IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") WITHIN THE MEANING OF RULE 144A ("RULE 144A") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR (2) PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND WHO ARE OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (THE "EEA") OR THE UNITED KINGDOM, NOT A RETAIL INVESTOR).

IMPORTANT: **You must read the following before continuing.** The following applies to the preliminary offering memorandum following this notice (the "offering memorandum"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. The offering memorandum has been prepared in connection with the proposed offering and sale of the securities described therein. The offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THE OFFERING MEMORANDUM CONTRARY TO ANY OF THE FORGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED TO, AND WILL NOT BE ABLE TO, PURCHASE ANY OF THE NOTES.

Confirmation of your representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities described therein, investors must be either (1) QIBs or (2) persons who are not U.S. persons (as defined in Regulation S) and who are outside the United States in an offshore transaction outside the United States in reliance on Regulation S; *provided* that investors resident in a member state of the EEA or the United Kingdom are not retail investors (as defined herein). The offering memorandum is being sent at your request. By accepting the e-mail or other electronic transmission and accessing the offering memorandum, you shall be deemed to have represented to each of the Initial Purchasers (as defined in the offering memorandum), being the senders of the offering memorandum, that:

1. you consent to delivery of the offering memorandum by electronic transmission; and
2. either you and any customers you represent are:
    (a) QIBs; or
    (b) (i) not U.S. persons and (ii) the e-mail address that you gave us and to which the electronic transmission has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia; and
3. if you are resident in a member state of the EEA or the United Kingdom, you are not a retail investor.

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the Securities Act pursuant to Rule 144A.

You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and an Initial Purchaser or any affiliate of an Initial Purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Initial Purchaser or such affiliate on behalf of TI Automotive Finance plc, a public company limited by shares organized under the laws of England and Wales (the "Issuer"), in such jurisdiction. Under no circumstances shall the offering memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The offering memorandum has not been approved by an authorized person in the United Kingdom and is for distribution only to persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order")), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this offering memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person. No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to us.

Prohibition of Sales to EEA Retail Investors: The securities described in the attached offering memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"), (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The attached offering memorandum has been prepared on the basis that any offer of securities in any Member State of the EEA that is subject to the Prospectus Regulation will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of securities.

Prohibition of Sales to UK Retail Investors: The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in the UK has been prepared and, therefore, offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The attached offering memorandum has been prepared on the basis that any offer of the securities in the UK will be made pursuant to an exemption under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "UK Prospectus Regulation") from a requirement to publish a prospectus for offers of securities. The attached offering memorandum is not a prospectus for the purpose of the UK Prospectus Regulation.

MiFID II Product Governance / Professional investors and ECPs only target market: Solely for the purposes of the product approval process of the manufacturers, the target market assessment in respect of the securities described in the offering memorandum has led to the conclusion that: (i) the target market for such securities is eligible counterparties ("ECPs") and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of such securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such securities (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR Product Governance / Professional Investors and ECPs Only Target Market: Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the securities has led to the conclusion that: (i) the target market for the such securities is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; and (ii) all channels for distribution of such securities to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of such securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

The offering memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers, any person who controls the Initial Purchasers, the Issuer, or the Guarantors (as defined in the offering memorandum), nor any of their respective directors, officers, employees, agents or affiliates of the foregoing entities or persons, accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic form and the hard copy version available to you on request from the Initial Purchasers.

This preliminary offering memorandum is being distributed for information purposes only and is subject to completion and amendment (which may be material) without notice. The definitive terms of the transaction will be described in the final version of this offering memorandum. This preliminary offering memorandum shall not, and is not intended to, constitute or contain any offer or invitation to sell or the solicitation of any offer to buy and may not be used as, or in connection with, any offer or invitation to sell or a solicitation of any offer to buy any of the Notes.

SUBJECT TO COMPLETION, DATED APRIL 6, 2021

PRELIMINARY OFFERING MEMORANDUM
STRICTLY CONFIDENTIAL

NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

TI Fluid Systems

TI Automotive Finance plc
€600,000,000 % Senior Notes due 2029

TI Automotive Finance plc, a public company limited by shares organized under the laws of England and Wales (the "Issuer"), is offering (the "Offering") €600,000,000 aggregate principal amount of its % Senior Notes due 2029 (the "Notes"). The proceeds of the Offering will be used, together with cash on hand, (i) to repay a portion of the borrowings outstanding under our Senior Secured Term Loan Facilities (as defined herein) and (ii) to pay fees and expenses related to the Transactions (as defined herein). The Issuer is an indirect, wholly owned subsidiary of TI Fluid Systems plc ("TIFS"), a public company limited by shares organized under the laws of England and Wales.

The Notes will bear interest at a rate of % per annum. The Notes will mature on , 2029. The Issuer will pay interest on the Notes semi-annually in arrears on each of and , commencing on , 2021.

All or a portion of the Notes may be redeemed at any time prior to , 2024, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date, plus a "make-whole" premium, as described in this offering memorandum. At any time prior to , 2024, up to 40% of the aggregate principal amount of the Notes may be redeemed with the net proceeds of one or more specified equity offerings at a redemption price equal to % in respect of the Notes so redeemed, plus accrued and unpaid interest and additional amounts, if any, on such Notes to, but excluding, the redemption date, subject to certain other terms described herein. The Notes may be redeemed at any time on or after , 2024, at the redemption prices set forth in this offering memorandum.

Upon the occurrence of certain defined events constituting a change of control combined with a rating event (each, as defined herein), each holder of the Notes may require the Issuer to repurchase all or a portion of the Notes at a price equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and additional amounts, if any, on such Notes to, but excluding, the repurchase date. In the event of certain developments affecting taxation that become effective after the Issue Date, the Issuer may elect to redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to the date of redemption.

On the Issue Date, the Notes will be guaranteed, jointly and severally, by the Guarantors (as defined herein) on a senior basis. The validity and enforceability of the Notes Guarantees (as defined herein) and the liability of each Guarantor will be subject to certain limitations. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees*." The Notes Guarantees may be released under certain circumstances.

There is currently no public market for the Notes. Application will be made to The International Stock Exchange Authority Limited (the "Authority") for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (the "Exchange"). There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained. The Exchange is not a regulated market pursuant to the provisions of Directive 2014/65/EU on markets in financial instruments, as amended.

Investing in the Notes involves a high degree of risk. See "Risk Factors" beginning on page 21.

Issue price for the Notes: %

None of the Notes and the Notes Guarantees thereof have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act ("Rule 144A") and to non-U.S. persons who are outside the United States in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S"). You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "*Notice to Certain Investors*" and "*Transfer Restrictions*" for additional information about eligible offerees and transfer restrictions.

The Notes will initially be issued in the form of registered global notes. The Notes will be issued in registered form in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Notes are expected to be delivered to investors in book entry form through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"), in each case, on or about , 2021 (the "Issue Date").

Co-Lead Joint Bookrunners
(listed in alphabetical order)

Barclays **Deutsche Bank** **J.P. Morgan**
(Billing & Delivery)

Joint Bookrunners

BNP PARIBAS **Citigroup** **Goldman Sachs Bank Europe SE**

Mizuho Securities **RBC Capital Markets**

The date of this offering memorandum is , 2021.

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In making an investment decision, you should rely only on the information contained in this offering memorandum. None of the Issuer, the Guarantors or any of the Initial Purchasers (as defined herein) has authorized anyone to provide you with information that is different from the information contained herein. If you receive any other information, any such information should not be relied upon.

None of the Issuer, the Guarantors or any of the Initial Purchasers is making an offer of Notes in any jurisdiction where this Offering is not permitted.

You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front cover of this offering memorandum.

IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO U.S. PERSONS UNLESS THE NOTES ARE REGISTERED UNDER THE SECURITIES ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE. SEE "*PLAN OF DISTRIBUTION*" AND "*TRANSFER RESTRICTIONS*." INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A UNDER THE SECURITIES ACT.

You should rely only on, and base your decision to invest in the Notes solely on, the information contained in this offering memorandum. None of the Issuer, the Guarantors, or any of the Initial Purchasers have authorized anyone to provide prospective investors with different information, and you should not rely on any such information. You should assume that the information contained in this offering memorandum is accurate only as of the date on the front of this offering memorandum or otherwise as of the date specifically referred to in connection with the particular information.

This offering memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this offering memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this offering memorandum. You must also obtain any consents or approvals that you need in order to purchase any Notes. None of the Issuer, the Guarantors, the Group (as defined herein), or any of the Initial Purchasers are responsible for your compliance with these legal requirements.

The Notes are subject to restrictions on transferability and resale, which are described under the caption "*Transfer Restrictions*." By possessing this offering memorandum or purchasing any Notes, you will be deemed to have represented and agreed to all of the provisions contained in that section of this offering memorandum. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. None of the Issuer, the Guarantors or the Initial Purchasers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. Neither the Issuer nor any Guarantor makes any representation to you that the Notes are a legal investment for you. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose.

None of the Issuer, the Guarantors, the Group or the Initial Purchasers or any of their respective representatives are providing you with any legal, business, tax or other advice in this offering memorandum. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

You should base your decision to invest in the Notes solely on information contained in this offering memorandum. This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of certain of the documents referred to herein will be made available to prospective investors upon request to us or set forth under the caption "*Where You Can Find Other Information*."

By purchasing the Notes, you will be deemed to have acknowledged that you have reviewed this offering memorandum and have had an opportunity to request, and have received all additional information that you need from us. No person is authorized in connection with any offering made pursuant to this offering memorandum to give any information or to make any representation not contained in this offering memorandum or any pricing term sheet or supplement and, if given or made, any other information or representation must not be relied upon as having been authorized by the Issuer, the Group or the Initial Purchasers. Neither the Trustee, the Security Agent, the Paying Agent, the Registrar, the Transfer Agent nor any other agent acting with respect to the Notes is responsible for the contents of this offering memorandum or expresses any opinion as to the merits of the Notes under this offering memorandum.

The information contained in this offering memorandum is accurate as of the date hereof. The Issuer's and the Guarantors' business, financial condition or other information contained in this offering memorandum may change after the date hereof. Neither the delivery of this offering memorandum at any time after the date of publication nor any subsequent commitment to purchase the Notes shall, under any circumstances, create an implication that there has been no change in the information set out in this offering memorandum or in our business since the date of this offering memorandum.

None of the Initial Purchasers, the Trustee, the Paying Agent, the Registrar, the Transfer Agent, the Group or any other agent acting with respect to the Notes accept responsibility for and make no representation or warranty, express or implied, as to the accuracy or completeness of the information set out in this offering memorandum and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation by the Initial Purchasers, the Trustee, the Paying Agent, the Registrar, the Transfer Agent or any other agent acting with respect to the Notes as to the past or the future. By receiving this offering memorandum, you acknowledge that you have not relied on the Initial Purchasers, the Trustee, the Paying Agent, the Registrar, the Transfer Agent, the Group or their respective directors, affiliates, advisers and agents in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes. The Initial Purchasers disclaim all and any liability whether arising in tort, contract or otherwise which they may otherwise have in relation to this offering memorandum or any information contained herein. The Initial Purchasers do not undertake to review the financial condition or affairs of the Issuer or any Guarantor during the life of the Notes or to advise any investor or potential investor in the Notes of any information coming to the attention of any Initial Purchaser. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by any of the Initial Purchasers as to the past or future.

We reserve the right to withdraw this Offering at any time. We and the Initial Purchasers each reserve the right to reject any offer to purchase the Notes, in whole or in part, and to allot to any prospective purchaser less than the amount of the Notes sought by it. The Initial Purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes.

This offering memorandum is a confidential document that we are providing only to prospective purchasers of the Notes and has only been prepared in connection with the Offering. You must not make copies of any part of this offering memorandum or give a copy of it to any other person, or disclose any information in this offering memorandum to any other person.

By accepting delivery of this offering memorandum, you agree to the foregoing and agree not to use any information herein for any purpose other than considering an investment in the Notes. This offering memorandum may be used only for the purpose for which it was published.

The Notes will be available in book-entry form only. The Issuer expects that the Notes offered and sold in the United States to qualified institutional buyers in reliance upon Rule 144A will initially be represented by beneficial interests in one or more permanent global notes in registered form without interest coupons attached (the "Rule 144A Global Notes"). The Notes sold outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes" and together with the Rule 144A Global Notes, the "Global Notes"). On the Issue Date, the Global Notes will be deposited upon issuance with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book Entry, Delivery and Form*," is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. We will not, nor will the Trustee, the Paying Agent, the Registrar, the Transfer Agent nor any of our or their respective agents, have responsibility for the performance of the respective obligations of Euroclear and Clearstream or their respective participants under the rules and procedures governing their operations, nor will we, the Trustee, the Paying Agent, the Registrar, the Transfer Agent or our or their respective agents have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to these book entry interests. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures.

There is currently no market for the Notes. Application will be made to the Authority for the listing of and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that permission to deal in the Notes will be granted or that such listing will be maintained, and settlement of the Notes is not conditioned on obtaining this listing.

EXTENDED SETTLEMENT

Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days (as such term is used for purposes of Rule 15c6 1 of the U.S. Exchange Act) unless the parties to any such trade expressly agree otherwise. We expect that delivery of the Notes will be made against payment on or about the date specified on the cover page of this offering memorandum, which will be business days following the date of pricing of the Notes (this settlement cycle is being referred to as "T+ "). Accordingly, purchasers who wish to trade such Notes on the date of this offering memorandum or the next succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

STABILIZATION

IN CONNECTION WITH THE OFFERING, J.P. MORGAN SECURITIES PLC (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL OTHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE ANY STABILIZING ACTION. ANY STABILIZING ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THIS OFFERING IS MADE. SUCH STABILIZING ACTION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, BUT MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON THE STABILIZING MANAGER'S BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "*PLAN OF DISTRIBUTION*."

NOTICE TO CERTAIN INVESTORS

United States

None of the U.S. Securities and Exchange Commission, any state securities commission or any other regulatory authority has reviewed or approved or disapproved of the Notes or the Notes Guarantees, and none of the foregoing authorities have passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense under the laws of the United States and could be a criminal offense in certain other jurisdictions.

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this offering memorandum under "*Transfer Restrictions*." The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any note may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see "*Transfer Restrictions*."

European Economic Area

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"), (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

This offering memorandum has been prepared on the basis that any offer of Notes in any Member State of the EEA that is subject to the Prospectus Regulation will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of securities.

MiFID II Product Governance

Solely for the purposes of the product approval process of the manufacturers, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties ("ECPs") and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

United Kingdom

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "Relevant Persons"). This offering memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this offering memorandum relates is permitted only by Relevant Persons and will be engaged in only with Relevant Persons.

Prohibition of Sales to UK Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This offering memorandum has been prepared on the basis that any offer of the Notes in the UK will be made pursuant to an exemption under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "UK Prospectus Regulation") from a requirement to publish a prospectus for offers of securities. This offering memorandum is not a prospectus for the purpose of the UK Prospectus Regulation.

UK MiFIR Product Governance

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the securities has led to the conclusion that: (i) the target market for the such securities is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; and (ii) all channels for distribution of such securities to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of such securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

The offering memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers, any person who controls the Initial Purchasers, the Issuer, or the Guarantors (as defined in the offering memorandum), nor any of their respective directors, officers, employees, agents or affiliates of the foregoing entities or persons, accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic form and the hard copy version available to you on request from the Initial Purchasers.

Canada

The new notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the new notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Germany

The Offering is not a public offering in the Federal Republic of Germany. The Notes may not be offered and sold in the Federal Republic of Germany except in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz*) (as amended, the "German Securities Prospectus Act"), the Prospectus Regulation and any other laws applicable in Germany. No application will be made under German law to permit a public offer of the Notes in the Federal Republic of Germany. This Offering Memorandum has not been and will not be submitted to, nor has it been nor will it be approved by, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("BaFin"). BaFin has not obtained and will not obtain a notification from another competent authority of a member state of the European Union (each a Member State), with which a securities prospectus may have been filed, pursuant to Article 25 of the Prospectus Regulation. The Notes must not be distributed within Germany by way of a public offer, public advertisement or in any similar manner, and this Offering Memorandum and any other document relating to the Notes, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of Notes to the public in Germany. Consequently, in Germany the Notes will only be available to, and this Offering Memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 3 of the German Securities Prospectus Act in connection with Article 2 lit. e of the Prospectus Regulation or who are subject of another exemption in accordance with Article 1 of the Prospectus Regulation. Any resale of the Notes in Germany may only be made in accordance with the German Securities Prospectus Act, the Prospectus Regulation and other applicable laws.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and No advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purposes of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. The securities may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Notes may not be offered or sold or be made the subject of an invitation for subscription or purchase, and this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, may not be circulated or distributed, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275, of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Switzerland

This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland within the meaning of the Swiss Financial Services Act ("FinSA") and will not be admitted to any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to FinSA, and neither this offering memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements, including statements about market consolidation and our strategy, investment program, future operations, prospects, growth, goals, targets, industry forecasts, expected acquisitions, transactions and investments, and target levels of liquidity, leverage and indebtedness. Forward-looking statements provide our current expectations, intentions or forecasts of future events. Forward-looking statements include statements about expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not statements of historical fact. Words or phrases such as "aim," "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would" or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Our actual results could differ materially from those expected in our forward-looking statements for many reasons, including the factors described in "*Risk Factors*." In addition, even if our actual results are consistent with the forward-looking statements contained in this offering memorandum, those results or developments may not be indicative of results or developments in subsequent periods. For example, factors that could cause our actual results to vary from projected future results include, but are not limited to:

- the impact of economic conditions and trends in automobile sales and production;
- risks related to the COVID-19 pandemic;
- the high level of competition in the markets in which we operate;
- our ability to keep pace with technological changes and evolving industry standards with respect to regulation, emissions and fuel economy;
- legal, political and economic uncertainty surrounding the expected exit of the United Kingdom from the European Union;
- our ability to keep pace with changes in consumer demand and preferences;
- the risk of our OEM customers decreasing production;
- the impact of pricing pressure;
- the risks associated with warranty claims, product liability and product recalls;
- the cost of raw materials and other supplies;
- the risk of a significant loss or disruption at our manufacturing facilities;
- disruptions in the supply of materials and components that we, our suppliers or our customers use;
- our ability to forecast our production requirements and OEM demand;
- the impact of currency exchange rate fluctuations;
- the impact of labor disruptions on our business;
- our ability to fund our pension and other post-retirement benefit obligations;
- our ability to realize the benefits of any acquisitions we make;
- our ability to retain key personnel;
- the risks associated with doing business globally;
- the impact of any failure or disruption to our information technology networks and systems;
- the adequacy of our insurance coverage;
- risks related to the Offering, our capital structure and the Notes; and
- other factors discussed under "*Risk Factors*."

These risks are not exhaustive. Other sections of this offering memorandum describe additional factors that could adversely affect our financial position, results of operations and liquidity and developments in the markets and industries in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. We urge you to read this entire offering memorandum, including the sections entitled, "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and "*Business*" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate.

Any forward-looking statements are only made as at the date of this offering memorandum, and we do not intend, and do not assume any obligation, to update forward-looking statements set out in this offering memorandum. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this offering memorandum. As a result, you should not place undue reliance on these forward-looking statements.

INDUSTRY AND MARKET DATA

Certain information used in this offering memorandum has been obtained from IHS Inc. ("IHS").

The IHS reports and information referenced herein (the "IHS Materials") are the copyrighted property of IHS and represent data, research, opinions or viewpoints published by IHS, and are not representations of fact. IHS conducted this analysis and prepared the IHS Materials utilizing reasonable skill and care in applying methods of analysis consistent with normal industry practice. Forecasts are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen including the actions of government, individuals, third parties and competitors. The IHS Materials speak as of the original publication date thereof (and not as of the date of this offering memorandum). The information and opinions expressed in the IHS Materials are subject to change without notice and IHS has no duty or responsibility to update the IHS Materials. Moreover, while the IHS Materials reproduced herein are from sources considered reliable, the accuracy and completeness thereof are not warranted, nor are the opinions and analyses which are based upon it. To the extent permitted by law, IHS shall not be liable for any errors or omissions or any loss, damage or expense incurred by reliance on the IHS Materials or any statement contained therein, or resulting from any omission. NO IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE SHALL APPLY. The IHS Materials are not to be construed as legal or financial advice, are supplied without obligation and on the understanding that any person who acts upon the IHS Materials or otherwise changes his/her position in reliance thereon does so entirely at his/her own risk. The IHS Materials were prepared for the sole benefit of IHS' client for IHS' client's internal business use. No portion of the IHS Materials may be reproduced, reused, or otherwise distributed in any form without the prior written consent of IHS. IHS Materials reproduced or redistributed with IHS' permission must display IHS' legal notices and attributions of authorship. IHS and the IHS globe design are trademarks of IHS. Other trademarks appearing in the IHS Materials are the property of IHS or their respective owners.

Some of the information herein has also been extrapolated from market data, reports, surveys and studies using our experience and internal estimates. Elsewhere in this offering memorandum, statements regarding the industry in which we operate, our position in this industry and the size of certain markets are based solely on our experience, internal studies, estimates and surveys, and our own investigation of market conditions.

None of the Issuer, the Guarantors or the Initial Purchasers accepts responsibility for the factual correctness of any such statistics or information obtained from third parties. While the Issuer believes this information to be reliable, it has not been independently verified, and we do not make any representation or warranty as to the accuracy or completeness of such information set forth in this offering memorandum. See "*Forward-looking Statements*." Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. Additionally, industry publications and reports from management consultants generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. We cannot therefore assure you of the accuracy and completeness of such information as we have not independently verified such information.

TRADEMARKS AND TRADE NAMES

The Group owns or has rights to certain trademarks, trade names or service marks that it uses in connection with the operation of its business. The Group asserts, to the fullest extent under applicable law, its rights to its trademarks, trade names and service marks. Each trademark, trade name or service mark of any other company appearing in this offering memorandum belongs to its holder.

Solely for convenience, the trademarks, trade names and copyrights referred to in this offering memorandum are listed without the TM, ® and © symbols.

CERTAIN DEFINITIONS

In this offering memorandum:

"AEV"	means autonomous electric vehicles;
"BEV"	means battery electric vehicles;
"Clearstream"	means Clearstream Banking S.A. or any successor thereof;
"COVID-19"	means the infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2);
"EEA"	means the European Economic Area;
"EU"	means the European Union;
"EUR TLB Facility"	means the euro-denominated term loans made available under the Senior Term Facilities Agreement;
"Euroclear"	means Euroclear Bank SA/NV or any successor thereof;
"Group," "we," "us" or "our"	means TI Fluid Systems plc, a public limited company organized under the laws of England and Wales, and its consolidated subsidiaries, unless the context suggests otherwise;
"Guarantors"	means, collectively, Hanil USA, L.L.C., Omega Acquisition Bidco Limited, TI Automotive (China) Limited, TI Automotive Ligonier Corporation, TI Automotive (Ettlingen) GmbH, TI Automotive (Fuldabrück) GmbH, TI Automotive (Heidelberg) GmbH, TI Automotive Canada Holdings Limited, TI Automotive Canada Inc., TI Automotive Engineering Centre (Heidelberg) GmbH, TI Automotive Euro Holdings Limited, TI Automotive German Holdings (UK) Limited, TI Automotive Holdings GmbH, TI Automotive Systems Germany GmbH, TI Automotive Holdings Limited, TI Automotive Limited, TI Automotive Technology Center GmbH, TI Automotive USA Holdings Limited, TI Automotive, L.L.C., TIFS Holdings Limited, TI Group Automotive Systems (Belgium) SA, TI Group Automotive Systems (Deeside) Limited, TI Group Automotive Systems (UK) Limited, TI Group Automotive Systems Limited, TI Group Automotive Systems, L.L.C., TI Poland Sp. z o.o., TI Automotive Korean Won Hedgeco Limited and TI Automotive Korean Won Hedgeco II Limited;
"HEV"	means hybrid electric vehicles;
"ICE"	means internal combustion engine.
"IFRS"	means, as applied to financial data derived from the audited consolidated financial statements of the Group as of and for the year ended December 31, 2020, international accounting standards in conformity with the requirements of the Companies Act 2006, and, as applied to financial data derived from the audited consolidated financial statements of the Group as of and for the year ended December 31, 2019, International Financial Reporting Standards as adopted by the European Union;
"Indenture"	means the indenture governing the Notes, dated as of the Issue Date, by and among, *inter alios*, the Issuer and the Trustee;

"Initial Purchasers"	means Barclays Bank plc, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc, BNP Paribas, Citigroup Global Markets Limited, Goldman Sachs Bank Europe SE, Mizuho International plc and RBC Europe Limited, collectively;
"Issue Date"	means , 2021, the first date of the issuance of the Notes;
"Issuer"	means TI Automotive Finance plc, a public limited company organized under the laws of England and Wales;
"Member State"	means a member state of the EEA;
"Notes Guarantees"	means the senior unsecured guarantees of the Notes granted by each of the Guarantors pursuant to the Indenture;
"Notes"	means the €600,000,000 % Senior Notes due 2029 offered hereby;
"OEM"	means original equipment manufacturer;
"OFAC"	means the Office of Foreign Assets Control, U.S. Department of the Treasury;
"Offering"	means the offering of Notes and the use of proceeds therefrom;
"Parent"	means Omega Acquisition Bidco Limited, a private limited company organized under the laws of England and Wales;
"Parent Guarantors"	means the Parent, TIFS Holdings Limited, TI Automotive Limited, TI Automotive Korean Won Hedgeco Limited and TI Automotive Korean Won Hedgeco II Limited (but not any of their subsidiaries);
"Regulation S"	means Regulation S under the Securities Act;
"Revolving Facility"	means the $225 million revolving credit facility under the Senior Secured Facilities Agreements;
"Securities Act"	means the U.S. Securities Act of 1933, as amended;
"Senior Secured Facilities"	means the Revolving Facility and the Senior Term Facilities, together;
"Senior Secured Facilities Agreement"	means the credit agreement among, inter alios, the Parent and the other credit parties and lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, as amended, supplemented or otherwise modified from time to time;
"Senior Secured Term Loan Facilities"	means the EUR TLB Facility and the USD TLB Facility, together;
"Subsidiary Guarantors"	means those subsidiaries of the Parent listed in "*Listing and General Information—General Information on the Guarantors*";
"TIFS"	means TI Fluid Systems plc, a public limited company organized under the laws of England and Wales;
"Transactions"	means the Offering and and the amendment to the credit agreement that documents our Senior Secured Facilities as described under "Description of Certain Financing Arrangements";
"Trustee"	means U.S. Bank Trustees Limited, as trustee under the Indenture;
"United Kingdom" or "UK"	means the United Kingdom and its territories and possessions;

"United States" or "U.S."	means the United States of America and its territories and possessions;
"USD TLB Facility"	means the U.S. dollar-denominated term loans made available under the Senior Term Facilities Agreement; and
"U.S. dollars," "dollars," or "$"	means the lawful currency of the United States.

PRESENTATION OF FINANCIAL INFORMATION

The Issuer

The Issuer was incorporated on June 13, 2002 to facilitate financing transactions. As of the date of this offering memorandum, the Issuer has no material assets or liabilities, does not have any revenue-generating activities of its own and has not engaged in activities since its incorporation other than those related to its incorporation, the lending of its issued share capital to an affiliate and in preparation of the Offering. As a result, no historical financial information of the Issuer is included in this offering memorandum.

The Issuer is a direct subsidiary of TI Automotive Limited, which is a direct wholly-owned subsidiary of TIFS Holdings Limited, which is a direct wholly-owned subsidiary of the Parent. The Parent is a direct wholly-owned subsidiary of TIFS.

Unless otherwise stated, all historical financial information presented in this offering memorandum is that of TI Fluid Systems plc and its consolidated subsidiaries, including the Parent and the Issuer. Accordingly, unless otherwise stated, all references to "we," "us," "our," the "Group" or "TIFS" in respect of historical financial information in this Offering Memorandum are to TIFS and its subsidiaries on a consolidated basis. TIFS will not be the issuer or a guarantor of the Notes and will not otherwise assume any liability for the Notes, and investors in the Notes will not have any recourse against TIFS in the event of any default by the Issuer or the Guarantors of their respective obligations under the terms of the Notes and the Notes Guarantees. As of December 31, 2020, TIFS did not hold any material assets other than investments in its subsidiaries, loans due from related parties and cash or cash equivalents or have any material liability other than obligations under a Euro-denominated intercompany facility agreement from a subsidiary totaling €32.0 million as of December 31, 2020.

The preparation of financial statements in conformity with IFRS (as defined below) requires the use of certain critical accounting estimates. These standards also require management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the financial statements.

In making an investment decision, investors must rely upon their own examination of our business, the terms of the offering and the financial information.

TIFS will not be an issuer or a guarantor of the notes and will not otherwise assume any liability for the notes, and investors in the notes will not have any recourse against TIFS in the event of any default by the Issuer or the Guarantors of their respective obligations under the terms of the notes and the guarantees.

Historical Financial Statements

Unless otherwise indicated, the financial information presented in this offering memorandum is extracted from the historical consolidated financial information of TIFS and its subsidiaries (the "Financial Statements"). This offering memorandum presents:

- the audited consolidated financial statements of the Group as of and for the year ended December 31, 2020, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, the applicable legal requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as applied in the European Union, as audited by our statutory auditors, PricewaterhouseCoopers LLP; and
- the audited consolidated financial statements of the Group as of and for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, the UK Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards and International Financial Reporting Interpretations Committee interpretations issued and effective at the time of preparing the audited consolidated financial statements of the Group as of and for the year ended December 31, 2019, as audited by our statutory auditors, PricewaterhouseCoopers LLP.

Non-IFRS Financial Measures

In this offering memorandum, we present certain financial measures that are not specifically defined under IFRS or recognized under any other generally accepted accounting principles and that may not be permitted to appear on the face of the Financial Statements or footnotes thereto. The primary non-IFRS financial measures used in this offering memorandum include Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBIT, Adjusted EBIT Margin, Adjusted Net Income, Adjusted Free Cash Flow, EBITDA, Free Cash Flow, net debt, net leverage, operating profit margin and other figures (the "Non-IFRS Measures").

Our primary Non-IFRS Measures are defined as follows:

- "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 EBITDA Margin" is defined as Adjusted EBITDA divided by revenue;
- "Adjusted EBIT" is defined as Adjusted EBITDA less depreciation, amortization and impairment arising on tangible and intangible assets net of depreciation and amortization arising on purchase price accounting;
- "Adjusted EBIT Margin" is defined as Adjusted EBIT divided by revenue;
- "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 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;
- "EBITDA" is defined as profit or loss before tax before net finance expense, depreciation, amortization and exceptional impairment of tangible and intangible assets;
- "Free Cash Flow" is defined as the total of net cash generated from operating activities and net cash used by investing activities;
- "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 twelve months Adjusted EBITDA; and
- "operating profit margin" is defined as operating profit expressed as a percentage of revenue.

These Non-IFRS Measures are presented in this offering memorandum because they are measures our management uses to monitor and measure performance of our business and operations and the profitability of our Divisions. Such measures are also utilized by the board of directors of TIFS as targets in determining compensation of certain executives and key members of management, as well as in our communications with investors. We believe that they and similar measures are widely used in our industry as a means of evaluating a company's operating performance and financing structure, and because we believe they present helpful comparisons of financial performance between periods by excluding the distorting effect of certain non-recurring items.

Our Non-IFRS Measures and ratios are not measurements of our performance or liquidity under IFRS or any other generally accepted accounting principles and should not be considered as alternatives to performance measures derived in accordance with IFRS or any other generally accepted accounting principles. Our Non-IFRS Measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Some of the limitations of Non-IFRS Measures are that:

- they do not reflect our cash expenditures or future requirements for capital investments or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense or cash requirements necessary to service interest or principal payments on our debt;
- they do not reflect any cash income taxes that we may be required to pay;
- they are not adjusted for all non-cash income or expense items that are reflected in our consolidated income statement;

- they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations;
- assets are depreciated or amortized over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies in our industry and analysts may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, our Non-IFRS Measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on the Financial Statements and using these Non-IFRS Measures only to supplement evaluation of our performance.

Constant Currency Basis

We present in this offering memorandum consolidated revenue, revenue by region and revenue by segment on a constant currency basis, which excludes the effects of changes in currency value from our reported results under IFRS in euro. Exchange rates of the non-euro currencies most relevant to our operations compared to euro that have been applied to constant currency data for the year ended December 31, 2020, are USD: 1.224:1.000; Chinese renminbi: 7.988:1.000 and South Korean won: 1,331:1, which were the exchange rates on December 31, 2020. For the year ended December 31, 2019, such exchange rates were USD: 1.122:1.000, Chinese renminbi: 7.815:1.000 and South Korean won: 1,304: 1. We believe that presenting certain revenue measures on a constant currency basis facilitates an understanding of the underlying economic performance of our operations.

The calculation of the net currency exchange rate impact on revenue, on a consolidated basis, by region and by segment, compared to the prior year for the years ended December 31, 2019 and 2020 is provided in the table below:

	Net Currency Exchange Rate Impact on Revenue Compared to Prior Year	
(in € million)	**2019**	**2020**
Revenues by Region		
Europe and Africa	(0.3)	(4.7)
Asia Pacific	13.9	(23.2)
North America	53.4	(17.7)
Latin America	(4.7)	(18.7)
Revenues by Segment		
Fluid Carrying Systems	39.1	(46.0)
Fuel Tank and Delivery Systems	23.3	(18.2)
Total Revenues	**62.4**	**(64.2)**

Rounding

Certain numerical figures set out in this offering memorandum, including financial data presented in million or thousand and percentage terms, have been subject to rounding adjustments and, as a result, the totals of the data in this offering memorandum may vary slightly from the actual arithmetic totals of such information. In addition, as a result of such rounding, the totals of certain financial information presented in tabular form may differ from the information that would have appeared in such totals using the unrounded financial information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the numerical data in the Financial Statements contained in this offering memorandum, as applicable, and not using the numerical data in the narrative description thereof.

In respect of financial data set forth in the main body of this offering memorandum, a dash ("—") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but has been rounded to zero. By contrast, no such differentiation has been made in respect of the financial data set forth in the financial information section of this offering memorandum beginning on page F-1. In the financial information section, zero ("0") is used to signify both unavailable figures and figures which are either exactly zero or have been rounded to zero.

SUMMARY

The following summary contains basic information about us and this Offering and is qualified by, and should be read in conjunction with, the more detailed information appearing elsewhere in this offering memorandum. This summary is not complete and does not contain all the information that you should consider before investing in the Notes. For a more complete understanding of this Offering, we encourage you to read this entire offering memorandum carefully, including "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and the Financial Statements and the notes thereto contained elsewhere in this offering memorandum. In this offering memorandum, references to "TIFS," "we," "us," "our," or the "Group" are to TI Fluid Systems plc and its consolidated subsidiaries, including the Issuer, unless the context suggests otherwise.

Overview

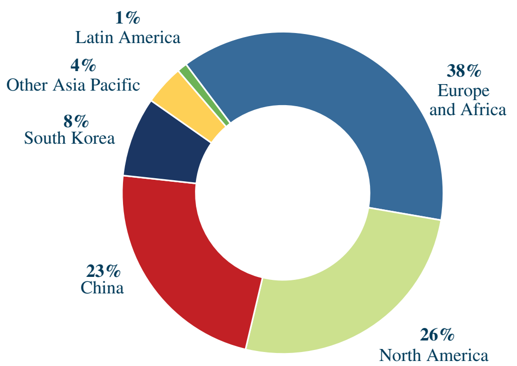
We are a leading global supplier of fluid storage, carrying and delivery systems primarily serving the light vehicle segment of the automotive industry. We are the largest global provider of brake and fuel lines for light vehicles, with approximately 31% share of the global brake and fuel line market and a #1 position globally. We are also a leading supplier of plastic fuel tanks for light vehicles, with approximately 16% of the global market share and a #3 position globally. We believe we are well-positioned to benefit from the key megatrends in our industry of emissions reduction and fuel efficiency, including electrification, growth in emerging markets, increasing reliance by OEMs on highly reliable long-term suppliers with strong technical abilities and OEM global platform standardization.

During the COVID-19 pandemic, we have acted quickly both to protect our people and communities and to adjust our fixed cost base and respond to the historic drop in global light vehicle production volume in the first half of 2020, while successfully maintaining resilient revenues, robust margins and strong cash generation. For the year ended December 31, 2020, we generated revenue of €2.8 billion, Adjusted EBITDA of €330.9 million and Adjusted Free Cash Flow of €148.2 million.

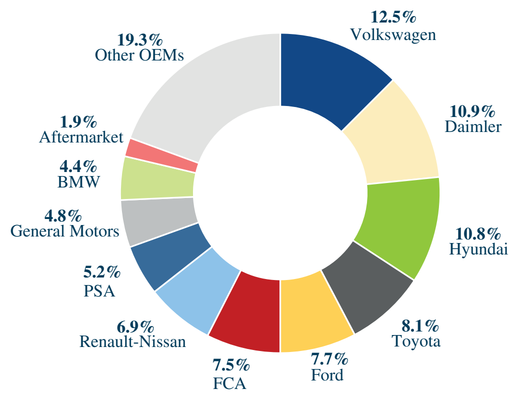
We believe that the TI brand is one of the most recognized and respected in the industry for automotive fluid storage, carrying and delivery components, which are critical to vehicle reliability, performance and safety. Leveraging our global, low-cost platform, we are highly diversified and balanced across customers, platforms and regions, and have developed long-standing relationships with OEMs, with whom we partner to develop technologically advanced products. We are a technology leader in partnership with the OEMs, and maintain seven regional application centers focusing on application engineering worldwide, and five technical centers focused on research and development. With 107 manufacturing locations in 28 countries on five continents, we have a significant manufacturing presence in all of the major geographies for OEM vehicle production. We also have a highly diversified customer base, with no customer accounting for more than 13% of our revenues for the year ended December 31, 2020. Our customer base in 2020 included the top 15 OEMs in the world. In 2020, our products were found in 11 of the 20 top-selling vehicles in North America, 19 of the 20 top-selling vehicles in Europe and 12 of the 20 top-selling vehicles in China.

The following charts present our revenue by region and end customer, for the year ended December 31, 2020:

Revenue by Region



Revenue by End Customer



We have organized our business into two segments that focus on developing new product and process technologies to meet evolving customer and regulatory requirements associated with the megatrends impacting our industry:

- **Fluid Carrying Systems**: Our Fluid Carrying Systems ("FCS") segment specializes in products that transport automotive fluid throughout vehicles. Our products include brake and fuel bundles, tank top lines and heating, ventilation and air conditioning lines and components, and powertrain lines and high pressure fuel rails. We are the world's largest manufacturer of light vehicle brake and fuel lines based on revenue. We produce our own rigid and flexible tubes and design advanced coatings for our specialized tube-based products, which carry brake fluid and fuel (for internal combustion engine vehicles and hybrid electric vehicles) within the vehicle. The FCS segment also manufactures thermal fluid management systems, including those used in hybrid electric vehicles ("HEV"), battery electric vehicles ("BEV") and autonomous electric vehicles ("AEV"), leveraging our existing nylon and lightweight know how, which we believe will result in growth opportunities for our business in excess of growth rates in light vehicle market as our addressable market expands. For the year ended December 31, 2020, we generated 54% of our total revenue from our FCS segment.

- **Fuel Tank and Delivery Systems**: Our Fuel Tank and Delivery Systems ("FTDS") segment manufactures plastic fuel tanks, plastic filler pipes and fuel pump and module delivery systems. We hold strong market positions for the majority of our product offerings in our FTDS segment. Our plastic fuel tank and plastic filler pipe products weigh less than similar steel products, which contributes to enhanced fuel economy, and include technology that reduces evaporative emissions. Our FTDS segment is also pursuing expansion in the electric vehicle market, where pressure resistant fuel tanks have the potential to increase our fluid handling content. For the year ended December 31, 2020, we generated 46% of our total revenue from our FTDS segment.

We have a global workforce of 25,700 people located in 28 countries as of December 31, 2020.

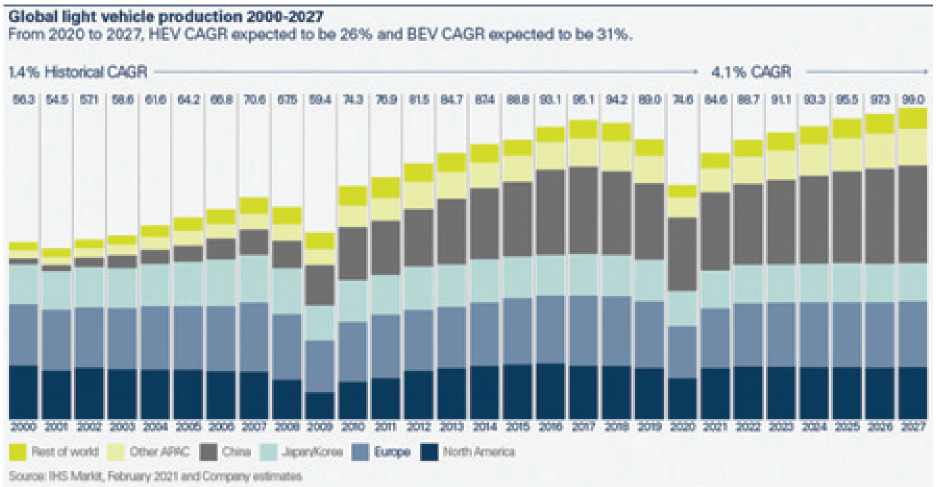
Our technology and products contribute to greener vehicles and a cleaner environment, and we strive to reduce our own impact on the environment and to conduct our business in an ethical and legal manner that benefits all our stakeholders and the communities in which we operate.

Our Industry

We operate in the global automotive industry, which is classified into several end markets, including light vehicles (where we primarily operate), medium duty vehicles and heavy duty vehicles. We view the light vehicle segment as consisting of passenger cars, crossover vehicles, vans and light trucks with a gross vehicle weight of three-and-a-half tons or less.

The light vehicle segment had production volumes of approximately 74.6 million units globally in 2020, a decline of 16.1% compared to 2019, according to an IHS Markit forecast dated as of February 2021. This decline was driven by the unprecedented impact of the COVID-19 pandemic, and was experienced globally, with the most significant effects in the first half of the year (when global production declined by 32.3% compared to the same period of 2019), with production volumes recovering in the second half of the year (when global production increased by 0.5% compared to the same period of 2019).

The following table presents historic and projected global light vehicle production from 2000-2027:



As the industry seeks to recover from the pandemic, we believe the following megatrends will impact the industry: continued focus on reduced emissions and fuel efficiency driving electrification of light vehicles (in HEV, BEV and AEV), growth in emerging economies, increasing use of highly reliable suppliers with strong technical capabilities and global platform standardization.

Reduction of Emissions and Increasing Electrification

Continued focus on reducing emissions and improving fuel efficiency have developed in recent years from a desire to meet increasingly stringent regulatory requirements into an imperative to take responsibility for helping to create a greener and cleaner environment.

As part of the effort to reduce emissions and improve fuel efficiency, technological innovation in traditional internal combustion engines ("ICE") has focused on introducing higher pressure fuel systems to help improve fuel efficiency and lower emissions, technology to help reduce evaporative emissions through more efficient fuel tanks and weight reduction techniques, including replacing steel fuel tanks with plastic fuel tanks.

In addition to the focus on reduction of emissions from ICE, the industry is also rapidly shifting to alternative powertrain and propulsion technologies through electrification, such as HEV, BEV and AEV. IHS Markit projects CAGRs of 26% and 31% in global HEV and BEV production, respectively, between 2020 and 2027, and that HEVs and BEVs will constitute approximately 38% (compared to 10% in 2020) and 16% (compared to 3% in 2020), respectively, of global vehicle production volumes by 2027.

HEVs combine traditional ICE fluid systems, but also have additional fluid handling systems to manage electrification-related component temperatures, including advanced thermal management systems for the chassis, power electronics, electric motor drive and battery systems. As a result, HEVs may have up to six thermal loops (as opposed to the two main thermal management loops in a traditional ICE thermal system). HEV thermal management systems typically include fluid lines and tubes, pumps, quick connectors, sensors and valves. In addition the fuel tank systems for HEVs must accommodate increased fuel vapor pressure, which builds up during the period when the internal combustion engine is not operating and is not available to purge the fuel vapor.

BEVs and AEVs are expected to have significantly higher line and tubing content than traditional ICEs, depending on vehicle size, battery size and system design. As thermal components and systems in BEVs and AEVs may not be exposed to the same heat generated by ICEs, the systems in BEVs and AEVs may use different materials, such as nylon, to help optimize system weight, temperature and pressure.

Growth in emerging economies

According to IHS Markit, global light vehicle production grew at a CAGR of 1.4% from 2000 to 2020, notwithstanding the volume decline during the 2008 global economic downturn. Light vehicle production is forecasted to grow at a CAGR of 4.1% from 2020 to 2027. Prior to 2000, the more developed markets of North America, Western Europe, South Korea and Japan accounted for a substantial majority of global production. However, since 2000, global light vehicle production growth has largely been driven by emerging markets and, in particular, China, where production volume grew at a CAGR of 13.5% between 2000 and 2020. According to IHS Markit, approximately 31% of global vehicle production in 2020 was generated in China, with growth expected to continue in the long term. The more developed markets are expected to grow at a CAGR of 2.6%, with an increase of approximately 6.8 million units from 2020 to 2027, while emerging markets are forecast to grow at a CAGR of 5.3% with an increase of 17.6 million units during the same period.

Increasing use of highly reliable suppliers with strong technical capabilities

We believe OEMs continue to seek suppliers with long-term track records of providing high-quality products, particularly for performance- and safety-critical components such as those we produce where the risk and liabilities can be substantial. As a result of rapidly changing regulatory requirements, consumer preferences and technological developments, OEMs must continue to innovate and have become reliant on suppliers to develop high-quality products in a short period of time. We believe that the limited number of global suppliers who can cost-effectively provide fully-engineered solutions, systems and pre-assembled combinations of components are well-positioned to benefit from these trends. We also believe that these trends foster stronger and more collaborative relationships between OEMs and such suppliers.

Global platform standardization

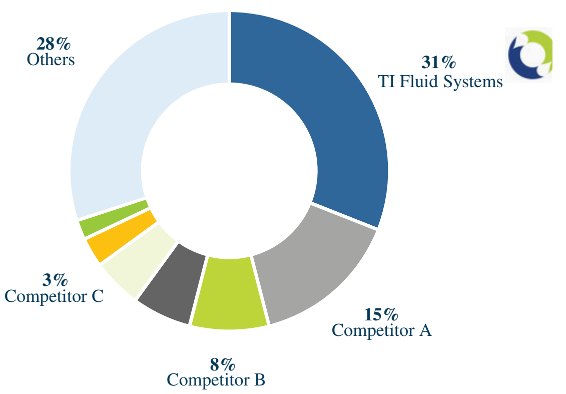
Many OEMs continue to standardize their platforms globally in an effort to reduce their costs and increase profitability. By maximizing the numbers of models that can be produced on each platform and minimizing differences in platforms between regions, OEMs can reduce the number of platforms they need to develop and manage. To further leverage the cost advantages of standardized platforms, OEMs are also increasingly seeking suppliers that have a global footprint and the flexibility to adapt to regional variations so that the OEMs are able to "single-source" components globally. We believe that suppliers such as us with an established global footprint, strong service and technological capabilities and operational efficiencies will benefit from increased platform standardization.

Our Competitive Strengths

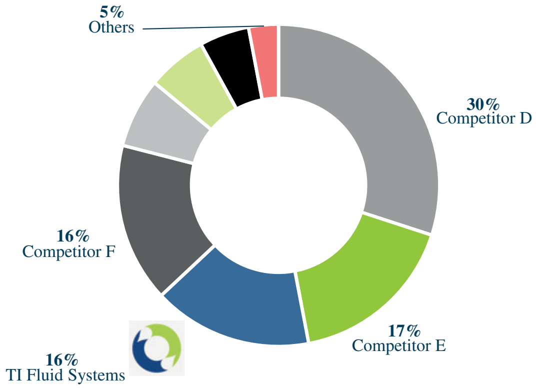
Global market leader with strong market positions

We are a leading global manufacturer of fluid storage, carrying and delivery systems primarily serving the light vehicle segment of the automotive industry. We are the largest global provider of brake and fuel lines for light vehicles, with approximately 31% share of the global brake and fuel line market and a #1 position globally. We are also a leading supplier of plastic fuel tanks for light vehicles, with approximately 16% of the global market share and a #3 position globally. In 2020, our products were found in 11 of the 20 top-selling vehicles in North America, 19 of the 20 top-selling vehicles in Europe and 12 of the 20 top-selling vehicles in China.

2020 Market Share - Brake and Fuel Lines



2020 Market Share - Plastic Fuel Tanks



Technology leader in highly engineered automotive fluid systems

Through our established market position as a leading supplier, we work closely with customers on design and engineering capabilities, providing us with extensive knowledge of our OEM customers' materials and manufacturing processes. This strengthens our customer relationships, but also creates opportunities for us to develop technological leadership positions to expand our addressable market to the next generation of light vehicle systems. We are a technology leader in partnership with the OEMs, and maintain seven regional application centers focusing on application engineering worldwide, and five technical centers focused on research and development. We have developed award-winning, innovative products and technologies that align with the automotive industry megatrends of emissions reduction and fuel efficiency, and have won contracts with high volume global leading OEMs for the design, engineering and supply of thermal management products for BEVs with a combination of traditional and lightweight material, including nylon. We estimate that we have content representation for our products on more than 31 out of 46 key BEV programs announced to go into production between 2020 and 2022, and that approximately 50% of these BEVs will have thermal product content supplied by us. This represents a product representation higher than that for ICE, validating our strategy focused on electrification. We also in 2020 introduced a new generation pressure resistant fuel tank with the launch of volume production for Volkswagen in China, which Volkswagen is planning to adopt across a wider range of global platforms. We believe that this technology leadership and the new business wins resulting from it (30% of 2020 business wins were on BEV platforms and 17% of 2020 business wins were on HEV platforms) position us well for growth in thermal management and other systems for electric vehicles and to continue to capitalize on the megatrend of electrification.

Strong customer relationships and global low-cost footprint

Our leading market positions and OEM customers' preference to purchase performance and safety-critical components from trusted and proven suppliers result in embedded, long-term global customer relationships and close engineering collaboration across the globe. Complementing our scale, we have a highly diversified customer base, with no customer accounting for more than 13% of our revenues for the year ended December 31, 2020, and our top five OEM customers accounting for 50% of our revenues in the same period. We have a competitive global manufacturing footprint that includes regional manufacturing centers and assembly locations in close proximity to customers, providing logistics competitiveness. Our flexible cost structure, with approximately 71% of our employees being located in lower-cost countries, devolves significant stakeholder relationships and performance responsibility in locations managed by local nationals with strong stakeholder relationships. In addition, because we have facilities in every major automotive manufacturing market, we generate a significant amount of revenue from global OEM platforms (that is, platforms located in three or more regions). We exhibit significant regional balance and diversity, with 38% of our revenues in Europe, 35% in Asia and 26% in North America, in each case for the year ended December 31, 2020. This global scope combined with our strong customer relationships means that we are well-positioned to cost-effectively expand fluid handling content, business and infrastructure to OEMs transitioning to the electric vehicle market, and that we are less exposed to regional market cyclicality.

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

As OEMs, consumers and governments continue to focus on the megatrends of reduced emissions, increased fuel efficiency and electrification, we believe we have a significant opportunity to increase the content per vehicle that we manufacture in the rapidly growing HEV and BEV markets. While the developments in these markets provide for a potentially significant increase in our addressable market, our work in this area also aligns with our commitment to helping make vehicles greener and the world a cleaner and better place to live. As evidence of our increased focus on electrification, content per vehicle for new BEV business has 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, illustrating the positive contribution to our growth provided by the transition to electrification. We believe we are well-positioned for growth in thermal management for HEVs and BEVs because HEVs and BEVs require more fluid handling content than more traditional internal combustion engine ("ICE") vehicles, and we are able to leverage our existing expertise to design, engineer and manufacture safety and performance-critical components to meet customer specifications using in-house know how, leveraging existing capital and engineering investments and infrastructure. Nylon will be a lightweight solution to thermal requirements that can operate at high temperatures, providing significant weight-saving advantages, and we already have existing nylon extrusion capabilities and capacity in each major region. We are already well-positioned in terms of our long-standing customer relationships as a trusted and strategic partner to the OEMs and we have the ability to produce this technology from existing and efficient manufacturing locations close to customers. We were awarded two production contracts for thermal systems for two high-volume BEV programs in 2018, which launched production in 2020, and we continue to collaborate with key customers on design and engineering for HEVS, BEVs and autonomous driving electric vehicles. In 2020, 30% of business wins were on BEV platforms.

Solid margins, strong cash flow generation and resilience through the COVID-19 pandemic

We continued to demonstrate the resilience of our business model and our ability to generate solid adjusted free cash flow during the unprecedented challenges of the COVID-19 pandemic. We acted early and quickly to protect our employees and support healthcare providers. We also initiated fixed cost restructuring of manufacturing capacity and our fixed cost base, better positioning ourselves for future manufacturing efficiency. As a result, we delivered solid results for the year ended December 31, 2020, despite market uncertainty and the historic light vehicle production decline due to the COVID-19 pandemic. Our cost savings initiatives resulted in significant cost savings, and we managed to deliver a robust Adjusted EBIT margin of 6.2% for the year ended December 31, 2020, and remained highly cash-generative, with Adjusted Free Cash Flows of €148.2 million for the year. Our revenues proved to be resilient, outperforming global light vehicle production revenues by 0.2% during 2020 on a constant currency basis.

Strong commitment to ESG to deliver a sustainable business for the benefit of all stakeholders

We take a stakeholder approach to doing business in a sustainable way and are committed to strengthening our ESG program to deliver a sustainable business for the benefit of all our stakeholders. Across all our activities, we work to promote ethical practices and compliance, protect the people we employ, support the communities in which we work and respect and reduce our impact on the environment in which we operate, including by reducing our carbon footprint. Recognizing the importance of environmental, social and governance and sustainability matters, our board of directors has formed an ESG steering committee which will regularly review our ESG progress and priorities and ensure accountability at all levels of our organization. We monitor and report on ESG as part of our management teams' strategic objectives, and we plan to include performance against ESG targets as part of our long-term incentive plan for executive directors and senior management. We were proud to have been awarded the London Stock Exchange Green Economy Mark in 2020, which recognizes that our products support the production of cleaner and greener vehicles.

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

Our management team has a strong industry reputation for technology, innovation and product quality. Our CEO and President, Bill Kozyra, has led us through more than a decade of record performance, and was instrumental in developing and executing our electrification strategy. As previously announced, Mr. Kozyra will retire as CEO and step down from the board of directors later this year, and Hans Dieltjens, who is currently our Chief Operating Officer, will become our new CEO upon Mr. Kozyra's retirement. Mr. Dieltjens has more than 25 years of automotive experience in Asia, Europe and the Americas. Ronald Hundzinski, Chief Financial Officer, has held a variety of leadership positions in finance over the past 35 years. We believe our management team will continue to focus on business improvement efficiencies and fixed cost management, while demonstrating financial discipline in quoting new contracts and capital allocation, maximizing on our competitive strengths, while working to achieve our strategies.

Our Strategies

Our strategic objective is to leverage our position as a leading global supplier of automotive fluid systems to provide advanced technology products that support the world's transition to greener vehicles and, thereby, deliver revenue that outperforms global light vehicle production along with strong profitability and cash flow generation. The key elements of our strategy include:

Use our strength in key products to drive our market share

We intend to leverage our technological leadership, strong OEM relationships and competitive global footprint to continue to increase our market share and drive our market leading positions in fuel lines, plastic fuel tanks and thermal products. Already the #1 supplier of brake and fuel line globally and the #3 supplier of plastic fuel tanks globally, we are trending toward more than 20% market share in the HEV plastic fuel tank market. We have booked significant new business across all our regions, including China, and are well-positioned to benefit from the megatrends driving our industry. As part of this strategy, we have successfully launched a significant thermal product program in 2020 awarded by two leading high volume OEMs for electric vehicles with a lifetime revenue opportunity of €700 million based on customer planning volumes sourced across the expected 8-10 year life of these vehicles. We intend to continue to engage in this sort of collaboration with key OEMs for the design and engineering of our products for electric vehicles.

Maintain balanced customer, platform, regional and product diversification

We intend to continue to maintain a balanced level of customer, platform, region and fluid handling product diversification to mitigate the impact of market cyclicality and customer concentration and provide our diversified group of OEM customers with the global partner they require. In 2020, we had 107 manufacturing locations in 28 countries, and exhibited significant regional balance and diversity, with 38% of our revenues in Europe, 35% in Asia and 26% in North America, in each case for the year ended December 31, 2020. No single customer represented more than 13% of our revenues in the year ended December 31, 2020. We believe that this balance and diversification not only protects our revenues and cash flows from exposure to concentration risk, but it also provides us with additional opportunities to expand our collaboration with existing OEM customers in new technologies, such as for HEVs, BEVs and AEVs, or to grow business with new OEM entrants.

Strengthening our position as an advanced technology leader in fluid systems to address the industry shift to greener vehicles and electrification

Our continual investment in research and development and our technological leadership in developing products that help our OEM customers meet emissions and fuel economy requirements position us well in the growing market for electrification. The market for electric vehicles is expected to grow significantly: IHS Markit projects CAGRs of 26% and 31% in global HEV and BEV production, respectively, between 2020 and 2027, and that HEVs and BEVs will constitute approximately 38% and 16%, respectively, of global vehicle production volumes by 2027. We intend to continue to pursue content expansion in the electric vehicle market where advanced thermal management systems and pressure resistant plastic fuel tanks have the potential to increase our fluid handling products. We expect to be able to leverage our existing nylon and light weight know how and manufacturing capabilities to target key OEMs with thermal management systems that meet the requirements for HEVs, BEVs and AEVs, and to continue increasing our market position in pressure resistant plastic fuel tanks for the increasing HEV market. To that end we are focusing our advanced technology development centers and regional application engineering centers in the ongoing design, development and supply of advanced systems and components on a global basis to OEMs.

Capitalize on our global scale, footprint and position, especially in China

We intend to continue to capitalize on our global scale, low-cost global manufacturing footprint and established and close relationships with OEM customers to be the provider of choice on OEM's global platforms, including in China. As the industry trend of increasing standardization of OEM Platform production continues, we believe that the breadth and scale of our operations, with manufacturing facilities near OEM assembly plants in 107 locations across 28 countries on five continents is a competitive advantage. We see significant opportunities in China, where we generated 23% of our revenues for the year ended December 31, 2020, as tighter emission standards are leading to higher demand for partial, zero emission and pressure resistant plastic fuel tanks, and we expect to continue to benefit from the conversion of steel to plastic fuel tanks in China. Over the longer term, China is likely to be the largest market for BEVs, and our strong position in China, with localized, decentralized business model, positions us well to grow with this market.

Deliver strong growth, profitability and cash flow generation

Our leading market positions, technology leadership and low-cost global manufacturing footprint have positioned us well to deliver on growth in revenue, Adjusted EBIT and Adjusted Free Cash Flow generation. As part of our strategy to continue to deliver growth and profitability, we intend to continue to prioritize variable and fixed cost management and capital allocation, which we successfully managed in 2020 despite unprecedented conditions and significantly lower global light vehicle production volumes. We plan to continue to flexibly manage and adjust our cost base in line with OEM production volume fluctuations, while selectively investing in capital projects that offer attractive rates of returns, including continuing successfully to execute on our electrification strategy across all main production regions.

The Issuer

TI Automotive Finance plc, a public company limited by shares organized under the laws of England and Wales. As of the date of this offering memorandum, the Issuer has no material assets or liabilities, does not have any revenue-generating activities of its own and has not engaged in activities since its incorporation other than those related to its incorporation, the lending of its issued share capital to an affiliate and in preparation of the Offering. The Issuer is indirectly owned by TIFS and the Parent and directly owned by TI Automotive.

Recent Developments

Our Response to COVID-19

As the COVID-19 pandemic emerged in early 2020, we responded in an agile manner to the fast-changing business conditions. We were one of the first global suppliers to mandate working from home and to implement global travel restrictions. In response to regional outbreaks, we temporarily closed our plants to protect our workers, starting in Asia Pacific and then moving to Europe and North America. However, after several weeks of shutdown, we were able to efficiently and safely re-open our plants by implementing detailed health and safety protocols, such as regular temperature checks and health screening, requiring protective face coverings, social distancing, enhanced cleaning and maintenance procedures, and modified work proximities and altered shift patterns. The health and safety of our workforce was and continues to be our number one priority. We believe that taking decisive action to develop and put these enhanced workplace and manufacturing procedures into practice at all of our facilities around the world greatly limited the impact of COVID-19 infection across our workforce and enabled all of the Group's production facilities to safely re-open in order to support production for our OEM customers. Thanks to these steps, no COVID-19 infections have to our knowledge been traced to TI Fluid Systems facilities.

Global light vehicle production volumes declined significantly, by 16.1%, in 2020—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.

In March 2020, our management team implemented aggressive cost reduction and cash preservation measures to safeguard our financial performance and cash balances for the year ended December 31, 2020. These proactive cost management actions included utilizing local government economic support regimes such as furlough and short-term working schemes, 2020 reductions in social costs and rental and utility cost relief. We did not receive any direct loans from national governments. Economic support payments received directly from government authorities amounted to a net €32 million, and any payroll support was fully passed on to employees. Additionally, employment costs totaling €10 million were avoided in 2020 as national governments directly funded these costs to employees. During 2020, short-term employee-agreed salary reductions of €3.7 million helped manage cash costs, though these were repaid during the year. We continue to manage our costs in line with reduced volumes in order to minimize the impact on margins.

In the first half of the year ended December 31, 2020, we undertook a full impairment review triggered by the significant change in projected light vehicle volume recovery as a result of the COVID-19 pandemic. The result of the impairment review was a €304.6 million exceptional impairment charge recognized in the first half of 2020, which, together with conversion of lower sales, drove our operating loss for the year ended December 31, 2020.

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 (compared to €180.2 million in 2019). This strong cash performance resulted in our reported cash and cash equivalent balances increasing by €110.6 million (compared to an increase of €48.2 million in 2019) before currency translation and a year-end cash balance of €485.8 million as of December 31, 2020 (compared to €411.7 million as of December 31, 2019).

We worked closely with our supply base across the world to manage and support each other throughout the height of the pandemic. During the initial shutdowns, we recognized that some suppliers may struggle to remain in business and were not necessarily equipped to know where to look for support. Upon recognizing this issue, our employees prepared material which was made readily available to our supply base which helped guide them with information on support options that may be available to them in their locations. Following the development of our own COVID-19 protocols designed to reduce the risk of transmission in the workplace, we shared this content with many of our suppliers. We also networked with our vendors to make protective equipment and cleaning supplies available to our suppliers.

We also worked to support the communities in which we operate during the pandemic. In the early stages of the pandemic in Europe, several of our plants, including Chalons, France, and Tauste an Montornes, Spain, used

3D printers and available resources to manufacture face shields for local hospitals, health centers and elderly residence facilities in their communities. With parts printed on our 3D printers, we assembled these face shields. This effort was very important in providing much-needed personal protective equipment that these facilities could not procure on their own. We donated thousands of face shields at a time when they were not available for purchase, thus helping to keep the people that live and work in our communities safe. In the United States, we are also proud of our collaboration with Ford Motor Company and 3M to produce air flex tube assemblies for powered air-purifying respiratory systems ("PAPR") which were urgently needed to enable front line healthcare workers to respond to the COVID-19 outbreak. The TI team supported the design, engineering and testing to mass produce quick connectors and a new air flex tube solution for the PAPR system. The quick connector and sub-assembly were produced at our New Haven, Michigan, facility, with final tube assembly taking place at our Ashley, Indiana, facility. Keeping production local allowed Ford and 3M to rapidly ramp-up production and supply much-needed protection for healthcare professionals.

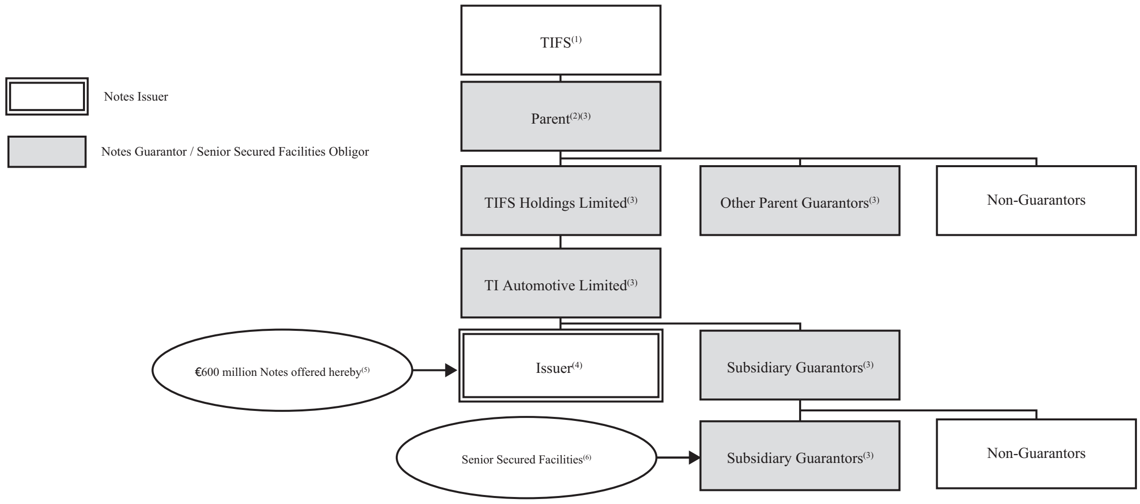
The impact of the COVID-19 pandemic remains a factor to manage across the regions in which we operate. We continue to monitor the situation and are confident that our enhanced workplace protocols and approaches are effective to assist in managing the impact, which is likely to remain in the short term.

One-Off Interim Dividend

On January 25, 2021, we announced a one-off interim dividend of €35.0 million (at 6.74 Euro cents per share), which was paid on February 19, 2021. This dividend is not considered part of our annual dividend cycle for the year ended December 31, 2020.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following simplified chart sets forth certain aspects of our corporate and financing structure. Please see "Capitalization," "Description of Certain Financing Arrangements" and "Description of the Notes."



(1) TIFS is admitted to the London Stock Exchange under ticker symbol TIFS. Funds managed by Bain Capital LLC, via BC Omega Holdco Ltd., have been TIFS's ultimate controlling party since its incorporation. See "*Principal Stockholders*." TIFS will not guarantee or otherwise be liable for obligations under the Notes.

(2) The Parent is a wholly-owned subsidiary of TIFS and will guarantee the Notes as of the Issue Date. The Parent is also an obligor of our Senior Secured Facilities.

(3) On the Issue Date, the Notes will be guaranteed, jointly and severally, by the Guarantors (consisting of the Parent Guarantors and the Subsidiary Guarantors) on a senior unsecured basis. The validity and enforceability of the Notes Guarantees and the liability of each Guarantor will be subject to certain limitations. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees*." The Notes Guarantees may be released under certain circumstances. See "*Description of the Notes—Notes Guarantees—Notes Guarantee Release*." The entities that guarantee the Notes also guarantee (or are borrowers under) our Senior Secured Facilities on a senior secured basis. See "*Description of Certain Financing Arrangements—Senior Secured Facilities*."

(4) The Issuer was incorporated on June 13, 2002 to facilitate financing transactions. As of the date of this offering memorandum, the Issuer has no material assets or liabilities, does not have any revenue-generating activities of its own and has not engaged in activities since its incorporation other than those related to its incorporation, the lending of its issued share capital to an affiliate and in preparation of the Offering. The Issuer will be a guarantor of the Senior Secured Facilities.

(5) The Issuer is offering €600.0 million in aggregate principal amount of its % Senior Notes due 2029. The proceeds of the Offering will be loaned (pursuant to an intercompany arrangement) by the Issuer to TI Automotive Limited and used, together with cash on hand, (i) to repay a portion of the borrowings outstanding under our Senior Secured Term Loan Facilities (as defined herein) and (ii) to pay fees and expenses related to the Transactions.

(6) The Parent, the other Parent Guarantors and the Subsidiary Guarantors are parties to the Senior Secured Term Facilities and a $225.0 million Revolving Facility, which together are referred to as the Senior Secured Facilities. The Issuer and the entities that guarantee the Notes also guarantee our Senior Secured Facilities on a senior secured basis and the Senior Secured Facilities benefit from security interests granted over certain assets of the Group. See "*Description of Certain Financing Arrangements—Senior Secured Facilities*."

THE OFFERING

The following is a brief summary of certain terms of the Offering. It may not contain all the information that is important to you. For additional information regarding the Notes and the Notes Guarantees, see "Description of the Notes" and "Description of Certain Financing Arrangements."

Issuer . . . . TI Automotive Finance plc, a public company limited by shares organized under the laws of England and Wales

Notes Offered . . . . €600,000,000 % Senior Notes due 2029.

Issue Date . . . . , 2021.

Issue Price . . . . %.

Maturity Date . . . . , 2029.

Interest Rate . . . . % per annum.

Interest Payment Dates . . . . Interest on the Notes is payable semi-annually in arrears on and of each year, commencing on , 2021.

Form and Denomination . . . . The Notes will be issued in global registered form in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof maintained in book-entry form.

Guarantors . . . . The Notes will be guaranteed on a senior subordinated basis on the Issue Date, by each of the Parent Guarantors and Subsidiary Guarantors.

Ranking of the Notes . . . . The Notes will:

- be senior unsecured obligations of the Issuer;
- rank equally in right of payment with all of the Issuer's existing and future indebtedness that is not subordinated in right of payment to the Notes;
- rank senior in right of payment to all of the Issuer's existing and future indebtedness that is subordinated in right of payment to the Notes;
- be effectively junior to all of the Issuer's existing and future secured indebtedness, including indebtedness under the Senior Secured Facilities, to the extent of the value of the collateral securing such indebtedness;
- be structurally subordinated to any obligations of the Parent's other subsidiaries other than the Parent's subsidiaries that are Guarantors; and
- be fully and unconditionally guaranteed by the Guarantors, subject to contractual limitations that reflect limitations under applicable law.

Ranking of the Notes Guarantees . . . . Each Notes Guarantee of a Guarantor will:

- be a senior unsecured obligation of such Guarantor;
- rank equally in right of payment with all of such Guarantor's existing and future indebtedness that is not subordinated in right of payment to such Notes Guarantee, including such Guarantor's guarantee of or indebtedness under the Senior Secured Facilities;

- rank senior in right of payment to all of such Guarantor's existing and future indebtedness that is expressly subordinated in right of payment to such Notes Guarantee;
- be effectively junior to all of such Guarantor's existing and future secured Indebtedness, including indebtedness under the Senior Secured Facilities, to the extent of the value of the collateral securing such Indebtedness.

  The validity and enforceability of the Notes Guarantees (as defined herein) and the liability of each Guarantor will be subject to certain limitations. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees*." The Notes Guarantees may be released under certain circumstances. See "*Description of the Notes—Notes Guarantees—Guarantees Release*."
- Not all of the Parent's subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-Guarantor subsidiaries, the non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute or contribute any of their assets to TI Automotive or the Issuer. For the year ended December 31, 2020, on a consolidated basis, the Guarantors represented 32% of the Group's consolidated EBITDA (without adjustment for intra-group transactions) and 35% of the Group's consolidated revenue. As of December 31, 2020, on a consolidated basis, the Guarantors accounted for 33% of the Group's total assets (property, plant and equipment, right-of-use assets, inventory and trade and other receivables excluding intra-group balances). The Parent's non-Guarantor subsidiaries had €0.1 million of borrowings and €630 million of other liabilities (total liabilities less borrowings excluding intra-group balances), in each case, as of December 31, 2020, all of which would have ranked structurally senior to the Notes and the Notes Guarantees.

Use of Proceeds . . . . The proceeds from the Offering of the Notes will be used, together with cash on hand, (i) to repay a portion of the borrowings outstanding under our Senior Secured Term Loan Facilities and (ii) to pay fees and expenses related to the Transactions. See "*Use of Proceeds*."

Additional Amounts . . . . Any payments made by the Issuer or any Guarantor with respect to the Notes will be made without withholding or deduction for taxes unless required by law. If such withholding or deduction is required by law in any "relevant taxing jurisdiction", the Issuer or the relevant Guarantor, as applicable, will pay the additional amounts necessary so that the net amounts received by the holders of Notes after the withholding or deduction is not less than the amount that they would have received in the absence of the withholding or deduction, subject to certain exceptions. See "*Description of Notes—Withholding Taxes*."

Optional Redemption . . . . All or a portion of the Notes may be redeemed at any time prior to , 2024, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date plus a "make-whole" premium, as described in this offering memorandum. See "*Description of the Notes—Optional Redemption*."

At any time prior to , 2024, up to 40% of the aggregate principal amount of the Notes may be redeemed with the net proceeds of one or more specified equity offerings at a redemption price equal to % of the principal amount of the Notes so redeemed, plus accrued and unpaid interest and additional amounts, if any, on such Notes to, but excluding, the redemption date. See "*Description of the Notes—Optional Redemption*."

The Notes may be redeemed at any time on or after , 2024, at the redemption prices set forth under "*Description of the Notes—Optional Redemption*."

Optional Redemption for Tax Reasons . . . . In the event of certain developments affecting taxation that become effective after the Issue Date, the Issuer may elect to redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to the date of redemption. See "*Description of the Notes—Redemption for Taxation Reasons*."

Change of Control . . . . Upon the occurrence of certain defined events constituting a change of control combined with a rating event, each holder of the Notes may require the Issuer to repurchase all or a portion of the Notes at a price equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and additional amounts, if any, on such Notes to, but excluding, the redemption date. See "*Description of the Notes—Repurchase at the Option of Holders—Change of Control Repurchase Event*."

Certain Covenants . . . . The Indenture will limit, among other things, the ability of the Parent and the subsidiaries of the Parent to:

- create or incur certain liens;
- in the case of subsidiaries of the Parent, to grant certain guarantees in favor of other indebtedness of the Issuer or a Guarantor without also guaranteeing the Notes; and
- merge or consolidate with, or sell all or substantially all of the Parent's consolidated assets to, other entities.

Each of the covenants in the Indenture is subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*."

U.S. Federal Income Tax Considerations . . . . For a discussion of certain U.S. federal income tax considerations of an investment in the Notes, see "*Certain Tax Consequences—Certain U.S. Federal Income Tax Considerations*." You should consult your own tax advisor to determine the U.S. federal, state, local and other tax consequences of an investment in the Notes.

Transfer Restrictions . . . . The Notes and the Notes Guarantees thereof have not been registered under the Securities Act or the securities laws of any other jurisdiction and will not be so registered. The Notes are subject to restrictions on transferability and resale. See "*Transfer Restrictions*." Holders of the Notes will not have the benefit of any exchange or registration rights.

Risk Factors . . . . Investing in the Notes involves substantial risks. You should consider carefully all the information in this offering memorandum and, in

	particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section before making a decision whether to invest in the Notes.
No Prior Market	The Notes will be new securities for which there is currently no market. Although the Initial Purchasers of the Notes have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, there can be no assurance that an active trading market will develop for the Notes.
Listing	Application will be made to the Authority for the listing of the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained. The Exchange is not a regulated market pursuant to the provisions of Directive 2014/65/EU on markets in financial instruments, as amended.
Governing Law	The Indenture, the Notes and the Notes Guarantees will be governed by the laws of the State of New York.
Trustee	U.S. Bank Trustees Limited.
Paying Agent	Elavon Financial Services DAC, UK Branch.
Transfer Agent and Registrar	Elavon Financial Services DAC.
Listing Agent	Carey Olsen Corporate Finance Limited.

SUMMARY FINANCIAL AND OTHER DATA

The following tables present our summary financial information and have been derived from, and should be read in conjunction with, our Financial Statements that have been prepared in accordance with IFRS and are included elsewhere herein and the sections entitled "Presentation of Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Use of Proceeds" and "Capitalization."

The Issuer was incorporated on June 13, 2002 to facilitate financing transactions. As of the date of this offering memorandum, the Issuer has no material assets or liabilities, does not have any revenue-generating activities of its own and has not engaged in activities since its incorporation other than those related to its incorporation, the lending of its issued share capital to an affiliate and in preparation of the Offering. As a result, no historical financial information of the Issuer is included in this offering memorandum. The Issuer is a direct subsidiary of TI Automotive Limited, which is a direct wholly-owned subsidiary of TIFS Holdings Limited, which is a direct wholly-owned subsidiary of the Parent. The Parent is a direct, wholly-owned subsidiary of TIFS. Unless otherwise stated, all historical financial information presented in this offering memorandum is that of TI Fluid Systems plc and its consolidated subsidiaries, including the Parent and the Issuer. See "Presentation of Financial and Other Information."

We have extracted the consolidated historical financial information of TIFS as of and for the years ended December 31, 2018, 2019 and 2020 from the Financial Statements.

Results of operations for prior years or periods are not necessarily indicative of the results to be expected for the full year or any future period. Prospective investors should bear in mind that certain performance indicators and ratios that we report herein, such as Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBIT, Adjusted EBIT margin, Adjusted Free Cash Flow, Adjusted Net Income, EBITDA, Free Cash Flow, net debt, net leverage, operating profit margin and certain other figures for the years ended December 31, 2018, 2019 and 2020, are not measurements of our performance or liquidity under IFRS or any other generally accepted accounting principles, should not be considered as substitutes to performance measures derived in accordance with IFRS or any other generally accepted accounting principles, may not be comparable to other similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS.

Consolidated Income Statement

(in € million)	Year ended December 31, 2018	2019 (audited)	2020
Revenue	**3,472.8**	**3,411.1**	**2,814.5**
Cost of sales	(2,938.2)	(2,922.7)	(2,493.1)
Exceptional items	—	—	(120.4)
Total cost of sales	(2,938.2)	(2,922.7)	(2,613.5)
Gross profit/(loss)	**534.6**	**488.4**	**201.0**
Distribution Costs	(102.4)	(95.0)	(83.7)
Administrative expenses	(164.5)	(141.7)	(145.1)
Exceptional items	—	—	(184.2)
Total administrative expenses	(164.5)	(141.7)	(329.3)
Other income	12.2	6.7	8.5
Net foreign exchange gains	1.2	0.5	27.2
Operating profit/(loss)	**281.1**	**258.9**	**(176.3)**
Finance income	14.3	15.0	3.5
Finance expense	(67.0)	(72.5)	(77.5)
Exceptional items	(11.8)	—	—
Finance expense after exceptional items	(78.8)	(72.5)	(77.5)
Net finance expense after exceptional items	(64.5)	(57.5)	(74.0)
Share of (loss)/profit of associates	0.5	0.3	(3.5)
Profit/(loss) before income tax	**217.1**	**201.7**	**(253.8)**
Income tax (expense)/credit	(77.0)	(57.1)	1.6
Profit/(loss) for the year	**140.1**	**144.6**	**(252.2)**
Profit/(loss) for the year attributable to:			
Owners of the Parent Company	137.8	141.6	(254.1)
Non-controlling interests	2.3	3.0	1.9
	140.1	**144.6**	**(252.2)**
Total earnings per share (Euro, cents)			
Basic	**26.53**	27.24	(48.88)
Diluted	**26.44**	27.24	(48.88)

Consolidated Balance Sheet

(in € million)	Year ended December 31, 2018	2019 (audited)	2020
Non-current assets			
Intangible assets	1,229.8	1,182.2	883.8
Right-of-use assets	—	161.4	124.9
Property, plant and equipment	706.5	715.0	590.8
Investments in associates	19.6	19.2	14.6
Derivative financial instruments	5.4	—	—
Deferred income tax assets	34.9	25.1	62.4
Trade and other receivables	14.8	21.6	18.9
Total non-current assets	**2,011.0**	**2,124.5**	**1,695.4**
Current assets			
Inventories	352.8	367.1	351.4
Trade and other receivables	578.3	574.5	534.8
Current income tax assets	4.4	13.7	13.7
Derivative financial instruments	8.5	18.4	0.4
Financial assets at fair value through profit and loss	1.2	0.9	0.9
Cash and cash equivalents	360.1	411.7	485.8
Total current assets	**1,305.3**	**1,386.3**	**1,387.0**
Total assets	**3,316.3**	**3,510.8**	**3,082.4**
Equity			
Share capital	6.8	6.8	6.8
Share premium	1.4	2.2	2.2
Other reserves	(126.3)	(106.1)	(137.7)
Accumulated profits	1,175.7	1,261.7	987.7
Equity attributable to owners of the Parent Company	**1,057.6**	**1,164.6**	**859.0**
Non-controlling interests	22.5	24.5	25.2
Total equity	**1,080.1**	**1,189.1**	**884.2**
Non-current liabilities			
Trade and other payables	17.1	12.3	20.0
Borrowings	1,179.3	1,148.5	1,069.3
Lease liabilities	—	138.0	122.4
Derivative financial instruments	45.3	—	—
Deferred income tax liabilities	141.6	128.5	104.3
Retirement benefit obligations	148.2	153.7	160.7
Provisions	4.9	5.0	4.9
Total non-current liabilities	**1,536.4**	**1,586.0**	**1,481.6**
Current liabilities			
Trade and other payables	608.4	611.2	614.1
Current income tax liabilities	60.2	48.7	40.7
Borrowings	4.4	2.4	7.4
Lease liabilities	—	28.7	28.6
Derivative financial instruments	2.8	25.4	0.2
Provisions	24.0	19.3	25.6
Total current liabilities	699.8	**735.7**	**716.6**
Total liabilities	**2,236.2**	**2,321.7**	**2,198.2**
Total equity and liabilities	**3,316.3**	**3,510.8**	**3,082.4**

Consolidated Statement of Cash Flows

(in € million)	Year ended December 31, 2018	2019	2020
		(audited)	
Cash flows from operating activities			
Cash generated from operations	449.6	477.2	374.4
Interest paid	(64.4)	(63.1)	(57.1)
Income tax paid	(88.2)	(79.7)	(59.7)
Net cash generated from operating activities	**297.0**	**334.4**	**257.6**
Cash flows from investing activities			
Payment for property, plant and equipment	(115.8)	(119.4)	(82.1)
Payment for intangible assets	(35.8)	(39.7)	(30.1)
Proceeds from the sale of property, plant and equipment	0.2	0.6	13.8
Interest received	1.9	1.5	3.0
Net cash used by investing activities	**(149.5)**	**(157.0)**	**(95.4)**
Cash flows from financing activities			
Purchase of own shares	—	—	(3.5)
Proceeds from new borrowings	150.0	—	213.6
Fees paid on proceeds from new borrowings	(2.2)	(0.3)	(17.7)
Voluntary repayments of borrowings	(188.4)	(50.0)	(209.6)
Fees paid on voluntary repayments of borrowings	(8.2)	—	—
Scheduled repayments of borrowings	(5.4)	(4.5)	(5.3)
Lease principal repayments	—	(27.1)	(28.6)
Dividends paid	(22.5)	(46.6)	—
Dividends paid to non-controlling interests	(0.2)	(0.7)	(0.5)
Net cash used by financing activities	**(76.9)**	**(129.2)**	**(51.6)**
Increase in cash and cash equivalents	**70.6**	**48.2**	**110.6**
Cash and cash equivalents at the beginning of the year	287.2	360.1	411.7
Currency translation on cash and cash equivalents	2.3	3.4	(36.5)
Cash and cash equivalents at the end of the year	**360.1**	**411.7**	**485.8**

Other Financial and Operating Information

Other Financial and Operating Information

(in € million, unless otherwise stated)	As of and for the year ended December 31, 2018	2019	2020
	(unaudited, unless otherwise indicated)		
Revenue*	3,472.8	3,411.1	2,814.5
EBITDA(1)*	478.7	489.1	338.0
EBITDA Margin(1)	13.8%	14.3%	12.0%
Adjusted EBITDA(1)*	484.3	497.8	330.9
Adjusted EBITDA Margin(1)*	13.9%	14.6%	11.8%
Adjusted EBIT(1)*	373.5	340.4	173.3
Adjusted EBIT Margin(1)*	10.8%	10.0%	6.2%
Operating Profit/(Loss)*	281.1	258.9	(176.3)
Operating Profit Margin	8.1%	7.6	—
Free Cash Flow(2)	147.5	177.4	162.2
Adjusted Free Cash Flow(2)	146.4	180.2	148.2
Net debt(3)	820.4	738.3	605.1
Net leverage(4)	1.7x	1.5x	1.8x

* Audited

(1) For a definition of our EBITDA-based metrics, see "*Presentation of Financial Information—Non-IFRS Financial Measures*."

We believe that our EBITDA-based measures are useful to investors in evaluating our operating performance and our ability to incur and service our indebtedness. Our EBITDA-based measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to performance measures derived in accordance with IFRS, IFRS or any other generally accepted accounting principles. Our EBITDA-based measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Because of these limitations, our EBITDA-based measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to service our indebtedness. You should compensate for these limitations by relying primarily on our Financial Statements included elsewhere herein and using these non-IFRS measures only to supplement evaluation of our performance. See "*Presentation of Financial Information—Non-IFRS Financial Measures*."

The following is a reconciliation of EBITDA, Adjusted EBITDA and Adjusted EBIT to operating profit:

	As of and for the year ended December 31,		
(in € million, unless otherwise stated)	**2018**	**2019**	**2020**
Operating Profit	**281.1**	**258.9**	**(176.3)**
Depreciation and impairment of PP&E	101.5	108.6	104.6
Depreciation of right-of-use assets	—	31.5	31.9
Amortization and impairment of intangible assets	95.6	89.8	76.7
Share of profit of associates	0.5	0.3	(3.5)
Exceptional asset impairment	—	—	304.6
EBITDA	**478.7**	**489.1**	**338.0**
Net foreign exchange gains	(1.2)	(0.5)	(27.2)
Dividend received from associates	0.2	0.5	0.5
Net restructuring costs	7.1	9.0	16.1
Share of profit of associates	(0.5)	(0.3)	3.5
Adjusted EBITDA	**484.3**	**497.8**	**330.9**
Less			
Depreciation and impairment of PP&E	(101.5)	(108.6)	(104.6)
Depreciation of right-of-use assets	—	(31.5)	(31.9)
Amortization and impairment of intangible assets	(95.6)	(89.8)	(76.7)
Add back:			
Depreciation uplift arising on purchase accounting	15.7	14.5	12.9
Amortization uplift arising on purchase accounting	70.6	58.0	42.7
Adjusted EBIT	**373.5**	**340.4**	**173.3**

(2) For a definition of Free Cash Flow and Adjusted Free Cash Flow, see "*Presentation of Financial Information—Non-IFRS Financial Measures*."

The following is a reconciliation of Free Cash Flow and Adjusted Free Cash Flow to Adjusted EBITDA (see footnote (1) above for a reconciliation of Adjusted EBITDA to operating profit):

	As of and for the year ended December 31,		
(in € million, unless otherwise stated)	**2018**	**2019**	**2020**
Adjusted EBITDA	**484.3**	**497.8**	**330.9**
Less:			
Net cash interest paid	(62.5)	(61.6)	(54.1)
Cash taxes paid	(88.2)	(79.7)	(59.7)
Payment for property, plant and equipment	(115.8)	(119.4)	(82.1)
Payment for intangible assets	(35.8)	(39.7)	(30.1)
Movement in working capital	(27.5)	2.7	63.1
Movement in retirement benefit obligations	(5.2)	(12.5)	(9.1)
Exceptional cash paid (IPO costs)	(3.1)	—	—
Movement in provisions and other	1.3	(10.2)	3.3
Free Cash Flow	**147.5**	**177.4**	**162.2**
Add back:			
IPO cash costs in net cash from operations	3.1	—	—
Restructuring cash spend	0.2	8.7	13.0
Less:			
Cash received on settlement of derivatives	(2.7)	(5.6)	(16.6)
Restructuring proceeds on sale of facilities	—	—	(10.4)
Amounts received in cash from assets at fair value through profit and loss	(1.7)	(0.3)	—
Adjusted Free Cash Flow	**146.4**	**180.2**	**148.2**

(3) "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. For the year ended December 31, 2020, we present net debt after giving effect to the Transactions. See "*Use of Proceeds.*" This amount excludes deferred debt issuance costs of €38.3 million. See "*Capitalization.*" We exclude IFRS 16 lease liabilities from our net debt calculation. If the IFRS 16 lease liabilities were to be included, our net debt would have increased by €151.0 million as of December 31, 2020 and €166.7 million as of December 31, 2019.

(4) "Net leverage" is net debt (see footnote (3) above) divided by Adjusted EBITDA (see footnote (1) above). We exclude IFRS 16 lease liabilities from our net debt calculation. If the IFRS 16 lease liabilities were to be included, our net leverage would have been 2.4x as of December 31, 2020 (after giving effect to the Offering and the use of proceeds therefrom) and 1.8x as of December 31, 2019.

Region and Segmental Information

The tables below disclose revenues by region and revenues by segment for each of the years ended December 31, 2018, 2019 and 2020.

Revenues

(in € million)	Year ended December 31, 2018	2019 (audited)	2020
Total Group Revenues	**3,472.8**	**3,411.1**	**2,814.5**
Revenues by Region			
Europe and Africa	1,398.6	1,368.6	1,077.5
Asia Pacific	1,032.2	1,030.6	982.5
North America	971.9	936.7	714.7
Latin America	70.1	75.2	39.8
Revenues by Segment			
Fluid Carrying Systems (“FCS”)	2,026.7	1,917.6	1,526.9
Fuel Tank and Delivery Systems (“FTDS”)	1,446.1	1,493.5	1,287.6

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors in the Notes should carefully consider the risks described below and the other information contained in this offering memorandum before making a decision to invest in the Notes. Any of the following risks, individually or together, could adversely affect our business, financial position, results of operations and prospects, and accordingly the value of the Notes. This section describes the risks and uncertainties that we believe are material, but these risks and uncertainties may not be the only ones that we face. Additional risks and uncertainties, including those of which we are currently unaware or those which we currently deem immaterial, may also result in decreased sales, assets and cash inflows, increased expenses, liabilities or cash outflows or other events that could result in a decline in the value of the Notes, or which could have a material adverse effect on our business, financial position, results of operations and prospects. The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on our business, financial position, results of operations and prospects or on the trading price of the Notes.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in those forward-looking statements as a result of various factors, including the risks described below and included elsewhere in this offering memorandum. For more information, see "Forward-Looking Statements."

Risks Related to Our Business and Industry

We have 107 manufacturing locations in 28 countries on five continents, and a substantial amount of our revenue is closely linked to the economic cycle, the general macro-economic environment, automobile sales and production and the trends in product offerings from vehicle manufacturers.

Our customers are primarily OEMs in the automotive industry. Our business is therefore directly related to light vehicle production and automobile sales by our customers, both of which are highly sensitive to the performance of the global economy, macroeconomic factors and other factors outside our control, including trends in light vehicle production. Historically, there has been close correlation between economic growth and global light vehicle production volumes. The cost structure of our business, operating across manufacturing facilities in 107 locations, means that a large reduction in revenue will have an impact on profitability. The trend from the use of the ICE as the predominant vehicle power source towards full electrification of vehicles will continue to necessitate changes in our product portfolio. Consumer demand for automobiles is subject to considerable volatility as a result of general economic conditions, levels of employment, inflation, prevailing wages, levels of disposable income, tax increases, population growth, demographic trends, fuel prices, availability and cost of consumer credit and industrialization in developing countries. Declines in the availability of consumer credit and attractive leasing arrangements and increases in consumer borrowing costs have negatively impacted global automobile sales and resulted in lower light vehicle production volume in the past and may do so in the future. Automobile sales and production are highly cyclical. The purchase of an automobile is a significant expense and during economic downturns or periods of economic uncertainty consumers tend to refrain from making large purchases and existing automobile owners tend to retain their existing automobiles for longer especially if consumer credit is unavailable or costly. Lower global automobile sales could therefore result in our OEM customers significantly reducing light vehicle production schedules and reducing, delaying or cancelling plans to purchase our products.

We may be negatively impacted by adverse economic conditions in the geographic regions in which we or our customers operate, or in which automobiles that incorporate our products are sold. Europe, from which we generated 37% of our revenue in the year ended December 31, 2020, may undergo a renewed economic downturn following the exit of the United Kingdom from the EU or a reemergence of the sovereign debt crisis in the Eurozone. The United States, which accounted for 18% of our revenue in the year ended December 31, 2020, may also undergo a renewed economic downturn or there may be a significant change in trade relations and agreements between the United States and countries in which we operate, such as Mexico. China, which accounted for 23% of our revenue in the year ended December 31, 2020, has recently experienced slower than expected growth and volatility in its financial markets. The economies of emerging markets are susceptible to the prevailing economic conditions in more developed economies and regions, such as North America and Europe. These developments or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Should any of the above risks materialize there could be a material adverse effect on our business, financial condition, results of operations and prospects.

Our sales of products in the regions in which its customers operate ultimately depend on the success of its customers in those regions. If customers are unsuccessful in a particular region or market, this is likely to affect OEM production requirements and therefore OEM demand for our products, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business, financial condition and results of operations have been, and may continue to be, adversely affected by the COVID-19 pandemic.

The ongoing COVID-19 pandemic has had, and any possible future outbreaks could have, an adverse effect on us. Global light vehicle production volumes declined significantly, by 16.1%, in 2020—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, down by 61.5% compared to the same month in 2019. Global light vehicle 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. The COVID-19 pandemic, and the reactions of governmental and other authorities to contain, mitigate or combat the pandemic, have severely restricted the level of economic activity around the world, have impacted, and are expected to continue to impact, our operations, and the nature, extent and duration of the impact of COVID-19 or any future disease or adverse health condition is highly uncertain and beyond our control. In response to the COVID-19 pandemic, the governments of many countries have taken preventative or protective actions, such as imposing lockdowns, curtailing travel, closure of schools, prohibitions of mass gatherings, mandatory remote working, and in some countries, the ability to access manufacturing facilities and office buildings. The COVID-19 pandemic has also caused significant economic dislocation in many of the countries in which we operate and sell our products, which has resulted in an unprecedented slow-down in economic activity and a related increase in unemployment.

Were a recession to occur, we cannot predict the length of such recession or the short- and long-term impact it may have on the global economy or our business specifically. Any or all such consequences may have an adverse impact on our business, financial condition and results of operations. The extent to which the COVID-19 pandemic will impact our results will depend on the scale, duration, severity and geographic reach of future developments, which are highly uncertain and cannot be predicted. Following relaxation of restrictions in the late spring and summer of 2020, further waves of the pandemic have led to renewed restrictive measures including new regional or national lockdowns in several countries in which we operate. Although vaccination programs are being rolled out in many jurisdictions, the pace of vaccination is unclear and the efficacy on large populations is untested. The ultimate impact of the COVID-19 outbreak will depend on the length and severity of restrictions on business and individuals, the pandemic's impact on customers, dealers, and suppliers, how quickly normal economic conditions, operations and demand for vehicles resume, the severity of the current economic downturn, any permanent behavioral changes that the pandemic may cause and any additional actions to contain the spread or mitigate the impact of the outbreak, whether government-mandated or elected by us. The future impact of COVID-19 developments will be greater if the regions and markets that are most profitable for us are particularly affected. These disruptions could have a material adverse effect on our business, financial condition and results of operations. In addition, the COVID-19 pandemic may exacerbate many of the other risks described in this report, including, but not limited to, the general economic conditions in which we operate, increases in the cost of raw materials and components and disruptions to our supply chain and liquidity.

We continue to monitor the situation, and any future mandatory shutdowns, declines in vehicle production or sales or other macroeconomic impacts could have a material adverse effect on our business, financial condition, results of operations and prospects.

We operate in a dynamic competitive environment and face competition from other manufacturers and suppliers of automotive components in each of the market segments in which we operate, and the environment for bidding and securing new contract awards from OEMs is competitive which may subject us to pressure from customers to reduce costs on current contracts.

Competition amongst automotive system and component suppliers is based primarily on product quality, price, product reliability, timeliness of delivery, product design capability, technical expertise, development capability, new product innovation, financial viability, operational flexibility, customer service, reputation and overall management. Should we be unable to continue to supply high-quality products within reliable delivery times to OEM customers in the future, such OEM customers could purchase products from our competitors.

Our primary competitors include a broad range of international, regional and local companies some of which are focused on particular products or product groups and/or geographical regions. Certain of our competitors may have greater financial, technical and/or marketing resources than we do, which could enhance their ability to finance acquisitions, fund internal growth and/or respond more quickly to technological changes. Our competitors may also foresee and react to the course of market development more effectively than we do, develop products that are superior to our products, produce similar products at a lower cost or adapt more quickly than we do to evolving customer requirements. Our competitors may also have facilities located near an OEM customer where we are not currently present, which would reduce the transportation costs associated with the delivery of products from those facilities to the OEM customer.

Increased consolidation among our competitors could allow competitors to further benefit from additional economies of scale, being able to offer more comprehensive product portfolios and increasing the size of the markets they serve. In addition, we face the risk of the entry of new competitors in the markets where we operate, particularly in emerging markets such as China where new entrants may be state-funded and/or where we anticipate that existing market participants will act aggressively to preserve and increase their market share. The entry of new competitors could result in increasing price pressure, reduced margins, higher employee turnover and labor costs and a reduction in our existing market share.

Any of these factors, alone or in combination, could result in a reduction in our current market share and competitive position and could have a material adverse effect on our business, financial condition, results of operations and prospects.

The automotive industry is subject to changes in technology, and our products are subject to changes in regulatory requirements to reduce emissions and increase fuel economy.

Changes in legislative, regulatory or industry requirements or in competitive technologies may render certain of our existing products obsolete or less attractive. There can be no assurance that we will be able to develop sufficient new products or other sources of revenue if certain products become obsolete or if competitors introduce technological advantages that we do not possess. Changing environmental regulations mandating reduced emissions and increased fuel economy for vehicles could also affect demand for certain products.

To compete effectively in the automotive supply industry, we must be able to successfully develop and introduce high-quality and innovative products and technologies to meet our customers' needs in a timely and cost-effective manner.

We are subject to the risks generally associated with new product introductions and applications, including lack of market acceptance, delays in product development or production and failure of new products to operate properly. Loss of reputation and customers may also arise if we are not able to develop, produce and deliver products at the high-quality standards our customers expect.

Our development and introduction of new and improved products depends on our ability to successfully implement technological innovations in design, engineering and manufacturing, which requires extensive investment. Any reduction in investment could reduce our ability to develop and implement technological innovations, which may materially reduce demand for our products. Equally, any investment devoted to the development of new technologies and products that fail to be accepted in the marketplace or that fail to be commercially viable may result in the partial or total loss of such investment.

There can be no assurance that we will be able to install and certify the equipment needed to manufacture products for new vehicle or platform programs in time for the start of production or that our customers will execute the launch of their new vehicle or platform programs on schedule for us to supply products.

Our failure to successfully design and launch new profitable products quickly enough or at all or respond to changes in environmental regulatory requirements could adversely affect our business, financial condition, results of operations and prospects.

The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

On June 23, 2016, the United Kingdom held a referendum in which voters approved an exit from the EU (commonly referred to as "Brexit"). On March 29, 2017, the UK government invoked Article 50 of the Lisbon Treaty to begin the process of formally leaving the EU, and on January 31, 2020, the United Kingdom withdrew its membership in the European Union and entered into a transition period which expired on December 31, 2020.

On December 24, 2020, the EU and the United Kingdom announced that they had reached the EU—UK Trade and Cooperation Agreement, which was implemented on December 31, 2020 and entered into force provisionally on January 1, 2021. Despite the implementation of the EU—UK Trade and Cooperation Agreement, there remains significant uncertainty as to how the agreement will affect relations between the United Kingdom and the EU. While the EU and the United Kingdom agreed to comprehensive, zero-tariff, zero-quota free trade pursuant to the EU—UK Trade and Cooperation Agreement, the end of the transition period on that date has, among other things, led to increased customs, health and safety checks at the border, which has delayed and disrupted the movement of goods between the EU and the United Kingdom and may undermine bilateral cooperation in key policy areas, significantly disrupt trade between the United Kingdom and the EU and cause political and economic instability in other countries of the EU. Additionally, following the end of the transition period, the United Kingdom will cease to be a member of the EU single market, which will end the free movement of services and workers between the United Kingdom and the EU and may make it more difficult for our United Kingdom operations to do business with customers or suppliers that are based in the EU. For the year ended December 31, 2020, the United Kingdom generated 2% of our sales. The impact of the new trade agreement between the United Kingdom and the EU and the resulting effects on the political and economic future of the United Kingdom, remain uncertain. Economic instability and uncertainty in Europe, has and may continue to have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business is susceptible to changes in consumer demand and preferences.

In addition to general economic conditions and macroeconomic trends, automobile sales are impacted by consumer demand and preferences such as general changes in consumers' use of modes of transportation and the popularity of a particular automotive vehicle model or platform. In the future, private and commercial users of transportation may make increased use of modes of transportation other than automobiles. This could be driven by, among other things, rising costs for automotive transport of people and goods (e.g., rising fuel prices, toll fees or vehicle or other taxes), increasing traffic density in major cities and factors relating to environmental protection and growing ecological awareness. Moreover, the number of automobiles sold could decline due to changes in consumers' long-term behavior, such as increased use of collective transportation (e.g., buses, carpooling, car sharing concepts, rail transport, etc.) and cars losing their appeal as status symbols. In addition, changes in consumer demand driven by the popularity of a particular vehicle type, model, platform or technology such as HEVs and BEVs, may also impact demand for our products. Changes in demand trends for automobiles and corresponding fluctuations in OEM customer demand for our products could have a material adverse effect on our business, financial condition, results of operations and prospects.

Most of our OEM customers do not commit to minimum purchase orders for the life of a platform, and a decline in the production requirements of any of our OEM customers could adversely impact our revenue and profitability.

Most OEMs do not commit to minimum purchase quantities for the life of a vehicle model or platform. Although we receive contracts (in the form of purchase orders) from our OEM customers, these contracts generally provide for the supply of an OEM customer's requirements for a particular vehicle model or platform and generally do not provide for the purchase of a specific quantity of our products. The contracts we have entered into with most of our OEM customers have terms ranging from one year to the life of the vehicle model or platform (usually five to six years), although OEM customers generally reserve the right to terminate the contract at will (for convenience) with only limited compensation for raw materials, work in process and finished goods. As a result, the revenue to be generated from contracts entered into with our OEM customers is inherently subject to a number of risks and uncertainties relating to OEM demand and underlying consumer demand for a particular vehicle model or platform that could affect the actual purchase volumes and, correspondingly, the revenue and profitability of our contractual arrangement with an OEM for a specific vehicle model or platform. A significant decrease in consumer demand for key vehicle models or platforms sold by any of our major OEM customers or the ability of an OEM customer to re-source and discontinue purchasing products from us for a particular vehicle model or platform could have a material adverse effect on us. The reduction or loss of business with respect to, or the lack of commercial success of, a vehicle model or platform for which we are a significant supplier could reduce our revenue and thereby adversely affect our business, financial condition, results of operations and prospects.

To the extent that we do not maintain our existing level of business with our key OEM customers because of a decline in their production requirements or because their contracts expire or are terminated for convenience, we will need to attract new customers or win new business with existing customers. Should we fail to do so, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

Continued pricing pressures, OEM cost reduction initiatives and the ability of OEMs to re-source or cancel vehicle programs may result in lower than anticipated revenue and profit margins or losses.

Our OEM customers face constant pressure to lower their selling and production costs to be competitive against their peers. Most OEMs, for example, have annual price reduction initiatives and cost savings objectives with their suppliers. In this regard, our OEM customer supply agreements generally require reductions in the selling prices of our systems and components over the term of a vehicle platform or model.

OEMs have leverage over their suppliers, including us, because the automotive component supply industry is highly competitive, serves a limited number of OEM customers, has a fixed cost base and at times has had periods of excess capacity. As OEMs may award us significant future business and have a contractual right to terminate their existing supply contracts at will, they have significant leverage in pricing negotiations. Based on these factors, and the fact that our customers' vehicle programs typically last a number of years and are anticipated to encompass large volumes, our OEM customers are able to negotiate favorable pricing. These pricing pressures may be increased by any consolidation between our OEM customers as combined OEMs may have greater production volumes and therefore greater purchasing power, in which case corresponding negotiating leverage could increase. Accordingly, we are subject to continuing pressure from OEMs to reduce the price of our products and expect such pricing pressure to continue in the future as OEMs continue to pursue cost-cutting initiatives.

No assurance can be given that such pricing pressures can be fully offset by reductions in our operating costs or improved operating efficiencies in order to maintain current margins or that our competitors will not be in a better position to react to such pricing pressures. If we are unable to maintain competitive prices for our products, we may not be able to retain existing business or win new business. These pricing pressures from our OEM customers could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may incur material losses and costs as a result of warranty claims, product liability and product recalls.

Failure to meet customer requirements or specifications can have financial consequences, such as the loss of a customer, warranty claims and product liability, and cause long-term damage to our reputation. We are constantly exposed to the risk of selling and delivering products that do not meet customer requirements or specifications. Although we engage in extensive product quality programs and processes, our products may not meet customer specifications. This risk can be compounded by the strategy employed by many OEMs to increasingly use standardized parts in different vehicle models and platforms in order to achieve synergies and cost savings, which may increase the risks of such non-compliance occurring across a larger number of vehicles. This could cause us to lose revenue, incur increased warranty and recall costs associated with product testing, repairs and replacement, experience delays, cancellations or rescheduling of orders for our products until the cause of the warranty claim has been identified and remedied, experience increased product returns or discounts or even a product recall and suffer damage to our reputation, each of which could negatively affect our business, financial condition, results of operations and prospects. If a product does not meet customer requirements or specifications, an OEM may decide to continue production and replace parts that do not meet its specifications at a later date (at our cost). In addition, our customers could potentially claim damages on the basis of breach of contract even if the relevant product is later replaced. These claims can be expensive to defend and can divert the attention of management and other personnel for significant periods of time. In addition, even if we are successful in defending such a claim, claims of this nature could negatively affect OEM customer confidence in us and our products.

The causes of warranty issues are sometimes beyond our control. In addition to errors in the design, development, production or handling of our products, components or materials delivered by our suppliers and integrated in our products or manufacturing process may be non-conforming.

While there are no material warranty claims pending and while we believe that our established reserves are adequate to cover potential warranty claims with respect to significant potential warranty matters, our warranty provisions are based on our best estimates of amounts necessary to resolve such known potential claims and the final amounts determined to be due related to these matters could differ materially from our current estimates and established reserves.

If any of our products do not, or are alleged to not, meet customer specifications and are determined to present an unreasonable vehicle safety risk, such products may be subject to recall by the OEM customer. Each of our OEM customers has its own practices regarding product recalls and other product liability actions relating to its suppliers. Our customers frequently seek contribution from their suppliers in connection with product recalls and product liability claims. Liability for such claims is generally uncapped and we may face fines and/or other measures imposed by government and regulatory agencies that could have a material adverse effect on our business, financial condition, results of operations and prospects.

Increases in the costs of the raw materials and other supplies that we use in our products may have a negative impact on our profitability.

We use a broad range of materials and supplies in our products, including petroleum-based resins, steel, aluminum and other metals, chemicals, electronic components and semiconductors. Significant changes in the markets in which we purchase materials, components and supplies for the manufacture of our products may adversely affect our profitability, particularly in the event of significant increases in demand for our products where there is no corresponding increase in supply of the raw materials that we use, or in the event of inflation or other pricing increases. The prices of the raw materials used by us, and the raw materials used by our suppliers, have fluctuated significantly in the past and may continue to be volatile in the future. Furthermore, during periods of declining raw material prices, customers may demand price reductions for our products despite the fact that we may be using existing inventories that were produced with higher raw material and supply costs. This could, in turn, have a negative impact on our profit margins.

We do not generally have a contractual right to pass supply and raw material cost increases onto our customers, and although we have had some success in doing so in the past, there can be no assurance that we will be able to do so in the future. Even where we are able to pass on such price increases to the customer, we may not be able to do so on a timely basis. In addition, we may not always be able to substitute any raw materials or other supplies with lower-cost alternatives that still meet customer requirements. Any long-term increase in the cost of our raw materials or other supplies, and resultant increase in the price of our products may ultimately negatively impact demand for our products.

Our inability to pass on price increases to our customers, in part or in full, or find suitable substitutes for our raw materials could have a material adverse effect on our business, financial condition, results of operations and prospects.

A significant loss of or disruption at a key manufacturing facility or of a critical piece of equipment at a manufacturing facility could have a material adverse effect on our business, financial condition, results of operations and prospects.

Damage and loss caused by a fire, explosion, accident, natural disaster, pandemic, terrorist attack, severe weather condition, labor issue, cyberattack or other disruption of our production process at our manufacturing facilities or within our supply chain may be severe. For example, a mechanical failure or disruption affecting any operating line, including any disruption or production capacity constraints resulting from our failure or inability to accurately or effectively manage our manufacturing facilities or changes in our production levels, may result in a disruption in our ability to supply our customers. In early 2020, when the COVID-19 pandemic was first identified, in response to regional outbreaks, we temporarily closed our plants to protect our workers, starting in Asia Pacific and then moving to Europe and North America. If any of our manufacturing facilities were to be shut down unexpectedly, if certain of our manufacturing operations or equipment and machinery within an otherwise operational facility were to cease production unexpectedly or if we were to fail to accurately or effectively manage our manufacturing facilities or changes in our production levels, there can be no assurance that alternative production capacity would be available or that, if it were available, it could be obtained quickly enough or at the same cost or could be easily transferred. In addition, the loss of systems capability at a facility as a result of IT failure or cyberattack, could impact our ability to operate one or more plants and supply our customers. Injuries arising from health and safety incidents could result in lost time, reduce employee morale and possible changes in working practices. Serious incidents can also have a detrimental impact on our reputation. Operational disruptions and interruptions and process problems, including problems related to start-up issues at facilities or resulting from our failure or inability to accurately or effectively manage changes in our production levels, may lead to significant production downtimes and interruptions to deliveries to OEM customers, which can in turn trigger claims by OEM customers for losses related to assembly shut-down and lost production.

While we manufacture our products in numerous facilities and maintain insurance in respect of our facilities, including business interruption insurance, a significant loss of the use of all or a portion of one of our key manufacturing facilities, whether short-term or long-term, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Disruptions in the supply of materials and components that we, our suppliers or our customers use in their products or in their supply chains may adversely affect our business.

Given the "just-in-time" delivery method employed by our suppliers and us, any reduction in the availability of, or periodic delays in, the delivery of certain raw materials and components could significantly disrupt our production. Such disruptions could be caused by, for example, closures of one or more of our supplier's plants or manufacturing lines due to strikes, mechanical failures or breakdowns, electrical outages, fires, explosions, political upheaval, pandemics, severe weather, cyberattack, natural or nuclear disasters and delayed customs processing, among other things. Financial difficulties of our major suppliers may also lead to delays in the delivery of raw materials and components. The unavailability, for whatever reason, of any raw material or component required to manufacture one or more of our products could force us to cease production, potentially for a prolonged period.

In the event that we have to source raw materials or components from another supplier, a failure of a product to achieve the required quality could force us to halt deliveries while we validate the quality of alternative raw materials or components. In addition, many of our OEM customers have approval rights with respect to the suppliers we use, thereby limiting our ability to source raw materials or components from other suppliers at short notice if the relevant OEM customer has not already approved such other supplier. Failure to replace any of our suppliers on commercially reasonable terms, or at all, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Even where our products are ready to be shipped, delays may arise before they reach our customers. Our customers may halt or delay their production if one of their other suppliers fails to deliver necessary components. This may cause our OEM customers, in turn, to suspend their orders or instruct us to suspend delivery of our products. Where an OEM customer halts production because of another supplier failing to deliver on time, it is unlikely we will be fully compensated, if at all, for our losses and expenses.

If we fail to make timely deliveries in accordance with our contractual obligations, we generally have to absorb our own costs for identifying and solving the problem as well as expeditiously producing replacement components or products. Generally, we must also carry the costs associated with "catching up", such as overtime and premium freight. Additionally, if we are the cause for an OEM customer being forced to halt production, the OEM customer may seek to recoup all of its losses and expenses from us. Any supply-chain disruption, however small, could potentially cause the partial or complete shutdown of an assembly line of one of our OEM customers, and any such shutdown that is due to causes that are within our control could expose us to material claims for compensation, which may include claims for direct and consequential losses such as lost profits and have a negative impact on our relationship with such OEM customer and our reputation more generally.

As we have extensive operations in emerging markets, the risk of disruptions in the supply of materials and components that we and our customers use in their products is heightened due to the potential for greater political, economic and social instability, limited transportation infrastructure and difficulties in finding alternative reliable, cost-efficient and qualified suppliers in these regions.

Any of these risks or any other disruption in our supply chain or the delivery of our products could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our production requirements may not develop in accordance with forecasts and OEM demand for our products may be difficult to anticipate.

The volume and timing of production requirements of our OEM customers may vary due to management of their inventory, design changes, changes in their manufacturing strategy, acquisitions of, or consolidation among, customers and underlying consumer demand for OEMs' automobiles. We have underutilized our manufacturing lines in the past and may continue to do so from time to time in the future.

We also face challenges estimating production volume and managing production capacity across all of our manufacturing facilities. If we overestimate the volume of products we expect to sell, we will have excess production capacity which would likely reduce the efficiency of production and the margins on the products sold. Our production is bespoke to a particular automotive platform and therefore our products cannot easily be transferred to another production order. In such instances, we may be left with inventory that cannot be sold in the near term. If we underestimate the volume of products we need to produce at any of our facilities, or if we fail to accurately or effectively manage our manufacturing facilities or changes in our production levels, we may be unable to meet customer orders within agreed timeframes. This may occur because existing facilities do not have sufficient capacity, we have insufficient inventory or the costs of transporting goods from one site to another would be uneconomical. As a consequence, we may be required to incur additional costs and pay financial penalties for the late delivery of products to customers.

Our OEM customers do not commit to production schedules for the lifetime of the platform or even part of the life of the platform. Our inability to forecast the level of OEM customer orders with certainty makes it difficult to schedule production and maximize utilization of manufacturing capacity even when a supply contract is in place with an OEM. Inability to improve utilization levels for our manufacturing lines or efficiently manage our production capacity will likely lead to us incurring increased fixed costs.

Any of these events, alone or in combination, could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to foreign currency exchange rate fluctuations as a result of our substantial global operations, which may adversely affect our financial results.

As a result of our global operations, we generate a significant portion of our revenue and incur a significant portion of our expenses in various currencies. Our primary currency exposures are to the Euro, the US Dollar, the Chinese Renminbi and the Korean Won. Net currency exposure from sales or expenses denominated in a foreign currency arises to the extent that we do not incur corresponding or offsetting expenses or sales in the same foreign currency. As a result, we are exposed to fluctuations in these currencies. We generally seek to mitigate our external transactional currency risk by negotiating revenue and supplier contracts in each operating unit's functional currency, and also hedge certain residual exposures that are considered highly probable for a period of up to twelve months. In certain jurisdictions, we are restricted in our ability to enter into hedges in excess of specified amounts or time periods, which limits our ability to mitigate transactional currency risk in such jurisdictions.

In addition, because the results of operations of some of our operating entities are reported in currencies other than the Euro, we face currency translation risk when such financial results are translated into the Euro at the applicable exchange rate for inclusion in our consolidated financial statements. Currency translation risks also arise in connection with our intra-Group financing activities, such as its intra-Group loans between our subsidiaries in the United States (for which the functional currency is the US Dollar) and the United Kingdom (for which the functional currency is the Euro). Furthermore, because a significant portion of our indebtedness is denominated in US Dollars, we face potential currency risk when our cash from operations in other currencies (including the Euro) is converted into US Dollars in connection with the servicing of our indebtedness.

We do not currently hedge against specific entity translation effects of currency fluctuations, which have impacted and will continue to impact our results of operations. Although we put in place in certain hedging arrangements in October 2015 which were primarily related to reducing our foreign currency exposure on our US Dollar based financing facilities, we unwound all of our foreign currency hedges in March 2020. There can be no assurances that fluctuations in currency rates and exposures will not have a material adverse effect on our business, financial condition, results of operations or prospects.

Employee strikes and labor-related disruptions involving our employees or one or more of our customers or suppliers may adversely affect our operations and agreements with unions or work councils and could reduce our ability to manage our cost base.

Our business is labor-intensive and we participate in a number of works councils and other represented employee forums, particularly in Europe. Since a significant portion of our workforce is unionized or otherwise party to collective bargaining agreements, a strike or other form of significant work disruption by our employees would be likely to have an adverse effect on our ability to operate our business. Although we believe that we have established good relationships with our employees and their unions, such relationships could deteriorate in the future and we could experience demand for significant wage increases, strikes or other types of disputes with labor unions or our employees. Furthermore, labor unrest or work stoppages could affect operations regardless of whether the workforce is unionized or subject to a collective bargaining arrangement. If a strike or other action by labor were to cause a work stoppage or other slowdown at one or more of our production facilities, we could experience significant disruption to our operations. Labor unrest or strikes associated with our operations could also damage our reputation with customers or in the market generally.

We may experience significant increases in labor costs as a result of the renegotiation of collective bargaining agreements or if a greater percentage of our workforce becomes unionized or otherwise party to a collective bargaining agreement. Any limit in such collective bargaining agreements or other arrangements on our ability to adjust workforce headcounts or salaries or to restructure our business in response to difficult economic conditions could also adversely affect our business, financial condition, results of operations and prospects. We seek to negotiate wages and salaries on terms that allow us to offer our products at competitive prices, and we may face strikes or other industrial action in the course of such negotiations.

Moreover, many of our customers and suppliers also have unionized workforces. A labor dispute involving our customers or suppliers or another supplier to our customers that results in a slowdown or a closure of an assembly plant where our products are manufactured or are needed for assembly could also adversely affect our business, financial condition, results of operations and prospects.

We are exposed to risks in connection with the funding of certain of our pension and other post-retirement benefit obligations.

We have pension and other post-retirement benefit obligations to certain of our current employees and retirees. We operate funded defined benefit pension plans in the United States, the United Kingdom and Canada. These plans are final salary plans which provide benefits to members in the form of a guaranteed level of pension payable for life. The latest valuations for the US, UK and Canadian plans on December 31, 2020, were deficits of €52.3 million and €6 million, and nil respectively.

Employer funding contributions to these defined benefit pension plans are agreed at each formal valuation and in the year ended December 31, 2020 totaled €7.8 million. Our defined benefit pension plan contributions for the year ended December 31, 2021 are expected to amount to approximately €4.5 million.

Key assumptions used to value our pension and other post-retirement benefit obligations and the cost of providing such benefits, funding requirements and expense recognition include the discount rate, the expected long-term rate of return on pension assets, the health care cost trend rate and assumptions underlying actuarial methods. If the actual trends in these factors are less favorable than the trustees' assumptions, we may have to contribute additional cash to fund our obligations under these plans. Our ability to satisfy the funding requirements associated with our pension and other post-retirement benefit obligations to our current employees and retirees will depend on our cash flow from operations and our ability to access credit and the capital markets. The funding requirements of these benefit plans and the related expense reflected in our financial statements are affected by several factors that are subject to an inherent degree of uncertainty and volatility, including government regulation. The values attributable to the externally invested pension plan assets are subject to fluctuations in the capital markets that are beyond our influence. Unfavorable developments in the capital markets could result in a substantial coverage shortfall for these pension obligations, resulting in a significant increase in our net pension and post-retirement benefit obligations. Any such increase could have a material adverse effect on our business, financial condition, results of operations and prospects.

Under the US Employee Retirement Income Security Act of 1974 (as amended), the US Pension Benefit Guaranty Corporation ("PBGC") has the authority to petition a court to terminate an underfunded defined benefit pension plan under certain limited circumstances. In the event our pension plans are terminated by the PBGC, we could be liable to the PBGC for the entire amount of the underfunding, as calculated by the PBGC based on our own assumptions (which would likely result in a larger obligation than that based on assumptions we had used to fund such plans). Alternatively, the PBGC could require us to make additional contributions to the plans, thereby reducing the funds available to fund our operations, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

Under the Pensions Act 2004, the UK Pensions Regulator may issue a contribution notice requiring contributions to be paid into the relevant plan by an employer in a UK defined benefit plan or any person who is "connected with" or is an "associate of" an employer in a UK defined benefit plan. A contribution notice may be issued if the Pensions Regulator is of the opinion that (i) the relevant person has been a party to an act, or a deliberate failure to act, which had as its main purpose (or one of its main purposes) the avoidance of pension liabilities or (ii) the relevant person has been a party to an act, or a deliberate failure to act, which has a materially detrimental effect on a pension plan without sufficient mitigation having been provided. Directors of the participating employer are also potentially subject to the Pensions Regulator's power to issue a contribution notice. Our risks related to the funding of our pension and other post-retirement obligations mentioned above could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not realize the anticipated benefits of any acquisitions we make or joint ventures we enter into, and may incur unforeseen liabilities.

We intend to grow both organically and through acquisitions of strategic businesses, products or technologies or by entering into joint ventures in the fluid handling sector. Successful growth through future acquisitions and/or joint ventures is dependent upon our ability to identify suitable acquisition or joint venture targets, conduct appropriate due diligence, secure financing, negotiate transactions on favorable terms and ultimately complete such transactions and integrate the related business. Acquisitions or joint ventures involve numerous risks, including:

- difficulties in the integration of the acquired businesses or incorporating joint ventures including challenges with the integration of internal controls;
- the incurrence of significant integration or restructuring costs in excess of estimates;
- the diversion of our management team's attention from other business concerns;
- uncertainties in assessing the value, strengths and potential profitability of, and identifying the extent of all weaknesses of, acquisition or joint venture candidates;
- the incurrence or assumption of unknown liabilities or contingencies, including environmental, tax, pension and litigation liabilities, and undisclosed or unanticipated risks with respect to customers, suppliers, employees, government authorities or other parties;
- adverse effects on existing customer and supplier relationships;
- disruption of our existing operations;
- incurrence of substantial indebtedness;
- potentially dilutive issues of equity securities;
- difficulties associated with the entry into markets in which we have little or no direct prior experience;
- the potential loss of key customers, management and employees of an acquired business;
- failure to achieve operating and financial synergies; and
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying our rationale for pursuing the acquisition or joint venture.

We cannot ensure that we will be able to integrate acquisitions successfully or incorporate joint ventures that we undertake or that such acquisitions or joint ventures will perform as planned or prove to be beneficial to our business, financial condition, results of operations and prospects. If we experience the negative effects of any one or more of the risks identified above, we may not realize the benefits anticipated to result from an acquisition or a joint venture, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our future success is dependent upon the continued services of key personnel.

We compete globally to attract and retain personnel in a number of key roles. An important aspect of our competitiveness is our ability to attract and retain key employees and management personnel particularly during periods when we are expanding our production and operations. A lack of new talent, the inability to retain and develop existing talent or replace retiring senior management could hinder our operations and strategy. A loss of key personnel, with associated intellectual property and know-how, could disrupt our business and strategy. In a number of local markets, we may experience a shortage of skilled and experienced personnel for certain key roles. Global social trends and events may focus current and potential employees on the desirability of our businesses as a place of employment.

Our ability to retain key personnel is influenced by a variety of factors, including the compensation we award in line with compensation practices for peer companies and the competitive market position of our overall compensation package. We may not be as successful as competitors at recruiting, assimilating and retaining highly skilled personnel in key areas of our business including product development, engineering, operations and management. We face competition for suitably qualified employees and management personnel, and there is no assurance that we will successfully attract such personnel. Such competition may be particularly strong in certain of the geographies in which we operate, including China, where turnover of personnel is high and a deep understanding of local markets and the ability to speak the local language are key to developing close relationships with customers. The loss of the services of any member of senior management or a key salaried employee, and the inability to replace such personnel could have an adverse effect on our business, financial condition, results of operations and prospects.

We face risks associated with doing business globally.

A significant number of our manufacturing facilities are in countries outside of Europe and the United States, including China, South Korea, India and Mexico. In the year ended December 31, 2020, approximately 46% of our revenue came from customers outside Europe and the United States. Our global operations are subject to certain risks inherent in doing business globally, including:

- exposure to local economic, political and labor conditions;
- changes in laws and regulations or trade, monetary or fiscal policy, including interest rates, foreign currency exchange rates and the rate of inflation;
- tariffs, quotas, customs and other import or export restrictions and other trade barriers;
- expropriation and nationalization;
- difficulty of enforcing agreements, collecting receivables and protecting assets through non-US or non-European legal systems;
- reduced intellectual property protection;
- limitations on repatriation of earnings;
- investment restrictions or requirements;
- violence and civil unrest;
- domestic or international terrorist events and hostilities;
- complications due to natural or nuclear disasters;
- compliance (historical and future) with the requirements of applicable anti-bribery laws, including the UK Bribery Act 2010 (the "Bribery Act") and the US Foreign Corrupt Practices Act of 1977 ("FCPA");
- compliance (historical and future) with sanctions and export control provisions (including the US Export Administration Regulations) in several jurisdictions, including the United Kingdom, the European Union, the United States and China;
- changes in tax laws, regulations or policies;
- social laws that prohibit or make certain restructuring actions costly or cost-prohibitive; and
- controls on the repatriation of cash, including the imposition or increase of withholding and other taxes on remittances and other payments by its subsidiaries.

Increasing our manufacturing footprint in Asian markets, including China, and our business relationships with Asian OEMs are important elements of our strategy as is expanding our manufacturing footprint in other emerging markets. As a result, our exposure to the risks described above may be greater in the future as we expand our business in these regions. The likelihood of the occurrence of such risks and their potential impact on us vary from country to country and are unpredictable and could have an adverse effect on our business, financial condition, results of operations and prospects.

We are susceptible to a failure of, or disruptions in, our information technology networks and systems.

Our information technology networks and systems are at risk of damage from computer viruses, unauthorized access, cyberattack, power outages and other similar disruptions. We rely upon information technology networks and systems to process, transmit and store electronic information, and to manage or support a variety of business processes and activities. The operation of these information technology networks and systems and the proper processing and maintenance of this information are critical to our business operations. Any malfunction or other interruption in our information technology networks and systems which interfaces with our customers could adversely affect our ability to keep our operations running efficiently and could affect product availability particularly in the country, region or business in which the malfunction occurs and a wider or sustained disruption to our business cannot be excluded. Any disruption to our operations may result in the delay in or suspension of the manufacture or delivery of our products to customers.

Additionally, we and certain of our third-party vendors collect and store personal information in connection with human resources operations and other aspects of our business. Damage to, disruption of or unauthorized access to our information technology networks and systems could compromise our networks and the information we store could be accessed, publicly disclosed or lost. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, unauthorized access to sensitive business data (including information relating to our intellectual property or business strategy or those of our customers) or damage to our reputation. We may also incur significant costs in the future to protect against damage caused by these disruptions or security breaches. Any of these issues could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our insurance coverage could prove inadequate.

We have taken out insurance policies in relation to a number of risks associated with our business activities and there can be no assurance that we will not incur losses or that no claims will be brought that exceed the type and scope of our existing insurance coverage. We have not purchased insurance for consequential damages, pandemics, product recalls, environmental damages, terrorist acts and war-related events. If any such uninsured risk materializes, we may be exposed to significant liabilities which could have a material adverse effect on us.

Following a number of claims or after one major claim, the insurance premiums we pay may be increased or the terms and conditions of the insurance coverage may become less favorable. This may also occur following a general change in the insurance markets. There can be no assurance that we will continue to be able to obtain sufficient levels of insurance for the respective risks we incur in connection with our business operations on terms and conditions that are economically justifiable. Our policies are subject to standard limitations and, in the case of business interruption insurance, amongst other things, limitations apply with respect to the length of the interruption covered and the maximum amount that may be recovered.

If we incur losses for which there is no, or only insufficient, insurance coverage, or if, particularly due to the aforementioned reasons, higher insurance premiums and/or restrictions on insurance coverage are required, this may have a material adverse effect on our business, financial position, results of operations and prospects.

Risks Related to Applicable Law and Regulation

We are subject to extensive laws and regulations which could increase its costs and could have an adverse impact on our business, financial condition, results of operations and prospects.

We and the automotive industry are subject to a variety of laws and regulations which may have a direct or indirect effect on our business, including those relating to the reporting of certain claims, taxes and levies, data privacy, healthcare costs, safety, international trade and immigration, among other things, each of which vary significantly from jurisdiction to jurisdiction and are sometimes conflicting.

In addition, changes in laws and regulations, more stringent enforcement or alternative interpretation of existing laws and regulations in jurisdictions in which we currently operate can change the legal and regulatory environment, making compliance with all applicable laws and regulations more challenging and expensive given our global footprint. Violations of such laws and regulations by us, our employees, our agents or our suppliers could result in civil and criminal fines, penalties and sanctions against us, our officers or our employees, as well as prohibitions on the conduct of our business and on our ability to offer our products in one or more countries, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Developments or assertions by us or against us relating to intellectual property rights could materially adversely impact our business.

We own significant intellectual property, including patents, trade secrets, proprietary processes and know-how. We rely on patents and contractual restrictions to protect our intellectual property rights. Given that monitoring unauthorized use of intellectual property rights can be difficult and expensive, and remedies may not be available where contractual restrictions are breached, we may lose a competitive advantage and incur significant expenses.

There can be no assurance that our rights will be sufficiently protected, and as a result, we could suffer infringements of our intellectual property rights.

We are also subject to the risk that competitors will engage in unauthorized copying of our production and process know-how, resulting in us potentially losing technology leadership and advantages. The risks of such unauthorized copying are especially high in certain markets outside Western Europe and the United States, including China and India. Such infringements and copying of know-how, if they relate to a sufficiently critical, or a sufficient number of, rights, products or processes, could lead to significant losses of revenue or goodwill that could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, we face an inherent risk of exposure to the claims of others that we have allegedly violated their intellectual property rights. We can make no assurances that we will not experience any material intellectual property claim losses in the future or that we will not incur significant costs to defend such claims.

In addition, our existing intellectual property rights are not indefinite and will expire. There can be no assurance that we will develop sufficient revenue streams protected by equivalent rights in the future to replace revenue streams as the relevant intellectual property rights lapse. We could also be blocked or "locked out" of potential future revenue streams if our competitors are able to patent certain innovations before we can do so. We may have to procure a license for the relevant technology, which may not be available on commercially reasonable terms, if at all, and may significantly increase our operating expenses or may require us to restrict our business activities in one or more respects. As a result, we may also be required to develop alternative non-infringing technology, which could require significant effort and expense. If we fail to develop sufficient revenue streams covered by adequately robust intellectual property rights, we could lose market share and revenue to competitors.

Any of these developments, alone or in combination, could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be adversely affected by environmental regulations, litigation or other liabilities.

We and our customers are subject to a wide range of laws and regulations relating to the protection of the environment, including those governing, among other things:

- the generation, storage, handling, use, transportation, presence of or exposure to hazardous materials;
- the emission and discharge of hazardous materials into the ground, air or water; and
- the incorporation of certain chemical substances into products, including electronic equipment.

We are required to obtain permits from governmental authorities for certain operations, including environmental permits and licenses relating to our manufacturing and assembly facilities. If we violate or fail to comply, or are deemed to have previously violated or failed to comply, with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators.

Certain environmental laws impose liability, sometimes regardless of fault, for investigating or cleaning up contamination on or emanating from our currently or formerly owned, leased or operated property, as well as for damages to property or natural resources and for personal injury arising out of such contamination. These environmental laws also assess liability on persons who arrange for hazardous substances to be sent to third-party disposal or treatment facilities when such facilities are found to be contaminated.

Environmental laws are complex, change frequently and have tended to become more stringent over time. For example, the adoption of emission control regulations in jurisdictions in which we operate manufacturing facilities could require the implementation of further environmental, health and safety and other measures that could be costly, and could also impact utilization rates and increase the amount we spend annually on energy. While we have budgeted for future capital and operating expenditures to maintain compliance with environmental laws, there can be no assurance that environmental laws will not change or become more stringent in the future and our costs of complying with current and future environmental laws, and our liabilities arising from past or future practices or facilities, will not adversely affect our business, financial condition, results of operations and prospects.

Our production, manufacturing and distribution activities are subject to health and safety risks.

Our production, manufacturing and distribution operations are carried out under potentially hazardous conditions. Although we operate in accordance with relevant health and safety regulations and requirements, liabilities may arise as a result of accidents or other workforce related incidents, some of which may be beyond our control. Accidents, events or conditions that are detrimental to the health and safety of our employees could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are or may be exposed to a number of different uncertain tax positions, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are required to pay taxes in multiple jurisdictions. We determine the tax liability we are required to pay based on our interpretation of applicable tax laws and regulations in the jurisdictions in which we operate. We are subject to tax audits by governmental authorities in the United States and various other jurisdictions, which are inherently uncertain. Negative or unexpected results from one or more such tax audits could adversely affect our business, financial condition, results of operations and prospects. Tax controls and changes in tax laws or regulations (including retrospective changes) or the interpretation given to them may expose us to negative tax consequences, including interest payments and potential penalties, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, we or one or more of our subsidiaries may become treated as a resident or as otherwise being engaged in a trade or business or having a permanent establishment in one or more jurisdictions in which we currently believe we or the relevant subsidiary is not so treated. If that were to happen, we or the relevant subsidiary would be subject to net income taxation in that jurisdiction on some or all of our or the relevant subsidiary's income (depending on the jurisdiction and the circumstances). No assurance can be given that we will not be subject to such taxes retrospectively or prospectively or that such taxes will not be substantial. The imposition of such taxes could have a material adverse effect on our business, financial condition, results of operations and prospects.

Although we cannot assure that any prospective or retroactive tax adjustment caused by a change in tax law or interpretation thereof, an unfavorable tax audit outcome or by any other matter not previously considered will not be material, we believe our established tax provisions are adequate to cover the potential tax claims and settlements of which we are currently aware. Our tax provisions are based on our best estimates of amounts necessary to settle such known potential claims, including with respect to matters relating to withholding tax issues in China and interest deductions in France, among others. We regularly evaluate the level of these reserves and adjust them when appropriate. However, the final amounts determined to be due related to these matters could differ materially from our recorded estimates.

Risks Relating to Our Capital Structure

Our substantial leverage and debt service obligations could materially adversely affect our business, financial position and results of operations and preclude us from satisfying our obligations under the Notes and the Notes Guarantees.

We are highly leveraged and have significant debt service obligations. As of December 31, 2020, after giving *pro forma* effect to the Transactions, we would have had total indebtedness (excluding lease liabilities amounting to €151.0 million as of December 31, 2020) in the amount of €1,117 million (equivalent), consisting of the Notes and the Senior Term Facilities. See "*Capitalization*," "*Description of Certain Financing Arrangements*" and "*Description of the Notes*." We anticipate that our high leverage will continue to exist for the foreseeable future.

The degree to which we will be leveraged following completion of the Offering could have important consequences to holders of the Notes, including, but not limited to:

- making it more difficult for the Parent and its subsidiaries to satisfy their respective obligations with respect to the Notes, the Senior Secured Facilities and other debt and liabilities we may incur;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, product research and development, or other general corporate purposes;
- restricting us from pursuing acquisitions or exploiting business opportunities;

- limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry in which we operate;
- negatively impacting credit terms with our suppliers and other creditors;
- increasing our exposure to interest rate increases because some of our indebtedness bears a floating rate of interest;
- placing us at a competitive disadvantage compared to our competitors that are not as highly leveraged;
- limiting our ability to obtain additional financing to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes and increasing the cost of any future borrowings; and
- limiting our ability to obtain additional capacity for issuance of bid, advance payment, performance and warranty guarantees for operative business purposes and increasing the cost of any future guarantee issuances.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our obligations, including under the Notes and the Senior Secured Facilities.

The Issuer is a finance company that has no assets or revenue generating operations of its own and will depend on cash from the operating companies of the Group to be able to make payments on the Notes and the Notes Guarantees.

The Issuer is a finance company with no business operations or assets. Following the Offering, the Issuer will be dependent upon the cash flow from the Parent's operating subsidiaries in the form of contributions, distributions, repayment and servicing of inter-company loans made by the Issuer or other payments to meet its obligations, including its obligations under the Notes and the Notes Guarantees. Given the Group's international operations, it has a large number of operating subsidiaries and business participations, which individually contribute to our Group's results. The amounts of contributions, distributions and other payments available to the Issuer will depend on the profitability and cash flows of the Parent's subsidiaries and the ability of each of those subsidiaries to declare dividends under applicable law or transfer profits under profit and loss transfer agreements, if applicable. The Parent's subsidiaries, however, may not be able to, or may not be permitted under applicable law to, contribute, distribute or make other payments to the Issuer to make payments in respect of its indebtedness, including the Notes.

Various agreements governing our debt may restrict and, in some cases may actually prohibit, the ability of these subsidiaries to move cash within the Group. Applicable tax laws may also subject such payments to further taxation. Applicable law as well as profit and loss transfer agreements between several entities of the Group may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. In particular, the ability of the Parent's subsidiaries to pay dividends to the Parent will generally be limited to the amount of distributable reserves available to each of them and the ability to pay their respective debt when due. The subsidiaries of the Parent (other than the Issuer) that do not guarantee the Notes have no direct obligation to make payments with respect to the Notes or the Notes Guarantees.

We may incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses.

Despite our substantial leverage, we may incur substantial additional debt in the future. We have the ability to borrow up to approximately $225 million (equivalent) under our Revolving Facility, and the Senior Secured Facilities Agreement and the Indenture also permit the incurrence of additional debt thereunder. The Indenture and the Senior Secured Facilities Agreement also permit us to incur a substantial amount of indebtedness at subsidiaries that do not guarantee the Notes and to incur indebtedness that benefits from security interests over assets that do not secure the Notes. Any debt that we incur could be structurally or effectively senior to the Notes to the extent that such subsidiaries do not guarantee the Notes or such debt is secured by liens that do not secure the Notes, to the extent of the value of such property and assets securing such debt, and other debt could be secured or could mature prior to the Notes. Although the Senior Secured Facilities Agreement and the Indenture will contain restrictions on the incurrence of certain secured indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of secured indebtedness that could be incurred in compliance with these restrictions could be substantial. For example, the Indenture will, subject to certain exceptions, permit us to incur secured debt to the extent the incurrence of such secured debt is not prohibited by the terms of the Senior Secured Facilities Agreement. See "*Description of the*

Notes" and "*Description of Certain Financing Arrangements*." If new debt is added to the Parent's and its subsidiaries' existing debt levels, the related risks that we now face would increase. In addition, the Senior Secured Facilities Agreement and the Indenture will not prevent us from incurring obligations that do not constitute secured or unsecured indebtedness under those agreements. Our inability to service our debt could have a material adverse effect on our business, financial position, results of operations and our ability to fulfil our obligations under the Notes and the Notes Guarantees. See "*Description of the Notes*" and "*Description of Certain Financing Arrangements*."

We are subject to restrictive covenants that will limit our operating and financial flexibility.

The Senior Secured Facilities Agreement and the Indenture will contain covenants which impose significant operating and financial restrictions on us. The Senior Secured Facilities Agreement will limit our ability to, among other things:

- incur additional indebtedness (including guarantee obligations);
- incur liens;
- engage in certain fundamental changes, including changes in the nature of the business, mergers, liquidations and dissolutions;
- sell assets;
- pay dividends or make distributions, and make stock repurchases and redemptions;
- make acquisitions, investments, loans and advances;
- prepay or modify the terms of certain subordinated indebtedness;
- modify organizational documents;
- engage in certain transactions with affiliates;
- change our fiscal year; and
- enter into negative pledge clauses and clauses restricting subsidiary distributions.

The Indenture will limit, among other things, the ability of the Parent and the subsidiaries of the Parent to:

- create or incur certain liens;
- in the case of subsidiaries of the Parent, to grant certain guarantees in favor of indebtedness of the Issuer or a Guarantor without also guaranteeing the Notes; and
- merge or consolidate with, or sell all or substantially all of the Parent's consolidated assets to, other entities.

All of these limitations will be subject to significant exceptions and qualifications. The covenants to which we will be subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

We will require a significant amount of cash to service our debt and sustain our operations, which we may not be able to generate or raise.

Our ability to make principal or interest payments when due on our indebtedness, including the Senior Secured Facilities and our obligations under the Notes, and to fund our ongoing operations or expansion plans, will depend on our future performance and ability to generate cash, which, to a certain extent, is subject to the success of our business strategy as well as general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*," many of which are beyond our control.

We cannot assure you that our business will generate sufficient cash flows from operations, that currently anticipated growth, savings or efficiencies will be realized or that future debt financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs including the repayment at maturity of the then outstanding amount under the Senior Secured Facilities. At the maturity of the Senior Secured Facilities, the Notes or any other debt that we may incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, we may be required to refinance or restructure our indebtedness.

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

The type, timing and terms of any future financing, restructuring, asset sales or other capital raising transactions will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In such an event, we may not have sufficient assets to repay any portion or all of our debt.

Any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes and the Senior Secured Facilities, will limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business. There can be no assurances that any assets that we could be required to dispose of could be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale would be acceptable. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations.

Some of our indebtedness, including the Senior Secured Facilities, will bear interest at floating rates that could rise significantly, thereby increasing our costs and reducing our cash flow.

Debt under the Senior Secured Facilities will bear interest at a variable rate based on the Euro Interbank Offered Rate (EURIBOR) and the London Interbank Offered Rate (LIBOR) (in each case, subject to a zero floor if less than zero) plus an applicable margin. These interest rates could rise significantly in the future, increasing our interest expense associated with these obligations, reducing cash flow available for capital expenditures and hindering our ability to make payments on the Notes. Neither the Senior Secured Facilities Agreement nor the Indenture contain a covenant requiring us to hedge all or any portion of our floating rate debt.

Although we may enter into and maintain certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will continue to be available on commercially reasonable terms. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements. To the extent interest rates were to rise significantly, our interest expense would correspondingly increase, thus reducing cash flow.

Following allegations of manipulation of LIBOR, a different measure of interbank lending rates, regulators and law enforcement agencies from a number of governments and the European Union are conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR or the calculation of LIBOR may have been manipulating or attempting to manipulate EURIBOR and LIBOR. In addition, LIBOR, EURIBOR and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform, including the implementation of the IOSCO Principles for Financial Market Benchmarks (July 2013) and the new European regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, which entered into force on June 30, 2016. Following the implementation of any such reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on July 27, 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "FCA Announcement"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark (including but not limited to the Senior Term Facilities whose interest rates are linked to LIBOR and EURIBOR). Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on our ability to service debt that bears interest at floating rates of interest.

In addition, on November 29, 2017, the Bank of England and the FCA announced that the market working group on Sterling Risk-Free Rates would have an extended mandate to catalyze a broad transition to the Sterling Over Night Index Average Rate ("SONIA") across sterling bond, loan and derivatives markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. The Bank of England and FCA have stated that a key near-term priority for the working group will be to make recommendations relating to the potential development of SONIA reference rates. A public consultation was launched in July 2018 in relation to specific queries related to the operations of SONIA reference rates. On April 23, 2018, the Bank of England took over administration of SONIA and issued a series of reforms as part of its implementation as a replacement to LIBOR. From April 2018, the Bank of England has been setting the interest rate benchmark using SONIA, meaning that banks are no longer compelled by the FCA to submit LIBOR rates beyond 2021. These reforms and other pressures may cause such benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted.

Risks Relating to the Notes

Your right to receive payment under the Notes Guarantees is effectively subordinated to secured debt of the Guarantors.

The obligations of the Guarantors under their respective Notes Guarantee are unsecured obligations of such Guarantors and will be effectively subordinated to all existing and future obligations in respect of secured debt of each Guarantor to the extent of the value of the collateral securing such debt. Such debt includes their obligations under the Senior Secured Facilities. Although the Indenture will contain restrictions on the ability of the Guarantors to grant liens in favor of certain indebtedness without also securing the Notes and Notes Guarantees, such restrictions are subject to a number of significant exceptions (including permitting secured debt not prohibited by the Senior Secured Facilities Agreement), and any additional secured debt incurred may be substantial and rank effectively senior to the Notes Guarantee to the extent of the value of the collateral securing such debt. As a result, in the event of insolvency of a Guarantor under the Indenture, holders of secured debt of such Guarantor may recover more, ratably, than the holders of the Notes, in respect of the Guarantor's Notes Guarantee.

The Indenture will also provide that, except under very limited circumstances, only the Trustee will have standing to bring an enforcement action in respect of the Notes and the Notes Guarantees. Moreover, the Indenture will restrict the rights of holders of the Notes to initiate insolvency proceedings or take legal actions against each of the Guarantors under the Indenture and by accepting any Note each such holder will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse under the Notes Guarantees in the event of a default by the Issuer or a Guarantor under the Indenture.

The Notes and the Notes Guarantees will be structurally subordinated to the claims of creditors, including depositors, trade creditors and preferred stockholders (if any), of our non-Guarantor subsidiaries (other than the Issuer).

Generally, claims of creditors, including depositors, trade creditors and preferred stockholders (if any) of non-Guarantor subsidiaries of the Parent (other than the Issuer), are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to their respective parent entity or the creditors of the Guarantors. Accordingly, in the event that any non-Guarantor subsidiary of the Parent (other than the Issuer) becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer and the Guarantors (including the holders of the Notes) will have no right to proceed against the assets of such non-Guarantor subsidiary; and
- creditors of such non-Guarantor subsidiary, including depositors, trade creditors and preferred stockholders (if any) will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Issuer or any Guarantor, as a direct or indirect shareholder (as applicable), will be entitled to receive any distributions from such subsidiary.

As such, the Notes and the Notes Guarantees will be structurally subordinated to the creditors, including depositors, trade creditors and any preferred stockholders (if any) of the non-Guarantor subsidiaries of the Parent (other than the Issuer). In addition, the Indenture will, subject to certain limitations, permit these non-Guarantor subsidiaries to incur substantial additional indebtedness without such incurrence constituting a default under the Indenture, and such indebtedness may also be secured. The Indenture will not contain any limitation on the amount of other liabilities, such as deposits and trade payables, that may be incurred by these subsidiaries. See "*Description of the Notes*." For the year ended December 31, 2020, on a consolidated basis, the Guarantors represented 32% of the Group's consolidated EBITDA (without adjustment for intragroup transactions) and 35% of the Group's consolidated revenue. As of December 31, 2020, on a consolidated basis, the Guarantors accounted for 33% of the Group's total assets (property, plant and equipment, right-of-use assets, inventory and trade and other receivables excluding intra-group balances). The Parent's non-Guarantor subsidiaries had €0.1 million of borrowings and €630 million of other liabilities (total liabilities less borrowings excluding intra-group balances), in each case, as of December 31, 2020, all of which would have ranked structurally senior to the Notes and the Notes Guarantees.

Enforcing your rights as a holder of the Notes or under the Notes Guarantees thereof across multiple jurisdictions may prove difficult.

The Issuer is organized under the laws of England and Wales, the Guarantors are organized under the laws of the United States, England and Wales, Germany, Canada, Belgium and Poland. In the event of bankruptcy, insolvency, administration or a similar event, proceedings could be initiated in any of these jurisdictions. Your rights under the Notes and the Notes Guarantees are likely to be subject to insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able effectively to enforce your rights in such complex proceedings.

The insolvency, administration and other laws of the jurisdictions of organization of the Issuer and the Guarantors not organized in the United States may be materially different from, or conflict with, each other and with the laws of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, the ability to obtain post-petition interest, the duration of proceeding and preference periods. The application of these laws, and any conflict between them, could call into question whether, and to what extent, the laws of any particular jurisdiction should apply, adversely affect your ability to enforce your rights under the Notes Guarantees in these jurisdictions or limit any amounts that you may receive.

The insolvency laws of England and Wales and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Notes Guarantees, including fraudulent conveyance statutes, may adversely affect their validity and enforceability.

On and after the Issue Date our obligations under the relevant Notes will be guaranteed by the Guarantors. The Issuer is organized under the laws of England and Wales, the Guarantors are organized under the laws of the United States, England and Wales, Germany, Canada, Belgium and Poland. With respect to any Guarantor organized under the laws of a member state of the European Union (such as Germany, Belgium and Poland), there is a rebuttable presumption that the "centre of main interest" as defined in the Council of the European Union Regulation No. 2015/848 on Insolvency Proceedings is the jurisdiction where the registered office is situated.

The insolvency laws of foreign jurisdictions may not be as favorable to your interests as the laws of the United States or other jurisdictions with which you are familiar. In the event that any one or more of the Issuer, the Guarantors or any other of the Parent's subsidiaries experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Although laws differ among the jurisdictions, in general, applicable fraudulent transfer and conveyance and equitable principles, insolvency laws and limitations on the enforceability of judgments obtained in courts in such jurisdictions could limit the enforceability of the Notes against the Issuer and the enforceability of a Notes Guarantee against a Guarantor. In certain circumstances the court may also void the Notes Guarantee if the company is close to or near insolvency. The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's fraudulent transfer and insolvency statutes.

In an insolvency proceeding, it is possible that creditors of the Guarantors or the appointed insolvency administrator may challenge the Notes Guarantees, and intercompany obligations generally, as preferences, transaction at an undervalue, invalid charges, fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of a Guarantor's obligations under its Notes Guarantee;

- direct that the Issuer and the holders of the Notes return any amounts paid under a Notes Guarantee to the relevant Guarantor or to a fund for the benefit of the Guarantor's creditors; and
- take other action that is detrimental to you.

If we cannot satisfy our obligations under the Notes and any Notes Guarantee is found to be a preference, transaction at an undervalue, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes. In addition, the liability of each Guarantor or security provider under its Notes Guarantee will be limited to the amount that will result in such Notes Guarantee not constituting a fraudulent conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurance as to what standard a court would apply in making a determination of the maximum liability of each. There is also the possibility that the entire Notes Guarantee may be set aside, in which case the entire liability may be extinguished. See also "—*Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees may adversely affect the validity and enforceability of the Notes Guarantees*."

In order to initiate any of these actions under fraudulent transfer or other applicable principles, courts would, for example, need to find that, at the time the Notes Guarantees were issued, the Guarantor:

- issued such Notes Guarantee with the intent of hindering, delaying or defrauding current or future creditors or with a desire to prefer some creditors over others, or created such Notes Guarantee after its insolvency;
- issued such Notes Guarantee in a situation where a prudent business person as a shareholder of such Guarantor would have contributed equity to such Guarantor or where the relevant beneficiary of the Notes Guarantee knew or should have known that the Guarantor was insolvent or a filing for insolvency had been made; or
- received less than reasonably equivalent value for incurring the debt represented by the Notes Guarantee on the basis that the Notes Guarantee was incurred for our benefit, and only indirectly the Guarantor's benefit, or on some other basis and (i) was insolvent or rendered insolvent by reason of the issuance of the Notes Guarantee, or subsequently became insolvent for other reasons; (ii) was engaged, or was about to engage, in a business transaction for which the Guarantor's assets were unreasonably small; or (iii) intended to incur, or believed it would incur, debts beyond its ability to make required payments as and when they would become due.

Different jurisdictions evaluate insolvency on various criteria, but a Guarantor generally may, in different jurisdictions, be considered insolvent at the time it issued a Notes Guarantee if:

- its liabilities exceed the fair market value of its assets;
- it cannot pay its debts as and when they become due;
- the present saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent and prospective liabilities, as they mature or become absolute; or
- its liabilities exceed the liquidation value of its assets, unless it has a positive going concern prognosis.

Although we believe that both the Issuer and the Group are solvent, and will be so after giving effect to the Offering, there can be no assurance as to which standard a court would apply in determining whether a Guarantor was "insolvent" as of the date the Notes Guarantees were issued or that, regardless of the method of valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its Notes Guarantee was issued, that payments to holders of the Notes constituted fraudulent transfers on other grounds.

For an overview of certain insolvency laws and enforceability issues as they relate to the Notes Guarantees, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees*."

Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees may adversely affect the validity and enforceability of the Notes Guarantees.

Certain of the Guarantors are organized under the laws of England and Wales, Germany, Canada, Belgium and Poland. Enforcement of the obligations under a Notes Guarantee against any such Guarantor will be subject to certain defenses available to the relevant Guarantor. These laws and defenses may include those that relate to fraudulent conveyance, financial assistance, corporate benefit, capital maintenance, liquidity maintenance or similar laws as well as regulations or defenses affecting the rights of creditors generally, particularly by limiting the amounts recoverable under the Notes Guarantees and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed or secured by a particular Guarantor or security provider under the applicable laws of each jurisdiction, to the extent that the granting of such Notes Guarantee is not in the relevant Guarantor's corporate interests, or the burden of such Notes Guarantee exceeds the benefit to the relevant Guarantor, or such Notes Guarantee would be in breach of capital maintenance, liquidity maintenance or thin capitalization rules or any other general statutory laws and/or would cause the directors of such subsidiary Guarantor to contravene their fiduciary duties and incur civil or criminal liability.

The Notes Guarantees granted by the Guarantors organized in Germany, Belgium and Poland will be subject to certain contractual limitations (so-called "limitation language") contained in the Indenture, which is designed to ensure compliance with these rules and any other general statutory laws or risks for directors. As a result, a Guarantor's liability under its Notes Guarantee could be materially reduced or eliminated, depending upon the law and contractual enforcement restrictions applicable to it. This could lead to a situation in which such Notes Guarantee cannot be enforced at all. It is possible that a Guarantor, or any of their creditors, or the bankruptcy trustee or other insolvency office holder in the case of a bankruptcy/insolvency of a Guarantor or security provider, may contest the validity and enforceability of the Guarantor's Notes Guarantee on any of the above grounds and that the applicable court may determine that the Notes Guarantee should be limited or voided. To the extent that any limitations on the relevant Notes Guarantees apply, the Notes would be to that extent effectively subordinated to all liabilities of the applicable Guarantor, including trade payables of such Guarantor. Future Notes Guarantees may be subject to similar limitations.

See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees*" for a more complete summary of such limitations.

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

Because the Notes and the Notes Guarantees have not been, and will not be, and are not required to be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction, they may not be offered or sold in the United States except to QIBs in accordance with Rule 144A, to non U.S. persons in offshore transactions in accordance with Regulation S or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and all other applicable laws. These restrictions may limit the ability of investors to resell the Notes. It is the obligation of investors in the Notes to ensure that all offers and sales of the Notes in the United States and other countries comply with applicable securities laws. See "*Transfer Restrictions*."

The Notes will initially be held in book entry form and therefore investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream, as applicable.

Interests in the global Notes will trade in book entry form only, and Notes in definitive registered form, or Definitive Registered Notes (as defined herein), will be issued in exchange for book entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for Euroclear and/or Clearstream, as applicable, will be the registered holders of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the Paying Agent, which will make payments to Euroclear and/or Clearstream, as applicable. Thereafter, these payments will be credited to participants' accounts that hold book entry interests in the global Notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, as applicable, the Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if investors own a book entry interest, they must rely on the procedures of Euroclear and/or Clearstream, as applicable, and if investors are not participants in Euroclear and/or Clearstream, as applicable, they must rely on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if an investor owns a book entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear and/or Clearstream, as applicable. The procedures implemented for the granting of such proxies may not be sufficient to enable such investor to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until Definitive Registered Notes are issued in respect of all book entry interests, if investors own book entry interests, they will be restricted to acting through Euroclear and/or Clearstream, as applicable. The procedures to be implemented through Euroclear and/or Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "*Book Entry, Delivery and Form*."

There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited.

We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. Any such disruption may have a negative effect on you, as a holder of Notes, regardless of our prospects and financial performance. The Initial Purchasers have advised that they intend to make a market in the Notes after completing the Offering. However, they have no obligation to do so and may discontinue market making activities at any time without notice. In addition, such market making activity will be subject to limitations imposed by the U.S. Securities Act and other applicable laws and regulations. As a result, there may not be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

Investors may not be able to recover in civil proceedings for U.S. securities law violations.

The Issuer and certain of the Guarantors (together, the "Non-U.S. Obligors") are organized or incorporated outside the United States, and their business is substantially conducted outside the United States. The directors and executive officers of the Non-U.S. Obligors are in some cases non-residents of, and in such cases substantially all of their assets are located outside of, the United States. Although the Non-U.S. Obligors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on the directors and executive officers of Non-U.S. Obligors. In addition, as a substantial portion of the assets of the Non-U.S. Obligors and their subsidiaries and those of certain of their directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in U.S. courts. Moreover, in light of decisions of the U.S. Supreme Court, actions of the Non-U.S. Obligors may not be subject to the civil liability provisions of the federal securities laws of the United States.

Additionally, there is uncertainty as to whether the courts of foreign jurisdictions would enforce (i) judgments of United States courts obtained against the Non-U.S. Obligors and the directors and executive officers who are not residents of the United States predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such foreign jurisdictions against us or such persons predicated upon the United States federal and state securities laws.

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters, with the United Kingdom, Germany, Canada, Belgium and Poland. For further information see "*Service of Process and Enforcement of Civil Liabiliti*es."

The Issuer may not be able to repurchase the Notes upon a change of control repurchase event. In addition, under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender.

If a change of control repurchase event (as defined in the Indenture to be a change of control and a rating event) occurs, the Issuer will be required to make an offer to purchase all the outstanding Notes at a price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of purchase. In such a situation, the Issuer may not have enough funds to pay for all of the Notes that are tendered under any such offer. If a significant principal amount of Notes is tendered, the Issuer will likely have to obtain financing to pay for the tendered Notes. However, the Issuer may not be able to obtain such financing on acceptable terms, if at all. A change of control may also result in a mandatory prepayment under the Senior Secured Facilities Agreement and agreements governing any future indebtedness and may result in the acceleration of such indebtedness. Any failure by the Issuer to offer to purchase the Notes upon a change of control repurchase event would constitute a default under the Indenture, which would, in turn, constitute a default under the Senior Secured Facilities Agreement.

The change of control repurchase event provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers, recapitalizations or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a change of control repurchase event as defined in the Indenture. See "*Description of the Notes*."

The term "all or substantially all" in the context of a change of control has no clearly established meaning under relevant law and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur.

Upon the occurrence of a transaction that constitutes a change of control under the Indenture, the Issuer will be required to make an offer to repurchase all outstanding Notes tendered. The definition of "change of control" in the Indenture will include (with certain exceptions) a disposition of all or substantially all of the assets of the Parent and its subsidiaries (taken as a whole), to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," it has no clearly established meaning under relevant law, varies according to the facts and circumstances of the subject transaction and is subject to judicial interpretation. Accordingly, in certain circumstances, there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of a person, and therefore it may be unclear whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

We may dispose of certain assets or capital stock of entities in the Group.

We may have an interest in pursuing acquisitions, divestitures, financings, or other transactions that, in our judgment, would be beneficial to us, even if such transactions might involve risks to you as noteholders. For example, pursuant to the provisions of the Senior Secured Facilities Agreement and the Indenture, we may, under certain circumstances, sell, convey, transfer or otherwise dispose of material assets of the Group and, distribute some or all of the proceeds therefrom to our shareholders. Such a transaction would not constitute a change of control or a default under the terms of the Notes. Additionally, we may issue, sell transfer or otherwise dispose of the capital stock of entities in the Group for purposes of taking a dividend or distribution that would benefit us but not benefit you as a noteholders.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurances can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

The Notes may not become or remain listed on the Exchange.

Application will be made to The International Stock Exchange Authority Limited for the listing of and permission to deal in the Notes on the Official List of the Exchange. However, there can be no assurance that the Notes will become or remain listed. If the Issuer cannot maintain the listing on the Exchange and the admission to dealing on the Official List thereof, or if it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Official List of the Exchange. Listing of any of the Notes on the Exchange does not imply that a public offering of any of the Notes in the Channel Islands has been authorized. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List of the Exchange or another recognized listing exchange for comparable issuers, failure to be approved for listing of the Notes on the Official List of the Exchange or another recognized listing exchange or the delisting of the Notes from the Official List of the Exchange or another listing exchange may have an adverse effect on a holder's ability to resell Notes in the secondary market.

You may face foreign currency exchange as a result of investing in the Notes.

The Notes will be denominated and payable in euro. If you are a U.S. investor, an investment in the Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of the euro relative to the U.S. dollar because of economic, political and other factors over which we have no control. Depreciation of the euro against the U.S. dollar could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you on a U.S. dollar basis. Investments in the Notes by U.S. investors may also have important tax consequences as a result of foreign exchange gains, if any.

The Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended.

The Indenture will not be required to, and will not be, qualified under the U.S. Trust Indenture Act of 1939, as amended (the "TIA") and will not incorporate or include and will not be subject to any of the provisions of the TIA. Consequently, the holders of the Notes will not be entitled to the protections provided under the TIA to holders of debt securities issued under a qualified indenture, including those respecting preferential collections by the trustee or conflicting interests of the trustee. See "*Description of the Notes.*"

The Notes may be issued with original issue discount for U.S. federal income tax purposes.

If the stated principal amount of the Notes exceeds their issue price by an amount greater than or equal to a statutorily defined de minimis amount, then the notes will be considered to be issued with original issue discount ("OID") for U.S. federal income tax purposes. If the Notes are issued with OID, then, in addition to the stated interest on a Note, a U.S. investor would be required to include such OID in gross income (as ordinary income) as it accrues on a constant yield basis for U.S. federal income tax purposes in advance of the receipt of cash payments to which such income is attributable and regardless of the holder's method of accounting for U.S. federal income tax purposes.

USE OF PROCEEDS

We estimate that the gross proceeds from the Offering will be €600 million. The proceeds from the Offering of the Notes will be used, together with cash on hand, (i) to repay a portion of the borrowings outstanding under our Senior Secured Term Loan Facilities and (ii) to pay fees and expenses related to the Transactions.

Certain of the Initial Purchasers or their affiliates may hold a portion of the outstanding loans under our Senior Secured Term Loan Facilities. Therefore, such Initial Purchasers or their affiliates may receive a portion of the net proceeds from this offering of Notes. See "*Plan of Distribution*."

The notional sources and uses in respect of the Offering are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including any fluctuations in currency exchange rates for amounts not denominated in euro and differences between estimated and actual fees and expenses. Amounts denominated in currencies other than euro have been converted to euro at an exchange rate of $1.194:€1.00.

The table below should be read in conjunction with "*Description of Certain Financing Arrangements*" and "*Capitalization*."

Sources of Funds	Amount	Uses of Funds	Amount
(in € million, unaudited)			
Notes offered hereby	600	Repayment of a portion of the Senior Secured Term Loan Facilities(1)	600
Cash on hand	13	Transactions fees and expenses(2)	13
Total sources	**613**	**Total uses**	**613**

(1) Represents the repayment of €366 million (equivalent) of the USD TLB Facility and €234 million of the EUR TLB Facility on or about the Issue Date.

(2) Represents estimated fees and expenses associated with the Offering, including fees paid to the Initial Purchasers, legal, accounting, ratings advisory and other transaction costs and professional fees, and estimated fees and expenses associated with the amendment to our Senior Secured Term Loan Facilities described under "*Description of Certain Financing Arrangements*."

CAPITALIZATION

The following table sets forth the consolidated cash and cash equivalents and the consolidated capitalization of TIFS as of December 31, 2020, (i) on an actual basis and (ii) as adjusted to give effect to the completion of the Transactions as described in, and subject to the assumptions of, "*Use of Proceeds*," as if these events had occurred on December 31, 2020. The adjustments are based on available information and contain assumptions made by our management. Amounts of indebtedness shown in the following table represent principal amounts and exclude lease liabilities. Amounts committed or denominated in currencies other than euro have been converted to euro at an exchange rate of $1.224:€1.00 in the actual column and at an exchange rate of $1.194:€1.00 in the as adjusted column.

You should read this table in conjunction with "*Presentation of Financial Information,*" "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations,*" "*Description of Certain Financing Arrangements*" and the Financial Statements included elsewhere in this offering memorandum.

	As of December 31, 2020	
(in € million, unaudited)	**Actual**	**As Adjusted**
Cash and cash equivalents[1]	**486**	**473**
EUR TLB Facility[2]	499	265
USD TLB Facility[2]	603	252
Revolving Facility[3]	—	—
Total senior secured indebtedness	**1,102**	**517**
Notes offered hereby[4]	—	600
Total indebtedness	**1,102**	**1,117**
Total equity[5]	884	884
Total capitalization	**1,986**	**2,001**

(1) The as adjusted column represents the use of cash on hand in connection with the Offering and other transactions described under "*Use of Proceeds*."

(2) The as adjusted column represents (i) the aggregate principal amount of the EUR TLB Facility expected to be outstanding as of December 31, 2020, and (ii) the euro-equivalent of the aggregate principal amount of the USD TLB Facility expected to be outstanding as of December 31, 2020, in each case after giving effect to the repayment of a portion thereof using the proceeds from the Offering.

(3) Represents the Revolving Facility, pursuant to which $225 million was committed as of December 31, 2020. As of December 31, 2020, the Revolving Facility was undrawn, except for a $3.8 million represented by letters of credit.

(4) Represents the aggregate principal amount of the Notes offered hereby.

(5) Represents the total equity of TIFS as of December 31, 2020.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables present our selected historical consolidated financial data and have been derived from, and should be read in conjunction with, our Financial Statements that have been prepared in accordance with IFRS and are included elsewhere herein and the sections entitled "Presentation of Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Use of Proceeds" and "Capitalization."

We have extracted the consolidated historical financial information of TIFS as of and for the years ended December 31, 2018, 2019 and 2020 from the Financial Statements.

Consolidated Income Statement

	Year ended December 31,		
(in € million)	**2018**	**2019**	**2020**
		(audited)	
Revenue	**3,472.8**	**3,411.1**	**2,814.5**
Cost of sales	(2,938.2)	(2,922.7)	(2,493.1)
Exceptional items	—	—	(120.4)
Total cost of sales	(2,938.2)	(2,922.7)	(2,613.5)
Gross profit/(loss)	**534.6**	**488.4**	**201.0**
Distribution Costs	(102.4)	(95.0)	(83.7)
Administrative expenses	(164.5)	(141.7)	(145.1)
Exceptional items	—	—	(184.2)
Total administrative expenses	(164.5)	(141.7)	(329.3)
Other income	12.2	6.7	8.5
Net foreign exchange gains	1.2	0.5	27.2
Operating profit/(loss)	**281.1**	**258.9**	**(176.3)**
Finance income	14.3	15.0	3.5
Finance expense	(67.0)	(72.5)	(77.5)
Exceptional items	(11.8)	—	—
Finance expense after exceptional items	(78.8)	(72.5)	(77.5)
Net finance expense after exceptional items	(64.5)	(57.5)	(74.0)
Share of (loss)/profit of associates	0.5	0.3	(3.5)
Profit/(loss) before income tax	**217.1**	**201.7**	**(253.8)**
Income tax (expense)/credit	(77.0)	(57.1)	1.6
Profit/(loss) for the year	**140.1**	**144.6**	**(252.2)**
Profit/(loss) for the year attributable to:			
Owners of the Parent Company	137.8	141.6	(254.1)
Non-controlling interests	2.3	3.0	1.9
	140.1	**144.6**	**(252.2)**

Consolidated Balance Sheet

(in € million)	Year ended December 31, 2018	2019	2020
		(audited)	
Non-current assets			
Intangible assets	1,229.8	1,182.2	883.8
Right-of-use assets	—	161.4	124.9
Property, plant and equipment	706.5	715.0	590.8
Investments in associates	19.6	19.2	14.6
Derivative financial instruments	5.4	—	—
Deferred income tax assets	34.9	25.1	62.4
Trade and other receivables	14.8	21.6	18.9
Total non-current assets	**2,011.0**	**2,124.5**	**1,695.4**
Current assets			
Inventories	352.8	367.1	351.4
Trade and other receivables	578.3	574.5	534.8
Current income tax assets	4.4	13.7	13.7
Derivative financial instruments	8.5	18.4	0.4
Financial assets at fair value through profit and loss	1.2	0.9	0.9
Cash and cash equivalents	360.1	411.7	485.8
Total current assets	**1,305.3**	**1,386.3**	**1,387.0**
Total assets	**3,316.3**	**3,510.8**	**3,082.4**
Equity			
Share capital	6.8	6.8	6.8
Share premium	1.4	2.2	2.2
Other reserves	(126.3)	(106.1)	(137.7)
Accumulated profits	1,175.7	1,261.7	987.7
Equity attributable to owners of the Parent Company	**1,057.6**	**1,164.6**	**859.0**
Non-controlling interests	22.5	24.5	25.2
Total equity	**1,080.1**	**1,189.1**	**884.2**
Non-current liabilities			
Trade and other payables	17.1	12.3	20.0
Borrowings	1,179.3	1,148.5	1,069.3
Lease liabilities	—	138.0	122.4
Derivative financial instruments	45.3	—	—
Deferred income tax liabilities	141.6	128.5	104.3
Retirement benefit obligations	148.2	153.7	160.7
Provisions	4.9	5.0	4.9
Total non-current liabilities	**1,536.4**	**1,586.0**	**1,481.6**
Current liabilities			
Trade and other payables	608.4	611.2	614.1
Current income tax liabilities	60.2	48.7	40.7
Borrowings	4.4	2.4	7.4
Lease liabilities	—	28.7	28.6
Derivative financial instruments	2.8	25.4	0.2
Provisions	24.0	19.3	25.6
Total current liabilities	699.8	**735.7**	**716.6**
Total liabilities	**2,236.2**	**2,321.7**	**2,198.2**
Total equity and liabilities	**3,316.3**	**3,510.8**	**3,082.4**

Consolidated Statement of Cash Flows

(in € million)	Year ended December 31, 2018	2019	2020
		(audited)	
Cash flows from operating activities			
Cash generated from operations	449.6	477.2	374.4
Interest paid	(64.4)	(63.1)	(57.1)
Income tax paid	(88.2)	(79.7)	(59.7)
Net cash generated from operating activities	**297.0**	**334.4**	**257.6**
Cash flows from investing activities			
Payment for property, plant and equipment	(115.8)	(119.4)	(82.1)
Payment for intangible assets	(35.8)	(39.7)	(30.1)
Proceeds from the sale of property, plant and equipment	0.2	0.6	13.8
Interest received	1.9	1.5	3.0
Net cash used by investing activities	**(149.5)**	**(157.0)**	**(95.4)**
Cash flows from financing activities			
Purchase of own shares	—	—	(3.5)
Proceeds from new borrowings	150.0	—	213.6
Fees paid on proceeds from new borrowings	(2.2)	(0.3)	(17.7)
Voluntary repayments of borrowings	(188.4)	(50.0)	(209.6)
Fees paid on voluntary repayments of borrowings	(8.2)	—	—
Scheduled repayments of borrowings	(5.4)	(4.5)	(5.3)
Lease principal repayments	—	(27.1)	(28.6)
Dividends paid	(22.5)	(46.6)	—
Dividends paid to non-controlling interests	(0.2)	(0.7)	(0.5)
Net cash used by financing activities	**(76.9)**	**(129.2)**	**(51.6)**
Increase in cash and cash equivalents	**70.6**	**48.2**	**110.6**
Cash and cash equivalents at the beginning of the year	287.2	360.1	411.7
Currency translation on cash and cash equivalents	2.3	3.4	(36.5)
Cash and cash equivalents at the end of the year	**360.1**	**411.7**	**485.8**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis below provide information that we believe is relevant to an assessment and understanding of our historical financial position and results of operations. The following information has been derived from, and should be read in conjunction with, our Financial Statements that have been prepared in accordance with IFRS and are included elsewhere herein and the sections entitled "Presentation of Financial Information," "Summary Financial and Other Data," "Selected Historical Consolidated Financial Data," "Use of Proceeds" and "Capitalization."

The Issuer was incorporated on June 13, 2002 to facilitate financing transactions. As of the date of this offering memorandum, the Issuer has no material assets or liabilities, does not have any revenue-generating activities of its own and has not engaged in activities since its incorporation other than those related to its incorporation, the lending of its issued share capital to an affiliate and in preparation of the Offering. As a result, no historical financial information of the Issuer is included in this offering memorandum. The Issuer is a direct subsidiary of TI Automotive Limited, which is a direct wholly-owned subsidiary of TIFS Holdings Limited, which is a direct wholly-owned subsidiary of the Parent. The Parent is a direct, wholly-owned subsidiary of TIFS. Unless otherwise stated, all historical financial information presented in this offering memorandum is that of TI Fluid Systems plc and its consolidated subsidiaries, including the Parent and the Issuer. See "Presentation of Financial and Other Information."

We have extracted the consolidated historical financial information of TIFS as of and for the years ended December 31, 2018, 2019 and 2020 from the Financial Statements.

Results of operations for prior years or periods are not necessarily indicative of the results to be expected for the full year or any future period. Prospective investors should bear in mind that certain performance indicators and ratios that we report herein, such as Adjusted EBIT, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Free Cash Flow, EBITDA, Free Cash Flow, net debt, net leverage, operating profit margin and certain other figures for the years ended December 31, 2018, 2019 and 2020, are not measurements of our performance or liquidity under IFRS or any other generally accepted accounting principles, should not be considered as substitutes to performance measures derived in accordance with IFRS or any other generally accepted accounting principles, may not be comparable to other similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS.

This section includes forward-looking statements, including those concerning future sales, costs, capital expenditures and financial condition. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from those expressed or implied by such forward-looking statements. Results of operations for prior financial periods are not necessarily indicative of the results to be expected for the current or any future period. See "Forward-looking Statements" and "Risk Factors."

Overview

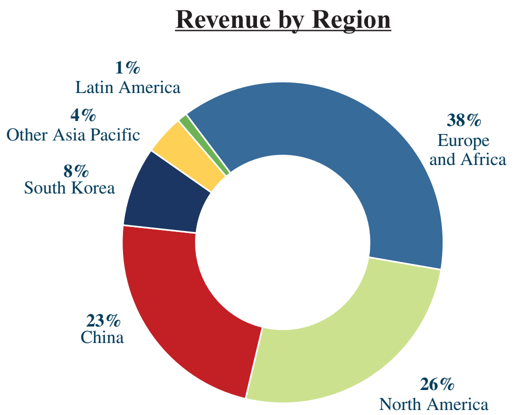
We are a leading global supplier of fluid storage, carrying and delivery systems primarily serving the light vehicle segment of the automotive industry. We are the largest global provider of brake and fuel lines for light vehicles, with approximately 31% share of the global brake and fuel line market and a #1 position globally. We are also a leading supplier of plastic fuel tanks for light vehicles, with approximately 16% of the global market share and a #3 position globally. We believe we are well-positioned to benefit from the key megatrends in our industry of emissions reduction and fuel efficiency, including electrification, growth in emerging markets, increasing reliance by OEMs on highly reliable long-term suppliers with strong technical abilities and OEM global platform standardization.

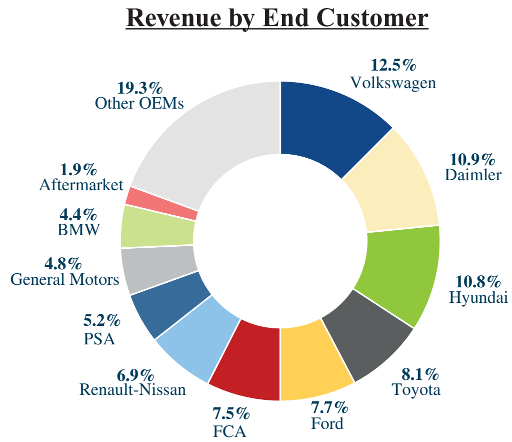
During the COVID-19 pandemic, we have acted quickly both to protect our people and communities and to adjust our fixed cost base and respond to the historic drop in global light vehicle production volume in the first half of 2020, while successfully maintaining resilient revenues, robust margins and strong cash generation. For the year ended December 31, 2020, we generated revenue of €2.8 billion, Adjusted EBITDA of €330.9 million and Adjusted Free Cash Flow of €148.2 million.

We believe that the TI brand is one of the most recognized and respected in the industry for automotive fluid storage, carrying and delivery components, which are critical to vehicle reliability, performance and safety.

Leveraging our global, low-cost platform, we are highly diversified and balanced across customers, platforms and regions, and have developed long-standing relationships with OEMs, with whom we partner to develop technologically advanced products. We are a technology leader in partnership with the OEMs, and maintain seven regional application centers focusing on application engineering worldwide, and five technical centers focused on research and development. With 107 manufacturing locations in 28 countries on five continents, we have a significant manufacturing presence in all of the major geographies for OEM vehicle production. We also have a highly diversified customer base, with no customer accounting for more than 13% of our revenues for the year ended December 31, 2020. Our customer base in 2020 included the top 15 OEMs in the world. In 2020, our products were found in 11 of the 20 top-selling vehicles in North America, 19 of the 20 top-selling vehicles in Europe and 12 of the 20 top-selling vehicles in China.

The following charts present our revenue by region and end customer, for the year ended December 31, 2020:





We have organized our business into two segments that focus on developing new product and process technologies to meet evolving customer and regulatory requirements associated with the megatrends impacting our industry:

- **Fluid Carrying Systems**: Our Fluid Carrying Systems ("FCS") segment specializes in products that transport automotive fluid throughout vehicles. Our products include brake and fuel bundles, tank top lines and heating, ventilation and air conditioning lines and components, and powertrain lines and high pressure fuel rails. We are the world's largest manufacturer of light vehicle brake and fuel lines based on revenue. We produce our own rigid and flexible tubes and design advanced coatings for our specialized tube-based products, which carry brake fluid and fuel (for internal combustion engine vehicles and hybrid electric vehicles) within the vehicle. The FCS segment also manufactures thermal fluid management systems, including those used in hybrid electric vehicles ("HEV"), battery electric vehicles ("BEV") and autonomous electric vehicles ("AEV"), leveraging our existing nylon and lightweight know how, which we believe will result in growth opportunities for our business in excess of growth rates in light vehicle market as our addressable market expands. For the year ended December 31, 2020, we generated 54% of our total revenue from our FCS segment.

- **Fuel Tank and Delivery Systems**: Our Fuel Tank and Delivery Systems ("FTDS") segment manufactures plastic fuel tanks, plastic filler pipes and fuel pump and module delivery systems. We hold strong market positions for the majority of our product offerings in our FTDS segment. Our plastic fuel tank and plastic filler pipe products weigh less than similar steel products, which contributes to enhanced fuel economy, and include technology that reduces evaporative emissions. Our FTDS segment is also pursuing expansion in the electric vehicle market, where pressure resistant fuel tanks have the potential to increase our fluid handling content. For the year ended December 31, 2020, we generated 46% of our total revenue from our FTDS segment.

We have a global workforce of 25,700 people located in 28 countries as of December 31, 2020.

Our technology and products contribute to greener vehicles and a cleaner environment, and we strive to reduce our own impact on the environment and to conduct our business in an ethical and legal manner that benefits all our stakeholders and the communities in which we operate.

Key Factors Affecting Our Results of Operations

We believe that the factors discussed below have significantly affected our results of operations, financial condition and cash flow in the historical periods for which financial information is presented in this offering memorandum, and that these factors will continue to have a material influence on our results of operations, financial condition and cash flow in the future.

Production Volumes in the light vehicle segment of the automotive industry

We operate in the light vehicle segment of the automotive industry, designing and manufacturing award-winning, industry leading automotive fluid systems for OEMs across the world. As such, global light vehicle production volumes are the principal driver of our performance, and our revenues are generally closely correlated with global light vehicle production volumes. Historically, our revenue, while correlated with global light vehicle production volumes, has trended toward outperformance of growth, excluding currency movements, and we seek to continue that trend across all regions.

Light vehicle production has historically exhibited cyclicality over multi-year periods, with varying cyclicality across customers, regions and platforms. We believe that our highly diverse customer base, global manufacturing footprint and flexible cost structure provide us with a natural hedge against this sort of cyclicality. Light vehicle production is also responsive to global macroeconomic forces and macro-trends, such as the development of China and other emerging economies.

Light vehicle production declined significantly during the 2008-2009 global financial crisis, and an in the year ended December 31, 2020, was severely impacted by the COVID-19 pandemic. Global light vehicle production volumes declined significantly by 16.1% in 2020 to 74.6 million vehicles—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. As a result, we saw revenues decrease by €532.3 million, or 15.9%, on a constant currency basis compared to 2019.

To the extent global light vehicle production increases, we believe we are well-positioned to benefit from this growth based on our strong customer relationships, technological innovation and consistent product quality, delivery and service. In particular, as the industry shifts away from ICEs toward HEVs, BEVs and AEVs, we see a significant opportunity to grow our business.

The COVID-19 pandemic

The COVID-19 pandemic has had a significant impact on our business and results of operations. The COVID-19 pandemic drove the significant decrease in global light vehicle production described above impacting our revenues, and inefficiencies in the production process due to lower and inconsistent volumes and COVID-19-related working protocols such as additional cleaning and social distancing measures.

In the first half of the year ended December 31, 2020, we undertook a full impairment review triggered by the significant prolonged recovery of global light vehicle production volumes and forecast cash flows projected at that time as a result of the COVID-19 pandemic. The result of the impairment review was a €304.6 million exceptional impairment charge recognized in the first half of 2020, which, together with conversion of lower sales, drove our operating loss for the year ended December 31, 2020.

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. We targeted cash expenditures relating to this restructuring of €17 million in 2020 and are targeting €30 million in 2021. We are targeting savings in 2022 of an estimated €74 million and cumulative savings through 2022 of approximately €94 million as part of these cost savings programs. We also undertook active cost management actions in the year, including utilizing local government economic support regimes, including the use of furlough and short-term working schemes, 2020 reductions in social costs and rental and utility cost relief. Economic support payments received direct from government authorities amounted to a net €32 million, with any and all payroll support fully passed on to employees. Additionally, employment costs totaling €10 million were avoided during the year ended December 31, 2020, as national governments directly funded these costs to employees.

We expect the COVID-19 pandemic to continue to be a factor in our results of operations in the near future.

More stringent regulatory requirements to reduce emissions and increase fuel economy and electrification of vehicles

Continued focus on reducing emissions and improving fuel efficiency have developed in recent years from a desire to meet increasingly stringent regulatory requirements into an imperative to take responsibility for helping to create a greener and cleaner environment.

As part of the effort to reduce emissions and improve fuel efficiency, technological innovation in traditional ICE vehicles has focused on introducing higher pressure fuel systems to help improve fuel efficiency and lower emissions, technology to help reduce evaporative emissions through more efficient fuel tanks and weight reduction techniques, including replacing metal components (such as fuel tanks) with plastic fuel tanks.

However, the focus on reduction of emissions is also rapidly shifting to developing alternative powertrain and propulsion technologies through electrification, such as HEVs, BEVs and AEVs. IHS Markit projects CAGRs of 26% and 31% in global HEV and BEV production, respectively, between 2020 and 2027, and that HEVs and BEVs will constitute approximately 38% (compared to 10% in 2020) and 16% (compared to 3% in 2020), respectively, of global vehicle production volumes by 2027.

HEVs combine traditional ICE fluid systems, but also have additional fluid handling systems to manage electrification-related component temperatures, including advanced thermal management systems for the chassis, power electronics, electric motor drive and battery systems. As a result, HEVs may have up to six thermal loops (as opposed to the two main thermal management loops in a traditional ICE thermal system). HEV thermal management systems typically include fluid lines and tubes, pumps, quick connectors, sensors and valves. In addition the fuel tank systems for HEVs must accommodate increased fuel vapor pressure, which builds up during the period when the internal combustion engine is not operating and is not available to purge the fuel vapor.

BEVs and AEVs are expected to have significantly higher line and tubing content than traditional ICEs, depending on vehicle size and system design. As thermal components and systems in BEVs and AEVs may not be exposed to the same heat generated by ICEs, the systems in BEVs and AEVs may use different materials, such as nylon, to help optimize system weight, temperature and pressure. We believe that an optimized ICE and HEV contains content supplied by us in an amount in the range of €250-€700 per vehicle, while a traditional ICE contains €200 of content per vehicle. We have seen our average content per vehicle grow from €120 per vehicle in 2018 to €135 per vehicle in 2020.

We believe we are well-positioned to win new business and grow our existing business in connection with this trend of reduced emissions and increased fuel efficiency.

Growth in emerging economies

According to IHS Markit, global light vehicle production grew at a CAGR of 1.4% from 2000 to 2020, notwithstanding the volume decline during the 2008 global economic downturn. It is forecast to grow at a CAGR of 4.1% from 2020 to 2027. Prior to 2000, the more developed markets of North America, Western Europe, South Korea and Japan accounted for a substantial majority of global light vehicle production. However, since 2000, global light vehicle production growth has largely been driven by emerging markets and, in particular, China, where light vehicle production volume grew at a CAGR of 13.5% between 2000 and 2020. According to IHS Markit, approximately 31% of global light vehicle production in 2020 was generated in China, with growth expected to continue in the long-term. The more developed markets are expected to grow at a CAGR of 2.6%, with an increase of approximately 6.8 million units from 2020 to 2027, while emerging markets are forecast to grow at a CAGR of 5.3% with an increase of 17.6 million units during the same period.

Increasing use by OEMs of highly reliable suppliers with strong technical capabilities

We believe OEMs continue to seek suppliers with long-term track records of providing high-quality products, particularly for performance critical components such as those we produce where the risk and liabilities can be substantial. As a result of rapidly changing regulatory requirements, consumer preferences and technological developments, OEMs must continue to innovate and have become reliant on suppliers to develop high-quality products in a short period of time. We believe that the limited number of global suppliers who can cost-effectively provide fully-engineered solutions, systems and pre-assembled combinations of components are well-positioned to benefit from these trends. We also believe that these factors foster stronger and more collaborative relationships between OEMs and such suppliers, and that we are well-placed to continue to capitalize on these factors.

Global platform standardization

Many OEMs continue to standardize their platforms globally in an effort to reduce their costs and increase profitability. By maximizing the numbers of models that can be produced on each platform and minimizing differences in platforms between regions, OEMs can reduce the number of platforms they need to develop and manage. To further leverage the cost advantages of standardized platforms, OEMs are also increasingly seeking suppliers that have a global footprint and the flexibility to adapt to regional variations so that the OEMs are able to "single-source" components globally. We believe that suppliers such as us with an established global footprint, strong service and technological capabilities and operational efficiencies will benefit from increased platform standardization.

Costs competitiveness

We have an extensive global manufacturing footprint that we believe provides a material advantage in quoting and winning global platform business awards. Having facilities in close proximity to customers' vehicle assembly facilities can provide us with significant logistics savings, particularly given the considerable size of many of our products. Our extensive footprint allows us to provide customers with our quality products at just-in-time delivery and competitive costs. Additionally, each division has made efforts to optimize vertical integration towards the production of fluid systems. This provides us with the advantage of extensive product knowledge of key components while yielding cost advantages versus competitors who purchase these components from third parties. We have an expansive emerging market footprint and have increased the variable nature of our employee base. As of December 31, 2020, approximately 71% of our workforce was located in lower-cost countries, and approximately 15% of our workforce was comprised of temporary workers, which provides us with flexibility to adjust more quickly to demand fluctuations. Furthermore, we generally seek to pass through and share many increases in the cost of raw materials with our customers.

Currency Exchange Rate Fluctuations

Our revenue and results of operations are also affected by foreign currency transaction and translation impacts. While operating units typically quote business in the same currency as the associated costs, there are exceptions and, additionally, there are instances where the transaction impact is not fully offset. Our results of operations are also influenced by currency translation, as the results of operating units are ultimately consolidated in Euros. We do not hedge against the translation effects of currency fluctuations, thus exchange rate fluctuations may impact the reporting of the financial results of a subsidiary even though no change in its results of operations has occurred. For further information see "*Risk Factors—We are exposed to foreign currency exchange rate fluctuations as a result of our substantial global operations, which may adversely affect our financial results*."

The Group records revenue through product sales in a variety of currencies, including Euros, US Dollars, Chinese Renminbi and Korean Won. These currencies are also the most significant currencies for the Group's cost of sales. Fluctuations in the value of the various currencies in which the Group operates, and the US Dollar and Chinese Renminbi in particular, against the Euro have affected the Group's results of operations.

In the year ended December 31, 2020, the Euro appreciated against the US dollar and other key currencies, which had a negative impact on the Group's reported revenue, resulting in a net adverse impact of €64.2 million for the year ended December 31, 2020.

The Group generally seeks to mitigate its external transaction risk by negotiating revenue and supplier contracts in each operating unit's functional currency. The Group uses forward foreign exchange contracts to manage much of the residual transactional currency risk. In March 2020, the Group terminated all its forward foreign exchange contracts designated in cash flow hedge relationships, its forward foreign exchange contracts designated in net investment hedges, and all its interest rate swaps. Most of the instruments terminated in March had original maturity dates of October 2020. Due to the market fluctuations at the start of the COVID-19 pandemic, the Group decided to crystallize these asset positions and convert them to cash. The Group realized cash proceeds of €15.9 million on termination of these derivatives and in total received €16.6 million in the year from these arrangements.

Seasonality

Our revenue and results of operations have historically fluctuated throughout the year in response to light vehicle sales and OEM light vehicle production schedules, each of which are impacted by a variety of factors, including the timing of new model introductions, various OEM incentive programs, consumer spending patterns, holidays and other macroeconomic factors. Due to regional and market-specific holiday periods and OEM production shutdowns for model change-overs, we tend to generate more revenue in the first half of the year than in the second half. While we may experience seasonality of inventory and working capital on a regional basis due to regional and market-specific factors, the impact of any such seasonality is mitigated by our customer and geographic diversification.

Tax Rate

The Group's tax rate is affected by the tax rates in the jurisdictions in which the Group operates, the relative amount of income earned in a jurisdiction and the relative amount of losses or income for which no tax benefit or expense was recognized. The Group's effective tax rate before exceptional items has fluctuated and was 35.5%, 28.3% and 55.3%, for the years ended December 31, 2018, 2019 and 2020, respectively. However, the tax rates are impacted by a number of factors. For example, for the year ended December, 31, 2020, we reported 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 structure of the Group's operations in the United Kingdom typically generates losses due to the retention of stewardship costs and management expenses that are not offset against local operating profits.

Factors Affecting Comparability

We adopted IFRS 16 (Leases) on January 1, 2019. The new standard resulted in the recognition of the majority of our leases on the balance sheet. We applied the modified retrospective approach and therefore did not restate comparative figures for the year ended December 31, 2018. Accordingly, some of the key performance measures presented for the years ended December 31, 2019 and 2020 (and subsequent years) are not comparable with those presented for the year ended December 31, 2018 (or prior years).

We from time to time disclose exceptional items, or items that, by virtue of their nature, size and expected frequency, warrant separate additional disclosure in the financial statements in order to fully understand the underlying performance. In the first half of the year ended December 31, 2020, we undertook a full impairment review triggered by the significant change in projected volumes and forecast cash flows projected at that time as a result of the COVID-19 pandemic. The result of the impairment review was a €304.6 million exceptional impairment charge recognized in the first half of 2020. This impairment charge impacted our administrative expenses and costs of goods sold, in addition to resulting in lower depreciation and amortization and lowering our effective tax rate. As a result, this, among other factors described above, limit the comparability of the year ended December 31, 2020 with prior periods.

Key Line Items in Our Statements of Profit or Loss

Set forth below is a description of the key line items presented in our Financial Statements. Our key line items are reported on the basis of uniform accounting policies that are implemented at each entity within our scope of consolidation.

Revenue

Revenue is generated from the sale of products and is recognized when adequate evidence exists, usually in the form of an executed supply agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably, there is no continuing management involvement within the products and the amount of revenue can be measured reliably.

A portion of our revenue is generated from sales in regions with currencies other than the Euro and is impacted by foreign exchange rate changes. Accordingly, we assess revenue both on a constant exchange rate and actual exchange rate basis. This enables us to analyze the underlying volume impacts as well as the effect to which exchange rate fluctuations have contributed to year on year, or reporting period revenue variances.

Cost of sales

Cost of sales comprise the direct and indirect costs attributable to the production of products sold and include the cost of materials, labor and overhead used to manufacture the products.

Distribution costs

Distribution costs comprise the expenses of shipping goods to customers, and include warehousing and outbound freight expense.

Administrative expenses

Administrative expenses are presented after exceptional items and include the cost of the administrative, commercial and finance functions, all other corporate operating costs and exceptional items.

Net finance expense after exceptional items

Net finance expense is presented after exceptional items and includes term loan interest, amortization of related debt issuance fees and exceptional items that, by virtue of their nature, size and expected frequency, warrant separate additional disclosure in the financial statements in order to fully understand the underlying performance.

Income tax (expense)/credit

Income tax (expense)/credit for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income and equity.

Non-IFRS Measures

We present in this discussion and analysis certain financial measures that are not specifically defined under IFRS or recognized under any other generally accepted accounting principles and that may not be permitted to appear on the face of the Financial Statements or footnotes thereto, including:

- "EBITDA," which is defined as profit or loss before tax before net finance expense, depreciation, amortization and exceptional impairment of tangible and intangible assets.
- "Adjusted EBITDA," which 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 EBITDA Margin," which is defined as Adjusted EBITDA divided by revenue;
- "Adjusted EBIT," which is defined as Adjusted EBITDA less depreciation, amortization and impairment arising on tangible and intangible assets net of depreciation and amortization arising on purchase price accounting; and
- "Adjusted EBIT Margin," which is defined as Adjusted EBIT divided by revenue

We believe that our EBITDA-based measures are useful to investors in evaluating our operating performance and our ability to incur and service our indebtedness. Our EBITDA-based measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to performance measures derived in accordance with IFRS, IFRS or any other generally accepted accounting principles. Our EBITDA-based measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Because of these limitations, our EBITDA-based measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to service our indebtedness. You should compensate for these limitations by relying primarily on our Financial Statements included elsewhere herein and using these non-IFRS measures only to supplement evaluation of our performance. See "*Presentation of Financial Information—Non-IFRS Financial Measures*."

For a reconciliation of EBITDA, Adjusted EBITDA and Adjusted EBIT to operating profit / (loss), see footnote (1) to "Summary—Summary Financial and Other Data—Other Financial and Operating Information."

Results of Operations

Year ended December 31, 2020 compared to the year ended December 31, 2019

The table below sets forth our income statement on a consolidated basis and the period on period percentage of change for the years ended December 31, 2020 and 2019.

(in € million)	Year ended December 31,	
	2019	2020
	(audited)	
Revenue	**3,411.1**	**2,814.5**
Cost of sales	(2,922.7)	(2,493.1)
Exceptional items	—	(120.4)
Total cost of sales	(2,922.7)	(2,613.5)
Gross profit/(loss)	**488.4**	**201.0**
Distribution Costs	(95.0)	(83.7)
Administrative expenses	(141.7)	(145.1)
Exceptional items	—	(184.2)
Total administrative expenses	(141.7)	(329.3)
Other income	6.7	8.5
Net foreign exchange gains	0.5	27.2
Operating profit/(loss)	**258.9**	**(176.3)**
Finance income	15.0	3.5
Finance expense	(72.5)	(77.5)
Net finance expense	(57.5)	(74.0)
Share of (loss)/profit of associates	0.3	(3.5)
Profit/(loss) before income tax	**201.7**	**(253.8)**
Income tax (expense)/credit	(57.1)	1.6
Profit/(loss) for the year	**144.6**	**(252.2)**

	Non-IFRS Measures As of and for the year ended December 31,	
	2019	2020
(in € million, unless otherwise stated)	(audited)	
Adjusted EBITDA	497.8	330.9
Adjusted EBITDA Margin	14.6%	11.8%
Adjusted EBIT	340.4	173.3
Adjusted EBIT Margin	10.0%	6.2%

Revenues

Revenue for the year ended December 31, 2020 decreased by €596.6 million, or 17.5%, to €2,814.5 million, compared to €3,411.1 million the year ended December 31, 2019. This decrease was driven primarily by the COVID-19 pandemic and the historic decrease in global light vehicle production and the negative impact of currency exchange rates of €64.2 million. Excluding the negative impact of currency exchange rates, our decline in revenues was broadly in line (0.2% outperformance) with the declines in global light vehicle production during the period. The net adverse impact of currency exchange rates was mostly due to strengthening of the Euro against the US dollar and other key currencies in countries where we have manufacturing operations.

Revenues by region

The table below sets forth our revenues by region and period percentage of change for the years ended December 31, 2020 and 2019.

(in € million)	Year ended December 31,				
	2019	2020	Change	% Change	% Change at Constant Currency
	(audited)		(unaudited)		
Revenues by Region					
Europe and Africa	1,368.6	1,077.5	(291.1)	(21.3)	(21.0)
Asia Pacific	1,030.6	982.5	(48.1)	(4.7)	(2.5)
North America	936.7	714.7	(222.0)	(23.7)	(22.2)
Latin America	75.2	39.8	(35.4)	(47.1)	(29.6)
Total	**3,411.1**	**2,814.5**	**(596.6)**	**(17.5)**	**(15.9)**

In Europe and Africa, revenue decreased by €291.1 million, or 21.0% at constant currency, year over year, to €1,077.5 million, compared to a similar light vehicle production decline of 20.8%. This slight underperformance was driven by the ramp down of some programs which offset the benefit of the successful launch of new HEV/BEV programs for both FTDS and FCS. In the region we aligned with our customers production shut downs and temporarily ceased operations in our factories to minimize 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 decreased by €48.1 million, or 2.5% at constant currency, year over year, to €982.5 million, compared to light vehicle production decline of 11.3%, for a strong outperformance of 8.8%. We 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 decreased by €222.0 million, or 22.2% at constant currency, year over year, to €714.7 million, compared to light vehicle production decline of 20.2%, a 2.0% underperformance. The main impact for this region was program ramp downs in the FCS division, and the continued impact of our lower share of the popular large truck/SUV platforms.

Revenues by segment

The table below sets forth our revenues by segment for the years ended December 31, 2020 and 2019, at actual and constant currency exchange rates.

(in € million)	Year ended December 31,				
	2019	2020	Change	% Change	% Change at Constant Currency
	(audited)		(unaudited)		
Revenues by Segment					
Fluid Carrying Systems (“FCS”)	1,917.6	1,526.9	(390.7)	(20.4)	(18.4)
Fuel Tank and Delivery Systems (“FTDS”)	1,493.5	1,287.6	(205.9)	(13.8)	(12.7)
Total	**3,411.1**	**2,814.5**	**(596.6)**	**(17.5)**	**(15.9)**

FCS revenue declined by €390.7 million, or 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 unfavorable regional mix, with powertrain program ramp downs in North America region offsetting the benefit of successful launches of thermal programs in Europe and Asia Pacific.

FTDS revenue decreased by €205.9 million, or 12.7% at constant currency, 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 program launches and ramp ups in China and Korea and favorable mix.

Total cost of sales

Cost of sales for the year ended December 31, 2020 decreased by €309.2 million, or 10.6%, compared to cost of sales of €2,922.7 million for the year ended December 31, 2019. This decrease was the result of lower activity due to the decrease in demand as a result of COVID-19 and the reduction in light vehicle production and active cost management actions throughout the year, which included the use of furlough and short-term working schemes and direct funding of certain employment costs by national governments, which was partially offset by a €120.4 million exceptional impairment of intangible assets, PP&E and lease right-of use assets as a result recognized in the first half of 2020 following an impairment review triggered by the significant change in projected volumes and forecast cash flows projected at that time.

Distribution costs

Distribution costs for the year ended December 31, 2020, decreased by €11.3 million, or 11.9%, to €83.7 million, compared to distribution costs of €95.0 million for the year ended December 31, 2019, as a result of lower activity due to decrease in demand as a result of COVID-19 and the reduction in light vehicle production.

Total administrative expenses

Administrative expenses for the year ended December 31, 2020, increased by €187.6 million, or 132.4%, to €329.3 million, compared to administrative expenses of €141.7 million for the year ended December 31, 2019, as a result of the impact of an exceptional impairment charge to goodwill of €184.2 million recognized in the first half of 2020 following an impairment review triggered by the significant change in projected volumes and forecast cash flows projected at that time.

Net foreign exchange gains

Net foreign exchange gains recognized in the year ended December 31, 2020 increased by €26.7 million to €27.2 million, compared to €0.5 million recognized in the year ended December 31, 2019. These gains 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.

Net finance expense

Net finance expense for the year ended December 31, 2020, increased by €16.5 million, or 28.7%, to €74.0 million, compared to net finance expense of €57.5 million for the year ended December 31, 2019. 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 (compared to €0.2 million in 2019), which also gave rise to €1.3 million fair value net gains on derivatives and foreign exchange contracts not in hedged relationships (compared to €10.2 million in 2019). The Group realized cash proceeds of €15.9 million on termination of these derivatives and in total received €16.6 million in the year from these arrangements.

Income tax (expense)/credit

Income tax for the year ended December 31, 2020 was a credit of €1.6 million, compared to an expense of €57.1 million for the year ended December 31, 2019. The 2019 Group income tax charge, €57.1 million, was favorably impacted by the €12.2 million prior year tax credit recognized 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). Normalizing 2019 for the €12.2 million prior year tax credit, the 2020 and 2019 effective tax rates were 51.7% and 34.4%, respectively.

For the year ended December 31, 2020, we are 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.

Our income tax charge, before exceptional items, for the year ended December 31, 2020, was €28.1 million, a decrease of €29.0 million compared to the year ended December 31, 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 recognized. The effective tax rate for those entities which are ordinarily subject to tax or where deferred tax assets are recognized 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). The 2020 Adjusted Effective Tax Rate is 42.6% (2019: 32.3%).

For more information, see Note 12 to the Financial Statements.

Non-IFRS Measures: Adjusted EBITDA and Adjusted EBIT

	Non-IFRS Measures As of and for the year ended December 31,	
	2019	**2020**
(in € million, unless otherwise stated)	**(audited)**	
Adjusted EBITDA	497.8	330.9
Adjusted EBITDA Margin	14.6%	11.8%
Adjusted EBIT	340.4	173.3
Adjusted EBIT Margin	10.0%	6.2%

Adjusted EBITDA

Adjusted EBITDA for the year ended December 31, 2020, decreased by €166.9 million, or 33.5%, to €330.9 million, compared to €497.8 million for the year ended December 31, 2019. The major impact on Adjusted EBITDA during the period was 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 minimize 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 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, compared to €5.1 million for the year ended December 31, 2019. Adjusted EBITDA margin was 11.8% for the year ended December 31, 2020, compared to 14.6% for the year ended December 31, 2019.

Adjusted EBIT

Adjusted EBIT for the year ended December 31, 2020, decreased by €167.1 million, or 49.1%, to €173.3 million, compared to €340.4 million for the year ended December 31, 2019. This change was impacted by lower Adjusted EBITDA as described previously. During the year there were program specific impairment charges of €9.2 million, compared to €3.5 million for the year ended December 31, 2019, consisting of €2.9 million in FCS and €6.3 million in FTDS. Adjusted EBIT margin was 6.2% for the year ended December 31, 2020, compared to 10.0% for the year ended December 31, 2019.

By segment, FCS Adjusted EBIT was €97.2 million for the year ended December 31, 2020, compared to €199.4 million for the year ended December 31, 2019, with an 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 remained 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 for the year ended December 31, 2020, compared to €141.0 million for the year ended December 31, 2019, 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 remained 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.

Year ended December 31, 2019 compared to the year ended December 31, 2018

The table below sets forth our income statement on a consolidated basis and the period on period percentage of change for the years ended December 31, 2019 and 2018.

(in € million)	Year ended December 31, 2018	Year ended December 31, 2019
	(audited)	
Revenue	**3,472.8**	**3,411.1**
Cost of sales	(2,938.2)	(2,922.7)
Gross profit/(loss)	**534.6**	**488.4**
Distribution Costs	(102.4)	(95.0)
Administrative expenses	(164.5)	(141.7)
Other income	12.2	6.7
Net foreign exchange gains	1.2	0.5
Operating profit/(loss)	**281.1**	**258.9**
Finance income	14.3	15.0
Finance expense	(67.0)	(72.5)
Exceptional items	(11.8)	—
Finance expense after exceptional items	(78.8)	(72.5)
Net finance expense after exceptional items	(64.5)	(57.5)
Share of (loss)/profit of associates	0.5	0.3
Profit/(loss) before income tax	**217.1**	**201.7**
Income tax (expense)/credit	(77.0)	(57.1)
Profit/(loss) for the year	**140.1**	**144.6**

Revenues

Revenue for the year ended December 31, 2019 decreased by €61.7 million, or 1.8%, to €3,411.1 million, compared to €3,472.8 million the year ended December 31, 2018. Global light vehicle production has a significant influence on our performance. In 2019, global light vehicle production decreased by 5.6% to 88.9 million vehicles compared to the prior year. Our revenue continued to outperform global light vehicle production, exceeding the global light vehicle production change by 2.1% in 2019. Excluding the positive impact of currency of €62.4 million, reported revenue declined by €61.7 million, or 3.5% year over year.

Revenues by region

The table below sets forth our revenues by region and period percentage of change for the years ended December 31, 2019 and 2018.

(in € million)	Year ended December 31, 2018	2019	Change	% Change	% Change at Constant Currency
	(audited)			(unaudited)	
Revenues by Region					
Europe and Africa	1,398.6	1,368.6	(30.0)	(2.1)	(2.1)
Asia Pacific	1,032.2	1,030.6	(1.6)	(0.2)	(1.5)
North America	971.9	936.7	(35.2)	(3.6)	(8.6)
Latin America	70.1	75.2	5.1	7.3	15.0
Total	**3,472.8**	**3,411.1**	**(61.7)**	**(1.8)**	**(3.5)**

In Europe and Africa, revenue decreased by €30.0 million, or 2.1% at constant currency, year over year, to €1,368.6 million, outperforming light vehicle production in the region by 3.8%. Europe and Africa light vehicle production declined by 5.9%. Revenue outperformance was primarily due to new business launches and favorable program ramp up impacts, particularly in FTDS, offset by lower volumes in FCS.

In Asia Pacific, revenue decreased by €1.6 million, or 1.5% at constant currency, year over year, to €1,030.6 million, and outperforming light vehicle production in the region by 4.7%. Asia Pacific light vehicle production declined by 6.2%. The weakness in light vehicle production was most notable for us in China, where we have longstanding market position in our brake and fuel lines business within our FCS segment. Accordingly, FCS revenue was impacted by the volume declines in China during the year ended December 31, 2019. Despite this we continued to outperform in the region, primarily through continued new business success with our fuel tanks in FTDS in China where the Group is benefiting from the automotive megatrends of reduced evaporative emissions and fuel efficiency, driven by the ongoing switch from steel to plastic fuel tanks.

In North America, revenue decreased by €35.2 million, or 8.6% at constant currency, year over year, to €936.7 million, or 4.7% below light vehicle production volume. North America light vehicle production declined by 3.9%. Revenue was impacted by OEM program relocations to Europe and China as well as mix, with the Group's lower exposure to SUVs and light truck programs in this region.

Revenues by segment

The table below sets forth our revenues by segment for the years ended December 31, 2019 and 2018.

	Year ended December 31,				
(in € million)	**2018**	**2019**	**Change**	**% Change**	**% Change at Constant Currency**
	(audited)		**(unaudited)**		
Revenues by Segment					
Fluid Carrying Systems ("FCS")	2,026.7	1,917.6	(109.1)	(5.4)	(7.2)
Fuel Tank and Delivery Systems ("FTDS")	1,446.1	1,493.5	47.4	3.3	1.6
Total	**3,472.8**	**3,411.1**	**(61.7)**	**(1.8)**	**(3.5)**

FCS revenue declined by €109.1 million, or 7.2% at constant currency, from the prior year to €1,917.6 million. The FCS revenue performance was particularly impacted during the year ended December 31, 2019 by lower production in China and mix in North America.

FTDS revenue increased by €47.4 million, or 1.6% at constant currency, to €1,493.5 million. FTDS revenue continued to benefit from new wins in Asia Pacific and resilient performance in Europe.

Cost of sales

Cost of sales for the year ended December 31, 2019, decreased by €15.5 million, or 0.5%, to €2,922.7 million, compared to cost of sales of €2,938.2 million for the year ended December 31, 2018. This decrease was the result of reduced trading activities on lower revenue and active cost management, partially offset by increases resin costs.

Distribution costs

Distribution costs for the year ended December 31, 2019, decreased by €7.4 million, or 7.2%, to €95.0 million, compared to distribution costs of €102.4 million for the year ended December 31, 2018. This decrease was the result of reduced trading activities on lower revenue and reductions in overhead costs.

Administrative expenses

Administrative expenses for the year ended December 31, 2019, decreased by €22.8 million, or 13.9%, to €141.7 million, compared to administrative expenses of €164.5 million for the year ended December 31, 2018. This decrease was driven by reversals of higher costs and charges incurred in prior years that were reversed by receipt of a settlement gain and lower payroll costs.

Net finance expense after exceptional items

Net finance expense after exceptional items for the year ended December 31, 2019, decreased by €7.0 million, or 10.9%, to €57.5 million, compared to net finance expense after exceptional items of €64.5 million for the year ended December 31, 2018. This was primarily the result of the full-year impact of the interest savings following repayment of our 8.75% senior notes in July 2018 and a loan repayment in March 2019, as well as exceptional finance costs incurred in repayment of such senior notes in July 2018 that did not recur in the year ended December 31, 2020.

Income tax (expense)/credit

Income tax for the year ended December 31, 2019 decreased by €19.9 million, or 25.8%, to €57.1 million, compared to income tax expense of €77.0 million for the year ended December 31, 2018. Income tax expense before exceptional items was €57.1 million for the year ended December 31, 2019, compared to €77.0 million for the year ended December 31, 2018, which represents an Effective Tax Rate of 28.3% (2018: 35.5%). The tax expense was €19.9 million lower than 2018 due to an overall decrease in taxable profits, and the €12.2 million net benefit arising from the completion of a prior year related Research & Experimentation claim in the US. Recognition of this claim favorably impacts the Effective Tax Rate by 5.2%.

The Adjusted Effective Tax Rate, which was calculated by adjusting for the impact of UK losses where no tax relief is available, and prior year tax movements, including the Research & Experimentation benefit, was 32.3% for the year ended December 31, 2019, compared to 32.2% for the year ended December 31, 2018.

This remained largely consistent with the prior year as the global mix of profits and territories in which the Group operated remained broadly the same.

For more information, see Note 12 to the Financial Statements.

Non-IFRS Measures: Adjusted EBITDA and Adjusted EBIT

	Non-IFRS Measures As of and for the year ended December 31,	
	2018	**2019**
(in € million, unless otherwise stated)	**(audited)**	
Adjusted EBITDA	484.3	497.8
Adjusted EBITDA Margin	13.9%	14.6%
Adjusted EBIT	373.5	340.4
Adjusted EBIT Margin	10.8%	10.0%

Adjusted EBITDA

Adjusted EBITDA for the year ended December 31, 2019, increased by €13.5 million, or 2.8%, to €497.8 million, compared to €484.3 million for the year ended December 31, 2018. Adjusted EBITDA margin for the year ended December 31, 2019 was 14.6%, compared to 13.9% for the year ended December 31, 2018. This increase was the result of the impact of adopting IFRS 16, which had a €37.2 million benefit to Adjusted EBITDA due to the reversal of operating lease charges, partially offset by lower operating profit as a result of lower revenue.

Adjusted EBIT

Adjusted EBIT for the year ended December 31, 2019, decreased by €33.1 million, or 8.9%, to €340.4 million, compared to €373.5 million for the year ended December 31, 2018. Adjusted EBIT margin for the year ended December 31, 2019 was 10.0%, compared to 10.8% for the year ended December 31, 2018. This change in Adjusted EBIT was impacted by conversion on lower revenue, partially offset by reductions in overhead costs and the adoption of IFRS 16. We continue to manage our costs in line with the reduced volumes in order to minimize the impact on margins. Depreciation relating to right-of-use assets recognized as part of IFRS 16 accounted for €31.5 million of the increase in the depreciation and impairment charge of PP&E.

By segment, FCS Adjusted EBIT for the year ended December 31, 2019, decreased by €41.6 million, or 17.3%, to €199.4 million, compared to €241.0 million for the year ended December 31, 2018, with an Adjusted EBIT margin of 10.4% (2018: 11.9%). FCS achieved double digit margins despite difficulties in the prevailing market environment. The year over year decline in margin reflected the volume reduction particularly in China, where we have a high market share, as well as increases in resin costs. FTDS Adjusted EBIT for the year ended December 31, 2019 increased by €8.5 million, or 6.4%, to €141.0 million, compared to €132.5 million for the year ended December 31, 2018, with Adjusted EBIT margin of 9.4% (2018: 9.2%). The increase in margin reflects the benefits of mix and strong operational performance in FTDS during 2019.

Liquidity and Capital Resources

Overview

As of December 31, 2020, after giving effect to the Transactions, we would have had cash and cash equivalents and financial assets at fair value through the profit and loss of €473.7 million, and net debt of €605.1 million (excluding deferred debt issuance costs of €38.3 million). As of December 31, 2020, we also had $221.2 million in commitments available for drawing under the Revolving Facility, excluding $3.8 million in respect of letters of credit.

Our key sources of liquidity are cash generated from operating activities and amounts available under our credit facilities, currently consisting of the $221.2 million in commitments available for drawing under the Revolving Facility. Total available liquidity (cash plus available facilities) on December 31, 2020, was €659.0 million after giving effect to the Transactions. See "*Capitalization*."

We believe that based on our current operations as reflected in our results for the year ended December 31, 2020, these sources of liquidity will be sufficient to fund our operations, capital expenditure and debt service for the next twelve months.

Cash Flows

The following table sets forth the principal components of our cash flows on a consolidated basis for the years ended December 31, 2018, 2019 and 2020.

	Year ended December 31,		
(in € million)	**2018**	**2019**	**2020**
		(audited)	
Cash flows from operating activities			
Cash generated from operations	449.6	477.2	374.4
Interest paid	(64.4)	(63.1)	(57.1)
Income tax paid	(88.2)	(79.7)	(59.7)
Net cash generated from operating activities	**297.0**	**334.4**	**257.6**
Cash flows from investing activities			
Payment for property, plant and equipment	(115.8)	(119.4)	(82.1)
Payment for intangible assets	(35.8)	(39.7)	(30.1)
Proceeds from the sale of property, plant and equipment	0.2	0.6	13.8
Interest received	1.9	1.5	3.0
Net cash used by investing activities	**(149.5)**	**(157.0)**	**(95.4)**
Cash flows from financing activities			
Purchase of own shares	—	—	(3.5)
Proceeds from new borrowings	150.0	—	213.6
Fees paid on proceeds from new borrowings	(2.2)	(0.3)	(17.7)
Voluntary repayments of borrowings	(188.4)	(50.0)	(209.6)
Fees paid on voluntary repayments of borrowings	(8.2)	—	—
Scheduled repayments of borrowings	(5.4)	(4.5)	(5.3)
Lease principal repayments	—	(27.1)	(28.6)
Dividends paid	(22.5)	(46.6)	—
Dividends paid to non-controlling interests	(0.2)	(0.7)	(0.5)
Net cash used by financing activities	**(76.9)**	**(129.2)**	**(51.6)**
Increase in cash and cash equivalents	**70.6**	**48.2**	**110.6**
Cash and cash equivalents at the beginning of the year	287.2	360.1	411.7
Currency translation on cash and cash equivalents	2.3	3.4	(36.5)
Cash and cash equivalents at the end of the year	**360.1**	**411.7**	**485.8**

Cash flows from operating activities

For the year ended December 31, 2020, net cash generated from operating activities was €257.6 million, a decrease of €76.8 million, or 23%, compared to net cash generated from operating activities in the year ended December 31, 2019. This decrease was primarily driven by a decrease in cash generated from operations as a result of the consequences of the COVID-19 pandemic and the decline in light vehicle production in the first half of 2020, and was partially mitigated by a decrease in interest and income tax paid compared to that in the year ended December 31, 2019.

For the year ended December 31, 2019, net cash generated from operating activities was €334.4 million, an increase of €37.4 million, or 13%, compared to net cash generated from operating activities in the year ended December 31, 2018. This increase was primarily driven by an increase in cash generated from operations in part and a decrease in income tax paid compared to that in the year ended December 31, 2018.

Cash flows from investing activities

For the year ended December 31, 2020, net cash used by investing activities was €95.4 million, a decrease of €61.6 million, or 39%, compared to net cash generated from operating activities in the year ended December 31, 2019. This decrease was primarily driven by a decrease in cash used for payment for property, plant and equipment and payment for intangible assets, and proceeds from the sale of property, plant and equipment compared to that in the year ended December 31, 2019.

For the year ended December 31, 2019, net cash used by investing activities was €157.0 million, an increase of €7.5 million, or 5%, compared to net cash used by investing activities in the year ended December 31, 2018. This increase was primarily driven by increases in payment for property, plant and equipment and payment for intangible assets in the year ended December 31, 2019, as we made investments in our HEV and BEV strategy and upcoming program launches.

Cash flows from financing activities

For the year ended December 31, 2020, net cash used by financing activities was €51.6 million, a decrease of €77.6 million, or 60%, compared to net cash generated from operating activities in the year ended December 31, 2019. This decrease was primarily driven by no dividend being paid (excluding dividends paid to non-controlling interests) in 2020, and the amendment and refinancing of certain of our indebtedness resulting in additional fees paid on proceeds from new borrowings, as well as the purchase of €3.5 million of shares in 2020.

For the year ended December 31, 2019, net cash used by financing activities was €129.2 million, an increase of €52.3 million, or 68%, compared to net cash used by investing activities in the year ended December 31, 2018. This increase was primarily driven by an increase in dividend paid, the classification of lease principal payments following the implementation of IFRS 16 in 2019.

Contracted Maturities of Financial Liabilities

The table below summarizes our material contracted maturities of financial liabilities as of December 31, 2020, after giving pro forma effect to the Transactions as if they had occurred on such date (subject to the assumptions set forth in "*Use of Proceeds*" and "Capitalization" and excluding future interest payments).

	Payments due by period				
	Less than 1 year	Between 1 and 2 years	2-5 years	More than 5 years	Total
			(unaudited)		
(in € million)					
Senior Secured Term Loan Facilities	—	—	517.0	—	517.0
Notes offered hereby	—	—	—	600	600.0
Lease liabilities	37.5	32.3	63.7	54.5	188.0
Trade and other payables excluding deferred income	491.4	11.9	—	—	503.3
Total	**528.9**	**44.2**	**580.7**	**654.5**	**1,808.3**

Capital Commitments

Expenditure on non-current assets authorized and contracted for as of December 31, 2020 but not yet incurred was €10.4 million in respect of intangible assets and €47.3 million in respect of PP&E.

Capital Expenditures

We intend to continue to invest approximately 4-5% of revenue to support organic growth through capital expenditures and capitalized research and development.

Leases

Property that is surplus to our requirements may be sub-let to third parties. The future aggregate minimum rentals receivable under non-cancellable operating leases at December 31, 2018, 2019 and 2020 was €0.2 million, €0.4 million and €0.3 million, respectively. During the years ended December 31, 2018, 2019 and 2020, a total of €0.6 million, €0.6 million and €0.6 million, respectively, of rental income was recognized in our income statement.

We are also committed to €4.2 million of leases, not yet commenced as of December 31, 2020.

Purchase commitments

As part of normal business practices, we enter into contracts with suppliers of raw materials, components and services to facilitate adequate supply of these materials and services. These arrangements may contain fixed or minimum quantity purchases requirements. These purchase commitments are off-balance sheet arrangements to purchase goods or services that are enforceable and legally binding on us. As of December 31, 2020, we had €35.5 million of contractual purchase commitments due in less than one year, €14.9 million due between one year and five years and €4.1 million due after five years.

Contingencies

We have contingent liabilities relating to legal and tax proceedings arising in the normal course of business. Management has reviewed known claims and litigation involving the Company and its subsidiaries at the end of 2020. Based on the advice of legal counsel, appropriate provisions have been made to cover the related risks. While the outcome of any proceedings in progress cannot be predicted, we do not believe they will have a material impact on the Group‘s financial position.

Off-balance Sheet Arrangements

Other than as described above, as of December 31, 2020, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Pensions and Post-Retirement Benefits

Pensions

We operate funded defined benefit pension plans in the US, Canada and the UK under broadly similar regulatory frameworks. All of the plans provide benefits to members in the form of a guaranteed level of pension payable for life. The level of pensions provided is determined by members' length of service and, for most of these plans, pensionable remuneration. Plan assets are held in trusts from which all benefit payments are made. The plans are governed by local regulations and practice, including the nature of the relationship between their trustees and the Group. Responsibility for governance of the plans, including investment strategy and schedules of contributions, rests primarily with the trustees, some of whom who are appointed by us and the remainder by the members in accordance with the rules of each plan.

There are five plans in the US, all of which are closed to both new entrants and future accrual. The active members are not required to make contributions to the plans. Pensions in payment are not subject to inflationary increase. The plan in Canada remains open to new entrants, and is contributory. Pensions in payment are subject to discretionary inflationary increase. The UK plan is closed to new entrants but remains open to future accrual. Pensions in payment are subject to annual increase based on the UK Retail Price Index.

Independent accounting valuations of all major defined benefit scheme assets and liabilities were carried out as of December 31, 2020. The US pension plans are subject to annual actuarial valuation, and were most recently valued by independent qualified actuaries as of January 1, 2020. The Canadian plan is subject to actuarial valuation at least triennially, and was most recently formally valued as of December 31, 2020 (final results to be published by the fourth quarter of 2021 as per filing deadlines). The UK plan is subject to triennial actuarial valuation, and was most recently formally valued as of April 6, 2018. Employer funding contributions to the US and other funded pension plans are agreed at each formal valuation, and for the year ended December 31, 2020 totaled €7.8 million (2019: €5.0 million). Contributions for the 12 months ended December 31, 2021 are expected to amount to €4.5 million.

Post-employment healthcare

We operate post-employment medical benefit schemes in a small number of territories, principally the US where the scheme was closed to new entrants in 1992. These schemes are unfunded. The US scheme is subject to annual actuarial valuation, and was most recently valued by independent qualified actuaries as of January 1, 2020.

Other post-employment arrangements

We operate certain other pension and retirement plans primarily in Germany, France, Italy, Korea, Poland and Belgium, where obligations are either partially funded or unfunded.

For more information, see Note 29 to the Financial Statements.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect our income, expenditure or the value of our holdings of financial instruments. We enter into derivative contracts, and also incur financial liabilities, in order to manage market risks.

Foreign currency risk

We are exposed to currency risk on revenue, purchases, investments and borrowings that are denominated in a currency other than the functional currencies of individual Group entities, which are primarily Euro, US dollars, Chinese renminbi and Korean won. Where possible, business entities sell in prices denominated in the same currency as the majority of their costs, to produce a natural hedge. as of December 31, 2020, the majority of our cash and cash equivalents were denominated in US dollars, Chinese renminbi and Euro.

We use forward foreign exchange contracts to manage much of the residual transactional currency risk. In March 2020, the Group terminated all its forward foreign exchange contracts designated in cash flow hedge relationships, its forward foreign exchange contracts designated in net investment hedges, and all its interest rate swaps. Most of the instruments terminated in March had original maturity dates of October 2020. Due to the market fluctuations at the start of the COVID-19 pandemic, the Group decided to crystallize these asset positions and convert them to cash. The Group realized cash proceeds of €15.9 million on termination of these derivatives and in total received €16.6 million in the year from these arrangements.

We are primarily exposed to changes in Euro/US dollar exchange rates on our US dollar denominated intercompany borrowings. Our exposure to a change in other exchange rates is insignificant. The Group‘s exposure to a +/- 1% change in Euro/USD exchange rate would be a €1.4 million profit/€1.4 million loss.

Following termination our hedging instruments including those which manage interest rate risk, the Group is currently reviewing its hedging program in the context of its external and intercompany borrowings in order to determine which of these instruments will be replaced.

Interest rate risk

Most of our interest rate risk arises on our main external borrowing facilities. On September 30, 2020, we successfully executed a refinancing of our external borrowings, and we intend to use a portion of the proceeds of the Notes to repay certain amounts outstanding under our Senior Secured Term Loan Facilities. See "*Use of Proceeds*."

Until September 30, 2020, the interest expense arising from the secured term loans, denominated in US dollars and Euro, were based on floating rates of respectively, one month US dollar LIBOR (minimum 0.75%) +2.5% per year and three month EURIBOR (minimum 0.75%) +2.75% per year.

From September 30, 2020, the interest expense arising from the secured term loans, denominated in US dollars and Euro is now based on floating rates of respectively, three month US dollar LIBOR (minimum 0.75%) +3.75% per year and three month EURIBOR (minimum 0.75%) +3.75% per year.

Until the refinancing on 30 September 2020, the Group also had an asset-backed loan facility which bore interest at US$ LIBOR +1.25% per year, or US$ LIBOR +1.50% per year if drawings are over $50 million. This facility was terminated as part of the refinancing.

The Group also has a revolving credit facility. The interest payable on this 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 facility was increased by $100 million to $225 million on 30 September 2020, and was extended from 16 July 2023 to 16 July 2024. The facility was undrawn at 31 December 2020, except for $3.8 million in respect of letters of credit.

In March 2020, the Group terminated all its interest rate floors.

If interest rates had been 1.00% higher or lower with all other variables held constant, the pre-tax profit or loss on an annual basis would be, respectively, €2.4 million lower or €0 higher.

Critical Accounting Policies

The following is a summary of certain of our critical accounting policies. For more information, see Footnote 1 to the Financial Statements.

Intangible Assets

Research and development

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

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized where the costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and we intend to and have sufficient resources to complete the project and to use or sell the development asset. Expenditure capitalized includes the cost of materials, direct labor, and overhead costs that are directly attributable to preparing the asset for its intended use. Capitalized development expenditure is measured at cost less accumulated amortization and impairment charges. Development expenditure, which does not meet the criteria for recognition as an intangible asset, is recognized in the income statement as incurred.

Computer software

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

Amortization

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

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

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

Impairment of Non-Financial Assets

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

Right-of-Use Assets and Lease Liabilities

Right-of-use assets and lease liabilities are created for all leases on the balance sheet, unless the lease term is short, or the underlying asset has a low value ("exempt leases"). Short-term leases are leases with a lease term of 12 months or less. Payments associated with exempt leases are recognized on a straight-line basis as an expense in the income statement.

We first applied IFRS 16 "Leases" on January 1, 2019, in accordance with the simplified transition (modified retrospective) approach permitted in the standard, with the cumulative effect of initially applying the new standard recognized on that date. All lease liabilities recognized on the balance sheet ("non-exempt leases"), were initially measured at the present value of their remaining lease payments, discounted using our incremental borrowing rates as of January 1, 2019. All right-of-use assets existing at that date were initially measured at the amount of the lease liability after adjusting for any prepaid or accrued lease expenses.

Since January 1, 2019, a right-of-use asset and a corresponding lease liability has been recognized for all new non-exempt leases at the date at which the underlying leased assets are made available for our use discounted using our incremental borrowing rate at that date.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- the exercise price of a purchase option if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within our control.

After initial recognition, lease interest payable is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The carrying amount of lease liabilities is remeasured when there is a change in the future lease payments due under a lease, due to a change in the lease term or fixed lease payments under the lease, including changes in the assessment to purchase the underlying asset. A corresponding adjustment is also made to the right-of-use asset. Lease liabilities are remeasured at our incremental borrowing rates at the date of the change, except where changes in lease payments result from a change in an index or a rate.

Financial Instruments

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

Financial Assets

Financial assets are classified into "financial assets at amortized cost" and "financial assets at FVTPL." The classification is determined at the time of initial recognition and depends on our business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest.

Financial assets at amortized cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss. Our financial assets at amortized cost comprise “trade and other receivables excluding prepayments” and “cash and cash equivalents.”

Financial assets at FVTPL

A financial asset is classified in this category if it does not meet the criteria for recognition as a financial asset at amortized cost. Derivatives are classified in this category unless they are designated as in hedging relationships. These contracts are marked to market by re-measuring them to fair value at the end of each reporting period. The resulting gain or loss is recognized in the income statement.

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet, when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Impairment of financial assets

We recognize a loss allowance for expected credit losses on financial assets at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables and contract assets, we recognize expected credit losses that will result from all possible default events over the expected life of a financial instrument “lifetime ECL.” A default on a financial asset occurs when the counterparty fails to make contractual payments within 180 days of when they fall due. We also assess on a forward-looking basis the expected credit losses associated with the trade receivables.

For all other financial instruments, we recognize lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, we measure the loss allowance for that financial instrument at an amount equal to the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, we compare the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, we consider an actual or expected significant deterioration in the financial instrument’s external credit rating where available; significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread or the credit default swap prices for the debtor, indications that any debtor is experiencing significant financial difficulty, default or delinquency in payments, an increase in the probability that any debtor will enter bankruptcy, or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Liabilities

Financial liabilities are classified as either “financial liabilities at amortized cost” or “financial liabilities at FVTPL.”

Financial liabilities are recognized initially on the date at which we become party to the contractual provisions of the instrument.

Financial liabilities at amortized cost

The classification of financial liabilities at amortized cost is determined at the time of initial recognition and depends on our business model for managing the financial liabilities and whether the contractual cash flows represent solely payments of principal and interest.

Financial liabilities at amortized cost, including borrowings and trade and other payables excluding deferred income and lease liabilities, are measured using the effective interest method, which calculates the amortized cost of a financial liability and allocates interest expense over its term. The effective interest rate discounts estimated cash payments (including all issuance discounts and transactions costs), through the expected life of the financial liability, to the net carrying amount on initial recognition.

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

In assessing whether a debt alteration is to be treated as a modification or an extinguishment and new arrangement, an evaluation is made of the qualitative factors such as the underlying parties to the transaction and quantitative factors such as the impact on the net present value of remaining cash flows. A gain or loss is recognized immediately in the income statement at the date of the extinguishment of a financial liability.

Financial liabilities at FVTPL

A financial liability is classified in this category if it does not meet the criteria for recognition as a financial liability at amortized cost. Derivatives are classified in this category unless they are designated as in hedging relationships. We enter into conventional derivative financial instruments to manage our exposure to foreign exchange rate risks, mostly foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 28 to the Financial Statements. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into, and are subsequently marked to market by re-measuring to their fair value at the end of each reporting period. Derivatives designated as hedging instruments are accounted for in accordance with the hedge accounting policy below.

Hedge Accounting

We enter into derivatives to manage its exposure to foreign currency risk and interest rate risk. Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

In March 2020, we terminated all our forward foreign exchange contracts designated in cash flow hedge relationships, our forward foreign exchange contracts designated in net investment hedges, and all our interest rate swaps. Prior to this date, we designated certain derivatives as either:

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

At the inception of a hedging transaction, we documented the relationship between hedging instruments and hedged items, as well as our risk management objectives and strategy for undertaking the hedging transaction. We also documented our assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that were used in hedging transactions were effective in offsetting changes in fair values or cash flows of hedged items. Our cost of hedging, the time value of options and forward element of forward contracts were initially recorded in other comprehensive income and subsequently reclassified to profit and loss over time.

Cash flow hedges

We use foreign currency forward contracts to hedge our risks associated with foreign currency fluctuations and, prior to March 2020, variability in cash flows relating to US dollar borrowings. We also used interest rate swaps to hedge the interest rate risk arising from its borrowings, which fixed the interest rate for a portion of the borrowings.

The effective portion of changes in the fair value of derivatives that were designated and qualified for hedge accounting were recognized in other comprehensive income. The gain or loss relating to the ineffective portion was recognized immediately within finance income or expense in the income statement.

When hedge accounting was discontinued for these cash flow hedges, the amount that had been accumulated in the cash flow hedge reserve was treated as follows:

(i) if the hedged future cash flows for the US dollar borrowings were still expected to occur, that amount remained in the cash flows hedge reserve until the future interest or borrowings cash flows occur, or until that amount was a loss, and it was expected that all, or a portion of that loss, would not be recovered in one or more future period. In those circumstances, the amount that was not expected to be recovered was immediately transferred to finance income or expense in the income statement as a reclassification adjustment.

(ii) if the hedged future cash flows for the US dollar borrowings were no longer expected to occur, the cumulative gain or loss that was reported in the cash flow hedge reserve was immediately transferred to finance income or expense in the income statement as a reclassification adjustment.

Net investment hedges

Prior to March 2020, hedges of net investments in foreign operations were accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument, relating to the effective portion of the hedge, was recognized in other comprehensive income. The gain or loss relating to the ineffective portion was recognized in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. The fair values of derivatives, which are not designated as part of a hedging relationship, are classified as current assets or liabilities.

Revenue

IFRS 15 "Revenue from Contracts with Customers" establishes a single model to account for revenue arising from contracts with customers. Revenue in the course of ordinary activities is measured and recognized using the five-step approach outlined in IFRS 15:

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

Step 1:

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

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

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

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

Step 2:

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

Step 3:

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

For piece part revenue, the price is fixed at the given release order (contract) and does not include any element of variable consideration.

For TPD revenue, where there is any uncertainty over the amount of consideration that will ultimately be recognized, the transaction price is constrained until such uncertainty is resolved. Amounts invoiced in excess of the transaction price will be reflected as pricing accruals or revenue deferrals.

Step 4:

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

Step 5:

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

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

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

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

Contract Costs

Incremental costs incurred in obtaining a contract are capitalized and amortized over the applicable program life, with regular review for impairment.

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

Impairment

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

Other Income and Net Foreign Exchange Gains and Losses

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

Employee Benefits

Short-term benefits

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

Defined contribution plan

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

Defined benefit plan

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

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

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

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

Defined benefit plans – funded

We operate funded pension plans in the US, Canada and UK. The US plans are subject to annual actuarial review, while the others are formally valued at least triennially. Assets are held in trusts and are separately administered from our activities. Assets include readily marketable equities, credit and diversified growth/multi-strategy funds, and qualifying insurance policies, and are valued at fair value. We make contributions based on actuarial advice sufficient to meet the liabilities of the plans.

Defined benefit plans – unfunded including healthcare

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

Income Tax

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

Current tax

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

Uncertain tax positions

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

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

Deferred tax

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

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

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

Exceptional Items

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

BUSINESS

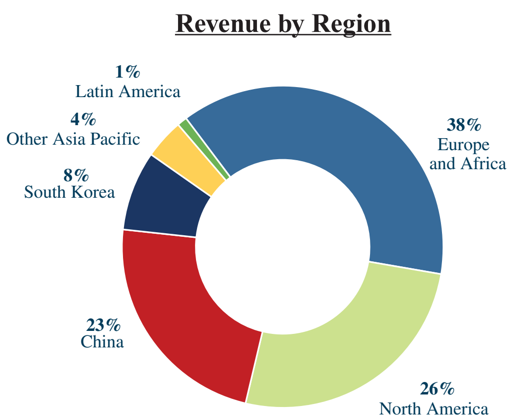
Overview

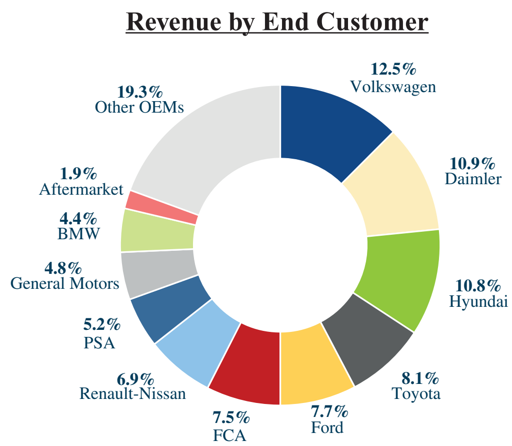
We are a leading global supplier of fluid storage, carrying and delivery systems primarily serving the light vehicle segment of the automotive industry. We are the largest global provider of brake and fuel lines for light vehicles, with approximately 31% share of the global brake and fuel line market and a #1 position globally. We are also a leading supplier of plastic fuel tanks for light vehicles, with approximately 16% of the global market share and a #3 position globally. We believe we are well-positioned to benefit from the key megatrends in our industry of emissions reduction and fuel efficiency, including electrification, growth in emerging markets, increasing reliance by OEMs on highly reliable long-term suppliers with strong technical abilities and OEM global platform standardization.

During the COVID-19 pandemic, we have acted quickly both to protect our people and communities and to adjust our fixed cost base and respond to the historic drop in global light vehicle production volume in the first half of 2020, while successfully maintaining resilient revenues, robust margins and strong cash generation. For the year ended December 31, 2020, we generated revenue of €2.8 billion, Adjusted EBITDA of €330.9 million and Adjusted Free Cash Flow of €148.2 million.

We believe that the TI brand is one of the most recognized and respected in the industry for automotive fluid storage, carrying and delivery components, which are critical to vehicle reliability, performance and safety. Leveraging our global, low-cost platform, we are highly diversified and balanced across customers, platforms and regions, and have developed long-standing relationships with OEMs, with whom we partner to develop technologically advanced products. We are a technology leader in partnership with the OEMs, and maintain seven regional application centers focusing on application engineering worldwide, and five technical centers focused on research and development. With 107 manufacturing locations in 28 countries on five continents, we have a significant manufacturing presence in all of the major geographies for OEM vehicle production. We also have a highly diversified customer base, with no customer accounting for more than 13% of our revenues for the year ended December 31, 2020. Our customer base in 2020 included the top 15 OEMs in the world. In 2020, our products were found in 11 of the 20 top-selling vehicles in North America, 19 of the 20 top-selling vehicles in Europe and 12 of the 20 top-selling vehicles in China.

The following charts present our revenue by region and end customer, for the year ended December 31, 2020:





We have organized our business into two segments that focus on developing new product and process technologies to meet evolving customer and regulatory requirements associated with the megatrends impacting our industry:

- **Fluid Carrying Systems**: Our Fluid Carrying Systems ("FCS") segment specializes in products that transport automotive fluid throughout vehicles. Our products include brake and fuel bundles, tank top lines and heating, ventilation and air conditioning lines and components, and powertrain lines and high pressure fuel rails. We are the world's largest manufacturer of light vehicle brake and fuel lines based on revenue. We produce our own rigid and flexible tubes and design advanced coatings for our specialized tube-based products, which carry brake fluid and fuel (for internal combustion engine vehicles and hybrid electric vehicles) within the vehicle. The FCS segment also manufactures thermal fluid management systems, including those used in hybrid electric vehicles ("HEV"), battery electric vehicles ("BEV") and autonomous electric vehicles ("AEV"), leveraging our existing nylon and lightweight know how, which we believe will result in growth opportunities for our business in excess of growth rates in light vehicle market as our addressable market expands. For the year ended December 31, 2020, we generated 54% of our total revenue from our FCS segment.

- **Fuel Tank and Delivery Systems**: Our Fuel Tank and Delivery Systems ("FTDS") segment manufactures plastic fuel tanks, plastic filler pipes and fuel pump and module delivery systems. We hold strong market positions for the majority of our product offerings in our FTDS segment. Our plastic fuel tank and plastic filler pipe products weigh less than similar steel products, which contributes to enhanced fuel economy, and include technology that reduces evaporative emissions. Our FTDS segment is also pursuing expansion in the electric vehicle market, where pressure resistant fuel tanks have the potential to increase our fluid handling content. For the year ended December 31, 2020, we generated 46% of our total revenue from our FTDS segment.

We have a global workforce of 25,700 people located in 28 countries as of December 31, 2020.

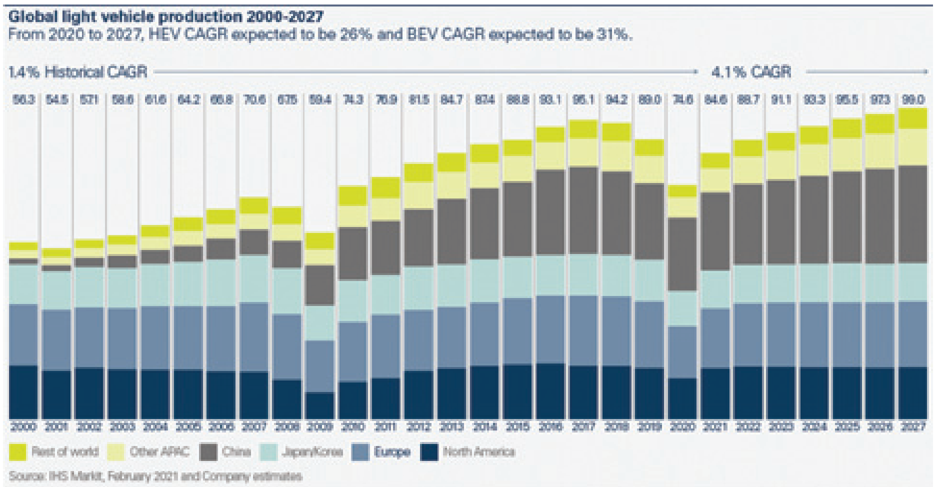
Our technology and products contribute to greener vehicles and a cleaner environment, and we strive to reduce our own impact on the environment and to conduct our business in an ethical and legal manner that benefits all our stakeholders and the communities in which we operate.

Our Industry

We operate in the global automotive industry, which is classified into several end markets, including light vehicles (where we primarily operate), medium duty vehicles and heavy duty vehicles. We view the light vehicle segment as consisting of passenger cars, crossover vehicles, vans and light trucks with a gross vehicle weight of three-and-a-half tons or less.

The light vehicle segment had production volumes of approximately 74.6 million units globally in 2020, a decline of 16.1% compared to 2019, according to an IHS Markit forecast dated as of February 2021. This decline was driven by the unprecedented impact of the COVID-19 pandemic, and was experienced globally, with the most significant effects in the first half of the year (when global production declined by 32.3% compared to the same period of 2019), with production volumes recovering in the second half of the year (when global production increased by 0.5% compared to the same period of 2019).

The following table presents historic and projected global light vehicle production from 2000-2027:



As the industry seeks to recover from the pandemic, we believe the following megatrends will impact the industry: continued focus on reduced emissions and fuel efficiency driving electrification of light vehicles (in HEV, BEV and AEV), growth in emerging economies, increasing use of highly reliable suppliers with strong technical capabilities and global platform standardization.

Reduction of Emissions and Increasing Electrification

Continued focus on reducing emissions and improving fuel efficiency have developed in recent years from a desire to meet increasingly stringent regulatory requirements into an imperative to take responsibility for helping to create a greener and cleaner environment.

As part of the effort to reduce emissions and improve fuel efficiency, technological innovation in traditional internal combustion engines ("ICE") has focused on introducing higher pressure fuel systems to help improve fuel efficiency and lower emissions, technology to help reduce evaporative emissions through more efficient fuel tanks and weight reduction techniques, including replacing steel fuel tanks with plastic fuel tanks.

In addition to the focus on reduction of emissions from ICE, the industry is also rapidly shifting to alternative powertrain and propulsion technologies through electrification, such as HEV, BEV and AEV. IHS Markit projects CAGRs of 26% and 31% in global HEV and BEV production, respectively, between 2020 and 2027, and that HEVs and BEVs will constitute approximately 38% (compared to 10% in 2020) and 16% (compared to 3% in 2020), respectively, of global vehicle production volumes by 2027.

HEVs combine traditional ICE fluid systems, but also have additional fluid handling systems to manage electrification-related component temperatures, including advanced thermal management systems for the chassis, power electronics, electric motor drive and battery systems. As a result, HEVs may have up to six thermal loops (as opposed to the two main thermal management loops in a traditional ICE thermal system). HEV thermal management systems typically include fluid lines and tubes, pumps, quick connectors, sensors and valves. In addition the fuel tank systems for HEVs must accommodate increased fuel vapor pressure, which builds up during the period when the internal combustion engine is not operating and is not available to purge the fuel vapor.

BEVs and AEVs are expected to have significantly higher line and tubing content than traditional ICEs, depending on vehicle size, battery size and system design. As thermal components and systems in BEVs and AEVs may not be exposed to the same heat generated by ICEs, the systems in BEVs and AEVs may use different materials, such as nylon, to help optimize system weight, temperature and pressure.

Growth in emerging economies

According to IHS Markit, global light vehicle production grew at a CAGR of 1.4% from 2000 to 2020, notwithstanding the volume decline during the 2008 global economic downturn. Light vehicle production is forecasted to grow at a CAGR of 4.1% from 2020 to 2027. Prior to 2000, the more developed markets of North America, Western Europe, South Korea and Japan accounted for a substantial majority of global production. However, since 2000, global light vehicle production growth has largely been driven by emerging markets and, in particular, China, where production volume grew at a CAGR of 13.5% between 2000 and 2020. According to IHS Markit, approximately 31% of global vehicle production in 2020 was generated in China, with growth expected to continue in the long term. The more developed markets are expected to grow at a CAGR of 2.6%, with an increase of approximately 6.8 million units from 2020 to 2027, while emerging markets are forecast to grow at a CAGR of 5.3% with an increase of 17.6 million units during the same period.

Increasing use of highly reliable suppliers with strong technical capabilities

We believe OEMs continue to seek suppliers with long-term track records of providing high-quality products, particularly for performance- and safety-critical components such as those we produce where the risk and liabilities can be substantial. As a result of rapidly changing regulatory requirements, consumer preferences and technological developments, OEMs must continue to innovate and have become reliant on suppliers to develop high-quality products in a short period of time. We believe that the limited number of global suppliers who can cost-effectively provide fully-engineered solutions, systems and pre-assembled combinations of components are well-positioned to benefit from these trends. We also believe that these trends foster stronger and more collaborative relationships between OEMs and such suppliers.

Global platform standardization

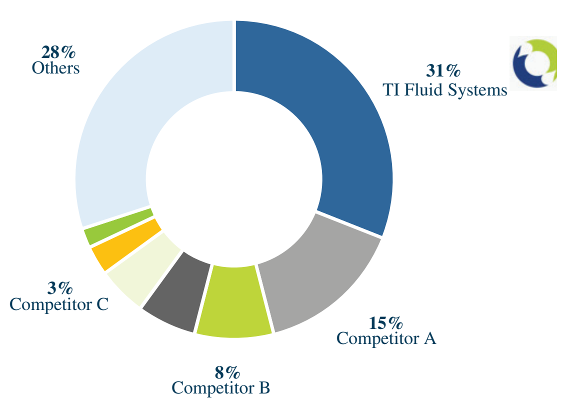
Many OEMs continue to standardize their platforms globally in an effort to reduce their costs and increase profitability. By maximizing the numbers of models that can be produced on each platform and minimizing differences in platforms between regions, OEMs can reduce the number of platforms they need to develop and manage. To further leverage the cost advantages of standardized platforms, OEMs are also increasingly seeking suppliers that have a global footprint and the flexibility to adapt to regional variations so that the OEMs are able to "single-source" components globally. We believe that suppliers such as us with an established global footprint, strong service and technological capabilities and operational efficiencies will benefit from increased platform standardization.

Our Competitive Strengths

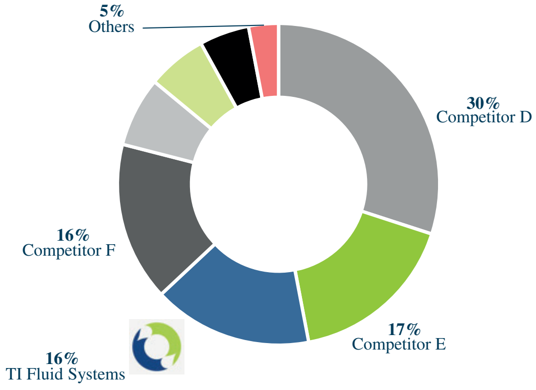
Global market leader with strong market positions

We are a leading global manufacturer of fluid storage, carrying and delivery systems primarily serving the light vehicle segment of the automotive industry. We are the largest global provider of brake and fuel lines for light vehicles, with approximately 31% share of the global brake and fuel line market and a #1 position globally. We are also a leading supplier of plastic fuel tanks for light vehicles, with approximately 16% of the global market share and a #3 position globally. In 2020, our products were found in 11 of the 20 top-selling vehicles in North America, 19 of the 20 top-selling vehicles in Europe and 12 of the 20 top-selling vehicles in China.

2020 Market Share - Brake and Fuel Lines



2020 Market Share - Plastic Fuel Tanks



Technology leader in highly engineered automotive fluid systems

Through our established market position as a leading supplier, we work closely with customers on design and engineering capabilities, providing us with extensive knowledge of our OEM customers' materials and manufacturing processes. This strengthens our customer relationships, but also creates opportunities for us to develop technological leadership positions to expand our addressable market to the next generation of light vehicle systems. We are a technology leader in partnership with the OEMs, and maintain seven regional application centers focusing on application engineering worldwide, and five technical centers focused on research and development. We have developed award-winning, innovative products and technologies that align with the automotive industry megatrends of emissions reduction and fuel efficiency, and have won contracts with high volume global leading OEMs for the design, engineering and supply of thermal management products for BEVs with a combination of traditional and lightweight material, including nylon. We estimate that we have content representation for our products on more than 31 out of 46 key BEV programs announced to go into production between 2020 and 2022, and that approximately 50% of these BEVs will have thermal product content supplied by us. This represents a product representation higher than that for ICE, validating our strategy focused on electrification. We also in 2020 introduced a new generation pressure resistant fuel tank with the launch of volume production for Volkswagen in China, which Volkswagen is planning to adopt across a wider range of global platforms. We believe that this technology leadership and the new business wins resulting from it (30% of 2020 business wins were on BEV platforms and 17% of 2020 business wins were on HEV platforms) position us well for growth in thermal management and other systems for electric vehicles and to continue to capitalize on the megatrend of electrification.

Strong customer relationships and global low-cost footprint

Our leading market positions and OEM customers' preference to purchase performance and safety-critical components from trusted and proven suppliers result in embedded, long-term global customer relationships and close engineering collaboration across the globe. Complementing our scale, we have a highly diversified customer base, with no customer accounting for more than 13% of our revenues for the year ended December 31, 2020, and our top five OEM customers accounting for 50% of our revenues in the same period. We have a competitive global manufacturing footprint that includes regional manufacturing centers and assembly locations in close proximity to customers, providing logistics competitiveness. Our flexible cost structure, with approximately 71% of our employees being located in lower-cost countries, devolves significant stakeholder relationships and performance responsibility in locations managed by local nationals with strong stakeholder relationships. In addition, because we have facilities in every major automotive manufacturing market, we generate a significant amount of revenue from global OEM platforms (that is, platforms located in three or more regions). We exhibit significant regional balance and diversity, with 38% of our revenues in Europe, 35% in Asia and 26% in North America, in each case for the year ended December 31, 2020. This global scope combined with our strong customer relationships means that we are well-positioned to cost-effectively expand fluid handling content, business and infrastructure to OEMs transitioning to the electric vehicle market, and that we are less exposed to regional market cyclicality.

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

As OEMs, consumers and governments continue to focus on the megatrends of reduced emissions, increased fuel efficiency and electrification, we believe we have a significant opportunity to increase the content per vehicle that we manufacture in the rapidly growing HEV and BEV markets. While the developments in these markets provide for a potentially significant increase in our addressable market, our work in this area also aligns with our commitment to helping make vehicles greener and the world a cleaner and better place to live. As evidence of our increased focus on electrification, content per vehicle for new BEV business has 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, illustrating the positive contribution to our growth provided by the transition to electrification. We believe we are well-positioned for growth in thermal management for HEVs and BEVs because HEVs and BEVs require more fluid handling content than more traditional internal combustion engine (“ICE”) vehicles, and we are able to leverage our existing expertise to design, engineer and manufacture safety and performance-critical components to meet customer specifications using in-house know how, leveraging existing capital and engineering investments and infrastructure. Nylon will be a lightweight solution to thermal requirements that can operate at high temperatures, providing significant weight-saving advantages, and we already have existing nylon extrusion capabilities and capacity in each major region. We are already well-positioned in terms of our long-standing customer relationships as a trusted and strategic partner to the OEMs and we have the ability to produce this technology from existing and efficient manufacturing locations close to customers. We were awarded two production contracts for thermal systems for two high-volume BEV programs in 2018, which launched production in 2020, and we continue to collaborate with key customers on design and engineering for HEVS, BEVs and autonomous driving electric vehicles. In 2020, 30% of business wins were on BEV platforms.

Solid margins, strong cash flow generation and resilience through the COVID-19 pandemic

We continued to demonstrate the resilience of our business model and our ability to generate solid adjusted free cash flow during the unprecedented challenges of the COVID-19 pandemic. We acted early and quickly to protect our employees and support healthcare providers. We also initiated fixed cost restructuring of manufacturing capacity and our fixed cost base, better positioning ourselves for future manufacturing efficiency. As a result, we delivered solid results for the year ended December 31, 2020, despite market uncertainty and the historic light vehicle production decline due to the COVID-19 pandemic. Our cost savings initiatives resulted in significant cost savings, and we managed to deliver a robust Adjusted EBIT margin of 6.2% for the year ended December 31, 2020, and remained highly cash-generative, with Adjusted Free Cash Flows of €148.2 million for the year. Our revenues proved to be resilient, outperforming global light vehicle production revenues by 0.2% during 2020 on a constant currency basis.

Strong commitment to ESG to deliver a sustainable business for the benefit of all stakeholders

We take a stakeholder approach to doing business in a sustainable way and are committed to strengthening our ESG program to deliver a sustainable business for the benefit of all our stakeholders. Across all our activities, we work to promote ethical practices and compliance, protect the people we employ, support the communities in which we work and respect and reduce our impact on the environment in which we operate, including by reducing our carbon footprint. Recognizing the importance of environmental, social and governance and sustainability matters, our board of directors has formed an ESG steering committee which will regularly review our ESG progress and priorities and ensure accountability at all levels of our organization. We monitor and report on ESG as part of our management teams’ strategic objectives, and we plan to include performance against ESG targets as part of our long-term incentive plan for executive directors and senior management. We were proud to have been awarded the London Stock Exchange Green Economy Mark in 2020, which recognizes that our products support the production of cleaner and greener vehicles.

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

Our management team has a strong industry reputation for technology, innovation and product quality. Our CEO and President, Bill Kozyra, has led us through more than a decade of record performance, and was instrumental in developing and executing our electrification strategy. As previously announced, Mr. Kozyra will retire as CEO and step down from the board of directors later this year, and Hans Dieltjens, who is currently our Chief Operating Officer, will become our new CEO upon Mr. Kozyra's retirement. Mr. Dieltjens has more than 25 years of automotive experience in Asia, Europe and the Americas. Ronald Hundzinski, Chief Financial Officer, has held a variety of leadership positions in finance over the past 35 years. We believe our management team will continue to focus on business improvement efficiencies and fixed cost management, while demonstrating financial discipline in quoting new contracts and capital allocation, maximizing on our competitive strengths, while working to achieve our strategies.

Our Strategies

Our strategic objective is to leverage our position as a leading global supplier of automotive fluid systems to provide advanced technology products that support the world's transition to greener vehicles and, thereby, deliver revenue that outperforms global light vehicle production along with strong profitability and cash flow generation. The key elements of our strategy include:

Use our strength in key products to drive our market share

We intend to leverage our technological leadership, strong OEM relationships and competitive global footprint to continue to increase our market share and drive our market leading positions in fuel lines, plastic fuel tanks and thermal products. Already the #1 supplier of brake and fuel line globally and the #3 supplier of plastic fuel tanks globally, we are trending toward more than 20% market share in the HEV plastic fuel tank market. We have booked significant new business across all our regions, including China, and are well-positioned to benefit from the megatrends driving our industry. As part of this strategy, we have successfully launched a significant thermal product program in 2020 awarded by two leading high volume OEMs for electric vehicles with a lifetime revenue opportunity of €700 million based on customer planning volumes sourced across the expected 8-10 year life of these vehicles. We intend to continue to engage in this sort of collaboration with key OEMs for the design and engineering of our products for electric vehicles.

Maintain balanced customer, platform, regional and product diversification

We intend to continue to maintain a balanced level of customer, platform, region and fluid handling product diversification to mitigate the impact of market cyclicality and customer concentration and provide our diversified group of OEM customers with the global partner they require. In 2020, we had 107 manufacturing locations in 28 countries, and exhibited significant regional balance and diversity, with 38% of our revenues in Europe, 35% in Asia and 26% in North America, in each case for the year ended December 31, 2020. No single customer represented more than 13% of our revenues in the year ended December 31, 2020. We believe that this balance and diversification not only protects our revenues and cash flows from exposure to concentration risk, but it also provides us with additional opportunities to expand our collaboration with existing OEM customers in new technologies, such as for HEVs, BEVs and AEVs, or to grow business with new OEM entrants.

Strengthening our position as an advanced technology leader in fluid systems to address the industry shift to greener vehicles and electrification

Our continual investment in research and development and our technological leadership in developing products that help our OEM customers meet emissions and fuel economy requirements position us well in the growing market for electrification. The market for electric vehicles is expected to grow significantly: IHS Markit projects CAGRs of 26% and 31% in global HEV and BEV production, respectively, between 2020 and 2027, and that HEVs and BEVs will constitute approximately 38% and 16%, respectively, of global vehicle production volumes by 2027. We intend to continue to pursue content expansion in the electric vehicle market where advanced thermal management systems and pressure resistant plastic fuel tanks have the potential to increase our fluid handling products. We expect to be able to leverage our existing nylon and light weight know how and manufacturing capabilities to target key OEMs with thermal management systems that meet the requirements for HEVs, BEVs and AEVs, and to continue increasing our market position in pressure resistant plastic fuel tanks for the increasing HEV market. To that end we are focusing our advanced technology development centers and regional application engineering centers in the ongoing design, development and supply of advanced systems and components on a global basis to OEMs.

Capitalize on our global scale, footprint and position, especially in China

We intend to continue to capitalize on our global scale, low-cost global manufacturing footprint and established and close relationships with OEM customers to be the provider of choice on OEM's global platforms, including in China. As the industry trend of increasing standardization of OEM Platform production continues, we believe that the breadth and scale of our operations, with manufacturing facilities near OEM assembly plants in 107 locations across 28 countries on five continents is a competitive advantage. We see significant opportunities in China, where we generated 23% of our revenues for the year ended December 31, 2020, as tighter emission standards are leading to higher demand for partial, zero emission and pressure resistant plastic fuel tanks, and we expect to continue to benefit from the conversion of steel to plastic fuel tanks in China. Over the longer term, China is likely to be the largest market for BEVs, and our strong position in China, with localized, decentralized business model, positions us well to grow with this market.

Deliver strong growth, profitability and cash flow generation

Our leading market positions, technology leadership and low-cost global manufacturing footprint have positioned us well to deliver on growth in revenue, Adjusted EBIT and Adjusted Free Cash Flow generation. As part of our strategy to continue to deliver growth and profitability, we intend to continue to prioritize variable and fixed cost management and capital allocation, which we successfully managed in 2020 despite unprecedented conditions and significantly lower global light vehicle production volumes. We plan to continue to flexibly manage and adjust our cost base in line with OEM production volume fluctuations, while selectively investing in capital projects that offer attractive rates of returns, including continuing successfully to execute on our electrification strategy across all main production regions.

History

We trace our heritage back to the Bundy Corporation ("Bundy"), which was founded as Harry Bundy & Company in Detroit, Michigan in 1922 by Harry Warren Bundy. Bundy supplied innovative fuel lines for the Ford Model T which were crafted out of a single strip of steel rolled around twice to create a double-walled tube. In 1929, Bundy's engineers invented the "Bundyweld" tube, a double-walled steel tube that used brazed copper rather than solder to join the seams of the tubing. The result was enhanced torsion and bending qualities, increased resistance to corrosion and improved fatigue strength. At about the same time, hydraulic brakes were introduced by the automotive industry, creating a new application for Bundyweld tubing. Bundy's brake and fuel tubing business grew with the automotive industry. In 1936, Bundy entered into its first international venture through a license agreement with Armco International Corporation to produce Bundyweld tubes in France and England. Over the course of the next 50 years Bundy continued to grow its business and expand its product line.

In 1987, TI Group Plc ("TIGP") acquired Armco International Corporation's European tubing business and then acquired Bundy the following year. TIGP continued to expand its automotive business through a series of acquisitions and mergers, including the following significant businesses:

Year	Business	Automotive Products
1991	Huron Products Industries Inc.	Fuel lines and quick connectors
1996	Technoflow Tube Systems GmbH	Plastic extruded multi-layer fuel lines
1998	S&H Fabricating & Engineering Inc.	Air conditioning tube and hose assemblies
1999	Walbro Engine Management LLC	Plastic fuel tanks, fuel pumps and modules
1999	Marwal Systems S.A.S	Fuel pumps and modules

In 2000, TIGP and Smiths Industries Plc merged to form Smiths Group Plc. TI Automotive Limited ("TIAL") was incorporated in England and Wales in October 2000 and began operating as an independent company in July 2001 when it acquired the automotive business of Smiths Group Plc in a demerger transaction. In 2002, a subsidiary of TIAL acquired the fuel pump operations of Pierburg GmbH and in 2003 purchased a 73% interest in Hanil Tube Co., Ltd., a Korean manufacturer of brake and fuel line products. In 2007, TIAL sold its refrigeration, engine management and hydroformed rail and frame businesses. In 2007, TIAL was acquired by Oaktree Capital Management and Duquesne Capital Management. In 2009, as a result of the global economic downturn, TIAL was restructured and recapitalized through a scheme of arrangement whereby most of its existing debt was converted to equity and TIFSL was established as its parent company. In June 2015, TIFSL was acquired by Omega Acquisition Bidco Limited, a wholly-owned subsidiary of TIFS, which at that time was controlled by the investment funds managed by Bain Capital LLC. In 2017, TIFS was listed on the London Stock Exchange.

Today, the Group designs, develops, manufactures and supplies automotive fluid storage, carrying and delivery systems to the world's leading OEMs and is successfully transitioning to the emerging BEV market.

Business Divisions

The Group is organized into two divisions: Fluid Carrying Systems and Fuel Tank and Delivery Systems. The Directors believe this structure facilitates continued coordination between product lines while leveraging technology and manufacturing synergies.

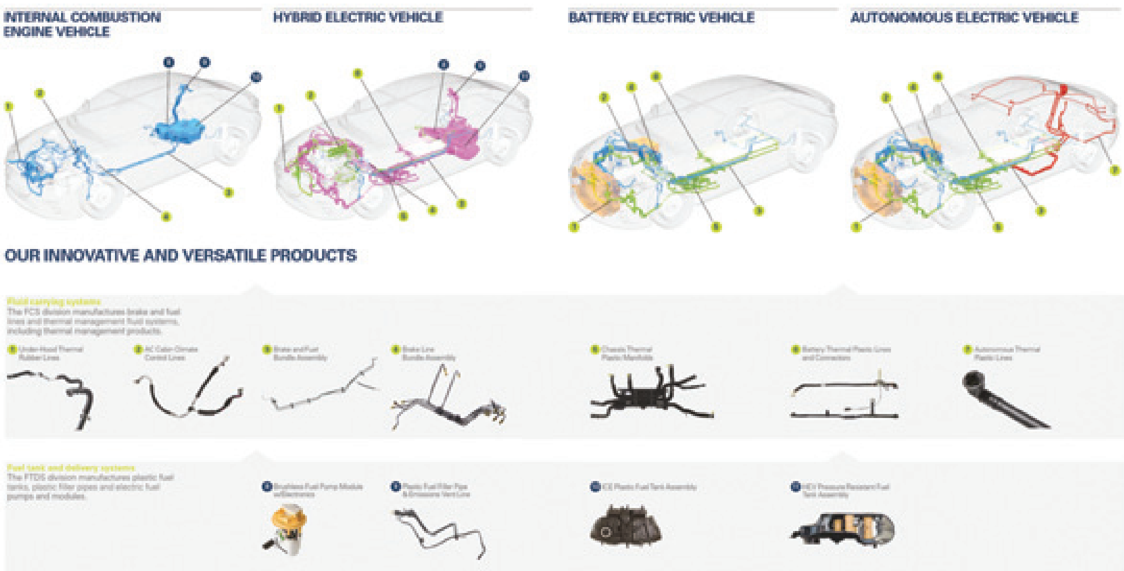
Fluid Carrying Systems: The FCS division manufactures brake and fuel lines and bundles, powertrain products and heating, ventilation and air conditioning ("HVAC") thermal products that transport fluid throughout an automobile. The FCS division's products are generally characterized by a high degree of vertical integration with tubes being manufactured in key regional facilities and finished products being assembled close to OEM customer production locations. We are the largest global provider of brake and fuel lines for light vehicles, with approximately 31% share of the global brake and fuel line market and a #1 position globally. The division accounted for 54% of the Group's total revenue in the year ended December 31, 2020.

Fuel Tank and Delivery Systems: The FTDS division manufactures plastic fuel tanks, plastic filler pipes and electric fuel pumps and modules. Its products are sold to OEMs and in the independent aftermarket. The Group is one of the top three global manufacturers of plastic fuel tank systems, with approximately 16% of the global market share. The division accounted for 46% of the Group's total revenue in the year ended December 31, 2020.

Products

The Group's product offering is focused on automotive fluid storage, carrying and delivery components and systems primarily for light vehicles. In the year ended December 31, 2020, 89.2% of the Group's revenue was generated by products sold to the light vehicle market, and 7.9%, 2.6% and 0.3% of the Group's revenue was generated by sales to the powertrain, aftermarket and heavy trucks end markets, respectively. Many of the our operations benefit from vertical integration, which we believe provide cost advantages over our competitors who have to purchase some of these components from third parties. We seek to leverage capital expenditures across our product portfolio by taking advantage of integrated manufacturing processes across the range of products of both divisions that can use available equipment capacity and research and development resources. Our product portfolio has also expanded with the introduction of next generation products such as SCR lines, GDI rails and lines, zero emissions and pressure-resistant hybrid fuel tanks and brushless electric fuel pumps which aim to meet specific emissions control and fuel economy requirements and grow with the development of HEVs, BEVs and AEVs.

The following diagram shows the Group's principal product lines within the FCS and FTDS divisions.



FCS division

The principal product lines within the FCS division are described below.

Brake and fuel lines

We design and manufacture fluid carrying systems composed of high pressure steel double-wall and single-wall tubes using a variety of coatings and multi-layer low-permeation plastic tubes. The Group also manufactures quick connectors which provide a connection for tubes allowing easy assembly by our OEM customers. We have also developed insulated tubes for use in select catalytic reduction ("SCR") systems to achieve oxides of nitrogen ("NOx") emissions reductions and steel tube coatings which are designed to withstand corrosion, abrasion and other environmental hazards on its brake and fuel products.

Powertrain products

We manufacture powertrain fluid components to meet global automotive industry megatrends of reduced emissions and improved fuel economy. Our product portfolio includes innovative product offerings for the rapidly growing gasoline direct injection ("GDI"), high pressure diesel ("HPD") segments and turbocharger markets. Powertrain products offered by us include engine lines, transmission lines and fluid lines that are able to withstand higher system pressures and fit challenging engine packaging requirements. We also manufacture and sell high pressure diesel lines which are designed to handle the extreme pressures of modern common rail diesel fuel systems.

HVAC thermal products

Our HVAC thermal products are designed for lightweight, cost-effective, durable and efficient performance to reduce noise, increase efficiency and provide innovative solutions to meet the latest refrigerant regulations. We manufacture air conditioning tube and hose assemblies which are designed to transport refrigerants within an air conditioning system together with accumulators and receiver dryers. We also produces co-tube or tube-in-tube HVAC products with counter flow internal heat exchangers that increase performance while improving fuel economy.

Our all-plastic thermal system provides an innovative solution for engine fluid coolant thermal management of lithium ion battery packs in HEVs, BEVs and AEVs. This heating and cooling system offers a flexible solution that enhances lithium ion battery performance, life, packaging and assembly while reducing weight. We expect this product to be key to the Group's ability to grow content in HEVs, BEVs and AEVs.

FTDS division

The principal product lines within the FTDS division are described below.

Fuel tank products

We develop and manufacture award-winning plastic fuel tank products for diesel, gasoline, alternative fuel consisting of a blend of gasoline and alcohols ("flex-fuel") and HEV applications. We produce plastic fuel tanks using its patented "Ship-in-a-Bottle" and Tank Advanced Process Technology manufacturing methods to insert internal components (such as a pump module) into a multiple layer extruded plastic fuel tank while it is still in a molten state. Evaporative emissions from plastic fuel tanks can be reduced by using multiple barrier layers of specific resin materials to construct the tank and by minimizing the presence of openings and seals resulting from the insertion of components into the tank during the manufacturing process. The "Ship-in-a-Bottle" and Tank Advanced Process Technology manufacturing processes prevent evaporative emissions by eliminating the need to cut and reseal the plastic fuel tank. HEVs can use our Tank Advanced Process Technology which uses double-molding to reinforce the plastic fuel tank so it can withstand higher vapor pressures in a hybrid fuel tank system, while the combustion engine idles during the vehicle electric mode. We also produces pressure resistant plastic fuel tanks with baffles, which help to reduce the noise generated during battery propulsion in HEVs and BEVs.

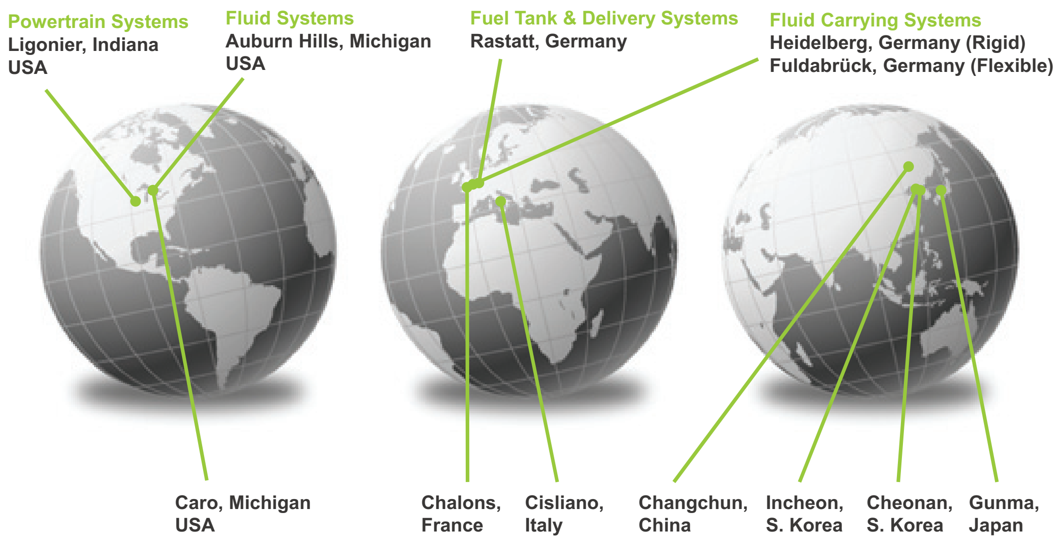
We also manufacture plastic filler pipes, which have the benefit of being lighter than steel filler pipes and corrosion free. They also reduce hydrocarbon emissions through extrusion of multi-layered plastics in a process similar to the Group's plastic fuel tank manufacturing process. In addition, the Group manufactures valves and venting for plastic fuel tank systems.

Fuel delivery products

Our fuel delivery products, which comprise fuel pump modules for gasoline, diesel and flex-fuel vehicles, are inserted into the fuel tank during final tank assembly. The pump, which is housed within a pump module unit, delivers fuel to the engine. The pump module unit also regulates system pressure, filters contaminants and monitors fuel levels and eventually temperature. Our award-winning Dual Channel Single Stage Pump splits the flow of fuel between an inner and outer path within the pump. This revolutionary design maintains velocity in the pump channel with the pumping sections working in parallel as opposed to in series, as is common in two-stage series pumps. We also manufacture fuel level sensors which include contact-resistant sensors, non-contact piezo sensors, sealed level sensors and magnetically coupled sealed fuel sensors to gauge fuel levels in the fuel tank. Since pump module components are continuously immersed in fuel, they are designed to withstand the corrosive nature of various fuel types.

Technology and Product Innovation

We continually seek to improve the quality of its existing products and processes, as well as introduce new products through innovation and investments in new technology while leveraging its engineering, design and development activities with its OEM customers. We have established a network of five technical centers which focus on research and development and seven regional application centers which focus on applications engineering worldwide.



These technical centers have been integral to the Group's co-development relationships with its OEM customers as they enable us to work closely with both global and regional OEM-based engineering teams to ensure that our products meet customer specifications including achieving emissions reductions and fuel economy regulatory requirements.

The Group was awarded an Automotive News PACE Award in 2009 for its partial zero emissions "Ship-in-a-Bottle" manufacturing method for plastic fuel tanks by which components are inserted into a plastic fuel tank during the molding process whilst the plastic is still in a molten state; an Automotive News PACE Award in 2010 for its Dual Channel Single Stage Pump technology, which is applied to achieve gas and flex-fuel efficiency, and an Automotive News PACE Award in 2014 for its Tank Advanced Process Technology for double-molded plastic fuel tanks, which, amongst other benefits, can be used in partial zero emissions vehicles and pressure resistant plastic fuel tanks in HEVs. Through technological innovation, the Group has expanded its product portfolio by leveraging its fluid system competencies to introduce products that support emissions and fuel economy automotive industry megatrends. Examples of these include GDI rails and tubes, HPD, turbocharger and SCR lines, zero emission vehicle plastic fuel tanks and pressure resistant hybrid plastic fuel tanks and battery thermal circuits for HEVs and BEVs. In 2020 we were also 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. Of the production contracts sourced to us by OEMs in 2020, 47% were on HEV and BEV platforms.

Raw Materials and Supplies

Our direct material costs are comprised primarily of raw materials including resin, steel and aluminum and sub-component parts used in the production of our products. Our suppliers are located around the world and provide us with raw materials, including resin, steel and aluminum, as well as sub components. We procure raw materials from a variety of suppliers for use in its manufacturing processes and, depending on available quality and supply, seeks to obtain materials in the region in which the Group's products are manufactured in order to minimize transportation and other costs. In some instances component suppliers are chosen by an OEM customer, in which case the Group is required to purchase from these directed or mandated suppliers. The terms of these directed or mandated suppliers are negotiated directly by the OEM customer with the supplier. Our purchasing organization has extensive and regular contact with our suppliers regarding specific quoting and sourcing opportunities, delivery logistics and quality controls and testing. Our engineering organization works closely with suppliers on development activities, validation testing and cost reduction initiatives (value engineering). We communicate our compliance expectations and how to do business with us through our Global Supplier Requirements Manual, our dedicated Supplier Portal on our website and our purchasing terms and conditions

Customers

The Group's products are currently sold primarily to all of the top global OEMs, including Volkswagen, Daimler, Hyundai, Toyota, Ford, FCA, Renault-Nissan, PSA, General Motors and BMW, and also to regional OEMs such as Great Wall and SAIC. We believe that we have established our business as a supplier of choice for many OEMs, including numerous nameplates that are single-sourced (where the Group is the only supplier of a particular component to that nameplate). The Group's top five customers represented approximately 50% of the Group's revenue in the year ended December 31, 2020, and no customer represented more than 13% of revenue in that year.

We believe that the Group is among a limited number of global Tier 1 suppliers that have such a high level of customer diversification. Sales to the Group's top 20 nameplates by revenue accounted for approximately 25% of the Group's revenue in the year ended December 31, 2020 and no specific nameplate accounted for more than 3% of the Group's revenue in the year ended December 31, 2020. In 2020, our products were found in 11 of the 20 top-selling vehicles in North America, 19 of the 20 top-selling vehicles in Europe and 12 of the 20 top-selling vehicles in China. This diversification limits the Group's exposure if any specific model or nameplate is not successful, whilst enabling the Group to benefit from the growth of successful platforms. We believe that our extensive customer and platform coverage reflect the value placed by OEM customers on its leading technology, strong reputation for quality and manufacturing capabilities.

Our relationships with OEM customers are not limited only to OEM purchasing teams but also include well-developed engineering relationships as well as relationships with OEM senior management around the globe. We believe that our track record and strong and long-lasting customer relationships have enabled it to achieve strong retention rates for existing business, while also supporting growth as its OEM customers expand their businesses. We are familiar with our OEM customers' development, design and validation processes, which enables us to work efficiently with OEMs to make changes to products even in the later stages of the design process.

We believe that the Group's geographic diversification is aligned with the on-going expansion by OEMs into emerging markets. Our extensive, wholly-owned Chinese operations, associated local supplier base and engineering expertise provide it with an opportunity to grow with both global and local OEMs in China where the Group has operated for over 35 years and has 14 manufacturing facilities. In the year ended December 31, 2020, China made up 23% of our revenues. In addition, we have received numerous customer excellence awards in previous years reflecting our continuing excellence in supply, quality and customer service.

We have supply contracts with most of its OEM customers that stipulate the general terms and conditions for sales to such customers. For specific nameplates or platforms, the Group's OEM customers typically award business in the form of supply agreements for the life of the specific nameplate or platform, which generally averages approximately seven years. OEM customers typically issue a request for a quotation and then source a fuel tank supplier three to four years prior to the start of production and a brake and fuel supplier one to two years before the start of production. The OEM customer will, in most instances, appoint the Group as a single source on an awarded platform or nameplate and typically does not re-source during the lifetime of the vehicle platform. Nevertheless, OEM customers do not commit to production schedules or volumes for the lifetime of a platform and have the ability to terminate contracts at will. For further information see the risk factor entitled "*Risk Factors—Most of our OEM customers do not commit to minimum purchase orders for the life of a platform, and a decline in the production requirements of any of our OEM customers could adversely impact our revenue and profitability*."

Competition

OEMs rigorously evaluate suppliers on the basis of product quality, price competitiveness, product reliability, timeliness of delivery, product design capability, technical expertise, development capability, new product innovation, financial viability, operational flexibility, customer service, reputation and overall management. We have close customer relationships that we believe have been fostered as a result of our meeting these criteria on a consistent basis.

As there are a limited number of global suppliers with the fluid storage, carrying and delivery system product breadth that the Group offers, the Directors believe that there are generally only two to three main suppliers that the Group competes against globally in each of its key product areas. The Group's global competitors include Cooper Standard, Sanoh, Continental, Hutchinson and Winkelman Automotive for FCS and Kautex, Inergy, Continental and Bosch for FTDS. Each of these competitors may not compete as strongly in every region against us and our fluid system product offerings are different than our offerings.

Our principal regional competitors for the brake and fuel line market and their respective market shares, as estimated by the Directors, are set out below, as of December 31, 2020.

Region	Market Participant	Market Share	Region	Market Participant	Market Share
Asia Pacific	TIFS	26%	Latin America . . .	TIFS	41%
	Sanoh	18%		Sumiriko	19%
	Usui	14%		Cooper Standard	18%
	Maruyasu	8%		Sanoh	10%
	Chinaust	7%		Huchinson	6%
	Boogook	4%		Other	6%
	Other	23%			
Europe	TIFS	46%	North America . . .	Sanoh	25%
	Cooper Standard	13%		Cooper Standard	23%
	Hutchinson	10%		TIFS	23%
	Orhan (Nobel Plastic)	4%		Martinrea	17%
	Galvaplast	4%		Maruyasu	7%
	Other	23%		Other	5%

Our principal regional competitors for the plastic fuel tank market and their respective market shares, as estimated by us, are set out below, as of December 31, 2020.

Region	Market Participant	Market Share	Region	Market Participant	Market Share
Asia Pacific	YAPP	29%	Latin America . . .	Inergy/Plastic Omnium	37%
	Inergy/Plastic Omnium	21%		Kautex Textron	34%
	TIFS	14%		YAPP	14%
	FTS	10%		Soplast – IPA	6%
	Yachiyo	10%		Yachiyo	5%
	Kautex Textron	6%		FTS	1%
	Donghee	4%		TIFS	1%
	Other	6%		Other	2%
Europe	Inergy/Plastic Omnium	37%	North America . . .	Inergy/Plastic Omnium	40%
	Kautex Textron	24%		Kautex Textron	24%
	TIFS	24%		TIFS	12%
	YAPP	4%		Yachiyo	8%
	PC&MA (Ergom)	3%		YAPP	6%
	B-Plas	3%		FTS	6%
	Other	5%		Donghee	4%
				Other	0%

Employees

As of December 31, 2020, we had approximately 25,700 employees in total, of whom approximately 71% were located in low-cost countries. Approximately 41% of the Group's employees are located in Europe and South Africa, with the remainder located in Asia Pacific (30%), North America (25%) and Latin America (4%). We employ temporary workers in our business to meet increased OEM demand and to provide flexibility during periods of lower production. As at December 31, 2020, 14% of the Group's direct labor force was composed of temporary workers primarily located in Europe, Asia and North America.

As of December 31, 2020, the FCS division employed approximately 19,700 employees at 81 locations in 25 countries, of whom approximately 75% were located in low-cost countries, and the FTDS division employed approximately 5,800 employees at 36 locations in 20 countries, of whom approximately 57% were located in low-cost countries.

The Group's workforce is represented by unions and works councils in countries where such representation is customary, with the exception in the United States where only one facility is represented by a union. There have been no significant labour disputes or major work stoppages in recent years, and labor relations between the Group and its employees are positive. For further information see the risk factor entitled "*Risk Factors—Employee strikes and labor-related disruptions involving our employees or one or more of our customers or suppliers may adversely affect our operations and agreements with unions or work councils and could reduce our ability to manage our cost base.*"

Manufacturing Facilities

We have a competitive global footprint with manufacturing facilities in 107 locations across 28 countries on five continents (18 locations in North America, 55 locations in Europe and Africa, 28 locations in Asia Pacific and six locations in Latin America). Regional manufacturing and smaller assembly facilities have been established to deliver efficient supply by seeking to optimize capital investment, manufacturing and freight costs, the procurement of raw materials and the availability of local staff to meet customer needs. While we have focused on opening final assembly facilities in recent years, the Group's manufacturing facilities include regional manufacturing and machining centers and final assembly facilities that are typically located close to or within OEM assembly plants.

Our FCS facilities comprise process plants and system plants. The process plants include strip metal plants, quick connector plants and various tube manufacturing plants located around the world. The system plants undertake the final manufacturing steps and assembly of the brake and fuel line bundles located close to the OEM customer. The Group's FTDS facilities comprise blow-molding and electric fuel pump and module manufacturing facilities, together with satellite plants close to the OEM customer where final assembly and just-in-time sequencing takes place.

The following chart identifies the principal locations in which the Group has manufacturing facilities across the globe as well as its OEM in-house production sites.

Sales

We have sales employees in almost all regions in which it operates. These employees typically work with regional sales managers who report to regional managing directors. Given the importance of ensuring alignment between obligations to customers and product readiness, our sales organization generally has responsibility for sales bookings, program management and applications engineering worldwide.

Our sales employees are often localized and located in close proximity to major OEM customer technical centers or headquarter locations. Due to the extended lead time and the requirement for collaborative technical development involved in our products, our sales employees work closely with the purchasing and engineering organizations of our OEM customers.

Intellectual Property

We have made and continue to make significant investment in developing and protecting its intellectual property. It seeks to protect certain of its technologies and designs by filing patent applications for significant products and process developments in the major markets where the relevant products are manufactured or sold.

We also rely on trade secrets and confidentiality procedures to protect its proprietary marketing, engineering, manufacturing and business know-how and information to maintain its competitive position. Our patents may cover products, processes, intermediate products and product uses. For example, we have patents relating to our "Ship-in-a-Bottle" and Tank Advanced Process Technology manufacturing processes. Patents extend for varying periods in accordance with the date of the patent application filing and the legal life of patents in the various countries in which patent protection is sought. The Group's patents relating to its "Ship-in-a-Bottle" and Tank Advanced Process Technology manufacturing methods expire between 2021 and 2024 and between 2029 and 2031, respectively. The protection afforded, which may also vary from country to country, depends upon the type of subject matter covered by the patent and the scope of the claims of the patent. As of March 31, 2021, the Group maintained a portfolio of approximately 1,075 issued and pending patents (approximately 500 and 520 patents for FCS and FTDS, respectively) filed in 20 jurisdictions globally which are concentrated in key automotive production jurisdictions.

The primary purpose of the Group's patent portfolio is to protect and preserve the Group's product and process innovations and designs from challenges by competitors rather than to generate licensing and royalty income. This "defensive" patent maintenance policy seeks to minimize the Group's exposure to patent infringement claims by competitors and others. No single patent is considered material to the Group, and the Group is not currently the subject of any material claims of patent infringement by third parties that it would reasonably expect to have a material adverse effect on the Group as a whole. For further details, see "*Risk Factors—Developments or assertions by the Group or against it relating to intellectual property rights could materially adversely impact its business*."

The proprietary names and logos associated with the Group's brand are trademarks of the Group. The Group values its trademarks because they define the heritage and identity of the Group and certain of its products. The Group's principal registered trademarks are "TI Fluid Systems", "TI Automotive", "Bundy", and "TI", as well as the stylized "b" (representing Bundy) and the TI group logo. The Group protects its trademarks against infringement where it deems appropriate. The Group protects its trademarks against infringement where it deems appropriate.

Focus on Environmental, Social and Corporate Governance Matters

We take a stakeholder approach to doing business in a sustainable way, and the values that we subscribe to as a company are embodied and enshrined in our core values. These core values and the standards of business conduct that we follow in our daily work are detailed in our Code of Business Conduct and related policies (collectively, our "COBC"). Our COBC covers a wide range of polices and principles, including conflicts of interest, gifts and courtesies, anticorruption, anti-bribery, fair competition (anti-trust), positive work environment (anti-discrimination and anti-harassment), health and safety, and environmental compliance. Across all our activities, but particularly around safety, ethics and compliance, and diversity, we continue to develop and improve our policies and processes. Our COBC drives us to promote ethical practices and compliance, to protect the people we employ, to support the communities we work in and to respect and reduce our impact on the environment in which we operate. We remain committed to strengthening our ESG program in order to deliver a sustainable business for the benefit of all our stakeholders. Environmental and social performance will also be a part of our wider strategic objectives for the future. ESG targets will also be included as a performance element of our long-term incentive plan for executive directors and senior management.

Our core values consider all our stakeholders by focusing on:

- valuing our employees;
- achieving sustainable financial performance and improving shareholder value;
- sustaining enduring relationships with our customers;
- making positive contributions into the communities where we operate; and
- respecting the environment and working towards reducing our carbon footprint.

Environmental, Health and Safety

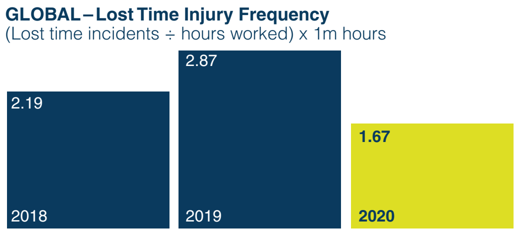
The Environmental, Health and Safety ("EHS") corporate team works closely with our senior executive team and our regional managing directors to develop and implement standardized management systems and procedures to reduce risks to our people, the environment, and our property. We have established a network of local EHS plant personnel that we meet with regularly to discuss relevant issues and best practices. The EHS management team issues regular bulletins and holds monthly calls in all regions to discuss current EHS issues facing the Group. This network of professionals helps to drive corporate policy and procedure in a consistent way at all plants in order to continually improve the management of EHS risks and opportunities at all locations. This same group has been instrumental in collecting data related to waste generation, water consumption and greenhouse gas production. The collected data will provide us with a baseline from which to determine and drive our future sustainability goals and ESG-related programs. The corporate EHS team continues to manage the Group's ISO 14001 environmental management system in order to provide greater transparency as well as ensure environmental compliance. This program has resulted in a better understanding of our environmental legal requirements and our compliance status across the globe. To support the expanded environmental management system, the corporate EHS team typically holds an annual conference in each region which addresses environmental and health and safety issues and allows our EHS professions to network with team members in other plants and aids in their professional development. All of these EHS activities are designed to improve safety and reduce risk.

The health and safety of our employees remains an overarching priority and is central to everything we do. We focus on safe working environments and eliminating work-related injuries and illnesses. As the COVID-19 pandemic began in China, we worked very closely with our Chinese EHS team to understand the situation and to implement controls and counter measures in our plants. This collaborative approach allowed us to quickly and efficiently develop a global procedure for reopening our plants following closure due to COVID-19. Our focus revolved around protecting our workforce to the best of our ability. To that end, we instituted two different procedures: one for plants and one for office settings. We established physical control measures, such as physical spacing, mask wearing, shield wearing and temperature checks, as well as administrative controls such as health assessments, contact tracing, and regular updates on the status of COVID-19 in the countries where we operate to assure safety.

Prior to reopening, each location was virtually audited by a Corporate Regional EHS Manager. To assure ongoing compliance with the procedures, we instituted weekly audits for the plant management team. We continue to do additional corporate audits to verify compliance. This robust system of controls and checks has allowed us to open all of our plants and prevent the spread of COVID within our plants, thus protecting our most valuable asset – our people.

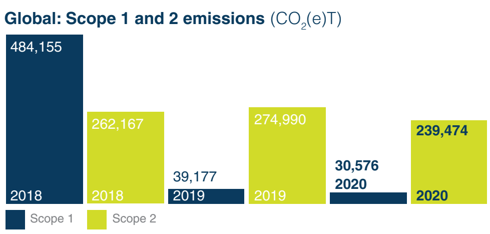
At a local level, each plant is required to have a safety committee that is comprised of the plant manager, at least one other senior manager, as well as operators and supervisors working on the plant floor. The mandates of local safety committees vary depending on the plant but, generally, include hazard identification and assessments, accident investigations, safety audits, safety training, and recommending personnel protective equipment.

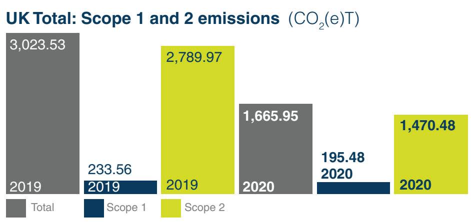
In 2020, the we began a program to measure Lost Time Injury Frequency ("LTIF") at each plant, by region and on a global consolidated basis. LTIF is calculated in accordance with guidance issued by the UK Health and Safety Executive. Our global LTIF for the period 2018 to 2020 is shown below. While our LTIF increased slightly over the 2018-2019 period, we believe that the increase was primarily due to more accurate and consistent reporting data. The 2020 LTIF saw a significant reduction. We believe this was driven by our strict COVID-19 protocols and regular EHS meetings with EHS plant teams. Our corporate EHS team is now meeting regularly with the MDs and their teams. We believe our LTIF compares very favorably to industrial benchmarks.



Environmental Impact and Sustainability

We have procedures and policies in place to monitor the impact of our operations on the environment, collect emissions data and calculate greenhouse gas emissions for all our manufacturing locations. In the past several years we have improved the manner and method in which we collect and verify energy, waste and water consumption data across all our global locations. While we continue to improve the scope and quality of our data, we have already seen sustainability benefits. Using our data, we have driven a net reduction of the production of hazardous and non-hazardous waste and have also increased the volume of material being recycled and reused at plants in all regions. We have a global energy monitoring program which we use to calculate our CO_2(e) greenhouse gas emissions with a long-term goal of implementing efficiency programs to reduce energy consumption and our carbon footprint. Emissions for 2018 were calculated using the Greenhouse Gas Protocol as a reference and include all of our manufacturing facilities and corporate offices globally. Our greenhouse gas emissions have generally decreased from 2018 to 2020. In 2019, we made a considerable effort and investment in a more formal environmental data collection and reporting platform. We now use the same system that is used by the CDP (formerly, the Carbon Disclosure Project) to collect our data. This refined and improved data collection system will allow us to more accurately track not only our CO_2 production but all production of greenhouse gases as defined by the Kyoto Protocol. As we look forward to 2021, we anticipate making our first public disclosure to the CDP for our 2020 calendar year data. With the establishment of the our ESG steering committee, we are expecting to update and enhance our environment policies and procedures. We expect to share more environmental-related data publicly through our website and via third party services like CDP and Ecovadis. We are planning on revising our CO_2(e) targets as well as developing a water conservation target with board oversight in 2021. We have established a plan to develop a formal waste reduction target established by the end of 2022. Our Global and UK Scope 1 and 2 emissions are described in the graphs below. Scope 1 estimates include emissions from fossil fuel used on premises. Scope 2 estimates are emissions from purchased electricity. Emissions for 2020 have been calculated using UL Pure Credit 360 software and the calculations are completed to include all greenhouse gases as defined by the Kyoto Protocol. Calculations are transparently shown in the system and produce results in accordance with the methods in the GHG Protocol. We implemented this software between 2018 and 2019 and, as a result, Scope 1 emissions are now calculated using a more robust methodology, leading to a lower reported total for Scope 1 emissions (both Global and UK). The current software utilizes the UK Government GHG Conversion Factors for Company Reporting for fuel conversions. The emissions reductions in 2020 are primarily a result of COVID-19 facility shutdowns and lower production volumes as well as, in the case of the UK, the procurement of renewable (wind) energy for our facility in Deeside, UK.





Social

Our people are considered for employment, training, career development and promotion on the basis of their abilities and aptitudes, regardless of age, gender, sexual orientation, religion or ethnic origin. We seek to ensure that our people benefit from effective communications and engagement, with regular all employee meetings and divisional departmental meetings. We also encourage our management teams to hold regular informal update meetings to keep our employees informed and engaged. Our gender split in 2020 across salaried employees was 2.37:1.00 (male:female). Consistent with our core values and focus on our employees, we have continued to develop and improve our global safety programs. In particular, we developed and implemented procedures to protect our workforce and safely open and operate our facilities during the COVID-19 pandemic. In addition, we are committed to fostering a diverse and inclusive workplace. To that end, we have formed a US-based Diversity and Inclusion Committee to be expanded globally in 2021 to provide perspective and ideas to help us develop practical and meaningful initiatives and programs.

We operate in 28 countries worldwide. Our people and all of our operations are encouraged to develop a local strategy to make positive contributions to their communities. In 2020, our employees around the globe participated and contributed to many community and charitable projects and programs. These took place in Europe, Asia Pacific, Latin America and North America. In the early stages of the COVID-19 pandemic in Europe, several of our plants, including Chalons, France, and Tauste and Montornes, Spain, used 3D printers and available resources to manufacture face shields for local hospitals, health centers and elderly residence facilities in their communities. This effort was very important in providing essential PPE that these facilities could not procure on their own. We donated thousands of face shields at a time when they were not available for purchase, helping to keep the people that live and work in our communities safe.

Ethics and Compliance

Operating with integrity and in an ethical and compliant manner is one of our core values. Our principles of ethical standards are clearly set out in our COBC, which applies to all our employees globally. As a company, we expect all our suppliers to comply with the same standards of doing business as we set for ourselves and this requirement is set out in our Global Supplier Requirements Manual. Following the rollout of our new independent third-party operated Speak-Up hotline in 2019, we continued to manage risk and address concerns raised through the Speak-Up hotline. This hotline has provided our employees with a channel to raise questions and concerns anonymously. Additionally, we instituted a quarterly reporting meeting with members of the executive team to review the concerns raised by employees through the various Speak-Up channels and identify areas for improvement. The ethics and compliance function continues to work towards ensuring employees understand our COBC and are comfortable seeking guidance and reporting concerns. Recognizing the importance of maintaining and furthering a culture of ethics and integrity, through the leadership of the two divisional executive vice presidents and the Group Ethics and Compliance Director, we have created a working group comprised of senior members of management and the Group Ethics and Compliance Director who meet on a monthly basis to discuss ethics and compliance issues and address best practices to continually improve the culture of ethics and compliance at all levels of the organization. We are committed to doing business ethically. We fully support generally accepted human rights conventions as reflected in our COBC and in our annual Modern Slavery Statement.

Governance

Recognizing the importance of ESG and sustainability matters, we formed an ESG steering committee (the "ESG Committee") chaired by Elaine Sarsynski. The ESG Steering Committee will assist the Board of Directors in fulfilling their oversight responsibilities and will be an integral part of the ESG process. The ESG Committee will regularly review our ESG progress and priorities, and ensure accountability at all levels of our organization.

We also have a corporate safety steering committee (the "Safety Committee") consisting of the Chief Legal Officer and Chief HR Officer, the Divisional Executive Vice Presidents and the Global EHS Director. The Safety Committee is responsible for providing the architecture and direction for the Group's safety-related program. The Safety Committee determines our safety KPIs and objectives and helps to facilitate the implementation of our safety strategy.

Governmental, Legal and Regulatory Matters

The Group is subject to a variety of laws, rules and regulations regarding product liability, the protection of the environment and occupational health and safety, among others. Compliance with these and other legal and regulatory regimes in connection with the Group's global operations is a significant factor in its business, and the Group incurs capital and operating expenditures to achieve and maintain compliance with such legal and regulatory requirements. The Directors believe that the Group is in compliance in all material respects with all laws, rules and regulations applicable to its business and has all material permits and licenses required for its operations.

Product liability and warranty matters

The quality and performance of the Group's products is of critical importance to its OEM customers and their end customers. All of the Group's products undergo rigorous internal quality control processes designed to ensure a high quality standard. The Group collaborates with key OEM customers to evaluate and improve existing arrangements and confirm the compliance of its manufacturing processes with OEM customer quality standards. If any products do not, or are alleged to not, conform with client or other specifications, the Group may be requested or required by its OEM customers or governmental authorities to participate in a recall or other corrective action involving such products (including materials or sub-components). In certain instances, allegedly non-conforming products may have been provided by the Group's suppliers, in which case the Group will endeavor to seek recovery from such suppliers through contractual claims.

We must comply with domestic and international requirements of product safety and product liability. In the event that the use of our products results in, or is alleged to result in, bodily injury and/or property damage or other losses, we may be subject to product liability lawsuits and other claims. For further details, see "*Risk Factors—We may incur material losses and costs as a result of warranty claims, product liability and product recalls*."

Environment

We are subject to a wide range of environmental laws and regulations in each of the jurisdictions in which it operates, including those governing the discharge of pollutants into the air or water, the storage, handling and disposal of hazardous substances or waste and the clean-up of contaminated sites. Certain of the Group's operations include manufacturing processes that use hazardous substances which require environmental permits or other approvals from governmental authorities, and certain of these permits and approvals are subject to expiration, denial, revocation or modification under various circumstances. All of the Group's principal manufacturing facilities are certified to relevant industry standards.

A number of these environmental laws impose liability, sometimes regardless of fault, for costs arising out of contamination at any of the Group's current or former facilities, or at third-party disposal sites to which the Group may have sent waste. The Directors believe that the Group is in compliance in all material respects with environmental laws. For further details, see "*Risk Factors—We may be adversely affected by environmental regulations, litigation or other liabilities*."

Health and safety

We have a global health and safety policy which is implemented, monitored and overseen by local health and safety committees located at each manufacturing facility. Members of these committees meet regularly with plant managers to discuss health and safety matters including any reports and investigations into lost time injuries and to conduct, on an annual basis, a health and safety analysis for each facility. The Group maintains a global database for the entry and tracking of injuries occurring at all of its manufacturing facilities. All accidents are reviewed by the Environmental Health and Safety & Risk Management Team which conducts on-site visits in the case of serious accidents.

Insurance

We maintain insurance policies and practices for its manufacturing facilities, buildings, machinery and inventories covering property damage and business interruption (for losses that flow from the loss of otherwise insured property) and damage due to fire, earthquake, floods and other natural disasters, as well as primary and excess combined liability, personal accident coverage and product liability coverage. The Group also maintains insurance policies covering travel, director's and officer's liability, employer liability/workers' compensation, general liability and policies that provide coverage for risks during the shipment of products. The Group is not insured against consequential damages, environmental damages, terrorist acts, war-related events and liability for product recalls.

We believe that the Group's insurance coverage, including the terms of and the coverage provided by its policies, is appropriate and in accordance with industry custom. The Group's policies are subject to standard limitations and retentions and, in the case of business interruption insurance, amongst other things, limitations apply with respect to the length of the interruption covered and the maximum amount that may be recovered. For further details, see the risk factor entitled "*Risk Factors—The Group's insurance coverage could prove inadequate*".

Litigation

We are subject to litigation from time to time in the ordinary course of business. We are not currently involved in any legal proceedings which, either individually or in the aggregate, are expected to have a material adverse impact on our business or financial position. However, the outcome of legal proceedings can be extremely difficult to predict, and we offer no assurances in this regard.

MANAGEMENT

Board of Directors of TIFS

The following table sets forth certain information regarding the board of directors of TIFS.

Name	Position
Manfred Wennemer	Independent Non-Executive Chairman
William L. Kozyra	Chief Executive Officer and President
Ronald Hundzinski	Chief Financial Officer
Tim Cobbold	Senior Independent Director
Andrea Dunstan	Independent Non-Executive Director
Susan Levine	Independent Non-Executive Director
Elaine Sarsynski	Independent Non-Executive Director
John Smith	Independent Non-Executive Director
Stephen Thomas	Independent Non-Executive Director
Jeffrey Vanneste	Independent Non-Executive Director
Matthew Paroly	Company Secretary

Set forth below is a short biography of each of the members of our board of directors:

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

William L. Kozyra was appointed as Chief Executive Officer and President of TIFS in June 2008. Prior to joining the Group, Bill held a number of senior executive positions, including that of President and Chief Executive Officer of Continental AG North America and a member of the Executive Board of Continental AG and senior roles at ITT Automotive and Bosch Braking Systems. Bill is also a Non-Executive Director of Am Axle & Manufacturing Holdings. As previously announced, Mr. Kozyra will be retiring from his role as Chief Executive Officer and President and stepping down from the board of directors during 2021.

Ronald Hundzinski was appointed as appointed as Chief Financial Officer of TIFS in January 2020. Ronald was previously Executive Vice President – Finance at Tenneco, Inc. During the past 35 years, Ronald held a variety of leadership positions in finance at Emerson Electric, GKN, Meridian Automotive and BorgWarner. Ronald served as Chief Financial Officer and Executive Vice President of BorgWarner from 2012 to 2018 and is a Non-Executive Director of Gentherm.

Tim Cobbold was appointed as the Senior Independent Director of TIFS in November 2019. Tim is a qualified Chartered Accountant and has a degree in Engineering from Imperial College, London. Tim was formerly Chief Executive Officer of Chloride Group plc, De La Rue plc and UBM plc. He served as a Non-Executive Director of Drax Group plc for nine years until September 2019 and is currently a Non-Executive Director at Rotork plc following his appointment in 2018.

Andrea Dunstan was appointed as an Independent Non-Executive or of TIFS in March 2019. Andrea has been an Executive HR Director for a number of companies, including Wincanton plc, AstraZeneca plc and Barclays Bank plc, and most recently until 2017 was Chief People Officer for Premier Farnell plc. Currently, she is a Non-Executive Director and chair of the Remuneration Committee at both Macfarlane Group plc and Sumo Group plc. Andrea has decided not to stand for re-election at the 2021 AGM.

Susan Levine was appointed as a Non-Executive Director of TIFS in December 2019. Susan joined Bain Capital in 2006 and has been a Managing Director since 2018. Prior to joining Bain Capital, Susan was a Manager at Bain & Company. Susan is a Non-Executive Director at Diversey. She serves on the Boards of the Massachusetts Society for the Prevention of Cruelty to Children, The Fessenden School, 3Point Foundation and the Board of Governors for the Georgetown University Alumni Association. She is also on the Board of Directors Academy, a non-profit which provides corporate governance and training for future board members from diverse backgrounds.

Elaine Sarsynski was appointed as a Non-Executive Director of TIFS in August 2018. Elaine is currently a Non-Executive Director of AXA SA and a member of its Audit Committee. Elaine is also a Non-Executive

Director of Horizon Technology Finance Corporation and is a member of its Audit Committee and Chair of its Nominating and Corporate Governance Committee. Elaine was previously President of MassMutual Retirement Services and Chairwoman, CEO and President of MassMutual International.

John Smith was appointed as an Independent Non-Executive Director of TIFS in October 2017. John has over 48 years of experience in the automotive industry, including 42 years working with General Motors in developing new technologies. John held a range of senior positions with General Motors, most recently as Group Vice President, Corporate Planning & Alliances. John is principal of Eagle Advisors and is also a Non-Executive Director of American Axle & Manufacturing Holdings, serving on its Audit Committee and as Chair of its Technology Committee.

Stephen Thomas was appointed as a Director of TIFS in July 2015 and was formally appointed as a Non-Executive Director of the Company in October 2017. Stephen joined Bain Capital in 2007 and has been a Managing Director since 2015. Prior to joining Bain Capital, Stephen was a Manager at Bain & Company. Stephen is a Non-Executive Director of American Trailer Works, FXI and US LBM.

Jeffrey Vanneste was appointed as an Independent Non-Executive Director of TIFS in October 2017. Jeff was Senior Vice President, Chief Financial Officer and a member of the Executive Council of Lear Corporation for more than seven years until October 2019 when he transitioned to a non- executive advisory role before retiring at the end of February 2020. Prior to joining Lear, Jeff was Executive Vice President and Chief Financial Officer for International Automotive Components Group. Jeff had previously spent over 15 years working with Lear in various positions. Jeff qualified as an accountant with Coopers & Lybrand (currently PricewaterhouseCoopers LLP).

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

Remuneration of the members of the Board of Directors of TIFS

For detailed information on the remuneration of members of the board of directors, please refer to our Directors' Remuneration Report, which can be found on the Investor Relations website of TIFS at investors.tifluidsystems.com.

The Issuer

The Issuer is TI Automotive Finance plc, a public company limited by shares organized under the laws of England and Wales. As of the date of this offering memorandum, the Issuer has no material assets or liabilities, does not have any revenue-generating activities of its own and has not engaged in activities since its incorporation other than those related to its incorporation, the lending of its issued share capital to an affiliate and in preparation of the Offering. The Issuer is indirectly owned by TIFS and the Parent and directly owned by TI Automotive. The directors of the Issuer are employees of other group companies of TI Fluid Systems plc and are not remunerated by the Issuer.

PRINCIPAL STOCKHOLDERS

TIFS

Funds managed by Bain Capital LLC, via BC Omega Holdco Ltd. (the "Bain Shareholders"), have been TIFS's ultimate controlling party since its incorporation. Our shares are held by both institutional and retail investors with a range of investment styles based throughout the world. As of March 15, 2020, the following interests in 3% or more of TIFS' ordinary share capital had been notified to TIFS:

Shareholder	Number of Shares	Percentage Held
BC Omega Holdco Ltd	283,091,546	54.41%
Liontrust Special Situations Fund	42,206,820	8.11%

Issuer

The Issuer is indirectly owned by TIFS and the Parent and directly a wholly owned subsidiary of TI Automotive. The Issuer's share capital is £50,000, divided into 50,000 shares of £1 each.

Relationship Agreement with the Bain Shareholders

On October 25, 2017, we entered into a relationship agreement with the Bain Shareholders. The principal purpose of the relationship agreement is to ensure that following TIFS's admission and listing on the London Stock Exchange, TIFS would be able to carry on its business independently of the Bain Shareholders and that transactions and relationships between TIFS and the Bain Shareholders are conducted at arm's length and on normal commercial terms. Under the relationship agreement, the Bain Shareholders have a right to nominate for appointment to the TIFS board of directors: (a) two directors for so long as the Bain Shareholders and their associates' shareholding in TIFS is equal to or more than 25% and (b) one director for so long as the Bain Shareholders and their associates' shareholding in TIFS is equal to more than 10% but less than 25%.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the course of our ordinary business activities, we enter into related party transactions with our shareholders, companies within the Group, key management personnel and associates. We believe that all transactions with such parties are solely attributable to ordinary business activities and are negotiated and executed on an arm's-length basis and that the terms of these transactions are comparable to those currently contracted with unrelated third-parties.

Transactions with Companies in which Bain Capital had Investment Interests

During the years ended December 31, 2018 and 2019, we procured products and materials from companies in which the funds managed by Bain Capital, our ultimate controlling party, had investment interests, in the amounts of €0.2 million and €0.3 million, respectively. These transactions were completed on the basis of normal commercial terms. No such transactions occurred in 2020. See "*Principal Stockholders—Relationship Agreement with Bain Shareholders*."

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of certain provisions of the agreement evidencing our senior secured term loan credit facility (the "Senior Secured Term Loan Facilities") and senior secured revolving credit facility (the "Revolving Facility" and, collectively with the Senior Secured Term Loan Facilities, the "Senior Secured Facilities"). References in this section to "we" or "our" refer to TI Group Automotive Systems, L.L.C., a Delaware limited liability company, in its capacity as the borrower under the Senior Secured Facilities. This summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the agreements, including the definitions of certain terms therein that are not otherwise defined in this offering memorandum.

Senior Secured Facilities

We expect to enter into an amendment ("Amendment No. 6") to the credit agreement that documents our existing Senior Secured Facilities, which will provide for the refinancing of the existing US dollar-denominated term loans and the Euro-denominated term loans in their entirety with (A) a new tranche of U.S. Dollar-denominated term loans under the Senior Secured Facilities in an aggregate principal amount equal to $300,000,000 (the "US Term Loans") and (B) a new tranche of Euro-denominated term loans under the Senior Secured Facilities in an aggregate principal amount not to exceed €265,000,000 (the "Euro Term Loans" and, together with the US Term Loans, the "Term Loans"), and revolving loans in an aggregate principal committed amount of $225 million (the "Revolving Loans"), with JPMorgan Chase Bank, N.A., as the administrative agent, the collateral agent, a letter of credit issuer, the swingline lender and a lender, and the other lenders from time to time party thereto.

Maturity; Prepayments

The Term Loans will mature on December 16, 2026, and the maturity date of the Revolver Loans will be July 16, 2026. We will be required to prepay the Term Loans with the proceeds of certain issuances of indebtedness (other than certain permitted indebtedness) and certain non-ordinary course asset sales and casualty and condemnation events (subject to certain exceptions and customary reinvestment rights). A percentage (to be determined based, in part, upon the first lien net leverage ratio as of the applicable fiscal year) of our excess cash flow for each fiscal year must also be applied to prepay the Term Loans commencing with and including the fiscal year ending December 31, 2020.

Voluntary prepayments of the Term Loans and Revolving Loans may be made at any time (subject to minimum prepayment amounts and customary notice periods) without premium or penalty, other than customary "breakage" costs, if applicable, except that in the event that, prior to the six-month anniversary of the effective date of Amendment No. 6, (i) any prepayment of either class of Term Loans occurs in connection with any repricing transaction, or (ii) any amendment of the Senior Secured Facilities is effected that results in a repricing transaction, in each case, the primary purpose of which is to decrease the effective yield on such class of Term Loans, then (x) in the case of clause (i), the class of Term Loans being prepaid is subject to a prepayment premium of 1.00% of the aggregate principal amount thereof and (y) in the case of clause (ii), the class of Term Loans outstanding immediately prior to such amendment that are subject to an effective pricing reduction pursuant to such repricing transaction are subject to a premium equal to 1.00% of the aggregate principal amount thereof. We will be able to voluntarily terminate and permanently reduce the revolving commitments of any class and repay outstanding loans under the Revolving Facility at any time (subject to minimum repayment amounts and customary notice periods) without premium or penalty, other than customary "breakage" costs, if applicable.

Security; Guarantees

Our obligations under the Senior Secured Facilities are guaranteed by Omega Acquisition Bidco Limited ("Parent") and each existing and subsequently acquired or organized direct or indirect wholly-owned restricted subsidiary of Parent organized under the laws of Belgium, Canada, England and Wales, Germany, Poland or the United States, subject to certain exceptions and limitations set forth in the documentation governing the Senior Secured Facilities (the "Guarantors"). The obligations of the borrower under the Senior Secured Facilities are expected to be secured by (i) in the case of the Guarantors organized under the laws of the United States or Canada, (x) a perfected first-priority security interest in substantially all personal property of such Guarantors, including all accounts receivable, inventory, cash, deposit accounts, securities and commodity accounts, investment property, contracts, patents, copyrights, trademarks and other general intangibles, intercompany notes and books and records related to the foregoing, and, in each case, proceeds thereof, (y) a perfected first-priority pledge of all the capital stock of such Guarantors (other than Parent) and all the capital stock in material wholly-owned restricted subsidiaries directly held by such Guarantors and (z) a perfected first-priority security interests in, and mortgages on, substantially all plants, owned real property and equipment of the such Guarantors and (ii) in the case of Guarantors organized under the laws of Belgium, England Wales, Germany or Poland on a first priority basis, such assets as customarily constitute collateral in secured financings of a similar size and type involving guarantors organized under the laws of the applicable jurisdictions of organization, in each case, subject to certain exceptions and thresholds.

Currencies

The US Term Loans and the Euro Term Loans are denominated in U.S. Dollars and Euros, respectively. Borrowings under the Revolving Facility (other than swingline loans, which will be available in U.S. Dollars only) will be available in U.S. Dollars, Canadian Dollars, Euros, Pounds Sterling and such other currencies that are approved in accordance with the terms of the credit agreement governing the Senior Secured Facilities.

Interest and Fees

With respect to each of the Senior Secured Term Loan Facilities and the Revolving Facility, the interest rate is the LIBOR Rate (which, in each case, will be subject to a minimum rate) plus an applicable margin, or the ABR (which, in each case, will be subject to a minimum rate) plus an applicable margin. The applicable margin for loans under the Revolving Facility will be subject to adjustment after the first fiscal quarter of Parent ending after the effective date of Amendment No. 6 based upon our total net leverage ratio.

In addition, we will be required to pay certain upfront and recurring fees with respect to the Senior Secured Facilities, including fees on the commitments of the lenders under the Revolving Facility which shall be 0.375% per annum until after the first fiscal quarter of Parent following the effective date of Amendment No. 6 (which rate shall be subject to reduction based upon our total net leverage ratio); and to pay letter of credit fees on the aggregate face amounts of outstanding letters of credit plus a fronting fee to the issuing banks.

Incremental Facility

We will be able, at our option and subject to certain other conditions described in the credit agreement governing our Senior Secured Facilities, to request that the Senior Secured Term Loan Facilities or Revolving Facility (in the aggregate) be increased by up to (i) $400,000,000 *plus* (ii) the aggregate amount of voluntary prepayments of Term Loans and commitment reductions in respect of Revolving Loans, (except to the extent funded with proceeds from incurrences of long-term indebtedness and subject to certain other exceptions), *plus* (iii) an unlimited amount, so long as under this clause (iii) only, such amount at such time can be incurred without causing the first lien net leverage ratio to exceed 3.00 to 1.00 which ratio shall be calculated as if any such incremental indebtedness (whether unsecured indebtedness, first lien indebtedness or indebtedness secured by junior liens) is first lien secured indebtedness.

Amortization

Each of the US Term Loans and the Euro Term Loans amortize in equal quarterly installments in an aggregate annual amount equal to 1% of the original principal amount of such tranche, commencing with the last business day of the first fiscal quarter after the effective date of Amendment No. 6, with the balance payable on December 16, 2026.

Covenants

The Senior Secured Facilities will contain a number of customary affirmative covenants and customary negative covenants that, among other things, will limit or restrict the ability of Parent, the borrower and restricted subsidiaries of Parent to (each subject to certain exceptions):

- incur additional indebtedness (including guarantee obligations);
- incur liens;
- engage in certain fundamental changes, including changes in the nature of the business, mergers, liquidations and dissolutions;
- sell assets;

- pay dividends or make distributions, and make stock repurchases and redemptions;
- make acquisitions, investments, loans and advances;
- prepay or modify the terms of certain subordinated indebtedness;
- modify organizational documents;
- engage in certain transactions with affiliates;
- change our fiscal year; and
- enter into negative pledge clauses and clauses restricting subsidiary distributions.

The Senior Secured Facilities contain exceptions to the negative covenants generally restricting incurrence of debt and liens. Under the Senior Secured Facilities, secured debt may be incurred, among other customary reasons, (i) to finance the purchase, lease, construction, installation, maintenance, replacement or improvement of property (including capital leases) in an amount not to exceed the greater of $125,000,000 and 27.3% of Consolidated EBITDA (as defined in the Senior Secured Facilities), (ii) pursuant to a non-guarantor basket in an amount not to exceed the greater of $100,000,000 and 21.8% of Consolidated EBITDA, (iii) as permitted other indebtedness in lieu of increases to the Senior Secured Term Loan Facilities or Revolving Facility in an amount not to exceed the limit described under the subsection entitled "—*Incremental Facility*" above, (iv) pursuant to a permitted debt exchange offer basket for offers to exchange the US Terms Loans or the Euro Term Loans for debt securities, (v) to refinance the US Terms Loans or the Euro Term Loans and (vi) pursuant to a general basket in an amount not to exceed the greater of $200,000,000 and 43.7% of Consolidated EBITDA. The Borrower also has flexibility to incur secured indebtedness under a permitted asset-based facility up to $325,000,000 (subject to additional conditions set forth in the Senior Secured Facilities). Additionally, debt otherwise permitted to be incurred under the Senior Secured Facilities may be secured pursuant to (i) a general liens basket in an amount equal to the greater of $100,000,000 and 21.8% of Consolidated EBITDA and (ii) a leverage based lien basket, subject to satisfying a pro forma first lien net leverage ratio of 3.00 to 1.00.

In addition, with respect to the Revolving Facility, we will be required to comply with a maximum first lien net leverage ratio, which covenant will be tested quarterly on a trailing four quarter basis for the most recent four fiscal quarters for which financial statements have been delivered only if, as of the last day of any fiscal quarter of Parent, revolving loans under the Revolving Facility (including swingline loans and letters of credit, but excluding the stated amount of undrawn or cash collateralized letters of credit) are outstanding in excess of 35% of the amount of the aggregate outstanding commitments under the Revolving Facility at such time. Such financial covenant is subject to an equity cure and may be amended or waived with the consent of the lenders holding a majority of the commitments under the Revolving Facility.

Events of Default

The Senior Secured Facilities will contain customary events of default (subject to customary grace periods, baskets and materiality thresholds). Failure to comply with the first lien net leverage ratio described above or the other provisions of the credit agreement governing the Senior Secured Facilities (subject to certain grace periods) could, absent a waiver or an amendment from the applicable lenders, restrict the availability of the Revolving Facility and/or permit the acceleration of all outstanding borrowings under the Senior Secured Facilities.

Terms Subject to Change

The terms described above with respect to the Senior Secured Facilities are subject to change and to a number of conditions. To the extent that any of the conditions with respect to such indebtedness are not satisfied, such indebtedness may not be available on the terms described herein or at all.

DESCRIPTION OF THE NOTES

You can find the definitions of certain terms used in this description under the subheading "—Certain Definitions." In this description, the term "*Parent*" refers only to Omega Acquisition Bidco Limited and not to any of its subsidiaries, the term "*TI Automotive*" refers only to TI Automotive Limited and not to any of its subsidiaries, and the term "*Issuer*" refers only to TI Automotive Finance plc and not to any of its future subsidiaries, if any.

The Issuer will issue €600.0 million in aggregate principal amount of its % Senior Notes due 2029 (the "*Notes*") under an indenture (the "*Indenture*"), to be dated on or about , 2021, among itself, the Guarantors, U.S. Bank Trustees Limited, as trustee (the "*Trustee*"), Elavon Financial Services DAC, UK Branch, as paying agent and Elavon Financial Services DAC, as Transfer Agent and Registrar, in a private transaction that is not subject to the registration requirements of the Securities Act. See "Transfer Restrictions." The Indenture is not required to, nor will it, be qualified under, incorporate by reference or include, or otherwise be subject to, any provisions of the United States Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Indenture and the Notes. It does not restate those agreements in their entirety. We urge you to read the Indenture because it, and not this description, defines your rights as holders of the Notes. A copy the Indenture is available as set forth below under "—Additional Information." Certain defined terms used in this description but not defined below under "—Certain Definitions" have the meanings assigned to them in the Indenture.

Brief Description of the Notes and the Notes Guarantees

The Notes

The Notes will:

- be senior unsecured obligations of the Issuer;
- rank equally in right of payment with all of the Issuer's existing and future Indebtedness that is not subordinated in right of payment to the Notes, including Indebtedness as a result of the Issuer's guarantee under the Senior Facility Agreement;
- rank senior in right of payment to all of the Issuer's existing and future Indebtedness that is subordinated in right of payment to the Notes;
- be effectively junior to all of the Issuer's existing and future secured Indebtedness, including Indebtedness under the Senior Facility Agreement, to the extent of the value of the collateral securing such Indebtedness;
- be structurally subordinated to any obligations of the Parent's other Subsidiaries other than the Parent's Subsidiaries that are Guarantors; and
- be fully and unconditionally guaranteed by the Guarantors, subject to contractual limitations that reflect limitations under applicable law.

The Notes Guarantees

The Notes will be, subject to contractual limitations that reflect limitations under applicable law, fully and unconditionally guaranteed, jointly and severally, on a senior basis, by the Parent and each Subsidiary of the Parent that is a guarantor or borrower under the Senior Facility Agreement as of the Issue Date and each existing and future Subsidiary of the Parent that is required to become a Guarantor in accordance with the covenant described under "—Certain Covenants—Limitation on Issuance of Guarantees of Indebtedness by Subsidiaries." As of the Issue Date, the Subsidiary Guarantors will be those Subsidiaries of the Parent listed in Item 17 of "Listing and General Information" (collectively, the "*Initial Subsidiary Guarantors*").

Each Notes Guarantee of each Guarantor will:

- be a senior unsecured obligation of such Guarantor;
- rank equally in right of payment with all of such Guarantor's existing and future Indebtedness that is not subordinated in right of payment to such Notes Guarantee, including such Guarantor's guarantee of or Indebtedness under the Senior Facility Agreement;

- rank senior in right of payment to all of such Guarantor's existing and future Indebtedness that is expressly subordinated in right of payment to such Notes Guarantee; and
- be effectively junior to all of such Guarantor's existing and future secured Indebtedness, including indebtedness under the Senior Facility Agreement, to the extent of the value of the collateral securing such Indebtedness.

Not all of the Parent's Subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute or contribute any of their assets to the Issuer or another Guarantor. For the year ended December 31, 2020, on a consolidated basis, the Guarantors represented 32% of the Group's consolidated EBITDA (without adjustment for intra-group transactions) and 35% of the Group's consolidated revenue. As of December 31, 2020, on a consolidated basis, the Guarantors accounted for 33% of the Group's total assets (property, plant and equipment, right-of-use assets, inventory and trade and other receivables excluding intra-group balances).

The Issuer is an indirect, wholly-owned subsidiary of the Parent and a direct subsidiary of TI Automotive, which holds, directly or indirectly, substantially all of the operating assets of the Group. The Issuer is a finance subsidiary that has not engaged in any operating activities since its incorporation and currently does not have any Subsidiaries. The Issuer will need to depend entirely on capital contributions from TI Automotive, repayment or servicing of loans made to the Parent or its other Subsidiaries or other funding to meet its obligations under the Notes. The operations of TI Automotive are conducted through its other Subsidiaries and, therefore, TI Automotive depends on the cash flow of Subsidiaries to meet its obligations, including obligations under the Notes as a Guarantor. The Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Parent's and TI Automotive's non-Guarantor Subsidiaries. Any right of any Guarantor to receive assets of any of its non-guarantor Subsidiaries upon that non-guarantor Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that non-guarantor Subsidiary's creditors, except to the extent that such Guarantor is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of such Guarantor, as the case may be, would still be subordinate in right of payment to any security in the assets of the non-guarantor Subsidiary and any Indebtedness of the non-guarantor Subsidiary senior to that held by such Guarantor. The Parent's non-Guarantor subsidiaries had €0.1 million of borrowings and €630 million of other liabilities (total liabilities less borrowings excluding intra-group balances), in each case, as of December 31, 2020, all of which would have ranked structurally senior to the Notes and the Notes Guarantees. See "Risk Factors—Risks Related to the Notes—The Notes and the Notes Guarantees will be structurally subordinated to the claims of creditors, including depositors, trade creditors and preferred stockholders (if any), of our non-Guarantor subsidiaries (other than the Issuer)."

Principal, Maturity and Interest

The Indenture will provide for the issuance by the Issuer of €600.0 million in aggregate principal amount of Notes on the Issue Date. The Issuer may issue additional Notes (the "*Additional Notes*") under the Indenture from time to time after this offering; *provided*, *however*, that any such Additional Notes that are issued with the same ISIN or common code number will be fungible with the previously issued Notes for U.S. federal income tax purposes. The Notes and any Additional Notes subsequently issued under the Indenture would be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. For all purposes herein unless expressly stated otherwise, the term "Notes" shall include references to any Additional Notes.

The Issuer will issue the Notes in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will mature on 2029.

Interest on the Notes will accrue at the rate of % per annum on the aggregate principal amount of Notes outstanding. Interest on the Notes will be payable semi-annually in arrears on and in each year, commencing on 2021, to the Holders of record of the Notes on the immediately preceding Business Day. Interest on the Notes will accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Methods of Receiving Payments on the Notes

Methods of receiving payments on global Notes are governed by provisions described under "Book-Entry; Delivery and Form—Payments on Global Notes." In the case of certificated Notes, if a Holder has given wire transfer instructions to the Issuer, the Issuer will pay all interest, premium, if any, and Additional Amounts, if any, on that Holder's Notes in accordance with those instructions. In all other cases, the Issuer may elect to make payments of interest, premium, if any, and Additional Amounts, if any, by check mailed to the Holders at their addresses set forth in the register of Holders. Payments on Notes will be made through the office or agency of a Paying Agent for the Notes (which, subject to the provisions in "—Paying Agent and Registrar for the Notes," will be in London, England).

Paying Agent and Registrar for the Notes

Elavon Financial Services DAC, UK Branch, will initially act as the Principal Paying Agent for the Notes. Elavon Financial Services DAC will act as Transfer Agent and Registrar for the Notes. The Issuer may change the Paying Agent or Registrar for the Notes without prior notice to the Holders of the Notes, and the Issuer or any of the Guarantors may act as Paying Agent or Registrar in respect of the Notes. For so long as Notes are listed on the Official List of The International Stock Exchange (the "*Exchange*") and if and to the extent that the rules of The International Stock Exchange Authority Limited (the "*Authority*") so require, the Issuer will notify the Authority of any change of Paying Agent, Registrar or Transfer Agent.

Transfer and Exchange

A Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar, the Trustee and any Paying Agent and Transfer Agent may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuer may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuer is not required to transfer or exchange any Note selected for redemption. Also, the Issuer is not required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed. No service charge will be made for any registration of transfer or exchange of the Notes, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange.

The Holder of a Note will be treated as the owner of it for all purposes.

Notes Guarantees

The Notes will be, subject to contractual limitations that reflect limitations under applicable law, fully and unconditionally guaranteed, jointly and severally, on a senior basis by the Guarantors. As of the Issue Date, the Guarantors will be the Parent and the Initial Subsidiary Guarantors. Subject to certain limitations, each existing and future Subsidiary of the Parent that thereafter guarantees any Indebtedness of the Parent under the Senior Facility Agreement, any Syndicated Facility or any Public Indebtedness will be required to provide a Guarantee in accordance with the covenant described under "—Certain Covenants—Limitation on Issuance of Guarantees of Indebtedness by Subsidiaries."

The Indenture will limit the obligation to grant guarantees in favor of obligations under the Notes. The Indenture will include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference, thin capitalization rules, retention of title claims and similar principles. The obligations of the Subsidiary Guarantors will be contractually limited under the applicable Notes Guarantees to reflect these limitations and other legal restrictions applicable to the Subsidiary Guarantors and their respective shareholders, directors and general partners. See "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees" and "Risk Factors—Risks Relating to the Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees may adversely affect the validity and enforceability of the Notes Guarantees."

Notes Guarantees Release

The Notes Guarantee of a Subsidiary Guarantor that is not the Parent (and of the Parent in the case of clauses (3), (4), (5) and (6)) will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Subsidiary Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Parent or a Subsidiary;

(2) in connection with any sale or other disposition of Capital Stock of that Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) the Parent or a Subsidiary, if the Subsidiary Guarantor ceases to be a Subsidiary as a result of the sale or other disposition;

(3) upon the release or discharge of the guarantee or other obligation of such Guarantor under the Senior Facility Agreement or such other guarantee or other obligation that resulted in the creation of such Notes Guarantee, except a release or discharge by or as a result of payment under the Senior Facility Agreement or such other guarantee or other obligation; *provided* that no other Indebtedness is at that time guaranteed by the relevant Guarantor that would have otherwise given rise to an obligation to guarantee the Notes pursuant to the covenant described under "Certain Covenants—Limitation on Issuance of Guarantees of Indebtedness by Subsidiaries" had the relevant Person not already been a Guarantor;

(4) as described under "—Amendment, Supplement and Waiver";

(5) upon full repayment of the Notes;

(6) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge"; or

(7) by written notice from the Issuer to the Trustee upon the Notes receiving an Investment Grade Rating from both Rating Agencies; *provided* that neither the Senior Facility Agreement nor any Syndicated Facility or any Public Indebtedness (other than the Notes) is guaranteed by any such Subsidiary Guarantor (after giving effect to guarantees concurrently being released); and *provided further* that no Default or Event of Default shall have occurred and be continuing at the time of such written notice.

The Trustee shall, subject to receipt of certain documentation requested pursuant to the Indenture, take all necessary actions at the reasonable request and cost of the Issuer, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee without the consent of the Holders and will not require any other action or consent on the part of the Trustee. None of the Issuer, the Trustee or any Guarantor will be required to make a notation on the Notes to reflect any such release, termination or discharge.

Optional Redemption

At any time and from time to time prior to   , 2024, the Issuer may, at its option, redeem the Notes, in whole or in part, upon notice as described under "—Selection and Notice," at a redemption price equal to 100% of the principal amount of such Notes plus the Applicable Premium with respect to the Notes as of, and accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the redemption date.

At any time and from time to time prior to   , 2024, the Issuer may, at its option, redeem an aggregate principal amount of Notes not to exceed the Net Cash Proceeds received by the Issuer from one or more Equity Offerings, upon notice as described under "—Selection and Notice," at a redemption price equal to   % of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the redemption date; *provided* that:

(1) the aggregate principal amount redeemed shall not exceed 40% of the aggregate principal amount of the Notes issued under the Indenture (including Additional Notes of the same series);

(2) at least 50% of the original aggregate principal amount of the Notes originally issued under the Indenture on the Issue Date (excluding Additional Notes of the same series) remains outstanding immediately after the occurrence of each such redemption (unless all Notes are redeemed substantially concurrently); and

(3) each such redemption occurs not later than 180 days after the closing of the related Equity Offering.

At any time and from time to time on or after , 2024, the Issuer may, at its option, redeem the Notes in whole or in part, upon notice as described under "—Selection and Notice," at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to, but excluding, the applicable redemption date, if redeemed during the twelve-month period beginning on of the year indicated below:

Year	Percentage
2024	%
2025	%
2026 and thereafter	100.00%

Except for redemptions for tax reasons as described below under "—Redemption for Taxation Reasons," any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, and such notice may state that, in the Issuer's discretion, the redemption date may be delayed without any additional notice until such time as any or all such conditions shall be satisfied.

Except pursuant to the preceding paragraphs and except as described below under "—Redemption for Taxation Reasons," none of the Notes will be redeemable at the Issuer's option. Nothing in the Indenture prohibits the Issuer from acquiring the Notes by means other than a redemption, whether pursuant to an issuer tender offer or otherwise, assuming such acquisition does not otherwise violate the terms of the Indenture.

Selection and Notice

Under the existing practices of Euroclear and Clearstream, if fewer than all the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a *pro rata* basis (such as by way of a pool factor), by lot or on such other basis as they deem fair and appropriate and in accordance with their applicable procedures (unless otherwise required by law or applicable stock exchange rules); *provided, however*, that no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part. If the Notes are not held through Euroclear or Clearstream, the Notes will be selected on a *pro rata* basis, subject to adjustments so that no Note in an unauthorized denomination remains outstanding after such redemption; *provided, however*, no such partial redemption shall reduce the outstanding principal amount of any Note below €100,000. The Trustee, the Paying Agent and the Registrar shall not be liable for selections made under this paragraph.

The Issuer will mail notice of redemption to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar not less than 10 nor more than 60 days prior to the redemption date. If and for so long as any Notes are listed on the Exchange and if and to the extent the rules of the Authority so require, the Issuer will notify the Authority of any such notice to the Holders of the Notes and, in connection with any redemption, the Issuer will notify the Authority of any change in the principal amount of Notes outstanding.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a certificated Note, a new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

Redemption for Taxation Reasons

The Issuer or any successor of the Issuer (a "*Payor*") may, at its option, redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record of certificated Notes on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (see "—Withholding Taxes"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Payor determines that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation or

(2) any change in position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgement or order by a court of competent jurisdiction) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

the Payor or any Guarantor is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts, and the Payor or the relevant Guarantor (as appropriate) cannot avoid such obligation by taking reasonable measures available to it. In the case of the Issuer or any Guarantor as of the Issue Date, the Change in Tax Law must become effective on or after the date of this Offering Memorandum. In the case of a successor of the Issuer or any Person who becomes a Guarantor after the Issue Date or any successor of any Guarantor, the Change in Tax Law must become effective after the date that the Issuer first makes payment on the Notes or after the date on which such Person became a Guarantor or a successor of any Guarantor, as applicable. Notice of redemption for taxation reasons will be published in accordance with the procedures under "—Notices." Notwithstanding the foregoing, no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Payor or Guarantor, as applicable, would be obligated to make such payment or withholding if a payment in respect of the Notes were then due. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Payor will deliver to the Trustee an opinion of an independent tax counsel reasonably satisfactory to the Trustee to the effect that the circumstances referred to above exist. The Trustee will accept such opinion as sufficient existence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the holders of the Notes.

Mandatory Redemption

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Withholding Taxes

All payments made by the Payor on the Notes or any Guarantor with respect to its Notes Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("*Taxes*") imposed or levied by or on behalf of any jurisdiction (1) in which the Payor or any Guarantor or successor Guarantor is organized or otherwise considered resident for tax purposes or any political subdivision or governmental authority of any thereof or therein having power to tax, or (2) from or through which payment on the Notes or any of the Notes Guarantees is made, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*") unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes of any Relevant Taxing Jurisdiction will at any time be required from any payments made with respect to the Notes or the Notes Guarantees, including, without limitation, payments of principal, redemption price, interest or premium, if any, the Payor or the relevant Guarantor, as applicable, will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by the Holders of the Notes or the Trustee, as the case may be, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), equal the amounts which would have been received in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable with respect to:

(1) withholding or deduction imposed or levied by or on behalf of a Relevant Taxing Jurisdiction upon any payments to a Holder or beneficial owner who is liable for such Taxes in respect of the Notes by reason of the Holder (or a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) or beneficial owner having any present or former connection with such Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in or having a place of management present or deemed present in, or being physically present in, such Relevant Taxing Jurisdiction) other than a connection arising from the acquisition, ownership or holding of such Note or enforcement of rights thereunder or the receipt of payments in respect of the Notes or with respect to any Notes Guarantee;

(2) any Taxes that would not have been imposed if the Holder or beneficial owner had made a declaration of non-residence or any other reasonable claim or filing for exemption to which it is entitled (*provided* that (x) such declaration of non-residence or other claim or filing for exemption is required by the applicable law of the applicable Relevant Taxing Jurisdiction as a precondition to exemption from the requirement to deduct or withhold such Taxes and (y) at least 30 days prior to the first payment date

with respect to which such declaration of non-residence or other claim or filing for exemption is required under the applicable law of the applicable Relevant Taxation Jurisdiction, the relevant Holder or beneficial owner at that time has been notified in writing by the Payor or any other person through whom payment may be made that a declaration of non-residence or other claim or filing for exemption is required to be made);

(3) except in the case of the winding up of the Payor, any Note presented for payment (where presentation is required) in the Relevant Taxing Jurisdiction (unless by reason of the Payor's actions, presentment could not have been made elsewhere and except to the extent that the Holder would have been entitled to Additional Amounts had the Notes been presented elsewhere);

(4) any Note presented for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented during such 30 day period);

(5) any Taxes that are payable otherwise than by withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes or with respect to any Notes Guarantee;

(6) any estate, inheritance, gift, sales, excise, transfer, personal property or similar Tax;

(7) a Tax imposed in connection with a Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accept payment from, another paying agent in a member state of the European Union;

(8) any Taxes imposed, deducted or withheld pursuant to section 1471(b) of the Code or otherwise imposed pursuant to sections 1471 through 1474 of the Code, in each case, as of the Issue Date (and any amended or successor version that is substantively comparable), any current or future regulations or agreements thereunder, official interpretations thereof or any law implementing an intergovernmental agreement relating thereto; or

(9) any combination of clauses (1) through (8) above.

Such Additional Amounts will also not be payable where, had the beneficial owner of the Note been the Holder of the Note, it would not have been entitled to payment of Additional Amounts by reason of clauses (1) to (9) inclusive above.

The Payor and each Guarantor or successor Guarantor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor and each Guarantor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies to each Holder. The Payor and each Guarantor or successor Guarantor will attach to each certified copy a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per €1,000 principal amount of the Notes.

Wherever in the Indenture or the Notes there are mentioned, in any context, (i) the payment of principal, (ii) purchase prices in connection with a purchase of Notes, (iii) interest or (iv) any other amount payable on or with respect to the Notes or the Notes Guarantees, such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor and each Guarantor or successor Guarantor will pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, or similar charges or levies which arise in any jurisdiction from the execution, delivery or registration of any Notes or any other document or instrument referred to therein (other than a transfer of the Notes subsequent to this offering), or the receipt of any payments with respect to the Notes, excluding any such taxes, similar charges or levies (x) imposed by any jurisdiction outside a Relevant Taxing Jurisdiction, other than those resulting from, or required to be paid in connection with, the enforcement of the Notes, the Notes Guarantees or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes; or (y) that arise from the receipt of any payments with respect to the Notes, if they are excluded under any of the clauses (1) through (4) and (6) through (9) above.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture.

Repurchase at the Option of Holders

Change of Control Repurchase Event

If a Change of Control Repurchase Event occurs, each Holder of the Notes will have the right to require the Issuer to repurchase all or any part (equal to €100,000 and integral multiples of €1,000 in excess thereof in the case of Notes that have denominations larger than €100,000) of that Holder's Notes pursuant to an offer (the "*Change of Control Offer*") on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will offer a payment (the "*Change of Control Payment*") in cash equal to 101% of the aggregate principal amount of each of the Notes repurchased plus accrued and unpaid interest and Additional Amounts, if any, thereon, to the date of purchase. Within 30 days following any Change of Control Repurchase Event, the Issuer will mail a notice to each Holder and the Trustee describing the transaction or transactions that constitute the Change of Control Repurchase Event and offering to repurchase Notes on a date (the "*Change of Control Payment Date*") specified in such notice, which date shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indenture and described in such notice. The Issuer will comply with the requirements of Section 14(e) of the Exchange Act to the extent applicable and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Repurchase Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Repurchase Event provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Repurchase Event provisions of the Indenture by virtue of such conflict.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of such Notes or portions thereof being purchased by the Issuer.

The Paying Agent will promptly mail to each Holder of Notes so tendered the Change of Control Payment for such Notes and the Trustee or the Registrar will, upon receipt of an Issuer order, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount of €100,000 or an integral multiple of €1,000 in excess thereof.

The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date. If and for so long as the Notes are listed on the Official List of the Exchange and if and to the extent that the rules of the Authority so require, the Issuer will notify the Authority of any Change of Control Offer.

In the case of certificated Notes, if the Change of Control Payment Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest and Additional Amounts, if any, will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest or Additional Amounts will be payable to Holders who tender pursuant to the Change of Control Offer; in the case of global Notes, the Issuer will pay accrued and unpaid interest to the Change of Control Payment Date to the Holder on such date.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control Repurchase Event will be applicable regardless of whether any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control Repurchase Event, the Indenture does not contain provisions that permit the Holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer following a Change of Control Repurchase Event if (i) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the

Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (ii) a notice of redemption for all of the outstanding Notes has been given pursuant to the Indenture under the caption "—Optional Redemption" unless and until there is a default in the payment of the applicable redemption price, plus accrued and unpaid interest to the proposed redemption date. Notwithstanding the foregoing, a Change of Control Offer may be made in advance of a Change of Control Repurchase Event, conditional upon the Change of Control, so long as a definitive agreement has been executed that contains terms and provisions that would otherwise result in a Change of Control upon completion of the transactions contemplated thereby.

If Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer and the Issuer, or any third party making a Change of Control Offer in lieu of the Issuer as described above, purchases all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right, upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes that remain outstanding following such purchase at a price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of redemption.

The Issuer's ability to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control may constitute a default under the Senior Facility Agreement. In addition, certain events that may constitute a change of control under the Senior Facility Agreement and cause a default may not constitute a Change of Control under the Indenture. In addition, future Indebtedness of the Parent and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control Repurchase Event. The exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

Even if sufficient funds were otherwise available, the terms of other Indebtedness may prohibit the Issuer's prepayment of Notes prior to their scheduled maturity. Consequently, if the Issuer is not able to prepay such Indebtedness or obtain requisite consents, the Issuer will be unable to fulfill its repurchase obligations if Holders of Notes exercise their repurchase rights following a Change of Control Repurchase Event, thereby resulting in a default under the Indenture. A default under the Indenture may result in a cross-default under such other Indebtedness.

The Change of Control Repurchase Event provisions described above may deter certain mergers, tender offers and other takeover attempts involving the Issuer by increasing the capital required to effectuate such transactions. The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Issuer and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Issuer to repurchase such Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Subsidiaries taken as a whole to another Person or group may be uncertain.

Certain Covenants

Negative Pledge

The Parent will not, and will not permit any of its Subsidiaries (including the Issuer) to, secure any Indebtedness for money borrowed by placing a Lien (other than a Permitted Lien) on any Principal Property now or hereafter owned or leased by the Parent or any Subsidiary of the Parent or on any shares of stock of any Subsidiary of the Parent (a "*Restricted Lien*") without equally and ratably securing (or securing on a senior basis, in the case of a Lien securing Indebtedness that is by its terms expressly subordinated to the Notes or any Notes Guarantee) all of the Notes, unless after giving effect thereto the aggregate principal amount of all such Indebtedness secured by a Restricted Lien then outstanding would not exceed an amount equal to the greater of (i) €225.0 million or (ii) 15% of Consolidated Net Tangible Assets. The restrictions set forth in the preceding sentence will not apply to any Permitted Lien, and all Indebtedness secured by a Permitted Lien shall be excluded in computing the amount of Indebtedness secured by a Lien outstanding for purposes of this covenant.

Any Lien created for the benefit of the holders of the Notes pursuant to the preceding paragraph shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Lien relating to such Indebtedness that gave rise to the obligation to so secure the Notes.

Limitation on Issuance of Guarantees of Indebtedness by Subsidiaries

The Parent will not cause or permit any of its Subsidiaries that is not the Issuer or a Guarantor, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of any Indebtedness (other than any Indebtedness owed to the Parent or a Subsidiary of the Parent) (a) under the Senior Facility Agreement or any other Syndicated Facilities or (b) that constitutes Public Indebtedness unless, subject to the limitations set forth in the Indenture, such Subsidiary executes and delivers a supplemental indenture to the Indenture providing for a Notes Guarantee of payment of the Notes by such Subsidiary on the same terms as the guarantee of such Indebtedness within 10 business days thereof; *provided* that if such Indebtedness is by its terms expressly subordinated to the Notes or any Notes Guarantee, any such guarantee, assumption or other liability of such Subsidiary with respect to such Indebtedness shall be subordinated to such Subsidiary's Notes Guarantee at least to the same extent as such Indebtedness is subordinated to the Notes or any other Notes Guarantee.

To the extent any Subsidiary of the Parent is required to provide a Notes Guarantee, such Notes Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. Notwithstanding the foregoing, a Subsidiary of the Parent that is otherwise required to provide a Notes Guarantee shall not be obliged to do so to the extent and for so long as the granting of such Notes Guarantee could give rise to or result in: (1) any breach or violation of general statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference or thin capitalization rules, retention of title to claims or the laws, rules or regulations (or analogous provisions or restrictions) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or shareholders of such Subsidiary of the Parent (or, in the case of a Subsidiary of the Parent that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense liability or obligation (including with respect to any Taxes) to the extent such cost, expense, liability or obligation are disproportionate to the benefit obtained by the Holders with respect to receipt of the guarantee (as determined in good faith by TIFS, the Issuer or the Parent). The validity and enforceability of the Notes Guarantees and the liability of each Note Guarantor will be subject to the limitations as described and set out in "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees." See "Risk Factors—Risks Relating to the Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees may adversely affect the validity and enforceability of the Notes Guarantees".

Merger, Consolidation or Sale of All or Substantially All Assets

Neither the Issuer nor the Parent may, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer or the Parent, as applicable, is the surviving corporation); or (2) sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of the properties or assets of the Parent and its Subsidiaries taken as a whole, in one or more related transactions, to another Person; unless:

(1) either: (a) the Issuer or the Parent, as applicable, is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer or the Parent, as applicable) or to which such sale, assignment, transfer, conveyance, lease or other disposition shall have been made is a company organized or existing under the laws of the United States, any state thereof or the District of Columbia, the United Kingdom or any member of the European Union on the Issue Date;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Issuer or the Parent, as applicable) or to which such sale, assignment, transfer, conveyance, lease or other disposition shall have been made (if other than the Issuer or the Parent, as applicable) assumes all the obligations of the Issuer or the Parent, as applicable, under the Notes and the Indenture by way of a supplemental indenture executed and delivered to the Trustee;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) each Guarantor (unless it is the other party to the transactions above, in which case clause (1) shall apply) shall have by supplemental indenture confirmed that its Notes Guarantee shall apply to such Person's obligations in respect of the Indenture and the Notes (unless such Notes Guarantee shall be released in connection with the transaction and otherwise in compliance with the Indenture); and

(5) the Issuer or the Person formed by or surviving any such consolidation or merger (if other than the Parent or the Issuer, as applicable), shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel to the effect that such consolidation, merger or transfer and such supplemental indenture comply with the Indenture; *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

For purposes of this covenant, the sale, assignment, transfer, conveyance, lease or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of a Person, which properties and assets, if held by such Person instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of such Person on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of such Person.

Reports

For so long as any Notes are outstanding and subject to the paragraphs that follow, the Issuer will provide to each of the Trustee and the Holders of Notes and potential purchasers of Notes:

(1) within 120 days after the end of TIFS's fiscal year, annual reports containing the following information: (a) audited consolidated balance sheet of TIFS as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of TIFS for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (c) a description of the industry, business, management and shareholders of TIFS, all material affiliate transactions, Indebtedness and material financing arrangements and a description of all material contractual arrangements, including material debt instruments; and (d) risk factors and material recent developments;

(2) within 60 days following the end of the second fiscal quarter in each fiscal year of TIFS, a report containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such semi-annual period and unaudited condensed statements of income and cash flow for the year-to-date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for TIFS, together with condensed footnote disclosure; (b) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition and results of operations of TIFS and any material change between the current semi-annual period and the corresponding period of the prior year; (c) material developments in the business of TIFS and its Subsidiaries; (d) financial developments and trends in the business in which TIFS and its Subsidiaries are engaged; and (e) material recent developments; and

(3) promptly after the occurrence of (a) any senior management change at TIFS; (b) any change in the auditors of TIFS; (c) any resignation of a member of the Board of Directors of TIFS as a result of a disagreement with TIFS; (d) the entering into an agreement that will result in a Change of Control; or (e) any material events that TIFS or any of its Subsidiaries announces publicly, in each case, a report containing a description of such events.

In addition, for so long as any Notes are outstanding and constitute "restricted securities" within the meaning of Rule 144 under the Securities Act, the Issuer will furnish to holders and to securities analysts and prospective purchasers of the Notes in connection with any sale thereof, upon their written request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

In the event that TIFS or any other Parent Entity holds any material assets other than cash, Cash Equivalents and the Capital Stock of the Parent or any other direct or indirect parent of the Issuer, then the reports of TIFS referenced in the immediately preceding paragraph shall be accompanied by consolidating information that explains in reasonable detail the differences between the information relating to TIFS and such other parent companies, on the one hand, and the information relating to the Parent and its Subsidiaries on a stand-alone basis, on the other hand (or if such material assets are held by TIFS, financial information of TIFS on a stand-alone basis).

The Issuer will furnish to the Trustee such other information as TIFS is required to make publicly available under the requirements of the London Stock Exchange as a result of having its ordinary shares admitted for trading on such exchange. Upon complying with the public reporting requirements of the London Stock Exchange (regardless of whether TIFS's ordinary shares are admitted for trading on such exchange), *provided* that such requirements include an obligation to prepare and make publicly available annual reports, information, documents and other reports with the London Stock Exchange, the Issuer will be deemed to have complied with the provisions contained in clauses (1) through (3) of the preceding paragraph.

Notwithstanding the foregoing, the Issuer will be deemed to have provided any such information in the preceding four paragraphs to the Trustee, the Holders of the Notes and prospective purchasers if such information has been posted on TIFS's website.

Events of Default and Remedies

Each of the following is an "*Event of Default*" under the Indenture:

(1) default for 30 days in the payment when due of interest on, or Additional Amounts with respect to, the Notes;

(2) default in payment when due of the principal of, or premium, if any, on the Notes;

(3) failure by the Parent or any of its Subsidiaries for 60 days after notice by the Trustee or by the Holders of at least 30% in principal amount of the Notes to comply with any of the other agreements in the Indenture;

(4) default under any mortgage, indenture or instrument under which there is issued and outstanding any Indebtedness for money borrowed by the Parent or any of its Subsidiaries (or the payment of which is guaranteed by the Parent or any of its Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, if that default:

    (a) is caused by a failure to pay principal at the final stated maturity of such Indebtedness (after giving effect to any applicable grace period provided in the Indebtedness) (a "*Payment Default*"); or

    (b) results in the acceleration of such Indebtedness prior to its express maturity;

    and in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates €75.0 million or more; and

(5) certain events of bankruptcy or insolvency with respect to the Parent, the Issuer or any of the Parent's Significant Subsidiaries.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency with respect to the Parent, the Issuer or a Significant Subsidiary of the Parent, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee (upon request of Holders of at least 30% in principal amount of Notes then outstanding) shall, by notice in writing to the Issuer or the Holders of at least 30% in principal amount of the then outstanding Notes may, by notice in writing to the Issuer and the Trustee, declare all Notes to be due and payable and such notice shall specify the respective Event of Default and that such notice is a "notice of acceleration", and the Notes shall become immediately due and payable. In the event of any Event of Default specified in clause (4), above, such Event of Default and all consequences thereof (including, without limitation, any acceleration, resulting payment default) shall be annulled, waived and rescinded automatically and without any action by the Trustee or the Holders, if within 30 days after such Event of Default arose, (x) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged, (y) the creditors in respect of such Indebtedness have rescinded or waived the acceleration, notice or action, as the case may be, giving rise to such Event of Default or (z) if the default that is the basis for such Event of Default has been cured.

Holders of Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee shall be obligated to notify the holders of Notes of all Defaults actually known to the Trustee within 60 days after receiving notice from the Issuer of the occurrence of a Default unless the applicable Default shall have been cured. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest or Additional Amounts) if it determines that withholding notice is in their interest.

Subject to conditions specified in the Indenture, the Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or Additional Amounts on, or the principal of, and other monetary obligations on, the Notes.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, interest when due, and Additional Amounts, if any, no Holder may pursue any remedy with respect to the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 30% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such holders have offered the Trustee indemnity and/or security against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of indemnity and/or security; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

In the case of any Event of Default occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Issuer or the Parent in bad faith with the intention of avoiding payment of the premium that the Issuer would have had to pay if the Issuer then had elected to redeem the Notes pursuant to the optional redemption provisions of the Indenture or was required to repurchase the Notes, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Notes.

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture within 120 days after the end of each fiscal year. Upon becoming aware of any Default or Event of Default, the Issuer is required to promptly deliver to the Trustee a notice specifying such Default or Event of Default, and what action the Issuer is taking or proposes to take in respect thereof.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Parent, the Issuer or any Subsidiary Guarantor, as such, shall have any liability for any obligations of the Parent, the Issuer or any Subsidiary Guarantor under the Notes, the Notes Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the United States federal or other applicable securities laws.

Legal Defeasance and Covenant Defeasance

The Issuer may, at its option and at any time, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Notes Guarantees ("*Legal Defeasance*") except for:

(1) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, or interest, premium and Additional Amounts, if any, on such Notes when such payments are due (including on a redemption date) from the trust referred to below;

(2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

If the Issuer exercises its Legal Defeasance option, payment of the Notes may not be accelerated because of an Event of Default. In addition, the Issuer may, at its option and at any time, elect to have its obligations and the obligations of the Guarantors released with respect to certain covenants that are described in the Indenture ("*Covenant Defeasance*") and thereafter payment on the Notes may not be accelerated because of an Event of Default relating to any omission to comply with those covenants. In the event Covenant Defeasance occurs, payment on the Notes may not be accelerated because of an Event of Default relating to certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "—Events of Default and Remedies" with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in euro in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay the principal of, interest, premium and Additional Amounts, if any, on the outstanding Notes on the stated maturity or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee and in form and substance reasonably satisfactory to the Trustee confirming that (A) the Issuer has received from, or there has been published by, the United States Internal Revenue Service a ruling or (B) since the date of the Indenture, there has been a change in the applicable United States federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the beneficial holders of the outstanding Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Legal Defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee and in form and substance reasonably satisfactory to the Trustee confirming that the beneficial holders of the outstanding Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Covenant Defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which the Parent or any of its Subsidiaries is a party or by which the Parent or any of its Subsidiaries is bound;

(6) the Issuer must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and

(7) the Issuer must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel reasonably acceptable to the Trustee and in form and substance reasonably satisfactory to the Trustee, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided in the next three succeeding paragraphs, the Indenture, the Notes or the Notes Guarantees may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default, an Event of Default or its consequences or compliance with any provision thereof may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Unless consented to by Holders of at least 90% of the aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), without the consent of each Holder affected, an amendment or waiver may not (with respect to any Notes held by a non-consenting Holder):

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note;

(3) reduce the rate of or change the time for payment of interest on any Note;

(4) reduce the premium or amount payable upon the redemption of any Note or change the time at which any Note may be redeemed as described under "—Optional Redemption" or "—Redemption for Taxation Reasons";

(5) waive a Default or Event of Default in the payment of principal of, or interest, premium or Additional Amounts, if any, on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration);

(6) make any Note payable in money other than that stated in the Notes;

(7) make any change in the provisions of the Indenture relating to the rights of any Holder to institute suit for the enforcement of any payment on or with respect to such Holder's Notes or any Notes Guarantee in respect thereof;

(8) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described under "—Repurchase at the Option of Holders—Change of Control Repurchase Event");

(9) make any change in the provisions of the Indenture described under "—Withholding Taxes" that adversely affects the rights of any Holder or amends the terms of the Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof; or

(10) make any change in the preceding amendment and waiver provisions.

Without the consent of the Holders of at least 66⅔% in aggregate principal amount of the Notes then outstanding, an amendment or waiver may not (with respect to any Notes held by a non-consenting Holder) release any Guarantor from any of its obligations under its Notes Guarantee or the Indenture, except in accordance with the terms of the Indenture.

Notwithstanding the preceding, without the consent of any Holder, the Issuer, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes or the Notes Guarantees:

(1) to cure any ambiguity, defect, error or inconsistency;

(2) to add or change any of the provisions of this Indenture or the Notes to such extent as shall be necessary to permit or facilitate the deposit of the Notes with, or on behalf of, a common safekeeper for Euroclear and Clearstream and the registration of such Notes in the name of such common safekeeper, and to otherwise allow the Notes to be held in a manner that will satisfy the Note format eligibility criteria for the Notes to be pledged as collateral in European central banking and monetary operations, or to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to provide for the assumption of the Issuer's or a Guarantor's obligations to Holders in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the Holders or that does not adversely affect the legal rights under the Indenture of any Holder;

(5) to allow any Guarantor to execute a supplemental indenture and/or a Notes Guarantee with respect to the Notes;

(6) to evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture;

(7) to conform the text of the Indenture, the Notes or the Notes Guarantees to any provision of this Description of the Notes to the extent such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Notes Guarantee;

(8) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture; or

(9) to the extent necessary to provide for the granting of a Lien to secure the Notes and/or any Notes Guarantee as contemplated under the caption "—Certain Covenants—Negative Pledge."

Notwithstanding anything to the contrary in the paragraph above, in order to effect an amendment authorized by clause (5) above, it shall only be necessary for the supplemental indenture to be duly authorized and executed by the Issuer, such additional Notes Guarantor and the Trustee. Any other amendments permitted by the Indenture need only be duly authorized and executed by Issuer and the Trustee.

In formulating its decisions on such matters, the Trustee and the Security Agent, as applicable, shall be entitled to require and rely absolutely on such evidence as it deems appropriate, including Officer's Certificates and Opinions of Counsel.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

(a) all Notes that have been authenticated (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust and thereafter repaid to the Issuer) have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee or the Registrar for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise or will become due and payable at their stated maturity within one year, or if redeemable at the option of the Issuer, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee, and the Issuer has irrevocably deposited with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in euro in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee or the Registrar for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit;

(3) the Issuer and each Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, the Issuer must deliver an Officers' Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Concerning the Trustee

If any Trustee becomes a creditor of the Issuer or any Guarantor, the Indenture limits its right to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it has actual knowledge it has acquired any conflicting interest it must eliminate such conflict within 90 days or resign.

The Holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default shall occur and be continuing that is actually known to a trust officer of the Trustee, the Trustee will be required, in the exercise of its power, to use the same degree of care and skill a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Notes, unless the conditions enumerated in "—Events of Default and Remedies", above, are met.

Additional Information

Anyone who receives this Offering Memorandum may, subject to a customary confidentiality undertaking, obtain a copy of the Indenture without charge by writing to TI Automotive Finance plc, 4650 Kingsgate Oxford, Oxford Business Park South, OX4 2SU, United Kingdom, Attention: Group Controller. The Indenture will contain provisions for the indemnification of each of the Trustee, the Principal Paying Agent and any Registrar, Paying Agent, Transfer Agent, Authenticating Agent or co-Registrar in connection with their respective actions taken under the Indenture. The Trustee will have a lien prior to the Notes as to all property and funds held or collected by it under the Indenture to secure the obligations of the Issuer for compensation and reimbursement of the Trustee.

Notices

In the case of certificated Notes, all notices to Holders of the Notes will be validly given if mailed to them at their respective addresses in the register of the Holders of such Notes, if any, maintained by the Registrar. If and for so long as Notes are listed on the Exchange and if and to the extent that the rules of the Authority so require, notices of the Issuer with respect to the Notes will be sent to the Authority. Each such notice shall be deemed to have been given on the date of such publication, or, if published more than once on different dates, on the first date on which publication is made, *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. For so long as any Notes are represented by global Notes, all notices to Holders of the Notes will be delivered to Euroclear and Clearstream, each of which will give notice of such notice to the holders of beneficial interests in the Notes. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Person if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the Notes Guarantees, including damages. Any amount received or recovered in a currency other than euro whether as a result of, or the enforcement of, a judgement or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise, by any Holder or by the Trustee, as the case may be, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or the Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient under any Note, any Notes Guarantee or to the Trustee, the Issuer and the Guarantors will indemnify them on a joint and several basis against any loss sustained by such recipient as a result. In any event, the Issuer and the Guarantors will indemnify the recipient on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be sufficient for the Holder of a Note or the Trustee to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above).

These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any Holder of a Note or the Trustee and will continue in full force and effect despite any other judgement, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Notes Guarantee or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the euro-equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is incurred or made, as the case may be.

Enforceability of Judgements

Since a substantial portion of the assets of the Issuer and the Guarantors are outside the United States, any judgement obtained in the United States against the Issuer or any Guarantor, including judgements with respect to the payment of principal, premium, interest, Additional Amounts and any redemption price and any purchase price with respect to the Notes or the Notes Guarantees, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes and the Notes Guarantees, the Issuer and each Guarantor will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States of America.

Governing Law

Each of the Indenture, the Notes and the Notes Guarantees and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"*Additional Amounts*" has the meaning ascribed thereto under "—Withholding Taxes."

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "*control*", as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "*controlling*", "*controlled by*" and "*under common control with*" shall have correlative meanings.

"*Applicable Premium*" means, with respect to any Note on any redemption date and as calculated by the Issuer or on behalf of the Issuer by such person as the Issuer shall designate, the greater of:

(1) 1.0% of the principal amount of such Note; and

(2) the excess (if any) of (i) the present value at such redemption date of (A) the redemption price of such Note that would apply if such Note were redeemed on , 2024 (such redemption price (expressed in percentage of principal amount) being set forth in the table appearing above under "—Optional Redemption"), plus (B) all remaining scheduled payments of interest due on such Note through , 2024 (excluding accrued but unpaid interest, if any, to, but excluding, the redemption date), with respect to each of subclause (A) and (B), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over (ii) the principal amount of such Note.

For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee or the Agents.

"*Attributable Debt*" in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with IFRS.

"*Bain*" means Bain Capital Partners, LLC.

"*Bank Products*" means, collectively, any services or facilities (other than Cash Management Services) on account of (i) credit and debit cards and (ii) purchase cards and other card payment products.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" shall be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "*Beneficially Owns*" and "*Beneficially Owned*" shall have a corresponding meaning.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors (or analogous governing body) of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to any limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Bund Rate*" means, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "*Comparable German Bund Issue*" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to   , 2029 and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro- denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to   , 2029; *provided, however*, that, if the period from such redemption date to   , 2029 is less than one year, a fixed maturity of one year shall be used;

(2) "*Comparable German Bund Price*" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "*Reference German Bund Dealer*" means any dealer of German Bundesanleihe securities appointed by the Issuer in consultation with the Trustee; and

(4) "*Reference German Bund Dealer Quotations*" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third business day preceding the relevant date.

"*Capital Lease Obligation*" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with IFRS, excluding any lease that would have been classified as an operating lease under International Financial Reporting Standards as adopted by the European Union, International Financial Reporting Interpretation Committee, on or prior to December 31, 2018.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of a company, shares of such company;

(3) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(4) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(5) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person;

provided that debt securities convertible into interests specified in (1) through (5) above shall not be deemed "Capital Stock."

"*Cash Management Services*" means any one or more of the following types of services or facilities: (i) ACH transactions, (ii) treasury and/or cash management services, including controlled disbursement services, depository, overdraft and electronic funds transfer services, (iii) foreign exchange facilities, (iv) deposit and other accounts and (v) merchant services (other than those constituting a line of credit).

"*Change in Tax Law*" has the meaning ascribed thereto under "—Redemption for Taxation Reasons."

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger, consolidation or transfer of the Parent's Voting Stock), in one or a series of related transactions, of all or substantially all of the properties or assets of the Parent and its Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) other than a Permitted Holder;

(2) the adoption of a plan relating to the liquidation or dissolution of the Issuer or the Parent (other than a transaction not prohibited under "Certain Covenants — Merger, Consolidation or Sale of All or Substantially All Assets");

(3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as defined above) other than the Parent or other direct or indirect parent company that is wholly owned by the Parent or a Permitted Holder becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Issuer or the Parent, measured by voting power rather than number of shares; or

(4) Parent ceases to own, directly or indirectly, 100% of the Capital Stock of the Issuer (excluding qualifying management and director shares, subject to shares required by law to be owned by third parties and other than any transaction that would not be prohibited under the covenant described under "Certain Covenants—Merger, Consolidation or Sale of All or Substantially All Assets" that results in a merger of the Issuer with and into the Parent).

"*Change of Control Offer*" has the meaning ascribed thereto under "—Repurchase at the Option of Holders—Change of Control."

"*Change of Control Payment*" has the meaning ascribed thereto under "—Repurchase at the Option of Holders—Change of Control."

"*Change of Control Payment Date*" has the meaning ascribed thereto under "—Repurchase at the Option of Holders—Change of Control."

"*Change of Control Repurchase Event*" means a Change of Control and a Rating Event.

"*Code*" means the United States Internal Revenue Code of 1986, as amended.

"*Commission*" means the United States Securities and Exchange Commission, or any successor entity thereof from time to time.

"*Consolidated Net Tangible Assets*" means, as of any date of determination, the total amount of all assets of TIFS and its Subsidiaries, determined on a consolidated basis in accordance with IFRS, as of the end of the most recent fiscal quarter for which TIFS's financial statements are internally available (but which may give pro forma effect to the acquisition or disposition of any assets or liabilities following the end of such recent fiscal quarter up to and including the determination date), less the sum of:

(1) TIFS's consolidated current liabilities as of such quarter end (other than (a) short-term borrowings and (b) long-term debt due within one year), determined on a consolidated basis in accordance with IFRS; and

(2) TIFS's consolidated assets that are properly classified as intangible assets as of such quarter end, determined on a consolidated basis in accordance with IFRS.

"*Consolidated Total Assets*" means, as of any date of determination, the total amount of all assets of TIFS and its Subsidiaries, determined on a consolidated basis in accordance with IFRS, as of the end of the most recent fiscal quarter for which TIFS's financial statements are internally available.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness of any other Person, including any obligation of such Person, whether or not contingent.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person which, by its terms, or by the terms of any security into which it is convertible or for which it is putable or exchangeable, or upon the happening of any event, matures or is mandatorily redeemable (other than solely for Qualified Stock), other than as a result of a change of control, asset sale, or similar event, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof (other than solely for Qualified Stock), other than as a result of a change of control, asset sale, or similar event, in whole or in part, in each case, on or prior to the date that is the earlier of the final maturity date of the Notes or the date the Notes are no longer outstanding; *provided* that if such Capital Stock is issued to any plan for the benefit of any officer, employee, director, manager or consultant (or any of their immediate family members) of Parent or its Subsidiaries or by any such plan to such officer, employee, director, manager or consultant (or any of their immediate family members), such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by Parent or its Subsidiaries in order to satisfy applicable statutory or regulatory obligations or as a result of the termination, death or disability of such officer, employee, director, manager or consultant.

"*Equity Interest*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock, but excluding any debt security that is convertible into, or exchangeable for, Capital Stock.

"*Equity Offering*" means the sale of Equity Interests by TIFS, the Issuer or any other Parent Entity of the Issuer (other than Disqualified Stock), to the extent the proceeds thereof are received by or contributed to the equity of the Parent, the Issuer or any Guarantor by TIFS or any other Parent Entity in any form other than Indebtedness or Disqualified Stock, other than (i) sales of Equity Interests registered on Forms S-4 or S-8 (or similar forms or similar offerings in other jurisdictions) or (ii) an issuance to TIFS, the Parent or any Subsidiary thereof.

"*Event of Default*" has the meaning ascribed thereto under "—Events of Default and Remedies."

"*Exchange Act*" means the United States Securities Exchange Act of 1934, as amended.

"*guarantee*" means a guarantee, contingent or otherwise, of all or any part of any Indebtedness (other than by endorsement of negotiable instruments for collection in the ordinary course of business), including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof.

"*Guarantor*" means the Parent, the Subsidiary Guarantors and their respective successors and assigns, in each case, until the Notes Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements; and

(2) other similar agreements or arrangements designed to enable such Person to manage fluctuations in interest rates.

"*Holder*" means the Person in whose name a Note is registered on the Registrar's books.

"*IFRS*" means International Financial Reporting Standards as adopted by the European Union, International Financial Reporting Interpretations Committee as in effect as of the date of the Indenture; *provided, however*, that all reports and other financial information provided by the Issuer to the Holders and/or the Trustee shall be prepared in accordance with IFRS as in effect on the date of such report or other financial information. All ratios and computations based on IFRS contained in the Indenture will be computed in conformity with IFRS.

"*Indebtedness*" means, with respect to any specified Person, any Indebtedness of such Person, whether or not contingent, in respect of:

(1) borrowed money;

(2) bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) banker's acceptances, letters of credit and similar instruments;

(4) Capital Lease Obligations and Attributable Debt;

(5) the deferred balance of the purchase price of any property which remains unpaid more than one year after such property is acquired, except any such balance that constitutes an operating lease payment, accrued expense, trade payable or similar current liability; or

(6) any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS. In addition, the term "*Indebtedness*" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person. Notwithstanding the foregoing and for the avoidance of doubt, the term "*Indebtedness*" shall not include: (1) any lease, concession or license of property that would have been classified as an operating lease under International Financial Reporting Standards as adopted by the European Union, International Financial Reporting Interpretation Committee, on or prior to December 31, 2018, and any guarantee given by the Issuer or any of its Subsidiaries in the ordinary course of business solely in connection with, and in respect of, the obligations of the Issuer or any of its Subsidiaries under any such lease; (2) Contingent Obligations in the ordinary course of business; (3) in connection with the purchase by the Issuer or any of its Subsidiaries of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; and (4) any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes.

The amount of any Indebtedness outstanding as of any date shall be:

(1) the accreted value thereof, in the case of any Indebtedness issued with original issue discount; and

(2) the principal amount thereof in the case of any other Indebtedness.

In addition, Indebtedness of any Person shall include Indebtedness described in the preceding paragraph that would not appear as a liability on the balance sheet of such Person if:

(1) such Indebtedness is the obligation of a partnership or joint venture that is not a Subsidiary of such Person (a "*Joint Venture*");

(2) such Person or a Subsidiary of such Person is a general partner of the Joint Venture (a "*General Partner*"); and

(3) there is recourse, by contract or operation of law, with respect to the payment of such Indebtedness to property or assets of such Person or a Subsidiary of such Person; and then such Indebtedness shall be included in an amount not to exceed:

   (a) the lesser of (i) the net assets of the General Partner and (ii) the amount of such obligations to the extent that there is recourse, by contract or operation of law, to the property or assets of such Person or a Subsidiary of such Person; or

(b) if less than the amount determined pursuant to clause (i) immediately above, the actual amount of such Indebtedness that is recourse to such Person or a Subsidiary of such Person, if the Indebtedness is evidenced by a writing and is for a determinable amount and the related interest expense shall be included in consolidated interest expense to the extent actually paid by the Issuer or its Subsidiaries.

The principal amount of any Indebtedness incurred to refinance or replace other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced or replaced, shall be calculated based on the currency exchange rate applicable to the currencies in which such refinancing or replacement Indebtedness is denominated that is in effect on the date of such refinancing or replacement.

"*Investment Grade Rating*" means:

(1) with respect to S&P any of the rating categories from and including AAA to and including BBB-; and

(2) with respect to Moody's any of the rating categories from and including Aaa to and including Baa3.

"*Issue Date*" means the date on which Notes are originally issued under the Indenture.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement.

"*Management Equityholders*" means any of (i) any current or former director, officer, employee or member of management of the Parent or any of its Subsidiaries or any Parent Entity who, on the Issue Date, is an equityholder in the Parent or any Parent Entity, (ii) any trust, partnership, limited liability company, corporate body or other entity established by any such director, officer, employee or member of management of the Parent or any of its Subsidiaries or any Parent Entity or any Person described in the succeeding clauses (iii) and (iv), as applicable, to hold an investment in the Parent or any Parent Entity in connection with such Person's estate or tax planning, (iii) any spouse, parents or grandparents of any such director, officer, employee or member of management of the Parent or any of its Subsidiaries or any Parent Entity, and any and all descendants (including adopted children and step-children) of the foregoing, together with any spouse of any of the foregoing Persons, who are transferred an investment in the Parent or any Parent Entity by any such director, officer, employee or member of management of the Parent or any of its Subsidiaries or any Parent Entity in connection with such Person's estate or tax planning and (iv) any Person who acquires an investment in the Parent or any Parent Entity by will or by the laws of intestate succession as a result of the death of any such director, officer, employee or member of management of the Parent or any of its Subsidiaries or any Parent Entity.

"*Moody's*" means Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

"*Net Cash Proceeds*" with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually incurred in connection with such issuance or sale and net of Taxes paid or reasonably estimated to be actually payable as a result of such issuance or sale (including, for the avoidance of doubt, any income, withholding and other Taxes payable as a result of the distribution of such proceeds to the Issuer and after taking into account any available tax credit or deductions and any tax sharing agreements).

"*Notes Guarantee*" means any guarantee by a Guarantor of the Issuer's obligations under the Indenture and the Notes pursuant to the terms of the Indenture.

"*Officer*" means the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Chief Financial Officer, the Treasurer or the Secretary of TIFS, the Parent, TI Automotive or the Issuer, as applicable.

"*Officers' Certificate*" means a certificate signed by an Officer.

"*Opinion of Counsel*" means a written opinion from legal counsel that is reasonably acceptable to the Trustee.

"*Other Hedging Obligations*" means any foreign exchange contracts, currency swap agreements, futures contract, option contract, commodity futures contract, commodity option, commodity swap, commodity collar agreement, commodity cap agreements or other similar agreements or arrangements designed to enable such Person to manage the fluctuations in currency or commodity values.

"*Parent*" means Omega Acquisition Bidco Limited, a private company limited by shares incorporated in England and Wales, or any successor entity.

"*Parent Entity*" means any direct or indirect parent of the Parent.

"*Payor*" has the meaning ascribed thereto under "—Redemption for Taxation Reasons."

"*Permitted Holder*" means any of (i) any Sponsor, any Affiliate of any Sponsor (other than any portfolio company of the Sponsor) and the Management Equityholders and any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Sponsor, the Sponsor's Affiliates and the Management Equityholders, collectively, have beneficial ownership of more than 50% of the aggregate ordinary voting power of the outstanding Voting Stock of the Parent or any Parent Entity held by such group; (ii) any Parent Entity not formed in connection with, or in contemplation of, a transaction that, assuming such parent was not formed, after giving effect thereto would constitute a Change of Control; (iii) any Person who is acting solely as an underwriter in connection with a public or private offering of Capital Stock of any Parent Entity, acting in such capacity; (iv) any Person, group or Parent Entity whose acquisition of beneficial ownership constitutes (x) a Change of Control Repurchase Event in respect of which a Change of Control Offer is made or waived in accordance with the requirements of the Indenture or (y) a Change of Control that does not result in a Change of Control Repurchase Event, together with any Affiliates of such Person and Affiliates of other members of such group or Parent Entity.

"*Permitted Interest*" means any Securitization Lien or other Lien that arises in relation to any securitization or other structured finance transaction where:

(1) the primary source or payment of any obligations of the issuer is linked or otherwise related to cash flow from particular property or assets (or where payment of such obligations is otherwise supported by such property or assets); and

(2) recourse to the issuer in respect of such obligations is conditional on cash flow from such property or assets.

"*Permitted Liens*" means:

(1) Liens created for the benefit of or to secure the Notes or the Notes Guarantees;

(2) Liens in favor of the Parent or any Subsidiary;

(3) Liens securing Indebtedness and other obligations under the Senior Facility Agreement (and refinancing or replacement Indebtedness in respect thereof, whether under the Senior Facility Agreement or otherwise); *provided*, *however*, that immediately after giving effect to any such incurrence, the then outstanding aggregate principal amount of all such Indebtedness secured by Liens pursuant to this clause (3), including any refinancing or replacement Indebtedness in respect thereof, does not exceed (i) €265.0 million, *plus* (ii) $525.0 million, *plus* (iii) accrued interest, fees, defeasance costs and premium (including call and tender premiums), if any, under such refinanced or replaced Indebtedness, plus underwriting discounts, fees, commissions and fees and similar items in connection with the refinancing or replacement of such Indebtedness and the incurrence or issuance of such refinancing Indebtedness;

(4) Liens on property or assets or Equity Interests of a Person existing at the time such Person is merged with or into or consolidated with the Parent or any Subsidiary of the Parent; *provided* that such Liens were not incurred in contemplation of such merger or consolidation and do not extend to any Principal Property other than such property of the Person merged into or consolidated with the Parent or the Subsidiary (other than, with respect to such Person, property, assets or shares of stock, any replacement of such property, assets or shares of stock and additions and accessions thereto, after-acquired property subject to a Lien securing Indebtedness and other obligations incurred prior to such time and which Indebtedness and other obligations that require, pursuant to their terms at such time, a pledge of after-acquired property of such Person, and the proceeds and the products thereof and customary security deposits in respect thereof and in the case of multiple financings of equipment provided by any lender, other equipment financed by such lender, it being understood that such requirement to pledge such after-acquired property shall not be permitted to apply to any such after-acquired property to which such requirement would not have applied but for such merger or consolidation);

(5) Liens on property or assets or Equity Interests existing at the time of acquisition thereof by the Parent or any Subsidiary of the Parent and purchase money or similar Liens; *provided* that such Liens were not incurred in contemplation of such acquisition and do not extend to any other Principal Property (other than, with respect to such Person, property, assets or shares of stock, any replacement of such property, assets or shares of stock and additions and accessions thereto, after-acquired property subject to a Lien securing Indebtedness and other obligations incurred prior to such time and which Indebtedness and other obligations that require, pursuant to their terms at such time, a pledge of after-acquired property of such Person, and the proceeds and the products thereof and customary security deposits in respect thereof and in the case of multiple financings of equipment provided by any lender, other equipment financed by such lender, it being understood that such requirement to pledge such after-acquired property shall not be permitted to apply to any such after-acquired property to which such requirement would not have applied but for such acquisition);

(6) Liens granted by such Person under workmen's compensation laws, health, disability or unemployment insurance laws, other employee benefit legislation, unemployment insurance legislation and similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness), leases or other obligations of a like nature to which such Person is a party, or Liens granted to secure public or statutory obligations of such Person or deposits of cash or U.S. government bonds to secure surety, stay, customs, performance or appeal bonds to which such Person is a party, or deposits as security for the payment of rent or deposits made to secure obligations arising from contractual or warranty refunds, in each case incurred in the ordinary course of business;

(7) (1) Liens imposed by statutory or common law, such as carriers', warehousemen's, materialmen's, landlord's, construction contractor's, repairmen's, and mechanics' Liens, (2) customary Liens (other than in respect of borrowed money) in favor of landlords, so long as, in the cases of clauses (1) and (2), such Liens only secure sums not overdue for a period of more than 60 days or sums being contested in good faith by appropriate actions and (3) other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other actions for review; *provided*, in the case of clauses (1) through (3), adequate reserves with respect thereto are maintained on the books of such Person in accordance with IFRS;

(8) Liens for taxes, assessments, or other governmental charges not yet overdue for a period of more than 60 days or which are being contested in good faith by appropriate actions diligently conducted, if adequate reserves with respect thereto are maintained on the books of such Person in accordance with IFRS or are not required to be paid under the terms of the Senior Facility Agreement, or for property taxes on property the Parent or any Subsidiary has determined to abandon if the sole recourse for such tax, assessment, charge, levy or claim is to such property;

(9) (x) Liens (i) in favor of issuers of performance, surety, bid, indemnity, warranty, release, appeal, or similar bonds or (ii) with respect to other regulatory requirements or (y) letters of credit or bankers' acceptances issued, and completion guarantees provided for, in each case pursuant to the request of and for the account of such Person in the ordinary course of its business;

(10) minor survey exceptions, minor encumbrances, ground leases, easements, or reservations of, or rights of others for, licenses, rights-of-way, servitudes, sewers, electric lines, drains, telegraph and telephone and cable television lines, gas and oil pipelines, and other similar purposes, or zoning, building codes, or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental, to the conduct of the business of such Person or to the ownership of its properties which were not incurred in connection with Indebtedness and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operational of the business of such Person, and Liens disclosed as exceptions to coverage in the final title policies and endorsements with respect to any mortgaged properties;

(11) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances, bank guarantees or letters of credit issued or created for the account of such Person to facilitate the purchase, shipment, or storage of such inventory or other goods;

(12) leases, franchises, grants, subleases, licenses, sublicenses, covenants not to sue, releases, consents and other forms of license (including of intellectual property) granted to others in the ordinary course of business which do not materially interfere with the ordinary conduct of the business of the Parent or any Subsidiary of the Parent and do not secure any Indebtedness;

(13) Liens on equipment of the Parent or any Subsidiary of the Parent granted in the ordinary course of business to the Parent's or such Subsidiary's client at which such equipment is located;

(14) deposits made or other security provided to secure liabilities to insurance carriers under insurance carriers under insurance or self-insurance arrangements, including Liens on insurance policies and the proceed thereof securing the financing of the premiums with respect thereto, in the ordinary course of business;

(15) Liens securing judgments not constituting an Event of Default ;

(16) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(17) Liens encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes;

(18) Liens that are contractual rights of set-off (a) relating to the establishment of depository relations with banks not given in connection with the issuance of Indebtedness, (b) relating to pooled deposit or sweep accounts of the Parent or any of Subsidiary of the Parent to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of the Parent and the Subsidiaries of the Parent, or (c) relating to purchase orders and other agreements entered into by the Parent or any of the Subsidiaries of the Parent in the ordinary course of business;

(19) restrictive covenants affecting the use to which real property must be put; *provided* that the covenants are complied with;

(20) Liens on goods purchased in the ordinary course of business the purchase price of which is financed by a documentary letter of credit issued for the account of the Parent or any Subsidiary of the Parent;

(21) Liens on Equity Interests in joint ventures; *provided* that any such Lien is in favor of a creditor of such joint venture and such creditor is not an Affiliate of any partner to such joint venture and purchase options, call, and similar rights of, and restrictions for the benefit of, a third party with respect to Equity Interests held by the Parent or any Subsidiary of the Parent in joint ventures;

(22) Liens on cash and cash equivalents that are earmarked to be used to satisfy or discharge Indebtedness; *provided* that (a) such cash and/or cash equivalents are deposited into an account from which payment is to be made, directly or indirectly, to the Person or Persons holding the Indebtedness that is to be satisfied or discharged, (b) such Liens extend solely to the account in which such cash and/or cash equivalents are deposited and are solely in favor of the Person or Persons holding the Indebtedness (or any agent or trustee for such Person or Persons) that is to be satisfied or discharged, and (c) the satisfaction or discharge of such Indebtedness is not prohibited hereunder;

(23) other Liens and privileges arising mandatorily by any law, treaty, rule or regulation or determination of an arbitrator or a court or other governmental authority, in each case applicable to or binding upon a Person or any of its property or assets or to which such Person or any of its property or assets is subject;

(24) Liens on Equity Interests, property or assets of a Subsidiary of the Parent (that is not the Issuer or a Subsidiary Guarantor) that secure Indebtedness or other obligations of such Subsidiary, so long as such Liens do not secure Indebtedness for borrowed money of the Issuer or a Guarantor;

(25) Liens or rights of set-off against credit balances of any of the Parent or any Subsidiary of the Parent with credit card issuers or credit card processors or amounts owing by such credit card issuers or credit card of business to secure the obligations of any issuers or credit card processors as a result of fees and charges;

(26) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters, trustee, escrow agent or arrangers thereof) or on cash set aside at the time of the incurrence or issuance of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(27) without duplication of any other clause of this definition of Permitted Liens, Liens which constitute, are part of or are made under or in connection with any Indebtedness borrowed or incurred by the Parent or any Subsidiary of the Parent which is not prohibited under the terms of the Senior Facility Agreement as in existence as of the Issue Date (excluding Liens permitted under the Senior Facility Agreement to be incurred solely by virtue of securing (i) Indebtedness arising under the Credit

Documents (as defined in the Senior Facility Agreement as in existence as of the Issue Date) (or to grant Liens in favour of any Credit Party (as defined in the Senior Facility Agreement as in existence as of the Issue Date)), (ii) Indebtedness incurred pursuant to a Permitted Debt Exchange (as defined in the Senior Facility Agreement as in existence as of the Issue Date) and (iii) Indebtedness permitted under the Senior Facility Agreement (including Permitted Other Indebtedness (as defined in the Senior Facility Agreement as in existence as of the Issue Date)) to be incurred to the extent the incurrence of such Indebtedness requires a repayment of Indebtedness arising under the Credit Documents or a reduction in commitments under the Credit Documents);

(28) any Lien to which the Majority in Interest (as defined in the Senior Facility Agreement) shall have given their prior written consent (other than Liens in respect of any borrowings or obligations under the Senior Facility Agreement); *provided*, *however*, that at the time such Lien is granted (i) indebtedness under the Senior Facility Agreement in an amount representing no less than 10% of the total commitments available as of the Issue Date under the Senior Facility Agreement is still outstanding or (ii) no more than 90% of the total amount of the commitments provided for as of the Issue Date under the Senior Facility Agreement have been canceled;

(29) Liens existing on the Issue Date (other than Liens existing on the Issue Date securing Indebtedness and other obligations under the Senior Facility Agreement, which shall be deemed incurred and outstanding pursuant to clause (3) above);

(30) Liens securing Hedging Obligations, Other Hedging Obligations, Cash Management Services and Bank Products so long as, with respect to Hedging Obligations relating to Indebtedness, the related Indebtedness is, and is permitted hereunder to be, secured by a Lien on the same property securing such Hedging Obligations;

(31) Liens securing any Permitted Interest; and

(32) Liens to secure any refinancing, refunding, extension, renewal, or replacement (or successive refinancing, refunding, extensions, renewals, or replacements) as a whole, or in part, of any Indebtedness secured by any Lien referred to in clauses (4), (5), (29) and this clause (32) of this definition of Permitted Liens; *provided* that (a) such new Lien shall be limited to all or part of the same Principal Property that secured the original Lien (*plus* improvements on such property, replacements of such Principal Property, additions and accessions thereto, after-acquired property and the proceeds and the products of the foregoing and customary security deposits in respect thereof and, in the case of multiple financings of equipment provided by any lender, other equipment financed by such lender), and (b) the aggregate principal amount of the Indebtedness that was originally secured by such Lien is not increased to an amount greater than the sum of the aggregate outstanding principal amount (*plus* the amount of any unused commitments thereunder) of the Indebtedness being refinanced, refunded, extended, renewed, or replaced, *plus* accrued interest, fees, defeasance costs and premium (including call and tender premiums), if any, under such refinanced Indebtedness, plus underwriting discounts, fees, commissions and fees and similar items in connection with the refinancing of such Indebtedness and the incurrence or issuance of such refinancing Indebtedness.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Principal Property*" means any building, structure or other facility, together with the land upon which it is erected and fixtures comprising a part thereof or any production, processing or other similar equipment or machinery contained therein, owned or leased by the Parent or any Subsidiary, used primarily for manufacturing, the net book value on the books of TIFS of which on the date as of which the determination is being made exceeds the greater of: (i) €30 million or (ii) 1% of the Consolidated Total Assets, other than any such building, structure or other facility or any portion thereof or any such fixture, equipment or machinery (together with the land upon which it is erected and fixtures comprising a part thereof) which, in the opinion of the Board of Directors of the Parent, is not of material importance to the total business conducted by the Issuer and its Subsidiaries.

"*Public Indebtedness*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the Commission for public resale. The term "*Public Indebtedness*" for the avoidance of doubt, shall not be construed to include any Indebtedness issued to institutional investors in a direct placement of such Indebtedness that is not underwritten by an intermediary (it being understood that, without limiting the foregoing, a financing that is distributed to not more than ten Persons (*provided* that multiple managed accounts and affiliates of any such Persons shall be treated as one Person for the purposes of this definition) shall not be deemed underwritten), or any Indebtedness under the Senior Facility Agreement, commercial bank or similar Indebtedness, Capital Lease Obligation or recourse transfer of any financial asset or any other type of Indebtedness incurred in a manner not customarily viewed as a "securities offering" or in connection with any securitization or other structured finance transaction.

"*Qualified Stock*" of any Person shall mean Capital Stock of such Person other than Disqualified Stock of such Person.

"*Rating Agencies*" means S&P and Moody's or if S&P or Moody's or both shall not make a rating on the Notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Parent (as certified by a resolution of its Board of Directors) which shall be substituted for S&P or Moody's, or both, as the case may be.

"*Rating Event*" means (1) if on the date of first public announcement of an event that constitutes a Change of Control the Notes are then rated by both Rating Agencies as having an Investment Grade Rating, there is a decrease in the rating of the Notes by at least one of the Rating Agencies on or within 90 days of the date of the Change of Control (which period shall be extended for up to, but no longer than, an additional 90 days so long as any Rating Agency has publicly announced that it is considering a possible downgrade of the Notes) which causes the Notes to no longer have an Investment Grade Rating from both Rating Agencies, or (2) if on the date of first public announcement of an event that constitutes a Change of Control the Notes are not then rated by both Rating Agencies as having an Investment Grade Rating, there is a decrease in the Rating Category of the Notes by at least one of the Rating Agencies on or within 90 days of the date of the Change of Control (which period shall be extended for up to, but no longer than, an additional 90 days so long as any Rating Agency has publicly announced that it is considering a possible downgrade of the Notes) which decrease results in the rating on the Notes by such Rating Agency to be at least one Rating Category below the rating of the Notes issued by such Rating Agency immediately preceding the public announcement of the event that continues the relevant Change of Control.

"*Relevant Taxing Jurisdiction*" has the meaning ascribed thereto under "—Withholding Taxes."

"*S&P*" means Standard & Poor's Ratings Group or any successor to the rating agency business thereof.

"*Securities Act*" means the United States Securities Act of 1933, as amended.

"*Securitization Lien*" means a customary back-up security interest granted as part of a sale, lease, transfer or other disposition of assets by the Issuer or any of its Subsidiaries to, either directly or indirectly, any issuer in a securitization or other structured finance transaction.

"*Senior Facility Agreement*" means (i) the credit agreement, dated as of June 25, 2015, by and among, *inter alios*, the Parent, the borrower thereunder and the lending institutions from time to time parties thereto as lenders, as the same may be amended, supplemented or otherwise modified from time to time, including any ancillary facilities, and (ii) any Syndicated Facilities that are exchanged for, or the proceeds of which are used to, refinance or replace any such facilities.

"*Significant Subsidiary*" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date hereof.

"*Sponsor*" means any of Bain and/or its Affiliates (including, as applicable, related funds, general partners thereof and limited partners thereof, but solely to the extent any such limited partners are directly or indirectly participating as investors pursuant to a side-by-side investing arrangement, but not including, however, any portfolio company of any of the foregoing).

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the

election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or one or more Subsidiaries of such Person (or any combination thereof);

provided, *however*, that for purposes of the covenant described under "—Certain Covenants— Negative Pledge" and clause (5) under the caption "Events of Default and Remedies," the term "Subsidiary" shall exclude (i) any Subsidiary which is principally engaged in leasing or in financing installment receivables or which is principally engaged in financing the operations of the Parent and its Subsidiaries or (ii) any financial entity whose accounts as of the date of determination are not required to be consolidated with the accounts of TIFS in its audited consolidated financial statements or (iii) any Subsidiary that is an issuer in a securitization or other structured financing transaction, so long as in the case of clauses (ii) or (iii) such Subsidiary does not own any Principal Property.

"*Subsidiary Guarantors*" means (i) the Initial Subsidiary Guarantors and (ii) each existing and future Subsidiary of the Parent that provides a Notes Guarantee in accordance with the covenant described under "—Certain Covenants—Limitation on Issuance of Guarantees of Indebtedness by Subsidiaries."

"*Syndicated Facilities*" means one or more debt facilities with banks or other institutional lenders providing for revolving credit loans and/or term loans that are primarily syndicated to institutional investors in connection with the initial distribution, issuance or syndication (including, without limitation, any syndicated term facilities made available under the Senior Facility Agreement). For the avoidance of doubt, bilateral credit facilities will not be deemed to be Syndicated Facilities for purposes of this definition.

"*Tax Redemption Date*" has the meaning ascribed thereto under "—Redemption for Taxation Reasons."

"*Taxes*" has the meaning ascribed thereto under "—Withholding Taxes."

"*TI Automotive*" means TI Automotive Limited, a private company limited by shares incorporated in England and Wales, or any successor entity.

"*TIFS*" means TI Fluid Systems plc, a public limited liability company incorporated under the laws of England and Wales, and any successor thereto or any other entity that serves as the ultimate parent company of the Issuer.

"*Uniform Commercial Code*" means the Uniform Commercial Code as in effect from time to time in the State of New York; *provided*, *however*, that if a term is defined in Article 9 of the Uniform Commercial Code differently than in another Article thereof, the term shall have the meaning set forth in Article 9.

"*Voting Stock*" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

BOOK-ENTRY; DELIVERY AND FORM

General

The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "Rule 144A Global Notes"). The Notes sold outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes" and together with the Rule 144A Global Notes, the "Global Notes"). On the Issue Date, the Global Notes will be deposited upon issuance with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Notes (the "144A Book-Entry Interests") and ownership of interests in the Regulation S Global Notes (the "Regulation S Book-Entry Interests" and, together with the 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and/or Clearstream and their participants. The Book-Entry Interests in Global Notes will only be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interests in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form (subject to very limited exceptions) and will not be considered the registered owners or "Holder" of the Notes under the Indenture for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream, as applicable (or its respective nominee), will be considered the holder of the Notes for all purposes under the Indenture. As such, participants and indirect participants must rely on the procedures of Euroclear and/or Clearstream, as applicable, and the participants through which they own Book-Entry Interests in order to exercise any rights of holders of the Notes under the Indenture.

None of the Issuer, the Trustee, the Registrar, the Paying Agent, the Transfer Agent nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive definitive Notes in registered form (the "Definitive Registered Notes"):

(1) if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days;

(2) if Euroclear or Clearstream so requests following an Event of Default (as defined under "*Description of the Notes*") under the Indenture; or

(3) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default under the Indenture.

Euroclear and Clearstream have advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (3), their current procedure is to request that we issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

In the case of the issue of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Definitive Registered Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of one Definitive Registered Note, a new Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note will be issued to the transferor or the holder, as applicable, in respect of the balance of the holding not transferred or redeemed; provided that a Definitive Registered Note will only be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of the Transfer Agent, we will issue and the Trustee or an authenticating agent appointed by the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and our requirements are met. We or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and us to protect us, the Trustee and the applicable Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. We and/or the Trustee may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the Indenture, we in our discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Transfer Restrictions.*"

To the extent permitted by law, we, the Trustee, the Paying Agent, the Transfer Agent, the Registrar and any of their respective agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream, as applicable.

Redemption of the Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and/or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and/or Clearstream, as applicable, will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate in accordance with their respective operational procedures; provided, however, that no Book-Entry Interest of less than €100,000 principal amount at maturity may be redeemed in part.

Payments on Global Notes

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to Euroclear and/or Clearstream, as applicable, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture governing the Notes, the Issuer, the Trustee, the Paying Agent, the Transfer Agent, the Registrar and any of their respective agents will treat the registered holder of the Global Notes (for example, Euroclear and/or Clearstream, as applicable, or their respective nominees) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrar, the Transfer Agent, the Paying Agent nor any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear and/or Clearstream, as applicable, or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by Euroclear and/or Clearstream, as applicable, or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear and/or Clearstream, as applicable, or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- payments made by Euroclear and/or Clearstream, as applicable, or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear and/or Clearstream, as applicable, or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest;
- Euroclear and/or Clearstream, as applicable, or any participant or indirect participant; or
- the records of the custodian or common depositary, as applicable.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. None of the Issuer, the Trustee, the Initial Purchasers, the Paying Agent, the Transfer Agent, the Registrar nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment. Holders may be subject to foreign exchange risks that may have economic and tax consequences to them.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in euro.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Subject to compliance with the transfer restrictions applicable to the Notes described herein, transfers between participants in Euroclear and Clearstream, as applicable, will be done in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth in "*Transfer Restrictions.*" Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "*Transfer Restrictions*."

Beneficial interests in a 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the

Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 or any other exemption (if available under the Securities Act). Through and including the 40th day after the later of the commencement of the offering of the Notes and the closing of the Offering (the "distribution compliance period"), Regulation S Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Regulation S Book-Entry Interests may be transferred to (i) a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A under the Securities Act or (ii) otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

Subject to the foregoing, and as set forth in "*Transfer Restrictions*," Book-Entry Interests may be transferred and exchanged as described under "*Description of the Notes—Transfer and Exchange*." Any Book-Entry Interest in one of the Global Notes of any series that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of such series will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

In connection with transfers involving exchanges between Regulation S Book-Entry Interests and 144A Book-Entry Interests, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Global Note and a corresponding increase in the principal amount of the other relevant Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee and the Registrar a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "*Transfer Restrictions*."

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuer, the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent, the Registrar nor any of their respective agents are responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations and also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed and admitted to trading on the Official List of the Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear and Clearstream, as applicable, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee, the Transfer Agent, the Registrar, the Paying Agent nor any of their respective agents will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through Euroclear or Clearstream on days when those systems are open for business.

CERTAIN TAX CONSEQUENCES

Certain UK taxation considerations

The comments below are of a general nature and are not intended to be an exhaustive summary of all UK tax considerations relating to the Notes. They are based on the Issuer's understanding of current UK tax law as applied in England and Wales and HM Revenue & Customs ("HMRC") published practice (which may not be binding on HMRC) relating only to certain aspects of UK taxation, both of which may be subject to change, possibly with retrospective effect.

The comments below assume that there will be no substitution of the Issuer or further issues of securities that will form a single series with the Notes and do not address the consequences of any such substitution or further issue (notwithstanding that such substitution or further issue may be permitted by the terms and conditions of the Notes).

The comments below do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. The references to "interest" below are to "interest" as understood for the purposes of UK tax law. They do not take into account any different definitions of "interest" that may prevail under any other tax law or that may apply under the terms and conditions of the Notes or any related document.

The comments below relate only to persons who are the absolute beneficial owners of Notes and any interest payable on their Notes and who hold Notes as a capital investment. Certain classes of persons (such as brokers, dealers in securities, market makers, depositaries, clearance services, certain professional investors, persons connected with the Issuer or persons who acquire (or are deemed to acquire) Notes by reason of an office or employment) may be subject to special rules and the comments below do not apply to such holders of Notes.

The UK tax treatment of prospective holders of Notes depends on their individual circumstances and may be subject to change in the future.

The comments below do not purport to constitute legal or tax advice and any prospective holders of Notes who are subject to tax in any jurisdiction other than the UK, or who are in any doubt as to their tax position, should consult an appropriate professional adviser.

Withholding tax

Payment of interest by the Issuer

Payments of interest on the Notes may be made without withholding or deduction for or on account of UK income tax provided the Notes are and remain listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 ("ITA"). The International Stock Exchange is a recognised stock exchange for these purposes. The Notes will be treated for these purposes as listed on the International Stock Exchange if they are both admitted to trading on the International Stock Exchange and officially listed in Guernsey in accordance with provisions corresponding to those generally applicable in countries in the European Economic Area.

If the Notes are not or cease to be so listed, interest will generally be paid by the Issuer under deduction of UK income tax at the basic rate (currently 20%) unless (i) any other exemption or relief applies or (ii) the Issuer has received a direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

Any premium payable on redemption may be treated as a payment of interest for UK tax purposes and may accordingly be subject to the withholding tax treatment described above.

In certain circumstances and subject to certain exceptions, the Issuer will be obliged to gross-up payments on the Notes to ensure that the Noteholders receive and retain a net payment equal to the payment which it would have received had no such deduction or withholding for or on account of UK income tax been required. See "Description of the Notes—Withholding Taxes".

Payments by a Guarantor

The UK withholding tax treatment of payments by a Guarantor in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) is uncertain. If a

Guarantor makes any payments in respect of interest on Notes it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. It is not certain that such payments by the Guarantor will be eligible for any of the exemptions described above.

Direct assessment

The interest has a UK source for income tax purposes and accordingly may be chargeable to UK tax by direct assessment (including self-assessment) even where paid without withholding or deduction, irrespective of the residence of the holder of the Notes. However, where the interest is paid without withholding or deduction for or on account of UK income tax, the interest will not be assessed to UK tax in the hands of a holder of Notes (other than certain trustees) who is not resident for tax purposes in the UK, except where the holder of Notes carries on a trade, profession or vocation in the UK through a branch or agency, or in the case of a corporate holder, carries on a trade through a permanent establishment in the UK, in connection with which the interest is received or to which the Notes are attributable, in which case (subject to exemptions for interest received by certain categories of agent) tax may be levied on the UK branch or agency, or permanent establishment. However exemption from, or reduction of, such UK tax liability might be available under an applicable double taxation treaty.

Holders of the Notes should note that the provisions relating to additional amounts referred to in “Description of the Notes—Withholding Taxes” would not apply if HMRC sought to assess directly the person entitled to the relevant interest and premium to UK tax. However, exemption from, or reduction of, such UK tax liability might be available under an applicable double taxation treaty.

Provision of information

In certain circumstances HMRC has power to obtain information (including, in certain cases, the name and address of the beneficial owner of interest or the amount payable on the redemption of Notes, as applicable) from any person in the UK (a) by or through whom interest is paid or credited, or (b) by or through whom amounts payable on the redemption of Notes which constitute “deeply discounted securities” as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (“ITTOIA”) are paid or credited. Such information may, in certain circumstances, be exchanged by HMRC with the tax authorities of other jurisdictions.

UK corporation tax payers

In general, holders of Notes which are within the charge to UK corporation tax (including non-resident holders whose Notes are used, held or acquired for the purpose of a trade carried on in the UK through a permanent establishment) will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

Other UK tax payers

Taxation of Interest

Holders of Notes who are either individuals or trustees and are resident for tax purposes in the UK or who carry on a trade, profession or vocation in the UK through a branch or agency to which the Notes are attributable will generally be liable to UK income tax on the amount of any interest received in respect of the Notes.

Taxation of Chargeable Gains

If the Notes constitute “deeply discounted securities” for the purposes of Chapter 8 of Part 4 of ITTOIA (as to which, please see “Taxation of Discount” below), the Notes should also constitute “qualifying corporate bonds” within the meaning of Section 117 of the Taxation of Chargeable Gains Act 1992, with the result that on a disposal of the Notes neither chargeable gains nor allowable losses should arise for the purposes of UK taxation of capital gains. If Notes are not deeply discounted securities, they will fall outside the definition of “qualifying corporate bond” mentioned above. Accordingly, any disposal of such a Note by an individual holder who is resident for tax purposes in the UK or who carries on a trade, profession or vocation in the UK through a branch or agency to which such a Note is attributable may give rise to a chargeable gain or allowable loss for the purposes of UK tax on chargeable gains, depending on individual circumstances. In calculating any gain or allowable loss on disposal of such a Note, sterling values are compared at acquisition and transfer or redemption. Accordingly, a UK taxable gain could arise even where any Euro amount received on a disposal is less than or the same as the amount paid for a Note.

Accrued Income Profits

On a disposal of Notes by a holder of Notes, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules relating to accrued income profits as set out in Part 12 of the Income Tax Act 2007 if that holder of Notes is resident in the UK or carries on a trade, profession or vocation in the UK through a branch or agency to which the Notes are attributable. These provisions will not apply if the Notes are deemed to be "deeply discounted securities" (as to which, please see "Taxation of Discount" below).

Taxation of Discount

Dependent, among other things, on the discount (if any) at which the Notes are issued, or, in certain cases, the premium (if any) payable on redemption, the Notes may be deemed to constitute "deeply discounted securities" for the purposes of Chapter 8 of Part 4 of the ITTOIA 2005. If Notes are deemed to constitute deeply discounted securities, individual holders of the Notes who are resident for tax purposes in the UK or who carry on a trade, profession or vocation in the UK through a branch or agency to which the Notes are attributable generally will be liable to UK income tax on any profit made on the sale or other disposal (including redemption) of the Notes, however such holders will not be able to claim relief from UK income tax in respect of costs incurred on the acquisition, transfer or redemption of, or losses incurred on the transfer or redemption of, the Notes. Holders of Notes are advised to consult their own professional advisers if they require any advice or further information relating to "deeply discounted securities".

Stamp duty and stamp duty reserve tax

No UK stamp duty or stamp duty reserve tax is payable on the issue of the Notes.

No UK stamp duty or stamp duty reserve tax is payable on the transfer of the Notes assuming that (i) the interest on the Notes does not exceed a reasonable commercial return on the nominal amount of the capital and (ii) any right on repayment of the Notes to an amount which exceeds the nominal amount of the Notes is reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official List of the London Stock Exchange.

Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax considerations. The discussion is limited to considerations relevant to a U.S. Holder (as defined below), except to the extent discussed in "—Foreign Account Tax Compliance," and does not address the effects of other U.S. federal tax laws, such as estate and gift tax laws, or any state, local or non-U.S. tax laws. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated thereunder ("Treasury Regulations"), judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (the "IRS"), in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could significantly affect the U.S. federal tax consequences described below and adversely affect a holder of the Notes. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance that the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of the Notes.

This discussion is limited to holders who hold the Notes as "capital assets" within the meaning of Section 1221 of the Code (generally, property held for investment). In addition, this discussion is limited to persons purchasing the Notes for cash at original issue and at their original "issue price" within the meaning of Section 1273 of the Code (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash). This discussion is general in nature and does not address all U.S. federal income tax consequences relevant to a holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income or the base erosion and anti-abuse tax under Section 59A of the Code. In addition, it does not address consequences relevant to holders subject to special rules, including, without limitation:

- holders of the Senior Secured Term Loan Facilities;

- U.S. expatriates and former citizens or long term residents of the United States;
- persons liable for the alternative minimum tax;
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- persons holding the Notes as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement (as defined in Section 451 of the Code);
- banks, insurance companies, and other financial institutions;
- individual retirement and other tax-deferred accounts;
- real estate investment trusts and regulated investment companies;
- brokers, dealers and traders in securities;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- persons who actually or constructively own more than 10% of our stock (by vote or value);
- S corporations, partnerships or other pass-through entities (and investors therein);
- tax exempt organizations and governmental organizations; and
- persons deemed to sell the Notes under the constructive sale provisions of the Code.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of a Note that, for U.S. federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation, or an entity treated as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding the Notes and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES ARISING UNDER OTHER U.S. FEDERAL TAX LAWS (INCLUDING THE MEDICARE CONTRIBUTION TAX ON NET INVESTMENT INCOME AND ESTATE AND GIFT TAX LAWS), UNDER THE LAWS OF ANY STATE, LOCAL OR NON U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

This summary assumes that the Notes will be treated as indebtedness for U.S. federal income tax purposes.

Characterization of the Notes

We may be required to pay additional amounts if certain taxes are withheld or deducted from payments on the Notes (as described under "Description of Notes—Withholding Taxes") or make additional payments in redemption of the Notes in addition to their stated principal amount and accrued interest (as described under "Description of Notes—Change of Control Triggering Event" and "Description of Notes—Optional Redemption"). Although the issue is not free from doubt, we intend to take the position that the possibility of paying such additional amounts, or making additional payments in redemption of the Note, does not result in the Notes being treated as contingent payment debt instruments under the applicable Treasury Regulations. This position will be based in part on our determination that, as of the date of the issuance of the Notes, the possibility that additional amounts will have to be paid is a remote or incidental contingency within the meaning of the applicable Treasury Regulations.

Our determination that the Notes are not contingent payment debt instruments is binding on a U.S. Holder, unless the U.S. Holder explicitly discloses to the IRS on its tax return for the year during which such U.S. Holder acquires the Notes that it is taking a different position. However, our position is not binding on the IRS. If the IRS takes a position contrary to that described above, a U.S. Holder may be required to accrue interest income on its Notes based upon a comparable yield, regardless of its method of accounting. The "comparable yield" is the yield at which we would issue a fixed rate debt instrument with no contingent payments, but with terms and conditions otherwise similar to those of the Notes. In addition, any gain on the sale, exchange, redemption or other taxable disposition of the Notes generally would be recharacterized as ordinary income. Each U.S. Holder should consult its own tax advisor regarding the tax consequences of the Notes being treated as contingent payment debt instruments. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments.

Payments of Stated Interest

Subject to the foreign currency rules discussed below with respect to the Notes, payments of stated interest on a Note (including any additional amounts paid in respect of withholding taxes and without reduction for amounts withheld) generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes.

Payments of interest on the Notes will be denominated in euro. The amount of income recognized by a cash basis U.S. Holder that receives an interest payment in foreign currency will be the U.S. dollar value of the interest payment, based on the "spot rate" in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in foreign currency in accordance with either of two methods. Under the first method, the amount of interest income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the spot rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Whether or not such election is made, upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or other disposition of a Note) denominated in foreign currency, an accrual basis U.S. Holder will recognize exchange gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) in respect of an accrual period and the U.S. dollar value of the amount previously accrued during such accrual period (as described above), regardless of whether the payment is in fact converted into U.S. dollars. Such gain or loss generally will constitute U.S. source gain or loss.

Original Issue Discount

The Notes may be treated as having been issued with original issue discount ("OID") for U.S. federal income tax purposes if the issue price of the Notes is less than their stated principal amount by an amount greater than or equal to a statutorily defined de minimis amount (1/4 of 1 percent of the principal amount of the Notes multiplied by the number of complete years to maturity from their original issue date).

If the Notes are issued with OID, then, in addition to the stated interest on a Note, a U.S. Holder (whether a cash or accrual method taxpayer) will be required to include in gross income (as ordinary income) any OID as it accrues on a constant yield to maturity basis, before the Holder's receipt of cash payments attributable to this income. The amount of OID, if any, includible in gross income for a taxable year will be the sum of the daily portions of OID with respect to the Note for each day during that taxable year on which the U.S. Holder holds the Note. Generally, the daily portion is determined by allocating to each day in an "accrual period" (other than the initial short accrual period and the final accrual period) a pro rata portion of the OID allocable to that accrual period. The OID allocable to any accrual period will equal (a) the product of the "adjusted issue price" of the Note as of the beginning of such accrual period and the Note's "yield to maturity" (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the stated interest on the Notes allocable to the accrual period. The "yield to maturity" is the discount rate that, when applied to all payments under a Note as of its issue date, results in a present value equal to the Note's issue price. The amount of OID allocable to any initial short accrual period generally may be computed under any reasonable method. The amount of OID allocable to the final accrual period is the difference between the stated principal amount of the Note and the adjusted issue price of the Note at the beginning of the final accrual period. The "adjusted issue price" of a Note as of the beginning of any accrual period generally will equal its issue price, increased by previously accrued OID. Under these rules, a U.S. Holder of a Note generally will be required to include in income increasingly greater amounts of OID in successive accrual periods. A U.S. Holder may irrevocably elect, subject to certain limitations, to treat all interest on any Note as OID and calculate the amount includible in gross income under the method described above. The election must be made for the taxable year in which the U.S. Holder acquires the Note and may not be revoked without the consent of the IRS. U.S. Holders should consult their own tax advisors about this election. A U.S. Holder of Notes must (i) determine OID allocable to each accrual period in euro using the constant yield method described above and (ii) translate the amount into U.S. dollars in accordance with the U.S. Holder's method of accounting as described above under "—*Payments of Interest*".

A U.S. Holder will recognize foreign currency exchange gain or loss when an amount attributable to accrued OID is paid (including, upon the disposition of a Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference, if any, between the U.S. dollar value of the foreign currency payment received, determined based on the spot rate on the date such payment is received, and the U.S. dollar value of the accrued OID, as determined in the manner described above. For these purposes, all receipts on a Note other than stated interest will be viewed first, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first; and second, as receipts of principal. Exchange gain or loss will be treated as ordinary income or loss, generally will be treated as U.S. source and generally will not be treated as an adjustment to interest income.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. Holder generally will recognize U.S. source gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount attributable to accrued but unpaid stated interest, which will be taxable as such to the extent not previously included in income as described above under "—*Payments of Stated Interest*") and such U.S. Holder's adjusted tax basis in the Note. The adjusted tax basis of a Note to a U.S. Holder will generally be the U.S. dollar value of the euro purchase price calculated at the spot rate of exchange on the date of purchase increased by any previously accrued OID.

The amount realized by a U.S. Holder is the sum of the cash plus the fair market value of all other property received on the sale or other taxable disposition. If a U.S. Holder receives foreign currency on such sale or other taxable disposition, the amount realized will generally be based on the U.S. dollar value of such foreign currency translated at the spot rate of exchange on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. Holder and, if it so elects, an accrual basis U.S. Holder, will determine the U.S. dollar value of foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis U.S. Holders in regard to the purchase or disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. Holder and cannot be changed without the consent of the IRS. An accrual basis U.S. Holder that does not make the special election will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

Gain or loss recognized on the sale or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Such gain or loss generally will equal the difference, if any, between the U.S. dollar value of the U.S. Holder's euro purchase price for the Note, translated at the spot rate of exchange on the date principal is received from the Issuer or the U.S. Holder disposes of the Note, and the U.S. dollar value of the U.S. Holder's euro purchase price for the Note, translated at the spot rate of exchange on the date the U.S. Holder purchased such Note. In addition, upon a sale or other taxable disposition of a Note, a U.S. Holder may recognize exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest and accrued OID, if any, which will be treated as discussed above under "*—Payments of Stated Interest*" or "*—Original Issue Discount*". However, upon a sale or other taxable disposition of a Note, a U.S. Holder will recognize any exchange gain or loss (including with respect to accrued stated interest) only to the extent of total gain or loss realized by such U.S. Holder on such disposition.

Gain or loss a U.S. Holder recognizes on the sale or other taxable disposition of the Notes in excess of exchange gain or loss attributable to such disposition generally will be U.S. source capital gain or loss. Such gain or loss generally will be long term capital gain or loss if a U.S. Holder has held the Notes for more than one year. For non corporate U.S. Holders, long term capital gains are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. A U.S. Holder should consult its own tax advisor regarding the deductibility of capital losses in its particular circumstances.

Disposition of foreign currency

Foreign currency received as interest on a Note or on the sale, exchange, redemption, retirement or other taxable disposition of a Note will have a tax basis equal to the U.S. dollar value at the time the foreign currency is received or at the time such proceeds from disposition are received. The amount of gain or loss recognized by a U.S. Holder on the sale or other disposition of such foreign currency for U.S. dollars will be equal to the difference between (1) the amount of U.S. dollars received and (2) the U.S. Holder's adjusted tax basis in such foreign currency. Upon any subsequent exchange of such foreign currency for property, a U.S. Holder generally will recognize exchange gain or loss equal to the difference between (1) the U.S. dollar value of such foreign currency paid for such property based on the spot rate of exchange for such foreign currency on the date of the exchange and (2) the U.S. Holder's tax basis in the foreign currency so exchanged. As discussed above, if the Notes are traded on an established securities market, a cash basis U.S. Holder (or an electing accrual basis U.S. Holder) will determine the U.S. dollar value of the foreign currency by translating the foreign currency received at the spot rate of exchange on the settlement date of the purchase or the disposition. A U.S. Holder that purchases a Note with previously owned foreign currency will generally recognize gain or loss in an amount equal to the difference, if any, between such U.S. Holder's adjusted tax basis in such foreign currency and the U.S. dollar fair market value of such note on the date of purchase. Any gain or loss recognized on a sale or other disposition of foreign currency (including their use to purchase Notes or upon exchange for U.S. dollars) generally will be U.S. source ordinary income or loss.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of principal and stated interest on the Notes, the accrual of OID, if any, and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. Holder unless such U.S. Holder is an exempt recipient (such as a corporation), and, when required, provides evidence of such exemption. The payor (which may be us or an intermediate payor) will be required to impose backup withholding, currently at a rate of 24%, on such payments if: (i) the U.S. Holder fails to furnish an accurate taxpayer identification number or to establish an exemption from backup withholding; (ii) the IRS notifies the payor that the taxpayer identification number furnished by the U.S. Holder is incorrect; (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code; or (iv) the U.S. Holder has not certified under penalties of perjury that it has furnished a correct taxpayer identification number, that it is not a U.S. person and that the IRS has not notified such U.S. Holder that it is subject to backup withholding under the Code.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability. A U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for a refund with the IRS and furnishing any required information.

Tax Return Disclosure Requirement

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. Holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Individuals that own "specified foreign financial assets" with an aggregate value in excess of certain thresholds generally are required to file an information report with respect to such assets with their tax returns on IRS Form 8938 (Statement of Specified Foreign Financial Assets). Failure to file IRS Form 8938 may subject the holder to substantial penalties, and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for noncompliance. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

Foreign Account Tax Compliance

Sections 1471 through 1474 of the Code (provisions commonly known as "FATCA"), generally impose a 30% withholding tax on interest income (including accrued OID, if any) paid on a debt obligation if such interest income is treated as a "foreign passthru payments" attributable to certain U.S. source payments. However, under proposed Treasury Regulations issued in December 2018 (and upon which taxpayers may rely until final Treasury Regulations are issued), such withholding does not apply to any "foreign passthru payment" that is made before the date that is two years after the date on which applicable final Treasury Regulations defining "foreign passthru payments" are issued. Additionally, obligations issued on or prior to the date that is six months after the date on which applicable final Treasury Regulations defining foreign passthru payments are filed with the Federal Register generally would be "grandfathered" from FATCA unless "materially modified" (for U.S. federal income tax purposes) after such date. As of the date of this Offering Memorandum, applicable final Treasury Regulations have not yet been filed. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after expiration of the grandfather period. Non U.S. governments have entered into agreements with the United States (and additional non U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is required or advisable with respect to any payments on the Notes, there generally will be no additional amounts payable to compensate for the withheld amount.

Payments by a Guarantor

If a Guarantor makes any payments in respect of interest on the Notes, it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. If such payments are subject to withholding or deduction, the Guarantor may be required to pay Additional Amounts as described under "*Description of Notes—Withholding Taxes*."

Certain Polish Tax Considerations

The following is a discussion of certain Polish tax considerations relevant to an investor resident in Poland or which is otherwise subject to Polish taxation. This statement should not be deemed to be tax advice. It is based on Polish tax laws and, as its interpretation refers to the position as at the date of this offering memorandum, it may thus be subject to change including a change with retroactive effect. Any change may negatively affect tax treatment, as described below. This description does not purport to be complete with respect to all tax information that may be relevant to investors due to their personal circumstances. Prospective purchasers of the Notes are advised to consult their professional tax advisor regarding the tax consequences of the purchase, ownership, disposal, redemption or transfer without consideration of the Notes. The information provided below does not cover tax consequences concerning income tax exemptions applicable to specific taxable items or specific taxpayers (e.g. domestic or foreign investment funds).

The reference to "interest" as well as to any other terms in the paragraphs below means "interest" or any other term as understood in Polish tax law.

(a) Taxation of a Polish tax resident private investor (natural person)

Under Art. 3.1 of the Personal Income Tax Act dated 26 July (the "PIT Act"), natural persons, if residing in the Republic of Poland, are liable for tax on their total income (revenue) irrespective of the location of the sources of revenue (unlimited obligation to pay tax).

Under Art. 3.1a of the PIT Act, a Polish tax resident individual is a natural person who (i) has his/her centre of personal or business interests located in Poland or (ii) stays in Poland for longer than 183 days in a year, unless any relevant tax treaty dictates otherwise.

(1) Income from capital investments other than interest

Income other than interest derived by a Polish tax resident individual from debt financial instruments held as non-business assets, including income from a transfer of Notes for consideration, qualify as capital income according to Art. 17 of PIT Act. This income does not cumulate with the general income subject to the progressive tax scale but is subject to a 19 per cent. flat rate tax. The costs of acquiring the Notes are recognised at the time the revenue is achieved. Based on Art. 17.2 and Art. 19.1 of the PIT Act, if the price expressed in the contract without a valid reason significantly deviates from the market value, the amount of income is determined by the tax authority or fiscal control authority in the amount of the market value.

In principle, this income should be settled by the taxpayer by 30 April of the year following the year in which the income was earned. No tax or tax advances should be withheld by the person making the payments.

(2) Withholding tax on interest income

Under Art. 30a.7 of the PIT Act, interest income (discount) does not cumulate with general income subject to the progressive tax rate but under Art. 30a.1.2 of the PIT Act it is subject to 19 per cent. flat rate tax.

Under Article 41.4 of the PIT Act, the interest payer, other than an individual not acting within the scope of his/her business activity, should withhold the 19 per cent. Polish tax upon any interest payment. Under the Art. 41.4d of the PIT Act, tax on interest or discount on Notes is withheld by entities keeping Notes accounts for taxpayers, in their capacity as tax remitters, if the income (revenue) is earned in the territory of Poland and is associated with the Notes registered in these accounts, and, further, if relevant payments are made to the taxpayers through those entities. This principle also applies to remitters who are payers of corporate income tax and are subject to limited tax liability in Poland, to the extent they conduct their business through a foreign establishment and it is to that establishment's operations that the Notes account is linked. There are no regulations defining in which cases income earned (revenue) by a Polish tax resident should be considered income (revenue) earned in Poland. However, it is expected those cases will be analogous to those of non-residents. Pursuant to Art. 3.2b of the PIT Act, income (revenues) earned in the Republic of Poland by non-residents shall include in particular income (revenues) from:

1. work performed in the Republic of Poland based on a service relationship, employment relationship, outwork system and co-operative employment relationship irrespective of the place where remuneration is paid;
2. activity performed in person in the Republic of Poland irrespective of the place where remuneration is paid;
3. economic activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland;
4. immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from disposal of any rights to such property;
5. Notes and derivatives other than Notes, admitted to public trading in the Republic of Poland as part of the regulated stock exchange market, including those obtained from the disposal of these Notes or derivatives, or the exercise of rights resulting from them;

6. the transfer of ownership of shares in a company, of all rights and obligations in a partnership without legal personality, or participation in an investment fund, a collective investment undertaking or other legal entity and rights of similar character or from receivables being a consequence of holding those shares, rights and obligations, participation or rights, if at least 50 per cent. of the value of assets of such company, partnership, investment fund, collective investment undertaking or legal entity is constituted, directly or indirectly, by immovable properties located in the Republic of Poland, or rights to such immovable properties;
7. the transfer of ownership of shares, all rights and obligations, participation or similar rights in a real estate company (as defined in the PIT Act);
8. the receivables settled, including receivables put at disposal, paid out or deducted, by natural persons, legal persons, or organisational units without legal personality, having their place of residence, registered office, or management board in the Republic of Poland, irrespective of the place of concluding and performing the agreement; and/or
9. unrealised gains as referred to in the exit tax regulations.

The above list is not exhaustive; therefore, the tax authorities may also consider that income (revenues) not listed above is sourced in Poland.

Given the above, each situation should be analysed to determine whether interest earned by a Polish tax resident individual from the Notes is considered to be income sourced in Poland and whether the entity operating the Notes account for the individual will withhold the tax. Since the Issuer is not a Polish entity, as a rule interest from the Notes should not be considered as earned in the territory of Poland, unless there is a specific nexus (e.g. the Notes are admitted to public trading in Poland).

Although this is not clearly regulated in Polish tax law, in fact, foreign entities do not act as Polish withholding tax remitters (save when such foreign entities operate by way of a branch that constitutes a tax establishment in Poland). Therefore, it should be expected that the issuer itself or a non-Polish entity operating the Notes account for the individual will not withhold the tax.

According to Article 45.3b of the PIT Act, if the tax is not withheld, the individual is obliged to settle the tax himself/herself by 30 April of the following year.

Separate rules apply to interest income on Notes held in Polish omnibus accounts (within the meaning of the provisions of the Act on Trading in Financial Instruments, hereinafter "Omnibus Accounts"). Under Art. 41.10 of the PIT Act, insofar as Notes registered in Omnibus Accounts are concerned, the entities operating Omnibus Accounts through which the amounts due are paid are liable to withhold the flat-rate income tax on interest income. The tax is charged on the day of placing the amounts due at the disposal of the Omnibus Account holder.

Pursuant to Art. 30a.2a of the PIT Act, with respect to income (revenue) from interest transferred to taxpayers holding rights attached to Notes registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 19% flat-rate tax is withheld by the tax remitter (under Art. 41.10 of the PIT Act the entity operating the Omnibus Account) from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder.

Under Art. 45.3c of the PIT Act, taxpayers are obliged to disclose the amount of interest (discount) on Notes in their annual tax return if the Notes were registered in an Omnibus Account and the taxpayer's identity was not disclosed to the tax remitter.

Under Art. 30a.9 of the PIT Act, withholding tax incurred outside Poland (including countries which have not concluded a tax treaty with Poland), up to an amount equal to the tax paid abroad, but not higher than 19 per cent. tax on the interest amount, could be deducted from the Polish tax liability. Double tax treaties can provide other methods of withholding tax settlements.

(3) Notes held as business assets

If an individual holds the Notes as business assets, in principle, interest (discount) and income from a transfer of Notes for consideration should be subject to tax in the same way as other business income. The tax, at 19 per cent. flat rate or the 17 per cent. to 32 per cent. progressive tax rate depending on the choice and meeting of certain conditions, should be settled by the individuals themselves.

(b) Taxation of a Polish tax resident corporate income taxpayer

Under Art. 3.1 of the Corporate Income Tax Act dated 15 February 1992 (the "CIT Act") the entire income of taxpayers who have their registered office or place of management in Poland is subject to tax obligation in Poland, irrespective of where the income is earned.

The appropriate tax rate is the same as the tax rate applicable to business activity, i.e. 19 per cent. for a corporate income taxpayer or 9 per cent. for small and new taxpayers.

A Polish tax resident corporate income taxpayer is subject to income tax in respect of the Notes (both on any capital gains and on interest/discount) following the same principles as those which apply to any other income received from business activity within the same source of income. As a rule, for Polish income tax purposes interest is recognised as revenue on a cash basis, i.e. when it is received and not when it has accrued. In respect of capital gains, the cost of acquiring the Notes will be recognised at the time the revenue is achieved. Revenue from a transfer of Notes for consideration is, in principle, their value expressed as the price specified in the contract. If the price expressed in the contract, without a valid reason, significantly deviates from the market value, the revenue amount is determined by the tax authority as an amount equivalent to the market value (Art. 14 of the CIT Act). In the case of income from the transfer of Notes for consideration, tax deductible costs are generally recognised when the corresponding revenue has been received. The taxpayer (without the remitter's participation) settles income tax on interest/discount and on the transfer of Notes for consideration, which is settled along with other income from the taxpayer's business activity within the same source of income.

Regarding the proper source of revenue, in principle, the income (revenue) from the Notes, including their transfer against a consideration, is combined with revenues from capital gains (Art. 7b.1 of the CIT Act). In the case of insurers, banks and some other entities (financial institutions), this revenue is included in revenues other than revenues from capital gains (Art. 7b(2) of the CIT Act).

Although no Polish withholding tax should apply on interest payable to Polish corporate income taxpayers, under specific rules applying to interest income on Notes held in Omnibus Accounts, under Art. 26.2a of the CIT Act, for income (revenue) from interest transferred to taxpayers holding rights attached to Notes registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 20 per cent. flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. If such tax is withheld for a Polish tax resident corporate income taxpayer, to receive a refund of such tax, the entity should contact its tax advisor.

Any withholding tax incurred outside Poland (including countries which have not concluded any tax treaty with Poland), up to an amount equal to the tax paid abroad, but not higher than the tax calculated in accordance with the applicable domestic tax rate, can be deducted from the Polish tax liability. Double tax treaties can provide other methods of withholding tax settlements.

(c) Notes held by a non-Polish tax resident (natural person or corporate income taxpayer)

Under Art. 3.2a of the PIT Act, natural persons, if they do not reside in Poland, are liable to pay tax only on income (revenue) earned in Poland (limited obligation to pay tax).

Under Art. 3.2 of the CIT Act, in the case of taxpayers who do not have their registered office or management in Poland, only the income they earn in Poland is subject to taxation in Poland.

Non-Polish tax residents who are natural persons or corporate income tax payers are subject to Polish income tax only with respect to their income earned in Poland. Under Art. 3.3 of the CIT Act, income (revenues) earned in the Republic of Poland by non-residents shall include in particular income (revenues) from:

1. all types of activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland;
2. immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from the disposal of any rights to such property;
3. Notes and derivatives other than Notes, admitted to public trading in the Republic of Poland as part of the regulated stock exchange market, including those obtained from the disposal of these Notes or derivatives, or the exercise of rights resulting from them;
4. the transfer of ownership of shares in a company, of all rights and obligations in a partnership without legal personality, or participation in an investment fund, a collective investment undertaking or other

legal entity and rights of similar character or from receivables being a consequence of holding those shares, rights and obligations, participation or rights, if at least 50 per cent. of the value of assets of such company, partnership, investment fund, collective investment undertaking or legal entity is constituted, directly or indirectly, by immovable properties located in the Republic of Poland, or rights to such immovable properties;

5. the transfer of ownership of shares, all rights and obligations, participation or similar rights in a real estate company (as defined in the CIT Act);
6. the receivables settled, including receivables put at disposal, paid out or deducted, by natural persons, legal persons, or organisational units without legal personality, having their place of residence, registered office, or management board in the Republic of Poland, irrespective of the place of concluding or performing the agreement; and/or
7. unrealised gains referred to in the exit tax regulations.

Similar provisions are included in Art. 3.2b of the PIT Act.

It should be noted that the list of income (revenues) earned in Poland, as provided in Art. 3.3. of the CIT Act and Art. 3.2b of the PIT Act is not exhaustive, therefore, other income (revenues) may also be deemed to be earned in the Republic of Poland.

Even though the above list of circumstances in which income (revenue) is sourced in the Republic of Poland is not exhaustive, it could be argued that, in principle, payments under Notes issued by a foreign entity are not sourced in Poland unless one of the cases indicated above occurs (in particular, the Notes are traded on the Warsaw Stock Exchange).

If income from the Notes is considered as sourced in Poland, the following applies:

Special exemption for Notes meeting special conditions

Under Art. 17.1.50c of the CIT Act, tax-free income is income earned by a CIT taxpayer subject to limited tax liability in Poland in respect of interest or a discount on Notes:

(a) having a maturity of at least one year;

(b) admitted to trading on a regulated market or introduced into an alternative trading system within the meaning of the Act of 29 July 2005 on Trading in Financial Instruments, in the territory of Poland or in the territory of a state that is a party to a double tax convention concluded with Poland which regulates the taxation of income from dividends, interest and royalties;

unless the taxpayer is an affiliate (within the meaning of the transfer pricing law) of the issuer of such Notes, and holds, directly or indirectly, together with other affiliates (within the meaning of those regulations), more than 10 per cent. of the notional value of those Notes.

Under Art. 26.1aa-1ac of the CIT Act, remitters are not obliged to withhold tax on interest or discount in respect of Notes meeting the above requirements, provided that the issuer submits to the tax authority a declaration that it has acted with due diligence in informing affiliates, within the meaning of the transfer pricing provisions, about the exemption conditions applying to those affiliates. The declaration is made once in relation to a given issue of Notes, not later than the date of the payment of interest or discount on the Notes.

Analogous provisions apply to personal income tax (Art. 21.1.130c and Art. 41.24-26 of the PIT Act).

Failure to meet the conditions for a special exemption

In the absence of the exemption referred to above, the following rules apply:

In the case of taxpayers subject to limited tax liability in Poland, the interest (discount) on Notes earned in the Polish territory is taxed, as a general rule, at a flat rate of 20 per cent. in the case of corporate income tax payers (Art. 21.1.1 of the CIT Act) or 19 per cent. in the case of natural persons (Art. 30a.1.2 of the PIT Act). Under Art. 26.1 of the CIT Act, interest payers, other than individuals not acting within the scope of their business activity, should withhold this tax and similar provisions are provided in Art. 41.4 of the PIT Act.

Under Art. 26.2c.1 of the CIT Act, the entities operating Notes accounts and Omnibus Accounts for taxpayers, acting as tax remitters, should withhold this interest income if such interest income (revenue) was earned in Poland, is connected with Notes registered in said accounts and the interest payment to the taxpayer is made through said entities. Although it is considered that foreign entities do not act as Polish tax remitters, according to the abovementioned provision, this obligation applies to non-residents to the extent they operate a permanent establishment in Poland and the account, on which Notes are registered, is linked to the activity of this permanent establishment. Similar provisions concerning interest payments to individuals are provided in Art. 41.4d of the PIT Act.

The rules of taxation described here may be modified by the relevant provisions of double tax treaties concluded by Poland, based on which a reduced tax rate or income tax exemption may apply to income (revenue) obtained from interest/discount (Art. 21.2 of the CIT Act, Art. 30a.2 of the PIT Act). To benefit from the tax rate or income tax exemption under the tax treaty, the taxpayer should present a valid certificate of its tax residence. As a rule, the tax residence certificate is considered valid for twelve consecutive months from its date of issue.

Moreover, many tax treaties provide protection only for beneficial owners. Pursuant to Art. 4a.29 of the CIT Act and, respectively, Art. 5a.33d of the PIT Act, beneficial owner means an entity meeting all of the following conditions:

(a) it receives the amount due for its own benefit, which includes deciding independently about its purpose, and bears the economic risk associated with the loss of that receivable or part of it;

(b) it is not an intermediary, representative, trustee or another entity legally or actually obliged to transfer the receivable in whole or in part to another entity; and

(c) it conducts real business activity in the country of its registration, if the receivables are obtained in connection with the conducted business activity.

The majority of double tax treaties concluded by Poland provide for an exemption from income tax on capital gains, including income from the sale of Notes obtained in Poland by a tax resident of a given country.

Separate, specific rules apply to interest income on Notes held in Omnibus Accounts. Also, in cases where Polish withholding tax should not apply on interest payable to non-Polish tax residents (natural persons or corporate income taxpayers), under specific rules applicable to interest income on Notes held in Omnibus Accounts there is a risk that such tax would be withheld. Under Art. 26.2a of the CIT Act, with respect to income (revenue) from interest transferred to taxpayers holding rights attached to Notes registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 20 per cent. flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. Under Art. 30a.2a of the PIT Act, with respect to income (revenue) from interest transferred to taxpayers holding rights attached to Notes registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 19 per cent. flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. If such tax is withheld for non-Polish tax resident taxpayers, to receive a refund of such tax, the entity should contact its tax advisor.

If a foreign recipient of income acts through a permanent establishment in Poland to which interest is related, as a matter of principle it should be treated in the same manner as a Polish tax resident, with some necessary additional requirements (e.g. the requirement to present the interest payer with a certificate of tax residence along with a declaration that the interest is related to the establishment's activities).

(d) Special provisions on withholding tax on large payments

Corporate income tax

Under Art. 26.2e of the CIT Act, if the total amount paid out on account of the items listed in Art. 21.1 of the CIT Act (including interest/discount on Notes) and Art. 22.1 of the CIT Act to the same taxpayer exceeds PLN 2,000,000 in the tax year of the payer, payers are, as a general rule, required to withhold, on the day of payment, a flat-rate income tax at the basic rate (20 per cent. in the case of interest/discount on Notes) from the excess over that amount, without taking into account any possibility of avoiding withholding that tax on the basis of an appropriate double tax treaty, and also without taking into account exemptions or rates resulting from special regulations or double tax treaties (hereinafter the "Obligation to Withhold Tax").

Under Art. 26.2i and 26.2j of the CIT Act, if the payer's tax year is longer or shorter than 12 months, the amount to which the Obligation to Withhold Tax applies is calculated by multiplying 1/12 of PLN

2,000,000 and the number of months that have begun in the tax year in which the payment was made. If the calculation of that amount is not possible by reference to the payer's tax year, the Obligation to Withhold Tax shall apply accordingly to the payer's current financial year and, in its absence, with respect to the payer's other period with features specific to the financial year, for a period not longer than 23 consecutive months.

Under Art. 26.2k of the CIT Act, if the payment was made in a foreign currency, to determine whether the amount to which the Obligation to Withhold Tax applies was exceeded, the amounts paid are converted into PLN at the average exchange rate published by the National Bank of Poland on the last business day preceding the payment day.

Under Art. 26.2l of the CIT Act, if it is not possible to determine the amount paid to the same taxpayer, it is presumed that it exceeded the amount from which the Obligation to Withhold Tax applies.

Under Art. 26.7a of the CIT Act, the Obligation to Withhold Tax does not apply if the payer has declared that:

(a) it holds the documents required by tax law for the application of the tax rate or tax exemption or non-taxation under special regulations or double tax treaties;

(b) after verifying that of the conditions to apply an exemption or reduced withholding tax rate resulting from special regulations or double tax treaties are satisfied, it is not aware of any grounds for the assumption that there are circumstances that exclude the possibility of applying the tax rate or tax exemption or non-taxation under special regulations or double tax treaties, in particular it is not aware of the existence of circumstances preventing the fulfilment of certain conditions referred to in other regulations, including the fact that the interest/discount recipient is their beneficial owner and, if the interest/discount is obtained in connection with the business activity conducted by the taxpayer, that in the country of tax residence the taxpayer carries on the actual business activity.

The above is to be declared by the head of the unit within the meaning of the Accounting Act (e.g. the Issuer's management board), specifying his/her position. The declaration cannot be made by proxy. The declaration is to be made in electronic form not later than the payment day (Art. 26.7b and 26.7c of the CIT Act).

In the case of withholding tax as a result of the Obligation to Withhold Tax, if double tax treaties or special regulations provide for a tax exemption or reduced tax rate, the taxpayer or tax remitter (if the taxpayer has paid tax with its own funds and has borne the economic burden of such tax, e.g. as a result of a gross-up clause) may apply for a refund of that tax by submitting the relevant documents and declarations. When recognising that the refund is justified, the tax authorities shall carry it out within six months.

Pursuant to the Regulation of the Minister of Finance dated 31 December 2018 regarding the exclusion or limited application of Art. 26.2e of the CIT Act (the "Regulation"), the application of the Obligation to Withhold Tax is excluded inter alia in relation to the following interest/discount payments:

(a) to central banks not having their registered office or management in the territory of the Republic of Poland, obtained from interest or discount on treasury bonds issued by the State Treasury on the domestic market and acquired from 7 November 2015;

(b) to economic units established by a state administration body jointly with other States under an agreement or contract, unless those agreements or contracts provide otherwise;

(c) to international organisations of which the Republic of Poland is a member;

(d) to entities with which the Republic of Poland has concluded cooperation agreements, if they have been exempted from corporate income tax on the receivables in question; and

(e) to entities exempt from corporate income tax, provided that their name is indicated in double tax treaties to which the Republic of Poland is a party.

In addition, until 30 June 2021, the Obligation to Withhold Tax is excluded in respect of interest/discount on Notes for taxpayers having their registered office or management in the territory of a state being a party to a double tax treaty with the Republic of Poland which regulates the taxation of income from dividends, interest and royalties, if there is a legal basis for exchanging tax information with the state of the taxpayer's registered office or management.

It should be noted that payments made in 2021, but before 30 June 2021, that are excluded from the Obligation to Withhold Tax under the Regulation, will be included in the above-mentioned limit from which the Obligation to Withhold Tax applies, in relation to payments made after 30 June 2021.

The Obligation to Withhold Tax does not apply in the case of the special exemption applicable to Notes meeting certain conditions referred to in the section "*Special exemption for Notes meeting special conditions*" above, provided that the Issuer submits to the tax authority a declaration that the Issuer has observed due diligence in informing its affiliates, within the meaning of the provisions on transfer pricing, about the terms of that exemption in relation to those affiliates. The declaration is made once in relation to a given issue of Notes, by no later than the date of the payment of interest or discount on the Notes.

Personal income tax

Analogous provisions apply to personal income tax, including Art. 41.12 of the PIT Act which provides for an analogous tax withholding obligation. The Regulation of the Minister of Finance of 31 December 2018 regarding the exclusion or limited application of Art. 41.12 of the PIT Act is the equivalent of the Regulation described under "*Corporate income tax*" above.

(e) Tax on civil law transactions

Neither an issuance of the Notes, nor a redemption of the Notes is subject to tax on civil law transactions.

In light of Art. 1.1.1.a of the Tax on Civil Law Transactions Act dated 9 September 2000 (the "**PCC Act**"), agreements for sale or exchange of assets or proprietary rights are subject to tax on civil law transactions. The Notes should be considered as representing proprietary rights. Transactions are taxable if their subjects are:

(a) assets located in Poland or proprietary rights exercisable in Poland;

(b) assets located abroad or proprietary rights exercisable abroad if the acquirer's place of residence or registered office is located in Poland and the civil law transaction was carried out in Poland.

Although this is not clearly addressed in the law, in principle, the Notes should not be considered as rights exercisable in Poland, consequently, the tax would apply only if the purchaser was Polish and the transaction was concluded in Poland.

If the sale or exchange of the Notes is subject to the PCC Act, then the tax at 1% of the market value of the Notes should be payable within 14 days after the sale or exchange agreement has been entered into. However, if such agreement has been entered into in notarial form, the tax due should be withheld and paid by the notary public. Tax on sale of the Notes is payable by the entity acquiring the Notes. In the case of exchange agreements, tax on civil law transactions should be payable by both parties jointly and severally.

However, under Art. 9.9 of the PCC Act, an exemption applies to the sale of property rights constituting financial instruments (such as the Notes):

(a) to investment companies and foreign investment companies;

(b) via investment companies or foreign investment companies;

(c) as part of organised trading; or

(d) outside organised trading by investment companies and foreign investment companies, if those rights were acquired by those companies under organised trading,

within the meaning of the provisions of the Act of 29 July 2005 on Trading in Financial Instruments.

Moreover, in accordance with Art. 1a.5 and 1a.7 in connection with Art. 2.4 of the PCC Act, the PCC exemption applies to sale or exchange agreements concerning the Notes:

(a) to the extent that they are taxed with the VAT in Poland or in another EU Member State or EEA; or

(b) when at least one of the parties to the transaction is exempt from VAT in Poland or in another EU Member State or EEA on account of that particular transaction.

(f) Remitter's liability

Under Art. 30 of the Tax Code dated 29 August 1997, a tax remitter failing to fulfil its duty to calculate, withhold or pay tax to a relevant tax authority is liable for the tax that has not been withheld or that has been withheld but not paid, up to the value of all its assets. The tax remitter is not liable if the specific provisions provide otherwise or if tax has not been withheld due to the taxpayer's fault. In such a case, the relevant tax authority will issue a decision concerning the taxpayer's liability.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE NOTES GUARANTEES

The Issuer is organized under the laws of England and Wales and certain of the Guarantors are organized under the laws of Germany, Canada, Belgium and Poland. Set forth below is a summary of certain limitations on the enforceability of the Notes Guarantees, and a summary of certain insolvency law considerations, in England and Wales, Germany, Canada, Belgium and Poland. This is a summary only, and bankruptcy, insolvency or a similar proceeding could be initiated in England and Wales, Germany, Canada, Belgium, Poland and in the jurisdiction of organization of a future guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes and the Notes Guarantees.

European Union

Certain of the Guarantors are incorporated in Germany, Belgium and Poland, which are Member States of the European Union.

Pursuant to Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast), as amended (the "EU Insolvency Regulation"), and starting from June 26, 2017, which applies within the European Union, other than Denmark, the court which shall have jurisdiction to commence main insolvency proceedings in relation to a company organized under the laws of a Member State is the court of the Member State (other than Denmark) where the company concerned has its "centre of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where a company has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

The "centre of main interests" is not a static concept. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that a company has its "centre of main interests" in the Member State in which it has its registered office in the absence of proof to the contrary (which presumption shall not apply if the registered office has been moved to another Member State within the three month period prior to the request for the opening of insolvency proceedings), Article 3(1), second sentence, of the EU Insolvency Regulation states that the "centre of main interests" shall be the place where the debtor conducts the administration of its interests on a regular basis and "which is ascertainable by third parties." The courts have taken into consideration a number of factors in determining the "centre of main interests" of a company in that respect, including, in particular, where board meetings are held, the location where the company conducts the majority of its business or has its head office, and the location where the large majority of the company's creditors are established.

If the centre of main interests of a company is and will remain located in a Member State in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings initiated in one Member State under the EU Insolvency Regulation are automatically recognized in the Member States (other than Denmark), although territorial (secondary) insolvency proceedings may be commenced in another Member State.

If the "centre of main interests" of a company is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open territorial (secondary) insolvency proceedings against that company only if such company has an "establishment" (within the meaning and as defined in Article 2(10) of the EU Insolvency Regulation) in the territory of such other Member State. An "establishment" is defined to mean "any place of operations where a company carries out or has carried out in the three month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets." Accordingly, the opening of territorial (secondary) insolvency proceedings in another Member State will also be possible if the debtor had an establishment in such Member State in the three month period prior to the request for commencement of main insolvency proceedings.

The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State. Where main proceedings in the Member State in which the debtor has its "centre of main interests" have not yet been commenced, pursuant to Article 3 (4) of the EU Insolvency Regulation, territorial (secondary) insolvency proceedings may only be commenced in another Member State where the debtor has an establishment where either (a) insolvency proceedings cannot be commenced in the Member State in which the company's "centre of main interests" is situated under that Member State's law; or (b) the territorial (secondary) insolvency proceedings are commenced at the request of (i) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the commencement of territorial (secondary) proceedings is requested or (ii) a public authority that has the right to make such a request under the law of the Member State in which the establishment is located. Irrespective of whether the insolvency proceedings are main or territorial insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the lex fori concursus, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor. Furthermore, pursuant to Article 6 of the EU Insolvency Regulation, the courts of the Member State within the territory of which insolvency proceedings have been opened in accordance with its Article 3 shall have jurisdiction for any action that derives directly from the insolvency proceedings and is closely linked with them, such as avoidance actions.

The opening of insolvency proceedings in a Member State pursuant to the EU Insolvency Regulation shall not affect the rights in rem of creditors or third parties in respect of tangible or intangible, moveable or immoveable assets, both specific assets and collections of indefinite assets as a whole that change from time to time, belonging to the debtor that are situated within the territory of another Member State at the time of the opening of proceedings. Rights in rem include:

- the right to dispose of assets or have them disposed of and to obtain satisfaction from the proceeds of or income from those assets, in particular by virtue of a lien or a mortgage;
- the exclusive right to have a claim met, in particular a right guaranteed by a lien in respect of the claim or by assignment of the claim by way of a guarantee;
- the right to demand assets from, and/or to require restitution by, anyone having possession or use of them contrary to the wishes of the party so entitled; and
- a right in rem to the beneficial use of assets.

The courts of all Member States (other than Denmark) must recognize the judgment of the court commencing main proceedings that will be given the same effect in the other Member States so long as no secondary proceedings have been commenced there. The insolvency practitioner appointed by a court in a Member State that has jurisdiction to commence main proceedings (because the debtor's COMI is located there) may exercise the powers conferred on it by the laws of that Member State in another Member State (such as to remove assets of the debtor from that other Member State) subject to certain limitations, as long as no insolvency proceedings have been commenced in that other Member State or no preservation measures have been taken to the contrary further to a request to commence insolvency proceedings in that other Member State where the debtor has assets.

Pursuant to Article 21 of the EU Insolvency Regulation, the insolvency officeholder appointed by the court of the main proceedings may exercise the powers conferred on him by the law of the Member State in which the main proceedings are located in another Member State as long as no insolvency proceedings have been opened in such other Member State or any preservation measure to the contrary has been taken there further to a request to open insolvency proceedings in such other Member State. He may, in particular, subject to the preservation of third parties' right in rem pursuant to Article 8 of the EU Insolvency Regulation and to the preservation of the sellers' rights based on a reservation of title pursuant to Article 10 of the EU Insolvency Regulation, remove assets of the company from that other Member State.

However, under Article 36 of the EU Insolvency Regulation, the insolvency practitioner in the main insolvency proceedings may attempt to avoid the opening of secondary insolvency proceedings in another Member State by giving a unilateral undertaking in respect of the assets located in the Member State in which secondary insolvency proceedings could be opened that the distribution of those assets or of the proceeds received as a result of their realization, will comply with the distribution and priority rights that would apply under the relevant national law if secondary insolvency proceedings were opened in such other Member State. Such undertaking must be made in writing and is subject to approval by a qualified majority of known local creditors, determined in accordance with the local law of such other Member State. If approved, the undertaking is binding on the insolvency estate and if a court is requested to open secondary insolvency proceedings, it shall, at the request of the insolvency practitioner in the main insolvency proceedings, refuse to open such proceedings if it is satisfied that the undertaking adequately protects the general interests of local creditors.

Additionally, under Article 38 of the EU Insolvency Regulation, where a temporary stay of individual enforcement proceedings has been granted in order to allow for negotiations between a company and its creditors, the court, at the request of the company or of the insolvency practitioner in the main insolvency proceedings, may stay the opening of secondary insolvency proceedings for a period not exceeding three months, provided that suitable measures are in place to protect the interests of local creditors. Under Article 46 of the EU Insolvency Regulation, the court that opened the secondary insolvency proceedings will also stay the process of realization of assets in whole or in part upon receipt of a request from the insolvency practitioner in the main insolvency proceedings, for a period of up to three months, unless such a request is manifestly of no interest to the creditors in the main insolvency proceedings. Such stay may be continued or renewed for similar periods. Where the court stays the process of realization of the assets, the court may require the insolvency practitioner in the main insolvency proceedings to take any suitable measure to guarantee the interests of the creditors in the secondary insolvency proceedings and of individual classes of creditors.

The EU Insolvency Regulation has created a treatment for groups of companies experiencing difficulties by the commencement of group coordination proceedings and the appointment of an insolvency practitioner in order to facilitate the effective administration of the insolvency proceedings of the group's members. The EU Insolvency Regulations provides

- for cooperation between (i) insolvency practitioners of the main insolvency proceedings and of the secondary insolvency proceedings, (ii) courts and (iii) courts and insolvency practitioners;
- for specific cooperation, communication and coordination measures in order to ensure the efficient administration of insolvency proceedings relating to different companies forming part of the same group;
- that the Member States shall establish and maintain a register of insolvency proceedings; and
- that the European Commission shall establish a decentralized system for the interconnection of such insolvency registers.

EU directive on preventative restructuring frameworks

The EU directive 2019/1023 of the European Parliament and the Council of June 20, 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (Directive on restructuring and insolvency) (the "EU Restructuring Directive") was published on June 26, 2019.

The objectives of the EU Restructuring Directive are to ensure that (i) viable enterprises and entrepreneurs that are in financial difficulties have access to effective national preventive restructuring frameworks that enable them to continue operating, (ii) honest insolvent or over-indebted entrepreneurs (i.e. individuals) can benefit from a full discharge of debt after a reasonable period of time, thereby affording them a second chance and (iii) the effectiveness of procedures concerning restructuring, insolvency and discharge of debt is improved, in particular with a view to shortening their length.

The EU Restructuring Directive aims to achieve a higher degree of harmonization in the field of restructuring, insolvency, discharge of debt and disqualifications by establishing substantive minimum standards for preventive restructuring procedures as well as for procedures leading to a discharge of debt for entrepreneurs in order to promote a culture that encourages early preventive restructuring to address financial difficulties at an early stage, when it appears likely that insolvency can be prevented and the viability of the business can be ensured. Most notably, the Restructuring Directive provides for a framework pursuant to which (a) a stay of individual enforcement actions by creditors against debtors must be introduced by Member States national legislation, (b) all creditor claims shall be grouped into separate classes each of which shall reflect a commonality of interests (at a minimum, creditors of secured and unsecured claims shall be treated in separate classes), (c) creditor claims may be restructured in a restructuring plan by majority vote with a majority of not more than 75% of the amount of the claims in each class and, where the Member State so requires, a majority in number of affected parties in each class and (d) a cross-class cram-down is introduced whereby a restructuring plan may, under certain conditions, be adopted and bind dissenting creditors even if the creditors of one or more classes do not consent to the restructuring plan with the required majority. In order to be adopted the plan will have to be confirmed by a judicial or administrative authority that will in particular ensure the protection of each type of creditors' rights and compliance with the priority rules governing the adoption of the plan. The transposition of the EU Restructuring Directive into national legislation shall protect new financing and interim financing and may also provide priority ranking to new or interim financing granted in the context of the restructuring.

The EU Restructuring Directive shall be transposed into national laws or regulations by Member States by July 17, 2021 (with the exception of the provisions relating to the use of electronic means of communication for which the time period for the transposition expires in certain respects on July 17, 2024 or, in others, on July 17, 2026), subject to a maximum 1 year extension of the transposition period for Member States encountering particular difficulties in implementing the EU Restructuring Directive.

In the event that the Issuer or a Guarantor experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer and the Guarantors. The insolvency, administration and other laws of the jurisdictions in which the respective companies are organized or operate may be materially different from, or conflict with, each other and there is no assurance as to how the insolvency laws of the potentially involved jurisdictions will be applied in relation to one another.

Belgium

Insolvency Proceedings

To the extent any Guarantor is incorporated under the laws of Belgium (a "Belgian Guarantor"), and provided Belgium is the territory in which the center of such Belgian Guarantor's main interests is situated, main insolvency proceedings may be initiated in Belgium. This also applies to any debtor for which Belgium is the territory in which the center of such debtor's main interests is situated. Such proceedings would then be governed by Belgian law. Under certain circumstances, Belgian law also allows bankruptcy proceedings to be opened in Belgium over the assets of companies whose centre of main interests is not situated in Belgium. The following is a brief description of certain aspects of Belgian insolvency law to the extent relevant in the context of the present transaction.

Belgian insolvency laws provide for two main insolvency proceedings for enterprises: judicial reorganization proceedings (*gerechtelijke reorganisatie/réorganisation judiciaire*) and bankruptcy proceedings (*faillissement/faillite*).

Both types of insolvency proceedings are governed by Book XX "Insolvency of enterprises" of the Belgian Code of Economic Law (the "Belgian Insolvency Act").

Note that in addition, Belgian law allows for liquidation in deficit (*deficitaire vereffening/liquidation déficitaire*). The latter proceedings will not be further discussed.

Judicial Reorganization

A debtor (and in limited circumstances, its creditors, interested third parties or the public prosecutor) may file a petition for judicial reorganization if the continuity of the enterprise is at risk, whether immediately or in the future. If the net assets of the company have fallen under 50% of the company's registered capital (*maatschappelijk kapitaal*/capital social), the continuity of the enterprise is always presumed to be at risk. A state of bankruptcy of the debtor does not exclude that a petition for judicial reorganization is filed.

As from the filing of the petition with the competent court and as long as such court overseeing a judicial reorganization has not issued a ruling on the reorganization petition, the debtor cannot be declared bankrupt (save in case the debtor files a declaration of bankruptcy itself) or wound up by court order. In addition, during the period between the filing of the petition and the court's decision, with few exceptions, none of the debtor's assets may be disposed of by any of its creditors as a result of the enforcement of any security interests that such creditors may hold with respect to such assets.

The Belgian Insolvency Act provides that, within a period of 15 days as from the filing of the petition, the court will examine such petition, and within eight days following such examination and subject to the satisfaction of the filing conditions, the court will declare the judicial reorganization procedure open, allowing a temporary moratorium for a maximum period of six months. At the request of the debtor (or of the judicial trustee in case of a procedure of transfer under judicial authority) and pursuant to the report issued by the delegated judge, the moratorium period can thereafter be extended up to twelve months as from the start of the moratorium period. In exceptional circumstances (such as due to the size of the business, the complexity of the case or the impact of the procedure on employment), and in the interest of the creditors, the court may order an additional extension of the moratorium period for six months.

The granting of the moratorium operates as a stay. No enforcement measures with respect to pre-existing claims in the moratorium can be continued or initiated against any of the debtor's movable and immovable assets from the time that the moratorium is granted until the end of the period, with few exceptions. During the moratorium, no attachments can be made with regard to pre-existing claims. During the moratorium, the debtor can also not be declared bankrupt, except upon declaration of the debtor itself and, if the debtor is a legal entity, judicial dissolution will not be possible during this period.

Conservatory attachments that existed prior to the opening of the judicial reorganization retain their conservatory character, but the court may order their release, *provided* that such release does not have a material adverse effect on the situation of the creditor concerned. If the date for the forced sale of moveable or immovable property has already been set, such sale may, under certain conditions, be continued.

If receivables are pledged by the debtor in favor of a creditor prior to the opening of the judicial reorganization procedure, such pledge will not be affected by the moratorium, *provided* that the receivables are pledged specifically to that creditor from the moment when the pledge is created. The holder of such pledged receivables is permitted to take enforcement measures against the estate of the initial counterparty of the debtor (such as the debtor's customers) during the moratorium. A pledge on financial instruments within the meaning of the Financial Collateral Act of December 15, 2004 (the "Belgian Financial Collateral Act"), such as shares in the Belgian Guarantors, can be enforced notwithstanding the enforcement prohibition imposed by the moratorium (unless considered an abuse of right). In the case of a pledge on bank accounts, the enforcement prohibition applies, save in the event of payment default or if certain other conditions are met. Personal guarantees granted by third parties in favor of the debtor's creditors are not covered by the enforcement prohibition imposed by the moratorium, nor are the debts payable by co-debtors, subject to certain exceptions or qualifications in respect of guarantees granted by individuals. The moratorium also does not prevent the voluntary payment by the debtor of claims covered by the moratorium, to the extent such payment is necessary for the continuity of the enterprise.

During the judicial reorganization proceedings, the board of directors and management of the debtor continue to exercise their management functions, albeit under the limited supervision of the court. However, upon request of the debtor, the court may appoint a judicial mediator (*ondernemingsbemiddelaar/médiateur d'entreprise*) to facilitate the restructuring of all or part of its assets or its activities. In addition, upon request of any interested party or the public prosecutor, in the event of manifestly grave shortcomings of the debtor or one of its corporate bodies threatening the continuity of the enterprise facing difficulties or its economic activities and provided such measure can preserve such continuity, the court may appoint a judicial administrator (*gerechtsmandataris/mandataire de justice*). Finally, in the event of manifestly gross error of the debtors or one of its corporate bodies, the court may replace them with a temporary administrator (*voorlopig bewindvoerder/administrateur provisoire*) for the duration of the moratorium.

The reorganization procedure aims to preserve the continuity of a company as a going concern. Consequently, the initiation of the procedure does not terminate any contracts, and contractual provisions which provide for the early termination or acceleration of the contract upon the initiation or approval of a reorganization procedure, and certain contractual terms such as default interest, may not be enforceable during such a procedure. Such enforcement prohibition applies, with a few exceptions, to close-out netting provisions as well, if the judicial reorganization procedure affects (i) a corporate debtor which is not a public or financial legal entity in the meaning of the Belgian Financial Collateral Act or (ii) a public or financial legal entity where the creditor is not such an entity. Moreover, the Belgian Insolvency Act provides that a creditor may not terminate a contract on the basis of a debtor's default that occurred prior to the reorganization procedure if the debtor remedies such default within a 15-day period following the notification of such default after granting of the moratorium.

As an exception to the general rule of continuity of contracts, the debtor may cease performing a contract during the reorganization proceedings, provided that the debtor notifies the creditor and the decision is necessary for the debtor to be able to propose a reorganization plan to its creditors or to transfer all or part of the company or its assets. The exercise of this right does not prevent the creditor from suspending the performance of its own obligations. The creditor can however not terminate the agreement solely on the ground that the debtor has suspended the performance of its own obligations.

The Belgian Insolvency Act provides for three types of reorganization: (i) an amicable settlement between the debtor and two or more of its creditors; (ii) a collective agreement; or (iii) the transfer of (part of) the activities. The type of reorganization may change during the proceedings and may also depend on the position of the court and/or third parties.

In the case of an amicable settlement, only the parties to such amicable settlement will be bound by the terms they have agreed. Such in-court agreement requires unanimity among the creditors concerned. The debtor may petition the court to grant a grace period in respect of its payment obligations, e.g., in relation to interest payments, pending the negotiation of the agreement. Once agreement is reached, the court will record it. The court order confirming the existence of an amicable settlement will be published, without disclosing the content of the agreement, and its terms will only be binding upon the creditors that have agreed to it.

In the case of a judicial reorganization by collective agreement, the creditors agree to a reorganization plan during the reorganization procedure. The plan may include measures such as the reduction or rescheduling of liabilities and interest obligations and the swap of debt into equity. The reorganization plan must be filed with the electronic registry managed by the Belgian bar associations (www.regsol.be) at least 20 days in advance of the date on which the creditors will vote its approval. The court needs to ratify the reorganization plan prior to it taking effect. A reorganization plan approved by a double majority of the creditors (both in headcount and in value of the claims) and by the court will bind all creditors, including those who voted against it or did not vote and whether secured or not, although only limited measures can be imposed by such reorganization plan on secured creditors without their individual consent. The court may refuse ratification if the formalities were not complied with, or if the proposed reorganization plan violates public policy.

To enable the court to correctly invite all creditors to the vote, within a period of eight days following the ruling declaring the judicial reorganization proceedings open, the debtor must inform each of its creditors individually of the amount of their claims against the debtor as recorded in the books of the debtor, as well as of details regarding security interests, if applicable. Creditors with pre-existing claims, as well as any other interested party that claims to be a creditor, can challenge the amounts and the ranking of the secured claims declared by the debtor. The court can determine the disputed amounts and the ranking of such claims on a preliminary basis for the purpose of the reorganization procedure. In addition, the court can at any moment, in case of absolute necessity and upon request by the debtor or the creditor, change its decision determining the amount or the ranking of the claim on the basis of new elements. If a creditor has not challenged the amount and the ranking of its claim at least one month in advance of the date on which the creditors will vote on the approval of the reorganization plan, the amount of its claim will remain unchanged for voting purposes as well as for the purposes of the reorganization plan.

The debtor must use the moratorium period to complete and finalize a reorganization plan, with the assistance of the court-appointed administrator, if applicable. The plan may include measures such as the reduction or rescheduling of liabilities and interest obligations and the swap of debt into equity and may be based on a limited (justified) differentiated treatment of certain various categories of liabilities.

The court-ordered transfer of all or part of the debtor's enterprise can be requested by the debtor in its petition or at a later stage in the procedure. It can be requested by the public prosecutor, by a creditor or by any party who has an interest in acquiring, in whole or in part, the debtor's enterprise, and the court can order such transfer in specific circumstances.

The court-ordered transfer will be organized by a judicial administrator (*gerechtsmandataris/mandataire de justice*) appointed by the court. Following the transfer, the recourse of the creditors will be limited to the transfer price, subject to some limited exceptions.

Bankruptcy

Bankruptcy proceedings may be initiated by the debtor, by unpaid creditors, upon the initiative of the public prosecutor's office, by the provisional administrator of the debtor's assets, by the liquidator of the debtor's assets or by the liquidator of "main insolvency proceedings" opened in another EU Member State (other than Denmark) in accordance with the EU Insolvency Regulation (Recast). Once the court ascertains that the requirements for bankruptcy are met, the court will establish a date by which all creditors' claims must be submitted to the court for verification.

Conditions for a bankruptcy order (*faillietverklaring/déclaration de faillite*) are that the debtor must be in a situation of sustained cessation of payments (*op duurzame wijze opgehouden hebben te betalen/cessation de paiements de manière persistante*) and be unable to obtain further credit (*wiens krediet geschokt is/ébranlement de crédit*). Cessation of payments is generally accepted to mean that the debtor is not able to pay its debts as they fall due. Such a situation must be persistent and not merely temporary. In bankruptcy, the debtor loses all authority and decision rights concerning the management of the bankrupt business. The bankruptcy receiver (curator/*curateur*), appointed by the court, becomes responsible for the operation of the business and implements the sale of the debtor's assets, the distribution of the sale proceeds to creditors and the liquidation of the debtor. The rights of creditors in the process are limited to being informed of the course of the bankruptcy proceedings on a regular basis by the receiver. Creditors may oppose the sale of assets by bringing an action before the court, or may request the temporary continued operation of the business.

The receiver must decide whether or not to continue performance of ongoing contracts (i.e., contracts existing before the bankruptcy order). The receiver may only decide not to continue performance of one or several ongoing contracts when the administration of the estate requires this and such decisions will not impair any rights *in rem* of third parties that are enforceable against the estate. The other party to an ongoing contract may demand the receiver to take a decision within fifteen days. If no extension of the 15 days term is agreed upon or if the receiver does not take any decision, the ongoing contract is presumed to be terminated after the expiration of the 15 days term. If the receiver decides not to continue performance of an ongoing contract or if an ongoing contract is terminated due to the expiration of the fifteen days term, the other party to the contract may be entitled to claim damages, in which case its claim will rank *pari passu* with claims of all other unsecured creditors.

The receiver may elect to continue the business of the debtor, provided the receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply:

- the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an early termination or acceleration event; and
- *intuitu personae* contracts (i.e., contracts whereby the identity of the other party constitutes an essential element upon the signing of the contract) are automatically terminated as of the bankruptcy judgment since the debtor is no longer responsible for the management of the company. Parties can agree to continue to perform under such contract.

As a general rule, the enforcement rights of individual creditors are suspended upon the rendering of the court order opening bankruptcy proceedings, and after such order is made, only the bankruptcy trustee may proceed against the debtor and liquidate its assets. However, such suspension does not apply to a pledge on financial instruments or cash held on account falling within the scope of the Belgian Financial Collateral Act. Further exceptions exist with regard to estate debts (boedelschulden/dettes de la masse).

For creditors with claims secured by movable assets, such suspension would normally be limited to the period required for the verification of the claims. At the request of the bankruptcy receiver, the suspension period may be extended for up to one year from the bankruptcy judgment. Such extension requires a specific order of the court which can only be made if the further suspension will allow for a realization of the assets in the interest of all creditors without prejudicing the secured creditors and provided that those secured creditors have been given the opportunity to be heard by the court.

For creditors with claims secured by immovable assets, the intervention of the bankruptcy receiver is necessary to pursue the sale of the assets. The receiver will do so upon an order of the court, given either at its request or at the request of a mortgagee. A first-ranking mortgagee will generally be entitled to pursue the enforcement of its mortgage as soon as the report of claims has been finalized; the court may suspend such enforcement for a period of not more than one year from the date of the bankruptcy if the suspension will allow for a realization of the assets without prejudicing the mortgagee provided that the mortgagee has been given the opportunity to be heard by the court. However, a pledge on financial instruments or cash held on accounts can be enforced during the suspension period.

If a security interest, such as a pledge, has been granted over assets that, at the time of opening of an insolvency proceeding, are located in another EU Member State, the rights the creditor has under such security shall, in accordance with the Insolvency Regulation (Recast), not be affected by the opening of such insolvency proceedings.

As from the date of the bankruptcy judgment, no further interest accrues against the bankrupt debtor on its unsecured debt, or debts secured by a general privilege, like tax administration or social security. The debts of the bankrupt estate generally will be ranked as to priority on the basis of complex rules. The following is a general overview of only the main principles:

- Estate debt: Costs and indebtedness incurred by the receiver during the bankruptcy proceedings, the so-called "estate debts," have senior priority. In addition, if the receiver has contributed to the realization and enforcement of secured assets, such costs will be paid to the receiver in priority out of the proceeds of the realized assets before distributing the remainder to the secured creditors.

- Security interests: Creditors that hold a security interest have a priority right over the secured asset (whether by means of appropriation of the asset or on the proceeds upon realization).
- Privileges: Creditors may have a particular privilege on certain or all assets (such as tax claims, claims for social security premiums, etc.). Privileges on specific assets rank before privileges on all assets of the debtor. Certain privileges prevail over the security interests.
- Unsecured creditors (*pari passu*): Once all estate debts and creditors having the benefit of security interests and privileges have been satisfied, the proceeds of the remaining assets will be distributed by the receiver among the unsecured creditors who rank *pari passu* (unless a creditor agreed to be subordinated).
- Subordinated creditors will receive the remainder (if any).

Subsidiary Guarantee

The grant of a Guarantee by a Belgian Guarantor for the obligations of another group company must fall within the grantor's legal and corporate purpose and be for the own corporate benefit of the Belgian Guarantor and comply with any applicable financial assistance rules. Corporate benefit is not a well-defined concept under Belgian law and its interpretation is left to the courts and legal authors. The corporate benefit rules and their application in the context of granting guarantees for the benefit of a group company are not clearly established under Belgian law and there is only limited case law on this issue.

The question of corporate benefit must be determined on a case-by-case basis by reference to the prevailing factual circumstances. Consideration has to be given to any direct and/or indirect benefit that the company would actually derive from the transaction and is particularly relevant for upstream or cross-stream guarantees. It is generally taught by legal scholars that such benefit should be proportionally greater than the risk for the company resulting from the granting and/or enforcement of the guarantee concerned. The financial support granted by the company should not exceed its financial capabilities. Belgian case law does not offer clear guidelines on when a group transaction is within the individual group member's corporate benefit and when aforementioned conditions are met.

Whether or not the corporate benefit requirement is met is a matter of fact to be assessed by the board of directors of the Belgian Guarantor. The corporate benefit justification by the company's board of directors will be subject to only a "marginal review" by the courts; in insolvency situations, however, the courts can be expected to take a more critical view.

If the corporate benefit requirement is not met, the directors of the company may be held liable under civil law (i) by the company for negligence in the management and (ii) by third parties in tort and under criminal law in certain specific circumstances (i.e., where the specific facts can be qualified as "abuse of company goods" (*misbruik van vennootschapsgoederen/abus de bien sociaux*)). Moreover, the guarantee could be declared null and void and, under certain circumstances, the creditor that benefits from the guarantee or security interest could be held liable if the corporate benefit requirement is not met and the creditor knew or should have known this. Alternatively, the guarantee could be reduced to an amount corresponding to the corporate benefit. These rules have been seldom tested under Belgian law, and there is only limited case law on this issue.

In order to enable Belgian subsidiaries to grant a guarantee to secure liabilities of a direct or indirect parent or sister company without the risk of violating Belgian rules on corporate benefit, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain "limitation language" in relation to subsidiaries incorporated or established in Belgium. Accordingly, the Indenture will contains such limitation language and the Guarantee of the Belgian Guarantor(s) will be limited accordingly. Including such limitation language is, however, not conclusive in determining or upholding the corporate benefit.

The grant of a guarantee by a Belgian company must also be within or serve the corporate purpose and statutory purpose of the Belgian company as described in its articles of association, and the guarantee may not include any liability that would result in unlawful financial assistance in accordance with Article 5:152 or 7:22 of the Belgian Code of Companies and Associations dated 23 March 2019, as amended from time to time, whichever is applicable.

Hardening Period and Fraudulent Transfer

In the event of bankruptcy proceedings governed by Belgian law, the bankruptcy receiver may challenge certain transactions that have been concluded or performed by the debtor during the so-called "hardening period."

In principle, the cessation of payments (which constitutes a condition for filing for bankruptcy) is deemed to have occurred as of the date of the bankruptcy order. The court issuing the bankruptcy order may determine, based on serious and objective indications, that the cessation of payments occurred on an earlier date. Such earlier date may not be earlier than six months before the date of the bankruptcy order, except in the case where the bankruptcy order relates to a company that was dissolved more than six months before the date of the bankruptcy order in circumstances suggesting an intent to defraud its creditors, in which case the date of cessation of payments may be determined to be the date of such decision to dissolve the company. The period from the date of cessation of payments up to the declaration of bankruptcy is referred to as the "hardening period" (*verdachte periode/période suspecte*).

The transactions entered into or performed during the hardening period which may be declared ineffective against third parties include, among others, (i) gratuitous transactions or transactions entered into at an undervalue, (ii) payments for debts which are not due, (iii) payments other than in cash for debts due, and (iv) security interests provided for pre-existing debts (save for any security granted during the suspension period of judicial reorganization proceedings).

Other transactions entered into or performed during the hardening period may be declared ineffective against third parties provided that the counterparty was aware of the debtor's cessation of payment.

In particular, a guarantee entered into during the hardening period may be declared ineffective against third parties (i) if it is regarded as having been granted gratuitously, unbalanced or at an undervalue, (ii) if the beneficiaries of the guarantee were aware of the Belgian Guarantor's cessation of payments or (iii) if it is granted to secure pre-existing debts.

If the Notes Guarantee granted by the Belgian Guarantor were successfully voided (based on the above), holders of the Additional Notes would cease to have any claim in respect thereof and could be under an obligation to repay any amounts received pursuant to such guarantee or the enforcement proceeds of the security interests.

Furthermore, even in the absence of bankruptcy proceedings, a third party creditor may obtain a court ruling that an act or transaction (such as a guarantee) is not enforceable against it if it can establish that the challenged act or transaction was effected with the fraudulent intent to adversely affect its position as an existing creditor (*actio pauliana*).

Regardless of fraudulent intent, registration of a security interest after cessation of payments can also be declared ineffective against third parties, when more than 15 days have passed in between the date of the deed and the date of registration.

Recognition and Enforcement

Courts may condition the enforcement of a guarantee upon the evidence that the creditor has a final and undisputed claim triggering the foreclosure of the guarantee. Enforcement of guarantees may be hindered by conflict of law and/or conflict of jurisdiction issues and may not breach any public policy provision and/or mandatory legal provisions. Courts may require a sworn translation in French or Dutch of the English documents which they may review.

Grace Periods

In addition, enforcement rights may, like those of any other creditor, be subject to Article 1244 of the Belgian Civil Code. Pursuant to this provision, Belgian courts may, in any civil proceeding involving a debtor, defer or otherwise reasonably reschedule the payment dates of payment obligations. Belgian courts can also decide that the interest rate applicable be reduced if it is considered to exceed the normal rate applicable to similar debts.

England and Wales

Certain of the Guarantors are companies incorporated under the laws of England and Wales (the "English Guarantors"). Therefore, any insolvency proceedings with respect to the English Guarantor would likely proceed under, and be governed by, English insolvency laws.

On 31 December 2020, the end of the transition period occurred under the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic

Energy Community. Accordingly, the United Kingdom is no longer treated as a member state for the purposes of Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast) (the "EU Insolvency Regulation") or Regulation (EU) 1215/2012 of the European Parliament and of the Council on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the "EU Judgments Regulation"), which have largely been repealed in the United Kingdom (pursuant to The Insolvency (Amendment) (EU Exit) Regulations 2019, The Insolvency (Amendment) (EU Exit) (No. 2) Regulations 2019 (together, the "Insolvency Brexit Regulations") and The Civil Jurisdiction and Judgments (Amendment) (EU Exit) Regulations 2019). Accordingly, the United Kingdom is no longer party to the European regime for reciprocal recognition of insolvency proceedings or civil/commercial judgments under the EU Insolvency Regulation or the EU Judgments Regulation, respectively. The prospects of recognition of such proceedings or judgments in cases involving the United Kingdom and the remaining European member states will need to be carefully considered in each case and may vary significantly between member states.

The UNCITRAL Model Law on Cross-Border Insolvency (the "Model Law") (which has been implemented in the United Kingdom by the Cross-Border Insolvency Regulations 2006 and in a number of other jurisdictions), provides for recognition of insolvency proceedings in other jurisdictions as either foreign main or foreign non-main proceedings. English insolvency proceedings in relation to the English Guarantor may be recognized as foreign main proceedings in other jurisdictions which have implemented the Model Law if the English Guarantor has its "center of main interests" in England. If the English Guarantor is found to have its "center of main interests" in a place other than England, the English insolvency proceedings may only be afforded recognition as foreign non-main proceedings provided that the English Guarantor is found to have an establishment in England (meaning that it has a place of operations in England and carries out non-transitory economic activities with human means and assets or services). In that case, the main insolvency proceedings with respect to the English Guarantor will occur in the place in which the English Guarantor is found to have its "center of main interests."

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar. In the event that the English Guarantor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. The obligations under the notes are guaranteed by the guarantees. English insolvency laws and other limitations could limit the enforceability of a guarantee against the English Guarantor.

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the guarantees. The application of these laws could adversely affect investors, their ability to enforce their rights against the English Guarantor under the guarantees and therefore may limit the amounts that investors may receive in an insolvency of the English Guarantor.

Administration

Under the U.K. Insolvency Act 1986 (the "Insolvency Act"), as amended by the Insolvency Brexit Regulations, administration proceedings are available in respect of any company incorporated in an EEA member state, in addition to a company registered under the Companies Act 2006 in England and Wales or Scotland and a company not incorporated in an EEA member state but with its "center of main interests" in a European member state (other than Denmark) or in the United Kingdom. Without limitation and subject to specific conditions, an administration order can be made if the court is satisfied that the relevant company is or is likely to become "unable to pay its debts" and that the administration order is reasonably likely to achieve the purpose of administration. A company is unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due) or if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities), as per Section 123 of the Insolvency Act. Such insolvency is presumed if, among other matters, the company fails either to satisfy a creditor's statutory demand for a debt exceeding £750 within 21 days of service or to satisfy in full or in part a judgment debt (or similar court order). Without limitation and subject to specific conditions, an English company, the directors of such company or the holder of a qualifying floating charge (for further detail on what constitutes a qualifying floating charge, see " *—Administrative Receivership*" below) where the floating charge has become enforceable, may also appoint an administrator through an out of court process, subject to certain exceptions pursuant to the Insolvency Act. Note that different procedures apply according to the identity of the appointor.

The purpose of an administration comprises three objectives, each of which must be considered successively to determine whether it is reasonable to put the company into administration: rescuing the company as a going-concern or, if that is not reasonably practicable, achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration) or, if neither of those objectives is reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby, realizing property to make a distribution to one or more secured or preferential creditors. The order of priority which applies to any distribution to creditors is set out below (see " —*Onset of Insolvency*" below). An administrator must attempt to achieve the objectives of administration in order, unless he thinks it is not reasonably practicable to achieve the primary objective, or that the secondary objective would achieve a better result for the company's creditors as a whole. The administrator cannot pursue the third objective unless he thinks either the first or the second objective is unachievable and that it will not unnecessarily harm the interests of the creditors of the company as a whole to pursue the third objective.

Certain rights of creditors, including secured creditors, are curtailed in an administration. Upon the appointment of an administrator, a statutory moratorium is imposed and no step may be taken to enforce security over the company's property except with the consent of the administrator or the permission of the court. The same requirements for consent or permission apply to the institution or continuation of legal process (including legal proceedings, execution, distress and diligence) against the company or property of the company. In either case, a court will consider discretionary factors in determining any application for leave in light of the hierarchy of statutory objectives of administration described above.

Accordingly, if the English Guarantor were to enter into administration, the notes and the guarantee, as applicable, may not be enforceable while the relevant company was in administration without the permission of the court or consent of the administrator. We cannot assure you that the Trustee would obtain such permission of the court or consent of the administrator.

In addition, an administrator is given wide powers to conduct the business and, subject to certain requirements under the Insolvency Act, dispose of the property of a company in administration (including property subject to a floating charge).

However, certain creditors of a company in administration may, in certain defined circumstances, be able to realize their security over certain of that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a "security financial collateral agreement" (generally, a charge over cash or financial instruments, such as shares, bonds or tradeable capital market debt instruments and credit claims) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended) (the "Financial Collateral Regulations"). If an English company were to enter administration, it is possible that, to the extent such security is a financial collateral arrangement, the security granted by it or the guarantee granted by it would be enforceable while it is in administration without leave of the court or consent of the administrators.

Administrative Receivership

If a company grants a "qualifying floating charge" to a party for the purposes of English insolvency law, that party will be able to appoint an administrator using the out of court process. That party will also be able to appoint an administrative receiver if the qualifying floating charge falls within one of the exceptions under the Insolvency Act (as amended by the Enterprise Act 2002) to the prohibition on the appointment of administrative receivers, or if the security document pre-dates 15 September 2003. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which: (a) states that the relevant statutory provision applies to it (paragraph 14 of Schedule B1 of the Insolvency Act); (b) purports to empower the holder to appoint an administrator of the company; or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the Insolvency Act. A party will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with other forms of security, relates to the whole or substantially the whole of the property of the relevant company and at least one such security interest is a qualifying floating charge. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the Insolvency Act), which may apply if the issue of the notes creates a debt of at least £50 million for the relevant English company during the life of the arrangement and the arrangement involves the issue of a "capital markets investment" (which is defined in the Insolvency Act, and generally includes rated, listed or traded debt instruments, and debt instruments designed to be rated, listed or traded).

If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a qualifying floating charge using the out of court procedure) and then only if the person who appointed the administrative receiver consents or the court considers that the security pursuant to which the administrative receiver was appointed is invalid. If an administrator is appointed, any administrative receiver will vacate office, and any receiver of part of the company's property must resign if required to do so by the administrator.

Fixed charge receivership

A fixed charge receiver (as opposed to an administrative receiver, who is appointed under certain floating charges—see "—*Administrative receivership*" above) may be appointed over some or all of the assets secured by a fixed charge in accordance with the terms of a security document creating a fixed charge or (in limited circumstances) pursuant to statute.

If appointed under the terms of a security agreement, grounds for appointment under the terms of the charge (such as a default) must exist and the charging company must have failed to satisfy the demand made for an appointment to take place. A fixed charge receiver can be appointed in parallel to a liquidator. An administrator may require a fixed charge receiver to vacate office unless that fixed charge receiver was appointed under a charge which falls within the definition of a "security financial collateral arrangement", as per Reg. 8(4) of the Financial Collateral Regulations (see "—*Administration*" above).

The primary duty of the fixed charge receiver is to realize the assets over which (s)he is appointed, meaning (s)he owes an over-riding duty of care to the appointor (although the receiver owes the chargor a duty to act in good faith during the course of his/her appointment). This contrasts with the duty of an administrator, who performs his/her duties in the interests of a company's creditors as a whole. In other words, receivership is a proprietary remedy whereas administration is a collective procedure. In realizing the charged assets, the receiver will need to take reasonable care to obtain the best price obtainable in the circumstances. In doing so, the fixed charge receiver will be entitled to a statutory indemnity in respect of any liabilities from the realizations made of the assets of the company (and may also have the benefit of a contractual indemnity from the appointor).

To the extent the receiver has been appointed under a crystallized floating charge, amounts will be deducted from the proceeds of the realization of the charged assets to pay the Prescribed Part and any preferential creditors (see "—*Fixed versus floating charges*" below).

Liquidation/Winding-up

Liquidation is a company dissolution procedure under which the assets of a company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act (see "—*Priority of Claims on Insolvency*" below). There are two forms of winding-up: (a) compulsory liquidation, by order of the court and (b) members' voluntary liquidation or creditors' voluntary liquidation, in each case by resolution of the company's members. The difference between the two latter proceedings is the solvency of the company in question; in a members' voluntary liquidation, the directors of the company swear a statutory declaration as to the company's solvency over the following 12 months. The primary ground for the compulsory winding-up of an insolvent company is that it is unable to pay its debts (as defined in Section 123 of the Insolvency Act). A creditor's voluntary liquidation (other than as an exit from administration) is initiated by a resolution of the members, not the creditors, but once in place is subject to some degree of control by the creditors.

The effect of a compulsory winding-up differs in a number of respects from that of a voluntary winding-up. In a compulsory winding-up, under Section 127 of the Insolvency Act, any disposition of the relevant company's property made after the commencement of the winding-up is, unless sanctioned by the court, void. However, this will not apply to any property or security interest subject to a disposition or otherwise arising under a financial collateral arrangement under the Financial Collateral Regulations and will not prevent a close-out netting provision taking effect in accordance with its terms. Subject to certain exceptions, when an order is made for the winding-up of a company by the court, it is deemed to have commenced from the time of the presentation of the winding-up petition. Once a winding-up order is made by the court, a stay of all proceedings against the company will be imposed. No legal action may be continued or commenced against the company without permission of the court and subject to such terms as the court may impose.

In the context of a voluntary winding-up however, there is no equivalent to the retrospective effect of a winding-up order; the winding-up commences on the passing of the member's resolution to wind up. As a result, there is no equivalent of Section 127 of the Insolvency Act. There is also no automatic stay in the case of a voluntary winding-up—it is for the liquidator, or any creditor or shareholder of the company, to apply for a stay. This is important because it means secured creditors can go ahead and enforce their security.

A liquidator has the power to bring or defend legal proceedings on behalf of the company, to carry on the business of the company as far as it is necessary for its beneficial winding up, to sell the company's property and execute documents in the name of the company and to challenge antecedent transactions (see "—*Avoidance of Transactions*" below).

Company Voluntary Arrangements

Pursuant to Part I of the Insolvency Act, a company (by its directors or its administrator or liquidator as applicable) may propose a company voluntary arrangement to the company's shareholders and creditors which entails a compromise, or other arrangement, between the company and its creditors, typically a rescheduling or reducing of the company's debts. Provided that the proposal is approved by the requisite majority of creditors by way of a decision procedure, it will bind all unsecured creditors who were entitled to vote on the proposal. A company voluntary arrangement cannot affect the right of a secured creditor to enforce its security, except with its consent.

In order for the company voluntary arrangement proposal to be passed, it must be approved by at least 75 per cent. (by value) of the company's creditors who respond in the decision procedure, and no more than 50 per cent. (by value) of unconnected creditors may vote against it. Secured debt cannot be voted in a company voluntary arrangement, except to the extent that it is under-secured. A secured creditor who proves in the company voluntary arrangement for the whole of its debt may be deemed to have given up its security.

Unlike an administration proceeding, a company voluntary arrangement does not trigger a moratorium of claims or proceedings (though see below as to the new stand-alone moratorium).

Scheme of Arrangement

Although it is not an insolvency proceeding, pursuant to Part 26 of the Companies Act 2006, the English courts have jurisdiction to sanction a scheme of arrangement that effects a compromise of a company's liabilities between a company and its creditors (or any class of its creditors) provided that such company is liable to be wound up under the Insolvency Act; this requires a "sufficient connection" to England and Wales (among other matters).

In practice, the requisite "sufficient connection" has been found to be satisfied where, among other things, the company's "*center of main interests*" is in England and Wales, the company's finance documents are English law-governed, or the company's finance documents have been amended in accordance with their terms to be governed by English law. Ultimately, each case will be considered on its particular facts and circumstances so previous cases will not necessarily determine whether or not specific circumstances satisfy the requirement for sufficient connection in any given case.

Before the court considers whether or not to sanction a scheme of arrangement, affected creditors will vote on the proposed compromise or arrangement in respect of their claims in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed scheme and any new rights that such creditors are given under the scheme. Such compromise can be proposed by the company or its creditors. If a majority in number representing 75 per cent. or more by value of those creditors present and voting at the meeting(s) of each class of creditors vote in favor of the proposed scheme, irrespective of the terms and approved thresholds contained in the finance documents, then that scheme will (subject to the sanction of the court) be binding on all affected creditors, including those affected creditors who did not participate in the vote and those who voted against the scheme. The scheme then needs to be sanctioned by the court at a sanction hearing at which the court will review the fairness of the scheme and consider whether it is reasonable. The court has discretion as to whether to sanction the scheme as approved, make an order conditional upon modifications being made to the scheme or decline to sanction the scheme.

Unlike an administration proceeding, the commencement of a scheme of arrangement does not trigger a moratorium of claims or proceedings (though see below as to the new stand-alone moratorium).

The UK Corporate Insolvency and Governance Act 2020

The Corporate Insolvency and Governance Act 2020 ("CIGA") was enacted on June 25, 2020 and the majority of its provisions took effect on June 26, 2020. The CIGA is intended to improve the ability of companies to be efficiently restructured and it includes the following provisions.

Moratorium

The CIGA inserts a new stand-alone moratorium into the Insolvency Act 1986 to facilitate company restructurings.

Entry into a moratorium is similar to the current out-of-court administrator appointment procedure, i.e., filing relevant papers at court (except where the company is subject to an outstanding winding-up petition (unless the moratorium is commenced before 30 September 2021) or is an overseas company, in which case the company must apply to court for the moratorium).

The moratorium is subject to the supervision of a licensed insolvency practitioner (the "Monitor"). As a condition to commencement of the moratorium, the company requires confirmation from the Monitor that the company is eligible for the moratorium and that, in the Monitor's view, it is likely that a moratorium for the company would result in the rescue of the company as a going concern (or, where the moratorium is commenced before 30 September 2021, that it is likely that a moratorium for the company would result in the rescue of the company as a going concern or would do so if it were not for any worsening of the financial position of the company for reasons relating to coronavirus).

The moratorium is available to companies that are, or are likely to become, unable to pay their debts. A company is excluded from being eligible for the moratorium if (among other matters):

- at any time in the previous 12 months, the company has been subject to a formal insolvency proceeding; or
- the company is party to a "capital market arrangement" (including the grant of security or a guarantee) under which a party has incurred a debt of at least £10 million, where the arrangement involves the issue of a capital market investment.

The moratorium lasts for an initial period of 20 business days, subject to possible extension.

A company subject to a moratorium effectively receives a payment holiday in respect of its pre-moratorium debts, subject to broad exceptions (including debts or liabilities arising under a contract involving financial services).

The Monitor must terminate the moratorium if certain circumstances arise, including if the Monitor thinks that the moratorium is no longer likely to result in the rescue of a company as a going concern (and, until 30 September 2021, that, even if one were to disregard any worsening of the financial position of the company for reasons relating to coronavirus, the moratorium would not be likely to result in the rescue of the company as a going concern).

If a company enters liquidation within 12 weeks following the end of a moratorium, any unpaid moratorium debts, and certain pre-moratorium debts for which the company did not have a payment holiday during the moratorium, will have priority over other claims in the liquidation. Pre-existing financial debts accelerated during the moratorium will not receive such priority, other than in respect of amounts which already fell due during the moratorium. If a company enters administration within 12 weeks following the end of a moratorium, the administrator must make a distribution in respect of any unpaid moratorium debts, and those pre moratorium debts for which the company did not have a payment holiday during the moratorium and which are payable in priority over other claims in administration.

Any person affected by the moratorium may challenge it on certain grounds, including that of unfair harm, at any time during the moratorium.

Restructuring Plan Procedure

The CIGA inserts a new restructuring plan procedure into the Companies Act 2006. The new procedure is similar to a scheme of arrangement but with the added possibility of cross-class cram-down. A restructuring plan procedure may be proposed by the company or other stakeholders (including creditors, shareholders, administrators or liquidators). A restructuring plan procedure may be proposed by the company or other stakeholders (including creditors, shareholders, administrators or liquidators).

The restructuring plan procedure is available as an option to both solvent and insolvent companies; the company need only have encountered, or be likely to encounter, financial difficulties that are affecting, or will or may affect, its ability to carry on business as a going concern.

This standalone restructuring option is generally available to companies with a sufficient connection to the United Kingdom. The CIGA includes a power for the Secretary of State to exclude companies providing financial services, pursuant to secondary legislation.

The process closely resembles that of schemes of arrangement. At the first hearing, the court will examine the constitution of classes as proposed by the plan proponent. Subject to the requisite voting thresholds being met, at a second hearing, the court will consider if the necessary requirements have been met (including the requirements for a cross-class cram-down, if applicable) and will consider whether to sanction the restructuring plan.

For a class of stakeholders to approve the plan, at least 75% in value, of those voting, must vote in favor.

The plan may still be confirmed by the court even where certain classes do not vote in favor, provided that:

- the court is satisfied that none of the members of the dissenting class(es) would be any worse off under the plan than they would be in the event of the "relevant alternative"; and
- at least one class who would receive a payment, or have a genuine economic interest in the company, in the event of the relevant alternative has voted in favor of the plan.

The court may decline to sanction the plan if it does not consider it would be just and equitable to do so.

The "relevant alternative" for this purpose is whatever the court considers would be most likely to occur in relation to the company if the plan were not sanctioned.

Stakeholders' rights following confirmation of a restructuring plan will be as provided for in the plan. If a company were subsequently to enter an insolvency procedure following a restructuring plan, the rights and claims of any stakeholders bound by the plan would be as set out in the plan. Any debt forgiveness would therefore be binding in the subsequent insolvency proceedings.

Priority of Claims on Insolvency

One of the primary functions of liquidation (and, where the company cannot be rescued as a going-concern, one of the possible functions of administration) under English law is to realize the assets of the insolvent company and to distribute the cash realizations made from those assets to its creditors. Under the Insolvency Act and the Insolvency (England and Wales) Rules 2016, creditors are placed into different classes and, with the exceptions and adjustments noted below, the proceeds from the realization of the insolvent company's property is applied in descending order of priority, as set out below. With the exception of the Prescribed Part (as defined below), distributions generally cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been paid in full. Unless creditors have agreed otherwise, distributions are made on a *pari passu* basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

Contractual setting-off arrangements entered into after a company enters liquidation or administration are only respected to the extent they fall within the definition of "mutual dealing" as applied by the mandatory insolvency set-off regime. This regime sees an account being taken of what is due from each party to the other in respect of their mutual dealings, and only the resulting net balance is either provable by the creditor in the administration or liquidation of the company (if amounts remain due to the creditor) or, conversely, is payable by the creditor to the company (if amounts remain due to the company).

The general priority on insolvency is as follows (in descending order of priority):

- *First ranking:* holders of fixed charge security and creditors with a proprietary interest in specific assets in the possession (but not full legal and beneficial ownership) of the debtor but only to the extent the realizations from those secured assets or with respect to the asset in which they have a proprietary interest account for the relevant indebtedness;
- *Second ranking:* prescribed fees and expenses of the official receiver;
- *Third ranking:* where winding-up procedures are begun within 12 weeks following the end of any (new, stand-alone) moratorium (see further below), unpaid moratorium debts and unpaid priority pre-moratorium debts;
- *Fourth ranking:* expenses of the insolvent estate incurred during the relevant insolvency proceedings (there are statutory provisions setting out the order of priority in which expenses are-paid);
- *Fifth ranking:* ordinary and secondary preferential creditors.

Ordinary preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (a) contributions to occupational and state pension schemes; (b) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; and (c) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the date of insolvency. As between one another, ordinary preferential debts rank equally.

Secondary preferential debts are limited to (a) certain categories of bank account deposits, and (b) claims by HMRC in respect of taxes including VAT, PAYE income tax (including student loan repayments), employee NI contributions and Construction Industry Scheme deductions (but excluding corporation tax and employer NI contributions) which are held by the company on behalf of employees and customers. As between one another, secondary preferential debts rank equally after the ordinary preferential debts and, as between one another, the categories of bank account deposits rank before the HMRC claims;

- *Sixth ranking:* holders of floating charge security, to the extent of the realizations from those secured assets, according to the priority of their security. This would include any floating charge that was stated to be a fixed charge in the document that created it but which, on a proper interpretation, was rendered a floating charge. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (as defined below) must, subject to certain exceptions, be set aside for distribution to unsecured creditors;
- *Seventh ranking:*
    - firstly, provable debts of unsecured creditors and any secured creditor to the extent of any unsecured shortfall, in each case including accrued and unpaid interest on those debts up to the date of commencement of the relevant insolvency proceedings. To pay the secured creditors any unsecured shortfall, the insolvency officeholder can only use realizations from unsecured assets, as secured creditors are not entitled to any distribution from the Prescribed Part unless the Prescribed Part is sufficient to pay out all unsecured creditors;
    - secondly, interest on the company's debts (at the higher of the applicable contractual rate and the official rate in accordance with the Judgments Act 1838 (currently 8% per annum)) in respect of any period after the commencement of liquidation, or after the commencement of any administration which had been converted into a distributing administration. However, in the case of interest accruing on amounts due under the notes or the guarantees, such interest due to the holders of the notes may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries; and
    - thirdly, non-provable liabilities, being liabilities that do not fall within any of the categories above and therefore are only recovered in the (unusual) event that all categories above are fully paid. This however does not include "currency conversion" claims following the English Supreme Court Lehman Brothers ruling dated May 17, 2017; and
- *Eighth ranking:* shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Subject to the above order of priority, subordinated creditors are ranked according to the terms of the subordination language in the relevant documentation.

Prescribed Part

An insolvency practitioner of the company (e.g., administrator, administrative receiver or liquidator) will generally be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (after making full provision for preferential creditors and expenses out of floating charge realizations) (the "Prescribed Part"). Under current law, this ring-fence applies to 50 per cent. of the first £10,000 of floating charge realizations and 20 per cent. of the remainder over £10,000, with a maximum aggregate cap which was increased on April 6, 2020 of £800,000 (although the maximum aggregate cap will generally remain £600,000 where the company's net property is available to be distributed to the holder of a first ranking floating charge created before April 6, 2020). The Prescribed Part must be made available to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefit to creditors. The Prescribed Part will not be available for any shortfall claims of secured creditors. Whether the assets that are subject to the floating charges and other security will constitute substantially the whole of the relevant English Guarantor's assets at the time that the floating charges are enforced will be a question of fact at the time.

Avoidance of Transactions

There are circumstances under English insolvency law in which the granting by an English company of security and/or guarantees can be challenged. In most cases, this will only arise if the company is placed into administration or liquidation within a specified period after the granting of the security and/or guarantee. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, the administrator or liquidator may challenge the validity of the security or guarantee given by such company. The Issuer cannot be certain that, in the event that the onset of an English company's insolvency (as described below) is within any of the requisite time periods, the grant of a security interest and/or guarantee in respect of the relevant notes would not be challenged or that a court would uphold the transaction as valid.

Onset of Insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges (as discussed below), depends on the insolvency procedure in question.

In administration, the onset of insolvency is the date on which: (a) the court application for an administration order is issued; (b) the notice of intention to appoint an administrator is filed at court; or (c) otherwise, the date on which the appointment of an administrator takes effect.

In a compulsory liquidation the onset of insolvency is the date the winding-up petition is presented to court, whereas in a voluntary liquidation it is the date the company passes a winding-up resolution. Where liquidation follows administration, the onset of insolvency will be the same as the initial administration.

Connected Persons

If the given transaction at an undervalue, preference, or invalid floating charge has been entered into by the company with a "connected person," then particular specified time periods and presumptions will apply to any challenge by an administrator or liquidator (as set out below).

A "connected person" of a company granting a security interest or guarantee for the purposes of transactions at an undervalue, preferences or invalid floating charges is a party who is: (a) a director of the company; (b) a shadow director; (c) an associate of such director or shadow director; or (d) an associate of the relevant company.

A party is associated with an individual if they are: (a) a relative of the individual; (b) the individual's husband, wife or civil partner; (c) a relative of the individual's husband, wife or civil partner; (d) the husband, wife or civil partner of a relative of the individual; or (e) the husband, wife or civil partner of a relative of the individual's husband, wife or civil partner.

A party is associated with a company if they are employed by that company.

A company is associated with another company if (a) the same person has control of both companies, (b) a person has control of one and persons who are his associates, or he and persons who are his associates, have control of the other or (c) if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

A person is to be taken as having control of a company if the directors of the company or of another company which has control of it (or any of them) are accustomed to act in accordance with his directions or instructions, or he is entitled to exercise, or control the exercise of, one third or more of the voting power at any general meeting of the company or of another company which has control of it. Where two or more persons together satisfy either of these conditions, they are to be taken as having control of the company.

The potential grounds for challenge available under the English insolvency legislation that may apply to any security interest or guarantee granted by an English company include the following described below.

Transactions at an Undervalue

Under Section 238 of the Insolvency Act, a liquidator or administrator of an English company could apply to the court for an order to set aside a transaction, for example the creation of a security interest or a guarantee, (or give such other relief as the court thinks fit for restoring the position to what it otherwise would have been) where the creation of such security interest or guarantee constituted a transaction at an undervalue. It will only be a transaction at an undervalue if at the time of the transaction the English company is unable to pay its debts or becomes unable to pay its debts as a result (as defined in Section 123 of the Insolvency Act). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of two years ending with the onset of insolvency from the date of the transaction. A transaction may be set aside as a transaction at an undervalue if the company made a gift to a person, if the company received no consideration or if the company received consideration of significantly less value, in money or money's worth, than the consideration given by such company.

However, a court will generally not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the company to the position it would have been in had it not entered into the transaction. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts unless a beneficiary of the transaction was a connected person, in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the English company in such proceedings. See "*—Connected Persons*."

An order by the court for a transaction at an undervalue may affect the property of, or impose any obligation on, any person whether or not they are the person with whom the company entered into the transaction, but such an order will not prejudice any interest in property which was acquired from a person other than the English company in good faith and for value or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the transaction in good faith and for value to pay a sum to the liquidator or administrator of the company, except where the person was a party to the transaction.

Preference

Under Section 239 of the Insolvency Act, a liquidator or administrator of an English company could apply to the court for an order to set aside a transaction, for example the creation of a security interest or a guarantee, (or give such other relief as the court thinks fit for restoring the position to what it otherwise would have been) where the creation of such security interest or such guarantee constituted a preference. It will only be a preference if at the time of the transaction or in consequence of the transaction the English company is unable to pay its debts at the time of the transaction or becomes unable to pay its debts as a result (as defined in Section 123 of the Insolvency Act). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of six months (if the beneficiary is not a connected person) or two years (if the beneficiary is a connected person) from the date the English company gives the preference ending with the onset of insolvency. A transaction may constitute a preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. However, for the court to determine a preference, it must be shown that the English company was influenced by a desire to produce the preferential effect. If the court determines that the transaction was a preference, the court can make such order as it thinks fit to restore the company to the position it would have been in had it not entered into the transaction.

In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts at the relevant time and that there was such desire to prefer the relevant creditor, unless the beneficiary of the transaction was a connected person, in which case it is presumed that the company intended to put that person in a better position and the connected person must demonstrate that there was, in fact, no such influence. An order by the court for a preference may affect the property of, or impose any obligation on, any person whether or not he is the person to whom the preference was given, but such an order will not prejudice any interest in property which was acquired from a person other than the English company in good faith, for value without notice of the relevant circumstances, or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the preference in good faith, for value without notice of the relevant circumstances to pay a sum to the liquidator or administrator of the company, except where the payment is to be in respect of a preference given to that person at a time when he was a creditor of the English company.

Transactions Defrauding Creditors

Under Section 423 of the Insolvency Act, where it can be shown that a transaction was at an undervalue, was made for the purpose of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim which that person is making or may make, and one or more of the criteria set out in the applicable provisions of the Insolvency Act is satisfied the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a "victim" of the transaction (and is not therefore limited to liquidators or administrators) and, subject to certain conditions, the U.K. Financial Conduct Authority and the U.K. Pensions Regulator. There is no statutory time limit under English insolvency legislation within which the challenge must be made (subject to the normal statutory limitation periods) and the relevant company does not need to be insolvent at the time of, or as a result of, the transaction.

If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a third-party in good faith, for value and without notice of the relevant circumstances, and will not require a person who received a benefit from such transaction in good faith, for value and without notice of the relevant circumstances to pay any sum unless such person was a party to the transaction.

Extortionate Credit Transactions

An administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions up to three years before the day on which the company entered into administration or went into liquidation. A credit transaction is "extortionate" if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing.

Avoidance of Floating Charges

Under Section 245 of the Insolvency Act, floating charges created by an English company within a period of one year prior to the onset of the English company's insolvency (or two years in the case of a floating charge created in favour of a connected person) at a time when the English company was unable to pay its debts or became unable to do so as a consequence of the transaction, will be invalid, except to the extent of the value of: (a) the money paid to; (b) the goods or services supplied to; or (c) any discharge or reduction of any debt of, the relevant English company at the same time as or after the creation of the floating charge (plus certain interest) (the "Consideration"). The requirement for an English company to be unable to pay its debts at the time of granting the floating charge or becoming insolvent as a consequence of doing so does not apply where the floating charge is granted to a connected person.

An administrator or liquidator (as applicable) does not need to apply to court for an order declaring that a floating charge is invalid by operation of law. Any floating charge created during the relevant time period is automatically invalid, except to the extent of the value of the Consideration, whether the relevant English company is solvent or insolvent at the time of grant.

If the floating charge constitutes a "security financial collateral agreement" under the Financial Collateral Regulations then the floating charge will not be subject to challenge as described in the paragraph above.

Fixed Versus Floating Charges

There are a number of ways in which fixed charge security has an advantage over floating charge security, namely: (a) a fixed charge, even if created after the date of a floating charge, may have priority as against a floating charge over the same charged assets (provided that the floating charge has not crystallized at the time the fixed charge was granted); (b) general costs and expenses (including the remuneration of the insolvency officeholders) properly incurred in a winding-up or administration are generally payable out of the assets of the charging company (including the assets that are the subject of the floating charge) in priority to floating charge claims (the same does not apply to fixed charge assets); (c) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third-party good title to the assets free of the floating charge; (d) there are particular insolvency "clawback" risks in relation to floating charge security; (e) floating charge security is subject to the claims of certain preferential creditors (such as employee, salary claims (up to a cap per employee), employee holiday claims and certain unpaid pension contributions) where the floating charge is not a security financial collateral arrangement and subject to the ring fencing of the Prescribed Part for unsecured creditors; and (f) an administrator may dispose of or take action relating to property subject to a floating charge without the prior consent of the charge holder or court but the floating charge holder retains the same priority in respect of the proceeds from the disposal of the assets subject to the floating charge. Only with prior approval of the court can an administrator deal with property subject to a fixed charge provided that disposing of the property is likely to promote the administration's purpose and that the administrator apply the gross proceeds from the disposal of the property in question towards discharging the obligations of the company to the charge holder.

There is a possibility that a court could find that some or all of the fixed security interests expressed to be created by the security documents governed by English law properly take effect as floating charges as the description given to them as fixed charges is not determinative. Whether the purported fixed security interests will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the secured party has the requisite degree of control over the chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the security holder in practice. Where the chargor is free to deal with the assets that are the subject of a purported fixed charge in its discretion and without the consent of the chargee, the court would be likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

If any fixed security interests are recharacterized as floating security interests: (a) the proceeds of those assets could be applied in meeting other liabilities of the company in priority to the claims of the purported fixed charge holder in insolvency proceedings and (b) it is possible that any purported floating charge security may no longer relate to the whole or substantially the whole of the property of the relevant company and therefore may not constitute a "qualifying floating charge." See also *"—Administrative Receivership*."

Disclaimer

An English liquidator has the power to disclaim onerous property, which is any unprofitable contract or other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract will not be unprofitable merely because it is financially disadvantageous or because the company could have made, or could make, a better bargain. The critical feature is that the performance of future obligations would prejudice the liquidator's obligation to realize the assets and make a distribution to creditors.

Limitation on Enforcement

The grant of a guarantee or collateral by the English Guarantor in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that these documents do not allow such an action, there is a risk that the grant of the guarantee and the subsequent security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third-parties if they are dealing with the English Guarantor in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for the English Guarantor by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the English Guarantor for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court. Section 172(3) of the Companies Act additionally provides that, in certain circumstances, the directors need to consider or act in the interests of the creditors of the company. While the statutory provisions do not prescribe when directors' duties to creditors arise, the Court of Appeal has recently held that the shift takes place when the directors know, or should know, that the company in question is or is likely to become insolvent, with "likely" in this context meaning "probable".

Under the Companies Act, subject to limited exceptions, any security (including security not governed by English law) granted by a company (together with prescribed particulars of the security constituted thereby) must be received by the Registrar of Companies in England and Wales for registration within 21-days after the date of creation of the security constituted by the applicable security document. Such security, if not registered within the 21-day period, will be deemed to be void against a liquidator, administrator or a creditor of the company. When security becomes so void, the debt which was intended to be secured by such security is deemed to become immediately payable.

In the event that the relevant security document is not registered, the company may be required to enter into a new security document and register it with Companies House within 21-days of its creation.

Alternatively, it may be possible to apply to the English courts for an order allowing the charge to be registered after the 21-day period has expired. An application for such an order can be made by the company or by any person interested in the relevant security. The court will grant leave to register the security out of time if it considers it "just and expedient" to do so, and will have particular regard to whether the failure to register was merely accidental and whether a late registration will prejudice the position of creditors or shareholders. The court order will have to be enclosed with any delayed application for registration of the security.

Security granted by non-English companies over assets in England and Wales does not need to be registered with the Registrar of Companies at Companies House (although they may still need to be registered with the applicable asset registry).

Guarantees and security granted by a company are also subject to limitations to the extent they would result in unlawful financial assistance within the meaning of the Companies Act.

Foreign Currency

Under English insolvency law, where creditors are asked to submit formal proofs of claim for their debts, the office-holder must convert all foreign currency denominated proofs of debt into sterling at a single rate for each currency determined by the office-holder by reference to the exchange rates prevailing at the date when the company went into liquidation or administration. This provision overrides any agreement between the parties. If a creditor considers the rate to be unreasonable, they may apply to the court.

Accordingly, in the event that the English Guarantor goes into liquidation or administration, holders of the notes may be subject to exchange rate risk between the date on which the English Guarantor goes into liquidation or administration and receipt of any amounts to which such holders of the notes may become entitled.

Reliance on Ipso Facto Clauses Restricted

The CIGA inserts a new measure for the protection of supplies of goods and services into the Insolvency Act 1986. The measure provides that a provision of a contract for the supply of goods or services which permits the supplier to terminate the contract or the supply, or do any other thing, on the grounds that the counterparty becomes subject to a relevant insolvency procedure, will be void. A relevant insolvency procedure for this purpose includes the new restructuring plan procedure, but not a scheme of arrangement.

Certain exclusions apply, including for contracts involving financial services (which includes contracts for the provision of financial services consisting of lending and contracts for the purchase or sale of a security).

Temporary Restrictions on Enforcement Action

The CIGA provides for temporary restrictions on certain enforcement action in respect of unpaid debts, as follows:

- any statutory demands made against companies in the period from March 1, 2020 to June 30, 2021 are prevented from being used as the basis of a winding-up petition presented at any point on or after April 27, 2020; and
- the court will refuse to make a winding-up order in respect of any winding-up petition, which is presented in the period from April 27, 2020 to June 30, 2021 on the grounds that the company is unable to pay its debts, unless the presenting creditor can demonstrate to the court that either:
- coronavirus has not had a "financial effect" on the company; or
- the relevant insolvency condition would have arisen anyway, irrespective of the financial effect of coronavirus on the company.

These provisions are subject to possible extension.

Germany

Certain of the Guarantors are organized under the laws of Germany, have their registered offices in Germany and substantially all of their assets are located in Germany. In the event of an insolvency of a Guarantor organized under the laws of Germany and/or having its “centre of main interests” in Germany (any other such Guarantor, a “German Notes Guarantor” and collectively, the “German Guarantors”) at the time the petition for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) is filed, any main insolvency proceedings would most likely be initiated in Germany. Such proceedings would then be governed by German law. Under certain circumstances, insolvency proceedings may also be opened in Germany in accordance with German law over the assets of companies that are not established under German law (for example, if the centre of main interest of such company is within Germany) or, vice versa, insolvency proceedings over the German Notes Guarantors may be opened in other jurisdictions, in particular if such assets are located in another Member State of the European Union. With respect to cross-border group insolvencies, Art 56 *et seq.* Recast Insolvency Regulation introduced requirements facilitating communication and cooperation between the administrators and courts involved. In addition, a coordination procedure may be initiated, which involves the appointment of a coordinator and the adoption of a cross-border coordination plan. See “*—European Union*.”

The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) or the Corporate Stabilization and Restructuring Act (*StaRUG*), may not be as favorable to your interests as creditors than the insolvency laws of the United States or another jurisdiction with which you may be familiar, including in respect of priority of creditors’ claims, the ability to obtain post-petition interest as well as, in certain circumstances, priority recovery for secured creditors and the duration of the insolvency proceedings, and thus may limit your ability to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws.

Insolvency

The following is a brief description of certain aspects of the proceedings under the German Insolvency Code (*Insolvenzordnung*):

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court ex officio, but require that the debtor and/or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over indebtedness (*Überschuldung*) of the debtor or in the event of its illiquidity (*Zahlungsunfähigkeit*), meaning that the debtor is unable to pay 10% or more of its debts as and when they fall due for a period longer than three weeks. According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is over indebted when its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor’s business as a going concern is predominantly likely (*überwiegend wahrscheinlich*) based on a 12 months’ forecast horizon (positive *Fortführungsprognose*). If a limited liability company (*Gesellschaft mit beschränkter Haftung*), a public limited liability company (*Aktiengesellschaft*), a European law stock corporation based in Germany (*Societas Europaea*) or any other company not having an individual as personally liable shareholder or partner finds itself in a situation of illiquidity (*Zahlungsunfähigkeit*) and/or over indebtedness (*Überschuldung*), each managing director of such company and, in certain circumstances, its shareholders or members of the supervisory board (if established), are obligated to file for insolvency without undue delay but not later than three weeks after such illiquidity (*Zahlungsunfähigkeit*) and/or six weeks after such over indebtedness (*Überschuldung*) occurred or (as the case may be) was established. Noncompliance with these obligations exposes management to both severe damages claims as well as sanctions under criminal law. In addition, only the debtor, but not the creditors, can file for the opening of insolvency proceedings or for restructuring proceedings (see “*Preventive Restructuring Framework*”) in the event of imminent illiquidity (*drohende Zahlungsunfähigkeit*), if there is the imminent risk of the company being unable to pay its debts as and when they fall due at some point in time within a prognosis period of usually 24 months, whereas imminent illiquidity (*drohende Zahlungsunfähigkeit*) does not give rise to an obligation for the management of the debtor to file for insolvency proceedings.

The Act to Temporarily Suspend the Obligation to File for Insolvency and to Limit Directors’ Liability in the Case of Insolvency Caused by the COVID-19 Pandemic, which was adopted on March 27, 2020 (as amended from time to time, the “COVInsAG”), provides, *inter alia*, for a suspension of the obligation to file for insolvency until, currently, April 30, 2021. The suspension – as in force from January 1, 2021 – applies to debtors who, in the period from November 1, 2020 to February 28, 2020, have applied for financial assistance under state assistance programs to mitigate the consequences of the COVID-19 pandemic or have been prevented, as eligible debtors, from filing such application for legal or factual reasons, unless the insolvency is not caused by consequences of the COVID-19 pandemic and there is obviously no prospect of obtaining the state financial assistance or the assistance that can be obtained is insufficient to eliminate the over-indebtedness or illiquidity.

A company may also file for preliminary "debtor-in-possession" proceedings (*vorläufige Eigenverwaltung*), if, in general, the company has developed a comprehensive and conclusive turn-around plan to be implemented by way of debtor-in-possession proceedings and the insolvency court is not aware of any circumstances that indicate that key aspects of the filed turn-around plan are based on incorrect assumptions. If a company faces imminent illiquidity (*drohende Zahlungsunfähigkeit*) and/or is over-indebted (*überschuldet*), but not illiquid (*zahlungsunfähig*), it may also file for preliminary "debtor in possession" protective shield proceedings (*Schutzschirmverfahren*), unless—from a third party perspective—there is no reasonable chance for a successful restructuring. Upon such filing by the debtor, the court will appoint a preliminary trustee (*vorläufiger Sachwalter*) and prohibit enforcement measures (other than with respect to immovable assets). It may also implement other preliminary measures to protect the debtor from creditor enforcement actions for up to three months. During the period of either the preliminary debtor-in-possession proceedings (*vorläufige Eigenverwaltung*) or the protective shield proceedings (*Schutzschirmverfahren*), the debtor shall prepare an insolvency plan, which ideally shall be implemented in formal "debtor-in-possession" proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened.

The insolvency proceedings are controlled by the competent insolvency court, which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). In particular, the insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings (other than with respect to immoveable assets) or, to the extent required to ensure the continuation of the debtor's business, prohibit the enforcement of any collateral granted over claims, rights or other movable assets of debtor. If the enforcement of collateral is prohibited by the insolvency court, secured creditors have to be adequately compensated by the insolvency estate.

Unless the debtor has applied for debtor in possession proceedings (*Eigenverwaltung*) (in which event the court will generally only appoint a preliminary trustee (*vorläufiger Sachwalter*) who will also supervise the management of the affairs by the debtor) the insolvency court will in most cases appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*). The rights and duties of the preliminary trustee or preliminary administrator (*vorläufiger Insolvenzverwalter*) or preliminary trustee (*vorläufiger Sachwalter*) depend on the decision of the court. The duties of the preliminary administrator or preliminary trustee may include safeguarding and preserving the debtor's property and assessing whether the debtor's net assets will be sufficient to cover at least the costs of the insolvency proceedings. Depending on the decision of the court, even the right to manage the business and dispose of the assets of the debtor may pass to the preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), whilst in debtor-in-possession proceedings, the debtor's management retains the right to manage business. However, the court may also order that certain disposals of the debtor may require the preliminary trustee's (*vorläufiger Sachwalter*) consent also in debtor-in-possession proceedings. The insolvency court can also order a stay of all enforcement measures by unsecured creditors against the debtor.

During preliminary insolvency proceedings, the insolvency court has to appoint a "preliminary creditors' committee" (*vorläufiger Gläubigerausschuss*) if the debtor satisfies at least two of the following three requirements:

- a balance sheet total of at least €6,000,000 (after deducting an equity shortfall if the debtor is over indebted);
- revenues of at least €12,000,000 in the twelve months prior to the last day of the financial year preceding the filing; and/or
- fifty or more employees on an annualized average basis (including, inter alios, part time employees).

The requirements apply to the entity subject to the proceedings without taking into account the assets of other group companies. The preliminary creditors' committee (*vorläufiger Gläubigerausschuss*) will be able to participate in certain important decisions made in the preliminary insolvency proceedings. It will have, for example, the power to influence the following: the selection of a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) / preliminary trustee (*vorläufiger Sachwalter*) and an insolvency administrator (*Insolvenzverwalter*) / trustee (*Sachwalter*); and court orders for "debtor in possession" proceedings (*Anordnung der Eigenverwaltung*).

The court opens formal insolvency proceedings (*Eröffnung des Insolvenzverfahrens*) if certain formal requirements are met, including if (i) the debtor is in a situation of imminent illiquidity (if the petition has been filed by the debtor), illiquidity and/or over indebtedness and (ii) if there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient to cover such costs, the insolvency court will only open formal insolvency proceedings if third parties (e.g., creditors), advance the costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will usually be refused for insufficiency of assets (*Abweisung mangels Masse*).

Unless the court has granted "debtor-in-possession" proceedings (*Eigenverwaltung*) (in which case the court will only appoint a trustee (*Sachwalter*) who will supervise the management of the affairs by the debtor), upon opening of the insolvency proceedings, the court will appoint an insolvency administrator (*Insolvenzverwalter*) who has full administrative and disposal authority over the debtor's assets, whereas the debtor is no longer entitled to dispose of its assets. The insolvency creditors (*Insolvenzgläubiger*) will only be entitled to change the individual appointed as insolvency administrator at the occasion of the first creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by heads and amount of insolvency claims) has voted in favor of the proposed individual to become insolvency administrator and (ii) the proposed individual being eligible as officeholder, i.e., sufficiently qualified, business experienced and impartial. Individual creditors, or the debtor, can request the insolvency court to remove the insolvency administrator only on the grounds of a lack of impartiality and only within six months from the appointment. The insolvency administrator (*Insolvenzverwalter*) (or in the case of debtor in possession proceedings, the debtor) may raise new financial indebtedness and incur other liabilities to continue the debtor's operations, and satisfaction of these liabilities as preferential debts of the estate (*Masseverbindlichkeiten*) will be preferred to any unsecured insolvency liabilities created by the debtor including, e.g., the Notes Guarantees. Residual claims of a secured insolvency creditors remaining after realization of the respective collateral (if any) also qualify as unsecured insolvency claim in this regard. However, in "debtor-in-possession" proceedings, the debtor shall only incur estate liabilities in the ordinary course of business without the trustee's (*Sachwalter*) consent.

Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrator opts for performance.

The insolvency administrator (*Insolvenzverwalter*) (or trustee (*Sachwalter*) in case of debtor-in-possession proceedings) may also challenge transactions that are deemed detrimental to insolvency creditors and which were effected prior to the opening of the insolvency proceedings (See "*—Hardening Periods and Fraudulent Transfer*").

For the holders of the Notes, the consequences of the opening of German insolvency proceedings over the assets of any German Notes Guarantor would include, among possible voidance actions and other things, the following:

(a) unless the court orders debtor in possession proceedings (*Eigenverwaltung*), the right to administer and dispose of a German Notes Guarantor's assets would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate;

(b) unless the court orders debtor in possession proceedings (*Eigenverwaltung*), disposals effected by a German Notes Guarantor's management after the opening of insolvency proceedings are null and void by operation of law;

(c) if, during the final month preceding the date of filing for insolvency proceedings or thereafter, a creditor in the insolvency proceedings acquires through execution (e.g., attachment) a security interest in part of the relevant insolvency debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of the insolvency proceedings;

(d) claims against any the relevant debtor may generally only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*); and

(e) any person that has a right for separation (*Aussonderung*), i.e., the relevant asset of this person does not constitute a part of the insolvency estate, does not participate in the insolvency proceedings; the claim for separation must be enforced in the course of ordinary court proceedings against the insolvency administrator (*Insolvenzverwalter*).

Certain of these consequences could be achieved by decision of the insolvency court following the insolvency petition and prior to the opening of insolvency proceedings.

Under German insolvency and restructuring law, termination rights, automatic termination events or "escape clauses" entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or restructuring proceedings or the occurrence of reasons justifying the opening of insolvency or restructuring proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid in case of insolvency proceedings if such clause would frustrate the election right of the insolvency administrator whether or not to perform the contract (*Wahlrecht des Insolvenzverwalters*) unless such clause only reflects termination rights applicable under statutory law. This may also relate to agreements that are not governed by German law.

All other creditors, whether secured or unsecured (unless they have a right to segregate an asset from the insolvency estate (*Aussonderungsrecht*) or are preferred creditors (*Massegläubiger*) as opposed to a preferential right (*Absonderungsrecht*)), who wish to assert claims against the debtor need to participate in the insolvency proceedings and have to file their claims against the debtor and the rights they claim in the assets of the debtor with the insolvency administrator. With the exception of certain secured creditors, an individual enforcement action brought against the debtor by any of its creditors is subject to an automatic stay once the insolvency proceedings have been opened (and, if so ordered by a court, also between the time when an insolvency petition is filed and the time when insolvency proceedings commence). German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code (*Insolvenzordnung*). Accordingly, also unsecured creditors may file their claims in the insolvency proceedings and will be paid on a pro rata basis from the insolvency estate (to the extent sufficient assets are available). Secured creditors are generally not entitled to enforce their security interests after insolvency proceedings have been commenced to the extent the German Insolvency Code (*Insolvenzordnung*) authorizes the insolvency administrator to dispose of the relevant collateral but have only certain preferential rights (*Absonderungsrechte*) in the insolvency proceedings. In this case, secured creditors will only have a right to claim the recoveries (minus costs and fees) from such realization. Whether or not, after the initiation of insolvency proceedings, a secured creditor remains entitled to enforce security granted to it by the relevant debtor depends on the type of security: The insolvency administrator (*Insolvenzverwalter*) generally has the sole right (i) to realize any movable assets within its possession that are subject to preferential rights (*Absonderungsrechte*) (e.g., pledges over movable assets and rights (*Mobiliarpfandrechte*), transfer by way of security (*Sicherungsübereignung*)) and (ii) to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). According to some voices in legal literature, it is uncertain whether the secured creditors are entitled to initiate the enforcement process in respect of pledged uncertificated shares on their own or, insofar as the pledged assets are part of any insolvency estate, whether the insolvency administrator has standing to realize the pledges on behalf of and for the benefit of the secured creditors. However, there is no authoritative case law on this question. That having been said, the German Federal Court of Justice (*Bundesgerichtshof*) views the insolvency administrator (*Insolvenzverwalter*) competent to realize pledged shares in a corporation that have been certificated (*verbrieft*) and are hold in a custodian account (*Depot*) in Germany in case the shares represent more than 20% in the issued share capital of the pledged company. It therefore appears likely that in this particular case, secured creditors would not be held competent to realize the respective share pledges.

Even if the law vests the right of disposal regarding the relevant collateral in the insolvency administrator (*Insolvenzverwalter*), the secured creditor retains the right of preferred satisfaction with regard to the disposal proceeds (*Ersatzabsonderungsrecht*). Consequently, the enforcement proceeds minus certain contributory charges of 9% (or as agreed upon individually, but in any case at least 4%) for (i) assessing the value of the secured assets and (ii) realizing the secured assets are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Remaining amounts ("excess proceeds") will be allocated to the insolvency estate (*Insolvenzmasse*) (being the remaining unencumbered assets of the debtor) and would, after deduction of the costs of the insolvency proceedings (e.g., fees for and expenses of the preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), the insolvency administrator (*Insolvenzverwalter*) and the insolvency court as well as the members of the (preliminary) creditors' committee) and after satisfaction of certain preferential liabilities be distributed among the non-preferential unsecured creditors, including the holders of the Notes (to the extent not satisfied after enforcement of the collateral securing the Notes (if any)). If a German Notes Guarantor or a subsidiary thereof subject to German insolvency proceedings grants security over its assets to creditors other than the holders of the Notes, such security may result in a preferred satisfaction of creditors secured by such security (however, the preferential treatment would be limited to the proceeds obtained through the disposal of the relevant collateral). The excess proceeds resulting from such collateral may not be sufficient to satisfy the obligations under the Notes by the German Notes Guarantors after such secured creditors have been satisfied.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator (*Insolvenzverwalter*) from using a movable asset that is subject to this right. The insolvency administrator (*Insolvenzverwalter*), however, must compensate the creditor in accordance with specific rules.

In addition, it may take several years before proceeds from the liquidation of the insolvency estate, if any, are distributed to unsecured creditors. A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator or, in debtor-in-possession proceedings, by the trustee (upon instruction of the preliminary creditors' committee or the creditors' meeting) and which requires, in principle, the consent of the debtor as well as the consent of each class of creditors in accordance with specific majority rules. The insolvency court may order the deemed approval of one or more opposing creditor groups under certain conditions (cram down). The insolvency plan (*Insolvenzplan*) may derogate from the provisions of the German Insolvency Code (*Insolvenzordnung*). In particular, it may contain provisions regarding the discharge of secured and unsecured creditors, the disposal of the insolvency estate as well as procedure. It may also create, modify, transfer or terminate rights in rem such as property rights or security interests. If the debtor is a corporate entity, the shares or, as the case may be, the partnership interests in the debtor can also be included in the insolvency plan, including an issuance of shares or partnership interests to third parties or to creditors based on a debt-to-equity swap. Thus, an insolvency plan (*Insolvenzplan*) could under certain circumstances provide for provisions, *inter alia,* regarding the Notes Guarantees which are less favorable to the holders of the Notes than the provisions of the German Insolvency Code (*Insolvenzordnung*), such as the release of obligations under the Notes or the Notes Guarantees. Under certain conditions, such provisions could be adopted against the votes of the affected holders of the Notes. However, it will not be possible to force a creditor into a debt-to-equity conversion if it does not consent to such debt-for-equity swap under the proposed insolvency plan (*Insolvenzplan*).

An insolvency plan can further provide for the release or other impairment of guarantees or other security interests provided by debtor affiliates (*gruppeninterne Drittsicherheiten*), without such debtor affiliates being required to become subject of the debtor's or separate insolvency proceedings, provided that the relevant debtor affiliate consents to the impairment. Creditors affected by such impairment are entitled to receive adequate compensation. This means that the claims under the Notes Guarantees can get impaired if the Issuers or a German Guarantor would enter into German insolvency proceedings, regardless of whether or not the relevant German Guarantor is itself subject of insolvency proceedings.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In the case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately. As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and vis à vis each entity have to be dealt with separately. However, the German Insolvency Code (*Insolvenzordnung*) has provisions to facilitate the coordination of and cooperation between insolvency proceedings of group companies. Whereas these provisions do not provide for a consolidation of the insolvency proceedings of the insolvent group companies, or a consolidation of the assets and liabilities of a group of companies or pooling of claims among the respective entities of a group, they stipulate four key measures in order to facilitate an efficient administration of group insolvencies: (i) a single court may assume jurisdiction for other group company insolvency proceedings (*Gruppengerichtsstand*); (ii) a single person may be appointed as insolvency administrator (*Insolvenzverwalter*) for all relevant group companies; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees, and (iv) certain parties may apply for "coordination proceedings" (*Koordinationsverfahren*) and the appointment of a "coordinator" (*Verfahrenskoordinator*) with the ability to propose a "coordination plan" (*Koordinationsplan*) for approval by the coordination court (*Koordinationsgericht*).

As a general principle, the claims arising from the Notes Guarantee may be enforced against a German Notes Guarantor outside of the insolvency proceedings over the assets of the relevant German Notes Guarantor. Any insolvency proceedings over the assets of the Issuer or a Guarantor would, however, be a rather strong indication that the overall financial situation of the entire group of affiliated companies has significantly deteriorated, which may cause other Guarantors or other affiliated companies to subsequently file for insolvency.

German insolvency law provides for certain creditors and their claims to be subordinated by law (including, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of repayment of shareholder loans or comparable actions, but except for government developments banks and its affiliates). The restrictive nature of the covenants and undertakings in the Indenture may result in the holders of the Notes and/or the applicable Trustee being considered in a "shareholder like" position (*gesellschafterähnliche Stellung*).

In that event, in an insolvency proceeding over the assets of a German Notes Guarantor, the claims arising from a Notes Guarantee could be treated as a subordinated insolvency claim (*nachrangige Insolvenzforderungen*). Subordinated insolvency claims are not eligible to participate in the insolvency proceedings over the assets of a German Notes Guarantor unless the insolvency court handling the case has granted special permission allowing these subordinated insolvency claims to be filed which is not granted in the vast majority of insolvency cases governed by German law. Claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to claims of regular, unsecured creditors.

Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrator opts for performance.

Hardening Periods and Fraudulent Transfer

Under the German Insolvency Code (*Insolvenzordnung*), an insolvency administrator or, in the event that debtor-in-possession status (*Eigenverwaltung*) has been granted, the trustee (*Sachwalter*) may also challenge (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and were effected prior to the commencement of insolvency proceedings during applicable voidance periods. The administrator's or the trustee's right to challenge transactions can, depending on the circumstances, extend to transactions during the ten-year period prior to the filing of the petition for commencement of insolvency proceedings.

In the event of insolvency proceedings based on and governed by the insolvency laws of Germany, the payment of any amounts to the holders of Notes as well as the granting of collateral for or providing credit support for the benefit of the Notes could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) or, as the case may be, a trustee (*Sachwalter*) under the rules of avoidance as set forth in the German Insolvency Code (*Insolvenzordnung*). If the validity or enforceability of the Notes, the respective Notes Guarantees or any collateral in favor of the Notes is challenged successfully, the holder of the Notes may not be able to recover any amounts under the Notes, the Notes Guarantees or the relevant collateral. If payments have already been made under the Notes, the Notes Guarantee or collateral, any amounts received from a transaction that had been challenged would have to be repaid to the insolvency estate. In this case, holders of the Notes would only have a general unsecured claim under the Notes and the Notes Guarantees without preference in insolvency proceedings.

In particular, an act (*Rechtshandlung*) or a transaction (*Rechtsgeschäft*) (which terms also include the provision of security or the repayment of debt) may be avoided in the following cases.

(a) any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security (including a guarantee) (*Sicherung*) or satisfaction (*Befriedigung*) if such act was taken (i) during the last three months prior to the filing of a petition for the commencement of insolvency proceedings, if the debtor was illiquid (*zahlungsunfähig*) at the time such act was taken and the creditor knew of such illiquidity (or of circumstances that imperatively suggest that the debtor was illiquid (*zahlungsunfähig*)) at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity (*Zahlungsunfähigkeit*) or the filing of such petition (or of circumstances imperatively suggesting such illiquidity (*Zahlungsunfähigkeit*) or filing); whereby in each case an "affiliated party" (*nahestehende Person*) as described below shall be presumed to have been aware of the debtor's insolvency or of the filing to open insolvency proceedings;

(b) any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security (including a guarantee) (*Sicherung*) or satisfaction (*Befriedigung*) to which such creditor was not entitled or which was granted or obtained in a form in which or at a time at which such creditor was not entitled to such security or satisfaction, if (a) such act was taken during the last month prior to the filing of the petition for the commencement of insolvency proceedings or after such filing, (b) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid (zahlungsunfähig) at such time or (c) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that imperatively suggest such detrimental effect); whereby in each case an "affiliated party" (*nahestehende Person*) as described below shall be presumed to have been aware of the detrimental nature of such transaction for other creditors;

(c) any transaction by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, provided it was entered into (i) during the three months prior to the filing of the petition of the commencement of insolvency proceedings and the debtor was illiquid (*zahlungsunfähig*) at the time of such transaction and the counterparty to such transaction knew of the illiquidity (*Zahlungsunfähigkeit*) at such time or (ii) after the filing of the petition for the commencement of insolvency proceedings and the counterparty to such transaction knew of either the debtor's illiquidity (*Zahlungsunfähigkeit*) or such filing at the time of the transaction (or of circumstances imperatively suggesting such illiquidity (*Zahlungsunfähigkeit*) or filing); whereby in each case an "affiliated party" (*nahestehende Person*) as described below shall be presumed to have been aware of the debtor's illiquidity (*Zahlungsunfähigkeit*) or of the filing to open insolvency proceedings;

(d) any act by the debtor without (adequate) consideration (e.g., whereby a debtor grants security (including a guarantee) for a third party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*)), if it was effected in the four years prior to the filing of the petition for the commencement of insolvency proceedings;

(e) any act performed by the debtor during the ten years prior to the filing of the petition for the commencement of insolvency proceedings or at any time after the filing with the intent to prejudice the insolvency creditors if the other party knew of such intention at the time of such act with such knowledge being presumed if the beneficiary knew that the debtor's illiquidity was at least imminent (*drohende Zahlungsunfähigkeit*) and that the transaction disadvantaged the other creditors. For granting an insolvency creditor, or enabling an insolvency creditor, to obtain security or satisfaction to which such creditor was entitled, such knowledge is (solely) presumed if such creditor knew that the debtor was illiquid (*zahlungsunfähig*) (as opposed to the knowledge of imminent illiquidity (*drohende Zahlungsunfähigkeit*) in regular cases) and that the transaction disadvantaged the other creditors. Apart from that, such acts granting an insolvency creditor, or enabling an insolvency creditor, to obtain security (*Sicherung*) or satisfaction (*Befriedigung*) (whether or not it was granted or obtained in a form or at a time to which or at which such creditor was entitled to such security or satisfaction), may only be avoided if they were effected in the four years prior to the filing of the petition for the commencement of insolvency proceedings or at a time after the filing. There is a rebuttable presumption that, if the debtor reached a payment agreement (*Zahlungsvereinbarung*) with the creditor or the creditor granted any other form of deferred payment (*Zahlungserleichterungen*) to the debtor, he had no knowledge of the debtor's illiquidity (*Zahlungsunfähigkeit*) at the time of the transaction.

(f) any non-gratuitous contract (*entgeltlicher Vertrag*) concluded between the debtor and an affiliated party (*nahestehende Person*), as described below, which directly operates to the detriment of the creditors can be challenged unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded;

(g) any act that grants security (including a guarantee) (*Sicherung*) or satisfaction (*Befriedigung*) for a claim under a shareholder loan granted to the debtor or an equivalent claim if (i) in the case of the granting of security, the act took place during the ten years prior to the filing of the petition for the commencement of insolvency proceedings or after the filing of such petition, or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition. This does not apply (i) to shareholders that own 10% or less of the shares or interest and are not engaged in management and (ii) until the sustainable restructuring (*nachhaltige Sanierung*) of the debtor in case a creditor for the first time acquires shares during over indebtedness, illiquidity or imminent illiquidity with the intension to restructure the debtor; and

(h) any act whereby the debtor grants satisfaction to a third party for a loan claim or an equivalent claim if (i) the transaction was effected in the last year prior to the filing of a petition for the commencement of insolvency proceedings or thereafter and (ii) a shareholder of the debtor had granted security for such loan or was liable as a guarantor or surety provider (*Garant oder Bürge*) for such loan (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that, e.g., the respective debtor (e.g., a German Guarantor) was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. Knowledge of pending restructuring proceedings (*see Preventive Restructuring Framework*) *per se* does not suffice for a creditor to be deemed to have such "knowledge." A person is further deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if it knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. If the relevant act granted an insolvency creditor, or enabled an insolvency creditor to obtain, security (including a guarantee) (*Sicherung*) or satisfaction (*Befriedigung*) in a form in which and at a time at which such creditor was entitled to such security or satisfaction (*kongruente Deckungshandlung*), the words "imminent illiquidity" (*drohende Zahlungsunfähigkeit*) in the preceding sentence have to be replaced by "actual illiquidity" (*eingetretene Zahlungsunfähigkeit*). With respect to an "affiliated party" (*nahestehende Person*) as described below there is a general statutory presumption that such party had "knowledge" as indicated above.

In relation to corporate entities, the term "affiliated party" (*nahestehende Person*) includes, subject to certain limitations, members of the management or supervisory board, general partners and shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons who are spouses, relatives or members of the household of any of the foregoing persons.

The granting of a security concurrently with the incurrence of debt funded as new money may be qualified as a "cash transaction" and may as such be privileged. Meaning, under certain circumstances it may not be subject to avoidance rights under the German Insolvency Code (*Bargeschäftsprivileg*). According to recent case law of the German Federal Court of Justice (*Bundesgerichtshof*), however, this privilege does not apply to claims as described under (vii) above.

Any kind of newly granted third-party financing (i.e., not only traditional cash loans but also commercial credits and other forms of financing) and respective collateral as well as shareholder loans under German insolvency law avoidance provisions, which have been granted from March 1, 2020 until September 30, 2020 are privileged under German insolvency law due to the CovInsAG, provided that the statutory insolvency filing obligation of the debtor has been suspended pursuant to the CovInsAG or the debtor would not have been obliged to file irrespective of the CovInsAG. Thus, the repayment (including reasonable interest payments) of third-party financing and shareholder loans by September 30, 2023 shall not be considered disadvantageous to creditors if the relevant financing is granted between March 1, 2020 and September 30, 2020 (in certain cases, if the debtor fulfilled the respective requirements for a further suspension of the filing duties at the time, until December 31, 2020 or April 30, 2021). Loans granted, and security taken, by certain public institutions as part of COVID-19 subsidies remain privileged even if granted or taken after that period. The general privilege also includes the provision of collateral in favor of third-party financing providers, but does not apply in case of the provision of collateral in favor of a shareholder loan or receivables from economically similar acts.

Furthermore, any transactions contemplated by a restructuring plan (see —"*Preventive Restructuring Framework*") are not subject to avoidance actions until a sustainable restructuring (*nachhaltige Sanierung*) of the debtor is achieved, unless the restructuring plan was based on incorrect or incomplete information presented by the debtor and the addressee of the avoidance action had knowledge thereof. This privilege does not apply to shareholder loans or economically similar transactions or collateral provided therefor.

Any amounts obtained from transactions that have been challenged would have to be repaid to the insolvency estate.

In addition, under German law, a creditor who provided additional, or extended existing funding to a debtor or obtained security from a debtor may be liable towards another creditor if (i) such creditor was aware of the debtor's (impending) insolvency or of circumstances indicating such debtor's (impending) insolvency (for which knowledge of pendent restructuring proceedings (*see Preventive Restructuring Framework*) per se does not suffice) at the time such funding was provided or extended or such security was granted and (ii) the other creditor suffered losses caused by a delayed filing for insolvency based on the additional or extended existing funding. The German Federal Supreme Court (*Bundesgerichtshof*) held that this could be the case if, e.g., the creditor was to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the debtor as the grantor of the guarantee or security was close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto. If, however, such additional funding has been provided or existing funding has been extended or respective collateral has been granted between March 1, 2020 and September 30, 2020 (in certain cases, until December 31, 2020 or April 30, 2021), any such transaction is statutorily exempted from the lender liability concept as laid out above, provided that the statutory insolvency filing obligation of the debtor has been suspended pursuant to the CovInsAG or the debtor would not have been obliged to file irrespective of the CovInsAG.

Satisfaction of Subordinated Claims

The insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date when the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given below, and according to the proportion of their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the day of the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as such incidental legal consequences of a criminal or administrative offence binding the debtor to pay money; (iv) claims to the debtor's gratuitous performance of a consideration; and (v) claims for restitution of a shareholder loan (*Gesellschafterdarlehen*) or claims resulting from legal transactions corresponding in economic terms to such a loan. However, the statutory subordination of shareholder loans and receivables from economically similar acts is suspended in insolvency proceedings applied for up until September 30, 2023 for newly granted shareholder loans granted between March 1, 2020 and September 30, 2020 (in certain cases, if the debtor fulfilled the respective requirements for a further suspension of the filing duties at the time, until December 31, 2020 or April 30, 2021), provided that the statutory insolvency filing obligation of the debtor has been suspended pursuant to the CovInsAG or the debtor would not have been obliged to file irrespective of the CovInsAG.

Preventive Restructuring Framework

The following is a brief description of certain aspects of the proceedings under the Corporate Stabilization and Restructuring Act (*StaRUG*).

Based on the Directive (EU) 2019/1023 of the European Parliament and of the Council of 20 June 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (Directive on restructuring and insolvency) (the "Restructuring Directive") the Corporate Stabilization and Restructuring Act (*StaRUG*) has come into force on January 1, 2021. The Corporate Stabilization and Restructuring Act provides for a new pre-insolvency procedure to restructure the liabilities of debtors, whose "centre of main interest" is located in Germany. This may apply as of the date of this Offering Memorandum to the German Guarantors.

As the Corporate Stabilization and Restructuring Act (*StaRUG*) has only come into force on January 1, 2021, no corresponding (court) practice exists as of the date of this Offering Memorandum and consequently any proceedings under the Corporate Stabilization and Restructuring Act (*StaRUG*) come with uncertainty.

For the holders of the Notes, among the relevant consequences of an initiation of restructuring proceedings by a German Guarantor or any other Guarantor having its centre of main interest in Germany would be in particular the following:

- potentially no or limited court review and/or supervision of the restructuring proceedings;
- any measures (such as reduction in principal and/or interest or deferrals) regulated by the restructuring plan may be approved within a class of creditors (e.g., the holders of the Notes) with a majority of 75% of the claims or by way of a so-called cross-class cram down by other classes under certain presumptions;
- any collateral granted by the debtor as well as intra-group collateral may be subject to restructuring proceedings potentially leading to a negative impact on the respective collateral; and
- restrictions on individual enforcement actions for all or certain creditors regarding their claims, or, if applicable, their respective collateral over moveable assets of up to eight months due to a moratorium.

Restructuring Proceedings

Restructuring proceedings may only be initiated by the relevant debtor with a notification of the competent restructuring court of the commencement of restructuring proceedings. A debtor is eligible to file for restructuring proceedings if it has become imminently illiquid (*drohend zahlungsunfähig*). As a statutory general rule, such imminent illiquidity (*drohende Zahlungsunfähigkeit*) occurs if it is more likely than not that the debtor will be unable to pay its debts as and when they fall due within a two years' look-forward period.

During the restructuring proceedings, the debtor has to observe the duty of a prudent business manager, which includes safeguarding the best interest of all of the debtor's creditors. In particular, the debtor has to refrain from any actions, which cannot be reconciled with or potentially frustrate the restructuring goal (*Restrukturierungsziel*). This means that, generally, any claims, which shall be subject to the envisaged restructuring plan, must not be settled or collateralized during the restructuring proceedings.

During the restructuring proceedings, the duty to file for insolvency without undue delay if the debtor becomes illiquid (*zahlungsunfähig*) or over-indebted (*überschuldet*) is generally suspended. However, if such an insolvency event occurs, the debtor is obliged to notify the restructuring court accordingly without undue delay. The restructuring court then abrogates the restructuring proceedings unless, in the restructuring courts discretion, (i) the abrogation of the restructuring proceedings is, against the backdrop of the advanced status of restructuring proceedings, evidently not in the interest of all creditors or (ii) the illiquidity (*Zahlungsunfähigkeit*) or over-indebtedness (*Überschuldung*) is caused by the enforcement of any such claim that is envisaged to be subject to the restructuring plan provided the achievement of the restructuring goal (*Restrukturierungsziel*) remains predominantly likely. Once restructuring proceedings have been abrogated by the restructuring court, the debtor is again obliged to file for insolvency under the German Insolvency Code (*Insolvenzordnung*).

If (i) the envisaged restructuring also comprises of consumer claims or claims of small or medium enterprises or respective collateral granted for the benefit of such claims, (ii) the debtor has filed for a moratorium against all or essentially all creditors or (iii) the envisaged restructuring plan provides for specific supervision of the settlement of claims subject to the plan, the restructuring court has to appoint a mandatory restructuring officer (*Restrukturierungsbeauftragter*). A mandatory restructuring officer is also to be appointed by the restructuring court if the restructuring goal (*Restrukturierungsziel*) can predictably only be achieved by a cram-down of dissenting classes (unless only claims originated by financial institutions and/or shareholders are to be compromised).

The restructuring court may appoint as mandatory restructuring officer (*Restrukturierungsbeauftragter*) any person with experience in restructurings and insolvencies who is suitable for the respective individual case and who is qualified as a tax advisor, accountant, lawyer or has comparable qualifications (an "Eligible Restructuring Officer"); the court may take suggestions by the debtor, creditors or shareholders into account. If (i) the debtor is, based on expert opinion provided by an Eligible Restructuring Officer, eligible for a moratorium (see"—*Moratorium*"), or (ii) creditors of one class with at least 25% of the corresponding votes in such class propose a mandatory restructuring officer, the court may only appoint a mandatory restructuring officer different from the proposed Eligible Restructuring Officer if the proposed Eligible Restructuring Officer is evidently inadequate. If a mandatory restructuring officer is appointed based on the proposal of the debtor or a group of creditors, the restructuring court may appoint an additional mandatory restructuring officer in its own discretion.

The mandatory restructuring officer (*Restrukturierungsbeauftragter*) is entitled to decide on the procedure to be elected for the voting on the restructuring plan and can be empowered by the restructuring court to (i) supervise the debtor's board and business situation and (ii) receive payments to and approve payments made by the debtor. If a moratorium is granted, the mandatory restructuring officer is obliged to monitor that the respective prerequisites of such moratorium persist and, in case such prerequisites do not persist, entitled to file for a lifting of such moratorium. Additionally, the mandatory restructuring officer is obliged to comment on the proposed plan's prospects to remove the debtor's imminent illiquidity (*drohende Zahlungsunfähigkeit*) and restore the debtor's viability.

The mandatory restructuring officer (*Restrukturierungsbeauftragter*) has to perform its duties independently and the debtor is obliged to share all relevant information with the mandatory restructuring officer.

The restructuring court can remove the mandatory restructuring officer from office for good cause *ex officio* or, if the mandatory restructuring officer (*Restrukturierungsbeauftragter*) has not acted independently, on the debtor's or a creditor's petition.

Furthermore, the debtor or at least 25% of creditors in a voting class, can request the appointment of an optional restructuring officer to facilitate the development and negotiation of a restructuring plan. Creditors may only request such appointment if they agree to be jointly and severally liable for the costs of the optional restructuring officer. The optional restructuring officer is only obliged to support the stakeholders involved in the negotiations of the restructuring plan, but has no further powers. An optional restructuring officer can also be removed from office by the restructuring court *ex officio* for good cause or, if the optional restructuring officer has not acted independently, on the debtor's or a creditor's petition.

Prior to a confirmation and implementation of a restructuring plan, the restructuring court may terminate the restructuring proceedings for certain reasons, e.g. if the debtor notifies the restructuring court of the occurrence of an insolvency event unless, in the restructuring court's discretion (taking into account the actual status of the relevant restructuring proceedings), the opening of formal insolvency proceedings is obviously not in the interest of the entirety of the creditors or if the debtor files for insolvency or insolvency proceedings are opened over the assets of the debtor based on a creditor's filing.

Restructuring plan

Key element of the restructuring proceedings is the restructuring plan, which can comprise certain selected or all (with the exception of employees' claims, including pensions, and claims based on intentionally committed acts of tort) of the debtor's liabilities, or amend the terms of financial and other agreements to which more than the debtor and one other party are parties, including the terms of and liabilities relating to the relevant debtor under the Indenture.

Any form of financial or operational debt may be compromised, including contingent claims and undue claims, and relating contractual arrangements including syndicated credit facilities and intercreditor agreements can be amended by virtue of the plan. Corresponding collateral provided by debtor affiliates (*gruppeninterne Drittsicherheiten*) may also be released and/or granted under a restructuring plan, provided that affected creditors are adequately compensated. Consequently, the Notes or the Notes Guarantees could also be subject to a restructuring plan provided the respective debtor has its "centre of main interest" in Germany.

Further, a restructuring plan may provide for a (partial) debt-to-equity swap or other corporate law measures like a share-capital increase. Debt-to-equity swaps can be implemented without the shareholders' consent but require the willingness of at least certain creditors to equitize their debt claims as no creditor can be forced to take equity as a consideration under a restructuring plan. Hence, if the Notes or Notes Guarantees were subject to a restructuring plan providing for debt-to-equity swap, single holders of the Notes could not be forced under the restructuring plan to take equity in the Issuers or a Guarantor without their respective consent.

The restructuring plan will be voted on by creditors of the debtor and must subsequently be confirmed by the restructuring court. The vote may take place by way of consent solicitation process or in a (virtual) creditors' meeting. Creditors will be divided into classes determined on the basis of the respective creditors' economic interests in the debtor. As a minimum distinction, secured creditors, unsecured creditors, creditors that benefit from intra-group credit support and subordinated creditors (e.g. shareholders) will form separate classes. However, also other factors like, e.g., cross-holdings, could be taken into account for class composition. 75% by value of all claims of one class will be required to approve the plan for such class. There is no numerosity requirement. Dissenting classes can be crammed down (or up), if

(a) the class members can be expected to be no worse off under the plan than absent the plan (whereby the alternative scenario must not necessarily be an in-court insolvent liquidation, but can also be an alternative out-of-court restructuring on a going concern basis);

(b) the crammed down (or up) class members receive an adequate share in the economic value created by the plan; and

(c) a majority of classes has accepted the plan.

A crammed down (or up) class receives an adequate share in the economic value created by the plan if (i) no other creditor receives more than its claim's par value, (ii) no creditors that would rank junior in insolvency proceedings, the debtor or its shareholders receive any value through the plan which is not covered by a respective stakeholder's contribution to the plan and (iii) no creditor that would rank *pari passu* in insolvency proceedings receives a preferential treatment compared to the dissenting class under the restructuring plan (unless such preferential treatment is appropriate (*sachgerecht*) in light of the individual situation of distress to overcome and the dissenting class accounts for no more than 50% of the rank's total claims). However, despite the prerequisite described under (ii) in the foregoing sentence, a creditor class can also be crammed down in case a shareholder retains equity without any additional contribution if the shareholder itself is crucial for and bindingly committed to the continuation of the debtor's business and the realization of the restructuring plan or the creditors' rights are only compromised marginally (e.g. by a maturity extension of no more than 18 months).

Upon the debtor's decision, either the debtor or the restructuring court can lead the voting on the plan. In case the voting has been led by the debtor, the restructuring court has to hold a hearing of affected stakeholders before the plan can be confirmed.

The restructuring court will confirm the plan unless (i) the debtor is not (longer) imminently illiquid (*drohend zahlungsunfähig*), (ii) there is a material breach of statutory provisions regarding the procedure to adopt the restructuring plan or its permitted content that cannot or has not been cured upon the restructuring court's notice, (iii) claims contemplated by or surviving the restructuring plan can obviously be not satisfied by the debtor or (iv), if new money financing is contemplated under the restructuring plan, the underlying restructuring concept is incoherent or appears to be based on incorrect facts or to have no reasonable prospect of success. Additionally, dissenting creditors can request the restructuring court to reject the restructuring plan if the applicant will be expectedly worse off under the restructuring plan than without the proposed restructuring plan and the applicant has already raised such concern in the creditors' meeting or creditors' hearing, as applicable. However, such application has no merits if the restructuring plan provides for funds to be distributed to creditors that can prove to be worse-off, irrespective of whether any such applicant actually benefits from such funds.

Dissenting creditors can appeal against the restructuring court's confirmation order of the plan if they are able to produce *prima facie* evidence (*glaubhaft machen*) that they are worse-off under the restructuring plan and funds provided thereunder to compensate worse-off creditors (if any) will not suffice for their individual compensation. Such appeal will only have suspensive effect (*aufschiebende Wirkung*) against the effectiveness of the restructuring plan if requested by the dissenting creditor and ordered by the court based on serious and irreversible disadvantages for such dissenting creditor that are not in proportion to the benefits of an immediate implementation of the restructuring plan.

Restructuring plans, which are negotiated and approved in public proceedings and confirmed by a German restructuring court will be recognized in any EU member state pursuant to the EU Insolvency Proceedings Regulation upon the restructuring proceedings being included as a recognized proceeding in Exhibit A of the EU Insolvency Proceedings Regulation. This is expected to occur in July 2022. In any other case, the recognition of the restructuring plan is subject to certain rules and regulations under applicable international private law. As the Corporate Stabilization and Restructuring Act (*StaRUG*) has only come into force on January 1, 2021, any such recognition has not yet been tested as of the date of this Offering Memorandum.

Moratorium

In order for the debtor to be able to draw up and negotiate the restructuring plan, the Corporate Stabilization and Restructuring Act (*StaRUG*) offers the possibility of having a moratorium ordered by the competent court upon application by the debtor, which can restrict enforcement measures by certain or all creditors with regards to their payment claims or the realization of respective collateral over moveable assets. The moratorium can initially be ordered for a maximum period of up to three months, with subsequent orders to extend the moratorium up to a maximum of eight months permissible under certain conditions. Such moratorium may also be sanctioned with regards to collateral provided by the debtor's affiliates (*gruppeninterne Drittsicherheiten*).

The moratorium does not suspend the relevant creditor's interest claims. However, whereas creditors may still file an insolvency petition against the debtor during a moratorium, correspondingly initiated insolvency proceedings are suspended for the time of the moratorium. Under certain conditions, in particular if the requirements to terminate restructuring proceedings are met or the debtor does not comply with certain statutory duties under the Corporate Stabilization and Restructuring Act (*StaRUG*) the competent court may lift the moratorium, also on a creditor's application.

Limitations on Enforcement

Certain of the German Notes Guarantors are incorporated in Germany in the form of a limited liability company (*Gesellschaft mit beschränkter Haftung,* GmbH"). Consequently, the granting of guarantees, indemnities and security interests by these companies is subject to certain provisions of the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*, "GmbHG") and other laws. These provisions would also apply to any future German Notes Guarantor in the form of a GmbH or a partnership with a GmbH as unlimited liability partner (e.g., *Gesellschaft mit beschränkter Haftung & Compagnie Kommanditgesellschaft*, GmbH & Co. KG").

German GmbH Limitation Language—General

As a general rule, sections 30 and 31 of the GmbHG ("Sections 30 and 31") prohibit a GmbH from disbursing its assets to its direct or indirect shareholders, to the extent that the amount of the GmbH's net assets (meaning, assets minus liabilities and liability reserves as determined under German Generally Accepted Accounting

Principles) is already less or would fall below the amount of its stated share capital (*Stammkapital*) ; in case of a GmbH & Co. KG, such provisions apply to the general partner which is a GmbH. The granting or enforcement of guarantees or security interests by a GmbH or by a GmbH & Co. KG in order to guarantee or secure liabilities of a direct or indirect parent or sister company may be considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to issue guarantees or create security interests to secure liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31, it is standard market practice for indentures, certain credit agreements and guarantees to contain "limitation language" in relation to subsidiaries incorporated or established in Germany in the legal form of a GmbH or GmbH & Co. KG. Pursuant to such limitation language, the beneficiaries of the guarantees or the security interests agree, subject to certain adjustments and exemptions, to enforce the guarantees or the security interests against the German subsidiary only to the extent that such enforcement does not result in the GmbH's (or, in case of a GmbH & Co. KG, its general partner) net assets falling below its stated share capital or, as the case may be, if the net assets are already below the amount of its stated share capital, to cause such amount to be further reduced. Accordingly, the Notes Guarantees and the Indenture provided by the German Notes Guarantors contains or will contain, respectively, such limitation language and therefore the enforcement of the Notes Guarantees, the Indenture is limited in the manner described. This could lead to a situation in which the respective guarantee or security granted by the relevant German Notes Guarantor cannot be enforced at all.

German GmbH Limitation Language—Wording

The limitation language for any GmbH to be incorporated into the relevant Notes Documents (as defined in "*Description of the Notes*"), in particular in the Indenture, will substantially be in the form as follows:

(a) Definitions

In this paragraph:

"**AktG**" means the German Stock Corporation Act (*Aktiengesetz*, AktG).

"**Auditor's Determination**" means the determination pursuant to paragraph (b)(iv) below.

"**BGB**" means the German Civil Code (*Bürgerliches Gesetzbuch, BGB*).

"**DPLA**" means a domination and/or profit and loss pooling agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*) as defined in § 291 (1) AktG and applied *mutatis mutandis* to a GmbH.

"**EU Guarantor**" means any limited liability company (or limited partnership with a limited liability company as its general partner) incorporated in a jurisdiction other than Germany whose centre of main interest (as that term is used in Article 3(1) of Regulation (EU) No. 2015/848 of 20 May 2015 on Insolvency Proceedings) is in Germany.

"**German Guarantor**" means any GmbH Guarantor and any EU Guarantor.

"**GmbH**" means a limited liability company (*Gesellschaft mit beschränkter Haftung, GmbH*) incorporated under German law.

"**GmbH Capital Impairment**" means the GmbH Net Assets of a GmbH Guarantor falling below the amount (*Entstehung einer Unterbilanz*) required to maintain that GmbH Guarantor's registered share capital (*Stammkapital*) or an increase of an existing shortage (*Vertiefung einer Unterbilanz*) of its registered share capital (*Stammkapital*) and thereby violating §§ 30, 31 GmbHG.

"**GmbH Guarantor**" means a Guarantor which is a GmbH.

"**GmbH Net Assets**" means the net assets (*Reinvermögen*) of a GmbH Guarantor calculated in accordance with § 42 GmbHG, §§ 242, 264 HGB and the generally accepted accounting principles applicable (*Grundsätze ordnungsgemäßer Buchführung*) from time to time in Germany as adjusted pursuant to paragraph (b)(vi) below.

"**GmbHG**" means the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung, GmbHG*).

"**HGB**" means the German Commercial Code (*Handelsgesetzbuch, HGB*).

"**InsO**" means the German Insolvency Code (*Insolvenzordnung, InsO*).

"**Limited Obligation**" means any guarantee and any other liability, indemnity or other payment obligation under any provision of the Notes Documents.

"**Limited Upstream Obligation**" means any Limited Obligation if and to the extent such Limited Obligation secures or relates to liabilities which are owed by direct or indirect shareholders of the relevant German Guarantor (upstream) or subsidiaries of such shareholders (such subsidiaries not to include the relevant German Guarantor and the direct or indirect subsidiaries of that relevant German Guarantor) (cross-stream).

"**Liquidity Impairment**" means a German Guarantor being deprived of the liquidity necessary to fulfil its liabilities towards its creditors and thereby violating § 15b (5) InsO.

"**Management Notification**" means the notification pursuant to paragraph (b)(iii) below.

(b) GmbH Capital Impairment Limitation Language

(i) Save as set out in this paragraph (b), the Holders and the Trustee shall not enforce, and any GmbH Guarantor (and/or the relevant subsidiary of a GmbH Guarantor, which itself is a guarantor) shall have a defense (*Einrede*) against, any Limited Upstream Obligation if and to the extent a complete or partial discharge (*Erfüllung*) or enforcement (*Vollstreckung*) in respect of a Limited Upstream Obligation would cause a GmbH Capital Impairment to occur.

(ii) The restrictions in paragraph (i) shall not apply:

(A) if and to the extent the Limited Upstream Obligation of the GmbH Guarantor secures any indebtedness under any Notes Document in respect of:

(1) amounts which are (directly or indirectly) on-lent or otherwise passed on to the relevant German Guarantor or its direct or indirect subsidiaires; or

(2) bank guarantees or letters of credit (or comparable instruments) that are issued for the benefit of any of the creditors of the German Guarantor or the German Guarantor's direct or indirect subsidiaires,

in each case, to the extent that any such on-lending or otherwise passing on or bank guarantees or letters of credit are still outstanding at the time of the enforcement of the relevant Limited Upstream Obligation; for the avoidance of doubt, nothing in this paragraph (ii) shall have the effect that such on-lent amounts may be enforced multiple times (no double dip);

(B) if, at the time of enforcement of the Limited Upstream Obligation, a DPLA (either directly or indirectly through an unbroken chain of domination and/or profit transfer agreements) exists between the Issuer or the relevant Guarantor whose obligations are secured by the relevant Limited Upstream Obligation as dominating company (*herrschendes Unternehmen*) and the relevant GmbH Guarantor as a dominated company (*beherrschtes Unternehmen*), provided that:

(1) the GmbH Guarantor is a direct or indirect subsidary of the Issuer or the relevant Guarantor whose obligations are secured by the relevant Limited Upstream Obligation; or

(2) the GmbH Guarantor and the Issuer or the relevant Guarantor whose obligations are secured by the relevant Limited Upstream Obligation are both subsidiaries of a joint (direct or indirect) parent company with such parent company as dominating entity (*beherrschendes Unternehmen*),

in each case to the extent the relevant GmbH Guarantor has a fully valuable recourse claim (*vollwertiger Verlustausgleichsanspruch*) against the dominating company, unless a decision of the German Federal Supreme Court (*Bundesgerichtshof*) explicitly confirmed with reasons (and not, for example, as an *obiter dictum*) in a third party case that the mere existence of such DPLA leads to the inapplicability of § 30 (1) sentence 1 GmbHG; or

(C) if and to the extent any payment under the Limited Upstream Obligation is covered (*gedeckt*) by a fully valuable and recoverable consideration or recourse claim (*vollwertiger Gegenleistungs- oder Rückgewähranspruch*) of the GmbH Guarantor against the Issuer or the relevant Guarantor whose obligations are secured by the relevant Limited Upstream Obligation.

(iii) If the relevant GmbH Guarantor does not notify the Trustee within twenty (20) Business Days after the making of a demand against that GmbH Guarantor under the relevant Limited Upstream Obligation:

(A) to what extent such Limited Upstream Obligation is an upstream or cross-stream guarantee or indemnity; and

(B) to what extent a GmbH Capital Impairment would occur as a result of an enforcement of the Limited Upstream Obligation (setting out in reasonable detail the amount of its GmbH Net Assets, providing an up-to-date pro forma balance sheet),

then the restrictions set out in paragraph (i) above shall cease to apply until a Management Notification has been provided.

(iv) If the Trustee disagrees with the Management Notification, it may within twenty-five (25) Business Days of its receipt, request the relevant GmbH Guarantor to provide to the Trustee within sixty-five (65) Business Days of receipt of such request a determination by the Auditors or any other auditors of international standard and reputation appointed by the GmbH Guarantor (at its own cost and expense) setting out in reasonable detail the amount in which the payment under the Limited Upstream Obligation would cause a GmbH Capital Impairment subject to the terms set out under this paragraph (b). Save for manifest errors, the Auditor's Determination shall be binding on all parties.

(v) If, after it has been provided with an Auditor's Determination which prevented it from demanding any or only partial payment under the Limited Upstream Obligation, the Trustee ascertains in good faith that the financial conditions of the GmbH Guarantor as set out in the Auditor's Determination has substantially improved, the Trustee (acting reasonably) may, at the GmbH Guarantor's cost and expense, arrange for the preparation of an updated balance sheet of the GmbH Guarantor by applying the same principles that were used for the preparation of the Auditor's Determination by the auditors who prepared the Auditor's Determination in order for such Auditors to determine whether (and, if so, to what extent) the Capital Impairment has been cured as result of the improvement of the financial condition of the GmbH Guarantor. The Trustee may not arrange for the preparation of an Auditor's Determination prior to the expiry of three months from the date of the issuance of the preceding Auditor's Determination. The Trustee may only demand payment under the Limited Upstream Obligation to the extent the Auditors determine that the Capital Impairment have been cured.

(vi) The GmbH Net Assets shall be adjusted as follows:

(A) the amount of any increase in the registered share capital of the relevant GmbH Guarantor which was carried out after the relevant GmbH Guarantor became a party to any of the Indenture and made from retained earnings (*Kapitalerhöhung aus Gesellschaftsmitteln*) shall be deducted from the amount of the registered share capital (*Stammkapital*) of the relevant GmbH Guarantor if it is permitted under the Notes Documents or has been carried out with the prior written consent of the Trustee;

(B) the amount of non-distributable assets according to § 253 (6) HGB shall not be included in the calculation of GmbH Net Assets;

(C) the amount of non-distributable assets according to § 268 (8) HGB shall not be included in the calculation of GmbH Net Assets;

(D) the amount of non-distributable assets according to § 272 (5) HGB shall not be included in the calculation of GmbH Net Assets; and

(E) loans or other liabilities incurred by the relevant GmbH Guarantor in willful or grossly negligent violation of the Notes Documents shall not be taken into account as liabilities.

(vii) Where a GmbH Guarantor claims in accordance with the provisions of this paragraph (b) that the Guarantee can only be enforced in a limited amount, it shall realize, to the extent lawful and within reasonable opinion commercially justifiable, any and all of its assets that are shown in the balance sheet with a book value (*Buchwert*) that is significantly lower than the market value of the assets and are not necessary for the relevant GmbH Guarantor's business (*nicht betriebsnotwendig*).

(c) Liquidity Impairment Limitation Language

(i) Save as set out in this paragraph (c), none of the Holders and the Trustee shall enforce, and any German Guarantor shall have a defense (*Einrede*) against, any Limited Upstream Obligation if and to the extent a payment and/or enforcement in respect of a Limited Upstream Obligation would cause a Liquidity Impairment for such German Guarantor.

(ii) Paragraphs (b)(iii), (b)(iv), (b)(v) and (b)(vii) above shall apply mutatis mutandis to the restriction in paragraph (i) above.

(d) Where the provisions of this Section apply to a limited partnership (*Kommanditgesellschaft*), all references to the assets of a German Guarantor shall mutatis mutandis include a reference to the assets of the general partner (*Komplementär*) of such limited partnership (*Kommanditgesellschaft*).

(e) In addition to the restrictions set out in paragraphs (b) through (d) above, if a German Guarantor demonstrates that, according to the decisions of the German Federal Supreme Court (*Bundesgerichtshof*) or a higher regional court of appeals (*Oberlandesgericht*), the payment under and/or enforcement of any Limited Upstream Obligation against such German Guarantor would result in personal liability of its managing director(s) (*Geschäftsführer*) or director(s) (*Vorstände*) for a reimbursement of payments made under any Limited Upstream Obligation (including, without limitation, pursuant to § 43 GmbHG and/or § 826 BGB), the German Guarantor shall have a defence (*Einrede*) against the Limited Upstream Obligation to the extent required in order not to incur such liability.

(f) For the avoidance of doubt, the validity and enforceability of any Limited Upstream Obligation granted by a German Guarantor or of any subsidiary of a German Guarantor in respect of any borrowing liabilities which are owed by that German Guarantor or any of its subsidiaries shall not be limited under this paragraph.

(g) Nothing in this paragraph shall prevent the Trustee or a German Guarantor from claiming in court that payments under paragraph/or an enforcement of the Limited Upstream Obligations do or do not fall within the scope of §§ 30, 31, 43 GmbHG, § 15b InsO, and/or § 826 BGB (as applicable) or that the limitations set out in this Section are not required to avoid any violation of these laws or liability issues for any managing director or board director.

(h) Nothing in this Section shall constitute a waiver (*Verzicht*) of any right granted under the Indenture or any other Notes Document to the Trustee or vice versa.

(i) Notwithstanding anything to the contrary in the Indenture, this paragraph and any rights and/or obligations arising out of it shall be governed by, and construed in accordance with, German law.

German capital maintenance, liquidity maintenance and financial assistance rules (including with respect to Sections 30, 31 GmbHG and Section 15b InsO, are subject to evolving case law. We cannot assure you that future court rulings may not further limit the access of shareholders to assets of its subsidiaries constituted in the form of a GmbH, which can negatively affect the ability of the German Notes Guarantors to make payments on the Notes or the Notes Guarantees or the enforceability of the Notes Guarantees and the Indenture relating to the Collateral provided by the German Guarantors.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding “destructive interference” (*existenzvernichtender Eingriff*) (meaning, a situation in which a shareholder deprives a GmbH of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a guarantee or other collateral granted by the German Notes Guarantors. In such a case, the amount of proceeds to be realized in an enforcement process may be reduced, even to nil. Moreover, according to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the stressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of the Notes Guarantees or any Collateral by the German Notes Guarantors.

Furthermore, the beneficiary (for example, a holder of Notes) of a transaction qualifying as a repayment of the stated share capital of a grantor of a guarantee or security interest, as applicable, (for example, the provision or the enforcement of a guarantee or security interest) could moreover become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if, for example, the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of bonos mores (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee or provider of security interest is close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

On June 20, 2019, the Directive (EU) 2019/1023 of the European Parliament and of the Council of 20 June 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (Directive on restructuring and insolvency) (the "Restructuring Directive") has been adopted. The Restructuring Directive was published in the Official Journal of the European Union on June 26, 2019, and the member states have approximately two years to transpose the substantive parts of the Restructuring Directive into their national legislation, although a one year extension can be granted. The Restructuring Directive aims to put in place key principles for all member states on effective preventive restructuring and second chance frameworks, and measures to make all types of insolvency procedures more efficient by reducing their length and associated costs and improving their quality. The key feature of the Restructuring Directive is the introduction of a preventive restructuring framework. The Restructuring Directive sets out minimum EU standards to be applied by the member states (i.e., minimum harmonization). Whereas certain features of the Restructuring Directive need to be transposed into national legislation, the Restructuring Directive leaves a large degree of discretion regarding the implementation of certain other features. Most notably, the Restructuring Directive provides for a framework pursuant to which claims of the relevant creditors may be modified in a restructuring plan by majority vote with a majority of only 75% of the amount of claims in each class and where applicable a majority by numbers and against the voting of a single creditor in a pre-insolvency restructuring procedure, i.e. outside formal insolvency proceedings. The Restructuring Directive also provides for cross class cram down, i.e. even if the creditors of one class voting on the restructuring plan did not consent to the restructuring plan with the required majority, the restructuring plan might still be adopted and take effect for the dissenting creditors. Further, the Restructuring Directive provides for a stay on enforcement, which needs to be transposed into national legislation. The implementation of the Restructuring Directive into national legislation might also include priority ranking for new financing.

Satisfaction of Subordinated Claims

The insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date when the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given below, and according to the proportion of their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the day of the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as such incidental legal consequences of a criminal or administrative offence binding the debtor to pay money; (iv) claims to the debtor's gratuitous performance of a consideration; and (v) claims for restitution of a shareholder loan (*Gesellschafterdarlehen*) or claims resulting from legal transactions corresponding in economic terms to such a loan. The CovInsAG, however, suspends the statutory subordination of shareholder loans and receivables from economically similar acts in insolvency proceedings applied for up until September 30, 2023 for newly granted shareholder loans granted between March 1, 2020 and September 30, 2020 and where the debtor fulfilled the requirements for the suspension of the filing duties.

Poland

Definitions

The following capitalized terms used in this summary of Polish insolvency law considerations have the meaning given to them below:

"**Anti-Crisis Act Regarding COVID-19**" means the Act of 2 March 2020 on specific solutions related to preventing, counteracting and combating COVID-19, other infectious diseases and crisis situations caused by them (consolidated text: Journal of Laws of 2020, item 1842, as amended) (in Polish: *ustwa z dnia 2 marca 2020 r. o szczególnych rozwiązaniach związanych z zapobieganiem, przeciwdziałaniem i zwalczaniem COVID-19, innych chorób zakaźnych oraz wywołanych nimi sytuacji kryzysowych (tekst jednolity: Dz. U. z 2020 roku, poz. 1842, ze zm.)*).

"**Polish Civil Code**" means the Act of 23 April 1964 Civil Code (consolidated text: Journal of Laws of 2020, item 1740, as amended) (in Polish: *ustwa z dnia 23 kwietnia 1964 r. Kodeks cywilny (tekst jednolity: Dz. U. z 2020 roku, poz. 1740, ze zm.)*).

"**Polish Guarantor**" means a Guarantor organised under the laws of Poland and/or having its "center of main interests" in Poland.

"**Polish Bankruptcy Law**" means the Act of 28 February 2003 on bankruptcy (consolidated text: Journal of Laws of 2020, item 1228, as amended) (in Polish: *ustawa z dnia 28 lutego 2003 roku Prawo upadłościowe (tekst jednolity Dz. U. z 2020 roku, poz. 1228, ze zm.*)).

"**Polish Commercial Companies Code**" means the Act of 15 September 2000 Commercial Companies Code (consolidated text: Journal of Laws of 2020, item 1526, as amended) (in Polish: *ustawa z dnia 15 września 2000 r. Kodeks spółek handlowych (tekst jednolity: Dz. U. z 2020 roku, poz. 1526, ze zm.)*).

"**Polish Restructuring Law**" means the Act of 15 May 2015 on restructuring (consolidated text: Journal of Laws of 2020, item 814,as amended) (in Polish: *ustawa z dnia 15 maja 2015 r. Prawo restrukturyzacyjne (tekst jednolity: Dz. U. z 2020 roku, poz. 814, ze zm.*)).

Enforceability of decisions issued by foreign courts

In the event of subjecting the Polish Guarantor's Notes Guarantee to the laws of foreign country in a dispute before a Polish court, only substantive laws of that foreign law will be applied while the laws of procedure will be governed by Polish law. Furthermore, as a rule, Polish courts can refuse to apply or execute foreign legal provisions, if the application of such provisions results in the contravention of peremptory rules of Polish public policy, or if specific law has to be applied regardless of the choice of law (*meaning,* should any rights *in rem* be involved, they will be subject to the laws of the country in which the subject of these rights is located).

As a general rule, the decisions of Polish courts become final and non-appealable after execution of appropriate remedy path or after the expiry of the statutory term to file a remedy, subject to applicability of extraordinary legal remedies if available.

The enforcement of decisions of foreing courts in Poland is subject to treaties and conventions to which Poland is a party and the rules of the Polish Civil Procedure Code. The decisions issued by foreign courts, as the general rule, become enforceable in Poland after establishing their enforceability by the Polish court. There is no treaty between the United States and Poland providing for the reciprocal recognition and enforcement of judgements (other than arbitration awards) rendered in civil matters. Therefore, any judgment obtained against the Issuer or any of the Guarantors in the United States in a civil matter would be recognized and enforced in the courts of Poland in accordance with the Polish Civil Procedure Code. As a general rule of the Polish Civil Procedure Code, judgments of foreign courts in civil cases are recognized by virtue of law, however, a judgment cannot be recognized in Poland if:

- it is not final and binding in the state where it was issued;
- it was issued in a case which belongs to the exclusive jurisdiction of the Polish courts;
- a defendant, who has not argue the merits of the case, has not been duly and timely served with the complaint initiating the proceedings and consequently has been unable to defend themselves;
- the party was deprived of the possibility of defending itself in judicial proceedings;
- an action concerning the same claim between the same parties had been brought before a court in Poland before it was brought before a court of a foreign state;
- it contradicts an earlier final and binding judgment of a Polish court or an earlier final and binding judgment of a foreign court satisfying the conditions for its recognition in Poland, which was rendered in a case concerning the same claim between the same parties; or
- its recognition would contradict the fundamental principles of the legal order of Poland (the public order clause).

Any party wishing to have a U.S. judgment enforceable in Poland must file an application seeking declaration of enforceability of the U.S. judgment which must be filed with the relevant Polish district court (*sąd okręgowy*).

As a general rule, the decisions of the courts of other EU member states do not need to be declared enforceable by the Polish courts, prior to their enforcement in Poland. Enforceability of these decisions may be challenged, however, in a separate proceedings before the Polish court.

As a general rule, decisions of the Polish courts (including on issuance of enforceability clause) and appropriate actions of enforcement officers with whom the enforcement of claims is sought may be, depending on the circumstances, required for the enforcement of the given security interest.

Following the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union, (with effect from January 1, 2021) the judgements of English courts are recognized and are enforceable in Poland in accordance with, and subject to the conditions of, the Hague Convention of 30 June 2005 on Choice of Court Agreements (the "Hague Convention"), provided that the choice of court clause contained in the relevant document is considered as exclusive within the meaning of the Hague Convention. Otherwise, such judgement will be recognized in Poland in accordance with the Polish Civil Procedure Code pursuant to the rules presented above with respect to the United States.

Polish insolvency law considerations

Obligations of the Polish Guarantor under the Notes Guarantees and satisfaction of creditors' calims under the Note Guarantees are subject to limitations resulting from the application of provisions of the Polish Bankruptcy Law and Polish Restructuring Law, as well as limitations resulting from provisions regarding protection of share capital as further described under the heading "*Limitations Resulting from the Polish Commercial Code*" below.

Insolvency and Insolvency Threat

Pursuant to Polish Bankruptcy Law and EU Insolvency Regulation, bankruptcy proceedings of the Polish Guarantor should be conducted before a Polish court if its "center of main interest" is in Poland. Consequently, in the event of the insolvency of such Polish Guarantor, insolvency proceedings would be governed by Polish law. Similarly, in the event of such Polish Guarantor's insolvency or its threat, restructuring proceedings would also be subject to Polish law.

According to the Polish Bankruptcy Law, the Polish Guarantor will be declared bankrupt if it is insolvent. The Polish Guarantor as a debtor will be insolvent: (i) if it has lost its ability to fulfill its due pecuniary liabilities (*wymagalne zobowiązania pieniężne*) (cash flow test). The inability to fulfill the due pecuniary liabilities is presumed to arise, if the delay in fulfilling pecuniary obligations exceeds three months), or (ii) its pecuniary liabilities (except for future liabilities and those to shareholders relating to loans and legal acts of similar effect, granted within five years before the declaration of bankruptcy) exceed the total value of its assets (except for assets not constituting the bankruptcy estate) and such situation persists for longer than 24 months (balance sheet test). It is presumed that the pecuniary liabilities of the debtor exceed its assets if, according to the balance sheet, its liabilities (except for reserves for liabilities and liabilities to affiliates) exceed the value of its assets and such situation persists beyond 24 months.

Despite meeting the balance sheet test by the Polish Guarantor, the Polish Bankruptcy Law allows the court dismissing an application for bankruptcy if there is no threat of losing ability by the Polish Guarantor to fulfill its due pecuniary liabilities in near future.

Each individual who has the right to represent the Polish Guarantor (whether individually or jointly) is obliged to file a motion to declare the Polish Guarantor bankrupt within 30 days from when the grounds for declaration of bankruptcy above are met.

Under the Anti-Crisis Act Regarding COVID-19, debtors whose insolvency occurred between 14 March 2020 and the date on which the state of epidemiological threat or epidemic in Poland was cancelled, are temporarily exempt from the obligation to file a petition for bankruptcy if their insolvency was due to COVID-19 (it is presumed that the insolvency was a result of COVID-19 if it arose during the state of epidemiological threat or epidemic). After cancellation of the state of epidemiological threat or epidemic, the 30-day deadline for filing a petition for bankruptcy shall run anew.

Additionally, the Polish Guarantor's personal creditors may file for bankruptcy of the Polish Guarantor.

According to the Polish Restructuring Law, restructuring proceedings may be opened in respect of the Polish Guarantor as debtor if it is insolvent or will be threatened with insolvency, i.e., if its commercial position shows that it may become insolvent within a short period of time.

If the Polish Guarantor is insolvent or threatened with insolvency, it may file a restructuring motion. If the Polish Guarantor is insolvent, a restructuring motion to open remedial proceedings may be filed by the Polish Guarantor's personal creditors.

If a motion for declaration of bankruptcy and motion for opening restructuring proceedings have both been filed, the court should first decide on the restructuring motion and put on hold the proceedings on the motion for bankruptcy (unless putting them on hold would be against the interests of all creditors). The debtor cannot be declared bankrupt during restructuring proceedings.

Bankruptcy Proceedings

The principal aim of bankruptcy proceedings is the satisfaction of the creditors from the proceeds obtained from the sale of the debtor's assets. In the event of bankruptcy proceedings, the court appoints a bankruptcy receiver (*syndyk*) who takes over the management of the bankrupt's assets. From this moment on, the management of a debtor–bankrupt entity is replaced by the bankruptcy receiver who administers the bankrupt entity's assets and represents the bankrupt entity. The bankrupt entity's assets become bankruptcy assets which will be liquidated to pay off creditors. The composition of bankruptcy assets is determined during preparation of the inventory list and creditors' receivables list which are prepared by the bankruptcy receiver. A motion for approval of the terms of sale of the debtor's enterprise or its organized part, or substantial part of its assets, may be appended to the petition to commence bankruptcy proceedings (pre-packaged liquidation).

Upon the bankruptcy declaration all of the debtor's debts become due and payable and non-pecuniary debts are converted to pecuniary and become due and payable. Interest may be paid from the bankruptcy estate only for the period up to the date of the declaration of bankruptcy, unless they are secured by mortgages, pledges, registered pledges, treasury pledges and/or maritime mortgages, and satisfied from the security assets' proceeds.

The bankrupt's claim may be set off against a creditor's claim if both claims existed on the date of declaration of bankruptcy, regardless of whether the claims have not yet become due and payable. A set-off is not admissible if the bankrupt's debtor acquired the claim by assignment or endorsement after bankruptcy was declared or acquired it during the year preceding the date of declaration of bankruptcy, while being aware that there were grounds for declaring bankruptcy. However, this limitation does not apply (i) if the acquirer has become the bankrupt's creditor as a result of repaying the bankrupt's debt, for which it was liable personally or with certain property items, and if the acquirer was not aware of the existence of grounds for declaring bankruptcy at the time of assuming liability for the bankrupt's debt or (ii) if the liability was assumed at least one year before the date on which bankruptcy was declared. The set off is also not admissible if bankrupt's creditor become bankrupt's debtor after the date of declaration of bankruptcy. The sum proposed to be set off on the part of the bankrupt is the total of the bankrupt's claim and on the part of the creditor it is the creditor's principal claim only, along with interests accrued until the date of declaration bankruptcy. If the bankrupt's debt without interest had not become due and payable by the date of declaration of bankruptcy, the sum to be set-off is the amount due reduced by statutory interest (which may not exceed six percent) between the date of declaration of bankruptcy until the date of payment, and may not exceed two years. A creditor wishing to exercise the set-off right must make a statement in this respect not later than when submitting the claim.

Once bankruptcy is declared, the bankrupt entity's assets may not be subject to security, charged with a pledge, registry pledge or treasury pledge, and no entries in land and mortgage register or other registers may be made to establish any security interests, except for the entry of mortgage if the application of such entry had been filed at least six months prior to filing the motion for bankruptcy.

Provisions of an agreement to which the bankrupt company is a party which explicitly stipulate that the agreement is amended or terminated in the case its bankruptcy (or filing for it) are invalid. Also, provisions of an agreement to which the bankrupt company is a party that hinder or prevent the aims of the bankruptcy proceedings from being achieved will be deemed ineffective in relation to the bankruptcy estate. These specific provisions of Polish Bankruptcy Law are deemed to apply also to contracts that are subject to laws other than the laws of Poland, as long as the provisions of such contract would apply to an entity that is subject to bankruptcy proceedings under the Polish Bankruptcy Law.

If court proceedings against the bankrupt entity are pending on the day of the bankruptcy declaration in any common courts, then such proceedings are in some cases discontinued. In particular, in the bankruptcy proceedings, unless separate statutory laws provide otherwise, proceedings initiated against the bankrupt before the date of declaration of bankruptcy concerning a claim which was submitted within the bankruptcy proceedings may be continued only if this claim has not been included in the list of claims (see below) once this list was finalised. If proceedings were pending in which the bankrupt entity was the plaintiff, the bankruptcy receiver replaces the bankrupt entity. If enforcement proceedings regarding the claims which may be submitted within the bankruptcy proceedings were pending against the bankrupt entity on the day of bankruptcy declaration, they are suspended with effect from the date of the bankruptcy declaration and proceeds received are transferred to the bankruptcy estate after the decision on the declaration of bankruptcy becomes final. If the arbitration proceedings were not commenced on the date of declaration of bankruptcy, the bankruptcy receiver may with the consent of the judge-commissioner renounce the arbitration clauses if the arbitration proceedings hinder the liquidation of the bankruptcy estate. If the bankruptcy receiver renounces the arbitration clause it expires.

Creditors have a right to submit their claims within the time limit indicated in a decision declaring bankruptcy. Claims supported by evidence of claims are usually admitted, i.e., included in the list of claims. If a claim is not included in the list, then a creditor has a right to appeal. Under the Polish Bankruptcy Law, any debt payable in a currency other than Polish złoty, if being put on the list of claims, must be converted into Polish złoty according to the National Bank of Poland's average exchange rate prevailing on the date the bankruptcy court issues a decision on the debtor's bankruptcy (and regardless of whether the debt has fallen due or not).

In the bankruptcy proceedings, creditors under the Note Guarantees will be satisfied from the proceeds obtained from the sale of the Polish Guarantor's assets if their claim under the Note Guarantees is due and payable, otherwise the proceeds of that sale will be deposited in the court deposit in their favor and released once their claim under the Note Guarantees becomes due and payable and not satisfied.

As a rule, Polish Guarantor's debts are divided into four categories and creditors whose receivables are ranked in a lower category cannot be satisfied before all the debts in the higher category have been fully satisfied. The first category principally includes payments to the state or employees (remuneration, health benefit payments and social security obligations, etc.) or related to the restructuring proceedings (including arising under a credit facility, loan, bonds, guarantees or letters of credit, or other form of financing envisaged in the arrangement concluded in the restructuring proceedings and provided in connection with the arrangement's performance). Most unsecured commercial debts, tax and other public dues are listed in the second category. The third category encompasses interest on debts in the first and second categories (in the order in which the principal is satisfied), court or administrative penalties, donations etc. The fourth category concerns debts to direct and certain indirect shareholders relating to loans and legal acts of similar effect that were granted within five years prior to the declaration of bankruptcy including interest accrued thereon. Within a category, each creditor's receivable is satisfied pro rata to the total value of receivables listed in that category. Before satisfying any claims, the bankruptcy receiver covers the costs of bankruptcy proceedings and the liabilities of the bankruptcy estate.

The Polish Bankruptcy Law does not require a bankruptcy receiver to give effect to intercreditor arrangements such as subordination agreements. Although the law does not preclude creditors from attempting to enforce such rights in separate proceedings based on their entitlements arising from respective contracts, such proceedings are conducted outside of and following bankruptcy proceedings. Therefore, the claims of all unsecured creditors may be paid on a *pari passu* basis in bankruptcy proceedings.

If an asset owned by the bankrupt entity (the Polish Guarantor) is encumbered with a mortgage, pledge, registry pledge, treasury pledge or a maritime mortgage, then a creditor has a right to be satisfied from that asset before other creditors (with a few exceptions such as, for instance, a certain portion of employee salaries). Where a number of mortgages or pledges have been established on a real estate or the object of the pledge, creditors are repaid from according to their priority. The pledgee under the registered pledge or financial pledge may seize the pledged object if the relevant pledge agreement provides for such method of satisfaction of creditor's claim. However, seizure is not allowed if such object is the part of bankrupt's enterprise and the sale of such object with the rest of the enterprise is more beneficial than its separate sale.

In the course of the bankruptcy proceedings, an arrangement between the debtor and creditors can be voted on and approved by the creditors. In such case after the approval by the court, the provisions of the arrangement determine the manner of satisfaction of creditors' receivables. If the repayment of receivables arising under the Note Guarantees are covered by the arrangement, there is a possibility that such receivables may be decreased on the basis of a decision of the creditors (such decisions would be subject to certain mandatory rules of the Polish Bankruptcy Law).

A creditor who fails to satisfy his claim during bankruptcy proceedings may try to raise this claim directly against persons acting on behalf of the Polish Guarantor being a limited liability company. Pursuant to the Polish Commercial Companies if enforcement against a company proves to be ineffective, members of the management board of a limited liability company shall be jointly and severally liable for the company's liabilities. A member of the management board may be discharged from liability referred to above if he proves that the bankruptcy petition was filed in a timely manner or in the appropriate time the decision on the opening of the restructuring proceedings or the approval of the arrangement in the approval arrangement proceedings were issued, or that a failure to file a bankruptcy petition occurred through no fault on his part or that despite the failure to file a bankruptcy petition or to issue the decision on the opening of the restructuring proceedings or the decision on the approval the arrangement in the approval arrangement proceedings, the creditor suffered no additional damage.

Restructuring Proceedings

Restructuring proceedings essentially aim to avoid the debtor's bankruptcy through its debt restructuring under an arrangement with creditors and, in the event of remedial proceedings (*postępowanie sanacyjne*), also through remedial steps, while securing the justified rights of creditors.

Restructuring proceedings may be initiated by a debtor's motion, or, in case of remedial proceedings also on a debtor's personal creditor's motion, if the debtor is insolvent or threatened with insolvency. The court will refuse to open restructuring proceedings, if they are detrimental to creditors, or, in case of arrangement proceedings (*postępowanie układowe*) and remedial proceedings if the debtor's ability to fund the costs of such proceedings and obligations arising after the date of opening of these proceedings cannot be substantiated.

The debtor may request the opening of one of the four following restructuring proceedings: (i) approval arrangement proceedings, (ii) accelerated arrangement proceedings; (iii) arrangement proceedings and (iv) remedial proceedings.

In addition, in relation to COVID-19, on 24 June 2020, a new simplified restructuring proceeding entered into force and will be available until 30 June 2021. There are legislative work carried out to incorporate the simplified restructuring proceeding (with some amendments) to the Polish Restructuring Law.

In the case of approval arrangement proceedings, the debtor solicits votes from creditors on a proposed arrangement without participation of the court. Once creditors have cast a sufficient number of votes, the debtor may apply to the court for approval of the arrangement. This type of proceedings is available when the sum of the disputed claims does not exceed 15% of the total claims.

Accelerated arrangement proceedings are designed to allow a debtor to conclude an arrangement with the creditors following the preparation of a list of creditors' receivables and its approval by a judge-commissioner in simplified proceedings. The procedure may be applied provided that the sum of disputed claims does not exceed 15% of the total claims. At the opening of accelerated arrangement proceedings, the debtor's assets constitute the arrangement estate. The arrangement estate is administered by the debtor, unless the court decides that an administrator should be appointed (e.g. if the debtor fails to perform the instructions of the judge-commissioner or the court supervisor). From the opening of accelerated arrangement proceedings, the debtor or administrator (if appointed) cannot satisfy any creditors' receivable which is covered by the arrangement, by operation of law. The enforcement proceedings concerning the claims to be covered by the arrangement are stayed by the operation of law.

In arrangement proceedings, an arrangement may be concluded following the preparation of the list of creditors' receivables and its approval by a judge-commissioner in ordinary proceedings. This procedure may be used when the sum of the disputed claims exceeds 15% of the total claims. As in accelerated arrangement proceedings, the assets of the debtor form the arrangement estate, which is administered by the debtor or administrator (if appointed). The debtor, or administrator (if appointed) also may not satisfy any debt which is covered by the arrangement, by operation of law. The enforcement proceedings concerning the claims to be covered by the arrangement are also stayed by the operation of law.

Remedial proceedings allow a debtor to conclude an arrangement with creditors and undertake various remedial actions which aim to improve the economic situation of the debtor and restore the debtor's capacity to perform his obligations. At the opening of remedial proceedings, the debtor is deprived of its right to administer its assets (from the opening of proceedings they constitute the remedial estate) and the assets are administered by a court-appointed administrator (unless the court allows the debtor to retain the right to administer the remedial estate). The administrator can undertake a number of restructuring steps, including renouncing a not performed mutual agreement, or challenging the effectiveness of certain acts undertaken by the debtor before filing the motion to open remedial proceedings. Upon opening of the remedial proceedings, the debtor or administrator are legally prohibited from making payments to satisfy claims which are covered by the arrangement. The enforcement proceedings are also stayed by the operation of law.

The claim of the company which is subject to restructuring may be set off against a creditor's claim if both claims existed on the date of opening of restructuring proceedings (other than the approval arrangement proceedings). However, the set-off is not admissible if (i) the creditor became a debtor or the debtor after the opening of the restructuring proceedings or (ii) the debtor of the company subject to restructuring acquired the claim against the company subject to restructuring by assignment or endorsement after opening of the restructuring proceedings and such claim came into existence prior to the opening of the restructuring proceedings. This limitation does not apply (i) if the acquirer has become the creditor of company subject to restructuring as a result of repaying such company's debt, for which it was liable personally or with certain property items, and (ii) if the liability was assumed at least one year before the date of opening of the restructuring proceedings. Similarly, the set off is not permissible if the creditor of the company subject to restructuring become a debtor of such company after the opening of the restructuring proceedings. A creditor wishing to exercise the set-off right must make a statement within 30 days from opening of the restructuring proceedings and if the grounds for set off arose after that date, then within 30 days from arising of the ground for set off.

Once the accelerated arrangement proceedings, arrangement proceedings or remedial proceedings are opened, the entity's assets may not be encumbered with security, charged with a pledge, registry pledge or treasury pledge, and no entries in land and mortgage register or other registers may be made to establish any security interests, except for the entry of mortgage if the application of such entry had been filed at least six months prior to filing the motion for opening of the proceedings.

Additionally, provisions of an agreement to which the debtor is a party which explicitly stipulate that the agreement is amended or terminated in the case of opening restructuring proceedings (or filing for it) (except for approval arrangement proceedings) are invalid. Also, provisions of an agreement to which the debtor is a party that hinder or prevent the aims of the restructuring proceedings from being achieved will be deemed ineffective in relation to the arrangement or remedial estate (as applicable). These specific provisions of the Polish Restructuring Law are deemed to apply also to contracts that are subject to laws other than the laws of Poland, as long as said provisions of such contract would apply to an entity that is subject to restructuring proceedings (other than approval arrangement proceedings) under the Polish Restructuring Law.

If the arrangement proceedings or accelerated arrangement proceedings are opened with respect to the Polish Guarantor, then certain actions in court proceedings against the Polish Guarantor will require court supervisor's consent. If enforcement proceedings regarding the receivables which are subject to arrangement were pending against the Polish Guarantor on the day of opening of such restructuring proceedings, they are suspended with effect from the opening of such proceedings and proceeds received are transferred to the arrangement estate after the issuance of decision on opening of the restructuring proceedings. The creditor secured with a mortgage, pledge, registered pledge, treasury pledge and/or maritime mortgage can conduct the enforcement only with respect to the object of such security interest. The court may also stay enforcement of the claim which is not subject to the arrangement for the period of up to three months if such enforcement concerns the object which is necessary to run Polish Guarantor's enterprise.

In the case of opening of the remedial proceedings against the Polish Guarantor, if proceedings were pending in which the Polish Guarantor was the plaintiff, the administrator replaces the Polish Guarantor. If enforcement proceedings regarding the receivables were pending against the Polish Guarantor on the day of opening of the remedial proceeding, they are suspended and proceeds received are transferred to the remedial estate after the issuance of decision on the opening of the remedial proceedings.

If creditors vote in favor of an arrangement, the arrangement is accepted and then approved by the court. The court's decision approving the arrangement may be appealed against. An approved arrangement is binding on (affects) all creditors, whose receivables are covered by the arrangement. Certain receivables are not covered (affected) by the arrangement. These include, among other things: (i) receivables secured with mortgages, pledges, registered pledges, treasury pledges and/or maritime mortgages, however only up to the value of the collateral (to the extent they can be satisfied from the security assets on which such security was established); a creditor whose claims are so secured may, however, consent to being subject to arrangement, (ii) receivables under derivative or repo transactions, and (iii) receivables under employment contracts.

The arrangement may also concern only certain types of receivables (partial arrangement). In such case, the arrangement is binding on (affects) all creditors who have receivables of such type. In a partial arrangement, there are several exceptions to the general rule that receivables secured by mortgages, pledges, registered pledges, treasury pledges and/or maritime mortgages are not covered by the arrangement, without the consent of the creditor, up to the value of the collateral. The consent of the creditor is not required, if the arrangement's initial proposals envisage full satisfaction of the creditor within the timeframe specified in the arrangement, or if they envisage satisfaction to an extent not less than may be expected from the collateral.

If the receivables arising under the Note Guarantees are covered by the arrangement, there is a possibility that such receivables may be decreased on the basis of a decision of the creditors (such decisions would be subject to certain mandatory rules of the Polish Restructuring Law).

A simplified restructuring proceeding is a hybrid of solutions provided for in other restructuring proceedings. It is for the most part extrajudicial and refers to the approval arrangement proceedings regulated in the Polish Restructuring Law, but with significant modifications. A simplified restructuring proceeding is opened automatically by publishing an announcement in the judicial and commercial gazette "*Monitor Sądowy i Gospodarczy*", indicating the debtor's details, the arrangement date, and the arrangement supervisor. Before making an announcement, the debtor prepares and submits to the selected arrangement supervisor arrangement proposals, a list of claims, and a list of disputed claims. As in the approval arrangement proceedings, the debtor, with the help of a restructuring adviser, presents creditors with arrangement proposals, collects their votes and, only at the end, applies to the court for approval of the arrangement, which has already been voted on. A creditors' meeting to vote on the arrangement may be conducted remotely using electronic communications. The application for approval of the arrangement must be submitted to the court no later than four months after the announcement in "*Monitor Sądowy i Gospodarczy*". If no application for approval is filed within this period, the proceedings will be discontinued by operation of law.

During the period from the date of making an announcement on opening the simplified restructuring procedure to the date of completion or discontinuance, existing enforcement proceedings are suspended by operation of law and no new proceedings may be instigated against the debtor. In addition, during the period of simplified restructuring, it is prohibited to terminate key agreements concluded with the debtor, including rental, tenancy, leasing or loan agreements, without the arrangement supervisor's permission. There is also a ban, known from the accelerated arrangement procedure, on payment of claims covered by the arrangement by operation of law, as well as restrictions on setoff. Another new feature is the possibility to include in the arrangement a claim secured against the debtor's assets without the secured creditor's consent.

Any creditor may apply to the court for lifting in its entirety of the effects of the announcement of the opening of a simplified restructuring proceeding, including the prohibition of enforcement against the debtor's assets. Creditors will also be entitled to pursue a claim for redress of damages if the debtor made an announcement on the opening of proceedings in bad faith.

Limitations and Effectiveness of the Note Guarantees in Bankruptcy or Restructuring Proceedings

Pursuant to Article 11 sec. 2 of the Polish Bankruptcy Law, a corporate entity is deemed to be insolvent if its pecuniary liabilities (except for future liabilities and those to shareholders relating to loans and legal acts of similar effect, granted within five years before the declaration of bankruptcy) exceed the total value of its assets (except for assets not constituting the bankruptcy estate) and such situation persists for longer than 24 months. Given certain legal controversies regarding the application of this rule, and in order to mitigate the possibility that the Polish Guarantor could be declared bankrupt under this rule, the liability of any Polish Guarantor on account of payments under the Note Guarantees shall be limited to the amount equivalent to the Polish Guarantor's assets (except for assets which do not form part of the estate subject to bankruptcy). This limitation of liability will no longer apply when the Polish Guarantor becomes insolvent in the meaning of Article 11 of the Polish Bankruptcy Law or upon acceleration of the receivables under the Note Guarantees (in spite of the previous application of that limitation of liability).

Under the Polish Bankruptcy Law, the Note Guarantees may be declared ineffective or deemed to be ineffective in certain situations. In particular, the enforceability of the receivables arising under the Note Guarantees in the insolvency proceedings depends on whether it was granted at least six months before the filing of the motion for bankruptcy of the Polish Guarantor and, furthermore, whether the secured receivables are due and payable. Pursuant to the Polish Bankruptcy Law, if: (i) the debt secured by the Note Guarantees is not due (*dług niewymagalny*); and (ii) the Note Guarantees were granted within six months before the filing of the motion for bankruptcy, then it will be deemed ineffective. However, in such case, the creditor may bring an action or charge in order to seek the recognition of the Note Guarantees as effective if at the time when the same was granted the creditor was unaware of the existence of grounds for declaration of bankruptcy of the grantor.

Furthermore, if the Note Guarantees are granted within six months preceding the date of the filing of the motion for bankruptcy, it will be assessed whether the Note Guarantees in this state of facts was granted by the bankrupt entity to its partners or shareholders, their representatives or spouses of the same, or affiliates, their partners or shareholders, representatives, or spouses of the same as well as with another company, in the event of either being the controlling company. If so, the Note Guarantees will be declared ineffective towards the bankruptcy estate, unless the other party is able to prove that it is not detrimental to other creditors.

The disposals made by the bankrupt in respect of its estate (*czynności prawne, którymi upadły rozporządził swoim majątkiem*) within one year before the filing of the motion for bankruptcy will be deemed ineffective towards the bankruptcy estate if the value of the disposal significantly (*rażąco*) exceeded consideration for the bankrupt, or there was no consideration for the bankrupt. It is not entirely clear under the Polish Bankruptcy Law whether the guarantees are subject to such clawback provisions since it is debatable whether they can be qualified as disposals.

Under the Polish Restructuring Law, the Note Guarantees may also be declared ineffective or deemed ineffective in certain situations.

The disposals made by the debtor in respect of its estate (*czynności prawne, którymi upadły rozporządził swoim majątkie*) within one year before the filing of the motion for remedial proceedings will be deemed ineffective towards the remedial estate if the value of the disposal materially (*istotnie*) exceeded consideration for the debtor or third party, or there was no consideration for the debtor. It is not entirely clear under the Polish Restructuring Law whether the guarantees are subject to such clawback provisions since it is debatable whether they can be qualified as disposals.

Additionally, pursuant to the Polish Restructuring Law, if: (i) the Note Guarantees were granted within one year before the filing of the motion for opening restructuring proceedings; and (ii) the Note Guarantees were not granted directly in connection with consideration received by the Polish Guarantor, then the Note Guarantees will be ineffective towards the remedial estate.

The Note Guarantees will be ineffective towards the remedial estate in the part in which it exceeds (as at the date of granting the Note Guarantees) the value of the secured claim together with ancillary claims specified in the document establishing the Note Guarantees by more than a half, and provided that the Note Guarantees were granted within a year before the filing of the motion for opening restructuring proceedings.

Actio Pauliana

Polish civil law provides a basis for declaring some actions done to the detriment of creditors ineffective (so-called "*actio Pauliana*"). In general, if as a result of a legal act performed by a debtor to the detriment of creditors, a third party gains a financial benefit, each of the creditors may demand that the said act be declared ineffective with respect to him, if the debtor acted knowingly to the creditors' detriment, and the third party knew or, having used due care, could have learned of it. This provision applies accordingly if the debtor acts with an intention to harm future creditors. It is assumed that the debtor's legal act is performed to the creditors' detriment if, as a result of such act, the debtor becomes insolvent or becomes insolvent to a greater degree than he was before performing the act (as described in Supreme Court judgements Case No. II CSK 548/11, Case No. III CSK 143/16, Case No. III CSK 214/11). The application to the court with respect to "*actio Pauliana*" can be filed within five years from the date of the act but not longer than within two years from the opening of insolvency proceedings (if a debtor has been declared bankrupt).

Limitation on Enforcement

Under Polish law, claims may become time-barred (being the six years general term established for claims and three years term for claims pertaining to periodical performances and claims resulting from an economic activity; however the end of the period of limitation shall fall on the last day of the calendar year) according to the Polish Civil Code, or may be, or may become, subject to the defense of set-off or counterclaim.

In the case of tort claims under Article 442 (1) § 1 of the Polish Civil Code, the period of limitation is three years from the date on which the injured party becomes aware of the damage and of the person obliged to remedy it; however, the period cannot be longer than ten years from the date on which the said event causing the damage took place.

The term "enforceable" means that a claim right or agreement is of a type and in a form enforced by Polish courts. It does not mean that an obligation will be enforced in accordance with its terms in every circumstance in Poland. In particular, specific performance may not always be available as a remedy due to other legal implications such as force majeure, circumvention of law, abuse in the exercise of rights or misrepresentation.

In general terms, any guarantee granted under Polish law must guarantee or secure another obligation to which it is ancillary and such primary obligation must be clearly identified in the relevant guarantee or security agreement. Furthermore, a Polish law guarantee and security interests become null if the primary obligation is null and terminate upon termination of the primary obligation. Moreover, an act in law performed by the original debtor with its creditor after issuance of the guarantee cannot increase the obligation of the guarantor without its consent.

If a guarantee is given by the Polish Guarantors under Polish law and it relates to future debts, then from the perspective of the Civil Code the maximum amount of guaranteed debt should be specified in the guarantee document. The guarantee unlimited in time for a future debt may be revoked by the guarantor at any time before the debt arises.

In the event that the security providers are able to prove that there are no existing and valid guaranteed obligations, Polish courts may consider that the security providers' obligations under the relevant guarantees or securities are not enforceable.

Limitations Resulting from the Polish Commercial Code

The liabilities assumed by the Polish Guarantor under the Notes Guarantees by the Polish Guarantor is also subject to certain provisions of the Polish Commercial Companies Code. With respect to the limited liability company (*spółka z ograniczoną odpowiedzialnością, sp. z o.o.*) and the joint-stock company (*spółka akcyjna, S.A.*) pursuant to the Polish Commercial Companies Code, the creation of a limited right *in rem* over the enterprise or over its organized part requires a resolution of the shareholders under the pain of invalidity.

Pursuant to Article 189 § 2 of the Polish Commercial Companies Code, the shareholders may not receive, under any title, any payments from the Polish limited liability company's assets needed to fully cover the share capital of this company. A breach of this rule results in the shareholders' obligation to return the payments up to the amount of the share capital. Therefore, the liability of any Polish Guarantor on account of payments under the Notes Guarantees and Collateral should be limited, in particular, to the extent that it would result in a reduction of its assets necessary to cover in full its share capital in breach of Article 189 § 2 of the Polish Commercial Companies Code.

Pursuant Article 344 § 1 of the Polish Commercial Companies Code, it is not permissible to return to a direct shareholder(s) the share contributions (*wpłaty na akcje*) unless permitted otherwise. In case of the joint-stock companies, the Article 345 of the Polish Commercial Companies Code that regulates the restrictions concerning financial assistance should be observed.

Interests Limitation

Pursuant to Article 359 § 2^1 in conjunction with § 2 of the Polish Civil Code, the maximum interest resulting from the legal act, meaning, so-called "capital interest" (*odsetki kapitałowe*) cannot per annum exceed double statutory interest (meaning, double of the sum of: (i) the reference rate published by the National Bank of Poland and (ii) 3.5 percentage points). As of the date of this memorandum, the maximum capital interest amounts to 7.2%.

In addition, according to the Article 481 § 2^1 in conjunction with § 2 of the Polish Civil Code, the maximum interest resulting from a delay (*odsetki za opóźnienie*) cannot per annum exceed double statutory interest for delay (meaning, double of the sum of: (i) the reference rate published by the National Bank of Poland and (ii) 5.5 percentage points). As of the date of this memorandum, the maximum interest for delay amounts to 11.2%.

Should the value of interest exceed the value of relevant maximum interest, then relevant maximum interest is due. Contractual provisions cannot exclude or limit the provisions on maximum interest. The above mentioned specific provision of Polish law shall be applied by a Polish court irrespective of the fact that the parties have chosen foreign law to govern the transaction (overriding mandatory provisions).

Canada

Certain of the Guarantors are formed or constituted under the laws of the Provinces of Ontario (Canada). This summary highlights certain aspects of (i) the laws of the Province of Ontario relating to guarantees granted by corporations and limited partnerships and (ii) the federal and provincial laws in effect in Canada in respect of bankruptcy, insolvency, reorganization, arrangement, restructuring and receiverships in respect of the business and assets of debtors, in each case in force on the date of this offering memorandum.

Guarantees

Under the laws of the Province of Ontario (and the federal laws of Canada applicable therein), there are no financial assistance rules that would restrict the giving of upstream guarantees by corporations or limited partnerships. Under the laws of the Province of Ontario (and the federal laws of Canada applicable therein), a guarantee or some of its provisions may be unenforceable against the guarantor if they constitute (i) a penalty or (ii) a breach of law or public policy (e.g., a clause providing for a rate of interest exceeding the statutory maximum under the *Criminal Code* (Canada) would be illegal). A guarantee may also be unenforceable if the underlying guaranteed obligation has been changed without the consent of the guarantor or is unenforceable against the principal debtor. This latter result may be avoided if the guarantee also includes appropriate language that causes it to be properly characterized as an indemnity in that an indemnity should remain enforceable notwithstanding any invalidity or defect in the underlying obligation unless it would be contrary to public policy to provide indemnification for the underlying obligation. However, there can be no assurance that an agreement characterized by the parties as an indemnity will not be recharacterized as a guarantee by the court. While a guarantee may also provide that a guarantor will be liable as principal debtor for any amount not recoverable on the basis of a guarantee, the enforceability or effect of such a clause is questionable and in certain circumstances such a clause may provide the guarantor with an additional defense to enforcement. Guarantees typically contain waivers of defenses available to the guarantor as a matter of law. Broad, non-specific waivers of any defenses that may be available to guarantors may be unenforceable if the court finds that they are too vague or uncertain or if they contravene mandatory provisions of law. The giving of a guarantee by a corporate entity may also be subject to a claim for the oppression remedy at corporate law.

Preferences and transfers at undervalue

Guarantees and security granted in connection therewith may also be voided or deemed unenforceable on the basis that they constitute a "preference" or "transfer at undervale". Further, if a court were to find that the issuance of a guarantee or security granted in connection therewith was a preference or transfer at undervalue, the court could void the payment obligations under such guarantee, and/or require the holders of the notes to repay any amounts received with respect to such guarantee or pursuant to such security. In the event of a finding that a preference or transfer at undervalue occurred, you may not receive any repayment on the notes.

A guarantee or security given to a creditor dealing at arm's length with the insolvent debtor could be voided on the basis that it constitutes a preference if the debtor issued the applicable guarantee or related security at a time when it was insolvent or was rendered insolvent, with a view to giving such creditor a preference (if such creditor is dealing at arm's length with the party providing the guarantee or security) or which has the effect of giving that creditor a preference (if such creditor is not dealing at arm's length with the party providing the guarantee or security). If the guarantee has the effect of bestowing a preference, intent will be presumed in the absence of evidence to the contrary.

Also, a guarantee or security issued by a debtor may also be voided on the basis that it constitutes a transfer at undervalue if (1) the consideration received by the debtor in exchange for the guarantee was conspicuously less than the fair market value of the property so transferred; (2) the debtor was insolvent at the time when the guarantee was given or was rendered insolvent by reason of the issuance of the applicable guarantee, and (3) the debtor intended to defraud, defeat or delay a creditor. If such guarantee is issued to a party not dealing at arm's length with the insolvent debtor during the period that is one year prior to the initial insolvency event, the determination of whether (1) the insolvent debtor was insolvent at the time when the applicable guarantee was issued or was rendered insolvent by it, or whether (2) the insolvent debtor intended to defraud, defeat or delay a creditor will not be relevant in the determination of whether or not the issuance of the applicable guarantee could be considered as a transfer at undervalue.

In the context of insolvency proceedings, a trustee in bankruptcy, monitor or proposal trustee is or may be required to review asset transfers and transactions undertaken by the bankrupt or insolvent debtor within specified time periods prior to the commencement of such proceedings to determine if the debtor was engaged in any preferential transactions or transfers at undervalue. In certain circumstances, certain creditors can commence proceedings to declare reviewable transactions void. In the case of "transfers at under value", the review period is one year (or up to five years for parties not dealing at arm's length, depending on the circumstances, as set out in more detail in the paragraph below) whereas "preferences" are subject to review if they occurred within three months (or twelve months for parties not dealing at arm's length). Provincial laws regarding fraudulent preferences, transfers at undervalue and fraudulent conveyances may also apply.

We cannot be certain that the issuance of the guarantees would not be subordinated to any of the guarantors' other debt or determined by a court to be void.

Insolvency

In Canada, insolvency proceedings are governed principally by two federal statutes (with a third applying mainly to federal financial institutions). The federal insolvency laws in Canada apply across the country and allow for either a liquidation type proceeding (which is similar to a Chapter 7 type liquidation under the U.S. Bankruptcy Code, with some important differences) or a restructuring type proceeding (which is similar to a Chapter 11 type proceeding under the U.S. Bankruptcy Code, with some important differences). Notwithstanding that insolvency proceedings in Canada are generally governed by federal statute, in certain circumstances provincial and territorial laws will affect the conduct and/or outcome of those proceedings (e.g., security laws, landlord rights, receiverships, pensions, construction liens, etc.) and it is also possible to restructure an enterprise under the reorganization or arrangement provisions of applicable federal or provincial corporate statutes.

The rights of the Trustee to enforce remedies could be delayed, impaired or otherwise restricted by the provisions of applicable Canadian federal bankruptcy, insolvency, receivership and other restructuring or arrangement legislation and orders made with respect to Canadian law if the benefit of such law is sought with respect to the Issuer or any guarantors. The powers of the court under the Canadian federal and provincial insolvency, reorganization or arrangement laws have been interpreted and exercised broadly and remedially so as to preserve enterprise value of a restructuring entity and protect such entity and its assets from actions taken by creditors and other parties.

Accordingly, we cannot predict whether payments under the Notes or the Note Guarantee would be made during any bankruptcy, insolvency, arrangement, receivership or other restructuring proceedings, whether or when the Trustee could exercise its rights under the Note Guarantee or whether and to what extent holders of the notes would be compensated for any delays in payment, if any, of principal, interest and costs, including the fees and disbursements of the Trustee.

Liquidation

Bankruptcy proceedings in Canada can be either voluntarily commenced by a debtor or commenced against the debtor by any creditor or creditors of such debtor where the unsecured claims of the applicant creditors equals C$1,000 or more. In order for a bankruptcy filing to be valid, the debtor must meet one of the tests for bankruptcy set out in the *Bankruptcy and Insolvency Act* (Canada) (the "BIA"), with a common test being the inability or failure to meet obligations generally as they become due. Upon a bankruptcy occurring, all of the assets of the bankrupt (with a few limited exceptions) vest in a trustee in bankruptcy, with the proceedings being subject to the oversight of both the Superintendent of Bankruptcy and the relevant court. Typically, a trustee in bankruptcy proceeds to liquidate the assets of the bankrupt and distribute the proceeds to creditors in accordance with their legal priorities.

The BIA and certain other federal and provincial statutes in Canada provide super priority or preferred status to certain claims. These super priority status claims may be secured on certain assets of the debtor and such security may rank in priority to the security interests of other secured creditors. After the claims subject to any statutory super priorities are paid, the BIA provides that secured creditors are to be paid prior to unsecured creditors. While the general rule is that unsecured creditors share any remaining proceeds pari passu, the BIA does provide that certain "preferred" claims are to be paid prior to the general body of unsecured creditors.

Upon the occurrence of a bankruptcy order or a voluntary assignment in bankruptcy, the BIA imposes a stay of proceedings on unsecured creditors and leave is required to proceed, or continue, with any actions against the bankrupt entity. In a bankruptcy scenario, the stay of proceedings generally does not apply to secured creditors, such that secured creditors are free to continue to enforce their security against the assets of the bankrupt, subject to satisfying the trustee in bankruptcy that they have valid and perfected security over the same.

As stated above, where applicable under federal or provincial law, a secured creditor may appoint a "receiver" or "receiver-manager" over the assets of a debtor or may seek court appointment of a receiver or receiver and manager. The receiver is not typically appointed to restructure a business. A receivership is typically intended as a mechanism for realizing on collateral through a liquidation or a going-concern sale. The receiver will proceed to sell the debtor's assets, manage the debtor's business or otherwise realize on the collateral, with the proceeds from its activities payable in accordance with the established priorities. A receiver can be court-appointed or, in most Canadian provinces, privately appointed—the advantages and disadvantages of each vary. In the case of a court-appointed receivership, the powers of the receiver are in the discretion of the court and set out in an appointment order. The appointment order typically also includes a stay of proceedings and super-priority security interests or charges (which could be in priority to the security of existing secured creditors) on the assets of the debtor to secure the payment of amounts owing in respect of the receiver's fees and costs and, in certain circumstances, to secure the payment of any amounts to be borrowed by the receiver to facilitate the receivership. In the case of a private receiver, the receiver's powers are prescribed by contract (i.e., between the creditor and the debtor) and subject to applicable laws governing the enforcement of security.

Restructuring

Generally, restructuring proceedings of insolvent entities are commenced under one of two statutes in Canada and it is also possible to restructure an enterprise under the reorganization or arrangement provisions of the applicable federal or provincial corporate statute. Any such restructuring can involve a stay of proceedings with respect to creditors' rights and remedies and a compromise of the debt, including secured debt, owing by the restructuring entity.

For large or complex restructurings, the most commonly used statute is the Companies' Creditors Arrangement Act (Canada) (the "CCAA"). In order to seek relief under the CCAA, the debtor must have at least C$5.0 million in outstanding claims against it or its corporate group. The granting of an order for relief under the CCAA is in the discretion of the court, but if granted, a CCAA order typically involves a broad stay of proceedings (applying to secured and unsecured creditors), protection from the termination of most contracts by third parties, authority to disclaim or repudiate unfavorable contracts (subject to certain exceptions) and, in certain cases, the granting of super-priority security interests or charges (which could be in priority to the security of existing secured creditors) on the assets of the applicant debtor company. Examples of these super-priority charges include those to secure the payment of any amounts to be borrowed from debtor-in-possession lenders to facilitate the restructuring, any amounts owing for the fees and costs of professionals involved in the restructuring and liabilities of directors of the company arising following the commencement of the CCAA proceedings. In addition, the court has broad statutory jurisdiction to grant any order it considers appropriate in the circumstances, subject to certain restrictions.

An initial stay of proceedings under the CCAA cannot exceed 10 days, but the applicant debtor company is entitled to seek extensions of the stay thereafter. To obtain an extension, the applicant debtor company must satisfy the court that an extension is "appropriate", and that the debtor has acted and is continuing to act in good faith and with due diligence. There is no time limit under the CCAA on the duration of an extension to the stay of proceedings under the CCAA or on the duration of the entirety of the proceeding itself.

CCAA proceedings are supervised by the court and upon the making of an order under the CCAA, the court must appoint a licensed trustee in bankruptcy to act as the "monitor" of the applicant company. The monitor is given certain powers under the CCAA and additional powers may be granted by court order. The monitor does not take possession of, or have any control over, the assets of the applicant company unless otherwise ordered by the court. The monitor is required to oversee certain filings made or actions taken by the applicant company and provide its views with respect to same. The monitor also has a statutory duty to advise the court of any material adverse change in the status of the applicant company.

Under the CCAA, a company may, inter alia, proceed to file a plan of compromise or arrangement and/or seek court approval of a sale of some or all of its assets. In the case of a plan of compromise or arrangement, it is necessary for the applicant company to obtain the requisite level of approval from affected creditors (approval must be obtained from creditors representing 66 2/3% in value of the debt and more than 50% in number of the creditors who cast votes in each affected class of creditors) and approval of the court. Secured creditors may be included in the plan, or may be dealt with outside of the plan. Upon requisite creditor and court approvals being obtained, the restructuring plan is binding on all affected creditors whether or not they voted in favor of the plan. CCAA plans may be combined with plans of reorganization or arrangement under Canada's federal and provincial corporate statutes, allowing Canadian corporate entities to change their share capital, including cancelling existing shares and/or converting existing debt to new shares, in the context of a plan. If the proceeding includes an asset sale, any sale out of the ordinary course is subject to approval of the court (but with no creditor vote) and the court is authorized to make an order transferring assets to a purchaser free and clear of all liens, claims and encumbrances. During the course of a CCAA proceeding, creditors and contractual counterparties are not entitled to exercise any rights or remedies without leave of the court except for certain statutory exceptions (e.g., proven claims of set-off unless expressly restricted by the Court, termination and enforcement rights under certain types of eligible financial contracts and certain regulatory investigations).

The court may not approve an asset sale or sanction a restructuring plan in the context of a CCAA proceeding unless certain statutorily prescribed claims are satisfied or provided for to the satisfaction of the court.

Debtors in Canada may also proceed with a restructuring under the proposal provisions of the BIA. The proposal provisions of the BIA (the "Proposal Provisions") provide for a process that is generally similar to, but less flexible than, restructuring proceedings under the CCAA. A restructuring under the BIA is typically undertaken where the proposed restructuring is small or relatively simple; or, where the applicant debtor simply does not qualify for the CCAA. There is no minimum amount of outstanding debt required to use the Proposal Provisions.

Upon filing a proposal (or a notice of intention to make a proposal ("NOI")) with the official receiver employed by the Office of the Superintendent of Bankruptcy, the BIA provides for an automatic stay of proceedings. There is no need to apply to the court for the initial stay. The nature and term of the stay varies, depending on whether the debtor commences the proceedings by filing a proposal or by filing an NOI. Such stay will remain in place until the trustee administering the proposal proceedings is discharged (e.g., the proposal is implemented and the proceedings concluded) or the debtor becomes bankrupt (e.g., via a failed proposal, as discussed below). In the context of an NOI filing, the initial stay is for a period of 30 days and will apply to unsecured creditors as well as secured creditors subject to the caveats set forth below. However, if the debtor has not filed its proposal within the initial 30-day period, it may apply to the court for an extension of such period. The Proposal Provisions limit the duration of initial 30-day period and any extensions thereto to an aggregate of six months from the date of the filing of the notice of intention. Failure to file a proposal within this period will result in a deemed bankruptcy. The stay does not prevent a secured creditor from (i) dealing with the assets of the insolvent person if it took possession of the secured assets for the purpose of realization before the filing of the proposal or notice of intention to file a proposal and (ii) enforcing its security against all or substantially all of the debtor's property used in relation to the debtor's business if the secured creditor gave the required notice under the BIA more than ten days before the filing of the proposal or notice of intention to file a proposal or if the debtor consented to the enforcement by the secured creditor in accordance with the BIA. In the case of any proceedings under the Proposal Provisions, the applicant debtor is protected from the termination of most contracts by third parties.

The Proposal Provisions also allow for the granting of super priority charges (similar to the CCAA), repudiation or disclaimer of contracts (similar to the CCAA), and the appointment of a proposal trustee (which may have a similar role and powers as a monitor under the CCAA). A proposal is ultimately put to a creditor vote, with secured creditors (if any) voting in a separate class (or classes) to the extent they are affected by the proposal. In the event that the debtor's proposal to its creditors is either rejected by any class of unsecured creditors at a meeting held to approve such proposal (with the same voting thresholds as the CCAA noted above) or by the court when the proposal is put before the court for approval, the debtor is deemed bankrupt. Notably, if a proposal is rejected by a class of secured creditors but accepted by each class of unsecured creditors, the proposal does not automatically fail but may effectively frustrated. The secured class rejecting the proposal is left to pursue rights and remedies in respect of their security, while the proposal is submitted to the court for approval.

The court may not approve an asset sale in the context of proposal proceedings or sanction a proposal unless certain statutorily prescribed claims are satisfied or provided for to the satisfaction of the court.

In the event of a foreign insolvency proceeding, both the CCAA and the BIA allow a representative, authorized in a foreign proceeding in respect of a debtor, to seek recognition of the foreign insolvency proceeding in Canada (which is similar to a Chapter 15 type proceeding under the U.S. Bankruptcy Code, with some important differences). The CCAA and the BIA each provide for a modified version of the UNCITRAL model insolvency law (collectively, the "Recognition Provisions"). The Recognition Provisions allow an authorized representative to apply for recognition of the foreign insolvency proceeding as either a "foreign main proceeding" or a "foreign non-main proceeding". The determination of the type of proceeding is based upon the center of main interest ("COMI") of the debtor. If the court determines that the foreign proceeding is a "foreign main proceeding", the court must grant a stay of proceedings in Canada and also prohibit the debtor from selling or otherwise disposing of any of its property in Canada outside the ordinary course of its business without court approval, and may grant additional relief permitted under the CCAA/BIA, including the recognition of relief granted in the foreign jurisdiction which may differ materially from the relief normally available in Canada. If the court determines that the foreign proceeding is a "foreign non-main" proceeding, the court may, but is not required to, grant a stay of proceedings in Canada and prohibit the debtor from selling any of its property in Canada outside the ordinary course of business without court approval, and grant any other relief permitted under the CCAA/BIA, including the recognition of relief granted in the foreign jurisdiction which may differ materially from the relief normally available in Canada. In the event that the foreign proceeding results in the approval of a restructuring plan, the Canadian court may grant an order providing that such plan shall be recognized and have full force and effect in Canada.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Notes Guarantees (together, the "Securities") have not been, and will not be, registered under the Securities Act, or the securities laws of any other jurisdiction, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the securities laws of any other applicable jurisdiction. Accordingly, the Securities offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A under the Securities Act and in offshore transactions to non-U.S. persons outside of the United States (in each case, as defined in Regulation S) in reliance on Regulation S under the Securities Act.

We use the terms "offshore transaction," "U.S. person" and the "United States" with the meanings given to them in Regulation S.

Each purchaser of the Securities (other than the Initial Purchasers), by its acceptance thereof, will be deemed to have acknowledged, represented to, warranted to and agreed with the Issuer, each Guarantor and the Initial Purchasers as follows:

(1) The purchaser understands and acknowledges that the Securities have not been registered under the Securities Act or the securities laws of any other applicable jurisdiction and that the Securities are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities laws or pursuant to an exemption therefrom or in any transaction not subject thereto and, in each case, in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below;

(2) The purchaser is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Issuer or any Guarantor, is not acting on behalf of the Issuer or any Guarantor and is either:

   (a) a qualified institutional buyer, within the meaning of Rule 144A under the Securities Act, and is aware that any sale of these Securities to them will be made in reliance on Rule 144A under the Securities Act, and such acquisition will be for their own account or for the account of another qualified institutional buyer; or

   (b) a U.S. person (and is not purchasing the Securities for the account or benefit of a U.S. person) and is purchasing the Securities outside the United States in an offshore transaction in accordance with Regulation S under the Securities Act;

(3) The purchaser acknowledges that none of the Issuer, the Guarantors, or the Initial Purchasers, nor any person representing any of them, has made any representation to it with respect to us or the offer or sale of any of the Securities, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Securities. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum. It has had access to such financial and other information concerning us and the Securities as it has deemed necessary in connection with its decision to purchase any of the Securities, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers;

(4) The purchaser is purchasing the Securities for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case, for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or the securities laws of any other jurisdiction, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Securities to a qualified institutional buyer pursuant to Rule 144A, to non-U.S. persons in offshore transactions pursuant to Regulation S or any other exemption from registration available under the Securities Act, or in any transaction not subject to the Securities Act;

(5) The purchaser understands and agrees on its own behalf and on behalf of any investor account for which it is purchasing the Securities, and each subsequent holder of the Securities by its acceptance thereof will be deemed to agree, that if in the future it decides to resell, pledge or otherwise transfer any Securities or any beneficial interests in any Securities, it will do so prior to the date which is, in the case of Securities offered to qualified institutional buyers, one year after the later of the original issue date of such Securities, the original issue date of the issuance of any additional securities and the last date on which the Issuer or any affiliate of the Issuer was the owner of such Security (or any predecessor of such Security) and, in the case of Securities offered to non-U.S. persons in accordance with Regulation S, 40 days after the later of the original issue date of such Security and the date on which such Security (or any predecessor of such Security) was first offered to persons other than distributors (as defined in Rule 902 of Regulation S) in reliance on Regulation S only (i) to the Issuer, the Guarantors or any subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Securities are eligible for resale pursuant to Rule 144A under the Securities Act, to a person it reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (iv) pursuant to offers and sales that occur in offshore transactions outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the Security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date;

(6) Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IT IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF SUCH SECURITIES, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL SECURITIES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY),] [IN THE CASE OF SECURITIES SOLD TO NON-U.S. PERSONS IN ACCORDANCE WITH REGULATION S: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF THIS SECURITY AND THE DATE ON WHICH SUCH SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S] ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE

UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If the purchaser purchases Securities, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Securities as well as to holders of these Securities.

(7) The purchaser agrees that it will give to each person to whom it transfers the Securities notice of any restrictions on the transfer of such Securities;

(8) The purchaser acknowledges that the Registrar will not be required to accept for registration or transfer any Securities acquired by it except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set forth therein have been complied with;

(9) The purchaser acknowledges that the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of its acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Securities is no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Securities as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account; and

(10) The purchaser understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Securities or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Securities in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Securities will be subject to the selling restrictions set forth under "*Plan of Distributio*n" and "*Transfer Restrictions*."

(11) The purchaser acknowledges that the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes (including the Notes Guarantees) is no longer accurate, it will promptly notify the Initial Purchasers. If the purchaser is acquiring any Notes (including the Notes Guarantees) as a fiduciary or agent for one or more investor accounts, the purchaser represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

PLAN OF DISTRIBUTION

The Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, the entire principal amount of the Notes. The sale of the Notes will be made pursuant to a purchase agreement to be dated the date of the final offering memorandum (the "Purchase Agreement") among TIFS, the Issuer, the Guarantors and the several Initial Purchasers.

Subject to the terms and conditions stated in the Purchase Agreement, each Initial Purchaser named below has severally agreed to purchase, and we have agreed to sell to that Initial Purchaser, the principal amount of Notes set forth opposite such Initial Purchaser's name.

Initial Purchaser	Principal Amount
J.P. Morgan Securities plc	€
Barclays Bank plc	€
Deutsche Bank AG, London Branch	€
BNP Paribas	€
Citigroup Global Markets Limited	€
Goldman Sachs Bank Europe SE	€
Mizuho International plc	€
RBC Europe Limited	€
Total	€600,000,000

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase the Notes from the Issuer, are several and not joint. The Purchase Agreement provides that the Initial Purchasers will purchase all the Notes if they purchase any of them.

The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this offering memorandum. After the initial Offering, the Initial Purchasers may change the price at which the Notes are offered and any other selling terms at any time without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates, including in respect of sales into the United States. To the extent that any Initial Purchaser that is not a U.S. registered broker dealer intends to effect any sales of the Notes in the United States, it will do so through one or more U.S. registered broker dealer affiliates as permitted by guidelines promulgated by the Financial Industry Regulatory Authority. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Persons who purchase the Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Issuer has agreed to pay the Initial Purchasers certain customary fees for their services in connection with this Offering and to reimburse them for certain out of pocket expenses.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel. The Purchase Agreement also provides that, if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased or, in some cases, the Offering may be terminated.

The Purchase Agreement provides that the Issuer and each of the Guarantors will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any debt securities of, or guaranteed by, the Issuer and the Guarantors or any of their subsidiaries that are substantially similar to the Notes during the period from the date of the Purchase Agreement through and including the date falling 30 days after the closing of the Offering without the prior written consent of the representatives of the Initial Purchasers.

The Notes and the Notes Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A and to non-U.S. persons in offshore transactions in reliance on Regulation S. Until 40 days after the later of

(i) the commencement of the Offering and (ii) the Issue Date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Notice to Certain Investors*" and "*Transfer Restrictions.*"

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes and Notes Guarantees in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes and Notes Guarantees in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this offering memorandum and resale of the Notes. See "*Transfer Restrictions*."

The Issuer has also agreed that it will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Issuer will apply, through their Listing Agent, for the listing of and permission to deal in the Notes on the Official List of the Exchange; however, the Issuer cannot assure you that such listing will be obtained or, if obtained, maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the Securities Act and the Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"). Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Relating the Notes—Transfer of the Notes will be restricted, which may adversely affect the value of the Notes*."

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act. Over allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit the Initial Purchasers to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

In connection with the offering, the Stabilizing Manager, or a person acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager may bid for and purchase Notes in the open markets for the purpose of pegging, fixing or maintaining the price of the Notes. The Stabilizing Manager may also over-allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk Factors—Risks Relating to the Notes—Transfer of the Notes will be restricted, which may adversely affect the value of the Notes*."

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the offering of the Notes is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the date of issuance of the Notes and 45 days after the date of the allotment of the Notes. These transactions may be effected in the over the counter market or otherwise.

Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days (as such term is used for purposes of Rule 15c6 1 of the U.S. Exchange Act) unless the parties to any such trade expressly agree otherwise. We expect that delivery of the Notes will be made against payment on or about the date specified on the cover page of this offering memorandum, which will be business days following the date of pricing of the Notes (this settlement cycle is being referred to as "T+ "). Accordingly, purchasers who wish to trade such Notes on the date of this offering memorandum or the next succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Initial Purchasers or their respective affiliates from time to time have provided in the past, are currently providing, or may in the future provide, investment banking, financial advisory, commercial banking, various lending, hedging, guarantee or other banking or budgeting services to us and our affiliates under bilateral agreements or local facilities in the ordinary course of business, for which they have received or may receive customary fees and commissions.

In particular, certain of the Initial Purchasers or certain of their respective affiliates are mandated lead arrangers and lenders under the Senior Term Facilities and will receive customary fees in such capacities. In addition, JPMorgan Chase Bank, N.A. will act as administrative agent and collateral agent under the Senior Term Facilities Agreement. The proceeds from the offering of the Notes will be used to repay indebtedness outstanding under the Revolving Credit Facility and the Existing Facilities and accordingly certain of the Initial Purchasers or certain of their respective affiliates will receive a portion of the proceeds from the offering of the Notes. See "*Use of Proceeds*."

In the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and instruments of ours or our affiliates. If the Initial Purchasers or their affiliates have a lending relationship with the Issuer or its affiliates, certain of those initial purchasers or their affiliates routinely hedge, certain of those initial purchasers or their affiliates are likely to hedge, and certain of those initial purchasers or their affiliates may hedge, their credit exposure to the Issuer and/or its affiliates consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments. The Initial Purchasers or their respective affiliates may also receive allocations of the Notes. The Initial Purchasers and their respective affiliates may also act as counterparties in hedging arrangements.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

England and Wales

The United States and the United Kingdom currently do not have a treaty between them providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or directly enforceable in England and Wales. In order to enforce any such U.S. judgment in England and Wales, fresh proceedings must first be initiated before a court of competent jurisdiction in England and Wales. In such an action, an English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Summary judgment is a procedure by which the English court can dispose of all or part of a claim without proceeding to a full trial. Recognition and enforcement of a U.S. judgment by an English court in such an action may be conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles and rules of English private international law at the time when proceedings were initiated (it does not matter that the U.S. court had jurisdiction according to its own law, but instead whether it had jurisdiction according to the rules of English private international law);
- the U.S. judgment not having been given in breach of a jurisdiction or arbitration clause except with the agreement of the relevant parties or the relevant parties' subsequent submission to the jurisdiction of the US court;
- the U.S. judgment not being contrary to the terms of the United Kingdom Civil Jurisdiction and Judgments Act 1982;
- the U.S. judgment being final and conclusive on the merits or being for a debt for a definitive sum of money or a sum of money ascertainable by arithmetical calculation ;
- the recognition or enforcement, as the case may be, of the U.S. judgment not contravening English public policy, the European Convention on Human Rights or English law including the United Kingdom Human Rights Act 1998 (or any subordinate legislation made thereunder, to the extent applicable);
- the U.S. judgment being for a definitive sum of money but not for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine, or otherwise involving the enforcement of a non-English penal or revenue law, or other public law;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of the United Kingdom Protection of Trading Interests Act 1980 (or based on a claim in contribution in respect of the same);
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural or substantial justice;
- the U.S. judgment not having been wholly satisfied or not being enforceable by execution in the U.S.;
- the party seeking enforcement providing security for costs, if ordered to do so by the English court; and
- the English enforcement proceedings being commenced within the relevant limitation period.

Subject to the foregoing, investors may be able to enforce judgments in England and Wales in civil and commercial matters that have been obtained from U.S. federal or state courts. If an English court gives judgment for the sum payable under a judgment of the U.S. federal or state courts, such judgment would be enforceable by the methods generally available for the enforcement of judgments in England and Wales. These give an English court a discretion whether to allow enforcement by any particular method. However, we cannot assure you that those judgments will necessarily be recognized or enforceable in England and Wales. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if proceedings were commenced in England and Wales, instead of the United States, in an original action predicated solely upon U.S. federal securities laws or other laws. Further, no steps (other than protective measures against the property of the judgment debtor) may be taken to execute a foreign judgment registered in England and Wales before the end of the period prescribed for the making of an appeal against enforcement in England and Wales of that judgment or pending the outcome of any such appeal if the time for lodging such an appeal has not expired, if any appeal is pending or anticipated against the English judgment in England or against the foreign judgment in the U.S. federal or state court. Moreover, it may not be possible to obtain a judgment in England and Wales or to enforce the judgment if the judgment debtor is or becomes subject to any insolvency or similar proceedings, if there is a delay in seeking execution of the judgment, or if the judgment debtor has any setoff or counterclaim against the judgment creditor. Finally, note that, in any enforcement proceedings, the judgment debtor may raise any counterclaim that could have been brought if the action had been originally brought in England and Wales unless the subject of the counterclaim was in issue and denied in the U.S. proceedings.

Germany

Certain of the Guarantors are incorporated under the laws of Germany. There is doubt as to the enforceability in Germany of civil liabilities based on federal or state securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. federal or state courts. The United States and the Federal Republic of Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. The enforceability of final judgments therefore may depend on the laws of the relevant U.S. state and federal laws of the United States. Consequently, a final judgment for payment given by any federal or state court in the United States, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable in Germany. A final judgment by a U.S. federal or state court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below.

German courts will, in particular, not recognize and enforce such judgments if the judgment is not final under applicable U.S. federal or state law or if any of the reasons for excluding enforceability set forth in section 328(1) of the German Code of Civil Procedure exist:

- if, pursuant to German law, the U.S. federal or state court having rendered the foreign judgment did not have jurisdiction;
- if process has not been duly served or has not been served in a timely fashion to permit a defense, provided that the defendant did not actively participate in such process and pleads accordingly;
- if the judgment is incompatible with a prior judgment rendered by a German court or by a foreign court which is to be recognized in Germany;
- if the judgment, or the proceeding resulting in the judgment, to be recognized is incompatible with a proceeding in Germany which was pending (*rechtshängig*) before a German court before the U.S. federal or state court entered its judgment;
- if a recognition of the judgment would be obviously incompatible with essential principles of German law, in particular, if the recognition would be incompatible with the civil rights (*Grundrechte*) guaranteed by virtue of the German Constitution (*Grundgesetz*); and
- if reciprocity is not ensured (i.e., the U.S. federal or state courts would not recognize and enforce a comparable judgment by a German court in equivalent circumstances).

Subject to the foregoing, holders of the Notes may be able to enforce judgments in civil and commercial matters obtained from U.S. federal or state courts in Germany. There is some German case law to the effect that reciprocity of the recognition of judgments is ensured in relation to claims relating to assets (*vermögensrechtliche Ansprüche*) with regard to various U.S. states. We cannot, however, assure you that attempts to enforce judgments in Germany will be successful. It is also doubtful whether a German court would accept jurisdiction and impose civil liability in an original action solely predicated by U.S. federal securities laws.

In addition, the recognition and enforcement of punitive damages are usually denied by German courts as incompatible with the essential principles of German law. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

Consequently, judgments awarding monetary damages under civil liabilities provisions of the U.S. federal securities laws may not be enforceable to the extent they provide for a compensation that would qualify as being of a penal or punitive nature.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. In so far as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provided for pretrial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and/or the deposition of witnesses. Evidence obtained in this matter may be decisive in the outcome of any proceeding. No such pretrial discovery process exists under German law.

In addition, it may under certain circumstances also not be possible for investors to effect service of process within Germany upon the German Notes Guarantors or those persons under the Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 and the German law implementing such convention if such service were deemed to infringe German sovereignty or security, which may be the case if such service violated the fundamental principles of German law, in particular the civil rights (*Grundrechte*) guaranteed by virtue of the German Constitution (*Grundgesetz*). However, the German Constitutional Court (*Bundesverfassungsgericht*) held in 2013 that service may not be denied solely because the action before the U.S. court contains claims for punitive damages.

Belgium

In the absence of any bilateral or multilateral treaty, a final and enforceable judgment of the courts exercising jurisdiction in the United States would be recognized and enforced by the courts of Belgium without review on the merits subject to the conditions specified in Articles 22 to 25 of the Belgian Code of Private International Law (Wetboek van Internationaal Privaatrecht/Code de Droit International Privé).

Pursuant to Article 24 of the Belgian Code of Private International Law, the following documents must be produced in court by the claimant:

- an official copy of the judgment (uitgifte van de beslissing/expédition de la décision) fulfilling all conditions required for its authentication under the applicable foreign law;
- if obtained by default, an original or legalized copy of the document demonstrating that the originating process has been served on the defendant in accordance with the applicable foreign law; and
- any document demonstrating that, under the applicable foreign law, the judgment is enforceable and has been notified to the defendant.

However, recognition and enforcement can be refused in the circumstances described in Article 25 of the Belgian Code of Private International Law, and notably if:

- the rights of defense have been violated;
- such recognition or enforcement would be incompatible with Belgian public policy;
- the jurisdiction of the foreign judge was based solely on the presence of the defendant or assets without any direct connection with the dispute in the foreign state;
- the decision may still be appealed under the applicable foreign law (however, provisional enforcement could then be granted) or does not meet the requirements of authenticity pursuant to the applicable laws;
- if in relation to matters for which parties cannot freely dispose of their rights, the decision has been sought with the sole purpose of escaping from the application of the laws applicable in accordance with Belgian private international law;
- the claim was filed in the United States after the filing in Belgium of a claim that is still pending between the same parties with respect to the same subject matter;
- the judgment is incompatible with a decision rendered in Belgium or a prior judgment rendered in another jurisdiction that can be recognized in Belgium;
- Belgian jurisdictions have exclusive jurisdiction in respect of the claim; or
- the decision is in conflict with the rules on the recognition and enforcement of court decisions in relation to insolvency proceedings, intellectual property or corporate standing.

As a general principle, procedural rules are governed by the law of the jurisdiction of the court (lex fori). In Belgium the procedural rules set out in, among others, the Belgian Judicial Code and the Belgian Code of Private International Law will apply when recognition and enforcement of judgments rendered by United States courts is sought in Belgium.

In the case of an enforcement through legal proceedings in Belgium (including the exequatur of foreign court decisions in Belgium), a registration tax at the rate of 3% of the amount of the judgment is payable by the debtor, if the sum of money that the debtor is ordered to pay by a Belgian court, or by a foreign court judgment that is either (i) automatically enforceable and registered in Belgium or (ii) rendered enforceable by a Belgian court, exceeds €12,500. A nominal registration tax would be due on the registration of bailiff deeds.

Poland

The enforcement of judgments of foreign courts in Poland is subject to treaties and conventions to which Poland is a party and the rules of the Polish Civil Procedure Code.

There is no treaty between the United States and Poland providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) rendered in civil and commercial matters. Therfore, any judgment obtained against the Issuer or any of the Guarantors in the United States in a civil matter would be recognized and enforced in the courts of Poland in accordance with the Polish Civil Procedure Code. As a general rule of the Polish Civil Procedure Code, judgments of foreign courts in civil matters are recognized by virtue of law, however, a judgment cannot be recognized in Poland if:

(1) it is not final and binding in the state where it was issued;

(2) it was issued in a case which belongs to the exclusive jurisdiction of the Polish courts;

(3) a defendant, who has not argue the merits of the case, has not been duly and timely served with the complaint initiating the proceedings and consequently has been unable to defend themselves;

(4) the party was deprived of the possibility of defending itself in judicial proceedings;

(5) an action concerning the same claim between the same parties had been brought before a court in Poland before it was brought before a court of a foreign state;

(6) it contradicts an earlier final and binding judgment of a Polish court or an earlier final and binding judgment of a foreign court satisfying the conditions for its recognition in Poland, which was rendered in a case concerning the same claim between the same parties; or

(7) its recognition would contradict the fundamental principles of the legal order of Poland (the public order clause).

The judgements of English courts are recognized and are enforceable in Poland in accordance with, and subject to the conditions of, the Hague Convention, provided that the choice of court clause contained in the relevant document is considered as exclusive within the meaning of the Hague Convention. Otherwise, such judgement will be recognized in Poland in accordance with the Polish Civil Procedure Code pursuant to the rules presented above.

Any party who has a legal interest is entitled to file a motion with the relevant Polish district court (*sąd okręgowy*) for conformation that a given judgment may or may not be recognized in Poland.

Any party wishing to have a U.S. or U.K. judgment enforceable in Poland must file an application seeking declaration of enforceability of the U.S. or U.K. judgment which must be filed with the relevant Polish district court (*sąd okręgowy*).

Any judgment obtained against the Issuer or any of the Guarantors in any country bound by the provisions of EU Regulation number 44/2011 of the Council on jurisdiction and enforcement of judgments in civil and commercial matters would be recognized and enforced in accordance with the terms set forth thereby.

Canada

Canada and its provinces and territories are not party to any convention or bilateral treaty with the United States providing for the reciprocal recognition and enforcement of foreign judgments. As a result, a Canadian court will not automatically recognize a final judgment for payment rendered by a federal or state court in the United States (a "U.S. Court") based on civil liability (a "U.S. Judgment") nor can a U.S. Judgment automatically be enforced against exigible assets of the parents or guarantors located in Canada. Further, Canada is a federation with a constitutional divisions of powers between the federal Government of Canada and its provinces and territories. Matters relating to property and civil rights fall within the exclusive jurisdiction of each of the provinces of

Canada. Accordingly, in order to enforce a U.S. Judgment in Canada, a judgment creditor would be required to commence legal proceedings before a court of competent jurisdiction in the relevant jurisdiction of Canada (depending on the location of the judgment debtor and its assets).

Courts of competent jurisdiction in the Province of Ontario (an "Ontario Court") and the Province of Québec (a "Québec Court") will permit an action to be brought on any final, conclusive, subsisting and enforceable judgment in personam for an unsatisfied sum certain rendered by any U.S. Court and will do so without reconsideration of the merits of the case before the U.S. Court, so long as:

- the U.S. Judgment is not impeachable as void or voidable under the laws of the applicable federal or state or other applicable laws;
- the U.S. Court rendering such judgment had jurisdiction over the judgment debtor, as recognized by an Ontario Court or a Québec Court for the purposes of enforcement of foreign judgments;
- the same dispute is not before the Ontario Court or the Québec Court or has been the subject of a final decision of the Ontario Court, the Québec Court or the courts in another jurisdiction;
- the U.S. Judgment was not obtained by fraud or in a manner contrary to natural justice or in contravention of the fundamental principles of procedure and the decision and enforcement thereof would not be inconsistent with public policy;
- the U.S. Judgment is not manifestly inconsistent with public order as understood in international relations, as such term is applied by a Quebec Court;
- the enforcement of the U.S. Judgment does not constitute, directly or indirectly, the enforcement of foreign revenue, penal, or expropriatory laws, other public laws, or laws relating to the imposition of taxes or similar charges (except in Québec, obligations resulting from taxation laws of foreign jurisdictions may be recognized if there is reciprocity);
- the action to enforce the U.S. Judgment is commenced within the applicable limitation period and the judgment meets the necessary conditions for recognition under the laws of the Province of Ontario or the Province of Québec;
- an Ontario Court or a Québec Court is satisfied that the judgment debtor has been properly served in the action to enforce such judgment;
- in Ontario, if the U.S. Judgment is a default judgment, the judgment does not contain a manifest error on its face; and
- the enforcement of the U.S. Judgment would not be contrary to any order made by the Attorney General of Canada under the Foreign Extraterritorial Measures Act (Canada) or the Competition Tribunal under the Competition Act (Canada) in respect of certain judgments, laws and directives having effects on competition in Canada.

Furthermore, the enforcement of a U.S. Judgment in Canada may be affected by the bankruptcy or insolvency of a Canadian parent or Canadian guarantor (or other Canadian judgment debtor) and by Canadian bankruptcy, insolvency, moratorium, arrangement, winding-up proceedings or other similar laws affecting the enforcement of creditors' rights in general or general principles of equity.

Under the Currency Act (Canada), a Canadian court (including an Ontario Court or a Québec Court) may only render judgment for a sum of money in Canadian currency, and in enforcing a foreign judgment for a sum of money in a foreign currency, both an Ontario Court and a Québec Court will render its decision in the Canadian currency equivalent of such foreign currency. Furthermore, interest after judgment may be limited to a rate of interest less that the rate specified in the documents on which the judgment is based.

Both an Ontario Court and a Québec Court would apply their own respective provincial laws with respect to its procedures and matters that have overriding effect in the enforcement of a judgment of a U.S. Court. If a U.S. Judgment is subject to appeal, or if there is another subsisting judgment in another jurisdiction relating to the same cause of action, then either an Ontario Court or a Québec Court may stay an action to enforce the U.S. judgment.

Courts in Ontario and Québec both have the discretion to require a foreign plaintiff to post security for costs in connection with an action to recognize and enforce a judgment of a U.S. Court. Further, both an Ontario Court and a Québec Court have the discretion to decline to exercise their respective territorial competence on the ground that a court of another state or province is a more appropriate forum to hear the action. Either an Ontario Court or a Québec Court, however, also retains the discretion to hear the enforcement action despite lacking territorial competence if there is no other court in which the plaintiff can commence the action or reasonably seek relief.

There is doubt as to the enforceability in Canada by a court in original actions, or in actions to enforce judgments of a U.S. Court, of civil liabilities predicated upon the federal securities laws of the United States.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Kirkland & Ellis International LLP, as to matters of U.S. federal, New York State, English and German law, by ALTIUS Brussels, as to matters of Belgian law, by Lerners LLP, as to matters of Canadian law, by Hogan Lovells (Warszawa) LLP, as to matters of Polish law, and by Honigman LLP, as to matters of Michigan law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Cravath Swaine & Moore LLP, as to matters of U.S. federal and New York State law, Jones Day as to matters of English and German law, by ALTIUS Brussels, as to matters of Belgian law, by Blake, Cassels & Graydon LLP, as to matters of Canadian law, and by Allen & Overy, A. Pędzich sp. k., as to matters of Polish law.

INDEPENDENT AUDITORS

The consolidated financial statements as of and for the financial years ended December 31, 2019, and 2020, included in this offering memorandum have been audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their reports included herein.

WHERE YOU CAN FIND OTHER INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to the offering memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

While any of the Notes remain outstanding and are "restricted securities" within the meaning of the Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from the reporting requirements under Rule 12g3 2(b) of the U.S. Exchange Act, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

Pursuant to the Indenture governing the Notes, and so long as the Notes are outstanding, we will furnish periodic information to holders of the Notes. See "*Description of the Notes—Certain Covenants—Reports*."

Copies of the Issuer's organizational documents, the Indenture and the Financial Statements published by us may be inspected at the office of the Listing Agent during normal business hours for a period of 14 days following the grant of listing of the Notes. See "*Listing and General Information*." Copies of the Issuer's organizational documents and the Financial Statements, will also be available at the office of the Issuer following written request to the address of the Issuer on and after the grant of listing of the Notes, and copies of the Indenture will be available as described under "Description of the Notes—Additional Information."

LISTING AND GENERAL INFORMATION

Admission to Trading and Listing

Application will be made to the Authority for the listing of and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

The Notes are only intended to be offered in the primary market to, and held by, investors who are particularly knowledgeable in investment matters.

Clearing Information

The Notes have been, or will be, accepted for clearance through the facilities of Euroclear and Clearstream, as applicable, under the common codes and ISIN numbers set forth below:

	ISIN	Common Code
Rule 144 Global Note	XS	
Regulation S Global Note	XS	

Periodic Reporting Under the Exchange Act

The Issuer is currently not subject to the periodic reporting and other information requirements of the Exchange Act.

Resolutions, Authorizations and Approvals by Virtue of which the Notes have been Issued

The Issuer and the Guarantors have, or will have, obtained all necessary consents, approvals and authorizations (if any) in connection with the issuance of the Notes and the issuance of the Notes Guarantees thereon, respectively. The issuance of the Notes will be approved by the board of directors or shareholders, as applicable, of the Issuer prior to the Issue Date.

General Information on the Issuer

The Issuer is a public company limited by shares organized under the laws of England and Wales. As of the date of this offering memorandum, the Issuer has no material assets or liabilities and has not engaged in any activities other than those related to its formation, the lending of share capital and the Offering. The Issuer is registered with the Companies House of the United Kingdom under registration number 04461266. The Issuer's principal business address is 4650 Kingsgate, Oxford Business Park South, Cascade Way, Oxford, UK OX4 2SU.

General Information on the Guarantors

The Guarantors are listed and described below.

Guarantor Name	Type of Entity	Jurisdiction	Organizational Identification Number
Hanil USA, L.L.C.	Limited Liability Company	Delaware	3958311
Omega Acquisition Bidco Limited	Private Limited Company	England and Wales	09402426
TI Automotive (China) Limited	Private Limited Company	England and Wales	4081361
TI Automotive Ligonier Corporation	Corporation	Michigan	506902
TI Automotive (Ettlingen) GmbH	Limited Liability Company	Germany	HRB 361858 (Local court of Mannheim)
TI Automotive (Fuldabrück) GmbH	Limited Liability Company	Germany	HRB 13543 (Local court of Kassel)

Guarantor Name	Type of Entity	Jurisdiction	Organizational Identification Number
TI Automotive (Heidelberg) GmbH	Limited Liability Company	Germany	HRB 330371 (Local court of Mannheim)
TI Automotive Canada Holdings Limited	Private Limited Company	England and Wales	5546464
TI Automotive Canada Inc.	Corporation	Ontario, Canada	971143
TI Automotive Engineering Centre (Heidelberg) GmbH	Limited Liability Company	Germany	HRB 336502 (Local court of Mannheim)
TI Automotive Euro Holdings Limited	Private Limited Company	England and Wales	5265489
TI Automotive German Holdings (UK) Limited	Private Limited Company	England and Wales	6243326
TI Automotive Holdings GmbH	Limited Liability Company	Germany	HRB 334478 (Local court of Mannheim)
TI Automotive Systems Germany GmbH	Limited Liability Company	Germany	HRB 722738 (Local court of Mannheim)
TI Automotive Holdings Limited	Private Limited Company	England and Wales	4174234
TI Automotive Limited	Private Limited Company	England and Wales	4097913
TI Automotive Technology Center GmbH	Limited Liability Company	Germany	HRB 521772 (Local court of Mannheim)
TI Automotive USA Holdings Limited	Private Limited Company	England and Wales	5265459
TI Automotive, L.L.C.	Limited Liability Company	Delaware	3397170
TIFS Holdings Limited	Private Limited Company	England and Wales	7060030
TI Group Automotive Systems (Belgium) SA	Societe Anonyme	Belgium	BE 475 127 378
TI Group Automotive Systems (Deeside) Limited	Private Limited Company	England and Wales	3061637
TI Group Automotive Systems (UK) Limited	Private Limited Company	England and Wales	784687
TI Group Automotive Systems Limited	Private Limited Company	England and Wales	581742
TI Group Automotive Systems, L.L.C.	Limited Liability Company	Delaware	3401307
TI Poland Sp. z o.o.	Limited Liability Company	Poland	KRS 0000071092
TI Automotive Korean Won Hedgeco Limited	Private Limited Company	England and Wales	09855008
TI Automotive Korean Won Hedgeco II Limited	Private Limited Company	England and Wales	05633329

Post-Issue Reporting

Except as otherwise provided in this offering memorandum or as required by applicable law or regulation, we do not intend to provide post-issue information regarding the Notes. Certain documents, including the organizational documents of the Issuer, the Indenture and the most recent consolidated financial statements published by us may be inspected at the office of the Listing Agent during normal business hours for a period of 14 days following grant of listing of the Notes. Copies of such documents will also be available from the Issuer upon request on and after the grant of listing of the Notes.

INDEX TO THE FINANCIAL STATEMENTS

* References contained within these Financial Statements to page numbers are to the page numbers in TIFS's annual reports for the years ended December 31, 2019 and 2020.

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Accounts ("the Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2020; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, and the Consolidated and Company Statements of Cash Flows for the year then ended; and the Notes to the Group and Company Financial Statements, which include a description of the significant accounting policies.

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

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the Group Financial Statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group Financial Statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

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

Independence

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

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

Other than those disclosed in Note 33 to the financial statements, we have provided no non-audit services to the group in the period under audit.

Our audit approach

Overview

Audit scope

- Following our assessment of the risks of material misstatement of the Group Financial Statements we identified 17 components (2019: 18 components) where we performed a full scope audit of their complete financial information, either due to their size or risk characteristics. These components are located in Belgium, Brazil, China, Czech Republic, Germany, Korea, Poland, Spain and Turkey.
- There are no significant components within the group.
- We also identified a further nine components (2019: eight components) where we performed targeted specified procedures based on risk and materiality on the financial information. These components are located in India, Mexico and the U.S.A. This is supplemented by analytical procedures on the components that are not in scope.
- In addition the group audit team in the UK audited the company and performed audit procedures on the consolidation and accounting areas that are centralised, including goodwill and intangible asset impairment assessments, specific aspects of warranty provisioning and customer settlements, corporate taxation, defined benefit pension obligations, refinancing transactions and treasury balances and transactions.
- This scope of work provided coverage of 76% (2019: 74%) of revenue, 77% (2019: 72%) of operating result and 76% (2019: 74%) of net assets.
- As part of the supervision process, the group engagement team has performed remote reviews for all components, which included meetings on approach and conclusions with the component teams and review of their audit files and final deliverables.

Key audit matters

- Goodwill, tangible and intangible assets impairment assessment (group)
- Warranty provisioning (group)
- Deferred tax asset recognition and provisioning for uncertain tax positions (group)
- Impact of COVID-19 (group and company)

Materiality
- Overall group materiality: €7.9 million (2019: €9.0 million) based on 5% of a three year average of profit before tax, adjusted for exceptional items.
- Overall company materiality: €8.7 million (2019: €8.5 million) based on 1% of net assets.
- Performance materiality: €5.9 million (2019: €6.75 million) (group) and €6.5 million (2019: €6.38 million) (company).

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

Capability of the audit in detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the international accounting standards in conformity with the requirements of the Companies Act 2006, the Listing Rules of the UK Financial Conduct Authority, the UK Corporate Governance Code, the UK Bribery Act, UK tax legislation and equivalent local laws and regulations applicable to component teams; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent journal entries (for example journal entries to increase profit) and bias in relation to judgements and estimates, particularly in the areas of goodwill, tangible and intangible assets impairment assessment; warranty provisioning; customer settlements; retirement benefit obligations; and restructuring provisioning. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:
- understanding and evaluating the key elements of the group's internal control related to estimates;
- validating the support behind the assumptions and judgements made by management including challenging against possible alternatives, for example in relation to goodwill, tangible and intangible asset impairment assessment and retirement benefit obligations;
- identifying and substantively testing higher risk journal entries, in particular any that increased profit, that had unusual account combinations or were posted by senior management;
- having discussions with and corroborating key assertions made by finance management with internal audit, the group's legal counsel and senior group and divisional management including views on accounting judgements and estimates, and considering known or suspected instances of non-compliance with laws and regulation and fraud;
- reading the minutes of the Board meetings to identify any inconsistencies with other information provided by management;
- reviewing internal audit reports in so far as they related to the financial statements;
- reviewing legal expense accounts to identify significant legal spend which may be indicative of serious breaches of laws and regulations; and
- reviewing component teams' key working papers for all in-scope components with a particular focus on the areas involving judgement and estimates.

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

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

This is not a complete list of all risks identified by our audit.

Impact of COVID-19 is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Goodwill, tangible and intangible assets impairment assessment (group) Refer to the Audit & Risk Committee report on page 80, Note 1 (Summary of Significant Accounting Policies), Note 15 (Intangible assets), Note 16 (Property, Plant and Equipment), Note 17 (Leases) and Note 18 (Impairments). The group holds goodwill of €535.9 million (2019: €739.0 million), intangible assets of €347.9 million (2019: €443.2 million), property, plant and equipment of €590.8 million (2019: 715.0 million) and right-of-use assets of €124.9 million (2019: €161.4 million) as at 31 December 2020. All Cash Generating Units (CGUs) containing goodwill must be tested for impairment annually and also when there are indicators of impairment. The determination of the recoverable amount requires judgement by management in valuing the relevant CGUs through value in use models utilising discounted cash flow calculations. There are judgements and estimates involved in management's impairment assessment including cash flow forecasts, discount rates and long term growth rates. Management has also reflected the increased uncertainty from COVID-19 by probability weighting a base case and downside scenario in order to arrive at expected future cash flows. A change in these assumptions can result in changes to recoverable amounts which may lead to impairment and/or reversal of impairment. The decline in global vehicle production and the expected effect of COVID-19 on future sales volumes due to COVID-19 was an impairment indicator in the first half of 2020. Management therefore performed a full impairment assessment as at 30 June 2020 which resulted in an impairment loss of €304.6 million in the interim financial statements. Management have since performed their annual impairment assessment as at 31 December 2020 which resulted in neither an additional impairment nor a reversal of previously recognised impairments.	We assessed management's impairment analyses and focused our audit on challenging the key judgements and estimates. Procedures we performed included: – verifying the accuracy of the underlying calculations in the model and agreeing the base case cash flow forecasts to the latest medium term plan approved by the Board; – evaluating the appropriateness of base case forecast cash flows by understanding management's process for forecasting, examining support for forecast cash flows and assessing CGU specific cash flow assumptions such as testing the exclusion of cash flows dependent on enhancing capital expenditure in future periods; – discussions with the commercial team to understand expected future business performance including the impact of climate change and corroborating finance management's explanations; – evaluating management's forecasting accuracy by comparing previous periods' outturn with forecasts for those periods made as part of the Board approved medium term plans; – validating the source of industry volume data which management used to prepare their plans and assessing the credibility of the source, including comparison to alternative sources of market information; – on a sample basis, obtaining evidence in the form of award documentation from customers for future business; – validating that the benefit from restructuring activities have been considered in the forecast cash flows only if the restructuring activities have been implemented at the year end; – engaging our valuation specialists to assess the appropriateness of discount rates and long term growth rates considering the risks specific to the geographies and relevant industry of the CGUs being tested for impairment; – evaluating management's assessment of the plausible volume scenarios and the relative probabilities assigned to the operating cash flows arising from these scenarios; – evaluating management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions; – assessing management's analysis of whether improvements in trading during the second half of the year are sufficiently sustained for the impairment on assets other than goodwill to be reversed; and – assessing the appropriateness of the related disclosures in the financial statements. Based on this work, we consider that the impairment loss recorded in the year and carrying value of goodwill are materially correct and we believe that the disclosures in the financial statements are appropriate.

Key audit matter	How our audit addressed the key audit matter
Warranty provisioning (group) Refer to the Audit & Risk Committee report on page 80, Note 1 (Summary of Significant Accounting Policies) and Note 30 (Provisions). The group is exposed to warranty claims in the event that products fail to perform in accordance with previously agreed specifications. Warranty provisions are established to cover potential exposures which arise from this situation. The warranty provision at 31 December 2020 to cover potential exposures on existing claims is €14.6 million (2019: €13.9 million). The outcome of warranty claims is often difficult to predict as the settlement can be dependent on the customer relationship, the complexity of the issue and the negotiation process. Due to this, there is a range of possible outcomes on warranty matters.	We focused on the judgements and estimates made by management in assessing the likelihood and quantification of material exposures and also on testing the completeness of matters management have considered for requiring a provision. Our procedures, at a group, divisional and component level, were designed to assess appropriateness of the warranty provision and included: – understanding the nature of the specific claims through discussions with management and reviewing correspondence with customers; – assessing management's evaluation of the likelihood and extent of exposure, the underlying issue with the relevant product and the status of negotiations with the customer; – corroborating management's assessment by reviewing correspondence with the counterparty, where applicable; – discussions with senior group and divisional executives, including members of the quality teams and personnel involved in the negotiation of the specific issues, reviewing internal management reporting and making enquiries to assess whether all material open issues have been assessed for provisioning purposes; – discussions with executive management to understand the status of negotiations on the specific issues; – challenging management by evaluating alternative scenarios to assess the impact of a range of possible outcomes and the impact of these outcomes on the provision; and – evaluating historical settlements against the initial provisions to assess management's ability to make accurate estimates. Based on the work performed and our evaluation of the range of possible outcomes on each matter individually and in aggregate we believe the warranty provision is materially correct.
Deferred tax asset recognition (DTA) and provisioning for uncertain tax positions (UTPs) (group) Refer to the Audit & Risk Committee report on page 80, Note 1 (Summary of Significant Accounting Policies) and Note 12 (Income Tax). The group has a wide geographic footprint and is subject to tax laws in a number of jurisdictions. The group has recognised provisions against UTPs, the valuation of which is an inherently judgemental area. As at 31 December 2020, the group has UTP provisions of €31.9 million (2019: €33.8 million). As at 31 December 2020, following the losses recorded in the year, the group has recognised €62.4 million (2019: €25.1 million) of DTAs on the balance sheet, the valuation of which involves judgement and estimates. Realisation of the assets will be dependent on a number of factors including appropriate taxable temporary timing differences and whether there will be sufficient taxable profits in future periods.	In conjunction with our tax specialists, we evaluated and challenged management's judgements and estimates in respect of tax exposures to assess the appropriateness of the group's UTP provisioning and the recognition of DTAs. Our procedures included: Provisioning for uncertain tax positions – reviewing recent correspondence with relevant tax authorities and assessing the complexity and developments in the tax environment in the relevant territories; – obtaining and evaluating certain third party tax opinions that the group has obtained to assess the appropriateness of assumptions used; – involving our subject matter experts in the relevant territory to understand and evaluate the tax practices and assessing provisions in this context; and – presenting and evaluating alternative scenarios to assess the impact of a range of possible outcomes and the impact of these outcomes on the provision. Deferred tax asset recognition – evaluating management's assessment as to whether there will be sufficient taxable profits in future periods to support the recognition of deferred tax assets by assessing the future cash flow forecasts and the process by which they were prepared, including testing the underlying calculations and comparing forecasts to historical performance; – assessing the recoverability of DTAs by considering the period, and extent to which, the losses are available to be utilised against future profits as per the relevant local tax regulations; and – validating that the forecast future taxable profits are consistent with the forecasts applied in the impairment assessment and going concern. Assessing the appropriateness of the related disclosures in the financial statements with respect to DTA and UTPs. Based on the evidence obtained we consider that the UTPs and DTA are materially correct and that the related disclosures are appropriate.

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 (group and company) COVID-19 has had a significant impact on the group. Global light vehicle production volumes have seen a sharp decline since 2019 and are expected to take several years to recover. The resulting impact on the group's results and outlook for the future has caused us to alter the nature and extent of our procedures, particularly in the areas of impairment assessment and restructuring provisioning. Please see the key audit matters on goodwill, tangible and intangible impairment assessment above. With regards to the restructuring activities, there is a level of judgement and estimation involved in assessing if there is a constructive obligation to recognise a provision for these restructuring activities, especially those initiated towards the year end. As is the case with many other organisations management's way of working, including the operation of controls, has been impacted by COVID-19 as a result of a large number of staff working remotely. There is inevitably an increase in risk due to the remote accessing of IT systems and potentially heightened cyber risk. Due to travel restrictions and safety concerns, members of the group audit team did not physically visit any component.	We do not consider COVID-19 to present an audit risk in itself. Notwithstanding this, we have considered the impact of COVID-19 on the financial statements and designed and performed procedures to address heightened risks on the financial statements. The key audit matter titled Goodwill, tangible and intangible assets impairment assessment sets out the impact of COVID-19 on the group's impairment assessment and our procedures. With regards to restructuring provisioning for the group, our procedures included: – assessing the timing of implementation of the restructuring initiatives by reviewing Board approvals and inspecting communications with employees affected by these restructuring programmes; – verifying supporting documentation including employees payroll records and invoices for costs incurred to test whether the costs are valid restructuring costs; and – assessing the completeness of restructuring provision by comparing the restructuring activities for which a provision is made to the restructuring activities approved by management. With regards to the impact of COVID-19 on our audit process, we have interacted with group, divisional and local company management remotely throughout. Remote working has allowed us to have frequent contact with a wide group of management across the group. We increased the oversight of our component teams using video conferencing and remote workpaper reviews to satisfy ourselves as to the sufficiency of audit work performed by the component audit teams. Our audit places limited reliance on the group's IT and control environment. However, in response to any incremental risk from remote working, we understood key changes to the group's IT controls and processes as part of our assessment of audit risks. We also met with senior management responsible for cyber security and considered whether there were developments in the year that warranted further procedures. Based on the work performed, we consider that the incremental risk posed by COVID-19 has been mitigated to an accepted level.

How we tailored the audit scope

Our approach to scoping was designed to achieve adequate coverage across the consolidated financial statement line items whilst addressing any location specific risks of material misstatement. We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group operates two divisions of Fluid Carrying Systems (FCS) and Fluid Tank Delivery Systems (FTDS) across four geographical territories of Europe and Africa, North America, Asia Pacific and Latin America. Each division consists of a large number of components spread across a number of countries. Overall, the group has 180 reporting components across 28 countries. We did not identify any individually significant components within the group. We have performed full scope audits on the financial information of 17 components (2019: 18 components) and targeted specified procedures based on risk and materiality on the financial information of nine components (2019: eight components). This is supplemented by analytical procedures on the remaining components that are not in scope. The group audit team in the UK performed audit procedures on the consolidation and accounting areas that are centralised, including goodwill and intangible asset impairment assessments, specific aspects of warranty provisioning and customer settlements, corporate taxation, defined benefit pension obligations, refinancing transactions and treasury balances and transactions. This scope of work provided coverage of 76% (2019: 74%) of revenue, 77% (2019: 72%) of operating result and 76% (2019: 74%) of net assets.

The coverage for both the current and prior year is sufficient and in compliance with the applicable auditing standards. Our audit involves full scope audits of components in Belgium, Brazil, China, Czech Republic, Germany, Korea, Poland, Spain, Turkey and targeted specified procedures for the components in India, Mexico and the U.S.A. Our specified procedures for components in Mexico and the U.S.A covered all material balances. We selected a component in India to perform targeted specified procedures around inventory in response to a matter that we were informed of by internal audit. We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with the component auditors throughout the audit cycle. Certain component teams have been able to visit the locations in person where it has been safe to do so. Others have adopted a hybrid model of working; visiting TI's sites for some but not all activities. Due to the travel restrictions imposed by COVID-19, we modified the way we interacted with the component audit and local finance teams. Our interaction with component audit and local finance team's included attending clearance meetings for all components and holding regular video conferencing calls with component audit teams, as well as reviewing and assessing any matters reported. The group engagement team also reviewed selected audit working papers for all components with a particular focus on their significant risks. The group audit team has performed the audit of the parent company.

Materiality

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

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

	Financial statements – group	Financial statements – company
Overall materiality	€7.9 million (2019: €9.0 million)	€8.7 million (2019: €8.5 million)
How we determined it	5% of a three year average of profit before tax, adjusted for exceptional items	1% of net assets
Rationale for benchmark applied	Profit before tax adjusted for exceptional items is a generally accepted auditing benchmark for profit orientated businesses. Adjusting for exceptional items provides a consistent year on year basis for determining materiality. For the current year audit, we have adjusted our approach to the calculation to take account of the short-term effects of the pandemic on the current year results. In doing so we have applied the group's three year average profit before tax as a basis to determine our 2020 materiality as opposed to the 'in year' profit before tax. We have taken this judgement noting that the results for the current year are likely to be a short-term downturn in trading due to COVID-19 and not a permanent rebasing in the profitability of the business.	As there is no trading activity within the parent company, net assets were considered an appropriate benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between €700,000 and €5,581,500. Our procedures for the component in India did not require the application of materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to €5.9 million for the Group Financial Statements and €6.5 million for the Company Financial Statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above €0.4 million (group audit) (2019: €0.45 million) and €0.4 million (company audit) (2019: €0.43 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- understanding and evaluation of the internal governance processes around management's going concern assessment;
- agreeing the underlying cash flow projections to management approved forecasts, assessing how these forecasts are compiled and assessing the historical accuracy of management's forecasts;
- understanding and evaluating the key assumptions within management's forecasts;
- considering liquidity and available facilities by reference to documents supporting those arrangements;
- assessing whether the severe but plausible scenario and stress testing performed by management appropriately considered the principal risks facing the business;
- assessed covenant compliance based on management's forecasts and the severe but plausible scenario;
- a stand back assessment of the group's liquidity and consideration of all the evidence obtained; and
- assessing the adequacy of disclosures in the Going concern statement on page 62 in the Annual Report and found these appropriately reflect the key areas identified.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

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

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance report, is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- the directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- the disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- the directors' statement as to whether they have a reasonable expectation that the group and the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- the section of the Annual Report describing the work of the Audit & Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Report on Directors' Remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

The group in its current form came into existence in 2001 and we have been its auditor since that year. The period of total uninterrupted engagement is 20 years, covering the years ended 31 December 2001 to 31 December 2020. We were previously the auditors of the group from which this group was demerged.

The group listed on the London Stock Exchange in October 2017. Prior to the listing, following an audit tender in 2017, we were re-appointed as auditors by the directors for the year ended 31 December 2017.

Andrew Hammond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
15 March 2021

Consolidated Income Statement

For the year ended 31 December

Continuing operations	Notes	2020 Before exceptional item €m	2020 Exceptional item €m	2020 €m	2019 €m
Revenue	4	**2,814.5**	–	**2,814.5**	3,411.1
Cost of sales	5	**(2,493.1)**	**(120.4)**	**(2,613.5)**	(2,922.7)
Gross profit/(loss)		**321.4**	**(120.4)**	**201.0**	488.4
Distribution costs	5	**(83.7)**	–	**(83.7)**	(95.0)
Administrative expenses	5	**(145.1)**	**(184.2)**	**(329.3)**	(141.7)
Other income	10	**8.5**	–	**8.5**	6.7
Net foreign exchange gains	10	**27.2**	–	**27.2**	0.5
Operating profit/(loss)		**128.3**	**(304.6)**	**(176.3)**	258.9
Finance income	11	**3.5**	–	**3.5**	15.0
Finance expense	11	**(77.5)**	–	**(77.5)**	(72.5)
Net finance expense		**(74.0)**	–	**(74.0)**	(57.5)
Share of (loss)/profit of associates	19	**(3.5)**	–	**(3.5)**	0.3
Profit/(loss) before income tax		**50.8**	**(304.6)**	**(253.8)**	201.7
Income tax (expense)/credit	12	**(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	25	**1.9**	–	**1.9**	3.0
		22.7	**(274.9)**	**(252.2)**	144.6
Total earnings per share (Euro, cents)					
Basic	13	**0.04**		**(48.88)**	27.24
Diluted	13	**0.04**		**(48.88)**	27.24

Consolidated Statement of Comprehensive Income
For the year ended 31 December

	Notes	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	29	**(21.1)**	(10.7)
– Income tax credit on retirement benefit obligations	12	**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	24	**13.2**	4.9
– Net investment hedges	24	**6.9**	0.3
		(32.3)	20.0
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	25	**1.2**	2.8
Total comprehensive (expense)/income for the year		**(302.0)**	156.2

Consolidated Balance Sheet
As at 31 December

	Notes	2020 €m	2019 €m
Non-current assets			
Intangible assets	15	**883.8**	1,182.2
Right-of-use assets	17	**124.9**	161.4
Property, plant and equipment	16	**590.8**	715.0
Investments in associates	19	**14.6**	19.2
Deferred income tax assets	12	**62.4**	25.1
Trade and other receivables	21	**18.9**	21.6
		1,695.4	2,124.5
Current assets			
Inventories	20	**351.4**	367.1
Trade and other receivables	21	**534.8**	574.5
Current income tax assets	12	**13.7**	13.7
Derivative financial instruments	28	**0.4**	18.4
Financial assets at fair value through profit and loss	22	**0.9**	0.9
Cash and cash equivalents	22	**485.8**	411.7
		1,387.0	1,386.3
Total assets		**3,082.4**	3,510.8
Equity			
Share capital	23	**6.8**	6.8
Share premium	23	**2.2**	2.2
Other reserves	24	**(137.7)**	(106.1)
Accumulated profits		**987.7**	1,261.7
Equity attributable to owners of the Parent Company		**859.0**	1,164.6
Non-controlling interests	25	**25.2**	24.5
Total equity		**884.2**	1,189.1
Non-current liabilities			
Trade and other payables	26	**20.0**	12.3
Borrowings	27	**1,069.3**	1,148.5
Lease liabilities	17	**122.4**	138.0
Deferred income tax liabilities	12	**104.3**	128.5
Retirement benefit obligations	29	**160.7**	153.7
Provisions	30	**4.9**	5.0
		1,481.6	1,586.0
Current liabilities			
Trade and other payables	26	**614.1**	611.2
Current income tax liabilities	12	**40.7**	48.7
Borrowings	27	**7.4**	2.4
Lease liabilities	17	**28.6**	28.7
Derivative financial instruments	28	**0.2**	25.4
Provisions	30	**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

The Financial Statements on pages 122 to 184 were authorised for issue by the Board of Directors on 15 March 2021 and were signed on its behalf by:

William L. Kozyra
Chief Executive Officer and President

Ronald Hundzinski
Chief Financial Officer

Consolidated Statement of Changes in Equity
For the period ended 31 December

	Ordinary shares €m	Share premium €m	Other reserves €m	Accumulated profits €m	Total €m	Non-controlling interests €m	Total equity €m
Balance at 1 January 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)**
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	Accumulated profits €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
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

	Notes	**2020 €m**	2019 €m
Cash flows from operating activities			
Cash generated from operations	31	**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	23	**(3.5)**	–
Proceeds from new borrowings	27.1	**213.6**	–
Fees paid on proceeds from new borrowings	27.1	**(17.7)**	(0.3)
Voluntary repayments of borrowings	27.1	**(209.6)**	(50.0)
Scheduled repayments of borrowings	27.1	**(5.3)**	(4.5)
Lease principal repayments	17	**(28.6)**	(27.1)
Dividends paid		**–**	(46.6)
Dividends paid to non-controlling interests	25	**(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	22	**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	22	**485.8**	411.7

1. Summary of Significant Accounting Policies

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

1.1. Basis of Preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

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

1.1.1. Going Concern

The Directors are of the opinion that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of its consolidated financial statements. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 27.

Further details of the Going Concern and Viability statements are disclosed in the Compliance statements. See page 62.

1.1.2. Functional and Presentation Currency

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

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

1.1.3. Changes in Accounting Policy and Disclosures

Changes in accounting policies and disclosures are set out below:

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

There are no standards or IFRS IC interpretations effective in the current year that would be expected to have a material impact on the Group.

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

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning on or after 1 January 2021, or are not yet effective because they have not yet been endorsed by the EU. These have not been applied in preparing the consolidated financial statements.

1. Summary of Significant Accounting Policies continued

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

Amendment to IFRS 16: COVID-19-Related Rent Concessions[1]	Provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.
Interest rate benchmark (IBOR) reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16[1]	Provides temporary exceptions from applying specific hedge accounting requirements, and accounting for changes in the basis for determining the contractual cash flows of a financial instrument, as a result of IBOR reform.
Amendments to IFRS 3: Reference to the Conceptual Framework[2]	Updates reference to the Conceptual Framework without significantly changing the requirements.
Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use[2]	Prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended.
Amendments to IAS 37: Onerous Contracts: Cost of Fulfilling a Contract[2]	The amendments specify that the 'cost of fulfilling' a contract must relate directly to the contract and can either be incremental costs or an allocation of other direct costs.
Annual Improvements to IFRS Standards 2018-2020: Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets[2]	Various minor amendments and clarifications including to clarify which fees an entity includes when it applies the '10 per cent' test in IFRS 9 in assessing whether to derecognise a financial liability.
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current[3]	Provides guidance on whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current.
IFRS 17 'Insurance Contracts'[3]	IFRS 17 replaces IFRS 4 for all entities that issue contracts and investment contracts with discretionary participation features.

1 Effective for the Group's 2021 Financial Statements
2 Effective for the Group's 2022 Financial Statements
3 Effective for the Group's 2023 Financial Statements

The new and revised standards disclosed above are not expected to have a material impact on the Group. There are no other standards or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.2. Consolidation

1.2.1. Subsidiaries

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

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

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

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

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

1.2.2. Associates

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

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

1. Summary of Significant Accounting Policies continued

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

1.3. Foreign Currencies

1.3.1. Foreign Currency Transactions

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

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

1.3.2. Foreign Operations

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

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

Key Euro exchange rates	2020 Average	2020 Year end	2019 Average	2019 Year end
US dollar	1.141	1.224	1.120	1.122
Chinese renminbi	7.869	7.988	7.731	7.815
Korean won	1,344	1,331	1,304	1,295

1.4. Critical Accounting Estimates and Judgements

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

The judgement and estimates that have the most significant and critical effect on the amounts included in the financial statements are post-employment obligations, impairments of assets, and recognition of deferred tax assets as described below. The Group has determined that the judgement as to whether the periods covered by an option to extend a lease are reasonably certain to be exercised, and whether options to terminate a lease are reasonably certain not be exercised, when assessing the lease term, are no longer considered to be critical. This follows successful adoption of the new lease accounting standard, IFRS 16, in the 2019 financial statements.

1.4.1. Critical Accounting Estimates

1.4.1.1 Post-employment obligations

Costs and obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including discount rates, inflation rates, salary growth and mortality assumptions. Further details, including a sensitivity analysis illustrating how changes in the principal assumptions would impact the total defined benefit obligation, are included in the Retirement Benefit Obligations note. See Note 29.5.

1.4.1.2 Impairments of assets

Following the COVID-19 pandemic, global automotive production volumes have been significantly impacted. Management considered this to be an indicator of impairment and accordingly performed full impairment tests as at 30 June 2020 and at 31 December 2020.

Management have designated certain input assumptions to the Group impairment test as being critical estimates and have established volume forecast scenarios, from which operating cash flows over a five-year budget horizon were derived. As the scenarios were designed to cover all reasonably conceivable outcomes, the key source of estimation uncertainty in arriving at the forecast operating cash flows is deemed to be the allocation of scenario probabilities. The resulting CGU recoverable amounts, as calculated using the discounted cash flow model, are then in turn sensitive to the use of discount rates and long-term expected growth rates. Further discussion regarding how these critical estimates have been made and sensitivity analysis of CGU recoverable amounts to changes in these assumptions can be found in Note 18.

1.4.2 Critical Accounting Judgements

1.4.2.1 Impairments of assets

As noted above, management performed a full impairment test as at 30 June 2020 and at 31 December 2020. They have applied judgement in establishing volume forecast scenarios, from which operating cash flows over a five-year budget horizon were derived. Further judgement has then been applied in assigning relative probabilities to these scenarios, such that weighted average operating cash flows could be calculated for use in the discounted cash flow model. Based on the outcome of the 31 December 2020 impairment test, judgement has been applied by management in establishing whether there is sufficient evidence of a significant and prolonged improvement in the forecast profitability of CGUs to support the reversal of any previously recognised impairment losses. Further discussion on the outcome of this judgement is included within Note 18.

1. Summary of Significant Accounting Policies continued

1.4.2.2 Deferred tax assets

Due to the COVID-19 pandemic, global automotive production volumes in the period have been significantly impacted and caused trading losses. Recognition of deferred tax assets is based on forecast future taxable income and therefore involves the exercise of management's judgement regarding the future financial performance of particular legal entities or tax groups in which the deferred tax assets are recognised. Management have looked at short and medium-term production volume forecasts to assess the trading profits to support recognition of the assets. The forecasts used are the same as those used in the impairment test noted in 1.4.2.1 above.

1.5. Goodwill

Initial measurement

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

Subsequent measurement

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

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

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

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

1.6. Intangible Assets

Research and development

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

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

Computer software

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

Amortisation

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

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

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

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

PP&E is stated at historical cost, which includes expenses directly attributable to bringing assets into productive use including finance charges, less accumulated depreciation. Assets acquired as part of the acquisition of the Group are valued at fair value as part of the acquisition accounting. Land is not depreciated. When major components of an item of PP&E have different useful lives, they are accounted for as separate items.

1. Summary of Significant Accounting Policies continued

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

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

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

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

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

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

1.8. Impairment of Non-Financial Assets

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

1.9. Right-of-Use Assets and Lease Liabilities

Right-of-use assets and lease liabilities are created for all leases on the balance sheet, unless the lease term is short, or the underlying asset has a low value ('exempt leases'). Short-term leases are leases with a lease term of 12 months or less. Payments associated with exempt leases are recognised on a straight-line basis as an expense in the income statement.

The Group first applied IFRS 16 'Leases' on 1 January 2019, in accordance with the simplified transition (modified retrospective) approach permitted in the standard, with the cumulative effect of initially applying the new standard recognised on that date. All lease liabilities recognised on the balance sheet ('non-exempt leases'), were initially measured at the present value of their remaining lease payments, discounted using the Group's incremental borrowing rates as of 1 January 2019. All right-of-use assets existing at that date were initially measured at the amount of the lease liability after adjusting for any prepaid or accrued lease expenses.

Since 1 January 2019, a right-of-use asset and a corresponding lease liability has been recognised for all new non-exempt leases at the date at which the underlying leased assets are made available for use by the Group discounted using the Group's incremental borrowing rate at that date.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
– fixed payments (including in-substance fixed payments), less any lease incentives receivable
– variable lease payments that are based on an index or a rate
– the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the Group's control.

After initial recognition, lease interest payable is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The carrying amount of lease liabilities is remeasured when there is a change in the future lease payments due under a lease, due to a change in the lease term or fixed lease payments under the lease, including changes in the assessment to purchase the underlying asset. A corresponding adjustment is also made to the right-of-use asset. Lease liabilities are remeasured at the Group's incremental borrowing rates at the date of the change, except where changes in lease payments result from a change in an index or a rate.

1. Summary of Significant Accounting Policies continued

1.10. Financial Instruments

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

1.10.1. Financial Assets

Financial assets are classified into 'financial assets at amortised cost' and 'financial assets at FVTPL'. The classification is determined at the time of initial recognition and depends on the Group's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest.

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. The Group's financial assets at amortised cost comprise 'trade and other receivables excluding prepayments' and 'cash and cash equivalents'.

Financial assets at FVTPL

A financial asset is classified in this category if it does not meet the criteria for recognition as a financial asset at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships. These contracts are marked to market by re-measuring them to fair value at the end of each reporting period. The resulting gain or loss is recognised in the Income Statement.

Offsetting financial instruments

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

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables and contract assets, the Group recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument 'lifetime ECL'. A default on a financial asset occurs when the counterparty fails to make contractual payments within 180 days of when they fall due. The Group also assesses on a forward-looking basis the expected credit losses associated with the trade receivables.

For all other financial instruments, the Group recognises lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's external credit rating where available; significant deterioration in external market indicators of credit risk for a particular financial instrument e.g. a significant increase in the credit spread or the credit default swap prices for the debtor, indications that any debtor is experiencing significant financial difficulty, default or delinquency in payments, an increase in the probability that any debtor will enter bankruptcy, or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.10.2. Financial Liabilities

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

Financial liabilities are recognised initially on the date at which the Group becomes party to the contractual provisions of the instrument.

Financial liabilities at amortised cost

The classification of financial liabilities at amortised cost is determined at the time of initial recognition and depends on the Group's business model for managing the financial liabilities and whether the contractual cash flows represent solely payments of principal and interest.

Financial liabilities at amortised cost, including borrowings and trade and other payables excluding deferred income and lease liabilities, are measured using the effective interest method, which calculates the amortised cost of a financial liability and allocates interest expense over its term. The effective interest rate discounts estimated cash payments, (including all issuance discounts and transactions costs) through the expected life of the financial liability, to the net carrying amount on initial recognition.

1. Summary of Significant Accounting Policies continued

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

In assessing whether a debt alteration is to be treated as a modification or an extinguishment and new arrangement, an evaluation is made of the qualitative factors such as the underlying parties to the transaction and quantitative factors such as the impact on the net present value of remaining cash flows. A gain or loss is recognised immediately in the income statement at the date of the extinguishment of a financial liability.

Financial liabilities at FVTPL

A financial liability is classified in this category if it does not meet the criteria for recognition as a financial liability at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships. The Group enters into conventional derivative financial instruments to manage its exposure to foreign exchange rate risks, mostly foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 28. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into, and are subsequently marked to market by re-measuring to their fair value at the end of each reporting period. Derivatives designated as hedging instruments are accounted for in accordance with the hedge accounting policy below.

1.10.3. Hedge Accounting

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

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

In March 2020, the Group terminated all its forward foreign exchange contracts designated in cash flow hedge relationships, its forward foreign exchange contracts designated in net investment hedges, and all its interest rate swaps. Prior to this date, the Group designated certain derivatives as either:

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

At the inception of a hedging transaction, the Group documented the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking the hedging transaction. The Group also documented its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that were used in hedging transactions were effective in offsetting changes in fair values or cash flows of hedged items. The Group's cost of hedging, the time value of options and forward element of forward contracts were initially recorded in other comprehensive income and subsequently reclassified to profit and loss over time.

Cash flow hedges

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations and, prior to March 2020, variability in cash flows relating to US dollar borrowings. The Group also used interest rate swaps to hedge the interest rate risk arising from its borrowings, which fixed the interest rate for a portion of the borrowings.

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

When hedge accounting was discontinued for these cash flow hedges, the amount that had been accumulated in the cash flow hedge reserve was treated as follows:

(i) if the hedged future cash flows for the US dollar borrowings were still expected to occur, that amount remained in the cash flow hedge reserve until the future interest or borrowings cash flows occur, or until that amount was a loss, and it was expected that all, or a portion of that loss, would not be recovered in one or more future period. In those circumstances, the amount that was not expected to be recovered was immediately transferred to finance income or expense in the Income Statement as a reclassification adjustment.
(ii) if the hedged future cash flows for the US dollar borrowings were no longer expected to occur, the cumulative gain or loss that was reported in the cash flow hedge reserve was immediately transferred to finance income or expense in the Income Statement as a reclassification adjustment.

Net investment hedges

Prior to March 2020, hedges of net investments in foreign operations were accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument, relating to the effective portion of the hedge, was recognised in other comprehensive income. The gain or loss relating to the ineffective portion was recognised in the Income Statement.

1. Summary of Significant Accounting Policies continued

Gains and losses accumulated in equity are included in the Income Statement when the foreign operation is partially disposed of or sold. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. The fair values of derivatives, which are not designated as part of a hedging relationship, are classified as current assets or liabilities.

1.11. Inventories

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

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

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

1.12. Trade and Other Receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The Group recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument 'lifetime ECL' for all trade and other receivables.

1.13. Cash and Cash Equivalents

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

1.14. Share Capital

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

1.15. Trade and Other Payables

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

1.16. Provisions

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

Product warranties

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

Restructuring

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

Asset retirement obligations

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

1.17. Revenue

IFRS 15 'Revenue from Contracts with Customers' establishes a single model to account for revenue arising from contracts with customers. Revenue in the course of ordinary activities is measured and recognised using the five-step approach outlined in IFRS 15:

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

1. Summary of Significant Accounting Policies continued

Step 1:

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

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

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

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

Step 2:

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

Step 3:

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

For piece part revenue, the price is fixed at the given release order (contract) and does not include any element of variable consideration.

For TPD revenue, where there is any uncertainty over the amount of consideration that will ultimately be recognised, the transaction price is constrained until such uncertainty is resolved. Amounts invoiced in excess of the transaction price will be reflected as pricing accruals or revenue deferrals.

Step 4:

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

Step 5:

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

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

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

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

Contract Costs

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

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

Impairment

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

1.18. Other Income and Net Foreign Exchange Gains and Losses

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

1. Summary of Significant Accounting Policies continued

1.19. Employee Benefits

Short-term benefits

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

Defined contribution plan

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

Defined benefit plan

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

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

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

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

Defined benefit plans – funded

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

Defined benefit plans – unfunded including healthcare

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

Share-based compensation

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

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

1.20. Income Tax

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

Current tax

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

Uncertain tax positions

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

1. Summary of Significant Accounting Policies continued

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

Deferred tax

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

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

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

1.21. Exceptional Items

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

1.22. Deferred Income

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

1.23. Climate Change

In preparation of the consolidated financial statements the impact of known climate change measures needs to be considered to the extent that they may affect the carrying value of assets, their useful lives and recoverability, as well as the quantification and recognition of liabilities and provisions. There is no material impact arising from considering these matters. It is, however, noted that we specifically consider the potential impact on forecast operating cash flows arising from future changes in climate change regimes in our annual impairment review as set out in Note 18.

2. Segment Reporting

Notes to segment reporting

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

Fluid Carrying Systems ('FCS')

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

Fuel Tank and Delivery Systems ('FTDS')

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

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

2. Segment Reporting continued

Tooling, Prototype and Development ('TPD')
Within both segments, further revenue streams are recognised for distinct TPD services chargeable to a customer.

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

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

2.1. Revenue, Adjusted EBITDA and Adjusted EBIT by Segment:

	Notes	**2020 €m**	2019 €m
Revenue		**2,814.5**	3,411.1
(Loss)/profit for the year		**(252.2)**	144.6
Add back:			
Income tax (credit)/expense – after exceptional items	12	**(1.6)**	57.1
(Loss)/profit before income tax		**(253.8)**	201.7
Net finance expense	11	**74.0**	57.5
Share of loss/(profit) of associates	19	**3.5**	(0.3)
Operating (loss)/profit		**(176.3)**	258.9
Depreciation and impairment of PP&E	16	**104.6**	108.6
Depreciation and impairment of right-of-use assets	17	**31.9**	31.5
Amortisation and impairment of intangible assets	15	**76.7**	89.8
Share of (loss)/profit of associates	19	**(3.5)**	0.3
Exceptional items	9	**304.6**	–
***EBITDA**		**338.0**	489.1
Net foreign exchange gains		**(27.2)**	(0.5)
Dividend received from associates	19	**0.5**	0.5
Restructuring costs		**16.1**	9.0
Share of loss/(profit) of associates	19	**3.5**	(0.3)
***Adjusted EBITDA**		**330.9**	497.8
Less:			
Depreciation and impairment of PP&E	16	**(104.6)**	(108.6)
Depreciation and impairment of right-of-use assets	17	**(31.9)**	(31.5)
Amortisation and impairment of intangible assets	15	**(76.7)**	(89.8)
Add back:			
Depreciation uplift arising on purchase accounting	16	**12.9**	14.5
Amortisation uplift arising on purchase accounting	15	**42.7**	58.0
***Adjusted EBIT**		**173.3**	340.4

*Non-IFRS alternative performance measure. See page 57.

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 29).

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).

2. Segment Reporting continued

	2020 €m	2019 €m
Revenue		
– FCS – External	**1,526.9**	1,917.6
– Inter-segment	**67.9**	82.4
Total	**1,594.8**	2,000.0
– FTDS – External	**1,287.6**	1,493.5
– Inter-segment	**3.3**	4.8
Total	**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
Total	**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
Total	**173.3**	340.4
Adjusted EBIT % of revenue		
– FCS	**6.4%**	10.4%
– FTDS	**5.9%**	9.4%
Total	**6.2%**	10.0%

2.2. Revenue by Geography & Customer Concentration

	2020 €m	2019 €m
Germany	**191.7**	298.3
Spain	**140.6**	164.4
Poland	**133.0**	139.8
Czech Republic	**107.1**	126.1
Turkey	**100.0**	113.7
Belgium	**94.3**	121.4
France	**90.5**	106.9
United Kingdom	**59.4**	80.7
Africa	**24.2**	38.4
Other	**136.7**	178.9
Europe and Africa	**1,077.5**	1,368.6
China	**654.2**	643.7
South Korea	**217.2**	229.1
Other	**111.1**	157.8
Asia Pacific	**982.5**	1,030.6
US	**499.2**	686.8
Mexico	**203.4**	236.6
Canada	**12.1**	13.3
North America	**714.7**	936.7
Latin America	**39.8**	75.2
Total	**2,814.5**	3,411.1

2. Segment Reporting continued

Three customers account individually for more than 10% of total revenue and collectively contributed 34.1% of total revenue across both reporting segments in the year (2019: three customers contributed 32.0%). Revenue recognised for these customers by segment is as follows:

31 December 2020	**FCS €m**	**FTDS €m**	**Total €m**
Revenue	**479.8**	**480.1**	**959.9**

31 December 2019	FCS €m	FTDS €m	Total €m
Revenue	547.4	541.7	1,089.1

2.3. Non-Current Assets

Total non-current assets, other than financial instruments and deferred tax assets, by the location of assets is as follows:

	2020 €m	2019 €m
Germany	**131.2**	177.9
Poland	**101.3**	120.6
Czech Republic	**84.9**	104.1
Spain	**76.7**	99.2
Turkey	**52.4**	66.2
Belgium	**50.7**	63.5
United Kingdom	**31.3**	48.3
Rest of Europe	**82.8**	124.4
Europe and Africa	**611.3**	804.2
US	**272.6**	433.4
Mexico	**71.0**	136.4
Rest of North America	**2.3**	8.2
North America	**345.9**	578.0
China	**411.3**	446.3
South Korea	**186.9**	200.2
Rest of World	**77.6**	70.7
Total	**1,633.0**	2,099.4

31 December 2020	**FCS €m**	**FTDS €m**	**Total €m**
Goodwill	**511.8**	**24.1**	**535.9**
Intangible assets	**213.7**	**134.2**	**347.9**
Property, plant and equipment	**340.2**	**250.6**	**590.8**
Non-current trade and other receivables	**9.8**	**9.1**	**18.9**
Right-of-use assets	**75.5**	**49.4**	**124.9**
Investments in associates	**14.6**	**–**	**14.6**
Total	**1,165.6**	**467.4**	**1,633.0**

31 December 2019	FCS €m	FTDS €m	Total €m
Goodwill	679.4	59.6	739.0
Intangible assets	257.1	186.1	443.2
Property, plant and equipment	379.6	335.4	715.0
Non-current trade and other receivables	9.8	11.8	21.6
Right-of-use assets	96.2	65.2	161.4
Investment in associates	19.2	–	19.2
Total	1,441.3	658.1	2,099.4

3. Financial Risk Management

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

The Group's capital structure (comprising of debt (Note 27) and equity (Note 23)) is regularly monitored to safeguard its ability to continue as a going concern and to provide returns for shareholders and value added benefits for other stakeholders. The overall capital structure of the Group is designed to meet the strategic objectives of the Company and its shareholders.

The Group tracks compliance with the financial covenant and the negative covenants in all borrowing facilities. The financial covenant applies only to the Revolving Credit Facility, which is undrawn (other than for letters of credit). In the event that it is drawn down and the aggregate principal amount of all outstanding revolving credit facilities exceed 35% of the Revolving Credit Commitments, then a First Lien Net Leverage Ratio of 3.8x must not be exceeded. At 31 December 2020 the First Lien Net Leverage Ratio was 2.1x (31 December 2019 1.6x). The negative covenants restrict certain additional indebtedness, the granting of liens, and the placing of investments against specified basket limits. All basket limits allow sufficient headroom to manage current and expected transactions.

The Group was in full compliance with its financial covenants in respect of its borrowings and committed facilities throughout each of the years presented. The level of debt is monitored on an actual and projected basis to ensure continued compliance.

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

3.1. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The following categories comprise the main credit exposures of the Group:
– trade and other receivables excluding prepayments
– cash and liquid assets
– derivative financial instruments

The credit risk for trade and other receivables excluding prepayments is normally managed by the operating subsidiaries, by reference to credit rating agencies and historic trading experience with customers. Further details are available in Note 21.

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

The use of derivative financial instruments is governed by Group policies and managed by Group Treasury. In most cases, the counterparties are investment grade banks.

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

3.2. Liquidity Risk

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

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

3.3. Market Risk

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

3.3.1. Foreign Currency Risk

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

The Group uses forward foreign exchange contracts to manage much of the residual transactional currency risk. In March 2020, the Group terminated all its forward foreign exchange contracts designated in cash flow hedge relationships, its forward foreign exchange contracts designated in net investment hedges, and all its interest rate swaps. Most of the instruments terminated in March 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. 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.

3. Financial Risk Management continued
Derivative instruments used by the Group to manage foreign currency exposure fall under the following main categories:

Forward foreign exchange contracts – not designated in hedge relationships
The nominal value of these derivatives as at 31 December 2020 was €62.9 million (31 December 2019: €180.8 million) and the aggregate fair value was €0.2 million receivable (31 December 2019: €1.4 million receivable).

Forward foreign exchange contracts – designated in cash flow hedge relationships
In October 2015, the Group entered into a series of forward foreign exchange contracts and US dollar interest rate swaps with a number of financial institutions. In aggregate, these instruments converted a portion of the drawings under the main borrowing facilities of $400.0 million at floating interest rates into €355.0 million at a fixed interest rate of 4.2%. These contracts hedge foreign exchange exposure on US dollar-based intra-group borrowings, in Euro functional-currency Group entities. The hedge ratio of this economic relationship was 1:1. In March 2020, the Group terminated all its forward foreign exchange contracts designated in cash flow hedge relationships. The average strike price in these contracts prior to termination was 1.16 US dollar to the Euro. The nominal value of the forward foreign exchange contracts in this arrangement as at 31 December 2020 was therefore €nil (31 December 2019: €564.7 million), and their aggregate fair value was also €nil (31 December 2019: €8.8 million receivable). A fair value gain of €27.3 million (31 December 2019: €33.9 million gain), was recorded in other comprehensive income in the year, and a €13.1 million gain (31 December 2019: €22.2 million gain) was subsequently recycled to the Income Statement. An ineffectiveness loss of €7.1 million (31 December 2019: €0.2 million loss) was recorded in the Income Statement (Note 11) of which €7.0 million was as a result of early termination of the contracts. Sources of hedge ineffectiveness principally arise from movements in the Company's and hedging counterparty's credit spread not reflected in the movements in the value of the hedged transactions, and from the unwind of the discounting inherent in off-market designations not at zero fair value at inception.

Forward foreign exchange contracts – designated in net investment hedges
In October 2015, the Group entered into a series of forward foreign exchange contracts to hedge the net investment in the Group's Korean won subsidiary. In March 2020, the Group terminated all its forward foreign exchange contracts designated in net investment hedges. The nominal value of these derivatives as at 31 December 2020 was therefore €nil (31 December 2019: KRW 265,893 million (€186.2 million); and their aggregate fair value was also €nil (31 December 2019: €17.0 million payable). A fair value gain of €6.9 million (31 December 2019: gain of €0.3 million) was recorded in other comprehensive income in the year for these contracts. No amounts were recycled during the year and there was no ineffectiveness.

Sensitivity analysis
The Group is primarily exposed to changes in Euro/US dollar exchange rates on its US dollar denominated intercompany borrowings. The Group's exposure to a change in other exchange rates is insignificant. The Group's exposure to a +/- 1% change in Euro/USD exchange rate would be a €1.4 million profit/€1.4million loss.

Following termination of the Group's hedging instruments including those which manage interest rate risk, the Group is currently reviewing its hedging programme in the context of its external and intercompany borrowings in order to determine which of these instruments will be replaced.

3.3.2. Interest Rate Risk
Most of the Group's interest rate risk arises on its main external borrowing facilities. On 30 September 2020, the Group successfully executed a refinancing of its external borrowings, see Note 27.

Until 30 September 2020, the interest expense arising from the secured term loans, denominated in US dollars and Euro, were based on floating rates of respectively, one-month US dollar LIBOR (minimum 0.75%) +2.5% p.a. and three-month EURIBOR (minimum 0.75%) +2.75% p.a.

From 30 September 2020, the interest expense arising from the secured term loans, denominated in US dollars and Euro is now based on floating rates of respectively, three-month US dollar LIBOR (minimum 0.75%) +3.75% p.a. and three-month EURIBOR (minimum 0.75%) +3.75% p.a.

Until the refinancing on 30 September 2020, the Group also had an asset-backed loan facility which bore interest at US$ LIBOR +1.25% p.a. or US$ LIBOR +1.50% p.a. if drawings are over $50 million. This facility was terminated as part of the refinancing.

The Group also has a revolving credit facility. The interest payable on this 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 facility was increased by $100 million to $225 million on 30 September 2020 and was extended from 16 July 2023 to 16 July 2024. The facility is undrawn at 31 December 2020.

Interest rate swaps
As noted above, the Group has used interest rate swaps to manage the risk and used such contracts, together with the forward foreign exchange contracts to fix in €355.0 million of debt at 4.2%. In March 2020, the Group terminated all its interest rate swaps. The notional value of the interest rate swaps is therefore €nil at 31 December 2020 (31 December 2019: $400.0 million) and their fair value is also €nil (31 December 2019: €1.1 million receivable). In aggregate, a fair value loss of €2.3 million (31 December 2019: €3.2 million loss) has been recorded in other comprehensive income during the year and a €1.3 million loss (31 December 2019: €3.6 million gain) was subsequently recycled to the income statement. No ineffectiveness was recorded in the Income Statement.

Interest rate floors
In March 2020, the Group terminated all its interest rate floors. The aggregate fair value of these derivatives is therefore €nil at 31 December 2020 (31 December 2019: €1.3 million payable).

3. Financial Risk Management continued

Sensitivity analysis

If interest rates had been 100 bps higher or lower with all other variables held constant, the pre-tax profit or loss on an annual basis would be respectively, €2.4 million lower or €nil higher.

Other financial matters

In its normal course of business, the Group does not offer supplier financing arrangements and has not engaged any financial provider to provide these services to parties in the supply chain.

4. Revenue

4.1. Geographic analysis: Revenue by origin

	2020 €m	2019 €m
Europe and Africa	**1,077.5**	1,368.6
Asia Pacific	**982.5**	1,030.6
North America	**714.7**	936.7
Latin America	**39.8**	75.2
	2,814.5	3,411.1

4.2. Geographic analysis: Revenue by destination

	2020 €m	2019 €m
Europe and Africa	**1,073.7**	1,361.8
Asia Pacific	**982.8**	1,029.4
North America	**718.4**	944.5
Latin America	**39.6**	75.4
	2,814.5	3,411.1

4.3. Transaction price allocated to started but incomplete performance obligations

	2020 €m	2019 €m
Tooling, prototype and development revenue to be recognised in one year	**78.9**	99.6
Tooling, prototype and development revenue to be recognised in more than one year	**13.5**	25.9
	92.4	125.5

5. Cost of Sales, Distribution Costs and Administrative Expenses

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

	2020 €m	2019 €m
Cost of sales	**2,613.5**	2,922.7
Distribution costs	**83.7**	95.0
Administrative expenses	**329.3**	141.7
Total cost of sales, distribution costs and administrative expenses	**3,026.5**	3,159.4

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

	Notes	2020 €m	2019 €m
Materials and other operating costs		**1,650.0**	1,917.5
Personnel costs	6.1	**709.7**	825.5
Depreciation, amortisation and impairment charges before exceptional costs		**213.2**	229.9
Expense relating to short-term and low value leases	17	**5.7**	8.5
Utilities		**54.4**	64.6
Repairs and maintenance		**32.0**	40.6
Freight inward, including customs duties		**56.9**	72.8
Exceptional costs	9	**304.6**	–
Total cost of sales, distribution costs and administrative expenses		**3,026.5**	3,159.4

Personnel costs include share-based costs (Note 7).

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

5. Cost of Sales, Distribution Costs and Administrative Expenses continued
5.2. Research and development expenditure
Research and development expenditure before third-party income, comprised:

	Notes	2020 €m	2019 €m
Research and development expenses		**43.0**	45.1
Capitalised development costs	15.2	**24.3**	31.7
Total research and development expenditure		**67.3**	76.8

6. Personnel Costs and Numbers
6.1. Personnel costs

	Notes	2020 €m	2019 €m
Wages and salaries (including employee severance amounts)		**585.9**	685.0
Share-based costs (including social security costs)	7	**1.1**	1.4
Social security costs		**111.9**	134.6
Pension and other post-employment costs: defined benefit current service cost	29.2	**8.7**	8.1
Pension and other post-employment costs: defined benefit settlement gain	29.2	**(2.2)**	(9.3)
Pension and other post-employment costs: defined contribution		**4.3**	5.7
Total personnel costs		**709.7**	825.5

Wages and salaries costs in the year include employee severance amounts totalling €18.1 million (2019: €8.8 million).

Economic support payments received direct from government authorities amounted to a net €32.0 million and any payroll support was fully passed on to employees (2019: €nil).

6.2. Transactions with Key Management Personnel
Key management personnel comprise the Board of Directors and key officers who report directly to the Chief Executive Officer. The total number of key management personnel was 15 (2019: 15).

At no time during 2020 or 2019 were any loans to key management personnel made by the Group.

Compensation of key management personnel	2020 €m	2019 €m
Short-term employee benefits	**10.8**	11.6
Post-employment benefits	**0.1**	0.1
Share-based costs	**0.8**	0.7
Total	**11.7**	12.4

There was €5.2 million of compensation outstanding at 31 December 2020 (2019: €5.0 million). In addition to salaries, the Group also provides non-cash benefits to key management personnel and contributes to post-employment pension plans on their behalf.

6.3. Personnel numbers

Average monthly number of people employed by function	2020	2019
Direct production	**13,089**	14,054
Indirect operational	**7,288**	7,704
Commercial and administration	**1,584**	1,651
Total	**21,961**	23,409

In addition to the above, the Group employed an average of 3,731 agency and other temporary workers during the year (2019: 3,871) whose costs were included in other operating costs.

7. Share-based Compensation

On 24 October 2017, the TI Fluid Systems Plc Long-Term Incentive Plan was adopted. Under the plan, awards are granted annually with a three-year vesting period. Vesting is contingent on the attainment of certain performance conditions over the three-year performance period as well as the continued service of the award holder. The performance conditions applicable to awards outstanding as at 31 December 2020 are summarised in the below table:

2018 & 2019 Conditional Share Awards ('CSAs')

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

2020 Conditional Share Awards

Tranche	Percentage of award grant	Performance Condition	Performance Condition Classification
Cumulative Adjusted Free Cash flow ('**AFC**')	80%	Threshold €110 million, maximum €260 million, outperformance €285 million	Non-market-based
Total Shareholder Return ('**TSR**')	20%	Rank of the Company's total shareholder return for the performance period against the FTSE 250	Market-based

2020 Restricted Stock Units ('RSUs')

The 2020 RSUs have no performance conditions, other than the continued service of the holder throughout the three-year vesting period.

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

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

As the awards are settled in shares of the Company, or cash at the discretion of the Company, they are accounted for as equity settled awards under IFRS 2 and fair valued at date of grant using the Black-Scholes Option Pricing Model (EPS and AFC tranches) and Monte Carlo simulation (TSR tranche). The fair value is recognised in the Income Statement straight line over the vesting period, with the anticipated number of awards vesting adjusted for management's estimate of forfeiture rate and attainment of non-market-based performance conditions. Achievement of market-based performance conditions is reflected in the initial fair value of the award.

The weighted average fair value of awards granted in the year was €1.68 comprising €1.47 for 2020 CSAs and €1.90 for 2020 RSUs (2019 CSAs: €1.89).

The assumptions used for the grants in the year included a weighted average share price of €1.93 (2019: €2.22), expected option life of 3 years (2019: 3 years), expected volatility of 43.5% (2019: 37.6%) and a weighted average risk free interest rate of 0.02% (2019: 0.71%). Awards made to Executive Directors are subject to a two-year holding period post vesting, for which the valuations have been discounted accordingly.

The expected volatility is based on the historical volatility of the Company's share price since its admission to trading on 25 October 2017.

The expected volatility of the comparator companies' share prices and correlation to TIFS is measured over a three-year period, commensurate with the expected term of the awards.

The risk-free rate of return is based on zero-coupon UK government bond yields corresponding to the expected term.

As award holders are entitled to dividend equivalent compensation during the vesting period, no dividend yield assumption is required in the valuation of these awards.

7. Share-based Compensation continued

The below table provides a reconciliation of awards outstanding:

	Number of awards
Outstanding at 1 January 2019	5,175,000
Granted during the year	7,074,214
Forfeited during the year	(495,000)
Outstanding at 31 December 2019	**11,754,214**
Granted during the year	7,722,455
Forfeited during the year	(1,527,330)
Outstanding at 31 December 2020	**17,949,339**

The total share-based cost for the year was €1.1 million, including €0.2 million in relation to employers taxes (2019: €1.4 million).

8. Directors' Remuneration

The Directors' emoluments, fees, payments for service, compensation for cancelled shares under long-term incentive schemes and pension benefits are disclosed in the Remuneration Report. See page 83.

9. Exceptional Items

	Notes	**2020 €m**	2019 €m
Cost of sales	18	**120.4**	–
Administrative expenses	18	**184.2**	–
Exceptional expense before income tax		**304.6**	–
Income tax credit	12	**(29.7)**	–
Total exceptional expense recognised in Income Statement		**274.9**	–

The exceptional administrative expenses of €184.2 million relate to impairments of goodwill made during the year. The exceptional cost of sales expense of €120.4 million relates to impairments of intangible assets, property, plant and equipment and lease right-of-use assets during the year. Refer to Note 18 for further details regarding these impairment charges and to Note 12 for the associated income tax impacts.

10. Other Income and Net Foreign Exchange Gains

	2020 €m	2019 €m
Government grants	**1.5**	2.9
Royalty income	**2.2**	0.3
Losses on disposal of PP&E and intangible assets	**(0.5)**	(1.6)
Other miscellaneous items	**5.3**	5.1
	8.5	6.7

Other miscellaneous items in the current year include €2.8 million for the refund of a one-off VAT claim settled.

Other miscellaneous items in the prior year include €2.6 million in relation to a cash compensation settlement received.

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; see Note 3. The US dollar average exposure from March 2020 on which these gains arose was $276 million.

11. Finance Income and Expense

	Notes	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	29.2	**(4.1)**	(4.6)
Fair value net losses on financial instruments: ineffectiveness	3	**(7.1)**	(0.2)
Net interest expense related to specific uncertain tax positions		**–**	(0.3)
Interest payable on lease liabilities	17.2.2	**(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	Notes	2020 €m	2019 €m
Fees included in interest payable on term loans	27	**(8.0)**	(7.7)

In March 2020, the Group terminated all its forward foreign exchange contracts designated in cash flow hedge relationships, its forward foreign exchange contracts designated in net investment hedges, and all its interest rate swaps. Termination of the hedges resulted in the recognition of ineffectiveness of €7.0 million.

The reduction in the fair value gain on derivatives and foreign exchange contracts not in hedged relationships from €10.2 million in the prior year, to €1.3 million in the current year, is principally caused by the termination of the Group's hedge arrangements in March 2020 as mentioned above.

12. Income Tax
12.1. Income Tax Credit/(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
Exceptional deferred tax impact of impairment charge	**29.7**	–
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.

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.

12. Income Tax continued

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 unremitted 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)

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).

12. Income Tax continued

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.

12.2. Current Income Tax Assets and Liabilities

	2020 €m	2019 €m
Current income tax assets	**13.7**	13.7
Current income tax liabilities	**(40.7)**	(48.7)
Net current income tax liabilities	**(27.0)**	(35.0)

Uncertain tax positions

The Group maintains a provision for uncertain tax positions. As at 31 December 2020, the balance was €31.9 million (2019: €33.8 million). The Group is aware of an increase in global tax audit scrutiny and therefore continues to closely monitor tax uncertainties in all geographic regions. As each uncertain tax provision is considered more likely than not to materialise, settlement of the issues that have been provided should not result in a material impact to the effective tax rate. However, in the event that a favourable conclusion is reached on an uncertain tax position, release of the provision would have a favourable impact on the Group's effective tax rate. In the event that a conclusion is reached that exceeds the amount provided for an uncertain tax position, there would be an unfavourable impact on the Group's effective tax rate. It is possible that certain tax issues related to the remaining uncertain tax provisions could settle within the next 12 months although the timing of any settlements are not certain.

12.3. 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)

The total deferred tax asset balance as at 31 December 2020 is €62.4 million. It is expected that €28.1 million of the deferred tax asset will be recovered within the next 12 months and the remaining €34.3 million of the deferred tax asset will be recovered after 12 months.

The total deferred tax liability balance as at 31 December 2020 is €104.3 million. It is expected that €16.7 million of the deferred tax liability will be settled within the next 12 months and the remaining €87.6 million of the deferred tax liability will be settled after 12 months.

12. Income Tax continued

12.3.1. 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**	–
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)

Deferred tax assets originating from tax loss carry forwards mainly relate to Germany, France and Spain as at 31 December 2020. Forecasts for Germany, France and Spain are prepared by management on a five-year basis and use external automotive industry data sources. The forecast demonstrate several years of continued future profitability and all have consistent expectations of future financial performance. As a result, management believe that the current tax losses will be utilised.

The aggregate amount of tax liabilities not recognised with respect to temporary differences associated with investment in subsidiaries, branches and associates, and interests in joint ventures is €nil.

12.3.2. Gross Deferred Tax Assets and Liabilities

The analysis of deferred tax assets and liabilities below represents gross amounts before netting of deferred tax assets and liabilities in certain tax jurisdictions as reflected in the table in 12.3 above.

	Assets					Liabilities					
Gross deferred tax assets and liabilities	Provision for pensions and employee benefits €m	Deferred interest deductions €m	Tax losses €m	Tax credits €m	Other specific provisions €m	Excess depreciation on fixed assets and goodwill €m	Development intangibles €m	Acquisition related intangible assets €m	Loan fees €m	Unremitted earnings €m	Total €m
At 1 January 2019	39.3	14.4	13.1	–	26.8	(62.4)	(23.2)	(87.0)	(4.0)	(23.7)	(106.7)
Included in the Income Statement	(4.0)	(2.6)	(4.7)	(2.4)	4.7	2.6	2.7	13.9	1.3	(2.8)	8.7
Included in other comprehensive income	2.3	–	–	–	–	–	–	–	–	–	2.3
Transfer of uncertain tax position balance from current tax to deferred tax	–	–	–	–	(7.3)	–	–	–	–	–	(7.3)
Reclassification	–	–	–	13.3	(13.3)	–	–	–	–	–	–
Currency translation differences	0.6	0.3	0.2	–	0.2	(0.6)	(0.1)	(0.9)	(0.1)	–	(0.4)
At 31 December 2019	38.2	12.1	8.6	10.9	11.1	(60.4)	(20.6)	(74.0)	(2.8)	(26.5)	(103.4)

12. Income Tax continued

Gross deferred tax assets and liabilities	Assets: Provision for pensions and employee benefits €m	Assets: Deferred interest deductions €m	Assets: Tax losses €m	Assets: Tax credits €m	Assets: Other specific provisions €m	Liabilities: Excess depreciation on fixed assets and goodwill €m	Liabilities: Development intangibles €m	Liabilities: Acquisition related intangible assets €m	Liabilities: Loan fees €m	Liabilities: Unremitted earnings €m	Total €m
Included in the Income Statement	**(0.3)**	**(10.5)**	**9.0**	**8.1**	**2.8**	**3.6**	**2.8**	**10.5**	**1.1**	**(2.2)**	**24.9**
Exceptional income statement benefit – tax impact of impairment charge	**–**	**–**	**–**	**–**	**–**	**25.7**	**–**	**4.0**	**–**	**–**	**29.7**
Included in other comprehensive income	**3.6**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3.6**
Transfer of uncertain tax position balance from current tax to deferred tax	**–**	**–**	**–**	**(0.7)**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.7)**
Currency translation differences	**(2.3)**	**(0.3)**	**(0.5)**	**(0.6)**	**(0.5)**	**2.8**	**0.3**	**2.5**	**0.2**	**2.4**	**4.0**
At 31 December 2020	**39.2**	**1.3**	**17.1**	**17.7**	**13.4**	**(28.3)**	**(17.5)**	**(57.0)**	**(1.5)**	**(26.3)**	**(41.9)**

12.4. Unrecognised Deferred Tax Assets

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2020, the Group did not recognise deferred income tax assets (net of specific tax provisions) of €161.0 million (2019: €147.8 million). This is principally represented by gross tax losses in respect of which no deferred income tax asset was recognised (before the netting of specific provisions) amounting to €643.2 million (2019: €636.3 million) that can be carried forward against future taxable income. All material tax losses referred to above can be carried forward without time limitation (UK: €616.8 million and Brazil: €22.0 million).

13. Earnings Per Share

13.1. 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

* The dilutive shares attributable to long-term incentives are antidilutive in respect of statutory Loss Per Share. However, these are dilutive in Adjusted Earnings Per Share as shown in note 13.2.

13.2. 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).

14. Dividends

The following dividends were declared and paid by the Group:

	2020 €m	2019 €m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2018 of €5.94 per share	–	30.9
Interim dividend for the year ended 31 December 2019 of €3.02 per share	–	15.7
Total dividend	–	46.6
Proposed final dividend for the year ended 31 December 2019 of €5.94 per share	–	30.9

On 17 March 2020, the Group announced a final dividend of €30.9 million in relation to the financial year ended 31 December 2019. However, in light of the COVID-19 pandemic in H1 2020, the dividend was not approved by the Board of Directors and cancelled.

15. 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

15.1. 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

15. Intangible Assets continued

15.2. 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	**(21.2)**	**(0.5)**	**(0.7)**	**(15.2)**	**(37.6)**
Impairments – other charges	**(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 and 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	–	0.4	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: €58.0 million) arise from intangible assets recognised through purchase price accounting. Amortisation charges are included within cost of sales.

16. Property, Plant and Equipment

16.1. Movements in Property, Plant and Equipment

	Land and buildings €m	Plant, machinery and equipment €m	Assets in the course of construction €m	Total €m
Cost	**175.5**	**820.2**	**88.9**	**1,084.6**
Accumulated depreciation	**(23.6)**	**(346.0)**	**–**	**(369.6)**
Net book value at 1 January 2020	**151.9**	**474.2**	**88.9**	**715.0**
Additions	**3.5**	**51.3**	**23.6**	**78.4**
Disposals	**(2.6)**	**(6.3)**	**(1.8)**	**(10.7)**
Impairments – other charges	**–**	**(2.9)**	**–**	**(2.9)**
Impairments – exceptional charge	**(13.9)**	**(41.6)**	**(10.5)**	**(66.0)**
Transfers between categories	**(1.4)**	**32.9**	**(31.5)**	**–**
Depreciation charge	**(7.3)**	**(94.4)**	**–**	**(101.7)**
Currency translation	**(5.7)**	**(12.5)**	**(3.1)**	**(21.3)**
Net book value at 31 December 2020	**124.5**	**400.7**	**65.6**	**590.8**
Cost	**162.2**	**792.8**	**76.1**	**1,031.1**
Accumulated depreciation	**(37.7)**	**(392.1)**	**(10.5)**	**(440.3)**
Net book value at 31 December 2020	**124.5**	**400.7**	**65.6**	**590.8**

	Land and buildings €m	Plant, machinery and equipment €m	Assets in the course of construction €m	Total €m
Cost	176.7	754.2	95.9	1,026.8
Accumulated depreciation	(18.7)	(301.6)	–	(320.3)
Net book value at 1 January 2019	158.0	452.6	95.9	706.5
Change in accounting policy: adoption of IFRS 16	(1.4)	–	–	(1.4)
Restated net book value at 1 January 2019	156.6	452.6	95.9	705.1
Additions	3.8	83.5	27.2	114.5
Disposals	0.1	(0.8)	(0.9)	(1.6)
Impairments	–	(1.5)	–	(1.5)
Transfers between categories	0.6	32.2	(32.8)	–
Depreciation charge	(8.9)	(98.2)	–	(107.1)
Currency translation	(0.3)	6.4	(0.5)	5.6
Net book value at 31 December 2019	151.9	474.2	88.9	715.0
Cost	175.5	820.2	88.9	1,084.6
Accumulated depreciation	(23.6)	(346.0)	–	(369.6)
Net book value at 31 December 2019	151.9	474.2	88.9	715.0

16.2. Depreciation Charge

The above depreciation charge includes €12.9 million, comprising €2.1 million from 'land and buildings' and €11.0 million from 'plant, machinery and equipment' in relation to the fair value uplift arising from purchase price accounting (2019: €14.5 million, comprising €1.3 million from 'land and buildings' and €13.2 million from 'plant, machinery and equipment').

The total depreciation charge is analysed below:

	2020 €m	2019 €m
Cost of sales	**100.0**	104.5
Distribution costs	**0.4**	0.8
Administrative expenses	**1.3**	1.8
Total depreciation charge	**101.7**	107.1

17. Leases

17.1. Leasing Activities

The Group as Lessee

The Group leases various manufacturing facilities, offices, plant & machinery and cars. Rental contracts are typically made for fixed initial periods of 1 to 10 years for manufacturing facilities and offices, and 2 to 5 years for plant & machinery and cars. Many agreements also have extension options, as described below, and contain a range of terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Extension options (or periods after termination options) are only included for valuation purposes in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of €52.1 million (2019: €51.7 million) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease terms for a number of leases were renegotiated during the year as a result of the COVID-19 pandemic, to either reduce the rent on a temporary basis 'rent forgiveness', or to reduce the rent on a temporary basis, and increase later payments, so that the total overall payments are unchanged 'rent holidays'. IFRS 16 has been revised to permit companies not to assess whether particular COVID-19-related rent concessions are lease modifications and, instead, account for those concessions as if they were not lease modifications. This expedient may be early adopted in these financial statements. The Group has decided not to adopt this expedient. Rent holidays that have been negotiated are not considered to be lease modifications.

17.2. Amounts recognised in the Balance Sheet

The balance sheet shows the following amounts relating to leases:

	2020 €m	2019 €m
Right-of-Use Assets	**124.9**	161.4
Non-current liabilities		
Lease Liabilities	**122.4**	138.0
Current liabilities		
Lease Liabilities	**28.6**	28.7
Total Lease Liabilities	**151.0**	166.7

The range of incremental borrowing rates applied to lease liabilities in the year by region was:

	2020 Range	2019 Range
Europe and Africa	**3.4% – 23.2%**	3.4% – 23.2%
North America	**3.4% – 12.6%**	4.9% – 12.6%
Asia Pacific	**3.5% – 12.5%**	5.3% – 13.4%
Latin America	**7.6% – 47.9%**	8.7% – 18.2%

The weighted average incremental borrowing rate applied to the lease liabilities at 31 December 2020 is 6.7% (2019: 6.7%). The Group believes that any reasonably possible change in the weighted average incremental borrowing rate would not cause the carrying value of lease liabilities or the lease interest payable charged to the income statement to be materially different.

17. Leases continued

17.2.1 Right-of-Use Assets

Movements in right-of-use assets in the year are disclosed below:

	Land and buildings €m	Plant, machinery and equipment €m	Total €m
At 1 January 2020	**149.4**	**12.0**	**161.4**
Additions	**13.7**	**3.6**	**17.3**
Disposals	**(0.2)**	**–**	**(0.2)**
Remeasurements	**2.4**	**(0.1)**	**2.3**
Exceptional impairments	**(15.9)**	**(0.9)**	**(16.8)**
Impairments	**(0.6)**	**–**	**(0.6)**
Depreciation charge	**(25.3)**	**(6.0)**	**(31.3)**
Transfers to property, plant and equipment	**(2.0)**	**–**	**(2.0)**
Currency translation	**(5.2)**	**–**	**(5.2)**
Net book value at 31 December 2020	**116.3**	**8.6**	**124.9**
Cost	**176.4**	**18.2**	**194.6**
Accumulated depreciation	**(60.1)**	**(9.6)**	**(69.7)**
Net book value at 31 December 2020	**116.3**	**8.6**	**124.9**

	Land and buildings €m	Plant, machinery and equipment €m	Total €m
At 1 January 2019	134.0	12.3	146.3
Additions	42.3	5.2	47.5
Disposals	(1.3)	–	(1.3)
Remeasurements	0.4	0.2	0.6
Depreciation charge	(25.8)	(5.7)	(31.5)
Currency translation	(0.2)	–	(0.2)
Net book value at 31 December 2019	149.4	12.0	161.4
Cost	174.5	17.7	192.2
Accumulated depreciation	(25.1)	(5.7)	(30.8)
Net book value at 31 December 2019	149.4	12.0	161.4

17.2.2 Lease liabilities

Movements in lease liabilities in the year are disclosed below:

	Notes	2020 €m	2019 €m
Opening Balance		**166.7**	147.0
Additions	27.7	**17.9**	47.5
Disposals		**(0.3)**	(1.3)
Remeasurements		**2.3**	0.6
Accrued interest	11	**10.4**	10.5
Repayments		**(39.0)**	(37.6)
Currency translation		**(7.0)**	–
At 31 December 2020		**151.0**	166.7
Non-current		**122.4**	138.0
Current		**28.6**	28.7
At 31 December 2020		**151.0**	166.7

17. Leases continued

The maturity of lease liabilities is:

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	**37.5**	**8.9**	**28.6**
Between one and five years	**96.0**	**20.4**	**75.6**
Over five years	**54.5**	**7.7**	**46.8**
Total at 31 December 2020	**188.0**	**37.0**	**151.0**

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	39.2	10.5	28.7
Between one and five years	109.9	26.7	83.2
Over five years	65.7	10.9	54.8
Total at 31 December 2019	214.8	48.1	166.7

The currency denomination of lease liabilities is:

	2020 €m	2019 €m
Euro	**69.6**	75.6
US dollar	**41.6**	44.7
Chinese renminbi	**19.6**	27.1
Other	**20.2**	19.3
Total lease liabilities	**151.0**	166.7

17.3. Amounts recognised in the income and cash flow statements

The statement of profit or loss includes the following amounts relating to leases:

	Notes	2020 €m	2019 €m
Depreciation charge of right-of-use assets		**31.3**	31.5
Exceptional Impairment charge of right-of-use assets	18	**16.8**	–
Impairment charge of right-of-use assets		**0.6**	–
Interest payable on lease liabilities	11	**10.4**	10.5
Expense relating to short-term and low value leases	5.1	**5.7**	8.5

Due to the COVID-19 pandemic, global automotive production volumes are expected to be significantly impacted. Management consider this to be an indicator of impairment and have therefore performed a full impairment test on right-of-use assets as at 30 June 2020 and 31 December 2020. These resulted in an exceptional impairment to right-of-use assets in the year of €16.8 million. The Group has also impaired various leased properties which it expects to vacate early. The total of these impairments is €0.6 million.

The total depreciation charge on right-of-use assets in 2020 and 2019 is all recognised in cost of sales.

The statement of cash flows includes the following amounts relating to leases:

	2020 €m	2019 €m
Cash paid for short-term and low value leases reported within cash generated from operations	**5.7**	8.5
Interest paid on lease liabilities reported within interest paid	**10.4**	10.5
Lease principal repayments reported separately in cash flows from financing activities	**28.6**	27.1
Total cash outflow for leases	**44.7**	46.1

18. Impairments

18.1. 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.

18. Impairments continued

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

	2020		2019	
	Goodwill €m	**Intangibles €m**	Goodwill €m	Intangibles €m
FCS				
North America	**139.5**	**80.7**	223.9	102.5
Europe and 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 and 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.

18.2. H1 2020 Impairment Test

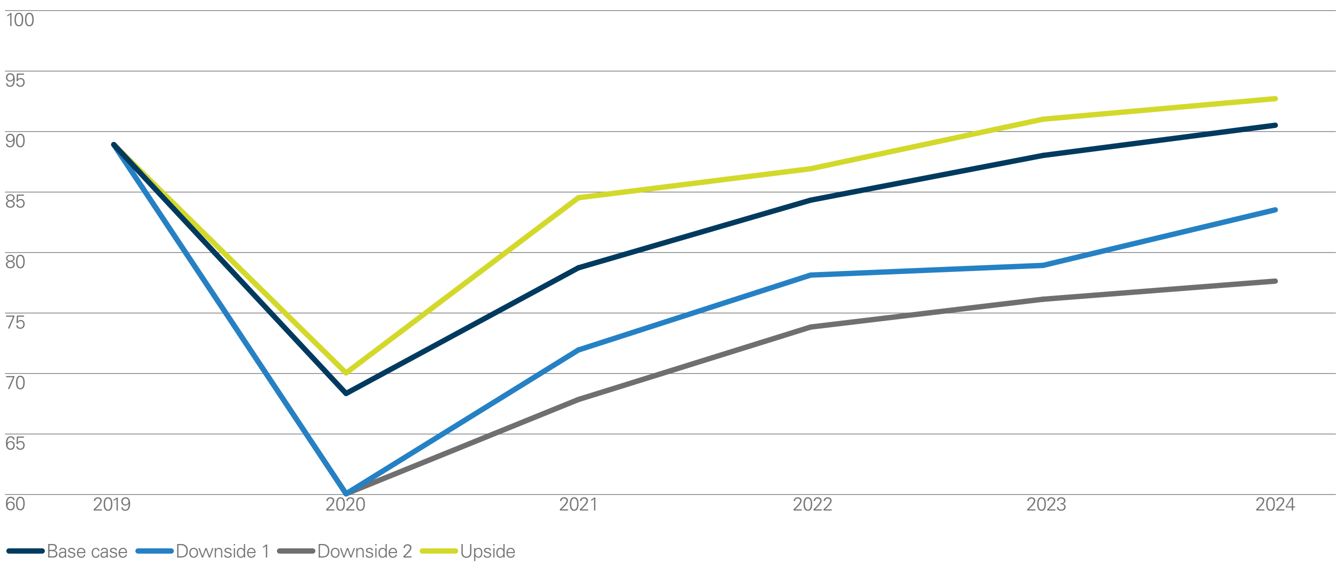
The recoverable amount estimated in the H1 2020 impairment test for the CGUs was determined based on a value-in-use calculation. Due to the high level of uncertainty over future global automotive production volumes, management elected to use an 'expected cash flow' approach, as described in IAS 36, to 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.

Scenario volume forecasts (million units)



18. Impairments continued

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**

18. Impairments continued

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 has been included in the H2 impairment test; see section 18.3 for further details.

18.3. 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'.

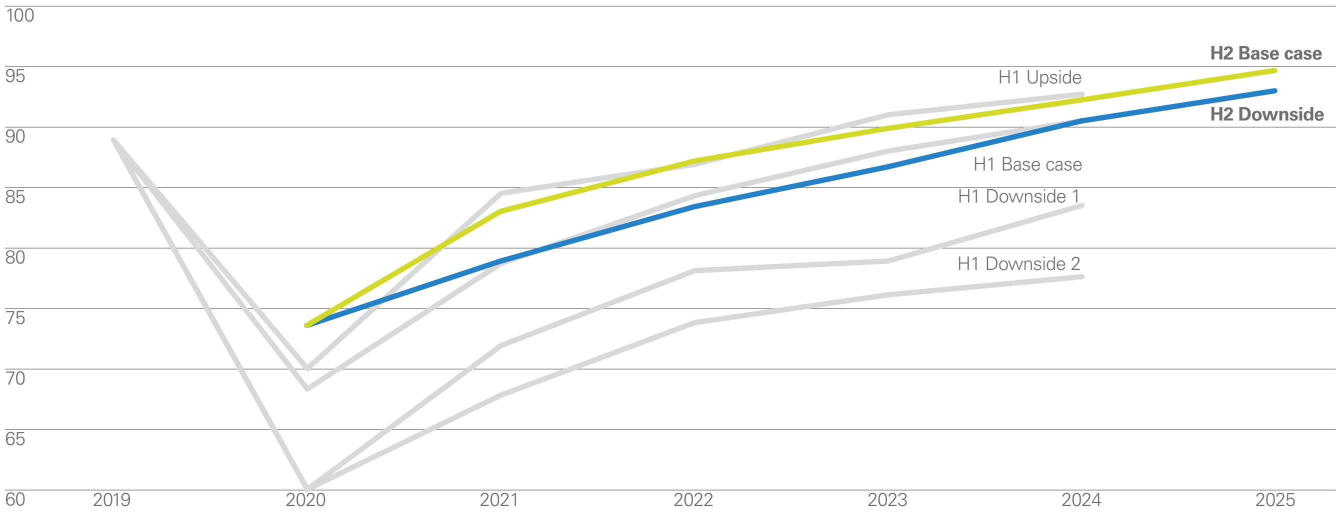
The base case scenario uses November 2020 IHS volume forecasts, adjusted for product mix, pricing assumptions and market outperformance to establish forecast sales values. Contribution margin, fixed cost, research and development expenditure, capital expenditure and working capital management estimates 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.

As outlined in Note 1, 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 onto the H1 2020 volume scenarios for reference purposes.

Scenario volume forecasts (million units)



18. Impairments continued

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.

18. Impairments continued

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 and 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 and 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.

18. Impairments continued

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)

19. Investments in Associates

The Group's only associated undertaking is SeAH FS Co., Ltd ('SeAH FS'). The Group holds 20% of the issued ordinary shares. SeAH FS is registered in South Korea and is engaged in manufacturing and engineering. Its financial year end is 31 December and its registered address is 180-15 Kebong-Dong Young, Deoungpo-Gu, Seoul. SeAH FS is a private company, and there is no quoted price available for its shares. There are no contingent liabilities relating to the Group's investment.

There were no sales of goods by the Group to SeAH FS in either 2020 or 2019. Purchases of goods by the Group from SeAH FS in the year totalled €8.1 million (2019: €10.5 million).

The movements in investments in associates in the year were:

	2020 €m	2019 €m
Balance at 1 January	**19.2**	19.6
Share of (loss)/profit for the year	**(3.5)**	0.3
Dividends paid	**(0.5)**	(0.5)
Currency translation	**(0.6)**	(0.2)
Balance at 31 December	**14.6**	19.2

Group proportional share of associate's net income (20% share)	**2020 €m**	2019 €m
Revenue	**34.8**	19.6
Earnings before interest and income taxes (EBIT)	**(2.4)**	0.6
Share of associate net (loss)/profit for the year	**(3.5)**	0.1

Group proportional share of associate's net assets (20% share)	**2020 €m**	2019 €m
Current assets	**21.5**	13.1
Non-current assets	**11.2**	16.4
Total assets	**32.7**	29.5
Current liabilities	**(10.2)**	(2.8)
Non-current liabilities	**(1.2)**	(1.0)
Total liabilities	**(11.4)**	(3.8)
Shareholders' funds (before fair value adjustment on acquisition)	**21.3**	25.7

The summarised financial information is based on the unaudited consolidated financial statements of the associate for 2020 and the parent financial statements of the associate for 2019. The functional currency of the associate is Korean won, which has been converted to Euro at prevailing exchange rates.

20. Inventories

	2020 €m	2019 €m
Raw materials	**132.6**	141.7
Work-in-progress	**37.3**	39.8
Finished goods	**39.6**	39.9
Tooling under development	**109.3**	110.9
Consumables	**32.6**	34.8
Total inventories	**351.4**	367.1

Consignment inventories from external suppliers held on the Group's premises at 31 December 2020 amounted to €15.9 million (2019: €19.7 million) and are excluded from the balances above.

The value of inventories has been assessed on the basis of fair value, in determining that the carrying value is the lower of cost less any related selling costs and net realisable value.

The cost of inventories recognised as an expense in cost of sales during the year was €1,336.9 million (2019: €1,600.4 million), including €11.0 million relating to write-downs of inventory to net realisable value (2019: €9.2 million).

21. Trade and Other Receivables

	2020 €m	2019 €m
Trade receivables	**477.7**	514.4
Allowance for doubtful debts	**(4.2)**	(3.9)
Net trade receivables	**473.5**	510.5
Prepayments	**57.6**	67.7
Contract assets – accrued income	**19.6**	13.7
Other receivables	**3.0**	4.2
Total trade and other receivables	**553.7**	596.1
Non-current	**18.9**	21.6
Current	**534.8**	574.5

Trade receivables disclosed above include amounts that are overdue at the end of the year for which the Group has not recognised an allowance for doubtful debts, because there is still a reasonable expectation of recovering these balances.

21.1. Aged Analysis of Net Trade Receivables

	2020 €m	2019 €m
Not overdue	**456.4**	468.8
Up to three months overdue	**15.7**	35.4
Three to six months overdue	**1.3**	2.9
Over six months overdue	**0.1**	3.4
Net trade receivables	**473.5**	510.5

21.2. Movement in Allowance for Doubtful Debts

	2020 €m	2019 €m
At 1 January	**(3.9)**	(4.0)
Receivables provided for as uncollectible	**(1.3)**	(3.1)
Amounts written off during the year as uncollectible	**0.3**	0.5
Amounts recovered during the year	**0.7**	2.7
At 31 December	**(4.2)**	(3.9)

In determining the recoverability of a trade receivable, the Group considers all currently available and forward-looking information to assess the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Receivables provided for as uncollectible and charged to the Income Statement are included in administrative expenses.

A loss allowance is recognised at an amount equal to the lifetime expected credit losses ('ECL') over the life of the contract 'lifetime ECL'.

21. Trade and Other Receivables continued

21.3. Credit Quality of Receivables

The Group has a large number of customers and considers credit ratings only in respect of major customers from either Standard and Poor's or Moody's. Those customers that have no credit rating are monitored as part of normal credit control procedures.

Credit rating	2020 €m	2019 €m
A – AAA	155.5	151.4
B – BBB	180.5	230.3
Counterparties without external credit rating	137.5	128.8
Net trade receivables	**473.5**	510.5

21.4. Currency Risk of Receivables

	2020 €m	2019 €m
Chinese renminbi	166.2	163.8
Euro	153.9	164.2
US dollar	89.5	103.2
Other currencies	66.9	83.5
Total net trade receivables and other receivables	**476.5**	514.7

21.5. Movement in Accrued Income

	2020 €m	2019 €m
At 1 January	**13.7**	13.2
Unbilled performance	9.1	8.2
Transfers to receivables	(1.8)	(7.1)
Impairments through P&L	(0.1)	–
Other movements	(0.6)	(0.7)
Currency translation	(0.7)	0.1
At 31 December	**19.6**	13.7

22. Cash and Liquid Assets

	2020 €m	2019 €m
Cash at bank and in hand	485.8	411.7
Cash and cash equivalents in the Balance Sheet	**485.8**	411.7
Other deposits	0.9	0.9
Financial assets at FVTPL	**0.9**	0.9
Total cash and liquid assets	**486.7**	412.6

Other deposits of €0.9 million (2019: €0.9 million) include €0.7 million (2019: €0.7 million) pledged to provide a bank guarantee, as part of a total guarantee of €1.5 million to the Spanish tax authorities in respect of a disputed assessment raised following a tax audit for the period 2013-14.

Financial institution credit rating	2020 €m	2019 €m
A – AA	391.0	338.3
B – BBB or lower	94.8	73.4
Cash and cash equivalents in the Balance Sheet	**485.8**	411.7

Cash and cash equivalent balances include €0.8 million (2019: €1.7 million) held by subsidiaries as collateral primarily for letters of credit and foreign exchange facilities.

23. Issued Share Capital

Authorised, issued and fully paid-up	Number of shares	Nominal value of each share	Ordinary shares £m	Ordinary shares €m	Share premium €m	Total €m
At 1 January 2019	519,901,503	£0.01	5.2	6.8	1.4	8.2
Shares issued	367,638	£0.01	–	–	0.8	0.8
At 31 December 2019	520,269,141	£0.01	5.2	6.8	2.2	9.0
At 31 December 2020	**520,269,141**	**£0.01**	**5.2**	**6.8**	**2.2**	**9.0**

In the prior year, 367,638 ordinary shares were issued in connection with the Company's Deferred Bonus Plan.

The Group holds shares in the TI Fluid Systems Employee Benefit Trust ('EBT') for the purpose of satisfying awards made to employees under the TI Fluid Systems Plc Long-Term Incentive Plan and Deferred Bonus Plan. Such shares are shown as a deduction to equity in the Statement of Changes in Equity and are not treated as outstanding for the purposes of calculating earnings per share.

The movements in ordinary shares held by the EBT in the current and prior year were as follows:

	Number of shares €m	€m
At 1 January 2019	**176,729**	–
Forfeited to EBT by Restricted Stock Award holders	513,165	–
Release to satisfy vested Restricted Stock Units	(269,138)	–
At 31 December 2019	**420,756**	–
Market purchase	1,572,175	3.5
Release to satisfy Deferred Bonus Plan	(493,024)	(0.2)
At 31 December 2020	**1,499,907**	**3.3**

The Company is a public limited company which is incorporated and domiciled in England and Wales, with registered number 09402231.

24. Reserves
Other Reserves

	Forward contracts cash flow hedge reserve €m	Forward contracts cost of hedging reserve €m	Net investment hedges €m	Interest rate swaps €m	Hedging reserve €m	Currency translation reserve €m	Total €m
At 1 January 2020	–	(14.2)	(16.9)	1.0	(30.1)	(76.0)	(106.1)
Amount recognised in OCI during the year – fair value gains/(losses): effective hedges	11.1	16.2	–	(2.3)	25.0	–	25.0
Amounts recycled from OCI – foreign exchange remeasurement	(11.1)	–	–	–	(11.1)	–	(11.1)
Amortisation	–	(2.0)	–	–	(2.0)	–	(2.0)
Amounts recycled from OCI – interest	–	–	–	1.3	1.3	–	1.3
Movement in fair value of effective cash flow hedges	–	14.2	–	(1.0)	13.2	–	13.2
Net investment hedges	–	–	6.9	–	6.9	–	6.9
Currency translation attributable to owners of the Parent Company	–	–	–	–	–	(51.7)	(51.7)
Items that may be subsequently reclassified to profit or loss	–	14.2	6.9	(1.0)	20.1	(51.7)	(31.6)
At 31 December 2020	–	–	(10.0)	–	(10.0)	(127.7)	(137.7)

24. Reserves continued

Items that may be subsequently reclassified to profit or loss	Forward contracts cash flow hedge reserve €m	Forward contracts cost of hedging reserve €m	Net investment hedges €m	Interest rate swaps €m	Hedging reserve €m	Currency translation reserve €m	Total €m
At 1 January 2019	–	(25.9)	(17.2)	7.8	(35.3)	(91.0)	(126.3)
Amount recognised in OCI during the year – fair value gains: effective hedges	13.3	20.6	–	(3.2)	30.7	–	30.7
Amounts recycled from OCI – foreign exchange remeasurement	(13.3)	–	–	–	(13.3)	–	(13.3)
Amortisation	–	(8.9)	–	–	(8.9)	–	(8.9)
Amounts recycled from OCI – interest	–	–	–	(3.6)	(3.6)	–	(3.6)
Movement in fair value of effective cash flow hedges	–	11.7	–	(6.8)	4.9	–	4.9
Net investment hedges	–	–	0.3	–	0.3	–	0.3
Currency translation attributable to owners of the Parent Company	–	–	–	–	–	15.0	15.0
Items that may be subsequently reclassified to profit or loss	–	11.7	0.3	(6.8)	5.2	15.0	20.2
At 31 December 2019	–	(14.2)	(16.9)	1.0	(30.1)	(76.0)	(106.1)

25. Non-Controlling Interests

	2020 €m	2019 €m
At 1 January	**24.5**	22.5
Share of profit for the year	**1.9**	3.0
Currency translation	**(0.7)**	(0.2)
Total comprehensive income for the year	**1.2**	2.8
Reduction in non-controlling interests	**–**	(0.1)
Dividends paid	**(0.5)**	(0.7)
At 31 December	**25.2**	24.5

The Group holds a 97% interest in Bundy India Ltd and a 73% interest in Hanil Tube Corporation, which is located in South Korea. Non-controlling interests represent the remaining 3% and 27% respectively.

26. Trade and Other Payables

	2020 €m	2019 €m
Trade payables	**261.2**	276.9
Accrued expenses	**178.8**	166.7
Contract liabilities – deferred income	**130.8**	116.2
Social security and other taxes	**46.1**	46.2
Other payables	**16.1**	16.2
Amounts due to associates	**1.1**	1.3
Total trade and other payables	**634.1**	623.5
Non-current	**20.0**	12.3
Current	**614.1**	611.2

Accrued expenses include net capital investment grant balances totalling €1.5 million (2019: €2.9 million).

26. Trade and Other Payables continued

26.1. Movement in Contract Liabilities – Deferred Income

	2020 €m	2019 €m
At 1 January	**116.2**	93.3
Advance billings	**75.8**	47.9
Amounts recognised as revenue	**(52.7)**	(34.8)
Reversal of prior year deferred income	**(5.0)**	(1.1)
Other movements	**(2.2)**	9.5
Currency translation	**(1.3)**	1.4
At 31 December	**130.8**	116.2

27. Borrowings

	Notes	2020 €m	2019 €m
Non-current:			
Secured loans:			
– Main borrowing facilities	27.4	**1,069.2**	1,148.4
– Other secured loans	27.5	**0.1**	0.1
Total non-current borrowings		**1,069.3**	1,148.5
Current:			
Secured loans:			
– Main borrowing facilities	27.4	**7.4**	2.3
– Other secured loans	27.5	**–**	0.1
Total current borrowings		**7.4**	2.4
Total borrowings		**1,076.7**	1,150.9
Main borrowing facilities	27.4	**1,076.6**	1,150.7
Other loans	27.5	**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: €16.9 million).

27.1. 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 27.4.

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.

27. Borrowings continued

	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 paid 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

27.2. 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

27.3. 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

27.4. Main Borrowing Facilities

The main borrowing facilities comprise a package of secured loans consisting of a term loan, a revolving credit facility, and until 30 September 2020, an asset-backed loan.

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 €422.0 million was extended from 30 June 2022 to 16 December 2024, the amount was increased by €78.0 million to €500.0 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 $740.0 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 became 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 $125.0 million was increased by $100.0 million to $225.0 million and was extended from 16 July 2023 to 16 July 2024. The amount payable on the facility was increased from a range of US$ 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 $100.0 million (depending on the levels of inventory and receivables) was extinguished. This facility bore interest at US$ LIBOR +1.25% p.a. or US$ LIBOR +1.50% p.a. if drawings are over $50.0 million. Unamortised transaction costs of $0.9 million (€0.8 million) were released on the extinguishment of this loan and recognised as finance expense.

The refinancing was treated as a modification, with the exception of the asset-backed loan facility, which was treated as an extinguishment.

27. Borrowings continued

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 (Note 3.3.2). 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 $100.0 million to $225.0 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.

27.5. 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).

27. Borrowings continued

27.6. 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

27.7. 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

28. Fair Values of Financial Assets and Liabilities

28.1. Financial Instruments by Category

As at 31 December 2020:

Financial assets	Assets at amortised cost €m	Assets at FVTPL €m	Total €m
Cash and cash equivalents	485.8	–	485.8
Financial assets at FVTPL	–	0.9	0.9
Trade and other receivables excluding prepayments	496.1	–	496.1
Derivative financial instruments:			
– Forward foreign exchange contracts (cash flow hedges)	–	0.4	0.4
Total at 31 December 2020	**981.9**	**1.3**	**983.2**

Financial liabilities	Liabilities at amortised cost €m	Liabilities at FVTPL €m	Total €m
Trade and other payables excluding deferred income	(503.3)	–	(503.3)
Borrowings	(1,076.7)	–	(1,076.7)
Lease liabilities	(151.0)	–	(151.0)
Derivative financial instruments:			
– Forward foreign exchange contracts (cash flow hedges)	–	(0.2)	(0.2)
Total at 31 December 2020	**(1,731.0)**	**(0.2)**	**(1,731.2)**

In March 2020, the Group terminated all its forward foreign exchange contracts designated in cash flow hedge relationships, its forward foreign exchange contracts designated in net investment hedges, and all its interest rate swaps.

As at 31 December 2019:

Financial assets	Assets at amortised cost €m	Assets in hedged relationships €m	Assets at FVTPL €m	Total €m
Cash and cash equivalents	411.7	–	–	411.7
Financial assets at FVTPL	–	–	0.9	0.9
Trade and other receivables excluding prepayments	528.4	–	–	528.4
Derivative financial instruments:				
– Forward foreign exchange contracts (cash flow hedges)	–	14.2	3.1	17.3
– Interest rate swaps (cash flow hedges)	–	1.1	–	1.1
Total at 31 December 2019	940.1	15.3	4.0	959.4

Financial liabilities	Liabilities at amortised cost €m	Liabilities in hedged relationships €m	Liabilities at FVTPL €m	Total €m
Trade and other payables excluding deferred income	(507.3)	–	–	(507.3)
Borrowings	(1,150.9)	–	–	(1,150.9)
Lease liabilities	(166.7)	–	–	(166.7)
Derivative financial instruments:				
– Forward foreign exchange contracts (cash flow hedges)	–	(5.4)	(1.7)	(7.1)
– Forward foreign exchange contracts (net investment hedges)	–	(17.0)	–	(17.0)
– Interest rate floor	–	–	(1.3)	(1.3)
Total at 31 December 2019	(1,824.9)	(22.4)	(3.0)	(1,850.3)

Fair value estimates of derivatives are based on relevant market information and information about the financial instruments, which are subjective in nature. The fair value of these financial instruments is estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the reporting date, which is a proxy for market price.

28. Fair Values of Financial Assets and Liabilities continued

All derivative items reported are within Level 2 of the fair value hierarchy specified in IFRS 13 'Fair Value Measurement'; their measurement includes inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

The fair values of non-derivative amounts are determined in accordance with generally accepted valuation techniques based on discounted cash flow analysis. For the non-derivative items reported above, it is assumed that by their nature their carrying value approximates their fair value.

28.2. Contracted Maturities of Financial Liabilities

As at 31 December 2020:

	Less than one year €m	**Between one and two years €m**	**Between two and five years €m**	**Over five years €m**	**Total €m**
Borrowings excluding issuance discounts and fees	**11.1**	**11.1**	**1,079.7**	**–**	**1,101.9**
Interest	**50.1**	**49.6**	**97.7**	**–**	**197.4**
Total borrowings	**61.2**	**60.7**	**1,177.4**	**–**	**1,299.3**
Lease liabilities	**37.5**	**32.3**	**63.7**	**54.5**	**188.0**
Trade and other payables excluding deferred income	**491.4**	**11.9**	**–**	**–**	**503.3**
Total at 31 December 2020	**590.1**	**104.9**	**1,241.1**	**54.5**	**1,990.6**

As at 31 December 2019:

	Less than one year €m	Between one and two years €m	Between two and five years €m	Over five years €m	Total €m
Non-derivatives					
Borrowings excluding issuance discounts and fees	4.5	4.5	1,158.8	–	1,167.8
Interest	47.8	47.0	23.2	–	118.0
Total borrowings	52.3	51.5	1,182.0	–	1,285.8
Lease liabilities	39.2	35.8	74.1	65.7	214.8
Trade and other payables excluding deferred income	501.3	6.0	–	–	507.3
Total non-derivatives at 31 December 2019	592.8	93.3	1,256.1	65.7	2,007.9
Derivatives					
Cash flow hedging instrument:					
– Outflow	313.6	–	–	–	313.6
– Inflow	(291.6)	–	–	–	(291.6)
Interest rate swaps	1.3	–	–	–	1.3
Total derivatives at 31 December 2019	23.3	–	–	–	23.3

29. Retirement Benefit Obligations

29.1. Defined Benefit Arrangements

Pension plans

The Group operates funded defined benefit pension plans in the US, Canada and the UK under broadly similar regulatory frameworks. All of the plans provide benefits to members in the form of a guaranteed level of pension payable for life. The level of pensions provided is determined by members' length of service and, for most of these plans, pensionable remuneration. Plan assets are held in trusts from which all benefit payments are made. The plans are governed by local regulations and practice, including the nature of the relationship between their trustees and the Group. Responsibility for governance of the plans, including investment strategy and schedules of contributions, rests primarily with the trustees, some of whom who are appointed by the Group and the remainder by the members in accordance with the rules of each plan.

There are five plans in the US, all of which are closed to both new entrants and future accrual. The active members are not required to make contributions to the plans. Pensions in payment are not subject to inflationary increase. The plan in Canada remains open to new entrants, and is contributory. Pensions in payment are subject to discretionary inflationary increase. The UK plan is closed to new entrants but remains open to future accrual. Pensions in payment are subject to annual increase based on the UK Retail Price Index.

Independent accounting valuations of all major defined benefit scheme assets and liabilities were carried out as at 31 December 2020. The US pension plans are subject to annual actuarial valuation, and were most recently valued by independent qualified actuaries as at 1 January 2020. The Canadian plan is subject to actuarial valuation at least triennially, and was most recently formally valued as at 31 December 2020 (final results to be published by Q4 2021 as per filing deadlines). The UK plan is subject to triennial actuarial valuation, and was most recently formally valued as at 6 April 2018. Employer funding contributions to the US and other funded pension plans are agreed at each formal valuation, and for the year ended 31 December 2020 totalled €7.8 million (2019: €5.0 million). Contributions for the 12 months ended 31 December 2021 are expected to amount to €4.5 million.

In this note the US plans are shown separately as 'US pensions', and the Canadian and UK plans are aggregated as 'other pensions'.

29. Retirement Benefit Obligations continued

Post-employment healthcare

The Group operates post-employment medical benefit schemes in a small number of territories, principally the US where the scheme was closed to new entrants in 1992. These schemes are unfunded. The US scheme is subject to annual actuarial valuation, and was most recently valued by independent qualified actuaries as at 1 January 2020. In this note the US scheme is shown separately as 'US healthcare', and the other healthcare liabilities are aggregated within 'other post-employment liabilities'.

Other post-employment arrangements

The Group operates certain other pension and retirement plans primarily in Germany, France, Italy, Korea, Poland and Belgium, where obligations are either partially funded or unfunded. In this note these plans are aggregated within 'other post-employment liabilities'.

29.2. Defined Benefit Arrangements in the Primary Financial Statements

The net liability for defined benefit arrangements is as follows:

a. Balance Sheet

Net liability	**US pensions €m**	**Other pensions €m**	**US healthcare €m**	**Other post-employment liabilities €m**	**Total €m**
Present value of retirement benefit obligations	**(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)

The present value of retirement benefit obligations by member type is as follows:

	2020 €m	2019 €m
Active members	**143.5**	139.3
Deferred members	**92.1**	95.6
Retirees	**220.6**	221.9
Total	**456.2**	456.8

The expected payments at 31 December 2020 for retirement benefit obligations are as follows:

	Payments expected €m
2021	**21.2**
2022	**21.2**
2023	**22.3**
2024	**22.3**
2025	**22.3**
2026 onwards	**569.8**

The implied weighted average duration at 31 December 2020 of retirement benefit obligations are as follows (in years): US pensions 12.3 (2019: 12.1), Other pensions 21.8 (2019: 20.8) and US healthcare 9.3 (2019: 9.1).

29. Retirement Benefit Obligations continued

b. Income Statement

Net income/(expense) 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)**

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.

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)

c. Statement of Comprehensive Income

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

Income/(expense)	**US pensions €m**	**Other pensions €m**	**US healthcare €m**	**Other post-employment liabilities €m**	**Total €m**
Return on assets excluding amounts recognised in the Income Statement	**13.0**	**9.5**	**–**	**–**	**22.5**
Changes in demographic assumptions	**(0.5)**	**(0.3)**	**–**	**0.2**	**(0.6)**
Changes in financial assumptions	**(22.6)**	**(14.7)**	**(4.1)**	**(3.0)**	**(44.4)**
Experience gains/(losses)	**0.5**	**(0.3)**	**(0.2)**	**0.2**	**0.2**
Change in asset ceiling	**–**	**1.2**	**–**	**–**	**1.2**
Total net expense year ended 31 December 2020	**(9.6)**	**(4.6)**	**(4.3)**	**(2.6)**	**(21.1)**

Income/(expense)	US pensions €m	Other pensions €m	US healthcare €m	Other post-employment liabilities €m	Total €m
Return on assets excluding amounts recognised in the Income Statement	26.7	11.6	–	(0.1)	38.2
Changes in demographic assumptions	1.7	0.5	0.3	(0.1)	2.4
Changes in financial assumptions	(30.4)	(15.0)	(3.1)	(6.4)	(54.9)
Experience gains/(losses)	0.9	–	0.9	(0.1)	1.7
Change in asset ceiling	–	1.9	–	–	1.9
Total net expense year ended 31 December 2019	(1.1)	(1.0)	(1.9)	(6.7)	(10.7)

29. Retirement Benefit Obligations continued

29.3. Composition of Plan Assets

Plan assets are comprised as follows:

	US pensions €m	Other pensions €m	Other post-employment liabilities €m	Total €m
Investment funds: Equities*	**89.8**	**8.4**	**–**	**98.2**
Investment funds: Credit*	**62.5**	**40.4**	**–**	**102.9**
Investment funds: Diversified growth/multi strategy*	**–**	**58.4**	**–**	**58.4**
Insurance contracts	**–**	**7.8**	**26.6**	**34.4**
Cash and cash equivalents	**4.6**	**0.4**	**0.2**	**5.2**
Plan assets at 31 December 2020	**156.9**	**115.4**	**26.8**	**299.1**

	US pensions €m	Other pensions €m	Other post-employment liabilities €m	Total €m
Investment funds: Equities*	103.7	8.6	–	112.3
Investment funds: Credit*	65.6	36.2	–	101.8
Investment funds: Diversified growth/multi strategy*	–	59.0	–	59.0
Insurance contracts	–	7.9	24.3	32.2
Cash and cash equivalents	2.4	0.2	0.2	2.8
Plan assets at 31 December 2019	171.7	111.9	24.5	308.1

* 87% and 89% of the assets held by the retirement benefit plans as of 31 December 2020 and 31 December 2019, respectively, are in investment funds comprised of underlying equity, credit and diversified growth assets with quoted market prices. Investment funds themselves are not considered quoted as they are pooled, commingled vehicles such as unit trusts and mutual funds, whereby the pension scheme owns units in the fund alongside other investors. The remaining assets held by the plan are unquoted insurance policies, principal-interest guaranteed insurance contracts and cash and cash equivalents.

29.4. Net Defined Benefit Obligations

Movements in net defined benefit obligations	Notes	**Present value of obligation €m**	**Fair value of plan assets €m**	**Deficit €m**	**Asset ceiling €m**	**Total €m**
At 1 January 2020		**(456.8)**	**308.1**	**(148.7)**	**(5.0)**	**(153.7)**
Current service cost	29.2b	**(8.7)**	**–**	**(8.7)**	**–**	**(8.7)**
Net interest (expense)/income	29.2b	**(11.2)**	**7.1**	**(4.1)**	**–**	**(4.1)**
Re-measurements	29.2c	**(44.8)**	**22.5**	**(22.3)**	**1.2**	**(21.1)**
Employer contributions		**–**	**11.9**	**11.9**	**–**	**11.9**
Employee contributions		**(0.4)**	**0.4**	**–**	**–**	**–**
Benefits and administration expenses paid		**22.6**	**(18.9)**	**3.7**	**–**	**3.7**
Settlements/curtailments	29.2b	**13.2**	**(11.0)**	**2.2**	**–**	**2.2**
Currency translation		**29.9**	**(21.0)**	**8.9**	**0.2**	**9.1**
At 31 December 2020		**(456.2)**	**299.1**	**(157.1)**	**(3.6)**	**(160.7)**

Movements in net defined benefit obligations	Notes	Present value of obligation €m	Fair value of plan assets €m	Deficit €m	Asset ceiling €m	Total €m
At 1 January 2019		(433.7)	292.1	(141.6)	(6.6)	(148.2)
Current service cost	29.2b	(8.1)	–	(8.1)	–	(8.1)
Net interest (expense)/income	29.2b	(15.2)	10.6	(4.6)	–	(4.6)
Re-measurements	29.2c	(50.8)	38.2	(12.6)	1.9	(10.7)
Employer contributions	29.2c	–	7.9	7.9	–	7.9
Employee contributions		(0.4)	0.4	–	–	–
Benefits and administration expenses paid		24.3	(21.0)	3.3	–	3.3
Settlements	29.2b	39.4	(30.1)	9.3	–	9.3
Currency translation		(12.3)	10.0	(2.3)	(0.3)	(2.6)
At 31 December 2019		(456.8)	308.1	(148.7)	(5.0)	(153.7)

29. Retirement Benefit Obligations continued

a. US pensions

Movements in net defined benefit obligations	Notes	**Present value of obligation €m**	**Fair value of plan assets €m**	**Total €m**
At 1 January 2020		**(222.9)**	**171.7**	**(51.2)**
Current service cost	29.2b	**(0.2)**	**–**	**(0.2)**
Net interest (expense)/income	29.2b	**(6.8)**	**4.4**	**(2.4)**
Re-measurements	29.2c	**(22.6)**	**13.0**	**(9.6)**
Employer contributions		**–**	**6.8**	**6.8**
Benefits and administration expenses paid		**11.4**	**(13.8)**	**(2.4)**
Settlement	29.2b	**13.1**	**(11.0)**	**2.1**
Currency translation		**18.8**	**(14.2)**	**4.6**
At 31 December 2020		**(209.2)**	**156.9**	**(52.3)**

Movements in net defined benefit obligations	Notes	Present value of obligation €m	Fair value of plan assets €m	Total €m
At 1 January 2019		(231.0)	174.2	(56.8)
Current service cost	29.2b	(0.1)	–	(0.1)
Net interest (expense)/income	29.2b	(9.5)	7.2	(2.3)
Re-measurements	29.2c	(27.8)	26.7	(1.1)
Employer contributions		–	3.8	3.8
Benefits and administration expenses paid		11.4	(14.0)	(2.6)
Settlement	29.2b	39.2	(30.1)	9.1
Currency translation		(5.1)	3.9	(1.2)
At 31 December 2019		(222.9)	171.7	(51.2)

b. Other pensions

Movements in net defined benefit obligations	Notes	**Present value of obligation €m**	**Fair value of plan assets €m**	**Surplus/ (deficit) €m**	**Asset ceiling €m**	**Total €m**
At 1 January 2020		**(107.9)**	**111.9**	**4.0**	**(5.0)**	**(1.0)**
Current service cost	29.2b	**(1.3)**	**–**	**(1.3)**	**–**	**(1.3)**
Net interest (expense)/income	29.2b	**(2.3)**	**2.4**	**0.1**	**–**	**0.1**
Re-measurements	29.2c	**(15.3)**	**9.5**	**(5.8)**	**1.2**	**(4.6)**
Employer contributions		**–**	**1.0**	**1.0**	**–**	**1.0**
Employee contributions		**(0.3)**	**0.3**	**–**	**–**	**–**
Benefits and administration expenses paid		**2.9**	**(3.1)**	**(0.2)**	**–**	**(0.2)**
Currency translation		**6.3**	**(6.6)**	**(0.3)**	**0.2**	**(0.1)**
At 31 December 2020		**(117.9)**	**115.4**	**(2.5)**	**(3.6)**	**(6.1)**

Movements in net defined benefit obligations	Notes	Present value of obligation €m	Fair value of plan assets €m	Surplus €m	Asset ceiling €m	Total €m
At 1 January 2019		(86.2)	92.8	6.6	(6.6)	–
Current service cost	29.2b	(1.1)	–	(1.1)	–	(1.1)
Net interest (expense)/income	29.2b	(2.6)	2.8	0.2	–	0.2
Re-measurements	29.2c	(14.5)	11.6	(2.9)	1.9	(1.0)
Employer contributions		–	1.2	1.2	–	1.2
Employee contributions		(0.3)	0.3	–	–	–
Benefits and administration expenses paid		3.0	(3.2)	(0.2)	–	(0.2)
Currency translation		(6.2)	6.4	0.2	(0.3)	(0.1)
At 31 December 2019		(107.9)	111.9	4.0	(5.0)	(1.0)

29. Retirement Benefit Obligations continued

c. US healthcare and other post-employment liabilities

Movements in net defined benefit obligations	Notes	**Other post-employment liabilities** Present value of obligation €m	Fair value of plan assets €m	Total €m	**US healthcare €m**	**Total €m**
At 1 January 2020		**(92.0)**	**24.5**	**(67.5)**	**(34.0)**	**(101.5)**
Current service cost	29.2b	**(7.2)**	**–**	**(7.2)**	**–**	**(7.2)**
Net interest (expense)/income		**(1.1)**	**0.3**	**(0.8)**	**(1.0)**	**(1.8)**
Re-measurements	29.2c	**(2.6)**	**–**	**(2.6)**	**(4.3)**	**(6.9)**
Employer contributions		**–**	**4.1**	**4.1**	**–**	**4.1**
Employee contributions		**(0.1)**	**0.1**	**–**	**–**	**–**
Benefits paid		**5.8**	**(1.9)**	**3.9**	**2.4**	**6.3**
Curtailments		**0.1**	**–**	**0.1**	**–**	**0.1**
Currency translation		**1.8**	**(0.3)**	**1.5**	**3.1**	**4.6**
At 31 December 2020		**(95.3)**	**26.8**	**(68.5)**	**(33.8)**	**(102.3)**

Movements in net defined benefit obligations	Notes	Other post-employment liabilities Present value of obligation €m	Fair value of plan assets €m	Total €m	US healthcare €m	Total €m
At 1 January 2019		(83.4)	25.1	(58.3)	(33.1)	(91.4)
Current service cost	29.2b	(6.9)	–	(6.9)	–	(6.9)
Net interest (expense)/income	29.2b	(1.8)	0.6	(1.2)	(1.3)	(2.5)
Re-measurements		(6.6)	(0.1)	(6.7)	(1.9)	(8.6)
Employer contributions	29.2c	–	2.9	2.9	–	2.9
Employee contributions		(0.1)	0.1	–	–	–
Benefits paid		6.9	(3.8)	3.1	3.0	6.1
Settlements		0.2	–	0.2	–	0.2
Currency translation		(0.3)	(0.3)	(0.6)	(0.7)	(1.3)
At 31 December 2019		(92.0)	24.5	(67.5)	(34.0)	(101.5)

d. Other post-employment liabilities

	2020 €m	2019 €m
Unfunded German pension plans	**26.9**	26.1
Statutory retiring indemnities in France, Italy and Korea	**19.3**	20.1
Long-service awards in Germany and Poland	**12.2**	11.2
Retirement plans in Belgium	**2.9**	2.7
Unfunded arrangements under the US and UK pension plans	**1.6**	1.6
Other liabilities	**5.6**	5.8
Total other post-employment liabilities at 31 December	**68.5**	67.5

29. Retirement Benefit Obligations continued

29.5. Principal Assumptions

The principal assumptions in measuring plan liabilities are as follows:

US Pensions	**2020**	2019
Discount rate	**2.40%**	3.20%
Mortality assumptions: life expectancy from age 65		
Retiring at the end of the current reporting year:		
Males	**23**	22
Females	**24**	23
Retiring 20 years after the end of the current reporting year:		
Males	**24**	23
Females	**25**	24

For US pensions, assumptions with regard to life expectancies from retirement at age 65 are based on Pri-2012 collar- and gender-specific mortality tables, adjusted and generationally projected using Scale MP-2020.

Other pensions	**2020**	2019
Discount rate	**1.55%**	2.25%
Inflation rate	**2.79%**	2.84%
Salary increases	**2.90%**	2.96%
Benefit increases	**3.00%**	3.10%
Mortality assumptions for other pensions: life expectancy from age 65		
Retiring at the end of the current reporting year:		
Males	**22**	22
Females	**24**	24
Retiring 20 years after the end of the current reporting year:		
Males	**23**	22
Females	**25**	25

US healthcare	**2020**	2019
Discount rate	**2.15%**	3.05%
Healthcare cost trend: Initial rate	**6.25%**	6.50%

Other post-employment liabilities	**2020**	2019
Discount rate	**1.15%**	1.45%
Inflation rate	**1.29%**	1.30%
Salary increases	**2.97%**	2.85%
Benefit increases	**1.94%**	1.95%

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.

29. Retirement Benefit Obligations continued

29.6. Pension Plans – Risk Analysis

Asset volatility	Plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets were to underperform this yield, this would create a deficit. All the funded plans hold a proportion of equities, which are expected to outperform bonds in the long term, but which are also likely to experience greater price volatility and therefore risk in the short term. As plans mature, the Group's strategy is to reduce the level of investment risk by investing more in assets whose risk profile is a better match for the liabilities.
Changes in bond yields	A decrease in bond yields has the effect of increasing plan liabilities, although this is partially offset by an increase in the value of the plans' bond holdings.
Inflation risk	The Group's pension obligations in Canada, the UK and Germany are inflation linked. Caps on the level of inflationary increases are in place to protect the plans against above normal inflation. The US pension obligations are not inflation indexed. The majority of the plan assets are not directly inflation indexed, meaning that an increase in inflation will tend to increase the deficit.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of each retired member and his/her spouse, so increases in life expectancy result in an increase in the plans' liabilities.

The investments of the funded plans are managed within an asset-liability matching framework that has been developed to achieve long-term investments that align with the obligations of the plans. One objective is to match assets to the pension obligations by investing in annuities and long-term fixed interest securities with maturities that match the benefit payments as they fall due in the appropriate currency. The plans actively monitor how the duration and the expected yield of the investments match the expected cash outflows arising from the pension obligations. The processes used to manage the risks have not changed from previous years.

Investments are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets consist of bonds and equities, although the plans also hold investment funds and liability driven investments. Equities have been shown to offer the best returns over the long term with an acceptable level of risk.

30. 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 period	15.0	16.1	0.2	31.3
Provisions used during the period	(12.1)	(2.6)	(0.3)	(15.0)
Provisions reversed during the period	(1.5)	–	–	(1.5)
Utilisation of discount	–	–	(0.1)	(0.1)
Non-cash movements	–	(7.0)	–	(7.0)
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 €m	2019 €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 five years.

31. Cash Generated from Operations

	Notes	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	15/16/17	**213.2**	229.9
Exceptional impairment charges	9/18	**304.6**	–
Loss on disposal of PP&E and intangible assets	10	**0.5**	1.6
Gain on disposal of PP&E in restructuring costs	30	**(3.4)**	–
Share-based payment excluding social security costs	7	**0.9**	1.4
Net finance expense	11	**74.0**	57.5
Unremitted share of (loss)/profit from associates	19	**4.0**	0.2
Net foreign exchange gains	10	**(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

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

32. Commitments and Contingencies

Capital Commitments

Expenditure on non-current assets authorised and contracted for at the end of the year but not yet incurred is as below:

	2020 €m	2019 €m
Intangible assets	**10.4**	7.3
Property, plant and equipment	**47.3**	46.9
Total	**57.7**	54.2

32.1. Lease Commitments

a. The Group as lessor

Property that is surplus to the Group's requirements may be sub-let to third parties. The future aggregate minimum rentals receivable under non-cancellable operating leases at 31 December 2020 was €0.3 million (2019: €0.4 million). During the year, a total of €0.6 million of rental income was recognised in the Income Statement (2019: €0.6 million).

b. The Group as lessee

The Group is committed to €4.2 million of leases, not yet commenced as at 31 December 2020 (2019: €7.2 million).

32.2. Purchase Commitments

As part of its normal business practices, the Group enters into contracts with suppliers for purchases of raw materials, components and services to facilitate adequate supply of these materials and services. These arrangements may contain fixed or minimum quantity purchase requirements. These purchase commitments are off-balance sheet agreements to purchase goods or services that are enforceable and legally binding on the Group.

The table below summarises the contractual purchase commitments as at the end of the year:

	2020 €m	2019 €m
Less than one year	**35.5**	29.3
Between one year and five years	**14.9**	13.6
After five years	**4.1**	5.0
Total	**54.5**	47.9

Contingencies

The Group has contingent liabilities relating to legal and tax proceedings arising in the normal course of business. Management reviewed known claims and litigation involving the Company and its subsidiaries at the end of the year. Based on the advice of legal counsel, appropriate provisions have been made to cover the related risks. While the outcome of any proceedings in progress cannot be predicted, the Company does not believe they will have a material impact on the Group's financial position.

33. Auditors' Remuneration

Services provided by the Company's Auditor and its associates

During the year, the Group obtained the following services from PricewaterhouseCoopers LLP, the Company's Auditor:

	2020 €m	2019 €m
Fees payable to the Company's Auditor and its associates for the audit of the Parent Company and the Group financial statements	**2.6**	1.6
Fees payable to the Company's Auditor and its associates for the audit of the Company's subsidiaries	**0.8**	0.6
Tax compliance and advisory services	**–**	0.2
Other assurance services	**0.2**	0.1
Total	**3.6**	2.5

34. Related Party Transactions and Controlling Parties

34.1. Transactions with Affiliates of the funds managed by Bain Capital

The 'funds managed by Bain Capital' represent affiliates of and funds advised by Bain Capital LLC.

During the year, the Group did not procure products and materials from companies in which the funds managed by Bain Capital, the Group's ultimate controlling party since 30 June 2015, had investment interests (2019: €0.2 million). These transactions were completed on the basis of normal commercial terms.

The Group does not incur management charges from Bain Capital LLC.

34.2. Transactions with Group Companies

Balances and transactions between Group companies have been eliminated on consolidation, and are not disclosed in this note except for subsidiaries that are not wholly owned. Transactions with those companies are made on the Group's standard terms of trade.

The Group holds 73% of the shares in Hanil Tube Corporation ('Hanil') which is located in South Korea. At 31 December 2020, Hanil had trade and loan receivables net of payables from other Group undertakings amounting to €31.4 million (2019: €25.6 million) and made sales within the Group during the year of €6.8 million (2019: €7.3 million).

The Group holds 97% of the shares in Bundy India Ltd. At 31 December 2020, Bundy India Ltd had trade and loan payables net of receivables to other Group undertakings amounting to €4.1 million (2019: €6.1 million) and made sales within the Group during the year of €6.1 million (2019: €8.4 million).

Ultimate controlling party

The funds managed by Bain Capital, via BC Omega Holdco Ltd, have been the Company's ultimate controlling party since its incorporation.

34.3. Transactions with Associates

	2020 €m	2019 €m
Amounts owed to associates	**1.1**	1.3
Purchases from associates in the year	**8.1**	10.5

Transactions with related parties other than subsidiaries are attributable solely to the ordinary business activities of the respective company and were conducted on an arm's-length basis.

35. Events After the Balance Sheet Date

On 25 January 2021, the Group announced a one-off interim dividend of €35.0 million (at 6.74 Euro cents per share) which was paid on 19 February 2021. This dividend is not considered part of the Group's annual dividend cycle for the year ended 31 December 2020.

Company Balance Sheet

At 31 December

	Notes	2020 €m	2019 €m
Non-current assets			
Investments in subsidiaries	4	**905.7**	904.8
		905.7	904.8
Current assets			
Loans due from related parties	5	**16.4**	17.4
Trade and other receivables	6	**0.1**	–
Cash and cash equivalents		**1.8**	0.1
		18.3	17.5
Total assets		**924.0**	922.3
Equity			
Share capital	7	**6.8**	6.8
Share premium	7	**2.2**	2.2
Accumulated profits		**878.7**	864.0
Total equity		**887.7**	873.0
Current liabilities			
Trade and other payables	8	**0.8**	0.7
Loans due to related parties	9	**35.5**	48.6
		36.3	49.3
Total liabilities		**36.3**	49.3
Total equity and liabilities		**924.0**	922.3

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the year. The profit for the year was €17.1 million (2019: €26.7 million).

The Financial Statements on pages 185 to 196 were authorised for issue by the Board of Directors on 15 March 2021 and were signed on its behalf by:

William L. Kozyra
Chief Executive Officer and President

Ronald Hundzinski
Chief Financial Officer

Company Statement of Changes in Equity
For the year ended 31 December

	Ordinary shares €m	Share premium €m	Accumulated profits €m	Total equity €m
Balance at 1 January 2020	**6.8**	**2.2**	**864.0**	**873.0**
Profit for the year	**–**	**–**	**17.1**	**17.1**
Share-based expense	**–**	**–**	**0.9**	**0.9**
Purchase of own shares	**–**	**–**	**(3.5)**	**(3.5)**
Issue of own shares from Employee Benefit Trust	**–**	**–**	**0.2**	**0.2**
Balance at 31 December 2020	**6.8**	**2.2**	**878.7**	**887.7**

	Ordinary shares €m	Share premium €m	Accumulated profits €m	Total equity €m
Balance at 1 January 2019	6.8	1.4	884.6	892.8
Profit for the year	–	–	26.7	26.7
Share-based expense	–	–	1.4	1.4
Net employee tax settlement from vested RSU's	–	–	(2.1)	(2.1)
Dividend paid	–	–	(46.6)	(46.6)
Shares issued to Directors and certain employees	–	0.8	–	0.8
Balance at 31 December 2019	6.8	2.2	864.0	873.0

Company Statement of Cash Flows
For the year ended 31 December

	Notes	2020 €m	2019 €m
Cash flows from operating activities			
Cash generated from operations	10	**17.9**	26.8
Net cash generated from operating activities		**17.9**	26.8
Cash flows from financing activities			
Purchase of own shares	7	**(3.5)**	–
Dividends paid		**–**	(46.6)
Net borrowings (to)/from subsidiary undertakings		**(12.7)**	15.7
Net cash used by financing activities		**(16.2)**	(30.9)
Increase/(decrease) in cash and cash equivalents		**1.7**	(4.1)
Cash and cash equivalents at the beginning of the year		**0.1**	4.2
Cash and cash equivalents at the end of the year		**1.8**	0.1

1. Summary of Significant Accounting Policies

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

1.1. Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, 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 these financial statements.

The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss ('FVTPL').

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

1.1.1. Going Concern

After making enquiries, the Directors are of the opinion that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of its financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements. See Note 1.1.1 of the consolidated financial statements for further information.

1.1.2. Functional and Presentation Currency

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

1.1.3. Changes in Accounting Policy and Disclosures

There are no amendments to standards or new standards where adoption by the Company for the first time has had a material impact on the Company's financial statements for the current financial reporting year.

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning on or after 1 January 2021, or are not yet effective because they have not yet been endorsed by the EU. These have not been applied in preparing the Company's financial statements and are not expected to have a material impact on the Company. These are discussed further in the consolidated financial statements. There are no other standards or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Company.

1.2. Foreign Currencies

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

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

The average and year-end exchange rates for the Company's principal currencies are disclosed in the consolidated financial statements.

1.3. Investments in Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are recorded in the Company's balance sheet at cost. The investments are subject to a periodic impairment review, with any resulting diminution of the carrying value recognised in the Income Statement.

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

1. Summary of Significant Accounting Policies continued

1.4. Financial Instruments

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

1.4.1. Financial Assets

Financial assets are classified into 'financial assets at amortised cost' and 'financial assets at FVTPL'. The classification is determined at the time of initial recognition and depends on the Company's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest.

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. The Company's financial assets at amortised cost comprise 'loans due from related parties' and 'cash and cash equivalents'.

Financial assets at FVTPL

A financial asset is classified in this category if it does not meet the criteria for recognition as a financial asset at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For loans due from related parties, the Company recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument 'lifetime ECL'. The Company also assesses on a forward-looking basis the expected credit losses associated with the loans due from related parties.

For all other financial instruments, the Company recognises lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers an actual or expected significant deterioration in the financial instrument's external credit rating where available; significant deterioration in external market indicators of credit risk for a particular financial instrument e.g. a significant increase in the credit spread or the credit default swap prices for the debtor, indications that any debtor is experiencing significant financial difficulty, default or delinquency in payments, an increase in the probability that any debtor will enter bankruptcy, or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.4.2. Financial Liabilities

Financial liabilities are classified as either 'financial liabilities at amortised cost' or 'financial liabilities at FVTPL'. Financial liabilities are recognised initially on the date at which the Company becomes party to the contractual provisions of the instrument.

Financial liabilities at amortised cost

The classification of financial liabilities at amortised cost is determined at the time of initial recognition and depends on the Group's business model for managing the financial liabilities and whether the contractual cash flows represent solely payments of principal and interest. Liabilities at amortised cost, including 'loans due to related parties' and trade and other payables, are measured using the effective interest method, which calculates the amortised cost of a financial liability and allocates interest expense over its term. The effective interest rate discounts estimated cash payments (including all fees, transaction costs and premiums) through the expected life of the financial liability, to the net carrying amount on initial recognition.

Financial liabilities at FVTPL

A financial liability is classified in this category if it does not meet the criteria for recognition as a financial liability at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships.

1. Summary of Significant Accounting Policies continued

1.8. Taxation

1.5. Trade and Other Payables

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

1.6. Cash and Cash Equivalents

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

1.7. Share Capital

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

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

Current tax

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

Deferred tax

Deferred income tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

1.9. Exceptional Items

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

1.10. Dividends

Receivable

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

Payable

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

2. Income Statement

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the year. The profit for the year was €17.1 million (2019: €26.7 million profit).

3. Directors' Remuneration

The Company has no employees. Full information on Directors' remuneration is disclosed in the consolidated financial statements. Non-Executive Director costs of €0.9 million (2019: €0.8 million) have been borne by the Company, all other costs have been met by other subsidiaries of the Group.

4. Investments in Subsidiaries

	2020 €m	2019 €m
At 1 January	**904.8**	903.4
Share-based expense	**0.9**	1.4
At 31 December	**905.7**	904.8

Investments in subsidiary undertakings are recorded at cost, which was the fair value of the consideration paid. No impairments have been recorded.

The grant by the Company of share-based awards over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received in the year of €0.9 million (2019: €1.4 million) measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity. Refer to Note 7 of the consolidated financial statements for more information.

The Company's subsidiary undertakings, including its operating and non-operating subsidiaries, are as follows:

		Ownership interest and voting rights held 2020	Ownership interest and voting rights held 2019	Address of registered office
Americas				
TI Group Automotive Systems LLC*	US	**100%**	100%	2020 Taylor Road, Auburn Hills, MI 48326
TI Automotive LLC*	US	**100%**	100%	2020 Taylor Road, Auburn Hills, MI 48326
Hanil USA LLC*	US	**100%**	100%	50 Hanil Drive, Tallassee, Alabama, 36078
Hutchings International Enterprises Inc. (Dormant)	US	**100%**	100%	2020 Taylor Road, Auburn Hills, MI 48326
Omega Newco Sub Inc.*	US	**100%**	100%	1209 Orange Street, City of Wilmington, New Castle 19801
TI Automotive Ligonier Corporation*	US	**100%**	100%	925 North Main Street, Ligonier, IN 46767
TI Automotive Canada Inc.*	Canada	**100%**	100%	316 Orenda Road, Bramalea, Ontario, Canada, L6T 1G3
TI Group Automotive Systems S de RL de CV	Mexico	**100%**	100%	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
TI Automotive Reynosa S de RL de CV	Mexico	**100%**	100%	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
TI-Hanil Mexico S de RL de CV	Mexico	**100%**	100%	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
Fabricaciones Electromecanicas SA de CV (Dormant)	Mexico	**100%**	100%	Via Jose Lopez Portillo 8-A, Tultitlan, Estado de Mexico, Mexico 54940
Marwal de Mexico SA de CV	Mexico	**100%**	100%	Via Jose Lopez Portillo 8-A, Tultitlan, Estado de Mexico, Mexico 54940
TI Brasil Industria e Comercio Ltda	Brazil	**100%**	100%	Rodovia Presidente Dutra, Km 145, 7 Sao Jose dos Campos, SP-Brasil CEP 12220-611
Bundy Colombia SAS	Colombia	**100%**	100%	Carrera 13A No 6-98 Parque Industrial Montana, Mosquero, Cundinamarca, 34225
TI Automotive Argentina SA	Argentina	**100%**	100%	Uruguay 4351, Victoria, San Fernando, Buenos Aires, Argentina, B1644 HKO
Europe and Africa				
Omega Acquisition Bidco Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Korean Won Hedgco Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Korean Won Hedgco II Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
Omega Newco Sub I Ltd	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2020	Ownership interest and voting rights held 2019	Address of registered office
Omega Newco Sub II Ltd	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TIFS Holdings Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Holdings Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Euro Holdings Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive USA Holdings Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (Deeside) Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (UK) Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Canada Holdings Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive (China) Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Czech Holdings (UK) Ltd	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive German Holdings (UK) Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
Hanil Tube Holdings Ltd	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Finance plc (Dormant)**	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Nominees Ltd (Dormant)**	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Pension Plan Trustee Ltd (Dormant)**	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (Belgium) SA*	Belgium	**100%**	100%	Rue Wérihet 61, B-4020 Wandre (Liège)
TI Automotive AC sro	Czech Republic	**100%**	100%	Belgická 4727/17, Rýnovice, 466 05 Jablonec nad Nisou
TI Group Automotive Systems sro	Czech Republic	**100%**	100%	Belgická 4727/17, Rýnovice, 466 05 Jablonec nad Nisou
TI Automotive France Holdings SAS	France	**100%**	100%	1, avenue Ampère, Zone Industrielle, 51000 Châlons-en Champagne, France
TI Automotive Fuel Systems SAS	France	**100%**	100%	1, avenue Ampère, Zone Industrielle, 51000 Châlons-en Champagne, France
TI Group Automotive Systems SAS	France	**100%**	100%	Z.I. Bld de l'industrie 37530 Nazelles-Negron, France
TI Automotive Holdings GmbH*	Germany	**100%**	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive (Ettlingen) GmbH*	Germany	**100%**	100%	Hertzstrasse 24-30, 76275 Ettlingen
TI Automotive (Fuldabruck) GmbH*	Germany	**100%**	100%	Industriestrasse 3, 34277 Fuldabruck
TI Automotive (Heidelberg) GmbH*	Germany	**100%**	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive Systems Germany GmbH*	Germany	**100%**	100%	Dischingerstr. 11, 69123 Heidelberg

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2020	Ownership interest and voting rights held 2019	Address of registered office
TI Automotive Engineering Centre (Heidelberg) GmbH*	Germany	**100%**	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive Technology Center GmbH*	Germany	**100%**	100%	Lochfeldstraße 31, 76437 Rastatt
TI Automotive (Hungary) Kft	Hungary	**100%**	100%	H-9027, Györ, Körtefa utca, 6.ép
TI Automotive Italia Holdings Srl	Italy	**100%**	100%	Via Mosè Bianchi, 71-20149 Milano
TI Automotive Cisliano Srl	Italy	**100%**	100%	Via Abbiategrasso, 20080 Cisliano (MI)
TI Automotive Brindisi Srl	Italy	**100%**	100%	Via Pinan, 2-16012 Busalla (GE)
TI Group Automotive Systems SpA	Italy	**100%**	100%	Via Pinan, 2-16012 Busalla (GE)
TI Poland sp.zo.o*	Poland	**100%**	100%	Bestwin´ska 143 a, Bielsko-Biala, 43-346, Poland
LLC TI Automotive	Russia	**100%**	100%	Russian Federation 188643, Leningradskaya region, Vsevolozhsk, Vsevolozhskiy prospect, 113
Hanil RUS LLC	Russia	**100%**	100%	Russian Federation 188643, Leningradskaya region, Vsevolozhsk, Vsevolozhskiy prospect, 113
TI-Hanil Slovakia s.r.o.	Slovakia	**100%**	100%	Krásno nad Kysucou 2203, 023 02 Krásno nad Kysucou, Slovakia
TI Automotive Slovakia s.r.o (Dormant)	Slovakia	**100%**	100%	Prilohy 46, Zavar, Slovakia, 91926
TI Automotive proizvodnja avtomobilskih delov, d.o.o.	Slovenia	**100%**	100%	Belokranjska cesta 4, 8000 Novo mesto
TI Automotive Morocco Sarl	Morocco	**100%**	100%	Zone Franche D'Exportation, Ilot 62, lot 2, PL1, 90090, Tangier, Morocco
TI Automotive Thermal Morocco Sarl	Morocco	**100%**	100%	Tangier Automotive City, Lot 111 -11bis, Tangier, Morocco
TI Group Automotive Systems (South Africa) (Pty) Ltd	South Africa	**100%**	100%	62 Palmgate Crescent, Southgate Business Park, Umbogintwini, 4026, South Africa
TI Automotive Fuel Systems (South Africa) (Pty) Ltd	South Africa	**100%**	100%	EW1 Building Zone 1A, Mdubu Road, Sunnyridge, East London 5208, South Africa
TI Automotive Pamplona SL	Spain	**100%**	100%	Polígono Industrial Comarca 1, calle E, s/n. 31195 Berrioplano (Navarra), Spain
TI Group Automotive Systems SA	Spain	**100%**	100%	Carretera. San Adrián-La Roca, Km. 15,9, 08170 Montornés del Valles, Barcelona, Spain
TI Group Automotive Systems Spain Holdings S.L.	Spain	**100%**	100%	Carretera. San Adrián-La Roca, Km. 15,9, 08170 Montornés del Valles, Barcelona, Spain
TI Group Automotive Systems AB	Sweden	**100%**	100%	PO Box 904, 531 19 Lidkoping, Sweden
TI Otomotiv Sanayi ve Ticaret Ltd	Turkey	**100%**	100%	Nosab Sedir Cad. 203. Sok. No: 6 16140 Nilüfer Bursa
Asia Pacific				
Bundy Fluid Systems Co Ltd	China	**100%**	100%	No. 57 Longhai Road ETDZ, Qinhuangdao City
Bundy Fluid Systems (Chongqing) Co Ltd	China	**100%**	100%	Building C1, Zone C, Number 5 Workshop, Standard Workshop Project Phase 1, Huachao Industrial Park, Cuiyun Road, Northern New District, Chongqing
Bundy Fluid Systems (Shanghai) Co Ltd	China	**100%**	100%	34 Bundy Workshop, 409 Hua Jing Road, Waigaoqiao FTZ, Shanghai
TI Automotive (Tianjin) Co Ltd	China	**100%**	100%	No.6 Xiang'an Road, TEDA Tianjin
TI Automotive Systems (Changchun) Co Ltd	China	**100%**	100%	2599 Zi Bo Rd., Economic Technological Development Zone, Changchun
TI Automotive Systems (Shanghai) Co Ltd	China	**100%**	100%	Bld 1, Bld 2, No 100 Yin Long Road, Jiading District, Shanghai

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2020	Ownership interest and voting rights held 2019	Address of registered office
TI Fluid Systems (Chengdu) Ltd	China	**100%**	0%	No 1 Building, Aerospace Sega Science & Technology Industrial Park, No 889 Wenbai Avenue, Baihe Subdistrict, Economic & Technological Development Zone (Longquanyi District), Chengdu, Sichuan
Wuhan Bundy Fluid Systems Co Ltd	China	**100%**	100%	Wuhan Economic & Technological Development Zone
TI Automotive (Hong Kong) Holdings Ltd	Hong Kong	**100%**	100%	Suite 1B, 8/F., Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong
Bundy India Ltd	India	**97%**	97%	Plot 2 GIDC Industrial Estate, Makarpura, Baroda, 390010, India
Hanil Tube India Private Ltd	India	**100%**	100%	B-75, SIPCOT Industrial Area, Chennai 600-058, Tamu Nadu
PT TI Automotive Indonesia	Indonesia	**100%**	100%	Jl. Cempaka Raya km.37, Jatimulya, Bekasi, Tambun Selatan, Jawa Barat
TI Automotive Japan Ltd	Japan	**100%**	100%	3-29-1 Tsuruya-Cho, Kanagawa-ku, Yokohama-city, Kanagawa Pref, Japan, 221-0835
Hanil Tube Corporation	South Korea	**73%**	73%	17, Wonjeon-ro, Seo-gu, Incheon, Korea 22744
TI Automotive Ltd (Korea)	South Korea	**100%**	100%	708, Baeksuk-Dong, Cheonan City, Chungnam, 330220
TI Automotive (Thailand) Ltd	Thailand	**100%**	100%	700/652 Moo 1, Amata Nakorn Industrial Estate, Tambon PanThong, Amphur PhanThong, Chonburi, Thailand, 20160
TI Automotive ROH (Thailand) Ltd	Thailand	**100%**	100%	700/652 Moo 1, Amata Nakorn Industrial Estate, Tambon PanThong, Amphur PhanThong, Chonburi, Thailand, 20160

* Companies identified by an asterisk, together with certain other smaller subsidiaries, are guarantors to the 2015 term loan agreements of TI Group Automotive Systems LLC.
** Companies that are dormant in the UK and are exempt from preparing individual financial statements by virtue of section 394A of Companies Act 2006.

All companies above are incorporated and unless dormant, operate principally in the country indicated. All companies operate in the global automotive component supply sector. Omega Acquisition Bidco Ltd is the only immediate subsidiary of the Company.

5. Loans Due from Related Parties

	2020 €m	2019 €m
Loans due from related parties	**16.4**	17.4

Loans due from a related party at 31 December 2020 comprised an amount drawn against Euro-denominated intercompany facility agreements from a subsidiary undertaking totalling €16.4 million (2019: €17.4 million). The loans are repayable in full on demand and bore interest at six-month EURIBOR plus a margin of 4.25% (2019: 4.25%) according to the agreed facility.

6. Trade and Other Receivables

	2020 €m	2019 €m
Other receivables	**0.1**	–
Total trade and other receivables	**0.1**	–

The Company has paid directly certain PAYE obligations of the CEO and CFO which are recoverable in full. Details are disclosed in the Remuneration Report. See page 83.

7. Issued Share Capital

	Number of shares	Nominal value of each share	Ordinary shares £m	Ordinary shares €m	Share premium €m	Total €m
At 1 January 2019	519,901,503	£0.01	5.2	6.8	1.4	8.2
Shares issued	367,638	£0.01	–	–	0.8	0.8
At 31 December 2019	520,269,141	£0.01	5.2	6.8	2.2	9.0
At 31 December 2020	**520,269,141**	**£0.01**	**5.2**	**6.8**	**2.2**	**9.0**

In the prior year, 367,638 ordinary shares were issued in connection with the Company's Deferred Bonus Plan.

The Company holds shares in the TI Fluid Systems Employee Benefit Trust ('EBT') for the purpose of satisfying awards made to employees under the TI Fluid Systems Plc Long-Term Incentive Plan and Deferred Bonus Plan. Such shares are shown as a deduction to equity in the Statement of Changes in Equity and are not treated as outstanding for the purposes of calculating earnings per share.

The movements in ordinary shares held by the EBT in the current and prior year were as follows:

	Number of shares	€m
At 1 January 2019	**176,729**	**–**
Forfeited to EBT by Restricted Stock Award holders	513,165	–
Release to satisfy vested Restricted Stock Units	(269,138)	–
At 31 December 2019	**420,756**	**–**
Market purchase	1,572,175	3.5
Release to satisfy Deferred Bonus Plan	(493,024)	(0.2)
At 31 December 2020	**1,499,907**	**3.3**

The Company is a public limited company which is incorporated and domiciled in England and Wales, with registered number 09402231.

8. Trade and Other Payables

	2020 €m	2019 €m
Accrued expenses	**0.8**	0.7
Total trade and other payables	**0.8**	0.7

9. Loans Due to Related Parties

	2020 €m	2019 €m
Loans due to related parties	**35.5**	48.6

Loans due to related parties at 31 December 2020 comprised an amount drawn against Euro-denominated intercompany facility agreement from a subsidiary undertaking totalling €32.0 million (2019: €48.6 million). The loans are repayable in full on demand and therefore have been classified as currently payable.

The loans bore interest at six-month EURIBOR plus a margin between 2.75% and 4.25% (2019: 2.75% and 4.25%).

During the year, a subsidiary undertaking of the Company loaned funds of €3.5 million to the Company's Employee Benefit Trust (EBT), which is consolidated in accordance with Note 1.2 of the consolidated financial statements. These funds were subsequently used by the EBT to acquire shares in the Company, on market. Shares held by the trust are accounted for as treasury shares and accordingly are shown as a deduction in equity in the Company financial statements.

10. Cash Generated from Operations

	2020 €m	2019 €m
Profit for the year	**17.1**	26.7
Adjustments for:		
Net interest income	**0.7**	0.3
Net foreign exchange losses	**0.1**	–
Changes in working capital:		
– Trade and other receivables	**(0.1)**	–
– Trade and other payables	**0.1**	(0.2)
Cash generated from operations	**17.9**	26.8

Profit for the year includes dividends received of €18.0 million (2019: €30.0 million).

11. Events After the Balance Sheet Date

On 25 January 2021, the Company announced a one-off interim dividend of €35.0 million (at 6.74 Euro cents per share) which was paid on 19 February 2021. This dividend is not considered part of the Company’s annual dividend cycle for the year ended 31 December 2020.

Consolidated Income Statement

For the years ended 31 December

		Unaudited			
	2020 €m	2019 €m	2018 €m	2017 €m	2016 €m
Revenue	**2,814.5**	3,411.1	3,472.8	3,490.9	3,348.6
Cost of sales before exceptional items	**(2,493.1)**	(2,922.7)	(2,938.2)	(2,928.5)	(2,801.1)
Exceptional items	**(120.4)**	–	–	–	–
Gross profit	**201.0**	488.4	534.6	562.4	547.5
Distribution costs	**(83.7)**	(95.0)	(102.4)	(103.7)	(103.6)
Administrative expenses before exceptional items	**(145.1)**	(141.7)	(164.5)	(177.8)	(188.6)
Exceptional items	**(184.2)**	–	–	(40.2)	(23.2)
Administrative expenses after exceptional items	**(329.3)**	(141.7)	(164.5)	(218.0)	(211.8)
Other income	**8.5**	6.7	12.2	7.7	6.5
Net foreign exchange gains/(losses)	**27.2**	0.5	1.2	24.6	(2.0)
Operating (loss)/profit	**(176.3)**	258.9	281.1	273.0	236.6
Finance income	**3.5**	15.0	14.3	11.2	10.1
Finance expense before exceptional items	**(77.5)**	(72.5)	(67.0)	(100.1)	(115.2)
Exceptional items	**–**	–	(11.8)	(26.4)	–
Finance expense after exceptional items	**(77.5)**	(72.5)	(78.8)	(126.5)	(115.2)
Net finance expense after exceptional items	**(74.0)**	(57.5)	(64.5)	(115.3)	(105.1)
Share of (loss)/profit of associates	**(3.5)**	0.3	0.5	0.3	1.3
(Loss)/profit before income tax	**(253.8)**	201.7	217.1	158.0	132.8
Income tax expense before exceptional items	**(28.1)**	(57.1)	(77.0)	(68.2)	(88.9)
Exceptional items	**29.7**	–	–	25.4	–
Income tax credit/(expense) after exceptional items	**1.6**	(57.1)	(77.0)	(42.8)	(88.9)
(Loss)/profit for the year	**(252.2)**	144.6	140.1	115.2	43.9
(Loss)/profit for the year attributable to:					
Owners of the Parent Company	**(254.1)**	141.6	137.8	112.5	42.2
Non-controlling interests	**1.9**	3.0	2.3	2.7	1.7
	(252.2)	144.6	140.1	115.2	43.9

Consolidated Balance Sheet

At 31 December

	2020 €m	Unaudited 2019 €m	2018 €m	2017 €m	2016 €m
Non-current assets					
Intangible assets	**883.8**	1,182.2	1,229.8	1,273.9	1,412.8
Right-of-use assets	**124.9**	161.4	–	–	–
Property, plant and equipment	**590.8**	715.0	706.5	686.8	699.7
Investments in associates	**14.6**	19.2	19.6	19.2	19.4
Derivative financial instruments	**–**	–	5.4	8.3	28.4
Deferred income tax assets	**62.4**	25.1	34.9	51.0	69.9
Trade and other receivables	**18.9**	21.6	14.8	13.4	12.9
	1,695.4	2,124.5	2,011.0	2,052.6	2,243.1
Current assets					
Inventories	**351.4**	367.1	352.8	329.3	298.5
Trade and other receivables	**534.8**	574.5	578.3	588.3	613.1
Current income tax assets	**13.7**	13.7	4.4	8.2	9.6
Derivative financial instruments	**0.4**	18.4	8.5	5.3	6.1
Financial assets at fair value through profit and loss	**0.9**	0.9	1.2	2.9	2.9
Cash and cash equivalents	**485.8**	411.7	360.1	287.2	196.2
	1,387.0	1,386.3	1,305.3	1,221.2	1,126.4
Total assets	**3,082.4**	3,510.8	3,316.3	3,273.8	3,369.5
Equity					
Share capital	**6.8**	6.8	6.8	6.8	493.7
Share premium	**2.2**	2.2	1.4	404.3	–
Other reserves	**(137.7)**	(106.1)	(126.3)	(130.5)	(64.5)
Accumulated profits/(losses)	**987.7**	1,261.7	1,175.7	640.9	36.2
Equity attributable to owners of the Parent Company	**859.0**	1,164.6	1,057.6	921.5	465.4
Non-controlling interests	**25.2**	24.5	22.5	20.3	19.0
Total equity	**884.2**	1,189.1	1,080.1	941.8	484.4
Non-current liabilities					
Trade and other payables	**20.0**	12.3	17.1	17.6	12.1
Borrowings	**1,069.3**	1,148.5	1,179.3	1,178.2	1,695.8
Lease liabilities	**122.4**	138.0	–	–	–
Derivative financial instruments	**–**	–	45.3	72.4	19.2
Deferred income tax liabilities	**104.3**	128.5	141.6	159.8	221.5
Retirement benefit obligations	**160.7**	153.7	148.2	162.4	193.0
Provisions	**4.9**	5.0	4.9	5.5	7.2
	1,481.6	1,586.0	1,536.4	1,595.9	2,148.8
Current liabilities					
Trade and other payables	**614.1**	611.2	608.4	637.6	635.2
Current income tax liabilities	**40.7**	48.7	60.2	69.6	71.3
Borrowings	**7.4**	2.4	4.4	3.0	2.9
Lease liabilities	**28.6**	28.7	–	–	–
Derivative financial instruments	**0.2**	25.4	2.8	3.4	4.6
Provisions	**25.6**	19.3	24.0	22.5	22.3
	716.6	735.7	699.8	736.1	736.3
Total liabilities	**2,198.2**	2,321.7	2,236.2	2,332.0	2,885.1
Total equity and liabilities	**3,082.4**	3,510.8	3,316.3	3,273.8	3,369.5

The consolidated financial record presents the financial results for those businesses that were part of the Group for the years ended 31 December 2016 to 31 December 2020 inclusive.

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

Report on the audit of the financial statements

Opinion

In our opinion, TI Fluid Systems plc's Group financial statements and company financial statements (the "financial statements"):
– give a true and fair view of the state of the Group's and of the company's affairs as at 31 December 2019 and of the Group's profit and the Group's and the company's cash flows for the year then ended;
– have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
– have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2019; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

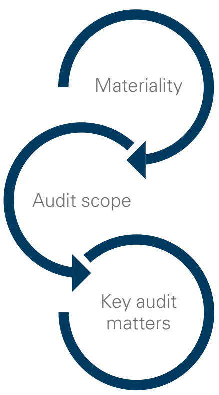
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities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

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

Other than those disclosed in note 31 to the financial statements, we have provided no non-audit services to the Group or the company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview



– Overall Group materiality: €9.0 million (2018: €10.5 million), based on 5% of profit before tax, adjusted for exceptional items.
– Overall company materiality: €8.5 million (2018: €8.9 million), based on 1% of net assets.

– There are no significant components within the Group.
– Following our assessment of the risks of material misstatement in the Group financial statements, we performed full scope audit work on 18 (2018: 15) components. In addition, targeted specified procedures were performed on eight (2018: eight) components.
– The Group audit team in the UK performed audit procedures on the consolidation and accounting areas that are centralised in the UK, including goodwill and intangible asset impairment assessments, corporate taxation, defined benefit pension obligations and treasury balances and transactions.
– This scope of work provided coverage of 74% (2018: 70%) of revenue, 72% (2018: 67%) of operating profit and 74% (2018: 75%) of net assets.

Our assessment of the risk of material misstatement also informed our views on the areas of particular focus in our work which are listed below:
– warranty provisioning;
– deferred tax asset recognition and provisioning for uncertain tax positions; and
– goodwill and intangible assets impairment assessment.

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

Capability of the audit in detecting irregularities, including fraud
Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, the UK Corporate Governance Code, UK tax legislation and equivalent local laws and regulations applicable to component teams, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent journal entries (for example journal entries to increase profit) and bias in relation to judgements and estimates, particularly in the area of warranty provisioning. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:
– validating the support behind assumptions and judgements made by management in their significant accounting estimates including comparison against possible alternatives, for example in relation to retirement benefit obligations;
– identifying and substantively testing higher risk journal entries, in particular any that increased profit, that had unusual account combinations or were posted by senior management;
– discussions with internal audit, the Group's legal counsel and senior Group and divisional management including views on accounting judgements and estimates, and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
– reading the minutes of the Board meetings;
– review of internal audit reports in so far as they related to the financial statements;
– review of legal expense accounts to identify significant legal spend which may be indicative of serious breaches of laws and regulations; and
– review of component teams' working papers in Belgium, Brazil, China, Germany, India, Korea, Mexico, Poland, Turkey and USA with a particular focus on their significant matters.

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

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

Key audit matter	How our audit addressed the key audit matter
Warranty provisioning Refer to the Audit & Risk Committee report on page 66, Note 1 (Summary of Significant Accounting Policies) and Note 28 (Provisions). The Group is exposed to warranty claims in the event that products fail to perform in accordance with previously agreed specifications. Warranty provisions are made to cover potential liabilities which arise from this situation. The warranty provision at 31 December 2019 to cover potential exposures on existing claims is €13.9 million (2018: €18.4 million). The outcome of warranty claims is often difficult to predict as the settlement can be dependent on the customer relationship, the complexity of the issue and the negotiation process. Due to this, there is a possibility for a range of outcomes on warranty matters.	We focused on the judgements and estimates made by management in assessing the likelihood and quantification of material exposures. Our procedures, at a Group and component level, were designed to assess sufficiency of the warranty provision and included: – understanding the nature of the specific claims through discussions with management and reviewing correspondence with customers; – assessing management's evaluation of the likelihood and extent of exposure, the terms of the contract with the customer, the underlying issue with the relevant product and the status of negotiations with the customer; – discussing with senior Group and divisional executives and personnel involved in the negotiation of the specific issues and making enquiries to assess whether all material open issues have been assessed for provisioning purposes; – reviewing internal management reporting to assess whether all material open issues have been considered in the context of completeness of warranty provisioning; – discussions with executive management to understand the status of negotiations on the specific issues; – challenging management on the extent of the warranty provision based on information available and presenting and evaluating alternate settlement scenarios; and – evaluating historical settlements against the initial provisions to assess management's ability to make accurate estimates. Based on the work performed and our evaluation of the range of possible outcomes on each matter individually and in aggregate we believe the warranty provision is materially correct.
Deferred tax asset (DTA) recognition and provisioning for uncertain tax positions (UTPs) Refer to the Audit & Risk Committee report on page 66, Note 1 (Summary of Significant Accounting Policies) and Note 12 (Income Tax). The Group has a wide geographic footprint and is subject to tax laws in a number of jurisdictions. The Group has recognised provisions against UTPs, the valuation of which is an inherently judgemental area. As at 31 December 2019, the Group has UTP provisions of €33.8 million (2018: €34.7 million). As at 31 December 2019, the Group has recognised €25.1 million (2018: €34.9 million) of DTAs on the balance sheet, the valuation of which involves judgement and estimates. Realisation of the assets will be dependent on a number of factors including appropriate taxable temporary timing differences and whether there will be sufficient taxable profits in future periods.	In conjunction with our tax specialists, we evaluated and challenged management's judgements and estimates in respect of tax exposures to assess the sufficiency of the Group provisions. Our procedures included: **Provisioning for uncertain tax positions** – reviewing recent correspondence with relevant tax authorities and assessing the complexity and developments in the tax environment in the relevant territories; – obtaining and evaluating certain third party tax opinions that the Group has obtained to assess the appropriateness of assumptions used; – involving our subject matter experts in the relevant territory to understand and evaluate the tax practices and assessing the provision in this context; and – presenting and evaluating alternative scenarios to assess the impact of a range of possible outcomes and the impact of these outcomes on the provision. **Deferred tax asset recognition** – we evaluated management's assessment as to whether there will be sufficient taxable profits in future periods to support the recognition of deferred tax assets by evaluating the future cash flow forecasts and the process by which they were prepared, including testing the underlying calculations and comparing forecasts to historical performance; and – assessing the recoverability of DTAs by considering the future forecast taxable profit as per the Board approved medium term plans. Based on the evidence obtained we consider that the UTP provisions and DTAs are materially correct and that the related disclosures are appropriate.

Key audit matter	How our audit addressed the key audit matter
Goodwill and intangible assets impairment assessment Refer to the Audit & Risk Committee report on page 66, Note 1 (Summary of Significant Accounting Policies) and Note 14 (Intangible Assets). The Group holds goodwill of €739.0 million (2018: €733.3 million) and intangible assets of €443.2 million (2018: €496.5 million) as at 31 December 2019. All Cash Generating Units (CGUs) containing goodwill must be tested for impairment annually. The determination of the recoverable amount requires judgement by management in valuing the relevant CGUs through value in use models utilising discounted cash flows calculations. There are judgements and estimates involved in management's impairment review including cash flow forecasts, discount rates and long term growth rates. A change in these assumptions could result in changes to the recoverable amount attributed to the CGUs.	We reviewed management's impairment model and focused our audit on challenging the key judgements and estimates. Procedures performed included: – verifying the accuracy of the underlying calculations in the model and agreeing the cash flow forecasts to the latest medium term plan approved by the Board; – evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting, examining the support for forecast cash flows and assessing CGU specific cash flow assumptions such as testing the exclusion of cash flows to improve or enhance the CGU's performance; – evaluating management's forecasting accuracy by comparing previous period outturn with forecasts for those periods made as part of the Board approved medium term plans; – validating the source of industry volume data which management used to prepare their plans and assessing the credibility of the source by testing the accuracy of past volume predictions in the market; – on a sample basis, obtaining evidence in the form of award letters from customers for future business; – engaging our valuation specialists to assess the appropriateness of discount rates and long term growth rates considering the risks specific to the geographies and relevant industry of the CGUs being tested for impairment; – evaluating management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions and performing independent sensitivity calculations to quantify the downside changes to management's model required to result in an impairment; and – assessing the appropriateness of the related disclosures in the financial statements. Based on this work, we consider that the carrying value of goodwill is materially correct and we believe that the disclosures in the financial statements are appropriate.

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

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

The Group operates across four geographical territories of Europe, North America, Asia Pacific and Latin America and two divisions of Fluid Carrying Systems (FCS) and Fluid Tank Delivery Systems (FTDS). Each division consists of a large number of components spread across a number of countries. Overall, the Group operates in 108 locations across 28 countries.

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

We have performed full scope audits on the financial information of 18 components (2018: 15 components) and specific audit procedures based on risk and materiality on the financial information of eight components (2018: eight components). This is supplemented by analytical procedures on the components that are not in scope. The Group audit team in the UK performed audit procedures on the consolidation and accounting areas that are centralised in the UK, including goodwill and intangible asset impairment assessments, corporate taxation, defined benefit pension obligations and treasury balances and transactions.

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

We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with the component auditors throughout the audit cycle. These interactions included attending certain component clearance meetings and holding regular conference calls, as well as reviewing and assessing any matters reported. The Group engagement team also reviewed selected audit working papers for components in Belgium, Brazil, China, Germany, India, Korea, Mexico, Poland, Turkey and the USA with a particular focus on their significant risks. In addition, senior members of the Group engagement team visited component teams in Belgium, Brazil, China, India, Mexico, Poland and the USA. These visits included meetings with component management and with the component auditors.

The Group audit team has performed the audit of the parent company.

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

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

	Group financial statements	Company financial statements
Overall materiality	€9.0 million (2018: €10.5 million).	€8.5 million (2018: €8.9 million).
How we determined it	5% of profit before tax, adjusted for exceptional items.	1% of net assets.
Rationale for benchmark applied	Profit before tax adjusted for exceptional items is the primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark. Adjusting for exceptional items provides a consistent year on year basis for determining materiality. Materiality was determined as 5% of profit before tax, adjusted for exceptional items at the planning stage based on forecast results. We reassessed our preliminary assessment of materiality in light of the Group's actual results which did not result in a change.	There is no trading activity within the company and net assets are therefore an appropriate benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between €450,000 and €5,000,000.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above €450,000 (Group audit) (2018: €520,000) and €430,000 (Company audit) (2018: €450,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report	In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06) In light of the knowledge and understanding of the Group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)
The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group	We have nothing material to add or draw attention to regarding: – The directors' confirmation on page 28 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. – The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. – The directors' explanation on page 45 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and company and their environment obtained in the course of the audit. (Listing Rules)
Other Code Provisions	We have nothing to report in respect of our responsibility to report when: – The statement given by the directors, on page 83, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and company obtained in the course of performing our audit. – The section of the Annual Report on pages 64 to 68 describing the work of the Audit & Risk Committee does not appropriately address matters communicated by us to the Audit & Risk Committee. – The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.
Directors' Remuneration	In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

– we have not received all the information and explanations we require for our audit; or
– adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
– certain disclosures of directors' remuneration specified by law are not made; or
– the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

The Group in its current form came into existence in 2001 and we have been its auditor since that year. The period of total uninterrupted engagement is 19 years, covering the years ended 31 December 2001 to 31 December 2019. We were previously the auditors of the Group from which this Group was demerged.

The Group listed on the London Stock Exchange in October 2017. Prior to the listing, following an audit tender in 2017, we were re-appointed as auditors by the Directors for the year ended 31 December 2017.

Andrew Hammond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
16 March 2020

Consolidated Income Statement

For the year ended 31 December

Continuing operations	Notes	2019 €m	2018 €m
Revenue	4	**3,411.1**	3,472.8
Cost of sales	5	**(2,922.7)**	(2,938.2)
Gross profit		**488.4**	534.6
Distribution costs	5	**(95.0)**	(102.4)
Administrative expenses	5	**(141.7)**	(164.5)
Other income	10	**6.7**	12.2
Net foreign exchange gains		**0.5**	1.2
Operating profit		**258.9**	281.1
Finance income	11	**15.0**	14.3
Finance expense	11	**(72.5)**	(67.0)
Exceptional items	9	**–**	(11.8)
Finance expense after exceptional items	11	**(72.5)**	(78.8)
Net finance expense after exceptional items	11	**(57.5)**	(64.5)
Share of profit of associates	17	**0.3**	0.5
Profit before income tax		**201.7**	217.1
Income tax expense	12	**(57.1)**	(77.0)
Profit for the year		**144.6**	140.1
Profit for the year attributable to:			
Owners of the Parent Company		**141.6**	137.8
Non-controlling interests	23	**3.0**	2.3
		144.6	140.1
Total earnings per share (Euro cents)			
Basic	13	**27.24**	26.53
Diluted	13	**27.24**	26.44

Consolidated Statement of Comprehensive Income
For the year ended 31 December

	Notes	2019 €m	2018 €m
Profit for the year		**144.6**	140.1
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
– Re-measurements of retirement benefit obligations	27	**(10.7)**	16.9
– Income tax credit/(expense) on retirement benefit obligations	12	**2.3**	(4.3)
		(8.4)	12.6
Items that may be subsequently reclassified to profit or loss			
– Currency translation		**14.8**	11.8
– Cash flow hedges	22	**4.9**	(0.3)
– Net investment hedges	22	**0.3**	(7.2)
		20.0	4.3
Other comprehensive income for the year, net of tax		**11.6**	16.9
Total comprehensive income for the year		**156.2**	157.0
Attributable to:			
– Owners of the Parent Company		**153.4**	154.6
– Non-controlling interests	23	**2.8**	2.4
Total comprehensive income for the year		**156.2**	157.0

Consolidated Balance Sheet
At 31 December

	Notes	2019 €m	2018 €m
Non-current assets			
Intangible assets	14	**1,182.2**	1,229.8
Right-of-use assets	16	**161.4**	–
Property, plant and equipment	15	**715.0**	706.5
Investments in associates	17	**19.2**	19.6
Derivative financial instruments	26	**–**	5.4
Deferred income tax assets	12	**25.1**	34.9
Trade and other receivables	19	**21.6**	14.8
		2,124.5	2,011.0
Current assets			
Inventories	18	**367.1**	352.8
Trade and other receivables	19	**574.5**	578.3
Current income tax assets	12	**13.7**	4.4
Derivative financial instruments	26	**18.4**	8.5
Financial assets at fair value through profit and loss	20	**0.9**	1.2
Cash and cash equivalents	20	**411.7**	360.1
		1,386.3	1,305.3
Total assets		**3,510.8**	3,316.3
Equity			
Share capital	21	**6.8**	6.8
Share premium	21	**2.2**	1.4
Other reserves	22	**(106.1)**	(126.3)
Accumulated profits		**1,261.7**	1,175.7
Equity attributable to owners of the Parent Company		**1,164.6**	1,057.6
Non-controlling interests	23	**24.5**	22.5
Total equity		**1,189.1**	1,080.1
Non-current liabilities			
Trade and other payables	24	**12.3**	17.1
Borrowings	25	**1,148.5**	1,179.3
Lease liabilities	16	**138.0**	–
Derivative financial instruments	26	**–**	45.3
Deferred income tax liabilities	12	**128.5**	141.6
Retirement benefit obligations	27	**153.7**	148.2
Provisions	28	**5.0**	4.9
		1,586.0	1,536.4
Current liabilities			
Trade and other payables	24	**611.2**	608.4
Current income tax liabilities	12	**48.7**	60.2
Borrowings	25	**2.4**	4.4
Lease liabilities	16	**28.7**	–
Derivative financial instruments	26	**25.4**	2.8
Provisions	28	**19.3**	24.0
		735.7	699.8
Total liabilities		**2,321.7**	2,236.2
Total equity and liabilities		**3,510.8**	3,316.3

The financial statements on pages 94 to 153 were authorised for issue by the Board of Directors on 16 March 2020 and were signed on its behalf by:

William L. Kozyra
Chief Executive Officer and President

Ronald Hundzinski
Chief Financial Officer

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

	Ordinary shares €m	Share premium €m	Other reserves €m	Accumulated profits €m	Total €m	Non-controlling interests €m	Total equity €m
Balance at 1 January 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**
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**

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

Consolidated Statement of Cash Flows
For the year ended 31 December

	Notes	2019 €m	2018 €m
Cash flows from operating activities			
Cash generated from operations	29	**477.2**	449.6
Interest paid		**(63.1)**	(64.4)
Income tax paid		**(79.7)**	(88.2)
Net cash generated from operating activities		**334.4**	297.0
Cash flows from investing activities			
Payment for property, plant and equipment		**(119.4)**	(115.8)
Payment for intangible assets		**(39.7)**	(35.8)
Proceeds from the sale of property, plant and equipment		**0.6**	0.2
Interest received		**1.5**	1.9
Net cash used by investing activities		**(157.0)**	(149.5)
Cash flows from financing activities			
Proceeds from new borrowings	25.8	**–**	150.0
Fees paid on proceeds from new borrowings	25.8	**(0.3)**	(2.2)
Voluntary repayments of borrowings	25.8	**(50.0)**	(188.4)
Fees paid on voluntary repayments of borrowings		**–**	(8.2)
Scheduled repayments of borrowings	25.8	**(4.5)**	(5.4)
Lease principal repayments	16	**(27.1)**	–
Dividends paid	13	**(46.6)**	(22.5)
Dividends paid to non-controlling interests	23	**(0.7)**	(0.2)
Net cash used by financing activities		**(129.2)**	(76.9)
Increase in cash and cash equivalents		**48.2**	70.6
Cash and cash equivalents at the beginning of the year	20	**360.1**	287.2
Currency translation on cash and cash equivalents		**3.4**	2.3
Cash and cash equivalents at the end of the year	20	**411.7**	360.1

1. Summary of Significant Accounting Policies

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

1.1. Basis of Preparation

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

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

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

1.1.1. Going Concern

After making enquiries, the Directors are of the opinion that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of its consolidated financial statements. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 25.

1.1.2. Functional and Presentation Currency

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

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

1.1.3. Changes in Accounting Policy and Disclosures

Changes in accounting policies and disclosures are set out below:

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

IFRS 16 'Leases'

The Group has applied IFRS 16 'Leases' for the first time in these consolidated financial statements, from its mandatory adoption date of 1 January 2019. IFRS 16 'Leases' replaces the existing guidance in IAS 17 'Leases' and IFRIC 'Determining Whether an Arrangement Contains a Lease' and eliminates the dual accounting model for lessees. The standard removes the accounting distinction between finance and operating leases for lessees, and requires that right-of-use assets and liabilities be created for all leases on the balance sheet, unless the lease term is 12 months or less, or the underlying asset has a low value.

Under the new standard, operating lease charges have been replaced with interest payable and depreciation charges. On an individual lease basis, this will result in higher expenses in the Income Statement earlier in the lease term, and correspondingly lower expenses later in the lease term.

The Group has elected to apply IFRS 16 Leases in accordance with the simplified transition (modified retrospective) approach permitted in the standard. The new rules have been adopted in the current year only, with the cumulative effect of initially applying the new standard recognised on 1 January 2019. The Group has not restated comparative amounts for the year ended 31 December 2018.

The Group has elected to measure right-of-use assets at the amount of the lease liability on adoption, after adjusting for any prepaid or accrued lease expenses.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates as of 1 January 2019. From 1 January 2019, new or modified leases are discounted using the Group's incremental borrowing rate or the interest rate implicit in the lease, if that rate can be determined. For most leases, the implicit rate cannot be calculated, and the Group's incremental borrowing rate has been used instead.

1. Summary of Significant Accounting Policies continued

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:
– the application of a single discount rate to a portfolio of leases with reasonably similar characteristics
– reliance on previous assessments on whether leases are onerous
– the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
– the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
– The Group has also elected not to reassess whether a contract is a lease, or contains a lease at the date of initial application. For contracts entered into before the transition date, the Group has relied on its previous assessment made when applying IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'.

The Group has also applied the expedient which allows payments associated with short-term leases and leases of low-value assets to be recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less, or those leases, which regardless of their original lease term, ended on or before 31 December 2019. Leases of low-value assets are leases whose underlying assets when new are valued at under €10,000.

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Lease interest payable is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
– fixed payments (including in-substance fixed payments), less any lease incentives receivable
– variable lease payments that are based on an index or a rate
– amounts expected to be payable under residual value guarantees
– the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the Group's control.

Until the adoption of IFRS 16 on 1 January 2019, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases, see previous policy Note 1.9.

The Group's activities as a lessor are not significant and the adoption of IFRS 16 'Leases' has not had any impact on the consolidated financial statements from that activity.

Early adoption of Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The Group has elected to early adopt the 'Amendments to IAS 39 and IFRS 7 Interest Rate Benchmark Reform' issued in September 2019. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by Interbank offered rate (IBOR) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the Income Statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

The Group's main borrowings comprise a US term loan and a Euro term Loan. The interest rate payable on the US term loan is US dollar LIBOR (minimum 0.75% p.a.) +2.5% p.a., and on the Euro term loan is EURIBOR (minimum 0.75% p.a.) +2.75% p.a. as further detailed in Note 25.

As detailed in Note 3, the Group holds a series of forward foreign exchange contracts and US dollar interest rate swaps with a number of financial institutions which in aggregate converted a portion of the drawings under the main borrowing facilities of $400.0 million at floating interest rates into €355.0 million at a fixed interest rate of 4.2%. The Group does not have any hedging relationships directly affected by EURIBOR reform. The effect of early adoption of the Interest Rate Benchmark Reforms will therefore only impact the Group's US dollar LIBOR instruments.

1. Summary of Significant Accounting Policies continued

In summary, the reliefs provided by the amendments, that apply to the Group are:

- When considering the 'highly probable' requirement, the Group has assumed that the US dollar LIBOR interest rate on which the Group's hedged debts are based does not change as a result of IBOR reform. It is currently expected that SOFR (Secured Overnight Financing Rate) will replace US dollar LIBOR. Differences between SOFR and US dollar LIBOR include that SOFR is a 'term rate', which means that it is published for a borrowing period (such as thee months), and is also 'forward-looking', because it is published at the beginning of the borrowing period.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis, the Group has assumed that the US dollar LIBOR interest rate, on which the cash flows of the hedged debt and the interest rate swap that hedges it are based, is not altered by IBOR reform.
- The Group will not discontinue hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80–125% range.
- The Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

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

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning on or after 1 January 2020, or are not yet effective because they have not yet been endorsed by the EU. These have not been applied in preparing the consolidated financial statements.

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

Amendments to References to the Conceptual Framework in IFRS Standards[1]	Amendments to various standards references to the revised Conceptual Framework.
Amendment to 'IFRS 3 Business Combinations'[1]	Various clarifications around what is considered a business.
Amendments to IAS 1 and IAS 8: 'Definition of Material'[1]	Clarifies the definition of 'material' and aligns the definition used in the Conceptual Framework and the standards.
IFRS 17 'Insurance Contracts'[2]	IFRS 17 replaces IFRS 4 for all entities that issue contracts and investment contracts with discretionary participation features.[2]

1 Effective for the Group's 2020 financial statements.
2 Effective for the Group's 2022 financial statements.

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

1.2. Consolidation

1.2.1. Subsidiaries

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

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

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

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

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

1. Summary of Significant Accounting Policies continued

1.2.2. Associates

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

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

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

1.3. Foreign Currencies

1.3.1. Foreign Currency Transactions

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

1.3.2. Foreign Operations

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

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

Key Euro exchange rates	2019 Average	2019 Year end	2018 Average	2018 Year end
US dollar	**1.120**	**1.122**	1.181	1.147
Chinese renminbi	**7.731**	**7.815**	7.805	7.890
Korean won	**1,304**	**1,295**	1,299	1,278

1.4. Critical Accounting Estimates and Judgements

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

During the year, the Group has reassessed its critical accounting estimates and judgements to ensure these include only estimates which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, and judgements when applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements. The reassessment by the Group considered the range of possible outcomes in respect of income tax liabilities, recoverability of capitalised development costs, warranty and other provisions and the potential change from using alternative sources of information within the valuation of derivative financial instruments to be narrow and therefore these are no longer considered areas of critical estimates. Similarly, judgements in respect of income tax, capitalised development costs, the determination of cash-generating units and application of hedge accounting are no longer considered areas of critical judgement. The judgement and estimate that have the most significant and critical effect on the amounts included in the financial statements are described below:

1.4.1. Critical Accounting Estimates

– Costs and obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including discount rates, inflation rates, salary growth and mortality assumptions. Further details, including a sensitivity analysis illustrating how changes in the principal assumptions would impact the total defined benefit obligation, are included in the Retirement Benefit Obligations Note. See Note 27.5.

1. Summary of Significant Accounting Policies continued

1.4.2. Critical Accounting Judgements

– Judgement is required to determine whether periods covered by an option to extend a lease are reasonably certain to be exercised and whether periods covered by an option to terminate a lease are reasonably certain not to be exercised, when assessing the lease term. In making this assessment, the Group applies judgement to all relevant facts and circumstances that create an economic incentive for the Group to exercise the option to extend or terminate the lease. These include past practice regarding the period over which it has typically used particular types of assets, the length of the non-cancellable period of the lease, contractual terms and conditions for the optional periods compared with market rates, the location of the underlying asset and the availability of suitable alternatives, the length of the non-cancellable period of the lease, significant leasehold improvements undertaken over the term of the contract, and costs relating to terminating or extending the lease. Past practice regarding the period over which it has typically used particular types of assets is the most significant factor in this decision. For manufacturing facilities this decision is also informed by the expected remaining life of the vehicle platforms produced in the facility.

1.5. Goodwill

Initial measurement

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

Subsequent measurement

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

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

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

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

1.6. Intangible Assets

Research and development

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

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

Computer software

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

Amortisation

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

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

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

1. Summary of Significant Accounting Policies continued

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

PP&E is stated at historical cost, which includes expenses directly attributable to bringing assets into productive use including finance charges, less accumulated depreciation. Assets acquired as part of the acquisition of the Group are valued at fair value as part of the acquisition accounting. Land is not depreciated. When major components of an item of PP&E have different useful lives, they are accounted for as separate items.

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

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

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

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

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

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

1.8. Impairment of Non-Financial Assets

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

1.9. Leased Assets

On 1 January 2019, IFRS 16 'Leases' replaced the existing guidance in IAS 17 'Leases' and IFRIC 4 'Determining Whether an Arrangement Contains a Lease' and eliminated the dual accounting model for lessees. Amounts reported in the current year have therefore been accounted for in accordance with an updated 2019 policy, the key changes of which are outlined in Note 1.1.3.1.

The policy below is relevant only to amounts reported in the comparative year under IAS 17 'Leases' and IFRIC 4 'Determining Whether an Arrangement Contains a Lease'. Assets held under leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to purchased assets of that asset type and depreciated accordingly.

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

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

1.10. Financial Instruments

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

1.10.1. Financial Assets

Financial assets are classified into 'financial assets at FVTPL' and 'financial assets at amortised cost'. The classification is determined at the time of initial recognition and depends on the Group's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest.

1. Summary of Significant Accounting Policies continued

Financial assets at FVTPL

A financial asset is classified in this category if it does not meet the criteria for recognition as a financial asset at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships. These contracts are marked to market by re-measuring them to fair value at the end of each reporting period. The resulting gain or loss is recognised in the Income Statement.

Financial Assets at amortised cost

Assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where the contractual cash flows represent solely payments of principal and interest. The Group's financial assets at amortised cost comprise 'trade and other receivables excluding prepayments' and 'cash and cash equivalents'.

Offsetting financial instruments

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

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets at amortised cost or at FVTPL. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. For trade receivables and contract assets, the Group recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument 'lifetime ECL'. For all other financial instruments, the Group recognises lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's external credit rating where available; significant deterioration in external market indicators of credit risk for a particular financial instrument e.g. a significant increase in the credit spread or the credit default swap prices for the debtor, indications that any debtor is experiencing significant financial difficulty, default or delinquency in payments, an increase in the probability that any debtor will enter bankruptcy, or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.10.2. Financial Liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'liabilities at amortised cost'. Financial liabilities are recognised initially on the date at which the Group becomes party to the contractual provisions of the instrument.

Financial liabilities at amortised cost

The classification of financial liabilities at amortised cost is determined at the time of initial recognition and depends on the Group's business model for managing the financial liabilities and whether the contractual cash flows represent solely payments of principal and interest.

Financial liabilities at amortised cost, including borrowings, trade and other payables, excluding deferred income and lease liabilities (after the adoption of IFRS 16 on 1 January 2019), and are measured using the effective interest method, which calculates the amortised cost of a financial liability and allocates interest expense over its term. The effective interest rate discounts estimated cash payments (including all issuance discounts and transactions costs) through the expected life of the financial liability, to the net carrying amount on initial recognition.

Borrowings, including extensions to existing agreements, are recognised initially at fair value, net of discounts and transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the net proceeds and the redemption value is recognised in the Income Statement over the term of the borrowings using the effective interest method. Interest arising on financial instruments is recognised on an accruals basis. In assessing whether a debt alteration is to be treated as a modification or an extinguishment and new arrangement, an evaluation is made of the qualitative factors such as the underlying parties to the transaction and quantitative factors such as the impact on the net present value of remaining cash flows. A gain or loss is recognised immediately in the income statement at the date of the modification of a financial liability.

Financial liabilities at FVTPL

A financial liability is classified in this category if it does not not meet the criteria for recognition as a financial liability at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships. The Group enters into conventional derivative financial instruments to manage its exposure to foreign exchange rate risks, mostly foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 26. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into, and are subsequently marked to market by re-measuring to their fair value at the end of each reporting period. Derivatives designated as hedging instruments are accounted for in accordance with the hedge accounting policy below.

1. Summary of Significant Accounting Policies continued

1.10.3. Hedge Accounting

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

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:
– Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction (cash flow hedge);
– Hedges of a net investment in a foreign operation (net investment hedge).

At the inception of a hedging transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking the hedging transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. The Group's cost of hedging, the time value of options and forward element of forward contracts are initially recorded in other comprehensive income and subsequently reclassified to profit and loss over time.

Cash flow hedges

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

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

When hedge accounting is discontinued for these cash flow hedges, the amount that has been accumulated in the cash flow hedge reserve is treated as follows:

(i) If the hedged future cash flows for the US dollar borrowings are still expected to occur, that amount remains in the cash flow hedge reserve until the future interest or borrowings cash flows occur, or until that amount is a loss, and it is expected that all, or a portion of that loss, will not be recovered in one or more future periods. In those circumstances, the amount that is not expected to be recovered is immediately transferred to finance income or expense in the Income Statement as a reclassification adjustment.
(ii) If the hedged future cash flows for the US dollar borrowings are no longer expected to occur, the cumulative gain or loss that was reported in the cash flow hedge reserve is immediately transferred to finance income or expense in the Income Statement as a reclassification adjustment.

Net investment hedges

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

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

1.11. Inventories

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

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

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

1. Summary of Significant Accounting Policies continued

1.12. Trade and Other Receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The Group recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument 'lifetime ECL for all trade and other receivables.

1.13. Cash and Cash Equivalents

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

1.14. Share Capital

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

1.15. Trade and Other Payables

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

1.16. Provisions

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

Product warranties

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

Restructuring

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

Asset retirement obligations

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

1.17. Revenue

IFRS 15 'Revenue from Contracts with Customers' establishes a single model to account for revenue arising from contracts with customers. Revenue in the course of ordinary activities is measured and recognised using the five-step approach outlined in IFRS 15:

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

Step 1:

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

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

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

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

1. Summary of Significant Accounting Policies continued

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

Step 3:
The fair value of consideration receivable is the transaction price specified in the relevant release order or purchase order, net of returns, discounts, sales taxes and volume rebates.

For piece part revenue, the price is fixed at the given release order (contract) and does not include any element of variable consideration.

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

Step 4:
The transaction price established in step 3 is allocated to the distinct performance obligations identified in step 2.

Step 5:
Revenue is recognised on satisfaction of the specified performance obligations, consistent with the passing of control of the goods and services.

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

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

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

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

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

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

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

1.19. Employee Benefits

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

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

1. Summary of Significant Accounting Policies continued

Defined benefit plans

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

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

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

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

Defined benefit plans – funded

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

Defined benefit plans – unfunded including healthcare

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

Share-based compensation

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

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

1.20. Income Tax

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

Current tax

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

Uncertain tax positions

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

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

1. Summary of Significant Accounting Policies continued

Deferred tax

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

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

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

1.21. Exceptional Items

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

1.22. Deferred Income

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

2. Segment Reporting

Notes to segment reporting

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

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

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

Fluid Carrying Systems ('FCS')

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

Fuel Tank and Delivery Systems ('FTDS')

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

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

Tooling, Prototype and Development ('TPD')

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

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

2. Segment Reporting continued

Allocation of corporate costs

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

2.1. Revenue, Adjusted EBITDA and Adjusted EBIT by Segment

	Notes	**2019 €m**	2018 €m
Revenue		**3,411.1**	3,472.8
Profit for the year		**144.6**	140.1
Add back:			
Income tax expense – after exceptional items	12	**57.1**	77.0
Profit before income tax		**201.7**	217.1
Net finance expense – after exceptional items	11	**57.5**	64.5
Share of profit of associates	17	**(0.3)**	(0.5)
Operating profit		**258.9**	281.1
Depreciation and impairment of PP&E	15	**108.6**	101.5
Depreciation right-of-use assets	16	**31.5**	–
Amortisation and impairment of intangible assets	14	**89.8**	95.6
Share of profit of associates	17	**0.3**	0.5
EBITDA		**489.1**	478.7
Net foreign exchange gains		**(0.5)**	(1.2)
Dividend received from associates	17	**0.5**	0.2
Restructuring costs		**9.0**	7.1
Share of profit of associates	17	**(0.3)**	(0.5)
Adjusted EBITDA		**497.8**	484.3
Less:			
Depreciation and impairment of PP&E	15	**(108.6)**	(101.5)
Depreciation right-of-use assets	16	**(31.5)**	–
Amortisation and impairment of intangible assets	14	**(89.8)**	(95.6)
Add back:			
Depreciation uplift arising on purchase accounting	15	**14.5**	15.7
Amortisation uplift arising on purchase accounting	14	**58.0**	70.6
Adjusted EBIT		**340.4**	373.5

During 2019 the Group recognised a €9.1m (2018: €nil) settlement gain following a lump sum buyout offering of two of the Group's US pension plans (see Note 27). This was recorded as a gain of €7.2 million recognised in the FCS division and €1.9 million recognised in FTDS.

Following a definitive ruling on a Brazilian indirect tax matter, the FCS division recognised a benefit of €3.3m while FTDS recognised a benefit of €1.5m.

2. Segment Reporting continued

	2019 €m	2018 €m
Revenue		
– FCS – External	**1,917.6**	2,026.7
– Inter-segment	**82.4**	82.4
	2,000.0	2,109.1
– FTDS – External	**1,493.5**	1,446.1
– Inter-segment	**4.8**	2.0
	1,498.3	1,448.1
Inter-segment elimination	**(87.2)**	(84.4)
Total consolidated revenue	**3,411.1**	3,472.8
Adjusted EBITDA		
– FCS	**274.0**	291.1
– FTDS	**223.8**	193.2
	497.8	484.3
Adjusted EBITDA % of revenue		
– FCS	**14.3%**	14.4%
– FTDS	**15.0%**	13.4%
Total	**14.6%**	13.9%
Adjusted EBIT		
– FCS	**199.4**	241.0
– FTDS	**141.0**	132.5
	340.4	373.5
Adjusted EBIT % of revenue		
– FCS	**10.4%**	11.9%
– FTDS	**9.4%**	9.2%
Total	**10.0%**	10.8%

2.2. Revenue by Geography and Customer Concentration

	2019 €m	2018 €m
Germany	**298.3**	360.9
Spain	**164.4**	162.6
Poland	**139.8**	150.6
Czech Republic	**126.1**	125.8
Belgium	**121.4**	111.2
Turkey	**113.7**	97.6
France	**106.9**	107.6
United Kingdom	**80.7**	79.1
Africa	**38.4**	44.1
Other	**178.9**	159.1
Europe and Africa	**1,368.6**	1,398.6
China	**643.7**	674.6
South Korea	**229.1**	213.6
Other	**157.8**	144.0
Asia-Pacific	**1,030.6**	1,032.2
USA	**686.8**	746.6
Mexico	**236.6**	211.3
Canada	**13.3**	14.0
North America	**936.7**	971.9
Latin America	**75.2**	70.1
Total	**3,411.1**	3,472.8

2. Segment Reporting continued

Three customers account individually for more than 10% of total revenue and collectively contributed 32.0% of total revenue across both reporting segments in the year (2018: one customer contributed 12.3%). Revenue recognised for these customers by segment is as follows:

31 December 2019	FCS €m	FTDS €m	Total €m
Revenue	547.4	541.7	1,089.1

31 December 2018	FCS €m	FTDS €m	Total €m
Revenue	549.8	552.9	1,102.7

2.3. Non-Current Assets

31 December 2019	FCS €m	FTDS €m	Total €m
Goodwill	679.4	59.6	739.0
Intangible assets	257.1	186.1	443.2
Property, plant and equipment	379.6	335.4	715.0
Non-current trade and other receivables	9.8	11.8	21.6
Right-of-use assets	96.2	65.2	161.4
Investment in associates	19.2	–	19.2

31 December 2018	FCS €m	FTDS €m	Total €m
Goodwill	674.0	59.3	733.3
Intangible assets	300.7	195.8	496.5
Non-current trade and other receivables	4.8	10.0	14.8
Property, plant and equipment	380.2	326.3	706.5
Investments in associates	19.6	–	19.6

Total non-current assets, other than financial instruments and deferred tax assets, by the location of assets is as follows:

United Kingdom €48.3 million (2018: €66.3 million), China €446.3 million (2018: €426.5 million), USA €433.4 million (2018: €430.3 million), South Korea €200.2 million (2018: €198.9 million), Germany €177.9 million (2018: €179.9 million), Mexico €136.4 million (2018: €110.1 million), Poland €120.6 million (2018: €96.8 million), Czech Republic €104.1 million (2018: €97.7 million), Spain €99.2 million (2018: €90.5 million), Turkey €66.2 million (2018: €67.3 million), Belgium €63.5 million (2018: €60.8 million), Rest of Europe €124.4 million (2018: €94.8 million), Rest of North America €8.2 million (2018: €11.2 million) and Rest of World €70.7 million (2018: €39.6 million).

3. Financial Risk Management

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

The Group's capital structure (comprising of debt (Note 25) and equity (Note 21)) is regularly monitored to safeguard its ability to continue as a going concern and to provide returns for shareholders and value added benefits for other stakeholders. The overall capital structure of the Group is designed to meet the strategic objectives of the Company and its shareholders.

The Group tracks compliance with the financial covenant and the negative covenants in all borrowing facilities. The financial covenant applies only to the Revolving Credit Facility, which is undrawn. In the event that it is drawn down and the aggregate principal amount of all outstanding revolving credit facilities exceed 35% of the Revolving Credit Commitments, then a First Lien Net Leverage Ratio of 3.8x must not be exceeded. At 31 December 2019 the First Lien Net Leverage Ratio was 1.6x. The negative covenants restrict certain additional indebtedness, the granting of liens, and the placing of investments against specified basket limits. All basket limits allow sufficient headroom to manage current and expected transactions.

The Group was in full compliance with its financial covenants in respect of its borrowings and committed facilities throughout each of the years presented. The level of debt is monitored on an actual and projected basis to ensure continued compliance.

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

3. Financial Risk Management continued

3.1. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The following categories comprise the main credit exposures of the Group:
- Trade and other receivables excluding prepayments
- Cash and liquid assets
- Derivative financial instruments

The credit risk for trade and other receivables excluding prepayments is normally managed by the operating subsidiaries by reference to credit rating agencies and historic trading experience with customers. Further details are available in Note 19.

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

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

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

3.2. Liquidity Risk

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

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

3.3. Market Risk

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

3.3.1. Foreign Currency Risk

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

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

Forward foreign exchange contracts – not designated in hedge relationships

The nominal value of these derivatives as at 31 December 2019 was €180.8 million (31 December 2018: €172.7 million) and the aggregate fair value was €1.4 million receivable (31 December 2018: €1.3 million payable).

Forward foreign exchange contracts – designated in cash flow hedge relationships

In October 2015, the Group entered into a series of forward foreign exchange contracts and US dollar interest rate swaps with a number of financial institutions. In aggregate, these instruments converted a portion of the drawings under the main borrowing facilities of $400.0 million at floating interest rates into €355.0 million at a fixed interest rate of 4.2%. These contracts hedge foreign exchange exposure on US dollar-based intra-Group borrowings, in Euro functional-currency Group entities. The average strike price in these contracts is 1.16 US dollar to the Euro. The hedge ratio of this economic relationship is 1:1. The nominal value of the forward foreign exchange contracts in this arrangement as at 31 December 2019 was €564.7 million (31 December 2018: €590.6 million), and their aggregate fair value was €8.8 million receivable (31 December 2018: €20.8m payable). A fair value gain of €33.9 million (31 December 2018: €36.1 million gain) was recorded in other comprehensive income in the year, and a €22.2 million gain (31 December 2018: €36.6 million gain) was subsequently recycled to the Income Statement. An ineffectiveness loss of €0.2 million (31 December 2018: €0.6 million loss) was recorded in the Income Statement (Note 11). Sources of hedge ineffectiveness principally arise from movements in the Company's and hedging counterparty's credit spread not reflected in the movements in the value of the hedged transactions, and from the unwind of the discounting inherent in off-market designations not at zero fair value at inception.

3. Financial Risk Management continued

Forward foreign exchange contracts – designated in net investment hedges

In October 2015, the Group entered into a series of forward foreign exchange contracts to hedge the net investment in the Group's Korean won subsidiary. The nominal value of these derivatives as at 31 December 2019 was KRW 265,893 million (€186.2 million) (31 December 2018: KRW 265,893 million (€186.2 million) and their aggregate fair value was €17.0 million payable (31 December 2018: €17.2 million payable). A fair value gain of €0.3 million (31 December 2018: loss of €7.2 million) was recorded in other comprehensive income in the year for these contracts. No amounts were recycled during the year and there was no ineffectiveness.

Sensitivity analysis

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

The Group's exposure to a +/- 1% change in Euro/KRW exchange rate would be a €0.1 million profit/€0.1 million loss arising from those Euro/KRW contracts that do not qualify for investment hedge accounting. Those Euro/KRW contracts that qualified for hedge accounting impact equity; however, that movement would be offset by a substantially equal and opposite movement arising from the Group's exposure to the net investment in KRW subsidiaries.

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

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

All the Group's current hedging instruments including those which manage interest rate risk, as detailed below, will have expired by the end of October 2020. The Group is currently reviewing its hedging programme in the context of its external and intercompany borrowings in order to determine which of these instruments will be replaced.

3.3.2. Interest Rate Risk

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

Interest rate swaps

As noted above, the Group has used interest rate swaps to manage the risk and used such contracts, together with the forward foreign exchange contracts to fix in €355.0 million of debt at 4.2%. The notional value of the interest rate swaps as at 31 December 2019 was $400.0 million (31 December 2018: $400.0 million) and their fair value was €1.1 million receivable (31 December 2018: €7.7 million receivable). In aggregate, a fair value loss of €3.2 million (31 December 2018: €2.7 million gain) has been recorded in other comprehensive income during the year and a €3.6 million gain (31 December 2018: €2.5 million gain) was subsequently recycled to the income statement. No ineffectiveness was recorded in the Income Statement.

Interest rate floors

The aggregate fair value of these derivatives as at 31 December 2019 was €1.3 million payable (31 December 2018: €2.6 million payable).

Sensitivity analysis

If interest rates had been 100 bps higher or lower with all other variables held constant, after taking account of hedging arrangements, the pre-tax profit or loss on an annual basis would be, respectively €3.9 million lower or €3.9 million higher. There would be no significant impact on equity.

Other financial matters

In its normal course of business, the Group does not offer supplier financing arrangements and has not engaged any financial provider to provide these services to parties in the supply chain.

4. Revenue

4.1. Geographic analysis: Revenue by origin

	2019 €m	2018 €m
Europe and Africa	**1,368.6**	1,398.6
Asia Pacific	**1,030.6**	1,032.2
North America	**936.7**	971.9
Latin America	**75.2**	70.1
	3,411.1	3,472.8

4. Revenue continued
4.2. Geographic analysis: Revenue by destination

	2019 €m	2018 €m
Europe and Africa	**1,361.8**	1,393.2
Asia Pacific	**1,029.4**	1,027.2
North America	**944.5**	978.3
Latin America	**75.4**	74.1
	3,411.1	3,472.8

4.3. Transaction price allocated to started but incomplete performance obligations

	2019 €m	2018 €m
Tooling, prototype and development revenue to be recognised in one year	**99.6**	72.5
Tooling, prototype and development revenue to be recognised in more than one year	**25.9**	40.5
	125.5	113.0

5. Cost of Sales, Distribution Costs and Administrative Expenses
5.1. Total cost of sales, distribution costs and administrative expenses

	2019 €m	2018 €m
Cost of sales	**2,922.7**	2,938.2
Distribution costs	**95.0**	102.4
Administrative expenses	**141.7**	164.5
Total cost of sales, distribution costs and administrative expenses	**3,159.4**	3,205.1

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

	Notes	2019 €m	2018 €m
Materials and other operating costs		**1,917.5**	1,944.3
Personnel costs	6.1	**825.5**	834.5
Depreciation, amortisation and impairment charges		**229.9**	197.1
Expense relating to short-term and low-value leases (2018: operating lease expenses)	16	**8.5**	46.6
Utilities		**64.6**	61.9
Repairs and maintenance		**40.6**	46.3
Freight inward, including customs duties		**72.8**	74.4
Total cost of sales, distribution costs and administrative expenses		**3,159.4**	3,205.1

Personnel costs include share-based costs (Note 7).

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

5.2. Research and development expenditure
Research and development expenditure before third-party income, comprised:

	Notes	2019 €m	2018 €m
Research and development expenses		**45.1**	40.8
Capitalised development costs	14.2	**31.7**	35.4
Total research and development expenditure		**76.8**	76.2

6. Personnel Costs and Numbers

6.1. Personnel costs

	Notes	2019 €m	2018 €m
Wages and salaries (including employee severance amounts)		**685.0**	684.7
Share-based costs	7	**1.4**	4.0
Social security costs		**134.6**	132.7
Pension and other post-employment costs: defined benefit current service cost	27.2	**8.1**	7.4
Pension and other post-employment costs: defined benefit settlement gain	27.2	**(9.3)**	–
Pension and other post-employment costs: defined contribution		**5.7**	5.7
Total personnel costs		**825.5**	834.5

Wages and salaries costs in the year include employee severance amounts totalling €8.8 million (2018: €7.0 million).

6.2. Transactions with Key Management Personnel

Key management personnel comprise the Board of Directors and key officers who report directly to the Chief Executive Officer. The total number of key management personnel was 15 (2018: 14).

At no time during 2019 or 2018 were any loans to key management personnel made by the Group.

Compensation of key management personnel	2019 €m	2018 €m
Short-term employee benefits	**11.6**	10.1
Post-employment benefits	**0.1**	0.1
Share-based costs	**0.7**	2.0
Total	**12.4**	12.2

There was €5.0 million of compensation outstanding at 31 December 2019 (2018: €4.3 million). In addition to salaries, the Group also provides non-cash benefits to key management personnel and contributes to post-employment pension plans on their behalf.

6.3. Personnel numbers

Average monthly number of people employed by function	2019 €m	2018 €m
Direct production	**14,054**	15,220
Indirect operational	**7,704**	7,876
Commercial and administration	**1,651**	1,656
Total	**23,409**	24,752

In addition to the above, the Group employed an average of 3,871 agency and other temporary workers during the year (2018: 3,921) whose costs were included in other operating costs.

7. Share-based Compensation

The Omega Holdco II Limited 2015 Equity Incentive Plan, as adopted on 30 June 2015, was cancelled in 2017 following the Group's Initial Public Offering. At cancellation, option holders were compensated by a combination of shares issued and replacement awards in the form of Restricted Stock Awards (RSAs) or Restricted Stock Units (RSUs). Subject to the participants' continued employment, 50% of the awards vested on 1 December 2018 and 50% on 1 December 2019.

On 26 April 2018, the Company established the 'TI Fluid Systems Employee Benefit Trust' (EBT). During 2019, 513,165 vested shares were sacrificed by RSA holders and transferred to the EBT for nominal consideration of £1.00 per RSA holder. In exchange, the cost of RSA holders' tax obligations arising on awards vesting in the year, were borne by the Group. Shares held by the EBT were subsequently used to satisfy RSU's vesting in the year, net of the amount of shares, at fair value, required to cover RSU holders' associated tax obligations.

7. Share-based Compensation continued

The below table provides a reconciliation of RSAs and RSUs outstanding:

	Number of awards	
	RSA	RSU
Outstanding at 1 January 2018	2,623,412	1,054,838
Forfeited during the year	(176,729)	(76,284)
Vested during the year	(1,225,111)	(489,277)
Outstanding at 31 December 2018	**1,221,572**	**489,277**
Vested during the year	(1,221,572)	(489,277)
Outstanding at 31 December 2019	–	–

In the current year, the RSAs and RSUs gave rise to a charge of €0.4 million (year ended 31 December 2018: €1.1 million). Share-based costs are recognised in administrative expenses.

On 24 October 2017, the TI Fluid Systems plc Long Term Incentive Plan was adopted. Under the plan, awards are made comprising of two tranches (including an outperformance target for Executive Directors) each with a separate performance condition, as outlined in the below table. Vesting is over three years from date of grant and contingent on continued service and attainment of the applicable performance condition, within the three-year performance period.

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

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

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

As the awards are settled in shares of the Company, or cash at the discretion of the Company, they are accounted for as equity-settled awards under IFRS 2 and fair valued at date of grant using the Black-Scholes Option Pricing Model (EPS tranche) and Monte Carlo simulation (TSR tranche). The fair value is recognised in the Income Statement straight line over the vesting period, with the anticipated number of awards vesting adjusted for management's estimate of forfeiture rate and attainment of non-market-based performance conditions. Achievement of market-based performance conditions is reflected in the initial fair value of the award.

The weighted average fair value of awards granted in the year was €1.89 (2018: €2.78).

The assumptions used for the grants in the year included a weighted average share price of €2.22 (2018: €3.01), expected option life of 3 years (2018: 3 years), expected volatility of 37.6% (2018: 32.8%) and a weighted average risk free interest rate of 0.71% (2018: 0.85%). Awards made to executive directors are subject to a two year holding period post vesting, for which the valuations have been discounted accordingly.

7. Share-based Compensation continued

The expected volatility is based on the historical volatility of the Company's share price since its admission to trading on 25 October 2017.

The expected volatility of the comparator companies' share prices and correlation to TIFS is measured over a three-year period, commensurate with the expected term of the awards.

The risk-free rate of return is based on zero-coupon UK government bond yields corresponding to the expected term.

As award holders are entitled to dividend equivalent compensation during the vesting period, no dividend yield assumption is required in the valuation of these awards.

The below table provides a reconciliation of awards outstanding:

	Number of awards
Outstanding at 1 January 2018	–
Granted during the year	5,250,000
Forfeited during the year	(75,000)
Outstanding at 31 December 2018	**5,175,000**
Granted during the year	7,074,214
Forfeited during the year	(495,000)
Outstanding at 31 December 2019	**11,754,214**

The total charge for the year for conditional share awards was €1.0 million (2018: €2.9 million).

8. Directors' remuneration

The Directors' emoluments, fees, payments for service, compensation for cancelled shares under long-term incentive schemes, and pension benefits are disclosed in the Remuneration report. See page 69.

9. Exceptional Items

	Notes	**2019 €m**	2018 €m
Early redemption premium on voluntary repayments of borrowings	11	–	(8.2)
Unamortised issuance fees expensed on voluntary repayments of borrowings	11,25	–	(3.6)
Total exceptional finance expense	11	–	(11.8)

The prior year exceptional net finance expense relates to voluntary repayments of borrowings and comprises an early redemption premium of €8.2 million and the expense of unamortised issuance discounts and fees of €3.6 million. See Note 25.4 for additional details.

10. Other Income

	2019 €m	2018 €m
Government grants	**2.9**	2.2
Insurance claims	**0.3**	0.5
Losses on disposal of PP&E and intangible assets	**(1.6)**	(0.6)
Other miscellaneous items	**5.1**	10.1
	6.7	12.2

Other miscellaneous items in the current year include €2.6 million in relation to a cash compensation settlement received.

Other miscellaneous items in the prior year include €5.3 million in relation to the settlement of certain legal claims.

11. Finance Income and Expense

	Notes	2019 €m	2018 €m
Finance income			
Interest on short-term deposits, other financial assets and other interest income		**2.0**	1.9
Interest income on indirect tax receivable		**2.8**	–
Net interest income on release of specific uncertain tax positions		**–**	3.4
Fair value gain on derivatives and foreign exchange contracts not in hedged relationships		**10.2**	9.0
Finance income		**15.0**	14.3
Finance expense			
Interest payable on term loans including expensed fees		**(56.5)**	(51.7)
Interest payable on unsecured senior notes including expensed fees		**–**	(9.3)
Net interest expense of retirement benefit obligations	27.2	**(4.6)**	(4.4)
Fair value net losses on financial instruments: ineffectiveness	3	**(0.2)**	(0.6)
Net interest expense related to specific uncertain tax positions		**(0.3)**	–
Interest payable on lease liabilities	16	**(10.5)**	–
Utilisation of discount on provisions and other finance expense		**(0.4)**	(1.0)
Finance expense excluding exceptional items		**(72.5)**	(67.0)
Early redemption premium on voluntary repayments of borrowings	9	**–**	(8.2)
Unamortised issuance discounts and fees expensed on voluntary repayments of borrowings	9,25	**–**	(3.6)
Exceptional finance expense		**–**	(11.8)
Finance expense after exceptional items		**(72.5)**	(78.8)
Total net finance expense after exceptional items		**(57.5)**	(64.5)

Fees included in interest payable under the effective interest method	2019 €m	2018 €m
Fees included in interest payable on term loans	**(7.7)**	(6.5)
Fees included in interest payable on unsecured senior notes	**–**	(0.4)

Fees expensed in exceptional net finance expense	2019 €m	2018 €m
Fees expensed in respect of unsecured senior notes	**–**	(3.6)

12. Income Tax
12.1. Income Tax Expense

	2019 €m	2018 €m
Current tax on profit for the year	**(83.6)**	(96.5)
Adjustments in respect of prior years	**17.8**	14.2
Total current tax expense	**(65.8)**	(82.3)
Origination and reversal of temporary deferred tax differences	**8.7**	5.3
Total deferred tax benefit	**8.7**	5.3
Income tax expense – Income Statement	**(57.1)**	(77.0)
Origination and reversal of temporary deferred tax differences	**2.3**	(4.3)
Income tax credit/(expense) – Statement of Comprehensive Income	**2.3**	(4.3)
Total income tax expense	**(54.8)**	(81.3)

12. Income Tax continued

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

	2019 €m	2018 €m
Profit before income tax	**201.7**	217.1
Income tax calculated at UK statutory tax rate of 19% (2018: 19%) applicable to profits in respective countries	**(38.3)**	(41.2)
Tax effects of:		
Overseas tax rates (excluding associates)	**(16.2)**	(18.9)
Income not subject to tax	**6.4**	11.3
Expenses not deductible for tax purposes – other and UK non-deductible interest/expenses	**(13.1)**	(17.1)
Temporary differences on unremitted earnings	**(3.3)**	(3.1)
Specific tax provisions	**(3.1)**	(3.5)
Unrecognised deferred tax assets	**(3.7)**	(11.2)
Other taxes	**(10.6)**	(9.7)
Adjustment in respect of prior years – US R&E tax credit	**12.2**	–
Adjustment in respect of prior years – current tax adjustments	**12.1**	14.2
Adjustment in respect of prior years – deferred tax adjustments	**(5.0)**	(1.0)
Impact of changes in tax rate	**0.3**	0.2
Double tax relief and other tax credits	**5.2**	3.0
Income tax expense – Income Statement	**(57.1)**	(77.0)
Deferred tax benefit/(expense) on re-measurement of retirement benefit obligations	**2.3**	(4.3)
Income tax credit/(expense) – Statement of Comprehensive Income	**2.3**	(4.3)
Total tax expense	**(54.8)**	(81.3)

Other taxes comprised taxes withheld on dividend, interest and royalty remittances totalling €7.4 million (2018: €7.3 million) and various local taxes of €3.2 million (2018: €2.4 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. The R&E tax credit had a material favourable impact on the 2019 effective tax rate for the Group.

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

12.2. Current Income Tax Assets and Liabilities

	2019 €m	2018 €m
Current income tax assets	**13.7**	4.4
Current income tax liabilities	**(48.7)**	(60.2)
Net current income tax liabilities	**(35.0)**	(55.8)

Uncertain tax positions

The Group maintains a provision for uncertain tax positions. As at 31 December 2019 the balance was €33.8m (2018 €34.7m). The Group is aware of an increase in global tax audit scrutiny and therefore continues to closely monitor tax uncertainties in all geographic regions. As each uncertain tax provision is considered more likely than not to materialise, settlement of the issues that have been provided should not result in a material impact to the effective tax rate. However, in the event that a favourable conclusion is reached on an uncertain tax position, release of the provision would have a favourable impact on the Group's effective tax rate. In the event that a conclusion is reached that exceeds the amount provided for an uncertain tax position, there would be an unfavourable impact on the Group's effective tax rate. It is possible that certain tax issues related to the remaining uncertain tax provisions could settle within the next 12 months although the timing of any settlements are not certain.

12. Income Tax continued
12.3. Deferred Tax Assets and Liabilities

	2019 €m	2018 €m
Deferred income tax assets	**25.1**	34.9
Deferred income tax liabilities	**(128.5)**	(141.6)
Net deferred income tax liabilities	**(103.4)**	(106.7)

12.3.1. Movement on Net Deferred Tax Liabilities

	2019 €m	2018 €m
At 1 January	**(106.7)**	(108.8)
Income statement benefit	**8.7**	5.3
Tax on remeasurement of retirement benefit obligations	**2.3**	(4.3)
Transfer of uncertain tax position balance from current tax to deferred tax	**(7.3)**	–
Currency translation	**(0.4)**	1.1
At 31 December	**(103.4)**	(106.7)

Deferred tax assets originating from tax loss carry forwards mainly relate to Canada and France and a Special Economic Zone incentive in Poland as at 31 December 2019. Forecasts for Canada, France and Poland demonstrate several years of continued future profitability and all have consistent expectations of future financial performance. As a result management believe that the current tax losses and the tax credit will be utilised.

The aggregate amount of tax liabilities not recognised with respect to temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures is nil.

12.3.2. Gross Deferred Tax Assets and Liabilities
The analysis of deferred tax assets and liabilities below represents gross amounts before netting of deferred tax assets and liabilities in certain tax jurisdictions as reflected in the table in 12.3 above.

	Assets				Liabilities					
Gross deferred tax assets and liabilities	**Provision for pensions and employee benefits €m**	**Deferred interest deductions €m**	**Tax losses €m**	**Other specific provisions €m**	**Excess depreciation on fixed assets and goodwill €m**	**Development intangibles €m**	**Acquisition related intangible assets €m**	**Loan fees €m**	**Unremitted earnings €m**	**Total €m**
At 1 January 2019	**39.3**	**14.4**	**13.1**	**26.8**	**(62.4)**	**(23.2)**	**(87.0)**	**(4.0)**	**(23.7)**	**(106.7)**
Included in the Income Statement	**(4.0)**	**(2.6)**	**(4.7)**	**2.3**	**2.6**	**2.7**	**13.9**	**1.3**	**(2.8)**	**8.7**
Included in other comprehensive income	**2.3**	–	–	–	–	–	–	–	–	**2.3**
Transfer of uncertain tax position balance from current tax to deferred tax	–	–	–	**(7.3)**	–	–	–	–	–	**(7.3)**
Currency translation	**0.6**	**0.3**	**0.2**	**0.2**	**(0.6)**	**(0.1)**	**(0.9)**	**(0.1)**	–	**(0.4)**
At 31 December 2019	**38.2**	**12.1**	**8.6**	**22.0**	**(60.4)**	**(20.6)**	**(74.0)**	**(2.8)**	**(26.5)**	**(103.4)**

12. Income Tax continued

Gross deferred tax assets and liabilities	Assets: Provision for pensions and employee benefits €m	Assets: Deferred interest deductions €m	Assets: Tax losses €m	Assets: Other specific provisions €m	Liabilities: Excess depreciation on fixed assets and goodwill €m	Liabilities: Development intangibles €m	Liabilities: Acquisition related intangible assets €m	Liabilities: Loan fees €m	Liabilities: Unremitted earnings €m	Total €m
At 1 January 2018	43.6	15.5	22.4	27.4	(63.6)	(24.5)	(102.8)	(4.9)	(21.9)	(108.8)
Included in the Income Statement	(1.3)	(1.8)	(9.2)	(1.7)	2.3	1.4	17.2	1.1	(2.7)	5.3
Included in other comprehensive income	(4.3)	–	–	–	–	–	–	–	–	(4.3)
Currency translation	1.3	0.7	(0.1)	1.1	(1.1)	(0.1)	(1.4)	(0.2)	0.9	1.1
At 31 December 2018	39.3	14.4	13.1	26.8	(62.4)	(23.2)	(87.0)	(4.0)	(23.7)	(106.7)

12.4. Unrecognised Deferred Tax Assets

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2019, the Group did not recognise deferred income tax assets (net of specific tax provisions) of €147.8 million (2018: €135.5 million). This is principally represented by gross tax losses in respect of which no deferred income tax asset was recognised (before the netting of specific provisions) amounting to €636.3 million (2018: €609.4 million) that can be carried forward against future taxable income. All material tax losses referred to above can be carried forward without time limitation (UK: €594.6 million and Brazil: €27.1 million) except for Hungary (€13.2 million) where tax losses can only be carried forward for five years.

13. Earnings Per Share and Dividends

13.1. Basic and Diluted Earnings Per Share

	2019			2018		
	Profit 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	**141.6**	**519.9**	**27.24**	137.8	519.5	26.53
Dilutive shares	—	—	—	—	1.6	(0.09)
Diluted	**141.6**	**519.9**	**27.24**	137.8	521.1	26.44

13.2. Adjusted Earnings Per Share

	2019		2018	
	Basic	**Diluted**	Basic	Diluted
Adjusted Net Income (€m)	**150.3**	**150.3**	155.2	155.2
Weighted average number of shares (in millions)	**519.9**	**519.9**	519.5	521.1
Adjusted Earnings Per Share (€, in cents)	**28.91**	**28.91**	29.87	29.78

Adjusted Net Income is based on Profit attributable to shareholders €141.6 million (2018: €137.8 million) after adding back net adjustments of €8.7 million (2018: €17.4 million)

13. Earnings Per Share and Dividends continued

13.3. Dividends

The following dividends were declared and paid by the Group:

	2019 €m	2018 €m
Amounts recognised as distributions to shareholders in the year:		
Final dividend for the year ended 31 December 2018 of €5.94 per share (2017: €1.31 per share)	**30.9**	6.8
Interim dividend for the year ended 31 December 2019 of €3.02 per share (2018: €3.02 per share)	**15.7**	15.7
Total dividend	**46.6**	22.5
Proposed final dividend for the year ended 31 December 2019 of €5.94 per share (2018: €5.94 per share)	**30.9**	30.9

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 14 May 2020.

14. Intangible Assets

	2019 €m	2018 €m
Goodwill	**739.0**	733.3
Capitalised development expenses, computer software and licences, technology and customer platforms	**443.2**	496.5
Total intangible assets	**1,182.2**	1,229.8

14.1. Goodwill

	€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**

	€m
Cost at 1 January 2018	724.9
Currency translation	8.4
Cost at 31 December 2018	733.3
Accumulated impairment at 1 January 2018	–
Accumulated impairment at 31 December 2018	–
Net book value at 31 December 2018	733.3

14. Intangible Assets continued

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

	Capitalised development expenses €m	Computer software and licences €m	Technology €m	Customer platforms* €m	Total €m
Cost at 1 January 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**	**–**	**0.4**	**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**

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

	Capitalised development expenses €m	Computer software and licences €m	Technology €m	Customer platforms €m	Total €m
Cost at 1 January 2018	168.8	13.4	127.2	461.9	771.3
Accumulated amortisation	(47.5)	(8.0)	(71.3)	(95.5)	(222.3)
Net book value at 1 January 2018	121.3	5.4	55.9	366.4	549.0
Additions	35.4	1.3	–	–	36.7
Disposals	(0.6)	–	–	–	(0.6)
Amortisation charge	(22.4)	(1.6)	(30.1)	(40.5)	(94.6)
Impairments	(1.0)	–	–	–	(1.0)
Currency translation	1.2	0.1	0.7	5.0	7.0
Net book value at 31 December 2018	133.9	5.2	26.5	330.9	496.5
Cost at 31st December 2018	205.4	15.0	130.7	469.0	820.1
Accumulated amortisation	(71.5)	(9.8)	(104.2)	(138.1)	(323.6)
Net book value at 31 December 2018	133.9	5.2	26.5	330.9	496.5

The above amortisation charges for 'technology' and 'customer platforms' amounting to €58.0 million (2018: €70.6 million) arise from intangible assets recognised through purchase price accounting. Amortisation charges are included within cost of sales.

14.3. Impairment Tests for Goodwill and Intangibles

The purchase of TIFS Holdings Ltd ('TIFSHL') on 30 June 2015, which was the previous Parent Company of the Group, and the consequent fair valuation of assets and liabilities, resulted in total goodwill recognition of €711.1 million and intangibles of €663.2 million. The purchase of Millennium Industries Corporation on 16 February 2016 resulted in total goodwill recognition of €57.1 million and intangibles of €72.6 million.

The intangible assets recognised from acquisitions, as outlined above, include €369.7 million and €57.1 million in relation to customer platforms arising on the Bain and Millennium acquisitions respectively. These assets reflect the future revenue expected to arise from customer platforms existing at the date of acquisition, based on platform lives and probabilities of renewals. The carrying value at 31 December 2019 of these customer platforms is €206.7 million and €36.4 million respectively (2018: €236.6 million and €40.6million) with a remaining useful life of 6.5 and 7.2 years respectively.

Goodwill and intangibles are monitored by management at the operating division level and then the geographic sub-division level. Goodwill and intangibles amount to €679.4 million and €257.1 million respectively for FCS (2018: €674.0 million and €300.7 million), and €59.6 million and €186.1 million respectively for FTDS (2018: €59.3 million and €195.8 million).

The geographic split by cash-generating unit ('CGU') of goodwill within FCS is: Asia Pacific €237.1 million (2018: €236.5 million), North America €223.9 million (2018: €219.1 million) and Europe €218.4 million (2018: €218.4 million).

14. Intangible Assets continued
Goodwill is deemed to have an indefinite useful life. It is carried at cost and reviewed annually for impairment. Intangibles assets are amortised over their useful economic life, which range from 3 to 25 years.

The annual impairment test is a comparison of the carrying value of the non-financial assets of a business or CGU to their recoverable amount. Where the recoverable amount is less than the carrying value, an impairment results.

During the year, the non-financial assets of the Group were tested for impairment, with all CGUs demonstrating a recoverable amount in excess of their carrying value and therefore no impairment charge has been recorded.

The recoverable amount for the CGUs has been determined based on a value-in-use calculation. These calculations use cash flow projections from financial plans approved by the Board, covering a five-year period, plus a terminal value.

The Group initially calculates value-in-use using post-tax cash flows discounted at post-tax discount rates, to approximate the outcome of a pre-tax model. Where this approach demonstrates significant headroom at a CGU level, management conclude that no indicators of impairment exist. If a CGU exhibits negative headroom, or is deemed to be sensitive to a reasonably possible change in key input assumptions, then further quantification of recoverable amount is assessed using a pre-tax value-in-use model and fair value less cost of disposal techniques where necessary.

The key assumptions used in the calculations are the long-term expected growth rate, the discount rate applied to forecast cash flows and the achievement of the cash flow forecasts themselves.

These key input assumptions are determined using 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. Forecast operating cash flows are established using latest expectations of demand for products and are benchmarked by applying expected product margins to external automotive volume forecasts issued by global information provider 'IHS Markit'.

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

	2019		2018	
	FCS	**FTDS**	FCS	FTDS
Pre-tax discount rates				
North America	**13.75%**	**14.75%**	15.75%	17.00%
Europe and Africa	**15.50%**	**16.50%**	16.50%	17.50%
Asia Pacific	**15.50%**	**15.75%**	17.00%	17.00%
Latin America	**26.25%**	**27.00%**	29.25%	28.00%
Post-tax discount rates				
North America	**10.00%**	**10.75%**	11.50%	12.25%
Europe and Africa	**11.75%**	**12.25%**	12.50%	12.75%
Asia-Pacific	**11.50%**	**11.75%**	12.75%	12.75%
Latin America	**17.50%**	**18.00%**	19.50%	18.50%
Long-term growth rates				
North America	**2.50%**	**3.50%**	3.00%	3.00%
Europe and Africa	**3.25%**	**3.00%**	2.50%	2.50%
Asia-Pacific	**5.50%**	**5.25%**	4.00%	3.50%
Latin America	**5.00%**	**4.00%**	8.00%	6.00%

The Group believes that any reasonably possible change in the key assumptions would not cause the carrying value of non-financial assets within the respective CGUs to exceed their recoverable amount.

15. Property, Plant and Equipment

15.1. Movements in Property, Plant and Equipment

	Land and buildings €m	Plant, machinery and equipment €m	Assets in the course of construction €m	Total €m
Cost	**176.7**	**754.2**	**95.9**	**1,026.8**
Accumulated depreciation	**(18.7)**	**(301.6)**	**–**	**(320.3)**
Net book value at 1 January 2019	**158.0**	**452.6**	**95.9**	**706.5**
Change in accounting policy: adoption of IFRS 16	**(1.4)**	**–**	**–**	**(1.4)**
Restated net book value at 1 January 2019	**156.6**	**452.6**	**95.9**	**705.1**
Additions	**3.8**	**83.5**	**27.2**	**114.5**
Disposals	**0.1**	**(0.8)**	**(0.9)**	**(1.6)**
Impairments	**–**	**(1.5)**	**–**	**(1.5)**
Transfers between categories	**0.6**	**32.2**	**(32.8)**	**–**
Depreciation charge	**(8.9)**	**(98.2)**	**–**	**(107.1)**
Currency translation	**(0.3)**	**6.4**	**(0.5)**	**5.6**
Net book value at 31 December 2019	**151.9**	**474.2**	**88.9**	**715.0**
Cost	**175.5**	**820.2**	**88.9**	**1,084.6**
Accumulated depreciation	**(23.6)**	**(346.0)**	**–**	**(369.6)**
Net book value at 31 December 2019	**151.9**	**474.2**	**88.9**	**715.0**

As explained in note 1.1.3.1 above, the Group has changed its accounting policy for leases and adopted IFRS 16 'Leases' in the year. Property, plant and equipment decreased by €1.4 million in the year as a result of reclassifying leased assets that were previously treated as property, plant and equipment into right-of-use assets.

	Land and buildings €m	Plant, machinery and equipment €m	Assets in the course of construction €m	Total €m
Cost	167.6	648.1	95.4	911.1
Accumulated depreciation	(13.5)	(210.8)	–	(224.3)
Net book value at 1 January 2018	154.1	437.3	95.4	686.8
Additions	2.0	85.2	29.7	116.9
Disposals	(0.1)	(0.3)	–	(0.4)
Impairments	–	(0.5)	–	(0.5)
Transfers between categories	7.6	22.6	(30.2)	–
Depreciation charge	(6.5)	(94.5)	–	(101.0)
Currency translation	0.9	2.8	1.0	4.7
Net book value at 31 December 2018	158.0	452.6	95.9	706.5
Cost	176.7	754.2	95.9	1,026.8
Accumulated depreciation	(18.7)	(301.6)	–	(320.3)
Net book value at 31 December 2018	158.0	452.6	95.9	706.5

15. Property, Plant and Equipment continued

15.2. Depreciation Charge

The above depreciation charge includes €14.5 million, comprising €1.3 million from 'land and buildings' and €13.2 million from 'plant, machinery and equipment' in relation to the fair value uplift arising from purchase price accounting (2018: €15.7 million, comprising €1.1 million from 'land and buildings' and €14.6 million from 'plant, machinery and equipment').

The total depreciation charge is analysed below:

	2019 €m	2018 €m
Cost of sales	**104.5**	97.8
Distribution costs	**0.8**	1.1
Administrative expenses	**1.8**	2.0
Total depreciation charge	**107.1**	100.9

16. Leases

As explained in note 1.1.3.1 above, the Group has changed its accounting policy for leases and adopted IFRS 16 'Leases' in the year in accordance with the simplified transition approach permitted in the standard. The new rules have been adopted in the current year only, with the cumulative effect of initially applying the new standard recognised on 1 January 2019. The Group has not restated comparative amounts for the year ended 31 December 2018.

16.1. Amounts recognised in the Balance Sheet

The Balance Sheet at 31 December 2019 shows the following amounts relating to leases:

	31 December 2019 €m
Right-of-use assets	**161.4**
Non-current liabilities	
Lease liabilities	**138.0**
Current liabilities	
Lease liabilities	**28.7**
Total lease liabilities	**166.7**

In the previous year, the Group only recognised lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 'Leases'. These were included as part of the Group's borrowings in 2018, see Note 25, and were reclassified to lease liabilities in the current year, as part of the adoption of IFRS 16.

On adoption of IFRS 16, the Group recognised right-of-use assets of €146.3 million and lease liabilities of €147.0 million on the transition date of 1 January 2019. Property, plant and equipment decreased by €1.4 million as a result of reclassifying leased assets that were previously treated as property, plant and equipment into right-of-use assets. Borrowings decreased by €2.0 million as a result of reclassifying finance lease liabilities that were previously treated as borrowings into lease liabilities. Prepayments also reduced by €0.3 million and accruals by €0.4 million. The net impact on retained earnings on 1 January 2019 of the adoption of IFRS 16 was €nil.

The following reconciliation of the opening balance for lease liabilities as at 1 January 2019 is based on the operating lease commitments at 31 December 2018 as disclosed in Note 30. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.6%.

16. Leases continued

The range of incremental borrowing rates applied to lease liabilities in the year by region was:

	2019 Range
Europe and Africa	**3.4% – 23.2%**
North America	**4.9% – 12.6%**
Asia Pacific	**5.3% – 13.4%**
Latin America	**8.7% – 18.2%**

The Group believes that any reasonably possible change in the weighted average incremental borrowing rate would not cause the carrying value of lease liabilities or the lease interest payable charged to the Income Statement to be materially different.

A reconciliation of the operating lease commitments disclosed as at 31 December 2018 and the lease liabilities and right-of-use assets recognised at 1 January 2019 is disclosed below:

	Notes	2019 €m
Operating lease commitments disclosed as at 31 December 2018	30	**157.9**
Less: short-term leases recognised on a straight-line basis as an expense		**(2.5)**
Less: low-value leases recognised on a straight-line basis as an expense		**(1.0)**
Less: commitments for which the underlying asset was unavailable for use at 31 December 2018*		**(14.7)**
Add: adjustments as a result of a different treatment of extension and termination options		**49.1**
Adjusted operating lease commitments at 31 December 2018		**188.8**
Impact of discounting at the Group's incremental borrowing rates at the date of initial application		**(43.8)**
Discounted adjusted operating lease commitments at 31 December 2018		**145.0**
Add: finance lease liabilities reclassified from borrowings as at 31 December 2018	25	**2.0**
Lease liabilities recognised at 1 January 2019		**147.0**
Prepaid or accrued lease expenses at 31 December 2018		**(0.1)**
Less: finance lease liabilities reclassified from borrowings as at 31 December 2018	25	**(2.0)**
Add: Leased assets reclassified from Property, Plant and Equipment as at 31 December 2018	15	**1.4**
Right-of-use assets recognised at 1 January 2019		**146.3**

* Commitments for which the underlying asset was unavailable for use at 31 December 2018 relate to leases that were not commenced at 31 December 2018, to which the Group was already committed.

16.1.1 Right-of-use assets

Movements in right-of-use assets in the year are disclosed below:

	Land and buildings €m	Plant, machinery and equipment €m	Total €m
Balance at 31 December 2018	–	–	–
Change in accounting policy: adoption of IFRS 16	**134.0**	**12.3**	**146.3**
Restated at 1 January 2019	**134.0**	**12.3**	**146.3**
Additions	**42.3**	**5.2**	**47.5**
Disposals	**(1.3)**	–	**(1.3)**
Remeasurements	**0.4**	**0.2**	**0.6**
Depreciation charge	**(25.8)**	**(5.7)**	**(31.5)**
Currency translation	**(0.2)**	–	**(0.2)**
Net book value at 31 December 2019	**149.4**	**12.0**	**161.4**
Cost	**174.5**	**17.7**	**192.2**
Accumulated depreciation	**(25.1)**	**(5.7)**	**(30.8)**
Net book value at 31 December 2019	**149.4**	**12.0**	**161.4**

16. Leases continued

16.1.2 Lease liabilities

Movements in lease liabilities in the year are disclosed below:

	Notes	Lease liabilities €m
Balance at 31 December 2018		–
Change in accounting policy: adoption of IFRS 16	25.8	**147.0**
Restated at 1 January 2019		**147.0**
Additions	25.8	**47.5**
Disposals		**(1.3)**
Remeasurements		**0.6**
Accrued interest		**10.5**
Repayments		**(37.6)**
At 31 December 2019		**166.7**
Non-current		**138.0**
Current		**28.7**
At 31 December 2019		**166.7**

The maturity of lease liabilities is:

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	**39.2**	**10.5**	**28.7**
Between one and five years	**109.9**	**26.7**	**83.2**
Over five years	**65.7**	**10.9**	**54.8**
Total at 31 December 2019	**214.8**	**48.1**	**166.7**

The maturity of finance lease liabilities at 31 December 2018, prior to the application of IFRS 16 'Leases' was:

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	2.1	0.1	2.0
Total at 31 December 2018	2.1	0.1	2.0

The currency denomination of lease liabilities is:

	2019 €m
Euro	**75.6**
US dollar	**44.7**
Chinese renminbi	**27.1**
Other	**19.3**
Total lease liabilities	**166.7**

16. Leases continued

16.2. Amounts recognised in the statements of profit or loss and cash flows

The statement of profit or loss includes the following amounts relating to leases:

	Notes	2019 €m
Depreciation charge of right-of-use assets		**31.5**
Interest payable on lease liabilities	11	**10.5**
Expense relating to short-term and low value leases	5.1	**8.5**

The total depreciation charge on right-of-use assets in 2019 is all recognised in cost of sales.

The statement of cash flows includes the following amounts relating to leases:

	2019 €m
Cash paid for short-term and low-value leases reported within cash generated from operations	**8.5**
Interest paid on lease liabilities reported within interest paid	**10.5**
Lease principal repayments reported separately in cash flows from financing activities	**27.1**
Total cash outflow for leases	**46.1**

16.3. Leasing Activities

The Group as Lessee

The Group leases various manufacturing facilities, offices, plant and machinery and cars. Rental contracts are typically made for fixed initial periods of 1 to 10 years for manufacturing facilities and offices, and 2 to 5 years for plant and machinery and cars. Many agreements also have extension options, as described below, and contain a range of terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Extension options (or periods after termination options) are only included for valuation purposes in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of €51.7 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

17. Investments in Associates

The Group's only associated undertaking is SeAH FS Co., Ltd ('SeAH FS'). The Group holds 20% of the issued ordinary shares. SeAH FS is registered in South Korea and is engaged in manufacturing and engineering. Its financial year-end is 31 December and its registered address is 180-15 Kebong-Dong Young, Deoungpo-Gu, Seoul. SeAH FS is a private company, and there is no quoted price available for its shares. There are no contingent liabilities relating to the Group's investment.

There were no sales of goods by the Group to SeAH FS in either 2019 or 2018. Purchases of goods by the Group from SeAH FS in the year totalled €10.5 million (2018: €13.7 million).

The movements in investments in associates in the year were:

	2019 €m	2018 €m
Balance at 1 January	**19.6**	19.2
Share of profit for the year	**0.3**	0.5
Dividends paid	**(0.5)**	(0.2)
Currency translation	**(0.2)**	0.1
Balance at 31 December	**19.2**	19.6

17. Investments in Associates continued

Group proportional share of associate's net income (20% share)	2019 €m	2018 €m
Revenue	**19.6**	24.0
Earnings before interest and income taxes (EBIT)	**0.5**	0.2
Share of associate net profit for the year	**0.4**	0.5
Other net income for the year	**(0.1)**	(0.1)
Comprehensive income for the year	**0.3**	0.4

Group proportional share of associate's net assets (20% share)	2019 €m	2018 €m
Current assets	**13.8**	14.0
Non-current assets	**16.0**	16.6
Total assets	**29.8**	30.6
Current liabilities	**(2.8)**	(3.3)
Non-current liabilities	**(1.0)**	(0.9)
Total liabilities	**(3.8)**	(4.2)
Shareholders' funds (before fair value adjustment on acquisition)	**26.0**	26.4

The summarised financial information is based on the audited financial statements of SeAH FS for 2018 and the unaudited financial statements of SeAH FS for 2019. The functional currency of SeAH FS is Korean won, which has been converted to Euro at prevailing exchange rates.

18. Inventories

	2019 €m	2018 €m
Raw materials	**141.7**	145.8
Work-in-progress	**39.8**	40.1
Finished goods	**39.9**	39.8
Tooling under development	**110.9**	96.6
Consumables	**34.8**	30.5
Total inventories	**367.1**	352.8

Consignment inventories from external suppliers held on the Group's premises at 31 December 2019 amounted to €19.7 million (2018: €19.8 million) and are excluded from the balances above.

The value of inventories has been assessed on the basis of fair value, in determining that the carrying value is the lower of cost less any related selling costs and net realisable value.

The cost of inventories recognised as an expense in cost of sales during the year was €1,600.4 million (2018: €1,637.0 million), including €9.2 million relating to write-downs of inventory to net realisable value (2018: €8.0 million).

19. Trade and Other Receivables

	2019 €m	2018 €m
Trade receivables	**514.4**	521.3
Allowance for doubtful debts	**(3.9)**	(4.0)
Net trade receivables	**510.5**	517.3
Prepayments	**67.7**	60.8
Contract assets – accrued income	**13.7**	13.2
Other receivables	**4.2**	1.8
Total trade and other receivables	**596.1**	593.1
Non-current	**21.6**	14.8
Current	**574.5**	578.3

19. Trade and Other Receivables continued

Trade receivables disclosed above include amounts that are overdue at the end of the year for which the Group has not recognised an allowance for doubtful debts because there is still a reasonable expectation of recovering these balances.

19.1. Aged Analysis of Net Trade Receivables

	2019 €m	2018 €m
Not overdue	**468.8**	476.5
Up to three months overdue	**35.4**	37.5
Three to six months overdue	**2.9**	2.2
Over six months overdue	**3.4**	1.1
Net trade receivables	**510.5**	517.3

19.2. Movement in Allowance for Doubtful Debts

	2019 €m	2018 €m
At 1 January	**(4.0)**	(2.7)
Receivables provided for as uncollectible	**(3.1)**	(1.5)
Amounts written off during the year as uncollectible	**0.5**	–
Amounts recovered during the year	**2.7**	0.2
At 31 December	**(3.9)**	(4.0)

In determining the recoverability of a trade receivable, the Group considers all currently available and forward-looking information to assess the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Receivables provided for as uncollectible and charged to the Income Statement are included in administrative expenses.

A loss allowance is recognised at an amount equal to the lifetime expected credit losses over the life of the contract if credit quality of the receivable has declined since initial recognition.

19.3. Credit Quality of Receivables

The Group has a large number of customers and considers credit ratings only in respect of major customers from either Standard and Poor's or Moody's. Those customers that have no credit rating are monitored as part of normal credit control procedures.

Credit rating	2019 €m	2018 €m
A – AAA	**151.4**	148.4
B – BBB	**230.3**	232.1
Counterparties without external credit rating	**128.8**	136.8
Net trade receivables	**510.5**	517.3

19.4. Currency Risk of Receivables

	2019 €m	2018 €m
Chinese renminbi	**163.8**	173.5
Euro	**164.2**	169.1
US dollar	**103.2**	104.5
Other currencies	**83.5**	72.0
Total net trade receivables and other receivables	**514.7**	519.1

19. Trade and Other Receivables continued

19.5. Movement in Accrued Income

	2019 €m	2018 €m
At 1 January	**13.2**	12.4
Unbilled performance	**8.2**	2.3
Transfers to receivables	**(7.1)**	(2.0)
Other movements	**(0.7)**	0.3
Currency translation	**0.1**	0.2
At 31 December	**13.7**	13.2

20. Cash and Liquid Assets

	2019 €m	2018 €m
Cash at bank and in hand	**411.7**	360.1
Cash and cash equivalents in the Balance Sheet	**411.7**	360.1
Other deposits	**0.9**	1.2
Financial assets at FVTPL	**0.9**	1.2
Total cash and liquid assets	**412.6**	361.3

Other deposits of €0.9 million (2018: €1.2 million) include €0.7 million (2018: €0.7 million) pledged to provide a bank guarantee, as part of a total guarantee of €1.5 million to the Spanish tax authorities in respect of a disputed assessment raised following a tax audit for the period 2013-14.

Financial institution credit rating	2019 €m	2018 €m
A – AA	**338.3**	319.3
B – BBB or lower	**73.4**	40.8
Cash and cash equivalents in the Balance Sheet	**411.7**	360.1

Cash and cash equivalent balances include €1.7 million (2018: €2.0 million) held by subsidiaries as collateral primarily for letters of credit and foreign exchange facilities.

21. Issued Share Capital

	Number of shares	Nominal value of each share	Ordinary shares £m	Ordinary shares €m	Share premium €m	Total €m
At 1 January 2019	**519,901,503**	**£0.01**	**5.2**	**6.8**	**1.4**	**8.2**
Shares issued	**367,638**	**£0.01**	**–**	**–**	**0.8**	**0.8**
At 31 December 2019	**520,269,141**	**£0.01**	**5.2**	**6.8**	**2.2**	**9.0**

	Number of shares	Nominal value of each share	Ordinary shares £m	Ordinary shares €m	Share premium €m	Total €m
At 1 January 2018	519,412,226	£0.01	5.2	6.8	404.3	411.1
Capital reduction	–	£0.01	–	–	(404.3)	(404.3)
Shares issued	489,277	£0.01	–	–	1.4	1.4
At 31 December 2018	519,901,503	£0.01	5.2	6.8	1.4	8.2

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

On 1 December 2018, the Company issued 489,277 ordinary shares in relation to the vesting of RSU awards. See Note 7 Share-based Compensation for further information.

On 21 March 2019, 367,638 ordinary shares were issued in connection with the Company's Deferred Bonus Plan. Further detail is outlined in the Remuneration report on page 73.

21. Issued Share Capital continued

During 2019, 513,165 shares (2018: 176,729 shares) were forfeited by Restricted Stock Award ('RSA') holders and transferred to the TI Fluid Systems Employee Benefit Trust ('EBT'). The EBT subsequently issued 269,138 shares to satisfy Restricted Stock Units ('RSUs') vesting in the year. The closing balance of shares held by the EBT on 31 December 2019 was 420,756 (2018: 176,729). See Note 7 Share-based Compensation for further information.

The Company is a public limited company which is incorporated and domiciled in England and Wales, with registered number 09402231.

22. Reserves

Other Reserves

Items that may be subsequently reclassified to profit or loss	Forward contracts cash flow hedge reserve €m	Forward contracts cost of hedging reserve €m	Net investment hedges €m	Interest rate swaps €m	Hedging reserve €m	Currency translation reserve €m	Total €m
At 1 January 2019	–	(25.9)	(17.2)	7.8	(35.3)	(91.0)	(126.3)
Amount recognised in OCI during the year – fair value gains/(losses): effective hedges	13.3	20.6	–	(3.2)	30.7	–	30.7
Amounts recycled from OCI – foreign exchange remeasurement	(13.3)	–	–	–	(13.3)	–	(13.3)
Amortisation	–	(8.9)	–	–	(8.9)	–	(8.9)
Amounts recycled from OCI – interest	–	–	–	(3.6)	(3.6)	–	(3.6)
Movement in fair value of effective cash flow hedges	–	11.7	–	(6.8)	4.9	–	4.9
Net investment hedges	–	–	0.3	–	0.3	–	0.3
Currency translation attributable to owners of the Parent Company	–	–	–	–	–	15.0	15.0
Items that may be subsequently reclassified to profit or loss	–	11.7	0.3	(6.8)	5.2	15.0	20.2
At 31 December 2019	–	(14.2)	(16.9)	1.0	(30.1)	(76.0)	(106.1)

22. Reserves continued

Items that may be subsequently reclassified to profit or loss	Forward contracts Cash flow hedge reserve €m	Forward contracts cost of hedging reserve €m	Net investment hedges €m	Interest rate swaps €m	Hedging reserve €m	Currency translation reserve €m	Total €m
At 1 January 2018	–	(25.4)	(10.0)	7.6	(27.8)	(102.7)	(130.5)
Amount recognised in OCI during the year – fair value gains: effective hedges	27.3	8.8	–	2.7	38.8	–	38.8
Amounts recycled from OCI – foreign exchange remeasurement	(27.3)	–	–	–	(27.3)	–	(27.3)
Amortisation	–	(9.3)	–	–	(9.3)	–	(9.3)
Amounts recycled from OCI – interest	–	–	–	(2.5)	(2.5)	–	(2.5)
Movement in fair value of effective cash flow hedges	–	(0.5)	–	0.2	(0.3)	–	(0.3)
Net investment hedges	–	–	(7.2)	–	(7.2)	–	(7.2)
Currency translation attributable to owners of the Parent Company	–	–	–	–	–	11.7	11.7
Items that may be subsequently reclassified to profit or loss	–	(0.5)	(7.2)	0.2	(7.5)	11.7	4.2
At 31 December 2018	–	(25.9)	(17.2)	7.8	(35.3)	(91.0)	(126.3)

23. Non-Controlling Interests

	2019 €m	2018 €m
At 1 January	**22.5**	20.3
Share of profit for the year	**3.0**	2.3
Currency translation	**(0.2)**	0.1
Total comprehensive income for the year	**2.8**	2.4
Reduction in non-controlling interests	**(0.1)**	–
Dividends paid	**(0.7)**	(0.2)
At 31 December	**24.5**	22.5

The Group holds a 97% interest in Bundy India Ltd and a 73% interest in Hanil Tube Corporation, which is located in South Korea. Non-controlling interests represent the remaining 3% and 27% respectively. The Group's share in Bundy India Ltd increased from 97.0% to 97.4% during the year.

24. Trade and Other Payables

	2019 €m	2018 €m
Trade payables	**276.9**	289.2
Accrued expenses	**166.7**	173.0
Contract liabilities – deferred income	**116.2**	93.3
Social security and other taxes	**46.2**	48.0
Other payables	**16.2**	20.1
Amounts due to associates	**1.3**	1.9
Total trade and other payables	**623.5**	625.5
Non-current	**12.3**	17.1
Current	**611.2**	608.4

Accrued expenses include net capital investment grant balances totalling €1.9 million (2018: €2.9 million).

24. Trade and Other Payables continued

24.1. Movement in Contract Liabilities – Deferred Income

	2019 €m	2018 €m
At 1 January	**93.3**	87.5
Advance billings	**47.9**	63.4
Amounts recognised as revenue	**(34.8)**	(47.5)
Reversal of prior year deferred income	**(1.1)**	(8.2)
Other movements	**9.5**	(2.2)
Currency translation	**1.4**	0.3
At 31 December	**116.2**	93.3

25. Borrowings

	Notes	2019 €m	2018 €m
Non-current:			
Secured loans:			
– Main borrowing facilities	25.4	**1,148.4**	1,179.1
– Other secured loans	25.5	**0.1**	0.2
Total non-current borrowings		**1,148.5**	1,179.3
Current:			
Secured loans:			
– Main borrowing facilities	25.4	**2.3**	2.3
– Other secured loans	25.5	**0.1**	0.1
– Finance leases	25.6	**–**	2.0
Total current borrowings		**2.4**	4.4
Total borrowings		**1,150.9**	1,183.7
Main borrowing facilities	25.4	**1,150.7**	1,181.4
Other loans	25.5	**0.2**	0.3
Finance leases	25.6	**–**	2.0
Total borrowings		**1,150.9**	1,183.7

The main borrowing facilities are shown net of issuance discounts and fees of €16.9 million (2018: €23.8 million).

25.1. Movement in Total Borrowings

	Main borrowing facilities €m	Finance leases €m	Other loans €m	Total borrowings €m
At 1 January 2019	**1,181.4**	**2.0**	**0.3**	**1,183.7**
Change in accounting policy: adoption of IFRS 16	**–**	**(2.0)**	**–**	**(2.0)**
Restated 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 paid 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**

The Group has adopted IFRS 16 from 1 January 2019 by applying the simplified transition approach, under which the comparatives for the 2018 reporting period are not restated, see Note 1.1.3 and Note 16. As part of the adoption, finance lease liabilities at 1 January 2019 of €2.0 million have been reclassified from borrowings to lease liabilities.

25. Borrowings continued
On 11 March 2019, the Group made a voluntary repayment of $56.5 million (€50.0 million) against the US dollar tranche of its secured term loan.

	Main borrowing facilities and unsecured notes €m	Finance leases and other loans €m	Total borrowings €m
At 1 January 2018	1,177.5	3.7	1,181.2
Accrued interest	54.1	0.5	54.6
Scheduled repayments	(58.1)	(1.9)	(60.0)
Fees expensed	6.9	–	6.9
New borrowings	150.0	–	150.0
Fees paid on new borrowings	(2.2)	–	(2.2)
Voluntary repayments of borrowings	(188.4)	–	(188.4)
Fees expensed on voluntary repayments of borrowings	3.6	–	3.6
Currency translation	38.0	–	38.0
At 31 December 2018	1,181.4	2.3	1,183.7

25.2. Currency Denomination of Borrowings

	2019 €m	2018 €m
US dollar	**731.5**	759.9
Euro	**419.4**	423.8
Total borrowings	**1,150.9**	1,183.7

25.3. Maturity of Borrowings

	2019 €m	2018 €m
Less than one year	**2.4**	4.4
Between one and five years	**1,148.5**	1,179.3
Total borrowings	**1,150.9**	1,183.7

25.4. Main Borrowing Facilities
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:

	2019 €m	2018 €m
Principal outstanding:		
US term loan	**743.2**	776.4
Euro term loan	**424.4**	428.8
Main borrowing facilities (term loan)	**1,167.6**	1,205.2
Issuance discounts and fees	**(16.9)**	(23.8)
Main borrowing facilities (term loan)	**1,150.7**	1,181.4

Term loan
The principal outstanding of the US term loan in US dollars at 31 December 2019 is $834.2 million (2018: $890.7 million).
On 11 March 2019, the Group made a voluntary repayment of $56.5 million (€50.0 million) against the US dollar tranche of the loan.

The interest rate payable on the US term loan is one month US dollar LIBOR (minimum 0.75% p.a.) +2.5% p.a., and on the Euro term loan is three month EURIBOR (minimum 0.75% p.a.) +2.75% p.a. No capital payments are due on the US dollar tranche until the balance falls due on 30 June 2022. The Euro tranche is repayable in amounts of €1.1 million per quarter, with the balance also falling due on 30 June 2022.

25. Borrowings continued

On 6 October 2015, the Group entered into hedging transactions with a number of financial institutions which effectively converted borrowings of $400.0 million at floating interest rates into €355.0 million at a fixed interest rate of 4.2%, thereby reducing foreign currency exposure for future cash flows and locking in lower long-term Euro fixed interest rates (Note 3.3.2).

Asset-backed loan, and a revolving credit facility

The asset-backed loan ('ABL') provides up to $100.0 million depending upon the level of inventories and trade receivables in the Group's US and Canadian businesses. The facility is also available to be used to issue letters of credit on behalf of TI Group Automotive Systems LLC, a subsidiary undertaking. Drawings under the facility bear interest at US$ LIBOR +1.50% p.a. unless the drawings are below $50.0 million when the rate is US$ LIBOR +1.25% p.a. The revolving credit agreement provides a facility of up to $125.0 million. Drawings under this facility bear interest in a range of US$ LIBOR +3.0% to US$ LIBOR +3.5% p.a. depending on the Group's leverage ratios.

Maturities of the revolving credit facility and asset-backed loan are due to expire on 16 July 2023.

The net undrawn facilities under the agreements are shown below:

	2019		2018	
	$m	**€m**	$m	€m
Asset backed loan:				
Availability	**77.7**	**69.2**	89.7	78.2
Utilisation for letters of credit	**(3.8)**	**(3.4)**	(3.0)	(2.6)
Net undrawn asset backed loan facility	**73.9**	**65.8**	86.7	75.6
Revolving credit agreement	**125.0**	**111.4**	125.0	109.0
Main borrowings: net undrawn facilities	**198.9**	**177.2**	211.7	184.6

Issuance discounts and fees

Initial issuance discounts and fees from the 2015 agreements, brought forward at 1 January 2019 were €67.1million. An additional €0.3 million of fees were capitalised in 2019 bringing the total fees capitalised to €67.4 million at 31 December 2019.

All capitalised fees are expensed using the effective interest rate method over the remaining terms of the facilities. As a result of the Group extinguishing its remaining unsecured senior notes in July 2018, unamortised transaction costs of $4.2 million (€3.6 million) were released and recognised as exceptional finance expenses in the prior year (see Note 11).

25.5. 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 (2018: €54,000) and expires on 15 June 2022. The balance outstanding at 31 December 2019 is €169,000 (2018: €223,000).

25.6. Finance Leases

The Group has adopted IFRS 16 from 1 January 2019. As part of the adoption, finance lease liabilities at 1 January 2019 of €2.0 million have been reclassified from borrowings to lease liabilities.

The maturity of finance lease liabilities in the prior year was:

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	2.1	0.1	2.0
Total at 31 December 2018	2.1	0.1	2.0

25. Borrowings continued

25.7. Total Undrawn Borrowing Facilities

	2019 €m	2018 €m
Floating rate:		
Expiring within one year	**6.1**	6.0
Expiring after more than one year	**177.2**	184.6
	183.3	190.6
Fixed rate:		
Expiring within one year	**3.9**	3.9
	3.9	3.9
Total at the end of the year	**187.2**	194.5

25.8. Movements in Net Borrowings and Lease Liabilities

					Non-cash changes				
	At 1 January 2019 €m	Change in accounting policy: adoption of IFRS 16 €m	Restated 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**	**–**	**360.1**	**48.2**	**–**	**–**	**3.4**	**–**	**411.7**
Financial assets at FVTPL	**1.2**	**–**	**1.2**	**(0.3)**	**–**	**–**	**–**	**–**	**0.9**
Borrowings	**(1,183.7)**	**2.0**	**(1,181.7)**	**54.8**	**–**	**(7.7)**	**(16.3)**	**–**	**(1,150.9)**
Total net borrowings	**(822.4)**	**2.0**	**(820.4)**	**102.7**	**–**	**(7.7)**	**(12.9)**	**–**	**(738.3)**
Lease liabilities	**–**	**(147.0)**	**(147.0)**	**27.1**	**(47.5)**	**–**	**–**	**0.7**	**(166.7)**
Net borrowings and lease liabilities	**(822.4)**	**(145.0)**	**(967.4)**	**129.8**	**(47.5)**	**(7.7)**	**(12.9)**	**0.7**	**(905.0)**

			Non-cash changes		
	At 1 January 2018 €m	Cash flows €m	Fees expensed €m	Currency translation €m	At 31 December 2018 €m
Cash and cash equivalents	287.2	70.6	–	2.3	360.1
Financial assets at FVTPL	2.9	(1.7)	–	–	1.2
Borrowings	(1,181.2)	46.0	(10.5)	(38.0)	(1,183.7)
Total net borrowings	(891.1)	114.9	(10.5)	(35.7)	(822.4)
Lease liabilities	–	–	–	–	–
Net borrowings and lease liabilities	(891.1)	114.9	(10.5)	(35.7)	(822.4)

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

	2019 €m	2018 €m
Proceeds from new borrowings	**–**	(150.0)
Fees paid on proceeds from new borrowings	**0.3**	2.2
Voluntary repayments of borrowings	**50.0**	188.4
Scheduled repayments of borrowings	**4.5**	5.4
Lease principal repayments	**27.1**	–
Cash flows from financing activities arising from changes in financial liabilities	**81.9**	46.0
Borrowings cash flows	**54.8**	46.0
Lease liabilities cash flows	**27.1**	–
Cash flows from financing activities arising from changes in financial liabilities	**81.9**	46.0

26. Fair Values of Financial Assets and Liabilities

26.1. Financial Instruments by Category

As at 31 December 2019:

Financial assets	Assets at amortised cost €m	Assets in hedged relationships €m	Assets at FVTPL €m	Total €m
Cash and cash equivalents	**411.7**	–	–	**411.7**
Financial assets at FVTPL	–	–	**0.9**	**0.9**
Trade and other receivables excluding prepayments	**528.4**	–	–	**528.4**
Derivative financial instruments:				
– Forward foreign exchange contracts (cash flow hedges)	–	**14.2**	**3.1**	**17.3**
– Interest rate swaps (cash flow hedges)	–	**1.1**	–	**1.1**
Total at 31 December 2019	**940.1**	**15.3**	**4.0**	**959.4**

Financial liabilities	Liabilities at amortised cost €m	Liabilities in hedged relationships €m	Liabilities at FVTPL €m	Total €m
Trade and other payables excluding deferred income	**(507.3)**	–	–	**(507.3)**
Borrowings	**(1,150.9)**	–	–	**(1,150.9)**
Lease liabilities	**(166.7)**	–	–	**(166.7)**
Derivative financial instruments:				
– Forward foreign exchange contracts (cash flow hedges)	–	**(5.4)**	**(1.7)**	**(7.1)**
– Forward foreign exchange contracts (net investment hedges)	–	**(17.0)**	–	**(17.0)**
– Interest rate floor	–	–	**(1.3)**	**(1.3)**
Total at 31 December 2019	**(1,824.9)**	**(22.4)**	**(3.0)**	**(1,850.3)**

As at 31 December 2018:

Financial assets	Assets at amortised cost €m	Assets in hedged relationships €m	Assets at FVTPL €m	Total €m
Cash and cash equivalents	360.1	–	–	360.1
Financial assets at FVTPL	–	–	1.2	1.2
Trade and other receivables excluding prepayments	532.3	–	–	532.3
Derivative financial instruments:	–	–	–	–
– Forward foreign exchange contracts (cash flow hedges)	–	5.2	1.0	6.2
– Interest rate swaps (cash flow hedges)	–	7.7	–	7.7
Total at 31 December 2018	892.4	12.9	2.2	907.5

Financial liabilities	Liabilities at amortised cost €m	Liabilities in hedged relationships €m	Liabilities at FVTPL €m	Total €m
Trade and other payables excluding deferred income	(532.2)	–	–	(532.2)
Borrowings	(1,183.7)	–	–	(1,183.7)
Derivative financial instruments:				
– Forward foreign exchange contracts (cash flow hedges)	–	(26.0)	(2.3)	(28.3)
– Forward foreign exchange contracts (net investment hedges)	–	(17.2)	–	(17.2)
– Interest rate floor	–	–	(2.6)	(2.6)
Total at 31 December 2018	(1,715.9)	(43.2)	(4.9)	(1,764.0)

Fair value estimates of derivatives are based on relevant market information and information about the financial instruments, which are subjective in nature. The fair value of these financial instruments is estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the reporting date, which is a proxy for market price.

26. Fair Values of Financial Assets and Liabilities continued

All derivative items reported are within Level 2 of the fair value hierarchy specified in IFRS 13 'Fair Value Measurement'; their measurement includes inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

The fair values of non-derivative amounts are determined in accordance with generally accepted valuation techniques based on discounted cash flow analysis. For the non-derivative items reported above, it is assumed that by their nature their carrying value approximates their fair value.

26.2. Contracted Maturities of Financial Liabilities

As at 31 December 2019:

	Less than one year €m	Between one and two years €m	Between two and five years €m	Over five years €m	Total €m
Non-derivatives					
Borrowings excluding issuance discounts and fees	**4.5**	**4.5**	**1,158.8**	**–**	**1,167.8**
Interest	**47.8**	**47.0**	**23.2**	**–**	**118.0**
Total borrowings	**52.3**	**51.5**	**1,182.0**	**–**	**1,285.8**
Lease liabilities	**39.2**	**35.8**	**74.1**	**65.7**	**214.8**
Trade and other payables excluding deferred income	**501.3**	**6.0**	**–**	**–**	**507.3**
Total non-derivatives at 31 December 2019	**592.8**	**93.3**	**1,256.1**	**65.7**	**2,007.9**
Derivatives					
Cash flow hedging instrument:					
– Outflow	**313.6**	**–**	**–**	**–**	**313.6**
– Inflow	**(291.6)**	**–**	**–**	**–**	**(291.6)**
Interest rate swaps	**1.3**	**–**	**–**	**–**	**1.3**
Total derivatives at 31 December 2019	**23.3**	**–**	**–**	**–**	**23.3**

As at 31 December 2018:

	Less than one year €m	Between one and two years €m	Between two and five years €m	Total €m
Non-derivatives				
Borrowings excluding issuance discounts and fees	6.5	4.5	1,196.5	1,207.5
Interest	54.6	54.5	81.1	190.2
Total borrowings	61.1	59.0	1,277.6	1,397.7
Trade and other payables excluding deferred income	524.2	8.0	–	532.2
Total non-derivatives at 31 December 2018	585.3	67.0	1,277.6	1,929.9
Derivatives	–	–	–	–
Cash flow hedging instrument:	–	–	–	–
– Outflow	1.0	560.3	–	561.3
– Inflow	–	(516.6)	–	(516.6)
Interest rate swaps	1.5	1.3	–	2.8
Total non-derivatives at 31 December 2018	2.5	45.0	–	47.5

The cash flow hedging instruments are expected to mature over a period of five years from inception concluding in October 2020. These contracts are designed to partially match the interest and principal repayments of US dollar-based debt reported in Note 3.3.2.

27. Retirement Benefit Obligations

27.1. Defined Benefit Arrangements

Pension plans

The Group operates funded defined benefit pension plans in the US, Canada and the UK under broadly similar regulatory frameworks. All of the plans provide benefits to members in the form of a guaranteed level of pension payable for life. The level of pensions provided is determined by members' length of service and, for most of these plans, pensionable remuneration. Plan assets are held in trusts from which all benefit payments are made. The plans are governed by local regulations and practice, including the nature of the relationship between their trustees and the Group. Responsibility for governance of the plans, including investment strategy and schedules of contributions, rests primarily with the trustees, some of whom are appointed by the Group and the remainder by the members in accordance with the rules of each plan.

There are five plans in the US, four of which are closed to both new entrants and future accrual, and one of which is closed to new entrants but permits future accrual. The active members are not required to make contributions to the plans. Pensions in payment are not subject to inflationary increase. The plan in Canada remains open to new entrants, and is contributory. Pensions in payment are subject to discretionary inflationary increase. The UK plan is closed to new entrants but remains open to future accrual. Pensions in payment are subject to annual increase based on the UK Retail Price Index.

Independent accounting valuations of all major defined benefit scheme assets and liabilities were carried out as at 31 December 2019. The US pension plans are subject to annual actuarial valuation, and were most recently valued by independent qualified actuaries as at 1 January 2019. The Canadian plan is subject to actuarial valuation at least triennially, and was most recently formally valued as at 31 December 2017. The UK plan is subject to triennial actuarial valuation, and was most recently formally valued as at 6 April 2018. Employer funding contributions to the US and other pension plans are agreed at each formal valuation, and for the year ended 31 December 2019 totalled €5.0 million (2018: €5.3 million). Contributions for the 12 months ended 31 December 2020 are expected to amount to €7.8 million.

In this note the US plans are shown separately as 'US pensions', and the Canadian and UK plans are aggregated as 'other pensions'.

Post-employment healthcare

The Group operates post-employment medical benefit schemes in a small number of territories, principally the US where the scheme was closed to new entrants in 1992. These schemes are unfunded. The US scheme is subject to annual actuarial valuation, and was most recently valued by independent qualified actuaries as at 1 January 2019. In this note the US scheme is shown separately as 'US healthcare', and the other healthcare liabilities are aggregated within 'other post-employment liabilities'.

Other post-employment arrangements

The Group operates certain other pension and retirement plans primarily in Germany, France, Italy, Korea, Poland and Belgium, where obligations are either partially funded or unfunded. In this note these plans are aggregated within 'other post-employment liabilities'.

27.2. Defined Benefit Arrangements in the Primary Financial Statements

The net liability for defined benefit arrangements is as follows:

a. Balance Sheet

Net liability	**US pensions €m**	**Other pensions €m**	**US healthcare €m**	**Other post employment liabilities €m**	**Total €m**
Present value of retirement benefit obligations	**(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)**

Net liability	US pensions €m	Other pensions €m	US healthcare €m	Other post employment liabilities €m	Total €m
Present value of retirement benefit obligations	(231.0)	(86.2)	(33.1)	(83.4)	(433.7)
Fair value of plan assets	174.2	92.8	–	25.1	292.1
Asset ceiling	–	(6.6)	–	–	(6.6)
Net liability at 31 December 2018	(56.8)	–	(33.1)	(58.3)	(148.2)

27. Retirement Benefit Obligations continued

The present value of retirement benefit obligations by member type is as follows:

	2019 €m	2018 €m
Active members	**139.3**	122.8
Deferred members	**95.6**	110.5
Retirees	**221.9**	200.4
Total	**456.8**	433.7

The expected payments at 31 December 2019 for retirement benefit obligations are as follows:

	Payments expected €m
2020	**21.8**
2021	**22.0**
2022	**23.0**
2023	**23.4**
2024	**23.3**
2025 onwards	**691.7**

The implied weighted average duration at 31 December 2019 of retirement benefit obligations are as follows (in years): US pensions 12.1 (2018: 12.7), Other pensions 20.8 (2018: 19.8) and US healthcare 9.1 (2018: 8.9).

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	**(0.1)**	**(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) year ended 31 December 2019	**6.7**	**(0.9)**	**(1.3)**	**(7.9)**	**(3.4)**

During 2019, a settlement gain of €9.1 million was recognised following a buyout offering of two of the Group's US pension plans.

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)	–	(5.9)	(7.4)
Past service cost	–	(0.3)	–	–	(0.3)
Net interest (expense)/income	(2.1)	0.2	(1.3)	(1.2)	(4.4)
Total expense year ended 31 December 2018	(2.3)	(1.4)	(1.3)	(7.1)	(12.1)

27. Retirement Benefit Obligations continued

c. Statement of Comprehensive Income

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

Income/(expense)	US pensions €m	Other pensions €m	US healthcare €m	Other post employment liabilities €m	Total €m
Return on assets excluding amounts recognised in the Income Statement	26.7	11.6	–	(0.1)	38.2
Changes in demographic assumptions	1.7	0.5	0.3	(0.1)	2.4
Changes in financial assumptions	(30.4)	(15.0)	(3.1)	(6.4)	(54.9)
Experience gains/(losses)	0.9	–	0.9	(0.1)	1.7
Change in asset ceiling	–	1.9	–	–	1.9
Total net expense year ended 31 December 2019	(1.1)	(1.0)	(1.9)	(6.7)	(10.7)

Income/(expense)	US pensions €m	Other pensions €m	US healthcare €m	Other post employment liabilities €m	Total €m
Return on assets excluding amounts recognised in the Income Statement	(14.0)	(5.6)	–	(0.1)	(19.7)
Changes in demographic assumptions	0.5	0.4	0.1	(0.3)	0.7
Changes in financial assumptions	19.3	4.9	4.8	0.6	29.6
Experience gains/(losses)	1.4	2.5	4.1	(0.7)	7.3
Change in asset ceiling	–	(1.0)	–	–	(1.0)
Total net income/(expense) year ended 31 December 2018	7.2	1.2	9.0	(0.5)	16.9

27.3. Composition of Plan Assets

Plan assets are comprised as follows:

	US pensions €m	Other pensions €m	Other post employment liabilities €m	Total €m
Investment funds: Equities*	103.7	8.6	–	112.3
Investment funds: Credit*	65.6	36.2	–	101.8
Investment funds: Diversified growth/multi strategy*	–	59.0	–	59.0
Insurance contracts	–	7.9	24.3	32.2
Cash and cash equivalents	2.4	0.2	0.2	2.8
Fair value at 31 December 2019	171.7	111.9	24.5	308.1

	US pensions €m	Other pensions €m	Other post employment liabilities €m	Total €m
Investment funds: Equities*	78.8	7.5	–	86.3
Investment funds: Credit*	94.3	34.6	–	128.9
Investment funds: Diversified growth/multi strategy*	–	43.6	–	43.6
Insurance contracts	–	6.9	25.0	31.9
Cash and cash equivalents	1.1	0.2	0.1	1.4
Fair value at 31 December 2018	174.2	92.8	25.1	292.1

* 89% of the assets held by the retirement benefit plans as of 31 December 2019 and 31 December 2018 are in investment funds comprised of underlying equity, credit, and diversified growth assets with quoted market prices. Investment funds themselves are not considered quoted as they are pooled, commingled vehicles such as unit trusts and mutual funds, whereby the pension scheme owns units in the fund alongside other investors. The remaining assets held by the plan are unquoted insurance policies, principal-interest guaranteed insurance contracts and cash and cash equivalents.

27. Retirement Benefit Obligations continued
The decrease from the prior year reflects a shift for the US pension plans in underlying asset class selections in 2019 following the implementation of an asset-liability matching framework. The new asset allocation policy served to improve the liability hedge ratio for the plans.

27.4. Net Defined Benefit Obligations

Movements in net defined benefit obligations	Notes	**Present value of obligation €m**	**Fair value of plan assets €m**	**Accounting surplus €m**	**Asset ceiling €m**	**Total €m**
At 1 January 2019		**(433.7)**	**292.1**	**(141.6)**	**(6.6)**	**(148.2)**
Current service cost	27.2b	**(8.1)**	**–**	**(8.1)**	**–**	**(8.1)**
Net interest (expense)/income	27.2b	**(15.2)**	**10.6**	**(4.6)**	**–**	**(4.6)**
Re-measurements	27.2c	**(50.8)**	**38.2**	**(12.6)**	**1.9**	**(10.7)**
Employer contributions		**–**	**7.9**	**7.9**	**–**	**7.9**
Employee contributions		**(0.4)**	**0.4**	**–**	**–**	**–**
Benefits and administration expenses paid		**24.3**	**(21.0)**	**3.3**	**–**	**3.3**
Settlements	27.2b	**39.4**	**(30.1)**	**9.3**	**–**	**9.3**
Currency translation		**(12.3)**	**10.0**	**(2.3)**	**(0.3)**	**(2.6)**
At 31 December 2019		**(456.8)**	**308.1**	**(148.7)**	**(5.0)**	**(153.7)**

Movements in net defined benefit obligations	Notes	Present value of obligation €m	Fair value of plan assets €m	Accounting surplus €m	Asset ceiling €m	Total €m
At 1 January 2018		(460.2)	303.6	(156.6)	(5.8)	(162.4)
Current service cost	27.2b	(7.4)	–	(7.4)	–	(7.4)
Past service cost	27.2b	(0.3)	–	(0.3)	–	(0.3)
Net interest (expense)/income	27.2b	(14.1)	9.7	(4.4)	–	(4.4)
Re-measurements	27.2c	37.6	(19.7)	17.9	(1.0)	16.9
Employer contributions		–	8.8	8.8	–	8.8
Employee contributions		(0.3)	0.3	–	–	–
Benefits and administration expenses paid		21.0	(16.9)	4.1	–	4.1
Currency translation		(10.0)	6.3	(3.7)	0.2	(3.5)
At 31 December 2018		(433.7)	292.1	(141.6)	(6.6)	(148.2)

a. US pensions

Movements in net defined benefit obligations	Notes	**Present value of obligation €m**	**Fair value of plan assets €m**	**Total €m**
At 1 January 2019		**(231.0)**	**174.2**	**(56.8)**
Current service cost	27.2b	**(0.1)**	**–**	**(0.1)**
Net interest (expense)/income	27.2b	**(9.5)**	**7.2**	**(2.3)**
Re-measurements	27.2c	**(27.8)**	**26.7**	**(1.1)**
Employer contributions		**–**	**3.8**	**3.8**
Benefits and administration expenses paid		**11.4**	**(14.0)**	**(2.6)**
Settlement	27.2b	**39.2**	**(30.1)**	**9.1**
Currency translation		**(5.1)**	**3.9**	**(1.2)**
At 31 December 2019		**(222.9)**	**171.7**	**(51.2)**

27. Retirement Benefit Obligations continued

Movements in net defined benefit obligations	Notes	Present value of obligation €m	Fair value of plan assets €m	Total €m
At 1 January 2018		(243.3)	182.4	(60.9)
Current service cost	27.2b	(0.2)	–	(0.2)
Net interest (expense)/income	27.2b	(8.6)	6.5	(2.1)
Re-measurements	27.2c	21.2	(14.0)	7.2
Employer contributions		–	4.2	4.2
Benefits and administration expenses paid		10.6	(12.9)	(2.3)
Currency translation		(10.7)	8.0	(2.7)
At 31 December 2018		(231.0)	174.2	(56.8)

b. Other pensions

Movements in net defined benefit obligations	Notes	**Present value of obligation €m**	**Fair value of plan assets €m**	**Accounting surplus €m**	**Asset ceiling €m**	**Total €m**
At 1 January 2019		**(86.2)**	**92.8**	**6.6**	**(6.6)**	**–**
Current service cost	27.2b	**(1.1)**	**–**	**(1.1)**	**–**	**(1.1)**
Net interest (expense)/income	27.2b	**(2.6)**	**2.8**	**0.2**	**–**	**0.2**
Re-measurements	27.2c	**(14.5)**	**11.6**	**(2.9)**	**1.9**	**(1.0)**
Employer contributions		**–**	**1.2**	**1.2**	**–**	**1.2**
Employee contributions		**(0.3)**	**0.3**	**–**	**–**	**–**
Benefits and administration expenses paid		**3.0**	**(3.2)**	**(0.2)**	**–**	**(0.2)**
Currency translation		**(6.2)**	**6.4**	**0.2**	**(0.3)**	**(0.1)**
At 31 December 2019		**(107.9)**	**111.9**	**4.0**	**(5.0)**	**(1.0)**

Movements in net defined benefit obligations	Notes	Present value of obligation €m	Fair value of plan assets €m	Accounting surplus €m	Asset ceiling €m	Total €m
At 1 January 2018		(93.2)	98.4	5.2	(5.8)	(0.6)
Current service cost	27.2b	(1.3)	–	(1.3)	–	(1.3)
Past service cost	27.2b	(0.3)	–	(0.3)	–	(0.3)
Net interest (expense)/income	27.2b	(2.5)	2.7	0.2	–	0.2
Re-measurements	27.2c	7.8	(5.6)	2.2	(1.0)	1.2
Employer contributions		–	1.1	1.1	–	1.1
Employee contributions		(0.3)	0.3	–	–	–
Benefits and administration expenses paid		2.2	(2.3)	(0.1)	–	(0.1)
Currency translation		1.4	(1.8)	(0.4)	0.2	(0.2)
At 31 December 2018		(86.2)	92.8	6.6	(6.6)	–

The Canadian and one of the locations of the UK pension plans have accounting surpluses that are not recognised since future economic benefits are not available to the Group either as a cash refund or as a reduction in contributions. The Company has agreed a schedule of additional contributions amounting to €0.2 million to improve the funding position of one of the UK pension plan locations which is payable by the Company in the next 12 months ended 31 December 2020.

27. Retirement Benefit Obligations continued

c. US healthcare and other post-employment liabilities

Movements in net defined benefit obligations	Notes	Other post-employment liabilities – Present value of obligation €m	Other post-employment liabilities – Fair value of plan assets €m	Other post-employment liabilities – Total €m	US healthcare €m	Total €m
At 1 January 2019		**(83.4)**	**25.1**	**(58.3)**	**(33.1)**	**(91.4)**
Current service cost	27.2b	**(6.9)**	**–**	**(6.9)**	**–**	**(6.9)**
Net interest (expense)/income		**(1.8)**	**0.6**	**(1.2)**	**(1.3)**	**(2.5)**
Re-measurements	27.2c	**(6.6)**	**(0.1)**	**(6.7)**	**(1.9)**	**(8.6)**
Employer contributions		**–**	**2.9**	**2.9**	**–**	**2.9**
Employee contributions		**(0.1)**	**0.1**	**–**	**–**	**–**
Benefits paid		**6.9**	**(3.8)**	**3.1**	**3.0**	**6.1**
Settlements		**0.2**	**–**	**0.2**	**–**	**0.2**
Currency translation		**(0.3)**	**(0.3)**	**(0.6)**	**(0.7)**	**(1.3)**
At 31 December 2019		**(92.0)**	**24.5**	**(67.5)**	**(34.0)**	**(101.5)**

Movements in net defined benefit obligations	Notes	Other post-employment liabilities – Present value of obligation €m	Other post-employment liabilities – Fair value of plan assets €m	Other post-employment liabilities – Total €m	US healthcare €m	Total €m
At 1 January 2018		(81.3)	22.8	(58.5)	(42.4)	(100.9)
Current service cost	27.2b	(5.9)	–	(5.9)	–	(5.9)
Past service cost	27.2b	–	–	–	–	–
Net interest (expense)/income		(1.7)	0.5	(1.2)	(1.3)	(2.5)
Re-measurements	27.2c	(0.4)	(0.1)	(0.5)	9.0	8.5
Employer contributions		–	3.5	3.5	–	3.5
Benefits paid		5.0	(1.7)	3.3	3.2	6.5
Currency translation		0.9	0.1	1.0	(1.6)	(0.6)
At 31 December 2018		(83.4)	25.1	(58.3)	(33.1)	(91.4)

d. Other post-employment liabilities

	2019 €m	2018 €m
Unfunded German pension plans	**26.1**	24.6
Statutory retiring indemnities in France, Italy and Korea	**20.1**	17.0
Long service awards in Germany and Poland	**11.2**	9.4
Retirement plans in Belgium	**2.7**	1.3
Unfunded arrangements under the US and UK pension plans	**1.6**	1.5
Other liabilities	**5.8**	4.5
Total other post-employment liabilities at 31 December	**67.5**	58.3

27. Retirement Benefit Obligations continued

27.5. Principal Assumptions

The principal assumptions in measuring plan liabilities are as follows:

US Pensions	2019	2018
Discount rate	**3.20%**	4.20%
Mortality assumptions: life expectancy from age 65		
Retiring at the end of the current reporting year:		
Males	**22**	22
Females	**23**	23
Retiring 20 years after the end of the current reporting year:		
Males	**23**	23
Females	**24**	24

For US Pensions, assumptions with regard to life expectancies from retirement at age 65 are based on Pri-2012 collar- and gender-specific mortality tables, adjusted and generationally projected by a modified MP-2019 improvement scale.

Other pensions	2019	2018
Discount rate	**2.25%**	3.00%
Inflation rate	**2.84%**	2.90%
Salary increases	**2.96%**	3.02%
Benefit increases	**3.10%**	2.32%
Mortality assumptions for other pensions: life expectancy from age 65		
Retiring at the end of the current reporting year:		
Males	**22**	22
Females	**24**	24
Retiring 20 years after the end of the current reporting year:		
Males	**22**	23
Females	**25**	25

US healthcare	2019	2018
Discount rate	**3.05%**	4.10%
Healthcare cost trend: Initial rate	**6.50%**	6.75%

Other post-employment liabilities	2019	2018
Discount rate	**1.45%**	2.15%
Inflation rate	**1.30%**	1.39%
Salary increases	**2.85%**	2.63%
Benefit increases	**1.95%**	1.95%

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

		2019		2018	
Decrease/(increase) in DBO	Change in assumption	**Increase €m**	**Decrease €m**	Decrease €m	Increase €m
Discount rate	0.5%	**29.5**	**(34.7)**	26.8	(30.9)
Inflation rate	0.5%	**(8.7)**	**9.7**	(6.6)	6.4
Salary growth rate	0.5%	**(3.3)**	**3.1**	(2.6)	2.4
Life expectancy	1 year	**(15.7)**	**15.2**	(12.9)	12.9
Healthcare cost trend: Initial rate	0.5%	**(1.4)**	**1.3**	(1.3)	1.2

27. Retirement Benefit Obligations continued

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.

27.6. Pension Plans – Risk Analysis

Asset volatility	Plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets were to underperform this yield, this would create a deficit. All the funded plans hold a proportion of equities, which are expected to outperform bonds in the long term, but which are also likely to experience greater price volatility and therefore risk in the short term. As plans mature, the Group's strategy is to reduce the level of investment risk by investing more in assets whose risk profile is a better match for the liabilities.
Changes in bond yields	A decrease in bond yields has the effect of increasing plan liabilities, although this is partially offset by an increase in the value of the plans' bond holdings.
Inflation risk	The Group's pension obligations in Canada, the UK and Germany are inflation linked. Caps on the level of inflationary increases are in place to protect the plans against above normal inflation. The US pension obligations are not inflation indexed. The majority of the plan assets are not directly inflation indexed, meaning that an increase in inflation will tend to increase the deficit.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of each retired member and his/her spouse, so increases in life expectancy result in an increase in the plans' liabilities.

The investments of the funded plans are managed within an asset-liability matching framework that has been developed to achieve long-term investments that align with the obligations of the plans. One objective is to match assets to the pension obligations by investing in annuities and long-term fixed interest securities with maturities that match the benefit payments as they fall due in the appropriate currency. The plans actively monitor how the duration and the expected yield of the investments match the expected cash outflows arising from the pension obligations. The processes used to manage the risks have not changed from previous years.

Investments are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets consist of bonds and equities, although the plans also hold investment funds and liability driven investments. Equities have been shown to offer the best returns over the long term with an acceptable level of risk.

28. Provisions

Movements in provisions are as follows:

	Product warranty €m	Restructuring €m	Other €m	Total €m
At 1 January 2019	18.4	4.4	6.1	28.9
Provisions made during the year	14.3	9.0	–	23.3
Provisions used during the year	(17.3)	(8.5)	(0.4)	(26.2)
Provisions reversed during the year	(1.6)	–	(0.4)	(2.0)
Utilisation of discount	–	0.2	–	–
Currency translation	0.1	–	–	0.1
At 31 December 2019	**13.9**	**5.1**	**5.3**	**24.3**

28. Provisions continued

Total provisions

	2019 €m	2018 €m
Non-current	**5.0**	4.9
Current	**19.3**	24.0
Total provisions	**24.3**	28.9

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 €10.3 million of the warranty provision is anticipated during 2020, with a further €3.6 million in 2021.

Restructuring

Restructuring provisions comprise planned headcount reductions and similar costs of balancing production capacity with market requirements. The provision at 31 December 2019 relates to certain of the Group's facilities in Germany and is expected to be utilised in 2020.

Other provisions

Other provisions at 31 December 2019 comprise provisions for disputed claims for indirect taxes totalling €1.2 million (2018: €1.4 million) and asset retirement obligations totalling €4.2 million (2018: €4.8 million). Asset retirement obligations are linked to the useful lives of the underlying assets, with expected utilisation ranging from 2020 to 2024. The indirect tax provisions are expected to be utilised over the next 5 years.

29. Cash Generated from Operations

	2019 €m	2018 €m
Profit for the year	**144.6**	140.1
Income tax expense before exceptional items	**57.1**	77.0
Profit before income tax	**201.7**	217.1
Adjustments for:		
Depreciation, amortisation and impairment charges	**229.9**	197.1
Loss on disposal of PP&E and intangible assets	**1.6**	0.6
Share option cost	**1.4**	4.0
Net finance expense	**57.5**	64.5
Unremitted share of profit from associates	**0.2**	(0.3)
Net foreign exchange gains	**(0.5)**	(1.2)
Changes in working capital:		
– Inventories	**(10.8)**	(21.7)
– Trade and other receivables	**(0.4)**	17.4
– Trade and other payables	**13.9**	(23.2)
Change in provisions	**(4.9)**	0.5
Change in retirement benefit obligations	**(12.4)**	(5.2)
Total	**477.2**	449.6

30. Commitments and Contingencies

Capital Commitments

Expenditure on non-current assets authorised and contracted for at the end of the year but not yet incurred is as below:

	2019 €m	2018 €m
Intangible assets	**7.3**	7.9
Property, plant and equipment	**46.9**	55.4
Total	**54.2**	63.3

30. Commitments and Contingencies continued

30.1. Operating Lease Commitments

a. The Group as lessor

Property that is surplus to the Group's requirements may be sub-let to third parties. The future aggregate minimum rentals receivable under non-cancellable operating leases at 31 December 2019 was €0.4 million (2018: €0.2 million). During the year, a total of €0.6 million of rental income was recognised in the Income Statement (2018: €0.6 million).

b. The Group as lessee

As explained in note 1.1.3.1 above, the Group has changed its accounting policy for leases and adopted IFRS 16 'Leases' in the year. The Group is committed to €7.2 million of leases, not yet commenced as at 31 December 2019.

The future aggregate minimum rentals payable under non-cancellable operating leases at 31 December 2018, prior to application of IFRS 16, were as follows:

	2018 €m
Less than one year	35.2
Between one year and five years	82.7
After five years	40.0
Total	157.9

Total operating lease payments recognised as an expense in 2018 was €46.6 million. Onerous lease provisions were not recognised in respect of non-cancellable operating leases at 31 December 2018.

30.2. Purchase Commitments

As part of its normal business practices, the Group enters into contracts with suppliers for purchases of raw materials, components and services to facilitate adequate supply of these materials and services. These arrangements may contain fixed or minimum quantity purchase requirements. These purchase commitments are off-balance sheet agreements to purchase goods or services that are enforceable and legally binding on the Group.

The table below summarises the contractual purchase commitments as at the end of the year:

	2019 €m	2018 €m
Less than one year	**29.3**	38.0
Between one year and five years	**13.6**	5.5
After five years	**5.0**	0.2
Total	**47.9**	43.7

Contingencies

The Group has contingent liabilities relating to legal and tax proceedings arising in the normal course of business.

Management reviewed known claims and litigation involving the Company and its subsidiaries at the end of the year. Based on the advice of legal counsel, appropriate provisions have been made to cover the related risks. While the outcome of any proceedings in progress cannot be predicted, the Company does not believe they will have a material impact on the Group's financial position.

31. Auditors' Remuneration

Services provided by the Company's Auditor and its associates

During the year, the Group obtained the following services from PricewaterhouseCoopers LLP, the Company's Auditor:

	2019 €m	2018 €m
Fees payable to the Company's Auditor and its associates for the audit of the Parent Company and the Group financial statements	**1.6**	1.6
Fees payable to the Company's Auditor and its associates for the audit of the Company's subsidiaries	**0.6**	0.7
Tax compliance and advisory services	**0.2**	–
All other services	**0.1**	0.1
Total	**2.5**	2.4

All other services of €0.1 million relate to non-audit procedures.

32. Related Party Transactions and Controlling Parties

32.1. Transactions with Affiliates of the Funds managed by Bain Capital

The 'funds managed by Bain Capital' represent affiliates of and funds advised by Bain Capital LLC.

During the year, the Group procured products and materials totalling €0.2 million (2018: €0.3 million) from companies in which the funds managed by Bain Capital, the Group's ultimate controlling party since 30 June 2015, had investment interests. These transactions were completed on the basis of normal commercial terms.

The Group does not incur management charges from Bain Capital LLC.

32.2. Transactions with Group Companies

Balances and transactions between Group companies have been eliminated on consolidation, and are not disclosed in this note except for subsidiaries that are not wholly owned. Transactions with those companies are made on the Group's standard terms of trade.

The Group holds 73% of the shares in Hanil Tube Corporation ('Hanil') which is located in South Korea. At 31 December 2019, Hanil had trade and loan receivables net of payables from other Group undertakings amounting to €25.6 million (2018: €23.6 million) and made sales within the Group during the year of €7.3 million (2018: €7.6 million).

The Group holds 97% of the shares in Bundy India Ltd. At 31 December 2019, Bundy India Ltd had trade and loan payables net of receivables to other Group undertakings amounting to €6.1 million (2018: €7.2 million) and made sales within the Group during the year of €8.4 million (2018: €9.8 million).

Ultimate controlling party

The funds managed by Bain Capital, via BC Omega Holdco Ltd, have been the Company's ultimate controlling party since its incorporation.

32.3. Transactions with Associates

	2019 €m	2018 €m
Amounts owed to associates	**1.3**	1.9
Purchases from associates in the year	**10.5**	13.7

Transactions with related parties other than subsidiaries are attributable solely to the ordinary business activities of the respective company and were conducted on an arm's-length basis.

Company Balance Sheet
At 31 December

	Notes	2019 €m	2018 €m
Non-current assets			
Investments in subsidiaries	4	**904.8**	903.4
		904.8	903.4
Current assets			
Loans due from related parties	5	**17.4**	17.0
Cash and cash equivalents		**0.1**	4.2
		17.5	21.2
Total assets		**922.3**	924.6
Equity			
Share capital	6	**6.8**	6.8
Share premium	6	**2.2**	1.4
Accumulated profits		**864.0**	884.6
Total equity		**873.0**	892.8
Current liabilities			
Trade and other payables	7	**0.7**	1.7
Loans due to related parties	8	**48.6**	30.1
		49.3	31.8
Total liabilities		**49.3**	31.8
Total equity and liabilities		**922.3**	924.6

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the year. The profit for the year was €26.7 million (2018: €17.2 million profit).

The financial statements were authorised for issue by the Board of Directors on 16 March 2020 and were signed on its behalf by:

William L. Kozyra
Chief Executive Officer and President

Ronald Hundzinski
Chief Financial Officer

Company Statement of Changes in Equity
For the year ended 31 December

	Ordinary shares €m	Share premium €m	Accumulated profits €m	Total equity €m
Balance at 1 January 2019	**6.8**	**1.4**	**884.6**	**892.8**
Profit for the year	**–**	**–**	**26.7**	**26.7**
Share option cost	**–**	**–**	**1.4**	**1.4**
Net employee tax settlement from vested shares	**–**	**–**	**(2.1)**	**(2.1)**
Capital reduction	**–**	**–**	**–**	**–**
Dividend paid	**–**	**–**	**(46.6)**	**(46.6)**
Share capital raised on initial public offering	**–**	**–**	**–**	**–**
Shares issued to directors and certain employees	**–**	**0.8**	**–**	**0.8**
Share capital issuance costs	**–**	**–**	**–**	**–**
Balance at 31 December 2019	**6.8**	**2.2**	**864.0**	**873.0**

	Ordinary shares €m	Share premium €m	Accumulated profits €m	Total equity €m
Balance at 1 January 2018	6.8	404.3	483.0	894.1
Profit for the year	–	–	17.2	17.2
Share option cost	–	–	2.6	2.6
Capital reduction	–	(404.3)	404.3	–
Dividend paid	–	–	(22.5)	(22.5)
Shares issued to certain employees	–	1.4	–	1.4
Balance at 31 December 2018	6.8	1.4	884.6	892.8

Company Statement of Cash Flows
For the year ended 31 December

	Notes	2019 €m	2018 €m
Cash flows from operating activities			
Cash (used by)/generated from operations	9	**26.8**	16.1
Net cash (used by)/generated from operating activities		**26.8**	16.1
Cash flows from financing activities			
Dividends paid		**(46.6)**	(22.5)
Net borrowings from subsidiary undertakings		**15.7**	1.2
Net cash used by financing activities		**(30.9)**	(21.3)
Decrease in cash and cash equivalents		**(4.1)**	(5.2)
Cash and cash equivalents at the beginning of the year		**4.2**	9.7
Currency translation on cash and cash equivalents		**–**	(0.3)
Cash and cash equivalents at the end of the year		**0.1**	4.2

Notes to the Company Financial Statements

1. Summary of Significant Accounting Policies

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

1.1. Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, 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 these financial statements.

The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss ('FVTPL').

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

1.1.1. Going Concern

After making enquiries, the Directors are of the opinion that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of its financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

1.1.2. Functional and Presentation Currency

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

1.1.3. Changes in Accounting Policy and Disclosures

There are no amendments to standards or new standards where adoption by the Company for the first time has had a material impact on the Company's financial statements for the financial reporting year beginning 1 January 2019.

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning on or after 1 January 2020, or are not yet effective because they have not yet been endorsed by the EU. These have not been applied in preparing the Company's financial statements. These are discussed further in the consolidated financial statements.

1.2. Foreign Currencies

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

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

The average and year-end exchange rates for the Company's principal currencies are disclosed in the consolidated financial statements.

1.3. Investments in Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are recorded in the Company's Balance Sheet at cost. The investments are subject to a periodic impairment review, with any resulting diminution of the carrying value recognised in the Income Statement.

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

1. Summary of Significant Accounting Policies continued

1.4. Financial Instruments

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

1.4.1. Financial Assets

Financial assets are classified into 'financial assets at amortised cost' and 'financial assets at FVTPL'. The classification is determined at the time of initial recognition and depends on the Company's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest.

Financial assets at FVTPL

A financial asset is classified in this category if it does not meet the criteria for recognition as a financial asset at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships.

Assets at amortised cost

Assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where the contractual cash flows represent solely payments of principal and interest. The Company's assets at amortised cost comprise 'loans due from related parties' and 'cash and cash equivalents'.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets at amortised cost or at FVTPL. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. For loans due from related parties, the Company recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument 'lifetime ECL'.

For all other financial instruments, the Company recognises lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date.

1.4.2. Financial Liabilities

Financial liabilities are classified as either 'financial liabilities at amortised cost' or 'financial liabilities at FVTPL'. Financial liabilities are recognised initially on the date at which the Company becomes party to the contractual provisions of the instrument.

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when they are so designated or held for trading, including derivatives that are not designated as hedging instruments.

Financial Liabilities at amortised cost

The classification of financial liabilities at amortised cost is determined at the time of initial recognition and depends on the Group's business model for managing the financial liabilities and whether the contractual cash flows represent solely payments of principal and interest. Liabilities at amortised cost, including 'loans due to related parties' and trade and other payables, are measured using the effective interest method, which calculates the amortised cost of a financial liability and allocates interest expense over its term. The effective interest rate discounts estimated cash payments (including all fees, transaction costs and premiums) through the expected life of the financial liability, to the net carrying amount on initial recognition.

1.5. Trade and Other Payables

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

1.6. Cash and Cash Equivalents

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

1.7. Share Capital

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

1. Summary of Significant Accounting Policies continued

1.8. Taxation

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

Current tax

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

Deferred tax

Deferred income tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

1.9. Exceptional Items

Exceptional items are defined as those items that, by virtue of their nature, size and expected frequency, warrant separate additional disclosure in the financial statements in order to fully understand the underlying performance of the Company. These may include the costs of closure of locations or significant headcount reduction, costs arising from the acquisition or disposal of businesses including related contractual management incentive charges, transaction costs of a significant and non-recurring nature, debt refinancing costs, impairment charges and the recognition of previously derecognised deferred tax assets.

1.10. Dividends

Receivable

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

Payable

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

2. Income Statement

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the year. The profit for the year was €26.7 million (2018: €17.2 million profit).

3. Directors' Remuneration

The Company has no employees. Full information on Directors' remuneration is disclosed in the consolidated financial statements. Non-Executive Director costs of €0.8 million (2018: €0.7 million) have been borne by the Company, all other costs have been met by other subsidiaries of the Group.

4. Investments in Subsidiaries

	2019 €m	2018 €m
At 1 January	**903.4**	899.4
Share-based cost	**1.4**	4.0
At 31 December	**904.8**	903.4

Investments in subsidiary undertakings are recorded at cost, which was the fair value of the consideration paid. No impairments have been recorded.

The Company's subsidiary undertakings, including its operating and non-operating subsidiaries, are as follows:

		Ownership interest and voting rights held 2019	Ownership interest and voting rights held 2018	Address of registered office
Americas				
TI Group Automotive Systems LLC*	US	**100%**	100%	2020 Taylor Road, Auburn Hills, MI 48326
TI Automotive LLC*	US	**100%**	100%	2020 Taylor Road, Auburn Hills, MI 48326
Hanil USA LLC*	US	**100%**	100%	50 Hanil Drive, Tallassee, Alabama, 36078
Hutchings International Enterprises Inc. (Dormant)	US	**100%**	100%	2020 Taylor Road, Auburn Hills, MI 48326
Omega Newco Sub Inc.*	US	**100%**	100%	1209 Orange Street, City of Wilmington, New Castle 19801
TI Automotive Ligonier Corporation*	US	**100%**	100%	925 North Main Street, Ligonier, IN 46767
TI Automotive Canada Inc.*	Canada	**100%**	100%	316 Orenda Road, Bramalea, Ontario, Canada, L6T 1G3
TI Group Automotive Systems S de RL de CV	Mexico	**100%**	100%	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
TI Automotive Reynosa S de RL de CV	Mexico	**100%**	100%	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
TI-Hanil Mexico S de RL de CV	Mexico	**100%**	100%	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
Fabricaciones Electromecanicas SA de CV (Dormant)	Mexico	**100%**	100%	Via Jose Lopez Portillo 8-A, Tultitlan, Estado de Mexico, Mexico 54940
Marwal de Mexico SA de CV	Mexico	**100%**	100%	Via Jose Lopez Portillo 8-A, Tultitlan, Estado de Mexico, Mexico 54940
TI Brasil Industria e Comercio Ltda	Brazil	**100%**	100%	Rodovia Presidente Dutra, Km 145,7 Sao Jose dos Campos, SP-Brasil CEP 12220-611
Bundy Colombia ASA	Colombia	**100%**	100%	Carrera 13A No 6-98 Parque Industrial Montana, Mosquero, Cundinamarca, 34225
TI Automotive Argentina SA	Argentina	**100%**	100%	Uruguay 4351, Victoria, San Fernando, Buenos Aires, Argentina, B1644 HKO
Europe and Africa				
Omega Acquisition Bidco Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Korean Won Hedgco Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Korean Won Hedgco II Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
Omega Newco Sub I Ltd	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2019	Ownership interest and voting rights held 2018	Address of registered office
Omega Newco Sub II Ltd	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TIFS Holdings Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Holdings Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Euro Holdings Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive USA Holdings Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (Deeside) Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (UK) Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Canada Holdings Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive (China) Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Czech Holdings (UK) Ltd	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive German Holdings (UK) Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
Hanil Tube Holdings Ltd	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Finance plc (Dormant)**	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Nominees Ltd (Dormant)**	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Pension Plan Trustee Ltd (Dormant)**	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (Belgium) SA*	Belgium	**100%**	100%	Rue Wérihet 61, B-4020 Wandre (Liège)
TI Automotive AC sro	Czech Republic	**100%**	100%	Belgická 4727/17, Rýnovice, 466 05 Jablonec nad Nisou
TI Group Automotive Systems sro	Czech Republic	**100%**	100%	Belgická 4727/17, Rýnovice, 466 05 Jablonec nad Nisou
TI Automotive France Holdings SAS	France	**100%**	100%	1, avenue Ampère, Zone Industrielle, 51000 Châlons-en Champagne, France
TI Automotive Fuel Systems SAS	France	**100%**	100%	1, avenue Ampère, Zone Industrielle, 51000 Châlons-en Champagne, France
TI Group Automotive Systems SAS	France	**100%**	100%	Z.I. Bld de l'industrie 37530 Nazelles-Negron, France
TI Automotive Holdings GmbH*	Germany	**100%**	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive (Ettlingen) GmbH*	Germany	**100%**	100%	Hertzstrasse 24-30, 76275 Ettlingen

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2019	Ownership interest and voting rights held 2018	Address of registered office
TI Automotive (Fuldabruck) GmbH*	Germany	**100%**	100%	Industriestrasse 3, 34277 Fuldabruck
TI Automotive (Heidelberg) GmbH*	Germany	**100%**	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive Systems Germany GmbH*	Germany	**100%**	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive Engineering Centre (Heidelberg) GmbH*	Germany	**100%**	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive Technology Center GmbH*	Germany	**100%**	100%	Lochfeldstraße 31, 76437 Rastatt
TI Automotive (Hungary) Kft	Hungary	**100%**	100%	H-9027, Györ, Körtefa utca, 6.ép
TI Automotive Italia Holdings Srl	Italy	**100%**	100%	Via Mosè Bianchi, 71-20149 Milano
TI Automotive Cisliano Srl	Italy	**100%**	100%	Via Abbiategrasso, 20080 Cisliano (MI)
TI Automotive Brindisi Srl	Italy	**100%**	100%	Via Pinan, 2-16012 Busalla (GE)
TI Group Automotive Systems SpA	Italy	**100%**	100%	Via Pinan, 2-16012 Busalla (GE)
TI Poland sp.zo.o*	Poland	**100%**	100%	Bestwin´ska 143 a, Bielsko-Biala, 43-346, Poland
LLC TI Automotive	Russia	**100%**	100%	Russian Federation 188643, Leningradskaya region, Vsevolozhsk, Vsevolozhskiy prospect, 113
Hanil RUS LLC	Russia	**100%**	100%	Russian Federation 188643, Leningradskaya region, Vsevolozhsk, Vsevolozhskiy prospect, 113
TI-Hanil Slovakia s.r.o.	Slovakia	**100%**	100%	Podzavoz 995, 02201 Cadca
TI Automotive Slovakia s.r.o	Slovakia	**100%**	100%	Prilohy 46, Zavar, Slovakia, 91926
TI Automotive proizvodnja avtomobilskih delov, d.o.o.	Slovenia	**100%**	100%	Belokranjska cesta 4, 8000 Novo mesto
TI Automotive Morocco Sarl	Morocco	**100%**	100%	Zone Franche D'Exportation, Ilot 62, lot 2, PL1, 90090, Tangier, Morocco
TI Automotive Thermal Morocco Sarl	Morocco	**100%**	100%	Tangier Automotive City, Lot 111 -11bis, Tangier, Morocco
TI Group Automotive Systems (South Africa) (Pty) Ltd	South Africa	**100%**	100%	62 Palmgate Crescent, Southgate Business Park, Umbogintwini, 4026, South Africa
TI Automotive Fuel Systems (South Africa) (Pty) Ltd	South Africa	**100%**	100%	Unit AW8, Automotive Supplier Park, East London IDZ, West Bank, East London
TI Automotive Pamplona SL	Spain	**100%**	100%	Polígono Industrial Comarca 1, calle E, s/n. 31195 Berrioplano (Navarra), Spain
TI Group Automotive Systems SA	Spain	**100%**	100%	Carretera. San Adrián-La Roca, Km. 15,9, 08170 Montornés del Valles, Barcelona, Spain
TI Group Automotive Systems Spain Holdings S.L.	Spain	**100%**	100%	Carretera. San Adrián-La Roca, Km. 15,9, 08170 Montornés del Valles, Barcelona, Spain
TI Group Automotive Systems AB	Sweden	**100%**	100%	PO Box 904, 531 19 Lidkoping, Sweden
TI Otomotiv Sanayi ve Ticaret Ltd	Turkey	**100%**	100%	Nosab Sedir Cad. 203. Sok. No: 6 16140 Nilüfer Bursa
Asia Pacific				
Bundy Fluid Systems Co Ltd	China	**100%**	100%	No. 57 Longhai Road ETDZ, Qinhuangdao City

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2019	Ownership interest and voting rights held 2018	Address of registered office
Bundy Fluid Systems (Chongqing) Co Ltd	China	**100%**	100%	Building C1, Zone C, Number 5 Workshop, Standard Workshop Project Phase 1, Huachao Industrial Park, Cuiyun Road, Northern New District, Chongqing
Bundy Fluid Systems (Shanghai) Co Ltd	China	**100%**	100%	34 Bundy Workshop, 409 Hua Jing Road, Waigaoqiao FTZ, Shanghai
TI Automotive (Tianjin) Co Ltd	China	**100%**	100%	No.6 Xiang'an Road, TEDA Tianjin
TI Automotive Systems (Changchun) Co Ltd	China	**100%**	100%	2599 Zi Bo Rd., Economic Technological Development Zone, Changchun
TI Automotive Systems (Hainan) Co Ltd	China	**100%**	100%	No 3 Workshop, American Industry Park, No 100 Nanhai Avenue, Haikou City
TI Automotive Systems (Shanghai) Co Ltd	China	**100%**	100%	Bld 1, Bld 2, No 100 Yin Long Road, Jiading District, Shanghai
Wuhan Bundy Fluid Systems Co Ltd	China	**100%**	100%	Wuhan Economic & Technological Development Zone
TI Automotive (Hong Kong) Holdings Ltd	Hong Kong	**100%**	100%	Suite 1B, 8/F., Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong
Bundy India Ltd	India	**97%**	97%	Plot 2 GIDC Industrial Estate, Makarpura, Baroda, 390010, India
Hanil Tube India Private Ltd	India	**100%**	100%	B-75, SIPCOT Industrial Area, Chennai 600-058, Tamu Nadu
PT TI Automotive Indonesia	Indonesia	**100%**	100%	Jl. Cempaka Raya km.37, Jatimulya, Bekasi, Tambun Selatan, Jawa Barat
TI Automotive Japan Ltd	Japan	**100%**	100%	3-29-1 Tsuruya-Cho, Kanagawa-ku, Yokohama-city, Kanagawa Pref, Japan, 221-0835
Hanil Tube Corporation	South Korea	**73%**	73%	17, Wonjeon-ro, Seo-gu, Incheon, Korea 22744
TI Automotive Ltd (Korea)	South Korea	**100%**	100%	708, Baeksuk-Dong, Cheonan City, Chungnam, 330220
TI Automotive (Thailand) Ltd	Thailand	**100%**	100%	700/652 Moo 1, Amata Nakorn Industrial Estate, Tambon PanThong, Amphur PanThong, Chonburi, Thailand, 20160
TI Automotive ROH (Thailand) Ltd	Thailand	**100%**	100%	700/652 Moo 1, Amata Nakorn Industrial Estate, Tambon PanThong, Amphur PanThong, Chonburi, Thailand, 20160

* Companies identified by an asterisk, together with certain other smaller subsidiaries, are guarantors to the 2015 term loan agreements and unsecured senior notes of TI Group Automotive Systems LLC.

** Companies that are dormant in the UK and are exempt from preparing individual financial statements by virtue of section 394A of Companies Act 2006.

All companies above are incorporated and unless dormant, operate principally in the country indicated. All companies operate in the global automotive component supply sector. Omega Acquisition Bidco Ltd is the only immediate subsidiary of the Company.

5. Loans Due from Related Parties

	2019 €m	2018 €m
Loans due from related parties	**17.4**	17.0

Loans due from a related party at 31 December 2019 comprised an amount drawn against Euro-denominated intercompany facility agreements from a subsidiary undertaking totalling €17.4 million (2018: €17.0 million). The loans are repayable in full on demand and bore interest at six-month EURIBOR plus a margin of 4.25% (2018: 4.15%) according to the agreed facility.

6. Issued Share Capital

	Number of shares	Nominal value of each share	Ordinary shares £m	Ordinary shares €m	Share premium €m	Total €m
At 1 January 2019	**519,901,503**	**£0.01**	**5.2**	**6.8**	**1.4**	**8.2**
Shares issued	**367,638**	**£0.01**	**–**	**–**	**0.8**	**0.8**
At 31 December 2019	**520,269,141**	**£0.01**	**5.2**	**6.8**	**2.2**	**9.0**

	Number of shares	Nominal value of each share	Ordinary shares £m	Ordinary shares €m	Share premium €m	Total €m
At 1 January 2018	519,412,226	£0.01	5.2	6.8	404.3	411.1
Capital reduction	–	£0.01	–	–	(404.3)	(404.3)
Shares issued	489,277	£0.01	–	–	1.4	1.4
At 31 December 2018	519,901,503	£0.01	5.2	6.8	1.4	8.2

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

On 1 December 2018, the Company issued 489,277 ordinary shares in relation to the vesting of RSU awards. See Note 7 Share-based Compensation for further information.

On 21 March 2019, 367,638 ordinary shares were issued in connection with the Company's Deferred Bonus Plan. Further detail is outlined in the Remuneration report on page 73.

6. Issued Share Capital continued

During 2019, 513,165 shares (2018: 176,729 shares) were forfeited by Restricted Stock Award ('RSAs') holders and transferred to the TI Fluid Systems Employee Benefit Trust ('EBT'). The EBT subsequently issued 269,138 shares to satisfy Restricted Stock Units ('RSUs') vesting in the year. The closing balance of shares held by the EBT on 31 December 2019 was 420,756 (2018: 176,729). See Note 7 Share-based Compensation for further information.

The Company is a public limited company which is incorporated and domiciled in England and Wales, with registered number 09402231.

7. Trade and Other Payables

	2019 €m	2018 €m
Other payables	–	1.1
Accrued expenses	**0.7**	0.6
Total trade and other payables	**0.7**	1.7

8. Loans Due to Related Parties

	2019 €m	2018 €m
Loans due to related parties	**48.6**	30.1

Loans due to related parties at 31 December 2019 comprised an amount drawn against a Euro-denominated intercompany facility agreement from a subsidiary undertaking totalling €48.6 million (2018: €30.1 million). The loan is repayable in full on demand and therefore has been classified as currently payable.

The loans bore interest at six-month EURIBOR plus a margin between 2.75% and 4.25% (2018: 2.75%).

9. Cash Generated from Operations

	2019 €m	2018 €m
Profit for the year	**26.7**	17.2
Adjustments for:		
Net interest income	**0.3**	0.1
Net foreign exchange losses	**–**	0.2
Changes in working capital:		
– Trade and other payables	**(0.2)**	(1.4)
Total	**26.8**	16.1

Profit for the year includes dividends received of €30.0 million (2018: €20.0 million)

10. Events After the Balance Sheet Date

There have been no events after the Balance Sheet date which require disclosure, or adjustment to the Company's year-end financial position.

Combined and Consolidated Income Statement

For the years ended 31 December

	2019 €m	2018 €m	2017 €m	2016 €m	2015 €m
		Unaudited			
Revenue	**3,411.1**	3,472.8	3,490.9	3,348.6	3,095.2
Cost of sales	**(2,922.7)**	(2,938.2)	(2,928.5)	(2,801.1)	(2,580.2)
Gross profit	**488.4**	534.6	562.4	547.5	515.0
Distribution costs	**(95.0)**	(102.4)	(103.7)	(103.6)	(96.0)
Administrative expenses before exceptional items	**(141.7)**	(164.5)	(177.8)	(188.6)	(171.1)
Exceptional items	**–**	–	(40.2)	(23.2)	(27.7)
Administrative expenses after exceptional items	**(141.7)**	(164.5)	(218.0)	(211.8)	(198.8)
Other income	**6.7**	12.2	7.7	6.5	7.7
Net foreign exchange gains/(losses)	**0.5**	1.2	24.6	(2.0)	(72.1)
Operating profit	**258.9**	281.1	273.0	236.6	155.8
Finance income	**15.0**	14.3	11.2	10.1	8.3
Finance expense before exceptional items	**(72.5)**	(67.0)	(100.1)	(115.2)	(87.1)
Exceptional items	**–**	(11.8)	(26.4)	–	(23.8)
Finance expense after exceptional items	**(72.5)**	(78.8)	(126.5)	(115.2)	(110.9)
Net finance expense after exceptional items	**(57.5)**	(64.5)	(115.3)	(105.1)	(102.6)
Share of profit of associates	**0.3**	0.5	0.3	1.3	1.3
Profit before income tax	**201.7**	217.1	158.0	132.8	54.5
Income tax expense before exceptional items	**(57.1)**	(77.0)	(68.2)	(88.9)	(124.0)
Exceptional items	**–**	–	25.4	–	28.9
Income tax expense after exceptional items	**(57.1)**	(77.0)	(42.8)	(88.9)	(95.1)
Profit/(loss) for the year	**144.6**	140.1	115.2	43.9	(40.6)
Profit/(loss) for the year attributable to:					
Owners of the Parent Company	**141.6**	137.8	112.5	42.2	(43.7)
Non-controlling interests	**3.0**	2.3	2.7	1.7	3.1
	144.6	140.1	115.2	43.9	(40.6)

Group Financial Record

Combined and Consolidated Balance Sheet

At 31 December

		Unaudited			
	2019 €m	2018 €m	2017 €m	2016 €m	2015 €m
Non-current assets					
Intangible assets	**1,182.2**	1,229.8	1,273.9	1,412.8	1,345.8
Right-of-use assets	**161.4**	–	–	–	–
Property, plant and equipment	**715.0**	706.5	686.8	699.7	675.9
Investments in associates	**19.2**	19.6	19.2	19.4	18.2
Derivative financial instruments	**–**	5.4	8.3	28.4	24.2
Deferred income tax assets	**25.1**	34.9	51.0	69.9	130.0
Trade and other receivables	**21.6**	14.8	13.4	12.9	7.3
	2,124.5	2,011.0	2,052.6	2,243.1	2,201.4
Current assets					
Inventories	**367.1**	352.8	329.3	298.5	263.3
Trade and other receivables	**574.5**	578.3	588.3	613.1	527.9
Current income tax assets	**13.7**	4.4	8.2	9.6	4.4
Derivative financial instruments	**18.4**	8.5	5.3	6.1	4.5
Financial assets at fair value through profit and loss	**0.9**	1.2	2.9	2.9	2.8
Cash and cash equivalents	**411.7**	360.1	287.2	196.2	268.4
	1,386.3	1,305.3	1,221.2	1,126.4	1,071.3
Total assets	**3,510.8**	3,316.3	3,273.8	3,369.5	3,272.7
Equity					
Share capital	**6.8**	6.8	6.8	493.7	493.7
Share premium	**2.2**	1.4	404.3	–	–
Invested capital	**–**	–	–	–	–
Other reserves	**(106.1)**	(126.3)	(130.5)	(64.5)	(41.8)
Accumulated profits/(losses)	**1,261.7**	1,175.7	640.9	36.2	(10.8)
Equity attributable to owners of the Parent Company	**1,164.6**	1,057.6	921.5	465.4	441.1
Non-controlling interests	**24.5**	22.5	20.3	19.0	20.2
Total equity	**1,189.1**	1,080.1	941.8	484.4	461.3
Non-current liabilities					
Trade and other payables	**12.3**	17.1	17.6	12.1	7.1
Borrowings	**1,148.5**	1,179.3	1,178.2	1,695.8	1,657.3
Lease liabilities	**138.0**	–	–	–	–
Derivative financial instruments	**–**	45.3	72.4	19.2	26.0
Deferred income tax liabilities	**128.5**	141.6	159.8	221.5	230.5
Retirement benefit obligations	**153.7**	148.2	162.4	193.0	187.6
Provisions	**5.0**	4.9	5.5	7.2	6.9
	1,586.0	1,536.4	1,595.9	2,148.8	2,115.4
Current liabilities					
Trade and other payables	**611.2**	608.4	637.6	635.2	577.0
Current income tax liabilities	**48.7**	60.2	69.6	71.3	82.1
Borrowings	**2.4**	4.4	3.0	2.9	4.3
Lease liabilities	**28.7**	–	–	–	–
Derivative financial instruments	**25.4**	2.8	3.4	4.6	4.8
Provisions	**19.3**	24.0	22.5	22.3	27.8
	735.7	699.8	736.1	736.3	696.0
Total liabilities	**2,321.7**	2,236.2	2,332.0	2,885.1	2,811.4
Total equity and liabilities	**3,510.8**	3,316.3	3,273.8	3,369.5	3,272.7

Combined and Consolidated Balance Sheet continued

At 31 December

The combined and consolidated financial record presents the financial results for those businesses that were part of the Group for the years ended 31 December 2015 to 31 December 2019 inclusive. The information is prepared on a combined and consolidated basis for the year ended 31 December 2015 which represents a departure from IFRS, which does not provide for the preparation of combined and consolidated financial information.

For the purposes of this financial record, the term ('Group') means prior to 22 January 2015, TIFS Holdings Ltd ('TIFSHL') and its consolidated subsidiaries and undertakings, from 23 January 2015 to 30 June 2015, the Company and its subsidiaries combined with the TIFSHL Group, and thereafter, the Company and its consolidated subsidiaries and undertakings. 22 January 2015 is the date of incorporation of the Company and its subsidiaries Omega Acquisition Bidco Ltd, Omega Newco Sub I Ltd and Omega Newco Sub II Ltd. TIFSHL was the previous Parent Company of the Group and was acquired by the Company on 30 June 2015, through its subsidiary Omega Acquisition Bidco Ltd, together with TIFSHL's consolidated subsidiaries and undertakings (the 'TIFSHL Group'). The assets and liabilities of the TIFSHL Group were adjusted to fair value as part of the business combination as at 30 June 2015, which impacts the Group's earnings after this date.

REGISTERED OFFICE OF THE ISSUER

TI Automotive Finance plc
4650 Kingsgate
Oxford Business Park South, Cascade Way
Oxford OX4 2SU
United Kingdom

LEGAL ADVISOR TO THE ISSUER

as to U.S. federal, New York State, English and German law:
Kirkland & Ellis International LLP
30 St Mary Axe
London EC3A 8AF
United Kingdom

LEGAL ADVISORS TO THE INITIAL PURCHASERS

as to U.S. federal and New York State law:
Cravath Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, New York 10019
United States of America

TRUSTEE

U.S. Bank Trustees Limited
5th Floor
125 Old Broad Street
London EC2N 1AR
United Kingdom

PAYING AGENT

Elavon Financial Services DAC, UK Branch
5th Floor
125 Old Broad Street
London EC2N 1AR
United Kingdom

LEGAL ADVISOR TO THE TRUSTEE

K&L Gates LLP
599 Lexington Avenue
New York, New York
10022
United States of America

TRANSFER AGENT AND REGISTRAR

Elavon Finance Services DAC
Building 8
Cherrywood Business Park
Loughlinstown
Dublin 18
Ireland

LISTING AGENT

Carey Olsen Corporate Finance Limited
47 Esplanade
St Helier
Jersey JE1 0BD
Channel Islands

TI Fluid Systems

TI Automotive Finance plc

€600,000,000 % Senior Notes due 2029

Preliminary Offering Memorandum

, 2021