

GKN Consolidated Results

	First half 2001 £m	First half 2000 £m	Increase/ (Decrease) %
Sales	2798	2481	13
Operating profit*	247	286	(14)
Profit before tax*	198	259	(24)
Earnings per share*	20.2p	26.2p	(23)
Dividend per share	7.6p	6.9p	10

* Before goodwill amortisation and exceptional items

Analysis of First Half Sales and Profits

	Continuing businesses		Industrial Services		Total	
	2001 £m	2000 £m	2001 £m	2000 £m	2001 £m	2000 £m
Sales	2260	2031	538	450	2798	2481
Operating profit*	175	208	72	78	247	286

* Before goodwill amortisation and exceptional items

Industrial Services

	Sales		Operating Profit	
	2001 £m	2000 £m	2001 £m	2000 £m
CHEP - JVs	244	201	44	46
CLEANAWAY	194	138	18	16
Others	100	111	10	16
Total	538	450	72	78

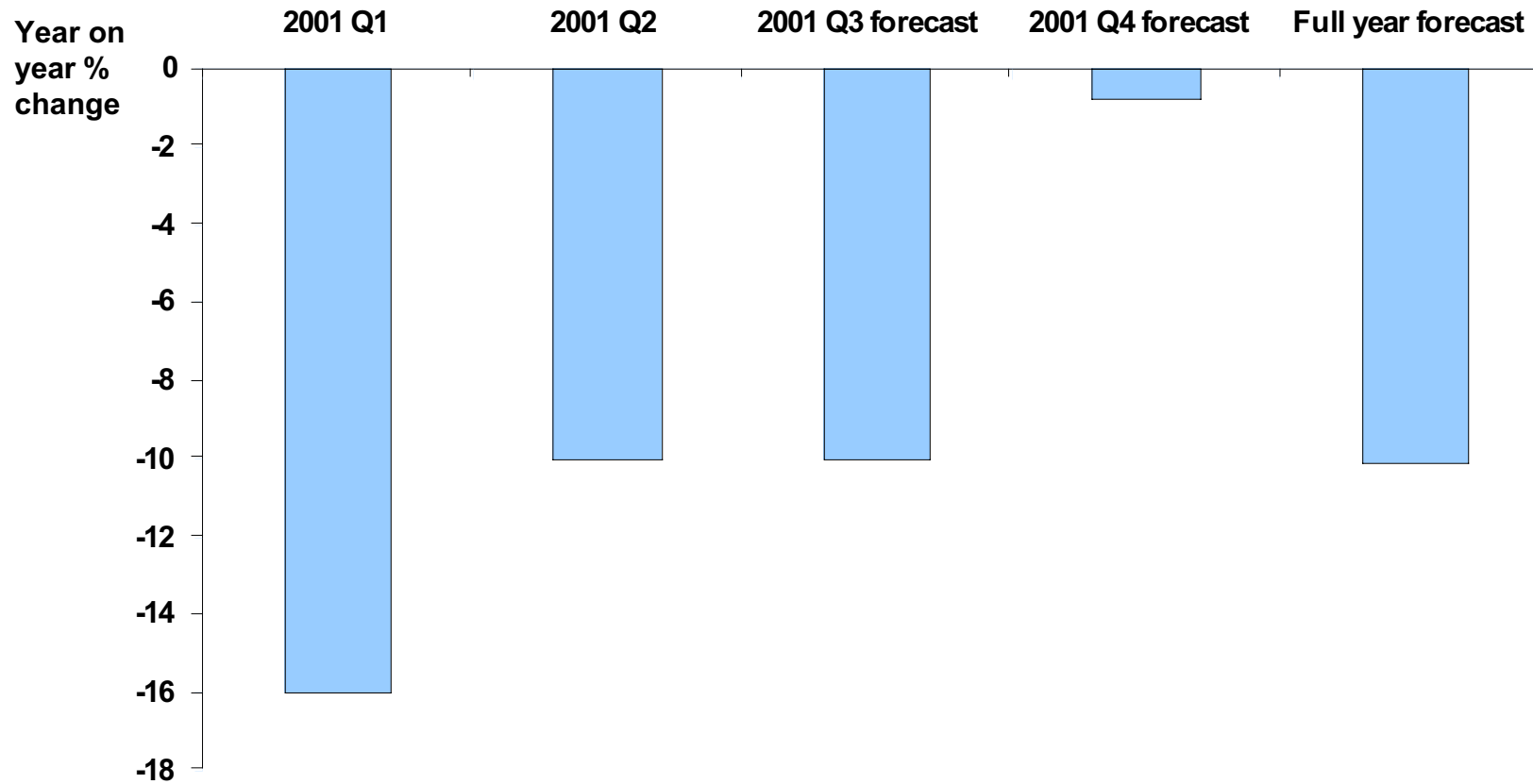
GKN Continuing Businesses

	Sales		Operating Profit	
	2001 £m	2000 £m	2001 £m	2000 £m
Automotive	1494	1362	121	162
Aerospace	766	669	54	46
Total	2260	2031	175	208

2001 Vehicle Production (millions of vehicles)

	Current forecast
North America	15.4
Western Europe	16.4

North America Light Vehicle Quarterly Production



GKN plc

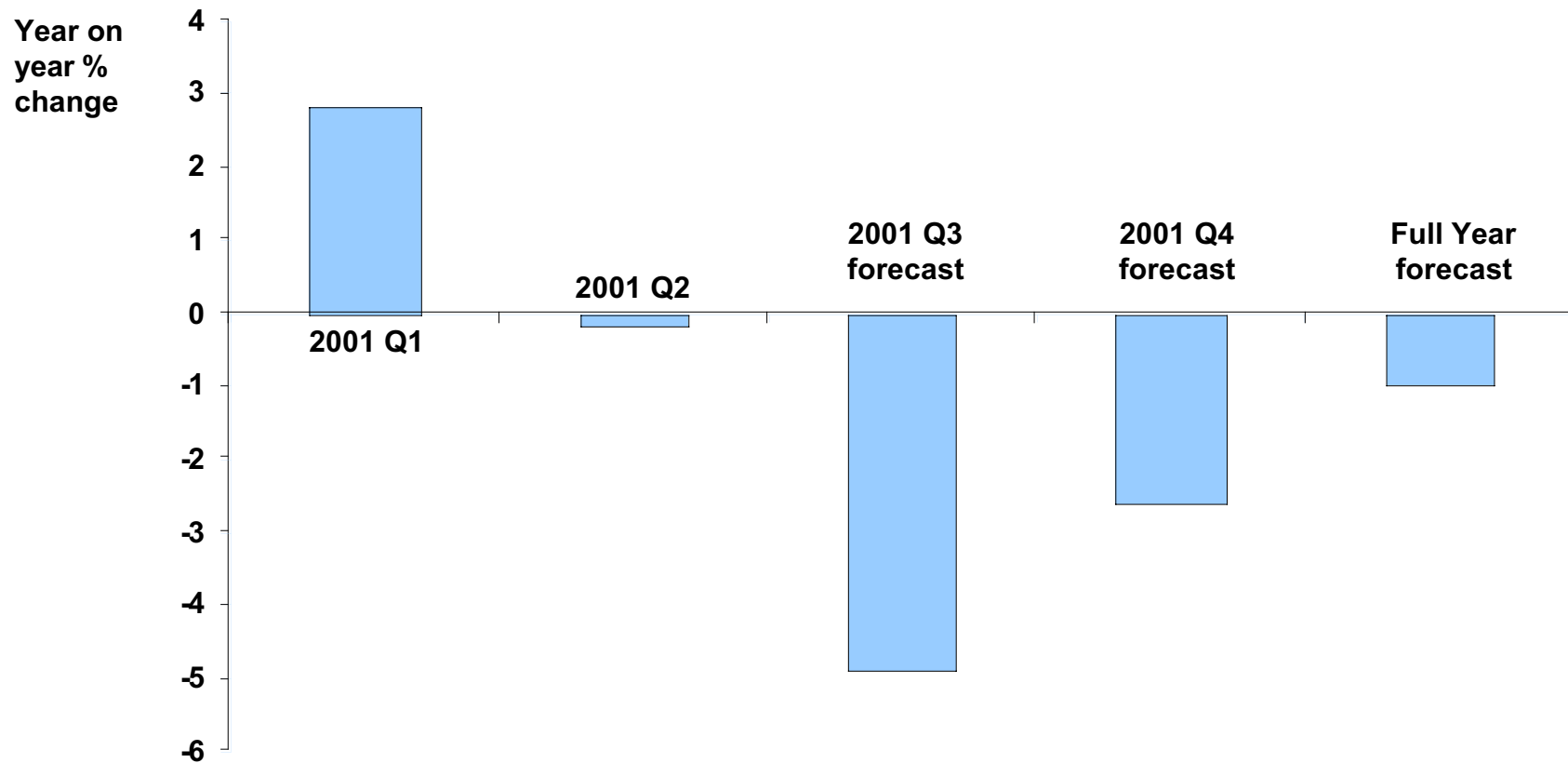
Source: DRI-WEFA, June 2001 World Car Industry Report

GKN - North American Vehicle Build

Variance to 2000

	Qtr 1	Qtr 2	Total First Half
Big Three	(21%)	(12%)	(17%)
Other	2%	-	1%
Total	(16%)	(10%)	(13%)

Western European Light Vehicle Quarterly Production



GKN - 2001 Vehicle Build Forecast

(millions of vehicles)

	1st half	2nd half	Total	2nd half/ 1st half Reduction
North America	8.1	7.3	15.4	(10%)
Western Europe	9.0	7.4	16.4	(18%)

GKN - Automotive Sales

	First Half 2001 £m	First Half 2000 £m	Increase/ (Decrease) %	Underlying change* %
ADD	930	810	15	3
Powder Metallurgy	321	333	(4)	(14)
OffHighway & Other	243	219	11	(1)
Total	1494	1362	10	(2)

* Excluding currency and acquisitions

Key Factors - Automotive

- ADD
 - Sales growth from new programmes, outsourcing and developing markets
 - Margin reduction while outsourcing and new programmes develop
- Powder Metallurgy
 - Sales sharply lower due to lower production in “Big 3”
 - Margins severely impacted by production cuts in USA and by restructuring costs
- OffHighway
 - Lower sales and margins due to poor and deteriorating agricultural and construction markets

Automotive - New Business

- ADD launches 4 new CV jointed propshaft contracts in USA
- ADD launches Toyota Camry halfshaft business for all Asia Pacific
- GKN Sinter Metals awarded over \$70m in new business
- GKN Sinter Metals installs worlds largest hybrid powder metal press at Salem Indiana to meet transmission component sales growth
- OffHighway Systems new gearbox plant gains £30m of new business

Sales and Profit - Aerospace

	First half 2001 £m	First half 2000 £m
Sales		
Subsidiaries	304	627
Joint ventures and associates	462	42
	766	669
Profit		
Subsidiaries	8	44
Joint ventures and associates	46	2
	54	46

AgustaWestland - New Business

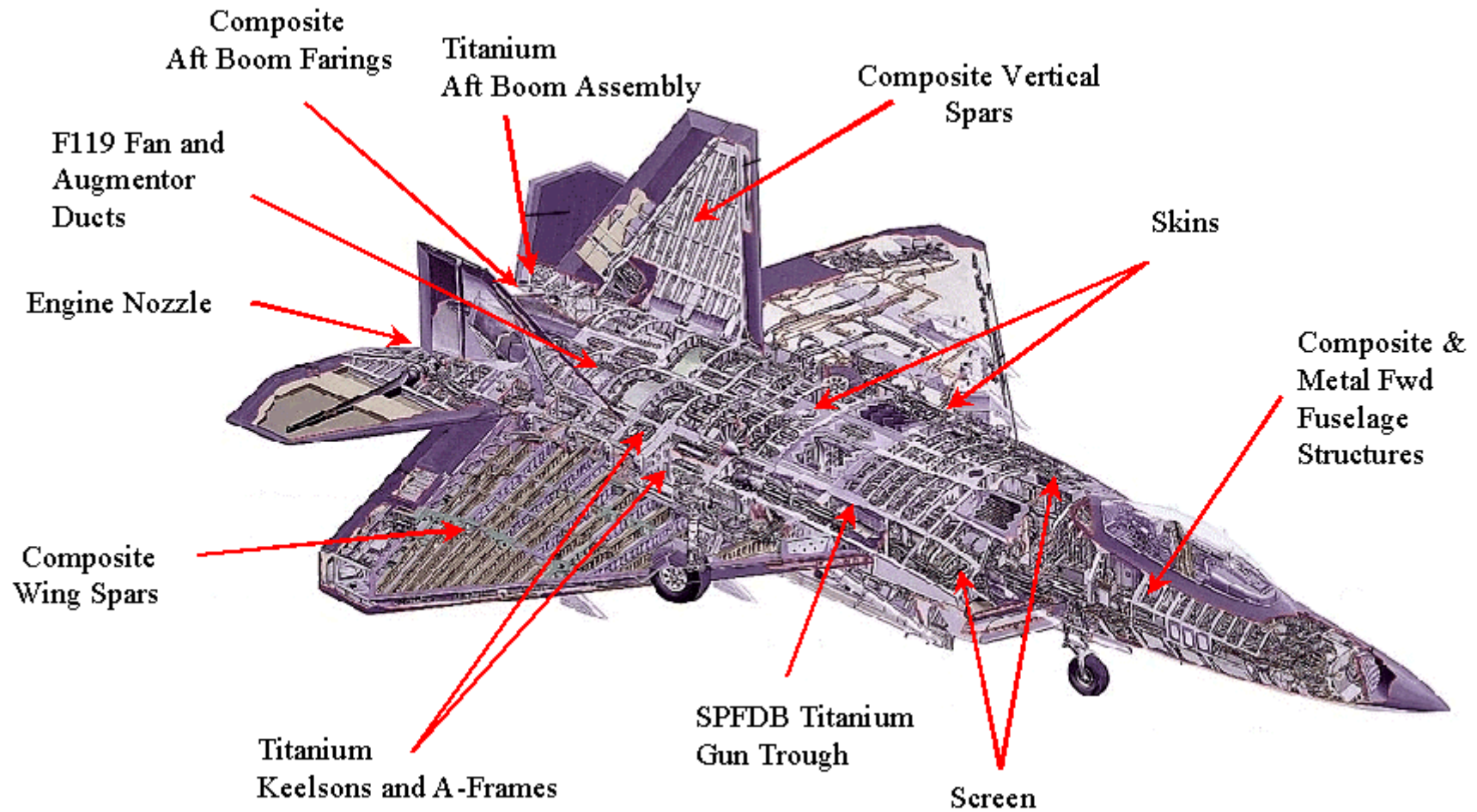
- Swedish Army order 20 A109 Power helicopters
- Oman Defence Minister announces decision to purchase 20 Super Lynx helicopters
- £100m contract for UK Bowman programme secured
- Contract signed for 2 Lynx 300 for Thailand Navy

GKN Aerospace

Key US Defence Programme/GKN Content

Programme	Revenue per plane	Anticipated programme number
F18 E/F	\$3m	480
C17	\$8m	198
F22	\$3m	339
V.22	\$1m	360

GKN Aerospace - F22 Raptor



Aerospace Services - New Business

- \$15 m development and manufacture contract won for composites for Boeing Comanche
- Composites and machining contracts won for F18 and F22
- Selected by Airbus for joint engineering packages for development of A380 Wing Box Structures
- A320 Front spars contract won
- \$7.5m contract won for Pratt & Whitney GG8 turbine exhaust cases

Summary

- Drive Line
 - Resilience and new business wins
- Powder Metallurgy
 - Quick Action to cut costs
- Helicopters
 - AgustaWestland a very good start
- Aerospace Services
 - Reorganisation benefits feeding through

Strong positive management of the downturn

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Analysis of Sales and Profits - First Half 2001

	Continuing Businesses £m	Industrial Services £m	Total £m
Sales	2260	538	2798
Operating profit*	175	72	247

* Before goodwill amortisation and exceptional items

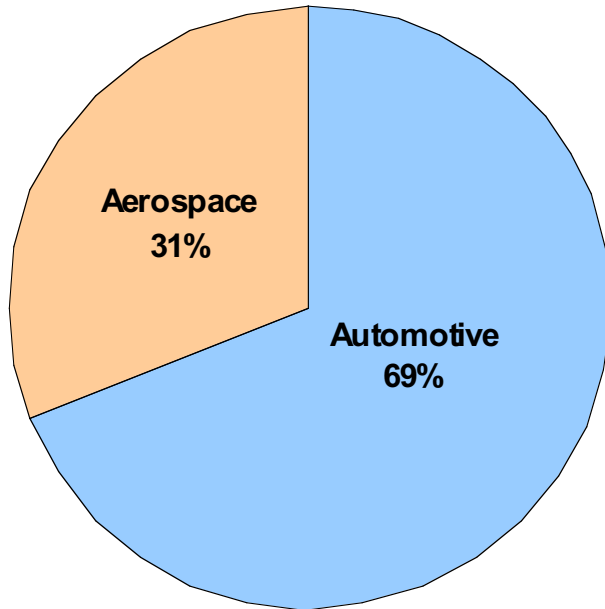
Pro Forma GKN Continuing Businesses

	First half 2001 £m	First half 2000 £m	Increase/ (Decrease) %
Sales	2260	2031	11
Operating profit*	175	208	(16)
Profit before tax*	143	193	(26)

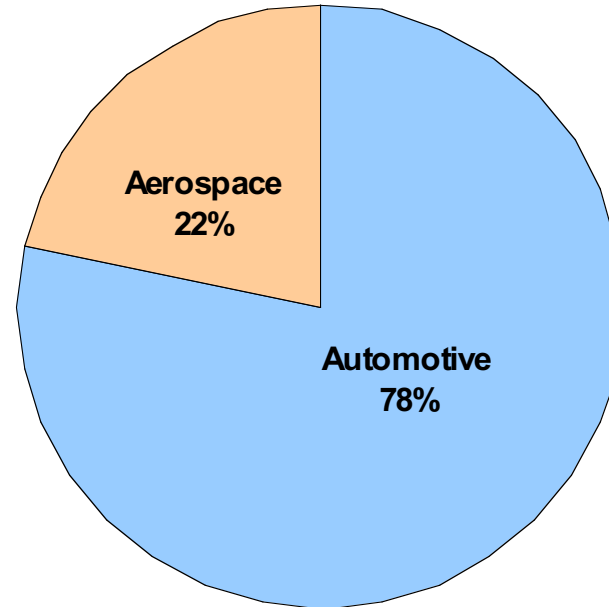
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GKN Continuing Businesses Operating Profit by Business

**First Half
2001
£175m**

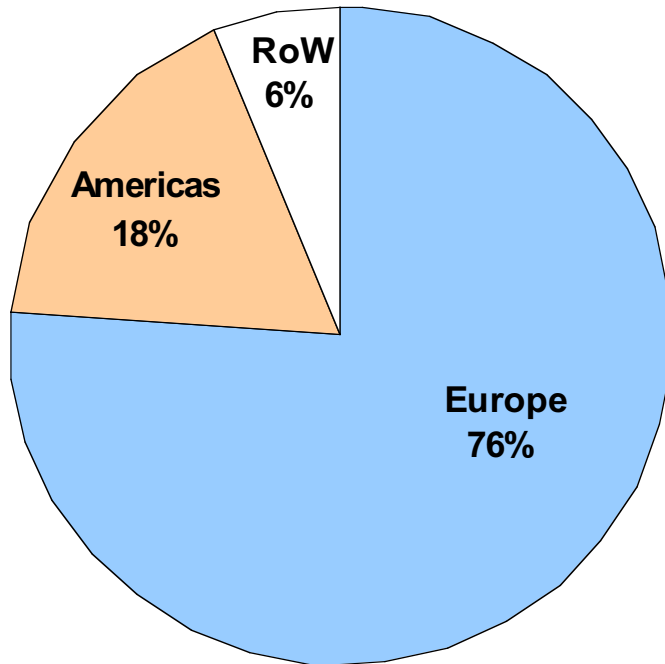


**First Half
2000
£208m**

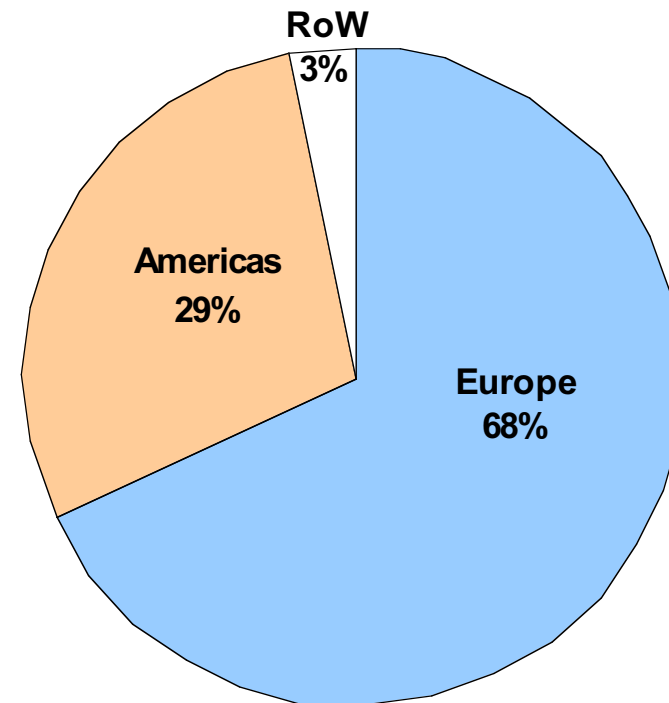


GKN Continuing Businesses Operating Profit by Region of Origin

2001
£175m



2000
£208m



GKN Continuing Businesses' Results

Showing Effects of Currency, Acquisitions and Underlying Changes

	Reported £m	Currency £m	Acquisitions/ Divestments £m	Underlying Decrease %
Sales	2260	55	190	(1)
Operating profit*	175	7	14	(25)

* Before goodwill amortisation and exceptional items

Effect of currency on operating profit in full year

1% movement in US\$ £1.1 million

1% movement in Euro £2.8 million



Sales - Automotive

	First half 2001 £m	First half 2000 £m	Increase/ (Decrease) Actual %	Increase/ (Decrease) Underlying %
Subsidiaries	1414	1284	10	(2)
Joint ventures	80	78	3	14
	1494	1362	10	(1)

Operating Profit - Automotive

	First half 2001 £m	First half 2000 £m	Decrease Actual %	Increase/ (Decrease) Underlying %
Subsidiaries	107	148	(28)	(31)
Joint ventures and associates	14	14	-	8
	121	162	(25)	(29)

Major Factors in Automotive Sales and Operating Profit

	Sales £m	Operating Profit £m
Impact of reduced automotive volumes in North America	(75)	(36)
Natural gas, energy, severance etc.	-	(8)
OffHighway and AutoComponents	(2)	(7)
New Programmes and gains in other markets	63	4
	(14)	(47)

Powder Metals - Operational gearing in North America

- Low material content - higher added value
- Higher internal cost base - takes time to reduce
- Hoeganaes supplies most of Sinter Metals powder in North America

ADD North America

- Impact of slow down less pronounced
- Less exposure to “Big 3”
- Japanese transplants have seen smaller decline in output
- Higher material content of sales
- Strength of new programme led to
 - Small increase in total North American sales

Sales and Profit - Aerospace

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GKN Continuing Businesses

	Sales		Operating Profit	
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Automotive	1494	1362	121	162
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Total	2260	2031	175	208

GKN Continuing Businesses Margins

	1st Half 2001 %	1st Half 2000 %	2nd Half 2000 %
Automotive	8.1	11.9	11.1
Aerospace	7.0	6.9	9.0
Total	7.7	10.2	10.3

GKN Continuing Businesses

Pro Forma Profit and Loss Account

	1st Half 2001 £m	1st Half 2000 £m
Operating profit before exceptional items and goodwill amortisation	175	208
Goodwill amortisation	(18)	(11)
Exceptional items	7	63
Profit before interest and tax	164	260
Interest		
• Subsidiaries	(31)	(14)
• Joint ventures	(1)	(1)
Profit before tax	132	245



GKN Continuing Businesses

Pro Forma Profit and Loss Account

	1st Half 2001 £m	1st Half 2000 £m
Profit before Taxation	132	245
Tax	(40)	(79)
	92	166
Minority interests	(2)	(4)
Earnings	90	162

Taxation - excluding exceptionals

	1st Half 2001 £m	1st Half 2000 £m
Taxation	(40)	(79)
Less due to exceptionals	(3)	(26)
	(37)	(53)
Profit before taxation*	143	193
Tax rate %	25.9	27.5

* Before goodwill amortisation and exceptional items

Cash Flow from Operations

	1st Half 2001 £m	1st Half 2000 £m
Continuing Businesses		
Operating profit of subsidiaries	98	182
Depreciation/goodwill amortisation	100	92
Decrease/(increase) in working capital and provisions	19	(136)
Customer advances	-	(30)
Other	5	2
	222	110

Net Cash Flow

	1st Half 2001 £m	1st Half 2000 £m
Continuing Businesses		
Cash flow from operations	222	110
Dividends from joint ventures and associates	1	8
Interest	(31)	(17)
Tax	(14)	(32)
Capital Expenditure	(138)	(132)
Acquisitions including joint ventures	(134)	(87)
Divestments	10	100
Other	(9)	(6)
Total Continuing Businesses	(93)	(56)
Discontinued businesses	3	(6)
Dividends Paid/'B' Share Redemption	(93)	(71)
Total Cash Flow	(183)	(133)



Capital Expenditure and Depreciation

	1st Half 2001 £m	1st Half 2000 £m
<u>Capital Expenditure</u>		
Automotive	112	102
Aerospace	12	20
	124	122
<u>Depreciation</u>		
Automotive	70	62
Aerospace	13	19
	83	81

Dividends paid

	1st Half 2001 £m	1st Half 2000 £m
Dividends paid/ B Share redemption	(93)	(71)

- **Dividends paid and announced are in respect of the consolidated GKN results**
- **Future dividend levels will be based on future earnings of the continuing businesses**

Net Borrowings

	1st Half 2001 £m	1st Half 2000 £m
Borrowings at beginning of period	(601)	(281)
Total cash flow	(183)	(133)
Subsidiaries acquired/sold		
• Westland transfer to JV	(143)	-
• Other	2	(15)
Currency/share issues	5	5
Borrowings at end of period	(920)	(424)

Net Assets, Net Borrowings and Interest Cover

	Pro Forma June 2001 £m	Pro Forma December 2000 £m
Net Assets	1184	1144
Net Borrowings	920	601

Interest Cover

5.5 times

Demerger Costs

- Results from Demerger
- Relates purely to Central Organisation and Investments
- Review underway
- Likely costs

	£m (estimated)
Investments and non cash items	14
Cash costs	9
	23
Fees already announced	17
Total	40

Summary

	First half 2001 £m	First half 2000 £m	Increase/ (Decrease) %
Sales	2260	2031	11
Operating profit*	175	208	(16)
Profit before tax*	143	193	(26)

* Before goodwill amortisation and exceptional items

- Increased sales but lower profits due to
 - North American automotive slowdown
 - Other sales gains could not offset impact to profits
- Good operating cashflow and strong balance sheet

Outlook

- Automotive markets uncertain but North America stabilising
- Vehicle production levels will be lower in 2nd half
- Off Highway markets remain depressed
- Helicopter sales steady
- Aerospace services continue to improve
- Restructuring of corporate organisation
- Long term strength through technology and market positions

GKN Continuing Businesses Balance Sheet

Adjusted for AgustaWestland

	Per listing particulars £m	Adjustments £m	Revised £m
<u>Fixed assets:</u>			
Investments	128	13	141
Other	1876	(64)	1812
	2004	(51)	1953
Current assets	1461	(270)	1191
Current liabilities	(1480)	338	(1142)
Long term liabilities and provisions	(914)	3	(911)
Net assets	1071	20	1091



The adjustment column reflects the removal from the consolidated balance sheet of the net liabilities of Westland and the introduction as an investment of 50% of the equity of AgustaWestland

GKN plc

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