

2002: hard won achievement in uncertain times

- Increase of 9% in profit before tax, goodwill amortisation and exceptional items in demanding economic environment.
- Torque Systems Group addresses advanced driveline systems market. Acquisition of 33.3% of Japanese torque management leader.
- Improved performance in Powder Metallurgy. New Hoeganaes plant in full production. Steady improvements in the US. Europe performing strongly.
- Robust performance by OffHighway Systems and AutoComponents.
- Two US aerospace acquisitions bring new technologies. GKN's composite technology wins first business on F-35 and A380.
- Restructuring of Aerospace Services in response to civil downturn. Effect of downturn mitigated by strong focus on military programmes.
- AgustaWestland teams with Lockheed Martin to take EH101 into the US. Consolidation of UK operations. Strong £4.7 billion order book.
- Full year dividend per share of 11.3p is 3% higher than 2001.
- Solid balance sheet and strong cash flow. Average maturity of Group borrowings extended to 11 years.

Financial performance with pro forma comparatives	2002	2001	Increase/ (decrease)
Sales	£4,452m	£4,337m	3%
Profit before tax, goodwill amortisation and exceptional items	£267m	£245m	9%
Profit before tax	£180m	£107m	68%
Operating cash flow	£174m	£210m	(17%)
Earnings per share before goodwill amortisation and exceptional items	25.2p	24.0p*	5%
Earnings per share	13.7p	5.3p*	158%
Dividend per share	11.3p	11.0p**	3%

The UK statutory earnings figures in the above table and elsewhere in the operating and financial reviews are presented in accordance with recent guidance from the Accounting Standards Board and the UK Listing Authority. In order to provide a fairer reflection of the underlying trend in earnings for the Group, the measure of 'profit before goodwill amortisation and exceptional items' is also used and results for the year ended 31 December 2002 are compared with those of the continuing Automotive and Aerospace businesses in 2001 (see page 36).

Operating cash flow is defined as cash flow from operations after capital expenditure and proceeds from the disposal of fixed assets.

* 2001 earnings per share have been restated to reflect the adoption of FRS 19 – Deferred Tax.

** 2001 dividend per share is pro forma based on the final dividend for the year being two-thirds of the total.

