21 March 2024

DOWLAIS

Dowlais Group plc

Full Year Results 2023

Strong execution delivers double-digit adjusted operating profit growth

Cash above expectations and confidence in long-term outlook enabling £50 million buy-back

Dowlais Group plc, the specialist engineering group focused on the automotive sector, announces its audited results for the year ended 31 December 2023.

	Adjusted[1]				Statutory		
£ millions	**2023**	2022	Change	Constant FX[1]	**2023**	2022	Change
Revenue	**5,489**	5,246	4.6%	6.3%	**4,864**	4,595	5.9%
Operating profit/(loss)	**355**	333	6.6%	10%	**(450)**	58	n/m[3]
Operating margin	**6.5%**	6.3%	20bps	30bps	**-9.3%**	1.3%	n/m[3]
Profit/(loss) before tax	**264**	297	-11%	-7.1%	**(522)**	(63)	n/m[3]
Basic EPS[2]	**13.8p**	–	–	–	**(36.0)p**	–	–
Free cash flow[2]	**93**	–	–	–	–	–	–

1. Adjusted financial measures are defined and reconciled to statutory measures in the Alternative Performance Measures section of this announcement, which also sets out the definition and basis of calculation of constant currency. Unless stated otherwise, all growth rates refer to growth at constant currency.
2. Prior year comparators are not included as not considered meaningful or are not possible to calculate due to the change in structure of the business. Prior year comparators will be included from December 2024.
3. Not meaningful.

Highlights

Financial overview

- Adjusted revenue of £5,489 million, up 6.3% on prior year, driven by volume growth in Automotive and inflation recoveries across the Group.
- Adjusted operating profit of £355 million. Excluding incremental stand-alone plc costs, adjusted operating profit increased 20% on prior year.
- Adjusted operating margin expansion of 30bps to 6.5%, driven by volume growth, operational efficiencies and improved commercial pricing with customers, fully offsetting inflation. Excluding incremental stand-alone plc costs, adjusted operating profit margin improved by 90bps.
- Automotive adjusted revenue and adjusted operating profit grew 7.0% and 27% respectively, achieving 110bps of margin improvement to 6.9% with an H2 margin of 7.3%.
- Powder Metallurgy adjusted revenue grew 3.5%, with adjusted operating profit growth of 3.1%, resulting in an adjusted margin of 9.2%.
- A full review of the medium-term trading prospects of Powder Metallurgy, after our first year of ownership, has resulted in a non-cash goodwill impairment charge of £449 million contributing to a Group statutory operating loss of £450 million.
- Adjusted basic earnings per share of 13.8 pence. Statutory loss per share of 36.0 pence, largely as a result of the goodwill impairment, restructuring charges and amortisation of acquisition-related intangible assets.

Cash flow and capital allocation

- £93 million of adjusted free cash flow ahead of our expectations driving reduction in net debt to £847 million with leverage reduced to 1.4x compared to a pro forma position of 1.5x on demerger, within our target range of 1.0x to 1.5x.

- In line with the Group's dividend policy, the Board has recommended a final dividend of 2.8 pence per share, resulting in total 2023 dividends of 4.2 pence per share.
- The Board has also announced its intention to commence a share buy-back programme of up to £50 million over a 12 month period commencing in April 2024.

Portfolio

- Strong Automotive performance with record business wins with over £6 billion of forecast lifetime revenue won. This is well balanced across the Driveline and ePowertrain portfolios and customers – including traditional, Chinese and pureplay EV OEMs.
- Powder Metallurgy continues to transition its portfolio with 72% of new business wins being for EV or propulsion agnostic products.
- Hydrogen continues to make good commercial progress resulting in encouraging revenue growth.

Sustainability

- Net zero targets set, with Automotive's targets validated by the Science Based Targets Initiative (SBTi) and Powder Metallurgy's submitted for validation.
- Progress in sustainability ratings, with Powder Metallurgy achieving a Platinum medal from EcoVadis and Automotive achieving Silver.

Liam Butterworth, Chief Executive Officer, said:

"2023 was a year marked by significant progress and transformation for Dowlais, following the Group's successfully executed demerger and listing on the London Stock Exchange. Through excellent execution we delivered on our commitments with a strong financial and operational performance, demonstrating resilience, expanding margins, generating free cash flow above our expectations and reducing our financial leverage.

In recognition of this performance, confidence in the long-term outlook and focus on shareholder returns, the Board has announced its intention to launch a share buy-back programme of up to £50 million and recommended a final dividend, which when approved, will result in total full year dividends of 4.2 pence per share.

During our first year of ownership, we have undertaken a full review of the medium-term prospects of Powder Metallurgy and as a result we have recognised a non-cash goodwill impairment. We have also appointed a new CEO to lead the business. In the short to medium term we expect steady performance and will continue to focus on accelerating change to realise the long term financial potential of this market-leading business.

As we look forward, current industry forecasts imply a slight decline in global light vehicle production in 2024. Based on these external forecasts and our current order book, we anticipate Group revenues will be similar to the prior year, at constant currency, with a modest reduction in the first half offset by an improvement in the second half due to the expected timing of several new programme launches. On this basis, and with our strong continued focus on operational efficiencies, we expect to further expand operating margins and grow free cash flow in 2024. We remain confident of achieving our margin target of 10%+ in Automotive over the medium-term, largely underpinned by announced restructuring."

Notes

Dowlais commenced trading on 20 April 2023 upon completion of its demerger from Melrose Industries PLC and its admission to the main market of the London Stock Exchange. However, these results are presented for the full twelve-month period (1 January to 31 December 2023), along with prior year comparative information. 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 £32 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. References to changes "at constant currency" are defined in the Alternative Performance Measures section of this announcement. Certain other words and phrases used in this announcement have the meaning given to them in the Glossary.

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Results presentation

A presentation will be hosted by Liam Butterworth (CEO) and Roberto Fioroni (CFO) on 21 March 2024 at 9.00 GMT. You can register to listen to the presentation online here:

https://streamstudio.world-television.com/1429-2695-39086/en.

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 19 countries across the world, Dowlais is an automotive technology leader delivering precisely engineered products and solutions that drive transformation in our world. Dowlais has LEI number 213800XM8WOFLY6VPC92. For more information visit www.dowlais.com

Forward Looking Statements

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

CHIEF EXECUTIVE OFFICER'S REVIEW

We are pleased with the performance of Dowlais since listing in April 2023. We have delivered on our commitments, underpinned by a strong financial and operational performance during the year.

Market update

Automotive markets continued their recovery in 2023, with global light vehicle production increasing nearly 10% on 2022, to 90.3 million vehicles. Easing of semiconductor supply constraints, inventory restocking, resilient consumer demand and strong export growth from China were the key drivers. Growth was strong in EMEA (+11%), the rest of Asia (+9%) and the Americas (+9%), despite the impact of the UAW strikes. Following a slow start to the year, production in China recovered and finished 10% higher than 2022 levels.

Looking at the year ahead, S&P now estimate 2024 production to be 90 million vehicles, a marginal decline (-0.4%) on 2023 levels. As inventory replenishment cycles near completion and order backlogs are satisfied, regions that drove growth in 2023 (the rest of Asia and EMEA) are each expected to decline by 3%. Production in the Americas is forecast to be flat and China (+2%) is forecast to see low single-digit growth.

In the longer-term, the global automotive market is expected to grow, with a forecast increase in global light vehicle production of 5% cumulatively between 2023 and 2028.

Strategy

Dowlais' purpose, engineering transformation for a sustainable world, is shaped by our ambition to make a positive impact on the world through product innovation and technology. Our strategy, which has been defined in service of this purpose, is clear and focused on three pillars; Lead, Transform, Accelerate.

Lead: Our strategy is to lead, both in terms of our position within our product markets and in our financial performance. Market leadership provides the scale, production efficiencies, deep customer relationships, operational agility and resilience necessary to succeed in our industry. We also drive our businesses to fulfil their potential to deliver industry-leading financial performance, both in terms of operating margin and cash generation. This means maintaining a relentless focus on operational excellence, adopting world-class manufacturing, commercial and procurement processes; and applying a rigorous approach to working capital management.

Transform: Our businesses have a legacy of transformation. Continuous improvement and agility are fundamental to how we operate. This includes transformation in our operations, where we are digitising and streamlining our manufacturing processes; in our production footprint, where we have re-positioned ourselves to improve our competitiveness; and in our products, where technological innovation will help drive the sustainable vehicles of the future.

Accelerate: We are positioning our businesses for acceleration through sustainable organic growth. The foundation of this growth is a profitable, cash generative core business, that supports a clear innovation strategy. We have invested in growth segments that we expect to profitably benefit our business as the global transition to electrified vehicles gains momentum. Alongside this, at the appropriate time, we will explore opportunities for value-accretive M&A. We will be prudent and disciplined in our approach and pursue opportunities only when we believe they are compelling, aligned to our portfolio strategy and confident that they will create shareholder value.

2023 Group performance

In 2023 we continued to execute strongly to make progress on our three key priorities:

Margin expansion: Group adjusted revenue was £5.5 billion, growing 6.3% year-on-year at constant currency. This growth was driven by increased light vehicle production volumes and inflation-related price increases. Our long-term focus on profitability, with a rigorous discipline on pricing, sometimes at the expense of volume, delivered improved margins, with adjusted operating profit of £355 million, representing a year-on-year increase of 10% at constant currency and an adjusted operating profit margin expansion of 30bps. This was achieved despite ongoing inflationary headwinds, and the impact of the UAW strike in the US. This resulted in a drop-through margin of 29% at constant currency. Excluding the impact of incremental stand-alone plc costs, adjusted operating profit grew year-on-year by 20%, with adjusted operating profit margin expanding by 90bps, in each case at constant currency.

Cash generation: The Group reported a free cash flow of £45 million for the year and reduced net debt to £847 million. Free cash flow was impacted by non-recurring costs of £48 million related to the demerger. Excluding these non-recurring costs the Group generated £93 million of adjusted free cash, ahead of our expectations. Strong execution and a rigorous approach to working capital management supported our cash performance. When combined with an increase in adjusted EBITDA, the Group's leverage ratio reduced to 1.4x from a pro forma position of 1.5x as at the date of demerger. This has been achieved whilst continuing to invest in organic growth, new production facilities and executing ongoing restructuring programmes.

Portfolio transition: Our businesses remain well positioned to benefit from the long-term electrification of the automotive industry. Whilst the pace of change has accelerated in recent years, it continues to be volatile. We will therefore continue to maintain a pragmatic approach to investing in our portfolio to ensure we remain well balanced and able to track the pace of transition of our customers' vehicle platforms. Progress in securing new business which supports our transition, was made across the Group. Automotive had a record bookings performance with contracts totalling over £6 billion of forecast lifetime revenue awarded, well balanced across its Driveline and ePowertrain product groups. This represents an outstanding achievement, with 74% of those bookings on EV platforms. In Powder Metallurgy, work to successfully navigate the transition progressed, with 72% of new business bookings for propulsion source agnostic products (by forecast peak annual revenue) and continued progress on promising new product segments including magnets and iron powder for lithium iron phosphate (LFP) batteries.

Operational highlights

Our businesses continued to demonstrate positive operational performance throughout the year.

The operational strength of our businesses was demonstrated by their ability to successfully navigate the impact of the UAW strike action in the US during September and October. The impact of the strike was approximately £30 million of revenue and £10 million of adjusted operating profit. We are pleased with how our businesses were able to respond to the resulting shutdown of many OEM plants, while at the same time mitigating the impact on our people and maintaining high standards of quality and delivery.

Automotive has continued to drive operational efficiencies by improving the cost base of its manufacturing operations, most notably with the announcement of the closure of its Mosel, Germany plant, the opening of its new manufacturing facility in Hungary in September and the major expansion of its production facilities in Mexico, which proceeded according to plan. Automotive also recently announced the closure of its plant in Roxboro, North Carolina, which will be completed by the end of 2024 and was factored into our previous cashflow assumptions. These developments will ensure that the business continues to have a competitive manufacturing footprint to serve its customers in Europe and the Americas, supporting our margin improvement targets.

Powder Metallurgy has continued to improve its operational performance, increasing automation, optimising its US footprint and expanding its operations in Mexico. A change of leadership for the Powder Metallurgy business was made subsequent to the year-end, with the appointment of Jean-Marc Durbuis as new CEO on 11 March 2024.

GKN Hydrogen continued to make good commercial progress, with a notable increase in revenue and 16 of its innovative hydrogen storage systems installed in the year, demonstrating its capability with larger capacity installations for a range of use-cases.

Our focus on quality and delivery saw the Group deliver low single-digit parts-per-million (PPM) defect rates across the portfolio, and a good health and safety performance across the Group.

Engineering transformation for a sustainable world

During the period, we continued to make progress with our sustainability agenda and are delighted that alongside our Annual Report we will publish our first stand-alone sustainability report.

Sustainability is at the heart of Dowlais, embedded in our purpose and strategic framework. We are delivering the technological innovation required to enable a net zero economy, whilst embedding sustainable practices throughout our organisation to minimise our direct impact. In 2023, the Group's Scope 1 and Scope 2 emissions fell by 6.4% against a 2022 baseline, while both Automotive and Powder Metallurgy submitted science-based targets to the Science Based Targets initiative (SBTi) for validation in the year. Both business units were also recognised with improved EcoVadis ratings, with Automotive achieving a silver medal and Powder Metallurgy a platinum medal, the latter being only awarded to the top 1% of companies assessed.

Dividend

The Board has recommended a final dividend of 2.8 pence per ordinary share. This dividend, together with the interim dividend of 1.4 pence per ordinary share represents 30% of adjusted profit after tax, in line with the Group's dividend policy. Subject to approval by shareholders, the final dividend will be paid on 30 May 2024 to shareholders on the register on 19 April 2024. A Dividend Reinvestment Plan (DRIP) is provided by Equiniti Financial Services Limited. The DRIP enables the Company's shareholders to elect to have their cash dividend payments used to purchase the Company's shares. More information can be found at www.shareview.co.uk/info/drip.

Share buy-back

The Board has announced its intention to commence a share buy-back programme of up to £50 million, to be transacted over 12 months commencing in April 2024. This is in line with our capital allocation policy as we continuously evaluate the deployment of our available capital to support investment for future growth whilst maintaining leverage at or below 1.5x through the period and maximise value for our shareholders. The Board believes that purchasing its own shares is an attractive use of its capital in light of the Group's strong long-term outlook and improving cash generation. The programme will be executed in accordance with applicable legal requirements and a further announcement regarding the terms of the share buy-back programme will be made in due course.

Board matters

Now that the process to establish Dowlais as a stand-alone plc has completed, Geoffrey Martin, Executive Director, has informed the Board that he will not stand for election as a Director at the 2024 Annual General Meeting and will therefore step down from the Board with effect from the conclusion of the meeting. In addition, Alexandra Innes, Non-Executive Director, has also informed the Board that she will not stand for election as a Director at the 2024 Annual General Meeting and will therefore also step down from the Board with effect from the conclusion of the meeting. The Board would like to thank both Geoffrey and Alexandra for their valuable contribution to Dowlais and its businesses, both prior to and following its listing in April 2023. All other Directors have confirmed they intended to stand for election at the Company's 2024 Annual General Meeting. The Board has commenced a process to review its composition, which is being led by the Nomination Committee.

Outlook

Group

As we look forward, current industry forecasts imply a slight decline in global light vehicle production in 2024. Based on these external forecasts and our current order book, we anticipate Group revenues will be similar to the prior year, at constant currency, with a modest year-on-year reduction in the first half offset by an improvement in the second half due to the expected timing of several new programme launches. On this basis, and with our strong continued focus on operational efficiencies, we expect to further expand operating margins and grow free cash flow in 2024. As with revenue, we expect operating profit to be modestly second half weighted, with cash generation also more skewed to H2 in 2024.

Automotive

GKN Automotive's priorities remain unchanged: continued margin expansion; technology development to support the transition to electrification; and sustainable, profitable growth. The 2024 revenue outlook is consistent with the Group. Encouragingly, we expect adjusted operating margins to expand further building on the good momentum delivered in H2 2023 and supported by prior year actions to enhance operational efficiency.

In the medium-term and based on current industry light vehicle production forecast growth, we expect Automotive to achieve its adjusted operating profit target of 10%+. Of the incremental c.300 bps operating margin expansion required to achieve this, we expect approximately two thirds to result from ongoing operational efficiencies, largely underpinned by announced restructuring, and the remaining one third to come from revenue growth.

Powder Metallurgy

Powder Metallurgy continues to focus on transitioning its portfolio, winning new business and ensuring higher levels of efficiency across its manufacturing operations. As a result, we expect revenues in 2024 to be similar to the prior year, based on new customer product launches, with performance more closely aligned with the market. We expect this trend to continue over the medium term. We also expect adjusted operating margins of approximately 10%. Longer term, with a renewed focus on expanding the range of applications for its products, we expect the business to be able to return to growth with the potential for higher operating margins.

FINANCIAL REVIEW

The Group achieved impressive year-on-year improvements in its key performance measures, driven by a combination of global light vehicle production (GLVP) volume increases, operational efficiencies, easing supply chain disruptions and a continuing focus on cost management. Despite prolonged inflationary headwinds and the UAW strike in September and October, we have demonstrated resilience in navigating these challenges and executed strongly by growing profits, expanding margins and increasing cash generation.

Overview

	Adjusted[1]				Statutory		
£ millions	**2023**	2022	Change	Constant FX[1]	**2023**	2022	Change
Revenue	**5,489**	5,246	4.6%	6.3%	**4,864**	4,595	5.9%
Operating profit/(loss)	**355**	333	6.6%	10%	**(450)**	58	n/m[4]
Operating margin	**6.5%**	6.3%	20bps	30bps	**-9.3%**	1.3%	n/m[4]
Operating profit/(loss) excl. stand-alone costs[2]	**387**	333	16%	20%	**–**	–	–
Operating margin excl. stand-alone costs[2]	**7.1%**	6.3%	80bps	90bps	**–**	–	–
Basic EPS[3]	**13.8p**	–	–	–	**(36.0)p**	–	–
Free cash flow[3]	**93**	–	–	–	**–**	–	–
Net debt[3]	**847**	–	–	–	**–**	–	–

1. Adjusted financial measures are defined and reconciled to statutory measures in the Alternative Performance Measures section of this announcement, which also sets out the definition and basis of calculation of constant currency.
2. Excludes £32 million of incremental stand-alone plc costs.
3. Prior year comparators are not included as not considered meaningful or are not possible to calculate due to the change in structure of the business. Prior year comparators will be included from December 2024.
4. Not meaningful.

Revenue

Adjusted revenue in the year increased to £5,489 million (2022: £5,246 million), with growth of 6.3% at constant currency. This reflected volume growth in all our operating regions, although we did underperform GLVP, and price increases as the businesses recovered significant cost inflation. Translational foreign exchange headwinds on adjusted revenues were £90 million greater than the prior year, resulting in a reported adjusted revenue growth of 4.6%. Statutory revenue (which excludes revenues from non-consolidated joint ventures including the Group's major Automotive joint venture in China) in the year was £4,864 million (2022: £4,595 million) with reported growth of 5.9%.

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

Adjusted revenue share by region	**2023**
Americas	**40%**
Europe, Middle East & Africa	**34%**
China[1]	**14%**
Asia (ex China)	**12%**

1. China revenues reflect Joint Venture shareholding percentages.

Operating profit

Adjusted operating profit for the year increased by 10% at constant currency to £355 million, with margin improvement of 30bps. This improvement excludes the impact of foreign exchange headwinds due to the British pound sterling strengthening against the US dollar and the Chinese Renminbi.

The increase in adjusted operating profit was driven by higher volume, and offsetting inflation through a combination of customer price increases and operational efficiencies. Excluding incremental stand-alone plc costs, adjusted operating profit in the year increased by 20% to £387 million, with margin expansion of 90bps.

The statutory operating loss in the year was £450 million (2022: £58 million profit), primarily reflecting a goodwill impairment charge of £449 million relating to the Powder Metallurgy business, resulting in a carrying value of £884 million. As part of our year-end process, we review the carrying value of all of our assets, which has led to this non-cash impairment. After completing a detailed business review, while we still believe that the business has promising longer-term prospects, current medium-term profit and cash assumptions are lower than those previously assumed when determining its book value. This is largely driven by a softening in the underlying forecast of the growth assumptions in its core business. This is discussed in more detail in Note 4(a) to the Financial Statements. Other adjustments between adjusted and statutory operating profit relate to the amortisation of acquisition-related intangible assets, restructuring costs and demerger costs.

Translational foreign exchange impact

The difference in reported and constant currency values relates to translational foreign exchange impacts as further set out on in the Alternative Performance Measures section of this announcement. When considering the sensitivity of potential 2024 full-year adjusted operating profit to translational foreign exchange movements, we expect that a 10% strengthening of certain underlying currencies against British pound sterling would increase adjusted operating profit as follows: US dollar approximately £20 million; Euro approximately £5 million; and Chinese Renminbi approximately £10 million. Based on current spot rates we expect a full year 2024 revenue and operating profit headwind.

Net finance costs

The Group's net finance charges of £72 million (2022: £121 million) represent £101 million of finance costs (2022: £272 million) and £29 million of finance income (2022: £151 million).

The finance costs include interest on bank borrowings of £63 million (2022: £11 million), interest on the Group's pension schemes of £17 million (2022: £6 million) and finance lease charges of £6 million (2022: £6 million). The increase in interest on bank borrowings compared to the prior year reflects the change in capital structure to a stand-alone entity following the demerger. The Group's effective interest rate on bank borrowings was 6.4%.

Finance income includes the benefit of foreign exchange gains of £22 million on loans with Melrose up to the date of demerger. In the prior year, foreign exchange movements on loans with Melrose resulted in a £24 million net cost, comprising exchange gains of £143 million offset by exchange losses of £167 million.

Adjusted net finance costs of £91 million (2022: £36 million) include £2 million of interest income from equity accounted investments (2022: £2 million) and exclude movements in foreign exchange movements on loans with Melrose as well as a £1 million fair value movement on other financial assets (2022: £59 million fair value changes on cross currency swaps). Adjusting interest items are set out in Note 4(b) to the Financial Statements.

The Group is actively monitoring interest costs in light of volatile global interest rates and has fixed the interest rates on 55% of the drawn debt under its banking facilities with interest rate swaps, maturing in line with those facilities.

Net finance charges are expected to be higher in 2024, in the range of between £100 million and £110 million, due to the full-year impact of our debt structure and the increase in global interest rates.

Tax

The results for the year show an adjusted tax charge of £66 million (2022: £79 million), arising on an adjusted profit before tax of £264 million (2022: £297 million). The Group's current adjusted effective tax rate (ETR) is 25.0% (2022: 26.6%). The Group's ETR is driven primarily by the jurisdictional split of profits and includes the benefit of operating in low tax regimes in certain parts of China and Thailand. In addition, the Group has claimed the benefit of patent box tax relief in Italy during the year. These downward drivers are partially offset by the non-recognition for tax purposes of the losses arising in the Hydrogen business as well as withholding tax suffered on dividends received by the UK from overseas businesses.

Earnings per share

In accordance with the Group's measures of performance, the Group also presents its earnings per share (EPS) on an adjusted basis. Adjusted EPS for the year was 13.8 pence per ordinary share.

Statutory basic EPS was a loss of 36.0 pence per share as it included the impact of the goodwill impairment and other adjusting items such as amortisation of acquisition-related intangible assets, restructuring costs and demerger costs, as shown in Note 4 of the Financial Statements.

Free cash flow

The Group reported a free cash flow of £45 million for the year, which was impacted by non-recurring costs of £48 million related to the demerger. These costs include employee incentive payments under the terms of a previous Melrose scheme that became payable at the point of the demerger and costs associated with establishing the Group's new central functions. Excluding these non-recurring costs, the adjusted free cash flow was £93 million.

The growth in adjusted free cash flow was primarily driven by an increase in adjusted EBITDA and improvements in working capital of £18 million resulting from a continued focus on supply chain optimisation. It also benefited

from lower tax and restructuring cash outflows, which more than offset the higher interest payments and capital expenditure.

Interest payments, totalling £68 million, were £56 million higher compared to the previous year due to the new stand-alone capital structure established after the demerger, therefore, interest payments in 2024 are expected to be in the range of £80 million to £90 million. Capital expenditure increased by £73 million to £295 million, reflecting investments in business growth and footprint optimisation. Capital expenditure in 2024 is expected to be towards the lower end of 1.0x and 1.2x depreciation, in line with our medium-term guidance. Restructuring cash outflows of £70 million, related to manufacturing footprint optimisation, were lower than the previous year and expectations, largely due to phasing. As a result, restructuring cash outflows in 2024 are expected to increase to between £90 million and £100 million.

Liquidity and leverage

The Group's primary sources of liquidity are the cash generated from operating activities and funds available under its revolving credit facility. At year end, the Group's cash and cash equivalents balance stood at £313 million, while the revolving credit facility had available headroom of £590 million, translating to a total liquidity position of £903 million.

The Group is funded through two core banking facilities, comprised of a term loan and revolving credit facility, with a combined facility limit of approximately £1.8 billion. Both facilities have an initial maturity date of 20 April 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 31 December 2023 was £847 million, slightly less than 30 June 2023 and approximately £30 million less than the pro forma net debt of £880 million at 31 December 2022.

The Group's net leverage ratio at 31 December 2023 was 1.4x adjusted EBITDA, comfortably below the covenant requirement under its debt facilities of 3.5x, and aligned with the Group's intention to maintain a strong balance sheet with net leverage of between 1.0x and 1.5x the last 12 months' adjusted EBITDA. 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 4.0x) does not come into effect until 30 June 2024. The Group expects to have comfortable headroom above this covenant.

Retirement benefit obligations

The Group operates several defined benefit pension schemes. The Group's assets and liabilities under these schemes were calculated as at 31 December 2023 to reflect the latest assumptions and are summarised below.

Position at 31 December 2023

£ millions	Assets	Liabilities	Accounting Deficit
UK plans[1]	665	(672)	(7)
European plans	16	(416)	(400)
US plans	73	(118)	(45)
Other Group pension schemes	21	(28)	(7)
Total Group pension schemes	775	(1,234)	(459)

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

The Group's most significant defined benefit pension plans are the GKN Group Pension Scheme No. 2 and the GKN Group Pension Scheme No. 3, which constitute the majority of the UK plans. These defined benefit schemes are closed to new entrants and to the accrual of future defined benefits for current members. The Group continues to contribute £15 million per annum to these UK schemes as part of its asset-backed funding arrangements. As at 31 December 2023, these schemes had a net deficit of £5 million (2022: net surplus of £17 million), with an additional £2 million of liabilities relating to a legacy post-retirement medical scheme. The UK schemes were last subject to their triennial statutory valuation in April 2022, the outcome of which and the related funding principles was agreed by the Group with the trustee directors of the schemes. The next triennial valuation is due in April 2025.

The most significant of the Group's other pension liabilities are the future payment obligations under the German GKN pension plans, which provide benefits dependent on final salary and service and which are generally unfunded and closed to new entrants. At year end, the future obligations associated with these plans represented an unfunded liability of £390 million (2022: £405 million).

Full-year pension cash outflows in relation to the defined benefit pension schemes were £39 million (2022: £40 million). This amount is expected to be approximately £45 million in 2024.

BUSINESS UNIT REVIEWS

Automotive

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

Automotive overview

	Adjusted[1]				Statutory		
£ millions	**2023**	2022	Change	Constant FX[1]	**2023**	2022	Change
Revenue	**4,437**	4,223	5.1%	7.0%	**3,843**	3,598	6.8%
Operating Profit	**306**	250	22%	27%	**30**	11	173%
Operating Margin	**6.9%**	5.9%	100bps	110bps	**0.8%**	0.3%	50bps

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

GKN Automotive made strong progress during 2023 with revenue growth, significant margin expansion, improving cash flow generation and record new business bookings.

Adjusted revenue grew 7.0% year-on-year to £4,437 million, driven by increased global light vehicle production volumes. The under-performance compared to a GLVP growth of 9.7% is largely due to our strategic focus on commercial discipline, prioritising profitable growth over volume growth. The business also grew adjusted operating profit by 27%. This reflects a drop-through margin of 29% on incremental volume at constant currency. This resulted in adjusted operating margin expansion of 110bps to 6.9%, reflecting incremental volumes, operational efficiencies including procurement benefits, offsetting ongoing inflation and foreign exchange headwinds. The second half performance was particularly pleasing, with the business achieving an adjusted operating margin of 7.3%, despite the impact of the UAW strike action in the US.

To optimise its manufacturing footprint and further improve efficiency, the business incurred £109 million in restructuring costs during the year, with a £58 million cash outflow. Key actions included the ongoing closure of its Mosel plant in Germany and shifting production to Miskolc, Hungary, alongside the expansion of facilities in Mexico.

Record new business wins

GKN Automotive had an outstanding year of new business bookings, securing strategically significant wins and contract awards worth more than £6 billion in forecast lifetime revenue. This is GKN Automotive's best-ever year for new business wins, representing an 11% increase on 2022 and a book-to-bill ratio of approximately 1.4x.

These business wins are well balanced across the Driveline and ePowertrain product groups, with 74% related to EV platforms, and 69% for pure BEV platforms (in each case by forecast lifetime revenue). The wins were also balanced across the business's product portfolio, including sideshafts tailored for EVs, ePowertrain components such as Electronic Differential Locks (EDL), Electronic Torque Managers (ETM) and Limited Slip Differentials (LSD), and a full eDrive system. They were also across a broad range of end customers, including traditional, Chinese and pureplay EV OEMs.

The business's order book remains very well aligned to the evolving vehicle portfolio of its customers and the S&P Global's forecast for 2027, with 33% of its current 2027 order book now relating to battery electric vehicles, 16% to hybrid electric vehicles and 51% to internal combustion engine vehicles. The balanced nature of GKN Automotive's product portfolio enables it to remain propulsion source agnostic, and to prudently track the pace of transition of its customers' vehicle platforms to EVs.

Notably, the business was also awarded a contract for a full 3-in-1 eDrive system, comprising two electric drive units (front and rear) for a high-performance electric SUV. The forecast profitability of this award is also fully aligned to our margin objectives. This win further demonstrates GKN Automotive's ability to profitably leverage its all-wheel-drive (AWD) systems engineering expertise into eDrive systems. Separately, the business's first entirely in-house designed and developed 3-in-1 eDrive system, to be supplied to a major global OEM, is expected to enter series production in the second half of 2024.

China continues to lead the world in the transition to electric vehicles, and this key market was an area of particular focus during the year. GKN Automotive's presence in China is via its joint venture SDS with local partner HUAYU Automotive Systems Co. Ltd (HASCO). SDS has continued to grow and remains the leading supplier of driveline products to the Chinese market, with ten manufacturing facilities located in the country. 2023 represented the 35th anniversary of the establishment of the joint venture, reflecting GKN Automotive's early entry into the domestic Chinese market. Following the easing of restrictions on travel resulting from the pandemic, the GKN Automotive leadership team has spent considerable time in China, working in close collaboration with HASCO and the SDS team to ensure that the joint venture continues to maintain its strong and profitable position in the Chinese market, with progress made. Chinese OEMs continue to become more global in their ambitions, and the business made good progress in profitably increasing sales with this group of customers, leveraging its strong and longstanding relationships.

Technology and product portfolio

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

In 2023, the business continued to expand its core sideshaft portfolio, with products designed to match the changing demands of EV platforms. With over 100 joint types and sizes, world-class drivetrain expertise and over 1,400 active driveshaft patents, it is the world leader in this market.

As the global leader in AWD systems and advanced differentials, GKN Automotive is well positioned to capitalise on the increasing number of vehicle architectures and the efficiency requirements of EVs. The business designs and manufactures a wide range of systems, sub-systems, and components, that enable improvements in efficiency, vehicle dynamics, stability and safety. These capabilities have contributed to its success in the rapidly growing eDrive systems market.

In 2023 the business launched the Advanced Research Centre (ARC), a collaborative partnership between GKN Automotive, Newcastle University and the University of Nottingham, delivering a series of advanced technology projects focused on power electronics, advanced cooling methods in motors and motor control techniques. These projects aim to enhance drive system performance and efficiency, which are critical to the ongoing evolution of the EV market.

Further expanding its electronic and software capabilities, GKN Automotive achieved ASPICE Level 2 certification for a full eDrive system with a leading German vehicle manufacturer in 2023. ASPICE (Automotive Software Process Improvement Capability Determination) is a standard which assesses the maturity of development processes for electronic and software-based automotive systems. All future GKN Automotive eDrive systems will be ASPICE Level 2 compliant.

Operational excellence

With operations in 18 countries, the business is global in nature, and capable of meeting its customers' needs wherever they are located.

GKN Automotive had an excellent health and safety performance in the year, with an Accident Frequency Rate of 0.05, an improvement from 2022, due to a range of behaviour-based safety initiatives, including those relating to hand safety and slips, trips and falls. The business also continued to demonstrate excellent quality standards, achieving a PPM (parts rejected per million manufactured) defect rate of six.

Throughout the year, GKN Automotive continued to make significant progress in improving the competitiveness of its manufacturing footprint, as part of its wider industrial strategy to ensure a best-in-class cost structure and continues to sustainably drive margin improvement.

In October 2023, GKN Automotive commenced production at its new manufacturing facility in Miskolc, Hungary. In addition, the business invested to expand its Mexico facilities by a total of 28,000 sqm, to a total of 182,000 sqm, adding further manufacturing and engineering capabilities. In addition to these expansions, the business 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 the second half of 2025. The proposed closure of its plant in Roxboro, North Carolina was also announced on 7 March 2024. The cash impact of these actions is in line with our original expectations and commentary.

GKN Automotive's ability to meet its customers' demanding operational schedules was demonstrated by the business successfully completing 115 new programme launches during the year. Operational improvements were made across many plants, with a continued focus on areas such as excellence in its global procurement function, smart automation, cost optimisation and the implementation of intelligent material-flow systems.

The business also fully restructured its supply chain functions, closing its Global Freight Services operation and transferring accountability for global freight management activities to a streamlined internal team located within its manufacturing plants, working directly with external logistics providers. This project, which was implemented on time and without operational disruption, is expected to further enhance operational performance, reduce costs and improve working capital.

Powder Metallurgy

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

Powder Metallurgy overview

	Adjusted[1]				Statutory		
£ millions	**2023**	2022	Change	Constant FX[1]	**2023**	2022	Change
Revenue	**1,047**	1,022	2.4%	3.5%	**1,016**	996	2.0%
Operating Profit	**96**	96	-	3.1%	**(409)**	36	n/m[2]
Operating Margin	**9.2%**	9.4%	(20)bps	(10)bps	**-40.3%**	3.6%	n/m[2]

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

Powder Metallurgy's performance in the year was in line with expectations, including good cash generation. Adjusted revenues were £1,047 million, 3.5% ahead of 2022. This reflected the benefit of strong inflation-recovery through pricing and flat year-on-year volumes. The market under-performance was largely driven by the EV transition headwinds, engine downsizing and the impact of the UAW strikes in the US.

Adjusted operating profit for the year was £96 million, at an adjusted operating margin of 9.2%. This compares to an equivalent margin of 9.4% in 2022 and reflects the dilutive effect of inflation recoveries in the year.

Powder Metallurgy has been heavily focused on inflation recovery throughout the year, and successfully recovered around 100% of commodity and energy inflation for the full year, by pricing initiatives and surcharge pass-through agreements. The business offset other inflationary increases through operational efficiencies.

Commercial progress and EV transition

Powder Metallurgy made commercial progress in the year, securing new business wins with a 23% year-on-year increase in bookings when measured by forecast peak annual revenues. The business has a broad and stable customer base, with over 3,000 customers in automotive and other industrial markets.

A key priority for the business is successfully navigating the EV transition, as a significant proportion of its sales are currently from products used in ICE vehicles. Progress continues to be made, with approximately 72% of the value of its new business wins in 2023 for EV or propulsion source agnostic product groups, by forecast peak annual revenue. This was a material step-up from the prior year and a confirmation that the new products Powder Metallurgy has developed over recent years are gaining commercial traction.

The business continues to identify new areas in which its powder metallurgy expertise can be applied to EV-specific products. This includes areas such as battery connectors and packs; components for high-voltage cables, electric motors and thermal management systems; e-pumps; x-by-wire components and differential gears. Multiple business wins in EV-specific products were secured in the year, including the single largest contract the business has ever secured, for the supply of sintered differential gears for a leading US vehicle manufacturer, with production due to commence in 2025.

Powder Metallurgy's strategy to successfully navigate the EV transition is based not only on adapting its core sinter metals business but also on identifying new markets for its metal powders. The business has had success this year in selling high-quality iron powder to produce cathodes for Lithium Iron Phosphate (LFP) batteries. LFP batteries are becoming more widely used and are gaining share in the growing EV battery market due to their lower cost and thermal stability. The business is already supplying customers with this material and working with vehicle and

battery manufacturers (and their suppliers) on several potential opportunities involving localised supply across Europe, North America, and China.

An additional potential growth area which the business is pursuing is the manufacture and supply of permanent magnets for electric motors for EVs and other applications. Progress was made during the year, including the first commercial agreement for the manufacture of magnets for Schaeffler. The business continues to see interest in these products from multiple customers (both OEMs and Tier 1 suppliers), who wish to diversify their supply chains for these critical components. Commercial negotiations and advanced technical qualifications have continued with several potential customers, and the business is working on establishing a robust and sustainable supply chain for the critical raw materials as part of its "Mine-to-Magnet" supply chain strategy. Construction of a new low-scale production line capable of producing up to 400 tonnes of permanent magnets a year has commenced and is expected to be operational in Q1 2025. Investment in the manufacturing of magnets totalled £2 million in the year, and appropriate investment in full-scale production facilities will be considered as and when contractual demand reaches the required threshold and returns meet our financial criteria.

While primarily an automotive-focused business, Powder Metallurgy supplies a wide range of products to other industrial markets, including: consumer white goods; heating, ventilation and air conditioning (HVAC); and lawn and garden products. These markets represent approximately 20% of the business's revenue, and advancing non-automotive opportunities, in particular into high-growth sectors such as medical, advanced computing and renewable energy, will continue to be a strategic target for the business. As an example, during the year the company won a substantial order for the supply of isostatic tubes for a renewable energy project in China.

Operations

Powder Metallurgy is a global business, with operations in 11 countries, 27 manufacturing plants and three technology centres.

We set demanding standards of health and safety for our businesses. Powder Metallurgy's Accident Frequency Rate of 2.2 was slightly higher than our internal target, and as such this remains an area of focus for the business. Quality performance was better than our target, with a PPM defect rate of less than five.

Throughout the year the business continued to make progress on improving operations, with some of its US plants experiencing operational challenges in first half of the year. Investments were made to drive efficiencies, mainly through automation, helping to offset inflationary pressures. Powder Metallurgy also continues to develop its best-cost country strategy by expanding its operations in Mexico.

On 11 March 2024, Dowlais appointed a new Chief Executive Officer to lead the GKN Powder Metallurgy business. Jean-Marc Durbuis joins GKN Powder Metallurgy from Allnex, a global supplier of resins and additives to the coating and inks industry, where he was Executive Vice President and a member of the executive committee and board of directors of one of its divisions. His achievements at Allnex include driving growth, delivering significant improvements in his division's financial and operational performance, and executing significant M&A projects in several geographies. Jean-Marc will bring extensive commercial, operational and leadership experience to GKN Powder Metallurgy as it continues its portfolio transition.

Hydrogen

A world leader in the nascent metal hydride storage industry, well placed to capture growth across both the hydrogen storage and long-duration energy storage markets. GKN Hydrogen offers the most sustainable and safe long-term hydrogen storage systems, which store hydrogen in significant quantities, without losses, in a compact footprint. Its systems are based on patented metal hydride technology and can be used as a robust hydrogen storage solution or for long-term energy storage, in new or existing infrastructure projects. The wide range of potential applications for hydrogen systems includes off-grid energy storage, CO2-neutral emergency power supply for critical facilities such as hospitals and data centres, resiliency storage in hydrogen infrastructure and refuelling stations, clean microgrids and charging infrastructure.

Hydrogen overview

	Adjusted[1]				Statutory		
£ millions	**2023**	2022	Change	Constant FX[1]	**2023**	2022	Change
Revenue	**5**	1	n/m[2]	n/m[2]	**5**	1	n/m[2]
Operating Profit	**(15)**	(14)	-7.1%	-7.1%	**(16)**	(14)	-14%
Operating Margin	**n/m[2]**	n/m[2]	n/m[2]	n/m[2]	**n/m[2]**	n/m[2]	n/m[2]

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

Commercial traction

GKN Hydrogen's innovative storage technology continued to generate commercial traction throughout the year, as its order book increased and it continued to make progress in a variety of market segments. 2023 was the first year in which the business generated meaningful revenues, which were £5 million for the year, and although the business was loss-making, the business has a clear first-mover advantage.

The business installed and commissioned 16 new systems over the year, increasing the total number that are operational, in production or in commissioning to 27. The business also secured its first repeat customer. GKN Hydrogen's commercial focus is on targeting scalable customers including Engineering, Procurement and Construction businesses (EPCs), utilities providers and relevant industrial and transit businesses. GKN Hydrogen believes that customers in these industries particularly value the safety and reliability of its storage systems, and its expertise in integrating these systems into larger and more complex energy applications.

Operational progress

Whilst remaining focused on bringing its products to market, GKN Hydrogen continues to develop and refine its underlying technology. During the year it launched its new large-scale storage system, Hy2Mega, with four systems, each with 8.3MWh of energy capacity, commissioned in the year. The business also supplied what are believed to be the largest metal hydride hydrogen storage solutions ever brought to market, installing 500kg of hydrogen storage capacity for two customers, one in the US and one in Germany. The business's flexible and modular approach to its storage systems enables it to efficiently adapt its products to meet customers' needs.

In April 2023, the business opened its new hydrogen technology centre in Pfalzen, Italy, where approximately 60 employees lead its global development and production activities. The Hydrogen business also continues to work closely with research institutions, universities, and industry partners to promote local and international co-operation and knowledge exchange.

Outlook

The Board believes that the Hydrogen business would benefit from the involvement of a strategic commercial partner or specialist investor, as it seeks to accelerate the commercial adoption of its technology. As previously communicated, a process is ongoing to identify suitable investment partners. We expect the business to continue to make commercial traction in this nascent market and grow revenue during the year.

DOWLAIS GROUP PLC
CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31 December 2023 £m**	Year ended 31 December 2022[1] £m
Revenue	3	**4,864**	4,595
Cost of sales		**(4,107)**	(3,937)
Gross profit		**757**	658
Share of results of equity accounted investments	9	**51**	49
Operating expenses		**(809)**	(649)
Impairment of goodwill	4	**(449)**	–
Operating (loss)/profit	3,4	**(450)**	58
Finance costs	5	**(101)**	(272)
Finance income	5	**29**	151
Loss before tax		**(522)**	(63)
Tax	6	**27**	(14)
Loss after tax for the year		**(495)**	(77)
Attributable to:			
Owners of the parent		**(501)**	(82)
Non-controlling interests		**6**	5
		(495)	(77)
Earnings per share			
– Basic	8	**(36.0)p**	(5.9)p
– Diluted	8	**(36.0)p**	(5.9)p

Adjusted[2] results

Adjusted revenue	3	**5,489**	5,246
Adjusted operating profit	3,4	**355**	333
Adjusted profit before tax	4	**264**	297
Adjusted profit after tax	4	**198**	218
Adjusted basic earnings per share	8	**13.8p**	15.3p
Adjusted diluted earnings per share	8	**13.8p**	15.3p

1. Historical Financial Information including the year ended 31 December 2022 was 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 material accounting policies (Note 2).

DOWLAIS GROUP PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Year ended 31 December 2023 £m**	Year ended 31 December 2022[1] £m
Loss after tax for the year		**(495)**	(77)
Items that will not be reclassified subsequently to the Income Statement:			
Net remeasurement (loss)/gain on retirement benefit obligations		**(22)**	72
Income tax credit/(charge) relating to items that will not be reclassified	6	**4**	(27)
		(18)	45
Items that may be reclassified subsequently to the Income Statement:			
Currency translation		**(152)**	272
Impact of hyperinflationary economies		**8**	28
Share of other comprehensive (expense)/income from equity accounted investments		**(32)**	12
Derivative and exchange gains on hedge relationships		**21**	–
Income tax credit/(charge) relating to items that may be reclassified	6	**4**	(12)
		(151)	300
Other comprehensive (expense)/income for the year		**(169)**	345
Total comprehensive (expense)/income for the year		**(664)**	268
Attributable to:			
Owners of the parent		**(668)**	262
Non-controlling interests		**4**	6
		(664)	268

1. Historical Financial Information including the year ended 31 December 2022 was 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	**Year ended 31 December 2023 £m**	Year ended 31 December 2022[1] £m
Net cash from operating activities	13	**239**	210
Investing activities			
Purchase of property, plant and equipment		**(279)**	(202)
Proceeds from disposal of property, plant and equipment		**33**	23
Purchase of computer software and capitalised development costs		**(16)**	(20)
Dividends received from equity accounted investments		**63**	59
Interest received		**5**	3
Net cash used in investing activities		**(194)**	(137)
Financing activities			
Cash settlements with Related Parties[2]		**(1,096)**	(78)
Drawings on borrowing facilities		**1,313**	–
Repayment of borrowing facilities		**(124)**	–
Costs of raising debt finance		**(12)**	–
Repayment of principal under lease obligations		**(25)**	(22)
Purchase of own shares		**(7)**	–
Dividends paid to non-controlling interests		**(7)**	–
Dividends paid to equity shareholders	7	**(19)**	–
Net cash from/(used in) financing activities		**23**	(100)
Net increase/(decrease) in cash and cash equivalents, net of bank overdrafts		**68**	(27)
Cash and cash equivalents, net of bank overdrafts at the beginning of the year	13	**263**	275
Effect of foreign exchange rate changes		**(18)**	15
Cash and cash equivalents, net of bank overdrafts at the end of the year	13	**313**	263

1. Historical Financial Information including the year ended 31 December 2022 was 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 31 December 2023, the Group had net debt of £847 million (31 December 2022: net funds of £920 million). A definition and reconciliation of the movement in net debt is shown in Note 13.

DOWLAIS GROUP PLC
CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	31 December 2023 £m	31 December 2022 [1] £m
Non-current assets			
Goodwill and other intangible assets		**2,365**	3,095
Property, plant and equipment		**1,751**	1,821
Interests in equity accounted investments		**380**	424
Loans receivable from Related Parties[2]	15	**–**	2,826
Deferred tax assets		**146**	99
Derivative financial assets		**8**	9
Other financial assets		**28**	–
Retirement benefit surplus	12	**27**	42
Other receivables		**12**	21
		4,717	8,337
Current assets			
Inventories		**510**	498
Trade and other receivables		**628**	638
Derivative financial assets		**45**	24
Current tax assets		**21**	20
Cash and cash equivalents	13	**313**	270
		1,517	1,450
Total assets	3	**6,234**	9,787
Current liabilities			
Trade and other payables		**1,179**	1,188
Interest-bearing loans and borrowings	13	**2**	–
Loans payable to Related Parties[2]	15	**–**	2,176
Lease obligations	14	**25**	25
Derivative financial liabilities		**4**	10
Current tax liabilities		**100**	109
Provisions	10	**136**	140
		1,446	3,648
Net current assets/(liabilities)		**71**	(2,198)
Non-current liabilities			
Other payables		**18**	28
Interest-bearing loans and borrowings	13	**1,158**	–
Lease obligations	14	**126**	134
Derivative financial liabilities		**4**	2
Deferred tax liabilities		**248**	293
Retirement benefit obligations	12	**486**	503
Provisions	10	**182**	186
		2,222	1,146
Total liabilities	3	**3,668**	4,794
Net assets		**2,566**	4,993
Equity			
Issued share capital		**14**	–
Share premium account		**–**	–
Own shares		**(7)**	–
Translation reserve		**(81)**	69
Hedging reserve		**1**	–
Retained earnings		**2,603**	4,885
Equity attributable to owners of the parent		**2,530**	4,954
Non-controlling interests		**36**	39
Total equity		**2,566**	4,993

1. Historical Financial Information including the year ended 31 December 2022 was 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 for the year	–	–	–	–	–	(82)	**(82)**	5	**(77)**
Other comprehensive income	–	–	–	299	–	45	**344**	1	**345**
Total comprehensive income/(expense)	–	–	–	299	–	(37)	**262**	6	**268**
Transactions with Related Parties[1]		–	–	–	–	(110)	**(110)**	–	**(110)**
At 31 December 2022[2]	–	–	–	69	–	4,885	**4,954**	39	**4,993**
Loss for the year	–	–	–	–	–	(501)	**(501)**	6	**(495)**
Other comprehensive (expense)/income	–	–	–	(150)	1	(18)	**(167)**	(2)	**(169)**
Total comprehensive (expense)/income	–	–	–	(150)	1	(519)	**(668)**	4	**(664)**
Dividends paid to Related Parties[1]	–	–	–	–	–	(1,675)	**(1,675)**	–	**(1,675)**
Transactions with Related Parties[1]	–	–	–	–	–	(57)	**(57)**	–	**(57)**
Effect of change of ultimate holding company[3]	14	1,070	–	–	–	(1,084)	**–**	–	**–**
Purchase of own shares by Employee Benefit Trust[4]	–	–	(7)	–	–	–	**(7)**	–	**(7)**
Capital reduction	–	(1,070)	–	–	–	1,070	**–**	–	**–**
Dividends paid to equity shareholders	–	–	–	–	–	(19)	**(19)**	(7)	**(26)**
Equity-settled share-based payments	–	–	–	–	–	2	**2**	–	**2**
At 31 December 2023	14	–	(7)	(81)	1	2,603	**2,530**	36	**2,566**

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. Historical Financial Information including the year ended 31 December 2022 was 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 Consolidated Financial Statements. See Note 2 for details of application of merger accounting.

4. On 31 May 2023 an Employee Benefit Trust (EBT) established for the benefit of certain employees of the Group purchased shares in the capital of the Company to be held for the purpose of settling awards vesting under the Group's share incentive scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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

1.1 Corporate Structure

Dowlais Group plc was incorporated as a public company limited by shares in the United Kingdom on 13 January 2023 under the Companies Act 2006 and is registered in England & Wales. On 28 February 2023, Melrose Industries PLC (“Melrose”) transferred the entire shareholding of 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 show an aggregation of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses along with certain Corporate functions, which form the operating segments of the Group. The aggregation 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 financial information included within this announcement does not constitute the Company’s statutory Financial Statements for the year ended 31 December 2023 within the meaning of s435 of the Companies Act 2006, but is derived from those Financial Statements. Statutory Financial Statements for the year ended 31 December 2023 will be delivered to the Registrar of Companies during May 2024. The auditor has reported on those Financial Statements; their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006. While the financial information included in this announcement has been prepared in accordance with the recognition and measurement criteria of United Kingdom adopted international accounting standards, this announcement does not itself contain sufficient information to comply with these standards. The Company expects to publish full Financial Statements that comply with United Kingdom adopted international accounting standards during May 2024.

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 to the London Stock Exchange, 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 the Historical Financial Information in that document and the accounting policies therein except in relation to the application of IAS 29 Financial Reporting in Hyperinflationary Economies as set out in Note 1.3 below.

1.3 IAS 29 Financial Reporting in Hyperinflationary Economies

The December 2022 results reflect the application of IAS 29 Financial Reporting in Hyperinflationary Economies. During 2022 Turkey became hyperinflationary. IAS 29 requires affected entities to present their financial statements reflecting the general purchasing power of the relevant functional currency in terms of the measuring unit current at the end of the reporting period. Following a detailed assessment performed during the year, the December 2022 financial statements of the Group’s operations in Turkey, which are based on a historical cost approach, were adjusted to reflect the level of the Turkey Domestic Producer Price Index (D-PPI) which was 2,026 as at the end of the year. As a result, goodwill and other intangible assets were increased by £20 million, property, plant and equipment were increased by £8 million and a total of £28 million was recognised in other comprehensive income as a credit to translation reserves. The impact of applying IAS 29 in the current year was to increase goodwill and other intangible assets by £5 million and property, plant and equipment by £3 million, with a credit of £8 million recognised in other comprehensive income. These adjustments reflected the change in the D-PPI to 2,915 as at 31 December 2023.

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

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

- 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 12 Income Taxes - International Tax Reform - Pillar Two Model Rules
- 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

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

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

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

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

Material accounting policies applied in preparing the Consolidated 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 application of IAS 29 Financial Reporting in Hyperinflationary Economies and a change in accounting policy with respect to alternative performance measures as set out below.

During the year, 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.

2. Summary of material accounting policies

Merger accounting

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

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

- The value of the assets and liabilities of the business were transferred to Dowlais at book value on the date of the transaction with no adjustments required to estimate fair value.
- The results of the Group 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 Alternative Performance Measures section to these Consolidated Financial Statements and the reconciling items between statutory and adjusted results are listed below and described in more detail in Note 4.

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

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

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

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

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

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

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

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

The policy above is consistent with that used in the comparative year, with the exception of the release of fair value items, which from 2023 are restricted to loss-making contract provisions, as the Directors believe this better represents the operational nature of such items. The effect of this change is a credit to adjusted operating profit of £24 million in the current year and was immaterial in 2022.

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

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

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

Going concern

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

Covenants

The current facility has two financial covenants being a 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:

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

Testing

In concluding that the going concern basis is appropriate, the Directors have modelled the impact of a 'worst case scenario' to the 'base case' by including an aggregation of the same three plausible but severe downside risks also used for the Group's viability statement.

The base case takes into account the estimated impact of end market and operational factors, including supply chain and inflationary challenges throughout the going concern period. Climate related risks have also been considered, including estimating the expected transition from internal combustion engines to electric vehicles and modelling potential risks to the Group's infrastructure resulting from extreme weather or climate events.

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

Throughout the period covered, financing headroom was at least £400 million and the Group's leverage was no higher than 2.8x, indicating that the Group would comfortably remain within covenant limits. Finally, a reverse stress test was performed which demonstrated that a significant reduction in 2024 revenue and operating profit, still assuming no mitigating actions, would be required before the Group breached its leverage and interest covenants.

Even after applying significant downside risk scenarios in aggregation, no covenant is forecast to be breached at the relevant testing dates being 30 June 2024 and 31 December 2024, and the Group would not expect to require any additional sources of finance. Testing at 30 June 2025 is also expected to be favourable under the terms of existing facilities.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements

Adjusting items

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

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

Key sources of estimation uncertainty

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

Determining whether the goodwill of groups of cash generating units ("CGUs") is impaired requires an estimation of its recoverable amount which is compared against the carrying value. The recoverable amount is deemed to be the higher of the value in use and fair value less costs to sell. For the year ended 31 December 2023, impairment testing has been performed for each group of CGUs using the value in use method based on estimated discounted cash flows.

The impairment tests concluded that there was headroom of £449 million for the Automotive group of CGUs, but that the Powder Metallurgy group of CGUs was impaired by £449 million (2022: £nil).

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

For the Automotive group of CGUs, a reasonably possible increase in the discount rate from 13.3% to 15.3%, whilst management consider this to be unlikely, would result in an impairment charge of c.£69 million being recognised in 2024. Management does not believe reasonably possible changes in the long-term growth rate of 3.3% would result in a material impairment charge being recognised in 2024. For indication purposes, a decrease in the long-term growth rate by 1.0% to 2.3% would result in a reduction of headroom by £197 million.

Operating margin assumptions are a key driver of business value and a reduction in the terminal operating profit of 18% would reduce operating profit margin by 1.6 percentage points, resulting in an impairment charge of c.£112 million in 2024.

The value of the Powder Metallurgy group of CGUs remains sensitive to and dependent upon the underlying forecast and financial assumptions in the future. Operating margin assumptions are a key driver of business value and a reduction in the terminal operating profit by 10% would reduce the operating margin by 1.0 percentage points, resulting in an additional impairment charge of £80 million.

A reasonably possible 1.0% increase in discount rates from 13.4% to 14.4% would result in an additional impairment charge of £81 million being incurred. A reasonably possible 1.0% decrease in growth rates from 3.3% to 2.3% would result in an additional impairment charge of £50 million being incurred. For all sensitivities, it is assumed that all other variables remain unchanged.

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

The Group's pension plans are significant in size. The defined benefit obligations in respect of the plans are discounted at rates set by reference to market yields on high quality corporate bonds. Significant estimation is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds to include are the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. In addition, assumptions are made in determining mortality and inflation rates to be used when valuing the plan's defined benefit obligations. At 31 December 2023, the retirement benefit obligation was a net deficit of £459 million (2022: £461 million).

3. Segment information

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

The operating segments are as follows:

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

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

Hydrogen – offering reliable and secure hydrogen storage solutions.

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

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

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

a) Segment revenues

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

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

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	9	(625)	(26)	–	(651)
Revenue		3,598	996	1	4,595

b) Segment operating profit

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

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

2. Corporate adjusted operating loss of £32 million, includes a charge of £8 million in respect of divisional management long term incentive plans.

Year ended 31 December 2022	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Corporate[2] £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)
Equity accounted investments adjustments	(29)	–	–	–	(29)
Movement in derivatives and associated financial assets and liabilities	(7)	(1)	–	23	15
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.

2. Corporate adjusted operating profit of £1 million, includes a credit of £10 million in respect of divisional management long term incentive plans and a £2 million charge relating to costs allocated to the Group for general corporate services which the Group would have incurred had it operated on a standalone basis.

c) Segment total assets and liabilities

	Total assets		Total liabilities	
	31 December 2023 £m	31 December 2022 £m	**31 December 2023 £m**	31 December 2022 £m
Automotive	**4,561**	4,837	**2,059**	2,177
Powder Metallurgy	**1,268**	1,814	**404**	409
Hydrogen	**14**	7	**6**	6
Corporate	**391**	3,129	**1,199**	2,202
Total	**6,234**	9,787	**3,668**	4,794

d) Segment capital expenditure and depreciation

	Capital expenditure[1]		Depreciation of owned assets[1]		Depreciation of leased assets	
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Automotive	**217**	187	**187**	184	**15**	14
Powder Metallurgy	**42**	44	**50**	53	**10**	10
Hydrogen	**3**	–	**–**	–	**–**	–
Total	**262**	231	**237**	237	**25**	24

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

e) Geographical information

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

The Group's revenue from external customers and information about specific segment assets (non-current assets excluding 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	
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	**31 December 2023 £m**	31 December 2022 £m
UK	**192**	172	**633**	723
Rest of Europe	**1,676**	1,495	**1,637**	1,980
North America	**2,053**	1,946	**1,298**	1,525
Other	**943**	982	**928**	1,112
Total	**4,864**	4,595	**4,496**	5,340

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	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Operating (loss)/profit		**(450)**	58
Impairment of goodwill	a	**449**	–
Amortisation of intangible assets acquired in business combinations	b	**197**	198
Restructuring costs	c	**120**	54
Demerger costs	d	**42**	–
Equity accounted investments adjustments	e	**30**	29
Movement in derivatives and associated financial assets and liabilities	f	**(16)**	(15)
Net release and changes in discount rates of certain fair value items	g	**(17)**	(14)
Impairment of assets	h	**–**	20
Acquisition and disposal related losses	i	**–**	3
Total adjustments to operating (loss)/profit		**805**	275
Adjusted operating profit		**355**	333

a. An impairment charge of £449 million (2022: £nil) has been recognised in the year in relation to goodwill held in the Powder Metallurgy cash-generating unit ("CGU") following completion of the Group's annual impairment testing in accordance with IAS 36 Impairment of Assets. The Powder Metallurgy impairment test applied a value in use approach based on five-year cash flow forecasts derived from financial budgets and medium-term forecasts. The key financial assumptions applied to the Powder Metallurgy impairment test were a pre-discount rate of 13.4% (2022: post-tax rate of 12.0%) and a long-term growth rate of 3.3% (2022: 3.9%).

   Whilst management believe that the business has promising longer-term prospects, current mid-term profit and cash assumptions are lower than those previously assumed when determining its carrying value. This is largely driven by softening in the underlying forecast of the growth assumptions in its core business. This has been reflected in the budget and strategic plan forecasts resulting in lower revenue and profit growth assumptions over the 5-year forecast period when compared to the prior year's forecasts.

   Based on these forecasts, the discounted cash flow exercise indicated a reduced recoverable amount, based on value in use, of £884 million. As this is lower than the carrying value, an impairment charge of £449 million was applied to goodwill and recognised in the Income Statement accordingly.

   The impairment test performed on the Automotive CGU resulted in headroom of £449 million.

b. The amortisation charge on intangible assets acquired in business combinations of £197 million (2022: £198 million), is excluded from adjusted results due to its non-trading nature and to enable comparison with companies that grow organically. However, where intangible assets are trading in nature, such as computer software and development costs, the related amortisation is not excluded from adjusted results.

c. Costs associated with restructuring projects in the year totalling £120 million (2022: £54 million) are shown as adjusting items due to their size and non-trading nature. During the year these included:

   - A charge of £109 million (2022: £37 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. Significant costs incurred include severance provisions and other direct costs relating to the closure of a Driveline plant in Mosel, Germany; costs relating to opening a new manufacturing facility in Miskolc, Hungary in advance of the plant becoming operational; and direct costs of expansion in Mexico as new product lines are added to the facility.
   - A charge of £11 million (2022: £17 million) within the Powder Metallurgy and Hydrogen divisions.

d. One off costs relating to the demerger of the Group from Melrose Industries PLC of £42 million were incurred during the year (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-recurring nature.

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 £625 million (2022: £651 million) of revenue in the year, which is not included in the statutory results but is shown within adjusted revenue so as not to distort the operating margins reported in the businesses when the adjusted operating profit earned from these EAIs is included.

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

f. Movements in the fair value of derivative financial instruments (primarily forward foreign currency exchange contracts where hedge accounting is not applied) entered into to mitigate the potential volatility of future cash flows, on long-term foreign currency customer and supplier contracts, including foreign exchange movements on the associated financial liabilities, are shown as an adjusting item. This totalled a credit of £16 million (2022: £15 million). Movements in fair value are treated as an adjusting item due to their volatility. Any gains and losses on settlement are recorded in underlying results to give a better understanding of how the gains and losses on currency contracts relate to the trading cashflows.

g. Certain items previously recorded as fair value items on historical acquisitions, have been resolved for more favourable amounts than first anticipated. The net release of certain fair value items in the year of £17 million related to loss-making contract provisions (2022: £14 million primarily relating to loss making contracts). These items are shown as adjusting to avoid positively distorting the adjusted results.

h. In the prior year a write down of £20 million 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.

i. No acquisition and disposal related gains or losses were recorded in the year (2022: loss of £3 million). In prior years these items have been excluded from adjusted results due to their non-trading nature.

b) Profit before tax

	Notes	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Loss before tax		**(522)**	(63)
Adjustments to operating (loss)/profit as above		**805**	275
Net foreign exchange movements on loans with Related Parties	j	**(22)**	24
Fair value changes on other financial assets	k	**1**	–
Equity accounted investments – interest	l	**2**	2
Fair value changes on cross-currency swaps	m	**–**	59
Total adjustments to loss before tax		**786**	360
Adjusted profit before tax		**264**	297

j. The movement in loans with Related Parties as a result of changes in foreign currency exchange rates up to the date of demerger is shown as an adjusting item due to its volatility and non-recurring nature. Related Parties 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.

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

l. 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.

m. In the prior year, hedge accounting was not applied in the Dowlais Group and therefore fair value changes on cross-currency swaps relating to cost of hedging are shown as an adjusting item because of their volatility and non-trading nature.

c) Profit after tax

	Notes	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Loss after tax		**(495)**	(77)
Adjustments to loss before tax per above		**786**	360
Tax effect of adjustments to loss before tax	6	**(87)**	(62)
Equity accounted investments – tax	l	**(11)**	(9)
Derecognition of deferred tax asset	6	**5**	–
Tax effect of significant restructuring	6	**–**	6
Total adjustments to loss after tax		**693**	295
Adjusted profit after tax		**198**	218

5. Finance costs and Finance income

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Interest on bank loans and overdrafts	**(63)**	(11)
Interest on loans due to Related Parties[1]	**(8)**	(22)
Foreign exchange movements on loans with Related Parties[1], [2]	**–**	(167)
Amortisation of costs of raising finance	**(3)**	–
Net interest cost on pensions	**(17)**	(6)
Lease interest	**(6)**	(6)
Unwind of discount on provisions	**–**	(1)
Fair value changes on cross-currency swaps[2]	**–**	(59)
Fair value changes on other financial assets[2]	**(1)**	–
Other finance costs	**(3)**	–
Total finance costs	**(101)**	(272)
Foreign exchange movements on loans with Related Parties[1], [2]	**22**	143
Other finance income	**7**	8
Total finance income	**29**	151
Total net finance costs	**(72)**	(121)

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. Fair value changes in cross-currency swaps, foreign exchange movements on loans with Related Parties and Fair value changes on other financial assets are all shown as adjusting items (Note 4).

6. Tax

Analysis of the (credit)/charge in the year:	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Current tax	**53**	45
Deferred tax	**(80)**	(31)
Total tax (credit)/charge	**(27)**	14

The effective tax rate in respect of adjusted profit before tax for the year is 25% (2022: 27%). Adjusted tax has been calculated by applying the expected tax rate to the adjusted profit before tax of £264 million (2022: £297 million), giving an adjusted tax charge of £66 million (2022: £79 million).

The adjusted tax charge of £66 million (2022: £79 million) excludes a tax credit on adjustments to loss before tax of £93 million (2022: £65 million). This represents a deferred tax credit on intangible asset amortisation of £46 million (2022: £48 million) and a tax credit on other adjusting items of £41 million (2022: £14 million). In addition, the adjusted tax charge includes a charge in respect of Equity Accounted Investments of £11 million (2022: £9 million) and other adjusting tax charges of £5 million (2022: £6 million).

In addition to the amounts in the Income Statement, a credit of £8 million (2022: charge of £39 million) has been recognised directly in the Statement of Comprehensive Income. This represents a tax credit of £4 million (2022: charge of £27 million) in respect of the remeasurement of retirement benefit obligations and a tax credit of £4 million (2022: charge of £12 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). Upon a review of the Group's results for the year ended 31 December 2023 and their interaction with the Pillar Two rules (had they been in force in relation to that year), the Group considers that the impact of Pillar Two on its global tax position will be immaterial.

7. Dividends

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Dividends paid to Related Parties	**1,675**	–
Interim dividend for the year ended 31 December 2023	**19**	–
Total dividends paid	**1,694**	–

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) was declared by the Board on 12 September 2023 and paid on 27 October 2023, totalling £19 million.

A final dividend of 2.8 pence per ordinary share (2022: £nil) is proposed by the Board, totalling £39 million.

8. Earnings per share

Earnings attributable to owners of the parent	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Net loss attributable to shareholders	**(501)**	(82)
Adjustment for earnings attributable to shares subject to recall	**10**	2
Earnings for basis of earnings per share	**(491)**	(80)

	Year ended 31 December 2023 Number	Year ended 31 December 2022 Number[1]
Weighted average number of ordinary shares (million)	**1,390**	1,393
Adjustment for shares subject to recall (million)	**(28)**	(28)
Weighted average number of ordinary shares for the purposes of basic earnings per share (million)	**1,362**	1,365
Weighted average number of ordinary shares for the purposes of diluted earnings per share (million)	**1,362**	1,365

Earnings per share	**Year ended 31 December 2023 pence**	Year ended 31 December 2022 pence
Basic earnings per share	**(36.0)**	(5.9)
Diluted earnings per share	**(36.0)**	(5.9)

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Adjusted earnings attributable to shareholders[2]	**192**	213
Adjustment for earnings attributable to shares subject to recall	**(4)**	(4)
Adjusted earnings for the basis of adjusted earnings per share	**188**	209

Adjusted earnings per share	**Year ended 31 December 2023 pence**	Year ended 31 December 2022 pence
Adjusted basic earnings per share	**13.8**	15.3
Adjusted diluted earnings per share	**13.8**	15.3

1. See Note 2 for details on application of merger accounting.

2. Adjusted earnings for the year ended 31 December 2023 comprises adjusted profit after tax (see Note 4c) of £198 million (2022: £218 million), net of an allocation of profit to non-controlling interests of £6 million (2022: £5 million).

9. Share of results of equity accounted investments

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

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Revenue	**625**	651
Operating costs	**(544)**	(573)
Adjusted operating profit	**81**	78
Adjusting items	**(21)**	(22)
Net finance income	**2**	2
Profit before tax	**62**	58
Tax	**(11)**	(9)
Share of results of equity accounted investments	**51**	49

10. Provisions

	Loss-making contracts £m	Property related costs £m	Environmental and litigation £m	Warranty related costs £m	Restructuring £m	Other £m	Total £m
At 1 January 2023	46	5	67	156	20	32	326
Utilised	(11)	–	(3)	(18)	(70)	(42)	(144)
Charge to operating profit[1]	–	–	3	25	129	44	201
Release to operating profit[2]	(17)	–	(18)	(18)	(2)	(1)	(56)
Exchange adjustments	(1)	–	(3)	(4)	1	(2)	(9)
31 December 2023	**17**	**5**	**46**	**141**	**78**	**31**	**318**
Current	6	1	21	61	31	16	136
Non-current	11	4	25	80	47	15	182
	17	5	46	141	78	31	318

1. Includes £159 million of adjusting items and £42 million recognised in adjusted operating profit.
2. Includes £19 million of adjusting items and £37 million recognised in adjusted operating profit.

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

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

Environmental provisions relate to the estimated remediation costs of pollution, soil and groundwater contamination at certain sites and amounted to £16 million (2022: £18 million). Litigation provisions amounting to £30 million (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.

11. Financial instruments and risk management

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

	Current £m	Non-current £m	**Total £m**
31 December 2023			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	313	–	**313**
Net trade receivables	460	–	**460**
Classified as fair value:			
Derivative over own equity[1]	–	28	**28**
Derivative financial assets			
Foreign currency forward contracts	43	4	**47**
Interest rate swaps	2	4	**6**
Financial liabilities			
Classified as amortised cost:			
Interest-bearing loans and borrowings	(2)	(1,158)	**(1,160)**
Lease obligations	(25)	(126)	**(151)**
Other financial liabilities	(1,063)	(11)	**(1,074)**
Classified as fair value:			
Derivative financial liabilities			
Foreign currency forward contracts	(4)	(1)	**(5)**
Interest rate swaps	–	(3)	**(3)**
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[2]	–	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[2]	(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. Included within other financial assets.

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.

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

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

12. Retirement benefit obligations

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

The most significant defined benefit pension plans in the Group at 31 December 2023 were:

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

The GKN Group Pension Schemes No.2 and No.3 are funded plans, closed to new members and were closed to future accrual in 2017. The valuation of the schemes was based on a full actuarial valuation as of 5 April 2022, updated to 31 December 2023 by independent actuaries.

US: GKN Automotive and GKN Powder Coatings Pension Plans

The GKN Automotive and GKN Powder Coatings Pension Plans are funded plans, closed to new members and closed to future accrual. The US Pension Plan valuation was based on a full actuarial valuation as of 1 January 2023, updated to 31 December 2023 by independent actuaries.

Germany: GKN Germany Pension Plans

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

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

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

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

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

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

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 31 December 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)
31 December 2023			
GKN UK – Group Pension Schemes (No.2 and No.3)	**2.5**	**4.5**	**3.0/2.6**
GKN US plans	**n/a**	**4.8**	**n/a**
GKN Europe plans	**2.1**	**3.3**	**2.1/2.1**
31 December 2022			
GKN UK – Group Pension Schemes (No.2 and No.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 year to 31 December 2023.

13. Notes to the Cash Flow Statement

	Notes	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Reconciliation of operating (loss)/profit to net cash from operating activities			
Operating (loss)/profit		**(450)**	58
Adjusting items	4	**805**	275
Adjusted operating profit	4	**355**	333
Adjustments for:			
Depreciation & impairment of property, plant and equipment		**253**	251
Amortisation of computer software and development costs		**10**	10
Share of adjusted operating profit of equity accounted investments	9	**(81)**	(78)
Gain on disposal of non-current assets		**(10)**	(11)
Share-based payment expense		**1**	–
Restructuring costs paid and movements in provisions		**(100)**	(149)
Demerger costs paid		**(48)**	–
Defined benefit pension costs charged		**9**	13
Defined benefit pension contributions paid		**(39)**	(40)
Change in inventories		**(36)**	(33)
Change in receivables		**6**	(102)
Change in payables		**48**	103
Corporation tax paid		**(61)**	(72)
Interest paid on loans and borrowings		**(62)**	(6)
Interest paid on lease obligations		**(6)**	(6)
Acquisition related costs and associated transaction taxes		**–**	(3)
Net cash from operating activities		**239**	210

Reconciliation of cash and cash equivalents, net of bank overdrafts	31 December 2023 £m	31 December 2022 £m
Cash and cash equivalents per Balance Sheet	**313**	270
Bank overdrafts included within current loans payable to Related Parties	**–**	(7)
Cash and cash equivalents, net of bank overdrafts per Statement of Cash Flows	**313**	263

Net debt reconciliation

Net debt at the balance sheet date consists of interest-bearing loans and borrowings and cash and cash equivalents. This measure is aligned with the Group's banking covenants. Currency denominated balances within net debt are translated to Sterling at the balance sheet rate. In the prior year, net funds consisted of loans payable to and receivable from Related Parties and cash and cash equivalents.

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

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

	31 December 2023 £m	31 December 2022 £m
Interest-bearing loans and borrowings – due within one year	**(2)**	–
Interest-bearing loans and borrowings – due after one year	**(1,158)**	–
Loans payable to Related Parties – due within one year	**–**	(2,176)
Loan receivable from Related Parties – due after one year	**–**	2,826
Total (debt)/funds	**(1,160)**	650
Less:		
Cash and cash equivalents	**313**	270
Net (debt)/funds	**(847)**	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 31 December 2023 £m
Loans with Related Parties (excluding bank overdrafts)	657	1,096	(1,775)	22	**–**
External debt (excluding bank overdrafts)	–	(1,177)	(3)	20	**(1,160)**
Cash and cash equivalents, net of bank overdrafts	263	68	–	(18)	**313**
Net (debt)/funds	920	(13)	(1,778)	24	**(847)**

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 Group's committed bank facilities include a multi-currency denominated term loan of £100 million, US$400 million and €100 million and a multi-currency denominated revolving credit facility of £350 million, US$660 million and €450 million.

Loans drawn under this facility are guaranteed by Dowlais Group plc and certain of its subsidiaries. There is no security over any of the Group's assets in respect of this facility.

At 31 December 2023, the term loan was fully drawn and £185 million, US$345 million and €244 million were drawn on the multi-currency revolving credit facility. No facilities were drawn in the prior year. There are also a number of uncommitted overdraft, guarantee and borrowing facilities made available to the Group.

	Current		Non-current		Total	
	31 December 2023 £m	31 December 2022 £m	**31 December 2023 £m**	31 December 2022 £m	**31 December 2023 £m**	31 December 2022 £m
Floating rate obligations						
Bank borrowings – US Dollar loan	**–**	–	**584**	–	**584**	–
Bank borrowings – Sterling loan	**–**	–	**285**	–	**285**	–
Bank borrowings – Euro loan	**–**	–	**298**	–	**298**	–
Other loans and bank overdrafts	**2**	–	**–**	–	**2**	–
Unamortised finance costs	**–**	–	**(9)**	–	**(9)**	–
Total interest-bearing loans and borrowings	**2**	–	**1,158**	–	**1,160**	–

14. Lease obligations

Amounts payable under lease obligations:

Minimum lease payments	**31 December 2023 £m**	31 December 2022 £m
Amounts payable:		
Within one year	**31**	32
After one year but within five years	**73**	65
Over five years	**92**	113
Less: future finance charges	**(45)**	(51)
Present value of lease obligations	**151**	159
Analysed as:		
Amounts due for settlement within one year	**25**	25
Amounts due for settlement after one year	**126**	134
Present value of lease obligations	**151**	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.

15. 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:

	31 December 2023 £m	31 December 2022 £m
Amounts receivable from Related Parties	**–**	2,829
Amounts payable to Related Parties	**–**	(2,189)

Amounts receivable from Related Parties were included within loans receivable from Related Parties (31 December 2022: £2,826 million) and trade and other receivables (31 December 2022: £3 million).

Amounts payable to Related Parties were included within loans payable to Related Parties (31 December 2022: £2,176 million) and trade and other payables (31 December 2022: £13 million).

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

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Interest payable to Related Parties	**(8)**	(22)
Charges payable to Related Parties	**–**	(9)

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

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Charges received from non-Group entities	**–**	(1)
Reorganisation in respect of non-Group entities	**(57)**	(105)
Tax effect of transactions with Related Parties	**–**	(4)
Total transactions with Related Parties	**(57)**	(110)

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

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

16. Post balance sheet events

There were no material post balance sheet events.

ALTERNATIVE PERFORMANCE MEASURES ("APMS")

Alternative Performance Measures ("APMs")

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

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

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

<table>
<tr><th>APM</th><th>Closest equivalent statutory measure</th><th>Reconciling items to statutory measure</th><th>Definition and purpose</th></tr>
<tr><td colspan="4">Income Statement Measures</td></tr>
<tr><td>Adjusted revenue</td><td>Revenue</td><td>Share of revenue of equity accounted investments (Note 3)</td><td>Adjusted revenue includes the Group's share of revenue of equity accounted investments ("EAIs"). This enables comparability between reporting periods and consistency with internal reporting.
<table>
<tr><th>Adjusted revenue</th><th>Year ended 31 December 2023 £m</th><th>Year ended 31 December 2022 £m</th></tr>
<tr><td>Revenue</td><td>4,864</td><td>4,595</td></tr>
<tr><td>Share of revenue of equity accounted investments (Note 3)</td><td>625</td><td>651</td></tr>
<tr><td>Adjusted revenue</td><td>5,489</td><td>5,246</td></tr>
</table></td></tr>
<tr><td>Adjusting items</td><td>None</td><td>Adjusting items (Note 4)</td><td>Those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance.
These include items which are significant in size or volatility or by nature are non-trading or non-recurring, any onerous contract provisions released to the Income Statement that was previously a fair value item booked on an acquisition, and includes adjusted profit from EAIs.
This provides a meaningful comparison of how the business is managed and measured on a day-to-day basis, provides consistency and comparability between reporting periods and is used to partly determine the variable element of remuneration of senior management throughout the Group.</td></tr>
<tr><td>Adjusted operating profit</td><td>Operating loss[1]</td><td>Adjusting items (Note 4)</td><td>The Group uses adjusted profit measures for consistency with internal reporting and to provide a useful and more comparable measure of the ongoing performance of the Group. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in Note 4.
<table>
<tr><th>Adjusted operating profit</th><th>Year ended 31 December 2023 £m</th><th>Year ended 31 December 2022 £m</th></tr>
<tr><td>Operating (loss)/profit</td><td>(450)</td><td>58</td></tr>
<tr><td>Adjusting items to operating (loss)/profit (Note 4)</td><td>805</td><td>275</td></tr>
<tr><td>Adjusted operating profit</td><td>355</td><td>333</td></tr>
</table></td></tr>
<tr><td>Adjusted operating margin</td><td>Operating margin[2]</td><td>Share of revenue of equity accounted investments (Note 3) and adjusting items (Note 4)</td><td>Adjusted operating margin represents Adjusted operating profit as a percentage of Adjusted revenue. The Group uses adjusted profit measures to provide a useful and more comparable measure of the ongoing performance of the Group to both internal and external stakeholders.</td></tr>
</table>

<table>
<tr><th>APM</th><th>Closest equivalent statutory measure</th><th>Reconciling items to statutory measure</th><th>Definition and purpose</th></tr>
<tr><td>Adjusted profit before tax</td><td>Loss before tax</td><td>Adjusting items (Note 4)</td><td>Profit before the impact of adjusting items and tax. As discussed above, adjusted profit measures are used to provide a useful and more comparable measure of the ongoing performance of the Group to both internal and external stakeholders. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in Note 4.
<table>
<tr><th>Adjusted profit before tax</th><th>Year ended 31 December 2023 £m</th><th>Year ended 31 December 2022 £m</th></tr>
<tr><td>Loss before tax</td><td>(522)</td><td>(63)</td></tr>
<tr><td>Adjusting items to loss before tax (Note 4)</td><td>786</td><td>360</td></tr>
<tr><td>Adjusted profit before tax</td><td>264</td><td>297</td></tr>
</table></td></tr>
<tr><td>Adjusted profit after tax</td><td>Loss after tax</td><td>Adjusting items (Note 4)</td><td>Profit after tax but before the impact of the adjusting items. As discussed above, adjusted profit measures are used to provide a useful and more comparable measure of the ongoing performance of the Group to both internal and external stakeholders. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in Note 4.
<table>
<tr><th>Adjusted profit after tax</th><th>Year ended 31 December 2023 £m</th><th>Year ended 31 December 2022 £m</th></tr>
<tr><td>Loss after tax</td><td>(495)</td><td>(77)</td></tr>
<tr><td>Adjusting items to loss after tax (Note 4)</td><td>693</td><td>295</td></tr>
<tr><td>Adjusted profit after tax</td><td>198</td><td>218</td></tr>
</table></td></tr>
<tr><td>Constant currency</td><td>Income Statement, which is reported using actual average foreign exchange rates</td><td>Constant currency foreign exchange rates</td><td>The Group uses GBP based constant currency models to measure performance. These are calculated by applying fixed exchange rates to local currency reported results for the current and prior periods. This gives a GBP denominated Income Statement which excludes any translational variances attributable to foreign exchange rate movements.</td></tr>
<tr><td>Adjusted EBITDA for leverage covenant purposes</td><td>Operating loss[1]</td><td>Adjusting items (Note 4), depreciation of property, plant and equipment and amortisation of computer software and development costs, share of non-controlling interests and other adjustments required for leverage covenant purposes</td><td>Adjusted operating profit for 12 months prior to the reporting date, before depreciation and impairment of property, plant and equipment and before the amortisation and impairment of computer software and development costs. Adjusted EBITDA for leverage covenant purposes is a measure used by external stakeholders to measure performance.
<table>
<tr><th>Adjusted EBITDA for leverage covenant purposes</th><th>12 months ended 31 December 2023 £m</th></tr>
<tr><td>Adjusted operating profit</td><td>355</td></tr>
<tr><td>Depreciation of property, plant and equipment and amortisation of computer software and development costs</td><td>263</td></tr>
<tr><td>Non-controlling interests</td><td>(8)</td></tr>
<tr><td>Other adjustments required for leverage covenant purposes[3]</td><td>(18)</td></tr>
<tr><td>Adjusted EBITDA for leverage covenant purposes</td><td>592</td></tr>
</table></td></tr>
</table>

<table>
<tr><th>APM</th><th>Closest equivalent statutory measure</th><th>Reconciling items to statutory measure</th><th>Definition and purpose</th></tr>
<tr><td>Adjusted tax rate</td><td>Effective tax rate</td><td>Adjusting items, adjusting tax items and the tax impact of adjusting items (Note 4 and Note 6)</td><td>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.
<table>
<tr><th>Adjusted tax rate</th><th>Year ended 31 December 2023 £m</th><th>Year ended 31 December 2022 £m</th></tr>
<tr><td>Tax per Income Statement</td><td>27</td><td>(14)</td></tr>
<tr><td>Adjusted for:</td><td></td><td></td></tr>
<tr><td>Tax impact of adjusting items</td><td>(87)</td><td>(62)</td></tr>
<tr><td>Tax impact of EAIs</td><td>(11)</td><td>(9)</td></tr>
<tr><td>Other adjusting tax charges</td><td>5</td><td>6</td></tr>
<tr><td>Adjusted tax charge</td><td>(66)</td><td>(79)</td></tr>
<tr><td>Adjusted profit before tax</td><td>264</td><td>297</td></tr>
<tr><td>Adjusted tax rate</td><td>25%</td><td>27%</td></tr>
</table></td></tr>
<tr><td>Adjusted basic earnings per share</td><td>Basic earnings per share</td><td>Adjusting items (Note 4 and Note 8)</td><td>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.</td></tr>
<tr><td>Adjusted diluted earnings per share</td><td>Diluted earnings per share</td><td>Adjusting items (Note 4 and Note 8)</td><td>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.</td></tr>
</table>

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 13)	Net debt comprises cash and cash equivalents, interest-bearing loans and borrowings, loans with Related Parties[4] and cross-currency swaps, where applicable. Net debt is one measure that could be used to indicate the strength of the Group's Balance Sheet position and is a useful measure of the indebtedness of the Group.
Bank covenant definition of net debt at average rates and leverage	Cash and cash equivalents less interest-bearing loans and borrowings	Impact of foreign exchange and adjustments for bank covenant purposes	Net debt (as above) is presented in the Balance Sheet translated at period end exchange rates. For bank covenant testing purposes net debt is converted using average exchange rates for the previous 12 months. Leverage is calculated as the bank covenant definition of net debt divided by adjusted EBITDA for leverage covenant purposes. This measure is used for bank covenant testing.

Net debt	31 December 2023 £m
Net debt at closing rates (Note 13)	**(847)**
Impact of foreign exchange	**(10)**
Bank covenant definition of net debt at average rates	**(857)**
Leverage	**1.4x**

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Cash Flow Measures			
Free cash flow	Net increase/ decrease in cash and cash equivalents (net of bank overdrafts)	Net cash from/ (used in) financing activities	Free cash flow represents cash generated after all trading costs including restructuring, pension contributions, tax and interest payments but before any cash flows associated with financing activities. This measure is a useful metric for monitoring cash management within the Group and is consistent with internal reporting.
Adjusted free cash flow	Net increase/ decrease in cash and cash equivalents (net of bank overdrafts)	Free cash flow, as defined above, adjusted for demerger related exceptional cash flows	Adjusted free cash flow represents free cash flow adjusted for demerger related exceptional cash flows. This measure is a useful metric for monitoring cash management within the Group and is consistent with internal reporting.
Capital expenditure (capex)	None	Not applicable	Calculated as the purchase of owned property, plant and equipment and computer software and expenditure on capitalised development costs during the period, excluding any assets acquired as part of a business combination. Net capital expenditure is capital expenditure net of proceeds from disposal of property, plant and equipment.
Capital expenditure to depreciation ratio	None	Not applicable	Net capital expenditure divided by depreciation of owned property, plant and equipment and amortisation of computer software and development costs. This measure is a useful metric for monitoring the investment in capital expenditure within the Group and is consistent with internal reporting.

Free cash flow	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Net cash from operating activities	**239**	210
Net cash used in investing activities	**(194)**	(137)
Free cash flow	**45**	73

Adjusted free cash flow	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Free cash flow	**45**	73
Demerger LTIP payments[(5)]	**37**	-
Other cash demerger exceptional items	**11**	-
Adjusted free cash flow	**93**	73

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

Accident Frequency Rate	A safety key performance indicator, calculated as the number of lost time accidents (whether serious or minor) divided by the total number of hours worked multiplied by 200,000.
advanced differentials	Torque management components enabling specific advanced driving features such as mechanical and electronic limited slip differentials, locking differentials and disconnect devices.
Automotive	The GKN Automotive business operated by the Group.
AWD	All wheel drive.
AWD systems	Torque management components (being a power take-off unit and rear drive unit) for AWD vehicles with an East-West / transverse engine layout.
BEV	Battery electric vehicle, a light vehicle without an ICE which uses a battery to store the electricity needed to power the vehicle.
Board	The board of directors of the Company.
book-to-bill ratio	A metric used by GKN Automotive to describe, in respect of a period, the ratio of forecast lifetime revenue awarded in that period to revenues earned in the same period. It is calculated using reported FX rates and excludes aftermarket, cylinder liners and freight services revenues.
bps	Basis points.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
Company or Dowlais	Dowlais Group plc.
constant velocity joint	A type of joint which allows a driveshaft to transfer torque via a variable angle at a constant rotational speed.
demerger	The demerger of the Company from Melrose Industries PLC which took place on 20 April 2023.
Director	A director of the Company.
drivetrain	The components of a light vehicle which transfer torque from the power source to the wheels.
Driveline	A product group of GKN Automotive which comprises sideshafts and propshafts.
drive systems	Sideshafts, propshafts, and AWD systems.
drop-through margin	The margin at which incremental sales volumes contribute incremental operating profit.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EMEA	Europe, Middle East and Africa.
ePowertrain	A product group of GKN Automotive, which includes AWD systems, ePowertain components and eDrive systems.
EPS	Earnings per share.
ESG	Environmental, Social and Governance.
EVs	Electrified light vehicles, including BEVs, FCEVs and HEVs (but not including Mild Hybrids).
FCEV	Fuel cell electric vehicle, a light vehicle without an ICE which uses a fuel cell to generate the vehicle's power
FX	Foreign exchange.
global OEM	An OEM which produces light vehicles in more than one country and produces more than 100,000 light vehicles each year.
GLVP	Global light vehicle production
Group	The Company, its direct and indirect subsidiaries and other investments.
H1 or H2	The first or second half (as applicable) of the relevant financial year.
HEV	Hybrid electric vehicle, a light vehicle which uses both an ICE and a high voltage electric motor to produce torque.
Hydrogen	The GKN Hydrogen business operated by the Group.
ICE	Internal combustion engine and an ICE vehicle means a light vehicle powered by an ICE.
IFRS	International Financial Reporting Standards.
LFP / LFMP	Lithium iron phosphate / Lithium manganese iron phosphate.
lifetime revenue	In respect of a contract, the revenue earned over the life of that contract.
light vehicle	Passenger cars and light trucks up to 6 tonnes in weight.
M&A	Mergers and acquisitions.
market	Unless otherwise specified, means the global light vehicle market.
Melrose	Melrose Industries PLC.
Mild Hybrid	An ICE vehicle which features a low-voltage electric motor to provide supplementary power to the ICE and ancillary vehicle equipment.
OEM	Original equipment manufacturer of light vehicles.
PPM	Parts per million, a measures of defects per component manufactured.
Powder Metallurgy	The GKN Powder Metallurgy business operated by the Group.
propshaft	Propeller shaft, a type of driveshaft used to transfer torque from the front of the vehicle to the rear, or vice versa.
propulsion source agnostic	The product is not only for use in an EV or ICE vehicle, but can be used in both.
Q1, Q2, Q3 or Q4	The first, second, third or fourth quarter (as applicable) of the relevant year.
S&P	S&P Global.
SBTi	Science Based Targets initiative.

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