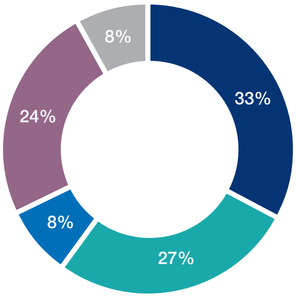
ASIA – 24% of Group revenues

Revenue by sector

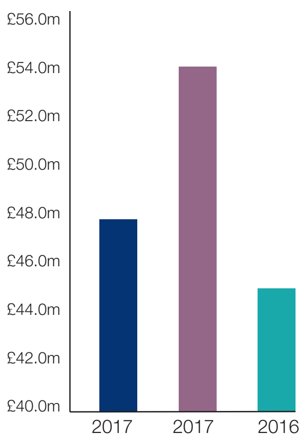


- Automotive
- Electronics
- Other
- Domestic appliances
- Distributors

Charlie Foo
***TR* Asia Managing Director**

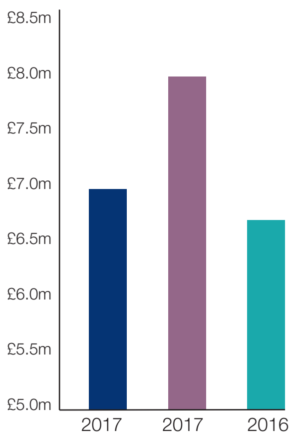
FY2017 was another great year for Asia. After a slow start in HY1, Asia achieved strong year on year revenue growth at CER of 6.5% to £47.8m (£53.8m at AER; 2016: £44.9m)

Revenue†



† Including intercompany revenues

Underlying operating profit



- CER
- AER

Regional performance

Underlying the region's growth were very strong performances from both our Singapore and Shanghai entities, recording CER increases of 9.4% and 9.8% respectively. Singapore continues to perform very well in the electronics sector, although it is in domestic appliances where we have continued to see the highest growth. In contrast, Shanghai's growth has been largely automotive driven as start of production dates kicked in on a number of our key multinational OEM contracts.

In PSEP, we saw a welcome return to growth of 6.2% (16.1% at AER), predominantly as the result of growing export sales. This turnaround represents the first stage of success for the export-led strategy that we put in place in FY2016 to counter weaknesses in the domestic automotive market.

In addition, during the year, our PSEP factory was successfully audited by one of our key multinational OEMs operating in Japan, achieving a high score of 95 points. This excellent result has opened up more opportunities for PSEP to supply to our multinational OEM customers and to continue to support the Group's growth into conventionally difficult markets such as Japan.

Although growth in SFE was more muted at 2.2% (17.8% at AER), largely due to capacity constraints, this was still secured from various automotive multinational OEMs across Europe and USA. Our Taiwanese entity's focus continues to be on their strong commitment to quality, delivery and competitive cost.

Looking ahead

We see a bright future for our Asia region, in part due to the specific strategic investments detailed below. But also, further supported by the strong macroeconomic environment, with growth for the ASEAN region as a whole forecast to be c.4.3% over the next five years. (source: The Economist, Intelligence unit)

TR Formac Singapore will be the location for one of our main strategic capital investments in FY2018. Specific plans have been approved for a new mezzanine extension. An initial phase one investment costing c.£1m will increase capacity by one third and allow us to self-manufacture a greater proportion of product, both retaining and improving margins as fixed costs can be better covered.

At *TR* Formac Shanghai, the ongoing development of the automotive division in China has already started showing encouraging signs of growth. And over the course of FY2018, Shanghai is planning to expand further into Japan. With the addition of a full-time Japanese representative, appointed in April 2017, we will be better able to serve the growing multinational OEM customer base we have there.

Supporting these increased automotive sales, PSEP will be manufacturing the majority of parts, on the c. £1.0m '6 Dies 6 Blows Cold Former' machine we purchased in FY2016. Looking ahead, our investment in this machine is helping to drive growth beyond Japan, by supporting several new development projects awarded by a number of our key automotive multinational OEMs across China and the USA.

Looking beyond organic growth, Asia also remains a region of great interest to us for potential non-organic investment. As a result, at both a Group and local level, we will continue to proactively and reactively identify and review acquisition opportunities as they arise.