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Melrose Industries PLC
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MELROSE INDUSTRIES PLC

AUDITED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2024

Strong 2024 performance, 2025 guidance confirmed, new five-year targets launched

Melrose Industries PLC ("Melrose", the "Company" or the "Group"), the aerospace technology group, today announces its audited results for the year ended 31 December 2024.

- Strong 2024 performance with profit at the top end of expectations despite industry-wide supply chain issues
- Guidance for 2025 confirmed with continued profit growth, completion of transformational restructuring and substantial positive free cash flow[1]
- New five-year targets launched, with high single digit ("HSD") revenue CAGR to c.£5 billion, adjusted operating profit[1] of £1.2 billion+ and free cash flow[1] (after interest and tax) of £600 million
- Targets deliver >20% adjusted diluted EPS[1] CAGR from 2024 to 2029, with free cash flow[1] set to more than quadruple from 2025 to 2029.

	Adjusted[1] results		**Growth[2]**	**Statutory results**	
	2024	2023		**2024**	2023
Continuing operations	**£m**	£m	%	**£m**	£m
Revenue	**3,468**	3,350	**11%**	**3,468**	3,350
Aerospace operating profit	**566**	420	**38%**	**177**	17
Operating profit/(loss) (post-PLC costs[3])	**540**	390	**42%**	**(4)**	57
Profit/(loss) before tax	**438**	331	**36%**	**(106)**	(8)
Diluted earnings per share (p)	**26.4**	18.7	**45%**	**(3.7)**	0.1
Dividend per share (p)	**6.0**	5.0	**20%**	**6.0**	5.0
Net debt[1]	**1,321**	572		**n/a**	n/a
Leverage[1]	**1.9x**	1.1x		**n/a**	n/a

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

"Melrose delivered a strong 2024 performance driven by robust industry demand, ongoing aftermarket growth and the impact of extensive business improvement actions. This was achieved against the backdrop of ongoing industry-wide supply chain issues.

We are well positioned for further progress in 2025, including the expected delivery of substantial free cash flow, despite ongoing industry challenges. We are also excited to launch our five-year targets that include more than 20% annual EPS growth through the period and free cash flow generation of £600 million in 2029. Our confidence in future growth is underpinned by market leading technologies and established positions on all the world's major aircraft."

Highlights[2]

- Revenue of £3.47 billion, 11% like-for-like growth on the prior year (6% including exited businesses)
- Adjusted operating profit[1] (pre-PLC costs[3]) up 38% at £566 million (2023: £420 million), at top end of expectations
- Adjusted diluted EPS[1] up 45% at 26.4p compared to 18.7p in 2023. Statutory diluted EPS of (3.7)p (2023: 0.1p)
- Net debt[1] of £1.32 billion, representing leverage[1] of 1.9x, in line with our expectations and within our target range of 1.5-2.0x. The Group generated £71 million of positive free cash flow[1] (after interest and tax) in the second half of the year.
- Final dividend of 4.0 pence per share proposed, an increase of 14% on the prior year, with a total dividend of 6.0 pence, up 20% on 2023
- Strong operational progress with further improvements delivered in safety, customer quality and commercial contracts.

Divisional highlights[2]
Engines

- Revenue growth of 26% to £1.46 billion with adjusted operating profit[1] up 40% to £422 million and adjusted operating margin[1] up to 28.9%
- Adjusted operating profit[1] included £274 million of total variable consideration from our leading portfolio of engine risk and revenue sharing partnership ("RRSP") contracts[4], in line with our expectations
- Engines performance driven by strong aftermarket growth of 32%, especially in defence and repairs, plus the positive impact of ongoing business improvement initiatives
- Pratt & Whitney GTF fleet management plans on track with growing partner confidence on long-term position and programme performance
- Additive fabrication operational scale-up and commercial discussions with all engine OEMs progressing at pace; ongoing investment as previously announced provides excellent long-term growth opportunities.

Structures

- Revenue growth of 3% to £2.01 billion (down 5% including exited businesses), reflecting defence growth offset by previously highlighted civil destocking and lower than expected OE production rates
- Adjusted operating profit[1] of £144 million with margins increasing to 7.2% from 5.1% in 2023; driven by benefits from restructuring and business improvements
- Good commercial progress including three non-core disposals and defence repricing 61% complete (on track for 85% target by the end of 2025)
- Strong operational step up, with zero lost time accidents in our civil business and quality escapes reduced by 18% across our core Structures division.

Guidance for 2025 full year[5]

- Revenue range of £3.55 billion to £3.70 billion, with growth moderated by ongoing industry-wide supply chain issues with greater impact on Structures
- Adjusted operating profit[1] (pre-PLC costs[3] of £30 million) guidance maintained at the midpoint of £700 million[6] (range £680 million to £720 million), reflecting an adjusted operating margin[1] of >19%
- Our guidance includes variable consideration of between £320 million and £360 million depending mainly on OEM build rates of certain engine programmes
- Substantial free cash flow[1] generation of >£100 million (after interest and tax) expected, representing an important inflection point as our transformational restructuring programme nears completion
- In line with historical and industry seasonality, profit and cash will be second half weighted.

Five year targets[5, 7]

- Group revenue of c.£5.0 billion in 2029, reflecting HSD CAGR based on: current customer build rate assumptions being met by 2029; industry flying hours forecasts; and FX at US 1.25
- Adjusted operating profit[1] of £1.2 billion+ at Group level (post-PLC costs) at a margin of 24%+, including c.£500 million of variable consideration; adjusted diluted EPS[1] CAGR of >20%
- Group free cash flow[1] of £600 million (after interest and tax) to be generated in 2029, driven by adjusted operating profit[1] growth, maturing portfolio of 19 RRSPs, the resolution of the GTF powder metal issue, the completion of restructuring and ongoing business improvements
- Leverage[1] to remain below 2x during the period, with increasing headroom providing capital allocation optionality, including potential future share buybacks[7].

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Conference Call Details - 10.30am, Thursday 6 March

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United Kingdom (Toll-Free): +44 800 358 1035

Global Dial-In Numbers

Access Code: 788459

View webcast

Melrose Industries PLC

Melrose is an industry-leading global aerospace technology business, listed in the UK, with more than 30 manufacturing sites across 12 countries. We are a 'Super-Tier 1' partner to all airframe and engine OEMs, with design-led solutions on-board 100,000 flights a day, across all of today's high-volume aircraft. We operate through two market-leading divisions, Engines and Structures, across both original equipment and the aftermarket, covering the civil and defence markets. Every day we deliver flight-critical components including full engine systems and structures; major airframe components such as wings and empennages; and full aircraft electrical wiring systems. We have an excellent track record of delivering value for both customers and shareholders, and have set out an exciting growth plan ahead.

Notes

1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance
2. Like-for-like growth is calculated at constant currency against 2023 results and, for revenue, excludes exited businesses
3. PLC costs are also referred to as corporate costs (see note 3 to the Preliminary Announcement)
4. More information on our risk and revenue sharing partnerships can be found in our RRSP booklet
5. Assuming US = 1.25 average exchange rate
6. Guidance does not include any impact from potential tariffs or trade restrictions
7. No further share buybacks, beyond the completion of our existing commitments, are assumed within the 2029 targets

CHAIRMAN'S STATEMENT

I am pleased to report our second set of annual results since Melrose's transformation into a world-leading aerospace technology business.

CALENDAR YEAR 2024

The Group enjoyed another strong year in 2024, delivering profits at the top end of expectations. We achieved revenue for the Group of £3,468 million (2023: £3,350 million), with an adjusted operating profit of £540 million, up 42% versus 2023.

With our strategy now established as a long-term global aerospace technology business, our extensive restructuring set to complete in 2025, and a strong, experienced senior management team in place, your Board is confident that Melrose is on track to realise its full potential. This includes the continued commercialisation of our leading technology and capitalising on the aerospace sector's strong structural and market fundamentals, including through our Engines aftermarket business, and leading platform positions in Structures.

These results demonstrate the Group's trajectory to achieving its 2025 financial targets, and today we are pleased to publish our new five-year targets. Further details are contained in the Chief Executive Officer's review and Chief Financial Officer's review. I would like to thank all employees for their efforts this year.

PURPOSE, STRATEGY AND SUSTAINABILITY

Our strategy remains underpinned by the principles on which Melrose was founded, namely a sharp focus on value creation, driven by operational and financial improvement over the longer-term. Our positive trajectory is built upon leading positions on all of the world's major aircraft platforms, strong organic growth prospects, and attractive opportunities to differentiate our business further through cutting edge proprietary technology that is already shaping the future of flight.

The long-term decarbonisation of the aerospace sector remains a priority, and we continue to deploy our innovation and technology leadership to deliver commercial solutions that ultimately contribute to cleaner air travel and generate superior financial returns for our shareholders. Further information about the commercial and technological opportunities being generated by our market-leading additive fabrication capabilities can be found in our Chief Executive Officer's review and Engines divisional review. Our sustainability performance continues to be recognised by several key benchmarking agencies, including: MSCI which upgraded our ESG rating to 'AA' making us a leader among our aerospace and defence industry peers; CDP which ranks us 'B' for Climate Change and Water Security; and Sustainalytics, ISS and EcoVadis which each rank Melrose among the top decile of aerospace businesses.

DIVIDEND AND SHARE BUYBACKS

In line with our policy to grow dividends, the Board proposes to pay a final dividend of 4.0 pence per share for 2024, making a total dividend for the year of 6.0 pence per share. The final dividend will be paid on 9 May 2025 to those shareholders on the register at 28 March 2025.

During the year, the Company completed its £500 million share buyback programme, and commenced a further £250 million share buyback programme that is due to complete in March 2026.

BOARD MATTERS

Having served your Board as Non-executive Director since 2011, this is my final statement as Non-executive Chairman before I step down from the Board on 31 March 2025 as previously announced. I am pleased to have worked closely alongside my successor, Chris Grigg, since his appointment as Non-executive Director and Chair designate on 1 October 2024, to ensure an orderly transition to his appointment as Non-executive Chairman of the Board on 30 March 2025. I am confident that under Chris's oversight the Company and its management team will continue to thrive, and that the business will benefit from his seasoned FTSE 100 executive and non-executive experience, including his aerospace sector experience as Non-executive Director and Senior Independent Director of BAE Systems. Chris also has a strong track record in promoting diversity and inclusion at Board and senior management level, and serves as a member of the FTSE Women Leaders Review's independent steering body. Under Chris's leadership, your Board will continue to bolster, support and challenge management in delivering on stakeholders' expectations, and in pursuing the business's ambition to be its customers' most trusted and sustainable partner.

To facilitate completion of the Non-executive Chairman succession process, continued succession planning and the development of a diverse Board, the Nomination Committee and the Board have approved a short extension to David Lis's tenure as Senior Independent Director up to the end of 2025.

In addition to Chris Grigg, Ian Barkshire joined the Board as Non-executive Director on 1 October 2024. Ian brings a strong science and technology background and a track record of value creation and executive leadership having previously served as Chief Executive Officer of Oxford Instruments plc.

I would like to thank my fellow Directors, both past and present, and the senior management teams with whom I have had the privilege of working. Melrose has created significant value for shareholders and successfully transformed its strategy to enable the Group's current and future success as a world-leading aerospace business.

Justin Dowley

Non executive Chairman

6 March 2025

CHIEF EXECUTIVE OFFICER'S REVIEW

OVERVIEW

Melrose delivered a strong performance in 2024. During the year, we continued our growth trajectory as a focused aerospace technology business while building the foundations for future value creation.

Our full year profits for 2024 were at the top end of expectations, despite industry supply chain issues that constrained aircraft production. The Engines division outperformed with continued strong aftermarket growth, and the Structures division made good progress with its extensive improvement actions reading through. Across the Group, our relentless focus on safety and quality delivered an 80% reduction in lost time accidents. We also progressed with our proprietary technology developments, most notably with additive fabrication which is now in demand from all engine OEMs.

We have good momentum going into 2025 and are confirming our guidance to deliver the £700 million adjusted operating profit target we set in May 2023, notwithstanding the ongoing industry supply chain challenges. We expect margins to continue to increase above the target range driven by positive aftermarket mix and the full year benefits of business improvements completed in 2024. In the year ahead we will complete our transformational multi-year restructuring programme and expect to reach an important inflection point in cash generation, with our guidance for substantial free cash flow after interest and tax.

Looking forward, we are pleased to announce new five-year targets. These targets are built on our strategy to deliver organic growth, primarily from well established positions on the world's leading aircraft and engines. Our transformation programme has focused Melrose where we have proprietary technology and high quality of earnings, and we are also now serving our global customers from a leaner operating base. This position, coupled with structural aftermarket growth and record order backlogs for new aircraft, gives us confidence to target high single digit annual top line growth leading to c.£5 billion of revenue in 2029 with expanding margins delivering £1.2 billion+ of adjusted operating profit. Our cash generation is set to increase dramatically over the period, to £600 million (after interest and tax) in 2029, due to profit growth, increasing aftermarket cash flows and current one-time costs falling away.

Overall, we are well placed with a unique position in a structurally growing market and with a clear strategy to deliver significant value. Our focus is therefore on executing our plan while navigating what are likely to remain turbulent times in our industry and more widely.

RESULTS[2]

Overall Group revenue rose 6% in 2024 to £3,468 million, with like-for-like sales up 11% taking into account exited businesses. This was principally driven by strong Engines growth of 26%, especially across parts repair, defence aftermarket and our RRSP portfolio. Structures revenue growth of 3%, on a like-for-like basis, was achieved against a backdrop of industry-wide supply constraints and the previously announced customer destocking. Group revenue would have been £66 million higher if foreign exchange rates had been at our guided US 1.25 in 2024.

Group adjusted operating profit rose 42% to £540 million, with margins up 4.0ppts to 15.6%, driven by revenue growth, business improvements and aftermarket mix. At a divisional level, Engines delivered margins of 28.9%, exceeding its original 2025 margin target of 28% a year ahead of plan, with Structures on track at 7.2% despite lower than expected OEM build rates. Group adjusted operating profit would have been £12 million higher if foreign exchange rates had been at our guided US 1.25 in 2024.

The Group achieved positive free cash flow in the second half of 2024 with full year cash flow and net debt in line with expectations. Net debt stood at £1,321 million at 31 December 2024. This reflected leverage of 1.9x after funding growth, restructuring, dividends and share buybacks. The share buybacks in 2024 included completing the £500 million programme announced in September 2023 and starting the £250 million programme announced in August 2024.

HIGHLIGHTS

Melrose is a 'Super-Tier 1' partner with design-led solutions deeply embedded in our customers' aircraft and engines, often for the life of the programme. We have an excellent track record of value creation and in 2024 we set out a clear strategy to continue this by delivering growth from existing platforms, expanding in new targeted opportunities, and contributing to next-generation aircraft. We made encouraging progress in all these areas.

Our Engines business continued to deliver profitable growth from both the civil and defence aftermarket as flight hours for in service engines increased. In the civil engine repair business, we expanded both our LEAP fan blade and our Geared Turbofan ("GTF") repair capabilities, and opened our new San Diego repair facility to increase capacity for the growing demand. Engines also signed a decade-long OE production contract with Safran to supply LEAP-1A shafts from Norway and support the ongoing global ramp-up. In Structures, new commercial agreements were secured with Lockheed Martin to double our F-35 canopy production capacity by 2027, largely funded by the customer, as well as a multi-year contract renewal with Airbus to deliver the full A220 electrical wiring package. In parallel, long-running commercial negotiations with Boeing were successfully concluded with the sale of both our Orangeburg and St. Louis operations, and we also divested our non-core Fuel Systems business at the beginning of the year. With our defence repricing work well advanced, Structures is now a stronger, design-led business with a promising growth trajectory.

Our future technology development is focused primarily on our world-leading additive fabrication solutions, which is in demand from all major engine OEMs. We have commenced our investment of up to £300 million over five years to industrialise this breakthrough technology and our first dedicated factory is already building out its early production capacity. This is a highly differentiated capability, providing our customers with an alternative manufacturing solution for large-scale, flight-critical components offering much lower lead times, higher quality and less waste. We reached a landmark in 2024 by delivering the first demonstrator case produced wholly by additive fabrication for testing within the next-generation CFMI RISE technology programme. Elsewhere, long-term production contracts have been secured with Pratt & Whitney, with FAA approval secured and flight-critical additive fabrication component deliveries now well underway, and with GE Aerospace, where development work is progressing well. Our Global Technology Centres continue to explore the potential for additive fabrication across large-scale aerostructures in the future.

In parallel we worked closely with our customers to ensure our participation on aircraft platforms of the future. In Engines, we signed an agreement with the Swedish Defence Materiel Administration ("FMV") to explore future fighter propulsion systems, while also progressing work on the next-generation GTF technology development programme with Pratt & Whitney. In Structures, we continued our partnership with Airbus on future wing development with Sustainable Wings ("SusWingS"), the successor to the Wing of Tomorrow programme.

We also delivered further operational gains in 2024. Safety and quality performance both improved, with 80% fewer lost time accidents and 14% reduction in cost of poor quality versus 2023. Our customer deliveries also stayed largely on track, despite the industry-wide supply chain issues. We improved productivity through the year, but progress was hampered by industry supplier shortages. Inventory levels were also higher due to our businesses holding more safety stock and work-in-progress to protect customer deliveries.

MARKET UPDATE

Melrose has embedded positions on all leading commercial narrowbody and widebody aircraft, as well as on many of the world's leading defence platforms. Our Engines portfolio covers all major OEMs and in Structures we have significantly more content with Airbus than Boeing. Group revenues are split 72% civil to 28% defence work.

Our Engines business leads the industry in the fabrication of advanced engine structures, cases and frames. We are a risk and revenue sharing partner on 19 engine programmes, covering around 70% of major civil aircraft flight hours globally. We also operate at an OEM level, holding the military type certificate for the RM12 engine, powering the Gripen fighter jet. In Structures, we have design-to-build expertise in metallic and lightweight composite components, as well as electrical wiring interconnection systems ("EWIS") and transparencies for both civil and defence aircraft.

Market demand remained strong in 2024, with the commercial aircraft order backlog and global flight hours continuing to rise. Domestic and international passenger air traffic sales were also up, while passenger load factors climbed towards 85%, with several record months in the year. Total flight hours finished the year 8% above 2023 levels, while flight hours across our RRSP portfolio increased by 5% versus the same period.

Industry-wide operational challenges persisted in 2024. Production capacity and raw material shortages continued to restrict new aircraft deliveries, with Airbus lowering build rates during the year and Boeing also facing quality and industrial relations challenges. The continued constraints on new aircraft production fuelled record order backlogs, which now stand at around a decade for narrowbody aircraft and six years for widebody. These dynamics, while challenging on the original equipment side, will continue to boost our

Engines aftermarket performance, as existing aircraft fly for longer, requiring additional engine shop visits and more spares. In the longer-term, an expected continuation of flying hour increases coupled with order backlogs stretching into the 2030s underpins Melrose's growth for many years to come.

During 2024, we continued to work closely with Pratt & Whitney and other partners to manage the powder metal issue impacting some GTF engines. Solid progress has been made, with off-wing inspections and Block D upgrades delivered in line with Pratt & Whitney's global fleet management plan. The GTF remains fundamentally an excellent engine and its fuel consumption and durability will be enhanced further by the Advantage upgrade, planned for launch in 2025.

Within defence, global tensions and conflict have continued to drive up military spending. In the US, the National Defence Industry Strategy has set out its path to increase security through a more resilient supply chain. Across Europe many countries have pledged to increase defence spending to 2.5% of GDP, with some countries calling for this to be pushed to as much as 5%. We are well-placed to support this trend with our established footprint both in the US and across Europe, in the UK, Sweden, the Netherlands and Germany.

CAPITAL ALLOCATION

At our half year results announcement in August 2024, we set out Melrose's capital allocation approach in support of our long-term growth strategy. This policy is focused on two key principles: delivering sustained profitable and cash generative organic growth, while rewarding shareholders through capital returns.

During the year we accelerated our investment to increase operational capacity and automation, especially within our high-margin Engines business. This will enable us to deliver the OEM ramp-up and capture the strong growth in our current markets. We will also direct capital into new business opportunities where our proprietary technologies can deliver an internal rate of return above 20%. We have already begun investing up to £300 million over five years specifically into our industry-leading additive fabrication capabilities, with the associated revenue building progressively and a target of more than £50 million incremental annual profit by the end of the decade. We will also continue to grow our business in other targeted areas where we have technology leadership and strong demand. Often these opportunities can be pursued with a 'capital light' approach through customer funding, with recent examples including the F-35 canopy ramp up, eVTOL development and civil expansion in China. A leverage target ratio between 1.5 to two times will provide flexibility for future opportunities.

Alongside our organic investments, the £500 million share buyback programme announced in September 2023 concluded in September 2024 and was extended by a further £250 million programme through to March 2026, thereby aligning programme timing with full year results announcements. These programmes highlight the Board's confidence in the future growth and cash generation prospects of the Group.

Our technology-led growth strategy, combined with our disciplined approach to capital allocation, offer attractive returns for many years to come.

SUSTAINABILITY

During the year we announced a new set of 2025 sustainability targets for the Group, after achieving the majority of our original goals ahead of schedule. The ambitious new targets focus on three key areas: reducing emissions from our business; conserving the planet's natural resources; and supporting aviation's route to Net Zero by 2050. Detailed updates on our performance can be found in our upcoming Group Sustainability Report.

Melrose's progress was recognised externally in 2024, with our MSCI ESG rating upgraded from A to AA. Our 2025 Group sustainability targets and our Net Zero 2050 targets have been validated by the Science-Based Targets initiative ("SBTi"). In addition EcoVadis, a global leader in sustainability assessments rated us among the top 10% of businesses in 2024.

As a Super-Tier 1 partner, we recognise that the greatest impact we can have on aviation's path to reduce emissions is by developing breakthrough technologies for more sustainable flight. This work continued across all our businesses in 2024. For example, in Engines our optimised intermediate compressor case was successfully ground-tested as part of Rolls-Royce's full power UltraFan™ trial, which ran on 100% sustainable aviation fuel. In Structures, we also reached milestones in the electrically powered advanced air mobility sector, delivering the first complete composite wings and booms for Supernal's SA-2 eVTOL, while strengthening our partnership with Joby on thermoplastic structures. Our lightweight composite expertise was also recognised with an Aerospace Technology Institute award for the collaborative ASCEND project, to develop high-rate and sustainable aerostructures for civil aircraft. Finally, our ground-breaking work on hydrogen aircraft propulsion continued at pace, with the world's first cryogenically cooled hydrogen electric motor demonstrator delivered for testing and plans for a 2MW propulsion system.

OUTLOOK

As a result of our transformational multi-year restructuring programme, Melrose is increasingly focused on design-led technology where we have established proprietary or market-leading positions on the world's leading aircraft. With structural demand from record order backlogs and increasing aftermarket requirements set to continue, we are well placed to deliver further profitable growth and a step change in cash generation in the years ahead.

For 2025 we are confirming our guidance of £700 million adjusted operating profit (pre-PLC costs), consistent with our May 2023 targets. Our adjusted operating margin is expected to exceed 19%, driven by positive aftermarket mix in Engines, ongoing operational improvements, and the full year impact of low margin disposals in 2024. The Group free cash flow is set to increase to >£100 million (after interest and tax) driven by higher profits, lower restructuring costs and improvements in trade working capital efficiency. As usual we expect cash generation will be second half weighted. Our 2025 guidance does not factor in the impact from trade restrictions or tariffs.

Given our momentum and the strong demand outlook, we are pleased to announce new five-year targets. These are underpinned by our clear growth strategy which centres on delivering the ramp up in volumes expected on our existing platforms. Our targets include sustained high single digit top-line growth to c.£5 billion of revenue in 2029, delivering £1.2 billion+ of adjusted operating profit. The corresponding 5ppts uplift in operating margins to 24%+ is driven by operational leverage from higher volumes, positive portfolio mix (especially in Engines) and continued business improvements through the period. We expect cash generation from the Group to be transformed with £600 million of free cash flow (after interest and tax) in 2029. The building blocks for this increased cash flow are growing profits, the end of substantial restructuring costs in 2025, the GTF powder metal inspection programme completing in 2027 and the GTF programmes turning cash positive in 2028. The free cash flow generation will also be driven by working capital efficiencies, tightly managed capital expenditure and ongoing reductions in other cash flow items.

We have a clear path to delivering these targets based on the expected ramp up in production rates to publicised levels and our positive improvement trajectory. Overall, we are excited about the future prospects for Melrose and focused on delivering value for the benefit of all stakeholders in the years ahead.

Peter Dilnot
Chief Executive Officer
6 March 2025

DIVISIONAL REVIEW

ENGINES

Our industry-leading Engines division is a trusted technology partner to all global engine manufacturers, with differentiated products helping power around 90% of the world's major aircraft. It has significant diversification, across both civil and defence and original equipment and aftermarket. Its technology leadership, especially in additive fabrication, has earned it a unique position on both next-generation engine development programmes. Engines' revenue is well balanced across four core markets: long-term risk and revenue sharing partnerships (RRSPs); non-RRSP commercial contracts; repair; and government partnerships.

Engines adjusted results	**2024 £m**	**2023 £m**
Revenue	1,459	1,193
Operating profit	422	310
Operating profit margin	28.9%	26.0%

The Engines division delivered excellent results in 2024. Revenue was up 26% to £1,459 million supported by favourable end market dynamics, with aftermarket rising by 32% versus the prior year. Increasing shop visits and spare parts demand fuelled our engine repair performance, with strong defence aftermarket also driving growth. Our unique portfolio of 19 RRSPs continued to mature delivering profit growth and increased cash generation. During the year, the GTF inspection programme related to powder metal production issues gained traction and the programme partners, led by Pratt & Whitney, have retained previous guidance on the associated costs. There was also growth on the OE side, despite the industry's supply chain issues, with revenues up 19% versus 2023.

Adjusted operating profit was £422 million in the year, up from £310 million in the prior year. This resulted in an adjusted operating margin of 28.9% in 2024, ahead of our 2025 margin target of 28% and therefore delivered a year ahead of plan. Encouragingly, second half profitability replicated the record first half performance and was ahead of our guidance at the interim results in August 2024.

The division made significant commercial progress in 2024, most notably agreeing a decade-long agreement with Safran to supply both new shafts and spare parts for the LEAP 1A engine variant, which powers the industry-leading Airbus A320 family. The first components were successfully delivered from our Centre of Excellence in Norway in Q4 2024. The commercial agreement is expected to be extended in 2025 to cover the LEAP 1B engine, in support of CFMI's total future order book of 10,000 LEAP engines. On the governmental side, we signed a multi-year contract with Sweden's FMV to explore the propulsion requirements for future fighter systems, while continuing to develop the product support capability for both Gripen C/D (RM12 engine) - where we hold the military type certificate - and Gripen E (RM16 engine). This key part of the division performed very strongly in 2024. Our advanced technology also helped propel the Ariane 6 rocket during its inaugural launch in July.

Our engine parts repair business grew strongly again in 2024, as demand for maintenance, repair and overhaul (MRO) services increased. We achieved a series of milestones in the year as we brought additional capacity online to support this growing market. In the US we opened a flagship 15,000m^2 production site in San Diego, California, to repair both civil and military engine components for more than 400 customers. The facility features state-of-the-art automation and robotics for reduced turnaround time and increased reliability, including for the industry-leading CFMI LEAP and Pratt & Whitney Geared Turbofan (GTF) engines. In Johor, Malaysia, we added LEAP 1A and 1B fan blade repair certifications to our portfolio, as well as broadening our GTF capabilities with Pratt & Whitney. The facility, which supports the growing market in Asia, also halved its turnaround time in 2024, increasing customer demand and market share while supporting the global need for increased capacity.

Engines is a technology-driven business, with differentiated design-and-build capability and proprietary additive fabrication technology for large-scale engine structures. In 2024 we continued to invest to strengthen this position, commencing up to £300 million of investment over five years to accelerate the growth of our ground-breaking additive fabrication solutions. The first wave of this expansion is underway with a £50 million project to extend our capacity in Trollhättan, supported by £12 million from the Swedish Energy Agency. This investment initially supports the ramp up of flight-critical additive components for Pratt & Whitney, with key insertion activities for GE Aerospace now also underway. Future tranches of capital expenditure will further increase production rates, as well as enabling expansion as new commercial partnerships reach serial production. Additive fabrication is already helping to reduce lead times, material waste and emissions in manufacture, and importantly, helping to strengthen supply chains that are strained and struggling to meet demand. We see this as an area of significant growth and huge potential in the years ahead.

Operationally, 2024 was another year of good progress for Engines. Our Lean implementation continued to embed a strong safety and quality culture, with lost time accidents reducing by 90% and cost of poor quality 20% better than in 2023. This progress was underpinned by our commitment to continuous improvement, including the ongoing roll-out of our in-house developed digitalisation programme to enhance the use of data and increase machine uptime in our sites. We also invested in additional operational capacity and the latest digital factory processes to maximise efficiency at our facility in Trollhättan, Sweden.

OUTLOOK

Our Engines division is well placed for continued strong growth, margin expansion and increasing cash flow. The division has an enviable combination of OEM level capability, proprietary technology positions, strategic partnerships with all major engine OEMs, and the most diverse RRSP portfolio in the industry. This provides the foundation for significant value creation in the years ahead.

In 2025, Engines is expected to deliver further profitable growth through increasing RRSP portfolio contributions, growing demand in repairs and defence, and through ongoing business improvement activities. We expect the buoyant aftermarket dynamics to continue and are confident that Engines will deliver >32% margins and increased free cash flow in 2025.

For the longer-term we are announcing five-year targets for the division of annual revenue growth of high single digits CAGR with an adjusted operating margin in the mid-to-high 30s percent.

STRUCTURES

Our design-led Structures division is a leading independent Tier 1 supplier to all aircraft OEMs, with embedded positions on all today's major aircraft. It delivers flight critical structures, such as wing spars and empennages; electrical distribution systems; and aircraft windows and canopies from a global industrial footprint. Its differentiated technology means it is well placed for the next-generation of aircraft across the civil and defence markets.

Structures adjusted results	2024 £m	2023 £m
Revenue	2,009	2,157
Operating profit	144	110
Operating profit margin	7.2%	5.1%

Structures delivered a robust performance in 2024 amid a challenging operating environment. Divisional progress was underpinned by the positive impact of our extensive business improvement actions, which are reading through largely as expected. The multi-year transformational restructuring programme will conclude on plan during 2025. From here increasing profit will be driven by the civil production ramp-up and strong defence market, compounded by our improved portfolio and commercial position.

Market dynamics remained complex in the year. On the civil side, flight hours continued to rise above pre-pandemic levels, fuelling airlines' demand for newer, more efficient aircraft. This helped drive record order backlogs higher, now well into the 2030s, and underpins planned production ramp ups in the years ahead. Against this backdrop, ongoing industry-wide supply chain challenges persisted, constraining in-year aircraft deliveries. On the defence side, global spending commitments continued to rise due to geo-political tensions and increasing uncertainty, reinforcing strong demand. Current market dynamics will be an area of close management focus in 2025, and we are well placed to adapt with our global footprint providing regional and national supply, including in the USA, Europe, UK, Mexico and Asia.

During 2024, Structures' revenue was up 3% on a like-for-like basis at £2,009 million. Reported civil revenue was tempered by a softer in-year ramp up in OE volumes than initially expected and strategic site disposals, while defence revenue was up 7% reflecting stronger demand and improved commercial terms. Adjusted operating profit was up 32% to £144 million, driven by progress across our business improvement actions, including commercial renegotiations, operational gains and portfolio transition. This performance lifted adjusted operating margins by 2.1ppts to 7.2%.

The Structures division made commercial progress in 2024, improving current terms with customers and securing new business. Significant negotiations were concluded with key customers covering a range of programmes, including new commercial terms, work package transfers and non-core exits. Our defence business has repriced 61% of its core contracts and remains on track to reach its 85% sustainable pricing target by the end of 2025. New agreements were reached, including securing over £100 million of customer investment to double our F-35 canopy production capacity in Garden Grove, California, extending our participation into the 2030s. We secured a contract renewal with Airbus for the full wiring package for the A220 and production is now well underway at our newly certified EWIS centre of excellence in Chihuahua, Mexico. In the advanced air mobility ("AAM") sector, our wing design and EWIS expertise also led to customer-funded contracts with both Supernal and Archer, while on the defence side we signed further customer agreements to explore technologies for the UK's future combat air capability, most notably the sixth generation Tempest demonstrator.

Further progress was made in China, an important market that is set to represent more than 20% of global civil aerospace demand by the 2040s. Our strategy remains to supply this market from a dedicated domestic local China presence, which includes three factories manufacturing wings, EWIS and transparencies. During 2024 we signed a design collaboration Memorandum of Understanding ("MoU") with joint venture partner COMAC for the composite rear wing spar and fixed trailing edge for the C929 widebody aircraft. The team also secured a contract to supply Airbus' final assembly line in China with EWIS from our in-country centre of excellence, in Langfang.

Operational gains were delivered in 2024. We delivered another year with zero lost time accidents in our civil business reflecting the continued focus on safety as our top priority. Production quality also improved, with escapes (issues reaching the customer) in our core sites down 18% across the division, and the cost of poor quality improved by 11%. This was achieved in parallel to our strategic footprint repositioning work, which was substantially completed in 2024. In the first half of the year we successfully concluded negotiations with Boeing over the sale of our St. Louis and Orangeburg operations, and we separately divested our non-core Fuel Systems business. In December, we also ended production at our Amityville facility, in New York, to further focus Structures on differentiated proprietary technologies where we have the design responsibility. As part of our restructuring programme, we completed a series of internal work package movements to refocus our electrical wiring business into cost-efficient, regional hubs in Asia, Europe and the Americas. These centres of excellence will accelerate the longer-term profitable growth of this industry-leading business.

Like our Engines business, Structures also made good progress enhancing proprietary technology positions during 2024. The US global technology centre secured several development contracts with defence primes to explore laser wire deposition additive manufacturing for large-scale titanium aerostructures. In the UK, we followed-up our Wing of Tomorrow development work by joining Airbus' next generation technology programme SusWingS (Sustainable Wings). In the AAM sector, the first composite wings were delivered for Supernal's SA-2 electric demonstrator aircraft, while a technology agreement was also signed with Joby to develop innovative lightweight thermoplastic structures. The EWIS team delivered all-new wiring harnesses for Pratt & Whitney Canada's hybrid-electric flight demonstrator, which is targeting 30% improvement in fuel efficiency, while continuing to push the boundaries of high voltage EWIS technology for the future. Finally, our hydrogen team completed a world first in 2024, successfully testing an electric motor at cryogenic temperatures in order to explore the potential for more efficient, zero-emission flight. These developments in proprietary technology are targeted where we have competitive advantage and they will underpin our long-term growth.

OUTLOOK

Structures is a design-to-build partner on the world's highest volume platforms today and is a partner of choice for emerging and next-generation aircraft. It is well-positioned to take advantage of the ongoing civil ramp up and defence market growth, as well as the shift to more sustainable aviation over time. With strong underlying dynamics in both markets, and our business improvement actions now substantially complete, we expect to deliver further profitable growth as production rates increase through the next five years.

In 2025, we expect Structures to achieve low-to-mid single digit reported revenue growth. This is driven by production ramp-ups, offset by the ongoing industry supply chain issues and OEM destocking, alongside the full year impact of our business exits in 2024. We remain on track to deliver our 2025 commitment of 9% operating margins despite lower revenue than originally assumed due to constrained OEM production rates.

Beyond this, our five-year target for the Structures division is to deliver revenue growth of mid single digit CAGR and expand operating margins to the low-teens level. This encouraging long-term growth trajectory is based on our repositioned and design-led business ramping up to deliver the industry's expected increase in production rates.

CHIEF FINANCIAL OFFICER'S REVIEW

The year ended 31 December 2024 has been a strong year for the Group. Additionally, the Group is setting out its 2025 guidance and is launching its new five-year targets for which the key assumptions are set out later in this review.

MELROSE GROUP RESULTS

Statutory results:

The statutory IFRS results for continuing operations show revenue of £3,468 million (2023: £3,350 million), an operating loss of £4 million (2023: profit of £57 million) and a loss before tax of £106 million (2023: £8 million). The diluted earnings per share ("EPS"), calculated using the diluted weighted average number of shares during the year of 1,324 million (2023: 1,405 million), were a loss of 3.7 pence (2023: earnings of 0.1 pence).

Adjusted results:

The adjusted results exclude certain items which are significant in size or volatility or by nature are non-trading or non-recurring, or any net change in fair value items booked on an acquisition. It is the Group's accounting policy to exclude these items from the adjusted results, which are used as an Alternative 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 Consolidated Financial Statements.

The Melrose Board considers the adjusted results to be an important measure used to monitor how the business is 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 year ended 31 December 2024 show revenue of £3,468 million (2023: £3,350 million), an operating profit of £540 million (2023: £390 million) and a profit before tax of £438 million (2023: £331 million). Adjusted diluted EPS, calculated using the diluted weighted average number of shares in the year of 1,324 million (2023: 1,405 million), were 26.4 pence (2023: 18.7 pence).

The following table shows the adjusted results for the year ended 31 December 2024 split by reporting segment:

	Engines £m	**Structures £m**	**Aerospace £m**	**Corporate £m**	**Total £m**
Revenue	1,459	2,009	**3,468**	-	**3,468**
Operating profit/(loss)	422	144	**566**	(26)	**540**
Operating margin	28.9%	7.2%	**16.3%**	n/a	**15.6%**

Revenue for Engines of £1,459 million (2023: £1,193 million) shows constant currency growth of 26% over 2023, with adjusted operating profit of £422 million (2023: £310 million) giving an operating margin of 28.9% (2023: 26.0%), an increase of 2.9 percentage points.

Revenue for Structures of £2,009 million (2023: £2,157 million) shows like-for-like constant currency growth of 3% over 2023, with adjusted operating profit of £144 million (2023: £110 million) giving an operating margin of 7.2% (2023: 5.1%), an increase of 2.1 percentage points.

Corporate costs of £26 million (2023: £30 million) included £25 million (2023: £30 million) of operating costs and £1 million (2023: £nil) of costs in respect of a new Performance Share Plan for certain senior managers in the Group.

The performance of each reporting segment is discussed in the Chief Executive Officer's review.

RECONCILIATION OF STATUTORY RESULTS TO ADJUSTED RESULTS

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

Continuing operations:	**2024 £m**	**2023 £m**
Statutory operating (loss)/profit	**(4)**	**57**
Adjusting items:		
Amortisation of intangible assets acquired in business combinations	255	260
Currency movements in derivatives and movements in associated financial assets and liabilities	112	(114)
Restructuring costs	111	149
Acquisition and disposal related gains and losses	44	3
Melrose equity-settled compensation scheme charges	14	38
Net changes in fair value items	8	(3)
Adjustments to statutory operating (loss)/profit	**544**	**333**
Adjusted operating profit	**540**	**390**

Adjusting items to statutory operating (loss)/profit are consistent with prior years and include:

- The amortisation charge on intangible assets acquired in business combinations of £255 million (2023: £260 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.
- Movements in the fair value of derivative financial instruments (primarily forward foreign currency exchange contracts), where hedge accounting is not applied, along with foreign exchange movements on the associated financial assets and liabilities, entered into within the businesses to mitigate the potential volatility of future cash flows on long-term foreign currency customer and supplier contracts. This totalled a charge of £112 million (2023: credit of £114 million) in the year, and is shown as an adjusting item because of its volatility and size.
- Restructuring and other associated costs in the year which totalled £111 million (2023: £149 million), including £1 million (2023: £59 million) of losses incurred in closing businesses within the Group. These are shown as adjusting items due to their size and non-trading nature and during the year ended 31 December 2024 these included:
  - A charge of £90 million (2023: £137 million) primarily relating to the continuation, and finalisation in many cases, of significant restructuring projects across sites in the Engines and Structures divisions comprising three significant ongoing multi-year restructuring programmes, covering European footprint consolidations which commenced in 2021, and a significant restructuring programme in North America which commenced in 2020. These programmes incurred a combined charge of £64 million in the year (2023: £62 million). Since commencement, the cumulative charge on these three restructuring programmes to 31 December 2024 has been £281 million (31 December 2023: £217 million). As at 31 December 2024, £12 million is included in restructuring provisions in relation to the multi-year programmes which will be substantially settled in cash during 2025.

programmes which will be substantially settled in cash during 2025.

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

- A charge of £21 million (2023: £12 million) within the Corporate cost centre in relation to actions taken to merge the Melrose corporate function with the previously separate Aerospace division head office team. These restructuring actions reshape the Corporate cost centre to support an ongoing pureplay aerospace business.

- Acquisition and disposal related net losses of £44 million (2023: £3 million) which are inclusive of a loss of £43 million on the disposal of three non-core businesses in the Structures segment. The loss of £43 million includes a net liability of £25 million that crystallised on disposal relating to the withdrawal from a multi-employer post-retirement pension scheme. Consideration is £25 million which is net of a deferred payable of £39 million and costs of £1 million. The net loss is recorded as an adjusting item due to its non-trading nature. One of the three businesses divested was loss-making and was purchased by a customer. The resulting amount payable for the sale reflects the fair value of assets and programmes transferred including the resolution of all contractual matters.

- A charge for the Melrose equity-settled compensation schemes of £14 million (2023: £38 million), which includes a charge to the accrual for employer's tax payable of £14 million (2023: £28 million). This is excluded from adjusted results due to its size and volatility. During the year, the Group recognised a charge of £1 million (2023: £nil) in adjusted operating profit in respect of the new Group Performance Share Plan.

- The net changes in fair value items in the year which totalled a charge of £8 million (2023: credit of £3 million) and are shown an adjusting item, due to their size and volatility.

The following table shows the allocation of adjusting items, described above, by reporting segment:

	Engines £m	**Structures £m**	**Corporate £m**	**Total £m**
Statutory operating profit/(loss)	283	(106)	(181)	**(4)**
Adjusting items	139	250	155	**544**
Adjusted operating profit/(loss)	422	144	(26)	**540**

FINANCE COSTS AND INCOME

Statutory results:

Net finance costs for the year ended 31 December 2024 were £102 million (2023: £65 million).

Adjusted results:

Net finance costs in the adjusted results in the year ended 31 December 2024 were £102 million (2023: £59 million), which included net interest on external bank loans, bonds, overdrafts, factoring facilities and cash balances of £88 million (2023: £48 million).

Net finance costs in adjusted results also included: a £4 million (2023: £4 million) amortisation charge relating to the arrangement costs of raising the Group's current bank facility; an interest charge on net pension liabilities of £4 million (2023: £1 million); a charge on lease liabilities of £6 million (2023: £5 million); and a charge for the unwind of discounting on long-term provisions of £nil (2023: £1 million).

Adjusting items:

There are no adjusting items within finance costs and income in the year (2023: net charge of £6 million).

In the previous year these included a £13 million gain following the settlement of a portion of the 2032 bond, acquired with GKN, a £17 million charge in respect of the proportion of the Group's net debt strategically allocated to Dowlais at the start of the year and a £2 million charge in respect of the write off of unamortised bank fees when the existing bank facilities at the time of the demerger were repaid.

TAX

The statutory results show a tax credit of £57 million (2023: £9 million) which arises on a statutory loss before tax of £106 million (2023: £8 million), resulting in a statutory tax rate of 54% (2023: 113%). The effective tax rate on adjusted profit before tax for the year ended 31 December 2024 was 20.1% (2023: 20.5%).

The statutory tax rate is higher than the adjusted tax rate because the intangible asset amortisation and certain other adjusting items generate adjusting tax credits at rates higher than 20%.

The Group has £868 million (31 December 2023: £747 million) of deferred tax assets on tax losses, retirement benefit obligations and other temporary differences. These are offset by deferred tax liabilities on intangible assets of £423 million (31 December 2023: £479 million) and £311 million (31 December 2023: £223 million) of other deferred tax liabilities. In certain cases (typically where they arise in the same territory or tax group), deferred tax assets and liabilities must be offset, resulting in deferred tax assets of £651 million (31 December 2023: £527 million) and deferred tax liabilities of £517 million (31 December 2023: £482 million) being shown on the Balance Sheet at 31 December 2024. Most of the tax losses and other deferred tax assets will generate future cash tax savings. The deferred tax liabilities on intangible assets are not expected to give rise to cash tax payments.

Net cash tax paid in the year ended 31 December 2024 was £10 million (2023: £17 million), 2.3% (2023: 5.1%) of adjusted profit before tax.

SHARE BUYBACK PROGRAMMES AND NUMBER OF SHARES IN ISSUE

The Group commenced a £500 million share buyback programme on 2 October 2023 and a further £250 million share buyback programme on 1 October 2024 making market purchases of existing ordinary shares in the Company. During the year ended 31 December 2024, 75,141,072 ordinary shares were purchased at an average price per share of 566 pence. These ordinary shares are being held in treasury. Additionally, 28,848,071 shares were transferred from treasury shares to participants of the Melrose equity-settled share plan. The number of ordinary shares in issue, excluding treasury shares, has reduced by 4% from 1,333 million at 31 December 2023 to 1,286 million at 31 December 2024.

The weighted average number of shares used for basic earnings per share calculations in the year ended 31 December 2024 was 1,307 million (2023: 1,349 million), and when including the number of shares expected to be issued from the Melrose equity-settled share plans, the weighted average number of shares used for diluted earnings per share was 1,324 million (2023: 1,405 million).

During the year, the Group made tax related payments directly to the relevant tax authorities of £198 million on behalf of both current and former directors and senior management of the Group connected with the Melrose equity-settled share plan. This included £157 million in lieu of 25,498,465 shares which would otherwise have been issued, and subsequently sold, to fulfil consequential tax liabilities of the scheme participants.

CASH GENERATION AND MANAGEMENT

Adjusted free cash flow in the year ended 31 December 2024 was an inflow of £52 million (2023: £113 million), after net interest and tax spend of £97 million (2023: £82 million), but before restructuring spend of £126 million (2023: £125 million).

Free cash flow was an outflow of £74 million (2023: £12 million). An analysis of free cash flow is shown in the table below:

	2024 £m	2023 £m
Continuing operations:		
Adjusted operating profit	540	390
Depreciation and amortisation	142	142
Lease obligation payments	(32)	(32)
Positive non-cash impact from loss-making contracts	(23)	(23)
Working capital movements:		
Inventory	(71)	(10)
Receivables and payables	51	37
Unbilled work done	(309)	(173)
Adjusted operating cash flow (pre-capex)	**298**	**331**
Net capital expenditure	(123)	(102)
Defined benefit pension contributions	(20)	(22)
Restructuring	(126)	(125)
Net other	(6)	(12)
Free cash flow pre-interest and tax	**23**	**70**
Net interest and net tax paid	(97)	(82)
Free cash flow	**(74)**	**(12)**
Adjusted free cash flow	**52**	**113**

Working capital movements excluding unbilled work done totalled an outflow of £20 million (2023: inflow of £27 million) for the year ended 31 December 2024 being an outflow of £71 million (2023: £10 million) in inventory partially offset by a £51 million inflow (2023: £37 million) from receivables and payables. Inventory increased during the year due to a combination of supply chain issues and to support customer build rates.

As anticipated, working capital inflows from receivables and payables were strong in the second half of the year reflecting the typical seasonality of the Group.

Unbilled work done, excluding exchange adjustments, has increased in the year ended 31 December 2024 by £309 million in accordance with the development anticipated in our Risk and Revenue Sharing Partnership booklet and includes £35 million of obligations settled in connection with powder metal issues on certain Pratt & Whitney engines and other RRSP matters.

Net capital expenditure in the year ended 31 December 2024 was £123 million (2023: £102 million). Net capital expenditure represented 1.1x (2023: 0.9x) depreciation of owned assets.

Restructuring spend in the year was £126 million (2023: £125 million).

Net interest paid in the year was £87 million (2023: £65 million), net tax payments were £10 million (2023: £17 million) and ongoing contributions to defined benefit pension schemes were £20 million (2023: £22 million).

The movement in net debt is summarised as follows:

	£m
Opening net debt	**(572)**
Free cash flow	(74)

Amounts paid to shareholders including associated costs	(503)
Melrose equity settled compensation scheme related payments	(198)
Disposal of businesses, net of cash disposed	55
FX and other non-cash movements	(22)
Other	(7)
Net debt at 31 December 2024 at closing exchange rates	**(1,321)**

Group net debt at 31 December 2024, translated at closing exchange rates (being US 1.25 and €1.21), was £1,321 million (31 December 2023: £572 million), after a free cash outflow from the Group of £74 million, described above. Movements in Group net debt also included dividends paid to shareholders of £72 million, £431 million spent buying back shares in the market, £198 million in respect of the settlement of tax on the Melrose equity-settled compensation scheme, £55 million inflow from disposal of businesses net of cash disposed and net unfavourable foreign exchange and other non-cash movements of £22 million.

Group leverage at 31 December 2024 was 1.9x EBITDA (2023: 1.1x EBITDA).

ASSETS AND LIABILITIES AND IMPAIRMENT REVIEW

The summarised Melrose Group assets and liabilities are shown below:

	2024 £m	2023 £m
Goodwill and intangible assets acquired with business combinations	2,878	3,106
Tangible fixed assets, computer software and development costs	1,037	1,022
Net working capital	699	475
Retirement benefit obligations	(59)	(99)
Provisions	(184)	(286)
Deferred tax and current tax	119	31
Lease obligations	(237)	(192)
Net other	(88)	82
Total	**4,165**	**4,139**

The Group's goodwill has been tested for impairment in accordance with IAS 36 "Impairment of assets" and the Board is comfortable that no impairment is required as at 31 December 2024.

During the year, the Group has changed its presentation of inventories, trade and other receivables and trade and other payables within the Balance Sheet. The change related to contract balances for certain programmes. The Group was previously netting certain amounts under these arrangements, however, it was determined that the appropriate current and prior year presentation should be on a gross basis in line with the requirements of IFRS 15: Revenue from Contracts with Customers. Prior year comparatives have been restated accordingly. The impact of this change on the Balance Sheet at 31 December 2023 was to increase inventories by £3 million, non-current other receivables by £70 million, current trade and other receivables by £102 million, current trade and other payables by £107 million and non-current other payables £68 million. The impact of this change on the Balance Sheet at 31 December 2022 was to increase inventories by £3 million, non-current other receivables by £75 million, current trade and other receivables by £114 million, current trade and other payables by £116 million and non-current other payables by £76 million.

The assets and liabilities shown above are funded by:

	2024 £m	2023 £m
Net debt	(1,321)	(572)
Equity	(2,844)	(3,567)
Total	**(4,165)**	**(4,139)**

Net debt shown in the table above is defined in the glossary to the Consolidated Financial Statements.

PROVISIONS

Total provisions at 31 December 2024 were £184 million (31 December 2023: £286 million).

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

	Total £m
Provisions at 1 January 2024	**286**
Net charge in the year	116
Spend against provisions	(143)
Utilisation of loss-making contract provision	(23)
Disposal of businesses	(20)
Transfers	(31)
Exchange adjustments	(1)
Provisions at 31 December 2024	**184**

The net charge to the Income Statement in the year was £116 million, and included £85 million relating to restructuring activities and a £12 million loss-making contract provision charge.

During the year, £23 million was utilised against loss-making contract provisions and £143 million of cash was spent against provisions with £118 million relating to restructuring activities.

Net provision movements relating to property, environmental and litigation and warranty were not material in the year.

the year.

Transfers of £31 million relate to employer tax on equity-settled compensation schemes following certainty surrounding the timing and value of payments.

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 31 December 2024 by independent actuaries to reflect the latest key assumptions and are summarised as follows:

	Assets £m	Liabilities £m	Accounting deficit £m
GKN UK Group pension scheme - Number 1	577	(599)	**(22)**
GKN UK Group pension scheme - Number 4	378	(378)	**-**
Other Group pension schemes	31	(68)	**(37)**
Total Group pension schemes	986	(1,045)	**(59)**

At 31 December 2024, the total plan assets of Melrose Group's defined benefit pension plans was £986 million (31 December 2023: £1,118 million) and total plan liabilities were £1,045 million (31 December 2023: £1,217 million), a deficit of £59 million (31 December 2023: £99 million).

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

At 31 December 2024, the GKN UK Group Pension Scheme Number 1 had gross assets of £577 million (31 December 2023: £632 million), gross liabilities of £599 million (31 December 2023: £692 million) and a net deficit of £22 million (31 December 2023: £60 million).

During the year ended 31 December 2023, the Group commenced a process to buy-out the GKN UK Group Pension Scheme Number 4, which is expected to complete in 2025, when the scheme assets and liabilities will leave the Group and cease being shown on the Group's Balance Sheet.

Other pension schemes in the Group include US pension plans which are generally funded and closed to new members. At 31 December 2024, these US pension plans had a net deficit of £23 million (31 December 2023: £25 million).

In total, contributions to the Group defined benefit pension plans and post-employment medical plans in the year ended 31 December 2024 were £20 million and are expected to be approximately £27 million in 2025.

A summary of the assumptions used are shown in note 12 to this Preliminary Announcement.

FINANCIAL RISK MANAGEMENT

The Group continuously assesses its financial risks and implements policies to manage them effectively. The most significant financial risks are considered to relate to liquidity, finance costs, foreign exchange rates, contract and warranties and commodities, each of which is discussed below.

Liquidity risk management

The Group's net debt position at 31 December 2024 was £1,321 million (31 December 2023: £572 million). The Group increased and amended certain terms of its committed bank facilities during the year resulting in facilities consisting of US 1,639 million, €400 million and £300 million at 31 December 2024. These facilities all mature in April 2026, but with the potential to be extended for two additional one-year periods at the Group's option. Details of the facilities and amounts borrowed as at 31 December 2024 are shown below:

	Local currency			**£m**
	Size	Drawn	Headroom	Headroom
Term loan:				
USD	549	549	-	-
EUR	100	100	-	-
Revolving credit facility:				
USD	1,090	867	223	177
GBP	300	16	284	284
EUR	300	216	84	70
Total (GBP)	**1,940**	**1,409**		**531**

In addition to the headroom of £531 million on committed facilities, there are a number of uncommitted overdraft, guarantee and borrowing facilities made available to the Group. As at 31 December 2024 there were cash and cash equivalents, net of overdrafts, totalling £80 million (31 December 2023: £57 million).
At the start of the year the Group held capital market borrowings with an outstanding nominal value of £10 million from an original £300 million bond issued in May 2017 and due to mature in May 2032. During the year, an agreement was reached with remaining bondholders that resulted in the outstanding nominal value being bought back and cancelled for a total cost of £10 million.

The committed bank funding has two financial covenants, being a net debt to adjusted EBITDA covenant ("banking covenant leverage") and an interest cover covenant, both of which are tested half-yearly in June and December.

Both covenants have comfortable headroom with the banking covenant leverage test level set at 3.5x and as at 31 December 2024 it was 2.1x. The interest cover test is set at 4.0x, and as at 31 December 2024, the Group interest cover was 7.4x.

the Group interest cover was 7.4x.

A limited number of Group trade receivables are subject to non-recourse factoring and customer supply chain finance arrangements. As at 31 December 2024, these amounted to £338 million (31 December 2023: £268 million). No new schemes were added during the year and the increase in the amount factored represents year over year revenue growth and the reversion of terms to pre-COVID levels for one key customer.

Finance cost risk management

The Group uses financial derivatives to fix a portion of the interest cost on its committed bank facilities.

The maximum weighted average rates, excluding the bank margin, the Group will pay on the fixed portions of its US Dollar and Euro bank debt are 3.8% and 2.7% respectively.

The margin on the bank facilities depends on the banking covenant leverage and were as follows:

	31 Dec 2024		31 Dec 2023	
Facility:	Margin	Range	Margin	Range
Term Loan	1.40%	1.0%-2.3%	1.30%	0.9%-2.2%
Revolving Credit Facilities	1.40%-1.55%	1.0%-2.4%	1.30%-1.55%	0.9%-2.4%

The Group's cost of drawn debt for the next 12 months is currently expected to be approximately 5.4%.

Exchange rate risk management

The Group trades in various countries around the world and is exposed to movements in a number of foreign currencies.

The Group carries exchange rate risk that can be categorised into two types: transaction and translation risk, as described in the paragraphs below. The Group's policy is designed to protect against the majority of the cash risks but not the non-cash risks.

The most common exchange rate risk is the transaction risk the Group takes when it invoices a customer or purchases from suppliers in a different currency to the underlying functional currency of the relevant business. The Group's policy is to review transactional foreign exchange exposures and place necessary hedging contracts on a rolling quarterly basis. To the extent the cash flows associated with a transactional foreign exchange risk are committed, the Group will hedge 100% at the time the cash flow becomes committed. For forecast and variable cash flows, the Group hedges a proportion of the expected cash flows, with the percentage being hedged lowering as the time horizon lengthens. The Group hedges on a sliding scale, typically hedging around 90% of foreign exchange exposures expected over the next twelve months, with the percentage decreasing by approximately 10 percentage points for each subsequent year. This policy does not eliminate the cash risk but does bring some certainty to it.

The translation rate risk is the effect on the Group results in the period due to the movement of exchange rates used to translate foreign results into Sterling from one period to the next. No specific exchange instruments are used to protect against the translation risk because it is a non-cash risk to the Group, until foreign currency is subsequently converted to Sterling. However, the Group utilises its multi-currency banking facilities, where relevant, to maintain an appropriate mix of debt in each currency. The hedge of having debt drawn in these currencies funding the trading units with US Dollars or Euro functional currencies protects against some of the Balance Sheet and banking covenant translation risk.

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

	Average rate	**Closing rate**
US Dollar		
2024	1.28	1.25
2023	1.24	1.28
Euro		
2024	1.18	1.21
2023	1.15	1.15

A 10 percent strengthening of the major currencies within the Group, if this were to happen in isolation against all other currencies, would have the following impact on the re-translation of adjusted operating profit into Sterling:

	USD	**EUR**
Increase in adjusted operating profit - £ million	47	1
% impact on adjusted operating profit	9%	-%

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

A 10 percent strengthening in either the US Dollar or Euro would have the following impact on debt as at 31 December 2024:

	USD	**EUR**
Increase in gross debt - £ million	113	25
Increase in gross debt	8%	2%

Contract and warranty risk management

A suitable bid and contract management process exists in the businesses, which includes thorough reviews of contract terms and conditions, contract-specific risk assessments and clear delegation of authority for approvals. These processes aim to ensure effective management of risks associated with complex approvals. These processes aim to ensure effective management of risks associated with complex contracts. The financial risks connected with contracts and warranties include the consideration of commercial, legal and warranty terms and their duration, which are all considered carefully by the businesses and Group management before being entered into.

Commodity cost risk management

The cumulative expenditure on commodities is important to the Group and the risk of base commodity costs increasing is mitigated, wherever possible, by passing on the cost increases to customers, by the use of customer directed suppliers under common agreements, or by having suitable purchase agreements with suppliers which fix the price over a certain period. These risks are also managed through sourcing policies, including the use of multiple suppliers, where possible, and procurement contracts where prices are agreed in advance to limit exposure to price volatility. The Group selectively uses financial derivatives where changes in commodity costs cannot be passed on to customers or fixed with suppliers.

GOING CONCERN

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

The Directors recognise the challenges in the current economic environment, including challenges in supply chains and geopolitical risks. The Group is actively managing the associated impacts on trading through a sharp focus on pricing, productivity and costs. In addition, the Group's cash flow forecasts consider any impacts from further economic factors such as high interest rates.

The Group has modelled a severe but plausible downside case against these future cash forecasts and throughout this scenario the Group would not breach any financial covenants and would not require any additional sources of financing.

The macroeconomic environment remains uncertain and volatile and the impacts of the economic factors such as inflation, high interest rates, geopolitical conflict and challenges in supply chains could be more prolonged or severe than that which the Directors have considered in the Group's severe but plausible downside case.

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

2025 GUIDANCE

We set out below our 2025 guidance:

	£m
Revenue	3,550 - 3,700
Aerospace operating profit (pre-PLC costs)	680 - 720
Aerospace operating margin	>19%
Divisional adjusted operating profit	
Engines	515 - 545
Structures	165 -175
Free cash flow (after interest and tax)	100+

Our guidance includes expected variable consideration of £320 million to £360 million. PLC costs to be £30 million.

The Group's free cash flow is underpinned by continued operational improvements, reduced restructuring cash spend as our multi-year programmes near completion, continued investment in capital expenditure and cash outflows connected with the Pratt and Whitney GTF powder metal issue. Specifically, the Group's 2025 guidance assumes:

- Trade working capital as a percentage of sales of 13%
- Restructuring cash outflows of £40 million to £50 million
- Capital expenditure of 1.0x - 1.1x depreciation including investment in additive manufacturing
- £70 million of cash impact connected with the Pratt & Whitney GTF powder metal issue

FIVE-YEAR TARGETS

The Group's new five-year targets for 2029 are revenue of c.£5 billion, adjusted operating profit of £1.2 billion+ and free cash flow after interest and tax of £600 million. These targets are translated assuming USD:GBP of 1.25:1. The key assumptions that underpin the revenue target are:

- 90% of revenue comes from existing programmes
- OEM target build rates are met by 2029
- Flying hours grow in line with current industry forecasts
- Continuation of a favourable revenue mix, with strong aftermarket

It is assumed that these revenue drivers will drop through into adjusted operating profit and coupled with ongoing operational efficiency and commercial excellence deliver an expanded adjusted operating profit margin of 24%+. Adjusted operating profit assumes variable consideration of c.£500 million for the year ended 31 December 2029 growing in accordance with the accounting described in our RRSP booklet. At a divisional level this translates to targets of:

- Engines: Revenue growth of high single digits and adjusted operating profit margin of mid to high 30%

30%

- Structures: Revenue growth of mid-single digits and adjusted operating profit margin in the low teens

Free cash flow (after interest and tax) of £600 million is driven by the increase in cash profits and benefits from all RRSPs having become cash positive, the resolution of the GTF powder metal issue, the completion of the Group's restructuring and ongoing business improvements.

Compound annual growth in earnings per share is targeted to exceed 20% in the five year period. No further share buybacks are assumed beyond those already announced.

Matthew Gregory
Chief Financial Officer
6 March 2025

CAUTIONARY STATEMENT

This announcement contains statements that are, or may be deemed to be "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "potential", "predicts", "expects", "intends", "may", "will", "can", "likely" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the business, results of operations, financial position, liquidity, prospects, growth and strategies of the Group. Forward-looking statements speak only as of the date they are made. In light of these risks, uncertainties and assumptions, the events in the forward-looking statements may not occur or the Company's or the Group's actual results, performance or achievements of the Company might be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements contained in this announcement speak only as at the date of this announcement. The Company expressly disclaims any obligation or undertaking to update these forward-looking statements contained in this announcement to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the FCA or Regulation (EU) 596/2014 as it forms part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.

Consolidated Income Statement

Continuing operations	Notes	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Revenue	3	3,468	3,350
Cost of sales		(2,646)	(2,696)
Gross profit		822	654
Operating expenses		(826)	(597)
Operating (loss)/profit	3, 4	(4)	57
Finance costs		(105)	(79)
Finance income		3	14
Loss before tax		(106)	(8)
Tax	5	57	9
(Loss)/profit after tax for the year from continuing operations		(49)	1
Discontinued operations			
Loss for the year from discontinued operations	8	-	(1,020)
Loss after tax for the year attributable to owners of the parent		(49)	(1,019)
Earnings per share			
Continuing operations			
- Basic	7	(3.7)p	0.1p
- Diluted	7	(3.7)p	0.1p
Continuing and discontinued operations			
- Basic	7	(3.7)p	(75.5)p
- Diluted	7	(3.7)p	(75.5)p
Adjusted[1] results from continuing operations			
Adjusted operating profit	3, 4	540	390
Adjusted profit before tax	4	438	331
Adjusted profit after tax	4	350	263
Adjusted basic earnings per share	7	26.8p	19.5p
Adjusted diluted earnings per share	7	26.4p	18.7p

(1) Defined in note 2.

Consolidated Statement of Comprehensive Income

Year ended Year ended

	Notes	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Loss after tax for the year		(49)	(1,019)
Items that will not be reclassified subsequently to the Income Statement:			
Net remeasurement gain/(loss) on retirement benefit obligations		27	(119)
Fair value (loss)/gain on investments in equity instruments		(47)	35
Income tax (charge)/credit relating to items that will not be reclassified	5	(4)	29
		(24)	(55)
Items that may be reclassified subsequently to the Income Statement:			
Currency translation on net investments		17	(195)
Share of other comprehensive expense from equity accounted investments		-	(12)
Transfer to Income Statement from equity of cumulative translation differences on disposal of foreign operations	8	(6)	(152)
Derivative gains on hedge relationships		3	2
Income tax charge relating to items that may be reclassified	5	(1)	(8)
		13	(365)
Other comprehensive expense for the year		(11)	(420)
Total comprehensive expense for the year attributable to owners of the parent		(60)	(1,439)

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Operating activities			
Net cash used in operating activities from continuing operations	13	(121)	(7)
Net cash from operating activities from discontinued operations	13	-	36
Net cash (used in)/from operating activities		(121)	29
Investing activities			
Disposal of businesses, net of cash disposed	8	55	(320)
Settlement receipt from loans held with demerged entities		-	1,205
Purchase of property, plant and equipment		(108)	(95)
Proceeds from disposal of property, plant and equipment		-	4
Purchase of computer software and capitalised development costs		(15)	(11)
Disposal of equity accounted investments		-	3
Equity accounted investment additions		(3)	-
Interest received		3	2
Net cash (used in)/from investing activities from continuing operations		(68)	788
Net cash used in investing activities from discontinued operations	13	-	(67)
Net cash (used in)/from investing activities		(68)	721
Financing activities			
Repayment of borrowings		(10)	(1,371)
Drawings on borrowing facilities		767	628
Costs of raising debt finance		(3)	(11)
Repayment of principal under lease obligations		(32)	(32)
Purchase of own shares, including associated costs	6	(431)	(93)
Dividends paid to owners of the parent	6	(72)	(81)
Net cash from/(used in) financing activities from continuing operations		219	(960)
Net cash used in financing activities from discontinued operations	13	-	(6)
Net cash from/(used in) financing activities		219	(966)
Net increase/(decrease) in cash and cash equivalents, net of bank overdrafts		30	(216)
Cash and cash equivalents, net of bank overdrafts at the beginning of the year	13	57	292
Effect of foreign exchange rate changes	13	(7)	(19)
Cash and cash equivalents, net of bank overdrafts at the end of the year	13	80	57

As at 31 December 2024, the Group had net debt of £1,321 million (31 December 2023: £572 million). A definition and reconciliation of the movement in net debt is shown in note 13.

Consolidated Balance Sheet

	Notes	31 December 2024 £m	Restated[1] 31 December 2023 £m	Restated[1] 31 December 2022 £m
Non-current assets				
Goodwill and other intangible assets		3,094	3,351	6,846
Property, plant and equipment		821	777	2,599
Investments		69	114	62
Interests in equity accounted investments		8	7	435
Deferred tax assets		651	527	373
Derivative financial assets		12	46	36
Other receivables	9	1,201	859	745
Retirement benefit surplus		-	-	93
		5,856	5,681	11,189
Current assets				

Current assets				
Inventories		528	513	1,028
Trade and other receivables	9	949	815	1,540
Derivative financial assets		10	13	38
Current tax assets		5	6	29
Cash and cash equivalents		88	58	355
Assets classified as held for sale		-	18	-
		1,580	1,423	2,990
Total assets	3	7,436	7,104	14,179
Current liabilities				
Trade and other payables	10	1,510	1,286	2,463
Interest-bearing loans and borrowings		8	54	63
Lease obligations		33	40	60
Derivative financial liabilities		72	42	86
Current tax liabilities		20	20	141
Provisions	11	108	188	281
Liabilities associated with assets held for sale		-	10	-
		1,751	1,640	3,094
Net current liabilities		(171)	(217)	(104)
Non-current liabilities				
Other payables	10	469	426	507
Interest-bearing loans and borrowings		1,401	576	1,433
Lease obligations		204	152	306
Derivative financial liabilities		115	64	141
Deferred tax liabilities		517	482	619
Retirement benefit obligations	12	59	99	581
Provisions	11	76	98	330
		2,841	1,897	3,917
Total liabilities	3	4,592	3,537	7,011
Net assets		2,844	3,567	7,168
Equity				
Issued share capital		1	309	309
Share premium account		1,000	3,271	3,271
Merger reserve		109	109	109
Capital redemption reserve		-	753	753
Other reserves		(2,330)	(2,330)	(2,330)
Translation and hedging reserve		286	273	638
Retained earnings		3,778	1,182	4,379
Equity attributable to owners of the parent		2,844	3,567	7,129
Non-controlling interests		-	-	39
Total equity		2,844	3,567	7,168

(1) Inventories, trade and other receivables and trade and other payables have been restated (see note 1).

The Financial Statements were approved and authorised for issue by the Board of Directors on 6 March 2025 and were signed on its behalf by:

Matthew Gregory
Chief Financial Officer
6 March 2025

Peter Dilnot
Chief Executive Officer
6 March 2025

Consolidated Statement of Changes in Equity

	Issued share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Other reserves £m	Translation and hedging reserve £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 January 2023	309	3,271	109	753	(2,330)	638	4,379	7,129	39	7,168
Loss for the year	-	-	-	-	-	-	(1,019)	(1,019)	-	(1,019)
Other comprehensive expense	-	-	-	-	-	(365)	(55)	(420)	-	(420)
Total comprehensive expense										
Purchase of own shares(1)	-	-	-	-	-	(365)	(1,074)	(1,439)	-	(1,439)
Dividends paid (note 6)	-	-	-	-	-	-	(93)	(93)	-	(93)
Demerger distribution (note 8)	-	-	-	-	-	-	(81)	(81)	-	(81)
Derecognition of non-controlling interests on demerger	-	-	-	-	-	-	(1,973)	(1,973)	-	(1,973)
Equity-settled share-based	-	-	-	-	-	-	-	-	(39)	(39)
payments	-	-	-	-	-	-	2	2	-	2
Deferred tax on equity-settled share-based payments (note 5)	-	-	-	-	-	-	22	22	-	22
At 31 December 2023	309	3,271	109	753	(2,330)	273	1,182	3,567	-	3,567
Loss for the year										
Other comprehensive	-	-	-	-	-	-	(49)	(49)	-	(49)
income/(expense)	-	-	-	-	-	13	(24)	(11)	-	(11)
Total comprehensive income/(expense)										
Purchase of own shares(1)										
Dividends paid (note 6)										
	-	-	-	-	-	13	(73)	(60)	-	(60)
Capital reduction(1)	-	-	-	-	-	-	(449)	(449)	-	(449)
Equity-settled incentive scheme	-	-	-	-	-	-	(72)	(72)	-	(72)
related(1)	(308)	(2,271)	-	(753)	-	-	3,332	-	-	-
Equity-settled share-based	-	-	-	-	-	-	(157)	(157)	-	(157)
payments	-	-	-	-	-	-	1	1	-	1
Deferred tax on equity-settled share-based payments (note 5)	-	-	-	-	-	-	14	14	-	14
At 31 December 2024	1	1,000	109	-	(2,330)	286	3,778	2,844	-	2,844

(1) Further information is set out in note 1.

Notes to the Consolidated Financial Statements

1. Corporate information

The financial information included within this Preliminary Announcement does not constitute the Company's statutory Financial Statements for the years ended 31 December 2024 or 31 December 2023 within the meaning of s435 of the Companies Act 2006, but is derived from those Financial Statements. Statutory Financial Statements for the year ended 31 December 2023 have been delivered to the Registrar of Companies and those for the year ended 31 December 2024 will be delivered to the Registrar of Companies during April 2025. The auditor has reported on those Financial Statements; their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006. While the financial information included in this Preliminary Announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRSs") adopted pursuant to IFRSs as issued by the IASB, this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full Financial Statements that comply with IFRSs during April 2025.

Corporate structure

Capital structure

On 2 October 2023, the Group commenced a £500 million share buyback programme which completed in September 2024. During the year ended 31 December 2024, 70,967,661 shares (2023: 18,761,840 shares) were purchased at an average price of 571 pence (2023: 494 pence) per share with cash spent of £411 million (2023: £93 million), inclusive of costs of £5 million (2023: £1 million). These are held as treasury shares and the total costs of the purchase have been recognised in retained earnings.

On 1 October 2024, the Group commenced a £250 million share buyback programme which is expected to complete by the end of March 2026. During the year ended 31 December 2024, 4,173,411 shares were purchased at an average price of 484 pence per share for total consideration of £20 million, inclusive of costs of £nil. These are held as treasury shares and the total costs of the purchase have been recognised in retained earnings. A liability of £18 million has also been recognised in respect of the shares expected to be purchased under the share buyback programme during the close period, as there was an irrevocable instruction to contracted financial institutions to complete purchases at 31 December 2024.

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

Following approval from shareholders on 2 May 2024, the Group undertook a capital reduction on 11 July 2024. This reduced share capital by £308 million, the share premium account by £2,271 million and the capital redemption reserve by £753 million.

Disposals and discontinued operations

On 1 March 2024, the Group disposed of its Fuel Systems business, the assets and liabilities of which were classified as held for sale at 31 December 2023.

On 25 April 2024, the Group disposed of its St. Louis operation.

On 28 June 2024, the Group disposed of its Orangeburg operation.

All disposals represented non-core parts of the Structures segment.

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

See note 8 for further detail.

Prior year restatement of inventories, trade and other receivables and trade and other payables

During the year, the Group has changed its presentation of inventories, trade and other receivables and trade and other payables within the Balance Sheet. The change related to contract balances for certain programmes. The Group was previously netting certain amounts under these arrangements, however, it was determined that the appropriate current and prior year presentation should be on a gross basis in line with the requirements of IFRS 15: Revenue from Contracts with Customers. Prior year comparatives have been restated accordingly. The impact of this change on the Balance Sheet at 31 December 2023 was to increase inventories by £3 million, non-current other receivables by £70 million, current trade and other receivables by £102 million, current trade and other payables by £107 million and non-current other payables £68 million. The impact of this change on the Balance Sheet at 31 December 2022 was to increase inventories by £3 million, non-current other receivables by £75 million, current trade and other receivables by £114 million, current trade and other payables by £116 million and non-current other payables by £76 million.

Going concern

The Consolidated Financial Statements have been prepared on a going concern basis as the Directors consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future, being 12 months from the date of this report (the relevant period).

The Group's liquidity and funding arrangements are described in the Chief Financial Officer's Review. There is significant liquidity headroom of £0.5 billion at 31 December 2024 and sufficient headroom 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 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 Consolidated Financial Statements.

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

	31 December 2024	30 June 2025	31 December 2025
Net debt to adjusted EBITDA (banking covenant leverage)	3.5x	3.5x	3.5x
Interest cover	4.0x	4.0x	4.0x

Testing

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

The base case takes into account end markets and operational factors, including supply chain challenges, throughout the going concern period and has been monitored against the actual results and cash generation in the period since 1 January 2025. Climate scenario analysis was used to model the impact of climate change on the Group's cash flow position. Climate change is deemed to not have a material impact over the period of 12 months for the assessment of going concern or 36 months for assessment of viability of the Group.

The severe but plausible downside case models more conservative revenue assumptions for 2025 and the first half of 2026. The sensitised assumptions are specific to each business taking into account their markets, but on average represents a c.10% reduction to the Group's forecast revenue in 2025, and a c.5% reduction in the first half of 2026. The sensitised revenues have had a consequential impact on profit and cash flow, along with a further downside sensitivity applied to increase working capital by approximately 2% of revenue. Given that there is liquidity headroom of £0.5 billion and the Group's banking covenant leverage was 2.1x, comfortably below the covenant test at 31 December 2024, no further sensitivity detail is provided.

Under the severe but plausible downside case, even with significant reductions, no covenant is breached at the forecast testing dates being 30 June 2025 and 31 December 2025. Testing at 30 June 2026 is also favourable, assuming arrangements similar in nature with existing agreements.

2. Alternative performance measures

The Group presents Alternative Performance Measures ("APMs") in addition to the statutory results of the Group. 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 Financial Statements and the reconciling items between statutory and adjusted results are listed below and described in more detail in note 4.

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

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

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

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

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

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

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

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

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

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

3. Segment information

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

The operating segments are as follows:

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

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

In addition, there is a corporate cost centre which is also reported to the Board. The corporate cost centre contains the Melrose Group head office costs and charges related to certain of the Group's senior 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 corporate cost centre for the year ended 31 December 2024.

a) Segment revenues

The Group derives its revenue from the transfer of goods and services over time and at a point in time. The Group has assessed that the disaggregation of revenue recognised from contracts with customers by operating segment is appropriate as this is the information regularly reviewed by the CODM in evaluating financial performance. The Group also believes that presenting this disaggregation of revenue based on the timing of transfer of goods or services provides useful information as to the nature and timing of revenue from contracts with customers.

Year ended 31 December 2024

Continuing operations	Engines £m	Structures £m	Total £m
Timing of revenue recognition			
At a point in time	1,136	1,316	2,452
Over time	323	693	1,016
Revenue	1,459	2,009	3,468

Year ended 31 December 2023

Continuing operations	Engines £m	Structures £m	Total £m
Timing of revenue recognition			
At a point in time	931	1,457	2,388
Over time	262	700	962

Revenue	1,193	2,157	3,350

b) Segment operating profit

Year ended 31 December 2024				
Continuing operations	Engines £m	Structures £m	Corporate(1) £m	Total £m
Adjusted operating profit/(loss)	422	144	(26)	540
Items not included in adjusted operating profit(2):				
Amortisation of intangible assets acquired in business				
combinations				
Movement in derivatives and associated financial assets and	(131)	(124)	-	(255)
liabilities	7	-	(119)	(112)
Restructuring costs	(15)	(75)	(21)	(111)
Acquisition and disposal related gains and losses	-	(43)	(1)	(44)
Melrose equity-settled compensation scheme charges	-	-	(14)	(14)
Net changes in fair value items	-	(8)	-	(8)
Operating profit/(loss)	283	(106)	(181)	(4)
Finance costs				(105)
Finance income				3
Loss before tax				(106)
Tax				57
Loss after tax for the year from continuing operations				(49)

Year ended 31 December 2023				
Continuing operations	Engines £m	Structures £m	Corporate(1) £m	Total £m
Adjusted operating profit/(loss)	310	110	(30)	390
Items not included in adjusted operating profit(2):				
Amortisation of intangible assets acquired in business				
combinations				
Restructuring costs	(135)	(125)	-	(260)
Melrose equity-settled compensation scheme charges	(26)	(111)	(12)	(149)
Acquisition and disposal related gains and losses	-	-	(38)	(38)
Movement in derivatives and associated financial assets and	-	-	(3)	(3)
liabilities	(3)	(6)	123	114
Net changes in fair value items	1	2	-	3
Operating profit/(loss)	147	(130)	40	57
Finance costs				(79)
Finance income				14
Loss before tax				(8)
Tax				9
Profit after tax for the year from continuing operations				1

(1) Corporate adjusted operating loss of £26 million (2023: £30 million), includes a charge of £1 million (2023: £nil) in respect of a new Performance Share Plan for certain senior managers in the Group.

(2) Further details on adjusting items are discussed in note 4.

c) Segment total assets and liabilities

	Total assets		Total liabilities	
	31 December 2024 £m	Restated(1) 31 December 2023 £m	**31 December 2024 £m**	Restated(1) 31 December 2023 £m
Engines	4,595	4,082	1,757	1,521
Structures	2,284	2,438	1,134	1,149
Corporate	557	584	1,701	867
Total	7,436	7,104	4,592	3,537

(1) Inventories, trade and other receivables and trade and other payables have been restated (see note 1).

d) Segment capital expenditure and depreciation

	Capital expenditure(1)		Depreciation of owned assets(1)		Depreciation of leased assets	
	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Engines	63	55	43	43	7	7
Structures	54	63	74	74	17	17
Corporate	1	-	-	-	1	1
Continuing operations	118	118	117	117	25	25
Discontinued operations	-	51	-	43	-	6
Total	118	169	117	160	25	31

(1) Including computer software and development costs. Capital expenditure excludes lease additions.

e) Geographical information

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

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

Revenue(1) from external customers Segment assets

	external customers		Segment assets	
	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m	31 December 2024 £m	31 December 2023 £m
UK	569	579	739	882
Rest of Europe	567	540	2,061	2,166
North America	2,232	2,138	1,145	1,179
Other	100	93	47	22
Continuing operations	3,468	3,350	3,992	4,249
Discontinued operations	-	1,582	-	-
Total	3,468	4,932	3,992	4,249

(1) Revenue is presented by destination.

4. Reconciliation of adjusted profit measures

As described in note 2, adjusted profit measures are an alternative performance measure used by the Board to monitor the operating performance of the Group.

a) Operating profit

Continuing operations	Notes	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Operating (loss)/profit		(4)	57
Amortisation of intangible assets acquired in business combinations	a	255	260
Movement in derivatives and associated financial assets and liabilities	b	112	(114)
Restructuring costs	c	111	149
Acquisition and disposal related gains and losses	d	44	3
Melrose equity-settled compensation scheme charges	e	14	38
Net changes in fair value items	f	8	(3)
Total adjustments to operating (loss)/profit		544	333
Adjusted operating profit		540	390

a. The amortisation charge on intangible assets acquired in business combinations of £255 million (2023: £260 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 volatility and size. This totalled a charge of £112 million (2023: credit of £114 million) in the year.

c. Restructuring and other associated costs in the year totalled £111 million (2023: £149 million), including £1 million (2023: £59 million) of losses incurred in closing businesses within the Group. These are shown as adjusting items due to their size and non-trading nature and during the year ended 31 December 2024 these included:

- A charge of £90 million (2023: £137 million) primarily relating to the continuation, and finalisation in many cases, of significant restructuring projects across sites in the Engines and Structures divisions.

  This included three significant ongoing multi-year restructuring programmes, covering European footprint consolidations which commenced in 2021, and a significant restructuring programme in North America which commenced in 2020. These programmes incurred a combined charge of £64 million in the year (2023: £62 million). Since commencement, the cumulative charge on these three restructuring programmes to 31 December 2024 has been £281 million (31 December 2023: £217 million). As at 31 December 2024, £12 million is included in restructuring provisions in relation to the multi-year programmes which will be substantially settled in cash in 2025.

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

- A charge of £21 million (2023: £12 million) within the Corporate cost centre in relation to actions taken to merge the Melrose corporate function with the previously separate Aerospace division head office team. These restructuring actions reshape the Corporate cost centre to serve as an ongoing pureplay aerospace business.

d. Acquisition and disposal related net losses of £44 million (2023: £3 million) are inclusive of a loss of £43 million on the disposal of three non-core businesses in the Structures segment (see note 8). The loss of £43 million includes a net liability of £25 million that crystallised on disposal relating to the withdrawal from a multi-employer post-retirement pension scheme. Consideration is £25 million which is net of a deferred payable of £39 million and costs of £1 million. The net loss is recorded as an adjusting item due to its non-trading nature.

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

e. The Melrose equity-settled Employee Share Plan matured during the year. The charge of £14 million (2023: £38 million), which includes a charge for employer's tax payable of £14 million (2023: £28 million), is excluded from adjusted results due to its size and volatility.

f. The net changes in fair value items in the year totalled a charge of £8 million (2023: credit of £3 million) and are shown as an adjusting item due to their size and volatility.

b) Profit before tax

Continuing operations	Notes	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Loss before tax		(106)	(8)
Adjustments to operating (loss)/profit as above		544	333
Finance costs on demerger settled net debt	g	-	17
Accelerated unamortised debt issue costs	h	-	2
Bond redemption gains	i	-	(13)
Total adjustments to loss before tax		544	339
Adjusted profit before tax		438	331

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

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

i. The Group repurchased £10 million (2023: £120 million) of the 2032 £300 million bond, on which a gain of £nil (2023: £13 million) was realised. This is shown as an adjusting item due to its non-trading nature.

c) Profit after tax

Continuing operations	Note	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
(Loss)/profit after tax		(49)	1
Adjustments to loss before tax as above		544	339
Tax effect of adjustments to loss before tax	5	(128)	(77)
Tax effect of significant restructuring	5	(17)	-
Total adjustments to (loss)/profit after tax		399	262
Adjusted profit after tax		350	263

5. Tax

Continuing operations	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Analysis of tax (credit)/charge in the year:		
Current tax		
Current year tax charge	15	19
Adjustments in respect of prior years	-	4
Total current tax charge	15	23
Deferred tax		
Origination and reversal of temporary differences	(32)	(61)
Adjustments in respect of prior years	(9)	(3)
Tax on the change in value of derivative financial instruments	(30)	29
Adjustments to deferred tax attributable to changes in tax rates	-	(1)
Non-recognition of deferred tax	2	4
Recognition of previously unrecognised deferred tax	(3)	-
Total deferred tax credit	(72)	(32)
Tax credit on continuing operations	(57)	(9)
Tax charge on discontinued operations	-	28
Total tax (credit)/charge for the year	(57)	19

Analysis of tax credit on continuing operations in the year:	£m	£m
Tax charge in respect of adjusted profit before tax	88	68
Tax credit recognised as an adjusting item	(145)	(77)
Tax credit on continuing operations	(57)	(9)

The tax charge of £88 million (2023: £68 million) arising on adjusted profit before tax of £438 million (2023: £331 million), results in an effective tax rate of 20.1% (2023: 20.5%).

The £145 million (2023: £77 million) tax credit recognised as an adjusting item includes a credit of £128 million (2023: £77 million) in respect of adjustments to loss before tax of £544 million (2023: £339 million) and a credit of £17 million (2023: £nil) in respect of internal Group restructuring.

The tax (credit)/charge for the year for continuing and discontinued operations can be reconciled to the (loss)/profit before tax per the Income Statement as follows:

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
(Loss)/profit before tax:		
Continuing operations	(106)	(8)
Discontinued operations (note 8)	-	25
	(106)	17
Tax (credit)/charge on (loss)/profit before tax at 25.0% (2023: 23.5%)	(27)	4
Tax effect of:		(9)
Disallowable expenses and other permanent differences within adjusted profit	8	8
Disallowable items included within adjusting items	8	5
Temporary differences not recognised in deferred tax	2	-
Recognition of previously unrecognised deferred tax	(3)	3
Tax credits and withholding taxes	2	13
Adjustments in respect of prior years	(9)	
Tax charge classified within adjusting items	(20) -	
Effect of changes in tax rates	-	(2)
Effect of rate differences between UK and overseas rates	(18)	(3)
Total tax (credit)/charge for the year	(57)	19

The reconciliation has been performed at a tax rate of 25.0% (2023: 23.5%). The reconciliation rate usually represents the weighted average of the tax rates applying to profits and losses in the jurisdictions in which those results arose in the year. However, for 2023 and 2024 this rate was not representative due to offsetting profits and losses in the relevant jurisdictions and as such the UK corporation tax rate was used.

Tax charges/(credits) included in other comprehensive income are as follows:

Year ended Year ended

	31 December 2024 £m	31 December 2023 £m
Deferred tax movements on retirement benefit obligations	4	(29)
Deferred tax movements on hedge relationship gains and losses	1	8
Total charge/(credit) for the year	5	(21)

There is also a tax credit of £14 million (2023: £22 million) recognised directly in the Statement of Changes in Equity in respect of deferred tax on equity-settled share-based payments.

6. Dividends

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Interim dividend for the year ended 31 December 2024 of 2.0p	26	-
Final dividend for the year ended 31 December 2023 of 3.5p	46	-
Interim dividend for the year ended 31 December 2023 of 1.5p	-	20
Second interim dividend for the year ended 31 December 2022 of 1.5p (4.5p)(1)	-	61
	72	81

(1) Adjusted to include the effects of the one for three share consolidation that took place on 19 April 2023.

A final dividend for the year ended 31 December 2024 of 4.0p per share totalling an expected £51 million is declared by the Board. The final dividend of 4.0p per share was declared by the Board on 6 March 2025 and in accordance with IAS 10: Events after the reporting period, has not been included as a liability in the Consolidated Financial Statements.

During the year, the Group completed a £500 million share buyback programme, which commenced on 2 October 2023, with £411 million of cash spent, inclusive of costs of £5 million (see note 1). In the prior year, the Group spent cash of £93 million, inclusive of costs of £1 million on this programme.

On 1 October 2024, the Group commenced a £250 million share buyback programme, with £20 million of cash spent, inclusive of costs of £nil.

7. Earnings per share

Earnings attributable to owners of the parent	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Earnings for basis of earnings per share	(49)	(1,019)
Less: loss from discontinued operations (note 8)	-	1,020
Earnings for basis of earnings per share from continuing operations	(49)	1

	Year ended 31 December 2024 Number	Year ended 31 December 2023 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share (million)	1,307	1,349
Further shares for the purposes of diluted earnings per share (million)	17	56
Weighted average number of ordinary shares for the purposes of diluted earnings per share (million)	1,324	1,405

On 1 October 2024, the Group commenced a £250 million share buyback programme, with 4,173,411 shares repurchased by 31 December 2024. These are held as treasury shares and are excluded from the number of shares for the purposes of calculating earnings per share.

On 2 October 2023, the Group commenced a £500 million share buyback programme, with 70,967,661 shares repurchased during the year ended 31 December 2024 (2023: 18,761,840 shares).

Earnings per share	Year ended 31 December 2024 pence	Year ended 31 December 2023 pence
Basic earnings per share		
From continuing and discontinued operations	(3.7)	(75.5)
From continuing operations	(3.7)	0.1
From discontinued operations	-	(75.6)
Diluted earnings per share		
From continuing and discontinued operations	(3.7)	(75.5)
From continuing operations	(3.7)	0.1
From discontinued operations	-	(75.6)

Adjusted earnings from continued operations	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Adjusted earnings for the basis of adjusted earnings per share	350	263

Adjusted earnings per share from continuing operations:

	Year ended 31 December 2024 pence	Year ended 31 December 2023 pence
Adjusted basic earnings per share	26.8	19.5
Adjusted diluted earnings per share	26.4	18.7

8. Disposals and discontinued operations

On 1 March 2024, the Group completed the disposal of its Fuel Systems business, which was previously classified as held for

On 1 March 2024, the Group completed the disposal of its Fuel Systems business, which was previously classified as held for sale, for consideration of £50 million. The costs charged to the Income Statement associated with the disposal were £4 million and were recognised during the prior year, but paid during the year. Net assets disposed were £11 million and the profit on disposal in the year was £39 million after the recycling of cumulative translational gains of £nil.

On 25 April 2024, the Group completed the disposal of its St. Louis operation with total consideration payable of £58 million, of which £39 million remains outstanding at 31 December 2024. The costs charged to the Income Statement associated with the disposal were £1 million and an additional net liability of £25 million was crystallised relating to the withdrawal from a multi-employer post-retirement pension scheme. Net assets disposed were £9 million and the loss on disposal was £90 million after the recycling of cumulative translational gains of £3 million.

On 28 June 2024, the Group completed the disposal of its Orangeburg operation for consideration of £34 million. The costs charged to the Income Statement associated with the disposal were £nil. Net assets disposed were £29 million and the profit on disposal was £8 million after the recycling of cumulative translational gains of £3 million.

The results of the three non-core businesses disposed during the year are not classified within discontinued operations as they do not meet the criteria of being a major separate line of business.

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

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

	£m
Property, plant and equipment	32
Inventories	56
Trade and other receivables	5
Assets classified as held for sale	21
Total assets	114
Trade and other payables	22
Current and deferred tax	13
Provisions	20
Liabilities associated with assets held for sale	10
Total liabilities	65
Net assets	49
Consideration, net of costs(1)	25
Liabilities crystallised on disposal	(25)
Cumulative translation difference recycled on disposal	6
Loss on disposal of businesses	(43)
Net cash inflow arising on disposal	
Consideration received in cash and cash equivalents, net of costs(2)	60
Less: cash and cash equivalents disposed(3)	(5)
	55

(1) Consideration of £26 million net of £1 million of disposal costs. Included within consideration is a deferred amount payable of £39 million accrued at 31 December 2024, with the cash outflow expected in two equal instalments in the years ending 31 December 2025 and 31 December 2026 respectively.
(2) Cash consideration of £65 million net of £5 million of disposal costs paid in the year, of which £4 million were accrued at 31 December 2023.
(3) Included within assets classified as held for sale.

Financial performance of discontinued operations:

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

(1) Demerger transaction costs of £39 million comprised total cash costs incurred of £58 million, offset by a non-cash contribution from Dowlais of £19 million.

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

9. Trade and other receivables

Current	31 December 2024 £m	Restated(1) 31 December 2023 £m
Trade receivables	407	430
Allowance for expected credit loss	(7)	(10)
Other receivables	255	162
Prepayments	33	33
Contract assets	261	200
	949	815

(1) Contract assets have been restated (see note 1).

Trade receivables are non interest-bearing. Credit terms offered to customers vary upon the country of operation but are generally between 30 and 90 days.

	31 December 2024	Restated(1) 31 December 2023

Non-current	2024 £m	2023 £m
Other receivables	8	21
Contract assets	1,193	838
	1,201	859

(1) Contract assets have been restated (see note 1).

The Group's contract assets comprise the following:

	Participation fees £m	Unbilled receivables £m	Unbilled work done £m	Other £m	Total £m
At 1 January 2023 (restated)(1)	204	232	450	85	971
Additions	8	962	193	-	1,163
Utilised	(17)	(983)	(20)	(12)	(1,032)
Disposal of businesses(2)	(9)	-	-	(10)	(19)
Transfer to held for sale(3)	-	(1)	-	-	(1)
Exchange adjustments	(10)	(4)	(28)	(2)	(44)
At 31 December 2023 (restated)(1)	176	206	595	61	1,038
Additions	8	1,016	298	5	1,327
Utilised	(11)	(935)	(24)	(1)	(971)
Settlements(4)	-	-	35	-	35
Exchange adjustments	3	4	18	-	25
At 31 December 2024	176	291	922	65	1,454

(1) Unbilled receivables and other contract assets have been restated (see note 1).

(2) Disposal of businesses in 2023 related to the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses (see note 1).

(3) Transfer to held for sale in 2023 related to the contractually agreed sale of a non-core business in the Structures segment.

(4) Settlements principally relate to utilisation of provision balances held, as commercial matters are resolved.

Risk and revenue sharing partnerships

The amount of revenue recognised from RRSP contracts during the year was £859 million (2023: £680 million), which included an increase in the unbilled work done contract asset of £274 million (2023: £173 million). Within this, there is revenue from the delivery of product which is recognised at a point in time of £802 million (2023: £629 million) and revenue from provision of service which is recognised over time of £57 million (2023: £51 million). Due to the nature of certain of these RRSP arrangements, there is an associated unbilled work done contract asset.

During the year, £50 million (2023: £30 million) of revenue has been recognised relating to performance obligations satisfied by the Group in previous years as risks have reduced and the constraint reassessed. There has been a further £41 million (2023: £27 million) of revenue recognised from changes in assumptions which will also impact the revenue allocation between future years. Assumption changes were made following operational progress by engine manufacturers with their customers, providing more certainty over future costs and volumes for the RRSP partners.

10. Trade and other payables

Current	31 December 2024 £m	Restated(1) 31 December 2023 £m
Trade payables	580	501
Other payables	81	110
Customer advances and contract liabilities	509	353
Other taxes and social security	51	56
Government refundable advances	6	5
Funded development costs	80	64
Accruals	190	183
Deferred government grants	13	14
	1,510	1,286

(1) Customer advances and contract liabilities have been restated (see note 1).

Non-current	31 December 2024 £m	Restated(1) 31 December 2023 £m
Other payables	51	-
Customer advances and contract liabilities	316	293
Other taxes and social security	2	1
Government refundable advances	45	44
Funded development costs	17	49
Accruals	18	16
Deferred government grants	20	23
	469	426

(1) Customer advances and contract liabilities have been restated (see note 1).

The Group's Customer advances and contract liabilities comprise the following:

	31 December 2024 £m	Restated(1) 31 December 2023 £m
Customer cash advances	211	132
Material rights given	23	30
RRSP related obligations	591	484
	825	646

(1) Customer cash advances and RRSP related obligations have been restated (see note 1).

11. Provisions

Loss-making contracts £m	Property related costs £m	Environmental and litigation £m	Warranty related costs £m	Restructuring £m	Other £m	Total £m

At 1 January 2024	58	23	54	27	59	65	286
Utilised	(23)	-	(10)	(4)	(118)	(11)	(166)
Charge to operating profit(1)	12	3	18	3	86	8	130
Release to operating profit(2)	-	(1)	(10)	(1)	(1)	(1)	(14)
Disposal of businesses(3)	(18)	-	(2)	-	-	-	(20)
Transfers(4)	-	-	-	-	-	(31)	(31)
Exchange adjustments	(1)	-	-	(1)	1	-	(1)
At 31 December 2024	28	25	50	24	27	30	184
Current	15	9	25	11	25	23	108
Non-current	13	16	25	13	2	7	76
	28	25	50	24	27	30	184

(1) Includes £96 million of adjusting items and £34 million recognised in adjusted operating profit.
(2) Includes £3 million of adjusting items and £11 million recognised in adjusted operating profit.
(3) Disposal of businesses relates to the sale of non-core businesses in the Structures segment (see note 1).
(4) Transfer to accruals following certainty of the timing and value of employer tax on equity-settled compensation schemes.

Loss-making contracts
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.

Calculation of loss-making contract provisions is based on contract documentation and delivery expectations, along with an estimate of directly attributable costs and represents management's best estimate of the unavoidable costs of fulfilling the contract.

Utilisation in continuing operations during the year of £23 million has benefitted adjusted operating profit. In addition, £12 million has been charged (2023: £21 million) on a net basis, of which £10 million (2023: £21 million) is shown as an adjusting item (see note 4).

Property related costs
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. Calculation of dilapidation obligations are based on lease agreements with landlords and external quotes, or in the absence of specific documentation, management's best estimate of the costs required to fulfil obligations.

Environmental and litigation
There are environmental provisions amounting to £8 million (31 December 2023: £7 million) relating to the estimated remediation costs of pollution, soil and groundwater contamination at certain sites and estimated future costs and settlements in relation to legal claims and associated insurance obligations amounting to £42 million (31 December 2023: £47 million). Liabilities for environmental costs are recognised when environmental assessments are probable and the associated costs can be reasonably estimated. The Group has on occasion been required to take legal or other actions to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, considering professional advice received. This represents management's best estimate of the likely outcome. The timing of utilisation of these provisions is frequently uncertain, reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent management's best estimate of the cost of settling future obligations and reflect management's assessment of the likely settlement method, which may change over time. However, no provision is made for proceedings which have been, or might be, brought by other parties against Group companies unless management, considering professional advice received, assess that it is more likely than not that such proceedings may be successful.

Warranty related costs
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. The provision for warranty related costs represents the best estimate of the expenditure required to settle the Group's obligations, based on past experience, recent claims and current estimates of costs relating to specific claims. Warranty terms are, on average, between one and five years.

Restructuring
Restructuring provisions relate to committed costs in respect of restructuring programmes, as described in note 4, usually resulting in cash spend within one to two years. A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by either starting to implement the plan or by announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are necessarily entailed by the restructuring programmes.

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

Where appropriate, provisions have been discounted using discount rates between 0% and 5% (31 December 2023: 0% and 7%) depending on the territory in which the provision resides and the length of its expected utilisation.

12. Retirement benefit obligations

Defined benefit plans
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.

Contributions
The Group contributed £20 million (2023: £72 million) to defined benefit pension plans and post-employment plans in the year ended 31 December 2024. The Group expects to contribute approximately £27 million in 2025.

Actuarial assumptions
The major assumptions used by the actuaries in calculating the Group's pension liabilities are as set out below:

	Rate of increase of pensions in payment % per annum	Discount rate %	Price inflation (RPI/CPI) %

	%per annum	%	%
31 December 2024			
GKN Group Pension Schemes (Numbers 1 and 4)	2.7	5.5	3.0/2.6
GKN US plans	n/a	5.5	n/a
31 December 2023			
GKN Group Pension Schemes (Numbers 1 and 4)	2.6	4.5	2.9/2.5
GKN US plans	n/a	4.8	n/a

Balance Sheet disclosures
The amounts recognised in the Consolidated Balance Sheet in respect of defined benefit plans were as follows:

	31 December 2024 £m	31 December 2023 £m
Present value of funded defined benefit obligations	(1,022)	(1,193)
Fair value of plan assets	986	1,118
Funded status	(36)	(75)
Present value of unfunded defined benefit obligations	(23)	(24)
Net liabilities	(59)	(99)

The plan assets and liabilities at 31 December 2024 were as follows:

	UK Plans(1) £m	US Plans £m	Other Plans £m	Total £m
Plan assets	955	31	-	986
Plan liabilities	(983)	(54)	(8)	(1,045)
Net liabilities	(28)	(23)	(8)	(59)

(1) Includes a liability in respect of the GKN post-employment medical plans of £6 million and a net deficit in respect of the GKN Group Pension Scheme (Numbers 1 and 4) of £22 million.

13. Cash flow statement

	Notes	Year ended 31 December 2024 £m	Restated(1) Year ended 31 December 2023 £m
Reconciliation of operating (loss)/profit to net cash used in operating activities generated by continuing operations			
Operating (loss)/profit		(4)	57
Adjusting items	4	544	333
Adjusted operating profit	4	540	390
Adjustments for:			
Depreciation of property, plant and equipment		101	100
Amortisation of computer software and development costs		41	42
Restructuring costs paid and movements in provisions		(135)	(160)
Defined benefit pension contributions paid(2)		(20)	(67)
Change in inventories		(71)	(10)
Change in receivables(3)		(449)	(123)
Change in payables		191	(13)
Tax paid		(10)	(17)
Interest paid on loans and borrowings(4)		(84)	(79)
Interest paid on lease obligations		(6)	(5)
Acquisition and disposal costs		(1)	(65)
Divisional management incentive scheme related payments		(20)	-
Melrose equity-settled compensation scheme related payments		(198)	-
Net cash used in operating activities		(121)	(7)

(1) Inventories, trade and other receivables and trade and other payables have been restated (see note 1).
(2) The year ended 31 December 2023 included £45 million for the purchase of a buy-in policy for GKN Group Pension Scheme Number 4.
(3) Change in receivables includes increases to unbilled work done contract assets of £309 million (2023: £173 million).
(4) The year ended 31 December 2023 included £17 million of finance costs on the proportion of the Group's net debt strategically allocated to demerged businesses and settled on demerger (see note 4).

Reconciliation of cash and cash equivalents, net of bank overdrafts	31 December 2024 £m	31 December 2023 £m
Cash and cash equivalents per Balance Sheet	88	58
Bank overdrafts included within current interest-bearing loans and borrowings	(8)	(1)
Cash and cash equivalents, net of bank overdrafts per Statement of Cash Flows	80	57

Cash flow information relating to discontinued operations is as follows:

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

Net debt reconciliation
Net debt consists of interest-bearing loans and borrowings and cash and cash equivalents.

Net debt is considered to be 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, used as a basis for banking covenant calculations, is given below:

	31 December 2024 £m	31 December 2023 £m
Interest-bearing loans and borrowings - due within one year	(8)	(54)
Interest-bearing loans and borrowings - due after one year	(1,401)	(576)
External debt	(1,409)	(630)
Less:		
Cash and cash equivalents	88	58
Net debt	(1,321)	(572)

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

	At 1 January 2024 £m	Cash flow £m	Acquisitions and disposals £m	Other non-cash movements £m	Effect of foreign exchange £m	At 31 December 2024 £m
External debt (excluding bank overdrafts)	(629)	(757)	-	(1)	(14)	(1,401)
Cash and cash equivalents, net of bank overdrafts	57	(21)	51	-	(7)	80
Net debt	(572)	(778)	51	(1)	(21)	(1,321)

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.

Income Statement Measures

APM

Adjusting items

Closest equivalent statutory measure

None

Reconciling items to statutory measure

Adjusting items (note 4)

Definition and purpose

Those items which the Group excludes fromits 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 or the net change in fair value items booked on an acquisition.

This provides a meaningful comparison of how the business is managed and measured on a day-to-day basis and provides consistency and comparability between reporting periods.

APM

Adjusted operating profit

Closest equivalent statutory measure

Operating (loss)/profit(1)

Reconciling items to statutory measure

Adjusting items (note 4)

Definition and purpose

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	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Operating (loss)/profit	(4)	57
Adjusting items to operating (loss)/profit (note 4)	544	333
Adjusted operating profit	540	390

APM

Adjusted operating margin

Closest equivalent statutory measure

Operating margin(2)

Reconciling items to statutory measure

Adjusting items (note 4)

Definition and purpose

Adjusted operating margin represents Adjusted operating profit as a percentage of revenue. The Group uses adjusted profit measures to provide a useful and more comparable measure of the ongoing performance of the Group.

APM

Adjusted profit before tax

Closest equivalent statutory measure
Loss before tax

Reconciling items to statutory measure
Adjusting items (note 4)

Definition and purpose
Loss 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	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Loss before tax	(106)	(8)
Adjusting items to loss before tax (note 4)	544	339
Adjusted profit before tax	438	331

APM
Adjusted profit after tax

Closest equivalent statutory measure
(Loss)/profit after tax

Reconciling items to statutory measure
Adjusting items (note 4)

Definition and purpose
(Loss)/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	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
(Loss)/profit after tax	(49)	1
Adjusting items to (loss)/profit after tax (note 4)	399	262
Adjusted profit after tax	350	263

APM
Constant currency

Closest equivalent statutory measure
Income Statement, which is reported using actual average foreign exchange rates

Reconciling items to statutory measure
Constant currency foreign exchange rates

Definition and purpose
The Group uses GBP based constant currency models to measure performance. These are calculated by applying 2024 average exchange rates to local currency reported results for the current and prior year. This gives a GBP denominated Income Statement which excludes any variances attributable to foreign exchange rate movements.

APM
Adjusted EBITDA and Adjusted EBITDA for banking covenant leverage purposes

Closest equivalent statutory measure
Operating (loss)/profit(1)

Reconciling items to statutory measure
Adjusting items (note 4), depreciation of property, plant and equipment and amortisation of computer software and development costs. Adjusted EBITDA for banking covenant leverage purposes also includes an imputed lease charge and other adjustments required for banking covenant leverage purposes(3)

Definition and purpose
Adjusted operating profit for 12 months prior to the reporting date, before depreciation of property, plant and equipment and before the amortisation of computer software and development costs.

Adjusted EBITDA and Adjusted EBITDA for banking covenant leverage purposes are measures used by external stakeholders to measure performance.

Adjusted EBITDA and Adjusted EBITDA for banking covenant leverage purposes	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Adjusted operating profit	540	390
Depreciation of property, plant and equipment and amortisation of computer software and development costs	142	142
Adjusted EBITDA	682	532
Imputed lease charge	(38)	(37)
Other adjustments required for banking covenant leverage purposes(3)	(15)	20
Adjusted EBITDA for banking covenant leverage purposes	629	515

APM
Adjusted tax rate

Closest equivalent statutory measure
Effective tax rate

Reconciling items to statutory measure
Adjusting items, adjusting tax items and the tax impact of adjusting items (note 4 and note 5)

Definition and purpose
The income tax charge for the Group excluding adjusting tax items, and the tax impact of adjusting items, divided by adjusted profit before tax.

This measure is a useful indicator of the ongoing tax rate for the Group.

Adjusted tax rate	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m

Tax credit per Income Statement	57	9
Adjusted for:		
Tax impact of adjusting items	(128)	(77)
Tax impact of significant restructuring	(17)	-
Adjusted tax charge	(88)	(68)
Adjusted profit before tax	438	331
Adjusted tax rate	20.1%	20.5%

APM
Adjusted basic earnings per share

Closest equivalent statutory measure
Basic earnings per share

Reconciling items to statutory measure
Adjusting items (note 4 and note 7)

Definition and purpose
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 year.

The Board considers this to be a key measure of performance when all businesses are held for the complete reporting period.

APM
Adjusted diluted earnings per share

Closest equivalent statutory measure
Diluted earnings per share

Reconciling items to statutory measure
Adjusting items (note 4 and note 7)

Definition and purpose
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 year 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.

APM
Interest cover

Closest equivalent statutory measure
None

Reconciling items to statutory measure
Not applicable

Definition and purpose
Adjusted EBITDA calculated for banking covenant leverage purposes (including adjusted EBITDA from businesses disposed) as a multiple of net interest payable on bank loans and overdrafts.

This measure is used for bank covenant testing.

Interest cover	Year ended 31 December 2024 £m
Adjusted EBITDA for banking covenant leverage purposes	629
Adjusted EBITDA from businesses disposed in the year	20
Adjusted EBITDA for interest cover	649
Interest on bank loans and overdrafts	91
Finance income	(3)
Net finance charges for covenant purposes	88
Interest cover	7.4x

Balance Sheet Measures

APM
Working capital

Closest equivalent statutory measure
Inventories, trade and other receivables less trade and other payables

Reconciling items to statutory measure
Not applicable

Definition and purpose
Working capital comprises inventories, current trade and other receivables, non-current other receivables, current trade and other payables and non-current other payables.

This measure provides additional information in respect of working capital management.

APM
Net debt

Closest equivalent statutory measure
Cash and cash equivalents less interest-bearing loans and borrowings

Reconciling items to statutory measure
Reconciliation of net debt (note 13)

Definition and purpose
Net debt comprises cash and cash equivalents and interest-bearing loans and borrowings.

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
Bank covenant definition of net debt at average rates and banking covenant leverage

Closest equivalent statutory measure
Cash and cash equivalents less interest-bearing loans and borrowings

Reconciling items to statutory measure
Impact of foreign exchange

Definition and purpose
Net debt (as above) is presented in the Balance Sheet translated at year 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 banking covenant leverage purposes. This measure is used for bank covenant testing.

Bank covenant definition of net debt at average rates and banking covenant leverage	31 December 2024 £m	31 December 2023 £m
Net debt at closing rates (note 13)	1,321	572
Impact of foreign exchange	(16)	12
Bank covenant definition of net debt at average rates	1,305	584
Banking covenant leverage	2.1x	1.1x

APM
Leverage

Closest equivalent statutory measure
Cash and cash equivalents less interest-bearing loans and borrowings

Reconciling items to statutory measure
None

Definition and purpose
Leverage is calculated as net debt at average rates (as above) divided by adjusted EBITDA.

This measure is used by external stakeholders to assess the financial stability of the Group.

Leverage	31 December 2024 £m	31 December 2023 £m
Leverage	1.9x	1.1x

Cash Flow Measures

APM
Adjusted operating cash flow (pre-capex)

Closest equivalent statutory measure
Net cash (used in)/from operating activities

Reconciling items to statutory measure
Non-working capital items (note 13)

Definition and purpose
Adjusted operating cash flow (pre-capex) is calculated as net cash from operating activities before net cash from operating activities from discontinued operations, restructuring costs paid and movements in provisions, defined benefit pension contributions paid, tax paid, interest paid on loans and borrowings, interest paid on lease obligations, acquisition and disposal costs, divisional management incentive scheme related payments, Melrose equity-settled compensation scheme related payments and the repayment of principal under lease obligations.

This measure provides additional useful information in respect of cash generation and is consistent with how business performance is measured internally.

Adjusted operating cash flow (pre-capex)	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Net cash (used in)/from operating activities	(121)	29
Operating activities:		
Net cash from operating activities from discontinued operations	-	(36)
Restructuring costs paid and movements in provisions(4)	112	137
Defined benefit pension contributions paid	20	67
Tax paid	10	17
Interest paid on loans and borrowings	84	79
Interest paid on lease obligations	6	5
Acquisition and disposal costs	1	65
Divisional management incentive scheme related payments	20	-
Melrose equity-settled compensation scheme related payments	198	-
Debt related:		
Repayment of principal under lease obligations	(32)	(32)
Adjusted operating cash flow (pre-capex)	298	331

APM
Free cash flow

Closest equivalent statutory measure
Net increase/decrease in cash and cash equivalents (net of bank overdrafts)

Reconciling items to statutory measure
Acquisition and disposal related cash flows, dividends paid to owners of the parent, transactions in own shares, payments made in respect of equity-settled compensation schemes and movements on borrowing facilities

Definition and purpose
Free cash flow represents cash generated after all trading costs including restructuring, pension contributions, tax and interest payments.

This measure provides additional useful information in respect of cash generation and is consistent with how business performance is measured internally.

Free cash flow	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Net increase/(decrease) in cash and cash equivalents (net of bank overdrafts)	30	(216)
Debt related:		
Repayment of borrowings	10	1,371
Drawings on borrowing facilities	(767)	(628)
Costs of raising debt finance	3	11

Equity related:

Equity related:		
Dividends paid to owners of the parent	72	81
Purchase of own shares, including associated costs	431	93
Melrose equity-settled compensation scheme related payments	198	-
Acquisition and disposal related:		
Disposal of businesses, net of cash disposed	(55)	320
Settlement receipt from loans held with demerged entities	-	(1,205)
Equity accounted investments additions	3	-
Disposal of equity accounted investments	-	(3)
Cash flows from discontinued operations	-	37
Acquisition and disposal costs	1	65
Finance costs on demerger settled net debt	-	17
GKN UK pension plan buy-in	-	45
Free cash flow	(74)	(12)

APM

Adjusted free cash flow

Closest equivalent statutory measure

Net increase/(decrease) in cash and cash equivalents (net of bank overdrafts)

Reconciling items to statutory measure

Free cash flow, as defined above, adjusted for restructuring cash flows

Definition and purpose

Adjusted free cash flow represents free cash flow adjusted for restructuring cash flows.

This measure provides additional useful information in respect of cash generation and is consistent with how business performance is measured internally.

Adjusted free cash flow	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Free cash flow	(74)	(12)
Restructuring costs paid	126	125
Adjusted free cash flow	52	113

APM

Free cash flow pre-interest and tax

Closest equivalent statutory measure

Net increase/(decrease) in cash and cash equivalents (net of bank overdrafts)

Reconciling items to statutory measure

Free cash flow, as defined above, adjusted for interest and tax cash flows excluding finance costs on demerger settled net debt

Definition and purpose

Free cash flow pre-interest and tax represents free cash flow adjusted for interest and tax and excluding finance costs on demerger settled net debt.

This measure provides additional useful information in respect of cash generation and is consistent with how business performance is measured internally.

Free cash flow pre-interest and tax	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Free cash flow	(74)	(12)
Tax paid	10	17
Interest paid on loans and borrowings	84	79
Interest paid on lease obligations	6	5
Interest received	(3)	(2)
Finance costs on demerger settled net debt	-	(17)
Free cash flow pre-interest and tax	23	70

APM

Capital expenditure (capex)

Closest equivalent statutory measure

None

Reconciling items to statutory measure

Not applicable

Definition and purpose

Calculated as the purchase of owned property, plant and equipment and computer software and expenditure on capitalised development costs during the year, 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.

APM

Capital expenditure to depreciation ratio

Closest equivalent statutory measure

None

Reconciling items to statutory measure

Not applicable

Definition and purpose

Net capital expenditure divided by depreciation of owned property, plant and equipment and amortisation of computer software and development costs.

APM

Dividend per share

Closest equivalent statutory measure

Dividend per share

Reconciling items to statutory measure

Not applicable

Definition and purpose

Amounts payable by way of dividends in terms of pence per share.

(1) Operating (loss)/profit is not defined within IFRS but is a widely accepted profit measure being (loss)/profit before finance

(1) Operating (loss)/profit is not defined within IFRS but is a widely accepted profit measure being (loss)/profit before finance costs, finance income and tax.

(2) Operating margin is not defined within IFRS but is a widely accepted profit measure being derived from operating (loss)/profit[1] divided by revenue.

(3) Included within other adjustments required for banking covenant leverage purposes in the year ended 31 December 2024 are unrealised annual savings from spend incurred in the year on restructuring projects of £5 million (2023: £20 million) offset by the elimination of EBITDA from sites disposed in the year of £20 million (2023: £nil).

(4) Excludes non-cash utilisation of loss-making contract provisions of £23 million (2023: £23 million).

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