1 August 2024

MELROSE INDUSTRIES PLC

UNAUDITED RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

Continued good progress, ahead of our expectations and positive full year outlook

Melrose Industries PLC ("Melrose", the "Company" or the "Group"), the aerospace focused Group, today announces its interim results for the six months ended 30 June 2024 (the "Period").

Key messages

- Results ahead of our expectations with adjusted[1] operating profit up 62%[2] versus prior year
- Adjusted[1] operating margin at Aerospace level at 14.9%, up 420bps versus prior year with Engines outperformance at 29.4% and good Structures progress at 4.7%
- On track for 2024 guidance and 2025 profit targets, despite ongoing industry-wide supply chain challenges
- 2025 revenue guidance adjusted to £3.8 billion to reflect supply chain challenges and disposals; operating margin guidance increased to >18%
- Clear long-term growth strategy driving double-digit EPS growth over the long term with improving cash flows post major restructuring
- Further £250 million 18 month share buyback announced today, while investing more in organic growth and keeping leverage between 1.5-2x

	Adjusted[1] results		**Statutory results**	
	2024	2023	**2024**	2023
Continuing operations	**£m**	£m	**£m**	£m
Revenue	1,742	1,633	1,742	1,633
Aerospace operating profit/(loss)	260	175	42	(4)
Operating profit/(loss) (post-PLC costs[3])	247	159	(62)	(18)
Profit/(loss) before tax	204	134	(105)	(62)
Diluted earnings per share (p)	11.9p	7.5p	(6.1)p	(3.0)p
Dividend per share (p)	2.0p	1.5p	N/A	N/A
Net debt[1]	976	572	N/A	N/A
Leverage[1]	1.7x	1.1x	N/A	N/A

Net debt and leverage comparative information as at 31 December 2023

Financial highlights[2]

- Revenue of £1,742 million, 12% growth on the prior year (9% including businesses exited)
- Statutory operating loss of £62 million (2023: £18 million)
- Adjusted[1] diluted EPS of 11.9p compared to 7.5p in 2023. Statutory diluted EPS of (6.1)p (2023: (3.0)p)
- Net debt[1] of £976 million, representing leverage[1] of 1.7x, after £246 million of share buybacks in 2024 (£339 million in total since current £500 million buyback programme commenced)
- Continuation of growing dividend, with an interim dividend of 2.0 pence per share declared, an increase of 33% on the prior year

Strategic highlights[2]

- Engines adjusted[1] operating margin outperforming recent guidance for 2024, and target for 2025, due to aftermarket growth; on track to >30% margin post 2025
- Structures delivered 89% growth in adjusted[1] operating profit as a result of business improvement actions and portfolio changes
- Strong Group operational progress with further improvements in safety, customer quality, and productivity
- Increasing interest in proprietary additive fabrication technology from all major engine customers, with ongoing investment in industrialisation and certification
- New Engines repair centre in California and £50 million additive fabrication capacity in Sweden progressing to plan
- Successful disposal of our non-core Structures businesses at St. Louis, Orangeburg and Fuel Systems; disposal plan substantially complete

Divisional highlights[2]

Engines

- Engines revenue growth of 21% to £720 million with adjusted[1] operating profit up 46% to £212 million and adjusted[1] operating margin up to 29.4%
- Engines performance driven by the strength of growth initiatives and the lucrative aftermarket including repairs and defence
- Good progress being made on Pratt & Whitney GTF fleet management programme with growing partner confidence on long-term position and performance of programme

Structures

- As expected, Structures revenue growth of 6% to £1,022 million (1% including businesses exited) reflecting planned civil destocking offset by defence growth
- Adjusted[1] operating profit of £48 million with margins increasing to 4.7% from 2.5% in 2023
- Defence improvements are on track with good progress in portfolio repricing and rationalisation
- Good progress with ongoing restructuring programme; further work focused on the Netherlands integration and productivity enhancements

Guidance maintained for 2024 full year[4]

- Revenue between £3.6 billion and £3.75 billion, growth tempered by ongoing sector-wide supply chain issues. Revenue guidance includes the effect of non-core disposals
- Adjusted[1] operating profit (pre-PLC costs[3]) guidance maintained between £550 million and £570 million despite recent OE build rate changes and continued supply chain challenges
- Adjusted[1] EBITDA of between £710 million and £730 million
- Central costs at £30 million
- As previously guided, cash generation limited by ongoing restructuring in 2024 and announced GTF issues; increasing free cash flow is expected in 2025 and beyond, driven by RRSPs and wider Group

Governance

- New Chair designate, Chris Grigg, appointed to the Board, with effect from 1 October 2024
- Following a planned transition period, Justin Dowley will step down from the Melrose Board on 31 March 2025; Chris to succeed Justin as the Company's Non-Executive Chairman

Peter Dilnot, Chief Executive Officer of Melrose Industries PLC, today said:

"We have made strong progress in the first half, driven by Engines aftermarket performance and business improvement actions, despite industry-wide supply chain challenges. We remain confident of delivering on our 2024 and 2025 guidance. Our positive outlook and disciplined capital allocation enables us to invest more in attractive organic growth opportunities, as well as continue shareholder returns through our growing dividend and the further share buyback programme announced today. We have positive momentum, a clear strategy and excellent growth opportunities ahead."

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Notes

1. Described in the glossary to the Interim Announcement and considered by the Board to be a key measure of performance
2. Like-for-like growth is calculated at constant currency against 2023 results and, for revenue, excludes exited businesses
3. PLC costs are also referred to as corporate costs (see note 3 to the Condensed Consolidated Interim Financial Statements)
4. Assuming US$ = 1.25 average exchange rate

CHIEF EXECUTIVE OFFICER'S REVIEW

TECHNOLOGY-FOCUSED AEROSPACE BUSINESS WITH LONG-TERM STRUCTURAL GROWTH POTENTIAL

Melrose delivered a strong performance in the first half of 2024. Results were ahead of our expectations, underpinned by continued outperformance from our industry-leading Engines business. Structures also made good progress, with operational and commercial gains recorded across the Group. Technology developments, most notably in Engines' additive fabrication, continued to differentiate the business, enhancing our design-led Tier 1 position with all major aircraft and engine OEMs. This progress has been made despite the headwinds from industry-wide supply chain issues which continue to pace growth and OEM production rates.

Looking ahead, we are well set to deliver further profitable growth. While supply constraints and sector production challenges may persist, underlying demand and market dynamics remain strong. Flight hours are rising, record customer order backlogs continue to grow, and the engines aftermarket will drive increasing Melrose cash flows for many years to come. We have positive momentum, a clear strategy and excellent growth opportunities ahead.

FIRST HALF 2024 RESULTS

Overall Group revenues rose 12% in the first half to £1,742 million. This comprised strong Engines growth of 21%, driven by parts repair, defence aftermarket and performance of our RRSP portfolio, and Structures growth of 6%, suppressed due to supply constraints and the previously announced customer destocking. There was a 52% increase in adjusted operating profit to £260 million, with margins up 420bps to 14.9% (pre-PLC costs) driven by sales growth, business improvements and aftermarket mix. Our net debt position was better than expected at £976 million representing a leverage ratio of 1.7x, after funding growth, ongoing restructuring and share buybacks.

Our Engines business had an excellent first half. This included signing a decade-long contract with Safran to supply LEAP-1A shafts from Norway, as well as an agreement with the Swedish Defence Materiel Administration (FMV) to explore future fighter propulsion systems in Sweden. In the civil repair business, we expanded our Pratt & Whitney GTF capabilities in Malaysia, increasing throughput and capacity. This progress reinforces our confidence that our original 2025 Engines margin target (28%) will be achieved in 2024, one year ahead of the original plan.

In Structures, new commercial agreements were secured with Lockheed Martin to double our F-35 canopy production capacity in California, largely funded by the customer, as well as a multi-year contract renewal with Airbus to deliver the full A220 wiring package. Elsewhere, long-running commercial negotiations with Boeing were successfully concluded with the sale of both our Orangeburg and St. Louis businesses. These divestments, combined with the sale of our non-core Fuel Systems business, have further focused our Structures business on differentiated proprietary technologies. We also saw progress in the repricing of defence contracts and our plans remain on track.

Across Melrose, we made significant operational gains, reinforcing safety and quality as top priorities. We are pleased to announce that in the Period we had zero lost time accidents for the first time over a six-month period. The number of quality issues reaching our customers was down by 33% versus H1 2023. Our performance on customer deliveries continued to improve, with a reduction in arrears of c.£20 million versus H1 2023, albeit ongoing industry supply chain issues hamper progress and are leading to productivity headwinds and some excess inventory.

Melrose is firmly on track to meet its full year commitments, with adjusted operating profit forecast to increase to £560 million (pre-PLC costs) in 2024, at the midpoint of the range. Beyond that, there is a clear trajectory to £700 million adjusted operating profit (pre-PLC costs) in 2025, with an operating margin now expected to be over 18% driven by positive aftermarket mix in Engines and recent low margin disposals in Structures. Melrose cash flows will also increase post restructuring.

MARKET UPDATE AND PORTFOLIO POSITION

We hold embedded positions on all leading commercial narrowbody and widebody aircraft, with a significantly stronger weighting towards Airbus than Boeing. In Engines, we lead the industry in the fabrication of advanced engine structures, cases and frames. We are also RRSP partners on 19 different engine families, including the CFM56 and V2500 which power all mature single-aisle aircraft. In all, our RRSPs cover more than 70% of major civil aircraft flight hours globally. In Structures, we have design-to-build expertise in metallic and composite components, as well as wiring, transparencies and anti-ice systems for both civil and defence platforms.

Underlying global market dynamics continued to improve in H1 2024. Air traffic, capacity and ticket sales all rose, while passenger load factors hovered near 80%, all indicating another strong year. Total flight hours were c.5% above 2019 levels and 9% above 2019 on a narrowbody basis. As a result, flight hours for our RRSP portfolio increased by 8% in the first half versus the same period last year.

Well-publicised industry-wide operational challenges persisted throughout the industry during the Period. Production capacity and raw material shortages continued to restrict new aircraft deliveries and limit production rate increases, as confirmed by Airbus in June. Quality issues at Boeing exacerbated this delivery bottleneck. The result is record order backlogs, now well into the 2030s in our key markets. This dynamic is fuelling aftermarket and driving our strong Engines performance, as existing aircraft fly for longer, and additional older engine shop visits are required. In the longer-term, the substantial backlogs will support our expected future business growth.

We have continued to work closely with Pratt & Whitney and other partners to manage the previously announced powder metal issues on some variants of the GTF with significant progress having been made in line with Pratt & Whitney's global fleet management plan. The GTF remains a fundamentally excellent engine. The ongoing block D upgrades together with the Advantage upgrade, planned in 2025, will further improve fuel consumption and durability. We see no change to our short-term guidance at this time and anticipate the GTF contributing to Melrose's profit and cash flow for many years to come.

For defence, global tensions and conflict have driven a significant increase in military spending. In the US, long-term government spending is supported by the recently released US National Defence Industry Strategy targeting 'generational' production-capacity expansion of the Defence Industrial Base. Further support is provided by the European Defence Industrial Strategy, which focuses on a stronger and more capable European Union. Across Europe, many countries have pledged to increase defence spending to 2.5% of GDP, underpinning future growth. We have a strong foundation to meet regional defence needs with our established footprint in the US, UK, Sweden and the Netherlands.

GROWTH STRATEGY

Melrose has an outstanding track record of delivering value for its stakeholders. As a pureplay, technology-focused aerospace business, partnering with all major aircraft and engine OEMs, value creation remains at the heart of our strategy. Today, our differentiated technologies position the Group as a 'Super-Tier 1' for our customers, as our design-led solutions are deeply embedded with

OEMs – often for life of programme. We think like a peer, act as a partner and deliver as a trusted supplier.

In order to deliver future value, we are focused on three strategic priorities: *to profitably capture OEM and aftermarket growth; to expand in new targeted opportunities;* and *to favourably position for next-generation aircraft*.

Within the first priority, we are already seeing profitable growth driven by the strong engines aftermarket. We will continue to unlock returns from our unique portfolio of engine RRSPs, defence aftermarket and our rapidly expanding engine repair business as flight hours rise and current aircraft fly longer. On the Structures side, both the civil aircraft ramp-up and our defence portfolio shift will drive quality of earnings for the long-term.

Our second priority, *to expand in new targeted opportunities,* focuses on both differentiated technology and growing markets. Here, our additive fabrication technology leadership in Engines, built over two decades, provides a key differentiator for Melrose. Long-term production contracts have already been secured with GE and Pratt & Whitney and industrialising this breakthrough technology is a core element of our capital allocation strategy where we will invest more in expanding capacity. In the Structures business, we are pursuing opportunities to grow in China, as well as selectively expand in the emerging urban air mobility and uncrewed defence air vehicle markets.

Our final priority will see us position the Group for next-generation aircraft. This includes partnering on the next-generation of commercial engines, where we are already embedded as the only Super-Tier 1 on both the CFMI RISE and the next-generation GTF development programmes. In the Structures business, we will also target positions on future single-aisle airframes and 6th generation fighter aircraft, as well as continuing to develop the potential of hydrogen flight.

This strategy, underpinned by our proprietary technology and disciplined approach to capital allocation, will drive Melrose's sustainable growth and attractive shareholder returns for many years to come. We are confident that double-digit annual EPS growth can be delivered consistently over the long term.

SUSTAINABILITY

Melrose focuses its sustainability activities in two areas: developing the technology to enable more sustainable flight while minimising the environmental impact of our own operations. We have made good progress on both paths in 2024.

As a Super-Tier 1 partner, we recognise that the greatest impact we can make is by developing breakthrough technologies for more sustainable flight. We continue to make encouraging progress across both divisions in 2024. Our optimised engine intermediate compressor case (''ICC'') was successfully ground-tested as part of Rolls-Royce's full power UltraFan™ trial, which ran on 100% sustainable aviation fuel. This ICC featured additive fabrication technology, further demonstrating our unique capability. We also reached milestones in the advanced air mobility sector, delivering the first complete composite wings and booms for Supernal's SA-2 eVTOL, while strengthening our partnership with Joby on thermoplastic structures. Our ground-breaking work on hydrogen aircraft propulsion continued, with the world's first cryogenically cooled hydrogen electric motor demonstrator delivered for testing.

To help us reduce our environmental impact, in March we outlined a new set of 2025 sustainability targets. These include targeted reductions in energy, Scope 1 & 2 emissions intensity (as validated by the SBTi) and water withdrawal intensity. As at the end of H1 2024, we are well on track, with energy intensity usage reduced by 25% and water withdrawal intensity down 28% compared to the final period of 2023. We will provide a detailed update on our performance against these targets in our 2024 Sustainability Report. As part of our approach, we continue to develop more sustainable manufacturing methods in line with our commitment to contribute to decarbonisation of aerospace. These include additive technologies, out-of-autoclave manufacturing processes, such as resin-transfer moulding, and lightweight recyclable thermoplastic applications.

Our Melrose updated Sustainability Report and Transition Plan was published in March 2024 and our ESG rating was upgraded from A to AA and recategorised from Industrial Conglomerate to Aerospace & Defence by MSCI.

DISCIPLINED CAPITAL ALLOCATION

At our full year results in March, we indicated that the Board would review its capital allocation approach to align with Melrose's long-term growth strategy. This work has been completed and we are outlining the resulting approach today. Future capital allocation will be focused on accelerating accretive organic business growth, while retaining Group financial resources and strength to reward shareholders through capital returns. With a strong organic growth investment case we do not see major acquisitions as part of our equity story in the short-term.

Investment will be targeted to increase operational capacity and automation, especially in our high-margin Engines business. This will enable us to deliver the ramp-up and capture the strong growth in our current markets. Our policy will also direct funding into new business opportunities where our proprietary technologies can deliver an IRR above 20%. We anticipate investing around £300 million incrementally over the next five years, with the majority in our industry-leading additive fabrication capabilities.

Our capital allocation will be conducted with Melrose's usual financial discipline, and we will maintain a strong balance sheet throughout. A net debt/adjusted EBITDA ratio of between 1.5 to 2 times will provide flexibility for future opportunities, with investment grade metrics being targeted over time.

This approach to leverage, coupled with strong earnings and increasing cash generation, also allows for attractive shareholder returns through a growing annual dividend and ongoing share buybacks.

DIVIDEND AND BUYBACK

The Board has declared an interim dividend for 2024 of 2.0 pence per share, which will be paid on 16 September 2024 to shareholders on the register at the close of business on 9 August 2024. Our policy seeks to grow dividends over the longer term without being directly linked to earnings growth as we see organic growth as offering superior shareholder returns.

The Group commenced a £500 million share buyback programme in October 2023 with £339 million completed as at the half year. Further to this, there was a £157 million cash cancellation of shares to settle the tax element of the Melrose Employee Share Plan (''MESP''). The current buyback programme is anticipated to complete by the end of September 2024 and will be augmented by a new £250 million 18-month share buyback, as announced today. The ongoing buyback highlights the Board's confidence in the future growth prospects of the Group. The 18-month period aims to realign the period with our full year reporting cycle.

GOVERNANCE

With effect from 1 October 2024, Chris Grigg will join the Board as a Non-Executive Director and Chair Designate. Chris is currently Chair of the UK Infrastructure Bank, having served in this role since April 2021. He has also been Chair of Evelyn Partners since February 2022, before which he served as a Non-Executive Director. Chris was a Non-Executive Director of BAE Systems plc for more than 10 years, leaving the role in December 2023, latterly serving as its Senior Independent Director. During his executive career, Chris was Chief Executive of The British Land Company plc from January 2009 and left the Board in December 2020. Following a planned transition period, Justin Dowley will step down from the Board on 31 March 2025 and Chris will succeed him as the Company's Non-Executive Chairman.

GROUP OUTLOOK

The Group is well positioned to deliver further progress over the remainder of 2024 and beyond. Notwithstanding the headwinds from industry-wide supply chain issues and short-term destocking due to the phasing of commercial aircraft build rates, revenue and operating profit guidance is maintained.

The progress we expect to make over the remainder of 2024 will further narrow the gap to our 2025 targets, which represents a 67% increase in Aerospace adjusted operating profit versus 2023. We are confident of delivering this performance and positioning Melrose for ongoing growth in the years ahead.

GUIDANCE FOR 2024 AND 2025

Income Statement	2024 (Guidance)	2025 (Targets)
Revenue:		
Engines	£1.45bn - £1.50bn	£1.7bn
Structures	£2.15bn - £2.25bn	£2.1bn
Aerospace	**£3.60bn - £3.75bn**	**£3.8bn**
Adjusted operating profit (pre-PLC costs):		
Engines	£410m - £420m	£500m
Structures	£140m - £150m	£200m
Aerospace	**£550m - £570m**	**£700m**
Adjusted operating profit margin (pre-PLC costs)	**>15%**	**>18%**
Adjusted EBITDA (pre-PLC costs):		
Engines	£480m - £490m	£580m
Structures	£230m - £240m	£290m
Aerospace	**£710m - £730m**	**£870m**
PLC costs	c.£30m	c.£30m

The revised 2025 revenue targets reflect expected lower OE sales, due to ongoing industry-wide supply chain issues, as well as disposals of non-core businesses in Structures. This is compensated for by higher expected adjusted operating margins, above our previous range, driven by a stronger aftermarket mix in Engines and a reduction in low margin revenue in Structures, leaving our operating profit targets unchanged.

DIVISIONAL REVIEW

ENGINES

Industry-leading Engines division positioned for long-term structural growth

Engines adjusted results	H1 2024 £m	H1 2023 £m
Revenue	720	608
Operating profit	212	149
Operating profit margin	29.4%	24.5%
EBITDA	237	173
EBITDA margin	32.9%	28.5%

The Engines division has maintained its strong performance, with excellent progress in the Period. Growth was powered by strong end market dynamics, with increasing engine shop visits and spare parts demand fuelling the aftermarket. In the Period, aftermarket growth was 31% versus the prior period, with our engines repair business and defence aftermarket demand contributing more strongly than civil OE and RRSPs. As flight hours grow and older aircraft continue to fly longer, this trend is set to remain, with wider shop visit scope and favourable pricing supporting future growth. Revenue in H1 2024 grew 21% to £720 million whilst adjusted operating profit increased 46% to £212 million. Adjusted operating profit margin in the Period was at 29.4%, up from 24.5% in the prior period. Our continued progress in business improvement across the division gives us further confidence in the positive long-term trajectory.

During the Period, commercial highlights include finalising a long-term contract with Safran to supply shafts for the industry-leading LEAP engine. This new product insertion is now underway in Norway, with full production for the LEAP-1A variant set to begin in Q4 2024. On the military side, we signed a multi-year contract with Sweden's FMV to explore the propulsion requirements for future fighter systems, while continuing to develop the product support capability for both Gripen C/D (RM12 engine) and Gripen E (RM16 engine).

Our high-quality repair solutions business delivered a particularly strong half. The business gained more than 30 new customers and secured further contracts from existing OEMs, such as GE Aerospace. We added LEAP-1A and LEAP-1B fan blade repairs to our portfolio and broadened our GTF capabilities with Pratt & Whitney in Malaysia, increasing throughput and capacity. Our parts repair turnaround time is now less than half the estimated market average, increasing customer demand and market share. Our new flagship engine component repair centre in California is set to open by the year end and will drive further growth. We will continue to allocate capital into this highly attractive business.

Melrose also bolstered its proprietary technology leadership positions in 2024. We are placing most focus and investment in additive fabrication, where we are a global leader in the manufacture of complex structures through additive manufacturing and sophisticated welding methods. In January, we announced a joint investment of £50 million, including £12 million of Swedish Energy Agency funding, to develop this capability in Trollhättan, Sweden. This will move additive fabrication into serial production and is a landmark for the business. Production of the ground-breaking fan case mount ring for Pratt & Whitney's GTF using additive fabrication is established and in the ramp-up phase. The installation of further additive cells is proceeding according to plan to increase capacity and accelerate full rate production. Our unique capabilities in additive fabrication are now widely recognised, with long-term contracts in place with both Pratt & Whitney and GE Aerospace to expand industrialisation and production capacity. Interest has widened significantly in 2024 as

OEMs consider new solutions to overcome supply constraints and to drive more sustainable manufacturing processes. We see this as a significant area for future growth.

Engines continues to navigate a challenging operating environment. The business met its commitments and remained ahead of OEM production rates, though constraints on forging and casting supply will remain a key area of management focus in the second half. Internally, our Lean implementation continued to drive a strong quality, delivery and safety culture. The successful digitalisation of Engines sites through our CO-PILOT programme also continued, with substantial productivity gains already starting to read through in the half year.

Looking further ahead, Engines is the only strategic partner on both future engine development programmes: the CFMI RISE and Pratt & Whitney's next-generation GTF. Within RISE, our work is focused on additive fabrication capability, while our core input in the future GTF is around our leadership in complex load-bearing structures. Our unique position on both programmes has been earned over many years through our strong customer partnerships and deep technology expertise. This positions Melrose to secure a profitable and meaningful partnership on all of tomorrow's aircraft engines.

OUTLOOK

Engines is a high-performing business, with exceptional potential. Our proprietary technology, enviable customer partnerships, diverse RRSP portfolio, and unique position within future engine programmes provides the springboard for long-term structural growth. In the second half of 2024 we expect strong aftermarket-led revenue growth to continue, allowing us to deliver our 28% operating margin target. Beyond 2025, we remain confident that Engines will deliver operating margins in excess of 30%.

STRUCTURES

Strong customer positions and operational progress improving quality of earnings

Structures adjusted results	**H1 2024 £m**	**H1 2023 £m**
Revenue	1,022	1,025
Operating profit	48	26
Operating profit margin	4.7%	2.5%
EBITDA	94	72
EBITDA margin	9.2%	7.0%

Our Structures division is a design-to-build partner on the world's most successful and highest volume platforms. It is also well-positioned as partner of choice for next-generation and emerging aircraft. With strong underlying dynamics in both the civil and defence markets, management focus is on delivering ongoing production ramp-ups and driving actions to improve quality of earnings.

Structures revenue performed in line with our expectations in the Period, with revenue up 6% to £1,022 million, despite customer destocking as previously outlined. The division continues to make encouraging progress underpinned by restructuring and portfolio transition, including completing the disposal of three non-core businesses during the Period. This helped to increase adjusted operating profit by 89% to £48 million and operating profit margin, up 220bps to 4.7%, ahead of our expectations. Further benefits are expected to read through from business improvement actions in the second half and into 2025. The division remains firmly on track to achieve its 9% adjusted operating margin target by 2025.

Over the first half of 2024, Structures made good commercial progress with several new contract wins. In Civil, we signed a multi-year contract renewal for the full wiring package for the Airbus A220, reinforcing our electrical wiring interconnection system (‘‘EWIS’’) market leadership. We also expanded our technology partnership with electric aircraft manufacturer Joby, focused on lightweight thermoplastic structures. In Defence, we secured up to £120 million of customer investment to double our F-35 canopy production capacity in California, extending production into the late 2030s.

Defence continued to sustainably reprice its portfolio of contracts, and the business is on track with its plans. We also successfully concluded negotiations with Boeing over the sale of our Orangeburg and St. Louis businesses. Both sales have completed, with the resolution of all associated contractual matters. The additional divestment of our much-improved non-core Fuel Systems business further focuses Structures on differentiated proprietary technologies.

Operationally, steps were also taken to enhance Structures’ manufacturing footprint. This included a series of internal work package movements to refocus our wiring business into cost-efficient, regional hubs. Work transfers were successfully completed from China to Pune, in India, and from the Netherlands to Izmir, Turkey. Our recently expanded Chihuahua facility in Mexico, is being established as our Americas wiring hub, with first article inspection for its inaugural customer on track to complete in the second half. These regional centres of excellence will underpin the future profitable growth of our industry-leading wiring business.

Our Lean deployment continued to drive operational improvements more broadly across the division. Quality escapes reaching customers reduced by 40% compared to the first half of 2023, with the cost of poor quality down by 14% (excluding exited sites). Most impressively, zero lost time accidents have now been recorded in the Structures business during the past 14 months. This reflects excellent progress in our top priority areas of safety and quality.

Like our Engines business, Structures also made good progress enhancing proprietary technology during the first half. The US global technology centre secured several development contracts with defence primes to explore laser wire deposition additive manufacturing for large-scale titanium aerostructures. This is targeting load-bearing metallic aerostructures entering service in two to three years. In the advanced air mobility (‘‘AAM’’) sector, the Civil business delivered the first composite wings for Supernal’s SA-2 electric demonstrator aircraft, while bolstering our EWIS partnerships with several other leading AAM players. The wiring business also delivered the first sets of harnesses to Pratt & Whitney Canada for use on their hybrid-electric flight demonstrator, which is targeting 30% improvement in fuel efficiency. Our work with Airbus on the next generation of wing technology was also extended under the SusWingS programme. The ground-breaking work on hydrogen aircraft propulsion continued, with the world’s first cryogenically cooled hydrogen electric motor demonstrator delivered for testing. These developments across our proprietary technology portfolio are fully aligned with our strategy and will underpin our long-term growth.

OUTLOOK

Structures is a well-positioned business, with an embedded, design-led offering on all the world’s leading aircraft. It has strong growth potential underpinned by record order backlogs and production ramp-ups, albeit currently constrained by supply chain issues and a challenging operating environment. We expect further progress in the second half as business improvement actions continue to read through especially from the Netherlands where integration work is ongoing. At the full year, reported revenue is expected to be largely flat as previously guided due to the planned exits of non-core work and site divestments highlighted earlier. Our 2024 full year profit expectation is unchanged, and we remain confident in meeting our 2025 adjusted operating margin target of 9%.

Peter Dilnot
Chief Executive Officer
1 August 2024

CHIEF FINANCIAL OFFICER’S REVIEW

MELROSE GROUP RESULTS

Statutory results:

The statutory IFRS results are shown on the face of the Income Statement and show revenue of £1,742 million (2023: £1,633 million), an operating loss of £62 million (2023: £18 million) and a loss before tax of £105 million (2023: £62 million). The diluted earnings per share (“EPS”), calculated using the weighted average number of shares in issue during the Period, were a loss of 6.1 pence (2023: loss of 3.0 pence).

Adjusted results:

The adjusted results are also shown on the face of the Income Statement. They are adjusted to exclude certain items which are significant in size or volatility or by nature are non-trading or non-recurring, or are the net changes in fair value items booked on an acquisition. It is the Group’s accounting policy to exclude these items from the adjusted results, which are used as an Alternative Performance Measure (“APM”) as described by the European Securities and Markets Authority (“ESMA”). APMs used by the Group are defined in the glossary to the Condensed Consolidated Interim Financial Statements.

As part of the transition to a pureplay Aerospace business, the Group’s policy on adjusting items has been reviewed and it has concluded that the cost of any new long-term incentive schemes will be included within adjusted results. This contrasts with prior practice which treated the Melrose equity-settled compensation scheme as an adjusting item and brings our policy in line with market practice for typical FTSE listed entities.

The Melrose Board considers the adjusted results to be an important measure used to monitor how the businesses are performing as they achieve consistency and comparability between reporting periods when all businesses are held for the complete reporting period.

The adjusted results for the Period show revenue of £1,742 million (2023: £1,633 million), an operating profit of £247 million (2023: £159 million) and a profit before tax of £204 million (2023: £134 million). Adjusted diluted EPS, calculated using the weighted average number of shares in issue in the Period of 1,346 million (2023: 1,404 million), were 11.9 pence (2023: 7.5 pence).

The following tables shows the adjusted results for the Period split by reporting segment:

	Engines £m	Structures £m	Aerospace £m	Corporate £m	Total £m
Revenue	720	1,022	1,742	-	1,742
Operating profit/(loss)	212	48	260	(13)	247
Operating margin	29.4%	4.7%	14.9%	n/a	14.2%

Revenue for Engines of £720 million (2023: £608 million) shows constant currency growth of 21% over 2023, with operating profit of £212 million (2023: £149 million) giving an operating margin of 29.4% (2023: 24.5%), an increase of 4.9 percentage points.

Revenue for Structures of £1,022 million (2023: £1,025 million) shows like-for-like constant currency growth of 6% over 2023, (1% including exited businesses), with operating profit of £48 million (2023: £26 million) giving an operating margin of 4.7% (2023: 2.5%), an increase of 2.2

percentage points.

Corporate costs (also referred to as PLC costs) were £13 million (2023: £16 million).

Tables summarising the reconciliation of statutory results to adjusted results by reportable segment are shown in note 3 of the Condensed Consolidated Interim Financial Statements, with a Group table shown below.

RECONCILIATION OF STATUTORY RESULTS TO ADJUSTED RESULTS

The following table reconciles the Group statutory operating loss to adjusted operating profit:

Continuing operations:	**2024 £m**	**2023 £m**
Statutory operating loss	**(62)**	**(18)**
Adjusting items:		
Amortisation of intangible assets acquired in business combinations	128	131
Restructuring costs	70	49
Currency movements in derivatives and movements in associated financial assets and liabilities	51	(28)
Acquisition and disposal related gains and losses	38	-
Equity-settled compensation scheme charges	14	26
Other	8	(1)
Adjustments to statutory operating loss	**309**	**177**
Adjusted operating profit	**247**	**159**

Adjusting items to the statutory operating loss are consistent with prior periods and include:

- The amortisation charge on intangible assets acquired in business combinations of £128 million (2023: £131 million), which is excluded from adjusted results due to its non-trading nature and to enable comparison with companies that grow organically. However, where intangible assets are trading in nature, such as computer software and development costs, the amortisation is not excluded from adjusted results.

- Costs associated with significant restructuring projects in the Period totalling £70 million (2023: £49 million). These are shown as adjusting items due to their size and non-trading nature.

  There have been three significant ongoing multi-year restructuring programmes, impacting multiple sites across the Engines and Structures divisions, including European footprint consolidations which commenced in 2021, and a significant restructuring programme in North America which commenced in 2020. These programmes incurred a combined charge of £48 million in the Period. Since commencement, the cumulative charge on these three restructuring programmes to 30 June 2024 has been £265 million (31 December 2023: £217 million).

  The North American multi-site restructuring was accelerated by the disposal of two businesses during the first half of the year and is now substantially complete. Costs are expected to continue at a much reduced level into 2025. The European programmes have continued to progress with one of the two programmes now reaching completion. The other European multi-site restructuring programme completed the closure of all intended sites by the end of 2023. Integration will continue throughout 2024 and costs are expected to conclude in 2025.

As at 30 June 2024, £17 million is included in restructuring provisions in relation to the multi-year programmes to be settled in cash over the next two years.

There has been a charge of £21 million within the Corporate cost centre in relation to actions taken to merge the Melrose corporate function with the previously separate Aerospace division head office team. These restructuring actions reshape the Corporate cost centre to serve as an ongoing pureplay aerospace business.

- Movements in the fair value of derivative financial instruments (primarily forward foreign currency exchange contracts), where hedge accounting is not applied, along with foreign exchange movements on the associated financial assets and liabilities, entered into within the businesses to mitigate the potential volatility of future cash flows on long-term foreign currency customer and supplier contracts. This totalled a charge of £51 million (2023: credit of £28 million) in the Period and is shown as an adjusting item because of its volatility and size.

- Acquisition and disposal related net losses of £38 million (2023: £nil) are inclusive of a loss of £37 million on the sale of three non-core businesses in the Structures segment. The loss of £37 million includes a net liability of £21 million that was crystallised relating to the withdrawal from a multi-employer post-retirement pension scheme. Consideration is £25 million which is net of a deferred payable of £39 million and £1 million of costs. The net loss is recorded as an adjusting item due to its non-trading nature.

  One of the three businesses divested was loss-making and was purchased by a customer. The resulting amount payable for the sale reflects the fair value of assets and programmes transferred, including the resolution of all contractual matters.

- A charge for the recently matured equity-settled compensation schemes of £14 million (2023: £26 million), which includes a charge for employer's tax payable of £14 million (2023: £18 million). This is excluded from adjusted results due to its size and volatility.

- Other net adjusting items, being a charge of £8 million (2023: credit of £1 million), relating to the net change of fair value items in the Period.

TAX

The statutory results for the Period show a tax credit of £25 million (2023: £22 million), arising on a statutory loss before tax of £105 million (2023: £62 million). The Group Income Statement underlying adjusted tax rate is 21.6% (2023: 20.9%). During the Period, the Group paid tax of £10 million (2023: £15 million).

LONG-TERM INCENTIVE SCHEME

The Melrose 2020 Employee Share Plan (the "MESP") crystallised on 31 May 2024, with awards being settled by 1) the transfer from treasury of ordinary shares to participants, 2) the grant of nil cost options and 3) the balance being settled by cash payments in an amount sufficient to meet participants' income and other tax liabilities in accordance with the plan rules (the "Cash Settlement").

The Company transferred a total of 28,848,071 ordinary shares from treasury to satisfy its obligation to the majority of participants and issued nil cost options over 3,875,954 ordinary shares.

In relation to the Cash Settlement, awards which would otherwise have given rise to Melrose being obliged to transfer an additional 25,498,465 ordinary shares have instead been settled by cash payments totalling £157 million for the purposes of meeting participants' income and other tax liabilities (which, for UK tax resident participants, has been paid directly to HMRC since the period end to settle the outstanding tax liability in relation to their awards). This has resulted in a charge to retained earnings in accordance with IFRS 2: “Share-Based Payment”.

The Company has issued a 2024 Melrose Performance Share Plan (the “PSP”) which rewards the performance of certain senior management over a three year period. The charge for this scheme and future such incentive arrangements will be recorded in adjusted operating profit to reflect the change in Group strategy to that of a pureplay aerospace company.

CASH GENERATION AND MANAGEMENT

Adjusted free cash flow for the Period was an outflow of £60 million (2023: £65 million), after net interest and tax spend of £46 million (2023: £49 million), but before restructuring spend of £85 million (2023: £53 million).

An analysis of free cash flow is shown in the table below:

	2024 £m	**2023 £m**
Continuing operations:		
Adjusted operating profit	247	159
Depreciation and amortisation	72	71
Lease obligation payments	(19)	(16)
Positive non-cash impact from loss-making contracts	(16)	(13)
Working capital movements:		
Inventory	(91)	(53)
Receivables and payables	(139)	(116)
Adjusted operating cash flow (pre-capex)	**54**	**32**
Net capital expenditure	(57)	(40)
Defined benefit pension contributions - ongoing	(2)	(2)
Restructuring	(85)	(53)
Net other	(9)	(6)
Free cash flow pre-interest and tax	**(99)**	**(69)**
Net interest and net tax paid	(46)	(49)
Free cash flow	**(145)**	**(118)**
Adjusted free cash flow	**(60)**	**(65)**

During the Period working capital increased due to sales growth, supply chain challenges impacting deliveries and the normal seasonal pattern.

Net capital expenditure in the Period was £57 million (2023: £40 million) and represented 1.0x (2023: 0.7x) depreciation of owned assets.

Restructuring spend in the Period was £85 million (2023: £53 million).

The net interest paid in the Period was £36 million (2023: £34 million), net tax payments were £10 million (2023: £15 million) and ongoing contributions to defined benefit pension schemes were £2 million (2023: £2 million).

The movement in net debt (as defined in the glossary to the Condensed Consolidated Interim Financial Statements) is summarised as follows:

	£m
Opening net debt	**(572)**
Free cash flow in the Period	(145)
Net cash flow from disposals	55
Amounts paid to shareholders	(292)
Melrose equity-settled compensation scheme related payments	(18)
FX and other non-cash movements	(4)
Net debt at 30 June 2024 at closing exchange rates	**(976)**

Group net debt at 30 June 2024, translated at closing exchange rates (being US $1.26 and €1.18), was £976 million (31 December 2023: £572 million), after a free cash outflow of £145 million, described above. Movement in Group net debt also included the payment of the 2023 final dividend of £46 million, £246 million spent buying back shares in the market and a net £55 million received from disposals. There were also net adverse foreign exchange movements of £2 million and other non-cash movements of £2 million.

For bank covenant purposes the Group's net debt is calculated at average exchange rates for the previous twelve months, to better align the calculation with the currency rates used to calculate profits and was £980 million.

The Group net debt leverage on this basis at 30 June 2024 was 1.7x EBITDA (31 December 2023: 1.1x EBITDA). Interest cover at 30 June 2024 was 9.6x.

PROVISIONS

Total provisions at 30 June 2024 were £201 million (31 December 2023: £286 million).

The following table details the movement in provisions in the Period:

	Total £m
Provisions at 1 January 2024	**286**
Net charge in the Period	84
Spend against provisions	(101)
Utilisation of loss-making contract provision	(16)
Foreign exchange	(1)
Disposal of businesses	(20)
Transfers	(31)
Provisions at 30 June 2024	**201**

The net charge to the Income Statement in the Period was £84 million, including £55 million relating to restructuring activities. This is shown as an adjusting item and is included in the adjusting items section discussed earlier in this review.

During the Period, £16 million was utilised against loss-making contract provisions and £101 million of cash was spent against other provisions including £85 million relating to restructuring activities. £31 million was transferred to accruals following certainty of the timing and value for payments on incentive schemes.

PENSIONS AND POST-EMPLOYMENT OBLIGATIONS

Melrose operates a number of defined benefit pension schemes and retiree medical plans across the Group, accounted for using IAS 19 Revised: "Employee Benefits".

The values of the Group plans were updated at 30 June 2024 by independent actuaries to reflect the latest key assumptions and are summarised as follows:

	Assets £m	Liabilities £m	Accounting deficit £m
UK Plans	1,006	(1,063)	**(57)**
US Plans	31	(56)	**(25)**
Other Plans	-	(8)	**(8)**
Total Group pension schemes	1,037	(1,127)	**(90)**

At 30 June 2024, the total plan assets of Melrose Group's defined benefit pension plans have reduced to £1,037 million (31 December 2023: £1,118 million) and total plan liabilities to £1,127 million (31 December 2023: £1,217 million), a net deficit of £90 million (31 December 2023: £99 million).

The GKN UK Group Pension Schemes (Numbers 1 and 4), included above within UK plans, are the most significant pension plans remaining in the Group and are closed to new members and to the accrual of future benefits for current members.

During 2023, the Group commenced a process to buy-out the GKN UK Group Pension Scheme Number 4 and, as a first step, purchased a buy-in policy which fully secured all members' benefits. Accordingly, assets and liabilities are recorded equally and are £410 million at 30 June 2024 (31 December 2023: £438 million). The buy-out process is expected to complete within the next 12 months.

At 30 June 2024, the GKN UK Group Pension Scheme Number 1 had gross assets of £596 million (31 December 2023: £632 million), gross liabilities of £647 million (31 December 2023: £692 million) and a net deficit of £51 million (31 December 2023: £60 million).

Other pension schemes in the Group include US pension plans which are generally funded schemes and closed to new members. At 30 June 2024, these US pension plans had a net deficit of £25 million (31 December 2023: £25 million).

A summary of the assumptions used are shown in note 11 to the Condensed Consolidated Interim Financial Statements.

FINANCIAL RISKS AND UNCERTAINTIES

The principal financial risks and uncertainties faced by the Group include liquidity risk, finance cost risk, exchange rate risk, contract and warranty risk and commodity cost risk. The nature of these risks in relation to the Group are explained in detail on pages 25 to 26 of the 2023 Annual Report, a copy of which is available on the Company's website, www.melroseplc.net.

Further explanations and details of the strategic risk profile of the Group, which include non-financial risks, are set out on pages 31 to 36 of the 2023 Annual Report.

EXCHANGE RATES USED IN THE PERIOD

Exchange rates used for currencies most relevant to the Group in the Period were:

US Dollar	Average rate	Closing Rate
Six months to 30 June 2024	1.26	1.26
Twelve months to 31 December 2023	1.24	1.28
Six months to 30 June 2023	1.23	1.27
Euro		
Six months to 30 June 2024	1.17	1.18
Twelve months to 31 December 2023	1.15	1.15
Six months to 30 June 2023	1.14	1.16

The Group policy on foreign currency risk is explained on page 26 of the 2023 Annual Report.

The following table shows an indication of a full year impact of a 10 percent strengthening of the US Dollar and the Euro, if they were to strengthen in isolation against all other currencies, on the re-translation of adjusted operating profit into Sterling:

£m	USD	EUR
Movement in adjusted operating profit	45	4
% impact on adjusted operating profit	8%	1%

In the first half of the year, the Group incurred a 2% translational foreign exchange loss on adjusted operating profit compared to the same period last year.

The impact from transactional foreign exchange exposures is not material in the short-term due to hedge coverage being approximately 90%.

The Group utilises its multi-currency banking facility to maintain an appropriate mix of debt in US Dollars, Euros and Sterling. The hedge of having debt drawn in US Dollars and Euros protects against some of the Balance Sheet and banking covenant foreign exchange translation risk. A 10 percent strengthening in either the US Dollar or Euro would have had the following impact on debt as at 30 June 2024:

£m	USD	EUR
Increase in debt	81	19

LIQUIDITY RISK MANAGEMENT

The Group's net debt position at 30 June 2024 was £976 million (31 December 2023: £572 million).

In May 2024, the US$300 million term loan, €100 million term loan and US$250 million revolving credit facility that were due to mature in April 2026 were amended to include two one-year extension options, at the Company's option, thereby aligning the maturity dates with the remaining bank facilities to April 2028. Furthermore, the US$300 million term loan was increased to US$549 million and the US$250 million revolving credit facility was increased to US$400 million. A summary of the Group's committed bank facilities, drawings and headroom is shown in the table below.

	Local currency			£m
	Size	Drawn	Headroom	Headroom
Term loans:				
USD	549	549	-	-
EUR	100	100	-	-
Revolving credit facilities:				
USD	1,090	542	548	433
GBP	300	22	278	278
Euro	300	131	169	143
Total (GBP)	**1,934**	**1,080**		**854**

As at 30 June 2024, the term loans were fully drawn and there was £562 million of drawings across the revolving credit facilities. Applying the exchange rates at 30 June 2024, the headroom equated to approximately £854 million.

In addition to the headroom across the revolving credit facilities, at 30 June 2024 cash, deposits and marketable securities, net of overdrafts, in the Group amounted to £166 million (31 December 2023: £57 million), whilst drawings on uncommitted borrowing facilities amounted to £61 million (31 December 2023: £53 million).

At 30 June 2024, capital market borrowings held by the Group consisted of an outstanding value of £10 million of a bond due to mature in May 2032, with a current coupon rate of 4.625%.

The committed bank funding 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.

The net debt to adjusted EBITDA covenant test level is set at 3.5x for the remaining term of the bank facilities. At 30 June 2024, the Group net debt leverage was 1.7x, affording comfortable headroom.

The interest cover test is set at 4.0x for the remaining term of the bank facilities. At 30 June 2024 the Group interest cover was 9.6x, again showing comfortable headroom compared to the covenant test.

FINANCE COST RISK MANAGEMENT

In addition to the fixed coupon payable under the £10 million bond discussed above, the Group uses financial derivatives to fix a portion of the cost of its floating rate borrowings. The combination of these items as well as borrowings on the Group's bank facilities is expected to result in the cost of drawn debt for the year to be approximately 5.7%.

GOING CONCERN

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

The Group has modelled a severe but plausible downside scenario against future cash forecasts and for this severe but plausible downside scenario, the Group has sufficient headroom to avoid breaching any of its financial covenants and would not require any additional sources of financing throughout the forecast period.

The Directors recognise the challenges in the current economic environment, including challenges in supply chain and the Group is actively managing the associated impacts on trading through a sharp focus on pricing, productivity and cost.

The macroeconomic environment remains uncertain and volatile and the impact of the economic factors discussed above could be more prolonged or severe than that which the Directors have considered in the Group's severe but plausible downside scenario.

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

Matthew Gregory
Chief Financial Officer
1 August 2024

CAUTIONARY STATEMENT

This announcement contains forward-looking statements. These statements are made in good faith based on the information available up to the time of the approval of this announcement, and should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Accordingly, readers are cautioned not to place undue reliance on any such forward-looking statements. Subject to compliance with applicable laws and regulations, the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this announcement.

This announcement has been prepared solely to provide information to shareholders to assess the Company's strategies and the potential for those strategies to succeed, and neither the Company nor its directors accept any liability to any other person save as would arise under English law.

NO OFFER OF SECURITIES

Nothing in this announcement constitutes an offer of securities for sale in the U.S. Securities may not be sold in the U.S. absent registration or an exemption from registration.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

a) the condensed financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the UK;

b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events and their impact, and description of principal risks and uncertainties for the remaining six months of the financial year); and

c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Peter Dilnot
Chief Executive Officer
1 August 2024

Matthew Gregory
Chief Financial Officer
1 August 2024

INDEPENDENT REVIEW REPORT TO MELROSE INDUSTRIES PLC
REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Our conclusion

We have reviewed Melrose Industries PLC's condensed consolidated interim financial statements (the "interim financial statements") in the Unaudited Results of Melrose Industries PLC for the 6 month period ended 30 June 2024 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 30 June 2024;
- the condensed consolidated income statement and the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Unaudited Results of Melrose Industries PLC have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Unaudited Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Unaudited Results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Unaudited Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Unaudited Results, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Unaudited Results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London
1 August 2024

Melrose Industries PLC
Condensed Consolidated Income Statement

Continuing operations	Notes	6 months ended 30 June 2024 Unaudited £m	6 months ended 30 June 2023 Unaudited £m	Year ended 31 December 2023 Audited £m
Revenue	3	**1,742**	1,633	3,350
Cost of sales		**(1,338)**	(1,326)	(2,696)
Gross profit		**404**	307	654
Operating expenses		**(466)**	(325)	(597)
Operating (loss)/profit	3,4	**(62)**	(18)	57
Finance costs		**(45)**	(45)	(79)
Finance income		**2**	1	14
Loss before tax		**(105)**	(62)	(8)
Tax	5	**25**	22	9
(Loss)/profit after tax for the period from continuing operations		**(80)**	(40)	1
Discontinued operations				
Loss for the period from discontinued operations	8	**-**	(1,020)	(1,020)
Loss after tax for the period attributable to owners of the parent		**(80)**	(1,060)	(1,019)
Earnings per share				
Continuing operations				
- Basic	6	**(6.1)p**	(3.0)p	0.1p
- Diluted	6	**(6.1)p**	(3.0)p	0.1p
Continuing and discontinued operations				
- Basic	6	**(6.1)p**	(78.5)p	(75.5)p
- Diluted	6	**(6.1)p**	(78.5)p	(75.5)p

Adjusted[1] results from continuing operations

Adjusted operating profit	3,4	**247**	159	390
Adjusted profit before tax	4	**204**	134	331
Adjusted profit after tax	4	**160**	106	263
Adjusted basic earnings per share	6	**12.1p**	7.8p	19.5p
Adjusted diluted earnings per share	6	**11.9p**	7.5p	18.7p

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

Melrose Industries PLC
Condensed Consolidated Statement of Comprehensive Income

	Notes	**6 months ended 30 June 2024 Unaudited £m**	6 months ended 30 June 2023 Unaudited £m	Year ended 31 December 2023 Audited £m
Loss after tax for the period		**(80)**	(1,060)	(1,019)
Items that will not be reclassified subsequently to the Income Statement:				
Net remeasurement gain/(loss) on retirement benefit obligations		**12**	(91)	(119)
Fair value gain/(loss) on investments in equity instruments		**3**	(2)	35
Income tax (charge)/credit relating to items that will not be reclassified	5	**(3)**	22	29
		12	(71)	(55)
Items that may be reclassified subsequently to the Income Statement:				
Currency translation on net investments		**16**	(190)	(195)
Share of other comprehensive expense from equity accounted investments		**-**	(11)	(12)
Transfer to Income Statement from equity of cumulative translation differences on disposal of foreign operations	8	**(6)**	(152)	(152)
Derivative gains on hedge relationships		**4**	8	2
Income tax charge relating to items that may be reclassified	5	**-**	(5)	(8)
		14	(350)	(365)
Other comprehensive income/(expense) for the period		**26**	(421)	(420)
Total comprehensive expense for the period attributable to owners of the parent		**(54)**	(1,481)	(1,439)

Melrose Industries PLC
Condensed Consolidated Statement of Cash Flows

	Notes	**6 months ended 30 June 2024 Unaudited £m**	6 months ended 30 June 2023 Unaudited £m	Year ended 31 December 2023 Audited £m
Operating activities				
Net cash used in operating activities from continuing operations	12	**(90)**	(172)	(7)
Net cash from operating activities from discontinued operations	12	**-**	36	36
Net cash (used in)/from operating activities		**(90)**	(136)	29
Investing activities				
Disposal of businesses, net of cash disposed	8	**56**	(320)	(320)
Settlement receipt from loans held with demerged entities		**-**	1,205	1,205
Purchase of property, plant and equipment		**(50)**	(36)	(95)
Proceeds from disposal of property, plant and equipment		**-**	-	4
Purchase of computer software and capitalised development costs		**(7)**	(4)	(11)
Disposal of equity accounted investments		**-**	-	3
Interest received		**2**	2	2
Net cash from investing activities from continuing operations		**1**	847	788
Net cash used in investing activities from discontinued operations	12	**-**	(67)	(67)
Net cash from investing activities		**1**	780	721
Financing activities				
Repayment of borrowings		**-**	(1,262)	(1,371)
Drawings on borrowing facilities		**512**	450	628
Costs of raising debt finance		**(3)**	(11)	(11)
Repayment of principal under lease obligations		**(19)**	(16)	(32)
Purchase of own shares, including associated costs	7	**(246)**	-	(93)
Dividends paid to owners of the parent	7	**(46)**	(61)	(81)
Net cash from/(used in) financing activities from continuing operations		**198**	(900)	(960)
Net cash used in financing activities from discontinued operations	12	**-**	(6)	(6)
Net cash from/(used in) financing activities		**198**	(906)	(966)
Net increase/(decrease) in cash and cash equivalents, net of bank overdrafts		**109**	(262)	(216)
Cash and cash equivalents, net of bank overdrafts at the beginning of the period		**57**	292	292
Effect of foreign exchange rate changes		**-**	(10)	(19)
Cash and cash equivalents, net of bank overdrafts at the end of the period	12	**166**	20	57

As at 30 June 2024, the Group had net debt of £976 million (31 December 2023: £572 million). A definition and reconciliation of the movement in net debt is shown in note 12.

Melrose Industries PLC
Condensed Consolidated Balance Sheet

	Notes	30 June 2024 Unaudited £m	30 June 2023 Unaudited £m	31 December 2023 Audited £m
Non-current assets				
Goodwill and other intangible assets		**3,225**	3,496	3,351
Property, plant and equipment		**749**	748	777
Investments		**118**	78	114
Interests in equity accounted investments		**6**	11	7
Deferred tax assets		**569**	508	527
Derivative financial assets		**23**	27	46
Other receivables		**970**	735	789
		5,660	5,603	5,611
Current assets				
Inventories		**544**	557	510
Trade and other receivables		**719**	797	713
Derivative financial assets		**10**	10	13
Current tax assets		**2**	-	6
Cash and cash equivalents		**189**	110	58
Assets classified as held for sale		**-**	-	18
		1,464	1,474	1,318
Total assets	3	**7,124**	7,077	6,929
Current liabilities				
Trade and other payables		**1,400**	1,220	1,179
Interest-bearing loans and borrowings		**84**	148	54
Lease obligations	13	**31**	38	40
Derivative financial liabilities		**54**	57	42
Current tax liabilities		**11**	19	20
Provisions	9	**123**	176	188
Liabilities associated with assets held for sale		**-**	-	10
		1,703	1,658	1,533
Net current liabilities		**(239)**	(184)	(215)
Non-current liabilities				
Other payables		**410**	343	358
Interest-bearing loans and borrowings		**1,081**	517	576
Lease obligations	13	**151**	151	152
Derivative financial liabilities		**77**	115	64
Deferred tax liabilities		**475**	448	482
Retirement benefit obligations	11	**90**	89	99
Provisions	9	**78**	99	98
		2,362	1,762	1,829
Total liabilities	3	**4,065**	3,420	3,362
Net assets		**3,059**	3,657	3,567
Equity				
Issued share capital		**309**	309	309
Share premium account		**3,271**	3,271	3,271
Merger reserve		**109**	109	109
Capital redemption reserve		**753**	753	753
Other reserves		**(2,330)**	(2,330)	(2,330)
Translation and hedging reserve		**287**	288	273
Retained earnings		**660**	1,257	1,182
Equity attributable to owners of the parent		**3,059**	3,657	3,567
Non-controlling interests		**-**	-	-
Total equity		**3,059**	3,657	3,567

Melrose Industries PLC
Condensed Consolidated Statement of Changes in Equity

	Issued share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Other reserves £m	Translation and hedging reserve £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 January 2023	309	3,271	109	753	(2,330)	638	4,379	7,129	39	7,168
Loss for the period	-	-	-	-	-	-	(1,060)	(1,060)	-	(1,060)
Other comprehensive expense	-	-	-	-	-	(350)	(71)	(421)	-	(421)
Total comprehensive expense	-	-	-	-	-	(350)	(1,131)	(1,481)	-	(1,481)
Dividends paid (note 7)	-	-	-	-	-	-	(61)	(61)	-	(61)
Demerger distribution (note 8)	-	-	-	-	-	-	(1,973)	(1,973)	-	(1,973)
Derecognition of non-controlling interests on demerger	-	-	-	-	-	-	-	-	(39)	(39)
Equity-settled share-based payments	-	-	-	-	-	-	2	2	-	2
Deferred tax on equity-settled share-based payments (note 5)	-	-	-	-	-	-	41	41	-	41
At 30 June 2023 (unaudited)	309	3,271	109	753	(2,330)	288	1,257	3,657	-	3,657
Profit for the period	-	-	-	-	-	-	41	41	-	41
Other comprehensive (expense)/income	-	-	-	-	-	(15)	16	1	-	1
Total comprehensive (expense)/income	-	-	-	-	-	(15)	57	42	-	42
Dividends paid (note 7)	-	-	-	-	-	-	(20)	(20)	-	(20)
Purchase of own shares (note 7)	-	-	-	-	-	-	(93)	(93)	-	(93)
Deferred tax on equity-settled share-based payments	-	-	-	-	-	-	(19)	(19)	-	(19)
At 31 December 2023 (audited)	309	3,271	109	753	(2,330)	273	1,182	3,567	-	3,567
Loss for the period	-	-	-	-	-	-	(80)	(80)	-	(80)
Other comprehensive income	-	-	-	-	-	14	12	26	-	26
Total comprehensive income/(expense)	-	-	-	-	-	14	(68)	(54)	-	(54)
Dividends paid (note 7)	-	-	-	-	-	-	(46)	(46)	-	(46)
Purchase of own shares (note 7)	-	-	-	-	-	-	(257)	(257)	-	(257)
Equity-settled incentive scheme related (note 2)	-	-	-	-	-	-	(157)	(157)	-	(157)
Deferred tax on equity-settled share-based payments (note 5)	-	-	-	-	-	-	6	6	-	6
At 30 June 2024 (unaudited)	**309**	**3,271**	**109**	**753**	**(2,330)**	**287**	**660**	**3,059**	**-**	**3,059**

Notes to the Condensed Consolidated Interim Financial Statements

1. Corporate information

The interim financial information for the six months ended 30 June 2024 has been reviewed by the auditor, but not audited. The information for the year ended 31 December 2023 shown in this report does not constitute statutory accounts for that year as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor has reported on those accounts. Their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. Summary of material accounting policies

The interim financial information for the six months ended 30 June 2024, which has been approved by the Board of Directors, has been prepared on the basis of the accounting policies set out in the Group's 2023 Annual Report on pages 171 to 181.

The Group's 2023 Annual Report can be found on the Group's website www.melroseplc.net. These Condensed Consolidated Interim Financial Statements should be read in conjunction with the 2023 information and have been prepared in accordance with UK-endorsed International Financial Reporting Standards ("IFRS"). These Condensed Consolidated Interim Financial Statements do not comprise statutory accounts within the meaning of section 435 of the Companies Act 2006 and have been prepared in accordance with IAS 34: "Interim Financial Reporting" contained in UK-endorsed IFRS.

Capital structure

On 2 October 2023, the Group commenced a £500 million share buyback programme which is expected to complete by the end of September 2024. During the six month period ended 30 June 2024, 41,237,482 shares were purchased at an average price of 615 pence per share for total consideration of £257 million, inclusive of costs of £3 million. These were transferred to treasury and the costs of the purchase have been recognised in retained earnings. No liability has been recognised in respect of the remaining share buyback programme as there is no contractual obligation.

On 3 June 2024, the Melrose Employee Share Plan ("MESP") crystallised. Of the 54,346,536 shares awarded, 25,498,465 were withheld by the Company in exchange for a cash payment sufficient to allow holders to meet their income tax and employee national insurance liabilities in respect of the MESP. In accordance with IFRS 2: "Share-based Payment", £157 million has been recognised in retained earnings.

Following approval from shareholders on 2 May 2024, the Group has undertaken a capital reduction which completed after 30 June 2024, on 11 July 2024. This reduced share capital by £308 million, the share premium account by £2,271 million and the capital redemption reserve by £753 million.

Disposals and discontinued operations

On 1 March 2024, the Group disposed of its Fuel Systems business, a non-core part of the Structures segment.

On 25 April 2024, the Group disposed of its St. Louis facility, a non-core part of the Structures segment.

On 28 June 2024, the Group disposed of its Orangeburg operation, a non-core part of the Structures segment.

On 20 April 2023, the Group completed the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses through the flotation of Dowlais Group PLC ("Dowlais") on the London Stock Exchange. The results of the Dowlais businesses were classified within discontinued operations for the period ended 30 June 2023 and year ended 31 December 2023.

See note 8 for further detail.

Alternative performance measures

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

Adjusted profit measures exclude items which are significant in size or volatility or by nature are non-trading or non-recurring or are the net changes in fair value items booked on an acquisition.

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

- Amortisation of intangible assets that are acquired in a business combination, excluding computer software and development costs;
- Significant restructuring project costs and other associated costs, including losses incurred following the announcement of closure for identified businesses, arising from significant strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- Acquisition and disposal related gains and losses;
- 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;
- The charge for the previous Melrose equity-settled compensation scheme, including its associated employer's tax charge; and
- The net change in fair value items booked on acquisitions.

2. Summary of material accounting policies (continued)

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

- Acceleration of unamortised debt issue costs written off as a consequence of Group refinancing;
- Significant settlement gains and losses associated with debt instruments including interest rate swaps following acquisition or disposal related activity or non-trading transactions which are not considered by the Group to be part of normal financing costs; and
- Finance costs in respect of the Group's net debt strategically allocated to a demerger group of businesses at the start of the period and subsequently settled on demerger.

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

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

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

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

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

Going concern

The Condensed Consolidated Interim Financial Statements have been prepared on a going concern basis as the Directors consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future, being 12 months from the date of this report (the relevant period). The Group's liquidity and funding arrangements are described in the Chief Financial Officer's Review. There is significant liquidity/financing headroom at 30 June 2024 (£0.9 billion) and throughout the going concern forecast period. Forecast covenant compliance is considered further below.

Covenants

The Group's banking facility has two financial covenants being a net debt to adjusted EBITDA (leverage) covenant and an interest cover covenant, both of which are tested half yearly in June and December. Covenant calculations are detailed in the glossary to these Condensed Consolidated Interim Financial Statements.

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

	30 June 2024	31 December 2024	30 June 2025
Net debt to adjusted EBITDA	**3.5x**	3.5x	3.5x
Interest cover	**4.0x**	4.0x	4.0x

Testing

The Group modelled two scenarios in its assessment of going concern; a base case and a severe but plausible downside scenario.

The base case takes into account the estimated impact of a continued recovery in the aerospace end markets as well as other operational and strategic factors throughout the going concern period and has been monitored against the actual results and cash generation in the period since 1 July 2024.

The severe but plausible downside scenario models more conservative operating assumptions in the remaining period of 2024 and the relevant period in 2025. However, given there is liquidity headroom of £0.9 billion and the Group's leverage is 1.7x at 30 June 2024, comfortably below future testing levels, no further sensitivity detail is provided.

Under the severe but plausible downside scenario, no covenant is breached at either of the forecast testing dates being 31 December 2024 and 30 June 2025, with the testing at 31 December 2025 also favourable.

In addition to the severe but plausible downside scenario, a 'reverse stress test' has been prepared to consider the point at which the covenants may be breached. This reverse stress test indicates that a significant reduction in operating assumptions, beyond what is considered reasonable, would be required in order to breach covenants. In this remote situation, management could take further mitigating actions to protect profits and conserve cash, such as reducing capital expenditure to minimum maintenance levels.

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:

Engines – An industry leading global tier one supplier to the aerospace engines market, including structural engineered components; parts repair; commercial and aftermarket contracts.

Structures – A multi-technology global tier one supplier of both civil and defence air frames, including lightweight composite and metallic structures; electrical distribution systems and components.

In addition, there is a corporate cost centre which is also reported to the Board. The corporate cost centre contains the Group head office costs (also referred to as PLC costs).

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

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

The following tables present the results and certain asset and liability information regarding the Group's operating segments and corporate cost centre for the six month period ended 30 June 2024 and comparative periods.

a) Segment revenues

Continuing operations	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Engines	**720**	608	1,193
Structures	**1,022**	1,025	2,157
Revenue	**1,742**	1,633	3,350

b) Segment operating profit

6 months ended 30 June 2024

Continuing operations	Engines £m	Structures £m	Corporate £m	Total £m
Adjusted operating profit/(loss)	**212**	**48**	**(13)**	**247**
Items not included in adjusted operating profit[1]:				
Amortisation of intangible assets acquired in business combinations	(66)	(62)	-	(128)
Restructuring costs	(11)	(38)	(21)	(70)
Movement in derivatives and associated financial assets and liabilities	4	-	(55)	(51)
Acquisition and disposal related gains and losses	-	(37)	(1)	(38)
Melrose equity-settled compensation scheme charges	-	-	(14)	(14)
Net changes in fair value items	-	(8)	-	(8)
Operating profit/(loss)	**139**	**(97)**	**(104)**	**(62)**
Finance costs				(45)
Finance income				2
Loss before tax				**(105)**
Tax				25
Loss after tax for the period from continuing operations				**(80)**

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

3. Segment information (continued)

6 months ended 30 June 2023

Continuing operations	Engines £m	Structures £m	Corporate £m	Total £m
Adjusted operating profit/(loss)	**149**	**26**	**(16)**	**159**
Items not included in adjusted operating profit[1]:				
Amortisation of intangible assets acquired in business combinations	(68)	(63)	-	(131)
Restructuring costs	(12)	(36)	(1)	(49)
Melrose equity-settled compensation scheme charges	-	-	(26)	(26)
Movement in derivatives and associated financial assets and liabilities	3	(4)	29	28
Net changes in fair value items	-	1	-	1
Operating profit/(loss)	**72**	**(76)**	**(14)**	**(18)**
Finance costs				(45)
Finance income				1
Loss before tax				**(62)**
Tax				22
Loss after tax for the period from continuing operations				**(40)**

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

Year ended 31 December 2023

Continuing operations	Engines £m	Structures £m	Corporate £m	Total £m
Adjusted operating profit/(loss)	**310**	**110**	**(30)**	**390**
Items not included in adjusted operating profit[1]:				
Amortisation of intangible assets acquired in business combinations	(135)	(125)	-	(260)
Restructuring costs	(26)	(111)	(12)	(149)
Melrose equity-settled compensation scheme charges	-	-	(38)	(38)
Acquisition and disposal related gains and losses	-	-	(3)	(3)
Movement in derivatives and associated financial assets and liabilities	(3)	(6)	123	114
Net changes in fair value items	1	2	-	3
Operating profit/(loss)	**147**	**(130)**	**40**	**57**
Finance costs				(79)
Finance income				14
Loss before tax				**(8)**
Tax				9
Profit after tax for the year from continuing operations				**1**

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

c) Segment total assets and liabilities

	Total assets			Total liabilities		
	30 June 2024 £m	30 June 2023 £m	31 December 2023 £m	**30 June 2024 £m**	30 June 2023 £m	31 December 2023 £m
Engines	**4,161**	3,926	3,957	**1,405**	1,449	1,396
Structures	**2,265**	2,596	2,388	**1,088**	1,115	1,099
Corporate	**698**	555	584	**1,572**	856	867
Total	**7,124**	7,077	6,929	**4,065**	3,420	3,362

3. Segment information (continued)

d) Segment capital expenditure and depreciation

	Capital expenditure[1]			Depreciation of owned assets[1]			Depreciation of leased assets		
	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Engines	**27**	20	55	**22**	21	43	**3**	3	7
Structures	**25**	22	63	**38**	38	74	**8**	8	17
Corporate	**-**	-	-	**-**	-	-	**1**	1	1
Continuing operations	**52**	42	118	**60**	59	117	**12**	12	25
Discontinued operations	**-**	51	51	**-**	43	43	**-**	6	6
Total	**52**	93	169	**60**	102	160	**12**	18	31

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

e) Geographical information

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

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

	Revenue[1] from external customers			Segment assets		
	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m	**30 June 2024 £m**	30 June 2023 £m	31 December 2023 £m
UK	**282**	282	579	**828**	1,027	882
Rest of Europe	**282**	251	540	**2,114**	2,318	2,166
North America	**1,126**	1,062	2,138	**1,136**	962	1,179
Other	**52**	38	93	**20**	26	22
Continuing operations	**1,742**	1,633	3,350	**4,098**	4,333	4,249
Discontinued operations	**-**	1,582	1,582	**-**	-	-
Total	**1,742**	3,215	4,932	**4,098**	4,333	4,249

[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

Continuing operations	Notes	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Operating (loss)/profit		**(62)**	(18)	57
Amortisation of intangible assets acquired in business combinations	a	**128**	131	260
Restructuring costs	b	**70**	49	149
Movement in derivatives and associated financial assets and liabilities	c	**51**	(28)	(114)
Acquisition and disposal related gains and losses	d	**38**	-	3
Melrose equity-settled compensation scheme charges	e	**14**	26	38
Net changes in fair value items	f	**8**	(1)	(3)
Total adjustments to operating (loss)/profit		**309**	177	333
Adjusted operating profit		**247**	159	390

4. Reconciliation of adjusted profit measures (continued)

a. The amortisation charge on intangible assets acquired in business combinations totalled £128 million (2023: £131 million) which is excluded from adjusted results due to its non-trading nature and to enable comparison with companies that grow organically. However, where intangible assets are trading in nature, such as computer software and development costs, the amortisation is not excluded from adjusted results.

b. Costs associated with significant restructuring projects in the period totalled £70 million (2023: £49 million). These are shown as adjusting items due to their size and non-trading nature.

   There have been three significant ongoing multi-year restructuring programmes, impacting multiple sites across the Engines and Structures divisions, including European footprint consolidations which commenced in 2021, and a significant restructuring programme in North America which commenced in 2020. These programmes incurred a combined charge of £48 million in the period. Since commencement, the cumulative charge on these three restructuring programmes to 30 June 2024 has been £265 million (31 December 2023: £217 million).

   The North American multi-site restructuring was accelerated by the disposal of two businesses during the first half of the year and is now substantially complete. Costs are expected to continue at a much reduced level into 2025. The European programmes have continued to progress with one of the two programmes now reaching completion. The other European multi-site restructuring programme completed the closure of all intended sites by the end of 2023. Integration will continue throughout 2024 and costs are expected to conclude in 2025.

   As at 30 June 2024, £17 million is included in restructuring provisions in relation to the multi-year programmes to be settled in cash over the next two years.

   There has been a charge of £21 million within the Corporate cost centre in relation to actions taken to merge the Melrose corporate function with the previously separate Aerospace division head office team. These restructuring actions reshape the Corporate cost centre to serve as an ongoing pureplay aerospace business.

c. Movements in the fair value of derivative financial instruments (primarily forward foreign currency exchange contracts), where hedge accounting is not applied, along with foreign exchange movements on the associated financial assets and liabilities, entered into within the businesses to mitigate the potential volatility of future cash flows on long-term foreign currency customer and supplier contracts totalled a charge of £51 million (2023: credit of £28 million) in the period and are shown as an adjusting item because of its volatility and size.

d. Acquisition and disposal related net losses of £38 million (2023: £nil) are inclusive of a loss of £37 million on the sale of three non-core businesses in the Structures segment. The loss of £37 million includes a net liability of £21 million that was crystallised relating to the withdrawal from a multi-employer post-retirement pension scheme. Consideration is £25 million which is net of a deferred payable of £39 million and costs of £1 million. The net loss is recorded as an adjusting item due to its non-trading nature.

   One of the three businesses divested was loss-making and was purchased by a customer. The resulting amount payable for the sale reflects the fair value of assets and programmes transferred including the resolution of all contractual matters.

e. Charges for the recently matured equity-settled compensation schemes totalled £14 million (2023: £26 million), which includes a charge for employer's tax payable of £14 million (2023: £18 million). This is excluded from adjusted results due to its size and volatility.

f. Net changes in fair value items totalled a charge of £8 million (2023: credit of £1 million).

b) Profit before tax

Continuing operations	Notes	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Loss before tax		**(105)**	(62)	(8)
Adjustments to operating (loss)/profit as above		**309**	177	333
Finance costs on demerger settled net debt	g	**-**	17	17
Accelerated unamortised debt issue costs	h	**-**	2	2
Bond redemption gains	i	**-**	-	(13)
Total adjustments to loss before tax		**309**	196	339
Adjusted profit before tax		**204**	134	331

g. Finance costs in respect of the proportion of the Group's net debt strategically allocated to the demerger group of businesses at the start of the previous period and subsequently settled on demerger. These were excluded from adjusted results to ensure the finance costs of the continuing Group were appropriately shown alongside the trading performance of the continuing businesses.

4. Reconciliation of adjusted profit measures (continued)

h. Following the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses in the prior period, the existing bank facilities at that time were repaid and all unamortised bank fees were written off. This was shown as an adjusting item due to its non-trading nature.

i. During the prior year, the Group repurchased £120 million of the remaining 2032 £300 million bond on which a gain of £13 million was realised. This was shown as an adjusting item due to its non-trading nature.

c) Profit after tax

Continuing operations	Note	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
(Loss)/profit after tax		**(80)**	(40)	1
Adjustments to loss before tax as above		**309**	196	339
Tax effect of adjustments to loss before tax	5	**(69)**	(50)	(77)
Total adjustments to (loss)/profit after tax		**240**	146	262
Adjusted profit after tax		**160**	106	263

5. Tax

Analysis of the (credit)/charge in the period:	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Continuing operations			
Current tax	**5**	12	23
Deferred tax	**(30)**	(34)	(32)
Total tax credit from continuing operations	**(25)**	(22)	(9)
Discontinued operations			
Current tax	**-**	39	39
Deferred tax	**-**	(11)	(11)
Total tax charge from discontinued operations	**-**	28	28
Total tax (credit)/charge	**(25)**	6	19

Continuing operations:
The effective tax rate in respect of adjusted profit before tax for the period is 21.6% (2023: 20.9%). Adjusted tax has been calculated by applying the expected tax rate to the adjusted profit before tax of £204 million (2023: £134 million), giving an adjusted tax charge of £44 million (2023: £28 million).

The adjusted tax charge of £44 million (2023: £28 million) excludes a tax credit on adjusting items of £69 million (2023: £50 million). This represents a deferred tax credit on intangible asset amortisation of £30 million (2023: £30 million) and a tax credit on other adjusting items of £39 million (2023: £20 million).

Other comprehensive income and changes in equity:
In addition to the amount included in the Income Statement, a charge of £3 million (2023: credit of £17 million) has been recognised directly in the Statement of Comprehensive Income. This represents a tax charge of £3 million (2023: credit of £22 million) in respect of the remeasurement of retirement benefit obligations and a tax charge of £nil (2023: £5 million) in respect of movements on hedge relationships and translation differences. There is also a tax credit of £6 million (2023: £41 million) recognised directly in the Statement of Changes in Equity in respect of deferred tax on equity-settled share-based payments.

6. Earnings per share

Earnings attributable to owners of the parent	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Earnings for basis of earnings per share	**(80)**	(1,060)	(1,019)
Less: loss for the period from discontinued operations (note 8)	**-**	1,020	1,020
Earnings for basis of earnings per share from continuing operations	**(80)**	(40)	1

	6 months ended 30 June 2024 Number	6 months ended 30 June 2023 Number	Year ended 31 December 2023 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share (million)	**1,319**	1,351	1,349
Further shares for the purposes of diluted earnings per share (million)	**27**	53	56
Weighted average number of ordinary shares for the purposes of diluted earnings per share (million)	**1,346**	1,404	1,405

Earnings per share	**6 months ended 30 June 2024 pence**	6 months ended 30 June 2023 pence	Year ended 31 December 2023 pence
Basic earnings per share			
From continuing and discontinued operations	**(6.1)**	(78.5)	(75.5)
From continuing operations	**(6.1)**	(3.0)	0.1
From discontinued operations	**-**	(75.5)	(75.6)
Diluted earnings per share			
From continuing and discontinued operations	**(6.1)**	(78.5)	(75.5)
From continuing operations	**(6.1)**	(3.0)	0.1
From discontinued operations	**-**	(75.5)	(75.6)

Adjusted earnings from continuing operations	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Adjusted earnings for the basis of adjusted earnings per share	**160**	106	263

Adjusted earnings per share from continuing operations

	6 months ended 30 June 2024 pence	6 months ended 30 June 2023 pence	Year ended 31 December 2023 pence
Adjusted basic earnings per share	**12.1**	7.8	19.5
Adjusted diluted earnings per share	**11.9**	7.5	18.7

7. Dividends

	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Final dividend for the year ended 31 December 2023 of 3.5p	**46**	-	-
Interim dividend for the year ended 31 December 2023 of 1.5p	**-**	-	20
Second interim dividend for the year ended 31 December 2022 of 4.5p	**-**	61	61
Total dividends paid	**46**	61	81

An interim dividend of 2.0 pence per ordinary share is declared by the Board, totalling £26 million.

On 2 October 2023, the Group commenced a £500 million share buyback programme, with 41,237,482 shares purchased in the six month period ended 30 June 2024 for total consideration of £257 million, with cash paid of £246 million (30 June 2023: £nil, 31 December 2023: £93 million). These are held as treasury shares and are excluded from the number of shares for the purposes of calculating earnings per share.

8. Disposals and discontinued operations

On 1 March 2024, the Group completed the disposal of its Fuel Systems business, which was previously classified as held for sale, for consideration of £50 million. The costs charged to the Income Statement associated with the disposal were £4 million and were incurred during the prior period. The profit on disposal in the period was £39 million.

On 25 April 2024, the Group completed the disposal of its St. Louis facility with consideration payable of £58 million. The costs charged to the Income Statement associated with the disposal were £1 million and an additional net liability of £21 million was crystallised relating to the withdrawal from a multi-employer post-retirement pension scheme. The loss on disposal was £86 million after the recycling of cumulative translational gains of £3 million.

On 28 June 2024, the Group completed the disposal of its Orangeburg operation for consideration of £34 million. The costs charged to the Income Statement associated with the disposal were £nil. The profit on disposal was £10 million after the recycling of cumulative translational gains of £3 million.

The results of the three businesses disposed during the six month period ended 30 June 2024 are not classified within discontinued operations as they do not meet the criteria of being a major separate line of business.

On 30 March 2023, shareholders approved the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses through the flotation of Dowlais Group PLC (“Dowlais”) on the London Stock Exchange. On 20 April 2023, the Group completed the demerger of Dowlais and its results were classified within discontinued operations. A demerger distribution of £1,973 million was measured at fair value. Total demerger costs were £64 million.

8. Disposals and discontinued operations (continued)

Classes of assets and liabilities disposed of during the period were as follows:

	£m
Property, plant and equipment	32
Inventories	56
Trade and other receivables	3
Assets classified as held for sale	21
Total assets	112
Trade and other payables	21
Provisions	20
Deferred tax	14
Liabilities associated with assets held for sale	10
Total liabilities	65
Net assets	**47**
Consideration, net of costs[1]	25
Liability crystallised on disposal	(21)
Cumulative translation difference recycled on disposals	6
Loss on disposal of businesses	**(37)**
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents, net of costs[2]	61
Less: cash and cash equivalents disposed[3]	(5)
	56

[1] Consideration of £26 million net of £1 million of disposal costs charged to the Income Statement which were accrued at 30 June 2024. Included within consideration is a deferred amount payable of £39 million accrued at 30 June 2024, with the cash outflow expected in two equal instalments in the years ending 31 December 2025 and 31 December 2026 respectively.
[2] Cash consideration of £65 million net of £4 million of disposal costs paid in the period relating to the Fuel Systems business previously classified as held for sale.
[3] Included within assets classified as held for sale.

Financial performance of discontinued operations:

	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Revenue	-	1,582	1,582
Operating costs	-	(1,550)	(1,550)
Operating profit	-	32	32
Net finance costs	-	(7)	(7)
Profit before tax	-	25	25
Tax	-	(28)	(28)
Loss after tax	-	(3)	(3)
Loss on disposal of net assets of discontinued operations, net of recycled cumulative translation differences but before transaction costs	-	(978)	(978)
Demerger transaction costs	-	(39)	(39)
Loss for the period from discontinued operations	-	(1,020)	(1,020)

Cash flow information relating to discontinued operations is shown in note 12.

9. Provisions

	Loss-making contracts £m	Property related costs £m	Environmental and litigation £m	Warranty related costs £m	Restructuring £m	Other £m	Total £m
At 1 January 2024	58	23	54	27	59	65	286
Utilised	(16)	-	(3)	(2)	(85)	(11)	(117)
Charge to operating profit(1)	10	-	18	1	56	7	92
Release to operating profit(2)	-	-	(6)	(1)	(1)	-	(8)
Disposal of businesses(3)	(18)	-	(2)	-	-	-	(20)
Transfers(4)	-	-	-	-	-	(31)	(31)
Exchange adjustments	(1)	-	-	-	1	(1)	(1)
At 30 June 2024	**33**	**23**	**61**	**25**	**30**	**29**	**201**
Current	18	10	45	12	28	10	123
Non-current	15	13	16	13	2	19	78
	33	23	61	25	30	29	201

(1) Includes £66 million of adjusting items and £26 million recognised in adjusted operating profit.
(2) Includes £2 million of adjusting items and £6 million recognised in adjusted operating profit.
(3) Relates to the disposal of the St. Louis facility and Orangeburg operation.
(4) Transfer to accruals following certainty of the timing and value of employer tax on equity-settled compensation schemes.

Provisions for loss-making contracts are considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received under it. This obligation has been discounted and will be utilised over the period of the respective contracts, which is up to 15 years.

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

Environmental provisions relate to the estimated remediation costs of pollution and groundwater contamination at certain sites and at 30 June 2024 amounted to £8 million (31 December 2023: £7 million). At 30 June 2024, litigation provisions amounting to £53 million (31 December 2023: £47 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 are 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 one to two years.

Other provisions include indemnities and the employer tax on equity-settled compensation schemes which are expected to result in cash expenditure over the next two years.

Where appropriate, provisions have been discounted.

10. Financial instruments

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

	Current £m	Non-current £m	Total £m
30 June 2024			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	189	-	189
Net trade receivables	406	-	406
Classified as fair value:			
Investments	-	118	118
Derivative financial assets:			
Foreign currency forward contracts	7	11	18
Interest rate swaps	-	7	7
Embedded derivatives	3	5	8
Financial liabilities			
Classified as amortised cost:			
Interest-bearing loans and borrowings	(84)	(1,081)	(1,165)
Government refundable advances	(8)	(45)	(53)
Lease obligations	(31)	(151)	(182)
Other financial liabilities	(804)	(104)	(908)
Classified as fair value:			
Derivative financial liabilities:			
Foreign currency forward contracts	(53)	(75)	(128)
Embedded derivatives	(1)	(2)	(3)
30 June 2023			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	110	-	110
Net trade receivables	490	-	490
Classified as fair value:			
Investments	-	78	78
Derivative financial assets:			
Foreign currency forward contracts	8	11	19
Interest rate swaps	-	8	8
Embedded derivatives	2	8	10
Financial liabilities			
Classified as amortised cost:			
Interest-bearing loans and borrowings	(148)	(517)	(665)
Government refundable advances	(8)	(47)	(55)
Lease obligations	(38)	(151)	(189)
Other financial liabilities	(824)	(20)	(844)
Classified as fair value:			
Derivative financial liabilities:			
Foreign currency forward contracts	(56)	(111)	(167)
Embedded derivatives	(1)	(4)	(5)
31 December 2023			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	58	-	58
Net trade receivables	420	-	420
Classified as fair value:			
Investments	-	114	114
Derivative financial assets:			
Foreign currency forward contracts	10	37	47
Interest rate derivatives	-	3	3
Embedded derivatives	3	6	9
Financial liabilities			
Classified as amortised cost:			
Interest-bearing loans and borrowings	(54)	(576)	(630)
Government refundable advances	(5)	(44)	(49)
Lease obligations	(40)	(152)	(192)
Other financial liabilities	(794)	(16)	(810)
Classified as fair value:			
Derivative financial liabilities:			
Foreign currency forward contracts	(41)	(61)	(102)
Embedded derivatives	(1)	(3)	(4)

The fair value of the derivative financial instruments, other than embedded derivatives, 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 embedded derivatives are classified as level 3 fair value under the IFRS 13 fair value hierarchy. The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer to occur. There have been no transfers between levels in the period.

11. Retirement benefit obligations

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

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

GKN Group Pension Schemes (Numbers 1 and 4)

The GKN Group Pension Schemes (Numbers 1 and 4) are funded plans, closed to new members and closed to future accrual. The valuation of the plans was based on a full actuarial valuation as of 5 April 2022, updated to 30 June 2024 by independent actuaries.

GKN US Consolidated Pension Plan

The GKN US Consolidated Pension Plan is a funded plan, closed to new members and closed to future accrual. The US Pension Plan valuation was based on a full actuarial valuation as of 1 January 2024, updated to 30 June 2024 by independent actuaries.

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

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

30 June 2024	UK plans[1] £m	US plans £m	Other plans £m	**Total £m**
Plan assets	1,006	31	-	**1,037**
Plan liabilities	(1,063)	(56)	(8)	**(1,127)**
Net liabilities	(57)	(25)	(8)	**(90)**

30 June 2023	UK plans[1] £m	US plans £m	Other plans £m	**Total £m**
Plan assets	1,009	46	-	**1,055**
Plan liabilities	(1,064)	(71)	(9)	**(1,144)**
Net liabilities	(55)	(25)	(9)	**(89)**

31 December 2023	UK plans[1] £m	US plans £m	Other plans £m	**Total £m**
Plan assets	1,070	47	1	**1,118**
Plan liabilities	(1,136)	(72)	(9)	**(1,217)**
Net liabilities	(66)	(25)	(8)	**(99)**

(1) Includes a liability in respect of post-employment medical plans of £6 million (30 June 2023: £4 million, 31 December 2023: £6 million).

11. Retirement benefit obligations (continued)

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

	Rate of increase of pensions in payment % p.a.	Discount rate %	Price inflation (RPI/CPI) %
30 June 2024			
GKN UK – Group Pension Schemes (Numbers 1 and 4)	**2.7**	**5.1**	**3.1/2.7**
GKN US plans	**n/a**	**5.3**	**n/a**
30 June 2023			
GKN UK – Group Pension Schemes (Numbers 1 and 4)	2.7	5.2	3.2/2.7
GKN US plans	n/a	4.9	n/a
31 December 2023			
GKN UK – Group Pension Schemes (Numbers 1 and 4)	2.6	4.5	2.9/2.5
GKN US plans	n/a	4.8	n/a

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

12. Notes to the Cash Flow Statement

Continuing operations	6 months ended 30 June 2024 £m	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Reconciliation of operating (loss)/profit to net cash used in operating activities			
Operating (loss)/profit	**(62)**	(18)	57
Adjusting items (note 4)	**309**	177	333
Adjusted operating profit	**247**	159	390
Adjustments for:			
Depreciation of property, plant and equipment	**52**	49	100
Amortisation of computer software and development costs	**20**	22	42
Restructuring costs paid and movements in provisions	**(91)**	(72)	(160)
Defined benefit pension contributions paid[(1)]	**(2)**	(47)	(67)
Change in inventories	**(91)**	(53)	(10)
Change in receivables	**(179)**	(155)	(140)
Change in payables	**40**	39	4
Acquisition and disposal costs	**(1)**	(46)	(65)
Tax paid	**(10)**	(15)	(17)
Interest paid on loans and borrowings[(2)]	**(35)**	(51)	(79)
Interest paid on lease obligations	**(3)**	(2)	(5)
Divisional management incentive scheme related payments	**(19)**	-	-
Melrose equity-settled compensation scheme related payments	**(18)**	-	-
Net cash used in operating activities	**(90)**	(172)	(7)

[(1)] The period ended 30 June 2023 and year ended 31 December 2023 included £45 million for the purchase of a buy-in policy for GKN Group Pension Scheme Number 4.

[(2)] The period ended 30 June 2023 and year ended 31 December 2023 included £17 million of finance costs on the proportion of the Group's net debt strategically allocated to demerged businesses at the start of the period and settled on demerger (see note 4b).

Reconciliation of cash and cash equivalents, net of bank overdrafts	30 June 2024 £m	30 June 2023 £m	31 December 2023 £m
Cash and cash equivalents per Balance Sheet	**189**	110	58
Bank overdrafts included within current interest-bearing loans and borrowings	**(23)**	(90)	(1)
Cash and cash equivalents, net of bank overdrafts per Statement of Cash Flows	**166**	20	57

12. Notes to the Cash Flow Statement (continued)

Cash flow from discontinued operations	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Net cash from discontinued operations	**-**	54	54
Defined benefit pension contributions paid	**-**	(5)	(5)
Tax paid	**-**	(8)	(8)
Interest paid on lease obligations	**-**	(3)	(3)
Interest paid on loans and borrowings	**-**	(2)	(2)
Net cash from operating activities from discontinued operations	**-**	36	36
Purchase of property, plant and equipment	**-**	(62)	(62)
Purchase of computer software and capitalised development costs	**-**	(5)	(5)
Net cash used in investing activities from discontinued operations	**-**	(67)	(67)
Repayment of principal under lease obligations	**-**	(6)	(6)
Net cash used in financing activities from discontinued operations	**-**	(6)	(6)

Net debt reconciliation
Net debt consists of interest-bearing loans and borrowings (excluding any acquisition related fair value adjustments) 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.

	30 June 2024 £m	30 June 2023 £m	31 December 2023 £m
Interest-bearing loans and borrowings – due within one year	**(84)**	(148)	(54)
Interest-bearing loans and borrowings – due after one year	**(1,081)**	(517)	(576)
External debt	**(1,165)**	(665)	(630)
Less:			
Cash and cash equivalents	**189**	110	58
	(976)	(555)	(572)
Adjustments:			
Non-cash acquisition fair value adjustments	**-**	2	-
Net debt	**(976)**	(553)	(572)

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

	At 31 December 2023 £m	Cash flow £m	Acquisitions and disposals £m	Other non-cash movements £m	Effect of foreign exchange £m	**At 30 June 2024 £m**
External debt (excluding bank overdrafts)	(629)	(512)	-	1	(2)	**(1,142)**
Cash and cash equivalents, net of bank overdrafts	57	54	55	-	-	**166**
Net debt	(572)	(458)	55	1	(2)	**(976)**

13. Lease obligations

Amounts payable under lease obligations:

Minimum lease payments	**30 June 2024 £m**	30 June 2023 £m	31 December 2023 £m
Amounts payable:			
Within one year	**35**	42	45
After one year but within five years	**102**	96	102
Over five years	**76**	78	75
Less: future finance charges	**(31)**	(27)	(30)
Present value of lease obligations	**182**	189	192
Analysed as:			
Amounts due for settlement within one year	**31**	38	40
Amounts due for settlement after one year	**151**	151	152
Present value of lease obligations	**182**	189	192

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.

Glossary

Alternative Performance Measures ("APMs")

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

In the reporting of financial information, the Group uses certain measures that are not required under IFRS. These additional measures (commonly referred to as APMs) provide additional information on the performance of the business and trends to stakeholders. These measures are consistent with those used internally, and are considered important to 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 unless otherwise stated.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Income Statement Measures			
Adjusting items	None	Adjusting items (note 4)	Those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. These include items which are significant in size or volatility or by nature are non-trading or non-recurring and any changes to the Income Statement relating to fair value items booked on an acquisition. This provides a meaningful comparison of how the business is managed and measured on a day-to-day basis and provides consistency and comparability between reporting periods.
Adjusted operating profit	Operating (loss)/profit[1]	Adjusting items (note 4)	The Group uses adjusted profit measures to provide a useful and more comparable measure of the ongoing performance of the Group. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in note 4.

Adjusted operating profit	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Operating (loss)/profit	**(62)**	(18)	57
Adjusting items to operating (loss)/profit (note 4)	**309**	177	333
Adjusted operating profit	**247**	159	390

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusted operating margin	Operating margin[2]	Adjusting items (note 4)	Adjusted operating margin represents Adjusted operating profit as a percentage of revenue. The Group uses adjusted profit measures to provide a useful and more comparable measure of the ongoing performance of the Group.

<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. 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>6 months ended 30 June 2024 £m</th><th>6 months ended 30 June 2023 £m</th><th>Year ended 31 December 2023 £m</th></tr>
<tr><td>Loss before tax</td><td>(105)</td><td>(62)</td><td>(8)</td></tr>
<tr><td>Adjusting items to loss before tax (note 4)</td><td>309</td><td>196</td><td>339</td></tr>
<tr><td>Adjusted profit before tax</td><td>204</td><td>134</td><td>331</td></tr>
</table></td></tr>
<tr><td>Adjusted profit after tax</td><td>(Loss)/profit 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. 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>6 months ended 30 June 2024 £m</th><th>6 months ended 30 June 2023 £m</th><th>Year ended 31 December 2023 £m</th></tr>
<tr><td>(Loss)/profit after tax</td><td>(80)</td><td>(40)</td><td>1</td></tr>
<tr><td>Adjusting items to (loss)/profit after tax (note 4)</td><td>240</td><td>146</td><td>262</td></tr>
<tr><td>Adjusted profit after tax</td><td>160</td><td>106</td><td>263</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 2024 six month average exchange rates to local currency reported results for the current and prior periods. This gives a GBP denominated Income Statement which excludes any variances attributable to foreign exchange rate movements.</td></tr>
<tr><td>Adjusted EBITDA for leverage covenant purposes</td><td>Operating (loss)/profit(1)</td><td>Adjusting items (note 4), depreciation of property, plant and equipment and amortisation of computer software and development costs, imputed lease charge and other adjustments required for leverage covenant purposes(3)</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 30 June 2024 £m</th><th>12 months ended 30 June 2023 £m</th><th>Year ended 31 December 2023 £m</th></tr>
<tr><td>Adjusted operating profit</td><td>478</td><td>261</td><td>390</td></tr>
<tr><td>Depreciation of property, plant and equipment and amortisation of computer software and development costs</td><td>143</td><td>143</td><td>142</td></tr>
<tr><td>Imputed lease charge</td><td>(41)</td><td>(36)</td><td>(37)</td></tr>
<tr><td>Other adjustments required for leverage covenant purposes(3)</td><td>(10)</td><td>7</td><td>20</td></tr>
<tr><td>Adjusted EBITDA for leverage covenant purposes</td><td>570</td><td>375</td><td>515</td></tr>
</table></td></tr>
</table>

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusted tax rate	Effective tax rate	Adjusting items, and the tax impact of adjusting items (note 4 and note 5)	The income tax charge for the Group excluding adjusting tax items, and the tax impact of adjusting items, divided by adjusted profit before tax. This measure is a useful indicator of the ongoing tax rate for the Group.

Adjusted tax rate	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Tax credit per Income Statement	**25**	22	9
Adjusted for:			
Tax impact of adjusting items	**(69)**	(50)	(77)
Adjusted tax charge	**(44)**	(28)	(68)
Adjusted profit before tax	**204**	134	331
Adjusted tax rate	**21.6%**	20.9%	20.5%

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusted basic earnings per share	Basic earnings per share	Adjusting items (note 4 and note 6)	Profit after tax attributable to owners of the parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial period.
Adjusted diluted earnings per share	Diluted earnings per share	Adjusting items (note 4 and note 6)	Profit after tax attributable to owners of the parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial period adjusted for the effects of any potentially dilutive options. The Board considers this to be a key measure of performance when all businesses are held for the complete reporting period.
Interest cover	None	Not applicable	Adjusted EBITDA calculated for covenant purposes (including adjusted EBITDA of businesses disposed) as a multiple of net interest payable on bank loans and overdrafts. This measure is used for bank covenant testing.

Interest cover	**12 months ended 30 June 2024 £m**
Adjusted EBITDA for leverage covenant purposes	570
Adjusted EBITDA from businesses disposed in the year	28
Adjusted EBITDA for interest cover	**598**
Interest on bank loans and overdrafts	(64)
Finance income	2
Net finance charges for covenant purposes	**(62)**
Interest cover	**9.6x**

<table>
<tr><th>APM</th><th>Closest equivalent statutory measure</th><th>Reconciling items to statutory measure</th><th>Definition and purpose</th></tr>
<tr><td colspan="4">Balance Sheet Measures</td></tr>
<tr><td>Working capital</td><td>Inventories, trade and other receivables less trade and other payables</td><td>Not applicable</td><td>Working capital comprises inventories, current trade and other receivables, non-current other receivables, current trade and other payables and non-current other payables.

This measure provides additional information in respect of working capital management.</td></tr>
<tr><td>Net debt</td><td>Cash and cash equivalents less interest-bearing loans and borrowings</td><td>Reconciliation of net debt (note 12)</td><td>Net debt comprises cash and cash equivalents and interest-bearing loans and borrowings but excludes non-cash acquisition fair value adjustments.

Net debt is one measure that could be used to indicate the strength of the Group's Balance Sheet position and is a useful measure of the indebtedness of the Group.</td></tr>
<tr><td>Bank covenant definition of net debt at average rates and leverage</td><td>Cash and cash equivalents less interest-bearing loans and borrowings</td><td>Impact of foreign exchange and adjustments for bank covenant purposes</td><td>Net debt (as above) is presented in the Balance Sheet translated at period end exchange rates.

For bank covenant testing purposes net debt is converted using average exchange rates for the previous 12 months.

Leverage is calculated as the bank covenant definition of net debt divided by adjusted EBITDA for leverage covenant purposes. This measure is used for bank covenant testing.
<table>
<tr><th>Net debt</th><th>30 June 2024 £m</th><th>30 June 2023 £m</th><th>31 December 2023 £m</th></tr>
<tr><td>Net debt at closing rates (note 12)</td><td>976</td><td>553</td><td>572</td></tr>
<tr><td>Impact of foreign exchange</td><td>4</td><td>19</td><td>12</td></tr>
<tr><td>Bank covenant definition of net debt at average rates</td><td>980</td><td>572</td><td>584</td></tr>
<tr><td>Leverage</td><td>1.7x</td><td>1.5x</td><td>1.1x</td></tr>
</table></td></tr>
</table>

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Cash Flow Measures			
Adjusted operating cash flow (pre-capex)	Net cash (used in)/ from operating activities	Non-working capital items (note 12)	Adjusted operating cash flow (pre-capex) is calculated as net cash (used in)/from operating activities before net cash from operating activities from discontinued operations, restructuring costs paid and movements in provisions, defined benefit pension contributions paid, tax paid, interest paid on loans and borrowings, interest paid on lease obligations, acquisition and disposal costs, divisional management incentive scheme related payments, Melrose equity-settled compensation scheme related payments and the repayment of principal under lease obligations. This measure provides additional useful information in respect of cash generation and is consistent with how business performance is measured internally.

Adjusted operating cash flow (pre-capex)	**6 months ended 30 June 2024 £m**	6 months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Net cash (used in)/from operating activities	**(90)**	(136)	29
Operating activities:			
Net cash from operating activities from discontinued operations	**-**	(36)	(36)
Restructuring costs paid and movements in provisions[4]	**75**	59	137
Defined benefit pension contributions paid	**2**	47	67
Tax paid	**10**	15	17
Interest paid on loans and borrowings	**35**	51	79
Interest paid on lease obligations	**3**	2	5
Acquisition and disposal costs	**1**	46	65
Divisional management incentive scheme related payments	**19**	-	-
Melrose equity-settled compensation scheme related payments	**18**	-	-
Debt related:			
Repayment of principal under lease obligations	**(19)**	(16)	(32)
Adjusted operating cash flow (pre-capex)	**54**	32	331

<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>Free cash flow</td>
<td>Net increase/ (decrease) in cash and cash equivalents (net of bank overdrafts)</td>
<td>Acquisition and disposal related cash flows, dividends paid to owners of the parent, transactions in own shares and movements on borrowing facilities</td>
<td>Free cash flow represents cash generated after all trading costs including restructuring, pension contributions, tax and interest payments.
<table>
<tr><th>Free cash flow</th><th>6 months ended 30 June 2024 £m</th><th>6 months ended 30 June 2023 £m</th><th>Year ended 31 December 2023 £m</th></tr>
<tr><td>Net increase/(decrease) in cash and cash equivalents (net of bank overdrafts)</td><td>109</td><td>(262)</td><td>(216)</td></tr>
<tr><td>Debt related:</td><td></td><td></td><td></td></tr>
<tr><td>Repayments of borrowings</td><td>-</td><td>1,262</td><td>1,371</td></tr>
<tr><td>Drawings on borrowing facilities</td><td>(512)</td><td>(450)</td><td>(628)</td></tr>
<tr><td>Costs of raising debt finance</td><td>3</td><td>11</td><td>11</td></tr>
<tr><td>Equity related:</td><td></td><td></td><td></td></tr>
<tr><td>Dividends paid to owners of the parent</td><td>46</td><td>61</td><td>81</td></tr>
<tr><td>Purchase of own shares, including associated costs</td><td>246</td><td>-</td><td>93</td></tr>
<tr><td>Acquisition and disposal related:</td><td></td><td></td><td></td></tr>
<tr><td>Disposal of businesses, net of cash disposed</td><td>(56)</td><td>320</td><td>320</td></tr>
<tr><td>Settlement receipt from loans held with demerged entities</td><td>-</td><td>(1,205)</td><td>(1,205)</td></tr>
<tr><td>Disposal of equity accounted investments</td><td>-</td><td>-</td><td>(3)</td></tr>
<tr><td>Cash flows used in discontinued operations</td><td>-</td><td>37</td><td>37</td></tr>
<tr><td>Acquisition and disposal costs</td><td>1</td><td>46</td><td>65</td></tr>
<tr><td>Melrose equity-settled compensation related payments</td><td>18</td><td>-</td><td>-</td></tr>
<tr><td>Finance costs on demerger settled net debt</td><td>-</td><td>17</td><td>17</td></tr>
<tr><td>GKN UK pension plan buy-in</td><td>-</td><td>45</td><td>45</td></tr>
<tr><td>Free cash flow</td><td>(145)</td><td>(118)</td><td>(12)</td></tr>
</table>
</td>
</tr>
<tr>
<td>Adjusted free cash flow</td>
<td>Net increase/ (decrease) in cash and cash equivalents (net of bank overdrafts)</td>
<td>Free cash flow, as defined above, adjusted for restructuring cash flows</td>
<td>Adjusted free cash flow represents free cash flow adjusted for restructuring cash flows.
<table>
<tr><th>Adjusted free cash flow</th><th>6 months ended 30 June 2024 £m</th><th>6 months ended 30 June 2023 £m</th><th>Year ended 31 December 2023 £m</th></tr>
<tr><td>Free cash flow</td><td>(145)</td><td>(118)</td><td>(12)</td></tr>
<tr><td>Restructuring costs paid</td><td>85</td><td>53</td><td>125</td></tr>
<tr><td>Adjusted free cash flow</td><td>(60)</td><td>(65)</td><td>113</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>Free cash flow pre-interest and tax and free cash flow pre-interest and tax margin</td><td>Net increase/ (decrease) in cash and cash equivalents (net of bank overdrafts)</td><td>Free cash flow, as defined above, adjusted for interest and tax cash flows and excluding finance costs on demerger settled net debt</td><td>Free cash flow pre-interest and tax represents free cash flow adjusted for interest and tax and excluding finance costs on demerger settled net debt. Free cash flow and pre-interest and tax margin represents free cash flow and adjusted for interest and tax and excluding finance costs on demerger settled net debt divided by revenue.
<table>
<tr><th>Free cash flow pre-interest and tax</th><th>6 months ended 30 June 2024 £m</th><th>6 months ended 30 June 2023 £m</th><th>Year ended 31 December 2023 £m</th></tr>
<tr><td>Free cash flow</td><td>(145)</td><td>(118)</td><td>(12)</td></tr>
<tr><td>Tax paid</td><td>10</td><td>15</td><td>17</td></tr>
<tr><td>Interest paid on loans and borrowings</td><td>35</td><td>51</td><td>79</td></tr>
<tr><td>Interest paid on lease obligations</td><td>3</td><td>2</td><td>5</td></tr>
<tr><td>Interest received</td><td>(2)</td><td>(2)</td><td>(2)</td></tr>
<tr><td>Finance costs on demerger settled net debt</td><td>-</td><td>(17)</td><td>(17)</td></tr>
<tr><td>Free cash flow pre-interest and tax</td><td>(99)</td><td>(69)</td><td>70</td></tr>
<tr><td>Free cash flow pre-interest and tax margin</td><td>(5.7)%</td><td>(4.2)%</td><td>2.1%</td></tr>
</table></td></tr>
<tr><td>Capital expenditure (capex)</td><td>None</td><td>Not applicable</td><td>Calculated as the purchase of owned property, plant and equipment and computer software and expenditure on capitalised development costs during the period, excluding any assets acquired as part of a business combination.

Net capital expenditure is capital expenditure net of proceeds from disposal of property, plant and equipment.</td></tr>
<tr><td>Capital expenditure to depreciation ratio</td><td>None</td><td>Not applicable</td><td>Net capital expenditure divided by depreciation of owned property, plant and equipment and amortisation of computer software and development costs.</td></tr>
<tr><td>Dividend per share</td><td>Dividend per share</td><td>Not applicable</td><td>Amounts payable by way of dividends in terms of pence per share.</td></tr>
</table>

(1) Operating (loss)/profit is not defined within IFRS but is a widely accepted profit measure being (loss)/profit 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)/profit[1] divided by revenue.
(3) Included within other adjustments required for leverage covenant purposes in all periods presented are unrealised savings from spend incurred in the period on restructuring projects. Included within other adjustments required for leverage covenant purposes in the period ended 30 June 2024 is the removal of adjusted operating profit, depreciation and an imputed lease charge in respect of businesses disposed in the previous twelve months.
(4) Excludes non-cash utilisation of loss-making contract provisions for continuing operations of £16 million (30 June 2023: £13 million, 31 December 2023: £23 million).