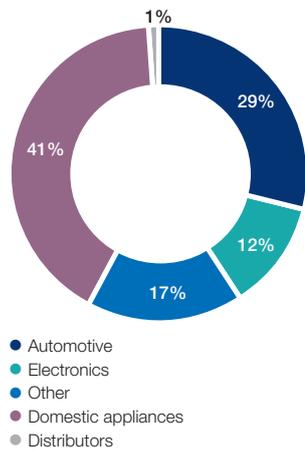


# EUROPE – 34% of Group revenues

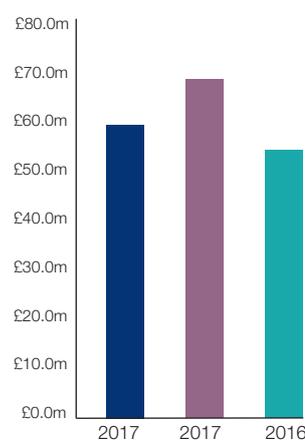
Revenue by sector



**Geoff Budd**  
Commercial Director and European Managing Director

**This has been a year of impressive sales and profit growth across Europe, with good progress made in all our key locations**

Revenue†



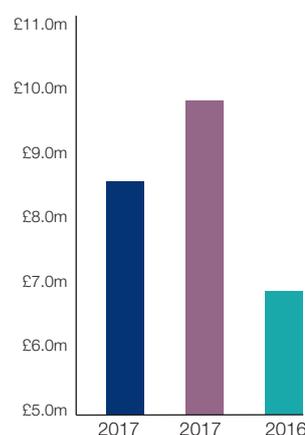
† Including intercompany revenues

### Regional performance

Revenue growth across the region has been very strong at 9.8% to £59.7m (£67.8m at AER; 2016: £54.4m). This in part reflects the ongoing success story that is *TR Kuhlmann*, Germany, where a first full year of trading in the Group has driven non-organic regional revenue growth up by 5.2%. On the organic side, growth has been spread across a number of our European entities, but most specifically in Sweden in the automotive sector and in Hungary in Electronics.

During the year, we successfully established a greenfield site in Barcelona to serve existing and known customers, primarily in the tiered automotive sector. By the end of FY2017, *TR España* was fully operational with first invoicing taking place in April 2017.

### Underlying operating profit



● CER  
● AER

Underlying operating margins have also continued to improve, up 160bps to 14.3% (14.5% at AER; 2016: 12.7%). The largest driver of this increase is in Italy where HY1 saw favourable cost variances for both raw material and finished goods. Whilst purchase price inflation in HY2 had eroded some of these gains by year end, we expect our ongoing investments in capacity (discussed below) to help mitigate some of this impact going forward.

### Looking ahead

Over the course of FY2017 VIC has received significant capital expenditure of £1.7m for production equipment, heat treatment plant, quality inspection equipment, a complex automated packing machine and sophisticated zero-defect checking machines. This strategic investment plan will continue to roll out into FY2018, albeit at a lower level, to drive production volumes and efficiencies going forward. Whilst achieving TS16949 accreditation in 2016 has opened up opportunities to grow our European automotive manufacturing in the future.

We continue to see Europe as a key growth market for the Group across not just automotive, but also the domestic appliances and electronics sectors. The recent establishment of *TR España* and the acquisition of *TR Kuhlmann* have provided us with a good foothold in two of the region's key geographies from which we can grow. Whilst on the non-organic side, we will carry on with our proactive search for our next successful acquisition.