was pleased to introduce a new generation pressure resistant plastic fuel tank with the launch of volume production for Volkswagen in China on the Passat and Magotan Plug-in HEV models. Volkswagen is planning to adopt our high pressure tanks across a wider range of global platforms.

This innovative technology represents the culmination of collaborative design, rigorous testing and vehicle evaluations by Volkswagen and TI development teams across China and Europe. Conventional fuel tanks operate at atmospheric pressure while the new generation of plug-in HEV models require fuel tanks that are able to resist cyclic pressure up to 500 mbar when in certain full electric driving modes. To resist in-tank pressure, the new TI design solution introduces overmoulded ball pins with snap-fit column structures that use the Group's patented split parison blow moulding manufacturing process. Our design and technology provides a lightweight plastic solution for HEVs that overcomes the disadvantages of competing tanks that utilise internal welded structures. Our pressure resistant HEV fuel tank continues to be well recognised as an industry leading design and our win rate of HEV fuel tanks is increasing.

Maintain balanced customer, platform, regional and product diversification

The Group has highly diversified revenue with no dependency on one geography. In 2020, we generated approximately 38% of our revenue in Europe and Africa, 35% in Asia Pacific, 26% in North America and 1% in Latin America. This diversification continues to be a benefit for the Group.

We believe that the Group's long history of engineering and manufacturing high-quality, reliable, performance-critical products for global OEMs has built our positive reputation as an industry leader and allowed us to develop strong and lasting relationships with all of our customers. The Group has a highly diversified customer base of global and local OEMs with only three customers, individually, representing more than 10% of revenue in 2020.

Given our deep industry experience and history, we have gained familiarity with each of our customers' unique engineering, design and development processes. As a result, the Group is viewed as a 'trusted partner' by our OEM customers.

We continue to enhance our strategic position through collaboration and development projects with key customers for the design and engineering of thermal products for HEVs, BEVs and, most recently, autonomous driving electric vehicles ('AEV'). We have development projects across different platforms and regions, including China, as we continue to work with OEMs to reduce weight in the vehicle and increase efficiency through our thermal products and systems that take advantage of our technology and nylon capabilities.

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

As the requirements of OEMs have continued to advance, the Group has capitalised on its extensive knowledge of fluid components, lighter weight materials, systems architecture and manufacturing processes to provide our OEM customers with more advanced designs and products to assist them to meet regulatory requirements and consumer expectations. Most of our products contribute to a cleaner world by making vehicles greener.

The Group continues to invest in its fluid management portfolio to include advanced products that are required to reduce emissions and improve fuel economy in vehicles such as pressure resistant fuel tanks and thermal management products for EVs.

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

The Group has significant manufacturing presence in all of the major geographies for OEM vehicle production. In 2020, the Group had 107 locations across 28 countries on five continents. Being in close proximity to our OEM customers serves the Group very well.

With respect to China, we were able to successfully flex our cost base to mitigate the impact of the ongoing US-China trade conflict and protect our financial performance, particularly our Fluid Carrying Systems ('FCS') division which has had a large presence in China for decades. Our Fuel Tank & Delivery Systems ('FTDS') division continues to grow in China, benefiting from the ongoing conversion of heavy steel fuel tanks to lighter weight plastic fuel tanks as well as tighter emission standards that are creating higher demand for our partial and zero emission fuel tanks.

In 2020, China made up 23% of the Group's revenue. The Group enjoys 14 wholly-owned manufacturing facilities in China. China remains the world's largest vehicle market despite the short-term volatility in volumes.

Deliver strong growth, profitability and cash flow generation

The Group has a consistent record of delivering strong financial results.

In 2020, we successfully demonstrated the Group's resilient performance in the face of an unprecedented global COVID-19 pandemic and related economic downturn. We instituted a significant cost savings and aggressive cash preservation programme early in the year to protect the Group's near-term viability. In addition, we initiated a structural fixed cost reduction programme in the period to address long-term viability resulting from a potential prolonged reduction of global light vehicle production, closing six plants fully and two plants partially. These actions have consolidated production capacity in order to manage the short-term volume recovery to continue to support the competitive performance of the Group and our OEM customers.

Our people

The Group relies on the skills and expertise of its excellent employees worldwide, and the results of 2020, would not have been achieved without the commitment and dedication of our entire global team, whom I would like to recognise and sincerely thank.

Our strength as a global tier one automotive supplier is directly tied to the talent and diversity of our staff, management and Board leadership. We are committed to treating individuals with respect and to building and maintaining a culture that values and promotes ethical business practices, compliance, diversity and inclusion. We welcome employees with diverse perspectives who share our vision of a world marked by knowledge and compassion. During 2020, the Group progressed with its Diversity and Inclusion initiative by establishing a D&I committee and assessing 100 of our top 300 managers/Directors.

I could not be more proud of our 25,700 employees for their outstanding personal commitment to the Group in 2020. A big thanks to all employees for their loyal support of TI and myself. Our people are our greatest strength.

Leadership changes

As previously announced, I will be retiring as Chief Executive Officer and stepping down from the Board of Directors later this year.

Hans Dieltjens, who is currently Chief Operating Officer, will become the Company's new Chief Executive Officer. Hans has a Master's degree in Electro/Mechanical Engineering along with 25 years of automotive experience in Asia, Europe and the Americas. I am very pleased and fully supportive of the Board's decision to appoint Hans as my successor. During the 12 years that Hans and I have worked together, he has continued to develop his leadership and strategic ability and is now ready to take on this very important role for our Company. I am confident the Group will continue its success under Hans' leadership.

I could not be prouder of the tremendous success the Group has achieved during my tenure as CEO, especially navigating through two global crises (2008 and 2020) while also developing exciting new products for the emerging electric vehicle market. I also sincerely appreciate the trust and support that I and the Company have received from all of our shareholders since we listed on the London Stock Exchange three years ago.

While the leadership of the Company is changing, the Group's mission and purpose remains the same. Our Company's successful DNA, our Core Values, are deeply embedded in all of our great employees. TI Fluid Systems will continue to be a leading global manufacturer of highly engineered fluid and thermal management systems that enable vehicle manufacturers to sustainably reduce CO_2 emissions and improve fuel economy across all vehicle types, especially hybrid and battery electric vehicles.

We look forward to continuing to support our world's transition to greener vehicles and keeping our environment clean, making our world a better place to live.

Looking ahead

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

The impact of the COVID-19 pandemic remains a factor to manage across the regions we operate. We continue to monitor the situation and are confident that our enhanced workplace protocols and approaches are effective to assist in managing the impact which is likely to remain in the short term. Over the longer term, we expect to benefit not only as global light vehicle production continues to grow, but also from increased demand for our advanced fluid handling products and systems and higher content opportunities driven by the underlying megatrends of emission reduction, increased fuel efficiency and electrification. These megatrends will continue to be front and centre for our sector.

We prioritise variable and fixed cost management and capital allocation to deliver sustainable growth.

We believe the Group's strong customer relationships, extensive global footprint and trusted reputation as a leading fluid systems provider have contributed to thermal BEV collaboration agreements, HEV and BEV production contracts and will support continued growth in these markets for many years to come.

While many uncertainties and challenges will continue in 2021, I remain excited about the path we are on and the Group's ability to be successful as global production volumes recover and hybrid and battery electric vehicles gain market share.

Recognition of products and technology that support the green economy

The TI Group is committed to sustainability by developing advanced products that contribute to a cleaner world. We are pleased and proud to have been awarded the London Stock Exchange's Green Economy Mark in recognition of the positive environmental impact our product technologies have by helping make cars greener.

At the same time, we strive to consistently operate our business in a manner that minimises our impact on the environment though energy efficiency, waste reduction and conservation of resources. We are dedicated to promoting a cleaner and greener world.

Bill Kozyra

Chief Executive Officer and President

15 March 2021

Chief Financial Officer's Report

In 2020, we have continued to demonstrate our financial resilience amidst the impact of the COVID-19 pandemic and global automotive rapid volume declines and extreme volatility. With our revenue performance in line with global light vehicle production, we delivered respectable margins and strong cash generation. Appropriate responsive restructuring actions were initiated across both Divisions and we also extended the maturity of our borrowing facilities to underpin our strong liquidity position.

Table 1: Key Performance measures €m

	Management basis*			**As reported**		
	2020	2019	**Change**	**2020**	2019	**Change**
Revenue	**2,814.5**	3,411.1	(596.6)	**2,814.5**	3,411.1	(596.6)
% Change at constant currency			(15.9)%			
Adjusted EBITDA	**330.9**	497.8	(166.9)			
Margin	***11.8 %***	*14.6 %*	*(2.8)%*			
Adjusted EBIT / Operating (Loss) or Profit	**173.3**	340.4	(167.1)	**(176.3)**	258.9	(435.2)
Margin	***6.2 %***	*10.0 %*	(3.8)%	***(6.3)%***	*7.6 %*	*(13.9)%*
Adjusted Net Income / (Loss) Profit for the year	**13.7**	150.3	(136.6)	**(252.2)**	144.6	(396.8)
Earnings per share (€ cents)	**2.64**	28.91	(26.27)	**(48.88)**	27.24	(76.12)
Adjusted Free Cash Flow **	**148.2**	180.2	(32.0)			
Dividend (€ cents) ***	**6.74**	3.02	3.72	**6.74**	3.02	3.72

*Management basis metrics are Non - IFRS measures as defined on pages 24 to 25
**No equivalent GAAP measure - see table 8a for reconciliation to statutory cash flow items
***2019 Dividend represents the Interim dividend as the Final dividend was not approved for payment in the AGM

Global light vehicle production is the principal driver of the Group's performance. In 2020, global light vehicle production decreased significantly to 74.6 million vehicles or by 16.1% compared to the prior year.

Revenue decreased by €532.3 million, or 15.9% year over year on a constant currency basis, to €2,814.5 million, broadly in line with global light vehicle production, or 0.2% outperformance in 2020. If we include the negative impact of currency of €64.2 million, reported revenue declined by €596.6 million, or 17.5% year over year.

We generated Adjusted EBIT of €173.3 million with a margin of 6.2%, a reduction of 380bps from the prior year Adjusted EBIT margin. The decline in margin is directly related to the conversion of lower sales arising from the impacts of COVID-19. Similarly, we incurred an operating loss of €176.3 million compared to an operating profit of €258.9 million in the prior year mainly due to the exceptional impairment charge of €304.6 million in addition to the conversion of lower sales. This is discussed in more detail in the Operating Profit, Adjusted EBITDA and Adjusted EBIT section of this report.

Adjusted Net Income fell €136.6 million to €13.7 million, compared to €150.3 million in the prior year. The reported loss for 2020 was €252.2 million compared to €144.6 million profit in 2019. Basic EPS was (48.88) Euro cents (2019: 27.24 Euro cents) and Adjusted Basic EPS was 2.64 Euro cents, a decrease from 28.91 Euro cents in 2019. In spite of the significantly lower global light vehicle production volumes and uncertainties related to the global COVID-19 pandemic, 2020 was also another year of strong cash flow performance, where we delivered Adjusted Free Cash Flow of €148.2 million (2019: €180.2 million). This strong cash performance resulted in our reported cash and cash equivalent balances increasing by €110.6 million (2019: €48.2 million) before currency translation and a year-end cash balance of €485.8 million (2019: €411.7 million). We ended the year with net debt of €590.0 million (2019: €738.3 million).

Automotive Markets

Global light vehicle production volumes declined significantly by 16.1% in 2020 to 74.6 million vehicles as shown in table 2 - an unprecedented fall due to the impact of COVID-19. The reduction was across all major regions of the world with the deepest decline occurring in the month of April at (61.5)% compared to the same month in 2019. Global production was significantly affected in the first half of the year, with volumes falling by (32.3)% compared to the first half of 2019, and markets started to recover in the second half, with volumes increasing by 0.5% compared to the second half of 2019.

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

	2020	**% Change**
Europe, including Middle East and Africa	**18.3**	(20.8)%
Asia Pacific	**41.1**	(11.3)%
North America	**13.0**	(20.2)%
Latin America	**2.2**	(31.4)%
Total global volumes	**74.6**	(16.1)%

Source: IHS Markit, February 2021 and Company estimates
Change percentages calculated using unrounded data

Revenue

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

Table 3: Revenue by region and by segment €m

	2020	2019	**Change**	**% Change**	**% Change at constant currency**
Total Group Revenue	**2,814.5**	3,411.1	(596.6)	(17.5)%	(15.9)%
By Region					
Europe and Africa	**1,077.5**	1,368.6	(291.1)	(21.3)%	(21.0)%
Asia Pacific	**982.5**	1,030.6	(48.1)	(4.7)%	(2.5)%
North America	**714.7**	936.7	(222.0)	(23.7)%	(22.2)%
Latin America	**39.8**	75.2	(35.4)	(47.1)%	(29.6)%
By segment					
Fluid Carrying Systems ("FCS")	**1,526.9**	1,917.6	(390.7)	(20.4)%	(18.4)%
Fuel Tank and Delivery Systems ("FTDS")	**1,287.6**	1,493.5	(205.9)	(13.8)%	(12.7)%

Group revenue in 2020 was €2,814.5 million, a decrease of 15.9% year over year at constant currency and when compared to the global light vehicle production decrease of 16.1% over the same period resulted in a 0.2% outperformance.

In Europe and Africa, revenue at constant currency declined by 21.0% year over year compared to a similar light vehicle production decline of 20.8%. This slight underperformance was driven by the ramp down of some programmes which offset the benefit of the successful launch of new HEV/BEV programmes for both FTDS and FCS. In the region we aligned with our customers production shut downs and temporarily ceased operations in our factories to minimise risk to employee well-being and also control costs. The volume recovery in the second half of the year was tempered by the activity impact of subsequent waves of the pandemic.

In Asia Pacific, revenue at constant currency declined by 2.5% year over year compared to light vehicle production decline of 11.3%, for a strong outperformance of 8.8%. The Group generated 23% (2019: 19%) of its total revenue in China, benefiting from our long-standing market position in our brake and fuel lines business within our FCS division and continued growth in fuel tank business within the FTDS division. The high market share for FCS in China meant that revenue was more impacted by the general volume decline in China, whereas FTDS continues to benefit from successful business launches of conventional plastic fuel tanks and HEV pressure resistant fuel tanks and this segment enjoyed double digit year over year growth.

In North America, revenue at constant currency declined by 22.2% year over year compared to light vehicle production decline of 20.2%, a 2.0% underperformance. The main impact for this region was programme ramp downs in the FCS division, and the continued impact of our lower share of the popular large truck/SUV platforms.

FCS revenue declined by €390.7 million, 18.4% at constant currency from the prior year to €1,526.9 million, an underperformance of 2.3% when compared to global light vehicle production. The FCS revenue performance is driven by unfavourable regional mix, with powertrain programme ramp downs in North America region offsetting the benefit of successful launches of thermal programmes in Europe and Asia Pacific.

FTDS revenue at constant currency decreased by 12.7% to €1,287.6 million, outperforming global light vehicle production by 3.4%. This performance is heavily influenced by outperformance of 0.5% and 16.9% in Europe and Asia Pacific, respectively, which account for over 80% of FTDS sales in 2020. Notably our sales in Asia Pacific saw positive growth over 2019 at constant currency of 5.6%, reflecting the benefits of programme launches and ramp ups in China and Korea and favourable mix.

Currency exchange rates had a net adverse impact of €64.2 million on revenue compared with the prior year. This was mostly due to strengthening of the Euro against the US dollar and other key currencies in countries where the Group has manufacturing operations. Accordingly, revenue declined by 17.5% to €2,814.5 million at reported rates. Table 4 below sets out the movement in exchange rates most relevant to our operations.

Table 4: Exchange Rates

Key Euro exchange rates	**2020 Average**	2019 Average	% Change	**31 December 2020**	31 December 2019	% Change
US dollar	**1.141**	1.120	1.9 %	**1.224**	1.122	9.1 %
Chinese renminbi	**7.869**	7.731	1.8 %	**7.988**	7.815	2.2 %
South Korean won	**1,344**	1,304	3.1 %	**1,331**	1,295	2.8 %

Operating profit, Adjusted EBITDA* and Adjusted EBIT*

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

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

	2020	2019
Operating (loss) / profit	**(176.3)**	258.9
Depreciation and impairment of PP&E	**104.6**	108.6
Depreciation and impairment of right-of-use assets	**31.9**	31.5
Amortisation and impairment of intangible assets	**76.7**	89.8
Share of (loss)/profit of associates	**(3.5)**	0.3
Exceptional impairment	**304.6**	—
EBITDA	**338.0**	489.1
Net foreign exchange gains	**(27.2)**	(0.5)
Dividend received from associates	**0.5**	0.5
Net restructuring costs	**16.1**	9.0
Share of loss/(profit) of associates	**3.5**	(0.3)
Adjusted EBITDA	**330.9**	497.8
Less:		
Depreciation and impairment of PP&E	**(104.6)**	(108.6)
Depreciation and impairment of right-of-use assets	**(31.9)**	(31.5)
Amortisation and impairment of intangible assets	**(76.7)**	(89.8)
Add back:		
Depreciation uplift arising on purchase accounting	**12.9**	14.5
Amortisation uplift arising on purchase accounting	**42.7**	58.0
Adjusted EBIT	**173.3**	340.4

* See Non-IFRS measures

The operating loss of €176.3 million (2019: €258.9 million profit) includes the impact of the exceptional impairment charge of €304.6 million recognised in the first half of 2020 following a full impairment review triggered by the significant change in projected volumes and forecast cash flows projected at that time. Note 9 provides further detail of this charge, the basis of its determination and confirmation that no further charge has been required following the Group's full year annual impairment review. The latest global light vehicle production volume projections indicate volumes return to 2019 levels slightly earlier in the forecast period than the data used for the June 2020 impairment review. Our future cash forecasts are also ahead of those used to underpin the impairment charge recognised. As market uncertainties still remain and until this recovery is sustained and prolonged, we do not anticipate reversing any of the impairment charge recognised. The impact of the impairment charge, recognised in terms of lower depreciation and amortisation, was €6.9 million on the operating loss and €5.7 million on Adjusted EBIT.

The Operating Loss was also impacted by conversion on the lower revenues caused by the COVID-19-related market impacts with inefficiencies in the production processes due to lower and inconsistent volumes in addition to COVID-19-related working protocols to comply with appropriate distancing and cleanliness provisions. In response to the COVID-19 pandemic, projected market volume outlook and to strengthen our business performance in the future, we incurred restructuring charges of €16.1 million related to permanent headcount reductions across all our businesses and the planned closure and downsizing of eight of our manufacturing plants in Europe, North America and Latin America. Four plant closures were completed in 2020, the remaining closures will commence in 2021.

Active cost management actions in the year included utilising local government economic support regimes which included, but was not limited to, the use of furlough and short-term working schemes, 2020 reductions in social costs and rental and utility cost reliefs. Economic support payments received direct from government authorities amounted to a net €32 million and any payroll support was fully passed on to employees. Additionally, employment costs totalling €10 million were avoided in 2020 as national governments directly funded these costs to employees. In the year short-term employee agreed salary reductions of €3.7 million helped manage cash costs, though these were repaid in full during the year.

Amortisation of intangible assets was €13.1 million lower due to €14.0 million relating to some of the assets recognised on the Bain acquisition becoming fully amortised in the prior year and €2.0 million reduced charge in the second half of the year as a result of the impairment mentioned above, partially offset by higher local impairments in 2020.

Adjusted EBITDA was robust at €330.9 million (2019: €497.8 million) and Adjusted EBITDA margin was 11.8% (2019: 14.6%) with the major impact being lower operating profit as a result of conversion on lower revenue, partially offset by reduction in overhead costs as a result of cost saving measures in response to COVID-19. We continue to manage our costs in line with the reduced volumes in order to minimise the impact on margins. The €16.1 million net restructuring charges comprised €19.5 million in respect of headcount reduction actions, plant closure and downsizing with an associated headcount reduction of 1,059 offset by a €3.4 million gain arising from the land and building disposals associated with FCS plant closure actions. By region, the restructuring charges borne in Europe (€12.4 million), Latin America (€2.0 million), Asia Pacific (€1.5 million) and North America (€3.6 million) were offset by the land and building disposal gains in North America (€3.4 million). The segmental impact to FCS and FTDS was €7.0 million and €9.1 million respectively. At the end of 2020 there was a restructuring provision of €11.0 million (2019: €5.1 million).

Adjusted EBIT was €173.3 million (2019: €340.4 million) and Adjusted EBIT margin was 6.2% (2019: 10.0%). This change was impacted by lower Adjusted EBITDA as described previously. During the year there were programme specific impairment charges of €9.2 million (2019: €3.5 million), €2.9 million in FCS and €6.3 million in FTDS.

By segment, FCS Adjusted EBIT was €97.2 million (2019: €199.4 million) with Adjusted EBIT margin of 6.4% (2019: 10.4%). FCS continues to achieve positive margins despite the prevailing market environment. The year over year decline in margin reflects the volume reduction particularly in Europe and North America. Asia Pacific margin remains strong as the region recovered earlier from factory shutdowns when compared to other regions. The 2019 Adjusted EBIT included €12.0 million benefit arising from the US pensions settlement and

Brazilian indirect tax compensation, and was only partially repeated in 2020 from a further US pension settlement amounting to €1.6 million.

FTDS Adjusted EBIT decreased by €64.9 million to €76.1 million (2019: €141.0 million) with Adjusted EBIT margin of 5.9% (2019: 9.4%). The decrease in margin reflects the conversion of the significantly reduced revenues as a result of COVID-19. Asia Pacific margin also remains strong, benefiting from new business launches in the fuel tanks business. The 2019 Adjusted EBIT included €1.9 million benefit arising from the US pensions settlement which was only partially repeated in 2020 from the further US pension settlement amounting to €0.5 million.

As a direct consequence of unwinding the Group's hedging programme in March 2020 to release 'in the money' contractual positions to cash, the Group has benefited from the translation impact on unhedged non-Euro currency inter-company loan positions. This is the primary constituent of the €27.2 million foreign exchange gain arising in 2020.

Net finance expense

Net finance expense for the year was €74.0 million, an increase of €16.5 million from the prior year. The increase was a result of a hedge ineffectiveness loss of €7.1 million from the early close out of certain cash flow hedges at the end of March 2020, as part of the Group's cash preservations measures (2019: €0.2 million), which also gave rise to €1.3 million fair value net gains on derivatives and foreign exchange contracts not in hedged relationships (2019: €10.2 million). The Group realised cash proceeds of €15.9 million on termination of these derivatives and in total received €16.6 million in the year from these arrangements.

Taxation

The Group income tax charge, before exceptional items, is €28.1 million, down €29.0 million over 2019. This reduction results in an increase in the Effective Tax Rate to 55.3% (2019: 28.3%) on Group Profit Before Tax of €50.8 million. Adjusting for the one-off effect of the 2019 €12.2 million tax credit associated with the US Research and Experimentation claim and the impact of accounting for associates on an after tax basis, the 2020 Effective Tax Rate is 51.7% (2019: 34.4%). The unusually high effective tax rate is reflective of the mix effect of the significant drop in the level of profits generating a tax charge and a stable level of losses where no deferred tax asset is recognised. The effective tax rate for those entities which are ordinarily subject to tax or where deferred tax assets are recognised is broadly consistent year-on-year, 24.6% (2019: 26.4%), despite the fall in the absolute level of net profits. The level of losses not subject to a tax charge was €38.7 million (2019: €36.0 million). More detail is available in Note 6.

The 2020 Adjusted Effective Tax Rate is 42.6% (2019: 32.3%). The Adjusted Effective Tax Rate, as shown in table 6, adjusts for the impact of the UK accounting loss of €26.4 million (2019: €35.0 million) on which no tax benefit is recognised and the net prior year tax charge movements of €6.3 million (2019: €19.3 million). The increased Adjusted Effective Tax Rate of 42.6% reflects the adjusted income tax charge of €34.4 million on adjusted Group Profit Before Tax of €80.7 million.

Table 6 shows the calculation of the Effective and Adjusted Effective Tax Rates.

Table 6: Calculation of Effective and Adjusted Effective Tax rates* €m

Amounts in the table below do not include the exceptional impairment charge of €304.6 million and exceptional tax benefit of €29.7 million.

	2020			2019		
	Profit before tax	**Tax charge**	**Tax rate**	Profit before tax	Tax charge	Tax rate
As reported	**50.8**	**(28.1)**	**55.3 %**	201.7	(57.1)	28.3 %
Add back:						
Share of associate loss/(profit)	**3.5**			(0.3)		
Prior year tax benefit related to US R & E claims		**—**			(12.2)	
	54.3	**(28.1)**	**51.7 %**	201.4	(69.3)	34.4 %
Less:						
UK accounting loss**	**26.4**			35.0		
Prior year deferred tax charge		**(0.7)**			5.0	
Prior year corporate tax benefit		**(5.6)**			(12.1)	
Adjusted	**80.7**	**(34.4)**	42.6 %	236.4	(76.4)	32.3 %

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

The 2020 exceptional impairment charge of €304.6 million has an associated deferred tax credit of €29.7 million, an effective tax rate of 9.8%. The lower effective tax rate is due to the fact that the majority of the impairment is related to goodwill that does not carry a deferred tax balance and therefore this portion of the impairment is not tax effected.

Adjusted Net Income* and profit for the year

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

Table 7a: Adjusted Net Income* €m

	2020	2019
Adjusted EBITDA (see table 5)	**330.9**	497.8
Less:		
Net finance expense before exceptional items	**(74.0)**	(57.5)
Income tax credit/(expense) before exceptional items	**(28.1)**	(57.1)
Depreciation and impairment of PP&E	**(104.6)**	(108.6)
Depreciation and impairment of right-of-use assets	**(31.9)**	(31.5)
Amortisation and impairment of intangible assets	**(76.7)**	(89.8)
Non-controlling interests' share of profit	**(1.9)**	(3.0)
Adjusted Net Income	**13.7**	150.3

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

	2020	2019
(Loss)/profit for the year	**(252.2)**	144.6
Less:		
Non-controlling interests' share of profit	**(1.9)**	(3.0)
Net foreign exchange gains	**(27.2)**	(0.5)
Exceptional deferred tax credit	**(29.7)**	—
Add back:		
Exceptional asset impairment cost	**304.6**	—
Net restructuring costs	**16.1**	9.0
Associate income less dividend received	**4.0**	0.2
Adjusted Net Income	**13.7**	150.3

*See Non-IFRS measures

Adjusted Net Income was €13.7 million in 2020, a decrease from €150.3 million in 2019, primarily driven by the flow through of lower revenues as a result of the reduced light vehicle production volumes.

Basic EPS and Adjusted Basic EPS*

On a statutory basis, Basic Earnings per Share ('EPS') was (48.88) Euro cents for the year (2019: 27.24 Euro cents), reflecting the significant reported statutory loss. Adjusted Basic EPS calculation is based on Adjusted Net Income and the weighted average number of shares in issue. Adjusted Basic EPS was 2.64 Euro cents per share for the year (2019: 28.91 Euro cents per share) reflecting the decrease in Adjusted Net Income as noted above. Weighted average shares outstanding on 31 December 2020 were 519.8 million (31 December 2019: 519.9 million).

*See Non-IFRS measures

Dividend

The Company'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.

In light of the unprecedented conditions and associated uncertainty resulting from COVID-19, and the Group's 2020 H1 results, the Board did not declare an interim dividend for the 2020 financial year. However, the Board is mindful of the importance of dividends to the Group's shareholders and, given the continued strength of cash generation and greater confidence in the outlook, is committed to reinstating dividend payments.

Following the exceptional cash preservation measures during 2020, the Group is pleased to announce that during Q4 2020 it took actions to repay all employees who shared in the sacrifice to support the Group through unprecedented times. The Group has repaid any previously received UK furlough payments to the UK government and has retroactively reinstated pay levels for all employees who took part in pay and salary reductions. We wish to thank our entire global organisation for their commitment, excellent performance and support during what turned out to be the toughest market decline this industry has faced.

The Group paid an interim dividend of 6.74 Euro cents per share, amounting to €35.0 million on 19 February 2021 based on the overall strength of the Group's financial position and prospects. The Group is committed to its stated annual dividend policy (30% Adjusted Net Income) paid on an interim and final basis for each financial year. However, in light of the significant amount of the interim dividend paid, despite exceptional operating and financial performance during 2020, Adjusted Net Income for 2020 is relatively low. The Board has decided that it would not be practical to propose a nominal final year 2020 dividend under the dividend policy. The Company expects to return to its stated annual dividend policy and normal dividend payment cadence for the 2021 financial year. The Board continues to believe that dividends represent an important part of the Group's shareholder value proposition and that the Company's dividend policy is both affordable and sustainable within its wider capital allocation framework.

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

Cash Flow performance

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

Table 8a: Adjusted Free Cash Flow* €m

	2020	2019
Net cash generated from operating activities	**257.6**	334.4
Net cash used by investing activities	**(95.4)**	(157.0)
Free Cash Flow*	**162.2**	177.4
Deduct:		
Cash received on settlement of derivatives	**(16.6)**	(5.6)
Amounts received in cash from Financial Assets at FVTPL (included in net cash generated from operations)	**—**	(0.3)
Add back: Net restructuring cash spend	**2.6**	8.7
Adjusted Free Cash Flow	**148.2**	180.2

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

	2020	2019
Adjusted EBITDA	**330.9**	497.8
Less:		
Net cash interest paid	**(54.1)**	(61.6)
Cash taxes paid	**(59.7)**	(79.7)
Payment for property, plant and equipment	**(82.1)**	(119.4)
Payment for intangible assets	**(30.1)**	(39.7)
Movement in working capital	**63.1**	2.7
Movement in retirement benefit obligations	**(9.1)**	(12.4)
Movement in provisions and other	**3.3**	(4.3)
Free Cash Flow*	**162.2**	177.4
Deduct:		
Cash received on settlement of derivatives	**(16.6)**	(5.6)
Amounts received in cash from Assets at FVTPL	**—**	(0.3)
Restructuring Proceeds on Sale of facilities	**(10.4)**	—
Add back: Restructuring cash spend	**13.0**	8.7
Adjusted Free Cash Flow	**148.2**	180.2

*See Non-IFRS measures

In 2020, we generated solid Adjusted Free Cash Flow of €148.2 million (2019: €180.2 million). The Adjusted EBITDA generated by the Group was used to fund investment in capital equipment and intangibles. There was a €46.9 million decrease in property, plant and equipment and intangibles expenditure primarily due to tight control of the expenditure to preserve cash. Tax cash payments were €20.0 million lower due to lower taxable profits. The favourable movement in working capital of €63.1 million was driven by the natural unwind of working capital balances and also close management of inventory levels and ensuring receivables were collected to terms. The net cash outflow on restructuring was €2.6 million as cash outflows, predominantly severance payments of €13.0 million (2019: €8.7 million), was mitigated by net disposal proceeds of €10.4 million from the sale of two facilities subject to closure actions. The restructuring cash adjustment has been made to align the treatment of restructuring with the other Adjusted measures and has been applied retrospectively. Cash received from the early close-out of the in the money foreign exchange hedges in March 2020 amounted to €15.9 million which would ordinarily have expired later in the year. In total €16.6 million was received in the year from these arrangements.

In addition to the €162.2 million (2019: €177.4 million) arising from free cash flow, cash outflows from financing were €51.6 million (2019: €129.2 million) resulting in a reported increase in cash and cash equivalents of €110.6 million (2019 €48.2 million). Financing outflows include the net impact of the 2020 refinancing and other borrowing repayments of €19.0 million (2019: €54.8 million); €28.6 million (2019: €27.1 million) lease principal repayments and the 2020 €3.5 million funding of share purchases by the Group's Employee Benefit Trust to satisfy share scheme vesting in 2021 and beyond.

Pre-emptive drawdowns in March 2020, given concerns over bank liquidity, of the Group's revolving credit and asset-backed lending facilities of $125 million and $25 million respectively were repaid in full in July and May 2020. The 2019 dividend cash outflow amounted to €46.6 million.

Retirement benefits

We operate funded and unfunded defined benefit schemes across multiple jurisdictions with the largest being the US pension and retiree healthcare schemes, which represent 54% (2019: 55%) of our net unfunded position at 31 December 2020. We also have funded schemes in the UK and Canada 2% (2019: 5%) and Germany 18% (2019: 18%). While all of our major plans are closed to new entrants, a few allow for future accrual. Our schemes are subject to periodic actuarial valuations. Our net unfunded position increased by €7.0 million to €160.7 million at 31 December 2020 due primarily to discount rates differential year-on-year, favourable translation, and weak overall pension investment performance influenced by the 2020 market disruption. The increase was offset by a €2.1 million (2019: €9.1 million) US settlement gain arising from a further voluntary lump sum buy-out programme.

Net debt* and net leverage*

Net debt, a non-IFRS measure, as at 31 December 2020 was €590.0 million, a significant decrease of €148.3 million from the prior year end. On 30 September 2020, the Group successfully completed the amendment and extension of its existing credit and debt facilities, moving maturity dates out to December 2024. As part of this refinancing, which was accounted for as debt modification, overall borrowings remain unchanged, though changes were negotiated to amend the term, adjust the mix of currencies, replace the $100 million Asset Backed Loan (ABL) facility and increase the $125 million revolving credit facility by $100 million. Full details of these changes is given in Note 10. These changes resulted in incremental costs of €17.7 million which were capitalised and will result in an annual fee amortisation of €3.7 million as well as increased interest costs, the annual impact of which is estimated at €12.6 million. Issuance fees and discounts of €67.4 million on the legacy loans are carried forward for future amortisation.

The Group's net leverage ratio, also a non-IFRS measure, was 1.8 times Adjusted EBITDA as at 31 December 2020 (31 December 2019: 1.5 times); the increase reflects the lower Adjusted EBITDA.

The Group excludes IFRS 16 lease liabilities from its net debt and net leverage ratio. If the IFRS 16 lease liabilities were to be included, the Group's net debt would be €741.0 million (2019: €905.0 million) and net leverage ratio would be 2.2 times Adjusted EBITDA (31 December 2019: 1.8 times).

*See Non-IFRS measures

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 $225 million (€183.8 million). Completing the debt modification in September 2020 maintains existing levels of liquidity and increases flexibility to support the Group's continued resilience through all economic cycles and execution of its electrification growth strategies. Total available liquidity (cash plus available facilities) on 31 December 2020 was €666.5 million (31 December 2019: €588.9 million).

Outlook

Global light vehicle production volumes are expected to recover in 2021 but not yet to 2019 levels. We are well positioned to take advantage of the growth in electric vehicle production which supports our commitment to contributing to a healthier environment and we expect that our revenue will continue the historic trend and outperform the global light vehicle volume growth excluding currency movements. Due to the industry recovery and the benefits of the restructuring actions taken, we anticipate our 2021 full year Adjusted EBIT margin to recover to a high single digit and that Adjusted Free Cash Flow conversion will be similar to pre-COVID-19 levels. It is our plan to continue to reduce net leverage while resuming the dividend policy to target a payout ratio of around 30% of Adjusted Net Income.

Non-IFRS measures

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

EBITDA is defined as profit or loss before tax before net finance expense, depreciation, amortisation and exceptional impairment of tangible and intangible assets.

Adjusted EBITDA is defined as EBITDA adjusted for exceptional administration costs, net foreign exchange gains/(losses), net restructuring charges and associate share of profits or losses and dividends received from associates.

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

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

Adjusted Net Income is defined as Profit or Loss for the period attributable to the ordinary shareholders before exceptional items adjusted to reflect associate dividends received and eliminate the impact of net restructuring charges and foreign exchange gains or losses.

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

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

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

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

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

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

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

Net leverage is defined as net debt divided by last 12 months Adjusted EBITDA.

Ronald Hundzinski
Chief Financial Officer
15 March 2021

Cautionary Statement

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

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Group Financial Statements
Consolidated Income Statement

For the year ended 31 December

Continuing operations	Note	2020 Before exceptional item €m	2020 Exceptional item (Note 9) €m	2020 €m	2019 €m
Revenue	3	**2,814.5**	**—**	**2,814.5**	3,411.1
Cost of sales		**(2,493.1)**	**(120.4)**	**(2,613.5)**	(2,922.7)
Gross profit/(loss)		**321.4**	**(120.4)**	**201.0**	488.4
Distribution costs		**(83.7)**	**—**	**(83.7)**	(95.0)
Administrative expenses		**(145.1)**	**(184.2)**	**(329.3)**	(141.7)
Other income		**8.5**	**—**	**8.5**	6.7
Net foreign exchange gains	4	**27.2**	**—**	**27.2**	0.5
Operating profit/(loss)		**128.3**	**(304.6)**	**(176.3)**	258.9
Finance income	5	**3.5**	**—**	**3.5**	15.0
Finance expense	5	**(77.5)**	**—**	**(77.5)**	(72.5)
Net finance expense	5	**(74.0)**	**—**	**(74.0)**	(57.5)
Share of (loss)/profit of associates		**(3.5)**	**—**	**(3.5)**	0.3
Profit/(loss) before income tax		**50.8**	**(304.6)**	**(253.8)**	201.7
Income tax (expense)/credit	6	**(28.1)**	**29.7**	**1.6**	(57.1)
Profit/(loss) for the year		**22.7**	**(274.9)**	**(252.2)**	144.6
Profit/(loss) for the year attributable to:					
Owners of the parent company		**20.8**	**(274.9)**	**(254.1)**	141.6
Non-controlling interests		**1.9**	**—**	**1.9**	3.0
		22.7	**(274.9)**	**(252.2)**	144.6
Total earnings per share (Euro, cents)					
Basic	7	**0.04**		**(48.88)**	27.24
Diluted	7	**0.04**		**(48.88)**	27.24

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	2020 €m	2019 €m
(Loss)/profit for the year	**(252.2)**	144.6
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss		
– Re-measurements of retirement benefit obligations	**(21.1)**	(10.7)
– Income tax credit on retirement benefit obligations	**3.6**	2.3
	(17.5)	(8.4)
Items that may be subsequently reclassified to profit or loss		
– Currency translation	**(52.4)**	14.8
– Cash flow hedges	**13.2**	4.9
– Net investment hedges	**6.9**	0.3
	(32.3)	20.0
Total other comprehensive (expense)/income for the year	**(49.8)**	11.6
Total comprehensive (expense)/income for the year	**(302.0)**	156.2
Attributable to:		
– Owners of the parent company	**(303.2)**	153.4
– Non-controlling interests	**1.2**	2.8
Total comprehensive (expense)/income for the year	**(302.0)**	156.2

Consolidated Balance Sheet

At 31 December

	Note	**2020 €m**	2019 €m
Non-current assets			
Intangible assets	8	**883.8**	1,182.2
Right-of-use assets		**124.9**	161.4
Property, plant and equipment		**590.8**	715.0
Investments in associates		**14.6**	19.2
Deferred income tax assets	6	**62.4**	25.1
Trade and other receivables		**18.9**	21.6
		1,695.4	2,124.5
Current assets			
Inventories		**351.4**	367.1
Trade and other receivables		**534.8**	574.5
Current income tax assets	6	**13.7**	13.7
Derivative financial instruments		**0.4**	18.4
Financial assets at fair value through profit and loss		**0.9**	0.9
Cash and cash equivalents		**485.8**	411.7
		1,387.0	1,386.3
Total assets		**3,082.4**	3,510.8
Equity			
Share capital		**6.8**	6.8
Share premium		**2.2**	2.2
Other reserves		**(137.7)**	(106.1)
Retained earnings		**987.7**	1,261.7
Equity attributable to owners of the Parent Company		**859.0**	1,164.6
Non-controlling interests		**25.2**	24.5
Total equity		**884.2**	1,189.1
Non-current liabilities			
Trade and other payables		**20.0**	12.3
Borrowings	10	**1,069.3**	1,148.5
Lease liabilities		**122.4**	138.0
Deferred income tax liabilities	6	**104.3**	128.5
Retirement benefit obligations	11	**160.7**	153.7
Provisions		**4.9**	5.0
		1,481.6	1,586.0
Current liabilities			
Trade and other payables		**614.1**	611.2
Current income tax liabilities	6	**40.7**	48.7
Borrowings	10	**7.4**	2.4
Lease liabilities		**28.6**	28.7
Derivative financial instruments		**0.2**	25.4
Provisions		**25.6**	19.3
		716.6	735.7
Total liabilities		**2,198.2**	2,321.7
Total equity and liabilities		**3,082.4**	3,510.8

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Ordinary shares €m	**Share premium €m**	**Other reserves €m**	**Retained earnings €m**	**Total €m**	**Non-controlling interests €m**	**Total equity €m**
Balance at 1 January 2020	**6.8**	**2.2**	**(106.1)**	**1,261.7**	**1,164.6**	**24.5**	**1,189.1**
(Loss)/profit for the year	**—**	**—**	**—**	**(254.1)**	**(254.1)**	**1.9**	**(252.2)**
Total other comprehensive expense for the year	**—**	**—**	**(31.6)**	**(17.5)**	**(49.1)**	**(0.7)**	**(49.8)**
Total comprehensive (expense)/income for the year	**—**	**—**	**(31.6)**	**(271.6)**	**(303.2)**	**1.2**	**(302.0)**
Share-based expense	**—**	**—**	**—**	**0.9**	**0.9**	**—**	**0.9**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**(0.5)**	**(0.5)**
Purchase of own shares	**—**	**—**	**—**	**(3.5)**	**(3.5)**	**—**	**(3.5)**
Issue of own shares from Employee Benefit Trust	**—**	**—**	**—**	**0.2**	**0.2**	**—**	**0.2**
Balance at 31 December 2020	**6.8**	**2.2**	**(137.7)**	**987.7**	**859.0**	**25.2**	**884.2**

	Ordinary shares €m	Share premium €m	Other reserves €m	Retained earnings €m	Total €m	Non-controlling interests €m	Total equity €m
Balance at 1 January 2019	6.8	1.4	(126.3)	1,175.7	1,057.6	22.5	1,080.1
Profit for the year	—	—	—	141.6	141.6	3.0	144.6
Total other comprehensive income/(expense) for the year	—	—	20.2	(8.4)	11.8	(0.2)	11.6
Total comprehensive income for the year	—	—	20.2	133.2	153.4	2.8	156.2
Decrease in share held by Non-controlling interests	—	—	—	0.1	0.1	(0.1)	—
Share-based expense	—	—	—	1.4	1.4	—	1.4
Net employee tax settlement from vested shares	—	—	—	(2.1)	(2.1)	—	(2.1)
Dividends paid	—	—	—	(46.6)	(46.6)	(0.7)	(47.3)
Shares issued	—	0.8	—	—	0.8	—	0.8
Balance at 31 December 2019	6.8	2.2	(106.1)	1,261.7	1,164.6	24.5	1,189.1

Consolidated Statement of Cash Flows

For the year ended 31 December

	Note	2020 €m	2019 €m
Cash flows from operating activities			
Cash generated from operations	13	**374.4**	477.2
Interest paid		**(57.1)**	(63.1)
Income tax paid		**(59.7)**	(79.7)
Net cash generated from operating activities		**257.6**	334.4
Cash flows from investing activities			
Payment for property, plant and equipment		**(82.1)**	(119.4)
Payment for intangible assets		**(30.1)**	(39.7)
Proceeds from the sale of property, plant and equipment		**13.8**	0.6
Interest received		**3.0**	1.5
Net cash used by investing activities		**(95.4)**	(157.0)
Cash flows from financing activities			
Purchase of own shares		**(3.5)**	—
Proceeds from new borrowings		**213.6**	—
Fees paid on proceeds from new borrowings		**(17.7)**	(0.3)
Voluntary repayments of borrowings		**(209.6)**	(50.0)
Scheduled repayments of borrowings		**(5.3)**	(4.5)
Lease principal repayments		**(28.6)**	(27.1)
Dividends paid		**—**	(46.6)
Dividends paid to non-controlling interests		**(0.5)**	(0.7)
Net cash used by financing activities		**(51.6)**	(129.2)
Increase in cash and cash equivalents		**110.6**	48.2
Cash and cash equivalents at the beginning of the year		**411.7**	360.1
Currency translation on cash and cash equivalents		**(36.5)**	3.4
Cash and cash equivalents at the end of the year		**485.8**	411.7

1. General Information

The Group's full financial statements have been approved by the Board of Directors and reported on by the auditors on 15 March 2021. A copy of the statutory accounts for the year ended 31 December 2019 has been delivered to the Registrar of Companies, and those for the year ended 31 December 2020 will be delivered in due course. The independent auditors' report on the full financial statements for the year ended 31 December 2019 was unqualified and did not contain an emphasis of matter paragraph or any statement under section 498 of the Companies Act 2006.

2. Basis of Preparation

The consolidated financial information included within this announcement has been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, the UK Companies Act 2006 applicable to companies reporting under IFRS, and International Financial Reporting Interpretations Committee ('IFRS IC') interpretations issued and effective at the time of preparing the financial information. The financial information in this preliminary announcement does not, however comply with all disclosure requirements and does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006.

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

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

3. Segment Reporting

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

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

Inter-segment revenue is attributable solely to the ordinary business activities of the respective segment and is conducted on an arm's-length basis.

	2020 €m	2019 €m
Revenue		
– FCS - External	**1,526.9**	1,917.6
- Inter-segment	**67.9**	82.4
	1,594.8	2,000.0
– FTDS - External	**1,287.6**	1,493.5
- Inter-segment	**3.3**	4.8
	1,290.9	1,498.3
Inter-segment elimination	**(71.2)**	(87.2)
Total consolidated revenue	**2,814.5**	3,411.1
Adjusted EBITDA		
– FCS	**170.8**	274.0
– FTDS	**160.1**	223.8
	330.9	497.8
Adjusted EBITDA % of revenue		
– FCS	**11.2 %**	14.3 %
– FTDS	**12.4 %**	15.0 %
Total	**11.8 %**	14.6 %
Adjusted EBIT		
– FCS	**97.2**	199.4
– FTDS	**76.1**	141.0
	173.3	340.4
Adjusted EBIT % of revenue		
– FCS	**6.4 %**	10.4 %
– FTDS	**5.9 %**	9.4 %
Total	**6.2 %**	10.0 %

During 2020 the Group recognised a €2.1 million (2019: €9.1 million) settlement gain following a lump sum buyout offering of two of the Group's US pension plans (see Note 11).

Restructuring costs of €16.1 million (€7.0 million in FCS and €9.1 million in FTDS) are stated net of gains on disposal of land and buildings in FCS of €3.4 million completed in the year as part of the approved restructuring activities.

Following a definitive ruling on a Brazilian indirect tax matter, the FCS division recognised a benefit of €0.2 million (2019: €3.3 million) while FTDS recognised a benefit of €0.1 million (2019: €1.5 million).

4. Net Foreign Exchange Gains

Net foreign exchange gains recognised in the year of €27.2 million (2019: €0.5 million) primarily relate to gains on the Group's unhedged US dollar denominated intercompany borrowings in Euro functional currency companies. These arose after March 2020, following termination of all the Group's forward foreign exchange contracts designated in cash flow hedge relationships. The US dollar average exposure from March 2020 on which these gains arose was $276.0 million.

5. Finance Income and Expense

	2020 €m	2019 €m
Finance income		
Interest on short-term deposits, other financial assets and other interest income	**2.2**	2.0
Interest income on indirect tax receivable	**—**	2.8
Fair value gain on derivatives and foreign exchange contracts not in hedged relationships	**1.3**	10.2
Finance income	**3.5**	15.0
Finance expense		
Interest payable on term loans including expensed fees	**(55.9)**	(56.5)
Net interest expense of retirement benefit obligations	**(4.1)**	(4.6)
Fair value net losses on financial instruments: ineffectiveness	**(7.1)**	(0.2)
Net interest expense related to specific uncertain tax positions	**—**	(0.3)
Interest payable on lease liabilities	**(10.4)**	(10.5)
Utilisation of discount on provisions and other finance expense	**—**	(0.4)
Finance expense	**(77.5)**	(72.5)
Total net finance expense	**(74.0)**	(57.5)

Fees included in interest payable under the effective interest method	**2020 €m**	2019 €m
Fees included in interest payable on term loans	**(8.0)**	(7.7)

6. Income Tax

6.1. Income Tax Expense

	2020 €m	2019 €m
Current tax on profit for the year	**(58.5)**	(83.6)
Adjustments in respect of prior years	**5.5**	17.8
Total current tax expense	**(53.0)**	(65.8)
Origination and reversal of temporary deferred tax differences	**24.9**	8.7
Total deferred tax benefit	**54.6**	8.7
Income tax credit/(expense) - Income Statement	**1.6**	(57.1)
Origination and reversal of temporary deferred tax differences	**3.6**	2.3
Income tax expense - Statement of Comprehensive Income	**3.6**	2.3
Total income tax credit/(expense)	**5.2**	(54.8)

The Group income tax charge, before exceptional items, is €28.1 million, down €29.0 million over 2019. The 2019 Group income tax charge, €57.1 million, was favourably impacted by the €12.2 million prior year tax credit recognised in respect of the US Research & Experimentation claims. Group profit before tax after adjusting for the impact of the Group's share of associate after tax profits and losses, €3.5 million losses (2019: €0.3 million profits), amounted to €54.3 million (2019: €201.4 million). Normalising 2019 for the €12.2 million prior year tax credit the 2020 and 2019 effective tax rates were 51.7% and 34.4% respectively.

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

	2020		**2019**	
	Profit before tax €m	**Tax charge €m**	**Profit before tax €m**	**Tax charge €m**
Results excluding exceptional items	**50.8**	**(28.1)**	201.7	(57.1)
Adjustments:				
Share of associate loss/(profit)	**3.5**	**—**	(0.3)	—
Prior year tax benefit related to US R&E claims	**—**	**—**	—	(12.2)
	54.3	**(28.1)**	201.4	(69.3)
Analysed as:				
Tax charges (including deferred tax assets) recognised	**148.5**	**(36.5)**	309.8	(81.9)
Tax losses where no deferred tax assets recognised	**(38.6)**	**(0.2)**	(35.9)	(0.2)
UK withholding tax and Group tax on unrecognised distributable reserves	**—**	**(5.2)**	—	(5.2)
Annual amortisation and depreciation of assets with historic purchase price accounting adjustments	**(55.6)**	**13.8**	(72.5)	18.0
	54.3	**(28.1)**	201.4	(69.3)

For 2020, the Group is reporting an exceptional impairment charge of €304.6 million with a deferred tax benefit of €29.7 million which results in an exceptional effective tax rate of 9.8%. The low exceptional effective tax rate is due to the fact that the majority of the impairment is related to goodwill that does not carry a deferred tax balance and therefore this portion of the impairment is not tax effected.

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

	2020 Before exceptional item €m	**Exceptional item €m**	**2020 €m**	2019 €m
Profit/(loss) before income tax	**50.8**	**(304.6)**	**(253.8)**	201.7
Income tax calculated at UK statutory tax rate of 19% (2019: 19%) applicable to profits in respective countries	**(9.7)**	**57.9**	**48.2**	(38.3)
Tax effects of:				
Overseas tax rates (excluding associates)	**(5.1)**	**9.0**	**3.9**	(16.2)
Income not subject to tax	**9.9**	**—**	**9.9**	6.4
Expenses not deductible for tax purposes - other & UK non-deductible interest / expenses	**(14.7)**	**—**	**(14.7)**	(13.1)
Expenses not deductible for tax purposes - goodwill impairment	**—**	**(35.0)**	**(35.0)**	—
Temporary differences on unremitted earnings	**(3.3)**	**—**	**(3.3)**	(3.3)
Specific tax provisions	**(2.5)**	**—**	**(2.5)**	(3.1)
Unrecognised deferred tax assets	**(4.5)**	**(2.2)**	**(6.7)**	(3.7)
Other taxes	**(8.3)**	**—**	**(8.3)**	(10.6)
Adjustment in respect of prior years - US R&E tax credit (see note below)	**—**	**—**	**—**	12.2
Adjustment in respect of prior years - current tax adjustments	**5.5**	**—**	**5.5**	12.1
Adjustment in respect of prior years - deferred tax adjustments	**0.7**	**—**	**0.7**	(5.0)
Impact of changes in tax rate	**(0.2)**	**—**	**(0.2)**	0.3
Double Tax Relief and other tax credits	**4.1**	**—**	**4.1**	5.2
Income tax (expense)/ credit - Income Statement	**(28.1)**	**29.7**	**1.6**	(57.1)
Deferred tax credit on re-measurement of retirement benefit obligations	**3.6**	**—**	**3.6**	2.3
Income tax credit - Statement of Comprehensive Income	**3.6**	**—**	**3.6**	2.3
Total tax (expense)/credit	**(24.5)**	**29.7**	**5.2**	(54.8)

Other taxes comprised various local taxes of €2.0 million (2019: €3.2 million) together with taxes withheld on dividend, interest and royalty remittances totalling €6.3 million (2019: €7.4 million).

During 2019, TI Automotive LLC ("TI US") completed a Research and Experimentation ('R&E') study for the years 2011 through 2018. As a result of the R&E study, TI US was able to report a material tax benefit in the 2019 accounts in the amount of €12.2 million net of the uncertain tax position associated with the tax credit. The R&E tax credit had a material favourable impact on the 2019 effective tax rate for the Group.

For 2020, the Group is reporting an exceptional impairment charge of €304.6 million with a deferred tax benefit of €29.7 million. The majority of the impairment is related to goodwill that does not carry a deferred tax balance and therefore this portion of the impairment is not tax effected and results in a material unfavourable permanent tax adjustment.

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

6.2. Deferred Tax Assets and Liabilities

	2020 €m	2019 €m
Deferred tax assets	**62.4**	25.1
Deferred tax liabilities	**(104.3)**	(128.5)
Net deferred tax liabilities	**(41.9)**	(103.4)

6.2.1. Movement on Net Deferred Tax Liabilities

	2020 €m	2019 €m
At 1 January	**(103.4)**	(106.7)
Income statement benefit	**24.9**	8.7
Exceptional income statement benefit - tax impact of impairment charge	**29.7**	0.0
Tax on remeasurement of retirement benefit obligations	**3.6**	2.3
Transfer of uncertain tax position balance from current tax to deferred tax	**(0.7)**	(7.3)
Currency translation	**4.0**	(0.4)
At 31 December	**(41.9)**	(103.4)

7. Earnings Per Share

7.1. Basic and Diluted Earnings Per Share

	2020			2019		
	Loss attributable to shareholders (€m)	**Weighted average number of shares (in millions)**	***Earnings Per Share (€, cents)**	Profit attributable to shareholders (€m)	Weighted average number of shares (in millions)	Earnings Per Share (€, cents)
Basic	**(254.1)**	**519.8**	**(48.88)**	141.6	519.9	27.24
Dilutive shares	**—**	**2.6**	**—**	—	—	—
Diluted	**(254.1)**	**522.4**	**(48.88)**	141.6	519.9	27.24

7.2. Adjusted Earnings Per Share

	2020		2019	
	Basic	**Diluted**	Basic	Diluted
Adjusted Net Income (€m)	**13.7**	**13.7**	150.3	150.3
Weighted average number of shares (in millions)	**519.8**	**522.4**	519.9	519.9
Adjusted Earnings Per Share (€, in cents)	**2.64**	**2.62**	28.91	28.91

Adjusted Net Income is based on loss for the period attributable to shareholders €254.1 million (2019: €141.6 million profit) after adding back net adjustments of €267.8 million (2019: €8.7 million).

8. Intangible Assets

	2020 €m	2019 €m
Goodwill	**535.9**	739.0
Capitalised development expenses, computer software and licences, technology and customer platforms	**347.9**	443.2
Total intangible assets	**883.8**	1,182.2

8.1. Goodwill

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

	€m
Cost at 1 January 2020	**739.0**
Currency translation	**(24.8)**
Cost at 31 December 2020	**714.2**
Accumulated impairment at 1 January 2020	**—**
Exceptional impairment charge	**(184.2)**
Currency translation	**5.9**
Accumulated impairment at 31 December 2020	**(178.3)**
Net book value at 31 December 2020	**535.9**

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

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

Intangibles assets are amortised over their useful economic life, which range from 3 to 25 years.

	Capitalised development expenses €m	Computer software and licences €m	Technology €m	Customer platforms* €m	Total €m
Cost at 1 January 2020	**237.4**	**16.2**	**135.9**	**474.4**	**863.9**
Accumulated amortisation	**(102.2)**	**(11.3)**	**(125.5)**	**(181.7)**	**(420.7)**
Net book value at 1 January 2020	**135.2**	**4.9**	**10.4**	**292.7**	**443.2**
Additions	**24.3**	**8.4**	**—**	**—**	**32.7**
Disposals	**(0.1)**	**—**	**—**	**—**	**(0.1)**
Amortisation charge	**(26.7)**	**(1.6)**	**(2.3)**	**(40.4)**	**(71.0)**
Impairments - exceptional charge	**(5.7)**	**—**	**—**	**—**	**(5.7)**
Currency translation	**(2.9)**	**(0.6)**	**(0.5)**	**(9.6)**	**(13.6)**
Net book value at 31 December 2020	**102.9**	**10.6**	**6.9**	**227.5**	**347.9**
Cost at 31 December 2020	**254.4**	**23.3**	**126.7**	**455.2**	**859.6**
Accumulated amortisation	**(151.5)**	**(12.7)**	**(119.8)**	**(227.7)**	**(511.7)**
Net book value at 31 December 2020	**102.9**	**10.6**	**6.9**	**227.5**	**347.9**

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

	Capitalised development expenses €m	Computer software and licences €m	Technology €m	Customer platforms €m	Total €m
Cost at 1 January 2019	205.4	15.0	130.7	469.0	820.1
Accumulated amortisation	(71.5)	(9.8)	(104.2)	(138.1)	(323.6)
Net book value at 1 January 2019	133.9	5.2	26.5	330.9	496.5
Additions	31.7	1.2	—	—	32.9
Disposals	(0.6)	—	—	—	(0.6)
Amortisation charge	(28.3)	(1.5)	(16.5)	(41.5)	(87.8)
Impairments	(2.0)	—	—	—	(2.0)
Currency translation	0.5	0.0	0.4	3.3	4.2
Net book value at 31 December 2019	135.2	4.9	10.4	292.7	443.2
Cost at 31 December 2019	237.4	16.2	135.9	474.4	863.9
Accumulated amortisation	(102.2)	(11.3)	(125.5)	(181.7)	(420.7)
Net book value at 31 December 2019	135.2	4.9	10.4	292.7	443.2

The above amortisation charges for 'technology' and 'customer platforms' amounting to €42.7 million (2019: €70.6 million) arise from intangible assets recognised through purchase price accounting. Amortisation charges are included within cost of sales.

9. Impairments

9.1. 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, included in the FCS-NA CGU.

The intangible assets recognised from acquisitions, as outlined above, included €369.7 million and €57.1 million in relation to customer platforms arising on the Bain and Millennium acquisitions respectively. These assets reflect the future revenue expected to arise from customer platforms existing at the date of acquisition, based on platform lives and probabilities of renewals.

During H1 2020, forecasts for global automotive production volumes in the near and medium term were significantly impacted by the COVID-19 pandemic, when compared to equivalent forecasts that underpinned the Group’s 2019 annual impairment assessment, where no impairment was recognised. The scale of this volume deterioration, which was beyond what was reasonably estimable in early 2020, triggered the Group to perform a full impairment test as at 30 June 2020.

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

The results of the H1 2020 impairment test indicated that the carrying values of CGU assets were higher than their recoverable amounts for six of the CGUs, resulting in the following impairments being recognised at 30 June 2020:

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

The 'other CGU asset' impairments of €120.4 million have been apportioned across the respective CGU asset categories on a pro-rata basis resulting in the following asset class allocation:

	H1 2020 impairment charge €m
Goodwill	184.2
Capitalised development expenses	21.2
Computer software and licences	0.5
Other intangible assets	15.9
Land & buildings	13.9
PP&E	41.6
Assets in the course of construction	10.5
Right-of-use assets	16.8
	304.6

The reduction in asset carrying values following the H1 impairment gave rise to a reduced H2 depreciation and amortisation charge of €6.9 million. The portion of this not attributed to assets arising on purchase accounting resulted in an improvement to Adjusted EBIT of €5.5 million for FTDS and €0.2 million for FCS.

Following the H1 2020 impairment, the goodwill and intangible asset carrying values as at 31 December 2020 were as follows:

	2020		2019	
	€m Goodwill	**€m Intangibles**	€m Goodwill	€m Intangibles
FCS				
North America	**139.5**	**80.7**	223.9	102.5
Europe & Africa	**140.7**	**47.1**	218.4	53.9
Asia Pacific	**231.6**	**85.9**	237.1	100.6
Latin America	**—**	**—**	—	0.2
FTDS				
North America	**—**	**6.2**	—	41.5
Europe & Africa	**—**	**81.2**	34.8	95.5
Asia Pacific	**24.1**	**46.8**	24.8	48.7
Latin America	**—**	**—**	—	0.3
	535.9	**347.9**	739.0	443.2

The intangible assets above include customer platforms arising on the Bain and Millennium acquisitions with carrying values at 31 December 2020 of €168.5 million and €28.7 million respectively (year ended 31 December 2019: €206.7 million and €36.4 million) with remaining useful lives of 5.0 and 5.7 years.

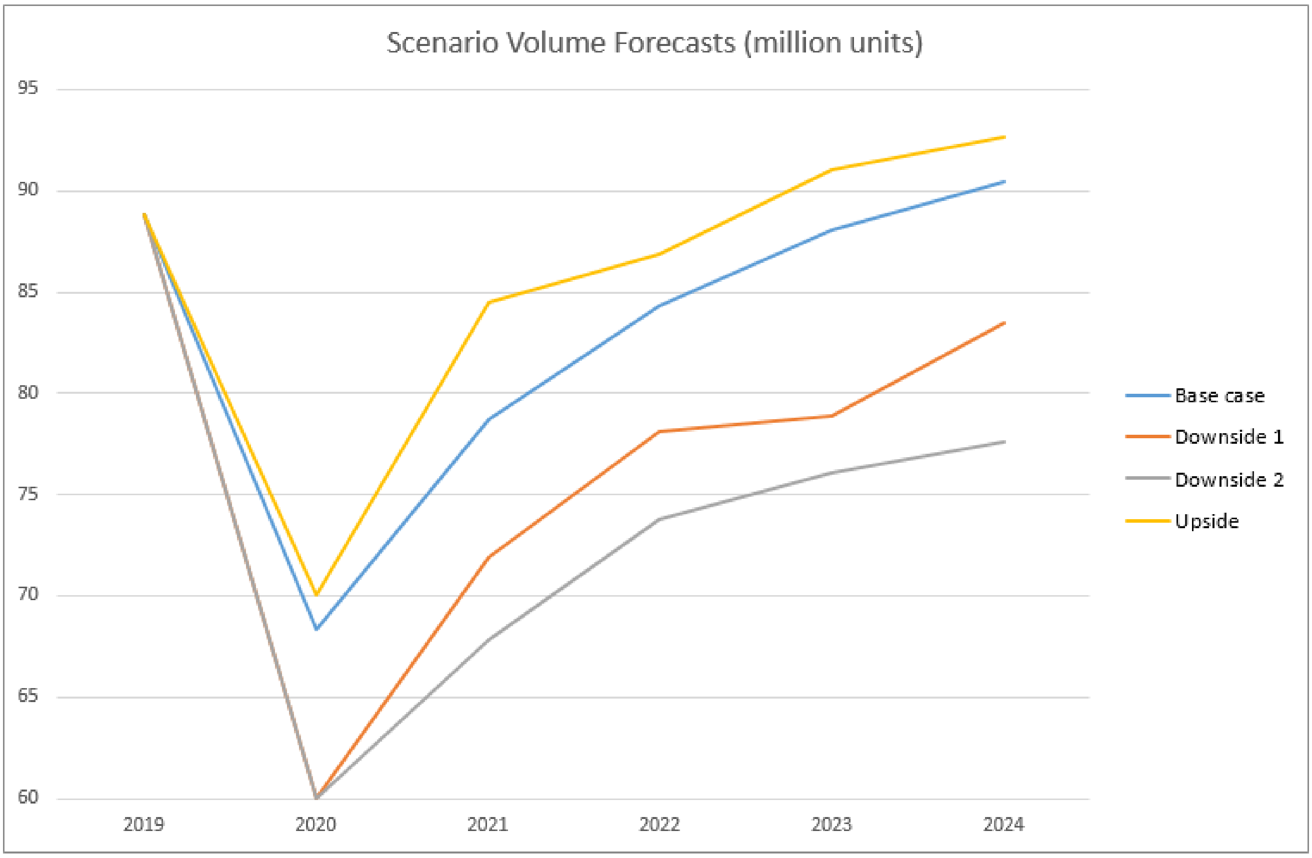
9.2. H1 2020 Impairment Test

The recoverable amount estimated in the H1 2020 impairment test for the CGUs was determined based on a value-in-use calculation. Due to the high level of uncertainty over future global automotive production volumes, management elected to use an 'expected cash flow' approach, as described in IAS 36, to obtain their estimate of future operating cash flows for each of the CGUs. To determine the expected cash flows, the Group established four volume scenarios which covered the period from 30 June 2020 to 30 June 2025, with relative probabilities then assigned to the operating cash flows arising from these scenarios. Weighted average operating cash flows across the scenarios were then calculated for inclusion in the discounted cash flow model.

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

The base case scenario utilised May 2020 IHS global light vehicle production forecasts. These forecasts exhibited a significant reduction in 2020 production units versus 2019, with a subsequent recovery profile that returned volumes to 2019 levels in 2024, a compound annual growth rate (CAGR) of 0.4%.

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



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

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

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

Assumptions

The key assumptions used in the value-in-use calculations were:

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

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

Refer to section 18.3 for the discount and growth rates used in both the H1 2020 and H2 2020 impairment models.

Sensitivity analysis

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

Where the H1 impairment test resulted in an impairment, or where at H1 management believed a reasonably possible change in assumption would cause a future impairment, sensitivity testing was performed.

The following table demonstrates the impact of changes in the H1 long-term expected growth rates and discount rates, in isolation, for CGUs deemed to be sensitive to such changes.

		H1 assumption		Impact of 100 BPS change	
	Recoverable amount €m	**Discount rate**	**Long-term expected growth rate**	**Discount rate €m**	**Long-term expected growth rate €m**
FCS-NA	437.2	15.3 %	2.0 %	32.7	20.1
FCS-EU	421.5	16.0 %	2.8 %	36.4	22.9
FTDS-NA	68.1	16.3 %	3.0 %	7.2	4.5
FTDS-EU	273.2	17.0 %	2.5 %	20.4	12.1

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

Assuming 100% probability weightings to each of the four H1 scenarios resulted in the following hypothetical impairments:

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

No impairments were recorded in FCS-AP and FTDS-AP due to more resilient production volume forecasts in the Asia Pacific region. Applying a 100% weighting to the Downside 2 scenario still resulted in recoverable amounts in excess of CGU net assets.

In response to the COVID-19 pandemic, management initiated a number of mitigating cost reduction schemes, including global restructuring programmes. Only savings from restructuring events that were appropriately authorised by management and communicated to the affected employees on or before 30 June 2020 were reflected in the H1 2020 forecast operating cash flows. The impact of restructuring activities undertaken subsequent to this date have been included in the H2 impairment test, see section 18.3 for further details.

9.3. H2 2020 Impairment Test

Due to continuing uncertainty over global automotive production volumes in the near and medium term, management performed an additional full impairment test as at 31 December 2020, to establish whether the recoverable amounts of CGU assets exceed their carrying values.

During the second half of 2020, automotive production volumes have shown some signs of stabilising, with actual 2020 global light vehicle production of 74.6 million units compared with 68.3 million forecast in the H1 2020 base case scenario.

As greater clarity emerges over the market response to the pandemic, management believe it is appropriate to reduce the number of scenarios used in the expected cash flow model to reflect a narrower range of plausible outcomes.

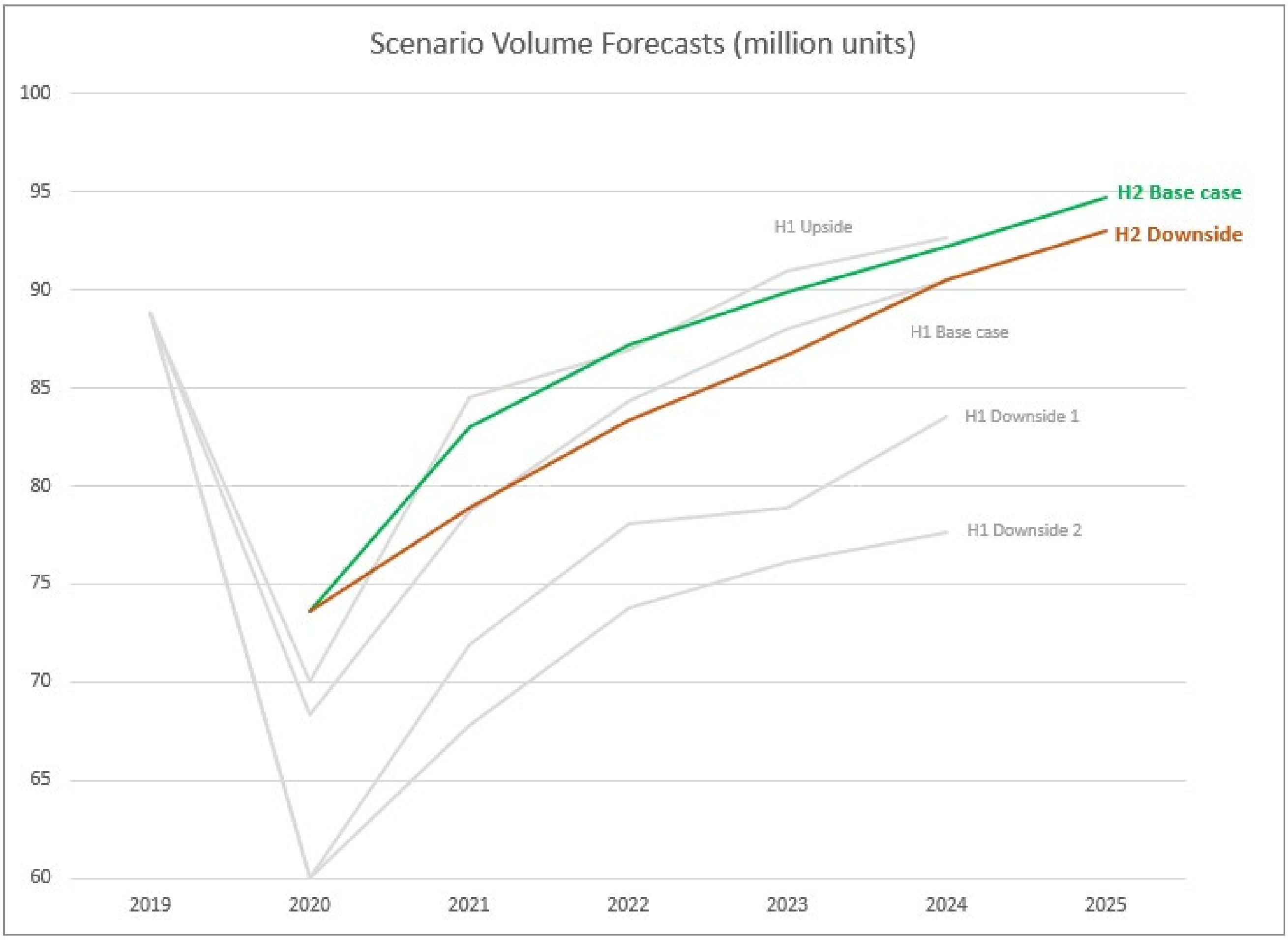
Accordingly, two scenarios have been established utilising IHS global light vehicle production forecasts; a 'base case' and a 'downside'.

The base case scenario uses November 2020 IHS volume forecasts, adjusted for product mix, pricing assumptions and market outperformance to establish forecast sales values. Contribution margin, fixed cost, research and development expenditure, capital expenditure and working capital management estimates are then applied to arrive at the forecast operating cash flows for inclusion in the value-in-use discounted cash flow model. Cash flows resulting from restructuring activities not announced at the reporting date and cash flows that are contingent on enhanced capital expenditure are excluded from the forecasts.

The downside scenario uses a more conservative volume forecast dataset issued by IHS and also incorporates risk adjustments, where appropriate, for potential programme losses, and longer term impacts to consumer demand arising from technological evolution in response to climate change and evolving mobilisation trends.

Management have considered the potential impacts of climate change on the impairment assessment. This has included risk adjusting forecast cash flows to capture uncertainty regarding possible future changes to environmental regimes and their impact on existing automotive market trends, including the transition to full electrification.

The below graph demonstrates the volume profile of these two scenarios across the five year medium-term plan horizon. These have been superimposed on to the H1 2020 volume scenarios for reference purposes.



The below table outlines the respective probabilities assigned to each of these scenarios as well as the 2020 actual production volumes and 2021 forecast production volumes, with corresponding growths rates over this period.

Scenario	Assigned probability	2020 global light vehicle production (million units)	2021 global light vehicle production management forecast (million units)	2020-2025 CAGR
Base case	85 %	74.6	83.0	4.9 %
Downside	15 %	74.6	78.9	4.5 %

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

Applying the weighted average operating cash flows from the two scenarios to the value-in-use calculation resulted in CGU headroom as outlined in the below table. This table also includes the goodwill and other asset impairments recorded in H1 2020, for context.

CGU	2020 H2 headroom (€m)	2020 H1 goodwill impairment (€m)	2020 H1 other asset impairments (€m)
FCS-NA	**85.2**	71.7	—
FCS-EU	**42.8**	77.7	—
FCS-AP	**260.5**	—	—
FCS-LA	**0.4**	—	6.3
FTDS-NA	**52.3**	—	88.8
FTDS-EU	**18.8**	34.8	22.2
FTDS-AP	**405.6**	—	—
FTDS-LA	**0.6**	—	3.1
	866.2	**184.2**	**120.4**

The outcome of the H2 2020 impairment test demonstrates that CGU recoverable amounts are in excess of their respective asset carrying values, and therefore no additional impairments have been recorded in the second half of 2020.

This observed increase in recoverable amount when compared to the H1 2020 impairment test is a result of improved external automotive volume forecasts in combination with the execution of internal cost saving initiatives and restructuring activities. To the extent that such activities were appropriately authorised by management, and communicated to the affected employees on or before 31 December 2020, the associated cash savings have been reflected in management's forecast of operating cash flows.

Whilst impairments recorded against goodwill cannot be reversed in a subsequent reporting period, management are required to monitor external and internal sources of information for indicators that previously recognised impairment losses for intangible assets, PP&E and leased right-of-use assets may have decreased or no longer exist. This is applicable to FCS-LA, FTDS-LA, FTDS-NA and FTDS-EU, where asset impairments, other than goodwill, were recorded at H1 2020.

Both Latin America CGUs were fully impaired at H1 2020, as a result of forecast negative cash flows. Although restructuring activities have been implemented during H2 2020 to mitigate these negative cash flows, uncertainty over the longer term economic viability of operations in this region lead management to conclude that it is appropriate to maintain the impairment losses as at 31 December 2020.

Despite positive headroom in FTDS-NA and FTDS-EU providing an indication that previously recognised impairment losses have decreased, management do not believe sufficient time has passed since recognising these impairment losses in H1 2020 to evidence a significant and prolonged improvement in the economic performance arising from the underlying CGU assets. Furthermore, as evidenced in the H2 2020 sensitivity analysis (below) reasonably possible changes to the estimates made in the H2 2020 impairment model may result in significant variations in resulting headroom over the short-term, particularly where market interruption caused by the COVID-19 pandemic persists.

Management will therefore continue to monitor external and internal sources during 2021, and until such a time that indicators of a sustained improvement in future CGU cash generation can be demonstrated with sufficient confidence, before contemplating the reversal of impairment losses.

Assumptions

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

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

Forecast operating cash flows were established using the respective volume scenarios and the resultant forecast demand for our products given those volumes. Product mix, pricing assumptions, market outperformance and working capital management actions were then applied to the forecast sales profiles.

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

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

	2020 H2		2020 H1		2019	
	FCS	**FTDS**	FCS	FTDS	FCS	FTDS
Pre-tax discount rates						
North America	**15.25 %**	**16.25 %**	15.25 %	16.25 %	13.75 %	14.75 %
Europe & Africa	**15.50 %**	**16.25 %**	16.00 %	17.00 %	15.50 %	16.50 %
Asia Pacific	**15.50 %**	**15.75 %**	16.00 %	16.50 %	15.50 %	15.75 %
Latin America	**26.00 %**	**24.50 %**	27.00 %	26.50 %	26.25 %	27.00 %
Long-term growth rates						
North America	**2.00 %**	**3.00 %**	2.00 %	3.00 %	2.50 %	3.50 %
Europe & Africa	**2.75 %**	**2.50 %**	2.75 %	2.50 %	3.25 %	3.00 %
Asia-Pacific	**5.00 %**	**4.75 %**	5.00 %	4.75 %	5.50 %	5.25 %
Latin America	**4.50 %**	**3.50 %**	4.50 %	3.50 %	5.00 %	4.00 %

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

Sensitivity analysis

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

Based on the observed level of headroom in FCS-AP, FTDS-AP, FCS-NA and FCS-EU, management do not believe a reasonably possible change in assumptions would impact the carrying value of CGU assets. When applying a 100% probability weighting to the downside scenario, all four CGUs still demonstrate positive headroom. Furthermore, the H1 2020 impairments in FCS-NA and FCS-EU were to goodwill only, which cannot be reversed in a subsequent reporting period.

Both Latin America CGUs were fully impaired at H1 2020 due to forecast operating losses, and as described above, despite implementing restructuring initiatives during H2 of 2020, management believe the economic environment in this region will not be conducive to reducing the previously recognised impairment losses in the short to medium term.

Sensitivity analysis has therefore been performed for FTDS-NA and FTDS-EU.

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

		H2 assumption		**Impact of 100 BPS change**	
	Recoverable amount €m	Discount rate	Long-term expected growth rate	Discount rate €m	Long-term expected growth rate €m
FTDS-NA	96.9	16.25 %	3.0 %	7.7	4.5
FTDS-EU	275.7	16.25 %	2.5 %	18.8	10.3

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

Assuming 100% probability weightings to each of the H2 scenarios resulted in the following hypothetical headroom / (impairment):

	As calculated (€m)	100% Base Case (€m)	100% Downside (€m)
FTDS-NA	52.3	60.3	7.3
FTDS-EU	18.8	27.8	(32.1)

10. Borrowings

	Note	**2020 €m**	2019 €m
Non-current:			
Secured loans:			
- Main borrowing facilities	10.4	**1,069.2**	1,148.4
- Other secured loans	10.5	**0.1**	0.1
Total non-current borrowings		**1,069.3**	1,148.5
Current:			
Secured loans:			
- Main borrowing facilities	10.4	**7.4**	2.3
- Other secured loans	10.5	**—**	0.1
Total current borrowings		**7.4**	2.4
Total borrowings		**1,076.7**	1,150.9
Main borrowing facilities	10.4	**1,076.6**	1,150.7
Other loans	10.5	**0.1**	0.2
Total borrowings		**1,076.7**	1,150.9

The main borrowing facilities are shown net of issuance discounts and fees of €25.3 million (2019: €23.8 million).

10.1. Movement in Total Borrowings

	Main borrowing facilities €m	**Other loans €m**	**Total borrowings €m**
At 1 January 2020	**1,150.7**	**0.2**	**1,150.9**
Accrued interest	**47.9**	**—**	**47.9**
Scheduled payments	**(53.1)**	**(0.1)**	**(53.2)**
Fees expensed	**8.0**	**—**	**8.0**
New borrowings	**213.6**	**—**	**213.6**
Fees paid on new borrowings	**(17.7)**	**—**	**(17.7)**
Voluntary repayments of borrowings	**(209.6)**	**—**	**(209.6)**
Currency translation	**(63.2)**	**—**	**(63.2)**
At 31 December 2020	**1,076.6**	**0.1**	**1,076.7**

New borrowings in the year consisted of a partial drawdown of the asset-backed loan of $25.0 million (€22.6 million), a draw down of the revolving credit facility of $125.0 million (€113.0 million) and an increase in the Euro tranche of the main borrowings of €78.0 million as a result of the Group's refinancing see Note 10.4.

Voluntary repayments of borrowings in the year consisted of a repayment of the asset-backed loan of $25.0 million drawn earlier in the year (€22.8 million), a repayment of the revolving credit facility drawn earlier in the year of $125.0 million (€106.2 million) and a repayment of the US dollar tranche of the main borrowings of $94.2 million (€80.6 million) as a result of the Group's refinancing.

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

10.2. Currency Denomination of Borrowings

	2020 €m	2019 €m
US dollar	**587.9**	731.5
Euro	**488.8**	419.4
Total borrowings	**1,076.7**	1,150.9

10.3. Maturity of Borrowings

	2020 €m	2019 €m
Less than one year	**7.4**	2.4
Between one and five years	**1,069.3**	1,148.5
Total borrowings	**1,076.7**	1,150.9

10.4. 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:

	2020 €m	2019 €m
Principal outstanding:		
US term loan	**603.1**	743.2
Euro term loan	**498.8**	424.4
Main borrowing facilities	**1,101.9**	1,167.6
Issuance discounts and fees	**(25.3)**	(16.9)
Main borrowing facilities	**1,076.6**	1,150.7

On 30 September 2020, the Group successfully executed a refinancing of its external borrowings. The key elements of the transaction were as follows:

- The Euro term loan of €422 million was extended from 30 June 2022 to 16 December 2024, the amount was increased by €78 million to €500 million, and the rate was increased by 1% from EURIBOR (minimum 0.75% p.a.) +2.75% p.a. to EURIBOR (minimum 0.75% p.a.) +3.75% p.a.
- The US dollar term loan of $834.2 million was extended from 30 June 2022 to 16 December 2024, the amount was decreased by $94.2 million to $740 million, and the rate was increased by 1.25% from US dollar LIBOR (minimum 0.75% p.a.) +2.5% p.a. to US dollar LIBOR (minimum 0.75% p.a.) +3.75% p.a. The loan also become repayable at $1.85 million per quarter until the final balance falls due on 16 December 2024. Prior to the refinancing, capital payments were not due during the remaining lifetime of the loan, as they had been prepaid as part of a voluntary repayment made in a prior year.
- The revolving credit facility ('RCF') of $125 million was increased by $100 million to $225 million and was extended from 16 July 2023 to 16 July 2024. The amount payable on the facility was increased from a range of US$ LIBOR +3.0% to US$ LIBOR + 3.5% p.a. (depending on leverage ratios) to a range of US$ LIBOR +3.0% to US$ LIBOR + 3.75% p.a. (depending on total net leverage ratio).
- The asset-backed loan facility of up to $100m (depending on the levels of inventory and receivables) was extinguished. This facility bore interest at US$ LIBOR +1.25% p.a., or US$ LIBOR +1.50% p.a. if drawings are over $50m. Unamortised transaction costs of $0.9 million (€0.8million) were released on the extinguishment of this loan and recognised as finance expense.

Directly attributable incremental fees of €17.7 million were capitalised as part of the transaction consisting of €7.1 million for the Euro term loan, $9.4 million (€8.3 million) for the US dollar term loan, and $2.6 million for the RCF (€2.3 million) to be released to the Income Statement over the remaining term of the term loans and the RCF facility.

Term loan

The principal outstanding of the US term loan in US dollars at 31 December 2020 is $738.2 million (2019: $834.2 million).

Following the Group's refinancing on 30 September 2020, the interest rate payable on the US term loan is three month US dollar LIBOR (minimum 0.75% p.a.) +3.75% p.a. and on the Euro term loan is three month EURIBOR (minimum 0.75% p.a.) +3.75% p.a. The US dollar term loan is repayable in amounts of $1.85 million per quarter until the balance falls due on 16 December 2024. Prior to the refinancing, capital payments were not due during the remaining lifetime of the loan, as they had been prepaid as part of a voluntary repayment made in a prior year. The Euro term loan is repayable in amounts of €1.25 million per quarter (€1.1 million per quarter before refinancing), with the balance also falling due on 16 December 2024.

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. In March 2020, the group terminated all these hedging instruments. Most of the instruments had original maturity dates of October 2020. Due to the market fluctuations at the start of the COVID-19 pandemic, the Group decided to crystallise these asset positions and convert them to cash.

Revolving Credit Facility and Asset-Backed Loan

Prior to the Group's refinancing, the revolving credit agreement provided a facility of up to $125.0 million. Drawings under this facility bore interest in a range of US$ LIBOR +3.0% to US$ LIBOR + 3.5% p.a. depending on the Group's leverage ratios. On 27 March 2020, the Group drew down the full amount available under the facility. The amount was repaid in full on 29 July 2020. After the Group's refinancing on 30 September 2020, the facility's interest rate was increased to bear interest in a range of US$ LIBOR +3.0% to US$ LIBOR + 3.75% p.a. (depending on total net leverage ratio). The facility was also increased by $100 million to $225 million, was extended from 16 July 2023 to 16 July 2024, and became available to be used to issue letters of credit on behalf of TI Group Automotive Systems LLC, a subsidiary undertaking. The facility is undrawn at 31 December 2020 (except for letters of credit see below).

The asset-backed loan ('ABL') provided up to $100.0 million depending upon the level of inventories and trade receivables in the Group's US and Canadian businesses. The facility was also available to be used to issue letters of credit on behalf of TI Group Automotive Systems LLC, a subsidiary undertaking. Drawings under the facility bore interest at US$ LIBOR +1.50% p.a. unless the drawings were below $50.0 million when the rate was US$ LIBOR +1.25% p.a. On 27 March 2020, the Group drew down $25.0 million under the facility. The amount was repaid in full on 21 May 2020. The facility was extinguished on 30 September 2020 as part of the Group's refinancing.

The net undrawn facilities under the agreements are shown below:

	2020		2019	
	$m	**€m**	$m	€m
Asset backed loan:				
Availability	**—**	**—**	77.7	69.2
Utilisation for letters of credit	**—**	**—**	(3.8)	(3.4)
Net undrawn asset backed loan facility	**—**	**—**	73.9	65.8
Revolving credit agreement	**225.0**	**183.8**	125.0	111.4
Utilisation for letters of credit	**(3.8)**	**(3.1)**	—	—
Net undrawn revolving credit facility	**221.2**	**180.7**	125.0	111.4
Main borrowings: net undrawn facilities	**221.2**	**180.7**	198.9	177.2

Issuance discounts and fees

Initial issuance discounts and fees from the 2015 agreements, brought forward at 1 January 2020 were €67.4 million. As a result of the refinancing, an additional €17.7 million of fees were capitalised in the year bringing the total fees capitalised to €85.1 million at 31 December 2020.

All capitalised fees are expensed using the effective interest rate method over the remaining terms of the facilities.

10.5. Other Secured Loans

A subsidiary in Spain has granted security over certain of its assets in return for credit facilities from its banks. The loan has total amortisation repayments of €54,000 per annum payable quarterly (2019: €54,000) and expires on 15 June 2022. The balance outstanding at 31 December 2020 is €115,000 (2019: €169,000).

10.6. Total Undrawn Borrowing Facilities

	2020 €m	2019 €m
Floating rate:		
Expiring within one year	**4.8**	6.1
Expiring after more than one year	**180.7**	177.2
Total at floating rate	**185.5**	183.3
Fixed rate:		
Expiring within one year	**3.8**	3.9
Total at fixed rate	**3.8**	3.9
Total at the end of the year	**189.3**	187.2

10.7. Movements in Net Borrowings and Lease liabilities

			Non-cash changes				
	At 1 January 2020 €m	**Cash flows €m**	**New leases €m**	**Fees expensed €m**	**Currency translation €m**	**Remeasurement and disposals €m**	**At 31 December 2020 €m**
Cash and cash equivalents	**411.7**	**110.6**	**—**	**—**	**(36.5)**	**—**	**485.8**
Financial assets at FVTPL	**0.9**	**—**	**—**	**—**	**—**	**—**	**0.9**
Borrowings	**(1,150.9)**	**19.0**	**—**	**(8.0)**	**63.2**	**—**	**(1,076.7)**
Total net borrowings	**(738.3)**	**129.6**	**—**	**(8.0)**	**26.7**	**—**	**(590.0)**
Lease liabilities	**(166.7)**	**28.6**	**(17.9)**	**—**	**7.0**	**(2.0)**	**(151.0)**
Net borrowings and Lease liabilities	**(905.0)**	**158.2**	**(17.9)**	**(8.0)**	**33.7**	**(2.0)**	**(741.0)**

			Non-cash changes				
	At 1 January 2019 €m	Cash flows €m	New leases €m	Fees expensed €m	Currency translation €m	Remeasurement and disposals €m	At 31 December 2019 €m
Cash and cash equivalents	360.1	48.2	—	—	3.4	—	411.7
Financial assets at FVTPL	1.2	(0.3)	—	—	—	—	0.9
Borrowings	(1,181.7)	54.8	—	(7.7)	(16.3)	—	(1,150.9)
Total net borrowings	(820.4)	102.7	—	(7.7)	(12.9)	—	(738.3)
Lease liabilities	(147.0)	27.1	(47.5)	—	—	0.7	(166.7)
Net borrowings and lease liabilities	(967.4)	129.8	(47.5)	(7.7)	(12.9)	0.7	(905.0)

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

	2020 **€m**	2019 €m
Proceeds from new borrowings	**(213.6)**	—
Fees paid on proceeds from new borrowings	**17.7**	0.3
Voluntary repayments of borrowings	**209.6**	50.0
Scheduled repayments of borrowings	**5.3**	4.5
Lease principal repayments	**28.6**	27.1
Cash outflows from financing activities arising from changes in financial liabilities	**47.6**	81.9
Borrowings cash flows	**19.0**	54.8
Lease liabilities cash flows	**28.6**	27.1
Cash outflows from financing activities arising from changes in financial liabilities	**47.6**	81.9

11. Retirement Benefit Obligations

11.1. Defined Benefit Arrangements in the Primary Financial Statements

a. Balance Sheet

Net liability	**US pensions €m**	**Other pensions €m**	**US healthcare €m**	**Other post employment liabilities €m**	**Total €m**
Present value of retirement benefit obligations	**(209.2)**	**(117.9)**	**(33.8)**	**(95.3)**	**(456.2)**
Fair value of plan assets	**156.9**	**115.4**	**—**	**26.8**	**299.1**
Asset ceiling	**—**	**(3.6)**	**—**	**—**	**(3.6)**
Net liability at 31 December 2020	**(52.3)**	**(6.1)**	**(33.8)**	**(68.5)**	**(160.7)**

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

b. Income Statement

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

Net expense	**US pensions €m**	**Other pensions €m**	**US healthcare €m**	**Other post employment liabilities €m**	**Total €m**
Current service cost	**(0.2)**	**(1.3)**	**—**	**(7.2)**	**(8.7)**
Settlement / curtailment gain	**2.1**	**—**	**—**	**0.1**	**2.2**
Net interest (expense)/income	**(2.4)**	**0.1**	**(1.0)**	**(0.8)**	**(4.1)**
Total expense year ended 31 December 2020	**(0.5)**	**(1.2)**	**(1.0)**	**(7.9)**	**(10.6)**

Net expense	US pensions €m	Other pensions €m	US healthcare €m	Other post employment liabilities €m	Total €m
Current service cost	(0.1)	(1.1)	—	(6.9)	(8.1)
Settlement gain	9.1	—	—	0.2	9.3
Net interest (expense)/income	(2.3)	0.2	(1.3)	(1.2)	(4.6)
Total income/(expense) for the year ended 31 December 2019	6.7	(0.9)	(1.3)	(7.9)	(3.4)

During 2020, a settlement gain of €2.1 million (2019: €9.1 million) was recognised following a buyout offering of the Group's US pension plan.

11.2. Sensitivity analysis

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

		2020		2019	
Decrease/(increase) in DBO	**Change in assumption**	**Increase €m**	**Decrease €m**	Increase €m	Decrease €m
Discount rate	0.5 %	**30.9**	**(36.2)**	29.5	(34.7)
Inflation rate	0.5 %	**(11.1)**	**11.0**	(8.7)	9.7
Salary growth rate	0.5 %	**(3.7)**	**3.5**	(3.3)	3.1
Life expectancy	1 year	**(16.3)**	**16.4**	(15.7)	15.2
Healthcare cost trend: Initial rate	0.5 %	**(1.4)**	**1.3**	(1.4)	1.3

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

12. Provisions

Movements in provisions are as follows:

	Product warranty €m	**Restructuring €m**	**Other €m**	**Total €m**
At 1 January 2020	**13.9**	**5.1**	**5.3**	**24.3**
Provisions made during the year	**15.0**	**16.1**	**0.2**	**31.3**
Provisions used during the year	**(12.1)**	**(2.6)**	**(0.3)**	**(15.0)**
Non cash movements	**—**	**(7.0)**	**—**	**(7.0)**
Provisions reversed during the year	**(1.5)**	**—**	**—**	**(1.5)**
Utilisation of discount	**—**	**—**	**(0.1)**	**(0.1)**
Currency translation	**(0.7)**	**(0.6)**	**(0.2)**	**(1.5)**
At 31 December 2020	**14.6**	**11.0**	**4.9**	**30.5**

Total provisions:

	2020	2019
	€m	€m
Non-current	**4.9**	5.0
Current	**25.6**	19.3
Total provisions	**30.5**	24.3

Product warranty

The majority of product warranty provisions relate to specific customer issues, and are based upon open negotiations and past customer claims experience. Utilisation of the warranty provision is expected in 2021.

Restructuring

Restructuring provisions comprise planned headcount reductions and similar costs of balancing production capacity with market requirements. The charge for the period, primarily severance, of €19.5 million is offset by the €3.4 million net gain on the disposal of properties related to the restructuring activities. Cash paid in the period of €13.0 million has been offset by proceeds on disposal of these properties of €10.4 million. The provision at 31 December 2020 relates to global restructuring initiatives in response to reduced output following the COVID-19 pandemic. The balance is expected to be fully utilised in 2021.

Other provisions

Other provisions at 31 December 2020 comprise provisions for disputed claims for indirect taxes totalling €0.7 million (2019: €1.2 million) and asset retirement obligations totalling €4.2 million (2019: €4.1 million). Asset retirement obligations are linked to the useful lives of the underlying assets, with expected utilisation ranging from 2021 to 2025. The indirect tax provisions are expected to be utilised over the next 5 years.

13. Cash Generated from Operations

	2020 €m	2019 €m
(Loss)/profit for the year	**(252.2)**	144.6
Income tax expense before exceptional items	**28.1**	57.1
Exceptional income tax credit	**(29.7)**	—
(Loss)/profit before income tax	**(253.8)**	201.7
Adjustments for:		
Depreciation, amortisation and impairment charges	**213.2**	229.9
Exceptional impairment charges	**304.6**	—
Loss on disposal of PP&E and intangible assets	**0.5**	1.6
Gain on disposal of PP&E in restructuring costs	**(3.4)**	—
Share-based payment excluding social security costs	**0.9**	1.4
Net finance expense	**74.0**	57.5
Unremitted share of (loss)/profit from associates	**4.0**	0.2
Net foreign exchange gains	**(27.2)**	(0.5)
Changes in working capital:		
- Inventories	**—**	(10.8)
- Trade and other receivables	**38.6**	(0.4)
- Trade and other payables	**24.3**	13.9
Change in provisions	**7.8**	(4.9)
Change in retirement benefit obligations	**(9.1)**	(12.4)
Total	**374.4**	477.2