THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

8 September 2022

MELROSE INDUSTRIES PLC ('MELROSE' OR THE 'COMPANY')
INTENDED DEMERGER AND UNAUDITED RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

Melrose Industries PLC today announces its interim results for the six months ended 30 June 2022 ("the Period").

Highlights

	Adjusted[1] results		Statutory results	
	2022	2021[2]	**2022**	2021[2]
Continuing operations	**£m**	£m	**£m**	£m
Revenue	**3,878**	3,719	**3,594**	3,431
Operating profit/(loss)	**171**	196	**(317)**	(156)
Profit/(loss) before tax	**128**	114	**(358)**	(275)
Diluted earnings per share	**2.2p**	1.8p	**(6.3)p**	(3.4)p
Net debt[1]	**1,294**	950	**n/a**	n/a
Leverage[1]	**1.8x**	1.3x	**n/a**	n/a

Intention to demerge GKN Automotive and GKN Powder Metallurgy[3]

- Melrose announces today its intention to separate the GKN Automotive and GKN Powder Metallurgy businesses from the Melrose Group (the 'Demerger') by way of a demerger of shares in a new holding company ('DemergerCo') to Melrose shareholders. This will result in two independent and separately listed companies, DemergerCo and Melrose Industries PLC, each with its own distinct strategy and acquisition platform

- DemergerCo will be an independent, London headquartered group and will seek admission to listing on the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange. It will have a dual strategy of profitable organic growth as well as targeted M&A in the automotive sector, where we see opportunities as a consolidator either via an all cash acquisition or a share based transaction

- DemergerCo will effectively become an automotive platform, owning both GKN Automotive, a world leading supplier of driveline technologies to the global automotive industry, and GKN Powder Metallurgy[3], a global leader in both the production of metal powder and precision powder metal parts for the automotive and industrial sectors

- The internal work under Melrose ownership to position the businesses to achieve stated margin targets for GKN Automotive and GKN Powder Metallurgy will be completed this year and they are well positioned for further gains post Demerger. Simon Peckham and Geoffrey Martin will be executive directors of DemergerCo, as well as remaining Chief Executive and Group Finance Director of Melrose. The current Chief Executive and Finance Director of GKN Automotive, Liam Butterworth and Roberto Fioroni, will take up equivalent roles for DemergerCo

- Melrose Industries PLC will retain ownership of GKN Aerospace, a world-leading multi-technology manufacturer of airframe structures, engine components and electrical interconnection systems for the global aerospace industry, across both civil and defence platforms. Melrose's successful "Buy, Improve, Sell" strategy will also continue unchanged and the Board expects to pursue future acquisitions as soon as possible post Demerger. These could either be in aerospace or the wider industrial sector, as appropriate

- We intend to seek shareholder approval for the proposed Demerger in the first half of 2023

First Half Trading Highlights for the Melrose Group

- Melrose is trading in line with expectations for the full year
- First half results are at the higher end of expectations, helping to de-risk the second half performance required to achieve full year expectations
- The Group recorded an adjusted[1] earnings per share of 2.2 pence, 22% higher than the same period last year. The statutory loss per share in the Period was 6.3 pence per share (2021: 3.4 pence per share)
- Group net debt[1] at 30 June 2022 was £1,294 million (31 December 2021: £950 million; equivalent to £1,017 million at like-for-like exchange rates)
- The Group selectively increased its investment in working capital in the Period, to support expected growth and address constrained supply chains. In addition, prior to the Period end, the Group completed £119 million of the £500 million programme to buy back Melrose shares
- Group leverage[1] at 30 June 2022 was 1.8x, or 1.6x if excluding the early buy back of shares before the Period end and prior to Ergotron proceeds being received in July
- An interim dividend of 0.825 pence per share (2021: 0.75 pence per share) is declared, 10% up on the previous period
- The disposal of Ergotron completed post the half year, on 6 July, for total proceeds of £519 million

First Half Trading Highlights for the Businesses[4]

- Aerospace recovery accelerated with revenue up 11% in the Period, while operating profit improved by 65% and margins increased by 1.5 percentage points
- Automotive successfully managed volatile demand caused by industry supply chain issues and revenue was broadly flat. Life of programme business wins of c.£2.6 billion were achieved, with a record 55% proportion on electric and full hybrid vehicles
- Powder Metallurgy performed well in the Period, with underlying business improvements delivering a 10.5% adjusted operating margin despite lower volumes from the supply constrained market
- All Melrose businesses are on track to recover inflationary headwinds in the year and remain committed to achieving previously stated operating margin targets once end markets recover. In the first half Aerospace and Powder Metallurgy fully recovered inflation while Automotive has £30 million yet to be agreed, but is on track to be fully recovered by the end of the year

Justin Dowley, Chairman of Melrose Industries PLC, today said:

"Since acquiring GKN in 2018 we have reinvigorated each business to achieve its potential. The proposed Demerger now gives each an exciting opportunity to individually grow shareholder value through organic growth and acquisition in both platforms. Meanwhile, we remain on track to meet our full year 2022 expectations with full inflation recovery and providing good momentum for the intended Demerger in the new year."

1. Described in the glossary to the 2022 Interim Financial Statements. Comparatives for Balance Sheet measures are against the year ended 31 December 2021
2. Results for the period ended 30 June 2021 have been restated for discontinued operations
3. Includes GKN Hydrogen
4. Like for like growth is calculated at constant currency against 2021 results

ENDS

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CHAIRMAN'S STATEMENT

In addition to announcing the intention to demerge GKN Automotive and GKN Powder Metallurgy, I am pleased to report our interim results for the six months ended 30 June 2022 (the "Period"), which highlight good progress across all Group businesses and are at the higher end of expectations, giving confidence in achieving full year results.

INTENDED DEMERGER OF GKN AUTOMOTIVE AND GKN POWDER METALLURGY

We are excited to announce our intention to separate the GKN Automotive and GKN Powder Metallurgy businesses from the Melrose Group to form DemergerCo, an independent company which will seek admission to listing on the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange. It is expected that this separation will be by way of a demerger of new ordinary shares in DemergerCo directly to Melrose shareholders.

The Demerger is expected to unlock value for shareholders and will allow both Melrose Industries PLC and DemergerCo to fulfil their potential independently in their respective markets with clear organic growth and strategic acquisition rationale. On admission, the newly independent DemergerCo will have a dual strategy of pursuing organic market beating profitable growth with sector leading margins based on its global technology excellence and positioning. It will also have the platform and independent access to capital to take advantage of the M&A opportunities available in the automotive sector.

Meanwhile, the strategy and structure of Melrose Industries PLC following the Demerger will be unaffected. It will maintain its listing on the premium segment of the Official List, its admission to trading on the Main Market of the London Stock Exchange and its ownership of GKN Aerospace. Under its successful "Buy, Improve, Sell" model, which has delivered an annualised total shareholder return of 18% since its first deal in 2005 and cash returns to shareholders in excess of £5.7 billion, Melrose will continue to seek out value enhancing acquisition opportunities, whether in aerospace or the wider industrial sector, to deliver above market returns for shareholders. It is expected that the Demerger will help Melrose to pursue these exciting opportunities at pace.

Melrose has positioned both GKN Automotive and GKN Powder Metallurgy as excellent generators of cash, with sustainable world leading technology and experienced management teams executing successful strategies on a clear path to their margin targets of 10%+ and 14% respectively. The internal work under Melrose ownership to transform GKN Automotive and GKN Powder Metallurgy to achieve these stated margin targets is materially complete, although the full run rate benefits are yet to be realised. Furthermore, there are potentially additional opportunities, beyond those announced so far, that could provide further upside to their performance.

A newly independent DemergerCo will have significant momentum for making further operational gains. Already a global leader in automotive drive systems, and power source agnostic, GKN Automotive has enjoyed great success in the transition to electric vehicles ('EV'), especially in its core business, recently growing ahead of what is an expanding and accelerating market. Equally, GKN Powder Metallurgy is leveraging its strength to grow faster than the market as well as expand its product platform. Its leading powder and sintering technology has recently enabled it to launch its exciting e-motors magnet capabilities[1] and it has significant EV opportunities in its core business. Together with other EV transitional wins, this is expected to deliver substantial annual revenue increases and incremental margin growth in the medium-term.

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[1] https://www.gknpm.com/en/solutions/permanent-magnets/

The pace and scale of these organic gains is expected to continue and be further amplified by a proactive acquisition strategy to secure strategic and value enhancing targets in the automotive sector. To help ensure DemergerCo is well-positioned to execute on these opportunities, Simon Peckham and Geoffrey Martin will take up additional executive directorship roles on the DemergerCo board, backed by transitional support from the wider Melrose team. Both will also continue to perform their current roles at Melrose Industries PLC throughout as it also develops GKN Aerospace and pursues further acquisitions.

The DemergerCo board will align to best practice, led by an independent non-executive chairman and benefit from selected non-executive directors with the requisite skills and experience to enhance DemergerCo's success. The high calibre CEO and Finance Director of GKN Automotive, Liam Butterworth and Roberto Fioroni, will assume these roles on the DemergerCo board, having previously served in equivalent positions for other listed companies. The capital structure for DemergerCo is intended to be similarly conservative to that employed by Melrose currently, and is expected to include a progressive dividend policy.

We intend to launch the formal Demerger process and to seek shareholder approval in the first half of 2023, underpinned by the 2022 audited accounts. Your Board is excited about delivering on the multiple opportunities this proposal offers for creating value for shareholders and looks forward to presenting the full detail to shareholders for their consideration and approval in due course.

RESULTS FOR THE CONTINUING GROUP

These results include statutory revenue for the Group of £3,594 million (2021: £3,431 million), an adjusted profit before tax of £128 million (2021: £114 million) and a statutory loss before tax of £358 million (2021: £275 million). The sale of Ergotron was agreed on 3 June and completed shortly after the end of the Period, meaning it was held for sale and shown as discontinued in these results.

Further details of these results are contained in the Finance Director's Review.

TRADING

Each of the businesses has performed well during the Period. There were good commercial wins for each of GKN Automotive and GKN Powder Metallurgy, despite market headwinds principally driven by supply chain shortages. GKN Aerospace saw the accelerating recovery of the civil aviation sector.

All businesses had good success in recovering the significant inflationary pressures through a mix of commercial and operational initiatives, demonstrating their strength. They remain strongly cash generative, with the ability to self-fund their capital expenditure, growth in working capital and restructuring measures, the last of which are largely complete for GKN Automotive and GKN Powder Metallurgy to achieve their stated margin targets, but remain in full swing for GKN Aerospace. This investment in working capital has led to a slight increase in leverage to 1.8x EBITDA, or 1.6x EBITDA when excluding the share buyback executed during the Period.

SALE OF ERGOTRON

The sale of Ergotron, which completed shortly after the Period, marks the end of our ownership of the businesses from the Nortek acquisition. That acquisition has been highly successful both in terms of doubling the initial investment and transforming the businesses themselves.

Adjusted operating margins across the Nortek businesses were almost doubled, which was coupled with a focus on profitable business and strong cash generation. Melrose also invested heavily in world leading technology and revitalised product portfolios, such as the transformatory StatePoint Liquid Cooling system for data centres.

Together with the £0.8 billion of cash generated by the Nortek businesses under our ownership, their disposals over the past 18 months produced over £3.1 billion in cash proceeds. Part of these proceeds have enabled Melrose to benefit from a conservative capital structure in what has been a turbulent period for the world economy. We wish all Nortek businesses further success under their new ownership.

BUYBACK OF MELROSE SHARES

The £500 million buyback programme, commenced on 9 June 2022, was completed on 1 August 2022. Approximately 318 million ordinary shares (equating to 7.3% of shares in issue) were bought and cancelled at an average purchase price of 157p per share, leaving a total of 4,054,425,961 ordinary shares of 160/21p in issue. The buyback allowed a rapid return of capital to shareholders and will be considered for future returns.

DIVIDEND

Your Board has declared an interim dividend 0.825 pence per share (2021: 0.75p), which represents a 10% increase and will be paid on 20 October 2022 to shareholders on the register at the close of business on 15 September 2022.

BOARD MATTERS

Liz Hewitt retired from the Board as scheduled at the conclusion of this year's AGM on 5 May 2022. David Lis has taken on the role as Senior Independent Director and Heather Lawrence has taken up the Chairmanship of the Audit Committee. Having overseen a number of changes on the Board over the past two years, my tenure as Chairman is due to expire in 2023. However, recognising the significant events related to the proposed Demerger, the Company has requested that I extend my tenure for a further two years to help oversee these events.

STRATEGY AND PURPOSE

The disposal of Ergotron against a backdrop of challenging market conditions provides further proof of the strength of the Melrose "Buy, Improve, Sell" model, with approximately £4 billion in cash generated by all Nortek businesses, including from their disposals over the past 18 months. We buy high quality underperforming manufacturing businesses and invest in making them stronger, better businesses for the benefit of all stakeholders, whilst delivering an excellent return for shareholders.

We remain nimble and opportunistic, with the intention to demerge the GKN Automotive and GKN Powder Metallurgy businesses the latest example of the focus on delivering value to shareholders, with the potential to benefit from further market recovery and future M&A opportunities. Melrose has been listed in the UK for almost 20 years, growing to become a FTSE 100 business, enjoying the support of the capital markets – both equity and debt. We have chosen to return the holding company for GKN Automotive and Powder Metallurgy to the London Stock Exchange because it presents the best opportunities to pursue its strategy and attract investment.

At Melrose we deliver on our promises. We are particularly pleased to have fulfilled the commitment we made at the time we acquired the GKN businesses to protect their pensioners and continue to invest in R&D. We are returning GKN Automotive and Powder Metallurgy to the London market in a much stronger financial position and with leadership positions in the fast-growing global electric vehicle market. Together they will be well placed to continue delivering for all stakeholders.

OUTLOOK

The Group remains on track to meet its full year expectations, with good first half momentum. GKN Automotive and GKN Powder Metallurgy expect supply chain pressures to begin to ease towards the end of the year, while for GKN Aerospace, the aviation sector recovery is accelerating. This will be augmented by an expected full recovery of inflation, notably in Automotive, with customer negotiations going to plan, which will remain a focus into the new year with cost pressures expected to continue. This strong inflation recovery performance, together with further operational efficiencies and the benefit of ongoing group-wide cost savings, mean we expect full year 2022 to show good progress on 2021, and both DemergerCo and Melrose to be well positioned for further success following the intended Demerger.

J Dowley

Justin Dowley
Non-Executive Chairman
8 September 2022

CHIEF EXECUTIVE'S REVIEW

Although we continue to formally report the results of the four divisions separately, with the sale of Ergotron complete and the announcement of our intention to demerge GKN Automotive and GKN Powder Metallurgy, we have started to refer to them from their post Demerger perspective of two distinct segments – Aerospace/Melrose and Automotive/DemergerCo.

In the Aerospace segment, the restructuring projects continue at pace. As described in June's Capital Markets Event, the business is realigning around profitable, differentiated programmes and is executing this strategy well. The restructuring process is expected to be materially complete next year.

In the intended Demerger group, both GKN Automotive and GKN Powder Metallurgy enjoyed good commercial progress. GKN Automotive secured significant electric vehicle ('EV') programme awards, while GKN Powder Metallurgy launched its e-motors magnets strategy, a major milestone in its EV transition strategy, that is gathering good momentum.

All businesses in the Group faced significant inflationary pressures during the Period but have all been successful in their recovery strategies, underlining their quality. In addition to their strong cash management, there was selected investment of c.£200 million in working capital to support growth, plant rationalisations and address supply chain pressures. We also continue to invest heavily in all their sustainable technology roadmaps, which will put them at the forefront of their industries and provide benefits for years to come.

Further details are set out in the segment reviews below.

AEROSPACE/MELROSE SEGMENT

GKN Aerospace first half update

GKN Aerospace made good progress during the first half and continued to execute against its improvement plan presented during the Capital Markets Event in June. During the Period, like-for-like revenue was up 11% versus 2021, and there remains a further c.35% upside to reach 2019 volume levels,[2] while adjusted operating margins improved 1.5 percentage points to 4.9%. This has been achieved in the face of testing macro-economic conditions, notably recent global supply chain challenges, although deliveries remain on schedule, and inflationary pressures.

In the first half, new leadership was brought into the Defence business, with a strategy to refocus the business from build-to-print to higher quality design-to-build activity. Defence demand has remained positive and the closure of the St Louis plant is in progress. Elsewhere, Engines has good revenue momentum and Civil Airframes is ramping up production to meet higher OEM build rates, particularly for narrowbody aircraft.

Having acted swiftly to adjust to the impact of the global pandemic, GKN Aerospace is now driving further improvements to unlock its full potential, with all required major restructuring projects to reach the stated 14%+ margin target now underway. During the first half, additional restructuring plans were announced to rationalise its US and European footprint, bringing the total number of sites globally from 38 today down to 33 by the end of 2023. One US site was sold during the Period and the remaining improvements are progressing to plan and will be largely completed in the coming 18 months.

[2] Recovery to 2019 volumes as adjusted for disposed businesses and announced closures

During the Period, GKN Aerospace also continued to push the boundaries of sustainable technology development. The Engines business confirmed its place as a technology demonstration partner in both the CFM RISE engine programme and the next-generation Pratt & Whitney GTF programme, whilst continuing its strong progress on both H2GEAR and H2JET hydrogen propulsion development programmes. On the structures side, GKN Aerospace delivered the latest ground-breaking 18-metre wing spar demonstrator for the Airbus ‘Wing of Tomorrow’ programme, while in the area of zero emissions flight, it also reached an important milestone in its partnership with electric aircraft manufacturer Vertical Aerospace, by delivering the wiring system for the VX4 all-electric aircraft from its UK Global Technology Centre in Bristol.

GKN Aerospace Outlook

We expect revenue growth to continue in line with the market recovery in the second half of 2022 and beyond, driven by the ramp up in narrowbody deliveries and strong demand from key Defence platforms. The business is highly confident of addressing emerging supply chain constraints and continuing to fully recover inflationary pressures. All the business improvement initiatives remain on track to deliver the upgraded margin target of 14%+ on a fully recovered market.

AUTOMOTIVE/DEMERGERCO SEGMENT

GKN Automotive first half update

COVID-related lockdowns in China and semi-conductor shortages contributed to continued sector volatility and a 1.2% decline in global light-vehicle production in the first half compared to 2021. Europe experienced a significant year on year decline in production of 11.9%, whilst in contrast China and the Americas saw an increase in production volumes of 1.3% and 3.8% respectively.

Inflation recovery enabled GKN Automotive to maintain its first half revenue, despite volumes being down 3% broadly in line with the global market. Whilst revenue was flat compared to the first half of 2021, it was a positive improving trend against the second half of 2021, with strong underlying demand and a further c.15% recovery to come to return to 2019 levels.[3] In parallel, the business significantly expanded its order pipeline during the Period, securing approximately £2.6 billion of lifetime revenue in new business bookings (19% ahead of the same period last year). Over half of these bookings[4] are on electrified platforms (Battery Electric Vehicles (‘BEV’) or Full Hybrid (‘FH’)), further demonstrating the competitiveness of GKN Automotive’s portfolio as electrification of the industry accelerates.

Despite experiencing multiple inflationary headwinds across labour, energy, logistics and raw materials in the first half, the business remains on track to fully recover all of these in the second half through customer agreements, continuous operational improvement and the proactive management of its cost base. This short time lag has meant first half operating margin declined by 2.3 percentage points compared to the first half of 2021, but is expected to recover to plan by the end of the year. Throughout the Period, GKN Automotive has also continued to execute significant improvements that have reshaped its cost base, further strengthening its resilience. All projects to achieve its margin target on market recovery are due to complete this year, with a potential pipeline of additional projects providing opportunities for ongoing margin expansion meaning it is well positioned for the proposed Demerger.

One of this year’s most notable eDrive achievements has been the development of GKN Automotive’s next-generation inverter, offering OEMs highly advanced 800V electric vehicle technology. Aside from efficiency and light-weighting improvements, 800V technology enables faster charging times, increased battery size, and improved performance for future electric vehicles. GKN Automotive is also collaborating on the development of a circular supply chain for recycled rare-earth magnets as a

[3] Recovery to 2019 volumes as adjusted for disposed businesses and announced closures
[4] Assuming lifetime revenue value of new business bookings

partner in the SCREAM (Secure Critical Rare Earth Magnets for UK) project. The reuse of rare earth magnets in future electric motors will enable GKN Automotive to improve product sustainability by reducing embedded emissions and the use of raw materials, as well as lowering production costs.

GKN Automotive Outlook

Looking ahead, there are signs that volatility in global light vehicle production is beginning to ease. For GKN Automotive, the second half will be focused on operational agility and efficiency, inflation mitigation and the ongoing growth of the electrified vehicle portfolio. We do expect a stronger second half performance benefiting from full inflation recovery, including the £30 million delayed from the first half.

GKN Powder Metallurgy first half update

Good inflation recovery offset ongoing automotive sector volatility in the first half of 2022, which resulted in revenue only slightly down by 1% on 9% lower volumes compared to the same period last year. This reflects the exiting of low margin business, but otherwise follows the wider automotive industry impacted by COVID lockdowns and supply chain issues. However, like GKN Automotive, this reflects a positive revenue momentum from the second half of 2021.

The impact of inflation on the business has been fully mitigated by a combination of pass-through agreements (primarily on the cost of commodities, notably metal scrap, copper, nickel and molybdenum), operational improvements, and one-off base price adjustments with customers. Adjusted operating profit margin of 10.5% was ahead of the full year 2021, demonstrating the benefits of reorganisation actions and the divestment of the non-core low margin structural plant in the US last year. All projects required to achieve their stated margin target of 14% are due to complete this year.

During the Period a new additive manufacturing facility was opened in Auburn Hills, US, contributing to a 42% revenue growth for the additive business and enabling it to increase its presence and to serve the local global automotive manufacturers. The additive business was also awarded parts with GM for the Cadillac Celestiq in both polymers and metals, a significant endorsement of its capabilities.

GKN Powder Metallurgy's EV transition strategy gained good momentum during the first half. Recently, the business announced its roadmap to expand share in BEVs, by entering into production of permanent magnets for the European and North American markets, and there are advanced commercial discussions ongoing with several key customers in line with its stated margin target. The well-established global footprint, demand for local supply, and the strong capabilities to serve the automotive industry with metal powders and parts, as well as a firm commitment to sustainability, strongly positions GKN Powder Metallurgy for success.

In parallel, the business has been successful in leveraging its existing capabilities, and leading technology, to secure significant wins on EV platforms in its core competencies for components on differential gears and clutches, that are expected to enjoy substantial volume increases in coming years. Similar to GKN Automotive, this gives confidence that in addition to the exciting opportunities in new segments like e-motor magnets, there will be upside from the EV transition for GKN Powder Metallurgy's core business.

GKN Powder Metallurgy Outlook

Supply chain issues and automotive sector volatility are expected to continue into the second half, but as in Automotive, there are emerging signals that these will ease towards the end of the year. The business is highly focused on continuing the good momentum in its EV transition strategy, both seeking to secure new segments such as e-motor magnets, as well as developing promising EV opportunities through existing capabilities.

GKN Hydrogen Trading and Outlook

Now a standalone business under Melrose ownership, but intended to form part of the Demerger group, GKN Hydrogen has a dedicated executive team providing greater focus on its route to market. The first half saw good progression on the roll out of the pilot programmes and the wider commercialisation plan. The business remains on track with its strategy, with a growing pipeline of interest and the outlook is encouraging.

Simon Peckham
Chief Executive
8 September 2022

FINANCE DIRECTOR'S REVIEW

During the six months ended 30 June 2022 ("the Period"), contracts were exchanged for the disposal of the Ergotron business, previously held within the Other Industrial division. Consistent with this, Ergotron has been shown as held for sale in the Balance Sheet at the Period end and is classified as a discontinued operation in these Condensed Interim Financial Statements. Ergotron was disposed on 6 July 2022.

The continuing operations now consist of three businesses acquired with GKN in 2018: Aerospace; Automotive; and Powder Metallurgy, along with the recently formed GKN Hydrogen business shown within the Other Industrial division. Each of these businesses are on track to fully recover inflationary headwinds in the year and remain committed to achieving previously stated adjusted operating margin targets when end markets recover.

MELROSE GROUP RESULTS – CONTINUING OPERATIONS

Statutory results:

The statutory IFRS results are shown on the face of the Income Statement and show revenue of £3,594 million (2021: £3,431 million), an operating loss of £317 million (2021: £156 million) and a loss before tax of £358 million (2021: £275 million). The diluted earnings per share ("EPS"), calculated using the weighted average number of shares in issue during the Period of 4,366 million (2021: 4,860 million), were a loss of 6.3 pence (2021: loss of 3.4 pence).

Adjusted results:

The adjusted results are also shown on the face of the Income Statement. They are adjusted to include the Group's share of revenue and operating profit from certain investments in which the Group does not hold full control, equity accounted investments ("EAIs"), and to exclude certain items which are significant in size or volatility or by nature are non-trading or non-recurring, or are items released to the Income Statement that were previously a fair value item 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 Interim Financial Statements.

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 £3,878 million (2021: £3,719 million), an operating profit of £171 million (2021: £196 million) and a profit before tax of £128 million (2021: £114 million). Adjusted diluted EPS, calculated using the weighted average number of shares in issue in the Period of 4,366 million (2021: 4,860 million), were 2.2 pence (2021: 1.8 pence).

Tables summarising the statutory results and adjusted results by reportable segment are shown in note 3 of the Condensed Interim Financial Statements.

RECONCILIATION OF STATUTORY RESULTS TO ADJUSTED RESULTS

The following tables reconcile the Group statutory revenue and statutory operating loss to adjusted revenue and adjusted operating profit:

Continuing operations:	2022 £m	2021 £m
Statutory revenue	**3,594**	**3,431**
Adjusting item:		
Revenue from equity accounted investments ("EAIs")	284	288
Adjusted revenue	**3,878**	**3,719**

Adjusting item:

Adjusted revenue includes revenue from EAIs, the largest of which is a 50% interest in Shanghai GKN HUAYU Driveline Systems Co Limited ("SDS"), within the Automotive segment. During the Period, the Group generated £284 million of revenue from EAIs (2021: £288 million), which is not included in the statutory results but is shown within adjusted revenue so as not to distort the adjusted operating margins reported in the businesses when the adjusted operating profit from these EAIs is included.

Continuing operations:	2022 £m	2021 £m
Statutory operating loss	**(317)**	**(156)**
Adjusting items:		
Amortisation of intangible assets acquired in business combinations	223	218
Currency movements in derivatives and movements in associated financial assets and liabilities	154	44
Restructuring costs	82	85
Write down of assets	20	-
Other	9	5
Adjustments to statutory operating loss	**488**	**352**
Adjusted operating profit	**171**	**196**

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

The amortisation charge on intangible assets acquired in business combinations of £223 million (2021: £218 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.

Where hedge accounting is not applied, movements in the fair value of derivative financial instruments (primarily forward foreign currency exchange contracts), 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 £154 million (2021: £44 million) in the Period and is shown as an adjusting item because of its volatility and size.

Costs associated with restructuring projects in the Period totalling £82 million (2021: £85 million). These are shown as adjusting items due to their size and non-trading nature and these included:

- A charge of £52 million (2021: £26 million) within the Aerospace division, primarily relating to the continuation of significant restructuring projects, necessary for the business to achieve its full potential. These included further progress on the European footprint consolidations in both the Civil and Engines businesses which commenced in 2021, and significant restructuring programmes in North America, commenced in the Period across all three Aerospace sub-segments. These programmes are expected to materially conclude in 2023.

- A charge of £19 million (2021: £52 million) within the Automotive division, primarily relating to the progression of European and North American footprint consolidations which commenced in 2021 and are expected to conclude this year.

- A charge of £11 million (2021: £7 million) within the Powder Metallurgy and Corporate divisions.

A write down of assets of £20 million (2021: £nil), recognised as a result of exiting any direct trading links with Russian operations as a consequence of the conflict in Ukraine. The asset write downs are predominantly within the Automotive division and are shown as an adjusting item because of their non-trading nature and size.

Other net adjusting items of £9 million (2021: £5 million), consistent with prior periods, the largest of which is an adjustment of £14 million (2021: £15 million) to gross up the post-tax profits of EAIs to be consistent with the adjusted operating profits of subsidiaries within the Group.

PROPOSED DEMERGER OF GKN AUTOMOTIVE, GKN POWDER METALLURGY & GKN HYDROGEN

The proposed strategy, discussed in more detail in the Chairman's Statement and Chief Executive's Review, will separate the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses from the Melrose Group to form DemergerCo. The following table shows how the adjusted results of the continuing businesses for the Period, pre Melrose central costs, would have been split had the Demerger already happened:

	Total Melrose/ Aerospace pre-central costs £m	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Total DemergerCo pre-central costs £m
Revenue	1,366	1,997	515	-	2,512
Operating profit	67	78	54	(6)	126
Operating margin	4.9%	3.9%	10.5%	n/a	5.0%

The performances of each of the businesses, along with further details of the proposed demerger, are discussed in the Chairman's Statement and Chief Executive's Review.

TAX – CONTINUING OPERATIONS

The statutory results for the Period show a tax credit of £86 million (2021: £109 million), arising on a statutory loss before tax of £358 million (2021: £275 million). The Group Income Statement current underlying adjusted tax rate is approximately 22% (2021: 23%). During the Period, the continuing businesses paid tax of £53 million (2021: £36 million).

ASSETS HELD FOR SALE

On 3 June 2022, the Group entered into an agreement to sell the last remaining Nortek business, Ergotron, to funds managed by The Sterling Group for total proceeds of £519 million and this transaction completed on 6 July 2022. As such, Ergotron was classified as held for sale at 30 June 2022 and shown as a discontinued operation in all periods throughout the Condensed Interim Financial Statements.

The Nortek group was acquired on 31 August 2016 for an enterprise value of £2.2 billion, funded by £1.6 billion of equity and £0.6 billion of debt. Having sold the Nortek Air Management and Nortek Control businesses last year, this successfully concludes the ownership cycle of Nortek and means the Group has again more than doubled the equity invested, achieving an IRR of 17%.

Discontinued businesses included £132 million of revenue and a statutory operating loss of £80 million after remeasuring Ergotron as held for sale in the Period.

SHARE BUYBACK AND NUMBER OF SHARES IN ISSUE

Following the agreed sale of Ergotron, the Group commenced a share buyback programme on 9 June 2022 to make market purchases of existing ordinary shares in issue in the capital of the Company. In line with the Group's strategy, the purpose of the programme was to distribute £500 million of capital to shareholders in the most suitable way following the agreed disposal of Ergotron.

The programme ended on 1 August 2022, with 318 million ordinary shares purchased at an average price per share of 157 pence. These ordinary shares have been cancelled and the number of ordinary shares in issue has reduced by 7.3%, from 4,372 million to 4,054 million. The weighted average number of shares used for earnings per share in calculations in these Condensed Interim Financial Statements was 4,366 million and for the full year will be 4,218 million.

CASH GENERATION AND MANAGEMENT

Robust cash management initiatives continue to be run in each of the businesses within the Group.

Free cash flow in the Period was an outflow of £104 million (2021: inflow of £131 million), after restructuring spend of £53 million (2021: £92 million), resulting in an adjusted free cash outflow of £51 million (2021: inflow of £223 million).

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

	2022 £m	2021 £m
Continuing operations (unless otherwise stated):		
Adjusted operating profit	171	196
Adjusted operating profit from EAIs	(24)	(28)
Depreciation and amortisation	202	208
Lease obligation payments	(24)	(29)
Positive non-cash impact from loss-making contracts	(17)	(23)
Working capital movements	(195)	8
Adjusted operating cash flow (pre-capex)	**113**	**332**
Net capital expenditure	(79)	(104)
Net interest and net tax paid	(95)	(109)
Defined benefit pension contributions	(11)	(12)
Restructuring	(53)	(92)
Dividend income from equity accounted investments	29	26
Cash flows from operations discontinued in the Period, after all costs	16	78
Net other	(24)	12
Free cash flow	**(104)**	**131**
Adjusted free cash flow	**(51)**	**223**

The continuing businesses incurred a net working capital outflow in the Period of £195 million (2021: inflow of £8 million). The working capital cash performance of the Group is usually stronger in the second half of the year than the first because of the seasonality trends of the businesses, but this was further emphasised in the Period by the businesses selectively investing in working capital because of the impact of global supply chain disruption along with the expected growth in the second half of the year. This is expected to partially unwind as supply constraints ease and end markets recover in the second half.

Net capital expenditure in the continuing businesses in the Period was £79 million (2021: £104 million), with gross capital expenditure of £109 million, net of proceeds from disposal of properties of £30 million. This gross capital expenditure represented 0.6x (2021: 0.6x) depreciation of owned assets. Restructuring spend within the businesses was £53 million (2021: £92 million).

In the continuing Group, net interest paid in the Period was £42 million (2021: £73 million), net tax payments were £53 million (2021: £36 million) and ongoing contributions to defined benefit pension schemes were £11 million (2021: £12 million).

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

	£m
Opening net debt	**(950)**
Adverse foreign exchange movement	(67)
Opening net debt at 30 June 2022 closing exchange rates	**(1,017)**
Free cash flow in the Period	(104)
Net cash flow from acquisition and disposal related activities	(10)
Buy back of own shares	(119)
Dividends paid to shareholders	(44)
Net debt at 30 June 2022 at closing exchange rates	**(1,294)**
Net debt at 30 June 2022 at twelve month average exchange rates	**(1,230)**

Group net debt at 30 June 2022, translated at closing exchange rates (being US $1.22 and €1.16), was £1,294 million (31 December 2021: £950 million; £1,017 million using exchange rates at 30 June 2022).

The movement in net debt during the Period included a free cash outflow of £104 million, a dividend paid to shareholders of £44 million, £119 million spent buying back shares in the market and spend on acquisition and disposal related activities of £10 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 £1,230 million.

The Group net debt leverage on this basis at 30 June 2022 was 1.8x EBITDA (31 December 2021: 1.3x EBITDA). Excluding the share buyback payments of £119 million, which were made before the receipt of Ergotron proceeds, leverage would have been 1.6x EBITDA, below the Melrose normal leverage of 2.0x to 2.5x EBITDA.

PROVISIONS

Total provisions at 30 June 2022 were £683 million (31 December 2021: £701 million).

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

	Total £m
Provisions at 1 January 2022	**701**
Net charge in the Period	68
Spend against provisions	(75)
Utilisation of loss-making contract provision	(17)
Other (including foreign exchange)	6
Provisions at 30 June 2022	**683**

The net charge to the Income Statement in the Period of £68 million, included £74 million from restructuring activities and a release of £7 million relating to certain items previously recorded as a fair value item on acquisition. These two items are both shown as adjusting items and included in the adjusting items section discussed earlier in this review. Net provision movements relating to property, environmental & litigation, warranty and long-term incentive arrangements were not material in the Period.

During the Period, £75 million of cash was spent against provisions with £53 million relating to restructuring activities. In addition, £17 million was utilised against loss-making contract provisions.

The Other category of £6 million includes foreign exchange movements of £33 million, partly offset by the transfer of provisions on businesses disposed or held for sale of £23 million and the favourable net impact of discounting on certain provisions of £4 million.

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 2022 by independent actuaries to reflect the latest key assumptions and are summarised as follows:

	Assets £m	**Liabilities £m**	**Accounting surplus/(deficit) £m**
GKN UK Group pension schemes (Numbers 1 - 4)	2,146	(1,854)	**292**
Other Group pension schemes	226	(740)	**(514)**
Total Group pension schemes	2,372	(2,594)	**(222)**

At 30 June 2022, total plan assets of Melrose Group's defined benefit pension plans were £2,372 million (31 December 2021: £3,010 million) and total plan liabilities were £2,594 million (31 December 2021: £3,471 million), a net deficit of £222 million (31 December 2021: £461 million).

The most significant pension plans remaining in the Group are the GKN UK Group Pension Schemes (Numbers 1 - 4), two of which are allocated to the Aerospace division and two to the Automotive division. At 30 June 2022, in total these four pension plans had aggregate gross assets of £2,146 million (31 December 2021: £2,754 million), gross liabilities of £1,854 million (31 December 2021: £2,575 million) and a net surplus of £292 million (31 December 2021: £179 million), split 62% of the surplus held within Aerospace and 38% within Automotive. These GKN schemes are closed to new members and to the accrual of future benefits for current members.

The largest deficits within the other pension schemes in the Group relate to German GKN pension plans which provide benefits dependent on final salary and service, and which are generally unfunded and closed to new members. At 30 June 2022, these plans had a net deficit of £400 million (31 December 2021: £530 million).

A summary of the assumptions used are shown in note 12 to the Condensed 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 and are explained in detail on pages 37 to 39 of the 2021 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 includes non-financial risk, are set out on pages 42 to 49 of the 2021 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 2022	1.30	1.22
Twelve months to 31 December 2021	1.38	1.35
Six months to 30 June 2021	1.39	1.38

Euro		
Six months to 30 June 2022	1.19	1.16
Twelve months to 31 December 2021	1.16	1.19
Six months to 30 June 2021	1.15	1.16

The Group policy on foreign currency risk is explained on page 38 of the 2021 Annual Report.

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

£m	USD	EUR	CNY	Other
Movement in adjusted operating profit	25	5	8	10
% impact on adjusted operating profit	6%	1%	2%	2%

In the first half of the year, the Group incurred a 4% translational foreign exchange gain 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 and cross-currency swaps, where relevant, 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 2022:

£m	USD	EUR
Increase in debt	83	40

LIQUIDITY RISK MANAGEMENT

The Group's net debt position at 30 June 2022 was £1,294 million (31 December 2021: £950 million).

The Group's committed bank facilities include a multi-currency denominated term loan and a multi-currency denominated revolving credit facility that mature in June 2024:

	Local currency			£m
	Size	Drawn	Headroom	Headroom
Term loan:				
USD	788	788	-	-
GBP	30	30	-	-
Revolving credit facility:				
USD	2,000	-	2,000	1,642
GBP	1,100	62	1,038	1,038
Euro	500	21	479	412
Total headroom				**3,092**

As at 30 June 2022, the term loan was fully drawn and there was £0.1 billion of drawings on the multi-currency committed revolving credit facility. Applying the exchange rates at 30 June 2022, the headroom equated to approximately £3.1 billion (31 December 2021: £3.0 billion applying the exchange rates at that date).

In addition to the headroom on the multi-currency committed revolving credit facility, cash, deposits and marketable securities, net of overdrafts, in the Group amounted to £223 million at 30 June 2022 (31 December 2021: £468 million).

The Group also holds capital market borrowings as at 30 June 2022 consisting of:

Maturity date	Notional amount £m	Coupon % p.a.	Cross-currency swaps million	Interest rate on swaps % p.a.
September 2022	450	5.375%	US$373	5.70%
			€284	3.87%
May 2032	300	4.625%	n/a	n/a

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 Group net debt to adjusted EBITDA covenant test level is set at 4.0x at 30 June 2022, 3.75x at 31 December 2022 and 3.5x for 30 June 2023 and onwards. At 30 June 2022 the Group net debt leverage was 1.8x, affording comfortable headroom.

The interest cover test is set at 3.25x at 30 June 2022 and 4.0x from 31 December 2022 onwards. As at 30 June 2022, the Group interest cover was 11.1x, again showing comfortable headroom compared to the covenant test.

FINANCE COST RISK MANAGEMENT

The policy of the Board is to fix approximately 70% of the interest rate exposure of the Group.

At 30 June 2022, the weighted average cost of the instruments used to fix the cost of LIBOR on the Group's committed bank facility was c.2.2% and the bank margin on the Group's committed bank facility is currently 1%.

The Group also holds cross-currency swaps associated with the short-term fixed rate capital market borrowings, described earlier in this review, with a weighted average income statement cost of c.3.4% per annum.

The combined average Income Statement cost of the Group's debt for the year ending 31 December 2022 is expected to be approximately 3.8% (31 December 2021: 3.4%) before the amortisation of the bank arrangement fees and approximately 4.5% (31 December 2021: 4.1%) including this amortisation charge.

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

The macroeconomic environment remains uncertain and volatile and the impacts of political conflict and unrest on trading conditions and supply chain constraints could be more prolonged or severe than that which the Directors have considered in this reasonably possible 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 Interim Financial Statements.

Geoffrey Martin
Group Finance Director
8 September 2022

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

Simon Peckham
Chief Executive
8 September 2022

Geoffrey Martin
Group Finance Director
8 September 2022

INDEPENDENT REVIEW REPORT TO MELROSE INDUSTRIES PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30th June 2022 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity and related notes 1 to 15.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30th June 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

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

Conclusion Relating to Going Concern

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

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

Responsibilities of the directors

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

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

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the group a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion 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.

Use of our report

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

Deloitte LLP

Deloitte LLP
Statutory Auditor
London, United Kingdom
8 September 2022

Melrose Industries PLC
Condensed Consolidated Income Statement

Continuing operations	Notes	6 months ended 30 June 2022 Unaudited £m	Restated[1] 6 months ended 30 June 2021 Unaudited £m	Restated[1] Year ended 31 December 2021 Audited £m
Revenue	3	**3,594**	3,431	6,650
Cost of sales		**(3,101)**	(2,941)	(5,750)
Gross profit		**493**	490	900
Share of results of equity accounted investments	8	**10**	13	38
Net operating expenses		**(820)**	(659)	(1,431)
Operating loss	3,4	**(317)**	(156)	(493)
Finance costs		**(41)**	(120)	(169)
Finance income		**-**	1	2
Loss before tax		**(358)**	(275)	(660)
Tax	5	**86**	109	180
Loss after tax for the period from continuing operations		**(272)**	(166)	(480)
Discontinued operations				
(Loss)/profit for the period from discontinued operations	9	**(85)**	1,333	1,317
(Loss)/profit after tax for the period		**(357)**	1,167	837
Attributable to:				
Owners of the parent		**(360)**	1,166	833
Non-controlling interests		**3**	1	4
		(357)	1,167	837
Earnings per share				
Continuing operations				
- Basic	6	**(6.3)p**	(3.4)p	(10.3)p
- Diluted	6	**(6.3)p**	(3.4)p	(10.3)p
Continuing and discontinued operations				
- Basic	6	**(8.2)p**	24.0p	17.7p
- Diluted	6	**(8.2)p**	24.0p	17.7p

Adjusted[2] results from continuing operations

Adjusted revenue	3	**3,878**	3,719	7,263
Adjusted operating profit	3,4	**171**	196	317
Adjusted profit before tax	4	**128**	114	194
Adjusted profit after tax	4	**100**	88	151
Adjusted basic earnings per share	6	**2.2p**	1.8p	3.1p
Adjusted diluted earnings per share	6	**2.2p**	1.8p	3.1p

[1] Results for the period ended 30 June 2021 and the year ended 31 December 2021 have been restated for discontinued operations (see note 2).
[2] Defined in the summary of significant accounting policies (see note 2).

Melrose Industries PLC
Condensed Consolidated Statement of Comprehensive Income

	Notes	**6 months ended 30 June 2022 Unaudited £m**	6 months ended 30 June 2021 Unaudited £m	Year ended 31 December 2021 Audited £m
(Loss)/profit after tax for the period		**(357)**	1,167	837
Items that will not be reclassified subsequently to the Income Statement:				
Net remeasurement gain on retirement benefit obligations		**258**	135	297
Fair value (loss)/gain on investments in equity instruments		**(27)**	5	43
Income tax charge relating to items that will not be reclassified	5	**(72)**	(29)	(71)
		159	111	269
Items that may be reclassified subsequently to the Income Statement:				
Currency translation on net investments		**512**	(128)	(101)
Share of other comprehensive income/(expense) from equity accounted investments		**22**	(1)	13
Transfer to Income Statement from equity of cumulative translation differences on disposal of foreign operations		**-**	87	113
Derivative (losses)/gains on hedge relationships		**(19)**	47	54
Transfer to Income Statement on hedge relationships		**(1)**	38	46
Income tax credit/(charge) relating to items that may be reclassified	5	**6**	(13)	(19)
		520	30	106
Other comprehensive income for the period		**679**	141	375
Total comprehensive income for the period		**322**	1,308	1,212
Attributable to:				
Owners of the parent		**318**	1,307	1,208
Non-controlling interests		**4**	1	4
		322	1,308	1,212

Melrose Industries PLC
Condensed Consolidated Statement of Cash Flows

	Notes	**6 months ended 30 June 2022 Unaudited £m**	Restated[1] 6 months ended 30 June 2021 Unaudited £m	Restated[1] Year ended 31 December 2021 Audited £m
Operating activities				
Net cash (used in)/from operating activities from continuing operations	13	**(48)**	159	222
Net cash from operating activities from discontinued operations	13	**18**	25	41
Net cash (used in)/from operating activities		**(30)**	184	263
Investing activities				
Disposal of businesses, net of cash disposed		**(8)**	2,519	2,703
Purchase of property, plant and equipment		**(98)**	(98)	(218)
Proceeds from disposal of property, plant and equipment		**30**	3	13
Purchase of computer software and capitalised development costs		**(11)**	(9)	(18)
Dividends received from equity accounted investments		**29**	26	52
Purchase of investments		**-**	-	(10)
Interest received		**-**	1	2
Net cash (used in)/from investing activities from continuing operations		**(58)**	2,442	2,524
Net cash used in investing activities from discontinued operations	13	**(1)**	(12)	(13)
Net cash (used in)/from investing activities		**(59)**	2,430	2,511
Financing activities				
Repayment of borrowings		**-**	(1,363)	(1,555)
Drawings on borrowing facilities		**7**	-	-
Settlement of interest rate swaps		**-**	(47)	(47)
Costs of raising debt finance		**-**	-	(4)
Repayment of principal under lease obligations		**(24)**	(29)	(53)
Purchase of own shares	7	**(119)**	-	-
Return of capital		**-**	-	(729)
Return of capital costs		**-**	-	(1)
Dividends paid to owners of the parent	7	**(44)**	(36)	(69)
Net cash used in financing activities from continuing operations		**(180)**	(1,475)	(2,458)
Net cash used in financing activities from discontinued operations	13	**(1)**	(6)	(8)
Net cash used in financing activities		**(181)**	(1,481)	(2,466)
Net (decrease)/increase in cash and cash equivalents, net of bank overdrafts		**(270)**	1,133	308
Cash and cash equivalents, net of bank overdrafts at the beginning of the period		**468**	160	160
Effect of foreign exchange rate changes		**25**	5	-
Cash and cash equivalents, net of bank overdrafts at the end of the period	13	**223**	1,298	468

[1] Results for the period ended 30 June 2021 and year ended 31 December 2021 have been restated for discontinued operations (see note 2).

As at 30 June 2022, the Group had net debt of £1,294 million (31 December 2021: £950 million). A definition and reconciliation of the movement in net debt is shown in note 13.

Melrose Industries PLC
Condensed Consolidated Balance Sheet

	Notes	**30 June 2022 Unaudited £m**	30 June 2021 Unaudited £m	31 December 2021 Audited £m
Non-current assets				
Goodwill and other intangible assets		**7,022**	7,607	7,390
Property, plant and equipment		**2,561**	2,675	2,528
Investments		**68**	39	87
Interests in equity accounted investments		**432**	416	429
Deferred tax assets		**318**	221	250
Derivative financial assets		**32**	68	47
Other receivables		**875**	463	707
		11,308	11,489	11,438
Current assets				
Inventories		**1,002**	972	893
Trade and other receivables		**1,467**	1,317	1,184
Derivative financial assets		**31**	31	23
Current tax assets		**28**	14	11
Cash and cash equivalents		**293**	1,329	473
Assets classified as held for sale	9	**641**	282	-
		3,462	3,945	2,584
Total assets	3	**14,770**	15,434	14,022
Current liabilities				
Trade and other payables		**2,661**	2,115	2,051
Interest-bearing loans and borrowings		**548**	44	462
Lease obligations	14	**56**	52	57
Derivative financial liabilities		**223**	36	119
Current tax liabilities		**129**	146	142
Provisions	10	**285**	370	293
Liabilities associated with assets held for sale	9	**97**	72	-
		3,999	2,835	3,124
Net current (liabilities)/assets		**(537)**	1,110	(540)
Non-current liabilities				
Other payables		**402**	442	390
Interest-bearing loans and borrowings		**973**	1,538	903
Lease obligations	14	**311**	317	319
Derivative financial liabilities		**171**	124	79
Deferred tax liabilities		**673**	627	614
Retirement benefit obligations	12	**517**	693	645
Provisions	10	**398**	468	408
		3,445	4,209	3,358
Total liabilities	3	**7,444**	7,044	6,482
Net assets		**7,326**	8,390	7,540
Equity				
Issued share capital		**327**	333	333
Share premium account		**3,271**	8,138	3,271
Merger reserve		**109**	109	109
Capital redemption reserve		**735**	-	729
Other reserves		**(2,330)**	(2,330)	(2,330)
Translation and hedging reserve		**595**	-	76
Retained earnings		**4,582**	2,110	5,319
Equity attributable to owners of the parent		**7,289**	8,360	7,507
Non-controlling interests		**37**	30	33
Total equity		**7,326**	8,390	7,540

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 2021	333	8,138	109	-	(2,330)	(30)	861	7,081	29	7,110
Profit for the period	-	-	-	-	-	-	1,166	1,166	1	1,167
Other comprehensive income	-	-	-	-	-	30	111	141	-	141
Total comprehensive income	-	-	-	-	-	30	1,277	1,307	1	1,308
Dividends paid (note 7)	-	-	-	-	-	-	(36)	(36)	-	(36)
Equity-settled share-based payments	-	-	-	-	-	-	8	8	-	8
At 30 June 2021 (unaudited)	333	8,138	109	-	(2,330)	-	2,110	8,360	30	8,390
(Loss)/profit for the period	-	-	-	-	-	-	(333)	(333)	3	(330)
Other comprehensive income	-	-	-	-	-	76	158	234	-	234
Total comprehensive income/(expense)	-	-	-	-	-	76	(175)	(99)	3	(96)
Capital reduction	-	(4,138)	-	-	-	-	4,138	-	-	-
Return of capital	-	(729)	-	729	-	-	(729)	(729)	-	(729)
Dividends paid (note 7)	-	-	-	-	-	-	(33)	(33)	-	(33)
Equity-settled share-based payments	-	-	-	-	-	-	8	8	-	8
At 31 December 2021 (audited)	333	3,271	109	729	(2,330)	76	5,319	7,507	33	7,540
(Loss)/profit for the period	-	-	-	-	-	-	(360)	(360)	3	(357)
Other comprehensive income	-	-	-	-	-	519	159	678	1	679
Total comprehensive income/(expense)	-	-	-	-	-	519	(201)	318	4	322
Purchase of own shares (note 7)	(6)	-	-	6	-	-	(500)	(500)	-	(500)
Dividends paid (note 7)	-	-	-	-	-	-	(44)	(44)	-	(44)
Equity-settled share-based payments	-	-	-	-	-	-	8	8	-	8
At 30 June 2022 (unaudited)	**327**	**3,271**	**109**	**735**	**(2,330)**	**595**	**4,582**	**7,289**	**37**	**7,326**

Notes to the Condensed Interim Financial Statements

1. Corporate information

The interim financial information for the six months ended 30 June 2022 has been reviewed by the auditor, but not audited. The information for the year ended 31 December 2021 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 significant accounting policies

The interim financial information for the six months ended 30 June 2022, 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 2021 Annual Report on pages 133 to 143.

The Group's 2021 Annual Report can be found on the Group's website www.melroseplc.net. These Condensed Interim Financial Statements should be read in conjunction with the 2021 information and have been prepared in accordance with UK-endorsed International Financial Reporting Standards ("IFRS"). These Condensed Interim Financial Statements do not comprise statutory accounts within the meaning of section 435 of the Companies Act 2006 and have been prepared in accordance with IAS 34: "Interim Financial Reporting" contained in UK-endorsed IFRS.

Discontinued operations and assets held for sale

During the period, the Board formally commenced a process, aligned to its strategic priorities, to dispose of the Ergotron business, previously included within the Other Industrial segment and on 3 June 2022, the Group entered into an agreement to dispose of Ergotron to funds managed by The Sterling Group. Completion took place on 6 July 2022. In accordance with IFRS 5: "Non-current assets held for sale and discontinued operations", associated assets and liabilities at 30 June 2022 are classified as held for sale and separately shown on the Balance Sheet.

The results of Ergotron have been classified within discontinued operations for all periods presented; with the Income Statement, the Statement of Cash Flows and their associated notes being restated accordingly. In addition, discontinued operations for the period ended 30 June 2021 and year ended 31 December 2021 include the results of the Nortek Air Management, Brush and Nortek Control businesses which were disposed of during 2021. At 30 June 2021, Nortek Control was classified as held for sale. Further detail is shown in note 9.

Furthermore, during the period, the Aerospace segment disposed of a non-core business, which has not been treated as a discontinued operation.

Alternative performance measures

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

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

Adjusted profit measures exclude items which are significant in size or volatility or by nature are non-trading or non-recurring, any item released to the Income Statement that was previously a fair value item booked on an acquisition, and include adjusted profit from EAIs.

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

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

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 interest rate swaps following acquisition or disposal related activity, which is not considered by the Group to be part of the normal financing costs; and
- The fair value changes on cross-currency swaps, entered into by GKN prior to acquisition, relating to cost of hedging which are not deferred in equity.

2. Summary of significant accounting policies (continued)

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. The adjusted measures are also taken into account when valuing individual businesses as part of the “Buy, Improve, Sell” Group strategy model.

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

Going concern

The Condensed Interim Financial Statements have been prepared on a going concern basis as the Directors consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future. The Group’s liquidity and funding arrangements are described in the Finance Director’s Review. There is significant liquidity/financing headroom at 30 June 2022 (c. £3.1 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 Interim Financial Statements.

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

	30 June 2022	**31 December 2022**	**30 June 2023**
Net debt to adjusted EBITDA	4.00x	3.75x	3.50x
Interest cover	3.25x	4.00x	4.00x

Testing

The Group modelled two scenarios in its assessment of going concern; a base case and a reasonably possible sensitised case.

The base case takes into account the estimated impact of a continued recovery in end markets as well as other operational factors throughout the going concern period and has been monitored against the actual results and cash generation in the period since 1 July 2022.

The reasonably possible sensitised case models more conservative sales assumptions in the remaining period of 2022 and the relevant period in 2023, however, given there is liquidity headroom of approximately £3.1 billion and the Group’s leverage is 1.8x at 30 June 2022, no further sensitivity detail is provided.

Under the reasonably possible sensitised case, with significant reductions, no covenant is breached at either of the forecast testing dates being 31 December 2022 and 30 June 2023, with the testing at 31 December 2023 also favourable, and the Group does not require any additional sources of finance following repayment of the £450 million bond in September 2022.

In addition to the reasonably possible sensitised case, 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 sales, 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.

Impairment assessment

Since the prior year annual impairment testing was performed, as at 31 October 2021, discount rates have increased substantially. The adverse movements have been impacted by risk free rates, interest rates and general economic conditions in many areas of the world. Impairment testing for each group of cash generating units (“CGUs”) has been performed as at 30 June 2022. Whilst discount rates have increased, there have been compensating changes from increased long-term growth rates and a further period of recovery from the Covid-19 pandemic. No impairment charges have been recorded in the period ended 30 June 2022 (30 June 2021: £nil), as all groups of CGUs have recoverable amounts in excess of their carrying values.

As noted above, discount rates have increased substantially in the period and macro-economic factors mean that further increases could arise. Should discount rates increase in the future other factors could also change, for instance long-term growth rates, which could mitigate any impact.

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 results of the Ergotron business, which has been classified as held for sale at 30 June 2022, as described in note 2, have been presented within discontinued operations. The Ergotron business was previously included within the Other Industrial segment and comparative results for 2021 have been restated accordingly.

During the second half of 2021, following a change in the information reviewed by the CODM in evaluating financial performance, the Hydrogen Technology business was included in the Other Industrial segment, having previously been presented within Powder Metallurgy. Accordingly, segment information at 30 June 2021 has been restated.

The operating segments are as follows:

Aerospace – a multi-technology global tier one supplier of both civil and defence air frames and engine structures.

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

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

Other Industrial – comprises the Group's Hydrogen Technology business which was launched in the prior year.

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

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

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

The following tables present the results and certain asset and liability information regarding the Group's operating segments and central cost centres for the six month period ended 30 June 2022 and comparative periods.

a) Segment revenues

6 months ended 30 June 2022

Continuing operations	Aerospace £m	Automotive £m	Powder Metallurgy £m	Other Industrial £m	Total £m
Adjusted revenue	**1,366**	**1,997**	**515**	**-**	**3,878**
Equity accounted investments	(2)	(270)	(12)	-	(284)
Revenue	**1,364**	**1,727**	**503**	**-**	**3,594**

6 months ended 30 June 2021 – restated(1)

Continuing operations	Aerospace £m	Automotive £m	Powder Metallurgy £m	Other Industrial £m	Total £m
Adjusted revenue	**1,219**	**1,965**	**535**	**-**	**3,719**
Equity accounted investments	(3)	(272)	(13)	-	(288)
Revenue	**1,216**	**1,693**	**522**	**-**	**3,431**

(1) Revenue has been restated for discontinued operations (see note 2) and the re-presentation of Hydrogen Technology.

3. Segment information (continued)

a) Segment revenues (continued)

Year ended 31 December 2021 – restated[1]

Continuing operations	Aerospace £m	Automotive £m	Powder Metallurgy £m	Other Industrial £m	Total £m
Adjusted revenue	**2,543**	**3,745**	**975**	**-**	**7,263**
Equity accounted investments	(5)	(581)	(27)	-	(613)
Revenue	**2,538**	**3,164**	**948**	**-**	**6,650**

[1] Revenue has been restated for discontinued operations (see note 2).

b) Segment operating profit

6 months ended 30 June 2022

Continuing operations	Aerospace £m	Automotive £m	Powder Metallurgy £m	Other Industrial £m	Corporate[2] £m	Total £m
Adjusted operating profit/(loss)	**67**	**78**	**54**	**(6)**	**(22)**	**171**
Items not included in adjusted operating profit[1]:						
Amortisation of intangible assets acquired in business combinations	(126)	(72)	(25)	-	-	(223)
Movement in derivatives and associated financial assets and liabilities	13	(3)	(1)	-	(163)	(154)
Restructuring costs	(52)	(19)	(10)	-	(1)	(82)
Impairment of assets	-	(20)	-	-	-	(20)
Equity accounted investments adjustments	-	(14)	-	-	-	(14)
Melrose equity-settled compensation scheme charges	-	-	-	-	(8)	(8)
Acquisition and disposal related (losses)/gains	(5)	-	-	-	6	1
Net release and changes in discount rates of fair value items	10	-	2	-	-	12
Operating (loss)/profit	**(93)**	**(50)**	**20**	**(6)**	**(188)**	**(317)**
Finance costs						(41)
Loss before tax						**(358)**
Tax						86
Loss for the period from continuing operations						**(272)**

[1] For further details on adjusting items, refer to note 4.
[2] Corporate adjusted operating loss of £22 million includes £3 million of costs in respect of divisional management long-term incentive plans.

3. Segment information (continued)

b) Segment operating profit (continued)

6 months ended 30 June 2021 – restated[(1)]

Continuing operations	Aerospace £m	Automotive £m	Powder Metallurgy £m	Other Industrial £m	Corporate[(3)] £m	Total £m
Adjusted operating profit/(loss)	**41**	**121**	**64**	**(4)**	**(26)**	**196**
Items not included in adjusted operating profit[(2)]:						
Amortisation of intangible assets acquired in business combinations	(122)	(71)	(25)	-	-	(218)
Restructuring costs	(26)	(52)	(3)	-	(4)	(85)
Movement in derivatives and associated financial assets and liabilities	-	1	-	-	(45)	(44)
Equity accounted investments adjustments	-	(15)	-	-	-	(15)
Melrose equity-settled compensation scheme charges	-	-	-	-	(9)	(9)
Acquisition and disposal related gains	2	-	8	-	-	10
Net release and changes in discount rates of fair value items	3	4	2	-	-	9
Operating (loss)/profit	**(102)**	**(12)**	**46**	**(4)**	**(84)**	**(156)**
Finance costs						(120)
Finance income						1
Loss before tax						**(275)**
Tax						109
Loss for the period from continuing operations						**(166)**

(1) Operating profit has been restated for discontinued operations (see note 2) and the re-presentation of Hydrogen Technology.
(2) For further details on adjusting items, refer to note 4.
(3) Corporate adjusted operating loss of £26 million includes £10 million of costs in respect of divisional management long-term incentive plans.

Year ended 31 December 2021 – restated[(1)]

Continuing operations	Aerospace £m	Automotive £m	Powder Metallurgy £m	Other Industrial £m	Corporate[(3)] £m	Total £m
Adjusted operating profit/(loss)	**112**	**172**	**91**	**(7)**	**(51)**	**317**
Items not included in adjusted operating profit[(2)]:						
Amortisation of intangible assets acquired in business combinations	(245)	(142)	(49)	-	-	(436)
Restructuring costs	(92)	(147)	(18)	-	(12)	(269)
Movement in derivatives and associated financial assets and liabilities	4	(1)	(3)	-	(114)	(114)
Equity accounted investments adjustments	-	(28)	-	-	-	(28)
Melrose equity-settled compensation scheme charges	-	-	-	-	(19)	(19)
Net release and changes in discount rates of fair value items	23	14	11	-	1	49
Acquisition and disposal related costs	2	1	8	-	(4)	7
Operating (loss)/profit	**(196)**	**(131)**	**40**	**(7)**	**(199)**	**(493)**
Finance costs						(169)
Finance income						2
Loss before tax						**(660)**
Tax						180
Loss for the year from continuing operations						**(480)**

(1) Operating profit has been restated for discontinued operations (see note 2).
(2) For further details on adjusting items, refer to note 4.
(3) Corporate adjusted operating loss of £51 million includes £17 million of costs in respect of divisional management long-term incentive plans.

3. Segment information (continued)

c) Segment total assets and liabilities

	Total assets			Total liabilities		
	30 June 2022 £m	Restated(1) 30 June 2021 £m	Restated(1) 31 December 2021 £m	**30 June 2022 £m**	Restated(1) 30 June 2021 £m	Restated(1) 31 December 2021 £m
Aerospace	**6,866**	6,295	6,267	**2,487**	2,337	2,231
Automotive	**4,932**	4,902	4,608	**2,103**	2,128	2,042
Powder Metallurgy	**1,813**	1,736	1,669	**467**	425	405
Other Industrial	**15**	1	14	**2**	1	-
Corporate	**503**	1,611	847	**2,288**	1,992	1,718
Continuing operations	**14,129**	14,545	13,405	**7,347**	6,883	6,396
Discontinued operations	**641**	889	617	**97**	161	86
Total	**14,770**	15,434	14,022	**7,444**	7,044	6,482

(1) Assets and liabilities have been restated for discontinued operations (see note 2) and, at 30 June 2021, re-presented for Hydrogen Technology.

d) Segment capital expenditure and depreciation

	Capital expenditure(1)			Depreciation of owned assets(1)			Depreciation of leased assets		
	6 months ended 30 June 2022 £m	Restated(2) 6 months ended 30 June 2021 £m	Restated(2) Year ended 31 December 2021 £m	**6 months ended 30 June 2022 £m**	Restated(2) 6 months ended 30 June 2021 £m	Restated(2) Year ended 31 December 2021 £m	**6 months ended 30 June 2022 £m**	Restated(2) 6 months ended 30 June 2021 £m	Restated(2) Year ended 31 December 2021 £m
Aerospace	**27**	23	66	**61**	60	122	**11**	11	24
Automotive	**64**	46	113	**92**	97	198	**7**	8	15
Powder Metallurgy	**19**	18	40	**26**	27	51	**4**	4	9
Other Industrial	**-**	-	1	**-**	-	-	**-**	-	-
Corporate	**-**	-	-	**-**	-	1	**1**	1	1
Continuing operations	**110**	87	220	**179**	184	372	**23**	24	49
Discontinued operations	**1**	12	14	**2**	17	20	**-**	7	8
Total	**111**	99	234	**181**	201	392	**23**	31	57

(1) Includes computer software and development costs. Capital expenditure excludes lease additions.
(2) Capital expenditure and depreciation have been restated for discontinued operations (see note 2) and, for the period ended 30 June 2021, re-presented for Hydrogen Technology.

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 other receivables and non-current derivative financial assets) by geographical location are detailed below:

	Revenue(1) from external customers			Segment assets		
	6 months ended 30 June 2022 £m	Restated(2) 6 months ended 30 June 2021 £m	Restated(2) Year ended 31 December 2021 £m	**30 June 2022 £m**	Restated(2) 30 June 2021 £m	Restated(2) 31 December 2021 £m
UK	**319**	295	570	**1,866**	2,051	1,977
Rest of Europe	**940**	1,010	1,824	**4,460**	4,526	4,374
North America	**1,828**	1,619	3,275	**2,603**	2,475	2,404
Other	**507**	507	981	**1,154**	1,153	1,145
Continuing operations	**3,594**	3,431	6,650	**10,083**	10,205	9,900
Discontinued operations	**132**	941	1,117	**-**	532	534
Total	**3,726**	4,372	7,767	**10,083**	10,737	10,434

(1) Revenue is presented by destination.
(2) Revenue and segment assets have been restated for discontinued operations (see note 2).

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 2022 £m	Restated[1] 6 months ended 30 June 2021 £m	Restated[1] Year ended 31 December 2021 £m
Operating loss		**(317)**	(156)	(493)
Amortisation of intangible assets acquired in business combinations	a	**223**	218	436
Movement in derivatives and associated financial assets and liabilities	b	**154**	44	114
Restructuring costs	c	**82**	85	269
Impairment of assets	d	**20**	-	-
Equity accounted investments adjustments	e	**14**	15	28
Melrose equity-settled compensation scheme charges	f	**8**	9	19
Acquisition and disposal related gains and losses	g	**(1)**	(10)	(7)
Net release and changes in discount rates of fair value items	h	**(12)**	(9)	(49)
Total adjustments to operating loss		**488**	352	810
Adjusted operating profit		**171**	196	317

[1] Results have been restated for discontinued operations (see note 2).

a. The amortisation charge on intangible assets acquired in business combinations of £223 million (2021: £218 million), is excluded from adjusted results due to its non-trading nature and to enable comparison with companies that grow organically. However, where intangible assets are trading in nature, such as computer software and development costs, the amortisation is not excluded from adjusted results.

b. Movements in the fair value of derivative financial instruments (primarily forward foreign currency exchange contracts where hedge accounting is not applied) entered into to mitigate the potential volatility of future cash flows, on long-term foreign currency customer and supplier contracts, including foreign exchange movements on the associated financial assets and liabilities, are shown as an adjusting item because of their volatility and size. This totalled a charge of £154 million (2021: £44 million).

c. Costs associated with restructuring projects in the period totalling £82 million (2021: £85 million) are shown as adjusting items due to their size and non-trading nature and during the period ended 30 June 2022 these included:

- A charge of £52 million (2021: £26 million) within the Aerospace division, primarily relating to the continuation of significant multi-year restructuring projects, necessary for the business to achieve its full potential. These included further progress on the European footprint consolidations in both the Civil and Engines businesses which commenced in 2021, and significant restructuring programmes in North America which commenced in the period across all three Aerospace sub-segments. These programmes are expected to materially conclude in 2023.

- A charge of £19 million (2021: £52 million) within the Automotive division, primarily relating to the progression of European and North American footprint consolidations which commenced in 2021 and are expected to conclude this year.

- A net charge of £11 million (2021: £7 million) within the Powder Metallurgy and Corporate divisions.

d. A write down of assets of £20 million (2021: £nil), has been recognised as a result of exiting any direct trading links with Russian operations as a consequence of the conflict in Ukraine. The asset write downs are predominantly within the Automotive division and are shown as an adjusting item because of their non-trading nature and size.

e. The Group has a number of equity accounted investments ("EAIs") in which it does not hold full control, the largest of which is a 50% interest in Shanghai GKN HUAYU Driveline Systems ("SDS"), within the Automotive business. EAIs in the Group generated £284 million (2021: £288 million) of revenue in the period, which is not included in the statutory results but is shown within adjusted revenue so as not to distort the operating margins reported in the businesses when the adjusted operating profit earned from these EAIs is included.

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

4. Reconciliation of adjusted profit measures (continued)

a) Operating profit (continued)

f. The charge for the Melrose equity-settled Incentive Scheme, including its associated employer's tax charge, of £8 million (2021: £9 million) is excluded from adjusted results due to its size and volatility. The shares that would be issued, based on the Scheme's current value at the end of the reporting period, are included in the calculation of the adjusted diluted earnings per share, which the Board considers to be a key measure of performance.

g. Acquisition and disposal related net gains of £1 million (2021: £10 million) were recorded in the period and related to the disposal of a manufacturing site, associated costs and other transaction related amounts. These items are excluded from adjusted results due to their non-trading nature and volatility.

h. Certain items previously recorded as fair value items on acquisitions, have been resolved for more favourable amounts than first anticipated. The net release of fair value items recognised on acquisitions in the period of £12 million (2021: £9 million) included a credit of £7 million relating to provisions recognised on the acquisition of GKN and a credit of £5 million relating to the movement in discount rates on the loss-making contract provisions recognised as fair value items. The net release of any excess fair value item is shown as an adjusting item to avoid positively distorting adjusted results.

b) Profit before tax

Continuing operations	Notes	**6 months ended 30 June 2022 £m**	Restated[1] 6 months ended 30 June 2021 £m	Restated[1] Year ended 31 December 2021 £m
Loss before tax		**(358)**	(275)	(660)
Adjustments to operating loss per above		**488**	352	810
Fair value changes on cross-currency swaps	i	**(3)**	(2)	(3)
Equity accounted investments – interest	j	**1**	-	2
Settlement of interest rate swaps	k	**-**	39	45
Total adjustments to loss before tax		**486**	389	854
Adjusted profit before tax		**128**	114	194

[1] Results have been restated for discontinued operations (see note 2).

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

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

k. In the prior year, on disposal of Nortek Air Management and Brush, the significant proceeds received together with future expectations of debt requirements enabled the Group to settle certain interest rate swap instruments that were no longer needed. Specific recycling from the cash flow hedge reserve, under IFRS 9, of £39 million was accelerated and shown as an adjusting item due to its non-trading nature.

c) Profit after tax

Continuing operations	Notes	**6 months ended 30 June 2022 £m**	Restated[1] 6 months ended 30 June 2021 £m	Restated[1] Year ended 31 December 2021 £m
Loss after tax		**(272)**	(166)	(480)
Adjustments to loss before tax per above		**486**	389	854
Tax effect of adjustments to loss before tax	5	**(110)**	(75)	(176)
Equity accounted investments – tax	j	**(4)**	(5)	(9)
Tax effect of significant legislative changes	5	**-**	(55)	(70)
Tax effect of significant restructuring		**-**	-	32
Total adjustments to loss after tax		**372**	254	631
Adjusted profit after tax		**100**	88	151

[1] Results have been restated for discontinued operations (see note 2).

5. Tax

Analysis of the (credit)/charge in the period:	**6 months ended 30 June 2022 £m**	Restated[1] 6 months ended 30 June 2021 £m	Restated[1] Year ended 31 December 2021 £m
Continuing operations			
Current tax	**23**	28	52
Deferred tax	**(109)**	(137)	(232)
Total tax credit from continuing operations	**(86)**	(109)	(180)
Discontinued operations			
Current tax	**6**	64	67
Deferred tax	**(1)**	(4)	(6)
Total tax charge from discontinued operations	**5**	60	61
Total tax credit	**(81)**	(49)	(119)

[1] Tax has been restated for discontinued operations (see note 2).

Continuing operations:
The effective tax rate in respect of adjusted profit before tax for the period is 21.9% (2021: 22.8%). Adjusted tax has been calculated by applying the expected tax rate to the adjusted profit before tax of £128 million (2021: £114 million), giving an adjusted tax charge of £28 million (2021: £26 million).

The adjusted tax charge of £28 million (2021: £26 million) excludes a tax credit on adjusting items of £110 million (2021: £75 million). This represents a deferred tax credit on intangible asset amortisation of £54 million (2021: £41 million) and a tax credit on other adjusting items of £56 million (2021: £34 million). The adjusted tax charge in the prior period also excluded a tax credit of £55 million in respect of recognition of deferred tax assets as a result of legislative changes. In addition, the adjusted tax charge includes a charge in respect of EAIs of £4 million (2021: £5 million).

In addition to the amount credited in the Income Statement, a charge of £66 million (2021: £42 million) has been recognised directly in the Statement of Comprehensive Income. This represents a tax charge of £72 million (2021: £29 million) in respect of the remeasurement of retirement benefit obligations and a tax credit of £6 million (2021: charge of £13 million) in respect of movements on hedge relationships and translation differences.

6. Earnings per share

Earnings attributable to owners of the parent	**6 months ended 30 June 2022 £m**	Restated[1] 6 months ended 30 June 2021 £m	Restated[1] Year ended 31 December 2021 £m
Earnings for basis of earnings per share	**(360)**	1,166	833
Less: loss/(profit) for the period from discontinued operations (note 9)	**85**	(1,333)	(1,317)
Earnings for basis of earnings per share from continuing operations	**(275)**	(167)	(484)

[1] Earnings has been restated for discontinued operations (see note 2).

	6 months ended 30 June 2022 Number	6 months ended 30 June 2021 Number	Year ended 31 December 2021 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share (million)	**4,366**	4,858	4,695
Further shares for the purposes of diluted earnings per share (million)	**-**	2	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share (million)	**4,366**	4,860	4,695

6. Earnings per share (continued)

Earnings per share	**6 months ended 30 June 2022 pence**	Restated[1] 6 months ended 30 June 2021 pence	Restated[1] Year ended 31 December 2021 pence
Basic earnings per share			
From continuing and discontinued operations	**(8.2)**	24.0	17.7
From continuing operations	**(6.3)**	(3.4)	(10.3)
From discontinued operations	**(1.9)**	27.4	28.0
Diluted earnings per share			
From continuing and discontinued operations	**(8.2)**	24.0	17.7
From continuing operations	**(6.3)**	(3.4)	(10.3)
From discontinued operations	**(1.9)**	27.4	28.0

Adjusted earnings from continuing operations	**6 months ended 30 June 2022 £m**	Restated[1] 6 months ended 30 June 2021 £m	Restated[1] Year ended 31 December 2021 £m
Adjusted earnings[2] for the basis of adjusted earnings per share	**97**	87	147

Adjusted earnings per share from continuing operations

	6 months ended 30 June 2022 pence	Restated[1] 6 months ended 30 June 2021 pence	Restated[1] Year ended 31 December 2021 pence
Adjusted basic earnings per share	**2.2**	1.8	3.1
Adjusted diluted earnings per share	**2.2**	1.8	3.1

[1] Earnings has been restated for discontinued operations (see note 2).
[2] Adjusted earnings for the 6 months ended 30 June 2022 comprises adjusted profit after tax (see note 4c) of £100 million (2021: £88 million), net of an allocation of profit to non-controlling interests of £3 million (2021: £1 million). Adjusted earnings for the year ended 31 December 2021 comprises adjusted profit after tax of £151 million, net of an allocation to non-controlling interests of £4 million.

7. Dividends

	6 months ended 30 June 2022 £m	6 months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Final dividend for the year ended 31 December 2021 of 1.0p	**44**	-	-
Interim dividend for the year ended 31 December 2021 of 0.75p	**-**	-	33
Final dividend for the year ended 31 December 2020 of 0.75p	**-**	36	36
Total dividends paid	**44**	36	69

An interim dividend of 0.825 pence per ordinary share (2021: 0.75 pence) is declared by the Board, totalling £33 million.

On 9 June 2022, the Group commenced a £500 million share buyback programme. At 30 June 2022, £119 million had been paid to purchase 112,595,520 shares. The £500 million share buyback programme concluded on 1 August 2022 with 318,003,512 shares re-purchased and subsequently cancelled.

8. Share of results of equity accounted investments

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

Continuing operations	**6 months ended 30 June 2022 £m**	6 months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Revenue	**284**	288	613
Operating costs	**(260)**	(260)	(547)
Adjusted operating profit	**24**	28	66
Adjusting items	**(11)**	(10)	(21)
Net finance income	**1**	-	2
Profit before tax	**14**	18	47
Tax	**(4)**	(5)	(9)
Share of results of equity accounted investments	**10**	13	38

9. Discontinued operations and assets held for sale

During the period, the Board formally commenced a process, aligned to its strategic priorities, to dispose of the Ergotron business, previously included within the Other Industrial segment and on 3 June 2022, the Group entered into an agreement to dispose of Ergotron to funds managed by The Sterling Group. Completion took place on 6 July 2022. In accordance with IFRS 5: "Non-current assets held for sale and discontinued operations", associated assets and liabilities at 30 June 2022 are classified as held for sale and separately shown on the Balance Sheet.

The results of Ergotron have been classified within discontinued operations for all periods presented. In addition, discontinued operations for the period ended 30 June 2021 and year ended 31 December 2021 include the results of the Nortek Air Management, Brush and Nortek Control businesses which were disposed of during 2021.

Furthermore, a corporate property is classified as held for sale at 30 June 2022.

Financial performance of discontinued operations:

	6 months ended 30 June 2022 £m	Restated[(1)] 6 months ended 30 June 2021 £m	Restated[(1)] Year ended 31 December 2021 £m
Revenue	**132**	941	1,117
Operating costs[(2)]	**(212)**	(917)	(1,070)
Operating (loss)/profit	**(80)**	24	47
Finance costs	**-**	(2)	(2)
(Loss)/profit before tax	**(80)**	22	45
Tax	**(5)**	(60)	(61)
Loss after tax	**(85)**	(38)	(16)
Gain on disposal of net assets of discontinued operations, net of recycled cumulative translation differences	**-**	1,371	1,333
(Loss)/profit for the period from discontinued operations	**(85)**	1,333	1,317

(1) Restated for operations discontinued in the period (see note 2).
(2) Operating costs in the period ended 30 June 2022 include a remeasurement loss on goodwill of £86 million, costs of disposal of £6 million and a fair value loss on foreign exchange forward contracts taken to provide certainty on the conversion of US Dollar consideration into Sterling of £15 million. Operating costs in the period ended 30 June 2021 and the year ended 31 December 2021, included an £85 million charge on remeasurement to fair value less costs to sell related to the Nortek Control business on reclassification to assets held for sale.

Cash flow information relating to discontinued operations is shown in note 13.

9. Discontinued operations and assets held for sale (continued)

Classes of assets and liabilities held for sale at 30 June 2022 were as follows:

	Held for sale		
	Reclassified £m	Remeasured £m	Held for sale £m
Goodwill and other intangible assets	571	(86)	485
Property, plant and equipment[(1)]	27	-	27
Inventories	51	-	51
Trade and other receivables	51	-	51
Derivative financial assets	1	-	1
Cash and cash equivalents	26	-	26
Total assets	727	(86)	641
Trade and other payables	(63)	-	(63)
Lease obligations	(7)	-	(7)
Derivative financial liabilities[(2)]	(1)	-	(1)
Provisions	(5)	-	(5)
Current and deferred tax	(21)	-	(21)
Total liabilities	(97)	-	(97)
Net assets	**630**	**(86)**	**544**

[(1)] Includes £10 million relating to a corporate property classified as held for sale.
[(2)] Excludes a £15 million derivative financial liability held outside of the disposal group in relation to disposal proceeds.

10. Provisions

	Loss-making contracts £m	Property related costs £m	Environmental and litigation £m	Warranty related costs £m	Restructuring £m	Other £m	Total £m
At 1 January 2022	167	29	135	222	81	67	701
Utilised	(17)	-	(7)	(14)	(53)	(1)	(92)
Charge to operating profit[(1)]	-	-	1	17	74	8	100
Release to operating profit[(2)]	(3)	-	(6)	(23)	-	-	(32)
Impact of discounting[(3)]	(4)	-	-	-	-	-	(4)
Transfer to held for sale	-	-	(2)	(3)	-	-	(5)
Disposal of businesses	(9)	(5)	-	(2)	-	(2)	(18)
Exchange adjustments	9	2	6	10	5	1	33
At 30 June 2022	**143**	**26**	**127**	**207**	**107**	**73**	**683**
Current	45	5	51	97	74	13	285
Non-current	98	21	76	110	33	60	398
	143	26	127	207	107	73	683

[(1)] Includes £74 million of adjusting items and £26 million recognised in adjusted operating profit.
[(2)] Includes £7 million of adjusting items and £25 million recognised in adjusted operating profit.
[(3)] Includes a £1 million charge within finance costs relating to the time value of money and a credit of £5 million relating to changes in discount rates on loss-making contract provisions recognised as fair value items on the acquisition of GKN, which has been included as an adjusting item within operating profit.

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

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

Environmental provisions relate to the estimated remediation costs of pollution, soil and groundwater contamination at certain sites and at 30 June 2022 amounted to £25 million (2021: £25 million). Litigation provisions amounting to £102 million (2021: £110 million) relate to estimated future costs and settlements in relation to legal claims and associated insurance obligations. Due to their nature, it is not possible to predict precisely when these provisions will be utilised.

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

10. Provisions (continued)

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

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

Where appropriate, provisions have been discounted using discount rates between 1% and 12% (31 December 2021: 0% and 11%) depending on the territory in which the provision resides and the length of its expected utilisation.

11. 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 2022, 30 June 2021 and 31 December 2021:

	Current £m	Non-current £m	Total £m
30 June 2022			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	293	-	293
Net trade receivables	971	-	971
Classified as fair value:			
Investments	-	68	68
Derivative financial assets:			
Foreign currency forward contracts	29	22	51
Embedded derivatives	2	10	12
Assets classified as held for sale	641	-	641
Financial liabilities			
Classified as amortised cost:			
Interest-bearing loans and borrowings	(548)	(973)	(1,521)
Government refundable advances	(5)	(54)	(59)
Lease obligations	(56)	(311)	(367)
Other financial liabilities	(2,203)	(44)	(2,247)
Classified as fair value:			
Derivative financial liabilities:			
Foreign currency forward contracts	(120)	(166)	(286)
Interest rate swaps	(5)	-	(5)
Cross-currency swaps	(98)	-	(98)
Embedded derivatives	-	(5)	(5)
Liabilities associated with assets held for sale	(97)	-	(97)
30 June 2021			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	1,329	-	1,329
Net trade receivables	898	-	898
Classified as fair value:			
Investments	-	39	39
Derivative financial assets:			
Foreign currency forward contracts	26	59	85
Cross-currency swaps	3	-	3
Embedded derivatives	2	9	11
Assets classified as held for sale	282	-	282
Financial liabilities			
Classified as amortised cost:			
Interest-bearing loans and borrowings	(44)	(1,538)	(1,582)
Government refundable advances	(8)	(49)	(57)
Lease obligations	(52)	(317)	(369)
Other financial liabilities	(1,736)	(32)	(1,768)
Classified as fair value:			
Derivative financial liabilities:			
Foreign currency forward contracts	(35)	(38)	(73)
Interest rate swaps	-	(15)	(15)
Cross-currency swaps	-	(67)	(67)
Embedded derivatives	(1)	(4)	(5)
Liabilities associated with assets held for sale	(72)	-	(72)
31 December 2021			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	473	-	473
Net trade receivables	824	-	824
Classified as fair value:			
Investments	-	87	87
Derivative financial assets:			
Foreign currency forward contracts	21	38	59
Embedded derivatives	2	9	11
Financial liabilities			
Classified as amortised cost:			
Interest-bearing loans and borrowings	(462)	(903)	(1,365)
Government refundable advances	(5)	(50)	(55)
Lease obligations	(57)	(319)	(376)
Other financial liabilities	(1,618)	(39)	(1,657)
Classified as fair value:			
Derivative financial liabilities:			
Foreign currency forward contracts	(49)	(67)	(116)
Interest rate swaps	-	(7)	(7)
Cross-currency swaps	(69)	-	(69)
Embedded derivatives	(1)	(5)	(6)

11. Financial instruments (continued)

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.

12. Retirement benefit obligations

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

The most significant defined benefit pension plans in the Group at 30 June 2022 were:

GKN Group Pension Schemes (Numbers 1-4)
The GKN Group Pension Schemes (Numbers 1-4) are funded plans, closed to new members and were closed to future accrual in 2017. The valuation of the plans was based on a full actuarial valuation as of 30 June 2019, updated to 30 June 2022 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 2021, updated to 30 June 2022 by independent actuaries.

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

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

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

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

30 June 2022

	UK plans £m	US plans £m	European plans £m	Other plans £m	**Total £m**
Plan assets	2,146	174	23	29	**2,372**
Plan liabilities	(1,861)	(262)	(435)	(36)	**(2,594)**
Net assets/(liabilities)	285	(88)	(412)	(7)	**(222)**
Analysed as:					
Retirement benefit surplus (non-current assets: other receivables)[1]					**295**
Retirement benefit obligations (non-current liabilities)					**(517)**
Net liabilities					**(222)**

[1] Includes a surplus relating to the GKN Group Pension Schemes (Numbers 1-4) of £292 million and the Japan employee plan of £3 million.

30 June 2021

	UK plans £m	US plans £m	European plans £m	Other plans £m	**Total £m**
Plan assets	2,959	197	24	32	**3,212**
Plan liabilities	(3,006)	(303)	(557)	(39)	**(3,905)**
Net liabilities	(47)	(106)	(533)	(7)	**(693)**

12. Retirement benefit obligations (continued)

31 December 2021	UK plans £m	US plans £m	European plans £m	Other plans £m	**Total £m**
Plan assets	2,754	203	23	30	**3,010**
Plan liabilities	(2,582)	(289)	(566)	(34)	**(3,471)**
Net assets/(liabilities)	172	(86)	(543)	(4)	**(461)**
Analysed as:					
Retirement benefit surplus (non-current assets: other receivables)[1]					**184**
Retirement benefit obligations (non-current liabilities)					**(645)**
Net liabilities					**(461)**

[1] Includes a surplus relating to the GKN Group Pension Plans (Numbers 1-4) of £179 million and the Japan employee plan of £5 million.

Valuations of material plans have been updated at 30 June 2022 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 2022			
GKN UK – Group Pension Schemes (Numbers 1-4)	2.6	3.8	3.1/2.6
GKN US plans	n/a	4.5	n/a
GKN Europe plans	2.3	3.2	2.3/2.3
30 June 2021			
GKN UK – Group Pension Schemes (Numbers 1-4)	2.5	1.9	2.9/2.4
GKN UK – 2016 Pension Plan	2.0	1.9	2.9/2.4
GKN US plans	n/a	2.7	n/a
GKN Europe plans	1.7	1.0	1.7/1.7
31 December 2021			
GKN UK – Group Pension Schemes (Numbers 1-4)	2.7	2.0	3.2/2.7
GKN US plans	n/a	2.7	n/a
GKN Europe plans	2.1	1.1	2.1/2.1

In addition, the defined benefit plan assets and liabilities have been updated to reflect the contributions made to the defined benefit plans and the benefits earned during the period to 30 June 2022.

13. Notes to the Cash Flow Statement

Continuing operations	6 months ended 30 June 2022 £m	Restated[1] 6 months ended 30 June 2021 £m	Restated[1] Year ended 31 December 2021 £m
Reconciliation of operating loss to net cash (used in)/from operating activities			
Operating loss	**(317)**	(156)	(493)
Adjusting items (note 4)	**488**	352	810
Adjusted operating profit	**171**	196	317
Adjustments for:			
Depreciation of property, plant and equipment	**176**	182	370
Amortisation of computer software and development costs	**26**	26	51
Share of adjusted operating profit of equity accounted investments	**(24)**	(28)	(66)
Restructuring costs paid and movements in provisions	**(94)**	(103)	(233)
Defined benefit pension contributions paid	**(11)**	(12)	(88)
Change in inventories	**(108)**	(92)	(14)
Change in receivables	**(254)**	11	89
Change in payables	**167**	89	-
Acquisition costs and associated transaction taxes	**(2)**	-	(5)
Tax paid	**(53)**	(36)	(57)
Interest paid on loans and borrowings	**(36)**	(67)	(128)
Interest paid on lease obligations	**(6)**	(7)	(14)
Net cash (used in)/from operating activities	**(48)**	159	222

[1] Restated for discontinued operations (see note 2).

Reconciliation of cash and cash equivalents, net of bank overdrafts	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m
Cash and cash equivalents per Balance Sheet	**293**	1,329	473
Bank overdrafts included within current interest-bearing loans and borrowings	**(96)**	(31)	(5)
Cash and cash equivalents classified as held for sale	**26**	-	-
Cash and cash equivalents, net of bank overdrafts per Statement of Cash Flows	**223**	1,298	468

Cash flow from discontinued operations	6 months ended 30 June 2022 £m	Restated[1] 6 months ended 30 June 2021 £m	Restated[1] Year ended 31 December 2021 £m
Net cash from discontinued operations	**27**	112	133
Defined benefit pension contributions paid	**-**	(40)	(40)
Tax paid	**(9)**	(45)	(50)
Interest paid on lease obligations	**-**	(2)	(2)
Net cash from operating activities from discontinued operations[2]	**18**	25	41
Purchase of property, plant and equipment	**(1)**	(11)	(14)
Proceeds from disposal of property, plant and equipment	**-**	-	2
Purchase of computer software and capitalised development costs	**-**	(1)	(1)
Net cash used in investing activities from discontinued operations	**(1)**	(12)	(13)
Repayment of principal under lease obligations	**(1)**	(6)	(8)
Net cash used in financing activities from discontinued operations	**(1)**	(6)	(8)

[1] Restated for discontinued operations (see note 2).
[2] The period ended 30 June 2021 and year ended 31 December 2021 include tax paid of £32 million following the extraction of Ergotron and Nortek Control from the Nortek tax group prior to the disposal of Nortek Air Management and specific defined benefit pension contributions of £39 million paid on disposal of Nortek Air Management and Brush.

13. Notes to the Cash Flow Statement (continued)

Net debt reconciliation

Net debt consists of interest-bearing loans and borrowings (excluding any acquisition related fair value adjustments), cross-currency swaps and cash and cash equivalents. Currency denominated balances within net debt are translated to Sterling at swapped rates where hedged by cross-currency swaps.

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

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

	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m
Interest-bearing loans and borrowings – due within one year	**(548)**	(44)	(462)
Interest-bearing loans and borrowings – due after one year	**(973)**	(1,538)	(903)
External debt	**(1,521)**	(1,582)	(1,365)
Less:			
Cash and cash equivalents	**293**	1,329	473
Cash and cash equivalents included within assets classified as held for sale	**26**	-	-
	(1,202)	(253)	(892)
Adjustments:			
Impact of cross-currency swaps	**(98)**	(64)	(69)
Non-cash acquisition fair value adjustments	**6**	17	11
Net debt	**(1,294)**	(300)	(950)

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

	At 31 December 2021 £m	Cash flow £m	Acquisitions and disposals £m	Other non-cash movements £m	Effect of foreign exchange £m	**At 30 June 2022 £m**
External debt (excluding bank overdrafts)	(1,360)	-	-	-	(65)	**(1,425)**
Cross-currency swaps	(69)	(7)	-	3	(25)	**(98)**
Non-cash acquisition fair value adjustments	11	-	-	(5)	-	**6**
	(1,418)	(7)	-	(2)	(90)	**(1,517)**
Cash and cash equivalents, net of bank overdrafts	468	(260)	(10)	-	25	**223**
Net debt	(950)	(267)	(10)	(2)	(65)	**(1,294)**

14. Lease obligations

Amounts payable under lease obligations:

Minimum lease payments	**30 June 2022 £m**	30 June 2021 £m	31 December 2021 £m
Amounts payable:			
Within one year	**68**	66	64
After one year but within five years	**170**	158	166
Over five years	**198**	214	206
Less: future finance charges	**(69)**	(69)	(60)
Present value of lease obligations	**367**	369	376
Analysed as:			
Amounts due for settlement within one year	**56**	52	57
Amounts due for settlement after one year	**311**	317	319
Present value of lease obligations	**367**	369	376

During the period £7 million of lease obligations were reclassified as held for sale (see note 9).

It is the Group's policy to lease certain of its property, plant and equipment. The average lease term is ten years. Interest rates are fixed at the contract date.

15. Post balance sheet events

On 6 July 2022, the Group completed the disposal of Ergotron for total proceeds of US $650 million (£519 million using the rates within the foreign exchange forward contracts hedging the consideration). Prior to disposal, on 1 July 2022, £23 million of cash was extracted from the business. The balance of £496 million prior to costs of disposal, was received on 6 July 2022. Ergotron has been presented within discontinued operations and held as an asset for sale in these Condensed Interim Financial Statements.

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			
Adjusted revenue	Revenue	Share of revenue of equity accounted investments (note 3)	Adjusted revenue includes the Group’s share of revenue of equity accounted investments (“EAIs”). This enables comparability between reporting periods.

Adjusted revenue	**6 months ended 30 June 2022 £m**	Restated(1) 6 months ended 30 June 2021 £m	Restated(1) Year ended 31 December 2021 £m
Revenue	**3,594**	3,431	6,650
Share of revenue of equity accounted investments (note 3)	**284**	288	613
Adjusted revenue	**3,878**	3,719	7,263

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusting items	None	Adjusting items (note 4)	Those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group’s performance. These include items which are significant in size or volatility or by nature are non-trading or non-recurring, any item released to the Income Statement that was previously a fair value item booked on an acquisition, and includes adjusted profit from EAIs. This provides a meaningful comparison of how the business is managed and measured on a day-to-day basis and provides consistency and comparability between reporting periods.
Adjusted operating profit	Operating loss(2)	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 2022 £m**	Restated(1) 6 months ended 30 June 2021 £m	Restated(1) Year ended 31 December 2021 £m
Operating loss	**(317)**	(156)	(493)
Adjusting items to operating loss (note 4)	**488**	352	810
Adjusted operating profit	**171**	196	317

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusted operating margin	Operating margin(3)	Share of revenue of equity accounted investments (note 3) and adjusting items (note 4)	Adjusted operating margin represents Adjusted operating profit as a percentage of Adjusted revenue. The Group uses adjusted profit measures to provide a useful and more comparable measure of the ongoing performance of the Group.
Adjusted profit before tax	Loss before tax	Adjusting items (note 4)	Profit before the impact of adjusting items and tax. As discussed above, adjusted profit measures are used to provide a useful and more comparable measure of the ongoing performance of the Group. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in note 4.

Adjusted profit before tax	**6 months ended 30 June 2022 £m**	Restated(1) 6 months ended 30 June 2021 £m	Restated(1) Year ended 31 December 2021 £m
Loss before tax	**(358)**	(275)	(660)
Adjusting items to loss before tax (note 4)	**486**	389	854
Adjusted profit before tax	**128**	114	194

Adjusted profit after tax	Loss after tax	Adjusting items (note 4)	Profit after tax but before the impact of 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.

Adjusted profit after tax	**6 months ended 30 June 2022 £m**	Restated(1) 6 months ended 30 June 2021 £m	Restated(1) Year ended 31 December 2021 £m
Loss after tax	**(272)**	(166)	(480)
Adjusting items to loss after tax (note 4)	**372**	254	631
Adjusted profit after tax	**100**	88	151

Constant currency	Income Statement, which is reported using actual average foreign exchange rates	Constant currency foreign exchange rates	The Group uses GBP based constant currency models to measure performance. These are calculated by applying 2022 6 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.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusted EBITDA for leverage covenant purposes	Operating loss(2)	Adjusting items (note 4), depreciation of property, plant and equipment and amortisation of computer software and development costs, imputed lease charge, share of non-controlling interests and other adjustments required for leverage covenant purposes(5)	Adjusted operating profit for 12 months prior to the reporting date, before depreciation and impairment of property, plant and equipment and before the amortisation and impairment of computer software and development costs. Adjusted EBITDA for leverage covenant purposes is a measure used by external stakeholders to measure performance.
Adjusted tax rate	Effective tax rate	Adjusting items, adjusting tax items and the tax impact of adjusting items (note 4 and note 5)	The income tax charge for the Group excluding adjusting tax items, and the tax impact of adjusting items, divided by adjusted profit before tax. This measure is a useful indicator of the ongoing tax rate for the Group.
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.

Adjusted EBITDA for leverage covenant purposes	**12 months ended 30 June 2022 £m**	12 months(4) ended 30 June 2021 £m	Year ended(4) 31 December 2021 £m
Adjusted operating profit	**292**	375	375
Depreciation of property, plant and equipment and amortisation of computer software and development costs	**415**	424	425
Imputed lease charge	**(61)**	(77)	(68)
Non-controlling interests	**(6)**	(3)	(4)
Other adjustments required for leverage covenant purposes(5)	**62**	(8)	(14)
Adjusted EBITDA for leverage covenant purposes	**702**	711	714

Adjusted tax rate	**6 months ended 30 June 2022 £m**	Restated(1) 6 months ended 30 June 2021 £m	Restated(1) Year ended 31 December 2021 £m
Tax credit per Income Statement	**86**	109	180
Adjusted for:			
Tax impact of adjusting items	**(110)**	(75)	(176)
Tax impact of EAIs	**(4)**	(5)	(9)
Tax impact of significant legislative changes	**-**	(55)	(70)
Tax impact of significant restructuring	**-**	-	32
Adjusted tax charge	**(28)**	(26)	(43)
Adjusted profit before tax	**128**	114	194
Adjusted tax rate	**21.9%**	22.8%	22.2%

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
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 2022 £m**	12 months[(4)] ended 30 June 2021 £m	Year ended[(4)] 31 December 2021 £m
Adjusted EBITDA for leverage covenant purposes	**702**	711	714
Adjusted EBITDA from businesses disposed	**-**	271	127
Adjusted EBITDA for interest cover	**702**	982	841
Interest on bank loans and overdrafts	**(60)**	(126)	(138)
Finance income	**1**	3	2
Other interest for covenant purposes[(6)]	**(4)**	(53)	(6)
Net finance charges for covenant purposes	**(63)**	(176)	(142)
Interest cover	**11.1x**	5.6x	5.9x

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Balance Sheet Measures			
Working capital	Inventories, trade and other receivables less trade and other payables	Not applicable	Working capital comprises inventories, current trade and other receivables, non-current other receivables (excluding retirement benefit surpluses), current trade and other payables and non-current other payables. This measure provides additional information in respect of working capital management.
Net debt	Cash and cash equivalents less interest-bearing loans and borrowings and finance related derivative instruments	Reconciliation of net debt (note 13)	Net debt comprises cash and cash equivalents, interest-bearing loans and borrowings and cross-currency swaps 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.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Bank covenant definition of net debt at average rates and leverage	Cash and cash equivalents less interest-bearing loans and borrowings and finance related derivative instruments	Impact of foreign exchange and adjustments for bank covenant purposes	Net debt (as above) is presented in the Balance Sheet translated at period end exchange rates. For bank covenant testing purposes net debt is converted using average exchange rates for the previous 12 months. Leverage is calculated as the bank covenant definition of net debt divided by adjusted EBITDA for leverage covenant purposes. This measure is used for bank covenant testing.

Net debt	**30 June 2022 £m**	30 June[(4)] 2021 £m	31 December[(4)] 2021 £m
Net debt at closing rates (note 13)	**1,294**	300	950
Impact of foreign exchange	**(64)**	35	(3)
Bank covenant definition of net debt at average rates	**1,230**	335	947
Leverage	**1.8x**	0.5x	1.3x

Cash Flow Measures			
Free cash flow	Net increase/ decrease in cash and cash equivalents (net of bank overdrafts)	Acquisition and disposal related cash flows, dividends paid to owners of the parent, transactions in own shares, movements on borrowing facilities and the settlement of interest rate swaps	Free cash flow represents cash generated after all trading costs including restructuring, pension contributions, tax and interest payments.

Free cash flow	**6 months ended 30 June 2022 £m**	6 months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Net (decrease)/increase in cash and cash equivalents (net of bank overdrafts)	**(270)**	1,133	308
Debt related:			
Repayments of borrowings	**-**	1,363	1,555
Drawings on borrowing facilities	**(7)**	-	-
Settlement of interest rate swaps	**-**	47	47
Equity related:			
Dividends paid to owners of the parent	**44**	36	69
Purchase of own shares	**119**	-	-
Return of capital	**-**	-	729
Acquisition and disposal related:			
Disposal of businesses, net of cash disposed	**8**	(2,519)	(2,703)
Purchase of investments	**-**	-	10
Acquisition costs and associated transaction taxes	**2**	-	5
Extraction tax paid and special pension contributions	**-**	71	105
Free cash flow	**(104)**	131	125

<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 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 2022 £m</th><th>6 months ended 30 June 2021 £m</th><th>Year ended 31 December 2021 £m</th></tr>
<tr><td>Free cash flow</td><td>(104)</td><td>131</td><td>125</td></tr>
<tr><td>Restructuring costs paid(7)</td><td>53</td><td>92</td><td>198</td></tr>
<tr><td>Adjusted free cash flow</td><td>(51)</td><td>223</td><td>323</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>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) Results for the period ended 30 June 2021 and the year ended 31 December 2021 have been restated for discontinued operations (see note 2).
(2) Operating loss is not defined within IFRS but is a widely accepted profit measure being loss before finance costs, finance income and tax.
(3) Operating margin is not defined within IFRS but is a widely accepted profit measure being derived from operating loss(2) divided by revenue.
(4) Period ended 30 June 2021 and year ended 31 December 2021 calculations remain aligned to the original calculations supporting the Group's bank debt compliance certificates, and have not been restated for discontinued operations.
(5) Included within other adjustments required for leverage covenant purposes are: dividends received from equity accounted investments; the removal of adjusted operating profit of equity accounted investments; and the inclusion of adjusted operating profit, depreciation and an imputed lease charge in respect of businesses classified as held for sale.
(6) Other interest for covenant purposes includes bank facility renegotiation fees and debt issue costs paid and cash paid to settle interest rate swaps not included in finance costs.
(7) Includes restructuring costs of £nil (2021: £3 million) relating to operations discontinued in the period.