

08 May 2025

Dowlais Group plc

Trading update

Q1 2025 performance in line with expectations

Full year performance expected to be towards the low end of the guidance range

Dowlais Group plc ("Dowlais" or the "Group"), the specialist engineering group focused on the Automotive sector, provides a trading update for the three-month period to 31 March 2025 ("the period").

The Group performed in line with management's expectations in the period, continuing to execute its strategic priorities despite a volatile market environment. Adjusted revenue¹ for the period was £1.3 billion, representing a 2.5% year-on-year decline at constant currency², against a 2.7% decline in light vehicle production outside China and a 1.3% increase in global light vehicle production ("GLVP")³. Translational foreign exchange headwinds of £19 million contributed to a year-on-year adjusted revenue decline of 3.9%. In Automotive, strong performance from our China joint venture and from ePowertrain⁴ was more than offset by a decline in Driveline⁵. Powder Metallurgy revenues declined, mainly due to weaker volumes in Powder and Sinter.

The Group's adjusted operating margin improved by 80bps year-on-year to 6.6%, with benefits from global footprint restructuring initiatives and other ongoing performance improvement actions more than offsetting the impact of lower volumes.

Business Unit Performance

Automotive

Automotive's adjusted revenue for the period declined by 1.5% year-on-year to £1.0 billion. The decline was primarily driven by a 6.6% decrease in Driveline revenue, compared to a 2.7% decline in light vehicle production outside China⁶. This was largely due to adverse customer mix and timing, as the phasing out of older programs has not yet been fully compensated by new platform ramp-ups, which are expected to be more second-half weighted.

Revenue from the ePowertrain segment grew 3.9% year-on-year, benefiting from a lower comparison base in Q1 2024 and a recovery in volume on an All-Wheel Drive (AWD) platform previously impacted by production delays.

Revenue from the Group's China joint venture increased by 11% year-on-year, driven by continued growth with Chinese OEMs and one-off benefits in its ePowertrain product group, which contributed approximately five percentage points of the growth.

Automotive's adjusted operating margin was 7.1%, an increase of 100bps year-on-year, driven by ongoing performance initiatives and restructuring benefits.

Powder Metallurgy

Powder Metallurgy's adjusted revenue declined by 5.7% year-on-year. This revenue decline was largely driven by Europe and North America, where the business slightly outperformed the respective GLVP market decline, and by a weaker performance in Asia, excluding China. In China, Powder Metallurgy's revenues were flat following the strong outperformance of the market in 2024.

Powder Metallurgy's adjusted operating margin was 8.3%, a decline of 150bps year-on-year, mainly driven by the reduced volume.

Outlook

The macroeconomic uncertainty resulting from the imposition of U.S. tariffs, including specific tariffs on the automotive sector, has increased since March. We do not expect our full year performance to be materially affected by the direct financial impact of these current tariffs. Based on our strong historical track record, we expect to fully recover these additional costs from customers through commercial actions and other performance initiatives.

The impact of tariffs on consumer demand has led to downward revisions in industry forecasts. In April 2025, S&P revised its 2025 industry outlook, now projecting a 3.3% decline in light vehicle production excluding China, and a 1.7% decline globally. These revisions reflect more cautious expectations for North America and Europe, where production is expected to decline in both regions.

Based on these assumptions, our full-year performance is now expected to be towards the low end of our guidance range for 2025 of flat to a mid-single digit adjusted revenue decline and an adjusted operating margin of between 6.5% and 7.0% in constant currency. The Group's adjusted free cash flow is now expected to be lower than the prior year, given the lower volumes and higher restructuring costs.

We anticipate the tariff-related cost recovery to be second-half weighted. This will result in a weaker trading and cash first-half performance, before a material improvement in the second half, driven by the timing of the tariff recoveries.

The Group's interim results are expected to be announced on 7 August 2025.

Liam Butterworth, CEO of Dowlais, said:

"Performance in the quarter was in line with expectations, with the results reflecting our geographically diversified portfolio, continued focus on executing against our global footprint restructuring programs and ongoing performance initiatives. Looking ahead, we expect to fully recover the direct impact of current tariffs, however, based on the latest

industry forecast and continued market volatility, we now anticipate delivering towards the lower end of our full-year guidance for both adjusted revenue and margin. Our proposed combination with American Axle is progressing well and will create a stronger, more resilient business, better positioned to navigate the changing dynamics of the industry."

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Notes

1 All "adjusted" financial measures in this trading update are defined in the Alternative Performance Measures section of Dowlais full year 2024 results announcement, published on 05 March 2025

2 All YoY changes are stated at constant currency throughout the document unless stated otherwise

3 Global Light Vehicle Production based on April 2025 forecast by S&P Global

4 The ePowertrain product group supplies All Wheel Drive (AWD) systems, ePowertrain components and eDrive systems

5 The Driveline product group supplies Sideshafts and Propshafts

6 Based on April 2025 Forecast (excluding China market) by S&P Global

Profit Forecasts

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

- i. *"Based on these assumptions, our full-year performance is now expected to be towards the low end of our guidance range for 2025 of flat to a mid-single digit adjusted revenue decline and an adjusted operating margin of between 6.5% and 7.0% in constant currency"*
- ii. *"The Group's adjusted free cash flow is now expected to be lower than the prior year, given the lower volumes and higher restructuring costs"*

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

The Dowlais Forecasts are based upon Dowlais' current internal financial forecasts for the 12-month period ending 31 December 2025, prepared in accordance with Dowlais' normal forecasting procedures and processes. These procedures take into consideration multiple factors including historical financial performance, anticipated changes in Dowlais' operations, sales forecasts and forecasts of customer demand for light vehicles and management judgment. In particular, the Profit Forecasts are based upon the most recent global light vehicle production forecasts published by S&P Global in April 2025 and Dowlais' current order book. The basis of accounting used for the Profit Forecasts is consistent with the accounting policies of Dowlais which are in accordance with IFRS. The Profit Forecasts have been prepared on the basis referred to above and subject to the principal assumptions set out below. The Profit Forecasts are inherently uncertain and there can be no guarantee that any of the principal assumptions will occur and/or, if they do, their effect on Dowlais' results of operations, financial condition, or financial performance, may be material. The Profit Forecasts should therefore be read in this context and construed accordingly. The principal assumptions assumed in the Dowlais Profit Forecasts are: (a) there will be no material change to macroeconomic, political, inflationary, regulatory or legal conditions in the markets or regions in which Dowlais operates, including changes in import or export tariffs; (b) there will be no material change in current interest rates, economic growth, inflation expectations or foreign exchange rates compared with Dowlais' estimates; (c) there will be no material change in accounting standards; (d) there will be no material change in market conditions in relation to customer demand or the competitive environment; (e) there will be no material litigation or regulatory investigations, or material unexpected developments in any existing litigation or regulatory investigations, in relation to any of Dowlais' operations, products or services; (f) there will be no business disruptions that materially affect Dowlais, its customers, operations, supply chain or labour supply, including natural disasters, acts of terrorism, cyber-attack and/or technological issues; (g) there will be no material acquisitions, disposals, distribution partnerships, joint ventures or other commercial agreements, other than those already assumed within the forecast; (h) there will be no material change in the existing operational strategy of Dowlais; (i) there will be no material changes in Dowlais' accounting policies and/or the application thereof; (j) there are no material strategic investments or capital expenditure in addition to those already planned; and (k) there will be no material change in the management of Dowlais.

Profit Estimates

The following statements contained within this announcement constitute profit estimates for the Group and the commentary on revenue and margin for both Automotive and Powder Metallurgy constitute profit estimates in respect of those divisions (together the "**Q1 Profit Estimates**") for the purposes of Rule 28 of the City Code on Takeovers and Mergers:

- i. *"Adjusted revenue for the period was £1.3 billion, representing a 2.5% year-on-year decline at constant currency"*
- ii. *"The Group's adjusted operating margin improved by 80bps year-on-year to 6.6%"*

The Takeover Panel has granted Dowlais a dispensation from the requirement to include reports from reporting accountants and Dowlais' financial advisers in relation to the Q1 Profit Estimates. Other than the Q1 Profit Estimates, nothing in this announcement is intended, or is to be construed, as a profit estimate for any period.

The Board confirms that, as at the date of this announcement, the Q1 Profit Estimates are valid and have been properly compiled on the basis of the assumptions set out below and that the basis of the accounting used is consistent with Dowlais' accounting policies, which are in accordance with IFRS.

The Q1 Profit Estimates are based on the unaudited condensed interim financial statements of DowLais for the three months ended 31 March 2025. The basis of accounting used is consistent with the accounting policies of DowLais which are in accordance with IFRS and are those that DowLais expects to apply in preparing its Annual Report and Financial Statements for the financial year ending 31 December 2025. Given that the period to which the Q1 Profit Estimates relate has been completed, there are no other principal assumptions underpinning the Q1 Profit Estimates.

Forward-Looking Statements

This trading update includes 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", "estimates", "aims", "plans", "predicts", "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, and dividend policy and industry of DowLais. These forward-looking statements and other statements contained in this trading update 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 this trading update speak only to the date of this trading update. 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.

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