12 September 2023

Dowlais Group plc

Half-Year Results 2023

First half trading ahead. Strong margin expansion, positive free cash flow and accelerated EV transition. Full year expectations unchanged.

Dowlais Group plc, the specialist engineering group focused on the automotive sector, announces its results for the six-month period ended 30 June 2023.

£ millions	Adjusted [1]				Statutory		
	H1 2023	H1 2022	Change	Constant FX [2]	H1 2023	H1 2022	Change
Revenue	2,830	2,518	12%	10%	2,552	2,236	14%
Operating profit/(loss)	177	127	39%	40%	(40)	(27)	-48%
Operating margin	6.3%	5.0%	130bps	140bps	-1.6%	-1.2%	(40)bps
Profit/(loss) before tax	139	109	28%	29%	(55)	(130)	58%
Basic EPS [3]	7.2p	-	-	-	(6.1)p	-	-
Free Cash Flow [3 4]	33	-	-	-	-	-	-
Net Debt [3]	849	-	-	-	-	-	-

1. All Adjusted Financial measures are defined in the Glossary to the Interim Financial Statements.
2. Represents change at constant translational FX, as defined in the Glossary to the Interim Financial Statements.
3. Prior period EPS comparator included in Note 6, but not here. Other prior period comparators are not included as not considered meaningful due to material impact of incremental central costs or are not possible to calculate due to the change in structure of the business. Prior period comparators will be included from June 2024.
4. As defined in the Glossary to the Interim Financial Statements, Adjusted Free Cash flow represents free cash flow adjusted for demerger related exceptional cash flows.

Highlights

Strong margin expansion

- Adjusted revenue of £2,830 million, up 10% on prior year on a constant currency basis.
- Adjusted operating profit of £177 million, an increase of 40% and 140bps margin improvement, in each case on a constant currency basis.
- Margin improvement driven by volume increases, operational efficiencies and improved commercial terms with customers, fully offsetting the impact of inflation. Incremental revenues at a drop-through operating profit margin[1] of 35%, excluding incremental stand-alone plc costs. Remain on-track to our margin target.
- Automotive adjusted revenues grew 12% and adjusted operating profit grew 92%, with margin increasing by 270bps, in all cases on a constant currency basis.
- Powder Metallurgy revenue grew 2% on a constant currency basis. Operating profit markedly improved in H1 in comparison to H2 2022.
- Adjusted basic earnings per share of 7.2 pence and a statutory loss per share of 6.1 pence.

Positive free cash flow

- £33 million of adjusted free cash flow, better than our expectation despite significant investment in capital expenditure and restructuring to support future growth and productivity.
- Net debt[1] of £849 million, better than our expectation with a reduction in leverage to 1.4x from a pro forma position of 1.5x as at the date of demerger.
- Inaugural interim dividend of 1.4 pence per ordinary share. Targeting a sustainable and progressive annual dividend of approximately 30% of adjusted underlying profit after tax.

Accelerated EV transition

- Strong new business bookings across the Group, with 2023 bookings at target margins.
- Record bookings for the Automotive business, with a forecast lifetime revenue of over £3 billion, the vast majority of which is EV related, including a contract to supply a 3-in-1 eDrive system for a high-performance SUV.
- Powder Metallurgy expanded its EV portfolio, notably reaching a commercial agreement for the supply of magnets for the EV market after the period end.

Outlook

- First half trading ahead of our expectations.
- Full year expectations unchanged, with potential UAW strike action being monitored closely.

1 As defined in the Glossary to the Interim Financial Statements.

Liam Butterworth, Chief Executive Officer, said:

"Dowlais had a strong first half of the year, trading ahead of our expectations, with double digit revenue growth, significant margin expansion in a period of high inflation, and better than expected free cash flow generation. We have also secured record new business bookings, the majority of which are related to EVs, at attractive margins. We remain fully on track as we progress towards our margin target and are excited by the Group's future."

Notes

Dowlais commenced trading on 20 April 2023, however these results are presented for the full six-month period (1 January to 30 June 2023), along with prior year comparative information. The term "adjusted" when used in these results has the meaning given in the glossary to the Condensed Interim Financial Statements. Unless otherwise expressly stated, references to operating profit in these results include the impact of "incremental stand-alone plc costs", principally being the costs of the Dowlais head office operations, the Board and the executive committee, which were £15 million in the period. Where such incremental stand-alone plc costs are excluded from any stated operating profit, for the purposes of making a prior period comparison, that is expressly noted. Certain other words and phrases used in this announcement have the meaning given to them in the glossary to the Condensed Interim Financial Statements.

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Results Presentation

A presentation will be hosted by Liam Butterworth (CEO) and Roberto Fioroni (CFO) on 12 September 2023 at 9.00 am. You can register to listen to the presentation online here: https://streamstudio.world-television.com/1429-2695-38046/en.

Investor Site Visit

Dowlais will be hosting an investor site visit in Spain in late October 2023, showcasing our leading Automotive technology and operational footprint, and a presentation on Powder Metallurgy highlighting key growth drivers.

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, GKN Powder Metallurgy and GKN Hydrogen. With over 70 manufacturing facilities in more than 20 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.

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.

Results Overview

Introduction

Dowlais has delivered a strong first half performance, making significant strategic and financial progress.

During the first half of the year, adjusted revenue was £2,830 million, representing year-on-year growth of 10% on a constant currency basis. Group adjusted operating profit was £177 million, including incremental stand-alone plc costs of £15 million, at a margin of 6.3%. This represents a year-on-year adjusted operating profit increase of 40% and a margin expansion of 140bps, in each case on a constant currency basis. Excluding the incremental stand-alone plc costs, adjusted operating profit grew 52% year-on-year and margins increased by 190bps, at constant currency.

This strong performance represents a drop-through operating profit margin of 35% (excluding incremental stand-alone plc costs) and is the result of increased vehicle production volumes, improved operational efficiencies and the benefits of restructuring programmes commenced in prior periods. This drop-through rate was higher than our medium-term expectation of 30%, due to softer prior period comparables. As such and in line with our plans, we expect drop-through margins to be lower in the second half of the year. Both Automotive and Powder Metallurgy also continued to show great resilience to inflationary pressures, fully offsetting these headwinds through recoveries and productivity improvements.

Dowlais generated £33 million of adjusted free cash flow during the first half. Ahead of our expectations, net debt reduced to £849 million, and when combined with an increase in EBITDA, the Group's leverage ratio reduced to 1.4x from a pro-forma position of 1.5x as at the date of demerger.

Automotive had a strong start to the year with 12% adjusted revenue growth on a constant currency basis to £2,283 million, driven by increased volumes from the market recovery, new business wins, and improved pricing including inflation recovery.

Powder Metallurgy's adjusted revenue growth of 2% on a constant currency basis was driven by higher pricing to recover inflation, with volumes impacted by the accelerating EV transition, operational issues in the US, exiting poor margin business and the closure of a facility in 2022.

For both businesses, revenue growth was supported by global light vehicle production volume recovery, enabled by the easing of semiconductor supply constraints, vehicle inventory restocking and resilient customer demand in most major markets. The Group has been well positioned to benefit from the wider market recovery, due to its market leading positions, global presence and operational agility, which have allowed us to effectively respond to increases in customer demand.

We have continued to make progress toward achieving our Group margin target, with significant margin expansion in the period despite inflationary headwinds. The Automotive business improved its operating profit margin by 270bps on a constant currency basis to 6.5%, although this was in comparison to a corresponding period in H1 2022 in which inflation recovery was lagging behind current levels. Powder Metallurgy adjusted operating profit margins were 9.2%, 110bps down in comparison to the prior year on a constant currency basis, reflecting some operational challenges in the US which have been remedied. Powder Metallurgy margins increased substantially in the second quarter and from H2 2022.

As markets continue to recover and we execute ongoing restructuring programmes, we remain confident of increasing adjusted operating profit, driving margin expansion and achieving our margin target.

New business bookings have been very strong in the period for both Automotive and Powder Metallurgy, with the majority of the Group's new bookings being on EV platforms. This continues to demonstrate the successful transition of our portfolio and our ability to capture profitable and sustainable growth from the industry shift to electrification. Notably, new bookings for both businesses are at a profitability level which supports our margin objectives. Automotive achieved contract nominations for more than £3 billion of forecast lifetime revenue in the period, a 1.3x book-to-bill ratio, with 78% of new business bookings on EV platforms and 73% on pure BEV platforms (in each case by forecast lifetime revenue). Powder Metallurgy has seen a 36% year-on-year increase in booking values, with 75% of new business bookings for propulsion-agnostic product portfolios (by forecast peak annual revenue).

Strategy Recap and Execution

Our strategy is clear and focused. We are a portfolio of market leading, high-technology engineering businesses that advance the world's transition to sustainable vehicles. We have a three-pillar approach to delivering our strategy and creating attractive shareholder returns. We plan to:

- **Lead**. Build market leading businesses, with a relentless focus on operational excellence, delivering industry leading financial performance.

- **Transform**. Invest in innovation to ensure our businesses remain at the forefront of technological advancements, delivering high-tech products and world-class performance.

- **Accelerate**. Drive organic growth and enhance the Group's portfolio through disciplined M&A.

We continued to execute well against all three pillars in the period, expanding margins, generating cash, transforming our product portfolio and securing new business that will enable profitable organic growth.

The improvement in operating margins reflects the impact of the transformation plans implemented in prior periods, in which both Automotive and Powder Metallurgy undertook significant restructuring activities and made substantial investments, overhauled their commercial strategies, reduced costs and rigorously managed cash. Dowlais remains on track to achieve our margin targets as the market recovers.

Our ability to transform our businesses alongside the industry shift to electrification was demonstrated by the accelerated transition of our product portfolios. In the period, 78% of Automotive's new business wins (by forecast lifetime revenue) were on EV platforms, including winning business in side-shafts, eDrive systems and torque-management components. Powder Metallurgy has developed several new products specifically for the EV market, such as differential gears, iron powder for LFP batteries and magnets for electric motors, for which it secured its first commercial agreement with a tier 1 customer in the period.

Demerger

Dowlais began trading as an independent listed company on 20 April 2023, with completion of the demerger from Melrose and admission of the ordinary shares of Dowlais to the main market of the London Stock Exchange.

Prior to admission, steps were taken to enable Dowlais to successfully operate as an independent company, including the establishment of the Board, Executive Committee, and the group central functions necessary to replace the activities previously carried out by Melrose. A lean corporate organisation has been established (at a total cost of £15 million in H1 and expected full year cost of approximately £30 million) to oversee and support the businesses, each of which are led by their own fully-empowered business unit CEO.

An experienced Board with a broad and relevant range of skills has been assembled, chaired by Simon Mackenzie Smith, with four executive directors including CEO Liam Butterworth and CFO Roberto Fioroni, and five independent non-executive directors, with extensive experience in industrial businesses.

Market Overview

Automotive markets have continued to improve in the period, with year-on-year global light vehicle production growth of 12%.

H1 Light Vehicle Production

	Production (million units)		
	H1 2023	**H1 2022**	**Year-on-year growth**
China	12.7	11.7	8%
EMEA	10.3	9.0	14%
North America	8.0	7.1	12%
Japan/Korea	6.3	5.2	21%
South Asia	4.8	4.6	5%
South America	1.4	1.3	10%
Global	**43.5**	**38.9**	**12%**

Source: S&P Global light vehicle production forecast, August 2023

Production rates have varied between regions, with Japan/Korea, EMEA and North America driving global growth. This global volume recovery has been tempered by slower production growth in China, mainly due to weakened consumer demand and a general slowdown in economic growth in that region.

Many of the supply-limiting challenges of prior years, including the impact of Covid-19, semiconductor shortages and other supply chain disruptions, have to a certain extent abated in 2023. At the same time, consumer spending has been robust in most major markets and many vehicle OEMs are going through a period of re-stocking depleted inventories and satisfying order backlogs that has led to market growth in H1.

In the second half of the year, the global market is expected to be flat in comparison to the prior year. However, these production forecasts remain uncertain in nature, in particular due to the potential for strike action by UAW members in the US, in connection with their ongoing negotiations with Stellantis, Ford and General Motors. The Group has a good track record of responding to demand fluctuations and we are monitoring the potential strike action closely and planning for all possible outcomes.

Sustainability

At Dowlais, our purpose is engineering transformation for a sustainable world, positively impacting people and communities. Sustainability represents a fundamental part of our strategy.

During the period, we continued to make progress with our sustainability agenda. We aim to be at the forefront of the global shift to electric vehicles by developing products that enable our customers to drive reductions in carbon emissions. In addition to supporting the industry transition, it is also vitally important that our own operations are aligned with the goal set by the Paris Agreement to limit global temperature increases to 1.5° C above pre-industrial levels.

During the period we defined sustainability commitments for the year, and we have made progress against each of these.

Strategy. We determined that we would clearly define Dowlais' ESG strategy based on double materiality and that we would set suitable targets aligned to UN SDGs, including an SBTi commitment. We are progressing with our strategy definition and have maintained our businesses' commitment to achieving net zero by 2045. We are on track for both Automotive and Powder Metallurgy to have submitted science-based targets for validation by the end of the year.

Governance. We are committed to high standards of corporate governance and to complying with the UK Corporate Governance Code. We will report on this in more detail in our first annual report when it is published in 2024. We have also established a Group Sustainability Management Committee, chaired by the CEO, to oversee the Group's sustainability activities.

Reporting & disclosures. We are on track to publish our first consolidated sustainability report alongside our 2023 annual report and accounts and will engage with ESG ratings agencies during the next 12 months.

Actions Taken. We have seen progress in the period and continue to be proud of the great work our businesses undertake on sustainability. Automotive launched its sustainability strategy in 2021, introducing a new framework to coordinate existing sustainability activities under four strategic pillars: Our People, Climate Action, Responsible Sourcing and Our Impact. Underpinning this is a strong focus on ethics, safety and security, and compliance. Automotive continued to make progress against its business-specific sustainability strategy during the first half of the year. An inaugural sustainability report was published in June 2023, which included an update on progress against all key targets, and confirmed Automotive's net zero target of 2045, which has been submitted to the SBTi for validation this year. To achieve this, the business will focus on improving energy efficiency across its global plants, increasing its sourcing of on-site and off-site renewable electricity, engaging with suppliers on sustainability and investing in technologies that contribute to the decarbonisation of the industry. To this end, Automotive is currently evaluating Power Purchase Agreements for renewable electricity for its European operations.

Powder Metallurgy also continued to make substantial progress in the period. It improved its consumption monitoring infrastructure to enable digitally available readings and optimised its part-level digital CO_2 footprint calculation tool. It received an innovation award from a key customer for this application, which will be further deployed this year. Progress continues to be made on energy efficiency improvement projects, as well as a significant increase in sourcing on-site and off-site renewable electricity. An EcoVadis silver rating was confirmed in the period, which places Powder Metallurgy within the top 25% of assessed businesses for the second year in a row. An SBTi commitment letter was signed and SBTi targets will be submitted later this year for validation.

Outlook

The positive first half trading, ahead of our expectations, would ordinarily have led to an increase in full year outlook. Second half demand is uncertain due to the proposed strike action by UAW members in the US. We are monitoring this situation closely and our full year expectations remain unchanged. Irrespective of the potential UAW action, the Board is excited by the future prospects for the Group, as it remains on track to achieve its margin target as the market recovers and continues to be at the forefront of the industry transition to electrification.

Business Unit Review

Automotive

GKN Automotive is a world-leading global automotive technology business at the forefront of innovation. It is the trusted partner for most of the world's automotive companies, specialising in developing, building, and supplying market-leading drive systems and advanced ePowertrain technologies. It is the global leader in sideshafts, with eight out of ten of the world's best-selling cars using its technology. GKN Automotive's first eDrive system was fitted to a production car over 20 years ago. Today, over two million electrified vehicles worldwide are powered by this technology.

Automotive Overview

£ millions	**Adjusted [1]**				**Statutory**		
	H1 2023	H1 2022	Change	Constant FX [2]	H1 2023	H1 2022	Change
Revenue	2,283	2,003	14%	12%	2,018	1,733	16%
Operating Profit/(loss)	149	78	91%	92%	(34)	(50)	32%
Operating Margin	6.5%	3.9%	260bps	270bps	-1.7%	-2.9%	120bps

1. All Adjusted Financial measures are defined in the Glossary to the Interim Financial Statements.
2. Represents change at constant translational FX, as defined in the Glossary to the Interim Financial Statements.

The Automotive business has made significant progress in the first half of 2023, with strong growth, significant margin expansion and record new business bookings, the majority of which are for EV platforms.

Adjusted revenue grew 12% year-on-year on a constant currency basis, with total adjusted revenue of £2,283 million for the half. Notably, revenue growth in the Americas region was above market, where both its Mexico plants and its US eDrive component plants achieved record production levels. Statutory revenue grew to £2,018 million, an increase of 16% year-on-year.

The business continues to expand margins, with adjusted operating margin increasing significantly in the period by 270bps (on a constant currency basis) to 6.5%. This represents a year-on-year increase of 92% on a constant currency basis, and a drop-through margin of 39%, albeit from a softer comparable period due to a lag on inflation recovery, and as such we expect future drop-through margins to be closer to 30%. This performance has been achieved despite ongoing inflationary headwinds. The business fully offset the impact of inflation through multiple levers, with 75% offset by purchasing efficiencies and price recoveries and the balance by plant productivity and other initiatives.

Automotive has continued to make significant progress in improving the competitiveness of its manufacturing footprint in the period. In January 2023, it announced the proposed closure of a driveline plant in Mosel, Germany. Following consultation and negotiation with affected employees and other stakeholders, the final phase of the plant closure will take place in H2 2025. Relocation of production to other facilities has commenced. In January 2023, Automotive also announced the investment in a new manufacturing facility in Miskolc, Hungary. This is intended to be a state-of-the-art, sustainably constructed facility of 29,000 square metres in its first phase, which is expected to commence operation this month. Finally, in the period Automotive also invested in expanding its Mexico facilities by a total of 28,000 square metres, adding additional manufacturing and engineering capabilities. The operational changes made in this period are part of a wider industrial strategy to ensure Automotive remains competitive and able to sustainably drive margin improvement, as a result of which Automotive expects that in the medium-term approximately 60% of its workforce will be located in what it considers to be 'best cost countries', up from 40% in 2019.

Automotive has made significant progress in securing new business in the period, with contracts worth more than £3 billion of forecast lifetime revenue awarded. This represents a 10% increase in business wins for the equivalent period in the prior year and represents a book-to-bill ratio of approximately 1.3x.

Notably, 78% of these new business awards have been related to EV platforms, with 73% for pure BEV platforms (in each case by forecast lifetime revenue). This includes not only sideshafts tailored for EVs and torque management components, but also a contract for a full 3-in-1 eDrive system. The award is for two electric drive units (front and rear) for use in a high-performance electric SUV and includes sophisticated torque management components and software. This application will feature its next-generation inverter, designed in-house, which delivers enhanced performance and sustainability, including a 20% power output increase and 50% power density increase over the previous generation. This win demonstrates the strength of its eDrive system capabilities and customer confidence in its technology, quality and systems engineering expertise. Most importantly, the forecast profitability of this award helps support our margin objectives.

Looking ahead, Automotive's priorities remain unchanged: continued margin expansion; technology development to support the transition to electrification; and sustainable, profitable growth. We expect Automotive's revenue growth in line with market to continue into the second half of 2023 and for the business to continue to successfully expand its order book on EV platforms. The positive margin trajectory is also expected to continue, as the business maintains inflation recovery momentum and benefits from the optimisation of its manufacturing cost base. The business remains on track to deliver its double-digit margin target in the medium term.

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 for powder metal materials and sintered metal components, with 27 manufacturing facilities globally. The business comprises three focused divisions under one brand, consisting of GKN Powders/Hoeganaes, GKN Sinter Metals, and GKN Additive, to provide material development, high-precision powder metal solutions and 3D printed parts.

Powder Metallurgy Overview

£ millions	**Adjusted** [1]				**Statutory**		
	H1 2023	H1 2022	Change	Constant FX [2]	H1 2023	H1 2022	Change
Revenue	545	515	6%	2%	532	503	6%
Operating Profit	50	54	-7%	-8%	25	20	25%
Operating Margin	9.2%	10.5%	-130bps	-110bps	4.7%	4.0%	70bps

1. All Adjusted Financial measures are defined in the Glossary to the Interim Financial Statements.
2. Represents change at constant translational FX, as defined in the Glossary to the Interim Financial Statements.

Powder Metallurgy had a satisfactory first half of 2023, with improving trends through the period. Adjusted revenues were £545 million, 2% ahead of 2022 on a constant currency basis. This reflected 1% lower year-on-year volumes, which were impacted by the accelerating EV transition, operational issues in the US, exiting poor margin business and the closure of a facility in 2022, which were more than offset by price increases to recover inflation.

Adjusted operating profit in the period was £50 million, at a margin of 9.2%. This compares to a margin of 10.5% for the same period in 2022. The decline in margin is attributable to three factors: a positive one-off receipt during the same period in 2022, lower volumes in Q1 and a one-off cost related to equipment downtime in a US plant which has been remedied. Encouragingly, margins increased substantially from Q1 to Q2 by 180bps, and from H2 2022 by 80 bps, in each case on a constant currency basis, as volumes increased and operational performance improved.

As with the Automotive business, Powder Metallurgy has been heavily focused on inflation recovery in the first half of the year. The business is currently forecasting to recover approximately 95% of commodity and energy inflation for the full year through pricing initiatives and surcharge pass-through agreements. In the period, all inflation-related impacts were offset by either recoveries or operational efficiencies.

Powder Metallurgy also had a successful first half of the year from a commercial perspective, securing new business wins with a 36% year-on-year increase in forecast peak annual revenues (which we consider to be the most suitable metric for Powder Metallurgy). Approximately 75% of the value of these wins were from propulsion-agnostic product groups by forecast peak annual revenue, a material step-up from the prior year, and a confirmation that the new products it has developed over recent years are gaining commercial traction.

The business has also made significant progress on its EV portfolio transition and has now secured contracts for the supply of several EV-specific products, including iron powder for use in LFP batteries and sintered metal gears for differentials used in EVs. The differential gears award represents the single largest order ever won by Powder Metallurgy, with production due to commence in 2025.

Powder Metallurgy's momentum with the development of permanent magnets for electric motors increased during 2023. The business achieved a very notable milestone in the period, as they reached their first commercial agreement for the manufacture of magnets with a global tier 1 automotive customer. Growth in magnets is a key component of Powder Metallurgy's strategy to successfully manage the EV transition, and the business continues to see significant interest in these products from multiple customers (both OEMs and tier 1 suppliers), who wish to de-risk their supply chains for these critical components. Commercial negotiations and advanced technical qualifications are underway with several additional potential customers. The business has also accelerated technical development and is well-positioned to gain a meaningful foothold in this rapidly growing market, with this agreement validating its approach. Innovation centres for permanent magnets have been established in both Europe and North America, with both facilities currently producing sample quantities of magnets for customers. In addition, a low scale production line capable of producing up to 400 tons of permanent magnets per year is under construction and intended to be operational in Q1 2025, and appropriate investment in full-scale production facilities will be considered when demand reaches the required threshold. The business is also establishing its supply chains for the raw material and industrial equipment required for this new segment. We will continue to assess this opportunity, mindful of our required financial returns as we consider any potential investment, but the Board's view is that the longer-term outlook and potential shareholder returns are exciting.

Powder Metallurgy remains on track to fully offset inflation this year, as it did in 2022, whilst achieving significant order book growth and making important commercial progress on its EV portfolio transition. As inflationary pressures ease and energy and commodity prices normalise, surcharge revenue will adjust accordingly in the second half of the year. The business is highly focused on continuing its stronger recent operational performance and accelerating its EV transition strategy, and has a clear pathway to long term growth and margin expansion.

Hydrogen

GKN Hydrogen is pioneering green, safe, emission-free storage solutions for hydrogen that will support the world to achieve net zero. Its compact hydrogen storage solutions are based on patented metal hydride technology which is suitable for existing or new infrastructure projects and provides the long-term storage of excess energy. Applications include off-grid energy supply in residential areas and purpose-built structures, charging infrastructure for EVs and CO2-neutral emergency power supply for critical infrastructure. Its systems can also be used to store excess gas created as a bi-product of energy-intensive manufacturing processes, thereby reducing CO2 emissions.

Hydrogen Overview

£ millions	Adjusted [1]				Statutory		
	H1 2023	H1 2022	Change	Constant FX [2]	H1 2023	H1 2022	Change
Revenue	2	0	n/a	n/a	2	0	n/a
Operating loss	(8)	(6)	-33%	-33%	(8)	(6)	-33%

1. All Adjusted Financial measures are defined in the Glossary to the Interim Financial Statements.
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Hydrogen's innovative storage technology continued to generate commercial traction in the period, its order book increased and it reached an agreement with its Swiss partner eRevo, to build a grid-parallel energy system solution. It also installed and commissioned eight new systems in the US and Europe, increasing the total number of systems which are operational, or in production or commissioning to 19. In the first half of the year, the business generated £2 million of revenue (more than double 2022 full year revenue) at an operating loss of £8 million.

Whilst remaining focused on bringing its products to market, Hydrogen continues to develop and refine its underlying technology. A new large-scale storage system, Hy2Mega, is undergoing final testing, with four systems, each with 8.3MWh capacity, to be commissioned in the second half of the year.

2023 has seen an increase in global legislative support for hydrogen storage technologies, including the US Inflation Reduction Act which includes significant funding for hydrogen energy infrastructure, and positive legislative trends in Europe and Japan.

In April 2023, the business opened its new hydrogen technology centre in Pfalzen, Italy. Approximately 60 employees will lead global development and production activities. It intends to continue to work closely with research institutions, universities, and industry partners to promote local and international cooperation and knowledge exchange.

In the second half of the year, Hydrogen will continue to focus on expanding its order book, targeting scalable customers such as Engineering, Procurement and Construction businesses (EPCs), utilities providers and relevant industrial businesses.

We believe that the Hydrogen business would benefit from the involvement of a strategic commercial partner as it seeks to accelerate the commercial adoption of its technology, and we have initiated a process to identify potential partnership options.

Financial Review

A combination of positive commercial and market momentum and focus on managing our cost base, enabled the Group to deliver encouraging year-on-year improvements on its key performance measures in the period. Persistent inflation (mainly labour and energy) continues to be a headwind, but our businesses are now well rehearsed at managing these challenges and continue to fully off-set inflation.

Results Overview

£ millions	**Adjusted** [1]				**Statutory**		
	H1 2023	H1 2022	Change	Constant FX [2]	H1 2023	H1 2022	Change
Revenue	2,830	2,518	12%	10%	2,552	2,236	14%
Operating Profit/(loss)	177	127	39%	40%	(40)	(27)	-48%
Operating Margin	6.3%	5.0%	130bps	140bps	-1.6%	-1.2%	(40)bps
Operating Profit/(loss) Excl. Stand-Alone Costs [3]	192	127	51%	52%	-	-	-
Operating Margin Excl. Stand-Alone Costs [3]	6.8%	5.0%	180bps	190bps	-	-	-
Profit/(loss) before tax	139	109	28%	29%	(55)	(130)	58%
Basic EPS [4]	7.2p	-	-	-	(6.1p)	-	-
Free Cash Flow [4]	33	-	-	-	-	-	-
Net Debt [4]	849	-	-	-	-	-	-

1. All Adjusted Financial measures are defined in the Glossary to the Interim Financial Statements.
2. Represents change at constant translational FX, as defined in the Glossary to the Interim Financial Statements.
3. Excludes £15 million of incremental stand-alone plc costs from H1 2023, as defined on page 2.
4. Prior period EPS comparator included in Note 6, but not here. Other prior period comparators are not included as not considered meaningful due to material impact of incremental central costs or are not possible to calculate due to the change in structure of the business. Prior period comparators will be included from June 2024.

Revenue

Adjusted revenue in the period increased by 12% to £2,830 million (H1 2022: £2,518 million), with constant currency growth of 10%. This reflected volume growth of £183 million and pricing increases of £62 million, as the businesses recovered significant input cost inflation. Statutory revenue in the period was £2,552 million (H1 2022: £2,236 million) with reported growth of 14%. Statutory and adjusted revenue also benefitted from a foreign exchange tailwind of approximately £60 million. The regional breakdown of Group Revenues in the period is below.

H1 Revenue Share by Region	
Americas	42%
Europe, Middle East & Africa	35%
China [1]	12%
Asia (Ex China)	11%

1. China revenues at JV share.

Profit

Adjusted operating profit in the period increased by 40% to £177 million (H1 2022: £127 million), with margin improvement of 140bps, in each case on a constant currency basis. This increase was a result of increased volume, operational improvements and offsetting inflation through a combination of customer price increases and strong operational performance. Excluding incremental stand-alone plc costs, adjusted operating profit in the period increased to £192 million, an increase of 52% on a constant currency basis. The outcome was that incremental revenues contributed to operating profit at a drop-through operating profit margin of 35% (£183 million of year-on-year volume increases resulting in £65 million adjusted profit growth compared to the prior year, excluding incremental stand-alone plc costs). This strong drop-through percentage is expected to be somewhat lower in the second half of the year, due to tougher prior year comparators.

Year-on-Year Adjusted Operating Profit Bridge	**£millions**
H1 2022 Adjusted Operating Profit	**127**
Volume	53
Pricing net of inflation	(4)
Performance	17
Incremental stand-alone plc costs	(15)
FX/Other	(1)
H1 2023 Adjusted Operating Profit	**177**

The statutory operating loss in the period was £40 million (H1 2022: £27 million loss), with the primary adjustments between Adjusted and Statutory Operating Profit being amortisation of intangible assets (£99 million), which is excluded from adjusted results due to its non-trading nature and to enable comparison with companies that grow organically, restructuring costs (£88 million) which are adjusting items due to their size and non-trading nature, and demerger costs (£39 million). A full reconciliation between Adjusted and Statutory Operating Profit is provided in the Glossary to the Interim Financial Statements.

Translational Foreign Exchange Impact

The difference in reported and constant currency values relates to translational foreign exchange impacts as further set out on in the Glossary to the Interim Financial Statements. When considering the sensitivity of full year adjusted operating profit to translational foreign exchange movements, we expect that a 10% strengthening of certain underlying currencies against Sterling would increase adjusted operating profit as follows: USD approximately £18 million; EUR approximately £6 million; and CNY approximately £8 million.

Finance Income and Charges

The Group's net finance charges of £15 million (H1 2022: £103 million) represent £40 million of finance costs (H1 2022: £185 million) and £25 million of finance income (H1 2022 £82 million). The £40 million of finance costs include interest on bank borrowings of £19 million (H1 2022: £2 million), finance lease charges of £3 million (H1 2022: £3 million) and interest on the Group's pension schemes of £9 million (H1 2022: £4 million). The increase in interest compared to the prior year reflects the change in capital structure to a standalone entity following the demerger. Finance income is primarily foreign exchange movements on loans with related parties of £22 million (H1 2022: £80 million).

As at 30 June 2023, the Group had fixed the interest rates of 40% of the drawn debt under its banking facilities with interest rate swaps, maturing in line with the debt facilities. In the period following 30 June 2023 a further 15% of drawn debt was similarly fixed. The Group is actively monitoring interest costs in light of increasing global interest rates.

Additional finance income and charges were incurred up to the date of demerger from Melrose including an interest charge on loans from Melrose totalling £8 million (H1 2022: £12 million) and foreign exchange movements on loans with Melrose, being a net income of £22 million (H1 2022: net expense of £50 million). We expect full year net finance charges to be approximately £70 million.

Cash Flow

Free cash flow in the period was negative at £6 million, although this reflects costs of £39 million relating to the demerger which are non-recurring in nature, including incentive payments under the terms of a prior Melrose scheme which became payable at the point of the demerger and costs relating to the establishment of the Group's new head office. Excluding these non-recurring costs, adjusted free cash flow was positive at £33 million.

Adjusted Free Cash Flow [1]

£ millions	30 June 2023	30 June 2022
Net cash from operating activities	82	5
Net cash used in investing activities	(88)	(34)
Free Cash Flow [1]	**(6)**	**(29)**
Demerger Related Costs	39	-
Adjusted Free Cash Flow [1]	**33**	**(29)**

1. All Adjusted Financial measures are defined in the Glossary to the Interim Financial Statements.

Net cash from operating activities was £82 million, an increase from £5 million in H1 2022. This was primarily the result of the increase in EBITDA of £47 million and improved working capital management, which accounted for an improvement of £28 million year-on-year. The Group also benefited from reduced restructuring cash costs. Tax paid in the period was less than in H1 2022 due to timing of payments, offset by interest payments on external debt, which is an incremental cash outflow reflecting the Group's new funding structure.

Investing activities resulted in a net cash outflow of £88 million, a £54 million increase compared to H1 2022 (£34 million outflow in H1 2022). An increased level of net capital expenditure of £122 million (H1 2022: £63 million) was the primary reason, due to an increase in capital expenditure to support new business wins and continued investment in the Group's manufacturing operations, including the construction of the new Automotive manufacturing facility in Hungary. This was partly offset by an increase in dividends received from investments in joint ventures to £33 million (H1 2022: £29 million). We expect full year restructuring cash outflows of approximately £100 million.

Financing

The Group is funded through two new core banking facilities put in place as part of the demerger process, comprised of a multicurrency term loan and revolving credit facility, with a combined facility limit of £1.8 billion, at 30 June 2023 exchange rates. Both facilities have an initial maturity date of 20 April of 2026, and the Group has the option to extend the revolving credit facility for up to two further one-year periods, at its sole discretion.

The Group's net debt at 30 June 2023 was £849 million, better than our expectation.

Net Debt

£ millions	30 June 2023
External debt	(1,149)
Cash and cash equivalents	300
Net debt	**(849)**

The Group's net leverage ratio at 30 June 2023 was 1.4 times adjusted EBITDA, comfortably below the covenant requirement under its debt facilities of 3.5 times, and aligned with the Group's intention to maintain a strong balance sheet with net leverage of between 1-1.5 times last-twelve-months adjusted EBITDA. The leverage covenant will be first tested at December 2023 and a separate interest cover covenant (which measures the adjusted EBITDA to net interest charge over the preceding 12 months and requires a ratio of at least 4.0 times) does not come into effect until June 2024, but we expect to have comfortable headroom above this target.

Retirement Benefit Obligations

The Group operates several defined benefit pension schemes. The Group's assets and liabilities under these schemes were calculated at 30 June 2023 to reflect the latest assumptions and are summarised below.

Position at 30 June 2023	**Assets**	**Liabilities**	**Accounting Surplus / (Deficit)**
	£m	**£m**	**£m**
GKN UK Group pension schemes (No. 2 and No. 3)	631	(624)	7
Other Group pension schemes	111	(571)	(460)
Total Group pension schemes	**742**	**(1,195)**	**(453)**

The Group's most significant defined benefit pension plans are the defined benefit sections of the UK pension schemes, the GKN Group Pension Plan No. 2 and the GKN Group Pension Plan No. 3. These defined benefit sections are closed to new members and to the accrual of future defined benefits for current members. The Group continues to contribute £15 million per annum to these UK schemes as part of its asset backed funding arrangements. As at 30 June 2023, the schemes had aggregate gross assets of £631 million (31 December 2022: £666 million) and gross liabilities of £624 million (31 December 2022: £649 million), resulting in a net surplus of £7 million (31 December 2022: £17 million). In April 2022, the UK schemes were subject to their triennial statutory valuation, the outcome of which and the related funding principles were agreed by the Group with the trustee directors of the schemes. The valuation has not resulted in any need to increase the level of financial contributions made by the Group to the schemes. The Group looks forward to continuing to build on the good working relationship it has established with the trustee directors and to continuing to take steps to ensure that the UK schemes remain well-funded, for the benefit of all stakeholders.

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 members. At 30 June 2023, the future obligations associated with these plans represented an unfunded liability of £393 million (31 December 2022: £405 million). Other pension liabilities outside the UK include those relating to schemes in the US (£47 million), Mexico (£9 million), Italy (£4 million) and France (£2 million). We expect full year pension cash outflows of approximately £40 million.

Tax

The results for the period show an adjusted tax charge of £36 million (H1 2022: £21 million), arising on an adjusted profit before tax of £139 million (H1 2022: £109 million). The Group's current underlying adjusted effective tax rate is approximately 26% (H1 2022: 19%). The H1 2022 rate was lower than usual and the H1 2023 rate is more in line with our expectations for the full year, for which we expect a similar tax rate between 25% and 26%.

Earnings Per Share

In accordance with the Group's measurement of performance, the Group also presents its earnings per share (EPS) on an adjusted basis. Adjusted EPS for the period was 7.2 pence per ordinary share. The table below reconciles this basis to the statutory earnings per share. The adjusting items between statutory and Adjusted Earnings per share are amortisation of intangible assets, restructuring costs and demerger costs, as shown in Notes 4 and 6 of the Interim Financial Statements.

Earnings Per Share (statutory v adjusted)	
Statutory basic earnings per ordinary share	**(6.1)p**
Adjustments for:	
Amortisation of acquired intangible assets net of tax	5.3p
Other adjusting items net of tax	8.0p
Adjusted [1] basic earnings per ordinary share	**7.2p**

1. Described in the Glossary to the Interim Financial Statements

Dividend

The Board recognises the value to shareholders of a dividend. In the context of the Group's continued focus on a careful and balanced capital allocation policy, the Board has adopted a dividend policy in which Dowlais will target a sustainable and progressive annual dividend of approximately 30% of adjusted underlying profit after tax. The Board believes that this dividend policy will represent an attractive return for investors as part of Dowlais overall equity case and can be supported by the Group's future cashflows.

The Board has declared an interim dividend of 1.4 pence per ordinary share. The interim dividend will be paid on 27 October 2023 to shareholders on the register on 22 September 2023. The deadline to elect to participate in the Dividend Reinvestment Plan (DRIP) is 6 October 2023.

Principal Risks & Uncertainties

The principal risks and uncertainties affecting the Group at the time of the demerger were set out under "Risk Factors" on pages 7 to 21 of Dowlais' prospectus published on 3 March 2023. The risks and uncertainties faced by Dowlais remain substantially unchanged since that date and those risks that the Board consider to be our principal risks are summarised below. They are not listed in order of significance.

Product Quality and Safety: Product quality and safety is key to Dowlais' business and Dowlais may be exposed to warranty, product recall and liability claims in the event that our products fail to perform as required or are unsafe.

Operational Delivery: Dowlais has global manufacturing operations in a significant number of countries and our operations and processes are complex and our customers' delivery expectations demanding. This creates a risk of material disruption in the event of any failure of key equipment, systems or other disruption at a site or production line.

Supply Chain: Dowlais could be adversely affected we are unable to recover increases in input and operating costs from our customers or reduce or eliminate those costs. These input costs, such as commodity, energy, labour and transportation costs, can be impacted by a variety of factors outside the Group's control. Disruptions in supply chains may negatively impact the Group, particularly as automotive industry supply chains generally operate on the basis of a "just in time" model.

People: Dowlais is dependent on management, employees and other skilled and qualified personnel and may not be able to attract and retain sufficiently qualified, experienced and motivated people.

Economic and Political: Dowlais operates in numerous countries and is therefore potentially affected by global economic and political conditions and events in those countries. The potential strike action in the US referenced above is an example of this risk.

Competition and Market: Dowlais operates in highly competitive markets and faces the risk of loss of business to its competitors. In addition, Dowlais revenues can be significantly affected by global light vehicle demand and production levels, both of which are beyond Dowlais' control.

Legal and Ethical: Dowlais is subject to applicable laws and regulations in the jurisdictions and industries in which it operates globally. Dowlais' geographic breadth, scale and complexity presents a risk that it may fail to fully comply with all applicable laws and regulations.

Information and Cyber: Information security and cyber threats are an increasing risk across all industries, including the automotive sector. Dowlais faces the risk of cyber-attacks and other information security risks, including the risk of loss of the confidentiality, integrity and availability of Dowlais' information through malicious or accidental means, and the risk of fraud and ransomware attacks.

Technology and Industry Evolution: Dowlais has market-leading technologies in the sectors in which it operates and successfully navigating the electric vehicle transition is at the heart of the Group's strategy. However, there is nevertheless a risk that the Group may be unable to maintain sufficient technological differentiation, or successfully adapt to technological change in its key markets.

Financial: Dowlais requires a level of debt to fund its operations and the ability to raise debt or to refinance existing borrowings in the banking or capital markets is dependent on market conditions and the proper functioning of financial markets. In addition, Dowlais has a number of legacy defined benefit pension schemes, and changes in discount rates, inflation, asset values or mortality assumptions could require the Group to contribute additional funding. Finally, due to the global nature of its operations and customers, Dowlais is exposed to currency exchange rate risk, including transaction risk and translation risk.

Mergers and Acquisitions: Dowlais' strategy includes the potential to pursue selective mergers and acquisitions. This strategy brings with it the usual risks inherent in M&A, including identifying available and suitable targets, successfully negotiating and transacting the acquisition and where necessary integrating the acquired business into Dowlais' existing operations.

Going Concern

As part of their consideration of going concern, the Board has reviewed the Group's future cash forecasts and profit projections, which are based on market and internal data and recent past experience.

The Group has also modelled a reasonably possible downside scenario against future cash forecasts and for this reasonably possible downside scenario, the Group has sufficient headroom to avoid breaching any of its financial covenants and would not require any additional sources of financing throughout the forecast period of 12 months from the date of this announcement.

The macroeconomic environment remains uncertain and volatile and the impacts of events outside the Group's control on trading conditions and supply chain constraints could be more prolonged or severe than that which the Board has considered in this reasonably possible downside scenario.

However, the Group's current committed bank facility headroom, its access to liquidity, and the bank covenants in place with the Group's lending banks, allow the Board to consider that the Group can manage its business risks successfully and adopt a going concern basis in preparing these Condensed Interim Financial Statements.

Responsibility Statement

The directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with UK-adopted IAS34 'Interim Financial Reporting'; and

- the interim management report includes a fair review of the information required by DTR 4.2.7 (indication of important events and their impact, and a description of principal risks and uncertainties for the remaining six months of the financial year) and DTR 4.2.8 (disclosure of related parties' transactions and changes therein).

The directors of Dowlais Group plc are listed on page 51 of Dowlais' prospectus published on 3rd March 2023 and on the Group's website www.dowlais.com under the page headed "Our Board".

By order of the Board

Liam Butterworth
Chief Executive Officer

Roberto Fioroni
Chief Financial Officer

12 September 2023

Independent Review Report to Dowlais Group plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30th June 2023 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity and related notes 1 to 15.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30th June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

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

Conclusion Relating to Going Concern

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

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

Responsibilities of the directors

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

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

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

Use of our report

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

Deloitte LLP
Statutory Auditor
London, United Kingdom
11th September 2023

Dowlais Group plc
Condensed Consolidated Income Statement

	Notes	**6 months ended 30 June 2023 Unaudited £m**	6 months ended 30 June 2022 Unaudited £m	Year ended 31 December 2022 Audited[1] £m
Revenue	3	**2,552**	2,236	4,595
Cost of sales		**(2,164)**	(1,930)	(3,937)
Gross profit		**388**	306	658
Share of results of equity accounted investments	8	**13**	10	49
Net operating expenses		**(441)**	(343)	(649)
Operating (loss)/profit	3,4	**(40)**	(27)	58
Finance costs		**(40)**	(185)	(272)
Finance income		**25**	82	151
Loss before tax		**(55)**	(130)	(63)
Tax	5	**(27)**	29	(14)
Loss after tax for the period		**(82)**	(101)	(77)
Attributable to:				
Owners of the parent		**(85)**	(103)	(82)
Non-controlling interests		**3**	2	5
		(82)	(101)	(77)
Earnings per share				
- Basic	6	**(6.1)p**	(7.4)p	(5.9)p
- Diluted	6	**(6.1)p**	(7.4)p	(5.9)p
Adjusted[2] results				
Adjusted revenue	3	**2,830**	2,518	5,246
Adjusted operating profit	3,4	**177**	127	333
Adjusted profit before tax	4	**139**	109	297
Adjusted profit after tax	4	**103**	88	218
Adjusted basic earnings per share	6	**7.2p**	6.2p	15.3p
Adjusted diluted earnings per share	6	**7.2p**	6.2p	15.3p

[1] Audited as part of the carve out Historical Financial Information issued in the Dowlais Group plc prospectus prior to listing on the London Stock Exchange. See note 1.2 for further information.
[2] Defined in the summary of significant accounting policies (see note 2).

Dowlais Group plc
Condensed Consolidated Statement of Comprehensive Income

	Notes	**6 months ended 30 June 2023 Unaudited £m**	6 months ended 30 June 2022 Unaudited £m	Year ended 31 December 2022 Audited[1] £m
Loss after tax for the period		**(82)**	(101)	(77)
Items that will not be reclassified subsequently to the Income Statement:				
Net remeasurement (loss)/gain on retirement benefit obligations		**(6)**	180	72
Income tax credit/(charge) relating to items that will not be reclassified	5	**1**	(55)	(27)
		(5)	125	45
Items that may be reclassified subsequently to the Income Statement:				
Currency translation		**(145)**	207	272
Share of other comprehensive (expense)/income from equity accounted investments		**(38)**	22	12
Derivative gains on hedge relationships		**32**	-	-
Income tax charge relating to items that may be reclassified	5	**(5)**	(2)	(12)
		(156)	227	272
Other comprehensive (expense)/income for the period		**(161)**	352	317
Total comprehensive (expense)/income for the period		**(243)**	251	240
Attributable to:				
Owners of the parent		**(243)**	247	234
Non-controlling interests		**-**	4	6
		(243)	251	240

[1] Audited as part of the carve out Historical Financial Information issued in the Dowlais Group plc prospectus prior to listing on the London Stock Exchange. See note 1.2 for further information.

Dowlais Group plc
Condensed Consolidated Statement of Cash Flows

	Notes	**6 months ended 30 June 2023 Unaudited £m**	6 months ended 30 June 2022 Unaudited £m	Year ended 31 December 2022 Audited[1] £m
Net cash from operating activities	12	**82**	5	210
Investing activities				
Purchase of property, plant and equipment		**(113)**	(75)	(202)
Proceeds from disposal of property, plant and equipment		**-**	19	23
Purchase of computer software and capitalised development costs		**(9)**	(7)	(20)
Dividends received from equity accounted investments		**33**	29	59
Interest received		**1**	-	3
Net cash used in investing activities		**(88)**	(34)	(137)
Financing activities				
Movement in loans with Related Parties[2]		**582**	(35)	(78)
Drawings on borrowing facilities		**1,233**	-	-
Repayment of borrowing facilities		**(60)**	-	-
Costs of raising debt finance		**(12)**	-	-
Repayment of principal under lease obligations		**(12)**	(11)	(22)
Purchase of own shares		**(7)**	-	-
Dividends paid to Related Parties[2]	7	**(1,675)**	-	-
Net cash from/(used in) financing activities		**49**	(46)	(100)
Net increase/(decrease) in cash and cash equivalents, net of bank overdrafts		**43**	(75)	(27)
Cash and cash equivalents, net of bank overdrafts at the beginning of the period	12	**263**	275	275
Effect of foreign exchange rate changes		**(13)**	18	15
Cash and cash equivalents, net of bank overdrafts at the end of the period	12	**293**	218	263

[1] Audited as part of the carve out Historical Financial Information issued in the Dowlais Group plc prospectus prior to listing on the London Stock Exchange. See note 1.2 for further information.
[2] Related parties comprise Melrose Industries PLC, the ultimate parent company prior to demerger on 20 April 2023 and other non-group entities controlled by Melrose Industries PLC.

As at 30 June 2023, the Group had net debt of £849 million (31 December 2022: net funds of £920 million). A definition and reconciliation of the movement in net debt is shown in note 12.

Dowlais Group plc
Condensed Consolidated Balance Sheet

	Notes	**30 June 2023 Unaudited £m**	30 June 2022 Unaudited £m	31 December 2022 Audited[1] £m
Non-current assets				
Goodwill and other intangible assets		**2,885**	3,135	3,075
Property, plant and equipment		**1,731**	1,774	1,813
Interests in equity accounted investments		**366**	424	424
Loans receivable from Related Parties[2]	14	**-**	3,026	2,826
Deferred tax assets		**161**	102	99
Derivative financial assets		**22**	5	9
Other financial assets		**32**	-	-
Retirement benefit surplus	11	**35**	114	42
Other receivables		**13**	14	21
		5,245	8,594	8,309
Current assets				
Inventories		**495**	497	498
Trade and other receivables		**720**	686	638
Derivative financial assets		**53**	16	24
Current tax assets		**43**	13	20
Cash and cash equivalents		**300**	218	270
		1,611	1,430	1,450
Total assets	3	**6,856**	10,024	9,759
Current liabilities				
Trade and other payables		**1,211**	1,174	1,188
Interest-bearing loans and borrowings	12	**8**	-	-
Loans payable to Related Parties[2]	14	**-**	2,176	2,176
Lease obligations	13	**22**	20	25
Derivative financial liabilities		**6**	115	10
Current tax liabilities		**126**	88	109
Provisions	9	**148**	151	140
		1,521	3,724	3,648
Net current assets/(liabilities)		**90**	(2,294)	(2,198)
Non-current liabilities				
Other payables		**14**	28	28
Interest-bearing loans and borrowings	12	**1,141**	-	-
Lease obligations	13	**133**	139	134
Derivative financial liabilities		**1**	3	2
Deferred tax liabilities		**360**	305	293
Retirement benefit obligations	11	**488**	479	503
Provisions	9	**214**	217	186
		2,351	1,171	1,146
Total liabilities	3	**3,872**	4,895	4,794
Net assets		**2,984**	5,129	4,965
Equity				
Issued share capital		**14**	-	-
Share premium account		**1,070**	-	-
Own shares		**(7)**	-	-
Translation reserve		**(136)**	(5)	41
Hedging reserve		**24**	-	-
Retained earnings		**1,980**	5,097	4,885
Equity attributable to owners of the parent		**2,945**	5,092	4,926
Non-controlling interests		**39**	37	39
Total equity		**2,984**	5,129	4,965

[1] Audited as part of the carve out Historical Financial Information issued in the Dowlais Group plc prospectus prior to listing on the London Stock Exchange. See note 1.2 for further information.
[2] Related Parties comprise Melrose Industries PLC, the ultimate parent company prior to demerger on 20 April 2023 and other non-group entities controlled by Melrose Industries PLC.

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 2022	-	-	-	(230)	-	5,032	4,802	33	4,835
(Loss)/profit for the period	-	-	-	-	-	(103)	(103)	2	(101)
Other comprehensive income	-	-	-	225	-	125	350	2	352
Total comprehensive income	-	-	-	225	-	22	247	4	251
Transactions with Related Parties[1]	-	-	-	-	-	43	43	-	43
At 30 June 2022 (unaudited)	-	-	-	(5)	-	5,097	5,092	37	5,129
Profit for the period	-	-	-	-	-	21	21	3	24
Other comprehensive income/(expense)	-	-	-	46	-	(80)	(34)	(1)	(35)
Total comprehensive income/(expense)	-	-	-	46	-	(59)	(13)	2	(11)
Transactions with Related Parties[1]	-	-	-	-	-	(153)	(153)	-	(153)
At 31 December 2022 (audited)[2]	-	-	-	41	-	4,885	4,926	39	4,965
(Loss)/profit for the period	-	-	-	-	-	(85)	(85)	3	(82)
Other comprehensive (expense)/income	-	-	-	(177)	24	(5)	(158)	(3)	(161)
Total comprehensive (expense)/ income	-	-	-	(177)	24	(90)	(243)	-	(243)
Dividends paid to Related Parties[1] (note 7)	-	-	-	-	-	(1,675)	(1,675)	-	(1,675)
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)
Transactions with Related Parties[1]	-	-	-	-	-	(57)	(57)	-	(57)
Equity-settled share-based payments	-	-	-	-	-	1	1	-	1
At 30 June 2023 (unaudited)	**14**	**1,070**	**(7)**	**(136)**	**24**	**1,980**	**2,945**	**39**	**2,984**

[1] Related Parties comprise 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] Audited as part of the carve out Historical Financial Information issued in the Dowlais Group plc prospectus prior to listing on the London Stock Exchange. See note 1.2 for further information.
[3] Following the demerger, the Issued share capital and Share premium account of Dowlais Group plc were recognised in the Condensed Interim Financial Statements. See note 2 for details of application of merger accounting.
[4] On 31 May 2023 an Employee Benefit Trust 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.

Notes to the Condensed Interim Financial Statements

1. Corporate information

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

1.1 Corporate Structure

Dowlais Group plc was incorporated as a public company limited by shares in England & Wales on 13 January 2023. On 28 February 2023, Melrose Industries PLC ("Melrose") transferred the entire shareholding of G.K.N. 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 are Related Parties of the Group up to the date of the demerger on 20 April 2023.

1.2 Basis of Preparation

The comparative information and results up to 28 February 2023 in this set of accounts shows an aggregation of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses along with certain Corporate functions, which form the operating segments of the Group. The aggregation has been prepared as though the current legal structure of the Group was in place at the beginning of the comparative period under the principles of merger accounting (see note 2).

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

The information for the year ended 31 December 2022 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006, but has been extracted from the Historical Financial Information of Dowlais Group plc included in the prospectus in relation to the admission of the Dowlais Group plc ordinary shares, which is available on the Group's website at www.dowlais.com. The auditor has reported on those accounts. Their report was unqualified, and did not draw attention to any matters by way of emphasis. The information for the year ended 31 December 2022 was prepared under the basis of preparation in note 1.1 to that document and the accounting policies therein.

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

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

- IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)
- Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies
- Amendments to IAS 8 Accounting Polices, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

2. Summary of significant accounting policies

Significant accounting policies applied in preparing the Interim Financial Statements and Alternative Performance Measures are consistent with those detailed in the carve out Historical Financial Information issued in the Dowlais Group plc prospectus prior to listing on the London Stock Exchange, except for the change in accounting policy as set out below.

During the period, the Board of Directors approved a change in the accounting policy with respect to alternative performance measures. Net releases of fair value provisions other than loss-making contracts recorded upon acquisitions are no longer included within adjusting items, as the Directors consider that the nature of such provisions is operational and therefore the new presentation provides reliable and more relevant financial information.

Merger accounting

As set out in note 1.1 above, the Group was separated from Melrose during the current period. 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 the Directors used guidance in UK GAAP (FRS 102) to apply merger accounting. The effects of this accounting on the financial statements for the period 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 have been presented for a continuous period to include both pre- and post-demerger trading with comparatives included for prior periods as though the new structure has always been in place.
- As set out in the basis of preparation for the comparative, prior year reserves are therefore 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 glossary to these Condensed Interim Financial Statements and the reconciling items between statutory and adjusted results are listed below and described in more detail in note 4.

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

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

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

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

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

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

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

- The net effect on tax of significant restructuring from strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- The net effect of significant new tax legislation; and
- The tax effects of adjustments to profit before tax, described above

The policy above is consistent with that used in the comparative period, with the exception of the release of fair value items, which from 2023 will be restricted to loss-making contract provisions, as the Directors believe this better represents the trading nature of such items. The effect of this change is immaterial in 2022 and the current period.

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, when all businesses are held for a complete reporting period.

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.

2. Summary of significant accounting policies (continued)

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

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

Covenants
The current facility has two financial covenants being a net debt to adjusted EBITDA covenant and an interest cover covenant, both of which are tested half yearly, in June and December following commencement in December 2023 and June 2024 respectively.

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

	30 June 2023	**31 December 2023**	**30 June 2024**
Net debt to adjusted EBITDA	N/A	3.50x	3.50x
Interest cover	N/A	N/A	4.00x

Testing
The Group has modelled two scenarios in its assessment of going concern, a base case and a reasonably possible sensitised case. The base case takes into account the estimated impact of a continued recovery as well as other end market and operational factors, including supply chain and inflationary challenges, throughout the going concern period and has been monitored against the actual results and cash generation in the period. The reasonably possible sensitised case models more conservative sales assumptions for the remainder of 2023 and 2024. The sensitised assumptions are specific to each business taking into account their markets, but on average represents a c. 11% and c. 15% reduction to the Group's forecast revenue in each of the remainder of 2023 and 2024 respectively. The sensitised revenues have had a consequential impact on profit and cash flow, along with a further downside sensitivity applied to increase working capital by approximately 2% of revenue. Given that there is liquidity headroom of at least £275 million and the Group's leverage was 2.6x at its highest point, no further sensitivity detail is provided.

Under the reasonably possible sensitised case, even with significant reductions, no covenant is breached at the forecast testing dates being 31 December 2023 and 30 June 2024 and the Group will not require any additional sources of finance.

Business combinations and goodwill
The acquisition of subsidiaries is accounted for using the acquisition method. The cost of acquisition is measured at the fair value of assets transferred, the liabilities incurred or assumed at the date of exchange of control and equity instruments issued by the Group in exchange for control of the acquiree. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Costs directly attributable to business combinations are recognised as an expense in the Income Statement as incurred.

The acquired identifiable assets and liabilities are measured at their fair value at the date of acquisition except those where specific guidance is provided by IFRSs. Non-current assets and directly attributable liabilities that are classified as held for sale in accordance with IFRS 5: Non-current assets held for sale and discontinued operations, are recognised and measured at fair value less costs to sell. Also, deferred tax assets and liabilities are recognised and measured in accordance with IAS 12: Income taxes, liabilities and assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 (revised): Employee benefits and liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payments awards are measured in accordance with IFRS 2: Share-based payment.

Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts where appropriate. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

Goodwill on acquisition is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

2. Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)
As at the acquisition date, any goodwill acquired is allocated to the cash generating units acquired. Impairment is determined by assessing the recoverable amount of the cash generating unit to which goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the Income Statement and is not subsequently reversed. When there is a disposal of a cash generating unit, goodwill relating to the operation disposed of is taken into account in determining the gain or loss on disposal of that operation. The amount of goodwill allocated to a partial disposal is measured on the basis of the relative values of the operation disposed of and the operation retained.

Equity accounted investments
A joint venture is an entity which is not a subsidiary undertaking but where the interest of the Group is that of a partner in a business over which the Group exercises joint control with its partners over the financial and operating policies. In all cases voting rights are 50% or lower.

Associated undertakings are entities that are neither a subsidiary nor a joint venture, but where the Group has a significant influence.

The results, assets and liabilities of equity accounted investments are accounted for using the equity method of accounting. The Group's share of equity includes goodwill arising on acquisition.

When a Group entity transacts with an equity accounted investment of the Group, profits and losses resulting from the transactions with the equity accounted investments are recognised in the Income Statement only to the extent of interests in equity accounted investments that are not related to the Group.

Revenue
Revenues are recognised at the point of transfer of control of goods, as no revenue qualifies to be recognised over time. Costs are recognised as they are incurred.

The nature of agreements into which the Group enters means that certain of the Group's arrangements with its customers have multiple elements that can include a combination of:

• Sale of products; and

• Design and build.

Contracts are reviewed to identify each performance obligation relating to distinct goods and the associated consideration. The Group allocates revenue to multiple element arrangements based on the identified performance obligations within the contracts in line with the policies below. A performance obligation is identified if the customer can benefit from the goods on their own or together with other readily available resources, and it can be separately identified within the contract. This review is performed by reference to the specific contract terms.

Sale of products
This revenue stream accounts for the majority of Group sales.

Invoices for goods are raised and revenue is recognised when control of the goods is transferred to the customer. Dependent upon contractual terms this may be at the point of despatch or acceptance by the customer. Revenue recognised is the transaction price as it is the observable selling price per product.

Cash discounts, volume rebates and other customer incentive programmes are based on certain percentages agreed with the Group's customers, which are typically earned by the customer over an annual period. These are allocated to performance obligations and are recorded as a reduction in revenue at the point of sale based on the estimated future outcome. Due to the nature of these arrangements an estimate is made based on historical results to date, estimated future results across the contract period and the contractual provisions of the customer agreement.

Many businesses in the Automotive and Powder Metallurgy segments recognise an element of revenue via a surcharge or similar raw material cost recovery mechanism. The surcharge is generally based on prior period movement in raw material price indices applied to current period deliveries.

Participation fees are payments made to original equipment manufacturers relating to long-term agreements. They are recognised as contract assets to the extent that they can be recovered from future sales over the programme life, generally up to seven years.

Design and build
This revenue stream affects a discrete number of businesses in the Automotive segment. Generally, revenue is only recognised on the sale of product as detailed above, however, on occasions cash is received in advance of work performed to compensate the Group for costs incurred in design and development activities. The Group performs an assessment of its performance obligations to understand multiple elements. As there is generally only one performance obligation, any cash received in advance is deferred on the Balance Sheet and allocated across the deliveries required under the contract.

2. Summary of significant accounting policies (continued)

Finance income
Finance income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Finance income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bring the asset into operation, and any material borrowing costs on qualifying assets. Qualifying assets are defined as an asset or programme where the period of capitalisation is more than 12 months. Purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Where assets are in the course of construction at the balance sheet date, they are classified as capital work-in-progress. Transfers are made to other asset categories when they are available for use, at which point depreciation commences.

Right-of-use assets arise under IFRS 16 and are depreciated over the shorter of the estimated life and the lease term.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Freehold land	nil
Freehold buildings and leasehold property	over expected economic life not exceeding 50 years
Short leasehold property	over the term of the lease
Plant and equipment	3-15 years

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying values of property, plant and equipment are reviewed annually for indicators of impairment, or if events or changes in circumstances indicate that the carrying value may not be recoverable. If such indication exists an impairment test is performed and, where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds or costs and the carrying amount of the item) is included in the Income Statement in the period that the item is derecognised.

Intangible assets
Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

On acquisition of businesses, separately identifiable intangible assets are initially recorded at their fair value at the acquisition date.

Access to the use of brands and intellectual property are valued using a “relief from royalty” method which determines the net present value of future additional cash flows arising from the use of the intangible asset.

Customer relationships and contracts are valued on the basis of the net present value of the future additional cash flows arising from customer relationships with appropriate allowance for attrition of customers.

Technology assets are valued using a replacement cost approach, or a “relief from royalty” method.

2. Summary of significant accounting policies (continued)

Intangible assets (continued)

Amortisation of intangible assets is recorded in administration expenses in the Income Statement and is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

Customer relationships and contracts	20 years or less
Brands and intellectual property	20 years or less
Technology	9 years or less
Computer software	5 years or less
Development costs	6 years or less

Where computer software is not integral to an item of property, plant or equipment, its costs are capitalised and categorised as intangible assets. Computer software is initially recorded at cost. Where these assets have been acquired through a business combination, this will be the fair value allocated in the acquisition accounting. Where these have been acquired other than through a business combination, the initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets (other than computer software and development costs) are tested for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are measured on a similar basis to property, plant and equipment. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

Costs relating to clearly defined and identifiable development projects are capitalised when there is a technical degree of exploitation, adequacy of resources and a potential market or development possibility in the undertaking that are recognisable; and where it is the intention to produce, market or execute the project. A correlation must also exist between the costs incurred and future benefits and those costs must be able to be measured reliably. Capitalised costs are expensed on a straight-line basis over their useful lives of 6 years or less. Costs not meeting such criteria are expensed as incurred.

Inventories

Inventories are valued at the lower of cost and net realisable value and are measured using a first in, first out or weighted average cost basis. Cost includes all direct expenditure and appropriate production overhead expenditure incurred in bringing goods to their current state under normal operating conditions. Net realisable value is based on estimated selling price less costs expected to be incurred to completion and disposal. Provisions are made for obsolescence or other expected losses where necessary.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with banks and similar institutions, and short-term deposits which are readily convertible to cash and are subject to insignificant risks of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Loans with Related Parties

Loans with Related Parties consisted of loans with the ultimate parent Melrose Industries PLC and other non-group entities owned by Melrose Industries PLC prior to the Group demerging from Melrose Industries PLC on 20 April 2023.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received net of associated issue costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the Income Statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Issue costs of loans

The finance cost recognised in the Income Statement in respect of the issue costs of borrowings is allocated to periods over the terms of the instrument using the effective interest rate method.

Leases

Where a lease arrangement is identified, a liability to the lessor is included in the Balance Sheet as a lease obligation calculated at the present value of minimum lease payments. A corresponding right-of-use asset is recorded in property, plant and equipment. The discount rate used to calculate the lease liability is the Group's incremental borrowing rate, unless there is a rate implicit in the lease. The incremental borrowing rate is used for the majority of leases. Incremental borrowing rates are based on the term, currency, country and start date of the lease and reflect the rate the Group would pay for a loan with similar terms and security.

Following initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. Where there is a change in future lease payments due to a rent review, change in index or rate, or a change in the Group's assessment of whether it is reasonably certain to exercise a purchase, extension or break option, the lease obligation is remeasured. A corresponding adjustment is made to the associated right-of-use asset. Right-of-use assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

2. Summary of significant accounting policies (continued)

Leases (continued)

Lease payments are apportioned between finance costs and a reduction in the lease obligation so as to reflect the interest on the remaining balance of the obligation. Finance charges are recorded in the Income Statement within finance costs.

Leases with a term of 12 months or less and leases for low value are not recorded on the Balance Sheet and lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term. Expenses relating to variable lease payments which are not included in the lease liability, due to being based on a variable other than an index or rate, are recognised as an expense in the Income Statement.

Financial instruments – assets

Classification and measurement

All financial assets are classified as either those which are measured at fair value, through profit or loss or Other Comprehensive Income, and those measured at amortised cost.

Financial assets are initially recognised at fair value. For those which are not subsequently measured at fair value through profit or loss, this includes directly attributable transaction costs. Trade and other receivables, contract assets and amounts due from equity accounted investments are subsequently measured at amortised cost.

Recognition and derecognition of financial assets

Financial assets are recognised in the Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Impairment of financial assets

For trade receivables and contract assets, the simplified approach permitted under IFRS 9 is applied. The simplified approach requires that at the point of initial recognition the expected credit loss across the life of the receivable must be recognised. As these balances do not contain a significant financing element, the simplified approach relating to expected lifetime losses is applicable under IFRS 9. Cash and cash equivalents and other receivables are also subject to impairment requirements.

Derivatives over own equity

The Group holds a derivative asset over its own equity as a result of a contract for its own shares to be returned to it at nil cost under certain circumstances. As a transaction with a shareholder, the asset was initially recognised directly in equity at the fair value of the shares expected to be returned. Following initial recognition, the derivative asset is held on the Balance Sheet at fair value. Gains and losses arising on the remeasurement of the asset are recognised immediately in the Income Statement.

Trade and other receivables

Trade and other receivables are measured and carried at amortised cost using the effective interest method, less any impairment. For trade receivables, the carrying amount is reduced by an allowance for expected lifetime losses. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the Income Statement.

Trade receivables that are assessed not to be impaired individually are also assessed for impairment on a collective basis. In measuring the expected credit losses, the Group considers all reasonable and supportable information such as the Group's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward looking information such as forecasts of future economic decisions.

Other receivables are also considered for impairment and if required the carrying amount is reduced by any loss arising which is recorded in the Income Statement, although for the Group this is not material.

Financial instruments – liabilities

Recognition and derecognition of financial liabilities

Financial liabilities are recognised in the Balance Sheet when the Group becomes a party to the contractual provisions of the instruments and are initially measured at fair value, net of transaction costs. The Group derecognises financial liabilities when the Group's obligations are discharged, significantly modified, cancelled or they expire.

Classification and measurement

Non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest rate basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that discounts estimated future cash payments throughout the expected life of the financial liability, or, where appropriate, a shorter period to the gross carrying amount of the financial liability.

2. Summary of significant accounting policies (continued)

Financial instruments – liabilities (continued)

Derivative financial instruments
The Group uses derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and commodity risks, arising from operating and financing activities. The Group does not hold or issue derivative financial instruments for speculative trading purposes.

Derivative financial instruments are recognised and stated at fair value in the Balance Sheet. Their fair value is recalculated at each reporting date. The accounting treatment for the resulting gain or loss will depend on whether the derivative meets the criteria to qualify for hedge accounting and are designated as such.

Where derivatives do not meet the criteria to qualify for hedge accounting, any gains or losses on the revaluation to fair value at the period end are recognised immediately in the Income Statement. Where derivatives do meet the criteria to qualify for hedge accounting, recognition of any resulting gain or loss on revaluation depends on the nature of the hedge relationship and the item being hedged.

Derivative financial instruments with maturity dates of less than one year from the period end date are classified as current in the Balance Sheet. Derivatives embedded in non-derivative host contracts are recognised at their fair value in the Balance Sheet when the nature, characteristics and risks of the derivative are not closely related to the host contract. Gains and losses arising on the remeasurement of these embedded derivatives at each balance sheet date are recognised in the Income Statement.

Hedge accounting
In order to qualify for hedge accounting, the Group is required to document from inception the relationship between the item being hedged and the hedging instrument, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents that the hedge will be highly effective, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The Group designates certain hedging instruments as either cash flow hedges or hedges of net investments in foreign operations.

No hedge accounting was in place within the Group prior to the demerger from the Melrose Industries PLC group.

Cash flow hedge
Derivative financial instruments are classified as cash flow hedges when they hedge the Group's exposure to the variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted cash flow.

The Group designates the full change in the fair value of interest rate swap contracts as the hedging instrument for variable interest rate exposure on debt. The effective portion of any gain or loss from revaluing the derivative financial instrument is recognised in the Statement of Comprehensive Income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts previously recognised in the Statement of Comprehensive Income and accumulated in equity are recycled to the Income Statement in the periods when the hedged item is recognised in the Income Statement or when the forecast transaction is no longer expected to occur.

Hedges of net investments in foreign operations
Debt financial instruments are classified as net investment hedges when they hedge the Group's net investment in foreign operations. The effective element of any foreign exchange gain or loss from revaluing the debt at a reporting period end is recognised in the Statement of Comprehensive Income. Any ineffective element is recognised immediately in the Income Statement.

Gains and losses accumulated in equity are recognised immediately in the Income Statement when the foreign operation is disposed.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (continued)

Pensions and other retirement benefits
The Group operates defined benefit pension plans and defined contribution plans, some of which require contributions to be made to administered funds separate from the Group.

For the defined benefit pension and retirement benefit plans, plan assets are measured at fair value and plan liabilities are measured on an actuarial basis and discounted at an interest rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. Any assets resulting from this calculation are limited to past service cost plus the present value of available refunds and reductions in future contributions to the plan. The present value of the defined benefit obligation, and the related current service cost and past service cost, are measured using the projected unit credit method.

The service cost of providing pension and other retirement benefits to employees for the period is charged to the Income Statement.

Net interest expense on net defined benefit obligations is determined by applying discount rates used to measure defined benefit obligations at the beginning of the year to net defined benefit obligations at the beginning of the year. The net interest expense is recognised within finance costs.

Remeasurement gains and losses comprise actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest). Remeasurement gains and losses, and taxation thereon, are recognised in full in the Statement of Comprehensive Income in the period in which they occur and are not subsequently recycled.

Actuarial gains and losses may result from differences between the actuarial assumptions underlying the plan obligations and actual experience during the period or changes in the actuarial assumptions used in the valuation of the plan obligations.

For defined contribution plans, contributions payable are charged to the Income Statement as an operating expense when employees have rendered services entitling them to the contributions.

Foreign currencies
The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Group's consolidated Financial Statements, the results and financial position of each Group company are expressed in pounds Sterling, which is also the presentation currency.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Income Statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the Income Statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in total invested capital. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in total invested capital.

For the purpose of presenting the Group's consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in the Statement of Comprehensive Income and accumulated in equity (attributed to non-controlling interests as appropriate). Such translation differences are recognised as income or as expenses in the period in which the related operation is disposed of. Any exchange differences that have previously been attributed to non-controlling interests are derecognised but they are not reclassified to the Income Statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate prevailing at the balance sheet date.

Taxation
The tax expense is based on the taxable profits for the period and represents the sum of the tax paid or currently payable and deferred tax.

Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

A tax provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent advice.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. Summary of significant accounting policies (continued)

Taxation (continued)
Deferred tax liabilities are recognised for all taxable temporary differences except:

• where the deferred tax liability arises on the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

• where the timing of the reversal of the temporary differences associated with investments in subsidiaries and interests in equity accounted investments can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and carry-forward of unused tax assets and unused tax losses can be utilised except:

• where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

• in respect of deductible temporary differences associated with investments in subsidiaries and interests in equity accounted investments, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the relevant balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tax relating to items recognised directly in other comprehensive income is recognised in the Statement of Comprehensive Income and not in the Income Statement.

Revenues, expenses and assets are recognised net of the amount of sales tax except:

• where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
• where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Share-based payments
The Group has applied the requirements of IFRS 2: “Share-based payment”. The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instrument excluding the effect of non-market based vesting conditions at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Fair value is measured by use of a Monte Carlo pricing model.

Government grants
Government grants are not recognised in the Income Statement until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants are recognised in the Income Statement on a systematic basis over the periods in which the Group recognises the related costs for which the grants are intended to compensate.

Specifically, government grants where the primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred government grants in the Balance Sheet and transferred to the Income Statement on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the Income Statement in the period in which they become receivable.

2. Summary of significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty
In the application of the Group's accounting policies, which are described above, the Executive 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. Full detail on the critical accounting judgements and key sources of estimation uncertainty are included on pages 98 – 100 of the Carve-out Historical Financial Information included within the Dowlais Group plc prospectus which is published on the Group's website at www.dowlais.com.

There have been no change to the Group's critical judgements or key sources of estimation uncertainty during the period.

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

In accordance with IAS 36, the Group assesses its goodwill and other assets for impairment formally each year, at the testing date of 31 October. An impairment indicator assessment has been performed at 30 June 2023 and no impairment has been identified at this date. However, as this remains a key source of estimation uncertainty, assumptions and sensitivities have been included below as at 31 December 2022, as previously detailed in the Group's Carve-out Historical Financial Information found within the Dowlais Group plc prospectus.

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 fair values of the groups of CGUs are calculated using a combination of estimated discounted cash flows and EBITDA multiple valuations, as in the current environment it has been difficult to assess a sales value using observable market inputs (level 1) or inputs based on market evidence (level 2) and so unobservable inputs (level 3) have been used.

The Automotive and Powder Metallurgy groups of CGUs are sensitive to a change in estimates, depending on how their markets continue to recover from the implications of the COVID-19 pandemic and supply chain disruption as well as how they continue to recover inflation impacts on input costs. As at 31 December 2022, the carrying amount of goodwill and other intangible assets (not including computer software and development costs) in the Automotive group of CGUs was £1,938 million and in the Powder Metallurgy group of CGUs was £1,081 million.

In order for a material impairment charge or loss on disposal to be recorded in the 12 months from 31 December 2022, the following reasonably possible changes in key assumptions would need to occur:

• In the Automotive groups of CGUs a reasonably possible change in the discount rate and long-term growth rate from 11.25% to 12.50% or from 3.5% to 1.8% respectively would reduce headroom to £nil. Continuing the recovery of inflationary impacts on input costs is key to margin assumptions and a reduction in the terminal operating profit of 15% would reduce the terminal operating margin by 1.6 percentage points reducing headroom to £nil.

• In the Powder Metallurgy groups of CGUs, a reasonably possible change in the discount rate and long-term growth rate from 12.0% to 12.5% or from 3.9% to 3.2% respectively would reduce headroom to £nil. Optimising market penetration is key to margin assumptions and a reduction in the terminal operating profit of 8% would reduce the terminal operating margin by 1.0 percentage points reducing headroom to £nil.

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, launched in 2021.

In addition, there are central cost centres which 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.

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 for the six-month period ended 30 June 2023 and comparative periods.

a) Segment revenues

6 months ended 30 June 2023

	Notes	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Total £m
Adjusted revenue		**2,283**	**545**	**2**	**2,830**
Equity accounted investments	8	(265)	(13)	-	(278)
Revenue		**2,018**	**532**	**2**	**2,552**

6 months ended 30 June 2022

	Notes	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Total £m
Adjusted revenue		**2,003**	**515**	**-**	**2,518**
Equity accounted investments	8	(270)	(12)	-	(282)
Revenue		**1,733**	**503**	**-**	**2,236**

Year ended 31 December 2022

	Notes	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Total £m
Adjusted revenue		**4,223**	**1,022**	**1**	**5,246**
Equity accounted investments	8	(625)	(26)	-	(651)
Revenue		**3,598**	**996**	**1**	**4,595**

3. Segment information (continued)

b) Segment operating profit

6 months ended 30 June 2023

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

[1] For further details on adjusting items, refer to note 4.

6 months ended 30 June 2022

	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Corporate £m	Total £m
Adjusted operating profit/(loss)	**78**	**54**	**(6)**	**1**	**127**
Items not included in adjusted operating profit[1]:					
Amortisation of intangible assets acquired in business combinations	(72)	(25)	-	-	(97)
Restructuring costs	(19)	(10)	-	-	(29)
Movement in derivatives and associated financial assets and liabilities	(3)	(1)	-	7	3
Equity accounted investments adjustments	(14)	-	-	-	(14)
Net release and changes in discount rates of certain fair value items	-	2	-	-	2
Impairment of assets	(20)	-	-	-	(20)
Acquisition and disposal related gains	-	-	-	1	1
Operating (loss)/profit	**(50)**	**20**	**(6)**	**9**	**(27)**
Finance costs					(185)
Finance income					82
Loss before tax					**(130)**
Tax					29
Loss after tax for the period					**(101)**

[1] For further details on adjusting items, refer to note 4.

3. Segment information (continued)

b) Segment operating profit (continued)

Year ended 31 December 2022

	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Corporate £m	Total £m
Adjusted operating profit/(loss)	**250**	**96**	**(14)**	**1**	**333**
Items not included in adjusted operating profit[1]:					
Amortisation of intangible assets acquired in business combinations	(147)	(51)	-	-	(198)
Restructuring costs	(37)	(17)	-	-	(54)
Movement in derivatives and associated financial assets and liabilities	(7)	(1)	-	23	15
Equity accounted investments adjustments	(29)	-	-	-	(29)
Net release and changes in discount rates of certain fair value items	5	9	-	-	14
Impairment of assets	(20)	-	-	-	(20)
Acquisition and disposal related (losses)/gains	(4)	-	-	1	(3)
Operating profit/(loss)	**11**	**36**	**(14)**	**25**	**58**
Finance costs					(272)
Finance income					151
Loss before tax					**(63)**
Tax					(14)
Loss after tax for the year					**(77)**

[1] For further details on adjusting items, refer to note 4.

c) Segment total assets and liabilities

	Total assets			Total liabilities		
	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m	**30 June 2023 £m**	30 June 2022 £m	31 December 2022 £m
Automotive	**4,692**	3,389	4,832	**2,244**	2,111	2,177
Powder Metallurgy	**1,727**	1,812	1,791	**410**	463	409
Hydrogen	**15**	5	7	**6**	1	6
Corporate	**422**	4,818	3,129	**1,212**	2,320	2,202
Total	**6,856**	10,024	9,759	**3,872**	4,895	4,794

d) Segment capital expenditure and depreciation

	Capital expenditure[1]			Depreciation of owned assets[1]			Depreciation of leased assets		
	6 months ended 30 June 2023 £m	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m	**6 months ended 30 June 2023 £m**	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m	**6 months ended 30 June 2023 £m**	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Automotive	**97**	64	187	**90**	92	184	**8**	7	14
Powder Metallurgy	**12**	19	44	**26**	26	53	**5**	4	10
Hydrogen	**2**	-	-	**-**	-	-	**-**	-	-
Corporate	**-**	-	-	**-**	-	-	**-**	-	-
Total	**111**	83	231	**116**	118	237	**13**	11	24

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

3. Segment information (continued)

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 loans receivable from Related Parties, deferred tax assets, non-current derivative financial assets, other financial assets, retirement benefit surplus and non-current other receivables) by geographical location are detailed below:

	Revenue[1] from external customers			Segment assets		
	6 months ended 30 June 2023 £m	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m	**30 June 2023 £m**	30 June 2022 £m	31 December 2022 £m
UK	**91**	87	172	**691**	748	723
Rest of Europe	**891**	756	1,495	**1,860**	1,923	1,952
North America	**1,084**	915	1,946	**1,443**	1,533	1,525
Other	**486**	478	982	**988**	1,129	1,112
Total	**2,552**	2,236	4,595	**4,982**	5,333	5,312

[1] Revenue is presented by destination.

4. Reconciliation of adjusted profit measures

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

a) Operating profit

	Notes	**6 months ended 30 June 2023 £m**	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Operating (loss)/profit		**(40)**	(27)	58
Amortisation of intangible assets acquired in business combinations	a	**99**	97	198
Restructuring costs	b	**88**	29	54
Demerger costs	c	**39**	-	-
Movement in derivatives and associated financial assets and liabilities	d	**(21)**	(3)	(15)
Equity accounted investments adjustments	e	**14**	14	29
Net release and changes in discount rates of certain fair value items	f	**(2)**	(2)	(14)
Impairment of assets	g	**-**	20	20
Acquisition and disposal related (gains)/losses	h	**-**	(1)	3
Total adjustments to operating (loss)/profit		**217**	154	275
Adjusted operating profit		**177**	127	333

a. The amortisation charge on intangible assets acquired in business combinations of £99 million (2022: £97 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 amortisation is not excluded from adjusted results.

b. Costs associated with restructuring projects in the period totalling £88 million (2022: £29 million) are shown as adjusting items due to their size and non-trading nature and during the period ended 30 June 2023 these included:

- A charge of £86 million (2022: £19 million) within the Automotive division, primarily relating to significant footprint consolidation actions in Europe as the business continues to address its cost base and deliver transformational programmes.

- A charge of £2 million (2022: £10 million) within the Powder Metallurgy division.

4. Reconciliation of adjusted profit measures (continued)

a) Operating profit (continued)

c. One off costs relating to the demerger of the Group from Melrose Industries PLC of £39 million were incurred during the period (2022: £nil). Costs incurred were incremental costs directly associated with the transaction. These items have been excluded from adjusted results due to their size and non-trading nature.

d. 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 because of their volatility and size. This totalled a credit of £21 million (2022: £3 million).

e. 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 £278 million (2022: £282 million) of revenue in the period, which is not included in the statutory results but is shown within adjusted revenue so as not to distort the operating margins reported in the businesses when the adjusted operating profit earned from these EAIs is included.

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

f. Certain items previously recorded as fair value items on acquisitions, have been resolved for more favourable amounts than first anticipated. The net release of certain fair value items recognised on acquisitions in the period of £2 million (2022: £2 million) related to loss-making contract provisions recognised on acquisition. These items are shown as adjusting to avoid positively distorting the adjusted results.

g. No impairments were recorded in the current period (2022: £20 million). In the prior period the write down was recognised as a result of exiting any direct trading links with Russian operations as a consequence of the invasion of Ukraine. The asset write downs were within the Automotive division and are shown as an adjusting item because of their non-trading nature and size.

h. No acquisition and disposal related gains or losses were recorded in the period (2022: gain of £1 million). In prior periods these items have been excluded from adjusted results due to their non-trading nature and volatility.

b) Profit before tax

	Notes	**6 months ended 30 June 2023 £m**	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Loss before tax		**(55)**	(130)	(63)
Adjustments to operating (loss)/profit per above		**217**	154	275
Net foreign exchange movements on loans with Related Parties	i	**(22)**	49	24
Fair value changes on other financial assets	j	**(2)**	-	-
Equity accounted investments – interest	k	**1**	1	2
Fair value changes on cross-currency swaps	l	**-**	35	59
Total adjustments to loss before tax		**194**	239	360
Adjusted profit before tax		**139**	109	297

i. The movement in loans with Related Parties as a result of changes in foreign currency exchange rates is shown as an adjusting item because of its volatility, size and non-trading nature. Related Parties comprise Melrose Industries PLC, the ultimate parent company prior to demerger on 20 April 2023 and other non-group entities controlled by Melrose Industries PLC.

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

k. As explained in paragraph e above, the profits and losses of equity accounted investments are shown after interest and tax in the statutory results. They are adjusted to show the profit before tax and the profit after tax, consistent with the subsidiaries of the Group.

4. Reconciliation of adjusted profit measures (continued)

b) Profit before tax (continued)

l. The fair value changes on cross-currency swaps relating to cost of hedging which are not deferred in equity, are shown as an adjusting item because of their volatility and non-trading nature.

c) Profit after tax

	Notes	**6 months ended 30 June 2023 £m**	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Loss after tax		**(82)**	(101)	(77)
Adjustments to loss before tax per above		**194**	239	360
Tax effect of adjustments to loss before tax	5	**(16)**	(46)	(62)
Equity accounted investments – tax	k	**(4)**	(4)	(9)
Derecognition of deferred tax asset	5	**11**	-	-
Tax effect of significant restructuring		**-**	-	6
Total adjustments to loss after tax		**185**	189	295
Adjusted profit after tax		**103**	88	218

5. Tax

Analysis of the charge/(credit) in the period:	**6 months ended 30 June 2023 £m**	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Current tax	**25**	(23)	45
Deferred tax	**2**	(6)	(31)
Total tax charge/(credit)	**27**	(29)	14

The effective tax rate in respect of adjusted profit before tax for the period is 26% (2022: 19%). Adjusted tax has been calculated by applying the expected tax rate to the adjusted profit before tax of £139 million (2022: £109 million), giving an adjusted tax charge of £36 million (2022: £21 million).

The adjusted tax charge of £36 million (2022: £21 million) excludes a tax credit on adjustments to loss before tax of £16 million (2022: £46 million). This represents a deferred tax credit on intangible asset amortisation of £24 million (2022: £22 million) and a tax charge on other adjusting items of £8 million (2022: credit of £24 million). In addition, the adjusted tax charge includes a charge in respect of Equity Accounted Investments of £4 million (2022: £4 million). The adjusted tax charge also includes a tax adjusting item of £11 million (2022: £nil) relating to the derecognition of a deferred tax asset previously recognised in connection with accumulated US tax losses which are no longer considered available for use in future periods.

In addition to the amounts in the Income Statement, a charge of £4 million (2022: £57 million) has been recognised directly in the Statement of Comprehensive Income. This represents a tax credit of £1 million (2022: charge of £55 million) in respect of the remeasurement of retirement benefit obligations and a tax charge of £5 million (2022: £2 million) in respect of movements on hedge relationships and translation differences.

The Group's underlying effective tax rate may be impacted, from 2024 onwards, by the UK's substantive enactment of the Organisation for Economic Co-operation and Development's Global Anti-Base Erosion Model Rules (Pillar Two). The Group has applied the International Accounting Standards Board amendments to IAS 12 Income Taxes in respect of Pillar Two which gives companies a temporary exception from accounting for deferred taxes arising from the OECD Pillar Two model rules. At this stage the Group does not have sufficient information to determine the potential quantitative impact of Pillar Two.

6. Earnings per share

Earnings attributable to owners of the parent	**6 months ended 30 June 2023 £m**	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Net loss attributable to shareholders	**(85)**	(103)	(82)
Adjustment for earnings attributable to shares subject to recall	**2**	2	2
Earnings for basis of earnings per share	**(83)**	(101)	(80)

	6 months ended 30 June 2023 Number	6 months ended 30 June 2022 Number[1]	Year ended 31 December 2022 Number[1]
Weighted average number of ordinary shares (million)	**1,392**	1,393	1,393
Adjustment for shares subject to recall (million)	**(28)**	(28)	(28)
Weighted average number of ordinary shares for the purposes of basic earnings per share (million)	**1,364**	1,365	1,365
Weighted average number of ordinary shares for the purposes of diluted earnings per share (million)	**1,364**	1,365	1,365

Earnings per share	**6 months ended 30 June 2023 pence**	6 months ended 30 June 2022 pence	Year ended 31 December 2022 pence
Basic earnings per share	**(6.1)**	(7.4)	(5.9)
Diluted earnings per share	**(6.1)**	(7.4)	(5.9)

	6 months ended 30 June 2023 £m	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Adjusted earnings attributable to shareholders[2]	**100**	86	213
Adjustment for earnings attributable to shares subject to recall	**(2)**	(2)	(4)
Adjusted earnings for the basis of adjusted earnings per share	**98**	84	209

Adjusted earnings per share

	6 months ended 30 June 2023 pence	6 months ended 30 June 2022 pence	Year ended 31 December 2022 pence
Adjusted basic earnings per share	**7.2**	6.2	15.3
Adjusted diluted earnings per share	**7.2**	6.2	15.3

(1) See note 2 for details on application of merger accounting.
(2) Adjusted earnings for the 6 months ended 30 June 2023 comprises adjusted profit after tax (see note 4c) of £103 million (2022: £88 million), net of an allocation of profit to non-controlling interests of £3 million (2022: £2 million). Adjusted earnings for the year ended 31 December 2022 comprises adjusted profit after tax of £218 million, net of an allocation to non-controlling interests of £5 million.

7. Dividends

	6 months ended 30 June 2023 £m	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Dividends paid to Related Parties	**1,675**	-	-
Total dividends paid	**1,675**	-	-

On 23 February 2023, prior to the demerger, G.K.N. 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.

An interim dividend of 1.4 pence per ordinary share (2022: £nil) is declared by the Board, totalling £19 million.

8. Share of results of equity accounted investments

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

	6 months ended 30 June 2023 £m	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Revenue	**278**	282	651
Operating costs	**(251)**	(258)	(573)
Adjusted operating profit	**27**	24	78
Adjusting items	**(11)**	(11)	(22)
Net finance income	**1**	1	2
Profit before tax	**17**	14	58
Tax	**(4)**	(4)	(9)
Share of results of equity accounted investments	**13**	10	49

9. 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 2023	46	5	67	156	20	32	326
Utilised	(8)	-	(1)	(7)	(31)	(37)	(84)
Charge to operating profit(1)	-	-	2	14	90	36	142
Release to operating profit(2)	(2)	(1)	-	(4)	(1)	(1)	(9)
Exchange adjustments	(2)	-	(5)	(5)	-	(1)	(13)
At 30 June 2023	**34**	**4**	**63**	**154**	**78**	**29**	**362**
Current	12	1	27	72	18	18	148
Non-current	22	3	36	82	60	11	214
	34	**4**	**63**	**154**	**78**	**29**	**362**

(1) Includes £121 million of adjusting items and £21 million recognised in adjusted operating profit.
(2) Includes £3 million of adjusting items and £6 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 15 years.

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

Environmental provisions relate to the estimated remediation costs of pollution, soil and groundwater contamination at certain sites and at 30 June 2023 amounted to £17 million (31 December 2022: £18 million). Litigation provisions amounting to £46 million (31 December 2022: £49 million) relate to estimated future costs and settlements in relation to legal claims and associated insurance obligations. Due to their nature, it is not possible to predict precisely when these provisions will be utilised.

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

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

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

Where appropriate, provisions have been discounted using discount rates between 0% and 10% (31 December 2022: 0% and 14%) depending on the territory in which the provision resides and the length of its expected utilisation.

10. Financial instruments

The table below sets out the Group's accounting classification of each category of financial assets and liabilities and their fair values as at 30 June 2023, 30 June 2022 and 31 December 2022:

	Current £m	Non-current £m	Total £m
30 June 2023			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	**300**	**-**	**300**
Net trade receivables	**583**	**-**	**583**
Classified as fair value:			
Derivative over own equity	**-**	**32**	**32**
Derivative financial assets:			
Foreign currency forward contracts	**53**	**9**	**62**
Interest rate swaps	**-**	**13**	**13**
Financial liabilities			
Classified as amortised cost:			
Interest-bearing loans and borrowings	**(8)**	**(1,141)**	**(1,149)**
Lease obligations	**(22)**	**(133)**	**(155)**
Other financial liabilities	**(1,170)**	**(10)**	**(1,180)**
Classified as fair value:			
Derivative financial liabilities:			
Foreign currency forward contracts	**(6)**	**(1)**	**(7)**
30 June 2022			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	218	-	218
Net trade receivables	556	-	556
Loans receivable from Related Parties[1]	-	3,026	3,026
Classified as fair value:			
Derivative financial assets:			
Foreign currency forward contracts	16	5	21
Financial liabilities			
Classified as amortised cost:			
Loans payable to Related Parties[1]	-	(2,176)	(2,176)
Lease obligations	(20)	(139)	(159)
Other financial liabilities	(1,128)	(17)	(1,145)
Classified as fair value:			
Derivative financial liabilities:			
Foreign currency forward contracts	(13)	(3)	(16)
Cross-currency swaps	(102)	-	(102)
31 December 2022			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	270	-	270
Net trade receivables	511	-	511
Loans receivable from Related Parties[1]	-	2,826	2,826
Classified as fair value:			
Derivative financial assets:			
Foreign currency forward contracts	24	9	33
Financial liabilities			
Classified as amortised cost:			
Loans payable to Related Parties[1]	-	(2,176)	(2,176)
Lease obligations	(25)	(134)	(159)
Other financial liabilities	(1,149)	(20)	(1,169)
Classified as fair value:			
Derivative financial liabilities:			
Foreign currency forward contracts	(10)	(2)	(12)

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

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 in the period.

The fair value of the derivative over own equity is derived from unobservable inputs and as such is classified as level 3 of the fair value hierarchy set out in IFRS 13. Inputs to the valuation include the terms of the contract under which the asset arises, the Company's current share price and expected volatility in the share price. The asset value is most sensitive to movements in the Company's share price. As detailed in the accounting policies (note 2) the asset was recorded initially directly in equity with subsequent revaluations recognised in the Income Statement.

11. Retirement benefit obligations

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

The most significant defined benefit pension plans in the Group at 30 June 2023 were:

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 plans was based on a full actuarial valuation as of 5 April 2022, updated to 30 June 2023 by independent actuaries.

GKN US Consolidated Pension Plan

The GKN US Consolidated Pension Plan is a funded plan, closed to new members and closed to future accrual. The US Pension Plan valuation was based on a full actuarial valuation as of 1 January 2023, updated to 30 June 2023 by independent actuaries.

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): "Employee benefits" using the advice of independent professionally qualified actuaries on the basis of formal actuarial valuations and using the projected unit credit method. In line with normal practice, these valuations are undertaken triennially in the UK and annually in the US and Germany.

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

30 June 2023

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

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

30 June 2022

	UK plans £m	US plans £m	European plans £m	Other plans £m	**Total £m**
Plan assets	797	114	22	30	**963**
Plan liabilities	(695)	(173)	(425)	(35)	**(1,328)**
Net assets/(liabilities)	102	(59)	(403)	(5)	**(365)**
Analysed as:					
Retirement benefit surplus[1]					**114**
Retirement benefit obligations					**(479)**
Net liabilities					**(365)**

[1] Includes a surplus relating to the GKN Group Pension Schemes No.2 and No.3 of £111 million and the Japan employee plan of £3 million.

11. Retirement benefit obligations (continued)

31 December 2022

	UK plans £m	US plans £m	European plans £m	Other plans £m	**Total £m**
Plan assets	666	73	19	21	**779**
Plan liabilities	(651)	(127)	(433)	(29)	**(1,240)**
Net assets/(liabilities)	15	(54)	(414)	(8)	**(461)**
Analysed as:					
Retirement benefit surplus[1]					**42**
Retirement benefit obligations					**(503)**
Net liabilities					**(461)**

[1] Includes a surplus relating to the GKN Group Pension Scheme No.2 of £40 million and the Japan employee plan of £2 million.

Valuations of material plans have been updated at 30 June 2023 by independent actuaries to reflect updated assumptions regarding discount rates, inflation rates and asset values. The major assumptions were as follows:

	Rate of increase of pensions in payment % p.a.	Discount rate %	Price inflation % (RPI/CPI)
30 June 2023			
GKN UK – Group Pension Schemes (Numbers 2 and 3)	2.7	5.2	3.2/2.7
GKN US plans	n/a	4.9	n/a
GKN Europe plans	2.6	3.7	2.6/2.6
30 June 2022			
GKN UK – Group Pension Schemes (Numbers 2 and 3)	2.6	3.8	3.1/2.6
GKN US plans	n/a	4.5	n/a
GKN Europe plans	2.3	3.2	2.3/2.3
31 December 2022			
GKN UK – Group Pension Schemes (Numbers 2 and 3)	2.7	4.8	3.2/2.7
GKN US plans	n/a	5.0	n/a
GKN Europe plans	2.6	3.7	2.6/2.6

In addition, the defined benefit plan assets and liabilities have been updated to reflect the contributions made to the defined benefit plans and the benefits earned during the period to 30 June 2023.

12. Notes to the Cash Flow Statement

	6 months ended 30 June 2023 £m	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Reconciliation of operating (loss)/profit to net cash from operating activities			
Operating (loss)/profit	**(40)**	(27)	58
Adjusting items (note 4)	**217**	154	275
Adjusted operating profit	**177**	127	333
Adjustments for:			
Depreciation of property, plant and equipment	**124**	124	251
Amortisation of computer software and development costs	**5**	5	10
Share of adjusted operating profit of equity accounted investments	**(27)**	(24)	(78)
Restructuring costs paid and movements in provisions	**(82)**	(87)	(147)
Defined benefit pension contributions paid	**(11)**	(11)	(40)
Change in inventories	**(20)**	(36)	(33)
Change in receivables	**(114)**	(164)	(102)
Change in payables	**79**	117	103
Acquisition related gains/(costs) and associated transaction taxes	**-**	1	(3)
Tax paid	**(28)**	(44)	(72)
Interest paid on loans and borrowings	**(18)**	-	(6)
Interest paid on lease obligations	**(3)**	(3)	(6)
Net cash from operating activities	**82**	5	210

12. Notes to the Cash Flow Statement (continued)

Reconciliation of cash and cash equivalents, net of bank overdrafts	**30 June 2023 £m**	30 June 2022 £m	31 December 2022 £m
Cash and cash equivalents per Balance Sheet	**300**	218	270
Bank overdrafts included within current Interest-bearing loans and borrowings	**(7)**	-	-
Bank overdrafts included within current loans payable to Related Parties	**-**	-	(7)
Cash and cash equivalents, net of bank overdrafts per Statement of Cash Flows	**293**	218	263

Net debt reconciliation

Net debt consists of interest-bearing loans and borrowings, loans with Related Parties, cross-currency swaps and cash and cash equivalents. Currency denominated balances within net debt are translated to Sterling at swapped rates where hedged by cross-currency swaps.

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

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

	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Interest-bearing loans and borrowings – due within one year	**(8)**	-	-
Interest-bearing loans and borrowings – due after one year	**(1,141)**	-	-
Loans payable to Related Parties – due within one year	**-**	(2,176)	(2,176)
Loans receivable from Related Parties – due after one year	**-**	3,026	2,826
External (debt)/funds	**(1,149)**	850	650
Less:			
Cash and cash equivalents	**300**	218	270
	(849)	1,068	920
Adjustments:			
Impact of cross-currency swaps	**-**	(102)	-
Net (debt)/funds	**(849)**	966	920

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

	At 31 December 2022 £m	Cash flow £m	Other non-cash movements £m	Effect of foreign exchange £m	**At 30 June 2023 £m**
Loans with Related Parties (excluding bank overdrafts)	657	(582)	(97)	22	**-**
External debt (excluding bank overdrafts)	-	(1,173)	11	20	**(1,142)**
Cash and cash equivalents (net of overdrafts)	263	43	-	(13)	**293**
Net (debt)/funds	920	(1,712)	(86)	29	**(849)**

12. Notes to the Cash Flow Statement (continued)

Following the settlement of all loans with Related Parties on demerger from Melrose Industries PLC, the Group drew down on new external debt facilities, the details of which are provided below:

	30 June 2023 £m
Floating rate obligations	
Bank borrowings – US Dollar loan	(571)
Bank borrowings – Sterling loan	(294)
Bank borrowings – Euro loan	(287)
Other loans and bank overdrafts	(8)
Unamortised finance costs	11
Total interest-bearing loans and borrowings	**(1,149)**

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

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

13. Lease obligations

Amounts payable under lease obligations:

Minimum lease payments	**30 June 2023 £m**	30 June 2022 £m	31 December 2022 £m
Amounts payable:			
Within one year	**28**	25	32
After one year but within five years	**68**	67	65
Over five years	**105**	117	113
Less: future finance charges	**(46)**	(50)	(51)
Present value of lease obligations	**155**	159	159
Analysed as:			
Amounts due for settlement within one year	**22**	20	25
Amounts due for settlement after one year	**133**	139	134
Present value of lease obligations	**155**	159	159

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.

14. Related Parties

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

Amounts recognised in the Balance Sheet in respect of these related party transactions were as follows:

	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Amounts owed by Related Parties	**-**	3,028	2,829
Amounts owed to Related Parties	**-**	(2,186)	(2,189)

Amounts owed by Related Parties were included within Loans receivable from Related Parties (30 June 2022: £3,026 million; 31 December 2022: £2,826 million) and Trade and other receivables (30 June 2022: £2 million; 31 December 2022: £3 million).

Amounts owed to Related Parties were included within Loans payable to Related Parties (30 June 2022: £2,176 million; 31 December 2022: £2,176 million) and Trade and other payables (30 June 2022: £10 million; 31 December 2022: £13 million).

14. Related Parties (continued)

Amounts recognised in the Income Statement in respect of these related party transactions were as follows:

	6 months ended 30 June 2023 £m	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Interest payable to Related Parties	**(8)**	(10)	(22)
Charges payable to Related Parties	**-**	(4)	(9)

Amounts recognised in the Statement of Changes in Equity in respect of these related party transactions were as follows:

	6 months ended 30 June 2023 £m	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Charges received from Related Parties	**-**	(2)	(1)
Reorganisation in respect of Related Parties	**(57)**	45	(105)
Tax effect of transactions with Related Parties	**-**	-	(4)
Total transactions with Related Parties	**(57)**	43	(110)

Reorganisation in respect of Related Parties includes 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).

15. Post balance sheet events

On 1 August 2023, the Parent Company, Dowlais Group plc, undertook a court-approved capital reduction in accordance with section 645 of the Companies Act 2006, through which the Company's share premium of £1,070,179,000 was cancelled in full. The Order of the High Court of Justice, Chancery Division, was registered at Companies House and became effective from 3 August 2023. In accordance with IS 2008 No 1915 The Companies (Reduction of Share Capital) Order 2008 this resulted in a credit to the distributable reserves of the Company of £1,070,179,000.

Glossary

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	6 months ended 30 June 2023 £m	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Revenue	**2,552**	2,236	4,595
Share of revenue of equity accounted investments (note 3)	**278**	282	651
Adjusted revenue	**2,830**	2,518	5,246

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 item 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	6 months ended 30 June 2023 £m	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Operating (loss)/profit	**(40)**	(27)	58
Adjusting items to operating profit/loss (note 4)	**217**	154	275
Adjusted operating profit	**177**	127	333

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

Adjusted profit before tax	**6 months ended 30 June 2023 £m**	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Loss before tax	**(55)**	(130)	(63)
Adjusting items to loss before tax (note 4)	**194**	239	360
Adjusted profit before tax	**139**	109	297

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

Adjusted profit after tax	**6 months ended 30 June 2022 £m**	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Loss after tax	**(82)**	(101)	(77)
Adjusting items to loss after tax (note 4)	**185**	189	295
Adjusted profit after tax	**103**	88	218

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Constant currency	Income Statement, which is reported using actual average foreign exchange rates	Constant currency foreign exchange rates	The Group uses GBP based constant currency models to measure performance. These are calculated by applying fixed exchange rates to local currency reported results for the current and prior periods. This gives a GBP denominated Income Statement which excludes any translational variances attributable to foreign exchange rate movements.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusted EBITDA for leverage covenant purposes	Operating loss[1]	Adjusting items (note 4), depreciation of property, plant and equipment and amortisation of computer software and development costs, share of non-controlling interests and other adjustments required for leverage covenant purposes	Adjusted operating profit for 12 months prior to the reporting date, before depreciation and impairment of property, plant and equipment and before the amortisation and impairment of computer software and development costs. Adjusted EBITDA for leverage covenant purposes is a measure used by external stakeholders to measure performance.

Adjusted EBITDA for leverage covenant purposes	12 months ended 30 June 2023 £m
Adjusted operating profit	**383**
Depreciation of property, plant and equipment and amortisation of computer software and development costs	261
Non-controlling interests	(8)
Other adjustments required for leverage covenant purposes[3]	(19)
Adjusted EBITDA for leverage covenant purposes	**617**

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 5)	The income tax charge for the Group excluding adjusting tax items, and the tax impact of adjusting items, divided by adjusted profit before tax. This measure is a useful indicator of the ongoing tax rate for the Group to external stakeholders.

Adjusted tax rate	**6 months ended 30 June 2023 £m**	6 months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Tax per Income Statement	**(27)**	29	(14)
Adjusted for:			
Tax impact of adjusting items	**(16)**	(46)	(62)
Tax impact of EAIs	**(4)**	(4)	(9)
Derecognition of deferred tax asset	**11**	-	-
Tax impact of significant restructuring	**-**	-	6
Adjusted tax charge	**(36)**	(21)	(79)
Adjusted profit before tax	**139**	109	297
Adjusted tax rate	**26%**	19%	27%

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 6)	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 6)	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, loans with Related Parties[(4)], interest-bearing loans and borrowings and finance related derivative instruments	Reconciliation of net debt (note 12)	Net debt comprises cash and cash equivalents, interest-bearing loans and borrowings, loans with Related Parties[(4)] and cross-currency swaps. 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 leverage covenant purposes. This measure is used for bank covenant testing.

Net debt	30 June 2023 £m
Net debt at closing rates (note 12)	**(849)**
Impact of foreign exchange	**(19)**
Bank covenant definition of net debt at average rates	**(868)**
Leverage	**1.4**

<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>6 months ended 30 June 2023 £m</th><th>6 months ended 30 June 2022 £m</th><th>Year ended 31 December 2022 £m</th></tr>
<tr><td>Net cash from operating activities</td><td>82</td><td>5</td><td>210</td></tr>
<tr><td>Net cash used in investing activities</td><td>(88)</td><td>(34)</td><td>(137)</td></tr>
<tr><td>Free cash flow</td><td>(6)</td><td>(29)</td><td>73</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 related exceptional cash flows</td><td>Adjusted free cash flow represents free cash flow adjusted for demerger related exceptional cash flows.

This measure is a useful metric for monitoring cash management within the Group and is consistent with internal reporting.

<table>
<tr><th>Adjusted free cash flow</th><th>6 months ended 30 June 2023 £m</th><th>6 months ended 30 June 2022 £m</th><th>Year ended 31 December 2022 £m</th></tr>
<tr><td>Free cash flow</td><td>(6)</td><td>(29)</td><td>73</td></tr>
<tr><td>Demerger LTIP payments[5]</td><td>36</td><td>-</td><td>-</td></tr>
<tr><td>Other cash demerger exceptional items</td><td>3</td><td>-</td><td>-</td></tr>
<tr><td>Adjusted free cash flow</td><td>33</td><td>(29)</td><td>73</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] Related parties comprise Melrose Industries PLC, the ultimate parent company prior to demerger on 20 April 2023 and other non-group entities controlled by Melrose Industries PLC.
[5] Demerger LTIP payments relate to the cash payment of the divisional long-term incentive plans which were put in place under management of Melrose Industries PLC and crystallised on demerger on 20 April 2023.

Glossary of Terms and Definitions

Automotive	The GKN Automotive business operated by the Group.
Board	The board of directors of the Company.
bps	Basis points.
book-to-bill ratio	In respect of a period, the ratio of forecast lifetime revenue awarded in that period to revenues earned in that period.
BEV	Battery electric vehicles.
CEO	Chief Executive Officer.
Company	Dowlais Group plc.
CFO	Chief Financial Officer.
Dowlais	Dowlais Group plc.
demerger	The demerger of the Company from Melrose Industries PLC which took place on 20 April 2023.
drop-through margin	Drop-through margin is the operating profit margin at which incremental sales volumes contribute incremental operating profit.
DTR	The disclosure guidance and transparency rules made by the FCA under Part VI of the Financial Services and Markets Act 2000.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EMEA	Europe, Middle East and Africa.
EPCs	Engineering, Procurement and Construction businesses.
EPS	Earnings per share.
ESG	Environmental, Social and Governance.
EVs	Battery electric vehicles and full hybrid vehicles.
FX	Foreign exchange.
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.
Hydrogen	The GKN Hydrogen business operated by the Group.
IFRS	International Financial Reporting Standards.
LFP	Lithium iron phosphate.
M&A	Mergers and acquisitions.
market	Global light vehicle market.
Melrose	Melrose Industries PLC.
OEM	Original equipment manufacturer, typically of light vehicles.
Powder Metallurgy	The GKN Powder Metallurgy business operated by the Group.
Q1, Q2, Q3 or Q4	The first, second, third or fourth quarter (as applicable) of the relevant financial year.
SBTi	Science Based Targets initiative.
S&P	S&P Global.
SUV	Sport utility vehicle.
UAW	International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW).
UN SDGs	United Nations Sustainable Development Goals.
US	Unites States of America.
vehicle production volumes	Global light vehicle production volumes.
year-on-year	In comparison to the immediately preceding period.