13 August 2024

DOWLAIS

Dowlais Group plc

Half Year Results 2024

Driveline, China and Powder Metallurgy outperformed their markets, with ePowertrain significantly impacted by BEV market volatility.

Unlocking value from our portfolio: strategic review of Powder Metallurgy and disposal of Hydrogen operations.

Dowlais Group plc, the specialist engineering group focused on the automotive sector, announces its results for the six months ended 30 June 2024.

	Adjusted[1]				Statutory		
£ millions	**H1 2024**	H1 2023	Change	Constant FX[1]	**H1 2024**	H1 2023	Change
Revenue	**2,571**	2,830	-9.2%	-5.1%	**2,289**	2,552	-10%
Operating profit/(loss)	**151**	177	-15%	-9.0%	**(57)**	(40)	-43%
Operating margin	**5.9%**	6.3%	-40bps	-30bps	**-2.5%**	-1.6%	-90bps
Profit/(loss) before tax	**95**	139	-32%	-26%	**(123)**	(55)	-124%
Basic EPS	**4.9p**	7.2p	-32%	-30%	**(7.3)p**	(6.1)p	-20%
Free cash flow	**10**	33	-70%	–	**–**	–	–

1. Adjusted financial measures are defined and reconciled to statutory measures in the Alternative Performance Measures section of this announcement, which also sets out the definition and basis of calculation of constant currency. Unless stated otherwise, all growth rates refer to growth at constant currency.

Highlights

Financial overview

- Adjusted revenue of £2,571 million, a reduction of 5.1% on prior year, driven by weakness in the ePowertrain product line of the Automotive business. Driveline, China and Powder Metallurgy, totalling more than 75% of the Group's revenues, performing above their markets.
- Adjusted operating profit of £151 million, including £7 million of operating losses from Hydrogen operations, a decline of 9.0% compared to prior year, driven by lower volumes. Adjusted operating margin of 5.9%, 30bps lower than prior period, as the impact from lower volume was partially offset by proactive actions to manage the cost base and by pricing recoveries.
- Automotive adjusted revenue decreased by 6.3% and adjusted operating profit declined by 13%, resulting in an adjusted operating margin of 6.0%, down 50bps versus prior period. This decrease was primarily driven by lower revenues in the ePowertrain product line largely due to BEV production schedules.
- Powder Metallurgy had a good start to the year, as adjusted revenue grew by 0.2%, ahead of the market, while adjusted operating profit increased by 6.0%, resulting in an adjusted operating margin expansion of 50bps, to 9.5%.
- Adjusted basic earnings per share of 4.9 pence, down 30% largely as a result of lower earnings and higher finance costs. Statutory loss per share of 7.3 pence.
- £10 million of adjusted free cash flow, down from £33 million in H1 2023, mainly due to lower earnings, higher interest costs and restructuring outflows. Net debt of £915 million, up from £847 million at year end, with leverage of 1.6x compared to a year end position of 1.4x.
- In line with the Group's dividend policy, the Board has declared an interim dividend of 1.4 pence per share, same as prior year, reflecting confidence in the medium-term outlook.

Business wins

- Strong Automotive performance with business wins of over £2.4 billion of forecast lifetime revenue, well balanced across regions, customers and product groups.

- Powder Metallurgy order book up 10%, with 53% of new business wins being for EV or propulsion agnostic products.

Unlocking value from our portfolio to better position the Group for sustainable, profitable growth and cash generation

- Commenced a strategic review of Powder Metallurgy, considering a range of options, including a potential sale of the business.
- Disposal of GKN Hydrogen operations in July 2024, which will eliminate cash future losses associated with the business.

Outlook

- Industry forecasts no longer expect the second half of the year to improve and now predict a 3.6% decline in the second half, leading to a 2% decline of light vehicle production in 2024, with the ongoing BEV volatility expected to continue to affect our ePowertrain business in the second half.
- Consequently, we expect a mid to high single-digit adjusted revenue decline for 2024 and an adjusted operating margin between 6.0% and 7.0% at constant currency, given the benefits of commercial recoveries, restructuring savings and performance initiatives

Liam Butterworth, Chief Executive Officer, said:

"In the first half, our market leading Driveline business, China joint venture, and Powder Metallurgy business, totalling more than 75% of Group's revenues, all outperformed their markets, while volatility in BEV production significantly impacted our ePowertrain business, leading to a 5.1% adjusted revenue decline.

"In this challenging market environment, we focused on what we can control and took several decisive actions to mitigate the impact from lower volume as well as unlock value from our portfolio. First, we implemented a relentless focus on cost control, limiting the impact on adjusted operating profit and mitigated the margin decline to 30bps. Second, we initiated a comprehensive programme of commercial recovery initiatives with our customers which, together with the ongoing restructuring programmes and performance initiatives, will limit the impact from expected lower revenues in the second half of the year. Finally, today's announcement of a strategic review of Powder Metallurgy and the disposal of our Hydrogen operations underscores our commitment to unlocking value from our portfolio and delivering shareholder returns.

"We continue to execute on our strategy to accelerate the transition to a powertrain agnostic business model which is better positioned to navigate market volatility and deliver sustainable, profitable growth and cash generation in the medium term."

Inside Information

This announcement contains inside information as defined in Article 7 of the Market Abuse Regulation (EU) no. 596/2014 (as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018). On the publication of this announcement via a Regulatory Information Service, the inside information is now considered to be in the public domain.

Notes

References to changes "at constant currency" are defined in the Alternative Performance Measures section of this announcement. Certain other words and phrases used in this announcement have the meaning given to them in the Glossary.

Enquiries:

Investor Relations:
Pier Falcione
investor.relations@dowlais.com
+44(0)7855 185 420

Teneo:
Olivia Peters/Harry Cameron
dowlais@teneo.com
+44(0)7902 771 008

Results presentation

A presentation will be hosted by Liam Butterworth (CEO) and Roberto Fioroni (CFO) on 13 August 2024 at 09.00 BST. You can register to listen to the presentation online here:

https://sparklive.lseg.com/DOWLAISGROUP/events/c6679034-0ff3-481e-adb3-a3b2789be2d7/dowlais-h1-f24-results

About Dowlais Group plc

Dowlais is a portfolio of market-leading, high-technology engineering businesses that advance the world's transition to sustainable vehicles. Dowlais' businesses comprise GKN Automotive and GKN Powder Metallurgy. With over 70 manufacturing facilities in 19 countries across the world, Dowlais is an automotive technology leader delivering precisely engineered products and solutions that drive transformation in our world. Dowlais has LEI number 213800XM8WOFLY6VPC92. For more information visit www.dowlais.com

Forward Looking Statements

These results include certain forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond Dowlais' control and all of which are based on Dowlais' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of terminology such as "believe", "expects", "may", "will", "would", "could", "should", "shall", "risk", "intends", "expects", "estimates", "projects", believes", "aims", "plans", "predicts", "seeks", "goal", "continues", "assumes", "positioned", "anticipates" or "targets" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include matters that are not historical facts, statements regarding the intentions, beliefs or current expectations concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies, dividend policy and industry of Dowlais and commitments, ambitions and targets relating to ESG matters. These forward-looking statements and other statements contained in these results regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved, and actual events or results may differ materially as a result of risks and uncertainties facing Dowlais. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. Forward-looking statements contained in these results speak only to the date of these results. Dowlais and its directors expressly disclaim any obligation or undertaking to update these forward-looking statements to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law.

CHIEF EXECUTIVE OFFICER'S REVIEW

Market update

Following a strong performance in 2023, the first half of 2024 saw a reduction in light vehicle production, with global output decreasing by 0.2% year-on-year, or 2.4% excluding China. As inventory restocking nears completion and demand reduces, regions that experienced accelerated growth in 2023 are now slowing down. Light vehicle production declined in EMEA by 3% and production in Asia (excluding China) fell by 4%, with demand cooling in Japan, while China saw a 5% year-on-year increase, driven mainly by exports. However, domestic demand in China remains uncertain and could pose a potential headwind in the second half. Production in the Americas remained flat year-on-year, albeit with significant variations across OEMs.

Looking ahead, S&P now estimates 2024 production to be 88.7 million vehicles, a decline of 2% from 2023 levels. EMEA and Asia (excluding China) are both forecast to decline by 4%. The Americas are expected to stay flat year-on-year in 2024, as is China, despite recent strong performance in the first half, implying a 4% year-on-year decline in the second half of the year.

The first half of 2024 saw a material slowdown in the rate of vehicle electrification. BEV production in H1 2024 grew by only 2% year-on-year, in stark contrast to H1 2023 in which production grew by 49% year-on-year. Excluding China, BEV production declined 9%, mainly driven by Europe and Japan. In Europe, the withdrawal of subsidies by the German government at the end of last year has materially affected the uptake of BEVs among consumers. Additionally, concerns around the price of BEVs, lack of charging infrastructure, low residual value and high insurance costs continue to be a drag on consumer demand.

Looking ahead S&P projects global light vehicle production to grow at a compound annual growth rate of approximately 2.8% over the next two years and reach 93.6 million units in 2026.

Outlook

Our Driveline, China and Powder Metallurgy businesses had a good start to the year, all outperforming the market. However, in 2024 the Group has faced strong headwinds in its ePowertrain product line, primarily attributable to the high volatility of production schedules for certain BEV platforms, which resulted in a 5.1% decline in adjusted revenue. Industry forecasts no longer expect the second half of the year to improve and now predict a 3.6% decline in the second half, leading to a 2% decline of light vehicle production in 2024, with the ongoing BEV volatility expected to continue to affect our ePowertrain business in the second half. Consequently, we expect a mid to high single-digit adjusted revenue decline for 2024 and an adjusted operating margin between 6.0% and 7.0% in constant currency, as commercial recoveries, restructuring savings and ongoing performance initiatives limit the impact on operating profit from lower volumes. Adjusted free cash flow will be lower than prior year due to reduced volume and higher restructuring costs.

Strategy and unlocking value in our portfolio

As previously communicated, the Dowlais Board remains focused on maximising the full value of the Company for the benefit of its shareholders by considering all available options. Consequently, we are taking the following actions which will better position the Group to deliver more sustainable profitable growth and improved margins, as market growth is expected to return from 2025 onwards:

GKN Powder Metallurgy: The Board committed, in January 2023, to consider the future ownership of its market leading GKN Powder Metallurgy business within two to three years. After 18 months of ownership during which we spent time to better understand the business, established a new leadership team and developed a clear strategic and commercial plan to accelerate our portfolio transition, we have now commenced a strategic review of the business, considering a range of options, including a potential sale.

GKN Hydrogen: As previously communicated, in early 2024 Dowlais started a process to identify suitable investment partners for the Hydrogen business. The Group has now disposed of its entire interest in its GKN Hydrogen business to Langley Holdings plc, for a nominal consideration. This transaction will result in an expected loss on disposal of approximately £18 million, of which £10 million was incurred in the first half, and will eliminate future cash losses associated with the funding of the Hydrogen operations. In the 12 months ended 31 December 2023, Hydrogen operations contributed £5 million of revenue, £15 million of operating losses and £23 million of cash losses.

GKN Automotive: In a volatile market environment with growing uncertainty around the pace and scale of the BEV adoption, our goal remains steadfast: transitioning to an increasingly powertrain-agnostic business model that is better positioned to navigate market volatility and deliver sustainable, profitable growth and cash generation. Dowlais will continue to review its capital allocation priorities across its portfolio to accelerate this transition.

Our overall strategy remains unchanged and focused on three pillars: Lead, Transform, Accelerate.

Lead: Our goal is to be at the forefront, both in our market position and financial performance, by consistently prioritising operational excellence. We achieve this by implementing top-tier manufacturing, commercial, and procurement processes, and maintaining a strict approach to managing working capital.

Transform: Continuous improvement and agility are fundamental to how we operate. We are transforming our operations by digitising and optimising our manufacturing processes, refining our production footprint to enhance competitiveness and innovating our products with advanced technology to drive the sustainable vehicles of the future.

Accelerate: We are positioning to deliver organic growth and at the appropriate time, we will explore opportunities for value-accretive M&A. Our approach will be prudent and disciplined, pursuing opportunities that are compelling, align with our portfolio strategy and are expected to create shareholder value.

H1 2024 Group performance

Our long-term financial priorities and the metrics for measuring the success of our business remain unchanged, focusing on margin expansion, cash generation, and portfolio transition.

Margin expansion: In the first half of 2024, the Group navigated a challenging market environment that primarily impacted its ePowertrain product line amid volatile BEV production schedules, resulting in overall adjusted revenue of £2,571 million, down 5.1% on prior year. Despite this, Driveline, China and Powder Metallurgy all performed ahead of their respective markets. Due to volume weakness in ePowertrain, the Automotive segment saw a 6.3% drop in adjusted revenue and a 13% decrease in adjusted operating profit, resulting in 6.0% operating margin. In light of the volume weakness, the business took action to proactively manage its cost base, effectively mitigating the impact on margins and limiting the constant currency drop through margin from 30%, as per our financial model, to 11%. Powder Metallurgy continued to perform well with a slight adjusted revenue increase of 0.2% and a 6.0% rise in adjusted operating profit, improving its operating margin by 50 basis points to 9.5%. We remain focused on long-term profitability by rigorously managing pricing, focusing on commercial recoveries, proactively controlling costs and executing our self-help initiatives to deliver improved margins.

Cash generation: The Group reported an adjusted free cash flow of £10 million for the period, down from £33 million in the prior year. This decline was primarily due to lower earnings from volume weakness and higher interest payments reflecting the annualisation of the post-demerger capital structure, as previously communicated. We anticipate working capital to decrease in the second half of the year as we take proactive measures to align resources with lower volumes. Net debt stood at £915 million, up from £847 million at year end, with a leverage ratio of 1.6x, slightly above the year end position of 1.4x.

Portfolio transition: In a volatile market environment with growing uncertainty around the pace and scale of the BEV adoption we maintain a disciplined approach to investing in our portfolio. Our focus remains to transition to an increasingly powertrain-agnostic business model that is well positioned to navigate market volatility and deliver sustainable, profitable growth and cash generation. Significant progress has been made in securing new business that supports this transition across the Group. The Automotive segment achieved a strong performance in bookings, with contracts totalling over £2.4 billion in forecast lifetime revenue, well distributed across its portfolio and geographies. The Powder Metallurgy order book was up by 10%, with 53% of new business wins being for EV or propulsion agnostic products.

Operational highlights

Our businesses continued to demonstrate positive operational performance throughout the first half of 2024.

GKN Automotive continued its momentum from last year in driving operational efficiencies. In the first half, the business launched 79 new programs and had a quality defect rate of three parts per million rejected (PPM), well within its target range. The business further streamlined its manufacturing footprint by announcing closure of its plant in Roxboro, North Carolina with expected completion in Q4 2024 as part of its focus on optimising its manufacturing footprint towards best-cost countries, enabling margin expansion. The business had an Accident Frequency Rate (AFR) in the period of 0.15, which is higher than our target. Health and safety will continue to be our highest priority and the business is implementing additional measures to seek to reduce this rate.

GKN Powder Metallurgy also made significant progress in the first half. Proactive management of the cost base enabled the business to offset inflationary increases through operational efficiencies. Restructuring activities continued with one site closed in the US and another set to close by the end of the year, further optimising the manufacturing footprint. The business continued to advance its EV transition, winning new EV-specific contracts and identifying additional growth areas for propulsion-agnostic products.

Engineering transformation for a sustainable world

Sustainability is a core priority for Dowlais, and we continued to make substantial progress in the period, understanding and addressing our sustainability related impacts, risks and opportunities. We have already achieved significant progress against our science-based climate targets.

GKN Automotive has recently signed a Virtual Power Purchase Agreement (VPPA) which will facilitate the supply of approximately 2 million megawatt-hours (MWh) of renewable electricity to the European grid over a 10-year period. It will cover 65% of Automotive's European electricity load and 30% of its global load, significantly contributing to its commitment to using 50% renewable electricity globally by 2025 and 75% by 2030. This is a significant milestone in our journey towards being net zero across our entire business.

GKN Powder Metallurgy has secured green electricity contracts for all its EU operations, increasing the use of clean electricity across the business to 34%, up from 11% in 2023. Additional solar voltaic units have been installed at its sites in Italy, Germany and China, further increasing its use of zero carbon power. Finally, Powder Metallurgy's net-zero targets, previously submitted to the Science Based Targets initiative, have now been validated by them.

Across the Group, we have completed a detailed human rights risk assessment and have identified our salient human rights risks. Other achievements include updating our sustainability data processes and starting our double materiality assessment, to be ready for reporting and compliance requirements under EU Corporate Sustainability Reporting Directive.

Dividend

The Board has declared an interim dividend of 1.4 pence per ordinary share. This dividend is in line with the Group's dividend policy to target a sustainable and progressive annual dividend of approximately 30% of adjusted profit after tax. Although the Group's current leverage of 1.6x is slightly above our target range, the Board believes this is a temporary situation, primarily due to market volatility affecting our ePowertrain product line and it expects leverage to return to within its target range by the medium term. The interim dividend will be paid on 4 October 2024 to shareholders on the register on 30 August 2024. A Dividend Reinvestment Plan (DRIP) is provided by Equiniti Financial Services Limited. The DRIP enables the Company's shareholders to elect to have their cash dividend payments used to purchase the Company's shares. More information can be found at www.shareview.co.uk/info/drip. The deadline to elect to participate in the DRIP is 13 September 2024.

Share buy-back

On 21 March 2024, the Group announced its intention to commence a share buy-back programme of up to £50 million, to be transacted over 12 months commencing in April 2024. On 4 April 2024, the Group announced the commencement of its share buyback programme. As at 30 June 2024, the Company has purchased approximately 12 million shares for a total consideration of approximately £9 million.

FINANCIAL REVIEW

The Group's performance in the first half of the year was affected by reduced production on BEV platforms which predominantly impacted the ePowertrain product line, leading to a year-on-year decline in key metrics. However, ongoing operational efficiency improvements and a continued focus on cost management partially mitigated this impact.

Overview

	Adjusted[1]				Statutory		
£ millions	**H1 2024**	H1 2023	Change	Constant FX[1]	**H1 2024**	H1 2023	Change
Revenue	**2,571**	2,830	-9.2%	-5.1%	**2,289**	2,552	-10%
Automotive	**2,044**	2,283	-10%	-6.3%	**1,780**	2,018	-12%
Powder Metallurgy	**527**	545	-3.3%	0.2%	**509**	532	-4.3%
Hydrogen	**–**	2	-100%	-100%	**–**	2	-100%
Operating expenses	**(243)**	(238)	-2.1%	-5.0%	**(432)**	(441)	2.0%
EBITDA	**291**	316	-7.9%	-3.2%	**–**	–	–
Depreciation and amortisation[2]	**(140)**	(139)	-0.7%	-4.3%	**(226)**	(228)	0.9%
Operating profit/(loss)	**151**	177	-15%	-9.0%	**(57)**	(40)	-43%
Operating margin	**5.9%**	6.3%	-40bps	-30bps	**-2.5%**	-1.6%	-90bps
Net finance costs	**(56)**	(38)	-47%	-53%	**(66)**	(15)	-340%
Profit/(loss) before tax	**95**	139	-32%	-26%	**(123)**	(55)	-124%
Tax	**(24)**	(36)	33%	17%	**25**	(27)	193%
Profit/(loss) after tax	**71**	103	-31%	-29%	**(98)**	(82)	-20%
Non-controlling interest	**(3)**	(3)	0%	0%	**3**	3	0%
Profit/(loss) attributable to owners	**68**	100	-32%	-30%	**(101)**	(85)	-19%
Weighted average shares	**1,385**	1,392	-0.5%	–	**1,357**	1,364	-0.5%
Basic EPS	**4.9p**	7.2p	-32%	–	**(7.3)p**	(6.1)p	-20%
Free cash flow	**10**	33	-70%	–	**–**	–	–
Capex	**103**	122	-16%	–	**103**	122	-16%
Net debt	**915**	849	7.8%	–	**–**	–	–
Leverage	**1.6x**	1.4x	0.2x	–	**–**	–	–

1. Adjusted financial measures are defined and reconciled to statutory measures in the Alternative Performance Measures section of this announcement, which also sets out the definition and basis of calculation of constant currency.
2. Statutory depreciation and amortisation includes amortisation of intangible assets acquired in business combinations, as disclosed in Note 4a of the notes to the interim statements.

Revenue

Adjusted revenue in the period was £2,571 million, a decline of 5.1% at constant currency, primarily driven by volatility in BEV production schedules in the ePowertrain product line in Europe and the Americas. Translational foreign exchange headwinds were £114 million higher compared to the prior period, resulting in a reported adjusted revenue decline of 9.2%. Foreign exchange headwinds were largely due to the British pound sterling strengthening against several currencies, in particular the US dollar, the Euro and the Chinese Renminbi.

Statutory revenue (which excludes revenues from non-consolidated joint ventures including the Group's major Automotive joint venture in China) in the period was £2,289 million (2023: £2,552 million) with a reported decline of 10%.

The regional breakdown of Group adjusted revenues in the period is shown below.

Adjusted revenue share by region	**H1 2024**	**% Change**
Americas	**42%**	0.4%
Europe, Middle East & Africa	**33%**	-1.9%
China[1]	**13%**	1.5%
Asia (ex China)	**12%**	0.1%

1. China revenues reflect Joint Venture shareholding percentages.

Operating profit

Adjusted operating profit for the period decreased by 9.0% at constant currency to £151 million, resulting in a 30bps margin decline. Foreign exchange headwinds in the period were £10 million higher than prior year, resulting in reported adjusted operating profit decline of 15%.

The decrease in adjusted operating profit was primarily driven by lower revenue. This decline was partially mitigated by recovery from customers of inflationary costs incurred in the prior year as well as ongoing performance initiatives, which led to lower drop through margins of 11% at constant currency, demonstrating our commitment to effectively manage our cost base.

The statutory operating loss in the period was £57 million (H1 2023: £(40) million), with the primary adjustments between adjusted and statutory operating profit being amortisation of related intangible assets of £96 million (H1 2023: £99 million), restructuring costs of £49 million (H1 2023: £88 million) and movements in derivatives of £35 million (H1 2023: £(21) million). A full reconciliation between adjusted and statutory operating profit is provided in the Glossary to the Interim Financial Statements.

Translational foreign exchange impact

The difference in reported and constant currency values relates to translational foreign exchange impacts as further set out on in the Alternative Performance Measures section of this announcement. When considering the sensitivity of potential 2024 full year adjusted operating profit to translational foreign exchange movements, we expect that a 10% strengthening of certain underlying currencies against British pound sterling would increase adjusted operating profit as follows: US dollar approximately £20 million and Chinese Renminbi approximately £10 million.

We are not providing specific guidance in relation to foreign exchange for the 2024 financial year. However, using the spot exchange rates at July 31 2024 including £1 = $1.28, £1 = €1.19 and £1 = CNY9.27 and applying them to a representative income statement profile for the remainder of the year, we expect a negative year-on-year adjusted revenue impact of approximately (£200) million and a negative impact on adjusted operating profit of approximately (£17) million. The above spot rates and assumptions reflect a point in time and it is reasonable to expect spot rates to fluctuate, especially for emerging markets currencies.

Net finance costs

The Group's adjusted net finance charges of £56 million (H1 2023: £38 million) represent £58 million of finance costs (H1 2023: £39 million) and £2 million of finance income (H1 2023: £1 million).

The finance costs include interest on bank borrowings of £45 million (H1 2023: £19 million), interest on the Group's pension schemes of £8 million (H1 2023: £9 million) and finance lease charges of £3 million (H1 2023: £3 million). The increase in interest charges on bank borrowings compared to the prior period reflects a full half year's impact of the post demerger capital structure and drawdown on the revolving credit facility in the period. The Group's effective interest rate on bank borrowings was 6.5%.

In the prior period, finance income included the benefit of the one-off foreign exchange gains of £22 million on loans with Melrose up to the date of demerger.

Full year adjusted net finance charges are expected to be in line with our guidance of between £100 million and £110 million.

Tax

The results for the period show an adjusted tax charge of £24 million (H1 2023: £36 million), arising on an adjusted profit before tax of £95 million (H1 2023: £139 million). The Group's current adjusted effective tax rate (ETR) is 25% (H1 2023: 26%) in line with our expectations for the full year.

Earnings per share

In accordance with the Group's measures of performance, the Group also presents its earnings per share (EPS) on an adjusted basis. Adjusted EPS for the period was 4.9 pence per ordinary share (H1 2023: 7.2 pence). The decline is largely driven by lower earnings, higher foreign exchange headwinds and finance costs, as they reflect the full year impact of the post demerger capital structure.

Statutory basic EPS was a loss of 7.3 pence per share (H1 2023: loss of 6.1 pence) and included the impact of adjusting items such as amortisation of acquisition-related intangible assets, restructuring costs and the Hydrogen impairment as shown in Note 4 of the Interim Financial Statements.

Free cash flow

Adjusted free cash flow for the period was £10 million, down from £33 million in H1 2023. This decrease is largely driven by lower adjusted EBITDA, higher interest payments and higher restructuring payments, partially offset by lower capital expenditure and higher dividends from Equity Accounted Investments as a result of the timing of dividend receipts from our China joint venture. Working capital is expected to reduce in the second half of the year as we take proactive measures to adjust our working capital requirements to match lower volumes.

Net interest payments, totalling £47 million, were £27 million higher than the previous period due to the annualisation of the post demerger capital structure. Accordingly, interest payments for the full year are expected to be in the range of £80 million to £90 million. Capital expenditure decreased by £19 million to £103 million, as it was adjusted to align with lower volumes and no material expenditure was incurred on new production facilities, primarily associated with our footprint restructuring initiatives. Restructuring cash outflows of £51 million, related to continued performance improvements and footprint restructuring initiatives, were £20 million higher than the previous period. Restructuring cash outflows in 2024 are now expected to be in the range of £105 million to £115 million, slightly higher than the previously communicated range of £90 million to £100 million, largely due to further restructuring activities as a result of lower volumes.

Liquidity and leverage

The Group's primary sources of liquidity are cash generated from operating activities and funds available under its multicurrency term loan and revolving credit facility. At 30 June 2024, the Group's cash and cash equivalents balance, net of overdrafts was £289 million (31 December 2023: £313 million), while the revolving credit facility had available headroom of £545 million (31 December 2023: £590 million), translating to a total liquidity position of £834 million (31 December 2023: £903 million).

The Group continues to be funded through two core banking facilities, comprised of a multicurrency term loan and revolving credit facility, with a combined facility limit of approximately £1.8 billion. Both facilities have an initial maturity date of 20 April 2026, and the Group has the option to extend the revolving credit facility for up to two further one-year periods, at its sole discretion.

As at 30 June 2024, the Group had fixed the interest rates of 53% (H1 2023: 40%) of the drawn debt under its banking facilities with interest rate swaps. The maturity dates of the interest rate swaps are aligned with those of the underlying debt facilities.

The Group's net debt at 30 June 2024 was £915 million, an increase from £847 million on 31 December 2023, as a result of funding the operational needs of the business. This, combined with lower EBITDA resulted in a net leverage ratio of 1.6x adjusted EBITDA, an increase from 1.4x on 31 December 2023. The Group's net leverage ratio is comfortably below the covenant requirement under its debt facilities of 3.5x and is slightly above its target range. The Group's interest cover covenant (which measures adjusted EBITDA to net interest charge over the preceding 12 months and requires a ratio of at least 4.0x) was first tested on 30 June 2024 and was 7.2x, reflecting comfortable headroom above the covenant.

Retirement benefit obligations

The Group operates several defined benefit pension schemes. The Group's assets and liabilities under these schemes were calculated as at 30 June 2024 to reflect the latest assumptions and are summarised below.

Position at 30 June 2024

£ millions	Assets	Liabilities	Accounting Surplus/(Deficit)
UK plans[1]	630	(627)	3
European plans	16	(393)	(377)
US plans	75	(112)	(37)
Other Group pension schemes	12	(20)	(8)
Total Group pension schemes	733	(1,152)	(419)

1. UK plans primarily relate to the GKN Group Pension Schemes No. 2 and No. 3 and also include a legacy UK post-retirement medical scheme.

The Group's most significant defined benefit pension plans are the GKN Group Pension Scheme No. 2 and the GKN Group Pension Scheme No. 3, which constitute the majority of the UK plans. These defined benefit schemes are closed to new entrants and to the accrual of future defined benefits for current members. The Group continues to contribute £15 million per annum to these UK schemes as part of its asset-backed funding arrangements. As at 30 June 2024, these schemes had a net surplus of £6 million (31 December 2023: deficit of £5 million), with an additional £3 million of liabilities relating to a legacy post-retirement medical scheme (31 December 2023: £2 million). The UK schemes were last subject to their triennial statutory valuation in April 2022. The next triennial valuation is due in April 2025.

The most significant of the Group's other pension liabilities are the future payment obligations under the German GKN pension plans, which provide benefits dependent on final salary and service, and which are generally unfunded and closed to new entrants. At period end, the future obligations associated with these plans represented an unfunded liability of £369 million (31 December 2023: £390 million).

Pension cash outflows in relation to the defined benefit pension schemes were £13 million (H1 2023: £11 million). The full year amount is expected to be approximately £45 million.

Going concern

The Condensed Interim Financial Statements have been prepared on a going concern basis as the Directors consider that adequate resources exist for the Company to continue in operational existence for a period of not less than 12 months from the date of this report. The Group's liquidity and funding arrangements are described above. There is significant financing headroom (being the total of unutilised credit facilities and available cash) at 30 June 2024 of approximately £0.7 billion (30 December 2023: approximately £0.6 billion) and throughout the going concern forecast period.

The current facility has two financial covenants being a leverage (net debt to adjusted EBITDA) covenant of 3.5x and an interest cover covenant of 4.0x, both of which are tested half yearly, in June and December.

The Directors have prepared a working capital model based on the Group's latest 2024 forecast and 2025 strategic plan and considers the estimated impact of end market and operational factors, including supply chain and inflationary challenges throughout the going concern period. Climate related risks have also been considered, including estimating the expected transition from internal combustion engines to electric vehicles and modelling potential risks to the Group's infrastructure resulting from extreme weather or climate events.

Throughout the period covered, under this 'base case' model, financing headroom was forecast to be at least £640 million, and the Group's forecast leverage and interest covenants are expected to comfortably meet the respective testing criteria. In concluding that the going concern basis is appropriate, the Directors have also modelled the impact of a 'worst case scenario' to the 'base case' by including an aggregation of three plausible but severe downside risks, being (i) economic shock/downturn, (ii) losing a key market, product or customer and (iii) significant contract delivery issues.

Under this 'worst case' scenario, financing headroom was forecast to be at least £335 million throughout the period, the Group's leverage was expected to be no higher than 2.9x and the Group's interest cover was no lower than 4.3x, indicating that the Group would remain within covenant limits. Finally, a reverse stress test was performed which demonstrated that a significant reduction in H2 2024 and H1 2025 revenue and operating profit, assuming no additional reactive mitigating actions were commenced, would be required before the Group breached its leverage and interest covenants.

Even after applying the 'worst case' downside risk scenarios in aggregation, no covenant is forecast to be breached during the 12 months from the date of this report, and the Group would not expect to require any additional sources of finance.

Principal Risks and Uncertainties

The Group's approach to risk management and its principal risks and uncertainties are set out on pages 71 to 76 of the Company's 2023 Annual Report. The Board has reviewed the principal risks and uncertainties facing the Group and has concluded that they remain applicable for the second half of the financial year.

BUSINESS UNIT REVIEWS

Automotive

GKN Automotive is a global automotive technology business at the forefront of innovation. It specialises in designing, developing and producing market-leading driveline systems, with eight out of ten of the world's best-selling cars using its technology. GKN Automotive is the world leader in sideshafts, propshafts, all-wheel-drive (AWD) systems and advanced differentials, on which it has built its eDrive system capability, which was launched over 20 years ago and has since been used in over 2.5 million electrified vehicles worldwide.

Automotive overview

	Adjusted[1]				Statutory		
£ millions	**H1 2024**	H1 2023	Change	Constant FX[1]	**H1 2024**	H1 2023	Change
Revenue	**2,044**	2,283	-10%	-6.3%	**1,780**	2,018	-12%
Driveline	***1,209***	*1,272*	*-5.0%*	*-1.4%*	***1,204***	*1,265*	*-4.8%*
ePowertrain	***538***	*714*	*-25%*	*-20%*	***538***	*714*	*-25%*
China	***259***	*258*	*0.3%*	*6.6%*	**–**	–	–
Other[2]	***38***	*39*	*-2.6%*	*2.9%*	***38***	*39*	*-2.6%*
Operating profit/(loss)	**122**	149	-18%	-13%	**(11)**	(34)	68%
Operating margin	**6.0%**	6.5%	-50bps	-50bps	**-0.6%**	-1.7%	110bps

1. Adjusted financial measures are defined and reconciled to statutory measures in the Alternative Performance Measures section of this announcement, which also sets out the definition and basis of calculation of constant currency.
2. Other revenue includes revenue from Cylinder Liners.

In Automotive, adjusted revenue declined 6.3% to £2,044 million largely due to the impact of volume weakness and product mix in the ePowertrain product line, which has a significantly higher content per vehicle than the Driveline product line. Driveline, with adjusted revenue decline of 1.4%, outperformed a declining global light vehicle production rate of 2.4% in the first half, as it continued to demonstrate its resilience, benefitting from customer platform and geographical diversification. Automotive's China business continued to perform well, gaining increased share with local OEMs as revenues grew 6.6%, outperforming the Chinese market growth. Volume weakness in ePowertrain was driven by double digit decline in AWD systems largely due to delays in certain platform launches in Americas, moderate decline in ePowertrain components, driven by softening in Asia and significant revenue decline in eDrive systems due to volatility in BEV production volumes.

Adjusted operating profit of £122 million, declined 13%, leading to adjusted operating margins of 6.0%, a decline of 50bps at constant currency. This was largely driven by the impact from lower volume which was only partially offset by recovery from customers of inflationary costs incurred in the prior year and ongoing performance initiatives, which helped to reduce the constant currency drop through margin from 30% to 14%.

Ongoing performance initiatives resulted in £43 million of restructuring costs during the period (H1 2023: £86 million), with a £47 million cash outflow (H1 2023: £24 million).

New business wins

Automotive continued to expand its new business pipeline in the first half of the year, securing contract awards worth more than £2.4 billion in forecast lifetime revenue across its Driveline and ePowertrain product lines. The awards cover a broad range of global OEMs, and Chinese OEMs, including a 3-in-1 eDrive system for a major Chinese OEM through Automotive's joint venture SDS. However, the high-performance SUV vehicle programme referenced in the Group's interim results announcement on 12 September 2023, for which Automotive had been contracted to supply a 3-in-1 eDrive system, was indefinitely postponed, in another sign of the continuing uncertainty in the BEV marketplace.

Automotive's H1 business wins broadly reflected current market forecasts of EV production volumes in 2028, with 52% of new business wins during the period related to EV programmes. Overall, Automotive's order book continues to be well aligned to the evolving vehicle portfolio of its customers and S&P's forecast for 2028. 21% of its current 2028 order book relates to BEVs, 32% to HEVs and 47% to ICE vehicles. The business therefore continues to closely track the pace of transition of its customers' vehicle platforms to EVs.

Technology and product portfolio

As the global market leader in drive systems, the business continued to expand its core sideshaft portfolio in H1 2024, with products designed to match the changing demands of electrified vehicle platforms, as well as traditional combustion engines. It remains well positioned to capitalise on its leadership in AWD systems and advanced differentials in both internal combustion engine vehicles, and in the growing market for torque management systems in electrified vehicles. The business's first entirely in-house designed and developed 3-in-1 eDrive system for a major global OEM is expected to enter production in the second half of 2024.

Operational excellence

Automotive delivered an Accident Frequency Rate of 0.15 (AFR) in the first half of the year, higher than our target. As a result, the business is extending its focus on behavioural based safety interventions, particularly related to hand safety and slips, trips and falls. Excellent quality standards were maintained, with a PPM defect rate of three.

Automotive successfully completed 79 new programme launches during the first half of the year, whilst continuing to make progress on improving the competitiveness of its global operations. In response to ongoing volume decline combined with high levels of inflation in Europe, the business implemented a targeted programme to improve productivity in the region. In March, Automotive announced the streamlining of its operations in North America, which will result in an expanded end to end manufacturing operation in Alamance, the transfer of all North American propshaft manufacturing to Mexico and the closure of its plant in Roxboro, North Carolina, with expected completion of the transfer process in Q4 2024.

Powder Metallurgy

GKN Powder Metallurgy is solving complex challenges in automotive and industrial markets through best-in-class sustainable and innovative powder metallurgy technology. It is a world-class supplier of metal powder and sintered metal components. The business comprises three focused divisions under one brand: GKN Powders/Hoeganaes, GKN Sinter Metals, and GKN Additive, supplying metal powders, high-precision powder metal solutions and 3D-printed parts.

Powder Metallurgy overview

	Adjusted[1]				Statutory		
£ millions	**H1 2024**	H1 2023	Change	Constant FX[1]	**H1 2024**	H1 2023	Change
Revenue	**527**	545	-3.3%	0.2%	**509**	532	-4.3%
Sinter	***400***	*417*	*-4.1%*	*-0.5%*	***400***	*417*	*-4.1%*
Additive	***14***	*13*	*7.7%*	*19%*	***14***	*13*	*7.7%*
Powder	***113***	*115*	*-1.7%*	*0.9%*	***95***	*102*	*-6.9%*
Operating profit	**50**	50	-	6.0%	**22**	25	-12%
Operating margin	**9.5%**	9.2%	30bps	50bps	**4.3%**	4.7%	-40bps

1. Adjusted financial measures are defined and reconciled to statutory measures in the Alternative Performance Measures section of this announcement, which also sets out the definition and basis of calculation of constant currency.

Powder Metallurgy generated adjusted revenue of £527 million, a slight increase of 0.2% year-on-year and ahead of the market. The slight drop in revenue in the core portfolio due to the ICE decline was offset by growth in EV products and metal additive manufacturing. Performance in the second quarter was impacted by higher comparatives in the same period last year, largely as a result of price recoveries associated with commodity prices.

Adjusted operating profit for the period was £50 million, flat compared to the prior period, resulting in an adjusted operating margin of 9.5%, a 50bps improvement from the prior period. This was mainly driven by the successful resolution of one-time operational challenges from the prior period and more favourable regional mix within its powders business. The business offset inflationary increases through operational efficiencies.

Commercial progress and EV transition

Despite a slowdown in the automotive market, Powder Metallurgy had a successful first half of the year commercially. The business secured new contracts with a peak annual revenue of £77 million, representing a 10% year-on-year increase. Notably, 53% of these wins were from propulsion-agnostic product groups, confirming that new products are gaining commercial traction and that the business' portfolio transition strategy is on track.

Powder Metallurgy continued building momentum in EV-specific products, winning new business for e-pumps and x-by-wire components such as e-steering and e-braking systems where sintering offers significant performance and cost benefits. The supply of powder for use in lithium iron phosphate batteries (LFP) in China continued, with ongoing commercial discussions with OEMs and stationary battery storage providers in Europe and the Americas. The business is on track to install a low scale production line expected to be operational in Q1 2025. Additionally, there has been a notable increase in requests for quotation (RFQs) for magnets from OEMs and Tier 1 suppliers.

Restructuring activities continued in the first half, with one site closed in the US and another set to close by the end of the year, further optimising the manufacturing footprint.

On 11 March 2024, Dowlais appointed a new Chief Executive Officer, Jean-Marc Durbuis, to lead the GKN Powder Metallurgy business with a mandate to support the EV transition and accelerate growth. Jean-Marc Durbuis joins GKN Powder Metallurgy from Allnex, where he was Executive Vice President and a member of the executive committee and board of directors of one of its divisions. Under his leadership, the business has conducted a

comprehensive portfolio review and identified new growth areas to transition towards propulsion-agnostic products. These new areas aim to grow the core portfolio by entering and developing new markets for powders and sintered components where Powder Metallurgy has a strong right to win.

For the rest of the year, Powder Metallurgy remains focused on order book growth and continuing the commercial progress on its EV portfolio transition.

Hydrogen

Hydrogen overview

	Adjusted[1]				Statutory		
£ millions	**H1 2024**	H1 2023	Change	Constant FX[1]	**H1 2024**	H1 2023	Change
Revenue	**0**	2	-100%	-100%	**0**	2	-100%
Operating profit	**(7)**	(8)	-13%	-13%	**(17)**	(8)	-113%
Operating margin	**n/m[2]**	n/m[2]	n/m[2]	n/m[2]	**n/m[2]**	n/m[2]	n/m[2]

1. Adjusted financial measures are defined and reconciled to statutory measures in the Alternative Performance Measures section of this announcement, which also sets out the definition and basis of calculation of constant currency.
2. Not meaningful.

As previously communicated, in early 2024 Dowlais started a process to identify potential investment partners in the GKN Hydrogen business. On 29 July 2024, we completed the disposal of the business to Langley Holdings plc for a nominal sum. This transaction will result in an expected loss on disposal of approximately £18 million, of which £10 million was incurred in the first half, and will eliminate future cash losses associated with the funding of the Hydrogen operations.

In the 12 months ended 31 December 2023, Hydrogen operations contributed £5 million of revenue, £15 million of operating losses and £23 million of cash losses.

The decision to dispose of the business reflects our determination that further investment was not in shareholders' interests due to a reassessment of the longer term prospects of the business in light of the current Hydrogen market.

Responsibility Statement

The directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with UK-adopted IAS34 'Interim Financial Reporting'; and
- the interim management report includes a fair review of the information required by DTR 4.2.7 (indication of important events and their impact, and a description of principal risks and uncertainties for the remaining six months of the financial year) and DTR 4.2.8 (disclosure of related parties' transactions and changes therein).

The directors of Dowlais Group plc are listed on pages 82 and 83 of the 2023 Annual Report and on the Group's website www.dowlais.com under the page headed "Our Board".

By order of the Board

Liam Butterworth
Chief Executive Officer

Roberto Fioroni
Chief Financial Officer

12 August 2024

INDEPENDENT REVIEW REPORT TO DOWLAIS GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024, which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows, the condensed consolidated balance sheet and the condensed consolidated statement of changes in equity and related notes 1 to 16.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
12 August 2024

DOWLAIS GROUP PLC
CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**6 months ended 30 June 2024 Unaudited £m**	6 months ended 30 June 2023 Unaudited £m	Year ended 31 December 2023 Audited £m
Revenue	3	**2,289**	2,552	4,864
Cost of sales		**(1,943)**	(2,164)	(4,107)
Gross profit		**346**	388	757
Share of results of equity accounted investments	9	**29**	13	51
Operating expenses		**(432)**	(441)	(809)
Impairment of goodwill	4	**–**	–	(449)
Operating loss	3,4	**(57)**	(40)	(450)
Finance costs	5	**(68)**	(40)	(101)
Finance income	5	**2**	25	29
Loss before tax		**(123)**	(55)	(522)
Tax	6	**25**	(27)	27
Loss after tax for the period		**(98)**	(82)	(495)
Attributable to:				
Owners of the parent		**(101)**	(85)	(501)
Non-controlling interests		**3**	3	6
		(98)	(82)	(495)
Earnings per share				
– Basic	8	**(7.3)p**	(6.1)p	(36.0)p
– Diluted	8	**(7.3)p**	(6.1)p	(36.0)p

Adjusted[(1)] results

	Notes	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Adjusted revenue	3	**2,571**	2,830	5,489
Adjusted operating profit	3,4	**151**	177	355
Adjusted profit before tax	4	**95**	139	264
Adjusted profit after tax	4	**71**	103	198
Adjusted basic earnings per share	8	**4.9p**	7.2p	13.8p
Adjusted diluted earnings per share	8	**4.9p**	7.2p	13.8p

1. Defined in the summary of material accounting policies (Note 2).

DOWLAIS GROUP PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**6 months ended 30 June 2024 Unaudited £m**	6 months ended 30 June 2023[1] Unaudited £m	Year ended 31 December 2023 Audited £m
Loss after tax for the period		**(98)**	(82)	(495)
Items that will not be reclassified subsequently to the Income Statement:				
Net remeasurement gain/(loss) on retirement benefit obligations		**31**	(6)	(22)
Income tax (charge)/credit relating to items that will not be reclassified	6	**(8)**	1	4
		23	(5)	(18)
Items that may be reclassified subsequently to the Income Statement:				
Currency translation		**(52)**	(154)	(152)
Impact of hyperinflationary economies		**7**	4	8
Share of other comprehensive expense from equity accounted investments		**(5)**	(38)	(32)
Derivative and exchange gains on hedge relationships		**12**	32	21
Income tax (charge)/credit relating to items that may be reclassified	6	**(1)**	(5)	4
		(39)	(161)	(151)
Other comprehensive expense for the period		**(16)**	(166)	(169)
Total comprehensive expense for the period		**(114)**	(248)	(664)
Attributable to:				
Owners of the parent		**(112)**	(248)	(668)
Non-controlling interests		**(2)**	–	4
		(114)	(248)	(664)

1. Results for June 2023 reflect the application of IAS 29 Financial Reporting in Hyperinflationary Economies as set out in Note 1.3.

DOWLAIS GROUP PLC
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**6 months ended 30 June 2024 Unaudited £m**	6 months ended 30 June 2023 Unaudited £m	Year ended 31 December 2023 Audited £m
Net cash from operating activities	13	**35**	82	239
Investing activities				
Purchase of property, plant and equipment		**(100)**	(113)	(279)
Proceeds from disposal of property, plant and equipment		**2**	–	33
Purchase of computer software and capitalised development costs		**(3)**	(9)	(16)
Dividends received from equity accounted investments		**70**	33	63
Interest received		**2**	1	5
Net cash used in investing activities		**(29)**	(88)	(194)
Financing activities				
Cash settlements with Related Parties[1]		**–**	(1,093)	(1,096)
Drawings on borrowing facilities		**190**	1,233	1,313
Repayment of borrowing facilities		**(146)**	(60)	(124)
Costs of raising debt finance		**–**	(12)	(12)
Repayment of principal under lease obligations		**(12)**	(12)	(25)
Purchase of own shares		**(9)**	(7)	(7)
Dividends paid to non-controlling interests		**–**	–	(7)
Dividends paid to equity shareholders	7	**(39)**	–	(19)
Net cash (used in)/from financing activities		**(16)**	49	23
Net (decrease)/increase in cash and cash equivalents, net of bank overdrafts		**(10)**	43	68
Cash and cash equivalents, net of bank overdrafts at the beginning of the period	13	**313**	263	263
Effect of foreign exchange rate changes		**(14)**	(13)	(18)
Cash and cash equivalents, net of bank overdrafts at the end of the period	13	**289**	293	313

1. Related parties comprised Melrose Industries PLC, the ultimate parent company prior to demerger on 20 April 2023 and other non-group entities controlled by Melrose Industries PLC.

As at 30 June 2024, the Group had net debt of £915 million (30 June 2023: £849 million; 31 December 2023: £847 million). A definition and reconciliation of the movement in net debt is shown in Note 13.

DOWLAIS GROUP PLC
CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**30 June 2024 Unaudited £m**	30 June 2023[(1)(2)] Unaudited £m	31 December 2023[(1)] Audited £m
Non-current assets				
Goodwill and other intangible assets		**2,242**	2,901	2,365
Property, plant and equipment		**1,707**	1,738	1,751
Interests in equity accounted investments		**351**	383	397
Deferred tax assets		**149**	161	146
Derivative financial assets		**20**	22	8
Other financial assets		**–**	32	28
Retirement benefit surplus	12	**31**	35	27
Other receivables		**12**	13	12
		4,512	5,285	4,734
Current assets				
Inventories		**480**	495	510
Trade and other receivables		**625**	720	628
Derivative financial assets		**20**	53	45
Other financial assets		**19**	–	–
Current tax assets		**43**	43	21
Cash and cash equivalents	13	**298**	300	313
		1,485	1,611	1,517
Total assets	3	**5,997**	6,896	6,251
Current liabilities				
Trade and other payables		**1,110**	1,211	1,179
Interest-bearing loans and borrowings	13	**10**	8	2
Lease obligations	14	**22**	22	25
Derivative financial liabilities		**8**	6	4
Current tax liabilities		**95**	126	100
Provisions	10	**140**	148	136
		1,385	1,521	1,446
Net current assets		**100**	90	71
Non-current liabilities				
Other payables		**16**	14	18
Interest-bearing loans and borrowings	13	**1,203**	1,141	1,158
Lease obligations	14	**120**	133	126
Derivative financial liabilities		**10**	1	4
Deferred tax liabilities		**235**	360	248
Retirement benefit obligations	12	**450**	488	486
Provisions	10	**156**	214	182
		2,190	2,351	2,222
Total liabilities	3	**3,575**	3,872	3,668
Net assets		**2,422**	3,024	2,583
Equity				
Issued share capital		**14**	14	14
Share premium account		**–**	1,070	–
Own shares		**(7)**	(7)	(7)
Translation reserve		**(123)**	(113)	(81)
Hedging reserve		**9**	24	1
Retained earnings		**2,495**	1,997	2,620
Equity attributable to owners of the parent		**2,388**	2,985	2,547
Non-controlling interests		**34**	39	36
Total equity		**2,422**	3,024	2,583

1. Interests in equity accounted investments and Retained earnings at 1 January 2023 have been restated to reflect a previously unidentified omission in the acquisition accounting of an equity accounted investment. Further details are set out in Note 1.4.
2. Results for June 2023 reflect the application of IAS 29 Financial Reporting in Hyperinflationary Economies as set out in Note 1.3.

DOWLAIS GROUP PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital £m	Share premium account £m	Own shares £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	**Equity attributable to owners of the parent £m**	Non-controlling interests £m	**Total equity £m**
At 1 January 2023 (as previously reported)	–	–	–	69	–	4,885	**4,954**	39	**4,993**
Restatement of equity accounted investments[1]	–	–	–	–	–	17	**17**	–	**17**
At 1 January 2023 (as restated)	–	–	–	69	–	4,902	**4,971**	39	**5,010**
(Loss)/profit for the period	–	–	–	–	–	(85)	**(85)**	3	**(82)**
Other comprehensive (expense)/income[2]	–	–	–	(182)	24	(5)	**(163)**	(3)	**(166)**
Total comprehensive (expense)/income	–	–	–	(182)	24	(90)	**(248)**	–	**(248)**
Dividends paid to Related Parties[3]	–	–	–	–	–	(1,675)	**(1,675)**	–	**(1,675)**
Effect of change of ultimate holding company[4]	14	1,070	–	–	–	(1,084)	**–**	–	**–**
Purchase of own shares by Employee Benefit Trust[5]	–	–	(7)	–	–	–	**(7)**	–	**(7)**
Transactions with Related Parties[3]	–	–	–	–	–	(57)	**(57)**	–	**(57)**
Equity-settled share-based payments	–	–	–	–	–	1	**1**	–	**1**
At 30 June 2023 (unaudited)[1]	14	1,070	(7)	(113)	24	1,997	**2,985**	**39**	**3,024**
Loss for the period	–	–	–	–	–	(416)	**(416)**	3	**(413)**
Other comprehensive income/(expense)	–	–	–	32	(23)	(13)	**(4)**	1	**(3)**
Total comprehensive income/(expense)	–	–	–	32	(23)	(429)	**(420)**	4	**(416)**
Capital reduction	–	(1,070)	–	–	–	1,070	**–**	–	**–**
Dividends paid to equity shareholders	–	–	–	–	–	(19)	**(19)**	(7)	**(26)**
Equity-settled share-based payments	–	–	–	–	–	1	**1**	–	**1**
At 31 December 2023 (audited)[1]	14	–	(7)	(81)	1	2,620	**2,547**	36	**2,583**
(Loss)/profit for the period	–	–	–	–	–	(101)	**(101)**	3	**(98)**
Other comprehensive (expense)/income	–	–	–	(42)	8	23	**(11)**	(5)	**(16)**
Total comprehensive (expense)/income	–	–	–	(42)	8	(78)	**(112)**	(2)	**(114)**
Dividends paid to equity shareholders	–	–	–	–	–	(39)	**(39)**	–	**(39)**
Equity-settled share-based payments	–	–	–	–	–	1	**1**	–	**1**
Purchase of own shares[6]	–	–	–	–	–	(9)	**(9)**	–	**(9)**
At 30 June 2024 (unaudited)	14	–	(7)	(123)	9	2,495	**2,388**	34	**2,422**

1. Interests in equity accounted investments and Retained earnings at 1 January 2023 have been restated to reflect a previously unidentified omission in the acquisition accounting of an equity accounted investment. Further details are set out in Note 1.4.
2. Results for June 2023 reflect the application of IAS 29 Financial Reporting in Hyperinflationary Economies as set out in Note 1.3.
3. Related Parties comprised Melrose Industries PLC, the ultimate parent company prior to demerger on 20 April 2023 and other non-group entities controlled by Melrose Industries PLC.
4. Following the demerger, the issued share capital and share premium account of Dowlais Group plc were recognised in the Consolidated Interim Financial Statements.
5. On 31 May 2023 an Employee Benefit Trust (EBT) established for the benefit of certain employees of the Group purchased shares in the capital of the Company to be held for the purpose of settling awards vesting under the Group's share incentive schemes.
6. On 4 April 2024 the Group commenced a share buy-back programme under which shares in the capital of the Company totalling £9 million (2023: £nil) have been purchased. All shares purchased under this programme have been cancelled.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Corporate information

Dowlais Group plc comprises the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses along with certain Corporate functions, together referred to as the "Group". GKN Automotive is a global technology and systems engineer which designs, develops, manufactures and integrates an extensive range of driveline technologies, including electric vehicle components. GKN Powder Metallurgy is a global leader in precision powder metal parts for the automotive and industrial sectors, as well as the production of powder metal. GKN Hydrogen, launched in 2021, offers reliable and secure hydrogen storage solutions.

1.1 Corporate Structure

Dowlais Group plc ("the Company") is a public company limited by shares. The Company is incorporated in the United Kingdom under the Companies Act 2006 and is registered in England & Wales.

On 28 February 2023, Melrose Industries PLC ("Melrose") transferred the entire shareholding of GKN Industries Limited and GKN Powder Metallurgy Holdings Limited to Dowlais Group plc such that all the entities within the Group became owned directly or indirectly by the Company.

On 20 April 2023, Melrose made a distribution to its shareholders of Dowlais Group plc shares with one Dowlais share issued for every Melrose share held. On the same day, Dowlais Group plc shares were admitted to the premium listing segment of the Official List of the Financial Conduct Authority (FCA) and to trading on the London Stock Exchange's main market for listed securities.

Prior to 20 April 2023, the ultimate parent company and controlling party of the Group was Melrose Industries PLC, a public company limited by shares and incorporated in England & Wales.

Subsidiaries of Melrose prior to the date of the demerger which do not form part of the Dowlais Group are considered non-group entities. Melrose Industries PLC and other non-group entities controlled by Melrose were Related Parties of the Group up to the date of the demerger on 20 April 2023.

1.2 Basis of Preparation

The opening comparative information and results from 1 January 2023 up to 28 February 2023 in this set of accounts show an aggregation of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses along with certain Corporate functions, which form the operating segments of the Group. The aggregation was prepared as though the current legal structure of the Group was in place at the beginning of the comparative period under the principles of merger accounting.

The condensed set of interim financial statements included in this report have been prepared in accordance with UK-endorsed International Financial Reporting Standards ("IFRS"). These Condensed Interim Financial Statements do not comprise statutory accounts within the meaning of section 435 of the Companies Act 2006 and have been prepared in accordance with IAS 34: "Interim Financial Reporting" contained in UK-endorsed IFRS.

The information relating to the year ended 31 December 2023 is extracted from the Group's published Annual Report for that year, which has been delivered to the Registrar of Companies, and on which the auditor's report was unqualified and did not contain any emphasis of matter or statements under section 498(2) or 498(3) of the UK Companies Act 2006.

1.3 IAS 29 Financial Reporting in Hyperinflationary Economies

Following the adoption of IAS 29 Financial Reporting in Hyperinflationary Economies in the 2023 Annual Report, the June 2023 results also reflect the application of IAS 29 to the Group's operations in Turkey, which became hyperinflationary in 2022. IAS 29 requires affected entities to present their financial statements reflecting the general purchasing power of the relevant functional currency in terms of the measuring unit current at the end of the reporting period. Accordingly, the June 2023 financial statements of the Group's operations in Turkey, which are based on a historical cost approach, were adjusted to reflect the level of the Turkey Domestic Producer Price Index (D-PPI) which was 2,321 as at 30 June 2023. As a result, goodwill and other intangible assets were increased by £16 million, property, plant and equipment were increased by £7 million and a total of £23 million was recognised in other comprehensive income as a credit to translation reserves.

1.4 Restatement of equity accounted investments

During the period, a previously unidentified omission was noted with respect to the acquisition accounting for the Group's investment in Shanghai GKN HUAYU Driveline Systems ("SDS"). SDS was acquired in 2018 and is held as an equity accounted investment. At the time of acquisition, intangible assets relating to customer programmes were identified and recorded as part of the carrying value of the investment as required by IAS 28 Investments in Associates and Joint Ventures, however no corresponding deferred tax liability was recorded.

Had the deferred tax liability been recorded at the time of acquisition, this would have had no effect on the fair value of the investment initially recorded on acquisition. Due to the unwind of the underlying deferred tax liability, reflecting the amortisation of the related intangible assets, this would have increased the share of profits of equity accounted investments by £3 million each year since then, with a corresponding increase to the investment in equity accounted investments.

As the cumulative effect of this on the opening balance sheet in 2023 is considered material, it has been restated. As a result, interests in equity accounted investments have increased by £17 million being the net impact of the increase to goodwill of £36 million and the remaining deferred tax liability of £19 million, with a corresponding credit to retained earnings. The Income Statements for comparative periods have not been restated on the basis the impact is not considered to be material to the results reported for the comparative periods.

1.5 New Standards, Amendments and Interpretations affecting amounts, presentation or disclosure reported in the current period

The following amendments to IFRS Accounting Standards have been applied for the first time by the Group. Their adoption has not had any material impact on the amounts reported or the disclosures or on the required amounts reported in these Condensed Interim Financial Statements, except for as noted below:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements - The amendments to IAS 7 require disclosure of information about the Group's supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The Group will provide the required disclosures in its 2024 Annual Report.
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

1.6 New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these interim financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 21 Lack of Exchangeability
- Amendments to IFRS 9 Amendments to the Classification and Measurement of Financial Instruments

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

2. Summary of material accounting policies

Material accounting policies applied in preparing the Condensed Interim Financial Statements and Alternative Performance Measures are consistent with those detailed in the Group's 2023 Annual Report.

Alternative Performance Measures

The Group presents Alternative Performance Measures ("APMs") in addition to the statutory results. These are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority ("ESMA"). APMs used by the Group are set out in the Alternative Performance Measures section to these Condensed Interim Financial Statements and the reconciling items between statutory and adjusted results are listed below and described in more detail in Note 4.

Adjusted revenue includes the Group's share of revenue from equity accounted investments ("EAIs").

Adjusted profit measures exclude items which are significant in size or volatility or by nature are non-trading or non-recurring, and include adjusted profit from EAIs.

On this basis, the following are the principal items included within adjusting items impacting operating profit:

- Amortisation of intangible assets that are acquired in a business combination, excluding computer software and development costs;
- Significant restructuring project costs and other associated costs, including losses incurred following the announcement of closure for identified businesses, and pre-operational losses for new operating sites, arising from significant strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- Acquisition and disposal related gains and losses;
- Costs relating to or resulting from the demerger of the Group from Melrose Industries PLC;
- Impairment charges that are considered to be significant in nature and/or value to the trading performance of the business;
- Movement in derivative financial instruments not designated in hedging relationships, including revaluation of associated financial assets and liabilities;
- Removal of adjusting items, interest and tax on equity accounted investments to reflect operating results; and
- The net release of loss-making contract provision fair value items booked on acquisitions.

Further to the adjusting items above, adjusting items impacting profit before tax include:

- The fair value changes on cross-currency swaps, relating to cost of hedging which are not deferred in equity;
- The movement in loans with Related Parties as a result of changes in foreign currency exchange rates; and
- The fair value changes on remeasurement of non-trading financial assets.

In addition to the items above, adjusting items impacting profit after tax include:

- The net effect on tax of significant restructuring from strategy changes that are not considered by the Group to be part of the normal operating costs of the business;

- The net effect of significant new tax legislation; and
- The tax effects of adjustments to profit before tax, described above.

The policy above is consistent with that used in the comparative year.

The Board considers the adjusted results to be an important measure used to monitor how the businesses are performing as this provides a meaningful reflection of how the businesses are managed and measured on a day-to-day basis and achieves consistency and comparability between reporting periods.

The adjusted measures are used to partly determine the variable element of remuneration of senior management throughout the Group and are also in alignment with performance measures used by certain external stakeholders.

Adjusted profit is not a defined term under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measures. All APMs relate to the current period results and comparative periods or years where provided.

Going concern

The Condensed Interim Financial Statements have been prepared on a going concern basis as the Directors consider that adequate resources exist for the Company to continue in operational existence for a period of not less than 12 months from the date of this report. The Group's liquidity and funding arrangements are described in the Finance Director's Review. There is significant financing headroom (being the total of unutilised credit facilities and available cash) at 30 June 2024 of c. £0.7 billion (31 December 2023: c.£0.6 billion) and throughout the going concern forecast period. Forecast covenant compliance is considered further below.

Covenants

The current facility has two financial covenants being a leverage (net debt to adjusted EBITDA) covenant of 3.50x and an interest cover covenant of 4.0x, both of which are tested half yearly, in June and December.

Testing

The Directors have prepared a working capital model based on the Group's latest 2024 forecast and 2025 strategic plan that considers the estimated impact of end market and operational factors, including supply chain and inflationary challenges throughout the going concern period. Climate related risks have also been considered, including estimating the expected transition from internal combustion engines to electric vehicles and modelling potential risks to the Group's infrastructure resulting from extreme weather or climate events.

Throughout the period covered, under this 'base case' model, financing headroom was forecast to be at least £640 million, and the Group's forecast leverage and interest covenants are expected to comfortably meet the respective testing criteria.

In concluding that the going concern basis is appropriate, the Directors have also modelled the impact of a 'worst case scenario' to the 'base case' by including an aggregation of three plausible but severe downside risks, being (i) economic shock/downturn, (ii) losing a key market, product or customer and (iii) significant contract delivery issues.

Under this 'worst case' scenario, financing headroom was forecast to be at least £335 million throughout the period, the Group's leverage was expected to be no higher than 2.9x and the Group's interest cover was no lower than 4.3x, indicating that the Group would remain within covenant limits. Finally, a reverse stress test was performed which demonstrated that a significant reduction in H2 2024 and H1 2025 revenue and operating profit, assuming no additional reactive mitigating actions were introduced, would be required before the Group breached its leverage and interest covenants.

Even after applying the 'worst case' downside risk scenarios in aggregation, no covenant is forecast to be breached during the 12 months from the date of this report, and the Group would not expect to require any additional sources of finance.

Critical accounting judgements and key sources of estimation uncertainty

The Group's critical accounting judgements and key sources of estimation uncertainty remain unchanged since the year-end and are set out on Note 3 of the Group's 2023 Annual Report. Where relevant, updates are provided below.

Key sources of estimation uncertainty

Assumptions used to determine the recoverable amount of goodwill and other assets

In accordance with IAS 36, the Group assesses its goodwill and other assets for impairment formally each year, at the testing date of 31 October. An impairment indicator assessment has been performed at 30 June 2024 for both of the Group's cash generating units ("CGUs"), being the Automotive and Powder Metallurgy divisions.

The impairment indicator assessment did not identify any indication of impairment with respect to the Powder Metallurgy CGU, however following the weaker than anticipated first half Automotive results, an indication of impairment was identified for the Automotive CGU.

Accordingly, an impairment test was performed for the Automotive CGU to estimate its recoverable amount which, in accordance with IAS 36, is the higher of value in use or fair value less costs to sell. As at 30 June 2024, the Automotive CGU's value on a fair value less costs to sell basis was determined to be higher than its value on a value in use basis and therefore a fair value less costs to sell approach was adopted, supported by a discounted cash flow model. Headroom of £425 million over the carrying value of net assets of £2,120 million was identified (31 December 2023: headroom of £449 million over the carrying value of £2,254 million based on a value in use approach).

The estimated recoverable amount of the Automotive CGU is sensitive to a change in key assumptions and estimates, and in order for a material impairment charge to be recorded in the 12 months from 30 June 2024, the following reasonably possible changes in key assumptions would need to occur:

• A reasonably possible change in the post-tax discount rate and long-term growth rate from 10.25% to 11.4% or from 3.4% to 1.9% respectively would reduce headroom to £nil. Further changes in discount rates and long-term growth rates to 11.7% and 1.4% respectively, would result in an impairment of £98 million and £101 million.

• Margin assumptions, supported by the success of anticipated restructuring programmes, are key to the estimated valuation and a reduction in the terminal operating profit of 14% would reduce the terminal operating margin by 1.4 percentage points reducing headroom to £nil. A total reduction in the terminal operating profit of 17% would reduce the terminal operating margin by 1.7 percentage points resulting in an impairment of £99 million.

Although no impairment indicator was identified for the Powder Metallurgy CGU and therefore no impairment review was performed, its estimated recoverable value was a key source of estimation uncertainty at 31 December 2023 and therefore key assumptions and sensitivities have been included below as at 31 December 2023, as previously presented in the Group's 2023 Annual Report.

As at 31 December 2023, the carrying amount of goodwill and other intangible assets (not including computer software and development costs) in the Powder Metallurgy group of CGUs was £561 million.

In order for a material impairment charge or loss on disposal to be recorded in the 12 months from 31 December 2023, the following reasonably possible changes in key assumptions would need to occur:

• Operating margin assumptions are a key driver of business value and a reduction in the terminal operating profit by 10% would reduce the operating margin by 1.0 percentage points, resulting in an impairment charge of £80 million. A reasonably possible 1.0% increase in discount rates from 13.4% to 14.4% would result in an impairment charge of £81 million being incurred. A reasonably possible 1.0% decrease in growth rates from 3.3% to 2.3% would result in an impairment charge of £50 million being incurred.

For all sensitivities, it is assumed that all other variables remain unchanged.

Assumptions used to determine the carrying amount of the Group's net retirement benefit obligations

The Group's pension plans are significant in size. The defined benefit obligations in respect of the plans are discounted at rates set by reference to market yields on high quality corporate bonds. Significant estimation is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds to include are the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. In addition, assumptions are made in determining mortality and inflation rates to be used when valuing the plan's defined benefit obligations. At 30 June 2024, the retirement benefit obligation was a net deficit of £419 million (30 June 2023: £453 million; 31 December 2023: £459 million).

3. Segment information

Segment information is presented in accordance with IFRS 8 Operating Segments which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reported to the Group's Chief Operating Decision Maker ("CODM"), which has been deemed to be the Group's Board, in order to allocate resources to the segments and assess their performance.

The operating segments are as follows:

Automotive – a global technology and systems engineer which designs, develops, manufactures and integrates an extensive range of driveline technologies, including electric vehicle components.

Powder Metallurgy – a global leader in precision powder metal parts for the automotive and industrial sectors, as well as the production of powder metal.

Hydrogen – offering reliable and secure hydrogen storage solutions.

In addition, central cost centres are also reported to the Board. The central corporate cost centres contain the Group head office costs and charges related to the divisional management long-term incentive plans.

Reportable segment results include items directly attributable to a segment as well as those which can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis, in a manner similar to transactions with third parties.

The Group's geographical segments are determined by the location of the Group's non-current assets and, for revenue, the location of external customers. Inter-segment sales are not material and have not been disclosed.

a) Segment revenues

The following tables present the segment revenues and operating profits as regularly reported to the CODM, as well as certain asset and liability information regarding the Group's operating segments and central cost centres.

6 months ended 30 June 2024	Notes	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Total £m
Adjusted revenue		**2,044**	**527**	**–**	**2,571**
Equity accounted investments	9	**(264)**	**(18)**	**–**	**(282)**
Revenue		**1,780**	**509**	**–**	**2,289**

6 months ended 30 June 2023	Notes	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Total £m
Adjusted revenue		2,283	545	2	2,830
Equity accounted investments	9	(265)	(13)	–	(278)
Revenue		2,018	532	2	2,552

Year ended 31 December 2023	Notes	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Total £m
Adjusted revenue		4,437	1,047	5	5,489
Equity accounted investments	9	(594)	(31)	–	(625)
Revenue		3,843	1,016	5	4,864

b) Segment operating profit

6 month ended 30 June 2024	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Corporate[2] £m	Total £m
Adjusted operating profit/(loss)	**122**	**50**	**(7)**	**(14)**	**151**
Items not included in adjusted operating profit[1]:					
Amortisation of intangible assets acquired in business combinations	**(72)**	**(24)**	**–**	**–**	**(96)**
Restructuring costs	**(43)**	**(4)**	**–**	**(2)**	**(49)**
Movement in derivatives and associated financial assets and liabilities	**(4)**	**–**	**–**	**(31)**	**(35)**
Equity accounted investments adjustments	**(14)**	**–**	**–**	**–**	**(14)**
Impairment of assets	**–**	**–**	**(10)**	**–**	**(10)**
Litigation costs	**–**	**–**	**–**	**(3)**	**(3)**
Demerger costs	**–**	**–**	**–**	**(1)**	**(1)**
Operating (loss)/profit	**(11)**	**22**	**(17)**	**(51)**	**(57)**
Finance costs					**(68)**
Finance income					**2**
Loss before tax					**(123)**
Tax					**25**
Loss after tax for the period					**(98)**

1. For further details on adjusting items, refer to Note 4.

2. Corporate adjusted operating loss of £14 million includes a credit of £2 million in respect of divisional management long term incentive plans.

6 months ended 30 June 2023	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Corporate[2] £m	Total £m
Adjusted operating profit/(loss)	149	50	(8)	(14)	177
Items not included in adjusted operating profit[1]:					
Amortisation of intangible assets acquired in business combinations	(74)	(25)	–	–	(99)
Restructuring costs	(86)	(2)	–	–	(88)
Movement in derivatives and associated financial assets and liabilities	(9)	–	–	30	21
Equity accounted investments adjustments	(14)	–	–	–	(14)
Demerger costs	–	–	–	(39)	(39)
Net release and changes in discount rates of certain fair value items	–	2	–	–	2
Operating (loss)/profit	(34)	25	(8)	(23)	(40)
Finance costs					(40)
Finance income					25
Loss before tax					(55)
Tax					(27)
Loss after tax for the period					(82)

1. For further details on adjusting items, refer to Note 4.
2. Corporate adjusted operating loss of £14 million includes a charge of £1 million in respect of divisional management long term incentive plans.

Year ended 31 December 2023	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Corporate[2] £m	Total £m
Adjusted operating profit/(loss)	306	96	(15)	(32)	355
Items not included in adjusted operating profit[1]:					
Impairment of goodwill	–	(449)	–	–	(449)
Amortisation of intangible assets acquired in business combinations	(146)	(51)	–	–	(197)
Restructuring costs	(109)	(10)	(1)	–	(120)
Movement in derivatives and associated financial assets and liabilities	(3)	–	–	19	16
Equity accounted investments adjustments	(30)	–	–	–	(30)
Demerger costs	–	–	–	(42)	(42)
Net release and changes in discount rates of certain fair value items	12	5	–	–	17
Operating profit/(loss)	30	(409)	(16)	(55)	(450)
Finance costs					(101)
Finance income					29
Loss before tax					(522)
Tax					27
Loss after tax for the year					(495)

1. For further details on adjusting items, refer to Note 4.
2. Corporate adjusted operating loss of £32 million includes a charge of £8 million in respect of divisional management long term incentive plans.

c) Segment total assets and liabilities

	Total assets			Total liabilities		
	30 June 2024 £m	30 June 2023[1][2] £m	31 December 2023[2] £m	**30 June 2024 £m**	30 June 2023 £m	31 December 2023 £m
Automotive	**4,390**	4,713	4,578	**1,934**	2,244	2,059
Powder Metallurgy	**1,251**	1,746	1,268	**391**	410	404
Hydrogen	**4**	15	14	**4**	6	6
Corporate	**352**	422	391	**1,246**	1,212	1,199
Total	**5,997**	6,896	6,251	**3,575**	3,872	3,668

1. Total assets as at 30 June 2023 reflect the application of IAS 29 Financial Reporting in Hyperinflationary Economies as set out in Note 1.3.
2. Interests in equity accounted investments at 1 January 2023 have been restated to reflect a previously unidentified omission in the acquisition accounting of an equity accounted investment. Further details are set out in Note 1.4.

d) Segment capital expenditure and depreciation

	Capital expenditure[1]			Depreciation of owned assets[1]			Depreciation of leased assets		
	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Automotive	**92**	97	217	**94**	90	187	**7**	8	15
Powder Metallurgy	**21**	12	42	**24**	26	50	**5**	5	10
Hydrogen	**–**	2	3	**–**	–	–	**–**	–	–
Total	**113**	111	262	**118**	116	237	**12**	13	25

1. Includes computer software and development costs. Capital expenditure excludes lease additions.

e) Geographical information

The Group operates in various geographical areas around the world. The parent company's country of domicile is the UK and the Group's revenues and non-current assets in the rest of Europe and North America are also considered to be material.

The Group's revenue from external customers and information about specific segment assets (non-current assets excluding deferred tax assets, non-current derivative financial assets, other financial assets, retirement benefit surplus and non-current other receivables) by geographical location are detailed below:

	Revenue[1] from external customers			Segment assets		
	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m	**30 June 2024 £m**	30 June 2023[2][3] £m	31 December 2023[3] £m
UK	**108**	91	192	**600**	691	633
Rest of Europe	**749**	891	1,676	**1,566**	1,883	1,637
North America	**990**	1,084	2,053	**1,292**	1,443	1,298
Other	**442**	486	943	**842**	1,005	945
Total	**2,289**	2,552	4,864	**4,300**	5,022	4,513

1. Revenue is presented by destination.
2. Segmental assets as at 30 June 2023 reflect the application of IAS 29 Financial Reporting in Hyperinflationary Economies as set out in Note 1.3.
3. Interests in equity accounted investments at 1 January 2023 have been restated to reflect a previously unidentified omission in the acquisition accounting of an equity accounted investment. Further details are set out in Note 1.4.

4. Reconciliation of adjusted profit measures

As described in Note 2, adjusted profit measures are an alternative performance measure used by the Board to monitor the performance of the Group.

a) Operating profit

	Notes	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Operating loss		**(57)**	(40)	(450)
Amortisation of intangible assets acquired in business combinations	a	**96**	99	197
Restructuring costs	b	**49**	88	120
Movement in derivatives and associated financial assets and liabilities	c	**35**	(21)	(16)
Equity accounted investments adjustments	d	**14**	14	30
Impairment of assets	e	**10**	–	–
Litigation costs	f	**3**	–	–
Demerger costs	g	**1**	39	42
Impairment of goodwill	h	**–**	–	449
Net release and changes in discount rates of certain fair value items	i	**–**	(2)	(17)
Total adjustments to operating loss		**208**	217	805
Adjusted operating profit		**151**	177	355

a. The amortisation charge on intangible assets acquired in business combinations of £96 million (2023: £99 million), is excluded from adjusted results due to its non-trading nature. Where intangible assets are trading in nature, such as computer software and development costs, the related amortisation is not excluded from adjusted results.

b. Costs associated with restructuring projects in the period totalling £49 million (2023: £88 million) are shown as adjusting items due to their size and non-trading nature. During the period these included:

- A charge of £43 million (2023: £86 million) within the Automotive division, primarily relating to significant footprint consolidation actions as the business continues to address its cost base and deliver transformational programmes. Significant costs incurred include direct costs relating to the closure of an Automotive plant in Roxboro, North Carolina and direct costs of expansion in

Mexico as new product lines are added to the facility, and continued transfer of manufacturing from Mosel, Germany to Miskolc, Hungary.

- A charge of £4 million (2023: £2 million) within the Powder Metallurgy division and £2 million (2023: £nil) of Corporate costs.

c. Movements in the fair value of derivative financial instruments (primarily forward foreign currency exchange contracts where hedge accounting is not applied) entered into to mitigate the potential volatility of future cash flows, on long-term foreign currency customer and supplier contracts, including foreign exchange movements on the associated financial liabilities, are shown as an adjusting item. This totalled a charge of £35 million (2023: credit of £21 million). Movements in fair value are treated as an adjusting item due to their volatility. Any gains and losses on settlement are recorded in underlying results to give a better understanding of how the gains and losses on currency contracts relate to the trading cashflows.

d. The Group has a number of equity accounted investments ("EAIs") in which it does not hold full control, the largest of which is a 50% interest in Shanghai GKN HUAYU Driveline Systems ("SDS"), within the Automotive business. EAIs in the Group generated £282 million (2023: £278 million) of revenue in the period, which is not included in the statutory results but is shown within adjusted revenue so as not to distort the operating margins reported in the businesses when the adjusted operating profit earned from these EAIs is included.

   In addition, the profits and losses of EAIs, which are shown after amortisation of intangible assets arising on acquisition, interest and tax in the statutory results, are adjusted to show the adjusted operating profit consistent with the adjusted operating profits of the subsidiaries of the Group. The revenue and profit of EAIs are adjusted because they are considered to be significant in size and are important in assessing the performance of the business.

e. An impairment charge totalling £10 million (2023: £nil) has been recorded against the value of inventory and property, plant and equipment held by the Hydrogen division to write down the net asset value of the division to £nil. This follows the decision made in late June 2024 to close or dispose of the business. On 29 July 2024 the Group disposed of the Hydrogen business to Langley Holdings plc for nominal consideration. The impairment charge has been recognised as an adjusting item due to its non-trading nature.

f. Litigation costs of £3 million (2023: £nil) which relate to a legacy legal claim in respect of a prior business disposal have been treated as an adjusting item due to their historical and non-trading nature.

g. One-off costs relating to the demerger of the Group from Melrose Industries PLC of £1 million (2023: £39 million) were incurred during the period to 30 June 2024. Costs incurred were incremental and directly associated with the transaction. These items have been excluded from adjusted results due to their non-recurring nature. Minimal demerger costs are expected to be incurred going forward.

h. No impairment to goodwill was recorded in the current period. In the year ended 31 December 2023, the Group recognised an impairment charge of £449 million in relation to goodwill held in the Powder Metallurgy cash-generating unit ("CGU").

i. In the prior period, a net release of £2 million relating to loss-making contract provisions which were initially recorded as fair value items on historical acquisitions, were resolved for more favourable amounts than first anticipated. These items are shown as adjusting to avoid positively distorting the adjusted results. No loss-making contract provisions were resolved in the current period.

b) Profit before tax

	Notes	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Loss before tax		**(123)**	(55)	(522)
Adjustments to operating loss as above		**208**	217	805
Fair value changes on other financial assets	j	**9**	(2)	1
Equity accounted investments – interest	d	**1**	1	2
Net foreign exchange movements on loans with Related Parties	k	**–**	(22)	(22)
Total adjustments to loss before tax		**218**	194	786
Adjusted profit before tax		**95**	139	264

j. The fair value changes on other financial assets relating to the movement in their valuation, are shown as an adjusting item due to their volatility and non-trading nature.

k. In the prior period, the movement in loans with Related Parties as a result of changes in foreign currency exchange rates up to the date of demerger is shown as an adjusting item due to its volatility and non-recurring nature. Related Parties comprised Melrose Industries PLC, the ultimate parent company prior to demerger on 20 April 2023 and other non-group entities controlled by Melrose Industries PLC.

c) Profit after tax

	Notes	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Loss after tax		**(98)**	(82)	(495)
Adjustments to loss before tax per above		**218**	194	786
Tax effect of adjustments to loss before tax	6	**(42)**	(16)	(87)
Equity accounted investments – tax	d	**(7)**	(4)	(11)
Derecognition of deferred tax asset	6	**–**	11	5
Total adjustments to loss after tax		**169**	185	693
Adjusted profit after tax		**71**	103	198

5. Finance costs and Finance income

	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Interest on bank loans and overdrafts	**(45)**	(19)	(63)
Interest on loans due to Related Parties[1]	**–**	(8)	(8)
Amortisation of costs of raising finance	**(2)**	(1)	(3)
Net interest cost on pensions	**(8)**	(9)	(17)
Lease interest	**(3)**	(3)	(6)
Fair value changes on other financial assets[2]	**(9)**	–	(1)
Other finance costs	**(1)**	–	(3)
Total finance costs	**(68)**	(40)	(101)
Foreign exchange movements on loans with Related Parties[1], [2]	**–**	22	22
Other finance income	**2**	1	7
Fair value changes on other financial assets	**–**	2	–
Total finance income	**2**	25	29
Total net finance costs	**(66)**	(15)	(72)

1. Related Parties comprised Melrose Industries PLC, the ultimate parent company prior to demerger on 20 April 2023 and other non-group entities controlled by Melrose Industries PLC.

2. Foreign exchange movements on loans with Related Parties and fair value changes on other financial assets are shown as adjusting items (Note 4).

6. Tax

Analysis of the (credit)/charge in the period:	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Current tax	**2**	25	53
Deferred tax	**(27)**	2	(80)
Total tax (credit)/charge	**(25)**	27	(27)

The total tax credit for the period of £25 million (2023: charge of £27 million) comprises a tax charge on underlying profits of £24 million (2023: £36 million) and a tax credit on adjusting items of £49 million (2023: £9 million).

The effective tax rate in respect of adjusted profit before tax for the period is 25% (2023: 26%). Adjusted tax has been calculated by applying the expected tax rate to the adjusted profit before tax of £95 million (2023: £139 million), giving an adjusted tax charge of £24 million (2023: £36 million).

The adjusted tax charge of £24 million (2023: £36 million) excludes a tax credit on adjustments to loss before tax of £42 million (2023: £16 million). This represents a deferred tax credit on intangible asset amortisation of £24 million (2023: £24 million) and a tax credit on other adjusting items of £18 million (2023: charge of £8 million). In addition, the adjusted tax charge includes a charge in respect of equity accounted investments of £7 million (2023: £4 million). There were no other adjusting tax charges in the current period (2023: £11 million).

In addition to the amounts in the Income Statement, a charge of £9 million (2023: £4 million) has been recognised directly in the Statement of Comprehensive Income. This represents a tax charge of £8 million (2023: credit of £1 million) in respect of the remeasurement of retirement benefit obligations and a tax charge of £1 million (2023: £5 million) in respect of movements on hedge relationships and translation differences.

The Group's underlying effective tax rate may be impacted, from 2024 onwards, by the UK's substantive enactment of the Organisation for Economic Co-operation and Development's Global Anti-Base Erosion Model Rules (Pillar Two). The impact of Pillar 2 on the Group's tax position for the period was immaterial.

7. Dividends

	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Interim dividend for the year ended 31 December 2023 (1.4 pence per ordinary share)	**–**	–	19
Final dividend for the year ended 31 December 2023 (2.8 pence per ordinary share)	**39**	–	–
Dividends paid to Related Parties	**–**	1,675	1,675
Total dividends paid	**39**	1,675	1,694

An interim dividend for the year ended 31 December 2024 of 1.4 pence per ordinary share is declared by the Board, totalling £19 million.

On 23 February 2023, prior to the demerger, GKN Industries Limited declared a dividend of £1,675 million (72.83 pence per ordinary share) in favour of its immediate parent undertaking GKN Enterprise Limited, a member of the Melrose Industries PLC Group.

8. Earnings per share

Earnings attributable to owners of the parent	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Net loss attributable to shareholders	**(101)**	(85)	(501)
Adjustment for earnings attributable to shares subject to recall	**2**	2	10
Earnings for basis of earnings per share	**(99)**	(83)	(491)

	6 months ended 30 June 2024 Number	6 months ended 30 June 2023 Number	Year ended 31 December 2023 Number
Weighted average number of ordinary shares (million)	**1,385**	1,392	1,390
Adjustment for shares subject to recall (million)	**(28)**	(28)	(28)
Weighted average number of ordinary shares for the purposes of basic earnings per share (million)	**1,357**	1,364	1,362
Weighted average number of ordinary shares for the purposes of diluted earnings per share (million)	**1,357**	1,364	1,362

Earnings per share	6 months ended 30 June 2024 Pence	6 months ended 30 June 2023 Pence	Year ended 31 December 2023 Pence
Basic earnings per share	**(7.3)**	(6.1)	(36.0)
Diluted earnings per share	**(7.3)**	(6.1)	(36.0)

	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Adjusted earnings attributable to shareholders(1)	**68**	100	192
Adjustment for earnings attributable to shares subject to recall	**(1)**	(2)	(4)
Adjusted earnings for the basis of adjusted earnings per share	**67**	98	188

Adjusted earnings per share	6 months ended 30 June 2024 Pence	6 months ended 30 June 2023 Pence	Year ended 31 December 2023 Pence
Adjusted basic earnings per share	**4.9**	7.2	13.8
Adjusted diluted earnings per share	**4.9**	7.2	13.8

1. Adjusted earnings for the period ended 30 June 2024 comprises adjusted profit after tax (see Note 4c) of £71 million (2023: £103 million), net of an allocation of profit to non-controlling interests of £3 million (2023: £3 million).

9. Share of results of equity accounted investments

Summary information for the Group's equity accounted investments is as follows:

	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Revenue	**282**	278	625
Operating costs	**(239)**	(251)	(544)
Adjusted operating profit	**43**	27	81
Adjusting items	**(10)**	(11)	(21)
Net finance income	**1**	1	2
Profit before tax	**34**	17	62
Tax[(1)]	**(5)**	(4)	(11)
Share of results of equity accounted investments	**29**	13	51

1. The tax charge for the period includes a charge of £7 million (2023: £4 million) in respect of adjusted operating profits and a credit of £2 million (2023: £nil) in respect of adjusting items.

10. Provisions

	Loss-making contracts £m	Property related costs £m	Environmental and litigation £m	Warranty related costs £m	Restructuring £m	Other £m	Total £m
At 1 January 2024	17	5	46	141	78	31	318
Utilised	(3)	–	(2)	(5)	(51)	(6)	(67)
Charge to operating profit[(1)]	–	–	4	3	46	1	54
Release to operating profit[(2)]	–	–	–	(5)	(3)	(2)	(10)
Transfers	–	–	1	1	5	–	7
Exchange adjustments	(1)	–	(1)	(2)	(2)	–	(6)
At 30 June 2024	**13**	**5**	**48**	**133**	**73**	**24**	**296**
Current	4	1	25	70	30	10	140
Non-current	9	4	23	63	43	14	156
	13	**5**	**48**	**133**	**73**	**24**	**296**

1. Includes £49 million of adjusting items and £5 million recognised in adjusted operating profit.
2. Includes £3 million of adjusting items and £7 million recognised in adjusted operating profit.

Provisions for loss-making contracts are considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received under it. This obligation has been discounted and will be utilised over the period of the respective contracts, which is up to five years.

The provision for property related costs represents dilapidation costs for ongoing leases and is expected to result in cash expenditure over the next six years.

Environmental provisions relate to the estimated remediation costs of pollution, soil and groundwater contamination at certain sites and at 30 June 2024 amounted to £15 million (31 December 2023: £16 million). Litigation provisions amounting to £33 million (31 December 2023: £30 million) relate to estimated future costs and settlements in relation to legal claims and associated insurance obligations. Due to their nature, it is not possible to predict precisely when these provisions will be utilised.

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products and subsequently updated for changes in estimates as necessary. Warranty terms are, on average, between one and five years.

Restructuring provisions relate to committed costs in respect of restructuring programmes (as described in Note 4), usually resulting in cash spend within three years.

Other provisions include long-term incentive plans for senior management and the employer tax on equity-settled incentive schemes which are expected to result in cash expenditure over the next one to five years.

11. Financial instruments and risk management

The table below sets out the Group's accounting classification of each category of financial assets and liabilities and their fair values as at 30 June 2024, 30 June 2023 and 31 December 2023:

	Current £m	Non-current £m	**Total £m**
30 June 2024			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	**298**	**–**	**298**
Net trade receivables	**494**	**–**	**494**
Classified as fair value:			
Derivative over own equity[1]	**19**	**–**	**19**
Derivative financial assets:			
Foreign currency forward contracts	**20**	**6**	**26**
Interest rate swaps	**–**	**14**	**14**
Financial liabilities			
Classified as amortised cost:			
Interest-bearing loans and borrowings	**(10)**	**(1,203)**	**(1,213)**
Lease obligations	**(22)**	**(120)**	**(142)**
Other financial liabilities	**(1,063)**	**(12)**	**(1,075)**
Classified as fair value:			
Derivative financial liabilities			
Foreign currency forward contracts	**(8)**	**(9)**	**(17)**
Interest rate swaps	**–**	**(1)**	**(1)**
30 June 2023			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	300	–	300
Net trade receivables	583	–	583
Classified as fair value:			
Derivative over own equity[1]	–	32	32
Derivative financial assets:			
Foreign currency forward contracts	53	9	62
Interest rate swaps	–	13	13
Financial liabilities			
Classified as amortised cost:			
Interest bearing loans	(8)	(1,141)	(1,149)
Lease obligations	(22)	(133)	(155)
Other financial liabilities	(1,170)	(10)	(1,180)
Classified as fair value:			
Derivative financial liabilities			
Foreign currency forward contracts	(6)	(1)	(7)
31 December 2023			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	313	–	313
Net trade receivables	460	–	460
Classified as fair value:			
Derivative over own equity[1]	–	28	28
Derivative financial assets:			
Foreign currency forward contracts	43	4	47
Interest rate swaps	2	4	6
Financial liabilities			
Classified as amortised cost:			
Interest-bearing loans and borrowings	(2)	(1,158)	(1,160)
Lease obligations	(25)	(126)	(151)
Other financial liabilities	(1,063)	(11)	(1,074)
Classified as fair value:			
Derivative financial liabilities			
Foreign currency forward contracts	(4)	(1)	(5)
Interest rate swaps	–	(3)	(3)

1. Included within other financial assets.

The fair value of the derivative financial instruments is derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and they are therefore categorised within level 2 of the fair value hierarchy set out in IFRS 13 Fair value measurement. The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer to occur. There have been no transfers between levels during the current period.

The fair value of the derivative over own equity is derived from unobservable inputs and as such is classified as level 3 of the fair value hierarchy set out in IFRS 13. Inputs to the valuation include the terms of the contract under which the asset arises, the Company's current share price and expected volatility in the share price. The asset value is most sensitive to movements in the Company's share price. The asset was recorded initially directly in equity with subsequent revaluations recognised in the Income Statement.

12. Retirement benefit obligations

The Group sponsors defined benefit plans for qualifying employees of certain subsidiaries. The funded defined benefit plans are administered by separate funds that are legally separated from the Group. The Trustees of the funds are required by law to act in the interest of the fund and of all relevant stakeholders in the plans. The Trustees of the pension funds are responsible for the investment policy with regard to the assets of the fund.

The most significant defined benefit pension plans in the Group at 30 June 2024 were:

UK: GKN Group Pension Schemes No.2 and No.3

The GKN Group Pension Schemes No.2 and No.3 are funded plans, closed to new members and were closed to future accrual in 2017. The valuation of the schemes was based on a full actuarial valuation as of 5 April 2022, updated to 30 June 2024 by independent actuaries.

US: GKN Automotive and GKN Powder Coatings Pension Plans

The GKN Automotive and GKN Powder Coatings Pension Plans are funded plans, closed to new members and closed to future accrual. The US Pension Plan valuation was based on a full actuarial valuation as of 1 January 2024, updated to 30 June 2024 by independent actuaries.

Germany: GKN Germany Pension Plans

The GKN Germany Pension Plans provide benefits dependent on final salary and service with the Company. The plans are generally unfunded and closed to new members.

Other plans include a number of funded and unfunded defined benefit arrangements and retiree medical insurance plans, predominantly in the US and Europe.

The cost of the Group's defined benefit plans is determined in accordance with IAS 19 (revised 2011) Employee Benefits, using the advice of independent professionally qualified actuaries on the basis of formal actuarial valuations and using the projected unit credit method. In line with normal practice, these valuations are undertaken triennially in the UK and annually in the US and Germany.

The amount recognised in the Balance Sheet in respect of defined benefit plans was as follows:

30 June 2024	UK plans £m	US plans £m	European plans £m	Other plans £m	**Total £m**
Plan assets	630	75	16	12	**733**
Plan liabilities	(627)	(112)	(393)	(20)	**(1,152)**
Net assets/(liabilities)	3	(37)	(377)	(8)	**(419)**
Analysed as:					
Retirement benefit surplus[1]					**31**
Retirement benefit obligations					**(450)**
Net liabilities					**(419)**

1. Includes a surplus relating to the GKN Group Pension Scheme No.2 of £29 million and the Japan employee plan of £2 million.

30 June 2023	UK plans £m	US plans £m	European plans £m	Other plans £m	Total £m
Plan assets	631	72	18	21	742
Plan liabilities	(626)	(119)	(420)	(30)	(1,195)
Net assets/(liabilities)	5	(47)	(402)	(9)	(453)
Analysed as:					
Retirement benefit surplus[1]					35
Retirement benefit obligations					(488)
Net liabilities					(453)

1. Includes a surplus relating to the GKN Group Pension Scheme No.2 of £33 million and the Japan employee plan of £2 million.

31 December 2023	UK plans £m	US plans £m	European plans £m	Other plans £m	Total £m
Plan assets	665	73	16	21	775
Plan liabilities	(672)	(118)	(416)	(26)	(1,232)
Asset ceiling	–	–	–	(2)	(2)
Net liabilities	(7)	(45)	(400)	(7)	(459)
Analysed as:					
Retirement benefit surplus(1)					27
Retirement benefit obligations					(486)
Net liabilities					(459)

1. Includes a surplus relating to the GKN Group Pension Scheme No.2 of £25 million and the Japan employee plan of £2 million.

Valuations of material plans have been updated at 30 June 2024 by independent actuaries to reflect updated assumptions regarding discount rates, inflation rates and asset values. The major assumptions were as follows:

	Rate of increase of pensions in payment % p.a.	Discount rate %	Price inflation % (RPI/CPI)
30 June 2024			
GKN UK – Group Pension Schemes (No.2 and No.3)	**2.5**	**5.1**	**3.1/2.7**
GKN US plans	**n/a**	**5.3**	**n/a**
GKN Europe plans	**2.2**	**3.7**	**2.2/2.2**
30 June 2023			
GKN UK – Group Pension Schemes (No.2 and No.3)	2.7	5.2	3.2/2.7
GKN US plans	n/a	4.9	n/a
GKN Europe plans	2.6	3.7	2.6/2.6
31 December 2023			
GKN UK – Group Pension Schemes (No.2 and No.3)	2.5	4.5	3.0/2.6
GKN US plans	n/a	4.8	n/a
GKN Europe plans	2.1	3.3	2.1/2.1

In addition, the defined benefit plan assets and liabilities have been updated to reflect the contributions made to the defined benefit plans and the benefits earned during the period to 30 June 2024.

The Group is aware of the 2023 ruling in the Virgin Media vs NTL Pension Trustee case, including the 2024 court of appeal ruling published on 25 July 2024, which ruled that certain amendments made to the NTL Pension Plan were invalid because they were not accompanied by the correct actuarial confirmation. Although the appeal upheld the original ruling, there remain significant areas of uncertainty, including the potential for intervention by the Department for Work and Pensions. As a result, the Group and trustees cannot at this stage be certain of the potential implications (if any) and therefore a sufficiently reliable estimate of any effect on the obligation cannot be made.

13. Notes to the Cash Flow Statement

	Notes	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Reconciliation of operating loss to net cash from operating activities				
Operating loss		**(57)**	(40)	(450)
Adjusting items	4	**208**	217	805
Adjusted operating profit	4	**151**	177	355
Adjustments for:				
Depreciation & impairment of property, plant and equipment		**124**	124	253
Amortisation of computer software and development costs		**6**	5	10
Share of adjusted operating profit of equity accounted investments	9	**(43)**	(27)	(81)
Foreign exchange losses		**2**	–	–
Gain on disposal of non-current assets		**–**	–	(10)
Share-based payment expense		**1**	–	1
Restructuring costs paid and movements in provisions		**(68)**	(47)	(100)
Demerger costs paid		**(4)**	(39)	(48)
Defined benefit pension costs charged		**4**	4	9
Defined benefit pension contributions paid		**(13)**	(11)	(39)
Change in inventories		**15**	(20)	(36)
Change in receivables		**(37)**	(114)	6
Change in payables		**(28)**	79	48
Corporation tax paid		**(26)**	(28)	(61)
Interest paid on loans and borrowings		**(46)**	(18)	(62)
Interest paid on lease obligations		**(3)**	(3)	(6)
Net cash from operating activities		**35**	82	239

Reconciliation of cash and cash equivalents, net of bank overdrafts	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	31 December 2023 £m
Cash and cash equivalents per Balance Sheet	**298**	300	313
Bank overdrafts included within current Interest-bearing loans and borrowings	**(9)**	(7)	–
Cash and cash equivalents, net of bank overdrafts per Statement of Cash Flows	**289**	293	313

Net debt reconciliation

Net debt at the balance sheet date consists of interest-bearing loans and borrowings and cash and cash equivalents. This measure is aligned with the Group's banking covenants. Currency denominated balances within net debt are translated to Sterling at the balance sheet rate.

Net debt is an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of interest-bearing loans and borrowings (current and non-current) and cash and cash equivalents.

A reconciliation from the most directly comparable IFRS measure to net debt is given below.

	30 June 2024 £m	30 June 2023 £m	31 December 2023 £m
Interest-bearing loans and borrowings – due within one year	**(10)**	(8)	(2)
Interest-bearing loans and borrowings – due after one year	**(1,203)**	(1,141)	(1,158)
Total debt	**(1,213)**	(1,149)	(1,160)
Less:			
Cash and cash equivalents	**298**	300	313
Net debt	**(915)**	(849)	(847)

The table below shows the key components of the movement in net debt:

	At 31 December 2023 £m	Cash flow £m	Other non-cash movements £m	Effect of foreign exchange £m	**At 30 June 2024 £m**
External debt (excluding bank overdrafts)	(1,160)	(44)	(2)	2	**(1,204)**
Cash and cash equivalents, net of bank overdrafts	313	(10)	–	(14)	**289**
Net debt	(847)	(54)	(2)	(12)	**(915)**

The Group's committed bank facilities include a multi-currency denominated term loan of £100 million, US$400 million and €100 million and a multi-currency denominated revolving credit facility of £350 million, US$660 million and €450 million. Loans drawn under this facility are guaranteed by Dowlais Group plc and certain of its subsidiaries. There is no security over any of the Group's assets in respect of this facility.

At 30 June 2024, the term loan was fully drawn and £245 million (2023: £194 million), US$340 million (2023: $325 million) and €230 million (€234 million) were drawn on the multi-currency revolving credit facility. There are also a number of uncommitted overdraft, guarantee and borrowing facilities made available to the Group.

	Current			Non-current			Total		
	30 June 2024 £m	30 June 2023 £m	31 December 2023 £m	**30 June 2024 £m**	30 June 2023 £m	31 December 2023 £m	**30 June 2024 £m**	30 June 2023 £m	31 December 2023 £m
Floating rate obligations									
Bank borrowings – US Dollar loan	**–**	–	–	**585**	571	584	**585**	571	584
Bank borrowings – Sterling loan	**–**	–	–	**345**	294	285	**345**	294	285
Bank borrowings – Euro loan	**–**	–	–	**280**	287	298	**280**	287	298
Other loans and bank overdrafts	**10**	8	2	**–**	–	–	**10**	8	2
Unamortised finance costs	**–**	–	–	**(7)**	(11)	(9)	**(7)**	(11)	(9)
Total interest-bearing loans and borrowings	**10**	8	2	**1,203**	1,141	1,158	**1,213**	1,149	1,160

14. Lease obligations

Amounts payable under lease obligations:

Minimum lease payments	**30 June 2024 £m**	30 June 2023 £m	31 December 2023 £m
Amounts payable:			
Within one year	**26**	28	31
After one year but within five years	**71**	68	73
Over five years	**84**	105	92
Less: future finance charges	**(39)**	(46)	(45)
Present value of lease obligations	**142**	155	151
Analysed as:			
Amounts due for settlement within one year	**22**	22	25
Amounts due for settlement after one year	**120**	133	126
Present value of lease obligations	**142**	155	151

It is the Group's policy to lease certain of its property, plant and equipment. The average lease term is ten years. Interest rates are fixed at the contract date.

15. Related Parties

Transactions and balances between the Group and Melrose Industries PLC, the ultimate parent company prior to demerger on 20 April 2023, and other non-Group entities controlled by Melrose Industries PLC, were classified as related party transactions up to the date of demerger. Transactions primarily related to royalties paid, dividends paid and interest payable on loans with Related Parties.

There have been no amounts recognised in the Income Statement in respect of these related party transactions for the period ended 30 June 2024 (2023: £8 million interest payable).

There have been no amounts recognised in the Statement of Changes in Equity in respect of these related party transactions for the period ended 30 June 2024 (2023: £57 million reorganisation in respect of non-Group entities).

The prior period reorganisation in respect of Related Parties included the initial recognition of a derivative over own equity of £29 million, reorganisational steps taken as part of the demerger, as well as other income and charges with entities in the Melrose Industries PLC Group prior to the demerger on 20 April 2023.

Dividends of £1,675 million were paid to GKN Enterprise Limited, a member of the Melrose Industries PLC Group on 23 February 2023 (Note 7).

16. Post balance sheet events

On 29 July 2024 the Group disposed of the Hydrogen business to Langley Holdings plc for negligible consideration. This transaction is expected to result in a loss on disposal of approximately £18 million, of which £10 million related to impairment of assets was recorded in the first half, and will eliminate future cash losses associated with the funding of the Hydrogen operations.

ALTERNATIVE PERFORMANCE MEASURES (“APMS”)

Alternative Performance Measures (“APMs”)

In accordance with the Guidelines on APMs issued by the European Securities and Markets Authority (“ESMA”), additional information is provided on the APMs used by the Group below.

In the reporting of financial information, the Group uses certain measures that are not required under IFRS. These additional measures (commonly referred to as APMs) provide additional information on the performance of the business and trends to stakeholders. These measures are consistent with those used internally, and are considered important in understanding the financial performance and financial health of the Group. APMs are considered to be an important measure to monitor how the businesses are performing because this provides a meaningful comparison of how the business is managed and measured on a day-to-day basis and achieves consistency and comparability between reporting periods.

These APMs may not be directly comparable with similarly titled measures reported by other companies and they are not intended to be a substitute for, or superior to, IFRS measures. All Income Statement and Cash Flow measures are provided for continuing operations.

<table>
<tr><th>APM</th><th>Closest equivalent statutory measure</th><th>Reconciling items to statutory measure</th><th>Definition and purpose</th></tr>
<tr><td colspan="4">Income Statement Measures</td></tr>
<tr><td>Adjusted revenue</td><td>Revenue</td><td>Share of revenue of equity accounted investments (Note 3)</td><td>Adjusted revenue includes the Group’s share of revenue of equity accounted investments (“EAIs”). This enables comparability between reporting periods and is consistent with how management review the Group’s financial performance.
<table>
<tr><th>Adjusted revenue</th><th>6 months ended 30 June 2024 £m</th><th>6 months ended 30 June 2023 £m</th><th>Year ended 31 December 2023 £m</th></tr>
<tr><td>Revenue</td><td>2,289</td><td>2,552</td><td>4,864</td></tr>
<tr><td>Share of revenue of equity accounted investments (Note 3)</td><td>282</td><td>278</td><td>625</td></tr>
<tr><td>Adjusted revenue</td><td>2,571</td><td>2,830</td><td>5,489</td></tr>
</table></td></tr>
<tr><td>Adjusting items</td><td>None</td><td>Adjusting items (Note 4)</td><td>Those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group’s performance.
These include items which are significant in size or volatility or by nature are non-trading or non-recurring, any onerous contract provisions released to the Income Statement that was previously a fair value item booked on an acquisition, and includes adjusted profit from EAIs.
This provides a meaningful comparison of how the business is managed and measured on a day-to-day basis, provides consistency and comparability between reporting periods and is used to partly determine the variable element of remuneration of senior management throughout the Group.</td></tr>
<tr><td>Adjusted operating profit</td><td>Operating loss[1]</td><td>Adjusting items (Note 4)</td><td>The Group uses adjusted profit measures for consistency with internal reporting and to provide a useful and more comparable measure of the ongoing performance of the Group. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in Note 4.
<table>
<tr><th>Adjusted operating profit</th><th>6 months ended 30 June 2024 £m</th><th>6 months ended 30 June 2023 £m</th><th>Year ended 31 December 2023 £m</th></tr>
<tr><td>Operating loss</td><td>(57)</td><td>(40)</td><td>(450)</td></tr>
<tr><td>Adjusting items to operating loss (Note 4)</td><td>208</td><td>217</td><td>805</td></tr>
<tr><td>Adjusted operating profit</td><td>151</td><td>177</td><td>355</td></tr>
</table></td></tr>
<tr><td>Adjusted operating margin</td><td>Operating margin[2]</td><td>Share of revenue of equity accounted investments (Note 3) and adjusting items (Note 4)</td><td>Adjusted operating margin represents Adjusted operating profit as a percentage of Adjusted revenue. The Group uses adjusted profit measures to provide a useful and more comparable measure of the ongoing performance of the Group to both internal and external stakeholders.</td></tr>
</table>

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusted profit before tax	Loss before tax	Adjusting items (Note 4)	Profit before the impact of adjusting items and tax. As discussed above, adjusted profit measures are used to provide a useful and more comparable measure of the ongoing performance of the Group to both internal and external stakeholders. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in Note 4.

Adjusted profit before tax	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Loss before tax	**(123)**	(55)	(522)
Adjusting items to loss before tax (Note 4)	**218**	194	786
Adjusted profit before tax	**95**	139	264

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusted profit after tax	Loss after tax	Adjusting items (Note 4)	Profit after tax but before the impact of the adjusting items. As discussed above, adjusted profit measures are used to provide a useful and more comparable measure of the ongoing performance of the Group to both internal and external stakeholders. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in Note 4.

Adjusted profit after tax	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Loss after tax	**(98)**	(82)	(495)
Adjusting items to loss after tax (Note 4)	**169**	185	693
Adjusted profit after tax	**71**	103	198

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Constant currency	Income Statement, which is reported using actual average foreign exchange rates	Constant currency foreign exchange rates	The Group uses GBP based constant currency models to measure performance. These are calculated by applying fixed exchange rates to local currency reported results for the current and prior periods. This gives a GBP denominated Income Statement which excludes any translational variances attributable to foreign exchange rate movements.
Adjusted EBITDA for covenant purposes	Operating loss(1)	Adjusting items (Note 4), depreciation of property, plant and equipment and amortisation of computer software and development costs, share of non-controlling interests and other adjustments required for leverage covenant purposes	Adjusted operating profit for 12 months prior to the reporting date, before depreciation and impairment of property, plant and equipment and before the amortisation and impairment of computer software and development costs. Adjusted EBITDA for leverage covenant purposes is a measure used by external stakeholders to measure performance.

Adjusted EBITDA for covenant purposes	**12 months ended 30 June 2024 £m**	12 months ended 30 June 2023 £m	12 months ended 31 December 2023 £m
Adjusted operating profit	**329**	383	355
Depreciation of property, plant and equipment and amortisation of computer software and development costs	**264**	261	263
Non-controlling interests	**(8)**	(8)	(8)
Other adjustments required for leverage covenant purposes(3)	**2**	(19)	(18)
Adjusted EBITDA for covenant purposes	**587**	617	592

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Net finance charges for interest cover covenant purposes	Finance costs net of finance income	Net interest cost on pensions, fair value changes on other financial assets, amortisation of costs of raising finance and unwind of discount on provisions	Net finance costs for 12 months prior to the reporting date, excluding net interest cost on pensions, fair value changes on other financial assets, amortisation of costs of raising finance and unwind of discount on provisions. Net finance charges for interest cover purposes is a measure used by external stakeholders to measure performance.

Net finance charges for interest cover covenant purposes	**12 months ended 30 June 2024 £m**
Total finance costs	**(131)**
Total finance income	**8**
Net finance costs	**(123)**
Adjusted for:	
Net interest cost on pensions	**16**
Fair value changes on other financial assets	**12**
Amortisation of costs of raising finance	**3**
Other adjustments required for interest cover covenant purposes[4]	**10**
Net finance costs for interest cover covenant purposes	**(82)**

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusted tax rate	Effective tax rate	Adjusting items, adjusting tax items and the tax impact of adjusting items (Note 4 and Note 6)	The income tax charge for the Group excluding adjusting tax items, and the tax impact of adjusting items, divided by adjusted profit before tax. This measure is a useful indicator of the ongoing tax rate for the Group to external stakeholders.

Adjusted tax rate	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Tax per Income Statement	**25**	(27)	27
Adjusted for:			
Tax impact of adjusting items	**(42)**	(16)	(87)
Tax impact of EAIs	**(7)**	(4)	(11)
Other adjusting tax charges	**–**	11	5
Adjusted tax charge	**(24)**	(36)	(66)
Adjusted profit before tax	**95**	139	264
Adjusted tax rate	**25%**	26%	25%

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusted basic earnings per share	Basic earnings per share	Adjusting items (Note 4 and Note 8)	Profit after tax attributable to owners of the parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial period. This measure is useful in showing the current performance of the Group to external stakeholders.
Adjusted diluted earnings per share	Diluted earnings per share	Adjusting items (Note 4 and Note 8)	Profit after tax attributable to owners of the parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial period adjusted for the effects of any potentially dilutive options. This measure is useful in showing the current performance of the Group to external stakeholders.

<table>
<tr><th>APM</th><th>Closest equivalent statutory measure</th><th>Reconciling items to statutory measure</th><th>Definition and purpose</th></tr>
<tr><td colspan="4">Balance Sheet Measures</td></tr>
<tr><td>Working capital</td><td>Inventories, trade and other receivables less trade and other payables</td><td>Not applicable</td><td>Working capital comprises inventories, current trade and other receivables, non-current other receivables, current trade and other payables and non-current other payables.
This measure provides additional information in respect of working capital management to external stakeholders.</td></tr>
<tr><td>Net debt</td><td>Cash and cash equivalents, interest-bearing loans and borrowings and finance related derivative instruments</td><td>Reconciliation of net debt (Note 13)</td><td>Net debt comprises cash and cash equivalents, interest-bearing loans and borrowings, and cross-currency swaps, where applicable.
Net debt is one measure that could be used to indicate the strength of the Group's Balance Sheet position and is a useful measure of the indebtedness of the Group.</td></tr>
<tr><td>Bank covenant definition of net debt at average rates and leverage</td><td>Cash and cash equivalents less interest-bearing loans and borrowings</td><td>Impact of foreign exchange and adjustments for bank covenant purposes</td><td>Net debt (as above) is presented in the Balance Sheet translated at period end exchange rates.
For bank covenant testing purposes net debt is converted using average exchange rates for the previous 12 months.
Leverage is calculated as the bank covenant definition of net debt divided by adjusted EBITDA for covenant purposes. This measure is used for bank covenant testing.
<table>
<tr><th>Net debt</th><th>30 June 2024 £m</th><th>30 June 2023 £m</th><th>31 December 2023 £m</th></tr>
<tr><td>Net debt at closing rates (Note 13)</td><td>(915)</td><td>(849)</td><td>(847)</td></tr>
<tr><td>Impact of foreign exchange</td><td>2</td><td>(19)</td><td>(10)</td></tr>
<tr><td>Bank covenant definition of net debt at average rates</td><td>(913)</td><td>(868)</td><td>(857)</td></tr>
<tr><td>Leverage</td><td>1.6x</td><td>1.4x</td><td>1.4x</td></tr>
</table></td></tr>
<tr><td>Bank covenant definition of interest cover</td><td>None</td><td>Not applicable</td><td>Interest cover for bank covenant testing purposes is calculated by dividing Adjusted EBITDA for covenant purposes by net finance charges for interest cover covenant purposes. This measure is used for bank covenant testing.
<table>
<tr><th>Interest cover</th><th>12 months ended 30 June 2024 £m</th></tr>
<tr><td>Adjusted EBITDA for covenant purposes</td><td>587</td></tr>
<tr><td>Net finance charges for interest cover covenant purposes</td><td>82</td></tr>
<tr><td>Interest cover</td><td>7.2x</td></tr>
</table></td></tr>
</table>

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Cash Flow Measures			
Free cash flow	Net increase/ decrease in cash and cash equivalents (net of bank overdrafts)	Net cash from/ (used in) financing activities	Free cash flow represents cash generated after all trading costs including restructuring, pension contributions, tax and interest payments but before any cash flows associated with financing activities. This measure is a useful metric for monitoring cash management within the Group and is consistent with internal reporting.

Free cash flow	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Net cash from operating activities	**35**	82	239
Net cash used in investing activities	**(29)**	(88)	(194)
Free cash flow	**6**	(6)	45

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusted free cash flow	Net increase/ decrease in cash and cash equivalents (net of bank overdrafts)	Free cash flow, as defined above, adjusted for demerger related exceptional cash flows	Adjusted free cash flow represents free cash flow adjusted for demerger related exceptional cash flows. This measure is a useful metric for monitoring cash management within the Group and is consistent with internal reporting.

Adjusted free cash flow	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Free cash flow	**6**	(6)	45
Demerger LTIP payments[5]	**3**	36	37
Other cash demerger exceptional items	**1**	3	11
Adjusted free cash flow	**10**	33	93

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Capital expenditure (capex)	None	Not applicable	Calculated as the purchase of owned property, plant and equipment and computer software and expenditure on capitalised development costs during the period, excluding any assets acquired as part of a business combination. Net capital expenditure is capital expenditure net of proceeds from disposal of property, plant and equipment.
Capital expenditure to depreciation ratio	None	Not applicable	Net capital expenditure divided by depreciation of owned property, plant and equipment and amortisation of computer software and development costs. This measure is a useful metric for monitoring the investment in capital expenditure within the Group and is consistent with internal reporting.

1. Operating loss is not defined within IFRS but is a widely accepted profit measure being loss before finance costs, finance income and tax.

2. Operating margin is not defined within IFRS but is a widely accepted profit measure being derived from operating loss[1] divided by revenue.

3. Included within other adjustments required for leverage covenant purposes are dividends received from equity accounted investments, the removal of adjusted operating profit of equity accounted investments, IFRS 2 related charges and non-cash finance costs.

4. Other adjustments required for interest cover covenant purposes primarily relate to the exclusion of interest payable on non-recourse factoring arrangements.

5. Demerger LTIP payments relate to the cash payment of the divisional long-term incentive plans which were put in place under management of Melrose Industries PLC and crystallised on demerger on 20 April 2023.

Glossary of Terms and Definitions

Term	Definition
Accident Frequency Rate or AFR	A safety key performance indicator, calculated as the number of lost time accidents (whether serious or minor) divided by the total number of hours worked multiplied by 200,000.
Additive Manufacturing	The product line within Powder Metallurgy which manufactures metal and polymer components and materials using additive manufacturing processes.
Automotive	The GKN Automotive business operated by the Group.
Board	The board of directors of the Company.
bps	Basis points.
BEV	Battery electric vehicles.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
China	The Equity Accounted Investments in our Chinese joint ventures with Hasco Group that operate within the Automotive segment.
Company or Dowlais	Dowlais Group plc.
demerger	The demerger of the Company from Melrose Industries PLC on 20 April 2023.
Director	A director of the Company.
Driveline	The product line within Automotive which manufactures components that transmit power from the engine to a vehicle's driving wheels, such as side shafts and prop shafts.
drop-through margin	The margin at which incremental sales volumes contribute incremental operating profit.
DTR	The disclosure guidance and transparency rules made by the FCA under Part VI of the Financial Services and Markets Act 2000.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EMEA	Europe, Middle East and Africa.
ePowertrain	The product line within Automotive which manufactures all wheel drive systems, torque management systems, electric drive systems and components thereof.
EPS	Earnings per share.
ESG	Environmental, Social and Governance.
EVs	BEVs and HEVs.
FX	Foreign exchange.
Group	The Company, its direct and indirect subsidiaries and other investments.
GLVP	Global light vehicle production.
H1 or H2	The first or second half (as applicable) of the relevant financial year.
HEV	Hybrid electric vehicles.
Hoeganaes	The product line within Powder Metallurgy which manufactures metal powder.
Hydrogen	The GKN Hydrogen business previously operated by the Group.
ICE	Internal combustion engine.
IFRS	International Financial Reporting Standards.
lifetime revenue	In respect of a contract, the revenue earned over the life of that contract.
LFP	Lithium iron phosphate.
M&A	Mergers and acquisitions.
market	Global light vehicle market.
Melrose	Melrose Industries PLC.
OEM	Original equipment manufacturer, typically of light vehicles.
Powder Metallurgy	The GKN Powder Metallurgy business operated by the Group.
Q1, Q2, Q3 or Q4	The 1st, 2nd, 3rd or 4th quarter (as applicable) of the relevant year.
S&P	S&P Global.
Sinter	The product line within Powder Metallurgy which manufactures high precision metal components using powder metallurgy processes.
SUV	Sport utility vehicle.
US	Unites States of America.
year-on-year	In comparison to the immediately preceding financial year (or relevant period thereof).