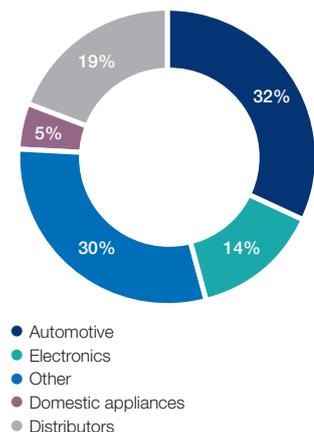


# BUSINESS REVIEW

Unless stated otherwise, amounts and comparisons with prior year are calculated at constant currency ('Constant Exchange Rate' or 'CER', see note 34 for definition and explanation of rates used) and, where we refer to 'underlying' this is defined as being before separately disclosed items (see notes 2 and 34 for reconciliations to GAAP measures and relevance for these items being separately disclosed)

## UK – 39% of Group revenues

### Revenue by sector



Dave Fisk  
TR UK Managing Director

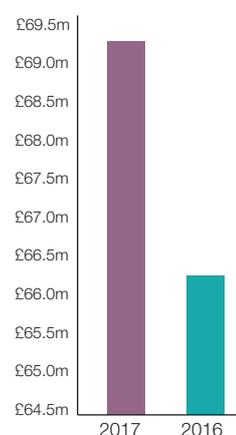


Sam Wilson  
Lancaster Fastener Managing Director



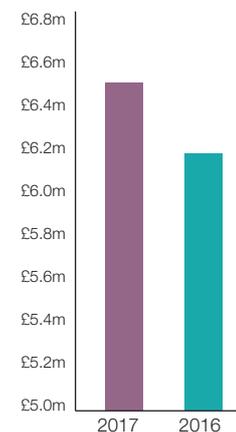
**This year has seen a strong return to growth for the UK region, with total revenues growing by 4.6% largely across our distributor and automotive sectors**

### Revenue†



† Including intercompany revenues

### Underlying operating profit



### Regional performance

The region overall delivered a stronger than expected sales performance. For our TR Fastenings UK business, the Midlands, Uckfield, Scotland and the North East locations all got off to a solid start in the first quarter as customer demand increased in the automotive, general industrial, aerospace and defence sectors.

Following quieter trading mid-year, the UK returned to a growth position for year end, with excellent results achieved across the sites in the last quarter. Manchester delivered impressive growth compared to its prior year position. Belfast delivered a steadier FY2017 following a couple of years of rapid growth and are now in the process of reviewing options for additional space.

Product based European distributor sales have exceeded expectations, both within TR Fastenings and Lancaster Fastener. In fact the latter have had their best year ever, growing by 16.2% to £5.7m (2016: £4.9m).

Automotive contributes 32.2% of UK sales. Although still growing, we experienced some delays with one of the major OEMs revising forecasts for two production builds, which resulted in a two-to-three month reduction against the original forecast. The electronics sectors saw a slight decline this year, but still accounts for 14.3% of UK sales, while other sectors have remained flat.

Gross margins were positively impacted by 100bps due to transaction gains on our € sales, as well as a broadening of our product mix. Our underlying operating profit margin has remained consistent at 9.4% (2016: 9.3%) reflecting the ongoing investments for growth we are making.

### Looking ahead

Following the appointment and induction of Kevin de Stadler, Director of TR Sales for UK and Ireland, the implementation of the new TR UK sales strategy has begun. A great deal of work has already been carried out within the business with the key stakeholders to ensure that we are well positioned to capitalise on the future opportunities this will provide.

We are actively recruiting, to increase sales resource into all locations in the UK. Through the recent successes of developing and expanding the TR product ranges, we have dedicated new resource to assist the sales teams and locations with the plastics and enclosure product ranges, and have also supplemented the commercial team to assist with the increased demand in sourcing, supply chain development and new product introduction.

Towards the end of the year, we had already started to see some pricing increase requests being made from suppliers. Looking ahead, we recognise that these inflationary pressures will continue to rise if the current Sterling weakness persists. We are already working hard to manage this risk, but as a business we expect this could lead to a temporary depression of our UK gross margin in FY2018.

Currently the UK economy is continuing to grow, albeit more slowly, despite the wider uncertainty that exists as a result of the EU referendum in June 2016. We will continue to monitor the situation closely over the coming months to ensure we are able to react quickly and appropriately to any changes in circumstances. However, as only one part of an international business, we are confident that the UK, in conjunction with the strength of the wider Group, will have the flexibility to successfully manage and adapt to any challenges and opportunities as they arise.