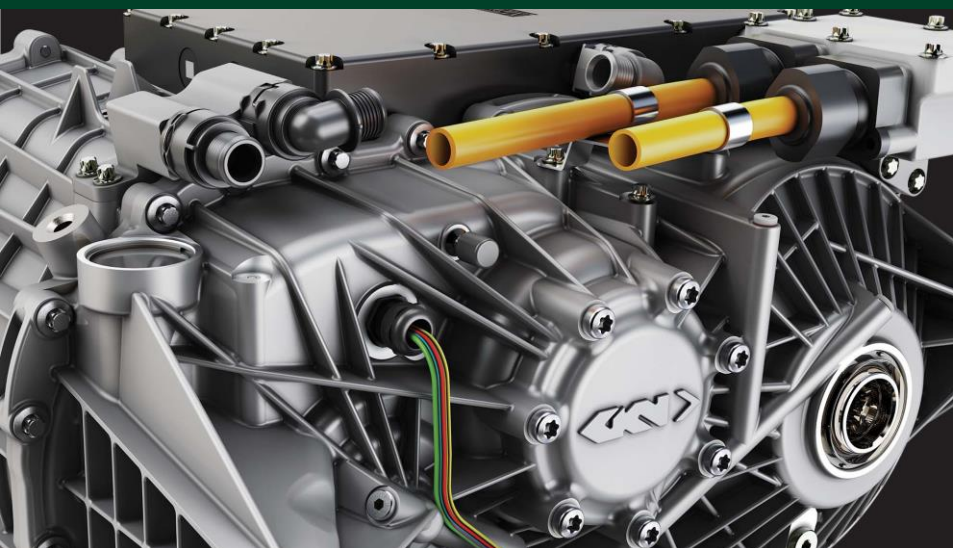




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Melrose

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Melrose Industries PLC

Full Year Results

Year ended 31 December 2022

2 March 2023

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- 1 Introduction
- 2 The shape of the two groups post demerger
- 3 Full year results: Group
- 4 Full year results: Businesses
- 5 Appendices



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Introduction

Introduction

- A very encouraging set of results – recovery is happening across the Group
- Demerger is on track and the split is well positioned and financed
- Dowlais¹ is set up to produce good returns for shareholders – in these results we are focusing on Melrose
- Melrose has an exceptional Aerospace business
 - Engine RRSPs² are a huge “hidden” upside
 - Performance in 2023 and beyond, significantly better than expectations
 - This is one of the best businesses we have owned
- Melrose’s focus for the next 12 months is completing the restructuring programmes and demonstrating the quality of the Aerospace business

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

“We are delighted with these results, and everything is on track for the demerger. We consider a restructured Aerospace business to be one of the best businesses Melrose has ever owned. We are confident that a combination of restructured and refocused high class Engines and Structures businesses, and overall aerospace market recovery, positions these businesses for a significantly better than expected performance in 2023 and beyond.”



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1.
2.

Comprises the Automotive, Powder Metallurgy and Hydrogen businesses
Risk and Revenue Sharing Partnerships



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The shape of the two groups post demerger

Five summary slides

1. 2022 Results: better than signalled in September

Both groups well positioned ahead of the proposed demerger

Melrose (Aerospace) pre-PLC costs £m	Adjusted ¹ Results 2022	Growth vs 2021
Revenue	2,957	11%
EBITDA (pre-PLC costs)	330	19%
EBITDA margin %	11.2%	1.1ppts
Operating profit (pre-PLC costs)	186	51%
Operating profit margin %	6.3%	1.9ppts
Proforma PLC costs ⁴	(46)	£10m less

Aerospace experienced strong momentum and market recovery in 2022 with a continued positive outlook for 2023 of c.15%+ blended market growth⁵

Dowlais ² pre-PLC costs £m	Adjusted ¹ Results 2022	Growth vs 2021
Revenue	5,234	7%
EBITDA ³ (pre-PLC costs)	620	7%
EBITDA ³ margin %	11.8%	Flat
Operating profit (pre-PLC costs)	332	24%
Operating profit margin %	6.3%	0.9ppts
Proforma PLC costs	(30)	£30m more

Dowlais² results are slightly above the top end of the range indicated previously for 2022. The market outlook for 2023 is c.3% volume growth⁵

1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance
2. Comprises the Automotive, Powder Metallurgy and Hydrogen businesses
3. Including depreciation and amortisation from equity accounted investments
4. Proforma PLC costs of £36 million and £10 million of non-cash divisional LTIP charge
5. Sources for volume growth: S&P global light vehicle production forecast (January 2023) for Dowlais; Cirium, Teal and US DoD for Aerospace

2. Revenue growth and outlook

Both groups' end markets are growing

Melrose (Aerospace)

Dowlais¹

Actual revenue growth (2022)

11%

7%

Outlook for growth in 2023

15%+

Current external
market data²

VS

10%

Current analysts'
consensus³ for
Melrose

c.3%

Current external
market data²

VS

6%

Current analysts'
consensus³ for
Dowlais¹

Some rebalancing of consensus³ outlook required to match latest market expectations

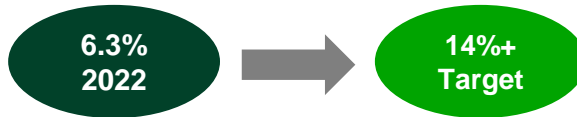
3. On track to achieve adjusted¹ operating margin targets

Significant upside to come

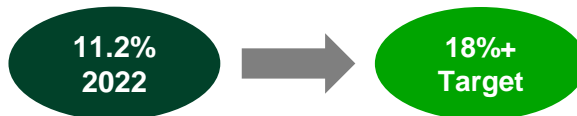
Margin targets pre-PLC costs

Melrose (Aerospace)

Operating margin



EBITDA margin



Dowlais²

Operating margin

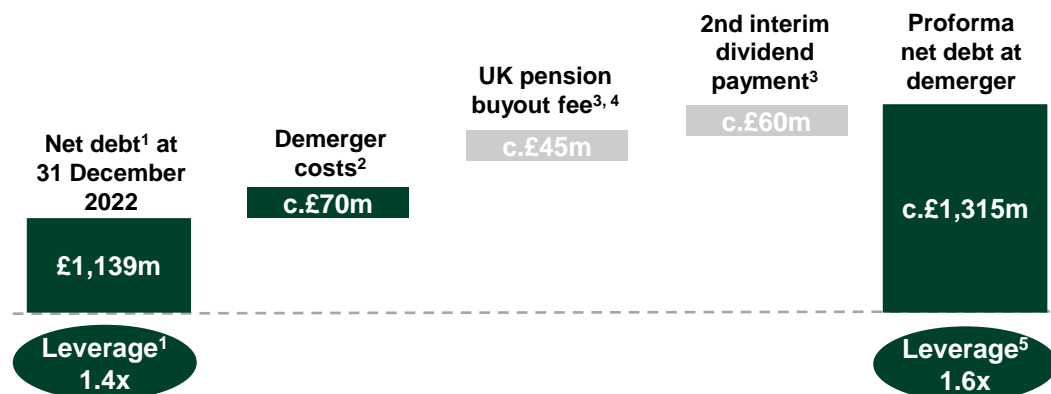


EBITDA³ margin



4. Net debt¹ and leverage¹: both businesses sensibly positioned

Proforma net debt at demerger



Proforma net debt of the combined Group at demerger is expected to be c.£1,315 million; c.1.6x leverage⁵

Melrose (Aerospace)

c.£0.45bn
Net Debt

c.1.7x
Leverage⁵

Dowlais⁶

c.£0.85bn
Net Debt

c.1.5x
Leverage⁵

Melrose (Aerospace) keeps c.£0.45 billion of net debt; c.1.7x leverage⁵
Dowlais⁶ opens with c.1.5x leverage⁵; £0.85 billion of net debt

1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance
2. Included in the Melrose proforma net debt shown in the demerger circular
3. Not included in the Melrose proforma net debt shown in the demerger circular, but announced post year-end
4. Agreed a buyout of one of the two UK Pension Plans within Aerospace, for c.£45 million, with a pension annuity provider (more details included in the appendix)
5. Leverage per the new bank facility documents, calculated using the last twelve months adjusted EBITDA to 31 December 2022, including proforma central costs
6. Comprises the Automotive, Powder Metallurgy and Hydrogen businesses

5. Interest and adjusted¹ tax rates

Other information

	<u>Melrose (Aerospace)</u>	<u>Dowlais²</u>
Interest cost for the new bank facilities	c.5.5% ³	c.5.5% ³
Adjusted ¹ tax rate	c.21%	c.24%



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Full year results: Group

Group highlights and cash generation

Highlights

Continuing operations	Adjusted ¹ results		Statutory results	
	2022 £m	2021 ² £m	2022 £m	2021 ² £m
Revenue	8,191	7,263	7,537	6,650
Operating profit/(loss)	480	317	(236)	(493)
Profit/(loss) before tax	384	194	(307)	(660)
Diluted earnings per share	7.0p	3.1p	(5.4)p	(10.3)p
Net debt ¹	1,139	950	n/a	n/a
Leverage ¹	1.4x	1.3x	n/a	n/a
Dividend	2.325p	1.75p	n/a	n/a

Group

- Melrose traded ahead of expectations in 2022 on sales growth, profit and cash generation
- The Group recorded an adjusted¹ earnings per share of 7.0 pence (2021: 3.1 pence), 126% higher than last year. The statutory loss per share was 5.4 pence (2021: 10.3 pence)
- Cash generation exceeded expectations, with a particularly strong second half performance, and therefore Group net debt¹ of £1.14 billion was lower than expected
- The timetable for the demerger of the Dowlais Group³ is on track, with completion expected on 20 April 2023, subject to shareholder approval on 30 March 2023. Documents are expected to be published for this tomorrow
- Melrose will hold an Investor Event for Aerospace on Wednesday 17 May in London
- A second interim dividend of 1.5 pence (50% increase on last year's final dividend) will be paid on 18 April just prior to the proposed demerger. This will replace the final dividend which would normally be approved at the 2023 AGM. The total full year dividend for 2022 is 2.325 pence (33% increase on last year)

Reconciliation between statutory and adjusted¹ results

Continuing operations £m	Total	Cash spent/ (received) 2022
Statutory operating loss	(236)	
Amortisation of intangible assets acquired in business combinations	458	-
Restructuring costs	144	136
Exchange movements not hedge accounted	87	-
Net release of fair value items	(26)	-
Other	53	(25)
Adjustments to statutory operating loss	716	111
Adjusted¹ operating profit	480	

Continuing operations	£m
Statutory revenue	7,537
Share of equity accounted investments	654
Adjusted¹ revenue	8,191

Statutory results

- The IFRS measure of results includes 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

Adjusted¹ results

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

Restructuring costs £m	Income Statement charge	Cash spent in year
Aerospace	88	51
Dowlais ²	54	83
Corporate	2	2
Total	144	136

Melrose Group cash generation

Free cash flow¹

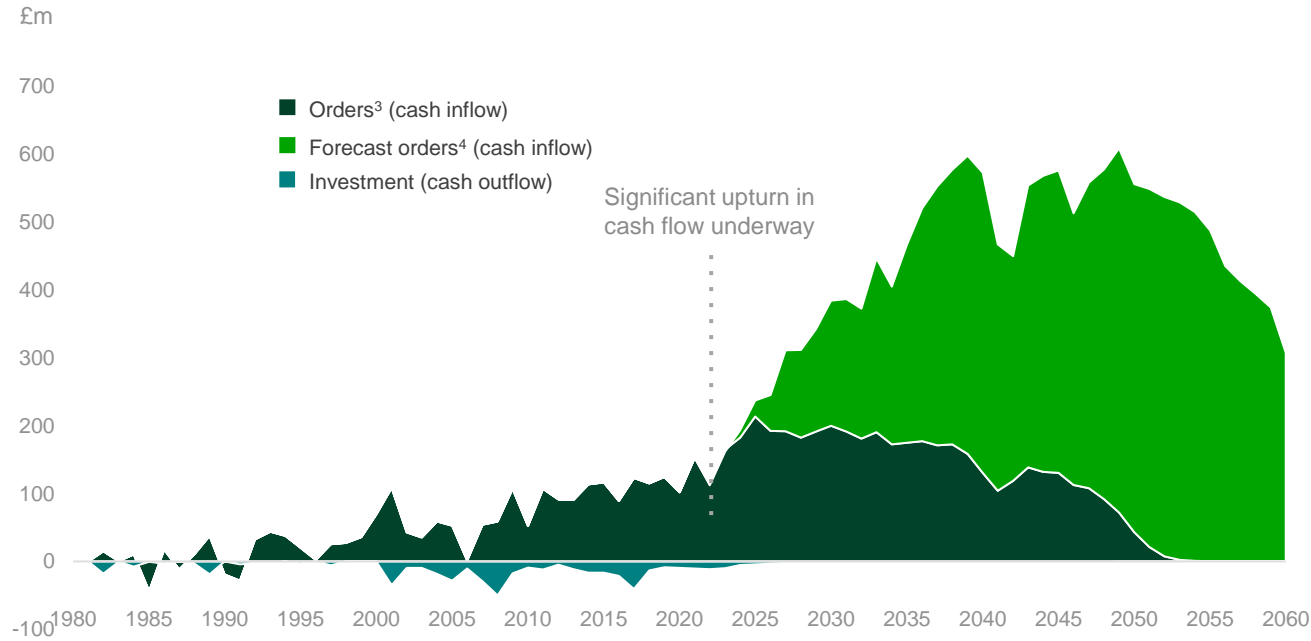
Cash flow £m	2022 Melrose ²	2022 Dowlais ²	2022 Group
Adjusted EBITDA ³	293	515	808
Lease obligation payments	(29)	(22)	(51)
Non-cash impact from loss-making contracts	(24)	(16)	(40)
Movement in working capital	(147)	(31)	(178)
Adjusted operating cash flow (pre-capex)	93	446	539
Net capital expenditure	(72)	(222)	(294)
Defined benefit pension contributions – ongoing	(23)	(36)	(59)
Trading net other	58	(15)	43
Dividend income from equity accounted investments	-	59	59
Restructuring	(53)	(83)	(136)
Cash generated before interest and tax	3	149	152
Net interest and net tax paid			(175)
Cash flow from operations discontinued in the year			15
Free cash flow¹			(8)
Adjusted free cash flow¹			128

Reconciliation of net debt ¹ £m	2022 Group
Net debt ¹ brought forward	(950)
Adverse foreign exchange and other non-cash movements	(61)
Net cash flow from acquisition and disposal related activities	461
Free cash flow ¹ in the year	(8)
Dividends paid to shareholders	(77)
Buy back of own shares	(504)
Net debt¹ at 31 December 2022	(1,139)

- Year end net debt¹ of £1.14 billion, better than expectations
- Particularly strong cash generation in the second half of the year

Melrose Aerospace: long-term cashflow dynamics

GKN Aerospace: Engines' estimated RRSPs cash profile^{1,2} from 1980 to 2060



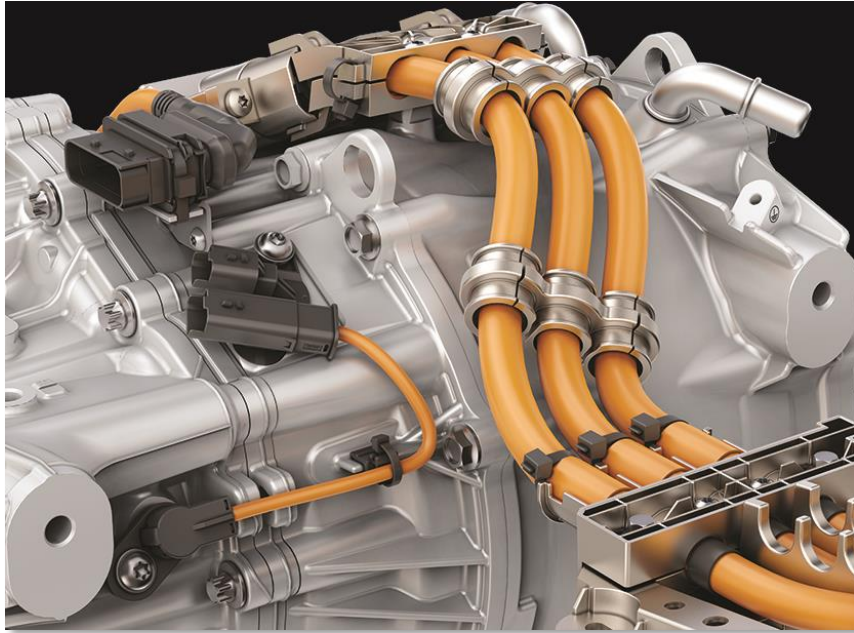
- Aerospace is in an extraordinarily attractive position for investors
- It is forecast to have strong and relatively predictable cash inflows which will grow materially
- There is limited future work required by Melrose (Aerospace) after sale of the engine to achieve these cashflows, so margins become high and are coming into view
- Relatively small amount of advance payments are received to complicate long-term cashflow dynamics
- The £18.5 billion¹ net cash inflow, as presented at the previous GKN Aerospace Capital Markets Event on 8 June 2022, is based on customer projections for engine sales with many already in flight
- The upcoming Aerospace investor event on 17 May 2023 will show an updated RRSP cash profile and give more detail on the full profit and cash potential



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Full year results: Businesses

Positive momentum and strong platform for value creation



Dowlais¹

64% of Melrose²

1. Comprises the Automotive, Powder Metallurgy and Hydrogen businesses
2. Based on 2022 adjusted revenue for all continuing businesses

Dowlais¹: overview

Adjusted² results pre-PLC costs

Continuing operations £m	2022 Revenue	2022 Operating profit/(loss)	2022 Operating margin	2021 Revenue	2021 Operating profit/(loss)	2021 Operating margin
Automotive	4,211	250	5.9%	3,745	172	4.6%
Powder Metallurgy	1,022	96	9.4%	975	91	9.3%
Other Industrial	1	(14)	-	-	(7)	-
Total	5,234	332	6.3%	4,720	256	5.4%

Automotive

- Sales growth of 9%, boosted by material surcharges and inflation recovery; volumes up 4% on 2021
- 38% increase of operating profit, margins up 130bps to 5.9% as benefits from business improvements are realised
- Very strong bookings – over £5 billion, book-to-bill ratio 128%, pure EVs at 42% of bookings

Powder Metallurgy

- Flat sales with material surcharges and inflation recovery; volumes down 5%
- Strong operational performance driving higher profits and improved profitability despite lower volume
- Good progress in electrification with new EV component wins and eMagnet development

- Strong cash generation from disciplined working capital management
- Hydrogen business in start-up phase with a healthy commercial pipeline and operating pilots across the globe

Strong margin progression from good operational performance and restructuring, inflation headwinds fully offset



GKN Aerospace

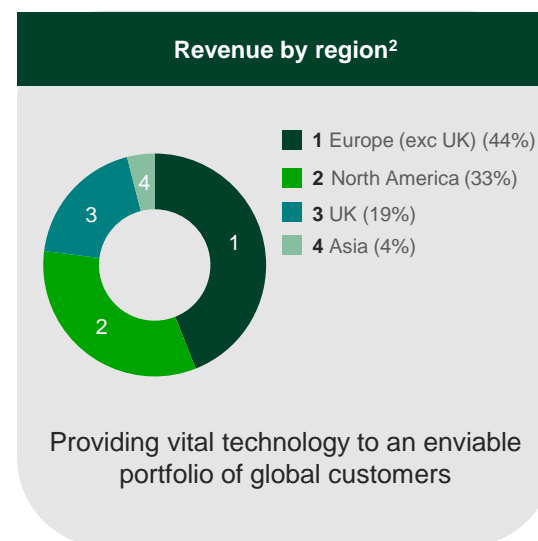
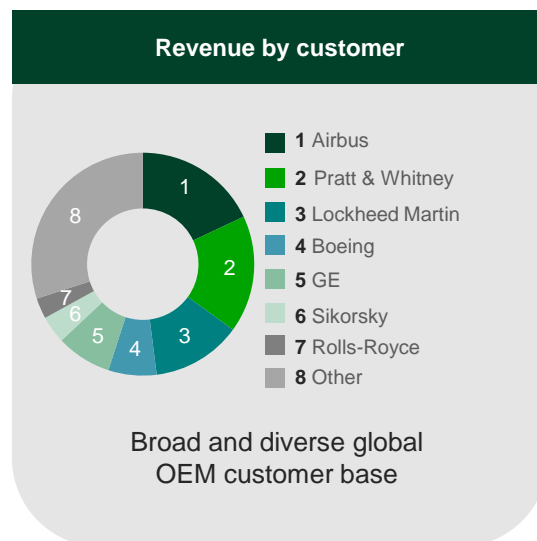
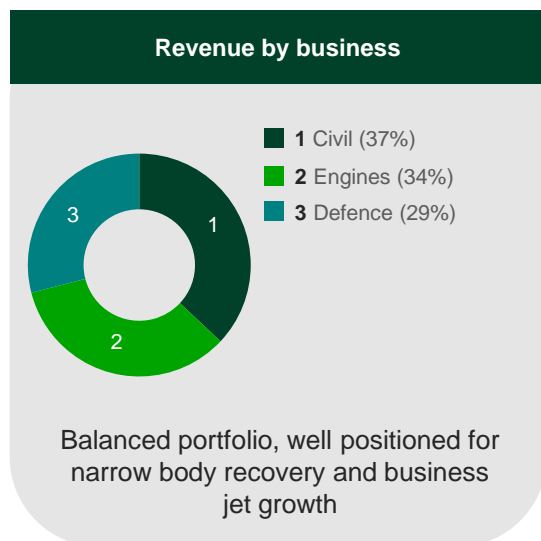
36% of Melrose¹

1. Based on 2022 adjusted revenue for all continuing businesses

Aerospace results: overview

£m	Adjusted ¹ results 2022	Growth vs 2021
Revenue	2,957	11%
EBITDA	330	19%
EBITDA margin %	11.2%	1.1ppts
Operating profit	186	51%
Operating margin %	6.3%	1.9ppts

- Sales up 11% versus 2021 and civil market recovery gaining momentum
- Strong H2 performance leading to 51% increase in 2022 adjusted¹ operating profit
- Continued excellent progress and performance in world-class Engines business, including RRSP growth
- Civil structures ramping up well to meet higher OEM build rates; Defence structures demand positive with further operational improvement to come
- All required major restructuring projects to reach 14%+ operating margin target are well underway, substantially complete by end of 2023



Aerospace results: 2022 highlights

Market recovery gained momentum

- Fast recovery in air travel; very strong demand for civil narrow body aircraft and engine maintenance
- Industry became supply constrained due to post-pandemic supply chain issues and labour shortfalls

Business improvements delivering benefits

- Operations: 23% improvement in customer quality; deliveries under tight control with reduction in arrears
- Restructuring: significant projects underway in Europe and North America; on track to be substantially complete in 2023

Good commercial progress across portfolio

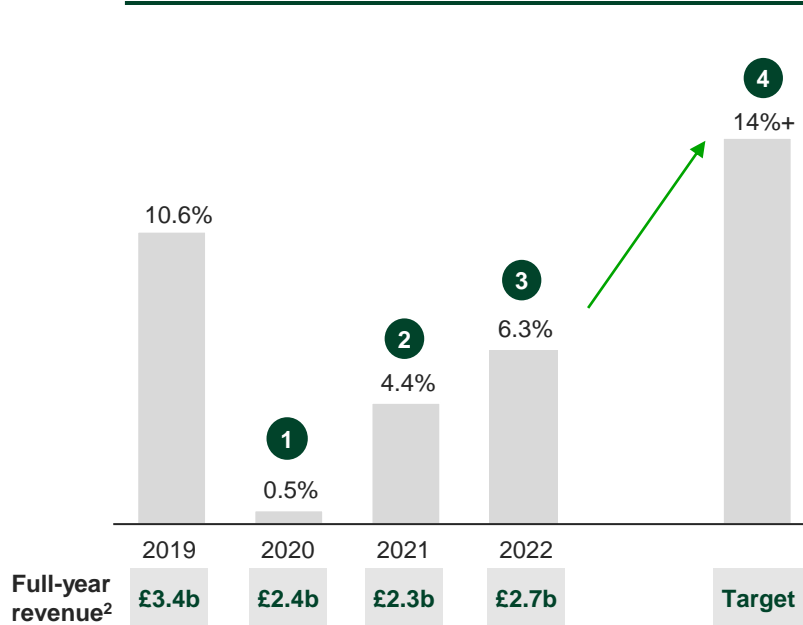
- Excellent additive manufacturing (AM) momentum in Engines, including new key OEM agreements and Permanova acquisition to increase technology capability and accelerate growth
- Continued expansion of design to build business e.g. new structural components on Gulfstream G800/G400; F-35 and Black Hawk multi-year extensions
- Ongoing customer dialogue to address non-core or unprofitable contracts

Ongoing investments in proprietary technology

- Excellent progress on breakthrough technologies for existing aircraft, including AM, fan blade repair and advanced composites
- Produced largest ever AM aerostructure component; launched new AM Centre of Excellence in Texas
- Major contributor to next generation aircraft including electric, hydrogen and eVTOL platforms (e.g. Eviation Alice and Vertical)

Aerospace: positive earnings momentum

Adjusted¹ operating margin (%)



1

Achieved breakeven on 27% lower sales

- Immediate actions to reduce costs based on lower demand

2

Delivered 390bps operating margin expansion on broadly flat sales

- Accelerated restructuring and focused cost reduction

3

Margin expansion of 190bps on 11% sales growth

- Ramping up production while overcoming challenging supply chain
- Extensive restructuring and operational improvements underway

4

Clear path to 14%+ operating margin target

- Increased confidence in market recovery, platform position and business improvements
- Encouraging pace of impacts expected to read through

On track to achieve margin target with increased pace

Aerospace: Leading global Tier 1 technology supplier

Onboard **90%**

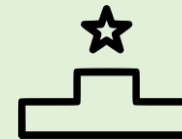


of commercial
aircraft made today¹



>70%

Revenue from
sole source
positions



95%

Industry leading
position
#1, 2 or 3 globally²



>10%

Sales CAGR
to 2025



~£18.5bn

Cash flows expected
from RRSPs³ alone

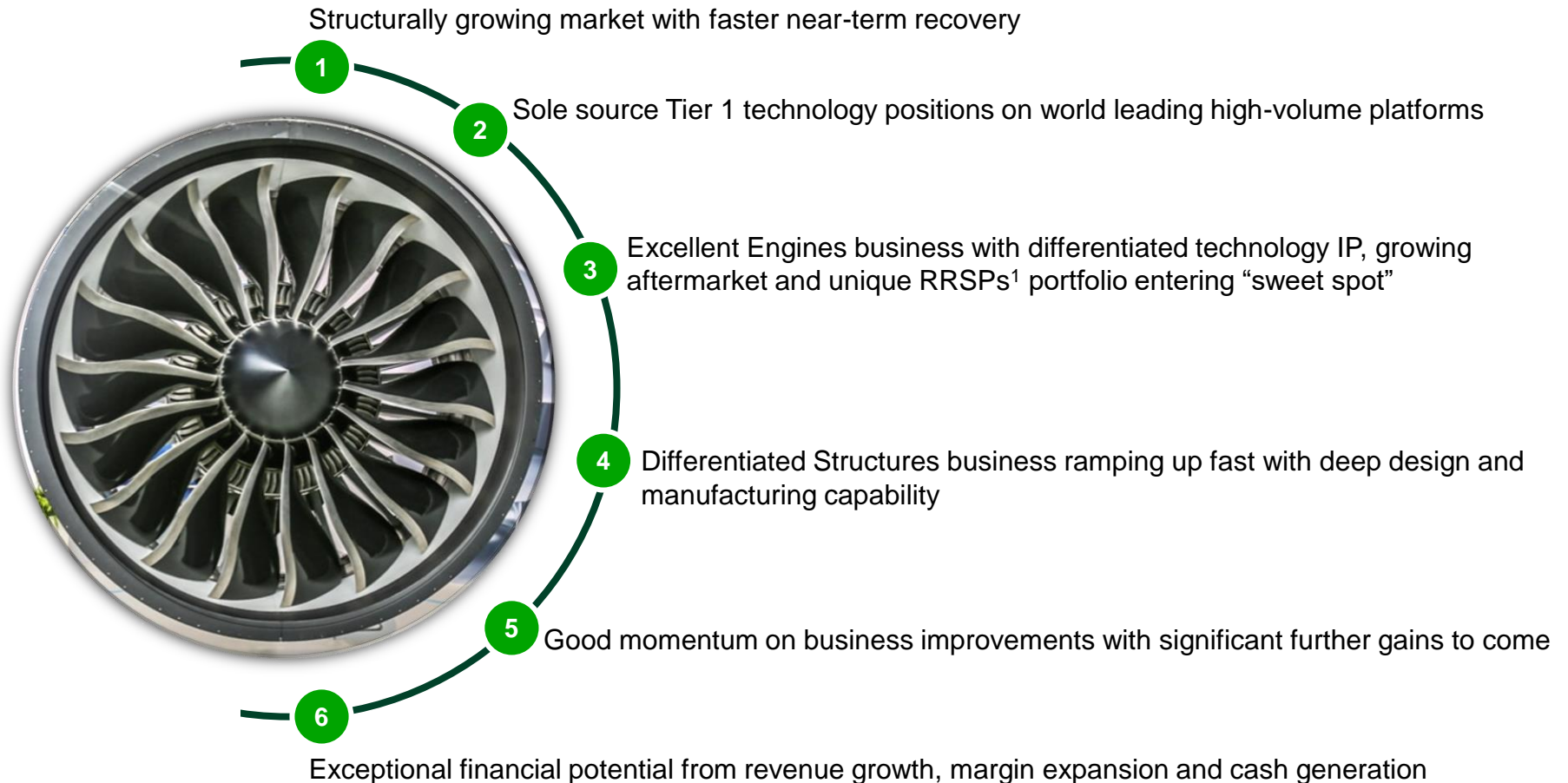


£100m

joint investment
in sustainable
technology⁴

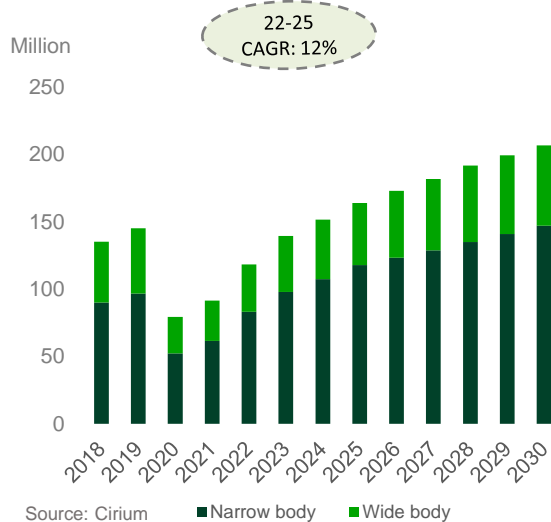
On track to significantly exceed expectations in 2023 and beyond

Aerospace: compelling outlook



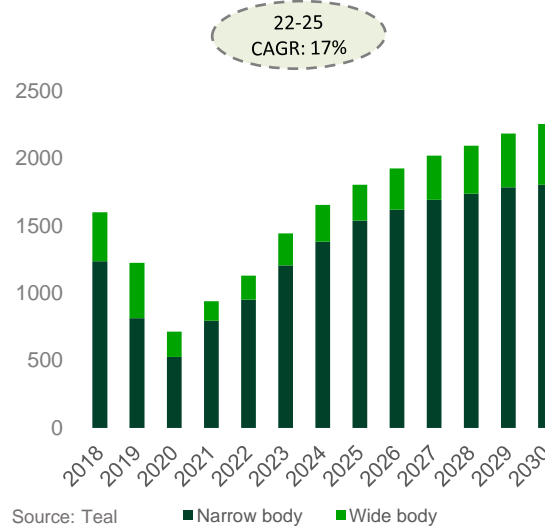
Aerospace outlook: structurally growing market

Flight hours returning strongly



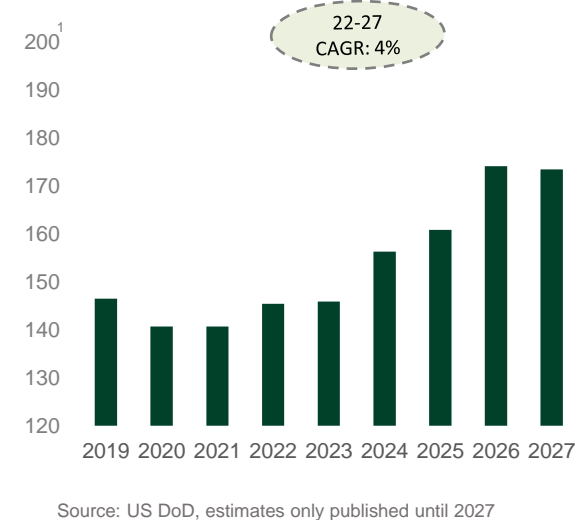
- Strong 'bounce back' in passenger demand in 2021/22
- Global air traffic ramping up further as China reopens H1 2023
- Recovery to 2019 levels now expected in late 2023/early 2024
- Airlines broke revenue records in summer 2022, despite struggling to meet demand due to aircraft and staff shortages

OEM deliveries ramping up fast



- Strong demand for new aircraft from airlines as travel ramps up on ageing fleet
- Combination of COVID and 737 MAX issues resulted in >2,500 fewer aircraft produced in last 4 years
- OEMs struggling to meet demand as supply chain and labour issues pace production ramp-up
- Backlogs range between 5 and 8 years with narrow body now ~11,000 aircraft

Defence spending increasing



- Forecast sustained growth in Western government defence spending
- Underpinned by heightened geopolitical uncertainty and near peer threat
- Political focus on increased NATO budget after years of under investment v GDP
- Strong demand for established platforms e.g. F-35 booking slots beyond 2030, plus new technologies

Aerospace outlook: established platform positions

GKN position on world's highest volume platforms

	Expected production to 2030 ¹	Engine position ²	Structures position ^{2,3}
Narrow body			
A320 ⁴	6,915	✓✓	✓✓✓
B737	4,315	✓	✓
Wide body			
A350	888	✓✓	✓✓
B787	798	✓✓	✓
Defence			
F-35	1,360	✓✓✓	✓✓✓
H-60 ⁵	417	✓	✓✓✓

Illustrative examples of content and value

Engine: P&W GTF (cornerstone of narrow body power)

- Powers A320/A220 aircraft, already on 1,100+ aircraft
- GKN supplies fabricated structures with engine mounts and is an established part of P&W repair network
- **4% and 7% RRSP position on two variants**

Civil structures: Airbus 320 (leading narrow body aircraft)

- Highest global backlog at ~6,000 aircraft
- GKN supplies wing and empennage structures, wiring and cockpit windows
- **Approx. £420k content per aircraft**

Defence structures: F-35 (leading global 5th gen fighter jet)

- Production slots booked from 17 nations out to 2030
- GKN supplies: metallic/composite structures, electric wiring, landing gear and canopies
- **Approx. \$2.5 million content per aircraft**

Design to build focus with >70% sole source portfolio

Aerospace outlook: exceptional RRSP contribution



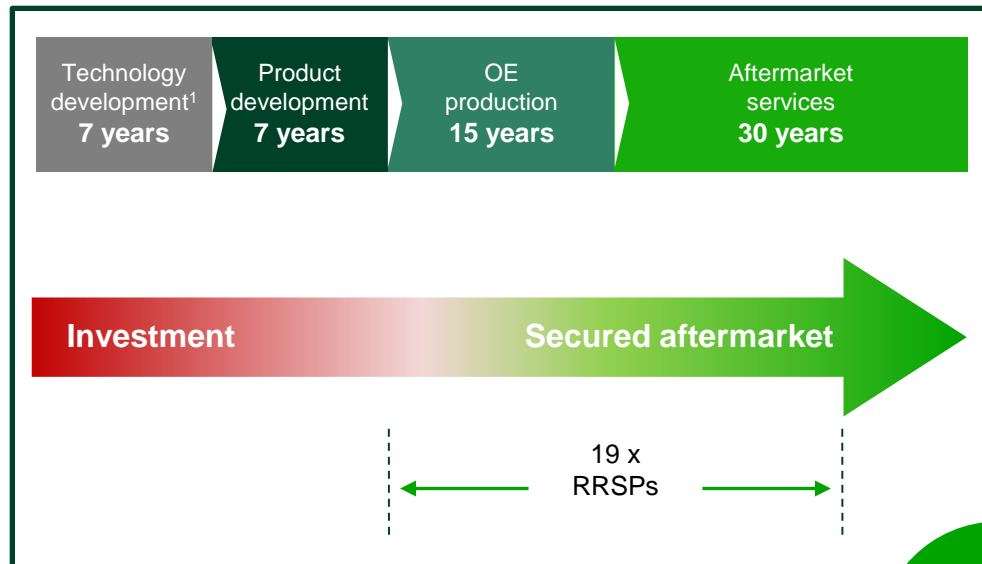
GKN has established portfolio of 19 RRSPs on leading engine platforms

	Revenue	Risk	Sharing	Partnership
RRSP structure	<ul style="list-style-type: none"> Revenue and cashflows shared through full engine programme lifecycle ~ typically 40 years+ Includes initial investment costs through to participation in profitable aftermarket 	<ul style="list-style-type: none"> Partners also share risk of engine through lifecycle Risks include initial development success, engine sales and engine performance/warranty 	<ul style="list-style-type: none"> OEM has majority share and selects technology partners to participate in engine programmes Typically percentage share of programme is linked to value of technology contribution provided 	<ul style="list-style-type: none"> Nature of engine development means deep partnership required as teams integrate complex engineering over many years OEMs only allow RRSP partnership with trusted, highly capable innovators with strong technology
GKN position	GKN's unique portfolio entering financial "sweet spot" following initial investment phase	Risks limited at this stage as engines stable with strong demand; outstanding risks reduce further over time	GKN programme shares are up to 7% on many of the world's leading aerospace engines	Deep trusted relationship with all major OEMs with ongoing technology work, including next gen concepts

RRSP portfolio is strong, diverse and well positioned

Aerospace outlook: exceptional RRSP contribution

RRSP portfolio entering “sweet spot” of engine lifecycles

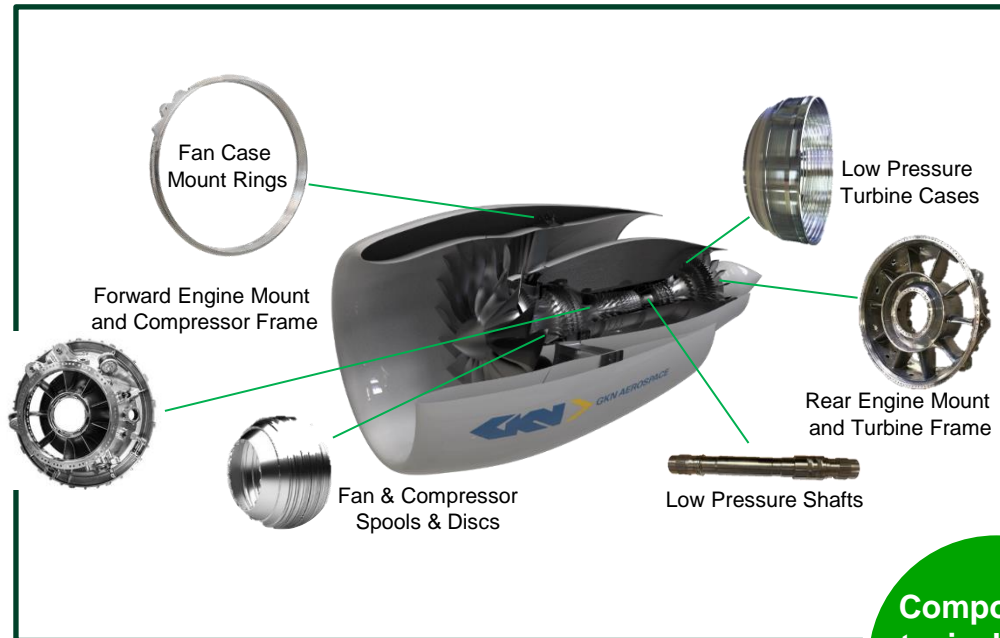


- All 19 RRSP engines are launched and operating successfully
- Initial heavy investment phases of technology and product development substantially complete
- Most RRSP engines are mature, stable and with proven performance
- GKN to benefit from increasing OEM aftermarket cashflows on engines already produced
- Strong firm and forecast bookings for engine deliveries for 20 years+²
- Aftermarket profits and cashflows to last 30 years+

17 of 19
RRSPs in cash
generation
phase

Aerospace outlook: exceptional RRSP contribution

GKN technology requires limited work after engine produced



- GKN components on RRSP engines typically last for full engine lifetime
- GKN technology requires limited work after engine produced
- On wing performance well proven on majority of GKN's portfolio of RRSP engines
- Outstanding risks mainly relate to potential technical issues and overall programme performance
- GKN uses conservative accounting assumptions to recognise unbilled work done

Components typically last full engine life

Aerospace outlook: business transformation well underway

	Completed	To follow	
Restructuring	<ul style="list-style-type: none"> 14 sites closed or sold where non-core/unprofitable Key project milestones in the USA, NL and Nordics Product Centres of Excellence launched 	<ul style="list-style-type: none"> All required projects to be substantially complete by the end of 2023 Completion of current programmes will result in footprint down from 52 to 33 manufacturing sites 	£50m¹
Operational excellence	<ul style="list-style-type: none"> Customer quality improved by 23% and arrears down in 2022 despite supply chain issues Lean Operating Model driving productivity gains Gains in working capital from improved debtor and creditor management 	<ul style="list-style-type: none"> Cost of poor quality to be further reduced as processes improve further Continuous improvement and benefits from productivity as volumes increase Further working capital gains from inventory reduction 	£50m¹
Commercial & Technology	<ul style="list-style-type: none"> Actions taken to address legacy onerous contracts and exit low margin work Focusing on higher margin “design to build” positions and growth in aftermarket and repair Selective investment in hydrogen, electric and eVTOL 	<ul style="list-style-type: none"> More benefits to follow from commercial actions, plus ongoing offsetting of inflation Procurement improvements and supplier consolidation Growth and margin expansion from technology insertion on existing platforms 	£45m¹

Aerospace outlook: summary

A compelling equity story...

- 1 Structurally growing market with faster near-term recovery
- 2 Sole source Tier 1 technology positions on world's leading high-volume platforms
- 3 Excellent Engines business with differentiated technology IP, growing aftermarket and unique RRSP portfolio entering "sweet spot"
- 4 Differentiated Structures business ramping up fast with deep design and manufacturing capability
- 5 Good momentum on business improvements with significant further gains to come
- 6 Exceptional financial potential from revenue growth, margin expansion and cash generation

...further details to follow at May CME¹

- Split of Aerospace by 'Engines' and 'Structures' with associated financials:
 - Growth, EBITDA and profit
 - Cash generation
 - Specific mid-term financial targets
- Further details on platform positions, technology stack and growth exposure
- Deep-dive on GKN RRSPs including programme lifecycles and economics
- Case studies on Engines' additive manufacturing and Structures' advanced composites
- Future technology and sustainability roadmaps



Buy
Improve
Sell

Appendices

Business results

Adjusted¹ results

Continuing operations £m	2022 Revenue	2022 Operating profit/(loss)	2022 Operating margin	2021 Revenue	2021 Operating profit/(loss)	2021 Operating margin
Aerospace	2,957	186	6.3%	2,543	112	4.4%
Dowlais ²	5,234	332	6.3%	4,720	256	5.4%
Central	-	(38)	-	-	(51)	-
Total	8,191	480	5.9%	7,263	317	4.4%

- Group results reflect very strong H2 performance; 2022 adjusted operating profit up 41%, margins increased 150bps
- Continued strong cash generation from improved profits and working capital inflow in H2

Aerospace

- Revenue up 11% as civil market recovery gains momentum
- Adjusted operating profit up 51% and margins increased by 190bps to 6.3%
- Improvements in product quality and progress made on restructuring with significant further gains to come

Dowlais²

- Revenue up 7%, boosted by pricing and material surcharges, volumes up 2%
- Adjusted operating profit up 24% and margins increased by 90bps to 6.3%
- Margin progression from good operational performance and restructuring, whilst fully offsetting inflation headwinds

Ongoing margin improvement as markets recover and improvement actions read through

Protecting members by further de-risking

Aerospace UK pension plan

Aerospace UK pension plan transferred to annuity provider	£m
Plan assets at 31 December 2022	485
Plan liabilities at 31 December 2022	(433)
Plan surplus at 31 December 2022	52

- Trustees of one of the two UK pension plans in Aerospace have signed a contract with a pension annuity provider to fully secure benefits for all members
- Cost to buyout the pension plan is c.£45 million
- Since acquiring GKN, in total Melrose has entered into contracts to buyout over £0.8 billion of pension liabilities with insurers

New bank facilities

Melrose Bank Facilities

c. £1.55bn ² multi-currency unsecured facility		
Guaranteed by various group companies		
3 year Term loan	3 year RCF	3-5 year RCF ³
US\$300m €100m	US\$250m	US\$550m €300m £300m
Opening margin on drawn debt		
130bps	130bps	155bps
Financial covenants		
Leverage	Max 3.5x	
Interest cover	Min 4.0x	

Dowlais¹ Bank Facilities

c. £1.8bn ² multi-currency unsecured facility	
Guaranteed by various group companies	
3 year Term loan	3-5 year RCF ³
US\$400m €100m £100m	US\$660m €450m £350m
Opening margin on drawn debt	
140bps	160bps
Financial covenants	
Leverage	Max 3.5x
Interest cover	Min 4.0x

Both facilities' terms based on tried and tested Melrose facility

Some helpful data for 2022

Continuing operations		Proforma post-demerger	
Item	Melrose	Melrose (Aerospace)	Dowlais ¹
Income Statement			
Adjusted ² revenue	£8,191 million	£2,957 million	£5,234 million
Adjusted ² operating profit (pre-PLC costs)	£518 million	£186 million	£332 million
Adjusted ² EBITDA ³ (pre-PLC costs)	£950 million	£330 million	£620 million
PLC costs	(£38 million) ⁴	(£46 million) ⁴	(£30 million)
Adjusted effective tax rate	c.22%	c.21%	c.24%
Interest cost of gross drawn debt	c.4.0%	c.5.5%	c.5.5%
Commitment fee on undrawn debt	c.0.4%	c.0.6%	c.0.6%
Other Interest:			
Amortisation of financing fees	(£10 million)	(£5 million)	(£5 million)
Pension	(£5 million)	Nil	(£5 million)
Leases	(£9 million)	(£3 million)	(£6 million)
Unwind of discount	(£2 million)	(£1 million)	(£1 million)
Non-controlling interest charge	(£5 million)	Nil	(£5 million)
Cash Flow			
Depreciation:			
Owned assets	£360 million	£123 million	£237 million
Leased assets (pre-PLC)	£45 million	£21 million	£24 million
Equity accounted investments	£27 million	Nil	£27 million
Total depreciation ³	£432 million	£144 million	£288 million
Net capital expenditure	(£294 million)	(£72 million)	(£222 million)
Restructuring	(£136 million)	(£53 million)	(£83 million)
Defined benefit pension contributions	(£59 million)	(£23 million)	(£36 million)
Tax	(£80 million)	(£7 million)	(£73 million)
Adjusted ² operating profit from equity accounted investments	£78 million	Nil	£78 million
Dividend Income from equity accounted investments	£59 million	Nil	£59 million