

Interim Results Half Year to 1 July 2000

2 August 2000



First Half of 2000 was Another Period of Growth

- Strong performance in Automotive from favourable market and share gains
- Dynamic growth continued in CHEP, CLEANAWAY and Interlake Material Handling
- Helicopter programmes on track. Agreement to merge Westland Helicopters and Agusta finalised
- Aerospace Structures profit below last year due to specific programme delays



Financial Summary

	1 st Half 2000 £m	1 st Half 1999 £m	Increase %
Sales	2481	2191	13
Operating Profit*	286	269	6
Profit before Tax*	259	251	3
Earnings per Share*	26.2p	24.8p	6
Net Borrowings	424	393	
Dividend per Share	6.9p	6.3p	10

* Before goodwill amortisation and exceptional items



Strong Performance in Automotive

- Robust market conditions in North America and Europe in the period
- Strong recoveries in Brazil and Asia Pacific
- Supported by market share gains in
 - ADD North America
 - Sinter Metals
 - Hoeganaes
 - OffHighway
 - Emitec



Automotive Driveline

- Market growth worldwide in the first half
- **North America** turnover up by 27% supported by systems sales and market share gain
- **Opel - Germany** out-sourcing finalised, subject to regulatory approval
- Strategic initiatives to expand our market presence in **Japan**
- Business swaps with **Dana** largely completed
- Equity share in **Unidrive** (Australia) increased to 60%



Powder Metallurgy

- Strong growth both in sales and profits over last year
- GKN Sinter Metals made 3 add-on acquisitions in Germany
- Hoeganaes benefited from market growth and GKN in house demands
- \$100m expansion plan will increase capacity by 30% when completed later this year
- GKN is the leading partner in worldwidepm.com web site to promote the use of powder metal components



OffHighway and Emitec

- OffHighway market share gains led profit recovery.

Market is still in decline but second half performance is expected to exceed 1999

- Emitec is benefiting from increasing environmental legislation. First half turnover up 44% on last year



CHEP - Relentless Growth Continues

- Sales Growth - 22% in Americas
(34% excluding Autocrates)
 - 13% in Europe
- US
 - Wal*Mart conversion well underway
 - 6 Mega Depots established
- Europe
 - Italian pool started
 - RTP pool grew by 70%
- “Portfolio” and “Omniview” launched



Other Industrial Services

CLEANAWAY

- Organic growth in the UK and Germany
- Acquired Waste Management International's business in Germany

Interlake Material Handling

- Grew 23% in the first half
- Continued to win order fulfillment contracts from e-tailers
- Gained share in conventional warehouse racking



Aerospace - Structures

- Programme delays and reductions in North American market.

Unusually high number of new programme start-ups.

Significantly better performance expected in second half through volume recovery and efficiency improvements

Looking forward, concept of adding value through further customer outsourcing and co-engineering being explored



Aerospace - Helicopters

- All Helicopter programmes are on track.
- Profits similar to 1999 in first half with significant increase in second half



AgustaWestland JV Agreement Finalised

- The world's second largest helicopter company well positioned to grow
- Common vision to maximise shareholder value
- One unified management
- Combined order book of \$8billion
- Broadly earnings neutral in the next two years, slightly enhancing in 2002 before synergies
- Cost synergies of around 3% of cost base anticipated by 2004
- European Competition approval awaited



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Sales and Profit Growth

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Results Excluding Currency, Acquisitions and Divestments

		-----Excluding-----		
	Reported	Currency	Acquisitions/ Divestments	Organic Growth
	£m	£m	£m	%
Sales	2481	(38)	88	11
Operating Profit *	286	(8)	6	7
Profit before Tax*	259	(7)	3	5
Earnings per Share*	26.2p	(0.7)	0.3	8

* Before goodwill amortisation and exceptional items



Acquisitions and Disposals

2000 Acquisitions/Shareholding Increases:

Automotive:	Sinter Metals Oberhausen Columbia, South Carolina (Dana) ATH Albarus +16% (Dana) → 65% Unidrive +30% → 60% FAD +10% → 49%
Industrial Services:	Waste Management Deutschland Central Solutions Inc

2000 Divestments

Automotive:	Propeller Shaft businesses (Dana) In Spain, UK, Germany, Italy, Sweden
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1999 Acquisitions

Automotive:	Sinter Metals Various Hoeganaes
Aerospace:	Chemtronics
Industrial Services:	Interlake Material Handling



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Sales

	1 st Half 2000 £m	1 st Half 1999 £m	Increase	
			Actual %	Organic %
Subsidiaries	2022	1756	15	10
Joint ventures and associates	<u>459</u>	<u>435</u>	<u>6</u>	<u>17</u>
	<u>2481</u>	<u>2191</u>	<u>13</u>	<u>11</u>



Operating Profit

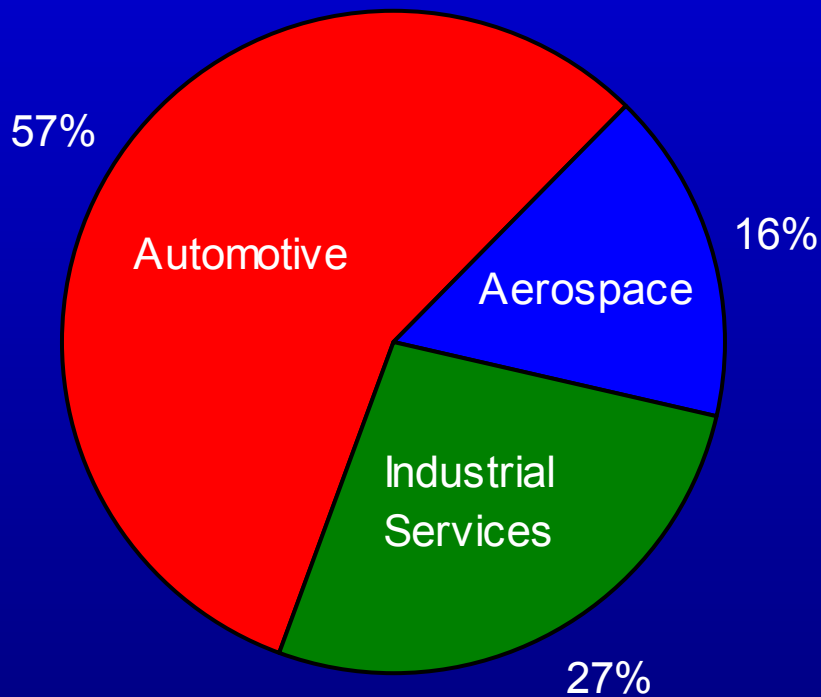
	1 st Half 2000 £m	1 st Half 1999 £m	Increase	
			Actual %	Organic %
Subsidiaries	208	198	5	3
Joint ventures and associates	<u>78</u>	<u>71</u>	<u>10</u>	<u>19</u>
	<u>286</u>	<u>269</u>	<u>6</u>	<u>7</u>

Before goodwill amortisation and exceptional items

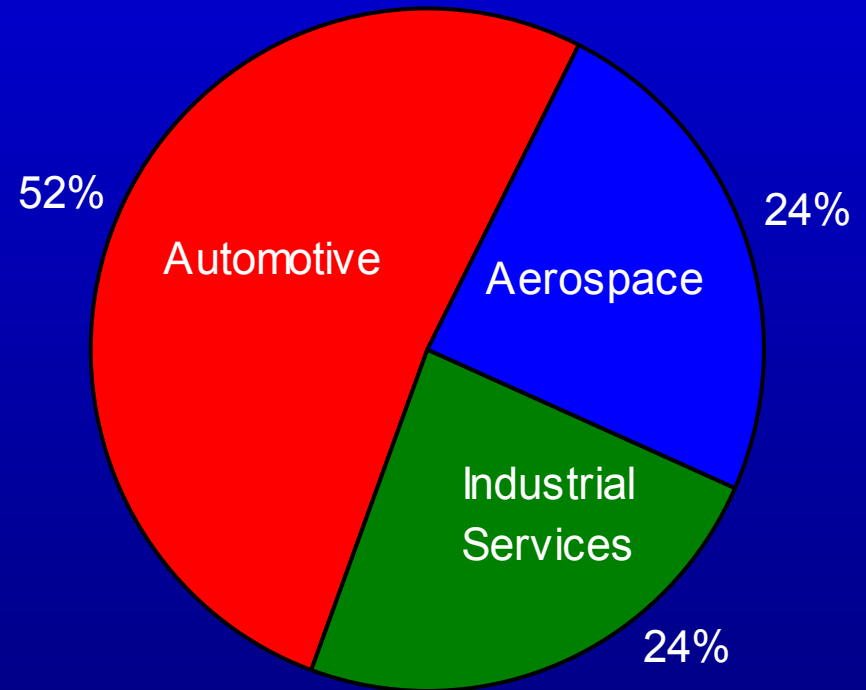


Operating Profit by Portfolio

2000
£286m



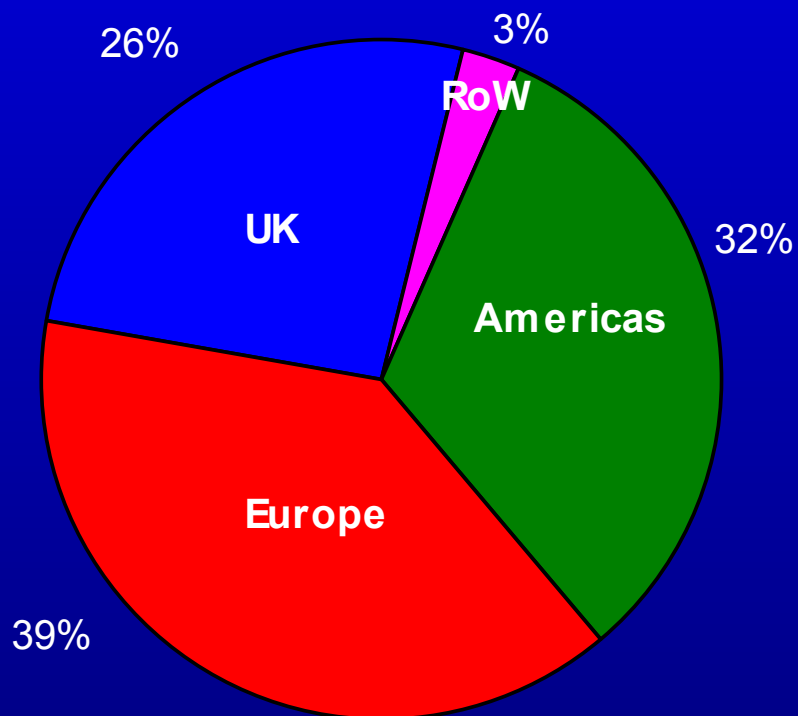
1999
£269m



Operating Profit by Region of Origin

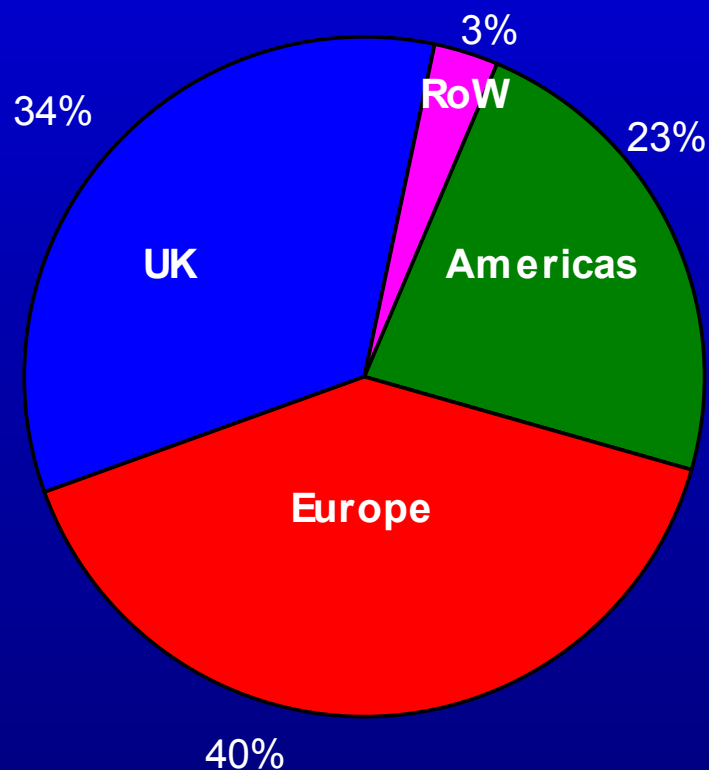
2000

£286m

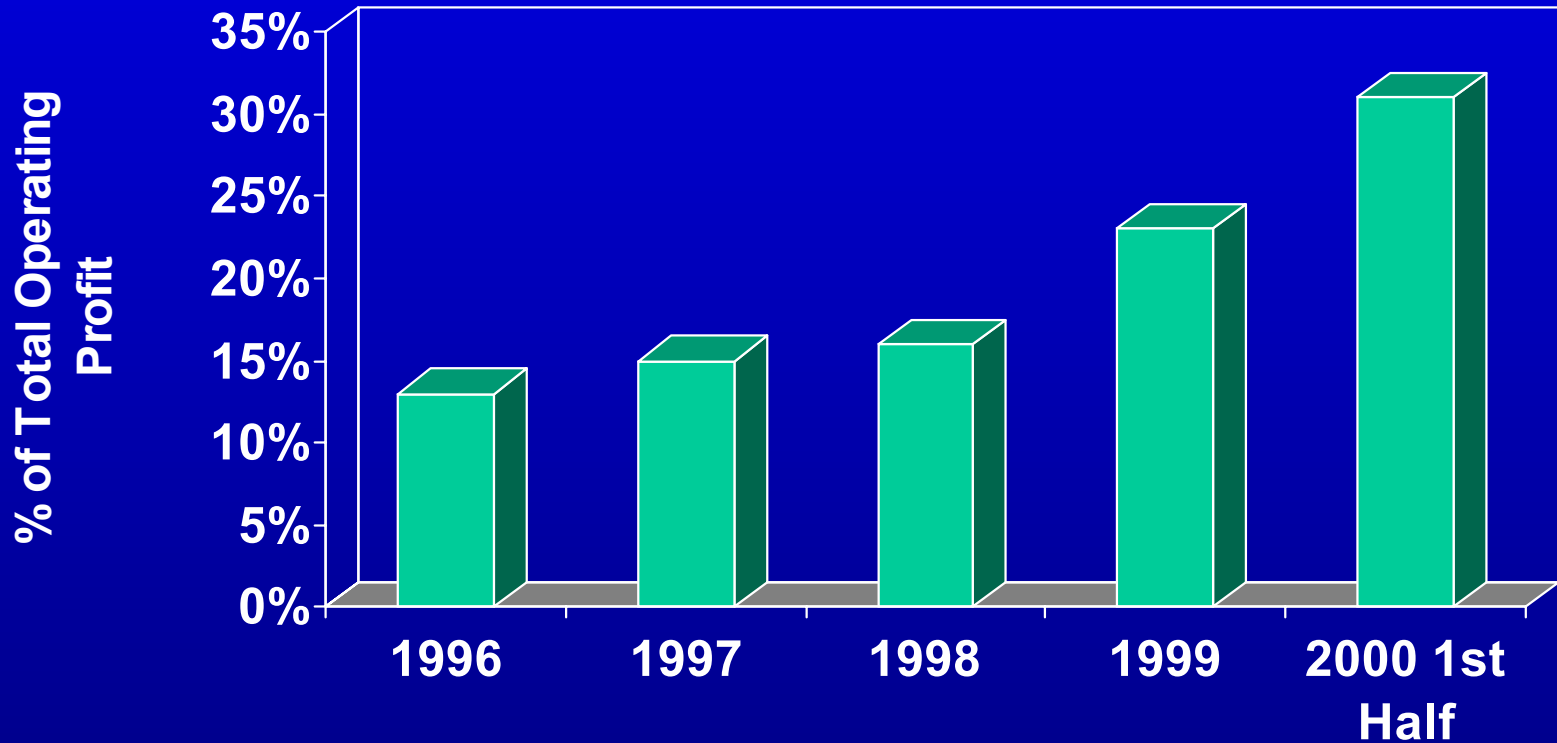


1999

£269m



Proportion of Operating Profits from Americas



Sales and Profit - Automotive

	1 st Half 2000	1 st Half 1999	Increase/(decrease)	
	£m	£m	Actual %	Organic %
Sales				
Subsidiaries	1284	1116	15	8
Joint ventures and associates	<u>78</u>	<u>84</u>	<u>(7)</u>	<u>22</u>
	<u>1362</u>	<u>1200</u>	<u>14</u>	<u>9</u>
Profit				
Subsidiaries	148	127	17	16
Joint ventures and associates	<u>14</u>	<u>13</u>	<u>8</u>	<u>27</u>
	<u>162</u>	<u>140</u>	<u>16</u>	<u>17</u>



Powder Metallurgy Products include



Sales and Profit - Automotive

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	£m	£m	Actual %	Organic %
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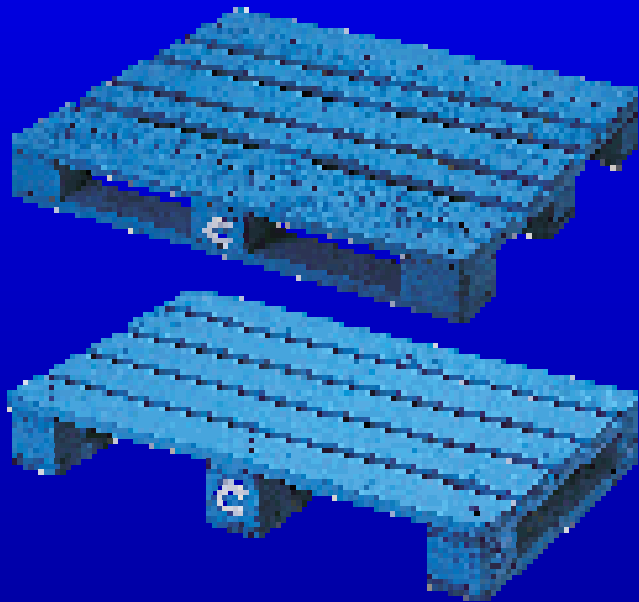


Sales and Profit - Industrial Services

	1 st Half 2000	1 st Half 1999	Increase/(decrease) Actual	Organic
	£m	£m	%	%
Sales				
Subsidiaries	111	78	42	24
Joint ventures and associates	<u>339</u>	<u>302</u>	<u>12</u>	<u>17</u>
	<u>450</u>	<u>380</u>	<u>18</u>	<u>18</u>
Profit				
Subsidiaries	16	13	23	15
Joint ventures and associates	<u>62</u>	<u>52</u>	<u>19</u>	<u>20</u>
	<u>78</u>	<u>65</u>	<u>20</u>	<u>19</u>



Growth in CHEP pallets



June
1999

Dec
1999

June
2000

Number of Pallets
(millions)

101

111

122



Sales and Profit - Industrial Services

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	£m	£m	%	%
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Joint ventures and associates	<u>339</u>	<u>302</u>	<u>12</u>	<u>17</u>
	<u>450</u>	<u>380</u>	<u>18</u>	<u>18</u>
Profit				
Subsidiaries	16	13	23	15
Joint ventures and associates	<u>62</u>	<u>52</u>	<u>19</u>	<u>20</u>
	<u>78</u>	<u>65</u>	<u>20</u>	<u>19</u>



Sales and Profit - Aerospace

	1 st Half 2000	1 st Half 1999	Increase/(decrease)	
	£m	£m	Actual %	Organic %
Sales				
Subsidiaries	627	562	12	11
Joint ventures and associates	<u>42</u>	<u>49</u>	<u>(14)</u>	<u>10</u>
	<u>669</u>	<u>611</u>	<u>9</u>	<u>11</u>
Profit				
Subsidiaries	44	58	(24)	(26)
Joint ventures and associates	<u>2</u>	<u>6</u>	<u>N/a</u>	<u>N/a</u>
	<u>46</u>	<u>64</u>	<u>(28)</u>	<u>(26)</u>



Helicopter Deliveries

		June 2000	June 1999
EH101 – Royal Navy		4	3
EH101 – RAF		5	-
Lynx		8	-
Apache		3	-
Kits		<u>5</u>	<u>1</u>
		<u>25</u>	<u>4</u>



Sales and Profit - Aerospace

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Subsidiaries	44	58	(24)	(26)
Joint ventures and associates	<u>2</u>	<u>6</u>	<u>N/a</u>	<u>N/a</u>
	<u>46</u>	<u>64</u>	<u>(28)</u>	<u>(26)</u>



Margins

	1 st Half 2000 %	1 st Half 1999 %
Automotive	11.9	11.7
Industrial Services		
Subsidiaries	14.4	16.7
Joint Ventures	18.3	17.2
	17.3	17.1
Aerospace	6.9	10.5
Total Group	11.5	12.3



Profit and Loss Account - Operating Profit

	1 st Half 2000 £m	1 st Half 1999 £m
Operating Profit before goodwill amortisation	286	269
Goodwill amortisation	<u>(14)</u>	<u>(10)</u>
	272	259
Exceptional items	<u>63</u>	<u>(2)</u>
Profit before interest and tax	335	257
Interest		
Subsidiaries	(13)	(7)
Joint Ventures	<u>(14)</u>	<u>(11)</u>
Profit before tax	<u>308</u>	<u>239</u>



Profit and Loss Account - Operating Profit

	1 st Half 2000 £m	1 st Half 1999 £m
Profit before tax	308	239
Tax	<u>(94)</u>	<u>(73)</u>
	214	166
Minority interest	<u>(4)</u>	<u>(2)</u>
Earnings	<u>210</u>	<u>164</u>
Earnings per share	29.4p	23.1p
Earnings per share before goodwill amortisation and exceptional items	26.2p	24.8p



Taxation

	2000 £m	1999 £m
Profit Before Tax	259	251
Taxation	(68)	(73)
Tax Rate %	26.5%	29.0%



Minority Interests

	2000 £m	1999 £m
Hoeganaes	(1)	(1)
Dana Minorities	(2)	-
Other Automotive Companies	(1)	(1)
	—	—
	<u>(4)</u>	<u>(2)</u>



Cash Flow from Operations

	1 st Half 2000 £m	1 st Half 1999 £m
Operating profit of subsidiaries	196	190
Depreciation	85	66
Goodwill Amortisation	12	8
Increase in working capital and provisions	(144)	(107)
Customer advances	(30)	(65)
Other	<u>2</u>	<u>-</u>
	<u>121</u>	<u>92</u>



Net Cash Flow

	1 st Half 2000 £m	1 st Half 1999 £m
Cash flow from operations	121	92
Dividends from joint ventures and associates	24	24
Interest	(16)	(10)
Tax	(34)	(55)
Capital Expenditure	(136)	(114)
Acquisitions including joint ventures	(90)	(175)
Divestments	100	-
'B' Share Redemption/ Dividends Paid	(71)	(75)
Other	<u>(31)</u>	<u>(24)</u>
	<u>(133)</u>	<u>(337)</u>



Capital Expenditure

	1 st Half 2000 £m	1 st Half 1999 £m
Automotive	113	91
Industrial Services	4	4
Aerospace	<u>19</u>	<u>19</u>
	<u>136</u>	<u>114</u>



Shareholders Funds, Net Borrowings and Market Capitalisation

	June 2000 £m	Dec 1999 £m	June 1999 £m
Shareholders' Funds	1458	1344	1111
Net Borrowings	424	281	393

Market capitalisation in excess of £5.5bn



Proforma Impact of AgustaWestland Joint Venture on GKN

	£m
50% of Net Liabilities of £10m	(5)
Liabilities* Contributed	72
Goodwill Capitalised	33
Credit to Reserves	<u>£100m</u>

* Including £359m customer advances



Outlook

- Automotive businesses continue to trade more strongly than the market as a whole.
Any softening of the North American market more than offset by market share gains
- Dynamic growth in Industrial Services
- Profit performance in Aerospace expected to improve in the second half

