05 March 2025

DOWLAIS

Dowlais Group plc

Full Year Results 2024

Strong execution, proactive cost management and commercial recoveries offsetting lower volumes

Dowlais Group plc, the specialist engineering group focused on the automotive sector, announces its audited results for the year ended 31 December 2024.

	Adjusted[1]				Statutory		
£ millions	**2024**	2023	Change	Constant FX[1]	**2024**	2023	Change
Revenue	**4,937**	5,489	-10%	-6.4%	**4,337**	4,864	-11%
Operating profit/(loss)	**324**	355	-8.7%	-4.2%	**(106)**	(450)	76%
Operating margin	**6.6%**	6.5%	10bps	10bps	**-2.4%**	-9.3%	690bps
Profit/(loss) before tax	**215**	264	-19%	-14%	**(215)**	(522)	59%
Basic EPS	**11.4p**	13.8p	-17%	n/a	**(12.6)p**	(36.0)p	65%
Free cash flow	**15**	93	-84%	n/a	**n/a**	n/a	n/a

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 £4,937 million, a reduction of 6.4% on prior year. Approximately 70% of this decline was driven by weakness in the ePowertrain product line. Driveline slightly outperformed the market outside China.

- Adjusted operating profit of £324 million, including £9 million of operating losses from Hydrogen operations, a decline of 4.2% compared to prior year, driven primarily by lower volumes. Adjusted operating margin of 6.6%, 10bps higher than prior year, as the impact from lower volumes was more than offset by proactive actions to manage the cost base and by commercial recoveries.

- Automotive adjusted revenue and adjusted operating profit decreased by 7.2% and 8.5% respectively, resulting in an adjusted operating margin of 6.8% or down 10bps versus prior year. Adjusted operating margin in the second half was higher at 7.6%, as the business benefitted from performance initiatives and pricing recoveries. This offset the impact from lower volume, primarily in ePowertrain product line largely due to volatility in BEV production schedules.

- Powder Metallurgy adjusted revenue decreased by 2.7%, primarily driven by lower volumes in second half of 2024, particularly in North America, partially offset by growth in China. Adjusted operating profit reduced by 3.1%, resulting in an adjusted operating margin of 9.1%, 10bps lower versus prior year, as benefits from performance initiatives partially offset the impact from lower volume.

- Adjusted basic earnings per share of 11.4 pence, down 17% largely as a result of lower earnings, higher foreign exchange headwinds and finance costs, as they reflect the full year impact of the post demerger capital structure and higher finance costs. Statutory loss per share of 12.6 pence compared to a statutory loss per share of 36.0 pence in 2023.

- £15 million of adjusted free cash flow, down from £93 million in 2023, mainly due to lower earnings, higher interest costs and restructuring outflows. Net debt of £968 million, up from £847 million at prior year end, with leverage of 1.7x compared to the prior year-end position of 1.4x.

- In line with the Group's dividend policy, the Board has recommended a final dividend of 2.8 pence per share, same as prior year, reflecting confidence in the medium-term outlook and resulting in total 2024 dividends of 4.2 pence per share.

Business wins

- Strong Automotive performance with business wins of over £4.8 billion of forecast lifetime revenue and a book-to-bill ratio of 1.2x, well balanced across regions, customers and product groups.

- Powder Metallurgy order book up 2% year-on-year, with 56% of new business wins attributed to EV or propulsion agnostic products.

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

- Announced a recommended cash and share combination with American Axle & Manufacturing Holdings Inc. ("AAM"). The transaction will create a larger, diversified global manufacturer well-positioned for sustainable profitable growth, value-enhancing investments and free cash flow generation.

- Conducted a strategic review of Powder Metallurgy. Should the recommended combination proceed, GKN Powder Metallurgy would become part of the combined group, where it would form part of a wider vertically integrated metal forming product line, reinforcing the combined group's position in the market.

- Disposed of GKN Hydrogen operations eliminating future cash losses associated with the business.

Outlook

- As we look ahead, current industry forecasts project a flat GLVP, or a 0.9% decline excluding China. Additionally, industry projections for GLVP excluding China suggest a decline of 3.1% in H1 before rebounding 1.4% in H2.

- Consequently, we anticipate Group revenue to range from flat to a mid-single digit decline in 2025, with an adjusted operating margin between 6.5% and 7.0% in constant currency, as restructuring savings and ongoing performance initiatives are expected to offset the impact of lower volumes, alongside commercial recoveries achieved in 2024.

Liam Butterworth, Chief Executive Officer, said:

"In 2024, strong execution enabled us to navigate a challenging environment and deliver on our updated guidance. Our market-leading Driveline business slightly outperformed the market outside of China, whereas our ePowertrain product line faced significant headwinds due to ongoing volatility in BEV production schedules, contributing to the majority of the Group's 6.4% adjusted revenue decline year-on-year. Proactive cost management and commercial recoveries enabled us to improve our adjusted operating margin by 10bps, demonstrating our disciplined approach to protecting margins.

"In response to these challenges, we took several decisive actions including the strategic decision to right size our eDrive systems business, a comprehensive review of Powder Metallurgy, the disposal of our Hydrogen business, and continued execution of our restructuring programs. These initiatives underscore our commitment to strengthening the Group's financial resilience and unlocking shareholder value.

"Our focus remains on accelerating the transition to a powertrain-agnostic business model, to enable sustainable profitable growth and robust cash generation over the medium term. The proposed announced combination with American Axle & Manufacturing Holdings Inc. represents a significant opportunity to accelerate the execution of our strategy by leveraging scale, capabilities, and the outstanding management teams of both companies. We are confident that these actions, combined with the significant synergies and benefits of this transaction, will continue to drive value for our shareholders and create a stronger foundation for the future.

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.

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Results presentation

A presentation will be hosted by Liam Butterworth (CEO) and Roberto Fioroni (CFO) on 05 March 2025 at 09.00 GMT. You can register to listen to the presentation online here:

https://sparklive.lseg.com/DOWLAISGROUP/events/7c0fd957-d2c5-455b-af77-98c0216b4244/dowlais-fy-24-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 79 manufacturing facilities in 22 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

Global light vehicle production (GLVP) in 2024 was estimated at 89.5 million units, reflecting a 1.1% year-on-year decline or 3.3% decline excluding China. GLVP has faced significant volatility in recent years. Whereas in 2023, GLVP grew by approximately 10%, this momentum reversed in 2024 as inventory replenishment neared completion, consumer demand softened due to high interest rates and inflation, and Battery Electric Vehicle (BEV) penetration slowed amid the withdrawal of government subsidies.

Regionally, Asia remained the largest producer of light vehicles in 2024, with China producing 30.1 million vehicles and the rest of Asia 21.6 million vehicles. EMEA produced 19.4 million vehicles, followed by the Americas at 18.4 million vehicles. While China's production grew 3.6% year-on-year, production declined by 4.1%, 1.0% and 4.5% in EMEA, Americas and rest of Asia respectively.

2024 saw a material slowdown in BEV adoption. Global BEV penetration reached 13% of light vehicle production in 2024, an increase of only 1.3ppt. year-on-year. This deceleration was particularly evident in Europe, where BEV production declined by 7% year-on-year, with sales in Germany experiencing a significant drop following the withdrawal of EV subsidies. US BEV production also declined by 7% year-on-year reflecting consumer resistance due to relative higher prices of BEVs, insufficient charging infrastructure and elevated insurance costs. Conversely, nearly all BEV growth in 2024 came from China, where BEV production increased by 16%, driving the global BEV production growth of 9%.

GLVP in 2024 remained volatile throughout the year. At the beginning of the year, S&P projected a very modest decline in GLVP. However, subsequent multiple downward revisions to forecasts for Europe, North America, and Japan/Korea led to a worsening outlook that ended with a decline of 3.3% excluding China.

For 2025, S&P now forecasts a flat GLVP at 89.5 million vehicles. Excluding China, a 0.9% decline is projected, primarily due to regulatory challenges such as stricter CO_2 emissions rules in Europe, the threat of US tariffs, and a slowdown in BEV adoption. Furthermore, regional production is unevenly distributed across halves. S&P projects production in China to increase by 7.6% in the first half of the year and decline by 2.8% year-over-year in the second half. In contrast, excluding China, production is forecast to decline by 3.1% in the first half and then rebound by 1.4% in the second half.

In the medium-term S&P projects GLVP to grow at a CAGR of 1.2% and reach approximately 96 million units in 2030.

Outlook

As we look ahead, current industry forecasts project a flat GLVP in 2025, or a 0.9% decline excluding China. Additionally, industry projections for GLVP excluding China suggest a decline of 3.1% in H1 before rebounding 1.4% in H2.

Based on these external forecasts and our current order book, we anticipate Group adjusted revenue to range from flat to a mid-single digit decline in 2025, with an adjusted operating margin between 6.5% and 7.0% in constant currency, as restructuring savings and ongoing performance initiatives are expected to offset the impact of lower volumes, alongside commercial recoveries achieved in 2024.

In line with industry trends outside China, Group adjusted revenue in constant currency is expected to be stronger in H1, while adjusted operating profit margin will improve in H2, reflecting the phasing of restructuring benefits. Adjusted free cash flow for 2025 is projected to be slightly higher than the prior year, following a similar phasing as operating profit, due to working capital seasonality and restructuring cash outflows, which will be more weighted towards H1. The Group expects to deliver significantly higher adjusted free cash flow during 2026, as global footprint related restructuring initiatives come to an end in 2025.

This outlook does not factor in the impact of any potential import tariffs imposed by the United States or any other country.

Strategy and unlocking value in our portfolio

The Dowlais Board remains focused on its commitment to maximising the full value of the Group for the benefit of its shareholders by considering all available options. In 2024, we took decisive actions to position the Group for sustainable profitable growth and improved margins:

GKN Automotive: In a volatile market environment with growing uncertainty around the pace and scale of the BEV adoption, our goal remains unchanged: transitioning to a powertrain-agnostic business model better suited to navigating market volatility and delivering sustainable, profitable growth and cash generation. As part of this strategy, we made the decision to right size engineering investment in the business' eDrive systems product line to optimise capital allocation. This decision, involving some restructuring-related cash outflows, will be implemented primarily in 2025. In 2024, gross engineering spend on the ePowertrain product line totalled approximately £95 million, and this is expected to reduce to approximately £60 million by the end of 2025, the net benefit of which in 2025 will be approximately £10m due to impact of cessation of approximately £30m of customer funded engineering. This proactive step reflects our strategy of balancing disciplined investment with long-term profitability, ensuring that the Group is better positioned to navigate the increasing volatility in BEV market.

GKN Powder Metallurgy: At the start of 2024, we established a new leadership team and developed a clear strategic and commercial plan to accelerate the business' portfolio transition. In August, we commenced a strategic review of the business, considering a range of options, including a potential sale. Following the announcement of the recommended combination of Dowlais with AAM, should the recommended combination proceed, GKN Powder Metallurgy would become part of the combined group, where it would form part of a wider vertically integrated metal forming product line, reinforcing the combined group's position in the market.

GKN Hydrogen: As previously communicated, in early 2024 Dowlais started a process to identify suitable investment partners for the Hydrogen business. In July 2024, the Group disposed of its entire interest in its GKN Hydrogen business to Langley Holdings plc, for nominal consideration. This transaction resulted in a loss on disposal of £18 million, of which £10 million was incurred in the first half, and has eliminated 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 adjusted operating losses and £23 million of cash losses.

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

Lead: We aim to lead in both market position and financial performance by consistently prioritising operational excellence. This is achieved through implementing best in class manufacturing, commercial, and procurement processes, as well as maintaining strict discipline in managing working capital.

Transform: Continuous improvement and agility are central to our operations. We are digitising and optimising manufacturing processes, improving our production footprint to enhance competitiveness, and driving innovation in our product portfolio to support the transition to electrified mobility.

Accelerate: We are positioning for organic growth while remaining open to value-accretive M&A opportunities at the appropriate time. Our approach is prudent and disciplined, targeting opportunities that align with our portfolio strategy and deliver shareholder value.

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 2024, the Group navigated a volatile market environment, with ePowertrain performance significantly impacted by BEV production volatility. This resulted in adjusted revenue of £4,937 million, a 6.4% decline year-on-year. Despite lower volumes, proactive cost management, performance initiatives and pricing recoveries helped deliver an adjusted operating margin of 6.6%, a 10bps increase from the prior year. Through these actions, the Group effectively limited the constant currency drop-through margin to 6%, significantly better than the 30% drop-through assumed in our financial model, demonstrating resilience and operational agility.

Cash generation: The Group reported an adjusted free cash flow of £15 million for the period, down from £93 million in the prior year. This decline was primarily due to lower earnings from volume weakness, higher interest payments reflecting the annualisation of the post-demerger capital structure, and higher restructuring outflows, as previously communicated, partially offset by lower capital expenditure. Net debt stood at £968 million, up from £847 million in 2023, with a leverage ratio of 1.7x, above the prior year-end position of 1.4x.

Portfolio transition: In a volatile market environment, marked by growing uncertainty around the pace and scale of BEV adoption, we continue to take a disciplined approach to investing in our portfolio. Our focus remains on transitioning to a powertrain-agnostic business model that is resilient to global market fluctuations and well-positioned

to 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 delivered a strong performance, achieving bookings with forecast lifetime revenue exceeding £4.8 billion, distributed across a diverse range of products, customers, and geographies. 40% of those bookings were on Electric or Full Hybrid platforms. We continued to make significant progress in China by working closely with Chinese OEMs. In 2024, 42% of the Automotive segment's China revenue came from Chinese OEMs, up from 27% in 2021. In Powder Metallurgy the order book grew by 2%, with 56% of new business wins attributed to EV or propulsion-agnostic products, demonstrating the business's alignment with evolving market demands and its strategic focus on supporting the electrification transition.

This progress underscores our commitment to adapting to market shifts while remaining focused on delivering value through a balanced and forward-looking portfolio strategy.

Operational highlights

Our businesses continued to demonstrate positive operational performance throughout 2024.

GKN Automotive continued its momentum from last year in driving operational improvements. In 2024, the business launched 130 new programs and had a quality defect rate of three parts per million rejected (PPM), well within its target range. The business announced the creation of an end-to-end production site in Alamance, North Carolina and streamlined its manufacturing footprint by closing its plant in Roxboro and its advanced engineering centre in Abingdon, UK and proposing the wind-down and ultimate closure of its All-wheel drive facility in Köping, Sweden. GKN Automotive has continued to enhance operational efficiencies by making good progress in two main restructuring initiatives; relocating production from its Mosel plant in Germany to its newly opened facility in Hungary and further expanding production capacity in Mexico. Both projects have progressed according to plan.

GKN Powder Metallurgy also made significant progress in 2024. The business continued to focus on inflation recovery and operational efficiency. It fully offset commodity and energy inflation by pricing initiatives, surcharge pass-through agreements and operational efficiencies. The business continued to optimise its manufacturing footprint and closed a site in Wisconsin, USA. Quality standards remained high, with a defect rate of two PPM, consistent with 2023 levels.

Health and safety continue to be the Group's highest priority. The Group had an Accident Frequency Rate (AFR) of <0.10 for the second year in row. Both our businesses are implementing additional measures to ensure AFR remains well within our target range.

Engineering transformation for a sustainable world

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

GKN Automotive made significant progress on its ambitious sustainability roadmap in 2024, developing net zero strategies for its top 20 sites. The business signed its first virtual power purchase agreement (VPPA) with Recurrent Energy, covering 65% of its European energy needs. It implemented a new data platform to increase the robustness and reliability of environmental data across its global network, continued to work with its global supply base, developed sustainability e-learning for its employees globally and launched its Future Talent STEM programme at several key sites. The progress made by the business in 2024 was recognised by multiple awards from global OEMs, and a Gold EcoVadis rating, placing it in the top 5% of companies rated.

GKN Powder Metallurgy maintained its benchmark position in sustainability within the industry. In 2024, the business achieved Gold EcoVadis rating, placing it in the top 5% of global companies. Alongside this award, further progress was made in 2024 with over 180k MWh of renewable energy sourced in 2024, and ~35% reduction in scope 1 and 2 (market-based) emissions intensity. This is a source of commercial advantage as more and more customers are requiring products made from renewable energy as part of their SBTi commitments. In its Bruneck site, surplus heat from sinter furnaces is provided to the city as part of its commitment to the environment.

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.

Recommended Combination with American Axle and Manufacturing Holdings

On 29 January 2025, the Boards of Dowlais and AAM announced that they had reached an agreement on the terms of a recommended cash and share combination of Dowlais with AAM (the "Combination"). The Combination, which is expected to be implemented by way of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006, remains subject to shareholder approvals, receipt of regulatory clearances, and other customary closing conditions.

Under the terms of the Combination, Dowlais shareholders will be entitled to receive 0.0863 New AAM Shares and 42 pence in cash per Dowlais Share, in addition to the final dividend of 2.8 pence per Dowlais Share, which the Board are today recommending. Upon completion, Dowlais shareholders will own approximately 49% of the Combined Group, with AAM shareholders owning approximately 51%. As stated in the rule 2.7 announcement regarding the Combination, the Directors believe that the proposed combination with AAM is an attractive opportunity to accelerate the realisation of shareholder value through the establishment of a global automotive supplier with market-leading capabilities, better positioned together to navigate both the short-term challenges and long-term market dynamics in the automotive sector.

Further details on the Combination, including the full terms and conditions, are set out in the 2.7 Announcement dated 29 January 2025, which is available on Dowlais's website at https://www.dowlais.com. Subject to satisfaction of all relevant conditions, completion of the transaction is expected to occur in 2025.

Dividend

The Board has recommended a final dividend of 2.8 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 1.7x 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. Subject to approval by shareholders, the final dividend will be paid on 29 May 2025 to shareholders on the register on 22 April 2025. 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 7 May 2025.

Share buy-back

On 29 January 2025, following the announcement regarding the recommended cash and share combination with AAM, Dowlais has cancelled the previously announced share buy-back programme of its ordinary shares for up to a maximum aggregate consideration of £50 million with immediate effect. As at 28 January 2025, the Company had purchased 48,749,412 shares under the programme for a total consideration of £31,714,469, excluding stamp duty and fees.

FINANCIAL REVIEW

The Group's performance was impacted by lower volumes, 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	**2024**	2023	Change	Constant FX[1]	**2024**	2023	Change
Revenue	**4,937**	5,489	-10%	-6.4%	**4,337**	4,864	-11%
Automotive	**3,954**	4,437	-11%	-7.2%	**3,391**	3,843	-12%
Powder Metallurgy	**983**	1,047	-6.1%	-2.7%	**946**	1,016	-6.9%
Hydrogen	**–**	5	-100%	-100%	**–**	5	-100%
Operating expenses	**(426)**	(483)	12%	9.1%	**(813)**	(809)	-0.5%
EBITDA	**600**	639	-6.1%	-2.0%	**n/a**	n/a	n/a
Depreciation and amortisation[2]	**(276)**	(284)	2.8%	0.7%	**(449)**	(459)	2.2%
Operating profit/(loss)	**324**	355	-8.7%	-4.2%	**(106)**	(450)	76%
Operating margin	**6.6%**	6.5%	10bps	10bps	**-2.4%**	-9.3%	690bps
Net finance costs	**(109)**	(91)	-20%	-23%	**(109)**	(72)	-51%
Profit/(loss) before tax	**215**	264	-19%	-14%	**(215)**	(522)	59%
Tax	**(54)**	(66)	-18%	-14%	**47**	27	74%
Profit/(loss) after tax	**161**	198	-19%	-14%	**(168)**	(495)	66%
Non-controlling interest	**(5)**	(6)	-17%	-17%	**(5)**	(6)	-17%
Profit/(loss) attributable to owners	**156**	192	-19%	-14%	**(173)**	(501)	65%
Weighted average shares	**1,373**	1,390	-1.2%	n/a	**1,345**	1,362	-1.2%
Basic EPS	**11.4p**	13.8p	-17%	n/a	**(12.6)p**	(36.0)p	65%
Free cash flow	**15**	93	-84%	n/a	**n/a**	n/a	n/a
Capex	**191**	295	-35%	n/a	**191**	295	-35%
Net debt	**968**	847	14%	n/a	**n/a**	n/a	n/a
Leverage	**1.7x**	1.4x	0.3x	n/a	**n/a**	n/a	n/a

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 financial statements in this announcement.

Revenue

Adjusted revenue in the year was £4,937 million, a decline of 6.4% at constant currency, primarily driven by weakness in the ePowertrain product line, which accounted for approximately 70% of the adjusted revenue decline. Translational foreign exchange headwinds were £199 million higher compared to the prior year, resulting in a reported adjusted revenue decline of 10%. Foreign exchange headwinds were largely due to the British Pound Sterling strengthening against several currencies (at average exchange rates), particularly 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 £4,337 million (2023: £4,864 million) with a reported decline of 11%.

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

Adjusted revenue share by region	**2024**	2023
Americas	**42%**	40%
Europe, Middle East & Africa	**32%**	34%
China[1]	**14%**	14%
Rest of Asia	**12%**	12%

1. China revenues reflect Joint Venture shareholding percentages.

Operating profit

Adjusted operating profit for the year decreased by 4.2% at constant currency to £324 million and margin improved by 10bps. Foreign exchange headwinds in the year were £16 million higher than prior year, resulting in reported adjusted operating profit decline of 8.7%.

The decrease in adjusted operating profit was primarily driven by lower revenue and partially offset by approximately £70 million of commercial recoveries, which are largely one off in nature, and £27 million of efficiencies related to our footprint restructuring initiatives. In line with our financial model approximately £31 million of price reductions were offset by other ongoing performance initiatives. This led to lower drop through margins of 6% at constant currency, demonstrating our commitment to effectively managing our cost base.

The statutory operating loss in the year was £106 million (2023: loss of £450 million), with the primary adjustments between adjusted and statutory operating profit being amortisation of acquisition-related intangible assets of £191 million (2023: £197 million), restructuring costs of £145 million (2023: £120 million) and a loss on derivatives of £71 million (2023: gain of £16 million). A full reconciliation between adjusted and statutory operating profit is provided in the notes to the Consolidated 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 2025 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 2025 financial year. However, using the spot exchange rates at 24 February 2025 including £1=$1.26, £1=€1.21 and £1= CNY9.16 and applying them to a representative income statement profile for the year, we expect no impact on year-on-year adjusted revenue and a positive impact on adjusted operating profit of approximately £3 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 £109 million (2023: £91 million) represent £121 million of finance costs (2023: £100 million) and £12 million of finance income (2023: £9 million).

The finance costs include interest on bank borrowings of £89 million (2023: £63 million), interest on the Group's pension schemes of £15 million (2023: £17 million) and finance lease charges of £6 million (2023: £6 million). The increase in interest charges on bank borrowings compared to the prior period reflects a full year 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 6.3%.

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

In 2025, Adjusted net finance charges are expected to be in the range of between £110 million and £120 million.

Tax

The results for the period show an adjusted tax charge of £54 million (2023: £66 million), arising on an adjusted profit before tax of £215 million (2023: £264 million). The Group's current adjusted effective tax rate (ETR) is 25% (2023: 25%) in line with our expectations.

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 year was 11.4 pence per ordinary share (2023: 13.8 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 12.6 pence per share (2023: loss of 36.0 pence) and included the impact of adjusting items such as amortisation of acquisition-related intangible assets and restructuring costs as shown in Note 4.

Free cash flow

Adjusted free cash flow for the period was £15 million, down from £93 million in 2023. This decrease is largely driven by lower adjusted EBITDA, higher interest payments and higher restructuring payments, partially offset by lower capital expenditure. Working capital was also lower in the second half of the year as a result of proactive measures to adjust our working capital requirements to match lower volumes. The year-end working capital movement was negative compared to the previous year due to the timing of cash outflows.

Interest payments, totalling £94 million, were £26 million higher than the previous year due to the annualisation of the post demerger capital structure. Capital expenditure decreased by £104 million to £191 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 £106 million, related to continued performance improvements and footprint restructuring initiatives, were £36 million higher than the prior year and in line with our guidance communicated in H1 2024. Restructuring cash outflows in 2025 are expected to be in the

range of £120 million to £130 million, an increase compared to 2024, largely due to costs related to the rightsizing of the engineering spend in eDrive systems. Tax outflows in the year were £56 million compared to prior year outflows of £61 million. Tax outflows in 2025 are expected to be slightly higher due to a legislative withdrawal of patent box tax relief previously claimed in Italy and the settlement of a tax audit in Germany.

Liquidity and leverage

The Group's primary sources of liquidity are cash generated from operating activities and funds available under its multi-currency term loan, revolving credit facility and US private placement notes. At 31 December 2024, the Group's cash and cash equivalents balance, net of overdrafts, was £323 million (31 December 2023: £313 million), while the revolving credit facility had available headroom of £534 million (31 December 2023: £590 million), translating to a total liquidity position of £857 million (31 December 2023: £903 million).

In 2024, the Group successfully refinanced part of its debt through issuance of US$500 million (~£399million) of notes in the US private placement market. The notes have maturities in the range of 5-12 years. Following the note issuance, $400 million of the term loan debt has been repaid. Post refinancing, the Group continues to be funded through two core banking facilities comprised of a multicurrency revolving credit facility and term loan facility, and the US private placement notes resulting in a combined debt facilities of approximately £1.8 billion. The revolving credit and term loan facilities have an initial maturity date of 20 April 2026, the Group has the option to extend the maturity of the revolving credit facility by up to two years, at its sole discretion.

As at 31 December 2024, the Group had 46% of its drawn debt at fixed interest rate. This is made up of the US private placement notes and interest rate swaps. The maturity dates of the interest rate swaps are aligned with those of the underlying debt facilities. Post refinancing, the Group's effective interest rate is expected to be 6.3%, in line with prior years.

The Group's net debt at 31 December 2024 was £968 million, an increase from £847 million at 31 December 2023, as a result of funding the operational needs of the business. This, combined with lower Adjusted EBITDA resulted in a leverage ratio of 1.7x Adjusted EBITDA, an increase from 1.4x for the year ended 31 December 2023. The Group's leverage ratio is comfortably below the covenant requirement under its debt facilities of 3.5x. 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) on 31 December 2024 was 6.8x, 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 31 December 2024 to reflect the latest assumptions and are summarised below.

Position at 31 December 2024

£ millions	Assets	Liabilities	Accounting Surplus/(Deficit)
UK plans[1]	613	(584)	29
European plans	16	(385)	(369)
US plans	76	(111)	(35)
Other Group pension schemes	12	(21)	(9)
Total Group pension schemes	717	(1,101)	(384)

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. In 2024, the Group contributed £15 million to scheme No. 3, as part of its asset-backed funding arrangements. As at 31 December 2024, these schemes had a net surplus of £31 million (2023: deficit of £5 million), with an additional £2 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 £361 million (31 December 2023: £390 million).

Pension cash outflows in relation to the defined benefit pension schemes were £44 million (2023: £39 million). The full year amount is expected to be approximately £40 million in 2025.

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. 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	**2024**	2023	Change	Constant FX[1]	**2024**	2023	Change
Revenue	**3,954**	4,437	-11%	-7.2%	**3,391**	3,843	-12%
Driveline	***2,278***	*2,448*	*-6.9%*	*-3.2%*	***2,268***	*2,436*	*-6.9%*
ePowertrain	***1,049***	*1,329*	*-21%*	*-18%*	***1,049***	*1,329*	*-21%*
China	***553***	*582*	*-5.0%*	*-0.9%*	**–**	-	–
Other[2]	***74***	*78*	*-5.1%*	*-1.3%*	***74***	*78*	*-5.1%*
Operating profit/(loss)	**268**	306	-12%	-8.5%	**(2)**	30	-107%
Operating margin	**6.8%**	6.9%	-10bps	-10bps	**-0.1%**	0.8%	-90bps

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.

Adjusted revenue declined 7.2% year-on-year to £3,954 million largely due to the impact of volume weakness and product mix in the ePowertrain product line. Driveline adjusted revenue declined 3.2%, slightly outperforming a declining global light vehicle production outside China of 3.3%, as it continued to demonstrate the resilience of its broad portfolio and scale across customers, platforms and geographies. Automotive's China business declined 0.9%, underperforming the 3.6% growth in local light vehicle production. The ePowertrain product line continued to be impacted by volatility in BEV production volumes, with an 18% year-on-year revenue decline, driven by low double digit decline in AWD systems, high single digit decline in ePowertrain components and significant decline in eDrive systems. Automotive's adjusted operating margin was 6.8%, a decline of 10bps year-on-year but an improvement of 80bps from the first half, as the impact from lower volumes was partially offset by pricing recoveries, ongoing commercial initiatives and restructuring benefits, which helped to limit the negative impact from the drop through margin to 7%.

Ongoing performance initiatives resulted in £125 million of restructuring costs during the year (2023: £109 million) with a £95 million cash outflow (2023: £58 million cash outflow).

New business wins

In 2024 GKN Automotive continued to secure significant wins and contract awards worth more than £4.8 billion in lifetime revenue, with a book to bill ratio of 1.2x. Of these new business wins 40% relate to Electric or Full Hybrid platforms. 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.

The business' order book remains aligned to the evolving vehicle portfolio of its customers, 28% of its current 2028 order book now relates to battery electric vehicles, 15% to hybrid electric vehicles and 57% to internal combustion engine vehicles.

Technology and product portfolio

GKN Automotive is the global leader in drive systems, with five global technology centres, a global engineering organisation and dedicated vehicle testing facilities. It has the most comprehensive drive system portfolio in the industry transferring the torque to and balancing the torque between the wheels to ensure superior performance, efficiency and reliability.

In 2024, the business expanded its market leading sideshaft portfolio, bringing multiple new programmes into mass production with products designed to match the increased requirements of electrified vehicles. With over 100 joint

types and sizes matching the broad variety of powertrains and its unique drive system expertise, it is the world leader in this market.

In response to the reduced pace of BEV penetration, the Automotive business intensified its focus on its advanced torque management products for both ICE and electric vehicles, building on its strong heritage and market leading position. It has adapted its ePowertrain components portfolio to best support the drive system architectures of electrified vehicles through compactness, control performance and cost. Recognising the need for a more sustainable approach to eDrive systems, we also made the decision to right-size our engineering investment in this area, ensuring resources are focused on profitable and scalable opportunities. With an increased focus on torque management components, the business accelerated its innovation pipeline with a key focus on the physical integration of functions into compact product solutions and next generation electronics to address future architectural safety and security requirements. GKN Automotive remains a strong partner in systems engineering and systems integration support for its customers with industry leading software and electronics capabilities.

Operational excellence

GKN Automotive continued to drive sustainable margin improvement, by taking decisive action to increase the competitiveness of its global manufacturing footprint remaining fully aligned to the regional requirements of its customers. In 2024 it announced the creation of an end-to-end production site in Alamance, North Carolina and the subsequent closure of its plant in Roxboro, the closure of its advanced engineering centre in Abingdon, UK and the proposed closure of its primarily all-wheel drive site in Köping, Sweden. In parallel the business continued to expand its new production facility in Miskolc, Hungary as it continued to transfer Driveline assembly capabilities from Mosel, Germany.

The business successfully completed 130 new programme launches during the year, while it continued to enhance the productivity and efficiency of its operational capabilities. The business continued to focus on behavior-based safety initiatives and increased its emphasis on psychosocial risk assessment. With a PPM (parts rejected per million manufactured) defect rate of three, GKN Automotive again demonstrated its excellent quality performance.

Sustainability

GKN Automotive made significant progress on its sustainability roadmap in 2024, announcing its SBTi validated target of achieving net zero by 2045. The business signed its first virtual power purchase agreement (VPPA) with Recurrent Energy, covering 65% of its European energy load. It implemented a new data platform to increase the robustness and reliability of environmental data across its global network, continued to work with its global supply base, developed sustainability e-learning for its employees globally and launched its Future Talent STEM programme in a number of key sites. The progress made by the business in 2024 was recognised by several awards from global OEMs, and a gold EcoVadis rating, placing it in the top 5% of companies rated.

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	**2024**	2023	Change	Constant FX[1]	**2024**	2023	Change
Revenue	**983**	1,047	-6.1%	-2.7%	**946**	1,016	-6.9%
Sinter	***744***	*800*	*-7.0%*	*-3.4%*	***744***	*800*	*-7.0%*
Additive	***30***	*26*	*15%*	*15%*	***30***	*26*	*15%*
Powder	***209***	*221*	*-5.4%*	*-2.3%*	***172***	*190*	*-9.5%*
Operating profit	**89**	96	-7.3%	-3.1%	**22**	(409)	n/m[2]
Operating margin	**9.1%**	9.2%	-10bps	-10bps	**2.3%**	-40.3%	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

Adjusted revenues were £983 million for the year, a decline of 2.7% year-on-year, largely driven by lower volumes in Sinter Metals in North America and Europe, partially offset by growth in China. Adjusted revenue in the Sinter Metals product line was 3.4% lower compared to prior year mainly as result of customer/platform mix in North America. The Additive product line performed strongly during the year with significant growth in metallic products

resulting in 15% increase year-on-year. Adjusted revenue in the Powder product line was 2.3% lower than in 2023, mainly driven by lower surcharges and volumes in North America offset by growth in China.

Adjusted operating profit for the year was £89 million (2023: £96 million), resulting in an adjusted operating margin of 9.1%. Operating margin was broadly similar to the prior year as the business successfully offset lower volume with pricing initiatives, surcharge pass-through agreements and operational efficiencies.

Commercial progress

In 2024, GKN Powder Metallurgy achieved significant commercial progress under the leadership of its new CEO, Jean-Marc Durbuis, who introduced a focused commercial strategy and strengthened the team. The business secured £113 million in new business wins (based on peak year revenue), reflecting a 2% year-on-year increase. Approximately 56% of these awards were for EV or propulsion-agnostic products. The extension of ICE and hybrid programs provided tailwinds for the core portfolio, with notable contract extensions and growing platform lifetimes supporting long-term value.

The business made advancements in key growth areas, including battery and electronics, x-by-wire, drivetrain, and thermal management, with commercial successes across these segments. In LFP batteries, GKN achieved breakthroughs with high-quality iron powder required for the LFP battery market and announced a strategic collaboration with First Phosphate in Canada to supply material for their cathode production. Progress was also made in developing low heavy rare earth and rare earth-free magnets for EV motors, with a new production line expected to launch in H2 2025.

Beyond automotive, the business continued to diversify into industrial markets, representing ~20% of revenue. Notably, revenues from metal additive manufacturing more than doubled from a low base, driven by thermal management components for advanced AI infrastructure. These achievements underline GKN Powder Metallurgy's ability to navigate market shifts and expand its portfolio into high-potential growth areas.

Operations

GKN Powder Metallurgy operates globally with 31 manufacturing plants and two technology centres across 11 countries, maintaining a strong focus on safety, quality, and sustainability. In 2024, the business achieved significant progress in these areas, including significant reduction in its accident frequency rate compared to last year. Quality standards remained high, with a defect rate of two parts per million rejected (PPM), consistent with 2023 levels.

Sustainability efforts continued to lead the industry, with the business achieving an EcoVadis Gold rating, placing it in the top 5% of global companies. The use of renewable energy increased with over 180k MWh of renewable energy sourced in 2024 leading to ~35% reduction in scope 1 and 2 (market-based) emissions intensity. Notably, the Bruneck site contributed surplus heat from sinter furnaces to the local community.

The business delivered continuous improvements through its decentralised CIMS program, and 46 automation projects were implemented across 15 plants, driving productivity gains.

Despite reduced light vehicle volumes in the second half of 2024 due to higher inventory levels, Powder Metallurgy mitigated the impact through operational flexibility and smart automation. The year also saw the closure of the Wisconsin site and significant progress on a new powder bonding facility in North America, set to enhance customer support and strengthen the business's operational footprint.

Hydrogen

Hydrogen overview

	Adjusted[1]				Statutory		
£ millions	**2024**	2023	Change	Constant FX[1]	**2024**	2023	Change
Revenue	**-**	5	n/m[2]	n/m[2]	**-**	5	n/m[2]
Operating loss	**(9)**	(15)	40%	40%	**(27)**	(16)	-69%
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.

On 29 July 2024, we completed the disposal of the business to Langley Holdings plc for a nominal sum. This transaction resulted in a loss on disposal of £18 million, of which £10 million was incurred in the first half and £8 million in the second half. The disposal eliminates future cash losses associated with the funding of the Hydrogen operations.

Dowlais Profit Forecasts

The following statements contained within this announcement (the "**Dowlais Profit Forecasts**") constitutes profit forecasts for the purposes of Rule 28 of the City Code on Takeovers and Mergers. The Takeover Panel has granted Dowlais a dispensation from the requirement to include reports from reporting accountants and Dowlais' financial advisers in relation to the Dowlais Profit Forecasts. Other than the Dowlais Profit Forecasts, nothing in this announcement is intended, or is to be construed, as a profit forecast or profit estimate for any period.

Outlook

- As we look ahead, current industry forecasts project a flat GLVP, or a 0.9% decline excluding China. Additionally, industry projections for GLVP excluding China suggest a decline of 3.1% in H1 before rebounding 1.4% in H2.

- Consequently, we anticipate Group adjusted revenue to range from flat to a mid-single digit decline in 2025, with an adjusted operating margin between 6.5% and 7.0% in constant currency, as restructuring savings and ongoing performance initiatives are expected to offset the impact of lower volumes, alongside commercial recoveries achieved in 2024.

As we look ahead, current industry forecasts project a flat GLVP in 2025, or a 0.9% decline excluding China. Additionally, industry projections for GLVP excluding China suggest a decline of 3.1% in H1 before rebounding 1.4% in H2.

Based on these external forecasts and our current order book, we anticipate Group adjusted revenue to range from flat to a mid-single digit decline in 2025, with an adjusted operating margin between 6.5% and 7.0% in constant currency, as restructuring savings and ongoing performance initiatives are expected to offset the impact of lower volumes, alongside commercial recoveries achieved in 2024.

In line with industry trends outside China, Group adjusted revenue in constant currency is expected to be stronger in H1, while adjusted operating profit margin will improve in H2, reflecting the phasing of restructuring benefits. Adjusted free cash flow for 2025 is projected to be slightly higher than the prior year, following a similar phasing as operating profit, due to working capital seasonality and restructuring cash outflows, which will be more weighted towards H1. The Group expects to deliver significantly higher adjusted free cash flow during 2026, as global footprint related restructuring initiatives come to an end in 2025.

This outlook does not factor in the impact of any potential import tariffs imposed by the United States or any other country.

Board confirmation

The Board confirms that, as at the date of this announcement, the Dowlais Profit Forecasts are valid and have been properly compiled on the basis of the assumptions set out below and that the basis of the accounting used is consistent with Dowlais' accounting policies, which are in accordance with IFRS.

Basis of preparation and principal assumptions

The Dowlais Profit Forecasts are based upon Dowlais' current internal financial forecasts for the 12-month periods ending 31 December 2025 and 31 December 2026, prepared in accordance with Dowlais' normal forecasting procedures and processes. These procedures take into consideration multiple factors including historical financial performance (including that set out in Dowlais' financial statements for the financial year ended 31 December 2024) (the "**2024 Financial Statements**"), anticipated changes in Dowlais' operations, sales forecasts and forecasts of customer demand for light vehicles and management judgement. In particular, the Dowlais Profit Forecasts are based upon the most recent global light vehicle production forecasts published by S&P Global on 18 February 2025 and Dowlais' current order book. As stated in the Dowlais Profit Forecasts, they do not reflect any impact of any changes in import tariffs imposed by the United States, or any other country adopted in 2025 or which may be adopted thereafter. The basis of accounting used for the Dowlais Profit Forecasts is consistent with the accounting policies of Dowlais which are in accordance with IFRS and are those applied in preparing the 2024 Financial Statements. The Dowlais Profit Forecasts have been prepared on the basis referred to above and subject to the principal assumptions set out below. The Dowlais Profit Forecasts are inherently uncertain and there can be no guarantee that any of the principal assumptions below will not occur and/or, if they do, their effect on Dowlais' results

of operations, financial condition, or financial performance, may be material. The Dowlais Profit Forecasts should therefore be read in this context and construed accordingly. The principal assumptions assumed in the Dowlais Profit Forecasts are: (a) there will be no material change to macroeconomic, political, inflationary, regulatory or legal conditions in the markets or regions in which Dowlais operates, including changes in import or export tariffs; (b) there will be no material change in current interest rates, economic growth, inflation expectations or foreign exchange rates compared with Dowlais' estimates; (c) there will be no material change in accounting standards; (d) there will be no material change in market conditions in relation to customer demand or the competitive environment; (e) there will be no material litigation or regulatory investigations, or material unexpected developments in any existing litigation or regulatory investigation, in relation to any of Dowlais' operations, products or services; (f) there will be no business disruptions that materially affect Dowlais, its customers, operations, supply chain or labour supply, including natural disasters, acts of terrorism, cyber-attack and/or technological issues; (g) there will be no material acquisitions, disposals, distribution partnerships, joint ventures or other commercial agreements, other than those already assumed within the forecast; (h) there will be no material change in the existing operational strategy of Dowlais; (i) there will be no material changes in Dowlais' accounting policies and/or the application thereof; (j) there are no material strategic investments or capital expenditure in addition to those already planned; and (k) there will be no material change in the management of Dowlais.

DOWLAIS GROUP PLC
CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31 December 2024 £m**	Year ended 31 December 2023 £m
Revenue	3	**4,337**	4,864
Cost of sales		**(3,691)**	(4,107)
Gross profit		**646**	757
Share of results of equity accounted investments	9	**61**	51
Operating expenses		**(813)**	(809)
Impairment of goodwill	4	**–**	(449)
Operating loss	3,4	**(106)**	(450)
Finance costs	5	**(131)**	(101)
Finance income	5	**22**	29
Loss before tax		**(215)**	(522)
Tax	6	**47**	27
Loss after tax for the year		**(168)**	(495)
Attributable to:			
Owners of the parent		**(173)**	(501)
Non-controlling interests		**5**	6
		(168)	(495)
Earnings per share			
– Basic	8	**(12.6)p**	(36.0)p
– Diluted	8	**(12.6)p**	(36.0)p

Adjusted[1] results

Adjusted revenue	3	**4,937**	5,489
Adjusted operating profit	3,4	**324**	355
Adjusted profit before tax	4	**215**	264
Adjusted profit after tax	4	**161**	198
Adjusted basic earnings per share	8	**11.4p**	13.8p
Adjusted diluted earnings per share	8	**11.4p**	13.8p

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

DOWLAIS GROUP PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Year ended 31 December 2024 £m**	Year ended 31 December 2023 £m
Loss after tax for the year		**(168)**	(495)
Items that will not be reclassified subsequently to the Income Statement:			
Net remeasurement gain/(loss) on retirement benefit obligations		**37**	(22)
Income tax (charge)/credit relating to items that will not be reclassified	6	**(9)**	4
		28	(18)
Items that may be reclassified subsequently to the Income Statement:			
Currency translation		**(68)**	(152)
Impact of hyperinflationary economies		**9**	8
Share of other comprehensive expense from equity accounted investments		**(3)**	(32)
Gain arising on hedging instruments designated as hedge of net investment		**4**	20
Fair value gain on hedging instruments designated as cash flow hedges		**2**	1
Cumulative gain on hedging instruments reclassified to the Income Statement		**(3)**	–
Income tax credit relating to items that may be reclassified	6	**6**	4
		(53)	(151)
Other comprehensive expense for the year		**(25)**	(169)
Total comprehensive expense for the year		**(193)**	(664)
Attributable to:			
Owners of the parent		**(198)**	(668)
Non-controlling interests		**5**	4
		(193)	(664)

DOWLAIS GROUP PLC
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**Year ended 31 December 2024 £m**	Year ended 31 December 2023 £m
Net cash from operating activities	14	**120**	239
Investing activities			
Purchase of property, plant and equipment		**(188)**	(279)
Proceeds from disposal of property, plant and equipment		**4**	33
Purchase of computer software and capitalised development costs		**(3)**	(16)
Disposal of business, net of cash disposed		**(10)**	–
Dividends received from equity accounted investments		**70**	63
Interest received		**8**	5
Net cash used in investing activities		**(119)**	(194)
Financing activities			
Cash settlements with Related Parties[1]		**–**	(1,096)
Drawings on borrowing facilities		**921**	1,313
Repayment of borrowing facilities		**(792)**	(124)
Costs of raising debt finance		**(2)**	(12)
Repayment of principal under lease obligations		**(24)**	(25)
Purchase of own shares under share buy-back		**(26)**	–
Purchase of own shares by Employee Benefit Trust		**–**	(7)
Dividends paid to non-controlling interests		**(2)**	(7)
Dividends paid to equity shareholders	7	**(58)**	(19)
Net cash from financing activities		**17**	23
Net increase in cash and cash equivalents, net of bank overdrafts		**18**	68
Cash and cash equivalents, net of bank overdrafts at the beginning of the year	14	**313**	263
Effect of foreign exchange rate changes		**(8)**	(18)
Cash and cash equivalents, net of bank overdrafts at the end of the year	14	**323**	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 31 December 2024, the Group had net debt of £968 million (31 December 2023: £847 million). A definition and reconciliation of the movement in net debt is shown in Note 14.

DOWLAIS GROUP PLC
CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	31 December 2024 £m	31 December 2023 [1] £m
Non-current assets			
Goodwill and other intangible assets		**2,129**	2,365
Property, plant and equipment		**1,676**	1,751
Interests in equity accounted investments[1]		**385**	397
Deferred tax assets		**157**	146
Derivative financial assets		**9**	8
Other financial assets		**–**	28
Retirement benefit surplus	13	**34**	27
Other receivables		**13**	12
		4,403	4,734
Current assets			
Inventories		**431**	510
Trade and other receivables		**485**	628
Derivative financial assets		**9**	45
Current tax assets		**25**	21
Other financial assets		**18**	–
Cash and cash equivalents	14	**336**	313
		1,304	1,517
Total assets	3	**5,707**	6,251
Current liabilities			
Trade and other payables		**961**	1,179
Interest-bearing loans and borrowings	14	**13**	2
Lease obligations	15	**29**	25
Derivative financial liabilities		**32**	4
Current tax liabilities		**65**	100
Provisions	11	**142**	136
		1,242	1,446
Net current assets		**62**	71
Non-current liabilities			
Other payables		**18**	18
Interest-bearing loans and borrowings	14	**1,291**	1,158
Lease obligations	15	**103**	126
Derivative financial liabilities		**14**	4
Deferred tax liabilities		**199**	248
Retirement benefit obligations	13	**418**	486
Provisions	11	**117**	182
		2,160	2,222
Total liabilities	3	**3,402**	3,668
Net assets		**2,305**	2,583
Equity			
Issued share capital		**14**	14
Own shares		**(7)**	(7)
Translation reserve		**(133)**	(81)
Hedging reserve		**–**	1
Retained earnings[1]		**2,392**	2,620
Equity attributable to owners of the parent		**2,266**	2,547
Non-controlling interests		**39**	36
Total equity		**2,305**	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 1.3.

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 for the year	–	–	–	–	–	(501)	**(501)**	6	**(495)**
Other comprehensive (expense)/income	–	–	–	(150)	1	(18)	**(167)**	(2)	**(169)**
Total comprehensive (expense)/income	–	–	–	(150)	1	(519)	**(668)**	4	**(664)**
Dividends paid to Related Parties[2]	–	–	–	–	–	(1,675)	**(1,675)**	–	**(1,675)**
Transactions with Related Parties[2]	–	–	–	–	–	(57)	**(57)**	–	**(57)**
Effect of change of ultimate holding company[3]	14	1,070	–	–	–	(1,084)	**–**	–	**–**
Purchase of own shares by Employee Benefit Trust[4]	–	–	(7)	–	–	–	**(7)**	–	**(7)**
Capital reduction	–	(1,070)	–	–	–	1,070	**–**	–	**–**
Dividends paid to equity shareholders	–	–	–	–	–	(19)	**(19)**	(7)	**(26)**
Equity-settled share-based payments	–	–	–	–	–	2	**2**	–	**2**
At 31 December 2023[1]	14	–	(7)	(81)	1	2,620	**2,547**	36	**2,583**
Loss for the year	–	–	–	–	–	(173)	**(173)**	5	**(168)**
Other comprehensive (expense)/income	–	–	–	(52)	(1)	28	**(25)**	–	**(25)**
Total comprehensive (expense)/income	–	–	–	(52)	(1)	(145)	**(198)**	5	**(193)**
Dividends paid to equity shareholders	–	–	–	–	–	(58)	**(58)**	(2)	**(60)**
Purchase of own shares[5]	–	–	–	–	–	(26)	**(26)**	–	**(26)**
Equity-settled share-based payments	–	–	–	–	–	1	**1**	–	**1**
At 31 December 2024	14	–	(7)	(133)	–	2,392	**2,266**	39	**2,305**

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 1.3.

2. 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.

3. Following the demerger, the issued share capital and share premium account of Dowlais Group plc were recognised in the Consolidated Financial Statements. See Note 2 for details of application of merger accounting.

4. 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 scheme.

5. On 4 April 2024 the Group commenced a share buy-back programme under which shares in the capital of the Company totalling £26 million (2023: £nil) have been purchased. All shares purchased under this programme have been cancelled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Dowlais Group plc comprises the GKN Automotive and GKN Powder Metallurgy 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 formed part of the Group, offering reliable and secure hydrogen storage solutions, until its sale on 29 July 2024 to Langley Holdings plc.

1.1 Corporate Structure

Dowlais Group plc was incorporated as a public company limited by shares in the United Kingdom on 13 January 2023 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 Dowlais Group plc.

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 Industries PLC 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 Industries PLC 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 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 formed the operating segments of the Group. The aggregation has been prepared as though the post-demerger legal structure of the Group was in place at the beginning of the comparative period under the principles of merger accounting (see Note 2).

The financial information included within this announcement does not constitute the Company's statutory Financial Statements for the year ended 31 December 2024 within the meaning of s435 of the Companies Act 2006, but is derived from those Financial Statements. Statutory Financial Statements for the year ended 31 December 2024 will be delivered to the Registrar of Companies during May 2025. The auditor has reported on those Financial Statements; their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006. While the financial information included in this announcement has been prepared in accordance with the recognition and measurement criteria of United Kingdom adopted international accounting standards, this announcement does not itself contain sufficient information to comply with these standards. The Company expects to publish full Financial Statements that comply with United Kingdom adopted international accounting standards during May 2025.

1.3 Restatement of equity accounted investments

During the year, 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.

1.4 New Standards, Amendments and Interpretations affecting amounts, presentation or disclosure reported in the current year

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 Consolidated Financial Statements, except 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 Group has provided the required disclosures around the effects of supplier finance arrangements on the entity's liabilities and cash flows and any exposure to the Group's concentration of liquidity risk as a result of being party to such arrangements in the relevant note to the Group's 2024 Annual Report.
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

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

At the date of authorisation of these 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

Merger accounting

As set out in Note 1.1 above, the Group was separated from Melrose during the prior year. The demerger took place while the business was under Melrose ownership and therefore the Directors assessed that the transaction was under common control and outside of the scope of IFRS 3 Business Combinations.

IFRS is not prescriptive as to the accounting for such transactions, and under IAS 8 Accounting Polices, Changes in Accounting Estimates and Errors, the Directors used guidance in UK GAAP (FRS 102) to apply merger accounting. The effects of this accounting on the Consolidated Financial Statements for the prior year were as follows:

- The value of the assets and liabilities of the business were transferred to Dowlais at book value on the date of the transaction with no adjustments required to estimate fair value.
- The results of the Group for the year ended 31 December 2023 have been presented for a continuous period to include both pre- and post-demerger trading.
- Prior year opening reserves are presented as a translation reserve and a single remaining balance of shareholders' funds.
- The comparative for Earnings Per Share has been calculated as if the current share structure has always existed in accordance with IAS 33.26.
- Costs relating to the demerger are charged to the Income Statement.

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 Consolidated 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 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 year results and comparative years where provided.

Going concern

The Consolidated 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.

In reaching this conclusion, the Directors have also considered the implications in a going concern context of the proposed acquisition of the Group by AAM which was announced on 29 January 2025. As set out in the rule 2.7 announcement, the Directors believe that the proposed combination with AAM is an attractive opportunity to accelerate the realisation of shareholder value through the establishment of a global, automotive supplier with market-leading capabilities, better-positioned together to navigate both the short-term challenges and long-term market dynamics in the automotive sector. On that basis, the Directors believe this supports its going concern assessment, in the event the combination proceeds. The combination is expected to close during the fourth quarter of 2025, subject to the approval and availability of the Court, the approval of the Company's shareholders and AAM shareholders, as well as customary closing conditions, including regulatory clearances in Europe and the US.

The Group's liquidity and funding arrangements are described in the Finance Director's Review. Financing headroom of c.£0.7 billion existed at 31 December 2024 (2023: c. £0.6 billion) and is forecast to remain at similar or improved levels throughout the going concern period. Forecast covenant compliance is considered further below.

Covenants

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

The financial covenants for the going concern period are as follows:

	31 December 2024	30 June 2025	31 December 2025
Net debt to adjusted EBITDA	**3.50x**	3.50x	3.50x
Interest cover	**4.00x**	4.00x	4.00x

Testing

In concluding that the going concern basis is appropriate, the Directors have modelled the impact of a 'worst case scenario' to the 'base case' by including an aggregation of the same three plausible but severe downside risks also applied to the Group's Viability Statement. The scenarios modelled were based on the Group remaining an independent entity and, therefore, remain appropriate should the proposed combination not proceed.

The base case takes into account 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 considering potential risks to the Group's infrastructure resulting from extreme weather or climate events.

The three downside scenarios modelled were (i) economic shock/downturn, (ii) losing a key market, product or customer and (iii) significant contract delivery issues, including a cyber attack scenario.

Throughout the period covered, after applying the 'worst case scenario', financing headroom was at least £425 million (2023: £400 million), the Group's leverage was no higher than 2.9x (2023: 2.8x) and the interest cover remained above 4.0x, indicating that the Group would comfortably remain within covenant limits. Finally, a reverse stress test was performed which demonstrated that a significant reduction in revenue and operating profit in 2025, still assuming no mitigating actions, would be required before the Group breached its leverage and interest covenants.

Even after applying significant downside risk scenarios in aggregation, under the 'worst case scenario', no covenant is forecast to be breached at the relevant testing dates being 30 June 2025 and 31 December 2025, and the Group would not expect to require any additional sources of finance. Testing at 30 June 2026 is also expected to be favourable under the terms of existing facilities.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

Adjusting items

Judgements are required as to whether items are disclosed as adjusting, with consideration given to both quantitative and qualitative factors. Further information about the determination of adjusting items is included in Note 2.

There are no other critical judgements other than those involving estimates, that have had a significant effect on the amounts recognised in the Consolidated Financial Statements. Those involving estimates are set out below.

Key sources of estimation uncertainty

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

Determining whether the goodwill of groups of cash generating units ("CGUs") is impaired requires an estimation of its recoverable amount which is compared against the carrying value. The recoverable amount is deemed to be the higher of the value in use and fair value less costs to sell. For the year ended 31 December 2024, impairment testing has been performed for each group of CGUs using the value in use method based on estimated discounted cash flows.

The impairment tests concluded that there was headroom of £363 million for the Automotive group of CGUs, and £41 million for the Powder Metallurgy group of CGUs.

The models used to calculate value in use for each group of CGUs are particularly sensitive to key assumptions around discount rates, long-term growth rates and underlying assumptions underpinning forecasts including the impact of macroeconomic conditions such as interest rates and inflation on future sales and input prices which drive forecast operating margins and ultimately cash flows.

For the Automotive group of CGUs, a reasonably possible increase in the discount rate from 12.5% to 13.8%, would reduce headroom to £nil. Further increases in the discount rate to 14.2% would result in an impairment charge of c.£90 million being recognised in 2025.

Management does not believe reasonably possible changes in the long-term growth rate of 3.5% would result in headroom being eroded to £nil, however for indication purposes, a decrease in the long-term growth rate to 2.5% would result in a reduction of headroom by £200 million. Operating margin assumptions are a key driver of business value and a 17% reduction in the terminal operating profit would reduce operating profit margin by 1.4 percentage points, resulting in headroom of £nil. An additional reduction in the terminal operating profit, representing a total reduction of 20%, would reduce operating profit margin by 1.7 percentage points, resulting in an impairment charge of c.£80 million in 2025.

The value of the Powder Metallurgy group of CGUs remains sensitive to and dependent upon the underlying forecast and financial assumptions in the future. Sensitivity analysis has been carried out and a reasonably possible increase in the discount rate from 12.6% to 13.1%, would reduce headroom to £nil. Further increases in the discount rate to 13.6% would result in an impairment charge of c.£39 million being recognised in 2025.

The value of the Powder Metallurgy group of CGUs remains sensitive to and dependent upon the underlying forecast and financial assumptions in the future. Operating margin assumptions are a key driver of business value and a reduction in the terminal operating profit by 6% would reduce the operating margin by 0.5 percentage points, resulting in headroom of £nil. An additional reduction in the terminal operating profit, representing a total reduction of 12%, would reduce operating profit margin by 1.0 percentage points, resulting in an impairment charge of c.£38 million in 2025. A reasonably possible decrease in growth rates from 3.5% to 2.8% would result in headroom of £nil. An additional decrease in growth rate to 2.0% would result in an impairment charge of c.£37 million being incurred.

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 31 December 2024, the retirement benefit obligation was a net deficit of £384 million (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. The Hydrogen business was sold on 29 July 2024 (see Note 10).

In addition, central corporate 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.

Year ended 31 December 2024	Notes	**Automotive £m**	**Powder Metallurgy £m**	**Hydrogen £m**	**Total £m**
Adjusted revenue		**3,954**	**983**	**–**	**4,937**
Equity accounted investments	9	**(563)**	**(37)**	**–**	**(600)**
Revenue		**3,391**	**946**	**–**	**4,337**

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

Year ended 31 December 2024	**Automotive £m**	**Powder Metallurgy £m**	**Hydrogen £m**	**Corporate[2] £m**	**Total £m**
Adjusted operating profit/(loss)	**268**	**89**	**(9)**	**(24)**	**324**
Items not included in adjusted operating profit[1]:					
Amortisation of intangible assets acquired in business combinations	**(143)**	**(48)**	**–**	**–**	**(191)**
Restructuring costs	**(125)**	**(17)**	**–**	**(3)**	**(145)**
Movement in derivatives and associated financial assets and liabilities	**(3)**	**–**	**–**	**(68)**	**(71)**
Equity accounted investments adjustments	**(26)**	**(2)**	**–**	**–**	**(28)**
Impairment of assets	**–**	**–**	**(10)**	**–**	**(10)**
Acquisition and disposal related costs or losses	**–**	**–**	**(8)**	**–**	**(8)**
Litigation costs	**–**	**–**	**–**	**(3)**	**(3)**
Demerger costs	**–**	**–**	**–**	**(1)**	**(1)**
Net release of certain fair value items	**27**	**–**	**–**	**–**	**27**
Operating (loss)/profit	**(2)**	**22**	**(27)**	**(99)**	**(106)**
Finance costs					**(131)**
Finance income					**22**
Loss before tax					**(215)**
Tax					**47**
Loss after tax for the year					**(168)**

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

2. Corporate adjusted operating loss of £24 million, includes a charge of £nil 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 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	
	31 December 2024 £m	31 December 2023[1] £m	**31 December 2024 £m**	31 December 2023 £m
Automotive	**4,123**	4,578	**1,655**	2,059
Powder Metallurgy	**1,185**	1,268	**373**	404
Hydrogen	**–**	14	**–**	6
Corporate	**399**	391	**1,374**	1,199
Total	**5,707**	6,251	**3,402**	3,668

1. Interests in equity accounted investments at 31 December 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 1.3.

d) Segment capital expenditure and depreciation

	Capital expenditure[1]		Depreciation of owned assets[1]		Depreciation of leased assets	
	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m	**Year ended 31 December 2024 £m**	Year ended 31 December 2023 £m	**Year ended 31 December 2024 £m**	Year ended 31 December 2023 £m
Automotive	**194**	217	**187**	187	**14**	15
Powder Metallurgy	**43**	42	**46**	50	**11**	10
Hydrogen	**–**	3	**–**	–	**–**	–
Total	**237**	262	**233**	237	**25**	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	
	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m	**31 December 2024 £m**	31 December 2023[2] £m
UK	**209**	192	**520**	633
Rest of Europe	**1,332**	1,676	**1,521**	1,637
North America	**1,901**	2,053	**1,285**	1,298
Other	**895**	943	**864**	945
Total	**4,337**	4,864	**4,190**	4,513

1. Revenue is presented by destination.

2. Interests in equity accounted investments at 31 December 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 1.3.

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	**Year ended 31 December 2024 £m**	Year ended 31 December 2023 £m
Operating loss		**(106)**	(450)
Amortisation of intangible assets acquired in business combinations	a	**191**	197
Restructuring costs	b	**145**	120
Movement in derivatives and associated financial assets and liabilities	c	**71**	(16)
Equity accounted investments adjustments	d	**28**	30
Impairment of assets	e	**10**	–
Acquisition and disposal related losses	e	**8**	–
Litigation costs	f	**3**	–
Demerger costs	g	**1**	42
Impairment of goodwill	h	**–**	449
Net release of certain fair value items	i	**(27)**	(17)
Total adjustments to operating loss		**430**	805
Adjusted operating profit		**324**	355

a. The amortisation charge on intangible assets acquired in business combinations of £191 million (2023: £197 million), is excluded from adjusted results due to its non-trading nature and to enable comparison with companies that grow organically. However, 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 year totalling £145 million (2023: £120 million) are shown as adjusting items due to their size and non-trading nature. During the year these included:

   - A charge of £125 million (2023: £109 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. Further costs have also been incurred reflecting the Group's strategic decision to right size its engineering investment in the ePowertrain product line, with a primary focus on eDrive systems, to optimise capital allocation.
   - A charge of £17 million (2023: £10 million) within the Powder Metallurgy division relating to the optimisation of headcount and reorganisation of activities under the new commercial strategy.

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 £71 million (2023: credit of £16 million). Movements in fair value are treated as an adjusting item due to their volatility distorting adjusted operating profit. 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 cash flows.

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 £600 million (2023: £625 million) of revenue in the year, 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) was recorded against the value of inventory and property, plant and equipment held by the Hydrogen division to write down the assets to £nil reflecting their anticipated recoverable value, following the decision made in 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, recognising a loss of £8 million. Further details are provided in Note 10. These items have been excluded from adjusted results due to their 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 were incurred during the year (2023: £42 million). Costs incurred were incremental costs 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. In the prior year an impairment charge of £449 million was recognised in relation to goodwill held in the Powder Metallurgy cash-generating unit ("CGU"). No impairment charge has been recorded in the current year in relation to goodwill.

i. Certain items previously recorded as fair value items on historical acquisitions, have been resolved for more favourable amounts than first anticipated. The net release of such fair value items in the year of £27 million related to a warranty provision (2023: £17 million relating to loss making contracts). These items are considered significant in size and therefore shown as adjusting to avoid positively distorting the adjusted results.

b) Profit before tax

	Notes	**Year ended 31 December 2024 £m**	Year ended 31 December 2023 £m
Loss before tax		**(215)**	(522)
Adjustments to operating loss as above		**430**	805
Fair value changes on other financial assets	j	**10**	1
Equity accounted investments – interest	d	**1**	2
Interest on tax provision released	k	**(11)**	–
Net foreign exchange movements on loans with Related Parties	l	**–**	(22)
Total adjustments to loss before tax		**430**	786
Adjusted profit before tax		**215**	264

j. The fair value changes on other financial assets relate to the valuation of the derivative over own equity. It is presented as an adjusting item due to its volatility and non-trading nature.

k. A settlement agreement has been reached with German tax authorities in respect of the years 2010 to 2021 resulting in a tax provision release of £45 million (2023: £nil) and associated accrued interest of £11 million (2023: £nil). These items are considered material and have been treated as adjusting items to avoid positively distorting the adjusted results.

l. In the prior year, the movement in loans with Related Parties as a result of changes in foreign currency exchange rates up to the date of demerger was 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	**Year ended 31 December 2024 £m**	Year ended 31 December 2023 £m
Loss after tax		**(168)**	(495)
Adjustments to loss before tax per above		**430**	786
Tax effect of adjustments to loss before tax	6	**(50)**	(87)
Equity accounted investments – tax	d	**(12)**	(11)
Exceptional tax credit	k	**(45)**	–
Tax effect of significant restructuring	6	**6**	5
Total adjustments to loss after tax		**329**	693
Adjusted profit after tax		**161**	198

5. Finance costs and finance income

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Interest on bank loans and overdrafts	**(89)**	(63)
Interest on loans due to Related Parties[1]	**–**	(8)
Amortisation of costs of raising finance	**(5)**	(3)
Net interest cost on pensions	**(15)**	(17)
Lease interest	**(6)**	(6)
Unwind of discount on provisions	**(1)**	–
Fair value changes on other financial assets[2]	**(10)**	(1)
Other finance costs	**(5)**	(3)
Total finance costs	**(131)**	(101)
Foreign exchange movements on loans with Related Parties[1, 2]	**–**	22
Other finance income[3]	**22**	7
Total finance income	**22**	29
Total net finance costs	**(109)**	(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).
3. Other finance income includes £11 million (2023: £nil) relating to the release of a significant tax provision which has been classified as an adjusting item (Note 4)

6. Tax

Analysis of the tax credit in the year:	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Current tax	**19**	53
Deferred tax	**(66)**	(80)
Total tax credit	**(47)**	(27)

Analysis of tax credit in the year:	£m	£m
Tax charge in respect of adjusted profit before tax	**54**	66
Tax credit recognised as an adjusting item	**(101)**	(93)
Total tax credit	**(47)**	(27)

The tax charge of £54 million (2023: £66 million) arising on adjusted profit before tax of £215 million (2023: £264 million), results in an effective tax rate of 25% (2023: 25%).

The £101 million (2023: £93 million) tax credit recognised as an adjusting item includes £50 million (2023: £87 million) in respect of tax credits on adjustments to loss before tax of £430 million (2023: £786 million), £12 million (2023: £11 million) in respect of the tax on equity accounted investments and other adjusting tax credits of £39 million (2023: charge of £5 million). These other adjusting tax credits comprise a £45 million credit in respect of the release of a provision in Germany following the settlement of a tax audit issue relating to the years 2010 to 2021 and a £6 million charge in relation to restructuring activities (2023: £5 million).

In addition to the amounts in the Income Statement, a charge of £3 million (2023: credit of £8 million) has been recognised directly in the Statement of Comprehensive Income. This represents a tax charge of £9 million (2023: credit of £4 million) in respect of the remeasurement of retirement benefit obligations and a tax credit of £6 million (2023: £4 million) in respect of movements on hedge relationships and translation differences.

The Group's underlying effective tax rate may be impacted by the UK's substantive enactment of the Organisation for Economic Co-operation and Development's Global Anti-Base Erosion Model Rules (Pillar Two) from 2025 onwards. Upon a review of the Group's results for the year ended 31 December 2024 and their interaction with the Pillar Two rules (had they been in force in relation to the Group for that year), the Group considers that the impact of Pillar Two on its 2025 global tax position will not be material.

7. Dividends

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Interim dividend	**19**	19
Final dividend	**39**	–
Dividends paid to Related Parties	**–**	1,675
Total dividends paid	**58**	1,694

An interim dividend of 1.4 pence per ordinary share (2023: 1.4 pence) was declared by the Board on 13 August 2024 and paid on 4 October 2024, totalling £19 million (2023: £19 million).

A final dividend of 2.8 pence per ordinary share (2023: 2.8 pence) is proposed by the Board, totalling £38 million (2023: £39 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.

During the current year, the Group commenced a share buy-back programme under which £26 million of cash has been used to acquire shares in the Company. All shares acquired in this way have been cancelled.

8. Earnings per share

Earnings attributable to owners of the parent	**Year ended 31 December 2024 £m**	Year ended 31 December 2023 £m
Net loss attributable to shareholders	**(173)**	(501)
Adjustment for earnings attributable to shares subject to recall	**4**	10
Earnings for basis of earnings per share	**(169)**	(491)

	Year ended 31 December 2024 Number	Year ended 31 December 2023 Number
Weighted average number of ordinary shares (million)	**1,373**	1,390
Adjustment for shares subject to recall (million)	**(28)**	(28)
Weighted average number of ordinary shares for the purposes of basic earnings per share (million)	**1,345**	1,362
Weighted average number of ordinary shares for the purposes of diluted earnings per share (million)	**1,345**	1,362

On 3 April 2024, the Group commenced a share buy-back programme, with 41 million shares purchased and cancelled by 31 December 2024 at a total cost of £26 million.

Earnings per share	**Year ended 31 December 2024 pence**	Year ended 31 December 2023 pence
Basic earnings per share	**(12.6)**	(36.0)
Diluted earnings per share	**(12.6)**	(36.0)

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Adjusted earnings attributable to shareholders[(1)]	**156**	192
Adjustment for earnings attributable to shares subject to recall	**(3)**	(4)
Adjusted earnings for the basis of adjusted earnings per share	**153**	188

Adjusted earnings per share	**Year ended 31 December 2024 pence**	Year ended 31 December 2023 pence
Adjusted basic earnings per share	**11.4**	13.8
Adjusted diluted earnings per share	**11.4**	13.8

1. Adjusted earnings for the year ended 31 December 2024 comprises adjusted profit after tax (see Note 4c) of £161 million (2023: £198 million), net of an allocation of profit to non-controlling interests of £5 million (2023: £6 million).

9. Share of results of equity accounted investments

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

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Revenue	**600**	625
Operating costs	**(511)**	(544)
Adjusted operating profit	**89**	81
Adjusting items	**(20)**	(21)
Net finance income	**1**	2
Profit before tax	**70**	62
Tax[(1)]	**(9)**	(11)
Share of results of equity accounted investments	**61**	51

1. The tax charge for the year includes a charge of £12 million (2023: £11 million) in respect of adjusted operating profits and a credit of £3 million (2023: £nil) in respect of adjusting items.

10. Disposals

On 29 July 2024, the Group completed the disposal of the GKN Hydrogen business to Langley Holdings plc, for nominal consideration.

Classes of assets and liabilities disposed of as a result of the Hydrogen disposal were as follows:

Current	**Businesses disposed £m**
Trade and other receivables	**3**
Cash and cash equivalents	**9**
Total assets	**12**
Trade and other payables	**4**
Lease obligations	**1**
Total liabilities	**5**
Net assets	**7**

An impairment charge totalling £10 million (2023: £nil) was recorded against the value of inventory and property, plant and equipment held by the Hydrogen division to write down the assets to £nil reflecting their anticipated recoverable value, following the decision made in June 2024 to close or dispose of the business.

	Year ended 31 December 2024 £m
Proceeds received on disposal	**–**
Net assets disposed of	**7**
Disposal transaction costs	**1**
Loss on disposal of business	**8**

11. 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	(6)	–	(5)	(19)	(105)	(7)	(142)
Charge to operating profit[1]	–	–	5	19	122	2	148
Release to operating profit[2]	–	–	(6)	(52)	(7)	(3)	(68)
Unwind of discount	–	–	–	–	1	–	1
Transfers	–	–	1	5	5	1	12
Exchange adjustments	(1)	(1)	(1)	(3)	(4)	–	(10)
31 December 2024	**10**	**4**	**40**	**91**	**90**	**24**	**259**
Current	3	1	18	41	66	13	142
Non-current	7	3	22	50	24	11	117
	10	4	40	91	90	24	259

1. Includes £125 million of adjusting items and £23 million recognised in adjusted operating profit.
2. Includes £34 million of adjusting items and £34 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 amounted to £15 million (2023: £16 million). Litigation provisions amounting to £25 million (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.

During the year, a warranty provision recorded as a fair value item on historical acquisitions, was resolved for a more favourable amount than first anticipated. The related release of £27 million was recognised within adjusting items.

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.

12. 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 31 December 2024 and 31 December 2023:

	Current £m	Non-current £m	**Total £m**
31 December 2024			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	336	–	**336**
Net trade receivables	369	–	**369**
Classified as fair value:			
Derivative over own equity[1]	18	–	**18**
Derivative financial assets			
Foreign currency forward contracts	9	6	**15**
Interest rate swaps	–	3	**3**
Financial liabilities			
Classified as amortised cost:			
Interest-bearing loans and borrowings	(13)	(1,291)	**(1,304)**
Lease obligations	(29)	(103)	**(132)**
Other financial liabilities	(778)	(8)	**(786)**
Classified as fair value:			
Derivative financial liabilities			
Foreign currency forward contracts	(32)	(14)	**(46)**
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 year.

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.

13. 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 31 December 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 the most recent triennial statutory actuarial valuation as of 5 April 2022, updated to 31 December 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 the most recent triennial statutory actuarial valuation as of 1 January 2024, updated to 31 December 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:

31 December 2024	UK plans £m	US plans £m	European plans £m	Other plans £m	**Total £m**
Plan assets	613	76	16	12	**717**
Plan liabilities	(584)	(111)	(385)	(21)	**(1,101)**
Net assets/(liabilities)	29	(35)	(369)	(9)	**(384)**
Analysed as:					
Retirement benefit surplus[(1)]					**34**
Retirement benefit obligations					**(418)**
Net liabilities					**(384)**

1. Includes a surplus relating to the GKN Group Pension Scheme No.2 of £33 million and the Japan employee plan of £1 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 31 December 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)
31 December 2024			
GKN UK – Group Pension Schemes (No.2 and No.3)	**2.5**	**5.5**	**3.0/2.7**
GKN US plans	**n/a**	**5.5**	**n/a**
GKN Europe plans	**2.0**	**3.4**	**2.0/2.0**
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 year to 31 December 2024.

14. Notes to the Cash Flow Statement

	Notes	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Reconciliation of operating loss to net cash from operating activities			
Operating loss		**(106)**	(450)
Adjusting items	4	**430**	805
Adjusted operating profit	4	**324**	355
Adjustments for:			
Depreciation & impairment of property, plant and equipment		**244**	253
Amortisation of computer software and development costs		**14**	10
Share of adjusted operating profit of equity accounted investments	9	**(89)**	(81)
Gain on disposal of non-current assets		**–**	(10)
Share-based payment expense		**1**	1
Restructuring costs paid and movements in provisions		**(154)**	(100)
Demerger costs paid		**(4)**	(48)
Defined benefit pension costs charged		**8**	9
Defined benefit pension contributions paid		**(44)**	(39)
Change in inventories		**60**	(36)
Change in receivables		**86**	6
Change in payables		**(176)**	48
Corporation tax paid		**(56)**	(61)
Interest paid on loans and borrowings		**(88)**	(62)
Interest paid on lease obligations		**(6)**	(6)
Net cash from operating activities		**120**	239

Reconciliation of cash and cash equivalents, net of bank overdrafts	31 December 2024 £m	31 December 2023 £m
Cash and cash equivalents per Balance Sheet	**336**	313
Bank overdrafts	**(13)**	–
Cash and cash equivalents, net of bank overdrafts per Statement of Cash Flows	**323**	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.

	31 December 2024 £m	31 December 2023 £m
Interest-bearing loans and borrowings – due within one year	**(13)**	(2)
Interest-bearing loans and borrowings – due after one year	**(1,291)**	(1,158)
Total debt	**(1,304)**	(1,160)
Less:		
Cash and cash equivalents	**336**	313
Net debt	**(968)**	(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 31 December 2024 £m
External debt (excluding bank overdrafts)	(1,160)	(127)	(5)	1	**(1,291)**
Cash and cash equivalents, net of bank overdrafts	313	18	–	(8)	**323**
Net debt	(847)	(109)	(5)	(7)	**(968)**

The Group's committed bank facilities include a multi-currency denominated term loan of £100 million and €100 million and a multi-currency denominated revolving credit facility of £350 million, US$660 million and €450 million.

During the year the bank facility's term loan of US$400 million was repaid. US$500 million US Private Placement (USPP) was issued at fixed interest rates with tranches maturing between 5 and 12 years.

Loans drawn under these facilities 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 these facilities.

At 31 December 2024, the term loans were fully drawn at £100 million and €100 million (2023: fully drawn at £100 million and €100 million and US$400 million). A further £140 million (2023: £185 million), US$400 million (2023: US$345 million) and €310 million (2023: €244 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	
	31 December 2024 £m	31 December 2023 £m	**31 December 2024 £m**	31 December 2023 £m	**31 December 2024 £m**	31 December 2023 £m
Floating rate obligations						
Bank borrowings – US Dollar loan	**–**	–	**319**	584	**319**	584
Bank borrowings – Sterling loan	**–**	–	**240**	285	**240**	285
Bank borrowings – Euro loan	**–**	–	**339**	298	**339**	298
Unamortised finance costs	**–**	–	**(4)**	(9)	**(4)**	(9)
Other loans and bank overdrafts	**13**	2	**–**	–	**13**	2
Fixed rate obligations						
US Private Placement	**–**	–	**399**	–	**399**	–
Unamortised finance costs	**–**	–	**(2)**	–	**(2)**	–
Total interest-bearing loans and borrowings	**13**	2	**1,291**	1,158	**1,304**	1,160

15. Lease obligations

Amounts payable under lease obligations:

Minimum lease payments	**31 December 2024 £m**	31 December 2023 £m
Amounts payable:		
Within one year	**35**	31
After one year but within five years	**74**	73
Over five years	**54**	92
Less: future finance charges	**(31)**	(45)
Present value of lease obligations	**132**	151
Analysed as:		
Amounts due for settlement within one year	**29**	25
Amounts due for settlement after one year	**103**	126
Present value of lease obligations	**132**	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.

16. 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 year ended 31 December 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 year ended 31 December 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).

17. Post balance sheet events

On 29 January 2025, the Boards of Dowlais and American Axle & Manufacturing Holdings, Inc. (AAM) reached an agreement and recommended the share and cash combination of the Company with AAM. The transaction is expected to close during the fourth quarter of 2025, subject to the approval of Dowlais shareholders and AAM shareholders, as well as customary closing conditions, including regulatory clearances in Europe and the US. As a result of the recommended combination, the Group's share buy-back program has been terminated.

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.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Income Statement measures			
Adjusted revenue	Revenue	Share of revenue of equity accounted investments (Note 3)	Adjusted revenue includes the Group’s share of revenue of equity accounted investments (“EAIs”). This enables comparability between reporting periods and consistency with internal reporting.

Adjusted revenue	**Year ended 31 December 2024 £m**	Year ended 31 December 2023 £m
Revenue	**4,337**	4,864
Share of revenue of equity accounted investments (Note 3)	**600**	625
Adjusted revenue	**4,937**	5,489

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusting items	None	Adjusting items (Note 4)	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.
Adjusted operating profit	Operating loss[1]	Adjusting items (Note 4)	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.

Adjusted operating profit	**Year ended 31 December 2024 £m**	Year ended 31 December 2023 £m
Operating loss	**(106)**	(450)
Adjusting items to operating loss (Note 4)	**430**	805
Adjusted operating profit	**324**	355

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusted operating margin	Operating margin[2]	Share of revenue of equity accounted investments (Note 3) and adjusting items (Note 4)	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.

<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>Adjusted profit before tax</td><td>Loss before tax</td><td>Adjusting items (Note 4)</td><td>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.
<table>
<tr><th>Adjusted profit before tax</th><th>Year ended 31 December 2024 £m</th><th>Year ended 31 December 2023 £m</th></tr>
<tr><td>Loss before tax</td><td>(215)</td><td>(522)</td></tr>
<tr><td>Adjusting items to loss before tax (Note 4)</td><td>430</td><td>786</td></tr>
<tr><td>Adjusted profit before tax</td><td>215</td><td>264</td></tr>
</table></td></tr>
<tr><td>Adjusted profit after tax</td><td>Loss after tax</td><td>Adjusting items (Note 4)</td><td>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.
<table>
<tr><th>Adjusted profit after tax</th><th>Year ended 31 December 2024 £m</th><th>Year ended 31 December 2023 £m</th></tr>
<tr><td>Loss after tax</td><td>(168)</td><td>(495)</td></tr>
<tr><td>Adjusting items to loss after tax (Note 4)</td><td>329</td><td>693</td></tr>
<tr><td>Adjusted profit after tax</td><td>161</td><td>198</td></tr>
</table></td></tr>
<tr><td>Constant currency</td><td>Income Statement, which is reported using actual average foreign exchange rates</td><td>Constant currency foreign exchange rates</td><td>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.</td></tr>
<tr><td>Adjusted EBITDA for covenant purposes</td><td>Operating loss[1]</td><td>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 covenant purposes</td><td>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 covenant purposes is a measure used by external stakeholders to measure performance.
<table>
<tr><th>Adjusted EBITDA for covenant purposes</th><th>12 months ended 31 December 2024 £m</th><th>12 months ended 31 December 2023 £m</th></tr>
<tr><td>Adjusted operating profit</td><td>324</td><td>355</td></tr>
<tr><td>Depreciation of property, plant and equipment and amortisation of computer software and development costs</td><td>258</td><td>263</td></tr>
<tr><td>Non-controlling interests</td><td>(8)</td><td>(8)</td></tr>
<tr><td>Other adjustments required for covenant purposes[3]</td><td>(24)</td><td>(18)</td></tr>
<tr><td>Adjusted EBITDA for covenant purposes</td><td>550</td><td>592</td></tr>
</table></td></tr>
</table>

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	Year ended 31 December 2024 £m
Total finance costs	**(131)**
Total finance income	**22**
Net finance costs	**(109)**
Adjusted for:	
Net interest cost on pensions	**15**
Fair value changes on other financial assets	**10**
Amortisation of costs of raising finance	**5**
Other adjustments required for interest cover covenant purposes[4]	**(2)**
Net finance costs for interest cover covenant purposes	**(81)**

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Bank covenant definition of interest cover	None	Not applicable	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.

Interest cover	Year ended 31 December 2024 £m
Adjusted EBITDA for covenant purposes	**550**
Net finance charges for interest cover covenant purposes	**81**
Interest cover	**6.8x**

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	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Tax credit per Income Statement	**47**	27
Adjusted for:		
Tax impact of adjusting items	**(50)**	(87)
Tax impact of EAIs	**(12)**	(11)
Other adjusting tax (credits)/charges	**(39)**	5
Adjusted tax charge	**(54)**	(66)
Adjusted profit before tax	**215**	264
Adjusted tax rate	**25%**	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.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Balance Sheet measures			
Working capital	Inventories, trade and other receivables less trade and other payables	Not applicable	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.
Net debt	Cash and cash equivalents, interest-bearing loans and borrowings and finance related derivative instruments	Reconciliation of net debt (Note 14)	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.
Bank covenant definition of net debt at average rates and leverage	Cash and cash equivalents less interest-bearing loans and borrowings	Impact of foreign exchange and adjustments for bank covenant purposes	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.

Net debt	31 December 2024 £m	31 December 2023 £m
Net debt at closing rates (Note 14)	**(968)**	(847)
Impact of foreign exchange	**7**	(10)
Bank covenant definition of net debt at average rates	**(961)**	(857)
Leverage	**1.7x**	1.4x

<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">Cash Flow measures</td></tr>
<tr><td>Free cash flow</td><td>Net increase/ decrease in cash and cash equivalents (net of bank overdrafts)</td><td>Net cash from/ (used in) financing activities</td><td>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.
<table>
<tr><th>Free cash flow</th><th>Year ended 31 December 2024 £m</th><th>Year ended 31 December 2023 £m</th></tr>
<tr><td>Net cash from operating activities</td><td>120</td><td>239</td></tr>
<tr><td>Net cash used in investing activities</td><td>(119)</td><td>(194)</td></tr>
<tr><td>Free cash flow</td><td>1</td><td>45</td></tr>
</table></td></tr>
<tr><td>Adjusted free cash flow</td><td>Net increase/ decrease in cash and cash equivalents (net of bank overdrafts)</td><td>Free cash flow, as defined above, adjusted for demerger and business disposal related cash flows</td><td>Adjusted free cash flow represents free cash flow adjusted for demerger and business disposal related cash flows.
This measure is a useful metric for monitoring cash management within the Group and is consistent with internal reporting.
<table>
<tr><th>Adjusted free cash flow</th><th>Year ended 31 December 2024 £m</th><th>Year ended 31 December 2023 £m</th></tr>
<tr><td>Free cash flow</td><td>1</td><td>45</td></tr>
<tr><td>Demerger LTIP payments[5]</td><td>3</td><td>37</td></tr>
<tr><td>Other cash demerger items</td><td>1</td><td>11</td></tr>
<tr><td>Cash on disposal of business</td><td>10</td><td>–</td></tr>
<tr><td>Adjusted free cash flow</td><td>15</td><td>93</td></tr>
</table></td></tr>
<tr><td>Capital expenditure (capex)</td><td>None</td><td>Not applicable</td><td>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.</td></tr>
<tr><td>Capital expenditure to depreciation ratio</td><td>None</td><td>Not applicable</td><td>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.</td></tr>
</table>

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 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

AAM	American Axle & Manufacturing Holdings, Inc.
Accident Frequency Rate	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.
advanced differentials	Torque management components enabling specific advanced driving features such as mechanical and electronic limited slip differentials, locking differentials and disconnect devices.
Automotive	The GKN Automotive business operated by the Group.
AWD	All wheel drive.
AWD systems	Torque management components (being a power take-off unit and rear drive unit) for AWD vehicles with an East-West / transverse engine layout.
BEV	Battery electric vehicle, a light vehicle without an ICE which uses a battery to store the electricity needed to power the vehicle.
Board	The board of directors of the Company.
book-to-bill ratio	A metric used by GKN Automotive to describe, in respect of a period, the ratio of forecast lifetime revenue awarded in that period to revenues earned in the same period. It is calculated using reported FX rates and excludes aftermarket, cylinder liners and freight services revenues.
bps	Basis points.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
Company or Dowlais	Dowlais Group plc.
constant velocity joint	A type of joint which allows a driveshaft to transfer torque via a variable angle at a constant rotational speed.
demerger	The demerger of the Company from Melrose Industries PLC which took place on 20 April 2023.
Director	A director of the Company.
drivetrain	The components of a light vehicle which transfer torque from the power source to the wheels.
Driveline	A product group of GKN Automotive which comprises sideshafts and propshafts.
drive systems	Sideshafts, propshafts, and AWD systems.
drop-through margin	The margin at which incremental sales volumes contribute incremental operating profit.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EMEA	Europe, Middle East and Africa.
ePowertrain	A product group of GKN Automotive, which includes AWD systems, ePowertain components and eDrive systems.
EPS	Earnings per share.
ESG	Environmental, Social and Governance.
EVs	Electrified light vehicles, including BEVs, FCEVs and HEVs (but not including Mild Hybrids).
FCEV	Fuel cell electric vehicle, a light vehicle without an ICE which uses a fuel cell to generate the vehicle's power
FX	Foreign exchange.
global OEM	An OEM which produces light vehicles in more than one country and produces more than 100,000 light vehicles each year.
GLVP	Global light vehicle production
Group	The Company, its direct and indirect subsidiaries and other investments.
H1 or H2	The first or second half (as applicable) of the relevant financial year.
HEV	Hybrid electric vehicle, a light vehicle which uses both an ICE and a high voltage electric motor to produce torque.
Hydrogen	The GKN Hydrogen business operated by the Group.
ICE	Internal combustion engine and an ICE vehicle means a light vehicle powered by an ICE.
IFRS	International Financial Reporting Standards.
LFP	Lithium iron phosphate.
lifetime revenue	In respect of a contract, the revenue earned over the life of that contract.
light vehicle	Passenger cars and light trucks up to 6 tonnes in weight.
M&A	Mergers and acquisitions.
market	Unless otherwise specified, means the global light vehicle market.
Melrose	Melrose Industries PLC.
Mild Hybrid	An ICE vehicle which features a low-voltage electric motor to provide supplementary power to the ICE and ancillary vehicle equipment.
OEM	Original equipment manufacturer of light vehicles.
PPM	Parts per million, a measures of defects per component manufactured.
Powder Metallurgy	The GKN Powder Metallurgy business operated by the Group.
propshaft	Propeller shaft, a type of driveshaft used to transfer torque from the front of the vehicle to the rear, or vice versa.
propulsion source agnostic	The product is not only for use in an EV or ICE vehicle, but can be used in both.
Q1, Q2, Q3 or Q4	The first, second, third or fourth quarter (as applicable) of the relevant year.
S&P	S&P Global.

SBTi	Science Based Targets initiative.
sideshaft	A type of driveshaft used to transfer torque directly to the wheels of the vehicle and which typically features two constant velocity joints.
SUV	Sport utility vehicle, a type of light vehicle.
Tier 1, Tier 2, Tier 3 etc.	The tiers of supplier in the automotive supply chain, in which Tier 1 suppliers supply the OEM directly, Tier 2 suppliers supply Tier 1 suppliers, and so on.
torque	Rotational force, which in a light vehicle is generated by the engine or drive system.
US	Unites States of America.
year-on-year	A comparison to the immediately preceding financial year (or relevant period thereof).